Rogers Sugar Inc.

Interim Report for the 3rd Quarter 2016 Results

CONTINUED STRONG VOLUME AND HIGHER ADJUSTED GROSS MARGIN DELIVER IMPROVED RESULTS AND FREE CASH FLOW FOR THE QUARTER AND YEAR-TO-DATE

Message to Shareholders: On behalf of the Board of Directors, I am pleased to present the unaudited condensed consolidated interim financial results of Rogers Sugar Inc. (the "Company") for the three and nine months ended July 2, 2016.

Volume for the third quarter of fiscal 2016 was 169,481 metric tonnes compared to 160,713 metric tonnes in the comparable quarter of last year, an improvement of approximately 8,800 metric tonnes. Year-to-date, volume of 488,046 metric tonnes was approximately 22,100 metric tonnes higher than last year. Most of the favourable variance for the quarter and year-to-date is explained by higher industrial volume. The second quarter momentum continued into the third quarter and resulted in an increase in industrial volume of approximately 6,100 metric tonnes over last year, mostly due to strong demand from existing customers. Year-to-date, the industrial segment was approximately 16,400 metric tonnes higher than the comparable period last year, driven by the increase in the second and third quarter volume. Consumer volume was slightly higher by approximately 600 metric tonnes and 1,000 metric tonnes for the third quarter and year-to-date, respectively, due to timing in customers' retail promotions. Liquid volume was comparable to last year with a decrease of approximately 300 metric tonnes and an increase of approximately 100 metric tonnes for the third quarter and year-to-date, respectively. Finally, export volume was approximately 2,400 metric tonnes higher for the current quarter and approximately 4,600 metric tonnes higher year-to-date. Volume for the current quarter benefitted from additional volume shipped to the U.S., under High Tier duty, to Mexico and to other export markets.

With the mark-to-market of all derivative financial instruments and embedded derivatives in non-financial instruments at the end of each reporting period, our accounting income does not represent a complete understanding of factors and trends affecting the business. Consistent with previous reporting, we therefore prepared adjusted gross margin and adjusted earnings results to reflect the performance of the Company during the period without the impact of the mark-to-market of derivative financial instruments and embedded derivatives in non-financial instruments. Earnings before interest and income taxes ("EBIT") included a mark-to-market gain of $16.4 million for the third quarter and a mark-to-market gain of $29.2 million year-to-date, which were deducted to calculate adjusted EBIT and adjusted gross margin results.

Adjusted gross margin for the quarter of $20.4 million was $0.9 million higher than last year. Year-to-date, adjusted gross margin amounted to $66.5 million versus $61.8 million for the comparable period last year. The current quarter results include a non-cash pension charge of $2.4 million for committed future pension upgrades to one of the Company's defined benefit pension plans following the agreement with the Montreal unionized employees. Without this non-cash expense, adjusted gross margin was $3.3 million and $7.1 million higher for the quarter and year-to-date, respectively, when compared to the same periods in fiscal 2015. The improvement year-over-year is mostly due to higher sales volume, higher by-product revenues and lower beet cost, somewhat offset by approximately $0.8 million in additional costs as a result of the Montreal refinery six-day work stoppage that occurred at the beginning of June. Adjusted gross margin rate for the current quarter was $120.11 compared to $120.91 for the comparable quarter of fiscal 2015. Year-to-date, adjusted gross margin rate per metric tonne was $136.37 versus $132.71 last year. Excluding the non-cash pension expense, adjusted gross margin rate was $134.32 and $141.31 for the third quarter and year-to-date, respectively. The increase for the quarter and year-to-date is due mainly to efficiency gain as a result of a higher throughput at both cane refineries as well as a good harvest and processing campaign in Taber and subsequent juice campaign, which resulted in lower beet cost. However, the additional cost related to the Montreal refinery work stoppage reduced the adjusted gross margin rate per metric tonne by approximately $4.72 and $1.64 for the third quarter and year-to-date, respectively.

Administration and selling expenses amounted to $5.4 million for the third quarter, an increase of $0.6 million. The increase is due to additional expenses incurred as a result of the Montreal refinery work stoppage as well as additional legal costs and employee benefits incurred in the current quarter. Year-to-date, administration and selling expenses were $1.5 million lower than the first nine months of the prior year. During the first quarter of fiscal 2016, the Company completed the termination of the Western salaried defined benefit pension plan, with the settlement and transfer of the defined benefit pension liabilities to an insurance company. The settlement process resulted in the reversal of a non-cash accrual of $1.2 million against administration and selling expenses, pertaining to the deficit outstanding as at October 3, 2015. Excluding the impact of the settlement of the Western salaried defined benefit pension plan, administration and selling expenses was $0.3 million lower than the comparable period last year. The positive variation is due to a reduction in consulting fees which were incurred in the first quarter of the prior year to complete the process improvement review at the Montreal refinery somewhat offset by additional expenses incurred as a result of the Montreal refinery work stoppage, as explained above.

Distribution expenses were $0.4 million and $1.2 million higher for the current quarter and year-to-date, respectively, when compared to last year due to additional transfer costs between the Company's various locations as a result of an increase in sales volume and as a contingency plan for the Montreal refinery work stoppage.

As a result, adjusted EBIT for the third quarter was comparable to last year at $12.3 million. Year-to-date, adjusted EBIT increased by $5.0 million to $44.9 million in the first nine months of fiscal 2016. In total, adjusted EBIT was reduced by approximately $1.3 million due to additional costs related to the Montreal refinery six-day work stoppage.

Free cash flow was $0.9 million higher than the comparable quarter in fiscal 2015 and was $1.6 million higher than the first nine months of fiscal 2015. The increase in free cash flow for the quarter is mostly due to an increase in adjusted gross margin of $3.3 million, after eliminating the impact of the non-cash pension expense of $2.4 million. Offsetting some of the positive variance was an increase in interest paid of $1.4 million, an increase in capital spending, net of operational excellence capital expenditures of $0.6 million, an increase in income taxes paid of $0.4 million and higher pension contributions of $0.2 million. Similarly, the increase in free cash flow, year-to-date, is mainly explained by an increase in adjusted gross margin of $7.1 million, after removing the non-cash pension expense of $2.4 million. However, this positive variance was partly offset by higher pension contributions of $1.4 million, higher interest paid and income taxes paid of $1.1 million each and higher capital expenditures, net of operational excellence projects of $1.2 million. In addition, the purchase and cancellation of common shares in fiscal 2016 versus the issuance of common shares for the same period last year, yielded a negative variance of $0.8 million.

The volume gained in the industrial segment for the first nine months of the year was important. For the remainder of the year, we expect the fourth quarter shipping cadence to be similar to last year. Total volumes will reflect a thirteen week shipping period, one week less than fiscal 2015.

Similarly, we expect the consumer and liquid volume for the last quarter to be comparable to last year, after total shipments are adjusted to reflect a thirteen week period.

Finally, the export segment is expected to be slightly lower for the quarter when compared to the same period last year, largely due to the fact that last quarter of fiscal 2015 comprised of an additional week.

With the benefit of strong year-to-date volume results and continued momentum in the fourth quarter, we expect the total sales volume for the current year to surpass fiscal 2015's total volume, despite the absence of the extra shipping week.

During the quarter, two of the four Montreal refinery bargaining agreements were concluded and were signed at competitive rates. Negotiations with the two remaining unions, representing some 20 employees, are expected to conclude prior to year-end.

FOR THE BOARD OF DIRECTORS,

A. Stuart Belkin

Stuart Belkin, Chairman
Vancouver, British Columbia – July 27, 2016

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MANAGEMENTS' DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") dated July 27, 2016 of Rogers Sugar Inc. ("Rogers") should be read in conjunction with the unaudited condensed consolidated interim financial statements and notes thereto for the period ended July 2, 2016, as well as the audited consolidated financial statements and MD&A for the year ended October 3, 2015. The quarterly condensed consolidated interim financial statements and any amounts shown in this MD&A were not reviewed nor audited by our external auditors.

Management is responsible for preparing the MD&A. This MD&A has been reviewed and approved by the Audit Committee of Rogers and its Board of Directors.

Non-GAAP measures

In analyzing our results, we supplement our use of financial measures that are calculated and presented in accordance with GAAP, with a number of non-GAAP financial measures. A non-GAAP financial measure is a numerical measure of a company's historical performance, financial position or cash flow that excludes (includes) amounts, or is subject to adjustments that have the effect of excluding (including) amounts, that are included (excluded) in most directly comparable measures calculated and presented in accordance with GAAP. Non-GAAP financial measures are not standardized; therefore, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures having the same or similar businesses. We strongly encourage investors to review our consolidated financial statements and publicly filed reports in their entirety and not to rely on any single financial measure.

We use these non-GAAP financial measures in addition to, and in conjunction with, results presented in accordance with GAAP. These non-GAAP financial measures reflect an additional way of viewing aspects of our operations that, when viewed with our GAAP results and the accompanying reconciliations to corresponding GAAP financial measures, may provide a more complete understanding of factors and trends affecting our business.

In the MD&A, we discuss the non-GAAP financial measures, including the reasons that we believe that these measures provide useful information regarding our financial condition, results of operations, cash flows and financial position, as applicable and, to the extent material, the additional purposes, if any, for which these measures are used. Reconciliations of non-GAAP financial measures to the most directly comparable GAAP financial measures are contained in the MD&A.

Forward-looking statements

This report contains certain forward-looking statements, which reflect the current expectations of Rogers and Lantic Inc. (together referred to as "the Company") with respect to future events and performance. Wherever used, the words "may" "will," "anticipate," "intend," "expect," "plan," "believe," and similar expressions identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Although this is not an exhaustive list, the Company cautions investors that statements concerning the following subjects are, or are likely to be, forward-looking statements: future prices of raw sugar, natural gas costs, the opening of special refined sugar quotas in the United States, beet production forecasts, the status of labour contracts and negotiations, the level of future dividends and the status of government regulations and investigations. Forward-looking statements are based on estimates and assumptions made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that the Company believes are appropriate and reasonable in the circumstances, but there can be no assurance that such estimates and assumptions will prove to be correct. This could cause actual performance or results to differ materially from those reflected in the forward-looking statements, historical results or current expectations.

Additional information relating to the Company, including the Annual Information Form, Quarterly and Annual reports and supplementary information is available on SEDAR at www.sedar.com.

Internal disclosure controls

In accordance with Regulation 52-109 respecting certification of disclosure in issuers' interim filings, the Chief Executive Officer and Vice-President Finance have designed or caused it to be designed under their supervision, disclosure controls and procedures.

In addition, the Chief Executive Officer and Vice President Finance have designed or caused it to be designed under their supervision internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

The Chief Executive Officer and the Vice-President Finance have evaluated whether or not there were any changes to the Company's ICFR during the three month period ended July 2, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR. No such changes were identified through their evaluation.

Results of operations

Consolidated Results	For the three months ended		For the nine months ended	
(In thousands of dollars, except for volume and per share information)	July 2, 2016 (Unaudited)	June 27, 2015 (Unaudited)	July 2, 2016 (Unaudited)	June 27, 2015 (Unaudited)
Volume (metric tonnes)	169,481	160,713	488,046	465,900
Revenues	$ 138,600	$ 130,592	$ 402,678	$ 386,438
Gross margin	36,721	10,854	95,805	52,620
Administration and selling expenses	5,423	4,873	13,977	15,448
Distribution expenses	2,662	2,233	7,702	6,455
Earnings before interest and provision for income taxes (EBIT)	28,636	3,748	74,126	30,717
Net finance costs	2,393	2,272	7,385	8,633
Provision for income taxes	6,860	426	17,615	5,852
Net earnings	$ 19,383	$ 1,050	$ 49,126	$ 16,232
Net earnings per share basic	$ 0.21	$ 0.01	$ 0.52	$ 0.17

In the normal course of business, the Company uses derivative financial instruments consisting of sugar futures, foreign exchange forward contracts, natural gas futures and interest rate swaps. The Company sells refined sugar to some clients in U.S. dollars. These sales contracts are viewed as having an embedded derivative if the functional currency of the customer is not U.S. dollars, the embedded derivative being the source currency of the transaction, U.S. dollars. Derivative financial instruments and embedded derivatives are marked-to-market at each reporting date, with the unrealized gains/losses charged to the unaudited condensed consolidated interim statement of earnings with a corresponding offsetting amount charged to the unaudited condensed consolidated statement of financial position.

Management believes that the Company's financial results are more meaningful to management, investors, analysts and any other interested parties when financial results are adjusted by the gains/losses from financial derivative instruments and from embedded derivatives. These adjusted financial results provide a more complete understanding of factors and trends affecting our business. This measurement is a non-GAAP measurement.

Management uses the non-GAAP adjusted results of the operating company to measure and to evaluate the performance of the business through its adjusted gross margin, adjusted EBIT and adjusted net earnings. In addition, management believes that these measures are important to our investors and parties evaluating our performance and comparing such performance to past results. Management also uses adjusted gross margin, adjusted EBIT and adjusted net earnings when discussing results with the Board of Directors, analysts, investors, banks and other interested parties.

The results of operations would therefore need to be adjusted by the following:

Income (loss)	For the three months ended		For the nine months ended	
(In thousands)	July 2, 2016 (Unaudited)	June 27, 2015 (Unaudited)	July 2, 2016 (Unaudited)	June 27, 2015 (Unaudited)
Mark-to-market adjustment (excluding interest swap)	$ 7,183	$ (5,588)	$ 5,746	$ (7,508)
Cumulative timing differences	9,182	(2,990)	23,503	(1,700)
Total adjustment to cost of sales	$ 16,365	$ (8,578)	$ 29,249	$ (9,208)

Price movements in raw sugar and natural gas as well as the movement in value of the U.S. dollar resulted in a mark-to-market gain for the quarter and year-to-date of $7.2 million and $5.7 million, respectively, as opposed to a mark-to-market loss of $5.6 million and $7.5 million for the comparative periods in fiscal 2015. The movement in price of raw sugar resulted in a $3.9 million gain for the current quarter versus a $1.7 million loss for the comparable quarter last year. Year-to-date, a mark-to-market gain of $7.0 million was recorded compared to a $2.9 million loss in fiscal 2015. Natural gas prices have decreased since the beginning of the fiscal year but increased during the current quarter. As a result, a mark-to-market gain of $1.9 million and a mark-to-market loss of $1.1 million were recorded for the quarter and year-to-date, respectively. This compares to a mark-to-market loss of $0.1 million in the third quarter last year and $8.3 million for the first nine months of fiscal 2015 as a result of a market decline throughout the year. Foreign exchange forward contracts and embedded derivatives, on which foreign exchange movements have an impact, had a combined mark-to-market gain of $1.4 million for the quarter, versus a $3.8 million loss for the comparable quarter last year. Year-to-date, a mark-to-market loss of $0.2 million was recorded in fiscal 2016 versus a gain of $3.7 million last year.

Cumulative timing differences, as a result of mark-to-market gains or losses, are recognized by the Company only when sugar is sold to a customer and when natural gas is used. The gains or losses on sugar and related foreign exchange paper transactions are largely offset by corresponding gains or losses from the physical transactions, namely sale and purchase contracts with customers and suppliers. This adjustment is added or deducted to the mark-to-market results to arrive at the total adjustment to cost of sales. For the current quarter and year-to-date, the total cost of sales adjustment is a gain of $16.4 million and $29.2 million, respectively, to be deducted from the consolidated operating results. In fiscal 2015, a loss of $8.6 million for the third quarter and a loss of $9.2 million for the first nine months need to be added back to the consolidated operating results.

In addition, under short-term interest expense, the Company recorded a minimal mark-to-market gain for the quarter on the mark-to-market of interest rate swaps, versus a gain of $0.5 million for the comparable period last year. Year-to-date, the mark-to-market gain was also minimal compared to a mark-to-market loss of $0.6 million for the first nine months of fiscal 2015.

The following is a table showing the adjusted consolidated results (non-GAAP) without the above mark-to-market results:

Consolidated Results	For the three months ended		For the nine months ended	
(In thousands of dollars, except per share information)	July 2, 2016 (Unaudited)	June 27, 2015 (Unaudited)	July 2, 2016 (Unaudited)	June 27, 2015 (Unaudited)
Gross margin as per financial statements	$ 36,721	$ 10,854	$ 95,805	$ 52,620
Adjustment as per above	(16,365)	8,578	(29,249)	9,208
Adjusted gross margin	20,356	19,432	66,556	61,828
EBIT as per financial statements	28,636	3,748	74,126	30,717
Adjustment as per above	(16,365)	8,578	(29,249)	9,208
Adjusted EBIT	12,271	12,326	44,877	39,925
Net earnings as per financial statements	19,383	1,050	49,126	16,232
Adjustment to cost of sales as per above	(16,365)	8,578	(29,249)	9,208
Adjustment for mark-to-market of finance (income) costs	(35)	(456)	(25)	586
Deferred taxes on above adjustments	4,276	(2,112)	7,788	(2,761)
Adjusted net earnings	$ 7,259	$ 7,060	$ 27,640	$ 23,265
Net earnings per share basic, as per financial statements	$ 0.21	$ 0.01	$ 0.52	$ 0.17
Adjustment for the above	(0.13)	0.07	(0.23)	0.08
Adjusted net earnings per share basic	$ 0.08	$ 0.08	$ 0.29	$ 0.25

Volume for the third quarter of fiscal 2016 was 169,481 metric tonnes compared to 160,713 metric tonnes in the comparable quarter of last year, an improvement of approximately 8,800 metric tonnes. Year-to-date, volume of 488,046 metric tonnes was approximately 22,100 metric tonnes higher than last year. Most of the favourable variance for the quarter and year-to-date is explained by higher industrial volume. The second quarter momentum continued into the third quarter and resulted in an increase in industrial volume of approximately 6,100 metric tonnes over last year, mostly due to strong demand from existing customers. Year-to-date, the industrial segment was approximately 16,400 metric tonnes higher than the comparable period last year, driven by the increase in the second and third quarter volume. Consumer volume was slightly higher by approximately 600 metric tonnes and 1,000 metric tonnes for the third quarter and year-to-date, respectively, due to timing in customers' retail promotions. Liquid volume was comparable to last year with a decrease of approximately 300 metric tonnes and an increase of approximately 100 metric tonnes for the third quarter and year-to-date, respectively. Finally, export volume was approximately 2,400 metric tonnes higher for the current quarter and approximately 4,600 metric tonnes higher year-to-date. Volume for the current quarter benefitted from additional volume shipped to the U.S., under High Tier duty, to Mexico and to other export markets.

Revenues for the quarter were $8.0 million and $16.2 million higher than the third quarter and year-to-date last year, respectively, due to an increase in sales volume and a higher #11 world raw sugar price in fiscal 2016.

As previously mentioned, gross margin of $36.7 million for the quarter and $95.8 million year-to-date does not reflect the economic margin of the Company, as it includes a gain of $16.4 million for the current quarter for the mark-to-market of derivative financial instruments explained earlier and a gain of $29.2 million for the first nine months of fiscal 2016. We will therefore comment on adjusted gross margin results.

Adjusted gross margin for the quarter of $20.4 million was $0.9 million higher than last year. Year-to-date, adjusted gross margin amounted to $66.5 million versus $61.8 million for the comparable period last year. The current quarter results

include a non-cash pension charge of $2.4 million for committed future pension upgrades to one of the Company's defined benefit pension plans following the agreement with the Montreal unionized employees. Without this non-cash expense, adjusted gross margin was $3.3 million and $7.1 million higher for the quarter and year-to-date, respectively, when compared to the same periods in fiscal 2015. The improvement year-over-year is mostly due to higher sales volume, higher by-product revenues and lower beet cost, somewhat offset by approximately $0.8 million in additional costs as a result of the Montreal refinery six-day work stoppage that occurred at the beginning of June. Adjusted gross margin rate for the current quarter was $120.11 compared to $120.91 for the comparable quarter of fiscal 2015. Year-to-date, adjusted gross margin rate per metric tonne was $136.37 versus $132.71 last year. Excluding the non-cash pension expense, adjusted gross margin rate was $134.32 and $141.31 for the third quarter and year-to-date, respectively. The increase for the quarter and year-to-date is due mainly to efficiency gain as a result of a higher throughput at both cane refineries as well as a good harvest and processing campaign in Taber and subsequent juice campaign, which resulted in lower beet cost. However, the additional cost related to the Montreal refinery work stoppage reduced the adjusted gross margin rate per metric tonne by approximately $4.72 and $1.64 for the third quarter and year-to-date, respectively.

Administration and selling expenses amounted to $5.4 million for the third quarter, an increase of $0.6 million. The increase is due to additional expenses incurred as a result of the Montreal refinery work stoppage as well as additional legal costs and employee benefits incurred in the current quarter. Year-to-date, administration and selling expenses were $1.5 million lower than the first nine months of the prior year. During the first quarter of fiscal 2016, the Company completed the termination of the Western salaried defined benefit pension plan, with the settlement and transfer of the defined benefit pension liabilities to an insurance company. The settlement process resulted in the reversal of a non-cash accrual of $1.2 million against administration and selling expenses, pertaining to the deficit outstanding as at October 3, 2015. Excluding the impact of the settlement of the Western salaried defined benefit pension plan, administration and selling expenses was $0.3 million lower than the comparable period last year. The positive variation is due to a reduction in consulting fees which were incurred in the first quarter of the prior year to complete the process improvement review at the Montreal refinery somewhat offset by additional expenses incurred as a result of the Montreal refinery work stoppage, as explained above.

Distribution expenses were $0.4 million and $1.2 million higher for the current quarter and year-to-date, respectively, when compared to last year due to additional transfer costs between the Company's various locations as a result of an increase in sales volume and as a contingency plan for the Montreal refinery work stoppage.

As a result, adjusted EBIT for the third quarter was comparable to last year at $12.3 million. Year-to-date, adjusted EBIT increased by $5.0 million to $44.9 million in the first nine months of fiscal 2016. In total, adjusted EBIT was reduced by approximately $1.3 million due to additional costs related to the Montreal refinery six-day work stoppage.

Net finance costs for the quarter and year-to-date include a minimal mark-to-market gain on the interest rate swaps while last year's comparable periods resulted in a gain of $0.5 million and a loss of $0.6 million, respectively. Without the above mark-to-market adjustments, net finance costs for the quarter and year-to-date were $0.3 million and $0.6 million lower than the comparable periods in fiscal 2015, which is explained by a lower level of borrowings as a result of lower inventories in the current fiscal year.

The provision for income taxes includes a deferred tax expense of $4.3 million for the quarter and $7.8 million year-to-date for the mark-to-market adjustment as compared to a deferred tax recovery of $2.1 million for the quarter and $2.8 million year-to-date for the comparable periods of last year. On an adjusted basis, the provision for income taxes for the third quarter was comparable to last year and was $1.2 million higher than the first nine months of the prior year due mainly to an increase in adjusted earnings before income taxes.

Statement of quarterly results

The following is a summary of selected financial information of the unaudited condensed consolidated interim financial statements and non-GAAP measures of the Company for the last eight quarters.

(In thousands of dollars, except for volume, margin rate and per share information)	2016 (Unaudited)			2015 (Unaudited)				2014 (Unaudited)
	3-Q	2-Q	1-Q	4-Q	3-Q	2-Q	1-Q	4-Q
Volume (MT)	169,481	161,638	156,926	192,912	160,713	152,579	152,608	170,767
Revenues	138,600	133,988	130,090	155,107	130,592	127,120	128,726	139,688
Gross margin	36,721	20,520	38,564	23,675	10,854	18,402	23,364	15,077
EBIT	28,636	12,900	32,590	13,753	3,748	11,209	15,760	3,706
Net earnings	19,383	7,672	22,071	7,801	1,050	5,767	9,415	874
Gross margin rate per MT	216.67	126.95	245.75	122.72	67.54	120.61	153.10	88.29
Per share								
Net earnings								
Basic	0.21	0.08	0.23	0.08	0.01	0.06	0.10	0.01
Diluted	0.19	0.08	0.21	0.08	0.01	0.06	0.10	0.01
Non-GAAP Measures								
Adjusted gross margin	20,356	20,366	25,834	24,054	19,432	17,071	25,325	23,988
Adjusted EBIT	12,271	12,746	19,860	14,132	12,326	9,878	17,721	12,617
Adjusted net earnings	7,259	7,630	12,751	8,494	7,060	5,400	10,804	7,386
Adjusted gross margin rate per MT	120.11	126.00	164.63	124.69	120.91	111.88	165.95	140.47
Adjusted net earnings per share								
Basic	0.08	0.08	0.14	0.09	0.08	0.06	0.11	0.08
Diluted	0.08	0.08	0.13	0.09	0.08	0.06	0.11	0.08

Historically the first quarter (October to December) of the fiscal year is the best quarter for adjusted gross margins and adjusted net earnings due to the favourable sales mix associated with an increased proportion of consumer sales during that period of the year. At the same time, the second quarter (January to March) historically has the lowest volume as well as an unfavourable customer mix, resulting in lower revenues, adjusted gross margins and adjusted net earnings.

Liquidity

Cash flow generated by the operating company, Lantic, is paid to Rogers by way of dividends and return of capital on the common shares of Lantic, and by the payment of interest on the subordinated notes of Lantic held by Rogers, after having taken reasonable reserves for capital expenditures and working capital. The cash received by Rogers is used to pay dividends to its shareholders.

	For the three months ended		For the nine months ended	
(In thousands of dollars)	July 2, 2016 (Unaudited)	June 27, 2015 (Unaudited)	July 2, 2016 (Unaudited)	June 27, 2015 (Unaudited)
Cash flow from operating activities	$ 27,099	$ 614	$ 46,174	$ 13,607
Cash flow (used in) from financing activities	(18,281)	10,444	(33,184)	3,794
Cash flow used in investing activities	(2,606)	(2,119)	(8,040)	(7,057)
Net increase in cash and cash equivalents	$ 6,212	$ 8,939	$ 4,950	$ 10,344

Cash flow from operations was positive $27.1 million in the third quarter of 2016, as opposed to positive $0.6 million in the comparable quarter of fiscal 2015. The positive variation of $26.5 million is mostly explained by an increase in earnings before income taxes of $27.2 million, after eliminating the impact of the non-cash pension expense of $2.4 million as well as a positive non-cash working capital variation of $8.5 million. Offsetting some of the positive variation was a negative non-cash variation in fair value of derivative financial instruments of $7.0 million, an increase in interest paid and income taxes paid of $1.4 million and $0.4 million, respectively, as well as higher pension plan contributions of $0.2 million. Year-to-date, cash flow from operations was positive $46.2 million compared to $13.6 million last year, a variation of $32.6 million. The year-to-date variation is mainly explained by an increase in earnings before income taxes of $44.7 million. This positive variation was reduced by a negative non-cash working capital of $5.5 million and a negative non-cash variation in fair value of financial instruments of $2.9 million. In addition, pension contributions were $1.4 million higher than last year. Finally, interest paid and income taxes paid were each $1.1 million higher in the current year.

Cash flow from financing activities was negative $18.3 million for the current quarter versus positive $10.4 million for the comparable quarter of last year. The variation is attributable to the decrease in borrowings and bank overdraft for the current quarter as opposed to an increase in the comparable quarter. Year-to-date, cash flow from financing activities was negative $33.2 million compared to positive $3.8 million, a variation year-over-year of $37.0 million also as a result of lower borrowings and bank overdraft compared to the prior year. In addition, in fiscal 2016, the Company purchased and cancelled common shares under the Normal Course Issuer bid ("NCIB") for a total cash outflow of $0.7 million. This compares to an issuance of common shares in fiscal 2015 for a total value of $0.1 million following the exercise of share options by an executive of the Company.

Capital expenditures were higher by $0.5 million and $1.0 million in the third quarter of fiscal 2016 and year-to-date, respectively, consistent with higher planned spending on capital projects for fiscal 2016.

In order to provide additional information, the Company believes it is appropriate to measure free cash flow, a non-GAAP measure, which is generated by the operations of the Company and can be compared to the level of dividends paid by Rogers. Free cash flow is defined as cash flow from operations excluding changes in non-cash working capital, mark-to-market and derivative timing adjustments, financial instruments non-cash amount and including capital expenditures net of operational excellence projects.

Free cash flow is as follows:

	For the three months ended		For the nine months ended	
(In thousands of dollars)	July 2, 2016 (Unaudited)	June 27, 2015 (Unaudited)	July 2, 2016 (Unaudited)	June 27, 2015 (Unaudited)
Cash flow from operations	$ 27,099	$ 614	$ 46,174	$ 13,607
Adjustments:				
Changes in non-cash working capital	(943)	7,549	24,654	19,144
Changes in non-cash income taxes payable	(355)	(31)	(1,310)	(648)
Changes in non-cash interest payable	1,564	(153)	1,591	(146)
Mark-to-market and derivative timing adjustments	(16,400)	8,122	(29,274)	9,794
Financial instruments non-cash amount	1,479	(5,106)	(2,882)	(6,413)
Capital expenditures	(2,606)	(2,119)	(8,040)	(7,057)
Operational excellence capital expenditures	56	126	291	503
Net (repurchase) issue of common shares	-	-	(727)	108
Deferred financing charges	(90)	(90)	(90)	(90)
Free cash flow	$ 9,804	$ 8,912	$ 30,387	$ 28,802
Declared dividends	$ 8,444	$ 8,465	$ 25,351	$ 25,393

Free cash flow was $0.9 million higher than the comparable quarter in fiscal 2015 and was $1.6 million higher than the first nine months of fiscal 2015. The increase in free cash flow for the quarter is mostly due to an increase in adjusted gross margin of $3.3 million, after eliminating the impact of the non-cash pension expense of $2.4 million. Offsetting some of the positive variance was an increase in interest paid of $1.4 million, an increase in capital spending, net of operational excellence capital expenditures of $0.6 million, an increase in income taxes paid of $0.4 million and higher pension contributions of $0.2 million. Similarly, the increase in free cash flow, year-to-date, is mainly explained by an increase in adjusted gross margin of $7.1 million, after removing the non-cash pension expense of $2.4 million. However, this positive variance was partly offset by higher pension contributions of $1.4 million, higher interest paid and income taxes paid of $1.1 million each and higher capital expenditures, net of operational excellence projects of $1.2 million. In addition, the purchase and cancellation of common shares in fiscal 2016 versus the issuance of common shares for the same period last year, yielded a negative variance of $0.8 million.

Changes in non-cash operating working capital, income taxes payable and interest payable represent quarter-over-quarter movement in current assets such as accounts receivables and inventories and current liabilities like accounts payable. Movements in these accounts are due mainly to timing in the collection of receivables, receipts of raw sugar and payment of liabilities. Increases or decreases in such accounts do not therefore constitute available cash for distribution. Such increases or decreases are financed from available cash or from the Company's available credit facilities of $150.0 million. Increases or decreases in short-term bank indebtedness are also due to timing issues from the above, and therefore do not constitute available cash for distribution.

The combined impact of the mark-to-market and financial instruments non-cash amount of negative $14.9 million for the quarter and negative $32.2 million year-to-date does not represent cash items as these contracts will be settled when the physical transactions occur and is therefore adjusted to free cash flow.

Capital expenditures, net of operational excellence projects, were higher than last year by approximately $0.6 million for the quarter and by approximately $1.2 million year-to-date, consistent with higher planned spending on capital projects in fiscal 2016. Operational excellence capital expenditures are added back as these capital projects are not required for the operation of the refineries but are undertaken due to operational savings to be realized when these projects are completed.

For the first nine months, Rogers repurchased 178,600 common shares year-to-date under the NCIB for a total cash consideration of $0.7 million. For the comparable period last year, an amount of $0.1 million was received following the exercise of share options by an executive of the Company.

During the current quarter, Lantic exercised its option to extend its revolving credit facility under the same terms and conditions of the credit agreement entered into on June 28, 2013. The maturity date of the revolving credit facility was therefore extended to June 28, 2021. As a result, the Company paid $0.1 million in deferred financing costs during the current quarter. The extension to the revolving credit facility was also exercised in fiscal 2015 resulting in the same cash outflow for the comparable period.

The Company declared a quarterly dividend of 9.0 cents per common share for a total amount of approximately $8.4 million during the quarter.

Contractual obligations

There are no significant changes in the contractual obligations table disclosed in the Management's Discussion and Analysis of the October 3, 2015 Annual Report.

At July 2, 2016, the operating company had commitments to purchase a total of 1,290,600 metric tonnes of raw sugar, of which 212,053 metric tonnes had been priced for a total dollar commitment of $101.8 million.

Capital resources

Lantic has $150.0 million as an authorized line of credit available to finance its operation. As discussed above, this line of credit expires in June 2021 following the recent extension of the maturity by one year. At quarter-end, $70.0 million had been drawn from the working capital line of credit and $6.3 million in cash was also available.

Cash requirements for working capital and other capital expenditures are expected to be paid from available credit resources and from funds generated from operations.

Outstanding securities

In November 2015, the Company received approval from the Toronto Stock Exchange to proceed with another NCIB whereby the Company may purchase up to 500,000 common shares. The NCIB commenced on December 1, 2015 and may continue to November 30, 2016. In addition, the Company has entered into an Automatic Share Purchase Plan ("ASPP") with Scotia Capital Inc. ("Scotia"). Under this agreement, Scotia may acquire, at its discretion, common shares on the Company's behalf during certain "black-out" periods, subject to certain parameters as to price and number of shares. During the second quarter of 2016, a total of 97,800 common shares were purchased and canceled under the ASPP for a total cash consideration of $0.4 million.

During the first quarter of fiscal 2016, the Company purchased 80,800 common shares under the NCIB in place at the time, for a total cash consideration of $0.3 million. All shares purchased were cancelled.

In total, 178,600 common shares were purchased and cancelled in fiscal 2016 for a total cash consideration of $0.7 million. Therefore, as at July 27, 2016, there were 93,850,160 common shares outstanding.

The fourth series 5.7% convertible unsecured subordinated debentures of $50.0 million matures on April 30, 2017 and as such, was shown as current in the third quarter of fiscal 2016. The Company does not anticipate any issue with refinancing the fourth series convertible unsecured subordinated debentures.

During the quarter, 70,000 options were forfeited following the retirement of an executive.

Critical accounting estimate and accounting policies

There are no significant changes in the critical estimate and accounting policies disclosed in the Management's Discussion and Analysis of the October 3, 2015 Annual Report.

Significant accounting policies

The significant accounting policies as disclosed in the Company's audited annual consolidated financial statements for the year ended October 3, 2015 have been applied consistently in the preparation of these unaudited condensed consolidated interim financial statements except as noted below:

- IAS 19, Employee benefits:

  In November 2013, the IASB issued amendments to pension accounting under IAS 19, *Employee benefits*. The amendments introduce a relief (practical expedient) that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are effective for years beginning on or after January 1, 2015. The Company adopted the amendments in the first quarter of the year ending October 1, 2016. The adoption of IAS 19, *Employee Benefits*, did not have an impact on the unaudited condensed consolidated interim financial statements.

Future accounting changes

A number of new standards, and amendments to standards and interpretations, are not yet effective and have not been applied in preparing these unaudited condensed consolidated interim financial statements.

- IFRS 9, *Financial instruments*:

  On July 24, 2014, the IASB issued the complete IFRS 9 (IFRS 9 (2014)). The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

  IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

  The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment.

  IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it will provide more

hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.

Special transitional requirements have been set for the application of the new general hedging model.

The Company intends to adopt IFRS 9 (2014) in its consolidated financial statements for the annual period beginning on September 30, 2018, at the latest. The extent of the impact of adoption of the standard on the financial statements of the Company has not yet been determined.

- IFRS 15, *Revenue from contracts with customers*:

  On May 28, 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*. IFRS 15 will replace IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers*, and SIC 31, *Revenue – Barter Transactions Involving Advertising Services*. The new standard is effective for years beginning on or after January 1, 2018. Earlier application is permitted. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

  The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRS.

  The Company intends to adopt IFRS 15 in its financial statements for the year beginning on September 30, 2018. The extent of the impact of adoption of the standard on the financial statements of the Company has not yet been determined.

- IAS 1, *Presentation of Financial Statements*:

  On December 18, 2014, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* as part of its major initiative to improve presentation and disclosure in financial reports. The amendments are effective for years beginning on or after January 1, 2016. Early adoption is permitted. The Company intends to adopt these amendments in its consolidated financial statements for the year beginning on October 2, 2016. The extent of the impact of adoption of the standard on the consolidated financial statements of the Company has not yet been determined.

- Annual improvements to IFRS (2012-2014) cycle:

  On September 25, 2014, the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process. The amendments will apply for years beginning on or after January 1, 2016. Amendments were made to clarify the following in their respective standards:

  - Changes in method for disposal under IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*;
  - "Continuing involvement" for servicing contracts and offsetting disclosures in condensed interim financial statements under IFRS 7, *Financial Instruments: Disclosures*;
  - Discount rate in a regional market sharing the same currency under IAS 19, *Employee Benefits*;
  - Disclosure of information "elsewhere in the interim financial report" under IAS 34, *Interim Financial Reporting*.

The Company intends to adopt these amendments in its consolidated financial statements for the year beginning on October 2, 2016. The extent of the impact of adoption of the standard on the consolidated financial statements of the Company has not yet been determined.

Risk factors

Risk factors in the Company's business and operations are discussed in the Management's Discussion and Analysis of our Annual Report for the year ended October 3, 2015. This document is available on SEDAR at www.sedar.com or on one of our websites at www.lantic.ca or www.rogerssugarinc.com.

Outlook

The volume gained in the industrial segment for the first nine months of the year was important. For the remainder of the year, we expect the fourth quarter shipping cadence to be similar to last year. Total volumes will reflect a thirteen week shipping period, one week less than fiscal 2015.

Similarly, we expect the consumer and liquid volume for the last quarter to be comparable to last year, after total shipments are adjusted to reflect a thirteen week period.

Finally, the export segment is expected to be slightly lower for the quarter when compared to the same period last year, largely due to the fact that last quarter of fiscal 2015 comprised of an additional week.

With the benefit of strong year-to-date volume results and continued momentum in the fourth quarter, we expect the total sales volume for the current year to surpass fiscal 2015's total volume, despite the absence of the extra shipping week.

In the second quarter, the Company took advantage of favourable market conditions and the security of supply provided by our four year grower contract to enter into two three-year agreements; one with a high fructose corn syrup ("HFCS") substitutable account and the second, with an export customer, for a total combined annual volume of approximately 45,000 metric tonnes. We expect these agreements to provide us with a net annual benefit for fiscal 2017 through 2019 of approximately 35,000 metric tonnes when adjusted for traditional export volumes.

Approximately 95% of fiscal 2016's natural gas requirements have been hedged at average prices comparable to those realized in fiscal 2015. In addition, some futures positions for fiscal 2017 to 2019 have also been taken. Some of these positions are at prices higher than current market value, but are at the same or better levels than those achieved in fiscal 2015. We will continue to monitor natural gas market dynamics with the objective of maintaining competitive costs and minimizing natural gas cost variances. The Company does not expect any significant variation in total energy costs when compared to fiscal 2015.

Administration and selling expenses are expected to be lower than last year due to a favorable variance year-to-date and the non-recurrence of certain expenditures that occurred in the last quarter of fiscal 2015.

Distribution expense for the last quarter of the year is expected to be lower than the comparable period last year. However, overall, we anticipate our annual distribution expense to be higher than last year.

Capital expenditures for fiscal 2016 are expected to be higher than fiscal 2015. Stay in business and safety capital expenditures could vary between $12.0 million and $14.0 million. The anticipated increase is attributable to a higher fiscal 2015 carryover of projects and a commitment to update targeted plant control systems in our Western plants. The Company will continue to aggressively pursue operational excellence capital investments in order to reduce costs and improve manufacturing efficiencies.

As a result of the additional volume secured starting in fiscal 2017, a total of 28,000 acres was contracted for planting in Taber, 6,000 acres higher than last year which under normal growing conditions should derive approximately 110,000 metric tonnes of refined sugar.

During the quarter, two of the four Montreal refinery bargaining agreements were concluded and were signed at competitive rates. Negotiations with the two remaining unions, representing some 20 employees, are expected to conclude prior to year-end.