CONSOLIDATED FINANCIAL STATEMENTS

October 27, 2018

MANAGEMENT'S REPORT

The consolidated financial statements and other financial information included in the Annual Report of La Coop fédérée ("La Coop") for the year ended October 27, 2018 are management's responsibility and have been approved by the Board of Directors. This responsibility involves the selection of appropriate accounting policies as well as the use of sound judgment in the establishment of reasonable and fair estimates in accordance with Canadian Accounting Standards for Private Enterprises.

Management maintains accounting and administrative control systems designed to provide reasonable assurance regarding the accuracy, relevance and reliability of financial information, as well as the efficient and orderly conduct of La Coop's affairs. The Internal Audit Department evaluates all its systems on an ongoing basis and regularly reports its findings and recommendations to management and the Audit Committee.

The Board of Directors ensures that management assumes its responsibilities with respect to financial reporting and the review of the consolidated financial statements and Annual Report, mainly through its Audit Committee consisting of outside directors. The Audit Committee holds regular meetings with the internal and external auditors and with management representatives to discuss the application of internal controls and reviews the consolidated financial statements and other matters related to financial reporting. The Audit Committee reports and submits its recommendations to the Board of Directors. The auditors appointed by the members, Ernst & Young LLP, have audited the consolidated financial statements and their report appearing hereinafter indicates the scope of their audit and their opinion thereon.

Gaétan DESROCHES, agr., MBA
Chief Executive Officer

Paul NOISEUX, CPA, CGA
Chief Financial Officer

Montréal, January 16, 2019

INDEPENDENT AUDITORS' REPORT

To the members of La Coop fédérée

We have audited the accompanying consolidated financial statements of **La Coop fédérée**, which comprise the consolidated balance sheet as at October 27, 2018 and the consolidated statements of earnings, reserve and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian Accounting Standards for Private Enterprises, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **La Coop fédérée** as at October 27, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Private Enterprises.

Ernst & Young LLP [1]

Montréal, Canada
January 16, 2019

[1] CPA auditor, CA, public accountancy permit no. A120803

EY

A member firm of Ernst & Young Global Limited

Consolidated balance sheet

As at October 27, 2018 and October 28, 2017

[in thousands of dollars]	Notes	**2018** **$**	2017 $
ASSETS			
Current assets			
Accounts receivable	7, 25	**602,596**	527,182
Inventories	8	**741,945**	628,286
Income taxes receivable		**27,444**	–
Prepaid expenses		**20,777**	22,929
Derivative financial instruments	24	**29,036**	17,594
Future income tax assets	6	**3,617**	18,993
Investments – current portion	11, 25	**19,815**	8,771
		1,445,230	1,223,755
Non-current assets			
Interests in joint arrangements	9	**226,165**	204,415
Investments in entities subject to significant influence	10	**19,112**	20,879
Investments	11, 25	**73,023**	78,336
Property, plant and equipment	12	**998,432**	811,085
Property, plant and equipment held for sale	12	**21,698**	17,504
Defined benefit asset	19	**43,339**	50,958
Goodwill		**207,281**	130,120
Intangible assets	13	**227,189**	129,938
		1,816,239	1,443,235
		3,261,469	2,666,990
LIABILITIES AND EQUITY			
Current liabilities			
Bank overdrafts		**13,549**	20,692
Bank borrowings	14	**8,000**	8,559
Accounts payable and accrued liabilities	15, 25	**712,528**	642,374
Deferred revenues	25	**89,718**	73,108
Income taxes payable		**–**	13,620
Derivative financial instruments	24	**18,912**	13,403
Patronage refunds payable	5	**12,720**	13,200
Redeemable preferred shares – current portion	20	**4,495**	4,661
Obligations under capital leases – current portion	16	**423**	6,299
Long-term debt – current portion	17	**31,326**	13,565
		891,671	809,481
Non-current liabilities			
Obligations under capital leases	16	**1,828**	2,196
Long-term debt	17	**608,837**	352,016
Deferred credit	18	**11,721**	12,621
Defined benefit liability	19	**67,585**	61,186
Future income tax liabilities	6	**61,721**	46,873
		751,692	474,892
Total liabilities		**1,643,363**	1,284,373
EQUITY			
Share capital	20	**685,113**	574,187
Contributed surplus		**18,000**	18,000
Reserve		**773,219**	688,402
Equity of La Coop		**1,476,332**	1,280,589
Non-controlling interests	22, 26	**141,774**	102,028
Total equity		**1,618,106**	1,382,617
		3,261,469	2,666,990

Commitments and contingencies *[note 22]*

Subsequent events *[note 27]*

The notes are an integral part of the consolidated financial statements.

On behalf of the Board,

Ghislain GERVAIS, Director

Muriel DUBOIS, Director

Consolidated statement of earnings

Years ended October 27, 2018 and October 28, 2017

[in thousands of dollars]	Notes	**2018** **$**	2017 $
Revenues	25	**6,515,972**	6,271,772
Operating expenses	4		
Cost of sales and selling and administrative expenses	25	**6,346,475**	5,935,345
Financial expenses		**22,601**	17,764
		6,369,076	5,953,109
Operating income		**146,896**	318,663
Other income and expenses			
Share of results of joint arrangements		**47,211**	34,442
Share of results of entities subject to significant influence		**(138)**	749
Other investments	25	**1,719**	2,131
Net gains (losses) on disposal and remeasurement of assets	3	**9,551**	(4,757)
Gain arising from an insurance benefit		**5,486**	–
		63,829	32,565
Earnings before patronage refunds and income taxes		**210,725**	351,228
Patronage refunds	5	**42,400**	88,000
Income taxes	6	**32,914**	65,273
Net earnings		**135,411**	197,955
Attributable to:			
Members of La Coop		**115,614**	168,349
Non-controlling interests		**19,797**	29,606
		135,411	197,955

The notes are an integral part of the consolidated financial statements.

Consolidated statement of reserve

Years ended October 27, 2018 and October 28, 2017

[in thousands of dollars]	Notes	**2018** **$**	2017 $
Reserve, beginning of year		**688,402**	533,545
Premium on issuance of non-controlling interest	9	**–**	16,603
Premium on redemption of non-controlling interest	26	**–**	(9,810)
Dividends on common shares		**(15,313)**	(10,784)
Dividends on preferred investment shares		**(15,484)**	(9,501)
Net earnings attributable to members of La Coop		**115,614**	168,349
Reserve, end of year		**773,219**	688,402

The notes are an integral part of the consolidated financial statements.

Consolidated statement of cash flows

Years ended October 27, 2018 and October 28, 2017

[in thousands of dollars]	Notes	**2018** **$**	2017 $
OPERATING ACTIVITIES			
Net earnings		**135,411**	197,955
Non-cash items:			
Amortization	4	**94,346**	82,733
Net losses (gains) on disposal and remeasurement of assets		**(9,551)**	4,757
Future income taxes		**11,757**	(13,919)
Gains on derivative financial instruments		**(5,933)**	(1,017)
Change in defined benefits		**14,018**	(10,714)
Share of results of joint arrangements		**(47,211)**	(34,442)
Share of results of entities subject to significant influence		**138**	(749)
Other investment income		**53**	(105)
Patronage refunds paid in common shares		**29,680**	74,800
		222,708	299,299
Net change in non-cash working capital items	21	**(115,914)**	(31,012)
Cash flows related to operating activities		**106,794**	268,287
INVESTING ACTIVITIES			
Business acquisitions	3	**(176,863)**	–
Acquisitions of units from a subsidiary's non-controlling interest		**–**	(28,544)
Acquisitions of investments		**(6,957)**	(3,785)
Acquisitions of interests in joint arrangements		**(9,145)**	(383)
Acquisitions of investments in entities subject to significant influence		**(5,676)**	(4,422)
Proceeds from disposal of investments		**1,368**	8,688
Proceeds from disposal of interests in joint arrangements		**152**	438
Proceeds from disposal of investments in entities subject to significant influence		**100**	432
Dividends received from joint arrangements		**29,924**	14,272
Dividends received from entities subject to significant influence		**757**	833
Additions to property, plant and equipment		**(217,065)**	(171,651)
Proceeds from disposal of property, plant and equipment		**4,232**	26,739
Additions to intangible assets		**(9,790)**	(2,480)
Proceeds from disposal of intangible assets		**–**	100
Cash flows related to investing activities		**(388,963)**	(159,763)
FINANCING ACTIVITIES			
Net change in bank borrowings		**(6,559)**	4,376
Repayment of obligations under capital leases		**(6,244)**	(1,833)
Proceeds from issuance of long-term debt		**278,660**	14,622
Repayment of long-term debt		**(16,723)**	(213,894)
Proceeds from issuance of preferred shares		**107,070**	104,656
Redemption of preferred shares		**(5,363)**	(3,952)
Dividends on preferred investment shares		**(15,484)**	(9,501)
Proceeds from issuance of common shares		**13**	40
Redemption of common shares		**(33,785)**	(11,974)
Dividends on common shares		**(2,297)**	(5,389)
Proceeds from issuance of units of a subsidiary to third parties		**2,497**	2,094
Dividends paid to non-controlling interests		**(12,473)**	(2,544)
Cash flows related to financing activities		**289,312**	(123,299)
Decrease (increase) in bank overdrafts		**7,143**	(14,775)
Bank overdrafts, beginning of year		**(20,692)**	(5,917)
Bank overdrafts, end of year		**(13,549)**	(20,692)

The notes are an integral part of the consolidated financial statements.

Notes to consolidated financial statements

Years ended October 27, 2018 and October 28, 2017

[All tabular amounts are in thousands of dollars.]

1. BUSINESS DESCRIPTION

La Coop fédérée ["La Coop"] was established under a special act of the Province of Québec. It operates through three divisions: Meat, Agri-business and Retail. The Meat Division focuses on pork production and the processing and marketing of pork and poultry products. The Agri-business Division provides farmers with goods and services to support their farming operations. The Retail Division brings together distribution and marketing operations for hardware products, materials, as well as services related to these product lines.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Part II of the *CPA Canada Handbook – Accounting*, "Accounting Standards for Private Enterprises," which sets out the generally accepted accounting principles ["GAAP"] for Canadian non-publicly accountable entities, and include the significant accounting policies described below.

Principles of consolidation

La Coop consolidates all the subsidiaries for which it has the continuing power to determine the strategic operating, investing and financing policies without the co-operation of others. The consolidated financial statements comprise the financial statements of La Coop fédérée and the following significant subsidiaries:

Consolidated subsidiaries

Name	Description	Interest
Agrico Canada Limited	Distribution and marketing of agricultural inputs	100%
Agrico Canada L.P.	Distribution and marketing of agricultural inputs	100%
Agronomy Company of Canada Ltd.	Distribution and marketing of agricultural inputs	100%
Standard Nutrition Inc.	Distribution and marketing of animal nutrition products	100%
Maizex Seeds Inc.	Production and marketing of seeds	75%
Gestion BMR inc.	Distribution and marketing of hardware products and materials	100%
Olymel L.P.	Production, processing and marketing of pork and poultry products	89.8%
Énergies RC, s.e.c.	Ownership of an interest in a joint arrangement for the distribution and marketing of petroleum products	88.9%
Volailles Acadia s.e.c.	Poultry products	53.8%
Immeuble 9001 l'Acadie, société en commandite	Manager of building housing the head office	100%

Inventories

Raw materials and supply inventories are valued at the lower of cost established in accordance with the first in, first out or average cost method and net realizable value, except for grain inventories held for resale, which are measured at fair value.

Goods in process and finished goods inventories are valued at the lower of cost under the first in, first out or average cost method and net realizable value.

Live hog inventories are valued at the lower of production cost and net realizable value.

Interests in joint arrangements

La Coop uses the equity method to account for its interests in jointly controlled enterprises. None of La Coop's joint arrangements has a share of results that exceeds 10% of earnings before the share of results of joint arrangements and income taxes.

Investments in entities subject to significant influence

La Coop uses the equity method to account for all entities in which it exercises significant influence over the strategic operating, investing and financing policies. None of La Coop's entities subject to significant influence has a share of results that exceeds 10% of earnings before the share of results of entities subject to significant influence and income taxes.

Investments

Investments include shares and other securities of cooperatives that are measured at cost since they have no quoted market price in an active market. Notes receivable are initially recognized at fair value and subsequently at amortized cost using the effective interest method.

Property, plant and equipment

Property, building and equipment

Property, plant and equipment are stated at cost. Assets under capital leases are capitalized when substantially all the benefits and risks incident to ownership of the leased property have been transferred to La Coop. The cost of assets under capital leases represents the lower of the present value of minimum lease payments and the fair value of the leased asset.

Property, plant and equipment are amortized on a straight-line basis over their estimated useful life or the lease term:

Pavement	6 $^{2}/_{3}$% to 10%
Buildings	3 $^{1}/_{3}$% to 10%
Machinery and equipment	5% to 33 $^{1}/_{3}$%
Automotive equipment	6 $^{2}/_{3}$% to 33 $^{1}/_{3}$%
Leasehold improvements	Lease term
Assets under capital leases	Lease term

Breeding livestock

Breeding livestock, namely sows, are recognized at cost and amortized, if disposal value is below cost, on a straight-line basis over their estimated useful life, which is evaluated at six litters.

Notes to consolidated financial statements

Years ended October 27, 2018 and October 28, 2017

2. SIGNIFICANT ACCOUNTING POLICIES

Intangible assets

Intangible assets subject to amortization are recognized at cost and amortized on a straight-line basis over their estimated useful life.

Trademarks

Trademarks are amortized over periods of 2 to 20 years.

Client lists

Client lists are amortized over periods of 5 to 21 years.

Rights

Rights consist of production rights and exclusive supply rights. Production rights are not amortized since they have an indefinite useful life while exclusive supply rights are amortized over periods of 5 to 20 years.

Software and information technology development projects

Software and information technology development project costs are capitalized and amortized on a straight-line basis over periods of 3 to 5 years. The amortization of information technology development projects begins at project completion.

Impairment of assets

Financial assets

Allowance for doubtful accounts

Accounts receivable carried at amortized cost are subject to continuous impairment review and are classified as impaired when, in the opinion of La Coop, there is reasonable doubt that credit-related losses have occurred taking into consideration all circumstances known at the review date. Reversals are permitted but the adjusted carrying amount of the financial asset shall be no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously.

Allowances for credit losses

Investments in cooperatives recognized at cost, interests in joint arrangements and investments in entities subject to significant influence recognized using the equity method are written down if analyses of entities' financial reports show they are experiencing financial difficulties. Reversals are permitted but the adjusted carrying amount of the financial asset shall be no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously.

Notes receivable carried at amortized cost are subject to continuous impairment review and are classified as impaired when, in the opinion of La Coop, there is reasonable doubt as to the ultimate collectability of a portion of principal and interest. An impairment is established by analyzing certain financial ratios of these entities. Reversals are permitted but the adjusted carrying amount of the financial asset shall be no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously.

Long-lived assets subject to amortization

Property, plant and equipment and intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset to be held and used with its future net undiscounted cash flows expected from use together with its residual value. If the asset is considered to be impaired, the impairment charge is measured by the amount by which the carrying amount of the asset exceeds its fair value generally determined on a discounted cash flow basis. An impairment loss is recognized and presented in the consolidated statement of earnings and the carrying amount of the asset is adjusted to its fair value. An impairment loss may not be reversed if the fair value of the long-lived asset in question subsequently increases.

Intangible assets with indefinite lives

Production rights must be reviewed for impairment if events or changes in circumstances indicate that their carrying amount may not be recoverable. The impairment charge is calculated by comparing the carrying amount of the intangible asset with its fair value generally determined on a discounted cash flow basis. When the carrying amount of an intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to such excess. An impairment loss may not be reversed if the fair value of the intangible asset in question subsequently increases.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Goodwill is not amortized but is tested for impairment if events or changes in circumstances indicate a possible impairment. The impairment test consists in comparing the carrying amount of the reporting unit to which goodwill is assigned with its fair value. When the carrying amount of a reporting unit exceeds its fair value, a goodwill impairment loss is recognized in an amount that may not exceed the carrying amount of goodwill related to the reporting unit. Any impairment of the carrying amount in relation to the fair value is charged to consolidated earnings in the year in which the loss is incurred. Impairment losses on goodwill may not be reversed.

Deferred revenues

Deferred revenues are amounts invoiced for goods whose ownership has not yet been transferred to the buyer.

Revenue recognition

Revenues are recognized when the significant risks and rewards of ownership of the goods sold are transferred to the buyer, revenue can be reasonably estimated and collection is reasonably assured. This usually coincides with the time of receipt of goods by the buyer.

Research and development

Research and development costs are expensed in the consolidated statement of earnings in the year in which they are incurred.

Notes to consolidated financial statements

Years ended October 27, 2018 and October 28, 2017

2. SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

Transactions in foreign currencies are translated into Canadian dollars using the temporal method. Under this method, monetary items in the consolidated balance sheet are translated at the rates of exchange prevailing at year-end while non-monetary items are translated at the rates of exchange prevailing on the transaction dates. Revenue and expense items are translated at the rates of exchange prevailing on the transaction dates. Gains and losses on translation of foreign currencies are recognized in consolidated earnings.

Employee future benefits

La Coop has a number of defined benefit and defined contribution plans providing pension and other post-retirement benefits to most of its employees. Defined benefit pension plans are based on either average career earnings, average final earnings or a flat pension. Certain pension benefits are indexed according to economic conditions.

Other post-retirement benefits offered by La Coop to its retired employees include health care benefits and life insurance.

The cost of pension and other post-retirement benefits earned by employees is determined using actuarial calculations based on the most recent funding valuations. The calculations are based on long-term assumptions relating to salary escalation, retirement and termination ages of employees and estimated health care cost growth.

Remeasurements of the net defined benefit asset or liability are recognized immediately in the consolidated statement of earnings. Remeasurements comprise the difference between the actual return on plan assets and the return calculated using the discount rate used to determine the interest cost of the plans, actuarial gains and losses and gains and losses arising from settlements and curtailments.

Plan assets are measured at fair value. Plan obligations are discounted using the long-term return on plan assets determined on an actuarial basis.

La Coop also offers other post-retirement benefits to certain retired employees. The cost of other post-retirement benefits is calculated using the same accounting policies as used for defined benefit pension plans. The related expenses are settled by La Coop as they become due.

The cost of defined benefit pension plans and the cost of other post-retirement benefits are recognized in the consolidated statement of earnings under cost of sales and selling and administrative expenses.

Patronage refunds

The amount and terms of payment of patronage refunds are determined by the Board of Directors after year-end. Patronage refunds are calculated based on members' purchased volumes and are accounted for in the year to which they relate. Where patronage refunds are paid in shares, such shares are considered to be issued at the year-end preceding the Board of Directors' resolution.

Financial instruments

Financial assets and liabilities are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

Financial assets measured at amortized cost using the effective interest method consist of accounts receivable. Financial liabilities measured at amortized cost consist of bank overdrafts, bank borrowings, accounts payable and accrued liabilities, deferred revenues and patronage refunds payable.

Shares and other securities of cooperatives included under investments are measured at cost since they have no quoted market price in an active market. Interests in joint arrangements and investments in entities subject to significant influence are accounted for using the equity method. Notes receivable are initially measured at fair value and subsequent measurements are recorded at amortized cost using the effective interest method.

Preferred shares and long-term debt are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. For La Coop, this measurement is generally equal to cost due either to the use of a floating rate for certain borrowings or because management believes that the fair value of fixed-rate borrowings does not differ greatly from their carrying amount given the imminent maturity of some and the rates that could be obtained currently by La Coop for borrowings with similar conditions and maturities.

Interest income and expense from financial assets and liabilities are recognized under financial expenses in the consolidated statement of earnings. Gains and losses related to financial assets and liabilities are recognized under cost of sales and selling and administrative expenses. When related to disposals, these gains and losses are recognized under net gains (losses) on disposal and remeasurement of assets.

Derivative financial instruments

In accordance with its risk management strategy, La Coop uses derivative financial instruments to manage foreign exchange risk, and risks related to purchase and selling prices for certain commodities, as well as debt-related foreign exchange risk. Derivative financial instruments consist of foreign exchange contracts, currency swaps, forward contracts, and commodity and currency options and swaps. La Coop does not use derivative financial instruments for speculative purposes.

Hedge accounting is used where La Coop documents its cash flow hedging relationships and risk management objectives and strategy, and demonstrates that they are highly effective at hedge inception and throughout the hedge period.

The derivative financial instruments that La Coop chose to designate as cash flow hedging items are not recognized before their maturity. Gains and losses arising from the hedging item are recognized when the hedged item affects consolidated earnings. Derivative financial instruments are measured at fair value, which is the approximate amount that might be obtained in settlement of such instruments at prevailing market rates. The gain or loss portion of a hedging item is reported as an adjustment to the revenues from or the expenses of the related hedged item. Realized gains and losses on these contracts are presented in cost of sales and selling and administrative expenses.

Notes to consolidated financial statements

Years ended October 27, 2018 and October 28, 2017

2. SIGNIFICANT ACCOUNTING POLICIES

Derivative financial instruments

Foreign exchange contracts and currency swaps

La Coop often sells and buys outside Canada, mainly in US dollars, Japanese yen and Australian dollars. To protect these transactions against foreign exchange fluctuations, La Coop uses foreign exchange contracts and currency swaps. Gains and losses on foreign exchange contracts and currency swaps entered into to hedge future transaction cash flows are recognized in the consolidated statement of earnings when these transactions occur.

Currency swaps – debt

La Coop draws down a portion of its credit facility in the form of LIBOR advances and uses currency swaps to manage the risk of changes in foreign exchange rates for this debt. Gains and losses from these currency swaps used as cash flow hedges are included in the consolidated statement of earnings.

A hedging relationship is terminated when the hedge ceases to be effective, and the unrealized gain or loss on the related derivative financial instrument is recognized in the consolidated statement of earnings.

Derivative financial instruments that are not designated as hedges are measured at fair value, which is the approximate amount that might be obtained in settlement of such instruments at prevailing market rates. Gains and losses resulting from remeasurement at year-end are recognized in the consolidated statement of earnings.

Commodity forward contracts

La Coop often buys and sells grain, sells hogs and buys fertilizer to cover certain identifiable future price risks for these commodities. La Coop does not use hedge accounting for commodity forward contracts. Therefore, gains and losses on these contracts, realized or not, are presented in cost of sales and selling and administrative expenses.

Commodity options

La Coop also uses options to manage commodity price risk. The options give La Coop the right but not the obligation to exercise them at a predetermined price before the option expiry date. La Coop does not use hedge accounting for commodity options. Therefore, gains and losses on these contracts, realized or not, are presented in cost of sales and selling and administrative expenses.

Environmental obligations

Environmental costs related to current operations are expensed or capitalized according to their nature. Current costs caused by past events that do not generate future revenues are charged to consolidated earnings in the current year. Liabilities are recorded when costs are likely to be incurred and may be reasonably estimated.

Income taxes

La Coop follows the future income tax method of accounting for income taxes. Future income tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying value and tax bases of assets and liabilities. Future income tax assets and liabilities are measured using substantively enacted income tax rates applicable in the years in which the temporary differences are expected to reverse. A valuation allowance is recorded to reduce the carrying amount of future income tax assets, when it is more likely than not that such assets will not be realized.

Year-end

La Coop's year-end is the last Saturday of October. The years ended October 27, 2018 and October 28, 2017 included 52 weeks.

3. BUSINESS ACQUISITIONS

Meat Division

On June 26, 2018, the subsidiary Olymel L.P. acquired certain assets of a meat sector business for a consideration of $65,281,000.

This acquisition was accounted for using the purchase method and consolidated as of the acquisition date.

The total value of net assets acquired and consideration paid were as follows:

	Total $
Net assets acquired	
Current assets	10,923
Property, plant and equipment	28,860
Intangible assets	15,600
Goodwill	10,922
Total assets acquired	66,305
Total current liabilities assumed	1,024
Total net assets acquired	65,281
Consideration paid	
Cash	65,281

Notes to consolidated financial statements

Years ended October 27, 2018 and October 28, 2017

3. BUSINESS ACQUISITIONS

Agri-business Division

On April 20, 2018, La Coop acquired 100% of the shares of a company operating in the agriculture sector for a consideration of $87,669,000, net of cash acquired.

This acquisition was accounted for using the purchase method and consolidated as of the acquisition date.

The total value of net assets acquired and consideration paid were as follows:

	Total $
Net assets acquired	
Current assets	14,344
Property, plant and equipment	10,799
Intangible assets	37,975
Goodwill	42,723
Other non-current assets	134
Total assets acquired	105,975
Current liabilities	6,637
Long-term debt	819
Non-current future income tax liabilities	10,850
Total liabilities assumed	18,306
Total net assets acquired	87,669
Consideration paid	
Cash consideration, net of cash acquired	87,669

Agri-business Division

On July 4, 2018, La Coop acquired 75% of the shares of a company operating in the agriculture sector for a consideration of $19,628,000, net of cash acquired.

This acquisition was accounted for using the purchase method and consolidated as of the acquisition date.

The total value of net assets acquired and consideration paid were as follows:

	Total $
Net assets acquired	
Current assets	8,370
Property, plant and equipment	5,165
Intangible assets	9,000
Goodwill	16,207
Total assets acquired	38,742
Current liabilities	7,364
Non-current future income tax liabilities	3,283
Total liabilities assumed	10,647
Total net assets acquired	28,095
Consideration	
Cash consideration, net of cash acquired	19,628
Non-controlling interest	8,467
Total	28,095

A group of non-controlling shareholders holding 25% of the shares of said subsidiary, has an option to sell all of its shares to La Coop from July 4, 2021 to the option expiry date of July 4, 2023. La Coop has the obligation to repurchase the shares at the time the option is exercised or at the option expiry date of July 4, 2023.

Agri-business Division

On September 4, 2018, La Coop acquired 50% of the shares of a company operating in the agriculture sector for a consideration of $1,500,000. As La Coop already held a 50% interest in this company, it acquired 100% control on the acquisition date of September 4, 2018.

Notes to consolidated financial statements

Years ended October 27, 2018 and October 28, 2017

3. BUSINESS ACQUISITIONS

La Coop fédérée

On November 1, 2017, La Coop acquired, via its subsidiaries, an additional 11.3% interest in a business in which it already had an interest of 42.5% for a consideration of $4,525,000, net of cash acquired. The consideration comprised an amount of $2,785,000, net of cash, paid by La Coop and an amount of $1,740,000 paid through an interest in a joint arrangement. La Coop acquired affective control of this business on the acquisition date of November 1, 2017.

The remeasurement at fair value of the interest held as at November 1, 2017 generated a gain on remeasurement of assets of $10,406,000 presented under net gains (losses) on disposal and remeasurement of assets. This interest was already accounted for as an interest in a joint arrangement and as an investment in an entity subject to significant influence using the equity method.

This acquisition was accounted for using the purchase method and consolidated as of the acquisition date.

The total value of net assets acquired and consideration paid were as follows:

	Total $
Net assets acquired	
Current assets	1,476
Property, plant and equipment	8,363
Intangible assets	42,843
Goodwill	6,088
Other non-current assets	2,917
Total assets acquired	61,687
Current liabilities	802
Long-term debt	10,850
Non-current future income tax liabilities	4,334
Total liabilities assumed	15,986
Total net assets acquired	45,701
Consideration	
Cash paid by La Coop, net of cash acquired	2,785
Amount paid through an interest in a joint arrangement	1,740
Non-controlling interest	21,458
Fair value of the interest held as at November 1, 2017	19,718
Total	45,701

4. OPERATING EXPENSES

Operating expenses include the following items:

	2018 $	2017 $
Cost of sales and selling and administrative expenses		
Cost of inventories	5,721,197	5,438,801
Research and development tax credits	(1,131)	(1,106)
Amortization of property, plant and equipment	76,311	67,749
Amortization of intangible assets	17,957	14,596
Amortization of transaction costs	978	1,288
Amortization of deferred credit	(900)	(900)
Financial expenses		
Interest on bank borrowings	804	499
Interest on obligations under capital leases	264	314
Interest on long-term debt	20,837	15,749
Interest on preferred shares	955	860
Interest income	(1,237)	(946)

Notes to consolidated financial statements

Years ended October 27, 2018 and October 28, 2017

5. PATRONAGE REFUNDS

In accordance with the provisions of the act governing La Coop, at their January 16, 2019 meeting, the directors declared patronage refunds of $42,400,000 to be paid from earnings for the year. They authorized the patronage refunds to be paid in the following proportions:

	2018 $	2017 $
Cash	12,720	13,200
Class D-1 common shares (B-1 and D-1 in 2017)	29,680	74,800
	42,400	88,000

These consolidated financial statements reflect the resolution.

6. INCOME TAXES

The significant components of the income tax expense are as follows:

	2018 $	2017 $
Current	21,157	79,192
Future	11,757	(13,919)
Income taxes	32,914	65,273

The reconciliation of income tax expense with the amount obtained from multiplying earnings after patronage refunds by the statutory income tax rates is summarized as follows:

	2018 $	2017 $
Earnings before patronage refunds and income taxes	210,725	351,228
Patronage refunds	42,400	88,000
Earnings for calculation of income tax expense	168,325	263,228
Income taxes at combined federal and provincial rates of 26.75% [26.81% in 2017]	45,027	70,571
Effect of non-deductible expenses for tax purposes	2,271	1,363
Remeasurement of investments in entities subject to significant influence	(2,784)	–
Investments in taxable entities subject to significant influence	(3,599)	64
Earnings attributable to non-controlling interests	(5,296)	(7,944)
Other items	(2,705)	1,219
Income taxes	32,914	65,273

The significant components of future income tax assets and liabilities are as follows:

	2018 $	2017 $
Rollforward period	87	17,040
Non-deductible provisions and reserves for tax purposes	3,460	4,051
Other items – net	70	(2,098)
Current future income tax assets	3,617	18,993
Excess of carrying amount over tax basis:		
Property, plant and equipment	(50,440)	(46,099)
Intangible assets	(22,135)	(3,745)
Investments	(6,523)	(9,245)
Losses carried forward	11,481	10,292
Employee future benefits	5,702	2,233
Other	194	(309)
Non-current future income tax liabilities	(61,721)	(46,873)

Notes to consolidated financial statements

Years ended October 27, 2018 and October 28, 2017

7. ACCOUNTS RECEIVABLE

	2018 $	2017 $
Trade receivables	610,876	532,425
Allowance for doubtful accounts	(8,280)	(5,243)
	602,596	527,182

8. INVENTORIES

Inventories are as follows:

	2018 $	2017 $
Inventories – Meat Division	323,508	292,287
Inventories – Agri-business Division	284,183	208,451
Inventories – Retail Division	134,254	127,548
	741,945	628,286

The carrying amount of inventories recognized at net realizable value was $137,560,000 [$136,300,000 in 2017].
An inventory write-down of $21,395,000 was recognized as an expense during the year [$27,554,000 in 2017].
There were no write-down reversals in inventories in 2018 and 2017.

9. INTERESTS IN JOINT ARRANGEMENTS

	2018 $	2017 $
Agri-business Division – 50% interest	90,198	79,139
Meat Division – 50% and 67.7% interests	84,629	84,028
Petroleum industry company – 50% interest	51,338	41,248
	226,165	204,415

Agri-business Division

On November 3, 2017, La Coop entered into a joint arrangement for business purposes entitling it to a 50% interest in a business operating in the distribution and marketing of agricultural inputs sector for a total consideration of $6,800,000.

Meat Division

On December 31, 2016, La Coop entered into a joint arrangement for business purposes entitling it to a 50% interest in a hog slaughtering and pork cutting and processing business, and hog breeding operations for a total consideration of $40,000,000. In consideration for this interest, Olymel L.P. issued units to its partner resulting in the recognition of a non-controlling interest in the consolidated financial statements of La Coop. The excess of fair value of the consideration paid over the carrying amount of the non-controlling interest was recognized as an increase of the reserve in the amount of $16,603,000 under premium on issuance of a non-controlling interest.

10. INVESTMENTS IN ENTITIES SUBJECT TO SIGNIFICANT INFLUENCE

	2018 $	2017 $
Agri-business Division – 7.58%–40% interests	17,548	18,833
Meat Division – 20% interest	748	1,325
Retail Division – 24.5% and 33% interests [24.5% and 39% in 2017]	816	721
	19,112	20,879

Notes to consolidated financial statements

Years ended October 27, 2018 and October 28, 2017

11. INVESTMENTS

	2018 $	2017 $
Shares and other securities of cooperatives	13,194	12,541
Note receivable, bearing interest at the lower of the prime rate and 4%, repayable in accordance with the terms of the agreement	45,000	45,000
Other notes receivable	30,026	24,623
Note receivable, repayable and bearing interest at the rate defined under the terms of the agreement	4,618	4,943
	92,838	87,107
Investments – current portion	19,815	8,771
	73,023	78,336

12. PROPERTY, PLANT AND EQUIPMENT

	2018			2017
	Cost $	Accumulated amortization $	Net carrying amount $	Net carrying amount $
Land	80,394	–	80,394	78,624
Pavement	42,922	14,947	27,975	22,927
Buildings	795,223	240,754	554,469	423,978
Machinery and equipment	934,998	633,721	301,277	244,868
Automotive equipment	26,476	18,574	7,902	7,084
Leasehold improvements	12,711	4,770	7,941	5,595
Breeding livestock	19,664	4,718	14,946	15,359
Assets under capital leases				
Buildings	2,597	388	2,209	9,702
Machinery and equipment	1,350	240	1,110	2,636
Automotive equipment	901	692	209	312
	1,917,236	918,804	998,432	811,085
Property, plant and equipment held for sale	–	–	21,698	17,504

In fiscal 2017 and prior year, La Coop decided to offer for sale the building housing its head office, land and other buildings.

These items of property, plant and equipment are reported at the lower of their carrying amount and fair value less costs to sell, for a total amount of $21,698,000 as at October 27, 2018 [$17,504,000 in 2017]. Amortization of these items of property, plant and equipment stopped on the date they were designated as property, plant and equipment held for sale.

13. INTANGIBLE ASSETS

	2018			2017
	Cost $	Accumulated amortization $	Net carrying amount $	Net carrying amount $
Trademarks	67,184	8,515	58,669	45,129
Client lists	109,039	23,458	85,581	50,913
Exclusive supply rights	62,992	36,888	26,104	28,566
Production rights	44,172	–	44,172	1,329
Software and information technology development projects	29,106	16,443	12,663	4,001
	312,493	85,304	227,189	129,938

Software and information technology development projects are developed internally and the costs recognized under intangible assets are capitalized when the costs incurred allow for the use of the asset according to management's expectations.

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Years ended October 27, 2018 and October 28, 2017

14. BANK BORROWINGS

Bank borrowings consist of subsidiaries' demand credit facilities.

For one of the subsidiaries, the demand credit facility, renewable annually, available for bank overdrafts, advances, letters of credit and standby letters of credit, totalled $17,000,000 in 2018 and 2017, subject to a maximum of $6,000,000 in 2018 and 2017 for letters of credit and standby letters of credit. As at October 27, 2018, the facility was undrawn [$6,559,000 drawn down in 2017], bearing interest at the prime rate of 3.95% in 2018 [3.20% in 2017]. La Coop is joint and several guarantor for all amounts owing under this agreement.

For other subsidiaries acting as joint guarantors, the revolving demand operating credit facility is renewable annually and may at no time exceed the greater of $4,300,000 and an amount based on the receivables and inventories of these subsidiaries, that is $2,171,000 [$1,250,000 in 2017]. The revolving operating credit facility bears interest at the prime rate plus 1.75%, representing a rate of 5.70% in 2018 [4.95% in 2017]. This operating credit facility was undrawn in 2018 and 2017.

Another subsidiary has an annually renewable demand loan facility, with an authorized amount of $5,000,000 [$6,500,000 in 2017], of which $2,000,000 was drawn down in 2018 and 2017, bearing interest at the prime rate plus 0.25%, representing a rate of 4.20% in 2018 [3.45% in 2017]. This demand loan is secured by the subsidiary's accounts receivable and inventories with a carrying amount of $7,934,000 in 2018 [$6,676,000 in 2017].

A new subsidiary had an annually renewable demand loan facility, with an authorized amount of $9,000,000, of which $6,000,000 was drawn down in 2018 and bearing interest at the prime rate plus 0.25%, representing a rate of 4.20% as at October 27, 2018. This demand loan is secured by the subsidiary's accounts receivable and inventories with a carrying amount of $6,902,000 in 2018.

15. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018 $	2017 $
Trade payables and accrued liabilities	698,578	635,802
Government remittances	12,533	5,145
Accrued interest on long-term debt	1,417	1,427
	712,528	642,374

16. OBLIGATIONS UNDER CAPITAL LEASES

	2018 $	2017 $
Obligation under a capital lease bearing interest at the fixed rate of 3.20%, repayable in blended monthly instalments of $11,900, maturing in August 2022	1,594	1,685
Obligations under capital leases bearing interest at fixed rates ranging from 1.95% to 10.65% in 2018 and 2017, repayable in monthly principal instalments ranging from $45 to $22,093, maturing between December 2018 and June 2021	657	989
Obligation under a capital lease bearing interest at the fixed rate of 3.50% and prime rate plus 1%, representing a rate of 4.95% in 2018 [4.20% in 2017], repayable in blended monthly instalments of $136,174, that matured in July 2018	–	5,821
	2,251	8,495
Obligations under capital leases – current portion	423	6,299
	1,828	2,196

Minimum lease payments in upcoming years are as follows:

	$
2019	423
2020	400
2021	123
2022	1,305
2023	–

Minimum payments of obligations under capital leases include interest totalling $232,000.
The obligations under capital leases are secured by the underlying leased assets.

Notes to consolidated financial statements

Years ended October 27, 2018 and October 28, 2017

17. LONG-TERM DEBT

	2018 $	2017 $
Credit facility[1] drawn under margin loans at the prime rate of 3.95% [3.20% in 2017], under bankers' acceptances at rates ranging from 3.31% to 3.48% [2.27% to 2.34% in 2017] and LIBOR advances at rates ranging from 3.05% to 3.22% in 2018 [2.08% in 2017], renewable in June 2021	**466,796**	196,728
Term credit, at a fixed rate of 5%, repayable in annual principal instalments of $20,000,000 from July 11, 2020 through July 2022	**60,000**	60,000
Balance of purchase price payable, bearing interest at the lower of 4% or the prime rate, representing a rate of 3.95% [3.20% in 2017], repayable in annual principal instalments of $20,000,000. An early repayment was made during a previous fiscal year	**40,000**	40,000
Term credit, at a fixed rate of 6.50%, repayable in full in December 2019	**25,000**	25,000
Term credit facilities of subsidiaries, secured by immovable hypothecs on the universality of the subsidiaries' property, bearing interest at fixed rates ranging from 4.31% to 5.91% [3.40% to 4.67% in 2017]. These term credit facilities are repayable in monthly principal instalments totalling $144,552 as of January 2019, maturing in September 2033	**23,417**	15,612
Mortgage loans of a subsidiary, secured by movable and immovable hypothecs, bearing interest at rates ranging from 3.80% to 3.95%, maturing between June 2027 and June 2032	**9,724**	–
Mortgage loan of a subsidiary, secured by a hypothec on a building and land of the subsidiary with a carrying amount of $14,681,000 as at October 27, 2018 [$15,186,000 in 2017], bearing interest at a fixed rate of 7.76%, repayable in blended monthly instalments of $83,404, maturing in March 2023	**5,630**	6,170
Mortgage loan of the real estate subsidiary, secured by movable and immovable hypothecs, bearing interest at the prime rate plus 0.25%, representing a rate of 4.20% in 2018 [3.45% in 2017], repayable in monthly principal instalments of $81,518, maturing on October 31, 2018	**4,213**	5,191
Mortgage loans of a subsidiary, secured by hypothecs on rents, land, buildings and equipment, with a carrying amount of $8,502,000 in 2017, bearing interest at rates ranging from 3.20% to 3.70%, repaid during fiscal 2018	**–**	5,685
Mortgage loans and other borrowings, bearing interest at rates ranging from 0% to 5.20% in 2018 [0% to 4.45% in 2017], maturing between November 2018 and July 2022	**7,386**	12,896
	642,166	367,282
Transaction costs	**(2,003)**	(1,701)
	640,163	365,581
Long-term debt – current portion	**31,326**	13,565
	608,837	352,016

1. La Coop has an overall revolving credit facility of $1,000,000,000 [$750,000,000 in 2017]. La Coop can use this credit facility as follows: US- and Canadian-dollar margin loans, bankers' acceptances, LIBOR advances and standby letters of credit. The interest rate is based on a rate schedule that varies based on a financial ratio calculated quarterly on a consolidated basis.

La Coop's long-term debt is subject to compliance with certain financial ratios based on La Coop's consolidated financial statements. As at October 27, 2018, La Coop was in compliance with these financial ratios.

The principal repayments required over the next five years are as follows:
2019 – $31,326,000; 2020 – $68,767,000; 2021 – $490,041,000; 2022 – $23,411,000; 2023 – $5,677,000.

On November 30, 2018, La Coop obtained an additional one-year non-renewable credit facility for a maximum amount of $200,000,000, maturing on November 30, 2019. The interest rate is based on a rate schedule that varies based on a financial ratio calculated quarterly on a consolidated basis.

18. DEFERRED CREDIT

The deferred credit amount represents the non-amortized insurance proceeds following the fire at one of the Meat Division plants in 2012. It is recognized as revenue at the same rate as the amortization of assets.

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19. EMPLOYEE FUTURE BENEFITS

La Coop measures its defined benefit obligations and the fair value of plan assets at each year-end. The most recent actuarial valuations of the pension plans for funding purposes were as at December 31, 2015, except for a valuation carried out as at December 31, 2017. The actuarial valuation of other post-retirement benefits was carried out as at March 31, 2017. The next required actuarial valuations will be as at December 31, 2018, except for a valuation to be carried as at December 31, 2020 for the pension plans and as at March 31, 2020 for other post-retirement benefits.

Information on La Coop's pension plans and other post-retirement benefits is as follows:

2018	Pension plans $	Other post-retirement benefits $	Total $
Defined benefit obligations	234,303	22,806	257,109
Fair value of plan assets	232,863	–	232,863
Net defined benefit liability	(1,440)	(22,806)	(24,246)

The net defined benefit liability presented in La Coop's consolidated balance sheet is as follows:

	Pension plans $	Other post-retirement benefits $	Total $
Defined benefit asset	43,339	–	43,339
Defined benefit liability	(44,779)	(22,806)	(67,585)
Net defined benefit liability	(1,440)	(22,806)	(24,246)

2017	Pension plans $	Other post-retirement benefits $	Total $
Defined benefit obligations	227,962	20,481	248,443
Fair value of plan assets	238,215	—	238,215
Net defined benefit asset (liability)	10,253	(20,481)	(10,228)

The net defined benefit asset (liability) presented in La Coop's consolidated balance sheet is as follows:

	Pension plans $	Other post-retirement benefits $	Total $
Defined benefit asset	50,958	—	50,958
Defined benefit liability	(40,705)	(20,481)	(61,186)
Net defined benefit asset (liability)	10,253	(20,481)	(10,228)

The cost of defined benefit pension plans is as follows:

2018	Pension plans $	Other post-retirement benefits $	Total $
Current service cost	5,351	1,129	6,480
Interest cost	(550)	1,049	499
Remeasurements and other items	13,303	1,109	14,412
Employee future benefit cost (income)	18,104	3,287	21,391

2017	Pension plans $	Other post-retirement benefits $	Total $
Current service cost	4,915	1,025	5,940
Interest cost	5,225	1,218	6,443
Remeasurements and other items	(11,558)	(3,008)	(14,566)
Employee future benefit cost (income)	(1,418)	(765)	(2,183)

During fiscal 2017, amendments were made to certain other post-retirement benefit programs of La Coop, which resulted in a curtailment gain of $3,767,000 presented under remeasurements and other items.

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Years ended October 27, 2018 and October 28, 2017

20. SHARE CAPITAL

La Coop's share capital is variable and unlimited with regard to the number of shares issuable. The rights, restrictions and conditions relating to each type of share are determined by the Board of Directors. The share capital consists of:

Preferred shares

Class A preferred shares, with a par value of $1, non-voting and redeemable at their par value upon a decision of the Board of Directors. These shares are issued upon the conversion of common shares held by members who do not fulfill the commitments of their contracts with La Coop or if the contract commitments are not renewed.

Preferred investment shares

Series 1 – FSTQ preferred investment shares with a par value of $100, non-voting and redeemable at their par value upon a decision of the Board of Directors since May 31, 2015, with an annual dividend, payable semi-annually, at a rate set under the Series 1 – FSTQ subscription agreement, cumulative and preferential except for the interest on Cooperative Investment Plan shares.

Series 2 – CRCD preferred investment shares with a par value of $100, non-voting and redeemable at their par value upon a decision of the Board of Directors since May 31, 2016, with an annual dividend, payable semi-annually, at a rate set under the Series 2 – CRCD subscription agreement, cumulative and preferential except for the interest on Cooperative Investment Plan shares.

Series 3 – ESSOR 2013 preferred investment shares with a par value of $100, non-voting and redeemable at their par value upon a decision of the Board of Directors since May 31, 2015, with an annual dividend, payable semi-annually, at a rate set under the Series 3 – ESSOR 2013 subscription agreement, cumulative and preferential except for the interest on Cooperative Investment Plan shares.

Series 4 – FONDACTION 2013 preferred investment shares with a par value of $100, non-voting and redeemable at their par value upon a decision of the Board of Directors since May 31, 2015, with an annual dividend, payable semi-annually, at a rate set under the Series 4 – FONDACTION 2013 subscription agreement, cumulative and preferential except for the interest on Cooperative Investment Plan shares.

Series 5 – FSTQ 2013 preferred investment shares with a par value of $100, non-voting and redeemable at their par value upon a decision of the Board of Directors since May 31, 2015, with an annual dividend, payable semi-annually, at a rate set under the Series 5 – FSTQ 2013 subscription agreement, cumulative and preferential except for the interest on Cooperative Investment Plan shares.

Series 6 – 2017 preferred investment shares with a par value of $100, non-voting and redeemable at their par value upon a decision of the Board of Directors on or after June 1, 2020, with an annual dividend, payable semi-annually, at a rate set under the Series 6 – 2017 subscription agreement, cumulative and preferential except for the interest on Cooperative Investment Plan shares.

Cooperative Investment Plan preferred shares

Preferred shares with a par value of $10, issued to employees of La Coop in accordance with the Cooperative Investment Plan, bearing interest at a rate determined by the Board of Directors, redeemable at their par value by La Coop only upon a decision of the Board of Directors on or after the fifth anniversary of their issuance.

Common shares

Class A common shares, with a par value of $25. Holding such shares is an essential condition to qualify as a member and obtain voting rights. These shares are redeemable at their par value upon a decision of the Board of Directors.

Class AA common shares, with a par value of $25. Holding such shares is an essential condition to qualify as a member of the pork chain and obtain voting rights. These shares are redeemable at their par value upon a decision of the Board of Directors.

Class B common shares, with a par value of $1, non-voting and redeemable at their par value upon a decision of the Board of Directors. However, the Board of Directors may not redeem Class B common shares if there are common shares outstanding other than Class B-1, D-1 or P-1 common shares or Class A common shares. These shares were issued to members as partial payment of patronage refunds.

Class B-1 common shares, with a par value of $1, non-voting and redeemable at their par value upon a decision of the Board of Directors, starting the day after the fifth anniversary of their issuance. However, the Board of Directors may not redeem Class B-1 common shares if there are any outstanding Class B and D-1 common shares. These shares were issued to members as partial payment of patronage refunds.

Class D-1 common shares, with a par value of $1, non-voting and redeemable at their par value upon a decision of the Board of Directors, starting the day after the fifth anniversary of their issuance. However, the Board of Directors may not redeem Class D-1 common shares if any Class B common shares are outstanding. These shares were issued to members as partial payment of patronage refunds.

Class P-1 common shares, with a par value of $1, non-voting and redeemable at their par value upon a decision of the Board of Directors, starting the day after the fifth anniversary of their issuance. The redemption date must also coincide with that for Class D-1 common shares issued during the same year. These shares were issued to members as partial payment of patronage refunds.

Class P-2, Series 1–248 common shares, with a par value of $25, non-voting and redeemable at their par value upon a decision of the Board of Directors. However, the Board of Directors may not redeem Class P-2 common shares if there are any common shares outstanding other than Class B-1, D-1 or P-1 common shares. These shares were issued to members as Class AA common share dividends.

Class P-100 common shares, with a par value of $1, non-voting and redeemable at their par value upon a decision of the Board of Directors. These shares were issued to members as discretionary eligible dividends.

Class AUXILIARY MEMBERS common shares, with a par value of $25, non-voting and redeemable at their par value upon a decision of the Board of Directors.

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20. SHARE CAPITAL

At year-end, the issued and fully paid shares were as follows:

	Number		Amount	
	2018	2017	2018 $	2017 $
Preferred shares				
Class A	391,927	560,990	392	561
Series 1 – FSTQ investment shares	500,000	500,000	50,000	50,000
Series 2 – CRCD investment shares	500,000	500,000	50,000	50,000
Series 3 – ESSOR 2013 investment shares	50,000	50,000	5,000	5,000
Series 4 – FONDACTION 2013 investment shares	250,000	250,000	25,000	25,000
Series 5 – FSTQ 2013 investment shares	250,000	250,000	25,000	25,000
Series 6 – 2017 investment shares	2,000,000	1,000,000	200,000	100,000
Cooperative Investment Plan				
Series 2012, redeemable as of 2018, 3.5%	—	466,094	—	4,661
Series 2013, redeemable as of 2019, 3.5%	449,475	449,475	4,495	4,495
Series 2014, redeemable as of 2020, 3.5%	543,568	543,568	5,436	5,436
Series 2015, redeemable as of 2021, 3.5%	635,715	635,715	6,357	6,357
Series 2016, redeemable as of 2022, 3.5%	633,667	633,667	6,337	6,337
Series 2017, redeemable as of 2023, 3.5%	710,610	—	7,106	—
	6,914,962	5,839,509	385,123	282,847
Transaction costs	—	—	(2,926)	(2,890)
	6,914,962	5,839,509	382,197	279,957
Preferred shares recognized as a financial liability	(449,475)	(466,094)	(4,495)	(4,661)
	6,465,487	5,373,415	377,702	275,296
Common shares				
Class A	27,301	36,350	682	908
Class AA	2,470	2,370	61	59
Class B	—	2,196,476	—	2,197
Class B-1	42,457,404	42,512,385	42,458	42,512
Class D-1	240,822,446	242,811,780	240,823	242,812
Class P-1	4,999,258	4,999,258	4,999	4,999
Class P-2	241	229	7	6
Class P-100	18,368,810	5,385,273	18,369	5,385
AUXILIARY MEMBERS	490	500	12	13
	306,678,420	297,944,621	307,411	298,891
	313,143,907	303,318,036	685,113	574,187

Notes to consolidated financial statements

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20. SHARE CAPITAL

Transactions during the year were as follows:

	Number		Amount	
	2018	2017	2018 $	2017 $
Preferred shares				
Balance, beginning of year	5,839,509	4,793,939	279,957	179,253
Issued:				
Series 6 – 2017 investment shares	1,000,000	1,000,000	100,000	100,000
Cooperative Investment Plan – Series 2017 [Series 2016 in 2017]	710,610	633,667	7,106	6,337
Transaction costs	—	—	(36)	(1,681)
	1,710,610	1,633,667	107,070	104,656
Transferred:				
Class A	533,433	—	533	—
Redeemed:				
Class A	(702,496)	(214,435)	(702)	(215)
Cooperative Investment Plan – Series 2012 [Series 2011 in 2017]	(466,094)	(373,662)	(4,661)	(3,737)
	(1,168,590)	(588,097)	(5,363)	(3,522)
	6,914,962	5,839,509	382,197	279,957
Cooperative Investment Plan – Series 2013 – current portion [Series 2012 in 2017]	(449,475)	(466,094)	(4,495)	(4,661)
Balance, end of year	6,465,487	5,373,415	377,702	275,296
Common shares				
Balance, beginning of year	297,944,621	230,057,830	298,891	231,011
Issued:				
Class A	445	1,367	11	34
Class AA	100	160	2	4
Class B-1	23,961	11,220,000	24	11,220
Class D-1	29,815,932	63,580,000	29,816	63,580
Class P-2	12	16	1	2
Class P-100	12,983,537	5,389,203	12,984	5,389
	42,823,987	80,190,746	42,838	80,229
Transferred:				
Class A	(1,750)	—	(44)	—
Class B	(3,822)	—	(4)	—
Class B-1	(74,719)	—	(74)	—
Class D-1	(411,142)	—	(411)	—
	(491,433)	—	(533)	—
Redeemed:				
Class A	(7,744)	(1,716)	(193)	(43)
Class AA	—	(90)	—	(3)
Class B	(2,192,654)	(11,919,565)	(2,193)	(11,919)
Class B-1	(4,223)	(7,855)	(4)	(8)
Class D-1	(31,394,124)	(364,299)	(31,394)	(364)
Class P-1	—	(6,493)	—	(7)
Class P-2	—	(7)	—	(1)
Class P-100	—	(3,930)	—	(4)
AUXILIARY MEMBERS	(10)	—	(1)	—
	(33,598,755)	(12,303,955)	(33,785)	(12,349)
Balance, end of year	306,678,420	297,944,621	307,411	298,891

Notes to consolidated financial statements

Years ended October 27, 2018 and October 28, 2017

20. SHARE CAPITAL

On September 6, 2018, the directors authorized a preferred share issue pursuant to the Cooperative Investment Plan, Series 2018, as of November 30, 2018, under which 759,800 preferred shares were issued for a cash consideration of $7,598,000. On September 6, 2018, the directors also resolved to redeem, on or after November 30, 2018, 449,475 preferred shares issued under the Cooperative Investment Plan, Series 2013, for a cash consideration of $4,495,000.

On January 17, 2018, the directors resolved to redeem 2,193,000 Class B common shares issued in 2005, 31,378,000 Class-D1 common shares issued in 2006 through 2010 and 429,000 Class A preferred shares, with the same reference years, for a cash consideration of $34,000,000. On January 17, 2018, the directors also declared an eligible dividend of $15,780,000, $2,297,000 of which was paid in cash and $13,016,000, in Class P-100 common shares. A balance of $467,000 was offset with a subsidiary of La Coop.

On September 7, 2017, the directors authorized a preferred share issue pursuant to the Cooperative Investment Plan, Series 2017, as of November 30, 2017, under which 710,610 preferred shares were issued for a cash consideration of $7,106,000. On September 7, 2017, the directors also resolved to redeem, on November 30, 2017, 466,094 preferred shares issued under the Cooperative Investment Plan, Series 2012, for a cash consideration of $4,661,000.

On January 13, 2017, the directors resolved to redeem 11,919,000 Class B common shares issued between 2002 and 2005 and 215,000 Class A preferred shares, with the same reference years, for a cash consideration of $12,134,000. On January 13, 2017, the directors also declared an eligible dividend in the amount of $10,768,000, $5,384,000 of which was paid in cash and $5,384,000, in Class P-100 common shares.

21. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

The net change in non-cash working capital items related to operations is as follows:

	2018	2017
	$	$
Accounts receivable	**(51,680)**	(38,762)
Inventories	**(96,489)**	(24,930)
Prepaid expenses	**4,709**	1,695
Accounts payable and accrued liabilities	**53,045**	34,116
Deferred revenues	**16,261**	22,944
Income taxes	**(41,280)**	(30,376)
Patronage refunds payable	**(480)**	4,301
	(115,914)	(31,012)

22. COMMITMENTS AND CONTINGENCIES

a) Operating leases

La Coop has entered into long-term operating leases for buildings, machinery and automotive equipment and is also committed under computer equipment and software leases. The future minimum lease payments of La Coop under these operating leases total $104,658,000 and are as follows for the coming years: 2019 – $21,642,000; 2020 – $17,979,000; 2021 – $14,571,000; 2022 – $10,825,000; 2023 – $10,735,000 and thereafter – $28,906,000.

b) Repurchase of the units of non-controlling unitholders

Meat Division

A group of non-controlling unitholders of one of La Coop's subsidiaries, holding 2.836% of the units of said subsidiary, has an option to sell, on or after December 31, 2023, all of its units to La Coop, which is obligated to repurchase or require its subsidiary to repurchase such units. The sale of the units and the payment of their sale price may be made in a maximum of four equal and consecutive annual instalments or sooner, according to the terms of the agreement. Additionally, this same group of non-controlling unitholders has an option to exchange, on or after December 31, 2019, its shares in a joint arrangement for units of La Coop's subsidiary. The units so acquired in La Coop's subsidiary are also covered by an option to sell, with the same redemption terms, effective on or after the 7th anniversary of their issuance.

In addition, another group of non-controlling unitholders of one of La Coop's subsidiaries, holding 2.36% of the units of said subsidiary, has an option to sell, on or after September 1, 2020, all of its units to La Coop, which is obligated to repurchase or require its subsidiary to repurchase such units. The sale of the units and the payment of their sale price may be made in a maximum of five equal and consecutive annual instalments or sooner, according to the terms of the agreement.

Furthermore, another group of non-controlling unitholders of one of La Coop's subsidiaries, holding 5% of the units of said subsidiary, has an option to sell all or 50% of its units to La Coop, which is obligated, to repurchase or require its subsidiary to repurchase such units. In the event the option is partially exercised, the redemption of the remaining units may be exercised on or after the 5th anniversary of the date of the first notice of partial exercise of the units. The sale of the units and the payment of their selling price may be made in a maximum of two equal and consecutive annual instalments, or sooner, according to the terms of the agreement, if the options are exercised on or before October 30, 2026, whereas they will be exercised in a maximum of three equal and consecutive annual instalments, or sooner if the options are exercised after October 30, 2026.

c) Claims and lawsuits

In the normal course of business, various claims and lawsuits are brought against La Coop. Legal proceedings are often subject to numerous uncertainties, and it is not possible to predict the outcome of individual cases. In management's opinion, La Coop has made adequate provision for or has adequate insurance to cover all claims and lawsuits, and their settlement should not have a significant negative impact on La Coop's financial position.

Notes to consolidated financial statements

Years ended October 27, 2018 and October 28, 2017

23. GUARANTEES

In the normal course of business, La Coop has entered into agreements that contain features which meet the definition of a guarantee. These agreements provide for indemnification and guarantees to counterparties in transactions such as operating leases and security contracts.

These agreements may require La Coop to compensate third parties for costs and losses incurred as a result of various events including breaches of representations and warranties, loss of or damages to property, and claims that may arise while providing services.

Notes 14, 16, 17 and 22 to the consolidated financial statements provide information relating to some of these agreements. The following constitutes additional disclosure.

Operating leases

La Coop and its subsidiaries have general indemnity clauses in most of their movable and immovable property leases whereby they, as lessees, agree to indemnify the lessor against liabilities related to the use of the leased property. These leases mature at various dates through July 2039. The nature of the agreements varies based on the contracts and therefore prevents La Coop from estimating the total potential amount it would have to pay to lessors. Historically, La Coop has not made any significant payments under such agreements. Furthermore, La Coop and its subsidiaries have property insurance protecting them against such potential situations.

Guarantee contracts

La Coop is committed under letters of credit with financial institutions and insurance companies in connection with obligations amounting to $29,715,000 as at October 27, 2018 [$27,076,000 in 2017]. Furthermore, La Coop is committed under comfort letters with financial institutions and suppliers regarding guarantees for interests in joint arrangements and subsidiaries. The balance of amounts due as at October 27, 2018 totalled $60,651,000 [$43,259,000 in 2017] in respect of which La Coop is committed to repurchase inventories amounting to $57,907,000 as at October 27, 2018 [$51,992,000 in 2017].

As at October 27, 2018 and October 28, 2017, no amounts were recognized in respect of the above-mentioned agreements.

24. FINANCIAL INSTRUMENTS

a) Derivative financial instruments

In the normal course of business, La Coop uses a number of derivative financial instruments, such as foreign exchange contracts, commodity and currency forward contracts and options and currency swaps to reduce its exposure to exchange rate and commodity price fluctuations. These instruments are used exclusively for risk management purposes.

Foreign exchange contracts and currency swaps

The following table sets out the nominal amounts at the reporting dates with respect to foreign exchange contracts and currency swaps with maturities of less than one year:

Type	Country	Nominal amount in currency *[thousands]*	Average exchange rate	
			2018	2017
Sale	United States	**US$40,332** [US$48,184 in 2017]	**1.3054**	1.2587
Sale	Japan	**¥3,913,646** [¥3,619,334 in 2017]	**0.011630**	0.011110
Sale	Australia	**A$8,179** [A$4,324 in 2017]	**0.9572**	0.9852
Purchase	Europe	**€6,375** [€– in 2017]	**1.4910**	–

Commodity and currency forward contracts, options and swaps

La Coop has entered into purchase and sale contracts with maturities between one and two years with its clients to set various grain prices. As at October 27, 2018, La Coop's net commitments amounted to $32,950,000 [$55,514,000 in 2017]. La Coop recognized a gain of $8,069,000 [$718,000 in 2017] relating to grain price fluctuations in the consolidated statement of earnings. La Coop also entered into forward contracts for various grains and currencies and currency swaps, with maturities between one and two years, to reduce its exposure to fluctuations in various grain prices. As at October 27, 2018, La Coop's net commitments amounted to $152,673,000 [$83,426,000 in 2017]. La Coop recognized a gain of $1,725,000 [$4,203,000 in 2017] in the consolidated statement of earnings.

La Coop also entered into commodity forward contracts, specifically for pork and fertilizers, and currency forward contracts, with maturities of less than one year to manage price fluctuation risk. As at October 27, 2018, La Coop's net commitments amounted to $61,709,000 [$63,413,000 in 2017]. La Coop recognized a gain of $550,000 [a loss of $146,000 in 2017] relating to these contracts in the consolidated statement of earnings. La Coop has also entered into pork, grain and currency options with maturities of less than one year to manage price fluctuation risk. La Coop recognized a loss of $67,000 [$354,000 in 2017] in the consolidated statement of earnings. The fair value of those options resulted in a $544,000 decline in financial assets [$584,000 in 2017].

Currency swaps on debt

To manage risks related to changes in foreign exchange rates, La Coop uses derivative financial instruments to set the Canadian-dollar amount of instalments on debt denominated in US dollars. As at October 27, 2018, an advance amounting to US$168,900,000 [US$32,000,000 in 2017] was hedged under a foreign exchange swap agreement. This financial instrument serves to the cover the impact of changes in foreign exchange rates on a $220,000,000 loan denominated in Canadian dollars [$40,000,000 in 2017].

Notes to consolidated financial statements

Years ended October 27, 2018 and October 28, 2017

24. FINANCIAL INSTRUMENTS

b) Fair value of derivative financial instruments

The fair value of the derivative financial instruments reflects the estimated amounts La Coop would receive (or pay) to terminate open contracts at year-end. The prices obtained by La Coop's bankers are compared with closing capital market prices.

The fair value of derivative financial instruments was as follows:

Derivatives	2018 $	2017 $
Derivatives designated as hedges		
Foreign exchange contracts and currency swaps	(377)	(1,559)
Other derivatives		
Commodity forward contracts and options – assets	29,036	17,594
Commodity forward contracts and options – liabilities	(18,912)	(13,403)
	10,124	4,191

In fiscal 2018 and 2017, no amounts were recognized in the consolidated statement of earnings for the ineffective portion of hedging relationships for foreign exchange contracts and currency swaps.

c) Nature and extent of risks arising from financial instruments and related risk management

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for La Coop by failing to discharge its obligations. The maximum exposure to credit risk for La Coop is equal to the carrying amount of the following financial instruments:

Loans and receivables

In the normal course of business, La Coop evaluates the financial position of its clients on a regular basis and examines the credit history of new clients. To protect itself against financial losses related to credit risk, La Coop has a policy that sets out credit conditions for various areas of operations. Specific credit limits are set for each segment and client and reviewed periodically. The allowance for doubtful accounts is based on the client's specific credit risk and historical trends. Moreover, La Coop holds security on the assets and investments of certain clients in the event of default. La Coop believes its credit risk exposure to accounts receivable to be minimal due to client and sector diversification.

Derivatives

Credit risk related to derivative financial instruments is limited to unrealized gains, if any. La Coop is likely to incur losses if parties fail to meet their commitments related to these instruments. However, La Coop views this risk as minimal or non-existent, as it deals only with highly rated financial institutions.

Liquidity risk

Liquidity risk is the risk that La Coop will encounter difficulty in meeting its obligations associated with financial liabilities.

La Coop manages this risk by drawing up detailed financial projections and developing a long-term acquisition strategy. Treasury management at the consolidated level requires constant monitoring of expected cash inflows and outflows based on La Coop's consolidated financial position projections. Liquidity risk is evaluated using historical volatility, seasonal needs, current financial obligations and long-term debt obligations.

Market risk

Foreign exchange risk

La Coop often makes purchases and sales abroad. La Coop's policy is to maintain the purchase costs and selling prices of its business transactions by hedging its positions using derivative financial instruments. To protect these transactions against foreign exchange fluctuations, La Coop uses foreign exchange contracts, currency swaps and currency options.

La Coop's main foreign exchange risks are covered by a centralized treasury department. Foreign exchange risk is managed in accordance with the foreign exchange risk management policy. The policy aims to protect La Coop's operating earnings by eliminating the exposure to currency fluctuations. The foreign exchange risk management policy prohibits speculative transactions.

Interest rate risk

Interest rate risk relating to financial assets and liabilities results from changes in interest rates that La Coop may experience. La Coop believes that notes receivable, bank overdrafts, bank borrowings, obligations under capital leases and variable-rate long-term debt give rise to cash flow risk, as La Coop could be adversely affected in the event of changes in interest rates.

Centralized treasury management aims to match and bring about an appropriate combination of fixed- and variable-rate borrowings to minimize the impact of interest rate fluctuations.

Other price risk

Commodity price risk

Input prices are determined by several external factors. Extreme price volatility results from constant changes in supply markets. La Coop's policy is to maintain the purchase costs and selling prices of its business transactions by hedging its positions using derivative financial instruments. To protect these transactions against commodity price fluctuations, La Coop uses commodity forward contracts and options.

Notes to consolidated financial statements

Years ended October 27, 2018 and October 28, 2017

25. RELATED PARTY TRANSACTIONS

La Coop enters into transactions with its joint arrangements in the normal course of business. Those transactions, measured at the exchange amount, are summarized as follows:

	2018 $	2017 $
Consolidated statement of earnings		
Revenues	513,250	420,302
Cost of sales and selling and administrative expenses	206,649	220,032
Other investments	1,613	1,503

	2018 $	2017 $
Consolidated balance sheet		
Accounts receivable	104,557	60,223
Investments	76,772	74,562
Accounts payable and accrued liabilities	64,125	28,589
Deferred revenues	34,797	33,600

The investments are as follows:

	2018 $	2017 $
Advance bearing interest at 15%, without specific terms of repayment	8,421	8,421
Advances bearing interest at rates of 0% and 5%, without specific terms of repayment	7,118	7,442
Advances and notes receivable, bearing interest at the prime rate plus 0.5% to 2%	948	829
Non-interest bearing advances, without specific terms of repayment	5,285	2,870
Advances and notes receivable, bearing interest at the prime rate for a maximum of 4%	45,000	45,000
Preferred shares	10,000	10,000
	76,772	74,562

26. ACQUISITIONS OF UNITS FROM A SUBSIDIARY'S NON-CONTROLLING INTEREST

On March 7, 2013, a group of non-controlling unitholders of a subsidiary of La Coop exercised their rights to sell all of their units to La Coop, which is obligated to repurchase them. The purchase price of $129,178,000 is payable in a maximum of eleven annual tranches no later than August 15, 2023, according to a predetermined repurchase agreement whose terms and conditions are defined in the partnership agreement of the subsidiary, or sooner at La Coop's discretion, plus a consideration equal to the amount of the non-acquired tranches multiplied by the prime rate of a financial institution less 1%.

The first tranche of the interest was acquired on June 20, 2013 for a total consideration of $20,018,000. During fiscal 2014, La Coop did not purchase any units under the partnership agreement. A second tranche was acquired on August 15, 2015 for a total consideration of $26,925,000. The third tranche was acquired on August 15, 2016 for a total consideration of $27,366,000. The excess of fair value of the consideration paid over the carrying amount of the non-controlling interest was recognized as a reduction of the reserve in the amount of $9,129,000 and the non-controlling interest was reduced by $18,237,000.

On September 27, 2015, the partnership agreement of this subsidiary was restated and updated to reflect changes in the unit ownership of La Coop's subsidiary. The agreement stipulates that La Coop has agreed to early acquire units upon each payment of distributions by the subsidiary, in accordance with the terms and conditions set forth in the agreement. Accordingly, a fourth tranche was acquired on March 31, 2017. Additionally, on September 22, 2017, a sales agreement was entered into between the non-controlling unitholders of the subsidiary and La Coop, under which the terms and purchase price of the fifth tranche were agreed to by the parties. These two tranches were acquired for a total consideration of $28,544,000. The excess of fair value of the consideration paid over the carrying amount of the non-controlling interest was recognized as a reduction of the reserve in the amount of $9,810,000 and the non-controlling interest was reduced by $18,734,000.

The partnership agreement of this subsidiary was amended and stipulates that the remaining units have ceased to be subject to obligations requiring their purchase by La Coop and their sale by the group of unitholders as of October 31, 2017.

Notes to consolidated financial statements

Years ended October 27, 2018 and October 28, 2017

27. SUBSEQUENT EVENTS

Meat Division

On November 26, 2018, La Coop acquired, via its subsidiary Olymel L.P., all the shares of a company operating in the meat sector for a consideration of $250,000,000, subject to certain adjustments. The fair value of assets acquired and liabilities assumed will be determined during the fiscal year ending October 26, 2019 as part of the initial recognition of the transaction, given the limited time frame between the acquisition date and the finalization date of the consolidated financial statements. The acquisition was financed using the credit facility under La Coop's long-term debt.

Agri-business Division

On November 19, 2018, La Coop acquired all the assets of a business operating in the agriculture sector for a consideration of $44,828,000, subject to certain adjustments. The fair value of assets acquired and liabilities assumed will be determined during the fiscal year ending October 26, 2019 as part of the initial recognition of the transaction, given the limited time frame between the acquisition date and the finalization date of the consolidated financial statements. The acquisition was financed using the credit facility under La Coop's long-term debt.

La Coop fédérée

On December 20, 2018, La Coop sold the building housing the head office, which was presented under property, plant and equipment held for sale as at October 27, 2018. The transaction generated a net gain on disposal of assets of $13,285,000.

On January 16, 2019, the directors resolved to redeem 10,253,000 Class D-1 common shares issued in 2010 and 2011 and 16,000 Class A preferred shares, with the same reference years, for a cash consideration of $10,269,000.

On January 16, 2019, the directors also declared an eligible dividend of $11,179,000, payable in a cash payment of $5,590,000 and $5,589,000 in Class P-100 common shares.

28. COMPARATIVE FIGURES

Certain figures from fiscal 2017 have been reclassified to conform with the presentation adopted in 2018.

Financial review – Unaudited

	Part II Accounting Standards for Private Enterprises								Part V Pre-changeover Accounting Standards	
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Operations *[in thousands of dollars]*										
Revenues	**$6,515,972**	$ 6,271,772	$ 6,335,219	$ 5,991,969	$ 5,376,073	$ 5,185,952	$ 4,947,409	$ 4,442,438	$ 3,947,871	$ 3,919,963
Financial expenses	**22,601**	17,764	26,625	27,473	24,688	13,107	12,063	11,100	10,083	14,683
Amortization (excluding transaction costs)	**93,368**	81,445	83,610	77,688	59,860	53,628	51,637	54,355	56,698	53,710
Earnings before patronage refunds and income taxes	**210,725**	351,228	275,438	95,702	73,806	23,727	96,585	92,686	36,077	53,346
Patronage refunds	**42,400**	88,000	55,000	35,000	25,000	73	32,216	36,500	11,500	15,000
Income taxes	**32,914**	65,273	60,730	16,213	11,719	4,859	10,476	11,914	5,854	10,746
Net earnings attributable to members of La Coop	**115,614**	168,349	151,569	44,489	37,087	18,795	39,649	31,652	18,723	27,600
Financial position *[in thousands of dollars]*										
Working capital***	**$ 553,559**	$ 414,274	$ 415,280	$ (6,346)	$ 274,029	$ 206,559	$ 212,606	$ 170,068	$ 92,898	$ 191,178
Property, plant and equipment, net carrying amount	**1,020,130**	828,589	750,551	690,653	501,739	495,061	446,903	459,458	454,586	459,860
Total assets	**3,261,469**	2,666,990	2,450,589	2,298,308	1,737,587	1,615,048	1,517,054	1,393,285	1,291,237	1,221,516
Preferred shares and equity	**1,480,827**	1,285,250	961,809	761,635	702,473	594,107	590,372	457,121	440,518	412,482
Financial ratios										
Working capital ratio***	**1.6**	1.5	1.6	(0.99)	1.5	1.3	1.4	1.3	1.2	1.4
Interest coverage*	**10.3**	20.8	11.3	4.5	4.0	2.8	7.8	8.2	4.6	4.6
Debt/equity ratio***	**31:69**	23:77	37:63	47:53	33:67	29:71	24:76	36:64	36:64	36:64
Earnings before patronage refunds and income taxes*/revenues	**3.2%**	5.6%	4.3%	1.6%	1.4%	0.5%	1.7%	1.8%	0.9%	1.4%
Reserve and contributed surplus/ preferred shares and equity**	**53.4%**	55.0%	57.3%	50.5%	50.8%	55.6%	55.5%	68.7%	72.8%	73.2%
Preferred shares and equity**/ total assets	**45.4%**	48.2%	39.2%	33.1%	40.4%	36.8%	38.9%	32.8%	34.1%	33.8%
Number of employees	**14,020**	13,150	12,541	12,211	10,202	9,984	9,583	9,662	10,429	11,336

** For the purposes of ratio calculations, non-controlling interests are included in earnings before patronage refunds and income taxes.*

*** Accumulated other comprehensive income and the related financial instruments were excluded from ratio calculations for the fiscal years prior to 2011. In addition, non-controlling interests are excluded from the equity calculation.*

**** The credit facility was considered in this ratio's calculation in 2015 for consistency with the presentation adopted in the consolidated financial statements.*

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La Coop fédérée
9001, boul. de l'Acadie
Suite 200
Montréal (Québec) H4N 3H7
Téléphone: 514 384-6450
Fax: 514 858-2025

Website : lacoop.coop

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