More united than ever.

2020 Annual Report

Sollio
Cooperative Group

Mission

Rooted in our regions and leveraging our collective strengths, we nourish people by ensuring the prosperity of farming families to ensure a sustainable future for our world.

Vision

To be recognized as a leader of reference in our Canadian retail markets, in the North American agricultural market and in the International agri-food industry.

Values

Honesty

Each of us acts with the utmost transparency, both within our company and in our relations with member cooperatives and other stakeholders. We all admit our mistakes freely, give credit where due and seek to avoid conflicts of interest.

Equity

Each of us, like each working group, treats our partners fairly and equitably. We believe that everyone deserves to find their place within our large cooperative network, to be recognized there and to flourish.

Responsibility

Each of us fully assumes our role within Sollio Cooperative Group, in particular by ensuring the sound management of our members' collective assets, by ensuring they fulfill their individual, mutual and collective commitments, remaining fully accountable for their actions, and by embracing the goal of sustainable development.

Solidarity

Driven by a desire for mutual aid, we consult and advise one another to achieve our common goals. We work hand in hand, in an open, consistent, methodical manner and rally around decisions made for the common good of our company.

What will tomorrow be made of?
Of hearts at work and moments shared together.
Of fields of expertise and fertile fields.
Of projects that bear fruit and flourishing regions.
Of healthy citizens and an enriching world.

Tomorrow will be made of us.

We, the producers, transformers, distributors, associated companies and employees. We, the people on the ground, thinking of tomorrow. We, with our feet planted firmly in the present and our eyes focussed resolutely on the future, are more committed, more passionate, more dedicated and more resilient than ever.

Driven by the same values. Steadfastly determined to preserve the Canadian food resources served on tables every day.

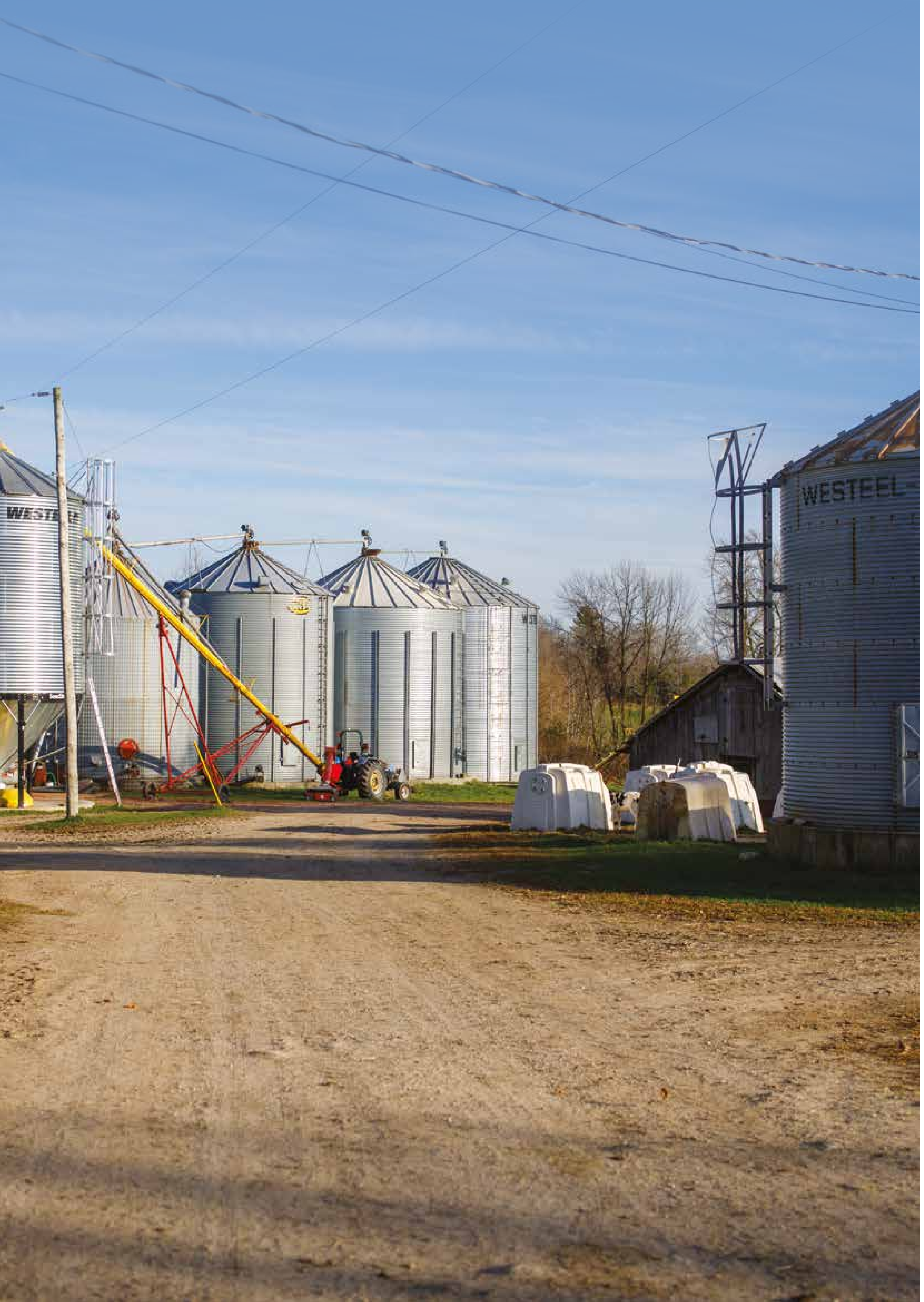
We, united under one business model, come together to speak with one voice and dream of the same future.

A promising, sustainable, collective future. A caring, optimistic, prosperous future. Where cooperation, innovation and shared expertise will continue to cultivate our collective strengths.

At Sollio Cooperative Group, we're proud to be active participants in the economic development of our land, our country. An agent of effective, local change and a leading corporate citizen, we produce here, transform here and harvest here to ensure a future that will inspire the generations that follow. Ahead of our 100th Anniversary, we're making every effort to leave our children a rich, lasting food legacy that they, in turn, will nurture.

To bring these aspirations to life, we must remain true to our vision, agile and above all else…

more united than ever.



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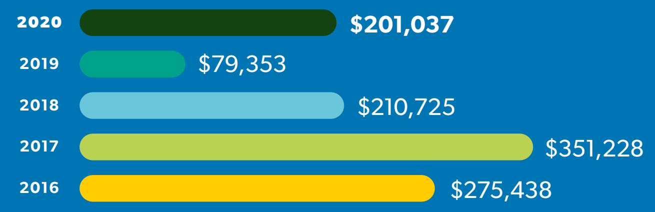
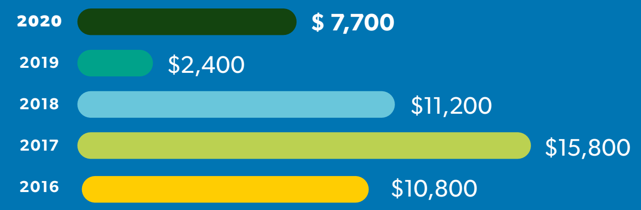
Highlights

Revenues
(in thousands of dollars)

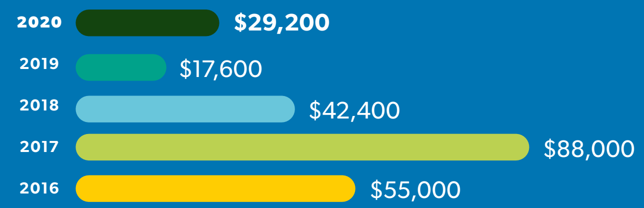
Earnings before patronage refunds and income taxes
(in thousands of dollars)



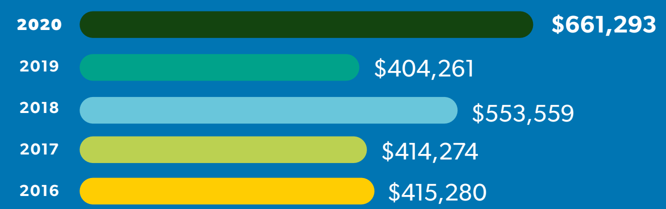
Dividends paid to the Cooperative Pork Chain
(in thousands of dollars)



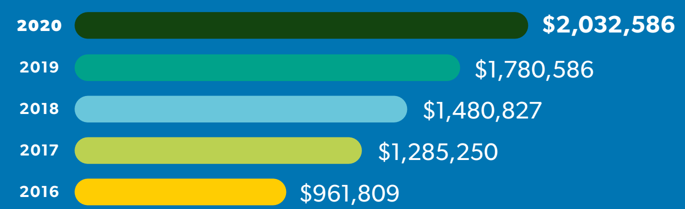
Patronage refunds
(in thousands of dollars)



Working capital
(in thousands of dollars)



Preferred shares and Sollio's Group equity
(in thousands of dollars)



[IN THOUSANDS OF DOLLARS]

	2020 $	2019 $
Revenues	**8,152,114**	7,282,058
Operating earnings	**178,792**	48,085
Earnings before patronage refunds and income taxes	**201,037**	79,353
Patronage refunds	**29,200**	17,600
Net earnings	**140,987**	48,604
Accounts receivable and inventories	**1,594,679**	1,414,439
Current assets	**1,770,159**	1,545,083
Working capital	**661,293**	404,261
Property, plant and equipment, at cost	**2,702,183**	2,220,841
Property, plant and equipment, net carrying amount	**1,567,259**	1,215,381
Total assets	**4,728,182**	3,880,159
Long term debt and obligations under capital leases including current portion	**1,270,098**	845,774
Preferred shares and Sollio's Group equity	**2,032,586**	1,780,586
Number of employees	**16,150**	15,360

More commited than ever.

Ferme M & A Scoble
Finalist New Farm Enterprise and Farm Succession Award
2020-2021

President's message — **Ghislain Gervais**

Sollio Cooperative Group's past fiscal year was marked by exceptional turmoil resulting from the COVID-19 pandemic. Despite these difficult conditions, Sollio Cooperative Group once again showed that its cooperative identity is an asset to overcome obstacles and to continue positioning itself favourably for the future.

In 2020, Sollio Cooperative Group completed its ambitious growth strategy of the past few years and launched a new cycle for the next five years. Our new 2025 Strategic Plan is well rooted in our ambition, namely to ensure prosperity for our farming families and help our members feed the world.

The Vision 2020 network project is well underway and continues to advance. This year again, the network spared no effort, amid the pandemic, to pursue cooperative consolidation and forge new partnerships.

Sollio Cooperative Group's financial results demonstrate the resiliency of our teams and our network as well as our cooperative business model. Consolidated sales exceeded $8 billion with earnings before patronage refunds and income taxes reaching $201 million.

Note that we had to face one headwind after another during the past fiscal year. The harvest season was difficult across Eastern Canada.

The CN strike coincided with peak demand for propane, not to mention a railway blockade some months later. COVID-19 led to major changes in operations, plant closures, shutdown of construction sites, and disruptions of supply chains and markets. The Port of Montréal strike caused many logistical challenges. Lastly, organizations across the world were hit by an unprecedented wave of hacking.

The past year also brought some tailwinds. The hardware sector greatly benefited from the enthusiasm for renovations sparked by the lockdown. Export markets for pork were robust, particularly the Chinese market.

Above all, the severe strain on supply chains highlighted the importance of encouraging buying local and increasing food self-sufficiency while developing exports.

Amid the pandemic, we worked relentlessly to keep supporting producers in their vital operations and serve our clients. We successfully adapted our operations for the benefit of local consumers and foreign markets.

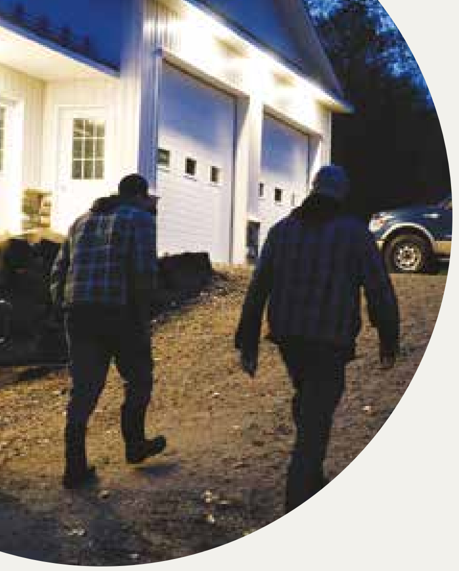
This strong commitment and mobilization effort reflects the values that drive our network and which more than ever take on their full meaning: responsibility, solidarity, equity and honesty.

All these efforts also enabled us to complete our ambitious growth plan.

The integration of F. Ménard operations went smoothly. This acquisition enabled Olymel to maintain its position as one of the largest pork processing companies in North America. Olymel also made a significant investment to expand its Saint-Damase poultry processing plant, allowing for the diversification of operations and activities, and the addition of new state-of-the-art facilities.

Sollio Agriculture completed construction work on the grain terminal at the Port of Québec City, providing agricultural producers access to the international grain export market.

Lastly, the recent partnerships with BMR Group in growing market segments are generating the expected results.



Solidarity is the very foundation of our network and all our actions. By considering both the needs and the contribution of each individual, solidarity strengthens value chains.

Our growth would not have been possible without the support of financial institutions. This year again, our financial partners provided backing for us by investing in preferred shares and renewing our credit facility.

We would like to thank our financial partners for their strong vote of confidence in our organization and the cooperative business model.

On behalf of the Board of Directors, I extend my thanks to Gaétan Desroches, Réjean Nadeau, Sébastien Léveillé, Pascal Houle and their respective teams for their determination and efforts to successfully carry out numerous projects and for having effectively weathered the storms of the past year. My thanks also go out to our some 16,000 employees who contributed to these results, while adapting to the many work, social and personal constraints caused by COVID-19.

More united than ever

Solidarity is the very foundation of our network and all our actions. By considering both the needs and the contribution of each individual, solidarity strengthens value chains. Solidarity is a fundamental value of the cooperative model.

The various hardships we endured this year have clearly demonstrated network solidarity, among other things, through its commitment to the community. The launch of the *From Us to You* initiative along with 17 network cooperatives is one example.

Under this initiative, food was donated and financial support was provided to organizations that help people in need throughout Québec and eastern Ontario.

Regarding our operations, solidarity allowed us to continue the network consolidation project, and important milestones were reached: the creation of Agiska Coopérative was authorized by the Competition Bureau, Covris Coopérative came officially into existence, and La Coop Alliance merged with Avantis Coopérative.

The establishment of new partnerships also reached significant milestones. Joint venture Sollio & Avantis Agriculture coopérative was officially launched, making it the second partnership between a consolidated cooperative and Sollio Agriculture.

The creation of a partnership in grain marketing, namely Sollio & Grains Québec Agriculture coopérative, will make it possible to offer better marketing conditions to producers and better meet processors' needs. Discussions are underway with Uniag Coopérative for setting up partnerships tailored to their regional conditions.

This impetus towards solidarity was also observed across the bio-food sector. Together, organizations in the value chain were able to find solutions and implement measures to deal with unprecedented logistical and market shocks.

I must also acknowledge the solidarity shown by governments and their proactive role, their support, close collaboration of public health agencies as well as the unifying role of the federal and provincial ministers of agriculture, the Honourable Marie-Claude Bibeau and André Lamontagne.

With all these actions of solidarity, the bio-food sector was able to carry on its activities in an orderly fashion amid the pandemic and to continue feeding the population.

Board of Directors

GHISLAIN GERVAIS, ASC
President
Executive Committee Member

MURIEL DUBOIS, ASC
1st Vice-President
Executive Committee Member

MATHIEU COUTURE
2nd Vice-President
Executive Committee Member

RICHARD FERLAND
Executive Committee Member

MARC-ANDRÉ ROY
Executive Committee Member
Audit Committee Member

BENOIT MASSICOTTE

CATHY FRASER

FRANÇOIS DRAINVILLE

ADRIEN PITRE

PATRICK SOUCY
Audit Committee President

RÉJEAN VERMETTE

JEAN BISSONNETTE, ASC
Audit Committee Member

DAVID MERCIER
Audit Committee Member

JEAN-PHILIPPE CÔTÉ
Audit Committee Member

NORMAND LAPOINTE

FRANÇOIS R. ROY
Guest Director
Audit Committee Member

Ferme Couturier et frères inc.
Finalist New Farm Enterprise and Farm Succession Award 2020-2021

While our agriculture sector continues to undergo a multitude of changes and adaptations, one unwavering constant is that our producers are at the heart of Sollio Cooperative Group.

Together, let's set the table for tomorrow

Over its near 100 years of history, Sollio Cooperative Group has achieved many successes and overcome numerous crises. History is a testament to our resilience.

While our agriculture sector continues to undergo a multitude of changes and adaptations, one unwavering constant is that our producers are at the heart of Sollio Cooperative Group. Our new 2025 Strategic Plan, which sets up the launch for tomorrow's agriculture, is in line with this thinking.

Our 2025 Strategic Plan aims to ensure our growth actions are coherent and our three divisions generate synergy. It's a deep rethinking of our growth strategies, financial models and governance while considering issues involving sustainable development, development of talent and the next generation, and our brand image.

To carry out this important project, the Board of Directors and the Chief Executive Officer announced the creation of a new position of Chief Operating Officer at the parent company, in line with the succession plan. Following a rigorous selection process, Pascal Houle, Executive Vice-President and Chief Executive Officer, BMR Group, will be appointed to this position. We are convinced he will fully leverage his skills in this new role.

We also updated our vision and mission for 2025. While the new vision strengthens our role as a benchmark player both nationally and internationally, our new mission is tailored to the realities of today's society by incorporating the concepts of prosperity and sustainability.

Moreover, the 2025 Strategic Plan integrates six of the United Nation's sustainable development goals, namely the fight against climate change, decent work and economic growth, zero hunger, good health and well-being, clean water and sanitation, and responsible consumption and production.

Together, we must continue to seek solutions to the different environmental and social challenges. That is why Sollio Cooperative Group has formally adhered to these goals. A structured approach to corporate responsibility is under development to give concrete impetus to this commitment.

The 2025 Strategic Plan also aims to ensure that Sollio Cooperative Group plays a relevant and evolving umbrella role that considers new realities through different perspectives, including future governance of Sollio Cooperative Group.

Regarding governance, several analyses are underway. These include implementing a succession strategy for the Board of Directors, and its representation and composition. We also adopted this year an *Action plan for the equitable representation of women in network governance* and a cooperative governance training program for directors. We hope to roll out this action plan with the network's cooperatives over the next few years.

Over the past few months, we have had the opportunity to share with various organizations, partners and government authorities our vision for post-COVID economic recovery, which incorporates several elements of the 2025 Strategic Plan. In our view, the agri-food sector's economic recovery has to be driven by five main initiatives: increasing productivity, promoting food self-sufficiency and exports, developing regional vitality, fighting climate change, and enhancing the value of front-line jobs.

We have adopted an *Action plan for the equitable representation of women in network governance* and a cooperative governance training program for directors.

Along with these projects, our cooperative model will continue to evolve in certain areas as we expand into new regions and sectors.

The Board of Directors has authorized the creation of a new section, namely the Western Hog section. This was inspired by the successes of the Cooperative Pork Chain in Québec, but with different specifications and products, to factor in specific regional realities.

Also, more independent BMR stores became affiliated with Sollio Cooperative Group. This section now has over 70 members that adhere to our cooperative model and which benefit from its advantages.

To conclude, I would like to extend my thanks to my colleagues on the Board of Directors for their vision and energy, and their trust in me. And I applaud all of the directors across the network. It is your commitment and determination that give real meaning to our collective action!

Ghislain Gervais,
President

More agile than ever.

Ferme Soesbergen inc.
Finalist New Farm Enterprise and Farm Succession Award
2020-2021

Management discussion and analysis — **Gaétan Desroches**, agr., MBA
Chief Executive Officer

In a year that will forever be remembered as one of the most tumultuous in the history of the modern economy, Sollio Cooperative Group continued to grow by surpassing $8 billion in sales. A performance that showcases the effectiveness and resiliency of our cooperative business model.

Sollio Cooperative Group generated $8.152 billion in sales and $201.0 million in earnings before patronage refunds and income taxes for the fiscal year ended October 31, 2020, compared with $7.282 billion and $79.4 million, respectively, for fiscal 2019. Growth was driven primarily by the Food Division (Olymel L.P.)

Our Food Division

For the Food Division, fiscal 2020 was highlighted by several important factors. Earnings before patronage refunds and income taxes totalled $234.1 million, up significantly from $72.3 million in fiscal 2019. The increase stemmed primarily from a recent acquisition in the Eastern fresh pork sector combined with higher meat margins in the fresh pork sectors. The reopening of the Chinese market in 2020 and strong demand from China contributed to the increase in margins. Note that the strong demand from China for fresh pork rose following an outbreak of African swine fever that decimated a significant portion of the Chinese herd.

Yet, the Food Division was badly affected by the COVID-19 pandemic, particularly with the temporary closure or slowdown in operations of certain plants, as well as the shutdown of the hotel, restaurant and institutional sectors, which have reduced the demand for processed products. This extraordinary situation compounded by a railway blockade and strikes at the Port of Montréal and at one of the Division's plants partly offset the significant results of the fresh pork sector. Nonetheless, the Food Division reported $613.3 million growth in sales, driven in particular by a completed acquisition, higher selling prices at the beginning of the fiscal year and greater volumes in the fresh pork sector. The increases were however partly offset by the negative impacts of COVID-19.

Our Agriculture Division

The Agriculture Division (Sollio Agriculture) reported earnings before patronage refunds and income taxes of $8.2 million, compared with $39.0 million in fiscal 2019. The decrease resulted mainly from unfavourable results in the grains sector, which was affected by several factors. Firstly, the disappointing corn harvest in 2019 negatively impacted the trade balance by preventing exports in the spring of 2020. COVID-19 led to a significant drop in ethanol demand, resulting in lower demand for corn and significantly impacting the sector profitability. Lastly, soybean marketing was badly affected by the geopolitical situation, with negative impacts on exports. That being said, the Agriculture Division's external sales were up $45.0 million from last year, due primarily to a business acquisition made during the fiscal year.

From the beginning of the first wave of the COVID-19 pandemic in March, we took the actions required to ensure our shared priority of feeding our communities.

Our Retail Division

The Retail Division (BMR Group) posted earnings before taxes, including corporate expenses, of approximately $28.7 million, an improvement of 29.7 million over the last fiscal year. This result was driven largely by the $211.2 million increase in aggregate sales in fiscal 2020.

The lockdown and border closures following the COVID-19 pandemic affected Quebecers' consumption habits, giving rise to attractive opportunities for the Division. These changes in habits translated into higher sales and margins. The higher margins stemmed from increased prices for forest materials, influenced by the pandemic's impacts. Lastly, the acquisition of a business operating in the distribution and marketing of construction materials in September 2019 made an additional significant contribution to sales and earnings.

Ferme Louiselle et Gaétan Brassard inc.
Finalist New Farm Enterprise and Farm Succession Award 2020-2021

Energy sector

Energy sector results are reported as a share of results of a joint arrangement owing to a 50% interest held via a subsidiary, Énergies SonGo inc. The share recorded for fiscal 2020 amounted to $13.9 million compared with $9.5 million in fiscal 2019.

Operating expenses

Cost of sales and selling and administrative expenses totalled $7.914 billion compared with $7.183 billion for the previous year. The increase was mainly attributable to the Food Division.

Net financial expenses increased to $59.3 million in fiscal 2020 from $51.5 million for the previous fiscal year, owing primarily to the $287.0 million increase in the average long-term debt compared with fiscal 2019.

Including the results of its divisions, Sollio Cooperative Group reported consolidated operating income of $178.8 million, compared with $48.1 million in fiscal 2019.

The other income and expenses included the share of results of joint arrangements, namely businesses in which Sollio Cooperative Group has joint control. This share totalled $50.7 million in fiscal 2020 compared with $34.9 million for fiscal 2019. The increase was driven primarily by the Food Division's animal production and processing sector following a significant loss recorded in 2019 and, to a lesser extent, the improved results attributable to the energy and crop production sectors.

The share of results of entities subject to significant influence – entities in which Sollio Cooperative Group has an investment of less than 50% – amounted to $4.7 million in 2020, compared with a loss of $2.5 million in 2019 that resulted primarily from the decision to discontinue the project to build an integrated urea and methanol plant.

Investment income, which represents interest and dividend income from investments, totalled $3.1 million in fiscal 2020 compared with $2.2 million for the prior fiscal year.

Net losses on disposal and remeasurement of assets amounted to $1.2 million in fiscal 2020 compared with $3.3 million in fiscal 2019. The 2020 loss stemmed primarily from the sale of units held in subsidiaries and joint arrangements of the Agricultural Division, offset by gains on disposals of property, plant and equipment. The 2019 loss resulted from the remeasurement of a note receivable in the energy sector, partly offset by gains on the disposal of property, plant and equipment, particularly a gain from the sale of the building housing the head office and a gain on the acquisition of assets of an Agriculture Division business.

For the year ended October 31, 2020, after deducting $29.2 million in declared patronage refunds and $30.9 million in income taxes, the Group reported net earnings of $141.0 million compared with $48.6 million in fiscal 2019. Net earnings attributable to members of the Group and included in the reserve amounted to $117.7 million, compared with $38.4 million in fiscal 2019, while net earnings attributable to non-controlling interests totalled $23.3 million, compared with $10.2 million in fiscal 2019.

Management Committee

GAÉTAN DESROCHES, agr., MBA
Chief Executive Officer

ALEXANDRE ST-JACQUES, FRM
Chief Financial Officer

Me JOSÉE LÉTOURNEAU
General Secretary and Legal Affairs

SÉBASTIEN LÉVEILLÉ, agr., MBA
Executive Vice-President and Chief Executive Officer of Sollio Agriculture

RÉJEAN NADEAU
President and Chief Executive Officer of Olymel

PASCAL HOULE, CPA, CMA
Executive Vice-President and Chief Executive Officer of BMR Group

ISABELLE LECLERC, MBA
Senior Vice-President, Human Resources and Internal Communications

STÉPHANE FORGET, MBA, ASC
Senior Vice-President, Cooperative & Institutional Affairs, and Sustainable Development

BERNARD MARQUIS, agr.
Senior Vice-President, Strategic Projects

Our business model is clearly resilient as it relies on a robust culture of cooperation, collaboration and transparency.

In light of fiscal 2020 results, the Board of Directors resolved on January 18, 2021, to pay a $7.7 million dividend to holders of shares in the Cooperative Pork Chain.

Parent company

The parent company's net expenses increased to $81.1 million from $9.0 million for the previous fiscal year, owing in part to the purchase of annuities for certain defined benefit pension plans combined with the unfavourable return on actuarial assets. In addition, a loss on remeasurement of interest rate swaps was recorded following a sharp drop in interest rates resulting from the COVID-19 pandemic.

Fiscal 2020 also saw investors confirming their trust in the organization. More than $450 million has been invested since October 2019 to finance acquisition projects and additions to property, plant and equipment. With these investments, we can accelerate our optimization project by promoting digitization and innovation, continue to position ourselves as a leader in the agri-food and retail sectors in both Québec and Canada, and mitigate the impacts of the COVID-19 pandemic on our growth plans.

Ferme M & A Scoble
Finalist New Farm Enterprise and Farm Succession Award 2020-2021

A year of turbulence and resilience

Fiscal 2020 can be characterized as an exceptional year in terms of events, achievements and results.

COVID-19 created great uncertainty not only for many of our members, our personnel, our organization, our divisions and our network of cooperatives but also across our business environment. From the farm to the table, every link in the agri-food and retail supply chain was put under enormous pressure and we had to quickly adapt our ways of doing things to deal with the new reality.

Our business model is clearly resilient as it relies on a robust culture of cooperation, collaboration and transparency, a sustainable value creation model, and meets growth objectives and future challenges with a long-term vision. All of which greatly helps us to navigate through turbulent times.

From the beginning of the first wave of the COVID-19 pandemic in March, we took the actions required to ensure our shared priority of feeding our communities by adapting to prevent and mitigate the pandemic's impacts. Leveraging our past experience and complying with public health guidelines, we adopted measures to keep our staff, clients and suppliers safe, and ensure business continuity. As a provider of essential services, we kept in mind our responsibility as a major player in the agri-food value chain.

Human resources

Human resources play a key role in Sollio Cooperative Group's successes as eloquently demonstrated more than ever during the extraordinary year that just ended.

As elsewhere, our ways of doing things were transformed overnight. By setting out a new vision of remote work, Sollio Cooperative Group has reinvented itself to better respond to employee needs and optimize the digital shift underway.

Talent and Culture project

In line with our new strategic plan, *Echo vision and leadership*, a development program for our leaders was launched in fall 2020. It brings together all the members of management committees of our divisions and those of the parent company. It's a unique experience designed to foster cross-disciplinary collaboration to better understand our professional ecosystem and inspire reflection and action.

This year again, Sollio Cooperative Group made the list of Montréal's Top Employers. This competition, an initiative of Canada's Top 100 Employers, recognizes the employers in Greater Montréal for their exceptional workplaces and practices.

Health and well-being

Overall health is a genuine concern for our employees. A financially, physically and psychologically healthy workforce provides remarkable benefits, in terms of both productivity and mobilization. To that end, several actions were taken during the year, including telemedicine, production of mental health capsules for the entire network, development of an internal volunteer program and relaunch of the Employee Assistance Program.

In terms of collaboration with the network, a complete overhaul of the Mutuelle de prévention's policies was carried out during the year.

Ferme Soesbergen inc.
Finalist New Farm Enterprise and Farm Succession Award 2020-2021

Looking to the future

Sollio Cooperative Group is currently experiencing strong growth in its business, which creates great opportunities as well as numerous challenges. Growth gives rise to an essential need for consolidation to allow our organization to seamlessly integrate the investments made and generate maximum synergy.

I would like to acknowledge the effort, ingenuity and cooperation of all those involved in developing our 2020-2025 strategic plan. We adopted an innovative approach by focusing on two axes, namely business and the federation, as well as nine strategic orientations. The alignment of each division's plans and the parent company's umbrella role will promote coherent actions, optimizing their effectiveness and ultimately, the benefits to the entire Sollio Cooperative Group.

Under Vision 2020, which will now be called Vision plus, our teams worked tirelessly to support cooperatives, particularly in managing and implementing projects, negotiating and drafting contracts, hiring senior executives and defining organizational structures, and providing consulting services in communications and branding development.

We are very proud of Vision 2020 since it will have laid the foundations for the modernization and transformation of the network business model, in response to market consolidation and member concerns.

During the past fiscal year, we also made sure to respond adequately to our members' request to play a more active role with respect to government authorities, our stakeholders and in the public arena. In addition to our *From Us to You* initiative, we carried out a communication campaign entitled *Together, let's set the table for tomorrow*; introduced a new policy on donations and sponsorships; worked on the renewal of the tax-deferred share program; and submitted our economic recovery plan for the agri-food sector. These initiatives help Sollio Cooperative Group to pursue its societal role and mission with greater focus.

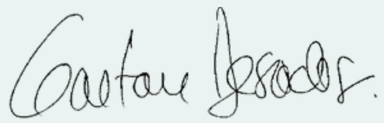
Lastly, our new name became a reality during the past year. Canada's largest agricultural cooperative with deep roots in Québec took on a new identity that corresponds to its scope and ambition, strengthens our feeling of belonging and the cooperative model's relevance. For Sollio Cooperative Group, its growth and expansion in the Canadian, U.S. and global markets is more than ever a priority. A new name. A new us.

To conclude, the Executive Committee and I would like to extend a thank you to all the members of the Board of Directors and the President Ghislain Gervais for their support and advice. We are grateful for your unwavering commitment and involvement during the past fiscal year.

We wish to thank all the presidents and general managers of the affiliated cooperatives for their collaboration during this year full of upheavals.

I am indebted to all of our organization's personnel and Executive Committee members for meeting the challenges of the past year. I also thank the management teams of our divisions as well as all our employees for their commitment and dedication. Despite COVID-19, many of you served on the front line day after day to continue feeding the world and maintaining our essential services. I'm very grateful to you.

In closing, I would like to congratulate Pascal Houle who, following a rigorous selection process, has been appointed as Chief Operating Officer of Sollio Cooperative Group. This appointment, which stems from our senior management succession plan, demonstrates the talent and excellence within our organization. The CEOs of Sollio Agriculture and BMR Group will report directly to him. Mr. Houle takes up his duties the day after the Annual General Meeting.



Gaétan Desroches, agr., MBA
Chief Executive Officer

Sébastien Léveillé, agr., MBA
Executive Vice-President and
Chief Executive Officer

Sollio Agriculture

A division of Sollio Cooperative Group

Sollio Agriculture generated net sales of $2.761 billion for fiscal 2020 compared with $2.604 billion for the previous fiscal year.

The $157 million increase was driven primarily by the addition of the agricultural business of F. Ménard, now Entreprise AMQ S.E.C., acquired in early 2020.

The acquisition largely contributed to the animal production sector's continued growth. The increase also resulted from higher feed volumes in the hog, dairy and other ruminant sectors, plus the effect of the $15 per tonne rise in the average price of ingredients.

Net sales in the crop production sector were down 4%, in line with expectations. The overall EBITDA contribution was 3.4% higher than in the previous fiscal year. Fertilizer sales volumes remained stable across our networks, as did crop protection sales. However, growth continued in organic crop protection inputs, with an increase of more than 18% in 2020, enabling us to top $5 million in sales. In the seed sector, Semences Elite's portfolio of corn and soybeans was integrated into Maizex Seeds Inc.

Sales in the grain sector declined by 6% in the past year. Regarding operations, the unfavourable consolidated results stemmed mainly from a significantly lower than expected volume (24%) attributable to the 2019 harvest conditions, the geopolitical conflict with China and the COVID-19 crisis. However, the results also include a $7.34 million accounting adjustment in respect of the allocation of purchase price paid for our acquisitions in Ontario to rectify incorrect accounting charges to the 2019 results.

The COVID-19 pandemic impacted the organization in many ways. Certain animal production sectors were affected negatively: dairy, with lower demand and a 2% reduction in the right to produce, and poultry, with cuts in quotas for three periods. However, the hog sector has been fairly stable.

At the end of this particularly eventful year, we must highlight the exceptional commitment of our operational teams and teleworking employees who worked tirelessly to "hold down the fort."

In crop production, pressure increased on the supply chain to ensure input availability as retailers and farmers procured their products faster than usual. These premature purchases, combined with an early spring season, resulted in increased handling and distribution costs on fertilizer products that slightly affected results.

In the grains sector, the expected price increase in the corn base did not materialize when the demand for ethanol disappeared at the end of March at the start of the pandemic. However, the price decline favoured exports to Europe. The lower administrative costs due to the travel ban did not offset the loss of revenue and additional expenses related to the pandemic.

A $6 million cost reduction program implemented in spring amid the initial effects of COVID-19 led to a decrease in administrative overheads in the sectors and cross-sector services. At the end of this particularly eventful year, we must highlight the exceptional commitment of our operational teams and teleworking employees who worked tirelessly to "hold down the fort."

The past year also saw Sollio Agriculture's agricultural partnership projects moving forward with the creation of Sollio & Avantis Agriculture coopérative and the launch of the first provincial partnership Sollio & Grains Québec Agriculture coopérative with several cooperatives involved in the grain sector. In its second year of operations, Sollio & Vivaco Agriculture coopérative continued its momentum with results in line with the budget and in particular strong growth in the animal feed sector.

Our export activities gained momentum, with the loading facilities at our new grain export terminal in Québec City operational since the fall of 2019 and the commissioning of new equipment to unload trucks, trains and ships at the end of 2020. Supplies are sourced mainly from our Oshawa terminal where 82,000 tonnes of grain were loaded during its first season of operations.

In animal production, the integration of Entreprise AMQ S.E.C. proved to be a success and the expected gains have already materialized. We met our commitment to customers and employees to maintain F. Ménard's successful business model, contributing to a customer retention rate approaching 100%.

Lastly, Sollio Agriculture finalized its 2020-2025 Strategic Plan where operational efficiency takes top priority for the next two years. This optimization will be the key to success for continuing integration of the acquisitions of recent years and for ensuring a sustainable future for the organization. This fiscal year will serve as the foundation for the upturn in growth expected at the end of this plan, in keeping with the aim of bolstering agricultural producers' prosperity.

Sébastien Léveillé, agr., MBA
Executive Vice-President and
Chief Executive Officer

Our Distribution Network

Réjean Nadeau
President and Chief Executive Officer

Feeding the world

A division of Sollio Cooperative Group

In fiscal 2020, despite the unprecedented disruptions, Olymel's sales grew by $613 million or 16.4% to $4.35 billion.

This excellent performance, under difficult circumstances, was driven primarily by a rebound in the Chinese market early in the fiscal year coupled with the integration of the F. Ménard operations, acquired by Olymel in January 2020.

Similarly to other businesses across the world, Olymel was badly affected by the COVID-19 pandemic's impacts. The turmoil in the markets weighed heavily on operations and results in certain sectors, particularly the processed products sector.

Starting in March 2020, Olymel fully mobilized to prevent the virus from spreading by implementing strong health measures to protect its employees' health. Despite these measures and close collaboration with public health services across Canada, Olymel had to shut down, as a precautionary measure, its hog slaughtering and pork cutting plant in Yamachiche for a period of two weeks at the end of March.

For as long as public authorities deem necessary, and regardless of the costs, Olymel will maintain the health measures in place and continue to adapt its activities to the constraints of this pandemic. For the past fiscal year, the financial impact of the measures implemented amounted to $28.9 million.

Olymel had to deal with other disruptions in fiscal 2020, including an eight-week strike at the Princeville hog slaughtering and pork cutting plant, a railway blockade in February, a longshoremen's strike at the Port of Montréal in August, and lastly, an IT incident on October 5, 2020. In addition to the pandemic, all these disruptions gave rise to major logistical and operational challenges, but Olymel clearly demonstrated its ability to weather the storms.

Hog production

Following a loss in the previous fiscal year, the Eastern hog production sector reported a gain in fiscal 2020. The improvement in results was largely attributable to hedging transactions on hog prices and currencies. The preparatory work for building a fifth collective swine nursery at Fermes Boréales in Témiscamingue was launched during the fiscal year. This new facility will round off Phase 1 of the project that produced 252,000 piglets in fiscal 2020.

The Western hog production sector recorded a loss in fiscal 2020, but well below that reported in the previous fiscal year. As in the Eastern hog production sector, the primary reason for the improvement was the gains generated from hedging operations. In fiscal 2020, the Western hog production sector produced over 1.3 million hogs. Work on the gradual installation of open stalls in farms also continued. Olymel and Sollio Agriculture teams moved forward to create a Western hog section based on the Cooperative Pork Chain model but adapted to Western realities. This new section is expected to be launched in spring 2021. Lastly, in both the East and the West, Olymel put much effort into preventing African swine fever and developing an internal contingency plan.

Eastern fresh Pork

The Eastern fresh pork sector reported positive results for fiscal 2020, up sharply from the previous fiscal year. This performance was largely attributable to the reopening and strength of the Chinese market and the acquisition of F. Ménard.

That being said, the eight-week strike at the Princeville plant at the beginning of fiscal 2020 and the COVID-19 pandemic during most of the fiscal year had a negative impact on our operations. The number of pigs awaiting slaughter increased while value added production declined to the benefit of slaughtering operations. The strike and the pandemic caused a slight decline in slaughter volume.

Between March and October 2020, pandemic-induced slowdowns forced Olymel to send tens of thousands of hogs from Ontario to its Red Deer slaughterhouse in Alberta and nearly 200,000 hogs to other slaughterhouses in the U.S. and Canada. Additional unplanned and significant costs were incurred as a result. In addition, the Saint-Esprit, Vallée-Jonction and Princeville slaughtering plants had their exports permits to China withdrawn temporarily following COVID-19 outbreaks at different points in time.

Despite a difficult business environment, the reopening of the Chinese market in November 2019 enabled Olymel to more than double its pork exports to China. Notwithstanding sporadic slowdowns, sales of chilled pork products to Japan were slightly up.

In January 2020, Olymel began the seamless integration of F. Ménard's pork production, processing and further processing operations. The project to set up a second shift at the Ange-Gardien slaughtering and cutting plant in 2021 should significantly increase its production capacity.

Western fresh Pork

Results of the Western fresh pork sector were slightly down in fiscal 2020 compared with fiscal 2019. As in the East, the Western fresh pork sector had to put in place significant health measures to prevent the coronavirus from spreading. The Red Deer plant opened up a second shift for both slaughtering and cutting.

Nonetheless, although the Chinese market reopened, the Red Deer plant's licence to export to China remained suspended, since April 28, 2019.

Further processed Pork

Lower volumes in this sector stemmed in large part from COVID-19's impacts on further processed pork products. This impact was mostly felt in the hotel, restaurant and institutional (HRI) sector, where demand for various fresh sausage and ham products declined significantly during the first lockdown. Sudden changes in production volumes and labour management have been ongoing challenges since the early days of the pandemic. Under the circumstances, investment projects were postponed.

Bacon Sector

Despite lower sales volumes, the bacon sector generated positive results, driven by higher selling prices and improved returns. Sliced bacon, particularly bulk sales, as well as pre-cooked bacon were particularly affected by the decline in sales resulting from the pandemic.

Fresh Poultry

The fresh poultry sector was hard hit by the negative impacts of COIVD-19. The shutdown of restaurants led to a decline in both volumes and selling prices. Faced with complete disruption of this market, poultry farmers were forced to scale back their production for several months. For the first time in five years, Canadian chicken production declined, owing to the pandemic.

Notwithstanding, in September 2020, Olymel announced a $35 million investment in its poultry slaughtering and cutting plant in Saint-Damase, Montérégie, mainly to equip the plant with additional cutting, deboning and tray packing lines, and new high-capacity, state-of-the-art facilities.

Olymel's interests in Sunnymel, New Brunswick and in Volaille Giannone, Québec generated positive contributions to fiscal 2020 results, although to a lesser extent than in the previous year.

Further processed Poultry

Although sales volumes declined, the further processed poultry sector generated positive results compared with a loss in the previous fiscal year. The improved results stemmed from higher selling prices coupled with lower raw material prices. The decline in sales volumes was entirely attributable to the negative impacts of COVID-19. The shutdown of the HRI sector, particularly restaurants, triggered a sharp drop in sales, mostly at food wholesalers but also for retailers. Drive-through orders and mobile delivery applications partly offset these volume declines.

The lower demand impacted operations and resulted in temporary closures, slowdowns and production reorganization at several poultry further processing plants.

The integration of Pinty's operations in Ontario was also actively pursued in 2020. Some operations were transferred from Port Colborne to two Olymel further processing plants in Brampton. The installation of a second roasting line at the Paris, Ontario plant in 2020 will improve the distribution of production across the cooking plants.

In fiscal 2020, the turkey sector posted a lower loss than in the previous fiscal year, due to the improved meat margin. While Olymel has now enhanced its offering by marketing bagged seasoned turkeys, the disappointing results in this sector confirm an ongoing trend of the past few years. This situation is not limited to Olymel. Between 2017 and 2019 alone, Canadian processors suffered losses of $120 million, according to a PwC study. The COVID-19 pandemic, labour shortages, and poultry quality issues were all factors that contributed to these negative results.

Resilience – A condition for growth

The year 2020 will be unforgettable. If there is one word to describe how Olymel weathered the many turbulences of this difficult period, it would be resilience. I would like to express my gratitude to all of our personnel. Our employees complied with stringent health measures and adapted to a working environment that was not always predictable. I thank them while pointing out that our results are a reflection of their commitment.

In November 2021, we will be celebrating the Olymel's 30th founding anniversary. As we embark on our fourth decade, we remain focused on our values of integrity, trust and respect.

Lastly, even more so than in the past, I would like to warmly thank all of my colleagues in the Corporate Governance Committee for the work accomplished under exceptional conditions.

Before concluding, I wish to extend my sincere thanks to Gaétan Desroches, Chief Executive Officer of Sollio Cooperative Group, for his transparent collaboration during this fiscal year. I'm also deeply grateful to our President Ghislain Gervais and all the members of the Board of Directors for their support and invaluable advice.

Réjean Nadeau
President and Chief Executive Officer

Our Brands

Pascal Houle, CPA, CMA
Executive Vice-President and
Chief Executive Officer

A division of Sollio Cooperative Group

Despite the challenges and uncertainty that marked fiscal 2020, we can look back at a highly successful period.

Our financial results exceeded expectations with BMR Group sales reaching $1.159 billion, compared with $948 million for the previous fiscal year. As a result, the Group recorded exceptional growth for the year!

A year of challenges as well as opportunities

Combined with the closing of borders, the lockdown had a significant impact on consumption habits, leading to strong growth in the renovation market during the year.

Our network was ready to handle this growth, stemming in particular from the omnichannel strategy rollout begun this year, which allows customers to place orders via the bmr.co website and pick them up in store, as well as to the new telephone order service introduced in stores at the beginning of the crisis. With more than 10,000 orders received between April and October, this initiative contributed significantly to our good results.

Online sales grew during the year, but BMR was able to meet the demand. From the beginning of the pandemic, already initiated digital projects were accelerated while BMR's web offering was enhanced, resulting in exceptional growth for our online sales.

The pandemic also forced us to demonstrate audacity and creativity and transform BMR Group's traditional Salon d'achats into a 100% virtual event. The new formula was a success, generating sharply higher sales than in the previous fiscal year.

Amid the pandemic, protecting the physical and psychological health of our employees, our merchants and all BMR network members was a clear priority. It was also important to guide them through this turbulent period and ensure they remained motivated. A number of initiatives have been put in place in this regard, including operational management, communications to employees and proactive support for retailers.

From the beginning of the pandemic, already initiated digital projects were accelerated while BMR's web offering was enhanced, resulting in exceptional growth for our online sales.

Manage urgent issues without losing sight of our vision

While the COVID-19 pandemic and the implemented measures are certainly central to our assessment of this exceptional year, several other achievements contributed to making fiscal 2020 a positive year for BMR Group.

One such achievement is no doubt the development of the 2020-2025 Strategic Plan, which will continue to drive BMR's growth across Canada. This plan aims to make BMR Group "the emerging benchmark in Canada for entrepreneurs and consumers, recognized for its retailers' expertise, its quality customer experience and relevant product offering".

The year 2020 was also marked by the programming and development of the brand new Enterprise Resource Planning (ERP) system, a crucial strategic milestone in the impressive digital transformation launched three years ago. BMR is now equipped with a high-performance system providing it with greater efficiency in managing its activities, a better overview of the organization's business, all while adapting to the uniqueness of each retailer.

Another noteworthy milestone was the completion of Lefebvre & Benoit's first year of operations within BMR on September 1, 2020. The addition of this division, operating in a complementary sector and perfectly illustrating BMR Group's vision of bold and innovative growth, was a resounding success. The financial results are on track, despite the temporary closure of projects in spring 2020.

To sum up, the conditions under which we operated in fiscal 2020 were highly favourable in several respects. But what allowed us to surpass our business objectives was the prudence that guided our daily actions, as well as the agility and courage shown by our retailers, our employees and our entire network to adapt and transform obstacles into opportunities. I would like to thank them for being such a great source of motivation, which keeps pushing us to exceed ourselves.

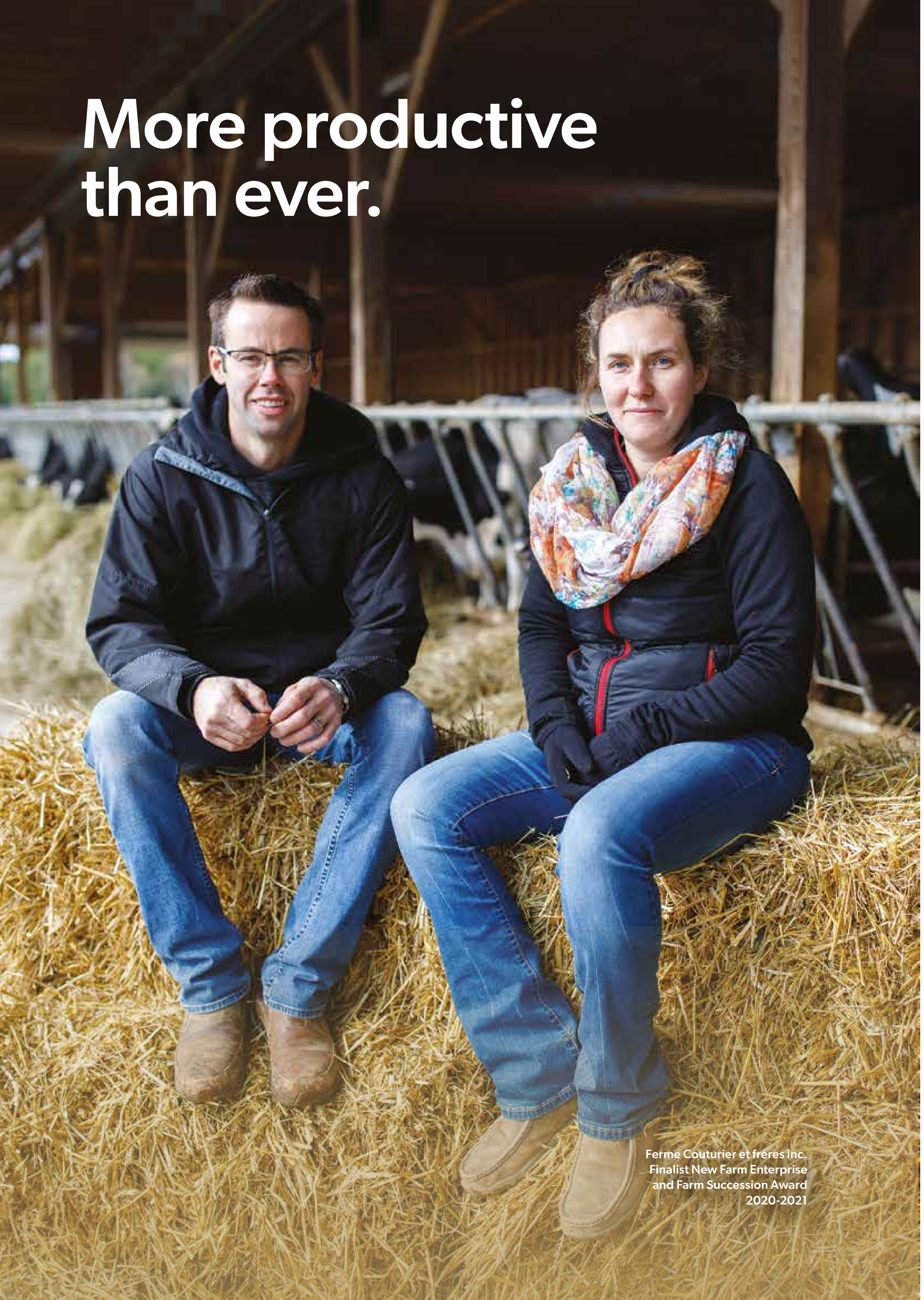
It's with this frame of mind we are entering the upcoming year, which will be marked by our digital shift and during which our network growth and business process optimization will play at the core of our actions. And I know that to achieve its most ambitious objectives, BMR can once again rely on its employees, retailers as well Sollio Cooperative Group and all our partners.

Pascal Houle, CPA, CMA
Executive Vice-President and
Chief Exdecutive Officer

Our retailor networks

BMR agrizone Potvin & Bouchard LA SHOP BMR

BMR



Ferme Couturier et frères Inc.
Finalist New Farm Enterprise
and Farm Succession Award
2020-2021

Financial position
Alexandre St-Jacques, FRM
Chief Financial Officer

As at October 31, 2020, the consolidated balance sheet of Sollio Cooperative Group [the "Group"] showed assets totalling more than $4.7 billion compared with $3.9 billion as at the end of the previous fiscal year.

This growth in total assets resulted primarily from business acquisitions and significant additions to property, plant and equipment made during the fiscal year.

The Group reported a consolidated debt/equity ratio of 38:62 at the end of fiscal 2020 compared with 33:67 as at the end of the previous fiscal year.

Preferred shares, share capital, contributed surplus and reserve totalled $2.033 billion as at fiscal year-end compared with $1.781 billion as at the end of fiscal 2019. These items represented 43.0% of total assets in fiscal 2020 compared with 45.9% as at the previous fiscal year-end. The Group's reserve and contributed surplus as at October 31, 2020 amounted to $862.5 million, representing 42.4% of preferred shares and equity.

Liquidity and capital resources

As at October 31, 2020, the Group had access to the capital resources it needed through agreements with Canadian financial institutions. The agreement with a syndicate of financial institutions comprises an overall credit facility of $1.350 billion, maturing in June 2023. An additional $250 million is also made available under an accordion feature. Drawdowns amounted to $913.8 million at the end of fiscal 2020 compared with $433.2 million in fiscal 2019.

The Group also had four term credits as at October 31, 2020. The first is a fixed-rate $100 million credit repayable in seven annual instalments starting in November 2023. The second has a balance of $90 million, bearing interest at a variable rate and repayable in January 2021 following an amendment to the financing agreement entered into in June 2020. The third, issued in October 2020, has a balance of $85 million, bearing interest at a variable rate and maturing in October 2023. A fourth term credit of $19 million was added during fiscal 2020 to support the launch of operations of a subsidiary. Lastly, a fifth term credit of $200 million issued during the fiscal year to support a business acquisition was repaid in full on October 30, 2020.

The Group has other borrowing arrangements and mortgages payable, including term loans of subsidiaries totalling $29 million, maturing between June 2037 and June 2039.

The credit facility and the term credits are not encumbered by any hypothec or other guarantee except for the $85 million term credit and term loans totalling $29 million.

To reduce its borrowing requirements, the Group manages working capital prudently and determines its capital investment capacity based on cash flows from each of its divisions. For each quarter of fiscal 2020, the Group met its financial obligations and complied with the financial covenants set out in its financing agreements.

Risks and uncertainties

Sollio Cooperative Group and its divisions (the Group) exercise rigorous risk management and apply mitigation measures in anticipation of their potential consequences.

In the course of business, the Group is exposed to risks that could have an unfavorable impact on the achievement of its objectives, as well as its reputation and financial position.

Risks related to the COVID-19 pandemic

The COVID-19 pandemic has caused hospitals to run at overcapacity, leading governments across the world to institute measures aimed at slowing the spread of the virus and preserving healthcare systems. In Québec and Canada, agriculture, agri-food and hardware services are considered essential, thereby allowing the Group to continue its operations. As we await the mass distribution of an effective vaccine, the COVID-19 pandemic has had and should continue to have an adverse impact on the global economic situation. We have experienced a slowdown in our operations and may continue to do so, including temporary closures of some of our production facilities. The Group is following the pandemic's progression and has been implementing various initiatives to diminish its impacts. The scale of the pandemic's future repercussions on the general economic situation, as well as on our operations and results, remains uncertain.

Competition and competitiveness risks

The Group operates in competitive regional, national and international markets. The health crisis, coupled with the economic crisis that has ensued, has affected market trends and disrupted consumer habits and purchasing patterns. Knowledge of markets, optimized operations and costs, digital transformation and an extended value chain are the Group's key assets in meeting this challenge.

Human resources risks

The Group's success is built on the hard work and skills of its employees. Labour availability has a significant impact on the Group's operations. In order to attract, engage, train and retain talent with the required skills, the Group must offer fair and competitive compensation and employee benefits. Training and professional development programs are offered at all levels. The Group makes every effort to maintain positive labour relations. The succession management plans allow for better human resource planning.

Governments have taken measures to limit the spread of the virus. Preventative measures and hygiene rules have been reinforced in our facilities to ensure the health and safety of our workers and to control cases of COVID-19 outbreaks. Our office employees now work remotely. The Group prioritizes the well-being of its employees and has improved its programs aimed at maintaining their physical and mental health.

Growth risks

Over the last years, the Group has continued to grow through acquisitions and strategic partnerships. In order to remain the leader, the Group must ensure their integration, and achieve the expected synergies and benefits to generate target returns.

Financial strategy risks

The unfavourable economic climate may impact the Group's financial condition. The Group periodically assesses its debt level and needs, and closely monitors its compliance with its lenders' requirements.

Supply risks

Border closures and the slowing of slaughter rates have had an impact on the supply chain, particularly on hog producers. The Group focuses on maintaining solid and long-standing relationships with suppliers to secure its supply chain, preserve volumes and meet quality standards and supply lead times. The Group aims to improve the integration of its partners with the goal of developing a strong network to achieve strategic objectives.

Market and international trade risks

The Group faces inherent risks related to the international nature of its operations. Macroeconomic conditions are volatile and regulatory or policy changes that affect access to certain markets may hamper the achievement of the organization's objectives.

Diversifying its business reduces its exposure to market fluctuations. Appropriate protection mechanisms allow financial risks to be managed. The impact of supply prices and costs is offset by market intelligence gathering and production cost controls.

Product risks

The Group is exposed to food safety and defective materials risks. The Group complies with government requirements by applying strict procedures and controls, while maintaining accreditations to ensure food safety.

Livestock health and well-being risks

Epidemics can jeopardize livestock production and meat processing plant supply chains. Canada is still free of African swine fever, which does not pose a risk to humans. The Group is collaborating with the industry and governments to develop a regionalization plan with the goal of limiting the impact of potential border closures. Livestock health and well-being, which are among the Group's priorities, includes disease prevention and management, the adoption of appropriate breeding methods and prevention of suffering.

Legal, regulatory and compliance risks

The Group is subject to laws, regulations and standards pertaining, in particular, to the environment, workplace health and safety, intellectual property, privacy and taxation. As a responsible corporate citizen, the Group takes the necessary action to comply with laws, regulations and standards.

The Group is also bound by international trade agreements governing its operations. It closely monitors the adoption of new rules to anticipate any impacts.

Information technology risks

The Group depends on various IT systems that are essential to its operations. Following implementation of recent health measures, office employees now work remotely. As such, the Group is exposed to IT security risks, including cyber attacks and fraudulent activity that could compromise system availability and integrity, and data privacy. The Group deploys resources to improve and increase the efficiency of its systems, tools and methods.

Environmental and climate change risks

Climate change impacts the supply chain and affects agriculture and agri-food operations. The Group implements measures to reduce its environmental footprint and risks that arise from its operations. Its environment policy ensures compliance with government regulatory requirements and best practices. The Group monitors legislative and regulatory developments, while demonstrating social responsibility through its actions to protect the environment and its commitment to sustainable development.

Our cooperative heritage

We are proud of our cooperative heritage. Deeply rooted across Canada, Sollio Cooperative Group has evolved seamlessly with a focus on member services and helping to build community.

That is why we are committed to protecting and enhancing the cooperative identity of our organization. Our approach is straightforward and based on the seven internationally recognized cooperative principles.

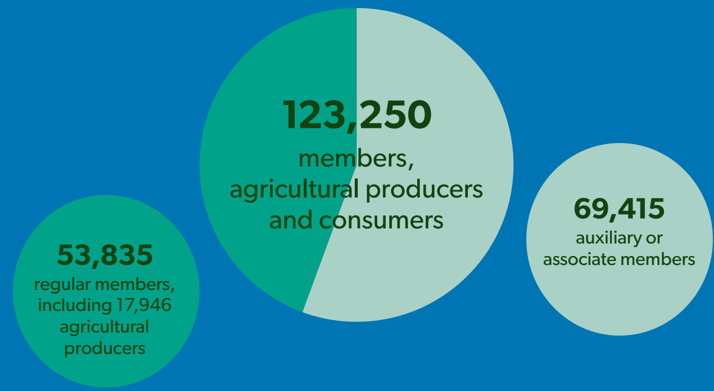
PRINCIPLE #1 — Voluntary and open membership

Cooperatives become members of Sollio Cooperative Group on a voluntary basis and work with us to form the greater federated network of agricultural cooperatives.

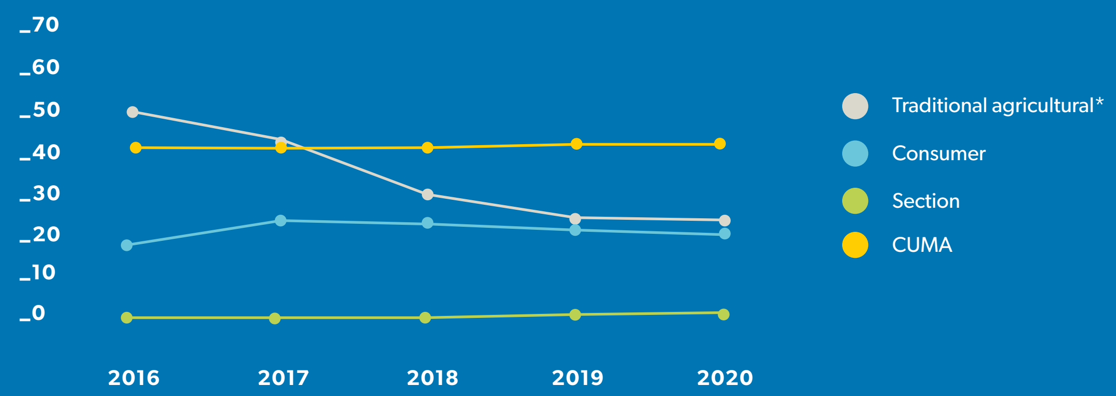
At year-end, Sollio Cooperative Group members included 25 traditional agricultural cooperatives, 23 consumer cooperatives and two sections as regular members, and 43 agricultural equipment cooperatives ("CUMA") as auxiliary members.

The two sections correspond to a group of hog producers that supply Olymel and a group of 69 independent BMR hardware stores.

The network's cooperatives comprised more than 120,000 voluntary members.



Changes in the number of member cooperatives



* Including Citadelle, cooperative of maple syrup producers.

Moreover, Sollio Cooperative Group adopted an *Action plan for the equitable representation of women in network governance* this year, with the aim of matching female representation in governance with the percentage of women members, which is about 30%.

At Sollio Cooperative Group...

16 members make up the board of directors, including two women (12%).

1 seat is reserved for women.

1 seat is reserved for special purpose or consumer cooperatives.

1 seat is reserved for an external director (non-voting).

Across the federated network...

390 directors:

87 of whom are women, i.e., 22%, sit on the boards of directors of affiliated cooperatives. That said, female representation is only 16% on the boards of directors of agricultural cooperatives.

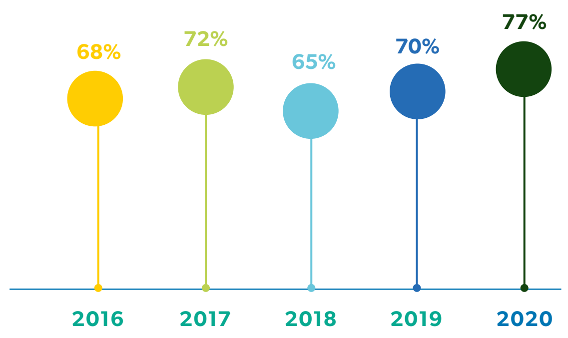
53 young people (under 35 years old) serve on boards of directors.

PRINCIPLE #2 — Democratic member control

The agricultural members of the federated network take part in the deliberations of Sollio Cooperative Group's Annual General Meeting by delegation. The number of delegates attributed to each cooperative is based on a calculation that factors in the number of its members and its sales volume with Sollio Cooperative Group during the year.

In 2020, 231 delegates out of a potential 301 exercised their rights, for a participation rate of 77%.

Delegate participation at Sollio Cooperative Group's Annual General Meeting

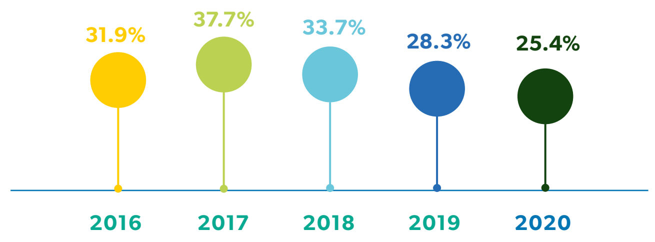


During the year, the President's Tour, the Presidents' Forums, as well as the biannual meeting also allowed the network's elected members to consult each other and guide Sollio Cooperative Group's Board of Directors' actions.

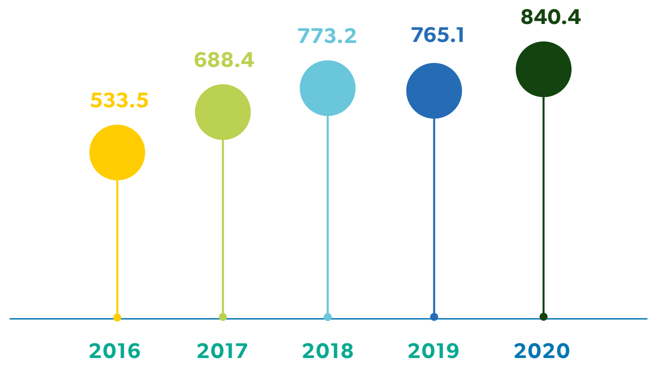
PRINCIPLE #3 — Member economic participation

The cooperatives contribute equitably to Sollio Cooperative Group's capital, holding $336.5 million in Sollio Cooperative Group shares, and $840.4 million in a collective reserve.

Ratio of members' equity to assets

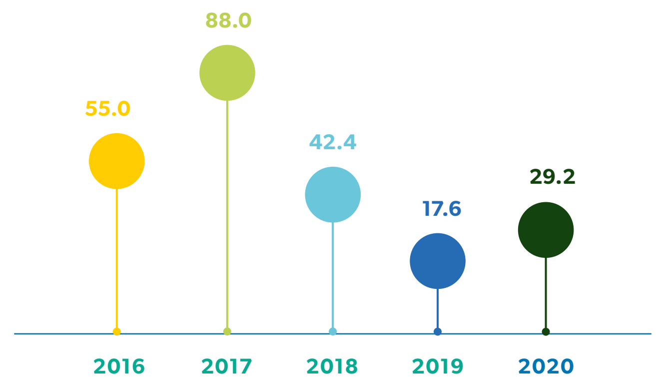


Statement of collective reserve - $M

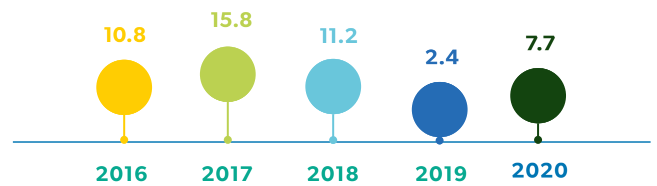


During the year, Sollio Cooperative Group distributed $29.2 million in patronage refunds to cooperatives and paid a $7.7 million dividend to the Cooperative Pork Chain.

Patronage refunds distributed to member cooperatives - **$M**



Dividends paid to the Cooperative Pork Chain - **M$**



PRINCIPLE #4 — Autonomy and independence

Sollio Cooperative Group is an autonomous organization, under the control of member cooperators. Our organization ensures its continued independence from lenders by maintaining conservative financial ratios.

We follow sound governance practices, most notably by separating the positions of President and General Manager, by ensuring directors' independence from management and by pursuing sustainable results.

Sollio Cooperative Group also recognizes the autonomy and independence of its member cooperatives.

PRINCIPLE #5 — Education, training and information

Personal and collective development is a key component of the Working Alliance, which sets a range of reciprocal commitments between employees, directors and the organization. Accordingly, Sollio Cooperative Group and its subsidiaries contribute to talent development through annual investments of nearly $11 million. More specifically, we invested 1.22% of the payroll of the parent company and the Agriculture Division, 2.54% of Olymel's payroll and 1.51% of BMR's payroll in training activities

In addition, a host of training courses are offered to the next generation of agricultural producers to help prepare the network's leaders of tomorrow.

Sollio Cooperative Group also strives to educate the general public on the nature and relevance of its organization. With this aim, it supports national cooperative initiatives such as Co-operative Week and Co-operative Succession Week.

55

Young people were added to the ranks of the 747 beneficiaries of the Fonds coopératif d'aide à la relève agricole during the year and gained access to a number of free-of-charge training courses.

PRINCIPLE #6 — Cooperation among cooperatives

Sollio Cooperative Group promotes inter-cooperation among its member cooperatives.

We are associated with some twenty other cooperative organizations dedicated to promoting cooperation and sustainability, including the Conseil québécois de la coopération et de la mutualité (CQCM), Cooperatives and Mutuals Canada (CMC), the Fondation québécoise pour l'éducation à la coopération et à la mutualité, the Société de coopération pour le développement international (SOCODEVI), Coop Carbone, the Chair in management and governance of cooperatives and mutual organizations of the Institut de recherche sur les coopératives et les mutuelles de l'Université de Sherbrooke (IRECUS) and the Centre interdisciplinaire de recherche et d'information sur les entreprises collectives (CIRIEC-Canada).

Sollio Cooperative Group and its network have collaborated with SOCODEVI to support the development of cooperatives in underdeveloped regions. Since 2003, we have participated in 170 technical support missions in 16 countries and offered 2,039 days of support.

During the year, before the pandemic struck, Sollio Cooperative Group has graciously contributed to two support missions in the projects of SOCODEVI for 28 days. In the picture, Claude Boisvert of Sollio Cooperative Group on a support mission with SOCODEVI in Vietnam.

PRINCIPLE #7 — Concern for community

Sollio Cooperative Group promotes sustainable development in the communities it operates in.

Among the UN's 17 Sustainable Development Goals, Sollio Cooperative Group has targeted six to focus its efforts on:

- Zero hunger
- Good health and well being
- Clean water and sanitation
- Decent work and economic growth
- Responsible consumption and production
- Climate action

We have produced a comprehensive corporate responsibility report detailing our achievements in these fields.

In 2020, with the difficulties posed by the pandemic, we created a special initiative entitled *From Us to You*. Seventeen member cooperatives and many employees joined Sollio Cooperative Group in raising $450,000 in market value of foodstuffs and $100,000 in cash.

Throughout the year, we support organizations and events we consider worthy.

During fiscal 2020, Sollio Cooperative Group and its divisions awarded communities **$3.9 million** in donations and sponsorships.

Donations with a value of **$2.5 million** were largely contributed by Olymel, which donated food products totalling **$1.9 million**, primarily to Moisson organizations.

Sponsorships with a value of **$1.3 million** were mainly allocated to organizations or events promoting agri-food ($441,069), culture ($171,600) and youth ($96,678).

$550,000 in market value and cash was donated by the parent company and 17 network cooperatives to the *From Us to You* initiative, launched during the pandemic to provide quick and direct help to communities.

$51,795 was donated to the Make-A-Wish Foundation by BMR.

Sollio
Cooperative Group

Sollio Cooperative Group, a unified vision.

Sollio Cooperative Group is the largest
canadian agricultural cooperative with roots in Quebec.

Consolidated financial statements of Sollio Cooperative Group
As at October 31, 2020

Management report

The consolidated financial statements and other financial information included in the Annual Report of Sollio Cooperative Group [the "Group"] for the year ended October 31, 2020 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 internal 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 the Group'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 independent 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. Ernst & Young LLP, the auditors appointed by the members, 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

Alexandre SAINT-JACQUES, FRM
Chief Financial Officer

Montréal, January 25, 2021

Independent auditors' report

To the members of
Sollio Cooperative Group

Opinion

We have audited the accompanying consolidated financial statements of **Sollio Cooperative Group** and its subsidiaries [the "Group"], which comprise the consolidated balance sheet as at October 31, 2020, and the consolidated statements of earnings, reserve and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at October 31, 2020, and its results of consolidated operations and consolidated cash flows for the year then ended in accordance with Canadian Accounting Standards for Private Enterprises.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud

Independent auditors' report

or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young LLP[1]

Montréal, Canada
January 25, 2021

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

A member firm of Ernst & Young Global Limited

Consolidated balance sheet

As at October 31, 2020 and October 26, 2019

[in thousands of dollars]	Notes	2020 $	2019 $
ASSETS			
Current assets			
Cash and cash equivalents	8	**25,765**	–
Accounts receivable	9, 26	**582,916**	616,897
Inventories	10	**1,011,763**	797,542
Income taxes receivable		**10,269**	36,481
Prepaid expenses		**49,836**	21,004
Derivative financial instruments	25, 26	**46,782**	36,398
Future income tax asset	7	**21,389**	8,762
Investments – current portion	13, 26	**21,439**	27,999
		1,770,159	1,545,083
Non-current assets			
Interests in joint arrangements	11	**269,861**	233,495
Investments in entities subject to significant influence	12	**40,744**	35,921
Investments	13, 26	**44,899**	45,373
Government assistance receivable	14	**8,933**	–
Property, plant and equipment	14	**1,566,366**	1,211,692
Property, plant and equipment held for sale	14	**893**	3,689
Defined benefit asset	21	**44,201**	72,542
Intangible assets	15	**465,938**	390,967
Goodwill	3	**516,188**	341,397
		2,958,023	2,335,076
		4,728,182	3,880,159
LIABILITIES AND EQUITY			
Current liabilities			
Bank overdrafts		**–**	18,275
Bank borrowings	16	**642**	13,525
Accounts payable and accrued liabilities	17, 26	**798,215**	714,284
Deferred revenues	26	**145,991**	109,658
Income taxes payable		**19,256**	–
Derivative financial instruments	25, 26	**20,545**	18,264
Patronage refunds payable	6	**8,760**	5,280
Redeemable preferred shares – current portion	22	**6,357**	5,436
Obligations under capital leases – current portion	18	**123**	400
Long-term debt – current portion	19	**108,977**	255,700
		1,108,866	1,140,822
Non-current liabilities			
Obligations under capital leases	18	**1,304**	1,428
Long-term debt	19	**1,159,694**	588,246
Deferred credit	20	**16,545**	13,194
Defined benefit liability	21	**77,761**	70,904
Derivative financial instruments	25	**31,234**	–
Future income tax liability	7	**136,250**	116,019
		1,422,788	789,791
Total liabilities		**2,531,654**	1,930,613
EQUITY			
Share capital	22	**1 163 779**	992,058
Contributed surplus	4	**22,079**	18,000
Reserve		**840,371**	765,092
Equity of the Group		**2,026,229**	1,775,150
Non-controlling interests	4, 23	**170,299**	174,396
Total equity		**2,196,528**	1,949,546
		4,728,182	3,880,159

Commitments and contingencies *[note 23]*
Subsequent events *[note 27]*

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

On behalf of the Board,

Muriel Dubois, agr.

Ghislain GERVAIS, Director

Muriel DUBOIS, Director

Consolidated statement of earnings

Years ended October 31, 2020 and October 26, 2019

[in thousands of dollars]	Notes	2020 $	2019 $
Revenues	26	8,152,114	7,282,058
Operating expenses	5		
Cost of sales and selling and administrative expenses	26	7,914,025	7,182,500
Net financial expenses		59,297	51,473
		7,973,322	7,233,973
Operating income		178,792	48,085
Other income and expenses			
Share of results of joint arrangements		50,670	34,885
Share of results of entities subject to significant influence		4,741	(2,533)
Investment income	26	3,089	2,168
Net losses on disposal and remeasurement of assets	3, 11, 13, 14	(1,206)	(3,252)
Losses on remeasurement of derivative financial instruments	25	(35,049)	–
		22,245	31,268
Earnings before patronage refunds and income taxes		201,037	79,353
Patronage refunds	6	29,200	17,600
Income taxes	7	30,850	13,149
Net earnings		140,987	48,604
Attributable to:			
Members of the Group		117,664	38,447
Non-controlling interests		23,323	10,157
		140,987	48,604

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

Consolidated statement of reserve

Years ended October 31, 2020 and October 26, 2019

[in thousands of dollars]	Notes	2020 $	2019 $
Reserve, beginning of year		765,092	773,219
Premium on redemption of non-controlling interest	4	–	(16,455)
Dividends on common shares		(2,340)	(10,732)
Dividends on preferred investment shares		(39,622)	(19,387)
Refundable dividend tax on hand		(423)	–
Net earnings attributable to members of the Group		117,664	38,447
Reserve, end of year		840,371	765,092

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

Consolidated statement of cash flows

Years ended October 31, 2020 and October 26, 2019

[in thousands of dollars]	Notes	2020 $	2019 $
OPERATING ACTIVITIES			
Net earnings		140,987	48,604
Non-cash items:			
Amortization	5	169,942	129,274
Amortization of transaction costs	5	2,993	1,348
Net losses on disposal and remeasurement of assets		1,206	3,252
Unrealized losses (gains) on derivative financial instruments		23,131	(8,010)
Future income taxes	7	(18,320)	165
Change in defined benefits		35,198	(25,884)
Share of results of joint arrangements		(50,670)	(34,885)
Share of results of entities subject to significant influence		(4,741)	2,533
Patronage refunds paid in common shares		20,440	12,320
		320,166	128,717
Net change in non-cash working capital items		48,743	52,317
Increase in deferred credit	20	4,697	2,673
Cash flows related to operating activities		373,606	183,707
INVESTING ACTIVITIES			
Business acquisitions	3	(659,847)	(308,795)
Disposals of subsidiaries	11	1,900	–
Acquisitions of units from a subsidiary's non-controlling interest	4	–	(38,729)
Acquisitions of investments		(82)	(5,252)
Acquisitions of interests in joint arrangements		(1,631)	(1,796)
Acquisitions of investments in entities subject to significant influence		(1,002)	(18,680)
Proceeds from disposal of investments		4,918	12,531
Proceeds from disposal of interests in joint arrangements		310	227
Dividends received from joint arrangements		18,333	31,786
Dividends received from entities subject to significant influence		325	674
Additions to property, plant and equipment		(196,124)	(220,725)
Proceeds from disposal of property, plant and equipment		6,712	45,703
Refund of deposits in trust		–	3,815
Additions to intangible assets		(13,177)	(14,106)
Cash flows related to investing activities		(839,365)	(513,347)
FINANCING ACTIVITIES			
Net change in bank borrowings		(633)	5,525
Repayment of obligations under capital leases		(400)	(423)
Proceeds from issuance of long-term debt		781,029	162,390
Repayment of long-term debt		(357,036)	(104,749)
Proceeds from issuance of preferred shares		156,384	305,025
Redemption of preferred shares		(5,436)	(4,558)
Dividends on preferred investment shares		(39,622)	(19,387)
Proceeds from issuance of common shares		27	132
Redemption of common shares		(190)	(10,399)
Dividends on common shares		(1,170)	(5,366)
Proceeds from issuance of units of a subsidiary to third parties		9,701	7,769
Dividends paid to non-controlling interests		(32,855)	(11,045)
Cash flows related to financing activities		509,799	324,914
Increase (decrease) in cash and cash equivalents		44,040	(4,726)
Bank overdrafts, beginning of year		(18,275)	(13,549)
Cash and cash equivalents (bank overdrafts), end of year		25,765	(18,275)

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

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

[All amounts are in thousands of dollars.]

1. Business description

Sollio Cooperative Group [the "Group"], previously known as La Coop fédérée, was established under a special act of the Province of Québec. It operates through three divisions: Food, Agriculture and Retail. The Food Division focuses on pork production and the processing and marketing of pork and poultry products. The Agriculture Division provides farmers with goods and services to support their farming operations. The Retail Division brings together distribution and marketing operations for hardware products, construction 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 for Canadian non-publicly accountable entities, and include the significant accounting policies described below.

Principles of consolidation

The Group 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 Sollio Cooperative Group and its subsidiaries, the most significant of which are as follows:

Consolidated subsidiaries

Name	Description	Interest
Olymel L.P.	Production, processing and marketing of pork and poultry	92.2%
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%
Entreprise Agricole AMQ s.e.c.	Distribution and marketing of animal nutrition products	100%
Maizex Seeds Inc.	Production and marketing of seeds	87.5%[1]
OntarioGrain.AG L.P.	Marketing of grains and supply of services	77.5%
Sollio Agriculture L.P.	Supply of agriculture-related goods and services	100%
Standard Nutrition Inc.	Distribution and marketing of animal nutrition products	100%
TerminalGrains.Ag s.e.c.	Operation of a grain terminal	80%
Groupe BMR inc.	Distribution and marketing of hardware products and construction materials	100%
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	52.5%

[1] 75% as at October 26, 2019

Interests in joint arrangements

The Group uses the equity method to account for its interests in jointly controlled enterprises. As at October 31, 2020, the Group has no interests in joint arrangements whose share of results exceeds 10% of the Group's earnings before the share of results of joint arrangements and income taxes.

Investments in entities subject to significant influence

The Group uses the equity method to account for all entities in which it exercises significant influence over the strategic operating, investing and financing policies. As at October 31, 2020, the Group has no interests in entities subject to significant influence whose share of results exceeds 10% of the Group's earnings before the share of results of entities subject to significant influence and income taxes.

Non-controlling interests

Non-controlling interests represent the portion of the combined net earnings and net assets of a subsidiary that is not wholly owned by the Group. Non-controlling interests are presented in equity, separately from the Group's equity. Any change in the ownership interest in a subsidiary that does not affect the control of the Group gives rise to an adjustment between the Group and the non-controlling interests to reflect their respective interests. Any difference between the adjustment and the consideration paid is presented separately in the Group's equity.

Business combinations

Business combinations are accounted for using the acquisition method. Under this method, the assets acquired and liabilities assumed are measured at their fair values at the date of acquisition and the excess of the purchase price over the fair value of the net assets acquired is recorded as goodwill. If the fair value of the net assets acquired exceeds the consideration paid, the excess is recognized immediately as net gains on disposal and remeasurement of assets in the consolidated statement of earnings.

Acquisition-related costs are recognized in earnings as incurred.

The results of businesses acquired are included in the consolidated financial statements as of their respective date of acquisition.

When options to purchase all or part of the non-acquired shares of the target company are held by the Group or options to sell the same shares are held by third parties, the Group recognizes a liability when such options are exercised.

The Group measures non-controlling interests in acquired businesses at fair value as at the date of acquisition.

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

2. Significant accounting policies

Cash and cash equivalents

Cash and cash equivalents include bank account balances as well as cash backed by derivative financial instruments and are recorded at fair value.

Inventories

Raw materials and supply inventories are valued at the lower of cost under 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.

The Group recognizes amounts received under agreements with suppliers as a reduction in the price of the suppliers' products and presents them as a reduction of cost of sales in the consolidated statement of earnings and of related inventories in the consolidated balance sheet when it is probable that such discounts will be received.

Investments

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

Property, plant and equipment

Property, buildings and equipment

Property, plant and equipment are initially recognized at cost or at fair value if acquired as part of a business combination. Grants related to property, plant and equipment are recognized as a reduction of those assets.

Assets under capital leases are capitalized when substantially all the benefits and risks incident to ownership of the leased property have been transferred to the Group. 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 held for sale are measured at the lower of carrying amount or fair value less costs to sell and are not amortized.

The cost of property, plant and equipment is amortized on a straight-line basis over their estimated useful life or the lease term:

Pavement	10 to 15 years
Buildings	10 to 30 years
Machinery and equipment	3 to 20 years
Automotive equipment	3 to 15 years
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.

Intangible assets

Intangible assets subject to amortization are initially recognized at cost, or at fair value if acquired as part of a business combination, and amortized on a straight-line basis over their estimated useful life.

Trademarks

Trademarks with finite lives are amortized over periods of two to 20 years. The Group also has trademarks with indefinite useful lives, which are not amortized.

Client lists

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

Rights

Rights consist of production rights and exclusive supply rights. Production rights are not amortized since they have indefinite useful lives while exclusive supply rights are amortized over periods of five 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 three to five years. The amortization of information technology development projects begins at project completion.

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

Financial support

The different types of financial support are amortized over the terms of the related agreements of five to 10 years.

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

2. Significant accounting policies

Impairment of assets

Accounts receivable and notes receivable

Accounts receivable and notes receivable are subject to continuous impairment review and are classified as impaired when, in the opinion of the Group, there is reasonable doubt that losses on accounts receivable and notes receivable have occurred taking into consideration all circumstances known at the review date, or there is a reasonable doubt as to the ultimate collectability of a portion of the principal and interest. When there are indications of possible impairment, the Group determines if there has been a significant adverse change to the expected timing or amounts of future cash flows expected from the financial asset. The amount of the impairment loss is determined by comparing the carrying amount of the financial asset with the greatest of the following three amounts:

i. The present value of the cash flows expected to be generated from the asset, discounted using a current market rate of interest appropriate to the asset;

ii. The amount that could be realized by selling the asset at the consolidated balance sheet date;

iii. The amount the Group expects to realize by exercising its right to any collateral held to secure repayment of the asset, net of all costs necessary to exercise those rights.

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.

Investments, interests in joint arrangements and investments in entities subject to significant influence

Investments in shares and other securities of cooperatives, interests in joint arrangements and interests in entities subject to significant influence are written down if analyses of entities' financial reports show they are experiencing financial difficulties. At the end of each period, the Group assesses each investment for any indications of impairment. When there are indications of possible impairment, the Group determines if there has been, during the period, a significant adverse change to the expected timing or amounts of future cash flows expected from the investment. If the investment is impaired, the Group reduces the carrying amount of the investment to the higher of the following:

i. The present value of the cash flows expected to be generated from the investment, discounted using a current market rate of interest appropriate to the asset;

ii. The amount that could be realized by selling the financial asset at the consolidated balance sheet 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.

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 and certain trademarks 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 as part of a business combination. 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 exceeding 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.

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

2. Significant accounting policies

Deferred credit

Deferred credit arises from the recovery of insurance in excess over the impaired value of property, plant and equipment and is recognized as revenue at the same rate as the amortization of the related asset.

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. Revenues correspond to the amount of consideration received net of discounts and returns.

Research and development

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

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 under cost of sales and selling and administrative expenses.

Employee future benefits

The Group 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.

The cost of pensions 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.

The Group uses insurance contracts for the payment of certain employees future benefits. These contracts are excluded from plan assets and the amount of benefits provided under these contracts is deducted from the defined benefit liability when there is a transfer of significant risks to the Group.

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.

The Group also offers other post-retirement benefits to certain retired employees. Other post-retirement benefits offered by the Group to these retired employees include health care benefits and life insurance. 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 the Group 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. 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

The Group initially measures its financial assets and liabilities at fair value, except for related party transactions, which are accounted for at the carrying amount or at the exchange amount depending on the circumstances.

Subsequently, the Group measures its financial instruments as follows:

Accounts receivable (excluding government receivables) and notes receivable are measured at amortized cost using the effective interest method.

Shares and other securities of cooperatives included under investments are measured at cost since they have no quoted price in an active market.

Bank overdrafts, bank borrowings, accounts payable and accrued liabilities (excluding government remittances), patronage refunds payable, redeemable preferred shares and long-term debt are measured at amortized cost.

Interest income and expense from financial assets and liabilities are recognized under net 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.

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

2. Significant accounting policies

Derivative financial instruments

In accordance with its risk management strategy, the Group 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 and interest-rate risk. Derivative financial instruments consist of foreign exchange contracts, currency swaps, interest rate swaps and commodities forward contracts, swaps and options. The Group does not use derivative financial instruments for speculative purposes.

Hedge accounting is used where the Group 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 the Group chose to designate as 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. 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. Where derivative financial instruments are used to hedge commodity price risks, the portion of gains and losses on the hedging item is recognized as an adjustment to the carrying amount of the hedged item. Realized gains and losses on these contracts are presented in cost of sales and selling and administrative expenses.

Foreign exchange contracts and currency swaps

The Group often sells and buys commodities outside Canada, mainly in US dollars, Japanese yen, Australian dollars and euros. To protect these transactions against foreign exchange fluctuations, the Group uses foreign exchange contracts and currency swaps.

Currency swaps on debt

The Group 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.

A hedging relationship is terminated if the hedge ceases to be effective, and the loss or gain on discontinuation of the hedge is recognized in a separate component of equity until the future transaction occurs, at which time the loss or gain is removed from equity and recognized as an adjustment to the carrying amount of the hedged item or recorded in the consolidated statement of earnings. If the occurrence of a hedged future transaction ceases to be probable or if the hedged item ceases to exist, any gain or loss 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 the 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 and currency forward contracts and swaps

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

Commodity options

The Group also uses options to manage commodity price risk. The options give the Group the right but not the obligation to exercise them at a predetermined price before the option expiry date. The Group 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.

Interest rate swaps

The Group draws down a portion of its credit facility in the form of LIBOR advances and bankers' acceptances and uses interest rate swaps to manage the risk of changes in interest rates for this debt. The Group does not use hedge accounting for interest rate swaps. Therefore, gains and losses on these contracts, realized or not, are presented in gains (losses) on remeasurement of derivative financial instruments.

Income taxes

The Group 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 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

The Group's year-end is the last Saturday of October. The year ended October 31, 2020 included 53 weeks and the year ended October 26, 2019 included 52 weeks.

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

3. Business acquisitions

Food Division

On January 6, 2020, the Group acquired, via its subsidiary Olymel L.P., most of the assets and assumed certain liabilities of a company operating in the agri-food sector for a consideration of $605,442.

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

	Total $
Net assets acquired	
Current assets	**109,630**
Investments	**514**
Property, plant and equipment	**281,797**
Intangible assets	**95,224**
Goodwill	**147,170**
Total assets acquired	**634,335**
Current liabilities	**2,424**
Deferred revenues	**262**
Long-term debt	**2,839**
Non-current future income tax liability	**23,368**
Total liabilities assumed	**28,893**
Total net assets acquired	**605,442**
Consideration paid	
Cash	**605,442**

On November 26, 2018, the Group acquired, via its subsidiary Olymel L.P., 100% of the shares of a business operating in the meat sector for a consideration of $225,726, net of cash acquired.

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

	Total $
Net assets acquired	
Current assets	32,230
Property, plant and equipment	47,364
Intangible assets	134,170
Goodwill	92,984
Total assets acquired	306,748
Current liabilities	18,975
Long-term debt	20,065
Non-current future income tax liability	41,982
Total liabilities assumed	81,022
Total net assets acquired	225,726
Consideration paid	
Cash consideration, net of cash acquired of $724	225,726

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

3. Business acquisitions

Agriculture Division

On January 6, 2020, the Group acquired most of the assets and assumed certain liabilities of a company operating in the agriculture sector for a consideration of $49,708. On June 29, 2020, the Group also acquired 100% of the shares of a business operating in the same sector for a consideration of $3,147.

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

	Total $
Net assets acquired	
Current assets	9,229
Property, plant and equipment	22,587
Intangible assets	3,204
Goodwill	26,071
Total assets acquired	61,091
Current liabilities	5,680
Non-current future income tax liability	2,556
Total liabilities assumed	8,236
Total net assets acquired	52,855
Considerations paid	
Cash	52,855

On November 19, 2018, the Group and two of its subsidiaries acquired the assets and assumed certain liabilities of a business operating in the agriculture sector for a consideration of $35,521.

The gain on acquisition is presented as a reduction of net losses on disposal and remeasurement of assets in the consolidated statement of earnings.

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

	Total $
Net assets acquired	
Current assets	23,241
Interest in a joint arrangement	5,987
Property, plant and equipment	9,466
Property, plant and equipment held for sale	1,584
Total assets acquired	40,278
Current liabilities assumed	1,342
Total net assets acquired	38,936
Consideration	
Cash	35,521
Gain on acquisition	3,415
Total	38,936

On November 19, 2018, the Group repaid the debts of the joint arrangement acquired in exchange for a note receivable in the amount of $39,853.

On November 30, 2018, a subsidiary of the Group resold current assets acquired as part of this business combination at their carrying amount to joint arrangements in which it has interests for a consideration of $13,924. No gains or losses were recognized following this transaction.

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

3. Business acquisitions

Agriculture Division [cont'd]

Following a reorganization of the activities of the acquired joint arrangement, the note receivable by the Group was transferred to two entities: an amount of $14,166 was assumed by another joint arrangement and an amount of $25,687 by a subsidiary. Accordingly, on November 30, 2018 and September 4, 2019, the joint arrangement in which an interest was acquired as part of this transaction sold to a Group subsidiary current assets at their carrying amount of $37,750 and non-current assets in the amount of $8,313. In consideration, a $25,687 note payable to the Group and current liabilities with a carrying amount of $13,529 were assumed and shares of this subsidiary were issued for a value of $6,847. The issuance of shares generated a non-controlling interest for the Group in the amount of $3,424. On the same dates, the joint arrangement in which an interest was acquired as part of this transaction sold assets to another joint arrangement of the Group at their carrying amount in exchange for the assumption of the $14,166 note.

As part of this reorganization, the assets transferred by the joint arrangement acquired were retroactively measured during fiscal 2020. This remeasurement resulted in a $2,712 increase in the value of non-current assets acquired by the subsidiary as well as a decrease in the note receivable from a joint arrangement of the Group in the same amount.

Retail Division

On September 1, 2019, the Group acquired, via its subsidiary, a 55% interest in a business operating in the distribution and marketing of construction materials for a consideration of $47,548.

In accordance with the terms of the contract, adjustments were made to the acquisition cost related to excess current assets during the year ended October 31, 2020. As these adjustments were made before the end of the measurement period, goodwill was increased by $1,550, which is the amount of the consideration paid.

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

	Total $
Net assets acquired	
Current assets	86,638
Property, plant and equipment	11,945
Intangible assets	45,377
Goodwill	42,683
Other non-current assets	2,125
Total assets acquired	188,768
Current liabilities	26,078
Long-term debt	62,000
Non-current future income tax liability	7,006
Total liabilities assumed	95,084
Total net assets acquired	93,684
Consideration	
Cash	49,098
Non-controlling interest	44,586
Total	93,684

The group of non-controlling shareholders holding 45% of the interests in the newly acquired business has an option to sell a portion of its interests to the Group when the financial statements of the Group's subsidiary for the fiscal year ending in 2021 are approved, under the terms of the agreement.

In addition, this same group of non-controlling shareholders has an option to sell, after the fiscal year ending in 2026, all or a portion of its interests to the Group. In the event the option is partially exercised, the repurchase of the remaining interests may be carried out over several fiscal years up to a maximum of three times.

Via its subsidiary, the Group has an option to purchase all or a portion of the interests, on or after October 31, 2026, under the terms of the agreement.

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

4. Adjustments relating to non-controlling interests

On January 13, 2020, the Group entered into a supply agreement with a subsidiary allowing it to benefit from the use of a client list. In consideration, the Group's interest in this subsidiary increased by 12.5% to 87.5%. This transaction resulted in a $4,079 decrease in the carrying amount of the non-controlling interest and an increase in the contributed surplus in the same amount.

On October 28, 2018, the Group exercised its option to purchase all of the units of a group of non-controlling unitholders of a subsidiary of the Group for a total consideration of $38,729. 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 $16,455 and the non-controlling interest was reduced by $22,274.

5. Operating expenses

Operating expenses include the following items:

	2020 $	2019 $
Cost of sales and selling and administrative expenses		
Cost of inventories	7,225,354	6,582,545
Research and development tax credits	(1,281)	(1,350)
Government assistance credited to earnings	(24,038)	–
Amortization of property, plant and equipment	134,675	100,600
Amortization of intangible assets	36,613	29,874
Amortization of deferred credit	(1,346)	(1,200)
Net financial expenses		
Interest on bank borrowings	442	1,437
Interest on obligations under capital leases	58	81
Interest on long-term debt	55,181	49,675
Interest on preferred shares	1,169	1,041
Amortization of transaction costs	2,993	1,348
Interest income	(546)	(2,109)

6. Patronage refunds

In accordance with the provisions of the act governing the Group, at their January 18th, 2021 meeting, the directors declared patronage refunds of $29,200 to be paid from earnings for the year. They authorized the patronage refunds to be paid in the following proportions:

	2020 $	2019 $
Cash	8,760	5,280
Class D-1 common shares	20,440	12,320
	29,200	17,600

These consolidated financial statements reflect the directors' resolution.

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

7. Income taxes

The significant components of the income tax expense recorded in the consolidated statement of earnings are as follows:

	2020 $	2019 $
Current	49,170	12,984
Future	(18,320)	165
Income taxes	30,850	13,149

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

	2020 $	2019 $
Non-deductible provisions and reserves for tax purposes	11,973	5,163
Losses carried forward	11,258	4,047
Other items – net	(1,842)	(448)
Current future income tax asset	21,389	8,762
Excess of carrying amount over tax basis:		
Property, plant and equipment	(103,241)	(65,390)
Intangible assets	(51,434)	(58,576)
Investments	(9,239)	(5,670)
Losses carried forward	15,094	12,887
Employee future benefits	11,799	(671)
Other	771	1,401
Non-current future income tax liability	(136,250)	(116,019)

8. Cash and cash equivalents

Cash and cash equivalents included an amount of $23,273 used to secure positions relating to derivative financial instruments.

9. Accounts receivable

	2020 $	2019 $
Trade receivables	572,369	610,576
Allowance for doubtful accounts	(12,612)	(10,713)
	559,757	599,863
Government receivables	18,935	17,034
Government assistance receivable	4,224	–
	582,916	616,897

On September 23, 2020, a subsidiary of the Group renewed an agreement that resulted in an assignment of a portion of the accounts receivable portfolio.

10. Inventories

Inventories are as follows:

	2020 $	2019 $
Inventories – Food Division	435,045	303,024
Inventories – Agriculture Division	418,441	329,109
Inventories – Retail Division	158,277	165,409
	1,011,763	797,542

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

11. Interests in joint arrangements

	2020 $	2019 $
Food Division - 50% and 67.7% interests	79,707	73,338
Agriculture Division - 50% interest [50%-60% in 2019]	116,130	99,315
Retail Division - 50% interest	757	–
Oil sector company – 50% interest	73,267	60,842
	269,861	233,495

Agriculture Division

On March 20, 2020, a subsidiary of the Group sold 50% of the shares of one of its subsidiaries, reducing its interest to 50% and losing control over it. On November 1, 2019, the same subsidiary sold 40% of the shares of another of its subsidiaries, reducing its interest to 50% and also losing control over it.

Following these two transactions, $23,378 in current assets, $1,818 in non-current assets, $18,788 in current liabilities, $800 in non-current liabilities, and a $186 non-controlling interest were derecognized. The retained interests, now considered as interests in joint arrangements, were accounted for using the equity method, in the total amount of $2,765. The $757 difference between these items and the fair values of considerations received of $1,900 was recognized as net losses on the disposal and remeasurement of assets in the consolidated statement of earnings.

12. Investments in entities subject to significant influence

	2020 $	2019 $
Food Division - 26.3% interest	2,606	2,099
Agriculture Division - 7.6%–40.9% interests	17,472	14,731
Retail Division - 20%–40% interests	20,666	19,091
	40,744	35,921

Retail Division

A reorganization carried out during the year increased the ownership interests in two entities and changed the degree of influence exercised over them. Accordingly, a balance amount of $595 was transferred from investments in entities subject to significant influence to interests in joint arrangements.

On February 18, 2019, the Group acquired, via its Retail Division, a 40% interest in a business operating in the maple syrup industry for a consideration of $17,215.

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

13. investments

	2020 $	2019 $
Shares and other securities of cooperatives	12,811	13,057
Note receivable, non-interest bearing, repayable by annual instalments of $3,000 and a final payment of $4,000, maturing in October 2024[1]	11,744	14,177
Note receivable, non-interest bearing, repayable on demand	11,454	14,166
Note receivable, repayable and bearing interest at the rate defined under the terms of the agreement	4,618	4,618
Other notes receivable	25,711	27,354
	66,338	73,372
Investments – current portion	21,439	27,999
	44,899	45,373

1. During the year ended October 26, 2019, the Group wrote down a note receivable in the amount of $45,000. It was and still is the opinion of the Group that there is a reasonable doubt as to the ultimate collectability of a portion of the principal. Accordingly, an impairment loss of $30,823 was recorded and presented as net losses on the disposal and remeasurement of assets in the consolidated statement of earnings.

14. Property, plant and equipment

2020	Cost $	Accumulated amortization $	Net carrying amount $
Land	166,570	–	166,570
Pavement	57,220	20,582	36,638
Buildings	1,142,161	302,637	839,524
Machinery and equipment	1,205,943	750,109	455,834
Automotive equipment	63,229	36,459	26,770
Leasehold improvements	27,912	10,747	17,165
Breeding livestock	34,666	13,760	20,906
Assets under capital leases			
Buildings	2,596	396	2,200
Machinery and equipment	1,886	1,127	759
	2,702,183	1,135,817	1,566,366
Property, plant and equipment held for sale	–	–	893

2019	Cost $	Accumulated amortization $	Net carrying amount $
Land	91,431	–	91,431
Pavement	48,468	17,185	31,283
Buildings	910,732	264,938	645,794
Machinery and equipment	1,066,358	677,811	388,547
Automotive equipment	49,490	31,354	18,136
Leasehold improvements	26,081	9,251	16,830
Breeding livestock	23,477	7,022	16,455
Assets under capital leases			
Buildings	2,596	313	2,283
Machinery and equipment	2,208	1,275	933
	2,220,841	1,009,149	1,211,692
Property, plant and equipment held for sale	–	–	3,689

During the fiscal year, the Group received government assistance of $13,675 [$4,500 in 2019] as support for investments in property, plant and equipment. No specific conditions are attached to these amounts once they are received.

The Group's property, plant and equipment under construction are not subject to amortization. Their net carrying amount totalled $150,504 [$73,495 in 2019].

On December 20, 2018, the Group sold the building housing the head office, generating a net gain of $13,285, presented as a reduction of net losses on disposal and remeasurement of assets in the consolidated statement of earnings.

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

15. Intangible assets

	2020		
	Cost $	Accumulated amortization $	Net carrying amount $
Trademarks	124,182	13,386	110,796
Client lists	263,519	50,849	212,670
Exclusive supply rights	104,455	38,718	65,737
Production rights	44,922	–	44,922
Software and information technology development projects	51,906	21,672	30,234
Financial support	2,275	696	1,579
	591,259	125,321	465,938

	2019		
	Cost $	Accumulated amortization $	Net carrying amount $
Trademarks	122,453	11,610	110,843
Client lists	167,898	32,774	135,124
Exclusive supply rights	128,201	51,384	76,817
Production rights	44,922	–	44,922
Software and information technology development projects	40,579	18,141	22,438
Financial support	1,034	211	823
	505,087	114,120	390,967

The carrying amount of trademarks with indefinite lives, not subject to amortization, was $94,292 [$91,788 in 2019].

16. Bank borrowings

Bank borrowings consist of subsidiaries' demand credit facilities.

For one of the subsidiaries, the demand credit facility, renewable annually, authorized for bank borrowings, advances, letters of credit and standby letters of credit, totalled $17,000 in 2020 and 2019, subject to a maximum of $6,000 in 2020 and 2019 for letters of credit and standby letters of credit. The overdraft facility was undrawn as at October 31, 2020 [drawdown of $967 in 2019]. The credit facility bears interest at the prime rate of 2.45% in 2020 [3.95% in 2019]. The Group 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 and an amount based on the accounts receivable and inventories of these subsidiaries, that is $3,367 as at October 31, 2020 [$2,626 as at October 26, 2019]. The revolving operating credit facility bears interest at the prime rate plus 0.50%, representing a rate of 2.95% in 2020 [4.45% in 2019]. The facility was used in the amount of $642 as at October 31, 2020 [$308 in 2019].

A subsidiary of the Group as at October 26, 2019 had an annually renewable demand loan facility with an authorized amount of $7,500, of which $4,250 was drawn down in 2019 and bearing interest at the prime rate plus 0.25%, representing a rate of 4.20%. This demand loan was secured by the subsidiary's accounts receivable and inventories with a carrying amount of $7,913.

Another subsidiary of the Group as at October 26, 2019 had an annually renewable demand loan facility with an authorized amount of $10,000, of which $8,000 was drawn down in 2019 and bearing interest at the prime rate plus 0.25%, representing a rate of 4.20%. This demand loan was secured by the subsidiary's accounts receivable and inventories with a carrying amount of $13,543 in 2019.

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

17. Accounts payable and accrued liabilities

	2020 $	2019 $
Trade payables and accrued liabilities	784,312	704,804
Government remittances	11,450	7,860
Accrued interest on long-term debt	2,453	1,620
	798,215	714,284

18. Obligations under capital leases

	2020 $	2019 $
Obligation under a capital lease bearing interest at the fixed rate of 3.20%, repayable in blended monthly instalments of $12, and a principal repayment of $1,222 at maturity in July 2022	1,404	1,501
Obligations under capital leases bearing interest at fixed rates ranging from 6.06% to 6.10% in 2020 [from 1.95% to 6.93% in 2019], repayable in monthly blended instalments ranging from $0.1 to $21, maturing between December 2020 and June 2021	23	327
	1,427	1,828
Obligations under capital leases – current portion	123	400
	1,304	1,428

Minimum lease payments in upcoming years are as follows:

	$
2021	123
2022	1,304

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

19. Long-term debt

	2020 $	2019 $
Credit facility,[1] drawn under margin loans at the prime rate of 2.45% [3.95% in 2019], under bankers' acceptances at rates ranging from 3.00% to 3.01% [4.12% in 2019] and LIBOR advances at rates ranging from 2.68% to 2.71% [3.80% to 3.90% in 2019], maturing in June 2023	913,799	433,232
Term credit,[2] drawn under LIBOR advances at the rate of 2.71% [drawn under margin loans at the prime rate of 3.95% and bankers' acceptances at the rate of 4.10% in 2019], maturing in January 2021	90,000	200,000
Term credit, secured by immovable hypothecs on certain assets, comprising two tranches bearing interest at the fixed rates of 5.00% and 4.64%, repayable in seven annual principal payments of $8,571 and $5,714, respectively, on or after November 1, 2023	100,000	100,000
Term credit of a subsidiary, secured by an immovable hypothec on certain assets, drawn under margin loans at the prime rate plus 1%, representing a rate of 3.45%, repayable in quarterly principal instalments of $625 with additional terms and conditions for principal repayment, maturing on October 29, 2023	85,000	–
Borrowings of subsidiaries, secured by immovable hypothecs on the universality of the subsidiaries' property, bearing interest at fixed rates ranging from 2.35% to 3.24% [4.45% to 5.95% in 2019]. These borrowings are repayable in monthly principal instalments totalling $169, maturing between June 2037 and June 2039	28,991	30,308
Term credit, at a fixed rate of 6.50%, repaid in December 2019	–	25,000
Note payable of a subsidiary, bearing interest at the prime rate plus 0.75%, representing a rate of 3.20% [4.70% in 2019], repayable in annual principal instalments of $7,625, maturing on January 10, 2022	15,250	22,875
Balance of purchase price payable, bearing interest at the lower of 4% and the prime rate [3.95% in 2019], repaid in February 2020	–	20,000
Term credit of a subsidiary, secured by an immovable hypothec on the universality of the subsidiary's property, comprising two tranches, at a fixed rate of 6%, repayable in equal quarterly principal instalments of $317 in or after December 2021, maturing on December 31, 2022	19,000	–
Mortgage loans of a subsidiary, secured by movable and immovable hypothecs, bearing interest at the prime rate less 0.15%, representing a rate of 2.30% [3.80% in 2019], maturing between June 2027 and June 2032	7,295	8,762
Loan, bearing interest at the variable one-month CDOR rate of 0.47%, repayable on demand	6,783	–
Mortgage loan of a subsidiary, secured by a hypothec on a building and land of the subsidiary with a carrying amount of $12,759 as at October 31, 2020 [$13,499 in 2019], bearing interest at a fixed rate of 7.76%, repayable in blended monthly instalments of $83 maturing in March 2023	4,414	5,045
Other borrowings, bearing interest at rates ranging from 0% to 5.00% [0% to 5.20% in 2019], maturing between November 2020 and May 2023	3,298	3,144
	1,273,830	848,366
Transaction costs	(5,159)	(4,420)
	1,268,671	843,946
Long-term debt – current portion	108,977	255,700
	1,159,694	588,246

1. The Group had an overall revolving credit facility of $1,350,000 in 2020 [$1,000,000 in 2019], secured by certain assets, that it can use as follows: US- and/or Canadian-dollar margin loans, bankers' acceptances, LIBOR advances in US dollars 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.
2. The Group has a term credit, secured by certain assets, that it can use as follows: US- and/or Canadian-dollar margin loans, bankers' acceptances, LIBOR advances in US dollars 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.

The Group's long-term debt is subject to compliance with certain financial ratios based on the Group's consolidated financial statements. As at October 31, 2020, the Group was in compliance with these financial ratios.

On December 20, 2019, the Group secured a $200,000 one-year term credit whose repayment terms are based on the occurrence of specific events. This term credit was repaid in full on October 30, 2020.

The principal repayments required over the next five years are as follows: 2021 – $108,977; 2022 – $13,086; 2023 – $937,517; 2024 – $93,456; 2025 – $115,635.

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

20. Deferred credit

The replacement value of property, plant and equipment determined in connection with insurance recoveries was reviewed in 2019 and additional expenses covered by the insurer were incurred in 2020, resulting in an additional deferred credit for the Food Division and the Agriculture Division for the two fiscal years.

21. Employee future benefits

The Group measures its defined benefit plan 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, 2019, except for a valuation carried out as at December 31, 2018. The actuarial valuation of other post-retirement benefits was carried out as at March 31, 2020. The next required actuarial valuations will be as at December 31, 2022, except for a valuation to be carried as at December 31, 2021 for the pension plans and another as at March 31, 2023 for other post-retirement benefits.

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

2020	Pension plans $	Other post-retirement benefits $	Total $
Defined benefit obligations	223,055	25,190	248,245
Fair value of plan assets	214,685	–	214,685
Net defined benefit liability	(8,370)	(25,190)	(33,560)

2019	Pension plans $	Other post-retirement benefits $	Total $
Defined benefit obligations	243,319	22,914	266,233
Fair value of plan assets	267,871	–	267,871
Net defined benefit asset (liability)	24,552	(22,914)	1,638

The defined benefit asset and liability presented in the Group's consolidated balance sheet are as follows:

2020	Pension plans $	Other post-retirement benefits $	Total $
Defined benefit asset	44,201	–	44,201
Defined benefit liability	(52,571)	(25,190)	(77,761)
Net defined benefit liability	(8,370)	(25,190)	(33,560)

2019	Pension plans $	Other post-retirement benefits $	Total $
Defined benefit asset	72,542	–	72,542
Defined benefit liability	(47,990)	(22,914)	(70,904)
Net defined benefit asset (liability)	24,552	(22,914)	1,638

The cost of defined benefit pension plans is as follows:

2020	Pension plans $	Other post-retirement benefits $	Total $
Current service cost	5,351	1,366	6,717
Interest cost (income)	(513)	1,200	687
Remeasurements and other items	36,593	787	37,380
Employee future benefit cost	41,431	3,353	44,784

2019	Pension plans $	Other post-retirement benefits $	Total $
Current service cost	5,924	1,366	7,290
Interest cost	3	1,174	1,177
Remeasurements and other items	(17,365)	(1,372)	(18,737)
Employee future benefit cost (income)	(11,438)	1,168	(10,270)

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Years ended October 31, 2020 and October 26, 2019

21. Employee future benefits

On October 6, 2020, the Group and one of its subsidiaries purchased annuities for some of their pension plans. The obligations relating to retired plan members were transferred as a result of this transaction, while the obligations relating to defer and transferred members were retained by the Group. This transaction had a $25,118 impact on the cost of employee future benefits for the year ended October 31, 2020.

22. Share capital

[The amounts in the description of share capital are in dollars.]

The Group'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 the Group 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 on or after October 24, 2022, 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 on or after October 24, 2022, 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 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 October 24, 2022, with an annual dividend, payable semi-annually, at a rate set under the Series 3 – ESSOR subscription agreement, cumulative and preferential except for the interest on Cooperative Investment Plan shares.

Series 4 – FONDACTION 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 October 24, 2022, with an annual dividend, payable semi-annually, at a rate set under the Series 4 – FONDACTION subscription agreement, cumulative and preferential except for the interest on Cooperative Investment Plan shares.

Series 5 – 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 on or after October 24, 2022, with an annual dividend, payable semi-annually, at a rate set under the Series 5 – FSTQ 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.

Series 7 – 2019 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 November 1, 2022, with an annual dividend, payable semi-annually, at a rate set under the Series 7 – 2019 subscription agreement, cumulative and preferential except for the interest on Cooperative Investment Plan shares.

Series 8 – 2020 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 October 1, 2023, with an annual dividend, payable semi-annually, at a rate set under the Series 8 – 2020 subscription agreement, cumulative and preferential except for the interest on Cooperative Investment Plan shares.

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Years ended October 31, 2020 and October 26, 2019

22. Share capital

Cooperative Investment Plan preferred shares

Preferred shares with a par value of $10, issued to employees of the Group in accordance with the Cooperative Investment Plan, bearing interest at a rate set by the Board of Directors, redeemable at their par value by the Group 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-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 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. 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 1–267 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 P-200 common shares, with a par value of $1, non-voting and redeemable at their par value upon a decision of the Board of Directors.

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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Years ended October 31, 2020 and October 26, 2019

22. Share capital

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

	Number		Amount	
	2020	2019	**2020 $**	2019 $
Actions privilégiées				
Class A	**368,951**	368,951	**369**	369
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 investment shares	**50,000**	50,000	**5,000**	5,000
Series 4 – FONDACTION investment shares	**250,000**	250,000	**25,000**	25,000
Series 5 – FSTQ investment shares	**250,000**	250,000	**25,000**	25,000
Series 6 – 2017 investment shares	**2,000,000**	2,000,000	**200,000**	200,000
Series 7 – 2019 investment shares	**3,000,000**	3,000,000	**300,000**	300,000
Series 8 – 2020 investment shares	**1,500,000**	–	**150,000**	–
Cooperative Investment Plan				
Series 2014, redeemable as of 2020, 3.5%	**–**	543,568	**–**	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**	710,610	**7,106**	7,106
Series 2018, redeemable as of 2024, 3.75%	**763,255**	763,255	**7,632**	7,632
Series 2019, redeemable as of 2025, 3.5%	**806,234**	–	**8,062**	–
	11,968,432	10,205,766	**840,863**	688,237
Transaction costs	**–**	–	**(7,211)**	(5,533)
	11,968,432	10,205,766	**833,652**	682,704
Preferred shares recognized as a financial liability	**(635,715)**	(543,568)	**(6,357)**	(5,436)
	11,332,717	9,662,198	**827,295**	677,268
Common shares				
Class A	**31,740**	30,969	**794**	774
Class AA	**2,580**	2,570	**64**	64
Class B-1	**42,425,854**	42,443,296	**42,426**	42,443
Class D-1	**242,988,800**	242,816,806	**242,988**	242,817
Class P-1	**4,983,189**	4,991,204	**4,983**	4,991
Class P-2	**252**	251	**7**	7
Class P-100	**23,603,991**	23,681,925	**23,604**	23,682
Class P-200	**1,166,285**	–	**1,166**	–
AUXILIARY MEMBERS	**480**	480	**12**	12
	315,203,171	313,967,501	**316,044**	314,790
	326,535,888	323,629,699	**1,143,339**	992,058

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Years ended October 31, 2020 and October 26, 2019

22. Share capital

Transactions during the year were as follows:

	Number		Amount	
	2020	2019	**2020 $**	2019 $
Preferred shares				
Balance, beginning of year	**10,205,766**	6,914,962	**682,704**	382,197
Issued:				
Series 7 – 2019 investment shares	**–**	3,000,000	**–**	300,000
Series 8 – 2020 investment shares	**1,500,000**	–	**150,000**	–
Cooperative Investment Plan - Series 2019 [Series 2018 in 2019]	**806,234**	763,255	**8,062**	7,632
Transaction costs	**–**	–	**(1,678)**	(2,607)
	2,306,234	3,763,255	**156,384**	305,025
Transferred:				
Class A	**–**	39,289	**–**	40
Redeemed:				
Class A	**–**	(62,265)	**–**	(63)
Cooperative Investment Plan - Series 2014 [Series 2013 in 2019]	**(543,568)**	(449,475)	**(5,436)**	(4,495)
	(543,568)	(511,740)	**(5,436)**	(4,558)
	11,968,432	10,205,766	**833,652**	682,704
Cooperative Investment Plan – Series 2013 – current portion Series 2015 [Series 2014 in 2019]	**(635,715)**	(543,568)	**(6,357)**	(5,436)
Balance, end of year	**11,332,717**	9,662,198	**827,295**	677,268
Common shares				
Balance, beginning of year	**313,967,501**	306,678,420	**314,790**	307,411
Issued:				
Class A	**1,047**	5,170	**27**	129
Class AA	**50**	130	**1**	3
Class D-1	**247,695**	12,320,046	**247**	12,320
Class P-2	**5**	13	**–**	–
Class P-100	**–**	5,365,942	**–**	5,366
Class P-200	**1,169,453**	–	**1,169**	–
AUXILIARY MEMBERS	**–**	10	**–**	–
	1,418,250	17,691,311	**1,444**	17,818
Transferred:				
Class A	**–**	(80)	**–**	(2)
Class B-1	**–**	(4,756)	**–**	(5)
Class D-1	**–**	(32,533)	**–**	(33)
	–	(37,369)	**–**	(40)
Redeemed:				
Class A	**(276)**	(1,422)	**(7)**	(35)
Class AA	**(40)**	(30)	**(1)**	–
Class B-1	**(17,442)**	(9,352)	**(17)**	(10)
Class D-1	**(75,701)**	(10,293,153)	**(76)**	(10,293)
Class P-1	**(8,015)**	(8,054)	**(8)**	(8)
Class P-2	**(4)**	(3)	**–**	–
Class P-100	**(77,934)**	(52,827)	**(78)**	(53)
Class P-200	**(3,168)**	–	**(3)**	–
AUXILIARY MEMBERS	**–**	(20)	**–**	–
	(182,580)	(10,364,861)	**(190)**	(10,399)
Balance, end of year	**315,203,171**	313,967,501	**316,044**	314,790

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Years ended October 31, 2020 and October 26, 2019

22. Share capital

On September 3, 2020, the directors authorized a preferred share issue pursuant to the Cooperative Investment Plan, 2020 Series, as of November 30, 2020, under which 978,500 preferred shares were issued for a cash consideration of $9,785. On September 3, 2020, the directors also resolved to redeem, on or after November 30, 2020, 635,715 preferred shares issued under the Cooperative Investment Plan, 2015 Series, for a cash consideration of $6,357.

On January 15, 2020, the directors declared an eligible dividend of $2,437, of which $1,219 was paid in cash and $1,218 in Class P-200 common shares. A balance of $125 was offset with a subsidiary of the Group.

On September 5, 2019, the directors authorized a preferred share issue pursuant to the Cooperative Investment Plan, 2019 Series, as of November 30, 2019, under which 806,234 preferred shares were issued for a cash consideration of $8,062. On September 5, 2019, the directors also resolved to redeem, on or after November 30, 2019, 543,568 preferred shares issued under the Cooperative Investment Plan, 2014 Series, for a cash consideration of $5,436.

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.

On January 16, 2019, the directors also declared an eligible dividend of $11,179, of which $5,590 was paid in cash and $5,589 in Class P-100 common shares. A balance of $430 was offset with a subsidiary of the Group.

23. Commitments and contingencies

a) Contracts related to operations

The Group has entered into long-term operating leases for buildings and machinery and is also committed under computer equipment and software leases. The future minimum lease payments of the Group under these operating leases totalled $194,466 and are as follows for the coming years: 2021 – $36,933; 2022 – $30,862; 2023 – $26,740; 2024 – $21,997; 2025 – $14,782 and thereafter – $63,152.

b) Repurchase of the units of non-controlling unitholders

Food Division

A group of non-controlling unitholders of one of the Group's subsidiaries, holding 2.8% of the units of said subsidiary, has an option to sell, on or after December 31, 2023, all of its units to the Group, 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 its units in a partnership for units of the Group's subsidiary. The units so acquired in the Group'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.

Another group of non-controlling unitholders of one of the Group's subsidiaries, holding 5% of the units of said subsidiary, has an option to sell all or 50% of its units to the Group, 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 fifth 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.

Agriculture Division

A group of non-controlling shareholders holding 12.5% of the shares of a subsidiary [25% in 2019], has an option to sell all of its shares to the Group from July 4, 2021 to the option expiry date of July 4, 2023. The Group is obligated to repurchase the shares at the time the option is exercised or at the option expiry date of July 4, 2023. The repurchase price is based on the value of the subsidiary, with a floor price.

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

23. Commitments and contingencies

c) Claims and lawsuits

In the normal course of business, various claims and lawsuits are brought against the Group. Legal proceedings are often subject to numerous uncertainties, and it is not possible to predict the outcome of individual cases. In management's opinion, the Group 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 the Group's financial position.

d) Other commitments

On January 6, 2020, the Group participated in forming a limited partnership to set up an agricultural partnership with the principal activity of marketing grains in Québec. The Group undertook to transfer assets and rights of use with a carrying amount of $6,002 as at October 31, 2020 as consideration for units in the limited partnership.

24. Guarantees

In the normal course of business, the Group has entered into agreements that contain features which meet the definition of a guarantee.

These agreements may require the Group 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 16, 18, 19 and 23 to the consolidated financial statements provide information relating to some of these agreements. The following constitutes additional disclosure.

Guarantee contracts

The Group was committed under letters of credit with financial institutions and insurance companies in connection with obligations amounting to $48,975 as at October 31, 2020 [$49,312 in 2019]. Furthermore, the Group 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 31, 2020 totalled $37,247 [$45,898 in 2019] in respect of which the Group was committed to repurchase inventories amounting to $82,643 as at October 31, 2020 [$77,792 in 2019].

25. Financial instruments

a) Derivative financial instruments

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

Derivative financial instruments for which hedge accounting is applied

Foreign exchange contracts and currency swaps

The following table sets out the amounts relating to foreign exchange contracts and currency swaps with maturities of less than one year:

Type	Country	Foreign currency notional	Average exchange rate	
			2020	2019
Sale	United States	**US$126,000** [US$22,500 in 2019]	**1.3325**	1.3176
Sale	Japan	**¥2,968,762** [¥2,944,448 in 2019]	**0.012570**	0.012261
Sale	Australia	**A$782** [A$7,217 in 2019]	**0.9483**	0.9050
Purchase	Europe	**€3,725** [€8,313 in 2019]	**1.5681**	1.4647

Currency swaps on debt

To manage risks related to changes in foreign exchange rates, the Group uses derivative financial instruments to set the Canadian-dollar amount of instalments on debt denominated in U.S. dollars. As at October 31, 2020, an advance amounting to US$707,287 [US$240,100 in 2019] was hedged using foreign currency debt agreements. These financial instruments serve to the hedge the impact of changes in foreign exchange rates of this advance on the equivalent Canadian dollar amount of $935,000 [$320,000 in 2019].

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Years ended October 31, 2020 and October 26, 2019

25. Financial instruments

a) Derivative financial instruments [cont'd]

Derivative financial instruments for which hedge accounting is not applied

Commodity and currency forward contracts, options and swaps

The Group has entered into forward purchase and sale contracts with its supplier and clients to set various grain prices. The following table shows the amounts relating to these contracts:

	2020		2019	
	Notional $	**Gain (loss) $**	Notional $	Gain (loss) $
Sale contracts	**651,078**	**7,215**	337,255	(546)
Purchase contracts	**436,896**	**22,421**	311,059	9,408
Net position – Sale	**214,182**	**29,636**	26,196	8,862

The Group also entered into forward contracts for various grains and currencies and currency swaps with financial institutions and in the markets to reduce its exposure to fluctuations in various grain prices. The following table shows the amounts relating to these contracts:

	2020		2019	
	Notional $	**Gain (loss) $**	Notional $	Gain (loss) $
Swaps and sale contracts	**309,765**	**(5,585)**	250,998	2,909
Swaps and purchase contracts	**432,058**	**1,413**	323,349	4,279
Net position – Purchase	**122,293**	**(4,172)**	72,351	7,188

The Group also entered into commodity forward contracts and swaps, specifically for pork and fertilizers, and currency forward contracts and swaps to manage price fluctuation risk. The following table shows the amounts relating to these contracts:

	2020		2019	
	Notional $	**Gain (loss) $**	Notional $	Gain (loss) $
Swaps and sale contracts	**221,076**	**(1,528)**	121,169	2,003
Swaps and purchase contracts	**270,919**	**6,111**	64,034	654
Net position – Purchase [Sale in 2019]	**49,843**	**4,583**	57,135	2,657

The Group also entered into pork options to manage price fluctuation risk, recognizing a loss of $1,235 [a gain of $422 in 2019] in the consolidated statement of earnings. The fair value of those options resulted in a $3,537 increase in financial liabilities [$674 decline in financial assets in 2019].

The above tables present the notional amounts of derivative financial instruments. These amounts correspond to the contractual amount used as a reference to calculate payment amounts. Notional amounts are generally not exchanged by counterparties and do not reflect the Group's exposure in the event of default.

Interest rate swaps

To manage risks related to changes in interest rates, the Group uses derivative financial instruments to set the initial variable interest rates as fixed interest rates. As at October 31, 2020, interest rate swaps under which the Group receives interest at the variable one-month CDOR rate of 0.47% on a notional of $600,000 are in effect. The Group pays interest at fixed rates ranging from 1.09% to 1.98%. These swaps provide for monthly net settlement of interest received and paid. These swaps mature at various dates from December 2024 to May 2027.

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

25. Financial instruments

b) Fair value of derivative financial instruments

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

The fair value of derivative financial instruments was as follows:

Derivatives	**2020 $**	2019 $
Commodity and currency forward contracts, options and swaps – assets	**46,782**	36,398
Commodity and currency forward contracts, options and swaps – liabilities	**(20,545)**	(18,264)
Interest rate swaps – liabilities	**(31,234)**	–
	(4,997)	18,134

In fiscal 2020 and 2019, no amounts were recognized in the consolidated statement of earnings for the ineffective portion of hedging relationships for foreign exchange contracts, designated currency swaps and currency swaps on debt.

An amount of $35,049 was recognized under losses on remeasurement of derivative financial instruments in the consolidated statement of earnings in respect of interest rate 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 the Group by failing to discharge its obligations. The maximum exposure to credit risk for the Group is equal to the carrying amount of the following financial instruments:

Trade receivables and notes receivable

In the normal course of business, the Group 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, the Group 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, the Group holds security on the assets and investments of certain clients in the event of default. The Group believes its credit risk exposure to trade receivables and notes 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 The Group is likely to incur losses if parties fail to meet their commitments related to these instruments. However, the Group 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 the Group will encounter difficulty in meeting its obligations associated with financial liabilities.

The Group 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 the Group's consolidated financial position projections. Liquidity risk is evaluated using historical volatility, seasonal needs, current financial obligations and long-term debt obligations.

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

25. Financial instruments

c) Nature and extent of risks arising from financial instruments and related risk management [cont'd]

Market risk

Foreign exchange risk

The Group often makes purchases and sales abroad. The Group'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, the Group uses foreign exchange contracts, currency swaps and currency options.

The Group'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 the Group'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 the Group may experience. The Group believes that notes receivable, bank overdrafts, bank borrowings and obligations under variable-rate long-term debt give rise to cash flow risk, as the Group 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. Furthermore, to protect its long-term debt against interest rate fluctuations, the Group uses interest rate swaps.

Other price risk

Commodity price risk

Input prices are determined by several external factors. Extreme price volatility results from constant changes in supply markets. The Group'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, the Group uses commodity forward contracts, swaps and options.

26. Related party transactions

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

	2020 $	2019 $
Consolidated statement of earnings		
Revenues	687,543	644,490
Cost of sales and selling and administrative expenses	279,546	278,004
Investment income	1,545	1,575

	2020 $	2019 $
Consolidated balance sheet		
Assets		
Accounts receivable	128,832	144,647
Derivative financial instruments	1,255	1,468
Investments	51,875	62,066
Liabilities		
Accounts payable and accrued liabilities	19,024	12,412
Deferred revenues	80,492	58,733
Derivative financial instruments	59	52

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Years ended October 31, 2020 and October 26, 2019

26. Related party transactions

The investments with the joint arrangements are as follows:

	2020 $	2019 $
Notes receivable, non-interest bearing, without specific terms of repayment	14,492	22,250
Note receivable, non-interest bearing, repayable by annual instalments of $3,000 and a final payment of $4,000, maturing in October 2024	11,744	14,177
Note receivable, bearing interest at 15%, without terms of repayment	8,421	8,421
Note receivable, repayable and bearing interest at the rate defined under the terms of the agreement	4,618	4,618
Note receivable, bearing interest at 5%, without terms of repayment	2,000	2,000
Note receivable, bearing interest at the prime rate plus 0.5%	600	600
Preferred shares	10,000	10,000
	51,875	62,066

The Group enters into transactions with its entities subject to significant influence in the normal course of business. Those transactions, measured at the exchange amount, are summarized as follows:

	2020 $	2019 $
Consolidated statement of earnings		
Revenues	15,812	7,841
Cost of sales and selling and administrative expenses	9,431	11,264

	2020 $	2019 $
Consolidated balance sheet		
Assets		
Accounts receivable	3,151	4,370
Derivative financial instruments	160	–
Investments, non-interest bearing, without specific terms of repayment	2	2
Liabilities		
Accounts payable and accrued liabilities	5,519	3,768
Deferred revenues	547	–
Derivative financial instruments	90	189

27. Subsequent events

On January 18th, 2020, the directors declared an eligible dividend of $7,743, of which $3,872 will be paid in cash and $3,871 in Class P-200 common shares.

On December 31, 2020, the Group acquired, via a subsidiary, 15% of the shares of a company operating in the area of animal protein enhancements. This transaction was settled with the issuance of shares of the Group's subsidiary thereby giving the company a 3.04% interest.

On December 7, 2020, an insurance settlement in the amount of $6,783 due to the Group was confirmed. This amount will be recognized as a reduction of cost of sales and selling and administrative expenses in the consolidated financial statements for the period ending October 30, 2021.

Financial review – Unaudited

	2020	2019	2018	2017	2016	2015	2014
Operations *[in thousands of dollars]*							
Revenues	**$8,152,114**	$7,282,058	$6,515,972	$6,271,772	$6,335,219	$5,991,969	$5,376,073
Net financial expenses	**59,297**	51,473	22,601	17,764	26,625	27,473	24,688
Amortization (excluding transaction costs)	**169,942**	129,274	93,368	81,445	83,610	77,688	59,860
Earnings before patronage refunds and income taxes	**201,037**	79,353	210,725	351,228	275,438	95,702	73,806
Patronage refunds	**29,200**	17,600	42,400	88,000	55,000	35,000	25,000
Income taxes	**30,850**	13,149	32,914	65,273	60,730	16,213	11,719
Net earnings attributable to members of the Group	**117,664**	38,447	115,614	168,349	151,569	44,489	37,087
Earnings before patronage refunds, income taxes, gross financial expenses, amortization and net gains (losses)	**467,077**	265,461	312,894	456,133	390,707	201,019	165,091
Financial position *[in thousands of dollars]*							
Working capital **	**$661,293**	$404,261	$553,559	$414,274	$415,280	$(6,346)	$274,029
Property, plant and equipment, net carrying amount	**1,567,259**	1,215,381	1,020,130	828,589	750,551	690,653	501,739
Total assets	**4,728,182**	3,880,159	3,261,469	2,666,990	2,450,589	2,298,308	1,737,587
Preferred shares and equity of the Group	**2,032,586**	1,780,586	1,480,827	1,285,250	961,809	761,635	702,473
Financial ratios							
Working capital ratio**	**1.6**	1.4	1.6	1.5	1.6	(0.99)	1.5
Interest coverage*	**4.4**	2.5	10.3	20.8	11.3	4.5	4.0
Debt/equity ratio**	**38:62**	33:67	31:69	23:77	37:63	47:53	33:67
Earnings before patronage refunds and income taxes*/revenues	**2.5%**	1.1%	3.2%	5.6%	4.3%	1.6%	1.4%
Reserve and contributed surplus/preferred shares and equity of the Group	**42.4%**	44.0%	53.4%	55.0%	57.3%	50.5%	50.8%
Preferred shares and equity of the Group/total assets	**43.0%**	45.9%	45.4%	48.2%	39.2%	33.1%	40.4%
Number of employees	**16,150**	15,360	14,020	13,150	12,541	12,211	10,202

* For the purposes of ratio calculations, non-controlling interests are included in earnings before patronage refunds and income taxes.
** The credit facility was considered in this ratio's calculation in 2015 for consistency with the presentation adopted in the consolidated financial statements.

Ferme Louiselle et
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