

SunOpta Inc.
Form 10-Q
November 06, 2013

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the quarterly period ended **September 28, 2013**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the transition period from to .

Commission file number: 001-34198

SUNOPTA INC.

(Exact name of registrant as specified in its charter)

CANADA

(State or other jurisdiction of incorporation or
organization)

Not Applicable

(I.R.S. Employer Identification No.)

2838 Bovaird Drive West

Brampton, Ontario L7A 0H2, Canada

(Address of principal executive offices)

(905) 455-1990

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of the registrant's common shares outstanding as of November 1, 2013 was 66,475,106.

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For the quarterly period ended September 28, 2013

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Basis of Presentation

Except where the context otherwise requires, all references in this Quarterly Report on Form 10-Q ("Form 10-Q") to the Company , SunOpta , we , us , our or similar words and phrases are to SunOpta Inc. and its subsidiaries, taken together.

In this report, all currency amounts are expressed in thousands of United States ("U.S.") dollars ("\$"), except per share amounts, unless otherwise stated. Amounts expressed in Canadian dollars are expressed in thousands of Canadian dollars and preceded by the symbol "Cdn \$", and amounts expressed in euros are expressed in thousands of euros and preceded by the symbol "€". As at September 28, 2013, the closing rates of exchange for the U.S. dollar, expressed in Canadian dollars and euros, were \$1.00 = Cdn \$1.0303 and \$1.00 = €0.7395. These rates are provided solely for convenience and do not necessarily reflect the rates used in the preparation of our financial statements.

Forward-Looking Statements

This Form 10-Q contains forward-looking statements which are based on our current expectations and assumptions and involve a number of risks and uncertainties. Generally, forward-looking statements do not relate strictly to historical or current facts and are typically accompanied by words such as "anticipate", "estimate", "intend", "project", "potential", "continue", "believe", "expect", "could", "would", "should", "might", "plan", "will", "may", "predict", "estimate", and words and phrases of similar impact and include, but are not limited to references to possible operational consolidation, reduction of non-core assets and operations, business strategies, plant and production capacities, revenue generation potential, anticipated construction costs, competitive strengths, goals, capital expenditure plans, business and operational growth and expansion plans, anticipated operating margins and operating income targets,

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gains or losses associated with business transactions, cost reductions, rationalization and improved efficiency initiatives, proposed new product offerings, and references to the future growth of the business and global markets for the Company's products. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on certain assumptions and analyses we make in light of our experience

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and our interpretation of current conditions, historical trends and expected future developments, as well as other factors that we believe are appropriate in the circumstance.

Whether actual results and developments will agree with our expectations and predictions is subject to many risks and uncertainties. Accordingly, there are or will be important factors that could cause our actual results to differ materially from our expectations and predictions. We believe these factors include, but are not limited to, the following:

- our ability to renew our syndicated North American credit facilities when they become due on July 27, 2016;
- restrictions in our syndicated credit agreement on how we may operate our business;
- our ability to meet the covenants of our credit facilities;
- our potential additional capital needs in order to maintain current growth rates, which may not be available on favorable terms or at all;
- our customers' ability to choose not to buy products from us;
- loss of a key customer;
- changes in and difficulty in predicting consumer preferences for natural and organic food products;
- the highly competitive industry in which we operate;
- an interruption at one or more of our manufacturing facilities;
- the loss of service of our key management;
- the effective management of our supply chain;
- volatility in the prices of raw materials and energy;
- enactment of climate change legislation;
- unfavorable growing conditions due to adverse weather conditions;
- dilution in the value of our common shares through the exercise of stock options, warrants, participation in our employee stock purchase plan and issuance of additional securities;
- impairment charges in goodwill or other intangible assets;
- technological innovation by our competitors;
- our ability to protect our intellectual property and proprietary rights;
- substantial environmental regulation and policies to which we are subject;
- significant food and health regulations to which SunOpta Foods is subject;
- agricultural policies that influence our operations;
- product liability suits, recalls and threatened market withdrawals that may be brought against us;
- litigation and regulatory enforcement concerning marketing and labeling of food products;
- value of our ownership position in Opta Minerals Inc.;

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- our lack of management and operational control over Mascoma Corporation;
- fluctuations in exchange rates, interest rates and certain commodities;
- our ability to effectively manage our growth and integrate acquired companies; and
- the volatility of our operating results and share price.

Consequently all forward-looking statements made herein are qualified by these cautionary statements and there can be no assurance that our actual results or the developments we anticipate will be realized. The foregoing factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report and in our Annual Report on Form 10-K for the fiscal year ended December 29, 2012 (Form 10-K). For a more detailed discussion of the principal factors that could cause actual results to be materially different, you should read the risk factors under Item 1A, Risk Factors , of the Form 10-K.

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PART I - FINANCIAL INFORMATION**Item 1. Financial Statements****SunOpta Inc.**

Consolidated Statements of Operations

For the quarter and three quarters ended September 28, 2013 and September 29, 2012

(Unaudited)

(Expressed in thousands of U.S. dollars, except per share amounts)

	September 28, 2013 \$	Quarter ended September 29, 2012 \$	September 28, 2013 \$	Three quarters ended September 29, 2012 \$
Revenues	302,723	279,339	896,718	820,975
Cost of goods sold	271,240	246,158	794,002	716,220
Gross profit	31,483	33,181	102,716	104,755
Selling, general and administrative expenses	20,678	19,395	66,428	61,911
Intangible asset amortization	1,180	1,225	3,628	3,653
Other expense, net (note 10)	787	264	1,799	2,006
Goodwill impairment (note 7)	3,552	-	3,552	-
Foreign exchange gain	(211)	(130)	(1,152)	(629)
Earnings from continuing operations before the following	5,497	12,427	28,461	37,814
Interest expense, net	1,957	2,339	5,885	7,480
Impairment loss on investment (note 6)	-	-	21,495	-
Earnings from continuing operations before income taxes	3,540	10,088	1,081	30,334
Provision for income taxes	1,343	3,947	8,576	10,302
Earnings (loss) from continuing operations	2,197	6,141	(7,495)	20,032
Discontinued operations				
Earnings (loss) from discontinued operations, net of income taxes	-	112	(360)	517
Gain on sale of discontinued operations, net of income taxes	-	-	-	676

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Earnings (loss) from discontinued operations, net of income taxes (note 3)	-	112	(360)	1,193
Earnings (loss)	2,197	6,253	(7,855)	21,225
Earnings (loss) attributable to non-controlling interests	(716)	449	(612)	1,384
Earnings (loss) attributable to SunOpta Inc.	2,913	5,804	(7,243)	19,841
Earnings (loss) per share basic (note 11)				
- from continuing operations	0.04	0.09	(0.10)	0.28
- from discontinued operations	-	-	(0.01)	0.02
	0.04	0.09	(0.11)	0.30
Earnings (loss) per share diluted (note 11)				
- from continuing operations	0.04	0.09	(0.10)	0.28
- from discontinued operations	-	-	(0.01)	0.02
	0.04	0.09	(0.11)	0.30

(See accompanying notes to consolidated financial statements)

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SunOpta Inc.

Consolidated Statements of Comprehensive Earnings

For the quarter and three quarters ended September 28, 2013 and September 29, 2012

(Unaudited)

(Expressed in thousands of U.S. dollars)

	September 28, 2013 \$	Quarter ended September 29, 2012 \$	September 28, 2013 \$	Three quarters ended September 29, 2012 \$
Earnings (loss) from continuing operations	2,197	6,141	(7,495)	20,032
Earnings (loss) from discontinued operations, net of income taxes	-	112	(360)	1,193
Earnings (loss)	2,197	6,253	(7,855)	21,225
Currency translation adjustment	1,616	590	1,108	(238)
Change in fair value of interest rate swap, net of taxes (note 4)	(66)	(7)	154	(162)
Other comprehensive earnings (loss), net of income taxes	1,550	583	1,262	(400)
Comprehensive earnings (loss)	3,747	6,836	(6,593)	20,825
Comprehensive earnings (loss) attributable to non-controlling interests	(637)	433	(341)	1,212
Comprehensive earnings (loss) attributable to SunOpta Inc.	4,384	6,403	(6,252)	19,613

(See accompanying notes to consolidated financial statements)

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SunOpta Inc.

Consolidated Balance Sheets

As at September 28, 2013 and December 29, 2012

(Unaudited)

(Expressed in thousands of U.S. dollars)

	September 28, 2013	December 29, 2012
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents (note 12)	6,819	6,840
Restricted cash (note 8)	-	6,595
Accounts receivable	120,630	113,314
Inventories (note 5)	248,887	255,738
Prepaid expenses and other current assets	16,075	20,538
Current income taxes recoverable	676	1,814
Deferred income taxes	2,377	2,653
	395,464	407,492
Investment (note 6)	12,350	33,845
Property, plant and equipment	161,919	140,579
Goodwill (note 7)	54,184	57,414
Intangible assets	49,139	52,885
Deferred income taxes	14,408	12,879
Other assets	1,616	2,216
	689,080	707,310
LIABILITIES		
Current liabilities		
Bank indebtedness (note 8)	139,371	131,061
Accounts payable and accrued liabilities	110,138	128,544
Customer and other deposits	5,856	4,734
Income taxes payable	4,300	4,125
Other current liabilities	3,028	2,660
Current portion of long-term debt (note 8)	46,466	6,925
Current portion of long-term liabilities	609	1,471
	309,768	279,520
Long-term debt (note 8)	5,565	51,273
Long-term liabilities	4,109	5,544
Deferred income taxes	28,239	27,438
	347,681	363,775
EQUITY		
SunOpta Inc. shareholders equity		
Common shares, no par value, unlimited shares authorized, 66,460,206 shares issued (December 29, 2012 - 66,007,236)	185,901	183,027

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Additional paid-in capital	18,438	16,855
Retained earnings	117,489	124,732
Accumulated other comprehensive income	2,528	1,537
	324,356	326,151
Non-controlling interests	17,043	17,384
Total equity	341,399	343,535
	689,080	707,310

Commitments and contingencies (note 13)

(See accompanying notes to consolidated financial statements)

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SunOpta Inc.

Consolidated Statements of Shareholders' Equity

As at and for the three quarters ended September 28, 2013 and September 29, 2012

(Unaudited)

(Expressed in thousands of U.S. dollars)

	000s	Common shares \$	Additional paid-in capital \$	Retained earnings \$	Accumulated other com- prehensive income \$	Non- controlling interests \$	Total \$
Balance at December 29, 2012	66,007	183,027	16,855	124,732	1,537	17,384	343,535
Employee share purchase plan	64	419	-	-	-	-	419
Exercise of options	389	2,455	(839)	-	-	-	1,616
Stock-based compensation	-	-	2,422	-	-	-	2,422
Loss from continuing operations	-	-	-	(6,883)	-	(612)	(7,495)
Loss from discontinued operations, net of income taxes	-	-	-	(360)	-	-	(360)
Currency translation adjustment	-	-	-	-	889	219	1,108
Change in fair value of interest rate swap, net of income taxes (note 4)	-	-	-	-	102	52	154
Balance at September 28, 2013	66,460	185,901	18,438	117,489	2,528	17,043	341,399
	000s	Common shares \$	Additional paid-in capital \$	Retained earnings \$	Accumulated other com- prehensive income \$	Non- controlling interests \$	Total \$

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Balance at December 31, 2011	65,796	182,108	14,134	100,508	2,382	15,816	314,948
Employee share purchase plan	85	446	-	-	-	-	446
Exercise of options	97	362	(128)	-	-	-	234
Stock-based compensation	-	-	2,141	-	-	-	2,141
Earnings from continuing operations	-	-	-	18,648	-	1,384	20,032
Earnings from discontinued operations, net of income taxes	-	-	-	1,193	(1,359)	-	(166)
Currency translation adjustment	-	-	-	-	(121)	(117)	(238)
Change in fair value of interest rate swap, net of income taxes (note 4)	-	-	-	-	(107)	(55)	(162)
Payment to non-controlling interests	-	-	-	-	-	(115)	(115)
Balance at September 29, 2012	65,978	182,916	16,147	120,349	795	16,913	337,120
							(See accompanying notes to consolidated financial statements)

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SunOpta Inc.

Consolidated Statements of Cash Flows

For the quarter and three quarters ended September 28, 2013 and September 29, 2012

(Unaudited)

(Expressed in thousands of U.S. dollars)

	September 28, 2013 \$	Quarter ended September 29, 2012 \$	September 28, 2013 \$	Three quarters ended September 29, 2012 \$
CASH PROVIDED BY (USED IN)				
Operating activities				
Earnings (loss)	2,197	6,253	(7,855)	21,225
Earnings (loss) from discontinued operations	-	112	(360)	1,193
Earnings (loss) from continuing operations	2,197	6,141	(7,495)	20,032
Items not affecting cash:				
Depreciation and amortization	5,494	5,155	16,343	14,946
Deferred income taxes	(1,747)	(639)	(242)	3,077
Stock-based compensation	881	713	2,422	2,041
Goodwill impairment (note 7)	3,552	-	3,552	-
Impairment of long-lived assets (note 10)	310	-	310	-
Unrealized loss (gain) on derivative instruments (note 4)	1,950	(3,075)	2,892	(1,178)
Impairment loss on investment (note 6)	-	-	21,495	-
Other	(766)	432	(663)	1,048
Changes in non-cash working capital, net of businesses acquired (note 12)	(1,862)	7,462	(6,847)	(1,921)
Net cash flows from operations - continuing operations	10,009	16,189	31,767	38,045
Net cash flows from operations - discontinued operations	-	313	(4,608)	(3)
	10,009	16,502	27,159	38,042
Investing activities				
Acquisitions of businesses, net of cash acquired (note 2)	-	(11,644)	(3,828)	(29,174)
Purchases of property, plant and equipment	(10,797)	(5,709)	(32,773)	(17,623)
Decrease in restricted cash (note 8)	6,495	-	6,495	-
	-	(61)	(1,074)	(388)

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Payment of contingent consideration				
Other	342	66	(496)	(165)
Net cash flows from investing activities - continuing operations	(3,960)	(17,348)	(31,676)	(47,350)
Net cash flows from investing activities - discontinued operations	-	-	-	12,134
	(3,960)	(17,348)	(31,676)	(35,216)

Financing activities

Increase (decrease) under line of credit facilities (note 8)	(4,928)	11,664	7,854	1,138
Borrowings under long-term debt (note 8)	142	15,234	486	34,607
Repayment of long-term debt (note 8)	(1,677)	(24,136)	(5,697)	(34,959)
Financing costs	(5)	(1,315)	(28)	(2,490)
Proceeds from the issuance of common shares	804	257	2,035	680
Other	(72)	53	(97)	24
Net cash flows from financing activities - continuing operations	(5,736)	1,757	4,553	(1,000)
Foreign exchange gain (loss) on cash held in a foreign currency	46	29	(57)	(17)
Increase (decrease) in cash and cash equivalents in the period	359	940	(21)	1,809
Cash and cash equivalents - beginning of the period	6,460	3,247	6,840	2,378
Cash and cash equivalents - end of the period	6,819	4,187	6,819	4,187

Supplemental cash flow information (note 12)

(See accompanying notes to consolidated financial statements)

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SunOpta Inc.

Notes to Consolidated Financial Statements

For the quarters ended September 28, 2013 and September 29, 2012

(Unaudited)

(Expressed in thousands of U.S. dollars, except per share amounts)

1. Description of Business and Significant Accounting Policies

SunOpta Inc. (the Company or SunOpta) was incorporated under the laws of Canada on November 13, 1973. The Company operates businesses focused on a healthy products portfolio that promotes sustainable well-being. The Company has two business segments, the largest being SunOpta Foods, which consists of four operating segments that operate in the natural, organic and specialty food sectors and utilizes a number of integrated business models to bring cost-effective and quality products to market. In addition to SunOpta Foods, the Company owned approximately 66.1% of Opta Minerals Inc. (Opta Minerals) as at September 28, 2013 and December 29, 2012. Opta Minerals is a vertically integrated provider of custom process solutions and industrial mineral products for use primarily in the steel, foundry, loose abrasive cleaning, and municipal water filtration industries. As at September 28, 2013 and December 29, 2012, the Company also held an 18.7% equity ownership position in Mascoma Corporation (Mascoma), an innovative biofuels company (see note 6).

Basis of Presentation

The interim consolidated financial statements of the Company have been prepared in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X promulgated under the Securities Exchange Act of 1934, as amended, and in accordance with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial information. Accordingly, these condensed interim consolidated financial statements do not include all of the disclosures required by U.S. GAAP for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included and all such adjustments are of a normal, recurring nature. Operating results for the quarter and three quarters ended September 28, 2013 are not necessarily indicative of the results that may be expected for the full year ending December 28, 2013 or for any other period. The interim consolidated financial statements include the accounts of the Company and its subsidiaries, and have been prepared on a basis consistent with the annual consolidated financial statements for the year ended December 29, 2012. For further information, refer to the consolidated financial statements, and notes thereto, included in the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2012.

Recent Accounting Pronouncement

In July 2013, the Financial Accounting Standards Board issued guidance requiring a liability related to an unrecognized tax benefit to be offset against a deferred tax asset for a net operating loss carryforward if such settlement is required or expected in the event the uncertain tax position is disallowed. The Company will apply the new guidance prospectively effective December 28, 2013. The Company does not expect that the application of this guidance will have a material effect on its financial statements.

2. Business Acquisition

Bulgarian Processing Operation

On December 31, 2012, the Company acquired a grains handling and processing facility located in Silistra, Bulgaria and operated as the Organic Land Corporation OOD (OLC). The facility is located near a protected and chemical free agricultural area, which produces organic products including sunflower, flax seed, corn, barley and soybeans. This acquisition diversified the Company's organic sunflower processing operations and should allow it to expand its

capabilities into the other organic products grown in the region following the expansion of production capabilities. The Company had been sourcing non-genetically modified sunflower kernel from OLC from late 2011 through to the date of acquisition. Since the acquisition date, the results of operations of OLC have been included in the International Foods Group.

This transaction has been accounted for as a business combination under the acquisition method of accounting. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed, as well as the total consideration transferred to effect the acquisition of OLC as of the acquisition date.

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Notes to Consolidated Financial Statements

For the quarters ended September 28, 2013 and September 29, 2012

(Unaudited)

(Expressed in thousands of U.S. dollars, except per share amounts)

	\$
Cash and cash equivalents	70
Accounts receivables	378
Inventories	55
Other current assets	21
Property, plant and equipment	4,067
Accounts payable and accrued liabilities	(228)
Long-term debt ⁽¹⁾	(465)
Total cash consideration	3,898

(1) Subsequent to the acquisition date, the Company fully repaid OLC's existing bank loans.

The revenue and earnings of OLC from the date of acquisition to September 28, 2013 were not material to the Company's consolidated results of operations. In addition, assuming the acquisition had occurred as of January 1, 2012, the results of operations of OLC would not have had a material pro forma effect on the Company's revenues, earnings and earnings per share for the quarter and three quarters ended September 29, 2012.

3. Discontinued Operations***Purity Life Natural Health Products***

On June 5, 2012, the Company completed the sale of Purity Life Natural Health Products (Purity), its Canadian natural health products distribution business, for cash consideration of \$13,443 (Cdn \$14,000) at closing, plus up to \$672 (Cdn \$700) of contingent consideration if Purity achieved certain earnings targets during the one-year period following the closing date. The earnings targets were not met and, therefore, no contingent consideration was recognized. The divestiture of Purity completed the Company's exit from all non-core distribution businesses. Purity was formerly part of the Company's International Foods Group operating segment.

Colorado Sun Oil Processing LLC

On August 12, 2011, the Company disposed of its interest in the Colorado Sun Oil Processing LLC (CSOP) joint venture to Colorado Mills, LLC (Colorado Mills) pursuant to the outcome of related bankruptcy proceedings. CSOP operated a vegetable oil refinery adjacent to Colorado Mills' sunflower crush plant. CSOP was formerly part of the Grains and Foods Group operating segment.

On June 18, 2013, the Company and Colorado Mills reached an agreement to settle a separate arbitration proceeding related to the joint venture agreement (see note 13). In connection with the settlement, the Company paid Colorado Mills \$5,884, consisting of cash and equipment in use at the CSOP refinery. An accrual for the settlement, including accrued interest costs, was included in accounts payable and accrued liabilities on the consolidated balance sheet as at December 29, 2012. The expenses of CSOP included in discontinued operations for the three quarters ended September 28, 2013 and for the quarter and three quarters ended September 29, 2012, related to legal fees and period interest costs incurred by the Company in connection with the arbitration proceeding.

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Notes to Consolidated Financial Statements

For the quarters ended September 28, 2013 and September 29, 2012

(Unaudited)

(Expressed in thousands of U.S. dollars, except per share amounts)

Operating Results Reported in Discontinued Operations

The following table presents the aggregate operating results of Purity and CSOP reported in earnings (loss) from discontinued operations:

	September 28, 2013 \$	Quarter ended September 29, 2012 \$	September 28, 2013 \$	Three quarters ended September 29, 2012 \$
Revenues	-	-	-	26,914
Earnings (loss) before income taxes	-	188	(570)	678
Recovery of (provision for) income taxes	-	(76)	210	(161)
Earnings (loss) from discontinued operations, net of income taxes	-	112	(360)	517

4. Derivative Financial Instruments and Fair Value Measurements

The following table presents for each of the fair value hierarchies, the assets and liabilities that are measured at fair value on a recurring basis as of September 28, 2013 and December 29, 2012:

	Fair value asset (liability) \$	Level 1 \$	Level 2 \$	Level 3 \$
(a) Commodity futures and forward contracts ⁽¹⁾				
Unrealized short-term derivative asset	2,077	270	1,807	-
Unrealized long-term derivative asset	12	-	12	-
Unrealized short-term derivative liability	(3,209)	-	(3,209)	-
Unrealized long-term derivative liability	(161)	-	(161)	-
(b) Inventories carried at market ⁽²⁾	11,521	-	11,521	-
(c) Interest rate swaps ⁽³⁾	(188)	-	(188)	-
(d) Forward foreign currency contracts ⁽⁴⁾	(365)	-	(365)	-
(e) Contingent consideration ⁽⁵⁾	(3,161)	-	-	(3,161)

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Notes to Consolidated Financial Statements

For the quarters ended September 28, 2013 and September 29, 2012

(Unaudited)

(Expressed in thousands of U.S. dollars, except per share amounts)

	December 29, 2012			
	Fair value	Level 1	Level 2	Level 3
	asset (liability)			
	\$	\$	\$	\$
(a) Commodity futures and forward contracts ⁽¹⁾				
Unrealized short-term derivative asset	3,184	690	2,494	-
Unrealized long-term derivative asset	93	-	93	-
Unrealized short-term derivative liability	(1,623)	-	(1,623)	-
Unrealized long-term derivative liability	(43)	-	(43)	-
(b) Inventories carried at market ⁽²⁾	15,426	-	15,426	-
(c) Interest rate swaps ⁽³⁾	(396)	-	(396)	-
(d) Forward foreign currency contracts ⁽⁴⁾	(327)	-	(327)	-
(e) Contingent consideration ⁽⁵⁾	(4,398)	-	-	(4,398)

- (1) Unrealized short-term derivative asset is included in prepaid expenses and other current assets, unrealized long-term derivative asset is included in other assets, unrealized short-term derivative liability is included in other current liabilities and unrealized long-term derivative liability is included in long-term liabilities on the consolidated balance sheets.
- (2) Inventories carried at market are included in inventories on the consolidated balance sheets.
- (3) The interest rate swaps are included in long-term liabilities on the consolidated balance sheets.
- (4) The forward foreign currency contracts are included in accounts receivable or accounts payable and accrued liabilities on the consolidated balance sheets.
- (5) Contingent consideration obligations are included in long-term liabilities (including the current portion thereof) on the consolidated balance sheets.

(a) Commodity futures and forward contracts

The Company's derivative contracts that are measured at fair value include exchange-traded commodity futures and forward commodity purchase and sale contracts. Exchange-traded futures are valued based on unadjusted quotes for identical assets priced in active markets and are classified as level 1. Fair value for forward commodity purchase and sale contracts is estimated based on exchange-quoted prices adjusted for differences in local markets. Local market adjustments use observable inputs or market transactions for similar assets or liabilities and, as a result, are classified as level 2. Based on historical experience with the Company's suppliers and customers, the Company's own credit risk, and the Company's knowledge of current market conditions, the Company does not view non-performance risk to be a significant input to fair value for the majority of its forward commodity purchase and sale contracts.

These exchange-traded commodity futures and forward commodity purchase and sale contracts are used as part of the Company's risk management strategy, and represent economic hedges to limit risk related to fluctuations in the price of certain commodity grains, as well as the price of cocoa. These derivative instruments are not designated as hedges for accounting purposes. Gains and losses on changes in the fair value of these derivative instruments are included in cost of goods sold on the consolidated statement of operations. For the quarter ended September 28, 2013, the Company recognized a loss of \$1,950 (September 29, 2012 gain of \$3,075) and for the three quarters ended September 28, 2013, the Company recognized a loss of \$2,892 (September 29, 2012 gain of \$1,178).

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As at September 28, 2013, the notional amounts of open commodity futures and forward purchase and sale contracts were as follows (in thousands of bushels):

	Number of bushels	
	Corn	purchase (sale) Soybeans
Forward commodity purchase contracts	684	479
Forward commodity sale contracts	(689)	(1,347)
Commodity futures contracts	(95)	330

In addition, as at September 28, 2013, the Company also had open forward contracts to sell 215 lots of cocoa.

(b) Inventories carried at market

Grains inventory carried at fair value is determined using quoted market prices from the Chicago Board of Trade (CBoT). Estimated fair market values for grains inventory quantities at period end are valued using the quoted price on the CBoT adjusted for differences in local markets, and broker or dealer quotes. These assets are placed in level 2 of the fair value hierarchy, as there are observable quoted prices for similar assets in active markets. Gains and losses on commodity grains inventory are included in cost of goods sold on the consolidated statements of operations. As at September 28, 2013, the Company had 81,180 bushels of commodity corn and 529,338 bushels of commodity soybeans in inventories carried at market.

(c) Interest rate swaps

As at September 28, 2013, Opta Minerals held interest rate swaps with a notional value of Cdn \$43,150 in the aggregate to pay fixed rates of 1.85% to 2.02%, plus a margin of 2.0% to 3.5% based on certain financial ratios of Opta Minerals, and receive a variable rate based on various reference rates including prime, bankers acceptances or LIBOR, plus the same margin, until May 2017. The net notional value decreases in accordance with the quarterly principal repayments on Opta Minerals non-revolving term credit facility (see note 8).

At each period end, the Company calculates the mark-to-market fair value of the interest rate swaps using a valuation technique using quoted observable prices for similar instruments as the primary input. Based on this valuation, the previously recorded fair value is adjusted to the current marked-to-market position. The marked-to-market gain or loss is placed in level 2 of the fair value hierarchy. As the interest rate swaps are designated as a cash flow hedge for accounting purposes, gains and losses on changes in the fair value of these derivative instruments are included on the consolidated statements of comprehensive earnings. For the quarter ended September 28, 2013, the Company recognized a loss of \$90 (September 29, 2012 loss of \$51), net of income tax benefit of \$24 (September 29, 2012 income tax benefit of \$44), and for the three quarters ended September 28, 2013, the Company recognized a gain of \$208 (September 29, 2012 loss of \$241), net of income tax of \$54 (September 29, 2012 income tax benefit of \$79).

(d) Foreign forward currency contracts

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As part of its risk management strategy, the Company enters into forward foreign exchange contracts to reduce its exposure to fluctuations in foreign currency exchange rates. For any open forward foreign exchange contracts at period end, the contract rate is compared to the forward rate, and a gain or loss is recorded. These contracts are placed in level 2 of the fair value hierarchy, as the inputs used in making the fair value determination are derived from and are corroborated by observable market data. While these forward foreign exchange contracts typically represent economic hedges that are not designated as hedging instruments, certain of these contracts may be designated as hedges. As at September 28, 2013, the Company had open forward foreign exchange contracts with a notional value of 13,061 (\$17,324). Gains and losses on changes in the fair value of these derivative instruments are included in foreign

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exchange loss (gain) on the consolidated statements of operations. For the quarter ended September 28, 2013, the Company recognized a loss of \$429 (September 29, 2012 loss of \$16), and for the three quarters ended September 28, 2013, the Company recognized a loss of \$38 (September 29, 2012 gain of \$453).

(e) Contingent consideration

The fair value measurement of contingent consideration arising from business acquisitions is determined using unobservable (level 3) inputs. These inputs include: (i) the estimated amount and timing of the projected cash flows on which the contingency is based; and (ii) the risk-adjusted discount rate used to present value those cash flows. For the quarter and three quarters ended September 28, 2013, the change in the fair value of the contingent consideration liability reflected related payments of \$1,074 in the aggregate, as well as (i) changes in the probability of achievement of the factors on which the contingencies are based, (ii) the accretion of interest expense, and (iii) changes in foreign currency exchange rates, which were not material individually or in the aggregate.

5. Inventories

	September 28, 2013	December 29, 2012
	\$	\$
Raw materials and work-in-process	153,347	169,269
Finished goods	79,080	63,621
Company-owned grain	20,703	27,335
Inventory reserves	(4,243)	(4,487)
	248,887	255,738

6. Investments

On August 31, 2010, the Company sold 100% of its ownership interest in SunOpta BioProcess Inc. to Mascoma in exchange for an equity ownership position in Mascoma, consisting of preferred stock, common stock and warrants to purchase common stock of Mascoma. The Company accounts for its investment in Mascoma using the cost method, as the Company does not have the ability to exercise significant influence over the operating and financial policies of Mascoma.

In evaluating whether its investment in Mascoma is recoverable each reporting period, the Company considers information relevant to the estimation of Mascoma's enterprise value and stock price, including external factors such as the stock prices of comparable publicly-traded renewable energy companies. The Company also considers the commercial viability and future earnings prospects of Mascoma's products and technologies, as well as Mascoma's ability to raise additional capital to fund its operational requirements.

As at June 29, 2013, the Company concluded that the \$33,845 carrying value of its investment in Mascoma was impaired and that the impairment was other-than-temporary, based on information provided by Mascoma and consideration of external factors. The Company completed a valuation analysis based on available information and determined that the estimated fair value of its investment in Mascoma was \$12,350 at June 29, 2013. As a result, the Company recorded an other-than-temporary impairment loss of \$21,495 on the consolidated statement of operations for the quarter ended June 29, 2013.

As at September 28, 2013, the Company did not estimate the fair value of its investment in Mascoma, as no events or changes in circumstances were identified that may have a significant adverse effect on the Company's ability to recover the new cost base of its investment.

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7. Goodwill

Opta Minerals performed its annual impairment test for goodwill as at September 30, 2013, and recognized a non-cash goodwill impairment loss of \$3,552 related to one of its reporting units in the third quarter of 2013. Due to increased competition and reduced demand for industrial minerals in markets along the U.S. east coast, the operating profits and cash flows of the reporting unit were lower than expected in the fourth quarter of 2012 and first three quarters of 2013, reflecting reduced sales volumes, price concessions causing lower gross margins, and lower utilization of plant capacity. The fair value of the reporting unit was estimated based on the expected present value of future cash flows using unobservable (level 3) inputs, which included the following assumptions: (i) an estimated cumulative average operating income growth rate from 2014 to 2017 of 25.7%; (ii) a projected long-term annual operating income growth rate of 2.5%; and (iii) a risk-adjusted discount rate of 14.0%. The goodwill associated with the reporting unit was fully deductible for tax purposes. There was no indication of goodwill impairment related to the other reporting units of Opta Minerals based on the testing done as at September 30, 2013.

8. Bank Indebtedness and Long-Term Debt

	September 28, 2013	December 29, 2012
	\$	\$
Bank indebtedness:		
North American credit facilities ⁽¹⁾	69,131	75,700
European credit facilities ⁽²⁾	54,734	44,611
Opta Minerals revolving term credit facility ⁽³⁾	15,506	10,750
	139,371	131,061
Long-term debt:		
Opta Minerals non-revolving term credit facility ⁽³⁾	44,982	50,315
Lease obligations ⁽⁴⁾	6,651	7,219
Other	398	664
	52,031	58,198
Less: current portion	46,466	6,925
	5,565	51,273

(1) North American credit facilities

The syndicated North American credit facilities support the core North American food operations of the Company.

On July 27, 2012, the Company entered into an amended and restated credit agreement with a syndicate of lenders. The amended agreement provides secured revolving credit facilities of Cdn \$10,000 (or the equivalent U.S. dollar amount) and \$165,000, as well as an additional \$50,000 in availability upon the exercise of an uncommitted accordion feature. These facilities mature on July 27, 2016, with the outstanding principal amount repayable in full on the maturity date.

Interest on borrowings under the facilities accrues based on various reference rates including LIBOR, plus an applicable margin of 1.75% to 2.50%, which is set quarterly based on average borrowing availability. As at September 28, 2013, the weighted-average interest rate on the facilities was 2.18%.

The facilities are collateralized by substantially all of the assets of the Company and its subsidiaries, excluding Opta Minerals and The Organic Corporation (TOC).

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(2) European credit facilities

The European credit facilities support the global sourcing, supply and processing capabilities of the International Foods Group.

On September 25, 2012, TOC and certain of its subsidiaries entered into a credit facilities agreement with two lenders, which provides for a €45,000 revolving credit facility covering working capital needs and a €3,000 pre-settlement facility covering currency hedging requirements. As of September 28, 2013 and December 29, 2012, €39,700 (\$53,683) and €30,262 (\$39,995), respectively, of this facility had been utilized. The revolving credit facility is secured by the working capital of TOC and certain of its subsidiaries. The revolving credit facility and pre-settlement facility are due on demand with no set maturity date, and the credit limit may be extended or adjusted upon approval of the lenders. Interest costs under the facilities accrue based on either a loan margin of 1.75% or an overdraft margin of 1.85% plus the cost of funds as set by each of the lenders on a periodic basis. The cost of funds as set by the lenders was 0.13% at September 28, 2013.

On March 26, 2012, TOC entered into a €4,990 credit facility to pre-finance the construction of equipment for a cocoa processing facility located in Middenmeer, the Netherlands. As at July 18, 2013 and December 29, 2012, €4,990 (\$6,495) and €3,493 (\$4,616), respectively, of this facility had been utilized to fund the construction in process. Interest on borrowings under this facility accrued at 3.8%. On July 18, 2013, this facility was repaid through borrowings under a long-term lease facility (as described below under (4)).

On May 22, 2013, a subsidiary of TOC entered into a revolving credit facility agreement to provide up to €4,500 to cover the working capital needs of TOC's Bulgarian operations. The facility is secured by the accounts receivable and inventories of the Bulgarian operations and is fully guaranteed by TOC. Interest accrues under the facility based on Euribor plus a margin of 2.75%, and borrowings under the facility are repayable in full on April 30, 2014. As of September 28, 2013, €777 (\$1,051) was borrowed under this facility.

(3) Opta Minerals credit facilities

These credit facilities are specific to the operations of Opta Minerals.

On July 24, 2012, Opta Minerals amended its credit agreement dated May 18, 2012, to provide for a Cdn \$15,000 revolving term credit facility and a Cdn \$52,500 non-revolving term credit facility. The revolving term credit facility matures on August 14, 2014, with the outstanding principal amount repayable in full on the maturity date. The principal amount of the non-revolving term credit facility is repayable in equal quarterly installments of approximately Cdn \$1,312. Opta Minerals may be required to make additional repayments on the non-revolving term credit facility if certain financial covenants are not met (see below). The non-revolving term credit facility matures on May 18, 2017, with the remaining outstanding principal amount repayable in full on the maturity date.

Interest on the borrowings under these facilities accrues at the borrower's option based on various reference rates including LIBOR, plus an applicable margin of 2.00% to 3.50% based on certain financial ratios of Opta Minerals. Opta Minerals utilizes interest rate swaps to hedge the interest payments on a portion of the borrowings under the non-revolving term credit facility (see note 4). As at September 28, 2013, the weighted-average interest rate on the credit facilities was 5.36%, after taking into account the related interest rate hedging activities.

The credit facilities are collateralized by a first priority security interest on substantially all of the assets of Opta Minerals.

On April 30, 2013, Opta Minerals amended its credit agreement with its lenders to increase the revolving term credit facility to Cdn \$20,000. On the same date, certain financial covenants under the credit agreement were amended for the

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periods ending June 30, 2013 and September 30, 2013. On June 28, 2013, the credit agreement was further amended in respect of certain financial covenants for the periods ended June 30, 2013, September 30, 2013 and December 31, 2013. As at June 30, 2013, Opta Minerals was in compliance with these financial covenants; however, Opta Minerals was not able to achieve the covenant requirements for the quarter ended September 30, 2013, which constitutes an event of default under the credit agreement. On October 31, 2013, Opta Minerals obtained a waiver from its lenders in respect of these financial covenants. On the same date, the credit agreement was amended to increase the applicable margin on borrowings up to 5.00% based on certain financial ratios of Opta Minerals. As it is not considered probable that Opta Minerals will meet the existing financial covenant requirements under the credit agreement as at the next compliance date of December 31, 2013, the non-revolving term credit facility has been classified as current on the consolidated balance sheet as at September 28, 2013.

(4) Lease obligations

On October 1, 2012, TOC entered into a €4,990 lease facility to provide for long-term financing on equipment for the cocoa processing facility in the Netherlands. Interest on this facility accrues at an effective rate of 5.9% and the facility matures on October 1, 2019. Principal and accrued interest is repayable in equal monthly installments of €73. As at September 28, 2013 and December 29, 2012, €4,396 (\$5,944) and €4,845 (\$6,403), respectively, remained outstanding under this facility. On July 18, 2013, borrowings under this facility were applied to the repayment of the credit facility used to pre-finance the construction of the cocoa processing equipment (as described above under (2)). These borrowings had been previously recorded as restricted cash on the consolidated balance sheet as at December 29, 2012.

9. Stock-Based Compensation

For the three quarters ended September 28, 2013, the Company granted 1,054,000 options to employees that vest ratably on each of the first through fifth anniversary of the grant date and expire on the tenth anniversary of the grant date. These options had a weighted-average grant-date fair value of \$4.44 per option. The following table summarizes the weighted-average assumptions used in the Black-Scholes option pricing model to determine the fair value of the options granted:

Exercise price	\$	7.45
Dividend yield		0%
Expected volatility		63.1%
Risk-free interest rate		1.3%
Expected life of options (in years)		6.5

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10. Other Expense, Net

The components of other expense (income) are as follows:

	September 28, 2013 \$	Quarter ended September 29, 2012 \$	September 28, 2013 \$	Three quarters ended September 29, 2012 \$
(a) Severance and other rationalization costs	522	-	1,390	1,295
(b) Long-lived asset impairment charge	310	-	310	-
(c) Acquisition-related transaction costs	-	139	127	540
Other	(45)	125	(28)	171
	787	264	1,799	2,006

(a) Severance and other rationalization costs

For the quarter and three quarters ended September 28, 2013, Opta Minerals incurred severance and other costs in connection with the rationalization and integration of WGI Heavy Metals, Incorporated (WGI), which was acquired in August 2012. In addition, the Company recorded employee severance and other costs in connection with the closure of the Chelmsford, Massachusetts administrative office of the Ingredients Group and the idling of the Fargo, North Dakota grains processing facility of the Grains and Foods Group.

For the three quarters ended September 29, 2012, the Company recorded employee severance and other costs in connection with the rationalization of a number of operations and functions within SunOpta Foods in an effort to streamline operations, which included a reduction in its salaried workforce of approximately 6%, as well as severance payable to a former executive officer.

(b) Long-lived asset impairment charge

For the three quarters ended September 28, 2013, Opta Minerals determined that the carrying amounts of certain intangible assets related to long-term licensing agreements were not recoverable, due to a decline in the cash flows generated under these arrangements. As a result, Opta Minerals recorded an impairment charge of \$310 to write down these intangible assets to their estimated fair value.

(c) Acquisition-related transaction costs

For the three quarters ended September 28, 2013, the Company incurred transaction costs in connection with the acquisition of OLC (see note 2). For the quarter and three quarters ended September 29, 2012, Opta Minerals incurred transaction costs related to the acquisitions of WGI and Babco Industrial Corp., which was acquired in February 2012.

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11. Earnings (Loss) Per Share

Earnings (loss) per share are calculated as follows:

	September 28, 2013	Quarter ended September 29, 2012	September 28, 2013	Three quarters ended September 29, 2012
Earnings (loss) from continuing operations attributable to SunOpta Inc.	\$ 2,913	\$ 5,692	\$ (6,883)	\$ 18,648
Earnings (loss) from discontinued operations, net of income taxes	-	112	(360)	1,193
Earnings (loss) attributable to SunOpta Inc.	\$ 2,913	\$ 5,804	\$ (7,243)	\$ 19,841
Basic weighted-average number of shares outstanding	66,369,141	65,949,415	66,221,286	65,871,213
Dilutive potential of the following:				
Employee/director stock options	1,389,346	571,131	1,017,574	525,840
Warrants	411,705	171,829	349,820	143,054
Diluted weighted-average number of shares outstanding	68,170,192	66,692,375	67,588,680	66,540,107
Earnings (loss) per share - basic:				
- from continuing operations	\$ 0.04	\$ 0.09	\$ (0.10)	\$ 0.28
- from discontinued operations	-	-	(0.01)	0.02
	\$ 0.04	\$ 0.09	\$ (0.11)	\$ 0.30
Earnings (loss) per share - diluted:				
- from continuing operations	\$ 0.04	\$ 0.09	\$ (0.10)	\$ 0.28
- from discontinued operations	-	-	(0.01)	0.02
	\$ 0.04	\$ 0.09	\$ (0.11)	\$ 0.30

For the quarter ended September 28, 2013, options to purchase 24,000 (September 29, 2012 - 2,048,700) common shares have been excluded from the calculation of potential dilutive common shares due to their anti-dilutive effect. For the three quarters ended September 28, 2013, options to purchase 144,000 (September 29, 2012 - 2,065,700)

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common shares have been excluded from the calculation of potential dilutive common shares due to their anti-dilutive effect.

For the three quarters ended September 28, 2013, all potential dilutive common shares were excluded from the calculation of diluted loss per share due to their anti-dilutive effect of reducing the loss per share.

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12. Supplemental Cash Flow Information

	September 28, 2013 \$	Quarter ended September 29, 2012 \$	September 28, 2013 \$	Three quarters ended September 29, 2012 \$
Changes in non-cash working capital, net of businesses acquired:				
Accounts receivable	572	(3,319)	(6,869)	(21,223)
Inventories	1,847	6,623	7,351	11,831
Income tax recoverable	942	1,682	1,313	3,179
Prepaid expenses and other current assets	1,649	(57)	3,415	2,837
Accounts payable and accrued liabilities	(3,605)	3,619	(13,183)	(1,191)
Customer and other deposits	(3,267)	(1,086)	1,126	2,646
	(1,862)	7,462	(6,847)	(1,921)

As at September 28, 2013, cash and cash equivalents included \$3,226 (December 29, 2012 - \$3,966) that was specific to Opta Minerals and cannot be utilized by the Company for general corporate purposes.

13. Commitments and Contingencies**(a) Colorado Sun Oil Processing LLC dispute**

Colorado Mills and SunOpta Grains and Foods Inc. (formerly Sunrich LLC, herein Grains and Foods), a wholly-owned subsidiary of the Company, organized a joint venture through CSOP. The purpose of the joint venture was to construct and operate a vegetable oil refinery adjacent to Colorado Mills' sunflower seed crush plant located in Lamar, Colorado. During the relationship, disputes arose between the parties concerning management of the joint venture, record-keeping practices, certain unauthorized expenses incurred on behalf of the joint venture by Colorado Mills, procurement of crude oil by Sunrich from Colorado Mills for processing at the joint venture refinery, and the contract price of crude oil offered for sale under an output term of the joint venture agreement.

The parties initiated a dispute resolution process as set forth in the joint venture agreement, which Colorado Mills aborted prematurely through the initiation of suit in Prowers County District Court, Colorado on March 16, 2010. Subsequent to the filing of that suit, Colorado Mills acted with an outside creditor of the joint venture to involuntarily place the joint venture into bankruptcy. In August 2011, as part of the bankruptcy proceeding initiated in June 2010 in the U.S. Bankruptcy Court, District of Colorado, Colorado Mills purchased substantially all of the assets of the joint venture.

A separate arbitration proceeding occurred between Grains and Foods and Colorado Mills to resolve direct claims each party asserted against the other. The case was arbitrated during the week of August 8, 2011 and proposed findings were filed on September 13, 2011. On January 4, 2012 the arbitrator entered an award denying Grains and

Foods' claims and awarding Colorado Mills \$4,816 for its breach of contract claim and \$430 for accrued interest. The Company subsequently filed a motion to vacate the arbitration award on March 30, 2012 in Prowers County District Court. Colorado Mills filed a response on April 20, 2012. The Company filed a reply on April 27, 2012. The Prowers County District Court denied the Company's motion and entered judgment on the arbitration award on July 6, 2012 in the amount of \$4,816. On July 13, 2012, the Company bonded the judgment in the amount of \$6,875, or approximately 125% of the judgment amount, to stay execution of the judgment pending the Company's filing of an appeal to the

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Colorado Court of Appeals. On August 20, 2012, the Company appealed from the judgment to the Colorado Court of Appeals.

The Colorado Court of Appeals affirmed the judgment, and the Company petitioned for re-hearing. While the petition for re-hearing was pending, the parties settled the matter on June 18, 2013 (see note 3). The settlement was on a full and final basis, it formally concluded all extant business dealings between the parties, and ended all open litigation matters. As a result, all disputes between the parties have now been resolved.

(b) Other claims

Various additional claims and potential claims arising in the normal course of business are pending against the Company. It is the opinion of management that the amount of potential liability, if any, to the Company is not determinable. Management believes the final determination of these claims or potential claims will not materially affect the financial position or results of the Company.

14. Segmented Information

The Company operates in the following business segments:

(a) **SunOpta Foods** sources, processes, packages and markets a wide range of natural, organic and specialty raw materials, ingredients and packaged food products, with a focus on soy, corn, sunflower, fruit, fiber and other natural and organic food products. There are four operating segments within SunOpta Foods:

- i. Grains and Foods Group is focused on vertically integrated sourcing, processing, packaging and marketing of grains, grain-based ingredients and packaged products;
- ii. Ingredients Group is focused primarily on insoluble oat and soy fiber products, and specialty fruit ingredients, and works closely with its customers to identify product formulation, cost and productivity opportunities aimed at transforming raw materials into value-added food ingredient solutions;
- iii. Consumer Products Group provides natural and organic consumer packaged food products to major global food manufacturers, distributors and supermarket chains with a variety of branded and private label products; and
- iv. International Foods Group includes European and North American based operations that source and supply raw materials, ingredients and trade organic commodities.

(b) **Opta Minerals** processes, distributes and recycles industrial minerals, silica-free abrasives, and specialty sands for use in the steel, foundry, loose abrasive cleaning, and municipal water filtration industries.

(c) **Corporate Services** provide a variety of management, financial, information technology, treasury and administration services to the operating segments from the head office in Brampton, Ontario, and information technology and shared services from its office in Edina, Minnesota.

The Company's assets, operations and employees are principally located in the U.S., Canada, Europe, China and Ethiopia. Revenues are allocated based on the location of the customer.

Other expense, interest expense and provision for income taxes are not allocated to operating segments.

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	SunOpta Foods \$	Opta Minerals \$	Corporate Services \$	Quarter ended September 28, 2013 Consolidated \$
External revenues by market:				
U.S.	215,314	20,236	-	235,550
Canada	9,167	6,648	-	15,815
Europe and other	43,315	8,043	-	51,358
Total revenues from external customers	267,796	34,927	-	302,723
Segment operating income (loss)	10,430	1,704	(2,298)	9,836
Other expense, net				787
Goodwill impairment				3,552
Interest expense, net				1,957
Provision for income taxes				1,343
Earnings from continuing operations				2,197

	Grains and Foods Group \$	Ingredients Group \$	Consumer Products Group \$	International Foods Group \$	Quarter ended September 28, 2013 SunOpta Foods \$
External revenues by market:					
U.S.	124,968	22,042	46,945	21,359	215,314
Canada	4,611	1,198	1,811	1,547	9,167
Europe and other	13,472	722	562	28,559	43,315
Total revenues from external customers	143,051	23,962	49,318	51,465	267,796
Segment operating income	7,227	1,649	628	926	10,430

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	SunOpta Foods \$	Opta Minerals \$	Corporate Services \$	Quarter ended September 29, 2012 Consolidated \$
External revenues by market:				
U.S.	201,878	20,003	-	221,881
Canada	6,294	7,999	-	14,293
Europe and other	38,187	4,978	-	43,165
Total revenues from external customers	246,359	32,980	-	279,339
Segment operating income (loss)	10,835	3,280	(1,424)	12,691
Other expense, net				264
Interest expense, net				2,339
Provision for income taxes				3,947
Earnings from continuing operations				6,141

	Grains and Foods Group \$	Ingredients Group \$	Consumer Products Group \$	International Foods Group \$	Quarter ended September 29, 2012 SunOpta Foods \$
External revenues by market:					
U.S.	123,661	18,268	41,310	18,639	201,878
Canada	2,997	1,149	195	1,953	6,294
Europe and other	13,259	856	131	23,941	38,187
Total revenues from external customers	139,917	20,273	41,636	44,533	246,359
Segment operating income (loss)	8,780	878	(544)	1,721	10,835

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SunOpta Inc.

Notes to Consolidated Financial Statements

For the quarters ended September 28, 2013 and September 29, 2012

(Unaudited)

(Expressed in thousands of U.S. dollars, except per share amounts)

	SunOpta Foods \$	Opta Minerals \$	Corporate Services \$	Three quarters ended September 28, 2013 Consolidated \$
External revenues by market:				
U.S.	622,629	61,538	-	684,167
Canada	28,013	20,103	-	48,116
Europe and other	137,462	26,973	-	164,435
Total revenues from external customers	788,104	108,614	-	896,718
Segment operating income (loss)	34,338	5,070	(5,596)	33,812
Other expense, net				1,799
Goodwill impairment				3,552
Interest expense, net				5,885
Impairment loss on investment				21,495
Provision for income taxes				8,576
Loss from continuing operations				(7,495)

	Grains and Foods Group \$	Ingredients Group \$	Consumer Products Group \$	International Foods Group \$	Three quarters ended September 28, 2013 SunOpta Foods \$
External revenues by market:					
U.S.	354,135	61,243	143,991	63,260	622,629
Canada	14,316	3,641	4,622	5,434	28,013
Europe and other	50,004	2,574	981	83,903	137,462
Total revenues from external customers	418,455	67,458	149,594	152,597	788,104
Segment operating income	24,251	3,601	2,508	3,978	34,338

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SunOpta Inc.

Notes to Consolidated Financial Statements

For the quarters ended September 28, 2013 and September 29, 2012

(Unaudited)

(Expressed in thousands of U.S. dollars, except per share amounts)

	SunOpta Foods \$	Opta Minerals \$	Corporate Services \$	Three quarters ended September 29, 2012 Consolidated \$
External revenues by market:				
U.S.	585,642	56,637	-	642,279
Canada	24,393	22,764	-	47,157
Europe and other	118,414	13,125	-	131,539
Total revenues from external customers	728,449	92,526	-	820,975
Segment operating income (loss)	36,423	8,178	(4,781)	39,820
Other expense, net				2,006
Interest expense, net				7,480
Provision for income taxes				10,302
Earnings from continuing operations				20,032

	Grains and Foods Group \$	Ingredients Group \$	Consumer Products Group \$	International Foods Group \$	Three quarters ended September 29, 2012 SunOpta Foods \$
External revenues by market:					
U.S.	346,507	55,804	133,246	50,085	585,642
Canada	12,238	4,049	1,311	6,795	24,393
Europe and other	38,351	2,555	1,322	76,186	118,414
Total revenues from external customers	397,096	62,408	135,879	133,066	728,449
Segment operating income (loss)	27,662	2,946	(549)	6,364	36,423

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Financial Information

The following Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) should be read in conjunction with the interim consolidated financial statements, and notes thereto, contained under Item 1 of this Quarterly Report on Form 10-Q (Form 10-Q) and in conjunction with the annual consolidated financial statements, and notes thereto, contained in the Annual Report on Form 10-K for the fiscal year ended December 29, 2012 (Form 10-K). Unless otherwise indicated herein, the discussion and analysis contained in this MD&A includes information available to November 6, 2013.

Certain statements contained in this MD&A may constitute forward-looking statements as defined under securities laws. Forward-looking statements may relate to our future outlook and anticipated events or results and may include statements regarding our future financial position, business strategy, budgets, litigation, projected costs, capital expenditures, financial results, taxes, plans and objectives. In some cases, forward-looking statements can be identified by terms such as anticipate , estimate , intend , project , potential , continue , believe , expect , should , might , plan , will , may , predict , or other similar expressions concerning matters that are not historical. To the extent any forward-looking statements contain future-oriented financial information or financial outlooks, such information is being provided to enable a reader to assess our financial condition, material changes in our financial condition, our results of operations, and our liquidity and capital resources. Readers are cautioned that this information may not be appropriate for any other purpose, including investment decisions.

Forward-looking statements contained in this MD&A are based on certain factors and assumptions regarding expected growth, results of operations, performance, and business prospects and opportunities. While we consider these assumptions to be reasonable, based on information currently available, they may prove to be incorrect. Forward-looking statements are also subject to certain factors, including risks and uncertainties that could cause actual results to differ materially from what we currently expect. These factors are more fully described in the Risk Factors section at Item 1A of the Form 10-K.

Forward-looking statements contained in this commentary are based on our current estimates, expectations and projections, which we believe are reasonable as of the current date. You should not place undue importance on forward-looking statements and should not rely upon this information as of any other date. Other than as required under securities laws, we do not undertake to update any forward-looking information at any particular time.

All dollar amounts in this MD&A are expressed in thousands of U.S. dollars, except per share amounts, unless otherwise noted.

Operational Realignment

We are in the process of realigning our operations with a focus on three key go-to-market segments: sourcing and supply; value-added ingredients; and consumer-packaged products. We believe this new operational structure will better align with our integrated field-to-table business model and product portfolio. In addition, we believe this new structure will better support our strategy of growing our value-added packaged foods and ingredients portfolios, and leveraging our sourcing and supply capabilities and production capacity. We are targeting the fourth quarter of 2013 to have our operating segments realigned accordingly, with the segmented operations information provided in our consolidated financial statements and MD&A for fiscal 2013 and comparative periods updated to reflect these realigned operating segments.

Business Development

Cocoa Processing Facility

In the third quarter of 2013, we completed the construction and commissioning of our cocoa processing facility in Middenmeer, the Netherlands, which will specialize in the processing of organic and fair trade certified cocoa beans into derivatives, such as organic cocoa powder, butter and liquor. Operating as Crown of Holland, the facility provides needed capacity to accommodate our organic and specialty cocoa business that was previously processed by third parties. All cocoa beans processed at this facility are expected to be sourced internally through our international sourcing and supply operation.

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The facility is expected to ramp-up production capabilities and volume during the fourth quarter of 2013. Once fully operational, the facility will have an annual processing capacity of approximately 9,000 metric tons of raw cocoa.

Expansion of Aseptic Processing and Packaging Operations

We have expanded the Grains and Foods Group's aseptic processing and packaging operations in Modesto, California and Alexandria, Minnesota with the installation of an additional multi-serve filler (liter/quart) at each operation, as well as a single-serve (200/250ml) filler at the Modesto operation. Each of these fillers was in production during the third quarter of 2013. A second single-serve filler for the Modesto operation is expected to be operational late in the fourth quarter of 2013. The addition of further processing and packaging capabilities is in response to continued growth in the non-dairy and alternative beverage categories that we currently serve, as well as adjacent categories such as organic dairy and nutritional beverages. The new fillers also provide unique capabilities and are expected to provide opportunities to bring new and innovative products in a new aseptic package format to the market, which we expect will further enhance the profitability of these operations.

Pouch Filling Operation

In September 2012, we completed the commissioning of two flexible re-sealable pouch filling lines at our facility located in Allentown, Pennsylvania. As these first two lines have reached capacity through committed long-term contracts, we have installed two additional pouch filling lines at the Allentown facility. These two additional lines were commissioned in July 2013 and were operational in the third quarter of 2013. The flexible re-sealable pouch is applicable to a wide range of product categories including natural and organic fruit and vegetable snacks, apple sauces, tomato products, baby food, yogurts, toppings and a variety of beverages.

Bulgarian Processing Operation

On December 31, 2012, we acquired a grains handling and processing facility located in Silistra, Bulgaria and operated as the Organic Land Corporation OOD (OLC), for cash consideration of \$3,898. The facility is located near a protected and chemical free agricultural area, which produces organic products including sunflower, flax seed, corn, barley and soybeans. We have been sourcing non-genetically modified (non-GMO) sunflower kernel from OLC since late 2011. This acquisition diversified our non-GMO and organic sunflower processing operations and should allow us to expand our capabilities into the other organic products grown in the region subsequent to expanding production capabilities expected to be completed in late 2013. OLC's operations are included in the International Foods Group.

WGI Heavy Minerals, Incorporated

In August 2012, Opta Minerals paid \$14,098 in cash to acquire approximately 94% of the outstanding common shares of WGI Heavy Metals, Incorporated (WGI). In November 2012, Opta Minerals completed the acquisition of the remaining outstanding common shares of WGI for cash consideration of \$870. WGI's principal business is the processing and sale of industrial abrasive minerals, and the sourcing, assembly and sale of ultra-high pressure water jet cutting machine replacement parts and components. This acquisition complemented Opta Minerals' existing product portfolio and expands product line offerings to new and existing customers.

Babco Industrial Corp.

In February 2012, Opta Minerals acquired all of the outstanding common shares of Babco Industrial Corp. (Babco) located in Regina, Saskatchewan for cash at closing of \$17,530 plus contingent consideration of up to \$1,300 based on the achievement of certain earnings targets over the next five years. Babco is an industrial processor of petroleum coke. This acquisition complemented Opta Minerals' existing product portfolio and provides for additional product line offerings to new and existing customers in the region.

Impairment Loss on Investment

On August 31, 2010, we sold 100% of our ownership interest in SunOpta BioProcess Inc. to Mascoma in exchange for an equity ownership position in Mascoma, consisting of preferred stock, common stock and warrants to purchase common stock of Mascoma. The fair value of the non-cash consideration received was estimated to be \$33,345 as of the date of sale, and we recognized a non-cash gain on sale in discontinued operations in the third quarter of 2010. We account for our investment

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in Mascoma using the cost method, as we do not have the ability to exercise significant influence over the operating and financial policies of Mascoma.

In evaluating whether our investment in Mascoma is recoverable each reporting period, we consider information relevant to the estimation of Mascoma's enterprise value and stock price, including external factors such as the stock prices of comparable publicly-traded renewable energy companies. We also consider the commercial viability and future earnings prospects of Mascoma's products and technologies, as well as Mascoma's ability to raise additional capital to fund its operational requirements.

As at June 29, 2013, we concluded that the \$33,845 carrying value of our investment in Mascoma was impaired and that the impairment was other-than-temporary, based on information provided by Mascoma and consideration of external factors. We completed a valuation analysis based on information available to us and determined that the estimated fair value of our investment in Mascoma was \$12,350 at June 29, 2013. As a result, we recorded an other-than-temporary impairment loss of \$21,495 in the second quarter of 2013.

Goodwill Impairment

Opta Minerals performed its annual impairment test for goodwill as at September 30, 2013, and recognized a non-cash goodwill impairment loss of \$3,552 related to one of its reporting units in the third quarter of 2013. Due to increased competition and reduced demand for industrial minerals in markets along the U.S. east coast, the operating profits and cash flows of the reporting unit were lower than expected in the fourth quarter of 2012 and first three quarters of 2013, reflecting reduced sales volumes, price concessions causing lower gross margins, and lower utilization of plant capacity. The goodwill associated with the reporting unit was fully deductible for tax purposes.

Strategic Divestitures

Purity Life Natural Health Products

On June 5, 2012, we completed the sale of Purity Life Natural Health Products ("Purity"), our Canadian natural health products distribution business, for consideration of \$13,443 (Cdn \$14,000) in cash at closing, plus up to approximately \$672 (Cdn \$700) if Purity achieved certain earnings targets during the one-year period following the closing date. The earnings targets were not met and, therefore, no contingent consideration was recognized. The divestiture of Purity completed our exit from all non-core distribution businesses. Purity was formerly part of the International Foods Group.

Colorado Sun Oil Processing LLC

In August 2011, we disposed of our interest in the Colorado Sun Oil Processing LLC ("CSOP") joint venture to Colorado Mills, LLC ("Colorado Mills") pursuant to the outcome of related bankruptcy proceedings. CSOP operated a vegetable oil refinery adjacent to Colorado Mills' sunflower crush plant. CSOP was formerly part of the Grains and Foods Group.

On June 18, 2013, we reached an agreement with Colorado Mills to settle a separate arbitration proceeding related to the joint venture agreement (see note 13 to the interim consolidated financial statements). In connection with the settlement, we paid Colorado Mills \$5,884, consisting of cash and equipment in use at the CSOP refinery. An accrual for the settlement, including accrued interest costs, was included in accounts payable and accrued liabilities on the consolidated balance sheet as at December 29, 2012. The expenses of CSOP included in discontinued operations for the three quarters ended September 28, 2013 and for the quarter and three quarters ended September 29, 2012, related to legal fees and period interest costs incurred by the Company in connection with the arbitration proceeding.

Consolidated Results of Operations for the quarters ended September 28, 2013 and September 29, 2012

For the quarter ended	September 28, 2013 \$	September 29, 2012 \$	Change \$	Change %
Revenue				
SunOpta Foods	267,796	246,359	21,437	8.7%
Opta Minerals	34,927	32,980	1,947	5.9%
Total Revenue	302,723	279,339	23,384	8.4%
Gross Profit				
SunOpta Foods	25,758	26,205	(447)	-1.7%
Opta Minerals	5,725	6,976	(1,251)	-17.9%
Total Gross Profit	31,483	33,181	(1,698)	-5.1%
Segment Operating Income (Loss)⁽¹⁾				
SunOpta Foods	10,430	10,835	(405)	-3.7%
Opta Minerals	1,704	3,280	(1,576)	-48.0%
Corporate Services	(2,298)	(1,424)	(874)	-61.4%
Total Segment Operating Income	9,836	12,691	(2,855)	-22.5%
Other expense, net	787	264	523	198.1%
Goodwill impairment	3,552	-	3,552	n/m
Earnings from continuing operations				
before the following	5,497	12,427	(6,930)	-55.8%
Interest expense, net	1,957	2,339	(382)	-16.3%
Provision for income taxes	1,343	3,947	(2,604)	-66.0%
Earnings from continuing operations	2,197	6,141	(3,944)	-64.2%
Earnings (loss) attributable to non-controlling interests	(716)	449	(1,165)	-259.5%
Earnings from discontinued operations, net of taxes	-	112	(112)	-100.0%
Earnings attributable to SunOpta Inc.⁽²⁾	2,913	5,804	(2,891)	-49.8%

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- (1) When assessing the financial performance of our operating segments, we use an internal measure of operating income that excludes other income/expense items and goodwill impairment losses determined in accordance with U.S. generally accepted accounting principles (GAAP). This measure is the basis on which management, including the Chief Executive Officer, assesses the underlying performance of our operating segments. We believe that disclosing this non-GAAP measure assists investors in comparing financial performance across reporting periods on a consistent basis by excluding items that are not indicative of our core operating performance. However, the non-GAAP measure of operating income should not be considered in isolation or as a substitute for performance measures calculated in accordance with U.S. GAAP. The following table presents a reconciliation of segment operating income (loss) to earnings (loss) from continuing operations before the following , which we consider to be the most directly comparable U.S. GAAP financial measure.

	Grains and Foods Group	Ingredients Group	Consumer Products Group	International Foods Group	SunOpta Foods	Opta Minerals	Corporate Services	Consol- idated
For the quarter ended September 28, 2013	\$	\$	\$	\$	\$	\$	\$	\$
Segment operating income (loss)	7,227	1,649	628	926	10,430	1,704	(2,298)	9,836
Other income (expense), net	(163)	(192)	(10)	(14)	(379)	(409)	1	(787)
Goodwill impairment	-	-	-	-	-	(3,552)	-	(3,552)
Earnings (loss) from continuing operations before the following	7,064	1,457	618	912	10,051	(2,257)	(2,297)	5,497
September 29, 2012								
Segment operating income (loss)	8,780	878	(544)	1,721	10,835	3,280	(1,424)	12,691
Other income (expense), net	6	-	(46)	-	(40)	(208)	(16)	(264)
Earnings (loss) from continuing operations before the following	8,786	878	(590)	1,721	10,795	3,072	(1,440)	12,427

We believe that investors' understanding of our financial performance is enhanced by disclosing the specific items that we exclude from segment operating income. However, any measure of operating income excluding any or all of these items is not, and should not be viewed as, a substitute for operating income prepared under U.S. GAAP. These items are presented solely to allow investors to more fully understand how we assess financial performance.

- (2) When assessing our financial performance, we use an internal measure that excludes other income/expense items and impairment losses from earnings (loss) attributable to SunOpta Inc. determined in accordance with

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U.S. GAAP. We believe that the identification of these items enhances an analysis of our financial performance when comparing our operating results between periods, as we do not consider these items to be reflective of normal business operations. The following table presents a reconciliation of adjusted earnings from continuing operations from earnings attributable to SunOpta Inc., which we consider to be the most directly comparable U.S. GAAP financial measure.

	\$	Per Diluted Share \$
Earnings attributable to SunOpta Inc.	2,913	0.04
Adjusted for:		
Goodwill impairment (net of taxes of \$1,252 and non-controlling interest of \$780)	1,520	0.02
Other expense, net (net of taxes of \$272 and non-controlling interest of \$109)	406	0.01
Adjusted earnings from continuing operations	4,839	0.07

We believe that investors' understanding of our financial performance is enhanced by disclosing the specific items that we exclude from earnings (loss) attributable to SunOpta Inc. to compute adjusted earnings from continuing operations. However, adjusted earnings from continuing operations is not, and should not be viewed as, a substitute for earnings prepared under U.S. GAAP. Adjusted earnings from continuing operations is presented solely to allow investors to more fully understand how we assess our financial performance.

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Total revenues for the quarter ended September 28, 2013 increased by 8.4% to \$302,723 from \$279,339 for the quarter ended September 29, 2012. Revenues in SunOpta Foods increased by 8.7% to \$267,796 and revenues in Opta Minerals increased by 5.9% to \$34,927. Excluding the impact of changes including foreign exchange rates, commodity-related pricing, acquisitions and rationalized product lines, revenues increased approximately 8.0% on a consolidated basis and approximately 10.4% within SunOpta Foods. Contributing to the increase in revenues within SunOpta Foods were higher sales volumes of value-added aseptically packaged beverage and re-sealable pouch products; strong sales of organic ingredients in Europe and the U.S.; and higher volumes and improved pricing for fruit ingredients. These factors were partially offset by declines in volumes and pricing for roasted sunflower and related by-product sales; and lower volumes and pricing for fiber ingredients. At Opta Minerals, the increase in revenues reflected incremental revenues from WGI (acquired August 2012), partially offset by lower sales of steel and magnesium products due to cyclical slowdowns in the steel and infrastructure sectors.

Gross profit decreased \$1,698, or 5.1%, to \$31,483 for the quarter ended September 28, 2013, compared with \$33,181 for the quarter ended September 29, 2012. As a percentage of revenues, gross profit for the quarter ended September 28, 2013 was 10.4% compared to 11.9% for the quarter ended September 29, 2012, a decrease of 1.5%. The decrease in gross profit percentage primarily reflected reduced sunflower roasting volumes and pricing, as well as lower processing efficiencies and yields; start-up costs related to our cocoa processing facility in the Netherlands as well as commodity hedging losses related to cocoa futures; lower production volumes and higher input costs for fiber ingredients; expansion and retrofit costs at our integrated juice production facility in San Bernardino, California; and declining market prices for organic feed. All of these factors were partially offset by the strong growth in higher margin consumer packaged aseptic beverage and re-sealable pouch products; and higher pricing and production volumes for fruit ingredients. The decline in gross profit percentage at Opta Minerals reflected an unfavorable product mix due to lower sales volumes of higher margin steel and magnesium products.

Total segment operating income for the quarter ended September 28, 2013 decreased by \$2,855, or 22.5%, to \$9,836, compared with \$12,691 for the quarter ended September 29, 2012. As a percentage of revenue, segment operating income was 3.2% for the quarter ended September 28, 2013, compared with 4.5% for the quarter ended September 29, 2012. The decrease in segment operating income reflected lower overall gross profit as described above, as well as a \$1,283 increase in selling, general and administrative (“SG&A”) expenses, primarily related to higher compensation and other costs related to increased headcount within the International Foods Group and the acquisition of WGI by Opta Minerals. These factors were partially offset by the favorable impact of foreign exchange movements for the U.S. dollar relative to the euro and Canadian dollar.

Further details on revenue, gross margin and segment operating income variances are provided below under “Segmented Operations Information”.

Other expense for the quarter ended September 28, 2013 of \$787 included severance and other costs incurred by Opta Minerals in connection with rationalization and integration efforts at WGI; employee severance and other costs in connection with the closure of the Chelmsford, Massachusetts administrative offices of the Ingredients Group and the idling of the Fargo, North Dakota grains processing facility of the Grains and Foods Group; and an impairment charge of \$310 to write down certain intangible assets of Opta Minerals. Other expense for the quarter ended September 29, 2012 of \$264 included transaction costs incurred by Opta Minerals related to the acquisitions of WGI and Babco.

In the third quarter of 2013, Opta Minerals recognized a goodwill impairment loss of \$3,552 (as described above under “Goodwill Impairment”).

The decrease in interest expense of \$382 to \$1,957 for the quarter ended September 28, 2013, compared with \$2,339 for the quarter ended September 29, 2012, reflected lower borrowing costs associated with the renewal of our syndicated credit facilities in July 2012, partially offset by higher borrowings at SunOpta Foods to fund working capital.

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The provision for income tax for the quarter ended September 28, 2013 was \$1,343, or 38.0% of earnings before taxes, compared with \$3,947, or 39.1% of earnings before taxes, for the quarter ended September 29, 2012. Our annual effective income tax rate for fiscal 2013 is expected to be between 37% and 39%, excluding discrete adjustments.

Loss attributable to non-controlling interests for the quarter ended September 28, 2013 was \$716, compared with earnings of \$449 for the quarter ended September 29, 2012. The \$1,165 decrease reflected lower net earnings at Opta Minerals, including the impact of the goodwill impairment loss, net of taxes.

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Earnings from continuing operations attributable to SunOpta Inc. for the quarter ended September 28, 2013 were \$2,913, as compared to earnings of \$5,692 for the quarter ended September 29, 2012. Diluted earnings per share from continuing operations attributable to SunOpta Inc. were \$0.04 for the quarter ended September 28, 2013, compared with diluted earnings per share of \$0.09 for the quarter ended September 29, 2012.

Earnings from discontinued operations of \$112 for the quarter ended September 29, 2012 reflected proceeds received on the settlement of the CSOP bankruptcy proceedings, partially offset by legal fees and interest costs related to the CSOP arbitration.

On a consolidated basis, earnings attributable to SunOpta Inc. were \$2,913 (diluted loss per share of \$0.04) for the quarter ended September 28, 2013, compared with earnings of \$5,804 (diluted earnings per share of \$0.09) for the quarter ended September 29, 2012.

Adjusting for the goodwill impairment loss and other expense, net, adjusted earnings from continuing operations for the quarter ended September 28, 2013 were \$4,839 or \$0.07 per diluted share.

Segmented Operations Information

SunOpta Foods

For the quarter ended	September 28, 2013	September 29, 2012	Change	% Change
Revenues	\$ 267,796	\$ 246,359	\$ 21,437	8.7%
Gross margin	25,758	26,205	(447)	-1.7%
Gross margin %	9.6%	10.6%		-1.0%
Operating income	\$ 10,430	\$ 10,835	\$ (405)	-3.7%
Operating income %	3.9%	4.4%		-0.5%

SunOpta Foods contributed \$267,796 or 88.5% of consolidated revenue for the quarter ended September 28, 2013 compared to \$246,359 or 88.2% of consolidated revenues for the quarter ended September 29, 2012, an increase of \$21,437. Revenues in SunOpta Foods increased 8.7% compared to the quarter ended September 29, 2012. Excluding the impact of changes including foreign exchange rates, commodity-related pricing and acquisitions and rationalized product lines, revenues increased approximately 10.4% in SunOpta Foods. The table below explains the increase in revenue by group for SunOpta Foods:

SunOpta Foods Revenue Changes	
Revenues for the quarter ended September 29, 2012	\$246,359
Increase in the Grains and Foods Group	3,134
Increase in the Ingredients Group	3,689
Increase in the Consumer Products Group	7,682
Increase in the International Foods Group	6,932
Revenues for the quarter ended September 28, 2013	\$267,796

Gross margin in SunOpta Foods decreased by \$447 for the quarter ended September 28, 2013 to \$25,758, or 9.6% of revenues, compared to \$26,205, or 10.6% of revenues for the quarter ended September 29, 2012. The table below explains the increase in gross margin by group for SunOpta Foods:

SunOpta Foods Gross Margin Changes	
Gross Margin for the quarter ended September 29, 2012	\$26,205
Decrease in the Grains and Foods Group	(1,865)
Increase in the Ingredients Group	513
Increase in the Consumer Products Group	1,386
Decrease in the International Foods Group	(481)
Gross Margin for the quarter ended September 28, 2013	\$25,758

Operating income in SunOpta Foods decreased by \$405 for the quarter ended September 28, 2013 to \$10,430 or 3.9% of revenues, compared to \$10,835 or 4.4% of revenues for the quarter ended September 29, 2012. The table below explains the increase in operating income for SunOpta Foods:

SunOpta Foods Operating Income Changes	
Operating Income for the quarter ended September 29, 2012	\$10,835
Decrease in gross margin, as noted above	(447)
Increase in corporate cost allocations	(268)
Decrease in SG&A costs	247
Decrease in foreign exchange loss	63
Operating Income for the quarter ended September 28, 2013	\$10,430

Further details on revenue, gross margin and operating income variances within SunOpta Foods are provided in the segmented operations information that follows.

Grains and Foods Group

For the quarter ended	September 28, 2013	September 29, 2012	Change	% Change
Revenues	\$ 143,051	\$ 139,917	\$ 3,134	2.2%
Gross margin	12,815	14,680	(1,865)	-12.7%
Gross margin %	9.0%	10.5%		-1.5%
Operating income	\$ 7,227	\$ 8,780	\$ (1,553)	-17.7%
Operating income %	5.1%	6.3%		-1.2%

The Grains and Foods Group contributed \$143,051 in revenues for the quarter ended September 28, 2013, compared to \$139,917 for the quarter ended September 29, 2012, a \$3,134 or 2.2% increase. The table below explains the increase in revenue:

Grains and Foods Group Revenue Changes	
Revenues for the quarter ended September 29, 2012	\$139,917
Increased volume and higher pricing on aseptically packaged beverages	8,180
Improved pricing for commodity corn and soy, partially offset by lower pricing for organic feed	681
Higher volumes of grain based ingredient products	544
Higher agronomy sales due to the delayed planting season in 2013	267
Lower roasted sunflower volumes and sales of sunflower by-products	(5,037)
Lower volumes of commodity corn, partially offset by higher volumes of organic feed	(1,501)
Revenues for the quarter ended September 28, 2013	\$143,051

Gross margin in the Grains and Foods Group decreased by \$1,865 to \$12,815 for the quarter ended September 28, 2013 compared to \$14,680 for the quarter ended September 29, 2012, and the gross margin percentage decreased by 1.5% to 9.0%. The decrease in gross margin as a percentage of revenue was primarily due to lower sunflower processing yields and decreased by-product values, due in part to smaller and lighter weight seeds, smaller margin spread in organic feed and lower plant efficiency in aseptic beverages partly due to the commissioning of three new filling lines. The table below explains the decrease in gross margin:

Grains and Foods Group Gross Margin Changes	
Gross Margin for the quarter ended September 29, 2012	\$14,680
Lower sunflower processing yields and reduced by-product recovery values due mainly to smaller and lighter weight seeds	(1,575)
Lower margins on organic feed due to reduced pricing, partially offset by higher volumes of planting seeds and agronomy	(858)
Higher volume and improved pricing on aseptically packaged beverages, partially offset by increased plant costs due in part to the commissioning of three new filling lines	568
Gross Margin for the quarter ended September 28, 2013	\$12,815

Operating income in the Grains and Foods Group decreased by \$1,553 or 17.7% to \$7,227 for the quarter ended September 28, 2013, compared to \$8,780 for the quarter ended September 29, 2012. The table below explains the decrease in operating income:

Grains and Foods Group Operating Income Changes	
Operating Income for the quarter ended September 29, 2012	\$8,780
Decrease in gross margin, as explained above	(1,865)
Increase in corporate cost allocations	(276)
Lower SG&A expenses primarily due to reduced compensation costs	588
Operating Income for the quarter ended September 28, 2013	\$7,227

Ingredients Group

For the quarter ended	September 28, 2013	September 29, 2012	Change	% Change
Revenues	\$ 23,962	\$ 20,273	\$ 3,689	18.2%
Gross margin	3,736	3,223	513	15.9%
Gross margin %	15.6%	15.9%		-0.3%
Operating income	\$ 1,649	\$ 878	\$ 771	87.8%
Operating income %	6.9%	4.3%		2.6%

The Ingredients Group contributed \$23,962 in revenues for the quarter ended September 28, 2013, compared to \$20,273 for the quarter ended September 29, 2012, a \$3,689 or 18.2% increase. The table below explains the increase in revenue:

Ingredients Group Revenue Changes		
Revenues for the quarter ended September 29, 2012		\$20,273
Higher volumes and improved pricing for industrial and food service fruit ingredients		4,416
Decrease in volume and pricing for fiber ingredients, as well as starches and bran products		(727)
Revenues for the quarter ended September 28, 2013		\$23,962

Gross margin in the Ingredients Group increased by \$513 to \$3,736 for the quarter ended September 28, 2013 compared to \$3,223 for the quarter ended September 29, 2012, and the gross margin percentage decreased by 0.3% to 15.6%. The decrease in gross margin as a percentage of revenue is due to pricing pressures, higher production costs and higher input costs in fiber ingredients, partially offset by favorable pricing and improved plant efficiencies in fruit ingredients due in part to higher production levels. The table below explains the increase in gross margin:

Ingredients Group Gross Margin Changes		
Gross Margin for the quarter ended September 29, 2012		\$3,223
Higher contribution from improved pricing and production volumes of fruit ingredient products		1,536
Lower volume and pricing of fiber ingredients combined with reduced efficiencies resulting from lower production volume and higher input costs		(1,023)
Gross Margin for the quarter ended September 28, 2013		\$3,736

Operating income in the Ingredients Group increased by \$771, or 87.8%, to \$1,649 for the quarter ended September 28, 2013, compared to \$878 for the quarter ended September 29, 2012. The table below explains the increase in operating income:

Ingredients Group Operating Income Changes		
Operating Income for the quarter ended September 29, 2012		\$878
Increase in gross margin, as explained above		513
Lower compensation expenses and reduced general office expenses due mainly to the closure and consolidation of an office and functions		258
Operating Income for the quarter ended September 28, 2013		\$1,649

Consumer Products Group

For the quarter ended	September 28, 2013	September 29, 2012	Change	% Change
Revenues	\$ 49,318	\$ 41,636	\$ 7,682	18.5%
Gross margin	4,184	2,798	1,386	49.5%
Gross margin %	8.5%	6.7%		1.8%
Operating income (loss)	\$ 628	\$ (544)	\$ 1,172	215.4%
Operating income %	1.3%	-1.3%		2.6%

The Consumer Products Group contributed \$49,318 in revenues for the quarter ended September 28, 2013, compared to \$41,636 for the quarter ended September 29, 2012, a \$7,682 or 18.5% increase. The table below explains the increase in revenue:

Consumer Products Group Revenue Changes	
Revenues for the quarter ended September 29, 2012	\$41,636
Increased sales of re-sealable pouch products	6,591
Increased sales of nutritional bars and fruit snacks due to new customers and product offerings	2,958
Higher private label retail frozen foods volume	1,505
Lower private label retail beverage volume	(1,868)
Decrease in brokerage sales as certain revenues were reported on a gross basis rather than net in the same period in the prior year	(1,504)
Revenues for the quarter ended September 28, 2013	\$49,318

Gross margin in the Consumer Products Group increased by \$1,386 to \$4,184 for the quarter ended September 28, 2013 compared to \$2,798 for the quarter ended September 29, 2012, and the gross margin percentage increased by 1.8% to 8.5%. The increase in gross margin as a percentage of revenue is due to a favorable shift in product mix towards higher margin retail frozen food, beverage and pouch offerings, partially offset by expansion, start-up and higher production costs in our premium juice, pouch and healthy snacks facilities. The table below explains the increase in gross margin:

Consumer Products Group Gross Margin Changes	
Gross Margin for the quarter ended September 29, 2012	\$2,798
Higher sales volumes, favorable absorption of plant overhead costs, and improved sales mix at our healthy snacks facilities	1,331
Increased margin on re-sealable pouch sales, net of start-up costs at our Allentown facility	1,021
Lower sales volumes in our consumer packaged beverage categories combined with costs associated with our integrated juice production expansion	(966)
Gross Margin for the quarter ended September 28, 2013	\$4,184

Operating income in the Consumer Products Group increased by \$1,172, or 215.4%, to \$628 for the quarter ended September 28, 2013, compared to a loss of \$544 for the quarter ended September 29, 2012. The table below explains the increase in operating income:

Consumer Products Group Operating Income Changes	
Operating loss for the quarter ended September 29, 2012	\$(544)
Increase in gross margin, as explained above	1,386
Higher marketing and travel costs, partially offset by lower general administrative costs	(214)
Operating Income for the quarter ended September 28, 2013	\$628

International Foods Group

For the quarter ended	September 28, 2013	September 29, 2012	Change	% Change
Revenues	\$ 51,465	\$ 44,533	\$ 6,932	15.6%
Gross margin	5,023	5,504	(481)	-8.7%
Gross margin %	9.8%	12.4%		-2.6%
Operating income	\$ 926	\$ 1,721	\$ (795)	-46.2%
Operating income %	1.8%	3.9%		-2.1%

The International Foods Group contributed \$51,465 in revenues for the quarter ended September 28, 2013, compared to \$44,533 for the quarter ended September 29, 2012, a \$6,932 or 15.6% increase. The table below explains the increase in revenue:

International Foods Group Revenue Changes	
Revenues for the quarter ended September 29, 2012	\$44,533
Higher sales volumes of organic feed, nuts and sunflower kernels in Europe, partially offset by lower coffee volumes	2,705
Higher sales volumes in the U.S. of organic fruits, nuts, sweeteners, and seeds	2,403
Favorable impact on revenues due to the stronger euro relative to the U.S. dollar	1,328
Increased commodity prices for organic commodities such as sweeteners, nuts and grains, partially offset by lower coffee prices	496
Revenues for the quarter ended September 28, 2013	\$51,465

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Gross margins in the International Foods Group decreased by \$481 to \$5,023 for the quarter ended September 28, 2013 compared to \$5,504 for the quarter ended September 29, 2012, and the gross margin percentage decreased by 2.6% to 9.8% . The decrease in margin rate was due mainly to costs related to the start-up of our new cocoa processing facility, including mark-to-market losses recorded on commodity cocoa future contracts. The table below explains the decrease in gross margin:

International Foods Group Gross Margin Changes	
Gross Margin for the quarter ended September 29, 2012	\$5,504
Lower margins due to start-up costs related to our cocoa processing facility and losses recorded on commodity futures contracts for cocoa	(1,243)
Increased volume and favorable product mix in the U.S. for organic fruit, nuts and seeds	762
Gross Margin for the quarter ended September 28, 2013	\$5,023

Operating income in the International Foods Group decreased by \$795, or 46.2%, to \$926 for the quarter ended September 28, 2013, compared to \$1,721 for the quarter ended September 29, 2012. The table below explains the decrease in operating income:

International Foods Group Operating Income Changes	
Operating Income for the quarter ended September 29, 2012	\$1,721
Decrease in gross margin, as explained above	(481)
Higher compensation costs due primarily to increased headcount and short term incentives, partially offset by lower pension related expenses	(347)
Decrease in other SG&A expenses	33
Operating Income for the quarter ended September 28, 2013	\$926

Opta Minerals

For the quarter ended	September 28, 2013	September 29, 2012	Change	% Change
Revenues	\$ 34,927	\$ 32,980	\$ 1,947	5.9%
Gross margin	5,725	6,976	(1,251)	-17.9%
Gross margin %	16.4%	21.2%		-4.8%
Operating income	\$ 1,704	\$ 3,280	\$ (1,576)	-48.0%
Operating income %	4.9%	9.9%		-5.0%

Opta Minerals contributed \$34,927 in revenues for the quarter ended September 28, 2013, compared to \$32,980 for the quarter ended September 29, 2012, a \$1,947 or a 5.9% increase. The table below explains the increase in revenue:

Opta Minerals Revenue Changes	
Revenues for the quarter ended September 29, 2012	\$32,980
Incremental revenues due to the acquisition of WGI in August 2012	5,282
Decreased volumes of steel and magnesium products due to a slowdown in the steel industry	(2,409)

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Decreased volumes of abrasive and industrial mineral products due to a slowdown in the North American construction and infrastructure sectors	(926)
Revenues for the quarter ended September 28, 2013	\$34,927

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Gross margin for Opta Minerals decreased by \$1,251 to \$5,725 for the quarter ended September 28, 2013 compared to \$6,976 for the quarter ended September 29, 2012, and the gross margin percentage decreased by 4.8% to 16.4%. The decrease in gross margin as a percentage of revenue was driven by reduced pricing and a change in product mix. The acquisition of WGI has increased the relative percentage of abrasive product revenues, which have lower margins than steel and magnesium products. The table below explains the decrease in gross margin:

Opta Minerals Gross Margin Changes	
Gross Margin for the quarter ended September 29, 2012	\$6,976
Lower volumes of steel and magnesium products, combined with lower margins due to changes in product and customer mix	(1,013)
Lower volumes, higher plant costs and unfavorable pricing of abrasive and industrial mineral products	(534)
Incremental gross margin due to the acquisition of WGI	296
Gross Margin for the quarter ended September 28, 2013	\$5,725

Operating income for Opta Minerals decreased by \$1,576, or 48.0%, to \$1,704 for the quarter ended September 28, 2013, compared to \$3,280 for the quarter ended September 29, 2012. The table below explains the decrease in operating income:

Opta Minerals Operating Income Changes	
Operating Income for the quarter ended September 29, 2012	\$3,280
Decrease in gross margin, as explained above	(1,251)
Incremental SG&A related to WGI	(370)
Higher general office costs and other SG&A expenses	(124)
Increase in foreign exchange gains	169
Operating Income for the quarter ended September 28, 2013	\$1,704

Corporate Services

For the quarter ended	September 28, 2013	September 29, 2012	Change	% Change
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Operating loss	\$ (2,298)	\$ (1,424)	\$ (874)	-61.4%
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Operating loss at Corporate Services increased by \$874 to \$2,298 for the quarter ended September 28, 2013, from a loss of \$1,424 for the quarter ended September 29, 2012. The table below explains the increase in operating loss:

Corporate Services Operating Income Changes		
Operating Loss for the quarter ended September 29, 2012		\$(1,424)
Higher compensation costs, general office spending on investor relations, travel and lease costs		(640)
Increase in professional fees, consulting costs and higher spending on information technology system support		(346)
Decrease in foreign exchange gains		(156)
Increase in corporate management fees that are allocated to SunOpta operating groups		268
Operating Loss for the quarter ended September 28, 2013		\$(2,298)

Management fees mainly consist of salaries of corporate personnel who perform back office functions for divisions, as well as costs related to the enterprise resource management system used within several of the divisions. These expenses are allocated to the groups based on (1) specific identification of allocable costs that represent a service provided to each division and (2) a proportionate distribution of costs based on a weighting of factors such as revenue contribution and number of people employed within each division.

Consolidated Results of Operations for the three quarters ended September 28, 2013 and September 29, 2012

For the three quarters ended	September 28, 2013 \$	September 29, 2012 \$	Change \$	Change %
Revenues				
SunOpta Foods	788,104	728,449	59,655	8.2%
Opta Minerals	108,614	92,526	16,088	17.4%
Total revenues	896,718	820,975	75,743	9.2%
Gross profit				
SunOpta Foods	84,186	84,681	(495)	-0.6%
Opta Minerals	18,530	20,074	(1,544)	-7.7%
Total gross profit	102,716	104,755	(2,039)	-1.9%
Segment operating income (loss)⁽¹⁾				
SunOpta Foods	34,338	36,423	(2,085)	-5.7%
Opta Minerals	5,070	8,178	(3,108)	-38.0%
Corporate Services	(5,596)	(4,781)	(815)	-17.0%
Total segment operating income	33,812	39,820	(6,008)	-15.1%
Other expense (income), net	1,799	2,006	(207)	-10.3%
Goodwill impairment	3,552	-	3,552	n/m
Earnings from continuing operations				
before the following	28,461	37,814	(9,353)	-24.7%
Interest expense, net	5,885	7,480	(1,595)	-21.3%
Impairment loss on investment	21,495	-	21,495	n/m
Provision for income taxes	8,576	10,302	(1,726)	-16.8%
Earnings (loss) from continuing operations	(7,495)	20,032	(27,527)	-137.4%
Earnings (loss) attributable to non-controlling interests	(612)	1,384	(1,996)	-144.2%
Earnings (loss) from discontinued operations, net of taxes	(360)	517	(877)	-169.6%
Gain on sale of discontinued operations, net of taxes	-	676	(676)	-100.0%
Earnings (loss) attributable to SunOpta Inc.⁽²⁾	(7,243)	19,841	(27,084)	-136.5%

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- (1) The following table presents a reconciliation of segment operating income (loss) to earnings (loss) from continuing operations before the following , which we consider to be the most directly comparable U.S. GAAP financial measure (refer to note (1) to the Consolidated Results of Operations for the quarters ended September 28, 2013 and September 29, 2012 table regarding the use of non-GAAP measures).

	Grains and Foods Group	Ingredients Group	Consumer Products Group	International Foods Group	SunOpta Foods	Opta Minerals	Corporate Services	Consol- idated
For the three quarters ended September 28, 2013	\$	\$	\$	\$	\$	\$	\$	\$
Segment operating income (loss)	24,251	3,601	2,508	3,978	34,338	5,070	(5,596)	33,812
Other income (expense), net	(138)	(472)	121	(78)	(567)	(1,171)	(61)	(1,799)
Goodwill impairment	-	-	-	-	-	(3,552)	-	(3,552)
Earnings (loss) from continuing operations before the following	24,113	3,129	2,629	3,900	33,771	347	(5,657)	28,461
September 29, 2012								
Segment operating income (loss)	27,662	2,946	(549)	6,364	36,423	8,178	(4,781)	39,820
Other income (expense), net	28	(224)	(159)	-	(355)	(647)	(1,004)	(2,006)
Earnings (loss) from continuing operations before the following	27,690	2,722	(708)	6,364	36,068	7,531	(5,785)	37,814

- (2) The following table presents a reconciliation of adjusted earnings from continuing operations from loss attributable to SunOpta Inc., which we consider to be the most directly comparable U.S. GAAP financial measure (refer to note (1) to the Consolidated Results of Operations for the quarters ended September 28, 2013 and September 29, 2012 table regarding the use of non-GAAP measures).

	Per Diluted Share
	\$
Loss attributable to SunOpta Inc.	(0.11)
Loss from discontinued operations, net of income taxes	(0.01)
Loss from continuing operations attributable to SunOpta Inc.	(0.10)
Adjusted for:	
Impairment loss on investment (net of taxes of \$nil)	0.32

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Goodwill impairment (net of taxes of \$1,252 and non-controlling interest of \$780)	1,520	0.02
Other expense, net (net of taxes of \$557 and non-controlling interest of \$292)	950	0.01
Adjusted earnings from continuing operations	17,082	0.25

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Total revenues for the three quarters ended September 28, 2013 increased by 9.2% to \$896,718 from \$820,975 for the three quarters ended September 29, 2012. Revenues in SunOpta Foods increased by 8.2% to \$788,104 and revenues in Opta Minerals increased by 17.4% to \$108,614. Excluding the impact of changes including foreign exchange rates, commodity-related pricing, acquisitions and rationalized product lines, revenues increased approximately 6.5% on a consolidated basis and approximately 8.2% within SunOpta Foods. Contributing to the increase in revenues within SunOpta Foods was strong demand and pricing for organic feed in the first half of 2013; higher sales volumes of value-added aseptically packaged beverage and re-sealable pouch products; strong sales of organic ingredients in the U.S. and Europe; and higher volumes and improved pricing for fruit ingredients and retail frozen foods. These factors were partially offset by declines in volumes and pricing for roasted sunflower and related by-product sales; and lower volumes and pricing for fiber ingredients. At Opta Minerals, the increase in revenues reflected incremental revenues from WGI (acquired August 2012), partially offset by lower base sales of steel and magnesium products due to cyclical slowdowns in the steel and infrastructure sectors.

Gross profit decreased \$2,039, or 1.9%, to \$102,716 for the three quarters ended September 28, 2013, compared with \$104,755 for the three quarters ended September 29, 2012. As a percentage of revenues, gross profit for the three quarters ended September 28, 2013 was 11.5% compared to 12.8% for the three quarters ended September 29, 2012, a decrease of 1.3%. The decrease in gross profit percentage primarily reflected reduced sunflower roasting volumes and pricing, as well as lower processing efficiencies and yields; start-up costs related to our cocoa processing facility in the Netherlands as well as commodity hedging losses related to cocoa futures; lower production volumes and higher input costs for fiber ingredients; and expansion and retrofit costs at our integrated juice production facility in San Bernardino, California;. All of these factors were partially offset by the strong growth in higher margin consumer packaged aseptic beverage and re-sealable pouch products; higher pricing and production volumes for fruit ingredients and retail frozen foods; and favorable margins on organic feed sales in the first half of 2013. The decline in gross profit percentage at Opta Minerals reflected an unfavorable product mix due to lower sales volumes of higher margin steel and magnesium products.

Total segment operating income for the three quarters ended September 28, 2013 decreased by \$6,008, or 15.1%, to \$33,812, compared with \$39,820 for the three quarters ended September 29, 2012. As a percentage of revenue, segment operating income was 3.8% for the three quarters ended September 28, 2013, compared with 4.9% for the three quarters ended September 29, 2012. The decrease in segment operating income reflected lower overall gross profit as described above, as well as a \$4,517 increase in SG&A expenses, primarily related to higher compensation and other costs related to increased headcount within the International Foods Group and the acquisition of WGI by Opta Minerals. These factors were partially offset by the favorable impact of foreign exchange movements for the U.S. dollar relative to the euro and Canadian dollar.

Further details on revenue, gross margin and segment operating income variances are provided below under “Segmented Operations Information”.

Other expense for the three quarters ended September 28, 2013 of \$1,799 included severance and other costs incurred by Opta Minerals in connection with rationalization and integration efforts at WGI; employee severance and other costs in connection with the closure of the Chelmsford, Massachusetts administrative offices of the Ingredients Group and the idling of the Fargo, North Dakota grains processing facility of the Grains and Foods Group; an impairment charge of \$310 to write down certain intangible assets of Opta Minerals; and transaction costs in connection with the acquisition of OLC. Other expense for the three quarters ended September 29, 2012 included accrued severance payable to a former executive officer and employee severance and other costs in connection with the rationalization of a number of operations and functions within SunOpta Foods in an effort to streamline operations, which included a reduction in our salaried workforce of approximately 6%, as well as transaction costs incurred by Opta Minerals related to the acquisitions of WGI and Babco.

In the third quarter of 2013, Opta Minerals recognized a goodwill impairment loss of \$3,552 (as described above under “Goodwill Impairment”).

The decrease in interest expense of \$1,595 to \$5,885 for the three quarters ended September 28, 2013, compared with \$7,480 for the three quarters ended September 29, 2012, reflected lower borrowing costs associated with the renewal of our syndicated credit facilities in July 2012, partially offset by higher borrowings at SunOpta Foods to fund working capital and at Opta Minerals in connection with the WGI acquisition.

In the second quarter of 2013, we recognized an impairment loss of \$21,495 on our equity investment in Mascoma (as described above under “Impairment Loss on Investment”).

The provision for income tax for the three quarters ended September 28, 2013 was \$8,576, or 38.0% of earnings before taxes (excluding the impairment loss on investment, for which the related deferred income tax asset is considered more likely than

not to be unrealized), compared with \$10,302, or 34.0% of earnings before taxes, for the three quarters ended September 29, 2012, which reflected the recognition of existing non-capital loss carryforwards at Opta Minerals following the acquisition and amalgamation of Babco in the second quarter of 2012. Our annual effective income tax rate for fiscal 2013 is expected to be between 37% and 39%, excluding discrete adjustments.

Loss attributable to non-controlling interests for the three quarters ended September 28, 2013 was \$612, compared with earnings of \$1,384 for the three quarters ended September 29, 2012. The \$1,996 decrease reflected lower net earnings at Opta Minerals, including the impact of the goodwill impairment loss, net of taxes.

Loss from continuing operations attributable to SunOpta Inc. for the three quarters ended September 28, 2013 was \$6,883 (including the impairment loss on investment), as compared to earnings of \$18,648 for the three quarters ended September 29, 2012. Diluted loss per share from continuing operations attributable to SunOpta Inc. was \$0.10 for the three quarters ended September 28, 2013, compared with diluted earnings per share of \$0.28 for the three quarters ended September 29, 2012.

Loss from discontinued operations of \$360 for the three quarters ended September 28, 2013 reflected legal fees and interest costs in connection with the arbitration proceeding related to the CSOP joint venture agreement. Earnings from discontinued operations of \$517 for the three quarters ended September 29, 2012 reflected the results of Purity, as well as proceeds received on the settlement of the CSOP bankruptcy proceedings, partially offset by legal fees and interest costs related to the CSOP arbitration proceedings. In addition, we recognized a gain on sale of discontinued operations, net of taxes, of \$676 related to the divestiture of Purity in the second quarter of 2012.

On a consolidated basis, the loss attributable to SunOpta Inc. was \$7,243 (diluted loss per share of \$0.11) for the three quarters ended September 28, 2013, compared with earnings of \$19,841 (diluted earnings per share of \$0.30) for the three quarters ended September 29, 2012.

Adjusting for the impairment loss on investment, goodwill impairment and other expense, net, adjusted earnings from continuing operations for the three quarters ended September 28, 2013 were \$17,082 or \$0.25 per diluted share.

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Segmented Operations Information**SunOpta Foods**

For the three quarters ended	September 28, 2013	September 29, 2012	Change	% Change
Revenues	\$ 788,104	\$ 728,449	\$ 59,655	8.2%
Gross margin	84,186	84,681	(495)	-0.6%
Gross margin %	10.7%	11.6%		-0.9%
Operating income	\$ 34,338	\$ 36,423	\$ (2,085)	-5.7%
Operating income %	4.4%	5.0%		-0.6%

SunOpta Foods contributed \$788,104 or 87.9% of consolidated revenue for the three quarters ended September 28, 2013, compared with \$728,449 or 88.7% of consolidated revenues for the three quarters ended September 29, 2012, an increase of \$59,655. Revenues in SunOpta Foods increased 8.2% compared to the quarter ended September 29, 2012. Excluding the impact of changes including foreign exchange rates, commodity-related pricing, acquisitions and rationalized product lines, revenues increased approximately 8.2% in SunOpta Foods. The table below explains the increase in revenue by group for SunOpta Foods:

SunOpta Foods Revenue Changes	
Revenues for the three quarters ended September 29, 2012	\$728,449
Increase in the Grains and Foods Group	21,359
Increase in the Ingredients Group	5,050
Increase in the Consumer Products Group	13,715
Increase in the International Foods Group	19,531
Revenue	