BRAMPTON BRICK Limited

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2018

BRAMPTON BRICK LIMITED THIRD QUARTER REPORT

FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2018
PREPARED AS OF NOVEMBER 7, 2018

The following management's discussion and analysis of financial condition and results of operations ("MD&A") for the three and nine month interim periods ended September 30, 2018, should be read in conjunction with the Condensed Interim Consolidated Financial Statements as at and for the three and nine months ended September 30, 2018, and with the audited 2017 annual consolidated financial statements and the 2017 annual MD&A, included in the Company's 2017 Annual Report, and may be found on SEDAR at **www.sedar.com**. All amounts are stated in thousands of Canadian dollars, except per share amounts, unless otherwise indicated.

DISCUSSION OF OPERATIONS

Three months ended September 30, 2018

The Company recorded net income of $5,359, or $0.49 per share for the third quarter ended September 30, 2018, compared to net income of $7,232, or $0.66 per share for the corresponding quarter in 2017. The aggregate weighted average number of Class A Subordinate Voting shares and Class B Multiple Voting shares outstanding for the third quarter of 2018 and 2017 were 10,966,602 and 10,973,754, respectively.

Revenues for the third quarter of 2018 were $49,832 compared to $50,194 for the same quarter of 2017 due to lower shipments in the Landscape Products business segment. The momentum in residential construction experienced in the first half of 2018 in Ontario, Canada began to taper off slightly during the third quarter of 2018. The decrease in housing starts during the third quarter of 2018 was the result of fiscal measures recently introduced to curtail the overheated housing markets in Ontario and Vancouver. As a result, slower activity in home sales affected both masonry and landscape shipments.

Cost of sales for the third quarter ended September 30, 2018 increased to $37,472 from $35,325 for the corresponding quarter in 2017. The comparative increase in the cost of sales was due to higher per unit costs of production on lower production volumes to optimize inventory levels. In addition, higher trucking expenses were incurred for product transfers to the Company's distribution sites that facilitated customer delivery. The increase in the average U.S. dollar exchange rate during the third quarter of 2018 compared to the same period of 2017 also contributed to an increase in cost of sales of the U.S. operations after currency translation. The increase in cost of sales was partially offset by lower natural gas costs during the third quarter of 2018.

Selling expenses for the third quarter of 2018 increased to $3,192 compared to $3,075 for the same quarter of 2017. Marketing costs to improve the customer experience on multiple social media platforms, as well as higher costs related to a cloud-based customer relationship application that has been implemented to enhance an interactive marketing appeal, were incurred during the period. Personnel costs were also higher during the third quarter of 2018.

General and administrative expenses for the quarter ended September 30, 2018, increased to $2,199 from $1,948 for the same period of 2017. A number of legal and other onetime expenses pertaining to the consolidation of the financial statements of Universal Resource Recovery Inc. ("Universal"), effective April 2, 2018 resulted in an increase in the general and administrative expenses during the third quarter of 2018.

Operating income for the quarter ended September 30, 2018 decreased to $7,029 from $9,649 for the same quarter in 2017, for the reasons noted above.

Finance expense for the three months ended September 30, 2018 was $144 compared to finance income of $71 for the corresponding quarter in 2017. Excluding the change in the fair value of the interest rate swap, which amounted to an unrealized gain of $141 (2017 – unrealized gain of $388), net interest expense for the current quarter decreased to $285 compared to $317 in the third quarter of 2017, due to lower outstanding debt balances. The decrease in these debt balances was the result of scheduled repayments amounting to $1,170 made during the third quarter of 2018 and $1,950 during the second half of 2017.

Provision for income taxes totaled $1,526 for the third quarter of 2018 compared to $2,488 for the same quarter of 2017. The provision for income taxes in the third quarters of 2018 and 2017, respectively, related to the pre-tax income of the Company's Canadian operations. Income taxes payable on pre-tax income of the Company's U.S. operations were offet by prior period losses. As a result, the provision for income taxes on the U.S. operations was nil. The Company had not recorded a deferred tax asset with respect to the potential deferred tax benefit pertaining to losses incurred by its U.S. operations in prior periods.

Nine months ended September 30, 2018

The Company recorded net income of $12,453, or $1.14 per share for the nine-month period ended September 30, 2018, compared to net income of $9,010, or $0.82 per share for the corresponding period in 2017. The aggregate weighted average number of Class A Subordinate Voting shares and Class B Multiple Voting shares outstanding for the periods ended September 30, 2018 and September 30, 2017 was 10,970,955 and 10,967,639, respectively.

Revenues for the nine months ended September 30, 2018 increased by 5% to $125,641 from $119,677 for the same period in 2017, due to higher shipments in both the Masonry Products and Landscape Products business segments. The increase in Masonry Products revenues was due to higher residential housing starts in the first half of 2018, which were supported by the carry over of some projects from 2017. The effect of legislative and economic measures adopted in the prior year moderated the momentum in the housing market, and negatively impacted activity during the third quarter of 2018.

The strength in landscape shipments during the first half of 2018 compared to the same period in 2017 was due to an increase in shipments under the Company's 2017–2018 dealer winter booking program, in advance of anticipated seasonal demand.

These shipments were deferred from the last quarter of 2017 due to production capacity constraints in 2017. Shipments decreased in the third quarter of 2018 as business conditions experienced in 2017 were stronger on robust home sales and could well have been influenced by the uncertainty related to economic policy.

Cost of sales for the nine months ended September 30, 2018 increased to $93,284 from $89,626 for the corresponding period in 2017. The increase in cost of sales on higher shipments was partially offset by lower repair and maintenance expenses incurred at the Brampton and Markham plants during the period ended September 30, 2018, compared to the first nine months of 2017. In addition, lower natural gas costs and efficiencies in electric power consumption during the nine-month period of 2018 favourably impacted per unit costs on higher production volumes. The increase in production volumes also supported the early commencement of the 2018-2019 landscape winter booking program in September 2018, offered to the Company's dealer network. Additionally, the favourable effect of the decrease in the average U.S. dollar exchange rate on the Company's U.S. operations during the first half of 2018 was somewhat pared in the third quarter of 2018, due to a relative increase in the average U.S. dollar exchange rate, increasing cost of sales compared to the same period of 2017.

Selling expenses for the nine months ended September 30, 2018 were $9,677 compared to $9,054 for the same period in 2017. In addition to the reasons described above, in the discussion of operations for the three months ended September 30, 2018, this increase in selling expenses was due to higher marketing costs for promotional displays of both masonry and landscape products in the Company's Eastern markets in order to expand its geographic market profile. Additionally, an increase in marketing costs for new products and the design and engineering expenses related to potential new products were incurred in the first nine months of 2018.

General and administrative expenses for the nine-month period ended September 30, 2018 decreased to $6,331 from $6,824 for the corresponding period of 2017. This decrease was mainly due to the exercise of certain cash-settled stock options in the 2017 period. Share-based compensation costs amounting to $771 to recognize the increase in the fair market value ("FMV") at the date of settlement over the FMV at grant date were expensed during the second quarter of 2017. In addition, share-based compensation costs recorded on equity-settled stock options totaled $67 for the nine months ended September 30, 2018 compared to $189 during the corresponding period in the prior year. Share-based compensation costs on equity-settled stock options are front-loaded and decrease over the term of the vesting period.

The Company's share of income from its joint venture interest in Universal amounted to $762 for the nine months ended September 30, 2018. On April 2, 2018, the Company acquired the remaining 50% interest in Universal, a 50% joint venture entity, for a purchase consideration of $6,500. This acquisition increased the Company's investment in Universal to 100%. The Company intends to utilize this facility to support the expansion of its product portfolio.

The acquisition of the remaining 50% interest in Universal is accounted for as an effective sale of the existing 50% interest in the joint venture and the acquisition of a 100% interest in Universal at fair value on the acquisition date. Based on the fair value of the underlying property in Universal, which was estimated to be $13,000 at the date of acquisition of the remaining 50% interest, the Company recognized a net gain of $762. This gain effectively represented the Company's partial recovery of the previously recorded impairment charges on its investment in the joint venture.

Other income was $79 for the nine-month period ended September 30, 2018 compared to other expense of $207 for the corresponding period of 2017. This primarily relates to the gain (loss) on translation of foreign currency transactions as a result of currency exchange fluctuations attributed to the U.S. dollar during the period.

Operating income for the nine months ended September 30, 2018 increased 24% to $17,211 from $13,924 for the same period in 2017.

Finance expense for the nine-month period ended September 30, 2018 totaled $613 compared to $507 for the corresponding period in 2017. Excluding the change in the fair value of the interest rate swap, which amounted to an unrealized gain of $252 (2017 – unrealized gain of $473), net interest expense for the first nine months of 2018 decreased to $865 compared to $980 for the corresponding period of 2017, due to lower outstanding debt balances as noted in the discussion of operations for the three months ended September 30, 2018.

The provision for income taxes totaled $4,145 for the first nine months of 2018 compared to $4,407 for the same period in 2017. The provision for income taxes for the first nine months of 2018 and 2017 related to the pre-tax income of the Company's Canadian operations. Income taxes payable on pre-tax income of the Company's U.S. operations were offset by prior period losses. As a result, the provision for income taxes on the U.S. operations was nil. The Company has not recorded a deferred tax asset with respect to the potential deferred tax benefit pertaining to losses incurred by its U.S. operations in prior periods.

The following paragraphs explain each operating business segment in more detail:

MASONRY PRODUCTS

Revenues of the Masonry Products business segment was $32,962 for the quarter ended September 30, 2018, compared to $32,911 for the corresponding quarter of 2017. During the third quarter of 2018, residential masonry revenues were impacted by a gradual deceleration in the pace of home construction in Ontario, Canada as a result of lower housing starts for both single-family detached housing and multi-family housing units. This decrease in revenues was offset by an increase in commercial construction demand for masonry products.

Cost of sales for the third quarter of 2018 increased to $24,292 compared to $23,465 for the corresponding quarter in 2017, due to higher per unit production costs on lower production volumes at the Brampton clay brick plant in order to optimize inventory levels. This increase in cost was partially offset by lower natural gas costs attributed to the Brampton clay brick facility, and lower per unit production costs at the Farmersburg, Indiana clay brick plant due to higher production volumes and cost effective improvements to the product mix. Production volumes in the masonry concrete plant network were higher in the third quarter of 2018 reducing per unit costs of production. However, these decreases in costs were offset by higher freight costs for product transfers to facilitate customer deliveries and by the impact of an increase in the value of the average U.S. dollar exchange rate on the Company's U.S. operations during the third quarter of 2018.

As a result, the operating income for the third quarter of 2018 decreased to $5,299 from $6,194 for the corresponding quarter of 2017.

For the nine months ended September 30, 2018, revenues of the Masonry Products business segment increased by 6% to $89,244 compared to $84,364 for the corresponding period in 2017. This increase in revenues was supported by strong shipments in the first half of 2018 on higher housing starts, a reduction in the backlog of residential construction carried forward from 2017, higher demand for new products and an integrated product marketing approach. Revenues during the third quarter of 2018 were impacted for the reasons noted above for the three months ended September 30, 2018.

Cost of sales for the nine months ended September 30, 2018 decreased to $64,447 compared to $64,790 for the corresponding period in 2017. The decrease in cost of sales was supported by the favourable impact of lower planned repair and maintenance costs in 2018, lower natural gas costs and improved efficiencies in electric power consumption, largely attributed to the Brampton clay brick facility. In addition, higher production volumes and cost effective improvements in the product mix at the Farmersburg, Indiana clay brick plant positively contributed to lower per unit production costs.

To optimize inventory levels, production in the Company's masonry concrete plant network was increased in the third quarter of 2018 to offset lower comparative levels in the second quarter of 2018 due to scheduled equipment maintenance. The resulting decrease in cost of sales was offset, in part, by higher freight costs for product transfers to facilitate customer deliveries. The favourable impact of the decrease in the value of the average U.S. dollar exchange rate relating to U.S. operations, during the first six months of 2018, reduced in the third quarter of 2018 due to the relative increase in the average U.S. dollar exchange rate, increasing costs of sales in that period.

The decrease in general and administrative expenses noted above under the discussion for the nine months ended September 30, 2018 also positively impacted operating costs of the Masonry Products business segment.

As a result, the operating income for the nine months ended September 30, 2018 increased to $13,846, compared to $8,497 for the corresponding period in 2017.

LANDSCAPE PRODUCTS

Revenues of the Landscape Products business segment for the three months ended September 30, 2018 was $16,836, compared to $17,283 for the corresponding quarter of 2017. During the third quarter of 2018, landscape shipments were affected by the momentum in the housing market which eased off slightly during the third quarter of 2018, impacting customer demand for exterior renovation and remodeling.

Cost of sales for the quarter ended September 30, 2018 increased to $13,002 from $11,860 for the corresponding quarter of 2017. The increase in production volumes during the third quarter of 2018 favourably impacted per unit production costs and supported the early commencement of the 2018–2019 dealer winter booking program in September 2018. However, higher freight costs on product transfers to meet customer demand were incurred during the three months ended September 30, 2018. In addition, the increase in the value of the average U.S. dollar exchange rate on the Company's U.S. operations during the third quarter of 2018 also increased costs of sales.

As a result, operating income for the third quarter of 2018 decreased to $1,945 compared to $3,455 for the same quarter in 2017.

Revenues of the Landscape Products business segment for the nine months ended September 30, 2018 increased to $36,329 from $35,313 for the corresponding period of 2017. The increase in revenues during the nine-month period of 2018 was primarily due to the increase in first-half shipments under the 2017–2018 dealer winter booking program that were only delivered in the first three months of 2018, due to production capacity constraints in the Company's landscape products' facilities in 2017. The winter booking program is a landscape sales program designed to help the Company's dealer network pre-order landscape inventory in the fourth quarter of the year to ensure their yard inventory levels are optimized when the season opens in the spring. Shipments in the second quarter of 2018 were affected by unfavourable weather conditions. During the third quarter of 2018, the subdued pace in the home buyers' market impacted shipments.

Cost of sales for the nine months ended September 30, 2018 increased to $28,495 from $24,835 for the corresponding period of 2017. The increase in cost of sales on higher shipments was partially offset by lower per unit costs on higher production volumes. However, higher freight costs on product transfers to meet customer demand and higher related selling expenses were incurred as described under the discussion of operations for the nine months ended September 30, 2018. In addition, the favourable impact of the decrease in the value of the average U.S. dollar exchange rate during the first half of 2018 reduced during the third quarter of 2018 due to the relative increase in the average U.S. dollar exchange rate, increasing the operating costs of the U.S. operations.

As a result, the operating income for the nine months ended September 30, 2018 decreased to $3,032 from $5,427 for the same period in 2017.

CASH FLOWS

Cash provided from operating activities was $10,174 for the nine months ended September 30, 2018 compared to $11,062 for the corresponding period in 2017. Higher trade payable disbursements were partially offset by higher collections from trade and other receivables due to timing differences, improved operating results and lower income tax payments. Income tax payments in the first nine months of 2017 included the final income tax remittances for the 2016 taxation year.

Cash utilized for purchases of property, plant and equipment totaled $3,928 in the nine-month period of 2018 compared to $4,993 for the same period of 2017. This amount includes additions during the nine months of 2018 totaling $4,780 (2017 – 4,399) and net amounts paid relating to additions in the prior period. Non-cash capital expenditure relating to estimated future quarry rehabilitation costs amounted to $206 (2017 – $11). Additions included $3,066 (2017 – $2,215) for production process equipment and $1,215 (2017 – $1,010) for mobile equipment, of which $449 was financed by finance leases in 2018 (2017 – $323).

Cash paid for the purchase of the remaining 50% interest in Universal, a 50% joint venture entity, totaled $6,500 and is described in more detail under the discussion of operations for the nine months ended September 30, 2018.

FINANCIAL CONDITION

The Company's Masonry Products and Landscape Products business segments are seasonal in nature. The Landscape Products business is affected by seasonality to a greater degree than the Masonry Products business. As a result of this seasonality, operating results are impacted accordingly and cash requirements are generally expected to increase through the first half of the year and decline through the second half of the year.

There were no bank operating advances outstanding as of September 30, 2018 and as of December 31, 2017.

Trade payables totaled $20,576 at September 30, 2018 compared to $20,485 at December 31, 2017.

The ratio of total liabilities to shareholders' equity was 0.50:1 at September 30, 2018 compared to 0.54:1 at December 31, 2017. This decrease in the ratio was primarily due to an increase in retained earnings on improved operating results, and an increase in accumulated other comprehensive income due to an increase in the value of the exchange rate of the U.S. dollar, as at the end of September 30, 2018, over the year-end exchange rate as at December 31, 2017.

As at September 30, 2018, the Company's current ratio was 2.92:1, representing working capital of $55,645, compared to 2.74:1 and $48,365, respectively, as at December 31, 2017. The increase in the current ratio was due to an increase in trade and other receivables and other assets, which were partially offset by a decrease in cash and cash equivalents and an increase in other liabilities outstanding, due to higher sales taxes outstanding at September 30, 2018 compared to December 31, 2017. Cash and cash equivalents totaled $20,452 at September 30, 2018, compared to $22,010 at December 31, 2017.

As noted above, under the discussion of operations for the nine months ended September 30, 2018, the Company acquired the remaining 50% interest in Universal, a 50% joint venture entity, increasing its investment to 100%. Upon purchase of this investment on April 2, 2018, the secured, non-interest bearing, loan payable by Universal to its former 50% joint venture owner totaling $5,691 became payable to the Company. As a result, the secured, non-interest bearing, non-current loan receivable from Universal totaled $12,084 as at September 30, 2018 (December 31, 2017 - $6,393). In accordance with IAS 10, *Consolidated Financial Statements*, inter-company assets and liabilities held by the Company and its wholly-owned subsidiaries offset each other and therefore are not presented in the Condensed Interim Consolidated Financial Statements.

The Company's demand operating facility provides for borrowings of up to $22,000 based on margin formulae for trade receivables, certain other qualified receivables and inventories, less priority claims. It is a demand facility secured by a general security agreement over all assets. The agreement also contains certain financial covenants.

As at September 30, 2018, the borrowing limit based on the margin formulae was $22,000, of which $365 in outstanding letters of credit was utilized.

The Company was in compliance with all financial covenants under its term financing agreement and operating credit facility as at September 30, 2018, and anticipates that it will maintain compliance throughout the year.

The Company expects that future cash flows from operations, cash and cash equivalents on hand, and the unutilized balance of its operating credit facility will be sufficient to satisfy its obligations as they become due.

Information with respect to the Company's material off-balance sheet arrangements, which consist primarily of operating leases, purchase commitments and natural gas supply and transportation contracts is disclosed in the table of contractual obligations in the annual MD&A included with the Company's 2017 Annual Report and in Note 14 to the Condensed Interim Consolidated Financial Statements.

With respect to contractual obligations outstanding as at September 30, 2018, changes during the first nine months include scheduled payments of interest and principal on debt, and finance lease obligations and payments on operating leases. Additional changes include reductions in the remaining 2018 balances of the Company's purchase obligations under its natural gas supply and transportation contracts. These are more fully described in Note 14 to the Condensed Interim Consolidated Financial Statements.

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SELECTED QUARTERLY FINANCIAL INFORMATION

The following is a summary of selected quarterly financial information for each of the eight most recently completed quarters (in thousands of dollars, except per share amounts):

TOTAL OPERATIONS	September 30		June 30		March 31		December 31	
	2018	2017	2018	2017	2018	2017	2017	2016
Revenues	$ 49,832	$ 50,194	$ 50,852	$ 47,814	$ 24,957	$ 21,669	$ 36,567	$ 36,739
Net income (loss)								
	$ 5,359	$ 7,232	$ 8,043	$ 4,679	$ (949)	$ (2,901)	$ (3,066)	$ 1,304
Net income (loss) per share								
Basic	$ 0.49	$ 0.66	$ 0.73	$ 0.43	$ (0.09)	$ (0.26)	$ (0.28)	$ 0.12
Diluted	$ 0.48	$ 0.64	$ 0.72	$ 0.41	$ (0.09)	$ (0.26)	$ (0.28)	$ 0.12

Due to changes in the weighted average number of shares outstanding during the current period or due to rounding, the basic and diluted net income (loss) per share by quarter may not add up precisely to the year-to-date total for each period.

The quarterly financial information presented reflects the seasonal nature of the Company's Masonry Products and Landscape Products business segments. Historically, sales of these business segments are greater in the second and third quarters of each year than in the first and fourth quarters. Consequently, the results of operations and cash flows reported each quarter are not necessarily indicative of the results to be expected for the year, and the financial condition of the Company at the end of each quarter reflects these seasonal fluctuations.

Major factors affecting the comparability of the quarterly results are described below:

QUARTERS ENDED SEPTEMBER 30

Revenues in the third quarter of 2018 were impacted by lower housing starts in the single-family detached housing and multi-family housing units. The pace of growth in the home buyers' market moderated slightly after legislative and economic measures were adopted in the prior year. The increase in revenues for the third quarter of 2017 was supported by the continuing momentum in residential construction during that period.

Costs of sales increased due to higher per unit production costs on lower production volumes to optimize inventory levels and higher freight costs incurred on product transfers to meet customer demand. These increases in costs were partially offset by higher production volumes at the Farmersburg, Indiana clay brick plant which favourably impacted per unit production costs. In addition, the increase in the value of the average U.S. dollar exchange rate during the third quarter of 2018 increased operating costs of the Company's U.S. operations.

Additionally, an unrealized gain on the change in fair value of the interest rate swap, amounting to $142, was recorded for the third quarter of 2018 compared to a gain of $388 in the comparative quarter of 2017.

As a result, net income for the quarter ended September 30, 2018 decreased to $5,359, from $7,232 for the corresponding prior quarter.

QUARTERS ENDED JUNE 30

For the second quarter of 2018, revenues increased in the Masonry Products business segments, compared to the same quarter of 2017. The continuing strength in multi-family housing construction in Ontario, as well as strength in commercial and other development supported the increase in masonry product revenues. Relatively unfavourable weather conditions in April 2018, affected shipments of landscape products resulting in slightly lower revenues compared to the corresponding quarter of 2017.

The increase in costs of sales due to higher shipments was only partially offset by lower per unit costs on higher production volumes in the masonry products operations, lower natural gas costs and greater efficiencies in electric power consumption during the second quarter of 2018, as well as higher repairs and maintenance scheduled in the second quarter of 2017. In addition, a decrease in the U.S. dollar exchange rate during the second quarter of 2018, favourably impacted operating costs of the U.S. operations.

General and administrative costs decreased during the second quarter of 2018, compared to the same period of 2017, due to the exercise of certain cash-settled stock options in the second quarter of 2017. Share-based compensation costs recorded on the increase in fair market value of certain employee stock options, on exercise and cash-settlement thereof, totaled $771 during the second quarter of 2017. Share-based compensation costs recorded on share appreciation rights, measured at fair value, totaled $39 in the three months ended June 30, 2018 compared to $298 during the corresponding period of 2017, due to differences in timing of recognition.

The Company's share of income from its joint venture interest in Universal amounted to $762 for the quarter ended June 30, 2018. This transaction is described in more detail under the discussion of operations for the nine months ended September 30, 2018.

As a result, net income for the quarter ended June 30, 2018 increased to $8,043, compared to $4,679 for the same period in 2017.

QUARTERS ENDED MARCH 31

During the first quarter of 2018, revenues increased in both the Masonry Products and Landscape Products business segments. Despite unfavourable weather conditions in the first two months of the year, higher masonry product shipments were supported by the reduction of some of the backlog in residential construction carried forward from 2017 in the Greater Toronto Area. In addition, landscape product shipments increased during the first quarter of 2018 compared to the corresponding quarter of 2017, due to timing differences in shipments made under the Company's dealer winter booking program to meet the anticipated seasonal demand, as well as greater demand for the Company's expanded product portfolio.

The improvement in operating results was due to the positive impact of lower per unit manufacturing costs on higher production volumes, as well as the strength in the Canadian dollar compared to the same quarter of 2017 relating to the Company's U.S. operations.

QUARTERS ENDED DECEMBER 31

Revenues for the fourth quarter of 2017 were comparable to the revenues in the corresponding quarter of 2016. Higher shipments in the Landscape Products business segment were offset by lower shipments in the Masonry Products business segment. Costs of sales in the last quarter of 2017 were generally in line with the comparative quarter of 2016.

The decrease in net income for the fourth quarter of 2017 from 2016 was primarily due to the recognition of an asset impairment charge of $6,285 on the Farmersburg, Indiana plant. This decrease was offset, in part, by an impairment reversal on the Loan receivable from Universal Resource Recovery Inc. of $1,875, net of taxes recognized as at December 31, 2017. Excluding the impact of these two non-recurring transactions, net income for the fourth quarter of 2017 was $1,344, compared to $1,304 for the corresponding quarter of 2016.

OTHER

Information with respect to "Changes in Accounting Policies" is contained in Note 2 to the 2017 annual consolidated financial statements included in the Company's 2017 Annual Report. The Condensed Interim Consolidated Financial Statements as at and for the three and nine months ended September 30, 2018 have been prepared using the same accounting policies applied to the Company's annual consolidated financial statements for the year ended December 31, 2017. In addition, the newly effective accounting standards, as described in Note 2 of the Notes to the Condensed Interim Consolidated Financial Statements as at September 30, 2018, were also applied.

Information with respect to "Critical Accounting Judgments and Estimates" is disclosed in the 2017 annual MD&A and in Note 3 to the 2017 annual consolidated financial statements included in the Company's 2017 Annual Report. To date, there have not been any significant changes to the Company's critical accounting judgments and estimates.

Information with respect to transactions with related parties is disclosed: (a) for the year ended December 31, 2017, in Note 24 to the 2017 annual consolidated financial statements included in the Company's 2017 Annual Report; and (b) for the three and nine months ended September 30, 2018, in Note 15 to the Condensed Interim Consolidated Financial Statements.

The aggregate number of issued and outstanding Class A Subordinate Voting shares and Class B Multiple Voting shares as at September 30, 2018 is disclosed in Note 9 to the Condensed Interim Consolidated Financial Statements. In addition, in October 2018, 4,000 Class A Subordinate Voting shares were repurchased at an average market price of $8.47 under the Company's Normal Course Issuer Bid, which commenced September 7, 2018 and will end on September 6, 2019. These shares were held by the Company for cancellation at a later date. The total number of Class A Subordinate Voting shares outstanding was 9,219,623 to the date of this MD&A.

The aggregate number of outstanding stock options and share appreciation rights as at September 30, 2018 that were fully vested and exercisable by plan participants are disclosed in Note 10 to the Condensed Interim Consolidated Financial Statements for the period ended September 30, 2018. On exercise, stock options are convertible to Class A Subordinate Voting shares, whereas share appreciation rights are settled in cash. There have been no changes to the number of stock options and share appreciation rights outstanding to the date of this MD&A.

Additional information relating to the Company includes the annual consolidated financial statements as at and for the year ended December 31, 2017, and the annual MD&A for the year ended December 31, 2017. These documents are included in Company's Annual Report and may be found on SEDAR **www.sedar.com**, along with the Annual Information Form for the year ended December 31, 2017 and the Management Information Circular issued in connection with the Annual General Meeting of Shareholders held on May 24, 2018.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's internal control over financial reporting during the three months ended September 30, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

OUTLOOK

The Company's Masonry Products and Landscape Products business segments are cyclical. Demand for masonry products fluctuates in accordance with the level of new residential construction as well as industrial, commercial and institutional construction activity. Demand for landscape products fluctuates in accordance with the level of industrial, commercial and institutional construction activity, as well as consumer spending patterns related to repair and remodeling expenditures.

As noted earlier, both business segments are seasonal, with the Landscape Products business affected to a greater degree than the Masonry Products business.

The Company's results for the third quarter showed an overall decline in both top and bottom line performance over the same period in 2017, paring the gains achieved over the first half of the year.

The Company's Canadian masonry markets experienced some contraction in the third quarter of 2018 as compared to the same quarter in 2017 which saw favourable market conditions driven by buoyant residential and commercial construction activity in the latter part of 2017. The Company remains cautiously optimistic that some growth in these markets will be experienced for the balance of the fiscal 2018 year and into 2019. There does continue to be a lack of clarity concerning economic fundamentals and other factors which could impact the demand for residential construction.

The Company's Canadian landscape business grew marginally in the first nine months of 2018 due to favourable market conditions. The positive effect of various strategic initiatives implemented over the past few years and the Company's regional expansion into Quebec and Eastern Ontario from its distribution site located in Boisbriand, Quebec is expected to support continued growth in this segment through the rest of 2018 and into 2019. This growth will be supported by an enhanced winter booking program which has gained momentum in the past number of years. While the U.S. landscape business showed some improvement in 2018, there were shipping constraints due to trucking availability and related costs in the overall U.S. trucking sector. These constraints should have less impact on the business as it heads into the winter months and management finalizes its 2019 production schedule focusing on plant and logistics optimization for the upcoming year.

For 2018, the Company's U.S. clay brick plant has operated at the appropriate capacity utilization levels to service its current sales demand for both its commercial and residential product segments. This improved production capacity utilization resulted in lower per unit costs for this business operation. At the same time, this business unit's results are still being impacted by historically low industry capacity utilization and pricing levels.

Effective April 2, 2018, the Company acquired the remaining 50% interest in Universal from its joint venture partner. The Universal assets consist primarily of a 65-acre property containing two industrial buildings totaling approximately 600,000 square feet located in Welland, Ontario. The Company intends to utilize this facility to support the expansion of its product portfolio.

FORWARD-LOOKING STATEMENTS

Certain statements contained herein constitute "forward-looking statements". All statements that are not historical facts are forward-looking statements, including, among others: the future development plans for the Universal property, forecasts of sufficient cash flows from operations and other sources of financing; anticipated compliance with financial covenants under debt agreements; anticipated sales of masonry and landscape products; and other statements regarding future plans, objectives, production levels, costs, productivity, results, business outlook and financial performance, including the statements contained in the "Outlook" section of this MD&A. There can be no assurance that such forward-looking statements will prove to be accurate.

Such forward-looking statements are based on information currently available to management, and are based on assumptions and analyses made by management in light of its experience and its perception of historical trends, current conditions and expected future developments, including, among others, assumptions regarding pricing, weather and seasonal expectations, production efficiency, and there being no significant disruptions affecting operations or other material adverse changes.

Such forward-looking statements also involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such risks and uncertainties include, among others: changes in economic conditions, including the demand for the Company's primary products and the level of new home, commercial and other construction; large fluctuations in production levels; fluctuations in energy prices and other production costs; changes in transportation costs; foreign currency exchange and interest rate fluctuations; legislative and regulatory developments; as well as those assumptions, risks, uncertainties and other factors identified and discussed under "Risks and Uncertainties" in the 2017 annual MD&A, included in the Company's 2017 Annual Report, and those identified and reported in the Company's other public filings (including the Annual Information Form for the year ended December 31, 2017), which may be accessed at **www.sedar.com**.

The forward-looking information contained herein is made as of the date hereof. Other than as specifically required by law, the Company undertakes no obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise. Readers are cautioned not to place undue reliance on forward-looking statements.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL REPORT

Under National Instrument 51-102, Part 4, Subsection 4.3(3)(a), if an auditor has not performed a review of an interim financial report, the interim financial report must be accompanied by a notice indicating that the interim financial report has not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the company have been prepared by and are the responsibility of the company's management.

No auditor has performed a review of these condensed interim consolidated financial statements.

Jeffrey G. Kerbel
President and Chief Executive Officer

Trevor M. Sandler
Vice President, Finance and
Chief Financial Officer

Dated as of the 7th day of November, 2018.

Condensed Interim Consolidated Balance Sheets

BRAMPTON BRICK Limited

(unaudited) (in thousands of Canadian dollars)	Notes	September 30, 2018	December 31, 2017
ASSETS			
Current Assets			
Cash and cash equivalents		**$ 20,452**	$ 22,010
Trade and other receivables		**30,318**	21,287
Inventories		**31,794**	31,666
Other assets		**1,895**	1,065
Loan receivable		**93**	94
Current derivative financial instrument	8	**100**	-
		84,652	76,122
Non-current assets			
Loans receivable	4	**-**	6,457
Property, plant and equipment	5	**168,626**	157,365
Non-current derivative financial instrument	8	**388**	258
Other assets		**138**	181
		169,152	164,261
Total assets	16	**$ 253,804**	$ 240,383
LIABILITIES			
Current liabilities			
Trade payables		**$ 20,576**	$ 20,485
Income tax payable	11	**393**	746
Current portion of debt	7, 13	**2,340**	2,129
Current derivative financial instrument	8	**-**	21
Current provision on share appreciation rights	10	**550**	308
Decommissioning provisions		**31**	31
Other liabilities		**5,117**	4,037
		29,007	27,757
Non-current liabilities			
Non-current portion of debt	7, 13	**32,934**	34,037
Non-current provision on share appreciation rights	10	**180**	143
Decommissioning provisions		**6,914**	6,571
Deferred tax liabilities	11	**15,519**	15,885
		55,547	56,636
Total liabilities		**$ 84,554**	$ 84,393
EQUITY			
Share capital	9	**$ 33,873**	$ 33,915
Contributed surplus	10	**3,213**	3,146
Accumulated other comprehensive income		**9,076**	8,240
Retained earnings		**123,088**	110,689
Total equity		**$ 169,250**	$ 155,990
Total liabilities and equity		**$ 253,804**	$ 240,383

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Condensed Interim Consolidated Statements of Comprehensive Income (Loss)

(unaudited) (in thousands of Canadian dollars, except per share amounts)	Notes	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Revenues	15, 16, 17	**$ 49,832**	$ 50,194	**$125,641**	$ 119,677
Cost of sales		**37,472**	35,325	**93,284**	89,626
Selling expenses		**3,192**	3,075	**9,677**	9,054
General and administrative expenses		**2,199**	1,948	**6,331**	6,824
(Gain) loss on disposal of property, plant and equipment		**(93)**	118	**(21)**	42
Share of income from joint venture interest in Universal	4	**-**	-	**(762)**	-
Other expense (income)		**33**	79	**(79)**	207
		42,803	40,545	**108,430**	105,753
Operating income	16	**7,029**	9,649	**17,211**	13,924
Finance (expense) income	7, 8	**(144)**	71	**(613)**	(507)
Income before income taxes		**6,885**	9,720	**16,598**	13,417
(Provision for) recovery of income taxes	11				
Current		**(1,606)**	(2,497)	**(4,511)**	(4,653)
Deferred		**80**	9	**366**	246
		(1,526)	(2,488)	**(4,145)**	(4,407)
Net income for the period		**$ 5,359**	$ 7,232	**$ 12,453**	$ 9,010
Other comprehensive income (loss)					
Items that will be reclassified subsequently to profit or loss when specific conditions are met:					
Foreign currency translation (loss) gain		**$ (706)**	$ (1,503)	**$ 836**	$ (2,963)
Total comprehensive income for the period		**$ 4,653**	$ 5,729	**$ 13,289**	$ 6,047
Net income per Class A Subordinate Voting share and Class B Multiple Voting share					
Basic	12	**$ 0.49**	$ 0.66	**$ 1.14**	$ 0.82
Diluted	12	**$ 0.48**	$ 0.64	**$ 1.11**	$ 0.80

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Condensed Interim Consolidated Statements of Changes in Equity

(unaudited) (in thousands of Canadian dollars)	Notes	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (loss)	Retained Earnings	Total Equity
Balance – January 1, 2017		**$ 33,755**	**$ 3,101**	**$ 10,829**	**$ 104,745**	**$ 152,430**
Net income for the period					9,010	9,010
Other comprehensive loss (net of taxes, $nil)				(2,963)		(2,963)
Total comprehensive (loss) income for the period		**-**	**-**	**(2,963)**	**9,010**	**6,047**
Cash-settled, share-based compensation	10		(167)			**(167)**
Stock options exercised	10	160	(25)			**135**
Share-based compensation	10		189			**189**
Balance– September 30, 2017		**$ 33,915**	**$ 3,098**	**$ 7,866**	**$ 113,755**	**$ 158,634**
Balance – January 1, 2018		**$ 33,915**	**$ 3,146**	**$ 8,240**	**$ 110,689**	**$ 155,990**
Net income for the period					12,453	12,453
Other comprehensive income (net of taxes, $nil)				836		836
Total comprehensive income for the period		**-**	**-**	**836**	**12,453**	**13,289**
Share-based compensation	10		67			**67**
Repurchase of Class A Subordinate Voting shares	9	(42)			(54)	**(96)**
Balance– September 30, 2018		**$ 33,873**	**$ 3,213**	**$ 9,076**	**$ 123,088**	**$ 169,250**

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Condensed Interim Consolidated Statements of Cash Flows

		Nine months ended September 30,	
(unaudited) (in thousands of Canadian dollars)	Notes	2018	2017
Cash provided by (used for)			
Operating activities			
Net income for the period		**$ 12,453**	$ 9,010
Items not affecting cash and cash equivalents			
Depreciation	5	**7,104**	7,704
Current tax provision	11	**4,511**	4,653
Deferred tax recovery	11	**(366)**	(246)
(Gain) loss on disposal of property, plant and equipment		**(21)**	42
Share of income from joint venture investment in Universal	4	**(762)**	-
Unrealized foreign currency exchange (gain) loss		**(188)**	411
Net interest expense	7	**865**	980
Derivative financial instrument gain	8	**(252)**	(473)
Other	10	**349**	503
		23,693	22,584
Changes in non-cash items			
Trade and other receivables		**(8,943)**	(10,132)
Inventories		**228**	95
Other assets		**(767)**	(846)
Trade payables		**(156)**	4,512
Other liabilities		**983**	1,187
		(8,655)	(5,184)
Income tax payments		**(4,864)**	(6,338)
Cash provided from operating activities		**10,174**	11,062
Investing activities			
Purchase of property, plant and equipment		**(3,928)**	(4,993)
Purchase of investment in Universal	4	**(6,500)**	-
Cash acquired on purchase of investment in Universal		**769**	-
Proceeds from repayments of loans receivable		**65**	62
Proceeds from disposal of property, plant and equipment		**192**	245
Cash used for investing activities		**(9,402)**	(4,686)
Financing activities			
Payment of term loans	13	**(1,178)**	(1,178)
Interest paid	7	**(864)**	(964)
Payments on obligations under finance leases	13	**(169)**	(642)
Proceeds from exercise of stock options	10	**-**	135
Repurchase of Class A Subordinate Voting shares	9	**(96)**	-
Cash used for financing activities		**(2,307)**	(2,649)
Foreign exchange on cash held in foreign currency		**(23)**	(110)
(Decrease) increase in cash and cash equivalents		**(1,558)**	3,617
Cash and cash equivalents at the beginning of the period		**22,010**	10,923
Cash and cash equivalents at the end of the period		**$ 20,452**	$ 14,540

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

1. GENERAL INFORMATION

Brampton Brick Limited and its subsidiaries, together referred to as the ("Company"), primarily manufacture and sell masonry and landscape products. The Company has clay brick manufacturing plants located in Brampton, Ontario and in Farmersburg, Indiana. Facilities located in Markham, Hillsdale, Brampton and Brockville, Ontario, Boisbriand, Quebec and Wixom, Michigan manufacture and distribute concrete masonry and landscape products.

On April 2, 2018, the Company increased its 50% investment in Universal Resource Recovery Inc. ("Universal"), a joint venture entity, to 100% and recognized the entity as a wholly-owned subsidiary as of that date. This transaction is described in more detail in Note 4, Investment in Universal Resource Recovery Inc.

Brampton Brick Limited is incorporated and domiciled in Canada. The address of its registered office is 225 Wanless Drive, Brampton, Ontario.

The Company's Class A Subordinate Voting shares trade on the Toronto Stock Exchange under the ticker symbol "BBL.A". The Company's Class B Multiple Voting shares do not trade on any public market.

2. BASIS OF PREPARATION

These condensed interim consolidated financial statements as at and for the three and nine months ended September 30, 2018 are unaudited and include all adjustments that management considers necessary for a fair presentation in accordance with IAS 34, ***Interim Financial Reporting***. The Company's business is seasonal. Results for the three and nine month periods ended September 30, 2018 are not necessarily indicative of results for the full fiscal year or any other future period.

These condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's 2017 annual consolidated financial statements. In addition, on January 1, 2018, IFRS 15, ***Revenue from contracts with customers*** and IFRS 9, ***Financial Instruments*** became effective.

The condensed interim consolidated financial statements as at and for the three and nine months ended September 30, 2018 have been prepared using the same accounting policies applied to the Company's annual consolidated financial statements for the year ended December 31, 2017, along with the newly adopted accounting standards effective January 1, 2018.

IFRS 15 *Revenue from contracts with customers*

Revenues reflect the consideration to which the Company expects to be entitled to, in exchange for the transfer of promised goods or services. The five-step model is applied to all customer contracts.

For masonry and landscape products, sales revenue is identified when the sales price can be measured reliably and collectibility is reasonably assured. These criteria are generally met at the time the product is shipped to the customer or picked up by the customer.

Revenues are recognized based on contractual performance obligations. Shipments arranged by the Company are sold F.O.B. job site. Customers therefore take ownership and assume the risk of loss upon delivery at final destination, and all products are invoiced on the same date as they are shipped. Pick ups arranged by the customer are sold F.O.B. plant. Customers take ownership and assume the risk of loss upon the shipment leaving the Company's yard.

The timing of revenue recognition is determined by when performance obligations have been satisfied. Cartage charges are invoiced at the time of shipment. If ultimate delivery is arranged by the Company, cartage is charged and revenue for cartage is recognized at the time of delivery.

The Company does not record a provision for product returns or defective products at the time of sale as the amounts are not significant.

Sales discounts, including volume rebates, sales incentives and prompt payment discounts are classified in revenues. Volume rebates and sales incentive credits are computed quarterly, on a customer by customer basis, and the provision is adjusted as required. Credit notes are issued quarterly and processed against the applicable customer account. Prompt payment discounts offered are material on sales under the Winter Booking Program. A provision is computed quarterly, based on historical payment patterns. For other sales, the prompt payment discount is recorded at the time payment is received. A general provision, based on historical payment patterns, is reviewed quarterly and adjusted as required.

IFRS 9 *Financial Instruments*

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are subsequently measured at:

a) amortized cost, where the assets are held to collect contractual cash flows;

b) fair value through other comprehensive income, where the assets are held to collect proceeds from sales or from contractual cash flows; or

c) fair value through profit or loss, for assets not classified as above or have been designated as such.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred, and the Company has transferred substantially all risks and rewards of ownership.

All financial liabilities are subsequently measured at amortized cost with the exception of certain transactions specified within the standard.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

The Company classifies its financial instruments in the following categories, depending on the purpose for which the instruments were acquired:

a) Fair value through profit or loss:

A financial asset or liability is classified at fair value through profit or loss if it is a derivative financial instrument or is designated as such upon initial recognition. Derivatives are included in this category unless they are designated as hedges. The interest rate swap contract and the provision for share appreciation rights are measured at fair value through profit or loss.

b) Amortized cost:

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market comprise of trade and other receivables, loans receivable and cash and cash equivalents. Such assets are recognized initially at the amount expected to be received, less, when material, a loss allowance at an amount equal to expected lifetime credit losses.

Financial liabilities measured at amortized cost include trade payables, other liabilities, bank debt, term debt and decommissioning provisions. Trade payables and other liabilities are initially recognized at the amount required to be paid less, when material, a discount to reduce the payable to fair value. Subsequently, these liabilities are measured at amortized cost using the effective interest method. Bank debt, term debt and decommissioning provisions are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

Impairment of financial assets: At each reporting date, the Company assesses whether there is objective evidence that a financial asset (other than a financial asset classified as fair value through profit or loss) is impaired.

Under the expected credit loss approach, a loss allowance equal to twelve-month expected credit losses may be recognized at the reporting date, unless the credit risk on a financial instrument has increased significantly requiring expected lifetime credit losses to be recognized. Alternatively, under the simplified approach, a loss allowance may be recognized for expected lifetime credit losses, regardless of changes in credit risk.

Expected credit losses of a financial instrument are measured to reflect a range of probability-weighted outcomes, the time value of money and reasonable information about past, current and future economic conditions.

If evidence of credit risk exists, the Company recognizes an impairment loss, as the difference between the carrying value and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

The adoption of the new accounting standards did not result in any changes to the Consolidated Balance Sheets as at December 31, 2017 and at September 30, 2018.

Statement of compliance

These condensed interim consolidated financial statements as at and for the three and nine month periods ended September 30, 2018 have been prepared in accordance with ***IAS 34, Interim Financial Reporting***.

These condensed interim consolidated financial statements were approved by the Board of Directors on November 7, 2018.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

The following is a brief overview of accounting standard changes and amendments that the Company will be required to adopt in future years.

IFRS 16 *Leases* is effective for annual periods beginning on or after January 1, 2019. It eliminates the classification of leases as either operating leases or finance leases as is required by ***IAS 17, Leases***. It establishes principles for the recognition, measurement, presentation and disclosure of leases with the objective of ensuring that lessees and lessors provide relevant information for all leases with a term of more than twelve months, unless the underlying asset is of low value for those transactions.

The standard introduces a single lessee accounting model which requires a lessee to recognize:

a) assets by recognizing either the present value of the lease payments or an amount equal to the lease liability, adjusted for prepaid or accrued lease payments;

b) liabilities by recognizing its obligation to make future payments; and

c) depreciation of lease assets separately from interest on lease liabilities in the income statement.

Under the standard, the following approaches may be applied by a lessee:

a) The Full Retrospective method requires retrospective application of the standard to each prior reporting period presented; or

b) The Modified Retrospective method requires the retrospective cumulative effect of initially applying the standard at the date of initial application.

Upon adoption of the standard, the Modified retrospective method is expected to be applied by the Company.

The Company has not completed evaluating the impact of the single lessee accounting model on property, plant and equipment and retained earnings to be recognized on the Consolidated Balance Sheet as at January 1, 2019. The transitional provisions on adoption of this standard are expected to have disclosure requirements in the consolidated financial statements.

IFRIC 23 *Uncertainty over income tax treatments* is effective for annual periods beginning on or after January 1, 2019 and clarifies the approach to help determine the accounting treatment for uncertain income tax outcomes under *IAS 12, Income taxes*. The interpretation requires that an entity:

a) apply judgment in ascertaining if the tax treatment would collectively or individually impact associated transactions;

b) assume that the taxation authority would have full knowledge of all relevant information;

c) ascertain the probability that the relevant taxation authority will accept the tax treatment applied;

d) based upon the best prediction for the resolution of the uncertainty, should apply the corresponding income tax treatment; and

e) in case of any changes to facts and circumstances should require a reassessment of judgments and assumptions to be considered.

This standard provides enhanced guidance for the application of *IAS 12, Income taxes*. No significant changes to the consolidated financial statements are expected to result from the adoption of the standard.

Amendment to *IAS 23 Borrowing costs* is effective for annual periods beginning on or after January 1, 2019. Under the standard when an entity borrows funds in the ordinary course of business and uses them to purchase a qualifying asset, the capitalization rate used to determine borrowing costs eligible for capitalization is the weighted average borrowing cost of all borrowings outstanding during the period. However, the amendment clarifies that an entity shall exclude from this calculation those borrowing costs incurred specifically towards obtaining a qualifying asset until substantially all activities necessary to prepare the asset for its intended use are completed.

This amendment is not expected to impact the consolidated financial statements.

4. INVESTMENT IN UNIVERSAL RESOURCE RECOVERY INC.

On April 2, 2018, the Company acquired the remaining 50% interest in Universal, a 50% joint venture entity, for a purchase consideration of $6,500. This acquisition increased the Company's investment in Universal to 100%. The Company intends to utilize this facility to support the expansion of its product portfolio.

On purchase of the remaining 50% interest in Universal, the secured, non-interest bearing, loan payable by Universal to its former 50% joint venture owner totaling $5,691, as at April 2, 2018 became payable to the Company. As a result, the secured, non-interest bearing, non-current loan receivable from Universal totaled $12,084 as at September 30, 2018 (December 31, 2017 - $6,393). In accordance with IAS 10, *Consolidated Financial Statements*, inter-company assets and liabilities held by the Company and its wholly-owned subsidiaries are eliminated upon consolidation and therefore are not presented in the Condensed Interim Consolidated Financial Statements.

The acquisition of the remaining 50% interest in Universal is accounted for as an effective sale of the existing 50% interest in the joint venture and the acquisition of a 100% interest in Universal at fair value on the acquisition date. Based on the fair valuation of the underlying property in Universal, which was estimated to be $13,000, at the date of acquisition of the remaining 50% interest, the Company recognized a net gain of $762. This gain effectively represented the Company's partial recovery of the previously recorded impairment charges on its investment in the joint venture.

Effective April 2, 2018, rental revenues, related expenses, as well as individual assets and liabilities of Universal are included in the Condensed Interim Consolidated Financial Statements and the investment in joint venture and related income (loss) from investment in joint venture no longer exist.

5. PROPERTY, PLANT AND EQUIPMENT

	Land and Land Improvements	Buildings	Machinery and Equipment	Mobile Equipment	Total
As at December 31, 2017					
Cost	89,075	34,855	159,051	7,982	290,963
Accumulated depreciation and impairment loss	(20,045)	(19,502)	(87,644)	(6,407)	(133,598)
Net book value	**69,030**	**15,353**	**71,407**	**1,575**	**157,365**
For the nine months ended September 30, 2018					
Additions	454	23	3,088	1,215	4,780
Assets acquired on purchase of investment in Universal	2,500	10,500	-	-	13,000
Disposals	-	-	(170)	-	(170)
Depreciation for the period	(711)	(903)	(4,906)	(584)	(7,104)
Exchange differences	114	124	511	6	755
	2,357	**9,744**	**(1,477)**	**637**	**11,261**
As at September 30, 2018					
Cost	92,352	45,740	162,752	8,714	309,558
Accumulated depreciation and impairment loss	(20,965)	(20,643)	(92,822)	(6,502)	(140,932)
Net book value	**71,387**	**25,097**	**69,930**	**2,212**	**168,626**

For the three and nine months ended September 30, 2018, depreciation expense totaled $2,427 (2017 – $2,606) and $7,104 (2017 – 7,704), respectively, of which $2,362 (2017 - $2,526) and $6,879 (2017 – 7,458), respectively, were included in Cost of sales and $65 (2017 – $80) and $225 (2017 – 246), respectively, were included in General and administrative expenses.

Mobile equipment and machinery and equipment includes the following amounts acquired by means of finance leases:

	September 30, 2018	December 31, 2017
Cost – financed leases	$ 3,971	$ 3,982
Accumulated depreciation	(3,379)	(3,711)
	$ 592	**$ 271**

6. BANK OPERATING ADVANCES

The Company's operating credit facility provides for borrowings up to a maximum of $22,000 (2017 – $22,000) based on margin formulae for trade receivables and inventories, less priority claims. It is a demand facility secured by a general security agreement over all assets. The agreement contains certain financial covenants. As at September 30, 2018, the Company was in compliance with all the financial covenants.

As at September 30, 2018, the borrowing limit available based on the margin formulae was at the maximum available amount of $22,000 (December 31, 2017 – $22,000), of which $365 (December 31, 2017 – $356) was utilized for outstanding letters of credit. There was no current account overdraft balance outstanding as at September 30, 2018 (December 31, 2017 – Nil).

As at September 30, 2018, the rate of interest on the current account overdraft is based on the Canadian bank prime rate plus a credit spread of 0.25%.

7. DEBT

Debt consists of the following:

		September 30, 2018 $	December 31, 2017 $
Committed term A credit facility – monthly instalments commenced July 2017 to November 2019, maturing December 29, 2019	(a)	**24,680**	25,550
Committed term B credit facility – monthly instalments commenced July 2017 to November 2019, maturing December 29, 2019	(b)	**9,865**	10,165
Other term loans		**1**	9
		34,546	35,724
Obligations under finance leases		**728**	442
		35,274	36,166
Less: Payments due within one year – current portion		**2,340**	2,129
Non-current portion of debt		**32,934**	34,037

The loans under the credit agreement are secured by a general security agreement over all assets and a first-priority mortgage over certain properties located in Canada. The debt includes the following credit facilities:

(a) The committed term A credit facility in the original amount of $27,000 is a non-revolving term loan which bears interest at the bankers' acceptance rate plus 1.60%. The term of the loan is three years and requires monthly interest payments for the duration of the loan. This term loan will be repaid by way of principal repayments of $290 per month from July to November each year, from 2017 to 2019, with the loan balance payable on December 29, 2019.

The Company has entered into a floating-to-fixed interest rate swap agreement to fix the interest rate on this term loan, as further described in Note 8, 'Derivative Financial Instrument'.

(b) The committed term B credit facility provided up to a maximum borrowing of $10,665, which was fully drawn down and is a non-revolving term loan, bearing interest at the bankers' acceptance rate plus 1.60%. The term of the loan is three years and requires monthly interest payments for the duration of the loan. This term loan will be repaid by way of principal repayments of $100 per month from July to November each year, from 2017 to 2019, with the loan balance payable on December 29, 2019.

This credit agreement includes a revolving, committed capital expenditure credit facility, which provides up to a maximum amount of $5,000, none of which has been utilized as at September 30, 2018.

The agreements for these loans contain certain financial covenants. As at September 30, 2018, the Company is in compliance with all the financial covenants.

Effective October 2, 2018, this credit agreement was amended to extend the maturity date of the committed term A and committed term B credit facilities to January 29, 2021 from December 29, 2019 under the existing terms and conditions.

BRAMPTON BRICK Limited

8. DERIVATIVE FINANCIAL INSTRUMENT

The Company has a floating-to-fixed interest rate swap with a notional value of $24,680 as at September 30, 2018, (December 29, 2016, original notional value – $27,000), to minimize its exposure to fluctuations in cash flows from changes in interest rates on term debt of the same amount. The swap notional value decreases proportionately with the outstanding balance of the underlying committed term A credit facility as scheduled repayments are made over its duration. As a result of this transaction, the Company's interest rate for the committed term A credit facility is fixed at 3.48%.

The Company has not applied hedge accounting for the period ended September 30, 2018 or in the prior periods. The change in fair value of the interest rate swap recognized in 'Finance (expense) income' on the Consolidated Statement of Comprehensive Income (Loss) for the three and nine months ended September 30, 2018 amounted to unrealized gains of $142 (2017 – $388) and $252 (2017 – $473). The fair value of the interest rate swap derivative in the amounts of $100 (December 31, 2017 – $21, current derivative financial liability) and $388 (December 31, 2017 – $258, non-current derivative financial asset) were classified as a current derivative financial asset and a non-current derivative financial asset, respectively.

9. SHARE CAPITAL

The authorized capital of the Company consists of an unlimited number of Preference shares, Class A Subordinate Voting shares and Class B Multiple Voting shares. The Class B Multiple Voting shares are convertible into Class A Subordinate Voting shares on a share-for-share basis at any time. Class A Subordinate Voting shares may be converted into Class B Mutiple Voting shares in certain circumstances in connection with a takeover bid. Class A Subordinate Voting shareholders are entitled to one vote per share and Class B Multiple Voting shareholders are entitled to ten votes per share at any meeting of shareholders. The shares issued do not have a specified par value.

On July 12, 2017, the Toronto Stock Exchange (the "TSX") accepted a notice of intention (the "Notice") filed by the Company to make a Normal Course Issuer Bid ("NCIB"). The Notice provided that the Company, could purchase on the TSX up to 461,756 Class A Subordinate Voting shares in total, being approximately 5% of the total number of Class A Subordinate Voting shares outstanding as of July 10, 2017, during the 12-month period which commenced on July 17, 2017 and ended on July 16, 2018. Under this NCIB, 6,500 Class A Subordinate Voting shares were repurchased at an average market price of $8.19 under the NCIB and subsequently cancelled on September 28, 2018.

On September 5, 2018, the TSX accepted a Notice filed by the Company to make an NCIB. The Notice provided that the Company, could purchase on the TSX up to 461,431 Class A Subordinate Voting shares in total, being approximately 5% of the total number of Class A Subordinate Voting shares outstanding as of August 31, 2018, during the 12-month period which commenced on September 7, 2018 and ends on September 6, 2019. In September 2018, 5,000 Class A Subordinate Voting shares were repurchased at an average market price of $8.50 under the prevailing NCIB and subsequently cancelled on September 28, 2018.

As at September 30, 2018 issued share capital consisted of 9,223,623 Class A Subordinate Voting shares (December 31, 2017 – 9,235,123) and 1,738,631 Class B Multiple Voting shares (December 31, 2017 – 1,738,631).

In October 2018, 4,000 Class A Subordinate Voting shares were repurchased at an average market price of $8.47 under the current NCIB and held by the Company, decreasing the total Class A Subordinate Voting shares outstanding to 9,219,623 at issuance of these Condensed Interim Consolidated Financial Statements.

Changes to the issued and outstanding share capital during the nine-month period of the prior year are discussed in Note 10 below.

10. SHARE-BASED COMPENSATION

a) Equity-settled stock options:

Under the Brampton Brick Limited Stock Option Incentive Plan ("the Plan"), the Company may grant stock options to the officers, full-time employees and directors of the Company and its subsidiaries up to an aggregate of 1,680,965 (December 31, 2017 – 1,680,965) Class A Subordinate Voting shares. The exercise price of each stock option is equal to the volume-weighted average trading price of the Company's Class A Subordinate Voting shares for the five trading days immediately preceding the date of the grant and the maximum term of each option is ten years. As at September 30, 2018, a total of 255,065 (December 31, 2017 – 148,065) stock options were available for grant under the Plan. There were no stock options granted during the period ended September 30, 2018 and the comparative period in 2017. A total of 4,000 stock options were forfeited in the second quarter of 2018 (2017 – 1,800).

For the first quarter of 2017, 25,500 stock options were exercised at an average price of $5.14. Proceeds from the issue of an equal number of Class A Subordinate Voting shares amounted to $131. In addition, during the second quarter of 2017, 1,000 stock options were exercised at an average price of $3.60. Proceeds from the issue of an equal number of Class A Subordinate Voting shares amounted to $4.

In the second quarter of 2017, 173,700 stock options were exercised and cash-settled in the amount of $938, of which $167 was previously recognized over the vesting period of these stock options. Cash paid in excess of the fair market value ("FMV") at grant date amounted to $771 and was expensed to compensation cost during the second quarter of 2017. No Class A Subordinate Voting shares were issued on exercise of these options.

For the three and nine months ended September 30, 2018, the total compensation cost charged against income with respect to all stock options granted was $22 (2017 – $47) and $67 (2017 – $960), respectively, of which:

a) The change in the fair value of the cash-settled stock options from the grant date FMV on these stock options was Nil for the third quarter of 2018 and 2017, respectively, and Nil for nine months in 2018 (2017 – $771 expense); and

b) The expense of $22 (2017 – $47) and $67 (2017 – $189) pertains to the recognition of compensation cost at FMV as at the date of grant on outstanding stock options for the three and nine month periods in 2018 and 2017, respectively.

As at September 30, 2018, an aggregate of 973,500 (December 31, 2017 – 1,086,500) stock options were outstanding, of which 864,400 (December 31, 2017 – 864,700) were fully vested and exercisable by the holders thereof at a weighted average exercise price of $5.80 (December 31, 2017 – $6.24) per share.

b) Share appreciation rights:

Under the Brampton Brick Limited Share Appreciation Rights Plan (the "SARs Plan"), the Company may grant share appreciation rights to all executive officers, certain employees and to all non-management members of the Board of directors of the Company. The base price of each share appreciation right is determined by the Board of Directors and cannot be less than the volume weighted average trading price ("VWAP") of the Company's Class A Subordinate Voting shares for the five trading days immediately preceding the effective date of the grant, and the maximum exercise term of a share appreciation right is ten years. Upon exercise of the share appreciation right, the excess of the FMV, being the five-day VWAP, as of the day preceding the date of exercise, over the base price will be payable to the participant.

On March 28, 2018 and on March 31, 2017, the Company granted share appreciation rights to all executive officers, certain employees and to all non-management members of the Board of directors of the Company. Share appreciation rights in each grant vest as follows: 20% on the date immediately following the date of the grant; and an additional 20% on each anniversary of the grant date thereof until fully vested.

Date of grant	**March 28, 2018**	**March 31, 2017**
Number of share appreciation rights granted	**207,500**	**205,500**
Base price	**$ 8.48**	**$ 9.01**
Fair value of each share appreciation right as at September 30, 2018	**$ 3.24**	**$ 3.18**
Assumptions:		
Risk-free interest rate	**2.36%**	**2.36%**
Expected life	**6.5 years**	**6.8 years**
Volatility (determined by reference to historically observed prices of the Class A Subordinate Voting shares)	**33.26%**	**34.02%**
Expected dividend yield	**0.0%**	**0.0%**
Expected forfeitures	**Nil**	**Nil**

No share appreciation rights were exercised during the nine-month period of 2018. 10,000 share appreciation rights were forfeited during the second quarter of 2018.

In the second quarter of 2017, 600 share appreciation rights were exercised and settled in cash, for the increase in FMV over the Base price amounting to $1. A total of 2,400 share appreciation rights were forfeited during the second quarter of 2017.

For the three and nine months ended September 30, 2018, total compensation cost recorded was $57 (2017 – $16) and $279 (2017 – $314). As at September 30, 2018, an aggregate of 395,000 (December 31, 2017 – 202,500) share appreciation rights were outstanding, of which 117,500 (December 31, 2017 – 40,500) were fully vested and exercisable. The fair value of the share appreciation rights recognized, in the amounts of $550 (December 31, 2017 – $308) and $180 (December 31, 2017 – $143), were classified as current and non-current provisions for share appreciation rights, respectively.

11. INCOME TAX

The Company computes an income tax (provision) recovery in each of the jurisdictions in which it operates. However, actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant authorities, which occur subsequent to the issuance of the financial statements. Additionally, estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions before they expire against future taxable income. The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period. The operations in Canada and the United States are subject to income tax at the following rates 26.5% (2017 – 26.5%) in the Canadian jurisdictions and from 21.0% to 26.5% (2017 – 34.0% to 36.5%) in the U.S. jurisdictions.

In interim periods, the income tax (provision) recovery is based on actual earnings by jurisdiction. The Company has not recorded a deferred tax asset with respect to the potential future income tax benefit pertaining to the losses incurred by its U.S. operations in prior years.

12. NET INCOME PER SHARE

Net income per share is calculated on the net income using the weighted average number of shares outstanding for the period. The diluted earnings per share is calculated to reflect the dilutive effect of the exercise of the outstanding stock options on income per share.

The weighted average number of Class A Subordinate Voting shares and Class B Multiple Voting shares outstanding utilized in the calculations of net income per share is as follows:

	Three months ended September 30					
	2018			2017		
Earnings per share	**Net Income $**	**Shares (thousands)**	**Per share amount $**	**Net Income $**	**Shares (thousands)**	**Per share amount $**
Basic	**5,359**	**10,967**	**0.49**	7,232	10,974	0.66
Dilutive effect of stock options		**282**	**(0.01)**		290	(0.02)
Diluted		**11,249**	**0.48**		11,264	0.64

	Nine months ended September 30					
	2018			2017		
Earnings per share	**Net Income $**	**Shares (thousands)**	**Per share amount $**	**Net Income $**	**Shares (thousands)**	**Per share amount $**
Basic	**12,453**	**10,971**	**1.14**	9,010	10,968	0.82
Dilutive effect of stock options		**247**	**(0.03)**		331	(0.02)
Diluted		**11,218**	**1.11**		11,299	0.80

In determining the dilutive earnings per share, Nil (2017 – 103,000) and 27,542 (2017 – 126,819) options to purchase Class A Subordinate Voting shares were considered anti-dilutive for the three and nine month periods ended September 30, 2018, respectively.

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13. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

For the periods ended September 30, 2018 and September 30, 2017, cash provided from (used for) financing activities resulted in the following changes to the Company's financing liabilities.

	Term Loans		Finance Leases	
	Current	Non-current	Current	Non-current
Balance as at December 31, 2017	**$ 1,959**	**$ 33,765**	**$ 170**	**$ 272**
Cash flows:				
Payments during the period	(1,178)		(169)	
Changes from cash flows	**(1,178)**		**(169)**	
Non-cash changes:				
Increase in financial obligations			147	302
Impact of currency exchange rates			2	4
Other non-cash movements	1,170	(1,170)	239	(239)
Non-cash changes	**1,170**	**(1,170)**	**388**	**67**
Balance as at September 30, 2018	**$ 1,951**	**$ 32,595**	**$ 389**	**$ 339**

	Term Loans		Finance Leases	
	Current	Non-current	Current	Non-current
Balance as at December 31, 2016	**$ 1,960**	**$ 35,724**	**$ 678**	**$ 186**
Cash flows:				
Payments during the period	(1,178)		(642)	
Changes from cash flows	**(1,178)**		**(642)**	
Non-cash changes:				
Increase in financial obligations			110	213
Impact of currency exchange rates	-	-	(1)	(12)
Other non-cash movements	1,178	(1,178)	76	(76)
Non-cash changes	**1,178**	**(1,178)**	**185**	**125**
Balance as at September 30, 2017	**$ 1,960**	**$ 34,546**	**$ 221**	**$ 311**

14. COMMITMENTS AND CONTINGENCIES

As at September 30, 2018, the Company had capital expenditure commitments with suppliers totaling $2,557.

The Company normally enters into supply and transportation contracts for natural gas to satisfy its future requirements. As at September 30, 2018, the Company has contracted for its estimated remaining 2018 Canadian natural gas supply requirements at an aggregate estimated cost of $307, none of which was at fixed prices, and for its estimated remaining 2018 Canadian transportation requirements at an aggregate estimated cost of $296, of which 31% was at fixed prices. The potential unrealized gain on the fixed price transportation contracts was approximately $53 (2017 – approximately $36), and was not taken to income since these are supply contracts that will be charged to operations in the period the gas is consumed.

Letters of credit are issued by the Company's banker to provide security to certain service providers and in connection with certain governmental operating permits. The aggregate amount of letters of credit outstanding as at September 30, 2018 is $365 (December 31, 2017 – $356).

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position or liquidity.

15. RELATED PARTY TRANSACTIONS

The Company has determined which of its customers are related to the Company. These customers are controlled by common directors or significant shareholders. Sales to these customers are made under competitive terms and conditions. These customers accounted for 4.0% (2017 – 3.1%) and 4.3% (2017 – 4.9%) of revenues in aggregate for the three and nine months ended September 30, 2018, respectively. As at September 30, 2018, the trade receivable balance outstanding from related customers was $15 (December 31, 2017 – $26).

Trade payables to related parties totaled $184 as at September 30, 2018 (December 31, 2017 – $46) and includes payables for rebates.

All related party transactions are accounted for at the exchange amount which is the amount of consideration established and agreed to by the related parties.

16. OPERATING SEGMENTS

The Company considers that for purposes of operating decision making and assessing performance it operates within two dominant business segments: Masonry Products and Landscape Products. Although the Company operates several plants, the nature of products, production methods and type of customers for their products and services share similar economic characteristics within each segment.

MASONRY PRODUCTS

Manufacture of clay brick and a range of concrete masonry products including stone veneer, concrete brick and block for use in residential construction and institutional, commercial and industrial building projects.

LANDSCAPE PRODUCTS

Manufacture of concrete paving stones, retaining walls, garden walls and sales of accessory products for use in residential construction and institutional, commercial and industrial building projects.

OTHER

Other business operations and assets consist primarily of the Company's share of income from its joint venture investment in Universal prior to April 2, 2018, as well as post-acquisition rental revenues, related costs and assets of the wholly-owned subsidiary. The purchase transaction on April 2, 2018 is described in Note 4, ***Investment in Universal Resource Recovery Inc.*** In 2017, 'Other' assets comprised primarily of the loan receivable from Universal.

Segmented information, with comparative information for 2017, is as follows:

i) Revenues	Three months ended September 30 2018 $	Three months ended September 30 2017 $	Nine months ended September 30 2018 $	Nine months ended September 30 2017 $
Masonry Products	**32,962**	32,911	**89,244**	84,364
Landscape Products	**16,836**	17,283	**36,329**	35,313
Other	**34**	-	**68**	-
Revenues	**49,832**	50,194	**125,641**	119,677
ii) Operating income (loss)				
Masonry Products	**5,299**	6,194	**13,846**	8,497
Landscape Products	**1,945**	3,455	**3,032**	5,427
Other	**(215)**	-	**333**	-
Operating income	**7,029**	9,649	**17,211**	13,924
Finance (expense) income	**(144)**	71	**(613)**	(507)
Income taxes	**(1,526)**	(2,488)	**(4,145)**	(4,407)
Net income for the period	**5,359**	7,232	**12,453**	9,010

iii) Total assets	September 30, 2018 $	December 31, 2017 $
Masonry and Landscape Products	**240,431**	233,987
Other	**13,373**	6,396
Total assets	**253,804**	240,383

Certain long-term assets are used for both the Masonry Products and Landscape Products business segments. Assets do not form part of management's evaluation of performance of individual business units and therefore are not reported on a segmented basis.

Geographical information is as follows:

	Three months ended September 30, 2018 Revenues $	Three months ended September 30, 2017 Revenues $	Nine months ended September 30, 2018 Revenues $	Nine months ended September 30, 2017 Revenues $
Canada	**43,547**	44,987	**111,091**	106,610
United States	**6,285**	5,207	**14,550**	13,067
	49,832	50,194	**125,641**	119,677

	September 30, 2018 Property, plant and equipment $	December 31, 2017 Property, plant and equipment $
Canada	**137,472**	127,237
United States	**31,154**	30,128
	168,626	157,365

17. SEASONAL FLUCTUATIONS

The Company's business is seasonal. Historically, sales and results are greater in the second and third quarters of each year than in the first and fourth quarters. The Landscape Products business segment is affected by seasonality to a greater degree than the Masonry Products business. Consequently, the results of operations and cash flows for the three and nine months ended September 30, 2018 are not necessarily indicative of the results to be expected for the full year.

BRAMPTON BRICK Limited
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225 Wanless Drive
Brampton, ON L7A 1E9
www.bramptonbrick.com