Interim Management's Discussion & Analysis – Third quarter ended September 30, 2017

The following Management's Discussion and Analysis ("MD&A") presents the results, financial position and cash flows of Lassonde Industries Inc. and should be read in conjunction with its unaudited interim condensed consolidated financial statements ("interim consolidated financial statements") and accompanying notes. In addition to containing an analysis of the third quarter ended September 30, 2017, this MD&A reports on items deemed significant that have taken place from September 30, 2017 up to and including November 10, 2017, which is the date on which this MD&A was approved by the Company's Board of Directors.

The financial information in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS").

Additional information, including the Annual Information Form and certifications of filings for the third quarter of 2017, is available on the SEDAR website at www.sedar.com. Unless otherwise indicated, the reporting currency for figures in this document is the Canadian dollar.

Forward-Looking Statements and Use of Estimates

Any statement contained in this report that does not constitute a historical fact may be deemed a forward-looking statement. Verbs such as "believe," "expect," "estimate" and other similar expressions, in addition to the negative forms of these terms or any variations thereof, appearing in this report generally indicate forward-looking statements. These forward-looking statements do not provide guarantees as to the future performance of Lassonde Industries Inc. and are subject to risks, both known and unknown, as well as uncertainties that may cause the outlook, profitability and actual results of Lassonde Industries Inc. to differ significantly from the profitability or future results stated or implied by these statements. Detailed information on risks and uncertainties is provided in the "Uncertainties and Principal Risk Factors" section of the MD&A for the year ended December 31, 2016.

In preparing interim consolidated financial statements in accordance with IFRS, management must exercise judgment when applying accounting policies and use assumptions and estimates that have an impact on the amounts of assets, liabilities, revenues and expenses reported and on the contingent liabilities and contingent assets information provided.

The main assumptions and estimates used by management are as follows:

- Measurements of revenues from product sales;
- Measurements of the quarterly effective tax rate;
- Measurements of defined benefit assets and liabilities; and
- Measurements of non-financial assets.

Because the use of assumptions and estimates is inherent to the financial reporting process, the actual results of items subject to assumptions and estimates may differ from these assumptions and estimates.

Corporate Profile

Lassonde Industries Inc. develops, manufactures and markets a wide range of ready-to-drink fruit and vegetable juices and drinks. The Company is one of the two largest producers of store brand shelf-stable fruit juices and drinks in the United States and a major producer of cranberry sauces. Furthermore, the Company develops, manufactures and markets specialty food products such as fondue broths and sauces, packaged corn-on-the-cob and pasta sauces. It also imports selected wines from several countries of origin for packaging and marketing purposes. It also produces apple cider and cider-based beverages.

The Company has five principal operating subsidiaries: A. Lassonde Inc.; Apple & Eve, LLC ("A&E"); Arista Wines Inc.; Lassonde Pappas and Company, Inc. ("LPC") (formerly Clement Pappas and Company, Inc.); and Lassonde Specialties Inc. The Company produces superior quality products through the expertise of approximately 2,100 people working in 14 plants across Canada and the United States. The shares of Lassonde Industries Inc. are listed on the Toronto Stock Exchange.

The Company is active in two market segments: the retail segment and the food service segment. Retail sales account for approximately 83% of total annual sales and consist of sales to food retailers and wholesalers such as supermarket chains, independent grocers, superstores, warehouse clubs, major pharmacy chains and online sales. Food service sales account for approximately 17% of total annual sales and consist of sales to restaurants, hotels, hospitals, schools and wholesalers serving these institutions.

The Company's national brands are sold in various packages under several proprietary trademarks, including Antico, Apple & Eve, Arte Nova, Bombay, Canton, Double Vie, Dublin's Pub, Everfresh, Fairlee, Fruité, Grown Right, miSangrina, Mont-Rouge, Northland, Oasis, Orange Maison, Pomme de Coeur, Rougemont, Ruby Kist, Sunlike, The Switch, Tropical Grove as well as under trademarks for which the Company is a licensed user such as Allen's, Del Monte, Graves, Mitchell's, Nature's Best, and Tetley. On an annual basis, the Company's sales are geographically broken down as follows: approximately 58% of the Company's sales are made in the United States, 41% in Canada and less than 1% in other countries.

In the normal course of operations, the Company is involved in apple and cranberry processing and packages corn-on-the-cob. These processing activities take place mainly from August to November. Processing the harvested crops generally increases inventory levels during the last quarter of the year.

Overall Performance

The Company's sales totalled $369.5 million in the third quarter of 2017, down $7.7 million from $377.2 million in sales in the same quarter of 2016. Excluding a $9.1 million unfavourable foreign exchange impact, sales increased by $1.4 million (0.4%), largely due to an increase in sales of private label products and a favourable change in the sales mix of national brands, partly offset by a decrease in the sales volume of national brands.

The Company's operating profit for the third quarter of 2017 totalled $34.0 million, up $1.7 million from $32.3 million in the same quarter last year. This increase came mainly from adjustments in performance-related salary expenses, partly offset by decreased profitability within the U.S. operations due to a change in the client mix of private label products and to lower national brand sales.

The Company's financial expenses went from $6.1 million in the third quarter of 2016 to $2.9 million this third quarter. This $3.2 million decrease came mainly from a $1.6 million decrease in interest expense, of which $0.8 million was due to a lower interest rate on LPC's term loan and $0.8 million to a reduction in indebtedness. During the third quarter of 2016, the Company had written off $1.3 million in capitalized financial costs following the modification and renewal of the U.S. credit facilities. The amortization of financial expenses was also down, decreasing by $0.3 million mainly due to the modification and renewal of the U.S. credit facilities.

"Other (gains) losses" went from a $0.6 million gain in the third quarter of 2016 to a $0.2 million gain in the third quarter of 2017. The 2016 third-quarter gain of $0.6 million was mainly due to $0.3 million in foreign exchange gains and to a $0.2 million gain resulting from a change in the fair value of the interest rate swap related to LPC's term loan. The 2017 third-quarter gain of $0.2 million was essentially due to foreign exchange gains.

Profit before income taxes totalled $31.3 million in the third quarter of 2017, up $4.5 million from $26.8 million in the third quarter of 2016.

Income tax expense went from $8.3 million in the third quarter of 2016 to $10.2 million in the third quarter of 2017. At 32.5%, the 2017 third-quarter effective income tax rate was higher than the 31.0% rate in the same quarter of 2016. The 2016 effective income tax rate had been favourably affected by a revision to the non-deductible expenses estimate and to the geographic distribution of profit before income taxes. The 2017 third-quarter effective income tax rate was favourably affected by a higher special deduction for domestic production activity in the United States.

The 2017 third-quarter profit totalled $21.1 million, up $2.6 million from $18.5 million in the third quarter of 2016.

Profit attributable to the Company's shareholders was $20.1 million, resulting in basic and diluted earnings per share of $2.87 for the third quarter of 2017. In the third quarter of 2016, profit attributable to the Company's shareholders had totalled $17.6 million, resulting in basic and diluted earnings per share of $2.52.

Cash flows from operating activities generated $31.6 million in cash during the third quarter of 2017, while they had generated $46.9 million in cash during the same quarter last year. Financing activities used $23.3 million in the third quarter of 2017, while these activities had used $54.5 million in the same quarter of 2016. Investing activities used $6.7 million in the third quarter of 2017 compared to $7.0 million used in the same quarter of 2016. At the end of the third quarter of 2017, the Company reported a cash and cash equivalents balance of $9.3 million and a bank overdraft of $3.3 million compared to a cash and cash equivalents balance of $8.3 million and a bank overdraft of $nil at the end of the third quarter of 2016.

Quarterly Financial Information

Consolidated Income Data

(in thousands of dollars, unless otherwise indicated)	**Third quarters ended Sept. 30, 2017**	**Third quarters ended Oct. 1, 2016**
	$	$
Sales	**369,484**	377,225
Cost of sales	**266,388**	266,781
Selling and administrative expenses	**69,128**	78,137
(Gains) losses on capital assets	**5**	3
	335,521	344,921
Operating profit	**33,963**	32,304
Financial expenses	**2,896**	6,088
Other (gains) losses	**(207)**	(563)
Profit before income taxes	**31,274**	26,779
Income tax expense	**10,164**	8,300
Profit	**21,110**	18,479
Attributable to:		
Company's shareholders	**20,064**	17,596
Non-controlling interest	**1,046**	883
	21,110	18,479
Basic and diluted earnings per share *(in $)*	**2.87**	2.52
Weighted average number of shares outstanding *(in thousands)*	**6,988**	6,988

In the third quarter of 2017, sales totalled $369.5 million, down $7.7 million (2.1%) from sales of $377.2 million in the third quarter of 2016. This decrease was mainly due to the combined impact of the following items: (i) a $12.7 million decrease in the sales volume of national brands; (ii) a $12.7 million increase in sales of private label products, despite the unfavourable impact of a change in the client mix in the United States; (iii) a $9.1 million unfavourable foreign exchange impact; (iv) a favourable change in the sales mix of national brands that caused a $1.3 million increase in sales; (v) sales price fluctuations that had a $0.6 million favourable impact on national brand sales; and (vi) an unfavourable impact of a $0.5 million increase in slotting fees. For the first nine months of 2017, sales totalled $1,123.6 million, a slight decrease from $1,123.9 million in the first nine months of 2016. Excluding a $7.7 million unfavourable foreign exchange impact, sales for the first nine months of 2017 increased by 0.7% from sales in the first nine months of last year.

Cost of sales went from $266.8 million in the third quarter of 2016 to $266.4 million in the third quarter of 2017, down $0.4 million or 0.1%. This decrease in cost of sales is lower than the 2.1% decrease of sales. Excluding the unfavourable impact of a change in the private label client mix in the United States, the cost of sales over sales ratio remained essentially unchanged. For the first nine months of 2017, cost of sales stood at $809.3 million, up 1.2% from $799.8 million in the first nine months of 2016.

Selling and administrative expenses went from $78.1 million in the third quarter of 2016 to $69.1 million in the third quarter of 2017, down $9.0 million. This decrease came mainly from (i) adjustments in performance-related salary expenses, (ii) a favourable foreign exchange impact resulting from the conversion of the selling and administrative expenses of the U.S. entities into Canadian dollars, (iii) lower transportation costs in the United States and (iv) $0.5 million in salary savings due in part to a review of management processes conducted in the first quarter of 2017. For the first nine months of the year, selling and administrative expenses stood at $223.8 million, down 4.3% from $233.8 million in the first nine months of 2016.

The Company's operating profit for the third quarter of 2017 totalled $34.0 million, up $1.7 million from $32.3 million in the same quarter last year. Operating profit for the first nine months of 2017 stood at $91.1 million, up $1.0 million from $90.1 million in the first nine months of 2016.

The Company's financial expenses went from $6.1 million in the third quarter of 2016 to $2.9 million this third quarter. This $3.2 million decrease came mainly from a $1.6 million decrease in interest expense, of which $0.8 million was due to a lower interest rate on LPC's term loan and $0.8 million to a reduction in indebtedness. During the third quarter of 2016, the Company had written off $1.3 million in capitalized financial costs following the modification and renewal of the U.S. credit facilities. The amortization of financial expenses was also down, decreasing by $0.3 million due, among other factors, to the modification and renewal of the U.S. credit facilities. For the nine-month periods, financial expenses went from $17.6 million in 2016 to $9.3 million in 2017.

"Other (gains) losses" went from a $0.6 million gain in the third quarter of 2016 to a $0.2 million gain in the third quarter of 2017. The 2016 third-quarter gain of $0.6 million was mainly due to $0.3 million in foreign exchange gains and to a $0.2 million gain resulting from a change in the fair value of the interest rate swap related to LPC's term loan. The 2017 third-quarter gain of $0.2 million was essentially due to foreign exchange gains. For the nine-month periods, the "Other (gains) losses" item was a $0.2 million gain in 2017 compared to a $0.6 million loss in 2016.

Profit before income taxes totalled $31.3 million in the third quarter of 2017, up $4.5 million from $26.8 million in the same quarter of 2016. For the first nine months of 2017, profit before income taxes stood at $81.9 million, up $10.0 million from $71.9 million in the first nine months of 2016.

Income tax expense went from $8.3 million in the third quarter of 2016 to $10.2 million in the third quarter of 2017. At 32.5%, the 2017 third-quarter effective income tax rate was higher than the 31.0% rate in the same quarter of 2016. The 2016 effective income tax rate had been favourably affected by a revision to the non-deductible expenses estimate and to the geographic distribution of profit before income taxes. The 2017 third-quarter effective income tax rate was favourably affected by a higher special deduction for domestic production activity in the United States. Income tax expense for the first nine months of 2017 stood at $26.2 million, up $3.3 million from $22.9 million in the first nine months of 2016.

The 2017 third-quarter profit totalled $21.1 million, up $2.6 million from $18.5 million in the third quarter of 2016. For the first nine months of 2017, profit totalled $55.7 million versus profit of $49.1 million in the first nine months of 2016.

Profit attributable to the Company's shareholders was $20.1 million, resulting in basic and diluted earnings per share of $2.87 for the third quarter of 2017. In the third quarter of 2016, profit attributable to the Company's shareholders had totalled $17.6 million, resulting in basic and diluted earnings per share of $2.52. For the first nine months of 2017, profit attributable to the Company's shareholders totalled $52.8 million, resulting in basic and diluted earnings per share of $7.55 and, in the same nine-month period of 2016, profit had totalled $46.2 million, resulting in basic and diluted earnings per share of $6.62.

Interim Results

(in thousands of dollars, unless otherwise indicated)	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
	$	$	$	$	$	$	$	$
Sales	**369,484**	383,335	370,738	385,646	377,225	360,159	386,475	401,473
Operating profit	**33,963**	33,437	23,666	36,115	32,304	30,326	27,430	36,182
Profit attributable to the Company's shareholders	**20,064**	19,606	13,086	21,915	17,596	15,686	12,955	20,197
Basic and diluted earnings per share *(in $)*	**2.87**	2.81	1.87	3.14	2.52	2.24	1.85	2.89
Adjusted EBITDA [i)]	**45,111**	44,373	34,930	48,025	43,120	41,372	38,672	47,075

[i)] For the definition, see the "Financial Measures Not in Accordance with IFRS" section of this MD&A.

Fourth Quarter of 2015

The Company's sales totalled $401.5 million in the fourth quarter of 2015, up $52.1 million or 14.9% from $349.4 million in the same period of 2014. This increase was primarily driven by a favourable foreign exchange impact and higher sales of private label products.

The Company's operating profit for the fourth quarter of 2015 totalled $36.2 million, up $4.0 million from $32.2 million in the same quarter of 2014. This increase came mainly from a favourable impact of foreign exchange movements on the conversion into Canadian dollars of the results of the U.S. entities and from improved profitability within the U.S. operations, partly offset by lower profitability in the Canadian operations caused by an unfavourable impact of a low Canadian dollar on U.S.-dollar purchases and by a charge related to customs duties claimed by the U.S. authorities.

Profit attributable to the Company's shareholders totalled $20.2 million, resulting in basic and diluted earnings per share of $2.89 in the fourth quarter of 2015. In the fourth quarter of 2014, profit attributable to the Company's shareholders had totalled $16.3 million, resulting in basic and diluted earnings per share of $2.33.

First Quarter of 2016

The Company's sales totalled $386.5 million in the first quarter of 2016, up $58.8 million from $327.7 million in the same quarter of 2015. Part of this increase stems from the fact that, in the first quarter of 2016, there were five more delivery days than in the first quarter of 2015, resulting in an estimated $27.0 million increase in sales. Excluding this circumstance, to obtain a comparable basis, the remaining increase in sales was mainly due to a favourable foreign exchange impact and an increase in sales of private label products, partly offset by a decrease in the sales volume of national brands.

The Company's operating profit for the first quarter of 2016 totalled $27.4 million, up $10.4 million from operating profit of $17.0 million in the same quarter of 2015. This increase was mainly due to the favourable impact on profit of the contribution margin from the Company's additional sales and to a favourable impact of foreign exchange movements on the conversion into Canadian dollars of the financial results of the U.S. entities. The improved profitability came essentially from the U.S. entities, as the favourable impact of additional sales was largely offset in Canada by the unfavourable impact of a low Canadian dollar on U.S.-dollar purchases.

Profit attributable to the Company's shareholders was $13.0 million, resulting in basic and diluted earnings per share of $1.85 for the first quarter of 2016. In the first quarter of 2015, profit attributable to the Company's shareholders had totalled $7.8 million, resulting in basic and diluted earnings per share of $1.11.

Second Quarter of 2016

The Company's sales totalled $360.2 million in the second quarter of 2016, up $3.4 million from $356.8 million in sales in the same period of 2015. This increase was primarily driven by a favourable foreign exchange impact and an increase in sales of private label products, partly offset by a decrease in the sales volume of national brands.

The Company's operating profit for the second quarter of 2016 totalled $30.3 million, up $1.0 million from operating profit of $29.3 million in the same quarter of the previous year. This increase came mainly from improved profitability within the U.S. operations combined with a favourable impact of foreign exchange movements on the conversion into Canadian dollars of the financial results of these entities. In Canada, a favourable impact driven by improved profitability was more than offset by an unfavourable impact of a low Canadian dollar on U.S.-dollar purchases.

Profit attributable to the Company's shareholders was $15.7 million, resulting in basic and diluted earnings per share of $2.24 for the second quarter of 2016. In the second quarter of 2015, profit attributable to the Company's shareholders had totalled $14.2 million, resulting in basic and diluted earnings per share of $2.03.

Third Quarter of 2016

The Company's sales totalled $377.2 million in the third quarter of 2016, up $13.9 million from $363.3 million in sales in the same period of 2015. This increase was primarily driven by an increase in sales of private label products, partly offset by a decrease in the sales volume of national brands.

The Company's operating profit for the third quarter of 2016 totalled $32.3 million, up $3.5 million from operating profit of $28.8 million in the same quarter of the previous year. This increase came mainly from improved profitability within the Canadian operations due to higher sales, partly offset by an unfavourable impact of a low Canadian dollar on U.S.-dollar purchases. The Company also benefited from improved profitability within the U.S. operations due to a slight decrease in its input costs.

Profit attributable to the Company's shareholders was $17.6 million, resulting in basic and diluted earnings per share of $2.52 for the third quarter of 2016. In the third quarter of 2015, profit attributable to the Company's shareholders had totalled $14.8 million, resulting in basic and diluted earnings per share of $2.12.

Fourth Quarter of 2016

The Company's sales totalled $385.6 million in the fourth quarter of 2016, down $15.9 million or 3.9% from $401.5 million in the same period of 2015. Part of this decrease stems from the fact that, in the fourth quarter of 2016, there were four fewer delivery days than in the fourth quarter of 2015, resulting in an estimated $24.7 million decrease in year-over-year sales. Excluding this circumstance, to obtain a comparable basis, the remaining $8.8 million increase in sales was mainly due to an increase in sales of private label products, partly offset by a decrease in the sales volume of national brands.

For the fourth quarter of 2016, the Company's operating profit totalled $36.1 million compared to $36.2 million in the same quarter of 2015, a $0.1 million year-over-year decrease attributable to an unfavourable impact on profit of lower sales resulting from four fewer delivery days than in the fourth quarter of 2015 as well as to an increase in the price of orange concentrates, largely offset by improved profitability within the Canadian operations.

Profit attributable to the Company's shareholders totalled $21.9 million, resulting in basic and diluted earnings per share of $3.14 in the fourth quarter of 2016. In the fourth quarter of 2015, profit attributable to the Company's shareholders had totalled $20.2 million, resulting in basic and diluted earnings per share of $2.89.

First Quarter of 2017

The Company's sales totalled $370.7 million in the first quarter of 2017, down $15.8 million from $386.5 million in sales in the same quarter of 2016. Excluding an $8.3 million unfavourable foreign exchange impact, sales decreased by $7.5 million (1.9%), largely due to a decrease in the sales volume of national brands, partly offset by an increase in sales of private label products.

The Company's operating profit for the first quarter of 2017 totalled $23.7 million, down $3.7 million from $27.4 million in the same quarter last year. This decrease came mainly from higher orange concentrate costs, from a decrease in the gross margin resulting from lower sales, from an unfavourable impact of a low Canadian dollar on hedged U.S.-dollar purchases, and from severance payments, partly offset by a favourable impact of selling price adjustments.

Profit attributable to the Company's shareholders was $13.1 million, resulting in basic and diluted earnings per share of $1.87 for the first quarter of 2017. In the first quarter of 2016, profit attributable to the Company's shareholders had totalled $13.0 million, resulting in basic and diluted earnings per share of $1.85.

Second Quarter of 2017

The Company's sales totalled $383.3 million in the second quarter of 2017, up $23.1 million from $360.2 million in sales in the same quarter of 2016. This increase was primarily driven by an increase in sales of private label products and by a favourable foreign exchange impact, partly offset by a decrease in the sales volume of national brands in the United States.

The Company's operating profit for the second quarter of 2017 totalled $33.4 million, up $3.1 million from $30.3 million in the same quarter last year. This increase came mainly from improved profitability within the Canadian operations due to higher sales and from a favourable change in "(Gains) losses on capital assets", partly offset by an unfavourable impact of higher orange concentrate costs. In the United States, the Company observed a slight decrease in the profitability of its operations arising from an increase in the cost of certain raw materials, partly offset by a favourable impact of foreign exchange movements on the conversion of the financial results of the U.S. entities.

Profit attributable to the Company's shareholders was $19.6 million, resulting in basic and diluted earnings per share of $2.81 for the second quarter of 2017. In the second quarter of 2016, profit attributable to the Company's shareholders had totalled $15.7 million, resulting in basic and diluted earnings per share of $2.24.

Cash and Financial Position

Financial Position Data

(in thousands of dollars, unless otherwise indicated)	**As at Sept. 30, 2017**	**As at Dec. 31, 2016**
	$	$
Total assets	**1,058,375**	1,103,641
Shareholders' equity	**587,668**	585,581
Shareholders' equity / total assets *(in %)*	**55.5**	53.1
Total debt [i]	**192,256**	252,492

[i] Including long-term debt and its current portion.

When comparing Condensed Consolidated Statement of Financial Position items, readers must consider the conversion rate applicable to closing balances denominated in U.S. dollars, which went from $1.3427 CAD per USD as at December 31, 2016 to $1.2480 CAD per USD as at September 30, 2017. The following table presents the Condensed Consolidated Statement of Financial Position items that are significantly affected by the movement in exchange rates.

(in millions of dollars)	As at Sept. 30, 2017	As at Dec. 31, 2016	Increase (decrease) Foreign exchange impact	Increase (decrease) Variance, excluding foreign exchange impact
	$	$	$	$
Accounts receivable	**126.2**	137.9	(4.9)	(6.8)
Inventories	**222.2**	217.6	(9.2)	13.8
Property, plant and equipment	**270.0**	268.8	(7.9)	9.1
Intangible assets	**203.5**	233.7	(15.3)	(14.9)
Goodwill	**198.4**	213.0	(14.6)	-
Accounts payable and accrued liabilities	**205.3**	199.8	(8.1)	13.6
Long-term debt, including the current portion	**192.3**	252.5	(11.9)	(48.3)
Deferred tax liabilities	**49.6**	52.0	(1.8)	(0.6)

As at September 30, 2017, the Company had total assets of $1,058.4 million versus $1,103.6 million as at December 31, 2016, a 4.1% decrease arising from a lower closing conversion rate in the third quarter of 2017. Excluding the conversion rate impact, total assets would have increased by 0.6%. At the end of the third quarter of 2017, the Company's working capital stood at $138.8 million, for a ratio of 1.60:1, compared to $153.6 million and a ratio of 1.70:1 as at December 31, 2016.

As at September 30, 2017, current assets totalled $370.2 million versus $374.2 million as at December 31, 2016. Cash and cash equivalents stood at $9.3 million as at September 30, 2017 compared to $0.5 million as at December 31, 2016.

Accounts receivable totalled $126.2 million as at September 30, 2017 compared to $137.9 million as at December 31, 2016. Excluding the foreign exchange impact, accounts receivable were down $6.8 million, mainly because of (i) a $4.3 million decrease in trade accounts receivable resulting largely from lower receivables from a U.S. government agency, partly offset by an increase in the collection period and (ii) a $2.7 million decrease in discounts receivable from suppliers as a result, among other factors, of a replacement of rebates with a reduction in the unit price.

Inventories went from $217.6 million as at December 31, 2016 to $222.2 million as at September 30, 2017. Excluding the foreign exchange impact, inventories increased by $13.8 million. This increase came from a $14.9 million increase in finished goods inventories in preparation for the autumn season partly offset by a $1.1 million decrease in raw materials and supplies inventories.

As at September 30, 2017, the fair value of derivative instruments recorded as current assets was $0.2 million compared to $4.4 million as at December 31, 2016. This Statement of Financial Position item essentially reflects the favourable variances between the rates on the foreign exchange forward contracts held by the Company to cover its foreign currency requirements for the 12 months following its reporting dates and the exchange rates on those dates.

Other current assets went from $11.9 million as at December 31, 2016 to $12.4 million as at September 30, 2017. This $0.5 million increase was mainly due to a $2.6 million increase in tax credits and sales tax receivable, partly offset by a $2.1 million decrease in prepaid expenses.

Property, plant and equipment went from $268.8 million as at December 31, 2016 to $270.0 million as at September 30, 2017. Excluding the foreign exchange impact, property, plant and equipment increased by $9.1 million. The Company purchased $29.1 million in property, plant and equipment while posting an $18.5 million depreciation expense and a $1.5 million derecognition upon a sale of a plant and land.

Intangible assets went from $233.7 million as at December 31, 2016 to $203.5 million as at September 30, 2017. Excluding the foreign exchange impact, intangible assets decreased by $14.9 million, essentially because amortization expense was $15.5 million while intangible asset purchases were $0.6 million.

The net defined benefit asset went from $11.7 million as at December 31, 2016 to $14.4 million as at September 30, 2017, a $2.7 million increase due to $6.5 million in funding to the defined benefit pension plans, partly offset by $2.3 million in plan-related expenses and by a $1.5 million actuarial loss.

Current liabilities stood at $231.4 million as at September 30, 2017 compared to $220.5 million at the end of 2016. Bank overdraft stood at $3.3 million as at September 30, 2017 compared to $6.4 million as at December 31, 2016.

Accounts payable and accrued liabilities went from $199.8 million as at December 31, 2016 to $205.3 million as at September 30, 2017. Excluding the foreign exchange impact, accounts payable and accrued liabilities increased by $13.6 million, mainly as a result of: (i) a $21.1 million increase in trade payables and accrued expenses due to a change in supplier payment terms and to equipment payable, (ii) a $10.1 million decrease in the "Salaries and accrued vacation payable" item partly due to adjustments in performance-related salary expenses, and (iii) a $2.6 million increase in trade marketing costs payable.

As at September 30, 2017, the fair value of derivative instruments recorded as current liabilities was $5.6 million compared to $0.4 million as at December 31, 2016. This Statement of Financial Position item essentially reflects the unfavourable variances between the rates on the foreign exchange forward contracts held by the Company to cover its foreign currency requirements for the 12 months following its reporting dates and the exchange rates on those dates.

Long-term debt, including the current portion, was $192.3 million as at September 30, 2017 compared to $252.5 million as at December 31, 2016. Excluding the foreign exchange impact, long-term debt decreased by $48.3 million. This decrease was mainly due to a repayment of $29.2 million on LPC's term loan and a repayment of $15.5 million on Canadian debts other than revolving credit. The Company also repaid $5.0 million of the Canadian revolving operating credit but used $0.1 million of the U.S. revolving operating credit. It should also be noted that the Company amortized $1.2 million of capitalized financial expenses.

Deferred tax liabilities went from $52.0 million as at December 31, 2016 to $49.6 million as at September 30, 2017. Excluding the foreign exchange impact, deferred tax liabilities decreased by $0.6 million. This decrease stems mainly from the tax impact of recognizing, in comprehensive income, an actuarial loss and losses on financial instruments designated as cash flow hedges, partly offset by the tax amortization of goodwill.

Equity attributable to the Company's shareholders was $545.1 million as at September 30, 2017, up $3.3 million from $541.8 million as at December 31, 2016. Accumulated other comprehensive income decreased by $36.2 million, attributable to a $28.3 million decrease in the foreign currency translation reserve resulting from a lower year-over-year conversion rate applicable to closing balances denominated in U.S. dollars as well as to a $7.9 million decrease in the hedging reserve. Retained earnings increased by $39.5 million to total $446.3 million at the end of the third quarter of 2017. This increase essentially reflects the $52.8 million in profit attributable to the Company's shareholders for the first nine months of 2017, less $12.1 million in dividends paid and the recognition of a $1.2 million actuarial loss, net of tax, in other comprehensive income.

Non-controlling interest went from $43.8 million as at December 31, 2016 to $42.6 million as at September 30, 2017. The non-controlling interest represents a minority interest's share in the equity of the Company's U.S. entities.

Analysis of the Consolidated Cash Flows

	Third quarters ended		First nine months ended	
(in thousands of dollars)	**Sept. 30, 2017**	**Oct. 1, 2016**	**Sept. 30, 2017**	**Oct. 1, 2016**
	$	$	**$**	$
Operating activities	**31,567**	46,909	**93,985**	114,051
Financing activities	**(23,293)**	(54,503)	**(62,934)**	(75,787)
Investing activities	**(6,663)**	(7,009)	**(19,593)**	(20,781)
Increase (decrease) in cash and cash equivalents	**1,611**	(14,603)	**11,458**	17,483
Cash and cash equivalents at beginning	**(4,341)**	22,762	**(5,836)**	(8,989)
Impact of exchange rate changes on cash and cash equivalents	**20**	170	**350**	(165)
Cash and cash equivalents at end	**5,972**	8,329	**5,972**	8,329

Cash flows generated by operating activities in the third quarter of 2017 totalled $31.6 million compared to $46.9 million in the third quarter of 2016. This $15.3 million downward change was essentially due to a change in non-cash operating working capital items that used $5.1 million in cash in the third quarter of 2017 compared to $11.0 million in cash inflows in the same period last year, for an increase of $16.1 million in cash outflows. This fluctuation in the change in working capital was essentially due to the combined impact of the following items: (a) a change in accounts payable and accrued liabilities that generated $6.5 million during the third quarter of 2017 compared to $23.7 million generated in the third quarter of 2016, (b) a change in accounts receivable that used $15.2 million in cash during the third quarter of 2017 compared to $19.1 million used during the same quarter of last year, and (c) a change in inventories that generated $5.0 million during the third quarter of 2017 compared to $7.8 million generated in the third quarter of 2016. A $2.8 million increase in income tax paid also contributed to the downward change in operating cash flows. However, the downward change in operating cash flows was limited by: (i) a $2.0 million decrease in interest paid, and (ii) a $1.7 million increase in earnings before interest, taxes, depreciation and amortization.

For the first nine months of 2017, cash flows generated by operating activities totalled $94.0 million, down $20.1 million from the same period in 2016. This downward change was mainly due to a change in non-cash operating working capital items that used $1.0 million in cash in the first nine months of 2017 compared to $25.7 million in cash inflows in the same period last year, for a change of $26.7 million. This fluctuation in the change in working capital was essentially due to the combined impact of the following items: (a) a change in accounts payable and accrued liabilities that generated $6.6 million during the first nine months of 2017 compared to $33.5 million generated during the first nine months of 2016, (b) a change in accounts receivable that generated $6.8 million during the first nine months of 2017, whereas they had used $4.9 million during the first nine months of 2016, (c) a change in inventories that used $13.8 million during the first nine months of 2017 compared to $2.5 million used in the same period last year, and (d) a change in other current assets and liabilities that used $0.6 million during the first nine months of 2017 compared to $0.4 million used in the same period last year. The following items also contributed to the downward change in operating cash flows: (i) $1.7 million in unrealized foreign exchange gains during the first nine months of 2017 compared to $0.3 million in unrealized foreign exchange gains during the first nine months of 2016, (ii) a $1.2 million downward change in the "Cost of the defined benefit pension plans recognized in profit or loss, net of contributions", mainly attributable to a $1.2 million increase in the funding of the defined benefit pension plans, (iii) a $1.1 million decrease in non-cash expenses recognized in profit or loss and related to changes in the fair value of financial instruments, and (iv) $0.6 million in gains on capital assets during the first nine months of 2017 compared to $0.2 million in losses on capital assets during the same period last year. However, the downward change in operating cash flows was limited by the following items: (i) a $5.7 million decrease in interest paid, (ii) a $3.6 million increase in earnings before interest, taxes, depreciation and amortization, (iii) a $1.4 million increase in income tax received, and (iv) a $0.7 million decrease in settlements of derivative instruments.

During the third quarter of 2017, financing activities used $23.3 million, whereas they had used $54.5 million during the same quarter last year. This $31.2 million change was mainly due to the combined impact of the following items: (i) a $1.5 million inflow from revolving operating credit during the third quarter of 2017 compared to a $25.1 million repayment during the third quarter of 2016, partly financed by an $18.5 million increase in LPC's term loan, (ii) a $21.6 million decrease in long-term debt repayments, and (iii) the payment in 2016 of $2.3 million in capitalized financing costs related to the modification and renewal of the U.S. credit facilities. These items were partly offset by a $0.7 million increase in dividends paid.

For the first nine months of 2017, financing activities used $62.9 million, whereas these activities had used $75.8 million in the first nine months of 2016. This $12.9 million decrease in cash outflows was mainly due to (i) the full settlement in May 2016 of participating loans for an amount of $14.6 million, (ii) a $4.9 million repayment of revolving operating credit during the first nine months of 2017 compared to an $18.5 million repayment of revolving operating credit during the first nine months of 2016, financed by an $18.5 million increase in LPC's term loan, (iii) a $3.2 million decrease in long-term debt repayments, and (iv) the payment in 2016 of $2.3 million in capitalized financing costs related to the modification and renewal of the U.S. credit facilities. These items were partly offset by a $2.1 million increase in dividends paid and a $0.2 million increase in dividends paid to the non-controlling interest.

During the third quarter of 2017, investing activities used $6.7 million compared to $7.0 million used in the same quarter of 2016. This $0.3 million downward change was essentially due to a $0.6 million decrease in cash outflows related to acquisitions of intangible assets partly offset by a $0.2 million increase in cash outflows related to acquisitions of property, plant and equipment.

For the first nine months of 2017, investing activities used $19.6 million compared to $20.8 million used in the same period of fiscal 2016. This downward change in cash outflows came mainly from $2.2 million in net proceeds from the disposal of property, plant and equipment realized upon a sale of a plant and land and from a $1.4 million decrease in cash outflows related to acquisitions of intangible assets, partly offset by a $2.4 million increase in cash outflows related to acquisitions of property, plant and equipment.

Financial Measures Not in Accordance with IFRS

Non-IFRS financial measures have no standardized meaning prescribed under IFRS. They are therefore unlikely to be comparable with measures of the same type presented by other issuers.

Working Capital and Working Capital Ratio

The Company uses working capital as a financial measure to assess whether it has sufficient current assets to cover current liabilities. Working capital is equal to current assets minus current liabilities, whereas the working capital ratio is obtained by dividing current assets by current liabilities.

(in thousands of dollars, except the working capital ratio)	**As at Sept. 30, 2017**	**As at Dec. 31, 2016**
	$	$
Current assets	**370,199**	374,158
Current liabilities	**231,406**	220,510
Working capital	**138,793**	153,648
Working capital ratio	**1.60:1**	1.70:1

Shareholders' Equity to Total Assets

The Company uses the shareholders' equity to total assets financial measure to determine the shareholders' investment as a proportion of the Company's total assets. To calculate the shareholders' equity to total assets ratio, the shareholders' equity presented on the Condensed Consolidated Statement of Financial Position is divided by total assets.

(in thousands of dollars, unless otherwise indicated)	**As at Sept. 30, 2017**	**As at Dec. 31, 2016**
	$	$
Shareholders' equity	**587,668**	585,581
Total assets	**1,058,375**	1,103,641
Shareholders' equity / total assets ratio *(in %)*	**55.5**	53.1

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization

Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") is a financial measure used by the Company and investors to assess its capacity to generate future cash flows from operating activities and pay financial expenses. Adjusted EBITDA consists of operating profit, the depreciation and amortization shown in the Condensed Consolidated Statement of Cash Flows and "(Gains) losses on capital assets", if applicable.

	Third quarters ended		**First nine months ended**	
(in thousands of dollars)	**Sept. 30, 2017**	**Oct. 1, 2016**	**Sept. 30, 2017**	**Oct. 1, 2016**
	$	$	**$**	$
Operating profit	**33,963**	32,304	**91,066**	90,060
Depreciation and amortization	**11,143**	10,813	**33,958**	32,861
(Gains) losses on capital assets	**(5)**	3	**(610)**	243
Adjusted EBITDA	**45,111**	43,120	**124,414**	123,164

Depreciation and amortization expense went from $10.8 million in the third quarter of 2016 to $11.1 million in the third quarter of 2017. Excluding a $0.3 million favourable foreign exchange impact, depreciation and amortization expense was up $0.6 million as a result of acquisitions of property, plant and equipment. For the nine-month periods, depreciation and amortization expense went from $32.9 million in 2016 to $34.0 million in 2017.

Accounting Policies and Future Accounting Changes

The interim consolidated financial statements were prepared using the same accounting policies as those described in Note 2 to the consolidated financial statements for the year ended December 31, 2016. The future accounting changes are presented in Note 4 to the consolidated financial statements for the year ended December 31, 2016, whereas those added after the publication of the annual financial statements are presented in Note 17 to the interim consolidated financial statements. The interim consolidated financial statements do not include all of the notes required in the annual consolidated financial statements.

Disclosure Controls and Procedures ("DC&P")

The Company's Chief Executive Officer and the Executive Vice-President and Chief Financial Officer are responsible for setting and maintaining disclosure controls and procedures, as set out in National Instrument 52-109 issued by the Canadian Securities Administrators. Assisting them in this responsibility is the Disclosure Committee, which consists of key management personnel. The Disclosure Committee must be kept fully informed of any significant information relating to the Company so that it can evaluate said information, determine its importance, and decide on timely disclosure of a press release, where applicable. Management regularly reviews disclosure controls and procedures; however, they cannot provide an absolute level of assurance because of the inherent limitations in control systems to prevent or detect all misstatements due to error or fraud.

The Company's Chief Executive Officer and the Executive Vice-President and Chief Financial Officer have concluded that the design of the disclosure controls and procedures as at September 30, 2017 provides reasonable assurance that significant information relevant to the Company, including that of its subsidiaries, is reported to them during the preparation of disclosure documents.

Internal Control Over Financial Reporting ("ICFR")

Management is responsible for establishing and maintaining adequate internal control over financial reporting in order to provide reasonable assurance as to the reliability of the financial information and reasonable assurance that the financial statements were prepared, for financial reporting purposes, in accordance with IFRS. All internal control systems have inherent limitations and therefore internal controls over financial reporting can only provide reasonable assurance and may not prevent or detect misstatements due to error or fraud.

Under the supervision of the Chief Executive Officer and the Executive Vice-President and Chief Financial Officer, the Company has conducted an evaluation of the design of the Company's internal control over financial reporting as at September 30, 2017, based on the framework issued by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission.

For the nine-month period ended September 30, 2017, there have been no changes to the internal control over financial reporting that would have significantly affected or been likely to have significantly affected the Company's internal control over financial reporting.

Off-Statement-of-Consolidated-Financial-Position Arrangements

As at September 30, 2017, the Company had letters of credit outstanding totalling $1.1 million.

Commitments are presented in Note 26 to the audited consolidated financial statements for the year ended December 31, 2016.

Events After the Reporting Period

As of November 10, 2017, there was no subsequent event to report.

Outlook

For the third quarter of 2017, the Company noted a decline in industry sales for the U.S. fruit juice and beverage market. Some U.S. regions were affected by a particularly difficult hurricane season, which had an impact on demand and the capacity to deliver products to those areas. In the Canadian market, industry sales volumes for the third quarter of 2017 were down year over year. The Company does not see any signs of this trend reversing in the last quarter of 2017. The Company is seeking to limit the impact of this relative weakness in demand through national brand product innovation and continued private label customer development. It has also observed solid progress in its Canadian sales of low-calorie products in 2017. The Company is paying close attention to the Canadian food guide revision process and its potential impacts on the industry.

The Company posted a 2.1% year-over-year decline in sales in the third quarter of 2017. Excluding foreign exchange impacts, adjusted sales increased by 0.4%, which is slightly below our expectations, reflecting lower national brand sales in the U.S. as well as in Canada. Barring any significant external shocks (and excluding foreign exchange impacts to maintain a comparable basis), the Company remains optimistic about its ability to slightly increase its consolidated sales in 2017 compared to those of 2016.

With respect to sourcing, the Company is seeing increases in the price of orange and apple juice concentrate after a period of price stability. Some fruit-producing regions were hit particularly hard this past hurricane season, resulting in an unfavourable impact on the 2017 harvests and a higher cost for orange juice concentrate. This cost increase, however, is not expected to be felt in the last quarter of 2017, since the price of most of the raw material to be used during the upcoming quarter has already been secured through commitments or advance purchases. Consequently, the cost of orange juice concentrate is expected to have a slight favourable impact on the 2017 fourth-quarter profit compared to the same quarter a year earlier. The conversion rate on purchases made by Canadian subsidiaries in U.S. dollars is expected to have a slightly unfavourable impact on the 2017 fourth quarter results compared to fourth quarter 2016, despite recent significant fluctuations in the relative value of Canadian dollar. Foreign exchange forward contracts should help the Company to partially stabilize the impact of currency fluctuations on its results. These foreign exchange contracts have terms of approximately twelve months.

Lassonde expects that its use of funds for investment purposes will increase sequentially by approximately $10 million during the fourth quarter of 2017 as a large proportion of amounts owing on two major production equipment investment projects become due. These disbursements will have no immediate impact on the Company's profit and will only affect its cash flows.

Additional Information

As at September 30, 2017, the issued and outstanding capital stock of the Company consisted of 3,235,300 Class A subordinate voting shares and 3,752,620 Class B multiple voting shares.

This Management's Discussion and Analysis was prepared as of November 10, 2017 and is available on the Lassonde Industries Inc. website. Readers will also find this MD&A, the Annual Information Form, additional documents, press releases, and more information about the Company on the SEDAR website at www.sedar.com.

Dividends

In accordance with its dividend policy, the Company's Board of Directors today declared a quarterly dividend of $0.61 per share, payable on December 15, 2017 to all registered holders of Class A and Class B shares on November 22, 2017. On an annualized basis, this dividend represents approximately 25% of the 2016 profit attributable to the Company's shareholders. This dividend is an eligible dividend.

November 10, 2017