



INTERIM **REPORT**

Third quarter ended  
September 30, 2017



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**Lassonde**  
Industries

## Message to Shareholders

Dear Shareholders,

As Chairman of the Board and Chief Executive Officer of Lassonde Industries Inc., I am pleased to present the financial results for the third quarter of 2017.

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. 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.

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. 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 the term loan of Lassonde Pappas and Company, Inc. ("LPC") 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. 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 third 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.

## Message to Shareholders (continued)

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.

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.

In closing, I would like to reaffirm our commitment to continuing to manage the Company in a responsible fashion in this ever-changing business environment.



PIERRE-PAUL LASSONDE  
**Chairman of the Board  
and Chief Executive Officer**



**Lassonde**  
Industries

Lassonde Industries Inc.  
755 Principale Street  
Rougemont (Quebec)  
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**Condensed Consolidated Statements of Income**

(in thousands of Canadian dollars unless otherwise indicated)  
(unaudited)

	Notes	Third quarters ended		Nine months ended	
		Sept. 30, 2017	Oct. 1, 2016	Sept. 30, 2017	Oct. 1, 2016
		\$	\$	\$	\$
<b>Sales</b>		<b>369,484</b>	377,225	<b>1,123,557</b>	1,123,859
Cost of sales		<b>266,388</b>	266,781	<b>809,290</b>	799,800
Selling and administrative expenses		<b>69,128</b>	78,137	<b>223,811</b>	233,756
(Gains) losses on capital assets	4	<b>5</b>	3	<b>(610)</b>	243
		<b>335,521</b>	344,921	<b>1,032,491</b>	1,033,799
Operating profit		<b>33,963</b>	32,304	<b>91,066</b>	90,060
Financial expenses	5	<b>2,896</b>	6,088	<b>9,311</b>	17,558
Other (gains) losses	6	<b>(207)</b>	(563)	<b>(192)</b>	574
Profit before income taxes		<b>31,274</b>	26,779	<b>81,947</b>	71,928
Income tax expense	7	<b>10,164</b>	8,300	<b>26,209</b>	22,873
<b>Profit</b>		<b>21,110</b>	18,479	<b>55,738</b>	49,055
Attributable to:					
Company's shareholders		<b>20,064</b>	17,596	<b>52,756</b>	46,237
Non-controlling interest		<b>1,046</b>	883	<b>2,982</b>	2,818
		<b>21,110</b>	18,479	<b>55,738</b>	49,055
<b>Basic and diluted earnings per share (in \$)</b>		<b>2.87</b>	2.52	<b>7.55</b>	6.62
<b>Weighted average number of shares outstanding (in thousands)</b>		<b>6,988</b>	6,988	<b>6,988</b>	6,988

**Condensed Consolidated Statements of Comprehensive Income***(in thousands of Canadian dollars)  
(unaudited)*

	Third quarters ended		Nine months ended	
	Sept. 30, 2017	Oct. 1, 2016	Sept. 30, 2017	Oct. 1, 2016
	\$	\$	\$	\$
<b>Profit</b>	<b>21,110</b>	18,479	<b>55,738</b>	49,055
<b>Other comprehensive income:</b>				
<b>To be reclassified subsequently to profit or loss:</b>				
Net change in cash flow hedge:				
Gains (losses) on financial instruments designated as hedges	(5,640)	2,676	(10,812)	(6,633)
Reclassification of (gains) losses on financial instruments designated as hedges	1,837	(353)	(27)	(2,277)
Income tax expense	1,020	(627)	2,937	2,406
	(2,783)	1,696	(7,902)	(6,504)
Translation difference:				
Exchange difference on translating foreign operations	(16,550)	6,242	(31,454)	(22,173)
	(19,333)	7,938	(39,356)	(28,677)
<b>Not to be reclassified subsequently to profit or loss:</b>				
Benefit cost of the defined benefit plans:				
Remeasurements of the net defined benefit asset or liability	2,661	1,241	(1,667)	(4,441)
Income tax expense	(718)	(335)	469	1,236
	1,943	906	(1,198)	(3,205)
<b>Total other comprehensive income (loss)</b>	<b>(17,390)</b>	8,844	<b>(40,554)</b>	(31,882)
<b>Comprehensive income</b>	<b>3,720</b>	27,323	<b>15,184</b>	17,173
Attributable to:				
Company's shareholders	4,329	25,815	15,371	16,600
Non-controlling interest	(609)	1,508	(187)	573
	3,720	27,323	15,184	17,173

**Condensed Consolidated Statements of Financial Position***(in thousands of Canadian dollars)  
(unaudited)*

	Notes	As at Sept. 30, 2017 \$	As at Dec. 31, 2016 \$
<b>Assets</b>			
Current			
Cash and cash equivalents		9,260	526
Accounts receivable		126,214	137,924
Income tax recoverable		-	1,752
Inventories		222,150	217,646
Derivative instruments		156	4,384
Other current assets	9	12,419	11,926
		<b>370,199</b>	<b>374,158</b>
Derivative instruments		737	877
Property, plant and equipment		270,003	268,829
Intangible assets		203,539	233,662
Net defined benefit asset		14,411	11,658
Other long-term assets		1,055	1,408
Goodwill		198,431	213,049
		<b>1,058,375</b>	<b>1,103,641</b>
<b>Liabilities</b>			
Current			
Bank overdraft		3,288	6,362
Accounts payable and accrued liabilities		205,289	199,819
Income tax payable		7,682	2,150
Derivative instruments		5,586	449
Other current liabilities		1,578	1,697
Current portion of long-term debt		7,983	10,033
		<b>231,406</b>	<b>220,510</b>
Derivative instruments		1,833	-
Net defined benefit liability		3,559	2,846
Long-term debt	10	184,273	242,459
Deferred tax liabilities		49,569	51,956
Other long-term liabilities		67	289
		<b>470,707</b>	<b>518,060</b>
<b>Shareholders' equity</b>			
Share capital		48,864	48,864
Contributed surplus		1,382	1,382
Accumulated other comprehensive income	13	48,544	84,743
Retained earnings		446,260	406,779
Non-controlling interest		42,618	43,813
		<b>587,668</b>	<b>585,581</b>
		<b>1,058,375</b>	<b>1,103,641</b>

Approved by the Board of Directors



Pierre-Paul Lassonde  
Director



Luc Provencher  
Director

**Condensed Consolidated Statements of Shareholders' Equity**

(in thousands of Canadian dollars)  
(unaudited)

	Attributable to the Company's shareholders					
	Share capital	Contributed surplus	Accumulated other	Retained earnings	Non-controlling interest	Total shareholders' equity
			comprehensive income (loss) <sup>i)</sup>			
	\$	\$	\$	\$	\$	\$
Balance as at December 31, 2016	48,864	1,382	84,743	406,779	43,813	585,581
Profit	-	-	-	52,756	2,982	55,738
Other comprehensive income (loss)	-	-	(36,199)	(1,186)	(3,169)	(40,554)
Dividends	-	-	-	(12,089)	(1,008)	(13,097)
<b>Balance as at September 30, 2017</b>	<b>48,864</b>	<b>1,382</b>	<b>48,544</b>	<b>446,260</b>	<b>42,618</b>	<b>587,668</b>
Balance as at December 31, 2015	48,864	1,382	99,082	351,705	41,767	542,800
Profit	-	-	-	46,237	2,818	49,055
Other comprehensive income (loss)	-	-	(26,454)	(3,183)	(2,245)	(31,882)
Dividends	-	-	-	(9,993)	(776)	(10,769)
Balance as at October 1, 2016	48,864	1,382	72,628	384,766	41,564	549,204

<sup>i)</sup> Includes the hedging reserve and the foreign currency translation reserve, as presented in Note 13.

Additional information on shareholders' equity is presented in Note 12.



**Condensed Consolidated Statements of Cash Flows***(in thousands of Canadian dollars)  
(unaudited)*

	Notes	Nine months ended	
		Sept. 30, 2017	Oct. 1, 2016
		\$	\$
<b>Operating activities</b>			
Profit		55,738	49,055
Adjustments for:			
Income tax expense	7	26,209	22,873
Interest expense and amortization of financial expense, net of interest income		8,808	16,325
Depreciation and amortization		33,958	32,861
Amortization of unearned discounts and unused tax credits		(416)	(421)
Change in fair value of financial instruments		(6)	1,101
Cost of the defined benefit plans recognized in profit or loss, net of contributions		(3,487)	(2,340)
(Gains) losses on capital assets	4	(610)	243
Unrealized foreign exchange (gains) losses		(1,718)	(284)
		<b>118,476</b>	<b>119,413</b>
Change in non-cash operating working capital items	14	(1,041)	25,745
Income tax received		1,473	27
Income tax paid		(17,373)	(17,242)
Interest received		50	48
Interest paid		(7,383)	(13,127)
Settlements of derivative instruments		(217)	(878)
Unearned discounts		-	65
		<b>93,985</b>	<b>114,051</b>
<b>Financing activities</b>			
Change related to the revolving operating credit, net of transaction costs		(5,050)	(19,466)
Increase in long-term debt, net of transaction costs		(109)	16,919
Repayment of long-term debt	10	(44,678)	(47,864)
Dividends paid on Class A shares		(5,597)	(4,627)
Dividends paid on Class B shares		(6,492)	(5,366)
Dividends paid to the non-controlling interest	12	(1,008)	(776)
Settlement of the participating loans	11	-	(14,607)
		<b>(62,934)</b>	<b>(75,787)</b>
<b>Investing activities</b>			
Acquisition of property, plant and equipment		(21,152)	(18,796)
Acquisition of intangible assets		(599)	(2,010)
Net proceeds from the disposal of property, plant and equipment		2,158	25
		<b>(19,593)</b>	<b>(20,781)</b>
Increase in cash and cash equivalents		11,458	17,483
Cash and cash equivalents at beginning		(5,836)	(8,989)
Impact of exchange rate changes on cash and cash equivalents		350	(165)
<b>Cash and cash equivalents at end</b>	14	<b>5,972</b>	<b>8,329</b>

Additional cash flow information is presented in Note 14.

## Notes to the Interim Condensed Consolidated Financial Statements

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## Notes to the Interim Condensed Consolidated Financial Statements

(tabular amounts are in thousands of Canadian dollars unless otherwise indicated)  
(unaudited)

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### Note 1. Description of the Business

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Lassonde Industries Inc. is incorporated under the *Canada Business Corporations Act* and is listed on the Toronto Stock Exchange. The head office is located at 755 Principale Street in Rougemont, Quebec, Canada.

Lassonde Industries Inc. and its subsidiaries (collectively, "the Company") develop, manufacture and market 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. In addition, it imports selected wines from several countries of origin for packaging and marketing purposes. It also produces apple cider and cider-based beverages.

### Note 2. Statement of Compliance

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The Company's interim condensed consolidated financial statements have been prepared in compliance with IAS 34 *Interim Financial Reporting* and apply the same accounting policies as those described in the Company's annual consolidated financial statements for the year ended December 31, 2016. The Company's annual consolidated financial statements for the year ended December 31, 2016 were prepared in compliance with International Financial Reporting Standards ("IFRS").

These interim condensed consolidated financial statements do not include all of the information required under IFRS for complete financial statements and they should therefore be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2016. The Company's interim condensed consolidated financial statements and annual consolidated financial statements are available on the SEDAR website at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.lassonde.com](http://www.lassonde.com).

The Board of Directors approved these interim condensed consolidated financial statements on November 10, 2017.

### Note 3. Seasonality or Cyclicity of Interim Operations

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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.

These processing activities generally have a favourable impact on the Company's profit in the last quarter of the year with respect to the accounting treatment of production overhead. More specifically, since the Company carries out, among other activities, maintenance on the equipment used to process apples and process and package corn-on-the-cob during the second and third quarters of the fiscal year, certain production overheads are recognized in profit or loss for these periods. However, during the fourth quarter of the fiscal year, a portion of these production overheads is recognized in inventories in the Consolidated Statement of Financial Position, thereby creating a generally favourable impact on profit in the last quarter of the fiscal year.

### Note 4. (Gains) Losses on Capital Assets

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On June 30, 2017, the Company completed a sale transaction of a plant and the accompanying land for \$2,135,000, net of the related costs. As a result of this sale, the Company realized a \$615,000 gain on disposal of property, plant and equipment during the second quarter of 2017. These assets had been acquired in 2016, upon realization of a commitment made as part of a non-significant business combination completed in August 2014.

## Notes to the Interim Condensed Consolidated Financial Statements

(tabular amounts are in thousands of Canadian dollars unless otherwise indicated)  
(unaudited)

### Note 5. Financial Expenses

	Third quarters ended		Nine months ended	
	Sept. 30, 2017	Oct. 1, 2016	Sept. 30, 2017	Oct. 1, 2016
	\$	\$	\$	\$
Interest on long-term debt	2,152	3,736	7,207	12,145
Amortization of non-cash financial expenses	599	2,149	1,639	4,185
Interest and other bank expenses	157	210	516	630
Change in fair value of financial instruments designated as financial liabilities at fair value through profit or loss	-	-	-	647
	<b>2,908</b>	<b>6,095</b>	<b>9,362</b>	<b>17,607</b>
Financial revenues	(12)	(7)	(51)	(49)
	<b>2,896</b>	<b>6,088</b>	<b>9,311</b>	<b>17,558</b>

### Note 6. Other (Gains) Losses

	Third quarters ended		Nine months ended	
	Sept. 30, 2017	Oct. 1, 2016	Sept. 30, 2017	Oct. 1, 2016
	\$	\$	\$	\$
Exchange (gains) losses	(190)	(322)	(181)	116
Change in fair value of derivative instruments held for trading	(15)	(241)	(6)	454
Other (gains) losses	(2)	-	(5)	4
	<b>(207)</b>	<b>(563)</b>	<b>(192)</b>	<b>574</b>

### Note 7. Income Tax Expense

	Third quarters ended		Nine months ended	
	Sept. 30, 2017	Oct. 1, 2016	Sept. 30, 2017	Oct. 1, 2016
	\$	\$	\$	\$
Current tax	9,114	6,980	23,346	19,379
Deferred tax	1,050	1,320	2,863	3,494
	<b>10,164</b>	<b>8,300</b>	<b>26,209</b>	<b>22,873</b>

The Company estimates the quarterly income tax rate based on the tax rate that the Company expects to face for the fiscal year. The tax rate for the fiscal year is based on the geographic distribution of profit before income taxes, the exchange rate applicable to profit before income taxes in foreign currencies, non-deductible expenses and non-taxable income.

## Notes to the Interim Condensed Consolidated Financial Statements

*(tabular amounts are in thousands of Canadian dollars unless otherwise indicated)  
(unaudited)*

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### Note 8. Financial Instruments

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#### 8.1 Fair value

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is established based on market information available at the date of the Condensed Consolidated Statement of Financial Position. In the absence of an active market for a financial instrument, the Company uses the valuation methods described below to determine the fair value of the instrument.

To make the assumptions required by certain valuation models, the Company relies mainly on external, readily observable market inputs, when available. Assumptions or inputs that are not based on observable market data are used in the absence of external data. These assumptions or factors represent management's best estimates of the ones that would be used by market participants for these instruments. The credit risk of the counterparty and the Company's own credit risk have been taken into account in estimating the fair value of all financial assets and financial liabilities, including derivative instruments.

The following valuation assumptions and/or methods were used to estimate the fair value of financial instruments:

- ♦ The fair values of cash and cash equivalents, accounts receivable, bank overdraft and accounts payable and accrued liabilities are approximately equal to their carrying values due to their short-term maturities;
- ♦ The fair value of long-term debt, including finance leases, is determined based on the discounted cash flow method and calculated using current interest rates for instruments with similar terms and remaining maturities that the Company could have obtained on the market at the measurement date; and
- ♦ The fair value of derivative instruments is determined using valuation techniques and calculated as the present value of estimated future cash flows using an appropriate exchange rate and interest rate yield curve. Assumptions are based on market conditions prevailing on the reporting date. The derivative instruments reflect the estimated amounts that the Company would receive or pay to transfer the contracts in an orderly transaction between market participants at each reporting date.

Financial instruments are classified using a fair value hierarchy that categorizes the inputs used in fair value measurement techniques into three levels. This hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset or liability. Adjustments to arrive at measurements based on fair value, such as disposal costs when measuring fair value less disposal costs, shall not be taken into account when determining the level of the fair value hierarchy within which a fair value measurement is categorized.

All financial instruments measured at fair value in the Condensed Consolidated Statement of Financial Position were classified according to a hierarchy comprising three levels:

- ♦ Level 1: Valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities;
- ♦ Level 2: Valuation based on inputs that are quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable; and inputs that are derived mainly from or corroborated by observable market data using correlation or other forms of relationship; and
- ♦ Level 3: Valuation techniques based on a significant portion of inputs not observable in the market.

The Company's policy is to recognize transfers between the different hierarchy levels as of the date of the event or change in circumstances that caused the transfer. During the third quarters and the nine months ended September 30, 2017 and October 1, 2016, no financial instruments were transferred between levels 1, 2 and 3.

## Notes to the Interim Condensed Consolidated Financial Statements

(tabular amounts are in thousands of Canadian dollars unless otherwise indicated)  
(unaudited)

### 8.2 Classification

The classification of financial instruments as well as their carrying value and fair value are as follows:

	Level	As at September 30, 2017		As at December 31, 2016	
		Carrying value	Fair value	Carrying value	Fair value
		\$	\$	\$	\$
<b>Financial assets</b>					
<b>Loans and receivables</b>					
Cash and cash equivalents	2	9,260	9,260	526	526
Accounts receivable	2	126,214	126,214	137,924	137,924
<b>Derivatives used as hedges</b>					
Derivative instruments <sup>i)</sup>	2	893	893	5,261	5,261
<b>Financial liabilities</b>					
<b>Other financial liabilities</b>					
Bank overdraft	2	3,288	3,288	6,362	6,362
Accounts payable and accrued liabilities	2	205,289	205,289	199,819	199,819
Long-term debt <sup>ii)</sup>	2	192,256	193,991	252,492	260,561
<b>FVTPL <sup>iii)</sup></b>					
Derivative instruments <sup>i)</sup>	2	1	1	231	231
<b>Derivatives used as hedges</b>					
Derivative instruments <sup>i)</sup>	2	7,418	7,418	218	218

i) Includes the current and the long-term derivative instruments.

ii) Includes the current portion of long-term debt.

iii) Financial assets and liabilities at fair value through profit or loss. This category includes assets and liabilities held for trading and financial instruments designated by the Company as financial assets and liabilities at fair value through profit or loss.

### 8.3 Change in the fair value of financial instruments classified in Level 3

The following table presents the change in the fair value of financial instruments classified in Level 3, measured at fair value on a recurring basis:

	Third quarters ended		Nine months ended	
	Sept. 30, 2017	Oct. 1, 2016	Sept. 30, 2017	Oct. 1, 2016
	\$	\$	\$	\$
Fair value at beginning	-	-	-	14,255
Change in fair value <sup>i) ii)</sup>	-	-	-	647
Settlements	-	-	-	(14,902)
<b>Fair value at end</b>	-	-	-	-

i) Includes the impact of revisions to assumptions made and of the passage of time.

ii) Recognized in profit or loss as financial expenses.

## Notes to the Interim Condensed Consolidated Financial Statements

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### Note 9. Other Current Assets

	As at Sept. 30, 2017	As at Dec. 31, 2016
	\$	\$
Sales tax receivable	4,938	2,518
Tax credits receivable	1,764	1,547
Prepaid expenses	5,717	7,861
	<b>12,419</b>	<b>11,926</b>

### Note 10. Long-Term Debt

On April 10, 2017, the Company exercised the option to reimburse, without penalty, up to a maximum of 15% of the balance of the term credit facility on each anniversary date. This reimbursement, in an amount of \$7,712,000, shortens the maturity date of three of the five tranches of the term credit facility. Following this reimbursement, the maturity dates of the tranches of the term credit facility are between October 2020 and December 2027 (between October 2020 and June 2029 as at December 31, 2016).

### Note 11. Other Liabilities

#### 11.1 Participating loans

On May 26, 2016, the two financial institutions that issued the participating loans exercised their option for full repayment, and the Company therefore proceeded with the full settlement of the loans for a total amount of \$14,607,000. The repayable amount is equal to 3.14% of 6.5 times the adjusted consolidated operating profit before amortization and (gains) losses on capital assets of Pappas Lassonde Holdings, Inc. for the four quarters preceding the repayment, less debt, plus cash on hand as at the end date of the quarter preceding the receipt of the notice of exercise, i.e., April 2, 2016. The repayable amount also includes the accrued interest on these loans until the effective repayment date. The amount paid was recognized as a settlement of the participating loans and was paid out of the Canadian revolving operating credit ("CA revolving credit").

### Note 12. Shareholders' Equity

#### 12.1 Dividend per share

During the first nine months of 2017, the Company declared and paid total dividends of \$1.73 per share (\$1.43 per share during the first nine months of 2016) to the holders of Class A and B shares.

#### 12.2 Dividends paid to related parties

	Third quarters ended		Nine months ended	
	Sept. 30, 2017	Oct. 1, 2016	Sept. 30, 2017	Oct. 1, 2016
	\$	\$	\$	\$
3346625 Canada Inc. <sup>i)</sup>	2,298	2,697	7,524	6,937
Key management personnel	16	16	47	45
	<b>2,314</b>	<b>2,713</b>	<b>7,571</b>	<b>6,982</b>

<sup>i)</sup> Includes \$1,008,000 (US\$750,000) in dividends paid by the subsidiary subject to a non-controlling interest during the second quarter of 2017 (\$776,000 (US\$600,000) during the second quarter of 2016).

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### Note 13. Accumulated Other Comprehensive Income (Loss)

	Hedging reserve	Foreign currency translation reserve	Total
	\$	\$	\$
Balance as at December 31, 2016	3,517	81,226	84,743
Other comprehensive income (loss)	(7,897)	(28,302)	(36,199)
<b>Balance as at September 30, 2017</b>	<b>(4,380)</b>	<b>52,924</b>	<b>48,544</b>
Balance as at December 31, 2015	6,836	92,246	99,082
Other comprehensive income (loss)	(6,504)	(19,950)	(26,454)
Balance as at October 1, 2016	332	72,296	72,628

### Note 14. Additional Cash Flow Information

#### 14.1 Change in non-cash operating working capital items

	Nine months ended	
	Sept. 30, 2017	Oct. 1, 2016
	\$	\$
Accounts receivable	6,781	(4,888)
Inventories	(13,836)	(2,507)
Other current assets	(769)	1,962
Accounts payable and accrued liabilities	6,636	33,532
Other current liabilities <sup>i)</sup>	147	(2,354)
	<b>(1,041)</b>	<b>25,745</b>

<sup>i)</sup> Does not include changes related to participating loans.

#### 14.2 Cash and cash equivalents

In the Condensed Consolidated Statements of Cash Flows, cash and cash equivalents include the following items:

	As at Sept. 30, 2017	As at Dec. 31, 2016	As at Oct. 1, 2016
	\$	\$	\$
Cash	9,260	526	8,329
Bank overdraft	(3,288)	(6,362)	-
	<b>5,972</b>	<b>(5,836)</b>	<b>8,329</b>



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### 14.3 Non-cash transactions

Transactions that had no cash impact on financing and investing activities were as follows:

- ♦ Acquisition of property, plant and equipment, for which an amount of \$11,093,000 was unpaid as at September 30, 2017 (\$3,146,000 as at December 31, 2016);
- ♦ Investment tax credit receivable related to investments in property, plant and equipment of \$827,000 as at September 30, 2017 (\$827,000 as at December 31, 2016);
- ♦ Finance lease for which an amount of \$23,000 was recognized in property, plant and equipment and long-term debt during the third quarter of 2017;
- ♦ Acquisition of property, plant and equipment, intangible assets and a computer maintenance package financed by the supplier for an amount of \$947,000 was recognized during the third quarter of 2016; and
- ♦ Change in lenders involved in the term loan, for an amount of \$104,667,000 (US\$79,874,000), during the third quarter of 2016.

## Note 15. Contingencies

### 15.1 Proceedings and claims

In the ordinary course of business, the Company is exposed to various proceedings and claims. The Company assesses the validity of these proceedings and claims. Provisions are made whenever a penalty seems probable and a reliable estimate can be made of the amount. Management believes that any settlement arising from these claims will not have a significant effect on the Company's current consolidated financial position or on profit or loss. Therefore, no provision has been recognized in the Company's interim condensed consolidated financial statements.

## Note 16. Segment Information

The Company has determined that it has only one reportable operating segment, i.e., the development, manufacturing and marketing of a wide range of ready-to-drink fruit and vegetable juices and drinks and of specialty food products; the importation, packaging and marketing of selected wines from several countries of origin; and the production of apple cider and cider-based beverages. This single operating segment generates revenues from the sale of these products and from rendering services related to the sale of these products.

Sales are attributed to the geographic segment based on the location where the Company has transferred the significant risks and rewards of ownership of the goods to the buyer. The geographic segment of long-term assets and goodwill is based on the location of the assets.

### 16.1 Sales by geographic segment

	Third quarters ended		Nine months ended	
	Sept. 30, 2017	Oct. 1, 2016	Sept. 30, 2017	Oct. 1, 2016
	\$	\$	\$	\$
Canada	158,443	160,723	461,834	464,070
United States	209,619	215,196	656,339	654,390
Other	1,422	1,306	5,384	5,399
	<b>369,484</b>	<b>377,225</b>	<b>1,123,557</b>	<b>1,123,859</b>

## Notes to the Interim Condensed Consolidated Financial Statements

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### 16.2 Certain long-term assets and goodwill by geographic segment

	As at September 30, 2017		
	Canada	United States	Total
	\$	\$	\$
Property, plant and equipment	159,346	110,657	270,003
Intangible assets	7,359	196,180	203,539
Goodwill	5,776	192,655	198,431
	<b>172,481</b>	<b>499,492</b>	<b>671,973</b>

	As at December 31, 2016		
	Canada	United States	Total
	\$	\$	\$
Property, plant and equipment	156,504	112,325	268,829
Intangible assets	8,242	225,420	233,662
Goodwill	5,776	207,273	213,049
	<b>170,522</b>	<b>545,018</b>	<b>715,540</b>

## Note 17. Future Accounting Changes

### 17.1 IFRS 15 Revenue from Contracts with Customers

In May 2014, the International Accounting Standards Board ("IASB") issued IFRS 15 *Revenue from Contracts with Customers*, which will replace the following standards: IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*. This new standard sets out the requirements for recognizing and disclosing revenues that apply to all contracts with customers.

This new standard applies to fiscal years beginning on or after January 1, 2018.

A preliminary analysis of this new standard has not indicated that it will have a significant impact on the Company's Consolidated Statement of Income.

### 17.2 IFRS 9 Financial Instruments

#### 17.2.1 Standard applicable to fiscal years beginning on or after January 1, 2018

In July 2014, the IASB issued IFRS 9 *Financial Instruments*, which completes the replacement of IAS 39 *Financial Instruments: Recognition and Measurement* with an objective of improving and simplifying the accounting of financial instruments and hedge accounting.

In October 2017, the IASB issued a clarification regarding the modification of financial liabilities. The publication of this clarification requires the Company to review the estimated impact of IFRS 9 on its consolidated financial statements. The estimated impact is currently being assessed.

#### 17.2.2 Amendments to the standard applicable to fiscal years beginning on or after January 1, 2019

In October 2017, the IASB amended IFRS 9 *Financial Instruments* to clarify the classification of financial instruments that have prepayment features with negative compensation.

The Company is currently assessing the estimated impact of this amendment on the consolidated financial statements.

## Notes to the Interim Condensed Consolidated Financial Statements

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### 17.3 IFRIC 23 Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23 *Uncertainty over Income Tax Treatments* to clarify how to apply the recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments.

This new interpretation applies to fiscal years beginning on or after January 1, 2019.

The Company is currently assessing the estimated impact of this new interpretation on the consolidated financial statements.