



LASSONDE INDUSTRIES INC.

INTERIM REPORT

FIRST QUARTER ENDED
— APRIL 3, 2021



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Condensed Consolidated Statements of Income

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

	Notes	First quarters ended April 3, 2021	March 28, 2020
		\$	\$
Sales		466,794	472,446
Cost of sales		335,197	348,334
Selling and administrative expenses		100,224	93,788
(Gains) losses on capital assets		(9)	(24)
		435,412	442,098
Operating profit		31,382	30,348
Share in the profit or (loss) of an associate		(126)	(252)
Financial expenses	5	3,025	5,049
Other (gains) losses	6	509	(3,429)
Profit before income taxes		27,722	28,476
Income tax expense	7	7,268	4,742
Profit		20,454	23,734
Attributable to:			
Company's shareholders		20,090	22,947
Non-controlling interest		364	787
		20,454	23,734
Basic and diluted earnings per share (in \$)		2.90	3.31
Weighted average number of shares outstanding (in thousands)		6,934	6,934

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

	First quarters ended	
	April 3, 2021	March 28, 2020
	\$	\$
Profit	20,454	23,734
Other comprehensive income:		
To be reclassified subsequently to profit or loss:		
Net change in cash flow hedge of financial assets and liabilities:		
Gains (losses) on financial instruments designated as hedges	141	(1,872)
Reclassification of (gains) losses on financial instruments designated as hedges	621	–
Income tax expense	(193)	476
	569	(1,396)
Translation difference:		
Exchange difference on translating foreign operations	(7,379)	44,599
	(6,810)	43,203
Not to be reclassified subsequently to profit or loss:		
Net change in the cash flow hedge of non-financial assets:		
Gains (losses) on financial instruments designated as hedges	(2,434)	11,514
Income tax expense	642	(3,000)
	(1,792)	8,514
Benefit cost of the defined benefit plans:		
Remeasurements of the net defined benefit asset or liability	10,420	(5,575)
Income tax expense	(2,719)	1,466
	7,701	(4,109)
	5,909	4,405
Total other comprehensive income (loss)	(901)	47,608
Comprehensive income (loss)	19,553	71,342
Attributable to:		
Company's shareholders	19,901	66,153
Non-controlling interest	(348)	5,189
	19,553	71,342

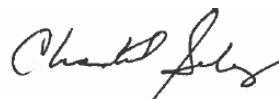
Condensed Consolidated Statements of Financial Position*(in thousands of Canadian dollars)
(unaudited)*

	Notes	As at April 3, 2021	As at Dec. 31, 2020
		\$	\$
Assets			
Current			
Cash and cash equivalents		2,837	6,803
Accounts receivable		160,021	147,886
Income tax recoverable		7,622	7,730
Inventories		264,912	260,611
Derivative instruments		622	1,122
Other current assets		16,568	16,497
		452,582	440,649
Derivative instruments		70	–
Investment in an associate		7,110	7,260
Property, plant and equipment		386,660	390,451
Intangible assets		216,347	223,030
Net defined benefit asset		24,968	9,402
Other long-term assets		1,155	1,237
Goodwill		305,789	309,605
		1,394,681	1,381,634
Liabilities			
Current			
Bank overdraft		1,194	–
Accounts payable and accrued liabilities		252,838	260,219
Income tax payable		2,553	8,376
Derivative instruments		8,293	7,176
Other current liabilities		3,293	3,782
Current portion of long-term debt		9,714	10,676
		277,885	290,229
Derivative instruments		248	3,014
Pension plan liabilities and other long-term incentives		2,397	2,322
Long-term debt		211,300	204,810
Deferred tax liabilities		88,813	84,292
Other long-term liabilities		1,218	1,234
		581,861	585,901
Shareholders' equity			
Share capital		48,143	48,143
Contributed surplus		1,375	1,375
Accumulated other reserves	10	45,511	51,322
Retained earnings		662,061	638,797
Non-controlling interest		55,730	56,096
		812,820	795,733
		1,394,681	1,381,634

Approved by the Board of Directors



Pierre-Paul Lassonde
Director



Chantal Bélanger
Director

Condensed Consolidated Statements of Shareholders' Equity*(in thousands of Canadian dollars)**(unaudited)*

	Attributable to the Company's shareholders				Non-controlling interest	Total shareholders' equity
	Share capital	Contributed surplus	Accumulated other reserves ⁱ⁾	Retained earnings		
	\$	\$	\$	\$	\$	\$
Balance as at December 31, 2020	48,143	1,375	51,322	638,797	56,096	795,733
Profit	–	–	–	20,090	364	20,454
Other comprehensive income (loss)	–	–	(7,870)	7,681	(712)	(901)
Transfer of cash flow hedge (gains) losses to non-financial assets	–	–	2,059	–	(18)	2,041
Dividends	–	–	–	(4,507)	–	(4,507)
Balance as at April 3, 2021	48,143	1,375	45,511	662,061	55,730	812,820
Balance as at December 31, 2019	48,143	1,375	64,962	566,284	54,055	734,819
Profit	–	–	–	22,947	787	23,734
Other comprehensive income (loss)	–	–	47,313	(4,107)	4,402	47,608
Transfer of cash flow hedge (gains) losses to non-financial assets	–	–	(414)	–	17	(397)
Dividends	–	–	–	(4,125)	–	(4,125)
Balance as at March 28, 2020	48,143	1,375	111,861	580,999	59,261	801,639

i) Includes the hedging reserve and the foreign currency translation reserve, as presented in Note 10.

Additional information on shareholders' equity is presented in Note 9.

Condensed Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)
(unaudited)

	Notes	First quarters ended	
		April 3, 2021	March 28, 2020
		\$	\$
Operating activities			
Profit		20,454	23,734
Adjustments for:			
Income tax expense	7	7,268	4,742
Interest expense	5	2,832	4,904
Depreciation of property, plant and equipment and amortization of intangible assets		15,236	15,478
Change in fair value of financial instruments		561	(1,756)
Cost of the defined benefit plans recognized in profit or loss, net of contributions		(5,294)	(7,759)
Cost of other long-term incentive plan		296	–
Share in the (profit) or loss of an associate		126	252
(Gains) losses on capital assets		(9)	(24)
Unrealized foreign exchange (gains) losses		(467)	1,239
Other		(16)	(17)
		40,987	40,793
Change in non-cash operating working capital items	11	(22,704)	(13,075)
Income tax received		4	3,364
Income tax paid		(10,933)	(2,198)
Interest received		3	324
Interest paid		(2,507)	(4,647)
Settlements of derivative instruments		(464)	361
		4,386	24,922
Financing activities			
Change in revolving operating credit, net of transaction costs		14,315	117,821
Repayment of long-term debt		(6,753)	(3,420)
Dividends paid on Class A shares		(2,068)	(1,892)
Dividends paid on Class B shares		(2,439)	(2,233)
		3,055	110,276
Investing activities			
Consideration paid on a business combination, net of acquired cash on hand		–	(82,845)
Acquisition of property, plant and equipment		(10,318)	(9,449)
Acquisition of intangible assets		(2,325)	(950)
Net proceeds from the disposal of property, plant and equipment		2	2
		(12,641)	(93,242)
Increase (decrease) in cash and cash equivalents		(5,200)	41,956
Cash and cash equivalents at beginning		6,803	(10,590)
Impact of exchange rate changes on cash and cash equivalents		40	344
Cash and cash equivalents at end	11	1,643	31,710

Additional cash flow information is presented in Note 11.

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)

Note 1. Description of the Business

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, Québec, Canada.

Lassonde Industries Inc. and its subsidiaries (collectively, “the Company”) develop, manufacture and market a wide range of ready-to-drink juices and drinks, fruit-based snacks in the form of bars and bites as well as frozen juice concentrates in North America. The Company is the largest producer of fruit juices and drinks in Canada and one of the two largest producers of store brand shelf-stable fruit juices and drinks in the United States. It is also a major producer of cranberry sauces. Furthermore, the Company develops, manufactures and markets specialty food products such as fondue broths and sauces as well as pasta sauces. In addition, it produces apple cider and cider-based beverages and imports selected wines from several countries of origin for packaging and marketing purposes.

Note 2. Statement of Compliance

The Company’s interim condensed consolidated financial statements have been prepared in compliance with IAS 34 *Interim Financial Reporting* and using the same accounting policies as those described in the Company’s annual consolidated financial statements for the year ended December 31, 2020. The Company’s annual consolidated financial statements for the year ended December 31, 2020 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, 2020. The Company’s interim condensed consolidated financial statements and annual consolidated financial statements are available on the SEDAR website at www.sedar.com and on the Company’s website at www.lassonde.com.

The Board of Directors approved these interim condensed consolidated financial statements on May 7, 2021.

Note 3. Seasonality or Cyclicity of Interim Operations

In the normal course of operations, the Company is involved in apple and cranberry processing. These processing activities take place mainly from August to November. Processing the harvested fruits 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 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. Adoption of IFRS Standards

4.1 Interest rate benchmark reform

On January 1, 2021, as part of the interest rate benchmark reform project, the Company adopted amended versions of the standards IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases*. All of these standards apply to fiscal years beginning on or after January 1, 2021.

The impacts of this reform on the Company’s consolidated financial statements will be dependent on the facts and circumstances of all future changes in financial instruments and all future changes in interest rate benchmarks, referenced by such financial instruments. As at April 3, 2021, no financial instruments have been amended as part of the interest rate benchmark reform project.

Notes to the Interim Condensed Consolidated Financial Statements

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

Note 5. Financial Expenses

	First quarters ended	
	April 3, 2021	March 28, 2020
	\$	\$
Interest on long-term debt	1,981	4,031
Interest on lease liabilities	494	561
Amortization of transaction costs directly attributable to arranging financing	351	416
Other interest net of interest income	6	(104)
Interest expense	2,832	4,904
Bank expenses	193	145
	3,025	5,049

Note 6. Other (Gains) Losses

	First quarters ended	
	April 3, 2021	March 28, 2020
	\$	\$
Exchange (gains) losses	72	(3,100)
Change in fair value of financial instruments not designated as hedges	437	(277)
Other (gains) losses	-	(52)
	509	(3,429)

Note 7. Income Tax Expense

	First quarters ended	
	April 3, 2021	March 28, 2020
	\$	\$
Current tax	5,108	2,969
Deferred tax	2,160	1,773
	7,268	4,742

The Company estimates the quarterly income tax rate based on the tax rate that it 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

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Note 8. Financial Instruments

8.1 Fair value

Except for what is presented below, the fair value of financial instruments is equivalent to the carrying value due to the short-term maturity.

Financial instruments	Valuation methods
At amortized cost:	
Long-term debt	Discounted cash flow method calculated using current interest rates for similar instruments
At fair value:	
Derivative instruments	Present value of estimated future cash flows calculated using an exchange rate and interest rate yield curve as well as quoted contract prices on futures exchanges

The following table presents the carrying value and fair value of the long-term debt and derivative instruments, including the short-term portion of the instruments:

	Level	As at April 3, 2021		As at December 31, 2020	
		Carrying value	Fair value	Carrying value	Fair value
		\$	\$	\$	\$
Long-term debt	2	221,014	223,899	215,486	220,552
Fair value through profit or loss	2				
Derivative instrument assets		645	645	868	868
Derivative instrument liabilities		679	679	847	847
Instruments designated in a hedging relationship	2				
Derivative instrument assets		47	47	254	254
Derivative instrument liabilities		7,862	7,862	9,343	9,343

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 first quarters ended April 3, 2021 and March 28, 2020, no financial instruments were transferred between levels 1, 2 and 3.

Note 9. Shareholders' Equity

9.1 Dividend per share

During the first quarter of 2021, the Company declared and paid a dividend of \$0.65 per share (\$0.595 per share during the first quarter of 2020) to the holders of Class A and B shares.

Notes to the Interim Condensed Consolidated Financial Statements

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

9.2 Dividends paid to related parties

	First quarters ended	
	April 3, 2021	March 28, 2020
	\$	\$
3346625 Canada Inc.	2,448	2,241
Key management personnel	18	16
	2,466	2,257

Note 10. Accumulated Other Reserves

	Hedging reserve	Foreign currency translation reserve	Total
	\$	\$	\$
Balance as at December 31, 2020	(5,406)	56,728	51,322
Other comprehensive income (loss)	(1,231)	(6,639)	(7,870)
Transfer of cash flow hedge (gains) losses to non-financial assets	2,059	–	2,059
Balance as at April 3, 2021	(4,578)	50,089	45,511
Balance as at December 31, 2019	(3,613)	68,575	64,962
Other comprehensive income (loss)	7,179	40,134	47,313
Transfer of cash flow hedge (gains) losses to non-financial assets	(414)	–	(414)
Balance as at March 28, 2020	3,152	108,709	111,861

Note 11. Additional Cash Flow Information

11.1 Change in non-cash operating working capital items

	First quarters ended	
	April 3, 2021	March 28, 2020
	\$	\$
Accounts receivable	(13,405)	(40,863)
Inventories	(6,073)	(8,205)
Other current assets	(146)	2,056
Accounts payable and accrued liabilities	(2,613)	32,962
Other current liabilities	(467)	975
	(22,704)	(13,075)

Notes to the Interim Condensed Consolidated Financial Statements

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

11.2 Cash and cash equivalents

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

	As at April 3, 2021	As at Dec. 31, 2020	As at March 28, 2020
	\$	\$	\$
Cash	2,229	6,666	31,710
Cash equivalents ⁱ⁾	608	137	–
Bank overdraft	(1,194)	–	–
	1,643	6,803	31,710

- i) Cash equivalents consist of a cash guarantee deposited with the issuer of certain derivative instruments to cover their fair value when in a liability position.

11.3 Non-cash transactions

The following tables present the transactions that had no cash impact on financing and investing activities:

	As at April 3, 2021	As at Dec. 31, 2020
	\$	\$
Acquisition of property, plant and equipment and intangible assets unpaid	2,166	5,341
Investment and innovation tax credits receivable	747	747

	First quarters ended	
	April 3, 2021	March 28, 2020
	\$	\$
Net increase in right-of-use assets	18	2,933
Net increase in lease liabilities	6	2,911

Note 12. Additional Lease Information

The following tables present certain additional lease information:

	As at April 3, 2021	As at Dec. 31, 2020
	\$	\$
Right-of-use assets	41,505	43,343
Lease liabilities	43,394	45,064

	First quarters ended	
	April 3, 2021	March 28, 2020
	\$	\$
Depreciation of right-of-use assets	1,625	1,705
Lease liability payments		
Interest	494	561
Principal	1,435	1,410

Notes to the Interim Condensed Consolidated Financial Statements

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

Note 13. Contingencies

13.1 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 14. 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 juices and drinks, fruit-based snacks, frozen juice concentrates and specialty food products. 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 control of the goods to the customer. The geographic segment of long-term assets and goodwill is based on the locations of the assets.

14.1 Sales by geographic segment

	First quarters ended	
	April 3, 2021	March 28, 2020
	\$	\$
Canada	201,038	202,473
United States	264,688	268,671
Other	1,068	1,302
	466,794	472,446

14.2 Certain long-term assets and goodwill by geographic segment

	As at April 3, 2021		
	Canada	United States	Total
	\$	\$	\$
Property, plant and equipment	227,279	159,381	386,660
Intangible assets	22,614	193,733	216,347
Goodwill	18,637	287,152	305,789
	268,530	640,266	908,796

	As at December 31, 2020		
	Canada	United States	Total
	\$	\$	\$
Property, plant and equipment	228,318	162,133	390,451
Intangible assets	21,112	201,918	223,030
Goodwill	18,637	290,968	309,605
	268,067	655,019	923,086