



LASSONDE INDUSTRIES INC.

INTERIM REPORT

SECOND QUARTER ENDED
— JULY 3, 2021



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Interim Condensed Consolidated Statements of Income

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

	Notes	Second quarters ended		First six months ended	
		July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
		\$	\$	\$	\$
Sales		469,292	498,207	936,086	970,653
Cost of sales		339,205	352,707	674,402	701,041
Selling and administrative expenses		100,183	102,774	200,407	196,562
(Gains) losses on capital assets		(28)	68	(37)	44
		439,360	455,549	874,772	897,647
Operating profit		29,932	42,658	61,314	73,006
Share in the profit or (loss) of an associate		(304)	(371)	(430)	(623)
Financial expenses	5	2,823	4,505	5,848	9,554
Other (gains) losses	6	966	686	1,475	(2,743)
Profit before income taxes		25,839	37,096	53,561	65,572
Income tax expense	7	6,816	9,578	14,084	14,320
Profit		19,023	27,518	39,477	51,252
Attributable to:					
Company's shareholders		18,764	25,998	38,854	48,945
Non-controlling interest		259	1,520	623	2,307
		19,023	27,518	39,477	51,252
Basic and diluted earnings per share (in \$)		2.71	3.75	5.60	7.06
Weighted average number of shares outstanding (in thousands)		6,934	6,934	6,934	6,934

Interim Condensed Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars)

(unaudited)

	Second quarters ended		First six months ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
	\$	\$	\$	\$
Profit	19,023	27,518	39,477	51,252
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	42	(518)	183	(2,390)
Reclassification of (gains) losses on financial instruments designated as hedges	587	324	1,208	324
Income tax expense	(162)	52	(355)	528
	467	(142)	1,036	(1,538)
Translation difference:				
Exchange difference on translating foreign operations	(9,305)	(16,196)	(16,684)	28,403
	(8,838)	(16,338)	(15,648)	26,865
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	(1,946)	(2,277)	(4,380)	9,237
Income tax expense	509	602	1,151	(2,398)
	(1,437)	(1,675)	(3,229)	6,839
Benefit cost of the defined benefit plans:				
Remeasurements of the net defined benefit asset or liability	825	(7,134)	11,245	(12,709)
Income tax expense	(216)	1,877	(2,935)	3,343
	609	(5,257)	8,310	(9,366)
	(828)	(6,932)	5,081	(2,527)
Total other comprehensive income (loss)	(9,666)	(23,270)	(10,567)	24,338
Comprehensive income (loss)	9,357	4,248	28,910	75,590
Attributable to:				
Company's shareholders	9,962	4,314	29,863	70,467
Non-controlling interest	(605)	(66)	(953)	5,123
	9,357	4,248	28,910	75,590


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

	Notes	As at July 3, 2021 \$	As at Dec. 31, 2020 \$
Assets			
Current			
Cash and cash equivalents		3,547	6,803
Accounts receivable		156,751	147,886
Income tax recoverable		8,729	7,730
Inventories		270,751	260,611
Derivative instruments		274	1,122
Other current assets		15,238	16,497
		455,290	440,649
Derivative instruments		48	–
Investment in an associate		6,806	7,260
Property, plant and equipment		380,904	390,451
Intangible assets		208,219	223,030
Net defined benefit asset		24,766	9,402
Other long-term assets		2,371	1,237
Goodwill		300,944	309,605
		1,379,348	1,381,634
Liabilities			
Current			
Bank overdraft		5,936	–
Accounts payable and accrued liabilities		264,413	260,219
Income tax payable		2,698	8,376
Derivative instruments		6,190	7,176
Other current liabilities		3,909	3,782
Current portion of long-term debt	9	87,663	10,676
		370,809	290,229
Derivative instruments		242	3,014
Pension plan liabilities and other long-term incentives		2,871	2,322
Long-term debt	9	94,367	204,810
Deferred tax liabilities		91,007	84,292
Other long-term liabilities		1,197	1,234
		560,493	585,901
Shareholders' equity			
Share capital		48,143	48,143
Contributed surplus		1,375	1,375
Accumulated other reserves	11	38,877	51,322
Retained earnings		675,343	638,797
Non-controlling interest		55,117	56,096
		818,855	795,733
		1,379,348	1,381,634

Approved by the Board of Directors



Pierre-Paul Lassonde
Director



Chantal Bélanger
Director

Interim 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	–	–	–	38,854	623	39,477
Other comprehensive income (loss)	–	–	(17,291)	8,300	(1,576)	(10,567)
Transfer of cash flow hedge (gains)						
losses to non-financial assets	–	–	4,846	–	(26)	4,820
Dividends	–	–	–	(10,608)	–	(10,608)
Balance as at July 3, 2021	48,143	1,375	38,877	675,343	55,117	818,855
Balance as at December 31, 2019	48,143	1,375	64,962	566,284	54,055	734,819
Profit	–	–	–	48,945	2,307	51,252
Other comprehensive income (loss)	–	–	30,878	(9,356)	2,816	24,338
Transfer of cash flow hedge (gains)						
losses to non-financial assets	–	–	(2,095)	–	21	(2,074)
Dividends	–	–	–	(8,632)	–	(8,632)
Balance as at June 27, 2020	48,143	1,375	93,745	597,241	59,199	799,703

i) Includes the hedging reserve and the foreign currency translation reserve, as presented in Note 11.

Additional information on shareholders' equity is presented in Note 10.

Interim Condensed Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

(unaudited)

	Notes	First six months ended	
		July 3, 2021	June 27, 2020
		\$	\$
Operating activities			
Profit		39,477	51,252
Adjustments for:			
Income tax expense	7	14,084	14,320
Interest expense	5	5,426	9,152
Depreciation of property, plant and equipment and amortization of intangible assets		30,176	31,273
Change in fair value of financial instruments		1,452	1,525
Cost of the defined benefit plans recognized in profit or loss, net of contributions		(4,036)	(6,437)
Cost of other long-term incentive plan		514	–
Share in the (profit) or loss of an associate		430	623
(Gains) losses on capital assets		(37)	44
Unrealized foreign exchange (gains) losses		(1,080)	(1,256)
Other		(31)	(34)
		86,375	100,462
Change in non-cash operating working capital items	12	(13,284)	5,053
Income tax received		4,188	6,737
Income tax paid		(20,902)	(2,893)
Interest received		159	370
Interest paid		(4,867)	(8,185)
Settlements of derivative instruments		(373)	1,438
		51,296	102,982
Financing activities			
Change in revolving operating credit, net of transaction costs		(3,802)	46,161
Increase in long-term debt, net of transaction costs		–	(195)
Repayment of long-term debt		(25,495)	(25,765)
Dividends paid on Class A shares		(4,867)	(3,960)
Dividends paid on Class B shares		(5,741)	(4,672)
		(39,905)	11,569
Investing activities			
Consideration paid on a business combination, net of acquired cash on hand		–	(80,647)
Acquisition of property, plant and equipment		(16,306)	(16,382)
Acquisition of intangible assets		(3,413)	(1,903)
Acquisition of other long-term assets		(1,002)	–
Net proceeds from the disposal of property, plant and equipment		4	27
		(20,717)	(98,905)
Increase (decrease) in cash and cash equivalents		(9,326)	15,646
Cash and cash equivalents at beginning		6,803	(10,590)
Impact of exchange rate changes on cash and cash equivalents		134	247
Cash and cash equivalents at end	12	(2,389)	5,303

Additional cash flow information is presented in Note 12.

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 August 13, 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 fruit crops generally increases inventory levels during the last quarter of the fiscal 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 following 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 depend 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 July 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

	Second quarters ended		First six months ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
	\$	\$	\$	\$
Interest on long-term debt	1,828	3,089	3,809	7,120
Interest on lease liabilities	474	573	968	1,134
Amortization of transaction costs directly attributable to arranging financing	436	630	787	1,046
Other interest net of interest income	(144)	(44)	(138)	(148)
Interest expense	2,594	4,248	5,426	9,152
Bank expenses	229	257	422	402
	2,823	4,505	5,848	9,554

Note 6. Other (Gains) Losses

	Second quarters ended		First six months ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
	\$	\$	\$	\$
Exchange (gains) losses	14	834	86	(2,266)
Change in fair value of financial instruments not designated as hedges	952	(66)	1,389	(343)
Other (gains) losses	–	(82)	–	(134)
	966	686	1,475	(2,743)

Note 7. Income Tax Expense

	Second quarters ended		First six months ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
	\$	\$	\$	\$
Current tax	4,688	8,080	9,796	11,049
Deferred tax	2,128	1,498	4,288	3,271
	6,816	9,578	14,084	14,320

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 July 3, 2021		As at December 31, 2020	
		Carrying value	Fair value	Carrying value	Fair value
		\$	\$	\$	\$
Long-term debt	2	182,030	184,712	215,486	220,552
Fair value through profit or loss	2				
Derivative instrument assets		48	48	868	868
Derivative instrument liabilities		49	49	847	847
Instruments designated in a hedging relationship	2				
Derivative instrument assets		274	274	254	254
Derivative instrument liabilities		6,383	6,383	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 six months ended July 3, 2021 and June 27, 2020, no financial instruments were transferred between levels 1, 2 and 3.

Note 9. Long-Term Debt

9.1 Credit facilities

On June 14, 2021, the U.S. credit facilities were amended to increase the authorized amount of the revolving operating credit ("U.S. revolving credit") to US\$100,000,000 and to extend its maturity date by one year to May 2023.

Note 10. Shareholders' Equity

10.1 Dividend per share

During the first six months of 2021, the Company declared and paid a dividend of \$1.53 per share (\$1.245 per share during the first six months 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)

10.2 Dividends paid to related parties

	Second quarters ended		First six months ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
	\$	\$	\$	\$
3346625 Canada Inc.	3,314	2,448	5,762	4,689
Key management personnel	24	18	42	34
	3,338	2,466	5,804	4,723

Note 11. 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)	(2,279)	(15,012)	(17,291)
Transfer of cash flow hedge (gains) losses to non-financial assets	4,846	–	4,846
Balance as at July 3, 2021	(2,839)	41,716	38,877
Balance as at December 31, 2019	(3,613)	68,575	64,962
Other comprehensive income (loss)	5,319	25,559	30,878
Transfer of cash flow hedge (gains) losses to non-financial assets	(2,095)	–	(2,095)
Balance as at June 27, 2020	(389)	94,134	93,745

Note 12. Additional Cash Flow Information

12.1 Change in non-cash operating working capital items

	First six months ended	
	July 3, 2021	June 27, 2020
	\$	\$
Accounts receivable	(11,710)	(15,093)
Inventories	(14,179)	(19,559)
Other current assets	1,103	4,064
Accounts payable and accrued liabilities	11,315	34,687
Other current liabilities	187	954
	(13,284)	5,053

Notes to the Interim Condensed Consolidated Financial Statements

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

12.2 Cash and cash equivalents

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

	As at July 3, 2021	As at Dec. 31, 2020	As at June 27, 2020
	\$	\$	\$
Cash	3,294	6,666	5,207
Cash equivalents ⁱ⁾	253	137	96
Bank overdraft	(5,936)	–	–
	(2,389)	6,803	5,303

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.

12.3 Non-cash transactions

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

	As at July 3, 2021	As at Dec. 31, 2020
	\$	\$
Unpaid acquisitions of property, plant and equipment and intangible assets	1,810	5,341
Investment and innovation tax credits receivable	747	747

	First six months ended	
	July 3, 2021	June 27, 2020
	\$	\$
Net increase in right-of-use assets	349	2,952
Net increase in lease liabilities	306	2,930

Note 13. Additional Lease Information

The following tables present certain additional lease information:

	As at July 3, 2021	As at Dec. 31, 2020
	\$	\$
Right-of-use assets	39,972	43,343
Lease liabilities	42,028	45,064

	First six months ended	
	July 3, 2021	June 27, 2020
	\$	\$
Depreciation of right-of-use assets	3,198	3,423
Lease liability payments		
Interest	968	1,134
Principal	2,799	2,867

Notes to the Interim Condensed Consolidated Financial Statements

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

Note 14. Contingencies

14.1 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 profit or loss. Therefore, no provision has been recognized in the Company's interim condensed consolidated financial statements.

Note 15. 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 in the form of bars and bites, 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.

15.1 Sales by geographic segment

	Second quarters ended		First six months ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
	\$	\$	\$	\$
Canada	220,360	192,456	421,398	394,929
United States	247,060	303,184	511,748	571,855
Other	1,872	2,567	2,940	3,869
	469,292	498,207	936,086	970,653

15.2 Certain long-term assets and goodwill by geographic segment

	As at July 3, 2021		
	Canada	United States	Total
	\$	\$	\$
Property, plant and equipment	225,562	155,342	380,904
Intangible assets	23,224	184,995	208,219
Goodwill	18,637	282,307	300,944
	267,423	622,644	890,067

	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

Notes to the Interim Condensed Consolidated Financial Statements

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

Note 16. Future Accounting Changes

16.1 IAS 1 Presentation of Financial Statements

In February 2021, the International Accounting Standards Board ("IASB") amended IAS 1 *Presentation of Financial Statements* for entities to disclose information about their material accounting policies rather than their significant accounting policies. The IASB has developed guidance and examples to help entities make judgments on the materiality of accounting policy disclosures.

The amendments apply to fiscal years beginning on or after January 1, 2023.

The Company is currently assessing the estimated impact of these amendments on its consolidated financial statements.

16.2 IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021, the IASB amended IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to clarify the distinction between a change in accounting estimate and a change in accounting policy.

The amendments apply to fiscal years beginning on or after January 1, 2023.

The Company is currently assessing the estimated impact of these amendments on its consolidated financial statements.

16.3 IAS 12 Income Taxes

In May 2021, the IASB amended IAS 12 *Income Taxes* in order to narrow the scope of the recognition exemption so that it does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The amendments apply to fiscal years beginning on or after January 1, 2023.

The Company is currently assessing the estimated impact of these amendments on its consolidated financial statements.