



LASSONDE INDUSTRIES INC.

INTERIM REPORT

THIRD QUARTER ENDED
— OCTOBER 2, 2021



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Interim Condensed Consolidated Statements of Income

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

	Notes	Third quarters ended		Nine months ended	
		Oct. 2, 2021	Sept. 26, 2020	Oct. 2, 2021	Sept. 26, 2020
		\$	\$	\$	\$
Sales		469,263	495,207	1,405,349	1,465,860
Cost of sales		343,116	352,449	1,017,518	1,053,490
Selling and administrative expenses		100,739	102,727	301,146	299,289
(Gains) losses on capital assets		–	13	(37)	57
		443,855	455,189	1,318,627	1,352,836
Operating profit		25,408	40,018	86,722	113,024
Share in the profit or (loss) of an associate		(102)	(79)	(532)	(702)
Financial expenses	5	2,560	4,043	8,408	13,597
Other (gains) losses	6	(511)	691	964	(2,052)
Profit before income taxes		23,257	35,205	76,818	100,777
Income tax expense	7	6,084	8,835	20,168	23,155
Profit		17,173	26,370	56,650	77,622
Attributable to:					
Company's shareholders		16,832	25,333	55,686	74,278
Non-controlling interest		341	1,037	964	3,344
		17,173	26,370	56,650	77,622
Basic and diluted earnings per share (in \$)		2.43	3.65	8.03	10.71
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)

	Third quarters ended		Nine months ended	
	Oct. 2, 2021	Sept. 26, 2020	Oct. 2, 2021	Sept. 26, 2020
	\$	\$	\$	\$
Profit	17,173	26,370	56,650	77,622
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	46	218	229	(2,172)
Reclassification of (gains) losses on financial instruments designated as hedges	522	521	1,730	845
Income tax expense	(143)	(188)	(498)	340
	425	551	1,461	(987)
Translation difference:				
Exchange difference on translating foreign operations	13,426	(12,091)	(3,258)	16,312
	13,851	(11,540)	(1,797)	15,325
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	2,983	(3,013)	(1,397)	6,224
Income tax expense	(775)	780	376	(1,618)
	2,208	(2,233)	(1,021)	4,606
Benefit cost of the defined benefit plans:				
Remeasurements of the net defined benefit asset or liability	4,013	338	15,258	(12,371)
Income tax expense	(1,047)	(90)	(3,982)	3,253
	2,966	248	11,276	(9,118)
	5,174	(1,985)	10,255	(4,512)
Total other comprehensive income (loss)	19,025	(13,525)	8,458	10,813
Comprehensive income	36,198	12,845	65,108	88,435
Attributable to:				
Company's shareholders	34,328	13,039	64,191	83,506
Non-controlling interest	1,870	(194)	917	4,929
	36,198	12,845	65,108	88,435

Interim Condensed Consolidated Statements of Financial Position

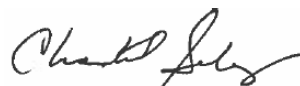
(in thousands of Canadian dollars)
(unaudited)

	Notes	As at Oct. 2, 2021 \$	As at Dec. 31, 2020 \$
Assets			
Current			
Cash and cash equivalents		3,211	6,803
Accounts receivable		164,219	147,886
Income tax recoverable		9,074	7,730
Inventories		284,841	260,611
Derivative instruments		1,108	1,122
Other current assets		18,720	16,497
		481,173	440,649
Derivative instruments		42	–
Investment in an associate		6,705	7,260
Property, plant and equipment		383,593	390,451
Intangible assets		207,972	223,030
Net defined benefit asset		25,938	9,402
Other long-term assets		2,210	1,237
Goodwill		307,823	309,605
		1,415,456	1,381,634
Liabilities			
Current			
Bank overdraft		5,895	–
Accounts payable and accrued liabilities		276,168	260,219
Income tax payable		2,695	8,376
Derivative instruments		1,674	7,176
Other current liabilities		3,353	3,782
Current portion of long-term debt	9	83,924	10,676
		373,709	290,229
Derivative instruments		220	3,014
Pension plan liabilities and other long-term incentives		1,473	2,322
Long-term debt	9	92,666	204,810
Deferred tax liabilities		96,519	84,292
Other long-term liabilities		1,226	1,234
		565,813	585,901
Shareholders' equity			
Share capital		48,143	48,143
Contributed surplus		1,375	1,375
Accumulated other reserves	11	54,240	51,322
Retained earnings		688,911	638,797
Non-controlling interest		56,974	56,096
		849,643	795,733
		1,415,456	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	–	–	–	55,686	964	56,650
Other comprehensive income (loss)	–	–	(2,633)	11,138	(47)	8,458
Transfer of cash flow hedge (gains) losses to non-financial assets	–	–	5,551	–	(39)	5,512
Dividends	–	–	–	(16,710)	–	(16,710)
Balance as at October 2, 2021	48,143	1,375	54,240	688,911	56,974	849,643
Balance as at December 31, 2019	48,143	1,375	64,962	566,284	54,055	734,819
Profit	–	–	–	74,278	3,344	77,622
Other comprehensive income (loss)	–	–	18,333	(9,105)	1,585	10,813
Transfer of cash flow hedge (gains) losses to non-financial assets	–	–	(2,719)	–	9	(2,710)
Dividends	–	–	–	(13,139)	–	(13,139)
Balance as at September 26, 2020	48,143	1,375	80,576	618,318	58,993	807,405

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	Nine months ended	
		Oct. 2, 2021	Sept. 26, 2020
		\$	\$
Operating activities			
Profit		56,650	77,622
Adjustments for:			
Income tax expense	7	20,168	23,155
Interest expense	5	7,798	12,995
Depreciation of property, plant and equipment and amortization of intangible assets		45,291	47,208
Change in fair value of financial instruments		913	882
Cost of the defined benefit plans recognized in profit or loss, net of contributions		(2,864)	(5,335)
Cost of other long-term incentive plan		760	–
Share in the (profit) or loss of an associate		532	702
(Gains) losses on capital assets		(37)	57
Unrealized foreign exchange (gains) losses		(120)	(2,517)
Other		(47)	(51)
		129,044	154,718
Change in non-cash operating working capital items	12	(26,044)	22,902
Income tax received		4,652	11,142
Income tax paid		(25,474)	(10,417)
Interest received		163	390
Interest paid		(7,006)	(11,330)
Settlements of derivative instruments		(179)	1,490
		75,156	168,895
Financing activities			
Change in revolving operating credit, net of transaction costs		(4,961)	15,285
Increase in long-term debt, net of transaction costs		–	(195)
Repayment of long-term debt		(33,479)	(44,258)
Dividends paid on Class A shares		(7,666)	(6,028)
Dividends paid on Class B shares		(9,044)	(7,111)
		(55,150)	(42,307)
Investing activities			
Consideration paid on a business combination, net of acquired cash on hand		–	(80,647)
Acquisition of property, plant and equipment		(23,569)	(26,484)
Acquisition of intangible assets		(4,767)	(2,978)
Acquisition of other long-term assets		(1,302)	–
Net proceeds from the disposal of property, plant and equipment		4	137
		(29,634)	(109,972)
Increase (decrease) in cash and cash equivalents		(9,628)	16,616
Cash and cash equivalents at beginning		6,803	(10,590)
Impact of exchange rate changes on cash and cash equivalents		141	316
Cash and cash equivalents at end	12	(2,684)	6,342

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 November 12, 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 October 2, 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)
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Note 5. Financial Expenses

	Third quarters ended		Nine months ended	
	Oct. 2, 2021	Sept. 26, 2020	Oct. 2, 2021	Sept. 26, 2020
	\$	\$	\$	\$
Interest on long-term debt	1,574	2,639	5,383	9,759
Interest on lease liabilities	466	540	1,434	1,674
Amortization of transaction costs directly attributable to arranging financing	311	644	1,098	1,690
Other interest net of interest income	21	20	(117)	(128)
Interest expense	2,372	3,843	7,798	12,995
Bank expenses	188	200	610	602
	2,560	4,043	8,408	13,597

Note 6. Other (Gains) Losses

	Third quarters ended		Nine months ended	
	Oct. 2, 2021	Sept. 26, 2020	Oct. 2, 2021	Sept. 26, 2020
	\$	\$	\$	\$
Exchange (gains) losses	59	454	145	(1,812)
Change in fair value of financial instruments not designated as hedges	(570)	237	819	(106)
Other (gains) losses	–	–	–	(134)
	(511)	691	964	(2,052)

Note 7. Income Tax Expense

	Third quarters ended		Nine months ended	
	Oct. 2, 2021	Sept. 26, 2020	Oct. 2, 2021	Sept. 26, 2020
	\$	\$	\$	\$
Current tax	3,982	7,506	13,778	18,555
Deferred tax	2,102	1,329	6,390	4,600
	6,084	8,835	20,168	23,155

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 rates applicable to profit before income taxes in foreign currencies, non-deductible expenses and non-taxable income.

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.

Notes to the Interim Condensed Consolidated Financial Statements

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

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 October 2, 2021		As at December 31, 2020	
		Carrying value	Fair value	Carrying value	Fair value
		\$	\$	\$	\$
Long-term debt	2	176,590	178,751	215,486	220,552
Fair value through profit or loss	2				
Derivative instrument assets		42	42	868	868
Derivative instrument liabilities		61	61	847	847
Instruments designated in a hedging relationship	2				
Derivative instrument assets		1,108	1,108	254	254
Derivative instrument liabilities		1,833	1,833	9,343	9,343

The Company's policy is to recognize transfers between the different levels of the hierarchy levels as of the date of the event or change in circumstance that caused the transfer. During the first nine month periods ended October 2, 2021 and September 26, 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 such that the authorized amount of the revolving operating credit ("U.S. revolving credit") was raised to US\$100,000,000 and the expiry date was extended by one year to May 2023.

Note 10. Shareholders' Equity

10.1 Dividend per share

During the first nine months of 2021, the Company declared and paid a dividend of \$2.41 per share (\$1.895 per share during the first nine 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

	Third quarters ended		Nine months ended	
	Oct. 2, 2021	Sept. 26, 2020	Oct. 2, 2021	Sept. 26, 2020
	\$	\$	\$	\$
3346625 Canada Inc.	3,314	2,448	9,076	7,137
Key management personnel	24	18	66	52
	3,338	2,466	9,142	7,189

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)	298	(2,931)	(2,633)
Transfer of cash flow hedge (gains) losses to non-financial assets	5,551	—	5,551
Balance as at October 2, 2021	443	53,797	54,240
Balance as at December 31, 2019	(3,613)	68,575	64,962
Other comprehensive income (loss)	3,655	14,678	18,333
Transfer of cash flow hedge (gains) losses to non-financial assets	(2,719)	—	(2,719)
Balance as at September 26, 2020	(2,677)	83,253	80,576

Note 12. Additional Cash Flow Information

12.1 Change in non-cash operating working capital items

	Nine months ended	
	Oct. 2, 2021	Sept. 26, 2020
	\$	\$
Accounts receivable	(16,736)	(18,088)
Inventories	(25,078)	8,164
Other current assets	(2,259)	3,340
Accounts payable and accrued liabilities	18,406	28,329
Other current liabilities	(377)	1,157
	(26,044)	22,902

Notes to the Interim Condensed Consolidated Financial Statements

(tabular amounts are in thousands of Canadian dollars unless otherwise indicated)
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12.2 Cash and cash equivalents

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

	As at Oct. 2, 2021	As at Dec. 31, 2020	As at Sept. 26, 2020
	\$	\$	\$
Cash	2,970	6,666	4,932
Cash equivalents ⁱ⁾	241	137	1,517
Bank overdraft	(5,895)	–	(107)
	(2,684)	6,803	6,342

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 Oct. 2, 2021	As at Dec. 31, 2020
	\$	\$
Unpaid acquisitions of property, plant and equipment and intangible assets	2,470	5,341
Investment and innovation tax credits receivable	747	747

	Nine months ended	
	Oct. 2, 2021	Sept. 26, 2020
	\$	\$
Net increase in right-of-use assets	370	3,197
Net increase in lease liabilities	327	3,075

Note 13. Additional Lease Information

The following tables present certain additional lease information:

	As at Oct. 2, 2021	As at Dec. 31, 2020
	\$	\$
Right-of-use assets	38,776	43,343
Lease liabilities	41,038	45,064

	Nine months ended	
	Oct. 2, 2021	Sept. 26, 2020
	\$	\$
Depreciation of right-of-use assets	4,801	5,110
Lease liability payments		
Interest	1,434	1,674
Principal	4,223	4,219

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 for proceedings and claims 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

	Third quarters ended		Nine months ended	
	Oct. 2, 2021	Sept. 26, 2020	Oct. 2, 2021	Sept. 26, 2020
	\$	\$	\$	\$
Canada	223,394	209,589	644,792	604,518
United States	244,986	284,374	756,734	856,229
Other	883	1,244	3,823	5,113
	469,263	495,207	1,405,349	1,465,860

15.2 Certain long-term assets and goodwill by geographic segment

	As at October 2, 2021		
	Canada	United States	Total
	\$	\$	\$
Property, plant and equipment	225,308	158,285	383,593
Intangible assets	23,836	184,136	207,972
Goodwill	18,637	289,186	307,823
	267,781	631,607	899,388

	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

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Note 16. Event After the Reporting Period

16.1 Credit facilities

The Company's Canadian credit facilities include a revolving operating credit ("CA revolving credit") that gives the Company an option, subject to the participation of each lender, to extend, on each annual anniversary date, the expiry date of this facility by one year. In October 2021, the Company and syndicate of financial institutions agreed to extend the expiry date of the CA revolving credit facility by one year to April 2026.

Note 17. Future Accounting Changes

17.1 IAS 1 Presentation of Financial Statements

In February 2021, the International Accounting Standards Board ("IASB") amended IAS 1 *Presentation of Financial Statements, requiring* 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.

17.2 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.

17.3 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.