



Interim Report

THIRD QUARTER

ENDED SEPTEMBER 30, 2023



ALLEN'S



OASIS



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Lassonde
Industries Inc.



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Interim Condensed Consolidated Statements of Income

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

	Note	Third quarters ended		Nine months ended	
		Sept. 30, 2023	Oct. 1, 2022	Sept. 30, 2023	Oct. 1, 2022
		\$	\$	\$	\$
Sales		583,428	556,432	1,710,174	1,595,023
Cost of sales		437,168	430,985	1,274,972	1,195,302
Gross profit		146,260	125,447	435,202	399,721
Selling and administrative expenses		110,522	105,597	331,872	335,157
Operating profit		35,738	19,850	103,330	64,564
Share in the profit or (loss) of an associate		(507)	(343)	(1,638)	(618)
Financial expenses	4	4,164	2,628	12,944	7,334
Other (gains) losses	5	(2,217)	(2,467)	(4,074)	(2,183)
Profit before income taxes		33,284	19,346	92,822	58,795
Income tax expense	6	8,963	5,135	25,111	15,563
Profit		24,321	14,211	67,711	43,232
Attributable to:					
Corporation's shareholders		24,311	14,510	66,510	43,478
Non-controlling interest		10	(299)	1,201	(246)
		24,321	14,211	67,711	43,232
Basic and diluted earnings per share (in \$)		3.56	2.11	9.75	6.31
Weighted average number of shares outstanding (in thousands)		6,822	6,870	6,822	6,889

Interim Condensed Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars)

(unaudited)

	Third quarters ended		Nine months ended	
	Sept. 30, 2023	Oct. 1, 2022	Sept. 30, 2023	Oct. 1, 2022
	\$	\$	\$	\$
Profit	24,321	14,211	67,711	43,232
Other comprehensive income:				
To be reclassified subsequently to profit or loss:				
Net change in the cash flow hedge of financial assets and liabilities:				
Gains (losses) on financial instruments designated as hedges	416	208	1,043	1,425
Reclassification of (gains) losses on financial instruments designated as hedges	(208)	(86)	(1,041)	210
Income tax expense	(55)	(31)	–	(421)
	153	91	2	1,214
Exchange difference on translating foreign operations	12,720	36,862	(1,128)	46,251
	12,873	36,953	(1,126)	47,465
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	6,888	9,285	4,033	12,816
Income tax expense	(1,778)	(2,431)	(1,022)	(3,349)
	5,110	6,854	3,011	9,467
Benefit cost of the defined benefit plans:				
Remeasurements of the net defined benefit asset or liability	(714)	(3,112)	(1,536)	11,748
Income tax expense	191	831	410	(3,137)
	(523)	(2,281)	(1,126)	8,611
	4,587	4,573	1,885	18,078
Total other comprehensive income (loss)	17,460	41,526	759	65,543
Comprehensive income	41,781	55,737	68,470	108,775
Attributable to:				
Corporation's shareholders	40,352	52,317	67,187	104,251
Non-controlling interest	1,429	3,420	1,283	4,524
	41,781	55,737	68,470	108,775

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

	Note	As at Sept. 30, 2023	As at Dec. 31, 2022
		\$	\$
Assets			
Current			
Cash and cash equivalents		20,161	2,678
Accounts receivable		197,817	173,654
Income tax recoverable		4,779	12,206
Inventories		381,928	414,043
Derivative instruments		4,512	7,417
Other current assets		23,846	28,765
		633,043	638,763
Derivative instruments		1,658	279
Investment in an associate		5,801	7,439
Property, plant and equipment		439,887	399,969
Intangible assets		187,010	198,394
Net defined benefit asset		29,542	30,855
Other non-current assets		1,063	854
Goodwill		327,614	328,162
		1,625,618	1,604,715
Liabilities			
Current			
Bank overdraft		–	4,388
Accounts payable and accrued liabilities		311,075	307,037
Income tax payable		6,894	–
Derivative instruments		21	673
Other current liabilities		3,422	5,632
Current portion of long-term debt		7,062	100,821
		328,474	418,551
Long-term debt		201,485	148,574
Long-term incentive plan liabilities		3,326	1,442
Pension plan liabilities		661	523
Deferred tax liabilities		101,391	98,058
		635,337	667,148
Shareholders' equity			
Share capital		46,660	46,660
Contributed surplus		1,360	1,360
Accumulated other reserves	9	91,819	94,102
Retained earnings		788,836	735,044
Non-controlling interest		61,606	60,401
		990,281	937,567
		1,625,618	1,604,715

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 Corporation's shareholders				Non-controlling interest	Total shareholders' equity
	Share capital	Contributed surplus	Accumulated other reserves ⁱ⁾	Retained earnings		
	\$	\$	\$	\$	\$	\$
Balance as at December 31, 2022	46,660	1,360	94,102	735,044	60,401	937,567
Profit	–	–	–	66,510	1,201	67,711
Other comprehensive income (loss)	–	–	1,803	(1,126)	82	759
Transfer to non-financial assets ⁱⁱ⁾	–	–	(4,086)	–	(78)	(4,164)
Dividends	–	–	–	(11,592)	–	(11,592)
Balance as at September 30, 2023	46,660	1,360	91,819	788,836	61,606	990,281
Balance as at December 31, 2021	48,136	1,375	55,760	703,144	57,092	865,507
Profit	–	–	–	43,478	(246)	43,232
Other comprehensive income (loss)	–	–	52,162	8,611	4,770	65,543
Transfer to non-financial assets ⁱⁱ⁾	–	–	(3,418)	–	(98)	(3,516)
Dividends	–	–	–	(15,713)	–	(15,713)
Repurchase of Class A shares ⁱⁱⁱ⁾	(1,201)	(12)	–	(10,609)	–	(11,822)
Balance as at October 1, 2022	46,935	1,363	104,504	728,911	61,518	943,231

i) Includes the hedging reserve and the foreign currency translation reserve, which are presented in Note 9.4.

ii) Transfer of cash flow hedge (gains) losses to non-financial assets.

iii) Information about the repurchase of Class A shares is presented in Note 9.3.

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

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

	Note	Nine months ended	
		Sept. 30, 2023	Oct. 1, 2022
		\$	\$
Operating activities			
Profit		67,711	43,232
Adjustments for:			
Income tax expense	6	25,111	15,563
Net interest expense	4	12,335	6,616
Depreciation of property, plant and equipment and amortization of intangible assets		46,134	44,567
Change in the fair value of financial instruments		(1,827)	(2,968)
Cost of the long-term incentive plan		3,190	2,237
Cost of pension plans recognized in profit or loss, net of contributions		(85)	1,740
Share in the (profit) or loss of an associate		1,638	618
Unrealized foreign exchange (gains) losses		(485)	5,227
Other		481	92
		154,203	116,924
Change in non-cash operating working capital items	10	11,982	(114,228)
Net income tax paid		(6,510)	(22,105)
Net interest paid		(12,256)	(6,475)
Settlements of derivative instruments		(324)	(1,877)
		147,095	(27,761)
Financing activities			
Change in revolving operating credit, net of transaction costs		(43,760)	77,510
Repayment of long-term debt		(6,395)	(6,593)
Dividends paid on Class A shares		(5,213)	(7,157)
Dividends paid on Class B shares		(6,379)	(8,556)
Repurchase of Class A shares	9	–	(11,822)
		(61,747)	43,382
Investing activities			
Net acquisition of property, plant and equipment		(56,111)	(22,490)
Acquisition of intangible assets		(7,094)	(5,137)
Acquisition of other non-current assets		–	(186)
		(63,205)	(27,813)
Change in cash and cash equivalents		22,143	(12,192)
Cash and cash equivalents at beginning		(1,710)	(4,723)
Effect of exchange rate changes on cash and cash equivalents		(272)	(733)
Cash and cash equivalents at end		20,161	(17,648)

Additional cash flow information is presented in Note 10.

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*. Its Class A subordinate voting shares are listed on the Toronto Stock Exchange under the ticker symbol LAS.A. The head office is located at 755 Principale Street in Rougemont, Québec, Canada.

Lassonde Industries Inc. and its subsidiaries (collectively, “the Corporation”) is a leader in the food and beverage industry in North America. The Corporation develops, manufactures, and markets a wide range of private label and national brand products, including ready-to-drink beverages, fruit-based snacks as well as frozen juice concentrates. It is also a leading producer of cranberry sauces and specialty food products such as pasta sauces, soups and fondue broths and sauces. The Corporation also imports and markets selected wines from several countries of origin and produces apple cider and cider-based drinks.

The Corporation’s national brands are sold in various packages under several proprietary trademarks as well as under trademarks for which the Corporation is a licensed user. The Corporation also manufactures private label products for the vast majority of major retailers and wholesalers in North America.

Note 2. Statement of Compliance

The Corporation’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 Corporation’s annual consolidated financial statements for the year ended December 31, 2022. The Corporation’s annual consolidated financial statements for the year ended December 31, 2022 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 Corporation’s annual consolidated financial statements for the year ended December 31, 2022. The Corporation’s interim condensed consolidated financial statements and annual consolidated financial statements are available on the SEDAR website at www.sedarplus.ca and on the Corporation’s website at www.lassonde.com.

The Board of Directors approved these interim condensed consolidated financial statements on November 10, 2023.

Note 3. Adoption of IFRS Standards

3.1 IAS 12 Income Taxes

In May 2023, the International Accounting Standards Board (“IASB”) amended IAS 12 *Income Taxes* to provide temporary exceptions to the recognition and disclosure of deferred tax assets and liabilities under Pillar 2 tax rules of the OECD model. The Corporation has adopted the amended version of the standard, which applies to fiscal years beginning on or after January 1, 2023.

The adoption of this amended standard had no impact on the Corporation’s interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

(tabular amounts are in thousands of Canadian dollars unless otherwise indicated)
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Note 4. Financial Expenses

	Third quarters ended		Nine months ended	
	Sept. 30, 2023	Oct. 1, 2022	Sept. 30, 2023	Oct. 1, 2022
	\$	\$	\$	\$
Interest on long-term debt	3,418	1,892	10,427	4,554
Interest on lease liabilities	478	398	1,254	1,312
Amortization of transaction costs	116	86	623	566
Other interest, net of interest income	(15)	52	31	184
Net interest expense	3,997	2,428	12,335	6,616
Bank expenses	167	200	609	718
	4,164	2,628	12,944	7,334

Note 5. Other (Gains) Losses

	Third quarters ended		Nine months ended	
	Sept. 30, 2023	Oct. 1, 2022	Sept. 30, 2023	Oct. 1, 2022
	\$	\$	\$	\$
Foreign exchange (gains) losses	(1,613)	(2,715)	(1,391)	(2,642)
Change in the fair value of derivative instruments	(28)	268	(10)	525
Other ⁱ⁾	(576)	(20)	(2,673)	(66)
	(2,217)	(2,467)	(4,074)	(2,183)

i) The first nine months ended September 30, 2023 include an amount of \$2,097,000, which represents a gain related to the preliminary settlement of an insurance claim resulting from property damage to a building in the United States.

Note 6. Income Tax Expense

	Third quarters ended		Nine months ended	
	Sept. 30, 2023	Oct. 1, 2022	Sept. 30, 2023	Oct. 1, 2022
	\$	\$	\$	\$
Current tax	7,703	3,594	20,869	11,180
Deferred tax	1,260	1,541	4,242	4,383
	8,963	5,135	25,111	15,563

The tax rate for the quarter is based on the geographic distribution of profit or loss before income taxes, the exchange rates applicable to profit or loss 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 7. Financial Instruments

7.1 Fair value

The carrying values of all of the Corporation's financial instruments approximate their fair values, except for the following:

	As at September 30, 2023		As at December 31, 2022	
	Carrying value	Fair value	Carrying value	Fair value
	\$	\$	\$	\$
Long-term debt ⁱ⁾	208,547	204,623	249,395	246,631

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

During the first nine months ended September 30, 2023 and October 1, 2022, all of the Corporation's financial instruments, including derivative financial instruments, were classified as Level 2, and no financial instruments were transferred between levels 1, 2, and 3.

7.2 Classification

	As at Sept. 30, 2023	As at Dec. 31, 2022
	\$	\$
Financial assets		
Amortized cost:		
Cash and cash equivalents	20,161	2,678
Accounts receivable	197,817	173,654
Fair value through profit or loss:		
Derivative instruments ⁱ⁾	1,398	421
Fair value through other comprehensive income:		
Derivative instruments ⁱ⁾	4,772	7,275
Financial liabilities		
Amortized cost:		
Bank overdraft	–	4,388
Accounts payable and accrued liabilities	311,075	307,037
Long-term debt ⁱⁱ⁾	208,547	249,395
Fair value through profit or loss:		
Derivative instruments ⁱ⁾	–	558
Fair value through other comprehensive income:		
Derivative instruments ⁱ⁾	21	115

i) Includes current and non-current derivative instruments.

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

Notes to the Interim Condensed Consolidated Financial Statements

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

Note 8. Long-Term Debt

8.1 U.S. credit facilities

On January 6, 2023, the Corporation entered into an agreement to amend the U.S. credit facilities to include the various requests for amendments accepted between May 31, 2018 and January 5, 2023, to extend the expiry date by two years and seven months, and to raise the authorized amount of the revolving operating credit ("U.S. revolving credit") by US\$60,000,000. As a result of this agreement, the credit facilities comprise a U.S. revolving credit committed for a period of three years for an authorized amount of US\$160,000,000.

The credit facilities bear interest at the base rate plus 0.25% to 1.00% and/or at the Secured Overnight Financing Rate ("SOFR") plus 1.25% to 2.00%. Interest margins vary based on a prescribed financial ratio.

The credit facilities contain certain conditions and restrictive covenants, including an obligation to maintain certain prescribed financial ratios.

Note 9. Shareholders' Equity

9.1 Dividend per share

During the first nine months of 2023, the Corporation declared and paid dividends totalling \$1.70 per share (\$2.28 per share during the first nine months of 2022) to the holders of Class A and B shares.

9.2 Dividends paid to related parties

	Nine months ended	
	Sept. 30, 2023	Oct. 1, 2022
	\$	\$
3346625 Canada Inc.	6,403	8,587
Key management personnel	40	54
	6,443	8,641

9.3 Share repurchase

During the first nine months of 2022, the Corporation had repurchased for cancellation 90,700 Class A subordinate voting shares at an average price of \$130.35 per share for a cash consideration of \$11,822,000.

The Corporation did not renew its normal course issuer bid program that ended on December 22, 2022.

Notes to the Interim Condensed Consolidated Financial Statements

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

9.4 Accumulated Other Reserves

	Hedging reserve	Foreign currency translation reserve	Total
	\$	\$	\$
Balance as at December 31, 2022	4,305	89,797	94,102
Other comprehensive income (loss)	2,818	(1,015)	1,803
Transfer to non-financial assets ⁱ⁾	(4,086)	–	(4,086)
Balance as at September 30, 2023	3,037	88,782	91,819
Balance as at December 31, 2021	988	54,772	55,760
Other comprehensive income (loss)	10,544	41,618	52,162
Transfer to non-financial assets ⁱ⁾	(3,418)	–	(3,418)
Balance as at October 1, 2022	8,114	96,390	104,504

i) Transfer of cash flow hedge (gains) losses to non-financial assets.

Note 10. Additional Cash Flow Information

10.1 Change in non-cash operating working capital items

	Nine months ended	
	Sept. 30, 2023	Oct. 1, 2022
	\$	\$
Accounts receivable	(24,717)	(38,152)
Inventories	31,950	(58,253)
Other current assets	4,638	(2,232)
Accounts payable and accrued liabilities	2,941	(17,279)
Other current liabilities	(2,830)	1,688
	11,982	(114,228)

10.2 Non-cash transactions

The following table presents the transactions that had no cash impact on financing and investing activities:

	Nine months ended	
	Sept. 30, 2023	Oct. 1, 2022
	\$	\$
Unpaid acquisitions of property, plant and equipment at the beginning of the period	5,270	3,424
Unpaid acquisitions of property, plant and equipment at the end of the period	9,049	11,556
Lease incentives recognized in acquisitions of property, plant and equipment	1,309	–
Unpaid acquisitions of intangible assets at the beginning of the period	470	379
Unpaid acquisitions of intangible assets at the end of the period	264	32
Net increase (decrease) in right-of-use assets	7,583	(2,509)
Net increase (decrease) in lease liabilities	8,666	(2,631)

Notes to the Interim Condensed Consolidated Financial Statements

(tabular amounts are in thousands of Canadian dollars unless otherwise indicated)
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Note 11. Additional Lease Information

The following tables present additional information about leases:

	As at Sept. 30, 2023	As at Dec. 31, 2022
	\$	\$
Right-of-use assets	36,175	32,561
Lease liabilities	40,470	35,014

	Nine months ended	
	Sept. 30, 2023	Oct. 1, 2022
	\$	\$
Depreciation of right-of-use assets	4,038	4,284
Lease liability payments:		
Interest	1,254	1,312
Principal	3,299	3,973

Note 12. Contingencies

12.1 Proceedings and claims

In the ordinary course of business, the Corporation is exposed to various proceedings and claims. The Corporation assesses the validity of these proceedings and claims. Provisions are made whenever a penalty seems probable and the amount can be reliably estimated. Management believes that any settlement arising from these claims will not have a significant impact on the Corporation's current consolidated financial position or profit or loss.

Note 13. Segment Information

The Corporation has determined that it has only one reportable operating segment. This single operating segment generates revenues from the sale of a wide range of products, including ready-to-drink beverages, fruit-based snacks, frozen juice concentrates and specialty food products as well as from rendering services related to the sale of these products.

Sales are attributed to the geographic segment based on the location where the Corporation has transferred control of the goods to the customer. The geographic segment of non-current assets and goodwill is based on the locations of the assets.

13.1 Sales by geographic segment

	Third quarters ended		Nine months ended	
	Sept. 30, 2023	Oct. 1, 2022	Sept. 30, 2023	Oct. 1, 2022
	\$	\$	\$	\$
Canada	272,940	250,142	785,040	713,358
United States	309,360	305,048	922,420	878,295
Other	1,128	1,242	2,714	3,370
	583,428	556,432	1,710,174	1,595,023

Notes to the Interim Condensed Consolidated Financial Statements

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13.2 Certain non-current assets and goodwill by geographic segment

	As at September 30, 2023		
	Canada	United States	Total
	\$	\$	\$
Property, plant and equipment	235,030	204,857	439,887
Intangible assets	34,660	152,350	187,010
Goodwill	18,637	308,977	327,614

	As at December 31, 2022		
	Canada	United States	Total
	\$	\$	\$
Property, plant and equipment	230,139	169,830	399,969
Intangible assets	29,093	169,301	198,394
Goodwill	18,637	309,525	328,162

Note 14. Future Accounting Changes

14.1 Supplier finance arrangements

In May 2023, the IASB amended IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* in order to add disclosure requirements and clarify existing disclosure requirements requiring qualitative and quantitative information to be provided on supplier finance arrangements.

The amendments apply to fiscal years beginning on or after January 1, 2024.

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