Lassonde

Annual Management's Discussion & Analysis

Year ended December 31, 2023

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1 Basis of Presentation

The following Management's Discussion and Analysis ("MD&A") presents the factors that had a significant impact on the results, financial position, and cash flows of Lassonde Industries Inc. ("Lassonde" or the "Corporation"). This MD&A should be read in conjunction with the Corporation's audited consolidated financial statements ("consolidated financial statements") and accompanying notes. In addition to containing an analysis of the fourth quarter and year ended December 31, 2023, this MD&A reports on items deemed significant that have taken place from December 31, 2023 up to and including March 21, 2024, which is the date on which this MD&A was approved by the Corporation's Board of Directors. The financial information in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless otherwise indicated, the reporting currency for figures in this document is the Canadian dollar and all dollar amounts are expressed in millions, which may cause some calculation discrepancies due to rounding.

The MD&A is available on the Lassonde Industries Inc. website at www.lassonde.com. Readers will also find this MD&A, the Annual Information Form for the fiscal year ended December 31, 2023, additional documents, press releases, certifications of filings, and more information about the Corporation on the SEDAR+ website at www.sedarplus.ca. Printed copies of such documents may be obtained by contacting Lassonde's Corporate Secretary's Office. The Class A subordinate voting shares of Lassonde Industries Inc. are listed for trading on the Toronto Stock Exchange under the ticker symbol LAS.A.

This document contains financial measures not in accordance with IFRS. Lassonde reports its financial results in accordance with IFRS and generally assesses its financial performance using financial measures or ratios that are prepared using IFRS. However, this MD&A also refers to certain measures or ratios that are not in accordance with IFRS, including the following: Adjusted operating profit; Earnings before interest, taxes, depreciation, and amortization ("EBITDA"); Adjusted EBITDA; Adjusted profit attributable to Corporation's shareholders; Adjusted basic and diluted earnings per share; Operating working capital; Days operating working capital; Capital employed and sources of capital; Return on capital employed; and Net debt to adjusted EBITDA. These measures may not be comparable to similar measures presented by other issuers. Please refer to *Section 18 – "Financial Measures Not in Accordance With IFRS"* of this MD&A for more information, including the definition and composition of the measure or ratio as well as the reconciliation to the most comparable measure in the financial statements, as applicable. The Corporation uses measures and ratios that are not in accordance with IFRS to provide investors with supplemental metrics to assess and measure its operating performance and financial position from one period to the next. These metrics are presented as a complement to enhance the understanding of Lassonde's financial performance but not in substitution of IFRS results. In addition, measures that are not in accordance with IFRS should not be viewed as a substitute to the related financial information prepared in accordance with IFRS.

2 Forward-Looking Statements

This report contains "forward-looking information" and the Corporation's oral and written public communications that do not constitute historical fact may be deemed to be "forward-looking information" within the meaning of applicable Canadian securities law. These forward-looking statements include, but are not limited to, statements on the Corporation's objectives and goals and are based on current expectations, projections, beliefs, judgments, and assumptions based on information available at the time the applicable forward-looking statement was made and considering the Corporation's experience combined with its perception of historical trends.

Forward-looking statements are typically identified by words such as "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "could", "would", "believe", "plan", "intend", "design", "target", "objective", "strategy", "likely", "potential", "outlook", "aim", "goal", and similar expressions suggesting future events or future performance in addition to the negative forms of these terms or any variations thereof. All statements other than statements of historical fact included in this report may constitute a forward-looking statement.

In this report, forward-looking statements include, but are not limited to, those set forth in *Section 7 – "Outlook"* hereafter, which also presents some (but not all) of the key assumptions used in determining the forward-looking statements. Some of the forward-looking statements in this report, such as statements concerning volume and sales growth rate, key commodity and input costs, expenses, including items impacting the comparability between the periods, effective tax rate, working capital, and capital expenditures may be considered financial outlooks for the purposes of applicable Canadian securities regulation. These financial outlooks are presented to evaluate potential future earnings and anticipated future uses of cash flows and may not be appropriate for other purposes.

Various factors or assumptions are applied by the Corporation in elaborating the forward-looking statements. These factors and assumptions are based on information currently available to the Corporation, including information obtained by the Corporation from third-party sources. **Readers are cautioned that the assumptions considered by the Corporation to support these forward-looking statements may prove to be incorrect in whole or in part.**

The significant factors that could cause actual results to differ materially from the conclusions, forecasts or projections reflected in the forward-looking statements contained herein include, among other things, risks associated with the following: deterioration of general macroeconomic conditions, including international conflicts, which can lead to negative impacts on the Corporation's suppliers, customers and operating costs; the availability of raw materials and packaging and related price variations (including the prices of orange juice and orange concentrates, key commodities for the Corporation, which have continued to trade above historical highs for the past several months and show no sign of favourable change); loss of key suppliers or supplier concentration; disruptions in or failures of the Corporation's information technology systems, as well as the development and performance of technology; cyber threats and other information-technology-related risks relating to business disruptions, confidentiality, data integrity, and business email compromise-related fraud; the successful deployment of the Corporation's multi-year strategy (the "Strategy", defined in *Section 4 – "Multi-Year Strategy"* of this MD&A); the Corporation's ability to maintain strong sourcing and manufacturing platforms and efficient distribution channels; fluctuations in the prices of inbound and outbound freight, the impact of oil prices (and derivatives thereof) on the Corporation's direct and indirect costs along with the Corporation's ability to transfer those increases through higher prices or other means, if any, to its customers in competitive market conditions and considering demand elasticity; climate change and disasters causing higher operating costs and capital expenditures and reduced production output, and impacting the availability, quality or price volatility of key commodities sourced by the Corporation; the scarcity of labour and the related impact on the hiring, training, developing, retaining and reliance of personnel together with their productivity, employment matters, compliance with employment laws across multiple jurisdictions, and the potential for work stoppages due to non-renewal of collective bargaining agreements or other reasons; the successful deployment of the Corporation's health and safety programs in compliance with applicable laws and regulations; serious injuries or fatalities, which could have a material impact on the Corporation's business continuity and reputation and lead to compliance-related costs; disputes with significant suppliers; the increasing concentration of customers in the food industry, providing them with significant bargaining power, particularly on the Corporation's selling prices; the implementation, cost and impact of environmental sustainability initiatives, as well as the cost of remediating environmental liabilities; changes made to laws and rules that affect the Corporation's activities, particularly in matters of tax and customs duties, as well as the interpretation thereof, and new positions adopted by relevant authorities; the ability to adapt to changes and developments affecting the Corporation's industry, including customer preferences, tastes, and buying patterns, market conditions and the activities of competitors and customers; failure to maintain the quality and safety of the Corporation's products, which could result in product recalls and product liability claims for misbranded, adulterated, contaminated, or spoiled food products, along with reputational damage; risks related to fluctuations in interest rates, currency exchange rates, liquidity and credit, stock price and pension obligations; the incurrence of restructuring, disposal, or other related charges together with the recognition of impairment charges on goodwill or long-lived assets; the sufficiency of insurance coverage; and the implications and outcome of potential legal actions, litigation or regulatory proceedings to which the Corporation may be a party. The Corporation cautions readers that the foregoing list of factors is not exhaustive.

The Corporation's ability to achieve its sustainability targets and goals is further subject to, among other factors, its ability to access and implement all technology necessary to achieve them as well as the development, deployment and performance of technology, and environmental regulation. The Corporation's ability to achieve its environmental, social and governance ("ESG") risk commitments is further subject to, among other factors, its ability to leverage its supplier relationships.

The assumptions, expectations, and estimates involved in preparing forward-looking statements and risks and uncertainties that could cause actual results to differ materially from forward-looking statements are discussed in the Corporation's materials filed with the Canadian securities regulatory authorities from time to time, including information about risk factors that can be found in *Section 19 – "Uncertainties and Principal Risk Factors"* of this MD&A. Readers should review this section in detail.

All forward-looking statements included herein speak only as of the date hereof. Unless required by law, the Corporation does not undertake any obligation to publicly update or revise forward-looking statements, whether as a result of new information, future events or otherwise. **All forward-looking statements contained herein are wholly and expressly qualified by this cautionary statement.**

3 Corporate Profile

Lassonde Industries Inc. is a leader in the food and beverages 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 produces, imports and markets selected wines from several countries of origin and produces and markets apple cider and cider-based drinks.

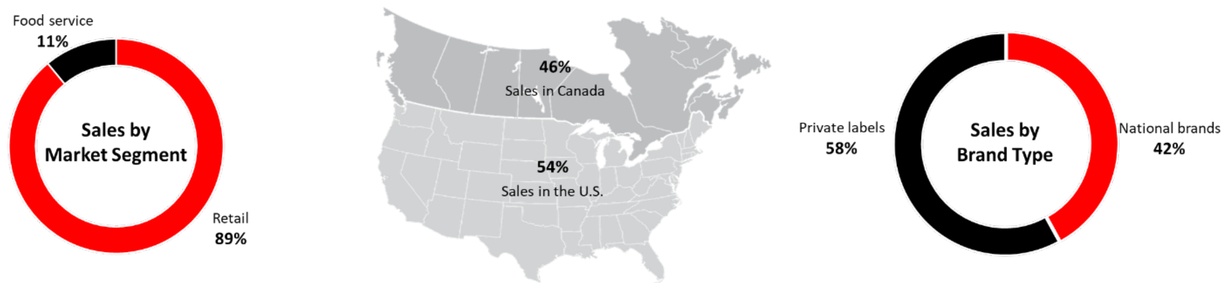
Lassonde is committed to its vision of putting more of its great tasting products in more consumers' hands, that serve more needs, across more occasions, every day, and by continuing its focus on crafting quality food and beverages that consumers love, customers value, employees are proud of, and that demonstrate care for our planet.

The Corporation operates 16 plants located in Canada and the United States ("U.S.") and produces its superior quality products through the expertise of over 2,700 full-time equivalent employees. To learn more, visit www.lassonde.com.

The Corporation is active in two market segments:

- Retail sales consist of sales to food retailers and wholesalers such as supermarket chains, independent grocers, superstores, warehouse clubs, major pharmacy chains; and
- Food service sales consist of sales to restaurants, hotels, hospitals, schools, and wholesalers serving these institutions.

Sales Breakdown (2023)



Main National Brands

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.

4 Multi-Year Strategy

To provide clarity and orientation on the opportunities to pursue and optimize capital allocation decisions, in early 2022, the Corporation developed a multi-year strategy. This Strategy aims to accelerate sales growth, improve overall profitability, and drive long-term value by focusing on three strategic pillars.

- The first pillar, **Building a growth-oriented portfolio**, reinforces the Corporation's commitment to becoming a more diversified food and beverage leader in North America by accelerating the growth of its specialty foods business, strengthening its leadership position in the Canadian beverages sector, and fortifying its competitive position in the U.S.

- The second pillar focuses on **Driving sustainable performance** by increasing investments in its manufacturing network, strengthening its supply chain activities, modernizing its revenue growth management practices, and driving efficiency across all areas of the organization. Moreover, the Corporation's ESG roadmap is a key driver of its sustainability agenda and serves as a guide for important investments decisions for the future.

- The third pillar, **Improving its capacity to act,** focuses on modernizing its operating model to accelerate innovation, improve costs and increase productivity, on simplifying its operations, and on investing in new tools and technologies, including the upgrade of its ERP systems. It also focuses on fortifying capabilities in key areas of the business to enable the execution of its growth strategy.

While the Corporation is actively pursuing every aspect of its Strategy, its initial objective was to revitalize the performance of its U.S. operations through Project Eagle, which identified and addressed key issues impacting performance within the supply chain and manufacturing facilities, through portfolio simplification, process realignment, talent acquisition, employee training, and capital deployment. Another component of Project Eagle was the implementation of new management systems including those aimed at generating greater efficiency in transportation management, demand and supply planning as well as production scheduling. Benefits from these initiatives began materializing in 2023.

The Corporation expects further benefits in 2024 and beyond as it gradually builds back its U.S. sales volume following the portfolio simplification process. Furthermore, the commissioning of a new single-serve line in the North Carolina plant in the second half of the year will play a key role in providing growth opportunities in new markets across both branded and private label businesses. Lastly, a new high-speed single-serve juice box line was commissioned in January 2024 in Rougemont, Quebec, to bring in-house some of the U.S. volume historically produced by a co-packer, and will enable to better serve customers, fuel future growth and increase profitability. Lassonde will continue to monitor the performance of its U.S. operations and will seek to leverage the improvements achieved to date by further investing to optimize its cost structure.

In parallel to the efforts to revitalize the U.S. business, the Corporation also continues to consider various options to take advantage of market opportunities in the specialty food business, including through production capacity expansion and/or business acquisition. The Corporation is also focused on strengthening its leadership position in the Canadian beverage sector through increased focus on innovation, channel expansion and productivity initiatives. After an initial rollout in the U.S., the deployment of new management systems in Canada, including the transportation management system, will be important to generating productivity gains.

To anchor its growth plan and Strategy on tangible goals, the Corporation presented certain financial objectives during its first Investor Day held in September 2023. Lassonde aims to achieve a sales run rate of $3 billion by the end of 2026 supported by a combination of organic growth and investment-driven growth. Organic growth reflects sales increase based on existing assets and capacity. Investment-driven growth is comprised of two sources: additional sales coming from currently known projects, and new growth investments related to capacity expansion and/or acquisitions. The Corporation anticipates a contribution from each of these sources, allowing for a range of possibilities depending on inflation and exchange rate assumptions, market conditions, timing and available opportunities. The Corporation has also stated that profitability growth will take precedence over its sales growth objective.

5 Selected Annual Information

(in millions of dollars, unless otherwise indicated)	**Dec. 31, 2023**	**Years ended** **Dec. 31, 2022**	**Dec. 31, 2021**
	$	$	$
Related to operations			
Sales	**2,314.9**	2,151.0	1,892.9
Operating profit	**135.4**	81.3	118.4
Adjusted operating profit[1]	**144.5**	97.5	121.1
Adjusted EBITDA[1]	**207.1**	157.1	180.6
Profit attributable to the Corporation's shareholders	**87.5**	53.9	77.5
Basic and diluted earnings per share ("EPS") *(in $)*	**12.83**	7.85	11.18
Dividends declared per share for Class A and B shares *(in $)*	**2.20**	2.98	3.29
Cash flows from operating activities	**224.9**	24.0	93.7
Related to financial position			
Total assets	**1,665.7**	1,604.7	1,419.6
Operating working capital[1]	**293.5**	303.9	235.3
Days operating working capital[1] *(in days)*	**44.2**	49.7	43.9
Long-term debt, including the current portion	**210.5**	249.4	175.4
Net debt to adjusted EBITDA ratio[1]	**0.92:1**	1.57:1	0.97:1
Return on capital employed[1] *(in %)*	**12.1**	8.4	11.8

Refer to *Section 12 – "Analysis of Selected Annual Information"* of this MD&A for summary explanations on changes, between fiscal years 2022 and 2021, in sales, operating profit, profit attributable to the Corporation's shareholders, cash flows from operating activities, and total assets.

6 Financial Highlights

Fourth quarter ended December 31, 2023:

- Sales of $604.8 million. Excluding a $1.1 million favourable foreign exchange impact, sales were up $47.7 million (8.6%) from the same quarter last year, mainly due to selling price adjustments and to an increase in U.S. sales volume, partly offset by a decrease in the Canadian sales volume of national brand products.

- Gross profit of $152.5 million (25.2% of sales). Excluding a $3.7 million unfavourable foreign exchange impact, gross profit was up $32.6 million from the same quarter last year. This net increase, coming from all of the Corporation's divisions, results mainly from the following items:

    - Favourable impact of selling price adjustments to offset cost increases, including the higher cost for certain inputs, especially apple and orange concentrates;

[1] This measure does not constitute a standardized financial measure in accordance with the financial reporting framework used to prepare the Corporation's financial statements. Comparing it to a similar financial measure presented by other issuers may not be possible. Refer to *Section 18 – "Financial Measures Not in Accordance With IFRS"* of this MD&A for more information, including the definition and composition of the measure or ratio as well as the reconciliation to the most comparable measure in the financial statements, as applicable.

- Gross profit loss of $3.7 million in 2022 following a production interruption of the cranberry sauce line at the Corporation's New Jersey plant; and
- $2.0 million in expenses related to business optimization.

- Operating profit of $32.1 million, up $15.4 million from the same quarter last year. This net increase results mainly from the following items:
  - Higher gross profit;
  - $6.0 million increase in selling and marketing expenses, essentially in Canada;
  - $6.0 million increase in performance-related compensation expenses;
  - $4.2 million decrease in transportation costs incurred to deliver products to customers, resulting (i) from decreases in fuel surcharges and in base transportation rates, and (ii) from savings related to the use of new processes and the transportation management system ("TMS") in the U.S.;
  - $1.9 million increase in certain administrative expenses; and
  - $1.5 million in expenses related to business optimization.
- Excluding items impacting comparability, adjusted EBITDA[2] was $52.6 million (8.7% of sales), up $14.3 million from the same quarter last year.
- Profit attributable to the Corporation's shareholders of $21.0 million, resulting in EPS of $3.08, up $10.6 million and $1.55, respectively, from the same quarter in 2022. Excluding items impacting comparability, adjusted EPS[2] was $3.14 compared to $2.09 in the same quarter last year.
- Operating activities generated $77.8 million in cash compared to $51.8 million generated in the same quarter last year. This increase in cash inflows was essentially due to a higher operating profit and to a change in non-cash operating working capital items, which generated $8.6 million more cash than in the same quarter of 2022.
- Dividend of $0.50 per share, paid on December 15, 2023.

Year ended December 31, 2023:

- Sales of $2,314.9 million. Excluding a $43.8 million favourable foreign exchange impact, sales were up $120.1 million (5.6%) from last year, mainly due to the favourable impact of selling price adjustments and to a favourable change in the sales mix of private label products, partly offset by a decrease in sales volume, essentially in the U.S.
- Gross profit of $587.7 million (25.4% of sales). Excluding a $5.1 million unfavourable foreign exchange impact, gross profit was up $69.4 million from last year. This net increase, coming from all of the Corporation's divisions, results mainly from the following items:
  - Favourable impact of selling price adjustments to offset cost increases, including the higher cost for all inputs, especially apple and orange concentrates and the increase in the Corporation's conversion costs;
  - Gross profit loss of $5.2 million in 2022 following a production interruption on the cranberry sauce line at the Corporation's New Jersey plant.; and
  - $2.0 million in expenses related to business optimization.
- Operating profit of $135.4 million, up $54.1 million from last year. This net increase results mainly from the following items:
  - Higher gross profit;

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- $38.9 million decrease in transportation costs incurred to deliver products to customers, resulting (i) from decreases in fuel surcharges and in base transportation rates, (ii) from savings related to the use of new processes and the TMS in the U.S. and (iii) from a decrease in sales volume;
- $28.9 million increase in performance-related compensation expenses;
- $8.1 million increase in certain administrative expenses;
- $6.5 million unfavourable foreign exchange impact that affected the conversion of the selling and administrative expenses of the U.S. entities into Canadian dollars;
- $6.4 million increase in selling and marketing expenses, essentially in Canada;
- $5.7 million decrease in expenses related to the Strategy and its deployment; and
- $1.9 million in expenses related to business optimization.

- Excluding items impacting comparability, adjusted EBITDA[3] was $207.1 million (8.9% of sales), up $50.0 million from last year.
- Profit attributable to the Corporation's shareholders of $87.5 million, resulting in EPS of $12.83, up $33.6 million and $4.99, respectively, from 2022. Excluding items impacting comparability, adjusted EPS[3] was $13.18 compared to $9.37 last year.
- As at December 31, 2023, the Corporation had total assets of $1,665.7 million versus $1,604.7 million as at December 31, 2022, a 3.8% increase arising mainly from the assets of Diamond Estates Wines & Spirits Inc. of $62.4 million, and from an increase in property, plant and equipment, partly offset by lower inventories as well as a lower foreign exchange conversion rate as at December 31, 2023.
- As at December 31, 2023, long-term debt, including the current portion, stood at $210.5 million, representing a net debt to adjusted EBITDA[3] ratio of 0.92:1. This is down $38.9 million from December 31, 2022.
- Operating activities generated $224.9 million in cash compared to $24.0 million generated last year. This increase in cash inflows was essentially due to a change in non-cash operating working capital items, which generated $134.8 million more than in 2022, and to a higher operating profit.
- Dividends totalling $2.20 per share, for a total amount of $15.0 million paid in 2023.

7 Outlook

Lassonde continues to expect the largest factors impacting its performance in fiscal 2024 will be the financial health of consumers and the inflationary environment. As a result, the Corporation is currently retaining the following assumptions for its fiscal year 2024:

Sales growth rate

- For 2024, barring any significant external shocks and excluding foreign exchange impacts, Lassonde expects:
    - a sales growth rate in the mid-single-digit range, mainly driven by the run rate effect of its selling price adjustments together with the volume growth expected in the second half of the year; and
    - a slight decrease in sales volume in the first half of the year with sequential improvement in the second half resulting from the combined impact of the following items: (i) the pace of the U.S. demand build back strategy for the Corporation's products; (ii) additional volumes available following the deployment of its single serve line in North Carolina; and (iii) the overall stabilization of demand.
- Lassonde will also consider further pricing action to be implemented over the course of 2024 if inflation persists. However, the Corporation is closely monitoring the evolution of consumer food habits and demand elasticity in a context of price increases.

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Key commodity and input costs

- Lassonde's input costs have increased significantly since 2021. More recently, the prices for orange juice and orange concentrates remain an area of focus.

- Given that a large portion of the raw material purchases made by Lassonde's Canadian operations are in U.S. dollars, a strengthening of this currency against the Canadian dollar results in a higher cost for products sold in the Canadian market. Furthermore, the Corporation is expecting an unfavourable foreign exchange impact for 2024 when considering its hedged positions.

Expenses, including items impacting the comparability between the periods

- The Corporation's performance-related compensation expenses are expected to return in 2024 to levels below those observed in 2023.

- During 2024, Lassonde plans to continue deploying its Strategy, optimizing its business and upgrading its key systems and technology infrastructures to improve its efficiency. Planned spending in support of these elements is expected to reach up to $5.0 million in 2024.

Effective tax rate

- Effective tax rate should be about 26.5% for fiscal 2024.

Working capital

- The Corporation's Days Operating Working Capital[4] is now closer to its historical levels and only incremental improvements are expected for this ratio over the course of 2024. However, this outlook might be impacted by (i) opportunistic decisions to secure inventory cost ahead of potential additional price increases from suppliers, (ii) the objective of ensuring an adequate service level, or (iii) the decisions to counter new potential supply chain disruptions.

Capital Expenditures

- The Corporation's overall capital expenditures program for 2024 is estimated to reach up to 5.0% of its sales as it continues to deploy capital in support of its Strategy. This estimate depends on the rate of progress of certain large capital projects and on the evolution of the macroeconomic environment.

- The Corporation has not yet finalized the determination of its buy versus build path in relation to supporting the growth of its specialty foods division and it is studying additional avenues to better support its U.S. beverage divisions. Accordingly, there are no capital expenditures associated with these elements in the current Outlook.

- The new capital assets will be financed, to the extent possible, using the Corporation's operating cash flows, although the Corporation may also turn to borrowing if interest rates and conditions prove advantageous.

The above forward-looking statements exclude items related to Diamond Estates Wines & Spirits Inc. and have been prepared using the following key assumptions: currently observed geopolitical situation and macroeconomic trends, including employment, inflation and interest rates; a stable exchange rate between the U.S. dollar and the Canadian dollar; the continuity of recently observed consumer behaviours and market trends for the Corporation's products; no material disruption to the Corporation's operations (including workforce availability) or to its supply chain; the effectiveness of the Corporation's selling price adjustment initiatives; the limited impact of the Corporation's selling price adjustment initiatives on product demand; the continuity of observed trends in the competitive environment and the effectiveness of the Corporation's strategy to position itself competitively in the markets in which it operates; limited additional cost increases from suppliers; adequate availability of key inputs; the continuity of recently observed normalized trends in the throughput capacity of key U.S. plants; expected lead time for new manufacturing equipment; and adequate contractor or consultant availability to progress the Corporation's capital expenditures. The Corporation cautions readers that the foregoing list of factors is not exhaustive. It should be noted that some of these key assumptions, including those related to the geopolitical situation and macroeconomic trends, are volatile and rapidly evolving. In preparing its outlook, the Corporation made assumptions that do not consider extraordinary events or circumstances beyond its control. The Corporation believes the expectations reflected in these forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon. For additional information, refer to *Section 2 – " Forward-Looking Statements"* of this MD&A.

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8 Fourth Quarter

8.1 Analysis of the Consolidated Results

(in millions of dollars, unless otherwise indicated)	Fourth quarters ended **Dec. 31, 2023**	Dec. 31, 2022	Δ
	$	$	$
Sales	**604.8**	556.0	48.8
Cost of sales	**452.3**	432.3	19.9
Gross profit	**152.5**	123.6	28.9
Selling and administrative expenses	**120.4**	106.9	13.5
Operating profit	**32.1**	16.7	15.4
Share in the profit or (loss) of an associate	**(1.2)**	(0.3)	(1.0)
Financial expenses	**3.8**	3.1	0.7
Other (gains) losses	**(1.7)**	1.5	(3.2)
Profit before income taxes	**28.7**	11.8	16.9
Income tax expense	**8.1**	1.7	6.4
Profit	**20.5**	10.1	10.4
Attributable to:			
Corporation's shareholders	**21.0**	10.5	10.5
Non-controlling interests	**(0.5)**	(0.4)	(0.1)
	20.5	10.1	10.4
EPS *(in $)*	**3.08**	1.53	1.55
Weighted average number of shares outstanding *(in thousands)*	**6,822**	6,849	(27)
Adjusted operating profit[5]	**36.0**	23.2	12.8
Adjusted EBITDA[5]	**52.6**	38.3	14.3
Adjusted EPS[5] ***(in $)***	**3.14**	2.09	1.05

On November 14, 2023, the Corporation acquired an additional economic interest of 20,000,000 newly issued common shares in Diamond Estates Wines & Spirits Inc. ("Diamond") for total consideration of $9.0 million. The acquisition was paid using the Corporation's cash flows from operating activities. As a result of this transaction, the Corporation has an economic interest of 52.9% in Diamond, and has the right to appoint four of the seven directors to Diamond's board of directors. The Corporation has concluded consequently that it exercises control over this entity and has been consolidating it since that date. The Corporation has recognized this business combination using the acquisition method in accordance with the provisions of IFRS 3. Therefore, the 2023 consolidated financial statements include the results of Diamond from November 14, 2023. Note 6 to the 2023 consolidated financial statements contains additional information about the acquisition, notably including information about the related purchase price allocation.

An overview of the key themes affecting 2023, including its fourth quarter, is provided in *Section 10 – "Annual Financial Information"*.

[5] This measure does not constitute a standardized financial measure in accordance with the financial reporting framework used to prepare the Corporation's financial statements. Comparing it to a similar financial measure presented by other issuers may not be possible. Refer to *Section 18 – "Financial Measures Not in Accordance With IFRS"* of this MD&A for more information, including the definition and composition of the measure or ratio as well as the reconciliation to the most comparable measure in the financial statements, as applicable.

Sales

(in millions of dollars)	Fourth quarters Private labels	National brands	Total
	$	$	$
Sales 2022	**323.6**	**232.4**	**556.0**
Selling price adjustments impact	18.1	23.8	**41.9**
Volume impact	5.8	(4.4)	**1.4**
Change in the sales mix impact	1.7	(1.0)	**0.6**
Other impacts, net	-	(0.0)	**(0.0)**
Growth excluding foreign exchange impact	25.5	18.4	**43.9**
	7.9%	*7.9%*	***7.9%***
Foreign exchange impact	0.8	0.3	**1.1**
Sales 2023 (excluding Diamond)	**350.0**	**251.0**	**601.0**
Sales from Diamond			**3.8**
Sales 2023			**604.8**

The 2023 fourth-quarter sales rose $48.8 million (8.8%) compared to the same quarter of 2022. Excluding a $1.1 million favourable foreign exchange impact and $3.8 million in sales from Diamond, the Corporation's sales were up $43.9 million (7.9%) year over year, essentially due to selling price adjustments coming mainly from Canada but also from the U.S. The favourable volume impact[6] came from a $10.3 million increase in the U.S., partly offset by an $8.9 million decrease in Canada. It should be noted, however, that U.S. sales volume had been adversely impacted in 2022 by factors affecting the production rate that are further described in *Section 10 – "Annual Financial Information"*.

Cost of sales

The 2023 fourth-quarter cost of sales was up $19.9 million or 4.6% from the same quarter of 2022. Excluding a $4.8 million unfavourable foreign exchange impact and $2.5 million in cost of sales from Diamond, cost of sales was up $12.6 million (2.9%) year over year. This 2.9% increase in cost of sales essentially reflects:

(i) higher cost for certain inputs, especially apple and orange concentrates;

(ii) a decrease in the Corporation's conversion costs;

(iii) $2.0 million in expenses related to business optimization; and

(iv) a $1.0 million decrease in provisions related to customer claims.

Gross profit

As a result of the aforementioned factors and excluding $1.3 million in gross profit from Diamond, gross profit amounted to $151.2 million (25.2% of sales) in the fourth quarter of 2023, up 22.3% from $123.6 million in the fourth quarter of 2022.

Selling and administrative expenses

The 2023 fourth-quarter selling and administrative expenses were up $13.5 million year over year. Excluding $1.9 million in selling and administrative expenses from Diamond, selling and administrative expenses rose $11.6 million. This increase was essentially due to:

(i) a $6.0 million increase in selling and marketing expenses, essentially in Canada;

(ii) a $6.0 million increase in performance-related compensation expenses;

(iii) a $1.9 million increase in certain administrative expenses;

(iv) a $1.9 million increase in warehousing costs; and

(v) $1.5 million in expenses related to business optimization;

[6] According to industry data, sales volume, measured on a trailing 13-week basis, in the U.S. and Canadian fruit juice and drink markets decreased at a rate above the mid-single-digit range during the fourth quarter of 2023 compared to the same period last year.

partly offset by:

(i) a $4.2 million decrease in transportation costs incurred to deliver products to customers, resulting (i) from decreases in fuel surcharges and in base transportation rates, and (ii) from savings related to the use of new processes and the TMS in the U.S.;

(ii) a $1.5 million gain on capital assets related to business optimization; and

(iii) a $0.9 million decrease in expenses related to the Strategy and its deployment.

Operating profit

As a result of the aforementioned factors and excluding a $0.6 million operating loss from Diamond, the Corporation's operating profit totalled $32.6 million in the fourth quarter of 2023 versus $16.7 million in the fourth quarter of 2022.

Financial expenses

The 2023 fourth-quarter financial expenses were up $0.8 million year over year. Excluding $0.5 million in financial expenses from Diamond, financial expenses were up $0.3 million from the same quarter last year. This increase came mainly from an increase in interest expense on long-term debt given higher interest rates, partly offset by a lower debt level.

Other (gains) losses

The 2023 fourth-quarter gain came essentially from a $1.9 million gain resulting from the business combination with Diamond and from a $0.6 million gain related to the final settlement of an insurance claim, partly offset by $0.8 million in foreign exchange losses. The 2022 fourth-quarter loss was mainly driven by foreign exchange losses.

Profit before income taxes

Excluding the $1.2 million loss before income taxes from Diamond, profit before income taxes totalled $29.9 million in the fourth quarter of 2023, up from $11.8 million in the same period of 2022.

Income tax expense

At 28.4%, the 2023 fourth-quarter effective income tax rate was higher than the 14.4% rate in the same quarter of 2022. During the fourth quarter of 2022, the Corporation had recognized a $0.6 million favourable non-cash adjustment to the deferred tax liabilities of the U.S. entities. This downward adjustment to deferred tax liabilities stems from a reduction to the tax rate of a U.S. state. Excluding the impact of this adjustment, the 2022 fourth-quarter adjusted effective income tax rate would have been 19.3% versus 28.4% in 2023. This higher 2023 effective income tax rate was essentially attributable (i) to a favourable tax adjustment in 2022 related to previous quarters, (ii) to the geographic distribution of profit or loss before income taxes, and (iii) to the net impact on profit before taxes of the share in the profit or loss of Diamond, the loss before income taxes of Diamond from November 14, 2023, and the gain resulting from the business combination, as these elements have no tax impact on the Corporation.

Profit

Excluding the $1.2 million loss from Diamond, profit totalled $21.7 million in the fourth quarter of 2023, up from $10.1 million in the same period of 2022.

Profit attributable to the Corporation's shareholders

Excluding the $0.6 million unfavourable impact from Diamond's results, profit attributable to the Corporation's shareholders for the fourth quarter of 2023 totalled $21.6 million, resulting in EPS of $3.17, compared to $10.5 million and $1.53, respectively, in the same quarter of 2022.

8.2 Analysis of the Consolidated Cash Flows

(in millions of dollars)	Fourth quarters ended Dec. 31, 2023	Dec. 31, 2022
	$	$
Operating activities	**77.8**	51.8
Financing activities	**(29.9)**	(15.7)
Investing activities	**(52.2)**	(20.2)
Change in cash and cash equivalents	**(4.3)**	15.8
Cash and cash equivalents at beginning	**20.2**	(17.6)
Effect of exchange rate changes on cash and cash equivalents	**(0.0)**	0.1
Cash and cash equivalents at end	**15.8**	(1.7)

Cash flows related to operating activities

For the fourth quarter of 2023, operating activities generated $77.8 million in cash, whereas these activities had generated $51.8 million in cash during the fourth quarter of 2022. Diamond's operating activities used $0.9 million in cash, leaving a difference of $26.9 million on a comparable basis. This increase in cash inflows was essentially due to a $20.4 million increase in earnings before interest, taxes, depreciation and amortization (including a $3.3 million favourable change in other (gains) losses) and to a change in non-cash operating working capital items that generated $35.3 million in cash during the fourth quarter of 2023 compared to $26.2 million in cash generated in the same quarter last year, for a $9.1 million increase in cash inflows. This fluctuation in the change in working capital was due to the combined impact of the following items:

a) a change in inventories that generated $11.3 million during the fourth quarter of 2023 compared to $34.7 million used in the fourth quarter of 2022;

b) a change in accounts payable and accrued liabilities that generated $18.2 million during the fourth quarter of 2023 compared to $42.6 million generated during the same quarter of 2022;

c) a change in accounts receivable that generated $9.6 million during the fourth quarter of 2023 compared to $26.2 million generated during the fourth quarter of 2022; and

d) a change in other current assets and liabilities that used $3.8 million during the fourth quarter of 2023 compared to $8.0 million used in the same quarter of 2022.

A $5.7 million decrease in income tax paid also contributed to the upward change in operating cash flows, while the upward change was limited by a net $5.0 million withdrawal in 2022 from the defined benefit pension plans.

Cash flows related to financing activities

For the fourth quarter of 2023, financing activities used $29.9 million in cash, whereas these activities had used $15.7 million in cash during the fourth quarter of 2022. Diamond's financing activities generated $0.9 million in cash, leaving a difference of $15.1 million on a comparable basis.

This increase in cash outflows was mainly due to a $25.1 million repayment on the revolving operating credit during the fourth quarter of 2023, compared to a $75.4 million inflow from revolving operating credit during the fourth quarter of 2022, mainly to finance long-term debt repayments, partly offset by (i) an $81.7 million decrease in long-term debt repayments, (ii) $2.3 million in share repurchases during the fourth quarter of 2022, and (iii) a $1.4 million decrease in dividends paid on Class A and B shares.

Cash flows related to investing activities

For the fourth quarter of 2023, investing activities used $52.2 million in cash compared to $20.2 million used in the fourth quarter of 2022. This upward change came essentially from (i) a $21.1 million increase in cash outflows to acquire property, plant and equipment, (ii) the acquisition of a $9.0 million additional economic interest in Diamond, and (iii) a $2.4 million increase in cash outflows to acquire intangible assets, partly offset by a $0.5 million cash outflow in 2022 representing a loan to Diamond.

9 Summary of Quarterly Results

(in millions of dollars, unless otherwise indicated)	**Q4 2023**	**Q3 2023**	**Q2 2023**	**Q1 2023**	**Q4 2022**	**Q3 2022**	**Q2 2022**	**Q1 2022**
	$	$	$	$	$	$	$	$
Sales	**604.8**	583.4	579.4	547.3	556.0	556.4	529.5	509.0
Operating profit	**32.1**	35.7	41.3	26.2	16.7	19.9	22.3	22.4
Adjusted EBITDA[7]	**52.6**	52.9	58.6	43.1	38.3	38.9	40.2	39.7
Profit attributable to the Corporation's shareholders	**21.0**	24.3	25.1	17.1	10.5	14.5	14.2	14.8
EPS *(in $)*	**3.08**	3.56	3.68	2.51	1.53	2.11	2.06	2.14
Adjusted EPS[7] *(in $)*	**3.14**	3.67	3.89	2.48	2.09	2.54	2.36	2.37

The Corporation's sales typically follow a seasonal pattern, starting slow in the first quarter and progressively improving throughout the year. Sales usually mirror consumer spending habits with higher demand in the back-to-school and holiday seasons and lower demand in the early parts of the year.

Quarterly sales may also fluctuate due to acquisitions, divestitures, price adjustments, sales mix, and foreign exchange impacts. Profitability behaves relatively similar to sales but, in addition to the above-mentioned factors, it is also influenced by input costs and transportation costs, the Corporation's operating efficiency as well as government decisions on interest rates and taxes.

For a more complete explanation and analysis of quarterly results, refer to the Corporation's MD&A for each of the respective quarterly periods, which are filed on the SEDAR+ website and also available on the Corporation's website.

[7] This measure does not constitute a standardized financial measure in accordance with the financial reporting framework used to prepare the Corporation's financial statements. Comparing it to a similar financial measure presented by other issuers may not be possible. Refer to *Section 18 – "Financial Measures Not in Accordance With IFRS"* of this MD&A for more information, including the definition and composition of the measure or ratio as well as the reconciliation to the most comparable measure in the financial statements, as applicable.

10 Annual Financial Information

10.1 Analysis of the Consolidated Results

(in millions of dollars, unless otherwise indicated)	Years ended **Dec. 31, 2023**	Dec. 31, 2022	Δ
	$	$	$
Sales	**2,314.9**	2,151.0	164.0
Cost of sales	**1,727.2**	1,627.6	99.6
Gross profit	**587.7**	523.3	64.4
Selling and administrative expenses	**452.3**	442.1	10.2
Operating profit	**135.4**	81.3	54.1
Share in the profit or (loss) of an associate	**(2.9)**	(0.9)	(2.0)
Financial expenses	**16.8**	10.4	6.4
Other (gains) losses	**(5.7)**	(0.6)	(5.1)
Profit before income taxes	**121.5**	70.6	50.9
Income tax expense	**33.2**	17.3	16.0
Profit	**88.3**	53.3	34.9
Attributable to:			
Corporation's shareholders	**87.5**	53.9	33.6
Non-controlling interests	**0.7**	(0.6)	1.3
	88.3	53.3	34.9
EPS *(in $)*	**12.83**	7.85	4.99
Weighted average number of shares outstanding *(in thousands)*	**6,822**	6,875	(54)
Adjusted operating profit[8]	**144.5**	97.5	47.0
Adjusted EBITDA[8]	**207.1**	157.1	50.0
Adjusted EPS[8] *(in $)*	**13.18**	9.37	3.81

From early 2021 until early 2023, Lassonde has observed significant disruptions in the global supply chain network. These disruptions encompassed factors such as limited availability issues for freight transportation, labour, raw material, and packaging. These challenges have had a negative impact on Lassonde's profit margins and its ability to meet demand during 2022 and early 2023. Moreover, during this period, the Corporation has faced substantial and sometimes sudden cost increases owing to supply chain complications. These cost escalations affected various raw materials, including its primary concentrates (such as apple, orange, cranberry, and grape) and packaging materials (such as PET resin, aseptic cartons, glass jars, and aluminum and steel cans). However, over the last twelve months, the Corporation has noticed a stabilization in the inflation trend impacting most of its raw materials and packaging. Two key raw materials, however, remain an exception to this trend. Apples and apple concentrates (collectively referred to as "Apples") together with orange juice and orange concentrates (collectively referred to as "Oranges") represent approximately 25% of the Corporation's cost of sales. Inflation continued to affect both commodities throughout 2023, more specifically for Oranges. For instance, the price of the frozen concentrate orange juice has been traded at elevated levels for more than a year now.

From a supply chain perspective, since the second quarter of 2023, the Corporation had not faced the same level of disruptions in the U.S. as that observed in 2022, more specifically around the availability of (i) aseptic production capacity from its co-packers and (ii) aluminum cans from its suppliers.

As costs rose, the Corporation implemented measures to counter their impact on its profitability, including price adjustments. However, during 2022, its pricing action had lagged cost increases, and, in certain instances, the Corporation was unable to pass along the full

[8] This measure does not constitute a standardized financial measure in accordance with the financial reporting framework used to prepare the Corporation's financial statements. Comparing it to a similar financial measure presented by other issuers may not be possible. Refer to *Section 18 – "Financial Measures Not in Accordance With IFRS"* of this MD&A for more information, including the definition and composition of the measure or ratio as well as the reconciliation to the most comparable measure in the financial statements, as applicable.

effect of such increases. The Corporation was and remains mindful of the effect of price increases and continues to keep a close eye on the changing trends in consumer food preferences and price sensitivity, especially in light of a recent decrease in demand. Industry data indicates that the sales volume in the U.S. and Canadian fruit juice and drink markets, measured over the past 52 weeks, has seen a decline greater than the mid-single-digit range in fiscal 2023 compared to the previous year.

In 2023, the Corporation saw positive impacts from Project Eagle, more specifically related to the review of the product and customer portfolio, which resulted in an improved sales mix. The Corporation has also noticed greater operational efficiencies at U.S. plants together with an abatement of labour-related issues during 2023.

Finally, Lassonde also observed in 2023 a favourable trend for its transportation costs (both inbound and outbound), more specifically in the U.S. market, owing to decreases in base rates and in fuel surcharges and to the benefits of the deployment of its TMS together with a review of its processes and other logistic management support tools.

Sales

(in millions of dollars)	**Private labels**	**National brands**	**Total**
	$	$	$
Sales 2022	**1,247.8**	**903.2**	**2,151.0**
Selling price adjustments impact	113.7	89.2	**203.0**
Volume impact	(69.1)	(37.7)	**(106.7)**
Change in the sales mix impact	19.5	1.0	**20.5**
Other impacts, net	-	(0.4)	**(0.4)**
Growth excluding foreign exchange impact	64.2	52.1	**116.3**
	5.1%	*5.8%*	***5.4%***
Foreign exchange impact	31.1	12.7	**43.8**
Sales 2023 (excluding Diamond)	**1,343.1**	**968.0**	**2,311.1**
Sales from Diamond			**3.8**
Sales 2023			**2,314.9**

For the year ended December 31, 2023, sales rose $164.0 million (7.6%) compared to last year. Excluding a $43.8 million favourable foreign exchange impact and $3.8 million in sales from Diamond, the Corporation's sales were up $116.3 million (5.4%) year over year, mainly due to selling price adjustments coming mainly from Canada but also from the U.S. and to a favourable change in the sales mix of private label products. These items were partly offset by a decrease in sales volume, including $87.6 million in the U.S., resulting from lower demand but also from the above-described portfolio optimization process.

Cost of sales

For the year ended December 31, 2023, cost of sales was up $99.6 million or 6.1% from last year. Excluding a $48.9 million unfavourable foreign exchange impact and $2.5 million in cost of sales from Diamond, cost of sales was up $48.2 million (3.0%) year over year. This 3.0% increase in cost of sales essentially reflects:

(i) higher cost for all inputs, especially apple and orange concentrates;

(ii) the impact of lower sales volume on the cost of sales;

(iii) an increase in the Corporation's conversion costs;

(iv) a $2.7 million decrease in provisions related to customer claims;

(v) $2.0 million in expenses related to business optimization; and

(vi) a $0.9 million expense resulting from an adjustment related to taxes not recoverable by the Corporation.

Gross profit

As a result of the aforementioned factors and excluding $1.3 million in gross profit from Diamond, gross profit amounted to $586.4 million (25.4% of sales) in 2023, up 12.0% compared to $523.3 million (24.3% of sales) in 2022.

Selling and administrative expenses

The 2023 selling and administrative expenses were up $10.2 million compared to 2022. Excluding $1.9 million in selling and administrative expenses from Diamond, selling and administrative expenses were up $8.3 million year over year. This increase was mainly due to:

(i) a $28.9 million increase in performance-related compensation expenses;

(ii) an $8.1 million increase in certain administrative expenses;

(iii) a $6.5 million unfavourable foreign exchange impact that affected the conversion of the selling and administrative expenses of the U.S. entities into Canadian dollars;

(iv) a $6.4 million increase in selling and marketing expenses, essentially in Canada;

(v) a $3.7 million increase in warehousing costs; and

(vi) $1.9 million in expenses related to business optimization;

partly offset by:

(i) a $38.9 million decrease in transportation costs incurred to deliver products to customers, resulting (i) from decreases in fuel surcharges and in base transportation rates, (ii) from savings related to the use of new processes and the TMS in the U.S., and (iii) from a decrease in U.S. sales volume;

(ii) a $5.7 million decrease in expenses related to the Strategy and its deployment; and

(iii) a $1.0 million gain on capital assets related to business optimization.

Operating profit

As a result of the aforementioned factors and excluding $0.6 million in operating loss from Diamond, the Corporation's operating profit totalled $136.0 million for 2023 versus $81.3 million for 2022.

Financial expenses

For the year ended December 31, 2023, financial expenses were up $6.4 million year over year. Excluding $0.5 million in financial expenses from Diamond, financial expenses were up $5.9 million year over year. This increase came mainly from a higher interest expense on long-term debt given higher interest rates.

Other (gains) losses

The 2023 gain came essentially from (i) $3.2 million in gains related to the settlement of insurance claims, from (ii) a $1.9 million gain resulting from the business combination with Diamond, and from (iii) $0.6 million in foreign exchange gains, whereas the 2022 gain was mainly due to $1.1 million in foreign exchange gains, partly offset by a $0.6 million loss resulting from a change in the fair value of financial instruments.

Profit before income taxes

Excluding the $1.2 million loss before income taxes from Diamond, profit before income taxes totalled $122.7 million for 2023, up from $70.6 million in 2022.

Income tax expense

At 27.4%, the effective income tax rate for 2023 was higher than the 24.5% rate in 2022. During the fourth quarter of 2022, the Corporation had recognized a $0.6 million favourable non-cash adjustment to the deferred tax liabilities of the U.S. entities. This downward adjustment to deferred tax liabilities came from a tax rate reduction in a U.S. state. Excluding the impact of this adjustment, the 2022 adjusted effective income tax rate would have been 25.3% versus 27.4% in 2023. This higher 2023 effective income tax rate was essentially attributable (i) to the geographic distribution of profit or loss before income taxes, and (ii) to the net impact on profit before taxes of the share in the profit or (loss) of Diamond, the loss before income taxes of Diamond from November 14, 2023, and the gain resulting from the business combination, as these elements have no tax impact on the Corporation.

Profit

Excluding the $1.2 million loss from Diamond, the 2023 profit totalled $89.4 million, up from $53.3 million in 2022.

Profit attributable to the Corporation's shareholders

Excluding the $0.6 million unfavourable impact from Diamond's results, the 2023 profit attributable to the Corporation's shareholders totalled $88.2 million, resulting in EPS of $12.92 compared to $53.9 million and $7.85, respectively, in 2022.

10.2 Analysis of Consolidated Cash Flows

(in millions of dollars)	**Years ended Dec. 31, 2023**	**Years ended Dec. 31, 2022**
	$	$
Operating activities	**224.9**	24.0
Financing activities	**(91.7)**	27.7
Investing activities	**(115.4)**	(48.0)
Change in cash and cash equivalents	**17.8**	3.6
Cash and cash equivalents at beginning	**(1.7)**	(4.7)
Effect of exchange rate changes on cash and cash equivalents	**(0.3)**	(0.6)
Cash and cash equivalents at end	**15.8**	(1.7)

Cash flows related to operating activities

For the year ended December 31, 2023, operating activities generated $224.9 million in cash, whereas these activities had generated $24.0 million during 2022. Diamond's operating activities used $0.9 million in cash, leaving a difference of $201.8 million on a comparable basis. This increase in cash inflows was due, among other factors, to a change in non-cash operating working capital items that generated $47.2 million in cash during 2023 compared to $88.1 million used last year, for a $135.3 million increase in cash inflows. This fluctuation in the change in working capital was due to the combined impact of the following items:

a) a change in inventories that generated $43.2 million during 2023 compared to $92.9 million used in 2022;

b) a change in other current assets and liabilities that used $2.0 million during 2023 compared to $8.5 million used last year;

c) a change in accounts payable and accrued liabilities that generated $21.1 million during 2023 compared to $25.3 million generated in 2022; and

d) a change in accounts receivable that used $15.1 million during 2023 compared to $11.9 million used in 2022.

The following items also contributed to the upward change in cash flows generated by operating activities:

(i) a $61.7 million increase in earnings before interest, taxes, depreciation and amortization (including a $5.2 million favourable change in other (gains) losses); and

(ii) a $21.3 million decrease in net income tax paid.

The upward change in operating cash flows was limited by the following items:

(i) a $6.3 million increase in net interest paid;

(ii) a net $4.9 million withdrawal in 2022 from the defined benefit pension plans; and

(iii) $1.0 million in unrealized foreign exchange gains during 2023 compared to $4.6 million in unrealized foreign exchange losses during 2022.

Cash flows related to financing activities

For the year ended December 31, 2023, financing activities used $91.7 million in cash, whereas these activities had generated $27.7 million in cash during 2022. Diamond's financing activities generated $0.9 million in cash, leaving a difference of $120.3 million on a comparable basis. This increase in cash outflows was due to a $68.0 million repayment on the revolving operating credit during 2023, compared to a $152.9 million inflow from revolving operating credit during 2022, mainly to finance long-term debt repayments and higher inventory levels, partly offset by (i) an $81.9 million decrease in long-term debt repayments, (ii) $14.1 million in share repurchases during 2022, and (iii) a $5.5 million decrease in dividends paid on Class A and B shares.

Cash flows related to investing activities

For the year ended December 31, 2023, investing activities used $115.4 million in cash compared to $48.0 million used in 2022. This upward change was mainly due to (i) a $54.7 million increase in cash outflows to acquire property, plant and equipment, to (ii) the acquisition of a $9.0 million additional economic interest in Diamond, and to (iii) a $4.4 million increase in cash outflows to acquire intangible assets, partly offset by a $0.5 million cash outflow in 2022 representing a loan to Diamond.

11 Analysis of the Consolidated Financial Position

(in millions of dollars)	As at Dec. 31, 2023	As at Dec. 31, 2022	Increase (decrease) Foreign exchange impact[9]	Increase (decrease) Variance, excluding foreign exchange impact
	$	$	$	$
Assets				
Current				
Cash and cash equivalents	**19.8**	2.7	(0.2)	17.3
Accounts receivable	**188.3**	173.7	(3.1)	17.7
Income tax recoverable	**4.2**	12.2	(0.1)	(7.9)
Inventories	**386.6**	414.0	(3.7)	(23.7)
Derivative instruments	**0.2**	7.4	-	(7.2)
Other current assets	**37.5**	28.8	(0.3)	9.0
	636.6	638.8	(7.4)	5.2
Property, plant and equipment	**500.8**	400.0	(5.0)	105.8
Intangible assets	**184.6**	198.4	(3.5)	(10.3)
Net defined benefit asset	**22.0**	30.9	-	(8.9)
Other non-current assets	**0.8**	8.6	-	(7.8)
Goodwill	**320.9**	328.2	(7.3)	-
	1,665.7	1,604.7	(23.2)	84.2
Liabilities				
Current				
Bank overdraft	**4.0**	4.4	0.1	(0.5)
Accounts payable and accrued liabilities	**330.4**	307.0	(5.1)	28.5
Income tax payable	**7.1**	-	-	7.1
Derivative instruments	**6.4**	0.7	-	5.7
Other current liabilities	**5.7**	5.6	-	0.1
Current portion of long-term debt	**18.5**	100.8	(0.8)	(81.5)
	372.2	418.6	(5.8)	(40.6)
Long-term debt	**192.0**	148.6	(2.6)	46.0
Other non-current liabilities	**6.2**	2.0	-	4.2
Deferred tax liabilities	**99.5**	98.1	(1.3)	2.7
	669.8	667.2	(9.7)	12.3
Shareholders' equity	**995.9**	937.6	(13.5)	71.8
	1,665.7	1,604.7	(23.2)	84.2

[9] When comparing Consolidated Statement of Financial Position items, readers must consider the conversion rate applicable to closing balances denominated in U.S. dollars, which went from $1.3544 CAD per USD as at December 31, 2022 to $1.3226 CAD per USD as at December 31, 2023. The table presents the main Consolidated Statement of Financial Position items that were significantly affected by the movement in exchange rates.

11.1 Assets

Accounts receivable totalled $188.3 million as at December 31, 2023 compared to $173.7 million as at December 31, 2022. Excluding the foreign exchange impact and Diamond's accounts receivable of $3.0 million, accounts receivable were up $14.7 million, essentially due to a $15.4 million increase in trade accounts receivable resulting mainly from higher sales in December 2023 compared to December 2022.

Inventories went from $414.0 million as at December 31, 2022 to $386.6 million as at December 31, 2023. Excluding the foreign exchange impact and Diamond's inventories in an amount of $19.5 million, inventories decreased by $43.2 million. This decrease came from (i) a $73.8 million decrease in inventories of raw materials and supplies explained essentially by a lower inventory level and from (ii) a $30.6 million increase in finished goods inventories explained as much by a higher inventory level as by their higher cost.

As at December 31, 2023, the fair value of **derivative instruments recorded as current assets** was $0.2 million compared to $7.4 million as at December 31, 2022. This Statement of Financial Position item essentially reflects the favourable variances between the rates on the foreign exchange forward contracts held by the Corporation to cover its foreign currency requirements for up to 12 months following its reporting date and the exchange rates on that date. It also reflects the favourable variances between the rates of certain interest rate swaps held by the Corporation to cover interest rate fluctuations and the interest rate in effect on that date.

Other current assets went from $28.8 million as at December 31, 2022 to $37.5 million as at December 31, 2023. This $8.7 million increase is essentially explained by Diamond's other current assets in an amount of $9.3 million.

Property, plant and equipment ("PP&E") went from $400.0 million as at December 31, 2022 to $500.8 million as at December 31, 2023. Excluding the foreign exchange impact and $27.3 million in PP&E from Diamond, property, plant and equipment increased by $78.5 million. This increase was mainly due to $102.2 million in PP&E acquisitions, a $7.8 million net upward revaluation in the value of right-of-use assets, and the recognition of $7.6 million in new right-of-use assets, partly offset by a $39.3 million depreciation expense.

Intangible assets went from $198.4 million as at December 31, 2022 to $184.6 million as at December 31, 2023. Excluding the foreign exchange impact and $3.3 million in intangible assets from Diamond, intangible assets decreased by $13.6 million, as an amortization expense of $23.9 million was partly offset by intangible asset purchases of $10.3 million.

The Corporation's capital expenditures fall into three categories: (a) Growth and optimization projects; (b) Maintenance and regulatory projects; and (c) Technology projects. In 2023, the Corporation invested a total amount of $112.5 million in capital expenditures, with growth and optimization projects representing $55.3 million, maintenance and regulatory projects representing $42.5 million, and technology projects representing $14.7 million.

The **net defined benefit asset** went from $30.9 million as at December 31, 2022 to $22.0 million as at December 31, 2023, an $8.9 million decrease essentially explained by a $9.2 million actuarial loss.

11.2 Liabilities

Accounts payable and accrued liabilities went from $307.0 million as at December 31, 2022 to $330.4 million as at December 31, 2023. Excluding the foreign exchange impact and Diamond's accounts payable and accrued liabilities of $5.3 million, accounts payable and accrued liabilities increased by $23.2 million. This increase was mainly due to a $26.0 million increase in the "Salaries and accrued vacation payable" item, essentially due to the change in the provision for performance-related compensation expenses, and to a $4.5 million increase in trade marketing costs. These increases were partly offset by an $8.6 million decrease in trade payables and accrued expenses, explained mainly by variations in supplier payment terms.

As at December 31, 2023, the fair value of **derivative instruments recorded as current liabilities** was $6.4 million compared to $0.7 million as at December 31, 2022. Excluding $2.0 million in the fair value of derivative instruments recorded as current liabilities from Diamond, the increase was $3.7 million. This Statement of Financial Position item essentially reflects the unfavourable variances between the rates on the foreign exchange forward contracts held by the Corporation to cover its foreign currency requirements for up to 12 months following its reporting date and the exchange rates on that date. It also reflects the unfavourable variances between the rates of certain interest rate swaps held by the Corporation to cover interest rate fluctuations and the interest rate in effect on that date as well as the unfavourable changes in fair value of the derivative instruments held by the Corporation to hedge frozen concentrated orange juice price fluctuations.

Long-term debt, including the current portion, was $210.5 million as at December 31, 2023 compared to $249.4 million as at December 31, 2022. Excluding the foreign exchange impact and Diamond's long-term debt, including the current portion, of $24.6 million, long-term debt decreased by $60.1 million. This decrease was essentially due to the Corporation's repayments of $58.4 million on the Canadian revolving operating credit and of $9.7 million on the U.S. revolving operating credit. Moreover, the Corporation repaid $4.1 million on its Canadian term debts. Regarding the Corporation's lease liabilities, they increased by $12.0 million, mainly due to the recognition of $8.8 million in new lease liabilities and to a $7.8 million net upward revaluation in the value of the lease liabilities, partly offset by $4.6 million in repayments.

Deferred tax liabilities went from $98.1 million as at December 31, 2022 to $99.5 million as at December 31, 2023. Excluding the foreign exchange impact, deferred tax liabilities increased by $2.7 million. This increase came mainly from the tax amortization of goodwill, partly offset by the tax impact of recognizing, in comprehensive income, an actuarial loss and losses on financial instruments designated as cash flow hedges.

11.3 Shareholders' Equity

Equity attributable to the Corporation's shareholders totalled $922.6 million as at December 31, 2023, up $45.4 million from $877.2 million as at December 31, 2022. **Accumulated other reserves** decreased by $20.3 million given a $13.1 million decrease in the foreign currency translation reserve and also given a $7.2 million decrease in the hedging reserve. **Retained earnings** rose $65.7 million to total $800.8 million at the end of 2023. This increase reflects $87.5 million in profit attributable to the Corporation's shareholders for 2023, less $15.0 million in dividends paid and the recognition of a $6.8 million actuarial loss, net of tax, in other comprehensive income. The **non-controlling interest** went from $60.4 million as at December 31, 2022 to $73.3 million as at December 31, 2023. The non-controlling interest represents a minority interest's share in the equity of the Corporation's U.S. subsidiaries as well as the share of other minority interests in the equity of Diamond.

11.4 Contractual Obligations

The principal repayments required on long-term debt other than lease liabilities, the payments required on lease liabilities, purchase commitments, and other commitments for the coming years are as follows:

(in millions of dollars)

Contractual obligations	2024	2025 and 2026	2027 and 2028	2029 and thereafter
	$	$	$	$
Long-term debt (excluding lease liabilities)	14.3	95.5	52.9	-
Lease liabilities	6.5	11.6	9.3	39.1
PP&E purchase commitments	56.3	-	-	-
Other purchase commitments	264.5	7.2	2.1	4.2
Other commitments [i]	340.1	-	-	-
Total	**681.7**	**114.3**	**64.4**	**43.3**

i) Includes bank overdraft, accounts payable and accrued liabilities, derivative instrument liabilities, and other financial liabilities.

12 Analysis of Selected Annual Information

Sales

At $2,151.0 million, the Corporation's 2022 sales had increased from $1,892.9 million in 2021. Excluding a $44.8 million favourable foreign exchange impact, the Corporation's sales were up $213.3 million (11.3%) year over year. This increase from 2021 to 2022 came mainly from the favourable impact of selling price adjustments and a favourable change in the sales mix of private label sales.

Operating profit

For the year ended December 31, 2022, the Corporation's operating profit had totalled $81.3 million, a $37.1 million year-over-year decrease. This decrease was explained by (i) a lower gross margin due to a higher cost for all inputs and an increase in conversion costs, by (ii) a $32.9 million increase in transportation costs, resulting from higher fuel surcharges and base transportation rates, incurred to deliver products to customers, and by (iii) $11.0 million in expenses related to the Strategy. These items were partly offset by a $14.0 million favourable foreign exchange impact and by a $13.9 million decrease in performance-related compensation expenses.

Profit attributable to the Corporation's shareholders

The 2022 profit attributable to the Corporation's shareholders had totalled $53.9 million, a $23.6 million year-over-year decrease that came mainly from lower operating profit, partly offset by a lower income tax expense.

Cash flows from operating activities

For 2022, cash flows generated by operating activities had totalled $24.0 million, down $69.7 million from 2021. This downward change was essentially due to a change in non-cash operating working capital items, which used $39.5 million more than in 2021, mainly explained by a higher inventory investment and a lower operating profit.

Total assets

Total assets grew $185.1 million between 2021 and 2022, mainly due to a $92.9 million increase in inventories, explained as much by a higher inventory level as a higher cost, and to a higher foreign exchange conversion rate as at December 31, 2022, increasing total assets by $61.1 million.

13 Financing and Cash

As at December 31, 2023, the Corporation had $19.8 million in cash and cash equivalents and a $4.0 million bank overdraft compared to $2.7 million in cash and cash equivalents and a $4.4 million bank overdraft as at December 31, 2022.

The Canadian credit facilities, originally instituted in 2013, were provided by a syndicate of financial institutions to support the Corporation's Canadian operations. The facilities comprise a committed revolving operating credit facility ("CA revolving credit") for an authorized amount of $225.0 million and a term credit facility ("CA term credit") for an authorized amount of $32.5 million. The CA revolving credit facility provides the Corporation with the option, subject to the participation of each lender, to raise borrowing capacity by an amount not exceeding $50.0 million and to extend, on each annual anniversary date, the expiry date of this CA revolving credit facility by one year under the same terms and conditions. In November 2022, the Corporation and syndicate of financial institutions had agreed to extend the expiry date of the CA revolving credit by one year to April 2027. The provisions of the CA revolving credit had also been updated to include fallback provisions to manage the transition of the LIBOR and CDOR benchmark interest rates, to be replaced during fiscal years 2023 and 2024. The benchmark rate alternatives to LIBOR and CDOR will be, respectively, the Secured Overnight Financing Rate ("SOFR") and the Canadian Overnight Repo Rate Average ("CORRA").

The U.S. credit facilities, originally instituted in 2011, were provided by a syndicate of financial institutions to support the Corporation's U.S. operations. On January 6, 2023, the Corporation entered into an agreement to amend the U.S. credit facilities to, notably, extend the expiry date until January 2026, and to raise the authorized amount of the revolving operating credit ("U.S. revolving credit") by US$60.0 million. 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$160.0 million. This U.S. revolving credit facility is not guaranteed by Lassonde Industries Inc. and its Canadian subsidiaries.

The Diamond credit facilities comprise a revolving operating credit ("Diamond revolving credit") for an authorized amount of $11.4 million and a term credit facility ("Diamond term credit") for an authorized amount of $8.8 million. The Diamond revolving credit matures in January 2025 while the Diamond term credit matures in May 2024. The credit facilities contain certain conditions and restrictive covenants, including an obligation to maintain certain prescribed financial ratios, such as the fixed charge coverage ratio for which Diamond has obtained a waiver until March 31, 2024.

As at December 31, 2023, the outstanding balance of the CA revolving credit was $52.9 million, that of the U.S. revolving credit was US$61.6 million and that of the Diamond revolving credit was $11.3 million, whereas, as at December 31, 2022, the outstanding balance of the CA revolving credit was $113.4 million and that of the U.S. revolving credit was US$68.0 million.

The terms and conditions of these credit facilities are presented in Note 22 to the Corporation's consolidated financial statements for the year ended December 31, 2023. The Corporation believes that it will be able to ensure its development using cash flows from operating activities and currently available bank credit.

Capital management

Lassonde's capital management strategy requires a well-balanced financing structure to maintain the flexibility needed to implement growth initiatives while allowing it to pursue disciplined capital investments and to maximize shareholder value. The Corporation continues to target a long-term leverage not to exceed a Net debt to adjusted EBITDA[10] ratio of approximately 3.25:1. From time to time, it may deviate from its long-term leverage target to pursue strategic opportunities.

14 Off-Consolidated-Statement-of-Financial-Position Arrangements

As at December 31, 2023, the Corporation had letters of credit outstanding totalling $1.3 million.

Commitments are presented in Note 29 to the Corporation's audited consolidated financial statements for the year ended December 31, 2023.

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[10] This measure does not constitute a standardized financial measure in accordance with the financial reporting framework used to prepare the Corporation's financial statements. Comparing it to a similar financial measure presented by other issuers may not be possible. Refer to *Section 18 – "Financial Measures Not in Accordance With IFRS"* of this MD&A for more information, including the definition and composition of the measure or ratio as well as the reconciliation to the most comparable measure in the financial statements, as applicable.

15 Share Information

In December 2021, the Corporation had re-established its share repurchase program through the Toronto Stock Exchange ("TSX") in accordance with its policies and regulations. Consequently, the Corporation was allowed to repurchase in cash, by way of a normal course issuer bid, between December 23, 2021 and December 22, 2022, up to 80,000 of its Class A subordinate voting shares. Moreover, on August 18, 2022, the Corporation amended its share repurchase program to increase the maximum number of Class A subordinate voting shares that it could repurchase from 80,000 shares to 160,000 shares. The purchases were made at market prices without exceeding the price limit set by the Corporation's management. The Corporation has not renewed its share repurchase program.

During the fourth quarter of 2022, the Corporation had repurchased for cancellation 20,700 Class A subordinate voting shares at an average price of $108.79 per share for a cash consideration of $2.3 million.

During 2022, the Corporation had repurchased for cancellation 111,400 Class A subordinate voting shares at an average price of $126.34 per share for a cash consideration of $14.1 million.

As at December 31, 2023, the Corporation's issued and outstanding share capital consisted of 3,069,000 Class A subordinate voting shares and 3,752,620 Class B multiple voting shares.

The shares of Lassonde Industries Inc. traded at prices ranging from $95.59 to $147.99 during 2023. The closing share price for fiscal 2023 was $140.25, up 26.0% from $111.28 at the end of 2022.

16 Dividends

On February 14, 2024, the Board of Directors declared, in accordance with the Corporation's dividend policy as amended, a quarterly dividend of $1.00 per share, payable on March 15, 2024 to all registered holders of Class A and Class B shares on February 26, 2024. This dividend is an eligible dividend.

The table below presents the current or expected dates of declaration, record and payment of dividends for fiscal 2024, all of which are subject to approval by the Board of Directors.

Declaration date	Record date	Payment date
February 14, 2024	February 26, 2024	March 15, 2024
May 9, 2024	May 22, 2024	June 14, 2024
August 8, 2024	August 20, 2024	September 13, 2024
November 7, 2024	November 20, 2024	December 13, 2024

17 Subsequent Event

As of March 21, 2024, there was no subsequent event to report.

18 Financial Measures Not in Accordance With IFRS

To provide more information for evaluating the Corporation's performance, the financial information in the financial documents contains certain supplementary financial measures and certain data or ratios that are not financial measures defined under IFRS ("non-IFRS measures"), which are also calculated on an adjusted basis to exclude specific items impacting the comparability between periods. The Corporation believes that providing these non-IFRS measures is useful to management, investors, and analysts, as they provide additional information to analyze its performance and financial position.

The following non-IFRS financial measures are used in the Corporation's financial disclosures:

- Adjusted Operating Profit;
- EBITDA and Adjusted EBITDA;
- Adjusted Profit Attributable to Corporation's Shareholders;
- Operating Working Capital;
- Capital Employed; and
- Sources of Capital.

The following non-IFRS ratios are used in the Corporation's financial disclosures:

- Adjusted Operating Profit margin;
- EBITDA margin and Adjusted EBITDA margin;
- Adjusted EPS;
- Days Operating Working Capital;
- Return on Capital Employed; and
- Net Debt to Adjusted EBITDA.

The following supplementary financial measures are used in the Corporation's financial disclosures:

- Days of Sales Outstanding;
- Days of Inventory Outstanding; and
- Days of Payables Outstanding.

These financial measures or ratios, further described below, do not constitute standardized financial measures or ratios in accordance with the financial reporting framework used to prepare the Corporation's financial statements. These non-IFRS measures should not be considered in isolation or as a substitute for financial measures prepared in accordance with IFRS. Comparing them to similar financial measures or ratios presented by other issuers may not be possible.

18.1 Items Impacting the Comparability Between Periods

The following table contains a list, description and quantification of items impacting the comparability of the financial performance between the periods:

	Fourth quarters ended		**Years ended**	
(in millions of dollars)	**Dec. 31, 2023**	**Dec 31., 2022**	**Dec. 31, 2023**	**Dec. 31, 2022**
	$	$	**$**	$
Costs related to the Strategy	**0.6**	1.0	**1.9**	7.1
Implementation costs of new key systems	**1.3**	1.8	**3.4**	3.9
Production interruption of a line in New Jersey	**-**	3.7	**-**	5.2
Business optimization	**3.0**	-	**3.4**	-
Adjustment related to non-recoverable sales taxes	**-**	-	**0.9**	-
Sum of items impacting comparability on EBITDA:	**4.9**	6.5	**9.6**	16.2
Accelerated depreciation expense related to business optimization	**0.5**	-	**0.5**	-
Gain on capital assets related to business optimization	**(1.5)**	-	**(1.0)**	-
Sum of items impacting comparability on operating profit:	**3.9**	6.5	**9.1**	16.2
<u>Items impacting comparability on "Other (gains) losses":</u>				
Gain related to the settlement of insurance claims	**(0.6)**	-	**(3.2)**	-
Gain on a business combination	**(1.9)**	-	**(1.9)**	-
Tax impact of previous items	**(0.9)**	(1.7)	**(1.6)**	(4.2)
<u>Item impacting comparability on income tax expense:</u>				
Deferred tax liabilities adjustment following a tax rate reduction in a U.S. state	**-**	(0.6)	**-**	(0.6)
Impact on profit	**0.6**	4.2	**2.5**	11.4
Attributable to:				
Corporation's shareholders	**0.5**	3.8	**2.4**	10.5
Non-controlling interests	**0.1**	0.4	**0.1**	0.9

18.2 Adjusted Operating Profit

Adjusted operating profit is a financial measure used by the Corporation to compare operating profit between periods by excluding items impacting comparability. Adjusted operating profit is calculated by adjusting the operating profit with items considered by management as impacting the comparability between periods.

	Fourth quarters ended		Years ended	
(in millions of dollars)	**Dec. 31, 2023**	**Dec. 31, 2022**	**Dec. 31, 2023**	**Dec. 31, 2022**
	$	$	**$**	$
Operating profit	**32.1**	16.7	**135.4**	81.3
Sum of items impacting comparability	**3.9**	6.5	**9.1**	16.2
Adjusted operating profit	**36.0**	23.2	**144.5**	97.5

(in millions of dollars)	**Q4 2023**	**Q3 2023**	**Q2 2023**	**Q1 2023**	**Q4 2022**	**Q3 2022**	**Q2 2022**	**Q1 2022**
	$	$	$	$	$	$	$	$
Adjusted operating profit	**36.0**	37.2	43.3	27.9	23.2	24.2	25.3	24.8

18.3 EBITDA and Adjusted EBITDA

EBITDA is a financial measure used by the Corporation and investors to assess the Corporation's capacity to generate future cash flows from operating activities and pay financial expenses. Adjusted EBITDA is a financial measure used by the Corporation to compare EBITDA between periods by excluding items impacting comparability. EBITDA consists of the sum of operating profit and of the "depreciation of property, plant and equipment and amortization of intangible assets" item and "(Gains) losses on capital assets," item, as shown in the Consolidated Statement of Cash Flows. Adjusted EBITDA is calculated by adjusting the EBITDA with items considered by management as impacting the comparability between periods.

	Fourth quarters ended		Years ended	
(in millions of dollars)	**Dec. 31, 2023**	**Dec. 31, 2022**	**Dec. 31, 2023**	**Dec. 31, 2022**
	$	$	**$**	$
Operating profit	**32.1**	16.7	**135.4**	81.3
Depreciation of property, plant and equipment and amortization of intangible assets	**17.1**	14.9	**63.3**	59.5
(Gains) losses on capital assets	**(1.5)**	0.1	**(1.1)**	0.1
EBITDA	**47.7**	31.8	**197.5**	140.9
Sum of items impacting comparability	**4.9**	6.5	**9.6**	16.2
Adjusted EBITDA	**52.6**	38.3	**207.1**	157.1

For the fourth quarter, the depreciation and amortization ("D&A") expense went from $14.9 million in 2022 to $17.1 million in 2023. Excluding Diamond's D&A expense of $0.2 million, the D&A expense increased by $2.0 million, explained mainly by an increase in the depreciation of property, plant and equipment after assets were commissioned during the second and third quarters of 2023, and by the recognition of a $0.5 million accelerated depreciation expense related to business optimization.

The annual D&A expense went from $59.5 million in 2022 to $63.3 million in 2023. Excluding a $1.4 million unfavourable foreign exchange impact and Diamond's D&A expense of $0.2 million, the D&A expense increased by $2.2 million, mainly given an increase in the depreciation of property, plant and equipment after assets were commissioned during the second and third quarters of 2023 and given the fourth-quarter 2023 recognition of a $0.5 million accelerated depreciation expense related to business optimization, partly offset by a decrease in the depreciation of right-of-use assets following a downward revaluation in the value of an asset as at December 31, 2022.

(in millions of dollars)	**Q4 2023**	**Q3 2023**	**Q2 2023**	**Q1 2023**	**Q4 2022**	**Q3 2022**	**Q2 2022**	**Q1 2022**
	$	$	$	$	$	$	$	$
EBITDA	**47.7**	51.4	57.1	41.4	31.8	34.5	37.2	37.3
Adjusted EBITDA	**52.6**	52.9	58.6	43.1	38.3	38.9	40.2	39.7

18.4 Adjusted Profit Attributable to Corporation's Shareholders and Adjusted EPS

Adjusted profit attributable to Corporation's shareholders and adjusted EPS are financial measures used by the Corporation to compare profit attributable to Corporation's shareholders and EPS between periods by excluding items impacting comparability. They are calculated by adjusting them with items considered by management as impacting the comparability between periods.

	Fourth quarters ended		Years ended	
(in millions of dollars, unless otherwise indicated)	**Dec. 31, 2023**	**Dec. 31, 2022**	**Dec. 31, 2023**	**Dec. 31, 2022**
	$	$	**$**	$
Profit attributable to Corporation's shareholders	**21.0**	10.5	**87.5**	53.9
Sum of items impacting comparability	**0.6**	3.8	**2.5**	10.5
Adjusted profit attributable to Corporation's shareholders	**21.5**	14.3	**89.9**	64.4
Weighted average number of shares outstanding *(in thousands)*	**6,822**	6,849	**6,822**	6,875
Adjusted EPS *(in $)*	**3.14**	2.09	**13.18**	9.37

(in millions of dollars, except adjusted EPS)	**Q4 2023**	**Q3 2023**	**Q2 2023**	**Q1 2023**	**Q4 2022**	**Q3 2022**	**Q2 2022**	**Q1 2022**
	$	$	$	$	$	$	$	$
Adjusted profit attributable to Corporation's shareholders	**21.5**	25.0	26.5	16.9	14.3	17.4	16.3	16.4
Adjusted EPS *(in $)*	**3.14**	3.67	3.89	2.48	2.09	2.54	2.36	2.37

18.5 Net Debt to Adjusted EBITDA

Net debt to adjusted EBITDA is a financial measure used by the Corporation to assess its ability to pay off existing debt and define available borrowing capacity. To calculate the net debt to adjusted EBITDA ratio, net debt is divided by the sum of adjusted EBITDA from the last four quarters. Net debt represents long-term debt, including the current portion, less the "Cash and cash equivalents" item, as they are presented in the Corporation's Consolidated Statement of Financial Position.

(in millions of dollars, except the net debt to adjusted EBITDA ratio)	**As at Dec. 31, 2023**	**As at Dec. 31, 2022**
	$	$
Current portion of long-term debt	**18.5**	100.8
Long-term debt	**192.0**	148.6
Less: Cash and cash equivalents	**(19.8)**	(2.7)
Net debt	**190.7**	246.7
Sum of adjusted EBITDA from the last four quarters	**207.1**	157.1
Net debt to adjusted EBITDA ratio	**0.92:1**	1.57:1

18.6 Days Operating Working Capital

Days operating working capital is a financial efficiency measure used by the Corporation to represent the amount of sales tied up as operating working capital. To calculate this financial measure, operating working capital is divided by the last quarter's sales, as they are presented in *Section 8 – "Fourth Quarter"* of this MD&A, and multiplied by 91 days. Starting in the annual MD&A for the year ended December 31, 2023 and to ensure a better representativeness, the Corporation has decided to adopt a more detailed approach in its calculation of operating working capital by considering only certain items of accounts receivable and accounts payable and accrued liabilities. Operating working capital now consists of the sum of trade accounts receivable, discounts receivable and inventories, less trade payables and accrued expenses and trade spending, as they are presented in the accompanying notes to the Corporation's consolidated financial statements.

(in millions of dollars, except days operating working capital)	**As at Dec. 31, 2023**	**As at Dec. 31, 2022**
	$	$
Trade accounts receivable	**180.2**	164.8
Discounts receivable	**4.7**	5.3
Inventories	**386.6**	414.0
Less: Trade payables and accrued expenses	**(219.2)**	(225.7)
Less: Trade spending	**(58.8)**	(54.6)
Operating working capital	**293.5**	303.9
Divided by: Last quarter's sales	**604.8**	556.0
	0.49	0.55
Days operating working capital *(in days)*	**44.2**	49.7

(in days)	**Q4 2023**	**Q3 2023**	**Q2 2023**	**Q1 2023**	**Q4 2022**	**Q3 2022**	**Q2 2022**	**Q1 2022**
Days operating working capital	**44.2**	48.6	51.5	56.6	49.7	54.5	53.0	48.0

While the Corporation uses the "Days Operating Working Capital" financial measure described above to assess its overall working capital position, it also remains attentive to the following working capital indicators:

18.6.1 Days of Sales Outstanding

Days of sales outstanding ("DSO") is a financial efficiency measure used by the Corporation to represent the average number of days that it takes the Corporation to collect payment for a sale. Starting in the annual MD&A for the year ended December 31, 2023 and to ensure a better representativeness, the Corporation has decided to adopt a more detailed approach in its calculation of DSO by considering only certain items of accounts receivable and accounts payable and accrued liabilities. This financial measure is therefore now obtained by dividing trade accounts receivable less trade spending, as they are presented in the accompanying notes to the Corporation's consolidated financial statements by the last quarter's sales, as they are presented in *Section 8 – "Fourth Quarter"* of this MD&A, and multiplied by 91 days.

(in millions of dollars, except DSO)	**As at Dec. 31, 2023**	**As at Dec. 31, 2022**
	$	$
Trade accounts receivable	**180.2**	164.8
Less: Trade spending	**(58.8)**	(54.6)
	121.4	110.2
Divided by: Last quarter's sales	**604.8**	556.0
	0.20	0.20
DSO *(in days)*	**18.3**	18.0

(in days)	**Q4 2023**	**Q3 2023**	**Q2 2023**	**Q1 2023**	**Q4 2022**	**Q3 2022**	**Q2 2022**	**Q1 2022**
DSO	**18.3**	18.4	17.8	20.2	18.0	21.1	18.1	20.5

18.6.2 Days of Inventory Outstanding

Days of inventory outstanding ("DIO") is a financial efficiency measure used by the Corporation to represent the average number of days the Corporation takes to turn its inventory into sales. To calculate this financial measure, inventories, as they are presented in the Consolidated Statement of Financial Position, are divided by the last quarter's cost of sales, as it is presented in *Section 8 – "Fourth Quarter"* of this MD&A, and multiplied by 91 days.

(in millions of dollars, except DIO)	**As at Dec. 31, 2023**	**As at Dec. 31, 2022**
	$	$
Inventories	**386.6**	414.0
Divided by: Last quarter's cost of sales	**452.3**	432.3
	0.85	0.96
DIO *(in days)*	**77.8**	87.1

(in days)	**Q4 2023**	**Q3 2023**	**Q2 2023**	**Q1 2023**	**Q4 2022**	**Q3 2022**	**Q2 2022**	**Q1 2022**
DIO	**77.8**	79.5	92.6	94.6	87.1	80.6	86.4	82.4

18.6.3 Days of Payables Outstanding

Days of payables outstanding ("DPO") is a financial efficiency measure used by the Corporation to represent the average number of days the Corporation takes to pay its accounts payable and accrued liabilities. Starting in the annual MD&A for the year ended December 31, 2023 and to ensure a better representativeness, the Corporation has decided to adopt a more detailed approach in its calculation of DPO by considering only certain items of accounts receivable and accounts payable and accrued liabilities. This financial measure is therefore now obtained by dividing trade payables and accrued expenses less discounts receivable, as they are presented in the accompanying notes to the Corporation's consolidated financial statements by the last quarter's cost of sales, as it is presented in *Section 8 – "Fourth Quarter"* of this MD&A, and multiplied by 91 days.

(in millions of dollars, except DPO)	**As at Dec. 31, 2023**	**As at Dec. 31, 2022**
	$	$
Trade payables and accrued expenses	**219.2**	225.7
Less: Discounts receivable	**(4.7)**	(5.3)
	214.5	220.4
Divided by: Last quarter's cost of sales	**452.3**	432.3
	0.47	0.51
DPO *(in days)*	**43.2**	46.4

(in days)	**Q4 2023**	**Q3 2023**	**Q2 2023**	**Q1 2023**	**Q4 2022**	**Q3 2022**	**Q2 2022**	**Q1 2022**
DPO	**43.2**	39.2	46.9	46.1	46.4	37.4	39.1	44.9

18.7 Capital Employed and Sources of Capital

The Corporation uses the capital employed and sources of capital financial measures to measure, on one hand, the level of capital deployed to operate its business and, on the other hand, the source of financing for this utilisation of capital. Capital employed is the sum of all assets (except cash and cash equivalents), less all liabilities (except bank overdraft as well as the long-term debt and its current portion), as they are presented in the Corporation's Consolidated Statement of Financial Position or in the accompanying notes to the Corporation's consolidated financial statements. The sources of capital measure is the sum of bank overdraft, long-term debt, including the current portion, and shareholders' equity, less cash and cash equivalents, as they are presented in the Corporation's Consolidated Statement of Financial Position.

(in millions of dollars)	**As at Dec. 31, 2023**	**As at Dec. 31, 2022**
	$	$
Capital employed		
Trade accounts receivable	**180.2**	164.8
Discounts receivable	**4.7**	5.3
Inventories	**386.6**	414.0
Less: Trade payables and accrued expenses	**(219.2)**	(225.7)
Less: Trade spending	**(58.8)**	(54.6)
Operating working capital	**293.5**	303.8
Other receivables	**3.4**	3.5
Income tax recoverable	**4.2**	12.2
Other current assets	**37.5**	28.8
Derivative instruments asset, including the current portion	**0.2**	7.7
Investment in an associate	**-**	7.4
Property, plant and equipment	**500.8**	400.0
Intangible assets	**184.6**	198.4
Net defined benefit asset	**22.0**	30.9
Other non-current assets	**0.8**	0.9
Goodwill	**320.9**	328.2
Less: Other accounts payable and accrued liabilities	**(52.4)**	(26.8)
Less: Income tax payable	**(7.1)**	-
Less: Other current liabilities	**(5.7)**	(5.6)
Less: Derivative instruments liability, including the current portion	**(6.4)**	(0.7)
Less: Long-term incentive plan liabilities	**(5.3)**	(1.4)
Less: Pension plan liabilities	**(0.8)**	(0.5)
Less: Deferred tax liabilities	**(99.5)**	(98.1)
	1,190.6	1,188.7
Sources of capital		
Bank overdraft	**4.0**	4.4
Long-term debt, including the current portion	**210.5**	249.4
Shareholders' equity	**995.9**	937.6
Less: Cash and cash equivalents	**(19.8)**	(2.7)
	1,190.6	1,188.7

18.8 Return on Capital Employed

The Corporation uses return on capital employed ("ROCE"), a profitability ratio, to measure how efficiently it is using its capital to generate profits. To calculate ROCE, the sum of adjusted operating profit from the last four quarters is divided by the average capital employed from the last four quarters.

(in millions of dollars, unless otherwise indicated)	**As at Dec. 31, 2023**	**As at Dec. 31, 2022**
	$	$
Sum of adjusted operating profit from the last four quarters	**144.5**	97.5
Average capital employed from the last four quarters	**1,194.4**	1,161.4
Return on capital employed ratio *(in %)*	**12.1**	8.4

(in %)	**Q4 2023**	**Q3 2023**	**Q2 2023**	**Q1 2023**	**Q4 2022**	**Q3 2022**	**Q2 2022**	**Q1 2022**
ROCE	**12.1**	11.0	9.8	8.4	8.4	9.5	10.2	11.0

19 Uncertainties and Principal Risk Factors

Lassonde operates in a competitive and constantly changing industry. Its business and, as a result, its financial position, liquidity, sales and results of operations (together referred to as "Financial Performance") are and will remain subject to numerous risks and uncertainties. The Corporation's management ("Management") selects strategies that focus on seizing business opportunities and mitigating the risks to which the Corporation is exposed. If Lassonde is unable to respond appropriately to changes in its external and internal environment due to inaction, ineffective strategies or poor execution of strategies, there could be negative repercussions on its Financial Performance, its brands and/or its ability to achieve its strategic objectives. The uncertainties and risk factors described hereafter are those likely to affect the Corporation's Financial Performance materially and adversely. Under these circumstances, the trading price of its shares could decline.

The Board of Directors (the "Board") has mandated the Audit Committee to review and evaluate, together with Management, the risk factors inherent to the Corporation and to ensure that proper measures are in place to help Management identify and effectively manage these risks and uncertainties. Management has also adopted and implemented policies and procedures for assessing and managing risks that are reviewed at least annually. Management provides the Audit Committee and the Board with a detailed presentation of its key risks on an annual basis, which is then subject to periodic updates. In addition, the Board has mandated its Governance Committee to oversee the measures for managing the ESG risks faced by the Corporation and has mandated its Human Resources and Compensation Committee to oversee the measures for managing human resource risks.

The risks and uncertainties described in the following statements, some of which have occurred and any of which may occur in the future, may not materialize in the manner expected or have the anticipated consequences. Although the risks below are organized by heading, and each risk is described separately, many of the risks are interrelated. In addition, the risk review and assessment process cannot guarantee that all events or circumstances that could adversely affect the Corporation's Financial Performance are identified. Finally, additional risks and uncertainties that the Corporation currently deems insignificant may also impair its business operations. Consequently, readers should not consider the following to be a complete discussion of all possible risks or uncertainties applicable to Lassonde's business.

Lassonde's activities could be affected by macroeconomic factors and conditions and, consequently, adversely impact its Financial Performance.

Deterioration of general macroeconomic conditions could have a negative impact on Lassonde's business due to impacts on its suppliers, customers, and operating costs. Many factors beyond Lassonde's control, including a general decline in economic conditions, a prolonged recessionary period or financial or operational difficulties affecting some of its suppliers, could adversely affect the ability of its suppliers and Lassonde to sell products on favourable terms. Furthermore, in periods of uncertain or adverse economic conditions, consumers may buy less of Lassonde's branded products, buy more value or private label products or may forgo certain purchases altogether. Accordingly, the Corporation might not be able to pass its increased costs on to its customers. In addition, the Corporation's customers may seek to reduce their inventories in response to those economic conditions. These collective macroeconomic trends, the duration and severity of which are uncertain, are rapidly changing the retail landscape. Although Management has made estimates and assumptions based upon current information, actual results could materially differ given the uncertainty of these factors and may require future changes to such estimates and assumptions.

Consumer preferences change from time to time, and Lassonde's failure to timely anticipate or react to these changes could result in reduced demand for its products, which could materially and adversely affect its business and Financial Performance.

Demand for Lassonde's products depends in part on its ability to innovate, anticipate and effectively respond to shifts in consumer trends and preferences. The Corporation must also distinguish between short-term fads and long-term trends in such preferences and behaviours. The Corporation's business can be adversely affected when it doesn't accurately predict long-term changes in consumer preferences or trends in the types of products in demand or when it fails to introduce new or improved versions of products to meet changing consumer preferences. Lassonde's ability to continue serving customers in all markets in which it operates will also depend on the quality and prices of its products, its service level, and its value proposition. Consumers may not buy the Corporation's branded products if they perceive only a minimal difference between the quality or value of its products and those of retailers' private label products or other brands.

Further, Lassonde's operations are and could continue to be affected by the economic context should unemployment, interest rates, or inflation reach levels that influence consumer trends and consequently would have an impact on its sales volume and profitability. To the extent that price increases, when possible, are not sufficient to offset higher costs adequately or promptly, and/or if they result in significant decreases in sales volume, the Corporation's Financial Performance could be negatively affected.

A variety of legal and regulatory restrictions as well as the Corporation's own policies and participation in industry self-regulation initiatives limit how and to whom it markets its products. These restrictions may limit its brand marketing and promotion plans, particularly as social media and the communications environment continue to evolve.

Rising input, energy and transportation costs as well as other costs could materially and adversely affect Lassonde's business and Financial Performance if it is unable to control these increases or to raise its selling prices to offset the impacts of such cost fluctuations.

The Corporation purchases large quantities of ingredients, containers, and packaging (collectively referred to as "raw materials" or "inputs"). Key raw materials required to manufacture its products include Apples, Oranges, cranberries and cranberry concentrates (collectively referred to as "Cranberries") and other mainly fruit- and vegetable-based concentrates or ingredients such as sweeteners and flavors. In addition, the Corporation purchases and uses significant quantities of PET resin, multilayer carton packaging, corrugated carton and film to package its products. The conversion, warehousing and distribution costs are also exposed to market risks arising from labour-related inflation and adverse changes in input costs, such as the energy used for the production and distribution of its products. The Corporation imports a significant portion of its raw materials from outside North America and sells its products throughout North America. As the Corporation directly or indirectly pays for the transportation costs related to its purchases of raw materials and assumes the delivery costs on a significant portion of its sales, it is exposed to the fluctuation of these costs.

Costs for inputs, labour, energy, transportation and other types of expenses can fluctuate due to inflationary pressures that are difficult to predict, including demand, global competition for resources, currency fluctuations, severe weather conditions, conflicts between certain nations, including trade wars, and speculation on input prices. Under some of its supply arrangements, the price that the Corporation pays for its inputs fluctuates along with certain changes in the suppliers' underlying costs.

To mitigate the effects of certain input cost fluctuations, the Corporation occasionally secures mid- to long-term supply agreements, buys more than usual for a given period, or contracts derivative instruments. Decreases in the cost of inputs covered by a hedging instrument could also increase its cost of goods sold depending on the change in the market value of the selected derivative instruments. These procurement practices aimed at reducing the risk of future cost increases could also limit its ability to take advantage of potential cost decreases.

At the date of this MD&A, the Corporation observed an abatement of the inflationary pressure on many of its input costs but remains attentive to the evolution of the Oranges cost. To protect its gross profit, the Corporation can respond through a variety of measures, notably by raising selling prices. However, there is no guarantee that the Corporation's customers will accept such price increases. And even if the Corporation's customers fully accepted the price increases, those increases could potentially lead to a reduction in sales volume. Consumers could be reluctant to pay more for the Corporation's products and could therefore opt for other, less costly products or could simply stop buying its products.

If Lassonde is unable to manage its supply chain efficiently, including its dependence on certain suppliers, and its production capabilities to ensure that its products are available to satisfy customer orders, its business and Financial Performance could be significantly affected.

The success of Lassonde depends, in part, on maintaining strong sourcing and manufacturing networks and efficient distribution channels. Factors that are difficult to predict or beyond its control could interrupt or disrupt its operations or those of its suppliers, including its co-packers and logistics service providers or other business partners. The impact would be greater if the Corporation's main production sites or those of one of its main suppliers and/or co-packers were affected, and the Corporation was unable to find alternative suppliers or replace the lost production capacity promptly. The Corporation's suppliers may decide whether, and to what extent, they provide for Lassonde's requirements; some of them may even terminate their arrangements unilaterally or with short notice. If the Corporation's suppliers are unable or unwilling to meet its needs, it could experience stock-outs or substantial cost increases. The Corporation's suppliers may not be able to meet its needs for many reasons, including the operational risks they themselves face. Some of these risks may be greater when the supplier or its plant is in a country or a region where there are more risks, or which is less developed. The inability to identify alternative sources of supply or to replace lost capacity at major co-packers could result in delays in delivery or adversely affect the Corporation's ability to deliver products to its customers. Finally, a change of supplier may result in long delays, changes in quality and/or specifications, and be costly.

The Corporation, like several of its competitors, buys a substantial portion of its Oranges from a single supplier and obtains a large portion of its multilayer carton packaging supplies mainly from a single supplier. It also has a limited number of suppliers for certain strategic raw materials critical to its operations. In addition, Apples and Oranges are crucial raw materials for the Corporation. Chinese companies meet a significant portion of the global Apples needs, whereas Brazilian companies hold the same position with respect to Oranges. Consequently, any major geopolitical or climate disruption involving China or Brazil or disputes with suppliers about the cost or performance of goods and services provided, or about their inability to deliver such goods and services in a timely manner, is a risk to the Corporation.

As a result of recent challenges in the global supply chain, Lassonde must continuously manage its inventory level and product mix based on forecasted demand or it risks having insufficient product to meet consumer demand or, alternatively, having too much inventory on hand, which requires financing and warehousing spaces or may reach expiration dates and become unsaleable. In addition, to ensure a continuous supply of raw materials, some of the Corporation's inventory purchase obligations include long-term purchase commitments or minimum quantities. The timing of these deliveries may not always coincide with the period in which the Corporation requires these products to meet customer demand, which could result in increased or fluctuating inventory levels and/or increased raw material costs.

Although the Corporation has a business continuity plan, the plan may not address all the issues the Corporation may encounter in the event of unanticipated issues. A material or extended disruption of its operations may cause the Corporation to lose its customers' or business partners' confidence or suffer damage to its reputation, and long-term consumer demand for its products could decline.

Lassonde's operations could be disrupted if its information technology systems fail to perform adequately or are breached. This could materially and adversely affect its business and its Financial Performance as well as the timeliness in which it reports its results and/or the accuracy thereof.

In the normal course of business, the Corporation relies on information technology systems, including its enterprise resource planning ("ERP") software, to collect, process, transmit, and store information about all aspects of its operations, to manage its supply chain, to operate its plants and to perform the financial accounting of its business activities. Lassonde's information technology systems may be vulnerable to a variety of interruptions as a result, for example, of updating the Corporation's enterprise platform or due to events beyond its control, including, but not limited to, network or power outages, software malfunction or deficiencies, equipment failures or constraints or telecommunications interruptions, fire, flood, natural disasters, terrorist attacks, human error, the unintentional or malicious actions of employees or contractors, viruses, cybersecurity attacks, unauthorized access to sensitive financial, personal and commercial information and other security issues. Security, backup, and disaster recovery measures may not be adequate or implemented properly to prevent such disruptions or failures.

Lassonde invests in technology security initiatives, information technology risk management, and disaster recovery plans. However, these initiatives may require significant additional work and expenses and may not be successful. Due to the constantly evolving and complex nature of security threats, it cannot predict the form and impact of any future incident, and the cost related to implementing, maintaining, and enhancing protective measures to guard against increasingly complex and sophisticated cyber threats could increase significantly.

Lassonde relies on external technology partners for several types of information systems and business processing services, including hosting, collecting, storing, and transmitting data. If any of these third parties, including cloud and software service providers, that provide or sell services do not perform their services effectively, the Corporation's operations could be impacted, or it may have to incur additional costs to supplement the deficiencies of such service providers.

If the Corporation does not allocate and effectively manage the resources necessary to continue building and maintaining its information technology infrastructure (whether internally or externally managed), or if it fails to timely identify or appropriately respond to cyber-attacks or other cyber incidents, its business can be adversely affected, which can, among other things, hinder production, delay or distort certain decisions, cause financial losses and compromise confidential information.

Lassonde continues to upgrade or migrate its ERP software as well as certain other key systems and has begun to roll out these systems in certain areas of the business. The design and implementation of this ERP software have required (and will require) significant investments of personnel and financial resources. The Corporation may not be able to implement the ERP software successfully without experiencing delays, increased costs, and other difficulties, including potential design defects or failures to meet validation requirements. Furthermore, if the Corporation is unable to implement the new ERP software as planned, the effectiveness of its internal control over financial reporting ("ICFR") could be adversely affected and its ability to assess those controls adequately could be delayed.

Competitive pressures could limit Lassonde's ability to recover increased costs or increase prices, which would adversely affect its business and Financial Performance.

The North American juice, drink, and specialty food markets are highly competitive and rapidly changing. The Corporation competes based on price, quality, product variety, brand recognition and loyalty, and its ability to effectively distribute its products. Some of its competitors are very large and have greater scale and financial and marketing capabilities than the Corporation does to withstand changes in market conditions. Increased competition and anticipated actions by its competitors could lead to downward pressure on selling prices or contribute to higher trade spending and/or marketing costs, discounts, and/or promotional rebates used to promote products and/or a decline in the Corporation's market share. Existing products or products under development by Lassonde's competitors could prove to be more successful or less costly than its products, which could have a material adverse effect on the competitiveness of its products and its business. In addition, from a production standpoint, barriers to entry into the beverage industry are rather low as beverage is a relatively low-tech industry with a multitude of third-party manufacturing capacity.

If Lassonde is unable to hire and retain a skilled and diverse workforce, maintain harmonious labour relations or plan for the succession of key employees, it could materially and adversely impact its business and Financial Performance.

Lassonde's success depends in part on the quality of the human resources that it can hire, train, develop, and retain as well as on the adequacy of its plans for the succession for critical positions and for employees nearing retirement. While the Corporation has historically experienced some level of ordinary course turnover of employees, the North American operating context over the last few years resulted in increased labour shortages and turnover. The scarcity of labour in North America is likely to have a continued impact on business performance, in terms of operational efficiency, ability to meet demand, compensation, and the cost of employee benefits. The Corporation competes with other companies to attract and hire skilled employees and its own employees are sought after by other companies in the same situation. This context could cause the Corporation to lose talented employees, and unplanned turnover could deplete its institutional knowledge, erode its competitiveness and result in increased costs due to increased competition for employees. In addition, failure to maintain a safe and inclusive environment or promote the well-being of its employees could affect Lassonde's reputation and result in lower performance by them and an inability to retain employees. The Corporation could also fail to attract and develop personnel with key emerging competencies that are needed to continue to develop in a constantly changing world.

Lassonde is subject to health and safety risks and to the related laws and regulations. Serious injuries to an employee or the death of an employee could have a serious impact on Lassonde's reputation, result in litigation and lead to compliance-related and other costs.

Although Lassonde believes it has good relationships with its employees, a significant portion of its 2,700 full-time equivalent employees is covered by collective bargaining agreements. Strikes or work stoppages or other related business interruptions could occur if the Corporation is unable to renew these (or enter new) agreements on satisfactory terms, which could impair the manufacturing of its products. The terms and conditions of existing, renegotiated, or new collective bargaining agreements could also affect its ability to implement future operational changes to enhance its efficiency or to adapt to changing business needs or strategy. One collective bargaining agreement related to a Canadian plant of the Corporation is expiring in 2024.

Labour shortages and increased employee turnover rates have and could continue to lead to increased costs, such as increased overtime to meet demand and increased wage rates or bonuses to attract and retain employees and have and could continue to negatively affect its ability to efficiently operate its plants and thus operate at optimal capacity. Increasing its employee costs could cause the Corporation's Financial Performance to decrease if it is unable to control or pass resulting cost increases along to its customers.

Finally, the Corporation has also been negatively affected and could continue to be negatively affected by labour-related issues or constraints experienced by its suppliers, including its co-packers and freight providers.

If Lassonde is unable to revitalize the performance of its U.S. subsidiaries, all of its operations and its Financial Performance could be materially and adversely affected.

All efforts aimed at revitalizing the Corporation's U.S. subsidiaries, including the infusion of additional capital and the restoration of demand for its products, may face challenges. These initiatives might not be completed within the expected time frame, could incur higher-than-expected costs, or may fall short of achieving the projected cost savings. Furthermore, the demand build-back plan may not yield the anticipated benefits in terms of increased gross profit and absorption of fixed costs.

Retail consolidation and increased retailer power or the loss of a key customer could materially and significantly impact Lassonde's business and Financial Performance.

Lassonde benefits from close commercial relationships with several key customers. In 2023, 40.6% (38.9% in 2022) of the Corporation's sales were carried out with its three largest customers. The Corporation's customers typically make purchase decisions based on a combination of price, product quality, and customer service performance. Also, they do not typically enter written contracts with fixed purchase commitments, and the contracts that they do enter can generally be terminated at will. Therefore, there can be no assurance that the Corporation's customers will continue to buy its products in the same mix or quantities or on the same terms as in the past. The loss of one or more of these customers, a material disruption of the relationship with these customers, or a significant deterioration of the commercial terms applicable to these customers, could have a material impact on the Corporation’s profitability.

Most of the Corporation’s sales are to the food retail and wholesale segment. This market is highly concentrated in Canada, whereas in the U.S., the level of market concentration is lower. However, the level of concentration (through consolidation or formation of buying groups) of customers continues in all the Corporation’s market segments. Such concentration produces larger retail customers that may seek to leverage their position to improve their profitability by demanding, lower pricing, longer payment terms, increased promotional programs, or removal of the Corporation’s products or by reducing the shelf space allotted to its products or require specifically tailored products. This situation gives customers significant bargaining power that could limit the Corporation’s ability to raise its prices to offset inflationary pressures. In addition, larger retailers have the scale investment in data analytics and to develop supply chains whereby they can operate with reduced inventories or to develop and produce their own retailer brands; in this regard, the Corporation notes the increased focus by retailers to rebalance inventory levels considering continued inflationary pressures. Additionally, with more scale, information, and resources, they can threaten to expand their private label if they don't receive the deals they want. Finally, and more specifically for the Corporation’s private label retail offering, if the combined entity of a consolidation or similar transaction is not an existing customer of the Corporation, the Corporation may lose a significant portion of its business with such customer upon completion of the transaction.

Failure to realize benefits from Lassonde’s productivity initiatives can adversely affect its Financial Performance.

The success of the Corporation’s Strategy and its future growth hinges, in part, on its ongoing efforts to enhance operational efficiencies. By doing so, it aims to position itself for sustainable long-term growth, enabling better decision-making and streamlined operations. These improvements are expected to lead to expanded profit margins and increased cash flow. However, if the Corporation encounters challenges in implementing its productivity initiatives as intended or fails to achieve the anticipated cost savings, it may not fully realize the expected benefits, potentially impacting its overall Financial Performance.

Lassonde’s multi-year strategy may fail to deliver anticipated results, which could materially and adversely affect its business and Financial Performance.

Lassonde’s success depends, among other things, on its ability to evolve and grow, and, as changes in its business environments occur, the Corporation may adjust its strategic business plans, from time to time, to meet these changes. The rollout and execution of the Strategy described in *Section 4 - "Multi-Year Strategy"* of this MD&A, will require a significant effort from management and operational resources, which may divert Management’s attention from existing core businesses. In addition, events and circumstances, such as delays and unexpected costs, may occur and prevent the Corporation from realizing all, some or any of the benefits expected from its planned timetable or investments, and there can be no assurance that any benefits derived will be sufficient to offset the expenses and costs that it expects to incur in implementing the Strategy.

Acquisitions have always been a key aspect of Lassonde’s growth strategy. The Corporation’s ability to consummate and effectively integrate any future acquisitions may be limited by its ability to identify strategically appropriate acquisition targets, to structure suitable acquisitions, taking into account related tax and financial impacts, Management's available resources, compliance with applicable regulations and, to the extent necessary, its ability to obtain financing at satisfactory terms. Acquisitions and other material transactions may expose the Corporation to additional risks, and the Corporation may find itself facing unforeseen obligations, including in connection with the integration or the management of the acquired businesses. Lassonde may also experience delays in extending its ICFR to newly acquired businesses, which may increase the risk of failure to prevent misstatements in its financial reports and timely release of its consolidated financial statements.

Climate change, natural disasters and environmental issues and laws could adversely affect Lassonde's supply chain and operations, which could have a material adverse effect on its Financial Performance.

Environmental issues and related implications

Unseasonable or unusual weather, natural disasters or long-term climate changes could add volatility to the Corporation’s input costs and influence the availability of raw materials, energy and fuel, as well as the Corporation’s production capacity and the demand for its products. Water is the main ingredient in substantially all of Lassonde’s products. Climate change may cause water scarcity and a deterioration of water quality in areas where the Corporation maintains operations or sources its raw materials. The competition for water among domestic, agricultural, and manufacturing users is intensifying in the areas where the Corporation operates or sources its raw materials, and as water becomes scarcer or the quality of the water deteriorates, the Corporation may incur increased production costs or face manufacturing constraints. Despite widespread water availability, limitations of water purification and waste treatment infrastructure may lead to increased costs or constraints on operational efficiency.

Concerns about climate change might cause consumers to prefer products that are sustainably grown and made. Additionally, there is a growing focus among some consumers to buy local food products to reduce the carbon footprint associated with their long-distance transportation, which could result in a decrease in the demand for food products and raw materials that Lassonde imports from other countries or transports from remote growing and processing locations. Consumers are also increasingly aware of sustainability, with particular attention to the recyclability of product packaging, reducing consumption of single-use plastics and non-recyclable materials, and the environmental impact of manufacturing operations. In addition, several of the Corporation's customers have announced their intention to transition to recyclable, compostable, or reusable packaging. These changing preferences could require the Corporation to use specially sourced raw materials that may be more difficult to source or result in higher costs or additional capital investments that it may not be able to pass on to customers. If the Corporation doesn't meet customer and consumer demands, its sales and, as a result, its Financial Performance could suffer.

The most significant climate-related or natural disaster risks identified by the Corporation include: 1) increased operating costs due to higher fuel and energy prices arising from carbon pricing policies; 2) reduced production output, increased operating costs and capital investments resulting from damages to facilities and/or equipment given extreme weather events or greater variability in weather patterns; 3) increased operating costs and capital investments due to longer-term shifts in climate patterns such as sea-level rise or chronic heat waves; and 4) availability, quality or price volatility of key agricultural commodities sourced by the Corporation, such as Apples, Oranges, Cranberries, tomatoes and other fruits and vegetables. Finally, the Corporation expects to incur additional costs as it evolves its portfolio and engages in due diligence, audit and reporting activities in connection with its sustainability initiatives.

Environmental laws and related implications

The Corporation's operations are subject to various laws and regulations relating to the protection of the environment. Compliance with these laws and regulations requires that the Corporation continues to incur operating and maintenance costs and capital investments, including to control potential impacts of its operations on local communities. Laws and regulations related to the use or disposal of plastics or other packaging materials can adversely affect Lassonde's activities. The Corporation relies on diverse packaging solutions to safely deliver products to its customers and consumers. Some of its products are sold in packaging designed to be recyclable. However, not all packaging is recycled, whether due to lack of infrastructure or otherwise. Several jurisdictions in which the Corporation's products are sold have imposed or are considering imposing regulations or policies intended to encourage the use of sustainable packaging, waste reduction, or increased recycling rates or to restrict the sale of products using certain packaging. These regulations vary in form and scope and include extended producer responsibility ("EPR") policies, plastic or packaging taxes, restrictions on certain products and materials, requirements for bottle caps to be attached to bottles, bans on the use of single-use plastics and requirements to charge deposit fees. Certain jurisdictions have imposed minimum recycled content requirements for beverage bottles, and similar legislation is under consideration in other jurisdictions. These laws and regulations have and could continue to increase the cost of the Corporation's products, impact demand for its products, result in negative publicity, and require it to increase capital investments to reduce the amount of plastic or other materials used in its packaging or to develop alternative packaging. Also, in Quebec, where Lassonde has a significant market share, the deposit-refund and selective collection systems are being modernized under an EPR approach, whereby the entities that sell, market, or otherwise distribute target products are responsible for managing them at the end of their useful life. This modernization will impose numerous new obligations on beverage manufacturers such as Lassonde.

The increasing concern over climate change may also result in more legal and regulatory requirements to reduce or mitigate the effects of greenhouse gases and replenish water reserves. Such laws and regulations may have a significant effect on the food processing industry, requiring firms such as Lassonde to incur material capital investments and incur additional operating costs, including with respect to energy, packaging, and recycling. Increasing regulation of carbon taxes could also substantially increase its product supply chain, manufacturing, and distribution costs.

Under environmental laws and regulations, the Corporation may be liable for the costs of investigation, removal, or remediation of certain hazardous or toxic substances, as well as related costs of investigation and damage to natural resources, at various properties, including its current and former properties and the former properties of its predecessors, as well as off-site waste handling or disposal sites that it or its predecessors have used. These costs could be substantial.

Product recalls or other issues with respect to product quality and safety can result in expensive recall costs, severely damage Lassonde's reputation and could materially and adversely affect its business and Financial Performance.

Lassonde sells food products for human consumption, which involves risks such as product contamination or spoilage, mislabeling, product tampering other than during its original manufacture, and other adulteration of food products. A product that has been actually or allegedly affected in any of these circumstances could cause a voluntary or mandatory recall due to a substantial product hazard, a need to change a product's labelling, or other consumer safety concerns. It could also potentially result in the destruction of product inventory, negative publicity, temporary plant closings, lost sales due to any unavailability of the product for a period, substantial cost of compliance or remediation, and potentially significant claims arising from bodily injury, illness, or death caused by the products. Even if liability claims against the Corporation are not successful or only partially successful, they could be time-consuming and costly and may require Management to spend time defending the claims rather than operating the business.

Although Lassonde believes it has good internal processes, training, and food safety programs, they may not be fully effective in preventing contamination of food products that could lead to food-borne illnesses. A failure in its control processes may result in contamination of products, resulting in a breach of existing food safety legislation and potentially cause illness among consumers or employees. The Corporation also relies on suppliers and co-packers, which increases the risk that foodborne illness incidents could occur outside of its direct control.

Lassonde's (and its co-packers') operations are subject to regulations by government food inspection agencies in Canada and the U.S., respectively. Such regulations are subject to changes from time to time, which could impact how it manages its production and sale of products. The Corporation's plants and products are subject to periodic inspection by regulatory authorities. More recently, the *Food Safety Modernization Act* increased the number of inspections at food manufacturing facilities in the U.S. to enhance the detection of foodborne illness outbreaks and accordingly order recalls of tainted food products. It also imposes greater responsibility upon the different parties throughout the food chain to design and implement effective hazard analysis and preventive control programs in food safety programs throughout the supply chain.

Instances of foodborne illnesses, whether real or perceived, and whether arising from the Corporation's operations or the result of its actions or omissions, could cause negative publicity about Lassonde or its products, which could adversely affect the Financial Performance. In addition, a recall or withdrawal may cause the Corporation to lose future revenues or to have its relationships with one or more significant customers interrupted, and the impact of the recall or withdrawal could cause its customers to no longer be willing to continue to purchase affected or unaffected products from Lassonde or could otherwise hinder its ability to grow its business with those customers. Furthermore, publicity surrounding such claims could adversely affect its reputation and brands.

Damage to Lassonde's reputation or brand image could adversely affect its relationships with its stakeholders as well as its business and Financial Performance.

Lassonde's reputation among stakeholders, and consequently that of its brands, could be damaged because of controversial business decisions made by Management or by its business partners. In such a case, stakeholder trust in the Corporation, the perception of what its brands stand for, the Corporation's connection with customers, and subsequently its brand value, could significantly diminish even if the allegations in this regard were unfounded or if these matters were immaterial to its operations.

Lassonde recognizes that proper stewardship of ESG matters that are relevant to its business contributes positively to the Corporation's reputation. The Corporation has set various ESG-related targets and has undertaken or planned capital investments and other initiatives to measure and track them and to increase its energy efficiency and to reduce its GHG emissions, waste, and water usage. There is no assurance that its environmental and sustainability initiatives will be economically viable and effective or that the anticipated environmental benefits will materialize. It is possible that the changes necessary to reduce polluting emissions or generated waste will not be feasible or that the costs of reduction will be material, either of which could have a material adverse effect on the Corporation's reputation and business.

Increased negative attention from traditional and non-traditional media and other stakeholders on the role of food marketing and ESG practices could adversely affect Lassonde's image. Damage to its reputation or brand image could adversely affect its business, including its ability to hire and retain talent. Reputational risk intersects with many of the Corporation's other risks and may therefore exacerbate these risks.

Changes made to income tax laws, regulations and policies or other tax measures and the interpretation thereof could materially and adversely affect Lassonde's Financial Performance.

The Corporation is subject to income taxes and non-income-based taxes and duties (together referred to as "Tax(es)") mainly in Canada, the U.S., and certain foreign jurisdictions. Tax laws are dynamic and subject to change as new laws are passed and new interpretations of the law are issued or applied. If tax authorities in any jurisdiction change applicable tax laws, the Corporation's overall taxes could be impacted and fluctuations in the effective tax rate may result in volatility in the financial results. To comply with these changes, the Corporation may incur significant expenses. Adverse changes in tax laws in any of its jurisdictions could materially affect Lassonde's deferred tax positions and its income tax provision. Furthermore, governmental tax authorities are increasingly scrutinizing the tax positions of companies. Although the Corporation believes its tax estimates are reasonable, if a taxing authority disagrees with the positions taken, it could face additional tax liabilities, including interest and penalties. In addition, the Corporation's effective tax rate in any given financial statement period may increase or decrease based on the geographic mix of quarterly and year-to-date results in the various jurisdictions in which the Corporation operates, the amount and source of taxable income, changes to tax laws and tax rates, changes to existing accounting rules and revisions to the assumptions and estimates the Corporation considers in determining tax assets and liabilities.

The Corporation is subject to transfer pricing and other tax regulations designed to ensure that appropriate levels of income are reported as earned and are taxed accordingly. Although the Corporation believes that it is in compliance with all applicable regulations and restrictions, it is subject to the risk that governmental authorities could audit its transfer pricing methodology and related practices and assert that additional taxes are owed. If the audits or assessments are unfavourable to the Corporation's positions, it may or may not be able to offset or mitigate the consolidated effect of foreign income tax assessments using foreign tax credits. Because the laws and regulations governing Canada and U.S. foreign tax credits are complex and subject to periodic legislative amendments, the Corporation cannot be sure that it will in fact be able to take advantage of available foreign tax credits in the future.

Lassonde is exposed to various financial risks that could materially and adversely affect its business and Financial Performance.

Exchange rates

Lassonde is sensitive to movements in currency exchange rates because: (i) a significant portion of the purchases for its Canadian operations are made in foreign currencies (mainly U.S. dollars) while its products are sold in Canadian dollars creating a net exposure to the U.S. dollar; and (ii) a portion of its assets, liabilities, sales, and expenses must be translated into Canadian dollars for reporting purposes or converted into Canadian dollars to service Canadian dollar-denominated obligations, including to pay dividends to its shareholders. Any favourable or unfavourable impacts to the Corporation's Financial Performance from the fluctuations in foreign currency exchange rates are likely to be inconsistent year over year. The Corporation's efforts to mitigate its exposure to exchange rate fluctuations, especially when they are sudden, may not be successful. In addition, when this exposure is managed via a derivative instrument, the Corporation may still incur material losses from such transactions, including being exposed to a counterparty credit risk.

Interest rates

Interest rate risk is the Corporation's exposure to increases or decreases in financial instrument values caused by fluctuations in interest rates. The Corporation is exposed to cash flow risk related to interest rate fluctuations in its floating-rate interest-bearing financial obligations and is exposed to fair value risk on its fixed-rate financial obligations. Also, changes in the perceived creditworthiness of the Corporation might increase its borrowing costs given that, upon the refinancing of a debt instrument, depending on the availability of funds in the market, the margin that is added to the reference rate of the loan could vary and thereby directly influence the interest rate payable by the Corporation.

Liquidity and credit

To fulfill its liquidity needs, Lassonde has access to long-term and short-term capital. Its Financial Performance, interest rates, the stability of financial institutions with which it partners, the liquidity of the overall capital markets, and the state of the global economy, including the food industry, could affect its access to capital, the cost of its financing at acceptable terms, or at all, as well as its ability to pay dividends in the future. In addition, the Corporation may not be able, without continued access to capital resources, to continue to fund internal growth and/or acquire complementary businesses.

Lassonde's credit facilities contain covenants imposing certain restrictions on its business. These restrictions may affect its ability to operate its business and may limit its ability to take advantage of potential business opportunities as they arise. The credit facilities also require the Corporation to satisfy certain financial covenants, such as maintaining minimum fixed charge coverage ratios and maximum leverage ratios. The breach of any of these covenants could result in a default, which would allow the lenders to declare all outstanding debt to be due and payable, together with accrued and unpaid interest. Any default by the Corporation under any of its credit facilities could have a material adverse effect on its business and Financial Performance.

Due to the risks to which it is exposed, the Corporation may be unable to maintain a level of cash flow sufficient to permit it to repay the principal, pay a premium, if required, and pay interest on its indebtedness. If its cash flows and capital resources are insufficient to meet its debt service obligations, the Corporation could face substantial liquidity problems and could be forced to reduce or delay capital investments, dispose of material assets or operations, obtain financing from new sources or additional equity capital, or restructure or refinance its existing indebtedness. The Corporation may not be able to deploy any such alternative measures, if necessary, on commercially reasonable terms or at all, and, even if it were able to do so, those alternative actions may not allow it to meet its scheduled debt service obligations. Disruptions in the capital markets and available liquidity could also impair Lassonde's ability to fund its operations or limit its ability to expand its business. North American capital credit markets have experienced volatility, turmoil and liquidity disruptions that have led to tightened access to capital markets and other sources of funding.

Lassonde Industries, Inc.'s only significant asset is its ownership interest in its operating subsidiaries. The financial condition and operating requirements of its operating subsidiaries may limit its ability to obtain cash from its operating subsidiaries. The earnings from, or other available assets of, its operating subsidiaries may not be sufficient to pay dividends or make distributions or loans to enable the Corporation to pay any dividends on its shares or satisfy its financial obligations; the ability of the Corporation's operating subsidiaries to do so is also governed by the terms of their credit facilities and is subject to the negative covenants set forth therein.

Stock price

Lassonde's share price may be volatile. In addition, price and volume trading volatility in the stock markets can have a substantial effect on its share price, frequently for reasons other than its Financial Performance. Lassonde's share price and trading volumes could decline if one or more securities or industry analysts downgrade Lassonde's shares, issue unfavourable commentary about the Corporation, its industry, or its business, cease to cover Lassonde or fail to regularly publish reports about it, its industry, or its business. Periods of volatility in the overall market and the market price of a company's securities could be followed by securities litigation. Such litigation, if instituted against the Corporation, could result in substantial costs and divert Management's attention and resources.

The Corporation established a long-term incentive plan for executives. This plan provides awards of restricted share units ("RSU") and share appreciation rights ("SAR"), the values of which are linked to the performance of the Corporation's shares. To mitigate a portion of the effects of fluctuations in the share price on the fair value of the long-term incentive plan, the Corporation entered into total return swap agreements. The total return swaps are not subject to hedge accounting, which may result in fluctuations in the Corporation's operating results over the vesting period. Finally, even though this exposure is partly managed via a derivative instrument, the Corporation may still incur material losses from such transactions using such an instrument, including being exposed to a counterparty credit risk.

Pension obligations

The Corporation has defined benefit pension plans. Contributions made to fund such plans are based on actuarial valuations, which themselves are based on assumptions and estimates about the long-term existence of the plans, including assumptions on inflation, investment return, mortality and the discount rates used to determine the liabilities of the plans. Actual results of actuarial valuations may differ from expectations. The Corporation cannot predict whether changes in markets or economic conditions, changes to pension legislation and regulations, or changes in other factors will increase its pension expenses or liabilities or its funding obligations, thereby requiring funds that would otherwise be used for other purposes. Increases in net pension liabilities or increases in future contributions could negatively affect the Corporation's Financial Performance.

Customer credit risk

Lassonde extends credit to customers in the normal course of business. The consolidated financial statements include expected credit losses, which are estimated by Management based on experience and its assessment of current economic conditions. An inability to correctly assess the impact of the current economic conditions, or any other pertinent factor on the creditworthiness of its customer base in general, or on the affairs of a specific customer may result in the write-down of amounts that would have otherwise been collectable by the Corporation and, to some extent, the write-down of inventory items that were specific to said customer. Although the Corporation's Canadian subsidiaries take out credit insurance on most of their sales made outside Canada and its U.S. subsidiaries take out credit insurance on most of its sales, there is no guarantee that damages related to credit losses will not exceed its coverage. Finally, the timing of insurance recoveries may not match the timing of the monetary loss.

The Corporation is exposed to other operational risks, including impairment in the value of assets, claims insurability, inventory, and internal controls, that could materially and adversely affect its business and Financial Performance

Impairment in the value of assets

The Corporation performs an annual impairment assessment for goodwill and its indefinite-lived intangible assets, and, as necessary, for other long-lived assets. If the results of such assessments were to show that the fair value of these assets were less than the carrying values, the Corporation might need to recognize a charge for impairment of goodwill or long-lived assets, and the amount of the impairment charge could be significant. Factors that could result in an impairment include, but are not limited to, (i) macroeconomic conditions, increased competition, loss of market share and/or other factors resulting in reduced demand for the Corporation's products, (ii) higher input costs, (iii) lower selling prices for the Corporation's products or increased marketing expenses because of increased competition and/or other factors outside of its control; (iv) significant disruptions to the Corporation's operations as a result of both internal and external events, (v) not achieving forecasted productivity targets or declining financial performance in comparison to projected results previously anticipated; and (vi) changes to the applicable discount rates, which could fluctuate due to factors such as movement in risk-free interest rates, changes in general market interest rates and market beta volatility and changes to management's assessment of forecasted risk, among others. Since several factors may influence determinations of the fair value of its goodwill, its indefinite-lived intangible assets, and its other long-lived assets, the Corporation is unable to predict whether impairments of goodwill or other indefinite-lived intangibles will occur in the future. Any such impairment would result in recognizing a non-cash charge in the Corporation's Consolidated Statements of Income, which could adversely affect its results of operations and increase its effective tax rate.

Inventory

The Corporation is subject to inventory risks that may adversely affect its operating results due, among other things, to changes in market input costs, changes in consumer demand, seasonality of certain products, limited product shelf life and other factors. Excess or obsolete inventory that cannot be sold profitably or increased levels of shrinkage of regular inventory could result in an inventory write-down.

Internal controls

The accuracy of Lassonde's financial reporting depends on the effectiveness of its ICFR as it can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements and may not prevent or detect misstatements because of its inherent limitations. These limitations include, among others, the possibility of human error, inadequacy or circumvention of controls and fraud. If the Corporation doesn't maintain effective ICFR or design and implement disclosure of financial information and other controls sufficient to provide reasonable assurance with respect to the fair preparation and reliability of its financial statements and other relevant disclosures, including in connection with controls executed by third parties, it might fail to detect in a timely manner any misappropriation of corporate assets or inappropriate allocation or use of funds, and may be unable to issue required financial reports or make other disclosures accurately and on a timely basis. The financial statements of the Corporation might be subject to restatement, and if it were to happen, the Corporation may be subject to additional risks and uncertainties, including, among others, the increased possibility of legal proceedings or a review by the regulatory authorities. The costs of defending against such legal proceedings or administrative actions could be significant. In addition, the Corporation could be subject to monetary judgments, penalties or other sanctions.

The Corporation is exposed to other legal and regulatory risks that could materially and adversely affect its business and Financial Performance.

Regulatory matters

The production and distribution of food products and the impact of these activities on the environment are subject to laws, regulations, rules, and policies of public authorities as well as to social, economic, and political contexts prevailing in places where Lassonde conducts its activities. Governmental regulations also affect taxes and levies, health care costs, energy usage, international trade, immigration, and other labour issues, all of which may have a direct or indirect effect on the business of the Corporation or that of its customers or suppliers. Changes in these laws or regulations, or the introduction of new laws or regulations, could increase the costs of doing business for the Corporation, its customers, or suppliers, or restrict their actions or could have an impact on consumer habits and on the Corporation's sales volumes. The impact of a change in such legislation or regulations, or in their interpretation, could depend on the Corporation's ability to comply therewith and assume the related costs. Moreover, the legislative and regulatory landscape for privacy and data protection continues to evolve in the jurisdictions where the Corporation operates, and there has been an increasing focus by governmental authorities on privacy and data protection issues with the potential to affect its business. An inability to comply with these laws and regulations or to otherwise protect personal data from unauthorized access or other processing could result in claims, inquiries or investigations, damage to Lassonde's reputation, fines, or penalties.

Claims, litigation and insurability

In the normal course of business, the Corporation is exposed to various actions and claims as well as to the various risks related to its operations such as legal or tax claims or other regulatory enforcement actions. The Corporation operates in a North American environment with constantly evolving legal, tax and regulatory frameworks. Actions by its employees, contractors, or agents in violation of the Corporation's policies and procedures could lead to deficiencies in its internal or other controls or violations, unintentional or otherwise, of laws and regulations. Lassonde may be in the future a defending party to various litigation claims and legal proceedings that may involve, among other things, food quality and safety, packaging, product labelling, false or misleading advertising, consumer protection, commercial matters, employment practices, health and safety practices, personal injury and property damage, tort, intellectual property, data privacy or security, competition, disclosures under securities laws, tax or insurance matters, recycling, sustainability and ESG principles. The Corporation could be subject in such litigation to civil and criminal penalties that could be material. The Corporation sets up reserves as appropriate based upon assessments and estimates in accordance with its accounting policies. Actual outcomes or losses may differ materially from assessments and estimates. Even if a claim is unsuccessful, without merit or not pursued to completion, the cost of responding to such a claim, including expenses and Management time, could adversely affect the Corporation. Any adverse publicity resulting from allegations made in litigation claims or legal proceedings may also adversely affect Lassonde's reputation.

The Corporation limits its exposure to such risks by holding insurance to cover the risk of claims related to its operations when such insurance coverage is available at acceptable rates and conditions. However, some risks remain difficult or impossible to insure. While the Corporation believes that the extent of its insurance coverage is consistent with industry practice, and even though it reviews its insurance terms and limits on an annual basis, there is no guarantee that damages related to losses or claims and the related costs will be insured or will not exceed its coverage as insurance policies are subject to exclusions, deductibles and caps, and any claim made under an insurance policy may be subject to such limitations. If the Corporation were to incur substantial monetary obligations or if its business operations were interrupted for a substantial period of time, it could incur substantial costs and suffer losses. Additionally, in the future, insurance coverage may not be available at commercially acceptable terms and premiums, or at all. Finally, the timing of insurance recoveries may not match the timing of the monetary loss.

Intellectual property

Given that the Corporation develops, manufactures, and markets food products, it relies not only on the quality of its products but on brand recognition and the loyalty of customers and consumers. Also, as innovation is an essential aspect of the Corporation's growth strategy, its research and development teams develop new technologies, products, and process optimization methods. The Corporation therefore takes measures to maintain, protect and enforce its intellectual property, including its trademark and know-how. The Corporation may have to engage in litigation to protect its rights, which could result in significant costs. The Corporation's inability to protect its intellectual property or the costs incurred to do so may adversely affect its business.

The Corporation is exposed to other geopolitical risks and other large-scale risks, such as conflicts or public health threats, which could materially and adversely affect its business and Financial Performance.

Conflicts

Although Lassonde has no assets in Russia, Belarus, Ukraine or the Middle East, its supply chain has been, and may continue to be, adversely impacted by the Russia-Ukraine and the Middle East conflicts. The conflict and the restrictive measures taken against certain countries (by various other countries, including Canada and the U.S.) could aggravate a number of risks, including: disruptions to supply chains, energy shortages or higher energy prices, particularly oil and natural gas, limited supply of raw materials and packaging that are crucial to the Corporation (notably Apples, PET resin, and multilayer carton packaging) and the related upward impact on the costs thereof, and greater cybersecurity threats. The Corporation also remains attentive to the situation in Taiwan as any deterioration in this area of the world may have a significant impact on the Corporation's ability to procure certain key raw materials at acceptable terms and costs, if available at all. Political and social conditions in the markets in which the Corporation's raw material are purchased or in which its products are sold have been and could continue to be difficult to predict.

Public health threats

An outbreak of disease, epidemic or pandemic such as the recent global COVID-19 pandemic, and related government actions seeking to contain the outbreak could have a material adverse impact on Lassonde. Such threats could disrupt the Corporation's global supply chain, the availability of labour, operations, logistics, and routes to market, or those of its suppliers or their suppliers. Such disruptions, or the Corporation's failure to adequately respond to them, would likely increase its production or distribution costs, or cause delays in or an inability to deliver products to customers. There are no guarantees that the actions taken by the Corporation to mitigate the effects of potential public health threats such as future pandemics will be effective.

20 Financial Instruments and Financial Risk Exposure

20.1 Interest Rate Risk

Interest rate risk is the Corporation's exposure to increases or decreases in financial instrument values caused by fluctuations in interest rates. The Corporation is exposed to cash flow risk due to the interest rate fluctuations in its floating-rate interest-bearing financial obligations and is exposed to fair value risk from its fixed-rate financial obligations.

In addition, upon the refinancing of a debt instrument, depending on the availability of funds in the market and lender perception of the Corporation's risk, the margin that is added to the reference rate, such as CORRA, SOFR, and prime rates, could vary and thereby directly influence the interest rate payable by the Corporation.

The Corporation strives to maintain an appropriate combination of fixed-rate and floating-rate financial obligations in order to reduce the impact of interest rate fluctuations. To do so, and to synthetically adjust the exposure to interest rates, it uses derivative instruments in the form of interest rate swaps.

With respect to its floating-rate financial obligations, a negative impact on cash flows would occur if there were an increase in the reference rates while the impact would be positive in relation to its interest rate swaps. A decrease in these same rates would have an opposite impact of similar magnitude.

Term financing is mainly used in relation to the Corporation's long-term obligations stemming from acquisitions of non-current assets and business combinations. The revolving credit facilities are mainly used to finance the Corporation's working capital and essentially fluctuate according to seasonal factors specific to the Corporation. The Corporation may also use revolving credit facilities in addition to term financing for business combinations when it deems that it will be able to repay the revolving credit in the medium term.

As at December 31, 2023, the Corporation had interest rate swap agreements, with a total notional amount of US$100.0 million (US$65.0 million as at December 31, 2022), to cover the impact of future fluctuations in interest rates, applicable to the CA revolving credit and to the U.S. revolving credit, on the Corporation's cash flows. These swaps are designated in a hedging relationship. As at December 31, 2023, the negative fair value of the interest rate swaps stood, on a net basis, at less than $0.1 million (total net positive fair value of $0.8 million as at December 31, 2022). It is presented in the Derivative Instruments items of the Corporation's Consolidated Statement of Financial Position.

According to the balances of the Corporation's floating-rate loans and interest rate swaps as at December 31, 2023, all other factors being equal, a 1% increase in the interest rate would have had an unfavourable impact of $32,000 on profit or loss and a favourable impact of $885,000 on other comprehensive income for the year ended December 31, 2023. A 1% decrease in the interest rate would have had an impact of a similar magnitude but in the opposite direction on the Corporation's profit or loss and other comprehensive income.

20.2 Foreign Exchange Risk

Foreign exchange risk is the Corporation's exposure, caused by exchange rate fluctuations, to decreases or increases in:

- the value of its financial instruments, mainly cash and cash equivalents, other working capital items, long-term debt and intercompany balances denominated in foreign currencies;
- net investments in foreign operations, as they use the U.S. dollar as their functional currency; and

- the value of transactions denominated in foreign currencies by entities that have the Canadian dollar as their functional currency. The purchases of raw materials, supplies and equipment denominated in foreign currencies made by Canadian subsidiaries and sales made by Canadian subsidiaries concluded in foreign currencies. During 2023, excluding equipment purchases, the Corporation's Canadian subsidiaries had a total net exposure of approximately US$200.0 million.

Foreign exchange risk is managed in accordance with the Corporation's foreign exchange risk management policy. The objective of this policy is to mitigate the impact of foreign exchange rate fluctuations on the Corporation's profit or loss, on certain foreign currency purchases of capital assets, and on certain debts denominated in foreign currencies. Under this policy, the Corporation must identify, by geographic segment, any potential foreign exchange risk arising from its operations. The policy also prohibits speculative foreign exchange transactions.

To mitigate foreign exchange risk, the Corporation employs various strategies in the course of its activities, including the use of derivative instruments and natural hedge management techniques. A corporate treasury department carries out the strategy used to hedge this risk.

As at December 31, 2023, foreign exchange forward contracts used to hedge the exchange rate fluctuations related to future payments denominated in foreign currencies totalled $275.9 million according to their contractual exchange rates ($287.1 million as at December 31, 2022). Under these contracts, the Corporation is committed to purchasing foreign currencies at predetermined rates, and, when designated for this purpose, the contracts are subject to hedge accounting. As at December 31, 2023, the negative fair value of the contracts stood, on a net basis, at $3.4 million (total net positive fair value of $5.9 million as at December 31, 2022). It is presented in the Derivative Instruments item of the Corporation's Consolidated Statement of Financial Position.

According to the balances as at December 31, 2023 of the Corporation's financial instruments denominated in foreign currencies, excluding the balances of foreign operations, and according to foreign exchange forward contracts on that date, all other factors being equal, a reasonably possible $0.05 per unit increase in foreign currency exchange rates would have had a favourable impact of $746,000 on profit or loss and a favourable impact of $5,586,000 on other comprehensive income. A reasonably possible $0.05 per unit decrease in foreign currency exchange rates would have had an impact of a similar magnitude but in the opposite direction on profit or loss and on other comprehensive income for the year ended December 31, 2023.

20.3 Price Risk

Raw material price risk

To mitigate the effects of certain raw material price fluctuations, the Corporation occasionally contracts derivative instruments.

As at December 31, 2023, the Corporation owned frozen concentrated orange juice ("FCOJ") futures. These futures are subject to hedge accounting. The Corporation did not own FCOJ futures as at December 31, 2022. As at December 31, 2023, the negative fair value of these futures, on a net basis, was $0.8 million. It is presented in the Derivative Instruments item of the Corporation's Consolidated Statement of Financial Position.

All other factors being equal, a 10% increase in the price of FCOJ would have had a favourable impact of $1,314,000 on the fair value of the Corporation's FCOJ futures as at December 31, 2023, whereas a 10% decrease in the price of FCOJ would have had an impact of similar magnitude but in the opposite direction.

Other price risk

To mitigate the effects of fluctuations in the share price of the Corporation's Class A subordinate voting shares on the fair value of the long-term incentive plan, the Corporation entered into total return swaps with respect to these shares. The total return swaps are not subject to hedge accounting.

As at December 31, 2023, the positive fair value of these swaps, on a net basis, was $0.1 million (total net positive fair value of $0.3 million as at December 31, 2022). It is presented in the Derivative Instruments item of the Corporation's Consolidated Statement of Financial Position.

According to grants made under the long-term incentive plan and the total return swaps as at December 31, 2023, all other factors being equal, a 10% increase in the share price of the Corporation's Class A subordinate voting shares would have had a favourable impact of $39,000 on profit or loss, while a 10% decrease would have had an unfavourable impact of $94,000 on profit or loss for the year ended December 31, 2023.

More details on financial instruments and the risk management thereof are provided in Notes 12 and 27 to the Corporation's consolidated financial statements.

21 Significant Accounting Estimates and Assumptions

In preparing consolidated financial statements in accordance with IFRS, management must exercise judgment when applying accounting policies and use assumptions and estimates that have an impact on the amounts of the assets, liabilities, revenues and expenses reported in the consolidated financial statements and on the contingent liability and contingent asset information provided. These assumptions and estimates are regularly reviewed and based on past experience and other factors, including future events considered reasonable in the circumstances. The actual results of items subject to assumptions and estimates may differ from these assumptions and estimates.

The main assumptions and estimates are presented below:

Measurements of revenues from product sales

Revenues from product sales are recognized at the amount of consideration to which the Corporation expects to be entitled. This amount includes deductions for rebates or allowances that are determined, in some cases, using assumptions based on estimates prepared using the Corporation's past history and experience.

Measurements of income tax expense

In preparing its consolidated financial statements, the Corporation must establish estimates of income tax expense and of deferred tax assets and liabilities based on the tax laws applicable in the jurisdictions where it operates.

Assumptions and estimates are made to determine the deferred tax asset amount that can be recognized based on the timing and amounts of the Corporation's future taxable income and on future tax strategies. A deferred tax asset amount could be reduced if estimates of expected future taxable income and of expected benefits from tax strategies are revised downwards or if an enacted tax legislation amendment were to limit, with respect to timing or amount, the Corporation's ability to use future taxable benefits.

When assessing the impacts of tax interpretations, laws and regulations, judgment must also be applied to ensure a complete and reliable presentation of income taxes to be recovered, current income tax, and deferred tax assets and liabilities.

Measurements of right-of-use assets and lease liabilities

Future lease payments used to calculate the value of the right-of-use asset and lease liability include payments for extension, termination or purchase options that are reasonably certain to be exercised by the Corporation. Determining the economic benefit of exercising these options requires the use of assumptions and estimates such as the expected use of the leased asset and future market conditions. Whether or not payments relating to the extension, termination or purchase options are taken into account can have a significant impact on the value of the right-of-use asset and the lease liability. To measure the lease liability at the present value of future lease payments, the Corporation must determine its incremental borrowing rate when the implicit rate of the lease cannot be readily determined.

Measurements of defined benefit assets and liabilities

The Corporation's measurement of defined benefit plan assets and liabilities requires the use of statistical data and other parameters used to anticipate future changes. These parameters include the discount rate of the defined benefit obligation and the net interest on the net defined benefit liability (asset), the expected rate of compensation increase, the indexation rate of pensions paid, and the mortality table. If the actuarial assumptions are found to be significantly different from the actual data subsequently observed, it could lead to substantial changes to the amount of the benefit cost of the defined benefit plans recognized in profit or loss and in other comprehensive income and to the net defined benefit assets or liabilities presented in the Consolidated Statement of Financial Position.

The actuarial valuations for funding purposes were performed on January 1, 2021, September 30, 2023, and December 31, 2023, depending on the plan. These actuarial valuations are based on management's best-estimate assumptions of the discount rate, expected rate of compensation increase, the indexation rate of pensions paid, and the mortality table. Changes in these assumptions could have an impact on defined benefit costs and obligations. During 2023, the Corporation funded $0.3 million in its defined benefit pension plans while, during 2022, it had withdrawn a net amount of $4.9 million from its defined benefit pension plans.

Measurements of non-financial assets

When applying the future discounted cash flows model to determine the fair value of groups of cash-generating units ("CGUs") to which goodwill is allocated, certain parameters must be used, including estimates of future cash flows, discount rates and other variables; a high degree of judgment must therefore be exercised. Impairment tests on property, plant and equipment and intangible assets are also based on assumptions. Any future deterioration of market conditions or poor operational performance could translate into an inability to recover the current carrying amounts of property, plant and equipment and intangible assets. No impairment loss was recognized in 2022 and 2023.

Purchase price allocations of businesses acquired as part of business combinations

When carrying out a business combination, the Corporation must make assumptions and estimates to determine the purchase price allocation of the acquired business. The Corporation must determine the acquisition-date fair value of the identifiable assets acquired and liabilities assumed. Goodwill is measured as the amount by which the consideration transferred, and the total amount of any non-controlling interest exceeds the fair value of all the identified assets and liabilities. When the surplus is negative, a gain on a business combination is recognized in profit or loss.

These assumptions and estimates have an impact on the asset and liability amounts recorded in the Consolidated Statement of Financial Position on the acquisition date. In addition, the estimated useful lives of the acquired property, plant and equipment, the identification of intangible assets and the determination of the indefinite or finite useful lives of intangible assets acquired will have an impact on the Corporation's profit or loss.

22 Adoption of IFRS Standards

IAS 1 Presentation of Financial Statements

On December 31, 2022, the Corporation early adopted the amended version of IAS 1 "Presentation of Financial Statements", which requires entities to disclose information about their material accounting policies rather than their significant accounting policies.

The adoption of this amended version had no impact on the Corporation's consolidated financial statements, except in terms of the accounting policy disclosures presented in Note 2 to the Corporation's consolidated financial statements for the year ended December 31, 2023.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

On January 1, 2023, the Corporation adopted the amended version of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", which clarifies the distinction between a change in accounting estimate and a change in accounting policy.

The adoption of this amended version had no impact on the Corporation's consolidated financial statements.

IAS 12 Income Taxes

On January 1, 2023, the Corporation adopted the amended version of IAS 12 "Income Taxes", which narrows 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. This amended version also provides temporary exceptions to the recognition and disclosure of deferred tax assets and liabilities under Pillar 2 tax rules of the OECD model.

The adoption of this amended version had no impact on the Corporation's consolidated financial statements.

23 Future Accounting Changes

IAS 1 Presentation of Financial Statements

In January 2020 and October 2022, the International Accounting Standards Board ("IASB") amended IAS 1 "Presentation of Financial Statements" in order to establish a more general liability classification approach based on an analysis of existing contracts at the reporting date and in order to clarify the classification of borrowings and other financial liabilities that have covenants with which the entity must comply.

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

The Corporation believes that these amendments will have no impact on its consolidated financial statements.

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 believes that these amendments will have no impact on its consolidated financial statements.

24 Related Party Transactions

In the normal course of operations, the Corporation purchases apples for processing from entities controlled by the Chairman of the Board. These purchases totalled $0.1 million in 2023 and were carried out under similar terms and conditions as purchases from arm's length producers.

Related party transactions are presented in Note 31 to the consolidated financial statements for the year ended December 31, 2023.

25 Disclosure Controls and Procedures ("DC&P")

The Corporation's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for setting and maintaining disclosure controls and procedures, as set out in National Instrument 52-109 issued by the Canadian Securities Administrators. Assisting them in this responsibility is the Disclosure Committee, which consists of the Corporation's key management personnel. The Disclosure Committee must be kept fully informed of any significant information relating to the Corporation so that it can evaluate said information, determine its importance, and decide on timely disclosure of a press release, where applicable. Management regularly reviews disclosure controls and procedures; however, they can only provide a reasonable level of assurance because of the inherent limitations in control systems to prevent or detect all misstatements due to error or fraud.

Under the supervision of the Corporation's CEO and the CFO, management evaluated the effectiveness of the controls and procedures used to prepare disclosure documentation, including this MD&A, the Annual Information Form, and the Management Proxy Circular. Based on this evaluation, the CEO and the CFO concluded that the disclosure controls and procedures were effective as at December 31, 2023 and, more specifically, that the design of these controls and procedures provides reasonable assurance that important information about the Corporation is evaluated, processed and reported to them in a timely manner during the preparation of disclosure documentation.

26 Internal Control Over Financial Reporting ("ICFR")

Management is responsible for establishing and maintaining adequate internal control over financial reporting in order to provide reasonable assurance as to the reliability of the financial information and reasonable assurance that the financial statements were prepared, for financial reporting purposes, in accordance with IFRS. All internal control systems have inherent limitations and therefore internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements resulting from error or fraud.

Under the supervision of the CEO and the CFO, management evaluated the effectiveness of the Corporation's internal control over financial reporting as at December 31, 2023, based on the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, the CEO and the CFO concluded that the ICFR was effective as at the December 31, 2023 year-end.

During the fourth quarter of 2023, there have been no changes to the internal control over financial reporting that would have significantly affected or been likely to have significantly affected the Corporation's internal control over financial reporting.

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March 21, 2024