



# **Interim Management's Discussion & Analysis**

**Second quarter ended June 29, 2024**

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## 1 Basis of Presentation

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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 unaudited interim consolidated financial statements ("interim consolidated financial statements") and accompanying notes. It should also be read in conjunction with its 2023 annual consolidated financial statements and accompanying notes thereto and with its 2023 annual MD&A. In addition to containing an analysis of the second quarter ended June 29, 2024, this MD&A reports on items deemed significant that have taken place from June 29, 2024 up to and including August 8, 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 calculation discrepancies due to rounding.

The MD&A is available on the Lassonde Industries Inc. website at [www.lassonde.com](http://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](http://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 the 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 17 – "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

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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 8 – "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 sales 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 regulations. 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 parties. **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 leading 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) and the Corporation's ability to effectively integrate any acquisitions; 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, or 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, including information about risk factors that can be found in *Section 19 – "Uncertainties and Principal Risk Factors"* of the 2023 annual 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, BBQ sauces, condiments, 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.

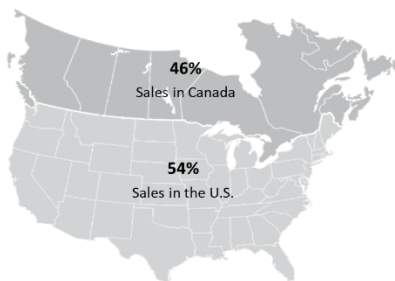
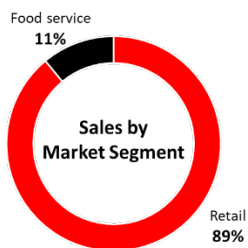
Lassonde is committed to its vision of putting more of its great tasting products in more consumers' hands, that serve more needs, across more occasions, every day, and by continuing its focus on crafting quality food and beverages that consumers love, clients value, employees are proud of, and that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

The Corporation operates 19 plants located in Canada and the United States ("U.S.") and produces its superior quality products through the expertise of over 2,900 full-time equivalent employees. To learn more, visit [www.lassonde.com](http://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

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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 investment 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 primary focus in 2023 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. In addition, the Corporation recently completed the upgrade of its U.S. ERP system.

The Corporation expects further benefits in 2024 and beyond as it gradually builds back its U.S. sales volume, which was voluntarily reduced following the 2023 portfolio simplification process. Furthermore, the commissioning of a new single-serve line in the North Carolina plant in late July 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 the Corporation to better serve customers, fuel future growth and increase profitability. Leveraging the improvements achieved through Project Eagle, Lassonde continues to evaluate various investment scenarios that could lead to an additional multi-year capital expenditures program, the details of which should be provided in the upcoming months. The program would initially be aimed at ensuring the sustainable competitiveness of its U.S. manufacturing network while, over the longer term, allowing for the possibility to add production capacity and new capabilities to meet market opportunities.

In parallel to the efforts to revitalize the U.S. business, the Corporation remained focused on pursuing various options to take advantage of market opportunities in the specialty food business, which resulted in the acquisition of Summer Garden Food Manufacturing which is described in Section 5 hereafter. 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, which will provide a certain degree of flexibility 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 Acquisition of Summer Garden Food Manufacturing

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### Business combination

On August 8, 2024, a 90%-owned U.S. subsidiary of the Corporation completed the acquisition of The Zidian Group, which operates Summer Garden Food Manufacturing (“Summer Garden”). Located in Boardman, Ohio, and employing approximately 200 people, Summer Garden develops, manufactures and markets a wide range of premium sauces and condiments, including tomato and cream-based pasta sauces, BBQ sauces, dipping sauces and dressings. Its portfolio consists of approximately 250 products sold through more than 20,000 locations under the *Gia Russa* and *Little Italy in the Bronx* brands and under the *G Hughes* brand, a leader in the U.S. sugar-free BBQ sauce segment. Summer Garden also acts as a co-packer for well-known brands. For the 12-month period ending in May 2024, Summer Garden generated sales of approximately US\$148.0 million and adjusted EBITDA<sup>1</sup> of approximately US\$27.9 million.

The acquisition was for a cash consideration of US\$237.2 million, paid at closing. This amount reflects US\$2.2 million in preliminary adjustments related to working capital. The amount could be subject to additional adjustments related to working capital and other items once the final value is established. Moreover, a contingent consideration of up to US\$45.0 million may be payable in various instalments over the next three years, should certain financial targets be achieved and other conditions met. Consistent with the ownership structure of the Corporation's U.S. subsidiaries in place since 2011, the Corporation owns a 90% equity interest in Summer Garden while 3346625 Canada Inc., an entity controlled by Mr. Pierre-Paul Lassonde, Chairman of the Corporation's Board, owns the remaining 10%.

At the close of the acquisition, an amount of US\$241.0 million was paid to settle the Summer Garden acquisition cost and certain related charges. It was financed as follows: (i) US\$224.5 million from the Canadian revolving operating credit facility (“CA revolving credit”), (ii) US\$6.0 million from the Corporation's cash and cash equivalents and (iii) US\$10.5 million in equity from 3346625 Canada Inc. The acquisition-related costs should total approximately US\$6.3 million.

The Corporation will recognize this business combination using the acquisition method in accordance with the provisions of IFRS 3 “Business Combinations”. Therefore, the interim consolidated financial statements for the third quarter of 2024 will include the results of Summer Garden from August 8, 2024, certain acquisition-related transaction costs not already recorded and the effect of the purchase price allocation exercise.

### Long-term debt

On June 20, 2024, upon the signing of the Summer Garden acquisition agreement, the Corporation entered into an agreement to amend the Canadian credit facilities to, notably, include the various requests for amendments accepted between December 20, 2019 and June 19, 2024, and to raise the authorized amount of the CA revolving credit by \$250 million. As a result of this agreement, the credit facilities comprise a CA revolving credit committed until April 2027 for an authorized amount of \$475 million. This agreement came into effect upon the closing of the Summer Garden acquisition. The financing-related costs should total approximately \$0.6 million. These costs will be capitalized and amortized over the term of the agreement.

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<sup>1</sup> 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 17 – “Financial Measures Not in Accordance With IFRS” of this MD&A for more information, including the definition and composition of the measure.

## 6 Selected Financial Information

<i>(in millions of dollars, unless otherwise indicated)</i>	Second quarters ended		First six months ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
	\$	\$	\$	\$
<b>Related to operations</b>				
Sales	624.7	579.4	1,194.5	1,126.7
Operating profit	50.0	41.3	84.6	67.6
Adjusted operating profit <sup>2</sup>	58.2	43.3	94.6	71.3
Adjusted EBITDA <sup>2</sup>	74.6	58.6	127.1	101.8
Profit attributable to the Corporation's shareholders	33.5	25.1	57.4	42.2
Basic and diluted earnings per share ("EPS") <i>(in \$)</i>	4.91	3.68	8.41	6.19
Adjusted EPS <sup>2</sup> <i>(in \$)</i>	5.73	3.89	9.41	6.37
Dividends declared per share for Class A and B shares <i>(in \$)</i>	1.00	0.50	2.00	1.20
Cash flows from operating activities	59.4	76.0	70.7	71.1

<i>(in millions of dollars, unless otherwise indicated)</i>	As at	As at
	June 29, 2024	Dec. 31, 2023
	\$	\$
<b>Related to financial position</b>		
Total assets	1,731.6	1,665.7
Operating working capital <sup>2</sup>	309.2	293.5
Days operating working capital <sup>2</sup> <i>(in days)</i>	45.0	44.2
Long-term debt, including the current portion	211.3	210.5
Net debt to adjusted EBITDA ratio <sup>2</sup>	0.86:1	0.92:1
Return on capital employed <sup>2</sup> <i>(in %)</i>	13.7	12.1

<sup>2</sup> 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 17 – "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.

## 7 Financial Highlights

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### Second quarter ended June 29, 2024:

- Sales of \$624.7 million. Excluding a \$6.1 million favourable foreign exchange impact and \$3.2 million in sales from Diamond Estates Wines & Spirits Inc. ("Diamond"), an entity over which Lassonde acquired control on November 14, 2023, the Corporation's sales were up \$36.0 million (6.2%) year over year, mainly due to the favourable impact of selling price adjustments in Canada and an increase in the U.S. sales volume for both private label and branded products, partly offset by an unfavourable change in the sales mix of U.S. private label products and a decrease in Canadian sales volume.
- Gross profit of \$175.7 million (28.1% of sales). Excluding a \$1.0 million unfavourable foreign exchange impact and \$1.2 million in gross profit from Diamond, gross profit was up \$23.2 million from the same quarter last year. This net increase results mainly from the following items:
  - A favourable impact of selling price adjustments to offset the higher costs of certain inputs, essentially orange juice and orange concentrates; and
  - A decrease in the Corporation's conversion costs, a portion of which results from operational improvements, including the impact of the ongoing insourcing of manufacturing for certain products sold by the Corporation's U.S. beverage divisions.
- Operating profit of \$50.0 million. Excluding a \$1.3 million operating loss from Diamond, operating profit was up \$9.9 million from the same quarter last year. This net increase results mainly from the following items:
  - Higher gross profit;
  - \$7.0 million in costs related to the Summer Garden acquisition;
  - \$3.3 million increase in warehousing costs;
  - \$1.9 million increase in certain administrative expenses;
  - \$1.5 million increase in selling and marketing expenses, essentially in Canada; and
  - \$2.0 million decrease in performance-related compensation expenses.
- Excluding items impacting comparability but including Diamond's results, adjusted EBITDA<sup>3</sup> was \$74.6 million (11.9% of sales), up \$16.0 million from the same quarter last year.
- Profit attributable to the Corporation's shareholders totalled \$33.5 million, resulting in EPS of \$4.91, up \$8.4 million and \$1.23, respectively, from the same quarter in 2023. Excluding items impacting comparability, adjusted EPS<sup>3</sup> was \$5.73 compared to \$3.89 in the same quarter last year.
- Operating activities generated \$59.4 million in cash compared to \$76.0 million generated in the same quarter last year. This decrease in cash inflows was essentially due to a change in non-cash operating working capital items, which generated \$24.5 million less cash than in the same quarter of 2023, partly offset by a higher operating profit.
- Dividend of \$1.00 per share, paid on June 14, 2024.

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<sup>3</sup> 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 17 – "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.

### First six months ended June 29, 2024:

- Sales of \$1,194.5 million. Excluding a \$5.3 million favourable foreign exchange impact and \$11.4 million in sales from Diamond, the Corporation's sales were up \$51.1 million (4.5%) year over year, mainly due to the favourable impact of selling price adjustments in Canada and an increase in the U.S. sales volume for both private label and branded products, partly offset by an unfavourable change in the sales mix of U.S. private label products and a decrease in Canadian sales volume.
- Gross profit of \$325.3 million (27.2% of sales). Excluding a \$4.3 million unfavourable foreign exchange impact and \$4.3 million in gross profit from Diamond, gross profit was up \$36.4 million from the same period last year. This net increase results mainly from the following items:
  - A favourable impact of selling price adjustments to offset the higher costs of certain inputs, essentially orange juice and orange concentrates;
  - A decrease in the Corporation's conversion costs, a portion of which results from operational improvements, including the impact of the ongoing insourcing of manufacturing for certain products sold by the Corporation's U.S. beverage divisions; and
  - A favourable impact of a change in the sales mix.
- Operating profit of \$84.6 million. Excluding a \$2.1 million operating loss from Diamond, operating profit was up \$19.1 million from the same period last year. This net increase results mainly from the following items:
  - Higher gross profit;
  - \$7.8 million in costs related to the Summer Garden acquisition;
  - \$4.7 million increase in warehousing costs;
  - \$4.6 million increase in certain administrative expenses; and
  - \$4.2 million decrease in performance-related compensation expenses.
- Excluding items impacting comparability but including Diamond's results, adjusted EBITDA<sup>4</sup> was \$127.1 million (10.6% of sales), up \$25.3 million from the same period last year.
- Profit attributable to the Corporation's shareholders of \$57.4 million, resulting in EPS of \$8.41, up \$15.2 million and \$2.22, respectively, from the same period in 2023. Excluding items impacting comparability, adjusted EPS<sup>4</sup> was \$9.41 compared to \$6.37 in the same period last year.
- As at June 29, 2024, the Corporation had total assets of \$1,731.6 million versus \$1,665.7 million as at December 31, 2023, a 4.0% increase arising mainly from a higher foreign exchange conversion rate as at June 29, 2024 and from an increase in property, plant and equipment.
- As at June 29, 2024, long-term debt, including the current portion, stood at \$211.3 million, representing a net debt to adjusted EBITDA<sup>4</sup> ratio of 0.86:1. This is up \$0.8 million from December 31, 2023.
- Operating activities generated \$70.7 million in cash compared to \$71.1 million generated in the same period last year. This decrease in cash inflows was essentially due to a change in non-cash operating working capital items, which used \$14.7 million more cash than in the same period of 2023, and to an \$8.6 million increase in net income tax paid, partly offset by a higher operating profit and by a \$5.5 million favourable change in settlements of derivative instruments.
- Total dividend of \$2.00 per share, paid in the first six months of 2024.

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<sup>4</sup> 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 17 – "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.

## 8 Outlook

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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, excluding the below-described contribution from Summer Garden, the Corporation is currently using 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-to-high-single-digit range, mainly driven by:
  - the run rate effect of its existing selling price adjustments; and
  - a sequential improvement in sales volume in the second half of the year 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 volume available following the deployment of its single-serve line in North Carolina; and (iii) the overall stabilization of demand.
- The Corporation is closely monitoring the evolution of consumer food habits and demand elasticity in a context of ongoing inflation. As a result, the potential for further upward selling price adjustments may be limited.

### Key commodity and input costs

- Lassonde has experienced substantial increases in input costs since 2021, and some commodity costs are expected to remain elevated. Orange juice, orange concentrates, and, more recently, apple concentrates remain areas of focus as the Corporation is expecting higher costs for the remainder of the year when compared to the first six months of 2024. Additionally, the Corporation is closely monitoring the recent upward trend in ocean freight container shipping rates.
- 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

- As overall demand stabilizes, the Corporation's operating expenses in the second half of 2024 will reflect targeted investments to reinforce the innovation pipeline, distribution expansion, and strategic trade spending to support growth.
- Lassonde is observing the labour situation within the Canadian rail network and will execute mitigation plans accordingly.
- 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 of about 26.5% for 2024, excluding the impact on the tax rate of Diamond's results.

### Working capital

- The Corporation's Days Operating Working Capital<sup>5</sup> remains close to its historical levels and only incremental improvements to this ratio are expected 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, (iii) decisions to counter new potential supply chain disruptions, or (iv) support provided to the Corporation's manufacturing network optimization projects.

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<sup>5</sup> 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 17 – "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.

## 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 evaluation of various investment scenarios to ensure the competitiveness of its U.S. beverage divisions. Accordingly, there are no capital expenditures associated with these scenarios 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.

## Summer Garden outlook

- The interim consolidated financial statements for the third quarter of 2024 will include the results of Summer Garden from August 8, 2024, certain acquisition-related transaction costs not already recorded and the effect of the purchase price allocation exercise.
- For the 12-month period ending in May 2024, Summer Garden generated sales of approximately US\$148.0 million and adjusted EBITDA<sup>6</sup> of approximately US\$27.9 million. Lassonde anticipates a high-single-digit sales growth rate for Summer Garden for the remainder of 2024.
- During the third quarter of 2024, the Corporation will perform the purchase price allocation. Doing so will establish:
  - the fair value of assets acquired and liabilities assumed at the acquisition date;
  - the appropriate depreciation and amortization expense to be recognized in future periods, and
  - the required step-up to bring the acquired finished goods inventory to its net realizable value at the acquisition date. This adjustment will temporarily affect the reported profitability in the third quarter as the Corporation will sell the acquired finished goods inventory.
- The majority of the acquisition cost will be financed through the CA revolving credit.
- Profit attributable to the Corporation's shareholders will be equal to 90% of the Summer Garden contribution.
- Summer Garden maintenance capital expenditures should not exceed 2% of its sales for the remainder of 2024 and its working capital requirement should generally be aligned with the Corporation's metrics.

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 also be noted that some of these key assumptions, notably 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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<sup>6</sup> 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 17 – "Financial Measures Not in Accordance With IFRS"* of this MD&A for more information, including the definition and composition of the measure.

## 9 Analysis of the Consolidated Results

### 9.1 Consolidated Results Data

<i>(in millions of dollars, unless otherwise indicated)</i>	Second quarters ended			First six months ended		
	June 29, 2024	July 1, 2023	Δ	June 29, 2024	July 1, 2023	Δ
	\$	\$	\$	\$	\$	\$
<b>Sales</b>	<b>624.7</b>	579.4	45.2	<b>1,194.5</b>	1,126.7	67.8
Cost of sales	<b>448.9</b>	427.1	21.8	<b>869.2</b>	837.8	31.4
Gross profit	<b>175.7</b>	152.3	23.4	<b>325.3</b>	288.9	36.4
Selling and administrative expenses	<b>125.7</b>	111.0	14.7	<b>240.7</b>	221.4	19.4
<b>Operating profit</b>	<b>50.0</b>	41.3	8.7	<b>84.6</b>	67.6	17.0
Share in the profit or (loss) of an associate	-	(0.9)	0.9	-	(1.1)	1.1
Financial expenses	<b>4.6</b>	4.8	(0.2)	<b>8.5</b>	8.8	(0.3)
Other (gains) losses	<b>(0.1)</b>	0.3	(0.4)	<b>(2.0)</b>	(1.9)	(0.2)
Profit before income taxes	<b>45.5</b>	35.4	10.1	<b>78.1</b>	59.5	18.6
Income tax expense	<b>12.7</b>	9.7	3.0	<b>21.7</b>	16.1	5.5
<b>Profit</b>	<b>32.8</b>	25.7	7.1	<b>56.5</b>	43.4	13.1
Attributable to:						
Corporation's shareholders	<b>33.5</b>	25.1	8.4	<b>57.4</b>	42.2	15.2
Non-controlling interests	<b>(0.7)</b>	0.7	(1.4)	<b>(0.9)</b>	1.2	(2.1)
	<b>32.8</b>	25.7	7.1	<b>56.5</b>	43.4	13.1
<b>EPS (in \$)</b>	<b>4.91</b>	3.68	1.23	<b>8.41</b>	6.19	2.22
<b>Weighted average number of shares outstanding (in thousands)</b>	<b>6,822</b>	6,822	-	<b>6,822</b>	6,822	-
<b>Adjusted operating profit<sup>7</sup></b>	<b>58.2</b>	43.3	14.9	<b>94.6</b>	71.3	23.3
<b>Adjusted EBITDA<sup>7</sup></b>	<b>74.6</b>	58.6	16.0	<b>127.1</b>	101.8	25.3
<b>Adjusted EPS<sup>7</sup> (in \$)</b>	<b>5.73</b>	3.89	1.84	<b>9.41</b>	6.37	3.04

From early 2021 until early 2023, Lassonde observed significant disruptions in the global supply chain. These disruptions encompassed factors such as limited availability issues for freight transportation, labour, raw material, and packaging. These challenges had a negative impact on Lassonde's profit margins and its ability to meet demand during early 2023. Moreover, during this period, the Corporation had faced substantial and sometimes sudden cost increases owing to supply chain complications. These cost escalations had 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, since the first half of 2023, 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 and the first six months of 2024, especially for Oranges. For instance, the price of frozen concentrate orange juice has been trading at elevated levels for more than a year now. In addition, the Corporation is now anticipating another wave of cost increases affecting apple concentrates in the second half of 2024.

From a supply chain perspective, the Corporation experienced pockets of disruption in the U.S. during the first quarter of 2023, in particular around the availability of (i) aseptic production capacity from its co-packers and (ii) aluminum cans from its suppliers. While overall demand was tapering, these supply-chain-related challenges had an impact on the Corporation's ability to meet some of its customers' demand during this quarter. The challenges experienced with the aseptic production capacity from its co-packers in the U.S. market led

<sup>7</sup> 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 17 – "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.

to the decision to insource a significant portion of the Corporation's needs. This plan kicked off with the launch of a new high-speed single-serve juice box line, which was commissioned in January 2024 in Rougemont, Quebec.

As costs rose, the Corporation implemented measures to counter their impact on its profitability, including price adjustments. The Corporation remains mindful of the effect of price increases and continues to keep a close eye on changing trends in consumer food preferences and price sensitivity, especially in light of a downtrend in demand. During the second quarter of 2024 compared to the same quarter in 2023, industry data indicates that sales volume, measured on a trailing 13-week basis, in the Canadian fruit juice and drink market has seen a decline greater than the mid-single-digit range while sales volume in the U.S. fruit juice and drink market has seen a decline below the mid-single-digit range.

Finally, Lassonde continues to observe in the second quarter of 2024 a favourable trend for its Canadian transportation costs owing to the benefits of the deployment of its transportation management system ("TMS") together with a review of its processes and other logistic management support tools.

## Sales

<i>(in millions of dollars)</i>	Second quarters			First six months		
	Private labels	National brands	Total	Private labels	National brands	Total
	\$	\$	\$	\$	\$	\$
<b>Sales 2023</b>	<b>339.7</b>	<b>239.7</b>	<b>579.4</b>	<b>655.1</b>	<b>471.6</b>	<b>1,126.7</b>
Selling price adjustments impact	12.6	13.1	25.7	25.0	24.0	49.0
Volume impact	14.2	6.0	20.2	12.5	2.1	14.6
Change in the sales mix impact	(8.4)	(0.6)	(9.0)	(12.3)	0.1	(12.2)
Other impacts, net	-	(0.9)	(0.9)	-	(0.3)	(0.3)
Growth excluding foreign exchange impact	18.4 5.4%	17.6 7.3%	36.0 6.2%	25.2 3.8%	25.9 5.5%	51.1 4.5%
Foreign exchange impact	4.4	1.7	6.1	3.8	1.5	5.3
<b>Sales 2024 (excluding Diamond)</b>	<b>362.5</b>	<b>259.0</b>	<b>621.5</b>	<b>684.1</b>	<b>499.0</b>	<b>1,183.1</b>
Sales from Diamond			3.2			11.4
<b>Sales 2024</b>			<b>624.7</b>			<b>1,194.5</b>

The 2024 second-quarter sales rose \$45.3 million (7.8%) compared to the same quarter of 2023. Excluding a \$6.1 million favourable foreign exchange impact and \$3.2 million in sales from Diamond, the Corporation's sales were up \$36.0 million (6.2%) year over year, mainly due to the favourable impact of selling price adjustments in Canada and an increase in the U.S. sales volume for both private label and branded products, partly offset by an unfavourable change in the sales mix of U.S. private label products and a decrease in Canadian sales volume.

For the first six months of 2024, sales rose \$67.8 million (6.0%) compared to the same period last year. Excluding a \$5.3 million favourable foreign exchange impact and \$11.4 million in sales from Diamond, the Corporation's sales were up \$51.1 million (4.5%) year over year, mainly due to the favourable impact of selling price adjustments in Canada and an increase in the U.S. sales volume for both private label and branded products, partly offset by an unfavourable change in the sales mix of U.S. private label products and a decrease in Canadian sales volume.

## Cost of sales

The 2024 second-quarter cost of sales was up \$21.8 million or 5.1% from the same quarter of 2023. Excluding a \$7.1 million unfavourable foreign exchange impact and \$2.0 million in cost of sales from Diamond, cost of sales was up \$12.7 million (3.0%) year over year. This 3.0% increase in cost of sales essentially reflects:

- (i) a higher cost for certain inputs, essentially Oranges;
- (ii) the unfavourable impact of a net increase in sales volume;
- (iii) the favourable impact of a change in U.S. sales mix; and
- (iv) a decrease in the Corporation's conversion costs, a portion of which results from operational improvements, including the impact of the ongoing insourcing of manufacturing for certain products sold by the Corporation's U.S. beverage divisions.

For the first six months of 2024, cost of sales was up \$31.4 million or 3.7% from the same period of 2023. Excluding a \$9.6 million unfavourable foreign exchange impact and \$7.1 million in cost of sales from Diamond, cost of sales was up \$14.7 million (1.8%) year over year. This 1.8% increase in cost of sales essentially reflects:

- (i) a higher cost for certain inputs, essentially Oranges;
- (ii) the unfavourable impact of a net increase in sales volume;
- (iii) the favourable impact of a change in U.S. sales mix;
- (iv) a decrease in the Corporation's conversion costs, a portion of which results from operational improvements, including the impact of the ongoing insourcing of manufacturing for certain products sold by the Corporation's U.S. beverage divisions; and
- (v) a \$0.6 million expense in 2023 resulting from an adjustment related to taxes not recoverable by the Corporation.

### **Gross profit**

As a result of the aforementioned factors and excluding \$1.2 million in gross profit from Diamond, gross profit amounted to \$174.6 million (28.1% of sales) in the second quarter of 2024, up 14.6% from \$152.3 million in the second quarter of 2023. As a result of the aforementioned factors and excluding \$4.3 million in gross profit from Diamond, gross profit amounted to \$321.0 million (27.1% of sales) in the first six months of 2024, up 11.1% from \$288.9 million in the first six months of 2023.

### **Selling and administrative expenses**

The 2024 second-quarter selling and administrative expenses were up \$14.7 million year over year. Excluding \$2.4 million in selling and administrative expenses from Diamond, selling and administrative expenses rose \$12.3 million year over year. This increase was mainly due to:

- (i) \$7.0 million in costs related to the Summer Garden acquisition;
- (ii) a \$3.3 million increase in warehousing costs;
- (iii) a \$1.9 million increase in certain administrative expenses; and
- (iv) a \$1.5 million increase in selling and marketing expenses, essentially in Canada.

partly offset by a \$2.0 million decrease in performance-related compensation expenses.

For the first six months of 2024, selling and administrative expenses were up \$19.4 million year over year. Excluding \$6.4 million in selling and administrative expenses from Diamond, selling and administrative expenses rose \$13.0 million year over year. This increase was mainly due to:

- (i) \$7.8 million in costs related to the Summer Garden acquisition;
- (ii) a \$4.7 million increase in warehousing costs;
- (iii) a \$4.6 million increase in certain administrative expenses; and
- (iv) \$0.4 million in business optimization expenses.

partly offset by:

- (i) a \$4.2 million decrease in performance-related compensation expenses; and
- (ii) a \$0.4 million decrease in expenses related to the Strategy and its deployment.

### **Operating profit**

As a result of the aforementioned factors and excluding a \$1.2 million operating loss from Diamond, the Corporation's operating profit totalled \$51.3 million in the second quarter of 2024 versus \$41.3 million in the second quarter of 2023. As a result of the aforementioned factors and excluding a \$2.1 million operating loss from Diamond, the Corporation's operating profit totalled \$86.7 million in the first six months of 2024 versus \$67.6 million in the same period of 2023.

## **Financial expenses**

The 2024 second-quarter financial expenses were down \$0.2 million year over year. Excluding \$0.6 million in financial expenses from Diamond, financial expenses were down \$0.8 million from the same quarter last year. This decrease came mainly from a decrease in interest expense on long-term debt given a lower debt level.

For the first six months of 2024, financial expenses were down \$0.3 million year over year. Excluding \$1.3 million in financial expenses from Diamond, financial expenses were down \$1.6 million from the same period last year. This decrease came mainly from a decrease in interest expense on long-term debt given a lower debt level, partly offset by higher interest rates.

## **Other (gains) losses**

Excluding a \$0.3 million loss from Diamond, the 2024 second-quarter gain came essentially from foreign exchange gains, whereas the 2023 second-quarter loss was mainly due to foreign exchange losses.

Excluding a \$0.4 million gain from Diamond, the gain in the first six months of 2024 came essentially from foreign exchange gains, whereas the gain in the first six months of 2023 was mainly due to a \$2.1 million gain related to a preliminary settlement of an insurance claim, partly offset by \$0.2 million in foreign exchange losses.

## **Profit before income taxes**

Excluding a \$2.1 million loss before income taxes from Diamond, profit before income taxes totalled \$47.6 million in the second quarter of 2024, up from \$35.4 million in the same quarter of 2023. Excluding a \$3.0 million loss before income taxes from Diamond, profit before income taxes totalled \$81.2 million in the first six months of 2024, up from \$59.5 million in the same period last year.

## **Income tax expense**

Excluding the impact on profit before income taxes of Diamond's loss before income taxes, the 2024 second-quarter effective income tax rate of 26.7% was lower than the 27.4% rate in the same quarter of 2023. This lower 2024 effective income tax rate is essentially explained by the net impact on the 2023 profit before income taxes of the share in the profit or (loss) of Diamond, as this element has no tax impact on the Corporation.

Excluding the impact on profit before income taxes of Diamond's loss before income taxes, the effective income tax rate of 26.7% for the first six months of 2024 was lower than the 27.1% rate in the same period last year. This lower 2024 effective income tax rate is essentially explained by the net impact on the 2023 profit before income taxes of the share in the profit or (loss) of Diamond, as this element has no tax impact on the Corporation.

## **Profit**

Excluding a \$2.1 million loss from Diamond, profit totalled \$34.9 million in the second quarter of 2024, up from \$25.7 million in the same quarter of 2023. Excluding a \$3.0 million loss from Diamond, profit totalled \$59.5 million in the first six months 2024, up from \$43.4 million in the same period last year.

## **Profit attributable to the Corporation's shareholders**

Excluding a \$1.1 million unfavourable impact from Diamond's results, profit attributable to the Corporation's shareholders for the second quarter of 2024 totalled \$34.6 million, resulting in EPS of \$5.08, compared to \$25.1 million and \$3.68, respectively, for the same quarter of 2023.

Excluding a \$1.6 million unfavourable impact from Diamond's results, profit attributable to the Corporation's shareholders for the first six months of 2024 totalled \$59.0 million, resulting in EPS of \$8.64, compared to \$42.2 million and \$6.19, respectively, for the same period last year.

## 10 Summary of Quarterly Results

(in millions of dollars,  
unless otherwise indicated)

	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
	\$	\$	\$	\$	\$	\$	\$	\$
Sales	<b>624.7</b>	569.8	604.8	583.4	579.4	547.3	556.0	556.4
Operating profit	<b>50.0</b>	34.6	32.1	35.7	41.3	26.2	16.7	19.9
Adjusted EBITDA <sup>8</sup>	<b>74.6</b>	52.4	52.6	52.9	58.6	43.1	38.3	38.9
Profit attributable to the Corporation's shareholders	<b>33.5</b>	23.8	21.0	24.3	25.1	17.1	10.5	14.5
EPS (in \$)	<b>4.91</b>	3.49	3.08	3.56	3.68	2.51	1.53	2.11
Adjusted EPS <sup>8</sup> (in \$)	<b>5.73</b>	3.68	3.14	3.67	3.89	2.48	2.09	2.54

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 part 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.

<sup>8</sup> 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 17 – "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.

## 11 Analysis of the Consolidated Financial Position

<i>(in millions of dollars)</i>	As at June 29, 2024	As at Dec. 31, 2023	Increase (decrease)	
			Foreign exchange impact <sup>9</sup>	Variance, excluding foreign exchange impact
	\$	\$	\$	\$
<b>Assets</b>				
Current				
Cash and cash equivalents	10.8	19.8	0.1	(9.1)
Accounts receivable	201.8	188.3	4.1	9.4
Income tax recoverable	6.3	4.2	0.2	1.9
Inventories	393.4	386.6	6.1	0.7
Derivative instruments	5.3	0.2	-	5.1
Other current assets	36.2	37.5	0.3	(1.6)
	<b>653.7</b>	<b>636.6</b>	<b>10.8</b>	<b>6.3</b>
Property, plant and equipment	543.2	500.8	7.9	34.5
Intangible assets	182.8	184.6	4.9	(6.7)
Net defined benefit asset	17.7	22.0	-	(4.3)
Other non-current assets	2.6	0.8	0.1	1.7
Goodwill	331.4	320.9	10.5	-
	<b>1,731.6</b>	<b>1,665.7</b>	<b>34.3</b>	<b>31.6</b>
<b>Liabilities</b>				
Current				
Bank overdraft	0.4	4.0	0.2	(3.8)
Accounts payable and accrued liabilities	320.7	330.4	6.2	(15.9)
Income tax payable	7.7	7.1	0.1	0.5
Derivative instruments	2.2	6.4	-	(4.2)
Other current liabilities	8.2	5.7	0.1	2.4
Current portion of long-term debt	27.4	18.5	0.1	8.8
	<b>366.7</b>	<b>372.2</b>	<b>6.6</b>	<b>(12.1)</b>
Long-term debt	183.9	192.0	5.3	(13.4)
Other non-current liabilities	8.0	6.2	-	1.8
Deferred tax liabilities	108.4	99.5	1.9	7.0
	<b>667.0</b>	<b>669.8</b>	<b>13.8</b>	<b>(16.6)</b>
<b>Shareholders' equity</b>	<b>1,064.6</b>	<b>995.9</b>	<b>20.5</b>	<b>48.2</b>
	<b>1,731.6</b>	<b>1,665.7</b>	<b>34.3</b>	<b>31.6</b>

### 11.1 Assets

**Accounts receivable** totalled \$201.8 million as at June 29, 2024 compared to \$188.3 million as at December 31, 2023. Excluding the foreign exchange impact, accounts receivable were up \$9.4 million, essentially due to a \$10.3 million increase in trade accounts receivable resulting mainly from higher sales in June 2024 compared to December 2023, partly offset by a \$1.6 million decrease in discounts receivable.

<sup>9</sup> 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 \$1.3226 CAD per USD as at December 31, 2023 to \$1.3687 CAD per USD as at June 29, 2024. The table presents the main Consolidated Statement of Financial Position items that were significantly affected by the movement in exchange rates.

**Inventories** went from \$386.6 million as at December 31, 2023 to \$393.4 million as at June 29, 2024. Excluding the foreign exchange impact, inventories increased by \$0.7 million. This increase came from a \$2.8 million increase in finished goods inventories, partly offset by a \$2.1 million decrease in inventories of raw materials and supplies.

As at June 29, 2024, the fair value of **derivative instruments recorded as current assets** was \$5.3 million compared to \$0.2 million as at December 31, 2023. 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 hedge interest rate fluctuations and the interest rate in effect on that date as well as the favourable changes in fair value of the derivative instruments held by the Corporation to hedge fluctuations in frozen concentrated orange juice prices.

**Property, plant and equipment** ("PP&E") went from \$500.8 million as at December 31, 2023 to \$543.2 million as at June 29, 2024. Excluding the foreign exchange impact, property, plant and equipment increased by \$34.5 million. This increase was mainly due to \$54.0 million in PP&E acquisitions and a \$0.7 million net upward revaluation in the value of right-of-use assets, partly offset by a \$20.2 million depreciation expense.

**Intangible assets** went from \$184.6 million as at December 31, 2023 to \$182.8 million as at June 29, 2024. Excluding the foreign exchange impact, intangible assets decreased by \$6.7 million, as an amortization expense of \$12.3 million was partly offset by intangible asset purchases of \$5.6 million.

In the first six months of 2024, the Corporation invested a total amount of \$59.6 million in capital expenditures, with growth and optimization projects representing \$35.7 million, maintenance and regulatory projects representing \$16.8 million, and technology projects representing \$7.1 million.

## 11.2 Liabilities

**Accounts payable and accrued liabilities** went from \$330.4 million as at December 31, 2023 to \$320.7 million as at June 29, 2024. Excluding the foreign exchange impact, accounts payable and accrued liabilities decreased by \$15.9 million. This decrease was due to (i) a \$13.5 million decrease in trade payables and accrued expenses, explained mainly by variations in supplier payment terms, and (ii) a \$14.2 million decrease in the "Salaries and accrued vacation payable" item, essentially explained by the payment in March 2024 of the 2023 performance-related compensation expenses. These decreases were partly offset by a \$12.1 million increase in trade spending largely due to delays in the processing thereof.

**Long-term debt**, including the current portion, was \$211.3 million as at June 29, 2024 compared to \$210.5 million as at December 31, 2023. Excluding the foreign exchange impact, long-term debt decreased by \$4.6 million. This decrease was essentially due to a \$2.5 million repayment by Diamond on its long-term debt. Moreover, the Corporation repaid \$1.0 million on its Canadian term debts. It also repaid \$13.7 million on the Canadian revolving operating credit while it drew \$14.1 million on the U.S. revolving operating credit. Regarding the Corporation's lease liabilities, they decreased by \$1.3 million, mainly due to \$2.1 million in repayments, partly offset by a \$0.7 million net upward revaluation in their value.

**Deferred tax liabilities** went from \$99.5 million as at December 31, 2023 to \$108.4 million as at June 29, 2024. Excluding the foreign exchange impact, deferred tax liabilities increased by \$7.0 million. This increase came mainly from the tax amortization of goodwill and the tax impact of recognizing, in comprehensive income, gains on financial instruments designated as cash flow hedges, partly offset by the tax impact of recognizing an actuarial loss in comprehensive income.

## 11.3 Shareholders' Equity

**Equity attributable to the Corporation's shareholders** totalled \$989.7 million as at June 29, 2024, up \$67.2 million from \$922.6 million as at December 31, 2023. **Accumulated other reserves** increased by \$26.4 million given an \$18.9 million increase in the foreign currency translation reserve and also given a \$7.5 million increase in the hedging reserve. **Retained earnings** rose \$40.7 million to total \$841.5 million at the end of the second quarter of 2024. This increase reflects \$57.4 million in profit attributable to the Corporation's shareholders for the first six months of 2024, less \$13.6 million in dividends paid, and the recognition of a \$3.0 million actuarial loss, net of tax, in other comprehensive income. The **non-controlling interests** went from \$73.3 million as at December 31, 2023 to \$74.9 million as at June 29, 2024. The non-controlling interests represent 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.

## 12 Analysis of the Consolidated Cash Flows

### 12.1 Summary of Consolidated Cash Flows

<i>(in millions of dollars)</i>	Second quarters ended		First six months ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
	\$	\$	\$	\$
Operating activities	59.4	76.0	70.7	71.1
Financing activities	(16.9)	(39.1)	(18.8)	(25.7)
Investing activities	(30.8)	(28.7)	(57.2)	(41.6)
Change in cash and cash equivalents	11.7	8.2	(5.4)	3.9
Cash and cash equivalents at beginning	(1.3)	(6.1)	15.8	(1.7)
Effect of exchange rate changes on cash and cash equivalents	(0.0)	0.0	(0.0)	(0.1)
<b>Cash and cash equivalents at end</b>	<b>10.4</b>	<b>2.1</b>	<b>10.4</b>	<b>2.1</b>

#### Cash flows related to operating activities

For the second quarter of 2024, operating activities generated \$59.4 million in cash, whereas these activities had generated \$76.0 million in cash during the second quarter of 2023. Diamond's operating activities generated \$2.1 million in cash, leaving a difference of \$18.7 million on a comparable basis.

This decrease in cash inflows was essentially due to a change in non-cash operating working capital items that used \$1.6 million in cash during the second quarter of 2024 compared to \$26.8 million in cash generated in the same quarter last year, for a \$28.4 million increase in cash outflows. This fluctuation in the change in working capital was due to the combined impact of the following items:

- a change in accounts payable and accrued liabilities that used \$17.9 million during the second quarter of 2024 compared to \$29.5 million generated during the same quarter of 2023;
- a change in inventories that generated \$13.9 million during the second quarter of 2024 compared to \$12.6 million used in the second quarter of 2023;
- a change in other current assets and liabilities that generated \$3.0 million during the second quarter of 2024 compared to \$8.8 million generated in the same quarter of 2023; and
- a change in accounts receivable that used \$0.6 million during the second quarter of 2024 compared to \$1.1 million generated during the second quarter of 2023.

A \$2.4 million increase in income tax paid also contributed to the downward change in cash flows generated by operating activities, while the downward change was limited by a \$12.0 million increase in earnings before interest, taxes, depreciation and amortization (including a \$0.6 million favourable change in other (gains) losses).

For the first six months of 2024, operating activities generated \$70.7 million in cash compared to \$71.1 million generated during the first six months of 2023. Diamond's operating activities generated \$2.5 million in cash, leaving a difference of \$2.9 million on a comparable basis.

This decrease in cash inflows was essentially due to a change in non-cash operating working capital items that used \$31.0 million in cash during the first six months of 2024 compared to \$11.6 million in cash used in the same period last year, for a \$19.4 million increase in cash outflows. This fluctuation in the change in working capital was due to the combined impact of the following items:

- a change in accounts payable and accrued liabilities that used \$20.5 million during the first six months of 2024 compared to \$28.7 million generated during the same period of 2023;
- a change in inventories that used \$1.9 million during the first six months of 2024 compared to \$25.6 million used in the first six months of 2023;
- a change in accounts receivable that used \$9.3 million during the first six months of 2024 compared to \$17.8 million used during the same period of 2023; and

- d) a change in other current assets and liabilities that generated \$0.7 million during the first six months of 2024 compared to \$3.0 million generated in the first six months of 2023.

An \$8.6 million increase in income tax paid also contributed to the downward change in cash flows generated by operating activities, while the downward change was limited by a \$21.1 million increase in earnings before interest, taxes, depreciation and amortization (including a \$0.2 million unfavourable change in other (gains) losses) and by a \$5.5 million favourable change in settlements of derivative instruments.

#### **Cash flows related to financing activities**

For the second quarter of 2024, financing activities used \$16.9 million in cash compared to \$39.1 million used during the second quarter of 2023. Diamond's financing activities used \$2.3 million in cash, leaving a difference of \$24.5 million on a comparable basis. This decrease in cash outflows was mainly due to a \$6.3 million repayment on the revolving operating credit during the second quarter of 2024 compared to a \$33.6 million repayment in the second quarter of 2023 and to a \$0.7 million decrease in long-term debt repayments, partly offset by a \$3.4 million increase in dividends paid on Class A and B shares.

For the first six months of 2024, financing activities used \$18.8 million in cash compared to \$25.7 million used during the first six months of 2023. Diamond's financing activities used \$2.5 million in cash, leaving a difference of \$9.4 million on a comparable basis. This decrease in cash outflows was mainly due to a \$0.4 million inflow from revolving operating credit during the first six months of 2024 compared to a \$12.4 million repayment in the first six months of 2023 and to a \$1.2 million decrease in long-term debt repayments, partly offset by a \$5.5 million increase in dividends paid on Class A and B shares.

#### **Cash flows related to investing activities**

For the second quarter of 2024, investing activities used \$30.8 million in cash compared to \$28.7 million used in the second quarter of 2023. This upward change came from a \$1.1 million increase in cash outflows to acquire property, plant and equipment, and from a \$1.0 million increase in cash outflows to acquire intangible assets.

For the first six months of 2024, investing activities used \$57.2 million in cash compared to \$41.6 million used in the first six months of 2023. This upward change came from a \$14.3 million increase in cash outflows to acquire property, plant and equipment, and from a \$1.4 million increase in cash outflows to acquire intangible assets.

### **13 Off-Consolidated-Statement-of-Financial-Position Arrangements**

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As at June 29, 2024, the Corporation had letters of credit outstanding totalling \$1.0 million.

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

### **14 Share Information**

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As at June 29, 2024, 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.

### **15 Dividends**

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In accordance with the Corporation's dividend policy, the Board of Directors declared today a quarterly dividend of \$1.00 per share, payable on September 13, 2024 to all registered holders of Class A and Class B shares on August 20, 2024. This dividend is an eligible dividend.

## 16 Subsequent Event

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As of August 8, 2024, excluding the acquisition of Summer Garden and the new Canadian credit agreement mentioned in Section 5 - "Acquisition of Summer Garden Food Manufacturing" of this MD&A, there was no subsequent event to report.

## 17 Financial Measures Not in Accordance With IFRS

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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 the 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.

## 17.1 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 periods:

<i>(in millions of dollars)</i>	Second quarters ended		First six months ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
	\$	\$	\$	\$
Costs related to the Strategy	0.9	0.2	1.3	0.7
Implementation costs of new key systems	0.3	0.9	0.5	1.5
Business optimization	-	0.4	0.4	0.4
Costs related to the Summer Garden acquisition	7.0	-	7.8	-
Adjustment related to non-recoverable sales taxes	-	-	-	0.6
Sum of items impacting comparability on EBITDA:	8.2	1.5	10.0	3.2
Loss on capital assets related to business optimization	-	0.5	-	0.5
Sum of items impacting comparability on operating profit:	8.2	2.0	10.0	3.7
Items impacting comparability on "Other (gains) losses":				
Gain related to the preliminary settlement of an insurance claim	-	-	-	(2.1)
Tax impact of previous items	(2.2)	(0.5)	(2.6)	(0.4)
Impact on profit	6.0	1.5	7.4	1.2
Attributable to:				
Corporation's shareholders	5.6	1.4	6.8	1.2
Non-controlling interests	0.4	0.1	0.6	-

## 17.2 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.

<i>(in millions of dollars)</i>	Second quarters ended		First six months ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
	\$	\$	\$	\$
Operating profit	50.0	41.3	84.6	67.6
Sum of items impacting comparability	8.2	2.0	10.0	3.7
Adjusted operating profit	58.2	43.3	94.6	71.3

<i>(in millions of dollars)</i>	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
	\$	\$	\$	\$	\$	\$	\$	\$
Adjusted operating profit	58.2	36.4	36.0	37.2	43.3	27.9	23.2	24.2

### 17.3 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.

<i>(in millions of dollars)</i>	Second quarters ended		First six months ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
	\$	\$	\$	\$
Operating profit	50.0	41.3	84.6	67.6
Depreciation of property, plant and equipment and amortization of intangible assets	16.4	15.3	32.5	30.5
(Gains) losses on capital assets	0.0	0.4	(0.0)	0.4
<b>EBITDA</b>	<b>66.4</b>	<b>57.1</b>	<b>117.1</b>	<b>98.5</b>
Sum of items impacting comparability	8.2	1.5	10.0	3.2
<b>Adjusted EBITDA</b>	<b>74.6</b>	<b>58.6</b>	<b>127.1</b>	<b>101.8</b>

For the second quarter, the depreciation and amortization ("D&A") expense went from \$15.3 million in 2023 to \$16.4 million in 2024. Excluding Diamond's D&A expense of \$0.5 million, the D&A expense increased by \$0.6 million, explained mainly by an increase in the depreciation of property, plant and equipment after assets were commissioned during 2023. For the first six months, the depreciation and amortization ("D&A") expense went from \$30.5 million in 2023 to \$32.5 million in 2024. Excluding Diamond's D&A expense of \$1.0 million, the D&A expense increased by \$1.0 million, explained mainly by an increase in the depreciation of property, plant and equipment after assets were commissioned during 2023.

<i>(in millions of dollars)</i>	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
	\$	\$	\$	\$	\$	\$	\$	\$
EBITDA	66.4	50.6	47.7	51.4	57.1	41.4	31.8	34.5
Adjusted EBITDA	74.6	52.4	52.6	52.9	58.6	43.1	38.3	38.9

### 17.4 Adjusted Profit Attributable to the Corporation's Shareholders and Adjusted EPS

Adjusted profit attributable to the Corporation's shareholders and adjusted EPS are financial measures used by the Corporation to compare profit attributable to the 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.

<i>(in millions of dollars, unless otherwise indicated)</i>	Second quarters ended		First six months ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
	\$	\$	\$	\$
Profit attributable to the Corporation's shareholders	33.5	25.1	57.4	42.2
Sum of items impacting comparability	5.6	1.4	6.8	1.2
Adjusted profit attributable to the Corporation's shareholders	39.1	26.5	64.2	43.4
Weighted average number of shares outstanding <i>(in thousands)</i>	6,822	6,822	6,822	6,822
<b>Adjusted EPS <i>(in \$)</i></b>	<b>5.73</b>	<b>3.89</b>	<b>9.41</b>	<b>6.37</b>

<i>(in millions of dollars, except adjusted EPS)</i>	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
	\$	\$	\$	\$	\$	\$	\$	\$
Adjusted profit attributable to the Corporation's shareholders	39.1	25.1	21.5	25.0	26.5	16.9	14.3	17.4
Adjusted EPS <i>(in \$)</i>	5.73	3.68	3.14	3.67	3.89	2.48	2.09	2.54

## 17.5 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.

<i>(in millions of dollars, except the net debt to adjusted EBITDA ratio)</i>	As at June 29, 2024	As at Dec. 31, 2023
	\$	\$
Current portion of long-term debt	27.4	18.5
Long-term debt	183.9	192.0
Less: Cash and cash equivalents	(10.8)	(19.8)
Net debt	200.5	190.7
Sum of adjusted EBITDA from the last four quarters	232.6	207.1
Net debt to adjusted EBITDA ratio	0.86:1	0.92:1

	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
Net debt to adjusted EBITDA ratio	0.86:1	1.01:1	0.92:1	1.98:1	1.28:1	1.67:1	1.57:1	1.57:1

## 17.6 Days Operating Working Capital

Days operating working capital is a financial measure used by the Corporation to represent the number of days 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 9 – “Analysis of the Consolidated Results” of this MD&A, and multiplied by 91 days. Operating working capital 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 interim consolidated financial statements.

<i>(in millions of dollars, except days operating working capital)</i>	As at June 29, 2024	As at Dec. 31, 2023
	\$	\$
Trade accounts receivable	194.5	180.2
Discounts receivable	3.1	4.7
Inventories	393.4	386.6
Less: Trade payables and accrued expenses	(210.5)	(219.2)
Less: Trade spending	(71.3)	(58.8)
Operating working capital	309.2	293.5
Divided by: Last quarter’s sales	624.7	604.8
	0.49	0.49
Days operating working capital <i>(in days)</i>	45.0	44.2

<i>(in days)</i>	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
Days operating working capital	45.0	48.2	44.2	48.6	51.5	56.6	49.7	54.5

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:

### 17.6.1 Days of Sales Outstanding

Days of sales outstanding (“DSO”) is a financial measure used by the Corporation to represent the average number of days that it takes the Corporation to collect payment for a sale. This financial measure is obtained by dividing trade accounts receivable less trade spending, as they are presented in the accompanying notes to the Corporation’s interim consolidated financial statements, by the last quarter’s sales, as they are presented in *Section 9 – “Analysis of the Consolidated Results”* of this MD&A, and multiplied by 91 days.

<i>(in millions of dollars, except DSO)</i>		As at June 29, 2024	As at Dec. 31, 2023
		\$	\$
Trade accounts receivable		194.5	180.2
Less: Trade spending		(71.3)	(58.8)
		123.2	121.4
Divided by: Last quarter’s sales		624.7	604.8
		0.20	0.20
DSO <i>(in days)</i>		17.9	18.3

<i>(in days)</i>	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
DSO	17.9	20.1	18.3	18.4	17.8	20.2	18.0	21.1

### 17.6.2 Days of Inventory Outstanding

Days of inventory outstanding (“DIO”) is a financial 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 9 – “Analysis of the Consolidated Results”* of this MD&A, and multiplied by 91 days.

<i>(in millions of dollars, except DIO)</i>		As at June 29, 2024	As at Dec. 31, 2023
		\$	\$
Inventories		393.4	386.6
Divided by: Last quarter’s cost of sales		448.9	452.3
		0.88	0.85
DIO <i>(in days)</i>		79.7	77.8

<i>(in days)</i>	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
DIO	79.7	88.1	77.8	79.5	92.6	94.6	87.1	80.6

### 17.6.3 Days of Payables Outstanding

Days of payables outstanding (“DPO”) is a financial measure used by the Corporation to represent the average number of days the Corporation takes to pay its accounts payable and accrued liabilities. This financial measure is obtained by dividing trade payables and accrued expenses less discounts receivable, as they are presented in the accompanying notes to the Corporation’s interim consolidated financial statements by the last quarter’s cost of sales, as it is presented in *Section 9 – “Analysis of the Consolidated Results”* of this MD&A, and multiplied by 91 days.

<i>(in millions of dollars, except DPO)</i>	<b>As at June 29, 2024</b>	<b>As at Dec. 31, 2023</b>
	\$	\$
Trade payables and accrued expenses	<b>210.5</b>	219.2
Less: Discounts receivable	<b>(3.1)</b>	(4.7)
	<b>207.4</b>	214.5
Divided by: Last quarter’s cost of sales	<b>448.9</b>	452.3
	<b>0.46</b>	0.47
DPO <i>(in days)</i>	<b>42.0</b>	43.2

<i>(in days)</i>	<b>Q2 2024</b>	<b>Q1 2024</b>	<b>Q4 2023</b>	<b>Q3 2023</b>	<b>Q2 2023</b>	<b>Q1 2023</b>	<b>Q4 2022</b>	<b>Q3 2022</b>
DPO	<b>42.0</b>	49.9	43.2	39.2	46.9	46.1	46.4	37.4

## 17.7 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 utilization 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 interim 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.

<i>(in millions of dollars)</i>	As at June 29, 2024	As at Dec. 31, 2023
	\$	\$
<b>Capital employed</b>		
Trade accounts receivable	194.5	180.2
Discounts receivable	3.1	4.7
Inventories	393.4	386.6
Less: Trade payables and accrued expenses	(210.5)	(219.2)
Less: Trade spending	(71.3)	(58.8)
Operating working capital	309.2	293.5
Other receivables	4.2	3.4
Income tax recoverable	6.3	4.2
Other current assets	36.2	37.5
Derivative instruments asset, including the current portion	5.4	0.2
Property, plant and equipment	543.2	500.8
Intangible assets	182.8	184.6
Net defined benefit asset	17.7	22.0
Deferred tax assets	2.1	-
Other non-current assets	0.5	0.8
Goodwill	331.4	320.9
Less: Other accounts payable and accrued liabilities	(38.8)	(52.4)
Less: Income tax payable	(7.7)	(7.1)
Less: Other current liabilities	(8.2)	(5.7)
Less: Derivative instruments liability, including the current portion	(2.2)	(6.4)
Less: Long-term incentive plan liabilities	(7.0)	(5.3)
Less: Pension plan liabilities	(1.0)	(0.8)
Less: Deferred tax liabilities	(108.4)	(99.5)
	<b>1,265.5</b>	<b>1,190.6</b>
<b>Sources of capital</b>		
Bank overdraft	0.4	4.0
Long-term debt, including the current portion	211.3	210.5
Shareholders' equity	1,064.6	995.9
Less: Cash and cash equivalents	(10.8)	(19.8)
	<b>1,265.5</b>	<b>1,190.6</b>

## 17.8 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 June 29, 2024	As at Dec. 31, 2023
	\$	\$
Sum of adjusted operating profit from the last four quarters	167.9	144.5
Average capital employed from the last four quarters	1,222.2	1,194.4
Return on capital employed ratio <i>(in %)</i>	13.7	12.1

<i>(in %)</i>	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
ROCE	13.7	12.7	12.1	11.0	9.8	8.4	8.4	9.5

## 18 Adoption of IFRS Standards

### 18.1 IAS 1 Presentation of Financial Statements

On January 1, 2024, the Corporation adopted the amended version of IAS 1 “Presentation of Financial Statements”, which establishes a more general liability classification approach based on an analysis of existing contracts at the reporting date and clarifies the classification of borrowings and other financial liabilities that have covenants with which an entity must comply.

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

### 18.2 Supplier finance arrangements

On January 1, 2024, the Corporation adopted the amended versions of IAS 7 “Statement of Cash Flows” and IFRS 7 “Financial Instruments: Disclosures”, which add disclosure requirements and clarify existing disclosure requirements requiring qualitative and quantitative information to be provided on supplier finance arrangements.

The adoption of the amended version of these standards had no impact on the Corporation’s consolidated financial statements.

## 19 Accounting Policies and Future Accounting Changes

The interim consolidated financial statements were prepared using the same accounting policies as those described in Note 2 to the consolidated financial statements for the year ended December 31, 2023. The future accounting changes are presented in Note 5 to the consolidated financial statements for the year ended December 31, 2023, whereas those added after the publication of the annual financial statements are presented in Note 16 to the interim consolidated financial statements for the second quarter of 2024. The interim consolidated financial statements do not include all of the notes required in the annual consolidated financial statements.

## 20 Disclosure Controls and Procedures (“DC&P”)

The Corporation’s Chief Executive Officer (“CEO”) and the 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, it cannot provide an absolute level of assurance because of the inherent limitations in control systems to prevent or detect all misstatements due to error or fraud.

The CEO and the CFO have concluded that the design of the disclosure controls and procedures as at June 29, 2024 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.

## 21 Internal Control Over Financial Reporting (“ICFR”)

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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 design of the Corporation’s internal control over financial reporting as at June 29, 2024, based on the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”).

During the second quarter of 2024, 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.

## 22 Limitations on Scope of Design

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Management’s assessments of and conclusions on the design of DC&P and ICFR exclude the controls, policies and procedures of Diamond, an entity over which Lassonde acquired control on November 14, 2023. The Corporation will not benefit from this exclusion for purposes of the certificates required for the quarters ended after November 14, 2024. The following table provides meaningful summary financial information about Diamond.

<i>(in millions of dollars)</i>	<b>First six months ended June 29, 2024</b>
	\$
Sales	11.4
Net loss	(3.0)
	<b>As at June 29, 2024</b>
	\$
Current assets	27.7
Non-current assets	29.7
Current liabilities	31.7
Non-current liabilities	0.6

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August 8, 2024