Lassonde

Interim Management's Discussion & Analysis

Second quarter ended July 2, 2022

Table of Contents

1. Basis of Presentation

The following Management's Discussion and Analysis ("MD&A") presents the results, financial position, and cash flows of Lassonde Industries Inc. ("Lassonde" or the "Corporation") and should be read in conjunction with its unaudited interim condensed consolidated financial statements ("interim consolidated financial statements") and accompanying notes. In addition to containing an analysis of the three- and six-month periods ended July 2, 2022, this MD&A reports on items deemed significant that have taken place from July 2, 2022 up to and including August 12, 2022, 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. The MD&A is available on the Lassonde Industries Inc. website at www.lassonde.com. Readers will also find this MD&A, the Annual Information Form, additional documents, press releases, certifications of filings for the second quarter of 2022, and more information about the Corporation on the SEDAR website at www.sedar.com.

This document contains financial measures not in accordance with IFRS. Please refer to section 10 of this MD&A for additional details. Unless otherwise indicated, all dollar amounts are expressed in millions, which may cause calculation discrepancies due to rounding.

2. Forward-Looking Statements and Use of Estimates

Any statement contained in this report that does not constitute a historical fact may be deemed a forward-looking statement. Verbs such as "believe," "expect," "estimate" and other similar expressions, in addition to the negative forms of these terms or any variations thereof, appearing in this report generally indicate forward-looking statements. These forward-looking statements do not provide guarantees as to the future performance of Lassonde Industries Inc. and are subject to risks, both known and unknown, as well as uncertainties that may cause the outlook, profitability, and actual results of Lassonde Industries Inc. to differ significantly from the profitability or future results stated or implied by these statements. Detailed information on risks and uncertainties is provided in the "Uncertainties and Principal Risk Factors" section of the annual MD&A for the year ended December 31, 2021.

In preparing interim consolidated financial statements in accordance with IFRS, management must exercise judgment when applying accounting policies and use assumptions and estimates that have an impact on the amounts of the assets, liabilities, revenues and expenses reported and on the contingent liability and contingent asset information provided.

The main assumptions and estimates used by management are as follows:

- Measurements of revenues from product sales;
- Measurements of the quarterly effective tax rate;
- Measurements of right-of-use assets and lease liabilities;
- Measurements of defined benefit assets and liabilities; and
- Measurements of non-financial assets.

Because the use of assumptions and estimates is inherent to the financial reporting process, the actual results of items subject to assumptions and estimates may differ from these assumptions and estimates.

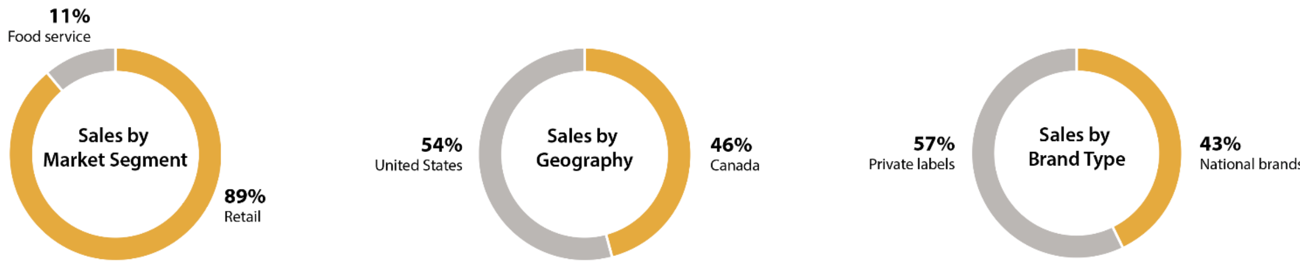
3. Corporate Profile

Lassonde Industries Inc. develops, manufactures and markets a wide range of ready-to-drink juices and drinks, fruit-based snacks in the form of bars and bites as well as frozen juice concentrates in North America. The Corporation is the largest producer of fruit juices and drinks in Canada and one of the two largest producers of store brand shelf-stable fruit juices and drinks in the United States. It is also a major producer of cranberry sauces. Furthermore, the Corporation develops, manufactures and markets specialty food products such as pasta sauces, soups as well as fondue broths and sauces. In addition, it produces apple cider and cider-based beverages and imports selected wines from several countries of origin for packaging and marketing purposes. The Corporation produces superior quality products through the expertise of more than 2,700 people working in 17 plants across Canada and the United States. 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.

The Corporation is active in two market segments: the retail segment and the food service segment. Retail sales consist of (i) sales to food retailers and wholesalers such as supermarket chains, independent grocers, superstores, warehouse clubs, major pharmacy chains and (ii) online sales. Food service sales consist of sales to restaurants, hotels, hospitals, schools and wholesalers serving these institutions.

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.

Sales Breakdown (2021)



Main National Brands

4. Multi-Year Strategy

In the "Outlook" section of its 2021 annual MD&A, the Corporation announced the launch of a multi-year strategy to drive long-term value, accelerate growth as well as improve overall margins and profitability. The three priorities of its multi-year strategy are as follows: 1) Build a growth-oriented portfolio; 2) Drive sustainable performance; and 3) Improve capacity to act.

In 2022, this strategic initiative is expected to result in related operating expenses ranging between $10 million and $15 million. In addition, the initiative is supported by significant capital expenditures, initially targeted at approximately $100 million for 2022. The Corporation now anticipates that capital expenditures will be approximately $65 million in 2022, with the $35 million balance being deferred to the first half of 2023. This deferral is mainly due to current market conditions that are making access to certain resources and equipment more difficult.

The first phase of the strategy, in 2022, focuses primarily on three key areas: 1) Strategic review to establish the cornerstones of the Corporation's growth plan for the coming years; 2) Revitalization of U.S. operations ("Project Eagle") to optimize and increase production capacity as well as increase operational efficiency; and 3) Implementation of new management systems and upgrading of technology infrastructures.

During the second quarter of 2022, the Corporation continued its strategic review and completed the diagnostic step of Project Eagle. Moreover, it began implementing new management systems, including demand planning and transportation management systems. The Corporation incurred $3.0 million in expenses related to these activities. For the first six months of 2022, the Corporation incurred $5.4 million in expenses related to these activities.

During the second quarter of 2022, the Corporation made capital expenditures of $2.8 million towards growth and optimization projects. These investments include an ongoing project aimed at improving productivity and production capacity in Canada; it also invested $1.9 million in technology projects. For the first six months of 2022, the Corporation made capital expenditures of $5.0 million towards growth and optimization projects; it also invested $3.4 million in technology projects.

5. Financial Highlights

Second quarter ended July 2, 2022:

- Sales of $529.5 million. Excluding an $11.5 million favourable foreign exchange impact, sales were up $48.7 million (10.4%) from the same quarter last year, mainly explained by the favourable impact of selling price adjustments.
- Gross profit of $138.7 million (26.2% of sales), up $8.6 million from the same quarter in 2021.
- Operating profit of $22.3 million, down $7.6 million from the same quarter last year;
    - $12.7 million increase in transportation costs incurred to deliver products to clients resulting from higher fuel surcharges; and
    - $3.0 million in expenses related to the multi-year strategy.
- EBITDA[1] of $37.2 million, down $7.6 million from the same quarter last year.
- Profit attributable to the Corporation's shareholders of $14.2 million, resulting in basic and diluted earnings per share of $2.06, down $4.6 million and $0.65, respectively, from the same quarter in 2021.
- $6.5 million in cash used by operating activities compared to $46.9 million in cash generated in the same quarter last year. This increase in cash outflows is essentially explained by a change in non-cash operating working capital items, which used $46.2 million more than in the same quarter of 2021, mainly due to a higher inventory level.

First six months ended July 2, 2022:

- Sales of $1,038.6 million. Excluding an $11.6 million favourable foreign exchange impact, sales were up $90.9 million (9.7%) from the same period last year, mainly explained by the favourable impact of selling price adjustments and by a favourable change in the sales mix of private label sales.
- Gross profit of $274.3 million (26.4% of sales), up $12.6 million from the same period of 2021.
- Operating profit of $44.7 million, down $16.6 million from the same period last year;
    - $23.5 million increase in transportation costs incurred to deliver products to the clients resulting from higher tariffs and fuel surcharges; and
    - $5.4 million in expenses related to the multi-year strategy.
- EBITDA of $74.5 million, down $17.0 million from the same period last year.
- Profit attributable to the Corporation's shareholders of $29.0 million, resulting in basic and diluted earnings per share of $4.19, down $9.9 million and $1.41, respectively, from the same period in 2021.
- $27.1 million in cash used by operating activities compared to $51.3 million in cash generated in the same period last year. This increase in cash outflows is essentially explained by a change in non-cash operating working capital items, which used $67.4 million more than in the same period of 2021, mainly due to a higher inventory level.
- As at July 2, 2022, long-term debt, including the current portion, stood at $243.0 million, up $67.6 million from December 31, 2021.

[1] This is a Financial measure not in accordance with IFRS. Please refer to section 10 for definitions and reconciliations.

6. Financial Information

6.1 Consolidated Income Data

(in millions of dollars, unless otherwise indicated)	Second quarters ended			First six months ended		
	July 2, 2022	July 3, 2021	Δ	**July 2, 2022**	July 3, 2021	Δ
	$	$	$	**$**	$	$
Sales	**529.5**	469.3	60.2	**1,038.6**	936.1	102.5
Cost of sales	**390.9**	339.2	51.7	**764.3**	674.4	89.9
Gross profit	**138.7**	130.1	8.6	**274.3**	261.7	12.6
Selling and administrative expenses	**116.4**	100.2	16.2	**229.6**	200.4	29.2
(Gains) losses on capital assets	**(0.0)**	(0.0)	(0.0)	**(0.0)**	(0.0)	(0.0)
Operating profit	**22.3**	29.9	(7.6)	**44.7**	61.3	(16.6)
Share in the profit or (loss) of an associate	**(0.6)**	(0.3)	(0.3)	**(0.3)**	(0.4)	0.1
Financial expenses	**2.5**	2.8	(0.3)	**4.7**	5.8	(1.1)
Other (gains) losses	**(0.1)**	1.0	(1.1)	**0.3**	1.5	(1.2)
Profit before income taxes	**19.2**	25.8	(6.6)	**39.4**	53.6	(14.2)
Income tax expense	**5.2**	6.8	(1.6)	**10.4**	14.1	(3.7)
Profit	**14.0**	19.0	(5.0)	**29.0**	39.5	(10.5)
Attributable to:						
Corporation's shareholders	**14.2**	18.8	(4.6)	**29.0**	38.9	(9.9)
Non-controlling interest	**(0.2)**	0.3	(0.5)	**0.1**	0.6	(0.5)
	14.0	19.0	(5.0)	**29.0**	39.5	(10.5)
Basic and diluted earnings per share *(in $)*	**2.06**	2.71	(0.65)	**4.19**	5.60	(1.41)
Weighted average number of shares outstanding *(in thousands)*	**6,897**	6,934	(37)	**6,906**	6,934	(28)
EBITDA	**37.2**	44.8	(7.6)	**74.5**	91.5	(17.0)

6.2 Analysis of Results

Sales

The 2022 second-quarter sales were up $60.2 million (12.8%) compared to the same quarter of 2021. Excluding an $11.5 million favourable foreign exchange impact, sales were up $48.7 million (10.4%) year over year, mainly due to the combined impact of the following items:

(i) selling price adjustments that had a $28.3 million favourable impact on the Corporation's private label sales, mainly in the United States;

(ii) selling price adjustments that had a $21.7 million favourable impact on the Corporation's national brand sales, mainly in Canada;

(iii) a favourable change in the sales mix of private label sales, generating a net increase in sales of $5.4 million and resulting from a $9.2 million increase in the United States, partly offset by a $3.8 million decrease in Canada;

(iv) a net $5.2 million decrease in the sales volume of national brands resulting from a $7.0 million decrease in the United States, as certain co-packers experienced a slower production rate given labour-related issues, partly offset by a $1.8 million sales volume increase in Canada;

(v) a net $3.4 million decrease in the sales volume of private label products resulting from an $8.3 million decrease in the United States, as certain plants experienced a slower production rate given labour-related issues. This decrease was partly offset by a $4.9 million increase in the sales volume of private label products in Canada; and

(vi) a favourable change in the sales mix of national brands, resulting in a $2.0 million increase in sales.

For the first six months of 2022, sales were up $102.5 million (11.0%) compared to the same period of 2021. Excluding an $11.6 million favourable foreign exchange impact, sales were up $90.9 million (9.7%) year over year, mainly due to the combined impact of the following items:

(i) selling price adjustments that had a $43.8 million favourable impact on the Corporation's private label sales, mainly in the United States;

(ii) selling price adjustments that had a $36.7 million favourable impact on the Corporation's national brand sales both in Canada and in the United States;

(iii) a favourable change in the sales mix of private label sales, generating a net increase in sales of $12.5 million and resulting from a $17.6 million increase in the United States, partly offset by a $5.1 million decrease in Canada;

(iv) a net $10.5 million decrease in the sales volume of private label products resulting from a $29.4 million decrease in the United States, as certain plants experienced a slower production rate given labour-related issues. This decrease was partly offset by an $18.9 million increase in the sales volume of private label products in Canada;

(v) an $8.5 million increase in the sales volume of national brands, mainly in Canada;

(vi) an unfavourable impact of a net $0.8 million increase in slotting fees; and

(vii) a favourable change in the sales mix of national brands, resulting in a net increase in sales of $0.7 million.

Cost of sales

The 2022 second-quarter cost of sales was up $51.7 million or 15.2% from the same quarter of 2021. When compared to the 12.8% increase in sales, this 15.2% increase in cost of sales essentially reflects:

(i) higher input costs, especially apple and orange concentrates and PET resin, including an increase in the cost of transporting them to the Corporation's plants; and

(ii) a favourable foreign exchange impact that affected the purchases of raw materials in foreign currencies made by the Canadian subsidiaries.

For the first six months of 2022, cost of sales was up $89.9 million or 13.3% year over year. When compared to the 11.0% increase in sales, this 13.3% increase in cost of sales essentially reflects:

(i) higher input costs, especially apple and orange concentrates and PET resin, including an increase in the cost of transporting them to the Corporation's plants;

(ii) an unfavourable impact of a slower production rate in the United States on the allocation of manufacturing overhead costs to product costs; and

(iii) a favourable foreign exchange impact that affected the purchases of raw materials in foreign currencies made by the Canadian subsidiaries.

Gross profit

As a result of the aforementioned factors, gross profit amounted to $138.7 million (26.2% of sales) in the second quarter of 2022 compared with $130.1 million in the second quarter of 2021. For the first six months of 2022, gross profit was $274.3 million (26.4% of sales) versus $261.7 million in the same period of 2021.

Selling and administrative expenses

The 2022 second-quarter selling and administrative expenses were up $16.2 million compared to the same quarter in 2021. Excluding $3.0 million in expenses related to the multi-year strategy, selling and administrative expenses were up $13.2 million. This increase was essentially due to a $12.7 million increase in transportation costs incurred to deliver products to the Corporation's clients resulting from higher fuel surcharges and to an unfavourable foreign exchange impact that affected the conversion of the selling and administrative expenses of the U.S. entities into Canadian dollars, partly offset by a decrease of certain administrative expenses.

For the first six months of 2022, selling and administrative expenses were up $29.2 million year over year. Excluding $5.4 million in expenses related to the multi-year strategy, selling and administrative expenses were up $23.8 million. This increase was essentially due to a $23.5 million increase in transportation costs incurred to deliver products to the Corporation's clients resulting from higher tariffs and fuel surcharges and to an unfavourable foreign exchange impact that affected the conversion of the selling and administrative expenses of the U.S. entities into Canadian dollars, partly offset by a decrease of certain administrative expenses.

Operating profit

As a result of the aforementioned factors, the Corporation's operating profit totalled $22.3 million and $44.7 million, respectively, in the three- and six-month periods ended July 2, 2022, versus $29.9 million and $61.3 million, respectively, in the three- and six-month periods ended July 3, 2021.

Financial expenses

The 2022 second-quarter financial expenses were down $0.3 million compared to the same quarter in 2021 essentially due to a lower interest expense on long-term debt given a lower weighted average interest rate.

For the first six months of 2022, financial expenses were down $1.1 million year over year essentially due to a lower interest expense on long-term debt owing to both a lower weighted average interest rate and a lower debt level.

Other (gains) losses

The 2022 second-quarter gain was due to foreign exchange gains, whereas the 2021 second-quarter loss was mainly due to a change in the fair value of financial instruments. The losses in the first six months of 2022 and 2021 were mainly due to a change in the fair value of financial instruments.

Profit before income taxes

Profit before income taxes totalled $19.2 million and $39.4 million, respectively, in the three- and six-month periods ended July 2, 2022, down from $25.8 million and $53.6 million, respectively, in the same periods of 2021.

Income tax expense

At 27.2%, the 2022 second-quarter effective income tax rate is higher than the 26.4% rate in the same quarter of 2021. This higher 2022 effective income tax rate is essentially explained by the impact on profit before taxes of the share in the profit or (loss) of an associate, as this share has no tax impact on the Corporation. At 26.4%, the effective income tax rate for the first six months of 2022 is slightly higher than the 26.3% rate in the same period of 2021.

Profit

The profit for the three- and six-month periods ended July 2, 2022 totalled $14.0 million and $29.0 million, respectively, down from $19.0 million and $39.5 million, respectively, in the same periods of 2021.

Profit attributable to the Corporation's shareholders

For the second quarter of 2022, profit attributable to the Corporation's shareholders totalled $14.2 million, resulting in basic and diluted earnings per share of $2.06 compared to $18.8 million and $2.71, respectively, in the same quarter of 2021.

For the first six months of 2022, profit attributable to the Corporation's shareholders was $29.0 million, or $4.19 per basic and diluted share, versus $38.9 million, or $5.60 per share, in the same period of 2021.

7. Interim Results

(in millions of dollars, unless otherwise indicated)	**Q2 2022**	**Q1 2022**	**Q4 2021**	**Q3 2021**	**Q2 2021**	**Q1 2021**	**Q4 2020**	**Q3 2020**
	$	$	$	$	$	$	$	$
Sales	**529.5**	509.0	487.5	469.3	469.3	466.8	515.1	495.2
Operating profit	**22.3**	22.4	31.6	25.4	29.9	31.4	38.9	40.0
Profit attributable to the Corporation's shareholders	**14.2**	14.8	21.8	16.8	18.8	20.1	23.5	25.3
Basic and diluted earnings per share *(in $)*	**2.06**	2.14	3.15	2.43	2.71	2.90	3.39	3.65

The Corporation's sales typically follow a seasonal pattern, starting slow in the first quarter (January, February and March), progressively improving throughout the year and finishing strong in the fourth quarter (October, November and December). Sales usually mirror consumer spending habits with higher demand in the back-to-school and holiday seasons and lower demand in the early parts of the year.

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

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

8. Financial Position

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 $1.2678 CAD per USD as at December 31, 2021 to $1.2886 CAD per USD as at July 2, 2022. The following table presents the main Consolidated Statement of Financial Position items that are significantly affected by the movement in exchange rates.

			Increase (decrease)	
(in millions of dollars)	**As at July 2, 2022**	**As at Dec. 31, 2021**	**Foreign exchange impact**	**Variance, excluding foreign exchange impact**
	$	$	$	$
Accounts receivable	**172.9**	154.4	1.6	16.9
Inventories	**371.2**	309.7	2.8	58.7
Property, plant and equipment	**383.0**	384.4	2.6	(4.0)
Intangible assets	**198.5**	204.0	2.8	(8.3)
Goodwill	**313.1**	308.4	4.7	-
Accounts payable and accrued liabilities	**267.4**	269.1	2.3	(4.0)
Long-term debt, including the current portion	**243.0**	175.4	2.8	64.8
Deferred tax liabilities	**99.8**	91.4	0.8	7.6

8.1 Assets

As at July 2, 2022, the Corporation had total assets of $1,523.6 million versus $1,419.6 million as at December 31, 2021, a 7.3% increase arising mainly from an increase in inventories, accounts receivable, and the net defined benefit asset as well as from a higher conversion rate as at July 2, 2022.

As at July 2, 2022, current assets totalled $583.1 million versus $489.7 million as at December 31, 2021. Cash and cash equivalents stood at $0.3 million as at July 2, 2022 and December 31, 2021.

Accounts receivable totalled $172.9 million as at July 2, 2022 compared to $154.4 million as at December 31, 2021. Excluding the foreign exchange impact, accounts receivable were up $16.9 million, largely due to a $19.5 million increase in trade accounts receivable, resulting mainly from higher sales in the second quarter of 2022 compared to the fourth quarter of 2021, partly offset by a $3.8 million decrease in discounts receivable from suppliers.

Inventories went from $309.7 million as at December 31, 2021 to $371.2 million as at July 2, 2022. Excluding the foreign exchange impact, inventories increased by $58.7 million. This increase came from (i) a $39.8 million increase in inventories of raw materials and supplies owing essentially to the higher cost thereof and, to a lesser extent, to advanced purchases of certain raw materials, mainly apple concentrates, to secure supply or price, and from (ii) an $18.9 million increase in finished goods inventories explained as much by a higher volume as by a higher cost. In the normal course of operations, the Corporation is involved in apple and cranberry processing. These processing activities take place mainly from August to November. Processing the harvested fruit crops generally increases inventory levels during the last quarter of the year.

Property, plant and equipment went from $384.4 million as at December 31, 2021 to $383.0 million as at July 2, 2022. Excluding the foreign exchange impact, property, plant and equipment decreased by $4.0 million. This decrease was mainly due to the fact that depreciation expense stood at $18.5 million while the Corporation purchased $12.5 million in property, plant and equipment and recognized a $1.8 million upward net revaluation in the value of right-of-use assets.

Intangible assets went from $204.0 million as at December 31, 2021 to $198.5 million as at July 2, 2022. Excluding the foreign exchange impact, intangible assets decreased by $8.3 million, as an amortization expense of $11.4 million was partly offset by intangible asset purchases of $3.1 million.

The Corporation's capital expenditures fall into three categories: (i) Growth and optimization projects; (ii) Maintenance and regulatory projects; and (iii) Technology projects. During the first six months of 2022, the Corporation invested a total amount of $15.5 million. Growth and optimization projects represented $5.0 million. Maintenance and regulatory projects totalled $7.1 million. Technology projects, for their part, represented $3.4 million.

The net defined benefit asset went from $23.0 million as at December 31, 2021 to $36.7 million as at July 2, 2022, a $13.7 million increase that was due to a $14.8 million actuarial gain, partly offset by $1.1 million in plan-related expenses.

8.2 Liabilities

Current liabilities went from $370.3 million at the end of 2021 to $368.5 million as at July 2, 2022. The Corporation's bank overdraft stood at $7.8 million as at July 2, 2022 compared to $5.0 million as at December 31, 2021.

Accounts payable and accrued liabilities went from $269.1 million as at December 31, 2021 to $267.4 million as at July 2, 2022. Excluding the foreign exchange impact, accounts payable and accrued liabilities decreased by $4.0 million. This decrease was mainly due to (i) a $7.1 million decrease in the "Salaries and accrued vacation payable" item, essentially due to the payment of the 2021 performance-related salary expenses, and to (ii) a $4.2 million decrease in trade payables and accrued expenses, partly offset by (iii) a $7.4 million increase in trade marketing costs payable explained by higher sales in the second quarter of 2022 compared to the fourth quarter of 2021.

Long-term debt, including the current portion, was $243.0 million as at July 2, 2022 compared to $175.4 million as at December 31, 2021. Excluding the foreign exchange impact, long-term debt increased by $64.8 million. This increase is essentially explained by a $55.3 million draw on the Canadian revolving credit, mainly due to a higher inventory level, and an $11.3 million draw on the U.S. revolving operating credit. However, the Corporation repaid $1.6 million on its Canadian term debts. Regarding the Corporation's lease liabilities, they decreased by $0.6 million mainly due to repayments of $2.6 million, partly offset by a $1.8 million revaluation of the lease liabilities. It should also be noted that the Corporation amortized $0.3 million in financial expenses.

Deferred tax liabilities went from $91.4 million as at December 31, 2021 to $99.8 million as at July 2, 2022. Excluding the foreign exchange impact, deferred tax liabilities increased by $7.6 million. This increase stems mainly from the tax impact of recognizing an actuarial gain in comprehensive income as well as from the tax amortization of goodwill.

8.3 Shareholders' Equity

Equity attributable to the Corporation's shareholders totalled $839.2 million as at July 2, 2022, up $30.8 million from $808.4 million as at December 31, 2021. Accumulated other reserves increased by $10.5 million given an $8.5 million increase in the foreign currency translation reserve resulting mainly from a higher July 2, 2022 conversion rate applicable to closing balances denominated in U.S. dollars compared to that of December 31, 2021 and from a $2.0 million increase in the hedging reserve. Retained earnings rose $21.2 million to total $724.3 million at the end of the second quarter of 2022. This increase essentially reflects $29.0 million in profit attributable to the Corporation's shareholders for the first six months of 2022 and the recognition of a $10.9 million actuarial gain, net of tax, in other comprehensive income, less $10.9 million in dividends paid and the $7.8 million excess of the purchase price of repurchased Class A shares over the stated capital.

9. Analysis of the Consolidated Cash Flows

9.1 Summary of Consolidated Cash Flows

(in millions of dollars)	**Second quarters ended** July 2, 2022	July 3, 2021	**First six months ended** July 2, 2022	July 3, 2021
	$	$	**$**	$
Operating activities	**(6.5)**	46.9	**(27.1)**	51.3
Financing activities	**13.5**	(43.0)	**42.9**	(39.9)
Investing activities	**(9.0)**	(8.1)	**(18.1)**	(20.7)
Increase (decrease) in cash and cash equivalents	**(2.0)**	(4.1)	**(2.3)**	(9.3)
Cash and cash equivalents at beginning	**(5.1)**	1.6	**(4.7)**	6.8
Impact of exchange rate changes on cash and cash equivalents	**(0.4)**	0.1	**(0.4)**	0.1
Cash and cash equivalents at end	**(7.4)**	(2.4)	**(7.4)**	(2.4)

9.2 Cash flows related to operating activities

For the second quarter of 2022, cash flows used by operating activities totalled $6.5 million, whereas these activities had generated $46.9 million during the second quarter of 2021. This increase in cash outflows was essentially due to a change in non-cash operating working capital items that used $36.8 million in cash during the second quarter of 2022 compared to $9.4 million in cash generated in the same period last year, for a $46.2 million increase in cash outflows. This fluctuation in the change in working capital was due to the combined impact of the following items:

a) a decrease in accounts payable and accrued liabilities that used $14.9 million during the second quarter of 2022 compared to $13.9 million generated during the second quarter of 2021;

b) an increase in inventories that used $28.3 million during the second quarter of 2022 compared to $8.1 million used in the same quarter of 2021;

c) a decrease in accounts receivable that generated $9.4 million during the second quarter of 2022 compared to $1.7 million in cash generated during the second quarter of 2021; and

d) a change in other current assets and liabilities that used $3.0 million during the second quarter of 2022 compared to $1.9 million generated in the same quarter of 2021.

A $7.0 million decrease in earnings before interest, taxes, depreciation and amortization (including a $1.1 million favourable change in other (gains) losses) and a $4.0 million decrease in income tax received also contributed to the downward change in operating cash flows, while a $3.1 million decrease in income tax paid has limited this downward change.

For the first six months of 2022, cash flows used by operating activities totalled $27.1 million, whereas these activities had generated $51.3 million during the first six months of 2021. This increase in cash outflows was essentially due to a change in non-cash operating working capital items that used $80.7 million in cash during the first six months of 2022 compared to $13.3 million in cash used in the same period last year, for a $67.4 million increase in cash outflows. This fluctuation in the change in working capital was due to the combined impact of the following items:

a) a change in inventories that used $58.7 million during the first six months of 2022 compared to $14.2 million used in the first six months of last year;

b) a change in accounts payable and accrued liabilities that used $1.4 million during the first six months of 2022 compared to $11.3 million generated during the first six months of 2021;

c) a change in accounts receivable that used $16.9 million during the first six months of 2022 compared to $11.7 million in cash used in the first six months of last year; and

d) a change in other current assets and liabilities that used $3.6 million during the first six months of 2022 compared to $1.3 million generated during the first six months of 2021.

The following items also contributed to the downward change in operating cash flows:

(i) a $15.7 million decrease in earnings before interest, taxes, depreciation and amortization (including a $1.2 million favourable change in other (gains) losses); and

(ii) a $4.0 million decrease in income tax received.

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

(i) a $6.6 million decrease in the funding of the defined benefit pension plans; and

(ii) a $2.9 million decrease in income tax paid.

9.3 Cash flows related to financing activities

For the second quarter of 2022, financing activities generated $13.5 million in cash, whereas these activities had used $43.0 million during the second quarter of 2021. This increase in cash inflows was due to (i) a $25.1 million inflow from revolving operating credit during the second quarter of 2022 compared to a $17.9 million repayment on the revolving operating credit in the second quarter of 2021, to (ii) a $16.7 million decrease in long-term debt repayments, and to (iii) a $1.3 million decrease in dividends paid on Class A and B shares, partly offset by $4.7 million in share repurchases during the second quarter of 2022.

For the first six months of 2022, financing activities generated $42.9 million in cash, whereas these activities had used $39.9 million during the first six months of 2021. This increase in cash inflows was mainly due to a $66.6 million inflow from revolving operating credit during the first six months of 2022 compared to a $3.6 million repayment on the revolving operating credit in the same period of 2021 and to a $21.3 million decrease in long-term debt repayments, partly offset by $8.6 million in share repurchases during the first six months of 2022.

9.4 Cash flows related to investing activities

For the second quarter of 2022, investing activities used $9.0 million in cash compared to $8.1 million used in the second quarter of 2021. This upward change came essentially from a $1.1 million increase in cash outflows to acquire property, plant and equipment and $0.8 million increase in cash outflows to acquire intangible assets, partly offset by a $1.0 million payment in 2021 related to a loan to an associate.

For the first six months of 2022, investing activities used $18.1 million in cash compared to $20.7 million used in the same period of 2021. This downward change is explained by a $1.6 million decrease in cash outflows to acquire property, plant and by a $1.0 million payment in 2021 related to a loan to an associate.

10. Financial Measures Not in Accordance With IFRS

Working capital and the working capital ratio, the shareholders' equity to total assets financial measure, and the adjusted earnings before interest, taxes, depreciation and amortization financial measure 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. Comparing them to similar financial measures or ratios presented by other issuers may not be possible.

10.1 Working Capital and Working Capital Ratio

The Corporation uses working capital as a financial measure to assess whether it has sufficient current assets to cover current liabilities. Working capital is equal to current assets minus current liabilities, whereas the working capital ratio is obtained by dividing current assets by current liabilities.

(in millions of dollars, except the working capital ratio)	**As at July 2, 2022**	**As at Dec. 31, 2021**
	$	$
Current assets	**583.1**	489.7
Current liabilities	**368.5**	370.3
Working capital	**214.6**	119.4
Working capital ratio	**1.58:1**	1.32:1

It should be noted that the U.S. subsidiaries' term loan is maturing in December 2022, thereby increasing current liabilities by $77.3 million as at July 2, 2022 and by $76.1 million as at December 31, 2021. The Corporation intends to use its U.S. revolving operating credit, revised upward during the second quarter of 2021, to repay any outstanding balance at maturity. Excluding this item, the Corporation's working capital would have totalled $291.9 million as at July 2, 2022, translating into a ratio of 2.00:1, and $195.5 million at the end of fiscal 2021, translating into a ratio of 1.66:1.

10.2 Shareholders' Equity to Total Assets

The Corporation uses the shareholders' equity to total assets financial measure to determine the shareholders' investment as a proportion of the Corporation's total assets. To calculate the shareholders' equity to total assets ratio, the shareholders' equity presented on the Consolidated Statement of Financial Position is divided by total assets.

(in millions of dollars, unless otherwise indicated)	**As at July 2, 2022**	**As at Dec. 31, 2021**
	$	$
Shareholders' equity	**897.4**	865.5
Total assets	**1,523.6**	1,419.6
Shareholders' equity / total assets ratio *(in %)*	**58.9**	61.0

10.3 Earnings Before Interest, Taxes, Depreciation and Amortization

Earnings before interest, taxes, depreciation and amortization ("EBITDA") is a financial measure used by the Corporation and investors to assess its capacity to generate future cash flows from operating activities and pay financial expenses. EBITDA consists of operating profit, the "depreciation of property, plant and equipment and amortization of intangible assets" shown in the Consolidated Statement of Cash Flows, and "(Gains) losses on capital assets," if applicable.

	Second quarter ended		First six months ended	
(in millions of dollars)	**July 2, 2022**	**July 3, 2021**	**July 2, 2022**	**July 3, 2021**
	$	$	**$**	$
Operating profit	**22.3**	29.9	**44.7**	61.3
Depreciation of property, plant and equipment and amortization of intangible assets	**14.9**	14.9	**29.9**	30.2
(Gains) losses on capital assets	**(0.0)**	(0.0)	**(0.0)**	(0.0)
EBITDA	**37.2**	44.8	**74.5**	91.5

For the second quarter, depreciation and amortization expense was stable at $14.9 million. Excluding a $0.4 million unfavourable foreign exchange impact, the depreciation and amortization expense decreased by $0.4 million mainly explained by the end of the amortization of certain intangible assets during the third quarter of 2021.

For the first six months, depreciation and amortization expense went from $30.2 million in 2021 to $29.9 million in 2022. Excluding a $0.4 million unfavourable foreign exchange impact, the depreciation and amortization expense decreased by $0.7 million mainly explained by the end of the amortization of certain intangible assets during the third quarter of 2021.

(in millions of dollars)	**Q2 2022**	**Q1 2022**	**Q4 2021**	**Q3 2021**	**Q2 2021**	**Q1 2021**	**Q4 2020**	**Q3 2020**
	$	$	$	$	$	$	$	$
EBITDA	**37.2**	37.3	45.8	40.5	44.8	46.6	56.8	56.0

10.4 Net Debt to EBITDA

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

(in millions of dollars, except the net debt to EBITDA ratio)	**As at July 2, 2022**	**As at Dec. 31, 2021**
	$	$
Current portion of long-term debt	**86.7**	84.4
Long-term debt	**156.3**	91.0
Less: Cash and cash equivalents	**0.3**	0.3
Net debt	**242.7**	175.1
Sum of EBITDA for the last four quarters	**160.8**	177.8
Net Debt to EBITDA ratio	**1.51**	0.98

11. Off-Consolidated-Statement-of-Financial-Position Arrangements

As at July 2, 2022, the Corporation had letters of credit outstanding totalling $1.8 million.

Commitments are presented in Note 30 to the audited consolidated financial statements for the year ended December 31, 2021.

12. Share Information

As at July 2, 2022, the issued and outstanding share capital of the Corporation consisted of 3,118,100 Class A subordinate voting shares and 3,752,620 Class B multiple voting shares.

The Corporation has re-established its share repurchase program through the Toronto Stock Exchange ("TSX") in accordance with its policies and regulations. Consequently, the Corporation is allowed to repurchase in cash, by way of a normal course issuer bid, between December 23, 2021 and December 22, 2022 up to 80,000 of its Class A subordinate voting shares. The purchases are made at market prices, without exceeding the price limit set by the Corporation's management.

During the second quarter of 2022, the Corporation repurchased for cancellation 35,800 Class A subordinate voting shares at an average price of $130.90 per share for a cash consideration of $4.7 million, of which $0.5 million was applied against share capital and $4.2 million against retained earnings.

During the first six months of 2022, the Corporation repurchased for cancellation 62,300 Class A subordinate voting shares at an average price of $138.22 per share for a cash consideration of $8.6 million, of which $0.8 million was applied against share capital and $7.8 million against retained earnings.

Since the end of the second quarter of 2022 and until August 9, 2022, the Corporation repurchased 11,500 Class A subordinate voting shares for a consideration of $1.3 million.

13. Dividends

In accordance with the Corporation's dividend policy, the Board of Directors today declared a quarterly dividend of $0.70 per share, payable on September 15, 2022 to all registered holders of Class A and Class B shares on August 24, 2022. On an annualized basis, this dividend represents approximately 25% of the 2021 profit attributable to the Corporation's shareholders. This dividend is an eligible dividend.

14. Subsequent Event

As of August 12, 2022, there was no subsequent event to report.

15. Adoption of IFRS Standards

15.1 IAS 16 Property, Plant and Equipment

On January 1, 2022, the Corporation adopted the amended version of IAS 16 "Property, Plant and Equipment," which applies to fiscal years beginning on or after January 1, 2022.

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

16. 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, 2021. The future accounting changes are presented in Note 5 to the consolidated financial statements for the year ended December 31, 2021. The interim consolidated financial statements do not include all of the notes required in the annual consolidated financial statements.

17. Disclosure Controls and Procedures ("DC&P")

The Corporation's Chief Executive Officer and Chief Financial Officer are responsible for setting and maintaining disclosure controls and procedures, as set out in National Instrument 52-109 issued by the Canadian Securities Administrators. Assisting them in this responsibility is the Disclosure Committee, which consists of the Corporation's key management personnel. The Disclosure Committee must be kept fully informed of any significant information relating to the Corporation so that it can evaluate said information, determine its importance, and decide on timely disclosure of a press release, where applicable. Management regularly reviews disclosure controls and procedures; however, they 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 Corporation's Chief Executive Officer and Chief Financial Officer have concluded that the design of the disclosure controls and procedures as at July 2, 2022 provides reasonable assurance that significant information relevant to the Corporation, including that of its consolidated subsidiaries, is reported to them during the preparation of disclosure documents.

18. Internal Control Over Financial Reporting ("ICFR")

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

Under the supervision of the Chief Executive Officer and the Chief Financial Officer, the Corporation has conducted an evaluation of the design of the Corporation's internal control over financial reporting as at July 2, 2022, based on the framework issued by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission.

During the second quarter of 2022, 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.

19. Outlook

According to industry data, sales volume for the Canadian fruit juice and drink market slightly increased during the second quarter of 2022 when compared to the second quarter of 2021, whereas sales volume for the U.S. fruit juice and drink market decreased. Excluding the foreign exchange impact, Lassonde's sales were up 9.7% in the first six months of 2022 compared to the same period of 2021, mainly due to selling price adjustments. However, the Corporation's U.S. operations have continued to endure labour challenges in addition to those related to the supply of certain raw materials affecting all business units. These challenges are still impacting the Corporation's ability to fully meet customer demand. Despite selling price adjustments that successfully offset significant increases in input costs, Lassonde's profitability decreased in the first six months of 2022, mainly due to inflationary pressure that is strongly affecting transportation costs.

As previously mentioned, Lassonde launched, in the first quarter of 2022, a multi-year strategy to drive long-term value, accelerate growth, as well as improve overall margins and profitability. During the last six months of 2022, Lassonde plans to progress the work undertaken to deploy its strategic review, the revitalization of its U.S. operations, and the upgrade of its technology infrastructures. It also plans to continue implementing new demand planning and transportation management systems in the United States.

For the second half of 2022, barring any significant external shocks and excluding foreign exchange impacts, Lassonde expects that its sales growth rate will be slightly higher than that observed in the first six months of the year, mainly driven by selling price adjustments. The Corporation is however closely monitoring the evolution of consumer food habits in the context of a contraction of the economy. Profitability will remain under pressure as the Corporation continues to address labour challenges and continued inflationary pressures, which are particularly affecting packaging, orange concentrate and transportation costs. However, the impact of early initiatives to revitalize U.S. operations and the run-rate effect of selling price adjustments are expected to progressively deliver increasing benefits in the second half of the year. Given that supply challenges appear to be slowly fading, the Corporation has revised its inventory accumulation strategy and expects to reduce its inventory levels in the last six months of 2022 to levels that will progressively converge towards historical averages.

In preparing this outlook, the Corporation made assumptions that do not consider extraordinary events or circumstances beyond its control. These assumptions are based on current macroeconomic, geopolitical and competitive environments, but it should be noted that conditions are highly volatile and rapidly evolving. For more information, please consult the "Uncertainties and Principal Risk Factors" section of the 2021 annual MD&A.

August 12, 2022