Annual Management's Discussion & Analysis

Year ended December 31, 2022

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1 Basis of Presentation

The following Management's Discussion and Analysis ("MD&A") presents the factors that had a significant impact on the results, financial position, and cash flows of Lassonde Industries Inc. ("Lassonde" or the "Corporation"). This MD&A should be read in conjunction with the Corporation's audited consolidated financial statements ("consolidated financial statements") and accompanying notes. In addition to containing an analysis of the fourth quarter and year ended December 31, 2022, this MD&A reports on items deemed significant that have taken place from December 31, 2022 up to and including March 31, 2023, 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. Readers will also find this MD&A, the Annual Information Form for the fiscal year ended December 31, 2022, additional documents, press releases, certifications of filings for 2022, and more information about the Corporation on the SEDAR website at www.sedar.com. 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 that are prepared using IFRS. However, this MD&A also refers to certain measures that are not in accordance with IFRS, including the following: Adjusted operating profit; Adjusted earnings before interest, taxes, depreciation, and amortization ("EBITDA"); Adjusted profit attributable to Corporation's shareholders; Adjusted basic and diluted earnings per share; Operating working capital; Days operating working capital; Capital employed and sources of capital; Return on capital employed; and Net debt to adjusted EBITDA. These measures have no standardized meaning under IFRS and are unlikely to be comparable to similar measures presented by other issuers. Please refer to *Section 18 – "Financial Measures Not in Accordance With IFRS" of* this MD&A for more information, including the definition and composition of the measure or ratio as well as the reconciliation to the most comparable measure in the financial statements, as applicable. The Corporation uses measures (and ratios) that are not in accordance with IFRS to provide investors with supplemental metrics to assess and measure its operating performance and financial position from one period to the next. These metrics are presented as a complement to enhance the understanding of Lassonde's operating results but not in substitution of IFRS results. In addition, measures that are not in accordance with IFRS should not be viewed as a substitute for the related financial information prepared in accordance with IFRS.

2 Forward-Looking Statements

This report contains "forward-looking information" and the Corporation's oral and written public communications that do not constitute historical fact may be deemed to be "forward-looking information" within the meaning of applicable securities law. These forward-looking statements are based on current expectations, estimates, projections, beliefs, judgments, and assumptions on the basis of 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. Such statements include, but are not limited to, statements with respect to objectives and goals, in addition to statements with respect to beliefs, plans, targets, goals, objectives, expectations, anticipations, estimates, and intentions. Forward-looking statements are typically identified by words such as "anticipate", "continue", "estimate", "endeavor", "expect", "may", "will", "project", "should", "could", "would", "believe", "plan", "intend", "design", "target", "undertake", "view", "indicate", "maintain", "explore", "entail", "schedule", "objective", "strategy", "likely", "potential", "outlook", "aim", "propose", "goal", and similar expressions suggesting future events or future performance in addition to the negative forms of these terms or any variations thereof. These statements are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Various factors or assumptions are typically applied by the Corporation in drawing conclusions or making the forecasts, projections, predictions, or estimations set out in the forward-looking statements. These factors and assumptions are based on information currently available to the Corporation, including information obtained by the Corporation from third-party sources. In this report, forward-looking statements include, but are not limited to, those set forth in *Section 7 – "Outlook"* hereafter, which also presents some (but not all) of the key assumptions used in determining the forward-looking statements.

Such forward-looking statements relate to future events, are by their very nature subject to many important factors that could cause actual results to differ materially from those contemplated. Readers are cautioned that the assumptions considered by the Corporation to support these statements may prove to be incorrect in whole or in part. Factors that could cause actual results to differ materially from the results expressed, implied, or projected in the forward-looking statements contained in this document include, among other things, risks associated with the following: the availability of raw materials (including as a result of climate change, extreme weather, global or local supply chain disruptions, loss of key suppliers or supplier concentration, impact of pandemics, geopolitical developments, military conflicts, and trade sanctions) and related price variations; 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 clients in competitive market conditions; failure to maintain strong sourcing and manufacturing platforms and efficient distribution channels; disruptions in or failures of the Corporation's information technology systems, including the ability to access and implement technology necessary to achieve the Corporation's targets, commitments and goals, as well as the development and performance of technology; cyber threats and other information-technology-related risks relating to business disruptions, confidentiality, data integrity, and business email compromise-related fraud; the scarcity of labour in North America and the related impact on the hiring, training, developing, retaining and reliance of qualified and/or key personnel together with their productivity, employment matters (including compensation), 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; the successful deployment of the Corporation's Strategy (defined in *Section 5 – "Multi-Year Strategy"* hereafter), including components such as Project Eagle; climate change and disasters causing higher operating costs and capital expenditures and reduced production output, and impacting the availability, quality or price volatility of key commodities sourced by the Corporation; disputes with significant suppliers; the increasing concentration of clients in the food industry, providing them with significant bargaining power that could limit the Corporation's ability to raise its prices to offset inflationary pressures; major events, such as systems and equipment failure, pandemics and natural disasters, or increased frequency or intensity of extreme weather conditions (including as a result of climate change), leading to unanticipated business disruptions at the Corporation's facilities or those of certain suppliers; the implementation, cost and impact of environmental sustainability initiatives, as well as the cost of remediating environmental liabilities; changes made to laws (including tax and tariffs), regulations, rules and policies that affect the Corporation's activities as well as the interpretation thereof, and new positions adopted by relevant authorities; failure to adopt to changes and developments affecting the Corporation's industry, including customer preferences, tastes, concerns or perceptions and buying patterns, market conditions and the activities of competitors and clients; crisis management and the execution of the business continuity plan; 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; damage to the reputation of the Corporation and its brands, including as a result of its inability to meet stakeholders' ESG expectations or to realize expected benefits in that respect; risks related to fluctuations in interest rates, currency exchange rates, liquidity and credit, stock price and pension obligations; deterioration of general macroeconomic conditions, including international conflicts, which can lead to negative impacts on the Corporation's suppliers, customers and operating costs; the incurrence of restructuring, disposal, or other related charges together with the recognition of impairment charges on goodwill or long lived assets, particularly in a context of challenging performance and rising cost of capital; the sufficiency of insurance coverage; expected future cash flows and the sufficiency thereof, sources of capital at attractive rates, future contractual obligations, future financing options, renewal of credit facilities, and availability of capital to fund growth plans, operating obligations and dividends; pension plan performance, including the adequacy of pension contributions, assets, and potential pension liabilities; the implications and outcome of potential legal actions, litigation and regulatory proceedings to which the Corporation may be a party; and innovation and the future use and deployment of technology and associated expected future outcome, ability of the Corporation to protect its intellectual property and the costs incurred to do so.

The Corporation cautions readers that the foregoing list of factors is not exhaustive. Readers are further cautioned that some of the forward-looking statements in this report, such as statements concerning sales growth rate, productivity and service level, key commodity and input costs, expenses (including Strategy-related expenses), effective tax rate, working capital and capital expenditures may be considered to be financial outlooks for the purposes of applicable securities legislation. 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. Readers should not assume these financial outlooks will materialize.

More information about risk factors can be found in *Section 19 – "Uncertainties and Principal Risk Factors"* of this MD&A. Readers should review this section in detail.

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

3 Corporate Profile

Lassonde Industries Inc. is a leader in the food and beverages industry in North America. The Corporation develops, manufactures, and markets a wide range of private label and national brand products, including ready-to-drink beverages, fruit-based snacks as well as frozen juice concentrates. It is also a leading producer of cranberry sauces and specialty food products such as pasta sauces, soups and fondue broths and sauces.

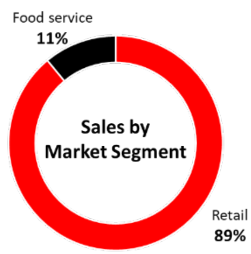
Lassonde is committed to its vision of putting more of its great tasting products in more consumers hands, that serve more needs, across more occasions, every day, and by continuing its focus on crafting quality food and beverages that consumers love, clients value, employees are proud of, and that demonstrate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

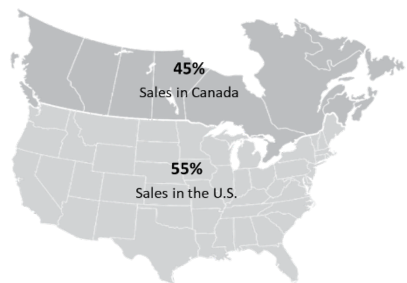
The Corporation produces its superior quality products through the expertise of more than 2,700 people working in 17 plants across Canada and the United States ("U.S."). To learn more, visit www.lassonde.com.

The Corporation is active in two market segments:

- 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; and
- Food service sales consist of sales to restaurants, hotels, hospitals, schools, and wholesalers serving these institutions.

Sales Breakdown (2022)





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 Selected Annual Information

		Years ended	
(in millions of dollars, unless otherwise indicated)	**Dec. 31, 2022**	**Dec. 31, 2021**	**Dec. 31, 2020**
	$	$	$
Related to operations			
Sales	**2,151.0**	1,892.9	1,980.9
Operating profit	**81.3**	118.4	151.9
Adjusted operating profit[1]	**97.5**	121.1	151.9
Adjusted EBITDA[1]	**157.1**	180.6	217.1
Profit attributable to the Corporation's shareholders	**53.9**	77.5	97.8
Basic and diluted earnings per share ("EPS") *(in $)*	**7.85**	11.18	14.11
Dividends declared per share for Class A and B shares *(in $)*	**2.980**	3.290	2.545
Cash flows from operating activities	**24.0**	93.7	231.2
Related to financial position			
Total assets	**1,604.7**	1,419.6	1,381.6
Operating working capital[1]	**280.7**	195.0	148.3
Days operating working capital[1] *(in days)*	**45.9**	36.4	26.2
Long-term debt, including the current portion	**249.4**	175.4	215.5
Net debt to adjusted EBITDA ratio[1]	**1.57:1**	0.97:1	0.96:1
Return on capital employed[1] *(in %)*	**8.4**	11.8	13.8

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

Refer to *Section 12 – "Analysis of Selected Annual Information"* of this MD&A for summary explanations on changes, between fiscal years 2021 and 2020, in sales, operating profit, profit attributable to the Corporation's shareholders, cash flows from operating activities, and total assets.

5 Multi-Year Strategy

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

The Corporation's first strategic pillar, **Building a growth-oriented portfolio**, reinforces its commitment to becoming a more diversified food and beverage leader in North America. In that context, it seeks to accelerate the growth of its specialty foods business by leveraging opportunities to further extend its position in this growing market segment. This would be achieved via organic growth and through potential acquisitions. The Corporation intends to strengthen its leadership position in the Canadian beverages sector by continuing its history of product and package innovation, investing in its brands to strengthen consumer affinity, while providing value to its customers through service excellence. Through Project Eagle (further described below), the Corporation aims to revitalize its operational and commercial foundations in the U.S. and strengthen Lassonde's competitive position as a trusted supplier of quality juices and drinks to its customers and consumers in the U.S. market.

The Corporation's second strategic pillar is focused on **Driving sustainable performance**. There are three primary areas of focus in support of this priority. First, the Corporation intends to maximize top-line value through revenue growth management, ensuring that it has the right products, in the right channels, serving the right customers, and at the right price. Secondly, the Corporation is committed to driving efficiency through environmentally sustainable and socially responsible initiatives across all key areas of its business. This includes leveraging data and technology to make the right decisions quicker, using equipment and automation to maximize capacity at the lowest possible cost, and capturing efficiencies through disciplined processes. Last, but not least, the Corporation's ESG roadmap will be a key driver of its sustainability agenda and should guide it through important investments decisions that will impact the future of its business, such as packaging and format considerations.

The Corporation's third strategic pillar is **Improving capacity to act**. This will be accomplished by first modernizing its operating model around customer service and to be responsive to the market. The Corporation also seeks to better leverage its North American capabilities in a manner that would allow it to capture synergistic savings and benefit from improved knowledge-sharing and through common best practices. It also intends to achieve this by fortifying its capabilities in the areas of operational excellence, innovation, data & analytics, digital, and revenue growth management. To improve its capacity to act, the Corporation is focused on developing high-performing and purpose-driven teams while reinforcing diversity, equity, inclusion as well as the health and well-being of its employees. Lastly, it endeavors to update and deploy processes, systems, and tools in support of its strategic priorities.

While the Corporation is actively pursuing every aspect of its Strategy, its initial objective is primarily on improving the performance of its U.S. operations through Project Eagle, which is described below, as well as implementing new management systems and upgrading technology infrastructures throughout the Corporation.

Associated Incremental Operating Expenses

During fiscal 2022, the Corporation began its strategic review, completed the diagnostic step of Project Eagle and began implementing new cloud-based management systems, including demand planning and transportation management systems. In addition, during the second half of the year, the Corporation invested in a project to optimize the current capacity of its specialty food division and to explore the addition of new capacities and growth opportunities. The Corporation reported additional expenses of $2.8 million and $11.0 million in the fourth quarter and year ended December 31, 2022, respectively.

Associated Capital Expenditures

During fiscal 2022, the Corporation dedicated capital expenditures aligned with its Strategy to support growth, enhance productivity, and invest in innovation and sustainable development. These investments included two projects to improve production efficiency and capacity in Canada, continuing to upgrade the enterprise resource planning ("ERP") software in Canada along with investments in the U.S. to improve production efficiency and to deploy a new single serve line in the Corporation's plant based in North Carolina. Refer to *Section 11 – "Financial Position"* of this MD&A for further information on the Corporation's capital expenditures for 2022 and to *Section 7 – "Outlook"* of this MD&A for an outlook on capital expenditures for 2023.

Project Eagle

Launched in the second quarter of 2022, Project Eagle is a component of the Strategy specifically aimed at revitalizing its underperforming U.S. operations, with the objective to capture growth, improve margins, and drive long-term sustainable performance. In addition to reviewing the U.S. operations' products and customers portfolio, Project Eagle also seeks to identify and address key issues hampering performance within its supply chain and manufacturing facilities, including product simplification, process realignment, employee training, capital deployment, plant performance, and supply chain execution.

After completing the diagnostic step of Project Eagle, the Corporation recently took important steps to reduce its stock keeping units ("SKU") complexity, harmonize packaging formats, consolidate formulas, and rationalize low-margin products and/or customers. The portfolio simplification should allow the Corporation to reduce execution complexity, which would limit downtime related to production changeovers and ultimately increase throughput. The Corporation also completed the first phase of the implementation of an improved cloud-based transportation management system.

The capital designated in support of Project Eagle will be deployed in three areas: (1) updating existing equipment to limit unscheduled downtime; (2) increasing throughput on existing capacity; and (3) investing in new equipment in support of increased capacity in on-trend formats. While the equipment upgrades are expected to result in short-term disruptions, the Corporation expects they will be significantly outweighed by the medium- to long-term benefits.

Finally, some of the initiatives deployed under Project Eagle will ultimately benefit the rest of the organization; for instance, the deployment of new transportation management and demand planning systems are first rolled out in the U.S. and then throughout the Corporation.

6 Financial Highlights

Fourth quarter ended December 31, 2022:

- Sales of $556.0 million. Excluding a $22.4 million favourable foreign exchange impact, sales were up $46.1 million (9.5%) from the same quarter last year, mainly due to selling price adjustments in both the U.S. and Canada.

- Gross profit of $123.6 million (22.2% of sales), down $10.5 million from the same quarter in 2021. Excluding a $5.2 million favourable foreign exchange impact, gross profit was down $15.7 million from the same quarter last year;

  - Higher cost for all inputs, especially apple and orange concentrates and PET resin, including an increase in the cost of transporting them to the Corporation's plants;

  - Increase in the Corporation's conversion costs; and

  - $3.7 million loss in gross profit following a production interruption of the cranberry sauce line at the Corporation's New Jersey plant.

- Operating profit of $16.7 million, down $14.9 million from the same quarter last year;

  - Lower gross profit;

  - $5.3 million decrease in performance-related salary expenses;

  - $3.4 million unfavourable foreign exchange impact that affected the conversion of the selling and administrative expenses of the U.S. entities into Canadian dollars;

  - $2.8 million in expenses related to the Strategy; and

  - Higher warehousing costs.

- Excluding items impacting comparability, adjusted EBITDA[2] was $38.3 million, down $8.2 million from the same quarter last year.

- Profit attributable to the Corporation's shareholders of $10.5 million, resulting in basic and diluted earnings per share of $1.53, down $11.3 million and $1.62, respectively, from the same quarter in 2021. Excluding items impacting comparability, adjusted EPS[2] was $2.09 compared to $3.22 in the same quarter last year.

- Operating activities generated $51.8 million in cash compared to $18.6 million generated in the same quarter last year. This increase in cash inflows was essentially due to a change in non-cash operating working capital items, which generated $48.8 million more than in the same quarter of 2021, mainly attributable to a favourable change in accounts payable and accrued liabilities.

- Dividend of $0.70 per share, paid on December 15, 2022.

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

Year ended December 31, 2022:

- Sales of $2,151.0 million. Excluding a $44.8 million favourable foreign exchange impact, sales were up $213.3 million (11.3%) from last year, mainly due to a favourable impact of selling price adjustments and by a favourable change in the sales mix of private label sales.

- Gross profit of $523.3 million (24.3% of sales), up $1.4 million from 2021. Excluding a $21.1 million favourable foreign exchange impact, gross profit was down $19.7 million from last year;

    - Higher cost for all inputs, especially apple and orange concentrates and PET resin, including an increase in the cost of transporting them to the Corporation's plants;

    - Increase in conversion costs, mainly related to higher raw material warehousing, energy and labour costs; and

    - $5.2 million loss in gross profit following a production interruption of the cranberry sauce line at the Corporation's New Jersey plant.

- Operating profit of $81.3 million, down $37.1 million from last year;

    - $32.9 million increase in transportation costs, resulting from higher fuel surcharges and base transportation rates, incurred to deliver products to clients;

    - $13.9 million decrease in performance-related salary expenses;

    - $11.0 million in expenses related to the Strategy; and

    - $7.1 million unfavourable foreign exchange impact that affected the conversion of the selling and administrative expenses of the U.S. entities into Canadian dollars.

- Excluding items impacting comparability, adjusted EBITDA[3] was $157.1 million, down $23.5 million from last year.

- Profit attributable to the Corporation's shareholders of $53.9 million, resulting in basic and diluted earnings per share of $7.85, down $23.6 million and $3.33, respectively, from 2021. Excluding items impacting comparability, adjusted EPS[3] was $9.37 compared to $11.48 last year.

- As at December 31, 2022, the Corporation had total assets of $1,604.7 million versus $1,419.6 million as at December 31, 2021, a 13.0% increase arising mainly from higher inventories as well as a higher foreign exchange conversion rate as at December 31, 2022.

- As at December 31, 2022, long-term debt, including the current portion, stood at $249.4 million, representing a net debt to adjusted EBITDA[3] ratio of 1.57:1. This is up $74.0 million from December 31, 2021.

- Operating activities generated $24.0 million in cash compared to $93.7 million generated last year. This decrease in cash inflows was essentially due to a change in non-cash operating working capital items, which used $39.5 million more than in 2021, mainly explained by a higher inventory investment and a lower operating result.

- Total dividends of $2.98 per share, paid in 2022.

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

7 Outlook

Lassonde continues to expect the largest factors impacting its performance in fiscal 2023 will be the financial health of consumers, the inflationary environment, and the frequency and severity of supply chain disruptions. As a result, the Corporation is employing the following assumptions for its fiscal year 2023:

Sales growth rate

- During fiscal 2022, the Corporation has taken pricing action on its branded and private label product offerings, including adjusting contracts with certain customers to recover cost increases it incurred. It expects the effects of such pricing action to be felt in early 2023. The Corporation also expects further pricing action to be implemented over the course of 2023 as inflation persists.

- For 2023, barring any significant external shocks and excluding foreign exchange impacts, Lassonde expects that its sales growth rate should be in the mid to high single-digit range, mainly driven by selling price adjustments. The Corporation is, however, closely monitoring the evolution of consumer food habits and price elasticity in a context of a contraction in demand.

Productivity and service level

- Labour and operational initiatives, together with fewer supply chain constraints, are expected to improve the Corporation's ability to supply demand and return to historical order fill rate levels, particularly in the U.S.

Key commodity and input costs

- Lassonde's input, conversion and transportation costs began to increase significantly in fiscal 2021 given an inflationary environment that extended through fiscal 2022, and it now expects the volatile cost environment to continue throughout fiscal 2023. More recently, the price of orange concentrate remains an area of focus since the price for this key commodity has been at an elevated level over the last six months, reaching a historical peak of US$2.79/lbs sol. in February 2023.

- In addition, during fiscal 2022, the U.S. dollar strengthened compared to most foreign currencies. 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 could result in a higher cost for products sold in the Canadian market. Furthermore, the Corporation is expecting an unfavourable foreign exchange impact for 2023 when considering its hedged positions. Lassonde plans to continue managing inflation risk, including the impact of foreign currency movements.

Expenses, including expenses related to the Strategy

- The Corporation's performance-related salary expenses are expected to return to normal levels in 2023.

- During 2023, Lassonde plans to continue deploying its Strategy, revitalizing its U.S. operations, and upgrading its technology infrastructures. It also plans to continue implementing new cloud-based demand planning and transportation management systems, the aim being to improve customer service and lower overall distribution costs. It also intends to start exploring the upgrade of its U.S. ERP. Expected spending in support of its strategic transformation is expected to reach up to $10.0 million in 2023 compared to $11.0 million incurred in 2022.

- Higher interest expense is anticipated given higher rates on floating rate debt as well as a higher average indebtedness level compared to 2022.

Effective tax rate

- Effective tax rate should be about 26.5% for fiscal 2023.

Working capital

- As supply chain challenges appear to be dissipating, the Corporation has revised its inventory accumulation strategy and expects to progressively reduce its inventory levels. As a result, its Days Operating Working Capital[4] should trend towards historical levels over the course of 2023. However, this strategy might be impacted by (i) opportunistic decisions to secure

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

inventory ahead of potential additional price increases from suppliers, (ii) the objective of ensuring an adequate service level, or (iii) the identification of new potential supply chain disruptions.

Capital expenditures

- The Corporation's overall capital expenditures program for 2023 is estimated to reach up to 4.5% of its sales as it continues to deploy capital in support of its Strategy. This estimate depends on the timing of disbursements for certain large capital projects and on the evolution of the macroeconomic environment. As indicated in *Section 11 – "Financial Position"*, the Corporation's 2023 commitments, as of December 31, 2022, with regards to capital expenditures, are already more than $23 million with an additional $4 million already earmarked for 2024. The Corporation expects to return this ratio to a range of 2.0% to 3.0% of its sales (including a maintenance component and a certain growth component) by 2025. The new capital assets will be financed, to the extent possible, using the Corporation's operating cash flows, although the Corporation may also turn to borrowing if interest rates and conditions prove advantageous.

The above forward-looking statements have been prepared using the following key assumptions: the currently observed geopolitical situation and macroeconomic trends, including employment, inflation and interest rates; the strength of the U.S. dollar (compared to 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 competes; limited additional cost increases from suppliers; adequate availability of key inputs; the continuity of recently observed normalized trends in the throughput capacity of key U.S. plants; expected lead time for new manufacturing equipment; and adequate contractor or consultant availability to progress the Corporation's capital expenditures. The Corporation cautions readers that the foregoing list of factors is not exhaustive. It should be noted that some of these key assumptions, including those related to the geopolitical situation and macroeconomic trends, are volatile and rapidly evolving. In preparing its outlook, the Corporation made assumptions that do not consider extraordinary events or circumstances beyond its control. The Corporation believes the expectations reflected in the 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. Refer to *Section 2 – " Forward-Looking Statements"* of this MD&A for additional information.

8 Fourth Quarter

8.1 Analysis of Quarterly Results

(in millions of dollars, unless otherwise indicated)	**Fourth quarters ended Dec. 31, 2022**	Dec. 31, 2021	Δ
	$	$	$
Sales	**556.0**	487.5	68.5
Cost of sales	**432.3**	353.4	78.9
Gross profit	**123.6**	134.1	(10.5)
Selling and administrative expenses	**106.8**	102.5	4.3
(Gains) losses on capital assets	**0.1**	(0.0)	0.1
Operating profit	**16.7**	31.6	(14.9)
Share in the profit or (loss) of an associate	**(0.3)**	(0.2)	(0.1)
Financial expenses	**3.1**	2.7	0.4
Other (gains) losses	**1.5**	(0.5)	2.0
Profit before income taxes	**11.8**	29.2	(17.4)
Income tax expense	**1.7**	7.4	(5.7)
Profit	**10.1**	21.8	(11.7)
Attributable to:			
Corporation's shareholders	**10.5**	21.8	(11.3)
Non-controlling interest	**(0.4)**	(0.0)	(0.4)
	10.1	21.8	(11.7)
EPS *(in $)*	**1.53**	3.15	(1.62)
Weighted average number of shares outstanding *(in thousands)*	**6,849**	6,933	(84)
Adjusted operating profit[5]	**23.2**	32.3	(9.1)
Adjusted EBITDA[5]	**38.3**	46.5	(8.2)
Adjusted EPS[5] ***(in $)***	**2.09**	3.22	(1.13)

According to industry data, sales volume (measured on a trailing 13-week basis) in the Canadian and U.S. fruit juice and drink markets decreased by about 1% and 4%, respectively, during the fourth quarter of 2022 compared to the same period last year. On a sequential basis, compared to the third quarter, industry sales volume in the U.S. declined slightly during the fourth quarter while improving somewhat in Canada. The Corporation has noticed stronger demand for its private label products in the fourth quarter, while demand for its branded products has remained relatively stable.

Although labour-related issues appeared to slowly fade during the fourth quarter of 2022, the production rate in the U.S. and capacity to ship products were down significantly from the same quarter last year given a variety of factors, including: (i) supply chain and mechanical issues resulting in a temporary stoppage or slowdown in production and/or an inability to ship products; and (ii) a production interruption of the cranberry sauce line at the Corporation's New Jersey plant for most of the fourth quarter, resulting from a fatal workplace accident that occurred in September 2022. While overall demand is tapering, these challenges had an impact on the Corporation's ability to meet some of its customers' demand during the quarter.

During the fourth quarter, the Corporation also observed a continued inflation trend affecting the costs of its key inputs and conversion costs. As costs rose, the Corporation sought to offset the impact on profitability by implementing measures to counter the impact of such

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

a situation on its profitability, including further price adjustments. However, its pricing action lagged behind cost increases and, in certain instances, the Corporation has not been able to pass along the full effect of such increases.

Sales

(in millions of dollars)	Private labels	National brands	Total
	$	$	$
Sales Q4-2021	**276.5**	**211.0**	**487.5**
Selling price adjustments impact	34.5	17.8	**52.3**
Volume impact	(11.9)	(2.8)	**(14.7)**
Change in the sales mix impact	8.1	0.7	**8.8**
Other impacts, net	-	(0.3)	**(0.3)**
Growth excluding foreign exchange impact	30.7	15.4	**46.1**
	11.1%	*7.3%*	***9.5%***
Foreign exchange impact	16.4	6.0	**22.4**
Sales Q4-2022	**323.6**	**232.4**	**556.0**

The 2022 fourth-quarter sales were up $68.5 million (14.0%) compared to the same quarter of 2021. Excluding a $22.4 million favourable foreign exchange impact, sales were up $46.1 million (9.5%) year over year, essentially due to selling price adjustments in both the U.S. and Canada. The unfavourable volume impact came from a $29.4 million decrease in the U.S. resulting from the above-described factors affecting the production rate, partly offset by a $14.7 million increase in Canada.

Cost of sales

The 2022 fourth-quarter cost of sales was up $78.9 million or 22.3% from the same quarter of 2021. Excluding a $17.1 million unfavourable foreign exchange impact, cost of sales was up $61.8 million (17.5%) year over year. When compared to the 9.5% increase in sales, this 17.5% increase in cost of sales essentially reflects:

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

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

(iii) a $0.7 million expense in 2021 resulting from an adjustment related to taxes not recoverable by the Corporation.

Gross profit

As a result of the aforementioned factors, gross profit amounted to $123.6 million (22.2% of sales) in the fourth quarter of 2022, down from $134.1 million in the fourth quarter of 2021.

Selling and administrative expenses

The 2022 fourth-quarter selling and administrative expenses were up $4.3 million compared to 2021. Excluding $2.8 million in expenses related to the multi-year strategy, selling and administrative expenses were up $1.5 million. This increase was essentially due to:

(i) a $3.4 million unfavourable foreign exchange impact that affected the conversion of the selling and administrative expenses of the U.S. entities into Canadian dollars;

(ii) higher warehousing costs caused by a combination of a higher level of raw materials storage and a greater cost for external storage;

(iii) a net increase in certain administrative expenses; and

(iv) a $5.3 million decrease in performance-related salary expenses.

Operating profit

As a result of the aforementioned factors, the Corporation's operating profit totalled $16.7 million in the fourth quarter of 2022 versus $31.6 million in the fourth quarter of 2021.

Financial expenses

The 2022 fourth-quarter financial expenses were up $0.4 million year over year, mainly due to a higher interest expense on long-term debt given a higher debt level, partly offset by a decrease in the amortization of transaction costs.

Other (gains) losses

The 2022 fourth-quarter loss was essentially driven by foreign exchange losses, whereas the 2021 fourth-quarter gain came mainly from a change in the fair value of financial instruments.

Profit before income taxes

Profit before income taxes totalled $11.8 million in the fourth quarter of 2022, down from $29.2 million in the same period of 2021.

Income tax expense

At 14.4%, the 2022 fourth-quarter effective income tax rate was below the 25.3% rate in the same quarter of 2021. This significant change results from a $0.6 million favourable non-cash adjustment to the deferred tax liabilities of the U.S. entities. This downward adjustment to deferred tax liabilities stems from a reduction to the tax rate of a U.S. state. Excluding the impact of this adjustment, the 2022 fourth-quarter adjusted effective income tax rate would have been 19.3% versus 25.3% last year. This lower 2022 effective income tax rate was essentially attributable to a tax adjustment related to previous quarters of 2022.

Profit

For the fourth quarter of 2022, profit totalled $10.1 million, down from $21.8 million in the same period of 2021.

Profit attributable to the Corporation's shareholders

For the fourth quarter of 2022, profit attributable to the Corporation's shareholders totalled $10.5 million, resulting in basic and diluted earnings per share of $1.53 compared to $21.8 million and $3.15, respectively, in the same quarter of 2021.

8.2 Analysis of Quarterly Consolidated Cash Flows

	Fourth quarters ended	
(in millions of dollars)	**Dec. 31, 2022**	**Dec. 31, 2021**
	$	$
Operating activities	**51.8**	18.6
Financing activities	**(15.7)**	(9.7)
Investing activities	**(20.2)**	(10.8)
Increase (decrease) in cash and cash equivalents	**15.8**	(1.9)
Cash and cash equivalents at beginning	**(17.6)**	(2.7)
Effect of exchange rate changes on cash and cash equivalents	**0.1**	(0.0)
Cash and cash equivalents at end	**(1.7)**	(4.7)

Cash flows related to operating activities

For the fourth quarter of 2022, operating activities generated $51.8 million in cash, whereas these activities had generated $18.6 million in cash during the fourth quarter of 2021. This increase in cash inflows was essentially due to a change in non-cash operating working capital items that generated $26.2 million in cash during the fourth quarter of 2022 compared to $22.6 million in cash used in the same quarter last year, for a $48.8 million increase in cash inflows. This fluctuation in the change in working capital was due to the combined impact of the following items:

a) a change in accounts payable and accrued liabilities that generated $42.6 million during the fourth quarter of 2022 compared to $10.9 million used during the fourth quarter of 2021;

b) a change in accounts receivable that generated $26.2 million during the fourth quarter of 2022 compared to $9.8 million generated during the same quarter of 2021;

c) a change in inventories that used $34.7 million during the fourth quarter of 2022 compared to $24.6 million used in the fourth quarter of 2021; and

d) a change in other current assets and liabilities that used $8.0 million during the fourth quarter of 2022 compared to $3.1 million generated in the same quarter of 2021.

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

(i) a net $5.0 million withdrawal from the defined benefit pension plans; and

(ii) a $2.8 million increase in non-cash expenses recognized in profit or loss and related to changes in the fair value of financial instruments.

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

(i) a $16.4 million decrease in earnings before interest, taxes, depreciation and amortization (including a $2.0 million unfavourable change in other (gains) losses); and

(ii) a $5.1 million increase in income tax paid.

Cash flows related to financing activities

For the fourth quarter of 2022, financing activities used $15.7 million in cash, whereas these activities had used $9.7 million in cash during the fourth quarter of 2021. This increase in cash outflows was due to (i) a $79.4 million increase in long-term debt repayments and to (ii) $2.3 million in share repurchases during the fourth quarter of 2022, partly offset by (i) a $75.4 million inflow from revolving operating credit during the fourth quarter of 2022, mainly to finance long-term debt repayments, compared to a $1.2 million inflow from the revolving operating credit in the fourth quarter of 2021, and by (ii) a $1.3 million decrease in dividends paid on Class A and B shares.

Cash flows related to investing activities

For the fourth quarter of 2022, investing activities used $20.2 million in cash compared to $10.8 million used in the fourth quarter of 2021. This upward change came essentially from a $10.5 million increase in cash outflows to acquire property, plant and equipment, partly offset by a $0.5 million payment in 2022 related to a loan to an associate compared to the acquisition in 2021 of a $1.0 million additional ownership interest in this associate and of $0.5 million in derivative instruments related to the associate.

9 Summary of Quarterly Results

(in millions of dollars, unless otherwise indicated)	**Q4 2022**	**Q3 2022**	**Q2 2022**	**Q1 2022**	**Q4 2021**	**Q3 2021**	**Q2 2021**	**Q1 2021**
	$	$	$	$	$	$	$	$
Sales	**556.0**	556.4	529.5	509.0	487.5	469.3	469.3	466.8
Operating profit	**16.7**	19.9	22.3	22.4	31.6	25.4	29.9	31.4
Adjusted EBITDA[6]	**38.3**	38.9	40.2	39.7	46.5	42.6	44.8	46.6
Profit attributable to the Corporation's shareholders	**10.5**	14.5	14.2	14.8	21.8	16.8	18.8	20.1
EPS *(in $)*	**1.53**	2.11	2.06	2.14	3.15	2.43	2.71	2.90
Adjusted EPS[7] *(in $)*	**2.09**	2.54	2.36	2.37	3.22	2.65	2.71	2.90

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 MD&A for each of the respective quarterly periods, which are filed on the SEDAR website and also available on the Corporation's website.

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

10 Annual Financial Information

10.1 Analysis of Results

(in millions of dollars, unless otherwise indicated)	Years ended **Dec. 31, 2022**	 Dec. 31, 2021	Δ
	$	$	$
Sales	**2,151.0**	1,892.9	258.1
Cost of sales	**1,627.6**	1,370.9	256.7
Gross profit	**523.3**	521.9	1.4
Selling and administrative expenses	**442.0**	403.6	38.4
(Gains) losses on capital assets	**0.1**	(0.0)	0.1
Operating profit	**81.3**	118.4	(37.1)
Share in the profit or (loss) of an associate	**(0.9)**	(0.8)	(0.1)
Financial expenses	**10.4**	11.1	(0.7)
Other (gains) losses	**(0.6)**	0.5	(1.1)
Profit before income taxes	**70.6**	106.0	(35.4)
Income tax expense	**17.3**	27.6	(10.3)
Profit	**53.3**	78.5	(25.2)
Attributable to:			
Corporation's shareholders	**53.9**	77.5	(23.6)
Non-controlling interest	**(0.6)**	1.0	(1.6)
	53.3	78.5	(25.2)
EPS *(in $)*	**7.85**	11.18	(3.33)
Weighted average number of shares outstanding *(in thousands)*	**6,875**	6,933	(58)
Adjusted operating profit[7]	**97.5**	121.1	(23.6)
Adjusted EBITDA[8]	**157.1**	180.6	(23.5)
Adjusted EPS[8] *(in $)*	**9.37**	11.48	(2.11)

Since early 2021 and throughout 2022, Lassonde has observed significant disruptions in the global supply chain network. These disruptions include elements such as limited freight transportation, labour, raw materials, and packaging availability issues, which have negatively impacted its margins and ability to meet demand during 2022. In addition, and related to the supply chain issues, the Corporation continued to experience significant, and, in some situations, sudden cost increases compared to 2021 across raw materials, including the main concentrates (apple, orange, cranberry and grape) and packaging (PET resin, aseptic cartons, glass jars, and aluminum and steel cans). Additionally, following Russia's invasion of Ukraine in February 2022, and while Lassonde has a limited direct exposure to Russia or Ukraine, this conflict has multiple direct and indirect impacts that are exacerbating inflation in many of the Corporation's cost items, including, but not limited to, oil- and gas-related costs. The Corporation has managed the impact of cost increases, wherever possible, on commercially reasonable terms, by locking in purchase prices on the quantities it was expecting to need to meet its production requirements. In addition, as input costs rose, the Corporation sought to offset inflation by implementing price adjustments. However, its pricing action lagged behind input, conversion, warehousing, and transportation cost increases and, in certain instances, the Corporation has not been able to pass along the full effect of such increases.

In response to the supply chain and labour issues, the Corporation has implemented various initiatives. To alleviate supply chain disruptions, the Corporation implemented initiatives such as reviewing its product portfolio and its formulas while also securing additional suppliers and transportation partners. To better attract and/or retain talent, different retention and recruitment initiatives were put forward such as increases in hourly labour rates, referral bonuses, one-time retention bonuses and a new employer branding strategy to increase

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attraction. Although labour-related issues appear to be slowly fading during the fourth quarter of 2022, the production rate in the U.S. has remained relatively unchanged from the same quarter last year due to a variety of factors, including: (i) supply chain and mechanical issues resulting in a temporary stoppage or slowdown in production at some U.S. plants; and (ii) as stated earlier in this MD&A, a production interruption of the cranberry sauce line at the Corporation's New Jersey plant, for almost 90 days from the later part of the third quarter up until the last few weeks of the fiscal year. While overall demand has tapered somewhat in the second half of the year, these challenges have impacted the Corporation's ability to meet customer demand during 2022.

Sales

(in millions of dollars)	**Private labels**	**National brands**	**Total**
	$	$	$
Sales 2021	**1,088.8**	**804.1**	**1,892.9**
Selling price adjustments impact	110.5	77.6	**188.1**
Volume impact	(9.1)	6.0	**(3.1)**
Change in the sales mix impact	24.8	4.0	**28.8**
Other impacts, net	-	(0.5)	**(0.5)**
Growth excluding foreign exchange impact	126.2	87.1	**213.3**
	11.6%	*10.8%*	***11.3%***
Foreign exchange impact	32.8	12.0	**44.8**
Sales 2022	**1,247.8**	**903.2**	**2,151.0**

For the year ended December 31, 2022, sales were up $258.1 million (13.6%) compared to 2021. Excluding a $44.8 million favourable foreign exchange impact, sales were up $213.3 million (11.3%) year over year, mainly due to selling price adjustments in both the U.S. and Canada, and to a favourable change in the sales mix resulting from a $36.9 million increase in the U.S., partly offset by an $8.1 million decrease in Canada. The unfavourable volume impact came from a $64.7 million decrease in the U.S., mainly resulting from the production and supply chain issues experienced during the year, partly offset by a $61.6 million increase in Canada. For the same period, and according to industry data, sales volume (measured on a trailing 52-week basis) in the Canadian and U.S. fruit juice and drink markets decreased by about 3% and 5%, respectively during fiscal 2022 compared to fiscal 2021.

Cost of sales

For the year ended December 31, 2022, cost of sales was up $256.7 million or 18.7% year over year. Excluding a $23.6 million unfavourable foreign exchange impact, cost of sales was up $233.1 million (17.0%) year over year. When compared to the 11.3% increase in sales, this 17.0% increase in cost of sales essentially reflects:

(i) higher cost for all inputs, 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 U.S. on the allocation of manufacturing overhead costs to product costs;

(iii) an increase in conversion costs, mainly related to higher raw material warehousing, energy and labour costs;

(iv) a $4.5 million increase in provisions related to client claims; and

(v) a $2.8 million expense in 2021 resulting from an adjustment related to taxes not recoverable by the Corporation.

Gross profit

As a result of the aforementioned factors, gross profit amounted to $523.3 million (24.3% of sales) in 2022, up slightly compared to $521.9 million in 2021.

Selling and administrative expenses

The 2022 selling and administrative expenses were up $38.4 million compared to 2021. Excluding $11.0 million in expenses related to the multi-year strategy, selling and administrative expenses were up $27.4 million. This increase was mainly due to:

(i) a $32.9 million increase in transportation costs, resulting from higher fuel surcharges and base transportation rates, incurred to deliver products to clients;

(ii) a $7.1 million unfavourable foreign exchange impact that affected the conversion of the selling and administrative expenses of the U.S. entities into Canadian dollars;

(iii) higher warehousing costs caused by a combination of a higher level of inventories and a greater cost for external storage; and

(iv) a $13.9 million decrease in performance-related salary expenses.

Operating profit

As a result of the aforementioned factors, the Corporation's operating profit totalled $81.3 million for the year ended December 31, 2022 versus $118.4 million for the year ended December 31, 2021.

Financial expenses

For the year ended December 31, 2022, financial expenses were down $0.7 million year over year, essentially due to a decrease in the amortization of transaction costs.

Other (gains) losses

The 2022 gain was mainly driven by foreign exchange gains, whereas the 2021 loss was mainly due to a $0.3 million loss resulting from a change in the fair value of financial instruments and to $0.2 million in foreign exchange losses.

Profit before income taxes

Profit before income taxes totalled $70.6 million for the year ended December 31, 2022, down from $106.0 million in 2021.

Income tax expense

At 24.5%, the effective income tax rate for 2022 was lower than the 26.0% rate in 2021. During the fourth quarter of 2022, the Corporation had recognized a $0.6 million favourable non-cash adjustment to the deferred tax liabilities of the U.S. entities. This downward adjustment to deferred tax liabilities stems from a reduction to the tax rate of a U.S. state. Excluding the impact of this adjustment, the 2022 adjusted effective income tax rate would have been 25.3% versus 26.0% last year. This lower 2022 effective income tax rate was essentially attributable to the geographic distribution of profit or loss before income taxes.

Profit

For the year ended December 31, 2022, profit totalled $53.3 million, down from $78.5 million in 2021.

Profit attributable to the Corporation's shareholders

For the year ended December 31, 2022, profit attributable to the Corporation's shareholders was $53.9 million, or $7.85 per basic and diluted share, versus $77.5 million, or $11.18 per share, respectively, in 2021.

10.2 Analysis of Consolidated Cash Flows

	Years ended	
(in millions of dollars)	**Dec. 31, 2022**	**Dec. 31, 2021**
	$	$
Operating activities	**24.0**	93.7
Financing activities	**27.7**	(64.9)
Investing activities	**(48.0)**	(40.4)
Increase (decrease) in cash and cash equivalents	**3.6**	(11.6)
Cash and cash equivalents at beginning	**(4.7)**	6.8
Effect of exchange rate changes on cash and cash equivalents	**(0.6)**	0.0
Cash and cash equivalents at end	**(1.7)**	(4.7)

Cash flows related to operating activities

For the year ended December 31, 2022, operating activities generated $24.0 million in cash, whereas these activities had generated $93.7 million during 2021. This decrease in cash inflows was essentially due to a change in non-cash operating working capital items that used $88.1 million in cash during 2022 compared to $48.6 million in cash used last year, for a $39.5 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 $92.9 million during 2022 compared to $49.7 million used last year;

b) a change in accounts payable and accrued liabilities that generated $25.3 million during 2022 compared to $7.5 million generated during 2021;

c) a change in other current assets and liabilities that used $8.5 million during 2022 compared to $0.4 million generated last year; and

d) a change in accounts receivable that used $11.9 million during 2022 compared to $6.9 million used during 2021.

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

(i) a $36.3 million decrease in earnings before interest, taxes, depreciation and amortization (including a $1.1 million favourable change in other (gains) losses);

(ii) a $4.1 million decrease in income tax received; and

(iii) a $2.3 million increase in income tax paid.

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

(i) a net $11.5 million decrease in the funding of the defined benefit pension plans, as the Corporation withdrew a net amount of $4.9 million from its pension plans in 2022 compared to $6.6 million in funding in 2021; and

(ii) $4.6 million in unrealized foreign exchange losses during 2022 compared to $0.1 million in unrealized foreign exchange gains during 2021.

Cash flows related to financing activities

For the year ended December 31, 2022, financing activities generated $27.7 million in cash, whereas these activities had used $64.9 million in cash during 2021. This increase in cash inflows was mainly due to (i) a $152.9 million inflow from revolving operating credit during 2022, mainly to finance the long-term debt repayments and higher inventory levels, compared to a $3.6 million repayment on the revolving operating credit in 2021 and to (ii) a $2.3 million decrease in dividends paid on Class A and B shares, partly offset by (i) a $52.5 million increase in long-term debt repayments and by (ii) $14.1 million in share repurchases during 2022.

Cash flows related to investing activities

For the year ended December 31, 2022, investing activities used $48.0 million in cash compared to $40.4 million used in 2021. This upward change was mainly due to a $9.5 million increase in cash outflows to acquire property, plant and equipment, partly offset by a $0.5 million payment in 2022 related to a loan to an associate compared to the acquisition in 2021 of a $2.0 million additional ownership interest in this associate and of $0.5 million in derivative instruments related to the associate.

11 Financial Position

(in millions of dollars)	As at Dec. 31, 2022	As at Dec. 31, 2021	Increase (decrease) Foreign exchange impact[8]	Variance, excluding foreign exchange impact
	$	$	$	$
Assets				
Current				
Cash and cash equivalents	**2.7**	0.3	(0.3)	2.7
Accounts receivable	**173.7**	154.4	7.3	12.0
Income tax recoverable	**12.2**	4.6	0.7	6.9
Inventories	**414.0**	309.7	11.4	92.9
Derivative instruments	**7.4**	1.7	-	5.7
Other current assets	**28.8**	19.1	0.3	9.4
	638.8	489.7	19.4	129.7
Property, plant and equipment	**400.0**	384.4	10.5	5.1
Intangible assets	**198.4**	204.0	11.4	(17.0)
Net defined benefit asset	**30.9**	23.0	-	7.9
Other non-current assets	**8.6**	10.2	-	(1.6)
Goodwill	**328.2**	308.4	19.8	-
	1,604.7	1,419.6	61.1	124.0
Liabilities				
Current				
Bank overdraft	**4.4**	5.0	0.3	(0.9)
Accounts payable and accrued liabilities	**307.0**	269.1	9.9	28.0
Income tax payable	**-**	5.6	-	(5.6)
Derivative instruments	**0.7**	1.1	-	(0.4)
Other current liabilities	**5.6**	5.1	0.1	0.4
Current portion of long-term debt	**100.8**	84.4	5.3	11.1
	418.6	370.3	15.6	32.6
Long-term debt	**148.6**	91.0	7.8	49.8
Other non-current liabilities	**2.0**	1.3	-	0.7
Deferred tax liabilities	**98.1**	91.4	3.4	3.3
	667.2	554.1	26.8	86.2
Shareholder's equity	**937.6**	865.5	34.3	37.8
	1,604.7	1,419.6	61.1	124.0

11.1 Assets

Accounts receivable totalled $173.7 million as at December 31, 2022 (representing 28.4 Days of Sales Outstanding[9]) compared to $154.4 million (28.8 Days of Sales Outstanding[11]) as at December 31, 2021. Excluding the foreign exchange impact, accounts receivable

[8] 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 $1.3544 CAD per USD as at December 31, 2022. The table presents the main Consolidated Statement of Financial Position items that were significantly affected by the movement in exchange rates.

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were up $12.0 million, essentially due to a $12.5 million increase in trade accounts receivable resulting from higher sales in the fourth quarter of 2022 compared to the fourth quarter of 2021.

Inventories went from $309.7 million as at December 31, 2021 (representing 79.7 Days of Inventory Outstanding[11]) to $414.0 million (87.1 Days of Inventory Outstanding[11]) as at December 31, 2022. Excluding the foreign exchange impact, inventories increased by $92.9 million. This increase came from a $72.0 million increase in inventories of raw materials and supplies, explained as much by a higher inventory level as a higher cost and from a $20.9 million increase in finished goods inventories owing mainly to the higher cost thereof and, to a lesser extent, to a higher inventory level.

As at December 31, 2022, the fair value of **derivative instruments recorded as current assets** was $7.4 million compared to $1.7 million as at December 31, 2021. This Statement of Financial Position item essentially reflects the favourable variances between the rates on the foreign exchange forward contracts held by the Corporation to cover its foreign currency requirements for up to 12 months following its reporting date and the exchange rates on that date. It also reflects the favourable variances between the rates of certain interest rate swaps held by the Corporation to cover interest rate fluctuations and the interest rate in effect on that date.

Other current assets went from $19.1 million as at December 31, 2021 to $28.8 million as at December 31, 2022. This $9.7 million increase was mainly due to a $6.2 million increase in sales tax receivable, and to a $3.0 million increase in prepaid expenses.

Property, plant and equipment ("PP&E") went from $384.4 million as at December 31, 2021 to $400.0 million as at December 31, 2022. Excluding the foreign exchange impact, PP&E increased by $5.1 million. This increase was mainly due to the fact that the Corporation purchased $42.9 million in PP&E and recognized $2.1 million in new right-of-use assets, while depreciation expense stood at $36.3 million and the Corporation recognized a $3.8 million downward net revaluation in the value of right-of-use assets.

Intangible assets went from $204.0 million as at December 31, 2021 to $198.4 million as at December 31, 2022. Excluding the foreign exchange impact, intangible assets decreased by $17.0 million, as an amortization expense of $23.2 million was partly offset by intangible asset purchases of $6.2 million.

The Corporation's capital expenditures fall into three categories: (a) Growth and optimization projects; (b) Maintenance and regulatory projects; and (c) Technology projects. In 2022, the Corporation invested a total amount of $49.1 million in capital expenditures, with growth and optimization projects representing $22.8 million, maintenance and regulatory projects representing $18.7 million, and technology projects representing $7.6 million.

The **net defined benefit asset** went from $23.0 million as at December 31, 2021 to $30.9 million as at December 31, 2022, a $7.9 million increase that was due to a $15.0 million actuarial gain, partly offset by a $5.0 million withdrawal from the defined benefit pension plans and $2.1 million in plan-related expenses.

11.2 Liabilities

Accounts payable and accrued liabilities went from $269.1 million as at December 31, 2021 (representing 69.3 Days of Payable Outstanding[11]) to $307.0 million (64.6 Days of Payable Outstanding[11]) as at December 31, 2022. Excluding the foreign exchange impact, accounts payable and accrued liabilities increased by $28.0 million. This increase was mainly due to a $44.5 million increase in trade payables and accrued expenses, explained mainly by an increase in purchases of raw materials and supplies and variations in supplier payment terms, partly offset by a $16.6 million decrease in the "Salaries and accrued vacation payable" item, essentially due to the payment of the 2021 performance-related salary expenses during the first quarter.

Long-term debt, including the current portion, was $249.4 million as at December 31, 2022 compared to $175.4 million as at December 31, 2021. Excluding the foreign exchange impact, long-term debt increased by $60.9 million. This increase was essentially due to a $62.7 million draw on the Canadian revolving credit, mainly resulting from a higher inventory level, and to a $90.2 million draw on the U.S. revolving operating credit, which was essentially used to fully repay the U.S. subsidiaries' term loan balance of $81.5 million. Moreover, the Corporation repaid $3.7 million on its Canadian term debts. Regarding the Corporation's lease liabilities, they decreased by $7.2 million, essentially due to repayments of $5.5 million and to a $3.8 million downward revaluation of the lease liabilities, partly offset by the recognition of $2.1 million in new 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 $98.1 million as at December 31, 2022. Excluding the foreign exchange impact, deferred tax liabilities increased by $3.3 million. This increase came mainly from the tax impact of recognizing, in comprehensive income, an actuarial gain and from the tax amortization of goodwill, partly offset by the recognition of new unused tax losses related to U.S. entities.

11.3 Shareholders' Equity

Equity attributable to the Corporation's shareholders totalled $877.2 million as at December 31, 2022, up $68.8 million from $808.4 million as at December 31, 2021. Accumulated other reserves increased by $38.3 million given a $35.0 million increase in the foreign currency translation reserve resulting mainly from a higher December 31, 2022 conversion rate applicable to closing balances denominated in U.S. dollars compared to that of December 31, 2021 and also given a $3.3 million increase in the hedging reserve. Retained earnings rose $31.9 million to total $735.0 million at the end of fiscal 2022. This increase essentially reflects $53.9 million in profit attributable to the Corporation's shareholders for 2022 and the recognition of an $11.0 million actuarial gain, net of tax, in other comprehensive income, less $20.5 million in dividends paid and the $12.6 million excess of the purchase price of repurchased Class A shares over the stated capital. The non-controlling interest went from $57.1 million as at December 31, 2021 to $60.4 million as at December 31, 2022. The non-controlling interest represents a minority interest's share in the equity of the Corporation's U.S. entities.

11.4 Contractual Obligations

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

(in millions of dollars)

Contractual obligations	**2023**	**2024 and 2025**	**2026 and 2027**	**2028 and thereafter**
	$	$	$	$
Long-term debt (excluding lease liabilities)	96.2	4.2	114.0	-
Lease liabilities	6.2	11.6	9.4	27.6
PP&E purchase commitments	23.4	4.0	-	-
Other purchase commitments	333.7	5.2	1.4	4.1
Other commitments [i]	312.1	-	-	-
Total	**771.6**	**24.9**	**124.8**	**31.7**

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

12 Analysis of Selected Annual Information

Sales

At $1,892.9 million, the Corporation's 2021 sales had decreased from $1,980.9 million in 2020. Excluding a $72.9 million unfavourable foreign exchange impact, the Corporation's sales were down 0.8% year over year. This decrease from 2020 to 2021 came mainly from lower sales of private label products in the United States, as certain plants and co-packers used by the Corporation experienced a slower production rate given labour-related issues. This decrease in the United States was partly offset by higher sales of private label products in Canada and by selling price adjustments that had a favourable impact on the Corporation's national brand sales.

Operating profit

For the year ended December 31, 2021, the Corporation's operating profit had totalled $118.4 million, a $33.5 million year-over-year decrease that came mainly from a lower gross margin realized by U.S. operations. This lower gross margin was due to (i) a decrease in sales of private label products and an unfavourable impact from this decrease on the allocation of manufacturing overhead to product costs and to (ii) higher input costs, including an increase in the cost of transporting them to the Corporation's plants. As for the Canadian operations, gross margin increased year over year, essentially reflecting an increase in sales volume and the impact of selling price adjustments, partly offset by higher input costs, including an increase in their transportation cost to the Corporation's plants. Operating profit was also affected by higher transportation costs incurred to deliver products to the Corporation's clients and by higher warehousing costs, partly offset by lower performance-related salary expenses.

Profit attributable to the Corporation's shareholders

The 2021 profit attributable to the Corporation's shareholders had totalled $77.5 million, a $20.3 million year-over-year decrease that came mainly from lower operating profit, partly offset by lower financial expenses.

Cash flows from operating activities

For 2021, cash flows generated by operating activities totalled $93.7 million, down $137.5 million from 2020. This downward change was mainly due to (i) a change in non-cash operating working capital items that used $48.6 million in cash during fiscal 2021 compared to $51.2 million in cash generated in 2020, for a $99.8 million increase in cash outflows and to (ii) a $40.4 million decrease in earnings before interest, taxes, depreciation and amortization (including a $1.3 million unfavourable change in other (gains) losses).

Total assets

Total assets grew $38.0 million between 2020 and 2021, mainly due to the combined impact of the following factors: (i) a $49.6 million increase in inventories owing essentially to advanced purchases of certain raw materials to secure supply or prices; (ii) a $17.9 million decrease in intangible assets as amortization expense exceeded the value of the acquisitions; and (iii) a $13.6 million increase in the net defined benefit asset that was largely explained by an $11.2 million actuarial gain realized in 2021.

13 Financing and Cash

As at December 31, 2022, the Corporation had $2.7 million in cash and cash equivalents and a $4.4 million bank overdraft compared to $0.3 million in cash and cash equivalents and a $5.0 million bank overdraft as at December 31, 2021.

On April 10, 2013, the Corporation obtained credit facilities for its Canadian operations with an authorized amount of nearly $250 million. The facilities included a five-year committed revolving operating credit ("CA revolving credit") for an authorized amount of $175 million and a term credit facility of nearly $75 million. On April 5, 2018, the Corporation entered into an agreement to amend the Canadian credit facilities to include the various requests for amendments accepted between April 10, 2013 and April 4, 2018 as well as to extend the expiry date of the CA revolving credit facility by one year to April 2023. As a result of this agreement, the credit facilities comprised a five-year committed CA revolving credit for an authorized amount of $175 million and a term credit facility for a revised authorized amount of nearly $44.6 million.

On December 20, 2019, the Corporation entered into an agreement to amend the Canadian credit facilities to include the various requests for amendments accepted between April 5, 2018 and December 19, 2019, to reduce the pricing as well as to raise the authorized amount of the CA revolving credit by $50 million. As a result of this agreement, the credit facilities comprise a CA revolving credit committed for a period of four years and three months for an authorized amount of $225 million and a term credit facility for a revised authorized amount of $32.5 million. The CA revolving credit facility provides the Corporation with the option, subject to the participation of each lender, to raise borrowing capacity by an amount not exceeding $50 million and to extend, on each annual anniversary date, the expiry date of this CA revolving credit facility by one year under the same terms and conditions. In November 2022, the Corporation and syndicate of financial institutions agreed to extend the expiry date of the CA revolving credit facility by one year to April 2027. The provisions of the CA revolving credit have also been updated to include fallback provisions to manage the transition of the LIBOR and CDOR benchmark interest rates, which will be, respectively, replaced during fiscal years 2023 and 2024. The benchmark rate alternatives to LIBOR and CDOR will be, respectively, the Secured Overnight Financing Rate ("SOFR") and the Canadian Overnight Repo Rate Average ("CORRA").

During the third quarter of 2011, the Corporation also obtained, through one of its subsidiaries, a revolving operating credit facility ("U.S. revolving credit") for an authorized amount of US$50 million from a syndicate of banks and other institutional lenders. This U.S. revolving credit facility had been granted for a term of five years and is not guaranteed by Lassonde Industries Inc. and its Canadian subsidiaries. In September 2016, through certain subsidiaries, the Corporation entered into an agreement to modify and renew the term loan and the U.S. revolving credit maturing in August 2017. These amended and updated credit facilities, with an authorized amount of US$239.4 million, were provided by a syndicate of financial institutions to support the Corporation's U.S. operations. The credit facilities comprised a three-year committed U.S. revolving credit for an authorized amount of US$75 million and a term loan of US$164.4 million maturing in September 2019.

On May 31, 2018, as part of the acquisition of Old Orchard Brands, LLC, the Corporation entered into an agreement to amend the U.S. revolving credit and the existing term loan as well as to obtain a new term loan of US$146.0 million. As a result of this agreement, the credit facilities comprise a four-year committed U.S. revolving credit for an authorized amount of US$75.0 million, a term loan with a revised authorized amount of US$92.5 million and fully repaid in 2019, and a new term loan with an authorized amount of US$146.0 million and fully repaid in 2022. In June 2021, the U.S. credit facilities were amended to increase the authorized amount of the U.S. revolving credit to US$100.0 million and to extend its maturity date by one year to May 2023.

As at December 31, 2022, the outstanding balance of the CA revolving credit was $113.4 million and that of the U.S. revolving credit was US$68.0 million, whereas, as at December 31, 2021, the outstanding balance of the CA revolving credit was $44.4 million and that of the U.S. revolving credit was US$1.1 million.

The terms and conditions of these credit facilities are presented in Note 20 to the Corporation's consolidated financial statements for the year ended December 31, 2022. The Corporation believes that it will be able to ensure its development using cash flows from operating activities and currently available bank credit.

Capital management

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

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

As at December 31, 2022, the Corporation had letters of credit outstanding totalling $1.3 million.

Commitments are presented in Note 27 to the Corporation's audited consolidated financial statements for the year ended December 31, 2022.

15 Share Information

As at December 31, 2022, the Corporation's issued and outstanding share capital consisted of 3,069,000 Class A subordinate voting shares and 3,752,620 Class B multiple voting shares.

The shares of Lassonde Industries Inc. traded at prices ranging from $99.16 to $158.79 during 2022. The closing share price for fiscal 2022 was $111.28, down 29.3% from $157.34 at the end of 2021.

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

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

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

16 Dividends

In accordance with the Corporation's dividend policy, the Board of Directors declared on February 15, 2023 a quarterly dividend of $0.70 per share, payable on March 15, 2023 to all registered holders of Class A and Class B shares on February 27, 2023. This dividend is an eligible dividend.

The table below presents the current or expected dates of declaration, record and payment of dividends for fiscal 2023, all of which are subject to approval by the Board of Directors.

Declaration date	Record date	Payment date
February 15, 2023	February 27, 2023	March 15, 2023
May 12, 2023	May 25, 2023	June 15, 2023
August 11, 2023	August 23, 2023	September 15, 2023
November 10, 2023	November 23, 2023	December 15, 2023

17 Subsequent Event

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

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

18 Financial Measures Not in Accordance With IFRS

The financial measures or ratios 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.

18.1 Items Impacting the Comparability Between Periods

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

	Fourth quarters ended		Years ended	
(in millions of dollars)	**Dec. 31, 2022**	**Dec 31, 2021**	**Dec 31, 2022**	**Dec. 31, 2021**
	$	$	**$**	$
Costs related to the Strategy	**1.0**	-	**7.1**	-
Implementation costs of new cloud-based systems	**1.8**	-	**3.9**	-
Production interruption of a line in New Jersey	**3.7**	-	**5.2**	-
Adjustment related to non-recoverable sales taxes	**-**	0.7	**-**	2.8
<u>Sum of items impacting comparability on:</u>				
Operating profit and EBITDA	**6.5**	0.7	**16.2**	2.8
Fiscal impact of previous items	**(1.7)**	(0.2)	**(4.2)**	(0.7)
<u>Item impacting comparability on income tax expense:</u>				
Deferred tax liabilities adjustment following a reduction to the tax rate of a U.S. state	**(0.6)**	-	**(0.6)**	-
Impact on profit	**4.2**	0.5	**11.4**	2.1
Attributable to:				
Corporation’s shareholders	**3.8**	0.5	**10.5**	2.1
Non-controlling interest	**0.4**	-	**0.9**	-

18.2 Adjusted Operating Profit

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

	Fourth quarters ended		Years ended	
(in millions of dollars)	**Dec. 31, 2022**	**Dec. 31, 2021**	**Dec. 31, 2022**	**Dec. 31, 2021**
	$	$	**$**	$
Operating profit	**16.7**	31.6	**81.3**	118.4
Sum of items impacting comparability	**6.5**	0.7	**16.2**	2.8
Adjusted operating profit	**23.2**	32.3	**97.5**	121.1

(in millions of dollars)	**Q4 2022**	**Q3 2022**	**Q2 2022**	**Q1 2022**	**Q4 2021**	**Q3 2021**	**Q2 2021**	**Q1 2021**
	$	$	$	$	$	$	$	$
Adjusted operating profit	**23.2**	24.2	25.3	24.8	32.3	27.5	29.9	31.4

18.3 EBITDA and Adjusted EBITDA

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

	Fourth quarters ended		Years ended	
(in millions of dollars)	**Dec. 31, 2022**	**Dec. 31, 2021**	**Dec. 31, 2022**	**Dec. 31, 2021**
	$	$	**$**	$
Operating profit	**16.7**	31.6	**81.3**	118.4
Depreciation of property, plant and equipment and amortization of intangible assets	**14.9**	14.2	**59.5**	59.5
(Gains) losses on capital assets	**0.1**	(0.0)	**0.1**	(0.0)
EBITDA	**31.8**	45.8	**140.9**	177.8
Sum of items impacting comparability	**6.5**	0.7	**16.2**	2.8
Adjusted EBITDA	**38.3**	46.5	**157.1**	180.6

For the fourth quarter, depreciation and amortization expense went from $14.2 million in 2021 to $14.9 million in 2022. Excluding a $0.7 million unfavourable foreign exchange impact, the depreciation and amortization expense remained stable at $14.2 million.

The annual depreciation and amortization expense remained stable at $59.5 million in 2021 and 2022. Excluding a $1.4 million unfavourable foreign exchange impact, the depreciation and amortization expense decreased by $1.4 million, mainly given the end of the amortization of certain intangible assets during the fourth quarter of 2021.

(in millions of dollars)	**Q4 2022**	**Q3 2022**	**Q2 2022**	**Q1 2022**	**Q4 2021**	**Q3 2021**	**Q2 2021**	**Q1 2021**
	$	$	$	$	$	$	$	$
EBITDA	**31.8**	34.5	37.2	37.3	45.8	40.5	44.8	46.6
Adjusted EBITDA	**38.3**	38.9	40.2	39.7	46.5	42.6	44.8	46.6

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

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

	Fourth quarters ended		Years ended	
(in millions of dollars, unless otherwise indicated)	**Dec. 31, 2022**	**Dec. 31, 2021**	**Dec. 31, 2022**	**Dec. 31, 2021**
	$	$	**$**	$
Profit attributable to Corporation's shareholders	**10.5**	21.8	**53.9**	77.5
Sum of items impacting comparability	**3.8**	0.5	**10.5**	2.1
Adjusted profit attributable to Corporation's shareholders	**14.3**	22.3	**64.4**	79.6
Weighted average number of shares outstanding *(in thousands)*	**6,849**	6,933	**6,875**	6,933
Adjusted EPS *(in $)*	**2.09**	3.22	**9.37**	11.48

(in millions of dollars, except adjusted EPS)	**Q4 2022**	**Q3 2022**	**Q2 2022**	**Q1 2022**	**Q4 2021**	**Q3 2021**	**Q2 2021**	**Q1 2021**
	$	$	$	$	$	$	$	$
Adjusted profit attributable to Corporation's shareholders	**14.3**	17.4	16.3	16.4	22.3	18.4	18.8	20.1
Adjusted EPS *(in $)*	**2.09**	2.54	2.36	2.37	3.22	2.65	2.71	2.90

18.5 Net Debt to Adjusted EBITDA

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

(in millions of dollars, except the net debt to adjusted EBITDA ratio)	**As at Dec. 31, 2022**	**As at Dec. 31, 2021**
	$	$
Current portion of long-term debt	**100.8**	84.4
Long-term debt	**148.6**	91.0
Less: Cash and cash equivalents	**(2.7)**	(0.3)
Net debt	**246.7**	175.1
Sum of adjusted EBITDA from the last four quarters	**157.1**	180.6
Net debt to adjusted EBITDA ratio	**1.57:1**	0.97:1

18.6 Days Operating Working Capital

Days operating working capital is a financial efficiency measure used by the Corporation to represent the amount of sales tied up as operating working capital. To calculate this financial measure, operating working capital is divided by the last quarter's sales, as they are presented in *Section 8 – "Fourth Quarter"* of this MD&A, and multiplied by 91 days. Operating working capital is the sum of accounts receivable and inventories, less accounts payable and accrued liabilities, as they are presented in the Corporation's Consolidated Statement of Financial Position.

(in millions of dollars, except days operating working capital)	**As at Dec. 31, 2022**	**As at Dec. 31, 2021**
	$	$
Accounts receivable	**173.7**	154.4
Inventories	**414.0**	309.7
Less: Accounts payable and accrued liabilities	**(307.0)**	(269.1)
Operating working capital	**280.7**	195.0
Divided by: Last quarter's sales	**556.0**	487.5
	0.50	0.40
Days operating working capital *(in days)*	**45.9**	36.4

(in days)	**Q4 2022**	**Q3 2022**	**Q2 2022**	**Q1 2022**	**Q4 2021**	**Q3 2021**	**Q2 2021**	**Q1 2021**
Days operating working capital	**45.9**	50.8	47.6	42.8	36.4	33.5	31.6	33.5

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

18.6.1 Days of Sales Outstanding

Days of sales outstanding ("DSO") is a financial efficiency measure used by the Corporation to represent the average number of days that it takes the Corporation to collect payment for a sale. To calculate this financial measure, accounts receivable, as they are presented in the Consolidated Statement of Financial Position, are divided by the last quarter's sales, as they are presented in *Section 8 – "Fourth Quarter"* of this MD&A, and multiplied by 91 days.

(in millions of dollars, except DSO)	**As at Dec. 31, 2022**	**As at Dec. 31, 2021**
	$	$
Accounts receivable	**173.7**	154.4
Divided by: Last quarter's sales	**556.0**	487.5
	0.31	0.32
DSO *(in days)*	**28.4**	28.8

(in days)	**Q4 2022**	**Q3 2022**	**Q2 2022**	**Q1 2022**	**Q4 2021**	**Q3 2021**	**Q2 2021**	**Q1 2021**
DSO	**28.4**	32.9	29.7	32.1	28.8	31.8	30.4	31.2

18.6.2 Days of Inventory Outstanding

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

(in millions of dollars, except DIO)	**As at Dec. 31, 2022**	**As at Dec. 31, 2021**
	$	$
Inventories	**414.0**	309.7
Divided by: Last quarter's cost of sales	**432.3**	353.4
	0.96	0.88
DIO *(in days)*	**87.1**	79.7

(in days)	**Q4 2022**	**Q3 2022**	**Q2 2022**	**Q1 2022**	**Q4 2021**	**Q3 2021**	**Q2 2021**	**Q1 2021**
DIO	**87.1**	80.6	86.4	82.4	79.7	75.5	72.6	71.9

18.6.3 Days of Payables Outstanding

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

(in millions of dollars, except DPO)	**As at Dec. 31, 2022**	**As at Dec. 31, 2021**
	$	$
Accounts payable and accrued liabilities	**307.0**	269.1
Divided by: Last quarter's cost of sales	**432.3**	353.4
	0.71	0.76
DPO *(in days)*	**64.6**	69.3

(in days)	**Q4 2022**	**Q3 2022**	**Q2 2022**	**Q1 2022**	**Q4 2021**	**Q3 2021**	**Q2 2021**	**Q1 2021**
DPO	**64.6**	57.4	62.2	67.7	69.3	73.3	70.9	68.6

18.7 Capital Employed and Sources of Capital

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

(in millions of dollars)	**As at Dec. 31, 2022**	**As at Dec. 31, 2021**
	$	$
Capital employed		
Accounts receivable	**173.7**	154.4
Inventories	**414.0**	309.7
Less: Accounts payable and accrued liabilities	**(307.0)**	(269.1)
Operating working capital	**280.7**	195.0
Income tax recoverable	**12.2**	4.6
Other current assets	**28.8**	19.1
Derivative instruments asset, including the current portion	**7.7**	2.2
Investment in an associate	**7.4**	8.4
Property, plant and equipment	**400.0**	384.4
Intangible assets	**198.4**	204.0
Net defined benefit asset	**30.9**	23.0
Other non-current assets	**0.9**	1.2
Goodwill	**328.2**	308.4
Less: Income tax payable	**-**	(5.6)
Less: Other current liabilities	**(5.6)**	(5.1)
Less: Derivative instruments liability, including the current portion	**(0.7)**	(1.1)
Less: Long-term incentive plan liabilities	**(1.4)**	(0.9)
Less: Pension plan liabilities	**(0.5)**	(0.4)
Less: Deferred tax liabilities	**(98.1)**	(91.4)
	1,188.7	1,045.6
Sources of capital		
Bank overdraft	**4.4**	5.0
Long-term debt, including the current portion	**249.4**	175.4
Shareholders' equity	**937.6**	865.5
Less: Cash and cash equivalents	**(2.7)**	(0.3)
	1,188.7	1,045.6

18.8 Return on Capital Employed

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

(in millions of dollars, unless otherwise indicated)	**As at Dec. 31, 2022**	**As at Dec. 31, 2021**
	$	$
Sum of adjusted operating profit from the last four quarters	**97.5**	121.1
Average capital employed from the last four quarters	**1,161.4**	1,027.5
Return on capital employed ratio *(in %)*	**8.4**	11.8

(in %)	**Q4 2022**	**Q3 2022**	**Q2 2022**	**Q1 2022**	**Q4 2021**	**Q3 2021**	**Q2 2021**	**Q1 2021**
ROCE	**8.4**	9.5	10.2	11.0	11.8	12.6	13.6	14.5

19 Uncertainties and Principal Risk Factors

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

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

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

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

The Corporation purchases large quantities of ingredients, containers, and packaging (collectively referred to as "raw materials" or "inputs"), including apple juice concentrates, orange juice concentrates and other mainly fruit- and vegetable-based concentrates or ingredients to manufacture its products. In addition, the Corporation purchases and uses significant quantities of PET resin, multilayer carton packaging, corrugated carton and film to package its products. Under some of its supply arrangements, the price the Corporation pays for its inputs fluctuates along with certain changes in the underlying costs. The other conversion, warehousing and distribution costs are also exposed to market risks arising from labour-related inflation and adverse changes in input costs, such as the energy used for the production and distribution of its products. The Corporation imports a significant portion of its raw materials from outside North America and sells its products throughout North America. As the Corporation directly or indirectly pays for the transportation costs related to its purchases of raw materials and assumes the delivery costs on a significant portion of its sales, it is exposed to the fluctuation of these costs.

Costs for inputs, labour, energy, transportation and other types of expenses can fluctuate due to inflationary pressures that are difficult to predict, including demand, global competition for resources, currency fluctuations, severe weather conditions, conflicts between certain nations, including trade wars, and speculation on input prices. To mitigate the effects of certain input cost fluctuations, the Corporation occasionally secures long-term supply agreements, buys more than usual for a given period, or contracts derivative instruments. Decreases in the cost of inputs contemplated by a hedging instrument could also increase its cost of goods sold depending on the change in the market value of the selected derivative instruments. These procurement practices aimed at reducing the risk of future cost increases could also limit its ability to take advantage of potential cost decreases.

General increases in inputs, transportation, and conversion costs seem to be continuing in 2023, increasing pressure on the Corporation's gross profit. The Corporation can respond through a variety of measures, notably by raising selling prices. However, there is no guarantee that the Corporation's customers will accept such price increases. And even if the Corporation's customers fully accepted the price increases, those increases could potentially lead to a reduction in sales volume. Consumers could be reluctant to pay more for the Corporation's products and could therefore opt for other, less costly products or could simply stop buying its products.

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

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

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

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

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

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

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

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

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

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

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

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

The North American juice, drink, and specialty food markets are highly competitive and rapidly changing. The Corporation competes based on price, quality, product variety, brand recognition and loyalty, and its ability to effectively distribute its products. Some of its competitors are very large and have greater financial and marketing capabilities than the Corporation does to withstand changes in market conditions. Increased competition and anticipated actions by its competitors could lead to downward pressure on selling prices or contribute to higher trade marketing costs, discounts, and/or promotional rebates used to promote products and/or a decline in the Corporation's market share. Existing products or products under development by Lassonde's competitors could prove to be more successful or less costly than its products, which could have a material adverse effect on the competitiveness of its products and its business.

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

Lassonde's success depends in part on the quality of the human resources that it can hire, train, develop, and retain as well as on the adequacy of its plans for the succession of employees nearing retirement. While the Corporation has historically experienced some level of ordinary course turnover of employees, the COVID-19 pandemic and resulting actions and impacts have worsened labour shortages and increased turnover. The scarcity of labour in North America is likely to have a continued impact on business performance, in terms of operational efficiency, ability to meet demand, compensation, and the cost of employee benefits. The Corporation competes with other companies to attract and hire skilled employees and its own employees are sought after by other companies in the same situation. This context could cause the Corporation to lose talented employees, and unplanned turnover could deplete its institutional knowledge, erode its competitiveness and result in increased costs due to increased competition for employees. In addition, failure to maintain a safe and inclusive environment or promote the well-being of its employees could affect Lassonde's reputation and result in lower performance by them and an inability to retain employees. The Corporation could also fail to attract and develop personnel with key emerging competencies that are needed to continue to develop in a constantly changing world.

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

Although Lassonde believes it has good relationships with its employees, a significant portion of its 2,700 employees is covered under collective bargaining agreements. Strikes or work stoppages or other related business interruptions could occur if the Corporation is unable to renew these (or enter new) agreements on satisfactory terms, which could impair the manufacturing of its products. The terms and conditions of existing, renegotiated, or new collective bargaining agreements could also affect its ability to fully implement future operational changes to enhance its efficiency or to adapt to changing business needs or strategy. Three collective bargaining agreements related to two Canadian plants and one United States ("U.S.") plant of the Corporation are expiring over the course of 2023.

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

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

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

All the initiatives under Project Eagle, which are described in more detail in this MD&A, may not be completed in the expected time frame, may be more costly to implement than expected, or may not fully achieve the anticipated cost savings. In addition, Project Eagle involves a certain amount of organizational change, which could have a negative impact on employee engagement, divert Management's attention from other initiatives, and if not properly managed, impact the Corporation's ability to retain key employees and cause disruptions in the Corporation's day-to-day operations.

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

Lassonde benefits from close commercial relationships with several key customers. In 2022, 38.9% (37.0% in 2021) of the Corporation's sales were carried out with its three largest customers. The Corporation's customers typically make purchase decisions based on a combination of price, product quality, and customer service performance. Also, they do not typically enter into written contracts with fixed purchase commitments, and the contracts that they do enter into can generally be terminated at will. Therefore, there can be no assurance that the Corporation's customers will continue to buy its products in the same mix or quantities or on the same terms as in the past. The loss of one or more of these customers, a material disruption of the relationship with these customers, or a significant deterioration of the commercial terms applicable to these customers, could have a material impact on the Corporation's profitability.

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

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

Lassonde's success depends, among other things, on its ability to evolve and grow, and, as changes in its business environments occur, the Corporation may adjust its strategic business plans, from time to time, to meet these changes. The roll-out and execution of the multi-year strategy (the "Strategy") described in section 5 - "Multi-Year Strategy" of this MD&A, will require a significant effort from management and operational resources, which may divert Management's attention from existing core businesses. In addition, events and circumstances, such as delays and unexpected costs, may occur that could result in the Corporation not realizing all, some or none of the benefits expected from its planned timetable or investments, and there can be no assurance that any benefits derived will be sufficient to offset the expenses and costs that it expects to incur in implementing the Strategy.

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

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

Environmental issues and related implications

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

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

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

Environmental laws and related implications

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

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

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

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

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

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

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

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

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

A variety of legal and regulatory restrictions as well as the Corporation's own policies and participation in industry self-regulation initiatives limit how and to whom it markets its products. These restrictions may limit its brand marketing and promotion plans, particularly as social media and the communications environment continue to evolve. In addition, technology-based systems, which give consumers the ability to shop through e-commerce websites and mobile commerce applications, are also significantly altering retail industry practices. If the Corporation is unable to adapt to developments in this industry, it may be disadvantaged in key channels and with certain consumers.

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

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

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

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

Instances of food-borne illnesses, whether real or perceived, and whether or not arising from the Corporation's operations or the result of its actions or omissions, could cause negative publicity about Lassonde or its products, which could adversely affect sales. In addition, a recall or withdrawal may cause the Corporation to lose future revenues or to have its relationships with one or more significant customers interrupted, and the impact of the recall or withdrawal could cause its customers to no longer be willing to continue to purchase affected or unaffected products from Lassonde or could otherwise hinder its ability to grow its business with those customers. Furthermore, publicity surrounding such claims could adversely affect its reputation and brands.

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

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

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

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

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

Exchange rates

Lassonde is sensitive to movements in currency exchange rates because a portion of its assets, liabilities, sales, and expenses must be translated into Canadian dollars for reporting purposes or converted into Canadian dollars to service Canadian dollar-denominated obligations, including to pay dividends to its shareholders. Moreover, any favourable or unfavourable impacts to the Corporation's profitability from the fluctuations in foreign currency exchange rates are likely to be inconsistent year over year. The Corporation's efforts to mitigate its exposure to exchange rate fluctuations may not be successful. In addition, when this exposure is managed via a derivative instrument, it may still incur material losses from such transactions, including being exposed to a counterparty credit risk.

Interest rates

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

Liquidity and credit

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

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

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

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

Stock price

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

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

Pension obligations

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

Customer credit risk

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

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

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

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

Impairment in the value of assets

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

Claims insurability

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

Inventory

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

Internal controls

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

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

Regulatory matters

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

Claims and litigation

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

Intellectual Property

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

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

Conflicts

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

Pandemic

The COVID-19 outbreak in 2020 created a health and economic crisis of unprecedented size that affected global economies and financial markets. Although the situation in North America has greatly improved, the Corporation continues to stay apprised of potential changes in the availability of labour and resources, government interventions in the activities of businesses, or changes in demand for its products. It remains impossible to assess the likelihood of such events given that there are no reliable estimates of how long the crisis will last and how fast the virus could spread because of new variants. The long-term impact on the Corporation's customers is also impossible to assess, as the Corporation has not experienced a comparable situation in recent history.

20 Financial Instruments and Financial Risk Exposure

20.1 Interest Rate Risk

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

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

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

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

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

As at December 31, 2022, the Corporation had interest rate swap agreements, with a total notional amount of US$65.0 million (US$65.0 million as at December 31, 2021), to cover the impact of future fluctuations in LIBOR interest rates, applicable to the term loan and to the CA revolving credit, on the Corporation's cash flows. These swaps are designated in a hedging relationship. As at December 31, 2022, the positive fair value of the interest rate swaps stood, on a net basis, at $0.8 million (total net negative fair value of $0.2 million as at December 31, 2021). It is presented in the Derivative Instruments items of the Corporation's Consolidated Statement of Financial Position.

According to the balances of the Corporation's floating-rate loans and interest rate swaps as at December 31, 2022, all other factors being equal, a 1% increase in the interest rate would have had an unfavourable impact of $863,000 on profit or loss and a favourable impact of $162,000 on other comprehensive income for the year ended December 31, 2022. A 1% decrease in the interest rate would have had an impact of a similar magnitude but in the opposite direction on the Corporation's profit or loss and other comprehensive income.

20.2 Foreign Exchange Risk

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

- the value of its financial instruments, mainly cash and cash equivalents, other working capital items, long-term debt and intercompany balances denominated in foreign currencies;
- net investments in foreign operations, as they use the U.S. dollar as their functional currency; and
- the value of transactions denominated in foreign currencies by entities that have the Canadian dollar as their functional currency;
    - The purchases of raw materials, supplies and equipment denominated in foreign currencies made by Canadian subsidiaries; and
    - Sales made by Canadian subsidiaries concluded in foreign currencies.

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

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

As at December 31, 2022, foreign exchange forward contracts used to hedge the exchange rate fluctuations related to future payments denominated in foreign currencies totalled $287.1 million according to their contractual exchange rates ($157.1 million as at December 31, 2021). Under these contracts, the Corporation is committed to purchasing foreign currencies at predetermined rates, and, when designated for this purpose, the contracts are subject to hedge accounting. As at December 31, 2022, the positive fair value of the contracts stood, on a net basis, at $5.9 million (total net positive fair value of $0.6 million as at December 31, 2021). It is presented in the Derivative Instruments item of the Corporation's Consolidated Statement of Financial Position.

According to the balances as at December 31, 2022 of the Corporation's financial instruments denominated in foreign currencies, excluding the balances of foreign operations, and according to foreign exchange forward contracts on that date, all other factors being equal, a reasonably possible $0.05 per unit increase in foreign currency exchange rates would have had a favourable impact of $1,867,000 on profit or loss and a favourable impact of $4,378,000 on other comprehensive income. A reasonably possible $0.05 per unit decrease in foreign currency exchange rates would have had an impact of a similar magnitude but in the opposite direction on profit or loss and on other comprehensive income for the year ended December 31, 2022.

20.3 Price Risk

Raw material price risk

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

As at December 31, 2022, the Corporation did not own frozen concentrated orange juice ("FCOJ") futures. As at December 31, 2021, the Corporation had owned FCOJ futures. These futures were subject to hedge accounting. As at December 31, 2021, the positive fair value of these futures, on a net basis, was $0.2 million. It is presented in the Derivative Instruments item of the Corporation's Consolidated Statement of Financial Position.

Other price risk

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

As at December 31, 2022, the negative fair value of these swaps, on a net basis, was $0.3 million (total net negative fair value of less than $0.1 million as at December 31, 2021). It is presented in the Derivative Instruments item of the Corporation's Consolidated Statement of Financial Position.

According to grants made under the long-term incentive plan and the total return swap as at December 31, 2022, all other factors being equal, a 10% increase in the share price of the Corporation's Class A subordinate voting shares would have had a favourable impact of $222,000 on profit or loss, while a 10% decrease would have had an unfavourable impact of $247,000 on profit or loss for the year ended December 31, 2022.

More details on financial instruments and the risk management thereof are provided in Notes 11 and 25 to the Corporation's consolidated financial statements.

21 Significant Accounting Estimates and Assumptions

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

The main assumptions and estimates are presented below:

Measurements of revenues from product sales

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

Measurements of income tax expense

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

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

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

Measurements of right-of-use assets and lease liabilities

Future lease payments used to calculate the value of the right-of-use asset and lease liability include payments for extension, termination or purchase options that are reasonably certain to be exercised by the Corporation. Determining the economic benefit of exercising these options requires the use of assumptions and estimates such as the expected use of the leased asset and future market conditions.

Whether or not payments relating to the extension, termination or purchase options are taken into account can have a significant impact on the value of the right-of-use asset and the lease liability. To measure the lease liability at the present value of future lease payments, the Corporation must determine its incremental borrowing rate when the implicit rate of the lease cannot be readily determined.

Measurements of defined benefit assets and liabilities

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

The actuarial valuations for funding purposes were performed on December 31, 2020, January 1, 2021, and September 30, 2022 depending on the plan. These actuarial valuations are based on management's best-estimate assumptions of the discount rate, expected rate of compensation increase, the indexation rate of pensions paid, and the mortality table. Changes in these assumptions could have an impact on defined benefit costs and obligations. During 2021, the Corporation funded $6.6 million in its defined benefit pension plans while, during 2022, it withdrew a net amount of $4.9 million from its defined benefit pension plans.

Measurements of non-financial assets

When applying the future discounted cash flows model to determine the fair value of groups of cash-generating units ("CGUs") to which goodwill is allocated, certain parameters must be used, including estimates of future cash flows, discount rates and other variables; a high degree of judgment must therefore be exercised. Impairment tests on property, plant and equipment and intangible assets are also based on assumptions. Any future deterioration of market conditions or poor operational performance could translate into an inability to recover the current carrying amounts of property, plant and equipment and intangible assets. No impairment loss was recognized in 2021 and 2022.

22 Adoption of IFRS Standards

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.

IAS 1 Presentation of Financial Statements

On December 31, 2022, the Corporation early adopted the amended version of IAS 1 "Presentation of Financial Statements", which applies to fiscal years beginning on or after January 1, 2023.

The amended standard requires entities to disclose information about their material accounting policies rather than their significant accounting policies. The Corporation applied this modification prospectively. The adoption of the amended standard had no impact on the Corporation's consolidated financial statements, except in terms of the accounting policy disclosure presented in Note 2 to the Corporation's consolidated financial statements for the year ended December 31, 2022.

23 Future Accounting Changes

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021, the International Accounting Standards Board ("IASB") amended IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" to clarify the distinction between a change in accounting estimate and a change in accounting policy.

The amendments apply to fiscal years beginning on or after January 1, 2023.

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

IAS 12 Income Taxes

In May 2021, the IASB amended IAS 12 "Income Taxes" to narrow the scope of the recognition exemption so that it does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The amendments apply to fiscal years beginning on or after January 1, 2023.

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

IAS 1 Presentation of Financial Statements

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

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

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

24 Related Party Transactions

In the normal course of operations, the Corporation purchases apples for processing from entities controlled by the Chairman of the Board. These purchases totalled $0.2 million in 2022 and were carried out under similar terms and conditions as purchases from arm's length producers.

Related party transactions are presented in Note 29 to the consolidated financial statements for the year ended December 31, 2022.

25 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.

Under the supervision of the Corporation's CEO and the CFO, management evaluated the effectiveness of the controls and procedures used to prepare disclosure documentation, including this MD&A, the Annual Information Form, and the Management Proxy Circular. Based on this evaluation, the CEO and the CFO concluded that the disclosure controls and procedures were effective as at December 31, 2022 and, more specifically, that the design of these controls and procedures provides reasonable assurance that important information about the Corporation is evaluated, processed and reported to them in a timely manner during the preparation of disclosure documentation.

26 Internal Control Over Financial Reporting ("ICFR")

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

Under the supervision of the CEO and the CFO, management evaluated the effectiveness of the Corporation's internal control over financial reporting as at December 31, 2022, based on the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, the CEO and the CFO concluded that the ICFR was effective as at the December 31, 2022 year-end.

During the fourth 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.

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March 31, 2023