Lassonde Industries Inc.

Annual Management's Discussion and Analysis – Year Ended December 31, 2020

The following Management's Discussion and Analysis ("MD&A") presents the results, financial position and cash flows of Lassonde Industries Inc. (the "Company") and should be read in conjunction with its 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, 2020, this MD&A reports on items deemed significant that have taken place from December 31, 2020 up to and including March 26, 2021, which is the date on which this MD&A was approved by the Company's Board of Directors.

The financial information in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS").

Additional information, including the Annual Information Form and certifications of filings for 2020, is available on the SEDAR website at www.sedar.com. Unless otherwise indicated, the reporting currency for figures in this document is the Canadian dollar.

Forward-Looking Statements and Use of Estimates

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

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 assets, liabilities, revenues and expenses reported and on the contingent liabilities and contingent assets information provided.

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

- Measurements of revenues from product sales;
- Measurements of income tax expense;
- Measurements of right-of-use assets and lease liabilities;
- Measurements of defined benefit assets and liabilities;
- Measurements of non-financial assets; and
- Purchase price allocations of businesses acquired as part of business combinations.

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

For more information, see the "Significant Accounting Estimates and Assumptions" section of this MD&A.

Corporate Profile

Lassonde Industries Inc. develops, manufactures and markets a wide range of ready-to-drink juices and drinks as well as frozen juice concentrates in North America. The Company is the largest producer of fruit juices and drinks in Canada and one of the two largest producers of store brand shelf-stable fruit juices and drinks in the United States. It is also a major producer of cranberry sauces. Furthermore, the Company develops, manufactures and markets specialty food products such as fondue broths and sauces as well as pasta sauces. In addition, it produces apple cider and cider-based beverages and imports selected wines from several countries of origin for packaging and marketing purposes.

On January 3, 2020, the Company completed the acquisition of Sun-Rype Products Ltd. and of two of its affiliates ("Sun-Rype"). Sun-Rype is a Canadian fruit-based snack and beverage manufacturer that employs 400 people and operates facilities located in Kelowna, British Columbia and in the cities of Selah and Wapato, Washington State. Sun-Rype manufactures and sells a variety of ready-to-drink fruit-based juices and drinks under the Sun-Rype brand and fruit-based snacks under the Sun-Rype, Fruit-to-Go, FruitSource, and Good Bites brands. Sun-Rype also uses its sales network to distribute third-party products.

The Company's principal operating subsidiaries are A. Lassonde Inc.; Apple & Eve, LLC; Arista Wines Inc.; Lassonde Pappas and Company, Inc. ("LPC"); Lassonde Specialties Inc.; and Old Orchard Brands, LLC ("OOB"). The Company produces superior quality products through the expertise of more than 2,700 people working in 17 plants across Canada and the United States. The shares of Lassonde Industries Inc. are listed on the Toronto Stock Exchange.

The Company is active in two market segments: the retail segment and the food service segment. Retail sales accounted for approximately 91% of total sales in 2020 and consist of (i) sales to food retailers and wholesalers such as supermarket chains, independent grocers, superstores, warehouse clubs, major pharmacy chains and (ii) online sales. Food service sales accounted for approximately 9% of total sales in 2020 and consist of sales to restaurants, hotels, hospitals, schools and wholesalers serving these institutions.

The Company's national brands are sold in various packages under several proprietary trademarks, including Antico, Apple & Eve, Arte Nova, Canton, Double Vie, Dublin's Pub, Everfresh, Fairlee, Fruité, Grown Right, Kiju, Mont-Rouge, Northland, Oasis, Old Orchard, Orange Maison, Rougemont, Ruby Kist, Sun-Rype, The Switch, Tropical Grove, as well as under trademarks for which the Company is a licensed user such as Allen's, Arizona, Del Monte, Graves, Nature's Best, and Tetley. On an annual basis, the Company's sales are geographically broken down as follows: 58.0% of the Company's sales are made in the United States, 41.7% in Canada and 0.3% in other countries.

In the normal course of operations, the Company is involved in apple and cranberry processing. These processing activities take place mainly from August to November. Processing the harvested fruit crops generally increases inventory levels during the last quarter of the year.

Overall Performance

On January 3, 2020, the Company completed the acquisition of Sun-Rype for a cash consideration of $89.3 million that was paid at the close of the transaction. This amount included preliminary adjustments related to cash, working capital, and property, plant and equipment. During the second quarter of 2020, an amount of $2.2 million was received from the seller following the final settlement of these adjustments. As part of the transaction, the Company assumed liabilities of $23.0 million related to lease liabilities for the Sun-Rype facilities. The acquisition was financed by the Company's existing Canadian credit facility. The transaction costs, incurred mainly in the fourth quarter of 2019, were $1.5 million. The Company has recognized this business combination using the acquisition method in accordance with the provisions of IFRS 3. Therefore, the 2020 consolidated financial statements include the results of Sun-Rype from January 3, 2020. Note 6 to the 2020 consolidated financial statements contains additional information about the acquisition, including information about the purchase price allocation and about the acquisition financing and related costs.

For 2020, the Company's sales totalled $1,980.9 million, up $302.6 million or 18.0% from $1,678.3 million in 2019. Sales from Sun-Rype added $175.4 million to the Company's 2020 sales. Excluding Sun-Rype's sales and a $13.3 million favourable foreign exchange impact, the Company's sales were up $113.9 million or 6.8% year over year. This increase was largely due to an increase in sales of private label products. The Company believes that a significant portion of this increase could be due to changes in food habits related to the impacts of COVID-19, as industry sales volumes have also benefited from a notable increase.

The Company's 2020 operating profit totalled $151.9 million, up $51.1 million from $100.8 million last year. During 2020, Sun-Rype posted $8.2 million in operating profit whereas in 2019, the Company had incurred $1.5 million in expenses related to the Sun-Rype acquisition. Excluding these items, the Company's operating profit was up $41.4 million year over year. This increase was explained by higher gross margins from the Company's U.S. and Canadian operations, mainly due to a favourable change in the sales mix, to an increase in sales volume and to a decrease in the cost of certain raw materials, especially orange concentrate and the resin used to manufacture plastic bottles ("PET resin"), partly offset by additional production costs related to the pandemic. The operating profit was also affected by higher performance-related salary expenses and an increase in warehousing and transportation costs, partly offset by lower selling and marketing expenses.

The Company's financial expenses went from $19.5 million in 2019 to $17.3 million in 2020. Excluding $2.7 million in interest expense related to the Sun-Rype acquisition, financial expenses were down $4.9 million. This decrease was essentially due to a reduction in the interest expense on long-term debt explained by lower debt levels resulting from a significant cash flow generation in 2020.

"Other (gains) losses" went from a $19.2 million gain in 2019 to a $0.8 million gain in 2020. This 2020 gain was due to $0.6 million in gains realized following the settlement of various insurance claims and to a $0.2 million gain resulting from a change in the fair value of financial instruments, whereas the 2019 gain was mainly due to a $20.8 million gain realized following the settlement of an insurance claim directly related to the OOB acquisition price, partly offset by a $1.0 million loss resulting from a change in the fair value of financial instruments and by $0.8 million in foreign exchange losses.

Profit before income taxes stood at $134.6 million in 2020, up $34.1 million from $100.5 million in 2019.

Income tax expense went from $25.5 million in 2019 to $32.7 million in 2020. At 24.3%, the 2020 effective income tax rate was lower than the 25.4% rate in 2019. The 2019 effective income tax rate reflected the unfavourable impact of changes to U.S. tax regulations affecting the deductibility of certain interest expenses. . Excluding this item, the 2020 effective income tax rate was similar to the adjusted rate in 2019 and mainly reflects a decrease in the deductible amounts on the Company's interest expense offset by the impact of incentive measures adopted by the U.S. government to help businesses deal with the COVID-19 crisis.

The 2020 profit totalled $101.9 million, up $27.0 million from $74.9 million in 2019. The current results include a profit of $5.6 million from Sun-Rype and an amount of $1.3 million, net of tax, in additional financial expenses related to the financing of the Sun-Rype acquisition while the 2019 profit included a $15.3 million gain, net of tax, realized following the settlement of an insurance claim and $1.1 million, net of tax, in Sun-Rype acquisition-related costs. Excluding these items, the Company's 2020 profit was up $36.9 million year over year.

Profit attributable to the Company's shareholders was $97.8 million, resulting in basic and diluted earnings per share of $14.11 for 2020. In 2019, profit attributable to the Company's shareholders had totalled $72.0 million, resulting in basic and diluted earnings per share of $10.37. Excluding the impacts of the Sun-Rype acquisition and of the gain realized in 2019 following the settlement of an insurance claim, the 2020 profit attributable to the Company's shareholders was up $34.5 million year over year.

The Company's operating activities generated $231.2 million in cash during 2020, while they had generated $140.7 million in cash during 2019. As for Sun-Rype's operating activities, they generated $16.5 million in cash during 2020. Financing activities used $92.6 million in cash during 2020, while they had used $100.7 million in 2019. Investing activities used $121.0 million in cash during 2020 compared to $55.3 million used in 2019. At year-end 2020, the Company reported a cash and cash equivalents balance of $6.8 million and no bank overdraft, whereas, at the end of 2019, the cash and cash equivalents balance was $1.8 million and the bank overdraft balance was $12.4 million.

Selected Financial Highlights

		Years ended	
(in thousands of dollars, unless otherwise indicated)	**Dec. 31, 2020**	**Dec. 31, 2019**	**Dec. 31, 2018**
	$	$	$
Sales	**1,980,925**	1,678,301	1,593,996
Operating profit	**151,931**	100,826	105,192
Profit before income taxes	**134,592**	100,488	88,946
Profit	**101,874**	74,944	68,015
Profit attributable to the Company's shareholders	**97,816**	71,977	66,382
Basic and diluted earnings per share *(in $)*	**14.11**	10.37	9.50
Dividends declared per share for Class A and B shares *(in $)*	**2.545**	2.595	3.040
Total assets	**1,381,634**	1,310,226	1,318,606
Long-term debt	**204,810**	248,961	297,267

At $1,980.9 million, the Company's 2020 sales rose by $302.6 million from $1,678.3 million in 2019. Sales from Sun-Rype added $175.4 million to the Company's 2020 sales. Excluding Sun-Rype's sales and a $13.3 million favourable foreign exchange impact, the Company's sales were up $113.9 million or 6.8% year over year. The sales growth from 2019 to 2020 is driven mainly by higher sales of private label products. The Company believes that a significant portion of this increase could be due to changes in food habits related to the impacts of COVID-19, as industry sales volumes have also benefited from a notable increase. The 2019 sales had increased by $84.3 million from $1,594.0 million in 2018. For the first five months of 2019, sales from OOB stood at $50.3 million. Excluding these sales and a $22.4 million favourable foreign exchange impact, the Company's 2019 sales were up $11.6 million (0.7%) year over year. The sales growth from 2018 to 2019 was driven mainly by higher sales of private label products.

For the year ended December 31, 2020, the Company's operating profit totalled $151.9 million, a $51.1 million year-over-year increase. During 2020, Sun-Rype posted $8.2 million in operating profit whereas in 2019, the Company had incurred $1.5 million in expenses

related to the Sun-Rype acquisition. Excluding these items, the Company's operating profit was up $41.4 million year over year. This increase was explained by higher gross margins from the Company's U.S. and Canadian operations, mainly due to a favourable change in the sales mix, to an increase in sales volume, to a decrease in the cost of certain raw materials, especially orange concentrate and the PET resin, and to an increase in the profitability of specialty food products resulting from an improvement in the production rate. The operating profit was also affected by a $21.1 million increase in performance-related salary expenses, by an increase in warehousing and transportation costs and by $4.3 million in additional costs related to the pandemic, partly offset by lower selling and marketing expenses. The Company's 2019 operating profit was $100.8 million, $4.4 million lower than that of 2018. For the first five months of 2019, OOB's operating profit was $5.1 million. During 2019, the Company also incurred $1.5 million in expenses related to the Sun-Rype acquisition. The 2018 operating profit included a $2.6 million gain resulting from a favourable decision by a U.S. administrative tribunal on product classification and $2.0 million in expenses related to the OOB acquisition. Excluding these items, the Company's 2019 operating profit was down $7.4 million year over year on a comparable basis. This decrease was due to a $4.9 million decrease in the profitability of specialty food products caused by the negative impact on the rate of production of significant investment-related activities in this business unit. This decrease in the operating profit was also due to a lower profitability in U.S. operations resulting mainly from higher input costs and manufacturing overhead costs, partly offset by improved profitability in the Canadian fruit juice and drink operations. It should be noted that the adoption on January 1, 2019 of IFRS 16 relating to leases had a $0.6 million favourable impact on the 2019 operating profit.

The 2020 profit attributable to the Company's shareholders totalled $97.8 million, up $25.8 million year over year. Excluding the impacts of the Sun-Rype acquisition and of the gain realized in 2019 following the settlement of an insurance claim, the 2020 profit attributable to the Company's shareholders was up $34.5 million year over year. The increase between 2019 and 2020 came mainly from higher operating profit. The 2019 profit attributable to the Company's shareholders had totalled $72.0 million, up $5.6 million year over year. Excluding the impacts of the OOB acquisition, the gain realized following the settlement of an insurance claim, Sun-Rype acquisition-related costs, and the 2018 gain resulting from a favourable decision by a U.S. administrative tribunal on product classification, the 2019 profit attributable to the Company's shareholders was down $6.5 million year over year. The decrease between 2018 and 2019 came mainly from lower operating profit.

Total assets were up $71.4 million between 2019 and 2020, mainly explained by the Sun-Rype acquisition, which increased total assets by $125.6 million, partly offset by the combined impact of the following factors: (i) a $25.5 million decrease in inventories essentially due to sales exceeding forecasts and to a return to historical levels of raw materials and supplies inventories; (ii) a $21.5 million decrease in intangible assets as amortization expense exceeded the acquisitions value; and (iii) a $16.3 million decrease resulting from a lower conversion rate applicable to closing balances denominated in U.S. dollars as at December 31, 2020.

Total assets were down $8.4 million between 2018 and 2019, mainly explained by a $46.8 million decrease resulting from a lower conversion rate applicable to closing balances denominated in U.S. dollars as at December 31, 2019, partly offset by the combined impact of the following factors: (i) a $36.0 million increase in property, plant and equipment, largely due to the adoption of IFRS 16 on January 1, 2019; (ii) a $27.3 million increase in inventories owing in part to advanced purchases of certain raw materials to secure prices or supply; (iii) a $19.8 million decrease in intangible assets as amortization expense exceeded the acquisitions value; (iv) a $15.4 million decrease in accounts receivable resulting from a shorter collection period and from the impact of lower sales in December 2019 when compared to December 2018; and (v) an amount of $8.2 million used to acquire an ownership interest in Diamond Estates Wines & Spirits Inc. ("Diamond"), including capitalized transaction costs.

Operating Results

For the year ended December 31, 2020, Lassonde Industries Inc. posted sales of $1,980.9 million compared to $1,678.3 million the previous year, a $302.6 million (18.0%) year-over-year increase. For 2020, sales from Sun-Rype stood at $175.4 million, resulting in a difference of $127.2 million on a comparative basis. This 7.6% year-over-year increase in sales was mainly driven by the combined impact of the following factors: (i) a $94.6 million increase in sales of private label products; (ii) selling price adjustments that had a $14.6 million favourable impact on national brand sales; (iii) a favourable change in the sales mix of national brands that generated a $14.4 million increase in sales; (iv) a $13.3 million favourable foreign exchange impact; (v) a $10.9 million decrease in the sales volume of national brands, essentially in Canada; and (vi) a favourable impact of a $1.2 million decrease in slotting fees.

Cost of sales increased by 15.9%, rising from $1,226.7 million in 2019 to $1,421.1 million in 2020. Excluding the $129.8 million in Sun-Rype's 2020 cost of sales, the 2020 cost of sales stood at $1,291.3 million, up 5.3% from last year. When compared to the 7.6% increase in sales, this proportionately smaller variation in cost of sales essentially reflects a decrease in some input costs, especially orange concentrate and the PET resin, an improvement in the production rate at one of the specialty food products plants and a $2.4 million decrease in obsolete inventory costs. These cost decreases were partly offset by an unfavourable foreign exchange impact that affected the raw materials purchases in foreign currencies of the Canadian entities and by $3.9 million in additional production costs related to the pandemic.

Selling and administrative expenses went from $350.9 million in 2019 to $407.8 million in 2020, a $56.9 million increase. Sun-Rype's 2020 selling and administrative expenses stood at $37.4 million whereas in 2019, the Company had incurred $1.5 million in expenses related to the Sun-Rype acquisition. Excluding these items, the Company's 2020 selling and administrative expenses were up $21.0 million from the selling and administrative expenses reported in 2019. This increase came mainly from higher performance-related salary expenses, an increase in warehousing and transportation costs and an unfavourable foreign exchange impact resulting from the

conversion of the selling and administrative expenses of the U.S. entities into Canadian dollars, partly offset by lower selling and marketing expenses.

For 2020, operating profit totalled $151.9 million, up $51.1 million from $100.8 million in 2019. During 2020, Sun-Rype posted $8.2 million in operating profit whereas in 2019, the Company had incurred $1.5 million in expenses related to the Sun-Rype acquisition. Excluding these items, the Company's operating profit was up $41.4 million year over year.

During 2020, the Company incurred a $0.8 million loss related to its share in the profit or loss of Diamond, an entity in which the Company acquired an interest during the third quarter of 2019. During 2019, the Company had incurred a $0.1 million loss related to its share in the profit or loss of Diamond.

The Company's financial expenses went from $19.5 million in 2019 to $17.3 million in 2020. Excluding $2.7 million in interest expense related to the Sun-Rype acquisition, financial expenses were down $4.9 million. This decrease was essentially due to a reduction in the interest expense on long-term debt explained by lower debt levels resulting from a significant cash flow generation in 2020.

"Other (gains) losses" went from a $19.2 million gain in 2019 to a $0.8 million gain in 2020. This 2020 gain was due to $0.6 million in gains realized following the settlement of various insurance claims and to a $0.2 million gain resulting from a change in the fair value of financial instruments, whereas the 2019 gain was mainly due to a $20.8 million gain realized following the settlement of an insurance claim directly related to the OOB acquisition price, partly offset by a $1.0 million loss resulting from a change in the fair value of financial instruments and by $0.8 million in foreign exchange losses.

Profit before income taxes stood at $134.6 million in 2020, up $34.1 million from $100.5 million in 2019.

Income tax expense went from $25.5 million in 2019 to $32.7 million in 2020. At 24.3%, the 2020 effective income tax rate was lower than the 25.4% rate in 2019. The 2019 effective income tax rate reflected the unfavourable impact of changes to U.S. tax regulations affecting the deductibility of certain interest expenses. Excluding this item, the 2020 effective income tax rate was similar to the adjusted rate in 2019 and mainly reflects a decrease in the deductible amounts on the Company's interest expense offset by the impact of incentive measures adopted by the U.S. government to help businesses deal with the COVID-19 crisis.

The 2020 profit totalled $101.9 million, up $27.0 million from $74.9 million in 2019. The current results include a profit of $5.6 million from Sun-Rype and an amount of $1.3 million, net of tax, in additional financial expenses related to the financing of the Sun-Rype acquisition while the 2019 profit included a $15.3 million gain, net of tax, realized following the settlement of an insurance claim and $1.1 million, net of tax, in Sun-Rype acquisition-related costs. Excluding these items, the Company's 2020 profit was up $36.9 million year over year.

Profit attributable to the Company's shareholders was $97.8 million, resulting in basic and diluted earnings per share of $14.11 for 2020. In 2019, profit attributable to the Company's shareholders had totalled $72.0 million, resulting in basic and diluted earnings per share of $10.37. Excluding the impacts of the Sun-Rype acquisition and of the gain realized in 2019 following the settlement of an insurance claim, the 2020 profit attributable to the Company's shareholders was up $34.5 million year over year.

Interim Results

(in thousands of dollars, unless otherwise indicated)	**Q4 2020**	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
	$	$	$	$	$	$	$	$
Sales	**515,065**	495,207	498,207	472,446	432,127	422,882	419,746	403,546
Operating profit	**38,907**	40,018	42,658	30,348	24,964	24,952	27,549	23,361
Profit before income taxes	**33,815**	35,205	37,096	28,476	40,694	21,246	21,164	17,384
Profit attributable to the Company's shareholders	**23,538**	25,333	25,998	22,947	28,466	15,345	15,600	12,566
Basic and diluted earnings per share *(in $)*	**3.39**	3.65	3.75	3.31	4.10	2.21	2.25	1.80
Adjusted EBITDA [i]	**56,837**	55,966	58,521	45,802	39,250	39,268	41,727	37,443
Cash flows from operating activities	**62,292**	65,913	78,060	24,922	75,648	34,136	11,334	19,613

[i] For the definition, see the "Financial Measures Not in Accordance with IFRS" section of this MD&A.

First Quarter of 2019

For the first quarter of 2019, the Company's sales totalled $403.5 million, up $45.8 million or 12.8% from $357.7 million in the first quarter of 2018. Sales from OOB added $29.8 million to the Company's first-quarter sales. Excluding OOB's sales and a $10.9 million favourable foreign exchange impact, the Company's first-quarter sales were up $5.1 million (1.4%) year over year. This increase was mainly due to selling price adjustments that had a favourable impact on national brand sales.

The Company's operating profit for the first quarter of 2019 totalled $23.4 million, up $1.1 million from $22.3 million in the same quarter of 2018. As for OOB, it generated $2.5 million in operating profit. Excluding the impact of the OOB acquisition, the Company's 2019 first-quarter operating profit was down $1.4 million year over year. This decrease was mainly due to a lower contribution margin reported by the Company's U.S. operations largely resulting from higher input costs, particularly affecting apple concentrate and the resin used to manufacture plastic bottles. As for the Canadian operations, the contribution margin was higher than in the same quarter of 2018, mostly due to selling price adjustments and a favourable foreign exchange impact, partly offset by higher input costs. The decrease in the Company's operating profit is also explained by higher performance-related salary expenses and by an increase in transportation costs incurred to deliver the Company's products. It should be noted that the adoption of IFRS 16 on January 1, 2019 had a $0.2 million favourable impact on the 2019 first-quarter operating profit.

The 2019 first-quarter profit attributable to the Company's shareholders was $12.6 million, resulting in basic and diluted earnings per share of $1.80. In the first quarter of 2018, profit attributable to the Company's shareholders had totalled $14.5 million, resulting in basic and diluted earnings per share of $2.08. Excluding the impact of the OOB acquisition, the 2019 first-quarter profit attributable to the Company's shareholders was down $1.6 million year over year.

Second Quarter of 2019

For the second quarter of 2019, the Company's sales totalled $419.7 million, up $28.8 million or 7.4% from $390.9 million in the second quarter of 2018. Sales from OOB stood at $31.7 million in the second quarter of 2019. OOB's sales had reached $12.4 million for the period of May 31, 2018 (the date when OOB began its operating activities under the Company's control) to June 30, 2018. Excluding OOB's sales and an $8.1 million favourable foreign exchange impact, the Company's second-quarter sales were up $1.4 million (0.4%) year over year. This increase was mainly due to an increase in sales of private label products, partly offset by a decrease in sales of national brand products.

The Company's operating profit for the second quarter of 2019 totalled $27.5 million, down $0.5 million from $28.0 million in the same quarter of 2018. OOB's operating profit was $4.1 million during the second quarter of 2019. For the period of May 31, 2018 to June 30, 2018, OOB had generated $0.2 million in operating profit, and, during the second quarter of 2018, the Company had incurred $1.5 million in expenses related to the OOB acquisition. Excluding the impact of the OOB acquisition, the Company's 2019 second-quarter operating profit was down $5.9 million year over year. This decrease was due to a lower gross margin from the Company's U.S. operations largely resulting from higher input costs, particularly affecting apple concentrate. As for the Canadian operations, the 2019 second-quarter gross margin was higher than that of the same quarter of 2018, mostly due to selling price adjustments, partly offset by an unfavourable foreign exchange impact, higher input costs, and the impact of a slower rate of production resulting from investment-related work in one of the Company's plants. The decrease in the Company's operating profit was also due to higher selling and administrative expenses explained by an unfavourable change in transportation costs and by an increase in marketing expenses aimed at intensifying the promotion of new products, partly offset by lower performance-related salary expenses. It should be noted that the adoption of IFRS 16 on January 1, 2019 had a $0.2 million favourable impact on the 2019 second-quarter operating profit.

The 2019 second-quarter profit attributable to the Company's shareholders was $15.6 million, resulting in basic and diluted earnings per share of $2.25. In the second quarter of 2018, profit attributable to the Company's shareholders had totalled $18.1 million, resulting in basic and diluted earnings per share of $2.59. Excluding the impact of the OOB acquisition, the 2019 second-quarter profit attributable to the Company's shareholders was down $3.7 million year over year.

Third Quarter of 2019

For the third quarter of 2019, the Company's sales totalled $422.9 million, up $4.3 million or 1.0% from $418.6 million in the third quarter of 2018. It should be noted that, during the third quarter of 2018, the Company had benefited from a favourable decision by a U.S. administrative tribunal on product classification and that reduced the customs duties paid in previous years by $2.6 million. Excluding this item and a $2.7 million favourable foreign exchange impact, the Company's third-quarter sales were up $4.2 million year over year. This increase was largely due to an increase in sales of private label products, partly offset by a decrease in sales of national brand products.

The Company's operating profit for the third quarter of 2019 totalled $25.0 million, down $4.1 million from $29.1 million in the same quarter of 2018. Excluding the favourable impact in 2018 of the $2.6 million reduction to customs duties paid in previous years, the Company's 2019 third-quarter operating profit was down $1.5 million year over year. This decrease was due to a lower gross margin from the Company's U.S. operations largely resulting from higher manufacturing overhead costs and lower sales volume, partly offset by selling price adjustments and a decrease in the cost of certain inputs. As for the Canadian operations, the 2019 third-quarter gross margin was higher than that of the same quarter of 2018, mostly due to selling price adjustments and a decrease in the cost of certain inputs. These items were partly offset by an unfavourable foreign exchange impact and the impact of a slower rate of production resulting from investment-related work at one of the Company's plants. It should be noted that the adoption of IFRS 16 on January 1, 2019 had a $0.1 million favourable impact on the 2019 third-quarter operating profit.

Profit attributable to the Company's shareholders was $15.3 million, resulting in basic and diluted earnings per share of $2.21 for the third quarter of 2019. In the third quarter of 2018, profit attributable to the Company's shareholders had totalled $18.0 million, resulting in basic and diluted earnings per share of $2.57. Excluding the favourable impact, net of tax, in 2018 of a reduction to customs duties paid in previous years, the 2019 third-quarter profit attributable to the Company's shareholders was down $0.8 million year over year.

Fourth Quarter of 2019

For the fourth quarter of 2019, the Company's sales totalled $432.1 million, up $5.3 million or 1.2% from $426.8 million in the fourth quarter of 2018. Excluding a $0.5 million favourable foreign exchange impact, the Company's fourth-quarter sales were up $4.8 million (1.1%) year over year. This increase was mainly due to a favourable impact of selling price adjustments while sales volume remained stable for national brands as well as for private label products.

The Company's operating profit for the fourth quarter of 2019 totalled $25.0 million, down $0.7 million from $25.7 million in the same quarter of 2018. Excluding $1.5 million in expenses related to the Sun-Rype acquisition, the Company's 2019 fourth-quarter operating profit was up $0.8 million year over year on a comparable basis. The increase came from improved contribution margins realized by the Company's U.S. operations, partly offset by a $5.3 million increase in obsolete inventory costs. It should be noted that the adoption of IFRS 16 on January 1, 2019 had a $0.1 million favourable impact on the 2019 fourth-quarter operating profit.

"Other (gains) losses" went from a $0.8 million loss in the fourth quarter of 2018 to a $20.9 million gain in the fourth quarter of 2019. This 2019 fourth-quarter gain was mainly due to a $20.8 million gain realized following the settlement of an insurance claim directly related to the OOB acquisition price. The claim involved seller representations that no longer reflected the economic reality of OOB at the transaction closing date.

Profit attributable to the Company's shareholders for the fourth quarter of 2019 was $28.5 million, resulting in basic and diluted earnings per share of $4.10. In the fourth quarter of 2018, profit attributable to the Company's shareholders had totalled $15.8 million, resulting in basic and diluted earnings per share of $2.26. Excluding the net-of-tax impact of a gain realized upon settlement of the aforementioned insurance claim and of the Sun-Rype acquisition-related costs, the 2019 fourth-quarter profit attributable to the Company's shareholders was similar to the 2018 fourth-quarter profit attributable to the Company's shareholders.

First Quarter of 2020

For the first quarter of 2020, the Company's sales totalled $472.4 million, up $68.9 million or 17.1% from $403.5 million in the same quarter of 2019. Sales from Sun-Rype added $44.1 million to the Company's first-quarter sales. Excluding Sun-Rype's sales and a $2.6 million favourable foreign exchange impact, the Company's first-quarter sales were up $22.2 million year over year. This increase was largely due to an increase in sales of private label products. The Company believes that a notable portion of this increase could be due to consumer accumulation of food reserves given their uncertainty surrounding the COVID-19 pandemic.

The Company's operating profit for the first quarter of 2020 totalled $30.3 million, up $6.9 million from $23.4 million in the first quarter of 2019. As for Sun-Rype, it posted $0.7 million in operating profit. Excluding the impact of the Sun-Rype acquisition, the Company's first-quarter operating profit was up $6.2 million year over year. This increase was due to a higher gross margin from the Company's U.S. and Canadian operations resulting mainly from an increase in sales volume and a decrease in the cost of raw materials. These items were partly offset by higher performance-related salary expenses.

Profit attributable to the Company's shareholders was $22.9 million, resulting in basic and diluted earnings per share of $3.31 for the first quarter of 2020. In the first quarter of 2019, profit attributable to the Company's shareholders had totalled $12.6 million, resulting in basic and diluted earnings per share of $1.80. Excluding the impacts of the Sun-Rype acquisition, the 2020 first-quarter profit attributable to the Company's shareholders was up $10.2 million year over year.

Second Quarter of 2020

For the second quarter of 2020, the Company's sales totalled $498.2 million, up $78.5 million or 18.7% from $419.7 million in the same quarter of 2019. Sales from Sun-Rype added $35.8 million to the Company's second-quarter sales. Excluding Sun-Rype's sales and an $11.1 million favourable foreign exchange impact, the Company's second-quarter sales were up $31.6 million or 7.5% year over year. This increase was largely due to an increase in sales of private label products, mainly in the United States. The Company believes that a significant portion of this increase could be due to changes in food habits related to the impacts of COVID-19, as industry sales volumes have also benefited from a notable increase.

The Company's operating profit for the second quarter of 2020 totalled $42.7 million, up $15.2 million from $27.5 million in the same quarter of 2019. As for Sun-Rype, it posted $3.3 million in operating profit. Excluding the impact of the Sun-Rype acquisition, the Company's second-quarter operating profit was up $11.9 million year over year. This increase was explained by higher gross margins from the Company's U.S. and Canadian operations, mainly due to an increase in U.S. sales volume and to a decrease in the cost of certain raw materials, partly offset by additional production costs related to the pandemic. The operating profit was also affected by higher performance-related salary expenses, partly offset by lower selling and marketing expenses.

Profit attributable to the Company's shareholders was $26.0 million, resulting in basic and diluted earnings per share of $3.75 for the second quarter of 2020. In the second quarter of 2019, profit attributable to the Company's shareholders had totalled $15.6 million, resulting in basic and diluted earnings per share of $2.25. Excluding the impacts of the Sun-Rype acquisition, the 2020 second-quarter profit attributable to the Company's shareholders was up $8.8 million year over year.

Third Quarter of 2020

For the third quarter of 2020, the Company's sales totalled $495.2 million, up $72.3 million or 17.1% from $422.9 million in the same quarter of 2019. Sales from Sun-Rype added $47.3 million to the Company's third-quarter sales. Excluding Sun-Rype's sales and a $2.6 million favourable foreign exchange impact, the Company's third-quarter sales were up $22.4 million or 5.3% year over year. This increase was largely due to an increase in sales of private label products. The Company believes that a significant portion of this increase could be due to changes in food habits related to the impacts of COVID-19, as industry sales volumes have also benefited from a notable increase.

The Company's operating profit for the third quarter of 2020 totalled $40.0 million, up $15.0 million from $25.0 million in the same quarter last year. As for Sun-Rype, it posted $2.5 million in operating profit. Excluding the impact of the Sun-Rype acquisition, the Company's third-quarter operating profit was up $12.5 million year over year. This increase was explained by higher gross margins from the Company's U.S. and Canadian operations, mainly due to an increase in sales volume, to a decrease in the cost of certain raw materials, and to an improvement in the production rate at one of the Company's plants, which had been slowed in 2019 by investment-related activities. The operating profit was also affected by higher performance-related salary expenses.

Profit attributable to the Company's shareholders was $25.3 million, resulting in basic and diluted earnings per share of $3.65 for the third quarter of 2020. In the third quarter of 2019, profit attributable to the Company's shareholders had totalled $15.3 million, resulting in basic and diluted earnings per share of $2.21. Excluding the impacts of the Sun-Rype acquisition, the 2020 third-quarter profit attributable to the Company's shareholders was up $8.5 million year over year.

Fourth Quarter of 2020

An analysis of the fourth quarter of 2020 is provided in a separate section of this report.

Cash and Financial Position

Financial Position Data

(in thousands of dollars, unless otherwise indicated)	**As at Dec. 31, 2020**	**As at Dec. 31, 2019**
	$	$
Total assets	**1,381,634**	1,310,226
Shareholders' equity	**795,733**	734,819
Shareholders' equity / total assets *(in %)*	**57.6**	56.1
Total debt [i]	**215,486**	265,119

[i] Including long-term debt and its current portion.

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 $1.2988 CAD per USD as at December 31, 2019 to $1.2732 CAD per USD as at December 31, 2020. The following table presents the Consolidated Statement of Financial Position items that are significantly affected by the movement in exchange rates.

(in millions of dollars)	**As at Dec. 31, 2020**	**As at Dec. 31, 2019**	**Increase (decrease)** Foreign exchange impact	**Increase (decrease)** Variance, excluding foreign exchange impact
	$	$	$	$
Accounts receivable	**147.9**	127.0	(2.4)	23.3
Inventories	**260.6**	258.8	(2.1)	3.9
Property, plant and equipment	**390.5**	334.5	(3.0)	59.0
Intangible assets	**223.0**	239.4	(3.3)	(13.1)
Goodwill	**309.6**	304.7	(5.8)	10.7
Accounts payable and accrued liabilities	**260.2**	220.4	(3.1)	42.9
Long-term debt, including the current portion	**215.5**	265.1	(3.5)	(46.1)
Deferred tax liabilities	**84.3**	69.0	(1.1)	16.4

As at December 31, 2020, the Company had total assets of $1,381.6 million versus $1,310.2 million as at December 31, 2019, a 5.5% increase arising mainly from the Sun-Rype acquisition, partly offset by a decrease in inventories, a decrease in intangible assets and a lower conversion rate as at December 31, 2020. At the end of 2020, the Company's working capital stood at $150.4 million, for a ratio of 1.52:1 compared to $161.4 million and a ratio of 1.64:1 as at December 31, 2019.

As at December 31, 2020, current assets totalled $440.6 million versus $414.8 million as at December 31, 2019. Cash and cash equivalents stood at $6.8 million as at December 31, 2020 compared to $1.8 million as at December 31, 2019.

Accounts receivable totalled $147.9 million as at December 31, 2020 compared to $127.0 million as at December 31, 2019. Excluding the foreign exchange impact and Sun-Rype's accounts receivable of $19.7 million, accounts receivable were up $3.6 million, due to a $5.9 million increase in trade accounts receivable resulting mainly from the impact of higher sales in the last month of 2020 when compared to December 2019, partly offset by a $1.7 million decrease in discounts receivable from suppliers and a $0.6 million decrease in other receivables.

Inventories went from $258.8 million as at December 31, 2019 to $260.6 million as at December 31, 2020. Excluding the foreign exchange impact and Sun-Rype's inventories in an amount of $29.4 million, inventories decreased by $25.5 million. This decrease came from an $18.5 million reduction in finished goods inventories, mainly due to sales exceeding forecasts, and from a $7.0 million decrease in raw materials and supplies inventories, which consists mainly of a return to historical levels, while 2019 had been affected by advanced purchases in December 2019 of apple concentrate to secure prices and supply.

As at December 31, 2020, the fair value of derivative instruments recorded as current assets was $1.1 million compared to less than $0.1 million as at December 31, 2019. This Statement of Financial Position item essentially reflects the favourable variances between the rates on the foreign exchange forward contracts held by the Company to cover its foreign currency requirements for the 12 months following its reporting date and the exchange rates on that date. It also reflects favourable changes in fair value as at December 31, 2020 of the derivative instruments held by the Company to hedge frozen concentrated orange juice price fluctuations.

Other current assets went from $15.5 million as at December 31, 2019 to $16.5 million as at December 31, 2020. This $1.0 million increase was due to the $1.0 million in other current assets of Sun-Rype, a $0.9 million increase in prepaid expenses and to a $0.2 million increase in tax credits receivable, partly offset by a $1.1 million decrease in sales tax receivable.

The investment in an associate went from $8.1 million as at December 31, 2019 to $7.3 million as at December 31, 2020. The change is explained by the share attributable to the Company in the profit or loss of the associate for the twelve-month period ended December 31, 2020.

Property, plant and equipment went from $334.5 million as at December 31, 2019 to $390.5 million as at December 31, 2020. Excluding the foreign exchange impact and $53.5 million in property, plant and equipment from Sun-Rype, property, plant and equipment increased by $5.5 million. The Company purchased $35.7 million in property, plant and equipment and recognized a $2.0 million net upward revaluation in the value of right-of-use assets, whereas depreciation expense stood at $32.6 million.

Intangible assets went from $239.4 million as at December 31, 2019 to $223.0 million as at December 31, 2020. Excluding the foreign exchange impact and $8.4 million in intangible assets from Sun-Rype, intangible assets decreased by $21.5 million, due to an amortization expense of $25.9 million, whereas intangible asset purchases were $4.4 million.

The net defined benefit asset went from $7.9 million as at December 31, 2019 to $9.4 million as at December 31, 2020, a $1.5 million increase due to $15.7 million in funding to the defined benefit pension plans, partly offset by a $9.9 million actuarial loss and by $4.3 million in plan-related expenses.

Goodwill went from $304.7 million as at December 31, 2019 to $309.6 million as at December 31, 2020. Excluding the foreign exchange impact, goodwill increased by $10.7 million, with the Sun-Rype acquisition accounting for the entire increase.

Current liabilities stood at $290.2 million as at December 31, 2020 compared to $253.4 million at the end of 2019. The Company reported no bank overdraft as at December 31, 2020 compared to $12.4 million as at December 31, 2019.

Accounts payable and accrued liabilities went from $220.4 million as at December 31, 2019 to $260.2 million as at December 31, 2020. Excluding the foreign exchange impact and Sun-Rype's accounts payable and accrued liabilities in an amount of $21.9 million, accounts payable and accrued liabilities increased by $21.0 million. This increase was mainly due to: (i) a $22.1 million increase in the "Salaries and accrued vacation payable" item, (ii) a $2.4 million decrease in trade payables and accrued expenses, and (iii) a $1.3 million increase in trade marketing costs payable.

As at December 31, 2020, the fair value of derivative instruments recorded as current liabilities was $7.2 million compared to $2.6 million as at December 31, 2019. This Statement of Financial Position item essentially reflects the unfavourable variances between the rates on the foreign exchange forward contracts held by the Company to cover its foreign currency requirements for the 12 months following its reporting date and the exchange rates on that date.

Long-term debt, including the current portion, was $215.5 million as at December 31, 2020 compared to $265.1 million as at December 31, 2019. Excluding the foreign exchange impact, an $89.3 million increase in long-term debt related to the financing of the Sun-Rype acquisition, and Sun-Rype's lease liabilities of $20.8 million, long-term debt decreased by $156.2 million. This decrease was mainly due to the Company's repayments of $84.3 million on the Canadian revolving operating credit and of $6.9 million on the U.S. revolving operating credit. Moreover, the Company repaid $54.6 million on LPC's term loan and $11.5 million on its Canadian term debts. Regarding the Company's lease liabilities, they decreased by $0.7 million due to $3.5 million in repayments, partly offset by a $2.0 million net upward revaluation of the lease liabilities and by new lease liabilities for an amount of $0.8 million. It should also be noted that the Company capitalized $0.2 million in financial expenses while it amortized $2.0 million of them.

Deferred tax liabilities went from $69.0 million as at December 31, 2019 to $84.3 million as at December 31, 2020. Excluding the foreign exchange impact and Sun-Rype's deferred tax liabilities of $6.5 million, deferred tax liabilities increased by $9.9 million. This increase stems mainly from the tax amortization of goodwill and from an accelerated tax amortization in Canada, partly offset by the tax impact of recognizing, in comprehensive income, an actuarial loss and losses on financial instruments designated as cash flow hedges.

Equity attributable to the Company's shareholders was $739.6 million as at December 31, 2020, up $58.8 million from $680.8 million as at December 31, 2019. Accumulated other reserves decreased by $13.7 million, attributable to an $11.9 million decrease in the foreign currency translation reserve resulting mainly from a lower year-over-year conversion rate applicable to closing balances denominated in U.S. dollars as well as to a $1.8 million decrease in the hedging reserve. Retained earnings increased by $72.5 million to total $638.8 million at the end of 2020. This increase essentially reflects $97.8 million in profit attributable to the Company's shareholders for 2020, less $17.6 million in dividends paid and the recognition of a $7.7 million actuarial loss, net of tax, in other comprehensive income.

Non-controlling interest increased, rising from $54.1 million as at December 31, 2019 to $56.1 million as at December 31, 2020. The non-controlling interest represents a minority interest's share in the equity of the Company's U.S. entities.

Contractual Obligations

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

(in thousands of dollars)

Contractual obligations	**2021**	**2022 and 2023**	**2024 and 2025**	**2026 and thereafter**
	$	$	$	$
Long-term debt (excluding lease liabilities)	5,520	130,007	54,538	2,104
Lease liabilities	7,425	11,913	10,173	26,534
Purchase commitments	191,685	6,465	1,936	5,139
Other commitments [i]	266,439	3,014	-	-
Total	**471,079**	**151,399**	**66,647**	**33,777**

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

Analysis of the 2020 Consolidated Cash Flows

(in thousands of dollars)	Fourth quarters ended Dec. 31, 2020	Fourth quarters ended Dec. 31, 2019	Years ended Dec. 31, 2020	Years ended Dec. 31, 2019
	$	$	**$**	$
Operating activities	**62,292**	75,648	**231,187**	140,731
Financing activities	**(50,297)**	(74,027)	**(92,604)**	(100,653)
Investing activities	**(11,052)**	(11,653)	**(121,024)**	(55,287)
Increase (decrease) in cash and cash equivalents	**943**	(10,032)	**17,559**	(15,209)
Cash and cash equivalents at beginning	**6,342**	(692)	**(10,590)**	4,575
Impact of exchange rate changes on cash and cash equivalents	**(482)**	134	**(166)**	44
Cash and cash equivalents at end	**6,803**	(10,590)	**6,803**	(10,590)

For 2020, cash flows generated by operating activities totalled $231.2 million, up $90.5 million from 2019. Sun-Rype's operating activities generated $16.5 million in cash, leaving a difference of $74.0 million on a comparable basis. This increase in cash inflows was essentially due to a change in non-cash operating working capital items that generated $46.1 million in cash during 2020 compared to $4.4 million in cash generated last year, for a $41.8 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 decrease in inventories that generated $25.5 million during 2020 compared to $26.5 million used last year, (b) an increase in accounts receivable that used $4.1 million during 2020, whereas they had generated $15.5 million in 2019, (c) an increase in accounts payable and accrued liabilities that generated $23.3 million during 2020 compared to $17.3 million generated last year, and (d) a change in other current assets and liabilities that generated $1.4 million during 2020 compared to $1.9 million used in 2019. The following items also contributed to the upward change in operating cash flows: (i) a $24.8 million increase in earnings before interest, taxes, depreciation and amortization, (ii) a $10.3 million increase in income tax received, (iii) $1.0 million in receipts of derivative instruments in 2020 compared to $3.7 million in settlements of derivative instruments in 2019, and (iv) a $3.4 million decrease in interest paid. The upward change in operating cash flows was limited by the following items: (i) a $6.5 million increase in the funding of the defined benefit pension plans, (ii) $4.0 million in unrealized foreign exchange gains during 2020 compared to $1.3 million in unrealized foreign exchange gains during 2019, and (iii) a $1.9 million decrease in non-cash expenses recognized in profit or loss and related to changes in the fair value of financial instruments.

For 2020, financing activities used $92.6 million, whereas these activities had used $100.7 million in 2019. The Sun-Rype acquisition generated $89.3 million in cash, leaving a difference of $81.2 million in additional use on a comparable basis. This increase in cash outflows was mainly due to a $91.2 million repayment of revolving operating credit during 2020 compared to a $29.0 million inflow from revolving operating credit in 2019. This item was partly offset by a $31.0 million decrease in long-term debt repayments and by $7.2 million in share repurchases in 2019.

For 2020, investing activities used $121.0 million compared to $55.3 million used in 2019. During 2020, cash flows used for the Sun-Rype acquisition, net of acquired cash on hand, were $80.6 million, leaving a difference of $14.9 million on a comparable basis. This downward change came mainly from (i) $8.2 million in cash outflows in 2019 related to the acquisition of an ownership interest in Diamond, (ii) a $7.5 million consideration paid in 2019 as part of a non-significant business combination, and from (iii) a $1.3 million decrease in cash outflows to acquire property, plant and equipment. These items were partly offset by a $1.9 million increase in cash outflows to acquire intangible assets.

Financing and Cash

(in thousands of dollars, unless otherwise indicated)	**As at Dec. 31, 2020**	**As at Dec. 31, 2019**
	$	$
Current portion of long-term debt	**10,676**	16,158
Long-term debt	**204,810**	248,961
Total debt	**215,486**	265,119
Total debt	**215,486**	265,119
Shareholders' equity	**795,733**	734,819
Company's capital	**1,011,219**	999,938
Total debt / Company's capital ratio [i] *(in %)*	**21.3**	26.5

[i] The total debt / Company's capital ratio is obtained by dividing total debt by the Company's capital, as shown in the table above.

As at December 31, 2020, the Company had $6.8 million in cash and cash equivalents and no bank overdraft compared to $1.8 million in cash and cash equivalents and a $12.4 million bank overdraft as at December 31, 2019.

On April 10, 2013, the Company 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 Company 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 Company 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 Company 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 December 2020, the Company and a syndicate of financial institutions agreed to extend the expiry date of the CA revolving credit facility to April 2025.

During the third quarter of 2011, the Company 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 Company 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 banks to support the Company'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 OOB acquisition, the Company 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 a new term loan with an authorized amount of US$146.0 million.

Term loans

On an annual basis, the Company had to repay, in four equal quarterly instalments, 7.5% of the principal amount of the term loans existing at May 31, 2018. The Company was able to make penalty-free prepayments at any time.

During the year ended December 31, 2019, the Company had completed the repayment in full of its US$92.5 million term loan maturing in September 2020.

The US$146.0 million term loan matures in May 2022. The transaction costs related to this term loan are amortized over the term of the term loan using the effective interest rate method.

On an annual basis, the Company must repay, in four equal quarterly instalments, 7.5% of the principal amount of the US$146.0 million term loan. The Company may make penalty-free prepayments at any time.

As at December 31, 2020, the outstanding balance of the CA revolving credit was $49.6 million and that of the U.S. revolving credit was $Nil, whereas, as at December 31, 2019, the outstanding balance of the CA revolving credit was $49.2 million and that of the U.S. revolving credit was $4.4 million.

The terms and conditions of these credit facilities are presented in Note 21 to the Company's consolidated financial statements for the year ended December 31, 2020. The Company believes that it will be able to ensure its development using cash flows from operating activities and currently available bank credit.

The total debt / Company's capital ratio was 21.3% as at December 31, 2020 versus 26.5% as at December 31, 2019. This decrease reflects a $49.6 million decrease in total debt and a $60.9 million increase in shareholders' equity.

For 2021, the Company plans on adjusting its capital asset investment program in response to volatility in market demand for its different sizes and to continue the upgrade of its ERP software in Canada. It will continue to modernize its equipment and improve processes while investing in innovation and sustainable development. To the extent possible, the new capital assets will be financed using the Company's cash flows from operating activities, although the Company may turn to borrowing if interest rates and conditions prove advantageous.

Share Repurchase Plan

In 2018, the Company had re-established its share repurchase program through the Toronto Stock Exchange in accordance with its policies and regulations. Consequently, the Company was allowed to repurchase in cash, by way of a normal course issuer bid, up to 80,000 of its Class A subordinate voting shares between October 3, 2018 and October 2, 2019. The purchases were made at market prices, without exceeding the price limit set by the Company's management.

During the year ended December 31, 2019, the Company had repurchased for cancellation 40,400 Class A subordinate voting shares at an average price of $177.71 per share for a cash consideration of $7,179,000, of which $535,000 was applied against capital stock, $6,639,000 against retained earnings, and $5,000 against contributed surplus.

The Company did not renew its normal course issuer bid program that ended on October 2, 2019.

Dividends

On February 11, 2021, in accordance with the Company's dividend policy, the Board of Directors declared a quarterly dividend of $0.65 per share, payable on March 15, 2021, to all registered holders of Class A and Class B shares on February 23, 2021. On an annualized basis, this dividend represents approximately 25% of the 2019 profit attributable to the Company's shareholders. This dividend is an eligible dividend.

The Company plans on maintaining its dividend policy, which stipulates that, on an annualized basis, the dividend represents approximately 25% of the previous year's profit attributable to the Company's shareholders.

Stock Exchange Trading

The shares of Lassonde Industries Inc. traded at prices ranging from $100.10 to $179.09 during 2020. The closing share price for fiscal 2020 was $173.03, up 11.3% from $155.47 at the end of 2019.

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

As at December 31, 2020, the Company had letters of credit outstanding totalling $1.3 million.

Commitments are presented in Note 29 to the consolidated financial statements for the year ended December 31, 2020.

Fourth Quarter

Consolidated Income Data

(in thousands of dollars, unless otherwise indicated)	Fourth quarters ended Dec. 31, 2020	Dec. 31, 2019
	$	$
Sales	**515,065**	432,127
Cost of sales	**367,624**	315,655
Selling and administrative expenses	**108,559**	91,513
(Gains) losses on capital assets	**(25)**	(5)
	476,158	407,163
Operating profit	**38,907**	24,964
Share in the profit or (loss) of an associate	**(106)**	(88)
Financial expenses	**3,743**	5,098
Other (gains) losses	**1,243**	(20,916)
Profit before income taxes	**33,815**	40,694
Income tax expense	**9,563**	10,339
Profit	**24,252**	30,355
Attributable to:		
Company's shareholders	**23,538**	28,466
Non-controlling interest	**714**	1,889
	24,252	30,355
Basic and diluted earnings per share *(in $)*	**3.39**	4.10
Weighted average number of shares outstanding *(in thousands)*	**6,934**	6,939

In the fourth quarter of 2020, sales totalled $515.1 million, up $83.0 million (19.2%) from $432.1 million in the fourth quarter of 2019. Sun-Rype's fourth-quarter sales totalled $48.1 million, leaving a $34.9 million favourable variance on a comparable basis. This 8.1% increase in sales was essentially due to the combined impact of the following items: (i) a $29.5 million increase in sales of private label products; (ii) selling price adjustments that had a $7.4 million favourable impact on national brand sales; (iii) a favourable change in the sales mix of national brands resulting in a $3.5 million increase in sales; (iv) a $2.9 million unfavourable foreign exchange impact; (v) a $2.5 million decrease in the sales volume of national brands; and (vi) an unfavourable impact of a $0.1 million increase in slotting fees.

Cost of sales went from $315.7 million in the fourth quarter of 2019 to $367.6 million in the fourth quarter of 2020, up $51.9 million. Part of the increase was due to Sun-Rype's $35.7 million cost of sales. Excluding Sun-Rype, the 2020 fourth-quarter cost of sales stood at $331.9 million, up 5.2% from the same quarter last year. When compared to the 8.1% increase in sales, this proportionately smaller variation in cost of sales essentially reflects a decrease in some input costs, especially the PET resin and a $3.9 million decrease in obsolete inventory costs, partly offset by $1.8 million in costs related to the closing of a Company's plant based in Baltimore, United States and by $0.8 million in additional production costs related to the pandemic.

Selling and administrative expenses went from $91.5 million in the fourth quarter of 2019 to $108.6 million in the fourth quarter of 2020, up $17.1 million. This increase is partly explained by the addition of Sun-Rype's selling and administrative expenses of $10.8 million during the quarter whereas in 2019, the Company had incurred $1.5 million in expenses related to the Sun-Rype acquisition. Excluding these items, the Company's selling and administrative expenses were up $7.8 million from the selling and administrative expenses reported in the same quarter last year. This increase came mainly from higher performance-related salary expenses, an increase in warehousing and transportation costs resulting from a higher sales volume and an increase in marketing expenses in Canada.

The Company's operating profit for the fourth quarter of 2020 totalled $38.9 million, up $13.9 million from $25.0 million in the same quarter last year. During the fourth quarter of 2020, Sun-Rype posted $1.7 million in operating profit whereas in 2019, the Company had incurred

$1.5 million in expenses related to the Sun-Rype acquisition. Excluding these items, the Company's operating profit was up $10.7 million year over year.

During the fourth quarters of 2019 and 2020, the Company incurred $0.1 million in losses related to its share in the profit or loss of Diamond.

The Company's financial expenses went from $5.1 million in the fourth quarter of 2019 to $3.7 million in the fourth quarter of 2020. Excluding $0.5 million in interest expense related to the Sun-Rype acquisition, financial expenses were down $1.9 million. This decrease was essentially due to a decrease in the interest expense on long-term debt mainly explained by a lower debt level.

"Other (gains) losses" went from a $20.9 million gain in the fourth quarter of 2019 to a $1.2 million loss in the fourth quarter of 2020. This 2020 fourth-quarter loss was essentially due to $1.8 million in foreign exchange losses, partly offset by $0.4 million in gains realized following the settlement of various insurance claims, whereas the 2019 fourth-quarter gain was mainly due to a $20.8 million gain realized following the settlement of an insurance claim directly related to the OOB acquisition price.

Profit before income taxes stood at $33.8 million in the fourth quarter of 2020, down $6.9 million from $40.7 million in the fourth quarter of 2019.

Income tax expense went from $10.3 million in the fourth quarter of 2019 to $9.6 million in the fourth quarter of 2020. At 28.3%, the 2020 fourth-quarter effective income tax rate was higher than the 25.4% rate in the same quarter of 2019. The 2019 fourth-quarter effective income tax rate reflected the unfavourable impact of changes to U.S. tax regulations affecting the deductibility of certain interest expenses and special taxes related thereto. Excluding this item, the 2020 fourth-quarter higher effective income tax rate mainly reflects a decrease in the deductible amounts on the Company's interest expense, adjustments resulting from an unfavourable variance of the geographic distribution of the Company's profit before income taxes and a U.S. withholding tax related to an intercompany dividend.

The 2020 fourth-quarter profit totalled $24.3 million, down $6.1 million from $30.4 million in the fourth quarter of 2019. The current quarter's results include a profit of $1.2 million from Sun-Rype and an amount of $0.2 million, net of tax, in additional financial expenses related to the financing of the Sun-Rype acquisition while the 2019 fourth-quarter profit included a $15.3 million gain, net of tax, realized following the settlement of an insurance claim and $1.1 million, net of tax, in Sun-Rype acquisition-related costs. Excluding these items, the Company's 2020 fourth-quarter profit was up $7.1 million year over year.

Profit attributable to the Company's shareholders was $23.5 million, resulting in basic and diluted earnings per share of $3.39 for the fourth quarter of 2020. In the fourth quarter of 2019, profit attributable to the Company's shareholders had totalled $28.5 million, resulting in basic and diluted earnings per share of $4.10. Excluding the impacts of the Sun-Rype acquisition and of the gain realized in 2019 following the settlement of an insurance claim, the 2020 fourth-quarter profit attributable to the Company's shareholders was up $6.8 million year over year.

Analysis of Quarterly Consolidated Cash Flows

For the fourth quarter of 2020, cash flows generated by operating activities totalled $62.3 million, down $13.4 million from the same period in 2019. Sun-Rype's operating activities generated $7.3 million in cash, leaving a difference of $20.7 million on a comparable basis. This net downward change was mainly due to a change in non-cash operating working capital items that generated $22.6 million in cash during the fourth quarter of 2020 compared to $31.2 million in cash generated in the same period last year, for an $8.6 million decrease in cash inflows. This fluctuation in the change in working capital was due to the combined impact of the following items: (a) a decrease in accounts payable and accrued liabilities that used $2.0 million during the fourth quarter of 2020 compared to $26.7 million generated during the fourth quarter of 2019, (b) a decrease in inventories that generated $13.5 million during the fourth quarter of 2020 compared to $15.1 million used in the same quarter of 2019, (c) a decrease in accounts receivable that generated $15.5 million during the fourth quarter of 2020, whereas they had generated $21.1 million during the fourth quarter of 2019, and (d) a change in other current assets and liabilities that used $4.3 million during the fourth quarter of 2020 compared to $1.5 million used in the same quarter of 2019. The following items also contributed to the downward change in operating cash flows: (i) an $8.9 million decrease in earnings before interest, taxes, depreciation and amortization, (ii) a $4.7 million increase in income tax paid, (iii) a $1.7 million decrease in non-cash expenses recognized in profit or loss and related to changes in the fair value of financial instruments, and (iv) $1.7 million in unrealized foreign exchange gains during the fourth quarter of 2020 compared to $0.7 million in unrealized foreign exchange gains during the same quarter of 2019. The downward change in operating cash flows was limited by the following items: (i) a $2.5 million decrease in the funding of the defined benefit pension plans, and (ii) a $1.6 million decrease in interest paid.

For the fourth quarter of 2020, financing activities used $50.3 million, whereas these activities had used $74.0 million in the same quarter last year. This decrease in cash outflows was mainly due to a $24.1 million increase in long-term debt repayments.

For the fourth quarter of 2020, investing activities used $11.1 million in cash compared to $11.7 million used in the same quarter of 2019. This downward change came mainly from the payment in 2019 of $0.9 million in transaction costs related to the acquisition of an ownership interest in Diamond and $0.3 million in cash outflows related to the acquisition of an additional ownership interest in Diamond. These items were partly offset by a $0.3 million increase in cash outflows to acquire intangible assets and by a $0.3 million increase in cash outflows to acquire property, plant and equipment.

Financial Measures Not in Accordance With IFRS

Non-IFRS financial measures have no standardized meaning prescribed under IFRS. They are therefore unlikely to be comparable with measures of the same type presented by other issuers.

Working Capital and Working Capital Ratio

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

(in thousands of dollars, except the working capital ratio)	**As at Dec. 31, 2020**	**As at Dec. 31, 2019**
	$	$
Current assets	**440,649**	414,756
Current liabilities	**290,229**	253,389
Working capital	**150,420**	161,367
Working capital ratio	**1.52:1**	1.64:1

Shareholders' Equity to Total Assets

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

(in thousands of dollars, unless otherwise indicated)	**As at Dec. 31, 2020**	**As at Dec. 31, 2019**
	$	$
Shareholders' equity	**795,733**	734,819
Total assets	**1,381,634**	1,310,226
Shareholders' equity / total assets ratio *(in %)*	**57.6**	56.1

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization

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

	Fourth quarters ended		**Years ended**	
(in thousands of dollars)	**Dec. 31, 2020**	**Dec. 31, 2019**	**Dec. 31, 2020**	**Dec. 31, 2019**
	$	$	**$**	$
Operating profit	**38,907**	24,964	**151,931**	100,826
Depreciation of property, plant and equipment and amortization of intangible assets	**17,955**	14,291	**65,163**	56,957
(Gains) losses on capital assets	**(25)**	(5)	**32**	(95)
Adjusted EBITDA	**56,837**	39,250	**217,126**	157,688

Depreciation and amortization expense went from $14.3 million in the fourth quarter of 2019 to $18.0 million in the same quarter of 2020. The higher expense stems essentially from Sun-Rype's depreciation and amortization expense of $2.4 million and from an accelerated depreciation expense of $1.2 million following the closing of a Company's plant located in Baltimore, United States.

The annual depreciation and amortization expense went from $57.0 million in 2019 to $65.2 million in 2020. During 2020, Sun-Rype's depreciation and amortization expense was $6.7 million, leaving a difference of $1.5 million on a comparable basis. The higher expense stems essentially from an accelerated depreciation expense of $1.2 million following the closing of a Company's plant located in Baltimore, United States and from a $0.4 million unfavourable foreign exchange impact.

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 Company 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 Company's past history and experience.

Measurements of Income Tax Expense

In preparing its consolidated financial statements, the Company 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 Company's future taxable income and on future tax strategies. A deferred tax asset amount could change 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 Company'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 current 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 Company. 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 Company 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 Company'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, the defined benefit obligation, the net interest on the net defined benefit liability (asset), the expected rate of compensation increase, the indexation rate of pensions paid, and the mortality table. If the actuarial assumptions are found to be significantly different from the actual data subsequently observed, it could lead to substantial changes to the amount of the benefit cost of the defined benefit plans recognized in profit or loss and in other comprehensive income and to the net defined benefit assets or liabilities presented in the Consolidated Statement of Financial Position.

The actuarial valuations for funding purposes were performed on January 1, 2018, September 30, 2020, and December 31, 2020 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 2019 and 2020, the Company funded $9.2 million and $15.7 million, respectively, in 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 recorded in 2019 and 2020.

Purchase Price Allocations of Businesses Acquired as Part of Business Combinations

When carrying out a business combination, the Company must make assumptions and estimates to determine the purchase price allocation of the acquired business. The Company must determine the acquisition-date fair value of the identifiable assets acquired and liabilities assumed. Goodwill is measured as the amount by which the consideration transferred and the total amount of any non-controlling interest exceeds the fair value of all the identified assets and liabilities. These assumptions and estimates have an impact on the asset and liability amounts recorded in the Consolidated Statement of Financial Position on the acquisition date. In addition, the estimated useful lives of the acquired property, plant and equipment, the identification of intangible assets and the determination of the indefinite or finite useful lives of intangible assets acquired will have an impact on the Company's profit or loss.

Future Accounting Changes

Interest Rate Benchmark Reform

In August 2020, as part of the interest rate benchmark reform project, the International Accounting Standards Board ("IASB") amended the following standards: IFRS 9 "Financial Instruments," IAS 39 "Financial Instruments: Recognition and Measurement," IFRS 7 "Financial Instruments: Disclosures," IFRS 4 "Insurance Contracts" and IFRS 16 "Leases." These amendments are intented toidentify the impacts of the transition to new benchmark rates. They include practical expedients and additional disclosures.

The amendments apply to fiscal years beginning on or after January 1, 2021.

The impacts of this reform on the Company's consolidated financial statements will be dependent on the facts and circumstances of any future changes in financial instruments, and any future changes in interest rate benchmarks, referenced by such financial instruments. As at December 31, 2020, no financial instruments have been amended as a direct consequence of the reform.

IAS 16 "Property, Plant and Equipment"

In May 2020, the IASB amended IAS 16 "Property, Plant and Equipment" to modify the accounting treatment of the net proceeds from the sale of items produced up until the time the property, plant and equipment is in the condition necessary to be operated in the manner intended by management. These proceeds will be accounted for in accordance with the other applicable standards instead of reducing the cost of the property, plant and equipment.

The amendments apply to fiscal years beginning on or after January 1, 2022.

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

IAS 1 "Presentation of Financial Statements"

In January 2020, the IASB amended IAS 1 "Presentation of Financial Statements" in order to establish a more general approach to the classification of liabilities based on an analysis of the existing contracts at the reporting date.

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

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

Uncertainties and Principal Risk Factors

The uncertainties and risk factors described hereafter are those likely to significantly affect the Company's financial position or results. Not all contingencies have been addressed, and the risks or uncertainties in the following statements may not materialize or occur in the manner expected or have the anticipated consequences.

Financial Instruments and Financial Risk Exposure

Interest rate risk

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

In addition, upon the refinancing of a borrowing, depending on the availability of funds in the market and lender perception of the Company's risk, the margin that is added to the reference rate, such as the bankers' acceptance rate ("CDOR"), the London Interbank Offered Rate ("LIBOR"), or prime rates, could vary and thereby directly influence the interest rate payable by the Company.

The Company strives to maintain an appropriate combination of fixed- 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; 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 Company's long-term obligations stemming from acquisitions of long-term assets and business combinations. The revolving credit facilities are mainly used to finance the Company's working capital and essentially fluctuate according to seasonal factors specific to the Company. The Company 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, 2020, the Company had interest rate swap agreements to cover the impact of future fluctuations in LIBOR interest rates, applicable to LPC's term loan and to CA revolving credit, on the Company's cash flows. These swaps are designated in a hedging relationship. As at December 31, 2020, the negative fair value of the interest rate swaps stood, on a net basis, at $3.0 million. It is presented in the Derivative Instruments items of the Company's Consolidated Statement of Financial Position.

The following table presents a summary of the Company's interest rate swaps:

Start date	End date	Type	Fixed rate	Floating rate	Notional amount as at Dec. 31, 2020	Fair value
			%		in US$	in $
June 2018	March 2022	Fixed-rate payer	2.8675	3-month LIBOR	40,000,000	(1,326,000)
June 2018	March 2022	Fixed-rate payer	2.8695	3-month LIBOR	40,000,000	(1,327,000)
April 2020	March 2023	Fixed-rate payer	0.5760	3-month LIBOR	35,000,000	(349,000)

Foreign exchange risk

Foreign exchange risk is the Company'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 and intercompany balances denominated in foreign currencies;
- Its net investments in its foreign operations, as they use the U.S. dollar as functional currency; and
- The value of transactions denominated in foreign currencies by entities that have the Canadian dollar as their functional currency;
    - The raw material, supplies and equipment purchases denominated in foreign currencies made by Canadian entities; and
    - Sales made by Canadian entities concluded in foreign currencies.

Foreign exchange risk is managed in accordance with the Company's foreign exchange risk management policy. The objective of this policy is to mitigate the impact of foreign exchange rate fluctuations on the Company's results and financial position. Under this foreign exchange policy, the Company must identify, by geographic segment, any actual or potential foreign exchange risk arising from its operations. The policy also prohibits speculative foreign exchange transactions.

The Company employs various strategies to mitigate foreign exchange risk, including the use of derivative instruments and natural hedge management techniques. A corporate treasury department provides the strategy to cover these risks. As at December 31, 2020, the Canadian-dollar amounts of accounts receivable, of accounts payable and accrued liabilities, and of long-term debt denominated in currencies other than the functional currencies of the entities totalled, respectively, $18.1 million, $37.3 million and $44.6 million.

As at December 31, 2020, foreign exchange forward contracts used to hedge the exchange rate fluctuations related to future payments denominated in foreign currencies totalled a net amount of $197.0 million. Under these contracts, the Company is committed to purchasing or selling foreign currencies at predetermined rates, and, when designated for this purpose, the contracts are subject to hedge accounting. As at December 31, 2020, the negative fair value of the contracts stood, on a net basis, at $6.3 million. It is presented in the Derivative Instruments items of the Company's Consolidated Statement of Financial Position.

The following table presents a summary of the Company's foreign exchange contracts:

Type	Maturity	Rate	Total contractual amount	Total net fair value
		C$		in $
US$ purchase	From 1 to 12 months	1.2714 to 1.3952	US$165,350,000	(7,148,000)
US$ sale	From 1 to 7 months	1.3126 to 1.3146	US$21,175,000	820,000
€ purchase	From 1 to 12 months	1.5620	€4,456,000	25,000

Price risk

To mitigate the effects of certain raw material price fluctuations, the Company occasionally contracts derivatives.

As at December 31, 2020, the Company owned derivative instruments on frozen concentrated orange juice. These derivative instruments, when designated for this purpose, are subject to hedge accounting. As at December 31, 2020, the positive fair value of these derivative instruments, on a net basis, was $0.2 million. It is presented in the Derivative Instruments items of the Company's Consolidated Statement of Financial Position.

The following table presents a summary of the Company's frozen concentrated orange juice derivative instruments:

Type	Maturity	Fixed price	Total quantity	Total net fair value
		US$/pound solid	in pound solid	in $
Futures	3 and 5 months	1.1490 to 1.2680	3,600,000	249,000

To mitigate the effects of Class A subordinate voting share fluctuations on the fair value of the long-term incentive plan established during the year ended December 31, 2020, the Company entered into a total return swap agreement of these shares. The total return swap is not subjected to hedge accounting.

As at December 31, 2020, the negative fair value of this swap was less than $0.1 million. It is presented in the Derivative Instruments items of the Company's Consolidated Statement of Financial Position.

The following table presents a summary of the Company's total return swap:

Type	Maturity	Fixed price	Total quantity	Total net fair value
		C$/share	in share	in $
Total return swap	December 2023	173.03	1,632	(12,000)

Hedge accounting

The Company uses hedge accounting for its purchases of raw materials and supplies and for its acquisitions of property, plant and equipment as well as to hedge the interest rate risk on its floating-rate loans.

When anticipated transactions comprising hedged items lead to the recognition of financial assets or liabilities, the change in fair value related to the effective portion of the hedge is recognized in other comprehensive income, and the accumulated amount is presented as a hedging reserve in the Consolidated Statement of Shareholders' Equity. The amounts accumulated in other comprehensive income are reclassified to profit or loss in the period in which the underlying hedged item has an impact on profit or loss. Any ineffective portion is immediately recognized in profit or loss as "Other (gains) losses."

When anticipated transactions comprising hedged items lead to the recognition of non-financial assets (for example, inventories), the change in fair value related to the effective portion of the cash flow hedge is recognized in comprehensive income as other comprehensive income that will not be subsequently reclassified to profit or loss, and the accumulated amount is presented as a hedging reserve in the Consolidated Statement of Shareholders' Equity. The amount included in the accumulated hedging reserve is transferred from shareholders' equity to the initial carrying amount of the hedged non-financial assets upon acquisition and is not recognized in comprehensive income as other comprehensive income.

When the hedging relationship no longer satisfies hedge accounting rules or when the hedging instrument reaches maturity or is sold, terminated, or exercised, the Company ceases to prospectively apply hedge accounting to this relationship or instrument. If the hedged item is a financial asset or liability, accumulated gains or losses remain in the hedging reserve and are reclassified in profit or

loss in the same period in which the underlying hedged item is recognized in profit or loss. In the case where the hedged item is a non-financial asset, the accumulated gains or losses remain in the hedging reserve and are transferred from equity to the initial carrying amount of the hedged non-financial assets upon acquisition without being recognized in comprehensive income as other comprehensive income. Furthermore, when the Company considers that the future transaction will not be realized, the cumulative gains or losses recognized in the hedging reserve are immediately recognized in profit or loss as "Other (gains) losses." Losses, net of gains, on derivatives designated as cash flow hedges recognized in profit or loss stood at $1.5 million in 2020 compared to net gains of $0.1 million reclassified to profit or loss in 2019.

The fair value of the derivative instruments was established using information obtained from the financial institutions acting as counterparties to these hedging transactions.

More details on financial instruments and the risk management thereof are provided in Notes 13 and 27 to the Company's consolidated financial statements.

Credit Risk

The Company extends credit to clients in the normal course of business. The Company regularly examines and reviews the financial positions of existing clients and applies rigorous procedures to assess the creditworthiness of new clients. It sets specific credit limits per client and regularly reviews those limits. The Company manages credit risk as follows:

- Credit limits are established and examined by internal credit specialists based on information collected from relevant sources and on the Company's experience with its clients;
- The Company's Canadian subsidiaries take out credit insurance on the majority of their sales made outside Canada;
- The Company's U.S. subsidiaries take out credit insurance on the majority of their sales; and
- The terms of credit may vary depending on the client's credit risk.

Clients' volume in food services has been severely affected by the effects of the pandemic in 2020 as some of their customers have either abandoned their activities or will not be able to survive the impacts of the pandemic and the effects of lockdowns. Although the Company has not seen any significant bankruptcy in food services, the pandemic has increased the risk of default for these customers.

The consolidated financial statements include allowances for doubtful accounts, which are estimated by the Company's management based on past experience and its assessment of current economic conditions.

Duties, Taxation and Accounting

Changes made to laws, regulations, rules and policies that affect the Company's activities as well as new accounting positions adopted by the relevant authorities may significantly affect the Company's financial and operating performance. In complying with these changes, the Company may incur significant expenses. The Company is paying close attention to tariff-related discussions that could affect its U.S. purchases and sales. It is important to note that the Company imports approximately US$164 million in raw materials into the United States for its U.S. production. Existing tariffs and any tariff changes arising from trade disputes with the United States could increase the cost of these raw materials—and thereby affect the Company's results—if it is unable to adjust prices to offset the negative impacts. Any such adjustments could also adversely affect the Company's sales volumes.

Human Resources

Lassonde's success depends on the quality of the human resources that the Company can hire and retain. The scarcity of labour in Canada and the United States could have an impact on business performance in terms of the cost of employee benefits and productivity. The Company is also 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 the Company's reputation and lead to compliance-related costs. A significant portion of Lassonde Industries Inc.'s 2,700 employees are covered under collective bargaining agreements. The Company's objective is to negotiate collective bargaining agreements that allow the Company to remain competitive, that have durations that promote a favourable working climate in all segments, and that expire on different dates. One collective bargaining agreement related to a Canadian plant of the Company expired in 2020 and is currently being negotiated while a collective bargaining agreement related to another Canadian plant is expiring in 2021.

As fFor the management team, inadequate succession planning or poor management of the transition to key positions could have negative effects on business affairs. Although the Company has implemented an elaborate succession plan, there are no guarantees that it will be flawless astwo senior executives recently announced that they will be stepping down in 2021.

Fair Value

The fair values of cash and cash equivalents, accounts receivable, bank overdraft, and accounts payable and accrued liabilities are approximately equal to their carrying values due to their short-term maturities.

The fair value of long-term debt as at December 31, 2020 was $5.1 million higher than its carrying value, while the fair value of long-term debt as at December 31, 2019 was $5.4 million higher than its carrying value. The Company determines this fair value based on the discounted cash flow method and using current interest rates for instruments with similar terms and remaining maturities that the Company could have obtained on the market at the measurement date.

Competition

The North American juice, drink, and specialty food markets are highly competitive. The Company competes against several regional, national and international competitors, some of which are very large. The structure of the private label fruit juice and drink offering in the United States is marked by the presence of a major European company, of which one of the business units is the Company's main U.S. competitor. All of these factors put downward pressure on selling prices or contributed to higher trade marketing costs, discounts, and/or promotional rebates used to promote products with wholesalers and major retailers, which can affect the Company's margins. Furthermore, should input costs increase significantly, it could be difficult to absorb these cost increases through higher product prices, which would also affect the Company's profitability.

Client Base and Consumer Habits

Most of the Company's sales are to the food retail and wholesale segment. This market is highly concentrated in Canada with five retailers controlling more than 80% of the market. On the U.S. side, there is a lower level of market concentration, with ten retailers representing slightly more than 70% of the retail market. This gives clients significant bargaining power that could limit the Company's ability to raise its prices to offset inflationary pressures.

Consumer habits, tastes and preferences are evolving, as seen by the increased demand for low-sugar products. In addition, consumers are now meeting their food needs through multiple supply sources. The result is a strong segmentation of the product offering, which is placing additional pressure on traditional food retailers. The growth in online commerce and discount retailers and the reaction of traditional retailers to this increased competition places considerable pressure on the Company's ability to raise prices.

Remaining sales of the Company are generated by the food service segment, which consists primarily of restaurants, hospitals, hotels, schools, and the wholesalers serving these institutions. Their business volumes have been severely affected by the effects of the pandemic in 2020 as some of their customers have either abandoned their activities or will not be able to survive the impacts of the pandemic and the effects of lockdowns. The level of future business volumes for food service distributors is therefore difficult to predict and could be lower than pre-pandemic levels.

In 2020, 31.7% of the Company's sales were carried out with the three largest clients of Lassonde Industries Inc. The loss of one of these clients could have a significant impact on the Company's results. Two clients accounted each for a little more than 10% of the Company's sales in 2020.

Supply of Raw Materials

The Company purchases raw materials that it processes into finished products. Fluctuations in raw material prices can therefore drive financial results upward or downward. The Company is exposed, among other things, to climate risks that affect the crops of the fruits used to make the various types of concentrates required for its production. While the Company has a policy to safeguard against, when circumstances warrant, significant changes in raw material prices by entering into fixed-price agreements with key suppliers, such agreements usually cannot cover periods of more than one year. Raw material prices could also be affected by trade wars between certain nations. The impact of any resulting tariffs could be felt directly but could also come from higher selling prices charged by suppliers unaffected by these tariffs and taking advantage of the general increase in product prices. Furthermore, the Company, as do a number of its competitors, purchases a large portion of its orange juice from a single supplier.

The COVID-19 pandemic is having significant impacts on global logistics chains. The Company's supply of raw materials could therefore be considerably affected by disruptions affecting certain suppliers. China and Brazil, hit particularly hard by this pandemic, play a key role in the Company's supply chain, as Lassonde Industries Inc. purchases some of its raw materials from suppliers based in these two countries. The Company will therefore likely encounter direct and indirect adverse effects on its supply capability if the situation deteriorates in one of these two countries. It should be noted that China provides a considerable portion of the global supply of apple concentrate while Brazil is in the same position in terms of orange concentrate.

As is the case with some of its competitors who use a similar packaging technology, the Company obtains a large portion of its laminated board supplies mainly from a single supplier. The Company also pays attention to the debate surrounding the use of plastic in packaging materials.

Product Liability

All food-processing companies are exposed to the risks related to the safety and integrity of their products. To reduce such risks, the Company upholds quality assurance procedures in all of its facilities. Additionally, the Company monitors food safety and wholesomeness through the adoption of quality systems under the Global Food Safety Initiative (GFSI). The Company also adheres to government food

safety initiatives such as FSEP/HACCP certification (Food Safety Enhancement Program / Hazard Analysis Critical Control Point system) in Canada. It is also compliant with the HACCP (juice) regulations required by the U.S. Code of Federal Regulations in LPC's plants and OOB's plant. However, if such a risk were to materialize, in certain circumstances it could result in an expensive product recall and severely damage the Company's reputation. Consequently, the Company maintains liability insurance coverage as a producer and has other coverage deemed to be in compliance with current industry practices.

Production Subcontracting to Contract Packaging Specialists

Some LPC products are manufactured through contract packaging specialists. Although the Company has the ability to manufacture LPC products in its plants, the unavailability of a packager could affect the Company's profitability because it would not have sufficient excess aseptic processing capacity to meet all of LPC's needs. In normal circumstances, this risk is mitigated by the fact that more than 70% of LPC's external requirements are covered by long-term contracts and that more than 6% of these external requirements are met by the Company's other subsidiaries. The residual risk normally affects a small percentage of the Company's total sales.

In the context of the current pandemic, certain packagers used by LPC could be forced to temporarily interrupt operations given a lack of sufficient labour to properly conduct their manufacturing activities.

Distribution of Products

The Company sells its products throughout most of North America. As the Company is responsible for the delivery costs on a meaningful portion of its sales, it is exposed to fluctuating transportation costs, which could be affected by higher fuel costs, a shortage of employees to operate transportation vehicles, and changes to laws and regulations that could affect vehicle usage levels. An increase to these costs could narrow the Company's profit margin if it is unable to raise its selling prices to offset the impacts of such cost fluctuations.

Regulatory Matters

The production and distribution of food products and the impact of these activities on the environment, whether in Canada, the United States or elsewhere, are subject to legislation and regulations. If a law or regulation were amended, the resulting impact would depend on the Company's ability to adapt, comply and assume the related costs. Changes to the legal and regulatory environment could have an impact on the Company's operating costs and results. Such regulatory amendments might include changes to food and drug laws, labelling laws, competition laws and environmental laws, including laws with respect to water rights and water treatment regulations. Such changes (notably the proposed regulation for labelling on the front of packaging) can have an impact on the Company's results or increase its costs and liabilities. Finally, the Company believes that its production and distribution activities, and their environmental impact, currently comply in all material respects with government laws and regulations and also believes it has the permits and licences required by the nature of its activities.

Crisis Management and Business Continuity

The Company has developed crisis management and business continuity plans for all its operations. A steering committee supervises and reviews the plans of all its subsidiaries. The plans include a number of back-up physical locations in the event of a disaster or pandemic-related contagion risk, generators in case of power failures, and an IT back-up system. Further spread of a virus such as COVID-19 could also require the Company to temporarily close a plant. While the existing recovery plans address the loss of a plant in the case of a disaster, the simultaneous closing of more than one plant could affect the Company's ability to meet its financial objectives.

Cybersecurity

In the normal course of business, the Company relies on information technology systems to process, transmit and store information in all areas of its operations as well as for the reporting of its results. Additionally, a significant portion of that information concerns its business and/or clients and partners and is maintained either within its premises or at the sites of its technology partners.

These systems may be vulnerable to an increasing number of sophisticated cyber threats and other failures such as telecommunications interruptions, natural disasters, human error and other security issues. Such events could impede or interrupt the Company's operations or result in other negative consequences, including remediation costs, loss of revenue, litigation and reputational damage, or fines and criminal penalties. The Company's financial results, market value or ability to achieve its strategic business objectives could be significantly affected by such events.

The Company regularly monitors, manages, and enhances its ability to mitigate cyber risk through its enterprise-wide cyber security programs; disaster recovery investments; risk management practices; implementations of policies, procedures and control processes; and outsourcing contract management practices to address such risks. However, there is no absolute assurance that such measures can impede all such risks.

Pandemic

The COVID-19 outbreak in 2020 has created a health and economic crisis of unprecedented magnitude that is affecting global economies and financial markets. Although vaccination has started on both sides of the border, the situation in North America remains critical and the Company continues to be on the lookout for potential changes regarding the availability of labour and resources, government interventions in the activities of businesses, or changes in demand for the Company's products. At this time, it is 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 is spreading due to its new variants. The long-term impact on the Company's clients is also impossible to assess, as we have not experienced a comparable situation in the recent past.

Claims and Insurance

In the normal course of operations, the Company is exposed to various actions and claims as well as to the various risks related to its operations. Lassonde Industries Inc. limits its exposure to such risk by holding insurance to cover the risk of claims related to its operations when such insurance coverage is available. Even though the Company reviews its insurance limits on an annual basis, there is no guarantee that damages related to losses and claims will not exceed its coverage.

Disclosure Controls and Procedures ("DC&P")

The Company's Chief Executive Officer (CEO) and the Executive Vice-President and Chief Financial Officer are responsible for setting and maintaining disclosure controls and procedures within the meaning of National Instrument 52-109 issued by the Canadian Securities Administrators. Assisting them in this responsibility is the Disclosure Committee, which consists of key management personnel. The Disclosure Committee must be kept fully informed of any significant information relating to the Company 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, given the inherent limitations entailed in DC&P, management can provide only a reasonable level of assurance and may not be able to prevent or detect misstatements that result from error or fraud.

Under the supervision of the CEO and the Executive Vice-President and Chief Financial Officer of the Company, 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 Executive Vice-President and Chief Financial Officer concluded that the disclosure controls and procedures were effective as at December 31, 2020 and, more specifically, that the design of these controls and procedures provides reasonable assurance that important information about the Company is evaluated, processed and reported to them in a timely manner during the preparation of disclosure documentation.

Internal Control Over Financial Reporting ("ICFR")

Management is responsible for establishing and maintaining adequate internal control over financial reporting 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. The internal control system has inherent limitations and therefore the internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements due to error or fraud.

Under the supervision of the CEO and the Executive Vice-President and Chief Financial Officer, management evaluated the effectiveness of the Company's internal control over financial reporting as at December 31, 2020, based on the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, the CEO and the Executive Vice-President and Chief Financial Officer concluded that the ICFR was effective as at the December 31, 2020 year-end.

Changes to Internal Control Over Financial Reporting

During the fourth quarter ended December 31, 2020, there were no changes to the Company's internal control over financial reporting that have materially affected, or that are reasonably likely to materially affect, the internal control over financial reporting.

Limitations on Scope of Design

Management's assessments of and conclusions on the design of DC&P and ICFR exclude the controls, policies and procedures of Sun-Rype, which was acquired on January 3, 2020. The Company will not benefit from this exclusion for purposes of the certificates required for the quarters ended after January 3, 2021. The following table provides meaningful summary financial information about Sun-Rype.

(in thousands of dollars)	**Year ended Dec. 31, 2020**
	$
Sales	**175,694**
Profit	**5,782**

	As at Dec. 31, 2020
	$
Current assets	**70,208**
Non-current assets	**72,672**
Current liabilities	**26,484**
Non-current liabilities	**25,241**

Related Party Transactions

In the normal course of operations, the Company purchases apples for processing from entities controlled by the Chairman of the Board. These purchases totalled $0.1 million in 2020 and were carried out under similar terms and conditions as purchases from arm's length producers.

Related party transactions are presented in Note 31 to the consolidated financial statements for the year ended December 31, 2020.

Events After the Reporting Period

As of March 26, 2021, there was no subsequent event to report.

Outlook

For the twelve-month period ended December 31, 2020, the Company noted a marked increase in industry sales volumes in the U.S. and Canadian fruit juice and drinks markets. Excluding Sun-Rype's sales and foreign exchange impacts, the Company's sales were up 6.8% in 2020 compared to 2019. It believes that a non-negligible portion of this increase could be due to the direct and indirect effects of the pandemic on consumer behaviour. In addition, the Company observed a change in its package mix relating to size of products purchased by consumers, as well as in the distribution channels used by them. There is no reliable way to determine whether these changes in purchasing habits are permanent or will fade when COVID-19 is a thing of the past. Barring any significant external shocks, including the impacts of the evolution of COVID-19 and the speed in which the restrictions will be lifted, the Company expects that, for 2021, it will be able to maintain a sales level similar to 2020. However, the uncertainty surrounding such a forecast is higher than it is under normal circumstances, as the impact in 2020 of the lockdown and physical distancing measures on demand for the Company's products is hard to measure.

During 2020, the Company observed improved profitability at its U.S. operations due to strong demand for its products, although the competitive environment continues to be challenging at the private label level in the United States. However, it notes a rise of inflationary pressures, in particular on transportation costs affected by both scarcity of labour and equipment. In Canada, it expects to benefit from a full year of improvement in the production rate at one of its specialty food products plants, which was significantly affected by investment-related activities in 2019 and in the beginning of 2020.

The current pandemic has added even more uncertainty surrounding the cost and availability of raw materials and labour for 2021. The Company is seeing that the price of orange concentrate remains slightly higher than before the COVID-19 crisis while, at the same time, it has been able to secure almost half of its 2021 supply for this type of concentrate. The price of the PET resin is increasing significantly

from 2020, affected, among others, by a sharp increase in oil prices. The Company estimates that the conversion rate applicable to purchases made by Canadian subsidiaries in U.S. dollars should have an unfavourable impact of approximately $2 million on the pre-tax profit of 2021 compared to 2020. Foreign exchange forward contracts, the hedging period of which generally does not exceed 12 months, are used to partly stabilize the effects of currency fluctuations on the Company's results during this period.

The Company expects its investment-related cash outflows in 2021 to exceed the average of the last five years. Among other things, this increase is attributable to the upgrade of its ERP software in Canada. The Company also expects to make investments designed to increase its storage capacity at one of its Canadian plants and the production capacity for single-serve fruit juices and drinks in the United States. It believes that its use of investing cash flows could reach between $50 million and $60 million in 2021. These disbursements will have a limited impact on the Company's profit for 2021 but will affect its cash flows.

Additional Information

As at December 31, 2020, the issued and outstanding capital stock of the Company consisted of 3,180,900 Class A subordinate voting shares and 3,752,620 Class B multiple voting shares.

This Management's Discussion and Analysis was prepared as of March 26, 2021 and is available on the Lassonde Industries Inc. website. Readers will also find this MD&A, the Annual Information Form, additional documents, press releases, and more information about the Company on the SEDAR website at www.sedar.com.

Dividends – Fiscal 2021

The table below presents the current or expected dates of declaration, record and payment of dividends for fiscal 2021, all of which are subject to approval by the Board of Directors.

Declaration date	Record date	Payment date
February 11, 2021	February 23, 2021	March 15, 2021
May 7, 2021	May 19, 2021	June 15, 2021
August 13, 2021	August 25, 2021	September 15, 2021
November 12, 2021	November 24, 2021	December 15, 2021

March 26, 2021