Lassonde Industries Inc.

Annual Management's Discussion and Analysis – Year Ended December 31, 2021

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, 2021, this MD&A reports on items deemed significant that have taken place from December 31, 2021 up to and including March 25, 2022, which is the date on which this MD&A was approved by the Company's Board of Directors (the "Board").

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 2021, 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, fruit-based snacks in the form of bars and bites 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.

The Company is active in two market segments: the retail segment and the food service segment. Retail sales accounted for approximately 89% of total sales in 2021 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 11% of total sales in 2021 and consist of sales to restaurants, hotels, hospitals, schools and wholesalers serving these institutions. On an annual basis, the Company's sales are geographically broken down as follows: approximately 54% of the Company's sales are made in the United States and 46% in Canada.

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, Fairlee, Fruité, Grown Right, Kiju, Mont-Rouge, Northland, Oasis, Old Orchard, Old South, Orange Maison, Rougemont, Ruby Kist, Simple Drop, 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, and Nature's Best.

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.

Overall Performance

For 2021, the Company's sales totalled $1,892.9 million, down 4.4% from $1,980.9 million in 2020. Excluding a $72.9 million unfavourable foreign exchange impact, the Company's sales were down 0.8% year over year. This decrease was largely due to lower sales of private label products in the United States, as certain plants and co-packers used by the Company experienced a slower production rate given labour-related issues. This decrease in the United States was partly offset by higher sales of private label products in Canada and by selling price adjustments that had a favourable impact on the Company's national brand sales. It should also be noted that sales in 2020 had benefitted from an unusual volume increase during the months of March to May given an accumulation of food reserves triggered by the pandemic.

The Company's 2021 operating profit totalled $118.4 million, down from $151.9 million last year. This decrease came mainly from a lower gross margin realized by U.S. operations. This lower gross margin was due to (i) a decrease in sales of private label products and an unfavourable impact from this decrease on the allocation of manufacturing overhead to product costs and to (ii) higher input costs, including an increase in the cost of transporting them to the Company's plants. As for the Canadian operations, gross margin increased year over year, essentially reflecting an increase in sales volume and the impact of selling price adjustments, partly offset by higher input costs, including an increase in the cost of transporting them to the Company's plants. Operating profit was also affected by higher transportation costs incurred to deliver products to the Company's clients and by higher warehousing costs, partly offset by lower performance-related salary expenses.

The Company's financial expenses went from $17.3 million in 2020 to $11.1 million in 2021. This decrease was essentially due to a lower interest expense on long-term debt given a lower debt level.

Profit before income taxes totalled $106.0 million in 2021, down from $134.6 million in 2020.

At 26.0%, the 2021 effective income tax rate was higher than the 24.3% rate in 2020. This higher 2021 effective income tax rate mainly reflects the impact of a non-renewal in 2021 of incentive measures adopted in 2020 by the U.S. government to help businesses deal with the COVID-19 crisis and a decrease in the deductible amounts on the Company's interest expense.

The Company's 2021 profit totalled $78.5 million, down from $101.9 million in 2020.

Profit attributable to the Company's shareholders totalled $77.5 million, resulting in basic and diluted earnings per share of $11.18 for 2021 compared to $97.8 million and $14.11, respectively, for 2020.

The Company's operating activities generated $93.7 million in cash during 2021, while they had generated $231.2 million in cash during 2020.

Financing activities used $64.9 million in cash during 2021, while they had used $92.6 million in 2020. During 2020, the cash inflows related to the financing of the acquisition of Sun-Rype Products Ltd. and of two of its affiliates ("Sun-Rype") had totalled $89.3 million, leaving a difference of $117.0 million on a comparable basis.

Investing activities used $40.4 million in cash during 2021 compared to $121.0 million used in 2020. Excluding the $80.6 million in cash used in 2020 to acquire Sun-Rype, net of acquired cash on hand, investing activities used a similar amount of cash in 2021 as in 2020.

At year-end 2021, the Company's long-term debt, including the current portion, stood at $175.4 million compared to $215.5 million at year-end 2020.

Selected Financial Highlights

(in thousands of dollars, unless otherwise indicated)	**Dec. 31, 2021**	**Years ended** **Dec. 31, 2020**	**Dec. 31, 2019**
	$	$	$
Sales	**1,892,862**	1,980,925	1,678,301
Operating profit	**118,359**	151,931	100,826
Profit before income taxes	**106,014**	134,592	100,488
Profit	**78,452**	101,874	74,944
Profit attributable to the Company's shareholders	**77,511**	97,816	71,977
Basic and diluted earnings per share *(in $)*	**11.18**	14.11	10.37
Dividends declared per share for Class A and B shares *(in $)*	**3.290**	2.545	2.595
Cash flows from operating activities	**93,732**	231,187	140,731
Total assets	**1,419,595**	1,381,634	1,310,226
Long-term debt, including the current portion	**175,432**	215,486	265,119

At $1,892.9 million, the Company's 2021 sales decreased from $1,980.9 million in 2020. Excluding a $72.9 million unfavourable foreign exchange impact, the Company's sales were down 0.8% year over year. This decrease from 2020 to 2021 came mainly from lower sales of private label products in the United States, as certain plants and co-packers used by the Company experienced a slower production rate given labour-related issues. This decrease in the United States was partly offset by higher sales of private label products in Canada and by selling price adjustments that had a favourable impact on the Company's national brand sales. In 2020, sales had increased 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 6.8% year over year. The sales growth from 2019 to 2020 came mainly from higher sales of private label products. The Company believed that a significant portion of this increase could have been due to changes in food spending habits triggered by COVID-19, as industry sales volumes had also benefitted from a notable increase.

For the year ended December 31, 2021, the Company's operating profit totalled $118.4 million, a $33.5 million year-over-year decrease that came mainly from a lower gross margin realized by U.S. operations. This lower gross margin was due to (i) a decrease in sales of private label products and an unfavourable impact from this decrease on the allocation of manufacturing overhead to product costs and to (ii) higher input costs, including an increase in the cost of transporting them to the Company's plants. As for the Canadian operations, gross margin increased year over year, essentially reflecting an increase in sales volume and the impact of selling price adjustments, partly offset by higher input costs, including an increase in their transportation cost to the Company's plants. Operating profit was also affected by higher transportation costs incurred to deliver products to the Company's clients and by higher warehousing costs, partly offset by lower performance-related salary expenses. In 2020, the Company's operating profit totalled $151.9 million, $51.1 million higher than that of 2019. During 2020, Sun-Rype had 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 2020 operating profit would have been up $41.4 million year over year. This increase was explained by higher gross margins realized by 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 PET resin, and to an increase in the profitability of specialty food products resulting from an improved rate of production. The 2020 operating profit had also been 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 2021 profit attributable to the Company's shareholders totalled $77.5 million, a $20.3 million year-over-year decrease that came mainly from lower operating profit, partly offset by lower financial expenses. For 2020, profit attributable to the Company's shareholders had totalled $97.8 million, up $25.8 million from 2019. Excluding (i) Sun-Rype's profit attributable to shareholders totalling $5.2 million in 2020, (ii) an amount of $1.3 million, net of tax, in additional financial expenses in 2020 related to the financing of the Sun-Rype acquisition, (iii) a 2019 gain resulting from an insurance claim that had had a $13.7 million favourable impact, and (iv) $1.1 million in expenses, net of tax, in 2019 related to the Sun-Rype acquisition, the profit attributable to the Company's shareholders for 2020 would have increased by $34.5 million compared to that of 2019. This increase between 2019 and 2020 came essentially from an increase in operating profit.

For 2021, cash flows generated by operating activities totalled $93.7 million, down $137.5 million from 2020. This downward change was mainly due to (i) a change in non-cash operating working capital items that used $48.6 million in cash during fiscal 2021 compared to $51.2 million in cash generated in 2020, for a $99.8 million increase in cash outflows and to (ii) a $40.4 million decrease in earnings before interest, taxes, depreciation and amortization (including a $1.3 million unfavourable change in other (gains) losses). For 2020, cash flows generated by operating activities had totalled $231.2 million, up $90.5 million from 2019. Sun-Rype's operating activities had 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 (i) 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 in 2019, for a $41.8 million increase in cash inflows and to (ii) a $24.8 million increase in earnings before interest, taxes, depreciation and amortization.

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

Total assets grew $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 inventory levels of raw materials and supplies; (ii) a $21.5 million decrease in intangible assets as amortization expense exceeded the value of the acquisitions; 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.

Operating Results

For the year ended December 31, 2021, Lassonde Industries Inc. posted sales of $1,892.9 million, down $88.0 million (4.4%) from $1,980.9 million in 2020. This decrease in sales was mainly due to the combined impact of the following factors:

(i) a $72.9 million unfavourable foreign exchange impact;

(ii) a net $36.8 million decrease in sales of private label products resulting from a decrease in the United States, as certain plants and co-packers used by the Company experienced a slower production rate given labour-related issues. This decrease in the United States was partly offset by an increase in private label product sales in Canada;

(iii) selling price adjustments that had an $18.7 million favourable impact on the Company's national brand sales;

(iv) a favourable change in the sales mix of national brands, generating a net $4.3 million increase in sales;

(v) a net $3.3 million decrease in the sales volume of national brands arising from the combined impact of a decrease in Canada and an increase in the United States; and

(vi) a favourable impact of a $1.9 million decrease in slotting fees.

Cost of sales went from $1,421.1 million (71.7% of sales) in 2020 to $1,370.9 million (72.4% of sales) in 2021, down $50.2 million or 3.5%. When compared to the 4.4% decrease in sales, this 3.5% decrease in cost of sales essentially reflects:

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

(ii) higher input costs, especially apple, orange, pineapple and grape concentrates as well as PET resin, including an increase in the cost of transporting them to the Company's plants; and

(iii) a $2.8 million expense resulting from an adjustment related to specific sales taxes not recoverable by the Company.

These items were partly offset by a favourable foreign exchange impact that affected the purchases of raw materials in foreign currencies of the Canadian subsidiaries and by a $2.2 million decrease in additional production costs related to the pandemic.

Selling and administrative expenses went from $407.8 million in 2020 to $403.6 million in 2021, a $4.2 million year-over-year decrease that came mainly from a favourable foreign exchange impact resulting from the conversion of the selling and administrative expenses of the U.S. subsidiaries into Canadian dollars and from lower performance-related salary expenses, partly offset by an increase in transportation costs incurred to deliver products to the Company's clients and by higher warehousing costs.

For 2021, operating profit totalled $118.4 million, down $33.5 million from $151.9 million in 2020.

The Company's financial expenses went from $17.3 million in 2020 to $11.1 million in 2021. This decrease was essentially due to lower interest expense on long-term debt given a lower debt level.

"Other (gains) losses" went from a $0.8 million gain in 2020 to a $0.5 million loss in 2021. This 2021 loss was due to a $0.3 million loss resulting from a change in the fair value of financial instruments and to $0.2 million in foreign exchange losses, whereas the 2020 gain was due to $0.6 million in gains realized upon settlement of various insurance claims and to a $0.2 million gain resulting from a change in the fair value of financial instruments.

Profit before income taxes totalled $106.0 million in 2021, down $28.6 million from $134.6 million in 2020.

Income tax expense went from $32.7 million in 2020 to $27.6 million in 2021. At 26.0%, the 2021 effective income tax rate was higher than the 24.3% rate in 2020. This higher 2021 effective income tax rate mainly reflects the impact of a non-renewal in 2021 of incentive measures adopted in 2020 by the U.S. government to help businesses deal with the COVID-19 crisis and a decrease in the deductible amounts on the Company's interest expense.

The Company's 2021 profit totalled $78.5 million, down $23.4 million from $101.9 million in 2020.

Profit attributable to the Company's shareholders totalled $77.5 million, resulting in basic and diluted earnings per share of $11.18 for 2021. In 2020, profit attributable to the Company's shareholders had totalled $97.8 million, resulting in basic and diluted earnings per share of $14.11.

Interim Results

(in thousands of dollars, unless otherwise indicated)	**Q4 2021**	**Q3 2021**	**Q2 2021**	**Q1 2021**	**Q4 2020**	**Q3 2020**	**Q2 2020**	**Q1 2020**
	$	$	$	$	$	$	$	$
Sales	**487,513**	469,263	469,292	466,794	515,065	495,207	498,207	472,446
Operating profit	**31,637**	25,408	29,932	31,382	38,907	40,018	42,658	30,348
Profit before income taxes	**29,196**	23,257	25,839	27,722	33,815	35,205	37,096	28,476
Profit attributable to the Company's shareholders	**21,825**	16,832	18,764	20,090	23,538	25,333	25,998	22,947
Basic and diluted earnings per share *(in $)*	**3.15**	2.43	2.71	2.90	3.39	3.65	3.75	3.31
Cash flows from operating activities	**18,576**	23,860	46,910	4,386	62,292	65,913	78,060	24,922

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 the uncertainty caused by 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 higher gross margins 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 totalled $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 believed that a significant portion of this increase could have been due to changes in food spending habits triggered by COVID-19, as industry sales volumes had also benefitted 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 second 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. 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 totalled $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 third 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 believed that a significant portion of this increase could have been due to changes in food spending habits triggered by COVID-19, as industry sales volumes had also benefitted 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 of 2019. 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 improved rate of production at one of the Company's plants, a rate that had slowed in 2019 given investment-related activities. The Company's operating profit was also affected by higher performance-related salary expenses.

Profit attributable to the Company's shareholders totalled $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

For the fourth quarter of 2020, the Company's sales totalled $515.1 million, up $83.0 million or 19.2% from $432.1 million in the fourth quarter of 2019. Sun-Rype's 2020 fourth-quarter sales totalled $48.1 million, leaving a $34.9 million favourable variance on a comparable basis. This increase was mainly due to an increase in sales of private label products and to a favourable impact of selling price adjustments on national brand sales.

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 of 2019. 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. The increase came from a higher gross margin from the Company's Canadian operations, mainly due to selling price adjustments, partly offset by higher performance-related salary expenses and by an increase in marketing expenses in Canada.

"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 upon settlement of various insurance claims, whereas the 2019 fourth-quarter gain was mainly due to a $20.8 million gain realized upon settlement of an insurance claim directly related to the OOB acquisition price.

Profit attributable to the Company's shareholders totalled $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 upon settlement of an insurance claim, the 2020 fourth-quarter profit attributable to the Company's shareholders was up $6.8 million year over year.

First Quarter of 2021

For the first quarter of 2021, the Company's sales totalled $466.8 million, down $5.6 million or 1.2% from $472.4 million in the first quarter of 2020. Excluding a $16.0 million unfavourable foreign exchange impact, the Company's 2021 first-quarter sales were up $10.4 million or 2.2% year over year. This increase was largely due to an increase in sales of private label products and a favourable change in the sales mix of national brands, partly offset by a decrease in Canada in the sales volume of national brands. It is important to remember that sales for March 2020 had benefitted from an unusual increase in volume resulting from the accumulation of food reserves related to the pandemic.

The Company's operating profit for the first quarter of 2021 totalled $31.4 million, up $1.1 million from $30.3 million in the same quarter of 2020. This increase came from greater profitability generated by Canadian operations, mainly due to (i) a higher gross margin,

explained by a favourable change in the sales mix and an improved rate of production at one of the Company's plants, a rate that had slowed in 2020 given investment-related activities, and to (ii) lower selling and marketing expenses, partly offset by higher warehousing costs. As for the U.S. operations, first-quarter profitability was down, essentially due to higher transportation and warehousing costs, partly offset by a higher gross margin given a favourable change in the sales mix.

Profit attributable to the Company's shareholders totalled $20.1 million, resulting in basic and diluted earnings per share of $2.90 for the first quarter of 2021. In the first quarter of 2020, profit attributable to the Company's shareholders had totalled $22.9 million, resulting in basic and diluted earnings per share of $3.31.

Second Quarter of 2021

For the second quarter of 2021, the Company's sales totalled $469.3 million, down $28.9 million or 5.8% from $498.2 million in the same quarter of 2020. It is important to remember that, in April and May 2020, sales had benefitted from an unusual volume increase resulting from an accumulation of food reserves triggered by the pandemic. Excluding a $32.8 million unfavourable foreign exchange impact, the Company's 2021 second-quarter sales were up $3.9 million or 0.8% year over year. This increase was largely due to a higher sales volume of national brands and to an increase in sales of private label products in Canada, partly offset by lower sales of private label products in the United States.

The Company's operating profit for the second quarter of 2021 totalled $29.9 million, down $12.8 million from $42.7 million in the second quarter of 2020. This decrease came mainly from a lower gross margin realized by U.S. operations. This lower gross margin is explained by (i) a decrease in sales of private label products given a slower production rate in certain plants related, among other factors, to labour scarcity, which had an unfavourable impact on the allocation of the manufacturing overhead to product costs and by (ii) an increase in the cost of certain inputs. As for the Canadian operations, the gross margin was higher, essentially reflecting an increase in sales volume, partly offset by an increase in the cost of certain raw materials. Operating profit was also affected by higher transportation and warehousing costs, an unfavourable foreign exchange impact, and an increase in marketing expenses in Canada.

Profit attributable to the Company's shareholders was $18.8 million, resulting in basic and diluted earnings per share of $2.71 for the second quarter of 2021. In the second quarter of 2020, profit attributable to the Company's shareholders had totalled $26.0 million, resulting in basic and diluted earnings per share of $3.75.

Third Quarter of 2021

For the third quarter of 2021, the Company's sales totalled $469.3 million, down $25.9 million or 5.2% from $495.2 million in the third quarter of 2020. Excluding a $14.2 million unfavourable foreign exchange impact, the Company's third-quarter sales were down $11.7 million or 2.4% year over year. This decrease was largely due to lower sales of private label products in the United States as certain plants experienced a slower production rate given labour scarcity, partly offset by a higher sales volume of national brands in the United States and by selling price adjustments that had a favourable impact on the Company's national brand sales.

The Company's operating profit for the third quarter of 2021 totalled $25.4 million, down $14.6 million from $40.0 million in the same quarter of 2020. This decrease came mainly from a lower gross margin realized by U.S. operations. This lower gross margin is explained by (i) a decrease in sales of private label products, which had an unfavourable impact on the allocation of manufacturing overhead to product costs and by (ii) an increase in the cost of certain inputs. As for the Canadian operations, the gross margin was slightly lower, essentially reflecting higher costs for certain inputs, partly offset by a favourable foreign exchange impact applicable to purchases of raw materials in foreign currencies. Operating profit was also affected by increases in marketing expenses and warehousing costs in Canada and by an overall increase in transportation costs, partly offset by lower performance-related salary expenses.

Profit attributable to the Company's shareholders totalled $16.8 million, resulting in basic and diluted earnings per share of $2.43 for the third quarter of 2021. In the third quarter of 2020, profit attributable to the Company's shareholders had totalled $25.3 million, resulting in basic and diluted earnings per share of $3.65.

Fourth Quarter of 2021

An analysis of the fourth quarter of 2021 is provided in a separate section of this report.

Cash and Financial Position

When comparing Consolidated Statement of Financial Position items, readers must consider the conversion rate applicable to closing balances denominated in U.S. dollars, which went from $1.2732 CAD per USD as at December 31, 2020 to $1.2678 CAD per USD as at December 31, 2021. The following table presents the impacts of exchange rate changes on the main items of the Consolidated Statement of Financial Position.

			Increase (decrease)	
(in millions of dollars)	**As at Dec. 31, 2021**	**As at Dec. 31, 2020**	**Foreign exchange impact**	**Variance, excluding foreign exchange impact**
	$	$	$	$
Accounts receivable	**154.4**	147.9	(0.3)	6.8
Inventories	**309.7**	260.6	(0.5)	49.6
Property, plant and equipment	**384.4**	390.5	(0.8)	(5.3)
Intangible assets	**204.0**	223.0	(1.1)	(17.9)
Goodwill	**308.4**	309.6	(1.2)	-
Accounts payable and accrued liabilities	**269.1**	260.2	(0.3)	9.2
Long-term debt, including the current portion	**175.4**	215.5	(1.4)	(38.7)
Deferred tax liabilities	**91.4**	84.3	(0.1)	7.2

As at December 31, 2021, the Company had total assets of $1,419.6 million versus $1,381.6 million as at December 31, 2020, a 2.7% increase arising mainly from an increase in inventories and in the net defined benefit asset, partly offset by a decrease in intangible assets.

As at December 31, 2021, current assets totalled $489.7 million versus $440.6 million as at December 31, 2020. Cash and cash equivalents stood at $0.3 million as at December 31, 2021 compared to $6.8 million as at December 31, 2020.

Accounts receivable totalled $154.4 million as at December 31, 2021 compared to $147.9 million as at December 31, 2020. Excluding the foreign exchange impact, accounts receivable were up $6.8 million due to a $5.9 million increase in trade accounts receivable, resulting mainly from a longer collection period in Canada, and to a $2.7 million increase in discounts receivable from suppliers, partly offset by a $1.9 million decrease in other receivables.

Inventories went from $260.6 million as at December 31, 2020 to $309.7 million as at December 31, 2021. Excluding the foreign exchange impact, inventories increased by $49.6 million. This increase came from (i) a $47.9 million increase in inventories of raw materials and supplies owing essentially to advanced purchases of certain raw materials to secure supply or prices and, to a lesser extent, to the higher cost thereof, and from (ii) a $1.7 million increase in finished goods inventories. 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.

Other current assets went from $16.5 million as at December 31, 2020 to $19.1 million as at December 31, 2021. This $2.6 million increase was due to a $1.8 million increase in tax credits receivable, a $0.5 million increase in sales tax receivable, and a $0.3 million increase in prepaid expenses.

The investment in an associate went from $7.3 million as at December 31, 2020 to $8.4 million as at December 31, 2021. The change is explained by $1.9 million in additional investments made during the fourth quarter of 2021, partly offset by the Company's share in the associate's profit or loss.

Property, plant and equipment went from $390.5 million as at December 31, 2020 to $384.4 million as at December 31, 2021. Excluding the foreign exchange impact, property, plant and equipment decreased by $5.3 million. This decrease was mainly due to the fact that depreciation expense stood at $35.6 million while the Company purchased $28.4 million in property, plant and equipment and recognized $2.0 million in new right-of-use assets.

Intangible assets went from $223.0 million as at December 31, 2020 to $204.0 million as at December 31, 2021. Excluding the foreign exchange impact, intangible assets decreased by $17.9 million, as an amortization expense of $23.9 million was partly offset by intangible asset purchases of $6.0 million.

The net defined benefit asset went from $9.4 million as at December 31, 2020 to $23.0 million as at December 31, 2021, a $13.6 million increase due to an $11.2 million actuarial gain resulting mainly from the pension fund performance in 2021 and $6.6 million in funding to the defined benefit pension plans, partly offset by $4.2 million in plan-related expenses.

Current liabilities went from $290.2 million at the end of 2020 to $370.3 million as at December 31, 2021. This increase was mainly due to a reclassification of the balance on the U.S. subsidiaries' term loan, maturing in May 2022, thereby increasing current liabilities by $76.1 million in 2021. The Company intends to use its U.S. revolving operating credit, revised upward during the second quarter of 2021, to repay any outstanding balance when due. Moreover, bank overdraft stood at $5.0 million as at December 31, 2021, whereas the Company had reported no bank overdraft as at December 31, 2020.

Accounts payable and accrued liabilities went from $260.2 million as at December 31, 2020 to $269.1 million as at December 31, 2021. Excluding the foreign exchange impact, accounts payable and accrued liabilities increased by $9.2 million. This increase was mainly due to (i) a $7.3 million increase in trade payables and accrued expenses explained mainly by an increase in purchases of raw materials and supplies, partly offset by changes in supplier payment terms, and to (ii) a $5.5 million increase in trade marketing costs payable, partly offset by (iii) a $4.0 million decrease in the "Salaries and accrued vacation payable" item.

As at December 31, 2021, the fair value of derivative instruments recorded as current liabilities was $1.1 million compared to $7.2 million as at December 31, 2020. 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 up to 12 months following its reporting date and the exchange rates on that date. It also reflects the unfavourable variances between the rates of certain interest rate swaps held by the Company to cover interest rate fluctuations and the interest rate in effect on that date and the unfavourable fair value variances as at December 31, 2021 of the derivative instruments held by the Company to cover fluctuations in frozen concentrated orange juice prices.

Long-term debt, including the current portion, was $175.4 million as at December 31, 2021 compared to $215.5 million as at December 31, 2020. Excluding the foreign exchange impact, long-term debt decreased by $38.7 million. This decrease was mainly due to repayments of $24.7 million on the U.S. subsidiaries' term loan and of $7.8 million on Canadian term debts. Moreover, the Company repaid $5.0 million on the Canadian revolving operating credit, while it drew $1.4 million on the U.S. revolving operating credit. Regarding the Company's lease liabilities, they decreased by $3.6 million, essentially explained by $5.6 million in repayments, partly offset by the recognition of $2.0 million in new lease liabilities. It should also be noted that the Company amortized $1.0 million in financial expenses.

Deferred tax liabilities went from $84.3 million as at December 31, 2020 to $91.4 million as at December 31, 2021. Excluding the foreign exchange impact, deferred tax liabilities increased by $7.2 million. This increase stems mainly from the tax amortization of goodwill and from the tax impact of recognizing, in comprehensive income, an actuarial gain and gains on financial instruments designated as cash flow hedges.

Equity attributable to the Company's shareholders totalled $808.4 million as at December 31, 2021, up $68.8 million from $739.6 million as at December 31, 2020. Accumulated other reserves increased by $4.4 million given a $6.4 million increase in the hedging reserve, going from a $5.4 million debit balance to a $1.0 million credit balance, partly offset by a $2.0 million decrease in the foreign currency translation reserve resulting mainly from a lower December 31, 2021 conversion rate applicable to closing balances denominated in U.S. dollars compared to that of December 31, 2020. Retained earnings rose $64.3 million to total $703.1 million at the end of 2021. This increase essentially reflects $77.5 million in profit attributable to the Company's shareholders for 2021 and the recognition of a $9.6 million actuarial gain, net of tax, in other comprehensive income, less $22.8 million in dividends paid.

Non-controlling interest went from $56.1 million as at December 31, 2020 to $57.1 million as at December 31, 2021. 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, purchase commitments, and other commitments for the coming years are as follows:

(in thousands of dollars)

Contractual obligations	2022	2023 and 2024	2025 and 2026	2027 and thereafter
	$	$	$	$
Long-term debt (excluding lease liabilities)	79,720	7,566	47,133	-
Lease liabilities	6,914	12,453	10,932	21,658
Purchase commitments	300,143	7,787	1,477	4,774
Other commitments [i]	275,245	16	-	-
Total	**662,022**	**27,822**	**59,542**	**26,432**

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

Analysis of the 2021 Consolidated Cash Flows

(in thousands of dollars)	Fourth quarters ended		Years ended	
	Dec. 31, 2021	**Dec. 31, 2020**	**Dec. 31, 2021**	**Dec. 31, 2020**
	$	$	**$**	$
Operating activities	**18,576**	62,292	**93,732**	231,187
Financing activities	**(9,731)**	(50,297)	**(64,881)**	(92,604)
Investing activities	**(10,767)**	(11,052)	**(40,401)**	(121,024)
Increase (decrease) in cash and cash equivalents	**(1,922)**	943	**(11,550)**	17,559
Cash and cash equivalents at beginning	**(2,684)**	6,342	**6,803**	(10,590)
Impact of exchange rate changes on cash and cash equivalents	**(117)**	(482)	**24**	(166)
Cash and cash equivalents at end	**(4,723)**	6,803	**(4,723)**	6,803

For 2021, cash flows generated by operating activities totalled $93.7 million, down $137.5 million from 2020. This downward change was due, among other factors, to a change in non-cash operating working capital items that used $48.6 million in cash during fiscal 2021 compared to $51.2 million in cash generated in 2020, for a $99.8 million increase in cash outflows. This fluctuation in the change in working capital was due to the combined impact of the following items:

a) a change in inventories that used $49.7 million during 2021 compared to $26.5 million generated in 2020;

b) a change in accounts payable and accrued liabilities that generated $7.5 million during 2021 compared to $27.4 million in cash generated during 2020; and

c) a change in accounts receivable that used $6.9 million during 2021 compared to $3.2 million in cash used in 2020.

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

(i) a $40.4 million decrease in earnings before interest, taxes, depreciation and amortization (including a $1.3 million unfavourable change in other (gains) losses);

(ii) a $10.9 million increase in income tax paid; and

(iii) a $6.8 million decrease in income tax received.

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

(i) a $9.1 million decrease in the funding of the defined benefit pension plans;

(ii) a $6.0 million decrease in interest paid; and

(iii) $0.1 million in unrealized foreign exchange gains during 2021 compared to $4.7 million in unrealized foreign exchange gains during 2020.

For 2021, financing activities used $64.9 million in cash, whereas these activities had used $92.6 million in 2020. During 2020, the financing of the Sun-Rype acquisition generated $89.3 million in cash, leaving a difference of $117.0 million on a comparable basis. This decrease in cash outflows was mainly due to a $3.6 million repayment on the revolving operating credit during 2021 compared to a $91.2 million repayment on the revolving operating credit in 2020 and to a $33.7 million decrease in long-term debt repayments, partly offset by a $5.2 million increase in dividends paid on Class A and B shares.

For 2021, investing activities used $40.4 million in cash compared to $121.0 million used in 2020. Excluding the $80.6 million in cash used in 2020 to acquire Sun-Rype, net of acquired cash on hand, investing activities used a similar amount of cash in 2021 as in 2020. The $4.7 million decrease in cash outflows to acquire property, plant and equipment was partly offset by a $1.8 million increase in cash outflows to acquire intangible assets, by the acquisition of a $1.0 million additional ownership interest in an associate, by a $1.0 million payment related to a loan to an associate which was converted, during the fourth quarter of 2021, into an additional ownership interest in the associate, and by an acquisition of $0.5 million in derivative instruments related to the associate.

Financing and Cash

As at December 31, 2021, the Company had $0.3 million in cash and cash equivalents and a $5.0 million bank overdraft compared to $6.8 million in cash and cash equivalents and no bank overdraft as at December 31, 2020.

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 October 2021, the Company and the syndicate of financial institutions agreed to extend the expiry date of the CA revolving credit facility to April 2026.

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 financial institutions 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 fully repaid in 2019, and a new term loan with an authorized amount of US$146.0 million. In June 2021, the U.S. credit facilities were amended to increase the authorized amount of the U.S. revolving credit to US$100.0 million and to extend its maturity date by one year to May 2023.

Term loan

The US$146.0 million term loan matures in May 2022, and its balance as at December 31, 2021 was US$60.0 million. 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. The Company plans to use its U.S. revolving operating credit, revised upward during the second quarter of 2021, to repay any unpaid balance when due.

As at December 31, 2021, the outstanding balance of the CA revolving credit was $44.4 million and that of the U.S. revolving credit was $1.4 million, whereas, 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.

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, 2021. The Company believes that it will be able to ensure its development using cash flows from operating activities and currently available bank credit.

For 2022, the Company plans on adjusting the target for its capital asset investment program to $100.0 million, up from historical levels, to support growth, enhance productivity, and invest in innovation and sustainable development. In concrete terms, the Company plans on raising its single-serve production capacity in North America and on continuing to upgrade its ERP software in Canada. It will also invest in an initiative to optimize U.S plant performance that will modernize equipment and improve processes. The new capital assets will be financed, to the extent possible, using the Company's cash flows from operating activities, although the Company may also turn to borrowing if interest rates and conditions prove advantageous.

Share Repurchase Plan

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

During the year ended December 31, 2021, the Company repurchased for cancellation 500 Class A subordinate voting shares at an average price of $152.00 per share for a cash consideration of $76,000, of which $7,000 was applied against capital stock and $69,000 against retained earnings.

Since the end of fiscal 2021 and until March 23, 2022, the Company repurchased 20,300 Class A subordinate voting shares for a cash consideration of $3,036,000.

Dividends

On February 16, 2022, in accordance with the Company's dividend policy, the Board of Directors declared a quarterly dividend of $0.88 per share, payable on March 15, 2022, to all registered holders of Class A and Class B shares on February 28, 2022. On an annualized basis, this dividend represents approximately 25% of the 2020 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 $140.00 to $199.00 during 2021. The closing share price for fiscal 2021 was $157.34, down 9.1% from $173.03 at the end of 2020.

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

As at December 31, 2021, the Company had letters of credit outstanding totalling $0.4 million.

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

Fourth Quarter

Consolidated Income Data

(in thousands of dollars, unless otherwise indicated)	Fourth quarters ended Dec. 31, 2021	Dec. 31, 2020
	$	$
Sales	**487,513**	515,065
Cost of sales	**353,402**	367,624
Selling and administrative expenses	**102,480**	108,559
(Gains) losses on capital assets	**(6)**	(25)
	455,876	476,158
Operating profit	**31,637**	38,907
Share in the profit or (loss) of an associate	**(232)**	(106)
Financial expenses	**2,716**	3,743
Other (gains) losses	**(507)**	1,243
Profit before income taxes	**29,196**	33,815
Income tax expense	**7,394**	9,563
Profit	**21,802**	24,252
Attributable to:		
Company's shareholders	**21,825**	23,538
Non-controlling interest	**(23)**	714
	21,802	24,252
Basic and diluted earnings per share *(in $)*	**3.15**	3.39
Weighted average number of shares outstanding *(in thousands)*	**6,933**	6,934

In the fourth quarter of 2021, sales totalled $487.5 million, down $27.6 million (5.3%) from $515.1 million in the fourth quarter of 2020. This decrease in sales was mainly due to the combined impact of the following items:

(i) a net $25.4 million decrease in sales of private label products resulting from a decrease in the United States, as certain plants and co-packers used by the Company experienced a slower production rate given labour-related issues. This decrease in the United States was partly offset by an increase in private label product sales in Canada;

(ii) selling price adjustments that had a $10.3 million favourable impact on the Company's national brand sales;

(iii) a $9.9 million unfavourable foreign exchange impact;

(iv) a net $6.4 million decrease in the sales volume of national brands arising from the combined impact of a decrease in Canada and an increase in the United States;

(v) a favourable change in the sales mix of national brands, generating a net $3.2 million increase in sales; and

(vi) a favourable impact of a $0.7 million decrease in slotting fees.

Cost of sales went from $367.6 million (71.4% of sales) in the fourth quarter of 2020 to $353.4 million (72.5% of sales) in the fourth quarter of 2021, down $14.2 million or 3.9%. When compared to the 5.3% decrease in sales, this 3.9% decrease in cost of sales essentially reflects:

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

(ii) higher input costs, especially apple, grape and orange concentrates as well as PET resin, including an increase in the cost of transporting them to the Company's plants; and

(iii) an additional $0.7 million expense resulting from an adjustment related to specific sales taxes not recoverable by the Company.

These items were partly offset by a favourable foreign exchange impact that affected the purchases of raw materials in foreign currencies made by the Canadian subsidiaries. It should also be noted that the 2020 fourth-quarter cost of sales had been affected by $1.8 million in costs related to the closing of a Company plant based in Baltimore, United States and by $0.7 million in additional production costs related to the pandemic.

Selling and administrative expenses went from $108.6 million in the fourth quarter of 2020 to $102.5 million in the fourth quarter of 2021, a $6.1 million decrease that was mainly due to lower marketing expenses, a favourable foreign exchange impact resulting from the conversion of the selling and administrative expenses of the U.S. entities into Canadian dollars, and a decrease in the depreciation and amortization expenses. These items were partly offset by an increase in transportation costs incurred to deliver products to the Company's clients resulting from higher tariffs.

For the fourth quarter of 2021, the Company's operating profit totalled $31.6 million, down from $38.9 million in the fourth quarter of 2020.

The Company's financial expenses went from $3.7 million in the fourth quarter of 2020 to $2.7 million in the fourth quarter of 2021. This decrease was essentially due to lower interest expense on long-term debt given a lower debt level.

"Other (gains) losses" went from a $1.2 million loss in the fourth quarter of 2020 to a $0.5 million gain in the fourth quarter of 2021. This 2021 fourth-quarter gain was mainly due to a change in the fair value of financial instruments, whereas the 2020 fourth-quarter loss was essentially due to $1.8 million in foreign exchange losses, partly offset by $0.4 million in gains realized upon settlement of various insurance claims.

Profit before income taxes totalled $29.2 million in the fourth quarter of 2021, down from $33.8 million in the fourth quarter of 2020.

Income tax expense went from $9.6 million in the fourth quarter of 2020 to $7.4 million in the fourth quarter of 2021. At 25.3%, the 2021 fourth-quarter effective income tax rate is lower than the 28.3% rate in the same quarter of 2020. This lower 2021 effective income tax rate mainly reflects adjustments resulting from a favourable change in the geographic distribution of the Company's profit before income taxes and a U.S. withholding tax in 2020 related to an intercompany dividend, partly offset by a decrease in the deductible amounts on the Company's interest expense.

The 2021 fourth-quarter profit totalled $21.8 million, down from $24.3 million in the fourth quarter of 2020.

Profit attributable to the Company's shareholders totalled $21.8 million, resulting in basic and diluted earnings per share of $3.15 for the fourth quarter of 2021. In the fourth quarter of 2020, profit attributable to the Company's shareholders had totalled $23.5 million, resulting in basic and diluted earnings per share of $3.39.

Analysis of Quarterly Consolidated Cash Flows

For the fourth quarter of 2021, cash flows generated by operating activities totalled $18.6 million, down $43.7 million from the fourth quarter of 2020. This downward change is mainly explained by a change in non-cash operating working capital items that used $22.6 million in cash during the fourth quarter of 2021 compared to $28.3 million in cash generated in the same period last year, for a $50.9 million increase in cash outflows. This fluctuation in the change in working capital was due to the combined impact of the following items:

a) an increase in inventories that used $24.6 million during the fourth quarter of 2021 compared to $18.4 million generated in the same quarter of 2020;

b) a decrease in accounts payable and accrued liabilities that used $10.9 million during the fourth quarter of 2021 compared to $0.9 million used during the fourth quarter of 2020;

c) a change in other current assets and liabilities that generated $3.1 million during the fourth quarter of 2021 compared to $4.1 million used in the same quarter of 2020; and

d) a decrease in accounts receivable that generated $9.8 million during the fourth quarter of 2021 compared to $14.9 million in cash generated during the fourth quarter of 2020.

A $9.3 million decrease in earnings before interest, taxes, depreciation and amortization (including a $1.8 million favourable change in other (gains) losses) also contributed to the downward change in operating cash flows.

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

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

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

(iii) less than $0.1 million in unrealized foreign exchange losses during the fourth quarter of 2021 compared to $2.2 million in unrealized foreign exchange gains during the same quarter of 2020;

(iv) a $1.8 million upward change in non-cash expenses recognized in profit or loss and related to changes in the fair value of financial instruments; and

(v) a $1.7 million decrease in interest paid.

For the fourth quarter of 2021, financing activities used $9.7 million in cash, whereas these activities had used $50.3 million in the same quarter last year. This decrease in cash outflows was due to a $22.9 million decrease in long-term debt repayments and to a $1.2 million inflow of revolving operating credit in the fourth quarter of 2021 compared to a $17.4 million repayment during the fourth quarter of 2020, partly offset by a $1.6 million increase in dividends paid on Class A and B shares.

For the fourth quarter of 2021, investing activities used $10.8 million in cash compared to $11.1 million used in the fourth quarter of 2020. This downward change came mainly from a $1.8 million decrease in cash outflows to acquire property, plant and equipment, partly offset by the acquisition of a $1.0 million additional ownership interest in an associate and of $0.5 million in derivative instruments related to the associate.

Financial Measures Not in Accordance With IFRS

Working capital and the working capital ratio, the shareholders' equity to total assets financial measure, and the adjusted earnings before interest, taxes, depreciation and amortization financial measure described below do not constitute standardized financial measures or ratios in accordance with the financial reporting framework used to prepare the Company's financial statements. Comparing them to similar financial measures or ratios presented by other issuers may not be possible.

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, 2021**	**As at Dec. 31, 2020**
	$	$
Current assets	**489,749**	440,649
Current liabilities	**370,338**	290,229
Working capital	**119,411**	150,420
Working capital ratio	**1.32:1**	1.52:1

It should be noted that the current portion of long-term debt increased following a reclassification of the balance on the U.S. subsidiaries' term loan maturing in May 2022, thereby increasing current liabilities by $76.1 million in 2021. The Company intends to use its U.S. revolving operating credit, revised upward during the second quarter of 2021, to repay any outstanding balance when due. Excluding this item, the Company's working capital would have totalled $195.5 million at the end of fiscal 2021, translating into a ratio of 1.66:1.

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, 2021**	**As at Dec. 31, 2020**
	$	$
Shareholders' equity	**865,507**	795,733
Total assets	**1,419,595**	1,381,634
Shareholders' equity / total assets ratio *(in %)*	**61.0**	57.6

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, the "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, 2021**	**Dec. 31, 2020**	**Dec. 31, 2021**	**Dec. 31, 2020**
	$	$	**$**	$
Operating profit	**31,637**	38,907	**118,359**	151,931
Depreciation of property, plant and equipment and amortization of intangible assets	**14,214**	17,955	**59,505**	65,163
(Gains) losses on capital assets	**(6)**	(25)	**(43)**	32
Adjusted EBITDA	**45,845**	56,837	**177,821**	217,126

Depreciation and amortization expense went from $18.0 million in the fourth quarter of 2020 to $14.2 million in the fourth quarter of 2021. Excluding a $0.4 million favourable foreign exchange impact, the depreciation and amortization expense decreased by $3.4 million explained by an accelerated depreciation expense of $1.2 million recognized in 2020 resulting from the closing of a Company plant located in Baltimore, United States, by a favourable adjustment following the extension of the useful life of certain property, plant and equipment, and as the amortization of certain intangible assets ended during the third quarter of 2021.

The annual depreciation and amortization expense went from $65.2 million in 2020 to $59.5 million in 2021. Excluding a $2.6 million favourable foreign exchange impact, the depreciation and amortization expense decreased by $3.1 million explained by an accelerated depreciation expense of $1.2 million recognized in 2020 resulting from the closing of a Company plant located in Baltimore, United States, by a favourable adjustment following the extension of the useful life of certain property, plant and equipment, and as the amortization of certain intangible assets ended during the third quarter of 2021.

(in thousands of dollars)	**Q4 2021**	**Q3 2021**	**Q2 2021**	**Q1 2021**	**Q4 2020**	**Q3 2020**	**Q2 2020**	**Q1 2020**
	$	$	$	$	$	$	$	$
Adjusted EBITDA	**45,845**	40,523	44,844	46,609	56,837	55,966	58,521	45,802

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 income taxes to be recovered, current income tax, and deferred tax assets and liabilities.

Measurements of Right-of-Use Assets and Lease Liabilities

Future lease payments used to calculate the value of the right-of-use asset and lease liability include payments for extension, termination or purchase options that are reasonably certain to be exercised by the 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 of the defined benefit obligation and the net interest on the net defined benefit liability (asset), the expected rate of compensation increase, the indexation rate of pensions paid, and the mortality table. If the actuarial assumptions are found to be significantly different from the actual data subsequently observed, it could lead to substantial changes to the amount of the benefit cost of the defined benefit plans recognized in profit or loss and in other comprehensive income and to the net defined benefit assets or liabilities presented in the Consolidated Statement of Financial Position.

The actuarial valuations for funding purposes were performed on December 31, 2020, January 1, 2021, and September 30, 2021 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 2020 and 2021, the Company funded $15.7 million and $6.6 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 2020 and 2021.

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.

Adoption of IFRS Standards

Interest Rate Benchmark Reform

On January 1, 2021, as part of the interest rate benchmark reform project, the Company adopted amended versions of 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". All of these standards apply to fiscal years beginning on or after January 1, 2021.

The impacts of this reform on the Company's consolidated financial statements will depend on the facts and circumstances of all future changes in financial instruments and all future changes in the interest rate benchmarks to which the Company's financial instruments are indexed. As at December 31, 2021, no financial instruments have been amended as part of the interest rate benchmark reform project.

Future Accounting Changes

IAS 16 "Property, Plant and Equipment"

In May 2020, the International Accounting Standards Board ("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. Going forward, 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 believes that these amendments will have no impact 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 liability classification approach based on an analysis of existing contracts at the reporting date.

In February 2021, the IASB amended IAS 1 "Presentation of Financial Statements", requiring entities to disclose information about their material accounting policies rather than their significant accounting policies. The IASB has developed guidance and examples to help entities make judgments on the materiality of accounting policy disclosures.

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.

IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"

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

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

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

IAS 12 "Income Taxes"

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

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

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

Uncertainties and Principal Risk Factors

The Company operates in a competitive and constantly changing industry. Management selects strategies that focus on seizing opportunities, and mitigating the risks to which the Company is exposed. If the Company is unable to respond appropriately to changes in its external and internal environment due to inaction, ineffective strategies or poor execution of strategies, there could be negative repercussions on its financial performance, its brands and/or its ability to achieve its strategic objectives. The uncertainties and risk factors described hereafter are those likely to significantly affect the Company's performance and financial position.

The Board has mandated the Audit Committee to review and evaluate, together with management, the risk factors inherent to the Company and to ensure that appropriate measures are in place to help management identify and effectively manage these risks and uncertainties. Management has also adopted and implemented policies and procedures for assessing and managing risks that are reviewed at least annually. Management provides the Audit Committee and the Board with a detailed presentation of all risks on an annual basis, including periodic updates. In addition, the Board has mandated the Governance Committee to oversee the measures for managing the environmental, social and governance risks faced by the Company and has mandated the Human Resources and Compensation Committee to oversee the measures for managing human resource risks.

Matters of risk management are factored into all of the Company's transactional, operating, or strategic decisions as well as into its overall management approach. However, the risks and uncertainties described in the following statements may not materialize in the manner expected or have the anticipated consequences. In addition, the risk review and assessment process cannot guarantee that all events or circumstances that could adversely affect the Company's performance and financial position are identified.

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 is exposed to fair value risk from its fixed-rate financial obligations.

In addition, upon the refinancing of a debt instrument, depending on the availability of funds in the market and lender perception of the 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-rate and floating-rate financial obligations in order to reduce the impact of interest rate fluctuations. To do so, and to synthetically adjust the exposure to interest rates, it uses derivative instruments in the form of interest rate swaps.

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

Term financing is used mainly in relation to the 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, 2021, the Company had interest rate swap agreements, with a total notional amount of US$65.0 million ($US115.0 million as of December 31, 2020), to cover the impact of future fluctuations in LIBOR interest rates, applicable to the U.S. subsidiaries' term loan and to the CA revolving credit, on the Company's cash flows. These swaps are designated in a hedging relationship. As at December 31, 2021, the negative fair value of the interest rate swaps stood, on a net basis, at $0.2 million (total net negative fair value of $3.0 million as at December 31, 2020). It is presented in the Derivative Instruments items of the Company's Consolidated Statement of Financial Position.

According to the balances of the Company's floating-rate loans and interest rate swaps as at December 31, 2021, all other factors being equal, a 1% increase in the interest rate would have had an unfavourable impact of $616,000 on profit or loss and a favourable impact of $495,000 on other comprehensive income for the year ended December 31, 2021. A 1% decrease in the interest rate would have had an impact of a similar magnitude but in the opposite direction on the Company's profit or loss and other comprehensive income.

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

The degree of net exposure to foreign exchange risk depends on the Company's ability to maintain appropriate protection mechanisms. This 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 profit or loss, on certain foreign currency purchases of capital assets, and on certain debts denominated in foreign currencies. Under this policy, the Company must identify, by geographic segment, any potential foreign exchange risk arising from its operations. The policy also prohibits speculative foreign exchange transactions.

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

As at December 31, 2021, foreign exchange forward contracts used to hedge the exchange rate fluctuations related to future payments denominated in foreign currencies totalled $157.1 million according to their contractual exchange rates ($197.0 million as at December 31, 2020). Under these contracts, the Company is committed to purchasing foreign currencies at predetermined rates, and, when designated for this purpose, the contracts are subject to hedge accounting. As at December 31, 2021, the positive fair value of the contracts stood, on a net basis, at $0.6 million (total net negative fair value of $6.3 million as at December 31, 2020). It is presented in the Derivative Instruments item of the Company's Consolidated Statement of Financial Position.

According to the balances as at December 31, 2021 of the Company's financial instruments denominated in foreign currencies, excluding the balances of foreign operations, and according to foreign exchange forward contracts on that date, all other factors being equal, a reasonably possible $0.05 per unit increase in foreign currency exchange rates would have had a favourable impact of $253,000 on profit or loss and a favourable impact of $2,927,000 on other comprehensive income. A reasonably possible $0.05 per unit decrease in foreign currency exchange rates would have had an impact of a similar magnitude but in the opposite direction on profit or loss and on other comprehensive income for the year ended December 31, 2021.

Price risks

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

As at December 31, 2021, the Company owned frozen concentrated orange juice futures ("FCOJ"). These futures are subject to hedge accounting. As at December 31, 2021, the positive fair value of these futures, on a net basis, was $0.2 million (total net positive fair value of $0.2 million as at December 31, 2020). It is presented in the Derivative Instruments item of the Company's Consolidated Statement of Financial Position.

All other factors being equal, a 10% increase in the price of frozen concentrated orange juice would have had a favourable impact of $323,000 on the fair value of the Company's frozen concentrated orange juice futures as at December 31, 2021, whereas a 10% decrease in the price of frozen concentrated orange juice would have had an impact of similar magnitude but in the opposite direction.

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

As at December 31, 2021, the negative fair value of these swaps was less than $0.1 million (total net negative fair value of less than $0.1 million as at December 31, 2020). It is presented in the Derivative Instruments item of the Company's Consolidated Statement of Financial Position.

According to grants made under the long-term incentive plan and the total return swap as at December 31, 2021, all other factors being equal, a 10% increase or decrease in the share price of the Company's Class A subordinate voting shares as at December 31, 2021 would not have had a significant impact on profit or loss for the year ended December 31, 2021.

More details on financial instruments and the risk management thereof are provided in Notes 13 and 28 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 and external 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.

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 the interpretation thereof, and new positions adopted by relevant authorities may significantly affect the Company's performance and financial position. In complying with these changes, the Company may incur significant expenses. The Company is paying particular attention to tariff-related discussions that could affect its purchases and sales. Existing tariffs and any tariff changes arising from trade disputes involving Canada or 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.

Regulatory Matters

The production and distribution of food products and the impact of these activities on the environment are subject to legislation and regulations. The impact of a change in such legislation or regulations, or in their interpretation, would depend on the Company's ability to comply and assume the related costs. Changes to the legal and regulatory environment may significantly affect the Company's performance and financial position. 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 modernizing Quebec's labelling system and curbside recycling) could have an impact on the Company's results or increase its costs and liabilities.

Human Resources

The Company's success depends on the quality of the human resources that the Company can hire, train, develop and retain. The scarcity of labour in Canada and the United States is highly likely to have an impact on business performance, in terms of productivity, compensation, and the cost of employee benefits. 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 the Company'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 2021 and is currently being negotiated. No collective bargaining agreement expires in 2022.

As for the management team, inadequate succession planning or poor management of the transition to key positions could have a negative impact on business affairs and, consequently, on the Company's performance and financial position. Although the Company has implemented succession plans, there are no guarantees that they will be flawless.

Supply of Raw Materials

The Company purchases raw materials that it processes into finished products. Fluctuations in raw material prices could 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, when warranted, against 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.

Apple and orange concentrates are crucial raw materials for the Company. China meets a significant portion of the global apple concentrate needs, whereas Brazil holds the same position with respect to orange concentrate. Furthermore, the Company, like a number of its competitors, purchases a large portion of its orange juice from a single supplier and obtains a large portion of its laminated board supplies mainly from a single supplier. Consequently, any major geopolitical disruption involving China or Brazil or disputes with suppliers about the price or performance of goods and services provided, or about their inability to deliver such goods and services in a timely manner, could negatively affect the Company's performance and financial position as well as its supply capacity. The Company also pays attention to the debate surrounding the use of plastic in packaging materials.

The COVID-19 pandemic has had significant impacts on global logistics chains. More recently, the Russian-Ukrainian conflict could, as discussed below, prolong or even worsen these impacts on global logistics chains. The Company's supply of raw materials, as well as the prices paid for them, could therefore continue to be considerably affected by disruptions affecting certain global suppliers.

Russian-Ukrainian Conflict

In response to the situation in Ukraine, a number of countries, including the United States and European Union member states, have taken measures against Russia. The conflict and the restrictive measures taken against Russia could exacerbate a number of risks, including: disruptions to supply chains; energy shortages or higher energy prices, particularly oil and natural gas; limited supply of raw materials and packaging that are crucial to the Company (notably apple concentrate, PET resin, and laminated board) and the related upward impact on the prices thereof; and greater cybersecurity threats.

Competition

The North American juice, drink, and specialty food markets in which the Company operates 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, the control of which has recently been acquired by a major U.S. equity fund, and for 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 contribute 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 could negatively affect the Company's performance and financial position.

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 a large majority of the market. In the U.S., there is a lower level of market concentration, with about ten retailers representing the majority of the market. However, the concentration of clients in the food industry continues, in all market segments, as the size of clients is increasing but their number is decreasing. This situation gives clients significant bargaining power that could limit the Company's ability to raise its prices to offset inflationary pressures. The Company's ability to continue serving clients in all markets in which it operates will depend on the quality and prices of its products, its service level and its value proposition.

In 2021, 37.0% 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. Three clients accounted each for a little more than 10% of the Company's sales in 2021.

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.

General increases in the cost of raw materials, transportation costs, and production costs seem to be continuing in 2022, increasing pressure on the Company's profit margin. The Company can respond through a variety of measures, notably by raising selling prices. However, there is no guarantee that the Company's clients will accept such price increases. And even if the Company's clients fully accepted the price increases, those increases could potentially lead to a reduction in sales volume. Consumers could be reluctant to pay more for the Company's products and could therefore opt for other, less expensive products or could simply stop buying its products. As a result, if selling price increases were not sufficient to offset the higher costs and/or led to significant declines in sales volume, the Company's performance and financial position could be negatively affected.

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"). In Canada, 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 the United States, it is also compliant with the HACCP (juice) regulations required by the U.S. Code of Federal

Regulations. However, if such a risk were to materialize, in certain circumstances it could result in an expensive product recall, severely damage the Company's reputation and negatively affect the Company's performance and financial position.

Production Subcontracting to Contract Packaging Specialists

Some of the Company's products are manufactured through contract packaging specialists. In the context of labour scarcity, certain co-packers used by the Company could be forced to temporarily reduce or interrupt operations given a lack of sufficient labour to properly conduct their manufacturing activities, or they could terminate the supply agreements. Although the Company is able to manufacture most of its products in its plants, the unavailability of a packager could negatively affect the Company's performance and financial position because it would not have sufficient excess processing capacity to meet all of its needs, mainly those of its U.S. subsidiaries.

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 negatively affect the Company's performance and financial position if it is unable to raise its selling prices to offset the impacts of such cost fluctuations.

Crisis Management and Business Continuity

Major events, such as systems and equipment failure, health pandemics (including the COVID-19 pandemic) and natural disasters, or increased frequency or intensity of extreme weather conditions (including as a result of climate change), could lead to unanticipated business disruptions at any of the Company's facilities or at certain suppliers. The impact would be greater if larger manufacturing facilities of the Company were affected, in which case, an inability to find alternative suppliers or replace lost production capacity in a timely manner could negatively affect the Company's performance and financial position.

The Company has developed crisis management and business continuity plans for all its operations. A steering committee supervises and periodically 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. 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 negatively affect the Company's performance and financial position.

Cybersecurity

In the normal course of business, the Company relies on information technology systems to process, transmit and store information about all aspects of its operations, to operate its plants, and to report 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 performance and financial position, market value or ability to achieve its strategic business objectives could be negatively 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.

Reputation

The strength of the Company's brands contributes considerably to its success and is sustained through its culture, policies, processes and ongoing investments, which build trust and affinity with the Company's stakeholders. Maintaining and enhancing brand equity helps the Company to grow and achieve its financial goals and strategic aspirations. The Company recognizes that proper stewardship of environmental, social and governance ("ESG") matters that are relevant to its business contributes positively to the Company's reputation. The Company's reputation among stakeholders could also be damaged as a result of business decisions made by management or by its business partners. The reputation of the Company, and consequently that of its brands, may be negatively affected by various factors, some of which may be outside its control. Should these factors materialize, stakeholder trust in the Company, the perception of what its brands stand for, the Company's connection with customers, and subsequently the equity of its brands, could significantly diminish. As a result, the Company's brands, ability to recruit and engage employees, performance and financial position and/or its ability to achieve its strategic business objectives could be negatively affected.

Intellectual Property

Given that the Company develops, manufactures and markets food products, it relies not only on the quality of its products but on brand recognition and client loyalty. Also, as innovation is an essential aspect of the Company's growth strategy, its research and development teams develop new technologies, new products and process optimization methods. The Company therefore takes measures to maintain, protect and enforce its intellectual property. Any infringement to its intellectual property could limit the Company's ability to compete and, consequently, have a negative impact on its performance and financial position. In addition, the Company may have to engage in litigation in order to protect its rights, which could result in significant costs.

Pension Plans

The Company has both defined benefit and defined contribution pension plans (collectively, the "Plans"). Contributions made to fund the defined benefit plans are based on actuarial valuations, which themselves are based on assumptions and estimates about the long-term operations of the Plans, including assumptions on inflation, mortality and the discount rates used to determine the liabilities of the Plans. Actual results of actuarial valuations may differ from expectations. The Company cannot predict whether changes in markets or economic conditions, changes to pension legislation and regulations, or changes in other factors will increase its pension expenses or liabilities or its funding obligations, which would divert funds it would otherwise apply to other uses. Increases in net pension liabilities or increases in future contributions could negatively affect the Company's performance and financial position.

Climate Change and Environmental Risk

The effects of global climate change are increasing the severity and frequency of natural threats to the Company's business, such as weather-related events, and may result in higher operating costs and capital expenditures. Some of the Company's facilities are located in areas more prone to weather-related events. Some of the more significant climate-related risks that the Company has identified include: 1) increased operating costs due to higher fuel and energy prices arising from carbon pricing policies; 2) increased operating costs and capital expenditures resulting from damage to facilities and/or equipment given extreme weather events or greater variability in weather patterns; 3) increased operating costs and capital expenditures due to longer term shifts in climate patterns such as sea-level rise or chronic heat waves; and 4) disruptions to the crops of raw materials used by the Company.

The Company monitors these risks and continues to develop strategies and plans in response thereto. The environmental risk to which the Company is exposed also involves the storage, handling, and recycling of certain materials. The Company has established and applies comprehensive environmental policies and practices to avoid having a negative impact on the environment, to comply with environmental laws, and to protect its reputation. It adheres to environmental requirements and manages the end-of-first life of products in accordance with these requirements. Compliance with these requirements could lead to a significant increase in operating costs and capital expenditures. The Company's regulatory compliance program includes environmental impact studies, the restoration of contaminated sites as required, and environmental insurance coverage.

Growth Strategy

The Company plans to continue to grow both organically and through potential acquisitions.

Its organic growth strategy may fail to deliver anticipated results and its targeted organic growth may never materialize. Capital expenditure projects play a key role in the Company's organic growth strategy. The outcome and success of these projects often depend on several factors that are beyond the Company's control, including new and competing operational priorities, the completion schedule, regulatory and governmental approvals, the availability and the cost of labour and equipment as well as weather conditions. In the event of unexpected delays or costs, the Company's performance and financial position could be negatively affected.

Acquisitions have always been a key aspect of the Company's growth strategy. The Company therefore expects to continue to selectively seek strategic acquisitions. The Company's ability to consummate and effectively integrate any future acquisitions according to favourable terms may be limited by the number of attractive acquisition targets, greater demands on internal resources and, to the extent necessary, its ability to obtain financing at satisfactory terms. Acquisitions may expose the Company to additional risks, including:

- inability to detect major issues during due diligence reviews;
- difficulties integrating and managing newly acquired operations and improving their operating efficiency;
- difficulties maintaining uniform standards, controls, procedures and policies across all of the Company's businesses;
- entry into markets in which the Company has little or no direct prior experience;
- the Company's inability to retain key employees of acquired companies;
- disruptions to the Company's ongoing business; and
- diversion of management time and resources.

Availability of Capital

The Company has access to long-term and short-term global capital markets to obtain financing. Its financial performance, interest rates, the stability of financial institutions with which it partners, the liquidity of the overall capital markets and the state of the global economy, including the food industry, could affect its access to capital, the availability of capital and the cost of, financing at acceptable terms and conditions as well as its ability to pay dividends in the future. In addition, any future equity financing may not be available to the Company according to favourable terms or at all. Globally, central banks have indicated that they would likely change monetary policies over the next two years, including raising interest rates. There can be no assurance that the Company will have access to the global capital markets according to terms it finds acceptable.

Economic Environment

The Company's activities could be affected by economic conditions if economic growth rates, unemployment rates, interest rates, or inflation rates reach levels that influence consumption trends and, consequently, the Company's sales and profitability. The recently observed rise in inflation rates could have significant impacts on several of the Company's costs components, notably the cost of its inputs and services as well as the cost of labour. In addition, if an economic slowdown in the second half of 2022 were to materialize, this could have a negative impact on demand for the Company's products and, consequently, on its performance and financial position.

Pandemic

The COVID-19 outbreak in 2020 created a health and economic crisis of unprecedented magnitude that affected global economies and financial markets. Although the situation in North America has greatly improved, the Company continues to stay apprised of potential changes in the availability of labour and resources, government interventions in the activities of businesses, or changes in demand for its products. It remains impossible to assess the likelihood of such events given that there are no reliable estimates of how long the crisis will last and how fast the virus could spread as a result of 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 recent history.

Claims and Insurance

In the normal course of business, the Company is exposed to various actions and claims as well as to the various risks related to its operations. The Company 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 at acceptable rates and conditions. 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 Chief Financial Officer ("CFO") 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 is made up 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 Company's CEO and the CFO, management evaluated the effectiveness of the controls and procedures used to prepare disclosure documentation, including this MD&A, the Annual Information Form, and the Management Proxy Circular. Based on this evaluation, the CEO and the CFO concluded that the disclosure controls and procedures were effective as at December 31, 2021 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 CFO, management evaluated the effectiveness of the Company's internal control over financial reporting as at December 31, 2021, based on the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, the CEO and the CFO concluded that the ICFR was effective as at the December 31, 2021 year-end.

Changes to Internal Control Over Financial Reporting

During the fourth quarter ended December 31, 2021, 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.

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 $0.3 million in 2021 and were carried out under similar terms and conditions as purchases from arm's length producers.

Related party transactions are presented in Note 32 to the consolidated financial statements for the year ended December 31, 2021.

Events After the Reporting Period

As of March 25, 2022, there was no subsequent event to report.

Outlook

According to industry data, overall sales volume in 2021 for the Canadian and U.S. fruit juice and drink markets declined slightly compared to 2020 while category volumes remained well above 2019 levels. Excluding a foreign exchange impact, the Company's sales were down 0.8% in 2021 compared to 2020 mainly due to its U.S. operations. These operations continued to endure supply- and labour-related challenges limiting its ability to meet customer demand. Despite selling price adjustments, profitability at the Company's U.S. operations decreased in 2021 as a result of inflationary pressure, which affected transportation costs, warehousing expenses, and the cost of raw materials, among others, and as a result of lower fixed cost absorption due to lower volumes. While Canadian operations were also affected by inflationary pressure, the business delivered solid performance, mainly driven by volume growth, new distribution, and price adjustments.

In the first quarter of 2022, the Company has initiated a multi-year strategy to drive long-term value, accelerate growth, as well as improve overall margins and profitability. In 2022, this strategic initiative will result in project-related operating expenses ranging between $10 million and $15 million. In addition, the initiative will be supported by overall capital expenditures targeted at approximately $100 million in 2022. A key investment priority in 2022 will focus on revitalizing the U.S. business, specifically improving its operations capacity, cost structure and overall capabilities. Additionally, the strategic initiative includes the installation of a new single-serve production line. Simultaneously, investments will be made to strengthen operations in Canada, including upgrading IT infrastructure and enhancing the capacity and productivity of the aseptic single-serve production capabilities.

Based on industry projections, sales volumes for the fruit juice and drink markets in Canada and the U.S. are expected to slightly decrease in 2022. Despite this anticipated decrease, the Company expects to deliver moderate sales growth year over year. In the first half of 2022, profitability will be under pressure as the Company addresses ongoing supply chain issues, labour challenges, and continued inflationary pressure. Early transformation initiatives in the U.S. and the run-rate effect of selling price adjustments are expected to deliver benefits in the second half of the year, which should offset a softer first-half performance.

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

Additional Information

As at December 31, 2021, the Company's issued and outstanding capital stock consisted of 3,180,400 Class A subordinate voting shares and 3,752,620 Class B multiple voting shares.

This Management's Discussion and Analysis has been prepared as of March 25, 2022 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 2022

The table below presents the current or expected dates of declaration, record and payment of dividends for fiscal 2022, all of which are subject to approval by the Board of Directors.

Declaration date	Record date	Payment date
February 16, 2022	February 28, 2022	March 15, 2022
May 13, 2022	May 26, 2022	June 15, 2022
August 12, 2022	August 24, 2022	September 15, 2022
November 11, 2022	November 23, 2022	December 15, 2022

March 25, 2022