

**BETTER
DAIRY.**

ANNUAL REPORT
2021

**BETTER
WORLD.**

OUR BRANDS

Natrel[™]

OKA[™]

MONSIEUR
GUSTAV[™]

AGROPUR
Grand Cheddar[™]

L'EXTRA

Central Dairies[™]

Farmers[™]

island
FARMS


lucerne[™]
DEPUIS 1904



Québon[™]

Sealtest[®]


SCOTSBURN[™]

biPro[™]

TABLE OF CONTENTS

<i>Message from the President</i>	4
<i>Message from the CEO</i>	8
<i>Board of Directors</i>	13
<i>Corporate responsibility and sustainable development</i>	14
<i>Agropur in numbers</i>	17
<i>Financial review</i>	18
<i>Consolidated financial statements</i>	24



BACK ON COURSE AND LOOKING TO THE FUTURE

“Today, Agropur is a more profitable cooperative that posts better results, carries less debt and is poised to embark on a new phase of disciplined growth.”

Message from the President
ROGER MASSICOTTE

In 2021, we continued the efforts initiated during the previous year. Today, Agropur is a more profitable cooperative that posts better results, carries less debt and is poised to embark on a new phase of disciplined growth. We have made an impressive turnaround and, despite the pandemic, we have successfully maintained a rich associational life, reaffirming the strength and relevance of the cooperative model in the dairy sector. While we still have challenges ahead of us, and always will, we can now feel optimistic about the future.

This year we held strategic consultations with members, a periodic exercise at our organization. In discussions characterized by honesty and transparency—qualities Agropur is known for—we reviewed our major strategic directions and

addressed important issues such as sustainable development and the earnings management. In a sense, this joint work and dialogue has opened a new chapter in Agropur’s long history.

Important decisions

We need to look back at recent events to fully appreciate what we have accomplished. Agropur established an ambitious acquisition and investment plan for the 2013–2019 period. However, profitability fell short of expectations in 2018 and 2019. The situation was holding our organization back and needed to be rectified. A new management team was introduced in late 2019 and, thanks to their guidance, we have steered the organization back on course. We sold non-strategic assets, streamlined our operations and suspended distributions to members.

When carrying out these difficult decisions, we sought to minimize repercussions on families, individuals and communities. But actions of this nature are never without consequences, and we are well aware of this. We had to protect the best interests of the Cooperative. Fortunately, the efforts paid off. As of late 2021, we are now back on track and can look forward to the future.

We have reduced our debt, lifting \$1 billion off our shoulders (\$1.1 billion since April 2020). This notable achievement has given us manoeuvring room and allowed us to resume investing in Agropur’s development. Our attention is now turned to growth. More specifically, we are aiming for growth that is targeted, disciplined and will allow us to capitalize on market opportunities.

Agropur is one of the **20** largest dairy companies in the world.

Agropur is proud of its cooperative model and its standing among the 20 largest dairy companies in the world. Our outstanding product quality, processing expertise, operational excellence and human capital continually strengthen Agropur's reputation and this excellence has made us the dairy partner of choice for the North American food industry.

Thriving associational life

In 2021, we held strategic consultations with members, as we do every five to seven years. The process provides an opportunity to review the Cooperative's policy directions with members and gain insights that will ultimately help the Board of Directors make sound decisions. Several suggestions were made on how to ensure our Cooperative remains thriving, dynamic and participatory. The main findings were shared with members at the Regional Meetings this fall.

Our Cooperative can only deliver its full value when members are actively involved. What is more, only the cooperative model, through its democratic governance, collective ownership and farm-to-market presence, allows such broad participation in the value chain. I still firmly believe in the strategic strength and modernity of the cooperative model.

Our improved financial situation will allow us to resume making cash distributions this year. We will be guided by a new philosophy that reflects our strategic directions and the concept of disciplined growth. We will aim for improved predictability and balance in how we allocate funds between reinvesting in our assets, reducing our debt and issuing distributions to members.

A cautious approach for a complex environment

Agropur has strengthened its foundation, but we must remain cautious given the highly complex business environment. Disputes are arising as trade agreements are implemented. European imports in the fine cheese sector are adding considerable financial pressure. And the industry needs to find a solution for non-fat solid surpluses. Serious discussions are on the horizon. Throughout the year, Agropur exercised its leadership by defending the industry and promoting it to regulatory and government authorities.

The COVID-19 pandemic added a layer of complexity to the business environment. Once again, the dairy sector demonstrated the essential role it plays in feeding the population.



Sustainable development still a priority

We accelerated the pace of our sustainable development journey in 2021. Sustainability is about the environment and social issues, but it's also essential for business development. Our partners and customers have committed to reducing greenhouse gas emissions and the environmental impacts of their activities. They now want us to help them achieve their goals.

We are investing in sustainable development because we believe in it. The dairy industry needs to do a better job of highlighting its efforts to help the world reach its climate targets. We believe our industry needs to be part of the solution for a healthy planet. As always, Agropur remains committed to providing members with assistance for the promising initiatives they set up on their farms.

We have produced a separate sustainable development report to underscore just how important this issue is to us. The new Sustainability Report is a testament to Agropur's determination to be part of the solution through more environmentally friendly dairy processing. It sets out the principles that will guide us for the coming years.

The shift toward sustainable development also has a social component. Our industry must ensure that workplaces are safe and welcoming. It must also uphold its commitments to equity, diversity and inclusion. Agropur has deep roots in the communities where it operates and our Cooperative proudly contributes to their development.

Thank you!

I would like to express my gratitude to all our members, partners, customers and employees. Agropur is an incredible organization with nearly 3,000 dairy producer members in Canada, 31 processing plants and sales in more than 60 countries. For more than 80 years, Agropur has navigated ups and downs, crises and boom periods. Yet, all along we have consistently produced top-quality milk that is enjoyed in the form of fresh milk, cheeses, value-added products and ingredients. Times change. Challenges are impossible to predict. The world is constantly transforming. But our core principles are still the same. We remain true to ourselves. As producers and processors, we are firmly rooted in our communities, proud of what we do and committed to our Cooperative. We stand together.



REGAINING CONTROL OF OUR DEVELOPMENT

“Our goal is for our growth to be strategic and targeted so that we can continue to post robust financial results.”

Message from the CEO
ÉMILE CORDEAU

While 2021 was marked by economic volatility and unpredictability stemming from the pandemic, Agropur made major strides this year toward achieving its three key objectives: increasing its profitability, strengthening its balance sheet and defining its strategy for future growth. For this, we must thank our members, business partners and employees. Thanks to their combined contributions, Agropur made significant progress in 2021 and is back on track for growth. Our goal is for this growth to be strategic and targeted so that we can continue to post robust financial results.

Agropur's 2021 results are all the more impressive when put into perspective.

By late 2020, U.S. cheese markets had soared to record levels, but as expected, prices came back down to normal in 2021. We sold certain assets at the beginning of the year so that we could focus on what we do best. The ongoing pandemic forced us to continually adjust to new conditions on both sides of the border.

Despite all this, Agropur's consolidated earnings before interest, income taxes, depreciation and amortization (EBITDA) reached a record high this year. In addition, our EBITDA-to-sales ratio improved, reflecting the organization's better overall performance. This means Agropur holds on to more of each dollar earned through sales.

Message from the CEO



↓ 45%
Debt burden

Results meet expectations in the U.S. and exceed them in Canada

Agropur's results in the United States were in line with expectations, given the falling prices in that market. Volumes increased thanks in large part to ramped up production at the cheese plant in Lake Norden, South Dakota. Encouragingly, the U.S. market continues to hold excellent growth opportunities for us. We launched a major investment initiative at the Little Chute facility to support our growth in value-added products, strengthen our leadership in cheese stick production and respond to increased demand from our strategic customers.

In Canada, results exceeded projections despite our withdrawal from the yogurt market. Agropur posted record results thanks to increased volumes in certain product categories, effective cost control measures and price adjustments. After experiencing difficulties in 2019, Agropur has made a remarkable turnaround in Canada. Profitability has more than doubled. Today, our Canadian operations generate enough profits to cover its investments as well as the Cooperative's interest expenses.

Debt reduction

We set our sights on significantly reducing the Cooperative's debt and we are very pleased with the progress we have made thus far. Agropur has successfully slashed its debt burden by more than 45% compared to the peak level reached in April 2020. The reduction is attributable to better results, the sale of non-strategic assets, strict management of our investments over the past two years and the temporary suspension of cash distributions to members. We had to make difficult decisions and we recognize that some of these choices led to uncertainty and questions from members and employees. Today, however, we are more confident than ever that these decisions were necessary to ensure the Cooperative's long-term viability.

We are now on track to meet our debt targets. We must remain steadfast in our efforts to improve our financial position and operational efficiency. After all, the gains benefit us all.

New finance structure

Thanks to our recent accomplishments, we have been able to redeem all preferred shares and refinance the debt, which means lower financing fees. Already, we have the means to increase our investments in high-potential

projects, plant modernization and technology upgrades, and our human capital. We are also in a better position to weather market and economic volatility. Another benefit is that distributions to members will be more stable. In short, we are in a much stronger position.

Partner of choice for the dairy industry

As a result of our recent decisions, we have opted to focus on business-to-business (B2B) relationships, which have always been Agropur's strength. Our core business already involved acting as a strategic supplier, new product and solution developer, and choice partner for private labels (retailers), food services (restaurants, cafeterias, etc.) and the industrial sector (further processing). These areas account for more than three-quarters of our worldwide sales. In North America, the B2B sector offers promising growth prospects. Agropur is proud to be the dairy partner of choice for the food industry. We plan on investing in this sector in accordance with our three new strategic pillars: excel as one, execute for success, and grow through partnerships.

In the months and years to come, we will pursue growth by listening to our customers and business partners, by understanding their needs, and by

developing value-added products and solutions jointly with them. We will grow by seizing opportunities in each of our product categories. More than ever before, we will be efficient, innovative and disciplined. And by investing in technology and advanced processes, we will become more flexible and agile.

High sustainability expectations

When we listen to our market, consumers, partners and employees, one thing becomes clear: we must make a firm commitment to sustainable development, a process that is reshaping the global value chains that Agropur is part of. We must live up to the expectations of our customers, who must in turn meet and exceed the expectations of consumers. This chain of responsibility will make for a better industry and a better world.

Better care for our employees

As we work on these key issues, we will also strive to create a healthy work environment for our employees. They have been under significant pressure in recent months. The pandemic triggered disruptions and uncertainty in both their professional and personal lives. Then there was the stress and insecurity related to our organization's turnaround efforts. And in many regions

AGROPUR IS PROUD TO BE THE DAIRY PARTNER OF CHOICE FOR THE FOOD INDUSTRY

the labour shortage led to increased workloads. All this has taken its toll on our people. We are aware of how they are feeling. That is why we are continuing to provide them with the support they need. We also plan to increase our communication efforts. We are committed to investing in our human capital.

Confidence and recognition

The strategy we adopted in 2020 and pursued over the past year continues to bear fruit, enabling us to look ahead with confidence. Agropur has come out stronger and is now in a good position to navigate a business environment that remains fraught with challenges, such as labour issues, rising inflation and the growing popularity of plant-based protein, which could affect demand for dairy products. However, this environment also presents development

opportunities that are within our reach if we act strategically and with discipline.

I would like to thank the members of the Board of Directors for their continued support. The close working relationship between Agropur's senior management and Board of Directors is key to ensuring consistency across our strategic and operational approaches.

I also wish to thank my colleagues on the management team and each of our 7,550 employees who demonstrate unwavering dedication to making Agropur a North American leader. We should be proud of what we have accomplished. Together, we have built an organization that is cherished by individuals and communities and whose products are enjoyed across North America.

BOARD OF DIRECTORS



ROGER MASSICOTTE
President
Mauricie-Fortneuf
2003



ALAIN FORGET
Vice-President
Laurentides-Lanaudière
2014



JEANNIE VAN DYK
Vice-President
Atlantic
2013



MICHEL COUTURE
Chaudière-Appalaches
2001



JEAN-PIERRE LACOMBE
Salaberry-Richelieu
2007



CÉLINE DELHAES
Presented and elected by
universal suffrage
2011



VALÈRE LIEUTENANT
Estrie-Granby
2012



ROGER BEAULIEU
Eastern Quebec
2014



STÉPHANIE BENOIT
Presented and elected by
universal suffrage
2015



MICHEL BOISVERT
Montérégie
2017



MARTIAL LEMIRE
Nicolet-Bois-Francis
2019



ALEX BERTHIAUME
Young Director, presented and
elected by universal suffrage
2020



PIERRE LESSARD
Guest member of the Board



ESTELLE MÉTAYER
Guest member of the Board



PAUL WAGSTAFF
Guest member of the Board

Vacant Director position: Érable-Seigneuries

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT



Sustainability is emerging as an important priority throughout the global dairy industry. Numerous initiatives demonstrate the sector's commitment to being part of the solution. These include the creation of the international Sustainable Agriculture Initiative and the early adoption of Science-Based Targets for greenhouse gas emissions.

A good corporate citizen

In 2021, Agropur took several important steps in connection with its "Better Dairy. Better World." promise. Our organization joined the Sustainable Dairy Partnership and, in doing so, adopted a five-year sustainability plan. In the United States, Agropur committed to becoming net zero or better by 2050, as part of the U.S. Dairy Stewardship Commitment. In addition, we support Pathways to Dairy Net Zero, a global initiative created to accelerate climate change action throughout the dairy sector, launched in New York prior to the United Nations Food Systems Summit.

Supporting our customers

As a key B2B dairy supplier for the food industry, Agropur plays an active role in helping its customers succeed in their sustainable development journeys.

Agropur's strategic roadmap clearly outlines the cooperative's five key sustainable development priorities, namely:

- Sustainable farms
- Responsible sourcing
- Responsible operations
- Responsible products
- Social impact

Sustainable farms

Climate and environmental change are impacting agriculture, and dairy farmers are witnessing the effects first-hand. Their long-term approach, which is supported by environmental management plans and practices to conserve land, protect soil health and manage water, is based on the fundamentals of sustainable agriculture. We now need to immediately prioritize bringing down greenhouse gas emissions. Agropur has plans to provide members with tools to help them reduce their carbon footprint.

The organization is also working hard to assist dairy farmers with matters related

to animal welfare. Our cooperative advisors are on the frontline, informing members across Canada of the standards they need to meet. Our teams also work with our milk suppliers in Canada and the United States to ensure their compliance with the highest animal welfare standards.

Agropur is actively involved in establishing clear guidelines for the entire dairy industry. In Canada, we are an associate member of the National Farm Animal Care Council. In the U.S., we act as a certified evaluator and second-party auditor for the Farmers Assuring Responsible Management program.

SUSTAINABLE FARMS

Animal welfare commitments promote healthy and well-cared-for cows that produce high quality milk.



Environmental commitments support sustainable agriculture practices and greenhouse gas emissions reduction on farms.

RESPONSIBLE SOURCING

Responsible packaging is pursued through the optimization of recyclable materials and eco design principles.



Responsible Sourcing focuses on ensuring best social and environmental practices in our supply chains.

RESPONSIBLE OPERATIONS

Responsible operations focus on water and energy intensity optimization, greenhouse gas emissions reduction and process innovation to find new uses for previous waste streams.



Employee health and safe working conditions at our dairy processing plants are an essential component of our business.

RESPONSIBLE PRODUCTS

Our responsible products approach focuses on key areas such as nutritional density, reducing sugar levels, and improved ingredient formulations.



Develop products for a circular economy that reflect our role in the global sustainable food system.

SOCIAL IMPACT

Create a positive economic impact for our cooperative members, our farmers and their communities.



Donation and sponsorship program aligned with the values of the sustainable dairy industry in the communities where we operate.

Promote positive human capital policies regarding wellbeing, health, engagement and diversity and inclusion.

Responsible sourcing

Responsible sourcing aims to ensure that best social and environmental practices are used in our supply chains, from the design of our products to our procurement policies. Sustainable packaging is a particularly important issue for us. For several year now, our marketing, innovation and procurement teams use eco-design guidelines in product development that promote at-source resource optimization and reduction, along with measures supporting the circular economy. Our efforts are ongoing as we continue to look for ways to reduce the use of plastic, optimize container sizes and use post-consumer fibres where possible. For example, we modified the box for

our Natrel ice cream mochis to reduce cardboard use by 13%.

Responsible operations

We carefully consider the unique geography at each of our facilities in order to develop specific energy efficiency measures for each site. Our plants in Le Sueur, Minnesota, and Jerome, Idaho, have received awards for their leadership in energy conservation.

Our concerns go beyond efficiency. We are also mindful of where the energy we use comes from. Some of our plants are powered by renewables, such as wind, solar and hydroelectric power.

Responsible products

We are proud to offer products that are as nutritious as they are delicious.

Agropur strives to preserve the natural nutritional value of our milk and produces labels that enable consumers to choose the right products for their dietary needs. In Canada, we offer options for consumers who are lactose intolerant (lactose-free line), as well as for people interested in high-protein foods (Natrel Plus).

Social impact

Agropur aims to generate economic benefits for its members and the communities where it is present. In 2021, the cooperative continued its long-standing practice of allocating a portion of earnings before patronage dividends and taxes to donations and sponsorships.

OTHER CONCRETE ACTIONS

A THOROUGH ANALYSIS

This past year, the Agropur team in the U.S. conducted a materiality analysis. This internationally recognized exercise will enable us to determine what our next steps should be to reduce the impact of our activities. Several Agropur stakeholders, including employees, dairy farmers, other suppliers and major customers, were involved in the analysis.

AWARD-WINNING RESULTS

Agropur was also assessed by EcoVadis, the world's most reliable social responsibility rating agency. After analyzing the cooperative's results and comparing them against those of other industry players, EcoVadis awarded Agropur a bronze medal for its environmental, social and governance (ESG) performance. Spurred by this achievement, the cooperative now plans to accelerate the rollout of ESG initiatives.

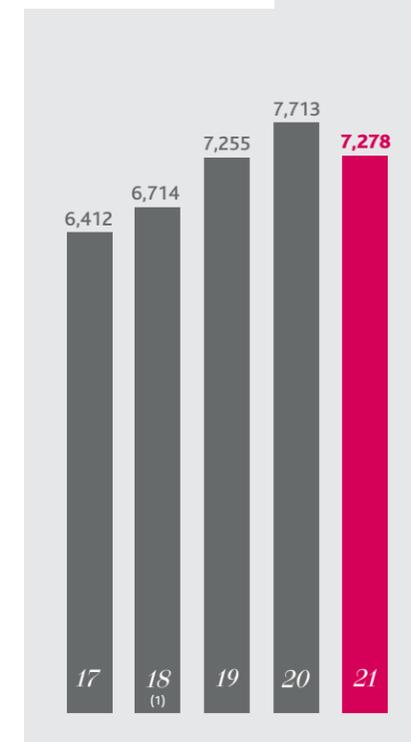
SUSTAINABLE DEVELOPMENT REPORT

Last but not least, Agropur prepared its 2020 Sustainable Development Report. Based on Global Reporting Initiative (GRI) standards, the report provides an overview of the cooperative's economic, social and environmental activities.

AGROPUR IN NUMBERS

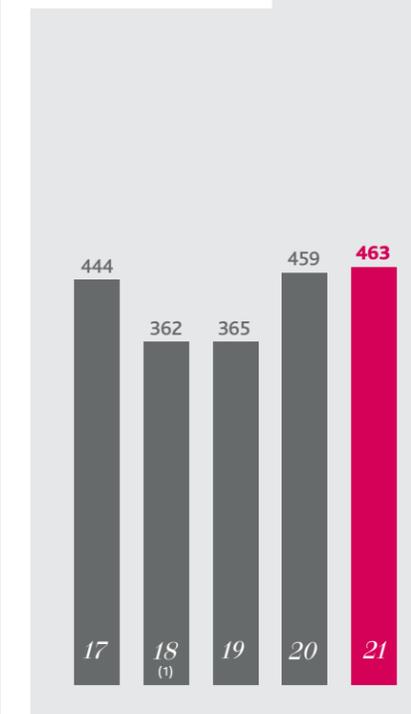
SALES

In millions of dollars



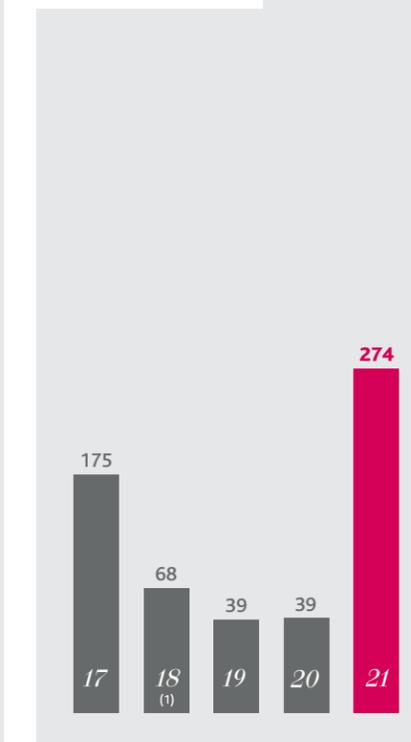
EARNINGS FROM OPERATIONS⁽²⁾

In millions of dollars



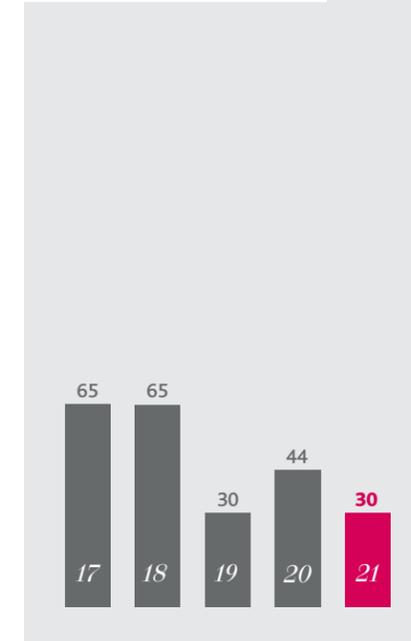
NET EARNINGS

In millions of dollars



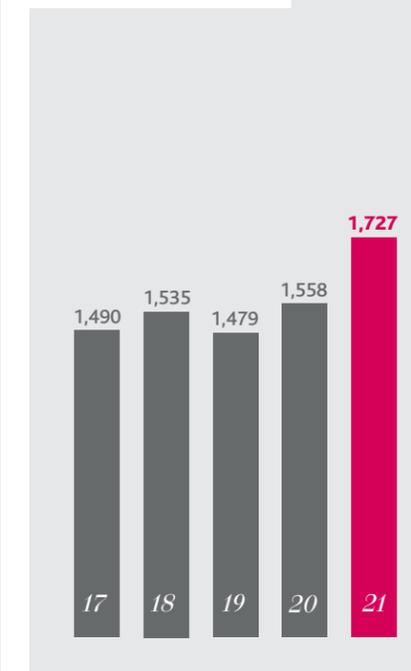
DECLARED PATRONAGE DIVIDENDS

In millions of dollars



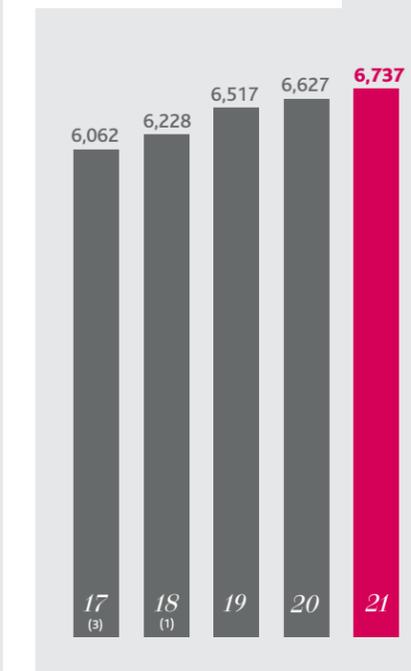
MEMBERS' EQUITY

In millions of dollars



MILK PROCESSED

In millions of litres



(1) Fiscal year including 53 weeks

(2) Earnings before interest, income taxes, depreciation, amortization and impairment of assets, restructuring costs, integration and other non-recurring costs

(3) Milk processed includes joint venture



“The Cooperative’s financial position is sound. Our efforts to improve earnings are paying off, and once again this year, we generated positive cash flow.”

Message from the Senior Vice-President and Chief Financial Officer
STÉPHANE TREMBLAY

FINANCIAL REVIEW

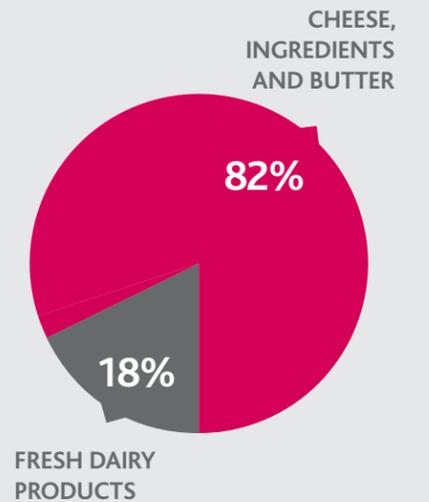
In addition to strengthening its balance sheet, the Cooperative continued to improve its financial performance in 2021. The efforts to improve profitability, begun in 2020, continued to yield results: despite the sale of non-core businesses in the first half of the year and less favorable cheese markets in the U.S., earnings before interest, income taxes, depreciation and amortization (EBITDA) were up slightly to a new high of \$462.5 million in 2021.

With respect to the balance sheet, global debt (borrowings and preferred shares) was reduced by 34% in 2021, thanks to the sale of non-core businesses and the cash generated by

the Cooperative’s earnings. The effort asked of members and shareholders in the past two years, during which no cash distributions were made, also contributed to the improvement of the balance sheet.

As a result of the healthier balance sheet, significantly improved earnings and more favorable capital markets, we were able to overhaul our financing structure during the year. The refinancing was carried out from March to October 2021. As part of the process, we repurchased all outstanding first preferred shares and paid the cumulative dividends. In addition to the dividend savings we realize as a result of the share repurchase, we have

MILK PROCESSED BY AGROPUR IN 2021



negotiated more favorable terms for our borrowings.

Our facilities processed 6.7 billion litres of milk in 2021, an increase of 109 million litres or 1.7% from 2020 essentially due to higher processing volume at our Lake Norden plant in the United States. 82% of the milk processed by Agropur in 2021 was used to make cheese, ingredients and butter and 18% to make fresh dairy products.

The volume of milk processed at our Canadian plants decreased by 2.2% to 2.6 billion litres, due mainly to the sale of the yogurt business. In the U.S., volume increased by 4.2% to 4.1 billion litres.

Governance

The financial statements were prepared in accordance with International Financial Reporting Standards and reviewed by the Audit Committee. On the Committee's recommendation, the Board of Directors approved the 2021 financial statements.

REVIEW OF 2021 FINANCIAL STATEMENTS

Financial results

The Cooperative's consolidated sales totalled \$7.3 billion in fiscal 2021, a year-over-year decrease of \$435.2 million or 5.6%, due mainly to the removal of businesses sold and the lower average cheese price in the U.S. compared with the previous year. Excluding the businesses sold, the sales of Canadian operations increased by \$89.0 million or 2.3% and the sales of U.S. operations decreased by \$186.2 million or 5.2%. There were two main reasons for the decrease in the U.S. First, cheese prices were lower; the

average cheese price was 15% lower in 2021 than in 2020. As the chart below shows, prices were relatively stable in 2021 compared with the record volatility seen in 2020.

Second, the depreciation of the US dollar against the Canadian dollar contributed to the decrease in U.S. sales when translated into Canadian currency. However, higher sales volumes from our Lake Norden plant partially offset the above-mentioned negative factors. The increase in volume was in line with our initial projections.

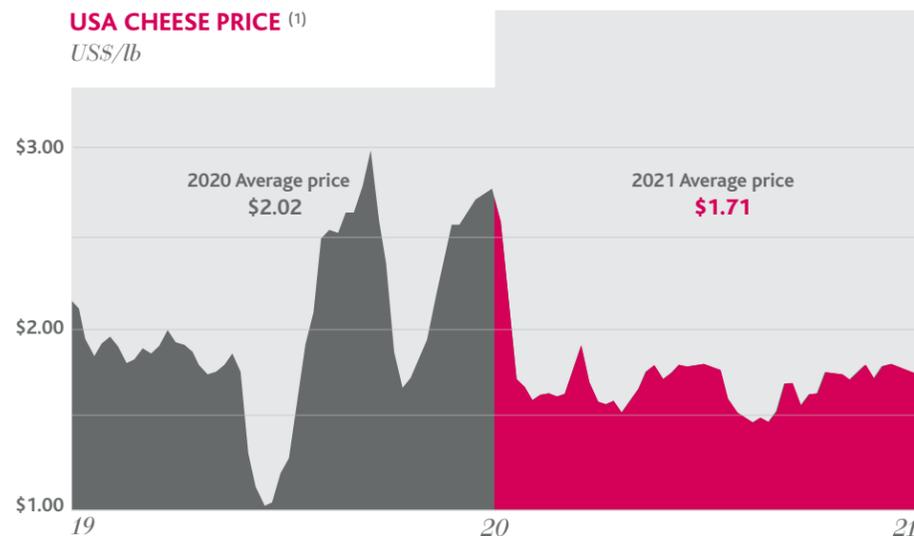
Despite the sale of non-core businesses during the fiscal year, unfavorable U.S. cheese markets and high inflation, earnings from operations (EBITDA) were up slightly by \$3.4 million (+0.7%) to \$462.5 million in 2021.

EBITDA from Canadian operations increased by 41.9% year over year and the EBITDA/sales ratio improved by 1.9 percentage points. Higher sales

volumes, particularly in cheese, better product pricing and the ongoing general cost reduction effort contributed to the improvement in EBITDA.

The profitability of Canadian operations has improved significantly since 2019. Despite flat sales, EBITDA has more than doubled over the past two years. The EBITDA/sales margin has increased by 3.4 percentage points. We are very satisfied with the turnaround in profitability in Canada and we believe there is still potential for further improvement.

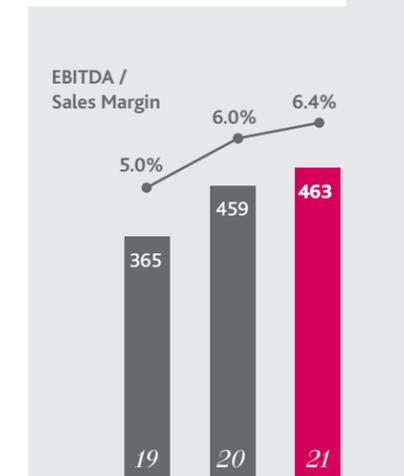
In our U.S. operations, earnings from operations were in line with our projections for 2021. Given the high cheese prices at the end of the previous fiscal year, a drop in prices was expected. Earnings from operations decreased 23.7% year over year. Were it not for market effects, U.S. EBITDA would have increased by 0.7%. The depreciation of the US dollar against the Canadian dollar also contributed



(1) Cheddar cheese 40 pounds block price USA

GROWTH IN CONSOLIDATED EBITDA

In millions of dollars



to the decrease in EBITDA when translated into Canadian currency. The Lake Norden plant's contribution had a positive impact on earnings from operations.

The chart above shows the growth in consolidated EBITDA over the past two years. Consolidated EBITDA increased by \$97.1 million or 26.6% in two years, from \$365.4 million in 2019 to \$462.5 million in 2021. The EBITDA/sales margin also improved from 5.0% to 6.4%.

The depreciation and amortization expense decreased by \$13.9 million to \$232.0 million, due in large part to a lower expense in the U.S. when converted to Canadian dollars, as well as a smaller asset base following the sale of non-core businesses early in the year.

Restructuring costs, integration and other non-recurring costs were lower, decreasing from \$35.7 million in 2020 to \$9.3 million in 2021. They consisted, in large part, of restructuring costs for our Canadian operations.

Financial expenses decreased by \$17.2 million to \$62.1 million in 2021, essentially as a result of lower interest rates and a decrease in the Cooperative's average debt level.

Gains on disposal of assets in the amount of \$215.3 million were recorded, mainly in connection with the disposal of the Grand Rapids operations in the United States and the milk hauling and yogurt businesses in Canada. Lastly, the income tax expense recorded by our subsidiaries was \$35.1 million for the fiscal year.

Earnings before patronage dividends and the Cooperative's income taxes totalled \$338.5 million in 2021, a \$269.0 million increase from 2020. Extraordinary disposals, net of income tax, contributed \$199.3 million to earnings. On a comparable basis, earnings increased by \$69.7 million from the previous year.

After reviewing the earnings, the Board of Directors declared patronage dividends of \$30.0 million; \$22.5 million or 75% will be distributed in A investment shares and \$7.5 million or 25% in cash.

After deducting patronage dividends, the Cooperative recorded a \$34.5 million income tax expense.

Agropur therefore generated net earnings of \$274.1 million.

Comprehensive income totalled \$245.7 million in fiscal 2021, broken down as follows: net earnings of \$274.1 million plus the items recorded under accumulated other comprehensive income. These include an \$8.4 million net unrealized gain on financial instruments. In addition, a \$57.8 million net loss was recognized to account for the effect of the appreciation of the Canadian dollar on consolidation of the assets and liabilities of our U.S. subsidiaries and on translation of long-term debt into Canadian dollars. These accounting gains and losses will continue to fluctuate with interest rate variances and the movement of the Canadian dollar against the US dollar. Lastly, the other components of comprehensive income are the items transferred to the reserve, which consist of net actuarial gains on the defined benefit pension plans in the amount of \$21.0 million.

Cash flows

Cash flows provided by operating activities totalled \$447.5 million in 2021. \$64.4 million was used for non-cash items, essentially ingredient inventories, an increase mainly due to higher ingredient prices and global logistical issues that are complicating shipping.

With respect to financing activities, \$771.5 million was allocated to redeem first preferred shares and \$99.0 million to dividend payments on the preferred

INFLOWS AND OUTFLOWS OF FUNDS 2021

In millions of dollars

INFLOWS 2021		OUTFLOWS 2021	
Operations	447	Interest and current dividends (including effect of exchange rate on cash position)	82
Proceeds from disposals	523	2020 dividends paid in 2021	67
		Property, plant and equipment and intangible assets	153
		Working capital	64
		Other	35
Total	970	Total	401
Cash flows generated: +569			

shares (\$66.6 million related to 2020 and \$32.4 million for 2021). Last year, we had suspended dividend payments to holders of the first preferred shares, as allowed under the agreement. Interest payments were \$40.2 million.

Capital expenditures totalled \$153.5 million in 2021 compared with \$136.0 million in 2020. The breakdown was 48% in Canada and 52% in the U.S. In 2021 capital expenditures included multiple plant projects; among the major projects was the construction of a new cheese stick plant in Little Chute, Wisconsin, to replace the existing aging plant. The new plant will be state-of-the-art and will significantly increase our manufacturing capacity for the product category. Of the planned US\$168 million investment in this project, US\$46 million was spent in 2021. The new plant is to be completed by January 2023. It is the second largest project in Agropur's history, in the United States, after the Lake Norden

plant expansion in 2018. Proceeds from disposals during the year, consisting essentially of the Grand Rapids operations in the United States and the milk hauling and yogurt businesses in Canada, amounted to \$523.4 million.

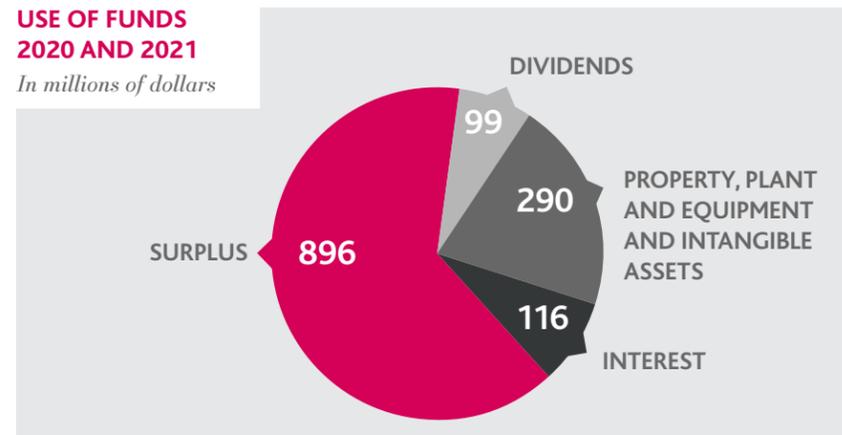
The table above shows the aforementioned inflows and outflows of funds during the year.

Over a two-year period, inflows have totalled nearly \$1.4 billion, including

\$542 million in proceeds from disposals. The chart below shows the use of these funds over the period: \$290 million was invested in property, plant and equipment and intangible assets, \$99 million was used to pay dividends on preferred shares, and \$116 million for interest payments. The \$896 million surplus of inflows over outflows was applied to the repurchase of first preferred shares and debt repayment.

USE OF FUNDS 2020 AND 2021

In millions of dollars



Balance sheet

Assets totalled \$4.2 billion as of October 30, 2021, a \$525.0 million decrease from 2020 stemming essentially from asset disposals, which accounted for \$373.4 million of the decrease, and the depreciation of the US dollar against the Canadian dollar, which accounted for \$167.6 million.

Liabilities increased by \$76.6 million during the period. Debt increased as a result of the repurchase of the first preferred shares and was \$124.4 million higher at the end of the year. On the other hand, the depreciation of the US dollar and the sale of non-core businesses reduced liabilities.

The Cooperative's overall indebtedness was reduced significantly during the year. The first preferred shares were repurchased, and long-term debt was

refinanced on more advantageous terms. The chart below shows changes in the Cooperative's indebtedness over the last three years. As can be seen, it has been reduced by \$940.2 million since 2019. In 2019, the Cooperative's global debt was 6.3x EBITDA; in 2021, the ratio was reduced to 3.3x. This puts us in a more comfortable position to face market fluctuations and seize investment opportunities that support the organization's growth and sustainability. It also makes it possible to resume cash distributions to members.

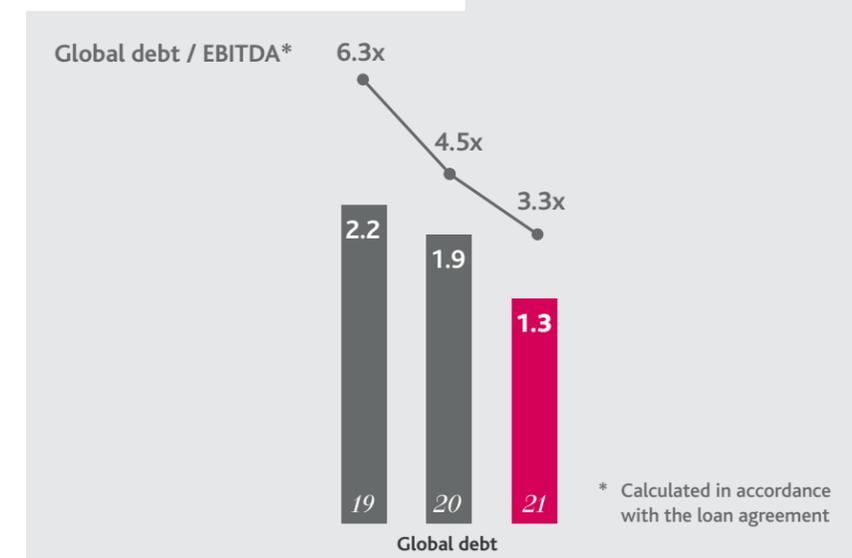
As of October 30, 2021, total members' equity was \$1.7 billion. Excluding the first preferred shares, members' equity was \$1.6 billion in 2020. It therefore increased by \$168.4 million.

Conclusion

The Cooperative's financial position is sound. Our efforts to improve earnings are paying off, and once again this year, we generated positive cash flow. In addition, the new, more economical financing structure affords us the flexibility to deal with contingencies and continue our growth. The coming year promises to be challenging. We are seeing headwinds such as the labor shortage, supply chain problems complicating the sourcing of goods and services, and a high-inflation environment. However, we have a robust plan that promises further increases in profitability despite these economic realities. The improved profitability will support investments and ensure more stable and predictable cash distributions to members, while allowing us to reduce debt and hold it to an optimal level.

OVERALL INDEBTEDNESS

In billions of dollars





Head office

4600 Armand-Frappier Street, Saint-Hubert QC J3Z 1G5 Canada
Tel.: 450-878-2333
Toll free: 1-844-878-2333

US Operations

3500 East Destination Drive, Appleton WI 54915 USA
Tel.: 920-944-0990

agropur.com

Design and production: Liette Couture Arts graphiques
Photographer: Michael Abril
Writing: TACT Conseil and Exergue Communications
Translation: Monique James and Analogos

Printed in Canada