We are presenting the results for the first quarter of fiscal 2020, which ended on June 30, 2019.

- Revenues for the quarter amounted to $3.668 billion, an increase of $400.6 million or 12.3%.
- Adjusted EBITDA* amounted to $358.0 million, an increase of $50.5 million or 16.4%.
- Net earnings totalled $121.4 million, a decrease of $4.6 million or 3.7%.
- Adjusted net earnings* totalled $164.9 million, an increase of $4.6 million or 2.9%.
- Net earnings per share (basic and diluted) were $0.31 for the quarter, as compared to $0.32 for the corresponding quarter last fiscal year, a decrease of 3.1%.
- Adjusted net earnings per share* (basic and diluted) were $0.42 for the quarter, as compared to $0.41 for the corresponding quarter last fiscal year, an increase of 2.4%.

(in millions of Canadian (CDN) dollars, except per share amounts)

(unaudited)	**For the three-month periods ended June 30**	
	2019	2018
Revenues	**3,668.4**	3,267.8
Adjusted EBITDA*	**358.0**	307.5
Net earnings	**121.4**	126.0
Adjusted net earnings*	**164.9**	160.3
Net earnings per share		
Basic	**0.31**	0.32
Diluted	**0.31**	0.32
Adjusted net earnings per share*		
Basic	**0.42**	0.41
Diluted	**0.42**	0.41

- On April 15, 2019, the Company completed the acquisition of Dairy Crest Group plc (Dairy Crest Acquisition), based in the United Kingdom. The Dairy Crest Acquisition is now presented as part of the Europe Sector and contributed positively to revenues and adjusted EBITDA for 11 weeks in the quarter.
- The activities of F&A Dairy Products, Inc. (F&A Acquisition), the activities of Shepherd Gourmet Dairy (Ontario) Inc. (Shepherd Gourmet Acquisition) and the activities of Murray Goulburn Co-Operative Co. Limited (Murray Goulburn) (Murray Goulburn Acquisition) collectively contributed for the full quarter as compared to a partial contribution for the same quarter last fiscal year.
- USA Market Factors** negatively impacted adjusted EBITDA by approximately $8 million.
- The adoption of IFRS 16, *Leases* positively impacted adjusted EBITDA by approximately $15 million. Considering the additional depreciation and interest expenses related to the adoption of IFRS 16, *Leases*, the impact on net earnings was unfavourable by approximately $1 million for the quarter.
- The fluctuation of the Canadian dollar versus foreign currencies during the quarter had a negative impact on adjusted EBITDA of approximately $4 million, as compared to the same quarter last fiscal year.
- The Board of Directors reviewed the dividend policy and increased the quarterly dividend from $0.165 per share to $0.17 per share, representing a 3.0% increase. The quarterly dividend will be payable on September 13, 2019 to common shareholders of record on September 3, 2019.

* Non-IFRS measures described in the ''Glossary'' section on page 20 of this Management's Discussion and Analysis.
** Refer to the ''Glossary'' section on page 20 of this Management's Discussion and Analysis.

Management's Discussion and Analysis

The goal of the management report is to analyze the results and the financial position of Saputo Inc. (Saputo or the Company) for the quarter ended June 30, 2019. It should be read while referring to the condensed interim consolidated financial statements and accompanying notes for the three-month periods ended June 30, 2019 and 2018. The Company's condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting as issued by the International Accounting Standards Board. The accounting policies of the Company are in accordance with International Financial Reporting Standards (IFRS). All dollar amounts are in Canadian dollars, unless otherwise indicated. This report takes into account material elements between June 30, 2019 and August 8, 2019, the date on which this report was approved by the Company's Board of Directors. The information in this report is being presented as of June 30, 2019, unless otherwise specified. Additional information about the Company, including its Annual Report and Annual Information Form for the year ended March 31, 2019, can be obtained on SEDAR at www.sedar.com.

NON-IFRS MEASURES

The Company reports its financial results in accordance with IFRS. However, in this Management's Discussion and Analysis, the following non-IFRS measures are used by the Company: adjusted EBITDA; adjusted net earnings; and adjusted net earnings per share. These measures are defined in the "Glossary" section on page 20 of this Management's Discussion and Analysis. Refer to ''Measurement of Results not in Accordance with International Financial Reporting Standards'' on page 19 of this Management's Discussion and Analysis for the reconciliations to IFRS measures.

Management of the Company believes that these non-IFRS measures provide useful information to investors regarding the Company's financial condition and results of operations as they provide key metrics of its performance. These non-IFRS measures are not recognized under IFRS, do not have any standardized meaning prescribed under IFRS and may differ from similar computations as reported by other issuers, and accordingly may not be comparable. These measures should not be viewed as a substitute for the related financial information prepared in accordance with IFRS.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This report contains statements which are forward-looking statements within the meaning of applicable securities laws. These forward-looking statements include, among others, statements with respect to the Company's objectives, outlook, business projects and strategies to achieve those objectives, statements with respect to the Company's beliefs, plans and expectations, and statements other than historical facts. The words "may", "should", "will", "would", "believe", "plan", "expect", "intend", "anticipate", "estimate", "foresee", "objective", "continue", "propose" or "target", or the negative of these terms or variations of them, the use of conditional or future tense or words and expressions of similar nature, are intended to identify forward-looking statements. All statements other than statements of historical facts included in this report may constitute forward-looking statements within the meaning of applicable securities laws.

These statements are based, among other things, on Saputo's assumptions, expectations, estimates, objectives, plans, business strategy and intentions as of the date hereof regarding the projected revenues and expenses, the economic, industry, competitive and regulatory environments in which the Company operates or which could affect its activities, its ability to attract and retain customers and consumers, as well as the availability and cost of milk and other raw materials and energy supplies, its operating costs and the pricing of its finished products on the various markets in which it carries on business. Such forward-looking statements are intended to provide shareholders with information regarding the Company, including its assessment of future financial plans, and may not be appropriate for other purposes.

By their nature, forward-looking statements are subject to a number of inherent risks and uncertainties. Actual results could differ materially from the conclusion, forecast or projection stated in such forward-looking statements. As a result, the Company cannot guarantee that any forward-looking statements will materialize, and the Company warns readers that these forward-looking statements are not fact or guarantees of future performance in any way. Assumptions, expectations and estimates made in the preparation of forward-looking statements and risks that could cause actual results to differ materially from current expectations are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including the "Risks and Uncertainties" section of the Company's Management's Discussion and Analysis dated June 6, 2019, available on SEDAR under the Company's profile at www.sedar.com.

Forward-looking statements are based on Management's current estimates, expectations and assumptions, which Management believes are reasonable as of the date hereof, and, accordingly, are subject to changes after such date. Undue importance should not be placed on forward-looking statements, and the information contained in such forward-looking statements should not be relied upon as of any other date.

Except as required under applicable securities legislation, Saputo does not undertake to update or revise these forward-looking statements, whether written or verbal, that may be made from time to time by itself or on its behalf, whether as a result of new information, future events or otherwise.

CONSOLIDATED RESULTS

Consolidated revenues for the three-month period ended June 30, 2019, totalled $3.668 billion, an increase of $400.6 million or 12.3%, as compared to $3.268 billion for the corresponding quarter last fiscal year. The contribution of the Dairy Crest Acquisition for 11 weeks this quarter increased revenues by approximately $152 million. Also, revenues increased due to higher sales volumes mainly derived from the collective contribution, for the full quarter, of the F&A Acquisition, the Shepherd Gourmet Acquisition and the Murray Goulburn Acquisition, as compared to a partial contribution for the same quarter last fiscal year. A higher average block market* per pound of cheese and a higher average butter market* price per pound increased revenues by approximately $42 million. Additionally, higher international selling prices of cheese and dairy ingredients, as well as higher selling prices in the domestic market within the Canada Sector and the International Sector in accordance with the increase of the cost of milk as raw material, also positively impacted revenues. These increases were partially offset by lower sales volumes mainly in Canada, in the fluid milk category, due to competitive market conditions. Finally, the fluctuation of the Canadian dollar versus foreign currencies decreased revenues by approximately $26 million.

Consolidated adjusted EBITDA for the three-month period ended June 30, 2019, totalled $358.0 million, an increase of $50.5 million or 16.4% in comparison to $307.5 million for the same quarter last fiscal year. The contribution of the Dairy Crest Acquisition for 11 weeks this quarter increased adjusted EBITDA by approximately $26 million. The contribution of other recent acquisitions had a minimal impact on the increase of adjusted EBITDA. The devaluation of the Argentine peso and the Australian dollar versus the US dollar in the export market had a positive impact on adjusted EBITDA, as compared to the same quarter last fiscal year. The positive effect of higher international dairy ingredient and cheese market prices was partially offset by lower sales volumes in Canada, mainly in the fluid milk category, due to competitive market conditions. USA Market Factors negatively impacted adjusted EBITDA by approximately $8 million, as compared to the same quarter last fiscal year. The adoption of IFRS 16, *Leases* positively impacted adjusted EBITDA by approximately $15 million excluding the positive impact of approximately $4 million from the Dairy Crest Acquisition. Lastly, the fluctuation of the Canadian dollar versus foreign currencies had a negative impact on adjusted EBITDA of approximately $4 million.

Depreciation and amortization for the three-month period ended June 30, 2019, totalled $108.8 million, an increase of $34.6 million, in comparison to $74.2 million for the same quarter last fiscal year. These increases were mainly attributed to additional depreciation and amortization expenses related to recent acquisitions and additions to property, plant and equipment, which increased the depreciable base. As a result of the adoption of IFRS 16, *Leases,* depreciation of right-of-use assets represented an increase of approximately $15 million.

Inventory revaluation resulting from a business acquisition for the three-month period ended June 30, 2019, amounted to $27.2 million. This revaluation was related to the Dairy Crest Acquisition and stemmed from added value attributed to the acquired inventory following the preliminary purchase price allocation, which will flow through the statement of earnings as the inventory is sold.

Acquisition costs for the three-month period ended June 30, 2019, amounted to $22.4 million. Acquisition costs are mainly related to the Dairy Crest Acquisition.

Net interest expense for the three-month period ended June 30, 2019, increased by $17.3 million, in comparison to the same quarter last fiscal year. This increase was mainly attributed to the additional debt related to the Dairy Crest Acquisition and higher bank loans denominated in Argentine Peso, which bear higher interest rates. Also, as a result of the adoption of IFRS 16, *Leases,* interest expenses on lease liabilities pertaining to right-of-use assets represented an increase of approximately $5 million.

In accordance with IAS29, *Financial Reporting in Hyperinflationary Economies*, Argentina was required to be considered a hyperinflationary economy, effective July 1, 2018. For the three-month period ended June 30, 2019, the **gain on hyperinflation** totalled $8.1 million. The gain was derived from the indexation of non-monetary assets and liabilities.

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* Refer to the ''Glossary'' section on page 20 of this Management's Discussion and Analysis.

Income taxes for the three-month period ended June 30, 2019, totalled an income tax expense of $49.7 million, reflecting an effective tax rate of 29.1% compared to 23.7% for the same quarter last fiscal year. The effective tax rates for both periods were mainly impacted by the tax treatment of acquisition costs. Excluding the acquisition costs for both periods, the effective tax rates for the first quarter of fiscal 2020 and 2019 would have been 26.5% and 25.1%, respectively. The income tax rate could increase or decrease based on the amount and source of taxable income, amendments to tax legislations and income tax rates, changes in assumptions, as well as estimates used for tax assets and liabilities by the Company and its affiliates.

Net earnings for the three-month period ended June 30, 2019, totalled $121.4 million, a decrease of $4.6 million or 3.7% in comparison to $126.0 million for the same quarter last fiscal year. This decrease was due to the above-mentioned factors.

Adjusted net earnings for the three-month period ended June 30, 2019, totalled $164.9 million, an increase of $4.6 million or 2.9% in comparison to $160.3 million for the same quarter last fiscal year. This increase was due to the above-mentioned factors.

SELECTED QUARTERLY FINANCIAL INFORMATION

(in millions of CDN dollars, except per share amounts)

Fiscal years	**2020**	2019				2018		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	**3,668.4**	3,236.5	3,577.2	3,420.4	3,267.8	2,744.4	3,021.8	2,884.2
Adjusted EBITDA*	**358.0**	275.1	321.2	317.5	307.5	261.7	318.0	329.8
Net earnings	**121.4**	124.2	342.0	163.1	126.0	130.0	337.0	185.2
Gain on disposal of assets[1]	**-**	-	(167.8)	-	-	-	-	-
Acquisition and restructuring costs[1]	**21.5**	1.6	0.2	-	34.3	5.3	25.1	0.2
Inventory revaluation resulting from a business acquisition	**22.0**	-	-	-	-	-	-	-
USA tax reform benefit**	**-**	-	-	-	-	-	(178.9)	-
Adjusted net earnings*	**164.9**	125.8	174.4	163.1	160.3	135.3	183.2	185.4
Per share								
Net earnings								
Basic	**0.31**	0.32	0.88	0.42	0.32	0.34	0.87	0.48
Diluted	**0.31**	0.32	0.87	0.42	0.32	0.33	0.86	0.47
Adjusted net earnings*								
Basic	**0.42**	0.32	0.45	0.42	0.41	0.35	0.47	0.48
Diluted	**0.42**	0.32	0.44	0.42	0.41	0.35	0.47	0.47
Earnings coverage ratio**	**10.76**	12.69	14.20	12.57	15.37	20.83	23.34	26.69

* Non-IFRS measures described in the ''Glossary'' section on page 20 of this Management's Discussion and Analysis.
** Refer to the ''Glossary'' section on page 20 of this Management's Discussion and Analysis.
1 Net of income taxes.

Selected factors positively (negatively) affecting financial performance

(in millions of CDN dollars)

Fiscal years	**2020**	2019			
	Q1	Q4	Q3	Q2	Q1
USA Market Factors*,[1]	**(8)**	4	(19)	(7)	2
Inventory write-down	**-**	(2)	(1)	-	-
Foreign currency exchange[1, 2]	**(4)**	2	1	5	(13)

* Refer to the ''Glossary'' section on page 20 of this Management's Discussion and Analysis.
1 As compared to the same quarter last fiscal year.
2 Foreign currency exchange includes effect on adjusted EBITDA of conversion of US dollars, Australian dollars, British pounds sterling and Argentine pesos to Canadian dollars.

OUTLOOK

Saputo benefits from a solid financial position and capital structure, supplemented by a high level of cash generated by operations, allowing the Company to continue to grow through targeted acquisitions and organically through strategic capital investments, innovation and diversification of its product portfolio. Profitability enhancement and shareholder value creation remain the cornerstones of the Company's objectives. Saputo has a long-standing commitment to manufacture quality products and will remain focused on operational efficiencies.

The Company reports its business under the Canada Sector, the USA Sector, the International Sector, and a new Europe Sector following the Dairy Crest Acquisition. The Canada Sector consists of the Dairy Division (Canada), the USA Sector consists of the Cheese Division (USA) and the Dairy Foods Division (USA), the International Sector consists of the Dairy Division (Australia) and the Dairy Division (Argentina), and the Europe Sector consists of the Dairy Division (UK).

Canada Sector

While competitive market conditions are anticipated to persist in fiscal 2020, the Dairy Division (Canada) will focus on profitable sales volumes and more specifically on specialty and value-added products for both the retail and foodservice channels. It will continue reviewing overall activities to further improve operational efficiencies to mitigate low growth, competitive market conditions and consistently high warehousing, logistical and transportation costs, which will continue to put pressure on the Division's financial performance. The Division will also undertake capital projects aimed at increasing efficiencies and maximizing its manufacturing footprint in order to maintain a leadership position. As part of the Company's capital expenditure plan, it has commenced construction of its new state-of-the-art facility, in Port Coquitlam, British Columbia to better serve the fluid milk market in Western Canada.

USA Sector

We expect the imbalance between supply and demand of dairy products stemming from the current approach to tariff policies to continue in fiscal 2020, resulting in challenging domestic commodity market conditions. The USA Sector will continue to focus on increasing operational efficiencies and controlling costs in order to mitigate the impacts of dairy commodity market fluctuations, competitive market conditions and consistently high warehousing, logistical and transportation costs, which will continue to affect its financial performance.

During fiscal 2020, the Company expects improved cheese and dairy ingredient market conditions, which should lead to increased selling prices of cheese and dairy ingredients. However, market volatility is expected until the end of fiscal 2020.

During the upcoming quarters, the Cheese Division (USA) will benefit from the blue cheese operational efficiencies at its Almena, Wisconsin facility. This facility allows the Division to continue to strengthen its position within this category. The Division will also focus on further broadening its presence in the specialty cheese category across the USA.

The Dairy Foods Division (USA) will continue to pursue additional efficiencies and decrease costs while strengthening its market presence. The Division will focus on its supply chain planning and warehousing and logistical execution to increase efficiencies and to make further improvements aimed at meeting or exceeding customer demand. Also, it will further optimize and invest in its existing network in order to benefit from new production capabilities.

International Sector

The International Sector will continue to pursue sales volume growth in existing markets, as well as develop additional international markets. The Sector will continue to focus on controlling costs, evaluating overall activities to improve efficiencies and aim to maximize its operational flexibility in order to mitigate fluctuations in market conditions and their impact on financial performance. The Sector will also continue to focus on innovation, and optimize its product mix and customer portfolios, both domestically and internationally.

For fiscal 2020, in light of the decrease in Australian milk production, the Dairy Division (Australia) expects increased competition in the sourcing of raw milk, which will continue to put pressure on margins. It will remain focused on processing more milk, reviewing operations and optimizing the network at its disposal. The Company aims to further capture opportunities derived from the combination of Murray Goulburn and Warrnambool Cheese and Butter under a single platform.

On April 26, 2019, the Company announced that it had entered into an agreement to acquire the specialty cheese business of Lion-Dairy & Drinks Pty Ltd, based in Australia. The Company will continue to work towards the completion of this acquisition, which will add to and complement the current activities of the Dairy Division (Australia). The transaction is subject to regulatory approvals and is expected to close in the second half of calendar year 2019. The specialty cheese business produces, markets and distributes a variety of specialty cheeses under a wide portfolio of Australian brands, including *South Cape, Tasmanian Heritage, Mersey Valley* and *King Island Dairy*.

Despite a steep and sustained devaluation of the Argentine peso, the Dairy Division (Argentina) will continue to adapt to changing economic conditions and optimize its customer portfolio both domestically and internationally.

During fiscal 2020, the Company continues to expect a slight improvement in the international selling prices of cheese and dairy ingredients until the end of the second quarter with market volatility expected until the end of fiscal 2020.

Europe Sector

In fiscal 2020, the Company will work on integrating the Dairy Division (UK) and focus on aligning processes, systems, and sharing best practices. In order to enable further growth, the Division will continue capital investments in its manufacturing facilities with the objective of increasing cheesemaking capabilities.

Enterprise Resource Planning (ERP) Program

The Company will continue planning, designing and implementing activities for the migration to the new ERP system, which has been implemented in Argentina, at Warrnambool Cheese and Butter in Australia and in the Dairy Foods Division (USA). During the first half of calendar 2020, the Company will deploy the ERP program within the activities of Murray Goulburn (now Saputo Dairy Australia), which will ensure the Dairy Division (Australia) is aligned under a single system. The implementation activities for the Cheese Division (USA) have started this fiscal year. Both the Cheese Division (USA) and the Dairy Division (Canada)'s implementations will be completed after the Dairy Division (Australia)'s. The Dairy Division (UK) is currently not in the scope of Saputo's global ERP program and its business will continue to operate under its existing ERP system.

Trade Agreements

In November 2018, the Government of Canada announced that it would allocate, on an interim basis, a significant portion of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) dairy import licences to dairy processors in Canada. Saputo believes this development will be favourable for consumers and the dairy industry in Canada. The Company expects to continue making an effective use of the quotas it is allocated under the various trade agreements and intends to focus on importing dairy products that complement the current Canadian offering. Provided final allocations of CPTPP dairy import licences are handled in a manner similar to the initial allocation, the Company does not foresee the CPTPP having significant impacts on its operations and will seek to take advantage of export opportunities arising from Australia and Canada to other signatory countries.

The renegotiated North American Free Trade Agreement, now known as the United States-Mexico-Canada Agreement (USMCA), was announced on September 30, 2018. Mexico recently ratified the agreement, while Canada and the United States still need to complete this step. Until the USMCA is ratified and implemented by all parties, the North American Free Trade Agreement will remain in force. The Company does not foresee significant impacts on its operations upon formal adoption of the USMCA, assuming the bulk of the import licences is allocated to dairy processors in Canada, as they were under the CPTPP.

Finally, the goal remains to continue to improve overall efficiencies in all sectors, pursue growth organically and through acquisitions, and always strive to be a stronger and better operator.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The intent of this section is to provide insight into the cash and capital management strategies of the Company and how they drive operational objectives, as well as to provide details on how the Company manages its liquidity risk to meet its financial obligations as they come due.

The Company's liquidity needs are funded from cash generated by operations, unsecured bank credit facilities and unsecured senior notes. These funds are used principally for capital expenditures, dividends, debt repayments, business acquisitions and share repurchases, and are expected to be sufficient to meet the Company's liquidity requirements. The Company does not foresee any difficulty in securing financing beyond what is currently available through existing arrangements to fund possible acquisitions and to refinance debt obligations.

The Company's cash flows are summarized in the following table:

(in millions of CDN dollars)

	For the three-month periods ended June 30	
	2019	2018
Cash generated from operating activities	**310.6**	235.9
Net cash generated from operating activities	**224.7**	156.4
Cash used for investing activities	**(1,837.7)**	(1,399.8)
Cash generated for financing activities	**1,608.2**	1,223.0
Decrease in cash and cash equivalents	**(4.8)**	(20.4)

For the three-month period ended June 30, 2019, cash generated from **operating activities** amounted to $310.6 million in comparison to $235.9 million for the corresponding quarter last fiscal year, an increase of $74.7 million.

Net cash generated from operating activities for the three-month period ended June 30, 2019, amounted to $224.7 million in comparison to $156.4 million for the corresponding quarter last fiscal year. This increase of $68.3 million was due to an increase in adjusted EBITDA of $50.5 million, as well as lower acquisition costs of $26.5 million and an increase related to changes in non-cash operating working capital items of $7.9 million driven by the fluctuation in accounts receivable, inventories, as well as payables in line with the fluctuation of market prices. These increases were partially offset by higher interest paid of $9.9 million.

Investing activities for the three-month period ended June 30, 2019, were mainly comprised of $1.696 billion disbursed for the entire issued share capital of Dairy Crest Group plc, for additions to property, plant and equipment of $127.6 million and for intangibles related to the ERP initiative of $16.9 million.

Financing activities for the three-month period ended June 30, 2019, consisted mainly of additional long-term debt of $2.062 billion related to the Dairy Crest Acquisition. The net proceeds from the long-term debt incurred for the Dairy Crest Acquisition were partially used to reimburse $451.4 million of debt assumed relative to the acquisition. Also, the Company paid $17.8 million of the lease liabilities and $64.5 million in dividends. Finally, bank loans increased by $58.2 million and shares were issued as part of the stock option plan for $22.2 million.

Liquidity

(in millions of CDN dollars, except ratio)

	June 30, 2019	March 31, 2019
Current assets	**3,561.7**	3,133.8
Current liabilities	**2,762.6**	1,932.5
Working capital*	**799.1**	1,201.3
Working capital ratio*	**1.29**	1.62

* Refer to the ''Glossary'' section on page 20 of this Management's Discussion and Analysis.

The working capital ratio is an indication of the Company's ability to cover short-term liabilities with short-term assets, without having excess dormant assets. The decrease in the working capital ratio is mainly attributed to the upcoming maturity of a series of medium term notes and bank term loan facility.

Capital Management

The Company's capital strategy requires a well-balanced financing structure in order to maintain the flexibility required to implement growth initiatives, while allowing it to pursue disciplined capital investments and maximize shareholder value.

The Company targets a long-term leverage of approximately 2.0 times net debt to adjusted EBITDA. From time to time, the Company may deviate from its long-term leverage target to pursue acquisitions and other strategic opportunities.

(in millions of CDN dollars, except ratio and number of shares and options)

	June 30, 2019	March 31, 2019
Long-term debt	**4,214.2**	2,267.3
Bank loans	**185.2**	130.4
Cash and cash equivalents	**113.6**	112.7
Net debt*	**4,285.8**	2,285.0
Trailing twelve months adjusted EBITDA**	**1,271.8**	1,221.3
Net debt to adjusted EBITDA**	**3.37**	1.87
Net debt to adjusted EBITDA** assuming the contribution of the Dairy Crest Acquisition for the trailing twelve months ended June 30, 2019, and excluding the impact of IFRS 16, *Leases.*	**3.15**	-
Number of common shares	**390,970,283**	390,198,386
Number of stock options	**22,683,322**	20,374,871

* Refer to the ''Glossary'' section on page 20 of this Management's Discussion and Analysis.

** Non-IFRS measures described in the ''Glossary'' section on page 20 of this Management's Discussion and Analysis

In a manner consistent with its capital management strategy, the Company intends to deleverage over a reasonable period of time in order to return to a long-term leverage of approximately 2.0 times net debt to adjusted EBITDA.

As at June 30, 2019, the Company had $113.6 million in cash and cash equivalents and available bank credit facilities of $1.561 billion, of which $185.2 million were drawn. See Notes 6 and 7 to the condensed interim consolidated financial statements for additional information related to bank loans and long-term debt.

On December 12, 2018, the Company renewed its medium term note program and filed a short form base shelf prospectus qualifying an offering of medium term notes for distribution to the public in the provinces of Canada over a 25-month period, expiring in January 2021.

Share capital authorized by the Company is comprised of an unlimited number of common shares. The common shares are voting and participating. As at July 31, 2019, 391,006,038 common shares and 22,620,342 stock options were outstanding.

CONTRACTUAL OBLIGATIONS

The Company manages and continually monitors its commitments and contractual obligations to ensure that these can be met with funding provided by operations and capital structure optimization.

The Company's contractual obligations consist of commitments to repay certain of its long-term debts in addition to leases of premises, equipment and rolling stock as well as purchase obligations for capital expenditures to which the Company is committed.

(in millions of CDN dollars)

	June 30, 2019				March 31, 2019			
	Long-term debt	**Leases**	**Purchase obligations & other**	**Total**	Long-term debt	Leases	Purchase obligations & other	Total
Less than 1 year	**860.0**	**109.4**	**195.7**	**1,165.1**	323.4	74.9	189.6	587.9
1–2 years	**938.0**	**80.6**	**24.7**	**1,043.3**	3.9	62.0	23.6	89.5
2–3 years	**1,297.2**	**69.3**	**9.1**	**1,375.6**	502.1	52.8	9.9	564.8
3–4 years	**469.0**	**61.8**	**2.3**	**533.1**	300.0	46.6	3.1	349.7
4–5 years	**300.0**	**89.2**	**-**	**389.2**	787.9	39.3	-	827.2
More than 5 years	**350.0**	**186.7**	**-**	**536.7**	350.0	183.5	-	533.5
	4,214.2	**597.0**	**231.8**	**5,043.0**	2,267.3	459.1	226.2	2,952.6

Long-term debt
The Company's long-term debt is described in Note 7 to the consolidated financial statements.

In connection with the Murray Goulburn Acquisition, the Company entered into a credit agreement providing for a non-revolving term facility comprised of three tranches. A total of $1.252 billion was drawn, of which $582.7 million has been repaid. The credit facility bears interest at lenders' prime rates plus a maximum of 1.00%, or bankers' acceptance rates or Australian Bank Bill Rate plus 0.80% up to a maximum of 2.00%, depending on the Company's credit ratings and has maturities ranging from April 2021 to April 2023.

In connection with the Dairy Crest Acquisition, the Company entered into a credit agreement providing for a non-revolving term facility comprised of three tranches, of which a total of $1.995 billion was drawn. The credit facility bears interest at lenders' prime rates plus a maximum of 1.00% or LIBOR or bankers' acceptance rates plus 0.80% up to a maximum of 2.00%, depending on the Company's credit ratings and has maturities ranging from April 2020 to April 2022.

The Company's long-term debt also includes five series of unsecured senior notes outstanding under its medium term program for a total of $1.550 billion, with annual interest rates varying from 1.94% to 3.60% and maturities ranging from November 2019 to August 2025.

FINANCIAL POSITION

The main financial position items as at June 30, 2019, varied as compared to March 31, 2019 balances, principally due to the Dairy Crest Acquisition.

The conversion rate of the US operations' financial position items in US currency was CDN$1.3095 per US dollar as at June 30, 2019, compared to CDN$1.3349 per US dollar as at March 31, 2019. The conversion rate of the Australian operations' financial position items in Australian currency was CDN$0.9195 per Australian dollar as at June 30, 2019, compared to CDN$0.9473 per Australian dollar as at March 31, 2019. The conversion rate of the Argentinian operations' financial position items in Argentinian currency was CDN$0.0308 per Argentine peso as at June 30, 2019, compared to CDN$0.0308 per Argentine peso as at March 31, 2019. The conversion rate of the UK operations' financial position items in British currency was CDN$1.6620 per British pounds sterling as at June 30, 2019, compared to CDN$1.7513 per British pounds sterling as at April 15, 2019, the date of completion of the Dairy Crest Acquisition. The fluctuation of the Canadian dollar versus the US dollar, partially offset by the fluctuation of the Australian dollar, the Argentine peso and the British pounds sterling, resulted in higher values recorded for the financial position items of the foreign operations.

The net cash (cash and cash equivalents less bank loans) position decreased from negative $17.7 million as at March 31, 2019, to negative $71.6 million as at June 30, 2019, mainly resulting from an increase in bank loans. The change in foreign currency translation adjustments recorded in other comprehensive income varied mainly due to the fluctuation of the Canadian dollar versus foreign currencies.

ACCOUNTING STANDARDS

EFFECT OF NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET IMPLEMENTED

Below is a summary of the relevant standards affected and a discussion of the amendments.

The following standards, amendments to standards and interpretations have been issued and are applicable to the Company for its annual periods beginning on and after April 1, 2020, with an earlier application permitted:

IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies, Changes in Estimates and Errors
In October 2018, the IASB issued an amendment to IAS 1 and IAS 8 to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves.

Management is currently assessing the impact of the adoption of this amendment to standards on the Company's financial statements.

IFRS 3, Business Combinations
In October 2018, the IASB issued an amendment to IFRS 3 to clarify the definition of a business, to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets.

Management is currently assessing the impact of the adoption of this amendment to standards on the Company's financial statements.

EFFECT OF NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED DURING THE PERIOD

The following standards, amendments to existing and interpretation of standards were adopted by the Company on or after April 1, 2019:

IFRS 3, Business Combinations

In December 2017, the IASB issued an amendment to IFRS 3 to clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business.

This amendment did not impact the Company's financial statements for the three-month period ended June 30, 2019.

IFRS 9, Financial Instruments

In October 2017, the IASB further amended IFRS 9 to address concerns about how this standard classifies particular prepayable financial assets.

This amendment did not impact the Company's financial statements for the three-month period ended June 30, 2019.

IFRS 11, Joint Arrangements

In December 2017, the IASB issued an amendment to IFRS 11 to clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

This amendment did not impact the Company's financial statements for the three-month period ended June 30, 2019.

IAS 19, Employee Benefits

In February 2018, the IASB issued an amendment to IAS 19 to specify how an entity shall determine pension expenses when changes to a pension plan occur. When an amendment, curtailment or settlement to a plan takes place, IAS 19 requires an entity to remeasure its net defined benefit liability or asset. The amendments require an entity to use the updated assumptions from this remeasurement to determine the current service cost and net interest for the remainder of the reporting period after the change to the plan. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

This amendment did not impact the Company's financial statements for the three-month period ended June 30, 2019.

IAS 23, Borrowing Costs

In December 2017, the IASB issued an amendment to IAS 23 clarifying that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, it becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

This amendment did not impact the Company's financial statements for the three-month period ended June 30, 2019.

IAS 28, Investments in Associates

In October 2017, the IASB issued an amendment to IAS 28 to clarify that an entity should apply IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

This amendment did not impact the Company's financial statements for the three-month period ended June 30, 2019.

IFRIC 23, Uncertainty Over Income Tax Treatments

In June 2017, the IFRS Interpretations Committee issued IFRIC 23 which clarifies how the recognition and measurement requirements of IAS 12, Income Taxes, are applied where there is uncertainty over income tax treatments.

This interpretation did not impact the Company's financial statements for the three-month period ended June 30, 2019.

IFRS 16, Leases

In January 2016, the IASB published a new standard, IFRS 16, *Leases*, which has replaced IAS 17, *Leases*. The Company adopted the standard on April 1, 2019. The new standard eliminates the distinction between operating and finance leases and now brings most leases onto the statement of financial position for lessees, except with respect to leases that meet limited exception criteria. For lessors, the accounting remains mostly unchanged and the distinction between operating and finance leases is retained.

See Note 3 of the consolidated financial statements for the three-month period ended June 30, 2019, for more details on the exemptions and practical expedients applied for the adoption of IFRS 16. As permitted in IFRS 16 transition guidance, the Company has not restated comparative figures.

The following table summarizes the adjustments to opening balances resulting from the initial adoption of IFRS 16:

	As reported March 31, 2019	IFRS 16 transition impact	After IFRS 16 adoption April 1, 2019
Assets			
Property, plant and equipment	**$ 3,095.4**	**$ (34.9)**	**$ 3,060.5**
Right-of-use assets	**-**	**440.6**	**440.6**
Total	**3,095.4**	**405.7**	**3,501.1**
Liabilities			
Long-term debt including short term portion	**2,267.3**	**(29.4)**	**2,237.9**
Lease liabilities including short term portion	**-**	**445.9**	**445.9**
Accounts payable and accrued liabilities	**1,442.2**	**(10.8)**	**1,431.4**
Total	**$ 3,709.5**	**$ 405.7**	**$ 4,115.2**

The following table reconciles lease commitments as at March 31, 2019 to lease liabilities recognized in the consolidated statement of financial position as at April 1, 2019:

Operating lease commitments as at March 31, 2019	**$ 531.2**
Exemption for short-term and low value leases	(28.1)
Extension and termination options reasonably certain to be exercised	72.4
Finance leases already recognised on the balance sheet	29.4
Service contracts and non-lease components	(81.3)
Discounted using the weighted average incremental borrowing rate as at March 31, 2019	(77.7)
Leases liabilities recognized as at April 1, 2019	**445.9**
Current portion of lease liabilities	68.6
Lease liabilities	377.3
Total lease liabilities recognized as at April 1, 2019	**$ 445.9**

Upon adoption of IFRS 16, the Company recognized lease liabilities for leases which had been previously classified as operating leases under IAS 17. These liabilities are measured at the present value of the remaining lease payments and discounted using the lessee's incremental borrowing rate as of March 31, 2019. The weighted average lessee's incremental borrowing rate applied was 3.48%.

For the three-month period ended June 30, 2019, adjusted EBITDA, sector assets and sector liabilities all increased as a result of the change in accounting policy.

As a result of adopting IFRS 16, on April 1, 2019, the Company updated its lease accounting policies and the significant estimates, judgments and assumptions made by management in Note 3 of the consolidated financial statements for the three-month period ended June 30, 2019.

FOLLOW-UP ON CERTAIN SPECIFIC ITEMS OF THE ANALYSIS

For an analysis of guarantees, related party transactions, critical accounting policies and use of accounting estimates, risks and uncertainties, as well as a sensitivity analysis of interest rate and US currency fluctuations, the discussion provided in the Company's 2019 Annual Report can be consulted (pages 22 to 31 of the Management's Discussion and Analysis).

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) are responsible for establishing and maintaining disclosure controls and procedures. The Company's disclosure controls and procedures are designed to provide reasonable assurance that material information relating to the Company is made known to Management in a timely manner to allow the information required to be disclosed under securities legislation to be recorded, processed, summarized and reported within the time periods specified in securities legislation. Refer to the Section below for the disclosure controls and procedures relating to Dairy Crest Group plc and its subsidiaries ("Dairy Crest").

INTERNAL CONTROL OVER FINANCIAL REPORTING

The CEO and the CFO are responsible for establishing and maintaining internal control over financial reporting. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company is taking a phased approach to its migration to a new ERP system, which is expected to be completed in fiscal 2022. The appropriate changes to internal controls over financial reporting in relation to divisions which have migrated to the new ERP system have been made in order to continue to maintain appropriate internal controls over financial reporting. Other than these changes, there were no changes to the Company's internal control over financial reporting that occurred during the period beginning on April 1, 2019 and ended on June 30, 2019, that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

In accordance with the provisions of Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings, the CEO and CFO have limited the scope of their design of disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of Dairy Crest, acquired on April 15, 2019.

The contribution of Dairy Crest to the consolidated results for the three-month period ended June 30, 2019, was 4.1% of consolidated revenues and 7.3% of consolidated net earnings. Additionally, as at June 30, 2019, the current assets of Dairy Crest represented approximately 11.5% of consolidated current assets and current liabilities represented approximately 4.9% of consolidated current liabilities. The non-current assets of Dairy Crest represented approximately 21.9% of consolidated non-current assets and non-current liabilities represented approximately 4.6% of consolidated non-current liabilities. The design of the disclosure controls and procedures and internal control over financial reporting of Dairy Crest will be completed by the end of fiscal 2020.

INFORMATION BY SECTOR

CANADA SECTOR

(in millions of CDN dollars)

Fiscal years	**2020**	2019			
	Q1	Q4	Q3	Q2	Q1
Revenues	**968.8**	924.8	1,059.6	1,047.7	1,011.0
Adjusted EBITDA*	**98.5**	90.0	113.8	104.4	105.5

* Non-IFRS measure described in the ''Glossary'' section on page 20 of this Management's Discussion and Analysis.

The Canada Sector consists of the Dairy Division (Canada).

Revenues

Revenues for the Canada Sector totalled $968.8 million for the three-month period ended June 30, 2019, a decrease of $42.2 million or 4.2%, as compared to $1.011 billion for the corresponding quarter last fiscal year. Lower sales volumes in the fluid milk category, due to Canada's competitive environment, negatively impacted revenues. This decrease was partially offset by an increase in selling prices in accordance with the higher cost of milk as raw material, a favourable product mix and the contribution of the Shepherd Gourmet Acquisition for the full quarter as compared to a two-week contribution for the same quarter last fiscal year.

Adjusted EBITDA

Adjusted EBITDA for the Canada Sector totalled $98.5 million for the three-month period ended June 30, 2019, a decrease of $7.0 million or 6.6%, as compared to $105.5 million for the corresponding quarter last fiscal year. Lower sales volumes in the fluid milk category, due to Canada's competitive environment, negatively impacted adjusted EBITDA. This decrease was partially offset by the positive impact of a favourable product mix and higher international selling prices of dairy ingredients, as well as the contribution of the Shepherd Gourmet Acquisition for the full quarter as compared to a two-week contribution for the same quarter last fiscal year. The adoption of IFRS 16, *Leases* positively impacted adjusted EBITDA by approximately $2 million.

USA SECTOR

(in millions of CDN dollars)

Fiscal years	2020	2019			
	Q1	Q4	Q3	Q2	Q1
Revenues	**1,757.7**	1,616.6	1,678.5	1,618.0	1,594.6
Adjusted EBITDA*	**173.6**	134.2	122.4	133.8	154.3

* Non-IFRS measure described in the ''Glossary'' section on page 20 of this Management's Discussion and Analysis.

Selected factors positively (negatively) affecting financial performance

(in millions of CDN dollars)

Fiscal years	2020	2019			
	Q1	Q4	Q3	Q2	Q1
USA Market Factors*, [1]	**(8)**	4	(19)	(7)	2
US currency exchange[1]	**6**	7	6	7	(8)

* Refer to the ''Glossary'' section on page 20 of this Management's Discussion and Analysis.
[1] As compared to same quarter of previous fiscal year.

Other pertinent information

(in US dollars, except for average exchange rate)

Fiscal years	2020	2019			
	Q1	Q4	Q3	Q2	Q1
Block market* price					
Opening	**1.645**	1.430	1.690	1.555	1.530
Closing	**1.858**	1.645	1.430	1.690	1.555
Average	**1.711**	1.520	1.453	1.605	1.603
Butter market* price					
Opening	**2.255**	2.218	2.320	2.268	2.215
Closing	**2.410**	2.255	2.218	2.320	2.268
Average	**2.330**	2.264	2.238	2.264	2.339
Average whey market price per pound*	**0.370**	0.443	0.452	0.387	0.279
Spread*	**0.061**	0.054	0.021	0.095	0.135
US average exchange rate to Canadian dollar[1]	**1.337**	1.330	1.321	1.307	1.290

* Refer to the ''Glossary'' section on page 20 of this Management's Discussion and Analysis.
[1] Based on Bloomberg published information.

The USA Sector consists of the Cheese Division (USA) and the Dairy Foods Division (USA).

Revenues

Revenues for the USA Sector totalled $1.758 billion for the three-month period ended June 30, 2019, an increase of approximately $163 million or 10.2%, as compared to $1.595 billion for the corresponding quarter last fiscal year. Higher sales volumes in the Dairy Foods Division (USA), as well as the contribution of the F&A Acquisition, contributed to this increase. Also, a higher average block market per pound of cheese and a higher average butter market price per pound increased revenues by approximately $42 million, as compared to the same quarter last fiscal year. Higher selling prices in the dairy ingredients market also positively affected revenues. Finally, the fluctuation of the Canadian dollar versus the US dollar increased revenues by approximately $57 million.

Adjusted EBITDA

Adjusted EBITDA for the USA Sector totalled $173.6 million for the three-month period ended June 30, 2019, an increase of $19.3 million or 12.5%, as compared to $154.3 million for the corresponding quarter last fiscal year. During the quarter, adjusted EBITDA was positively impacted by improved operational efficiencies and higher sales volumes in the Dairy Foods Division (USA). Also, the F&A Acquisition had a favourable impact on adjusted EBITDA. However, already high warehousing and logistical expenses increased due to rising handling and other related costs stemming from the Sector's product mix and inflation, which negatively impacted adjusted EBITDA by approximately $6 million.

The relation between the average block market per pound of cheese and the cost of milk as raw material had an unfavourable impact on adjusted EBITDA, including an impact of approximately $5 million resulting from the implementation of the Federal Milk Marketing Order in California, effective November 1, 2018. A higher average block market per pound of cheese and a higher average butter market price per pound during the quarter versus the corresponding quarter last fiscal year had a favourable impact on both the realization of inventories and the absorption of fixed costs. Also, higher dairy ingredient market prices had a positive effect on adjusted EBITDA. These USA Market Factors negatively impacted adjusted EBITDA by approximately $8 million, as compared to the same quarter last fiscal year. The adoption of IFRS 16, *Leases* positively impacted adjusted EBITDA by approximately $2 million. Finally, the fluctuation of the Canadian dollar versus the US dollar had a positive impact on adjusted EBITDA of approximately $6 million.

INTERNATIONAL SECTOR

(in millions of CDN dollars)

Fiscal years	2020	2019			
	Q1	Q4	Q3	Q2	Q1
Revenues	**790.3**	695.1	839.1	754.7	662.2
Adjusted EBITDA*	**59.7**	50.9	85.0	79.3	47.7

* Non-IFRS measure described in the ''Glossary'' section on page 20 of this Management's Discussion and Analysis.

Selected factors positively (negatively) affecting financial performance

(in millions of CDN dollars)

Fiscal years	2020	2019			
	Q1	Q4	Q3	Q2	Q1
Inventory write-down	**-**	(2)	(1)	-	-
Foreign currency exchange[1]	**(10)**	(3)	(5)	-	(7)

[1] As compared to same quarter of previous fiscal year.

The International Sector consists of the Dairy Division (Australia) and the Dairy Division (Argentina).

Revenues

Revenues for the International Sector totalled $790.3 million for the three-month period ended June 30, 2019, an increase of $128.1 million or 19.3%, as compared to $662.2 million for the corresponding quarter last fiscal year. The inclusion of the Murray Goulburn Acquisition for the full quarter, compared to two months for the corresponding quarter last fiscal year, and additional revenues derived from the weakening of the Argentine peso and Australian dollar versus the US dollar in the export market increased revenues. Higher international selling prices of cheese and dairy ingredients increased revenues, as compared to the same quarter last fiscal year. However, reduced milk availability related to unfavourable weather conditions negatively impacted sales volumes in the Dairy Division (Australia). In the Dairy Division (Argentina), higher selling prices related to the hyperinflationary economy positively impacted revenues. The fluctuation of the Canadian dollar versus the functional currencies used in the International Sector had a negative impact on revenues of approximately $83 million, as compared to the same quarter last fiscal year.

Adjusted EBITDA

Adjusted EBITDA for the International Sector totalled $59.7 million for the three-month period ended June 30, 2019, an increase of $12.0 million or 25.2%, as compared to $47.7 million for the corresponding quarter last fiscal year. Higher selling prices related to the hyperinflationary economy, as well as the weakening of the Argentine peso and Australian dollar had a positive impact on export sales denominated in US dollars and on adjusted EBITDA. Also, higher international cheese and dairy ingredient market prices, as well as a favourable product mix, positively impacted adjusted EBITDA. However, reduced milk availability related to unfavourable weather conditions negatively impacted adjusted EBITDA in the Dairy Division (Australia). The adoption of IFRS 16, *Leases* positively impacted adjusted EBITDA by approximately $11 million. The fluctuation of the Canadian dollar versus functional currencies used in the International Sector had a negative impact on adjusted EBITDA of approximately $10 million, as compared to the same quarter last fiscal year.

EUROPE SECTOR

(in millions of CDN dollars)

Fiscal years	2020	2019			
	Q1	Q4	Q3	Q2	Q1
Revenues	**151.6**	-	-	-	-
Adjusted EBITDA*	**26.2**	-	-	-	-

* Non-IFRS measure described in the ''Glossary'' section on page 20 of this Management's Discussion and Analysis.

The new Europe Sector consists of the Dairy Division (UK) following the Dairy Crest Acquisition.

Revenues and adjusted EBITDA

Revenues for the Europe Sector totalled $151.6 million for the period of 11 weeks ended June 30, 2019. Adjusted EBITDA for the Europe Sector totalled $26.2 million for the period of 11 weeks ended June 30, 2019, which included approximately $4 million resulting from the adoption of IFRS 16, *Leases*.

Had the Dairy Crest Acquisition occurred on April 1, 2019, and excluding the impact from the adoption of IFRS 16, *Leases*, the revenues and adjusted EBITDA for the three-months ended June 30, 2019, would have been in line with Dairy Crest's results for the same quarter last fiscal year.

MEASUREMENT OF RESULTS NOT IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

In certain instances, the Company makes references to terms in evaluating financial performance measures, such as adjusted EBITDA, adjusted net earnings and adjusted net earnings per share that hold no standardized meaning under IFRS. These non-IFRS measurements are therefore not likely to be comparable to similarly titled or described measures in use by other publicly traded companies nor do they indicate that excluded items are non-recurring. The Company uses earnings before interest, income taxes, depreciation, amortization, acquisition and restructuring costs, inventory revaluation, and gain on hyperinflation (adjusted EBITDA) as a performance measure as it is a common industry measure and reflects the ongoing profitability of the Company's consolidated business operations.

Adjusted net earnings is defined by the Company as net earnings prior to the inclusion of a gain on disposal of assets, acquisition and restructuring costs, net of applicable income taxes, if any. Adjusted net earnings per share is defined as adjusted net earnings per basic and diluted common share. The most comparable IFRS financial measures to the ones used by the Company are earnings before income taxes, as well as net earnings and net earnings per share (basic and diluted).

Adjusted EBITDA, adjusted net earnings and adjusted net earnings per share, as used by Management, provide precision and comparability with regards to the Company's ongoing operation. They also provide readers with a representation of the activities considered of relevance to the Company's financial performance through the inclusion of additional financial information that can be used to identify trends or additional disclosures that provide information into the manner in which the Company operates. They also provide comparability to the Company's prior year results.

The definitions provided above are used in the context of the results and activities for the three-month period ended June 30, 2019. They are subject to change based on future transactions and as deemed necessary by Management in order to provide a better understanding and comparability of future results and activities of the Company.

A reconciliation of earnings before income taxes, net earnings and net earnings per share to adjusted EBITDA, adjusted net earnings and adjusted net earnings per share for the three and nine-month periods in which Management has presented these measures is provided below.

(in millions of CDN dollars)

	For the three-month periods ended June 30	
	2019	2018
Earnings before income taxes	**171.1**	165.1
Other financial charges	**12.3**	4.2
Interest on long-term debt	**24.3**	15.1
Gain on hyperinflation	**(8.1)**	-
Inventory revaluation resulting from a business acquisition	**27.2**	-
Acquisition and restructuring costs	**22.4**	48.9
Depreciation and amortization	**108.8**	74.2
Adjusted EBITDA	**358.0**	307.5

(in millions of CDN dollars, except per share amounts)

	For the three-month periods ended June 30					
	2019			2018		
		Per Share			Per Share	
	Total	**Basic**	**Diluted**	Total	Basic	Diluted
Net earnings	**121.4**	**0.31**	**0.31**	126.0	0.32	0.32
Acquisition and restructuring costs[1]	**21.5**	**0.06**	**0.06**	34.3	0.09	0.09
Inventory revaluation resulting from a business acquisition[1]	**22.0**	**0.06**	**0.06**	-	-	-
Adjusted net earnings	**164.9**	**0.42**	**0.42**	160.3	0.41	0.41

1 Net of income taxes

GLOSSARY

Adjusted EBITDA
"Adjusted EBITDA" means earnings before interest, income taxes, depreciation, amortization, acquisition and restructuring costs, inventory revaluation resulting from a business acquisition, and gain on hyperinflation.

Adjusted net earnings
"Adjusted net earnings" means net earnings prior to the inclusion of acquisition and restructuring costs and inventory revaluation resulting from a business acquisition, net of applicable income taxes.

Adjusted net earnings per share
"Adjusted net earnings per share" (basic and diluted) means adjusted net earnings per basic and diluted common share.

Average whey powder market price
"Average whey powder market price" means the average daily price for extra grade dry whey published on Dairy Market News.

Block market
"Block market" means the price of a 40 pound block of cheddar traded on the Chicago Mercantile Exchange (CME), used as the base price for cheese.

Butter market
"Butter market" means the price for Grade AA Butter traded on the CME, used as the base price for butter.

Earnings coverage ratio
"Earnings coverage ratio" means net earnings (before interest on long-term debt and other financial charges and income taxes) for the applicable period divided by interest on long-term debt and other financial charges for the applicable period of the fiscal year.

Net debt
"Net debt" means long-term debt and bank loans, including the current portion thereof, net of cash and cash equivalents.

Net debt to adjusted EBITDA
"Net debt to adjusted EBITDA" means net debt divided by the Trailing twelve months adjusted EBITDA.

Spread
"Spread" means the average block market per pound of cheese less the result of the average cost per hundredweight of Class III and/or Class 4b milk price divided by 10 in the USA market.

Trailing twelve months adjusted EBITDA
"Trailing twelve months adjusted EBITDA" is calculated by adding actual three-months ended June 30, 2019 results of adjusted EBITDA to actual year ended March 31, 2019 results of adjusted EBITDA and subtracting actual three-months ended June 30, 2018 results of adjusted EBITDA.

USA Market Factors
"USA Market Factors" include, for the USA Sector, the average block market per pound of cheese and its effect on the absorption of fixed costs and on the realization of inventories, the effect of the relationship between the average block market per pound of cheese and the cost of milk as raw material, the market pricing impact related to sales of dairy ingredients, as well as the impact of the average butter market price related to dairy food products.

USA tax reform benefit
"USA tax reform benefit" means the one-time benefit of the Company related to the adjustment for futures tax balances and tax provisions in the third quarter of fiscal 2018 due to the reduction of the US federal tax rate pursuant to the enactment of the *Tax Cuts and Jobs Act* on December 22, 2017.

Working capital
"Working capital" means the Company’s current assets minus current liabilities.

Working capital ratio
"Working capital ratio" means the Company’s current assets divided by current liabilities.

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENTS
(in millions of CDN dollars, except per share amounts)
(unaudited)

	For the three-month periods ended June 30	
	2019	2018
Revenues	**$ 3,668.4**	$ 3,267.8
Operating costs excluding depreciation and amortization (Note 4)	**3,310.4**	2,960.3
Earnings before interest, income taxes, depreciation, amortization, acquisition and restructuring costs, inventory revaluation resulting from a business acquisition, and gain on hyperinflation	**358.0**	307.5
Depreciation and amortization	**108.8**	74.2
Acquisition and restructuring costs	**22.4**	48.9
Inventory revaluation resulting from a business acquisition (Note 12)	**27.2**	-
Gain on hyperinflation	**(8.1)**	-
Interest on long-term debt	**24.3**	15.1
Other financial charges (Note 10)	**12.3**	4.2
Earnings before income taxes	**171.1**	165.1
Income taxes	**49.7**	39.1
Net earnings	**$ 121.4**	$ 126.0
Net earnings per share (Note 9)		
Basic	**$ 0.31**	$ 0.32
Diluted	**$ 0.31**	$ 0.32

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of CDN dollars)
(unaudited)

	For the three-month periods ended June 30	
	2019	2018
Net earnings	**$ 121.4**	$ 126.0
Other comprehensive income:		
Items that may be reclassified to net earnings:		
Exchange differences arising from foreign currency translation	**(168.2)**	7.0
Net unrealized losses on cash flow hedges[1] (Note 11)	**(0.3)**	(3.2)
Reclassification of losses (gains) on cash flow hedges to net earnings[2]	**1.9**	(0.1)
	(166.6)	3.7
Items that will not be reclassified to net earnings:		
Actuarial gains[3]	**4.7**	-
	4.7	-
Other comprehensive income	**(161.9)**	3.7
Total comprehensive income	**$ (40.5)**	$ 129.7

[1] Net of income taxes of $0.2 for the three-month period ended June 30, 2019 (2018 – $1.4).
[2] Net of income taxes of $0.8 for the three-month period ended June 30, 2019 (2018 - nil).
[3] Net of income taxes of $1.0 for the three-month period ended June 30, 2019 (2018 - nil).

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in millions of CDN dollars, except common shares)
(unaudited)

For the three-month period ended June 30, 2019

	Share capital		Reserves					
	Common Shares	**Amount**	**Foreign Currency Translation**	**Cash Flow Hedges**	**Stock Option Plan**	**Total Reserves**	**Retained Earnings**	**Total Equity**
Balance, beginning of year	**390,198,386**	**$ 991.7**	**$ 582.1**	**$ (2.3)**	**$ 134.0**	**$ 713.8**	**$ 3,715.0**	**$ 5,420.5**
Net earnings	**-**	**-**	**-**	**-**	**-**	**-**	**121.4**	**121.4**
Other comprehensive income	**-**	**-**	**(168.2)**	**1.6**	**-**	**(166.6)**	**4.7**	**(161.9)**
Total comprehensive income								**(40.5)**
Dividends declared	**-**	**-**	**-**	**-**	**-**	**-**	**(64.5)**	**(64.5)**
Stock option plan (Note 8)	**-**	**-**	**-**	**-**	**5.9**	**5.9**	**-**	**5.9**
Shares issued under stock option plan	**771,897**	**22.2**	**-**	**-**	**-**	**-**	**-**	**22.2**
Amount transferred from reserves to share capital upon exercise of options	**-**	**4.1**	**-**	**-**	**(4.1)**	**(4.1)**	**-**	**-**
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	**-**	**-**	**-**	**-**	**0.5**	**0.5**	**-**	**0.5**
Balance, end of period	**390,970,283**	**$ 1,018.0**	**$ 413.9**	**$ (0.7)**	**$ 136.3**	**$ 549.5**	**$ 3,776.6**	**$ 5,344.1**

For the three-month period ended June 30, 2018

	Share capital		Reserves					
	Common Shares	**Amount**	**Foreign Currency Translation**	**Cash Flow Hedges**	**Stock Option Plan**	**Total Reserves**	**Retained Earnings**	**Total Equity**
Balance, beginning of year	387,407,403	$ 918.9	$ 549.6	$ (3.8)	$ 116.6	$ 662.4	$ 3,216.4	$ 4,797.7
Net earnings	-	-	-	-	-	-	126.0	126.0
Other comprehensive income	-	-	7.0	(3.3)	-	3.7	-	3.7
Total comprehensive income								129.7
Dividends declared	-	-	-	-	-	-	(62.1)	(62.1)
Stock option plan (Note 8)	-	-	-	-	6.4	6.4	-	6.4
Shares issued under stock option plan	764,568	17.9	-	-	-	-	-	17.9
Amount transferred from reserves to share capital upon exercise of options	-	3.5	-	-	(3.5)	(3.5)	-	-
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	-	-	-	-	1.1	1.1	-	1.1
Balance, end of period	388,171,971	$ 940.3	$ 556.6	$ (7.1)	$ 120.6	$ 670.1	$ 3,280.3	$ 4,890.7

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in millions of CDN dollars)

As at	June 30, 2019 (unaudited)	March 31, 2019 (audited)
ASSETS		
Current assets		
Cash and cash equivalents	**$ 113.6**	$ 112.7
Receivables	**1,368.1**	1,248.2
Inventories	**1,998.1**	1,681.0
Income taxes receivable	**31.8**	34.1
Prepaid expenses and other assets	**50.1**	57.8
	3,561.7	3,133.8
Property, plant and equipment	**3,431.2**	3,095.4
Right-of-use assets (Note 5)	**480.5**	-
Goodwill	**3,169.1**	2,597.6
Intangible assets	**1,508.3**	876.2
Other assets	**415.1**	131.6
Deferred income taxes	**47.3**	51.0
Total assets	**$ 12,613.2**	$ 9,885.6
LIABILITIES		
Current liabilities		
Bank loans (Note 6)	**$ 185.2**	$ 130.4
Accounts payable and accrued liabilities	**1,619.4**	1,442.2
Income taxes payable	**19.6**	36.5
Current portion of long-term debt (Note 7)	**860.0**	323.4
Current portion of lease liabilities (Note 5)	**78.4**	-
	2,762.6	1,932.5
Long-term debt (Note 7)	**3,354.2**	1,943.9
Lease liabilities (Note 5)	**403.1**	-
Other liabilities	**79.6**	86.4
Deferred income taxes	**669.6**	502.3
Total liabilities	**$ 7,269.1**	$ 4,465.1
EQUITY		
Share capital (Note 8)	**1,018.0**	991.7
Reserves	**549.5**	713.8
Retained earnings	**3,776.6**	3,715.0
Total equity	**$ 5,344.1**	$ 5,420.5
Total liabilities and equity	**$ 12,613.2**	$ 9,885.6

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of CDN dollars)
(unaudited)

	For the three-month periods ended June 30	
	2019	2018
Cash flows related to the following activities:		
Operating		
Net earnings	**$ 121.4**	$ 126.0
Adjustments for:		
Stock-based compensation	**5.8**	11.6
Interest and other financial charges	**36.6**	19.3
Income taxes expense	**49.7**	39.1
Depreciation and amortization	**108.8**	74.2
Loss (gain) on disposal of property, plant and equipment	**0.2**	(0.9)
Inventory revaluation resulting from a business acquisition	**27.2**	-
Share of joint venture earnings, net of dividends received	**1.3**	6.8
Monetary effect on hyperinflation	**(8.1)**	-
Underfunding of employee plans in excess of costs	**0.6**	0.6
	343.5	276.7
Changes in non-cash operating working capital items	**(32.9)**	(40.8)
Cash generated from operating activities	**310.6**	235.9
Interest and other financial charges paid	**(37.7)**	(27.8)
Income taxes paid	**(48.2)**	(51.7)
Net cash generated from operating activities	**224.7**	156.4
Investing		
Business acquisitions, net of cash acquired	**(1,694.0)**	(1,316.7)
Additions to property, plant and equipment	**(127.6)**	(66.2)
Additions to intangible assets	**(16.9)**	(17.7)
Proceeds on disposal of property, plant and equipment	**0.8**	0.9
Other	**-**	(0.1)
	(1,837.7)	(1,399.8)
Financing		
Bank loans	**58.2**	(15.7)
Proceeds from issuance of long-term debt	**2,061.5**	1,283.6
Repayment of long-term debt	**(451.4)**	(0.7)
Repayment of lease liabilities	**(17.8)**	-
Issuance of share capital	**22.2**	17.9
Dividends	**(64.5)**	(62.1)
	1,608.2	1,223.0
Decrease in cash and cash equivalents	**(4.8)**	(20.4)
Cash and cash equivalents, beginning of year	**112.7**	122.2
Effect of inflation	**7.4**	-
Effect of exchange rate changes on cash and cash equivalents	**(1.7)**	(2.3)
Cash and cash equivalents, end of period	**$ 113.6**	$ 99.5

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are in millions of CDN dollars, except information on options and shares)
(unaudited)

NOTE 1 CORPORATE INFORMATION

Saputo Inc. (the Company) is a publicly traded company incorporated and domiciled in Canada. The Company's shares are listed on the Toronto Stock Exchange under the symbol "SAP." The Company produces, markets and distributes a wide array of dairy products from Canada, the United States, Australia, Argentina and the United Kingdom. The address of the Company's head office is 6869 Metropolitain Blvd. East, Montréal, Québec, Canada, H1P 1X8. The condensed interim consolidated financial statements (financial statements) of the Company for the period ended June 30, 2019, comprise the financial results of the Company and its subsidiaries.

The financial statements for the period ended June 30, 2019, have been authorized for issuance by the Board of Directors on August 8, 2019.

NOTE 2 BASIS OF PRESENTATION

The financial statements of the Company have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (IASB). Accordingly, certain disclosure requirements that are necessary in the preparation of an annual report in compliance with International Financial Reporting Standards (IFRS) have been omitted or condensed.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation applied in these financial statements are the same as those applied by the Company in its audited annual consolidated financial statements as at and for the year ended March 31, 2019, except for the impact of the adoption of the new standards, interpretations and amendments and applicable standards, as described below.

These financial statements should be read in conjunction with the Company's audited annual consolidated financial statements.

EFFECT OF NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET IMPLEMENTED

Below is a summary of the relevant standards affected and a discussion of the amendments.

The following standards, amendments to standards and interpretations have been issued and are applicable to the Company for its annual periods beginning on and after April 1, 2020, with an earlier application permitted:

IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies, Changes in Estimates and Errors

In October 2018, the IASB issued an amendment to IAS 1 and IAS 8 to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves.

IFRS 3, Business Combinations

In October 2018, the IASB issued an amendment to IFRS 3 to clarify the definition of a business, to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets.

Management is currently assessing the impact of the adoption of these amendments to standards on the Company's financial statements.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

EFFECT OF NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED DURING THE PERIOD

The following standards, amendments to existing and interpretation of standards were adopted by the Company on or after April 1, 2019:

IFRS 3, Business Combinations

In December 2017, the IASB issued an amendment to IFRS 3 to clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business.

This amendment did not impact the Company's financial statements for the three-month period ended June 30, 2019.

IFRS 9, Financial Instruments

In October 2017, the IASB further amended IFRS 9 to address concerns about how this standard classifies particular prepayable financial assets.

This amendment did not impact the Company's financial statements for the three-month period ended June 30, 2019.

IFRS 11, Joint Arrangements

In December 2017, the IASB issued an amendment to IFRS 11 to clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

This amendment did not impact the Company's financial statements for the three-month period ended June 30, 2019.

IAS 19, Employee Benefits

In February 2018, the IASB issued an amendment to IAS 19 to specify how an entity shall determine pension expenses when changes to a pension plan occur. When an amendment, curtailment or settlement to a plan takes place, IAS 19 requires an entity to remeasure its net defined benefit liability or asset. The amendments require an entity to use the updated assumptions from this remeasurement to determine the current service cost and net interest for the remainder of the reporting period after the change to the plan. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

This amendment did not impact the Company's financial statements for the three-month period ended June 30, 2019.

IAS 23, Borrowing Costs

In December 2017, the IASB issued an amendment to IAS 23 clarifying that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, it becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

This amendment did not impact the Company's financial statements for the three-month period ended June 30, 2019.

IAS 28, Investments in Associates

In October 2017, the IASB issued an amendment to IAS 28 to clarify that an entity should apply IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

This amendment did not impact the Company's financial statements for the three-month period ended June 30, 2019.

IFRIC 23, Uncertainty Over Income Tax Treatments

In June 2017, the IFRS Interpretations Committee issued IFRIC 23 which clarifies how the recognition and measurement requirements of IAS 12, *Income Taxes*, are applied where there is uncertainty over income tax treatments.

This interpretation did not impact the Company's financial statements for the three-month period ended June 30, 2019.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

IFRS 16, Leases

In January 2016, the IASB published a new standard, IFRS 16, *Leases*, which has replaced IAS 17, *Leases*. The Company adopted the standard on April 1, 2019. The new standard eliminates the distinction between operating and finance leases and now brings most leases onto the statement of financial position for lessees, except with respect to leases that meet limited exception criteria. For lessors, the accounting remains mostly unchanged and the distinction between operating and finance leases is retained.

IFRS 16 can be applied using one of the following two methods: retrospectively to each prior reporting period presented in accordance with *IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors*, or retrospectively with the cumulative effect of applying IFRS 16 recognized at the date of initial application. The Company elected the second method as its transition method as prescribed under IFRS 16.

The adoption of IFRS 16 led to the recognition of operating leases on the statement of financial position. IFRS 16 is applied using the modified retrospective approach and the Company has therefore not restated comparative information. In addition, the Company has applied the following exemptions and practical expedients on adoption of IFRS 16:

- The use of a single discount rate for a portfolio of leases with reasonably similar characteristics;
- Exemption from recognizing a right-of-use asset and a lease liability when the lease term ends within 12 months of the date of initial application;
- Exemption from recognizing a right-of-use asset and a lease liability when the underlying asset is of low value;
- The exclusion of initial direct costs from the measurement of the right-of-use assets at the date of initial application.

The following table summarizes the adjustments to opening balances resulting from the initial adoption of IFRS 16:

		As reported March 31, 2019		**IFRS 16 transition impact**		**After IFRS 16 adoption April 1, 2019**
Assets						
Property, plant and equipment	$	3,095.4	**$**	**(34.9)**	**$**	**3,060.5**
Right-of-use assets		-		**440.6**		**440.6**
Total		3,095.4		**405.7**		**3,501.1**
Liabilities						
Long-term debt including short term portion		2,267.3		**(29.4)**		**2,237.9**
Lease liabilities including short term portion		-		**445.9**		**445.9**
Accounts payable and accrued liabilities		1,442.2		**(10.8)**		**1,431.4**
Total	$	3,709.5	**$**	**405.7**	**$**	**4,115.2**

The following table reconciles lease commitments as at March 31, 2019, to lease liabilities recognized in the consolidated statement of financial position as at April 1, 2019:

Operating lease commitments as at March 31, 2019	$	531.2
Exemption for short-term and low value leases		(28.1)
Extension and termination options reasonably certain to be exercised		72.4
Finance leases already recognised on the balance sheet		29.4
Service contracts and non-lease components		(81.3)
Discounted using the weighted average incremental borrowing rate as at March 31, 2019		(77.7)
Leases liabilities recognized as at April 1, 2019		**445.9**
Current portion of lease liabilities		68.6
Lease liabilities		377.3
Total lease liabilities recognized as at April 1, 2019	**$**	**445.9**

Upon adoption of IFRS 16, the Company recognized lease liabilities for leases which had been previously classified as operating leases under IAS 17. These liabilities are measured at the present value of the remaining lease payments and discounted using the lessee's incremental borrowing rate as of March 31, 2019. The weighted average lessee's incremental borrowing rate applied was 3.48%.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

For the three-month period ended June 30, 2019, adjusted EBITDA, sector assets and sector liabilities have increased as a result of the change in accounting policy. As presented below, the adjusted EBITDA of each Sector was positively impacted due to the change in policy:

		For the three-month period ended June 30, 2019
Canada	$	2.1
USA		2.3
International		10.8
Europe		3.5
	$	18.7

As a result of adopting IFRS 16, on April 1, 2019, the Company updated its lease accounting policies as follows:

Leases are recognized as a right-of-use asset and a corresponding lease liability at the commencement date. Each lease payment is allocated between a reduction of the liability and finance cost. The finance cost is recognized in ''Other financial charges'' in the consolidated income statements over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The lease liability is measured at the present value of lease payments to be made, discounted using the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily available. The period over which the lease payments are discounted is the reasonably certain lease term, including renewal options that the Company is reasonably certain to exercise. Renewal options are included in a number of leases across the Company. Lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised and payment of penalties for termination of a lease.

Right-of-use assets are measured at cost, which is calculated as the amount of the initial measurement of lease liability plus any lease payments made at or before the lease commencement date, any initial direct costs and related restoration costs. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects what the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated income statements.

The significant estimates, judgments and assumptions made by Management in applying the Company's accounting policies are the same as those applied and described in the annual consolidated financial statements for the year ended March 31, 2019, except for IFRS 16, *Leases*, adopted on April 1, 2019, as noted below.

Estimates of the lease term
When the Company recognizes a lease as a lessee, it assesses the lease term based on the conditions of the lease and determines whether it is reasonably certain that it will exercise its extension or termination option, if any. It then uses the expected modified term under such option if it is reasonably certain that it will be exercised. A change in the assumption used could result in a significant impact in the amount recognized as a right-of-use asset and lease liability, as well as in the amount of depreciation of right-of-use assets and interest expense on lease liability.

Determining the discount rate for leases
The Company's key sources of estimation in determining the carrying amount of right-of-use assets and lease liabilities is required to estimate the incremental borrowing rate specific to each leased asset or portfolio of leased assets if the interest rate implicit in the lease is not readily determined. The determination of the incremental borrowing rate requires the use of various assumptions which, if different than those being used, could result in a significant impact in the amount recognized as a right-of-use asset and lease liability, as well as in the amount of depreciation of right-of-use asset and interest expense on lease liability.

Determining if a contract modification increasing the scope of a lease is a separate lease or not
When a lease modification increasing the scope of a lease occurs, the Company needs to determine if such modification is to be accounted for as a separate lease or not. Such determination requires the use of judgment on the stand-alone selling price and any appropriate adjustments to the stand-alone selling price reflecting the circumstances of the particular contract.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Assessment of whether a right-of-use asset is impaired

The Company assesses whether a right-of-use asset is impaired in accordance with IAS 36, *Impairment of assets*. Such assessment occurs particularly when it vacates an office space and it must determine the recoverability of the assets, to the extent that the Company can sublease the assets or surrender the lease and recover its costs. The Company examines its lease conditions as well as local market conditions and estimates its recoverability potential for each vacated premises. The determination of the lease cost recovery rate involves significant management estimates based on market availability of similar office space and local market conditions. This significant estimate could affect its future results if the Company succeeds in subleasing their vacated offices at a higher or lower rate or at different dates than initially anticipated.

NOTE 4 OPERATING COSTS EXCLUDING DEPRECIATION AND AMORTIZATION

	For the three-month periods ended June 30	
	2019	2018
Changes in inventories of finished goods and work in process	**$ 17.9**	$ 40.3
Raw materials and consumables used	**2,484.6**	2,191.7
Foreign exchange loss (gain)	**2.3**	(1.0)
Employee benefits expense	**432.3**	381.3
Selling costs	**163.5**	150.6
Other general and administrative costs	**209.8**	197.4
Total	**$ 3,310.4**	$ 2,960.3

NOTE 5 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The following table provides the Company's right-of-use assets activities:

	For the three-month period ended June 30, 2019		
	Real Estate	**Equipment**	**Total**
Balance as at April 1, 2019	**$ 299.2**	**$ 141.4**	**$ 440.6**
Business acquisitions (Note 12)	**10.2**	**62.5**	**72.7**
New leases / leases modifications	**(2.9)**	**(3.9)**	**(6.8)**
Depreciation	**(7.6)**	**(7.9)**	**(15.5)**
Foreign currency	**(5.9)**	**(4.6)**	**(10.5)**
Balance, end of period	**$ 293.0**	**$ 187.5**	**$ 480.5**

The following table provides the Company's lease liability activities:

	For the three-month period ended June 30, 2019
	Total
Balance as at April 1, 2019	**$ 445.9**
Business acquisitions (Note 12)	**73.2**
New leases / lease modifications	**(6.8)**
Interest expense	**4.7**
Payments	**(22.6)**
Foreign currency	**(12.9)**
	481.5
Current portion	**(78.4)**
Balance, end of period	**$ 403.1**

NOTE 5 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONT'D)

The following maturity analysis of the Company's lease liabilities is based on the expected undiscounted contractual cash flows until the contractual maturity date:

		June 30, 2019
Less than 1 year	$	**93.6**
1-2 years		**75.2**
2-3 years		**66.5**
3-4 years		**60.5**
4-5 years		**88.6**
More than 5 years		**186.5**
	$	**570.9**

Expenses relating to short-term leases and leases of low-value were not significant for the three-month period ended June 30, 2019.

NOTE 6 BANK LOANS

The Company has available bank credit facilities providing for unsecured bank loans as follows:

		Available for use			Amount drawn			
Credit Facilities	Maturity	Canadian Currency Equivalent	Base Currency			June 30, 2019		March 31, 2019
North America-USA	December 2023[1]	392.9	300.0	USD	$	**32.8**	$	-
North America-Canada	December 2023[1]	261.9	200.0	USD		**30.0**		-
Australia	Yearly[2]	289.6	315.0	AUD		**37.3**		38.0
Australia	Yearly[2]	131.0	100.0	USD		**23.3**		23.8
Japan	Yearly[3]	97.1	8,000.0	JPY		**-**		-
United Kingdom	Yearly[4]	124.6	75.0	GBP		**-**		-
Argentina	Yearly[5]	162.4	124.0	USD		**36.7**		45.4
Argentina	Yearly[6]	101.0	3,280.0	ARS		**25.1**		23.2
		1,560.5			$	**185.2**	$	130.4

1 Bears monthly interest at rates ranging from lender's prime rates plus a maximum of 1.00% or LIBOR or banker's acceptance rate plus 0.80% up to a maximum of 2.00% depending on the Company credit ratings.
2 Bear monthly interest at LIBOR or Australian Bank Bill Rate plus 0.70% and can be drawn in AUD or USD.
3 Bear monthly interest at TIBOR plus 0.70% and can be drawn in JPY.
4 Bear monthly interest at rates ranging from base rate plus 0.70% or LIBOR plus 0.70% and can be drawn in GBP.
5 Bear monthly interest at local rate and can be drawn in USD.
6 Bear monthly interest at local rate and can be drawn in ARS.

NOTE 7 LONG-TERM DEBT

	June 30, 2019	March 31, 2019
Unsecured bank term loan facilities		
Obtained April 2018 ($300.0 million) and due in April 2021[1]	**$ 200.0**	$ 200.0
Obtained April 2018 (AU$600.0 million) and due in April 2023[1]	**469.0**	487.9
Obtained April 2019 (£400.0 million) and due in April 2020[2]	**560.0**	-
Obtained April 2019 (£265.0 million) and due in April 2021[2]	**438.0**	-
Obtained April 2019 (£600.0 million) and due in April 2022[2]	**997.2**	-
Unsecured senior notes[3,4]		
2.65%, issued in November 2014 and due in November 2019 (Series 1)	**300.0**	300.0
2.20%, issued in June 2016 and due in June 2021 (Series 2)	**300.0**	300.0
2.83%, issued in November 2016 and due in November 2023 (Series 3)	**300.0**	300.0
1.94%, issued in June 2017 and due in June 2022 (Series 4)	**300.0**	300.0
3.60%, issued in August 2018 and due in August 2025 (Series 5)	**350.0**	350.0
Finance lease obligations[5]	**-**	29.4
	$ 4,214.2	$ 2,267.3
Current portion	**860.0**	323.4
	$ 3,354.2	$ 1,943.9
Principal repayments are as follows:		
Less than 1 year	**$ 860.0**	$ 323.4
1-2 years	**938.0**	3.9
2-3 years	**1,297.2**	502.1
3-4 years	**469.0**	300.0
4-5 years	**300.0**	787.9
More than 5 years	**350.0**	350.0
	$ 4,214.2	$ 2,267.3

[1] Bear monthly interest at rates ranging from lender's prime plus a maximum of 1.00%, or banker's acceptance rates or Australian Bank Bill Rate plus 0.80% up to a maximum of 2.00%, depending on the Company's credit ratings. Interest is paid every one, two, three or six months, as selected by the Company.

[2] Bear monthly interest at lender's prime rates plus a maximum of 1.00% or LIBOR or banker's acceptance rates plus 0.80% up to a maximum of 2.00%, depending on the Company's credit ratings, and can be drawn in £ or CAD.

[3] Interest payments are semi-annual.

[4] On December 12, 2018, the Company renewed its medium term note program and filed a short form base shelf prospectus qualifying an offering of medium term notes for distribution to the public in the provinces of Canada over a 25-month period.

[5] Due to the adoption of IFRS 16, this amount was reclassified as lease liabilities (Note 5).

On February 21, 2019, the Company entered into a credit agreement providing for a non-revolving term facility, denominated in pound sterling, in the aggregate amount of $2.102 billion (£1.265 billion) (DC Acquisition Facility), consisting of three tranches: a 1-year tranche of $664.8 million (£400.0 million); a 2-year tranche of $440.4 million (£265.0 million); and a 3-year tranche of $997.2 million (£600.0 million) of which an aggregate amount of $1.995 billion (£1.200 billion) was drawn.

NOTE 8 SHARE CAPITAL

AUTHORIZED

The authorized share capital of the Company consists of an unlimited number of common shares. The common shares are voting and participating.

	June 30, 2019	March 31, 2019
Issued		
390,970,283 common shares (390,198,386 common shares at March 31, 2019)	**$ 1,018.0**	$ 991.7

SHARE OPTION PLAN

Changes in the number of outstanding options for the three-month periods are as follows:

	June 30, 2019		June 30, 2018	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Balance, beginning of year	**20,374,871**	**$ 35.96**	19,510,123	$ 32.95
Options granted	**3,319,450**	**$ 45.30**	4,536,208	$ 41.02
Options exercised	**(771,897)**	**$ 28.73**	(764,568)	$ 23.42
Options cancelled	**(239,102)**	**$ 43.03**	(206,266)	$ 41.73
Balance, end of period	**22,683,322**	**$ 37.50**	23,075,497	$ 34.79

The exercise price of the options granted in fiscal 2020 is $45.30 which corresponds to the weighted average market price for the five trading days immediately preceding the date of grant ($41.02 in fiscal 2019).

The weighted average fair value of options granted in fiscal 2020 was estimated at $7.67 per option ($7.12 in fiscal 2019), using the Black-Scholes option pricing model with the following assumptions:

	June 30, 2019	March 31, 2019
Weighted average:		
Risk-free interest rate	**1.61 %**	1.95 %
Expected life of options	**5.8 years**	5.6 years
Volatility[1]	**18.41 %**	18.42 %
Dividend rate	**1.45 %**	1.54 %

[1] The expected volatility is based on the historic share price volatility over a period similar to the life of the options.

A compensation expense of $5.9 million ($5.3 million net of taxes) relating to stock options was recorded in the consolidated income statements for the three-month period ended June 30, 2019. A compensation expense of $6.4 million ($5.8 million net of taxes) was recorded for the three-month period ended June 30, 2018.

NOTE 9 NET EARNINGS PER SHARE

	For the three-month periods ended June 30	
	2019	2018
Net earnings	**$ 121.4**	$ 126.0
Weighted average number of common shares outstanding	**390,912,180**	388,052,545
Dilutive options	**3,033,233**	3,724,725
Weighted average diluted number of common shares outstanding	**393,945,413**	391,777,270
Basic net earnings per share	**$ 0.31**	$ 0.32
Diluted net earnings per share	**$ 0.31**	$ 0.32

When calculating diluted net earnings per share for the three-month period ended June 30, 2019, 6,813,796 options were excluded from the calculation because their exercise price is higher than the average market value of common shares (3,775,123 options, were excluded for the three-month period ended June 30, 2018).

Shares purchased under the normal course issuer bid, if any, are excluded from the calculation of net earnings per share as of the date of purchase.

NOTE 10 OTHER FINANCIAL CHARGES

	For the three-month periods ended June 30	
	2019	2018
Finance costs	**$ 10.4**	$ 5.4
Interest on lease liabilities	**4.7**	-
Finance income	**(2.8)**	(1.2)
	$ 12.3	$ 4.2

NOTE 11 FINANCIAL INSTRUMENTS

The Company has determined that the fair value of certain of its financial assets and financial liabilities with short-term maturities approximates their carrying value. These financial instruments include cash and cash equivalents, receivables, bank loans, accounts payable and accrued liabilities. The table below shows the fair value and the carrying value of other financial instruments as at June 30, 2019 and March 31, 2019. Since estimates are used to determine fair value, they must not be interpreted as being realizable in the event of a settlement of the instruments.

	June 30, 2019		March 31, 2019	
	Fair value	**Carrying value**	Fair value	Carrying value
Cash flow hedges				
Commodity derivatives (Level 2)	**$ 0.5**	**$ 0.5**	$ 0.3	$ 0.3
Foreign exchange derivatives (Level 2)	**(4.1)**	**(4.1)**	0.2	0.2
Derivatives not designated in a formal hedging relationship				
Equity forward contracts (Level 2)	**(1.4)**	**(1.4)**	1.8	1.8
Commodity derivatives (Level 2)	**0.5**	**0.5**	0.3	0.3
Long-term debt (Level 2)	**4,223.7**	**4,214.2**	2,266.9	2,267.3
Lease liabilities (Level 2)	**$ 481.5**	**$ 481.5**	$ -	$ -

NOTE 12 BUSINESS ACQUISITIONS

DAIRY CREST GROUP PLC

On April 15, 2019, the Company completed the acquisition of Dairy Crest Group plc (Dairy Crest), based in the United Kingdom. Dairy Crest manufactures and markets cheese, butter, spreads, oils and value-added dairy ingredients. The acquisition enables Saputo to enter the UK market.

The total consideration of $2.123 billion (£1.219 billion), was financed through the DC Acquisition Facility (Note 7) and available cash. This consideration includes the purchase price for the entire issued ordinary share capital of $1.696 billion (£973.9 million) and $426.8 million (£245.1 million) of assumed debt.

NOTE 12 BUSINESS ACQUISITIONS (CONT'D)

The purchase price allocation is dependent upon certain valuations, assumptions and judgment estimates. At this time, the Company is still gathering information in order to make a definitive allocation. The final allocation of the purchase price may vary from the preliminary allocation presented below.

			Fiscal 2020 Dairy Crest
Assets acquired	Cash	$	7.0
	Receivables		54.6
	Inventories		388.2
	Income taxes receivable		1.5
	Prepaid expenses and other assets		13.2
	Property, plant and equipment		370.2
	Right-of-use assets		72.7
	Goodwill		646.7
	Intangible assets		690.5
	Other assets		283.1
Liabilities assumed	Accounts payable and accrued liabilities		(146.1)
	Lease liabilities		(73.2)
	Other liabilities		(8.3)
	Long-term debt		(436.6)
	Deferred income taxes		(167.5)
Net assets acquired		$	1,696.0

Other assets above are comprised of the acquired net pension surplus of $283.1 million (£162.6 million) on the acquisition date. As at April 15, 2019, the fair value of plan assets and defined benefit pension plan obligations were $2.031 billion (£1.166 billion) and $1.748 billion (£1.004 billion), respectively. The plan assets are composed mainly of bonds and cash. The value of the defined benefit pension plan obligations was calculated using a discount rate of 2.6%. The Company recorded charges of $27.2 million during the three-month period ended June 30, 2019, related to the non-cash fair value inventory adjustment as part of the Dairy Crest Acquisition purchase price allocation. In connection with this acquisition, the Company incurred acquisition-related costs of approximately $23 million.

Recognized goodwill reflects the value assigned to the European platform enabling growth and an assembled workforce within the Dairy Division (UK) CGU.

F&A DAIRY PRODUCTS, INC.

On November 30, 2018, the Company completed the acquisition of the activities of F&A Dairy Products, Inc. (F&A). Its activities are currently conducted at a manufacturing facility located in Las Cruces, New Mexico, and until May 2019, activities were also conducted at a facility in Dresser, Wisconsin (USA). F&A manufactures a variety of natural cheeses, including mozzarella and provolone, which are distributed in the United States and Mexico.

The purchase price of $108.1 million (US$81.4 million), on a debt-free basis, was paid in cash from cash on hand and available credit facilities.

Recognized goodwill reflects the value assigned to expected future synergies and an assembled workforce within the Cheese Division (USA) CGU. The purchase price allocation was completed in the first quarter of fiscal 2020.

SHEPHERD GOURMET DAIRY (ONTARIO) INC.

On June 19, 2018, the Company completed the acquisition of the activities of Shepherd Gourmet Dairy (Ontario) Inc. (Shepherd Gourmet). Its activities are conducted at one manufacturing facility located in St. Marys, Ontario (Canada). Shepherd Gourmet manufactures, markets and distributes a variety of specialty cheeses, yogurt, as well as Skyr Icelandic-style yogurt in Canada.

The purchase price was $99.8 million, on a debt-free-basis, of which $89.8 million was paid in cash from cash on hand and available credit facilities and $5.0 million represents a balance payable to the vendor.

Recognized goodwill reflects the value assigned to expected future synergies and an assembled workforce within the Dairy Division (Canada) CGU.

The purchase price allocation was completed in the third quarter of fiscal 2019.

NOTE 12 BUSINESS ACQUISITIONS (CONT'D)

MURRAY GOULBURN CO-OPERATIVE CO. LIMITED

On May 1, 2018, the Company completed the acquisition of the business of Murray Goulburn Co-Operative Co. Limited (Murray Goulburn or MG), based in Australia. The MG acquisition complements the activities of the Dairy Division (Australia) and enables the Company to strengthen its presence in Australia. MG produces a full range of dairy foods, including fluid milk, milk powder, cheese, butter and dairy beverages, as well as a range of ingredient and nutritional products, such as infant formula. MG supplies the retail and foodservice industries globally with its flagship *Devondale*, *Liddells* and *Murray Goulburn Ingredients* brands.

The purchase price for the transaction was $1.276 billion (AU$1.311 billion) on a debt-free basis and was financed through the MG Acquisition Facility (Note 10). Included in the purchase price, the Company assumed liabilities of $76.7 million.

On August 17, 2018, the Company completed the sale of the Koroit plant in Victoria for a selling price of $239.7 million (AU$250.9 million). This divestiture was required pursuant to the undertaking entered into with the Australian Competition and Consumer Commission in connection with the acquisition of the activities of MG. The assets held for sale of the Koroit plant included inventory, property, plant and equipment and intangible assets. These assets were valued at fair value less costs to sell. There was no gain or loss related to this transaction.

Recognized goodwill reflects the value assigned to expected future synergies and an assembled workforce within the Dairy Division (Australia) CGU.

The purchase price allocation was completed in the fourth quarter of fiscal 2019.

The allocation of each purchase price is presented below.

		Murray Goulburn	Shepherd Gourmet	F&A	Fiscal 2019 Total
Assets acquired	Cash	$ 7.4	$ -	$ -	$ 7.4
	Receivables	244.8	5.1	18.5	268.4
	Inventories	382.9	3.2	8.7	394.8
	Prepaid expenses and other assets	10.4	0.5	0.1	11.0
	Assets held for sale	240.3	-	-	240.3
	Property, plant and equipment	632.1	12.8	60.0	704.9
	Goodwill	10.5	78.3	37.7	126.5
	Intangible assets	38.9	5.2	-	44.1
	Other assets	3.9	-	-	3.9
	Deferred income taxes	16.6	-	-	16.6
Liabilities assumed	Accounts payable and accrued liabilities	(280.9)	(3.7)	(15.4)	(300.0)
	Other liabilities	(30.6)	-	(1.5)	(32.1)
	Deferred income taxes	-	(1.6)	-	(1.6)
Net assets acquired and total consideration		$ 1,276.3	$ 99.8	$ 108.1	$ 1,484.2

NOTE 13 SEGMENTED INFORMATION

The Company reports under four geographic sectors. The Canada Sector consists of the Dairy Division (Canada). The USA Sector consists of the Cheese Division (USA) and the Dairy Foods Division (USA). The International Sector consists of the Dairy Division (Australia) and the Dairy Division (Argentina). The Europe Sector, which was created this quarter as a result of the Dairy Crest Acquisition, consists of the Dairy Division (UK).

These reportable sectors are managed separately as each sector represents a strategic business unit that offers different products and serves different markets. The Company measures geographic and sector performance based on earnings before interest, income taxes, depreciation, amortization, acquisition and restructuring costs, inventory revaluation resulting from a business acquisition and gain on hyperinflation.

Management has aggregated the Cheese Division (USA) and the Dairy Foods Division (USA) due to similarities in long-term average returns and correlated market factors driving pricing strategies that affect the operations of both divisions. The divisions within the International Sector have been combined due to similarities in global market factors and production processes.

NOTE 13 SEGMENTED INFORMATION (CONT'D)

The accounting policies of the sectors are the same as those described in Note 3 relating to significant accounting policies.

INFORMATION ON REPORTABLE SECTORS

	For the three-month periods ended June 30	
	2019	2018
Revenues		
Canada	**$ 968.8**	$ 1,011.0
USA	**1,757.7**	1,594.6
International	**790.3**	662.2
Europe	**151.6**	-
	$ 3,668.4	$ 3,267.8
Earnings before interest, income taxes, depreciation, amortization, acquisition and restructuring costs, inventory revaluation resulting from a business acquisition, and gain on hyperinflation		
Canada	**$ 98.5**	$ 105.5
USA	**173.6**	154.3
International	**59.7**	47.7
Europe	**26.2**	-
	$ 358.0	$ 307.5
Depreciation and amortization		
Canada	**$ 22.6**	$ 17.7
USA	**41.9**	41.0
International	**26.9**	15.5
Europe	**17.4**	-
	$ 108.8	$ 74.2
Acquisition and restructuring costs	**22.4**	48.9
Inventory revaluation resulting from a business acquisition	**27.2**	-
Gain on hyperinflation	**(8.1)**	-
Financial charges, net	**36.6**	19.3
Earnings before income taxes	**171.1**	165.1
Income taxes	**49.7**	39.1
Net earnings	**$ 121.4**	$ 126.0

The following table presents revenues by market segment.

	For the three-month periods ended June 30	
	2019	2018
Retail	**$ 1,706.2**	$ 1,510.0
Foodservice	**1,332.5**	1,210.5
Industrial	**629.7**	547.3
	$ 3,668.4	$ 3,267.8

Certain prior year's figures were reclassified to conform to the current year presentation.

NOTE 13 SEGMENTED INFORMATION (CONT'D)

GEOGRAPHIC INFORMATION

	For the three-month periods ended June 30	
	2019	2018
Revenues		
Canada	**$ 968.8**	$ 1,011.0
USA	**1,757.7**	1,594.6
Australia	**611.5**	491.0
Argentina	**178.8**	171.2
United Kingdom	**151.6**	-
	$ 3,668.4	$ 3,267.8

	June 30, 2019	March 31,2019
Net book value of property, plant and equipment and right-of-use assets		
Canada	**$ 784.0**	$ 679.3
USA	**1,542.3**	1,499.2
Australia	**1,034.5**	818.4
Argentina	**126.9**	98.5
United Kingdom	**424.0**	-
	$ 3,911.7	$ 3,095.4
Intangibles		
Canada	**$ 339.2**	$ 342.9
USA	**421.4**	429.8
Australia	**81.0**	91.9
Argentina	**12.4**	11.6
United Kingdom	**654.3**	-
	$ 1,508.3	$ 876.2