Saputo Inc. (Saputo or the Company) is presenting the results for the second quarter of fiscal 2020, which ended on September 30, 2019.

- Revenues amounted to $3.666 billion, an increase of $245.2 million or 7.2%.
- Adjusted EBITDA* amounted to $394.4 million, an increase of $76.9 million or 24.2%.
- Net earnings totalled $174.9 million, an increase of $11.8 million or 7.2%.
- Adjusted net earnings* totalled $185.8 million, an increase of $22.7 million or 13.9%.
- Net earnings per share (basic and diluted) were $0.44, as compared to $0.42 for the same quarter last year.
- Adjusted net earnings per share* (basic and diluted) were $0.47, as compared to $0.42 for the same quarter last year.

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

(unaudited)	**For the three-month periods ended September 30**		**For the six-month periods ended September 30**	
	2019	2018	**2019**	2018
Revenues	**3,665.6**	3,420.4	**7,334.0**	6,688.2
Adjusted EBITDA*	**394.4**	317.5	**752.4**	625.0
Net earnings	**174.9**	163.1	**296.3**	289.1
Adjusted net earnings*	**185.8**	163.1	**350.7**	323.4
Net earnings per share				
Basic	**0.44**	0.42	**0.75**	0.74
Diluted	**0.44**	0.42	**0.75**	0.74
Adjusted net earnings per share*				
Basic	**0.47**	0.42	**0.89**	0.83
Diluted	**0.47**	0.42	**0.89**	0.83

HIGHLIGHTS

- The new Europe Sector, consisting of the activities of Dairy Crest Group plc acquired on April 15, 2019 (Dairy Crest Acquisition), increased revenues and adjusted EBITDA by approximately $187 million and $36 million, respectively.
- Higher international selling prices of cheese and dairy ingredients positively impacted adjusted EBITDA.
- The adoption of IFRS 16, *Leases* positively impacted adjusted EBITDA by approximately $16 million. The impact on net earnings was minimal.
- USA Market Factors** positively impacted adjusted EBITDA by approximately $10 million.
- Improved operational efficiencies positively impacted adjusted EBITDA.
- The fluctuation of foreign currencies versus the Canadian dollar had a negative impact on adjusted EBITDA of approximately $14 million.
- On September 11, 2019, the Company completed a public offering and a concurrent private placement of 16,642,553 common shares at a price of $39.60 per share for aggregate gross proceeds of $659.0 million (the Equity Offering). The net proceeds were used to repay outstanding indebtedness related to recent acquisitions.
- On October 28, 2019, the Company completed the acquisition of the specialty cheese business of Lion Dairy & Drinks Pty Ltd (Specialty Cheese Business Acquisition), based in Australia.
- The Board of Directors approved a dividend of $0.17 per share payable on December 13, 2019, to common shareholders of record on December 3, 2019.

* Non-IFRS measures are described in the "Glossary" section on page 23 of this Management's Discussion and Analysis.
** Refer to the "Glossary" section on page 23 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 for the quarter ended September 30, 2019. It should be read while referring to our condensed interim consolidated financial statements and accompanying notes for the three and six-month periods ended September 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 September 30, 2019 and November 7, 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 at September 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 23 of this Management's Discussion and Analysis. Refer to "Measurement of Results not in Accordance with International Financial Reporting Standards" on page 21 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 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 September 30, 2019, totalled $3.666 billion, an increase of $245.2 million or 7.2%, as compared to $3.420 billion for the corresponding quarter last fiscal year. The new Europe Sector, consisting of the Dairy Crest Acquisition, increased revenues by $186.8 million and the activities of F&A Dairy Products, Inc. (F&A Acquisition) also contributed positively to revenues. The devaluation of the Argentine peso and the Australian dollar versus the US dollar in the export market had a positive impact on revenues. A higher average block market* per pound of cheese and a higher average butter market* price per pound increased revenues by approximately $87 million. Additionally, higher international selling prices of cheese and dairy ingredients, as well as higher domestic selling prices in the Canada and International Sectors due to the increased cost of milk as raw material, positively impacted revenues. These increases were partially offset by lower sales volumes in Canada, mainly in the fluid milk category as a result of competitive market conditions, and in Australia, following a decline in raw milk availability. The fluctuation of foreign currencies versus the Canadian dollar decreased revenues by approximately $114 million.

For the six-month period ended September 30, 2019, revenues totalled $7.334 billion, an increase of $645.8 million or 9.7%, as compared to $6.688 billion for the same period last fiscal year. The contribution of the new Europe Sector, for the 24-week period, increased revenues by $338.4 million. Also, revenues increased due to the contribution of recent acquisitions for the full period, as compared to a partial contribution for the same period last fiscal year. The devaluation of the Argentine peso and the Australian dollar versus the US dollar in the export market had a positive impact on revenues. A higher average block market per pound of cheese and a higher average butter market price per pound increased revenues by approximately $129 million. Additionally, higher international selling prices of cheese and dairy ingredients, as well as higher domestic selling prices in the Canada and International Sectors due to the increased cost of milk as raw material, positively impacted revenues. These increases were partially offset by lower sales volumes in Canada, mainly in the fluid milk category as a result of competitive market conditions, and in Australia, following a decline in raw milk availability. Finally, the fluctuation of foreign currencies versus the Canadian dollar decreased revenues by approximately $140 million.

Consolidated adjusted EBITDA for the three-month period ended September 30, 2019, totalled $394.4 million, an increase of $76.9 million or 24.2%, as compared to $317.5 million for the same quarter last fiscal year. The contribution of the new Europe Sector for the full quarter increased adjusted EBITDA by $35.6 million. The positive effect of higher international dairy ingredient and cheese market prices was partially offset by the impact of lower sales volumes in Canada, in the fluid milk category as a result of competitive market conditions, and in Australia, due to a decline in raw milk availability. Furthermore, improved operational efficiencies, as well as lower warehousing and logistics costs related to decreased handling and external storage expenses, positively impacted adjusted EBITDA. USA Market Factors also favourably impacted adjusted EBITDA by approximately $10 million. The adoption of IFRS 16, *Leases* positively impacted adjusted EBITDA by approximately $16 million. The fluctuation of foreign currencies versus the Canadian dollar had a negative impact on adjusted EBITDA of approximately $14 million.

For the six-month period ended September 30, 2019, consolidated adjusted EBITDA totalled $752.4 million, an increase of $127.4 million or 20.4%, as compared to $625.0 million for the corresponding period last fiscal year. The contribution of the new Europe Sector, for the 24-week period, increased adjusted EBITDA by $61.8 million. The positive effect of higher international dairy ingredient and cheese market prices was partially offset by lower sales volumes in Canada, in the fluid milk category as a result of competitive market conditions, and in Australia, due to a decline in raw milk availability. Furthermore, improved operational efficiencies positively impacted adjusted EBITDA. USA Market Factors also had a favourable impact on adjusted EBITDA of approximately $2 million. These increases were partially offset by higher administrative costs, mainly due to high inflation in Argentina. The adoption of IFRS 16, *Leases* positively impacted adjusted EBITDA by approximately $31 million. Lastly, the fluctuation of foreign currencies versus the Canadian dollar had an unfavourable impact on adjusted EBITDA of approximately $18 million.

* Refer to the ''Glossary'' section on page 23 of this Management's Discussion and Analysis.

Depreciation and amortization for the three-month period ended September 30, 2019, totalled $108.8 million, an increase of $31.8 million, as compared to $77.0 million for the same quarter last fiscal year. For the six-month period ended September 30, 2019, depreciation and amortization expenses amounted to $217.6 million, an increase of $66.4 million, as compared to $151.2 million for the corresponding period last fiscal year. These increases were mainly attributable to additional depreciation and amortization related to recent acquisitions and to additions to property, plant and equipment, which increased the depreciable base. Also, as a result of the adoption of IFRS 16, *Leases,* depreciation of right-of-use assets represented an increase of approximately $13 million and $25 million for the three and six-month periods ended September 30, 2019, respectively.

Inventory revaluation resulting from a business acquisition for the three and six-month periods ended September 30, 2019, amounted to $12.9 million and $40.1 million, respectively. These revaluations were related to the Dairy Crest Acquisition, stemming from added value attributed to the acquired inventory as part of the purchase price allocation, and were fully amortized in the income statement as at September 30, 2019.

Acquisition costs for the three and six-month periods ended September 30, 2019, amounted to $0.4 million and $22.8 million, respectively. Acquisition costs were mainly related to the Dairy Crest Acquisition.

Net interest expense for the three and six-month periods ended September 30, 2019, increased by $13.6 million and $30.9 million, respectively, as compared to the same periods last fiscal year. These increases were mainly attributed to the additional debt related to the Dairy Crest Acquisition and 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 $4 million and $8 million, respectively.

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 and six-month periods ended September 30, 2019, the **gain on hyperinflation** totalled $1.5 million and $9.6 million, respectively. These gains were derived from the indexation of non-monetary assets and liabilities.

Income tax expense for the three-month period ended September 30, 2019, totalled $62.9 million, reflecting an effective tax rate of 26.5% compared to 25.6% for the same quarter last fiscal year. Income tax expense for the six-month period ended September 30, 2019, totalled $112.6 million, reflecting an effective tax rate of 27.5% as compared to 24.8% for the same period last fiscal year. Excluding the effect of acquisition costs for both periods, the effective tax rates for the first semester of fiscal 2020 and 2019 would have been 26.3% and 25.3%, respectively. The income tax rate varies and 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 the computation of tax assets and liabilities by the Company and its affiliates.

Net earnings for the three-month period ended September 30, 2019, totalled $174.9 million, an increase of $11.8 million or 7.2%, as compared to $163.1 million for the same quarter last fiscal year. For the six-month period ended September 30, 2019, net earnings totalled $296.3 million, an increase of $7.2 million or 2.5%, as compared to $289.1 million for the same period last fiscal year. These increases were due to the above-mentioned factors.

Adjusted net earnings* for the three-month period ended September 30, 2019, totalled $185.8 million, an increase of $22.7 million or 13.9%, as compared to $163.1 million for the same quarter last fiscal year. For the six-month period ended September 30, 2019, adjusted net earnings totalled $350.7 million, an increase of $27.3 million or 8.4%, as compared to $323.4 million for the same period last fiscal year. These increases were due to the above-mentioned factors.

* Non-IFRS measures are described in the ''Glossary'' section on page 23 of this Management's Discussion and Analysis.

SELECTED QUARTERLY FINANCIAL INFORMATION

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

Fiscal years	2020		2019				2018	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	**3,665.6**	3,668.4	3,236.5	3,577.2	3,420.4	3,267.8	2,744.4	3,021.8
Adjusted EBITDA*	**394.4**	358.0	275.1	321.2	317.5	307.5	261.7	318.0
Net earnings	**174.9**	121.4	124.2	342.0	163.1	126.0	130.0	337.0
Gain on disposal of assets[1]	**-**	-	-	(167.8)	-	-	-	-
Inventory revaluation resulting from a business acquisition[1]	**10.5**	22.0	-	-	-	-	-	-
Acquisition and restructuring costs[1]	**0.4**	21.5	1.6	0.2	-	34.3	5.3	25.1
USA tax reform benefit**	**-**	-	-	-	-	-	-	(178.9)
Adjusted net earnings*	**185.8**	164.9	125.8	174.4	163.1	160.3	135.3	183.2
Per share								
Net earnings								
Basic	**0.44**	0.31	0.32	0.88	0.42	0.32	0.34	0.87
Diluted	**0.44**	0.31	0.32	0.87	0.42	0.32	0.33	0.86
Adjusted net earnings*								
Basic	**0.47**	0.42	0.32	0.45	0.42	0.41	0.35	0.47
Diluted	**0.47**	0.42	0.32	0.44	0.42	0.41	0.35	0.47
Earnings coverage ratio**	**9.77**	10.76	12.69	14.20	12.57	15.37	20.83	23.34

* Non-IFRS measures are described in the "Glossary" section on page 23 of this Management's Discussion and Analysis.
** Refer to the "Glossary" section on page 23 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			
	Q2	Q1	Q4	Q3	Q2	Q1
USA Market Factors*[,1]	**10**	(8)	4	(19)	(7)	2
Inventory write-down	**-**	-	(2)	(1)	-	-
Foreign currency exchange[1, 2]	**(14)**	(4)	2	1	5	(13)

* Refer to the "Glossary" section on page 23 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 product portfolio diversification. 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 is committed to living up to the values on which its business was founded in 1954. It is these values that led to the development of the Saputo Promise – its 7-Pillar approach to social, environmental, and economic performance. In fiscal 2020, the focus will be on the execution of the Saputo Promise three-year plan. With a strong foundation in place and clear strategic direction, the Company is looking for opportunities to improve its performance across each of the 7 Pillars: Food Quality and Safety, Our People, Business Ethics, Responsible Sourcing, Environment, Nutrition and Healthy Living, and Community. For Saputo, pursuing growth as a global dairy processor includes building a healthier future for its employees, consumers, customers, and those living in the communities where it operates.

The Company reports its business under the Canada Sector, the USA Sector, the International Sector and the Europe Sector. 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

The competitive market conditions prevailing over the last 18 months are less intense, providing the Dairy Division (Canada) with an uplifted outlook for capturing profitable sales volumes. The Division will focus on specialty and value-added products for both the retail and foodservice channels. The Division will continue reviewing overall activities to mitigate low growth and undertake capital projects aimed at increasing efficiencies and maximizing its manufacturing footprint. However, warehousing, logistics and transportation costs remain consistently high. The Division will look to build on the loyalty of its customers and consumers in light of competitive market conditions, which will continue to put pressure on its financial performance.

USA Sector

Despite challenging domestic commodity market conditions, there is currently a better equilibrium between supply and demand of dairy products. The USA Sector will continue to focus on increasing operational efficiencies and controlling costs to mitigate the impacts of dairy commodity market fluctuations, competitive market conditions and consistently high warehousing, logistics and transportation costs, which will continue to affect its financial performance.

For fiscal 2020, the Company is cautiously optimistic about improved cheese market conditions, which should lead to increased selling prices of cheese. However, the dairy ingredients market is expected to remain volatile until the first half of calendar 2020.

The Cheese Division (USA) will continue to focus on increasing operational efficiencies and controlling costs in order to mitigate the effect of competitive market conditions on adjusted EBITDA. It will focus on growing its specialty and value-added products business, pursuing operational efficiencies and ensuring customer demands are met in its commodity products business.

The Dairy Foods Division (USA) will continue to optimize its national manufacturing and logistics network, as well as its systems and processes. The Division will also focus on growing its business and utilizing the increased manufacturing capacity it is adding to its network.

International Sector

The International Sector will continue to pursue sales volume growth in existing markets, as well as the development of 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 to mitigate the effects of fluctuations in market conditions and their impact on financial performance. The Sector will also continue to focus on innovation, and the optimization of its product mix and customer portfolios, both domestically and internationally.

Despite the devaluation of the Argentine peso, the Dairy Division (Argentina) will continue efforts to adapt to changing economic conditions.

As we advance in fiscal 2020, and as a result of the decrease in milk production in Australia, the Dairy Division (Australia) expects increased competition in the sourcing of raw milk to persist and to continue to put pressure on margins. As such, the Division is implementing alternate measures to compensate for increased competition and lower raw milk production in Australia. It will also continue to review operations to optimize the network at its disposal and benefit from its manufacturing flexibility. The Company aims to further capture opportunities derived from the operational combination of Murray Goulburn and Warrnambool Cheese and Butter under a single platform.

On October 28, 2019, the Company completed the Specialty Cheese Business Acquisition, which adds to and complements the current activities of the Dairy Division (Australia). 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*.

The Company expects prices to remain relatively stable in the international cheese and dairy ingredients markets until the end of the first half of calendar 2020.

Europe Sector

In fiscal 2020, the Company will continue to integrate the Dairy Division (UK) and focus on aligning processes, systems, and sharing best practices. The Division will pursue capital investments in its manufacturing facilities with the objective of increasing its cheesemaking capabilities and driving overall growth.

At present, the Dairy Division (UK) is a UK-focused business with a predominantly local supply chain and customer base, which mitigates the Division's exposure to risks around Brexit.

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, in the Dairy Foods Division (USA) and is now in its first phase in the Cheese Division (USA). During the first half of calendar 2020, the Company will deploy the ERP program within the activities of Murray Goulburn, now part of the Dairy Division (Australia), which will ensure the Division is aligned under a single system. During the second half of calendar 2020, the Company will also continue with the subsequent phases of the ERP implementation within the Cheese Division (USA). The Dairy Division (Canada) implementation will begin during calendar 2021. 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

The Company expects to continue making an effective use of its interim quota allocation under the Progressive Agreement for Trans-Pacific Partnership (CPTPP) and intends to focus on importing dairy products that complement the current Canadian product offering. Provided final allocations of 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 North American Free Trade Agreement will remain in force until the new Canada-United States-Mexico Agreement (CUSMA) is ratified by all three signatory countries. At this stage, Mexico is the only country that has completed this step. The Company does not foresee significant impacts on its operations upon formal adoption of the CUSMA, assuming the bulk of the import licences is allocated to dairy processors in Canada.

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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 and business acquisitions, 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 or equity offerings, when appropriate, 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 September 30		For the six-month periods ended September 30	
	2019	2018	**2019**	2018
Cash generated from operating activities	**254.1**	293.8	**564.7**	529.7
Net cash generated from operating activities	**174.1**	243.9	**398.8**	400.3
Cash (used) generated for investing activities	**(95.6)**	105.8	**(1,933.3)**	(1,294.0)
Cash (used) generated for financing activities	**(20.3)**	(353.2)	**1,587.9**	869.8
Increase (decrease) in cash and cash equivalents	**58.2**	(3.5)	**53.4**	(23.9)

For the three-month period ended September 30, 2019, cash generated from **operating activities** amounted to $254.1 million, as compared to $293.8 million for the corresponding quarter last fiscal year, a decrease of $39.7 million. For the six-month period ended September 30, 2019, cash generated from operating activities amounted to $564.7 million, as compared to $529.7 million for the corresponding period last fiscal year, an increase of $35.0 million.

Net cash generated from operating activities for the three-month period ended September 30, 2019, amounted to $174.1 million in comparison to $243.9 million for the corresponding quarter last fiscal year. This decrease of $69.8 million is due to changes in non-cash operating working capital items of $129.0 million driven by fluctuations in receivables, inventories, as well as accounts payable in line with the fluctuation of market prices, and an increase of $22.0 million and $8.1 million in interest paid and income tax paid, respectively. The decrease was partially offset by an increase in adjusted EBITDA of $76.9 million. For the six-month period ended September 30, 2019, net cash generated from operating activities amounted to $398.8 million, as compared to $400.3 million for the corresponding period last fiscal year. This decrease of $1.5 million is due to changes in non-cash operating working capital items of $121.1 million driven by fluctuations in receivables, inventories, as well as accounts payable in line with the fluctuation of market prices, and an increase of $31.9 million and $4.6 million in interest paid and income tax paid, respectively. The decrease was partially offset by an increase in adjusted EBITDA of $127.4 million and lower acquisition costs of $26.1 million.

Investing activities for the three-month period ended September 30, 2019, were mainly comprised of additions to property, plant and equipment of $86.2 million and for intangibles related to the ERP initiative of $15.0 million. For the six-month period ended September 30, 2019, investing activities consisted mainly of $1.693 billion disbursed for the entire issued share capital of Dairy Crest Group plc, for additions to property, plant and equipment of $213.8 million and additions to intangibles of $31.9 million related to the ERP initiative.

Financing activities for the three-month period ended September 30, 2019, consisted mainly of net proceeds of $639.9 million from the issuance of common shares pursuant to the Equity Offering. The net proceeds of the Equity Offering were used to repay the following: (i) $572.0 million, which represents the balance of the 1-year tranche of the term loan facility incurred in connection with the Dairy Crest Acquisition, and (ii) $67.9 million of the 3-year tranche of the term loan facility incurred in connection with the Murray Goulburn Acquisition. Also, the Company paid $18.7 million of lease liabilities and $66.5 million in dividends. Finally, bank loans increased by $67.5 million and shares were issued as a result of the exercise of stock options for proceeds of $3.4 million. Financing activities for the six-month period ended September 30, 2019, consisted mainly of additional long-term debt in the amount of $2.062 billion related to the Dairy Crest Acquisition. A portion of the net proceeds from the long-term debt incurred for the Dairy Crest Acquisition was used to repay $451.4 million of debt assumed relative to the acquisition. The net proceeds of the Equity Offering were used as discussed above. Also, the Company paid $36.5 million of lease liabilities and $131.0 million in dividends. Finally, bank loans increased by $125.7 million and shares were issued as part of the stock option plan for $25.6 million.

Liquidity

(in millions of CDN dollars, except ratio)

	September 30, 2019	March 31, 2019
Current assets	**3,536.7**	3,133.8
Current liabilities	**2,124.2**	1,932.5
Working capital*	**1,412.5**	1,201.3
Working capital ratio*	**1.66**	1.62

* Refer to the ''Glossary'' section on page 23 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 increase in the working capital ratio is mainly due to the inclusion of the activities of Europe Sector.

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)

	September 30, 2019	March 31, 2019
Long-term debt	**3,534.0**	2,267.3
Bank loans	**244.7**	130.4
Cash and cash equivalents	**173.0**	112.7
Net debt*	**3,605.7**	2,285.0
Trailing twelve months adjusted EBITDA**	**1,348.7**	1,221.3
Net debt to adjusted EBITDA**	**2.67**	1.87
Number of common shares	**407,744,862**	390,198,386
Number of stock options	**22,346,338**	20,374,871

* Refer to the ''Glossary'' section on page 23 of this Management's Discussion and Analysis.
** Non-IFRS measures are described in the ''Glossary'' section on page 23 of this Management's Discussion and Analysis

On September 11, 2019, the Company completed a public offering and a concurrent private placement raising gross proceeds of $659.0 million through the issuance of 16,642,553 common shares at a price of $39.60 per share. The proceeds, net of commissions and professional fees of $19.1 million, were $639.9 million. The Equity Offering was carried out pursuant to an underwriting agreement dated August 26, 2019, with a syndicate of underwriters. Saputo used the net proceeds of the offering and the concurrent private placement to repay the remaining balance of the 1- year tranche of the term loan incurred in connection with the Dairy Crest Acquisition, as well as a portion of the term loan incurred in connection with the Murray Goulburn Acquisition. The Equity Offering was part of the Company's capital management strategy to deleverage its balance sheet.

The Company's normal course issuer bid expires on November 18, 2019. Consistent with the Company's cash and capital management strategies, the Company will not renew its normal course issuer bid in November 2019.

As at September 30, 2019, the Company had $173.0 million in cash and cash equivalents and available bank credit facilities of $1.571 billion, of which $244.7 million were drawn. See Notes 7 and 8 to the condensed interim consolidated financial statements for additional information related to bank loans and long-term debt.

Share capital authorized by the Company is comprised of an unlimited number of common shares. The common shares are voting and participating. As at October 31, 2019, 407,756,720 common shares and 23,205,879 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)

	September 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	**300.0**	**114.2**	**166.5**	**580.7**	323.4	74.9	189.6	587.9
1–2 years	**857.0**	**88.8**	**15.7**	**961.5**	3.9	62.0	23.6	89.5
2–3 years	**1,272.1**	**64.6**	**6.5**	**1,343.2**	502.1	52.8	9.9	564.8
3–4 years	**454.9**	**54.4**	**1.4**	**510.7**	300.0	46.6	3.1	349.7
4–5 years	**300.0**	**66.7**	**-**	**366.7**	787.9	39.3	-	827.2
More than 5 years	**350.0**	**176.1**	**-**	**526.1**	350.0	183.5	-	533.5
	3,534.0	**564.8**	**190.1**	**4,288.9**	2,267.3	459.1	226.2	2,952.6

Long-term debt

The Company's long-term debt is described in Note 8 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 $1.236 billion was drawn, of which $650.3 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. A total of $1.974 billion was drawn, of which $576.1 million has been repaid. 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 September 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$1.3241 per US dollar as at September 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$0.8937 per Australian dollar as at September 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$0.0230 per Argentine peso as at September 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$1.6269 per British pounds sterling as at September 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, the Australian dollar, the Argentine peso and the British pounds sterling, resulted in lower 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 $71.7 million as at September 30, 2019, mainly resulting from an increase in bank loans. The change in foreign currency translation adjustments recorded in other comprehensive income (loss) varied mainly due to the fluctuation of foreign currencies versus the Canadian dollar.

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:

IFRS 9, Financial Instruments, IFRS 7, Financial Instruments disclosure and IAS 39, Financial Instruments: recognition and measurement

In September 2019, the IASB issued amendments to IFRS 9, IAS 39, and IFRS 7 to address the implications of Interbank offered rates (IBOR) reform for specific hedge accounting requirements which require forward-looking analysis and additional disclosure requirements.

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

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.

The adoption of these amendments will not have a significant impact 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.

The adoption of this amendment will not have a significant impact 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 and six-month periods ended September 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 and six-month periods ended September 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 and six-month periods ended September 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 and six-month periods ended September 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 and six-month periods ended September 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 and six-month periods ended September 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 and six-month periods ended September 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 and six-month periods ended September 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:

(in millions of CDN dollars)

	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:

(in millions of CDN dollars)

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 and six-month periods ended September 30, 2019, adjusted EBITDA, assets and 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 and six-month periods ended September 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 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 July 1, 2019, and ended on September 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 six-month period ended September 30, 2019, was 4.6% of consolidated revenues and 8.6% of consolidated net earnings. Additionally, as at September 30, 2019, the current assets of Dairy Crest represented approximately 13.2% of consolidated current assets and current liabilities represented approximately 9.5% of consolidated current liabilities. The non-current assets of Dairy Crest represented approximately 21.7% 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			
	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	**1,029.4**	968.8	924.8	1,059.6	1,047.7	1,011.0
Adjusted EBITDA*	**103.2**	98.5	90.0	113.8	104.4	105.5

* Non-IFRS measures are described in the ''Glossary'' section on page 23 of this Management's Discussion and Analysis.

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

Revenues

Revenues for the Canada Sector totalled $1.029 billion for the three-month period ended September 30, 2019, a decrease of $18.3 million or 1.7%, as compared to $1.048 billion for the corresponding quarter last fiscal year. Revenues were negatively impacted by lower sales volumes in the fluid milk category as a result of Canada's competitive market environment. This decrease was partially offset by an increase in selling prices in accordance with the higher cost of milk as raw material, higher international selling prices of dairy ingredients, and a favourable product mix.

For the six-month period ended September 30, 2019, revenues for the Canada Sector totalled $1.998 billion, a decrease of $60.5 million or 2.9%, as compared to $2.059 billion for the same period last fiscal year. Revenues were negatively impacted by lower sales volumes in the fluid milk category as a result of Canada's competitive market environment. This decrease was partially offset by an increase in selling prices in accordance with the higher cost of milk as raw material, higher international selling prices of dairy ingredients, a favourable product mix, and the contribution of the activities of Shepherd Gourmet Dairy (Ontario) Inc. (Shepherd Gourmet Acquisition).

Adjusted EBITDA

Adjusted EBITDA for the Canada Sector totalled $103.2 million for the three-month period ended September 30, 2019, a decrease of $1.2 million or 1.1%, as compared to $104.4 million for the corresponding quarter last fiscal year. Adjusted EBITDA was negatively impacted by lower sales volumes in the fluid milk category as a result of Canada's competitive market environment. This decrease was partially offset by the positive impact of a favourable product mix, higher international selling prices of dairy ingredients and improved operational efficiencies. The adoption of IFRS 16, *Leases* positively impacted adjusted EBITDA by approximately $3 million.

For the six-month period ended September 30, 2019, adjusted EBITDA totalled $201.7 million, a decrease of $8.2 million or 3.9%, as compared to $209.9 million for the same period last fiscal year. Adjusted EBITDA was negatively impacted by lower sales volumes in the fluid milk category as a result of Canada's competitive market environment. This decrease was partially offset by higher international selling prices of dairy ingredients, a favourable product mix, lower administrative costs, the contribution of the Shepherd Gourmet Acquisition, and improved operational efficiencies. The adoption of IFRS 16, *Leases* positively impacted adjusted EBITDA by approximately $5 million.

USA SECTOR

(in millions of CDN dollars)

Fiscal years	2020		2019			
	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	**1,792.4**	1,757.7	1,616.6	1,678.5	1,618.0	1,594.6
Adjusted EBITDA*	**175.4**	173.6	134.2	122.4	133.8	154.3

* Non-IFRS measures are described in the ''Glossary'' section on page 23 of this Management's Discussion and Analysis.

Selected factors positively (negatively) affecting financial performance

(in millions of CDN dollars)

Fiscal years	2020		2019			
	Q2	Q1	Q4	Q3	Q2	Q1
USA Market factors*, 1	**10**	**(8)**	4	(19)	(7)	2
US currency exchange[1]	**1**	**6**	7	6	7	(8)

* Refer to the ''Glossary'' section on page 23 of this Management's Discussion and Analysis.
[1] As compared to same quarter last fiscal year.

Other pertinent information

(in US dollars, except for average exchange rate)

Fiscal years	2020		2019			
	Q2	Q1	Q4	Q3	Q2	Q1
Block market* price						
Opening	**1.858**	1.645	1.430	1.690	1.555	1.530
Closing	**1.958**	1.858	1.645	1.430	1.690	1.555
Average	**1.912**	1.711	1.520	1.453	1.605	1.603
Butter market* price						
Opening	**2.410**	2.255	2.218	2.320	2.268	2.215
Closing	**2.128**	2.410	2.255	2.218	2.320	2.268
Average	**2.284**	2.330	2.264	2.238	2.264	2.339
Average whey market price per pound*	**0.352**	0.370	0.443	0.452	0.387	0.279
Spread*	**0.029**	0.061	0.054	0.021	0.095	0.135
US average exchange rate to Canadian dollar[1]	**1.320**	1.337	1.330	1.321	1.307	1.290

* Refer to the ''Glossary'' section on page 23 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 $1.792 billion for the three-month period ended September 30, 2019, an increase of $174.4 million or 10.8%, as compared to $1.618 billion for the corresponding 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 $87 million. Higher selling prices in the dairy ingredients market also positively affected revenues. Moreover, higher sales volumes in the dairy food product categories and the contribution of the F&A Acquisition contributed to this increase. The fluctuation of the US dollar versus the Canadian dollar increased revenues by approximately $16 million.

For the six-month period ended September 30, 2019, revenues from the USA Sector totalled $3.550 billion, an increase of $337.5 million or 10.5%, as compared to $3.213 billion for the same period 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 $129 million. Sales volumes increased mainly due to higher sales volumes in the dairy food product categories and the contribution of the F&A Acquisition. Higher selling prices in the dairy ingredients market also positively affected revenues. Finally, the fluctuation of the US dollar versus the Canadian dollar increased revenues by approximately $73 million.

Adjusted EBITDA

Adjusted EBITDA for the USA Sector totalled $175.4 million for the three-month period ended September 30, 2019, an increase of $41.6 million or 31.1%, as compared to $133.8 million for the corresponding quarter last fiscal year. Pricing initiatives positively affected adjusted EBITDA through a better alignment of selling prices with operating costs. A higher average block market per pound of cheese and a higher average butter market price per pound 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. Conversely, 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. The combined effect of these USA Market Factors positively impacted adjusted EBITDA by approximately $10 million. The impact on adjusted EBITDA of the implementation of the Federal Milk Marketing Order in California, effective November 1, 2018, was minimal.

During the quarter, adjusted EBITDA was positively impacted by improved operational, warehouse and logistics efficiencies, as well as higher sales volumes in the dairy food product categories. Also, the F&A Acquisition had a favourable impact on adjusted EBITDA. The adoption of IFRS 16, *Leases* positively impacted adjusted EBITDA by approximately $2 million. The fluctuation of the US dollar versus the Canadian dollar had a positive impact on adjusted EBITDA of approximately $1 million.

For the six-month period ended September 30, 2019, adjusted EBITDA totalled $349.0 million, an increase of $60.9 million or 21.1%, as compared to $288.1 million for the corresponding period last fiscal year. Pricing initiatives positively affected adjusted EBITDA through a better alignment of selling prices with operating costs. Adjusted EBITDA was positively impacted by improved operational plant efficiencies and higher sales volumes in the dairy food product categories. Also, the F&A Acquisition had a favourable impact on adjusted EBITDA.

The relation between the average block market per pound of cheese and the cost of milk as raw material had an unfavorable impact on adjusted EBITDA, including an impact of approximately $5 million attributable to the implementation of the Federal Milk Marketing Order in California. However, a higher average block market per pound of cheese and a higher average butter market price per pound 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. The combined effect of these USA Market factors positively impacted adjusted EBITDA by approximately $2 million. The adoption of IFRS 16, *Leases* positively impacted adjusted EBITDA by approximately $4 million. Finally, the fluctuation of the US dollar versus the Canadian dollar had a positive impact on adjusted EBITDA of approximately $7 million.

INTERNATIONAL SECTOR

(in millions of CDN dollars)

Fiscal years	2020		2019			
	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	**657.0**	790.3	695.1	839.1	754.7	662.2
Adjusted EBITDA*	**80.2**	59.7	50.9	85.0	79.3	47.7

* Non-IFRS measures are described in the ''Glossary'' section on page 23 of this Management's Discussion and Analysis.

Selected factors positively (negatively) affecting financial performance

(in millions of CDN dollars)

Fiscal years	2020		2019			
	Q2	Q1	Q4	Q3	Q2	Q1
Inventory write-down	**-**	-	(2)	(1)	-	-
Foreign currency exchange[1]	**(16)**	(10)	(3)	(5)	-	(7)

[1] As compared to same quarter last fiscal year.

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

Revenues

Revenues for the International Sector totalled $657.0 million for the three-month period ended September 30, 2019, a decrease of $97.7 million or 12.9%, as compared to $754.7 million for the corresponding quarter last fiscal year. Lower sales volumes in the Dairy Division (Australia), due to reduced milk availability, negatively impacted revenues. However, higher international selling prices of cheese and dairy ingredients and additional revenues derived from the weakening of the Argentine peso and the Australian dollar versus the US dollar in the export market increased revenues. In the Dairy Division (Argentina), higher selling prices related to the hyperinflationary economy also positively impacted revenues. The fluctuation of the functional currencies used in the International Sector versus the Canadian dollar had a negative impact on revenues of approximately $130 million, mainly due to the Argentine peso.

For the six-month period ended September 30, 2019, revenues for the International Sector totalled $1.447 billion, an increase of $30.4 million or 2.1%, as compared to $1.417 billion for the same period last fiscal year. The inclusion of the Murray Goulburn Acquisition for the full period and additional revenues derived from the weakening of the Argentine peso and the Australian dollar versus the US dollar in the export market increased revenues. In the Dairy Division (Argentina), higher selling prices related to the hyperinflationary economy and higher international selling prices of cheese and dairy ingredients positively impacted revenues. However, lower sales volumes in the Dairy Division (Australia), due to reduced milk availability, negatively impacted revenues. Finally, the fluctuation of the functional currencies used in the International Sector versus the Canadian dollar had a negative impact on revenues of approximately $213 million, mainly due to the Argentine peso.

Adjusted EBITDA

Adjusted EBITDA for the International Sector totalled $80.2 million for the three-month period ended September 30, 2019, an increase of $0.9 million or 1.1%, as compared to $79.3 million for the corresponding quarter last fiscal year. Higher selling prices related to the hyperinflationary economy in Argentina had a positive impact on adjusted EBITDA. Higher international cheese and dairy ingredient market prices also positively impacted adjusted EBITDA. These increases were partially offset by the impact of lower sales volumes in the Dairy Division (Australia) resulting from a decline in milk availability. The adoption of IFRS 16, *Leases* positively increased adjusted EBITDA by approximately $11 million. The fluctuation of functional currencies used in the International Sector versus the Canadian dollar had a negative impact on adjusted EBITDA of approximately $16 million, mainly due to the Argentine peso.

For the six-month period ended September 30, 2019, adjusted EBITDA totalled $139.9 million, an increase of $12.9 million or 10.2%, as compared to $127.0 million for the same period last fiscal year. Higher international cheese and dairy ingredient market prices favourably impacted adjusted EBITDA. Also, higher selling prices related to the hyperinflationary economy in Argentina and higher selling prices in the Dairy Division (Australia) had a positive impact on adjusted EBITDA. These increases were partially offset by the impact of lower sales volumes in the Dairy Division (Australia) resulting from a decline in milk availability. The adoption of IFRS 16, *Leases* increased adjusted EBITDA by approximately $22 million. Lastly, the fluctuation of functional currencies used in the International Sector versus the Canadian dollar had a negative impact on adjusted EBITDA of approximately $26 million, mainly due to the Argentine peso.

EUROPE SECTOR

(in millions of CDN dollars)

Fiscal years	2020		2019			
	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	**186.8**	151.6	-	-	-	-
Adjusted EBITDA*	**35.6**	26.2	-	-	-	-

* Non-IFRS measures are described in the ''Glossary'' section on page 23 of this Management's Discussion and Analysis.

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

Revenues and adjusted EBITDA

Revenues for the Europe Sector totalled $186.8 million and $338.4 million for the three-month period and the 24-week period ended September 30, 2019, respectively. Adjusted EBITDA for the Europe Sector totalled $35.6 million and $61.8 million for the three-month period and the 24-week period ended September 30, 2019, respectively.

Adjusted EBITDA for the Europe Sector for the three-month period and the 24-week period ended September 30, 2019, included a positive contribution of approximately $3 million and $7 million, respectively, resulting from the adoption of IFRS 16, *Leases*.

Excluding the impact from the adoption of IFRS 16, *Leases*, revenues and adjusted EBITDA for the three-month period and the 24-week period ended September 30, 2019, are in line with Dairy Crest's results for the same periods 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 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.

The Company also uses adjusted net earnings and adjusted net earnings per share. These non-IFRS measures are defined in the "Glossary" section. 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 of the non-IFRS measures used by the Company are used in the context of the results and activities for the three and six-month periods ended September 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 six-month periods in which Management has presented these measures is provided below.

(in millions of CDN dollars)

	For the three-month periods ended September 30		**For the six-month periods ended September 30**	
	2019	2018	**2019**	2018
Earnings before income taxes	**237.8**	219.1	**408.9**	384.2
Other financial charges	**9.3**	4.0	**21.6**	8.2
Interest on long-term debt	**26.7**	18.4	**51.0**	33.5
Gain on hyperinflation	**(1.5)**	(1.0)	**(9.6)**	(1.0)
Inventory revaluation resulting from a business acquisition	**12.9**	-	**40.1**	-
Acquisition and restructuring costs	**0.4**	-	**22.8**	48.9
Depreciation and amortization	**108.8**	77.0	**217.6**	151.2
Adjusted EBITDA	**394.4**	317.5	**752.4**	625.0

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

	For the three-month periods ended September 30					
	2019			2018		
		Per Share			Per Share	
	Total	**Basic**	**Diluted**	Total	Basic	Diluted
Net earnings	**174.9**	**0.44**	**0.44**	163.1	0.42	0.42
Inventory revaluation resulting from a business acquisition[1]	**10.5**	**0.03**	**0.03**	-	-	-
Acquisition and restructuring costs[1]	**0.4**	-	-	-	-	-
Adjusted net earnings	**185.8**	**0.47**	**0.47**	163.1	0.42	0.42

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

	For the six-month periods ended September 30					
	2019			2018		
		Per Share			Per Share	
	Total	**Basic**	**Diluted**	Total	Basic	Diluted
Net earnings	**296.3**	**0.75**	**0.75**	289.1	0.74	0.74
Inventory revaluation resulting from a business acquisition[1]	**32.5**	**0.08**	**0.08**	-	-	-
Acquisition and restructuring costs[1]	**21.9**	**0.06**	**0.06**	34.3	0.09	0.09
Adjusted net earnings	**350.7**	**0.89**	**0.89**	323.4	0.83	0.83

[1] Net of income taxes

GLOSSARY

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

Adjusted net earnings
"Adjusted net earnings" means net earnings prior to the inclusion of inventory revaluation resulting from a business acquisition and acquisition and restructuring costs, 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 six-months ended September 30, 2019 results of adjusted EBITDA to actual year ended March 31, 2019 results of adjusted EBITDA and subtracting actual six-months ended September 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 September 30		For the six-month periods ended September 30	
	2019	2018	**2019**	2018
Revenues (Note 4)	**$ 3,665.6**	$ 3,420.4	**$ 7,334.0**	$ 6,688.2
Operating costs excluding depreciation and amortization (Note 5)	**3,271.2**	3,102.9	**6,581.6**	6,063.2
Earnings before interest, income taxes, depreciation, amortization, inventory revaluation resulting from a business acquisition, acquisition and restructuring costs, and gain on hyperinflation	**394.4**	317.5	**752.4**	625.0
Depreciation and amortization	**108.8**	77.0	**217.6**	151.2
Inventory revaluation resulting from a business acquisition (Note 13)	**12.9**	-	**40.1**	-
Acquisition and restructuring costs	**0.4**	-	**22.8**	48.9
Gain on hyperinflation	**(1.5)**	(1.0)	**(9.6)**	(1.0)
Interest on long-term debt	**26.7**	18.4	**51.0**	33.5
Other financial charges (Note 11)	**9.3**	4.0	**21.6**	8.2
Earnings before income taxes	**237.8**	219.1	**408.9**	384.2
Income taxes	**62.9**	56.0	**112.6**	95.1
Net earnings	**$ 174.9**	$ 163.1	**$ 296.3**	$ 289.1
Net earnings per share (Note 10)				
Basic	**$ 0.44**	$ 0.42	**$ 0.75**	$ 0.74
Diluted	**$ 0.44**	$ 0.42	**$ 0.75**	$ 0.74

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of CDN dollars)
(unaudited)

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2019	2018	**2019**	2018
Net earnings	**$ 174.9**	$ 163.1	**$ 296.3**	$ 289.1
Other comprehensive income (loss):				
Items that may be reclassified to net earnings:				
Exchange differences arising from foreign currency translation	**(43.4)**	(163.5)	**(211.6)**	(156.5)
Inflation effect arising from the application of hyperinflation	**(7.4)**	29.7	**(7.4)**	29.7
Net unrealized losses on cash flow hedges (Note 12) (Net of income taxes of $4.0 and $4.2; 2018: $2.0 and $3.4)	**(10.2)**	(4.6)	**(10.5)**	(7.8)
Reclassification of gains on cash flow hedges to net earnings (Net of income taxes of $1.6 and $2.4; 2018: $1.4 and $1.4)	**4.0**	3.4	**5.9**	3.3
	(57.0)	**(135.0)**	**(223.6)**	**(131.3)**
Items that will not be reclassified to net earnings:				
Actuarial gains (Net of income taxes of $2.7 and $3.7; 2018: nil and nil)	**16.1**	-	**20.8**	-
	16.1	-	**20.8**	-
Other comprehensive income (loss)	**(40.9)**	**(135.0)**	**(202.8)**	**(131.3)**
Total comprehensive income	**$ 134.0**	**$ 28.1**	**$ 93.5**	**$ 157.8**

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

For the six-month period ended September 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	-	-	-	-	-	-	296.3	296.3
Other comprehensive income (loss)	-	-	(219.0)	(4.6)	-	(223.6)	20.8	(202.8)
Total comprehensive income								93.5
Shares issued under Equity Offering – net of issuance costs (Note 9)	16,642,553	639.9	-	-	-	-	-	639.9
Dividends declared	-	-	-	-	-	-	(131.0)	(131.0)
Stock option plan (Note 9)	-	-	-	-	11.9	11.9	-	11.9
Shares issued under stock option plan	903,923	25.6	-	-	-	-	-	25.6
Amount transferred from reserves to share capital upon exercise of options	-	4.8	-	-	(4.8)	(4.8)	-	-
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	-	-	-	-	0.7	0.7	-	0.7
Balance, end of period	407,744,862	$ 1,662.0	$ 363.1	$ (6.9)	$ 141.8	$ 498.0	$ 3,901.1	$ 6,061.1

For the six-month period ended September 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	-	-	-	-	-	-	289.1	289.1
Other comprehensive income (loss)	-	-	(126.8)	(4.5)	-	(131.3)	-	(131.3)
Total comprehensive income								157.8
Dividends declared	-	-	-	-	-	-	(126.2)	(126.2)
Stock option plan (Note 9)	-	-	-	-	12.5	12.5	-	12.5
Shares issued under stock option plan	1,167,927	26.6	-	-	-	-	-	26.6
Amount transferred from reserves to share capital upon exercise of options	-	5.2	-	-	(5.2)	(5.2)	-	-
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	-	-	-	-	2.1	2.1	-	2.1
Balance, end of period	388,575,330	$ 950.7	$ 422.8	(8.3)	$ 126.0	$ 540.5	$ 3,379.3	$ 4,870.5

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in millions of CDN dollars)

As at		September 30, 2019 (unaudited)		March 31, 2019 (audited)
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**173.0**	$	112.7
Receivables		**1,231.0**		1,248.2
Inventories		**2,045.5**		1,681.0
Income taxes receivable		**42.9**		34.1
Prepaid expenses and other assets		**44.3**		57.8
		3,536.7		3,133.8
Property, plant and equipment		**3,412.5**		3,095.4
Right-of-use assets (Note 6)		**466.7**		-
Goodwill (Note 13)		**3,198.4**		2,597.6
Intangible assets (Note 13)		**1,463.0**		876.2
Other assets		**426.2**		131.6
Deferred income taxes		**46.3**		51.0
Total assets	**$**	**12,549.8**	$	9,885.6
LIABILITIES				
Current liabilities				
Bank loans (Note 7)	**$**	**244.7**	$	130.4
Accounts payable and accrued liabilities		**1,459.6**		1,442.2
Income taxes payable		**31.3**		36.5
Current portion of long-term debt (Note 8)		**300.0**		323.4
Current portion of lease liabilities (Note 6)		**88.6**		-
		2,124.2		1,932.5
Long-term debt (Note 8)		**3,234.0**		1,943.9
Lease liabilities (Note 6)		**375.9**		-
Other liabilities		**74.9**		86.4
Deferred income taxes		**679.7**		502.3
Total liabilities	**$**	**6,488.7**	$	4,465.1
EQUITY				
Share capital (Note 9)		**1,662.0**		991.7
Reserves		**498.0**		713.8
Retained earnings		**3,901.1**		3,715.0
Total equity	**$**	**6,061.1**	$	5,420.5
Total liabilities and equity	**$**	**12,549.8**	$	9,885.6

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of CDN dollars)
(unaudited)

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2019	2018	**2019**	2018
Cash flows related to the following activities:				
Operating				
Net earnings	**$ 174.9**	$ 163.1	**296.3**	$ 289.1
Adjustments for:				
Stock-based compensation	**9.4**	11.1	**15.2**	22.7
Interest and other financial charges	**36.0**	22.4	**72.6**	41.7
Income tax expense	**62.9**	56.0	**112.6**	95.1
Depreciation and amortization	**108.8**	77.0	**217.6**	151.2
Loss (gain) on disposal of property, plant and equipment	**0.7**	(0.1)	**0.9**	(1.0)
Inventory revaluation resulting from a business acquisition	**12.9**	-	**40.1**	-
Share of joint venture earnings, net of dividends received	**12.2**	(1.7)	**13.5**	5.1
Gain on hyperinflation	**(1.5)**	(1.0)	**(9.6)**	(1.0)
Underfunding of employee plans in excess of costs	**0.4**	0.6	**1.0**	1.2
Changes in non-cash operating working capital items	**(162.6)**	(33.6)	**(195.5)**	(74.4)
Cash generated from operating activities	**254.1**	293.8	**564.7**	529.7
Interest and other financial charges paid	**(34.4)**	(12.4)	**(72.1)**	(40.2)
Income taxes paid	**(45.6)**	(37.5)	**(93.8)**	(89.2)
Net cash generated from operating activities	**174.1**	243.9	**398.8**	400.3
Investing				
Business acquisitions, net of cash acquired	**1.4**	(40.2)	**(1,692.6)**	(1,356.9)
Additions to property, plant and equipment	**(86.2)**	(75.7)	**(213.8)**	(141.9)
Additions to intangible assets	**(15.0)**	(18.4)	**(31.9)**	(36.1)
Proceeds from disposal of assets held for sale	**-**	239.7	**-**	239.7
Proceeds from disposal of property, plant and equipment	**4.2**	0.5	**5.0**	1.4
Other	**-**	(0.1)	**-**	(0.2)
	(95.6)	105.8	**(1,933.3)**	(1,294.0)
Financing				
Bank loans	**67.5**	(0.1)	**125.7**	(15.8)
Proceeds from issuance of long-term debt	**-**	350.0	**2,061.5**	1,633.6
Repayment of long-term debt	**(645.9)**	(647.7)	**(1,097.3)**	(648.4)
Repayment of lease liabilities	**(18.7)**	-	**(36.5)**	-
Net proceeds from issuance of share capital	**643.3**	8.7	**665.5**	26.6
Dividends	**(66.5)**	(64.1)	**(131.0)**	(126.2)
	(20.3)	(353.2)	**1,587.9**	869.8
Increase (decrease) in cash and cash equivalents	**58.2**	(3.5)	**53.4**	(23.9)
Cash and cash equivalents, beginning of period	**113.6**	99.5	**112.7**	122.2
Effect of inflation	**5.5**	4.9	**12.9**	4.9
Effect of exchange rate changes on cash and cash equivalents	**(4.3)**	(9.6)	**(6.0)**	(11.9)
Cash and cash equivalents, end of period	**$ 173.0**	$ 91.3	**$ 173.0**	$ 91.3

The accompanying notes are an integral part of these unaudited condensed interim consolidated 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 September 30, 2019, comprise the financial results of the Company and its subsidiaries.

The financial statements for the period ended September 30, 2019, were authorized for issuance by the Board of Directors on November 7, 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 as at March 31, 2019 and 2018 and for the years then ended.

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:

IFRS 9, Financial Instruments, IFRS 7, Financial Instruments disclosure and IAS 39, Financial Instruments: recognition and measurement

In September 2019, the IASB issued amendments to IFRS 9, IAS 39, and IFRS 7 to address the implications of Interbank offered rates (IBOR) reform for specific hedge accounting requirements which require forward-looking analysis and additional disclosure requirements.

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)

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.

The adoption of these amendments will not have a significant impact 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.

The adoption of this amendment will not have a significant impact 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 interpretations 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 and six-month periods ended September 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 and six-month periods ended September 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 and six-month periods ended September 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 and six-month periods ended September 30, 2019.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 and six-month periods ended September 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 and six-month periods ended September 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 and six-month periods ended September 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.

As permitted under IFRS 16, the Company applied the standard retrospectively with the cumulative effect of applying IFRS 16 recognized at the date of initial application; therefore, comparative information was not restated. In addition, the Company 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**

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 and six-month periods ended September 30, 2019, the earnings before interest, income taxes, depreciation, amortization, inventory revaluation resulting from a business acquisition, acquisition and restructuring costs, and gain on hyperinflation, as well as assets and liabilities have increased as a result of the adoption of the standard. As presented below, the earnings before interest, income taxes, depreciation, amortization, inventory revaluation resulting from a business acquisition, acquisition and restructuring costs, and gain on hyperinflation of each Sector was positively impacted due to the adoption of the standard:

		For the three-month period ended September 30, 2019		For the six-month period ended September 30, 2019
Canada	**$**	**2.5**	**$**	**4.6**
USA		**2.1**		**4.4**
International		**11.3**		**22.1**
Europe		**3.5**		**7.0**
	$	**19.4**	**$**	**38.1**

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.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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 REVENUES

Revenues by market segment are as follows:

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2019	2018	**2019**	2018
Revenues				
Retail	**$ 1,770.9**	$ 1,605.5	**$ 3,477.1**	$ 3,115.5
Foodservice	**1,318.0**	1,203.1	**2,650.5**	2,413.6
Industrial	**576.7**	611.8	**1,206.4**	1,159.1
	$ 3,665.6	$ 3,420.4	**$ 7,334.0**	$ 6,688.2

NOTE 5 OPERATING COSTS EXCLUDING DEPRECIATION AND AMORTIZATION

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2019	2018	**2019**	2018
Changes in inventories of finished goods and work in process	**$ (76.0)**	$ (51.4)	**$ (58.1)**	$ (11.1)
Raw materials and consumables used	**2,534.5**	2,367.1	**5,019.1**	4,558.8
Foreign exchange loss (gain)	**4.9**	(1.2)	**7.2**	(2.2)
Employee benefits expense	**420.4**	399.7	**852.7**	781.0
Selling costs	**157.6**	164.3	**321.1**	314.9
Other general and administrative costs	**229.8**	224.4	**439.6**	421.8
Total	**$ 3,271.2**	$ 3,102.9	**$ 6,581.6**	$ 6,063.2

NOTE 6 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

	For the six-month period ended September 30, 2019		
	Real Estate	Equipment	Total
Balance as at April 1, 2019	$ 299.2	$ 141.4	$ 440.6
Business acquisitions (Note 13)	11.0	62.4	73.4
New leases / leases modifications	5.8	3.5	9.3
Depreciation	(15.2)	(16.4)	(31.6)
Foreign currency	(15.5)	(9.5)	(25.0)
Balance, end of period	$ 285.3	$ 181.4	$ 466.7

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

	For the six-month period ended September 30, 2019
	Total
Balance as at April 1, 2019	$ 445.9
Business acquisitions (Note 13)	70.4
New leases / lease modifications	9.3
Interest expense	8.5
Payments	(45.0)
Foreign currency	(24.6)
	464.5
Current portion	(88.6)
Balance, end of period	$ 375.9

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

	September 30, 2019
Less than 1 year	$ 101.8
1-2 years	83.3
2-3 years	61.6
3-4 years	52.4
4-5 years	64.1
More than 5 years	173.9
	$ 537.1

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

NOTE 7 BANK LOANS

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

		Available for use			Amount drawn	
Credit Facilities	Maturity	Canadian Currency Equivalent	Base Currency		**September 30, 2019**	March 31, 2019
North America-USA	December 2023[1]	397.2	300.0	USD	**$ 26.5**	$ -
North America-Canada	December 2023[1]	264.8	200.0	USD	**-**	-
Canada	January 2021[2]	26.0	26.0	CAD	**11.4**	-
Australia	Yearly[3]	281.5	315.0	AUD	**37.7**	38.0
Australia	Yearly[3]	132.4	100.0	USD	**23.6**	23.8
Japan	Yearly[4]	98.4	8,000.0	JPY	**9.8**	-
United Kingdom	Yearly[5]	122.0	75.0	GBP	**68.3**	-
Argentina	Yearly[6]	145.7	110.0	USD	**50.3**	45.4
Argentina	Yearly[7]	103.0	4,480.0	ARS	**17.1**	23.2
Total		1,571.0			**$ 244.7**	$ 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] Bears monthly interest at Bank's Prime Rate plus 0.25% or Banker's Acceptance Rate plus 1.25%.
[3] Bear monthly interest at LIBOR or Australian Bank Bill Rate plus 0.70% and can be drawn in AUD or USD.
[4] Bears monthly interest at TIBOR plus 0.70% and can be drawn in JPY.
[5] Bears monthly interest at rates ranging from base rate plus 0.70% or LIBOR plus 0.70% and can be drawn in GBP.
[6] Bear monthly interest at local rate and can be drawn in USD.
[7] Bear monthly interest at local rate and can be drawn in ARS.

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NOTE 8 LONG-TERM DEBT

	September 30, 2019		March 31, 2019	
Unsecured bank term loan facilities				
Obtained April 2018 ($300.0 million) and due in April 2021[1]	**$**	**131.0**	$	200.0
Obtained April 2018 (AU$600.0 million) and due in April 2023[1]		**454.9**		487.9
Obtained April 2019 (£265.0 million) and due in April 2021[2]		**426.0**		-
Obtained April 2019 (£600.0 million) and due in April 2022[2]		**972.1**		-
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
	$	**3,534.0**	$	2,267.3
Current portion		**300.0**		323.4
	$	**3,234.0**	$	1,943.9
Principal repayments are as follows:				
Less than 1 year	**$**	**300.0**	$	323.4
1-2 years		**857.0**		3.9
2-3 years		**1,272.1**		502.1
3-4 years		**454.9**		300.0
4-5 years		**300.0**		787.9
More than 5 years		**350.0**		350.0
	$	**3,534.0**	$	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 6).

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 $2.058 billion (£1.265 billion) (DC Acquisition Facility), consisting of three tranches: a 1-year tranche of $650.8 million (£400.0 million); a 2-year tranche of $431.1 million (£265.0 million); and a 3-year tranche of $976.1 million (£600.0 million). On April 15, 2019, an aggregate amount of $1.974 billion (£1.213 billion) was drawn on the DC Acquisition Facility.

NOTE 9 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.

	Number of shares		Common Shares $
Balance, beginning of year	**390,198,386**	**$**	**991.7**
Issued with Equity Offering	**16,642,553**		**639.9**
Transferred from reserves, upon exercise of options	**-**		**4.8**
Issued on exercise of options	**903,923**		**25.6**
Balance, end of period	**407,744,862**	**$**	**1,662.0**

On September 11, 2019, the Company completed a public offering and a concurrent private placement of 16,642,553 common shares at a price of $39.60 per share for aggregate gross proceeds of $659 million (the Equity Offering). The proceeds, net of commissions, legal, and accounting fees of $19.1 million, were $639.9 million.

SHARE OPTION PLAN

Changes in the number of outstanding options for the six-month periods ended September 30 are as follows:

	September 30, 2019		September 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	**(903,923)**	**$ 28.32**	(1,167,927)	$ 22.80
Options cancelled	**(444,060)**	**$ 43.19**	(496,686)	$ 42.45
Balance, end of period	**22,346,338**	**$ 37.51**	22,381,718	$ 34.95

The weighted average 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:

	September 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 $6.0 million ($5.4 million net of taxes) and $11.9 million ($10.7 million net of taxes) relating to stock options was recorded in the consolidated income statements for the three and six-month periods ended September 30, 2019, respectively. A compensation expense of $6.1 million ($5.6 million net of taxes) and $12.5 million ($11.4 million net of taxes) relating to stock options was recorded in the consolidated income statements for the three and six-month periods ended September 30, 2018, respectively.

NOTE 10 NET EARNINGS PER SHARE

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2019	2018	**2019**	2018
Net earnings	**$ 174.9**	$ 163.1	**$ 296.3**	$ 289.1
Weighted average number of common shares outstanding	**394,461,874**	388,414,259	**392,631,806**	388,314,742
Dilutive options	**2,626,496**	3,259,720	**2,929,859**	3,468,179
Weighted average diluted number of common shares outstanding	**397,088,370**	391,673,979	**395,561,665**	391,782,921
Basic net earnings per share	**$ 0.44**	$ 0.42	**$ 0.75**	$ 0.74
Diluted net earnings per share	**$ 0.44**	$ 0.42	**$ 0.75**	$ 0.74

When calculating diluted net earnings per share for the three and six-month periods ended September 30, 2019, 14,250,786 and 6,706,133 options were excluded from the calculation because their exercise price is higher than the average market value of common shares (3,704,977 options, were excluded for the three and six-month periods ended September 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 11 OTHER FINANCIAL CHARGES

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2019	2018	**2019**	2018
Finance costs	**$ 8.1**	$ 5.1	**$ 18.5**	$ 10.5
Interest on lease liabilities	**3.8**	-	**8.5**	-
Finance income	**(2.6)**	(1.1)	**(5.4)**	(2.3)
	$ 9.3	$ 4.0	**$ 21.6**	$ 8.2

NOTE 12 FINANCIAL INSTRUMENTS

The Company 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 presents the fair value and the carrying value of other financial instruments as at September 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.

	September 30, 2019		March 31, 2019	
	Fair value	**Carrying value**	Fair value	Carrying value
Cash flow hedges				
Commodity derivatives (Level 2)	**$ (1.7)**	**$ (1.7)**	$ 0.3	$ 0.3
Foreign exchange derivatives (Level 2)	**(6.9)**	**(6.9)**	0.2	0.2
Derivatives not designated in a formal hedging relationship				
Equity forward contracts (Level 2)	**0.3**	**0.3**	1.8	1.8
Commodity derivatives (Level 2)	**(0.7)**	**(0.7)**	0.3	0.3
Long-term debt (Level 2)	**3,543.6**	**3,534.0**	2,266.9	2,267.3
Lease liabilities (Level 2)	**$ 464.5**	**$ 464.5**	$ -	$ -

NOTE 13 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 $2.122 billion (£1.218 billion), was financed through the DC Acquisition Facility (Note 8) and available cash. This consideration includes the purchase price for the entire issued ordinary share capital of $1.695 billion (£973.1 million) and $426.8 million (£245.1 million) of assumed debt.

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.

			April 15, 2019 Dairy Crest
Assets acquired	Cash	$	7.0
	Receivables		54.6
	Inventories		374.7
	Income taxes receivable		1.5
	Prepaid expenses and other assets		12.1
	Property, plant and equipment		370.8
	Right-of-use assets		73.4
	Goodwill		677.0
	Intangible assets		668.2
	Other assets		283.1
Liabilities assumed	Accounts payable and accrued liabilities		(151.7)
	Lease liabilities		(70.4)
	Other liabilities		(8.3)
	Long-term debt		(436.6)
	Deferred income taxes		(160.7)
Net assets acquired		$	1,694.7

Other assets listed 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 $40.1 million during the six-month period ended September 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.

NOTE 13 BUSINESS ACQUISITIONS (CONT'D)

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.

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 11). 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 14 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 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, inventory revaluation resulting from a business acquisition, acquisition and restructuring costs, 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.

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 September 30		For the six-month periods ended September 30	
	2019	2018	**2019**	2018
Revenues				
Canada	**$ 1,029.4**	$ 1,047.7	**$ 1,998.2**	$ 2,058.7
USA	**1,792.4**	1,618.0	**3,550.1**	3,212.6
International	**657.0**	754.7	**1,447.3**	1,416.9
Europe	**186.8**	-	**338.4**	-
	$ 3,665.6	$ 3,420.4	**$ 7,334.0**	$ 6,688.2
Earnings before interest, income taxes, depreciation, amortization, inventory revaluation resulting from a business acquisition, acquisition and restructuring costs, and gain on hyperinflation				
Canada	**$ 103.2**	$ 104.4	**$ 201.7**	$ 209.9
USA	**175.4**	133.8	**349.0**	288.1
International	**80.2**	79.3	**139.9**	127.0
Europe	**35.6**	-	**61.8**	-
	$ 394.4	$ 317.5	**$ 752.4**	$ 625.0
Depreciation and amortization				
Canada	**$ 22.9**	$ 17.8	**$ 45.5**	$ 35.5
USA	**42.0**	39.1	**83.9**	80.1
International	**25.0**	20.1	**51.9**	35.6
Europe	**18.9**	-	**36.3**	-
	$ 108.8	$ 77.0	**$ 217.6**	$ 151.2
Inventory revaluation resulting from a business acquisition	**12.9**	-	**40.1**	-
Acquisition and restructuring costs	**0.4**	-	**22.8**	48.9
Gain on hyperinflation	**(1.5)**	(1.0)	**(9.6)**	(1.0)
Financial charges, net	**36.0**	22.4	**72.6**	41.7
Earnings before income taxes	**237.8**	219.1	**408.9**	384.2
Income taxes	**62.9**	56.0	**112.6**	95.1
Net earnings	**$ 174.9**	$ 163.1	**$ 296.3**	$ 289.1

NOTE 14 SEGMENTED INFORMATION (CONT'D)

GEOGRAPHIC INFORMATION

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2019	2018	**2019**	2018
Revenues				
Canada	**$ 1,029.4**	$ 1,047.7	**$ 1,998.2**	$ 2,058.7
USA	**1,792.4**	1,618.0	**3,550.1**	3,212.6
Australia	**525.1**	630.7	**1,136.6**	1,121.7
Argentina	**131.9**	124.0	**310.7**	295.2
United Kingdom	**186.8**	-	**338.4**	-
	$ 3,665.6	$ 3,420.4	**$ 7334.0**	$ 6,688.2

	September 30, 2019	March 31,2019
Net book value of property, plant and equipment and right-of-use assets		
Canada	**$ 789.9**	$ 679.3
USA	**1,573.7**	1,499.2
Australia	**1,005.4**	818.4
Argentina	**106.2**	98.5
United Kingdom	**404.0**	-
	$ 3,879.2	$ 3,095.4
Intangibles		
Canada	**$ 337.3**	$ 342.9
USA	**423.1**	429.8
Australia	**79.2**	91.9
Argentina	**9.9**	11.6
United Kingdom	**613.5**	-
	$ 1,463.0	$ 876.2

NOTE 15 SUBSEQUENT EVENT

ACQUISITION OF THE SPECIALTY CHEESE BUSINESS OF LION DAIRY & DRINKS PTY LTD

On October 28, 2019, the Company completed the acquisition of the specialty cheese business of Lion Dairy & Drinks Pty Ltd (Specialty Cheese Business), in Australia. 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*.

The total consideration of approximately $250.0 million (AU$280 million), on a cash-free and debt-free basis, was paid in cash at closing from cash on hand and available credit facilities.