Saputo

1 FIRST QUARTER

FISCAL 2021

Saputo Inc. (Saputo or the Company) is presenting the results for the first quarter of fiscal 2021, which ended on June 30, 2020.

- Revenues amounted to $3.391 billion, a decrease of $277.6 million or 7.6%.
- Adjusted EBITDA* amounted to $366.5 million, an increase of $8.5 million or 2.4%.
- Net earnings totalled $141.9 million and EPS** (basic and diluted) were $0.35, as compared to $121.4 million and EPS (basic and diluted) of $0.31.
- Adjusted net earnings* totalled $160.9 million and adjusted EPS* (basic and diluted) were $0.39, as compared to $164.9 million and adjusted EPS (basic and diluted) of $0.42. Adjusted EPS excluding amortization of intangible assets related to business acquisitions* (basic and diluted) were $0.44, as compared to $0.46 (basic and diluted).

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

(unaudited)	**For the three-month periods ended June 30**	
	2020	2019
Revenues	**3,390.8**	3,668.4
Adjusted EBITDA*	**366.5**	358.0
Net earnings	**141.9**	121.4
Adjusted net earnings*	**160.9**	164.9
Adjusted net earnings excluding amortization of intangible assets related to business acquisitions*	**179.2**	179.7
Net earnings per share (basic and diluted)	**0.35**	0.31
Adjusted net earnings per share* (basic and diluted)	**0.39**	0.42
Adjusted net earnings per share excluding amortization of intangible assets related to business acquisitions* (basic and diluted)	**0.44**	0.46

* See the "Non-IFRS Financial Measures" section of this Management's Discussion and Analysis for the reconciliations to IFRS measures.

HIGHLIGHTS

- The shift in consumer demand due to the COVID-19 pandemic impacted all the Company's Sectors to varying degrees. Overall, sales volumes in the retail market segment increased, while foodservice and industrial market segments sales volumes decreased. More specifically:
  - The Canada Sector benefited from higher sales volumes, mainly in the fluid milk category.
  - In the USA Sector, lower sales volumes affected efficiencies and the absorption of fixed costs, whereas USA Market Factors** and the fluctuation of the Canadian dollar versus the US dollar had a favourable impact on results.
  - In the International Sector, increased milk availability in Australia and the specialty cheese business of Lion Dairy & Drinks Pty Ltd (Specialty Cheese Business Acquisition) in Australia, acquired on October 28, 2019, contributed positively to results.
  - The Europe Sector benefited from the surge in retail market segment sales volumes.
- The Company announced today the merger of its two USA divisions, the Cheese Division (USA) and the Dairy Foods Division (USA), into a single division, now known as the Dairy Division (USA).
- As part of its commitment to share in the responsibility to eliminate racism in all its forms, Saputo has decided to retire the *COON* cheese brand name from its Australian brand portfolio and recorded an impairment on intangible assets charge of $19.0 million.
- The Board of Directors reviewed the dividend policy and increased the quarterly dividend from $0.17 per share to $0.175 per share, representing a 2.9% increase. The quarterly dividend will be payable on October 2, 2020, to common shareholders of record on September 22, 2020.

* See the "Non-IFRS Financial Measures" section of this Management's Discussion and Analysis for the reconciliations to IFRS measures.
** Refer to the "Glossary" section on page 20 of this Management's Discussion and Analysis.

Management's Discussion and Analysis

The goal of the management report is to analyze the results and the financial position of Saputo for the quarter ended June 30, 2020. It should be read while referring to our condensed interim consolidated financial statements and accompanying notes for the three-month periods ended June 30, 2020, and 2019. The Company's condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting as issued by the International Accounting Standards Board. The accounting policies of the Company are in accordance with International Financial Reporting Standards (IFRS). All dollar amounts are in Canadian dollars, unless otherwise indicated. This report takes into account material elements between June 30, 2020, and August 6, 2020, 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 June 30, 2020, unless otherwise specified. Additional information about the Company, including its Annual Report and Annual Information Form for the year ended March 31, 2020, can be obtained on SEDAR at www.sedar.com.

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, strategies, beliefs, plans, expectations, targets, commitments and goals, including the Company's ability to achieve these targets, commitments and goals, and statements other than historical facts. The words "may", "could", "should", "will", "would", "believe", "plan", "expect", "intend", "anticipate", "estimate", "foresee", "objective", "continue", "propose", "aim", "commit", "assume", "forecast", "seek", "project", "potential" 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, as well as other factors it believes are appropriate under these circumstances, 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, its environmental performance, its sustainability efforts, the effectiveness of its environmental and sustainability initiatives, the availability and cost of milk and other raw materials and energy supplies, its operating costs, the pricing of its finished products on the various markets in which it carries on business, and the effects of the COVID-19 pandemic. 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 those stated, implied or projected 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 facts or guarantees of future performance in any way. Assumptions, expectations and estimates made in the preparation of forward-looking statements and risks and uncertainties 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 4, 2020, available on SEDAR under the Company's profile at www.sedar.com.

Such risks and uncertainties include the following: product liability; the COVID-19 pandemic; the availability of raw materials (including as a result of climate change or extreme weather) and related price variations, along with the ability for the Company to transfer those increases, if any, to its customers in competitive market conditions; the price fluctuation of its products in the countries in which it operates, as well as in international markets, which are based on supply and demand levels for dairy products; the increased competitive environment in the dairy industry; consolidation of clientele; supplier concentration; unanticipated business disruption; the economic environment; changes in environmental laws and regulations; cyber threats and other Information Technology-related risks relating to business disruptions, confidentiality, and data integrity; the Company's ability to identify, attract and retain qualified individuals; the failure to adequately integrate acquired businesses in a timely and efficient manner; changes in consumer trends. The Company's ability to achieve its environmental targets, commitments and goals is further subject to, among others, the Company's ability to access and implement all technology necessary to achieve its targets, commitments and goals, as well as the development and performance of technology and technological innovations and the future use and development of technology and associated expected future results, and environmental regulation.

Forward-looking statements are based on Management's current estimates, expectations and assumptions, which Management believes are reasonable as of the date hereof, and are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events, including the duration and severity of the COVID-19 pandemic, and are accordingly 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.

All forward-looking statements included herein speak only as of the date hereof or as of the specific date of such forward-looking statements. Except as required under applicable securities legislation, Saputo does not undertake to update or revise 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. All forward-looking statements contained herein are expressly qualified by this cautionary statement.

CONSOLIDATED RESULTS

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).

Consolidated revenues for the three-month period ended June 30, 2020, totalled $3.391 billion, a decrease of $277.6 million or 7.6%, as compared to $3.668 billion for the same quarter last fiscal year. During the quarter, due to the COVID-19 pandemic, the Company witnessed a shift in consumer demand for its products on a global scale. This resulted in revenues being negatively impacted by lower sales volumes in the foodservice and industrial market segments. Such impact was mostly in the North American divisions and was partially offset by an increase in retail sales volumes. Moreover, sales were negatively impacted by government-imposed lockdowns in the Company's export markets. With the sharp market decline, which began late in fiscal 2020 and continued early in the quarter, the fluctuation of the average block market price** and the lower average butter market price** decreased revenues by approximately $80 million. The decrease in revenues was partially offset by higher domestic selling prices in the Canada and International Sectors, due to the increased cost of milk as raw material. The devaluation of the Argentine peso and the Australian dollar versus the US dollar in the export markets had a positive impact on revenues. Revenues also increased due to the contribution of the Dairy Crest Acquisition in the Europe Sector for the full quarter, as compared to an 11-week contribution the same quarter last fiscal year. The inclusion of the Specialty Cheese Business Acquisition in the International Sector also increased revenues. The fluctuation of foreign currencies versus the Canadian dollar decreased revenues by approximately $23 million, mainly in the International Sector.

Consolidated adjusted EBITDA* for the three-month period ended June 30, 2020, totalled $366.5 million, an increase of $8.5 million or 2.4%, as compared to $358.0 million for the same quarter last fiscal year. The shift in consumer demand negatively impacted sales volumes and efficiencies in the North American divisions. Extreme volatility in USA Market Factors had a positive effect on adjusted EBITDA of approximately $23 million. Increased sales volumes in the Europe Sector's retail market segment and in the Canada Sector, mainly in the fluid milk category, had a positive effect on adjusted EBITDA. In the International Sector, improved operational efficiencies, resulting from increased milk availability in Australia, mitigated the impact of lower export sales volumes. Adjusted EBITDA increased due to the contribution of the Dairy Crest Acquisition for the full quarter, as compared to an 11-week contribution the same quarter last fiscal year, and this increase was compounded by a surge in retail sales volumes. The inclusion of the Specialty Cheese Business Acquisition also contributed positively to adjusted EBITDA. The ban on non-essential business travel and the limitations placed on promotional activity and other initiatives in the context of the COVID-19 pandemic mitigated the negative impacts on adjusted EBITDA of higher operational costs, including those incurred to acquire increased supplies of personal protective equipment for employees, and unproductive labour costs. The fluctuation of foreign currencies versus the Canadian dollar decreased adjusted EBITDA by approximately $4 million, mainly in the International Sector.

Depreciation and amortization for the three-month period ended June 30, 2020, totalled $126.0 million, an increase of $17.2 million, as compared to $108.8 million for the same quarter last fiscal year. This increase was mainly attributable to additional depreciation and amortization related to recent acquisitions and to additions to property, plant and equipment, which increased the depreciable base.

Impairment of intangible assets for the three-month period ended June 30, 2020, totalled $19.0 million and was related to the Company's decision to retire the *COON* cheese brand name from its Australian brand portfolio as part of its commitment to share in the responsibility to eliminate racism in all its forms.

Inventory revaluation resulting from a business acquisition for the three-month period ended June 30, 2020, amounted to nil, as compared to $27.2 million for the same quarter last fiscal year. These revaluations relating to the Dairy Crest Acquisition stemmed from added value attributed to the acquired inventory as part of the purchase price allocation and were fully amortized during fiscal 2020.

Acquisition and restructuring costs for the three-month period ended June 30, 2020, amounted to nil as compared to $22.4 million incurred for the Dairy Crest Acquisition last fiscal year.

* See the "Non-IFRS Financial Measures" section of this Management's Discussion and Analysis for the reconciliations to IFRS measures.
** Refer to the "Glossary" section on page 20 of this Management's Discussion and Analysis.

Net interest expense for the three-month period ended June 30, 2020, totalled $25.1 million, a decrease of $3.4 million or 11.9%, as compared to $28.5 million for the same quarter last fiscal year. This includes a decrease in interest expense of $8.5 million, mainly attributable to a lower level of long-term debt and lower interest rates, partially offset by a decreased gain on hyperinflation of $5.1 million derived from the indexation of non-monetary assets and liabilities.

Income taxes for the three-month period ended June 30, 2020, totalled $54.5 million, reflecting an effective tax rate of 27.7%, as compared to 29.1% for the same quarter last fiscal year. During the first quarter, the Company recorded an impairment of intangible assets charge. Excluding this charge, the effective tax rate for the three-month period ended June 30, 2020, would have been 25.3%. Income taxes during the three-month period ended June 30, 2019, included the impact of the tax treatment of acquisition costs. Excluding these costs, the effective tax rate for the three-month period ended June 30, 2019, would have been 26.5%. The effective tax rate varies and could increase or decrease based on the geographic mix of earnings across the various jurisdictions in which Saputo operates, the amount and source of taxable income, amendments to tax legislations and income tax rates, changes in assumptions, as well as estimates used for tax assets and liabilities by the Company and its affiliates.

Net earnings for the three-month period ended June 30, 2020, totalled $141.9 million, an increase of $20.5 million or 16.9%, as compared to $121.4 million for the same quarter last fiscal year. This increase was mainly due to the aforementioned factors.

Adjusted net earnings* for the three-month period ended June 30, 2020, totalled $160.9 million, a decrease of $4.0 million or 2.4%, as compared to $164.9 million for the same quarter last fiscal year. Adjusted net earnings excluding amortization of intangible assets related to business acquisitions* totalled $179.2 million, a decrease of $0.5 million or 0.3%, as compared to $179.7 million for the same quarter last fiscal year. This decrease was due to the aforementioned factors.

* See the "Non-IFRS Financial Measures" section of this Management's Discussion and Analysis for the reconciliations to IFRS measures.

SELECTED QUARTERLY FINANCIAL INFORMATION

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

Fiscal years	2021	2020				2019		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	**3,390.8**	3,718.7	3,890.8	3,665.6	3,668.4	3,236.5	3,577.2	3,420.4
Adjusted EBITDA*	**366.5**	298.4	417.0	394.4	358.0	275.1	321.2	317.5
Net earnings	**141.9**	88.7	197.8	174.9	121.4	124.2	342.0	163.1
Gain on disposal of assets[1]	**-**	-	-	-	-	-	(167.8)	-
Impairment of intangible assets[1]	**19.0**	-	-	-	-	-	-	-
Inventory revaluation resulting from a business acquisition[1]	**-**	-	-	10.5	22.0	-	-	-
Acquisition and restructuring costs[1]	**-**	10.1	6.4	0.4	21.5	1.6	0.2	-
Adjusted net earnings*	**160.9**	98.8	204.2	185.8	164.9	125.8	174.4	163.1
Adjusted net earnings excluding amortization of intangible assets related to business acquisitions*	**179.2**	116.5	229.1	198.3	179.7	133.8	182.3	170.9
Per share								
Net earnings								
Basic	**0.35**	0.22	0.49	0.44	0.31	0.32	0.88	0.42
Diluted	**0.35**	0.22	0.48	0.44	0.31	0.32	0.87	0.42
Adjusted net earnings*								
Basic	**0.39**	0.24	0.50	0.47	0.42	0.32	0.45	0.42
Diluted	**0.39**	0.24	0.50	0.47	0.42	0.32	0.44	0.42
Adjusted net earnings per share excluding amortization of intangible assets related to business acquisitions*								
Basic	**0.44**	0.29	0.56	0.50	0.46	0.34	0.47	0.44
Diluted	**0.44**	0.28	0.56	0.50	0.46	0.34	0.47	0.44

* See the "Non-IFRS Financial Measures" section of this Management's Discussion and Analysis for the reconciliations to IFRS measures.
1 Net of income taxes.

Selected factors positively (negatively) affecting financial performance

(in millions of CDN dollars)

Fiscal years	2021	2020			
	Q1	Q4	Q3	Q2	Q1
USA Market Factors*[,1]	**23**	(8)	14	10	(8)
Inventory write-down	**-**	(18)	-	-	-
Foreign currency exchange[1, 2]	**(4)**	(3)	(15)	(14)	(4)

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

The quarter began amidst the COVID-19 pandemic and the resulting adverse global economic conditions, which disrupted financial markets (including pricing of commodities), supply chains and business productivity. As governments around the world proceeded to impose restrictions such as social distancing measures and the closure of non-essential businesses, consumer demand for the Company's products was significantly impacted. However, as the quarter progressed, economic indicators generally improved, economies began to re-open and governments began gradually easing restrictions.

The volatility in the commodities market positively impacted Saputo's financial performance in the first quarter of fiscal 2021. This volatility is expected to continue during fiscal 2021. During these unprecedented times, the volatility in the commodities market and international cheese and ingredient market price fluctuations are difficult to predict, and it is impossible to anticipate whether they will have a positive or negative impact on the Company's financial performance. A sustained return to historical financial performance and efficiencies is dependent on the recovery of volume in the foodservice and industrial market segments. During the quarter, volumes in these market segments began to recover as governments started to gradually ease restrictions, including in the countries where the Company's export customers are based, but these volume recoveries may not be linear throughout the upcoming months.

As an essential service provider, the Company's operations continued to be carried out in all regions in which it operates, and its response to the COVID-19 pandemic continues to be guided by the following principles:

- safeguarding the health and safety of employees;
- adapting commercial initiatives, production and supply chain to consumer demand; and
- helping its communities through food donations and financial support.

Saputo also recognizes that the pandemic has brought on new challenges in the lives of its employees, and as such, the Company has enhanced its already robust safety and cleaning protocols at each facility, provided a leadership commitment that no lay-offs will occur, as a result of the COVID-19 pandemic, until further notice, introduced new well-being initiatives, shared tips and best practices that promote a healthy mind and body, and gifted meals to its employees as a token of appreciation for their dedication and hard work.

With the increase in the number of office employees working remotely, the demand on information technology resources and systems has increased. The Company responded with targeted investments and training and is keeping information security top of mind.

From the onset of the pandemic, Saputo consistently helped its communities by providing food security for the most vulnerable through donations to local food banks. To date, financial and product donations have reached over $5 million.

While the possibility of occurrence, severity and timing of new COVID-19 outbreaks in different parts of the world are impossible to predict, the Company believes that with its recent experience and learnings, it is well positioned to swiftly adapt its operations to new circumstances. Saputo will continue to apply its disciplined approach and remain focused on adjusting to ongoing changes, understanding the new normal and leveraging its global network. This includes continuously adapting manufacturing operations to local realities and changes in consumer demand, while continuing to maximize operational efficiencies. The Company has a long-standing commitment to manufacture quality products and remains focused on being an efficient operator. Saputo will maintain efforts to grow its specialty and value-added products' business and will also pursue opportunities to increase customer and consumer loyalty, while seeking further operational efficiencies and sustaining ongoing efforts to right-size its manufacturing footprint.

The unified Dairy Division (USA) will allow Saputo to have a more agile USA platform, aligned under a common strategy, and to be in a position to more efficiently serve its markets, given consumer habits and customer expectations can evolve at a rapid pace. The merger of its two USA divisions is expected to reveal synergies in all facets of the business and operations. Also, the Company continues to aim to further capture opportunities derived from the combination of all its operations in Australia under a single platform and to leverage the vast portfolio of brands inherited through the Specialty Cheese Business Acquisition.

Saputo remains well positioned to grow organically through strategic capital investments in designated manufacturing facilities aimed at driving further growth, as well as through new product development and the expansion of its export markets. As a result of uncertainties caused by the COVID-19 pandemic, the Company continues to re-evaluate the nature and timing of its capital expenditure projects. In light of COVID-19 and related restrictions, the deployment plan for the Company's Enterprise Resource Planning (ERP) program continues to evolve and further re-planning could be necessary in the upcoming months.

Saputo also aims to continue to grow through targeted acquisitions. The Company intends to seize future acquisition opportunities, which it believes constitute the right fit, with the objective of further strengthening its existing business. Additionally, Saputo is committed to diversifying its product portfolio by pursuing plant-based opportunities yet remains very bullish about dairy products, standing behind the belief that there are multiple opportunities for the Company to continue to grow in the dairy space.

Furthermore, the Company continues to focus on delivering on the Saputo Promise. With a clear strategic direction, emphasis remains on the execution of its three-year plan, which began in fiscal 2020, and Saputo continues to deploy efforts to improve performance across each of its seven Pillars.

In fiscal 2020, the Company pledged to accelerate its global climate, water, and waste performance and announced clear targets and a formal commitment to allocate additional resources, including a three-year investment of $50 million. Various projects aimed at reducing the Company's annual energy consumption, CO_2 emissions, and water usage globally have now been identified.

The Company continues to benefit from a solid financial position and capital structure, supplemented by a high level of cash generated by operations. Profitability enhancement and shareholder value creation remain the cornerstones of its objectives.

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.

As the Company navigates through the evolution of the COVID-19 pandemic and the related uncertainties, the Company continues to focus on capital allocation priorities and cash flow generation. The Company's current capital allocation priorities are focused on investing wisely to support its business operations. Currently, the Company has no intention to repurchase common shares in the course of the fiscal year ending March 31, 2021.

The Company's cash and cash equivalents totalled $535.7 million as at June 30, 2020. In addition to these funds, the Company has unused credit facilities of US$1.000 billion under the North American bank credit facilities as at June 30, 2020. The Company believes it is well positioned to navigate current market conditions given its strong balance sheet.

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 June 30	
	2020	2019
Cash generated from operating activities	**376.7**	320.3
Net cash generated from operating activities	**336.0**	234.4
Cash used for investing activities	**(50.9)**	(1,837.7)
Cash (used for) generated from for financing activities	**(76.6)**	1,598.5
Increase (decrease) in cash and cash equivalents	**208.5**	(4.8)

Net cash generated from operating activities for the three-month period ended June 30, 2020, amounted to $336.0 million, an increase of $101.6 million or 43.3%, in comparison to $234.4 million for the same quarter last fiscal year. This increase is due to an increase in adjusted EBITDA of $8.5 million, lower acquisition costs of $22.4 million and an increase related to changes in non-cash operating working capital items of $31.8 million, which was driven by the fluctuation in accounts receivable, inventories, as well as payables in line with the fluctuation of market prices. The increase was also due to the respective decreases of $9.2 million in interest paid and of $36.0 million in income taxes paid. The Company benefited from consistently positive cash flows throughout the quarter.

Investing activities for the three-month period ended June 30, 2020, were mainly comprised of $64.4 million disbursed for additions to property, plant and equipment, additions to intangible assets totalling $14.2 million related to the ERP initiative and proceeds from disposal of long-lived assets in the amount of $27.7 million.

Financing activities for the three-month period ended June 30, 2020, consisted mainly of the issuance, on June 16, 2020, of Series 7 medium term notes for an aggregate principal of $700.0 million. A portion of the net proceeds of the issuance were used to repay the $426.0 million 2-year tranche of the term loan facility incurred in connection with the Dairy Crest Acquisition and $206.0 million of revolving loan facilities for the Dairy Division (Australia), which included funds drawn in connection with the Specialty Cheese Business Acquisition. Also, the Company paid $18.8 million of lease liabilities and issued shares as part of the stock option plan for $2.2 million.

Liquidity

(in millions of CDN dollars, except ratio)

	June 30, 2020	March 31, 2020
Current assets	**4,225.3**	4,069.0
Current liabilities	**2,487.1**	2,493.5
Working capital*	**1,738.2**	1,575.5
Working capital ratio*	**1.70**	1.63

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

The working capital ratio is an indication of the Company's ability to cover short-term liabilities with short-term assets, without having excess dormant assets. The increase in the working capital ratio is mainly due to higher cash and cash equivalents.

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 2.25 times net debt to adjusted EBITDA**. From time to time, the Company may deviate from its long-term leverage target to pursue acquisitions and other strategic opportunities.

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

	June 30, 2020	March 31, 2020
Long-term debt	**3,813.3**	3,542.3
Bank loans	**217.3**	528.5
Lease Liabilities	**429.8**	414.8
Cash and cash equivalents	**535.7**	319.4
Net debt*	**3,924.7**	4,166.2
Trailing twelve months adjusted EBITDA**	**1,476.3**	1,467.8
Net debt to adjusted EBITDA**	**2.66**	2.84
Number of common shares	**408,741,932**	408,638,373
Number of stock options	**25,157,998**	20,946,092

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On June 16, 2020, the Company issued Series 7 medium term notes for an aggregate principal amount of $700.0 million due June 16, 2027, bearing interest at 2.24%. The net proceeds of the issuance were used during the quarter to repay (i) the $426.0 million 2-year tranche of the term loan facility incurred in connection with the Dairy Crest Acquisition and (ii) $206.0 million of the revolving loan facilities for the Dairy Division (Australia), which included funds drawn in connection with the Specialty Cheese Business Acquisition. The remaining net proceeds were used for general corporate purposes.

On July 6, 2020, the Company repaid $68.0 million of the 3-year tranche of the term loan facility incurred in connection with the Dairy Crest Acquisition.

The Company implemented a dividend reinvestment plan (DRIP), which became effective as of the dividend paid on July 9, 2020. The DRIP provides eligible shareholders with the opportunity to have all or a portion of their cash dividends automatically reinvested into additional common shares.

As at June 30, 2020, the Company had $535.7 million in cash and cash equivalents and available bank credit facilities of $2.332 billion, of which $217.3 million were drawn. See Notes 6 and 7 to the condensed interim consolidated financial statements for additional information related to bank loans and long-term debt.

Share capital authorized by the Company is comprised of an unlimited number of common shares. The common shares are voting and participating. As at July 31, 2020, 409,345,603 common shares and 25,079,070 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 long-term debt, payments for leased premises, equipment and rolling stock, as well as purchase obligations for capital expenditures and service agreements to which the Company is committed.

(in millions of CDN dollars)

	June 30, 2020				March 31, 2020			
	Long-term debt	**Leases**	**Purchase obligations & other**	**Total**	Long-term debt	Leases	Purchase obligations & other	Total
Less than 1 year	**300.0**	**97.1**	**187.9**	**585.0**	-	96.4	196.5	292.9
1–2 years	**1,289.1**	**81.5**	**21.3**	**1,391.9**	718.8	84.8	20.4	824.0
2–3 years	**474.2**	**62.5**	**14.3**	**551.0**	1,336.4	62.3	16.2	1,414.9
3–4 years	**300.0**	**75.7**	**6.9**	**382.6**	737.1	46.4	6.5	790.0
4–5 years	**400.0**	**29.9**	**5.8**	**435.7**	400.0	59.2	6.0	465.2
More than 5 years	**1,050.0**	**169.8**	**6.6**	**1,226.4**	350.0	159.8	7.9	517.7
	3,813.3	**516.5**	**242.8**	**4,572.6**	3,542.3	508.9	253.5	4,304.7

Long-term debt

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

In connection with the Murray Goulburn Acquisition, the Company entered into a credit agreement in April 2018 providing for a non-revolving term facility comprised of three tranches. A total of $1.262 billion was drawn, of which $788.1 million has been repaid. The credit facility bears interest at lenders' prime rates plus a maximum of 1.00%, or bankers' acceptance rates or the Australian Bank Bill Rate plus 0.80% up to a maximum of 2.00%, depending on the Company's credit ratings and matures in April 2023.

In connection with the Dairy Crest Acquisition in April 2019, the Company entered into a credit agreement providing for a non-revolving term facility comprised of three tranches. A total of $2.008 billion was drawn, of which $1.019 billion 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 matures in April 2022.

The Company's long-term debt also includes six series of unsecured senior notes outstanding under its medium-term program for a total of $2.350 billion, with annual interest rates varying from 1.94% to 3.60% and maturities ranging from June 2021 to June 2027.

FINANCIAL POSITION

The main financial position items as at June 30, 2020, varied as compared to the balances as at March 31, 2020, principally due to the strengthening of the Canadian dollar versus the US dollar.

The following table outlines the conversion rates of the respective local operations' financial position items in foreign currencies as at June 30, 2020, and March 31, 2020.

	As at June 30, 2020	As at March 31, 2020
US dollar / Canadian dollar[1]	**1.3576**	1.4062
Australian dollar / Canadian dollar[1]	**0.9372**	0.8621
Argentine peso / Canadian dollar[1]	**0.0193**	0.0219
British pound sterling / Canadian dollar[1]	**1.6835**	1.7462

1 Based on Bloomberg published information.

The fluctuation of the Canadian dollar versus the US dollar, the Argentine peso, the British pound sterling, and the Australian dollar resulted in lower values recorded for the financial position items of the foreign operations.

The net cash position (cash and cash equivalents less bank loans) increased from negative $209.1 million as at March 31, 2020, to positive $318.4 million as at June 30, 2020, mainly resulting from the increase in net cash generated from operating activities and a repayment of $206.0 million of revolving loan facilities for the Dairy Division (Australia) following the issuance of the Series 7 medium term notes. 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 ADOPTED DURING THE PERIOD

Please refer to Note 3 to the Company's condensed interim consolidated financial statements for the period ended June 30, 2020, for more information regarding the effect of other new accounting standards, interpretations and amendments adopted on or after April 1, 2020.

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

Please refer to Note 3 to the Company's condensed interim consolidated financial statements for the period ended June 30, 2020, for more information regarding the effect of new accounting standards, interpretations and amendments not yet implemented.

FOLLOW-UP ON CERTAIN SPECIFIC ITEMS OF THE ANALYSIS

For an analysis of guarantees, related-party transactions, critical accounting estimates and changes in accounting policies, risks and uncertainties, as well as a sensitivity analysis of interest rate and US currency fluctuations, the discussion provided in the Company's 2020 Annual Report can be consulted (pages 28 to 35 of the Management's Discussion and Analysis dated June 4, 2020).

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.

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 currently expected to be completed in fiscal 2023, subject to further re-planning, if necessary, based on the current context of the COVID-19 pandemic. 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 April 1, 2020, and ended on June 30, 2020, that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

INFORMATION BY SECTOR

CANADA SECTOR

(in millions of CDN dollars)

Fiscal years	**2021**	2020			
	Q1	Q4	Q3	Q2	Q1
Revenues	**981.6**	960.1	1,049.0	1,029.4	968.8
Adjusted EBITDA*	**104.2**	91.0	111.7	103.2	98.5

* See the "Non-IFRS Financial Measures" section of this Management's Discussion and Analysis for the reconciliations to IFRS measures.

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

Revenues

Revenues for the Canada Sector totalled $981.6 million for the three-month period ended June 30, 2020, an increase of $12.8 million or 1.3%, as compared to $968.8 million for the same quarter last fiscal year. Revenues were positively impacted by higher sales volumes, mainly in the fluid milk category. The shift in consumer demand related to the COVID-19 pandemic resulted in a decrease of sales volumes in the foodservice market segment, partially offset by the increase of sales volumes within the retail market segment. Higher selling prices in accordance with the higher cost of milk as raw material also contributed positively to the increase in revenues.

Adjusted EBITDA

Adjusted EBITDA for the Canada Sector totalled $104.2 million for the three-month period ended June 30, 2020, an increase of $5.7 million or 5.8%, as compared to $98.5 million for the same quarter last fiscal year. Adjusted EBITDA was positively impacted by higher sales volumes, mainly in the fluid milk category. The increase in adjusted EBITDA was partially offset by an unfavourable product category mix.

USA SECTOR

(in millions of CDN dollars)

Fiscal years	2021	2020			
	Q1	Q4	Q3	Q2	Q1
Revenues	**1,416.7**	1,694.8	1,848.7	1,792.4	1,757.7
Adjusted EBITDA*	**162.2**	94.3	172.1	175.4	173.6

* See the "Non-IFRS Financial Measures" section of this Management's Discussion and Analysis for the reconciliations to IFRS measures.

Selected factors positively (negatively) affecting financial performance

(in millions of CDN dollars)

Fiscal years	2021	2020			
	Q1	Q4	Q3	Q2	Q1
USA Market factors[*,1]	**23**	(8)	14	10	(8)
Inventory write-down	**-**	(18)	-	-	-
US currency exchange[1]	**5**	1	-	1	6

* Refer to the "Glossary" section on page 20 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	2021	2020			
	Q1	Q4	Q3	Q2	Q1
Block market price*					
Opening	**1.330**	1.910	1.958	1.858	1.645
Closing	**2.640**	1.330	1.910	1.958	1.858
Average	**1.778**	1.835	1.971	1.912	1.711
Butter market price*					
Opening	**1.335**	1.950	2.128	2.410	2.255
Closing	**1.765**	1.335	1.950	2.128	2.410
Average	**1.500**	1.799	2.043	2.284	2.330
Average whey market price*	**0.356**	0.353	0.326	0.352	0.370
Spread*	**0.047**	0.113	(0.018)	0.029	0.001[2]
US average exchange rate to Canadian dollar[1]	**1.378**	1.330	1.320	1.320	1.337

* Refer to the "Glossary" section on page 20 of this Management's Discussion and Analysis.
1 Based on Bloomberg published information.
2 Updated to conform to the current Spread definition.

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

Revenues

Revenues for the USA Sector totalled $1.417 billion for the three-month period ended June 30, 2020, a decrease of $341.0 million or 19.4%, as compared to $1.758 billion for the same quarter last fiscal year. Revenues were negatively impacted by lower sales volumes in the foodservice and industrial market segments, due to the shift in consumer demand related to the COVID-19 pandemic. Partially offsetting this decrease, the retail market segment's sales volumes increased. With the sharp market decline, which began late in fiscal 2020 and continued early in the quarter, the fluctuation of the average block market price and the lower average butter market price decreased revenues by approximately $80 million. The fluctuation of the US dollar versus the Canadian dollar increased revenues by approximately $60 million.

Adjusted EBITDA

Adjusted EBITDA for the USA Sector totalled $162.2 million for the three-month period ended June 30, 2020, a decrease of $11.4 million or 6.6%, as compared to $173.6 million for the same quarter last fiscal year. Adjusted EBITDA was negatively impacted by lower sales volumes, which affected the Sector's efficiencies and absorption of fixed costs. The relation between the average block market price and the cost of milk as raw material had a favourable impact on adjusted EBITDA. Also, higher dairy ingredient market prices and favourable margins associated with the fluctuation of commodity prices had a positive effect on adjusted EBITDA. However, the fluctuation of the average block market price and the lower average butter market price had an unfavourable impact on both the realization of inventories and the absorption of fixed costs. The combined effect of these USA Market Factors positively impacted adjusted EBITDA by approximately $23 million. Finally, the fluctuation of the US dollar versus the Canadian dollar had a positive impact on adjusted EBITDA of approximately $5 million.

INTERNATIONAL SECTOR

(in millions of CDN dollars)

Fiscal years	2021	2020			
	Q1	Q4	Q3	Q2	Q1
Revenues	**781.6**	832.4	797.0	657.0	790.3
Adjusted EBITDA*	**59.8**	66.5	98.5	80.2	59.7

* See the "Non-IFRS Financial Measures" section of this Management's Discussion and Analysis for the reconciliations to IFRS measures.

Selected factors positively (negatively) affecting financial performance

(in millions of CDN dollars)

Fiscal years	2021	2020			
	Q1	Q4	Q3	Q2	Q1
Foreign currency exchange[1]	**(9)**	(5)	(14)	(16)	(10)

[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 $781.6 million for the three-month period ended June 30, 2020, a decrease of $8.7 million or 1.1%, as compared to $790.3 million for the same quarter last fiscal year. Revenues were negatively impacted by lower export sales volumes, due to the COVID-19 pandemic and the ensuing lockdowns in export markets. The decrease in revenues was partially offset by higher selling prices in the domestic retail market segment in the Dairy Division (Australia), as a result of the increased cost of milk as raw material. The hyperinflationary economy in the Dairy Division (Argentina) also positively impacted revenues. Additional revenues derived from the weakening of the Argentine peso and the Australian dollar versus the US dollar increased revenues. Furthermore, the contribution of the Specialty Cheese Business Acquisition positively impacted revenues. Conversely, the fluctuation of the functional currencies used in the International Sector versus the Canadian dollar had a negative impact on revenues of approximately $84 million.

Adjusted EBITDA

Adjusted EBITDA for the International Sector totalled $59.8 million for the three-month period ended June 30, 2020, an increase of $0.1 million or 0.2%, as compared to $59.7 million for the same quarter last fiscal year. Adjusted EBITDA was positively impacted by improved operational efficiencies, derived from increased milk availability in Australia, and the contribution of the Specialty Cheese Business Acquisition. The increase in adjusted EBITDA was partially offset by the impact of lower sales volumes, due to the COVID-19 pandemic, and the unfavourable relation between international cheese and dairy ingredient market prices and the cost of milk as raw material. The fluctuation of the functional currencies used in the International Sector versus the Canadian dollar had a negative impact on adjusted EBITDA of approximately $9 million.

EUROPE SECTOR

(in millions of CDN dollars)

Fiscal years	2021	2020			
	Q1	Q4	Q3	Q2	Q1
Revenues	**210.9**	231.4	196.1	186.8	151.6
Adjusted EBITDA*	**40.3**	46.6	34.7	35.6	26.2

* See the "Non-IFRS Financial Measures" section of this Management's Discussion and Analysis for the reconciliations to IFRS measures.

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

Revenues

Revenues for the Europe Sector totalled $210.9 million for the three-month period ended June 30, 2020, an increase of $59.3 million or 39.1%, as compared to $151.6 million for the same quarter last fiscal year. Revenues increased due to the contribution of the Dairy Crest Acquisition for the full quarter, as compared to an 11-week contribution the same quarter last fiscal year. Higher sales volumes in the retail market segment, due to the increased consumer demand related to the COVID-19 pandemic, also positively impacted revenues.

Adjusted EBITDA

Adjusted EBITDA for the Europe Sector totalled $40.3 million for the three-month period ended June 30, 2020, an increase of $14.1 million or 53.8%, as compared to $26.2 million for the same quarter last fiscal year. Adjusted EBITDA was positively impacted by higher sales volumes in the retail market segment following increased consumer demand. Adjusted EBITDA also increased due to the contribution of the Dairy Crest Acquisition for the full quarter, as compared to an 11- week contribution the same quarter last fiscal year.

NON-IFRS FINANCIAL MEASURES

The Company reports its financial results in accordance with IFRS. However, the Company uses the following non-IFRS financial measures to explain its financial performance:

- adjusted EDITDA;
- adjusted net earnings;
- adjusted net earnings per share;
- adjusted net earnings excluding amortization of intangible assets related to business acquisitions; and
- adjusted net earnings per share excluding amortization of intangible assets related to business acquisitions.

These non-IFRS financial measures have no standardized meaning under IFRS and are not likely to be comparable to similar measures presented by other issuers. Non-IFRS financial measures should not be viewed as a substitute for the related financial information prepared in accordance with IFRS. The components of each non-IFRS financial measure used by the Company for the three-month periods ended June 30, 2020, and 2019, are described below and are subject to change based on future transactions or where Management deems necessary to provide a better understanding and comparability of future results and activities of the Company.

Adjusted EBITDA

The Company believes that adjusted EBITDA provides investors with useful information because it is a common industry measure and it is also a key metric of the Company's operational and financial performance. The adjustments made to adjusted EBITDA, including the new impairment of intangible assets which is of an extraordinary nature, are not indicative of core business activities. The Company uses, and believes that investors and analysts also use, adjusted EBITDA to evaluate the performance of the business. Adjusted EBITDA is also a component in the determination of short-term incentive compensation for management.

Adjusted EBITDA for the three-month periods ended June 30, 2020, and 2019, is equivalent to earnings before interest, income taxes, depreciation, amortization, impairment of intangible assets, inventory revaluation resulting from a business acquisition, and acquisition and restructuring costs, as this financial measure is presented in the Company's condensed interim consolidated income statement and, with respect to the Company's reportable segments, in the notes to the financial statements.

The following table provides a reconciliation of earnings before income taxes to adjusted EBITDA.

(in millions of CDN dollars)

	For the three-month periods ended June 30	
	2020	2019
Earnings before income taxes	**196.4**	171.1
Other financial charges[1]	**5.3**	4.2
Interest on long-term debt	**19.8**	24.3
Inventory revaluation resulting from a business acquisition	**-**	27.2
Acquisition and restructuring costs	**-**	22.4
Impairment of intangible assets	**19.0**	-
Depreciation and amortization	**126.0**	108.8
Adjusted EBITDA	**366.5**	358.0

1 Includes gain on hyperinflation. Refer to Note 10 to the Company's condensed interim consolidated financial statements for the period ended June 30, 2020, for more information.

Adjusted net earnings and other non-IFRS financial measures used by the Company

Management believes that adjusted net earnings, adjusted net earnings excluding amortization of intangible assets related to business acquisitions, adjusted net earnings per share and adjusted net earnings per share excluding amortization of intangible assets related to business acquisitions provide useful information to investors because these financial measures provide precision with regards to the Company's ongoing operations. They also provide readers with a representation of the activities considered of relevance to the Company's financial performance and additional financial information that can be used to identify trends or additional disclosures about the way the Company operates, as well as comparability to the Company's prior year results. Management also believes that in the context of highly acquisitive companies, adjusted net earnings excluding amortization of intangible assets related to business acquisitions and adjusted net earnings per share excluding amortization of intangible assets related to business acquisitions (due to the application of various accounting policies in relation to the allocation of purchase price to goodwill and intangible assets) are more effective measures to assess performance against its peer group.

The following table provides a reconciliation of net earnings and net earnings per share to adjusted net earnings and adjusted net earnings excluding amortization of intangible assets related to business acquisitions.

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

	For the three-month periods ended June 30					
	2020			2019		
		Per Share			Per Share	
	Total	**Basic**	**Diluted**	Total	Basic	Diluted
Net earnings	**141.9**	**0.35**	**0.35**	121.4	0.31	0.31
Impairment of intangible assets[1]	**19.0**	**0.05**	**0.05**	-	-	-
Inventory revaluation resulting from a business acquisition[1]	**-**	**-**	**-**	22.0	0.06	0.06
Acquisition and restructuring costs[1]	**-**	**-**	**-**	21.5	0.06	0.06
Adjusted net earnings	**160.9**	**0.39**	**0.39**	164.9	0.42	0.42
Amortization of intangible assets related to business acquisitions[1]	**18.3**	**0.04**	**0.04**	14.8	0.04	0.04
Adjusted net earnings excluding amortization of intangible assets related to business acquisitions	**179.2**	**0.44**	**0.44**	179.7	0.46	0.46

[1] Net of income taxes

GLOSSARY

Adjusted EBITDA

"Adjusted EBITDA" means earnings before interest, income taxes, depreciation, amortization, impairment of intangible assets, inventory revaluation resulting from a business acquisition, and acquisition and restructuring costs.

Adjusted net earnings

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

Adjusted net earnings excluding amortization of intangible assets related to business acquisitions

"Adjusted net earnings excluding amortization of intangible assets related to business acquisitions" means adjusted net earnings prior to the inclusion of amortization of intangible assets related to business acquisitions, 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.

Adjusted net earnings per share excluding amortization of intangible assets related to business acquisitions

"Adjusted net earnings per share excluding amortization of intangible assets related to business acquisitions" (basic and diluted) means adjusted net earnings per basic and diluted common share prior to the inclusion of amortization of intangible assets related to business acquisitions, net of applicable income taxes.

Average whey powder market price

"Average w hey powder market price" means the average daily price for a pound of extra grade dry w hey published on Daily Dairy Report.

Block market price

"Block market price" means the price per pound of a spot contract for cheddar cheese in 40-pound blocks traded on the Chicago Mercantile Exchange (CME) published in the Daily Dairy Report, used as the base price for cheese.

Butter market price

"Butter market price" means the price per pound of a spot contract for Grade AA Butter traded on the CME published in the Daily Dairy Report, used as the base price for butter.

EPS

"EPS" means net earnings per share.

Net debt

"Net debt" means long-term debt, lease liabilities, 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 tw elve months adjusted EBITDA.

Spread

"Spread" means the difference betw een the average block market price and the average cost of the corresponding quantity of Class III milk in the USA market based on the milk prices published by the United States Department of Agriculture.

Trailing twelve months adjusted EBITDA

"Trailing tw elve months adjusted EBITDA" is calculated by adding the actual adjusted EBITDA results for the three-months ended June 30, 2020, to the actual adjusted EBITDA results for the year ended March 31, 2020, and subtracting the actual adjusted EBITDA results for the three-months ended June 30, 2019.

USA Market Factors

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

Working capital

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

Working capital ratio

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

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

	For the three-month periods ended June 30	
	2020	2019
Revenues (Note 4)	**$ 3,390.8**	$ 3,668.4
Operating costs excluding depreciation and amortization (Note 5)	**3,024.3**	3,310.4
Earnings before interest, income taxes, depreciation, amortization, impairment of intangible assets, inventory revaluation resulting from a business acquisition, and acquisition and restructuring costs	**366.5**	358.0
Depreciation and amortization	**126.0**	108.8
Impairment of intangible assets (Note 14)	**19.0**	-
Inventory revaluation resulting from a business acquisition (Note 13)	**-**	27.2
Acquisition and restructuring costs (Note 13)	**-**	22.4
Interest on long-term debt	**19.8**	24.3
Other financial charges (Note 10)	**5.3**	4.2
Earnings before income taxes	**196.4**	171.1
Income taxes	**54.5**	49.7
Net earnings	**$ 141.9**	$ 121.4
Net earnings per share (Note 9)		
Basic	**$ 0.35**	$ 0.31
Diluted	**$ 0.35**	$ 0.31

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 June 30	
	2020	2019
Net earnings	**$ 141.9**	$ 121.4
Other comprehensive (loss) income:		
Items that may be reclassified to net earnings:		
Exchange differences arising from foreign currency translation	**(123.3)**	(168.2)
Inflation effect arising from the application of hyperinflation	**(2.5)**	-
Net unrealized gains (losses) on cash flow hedges (Note 11) (Net of income taxes of $12.1; 2019: $0.2)	**31.0**	(0.3)
Net reclassification of loss on cash flow hedges to net earnings (Net of income taxes of $3.9; 2019: $0.8)	**11.0**	1.9
	(83.8)	(166.6)
Items that will not be reclassified to net earnings:		
Net actuarial (loss) income (Note 12) (Net of income taxes of $30.0; 2019: $1.0)	**(123.3)**	4.7
	(123.3)	4.7
Other comprehensive (loss) income	**(207.1)**	(161.9)
Total comprehensive (loss) income	**$ (65.2)**	$ (40.5)

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 three-month period ended June 30, 2020

	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	408,638,373	$ 1,685.7	$ 667.9	$ (40.3)	$ 150.8	$ 778.4	$ 4,095.0	$ 6,559.1
Net earnings	-	-	-	-	-	-	141.9	141.9
Other comprehensive (loss) income	-	-	(125.8)	42.0	-	(83.8)	(123.3)	(207.1)
Total comprehensive (loss) income								(65.2)
Dividends declared (Note 8)	-	-	-	-	-	-	(69.5)	(69.5)
Stock option plan (Note 8)	-	-	-	-	5.3	5.3	-	5.3
Shares issued under stock option plan	103,559	2.7	-	-	(0.5)	(0.5)	-	2.2
Balance, end of period	408,741,932	$ 1,688.4	$ 542.1	$ 1.7	$ 155.6	$ 699.4	$ 4,044.1	$ 6,431.9

For the three-month period ended June 30, 2019

	Share capital		Reserves					
	Common Shares	Amount	Foreign Currency Translation	Cash Flow Hedges	Stock Option Plan	Total Reserves	Retained Earnings	Total Equity
Balance, beginning of year	390,198,386	$ 991.7	$ 582.1	$ (2.3)	$ 134.0	$ 713.8	$ 3,715.0	$ 5,420.5
Net earnings	-	-	-	-	-	-	121.4	121.4
Other comprehensive (loss) income	-	-	(168.2)	1.6	-	(166.6)	4.7	(161.9)
Total comprehensive (loss) income								(40.5)
Dividends declared	-	-	-	-	-	-	(64.5)	(64.5)
Stock option plan (Note 8)	-	-	-	-	5.9	5.9	-	5.9
Shares issued under stock option plan	771,897	26.3	-	-	(3.6)	(3.6)	-	22.7
Balance, end of period	390,970,283	$ 1,018.0	$ 413.9	$ (0.7)	$ 136.3	$ 549.5	$ 3,776.6	$ 5,344.1

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		June 30, 2020 (unaudited)		March 31, 2020 (audited)
ASSETS				
Current assets				
Cash and cash equivalents	$	535.7	$	319.4
Receivables		1,281.4		1,371.8
Inventories		2,291.3		2,220.9
Income taxes receivable		20.9		50.3
Prepaid expenses and other assets		96.0		106.6
		4,225.3		4,069.0
Property, plant and equipment		3,816.2		3,850.0
Right-of-use assets		426.2		417.9
Goodwill		3,149.9		3,219.5
Intangible assets		1,569.9		1,640.7
Other assets (Note 12)		377.5		545.3
Deferred income taxes		44.2		50.7
Total assets	$	13,609.2	$	13,793.1
LIABILITIES				
Current liabilities				
Bank loans (Note 6)	$	217.3	$	528.5
Accounts payable and accrued liabilities		1,761.1		1,838.9
Dividends payable		69.5		-
Income taxes payable		62.2		51.4
Current portion of long-term debt (Note 7)		300.0		-
Current portion of lease liabilities		77.0		74.7
		2,487.1		2,493.5
Long-term debt (Note 7)		3,513.3		3,542.3
Lease liabilities		352.8		340.1
Other liabilities		103.9		98.5
Deferred income taxes		720.2		759.6
Total liabilities	$	7,177.3	$	7,234.0
EQUITY				
Share capital (Note 8)		1,688.4		1,685.7
Reserves		699.4		778.4
Retained earnings		4,044.1		4,095.0
Total equity	$	6,431.9	$	6,559.1
Total liabilities and equity	$	13,609.2	$	13,793.1

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 June 30	
	2020	2019
Cash flows related to the following activities:		
Operating		
Net earnings	**$ 141.9**	$ 121.4
Adjustments for:		
Stock-based compensation	**3.9**	5.8
Interest and other financial charges	**25.1**	28.5
Income tax expense	**54.5**	49.7
Depreciation and amortization	**126.0**	108.8
Impairment of intangible assets (Note 14)	**19.0**	-
(Gain) loss on disposal of property, plant and equipment	**(0.4)**	0.2
Inventory revaluation resulting from a business acquisition	**-**	27.2
Foreign exchange (gain) loss on debt	**(1.7)**	1.1
Share of joint venture earnings, net of dividends received	**0.1**	1.3
Difference between funding of employee plans and costs	**0.8**	0.6
Changes in non-cash operating working capital items	**7.5**	(24.3)
Cash generated from operating activities	**376.7**	320.3
Interest and other financial charges paid	**(28.5)**	(37.7)
Income taxes paid	**(12.2)**	(48.2)
Net cash generated from operating activities	**336.0**	234.4
Investing		
Business acquisitions, net of cash acquired	**-**	(1,694.0)
Additions to property, plant and equipment	**(64.4)**	(127.6)
Additions to intangible assets	**(14.2)**	(16.9)
Proceeds from disposal of long-lived assets	**27.7**	0.8
	(50.9)	(1,837.7)
Financing		
Bank loans	**(322.6)**	58.2
Proceeds from issuance of long-term debt	**700.0**	2,061.5
Repayment of long-term debt	**(437.4)**	(461.1)
Repayment of lease liabilities	**(18.8)**	(17.8)
Net proceeds from issuance of share capital	**2.2**	22.2
Dividends	**-**	(64.5)
	(76.6)	1,598.5
Increase (decrease) in cash and cash equivalents	**208.5**	(4.8)
Cash and cash equivalents, beginning of period	**319.4**	112.7
Effect of inflation	**3.2**	7.4
Effect of exchange rate changes	**4.6**	(1.7)
Cash and cash equivalents, end of period	**$ 535.7**	$ 113.6

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 June 30, 2020, comprise the financial results of the Company and its subsidiaries.

The financial statements for the period ended June 30, 2020, were authorized for issuance by the Board of Directors on August 6, 2020.

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, 2020, 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, 2020, and 2019, and for the years then ended.

ECONOMIC CONDITIONS AND UNCERTAINTIES

Current global economic conditions continue to be highly volatile due to the COVID-19 pandemic, which was declared in March 2020. The magnitude, duration and severity of the COVID-19 pandemic continue to be hard to predict and could affect the significant estimates and judgments used in the preparation of the consolidated financial statements.

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

The following standards, amendments to standards and interpretations were issued by the International Accounting Standards Board (IASB) and are applicable to the Company for its annual periods beginning on and after April 1, 2021, with an earlier application permitted:

IFRS 3, Reference to the Conceptual Framework

In May 2020, Reference to the Conceptual Framework, amendments to IFRS 3, *Business Combinations* was issued. This amendment adds a requirement that, for transactions and other events within the scope of IAS 37, *Provisions, contingent liabilities and contingent assets* or IFRIC 21, *Levies*, an acquirer applies IAS 37 or IFRIC 21 (instead of the *Conceptual Framework*) to identify the liabilities it has assumed in a business combination. Also, they add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

This amendment is applicable to the Company beginning April 1, 2022 on a prospective basis. The Company will apply this amendment to applicable future business combinations.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

IAS 16, Property, Plant and Equipment: Proceeds Before Intended of Use

In May 2020, the IASB issued Property, Plant and Equipment: Proceeds before Intended Use, Amendments to IAS 16. This amendment prohibits a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related costs in profit or loss.

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

IAS 37, Onerous Contracts – Cost of Fulfilling a Contract

In May 2020, the IASB issued Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37), amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

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

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

The following standards, amendments to existing standards and interpretations of standards were adopted by the Company on April 1, 2020:

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 did not significantly impact the Company's financial statements.

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 the Interbank offered rates (IBOR) reform for specific hedge accounting requirements, which require forward-looking analysis and additional disclosure requirements.

The adoption of this amendment did not significantly impact the Company's financial statements.

IAS 1, Presentation of Financial Statements

In January 2020, the IASB issued an amendment to clarify how to classify debt and other liabilities as current or noncurrent. The amendments help to determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments also include clarifying the classification requirements for debt an entity might settle by converting it into equity.

The early adoption of this amendment did not have a significant impact on the Company's financial statements.

IFRS 16, COVID-19 Related Rent Concessions

In May 2020, the IASB issued amendments to IFRS 16, which provide relief for lessees in accounting for rent concessions granted as a direct consequence of COVID-19. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.

The adoption of this amendment did not significantly impact the Company's financial statements.

NOTE 4 REVENUES

Revenues by market segment are as follows:

	For the three-month periods ended June 30	
	2020	2019
Revenues		
Retail	**$ 1,869.6**	$ 1,684.0
Foodservice	**912.8**	1,354.7
Industrial	**608.4**	629.7
	$ 3,390.8	$ 3,668.4

NOTE 5 OPERATING COSTS EXCLUDING DEPRECIATION AND AMORTIZATION

	For the three-month periods ended June 30	
	2020	2019
Changes in inventories of finished goods and work in process	**$ (67.4)**	$ 17.9
Raw materials and consumables used	**2,281.8**	2,484.6
Foreign exchange loss	**10.5**	2.3
Employee benefits expense	**452.1**	430.2
Selling costs	**148.4**	170.4
Other general and administrative costs	**198.9**	205.0
Total	**$ 3,024.3**	$ 3,310.4

NOTE 6 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		**June 30, 2020**	March 31, 2020
North America-USA	November 2024[1]	407.3	300.0	USD	**$ -**	$ -
North America-Canada	November 2024[1]	950.3	700.0	USD	**-**	-
Canada	January 2021[2]	26.0	26.0	CAD	**24.9**	24.9
Australia	Yearly[3]	295.2	315.0	AUD	**52.3**	238.4
Australia	Yearly[3]	135.8	100.0	USD	**37.7**	128.5
Japan	Yearly[4]	100.8	8,000.0	JPY	**31.4**	24.8
United Kingdom	Yearly[5]	126.3	75.0	GBP	**-**	17.5
Argentina	Yearly[6]	156.1	115.0	USD	**24.4**	53.4
Argentina	Yearly[7]	133.7	6,930.0	ARS	**46.6**	41.0
Total		2,331.5			**$ 217.3**	$ 528.5

[1] Bears monthly interest at rates ranging from lender's prime rates plus a maximum of 1.00% or LIBOR or BBSY 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] Bears monthly interest at LIBOR or Australian Bank Bill Rate plus up to 1.00% 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] Bears monthly interest at local rate and can be drawn in USD.
[7] Bears monthly interest at local rate and can be drawn in ARS.

NOTE 7 LONG-TERM DEBT

		June 30, 2020		March 31, 2020
Unsecured bank term loan facilities				
Obtained April 2018 (AU$600.0 million) and due in April 2023[1]		**474.2**		437.1
Obtained April 2019 ($426.0 million) and repaid in June 2020[2]		**-**		418.8
Obtained April 2019 (£600.0 million) and due in April 2022[3]		**989.1**		1,036.4
Unsecured senior notes[4,5]				
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
2.88%, issued in November 2019 and due in November 2024 (Series 6)		**400.0**		400.0
2.24%, issued in June 2020 and due in June 2027 (Series 7)		**700.0**		-
	$	**3,813.3**	$	3,542.3
Current portion		**300.0**		-
	$	**3,513.3**	$	3,542.3
Principal repayments are as follows:				
Less than 1 year	**$**	**300.0**	$	-
1-2 years		**1,289.1**		718.8
2-3 years		**474.2**		1,336.4
3-4 years		**300.0**		737.1
4-5 years		**400.0**		400.0
More than 5 years		**1,050.0**		350.0
	$	**3,813.3**	$	3,542.3

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 Bore 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.

3 Bears 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 CAD, USD or £.

4 Interest payments are semi-annual.

5 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.

On June 16, 2020, the Company issued Series 7 medium term notes for an aggregate principal amount of $700.0 million due June 16, 2027, bearing interest at 2.24%. The net proceeds of the issuance were used during the quarter to repay (i) the $426.0 million 2-year tranche of the term loan facility incurred in connection with the Dairy Crest Acquisition and (ii) $206.0 million (AUD 220.0 million) of revolving loan facilities for the Dairy Division (Australia), which included funds drawn in connection with the Specialty Cheese Business Acquisition. The remaining net proceeds were used for general corporate purposes.

On July 6, 2020, the Company repaid $68.0 million of the 3-year tranche of the term loan facility incurred in connection with the Dairy Crest Acquisition.

NOTE 8 SHARE CAPITAL

AUTHORIZED

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

	Number of shares		Common Shares $
Balance at April 1, 2020	**408,638,373**	**$**	**1,685.7**
Issued on exercise of options	**103,559**		**2.7**
Balance, end of period	**408,741,932**	**$**	**1,688.4**

SHARE OPTION PLAN

Changes in the number of outstanding options for the three-month periods ended June 30, are as follows:

		June 30, 2020		June 30, 2019
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Balance at April 1, 2020	**20,946,092**	**$ 38.05**	20,374,871	$ 35.96
Options granted	**4,637,830**	**$ 33.35**	3,319,450	$ 45.30
Options exercised	**(103,559)**	**$ 21.30**	(771,897)	$ 28.73
Options cancelled	**(322,365)**	**$ 41.02**	(239,102)	$ 43.03
Balance, end of period	**25,157,998**	**$ 37.21**	22,683,322	$ 37.50

The weighted average exercise price of the options granted in fiscal 2021 is $33.35 which corresponds to the weighted average market price for the five trading days immediately preceding the date of the grant ($45.30 in fiscal 2020).

The weighted average fair value of options granted in fiscal 2021 was estimated at $5.04 per option ($7.67 in fiscal 2020), using the Black-Scholes option pricing model with the following assumptions:

	June 30, 2020	March 31, 2020
Weighted average:		
Risk-free interest rate	**0.53 %**	1.61 %
Expected life of options	**6.3 years**	6.2 years
Volatility[1]	**21.17 %**	18.41 %
Dividend rate	**2.08 %**	1.45 %

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

A compensation expense of $5.3 million ($4.7 million net of taxes) relating to stock options was recorded in the consolidated income statements for the three-month period ended June 30, 2020. A compensation expense of $5.9 million ($5.3 million net of taxes) relating to stock options was recorded in the consolidated income statements for the three-month period ended June 30, 2019.

DIVIDENDS AND DIVIDEND REINVESTMENT PLAN

The Company implemented a dividend reinvestment plan (DRIP), effective as of May 28, 2020. The DRIP provides eligible shareholders with the opportunity to have all or a portion of their cash dividends automatically reinvested into additional common shares.

On June 4, 2020, the Board of Directors approved a dividend of $0.17 per share totalling $69.5 million payable on July 9, 2020, to common shareholders of record on June 30, 2020. On July 9, 2020, the Company issued 578,437 common shares at a share price of $31.61 under its DRIP.

NOTE 9 NET EARNINGS PER SHARE

	For the three-month periods ended June 30	
	2020	2019
Net earnings	**$ 141.9**	$ 121.4
Weighted average number of common shares outstanding	**408,721,361**	390,912,180
Dilutive options	**1,374,787**	3,033,233
Weighted average diluted number of common shares outstanding	**410,096,148**	393,945,413
Basic net earnings per share	**$ 0.35**	$ 0.31
Diluted net earnings per share	**$ 0.35**	$ 0.31

When calculating diluted net earnings per share for the three-month period ended June 30, 2020, 15,508,137 options were excluded from the calculation because their exercise price is higher than the average market value of common shares (6,813,796 options were excluded for the three-month period ended June 30, 2019).

NOTE 10 OTHER FINANCIAL CHARGES

	For the three-month periods ended June 30	
	2020	2019
Net finance costs	**$ 6.5**	$ 8.7
Gain on hyperinflation	**(3.0)**	(8.1)
Interest on lease liabilities	**3.6**	4.7
Net interest revenue from defined benefit obligation	**(1.8)**	(1.1)
	$ 5.3	$ 4.2

NOTE 11 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 June 30, 2020, and March 31, 2020. Since estimates are used to determine fair value, they must not be interpreted as being realizable in the event of a settlement of the instruments.

	June 30, 2020		March 31, 2020	
	Fair value	**Carrying value**	Fair value	Carrying value
Cash flow hedges				
Commodity derivatives (Level 2)	**$ (8.3)**	**$ (8.3)**	$ (28.7)	$ (28.7)
Foreign exchange derivatives (Level 2)	**22.7**	**22.7**	(9.1)	(9.1)
Derivatives not designated in a formal hedging relationship				
Equity forward contracts (Level 2)	**(2.6)**	**(2.6)**	(7.4)	(7.4)
Commodity derivatives (Level 2)	**(2.6)**	**(2.6)**	(10.1)	(10.1)
Foreign exchange derivatives (Level 2)	**(0.7)**	**(0.7)**	-	-
Long-term debt (Level 2)	**3,893.7**	**3,813.3**	3,505.7	3,542.3

NOTE 12 NET ACTUARIAL LOSS

The Company recorded an actuarial loss of $123.3 million (net of income taxes of $30.0 million) related to its defined benefit pension plans in the consolidated statement of comprehensive income for the three-month period ended June 30, 2020. The actuarial loss resulted from a decrease in the discount rate and an increase in the inflation rate. Partially offsetting this loss, was a higher than expected actual return on plan assets. Consequently, other assets were decreased by $153.3 million.

NOTE 13 BUSINESS ACQUISITIONS

LION DAIRY & DRINKS PTY LTD

On October 28, 2019, the Company acquired the specialty cheese business of Lion Dairy & Drinks Pty Ltd (the Specialty Cheese Business). The Specialty Cheese Business is conducted at two manufacturing facilities located in Burnie and King Island, Tasmania (Australia) and employs approximately 400 people. 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 purchase price of $248.1 million (AU$277.9 million), on a cash-free and debt-free basis, was paid in cash from cash on hand and available credit facilities. In connection with this acquisition, the Company incurred acquisition-related costs of approximately $9 million mainly comprised of stamp duty taxes.

The purchase price allocation is dependent upon certain valuations, assumptions, judgments and 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.

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 a term loan facility (Note 7) 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 allocation of each purchase price is presented below.

		April 15 Dairy Crest	October 28 Lion Dairy	Fiscal 2020 Total
Assets acquired	Cash	$ 7.0	$ 13.0	$ 20.0
	Receivables	54.6	36.9	91.5
	Inventories	369.4	45.8	415.2
	Income taxes receivable	1.5	-	1.5
	Prepaid expenses and other assets	12.1	0.4	12.5
	Property, plant and equipment	369.1	178.6	547.7
	Right-of-use assets	73.4	-	73.4
	Goodwill	541.5	-	541.5
	Intangible assets	802.8	4.7	807.5
	Other assets	283.1	2.6	285.7
Liabilities assumed	Accounts payable and accrued liabilities	(151.7)	(27.5)	(179.2)
	Lease liabilities	(70.4)	-	(70.4)
	Other liabilities	(8.3)	(6.4)	(14.7)
	Long-term debt	(436.6)	-	(436.6)
	Deferred income taxes	(152.8)	-	(152.8)
Net assets acquired		$ 1,694.7	$ 248.1	$ 1,942.8

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 fiscal 2020, 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, which includes approximately $9 million in stamp duty taxes.

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

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, impairment of intangible assets, inventory revaluation resulting from a business acquisition, and acquisition and restructuring costs.

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 June 30	
	2020	2019
Revenues		
Canada	**$ 981.6**	$ 968.8
USA	**1,416.7**	1,757.7
International	**781.6**	790.3
Europe	**210.9**	151.6
	$ 3,390.8	$ 3,668.4
Earnings before interest, income taxes, depreciation, amortization, impairment of intangible asset, inventory revaluation resulting from a business acquisition, and acquisition and restructuring costs		
Canada	**$ 104.2**	$ 98.5
USA	**162.2**	173.6
International	**59.8**	59.7
Europe	**40.3**	26.2
	$ 366.5	$ 358.0
Depreciation and amortization		
Canada	**$ 23.6**	$ 22.6
USA	**50.0**	41.9
International	**26.2**	26.9
Europe	**26.2**	17.4
	$ 126.0	$ 108.8
Impairment of intangible assets[1]	**19.0**	-
Inventory revaluation resulting from a business acquisition	**-**	27.2
Acquisition and restructuring costs	**-**	22.4
Financial charges, net	**25.1**	28.5
Earnings before income taxes	**196.4**	171.1
Income taxes	**54.5**	49.7
Net earnings	**$ 141.9**	$ 121.4

[1] Refers to a retired brand name from the Australian portfolio.

GEOGRAPHIC INFORMATION

	For the three-month periods ended June 30	
	2020	2019
Revenues		
Canada	**$ 981.6**	$ 968.8
USA	**1,416.7**	1,757.7
Australia	**629.5**	611.5
Argentina	**152.1**	178.8
United Kingdom	**210.9**	151.6
	$ 3,390.8	$ 3,668.4