Saputo

THIRD QUARTER

FISCAL 2023

MANAGEMENT'S DISCUSSION & ANALYSIS

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

All dollar amounts are in millions of Canadian dollars, unless otherwise indicated.

The goal of this management's discussion and analysis ("MD&A") is to analyze the results of, and the financial position of Saputo Inc. (we, Saputo or the Company), for the three and nine-month periods ended December 31, 2022. It should be read while referring to the condensed interim consolidated financial statements of the Company and accompanying notes for the three and nine-month periods ended December 31, 2022, and 2021, which are prepared in accordance with IAS 34, Interim Financial Reporting as issued by the International Accounting Standards Board, and generally accepted accounting principles in Canada ("GAAP") as set out in the CPA Canada Handbook - Accounting under Part 1, which incorporates International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. The information in this report is being presented as at December 31, 2022, unless otherwise specified. In preparing this report, we have taken into account material elements between December 31, 2022, and February 9, 2023, the date on which this report was approved by the Company's Board of Directors. Additional information about the Company, including its Annual Report and Annual Information Form for the year ended March 31, 2022, can be obtained on SEDAR at www.sedar.com.

NON-GAAP MEASURES

We report our financial results in accordance with GAAP and generally assess our financial performance using financial measures that are prepared using GAAP. However, this MD&A also refers to certain non-GAAP and other financial measures which do not have a standardized meaning under GAAP, including the following: adjusted EBITDA[1]; adjusted net earnings[1]; adjusted EBITDA margin[1]; adjusted net earnings margin[1]; adjusted EPS basic[1]; adjusted EPS diluted[1]; and net debt / adjusted EBITDA[1]. These measures have no standardized meaning under GAAP and are unlikely to be comparable to similar measures presented by other issuers. Refer to the "Non-GAAP Measures" section of this MD&A for more information, including the definition and composition of the measure or ratio as well as the reconciliation to the most comparable measure in the primary financial statements, as applicable.

We use non-GAAP measures and ratios to provide investors with supplemental metrics to assess and measure our operating performance and financial position from one period to the next. These metrics are presented as a complement to enhance the understanding of operating results but not in substitution of GAAP results. In addition, non-GAAP financial measures should not be viewed as a substitute for the related financial information prepared in accordance with GAAP.

[1] This is a total of segments measure, a non-GAAP financial measure, or a non-GAAP ratio. See the "Non-GAAP Measures" section of this MD&A for more information, including the definition and composition of the measure or ratio as well as the reconciliation to the most comparable measure in the primary financial statements, as applicable.

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 our objectives, outlook, business projects, strategies, beliefs, expectations, targets, commitments, goals, ambitions and strategic plans including our ability to achieve these targets, commitments, goals, ambitions and strategic plans, 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”, “predict”, “seek”, “project”, “potential”, “goal”, “target”, or “pledge”, 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 fact included in this report may constitute forward-looking statements within the meaning of applicable securities laws.

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, we cannot guarantee that any forward-looking statements will materialize, and we warn readers that these forward-looking statements are not statements of historical fact 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 our 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 9, 2022, 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 and related ongoing impacts; the availability of raw materials (including as a result of climate change, extreme weather, or global or local supply chain disruptions caused by the COVID-19 pandemic, geopolitical developments, military conflicts and trade sanctions) and related price variations, along with our ability to transfer those increases, if any, to our customers in competitive market conditions; supply chain strain and supplier concentration; the price fluctuation of our products in the countries in which we operate, as well as in international markets, which are based on supply and demand levels for dairy products; our ability to identify, attract, and retain qualified individuals; cyber threats and other information technology-related risks relating to business disruptions, confidentiality, data integrity business and email compromise-related fraud; the increased competitive environment in our industry; consolidation of clientele; unanticipated business disruption; changes in consumer trends; changes in environmental laws and regulations; the potential effects of climate change; increased focus on environmental sustainability matters; the failure to execute our Global Strategic Plan as expected or to adequately integrate acquired businesses in a timely and efficient manner; the failure to complete capital expenditures as planned; changes in interest rates and access to capital and credit markets.

Forward-looking statements are based on Management’s current estimates, expectations and assumptions regarding, among other things; the projected revenues and expenses; the economic, industry, competitive, and regulatory environments in which we operate or which could affect our activities; our ability to identify, attract, and retain qualified and diverse individuals; our ability to reach our staffing level targets; our ability to attract and retain customers and consumers; our environmental performance; the results of our sustainability efforts; the effectiveness of our environmental and sustainability initiatives; the availability and cost of milk and other raw materials and energy supplies; our operating costs; the pricing of our finished products on the various markets in which we carry on business; the successful execution of our Global Strategic Plan; our ability to deploy capital expenditure projects as planned; reliance on third parties; our ability to gain efficiencies and cost optimization from strategic initiatives; our ability to correctly predict, identify, and interpret changes in consumer preferences and demand, to offer new products to meet those changes, and to respond to competitive innovation; our ability to leverage our brand value; our ability to drive revenue growth in our key product categories or platforms or add products that are in faster-growing and more profitable categories; the contribution of recent acquisitions; the anticipated market supply and demand levels for our products; the anticipated warehousing, logistics, and transportation costs; our effective income tax rate; the exchange rate of the Canadian dollar to the currencies of cheese and dairy ingredients. Our ability to achieve our environmental targets, commitments, and goals is further subject to, among others, our ability to access and implement all technology necessary to achieve our targets, commitments, and goals, as well as the development and performance of technology, innovation and the future use and deployment of technology and associated expected future results, and environmental regulation. Our ability to achieve our 2025 Supply Chain Pledges is further subject to, among others, our ability to leverage our supplier relationships.

Management believes that these estimates, expectations, and assumptions are reasonable as of the date hereof, and are inherently subject to significant business, economic, competitive, and other uncertainties and contingencies regarding future events, and are accordingly subject to changes after such date. Forward-looking statements are intended to provide shareholders with information regarding Saputo, including our assessment of future financial plans, and may not be appropriate for other purposes. 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 our 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.

SELECTED QUARTERLY FINANCIAL INFORMATION

Fiscal years	2023			2022				2021
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues	**4,587**	4,461	4,327	3,957	3,901	3,689	3,488	3,438
Adjusted EBITDA[1]	**445**	369	347	260	322	283	290	303
Adjusted EBITDA margin[1]	**9.7 %**	8.3 %	8.0 %	6.6 %	8.3 %	7.7 %	8.3 %	8.8 %
Net earnings	**179**	145	139	37	86	98	53	103
UK tax rate change[3]	**—**	—	—	—	—	—	50	—
Acquisition and restructuring costs[2]	**27**	16	6	51	—	(1)	1	2
Gain on disposal of assets[2]	**—**	—	—	—	(8)	—	—	—
Impairment of intangible assets[2]	**—**	—	—	—	43	—	—	—
Amortization of intangible assets related to business acquisitions[2]	**15**	16	16	20	18	19	18	19
Adjusted net earnings [1]	**221**	177	161	108	139	116	122	124
Adjusted net earnings margin[1]	**4.8 %**	4.0 %	3.7 %	2.7 %	3.6 %	3.1 %	3.5 %	3.6 %
EPS basic	**0.43**	0.35	0.33	0.09	0.21	0.24	0.13	0.25
EPS diluted	**0.43**	0.35	0.33	0.09	0.21	0.24	0.13	0.25
Adjusted EPS basic[1]	**0.53**	0.42	0.39	0.26	0.34	0.28	0.30	0.30
Adjusted EPS diluted[1]	**0.53**	0.42	0.39	0.26	0.33	0.28	0.29	0.30

Selected factor(s) positively (negatively) impacting Adjusted EBITDA[1]

Fiscal years	2023			2022				2021
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
USA Market Factors[4,5]	**(6)**	(27)	(7)	(19)	(40)	(17)	(42)	(4)
Foreign currency exchange[5,6]	**(7)**	(12)	(7)	(12)	(18)	(21)	(21)	(2)

1 This is a total of segments measure, a non-GAAP financial measure, or a non-GAAP ratio. See the "Non-GAAP Measures" section of this MD&A for more information, including the definition and composition of the measure or ratio as well as the reconciliation to the most comparable measure in the primary financial statements, as applicable.
2 Net of income taxes.
3 On June 10, 2021, the UK Finance Act 2021 was enacted, increasing the UK tax rate from 19% to 25%, effective April 1, 2023. Refer to Note 11 to the condensed interim consolidated financial statements for further information.
4 Refer to the ''Glossary'' section of this MD&A.
5 As compared to the same quarter of the previous fiscal year.
6 Foreign currency exchange includes the effect of conversion of US dollars, Australian dollars, British pounds sterling and Argentine pesos to Canadian dollars.

FINANCIAL HIGHLIGHTS

Saputo Inc. (we, Saputo or the Company) is presenting its results for the third quarter of fiscal 2023, which ended on December 31, 2022.

- Revenues amounted to $4.587 billion, up $686 million or 17.6%.
- Net earnings totalled $179 million and net earnings per share (EPS) (basic and diluted) were $0.43, up from $86 million and $0.21, respectively.
- Adjusted EBITDA[1] amounted to $445 million, up $123 million or 38.2%.
- Adjusted net earnings[1] totalled $221 million, up from $139 million, and adjusted EPS[1] (basic and diluted) were $0.53, up from $0.34 and $0.33, respectively.

(unaudited)	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2022	2021	**2022**	2021
Revenues	**4,587**	3,901	**13,375**	11,078
Adjusted EBITDA[1]	**445**	322	**1,161**	895
Net earnings	**179**	86	**463**	237
Adjusted net earnings[1]	**221**	139	**559**	377
EPS				
Basic	**0.43**	0.21	**1.11**	0.57
Diluted	**0.43**	0.21	**1.11**	0.57
Adjusted EPS[1]				
Basic	**0.53**	0.34	**1.34**	0.91
Diluted	**0.53**	0.33	**1.34**	0.91

- Increased adjusted EBITDA[1] in all our sectors was led by significant improvement in the USA Sector and continued solid performances in the Canada Sector and International Sector.
- Increased revenues reflected:
  - Pricing initiatives implemented in all our sectors;
  - Higher average block market price[2] and higher average butter market price[2] in the USA Sector; and
  - Higher international cheese and dairy ingredient market prices.
- USA Market Factors[2] continued to put pressure on adjusted EBITDA, although to a lesser degree than in previous quarters. Meanwhile, international cheese and ingredient market prices were favourable.
- Restructuring costs of $27 million after tax, which included non-cash fixed assets write-downs totalling $21 million, negatively impacted net earnings. These costs were incurred in connection with previously announced consolidation initiatives in Australia being undertaken as part of the Optimize and Enhance Operations pillar of our Global Strategic Plan.
- Building on our previously announced optimization initiatives, we announced consolidation initiatives intended to further streamline and enhance our manufacturing footprint in our USA Sector. As part of the Optimize and Enhance Operations pillar of our Global Strategic Plan, our announcement includes the construction of a new cut-and-wrap facility to consolidate and modernize packaging activities, representing an investment of $240 million, and our intention to invest $75 million to expand string cheese activities. As a result of these initiatives, we intend to permanently close three facilities. Costs related to these capital investments and consolidation initiatives will be approximately $23 million after tax, which include a non-cash fixed assets write-down of approximately $13 million. These costs will start to be recorded in the fourth quarter of fiscal 2023.
- The Board of Directors approved a dividend of $0.18 per share payable on March 17, 2023, to shareholders of record on March 7, 2023.

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[2] Refer to the "Glossary" section of this MD&A.

CONSOLIDATED RESULTS FOR THE THIRD QUARTER AND FISCAL PERIOD ENDED DECEMBER 31, 2022

Revenues

Revenues for the **third quarter of fiscal 2023** totalled $4.587 billion, up $686 million or 17.6%, as compared to $3.901 billion for the same quarter last fiscal year.

Revenues increased due to higher domestic selling prices in line with the higher cost of milk as raw material, together with pricing initiatives implemented in all our sectors to mitigate increasing input costs.

The combined effect of the higher average block market price[2] and of the higher average butter market price[2] had a positive impact of $275 million in the USA Sector. Higher international cheese and dairy ingredient market prices, as well as the effect of the fluctuation of the Argentine peso and the Australian dollar on export sales denominated in US dollars were favourable.

Overall sales volumes were stable, despite reduced milk availability in Australia which continued to negatively impact our export sales volumes.

The fluctuation of foreign currencies versus the Canadian dollar had an unfavourable impact of $33 million.

Revenues for the **nine months of fiscal 2023** totalled $13.375 billion, up $2.297 billion or 20.7%, as compared to $11.078 billion for the same period last fiscal year.

Revenues increased due to higher domestic selling prices in line with the higher cost of milk as raw material, together with pricing initiatives implemented in all our sectors to mitigate increasing input costs.

The combined effect of the higher average block market price[2] and of the higher average butter market price[2] had a positive impact of $918 million in the USA Sector. Higher international cheese and dairy ingredient market prices, as well as the effect of the fluctuation of the Argentine peso and the Australian dollar on export sales denominated in US dollars were favourable.

Overall sales volumes were stable, despite reduced milk availability in Australia negatively impacting export sales volumes.

The fluctuation of foreign currencies versus the Canadian dollar had an unfavourable impact of $52 million.

Operating costs excluding depreciation, amortization, and restructuring costs

Operating costs excluding depreciation, amortization, and restructuring costs for the **third quarter of fiscal 2023** totalled $4.142 billion, up $563 million or 15.7%, as compared to $3.579 billion for the same quarter last fiscal year. Operating costs excluding depreciation, amortization, and restructuring costs for the **nine months of fiscal 2023** totalled $12.214 billion, up $2.031 billion or 19.9%, as compared to $10.183 billion the same period last fiscal year. These increases were due to higher input costs in all our sectors in line with inflation. Dairy commodity market volatility and higher input costs contributed to the higher cost of raw materials and consumables used. Employee salary and benefit expenses increased due to inflation and wage increases.

Net earnings

Net earnings for the **third quarter of fiscal 2023** totalled $179 million, up $93 million or 108.1%, as compared to $86 million for the same quarter last fiscal year. The increase is primarily due to higher adjusted EBITDA[1], as described below, the impairment of intangible assets, and the gain on disposal of assets recorded in the third quarter of last fiscal year, partially offset by higher restructuring costs, financial charges, and income tax expense.

Net earnings for the **nine months of fiscal 2023** totalled $463 million, up $226 million or 95.4%, as compared to $237 million for the same period last fiscal year. The increase is primarily due to higher adjusted EBITDA[1], as described below, lower income tax expense, the impairment of intangible assets and the gain on disposal of assets recorded in the third quarter of last fiscal year, partially offset by higher restructuring costs, depreciation and amortization, and financial charges.

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[2] Refer to the "Glossary" section of this MD&A.

Adjusted EBITDA[1]

Adjusted EBITDA[1] for the **third quarter of fiscal 2023** totalled $445 million, up $123 million or 38.2%, as compared to $322 million for the same quarter last fiscal year.

Increased adjusted EBITDA was led by significant improvement in the USA Sector and continued solid performances in the Canada Sector and International Sector.

We continued to benefit from previously announced pricing initiatives implemented to mitigate higher input costs, such as consumables, packaging, transportation, and fuel, in line with ongoing inflationary pressures and commodity market volatility.

The relation between international cheese and dairy ingredient market prices and the cost of milk as raw material in the International Sector had a positive impact.

USA Market Factors[2] had a negative impact on adjusted EBITDA of $6 million, as compared to the same quarter last fiscal year.

Labour shortages in some of our facilities and supply chain disruptions continued to put pressure on our ability to supply ongoing demand. These factors, along with reduced milk availability in Australia, continued to negatively impact efficiencies and the absorption of fixed costs. We continued to actively manage these challenging market conditions.

We continued to benefit from our cost containment measures aimed at minimizing the effect of inflation and our efforts to prioritize efficiency and productivity initiatives.

The fluctuation of foreign currencies versus the Canadian dollar had an unfavourable impact of $7 million.

Adjusted EBITDA[1] for the **nine months of fiscal 2023** totalled $1.161 billion, up $266 million or 29.7%, as compared to $895 million for the same period last fiscal year.

Improved results reflected solid performances in the International Sector and Canada Sector and recovery in the USA Sector.

We benefited from previously announced pricing initiatives implemented to mitigate higher input costs, such as consumables, packaging, transportation, and fuel in line with ongoing inflationary pressures and commodity market volatility.

The relation between international cheese and dairy ingredient market prices and the cost of milk as raw material in the International Sector had a positive impact. In the same period last fiscal year, fulfilling sales contracted at depressed commodity prices in our International Sector had an unfavourable impact.

USA Market Factors[2] continued to put pressure on adjusted EBITDA, as compared to the same period last fiscal year, with a negative impact of $40 million mainly due to the effect of negative spread[2] in the first half of the fiscal year.

Labour shortages in some of our facilities and supply chain disruptions put pressure on our ability to supply ongoing demand. These factors, along with reduced milk availability in Australia, negatively impacted efficiencies and the absorption of fixed costs. We continued to actively manage these challenging market conditions.

We benefited from our cost containment measures aimed at minimizing the effect of inflation and our efforts to prioritize efficiency and productivity initiatives.

The fluctuation of foreign currencies versus the Canadian dollar had an unfavourable impact of $26 million.

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[2] Refer to the "Glossary" section of this MD&A.

Depreciation and amortization

Depreciation and amortization for the **third quarter of fiscal 2023** totalled $147 million, up $3 million, as compared to $144 million for the same quarter last fiscal year. Depreciation and amortization for the **nine months of fiscal 2023** totalled $438 million, up $26 million, as compared to $412 million for the same period last fiscal year. These increases were mainly attributable to additional depreciation and amortization related to the Recent Acquisitions[2], as well as additions to property, plant, and equipment, which increased the depreciable base.

Acquisition and restructuring costs

Acquisition and restructuring costs for the **third quarter of fiscal 2023** totalled $38 million and included a non-cash fixed assets write-down of $30 million, and employee-related costs in connection with consolidation initiatives in Australia being undertaken as part of our Global Strategic Plan.

There were no acquisition and restructuring costs for the same quarter of last fiscal year.

Acquisition and restructuring costs for the **nine months of fiscal 2023** totalled $67 million and comprised costs described above in relation to initiatives undertaken in Australia, as well as a non-cash fixed assets write-down of $19 million, accelerated depreciation, and employee-related costs in connection with capital investments and consolidation initiatives in our USA Sector and site closure costs of $9 million relating to the consolidation activities in the Europe Sector as part of our Global Strategic Plan. Restructuring costs also include a $2 million gain on disposal of assets related to the sale of a closed facility in the Canada Sector.

During the same period last fiscal year, acquisition and restructuring costs amounted to nil, as they included costs incurred for the Recent Acquisitions[2] which were offset by a favourable purchase price adjustment.

Gain on disposal of assets

In the **third quarter of fiscal 2022**, the Company recorded a gain on disposal of assets of $9 million mainly from the sale of a facility in the Canada Sector.

Impairment of intangible assets

In the **third quarter of fiscal 2022,** an impairment of intangible assets charge of $58 million was recorded. The charge includes $50 million related to software assets following the Company's decision to pause the ERP implementation within the Dairy Division (Canada) for a minimum of three years and $8 million as a result of the application of an agenda decision of the International Financial Reporting Interpretations Committee (IFRIC) related to the capitalization of cloud-based software costs.

Financial charges

Financial charges for the **third quarter of fiscal 2023** totalled $37 million, up $20 million, compared to the same quarter last fiscal year. This increase reflected higher interest rates, and included a decreased gain on hyperinflation of $14 million derived from the indexation to inflation of non-monetary assets and liabilities in Argentina.

Financial charges for the **nine months of fiscal 2023** totalled $62 million, up $8 million, compared to the same period last fiscal year. This increase reflected higher interest rates, and was partially offset by an increased gain on hyperinflation of $11 million derived from the indexation to inflation of non-monetary assets and liabilities in Argentina.

For the third quarter of fiscal 2023, the net effect of the hyperinflation in Argentina, which increased the value of net non-monetary assets on the consolidated statement of financial position, and of the devaluation of the Argentina peso, which decreased the value of the net non-monetary assets, resulted in a minimal gain on hyperinflation ($14 million gain in the third quarter of fiscal 2022). For the nine month periods of fiscal 2023 and 2022, the net effect of these two elements resulted in a gain on hyperinflation of $44 million and $33 million, respectively.

[2] Refer to the "Glossary" section of this MD&A.

Income tax expense

Income tax expense for the **third quarter and nine months of fiscal 2023** totalled $44 million and $131 million, respectively. The effective tax rates for the third quarter and nine months of fiscal 2023 were 19.7% and 22.1% as compared to 23.2% and 37.6%, respectively, in the corresponding periods last fiscal year.

The effective income tax rate is impacted by the tax and the accounting treatments for inflation in Argentina. This impact varies from quarter to quarter. For the third quarter and nine months of fiscal 2023, this impact was positive resulting in a reduction of the effective tax rate.

The effective tax rate for the nine months of last fiscal year included a one-time non-cash $50 million income tax expense incurred to adjust deferred income tax liability balances due to the enactment on June 10, 2021, of an increase from 19% to 25% of the UK tax rate which will be effective as of April 1, 2023. Excluding the effect of this one-time non-cash expense, the effective income tax rate for the nine-month period ended December 31, 2021, would have been 24.2%.

The effective tax rate varies and could increase or decrease based on the geographic mix of quarterly and year-to-date earnings across the various jurisdictions in which we operate, inflation in Argentina, the amount and source of taxable income, amendments to tax legislations and income tax rates, changes in assumptions, as well as estimates we use for tax assets and liabilities.

Adjusted net earnings[1]

Adjusted net earnings[1] for the **third quarter of fiscal 2023** totalled $221 million, up $82 million or 59.0%, as compared to $139 million for the same quarter last fiscal year. This is mainly due to an increase in net earnings, as described above, excluding higher acquisition and restructuring costs after tax and the non-recurring impairment on intangible assets after tax and gain on sale of assets after tax that were recorded in the same quarter last fiscal year.

Adjusted net earnings[1] for the **nine months of fiscal 2023** totalled $559 million, up $182 million or 48.3%, as compared to $377 million for the same period last fiscal year. This is mainly due to an increase in net earnings, as described above, excluding higher acquisition and restructuring costs after tax, as well as the one-time non-cash expense to adjust deferred income tax liability balances to reflect the increase in the corporate income tax rate in the UK and the non-recurring impairment on intangible assets after tax and gain on sale of assets after tax that were recorded in the same period last fiscal year.

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OUTLOOK

- We anticipate that input and logistics costs, such as consumables, packaging, transportation, and fuel, which have been subject to ongoing inflationary pressures, will remain at elevated levels, but we expect strong pricing contribution across all sectors in line with price increases.
- We will implement further price increases as deemed necessary, as part of our pricing protocols, if inflation continues to persist.
- Labour initiatives, fewer supply chain constraints, and the acceleration of our productivity and operational improvement projects are expected to further enhance our ability to service customers and return to historical order fill rate levels, particularly in the USA Sector.
- We expect the Europe Sector to continue to be negatively impacted by the volatility in energy costs resulting from the European energy crisis.
- We expect to continue to benefit from cost containment measures aimed at minimizing the effect of inflation and our efforts to prioritize efficiency and productivity initiatives.
- Given broader macroeconomic trends and changes in consumer spending, we expect that the impact of pricing elasticity will continue to increase moderately in the remainder of the fiscal year and into the beginning of fiscal 2024. We anticipate the retail market segment to remain strong as at-home food spending should remain elevated, while the foodservice market segment is expected to remain competitive, particularly in the USA Sector.
- USA Market Factors[2] have been trending favourably but they are expected to remain volatile.
- International cheese and dairy ingredient markets have recently moderated but we expect them to remain volatile in nature.
- While we continue to face macro-economic challenges, we expect a meaningful recovery in earnings in fiscal 2023, driven by the full impact of previously announced price increases, improved productivity and fixed cost absorption, a return to historical order fill rates, and benefits stemming from our Global Strategic Plan.

[2] Refer to the ''Glossary'' section of this MD&A.

GLOBAL STRATEGIC PLAN HIGHLIGHTS

We announced additional capital investments and consolidation initiatives intended to further streamline and enhance our manufacturing footprint in our USA Sector. Highlights of the announcement include the construction of a new, state-of-the-art cut-and-wrap facility in Franklin, Wisconsin, the expansion of string cheese operations on the West Coast of the USA, and the permanent closure of our Big Stone, South Dakota, Green Bay, Wisconsin, and South Gate, California, facilities.

These capital investments and consolidation initiatives in our USA Sector are expected to yield financial benefits beginning in the fourth quarter of fiscal 2024 and contribute to their full potential of approximately $74 million ($55 million after taxes) annually by the end of fiscal 2027. Costs related to these capital investments and consolidation initiatives will be approximately $23 million after taxes, which include a non-cash fixed assets write-down of approximately $13 million. These costs will start to be recorded in the fourth quarter of fiscal 2023.

THE SAPUTO PROMISE

The Saputo Promise is our approach to social, environmental, and economic performance based on seven Pillars: Food Quality and Safety, Our People, Business Ethics, Responsible Sourcing, Environment, Nutrition, and Community. It is an integral part of our business and a key component of our growth. As we seek to create shared value for all our stakeholders, it provides a framework that ensures we manage ESG risks and opportunities successfully across our operations globally.

Anchored in the most pressing ESG issues for our business, our current three-year plan (FY23-FY25) builds on the momentum of the past few years, so our Saputo Promise continues to drive, enable, and sustain our growth.

Highlights for the third quarter of fiscal 2023 include:

a. Continued execution of our Environmental Pledges, including the completion of eight additional capital projects aimed at reducing the energy and water intensities of our operations.
b. Maintained our B score for our CDP Climate disclosure, above industry average. We also obtained a B score for our CDP Water Disclosure, compared to C last year, reflecting our continuous progress in improving our ESG disclosure.
c. Expanded our low fat cheese range in the Dairy Division (UK) with the release of *Cathedral City's* '*Our Lighter*' Extra Mature block which has 30% less fat than our standard Extra Mature Cheddar.
d. Continued to support the communities where we operate through financial and food donations.

INFORMATION BY SECTOR

CANADA SECTOR

Fiscal years	2023			2022			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	**1,213**	1,185	1,142	1,055	1,112	1,081	1,033
Adjusted EBITDA	**149**	136	132	117	121	124	113
Adjusted EBITDA margin	**12.3 %**	11.5 %	11.6 %	11.1 %	10.9 %	11.5 %	10.9 %

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

Revenues

Revenues for the **third quarter of fiscal 2023** totalled $1.213 billion, up $101 million or 9.1%, as compared to $1.112 billion for the same quarter last fiscal year.

Revenues increased due to higher selling prices in connection with the higher cost of milk as raw material and pricing initiatives implemented to mitigate increasing input and logistics costs in line with inflation.

Sales volumes in the retail market segment were lower, mainly in the fluid milk category, while sales volumes in the foodservice market segment were higher, mainly in the cheese category.

Revenues for the **nine months of fiscal 2023** totalled $3.540 billion, up $314 million or 9.7%, as compared to $3.226 billion for the same period last fiscal year.

Revenues increased due to higher selling prices in connection with the higher cost of milk as raw material and pricing initiatives implemented to mitigate increasing input and logistics costs in line with inflation.

Sales volumes were lower in the retail market segment, mainly in the fluid milk category, while sales volumes in the foodservice market segment were higher, mainly in the cheese category.

Adjusted EBITDA

Adjusted EBITDA for the **third quarter of fiscal 2023** totalled $149 million, up $28 million or 23.1%, as compared to $121 million for the same quarter last fiscal year.

Year-over-year results were solid despite ongoing challenging market conditions relative to labour and inflation. Pricing initiatives were sufficient to mitigate inflationary pressures on our input costs. Product mix continued to have a favourable impact with increased cheese sales volumes. As the work related to strategic initiatives progressed, we benefited from continuous improvement programs aimed at increasing efficiencies.

We continued to benefit from selling, general, and administrative cost containment measures aimed at minimizing the effect of inflation.

Adjusted EBITDA for the **nine months of fiscal 2023** totalled $417 million, up $59 million or 16.5%, as compared to $358 million for the same period last fiscal year.

Year-over-year results improved despite challenging market conditions relative to labour and inflation. Pricing initiatives were sufficient to mitigate inflationary pressures on our input costs. Product mix had a favourable impact, with increases in cheese sales volumes. While working on our Global Strategic Plan initiatives, we benefited from continuous improvement programs aimed at increasing efficiencies.

We benefited from selling, general, and administrative cost containment measures aimed at minimizing the effect of inflation.

USA SECTOR

Fiscal years	2023			2022			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	**2,172**	2,062	2,043	1,743	1,627	1,533	1,506
Adjusted EBITDA	**146**	102	97	42	83	67	96
Adjusted EBITDA margin	**6.7 %**	4.9 %	4.7 %	2.4 %	5.1 %	4.4 %	6.4 %

Selected factor(s) positively (negatively) impacting Adjusted EBITDA

Fiscal years	2023			2022			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
USA Market Factors[1,2]	**(6)**	(27)	(7)	(19)	(40)	(17)	(42)
US currency exchange[2]	**8**	3	3	—	(6)	(8)	(18)

1 Refer to the ‘‘Glossary’’ section of this MD&A.
2 As compared to same quarter last fiscal year.

Other pertinent information

(in US dollars, except for average exchange rate)

Fiscal years	2023			2022			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Block market price[1]							
Opening	**1.968**	2.195	2.250	1.980	1.873	1.553	1.738
Closing	**2.135**	1.968	2.195	2.250	1.980	1.873	1.553
Average	**2.077**	1.927	2.287	2.005	1.805	1.706	1.657
Butter market price[1]							
Opening	**3.145**	2.995	2.700	2.453	1.760	1.740	1.818
Closing	**2.380**	3.145	2.995	2.700	2.453	1.760	1.740
Average	**2.904**	3.035	2.808	2.692	1.975	1.716	1.805
Average whey powder market price[1]	**0.432**	0.469	0.600	0.759	0.622	0.522	0.626
Spread[1]	**(0.120)**	(0.222)	(0.261)	(0.253)	(0.099)	(0.034)	(0.164)
US average exchange rate to Canadian dollar[2]	**1.357**	1.306	1.275	1.266	1.260	1.259	1.231

1 Refer to the ‘‘Glossary’’ section of this MD&A.
2 Based on Bank of Canada published information.

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

Revenues

Revenues for the **third quarter of fiscal 2023** totalled $2.172 billion, up $545 million or 33.5%, as compared to $1.627 billion for the same quarter last fiscal year.

The combined effect of the higher average block market price[2] and of the higher average butter market price[2] continued to have a positive impact and totalled $275 million.

Revenues increased due to pricing initiatives implemented to mitigate increasing input and logistics costs in line with ongoing inflation.

Building on the momentum of the previous two quarters, sales volumes increased as a result of improvements in our ability to supply ongoing demand.

The fluctuation of the US dollar versus the Canadian dollar had a favourable impact of $123 million.

Revenues for the **nine months of fiscal 2023** totalled $6.277 billion, up $1.611 billion or 34.5%, as compared to $4.666 billion for the same period last fiscal year.

The combined effect of the higher average block market price[2] and of the higher average butter market price[2] had a positive impact of $918 million.

Revenues increased due to pricing initiatives implemented to mitigate increasing input and logistics costs in line with ongoing inflation.

Sales volumes increased as a result of improvements in our ability to supply ongoing demand and the combined contribution of the Reedsburg Facility Acquisition[3] and the Carolina Acquisition[3] for the full period compared to partial contributions in the same period last fiscal year. Demand for our products remained high, although consumer demand for mozzarella in the foodservice market segment remained subject to competitive market conditions.

The fluctuation of the US dollar versus the Canadian dollar had a favourable impact of $238 million.

[2] Refer to the ‘‘Glossary’’ section of this MD&A.
[3] Refer to the definition of Recent Acquisitions included in the "Glossary" section of this MD&A.

Adjusted EBITDA

Adjusted EBITDA for the **third quarter of fiscal 2023** totalled $146 million, up $63 million or 75.9%, as compared to $83 million for the same quarter last fiscal year.

Results significantly improved despite market conditions which have remained challenging although to a lesser degree than in recent quarters.

We benefited from previously announced pricing initiatives to mitigate higher input costs, as we continued to be challenged with inflationary pressures, labour availability, as well as commodity market volatility.

USA Market Factors[2] continued to put pressure on adjusted EBITDA, as compared to the same quarter last fiscal year, with a negative impact of $6 million.

USA Market Factors[2] are comprised of the following and their impacts were negative in the third quarter of fiscal 2023:

- The spread[2].
- The impact on the realization of inventories and the absorption of fixed costs from the combined effect of the fluctuation of the average block market price[2] and of the average butter market price[2] related to dairy food products.
- The impact of dairy ingredient market prices.

Labour shortages in some of our facilities and supply chain disruptions continued to put pressure on our ability to supply ongoing demand, which negatively impacted efficiencies and the absorption of fixed costs. However, continued improvements during the quarter contributed to higher sales volumes, as described above.

The fluctuation of the US dollar versus the Canadian dollar had a favourable impact of $8 million.

Adjusted EBITDA for the **nine months of fiscal 2023** totalled $345 million, up $99 million or 40.2%, as compared to $246 million for the same period last fiscal year.

Results reflected the ongoing recovery despite ongoing challenging market conditions.

We benefited from previously announced pricing initiatives to mitigate higher input costs as we continued to be challenged with inflationary pressures, labour availability, as well as commodity market volatility.

USA Market Factors[2] continued to put pressure on adjusted EBITDA, as compared to the same period last fiscal year, with a negative impact of $40 million mainly due to the effect of the negative spread[2] in the first half of the fiscal year.

Labour shortages in some of our facilities and supply chain disruptions put pressure on our ability to supply ongoing demand, which negatively impacted efficiencies and the absorption of fixed costs. However, improvements which began during the second quarter contributed to higher sales volumes, as described above.

The fluctuation of the US dollar versus the Canadian dollar had a favourable impact of $14 million.

[2] Refer to the "Glossary" section of this MD&A.
[3] Refer to the definition of Recent Acquisitions included in the "Glossary" section of this MD&A.

INTERNATIONAL SECTOR

Fiscal years	2023			2022			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	**917**	989	916	922	919	858	754
Adjusted EBITDA	**111**	97	82	62	85	56	45
Adjusted EBITDA margin	**12.1 %**	9.8 %	9.0 %	6.7 %	9.2 %	6.5 %	6.0 %

Selected factor(s) positively (negatively) impacting Adjusted EBITDA

Fiscal years	2023			2022			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Foreign currency exchange[1]	**(13)**	(9)	(6)	(12)	(13)	(14)	(4)

[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 **third quarter of fiscal 2023** totalled $917 million, down $2 million or 0.2%, as compared to $919 million for the same quarter last fiscal year.

The effects of higher international cheese and dairy ingredient market prices and the fluctuations of the Argentine peso and the Australian dollar on export sales denominated in US dollars were favourable. However, fulfilling the demand for our products in our export markets continued to be challenged by reduced milk availability in Australia and resulted in lower export sales volumes.

Higher domestic selling prices, mainly in connection with the higher cost of milk as raw material, the effect of the hyperinflationary economy in Argentina, as well as higher sales volumes in our domestic markets had a positive impact.

These positive effects were offset by the fluctuation of the functional currencies used in the International Sector versus the Canadian dollar, which had an unfavourable impact of $141 million mainly due to the weakening of the Argentine peso.

Revenues for the **nine months of fiscal 2023** totalled $2.822 billion, up $291 million or 11.5%, as compared to $2.531 billion for the same period last fiscal year.

The effects of higher international cheese and dairy ingredient market prices and the fluctuations of the Argentine peso and the Australian dollar on export sales denominated in US dollars were favourable. However, lower export sales volumes, mainly resulting from reduced milk availability in Australia, had a negative impact. In the first quarter of the fiscal year, export sales volumes were also subject to supply chain challenges, due to container and vessel availability issues and port inefficiencies.

Revenues also increased due to higher sales volumes in our domestic markets along with higher domestic selling prices, mainly in connection with the higher cost of milk as raw material, as well as the effect of the hyperinflationary economy in Argentina.

The fluctuation of the functional currencies used in the International Sector versus the Canadian dollar had an unfavourable impact of $238 million mainly due to the weakening of the Argentine peso.

Adjusted EBITDA

Adjusted EBITDA for the **third quarter of fiscal 2023** totalled $111 million, up $26 million or 30.6%, as compared to $85 million for the same quarter last fiscal year.

In our export markets, the relation between international cheese and dairy ingredient market prices and the cost of milk as raw material continued to have a positive impact.

Reduced milk availability in Australia continued to negatively impact our export sales volumes as well as efficiencies and the absorption of fixed costs in our Dairy Division (Australia).

The fluctuation of the functional currencies used in the International Sector versus the Canadian dollar had an unfavourable impact of $13 million mainly due to the weakening of the Argentine peso.

Adjusted EBITDA for the **nine months of fiscal 2023** totalled $290 million, up $104 million or 55.9%, as compared to $186 million for the same period last fiscal year.

In our export markets, the relation between international cheese and dairy ingredient market prices and the cost of milk as raw material had a positive impact. In the first six months of last fiscal year, fulfilling sales contracted at depressed commodity prices had an unfavourable impact and supply chain disruptions were ongoing.

Reduced milk availability in Australia negatively impacted our export sales volumes, as well as efficiencies and the absorption of fixed costs in our Dairy Division (Australia), while higher milk intake in the Dairy Division (Argentina) had a positive impact on efficiencies.

The fluctuation of the functional currencies used in the International Sector versus the Canadian dollar had an unfavourable impact of $28 million mainly due to the weakening of the Argentine peso.

EUROPE SECTOR

Fiscal years	2023			2022			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	**285**	225	226	237	243	217	195
Adjusted EBITDA	**39**	34	36	39	33	36	36
Adjusted EBITDA margin	**13.7 %**	15.1 %	15.9 %	16.5 %	13.6 %	16.6 %	18.5 %

Selected factor(s) positively (negatively) impacting Adjusted EBITDA

Fiscal years	2023			2022			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Foreign currency exchange[1]	**(2)**	(4)	(2)	(1)	—	—	—

1 As compared to same quarter last fiscal year.

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

Revenues

Revenues for the **third quarter of fiscal 2023** totalled $285 million, up $42 million or 17.3%, as compared to $243 million for the same quarter last fiscal year.

Revenues increased due to pricing initiatives implemented to mitigate the higher cost of milk as raw material and other input cost increases.

Sales volumes decreased due to the added pressure on the retail market segment from inflation-driven pricing actions.

The impact of the fluctuation of the British pound sterling versus the Canadian dollar had an unfavourable impact of $15 million.

Revenues for the **nine months of fiscal 2023** totalled $736 million, up $81 million or 12.4%, as compared to $655 million for the same period last fiscal year.

Revenues increased due to pricing initiatives implemented to mitigate the higher cost of milk as raw material and other input cost increases.

Sales volumes decreased due to the added pressure on the retail market segment from inflation-driven pricing actions. Sales volumes in the industrial market segment were stable. The full period contributions of the Bute Island Acquisition[3] and the Wensleydale Dairy Products Acquisition[3] compared to partial contributions in the same period last fiscal year positively impacted revenues.

The impact of the fluctuation of the British pound sterling versus the Canadian dollar had an unfavourable impact of $52 million.

3 Refer to the definition of Recent Acquisitions included in the "Glossary" section of this MD&A.

Adjusted EBITDA

Adjusted EBITDA for the **third quarter of fiscal 2023** totalled $39 million, up $6 million or 18.2%, as compared to $33 million for the same quarter last fiscal year.

Pricing initiatives mitigated the higher cost of milk as raw material and other input cost increases in line with inflation and increased commodity and energy costs due to the European energy crisis. Higher international dairy ingredient market prices also had a positive impact.

Product mix had an unfavourable impact following the decrease in the retail market segment sales volumes mentioned above.

The impact of the fluctuation of the British pound sterling versus the Canadian dollar had an unfavourable impact of $2 million.

Adjusted EBITDA for the **nine months of fiscal 2023** totalled $109 million, up $4 million or 3.8%, as compared to $105 million for the same period last fiscal year.

Pricing initiatives mitigated the higher cost of milk as raw material and other input cost increases in line with inflation, and increased commodity and energy costs. However, the sharp rise in energy costs due to the European energy crisis increased our operating costs. Higher international dairy ingredient market prices also had a positive impact.

Product mix had an unfavourable impact following the decrease in retail market segment sales volumes. The full period contributions of the Bute Island Acquisition[3] and the Wensleydale Dairy Products Acquisition[3] compared to partial contributions in the same period last fiscal year was minimal.

The impact of the fluctuation of the British pound sterling versus the Canadian dollar had an unfavourable impact of $8 million.

[3] Refer to the definition of Recent Acquisitions included in the "Glossary" section of this MD&A.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

This section provides insight into our cash and capital management strategies and how they drive operational objectives, and also provides details on how we manage our liquidity risk to meet Saputo's financial obligations as they come due.

As we navigate through the challenging environment including geopolitical developments, inflationary pressures, rising interest rates, the lingering effects of the COVID-19 pandemic, and the related uncertainties, we are focused on our capital allocation priorities to support our Global Strategic Plan, as well as cash flow generation. Our current capital allocation priorities are focused on investing to support organic growth, strategic acquisitions, and our Saputo Promise.

The Company's cash and cash equivalents totalled $185 million as at December 31, 2022. In addition to these funds, we have unused credit facilities of $2.055 billion under our bank credit facilities as at December 31, 2022. We believe we are well positioned to face current market conditions given our well-balanced capital structure.

The Company's liquidity needs are funded from cash generated by operations, unsecured bank credit facilities, and senior unsecured 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. We do not foresee any difficulty in securing financing beyond what is currently available through existing arrangements or public offerings, when appropriate, to fund possible acquisitions and/or to refinance debt obligations.

Saputo’s cash flows are summarized in the following table:

	For the three-month periods ended December 31		**For the nine-month periods ended December 31**	
	2022	2021	**2022**	2021
Net cash generated from operating activities	**134**	107	**604**	509
Cash used for investing activities	**(140)**	(68)	**(321)**	(638)
Cash used for financing activities	**(90)**	(108)	**(324)**	(40)
Decrease in cash and cash equivalents	**(96)**	(69)	**(41)**	(169)

Operating activities

Net cash generated from operating activities for the **third quarter of fiscal 2023** amounted to $134 million, in comparison to $107 million for the same quarter last fiscal year. This increase of $27 million was mainly due to an increase in adjusted EBITDA[1] of $123 million, lower income taxes paid of $16 million, and an increase of $11 million in non-cash foreign exchange gain on debt. This increase was partially offset by a decrease related to changes in non-cash operating working capital items of $124 million.

Net cash generated from operating activities for the **nine months of fiscal 2023** amounted to $604 million, in comparison to $509 million for the same period last fiscal year. This increase of $95 million was mainly due to an increase in adjusted EBITDA[1] of $266 million and lower income taxes paid of $50 million. The increase was partially offset by a decrease related to changes in non-cash operating working capital items of $205 million.

Changes in non-cash operating working capital for the three and nine-month periods ended December 31, 2022, were driven by the fluctuations in accounts receivable, inventories, and accounts payable in line with the fluctuation of market prices, the timing of collections of accounts receivable and of payments of accounts payable, as well as the closing and favourable settlement of foreign exchange derivatives.

[1] This is a total of segments measure, a non-GAAP financial measure, or a non-GAAP ratio. See the “Non-GAAP Measures” section of this MD&A for more information, including the definition and composition of the measure or ratio as well as the reconciliation to the most comparable measure in the primary financial statements, as applicable.

Investing activities

Investing activities for the **third quarter of fiscal 2023** amounted to $140 million, which included $135 million used for additions to property, plant and equipment, additions to intangible assets totalling $7 million, as well as the offsetting effect of proceeds from the disposal of assets in the amount of $2 million.

Investing activities for the **nine months of fiscal 2023** amounted to $321 million, which included $312 million used for additions to property, plant and equipment, additions to intangible assets totalling $17 million, as well as the offsetting effect of proceeds from the disposal of assets in the amount of $8 million.

Financing activities

Financing activities for the **third quarter of fiscal 2023** included the issuance, on November 29, 2022, of Series 10 medium term notes for an aggregate principal amount of $300 million. The net proceeds of the offering were used to repay funds drawn on our main revolving credit facility. Also, we paid $18 million of lease liabilities and $50 million of dividends, net of $26 million settled through the dividend reinvestment plan (DRIP). Finally, shares were issued as part of the stock option plan for $5 million.

Financing activities for the **nine months of fiscal 2023** included the issuance, on November 29, 2022, of Series 10 medium term notes for an aggregate principal amount of $300 million. The net proceeds of the offering were used for the repayment of a portion of our main revolving credit facility, which had been used to repay the $300 million aggregate principal amount of the Series 4 medium term notes due June 13, 2022 and for general corporate purposes. Financing activities also included the repayment of $82 million of term loan facilities incurred in connection with prior acquisitions. Also, we paid $50 million of lease liabilities and $150 million of dividends, net of $76 million settled through the DRIP. Finally, shares were issued as part of the stock option plan for $19 million.

Liquidity

(in millions of CDN dollars, except ratio)

	December 31, 2022	March 31, 2022
Current assets	**4,878**	4,295
Current liabilities	**2,934**	2,780
Working capital[1]	**1,944**	1,515
Working capital ratio[1]	**1.66**	1.54

1 Refer to the "Glossary" section of this MD&A.

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 was mainly due to higher inventories.

Capital management

Our capital strategy requires a well-balanced financing structure to maintain the flexibility needed to implement growth initiatives while allowing us to pursue disciplined capital investments and maximize shareholder value.

We continue to target a long-term leverage of approximately 2.25 times net debt to adjusted EBITDA[1]. From time to time, we may deviate from our long-term leverage target to pursue strategic opportunities.

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

	December 31, 2022	March 31, 2022
Net debt[2]	**3,893**	4,080
Trailing twelve months adjusted EBITDA[2]	**1,421**	1,155
Net debt to adjusted EBITDA[1]	**2.74**	3.53
Number of common shares	**419,871,959**	416,738,041
Number of stock options	**21,239,163**	22,021,670

On November 29, 2022, we issued Series 10 medium term notes for an aggregate principal amount of $300 million due November 29, 2029, bearing interest at 5.25%. We used the net proceeds of the offering to repay a portion of our main revolving credit facility and for general corporate purposes.

On December 22, 2022, we filed an unallocated short form base shelf prospectus providing us the flexibility to make offerings of various securities during the 25-month period that the base shelf prospectus is effective, and we renewed our medium term note (MTN) program by filing a supplement to the short form base shelf prospectus.

As at December 31, 2022, the Company had $185 million in cash and cash equivalents and available bank credit facilities of $2.4 billion, of which $345 million were drawn. See Note 5 and Note 6 to the condensed interim consolidated financial statements for additional information related to bank loans and long-term debt.

Share capital authorized by Saputo is comprised of an unlimited number of common shares. The common shares are voting and participating. As at January 31, 2023, 420,021,284 common shares and 21,065,690 stock options were outstanding.

1 This is a total of segments measure, a non-GAAP financial measure, or a non-GAAP ratio. See the "Non-GAAP Measures" section of this MD&A for more information, including the definition and composition of the measure or ratio as well as the reconciliation to the most comparable measure in the primary financial statements, as applicable.
2 Refer to the "Glossary" section of this MD&A and Note 7 to the condensed interim consolidated financial statements.

CONTRACTUAL OBLIGATIONS

We manage and continually monitor the Company's commitments and contractual obligations to ensure that these can be met with funding provided by operations and capital structure optimization.

Saputo'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 we are committed.

	December 31, 2022				March 31, 2022			
	Long-term debt	**Leases**	**Purchase obligations & other**	**Total**	Long-term debt	Leases	Purchase obligations & other	Total
Less than 1 year	**300**	**87**	**313**	**700**	300	88	245	633
1–2 years	**420**	**97**	**183**	**700**	306	70	37	413
2–3 years	**877**	**55**	**20**	**952**	1,035	84	23	1,142
3–4 years	**350**	**47**	**14**	**411**	350	44	12	406
4–5 years	**700**	**42**	**11**	**753**	350	38	9	397
More than 5 years	**634**	**259**	**4**	**897**	1,034	280	3	1,317
	3,281	**587**	**545**	**4,413**	3,375	604	329	4,308

Long-term debt

The Company’s long-term debt is described in Note 6 to the condensed interim consolidated financial statements.

Bank term loans

In connection with the acquisition of the activities of Murray Goulburn Co-Operative Co. Limited in April 2018, we entered into a credit agreement, providing for a non-revolving term facility comprised of three tranches. A total of $1.254 billion was drawn, of which $952 million has since been repaid and/or refinanced through our medium term notes program. 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 a minimum of 0.80% and a maximum of 2.00%, depending on the Company's credit ratings.

In connection with the acquisition of Dairy Crest Group plc in April 2019, we entered into a credit agreement providing for a non-revolving term facility comprised of three tranches. A total of $1.911 billion was drawn, of which $1.686 billion has since been repaid and/or refinanced through our medium term notes program. The credit facility bears interest at lenders’ prime rates plus a maximum of 1.00% or SOFR or bankers’ acceptance rates plus a minimum of 0.80% and a maximum of 2.00%, depending on the Company's credit ratings. On October 6, 2022, this facility was converted to a Canadian dollar denominated facility.

On June 1, 2022, the Company extended the maturity dates of these bank term loans to June 1, 2025.

Senior notes

Long-term debt also includes seven series of senior unsecured notes outstanding under our medium term note program for a total of $2.700 billion, with annual interest rates varying from 1.42% to 5.25%, and maturities ranging from November 2023 to November 2029.

FINANCIAL POSITION

The main financial position items as at December 31, 2022, were higher as compared to the balances as at March 31, 2022, due to the net effect on financial position items of the foreign operations of the weakening of the Canadian dollar versus the US dollar and the strengthening of the Canadian dollar versus the Australian dollar, the British pound sterling, and the Argentine peso.

The following table sets forth exchange rates expressed in Canadian dollars per currency of our respective local operations' financial position items in foreign currencies as at December 31, 2022, and March 31, 2022.

	December 31, 2022	March 31, 2022
US dollar[1]	**1.3554**	1.2505
Australian dollar[1]	**0.9235**	0.9351
Argentine peso[1]	**0.0077**	0.0112
British pound sterling[1]	**1.6395**	1.6441

1 Based on Bank of Canada published information.

The net cash position (cash and cash equivalents less bank loans) of negative $254 million as at March 31, 2022, increased to negative $160 million as at December 31, 2022. The change in foreign currency translation adjustments recorded in other comprehensive income varied mainly due to the fluctuation of foreign currencies versus the Canadian dollar.

CHANGES IN ACCOUNTING POLICIES

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 December 31, 2022, for more information regarding the effect of new accounting standards, interpretations, and amendments adopted on or after April 1, 2022.

Recent 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 December 31, 2022, 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, see the discussion provided in the Company's 2022 Annual Report (pages 34 to 43 of the MD&A dated June 9, 2022).

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.

There were no changes to Saputo's internal control over financial reporting that occurred during the period beginning on October 1, 2022, and ended on December 31, 2022, that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

NON-GAAP MEASURES

We report our financial results in accordance with GAAP and generally assess our financial performance using financial measures that are prepared using GAAP. However, this MD&A also refers to certain non-GAAP and other financial measures which do not have a standardized meaning under GAAP, including the following.

Term Used	Definition
Adjusted EBITDA	Net earnings before income taxes, financial charges, acquisition and restructuring costs, gain on disposal of assets, impairment of intangible assets, and depreciation and amortization.
Adjusted net earnings	Net earnings before the UK tax rate change, acquisition and restructuring costs, gain on disposal of assets, impairment of intangible assets, and amortization of intangible assets related to business acquisitions, net of applicable income taxes.
Adjusted EBITDA margin	Adjusted EBITDA expressed as a percentage of revenues.
Adjusted net earnings margin	Adjusted net earnings expressed as a percentage of revenues.
Adjusted EPS basic	Adjusted net earnings per basic common share.
Adjusted EPS diluted	Adjusted net earnings per diluted common share.
Net debt / adjusted EBITDA	Net debt divided by adjusted EBITDA.

We use non-GAAP measures and ratios to provide investors with supplemental metrics to assess and measure our operating performance and financial position from one period to the next. We believe that those measures are important supplemental metrics because they eliminate items that are less indicative of our core business performance and could potentially distort the analysis of trends in our operating performance and financial position. We also use non-GAAP measures to facilitate operating and financial performance comparisons from period to period, to prepare annual budgets and forecasts, and to determine components of management compensation. We believe these non-GAAP measures, in addition to the financial measures prepared in accordance with IFRS, enable investors to evaluate the Company's operating results, underlying performance, and future prospects in a manner similar to management. These metrics are presented as a complement to enhance the understanding of operating results but not in substitution of GAAP results.

These non-GAAP measures have no standardized meaning under GAAP and are unlikely to be comparable to similar measures presented by other issuers. Our method of calculating these measures may differ from the methods used by others, and, accordingly, our definition of these non-GAAP financial measures may not be comparable to similar measures presented by other issuers. In addition, non-GAAP financial measures should not be viewed as a substitute for the related financial information prepared in accordance with GAAP. This section provides a description of the components of each non-GAAP measure used in this MD&A and the classification thereof.

NON-GAAP FINANCIAL MEASURES AND RATIOS

A non-GAAP financial measure is a financial measure that depicts the Company's financial performance, financial position, or cash flow and either excludes an amount that is included in or includes an amount that is excluded from the composition of the most directly comparable financial measures disclosed in the Company's financial statements. A non-GAAP ratio is a financial measure disclosed in the form of a ratio, fraction, percentage, or similar representation and that has a non-GAAP financial measure as one or more of its components.

Below are descriptions of the non-GAAP financial measures and ratios that we use as well as reconciliations to the most comparable GAAP financial measures, as applicable.

Adjusted net earnings and adjusted net earnings margin

We believe that adjusted net earnings and adjusted net earnings margin provide useful information to investors because this financial measure and this ratio provide precision with regards to our ongoing operations by eliminating the impact of non-operational or non-cash items. We believe that in the context of highly acquisitive companies, adjusted net earnings provides a more effective measure to assess performance against the Company's peer group, including due to the application of various accounting policies in relation to the amortization of acquired intangible assets.

We also believe adjusted net earnings and adjusted net earnings margin are useful to investors because they help identify underlying trends in our business that could otherwise be masked by certain write-offs, charges, income, or recoveries that can vary from period to period. We believe that securities analysts, investors, and other interested parties also use adjusted net earnings to evaluate the performance of issuers. Excluding these items does not imply they are non-recurring. These measures do not have any standardized meanings under GAAP and are therefore unlikely to be comparable to similar measures presented by other companies.

The following table provides a reconciliation of net earnings to adjusted net earnings.

	For the three-month periods ended December 31		**For the nine-month periods ended December 31**	
	2022	2021	**2022**	2021
Net earnings	**179**	86	**463**	237
UK tax rate change[2]	**—**	—	**—**	50
Acquisition and restructuring costs[1]	**27**	—	**49**	—
Gain on disposal of assets[1]	**—**	(8)	**—**	(8)
Impairment of intangible assets[1]	**—**	43	**—**	43
Amortization of intangible assets related to business acquisitions[1]	**15**	18	**47**	55
Adjusted net earnings	**221**	139	**559**	377
Revenues	**4,587**	3,901	**13,375**	11,078
Margin	***4.8 %***	*3.6 %*	***4.2 %***	*3.4 %*

1 Net of income taxes.
2 On June 10, 2021, the UK Finance Act 2021 was enacted, increasing the UK tax rate from 19% to 25%, effective April 1, 2023. Refer to Note 11 to the condensed interim consolidated financial statements for further information.

Adjusted EPS basic and adjusted EPS diluted

Adjusted EPS basic and adjusted EPS diluted are non-GAAP ratios and do not have any standardized meaning under GAAP. Therefore, these measures are unlikely to be comparable to similar measures presented by other issuers. We define adjusted EPS basic and adjusted EPS diluted as adjusted net earnings divided by the basic and diluted weighted average number of common shares outstanding for the period. Adjusted net earnings is a non-GAAP financial measure. For more details on adjusted net earnings, refer to the discussion above in the adjusted net earnings and adjusted net earnings margin section.

We use adjusted EPS basic and adjusted EPS diluted, and we believe that certain securities analysts, investors, and other interested parties use these measures, among other ones, to assess the performance of our business without the effect of the UK tax rate change, acquisition and restructuring costs, gain on disposal of assets, impairment of intangible assets, and amortization of intangible assets related to business acquisitions. We exclude these items because they affect the comparability of our financial results and could potentially distort the analysis of trends in business performance. Adjusted EPS is also a component in the determination of long-term incentive compensation for management.

Net debt to adjusted EBITDA

Net debt to adjusted EBITDA is the primary measure used by the Company to monitor its financial leverage. For more details on net debt, refer to the "Glossary" section of this MD&A and Note 7 to the condensed interim consolidated financial statements. For more details on adjusted EBITDA, refer to the discussion above in the adjusted EBITDA and adjusted EBITDA margin section.

TOTAL OF SEGMENTS MEASURES

A total of segments measure is a financial measure that is a subtotal or total of two or more reportable segments and is disclosed within the notes to Saputo's consolidated financial statements, but not in its primary financial statements. Consolidated adjusted EBITDA is a total of segments measure.

Consolidated adjusted EBITDA is the total of the adjusted EBITDA of our four geographic sectors. We report our business under four sectors: Canada, USA, International, and Europe. The Canada Sector consists of the Dairy Division (Canada), the USA Sector consists of the Dairy 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). We sell our products in three different market segments: retail, foodservice, and industrial.

Adjusted EBITDA and adjusted EBITDA margin

We believe that adjusted EBITDA and adjusted EBITDA margin provide investors with useful information because they are common industry measures. These measures are also key metrics of the Company's operational and financial performance without the variation caused by the impacts of the elements itemized below and provide an indication of the Company's ability to seize growth opportunities in a cost-effective manner, finance its ongoing operations, and service its long-term debt. Adjusted EBITDA is the key measure of profit used by management for the purpose of assessing the performance of each sector and of the Company as a whole, and to make decisions about the allocation of resources. We believe that securities analysts, investors, and other interested parties also use adjusted EBITDA to evaluate the performance of issuers. Adjusted EBITDA is also a component in the determination of short-term incentive compensation for management.

The following table provides a reconciliation of net earnings to adjusted EBITDA on a consolidated basis.

	For the three-month periods ended December 31		**For the nine-month periods ended December 31**	
	2022	2021	**2022**	2021
Net earnings	**179**	86	**463**	237
Income taxes	**44**	26	**131**	143
Financial charges	**37**	17	**62**	54
Acquisition and restructuring costs	**38**	—	**67**	—
Impairment of intangible assets	**—**	58	**—**	58
Gain on disposal of assets	**—**	(9)	**—**	(9)
Depreciation and amortization	**147**	144	**438**	412
Adjusted EBITDA	**445**	322	**1,161**	895
Revenues	**4,587**	3,901	**13,375**	11,078
Margin	***9.7 %***	*8.3 %*	***8.7 %***	*8.1 %*

GLOSSARY

Average whey powder market price means the average daily price for a pound of extra grade dry whey published on Daily Dairy Report, used as the base price for whey.

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 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 dairy food products.

Net Debt means long-term debt, lease liabilities, and bank loans, including the current portion thereof, net of cash and cash equivalents. Refer to Note 7 to the condensed interim consolidated financial statements for further information.

Recent Acquisitions collectively, means the following business acquisitions completed in fiscal 2022: business of Wensleydale Dairy Products Limited (Wensleydale Dairy Products Acquisition), the Carolina Aseptic and Carolina Dairy businesses formerly operated by AmeriQual Group Holdings, LLC (Carolina Acquisition), Bute Island Foods Ltd (Bute Island Acquisition) and the Reedsburg facility of Wisconsin Specialty Protein, LLC (Reedsburg Facility Acquisition).

Spread means the difference between 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 month adjusted EBITDA is calculated by adding the actual adjusted EBITDA results for the nine-month period ended December 31, 2022, to the actual adjusted EBITDA results for the year ended March 31, 2022, and subtracting the actual adjusted EBITDA results for the nine-month period ended December 31, 2021.

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 spread, 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.

Working capital means current assets minus current liabilities.

Working capital ratio means 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 December 31		For the nine-month periods ended December 31	
	2022	2021	**2022**	2021
Revenues (Note 14)	**$ 4,587**	$ 3,901	**$ 13,375**	$ 11,078
Operating costs excluding depreciation, amortization, and restructuring costs (Note 4)	**4,142**	3,579	**12,214**	10,183
Earnings before income taxes, financial charges, acquisition and restructuring costs, gain on disposal of assets, impairment of intangible assets, and depreciation and amortization	**445**	322	**1,161**	895
Depreciation and amortization	**147**	144	**438**	412
Impairment of intangible assets (Note 14)	**—**	58	**—**	58
Gain on disposal of assets	**—**	(9)	**—**	(9)
Acquisition and restructuring costs (Note 9)	**38**	—	**67**	—
Financial charges (Note 10)	**37**	17	**62**	54
Earnings before income taxes	**223**	112	**594**	380
Income taxes (Note 11)	**44**	26	**131**	143
Net earnings	**$ 179**	$ 86	**$ 463**	$ 237
Net earnings per share (Note 12)				
Basic	**$ 0.43**	$ 0.21	**$ 1.11**	$ 0.57
Diluted	**$ 0.43**	$ 0.21	**$ 1.11**	$ 0.57

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 December 31		For the nine-month periods ended December 31	
	2022	2021	**2022**	2021
Net earnings	**$ 179**	$ 86	**$ 463**	$ 237
Other comprehensive income:				
Items that may be reclassified to net earnings:				
Exchange differences arising from foreign currency translation	**43**	(15)	**320**	(61)
Inflation effect arising from the application of hyperinflation	**(1)**	—	**(3)**	(1)
Unrealized gains (losses) on cash flow hedges (Note 13)	**36**	3	**(32)**	(17)
Reclassification of losses on cash flow hedges to net earnings	**11**	8	**14**	11
Income taxes relating to items that may be reclassified to net earnings	**(13)**	(4)	**6**	2
	76	(8)	**305**	(66)
Items that will not be reclassified to net earnings:				
Actuarial (loss) gain	**(75)**	100	**(79)**	125
Income taxes relating to items that will not be reclassified to net earnings	**19**	(24)	**20**	(23)
	(56)	76	**(59)**	102
Other comprehensive income	**20**	68	**246**	36
Total comprehensive income	**$ 199**	$ 154	**$ 709**	$ 273

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 nine-month period ended December 31, 2022	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	**416,738,041**	**$ 1,945**	**$ 66**	**$ 21**	**$ 172**	**$ 259**	**$ 4,301**	**$ 6,505**
Net earnings	**—**	**—**	**—**	**—**	**—**	**—**	**463**	**463**
Other comprehensive income	**—**	**—**	**317**	**(12)**	**—**	**305**	**(59)**	**246**
Total comprehensive income								**709**
Dividends (Note 8)	**—**	**—**	**—**	**—**	**—**	**—**	**(226)**	**(226)**
Shares issued under dividend reinvestment plan (Note 8)	**2,409,163**	**76**	**—**	**—**	**—**	**—**	**—**	**76**
Stock options	**—**	**—**	**—**	**—**	**9**	**9**	**—**	**9**
Exercise of stock options (Note 8)	**724,755**	**23**	**—**	**—**	**(3)**	**(3)**	**—**	**20**
Balance, end of period	**419,871,959**	**$ 2,044**	**$ 383**	**$ 9**	**$ 178**	**$ 570**	**$ 4,479**	**$ 7,093**

For the nine-month period ended December 31, 2021	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	412,333,571	$ 1,807	$ 210	$ —	$ 165	$ 375	$ 4,262	$ 6,444
Net earnings	—	—	—	—	—	—	237	237
Other comprehensive (loss) income	—	—	(62)	(4)	—	(66)	102	36
Total comprehensive income								273
Dividends (Note 8)	—	—	—	—	—	—	(221)	(221)
Shares issued under dividend reinvestment plan (Note 8)	1,931,655	62	—	—	—	—	—	62
Stock options	—	—	—	—	12	12	—	12
Exercise of stock options (Note 8)	917,535	30	—	—	(4)	(4)	—	26
Balance, end of period	**415,182,761**	**$ 1,899**	**$ 148**	**$ (4)**	**$ 173**	**$ 317**	**$ 4,380**	**$ 6,596**

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)
(unaudited)

As at	December 31, 2022	March 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents	**$ 185**	$ 165
Receivables	**1,682**	1,500
Inventories	**2,917**	2,503
Income taxes receivable	**13**	52
Prepaid expenses and other assets	**81**	75
	4,878	4,295
Property, plant and equipment	**4,095**	3,962
Right-of-use assets	**468**	475
Goodwill	**3,339**	3,188
Intangible assets	**1,305**	1,371
Other assets	**230**	362
Deferred tax assets	**60**	30
Total assets	**$ 14,375**	$ 13,683
LIABILITIES		
Current liabilities		
Bank loans (Note 5)	**$ 345**	$ 419
Accounts payable and accrued liabilities	**2,108**	1,952
Income taxes payable	**109**	44
Current portion of long-term debt (Note 6)	**300**	300
Current portion of lease liabilities	**72**	65
	2,934	2,780
Long-term debt (Note 6)	**2,981**	3,075
Lease liabilities	**380**	386
Other liabilities	**121**	101
Deferred tax liabilities	**866**	836
Total liabilities	**$ 7,282**	$ 7,178
EQUITY		
Share capital (Note 8)	**2,044**	1,945
Reserves	**570**	259
Retained earnings	**4,479**	4,301
Total equity	**$ 7,093**	$ 6,505
Total liabilities and equity	**$ 14,375**	$ 13,683

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 December 31		For the nine-month periods ended December 31	
	2022	2021	**2022**	2021
Cash flows related to the following activities:				
Operating				
Net earnings	**$ 179**	$ 86	**$ 463**	$ 237
Adjustments for:				
Stock-based compensation	**15**	12	**45**	37
Financial charges (Note 10)	**37**	17	**62**	54
Income tax expense	**44**	26	**131**	143
Depreciation and amortization	**147**	144	**438**	412
Impairment of intangible assets (Note 14)	**—**	58	**—**	58
Restructuring charges related to optimization initiatives	**38**	—	**67**	—
(Gain) on disposal of property, plant and equipment	**(2)**	(12)	**(3)**	(12)
Foreign exchange (gain) loss on debt	**13**	2	**(17)**	(18)
Share of joint venture earnings, net of dividends received and other	**1**	(2)	**(2)**	4
Changes in non-cash operating working capital items	**(288)**	(164)	**(429)**	(224)
Cash generated from operating activities	**184**	167	**755**	691
Interest and financial charges paid	**(47)**	(41)	**(114)**	(95)
Income taxes paid	**(3)**	(19)	**(37)**	(87)
Net cash generated from operating activities	**$ 134**	$ 107	**$ 604**	$ 509
Investing				
Business acquisitions, net of cash acquired	**—**	2	**—**	(373)
Additions to property, plant and equipment	**(135)**	(79)	**(312)**	(246)
Additions to intangible assets	**(7)**	(8)	**(17)**	(38)
Proceeds from disposal of property, plant and equipment	**2**	17	**8**	19
Net cash used for investing activities	**$ (140)**	$ (68)	**$ (321)**	$ (638)
Financing				
Bank loans	**(326)**	(29)	**(74)**	335
Proceeds from issuance of long-term debt	**300**	6	**313**	306
Repayment of long-term debt	**(1)**	(13)	**(382)**	(486)
Repayment of lease liabilities	**(18)**	(21)	**(50)**	(62)
Net proceeds from issuance of share capital	**5**	2	**19**	26
Payment of dividends	**(50)**	(53)	**(150)**	(159)
Net cash used for financing activities	**$ (90)**	$ (108)	**$ (324)**	$ (40)
Decrease in cash and cash equivalents	**(96)**	(69)	**(41)**	(169)
Cash and cash equivalents, beginning of period	**270**	222	**165**	309
Effect of inflation	**13**	9	**60**	27
Effect of exchange rate changes	**(2)**	1	**1**	(4)
Cash and cash equivalents, end of period	**$ 185**	$ 163	**$ 185**	$ 163

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine-month periods ended December 31, 2022, and 2021.

(All dollar amounts are in millions of CDN dollars, except per share amounts, unless otherwise indicated.)
(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. In addition to its dairy portfolio, the Company produces, markets, and distributes a range of dairy alternative cheeses and beverages. The address of the Company's head office is 6869 Metropolitain Blvd. East, Montréal, Québec, Canada, H1P 1X8. The condensed interim consolidated financial statements of the Company for the three and nine-month periods ended December 31, 2022 (financial statements), comprise the financial results of the Company and its subsidiaries.

The financial statements were authorized for issuance by the Board of Directors on February 9, 2023.

NOTE 2 BASIS OF PRESENTATION

The financial statements 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 financial statement in compliance with International Financial Reporting Standards (IFRS) have been omitted or condensed, and, therefore, these financial statements should be read in conjunction with the Company's audited annual consolidated financial statements as at March 31, 2022, and 2021, and for the years then ended.

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, 2022.

ECONOMIC CONDITIONS AND UNCERTAINTIES

The Company continues to monitor and assess the lingering effects of the COVID-19 pandemic on the significant estimates and judgments used in the preparation of the consolidated financial statements.

The Company is also continuously monitoring the geopolitical risk related to the evolving military conflict in Ukraine. This crisis did not have a significant impact on the Company's 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, 2023, with an earlier application permitted:

IAS 1, Disclosure of Accounting Policies

In February 2021, the IASB issued amendments to IAS 1 to require entities to disclose its material accounting policies instead of its significant accounting policies.

IAS 8, Definition of Accounting Estimates

In February 2021, the IASB issued amendments to IAS 8 to replace the definition of a change in accounting estimate. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES CONT'D

IAS 12, Deferred Tax Related to Assets and Liabilities Arising From a Single Transaction
In May 2021, the IASB issued amendments to IAS 12 to require entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

The adoption of these amendments is not expected to 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 standards, and interpretation of standards were adopted by the Company on or after April 1, 2022:

IFRS 3, Reference to the Conceptual Framework
In May 2020, amendments to IFRS 3, Business Combinations were issued, adding a requirement that IAS 37, Provisions, contingent liabilities and contingent assets, or International Financial Reporting Interpretations Committee (IFRIC) 21, Levies, be applied by an acquirer to identify the liabilities it has assumed in a business combination. Also, an explicit statement was added requiring an acquirer to not recognize contingent assets acquired in a business combination.

IAS 16, Property, Plant and Equipment: Proceeds Before Intended 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.

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.

The adoption of these amendments did not significantly impact the Company's financial statements.

NOTE 4 OPERATING COSTS EXCLUDING DEPRECIATION, AMORTIZATION, AND RESTRUCTURING COSTS

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2022	2021	**2022**	2021
Changes in inventories of finished goods and work in process	**$ (267)**	$ (191)	**$ (315)**	$ (120)
Raw materials and consumables used	**3,408**	2,847	**9,626**	7,657
Foreign exchange loss (gain)	**8**	8	**8**	5
Employee benefits expense	**537**	478	**1,570**	1,409
Other selling costs	**219**	224	**635**	604
Other general and administrative costs	**237**	213	**690**	628
	$ 4,142	$ 3,579	**$ 12,214**	$ 10,183

NOTE 5 BANK LOANS

		Available for use				Amount drawn as at	
Credit Facilities	Maturity		Canadian Currency Equivalent	Base Currency (in millions)		**December 31, 2022**	March 31, 2022
North America-USA	June 2027[1]	$	407	300	USD	**$ —**	$ —
North America-Canada	June 2027[1]	$	949	700	USD	**50**	207
Australia	Yearly[2]	$	254	275	AUD	**109**	50
Australia	Yearly[2]	$	136	100	USD	**—**	56
Japan	Yearly[3]	$	82	8,000	JPY	**63**	43
United Kingdom	Yearly[4]	$	205	125	GBP	**103**	—
Argentina	Yearly[5, 6]	$	367	271	USD	**20**	63
		$	2,400			**$ 345**	$ 419

1 Bears monthly interest at rates ranging from lender's prime rates plus a maximum of 1.00% or SOFR or SONIA or BBSY or banker's acceptance rate plus a minimum of 0.80% and a maximum of 2.00% depending on the Company credit ratings, plus an adjustment to the applicable margins based on the Company's achievement of its sustainability targets. As at December 31, 2022, includes a drawn amount of US$30 million for which the foreign currency risk was offset with a cross currency swap.

2 Bears monthly interest at SOFR or Australian Bank Bill Rate plus up to 0.90% and can be drawn in AUD or USD.

3 Bears monthly interest at TIBOR plus 0.70%.

4 Bears monthly interest at rates ranging from base rate plus 0.80% or SONIA plus 0.80%.

5 Bears monthly interest at local rate and can be drawn in USD or ARS.

6 Subject to interest rate benchmark reform.

As at December 31, 2022, receivables totalling $71 million (AU$76 million) ($62 million (AU$66 million) as at March 31, 2022), were sold under a trade receivables purchase agreement to sell certain receivables. The receivables were derecognized upon sale as substantially all risks and rewards associated with the receivables passed to the purchaser.

NOTE 6 LONG-TERM DEBT

	December 31, 2022	March 31, 2022
Unsecured bank term loan facilities		
Obtained April 2018 (AU$600 million) and due in June 2025[1]	**$ 302**	$ 373
Obtained April 2019 (£600 million) and due in June 2025[2]	**225**	262
Senior unsecured notes[3,5]		
2.83%, issued in November 2016 and due in November 2023 (Series 3)	**300**	300
1.94%, issued in June 2017 and repaid in June 2022 (Series 4)	**—**	300
3.60%, issued in August 2018 and due in August 2025 (Series 5)	**350**	350
2.88%, issued in November 2019 and due in November 2024 (Series 6)	**400**	400
2.24%, issued in June 2020 and due in June 2027 (Series 7)	**700**	700
1.42%, issued in November 2020 and due in June 2026 (Series 8)	**350**	350
2.30%, issued in June 2021 and due in June 2028 (Series 9)	**300**	300
5.25%, issued in November 2022 and due in November 2029 (Series 10)[4]	**300**	—
Other	**54**	40
	$ 3,281	$ 3,375
Current portion	**(300)**	(300)
	$ 2,981	$ 3,075
Principal repayments are as follows:		
Less than 1 year	**$ 300**	$ 300
1-2 years	**420**	306
2-3 years	**877**	1,035
3-4 years	**350**	350
4-5 years	**700**	350
More than 5 years	**634**	1,034
	$ 3,281	$ 3,375

1 Bear monthly interest at rates ranging from lender's prime rate plus a maximum of 1.00%, or banker's acceptance rates or Australian Bank Bill Rate plus a minimum of 0.80% and 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 Bears monthly interest at lender's prime rates plus a maximum of 1.00% or SOFR or banker's acceptance rates 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. On October 6, 2022, the remaining tranche of the facility was converted to a Canadian dollar denominated facility and can be drawn in CAD or USD. As at December 31, 2022, US$166 million was drawn.

3 Interest payments are semi-annual.

4 Issued on November 29, 2022, for an aggregate principal amount of $300 million under the Company's medium term note program.

5 On December 22, 2022, the Company filed an unallocated short form base shelf prospectus providing the flexibility to make offerings of various securities during the 25-month period that the base shelf prospectus is effective, and renewed its medium term notes (MTN) program by filing a supplement to the short form base shelf prospectus.

NOTE 7 NET DEBT

The Company's capital is composed of net debt and equity. Net debt consists of long-term debt, bank loans, and lease liabilities, net of cash and cash equivalents. The net debt amounts as at December 31, 2022, and March 31, 2022, are as follows:

		December 31, 2022		March 31, 2022
Long-term debt, including current portion	**$**	**3,281**	$	3,375
Bank loans		**345**		419
Lease liabilities		**452**		451
Less: Cash and cash equivalents		**(185)**		(165)
Net debt	**$**	**3,893**	$	4,080

The primary measure used by the Company to monitor its financial leverage is its ratio of net debt to trailing twelve months net earnings before income taxes, financial charges, acquisition and restructuring costs, gain on disposal of assets, impairment of intangible assets, and depreciation and amortization. The ratio at December 31, 2022, was 2.74 (3.53 at March 31, 2022).

NOTE 8 SHARE CAPITAL

AUTHORIZED

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

STOCK OPTION PLAN

Changes in the number of outstanding stock options for the nine-month periods ended December 31 are as follows:

	December 31, 2022			December 31, 2021		
	Number of options		**Weighted average exercise price**	Number of options		Weighted average exercise price
Balance, beginning of year	**22,021,670**	**$**	**38.45**	23,339,321	$	37.81
Granted	**2,600,057**	**$**	**29.59**	1,984,038	$	37.52
Exercised	**(724,755)**	**$**	**26.12**	(917,535)	$	27.86
Cancelled	**(2,657,809)**	**$**	**40.28**	(1,104,879)	$	41.17
Balance, end of period	**21,239,163**	**$**	**37.54**	23,300,945	$	38.01

The weighted average exercise price of $29.59 of the stock options granted in fiscal 2023 corresponds to the weighted average market price for the five trading days immediately preceding the date of the grant ($37.52 in fiscal 2022).

The weighted average fair value of stock options granted in fiscal 2023 was estimated at $5.57 per option ($6.52 in fiscal 2022), using the Black-Scholes option pricing model with the following assumptions:

	Fiscal 2023 grant	Fiscal 2022 grant
Weighted average:		
Risk-free interest rate	**2.39 %**	0.88 %
Life of options	**6.5 years**	6.4 years
Volatility[1]	**22.06 %**	21.92 %
Dividend rate	**2.42 %**	1.91 %

1 Expected volatility is based on the historic share price volatility over a period similar to the life of the options.

NOTE 8 SHARE CAPITAL CONT'D

DIVIDENDS AND DIVIDEND REINVESTMENT PLAN

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

Dividends paid in cash and through the DRIP during the nine-month periods ended December 31, 2022, and 2021, are shown below:

	For the nine-month periods ended December 31	
	2022	2021
Cash	**150**	$ 159
DRIP	**76**	62
Total	**$ 226**	$ 221

NOTE 9 ACQUISITION AND RESTRUCTURING COSTS

During the third quarter of fiscal 2023, the Company announced consolidation initiatives, as part of its Global Strategic Plan, intended to enhance its operational efficiency and strengthen its competitiveness in Australia. As a result, restructuring costs of $38 million ($27 million after tax) were recorded during the third quarter of fiscal 2023 which include non-cash fixed assets write-down of $30 million ($21 million after tax), employee related costs, and other site closure costs.

For the nine-month period ended December 31, 2022, restructuring costs totalled $67 million ($49 million after tax) and were incurred in connection with the consolidation initiatives described above, as well as other initiatives undertaken in the Europe Sector and the USA Sector in the context of the Company's Global Strategic Plan. These costs include non-cash fixed assets write-down of $50 million, employee-related costs of $14 million, accelerated depreciation, and other site closure costs.

NOTE 10 FINANCIAL CHARGES

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2022	2021	**2022**	2021
Interest on long-term debt	**$ 22**	$ 17	**$ 61**	$ 56
Other finance costs, net	**13**	11	**38**	21
Gain on hyperinflation[1]	**—**	(14)	**(44)**	(33)
Interest on lease liabilities	**3**	4	**10**	12
Net interest revenue from defined benefit obligation	**(1)**	(1)	**(3)**	(2)
	$ 37	$ 17	**$ 62**	$ 54

[1] Relative to the application of hyperinflation accounting for the Dairy Division (Argentina).

NOTE 11 INCOME TAXES

On June 10, 2021, the UK Finance Act 2021 was enacted, increasing the UK tax rate from 19% to 25%, effective April 1, 2023. This change resulted in the Company recording, in the first quarter of fiscal 2022, an income tax expense of approximately $50 million and a corresponding increase in deferred income tax liabilities.

NOTE 12 NET EARNINGS PER SHARE

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2022	2021	**2022**	2021
Net earnings	**$ 179**	$ 86	**$ 463**	$ 237
Weighted average number of common shares outstanding	**419,142,679**	414,509,256	**418,054,463**	413,674,052
Dilutive stock options	**924,111**	781,650	**616,657**	957,085
Weighted average diluted number of common shares outstanding	**420,066,790**	415,290,906	**418,671,120**	414,631,137
Basic net earnings per share	**$ 0.43**	$ 0.21	**$ 1.11**	$ 0.57
Diluted net earnings per share	**$ 0.43**	$ 0.21	**$ 1.11**	$ 0.57

When calculating diluted net earnings per share for the three and nine-month periods ended December 31, 2022, 16,904,995 options were excluded from the calculation because their exercise price is higher than the average market value of shares during the same period (20,034,823 options were excluded for the three and nine-month periods ended December 31, 2021).

NOTE 13 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, December 31, 2022, and March 31, 2022. 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.

	December 31, 2022		March 31, 2022	
	Fair value	**Carrying value**	Fair value	Carrying value
Cash flow hedges				
Equity forward contracts (Level 2)	$ (3)	$ (3)	$ (3)	$ (3)
Commodity derivatives (Level 2)	(1)	(1)	8	8
Foreign exchange derivatives (Level 2)	2	2	52	52
Derivatives not designated in a formal hedging relationship				
Equity forward contracts (Level 2)	(2)	(2)	(10)	(10)
Commodity derivatives (Level 2)	—	—	2	2
Foreign exchange derivatives (Level 2)	1	1	1	1
Long-term debt (Level 2)	3,077	3,281	3,231	3,375

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 Dairy Division (USA). The International Sector comprises 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.

NOTE 14 SEGMENTED INFORMATION (CONT'D)

The President and Chief Executive Officer, Chief Financial Officer, President and Chief Operating Officer (North America) and Dairy Division (USA), and President and Chief Operating Officer (International and Europe) are, collectively, the chief operating decision maker of the Company and regularly review operations and performance by sector. They review adjusted EBITDA as the key measure of profit for the purpose of assessing performance of each sector and to make decisions about the allocation of resources. Adjusted EBITDA is defined as net earnings before income taxes, financial charges, acquisition and restructuring costs, gain on disposal of assets, impairment of intangible assets, and depreciation and amortization.

The divisions within the International Sector were combined due to similarities in global market factors and production processes.

INFORMATION ON REPORTABLE SECTORS

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2022	2021	**2022**	2021
Revenues				
Canada	**$ 1,213**	$ 1,112	**$ 3,540**	$ 3,226
USA	**2,172**	1,627	**6,277**	4,666
International[1]	**917**	919	**2,822**	2,531
Europe	**285**	243	**736**	655
	$ 4,587	$ 3,901	**$ 13,375**	$ 11,078
Operating costs excluding depreciation, amortization, and restructuring costs				
Canada	**$ 1,064**	$ 991	**$ 3,123**	$ 2,868
USA	**2,026**	1,544	**5,932**	4,420
International	**806**	834	**2,532**	2,345
Europe	**246**	210	**627**	550
	$ 4,142	$ 3,579	**$ 12,214**	$ 10,183
Adjusted EBITDA				
Canada	**$ 149**	$ 121	**$ 417**	$ 358
USA	**146**	83	**345**	246
International	**111**	85	**290**	186
Europe	**39**	33	**109**	105
	$ 445	$ 322	**$ 1,161**	$ 895
Depreciation and amortization				
Canada	**$ 27**	$ 26	**$ 82**	$ 76
USA	**59**	56	**171**	153
International	**36**	33	**110**	98
Europe	**25**	29	**75**	85
	$ 147	$ 144	**$ 438**	$ 412
Impairment of intangible assets[2]	**—**	58	**—**	58
Gain on disposal of assets	**—**	(9)	**—**	(9)
Acquisition and restructuring costs[3]	**38**	—	**67**	—
Financial charges	**37**	17	**62**	54
Earnings before income taxes	**223**	112	**594**	380
Income taxes	**44**	26	**131**	143
Net earnings	**$ 179**	$ 86	**$ 463**	$ 237

1 Australia accounted for $667 million and $1,991 million of the International Sector's revenues while Argentina accounted for $250 million and $831 million for the three and nine-month periods ended December 31, 2022, respectively. Australia accounted for $661 million and $1,858 million of the International Sector's revenues, while Argentina accounted for $258 million and $673 million for the three and nine-month periods ended December 31, 2021, respectively.

2 During the third quarter of fiscal 2022, the Company recognized an impairment charge of $58 million ($43 million net of taxes) related to software assets, of which $8 million results from the application of an agenda decision of the IFRIC related to the capitalization of cloud-based software costs.

3 See Note 9 related to Acquisition and restructuring costs.

NOTE 14 SEGMENTED INFORMATION (CONT'D)

MARKET SEGMENT INFORMATION

The Company sells its products in three different market segments: retail, foodservice, and industrial.

For the three-month periods ended December 31	Total		Canada		USA		International		Europe	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Revenues										
Retail	**$ 2,317**	$ 2,003	**$ 706**	$ 669	**$ 1,028**	$ 756	**$ 382**	$ 383	**$ 201**	$ 195
Foodservice	**1,459**	1,116	**415**	358	**931**	675	**104**	76	**9**	7
Industrial	**811**	782	**92**	85	**213**	196	**431**	460	**75**	41
	$ 4,587	$ 3,901	**$ 1,213**	$ 1,112	**$ 2,172**	$ 1,627	**$ 917**	$ 919	**$ 285**	$ 243

For the nine-month periods ended December 31	Total		Canada		USA		International		Europe	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Revenues										
Retail	**$ 6,458**	$ 5,570	**$ 1,994**	$ 1,908	**$ 2,793**	$ 2,056	**$ 1,137**	$ 1,077	**$ 534**	$ 529
Foodservice	**4,411**	3,424	**1,275**	1,083	**2,824**	2,113	**289**	212	**23**	16
Industrial	**2,506**	2,084	**271**	235	**660**	497	**1,396**	1,242	**179**	110
	$ 13,375	$ 11,078	**$ 3,540**	$ 3,226	**$ 6,277**	$ 4,666	**$ 2,822**	$ 2,531	**$ 736**	$ 655