Management's Discussion and Analysis

—

Consolidated Financial Statements 2017

Saputo

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The goal of the management report is to analyze the results of, and the financial position for, the year ended March 31, 2017. It should be read while referring to the audited consolidated financial statements and accompanying notes. The accounting policies of Saputo Inc. (Company or Saputo) for financial years ended March 31, 2017, 2016 and 2015 are in accordance with International Financial Reporting Standards (IFRS). All dollar amounts are in Canadian dollars, unless otherwise indicated. This report takes into account material elements between March 31, 2017 and June 1, 2017, the date on which this report was approved by Saputo's Board of Directors. Additional information about the Company, including the annual information form for the year ended March 31, 2017, can be obtained on SEDAR at www.sedar.com.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of applicable securities laws. These statements are based, among other things, on Saputo's assumptions, expectations, estimates, objectives, plans and intentions as of the date hereof regarding projected revenues and expenses, the economic, industry, competitive and regulatory environments in which the Company operates or which could affect its activities, its ability to attract and retain customers and consumers, as well as the availability and cost of milk and other raw materials and energy supplies, its operating costs and the pricing of its finished products on the various markets in which it carries on business.

These forward-looking statements include, among others, statements with respect to the Company's short and medium term objectives, outlook, business projects and strategies to achieve those objectives, as well as statements with respect to the Company's beliefs, plans, objectives and expectations. The words "may", "should", "will", "would", "believe", "plan", "expect", "intend", "anticipate", "estimate", "foresee", "objective", "continue", "propose" or "target", or the negative of these terms or variations of them, the use of conditional or future tense or words and expressions of similar nature, are intended to identify forward-looking statements.

By their nature, forward-looking statements are subject to a number of inherent risks and uncertainties. Actual results could differ materially from the conclusion, forecast or projection stated in such forward-looking statements. As a result, the Company cannot guarantee that any forward-looking statements will materialize. Assumptions, expectations and estimates made in the preparation of forward-looking statements and risks that could cause actual results to differ materially from current expectations are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including the "Risks and Uncertainties" section of this Management's Discussion and Analysis.

Forward-looking statements are based on Management's current estimates, expectations and assumptions, which Management believes are reasonable as of the date hereof, and, accordingly, are subject to changes after such date. You should not place undue importance on forward-looking statements and should not rely upon this information as of any other date.

To the extent any forward-looking statement in this document constitutes financial outlook, within the meaning of applicable securities laws, such information is intended to provide shareholders with information regarding the Company, including its assessment of future financial plans, and may not be appropriate for other purposes. Financial outlook, as with forward-looking information generally, is based on current estimates, expectations and assumptions and is subject to inherent risks and uncertainties and other factors.

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

SELECTED FINANCIAL INFORMATION

Years ended March 31
(in millions of CDN dollars)

	2017	2016	2015
STATEMENT OF EARNINGS			
Revenues			
Canada	**3,995.0**	3,801.5	3,835.8
USA	**5,812.4**	5,786.7	5,279.6
International	**1,355.2**	1,403.3	1,542.3
	11,162.6	10,991.5	10,657.7
Operating costs excluding depreciation, amortization, gain on disposal of a business, acquisition and restructuring costs			
Canada	**3,541.9**	3,388.0	3,431.3
USA	**5,078.2**	5,061.2	4,744.7
International	**1,253.0**	1,368.2	1,420.0
	9,873.1	9,817.4	9,596.0
Adjusted EBITDA[1]			
Canada	**453.1**	413.5	404.5
USA	**734.2**	725.5	534.9
International	**102.2**	35.1	122.3
	1,289.5	1,174.1	1,061.7
Adjusted EBITDA margin	***11.6%***	*10.7%*	*10.0%*
Depreciation and amortization			
Canada	**58.0**	55.1	59.5
USA	**123.4**	120.0	92.7
International	**25.9**	23.5	18.7
	207.3	198.6	170.9
Gain on disposal of a business	**–**	–	(25.9)
Acquisition costs	**–**	3.0	0.7
Restructuring costs	**–**	31.2	(7.2)
Interest on long-term debt	**36.9**	48.3	54.0
Other financial charges	**5.0**	22.1	19.3
Earnings before incomes taxes	**1,040.3**	870.9	849.9
Income taxes	**309.2**	269.5	237.0
Net earnings	**731.1**	601.4	612.9
Net earnings margin	***6.5%***	*5.5%*	*5.8%*
Attributable to:			
Shareholders of Saputo Inc.	**727.8**	601.1	607.6
Non-controlling interest	**3.3**	0.3	5.3
	731.1	601.4	612.9

[1] Adjusted EBITDA is a non-IFRS measure. Refer to "Measurement of Results not in Accordance with International Financial Reporting Standards" on page 7 of this Management's Discussion and Analysis for the definition of this term.

Years ended March 31
(in millions of CDN dollars, except per share amounts and ratios)

	2017	2016	2015
Net earnings	**731.1**	601.4	612.9
Gain on disposal of a business (net of income taxes of $0)	**–**	–	(25.9)
Acquisition costs (net of income taxes of $nil, $0.6 and $0.2 for 2017, 2016 and 2015, respectively)	**–**	2.4	0.5
Restructuring costs (net of income taxes of $nil, $8.1 and $2.5 for 2017, 2016 and 2015, respectively)	**–**	23.1	(4.7)
Adjusted net earnings[2]	**731.1**	626.9	582.8
Adjusted net earnings margin	***6.5%***	*5.7%*	*5.5%*
Attributable to:			
Shareholders of Saputo Inc.	**727.8**	626.6	577.5
Non-controlling interest	**3.3**	0.3	5.3
	731.1	626.9	582.8
PER SHARE DATA			
Earnings per share	**1.86**	1.53	1.55
Diluted earnings per share	**1.84**	1.51	1.53
Adjusted earnings per share[2]	**1.86**	1.60	1.48
Adjusted diluted earnings per share[2]	**1.84**	1.58	1.46
Dividends declared per share	**0.60**	0.54	0.52
Book value	**11.19**	10.37	9.25
BALANCE SHEET DATA			
Working capital	**1,187.1**	819.0	783.1
Total assets	**7,596.6**	7,172.3	6,800.3
Net debt[3]	**1,343.3**	1,467.1	1,667.2
Total non-current financial liabilities	**1,504.5**	1,208.3	1,524.8
Equity	**4,322.9**	4,069.8	3,628.6
FINANCIAL RATIOS			
Net debt / Equity	**0.31**	0.36	0.46
Net debt-to-adjusted EBITDA[1]	**1.04**	1.25	1.57
Adjusted return on average equity[4]	**20.7**%	19.2%	20.4%
STATEMENT OF CASH FLOWS DATA			
Net cash generated from operations	**1,073.6**	849.8	769.8
Amount of additions to property, plant and equipment, intangible assets, net of proceeds on disposal	**316.7**	226.3	184.8
Business acquisitions	**–**	214.9	65.0
Dividends	**228.3**	210.0	197.7

[2] Adjusted net earnings and adjusted earnings per share (basic and diluted) are non-IFRS measures. Refer to "Measurement of Results not in Accordance with International Financial Reporting Standards" on page 7 of this Management's Discussion and Analysis for the definition of these terms.

[3] Net debt consists of long-term debt and bank loans, net of cash and cash equivalents.

[4] Adjusted return on average equity is defined as adjusted net earnings divided by average total equity not considering the effect of annual fluctuations in foreign currency translation.

FINANCIAL ORIENTATION

Profitability enhancement and shareholder value creation remain the cornerstones of Saputo's objectives. The Company continues to operate in a competitive and challenging global economic environment. Saputo remains focused on organic growth and growth through acquisitions, in an effort to develop new markets and expand existing ones in addition to reinforcing a global presence in emerging markets. To achieve these objectives, the Company continues to maintain strict discipline in cost management and operational efficiency in order to remain a prudent operator and financial manager. Additionally, the Company remains proactive in evaluating possible acquisitions and potential growth markets. Saputo benefits from a solid balance sheet and capital structure, supplemented by a high level of cash generated by operations and low debt levels. Saputo's financial flexibility allows growth through targeted acquisitions and enables the Company to overcome possible economic challenges. In fiscal 2017, the Company continued to strategically invest in capital projects, expand its activities in new and existing markets, increase its dividend and effectively manage cash by purchasing back its own shares through its normal course issuer bid.

ELEMENTS TO CONSIDER WHEN READING MANAGEMENT'S DISCUSSION AND ANALYSIS FOR FISCAL 2017

The following are highlights and key performance measures for fiscal 2017:

- Net earnings totalled $731.1 million, up 21.6%.
- Adjusted net earnings[1] totalled $731.1 million, up 16.6%.
- Earnings before interest, income taxes, depreciation, amortization, acquisition and restructuring costs (adjusted EBITDA[1]) totalled $1.290 billion, up 9.8%.
- Revenues reached $ 11.163 billion, up 1.6%.
- Net cash generated from operations totalled $1.074 billion, up 26.3%.
- In the Canada Sector, revenues increased due to higher selling prices related to the increase in the cost of milk as raw material and a favourable product mix. Adjusted EBITDA increased due to better operational efficiencies through raw material and ingredients optimization, as well as a favourable product mix.
- In the USA Sector, revenues increased due to higher sales volumes. The combined effect of the fluctuation of the average block market[2] per pound of cheese and the average butter market[3] price per pound, as compared to the last fiscal year, impacted revenues negatively by approximately $5 million. Adjusted EBITDA increased due to higher sales volumes and a better alignment of selling prices with fluctuating commodity prices. Market factors[4] negatively affected adjusted EBITDA by approximately $4 million, as compared to last fiscal year.
- In the International Sector, higher selling prices in the domestic and export markets positively affected revenues and adjusted EBITDA despite lower sales volumes in the export market. As a result of decreases in certain market selling prices, inventory was written down by approximately $4 million, as compared to approximately $18 million for the last fiscal year.
- The fluctuation of the Canadian dollar versus foreign currencies had a negative impact on revenues of approximately $145 million, as compared to last fiscal year, mainly due to the weakening of the Argentine peso. This fluctuation positively impacted adjusted EBITDA and earnings before income taxes by approximately $13 million, as compared to last fiscal year.

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[1] Adjusted net earnings and adjusted EBITDA represent non-IFRS measures. Refer to "Measurement of Results not in Accordance with International Financial Reporting Standards" on page 7 of this Management's Discussion and Analysis for the definition of these terms.

[2] "Average block market" is the average daily price of a 40 pound block of cheddar traded on the Chicago Mercantile Exchange (CME), used as the base price for cheese.

[3] "Average butter market" is the average daily price for Grade AA Butter traded on the CME, used as the base price for butter.

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

MEASUREMENT OF RESULTS NOT IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

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

The definitions provided above are used in the context of the results and activities for the year ended March 31, 2017. They are subject to change based on future transactions and as deemed necessary by Management in order to provide a better understanding and comparability of future results and activities of the Company.

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

(in millions of CDN dollars)

	2017	2016	2015
Earnings before income taxes	**1,040.3**	870.9	849.9
Other financial charges	**5.0**	22.1	19.3
Interest on long-term debt	**36.9**	48.3	54.0
Gain on disposal of a business	**-**	-	(25.9)
Acquisition costs	**-**	3.0	0.7
Restructuring costs	**-**	31.2	(7.2)
Depreciation and Amortization	**207.3**	198.6	170.9
Adjusted EBITDA	**1,289.5**	1,174.1	1,061.7

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

	2017			2016			2015		
		Per Share			Per Share			Per Share	
	Total	**Basic**	**Diluted**	Total	Basic	Diluted	Total	Basic	Diluted
Net earnings[1]	**727.8**	**1.86**	**1.84**	601.1	1.53	1.51	607.6	1.55	1.53
Gain on disposal of a business[2]	**-**	**-**	**-**	-	-	-	(25.9)	(0.06)	(0.06)
Acquisition costs[2]	**-**	**-**	**-**	2.4	0.01	0.01	0.5	-	-
Restructuring costs[2]	**-**	**-**	**-**	23.1	0.06	0.06	(4.7)	(0.01)	(0.01)
Adjusted net earnings[1]	**727.8**	**1.86**	**1.84**	626.6	1.60	1.58	577.5	1.48	1.46

[1] Attributable to shareholders of Saputo Inc.
[2] Net of income taxes

OUTLOOK

Throughout fiscal 2017, the Company continued to strategically invest in capital projects, expand its activities in new and existing markets, increase its dividend and effectively manage cash by purchasing back its own shares through its normal course issuer bid. In fiscal 2018, the Company intends to benefit from its global complementary platforms to face challenges in the dairy market environment. The Company benefits from a solid balance sheet and capital structure, supplemented by a high level of cash generated by operations and low debt levels. This financial flexibility allows the Company to grow through targeted acquisitions and organically through strategic capital investments. Profitability enhancement and shareholder value creation remain the cornerstones of the Company's objectives. The Company has a long-standing commitment to manufacture quality products and will remain focused on operational efficiencies.

We intend to continue expanding and modernizing our plants, with investments in equipment and processes designed to increase efficiency. The Company tends to spend amounts of capital expenditures to a level which is equivalent to its depreciation and amortization expense, without considering capital expenditure amounts for strategic projects, such as plant capacity increases, capital expenditures necessary to build new infrastructure or in light of rationalization programs, or the Company's ERP (Enterprise Resource Planning) initiative. In fiscal 2018, the Company intends to spend $357.4 million in capital expenditures. Included in this amount, $142.0 million will be directed to strategic projects in all divisions, in addition to an amount being allocated for the continued implementation of our ERP initiative. (Refer to the section entitled ''Capital Expenditures'' in the Annual Information Form of the Company dated June 1, 2017 for more information on the Company's three-year capital expenditure plan)

The Company will pursue planning and designing activities for the migration to a new ERP system. Overall, the implementation of our ERP system is progressing as planned. The new ERP system has been successfully implemented in Argentina. In fiscal 2018, the Company plans to implement the ERP system in Australia and then proceed with the implementation in the Dairy Foods Division (USA). In the Cheese Division (USA), as per the other divisions, we will allocate resources in fiscal 2018 relating to the ERP initiative, as the implementation is scheduled for fiscal 2019. Implementation in the Dairy Division (Canada) will be the last implementation of the ERP initiative, scheduled for fiscal 2020.

CONSOLIDATED RESULTS

Consolidated selected factors positively (negatively) affecting adjusted EBITDA and earnings before income taxes

(in millions of CDN dollars)

Fiscal years	**2017**	2016
Market factors[1, 2]	**(4)**	(29)
Inventory write-down	**(4)**	(18)
Foreign currency exchange[1, 3]	**13**	86

1 As compared to the previous fiscal year.

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

3 Foreign currency exchange includes effect on adjusted EBITDA of conversion of US dollars, Australian dollars and Argentine pesos to Canadian dollars.

Consolidated revenues totalled $11.163 billion, an increase of $171.1 million or 1.6%, compared to $10.992 billion in fiscal 2016. The increase is mainly due to higher sales volumes and a favourable product mix, as well as higher selling prices related to the increase of the cost of milk as raw material in the Canada Sector and the International Sector. Revenues increased due to higher international selling prices of cheese and dairy ingredients, as compared to last fiscal year and the inclusion of revenues from the companies forming Woolwich Dairy (Woolwich Acquisition) for the full fiscal year. The fluctuation of the average block market per pound of cheese, combined with the fluctuation of the average butter market price, decreased revenues by approximately $5 million. Finally, the fluctuation of the Canadian dollar versus foreign currencies decreased revenues by approximately $145 million, mainly due to the weakening of the Argentine peso.

1 Adjusted EBITDA represents a non-IFRS measure. Refer to "Measurement of Results not in Accordance with International Financial Reporting Standards" on page 7 of this Management's Discussion and Analysis for the definition of this term.

Consolidated earnings before interest, income taxes, depreciation, amortization, acquisition and restructuring costs (adjusted EBITDA[1]) amounted to $1.290 billion in fiscal 2017, an increase of $115.4 million or 9.8% compared to $1.174 billion for fiscal 2016. The increase is due to higher sales volumes, a favourable product mix, lower warehousing and logistical costs, as well as lower ingredients costs. Additionally, higher international selling prices of cheese and dairy ingredients positively impacted adjusted EBITDA. This increase was partially offset by higher administrative expenses, mainly due to the ERP initiative, as well as sales and marketing expenses. Market factors in the US negatively affected adjusted EBITDA by approximately $4 million. As a result of the decrease in certain market selling prices, inventory was written down by approximately $4 million, as compared to approximately $18 million for the last fiscal year. Finally, the fluctuation of the Canadian dollar versus foreign currencies had a positive impact on adjusted EBITDA of approximately $13 million, as compared to last fiscal year.

The consolidated adjusted EBITDA margin increased to 11.6% in fiscal 2017, as compared to 10.7% in fiscal 2016, resulting mainly from a higher adjusted EBITDA in the USA Sector as compared to the prior fiscal year.

Depreciation and amortization totalled $207.3 million in fiscal 2017, an increase of $8.7 million, compared to $198.6 million in fiscal 2016. This increase is mainly attributed to the fluctuation of the Canadian dollar versus foreign currencies, as well as additions to property, plant and equipment, increasing the depreciable base.

In fiscal 2016, the Company incurred **acquisition costs** relating to business acquisitions totalling $3.0 million ($2.4 million after tax), as well as **restructuring costs** in relation to plant closures announced in March 2016 in Canada totalling $31.2 million ($23.1 million after tax). As part of the restructuring costs for fiscal 2016, the Company incurred $5.5 million in severance costs and $25.7 million in impairment charges to property, plant and equipment. In fiscal 2017, no acquisition or restructuring costs were incurred by the Company.

Net interest expense amounted to $41.9 million in fiscal 2017, compared to $70.4 million in fiscal 2016. This decrease is mainly attributed to a lower level of long-term debt, lower interest rates and lower bank loans denominated in Argentine peso which bear high interest rates.

Income taxes totalled $309.2 million in fiscal 2017, compared to $269.5 million in fiscal 2016, for an effective tax rate of 29.7% in fiscal 2017, as compared to 30.9% for the previous fiscal year. The decrease of the fiscal 2017 effective tax rate is mainly due to the recognition of previously unrecognized deferred tax assets. The income tax rate varies and could increase or decrease based on the amount of taxable income derived and from which source, any amendments to tax laws and income tax rates and changes in assumptions and estimates used for tax assets and liabilities by the Company and its affiliates.

Net earnings for fiscal 2017 totalled $731.1 million, an increase of $129.7 million or 21.6%, as compared to $601.4 million in fiscal 2016. This increase is due to the factors mentioned above.

Adjusted net earnings[1] for fiscal 2017 totalled $731.1 million, an increase of $104.2 million or 16.6%, as compared to $626.9 million in fiscal 2016. This increase is due to the factors mentioned above, without considering acquisition and restructuring costs.

[1] Adjusted net earnings represents a non-IFRS measure. Refer to “Measurement of Results not in Accordance with International Financial Reporting Standards” on page 7 of this Management’s Discussion and Analysis for the definition of this term.

INFORMATION BY SECTOR

CANADA SECTOR

(in millions of CDN dollars)

Fiscal years	2017	2016
Revenues	**3,995.0**	3,801.5
Adjusted EBITDA[1]	**453.1**	413.5

[1] Adjusted EBITDA is a non-IFRS measure. Refer to the section "Measurement of Results not in Accordance with International Financial Reporting Standards" included on page 7 of this report for the definition of this term.

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

Revenues
Revenues from the Canada Sector totalled $3.995 billion, an increase of $193.5 million or 5.1% compared to $3.802 billion in fiscal 2016. The increase in revenues was mainly due to higher selling prices related to the increase in the cost of milk as raw material and a favourable product mix. Sales volumes remained stable as compared to last fiscal year. Cheese volumes increased while juices decreased as we exited that product category. Traditional milk, cream and value-added milk volumes remained stable. The Woolwich Acquisition contributed positively to revenues for fiscal 2017.

The Sector manufactures approximately 33% of all Canadian natural cheese. Saputo's market share of total fluid milk and cream in Canada is approximately 37%. Saputo is the largest cheese manufacturer and the leading fluid milk and cream processor.

The retail segment of the Dairy Division (Canada) continued to be the leading segment with approximately 63% of revenues, slightly lower compared to last fiscal year. In fiscal 2017, cheese, butter and cream per capita consumption increased, while the fluid milk decreased, as compared to the previous fiscal year. The Division continued to support its leading national brands, *Dairyland*, *Saputo, Armstrong* and *Milk2Go,* through various marketing activities. *Neilson* continues to be the #1 brand in the refrigerated dairy case on a national basis and was supported by marketing initiatives such as sponsorships and sampling events in fiscal 2017. Additionally, the retail segment continued to focus on increasing the exposure of fine cheese brands across Canada, namely *Alexis de Portneuf* and *DuVillage 1860*, through expanded distribution and marketing support. We also continued to build consumer preference for our products and notably re-launched the *Saputo* cheese brand during the fiscal year.

The foodservice segment represented approximately 35% of revenues in the Dairy Division (Canada), slightly higher as compared to last fiscal year. The Company's focus is to support customers such as distributors, restaurant chains and pizzerias by providing quality products that perform to their expectations. Saputo strives to be the supplier of choice by offering high quality service and support. The Company invests in the foodservice industry through partnerships with various culinary colleges and the Canadian Culinary Federation amongst others, thereby investing in future generations that will contribute to a strong and healthy industry.

The industrial segment represented approximately 2% of revenues in the Dairy Division (Canada), slightly higher as compared to last fiscal year.

Adjusted EBITDA
Adjusted EBITDA for the Canada Sector totalled $453.1 million for the year ended March 31, 2017 as compared to $413.5 million in fiscal 2016, representing an increase of $39.6 million or 9.6%. The adjusted EBITDA margin increased to 11.3% from 10.9% in fiscal 2017.

Adjusted EBITDA increased in the Dairy Division (Canada) compared to the previous fiscal year. The Sector benefitted from better operational efficiencies through raw material and ingredients optimization, a favourable product mix and lower warehousing and logistical costs. Additionally, an increase in international dairy ingredient market prices positively impacted adjusted EBITDA. This increase was partially offset by higher administrative expenses mainly due to the ERP initiative, as well as higher sales and marketing expenses. The cost related to the June 2016 recall of *Neilson* branded chocolate milk products was approximately $1 million. The fluctuation of the Canadian dollar versus foreign currencies had a positive impact on adjusted EBITDA of approximately $5 million mainly due to intercompany receivables denominated in foreign currencies.

Outlook

We will continue to focus on reviewing our overall activities to improve operational efficiency, in order to mitigate downward margin pressures, low growth and competitive market conditions. As such, we completed the closure of our Sydney (Nova Scotia) plant in June 2016 and the Princeville (Quebec) plant in August 2016, and will close the Ottawa (Ontario) plant in December 2017, as previously announced. Since April 1, 2017, all merchandising duties in the Atlantic region have been transferred to retailers allowing the Company to continue to achieve its objective of adding consistency in its operations. We will continue to support our leading brands in an effort to pursue growth and strengthen our market presence. We intend to leverage the success of last year's rebranding effort of the *Saputo* brand, by reaffirming our engagement to consumers from coast-to-coast as their preferred and trusted cheese brand through various promotions, advertising and innovative packaging.

During fiscal 2018, the Dairy Division (Canada) will undertake capital projects aimed at increasing efficiencies and capacity to maintain its leadership position.

USA SECTOR

(in millions of CDN dollars)

Fiscal years	2017	2016
Revenues	**5,812.4**	5,786.7
Adjusted EBITDA[1]	**734.2**	725.5

[1] Adjusted EBITDA is a non-IFRS measure. Refer to the section "Measurement of Results not in Accordance with International Financial Reporting Standards" included on page 7 of this report for the definition of this term.

Selected factors positively (negatively) affecting adjusted EBITDA and earnings before income taxes

(in millions of CDN dollars)

Fiscal years	2017	2016
Market factors[1, 2]	**(4)**	(29)
US currency exchange[1]	**1**	82

[1] As compared to the previous fiscal year.
[2] Market factors refer to the USA Sector and include the average block market per pound of cheese and its effect on the absorption of fixed costs and on the realization of inventories, the effect of the relationship between the average block market per pound of cheese and the cost of milk as raw material, the market pricing impact related to sales of dairy ingredients as well as the impact of the average butter market price related to dairy food product sales.

Other pertinent information

(in US dollars, except for average exchange rate)

Fiscal years	2017	2016
Average block market per pound of cheese	**1.605**	1.596
Closing block price per pound of cheese[1]	**1.520**	1.460
Average butter market price per pound	**2.112**	2.184
Closing butter market price per pound[2]	**2.108**	1.955
Average whey market price per pound[3]	**0.350**	0.303
Spread[4]	**0.092**	0.119
US average exchange rate to Canadian dollar[5]	**1.312**	1.311

[1] Closing block price is the price of a 40 pound block of cheddar traded on the Chicago Mercantile Exchange (CME) on the last business day of the fiscal year.
[2] Closing butter market price is the price of Grade AA Butter traded on the CME, on the last business day of each fiscal year.
[3] Average whey powder market price is based on Dairy Market News published information.
[4] Spread is the average block market per pound of cheese less the result of the average cost per hundredweight of Class III and/or Class 4b milk price divided by 10.
[5] Based on Bank of Canada published information.

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

For fiscal 2017, the block market per pound of cheese opened at US$1.46 and increased to US$ 1.52 by the end of the fiscal year, as compared to opening at US$1.58 and closing at US$1.46 for fiscal 2016. For fiscal 2017, the average block market per pound of cheese was US$ 1.61 compared to US$1.60 for fiscal 2016.

For fiscal 2017, the butter market price per pound opened at US$1.96 and increased to US$ 2.11 by the end of the fiscal year, as compared to opening at US$1.79 and closing at US$1.96 for fiscal 2016. For fiscal 2017, the average butter market price per pound was US$ 2.11 compared to US$2.18 for fiscal 2016.

Revenues

Revenues for the USA Sector totalled $5.812 billion in fiscal 2017, an increase of $25.7 million or 0.4% in comparison to $5.787 billion in fiscal 2016. Higher sales volumes in both divisions, as well as the inclusion of the Woolwich Acquisition for the full fiscal year, positively contributed to the increase. The combined effect of the fluctuation of the average block market per pound of cheese and the average butter market price as compared to last fiscal year decreased revenues by approximately $5 million. The fluctuation of the Canadian dollar versus the US dollar increased revenues by approximately $2 million.

The retail segment contributed approximately 46% of total USA Sector revenues, as compared to 45% in fiscal 2016. Two of its retail brands maintained their #1 market share positions. *Frigo Cheese Heads* continued to lead the string cheese brand category in the US market and *Treasure Cave* continued to lead the crumbled blue cheese category. The Cheese Division (USA) continued to support these leading retail brands through promotional activities and trade incentives in fiscal 2017. The Cheese Division (USA) responded to market trends and consumer needs with several new product introductions in fiscal 2017 through smaller packages and flavor combinations. The Dairy Foods Division (USA) benefitted from positive trends in the private label category through the introduction of new products and continued to surpass market growth in such categories as ESL creams/creamers, value-added milk and cultured products. Retail marketing programs supported our major brands in the retail cheese category.

The foodservice segment contributed approximately 49% of total revenues, the same share as in fiscal 2016. In fiscal 2017, the Cheese Division (USA) continued to focus on driving this segment through national pizza chains and through key national and independent restaurant chains. In addition to focusing on growing its share of the cheese market, the Division also sought to increase specialty cheese sales. The foodservice sales and marketing team executed various operator, distributor and broker initiative programs targeted at driving incremental sales. The selling approach of the Dairy Foods Division (USA) affords us an advantage in dealing with restaurant chains. As we continue to work with these customers on new menu offerings, we remain the leading dairy provider to large national broadline distributors, as well as regional foodservice distributors, supplying private label brands of half-half creamers, whipping cream, cottage cheese and sour cream.

The industrial segment includes cheese sales and accounted for approximately 5% of revenues, down from 6% in fiscal 2016.

Adjusted EBITDA

Adjusted EBITDA totalled $734.2 million for fiscal 2017, an increase of $8.7 million or 1.2% in comparison to $725.5 million in fiscal 2016. Contributing to the adjusted EBITDA increase were higher sales volumes, a favourable product mix, lower ingredients costs, as well as higher international selling prices of dairy ingredients. Additionally, pricing initiatives positively affected adjusted EBITDA through a better alignment of selling prices with fluctuating commodity prices. Partially offsetting the adjusted EBITDA increase were unfavourable market factors, less operational efficiencies, as well as higher administrative expenses mainly due to the ERP initiative. Sales and marketing expenses also increased to support higher sales volumes.

The block market per pound of cheese increased over the course of the first three quarters of fiscal 2017, then decreased in the last quarter of the fiscal year. The relationship between the average block market per pound of cheese and the cost of milk as raw material was unfavourable in comparison to fiscal 2016. The average block market per pound of cheese for fiscal 2017 was US$1.61 as compared to US$1.60 for the previous fiscal year. During fiscal 2017, the block price opened at US$1.46 and closed at US$1.52, an increase of US$0.06, compared to opening at US$1.58 and closing at US$1.46, a decrease of US$0.12, for the previous fiscal year. However, this net difference of the block price for fiscal 2017 had a favourable impact on the realization of inventories. The fluctuation of the average block market was negligible on the absorption of fixed costs while the market pricing impact related to sales of dairy ingredients was favourable. While there was additional profitability associated with lower commodity prices in the Dairy Foods Division (USA), these market factors decreased adjusted EBITDA by approximately $4 million. The fluctuation of the Canadian dollar versus the US dollar had a positive impact on the USA Sector's adjusted EBITDA of approximately $1 million.

Outlook

The dairy ingredient market prices are expected to remain relatively stable for the remainder of calendar year 2017.

In the Cheese Division (USA), we will focus on increasing operational efficiencies and controlling costs in order to mitigate the negative impact on adjusted EBITDA of the dairy commodity markets. In fiscal 2018, the Cheese Division (USA) will complete the strategic capital project regarding the enhancement of its blue cheese production capacity. While we expect additional expenses relating to the start-up of this new facility, this capital expenditure project will allow the Division to strengthen its position within the blue cheese category.

The Company benefits from the implementation of its business management model within the Dairy Foods Division (USA), including various measures aimed at being a low-cost producer. The Dairy Foods Division (USA) continues to focus on optimization and maximizing investment in its existing network in order to benefit from new capabilities in production, enable future growth, meet customer demand and bring new products to market. The Sector will keep investing to support production capabilities, aimed at increasing production capacity and strengthening its competitive cost position. In fiscal 2018, the Dairy Foods Division (USA) will focus on targeted capital expenditures aimed at increasing production capacity.

The implementation of our ERP system in the Dairy Foods Division (USA) will occur over multiple phases during the second half of fiscal 2018. The Division is currently focused on developing a road map in connection with the deployment. In the Cheese Division (USA), as per the other divisions, we will allocate resources in fiscal 2018 relating to the ERP initiative, as the implementation is scheduled for fiscal 2019.

INTERNATIONAL SECTOR

(in millions of CDN dollars)

Fiscal years	**2017**	2016
Revenues	**1,355.2**	1,403.3
Adjusted EBITDA[1]	**102.2**	35.1

[1] Adjusted EBITDA is a non-IFRS measure. Refer to the section "Measurement of Results not in Accordance with International Financial Reporting Standards" included on page 7 of this report for the definition of this term.

Selected factors positively (negatively) affecting adjusted EBITDA and earnings before income taxes

(in millions of CDN dollars)

Fiscal years	**2017**	2016
Inventory write-down	**(4)**	(18)
Foreign currency exchange[1]	**7**	4

[1] As compared to the previous fiscal year.

The International Sector consists of the Dairy Division (Argentina), the Dairy Division (Australia) and the Dairy Ingredients Division. The Dairy Ingredients Division includes national and export ingredients sales from the North American divisions, as well as cheese exports from these same divisions.

Revenues

Revenues for the International Sector totalled $1.355 billion for the fiscal year ended March 31, 2017, a decrease of $48.1 million or 3.4% compared to $1.403 billion in fiscal 2016. In the Dairy Division (Argentina), higher selling prices in the domestic market and the weakening of the Argentine peso versus the US dollar in the export market increased revenues, as compared to last fiscal year. This increase was partially offset by lower sales volumes in both the domestic and export markets due to a decrease in milk availability as raw material caused by severe floods during the year. Revenues of the Dairy Division (Australia) increased due to higher sales volumes in the domestic market. This increase was partially offset by lower international cheese and dairy ingredient market prices, lower selling prices in the domestic market, as well as lower sales volumes in the export market. Revenues of the Dairy Ingredients Division decreased as compared to last fiscal year due to lower sales volumes and an unfavourable product mix, as well as lower selling prices in the international markets. The fluctuation of the Canadian dollar versus the foreign currencies used in the International Sector had a negative impact on revenues of approximately $147 million, as compared to last fiscal year, mainly due to the weakening of the Argentine peso.

Adjusted EBITDA

Adjusted EBITDA for the International Sector amounted to $102.2 million, an increase of $67.1 million or 191.2% compared to $35.1 million for fiscal 2016. In the Dairy Division (Argentina), higher selling prices in the domestic and export markets positively impacted adjusted EBITDA. In the export market, the weakening of the Argentine peso versus the US dollar positively impacted adjusted EBITDA, as compared to last fiscal year. This increase was partially offset by lower sales volumes in both the domestic and export markets due to a decrease in milk availability as raw material caused by severe floods during the year, as well as higher administrative expenses mainly due to the ERP initiative. In the Dairy Division (Australia), higher sales volumes in the domestic market, a better alignment of the milk cost as raw material with current market conditions, as well as lower warehousing and logistical costs positively impacted adjusted EBITDA. This increase was partially offset by low international cheese and dairy ingredient market prices, as well as lower sales volumes in the export market. Adjusted EBITDA of the Dairy Ingredients Division slightly decreased due to lower sales volumes. As a result of the decrease in certain market selling prices, inventory was written down by approximately $4 million, as compared to approximately $18 million for last fiscal year. The fluctuation of the Canadian dollar versus the foreign currencies used in the International Sector had a positive impact on adjusted EBITDA of approximately $7 million. The significant increase in the year-over-year adjusted EBITDA is the result of the non-existence in fiscal 2017 of the disparity between the cost of milk as raw material and the market selling prices in both the domestic and export markets that negatively affected the adjusted EBITDA of the previous fiscal year.

Outlook
In the second quarter of fiscal 2018, we expect to complete our expansion project in the Dairy Division (Australia) and the Division will benefit from increased capacities.

The International Sector will continue to pursue sales volumes growth in existing markets, as well as develop additional international markets. Also, the Sector will pursue growth of cheese export sales volumes from the Cheese Division (USA) to the extent US milk pricing is competitive with world prices. The Sector will continue to evaluate overall activities to improve efficiencies and will aim to maximize its operational flexibility to mitigate fluctuations in market conditions.

International cheese and dairy ingredient markets have recovered since last quarter. Despite typical fluctuations inherent to international markets, we do not expect significant decreases in international cheese prices in the calendar year 2017. As for the dairy ingredient market, we expect the prices to remain relatively stable for the same period. As such, we will continue to focus on controlling costs and increasing efficiencies in order to mitigate their impact on adjusted EBITDA.

The ERP system was successfully implemented in fiscal 2017 in the Dairy Division (Argentina). The planning phase of the ERP implementation in the Dairy Division (Australia), scheduled for the second quarter of fiscal 2018, is progressing as planned.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

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

The majority of the Company's liquidity needs are funded from cash generated by operations. Principally, these funds are used for capital spending, dividends, business acquisitions, debt repayments and share repurchase. The Company also has bank credit facilities available for general corporate purposes.

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

(in millions of CDN dollars)

Fiscal years	**2017**	2016
Cash generated from operating activities	**1,325.7**	1,149.8
Net cash generated from operating activities	**1,073.6**	849.8
Cash used for investing activities	**(317.8)**	(444.1)
Cash used for financing activities	**(679.8)**	(338.6)
Increase in cash and cash equivalents	**76.0**	67.1

Cash generated from **operating activities** amounted to $1.326 billion for fiscal 2017, an increase of $175.9 million compared to $1.150 billion in fiscal 2016, mainly due to an increase in adjusted EBITDA[1].

Net cash generated by operating activities amounted to $1.074 billion for fiscal 2017, compared to $849.8 million in fiscal 2016. This additional liquidity of $223.8 million is due to cash flows generated from an increase in adjusted EBITDA[1] of $115.4 million. Changes in non-cash operating working capital items generated $2.4 million of cash compared to $45.8 million used in fiscal 2016, mainly driven by the fluctuation of market prices in the USA Sector that increased receivables. The remaining change is mainly attributable to lower interest and lower income taxes paid during the fiscal year.

For **investing activities**, the Company used $317.8 million in fiscal 2017; of which $84.7 million was disbursed for intangibles related to the ERP initiative. Also, $236.7 million was disbursed for additions to property, plant and equipment, mainly related to specific and strategic projects. Of these additions, 45% went into the replacement of property, plant and equipment and 55% to both implement new technologies and to expand and increase certain manufacturing capacities.

Financing activities consisted mainly of an increase in long-term debt of $600.0 million resulting from the issuance of medium term notes. The additional funds were used to repay an unsecured bank term loan of $212.5 million, as well as repay unsecured senior notes of $220.0 million. In addition, the Company disbursed $87.0 million for the acquisition of the remaining interest in a subsidiary, repurchased $404.1 million in share capital as part of its normal course issuer bids, paid $228.3 million in dividends and decreased bank loans. The Company issued shares for a cash consideration of $57.6 million as part of the stock option plan.

Liquidity

Cash and cash equivalents, cash flows generated from operations, and the availability to draw against existing bank credit facilities are expected to enable the Company to meet its liquidity requirements over at least the next twelve months. The Company does not foresee any difficulty in securing financing beyond what is currently available through existing arrangements to fund possible acquisitions.

(in millions of CDN dollars, except ratio)

Fiscal years	**2017**	2016
Current assets	**2,380.5**	2,175.8
Current liabilities	**1,193.4**	1,356.8
Working capital	**1,187.1**	819.0
Working capital ratio	**1.99**	1.60

The working capital ratio is an indication of the Company's ability to cover short-term liabilities with short-term assets, without having excess dormant assets. The increase in the working capital ratio is mainly attributed to no current portion of long-term debt.

[1] Adjusted EBITDA represents a non-IFRS measure. Refer to "Measurement of Results not in Accordance with International Financial Reporting Standards" on page 7 of this Management's Discussion and Analysis for the definition of this term.

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

The Company targets a long-term leverage of approximately 2.0 times net debt[1] to adjusted EBITDA[2]. From time to time, the Company may deviate from its long-term leverage target to pursue acquisitions and other strategic opportunities. Should such a scenario arise, the Company expects to deleverage over a reasonable period of time in order to seek to maintain its investment grade ratings.

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

Fiscal years	2017	2016
Cash and cash equivalents	**250.5**	164.3
Bank loans	**93.8**	178.2
Net debt[1]	**1,343.3**	1,467.1
Adjusted EBITDA[2]	**1,289.5**	1,174.1
Net debt-to-Adjusted EBITDA[2]	**1.04**	1.25
Number of common shares	**386,234,311**	392,520,687
Number of stock options	**17,850,014**	16,903,824

[1] Net debt consists of long-term debt and bank loans, net of cash and cash equivalents.

[2] Adjusted EBITDA represents a non-IFRS measure. Refer to "Measurement of Results not in Accordance with International Financial Reporting Standards" on page 7 of this Management's Discussion and Analysis for the definition of this term..

The Company had $250.5 million of cash and cash equivalents and available bank credit facilities of approximately $1.028 billion, $93.8 million of which were drawn. See Note 9 to the consolidated financial statements for details of the Company's bank loans.

During fiscal 2017, the Company issued $600 million medium term notes under its medium term note program (the MTN Program). On December 6, 2016, the Company renewed its MTN Program and filed a short form base shelf prospectus qualifying an offering of MTNs for distribution to the public over a 25-month period, expiring in January 2019.

Share capital authorized by the Company is comprised of an unlimited number of common and preferred shares. The common shares are voting and participating. The preferred shares can be issued in one or more series, and the terms and privileges of each class must be determined at the time of their issuance. No preferred shares were outstanding. As at May 23, 2017, 386,056,222 common shares and 21,393,841 stock options were outstanding.

Normal course issuer bids
Under the normal course issuer bid (Bid) covering the period between November 17, 2015 and November 16, 2016, the Company repurchased 5,159,100 common shares at prices ranging from $35.26 to $45.90 per share, for an aggregate consideration of approximately $200.2 million.

In November 2016, the Company renewed its normal course issuer bid (New Bid) to purchase up to 6,000,000 common shares, which represented approximately 1.5% of its issued and outstanding common shares, over a 12-month period beginning on November 17, 2016 and ending on November 16, 2017. In February 2017, the Company amended the New Bid in order to increase the maximum number of common shares that may be repurchased to 12,000,000 common shares, which represented approximately 3% of its issued and outstanding common shares.

Under the New Bid, between November 17, 2016 and March 31, 2017, the Company purchased 5,925,980 common shares at prices ranging from $43.69 to $48.71 per share, for an aggregate consideration of approximately $272.1 million. During the year ended March 31, 2017, the Company purchased 9,185,080 common shares at prices ranging from $35.74 to $48.71 per share, under the Bids for an aggregate consideration of approximately $404.1 million (2,700,000 common shares at prices ranging from $29.56 to $36.62 per share for the year ended March 31, 2016 for an aggregate consideration of approximately $91.8 million).

CONTRACTUAL OBLIGATIONS

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

The Company's contractual obligations consist of commitments to repay certain long-term debts in addition to leases of premises, equipment and rolling stock as well as purchase obligations for capital expenditures to which the Company is committed. Note 10 to the consolidated financial statements describes the Company's commitment to repay long-term debt, and Note 18 to the consolidated financial statements describes its lease commitments.

(in millions of CDN dollars)

	Long-term debt	Leases	Purchase obligations	Total
Less than 1 year	**-**	**30.6**	**88.9**	**119.5**
1-2 years	**-**	**25.3**	**-**	**25.3**
2-3 years	**900.0**	**21.0**	**-**	**921.0**
3-4 years	**-**	**16.9**	**-**	**16.9**
4-5 years	**300.0**	**13.3**	**-**	**313.3**
More than 5 years	**300.0**	**37.2**	**-**	**337.2**
	1,500.0	**144.3**	**88.9**	**1,733.2**

Long-term debt

As described in Note 10 to the consolidated financial statements, the Company's long-term debt is comprised of unsecured bank term loan facilities of $600.0 million (US$452.9 million), maturing in December 2019, which bear interest at lenders' prime rates plus a maximum of 1.00%, or bankers' acceptance rates plus 0.85%, up to a maximum of 2.00%, depending on the Company credit ratings. The term loan obtained in December 2012 was amended in October 2015 to eliminate the obligations of the Company to make quarterly repayments of principal prior to maturity.

Long-term debt is also comprised of unsecured senior notes of $300.0 million Series 1 medium term notes with an annual interest rate of 2.65% and maturing in November 2019, $300.0 million Series 2 medium term notes with an annual interest rate of 2.20% and maturing in June 2021, as well as $300.0 million Series 3 medium term notes with an annual interest rate of 2.83% and maturing in November 2023.

Minimum payments on operating leases

The Company has long-term operating leases for premises, equipment and rolling stock.

BALANCE SHEET

The main balance sheet items as at March 31, 2017 varied mainly due to the weakening of the Canadian dollar versus the US dollar in comparison to March 31, 2016.

The conversion rate of the US operations' balance sheet items in US currency was CDN$1.3318 per US dollar as at March 31, 2017, compared to CDN$1.2987 per US dollar as at March 31, 2016. The conversion rate of the Argentinian operations' balance sheet items in Argentinian currency was CDN$0.0866 per Argentine peso as at March 31, 2017, compared to CDN$0.0889 per Argentine peso as at March 31, 2016. The conversion rate of the Australian operations' balance sheet items in Australian currency was CDN$1.0157 per Australian dollar as at March 31, 2017, compared to CDN$0.9957 per Australian dollar as at March 31, 2016. The weakening of the Canadian dollar versus the US and Australian dollars resulted in higher values recorded for the balance sheet items of the foreign operations and was partially offset by the strengthening of the Canadian dollar versus the Argentine peso.

The net cash (cash and cash equivalents less bank loans) position increased from negative $13.9 million as at March 31, 2016, to positive $156.7 million as at March 31, 2017, mainly resulting from the increase of cash and cash equivalents. The change in foreign currency translation adjustment recorded in other comprehensive income varied mainly due to the strengthening of the US dollar.

GUARANTEES

From time to time, the Company enters into agreements in the normal course of its business, such as service arrangements and leases, and in connection with business or asset acquisitions or disposals, agreements, which by nature may provide for indemnification to third parties. These indemnification provisions may be in connection with breach of representations and warranties and for future claims for certain liabilities. The terms of these indemnification provisions vary in duration. See Note 18 to the consolidated financial statements that discuss the Company's guarantees.

RELATED PARTY TRANSACTIONS

In the normal course of business, the Company receives services from and provides goods to companies subject to control or significant influence through ownership by its principal shareholder. These goods and services are of an immaterial amount and compensated by a consideration equal to their fair value, comparable to similar arms' length transactions. The services that are received consist mainly of travel, publicity, lodging, office space rental and management services. The goods that are provided consist mainly of dairy products. Transactions with key management personnel (Management defines key management personnel as all the executive officers who have responsibility and authority for controlling, overseeing and planning the activities of the Company, as well as the Company's Directors) are also considered related party transactions and consist of short-term employee benefits, post-employment benefits, stock-based compensation and payments under the deferred share unit plan. Refer to Note 19 to the consolidated financial statements for further information on related party transactions.

ACCOUNTING STANDARDS

CRITICAL ACCOUNTING POLICIES AND USE OF ACCOUNTING ESTIMATES

The preparation of the Company's financial statements requires Management to make certain judgements and estimates about transactions and carrying values that are fulfilled at a future date. Judgements and estimates are subject to fluctuations due to changes in internal and/or external factors and are continuously monitored by Management. A discussion of the judgements and estimates that could have a material effect on the financial statements is provided below.

Income Taxes

The Company is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the consolidated provision for income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters differs from the amounts that were initially recorded, such differences will impact the results for the reporting period and the respective current income tax and deferred income tax provisions in the reporting period in which such determination is made.

Deferred Income Taxes

The Company follows the liability method of accounting for deferred income taxes. Deferred income tax assets and liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. As a result, a projection of taxable income is required for those years, as well as an assumption of the ultimate recovery or settlement period for temporary differences. The projection of future taxable income is based on Management's best estimates and may vary from actual taxable income. On an annual basis, the Company assesses its need to establish a valuation allowance for its deferred income tax assets. Canadian, US and international tax rules and regulations are subject to interpretation and require judgement on the part of the Company that may be challenged by taxation authorities. The Company believes that it has adequately provided for deferred tax obligations that may result from current facts and circumstances. Temporary differences and income tax rates could change due to fiscal budget changes and/or changes in income tax laws.

Goodwill, Intangible Assets and Business Combinations

Goodwill, trademarks and customer relationships have principally arisen as a result of business combinations. The acquisition method, which also requires significant estimates and judgements, is used to account for these business combinations. As part of the allocation process in a business combination, estimated fair values are assigned to the net assets acquired, including trademarks and customer relationships. These estimates are based on forecasts of future cash flows, estimates of economic fluctuations and an estimated discount rate. The excess of the purchase price over the estimated fair value of the net assets acquired is then assigned to goodwill. In the event that actual net assets fair values are different from estimates, the amounts allocated to the net assets, and specifically to trademarks and customer relationships, could differ from what is currently reported. This would then have a pervasive impact on the carrying value of goodwill. Differences in estimated fair values would also have an impact on the amortization of definite life intangibles.

Property, Plant and Equipment

Critical judgement is necessary in the selection and application of accounting policies and useful lives as well as the determination of which components are significant and how they are allocated. Management has determined that the use of the straight-line method of amortization is the most appropriate as its facilities are operating at a similar output potential on a year to year basis, which indicates that production is constant (please refer to the estimated useful lives table for further details on the useful lives of productive assets). It is Management's best estimate that the useful lives and policies adopted adequately reflect the flow of resources and the economic benefits required and derived in the use and servicing of these long-lived productive assets.

Impairment of Assets

Significant estimates and judgements are required in testing goodwill, intangible assets and other long-lived assets for impairment. Management uses estimates or exercises judgement in assessing indicators of impairment, defining a CGU, forecasting future cash flows and in determining other key assumptions such as discount rates and earnings multipliers used for assessing fair value (less costs of disposal) or value in use. Estimates made for goodwill and intangible assets can be found in Note 7. Other long-lived assets are tested only when indicators of impairment are present.

Employee Future Benefits

The Company is the sponsor to both defined benefit and defined contribution plans, which provide pension and other post-employment benefits to its employees. Several estimates and assumptions are required with regards to the determination of the defined benefit expense and its related obligation, such as the discount rate used in determining the carrying value of the obligation and the interest income on plan assets, the expected health care cost trend rate, the expected mortality rate, etc. Actual results will normally differ from expectations. These gains or losses are presented in the consolidated statements of comprehensive income.

FUTURE STANDARDS

The International Accounting Standards Board (IASB) made revisions as part of its continuing improvements project. Below is a summary of the relevant standards affected and a discussion of the amendments.

IAS 7, Statement of Cash Flows

In January 2016, the IASB amended IAS 7 to require further disclosures enabling users of the financial statement to evaluate changes in liabilities arising from financing activities. To achieve this objective, the IASB requires that the following changes in liabilities arising from financing activities are disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

This amendment is effective for the annual periods beginning on or after January 1, 2017. Management is currently evaluating the impact of the adoption of this amendment but no significant impact is expected on the Company's financial statements.

IAS 12, Income taxes

In January 2016, the IASB has issued amendments to IAS 12 Income Taxes to provide clarification on the requirements relating to the recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value.

These amendments are effective for the annual periods beginning on or after January 1, 2017. Management is currently evaluating the impact of the adoption of the amendments but no significant impact is expected on the Company's financial statements.

IFRS 2, Share-Based Payment

In June 2016, the IASB issued an amendment to clarify how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

This amendment is effective for the annual reporting periods beginning on or after January 1, 2018. Management is currently assessing the impact of the adoption of this amendment.

IFRS 9, Financial Instruments

The IASB issued IFRS 9 in November 2009 with the long-term goal of replacing IAS 39, Financial Instruments: Recognition and Measurement. Since then, an amendment was made in July 2014 relating to the classification of financial assets and the use of a single impairment model for all financial instruments.

This amendment, along with the adoption of the standard, are effective for annual reporting periods beginning on or after January 1, 2018. Management is currently evaluating the impact of the adoption of this standard, including the amendment.

IFRS 15, Revenue from Contracts with Customers

The IASB issued IFRS 15, Revenue from Contracts with Customers with its goal to provide a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. This new standard will supersede current revenue recognition guidance in IAS 18, Revenue, IAS 11, Construction Contracts and IFRIC 13, Customer Loyalty Programmes.

The objective of this standard is to provide a five-step approach to revenue recognition that includes identifying contracts with customers, identifying performance obligations, determining transaction prices, allocating transaction prices to performance obligations and recognizing revenue when performance obligations are satisfied. In certain instances, transfer of assets that are not related to the entity's ordinary activities will also be required to follow some of the recognition and measurement requirements of the new model. The standard also expands current disclosure requirements.

In April 2016, the IASB amended IFRS 15 to comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation).

With regards to identifying performance obligations, the amendments clarify how to determine when promises in a contract are 'distinct' goods or services and, therefore, should be accounted for separately. The amendments to licensing guidance clarify when revenue from a licence of intellectual property should be recognised 'over time' and when it should be recognised at a 'point in time'. With regards to the principal versus agent assessment, the amendments clarify that the principal in an arrangement controls a good or service before it is transferred to a customer.

This standard and related amendments are effective for annual reporting periods beginning on or after January 1, 2018. Management is currently assessing the impact of the adoption of this standard.

IAS 40, Investment Property

In December 2016, the IASB issued an amendment to IAS 40 clarifying when assets are transferred to, or from investment properties. The amendment clarified that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence. This amendment may be applied prospectively or retrospectively.

This amendment is effective for annual reporting periods beginning on or after January 1, 2018. Management is currently assessing the impact of the adoption of this amendment.

IFRIC 22, Foreign Currency Transactions and Advance Consideration

In December 2016, the IASB issued IFRIC 22 which provides an interpretation on how to determine the date of the transaction when applying the standard on foreign currency transactions, IAS 1. The interpretation applies where an entity pays or receives consideration in advance for foreign currency-denominated contracts. The date of the transaction determines the exchange rate to be used on initial recognition of the related asset, expense or income. This Interpretation provides guidance for when a single payment or receipt is made, as well as for situations where multiple payments or receipts are made and aims to reduce diversity in practice.

This standard is effective for annual reporting periods beginning on or after January 1, 2018. Management is currently assessing the impact of the adoption of this standard.

IFRS 16, Leases

In January 2016, the IASB published a new standard, IFRS 16, Leases. The new standard will eliminate the distinction between operating and finance leases and will bring most leases on the balance sheet for lessees. For lessors, the accounting remains mostly unchanged and the distinction between operating and finance leases is retained.

This standard is effective for annual reporting periods beginning on or after January 1, 2019. Management is currently assessing the impact of the adoption of this standard.

IFRS 10, Consolidated Financial Statements & IAS 28, Investments in Associates

The IASB previously issued a narrow-scope amendment to IFRS 10, Consolidated Financial Statements and IAS 28, Investments in Associates and Joint Ventures to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 when dealing with the sale or contribution of assets between an investor and its associate or joint venture. The original amendments required a full gain or loss to be recognized where a transaction involved a business or that a partial gain or loss be recognized when a transaction involved assets that did not constitute a business.

The effective date for these amendments has been deferred indefinitely. The impact of adoption of these amendments has not yet been determined.

CONSIDERATIONS FOR THE IMPLEMENTATION OF IFRS 9 AND IFRS 15

IFRS 9 and IFRS 15 are required to be applied for annual reporting periods beginning on or after January 1, 2018. The Company will not be early adopting IFRS 9 or IFRS 15.

IFRS 9 is applicable retrospectively in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, subject to certain exemptions and exceptions. In general, the main impacts of adopting IFRS 9 are expected to be on classification and measurement of financial assets, the introduction of a new impairment model based on expected losses (rather than incurred loss as per IAS 39, Financial Instruments: Recognition and Measurement), hedge accounting and significant additional disclosure requirements.

IFRS 15 can be applied using one of the following two methods: retrospectively to each prior reporting period presented in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, or retrospectively with the cumulative effect of initially applying IFRS 15 recognised at the date of initial application. The Company is currently evaluating the transition methods prescribed under IFRS 15. The main impacts of adopting IFRS 15 are expected to be on timing of revenue recognition, on whether the Company is acting as the principal or the agent for the shipping and handling activities, on the variable consideration to include in the transaction price such as rebates, incentives and allowances and on consideration on payments made in exchange for a distinct good or service or as a sale incentive, as well as additional disclosures.

Although the Company has conducted a preliminary assessment of the effects of the application of IFRS 9 and IFRS 15 on the Company's interim and annual financial statements, it is not possible to make reasonable estimates of the impacts of the adoption of IFRS 9 and IFRS 15 at this date, as more data needs to be collected. The Company's current implementation roadmap extends into the fourth quarter of fiscal 2018; therefore, it will report on progress achieved over the course of the next financial reporting year.

NEW ACCOUNTING STANDARDS ADOPTED DURING THE YEAR

The following standards were adopted by the Company on April 1, 2016:

IAS 1, Presentation of financial statements

The Company implemented the amendments to IAS 1, "Presentation of Financial Statements", effective January 1, 2016. The amendments provide clarifying guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

This amendment did not impact the Company's financial statements for the year ended March 31, 2017.

IAS 19, Employee Benefits

IAS 19 has been amended to clarify that in determining the discount rate for post-employment benefit obligations, the currency of the liability is of importance and not the country in which it arises. Furthermore, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used.

This amendment did not impact the Company's financial statements for the year ended March 31, 2017.

RISKS AND UNCERTAINTIES

The main risks and uncertainties the Company is exposed to are presented hereafter. The Board of Directors (the Board) delegated to the Audit Committee the responsibility to study and evaluate the risk factors inherent to the Company and ensure that appropriate measures are in place to enable Management to identify and manage these risk factors effectively. The Audit Committee receives regular reports from Management on these matters. In this regard, the Audit Committee and the Board have adopted and implemented certain policies and procedures which are reviewed at least annually. An annual detailed presentation on all risk factors identified, as well as periodic presentations, are made by Management to the Audit Committee and, as required, to the Board.

While risk management is part of the Company's transactional, operational and strategic decisions, as well as the Company's overall management approach, risk management does not guarantee that events or circumstances will not occur which could negatively affect the Company's financial condition and performance.

Product liability

Saputo's operations are subject to certain dangers and risks of liability faced by all food processors, such as the potential contamination of ingredients or products by bacteria or other external agents that may be introduced into products or packaging. The occurrence of such a problem could result in a costly product recall and serious damage to Saputo's reputation for product quality.

Supply of raw materials

Saputo purchases raw materials that may represent up to 85% of the cost of products. It processes raw materials into the form of finished edible products intended for resale to a broad range of customers. Availability of raw materials as well as variations in the price of foodstuffs can therefore influence the Company's results upwards or downwards, and the effect of any increase of foodstuff prices on results depends on the Company's ability to transfer those increases to its customers and this, in the context of a competitive market.

US and international markets

The price of milk as raw material and the price of our products in the US, Argentina and Australia, as well as in international markets, are based on market supply and demand forces. The prices are tied to numerous factors, such as the health of the economy and supply and demand levels for dairy products in the industry. Price fluctuations may affect the Company's results. The effect of such fluctuations on results will depend on the Company's ability to implement mechanisms to reduce them.

Competition

The food processing industry is extremely competitive. The Canadian dairy industry is highly competitive and is comprised of three major competitors, including Saputo. In the US, Argentina and Australia, Saputo competes in the dairy industry on a national basis with several regional, national and multinational competitors. Saputo also competes in the dairy industry internationally. The Company's performance in all the countries in which it does business will be dependent on its ability to continue to offer quality products at competitive prices.

Consolidation of clientele

During the last few years, there has been important consolidation in the food industry in all market segments. Given that Saputo serves these segments, the consolidation within the industry has resulted in a decrease in the number of customers and an increase in the relative importance of some customers. One customer represented more than 10% of total consolidated revenues for fiscal 2017, with 10.6%. The Company's ability to continue to service its customers in all the markets that it serves will depend on the quality of its products and services as well as price.

Credit risk

The Company grants credit to its customers in the normal course of business. Credit valuations are performed on a regular basis and the financial statements take into account an allowance for bad debts. The Company considers that it has low exposure to concentration of credit risk with respect to accounts receivable from customers due to its large and diverse customer base operating in three segments, retail, foodservice and industrial, and its geographic diversity. There are no accounts receivable from any individual customer that exceeded 10% of the total balance of accounts receivable as at March 31, 2017. The allowance for bad debts and accounts receivable due is reviewed regularly by Management. The Company updates its estimate of the allowance for doubtful accounts based on the evaluation of the recoverability of accounts receivable balances of each customer taking into consideration historic collection trends of past due accounts.

Supplier concentration

The Company purchases goods and services from a limited number of suppliers as a result of consolidation within the industries in which these suppliers operate in North America and other major markets. Furthermore, issues with suppliers regarding pricing or performance of the goods and services they supply or the inability of suppliers to supply the required volumes of such goods and services in a timely manner could impact the Company's financial condition and performance. Any such impact will depend on the effectiveness of the Company's contingency plan.

Unanticipated business disruption

Major events, such as systems and equipment failure, health pandemics and natural disasters, could lead to unanticipated business disruption of any or certain of the Company's manufacturing facilities. The effect would be more significant if the Company's larger manufacturing facilities are affected, in which case, the failure to find alternative suppliers or to replace lost production capacity in a timely manner could negatively affect the Company's financial condition and performance.

Economic environment

The Company's operations could be affected by the economic context should the unemployment level, interest rates or inflation reach levels that influence consumer trends and consequently, impact the Company's sales and profitability.

Environment

Saputo's business and operations are subject to environmental laws and regulations, including those relating to permitting requirements, wastewater discharges, air emissions (greenhouse gases and other), releases of hazardous substances and remediation of contaminated sites. The Company believes that its operations are in compliance, in all material respects, with such environmental laws and regulations, except as disclosed in the Annual Information Form dated June 1, 2017 for the fiscal year ended March 31, 2017. Compliance with these laws and regulations requires that the Company continue to incur operating and maintenance costs and capital expenditures, including to control potential impacts of its operations on local communities. Future events such as changes in environmental laws and regulations or more vigorous regulatory enforcement policies could have a material adverse effect on the financial position of Saputo and could require additional expenditures to achieve or maintain compliance.

Consumer trends

Demand for the Company's products is subject to changes in consumer trends. These changes may affect earnings. The impact of these changes will depend on the Company's ability to innovate and develop new products.

Intellectual property

As the Company is involved in the production, sale and distribution of food products, it relies on brand recognition and loyalty from its clientele in addition to relying on the quality of its products. Also, as innovation forms part of the Company's growth strategy, its research and development teams develop new technologies, products and process optimization methods. The Company therefore takes measures to protect, maintain and enforce its intellectual property. Any infringement to its intellectual property could damage its value and limit the Company's ability to compete. In addition, Saputo may have to engage in litigation in order to protect its rights which could result in significant costs.

Financial risk exposures

Saputo has financial risk exposure to varying degrees relating to the currency of each of the countries where it operates. Approximately 36% of sales are realized in Canada, 52% in the US, and 12% internationally. Cash flows from operations in each of the countries where Saputo operates act as a natural hedge against the exchange risks related to debt denominated in such countries' currency. The level of the financial risk exposure related to currency will depend on its ability to maintain this natural hedge or any other protection mechanism.

Interest rate and access to capital market

Saputo's interest bearing debt is subject to interest rate fluctuations. The impact on the Company's results will depend on its ability to maintain mechanisms to protect against such interest rate fluctuations. The Company's growth is driven mainly by acquisitions and is dependent on access to liquidity in the capital market.

Legislative, regulatory, normative and political considerations

The Company is subject to local, provincial, state, federal and international laws, regulations, rules and policies as well as to social, economic and political contexts prevailing in places where Saputo conducts its activities. Consequently, the modification or change of any of these elements may have an unfavourable impact on Saputo's results and operations and may require that important expenses be made in order to adapt or comply. More specifically, the production and distribution of food products are subject to federal, state, provincial and local laws, rules, regulations and policies and to international trade agreements, all of which provide a framework for Saputo's operations. The impact of new laws and regulations, stricter enforcement or interpretations or changes to enacted laws and regulations will depend on the Company's ability to adapt, comply and mitigate. Saputo is currently in compliance in all material respects with all applicable laws and regulations and maintains all material permits and licenses in connection with its operations.

Growth by acquisitions

The Company plans to grow both organically and through acquisitions. Historically, the Company has grown through acquisitions and should reasonably and in large part rely on new acquisitions to pursue its growth. The ability to properly evaluate the fair value of the businesses being acquired, to properly devote the time and human resources required to successfully integrate their activities with those of the Company as well as the capability to realize synergies, improvements and the expected profit and to achieve anticipated returns constitute inherent risks related to acquisitions.

Tariff protection

Dairy-producing industries are still partially protected from imports by tariff-rate quotas which permit a specific volume of imports at a reduced or zero tariff and impose significant tariffs for greater quantities of imports. There is no guarantee that political decisions or amendments to international trade agreements will not, at some point in the future, result in the removal of tariff protection in the dairy market, resulting in increased competition. The Company's performance will be dependent on its ability to continue to offer quality products at competitive prices.

Information systems

The Company relies upon information technology applications and systems for its business and the reporting of its results. These applications and systems are subject to an increasing number of constantly evolving cyber threats which are becoming more sophisticated. The Company is mainly exposed to risks relating to confidentiality, data integrity and business disruptions. Therefore, any unavailability or failure, due to security incidents or otherwise, may impede or slow down production, delay or taint certain decisions and result in financial losses for the Company. In addition, any unauthorised access to information systems, proprietary, sensitive or confidential information or malicious use could compromise the Company's data integrity or result in disclosure or loss of data which may have adverse effects on the Company's activities, results, and reputation, including loss of revenues due to a disruption of the business, diminished competitive advantage, litigation or other legal procedures, or liability for failure to comply with privacy and information security laws. Although the Company has measures to reduce the likelihood of disruptions to its information technology applications and systems, and to identify and respond to and manage cybersecurity incidents, there is no assurance that any of these measures will be successful. Also, the Company is currently undertaking technology initiatives regarding an ERP system. There is no guarantee that the implementation of the ERP system will not disrupt or reduce the efficiency of the Company's operations.

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.

The CEO and the CFO, along with Management, after evaluating the effectiveness of the Company's disclosure controls and procedures as at March 31, 2017, have concluded that the Company's disclosure controls and procedures were effective.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

The CEO and the CFO, along with Management, evaluated the effectiveness of the Company's internal control over financial reporting as at March 31, 2017, in accordance with the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, the CEO and the CFO, along with Management, have concluded that the Company's internal control over financial reporting was effective.

The CEO and the CFO, along with Management, have concluded, after having conducted an evaluation and to the best of their knowledge that, as at March 31, 2017, no change in the Company's internal control over financial reporting occurred that could have materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

SENSITIVITY ANALYSIS OF INTEREST RATE AND US CURRENCY FLUCTUATIONS

The debt subject to interest rate fluctuations was $693.8 million as at March 31, 2017 and consisted of $93.8 million of bank loans and $600.0 million bank term loan facilities. A 1% change in the interest rate would lead to a change in net earnings of approximately $4.9 million. Canadian and US currency fluctuations may affect earnings. Appreciation of the Canadian dollar compared to the US dollar would have a negative impact on earnings. Conversely, a decrease in the Canadian dollar would have a positive impact on earnings. During the fiscal year ended March 31, 2017, the average US dollar conversion was based on CDN$1.00 for US$0.762. A fluctuation of CDN$0.10 of the Canadian dollar would have resulted in a change of approximately $24.3 million in net earnings, $56.0 million in adjusted EBITDA and $444.3 million in revenues.

QUARTERLY FINANCIAL INFORMATION

2017 quarterly financial information – consolidated statement of earnings

(in millions of CDN dollars, except per share amounts)	Q4	Q3	Q2	Q1	Fiscal 2017
Statement of earnings					
Revenues	**2,719.8**	**2,966.1**	**2,845.3**	**2,631.4**	**11,162.6**
Operating costs excluding depreciation, amortization, acquisition and restructuring costs	**2,435.7**	**2,619.5**	**2,504.7**	**2,313.2**	**9,873.1**
Earnings before interest, income taxes, depreciation, amortization, acquisition and restructuring costs	**284.1**	**346.6**	**340.6**	**318.2**	**1,289.5**
Margin	***10.4%***	***11.7%***	***12.0%***	***12.1%***	***11.6%***
Depreciation and amortization	**56.9**	**50.9**	**50.2**	**49.3**	**207.3**
Acquisition costs	**-**	**-**	**-**	**-**	**-**
Restructuring costs	**-**	**-**	**-**	**-**	**-**
Interest on long-term debt	**8.3**	**9.2**	**8.7**	**10.7**	**36.9**
Other financial charges	**0.8**	**0.6**	**1.6**	**2.0**	**5.0**
Earnings before income taxes	**218.1**	**285.9**	**280.1**	**256.2**	**1,040.3**
Income taxes	**52.9**	**88.5**	**88.3**	**79.5**	**309.2**
Net earnings	**165.2**	**197.4**	**191.8**	**176.7**	**731.1**
Net margin	***6.1%***	***6.7%***	***6.7%***	***6.7%***	***6.5%***
Acquisition costs (net of income taxes of $nil)	**-**	**-**	**-**	**-**	**-**
Restructuring costs (net of income taxes of $nil)	**-**	**-**	**-**	**-**	**-**
Adjusted net earnings[1]	**165.2**	**197.4**	**191.8**	**176.7**	**731.1**
Adjusted net earnings margin	***6.1%***	***6.7%***	***6.7%***	***6.7%***	***6.5%***
ATTRIBUABLE TO:					
Shareholders of Saputo Inc.	**164.3**	**196.1**	**190.9**	**176.5**	**727.8**
Non-controlling interest	**0.9**	**1.3**	**0.9**	**0.2**	**3.3**
	165.2	**197.4**	**191.8**	**176.7**	**731.1**
Per Share					
Net earnings					
Basic	**0.42**	**0.50**	**0.49**	**0.45**	**1.86**
Diluted	**0.42**	**0.49**	**0.48**	**0.44**	**1.84**
Adjusted net earnings[1]					
Basic	**0.42**	**0.50**	**0.49**	**0.45**	**1.86**
Diluted	**0.42**	**0.49**	**0.48**	**0.44**	**1.84**

1 Adjusted net earnings and adjusted earnings per share (basic and diluted) are non-IFRS measures. Refer to “Measurement of Results not in Accordance with International Financial Reporting Standards” on page 7 of this Management’s Discussion and Analysis for the definition of these terms.

Selected factors positively (negatively) affecting adjusted EBITDA and earnings before income taxes

(in millions of CDN dollars)

Fiscal year		**2017**		
	Q4	**Q3**	**Q2**	**Q1**
Market factors[1, 2]	**(10)**	**(3)**	**20**	**(11)**
Inventory write-down	**(2)**	**-**	**(1)**	**(1)**
Foreign currency exchange[1, 3]	**(4)**	**3**	**3**	**11**

1 As compared to the same quarter of the last fiscal year.
2 Market factors refer to the USA Sector and include the average block market per pound of cheese and its effect on the absorption of fixed costs and on the realization of inventories, the effect of the relationship between the average block market per pound of cheese and the cost of milk as raw material, the market pricing impact related to sales of dairy ingredients as well as the impact of the average butter market price related to dairy food product sales.
3 Foreign currency exchange includes effect on adjusted EBITDA of conversion of US dollars, Australian dollars and Argentine pesos to Canadian dollars.

2016 quarterly financial information – consolidated statement of earnings

(in millions of CDN dollars, except per share amounts)	Q4	Q3	Q2	Q1	Fiscal 2016
Statement of earnings					
Revenues	2,734.0	2,901.0	2,792.1	2,564.4	10,991.5
Operating costs excluding depreciation, amortization, acquisition and restructuring costs	2,420.9	2,580.6	2,510.4	2,305.5	9,817.4
Earnings before interest, income taxes, depreciation, amortization, acquisition and restructuring costs	313.1	320.4	281.7	258.9	1,174.1
Margin	*11.5%*	*11.0%*	*10.1%*	*10.1%*	*10.7%*
Depreciation and amortization	54.8	50.1	48.3	45.4	198.6
Acquisition costs	0.3	0.3	1.6	0.8	3.0
Restructuring costs	31.2	-	-	-	31.2
Interest on long-term debt	12.1	12.0	12.4	11.8	48.3
Other financial charges	3.1	7.4	6.7	4.9	22.1
Earnings before income taxes	211.6	250.6	212.7	196.0	870.9
Income taxes	70.4	75.4	64.1	59.6	269.5
Net earnings	141.2	175.2	148.6	136.4	601.4
Net margin	*5.2%*	*6.0%*	*5.3%*	*5.3%*	*5.5%*
Acquisition costs (net of income taxes of $0.6)	0.5	0.2	1.1	0.6	2.4
Restructuring costs (net of income taxes of $8.1)	23.1	-	-	-	23.1
Adjusted net earnings[1]	164.8	175.4	149.7	137.0	626.9
Adjusted net earnings margin	*6.0%*	*6.0%*	*5.4%*	*5.3%*	*5.7%*
ATTRIBUABLE TO:					
Shareholders of Saputo Inc.	165.0	174.7	149.0	137.9	626.6
Non-controlling interest	(0.2)	0.7	0.7	(0.9)	0.3
	164.8	175.4	149.7	137.0	626.9
Per Share					
Net earnings					
Basic	0.36	0.44	0.38	0.35	1.53
Diluted	0.36	0.44	0.37	0.34	1.51
Adjusted net earnings[1]					
Basic	0.42	0.45	0.38	0.35	1.60
Diluted	0.41	0.44	0.38	0.34	1.58

[1] Adjusted net earnings and adjusted earnings per share (basic and diluted) are non-IFRS measures. Refer to "Measurement of Results not in Accordance with International Financial Reporting Standards" on page 7 of this Management's Discussion and Analysis for the definition of these terms.

INFORMATION BY SECTOR

CANADA SECTOR

(in millions of CDN dollars)

Fiscal years	2017				2016			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenues	**942.4**	**1,044.5**	**1,029.0**	**979.1**	932.8	992.7	958.5	917.5
Adjusted EBITDA[1]	**104.1**	**116.9**	**119.8**	**112.3**	108.5	107.5	99.4	98.1

1 Adjusted EBITDA is a non-IFRS measure. Refer to the section "Measurement of Results not in Accordance with International Financial Reporting Standards" included on page 7 of this report for the definition of this term.

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

USA SECTOR

(in millions of CDN dollars)

Fiscal years	2017				2016			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenues	**1,434.9**	**1,537.4**	**1,491.6**	**1,348.5**	1,449.3	1,574.9	1,459.2	1,303.3
Adjusted EBITDA[1]	**150.5**	**200.1**	**196.1**	**187.5**	191.0	190.1	172.7	171.7

1 Adjusted EBITDA is a non-IFRS measure. Refer to the section "Measurement of Results not in Accordance with International Financial Reporting Standards" included on page 7 of this report for the definition of this term.

Selected factors positively (negatively) affecting adjusted EBITDA and earnings before income taxes

(in millions of CDN dollars)

Fiscal years	2017				2016			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Market factors[1, 2]	**(10)**	**(3)**	**20**	**(11)**	9	(4)	(37)	3
US currency exchange[1]	**(7)**	**-**	**-**	**8**	15	25	27	15

1 As compared to same quarter of previous fiscal year.
2 Market factors refer to the USA Sector and include the average block market per pound of cheese and its effect on the absorption of fixed costs and on the realization of inventories, the effect on the relationship between the average block market per pound of cheese and the cost of milk as raw material, the market pricing impact related to sales of dairy ingredients, as well as the impact of the average butter market price related to dairy food product sales.

Other pertinent information

(in US dollars, except for average exchange rate)

Fiscal years	**2017**				2016
	Q4	**Q3**	**Q2**	**Q1**	Q4
Average block market per pound of cheese	**1.580**	**1.738**	**1.689**	**1.412**	1.479
Closing block price per pound of cheese[1]	**1.520**	**1.660**	**1.533**	**1.660**	1.460
Average butter market price per pound	**2.177**	**1.997**	**2.149**	**2.125**	2.055
Closing butter market price per pound[2]	**2.108**	**2.268**	**1.898**	**2.350**	1.955
Average whey market price per pound[3]	**0.482**	**0.380**	**0.299**	**0.241**	0.247
Spread[4]	**0.011**	**0.112**	**0.119**	**0.125**	0.128
US average exchange rate to Canadian dollar[5]	**1.324**	**1.334**	**1.305**	**1.288**	1.371

1 Closing block price is the price of a 40 pound block of cheddar traded on the Chicago Mercantile Exchange (CME) on the last business day of each quarter.
2 Closing butter market price is the price of Grade AA Butter traded on the CME, on the last business day of each quarter.
3 Average whey powder market price is based on Dairy Market News published information.
4 Spread is the average block market per pound of cheese less the result of the average cost per hundredweight of Class III and/or Class 4b milk price divided by 10.
5 Based on Bank of Canada published information.

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

INTERNATIONAL SECTOR

(in millions of CDN dollars)

Fiscal years	2017				2016			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenues	**342.5**	**384.2**	**324.7**	**303.8**	351.9	333.4	374.4	343.6
Adjusted EBITDA[1]	**29.5**	**29.6**	**24.7**	**18.4**	13.6	22.8	9.6	(10.9)

1 Adjusted EBITDA is a non-IFRS measure. Refer to the section "Measurement of Results not in Accordance with International Financial Reporting Standards" included on page 7 of this report for the definition of this term.

Selected factors positively (negatively) affecting adjusted EBITDA and earnings before income taxes

(in millions of CDN dollars)

Fiscal years	2017				2016			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Inventory write-down	**(2)**	**–**	**(1)**	**(1)**	(5)	–	–	(13)
Foreign currency exchange[1]	**(1)**	**4**	**1**	**3**	–	4	–	–

1 As compared to same quarter of previous fiscal year.

The International Sector consists of the Dairy Division (Argentina), the Dairy Division (Australia) and the Dairy Ingredients Division. The Dairy Ingredients Division includes national and export ingredients sales from the North American divisions, as well as cheese exports from these same divisions.

SUMMARY OF FOURTH QUARTER RESULTS ENDED MARCH 31, 2017

Consolidated revenues for the quarter ended March 31, 2017 amounted to $2.720 billion, a decrease of $14.2 million or 0.5% compared to $2.734 billion for the same quarter last fiscal year.

In the Canada Sector, revenues increased by approximately $10 million or 1.0% compared to the corresponding quarter last fiscal year. The increase in revenues was mainly due to higher selling prices related to the increase in the cost of milk as raw material, as well as a favourable product mix. This increase was partially offset by lower sales volumes of juices, as we exited that product category, and traditional milk categories while the cheese category experienced a slight increase.

The USA Sector revenues decreased by approximately $15 million or 1.0% compared to the corresponding quarter last fiscal year. Lower sales volumes in the Cheese Division (USA) decreased revenues as compared to the same quarter last fiscal year. The decrease was partially offset by higher sales volumes in the Dairy Foods Division (USA), as well as a favourable product mix. A higher average block market per pound of cheese and higher butter market price in the fourth quarter of fiscal 2017, as compared to the corresponding quarter last fiscal year, increased revenues by approximately $55 million. The fluctuation of the Canadian dollar versus the US dollar decreased revenues by approximately $54 million.

Revenues from the International Sector decreased by approximately $9 million or 2.7% compared to the corresponding quarter last fiscal year. In the Dairy Division (Argentina), higher selling prices in both the domestic and export markets increased revenues as compared to the same quarter last fiscal year. Additionally, the fluctuation of the Argentine peso versus the US dollar had a positive impact on revenues as compared to the same quarter last fiscal year. The increase was partially offset by lower sales volumes in both the domestic and export markets. Revenues of the Dairy Division (Australia) increased due to higher international cheese and dairy ingredient market prices, partially offset by lower sales volumes in both domestic and export markets. Dairy Ingredients Division revenues were lower in the fourth quarter of fiscal 2017, as compared to the same quarter last fiscal year due to lower sales volumes. The fluctuation of the Canadian dollar versus the foreign currencies used in the International Sector negatively impacted revenues by approximately $10 million, as compared to the same quarter last fiscal year.

Consolidated earnings before interest, income taxes, depreciation, amortization, acquisition and restructuring costs (adjusted EBITDA[1]) totalled $284.1 million for the quarter ended March 31, 2017, a decrease of $29.0 million or 9.3% compared to the $313.1 million for the same quarter last fiscal year.

1 Adjusted EBITDA represents a non-IFRS measure. Refer to "Measurement of Results not in Accordance with International Financial Reporting Standards" on page 7 of this Management's Discussion and Analysis for the definition of this term.

The adjusted EBITDA of the Canada Sector decreased by approximately $4 million or 4.1% in comparison to the same quarter last fiscal year. The decrease is due to higher administrative expenses mainly due to the ERP initiative, as well as higher sales and marketing expenses. This decrease was partially offset by better operational efficiencies through raw material and ingredients optimization and increased selling prices in the international dairy ingredients market. The fluctuation of the Canadian dollar versus foreign currencies had a positive impact on adjusted EBITDA of approximately $4 million mainly due to intercompany receivables denominated in foreign currencies.

The adjusted EBITDA of the USA Sector decreased by approximately $41 million or 21.2% in comparison to the same quarter last fiscal year. During the quarter, the relationship between the average block market per pound of cheese and the cost of milk as raw material was unfavourable. However, the variation in the average block market per pound of cheese versus the corresponding quarter last fiscal year had a favourable impact on the realization of inventories and on the absorption of fixed costs. Also, the market pricing impact related to sales of dairy ingredients was favourable while partially offset by unfavourable margins associated with higher commodity prices in the Dairy Foods Division (USA). These market factors decreased adjusted EBITDA by approximately $10 million, as compared to the same quarter last fiscal year. In the Cheese Division (USA), lower efficiencies due to lower sales volumes, decreased adjusted EBITDA as compared to the corresponding quarter last fiscal year. The Dairy Foods Division (USA) benefitted from increased sales volumes and a favourable product mix. The fluctuation of the Canadian dollar versus the US dollar had a negative impact on adjusted EBITDA of approximately $7 million.

The adjusted EBITDA of the International Sector increased by approximately $16 million or 116.9% for the quarter ended March 31, 2017 in comparison to the same quarter last fiscal year. In the Dairy Division (Australia), the increase is due to higher international cheese and dairy ingredient market prices and a better alignment of the milk cost as raw material with current market conditions, as compared to the same quarter last fiscal year. Lower sales volumes in both domestic and export markets decreased adjusted EBITDA partially offset by a favourable product mix. In the Dairy Division (Argentina), lower sales volumes combined with higher administrative expenses mainly related to the ERP initiative, decreased adjusted EBITDA, as compared to the same quarter last fiscal year. This decrease was partially offset by higher selling prices in the domestic and the export markets. Adjusted EBITDA of the Dairy Ingredients Division decreased mainly due to lower sales volumes as compared to the same quarter last fiscal year. As a result of the decrease in certain market selling prices, inventory was written-down by approximately $2 million for the quarter, as compared to approximately $5 million for the same quarter last fiscal year. The fluctuation of the Canadian dollar versus the foreign currencies used in the International Sector had a negative impact on adjusted EBITDA of approximately $1 million.

Depreciation and amortization for the quarter ended March 31, 2017 totalled $56.9 million, an increase of $2.1 million compared to $54.8 million for the same quarter last fiscal year. This increase is mainly attributed to the fluctuation of the Canadian dollar versus foreign currencies, as well as additions to property, plant and equipment, increasing the depreciable base.

In the fourth quarter of fiscal 2016, the Company incurred **acquisition costs** relating to the business acquisitions totalling $0.3 million, as well as **restructuring costs** in relation to plant closures in Canada totalling $31.2 million ($23.1 million after tax). In connection with these restructuring costs, the Company incurred $5.5 million in severance costs and $25.7 million in impairment charges to property, plant and equipment. In the fourth quarter of fiscal 2017, no acquisition or restructuring costs were incurred by the Company.

Net interest expense amounted to $9.1 million compared to $15.2 million for the corresponding period last fiscal year. The decrease is mainly attributed to a lower level of long-term debt, lower interest rates and lower bank loans denominated in Argentine peso which bear high interest rates, as compared to the same quarter last fiscal year.

With respect to **income taxes**, the effective tax rate for the fourth quarter of fiscal 2017 was 24.3% as compared to 33.3% for the same quarter last fiscal year. The decrease of the fourth quarter effective tax rate is mainly due to the recognition of previously unrecognized deferred tax assets. The income tax rate varies and could increase or decrease based on the amount of taxable income derived and from which source, any amendments to tax laws and income tax rates and changes in assumptions and estimates used for tax assets and liabilities by the Company and its affiliates.

Net earnings amounted to $165.2 million for the quarter ended March 31, 2017, an increase of $24.0 million, as compared to the net earnings of $141.2 million for the same quarter last fiscal year. This is due to the factors mentioned above.

Adjusted net earnings[1] amounted to $165.2 million for the quarter ended March 31, 2017, an increase of $0.4 million, as compared to the adjusted net earnings of $164.8 million for the same quarter last fiscal year. This increase is due to the factors mentioned above, without considering acquisition and restructuring costs.

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[1] Adjusted net earnings represents a non-IFRS measure. Refer to "Measurement of Results not in Accordance with International Financial Reporting Standards" on page 7 of this Management's Discussion and Analysis for the definition of this term.

During the quarter, the Company added $76.4 million in property, plant and equipment and $24.4 million for intangibles related to the ERP initiative. Also, $87.0 million was disbursed for the acquisition of the remaining interest in a subsidiary, the Company repurchased $166.5 million in share capital and paid $57.9 million in dividends to its shareholders. The Company issued shares for a cash consideration of $10.6 million as part of the stock option plan. For the same quarter, the Company generated net cash from operating activities of $202.9 million, a decrease of $93.9 million as compared to the net cash generated from operating activities for the corresponding period last fiscal year.

QUARTERLY FINANCIAL INFORMATION

During fiscal 2017, quarterly changes in revenues and adjusted EBITDA were affected by the inclusion of revenue and adjusted EBITDA derived from the Woolwich Acquisition for the full fiscal year, as compared to fiscal 2016. Additionally, changes in operational costs, sales volumes variances, product mix, the average block and butter markets in the US and dairy ingredient market prices affected quarterly financial results.

In the Dairy Division (Canada), higher administrative expenses due to the ERP initiative, operational efficiencies through raw material and ingredients optimization, sales volumes and increased prices in the international dairy ingredients market were the main drivers affecting adjusted EBITDA. In the USA Sector, the relationship between the average block market per pound of cheese and the cost of milk as raw material, in addition to fluctuations in the average block and butter markets impacted inventory realization and other market factors, affected adjusted EBITDA. In the International Sector, cheese and dairy ingredient prices increased during the quarter resulting in more favourable margins. The fluctuation of the Canadian dollar versus the foreign currencies impacted revenues and adjusted EBITDA. The quarterly net earnings directly reflect the effects of the previously mentioned items.

ANALYSIS OF EARNINGS FOR THE YEAR ENDED MARCH 31, 2016 COMPARED TO MARCH 31, 2015

Consolidated revenues totalled $10.992 billion, an increase of approximately $334 million or 3.1%, compared to $10.658 billion in fiscal 2015. The increase is due mainly to higher sales volumes, as well as the inclusion of revenues from the Woolwich Acquisition and EDC Acquisition. A lower average block market per pound of cheese, as well as a lower average butter market price decreased revenues by approximately $638 million. Lower international selling prices of cheese and dairy ingredients, as compared to fiscal 2015, negatively affected revenues. The disposal of the Bakery Division, in the fourth quarter of fiscal 2015, resulted in decreased revenues as compared to last fiscal year. Finally, the fluctuation of the Canadian dollar versus foreign currencies increased revenues by approximately $836 million.

Consolidated earnings before interest, income taxes, depreciation, amortization, acquisition and restructuring costs (adjusted EBITDA[1]) amounted to $1.174 billion in fiscal 2016, an increase of $112.4 million or 10.6% compared to $1.062 billion for fiscal 2015. The increase is due to higher sales volumes, lower ingredients costs and increased operational efficiencies. The inclusion of the Woolwich Acquisition and EDC Acquisition positively impacted adjusted EBITDA. The increase was partially offset by lower international selling prices of cheese and dairy ingredients without a similar decline in the cost of milk as raw material. Market factors in the US negatively affected adjusted EBITDA by approximately $29 million. As a result of the decrease in certain market selling prices, inventory was written down by approximately $18 million, as compared to approximately $10 million for fiscal 2015. Also, the disposal of the Bakery Division in fiscal 2015 negatively impacted adjusted EBITDA. Finally, the fluctuation of the Canadian dollar versus foreign currencies had a favourable impact on adjusted EBITDA of approximately $86 million, as compared to fiscal 2015.

The consolidated adjusted EBITDA margin increased to 10.7% in fiscal 2016, as compared to 10.0% in fiscal 2015, resulting mainly from a higher adjusted EBITDA in the USA Sector as compared to fiscal 2015.

Depreciation and amortization totalled $198.6 million in fiscal 2016, an increase of $27.7 million, compared to $170.9 million in fiscal 2015. This increase is mainly attributed to the fluctuation of the Canadian dollar versus foreign currencies, as well as additions to property, plant and equipment, increasing the depreciable base.

In fiscal 2016, the Company incurred **acquisition costs** relating to business acquisitions totalling $3.0 million ($2.4 million after tax), as well as **restructuring costs** in relation to plant closures announced in March 2016 in Canada totalling $31.2 million ($23.1 million after tax). As part of the restructuring costs for fiscal 2016, the Company incurred $5.5 million in severance costs and $25.7 million in impairment charges to property, plant and equipment.

In fiscal 2015, the Company realized a **gain on disposal of a business** of $25.9 million ($25.9 million after tax) relating to the sale of the Bakery Division, which was concluded on February 2, 2015.

[1] Adjusted EBITDA represents a non-IFRS measure. Refer to “Measurement of Results not in Accordance with International Financial Reporting Standards” on page 7 of this Management’s Discussion and Analysis for the definition of this term.

Net interest expense amounted to $70.4 million in fiscal 2016, compared to $73.3 million in fiscal 2015. This decrease is mainly attributed to a lower level of debt.

Income taxes totalled $269.5 million in fiscal 2016, compared to $237.0 million in fiscal 2015, for an effective tax rate of 30.9% in fiscal 2016, as compared to 27.9% for fiscal 2015. The increase of the fiscal 2016 effective tax rate is mainly due to increases of profit in higher tax rate jurisdictions as well as the non-taxable gain on disposal of a business in fiscal 2015. The income tax rate varies and could increase or decrease based on the amount of taxable income derived and from which source, any amendments to tax laws and income tax rates and changes in assumptions and estimates used for tax assets and liabilities by the Company and its affiliates.

Net earnings for fiscal 2016 totalled $601.4 million, a decrease of $11.5 million or 1.9%, as compared to $612.9 million in fiscal 2015. This decrease is due to the factors mentioned above.

Adjusted net earnings[1] for fiscal 2016 totalled $626.9 million, an increase of $44.1 million or 7.6%, as compared to $582.8 million in fiscal 2015. This increase is due to the factors mentioned above, without considering gain on disposal of a business, acquisition and restructuring costs.

[1] Adjusted net earnings represents a non-IFRS measure. Refer to “Measurement of Results not in Accordance with International Financial Reporting Standards” on page 7 of this Management’s Discussion and Analysis for the definition of this term.

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S STATEMENT OF RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation and presentation of the consolidated financial statements and the financial information presented in this annual report. This responsibility includes the selection of accounting policies and practices and making judgments and estimates necessary to prepare the consolidated financial statements in accordance with International Financial Reporting Standards.

Management has also prepared the financial information presented elsewhere in this annual report and has ensured that it is consistent with the consolidated financial statements.

Management maintains systems of internal control designed to provide reasonable assurance that assets are safeguarded and that relevant and reliable financial information is being produced.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and is responsible for reviewing and approving the consolidated financial statements. The Board of Directors carries out this responsibility principally through its Audit Committee, which is comprised solely of independent directors. The Audit Committee meets periodically with Management and the independent auditors to discuss internal controls, auditing matters and financial reporting issues. It also reviews the annual report, the consolidated financial statements and the independent auditors' report. The Audit Committee recommends the independent auditors for appointment by the shareholders. The independent auditors have unrestricted access to the Audit Committee. The consolidated financial statements have been audited by the independent auditors Deloitte LLP, whose report follows.

(signed) Lino A.Saputo, Jr.
Lino A. Saputo, Jr.
Chief Executive Officer
and Vice Chairman of the Board

(signed) Louis-Philippe Carrière
Louis-Philippe Carrière, FCPA, FCA
Chief Financial Officer
and Secretary

June 1, 2017

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Saputo Inc.

We have audited the accompanying consolidated financial statements of Saputo Inc., which comprise the consolidated balance sheets as at March 31, 2017 and March 31, 2016, and the consolidated statements of earnings, consolidated statements of comprehensive income, consolidated statements of equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Saputo Inc. as at March 31, 2017 and March 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP [1]

June 1, 2017
Montréal, Québec

[1] CPA auditor, CA, public accountancy permit No. A116207

CONSOLIDATED STATEMENTS OF **EARNINGS**

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

Years ended March 31		2017		2016
Revenues	**$**	**11,162.6**	$	10,991.5
Operating costs excluding depreciation, amortization, acquisition and restructuring costs (Note 5)		**9,873.1**		9,817.4
Earnings before interest, income taxes, depreciation, amortization, acquisition and restructuring costs		**1,289.5**		1,174.1
Depreciation and amortization (Notes 6 and 7)		**207.3**		198.6
Acquisition and restructuring costs (Note 22)		**-**		34.2
Interest on long-term debt		**36.9**		48.3
Other financial charges (Note 13)		**5.0**		22.1
Earnings before income taxes		**1,040.3**		870.9
Income taxes (Note 14)		**309.2**		269.5
Net earnings	**$**	**731.1**	$	601.4
Earnings per share (Note 15)				
Net earnings				
Basic	**$**	**1.86**	$	1.53
Diluted	**$**	**1.84**	$	1.51

The accompanying notes are an integral part of these audited consolidated financial statements.

CONSOLIDATED STATEMENTS OF **COMPREHENSIVE INCOME**

(in millions of CDN dollars)

Years ended March 31	**2017**	2016
Net earnings	**$ 731.1**	$ 601.4
Other comprehensive income (loss):		
Items that may be reclassified to net earnings:		
Exchange differences arising from foreign currency translation	**104.2**	56.9
Net unrealized gains on cash flow hedges[1] (Note 20)	**0.6**	13.5
Reclassification of gains on cash flow hedges to net earnings[2]	**(3.6)**	(8.5)
	101.2	61.9
Items that will not be reclassified to net earnings:		
Actuarial gains (losses)[3] (Note 17)	**(3.1)**	6.5
	(3.1)	6.5
Other comprehensive income (loss)	**98.1**	68.4
Total comprehensive income	**$ 829.2**	$ 669.8

[1] Net of income taxes of $1.1 (2016 – $7.7).
[2] Net of income taxes of $1.7 (2016 – $6.2).
[3] Net of income taxes of $1.4 (2016 – $2.3).

The accompanying notes are an integral part of these audited consolidated financial statements.

CONSOLIDATED STATEMENTS OF **EQUITY**

(in millions of CDN dollars, except common shares)

For the year ended March 31, 2017	**Share capital**		**Reserves**							
	Common Shares	**Amount**	**Foreign Currency Translation**	**Cash Flow Hedges**	**Stock Option Plan**	**Total Reserves**	**Retained Earnings**	**Total**	**Non-Controlling Interest**	**Total Equity**
Balance, beginning of year	**392,520,687**	**$ 821.0**	**$ 613.6**	**$ -**	**$ 82.1**	**$ 695.7**	**$ 2,485.1**	**$ 4,001.8**	**$ 68.0**	**$ 4,069.8**
Net earnings	**-**	**-**	**-**	**-**	**-**	**-**	**727.8**	**727.8**	**3.3**	**731.1**
Other comprehensive income	**-**	**-**	**104.2**	**(3.0)**	**-**	**101.2**	**(3.1)**	**98.1**	**-**	**98.1**
Total comprehensive income								**825.9**	**3.3**	**829.2**
Additional non-controlling interests arising from issuance of additional shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16.3**	**16.3**
Acquisition of the remaining interest in a subsidiary (net of taxes of $40.2)	**-**	**-**	**-**	**-**	**-**	**-**	**41.5**	**41.5**	**(87.6)**	**(46.1)**
Dividends declared	**-**	**-**	**-**	**-**	**-**	**-**	**(228.3)**	**(228.3)**	**-**	**(228.3)**
Stock option plan (Note 12)	**-**	**-**	**-**	**-**	**22.0**	**22.0**	**-**	**22.0**	**-**	**22.0**
Shares issued under stock option plan	**2,898,704**	**57.6**	**-**	**-**	**-**	**-**	**-**	**57.6**	**-**	**57.6**
Amount transferred from reserves to share capital upon exercise of options	**-**	**12.7**	**-**	**-**	**(12.7)**	**(12.7)**	**-**	**-**	**-**	**-**
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	**-**	**-**	**-**	**-**	**6.5**	**6.5**	**-**	**6.5**	**-**	**6.5**
Shares repurchased and cancelled	**(9,185,080)**	**(20.2)**	**-**	**-**	**-**	**-**	**(383.9)**	**(404.1)**	**-**	**(404.1)**
Balance, end of year	**386,234,311**	**$ 871.1**	**$ 717.8**	**$ (3.0)**	**$ 97.9**	**$ 812.7**	**$ 2,639.1**	**$ 4,322.9**	**$ -**	**$ 4,322.9**

For the year ended March 31, 2016	**Share capital**		**Reserves**							
	Common Shares	**Amount**	**Foreign Currency Translation**	**Cash Flow Hedges**	**Stock Option Plan**	**Total Reserves**	**Retained Earnings**	**Total**	**Non-Controlling Interest**	**Total Equity**
Balance, beginning of year	392,225,049	$ 765.8	$ 556.7	$ (5.0)	$ 69.6	$ 621.3	$ 2,173.8	$ 3,560.9	$ 67.7	$ 3,628.6
Net earnings	-	-	-	-	-	-	601.1	601.1	0.3	601.4
Other comprehensive income	-	-	56.9	5.0	-	61.9	6.5	68.4	-	68.4
Total comprehensive income								669.5	0.3	669.8
Dividends declared	-	-	-	-	-	-	(210.0)	(210.0)	-	(210.0)
Stock option plan (Note 12)	-	-	-	-	17.7	17.7	-	17.7	-	17.7
Shares issued under stock option plan	2,995,638	49.9	-	-	-	-	-	49.9	-	49.9
Amount transferred from reserves to share capital upon exercise of options	-	10.8	-	-	(10.8)	(10.8)	-	-	-	-
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	-	-	-	-	5.6	5.6	-	5.6	-	5.6
Shares repurchased and cancelled	(2,700,000)	(5.5)	-	-	-	-	(86.3)	(91.8)	-	(91.8)
Balance, end of year	392,520,687	$ 821.0	$ 613.6	$ -	$ 82.1	$ 695.7	$ 2,485.1	$ 4,001.8	$ 68.0	$ 4,069.8

The accompanying notes are an integral part of these audited consolidated financial statements.

CONSOLIDATED **BALANCE SHEETS**

(in millions of CDN dollars)

As at	March 31, 2017	March 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	**$ 250.5**	$ 164.3
Receivables	**863.2**	837.5
Inventories (Note 4)	**1,172.5**	1,077.1
Income taxes receivable (Note 14)	**15.0**	4.7
Prepaid expenses and other assets	**79.3**	92.2
	2,380.5	2,175.8
Property, plant and equipment (Note 6)	**2,165.5**	2,086.0
Goodwill (Note 7)	**2,240.5**	2,194.1
Intangible assets (Note 7)	**662.3**	587.0
Other assets (Note 8)	**99.7**	106.5
Deferred income taxes (Note 14)	**48.1**	22.9
Total assets	**$ 7,596.6**	$ 7,172.3
LIABILITIES		
Current liabilities		
Bank loans (Note 9)	**$ 93.8**	$ 178.2
Accounts payable and accrued liabilities	**1,008.3**	896.6
Income taxes payable (Note 14)	**91.3**	37.1
Current portion of long-term debt (Note 10)	**-**	244.9
	1,193.4	1,356.8
Long-term debt (Note 10)	**1,500.0**	1,208.3
Other liabilities (Note 11)	**68.9**	61.8
Deferred income taxes (Note 14)	**511.4**	475.6
Total liabilities	**$ 3,273.7**	$ 3,102.5
EQUITY		
Share capital (Note 12)	**871.1**	821.0
Reserves	**812.7**	695.7
Retained earnings	**2,639.1**	2,485.1
Equity attributable to shareholders of Saputo Inc.	**4,322.9**	4,001.8
Non-controlling interest	**-**	68.0
Total equity	**$ 4,322.9**	$ 4,069.8
Total liabilities and equity	**$ 7,596.6**	$ 7,172.3

The accompanying notes are an integral part of these audited consolidated financial statements.

On behalf of the Board,

(signed) Emanuele (Lino) Saputo	*(signed) Tony Meti*
Emanuele (Lino) Saputo, C.M., O.Q., D^{r} h.c.	Tony Meti
Director	Director

CONSOLIDATED **STATEMENTS OF CASH FLOWS**

(in millions of CDN dollars)

Years ended March 31		**2017**		2016
Cash flows related to the following activities:				
Operating				
Net earnings	**$**	**731.1**	$	601.4
Adjustments for:				
Stock-based compensation		**34.0**		27.8
Interest and other financial charges		**41.9**		70.4
Income tax expense		**309.2**		269.5
Depreciation and amortization		**207.3**		198.6
Gain on disposal of property, plant and equipment		**(2.0)**		(1.2)
Restructuring charges related to plant closures		**-**		31.2
Share of joint venture earnings, net of dividends received		**(1.1)**		(4.3)
Underfunding of employee plans in excess of costs		**2.9**		2.2
		1,323.3		1,195.6
Changes in non-cash operating working capital items		**2.4**		(45.8)
Cash generated from operating activities		**1,325.7**		1,149.8
Interest and other financial charges paid		**(42.8)**		(63.5)
Income taxes paid		**(209.3)**		(236.5)
Net cash generated from operating activities		**1,073.6**		849.8
Investing				
Business acquisitions		**-**		(214.9)
Additions to property, plant and equipment		**(236.7)**		(183.5)
Additions to intangible assets		**(84.7)**		(48.3)
Proceeds on disposal of property, plant and equipment		**4.7**		5.5
Other		**(1.1)**		(2.9)
		(317.8)		(444.1)
Financing				
Bank loans		**(82.1)**		34.5
Proceeds from issuance of long-term debt		**600.0**		134.7
Repayment of long-term debt		**(552.2)**		(255.9)
Issuance of share capital		**57.6**		49.9
Repurchase of share capital		**(404.1)**		(91.8)
Dividends		**(228.3)**		(210.0)
Acquisition of the remaining interest in a subsidiary		**(87.0)**		-
Additional non-controlling interest arising from issuance of additional shares		**16.3**		-
		(679.8)		(338.6)
Increase in cash and cash equivalents		**76.0**		67.1
Cash and cash equivalents, beginning of year		**164.3**		72.6
Effect of exchange rate changes on cash and cash equivalents		**10.2**		24.6
Cash and cash equivalents, end of year	**$**	**250.5**	$	164.3

The accompanying notes are an integral part of these audited consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2017 and 2016
(Tabular amounts are in millions of CDN dollars except information on options, units and shares.)

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, Argentina and Australia. The address of the Company's head office is 6869, Metropolitain Blvd. East, Montréal, Québec, Canada, H1P 1X8. The consolidated financial statements (financial statements) of the Company for the year ended March 31, 2017 comprise the financial results of the Company and its subsidiaries.

The financial statements for the year ended March 31, 2017 have been authorized for issuance by the Board of Directors on June 1, 2017.

NOTE 2 BASIS OF PRESENTATION

STATEMENT OF COMPLIANCE

The consolidated annual financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS).

BASIS OF MEASUREMENT

The Company's financial statements have been prepared on a going concern basis and applied based on the historical cost principle except for certain assets and liabilities as described in the significant accounting policies section.

FUNCTIONAL AND PRESENTATION CURRENCY

The Company's financial statements are presented in Canadian dollars, which is also the consolidated entity's functional currency. All financial information has been rounded to the nearest million unless stated otherwise.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the accounts of the Company and entities under its control. Control exists when an entity is exposed, or has rights, to variable returns from its involvement with investees and has the ability to affect those returns through its power over them. All intercompany transactions and balances have been eliminated. Investments over which the Company has effective control are consolidated. The operating results of acquired businesses, from their respective acquisition dates, are included in the consolidated statements of earnings.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist primarily of cash and short-term investments having an initial maturity of three months or less at the time of acquisition.

INVENTORIES

Finished goods, raw materials and work in process are valued at the lower of cost and net realizable value, cost being determined under the first in, first out method.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses and are depreciated using the straight-line method over their estimated useful lives as described below:

Buildings	15 to 40 years
Furniture, machinery and equipment	3 to 20 years
Rolling stock	5 to 10 years based on estimated kilometers traveled

Where components of an item of building or furniture, machinery and equipment are individually significant, they are accounted for separately within the categories described above.

Assets held for sale are recorded at the lower of their carrying amount or fair value less costs to sell, and no depreciation is recorded. Assets under construction are not depreciated. Borrowing costs are capitalized to qualifying property, plant and equipment where the period of construction of those assets takes a substantial period of time to get ready for their intended use. Borrowing costs, if incurred, are added to the cost of those assets until such time as the assets are substantially ready for their intended use.

For the purposes of impairment testing, property, plant and equipment are tested at the cash-generating unit (CGU) level. Write-downs are included in "depreciation and amortization" presented on the consolidated statements of earnings.

GOODWILL AND INTANGIBLE ASSETS

Goodwill represents the excess of the consideration transferred in a given acquisition over the fair value of the identifiable net assets acquired and is initially recorded at that value. Goodwill is subsequently carried at cost less any impairment.

Intangible assets include trademarks, customer relationships and software that is not an integral part of the related hardware. Intangible assets are initially recorded at their transaction fair values. Indefinite life intangibles are subsequently carried at cost less any impairment losses. Definite life intangible assets are subsequently carried at cost less accumulated amortization and less impairment losses, if any. Goodwill and trademarks are not amortized as they are considered to be indefinite life intangible assets. However they are tested for impairment annually or more frequently if events or changes in circumstances indicate that the assets might be impaired.

When testing goodwill and indefinite life intangible assets, the carrying values of the CGU's or group of CGU's including goodwill are compared with their respective recoverable amounts (higher of fair value less costs of disposal and value in use) and an impairment loss, if any, is recognized for the excess. When testing for impairment, the carrying values (including the carrying value of the related CGU's or group of CGU's excluding goodwill) are also compared to their recoverable amounts.

Customer relationships and software are considered to be definite life intangible assets and are amortized using the straight-line method over their useful lives which vary from 5 to 15 years and are reviewed for indicators of impairment prior to each reporting period.

Refer to "Impairment Testing of Cash-Generating Units" in Note 7 for a discussion of the CGU levels at which goodwill and intangible assets are tested.

IMPAIRMENT OF OTHER LONG-LIVED ASSETS

Other long-lived assets are subject to an "indicators of impairment" test at each reporting period. In the event of an indication of impairment, the asset or group of assets (referred to as CGU's), for which identifiable cash flows that are largely independent of the cash inflows from other assets or group of assets exist, are tested for impairment. An impairment loss is recorded in net earnings when the carrying value exceeds the recoverable amount. The recoverable amount is defined as the greater of fair value less costs of disposal and value in use.

BUSINESS COMBINATIONS

The Company accounts for its business combinations using the acquisition method of accounting. Under this method, the Company allocates the purchase price to tangible and intangible assets acquired and liabilities assumed based on estimated fair values at the date of acquisition, with the excess of the purchase price amount allocated to goodwill.

Significant debt issuance costs directly related to the funding of business acquisitions are included in the carrying value of the debt and are amortized over the related debt term using the effective interest rate method. Acquisition costs are expensed as incurred.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

NON-CONTROLLING INTEREST

Non-controlling interests represent equity interest in acquired subsidiaries by third parties. The non-controlling shareholders claim on net assets of the subsidiary is presented as a component within equity. Any share purchases from non-controlling interests after the Company obtains control of a division are treated as transactions with equity owners of the Company. Net earnings and each component of other comprehensive income are attributed to both the owners of the Company and to the non-controlling interest.

EMPLOYEE FUTURE BENEFITS

The cost of pension and other post-retirement benefits is actuarially determined annually on March 31 using the projected benefit method prorated based on years of service and using Management's best estimates of rates of compensation increases, retirement ages of employees and expected health care costs. Current service costs and interest on obligations offset by interest income on plan assets are expensed in the year. Actuarial gains or losses, the effect of an adjustment, if any, on the maximum amount recognized as an asset and the impact of the minimum funding requirements, are recorded in other comprehensive income (loss) and immediately recognized in retained earnings without subsequent reclassification to the consolidated statements of earnings. The net pension expenditure under defined contribution pension plans is generally equal to the contributions made by the employer.

REVENUE RECOGNITION

The Company recognizes revenue when the title and risk of loss are transferred to customers, price is determinable, collection is reasonably assured and when persuasive evidence of an arrangement exists. Revenues are recorded net of sales incentives including volume rebates, shelving or slotting fees and advertising rebates.

FOREIGN CURRENCY TRANSLATION

The Company's functional currency is the Canadian dollar. Accordingly, the balance sheet accounts of foreign operations are translated into Canadian dollars using the exchange rates at the balance sheet dates and statements of earnings accounts are translated into Canadian dollars using the average monthly exchange rates in effect during the periods. The foreign currency translation adjustment (CTA) reserve presented in the consolidated statements of comprehensive income and the consolidated statements of equity, represents accumulated foreign currency gains (losses) on the Company's net investments in companies operating outside Canada. The change in the unrealized gains (losses) on translation of the financial statements of foreign operations for the periods presented resulted mainly from the fluctuation in value of the Canadian dollar as compared to the US dollar.

Foreign currency accounts of the Company and its subsidiaries are translated using the exchange rates at the balance sheet dates for monetary assets and liabilities, and at the prevailing exchange rates at the time of transactions for income and expenses. Non-monetary items are translated at the historical exchange rates. Gains or losses resulting from this translation are included in operating costs.

STOCK-BASED COMPENSATION

The Company offers an equity settled stock option plan to certain employees within the organization pursuant to which options are granted over a five-year vesting period with a ten-year expiration term. The fair value of each instalment of an award is determined separately and recognized over the vesting period. When stock options are exercised, any consideration paid by employees and the related compensation expense recorded as a stock option plan reserve are credited to share capital.

The Company allocates deferred share units (DSU) to eligible Directors of the Company which are based on the market value of the Company's common shares. DSUs are granted on a quarterly basis, vest upon award and entitle Directors to receive a cash payment for the value of the DSUs they hold following cessation of functions as a Director of the Company. The Company recognizes an expense in its consolidated statements of earnings and a liability in its consolidated balance sheets for each grant. The liability and related expense is subsequently re-measured at each reporting period.

The Company offers performance share units (PSU) to senior management which are based on the market value of the Company's common shares. The PSU plan is non-dilutive and is settled in cash. These awards are considered cash-settled share-based payment awards. A liability is recognized for the employment service received and is measured initially, on the grant date, at the fair value of the liability. The liability is then subsequently remeasured at each reporting period with any change in value recorded in net earnings. The compensation expense is recognized over the three-year performance cycle.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

INCOME TAXES

Income tax expense represents the sum of current and deferred income tax and is recognized in the consolidated statements of earnings with the exception of items that are recognized in the consolidated statements of comprehensive income or directly in equity.

Current income taxes are determined in relation to taxable earnings for the year and incorporate any adjustments to current taxes payable in respect of previous years.

The Company follows the liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on temporary differences between the carrying amount of an asset or liability in the consolidated balance sheets and its tax basis. They are measured using the enacted or substantively enacted tax rates that are expected to apply when the asset is realized or the liability is settled. A deferred income tax asset is recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be used.

FINANCIAL INSTRUMENTS

Financial assets and liabilities are initially measured at fair value. Subsequently, financial instruments classified as financial assets available for sale, held for trading and derivative financial instruments, part of a hedging relationship or not, continue to be measured at fair value on the balance sheet at each reporting date, whereas other financial instruments are measured at amortized cost using the effective interest method.

The Company has made the following classifications:

- Cash and cash equivalents are classified as loans and receivables and are measured at amortized cost .
- Receivables are classified as loans and receivables and are measured at amortized cost.
- Other assets that meet the definition of a financial asset are classified as loans and receivables and are initially measured at fair value and subsequently at amortized cost.
- Bank loans, accounts payable and accrued liabilities, other liabilities and long-term debt are classified as other liabilities and are measured at amortized cost, with the exception of the liability related to DSUs and PSUs which is measured at the fair value of common shares on the balance sheet dates.

Certain derivative instruments are utilized by the Company to manage exposure to variations in interest rate payments and to manage foreign exchange rate risks, including foreign exchange forward contracts, currency swaps and interest rate swaps. Derivatives are initially recognized at fair value at the date the derivative contracts and currency swaps are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is immediately recognized in net earnings unless the derivative is designated as a hedging instrument.

HEDGING

The Company designates certain financial instruments as cash flow hedges. At the inception of the hedging relationship, the Company formally documents its risk management objective, strategy, term, nature of risk being hedged and identifies both the hedged item and hedging instrument.

For derivatives instruments designated as cash flow hedges, the change in fair value related to the effective portion of the hedge is recognized in other comprehensive income (loss), and the accumulated amount is presented as a hedging reserve in the consolidated statement of equity. Any ineffective portion is immediately recognized in net earnings. Gains or losses from cash flow hedges included in other components of equity are reclassified to net income, when the hedging instrument has come due or is settled, as an offset to the losses or gains recognized on the underlying hedged items.

The Company formally assesses at inception and quarterly thereafter, the effectiveness of the hedging instruments ability to offset variations in the cash flow risks associated with the hedged item. Where a hedging relationship is no longer effective, hedge accounting is discontinued and any subsequent change in the fair value of the hedging instrument is recognized in net earnings.

JOINT VENTURES

Joint ventures are accounted for using the equity method and represent those entities in which the Company exercises joint control over and for which it is exposed to variable returns from its involvement in the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

FAIR VALUE HIERARCHY

All financial instruments measured at fair value are categorized into one of three hierarchy levels, described below, for disclosure purposes. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Each level reflects the inputs used to measure the fair values of assets and liabilities:

Level 1 –Inputs are unadjusted quoted prices of identical instruments in active markets.
Level 2 –Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 –One or more significant inputs used in a valuation technique are not based on observable market data in determining fair values of the instruments.

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

USE OF ESTIMATES AND JUDGEMENTS IN THE APPLICATION OF ACCOUNTING POLICIES

The preparation of the Company's financial statements requires Management to make certain judgements and estimates about transactions and carrying values that are fulfilled at a future date. Judgements and estimates are subject to fluctuations due to changes in internal and/or external factors and are continuously monitored by Management. A discussion of the judgements and estimates that could have a material effect on the financial statements is provided below.

SIGNIFICANT ESTIMATES AND JUDGEMENTS

Income Taxes

The Company is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the consolidated provision for income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters differs from the amounts that were initially recorded, such differences will impact the results for the reporting period and the respective current income tax and deferred income tax provisions in the reporting period in which such determination is made.

Deferred Income Taxes

The Company follows the liability method of accounting for deferred income taxes. Deferred income tax assets and liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. As a result, a projection of taxable income is required for those years, as well as an assumption of the ultimate recovery or settlement period for temporary differences. The projection of future taxable income is based on Management's best estimates and may vary from actual taxable income. On an annual basis, the Company assesses its need to establish a valuation allowance for its deferred income tax assets. Canadian, US and international tax rules and regulations are subject to interpretation and require judgement on the part of the Company that may be challenged by taxation authorities. The Company believes that it has adequately provided for deferred tax obligations that may result from current facts and circumstances. Temporary differences and income tax rates could change due to fiscal budget changes and/or changes in income tax laws.

Goodwill, Intangible Assets and Business Combinations

Goodwill, trademarks and customer relationships have principally arisen as a result of business combinations. The acquisition method, which also requires significant estimates and judgements, is used to account for these business combinations. As part of the allocation process in a business combination, estimated fair values are assigned to the net assets acquired, including trademarks and customer relationships. These estimates are based on forecasts of future cash flows, estimates of economic fluctuations and an estimated discount rate. The excess of the purchase price over the estimated fair value of the net assets acquired is then assigned to goodwill. In the event that actual net assets fair values are different from estimates, the amounts allocated to the net assets, and specifically to trademarks and customer relationships, could differ from what is currently reported. This would then have a pervasive impact on the carrying value of goodwill. Differences in estimated fair values would also have an impact on the amortization of definite life intangibles.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, Plant and Equipment

Critical judgement is necessary in the selection and application of accounting policies and useful lives as well as the determination of which components are significant and how they are allocated. Management has determined that the use of the straight-line method of amortization is the most appropriate as its facilities are operating at a similar output potential on a year to year basis, which indicates that production is constant (please refer to the estimated useful lives table for further details on the useful lives of productive assets). It is Management's best estimate that the useful lives and policies adopted adequately reflect the flow of resources and the economic benefits required and derived in the use and servicing of these long-lived productive assets.

Impairment of Assets

Significant estimates and judgements are required in testing goodwill, intangible assets and other long-lived assets for impairment. Management uses estimates or exercises judgement in assessing indicators of impairment, defining a CGU, forecasting future cash flows and in determining other key assumptions such as discount rates and earnings multipliers used for assessing fair value (less costs of disposal) or value in use. Estimates made for goodwill and intangible assets can be found in Note 7. Other long-lived assets are tested only when indicators of impairment are present.

Employee Future Benefits

The Company is the sponsor to both defined benefit and defined contribution plans, which provide pension and other post-employment benefits to its employees. Several estimates and assumptions are required with regards to the determination of the defined benefit expense and its related obligation, such as the discount rate used in determining the carrying value of the obligation and the interest income on plan assets, the expected health care cost trend rate, the expected mortality rate, expected salary increase, etc. Actual results will normally differ from expectations. These gains or losses are presented in the consolidated statements of comprehensive income.

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

The International Accounting Standards Board (IASB) made revisions as part of its continuing improvements project. Below is a summary of the relevant standards affected and a discussion of the amendments.

IAS 7, Statement of Cash Flows

In January 2016, the IASB amended IAS 7 to require further disclosures enabling users of the financial statement to evaluate changes in liabilities arising from financing activities. To achieve this objective, the IASB requires that the following changes in liabilities arising from financing activities are disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

This amendment is effective for the annual periods beginning on or after January 1, 2017. Management is currently evaluating the impact of the adoption of this amendment but no significant impact is expected on the Company's financial statements.

IAS 12, Income taxes

In January 2016, the IASB has issued amendments to IAS 12 Income Taxes to provide clarification on the requirements relating to the recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value.

These amendments are effective for the annual periods beginning on or after January 1, 2017. Management is currently evaluating the impact of the adoption of the amendments but no significant impact is expected on the Company's financial statements.

IFRS 2, Share-Based Payment

In June 2016, the IASB issued an amendment to clarify how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

This amendment is effective for the annual reporting periods beginning on or after January 1, 2018. Management is currently assessing the impact of the adoption of this amendment.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

IFRS 9, Financial Instruments

The IASB issued IFRS 9 in November 2009 with the long-term goal of replacing IAS 39, Financial Instruments: Recognition and Measurement. Since then, an amendment was made in July 2014 relating to the classification of financial assets and the use of a single impairment model for all financial instruments.

This amendment, along with the adoption of the standard, are effective for annual reporting periods beginning on or after January 1, 2018. Management is currently evaluating the impact of the adoption of this standard, including the amendment.

IFRS 15, Revenue from Contracts with Customers

The IASB issued IFRS 15, Revenue from Contracts with Customers with its goal to provide a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. This new standard will supersede current revenue recognition guidance in IAS 18, Revenue, IAS 11, Construction Contracts and IFRIC 13, Customer Loyalty Programmes.

The objective of this standard is to provide a five-step approach to revenue recognition that includes identifying contracts with customers, identifying performance obligations, determining transaction prices, allocating transaction prices to performance obligations and recognizing revenue when performance obligations are satisfied. In certain instances, transfer of assets that are not related to the entity's ordinary activities will also be required to follow some of the recognition and measurement requirements of the new model. The standard also expands current disclosure requirements.

In April 2016, the IASB amended IFRS 15 to comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation).

With regards to identifying performance obligations, the amendments clarify how to determine when promises in a contract are 'distinct' goods or services and, therefore, should be accounted for separately. The amendments to licensing guidance clarify when revenue from a licence of intellectual property should be recognised 'over time' and when it should be recognised at a 'point in time'. With regards to the principal versus agent assessment, the amendments clarify that the principal in an arrangement controls a good or service before it is transferred to a customer.

This standard and related amendments are effective for annual reporting periods beginning on or after January 1, 2018. Management is currently assessing the impact of the adoption of this standard.

IAS 40, Investment Property

In December 2016, the IASB issued an amendment to IAS 40 clarifying when assets are transferred to, or from investment properties. The amendment clarified that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence. This amendment may be applied prospectively or retrospectively.

This amendment is effective for annual reporting periods beginning on or after January 1, 2018. Management is currently assessing the impact of the adoption of this amendment.

IFRIC 22, Foreign Currency Transactions and Advance Consideration

In December 2016, the IASB issued IFRIC 22 which provides an interpretation on how to determine the date of the transaction when applying the standard on foreign currency transactions, IAS 1. The interpretation applies where an entity pays or receives consideration in advance for foreign currency-denominated contracts. The date of the transaction determines the exchange rate to be used on initial recognition of the related asset, expense or income. This Interpretation provides guidance for when a single payment or receipt is made, as well as for situations where multiple payments or receipts are made and aims to reduce diversity in practice.

This standard is effective for annual reporting periods beginning on or after January 1, 2018. Management is currently assessing the impact of the adoption of this standard.

IFRS 16, Leases

In January 2016, the IASB published a new standard, IFRS 16, Leases. The new standard will eliminate the distinction between operating and finance leases and will bring most leases on the balance sheet for lessees. For lessors, the accounting remains mostly unchanged and the distinction between operating and finance leases is retained.

This standard is effective for annual reporting periods beginning on or after January 1, 2019. Management is currently assessing the impact of the adoption of this standard.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

IFRS 10, Consolidated Financial Statements & IAS 28, Investments in Associates

The IASB previously issued a narrow-scope amendment to IFRS 10, Consolidated Financial Statements and IAS 28, Investments in Associates and Joint Ventures to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 when dealing with the sale or contribution of assets between an investor and its associate or joint venture. The original amendments required a full gain or loss to be recognized where a transaction involved a business or that a partial gain or loss be recognized when a transaction involved assets that did not constitute a business.

The effective date for these amendments has been deferred indefinitely. The impact of adoption of these amendments has not yet been determined.

CONSIDERATIONS FOR THE IMPLEMENTATION OF IFRS 9 AND IFRS 15

IFRS 9 and IFRS 15 are required to be applied for annual reporting periods beginning on or after January 1, 2018. The Company will not be early adopting IFRS 9 or IFRS 15.

IFRS 9 is applicable retrospectively in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, subject to certain exemptions and exceptions. In general, the main impacts of adopting IFRS 9 are expected to be on classification and measurement of financial assets, the introduction of a new impairment model based on expected losses (rather than incurred loss as per IAS 39, Financial Instruments: Recognition and Measurement), hedge accounting and significant additional disclosure requirements.

IFRS 15 can be applied using one of the following two methods: retrospectively to each prior reporting period presented in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, or retrospectively with the cumulative effect of initially applying IFRS 15 recognised at the date of initial application. The Company is currently evaluating the transition methods prescribed under IFRS 15. The main impacts of adopting IFRS 15 are expected to be on timing of revenue recognition, on whether the Company is acting as the principal or the agent for the shipping and handling activities, on the variable consideration to include in the transaction price such as rebates, incentives and allowances and on consideration on payments made in exchange for a distinct good or service or as a sale incentive, as well as additional disclosures.

Although the Company has conducted a preliminary assessment of the effects of the application of IFRS 9 and IFRS 15 on the Company's interim and annual financial statements, it is not possible to make reasonable estimates of the impacts of the adoption of IFRS 9 and IFRS 15 at this date, as more data needs to be collected. The Company's current implementation roadmap extends into the fourth quarter of fiscal 2018; therefore, it will report on progress achieved over the course of the next financial reporting year.

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

The following standards were adopted by the Company on April 1, 2016:

IAS 1, Presentation of financial statements

The Company implemented the amendments to IAS 1, "Presentation of Financial Statements", effective January 1, 2016. The amendments provide clarifying guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

This amendment did not impact the Company's financial statements for the year ended March 31, 2017.

IAS 19, Employee Benefits

IAS 19 has been amended to clarify that in determining the discount rate for post-employment benefit obligations, the currency of the liability is of importance and not the country in which it arises. Furthermore, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used.

This amendment did not impact the Company's financial statements for the year ended March 31, 2017.

NOTE 4 INVENTORIES

		March 31, 2017		March 31, 2016
Finished goods	**$**	**783.0**	$	702.6
Raw materials, work in progress and supplies		**389.5**		374.5
Total	**$**	**1,172.5**	$	1,077.1

The amount of inventories recognized as an expense in operating costs for the year ended March 31, 2017 is $8,876.1 million ($8,849.2 million for the year ended March 31, 2016).

During fiscal 2017, a write-down of $4.1 million ($17.6 million at March 31, 2016) was included as an expense in "Operating costs excluding depreciation, amortization, acquisition and restructuring costs" under the caption "Changes in inventories of finished goods and work in process" presented in Note 5.

NOTE 5 OPERATING COSTS EXCLUDING DEPRECIATION, AMORTIZATION, ACQUISITION AND RESTRUCTURING COSTS

		2017		2016
Changes in inventories of finished goods and work in process	**$**	**(99.4)**	$	15.9
Raw materials and consumables used		**7,770.7**		7,693.1
Foreign exchange gain		**(4.3)**		(3.3)
Employee benefits expense		**1,265.5**		1,201.7
Selling costs		**322.6**		309.6
Other general and administrative costs		**618.0**		600.4
Total	**$**	**9,873.1**	$	9,817.4

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

											For the year ended March 31, 2017	
		Land		**Buildings**		**Furniture, machinery and equipment**		**Rolling stock**		**Held for sale**		**Total**
Cost												
As at March 31, 2016	$	**68.2**	$	**818.4**	$	**2,438.0**	$	**17.5**	$	**-**	$	**3,342.1**
Additions		**0.4**		**29.5**		**205.0**		**1.8**		**-**		**236.7**
Disposals		**(0.2)**		**(4.5)**		**(46.7)**		**(2.7)**		**-**		**(54.1)**
Foreign currency adjustments		**0.8**		**11.5**		**42.0**		**0.3**		**-**		**54.6**
As at March 31, 2017	$	**69.2**	$	**854.9**	$	**2,638.3**	$	**16.9**	$	**-**	$	**3,579.3**
Accumulated depreciation												
As at March 31, 2016		**-**		**256.3**		**991.7**		**8.1**		**-**		**1,256.1**
Depreciation		**-**		**34.3**		**153.4**		**1.7**		**-**		**189.4**
Disposals		**-**		**(3.5)**		**(45.4)**		**(2.5)**		**-**		**(51.4)**
Foreign currency adjustments		**-**		**3.4**		**16.2**		**0.1**		**-**		**19.7**
As at March 31, 2017	$	**-**	$	**290.5**	$	**1,115.9**	$	**7.4**	$	**-**	$	**1,413.8**
Net book value at March 31, 2017	$	**69.2**	$	**564.4**	$	**1,522.4**	$	**9.5**	$	**-**	$	**2,165.5**

											For the year ended March 31, 2016	
		Land		Buildings		Furniture, machinery and equipment		Rolling stock		Held for sale		Total
Cost												
As at March 31, 2015	$	65.7	$	756.6	$	2,295.0	$	16.5	$	12.5	$	3,146.3
Business acquisitions (Note 16)		1.0		13.9		18.4		-		-		33.3
Additions		0.2		41.1		140.5		1.7		-		183.5
Disposals		-		(1.1)		(18.2)		(0.9)		(12.5)		(32.7)
Transfers[1]		0.5		3.9		-		-		-		4.4
Foreign currency adjustments		0.8		4.0		2.3		0.2		-		7.3
As at March 31, 2016	$	68.2	$	818.4	$	2,438.0	$	17.5	$	-	$	3,342.1
Accumulated depreciation												
As at March 31, 2015		-		215.7		842.9		5.6		9.0		1,073.2
Depreciation		-		33.7		146.2		1.7		-		181.6
Disposals		-		(1.1)		(17.5)		(0.8)		(9.0)		(28.4)
Impairment		-		6.4		17.7		1.6		-		25.7
Foreign currency adjustments		-		1.6		2.4		-		-		4.0
As at March 31, 2016	$	-	$	256.3	$	991.7	$	8.1	$	-	$	1,256.1
Net book value at March 31, 2016	$	68.2	$	562.1	$	1,446.3	$	9.4	$	-	$	2,086.0

[1] Transfers from other assets to property, plant and equipment following the acquisition of the everyday cheese business of Lion-Dairy & Drinks Pty Ltd (EDC Acquisition).

The net book value of property, plant and equipment under construction amounts to $190.6 million as at March 31, 2017 ($84.5 million as at March 31, 2016), and consists mainly of machinery and equipment.

There are no assets held for sale as of March 31, 2017 and 2016.

NOTE 7 GOODWILL AND INTANGIBLE ASSETS

The Company reports its operations under three geographic sectors. The Canada Sector consists of Dairy Division (Canada). The USA Sector includes Cheese Division (USA) and Dairy Foods Division (USA). Finally, the International Sector combines Dairy Division (Argentina), Dairy Division (Australia) and the Dairy Ingredients Division. The Dairy Ingredients Division includes national and export ingredient sales and cheese export sales from the North American divisions.

					For the year ended March 31, 2017
		Indefinite Life	**Definite Life**		
	Goodwill	**Trademarks**	**Customer relationships**[1]	**Software**[2]	**Total Intangible Assets**
Cost					
As at March 31, 2016	**$ 2,194.1**	**$ 351.9**	**$ 255.8**	**$ 48.6**	**$ 656.3**
Additions	**-**	**-**	**-**	**84.7**	**84.7**
Foreign currency adjustments	**46.4**	**2.8**	**4.3**	**2.6**	**9.7**
As at March 31, 2017	**$ 2,240.5**	**$ 354.7**	**$ 260.1**	**$ 135.9**	**$ 750.7**
Accumulated Amortization					
As at March 31, 2016	**-**	**-**	**69.3**	**-**	**69.3**
Amortization	**-**	**-**	**16.7**	**1.2**	**17.9**
Foreign currency adjustments	**-**	**-**	**1.2**	**-**	**1.2**
As at March 31, 2017	**$ -**	**$ -**	**$ 87.2**	**$ 1.2**	**$ 88.4**
Net book value at March 31, 2017	**$ 2,240.5**	**$ 354.7**	**$ 172.9**	**$ 134.7**	**$ 662.3**

					For the year ended March 31, 2016
		Indefinite Life	Definite Life		
	Goodwill	Trademarks	Customer relationships[1]	Software[2]	Total Intangible Assets
Cost					
As at March 31, 2015	$ 2,125.0	$ 317.9	$ 240.2	$ -	$ 558.1
Business acquisitions (Note 16)	30.5	31.4	11.1	-	42.5
Additions	-	-	-	48.3	48.3
Foreign currency adjustments	38.6	2.6	4.5	0.3	7.4
As at March 31, 2016	$ 2,194.1	$ 351.9	$ 255.8	$ 48.6	$ 656.3
Accumulated Amortization					
As at March 31, 2015	-	-	51.8	-	51.8
Amortization	-	-	17.0	-	17.0
Foreign currency adjustments	-	-	0.5	-	0.5
As at March 31, 2016	$ -	$ -	$ 69.3	$ -	$ 69.3
Net book value at March 31, 2016	$ 2,194.1	$ 351.9	$ 186.5	$ 48.6	$ 587.0

1 Customer relationships are amortized straight-line over a period of 15 years.
2 None of the additions were internally generated.

IMPAIRMENT TESTING OF CASH-GENERATING UNITS

Goodwill

In determining whether goodwill is impaired, the Company is required to estimate the recoverable amount of CGUs or groups of CGUs to which goodwill is allocated. Management considers the sectors below to be CGUs or groups of CGUs as they represent the lowest levels at which goodwill is monitored for internal management purposes.

NOTE 7 GOODWILL AND INTANGIBLE ASSETS (CONT'D)

Goodwill has been allocated to each CGU or group of CGUs as follows:

Allocation of goodwill	March 31, 2017	March 31, 2016
Canada	**$ 323.2**	$ 323.2
USA		
Cheese Division (USA)	**1,038.1**	1,015.7
Dairy Foods Division (USA)	**613.6**	594.9
International		
Dairy Division (Australia)	**224.9**	221.9
Dairy Division (Argentina)	**10.2**	9.6
Dairy Ingredients Division	**30.5**	28.8
	$ 2,240.5	$ 2,194.1

Recoverable amounts for Dairy Division (Canada), Cheese Division (USA), Dairy Foods Division (USA) and Dairy Ingredients Division have been estimated using an earnings multiplier valuation model (fair value less costs of disposal).The key assumptions used in these models consist mainly of earnings multipliers for market comparables that are applied to the results of each CGU or group of CGUs tested.

Recoverable amounts for Dairy Division (Australia) and Dairy Division (Argentina) have been estimated using a discounted cash flow (value in use) model based on the following key assumptions:

- **Cash flows:** Cash flow forecasts for a given CGU are based on earnings before interest, income taxes, depreciation and amortization and are adjusted for a terminal growth rate and income tax rates. The cash flow forecast does not exceed a period of five years with a terminal value calculated as a perpetuity in the final year.
- **Terminal growth rate**: Management uses a terminal growth rate to adjust its forecasted cash flows based on expected increases in inflation and revenue for the CGU.
- **Discount rate:** Cash flows are discounted using pre-tax discount rates.

The Company performed its annual impairment test and in all cases the recoverable amounts exceeded their respective carrying values including goodwill.

Trademarks

Trademarks are included in the following CGU or group of CGUs:

Allocation of trademarks	March 31, 2017	March 31, 2016
Neilson – Dairy Division (Canada)	**$ 223.2**	$ 223.2
Other	**131.5**	128.7
	$ 354.7	$ 351.9

For purposes of trademarks impairment testing, recoverable amounts of the CGU or group of CGUs to which they belong have been estimated using discounted cash flows (value in use) based on the following key assumptions:

- **Cash flows:** Cash flow forecasts for a given trademark are based on earnings before interest, income taxes, depreciation and amortization and are adjusted for a terminal growth rate and income tax rates. The cash flow forecast does not exceed a period of five years with a terminal value calculated as a perpetuity in the final year.
- **Terminal growth rate**: Management uses a terminal growth rate to adjust its forecasted cash flows based on expected increases in inflation and revenue for the products under trademark.
- **Discount rate:** Cash flows are discounted using pre-tax discount rates.

The Company tested its trademarks for impairment using value in use (discounted cash flows) to establish recoverable amounts. The recoverable amounts for each trademark and other intangibles not subject to amortization were then compared to their carrying values. In all circumstances, the recoverable amounts exceeded carrying values and therefore no impairment losses were necessary. For definite life intangibles subject to amortization, no indicators of impairment were present for fiscal 2017.

NOTE 8 OTHER ASSETS

	March 31, 2017	March 31, 2016
Taxes receivable	**$ 4.4**	$ 6.9
Joint ventures	**50.8**	48.8
Other	**44.5**	50.8
	$ 99.7	$ 106.5

The Company has two joint ventures in Australia, for which it holds a 50% and 49% interest, respectively. In both joint ventures, the terms of the contracts require unanimous consent of all parties in order to direct the significant operations of the ventures. The joint ventures have a June 30th year end and are accounted for under the equity method. The Company recognized $11.4 million in net earnings, representing its share of earnings in the joint ventures for the year ended March 31, 2017 ($6.7 million for the year ended March 31, 2016). Dividends received from the joint ventures amounted to $10.3 million for the year ended March 31, 2017 ($2.4 million for the year ended March 31, 2016).

NOTE 9 BANK LOANS

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

		Available for use			Amount drawn	
Credit Facilities	Maturity	Canadian Currency Equivalent	Base Currency		March 31, 2017	March 31, 2016
North America-USA	December 2021[1]	266.4	200.0	USD	**$ -**	$ -
North America-Canada	December 2021[1]	399.5	300.0	USD	**-**	-
Argentina	Yearly[2]	135.8	102.0	USD	**46.2**	50.0
Argentina	Yearly[3]	100.5	1,160.0	ARS	**23.9**	13.7
Australia	Yearly[4]	25.4	25.0	AUD	**-**	84.6
Australia	Yearly[5]	99.9	75.0	USD	**23.7**	29.9
		1,027.5			**$ 93.8**	$ 178.2

1 Bears monthly interest at rates ranging from lender's prime rates plus a maximum of 1% or LIBOR or banker's acceptance rate plus 0.85% up to a maximum of 2% depending on the Company credit ratings.
2 Bear monthly interest at local rate and can be drawn in USD.
3 Bear monthly interest at local rate and can be drawn in ARS.
4 Bear monthly interest at Australian Bank Bill Rate plus 0.85%.
5 Bear monthly interest at LIBOR or Australian Bank Bill Rate plus 0.75% and can be drawn in AUD or USD.

NOTE 10 LONG-TERM DEBT

	March 31, 2017	March 31, 2016
Unsecured bank term loan facilities		
Obtained October 2013 and due in December 2019 ($500 million)[1]	$ -	$ 212.5
Obtained December 2012 and due in December 2019 ($850 million)[2]	600.0	600.0
Obtained May 2015 and due in May 2018 (AUD$140 million)[3]	-	120.7
Unsecured senior notes[4]		
5.82%, issued in June 2009 and due in June 2016	-	220.0
2.65%, issued in November 2014 and due in November 2019 (Series 1)	300.0	300.0
2.20%, issued in June 2016 and due in June 2021 (Series 2)	300.0	-
2.83%, issued in November 2016 and due in November 2023 (Series 3)	300.0	-
	$ 1,500.0	$ 1,453.2
Current portion	-	244.9
	$ 1,500.0	$ 1,208.3

Principal repayments are as follows:		
Less than 1 year	$ -	$ 244.9
1-2 years	-	24.9
2-3 years	900.0	70.9
3-4 years	-	1,112.5
4-5 years	300.0	-
More than 5 years	300.0	-
	$ 1,500.0	$ 1,453.2

[1] Bears monthly interest at rates ranging from lender's prime plus a maximum of 1%, or bankers' acceptance rates plus 0.85% up to a maximum of 2%, depending on the Company credit ratings.

[2] Bears monthly interest at rates ranging from lender's prime plus a maximum of 1% or LIBOR or bankers' acceptance rates plus 0.85% up to a maximum of 2%, depending on the Company credit ratings, and can be drawn in CAD or USD. Effective February 4, 2013, the Company entered into an interest rate swap to fix its rate, which matured on December 30, 2016. As at March 31, 2016 interest rate on $562.5 million of the facility was fixed at 1.58% plus appropriate spread. As at March, 31 2017, US$452.9 million was drawn and its foreign currency risk was offset with a cross currency swap.

[3] Bears monthly interest at Australian Bank Bill rate plus 0.85%.

[4] Interest payments are semi-annual.

On December 6, 2016, the Company renewed its medium term note program and filed a short form base shelf prospectus qualifying an offering of unsecured senior notes for distribution to the public over a 25-month period.

On November 21, 2016, the Company issued $300.0 million Series 3 medium term notes pursuant to its medium term note program with an annual interest rate of 2.83% payable in equal semi-annual instalments, maturing on November 21, 2023.

On June 23, 2016, the Company issued $300.0 million Series 2 medium term notes pursuant to its medium term note program with an annual interest rate of 2.20% payable in equal semi-annual instalments, maturing on June 23, 2021.

NOTE 11 OTHER LIABILITIES

	March 31, 2017	March 31, 2016
Employee benefits (Note 17)	**$ 38.8**	$ 31.2
Derivative financial liabilities (Note 20)	**4.5**	-
Performance share unit liabilities and related fringe benefits	**21.3**	20.2
Other	**4.3**	10.4
	$ 68.9	$ 61.8

NOTE 12 SHARE CAPITAL

AUTHORIZED

The authorized share capital of the Company consists of an unlimited number of common and preferred shares. The common shares are voting and participating. The preferred shares may be issued in one or more series, the terms and privileges of each series to be determined at the time of their issuance.

	March 31, 2017	March 31, 2016
ISSUED		
386,234,311 common shares (392,520,687 common shares in 2016)	**$ 871.1**	$ 821.0

2,898,704 common shares (2,995,638 in 2016) were issued during the year ended March 31, 2017 for an amount of $57.6 million ($49.9 million in 2016) pursuant to the share option plan. For the year ended March 31, 2017, the amount transferred from stock option plan reserve was $12.7 million ($10.8 million in 2016).

Pursuant to the normal course issuer bid which began on November 17, 2015, and expired on November 16, 2016, the Company was authorized to repurchase for cancellation up to 19,547,976 of its common shares. Under the normal course issuer bid that became effective on November 17, 2016, and expiring on November 16, 2017, as amended, the Company is authorized to repurchase, for cancellation purposes, up to 12,000,000 of its common shares. During the year ended March 31, 2017, the Company repurchased 9,185,080 common shares, at prices ranging from $35.74 to $48.71 per share, relating to the normal course issuer bids. The excess of the purchase price over the carrying value of the shares in the amount of $383.9 million was charged to retained earnings.

SHARE OPTION PLAN

The Company has an equity settled share option plan to allow for the purchase of common shares by key employees and officers of the Company. The total number of common shares which may be issued pursuant to this plan as at March 31, 2017 cannot exceed 26,386,679 common shares. As at March 31, 2017, 8,536,665 common shares are issuable under this plan in addition to the 17,850,014 common shares underlying options outstanding. Options may be exercised at a price not less than the weighted average market price for the five trading days immediately preceding the date of grant. The options vest at 20% per year and expire ten years from the grant date.

NOTE 12 SHARE CAPITAL (CONT'D)

Options issued and outstanding as at year end are as follows:

		March 31, 2017		March 31, 2016	
Granting period	Exercise price	**Number of options**	**Number of exercisable options**	Number of options	Number of exercisable options
2008	$ 11.55	**3,668**	**3,668**	435,208	435,208
2009	$ 13.91	**423,697**	**423,697**	668,138	668,138
2010	$ 10.70	**800,662**	**800,662**	1,012,588	1,012,588
2011	$ 14.66	**939,584**	**939,584**	1,157,511	1,157,511
2012	$ 21.61	**942,295**	**942,295**	1,332,346	927,154
2013	$ 21.48	**1,981,526**	**1,364,064**	2,560,580	1,265,506
2014	$ 25.55	**2,521,165**	**1,237,025**	3,012,835	993,423
2015	$ 27.74	**3,149,368**	**1,016,224**	3,567,457	597,373
2016	$ 35.08	**2,981,402**	**526,006**	3,157,161	-
2017	$ 41.40	**4,106,647**	**-**	-	-
		17,850,014	**7,253,225**	16,903,824	7,056,901

Changes in the number of outstanding options are as follows:

	2017		2016	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Balance, beginning of year	**16,903,824**	**$ 24.41**	17,081,469	$ 21.09
Options granted	**4,218,934**	**$ 41.40**	3,280,395	$ 35.08
Options exercised	**(2,898,704)**	**$ 19.87**	(2,995,638)	$ 16.66
Options cancelled	**(374,040)**	**$ 32.30**	(462,402)	$ 27.75
Balance, end of year	**17,850,014**	**$ 29.00**	16,903,824	$ 24.41

The exercise price of the options granted in fiscal 2017 is $41.40, which corresponds to the weighted average market price for the five trading days immediately preceding the date of grant ($35.08 in fiscal 2016).

The weighted average fair value of options granted in fiscal 2017 was estimated at $6.94 per option ($6.02 in fiscal 2016), using the Black Scholes option pricing model with the following assumptions:

	March 31, 2017	March 31, 2016
Weighted average:		
Risk-free interest rate	**0.81%**	0.80%
Expected life of options	**5.4 years**	5.3 years
Volatility[1]	**20.01%**	21.19%
Dividend rate	**1.34%**	1.53%

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

A compensation expense of $22.0 million ($18.7 million net of taxes) relating to stock options was recorded in the statement of earnings for the year ended March 31, 2017 and $17.7 million ($15.1 million net of taxes) was recorded for the year ended March 31, 2016.

Options to purchase 3,908,023 common shares at a price of $46.29 per share were granted on April 1, 2017.

NOTE 12 SHARE CAPITAL (CONT'D)

DEFERRED SHARE UNIT PLAN FOR DIRECTORS

In accordance with the DSU plan, all eligible Directors of the Company are allocated annually a fixed amount of DSUs which are granted on a quarterly basis. Additionally, Directors receive quarterly remuneration either in cash or in DSUs, at the choice of each Director. If a Director elects to receive DSUs, the number of DSUs varies as it is based on the market value of the Company's common shares. When they cease to be a Director of the Company, a cash payment equal to the market value of the accumulated DSUs will be disbursed. The liability relating to these units is adjusted by taking the number of units outstanding multiplied by the market value of common shares at the Company's year-end. The Company includes the cost of the DSU plan in "Operating costs excluding depreciation, amortization, acquisition and restructuring costs".

	2017		2016	
	Units	**Liability**	Units	Liability
Balance, beginning of year	**374,956**	**$ 16.3**	418,757	$ 15.2
Annual grant	**34,425**	**1.5**	34,780	1.2
Board compensation	**19,289**	**0.9**	19,922	0.6
Payment to directors	**(60,752)**	**(2.6)**	(98,503)	(3.2)
Variation due to change in stock price	**-**	**1.5**	-	2.5
Balance, end of year	**367,918**	**$ 17.6**	374,956	$ 16.3

The Company enters into equity forward contracts in order to mitigate the compensation costs associated with its DSU plan. As at March 31, 2017, the Company had equity forward contracts on 320,000 Saputo Inc. common shares (320,000 as of March 31, 2016) with a notional value of $14.6 million ($11.7 million as of March 31, 2016). The net compensation expense related to the DSU plan was $2.8 million for the year ended March 31, 2017 ($2.9 million for March 31, 2016), including the effect of the equity forward contracts.

PERFORMANCE SHARE UNIT PLAN

The Company offers senior management a performance share unit (PSU) plan to form part of long-term incentive compensation, together with other plans discussed within this report. The PSU plan is non-dilutive and is settled in cash only. Under the PSU plan, each performance cycle shall consist of three fiscal years of the Company. At the time of the grant of a PSU, the Company determines the performance criteria which must be met. Following completion of a three-year performance cycle, the PSUs for which the performance criteria have been achieved will vest and the value that will be paid out is the price of the common shares at such time, multiplied by the number of PSUs for which the performance criteria have been achieved. The amount potentially payable to eligible employees is recognized as a payable and is revised at each reporting period. The expense is included in employee benefits under the "Operating costs excluding depreciation, amortization, acquisition and restructuring costs" caption.

	2017		2016	
	Units	**Liability**	Units	Liability
Balance, beginning of year	**705,721**	**$ 23.4**	560,996	$ 14.9
Annual grant	**255,975**	**6.9**	280,930	6.9
Cancelled	**(15,738)**	**(0.6)**	(16,734)	(0.5)
Payment	**(131,387)**	**(5.2)**	(119,471)	(3.8)
Variation due to change in stock price	**-**	**6.8**	-	5.9
Balance, end of year	**814,571**	**$ 31.3**	705,721	$ 23.4

On April 1, 2017, 263,637 PSUs were granted at a price of $46.29 per unit ($41.40 in 2016).

The Company enters into equity forward contracts in order to mitigate the compensation costs associated with its PSU plan. As at March 31, 2017, the Company had equity forward contracts on 700,000 Saputo Inc. common shares (700,000 as of March 31, 2016) with a notional value of $27.1 million ($25.4 million as of March 31, 2016). The net compensation expense related to PSUs was $10.0 million for the year ended March 31, 2017 ($6.6 million for the year ended March 31, 2016), including the effect of the equity forward contracts.

NOTE 13 OTHER FINANCIAL CHARGES

		2017		2016
Finance costs	**$**	**8.0**	$	27.5
Finance income		**(3.0)**		(5.4)
	$	**5.0**	$	22.1

NOTE 14 INCOME TAXES

Income tax expense is comprised of the following:

		2017		2016
Current tax expense	**$**	**264.9**	$	227.2
Deferred tax expense		**44.3**		42.3
Income tax expense	**$**	**309.2**	$	269.5

RECONCILIATION OF THE EFFECTIVE TAX RATE

The effective income tax rate was 29.7% in 2017 (30.9% in 2016). The Company's income tax expense differs from the one calculated by applying Canadian statutory rates for the following reasons:

		2017		2016
Earnings before tax	**$**	**1,040.3**	$	870.9
Income taxes, calculated using Canadian statutory income tax rates of 26.6% (26.3% in 2016)		**276.2**		229.3
Adjustments resulting from the following:				
Effect of tax rates for foreign subsidiaries and other deductions		**66.4**		63.2
Changes in tax laws and rates		**-**		(2.1)
Benefit arising from investment in subsidiaries		**(14.3)**		(14.3)
Manufacturing and processing deduction		**(13.4)**		(14.1)
Stock-based compensation		**3.6**		2.9
Recognition of previously unrecognized deferred tax assets		**(8.3)**		-
Unrecognized current year tax losses		**-**		3.5
Adjustments in respect of prior years		**(2.2)**		(3.7)
Other		**1.2**		4.8
Income tax expense	**$**	**309.2**	$	269.5

During the year, as a result of an increase in the Canadian corporation tax rate, the statutory tax rate has increased by approximately 0.3%.

INCOME TAX RECOGNIZED IN OTHER COMPREHENSIVE INCOME

Income tax on items recognized in other comprehensive income (loss) in 2017 and 2016 were as follows:

		2017		2016
Deferred tax benefit (expense) on actuarial losses (gains) on employee benefit obligations	**$**	**1.4**	$	(2.3)
Deferred tax benefit (expense) on cash flow hedge losses (gains)		**0.6**		(1.5)
Total income tax recognized in other comprehensive income	**$**	**2.0**	$	(3.8)

INCOME TAX RECOGNIZED IN EQUITY

Income tax on items recognized in equity in 2017 and 2016 were as follows:

		2017		2016
Excess tax benefit that results from the excess of the deductible amount over the stock-based compensation recognized in net earnings	**$**	**6.5**	$	5.6
Total income tax recognized in equity	**$**	**6.5**	$	5.6

NOTE 14 INCOME TAXES (CONT'D)

CURRENT TAX ASSETS AND LIABILITIES

	2017	2016
Income taxes receivable	**$ 15.0**	$ 4.7
Income taxes payable	**(91.3)**	(37.1)
Income taxes payable (net)	**$ (76.3)**	$ (32.4)

DEFERRED TAX BALANCES

	2017	2016
Deferred tax assets	**$ 48.1**	$ 22.9
Deferred tax liabilities	**(511.4)**	(475.6)
Deferred tax liabilities (net)	**$ (463.3)**	$ (452.7)

DEFERRED TAX ASSETS AND LIABILITIES

The movement of deferred tax assets and liabilities are shown below:

	For the year ended March 31, 2017							
	Deferred tax asset				**Deferred tax liabilities**			
	Accounts payable and accrued liabilities	**Income tax losses**	**Net assets of pension plans**	**Total**	**Inventories**	**Property, plant and equipment**	**Other**	**Total**
Balance, beginning of the year	**$ 50.4**	**$ 7.2**	**$ 7.4**	**$ 65.0**	**$ 11.8**	**$ 327.0**	**$ 178.9**	**$ 517.7**
Charged/credited to net earnings	**5.7**	**8.8**	**1.0**	**15.5**	**3.7**	**12.0**	**44.1**	**59.8**
Charged/credited to other comprehensive income	**-**	**-**	**1.4**	**1.4**	**-**	**-**	**(0.6)**	**(0.6)**
Deferred tax asset recognized to equity	**-**	**-**	**-**	**-**	**(7.4)**	**(22.1)**	**(10.7)**	**(40.2)**
Translation and other	**0.7**	**(0.6)**	**0.1**	**0.2**	**0.4**	**6.8**	**1.5**	**8.7**
Balance, end of the year	**$ 56.8**	**$ 15.4**	**$ 9.9**	**$ 82.1**	**$ 8.5**	**$ 323.7**	**$ 213.2**	**$ 545.4**

	For the year ended March 31, 2016							
	Deferred tax asset				Deferred tax liabilities			
	Accounts payable and accrued liabilities	Income tax losses	Net assets of pension plans	Total	Inventories	Property, plant and equipment	Other	Total
Balance, beginning of the year	$ 43.6	$ -	$ 12.0	$ 55.6	$ 17.6	$ 300.6	$ 125.0	$ 443.2
Charged/credited to net earnings	8.3	7.9	(2.3)	13.9	(5.9)	17.3	44.8	56.2
Charged/credited to other comprehensive income	-	-	(2.3)	(2.3)	-	-	1.5	1.5
Acquisitions	1.2	1.6	-	2.8	-	3.3	4.7	8.0
Translation and other	(2.7)	(2.3)	-	(5.0)	0.1	5.8	2.9	8.8
Balance, end of the year	$ 50.4	$ 7.2	$ 7.4	$ 65.0	$ 11.8	$ 327.0	$ 178.9	$ 517.7

NOTE 15 EARNINGS PER SHARE

		2017		2016
Net earnings	**$**	**731.1**	$	601.4
Non-controlling interest		**3.3**		0.3
Net earnings attributable to shareholders of Saputo Inc.	**$**	**727.8**	$	601.1
Weighted average number of common shares outstanding		**390,972,159**		392,579,171
Dilutive options		**5,053,793**		5,192,621
Weighted average diluted number of common shares outstanding		**396,025,952**		397,771,792
Basic earnings per share	**$**	**1.86**	$	1.53
Diluted earnings per share	**$**	**1.84**	$	1.51

When calculating diluted earnings per share for the year ended March 31, 2017, no options (3,157,161 options for the year ended March 31, 2016) were excluded from the calculation because their exercise price is higher than the average market value for the year.

Shares purchased under the normal course issuer bid were excluded from the calculation of earnings per share as of the date of purchase.

NOTE 16 BUSINESS ACQUISITIONS

WOOLWICH DAIRY

On October 5, 2015, the Company acquired a 100% ownership interest, on a debt-free basis, in the companies forming Woolwich Dairy (Woolwich). Woolwich generates annual revenues of approximately $70.0 million and employs approximately 190 people.

Woolwich produces, distributes, markets and sells goat cheese in Canada and the USA. Woolwich operations were comprised of three manufacturing facilities (in Québec and in Ontario, Canada and in Wisconsin, USA), as well as a distribution center (in Ontario, Canada). Woolwich is a leading manufacturer of branded and private label goat cheese for the North American market. Its brands include *Woolwich Dairy*, *Chevrai* and *Wholesome Goat*.

The transaction enabled the Company to increase its presence in the specialty cheese category in North America.

The purchase price was allocated to the identifiable assets acquired and liabilities assumed based on the fair values presented below:

			2016 Woolwich Dairy
Assets acquired	Cash	**$**	**0.8**
	Receivables		**6.0**
	Inventories		**16.7**
	Prepaid expenses and other assets		**0.2**
	Property, plant and equipment		**25.0**
	Goodwill		**30.5**
	Intangible Assets		**17.4**
	Deferred income taxes		**1.0**
Liabilities assumed	Bank loans		**(0.1)**
	Accounts payable and accrued liabilities		**(7.7)**
	Deferred income taxes		**(7.3)**
Net assets acquired and total consideration paid		**$**	**82.5**

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

NOTE 16 BUSINESS ACQUISITIONS (CONT'D)

EVERYDAY CHEESE BUSINESS OF LION-DAIRY & DRINKS PTY LTD

On May 25, 2015, Warrnambool Cheese and Butter Factory Company Holdings Limited (WCB) (Dairy Division (Australia)) completed the EDC Acquisition based in Victoria, Australia. The EDC Acquisition generates annual sales of approximately $156.0 million and employs approximately 170 people.

The EDC Acquisition operations include cutting and wrapping, distribution, sales & marketing and intellectual property associated with the *COON*, *Cracker Barrel* (trademark used under licence), *Mil Lel* and *Fred Walker* brands.

The transaction enabled WCB to increase its presence in consumer branded everyday cheese products segment in Australia with strong market positions in this segment.

The purchase price was allocated to the identifiable assets acquired and liabilities assumed based on the fair values presented below:

			2016
		Everyday Cheese Business of Lion-Dairy & Drinks Pty Ltd.	
Assets acquired	Inventories	$	**92.4**
	Receivables		**9.2**
	Property, plant and equipment		**8.3**
	Intangible Assets		**25.1**
	Deferred income taxes		**1.1**
Liabilities assumed	Accounts payable and accrued liabilities		**(3.7)**
Net assets acquired and total consideration paid		$	**132.4**

Recognized goodwill reflects the value assigned to expected future synergies and an assembled workforce within the International Sector.

NOTE 17 EMPLOYEE POST-EMPLOYMENT BENEFITS PLANS

The Company sponsors various post-employment benefit plans. These include pension plans, both defined contribution and defined benefit plans, and other post-employment benefits. Post-employment benefit plans are classified as either defined contribution plans or defined benefit plans.

DEFINED CONTRIBUTION PLANS

The Company offers and participates in defined contribution pension plans of which 98% of its active employees are members. The net pension expense under these types of plans is generally equal to the contributions made by the employer and constitutes an expense for the year in which they are due. For fiscal 2017, the defined contribution expenses for the Company amounted to $45.7 million compared to $42.2 million for fiscal 2016. The Company expects to contribute approximately $47.1 million to its defined contribution plans in 2018.

DEFINED BENEFIT PLANS

The Company participates in defined benefit pension plans in which the remaining active employees are members. Under the terms of the defined benefit pension plans, pensions are based on years of service and the retirement benefits are equal to 2% of the average eligible earnings of the last employment years multiplied by years of credited service.

The registered pension plans must comply with statutory funding requirements in the province or state in which they are registered. Funding valuations are required on an annual or triennial basis, depending on the jurisdiction, and employer contributions must include amortization payments for any deficit, over a period of 5 to 15 years. Contribution holidays are allowed and subject to certain thresholds. Other non-registered pension plans and benefits other than pension are not subject to any minimum funding requirements.

The cost of these pension benefits earned by employees is actuarially determined using the projected benefits method prorated on services and using a discount rate based on high quality corporate bonds and Management's assumptions bearing on, among other things, rates of compensation increase and retirement age of employees. All of these estimates and assessments are formulated with the help of external consultants. The plan assets and benefit obligations were valued as at March 31 with the assistance of the Company's external actuaries. The Company also offers complementary retirement benefits programs, such as health insurance, life insurance and dental plans to eligible employees and retired employees. The Company expects to contribute approximately $4.9 million to its defined benefit plans in 2018. The Company's net liability for post-employment benefit plans comprises the following:

NOTE 17 EMPLOYEE POST-EMPLOYMENT BENEFITS PLANS (CONT'D)

		March 31, 2017		March 31, 2016
Present value of funded obligation	**$**	**70.4**	$	62.6
Fair value of assets		**64.9**		57.1
Present value of net obligations for funded plans		**5.5**		5.5
Present value of unfunded obligations		**32.4**		25.0
Present value of net obligations		**37.9**		30.5
Asset ceiling test		**0.9**		0.7
Accrued pension/benefit cost as at March 31		**38.8**		31.2
Employee benefit amounts on the balance sheet as net liability	**$**	**38.8**	$	31.2

The changes in the present value of the defined benefit obligations are as follows:

		March 31, 2017		March 31, 2016
Defined benefit obligation, beginning of year	**$**	**87.6**	$	99.6
Current service costs		**5.8**		6.2
Interest cost		**3.6**		3.4
Actuarial losses (gains) from change in experience		**0.6**		(0.1)
Actuarial losses (gains) from change in economic assumptions		**5.1**		(11.3)
Actuarial losses (gains) from change in demographic assumptions		**2.1**		-
Effects of settlement[1]		**-**		(8.2)
Exchange differences		**0.3**		0.5
Benefits paid		**(2.3)**		(2.5)
Defined benefit obligation, end of year	**$**	**102.8**	$	87.6

The changes in the fair value of plan assets are as follows:

		March 31, 2017		March 31, 2016
Fair value of plan assets, beginning of year	**$**	**57.1**	$	63.5
Interest income on plan assets		**2.4**		2.1
Return on plan assets, excluding interest income		**3.6**		(3.4)
Administration costs		**(0.3)**		(0.4)
Contributions by employer		**4.4**		4.8
Effects of settlement[1]		**-**		(7.4)
Exchange differences		**-**		0.4
Benefits paid		**(2.3)**		(2.5)
Fair value of plan assets, end of year	**$**	**64.9**	$	57.1

[1] Annuities were purchased to release the plan from its liability with regards to retirees.

NOTE 17 EMPLOYEE POST-EMPLOYMENT BENEFITS PLANS (CONT'D)

Actual return on plans assets amounted to a gain of $5.6 million in fiscal 2017 compared to a loss of $1.7 million in fiscal year 2016.

The fair value of plan assets, which do not include assets of the Company, consist of the following:

	March 31, 2017	March 31, 2016
Bonds	**50%**	55%
Equity instruments	**43%**	40%
Cash and short–term investments	**7%**	5%
	100%	100%

The expenses recognized below are included in "Operating costs excluding depreciation, amortization, acquisition, restructuring, and other costs" within employee benefits expense (refer to Note 5) and are detailed as follows:

	March 31, 2017	March 31, 2016
Employer current service cost	**$ 5.8**	$ 6.2
Effect of settlement	**-**	(0.8)
Administration costs	**0.3**	0.4
Interest costs	**3.6**	3.3
Interest income on plan assets	**(2.4)**	(2.1)
Defined benefits plans expense	**$ 7.3**	$ 7.0

The Company recognizes actuarial gains and losses in the period in which they occur, for all its defined benefit plans. These actuarial gains and losses are recognized in other comprehensive income and are presented below:

	March 31, 2017	March 31, 2016
Net gains (losses) during the year	**$ (4.3)**	$ 7.9
Effect of the asset ceiling test	**(0.2)**	0.9
Amount recognized in other comprehensive income	**$ (4.5)**	$ 8.8

NOTE 17 EMPLOYEE POST-EMPLOYMENT BENEFITS PLANS (CONT'D)

Weighted average assumptions used in computing the benefit obligations at the balance sheet date are as follows:

	March 31, 2017	March 31, 2016
Discount rate	**3.77%**	4.10%
Duration of the obligation	**18.58**	18.40
Future salary increases	**3.00%**	3.00%
Mortality table	**2014 Private Sector Canadian Pensioners' Mortality Table, projected generationally using Scale CPM-B**	2014 Private Sector Canadian Pensioners' Mortality Table, projected generationally using Scale CPM-B

The impact of an increase and a decrease of 1% on the discount rate would be $14.8 million and $18.8 million respectively. Also, an increase or a decrease of 1% on the future salary assumptions would be approximately $4.5 million on the obligation and a 10% increase in life expectancy would represent approximately $1.8 million.

Weighted average assumptions used in computing the net periodic pension cost for the year are as follows:

	March 31, 2017	March 31, 2016
Discount rate	**4.10%**	3.44%
Future salary increases	**3.00%**	3.00%
Mortality table	**2014 Private Sector Canadian Pensioners' Mortality Table, projected generationally using Scale CPM-B**	**2014 Private Sector Canadian Pensioners' Mortality Table, projected generationally using Scale CPM-B**

For measurement purposes, a 3.0% (3.5% in 2016) to 7.0% annual rate of increase was used for health, life insurance and dental plan costs for the fiscal years 2017 and 2016.

Assumed medical cost trend rates have an effect on the amounts recognized in profit or loss. A one percentage point change in the assumed medical cost trend rates would have marginal impact on cost and obligations.

NOTE 18 COMMITMENTS AND CONTINGENCIES

COMMITMENTS

The table and paragraphs below show the future minimum payments for our contractual commitments that are not recognized as liabilities for the next fiscal years:

	Leases	**Purchase obligations**[1]	**Total**
Less than 1 year	**$ 30.6**	**$ 88.9**	**$ 119.5**
1-2 years	**25.3**	**-**	**25.3**
2-3 years	**21.0**	**-**	**21.0**
3-4 years	**16.9**	**-**	**16.9**
4-5 years	**13.3**	**-**	**13.3**
More than 5 years	**37.2**	**-**	**37.2**
	$ 144.3	**$ 88.9**	**$ 233.2**

[1] Purchase obligations are the contractual obligations for capital expenditures to which the Company is committed.

The Company carries on some of its operations in leased premises and has also entered into lease agreements for equipment and rolling stock. The Company guarantees to certain lessors a portion of the residual value of certain leased assets with respect to operations which mature until 2017. If the market value of leased assets, at the end of the respective operating lease term, is inferior to the guaranteed residual value, the Company is obligated to indemnify the lessors, specific to certain conditions, for the shortfall up to a maximum value. The Company believes that the potential indemnification will not have a significant effect on the financial statements.

CLAIMS

The Company is a defendant to certain claims arising from the normal course of its business. The Company is also a defendant in certain claims and/or assessments from tax authorities in various jurisdictions. The Company believes that the final resolution of these claims and/or assessments will not have a material adverse effect on its earnings or financial position.

NOTE 18 COMMITMENTS AND CONTINGENCIES (CONT'D)

INDEMNIFICATIONS

The Company from time to time offers indemnifications to third parties in the normal course of its business, in connection with business or asset acquisitions or disposals. These indemnification provisions may be in connection with breach of representations and warranties, and for future claims for certain liabilities. The terms of these indemnification provisions vary in duration. At March 31, 2017, given that the nature and amount of such indemnifications depend on future events, the Company is unable to reasonably estimate its maximum potential liability under these agreements. The Company has not made any significant indemnification payments in the past, and as at March 31, 2017 and March 31, 2016, the Company has not recorded any significant liabilities associated with these indemnifications.

NOTE 19 RELATED PARTY TRANSACTIONS

The Company receives services from and provides goods to companies subject to control or significant influence through ownership by its principal shareholder. These transactions, which are not significant to the Company's financial position or financial results, are made in the normal course of business and have been recorded at the fair value, consistent with market values for similar transactions. The services that are received consist mainly of travel, publicity, lodging, office space rental and management services. The goods that are provided consist mainly of dairy products.

Transactions with key management personnel (short-term employee benefits, post-employment benefits, stock-based compensation and payments under the DSU plan) are also considered related party transactions. Management defines key management personnel as all the executive officers who have responsibility and authority for controlling, overseeing and planning the activities of the Company, as well as the Company's Directors.

Transactions with related parties are as follows:

	2017	2016
Entities subject to control or significant influence through ownership by its principal shareholder	**$ 3.3**	$ 4.3
Key management personnel		
Directors	**3.1**	2.6
Executive officers	**31.1**	27.0
	$ 37.5	$ 33.9

Dairy products provided by the Company were the following:

	2017	2016
Entities subject to control or significant influence through ownership by its principal shareholder	**$ 0.3**	$ 0.3

Outstanding receivables and accounts payable and accrued liabilities for the transactions above are the following:

	Receivables		**Accounts payable and accrued liabilities**	
	March 31, 2017	March 31, 2016	**March 31, 2017**	March 31, 2016
Entities subject to control or significant influence through ownership by its principal shareholder	**$ 0.1**	$ 0.1	**$ 0.1**	$ 0.1
Key management personnel				
Directors	**-**	-	**17.6**	16.3
Executive officers	**-**	-	**42.7**	33.9
	$ 0.1	$ 0.1	**$ 60.4**	$ 50.3

The amounts payable to the Directors consist entirely of balances payable under the Company's DSU plan. Refer to Note 12 for further details. The amounts payable to executive officers consist of short-term employee benefits, share-based awards and post-retirement benefits.

NOTE 19 RELATED PARTY TRANSACTIONS (CONT'D)

KEY MANAGEMENT PERSONNEL COMPENSATION

The compensation expense for transactions with the Company's key management personnel, including annual fees of the executive Chairman, consists of the following:

		2017		2016
Directors				
Cash-settled payments	**$**	**0.7**	$	0.8
Stock-based compensation		**2.4**		1.8
	$	**3.1**	$	2.6
Executive officers				
Short-term employee benefits		**17.6**		16.4
Post-employment benefits		**3.4**		3.1
Stock-based compensation		**10.1**		7.5
	$	**31.1**	$	27.0
Total compensation	**$**	**34.2**	$	29.6

SUBSIDIARIES

All the Company's subsidiaries are wholly owned. The following information summarizes the Company's significant subsidiaries which produce a wide array of dairy products including cheese, fluid milk, extended shelf-life milk and cream products, cultured products and dairy ingredients:

	Percentage Owned	Location
Saputo Cheese USA Inc.	100.00%	USA
Saputo Dairy Products Canada G.P.	100.00%	Canada
Saputo Dairy Foods USA, LLC	100.00%	USA
Warrnambool Cheese and Butter Factory Company Holdings Limited	100.00%[1]	Australia
Molfino Hermanos S.A.	100.00%	Argentina

[1] Prior to the acquisition of the remaining interest in fiscal 2017, the percentage owned in this subsidiary was 87.92%.

NOTE 20 FINANCIAL INSTRUMENTS

In the normal course of business, the Company uses various financial instruments which by their nature involve risk, including credit risk, liquidity risk, interest rate risk, foreign exchange risk and price risk (including commodity price risk). These financial instruments are subject to normal credit conditions, financial controls and risk management and monitoring strategies.

Occasionally, the Company may enter into derivative financial instrument transactions in order to mitigate or hedge risks in accordance with risk management strategies. The Company does not enter into these arrangements for speculative purposes.

CREDIT RISK

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash equivalents and receivables.

Cash equivalents consist mainly of short-term investments. The Company has deposited these cash equivalents in reputable financial institutions.

The Company also offers credit to its customers in the normal course of business for trade receivables. Credit valuations are performed on a regular basis and reported results take into account allowances for potential bad debts.

Due to its large and diverse customer base and its geographic diversity, the Company has low exposure to credit risk concentration with respect to customer's receivables. There are no receivables from any individual customer that exceeded 10% of the total balance of receivables as at March 31, 2017 and March 31, 2016. However, one customer represented more than 10% of total consolidated revenues for the year ended March 31, 2017 with 10.6% (one customer with 10.1% in 2016).

NOTE 20 FINANCIAL INSTRUMENTS (CONT'D)

Allowance for doubtful accounts and past due receivables are reviewed by Management at each balance sheet date. The Company updates its estimate of the allowance for doubtful accounts based on the evaluation of the recoverability of receivable balances from each customer taking into account historic collection trends of past due accounts. Receivables are written off once determined not to be collectible.

The amount of the allowance for doubtful accounts is sufficient to cover the carrying amount of receivables considered past due and at risk. The accounts receivable from our export sales benefit from payment terms that are longer than our standard payment terms applicable to domestic sales. The amount of the loss is recognized in the statement of earnings within operating costs. Subsequent recoveries of amounts previously written off are credited against operating costs in the statement of earnings. However, Management does not believe that these allowances are significant.

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in Note 21 relating to capital disclosures. It also manages liquidity risk by continuously monitoring actual and projected cash flows. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions out of the normal course of business.

Contractual maturities for the significant financial liabilities as at March 31, 2017 are as follow: accounts payable and accrued liabilities, bank loans and long-term debt. All items included in accounts payable and accrued liabilities are less than one year. For maturities on bank loans and the long-term debt, please refer to Note 9 and Note 10 respectively.

INTEREST RATE RISK

The Company is exposed to interest rate risks through its financial obligations that bear variable interest rates. Bank loans bear interest at fluctuating rates and thereby expose the Company to interest rate risk on cash flows associated to interest payments. The senior notes bear interest at fixed rates and, as a result, no interest rate risk exists on these cash flows.

The Company had designated the interest rate swaps as cash flow hedges of interest rate risk in accordance with its risk management strategy. The bank term loan expires in December 2019. The bank term loan bears interest at variable rates and thereby exposes the Company to interest rate risk on cash flows associated to interest payments. As a result of such interest rate risk, the Company entered into interest rate swap agreements on February 4, 2013 until December 2016, in which the Company agreed to exchange variable interest payments for fixed rate payments at specified intervals. The swap term remained unchanged and the hedge was effective from a notional of $562.5 to $487.5 million until December 2016. The Company did not extend the interest rate swap agreements. Refer to Note 10 for further details on the unsecured bank term loan facility.

During the fiscal year, the cash flow hedges of interest rate risk were assessed to be highly effective and a loss of $2.1 million (net of tax of $0.7 million) was automatically transferred in the statement of earnings at the settlement date. These cash flow hedges were also deemed to be highly effective on March 31, 2016 and an unrealized gain of $3.8 million (net of tax of $1.2 million) was recorded, during the last fiscal year, in other comprehensive income (and an associated asset) as a result. The amounts recorded in the statement of comprehensive income was transferred to the statement of earnings to offset interest on long-term debt when the interest expense is recorded in net earnings.

During the fiscal year ended March 31, 2016, the Company entered into interest rate lock agreements to fix the interest rate related to future debt obligations in order to mitigate future market interest rate movements. The interest rate lock agreements ended on June 23, 2016. The Company designated these interest rate locks as cash flow hedges of interest rate risk and subsequent to the debt being issued in June 2016, the amount in other comprehensive income was amortized over the term of the renewed debt. These cash flow hedges of interest rate lock was deemed highly effective on March 31, 2016 and an unrealized loss of $2.5 million (net of tax of $0.9 million) was recorded in other comprehensive income which will be amortized over the five year term of the underlying item of this hedge.

For the fiscal year ended March 31, 2017, the interest expense on long-term debt totalled $36.9 million ($48.3 million in fiscal 2016). The interest accrued as at March 31, 2017 was $8.3 million ($6.5 million as at March 31, 2016).

As at March 31, 2017, the net amount exposed to short-term rates fluctuations was approximately $443.3 million. Based on this exposure, an assumed 1% increase in the interest rate would have an unfavourable impact of approximately $3.1 million on net earnings with an equal but opposite effect for an assumed 1% decrease.

NOTE 20 FINANCIAL INSTRUMENTS (CONT'D)

FOREIGN EXCHANGE RISK

The Company operates internationally and is exposed to foreign exchange risk resulting from various foreign currency transactions. Foreign exchange transaction risk arises primarily from future commercial transactions that are denominated in a currency that is not the functional currency of the Company's business unit that is party to the transaction, as well as the unsecured bank term loan facilities that can be drawn in US dollars.

During the fiscal year, the Company entered into forward exchange contracts in order to offset market fluctuations in the USD/CAD exchange rates for the entire amount of the unsecured bank term loan drawn in US dollars, as well as US dollars intercompany financing. This intercompany financing from our US to Canada divisions for the foreign exchange hedge will settle in November 2019 for $250.0 million USD. During the fiscal year, the cash flow hedges were highly effective and accordingly, the Company recognized an unrealized loss of $2.9 million (net of tax of $0.4 million) in other comprehensive income. A gain of $0.3 million (net of tax of $0.1 million) was reclassified to net earnings during fiscal 2017 related to these forward exchange contracts.

The Company entered into forward exchange contracts to sell US dollars and buy Australian dollars in order to mitigate market fluctuations in the USD/AUD exchange rates on receivables. During the fiscal year, the cash flow hedges were highly effective and accordingly, the Company recognized an unrealized gain of $3.5 million (net of tax of $1.5 million) in other comprehensive income (and an associated asset) as a result. A gain of $5.6 million (net of tax of $2.4 million) was reclassified to net earnings during fiscal 2017 related to these forward exchange contracts. These cash flow hedges were also deemed to be highly effective on March 31, 2016 and an unrealized gain of $3.2 million (net of tax of $1.4 million), was recorded, during last fiscal year, in other comprehensive income. A loss of $2.3 million was reclassified to net earnings during fiscal 2016 related to these forward exchange contracts.

The Company is mainly exposed to US dollar fluctuations. The following table details the Company's sensitivity to a CDN$0.10 weakening of the Canadian dollar against the US dollar on net earnings and comprehensive income. For a CDN$0.10 appreciation of the Canadian dollar against the US dollar, there would be an equal and opposite impact on net earnings and comprehensive income.

	2017	2016
Change in net earnings	**$ 24.3**	$ 25.6
Change in comprehensive income	**$ 249.1**	$ 221.7

COMMODITY PRICE RISK

In certain instances, the Company enters into futures contracts to hedge against fluctuations in the price of commodities. Outstanding contracts as at the balance sheet date had a negative fair value of approximately $1.5 million (negative fair value of approximately $4.1 million at March 31, 2016).

The Company applies hedge accounting for certain of these transactions. During the fiscal year, these hedges (designated as cash flow hedges) were assessed to be highly effective and accordingly, an unrealized gain of $0.2 million (net of tax of $0.1 million) was recorded in other comprehensive income. The gains recorded in the statement of comprehensive income are transferred to the statement of net earnings when the related inventory is ultimately sold. These hedges (designated as cash flow hedges) were assessed to be highly effective and accordingly, an unrealized gain of $9.0 million (net of tax of $6.0 million) was recorded, during last fiscal year, in other comprehensive income.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company has determined that the fair value of its financial assets and financial liabilities with short-term maturities approximates their carrying value. These financial instruments include cash and cash equivalents, receivables, bank loans, accounts payable and accrued liabilities. The table below shows the fair value and the carrying value of other financial instruments as at March 31, 2017 and March 31, 2016. 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.

NOTE 20 FINANCIAL INSTRUMENTS (CONT'D)

	March 31, 2017		March 31, 2016	
	Fair value	**Carrying value**	Fair value	Carrying value
Cash flow hedges				
Interest rate derivatives (Level 2)	**$ -**	**$ -**	$ (6.2)	$ (6.2)
Commodity derivatives (Level 2)	**(1.6)**	**(1.6)**	(1.6)	(1.6)
Foreign exchange derivatives (Level 2)	**3.2**	**3.2**	7.9	7.9
Derivatives not designated in a formal hedging relationship				
Equity forward contracts (Level 2)	**5.1**	**5.1**	5.6	5.6
Commodity derivatives (Level 2)	**0.1**	**0.1**	(2.5)	(2.5)
Long-term debt (Level 2)	**1,520.5**	**1,500.0**	1,239.4	1,233.2
Long-term debt (Level 3)	**$ -**	**$ -**	$ 222.1	$ 220.0

The following table summarizes the financial instruments measured at fair value in the consolidated balance sheet as at March 31, 2017 and March 31, 2016, classified using the fair value hierarchy described in Note 3.

March 31, 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Commodity futures contracts	**$ -**	**$ (1.5)**	**$ -**	**$ (1.5)**
Foreign exchange contracts	**-**	**3.2**	**-**	**3.2**
Equity forward contracts	**-**	**5.1**	**-**	**5.1**
	$ -	**$ 6.8**	**$ -**	**$ 6.8**

March 31, 2016	Level 1	Level 2	Level 3	Total
Interest rate swaps	$ -	$ (6.2)	$ -	$ (6.2)
Commodity futures contracts	-	(4.1)	-	(4.1)
Foreign exchange contracts	-	7.9	-	7.9
Equity forward contracts	-	5.6	-	5.6
	$ -	$ 3.2	$ -	$ 3.2

For the years ended March 31, 2017 and 2016, there were no changes in valuation techniques and in inputs used in the fair value measurements and there were no transfers between the levels of the fair value hierarchy.

Fair values of other assets, long-term debt and derivative financial instruments are determined using discounted cash flow models based on market inputs prevailing at the balance sheet date and are also obtained from financial institutions. Where applicable, these models use market-based observable inputs including interest-rate-yield curves, volatility of certain prices or rates and credit spreads. If market based observable inputs are not available, judgement is used to develop assumptions used to determine fair values. The fair value estimates are significantly affected by assumptions including the amount and timing of estimated future cash flows and discount rates. The Company's derivatives transactions are accounted for on a fair value basis.

NOTE 21 CAPITAL DISCLOSURES

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its growth strategies and undertake selective acquisitions, while at the same time taking a conservative approach towards financial leverage and management of financial risk. An additional objective includes a target for long-term leverage of 2.0 times net debt to earnings before interest, income taxes, depreciation, amortization, acquisition and restructuring costs. From time to time, the Company may deviate from its long-term leverage target to pursue acquisitions and other strategic opportunities. Should such a scenario arise, the Company expects to deleverage over a reasonable period of time in order to seek to maintain its investment grade ratings. Also, the Company seeks to provide an adequate return to its shareholders. The Company believes that the purchases of its own shares may, under appropriate circumstances, be a responsible use of its capital.

NOTE 21 CAPITAL DISCLOSURES (CONT'D)

The Company's capital is composed of net debt and equity. Net debt consists of long-term debt and bank loans, net of cash and cash equivalents. The Company's primary use of capital is to finance acquisitions.

The primary measure used by the Company to monitor its financial leverage is its ratio of net debt to earnings before interest, income taxes, depreciation, amortization, acquisition and restructuring costs. The net debt-to-earnings before interest, income taxes, depreciation, amortization, acquisition and restructuring costs ratios as at March 31, 2017 and March 31, 2016 are as follows:

		2017		2016
Bank loans	**$**	**93.8**	$	178.2
Long-term debt, including current portion		**1,500.0**		1,453.2
Cash and cash equivalents		**(250.5)**		(164.3)
Net debt	**$**	**1,343.3**	$	1,467.1
Earnings before interest, income taxes, depreciation, amortization, acquisition and restructuring costs	**$**	**1,289.5**	$	1,174.1
Net debt-to-earnings before interest, income taxes, depreciation, amortization, acquisition and restructuring costs		**1.04**		1.25

The Company has existing credit facilities which require a quarterly review of financial ratios and the Company is not in violation of any such ratio covenants as at March 31, 2017.

The Company is not subject to capital requirements imposed by a regulator.

NOTE 22 ACQUISITION AND RESTRUCTURING COSTS

Acquisition and restructuring costs are summarized as follows:

		2017		2016
Restructuring costs	**$**	**-**	$	31.2
Acquisition costs		**-**		3.0
Total	**$**	**-**	$	34.2

RESTRUCTURING COSTS

In fiscal 2016, the Company announced the closures of three facilities. Two closures occurred in June 2016 and August 2016 and one is scheduled for December 2017.

Costs associated with the closures recorded regarding restructuring activities are summarized in the table below:

		2017		2016
Write down of non-current assets	**$**	**-**	$	25.7
Severance		**-**		5.5
Total	**$**	**-**	$	31.2

The write down of non-current assets, recorded in fiscal 2016, consists of impairment charges to property, plant and equipment to bring them to the lower of carrying value and recoverable amount. The total after tax costs for fiscal 2016 are $18.9 million.

The restructuring costs recorded in fiscal 2016 represent estimated expenses required to restructure these operations. Liabilities related to severance expenditures have been grouped within current and non-current liabilities on the balance sheet.

ACQUISITION COSTS

In fiscal 2016, the Company incurred acquisition costs of $3.0 million ($2.4 million after tax) in relation to the business acquisitions.

NOTE 23 SEGMENTED INFORMATION

The Company reports under three geographic sectors. The Canada Sector consists of the Dairy Division (Canada). The USA Sector consists of the Cheese Division (USA) and the Dairy Foods Division (USA). Finally, the International Sector consists of the Dairy Division (Argentina), the Dairy Division (Australia) and the Dairy Ingredients Division. The Dairy Ingredients Division includes national and export ingredients sales from the North American divisions, as well as cheese exports from these same divisions.

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

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

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

INFORMATION ON REPORTABLE SECTORS

Years ended March 31	**2017**	2016
Revenues		
Canada	**$ 3,995.0**	$ 3,801.5
USA	**5,812.4**	5,786.7
International	**1,355.2**	1,403.3
	$ 11,162.6	$ 10,991.5
Earnings before interest, income taxes, depreciation, amortization, acquisition and restructuring costs		
Canada	**$ 453.1**	$ 413.5
USA	**734.2**	725.5
International	**102.2**	35.1
	$ 1,289.5	$ 1,174.1
Depreciation and amortization		
Canada	**$ 58.0**	$ 55.1
USA	**123.4**	120.0
International	**25.9**	23.5
	$ 207.3	$ 198.6
Acquisition and restructuring costs	**-**	34.2
Financial charges, net	**41.9**	70.4
Earnings before income taxes	**1,040.3**	870.9
Income taxes	**309.2**	269.5
Net earnings	**$ 731.1**	$ 601.4

NOTE 23 SEGMENTED INFORMATION (CONT'D)

GEOGRAPHIC INFORMATION

		March 31, 2017		March 31, 2016
Total assets				
Canada	**$**	**2,116.0**	$	1,955.6
USA		**4,198.3**		4,046.7
International		**1,282.3**		1,170.0
	$	**7,596.6**	$	7,172.3
Net book value of property, plant and equipment				
Canada	**$**	**580.3**	$	585.1
USA		**1,305.7**		1,248.1
International		**279.5**		252.8
	$	**2,165.5**	$	2,086.0
Total liabilities				
Canada	**$**	**2,157.7**	$	1,897.5
USA		**798.8**		703.7
International		**317.2**		501.3
	$	**3,273.7**	$	3,102.5

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

NOTE 24 DIVIDENDS

During the year ended March 31, 2017, the Company paid dividends totalling $228.3 million, or $0.60 per share ($210.0 million, or $0.54 per share for the year ended March 31, 2016).

EXHIBIT TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

CALCULATION OF EARNINGS COVERAGE RATIO

The following table sets forth the earnings coverage ratio for the 12-month period ended March 31, 2017:

Earnings coverage ratio	25.83 times

The earnings coverage ratio is equal to net earnings (before interest on long-term debt and other financial charges and incomes taxes) for the applicable period divided by interest on long-term debt and other financial charges for the applicable period.