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.
Chair of the Board
and Chief Executive Officer

(signed) Maxime Therrien
Maxime Therrien, CPA, CA
Chief Financial Officer
and Secretary

June 6, 2019

INDEPENDENT AUDITOR'S REPORT

To the shareholders and the Board of Directors of Saputo Inc.

Opinion

We have audited the consolidated financial statements of Saputo Inc. (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2019 and 2018, and the consolidated income statements, consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Daniel Viboux.

/s/ Deloitte LLP [1]

June 6, 2019
Montréal, Québec

[1] CPA auditor, CA, public accountancy permit No. A114871

CONSOLIDATED INCOME STATEMENTS

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

Years ended March 31		2019		2018
Revenues	**$**	**13,501.9**	$	11,542.5
Operating costs excluding depreciation and amortization (Note 5)		**12,280.6**		10,277.8
Earnings before interest, income taxes, depreciation, amortization, gain on disposal of assets, acquisition and restructuring costs, and gain on hyperinflation		**1,221.3**		1,264.7
Depreciation and amortization (Notes 6 and 7)		**313.0**		226.3
Gain on disposal of assets (Note 6)		**(194.5)**		-
Acquisition and restructuring costs (Note 22)		**51.4**		40.6
Gain on hyperinflation		**(18.5)**		-
Interest on long-term debt		**66.6**		33.8
Other financial charges (Note 13)		**17.7**		14.1
Earnings before income taxes		**985.6**		949.9
Income taxes (Note 14)		**230.3**		97.4
Net earnings	**$**	**755.3**	$	852.5
Net earnings per share (Note 15)				
Basic	**$**	**1.94**	$	2.21
Diluted	**$**	**1.93**	$	2.18

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of CDN dollars)

Years ended March 31		**2019**		2018
Net earnings	**$**	**755.3**	$	852.5
Other comprehensive income:				
Items that may be reclassified to net earnings:				
Exchange differences arising from foreign currency translation		**3.2**		(168.2)
Inflation effect arising from the application of hyperinflation		**29.3**		-
Net unrealized (losses) gains on cash flow hedges[1] (Note 20)		**(10.6)**		6.0
Reclassification of losses (gains) on cash flow hedges to net earnings[2]		**12.1**		(6.8)
		34.0		(169.0)
Items that will not be reclassified to net earnings:				
Actuarial losses[3] (Note 17)		**(2.1)**		(4.1)
		(2.1)		(4.1)
Other comprehensive income		**31.9**		(173.1)
Total comprehensive income	**$**	**787.2**	$	679.4

1 Net of income taxes of $4.6 (2018 – $2.0).
2 Net of income taxes of $5.1 (2018 – $2.8).
3 Net of income taxes of $0.8 (2018 – $1.1).

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in millions of CDN dollars, except common shares)

For the year ended March 31, 2019	Share capital		Reserves					
	Common Shares	Amount	Foreign Currency Translation	Cash Flow Hedges	Stock Option Plan	Total Reserves	Retained Earnings	Total Equity
Balance, beginning of year	**387,407,403**	**$ 918.9**	**$ 549.6**	**$ (3.8)**	**$ 116.6**	**$ 662.4**	**$ 3,216.4**	**$ 4,797.7**
Net earnings	**-**	**-**	**-**	**-**	**-**	**-**	**755.3**	**755.3**
Other comprehensive income	**-**	**-**	**32.5**	**1.5**	**-**	**34.0**	**(2.1)**	**31.9**
Total comprehensive income								**787.2**
Dividends declared	**-**	**-**	**-**	**-**	**-**	**-**	**(254.6)**	**(254.6)**
Stock option plan (Note 12)	**-**	**-**	**-**	**-**	**25.1**	**25.1**	**-**	**25.1**
Shares issued under stock option plan	**2,790,983**	**60.4**	**-**	**-**	**-**	**-**	**-**	**60.4**
Amount transferred from reserves to share capital upon exercise of options	**-**	**12.4**	**-**	**-**	**(12.4)**	**(12.4)**	**-**	-
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	**-**	**-**	**-**	**-**	**4.7**	**4.7**	**-**	**4.7**
Balance, end of year	**390,198,386**	**$ 991.7**	**$ 582.1**	**$ (2.3)**	**$ 134.0**	**$ 713.8**	**$ 3,715.0**	**$ 5,420.5**

For the year ended March 31, 2018	Share capital		Reserves					
	Common Shares	Amount	Foreign Currency Translation	Cash Flow Hedges	Stock Option Plan	Total Reserves	Retained Earnings	Total Equity
Balance, beginning of year	386,234,311	$ 871.1	$ 717.8	$ (3.0)	$ 97.9	$ 812.7	$ 2,639.1	$ 4,322.9
Net earnings	-	-	-	-	-	-	852.5	852.5
Other comprehensive income	-	-	(168.2)	(0.8)	-	(169.0)	(4.1)	(173.1)
Total comprehensive income								679.4
Dividends declared	-	-	-	-	-	-	(243.5)	(243.5)
Stock option plan (Note 12)	-	-	-	-	24.1	24.1	-	24.1
Shares issued under stock option plan	1,827,992	41.0	-	-	-	-	-	41.0
Amount transferred from reserves to share capital upon exercise of options	-	8.2	-	-	(8.2)	(8.2)	-	-
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	-	-	-	-	2.8	2.8	-	2.8
Shares repurchased and cancelled	(654,900)	(1.4)	-	-	-	-	(27.6)	(29.0)
Balance, end of year	387,407,403	$ 918.9	$ 549.6	$ (3.8)	$ 116.6	$ 662.4	$ 3,216.4	$ 4,797.7

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in millions of CDN dollars)

As at		March 31, 2019		March 31, 2018
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**112.7**	$	122.2
Receivables		**1,248.2**		944.9
Inventories (Note 4)		**1,681.0**		1,234.5
Income taxes receivable (Note 14)		**34.1**		52.0
Prepaid expenses and other assets		**57.8**		68.8
		3,133.8		2,422.4
Property, plant and equipment (Note 6)		**3,095.4**		2,220.0
Goodwill (Note 7)		**2,597.6**		2,417.3
Intangible assets (Note 7)		**876.2**		823.1
Other assets (Note 8)		**131.6**		85.7
Deferred income taxes (Note 14)		**51.0**		34.5
Total assets	**$**	**9,885.6**	$	8,003.0
LIABILITIES				
Current liabilities				
Bank loans (Note 9)	**$**	**130.4**	$	193.3
Accounts payable and accrued liabilities		**1,442.2**		1,068.6
Income taxes payable (Note 14)		**36.5**		26.5
Current portion of long-term debt (Note 10)		**323.4**		4.4
		1,932.5		1,292.8
Long-term debt (Note 10)		**1,943.9**		1,420.9
Other liabilities (Note 11)		**86.4**		66.7
Deferred income taxes (Note 14)		**502.3**		424.9
Total liabilities	**$**	**4,465.1**	$	3,205.3
EQUITY				
Share capital (Note 12)		**991.7**		918.9
Reserves		**713.8**		662.4
Retained earnings		**3,715.0**		3,216.4
Total equity	**$**	**5,420.5**	$	4,797.7
Total liabilities and equity	**$**	**9,885.6**	$	8,003.0

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

On behalf of the Board,

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

(signed) Tony Meti
Tony Meti
Director

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of CDN dollars)

Years ended March 31	**2019**	2018
Cash flows related to the following activities:		
Operating		
Net earnings	**$ 755.3**	$ 852.5
Adjustments for:		
Stock-based compensation	**41.0**	34.3
Interest and other financial charges	**84.3**	47.9
Income tax expense	**230.3**	97.4
Depreciation and amortization	**313.0**	226.3
Gain on disposal of property, plant and equipment and asset held for sale	**(195.1)**	(0.7)
Impairment charges related to plant closure	**0.2**	10.6
Share of joint venture earnings, net of dividends received	**1.0**	0.9
Monetary effect on hyperinflation	**(18.5)**	-
Underfunding of employee plans in excess of costs	**0.3**	1.8
	1,211.8	1,271.0
Changes in non-cash operating working capital items	**(99.2)**	(115.2)
Cash generated from operating activities	**1,112.6**	1,155.8
Interest and other financial charges paid	**(83.1)**	(47.4)
Income taxes paid	**(145.0)**	(299.3)
Net cash generated from operating activities	**884.5**	809.1
Investing		
Business acquisitions, net of cash acquired	**(1,471.7)**	(385.1)
Proceeds on divestiture	**239.7**	-
Additions to property, plant and equipment	**(370.5)**	(277.8)
Additions to intangible assets	**(65.5)**	(66.2)
Proceeds on disposal of asset held for sale	**157.3**	-
Proceeds on disposal of property, plant and equipment	**4.5**	6.6
Other	**(0.4)**	(0.4)
	(1,506.6)	(722.9)
Financing		
Bank loans	**(45.6)**	129.6
Proceeds from issuance of long-term debt	**1,633.6**	300.0
Repayment of long-term debt	**(787.7)**	(402.2)
Issuance of share capital	**60.4**	41.0
Repurchase of share capital	**-**	(29.0)
Dividends	**(254.6)**	(243.5)
	606.1	(204.1)
Decrease in cash and cash equivalents	**(16.0)**	(117.9)
Cash and cash equivalents, beginning of year	**122.2**	250.5
Effect of inflation	**15.8**	-
Effect of exchange rate changes on cash and cash equivalents	**(9.3)**	(10.4)
Cash and cash equivalents, end of year	**$ 112.7**	$ 122.2

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2019 and 2018
(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, Australia and Argentina. 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, 2019, comprise the financial results of the Company and its subsidiaries.

The financial statements for the year ended March 31, 2019, have been authorized for issuance by the Board of Directors on June 6, 2019.

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 income statements.

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
Assets under finance lease	Shorter of term of lease or estimated useful life

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 income statements.

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. Definite life intangible assets are subsequently carried at cost less accumulated amortization and less impairment losses, if any. Indefinite life intangible assets, including goodwill, are not amortized. 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 for impairment, 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.

Trademarks are considered to be definite life intangible assets and are amortized using the straight-line method over their useful lives of 20 years and are reviewed for indicators of impairment at each reporting period.

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 at 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)

EMPLOYEE FUTURE BENEFITS

The cost of defined benefit 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 income statements. 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 control of the asset is transferred to the customer, the vast majority upon shipment of products. The Company recognizes revenue for all sales at the fair value of the consideration received or receivable. Sales are net of a provision for variable consideration of estimated allowances and sales incentives provided to customers, such that it is highly probable that a significant reversal will not occur once the uncertainty related to the variable consideration is subsequently resolved.

The value of sales incentives provided to customers are estimated using historical trends and are recognized at the time of sale as a reduction of revenue. Sales incentives include discounts, promotions, advertising allowances, and other volume-based incentives. In subsequent periods, the Company monitors the performance of customers against agreed upon obligations related to sales incentive programs and makes any adjustments to both revenue and sales incentive accruals as required.

FOREIGN CURRENCY TRANSLATION

The Company's functional currency is the Canadian dollar. Accordingly, the financial position accounts of foreign operations are translated into Canadian dollars using the exchange rates at the financial position dates and income statements 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 changes in 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 from the fluctuation in value of the Canadian dollar as compared to the US dollar, the Australian dollar and the Argentine peso.

Foreign currency accounts of the Company and its subsidiaries are translated using the exchange rates at the financial position 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 income statements and a liability in its consolidated statement of financial positions 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)

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.

INCOME TAXES

Income tax expense represents the sum of current and deferred income tax and is recognized in the consolidated income statements 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 statement of financial position 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 Fair Value through Profit or Loss (FVTPL) and fair value through other comprehensive income, part of a hedging relationship or not, continue to be measured at fair value on the statement of financial position 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 amortized cost and are subsequently measured at amortized cost.
- Receivables are classified as amortized cost and are subsequently measured at amortized cost.
- Other assets that meet the definition of a financial asset are classified as amortized cost and are subsequently measured at amortized cost.
- Bank loans, accounts payable and accrued liabilities, other liabilities and long-term debt are classified as amortized cost 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 financial position 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 designates and formally documents the relationship between the hedging instrument and the hedged item, the risk management objective, and its strategy for undertaking the hedge.

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.

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. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. 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.

The following standards, amendments to standards and interpretations have been issued and are applicable to the Company for its annual periods beginning on and after April 1, 2019, with an earlier application permitted:

IFRS 3, Business Combinations

In October 2018, the IASB issued an amendment to IFRS 3 to clarify the definition of a business, to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. In December 2017, the IASB issued an amendment to IFRS 3 to clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business.

IFRS 9, Financial Instruments

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

IFRS 11, Joint Arrangements

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

IFRS 16, Leases

In January 2016, the IASB published a new standard, IFRS 16 ''Leases'', which will replace IAS 17 ''Leases''. The new standard will eliminate the distinction between operating and finance leases and will bring most leases on the statement of financial position for lessees, except with respect to lease that meet limited exception criteria. For lessors, the accounting remains mostly unchanged and the distinction between operating and finance leases is retained.

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

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

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

IAS 19, Employee Benefits

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

IAS 23, Borrowing Costs

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

IAS 28, Investments in Associates

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

IFRIC 23, Uncertainty Over Income Tax Treatments

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

Except as disclosed in ‘‘Considerations for the implementations of IFRS 16’’, the adoption of these standards, amendments and interpretation will not have a significant impact on the Company's financial statements.

CONSIDERATIONS FOR THE IMPLEMENTATION OF IFRS 16

IFRS 16 is required to be applied for the annual reporting period beginning on April 1, 2019.

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

The adoption of IFRS 16 will lead to the recognition of operating leases on the statement of financial position. As a result, the Company expects to record right-of-use assets of approximately $405 million and lease liabilities of approximately $415 million. In addition, the Company has existing capital leases of approximately $29 million that are recorded as long-term debt and that will be reclassified as lease liabilities on April 1, 2019. The Company does not expect a significant impact on deferred tax balances. Management is currently assessing the impact of the acquisition of Dairy Crest Group plc (Dairy Crest Acquisition), completed on April 15, 2019, as it relates to IFRS 16.

IFRS 16 will be applied in fiscal year 2020 using the modified retrospective approach and the Company will therefore not be restating comparative information. In addition, the Company has applied the following exemptions and practical expedients on adoption of IFRS 16:

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

The Company also expects a decrease in operating lease expenses, offset by a corresponding increase in depreciation and amortization and financial expenses resulting from the changes in the recognition, measurement, and presentation requirements. However, no significant impact on net earnings is expected at this time.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Effect of new accounting standards, interpretations and amendments adopted during the period:

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 did not impact the Company's financial statements for the fiscal year ended March 31, 2019.

IFRS 9, Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments with the goal of replacing IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 provides revised guidance regarding the classification and measurement of financial assets, including a new impairment model for the recognition of expected credit losses and a new hedge accounting model. IFRS 9 is applicable retrospectively in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, subject to certain exemptions and exceptions. Under IFRS 9, impairment is measured by either the twelve-month expected credit losses or lifetime expected credit losses. The Company applies the simplified approach to recognize lifetime expected credit losses under IFRS 9.

Classification and measurement IFRS 9 contains a new classification and measurement for financial assets which consists of the following categories: amortized cost, fair value through other comprehensive income, and FVTPL. The new classification of financial assets provided by IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial liabilities are classified and measured based on two categories: amortized cost or FVTPL.

The following table presents the classification impacts on the financial assets and liabilities upon the adoption of IFRS 9. There was no significant impact with regards to the measurement of the financial assets and liabilities.

Asset/Liability	Classification under IAS 39	Classification under IFRS 9
Cash and cash equivalents	Loan and receivables	Amortized cost
Receivables	Loan and receivables	Amortized cost
Other assets	Loan and receivables	Amortized cost
Bank Loans	Other liabilities	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Long-term debt	Other liabilities	Amortized cost
Derivatives	Fair value through profit and loss	Fair value through profit and loss

Impairment IFRS 9 provides a new impairment model that requires the recognition of expected credit losses (ECL model) that replaced the 'incurred loss' model in IAS 39. The ECL model applies to financial assets measured at amortized cost.

Hedge accounting, under IFRS 9, introduced a new hedge accounting model that requires the Company to ensure that hedge accounting relationships are aligned with the Company's risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. The Company completed these changes to its internal documentation to meet the requirements of IFRS 9. In accordance with the transitional provisions in IFRS 9, the Company has applied the IFRS 9 hedge accounting prospectively from the date of initial application.

The adoption of this standard did not significantly impact the Company's financial statements for the fiscal year ended March 31, 2019.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 supersedes revenue recognition guidance in IAS 18, Revenue, IAS 11, Construction Contracts and IFRIC 13, Customer Loyalty Programs.

This standard provides 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. The standard also expands current 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 applying IFRS 15 recognized at the date of initial application. The Company decided to use the second method as its transition method as prescribed under IFRS 15.

As per IFRS 15, the Company must define its role as principal or agent in shipping and handling activities. With respect to this standard, the Company's shipping and handling activities are considered as principal and are presented on a gross basis.

The adoption of IFRS 15 impacted the timing of revenue recognition, where revenues are recognized at a point in time when control of the asset is transferred to the customer, generally upon shipment of products. Also, some contracts with customers provide incentive programs, including discounts, promotions, advertising allowances, and other volume-based incentives are impacted. Such incentives give rise to variable consideration, which are also estimated at contract inception. Lastly, IFRS 15 affected the classifications of certain amounts paid to customers in the income statements, where payments to the customer for distinct goods or services has been classified as selling, general and administrative expenses and payments not for distinct goods or services have been classified as a component of sales.

The adoption of this standard did not significantly impact the Company's financial statements for the fiscal year ended March 31, 2019. No adjustment was recorded on the opening balance of equity upon the adoption of IFRS 15.

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 did not impact the Company's financial statements for fiscal year ended March 31, 2019.

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 interpretation did not impact the Company's financial statements for the fiscal year ended March 31, 2019.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

IAS 29, Financial Reporting in Hyperinflationary Economies

In July 2018, the Argentine Federation of Professional Councils in Economic Sciences (F.A.C.P.C.E.) issued a release mentioning that, effective July 1, 2018, entities reporting under IFRS are required to apply the inflation adjustment since the applicable conditions for such application have been satisfied.

IAS 29 requires that the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy be adjusted based on an appropriate general price index to express the effects of inflation, and shall be stated in terms of the measuring unit current at the end of the reporting period.

Non-monetary assets and liabilities are adjusted by applying the relevant index and the effect of inflation on the Dairy Division (Argentina) is presented in the consolidated income statements as a gain on hyperinflation. The gain is derived from the indexation of non-monetary assets and liabilities.

The main impacts at the beginning of the first period of application of this standard are an increase of $57.0 million in non-monetary assets, such as inventory, property, plant and equipment and intangible assets, and an increase of $13.9 million in deferred income taxes liabilities. Therefore, as at July 1, 2018, a one-time gain of $43.1 million was included in the consolidated statements of comprehensive income.

NOTE 4 INVENTORIES

	March 31, 2019	March 31, 2018
Finished goods	**$ 1,134.1**	$ 835.2
Raw materials, work in progress and supplies	**546.9**	399.3
Total	**$ 1,681.0**	$ 1,234.5

The amount of inventories recognized as an expense in operating costs for the year ended March 31, 2019 is $10,676.9 million ($9,175.1 million for the year ended March 31, 2018).

NOTE 5 OPERATING COSTS EXCLUDING DEPRECIATION AND AMORTIZATION

	2019	2018
Changes in inventories of finished goods and work in process	**$ (25.4)**	$ (56.5)
Raw materials and consumables used	**9,204.2**	8,018.0
Foreign exchange loss	**11.9**	2.7
Employee benefits expense	**1,577.7**	1,314.1
Selling costs	**648.8**	429.1
Other general and administrative costs	**863.4**	570.4
Total	**$ 12,280.6**	$ 10,277.8

During fiscal 2019, a write-down of $3.2 million ($16.9 million for the year ended March 31, 2018) was included as an expense in "Operating costs excluding depreciation and amortization" under the caption "Changes in inventories of finished goods and work in process" presented in the table above, as a result of the decrease in certain market selling prices.

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

												For the year ended March 31, 2019	
		Land		Buildings		Furniture, machinery and equipment		Rolling stock		Lease		Held for sale		Total
Cost													
As at March 31, 2018	$	65.0	$	906.5	$	2,678.5	$	17.7	$	29.6	$	23.1	$ 3,720.4
Adjustment on initial application - IAS 29		0.2		12.2		59.3		0.3		-		-	72.0
Business acquisitions (Note 16)		54.1		245.7		402.4		1.4		-		-	703.6
Additions		0.6		85.9		282.6		1.4		11.5		-	382.0
Disposals		(0.5)		(22.7)		(90.2)		(1.0)		-		(17.8)	(132.2)
Transfers		(1.2)		(20.1)		8.6		(0.8)		(3.1)		12.3	(4.3)
Foreign currency and hyperinflation adjustments		(0.4)		8.8		48.5		(0.3)		1.1		-	57.7
As at March 31, 2019	$	117.8	$	1,216.3	$	3,389.7	$	18.7	$	39.1	$	17.6	$ 4,799.2
Accumulated depreciation													
As at March 31, 2018		-		303.4		1,178.2		8.9		1.1		8.8	1,500.4
Adjustment on initial application - IAS 29		-		4.3		32.0		0.3		-		-	36.6
Depreciation		-		41.4		195.2		2.9		3.8		-	243.3
Disposals		-		(24.6)		(85.3)		(1.4)		-		(4.3)	(115.6)
Transfers		-		(8.1)		0.4		-		(0.4)		8.1	-
Impairment charges related to plant closure		-		0.2		-		-		-		-	0.2
Foreign currency and hyperinflation adjustments		-		6.9		32.1		(0.2)		0.1		-	38.9
As at March 31, 2019	$	-	$	323.5	$	1,352.6	$	10.5	$	4.6	$	12.6	$ 1,703.8
Net book value at March 31, 2019	$	117.8	$	892.8	$	2,037.1	$	8.2	$	34.5	$	5.0	$ 3,095.4

The net book value of property, plant and equipment under construction amounts to $276.9 million as at March 31, 2019 ($109.1 million as at March 31, 2018), and consists mainly of machinery and equipment.

For fiscal 2019 and 2018, the assets held for sale relate mainly to land and building in Canada as a result of the closure of certain facilities and have been recorded at the lower of carrying value and fair value less costs to sell.

In the third quarter of fiscal 2019, the Company realized a gain on disposal of assets of $194.5 million ($167.8 million after tax) relating to the sale of its facility in Burnaby, British Columbia. The Company sold the facility for $209.0 million, and provided a vendor take-back (VTB) mortgage in the amount of $50.0 million (Note 8). The VTB mortgage bears interest at a rate of 3% per annum and matures in fiscal 2022 where the full amount of capital will be repaid. The Company has entered into a lease agreement for the Burnaby facility until the construction of the new facility is completed, which is expected to be in fiscal 2021.

NOTE 6 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

									For the year ended March 31, 2018				
		Land		Buildings		Furniture, machinery and equipment		Rolling stock		Lease		Held for sale	Total
Cost													
As at March 31, 2017	$	69.2	$	854.9	$	2,638.3	$	16.9	$	-	$	-	$ 3,579.3
Business acquisitions (Note 16)		2.4		20.6		3.4		1.0		28.7		-	56.1
Additions		0.2		83.3		193.6		0.7		-		-	277.8
Disposals		(0.8)		(11.5)		(85.2)		(0.4)		-		-	(97.9)
Transfers		(5.2)		(17.8)		(0.1)		-		-		23.1	-
Foreign currency adjustments		(0.8)		(23.0)		(71.5)		(0.5)		0.9		-	(94.9)
As at March 31, 2018	$	65.0	$	906.5	$	2,678.5	$	17.7	$	29.6	$	23.1	$ 3,720.4
Accumulated depreciation													
As at March 31, 2017		-		290.5		1,115.9		7.4		-		-	1,413.8
Depreciation		-		33.0		166.1		1.9		1.1		-	202.1
Disposals		-		(8.6)		(83.1)		(0.3)		-		-	(92.0)
Transfers		-		(8.8)		-		-		-		8.8	-
Impairment charges related to plant closure		-		6.1		4.5		-		-		-	10.6
Foreign currency adjustments		-		(8.8)		(25.2)		(0.1)		-		-	(34.1)
As at March 31, 2018	$	-	$	303.4	$	1,178.2	$	8.9	$	1.1	$	8.8	$ 1,500.4
Net book value at March 31, 2018	$	65.0	$	603.1	$	1,500.3	$	8.8	$	28.5	$	14.3	$ 2,220.0

NOTE 7 GOODWILL AND INTANGIBLE ASSETS

					For the year ended March 31, 2019
		Definite Life			
	Goodwill	Trademarks[1]	Customer relationships[2]	Software[3]	Total Intangible Assets
Cost					
As at March 31, 2018	$ 2,417.3	$ 433.5	$ 303.7	$ 195.6	$ 932.8
Adjustment on initial application - IAS 29	-	-	-	2.9	2.9
Business acquisitions (Note 16)	127.8	27.5	10.5	6.1	44.1
Additions	-	-	-	65.5	65.5
Transfer	-	-	-	4.3	4.3
Foreign currency and hyperinflation adjustments	52.5	3.4	5.2	(0.6)	8.0
As at March 31, 2019	$ 2,597.6	$ 464.4	$ 319.4	$ 273.8	$ 1,057.6
Accumulated Amortization					
As at March 31, 2018	-	-	102.5	7.2	109.7
Adjustment on initial application - IAS 29	-	-	-	0.6	0.6
Amortization	-	21.6	21.1	27.0	69.7
Foreign currency and hyperinflation adjustments	-	0.1	1.9	(0.6)	1.4
As at March 31, 2019	$ -	$ 21.7	$ 125.5	$ 34.2	$ 181.4
Net book value at March 31, 2019	$ 2,597.6	$ 442.7	$ 193.9	$ 239.6	$ 876.2

					For the year ended March 31, 2018
		Indefinite Life	Definite Life		
	Goodwill	Trademarks[1]	Customer relationships[2]	Software[3]	Total Intangible Assets
Cost					
As at March 31, 2017	$ 2,240.5	$ 354.7	$ 260.1	$ 135.9	$ 750.7
Business acquisitions (Note 16)	233.8	81.7	49.9	-	131.6
Additions	-	-	-	66.2	66.2
Foreign currency adjustments	(57.0)	(2.9)	(6.3)	(6.5)	(15.7)
As at March 31, 2018	$ 2,417.3	$ 433.5	$ 303.7	$ 195.6	$ 932.8
Accumulated Amortization					
As at March 31, 2017	-	-	87.2	1.2	88.4
Amortization	-	-	17.7	6.5	24.2
Foreign currency adjustments	-	-	(2.4)	(0.5)	(2.9)
As at March 31, 2018	$ -	$ -	$ 102.5	$ 7.2	$ 109.7
Net book value at March 31, 2018	$ 2,417.3	$ 433.5	$ 201.2	$ 188.4	$ 823.1

1 Trademarks are amortized straight-line over a period of 20 years.
2 Customer relationships are amortized straight-line over a period of 15 years.
3 None of the additions were internally generated.

NOTE 7 GOODWILL AND INTANGIBLE ASSETS (CONT'D)

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 smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows form other assets or groups of assets.

The Company reports its operations under three geographic sectors. The Canada Sector consists of the Dairy Division (Canada). The USA Sector includes the Cheese Division (USA) and the Dairy Foods Division (USA). Finally, the International Sector combines the Dairy Division (Australia) and the Dairy Division (Argentina).

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

Allocation of goodwill		March 31, 2019		March 31, 2018
Canada	$	401.5	$	323.2
USA				
Cheese Division (USA)		1,327.7		1,247.3
Dairy Foods Division (USA)		638.8		617.3
International				
Dairy Division (Australia)		220.1		219.6
Dairy Division (Argentina)		9.5		9.9
	$	2,597.6	$	2,417.3

Recoverable amounts for Dairy Division (Canada), Cheese Division (USA) and Dairy Foods Division (USA) 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 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. The Company has designated December 31 as the date for the annual impairment test. As at December 31, 2018, goodwill was not considered to be impaired.

Trademarks

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

Allocation of trademarks		March 31, 2019		March 31, 2018
Neilson – Dairy Division (Canada)	$	212.0	$	223.2
Other		230.7		210.3
	$	442.7	$	433.5

The assessment of the useful life of trademarks is reviewed annually to determine whether the indefinite life continues to be supportable, if not, the change in useful life from indefinite to definite is made on a prospective basis. Following the completion of the annual assessment, all trademarks have been reclassified from indefinite to definite-lived and are amortized using the straight-line method over their useful lives of 20 years since the beginning of the fiscal 2019

NOTE 8 OTHER ASSETS

	March 31, 2019	March 31, 2018
Joint ventures	$ 45.2	$ 47.9
Financial loan (Note 6)	50.0	-
Other	36.4	37.8
	$ 131.6	$ 85.7

The Company has three joint ventures and holds a 50% interest in two of them and a 49% interest in the third. In all three joint ventures, the terms of the agreements require the unanimous consent of all parties in order to direct the significant operations of the joint ventures. Two of those joint ventures have a June 30th year-end and one has a December 31st year-end. All joint ventures are accounted for under the equity method. The Company recognized $8.5 million in net earnings, representing its share of earnings in the joint ventures for the year ended March 31, 2019 ($7.3 million for the year ended March 31, 2018). Dividends received from the joint ventures amounted to $9.5 million for the year ended March 31, 2019 ($8.2 million for the year ended March 31, 2018), and an amount of $4.6 million was declared but unpaid as at March 31, 2019 ($0.7 million for the year ended March 31, 2018).

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, 2019	March 31, 2018
North America-USA	December 2023[1]	400.5	300.0 USD	$ -	$ 71.0
North America-Canada	December 2023[1]	267.0	200.0 USD	-	-
Argentina	Yearly[2]	148.2	111.0 USD	45.4	41.3
Argentina	Yearly[3]	90.2	2,930.0 ARS	23.2	42.2
Australia	Yearly[4]	298.4	315.0 AUD	38.0	7.9
Australia	Yearly[4]	133.5	100.0 USD	23.8	30.9
		1,337.8		$ 130.4	$ 193.3

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

NOTE 10 LONG-TERM DEBT

	March 31, 2019	March 31, 2018
Unsecured bank term loan facilities		
Obtained December 2012 ($850.0 million)[1]	$ -	$ 200.0
Obtained April 2018 ($300.0 million) and due in April 2021[2]	200.0	-
Obtained April 2018 (AU$600.0 million) and due in April 2023[2]	487.9	-
Unsecured senior notes[3,4]		
2.65%, issued in November 2014 and due in November 2019 (Series 1)	300.0	300.0
2.20%, issued in June 2016 and due in June 2021 (Series 2)	300.0	300.0
2.83%, issued in November 2016 and due in November 2023 (Series 3)	300.0	300.0
1.94%, issued in June 2017 and due in June 2022 (Series 4)	300.0	300.0
3.60%, issued in August 2018 and due in August 2025 (Series 5)	350.0	-
Finance lease obligations	29.4	25.3
	$ 2,267.3	$ 1,425.3
Current portion	323.4	4.4
	$ 1,943.9	$ 1,420.9

1 Bear monthly interest at rates ranging from lender's prime plus a maximum of 1.00% or LIBOR or bankers' acceptance rates plus 0.80% up to a maximum of 2.00%, depending on the Company's credit ratings, and can be drawn in CAD or USD.
2 Bear monthly interest at rates ranging from lender's prime plus a maximum of 1.00%, or banker's acceptance rates or Australian Bank Bill Rate plus 0.80% up to a maximum of 2.00%, depending on the Company's credit ratings. Interest is paid every one, two, three or six months, as selected by the Company.
3 Interest payments are semi-annual.
4 On December 12, 2018, the Company renewed its medium term note program and filed a short form base shelf prospectus qualifying an offering of medium term notes for distribution to the public in the provinces of Canada over a 25-month period.

NOTE 10 LONG TERM DEBT (CONT'D)

	March 31, 2019	March 31, 2018
Principal repayments are as follows:		
Less than 1 year	**$ 323.4**	$ 4.4
1-2 years	**3.9**	520.9
2-3 years	**502.1**	-
3-4 years	**300.0**	300.0
4-5 years	**787.9**	300.0
More than 5 years	**350.0**	300.0
	$ 2,267.3	$ 1,425.3

In connection with the Dairy Crest Acquisition, the Company entered into a new credit agreement on February 21, 2019, providing for a non-revolving term facility denominated in pound sterling in the aggregate amount of £1.265 billion ($2.202 billion) (DC Acquisition Facility), consisting of three tranches: a 1-year tranche of £400.0 million ($697.0 million); a 2-year tranche of £265.0 million ($461.5 million); and a 3-year tranche of £600.0 million ($1,045.5 million). The DC Acquisition Facility bears interest at lenders' prime rates plus a maximum of 1.00% or LIBOR or bankers' acceptance rates plus 0.80% up to a maximum of 2.00%, depending on the Company's credit ratings. No amounts had been drawn on the DC Acquisition Facility as at March 31, 2019.

On May 1, 2018, the Company had drawn in full a non-revolving term facility in the aggregate amount of $1.284 billion (MG Acquisition Facility) to finance the acquisition of the business of Murray Goulburn Co-Operative Co. Limited (MG) (Note 16).

On August 14, 2018, the Company issued $350.0 million Series 5 medium term notes with an annual interest rate of 3.60% payable in equal semi-annual instalments, maturing on August 14, 2025, pursuant to its medium term note program. The Company used the proceeds of the Series 5 medium term notes, available cash and credit facilities to reimburse $400.0 million of the MG Acquisition Facility.

In addition, the Company used the proceeds from the Koroit plant divestiture (Note 16), available cash and credit facilities to reimburse $200.0 million of an unsecured bank term loan, as well as $100.0 million and AU$85.0 million ($79.7 million) of the MG Acquisition Facility.

On June 12, 2017, the Company issued $300.0 million Series 4 medium term notes with an annual interest rate of 1.94% payable in equal semi-annual instalments, maturing on June 13, 2022, pursuant to its medium term note program.

NOTE 11 OTHER LIABILITIES

	March 31, 2019	March 31, 2018
Employee benefits (Note 17)	**$ 36.6**	$ 33.1
Derivative financial liabilities (Note 20)	**-**	11.7
Performance share unit liabilities and related fringe benefits	**21.8**	18.5
Other	**28.0**	3.4
	$ 86.4	$ 66.7

NOTE 12 SHARE CAPITAL

AUTHORIZED

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

		March 31, 2019		March 31, 2018
Issued				
390,198,386 common shares (387,407,403 common shares in 2018)	$	991.7	$	918.9

During the year ended March 31, 2019, 2,790,983 common shares (1,827,992 in 2018) were issued for an amount of $60.4 million ($41.0 million in 2018) pursuant to the share option plan. For the year ended March 31, 2019, the amount transferred from stock option plan reserve was $12.4 million ($8.2 million in 2018).

Pursuant to the normal course issuer bid which began on November 17, 2017, and expired on November 16, 2018, as amended, the Company was authorized to repurchase for cancellation up to 8,000,000 of its common shares. Under the normal course issuer bid that became effective on November 19, 2018, and expiring on November 18, 2019, the Company is authorized to repurchase, for cancellation purposes, up to 8,000,000 of its common shares. During the year ended March 31, 2019, the Company did not repurchase any common shares.

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 cannot exceed 45,698,394 common shares. As at March 31, 2019, 20,704,548 common shares are available for future grants under this plan and 20,374,871 common shares are underlying options outstanding. During fiscal 2019, a total of 2,790,983 common shares were issued following the exercise of options. 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.

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

			March 31, 2019		March 31, 2018	
Granting period		Exercise price	Number of options	Number of exercisable options	Number of options	Number of exercisable options
2009	$	13.91	-	-	62,600	62,600
2010	$	10.70	11,728	11,728	652,202	652,202
2011	$	14.66	576,714	576,714	853,430	853,430
2012	$	21.61	637,317	637,317	838,875	838,875
2013	$	21.48	1,271,036	1,271,036	1,684,832	1,684,832
2014	$	25.55	1,706,074	1,706,074	2,174,840	1,589,320
2015	$	27.74	2,282,620	1,688,226	2,734,958	1,430,240
2016	$	35.08	2,362,317	1,293,545	2,699,555	949,431
2017	$	41.40	3,663,707	1,429,421	3,986,625	769,556
2018	$	46.29	3,607,186	728,176	3,822,206	-
2019	$	41.02	4,256,172	-	-	-
			20,374,871	9,342,237	19,510,123	8,830,486

NOTE 12 SHARE CAPITAL (CONT'D)

Changes in the number of outstanding options are as follows:

	2019		2018	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Balance, beginning of year	**19,510,123**	**$ 32.95**	17,850,014	$ 29.00
Options granted	**4,536,208**	**$ 41.02**	3,908,023	$ 46.29
Options exercised	**(2,790,983)**	**$ 21.62**	(1,827,992)	$ 22.41
Options cancelled	**(880,477)**	**$ 42.71**	(419,922)	$ 35.07
Balance, end of year	**20,374,871**	**$ 35.96**	19,510,123	$ 32.95

The exercise price of the options granted in fiscal 2019 is $41.02, which corresponds to the weighted average market price for the five trading days immediately preceding the date of grant ($46.29 in fiscal 2018).

The weighted average fair value of options granted in fiscal 2019 was estimated at $7.12 per option ($7.68 in fiscal 2018), using the Black Scholes option pricing model with the following assumptions:

	March 31, 2019	March 31, 2018
Weighted average:		
Risk-free interest rate	**1.95%**	1.10%
Expected life of options	**5.6 years**	5.4 years
Volatility[1]	**18.42%**	18.89%
Dividend rate	**1.54%**	1.26%

[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 $25.1 million ($22.7 million net of taxes) relating to stock options was recorded in the consolidated income statements for the year ended March 31, 2019, and $24.1 million ($20.8 million net of taxes) was recorded for the year ended March 31, 2018.

Options to purchase 3,319,450 common shares at a price of $45.30 per share were granted on April 1, 2019.

DEFERRED SHARE UNIT PLAN FOR DIRECTORS

In accordance with the DSU plan, all eligible Directors of the Company are allocated an annual retainer payable 50% in DSUs and 50% in cash or DSUs, at the election of the Director. Until the ownership threshold is met by the Director, the Director must receive the entire compensation in DSUs. The number of DSUs granted quarterly to each Director is determined based on the market value of the Company's common shares at the date of each grant. 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 and amortization".

	2019		2018	
	Units	**Liability**	Units	Liability
Balance, beginning of year	**294,630**	**$ 12.2**	367,918	$ 17.6
Annual retainer	**50,047**	**2.1**	48,782	2.1
Dividends reinvested	**4,971**	**0.2**	4,794	0.2
Payment to directors	**-**	**-**	(126,864)	(5.6)
Variation due to change in stock price	**-**	**1.4**	-	(2.1)
Balance, end of year	**349,648**	**$ 15.9**	294,630	$ 12.2

The Company enters into equity forward contracts in order to mitigate the compensation costs associated with its DSU plan. As at March 31, 2019, the Company had equity forward contracts on 320,000 common shares (320,000 as of March 31, 2018) with a notional value of $13.5 million ($13.9 million as of March 31, 2018). The net compensation expense related to the DSU plan was $2.9 million for the year ended March 31, 2019 ($2.2 million for March 31, 2018), including the effect of the equity forward contracts.

NOTE 12 SHARE CAPITAL (CONT'D)

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 financial statements. 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 by the Company. 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 and amortization" caption.

	2019 Units	2018 Units
Balance, beginning of year	**771,707**	814,571
Annual grant	**298,819**	263,637
Cancelled	**(30,809)**	(6,592)
Payment	**(268,795)**	(299,909)
Balance, end of year	**770,922**	771,707

As at March 31, 2019, a long-term obligation related to PSUs of $17.9 million was recorded ($15.5 million as at March 31, 2018) in addition to $10.7 million that was recorded in short-term liabilities ($10.9 million as at March 31, 2018). On April 1, 2019, 313,273 PSUs were granted at a price of $45.30 per unit ($41.02 in 2018).

The Company enters into equity forward contracts in order to mitigate the compensation costs associated with its PSU plan. As at March 31, 2019, the Company had equity forward contracts on 770,000 common shares (770,000 as of March 31, 2018) with a notional value of $34.7 million ($32.9 million as of March 31, 2018). The net compensation expense related to PSUs was $10.8 million for the year ended March 31, 2019 ($11.3 million for the year ended March 31, 2018), including the effect of the equity forward contracts.

RESTRICTED SHARE UNIT PLAN

In fiscal 2019, the Company established a restricted share unit (RSU) plan to form part of long-term incentives compensation, together with other plans discussed within this financial statements. The RSU plan is non-dilutive and is settled in cash only. Under the RSU plan, each restriction period shall consist of three fiscal years of the Company. At the time of the grant of a RSU, the Company determines the vesting criteria which must be met by the participants. Such criteria may include, without limitation, continuing employment through all or part of the restriction period. Following completion of a three-year restriction period, the RSUs for which the vesting 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 RSUs for which the vesting criteria have been achieved. The amount potentially payable to eligible employees will be recognized as a payable and will be revised at each reporting period. The expense will be included in employee benefits under the "Operating costs excluding depreciation and amortization" caption.

No RSUs were granted during fiscal 2019. On April 1, 2019, 132,967 RSUs were granted at a price of $45.30 per unit.

NOTE 13 OTHER FINANCIAL CHARGES

		2019		2018
Finance costs	**$**	**23.1**	$	17.4
Finance income		**(5.4)**		(3.3)
	$	**17.7**	$	14.1

NOTE 14 INCOME TAXES

On December 22, 2017, the United States (US) enacted the "Tax Cuts and Jobs Act" which has been commonly referred to as USA tax reform benefit. A significant change under this reform was the reduction of the US Federal tax rate from 35.0% to 21.0%, effective January 1, 2018. This change resulted in the Company recording an income tax benefit of $178.9 million in last year tax expense.

Income tax expense is comprised of the following:

		2019		2018
Current tax expense	$	177.4	$	198.0
Deferred tax expense (recovery)		52.9		(100.6)
Income tax expense	$	230.3	$	97.4

RECONCILIATION OF THE EFFECTIVE TAX RATE

The effective income tax rate was 23.4% in 2019 (10.4% in 2018). The Company's income tax expense differs from the one calculated by applying Canadian statutory rates for the following reasons:

		2019		2018
Earnings before tax	$	985.6	$	949.9
Income taxes, calculated using Canadian statutory income tax rates of 26.4% (26.4% in 2018)		260.4		250.4
Adjustments resulting from the following:				
Effect of tax rates for foreign subsidiaries and other deductions		1.8		29.5
Changes in tax laws and rates		2.4		(163.4)
Benefit arising from investment in subsidiaries		(13.9)		(12.8)
Manufacturing and processing deduction		(0.4)		(9.5)
Stock-based compensation		4.0		3.9
Disposal of asset held for sale		(25.8)		-
Tax losses for which no deferred income tax asset was recognized		0.8		-
Recognition of previously unrecognized deferred tax assets		-		-
Adjustments in respect of prior years and other		1.0		(0.7)
Income tax expense	$	230.3	$	97.4

During the year, there was no significant change in the statutory tax rate.

INCOME TAX RECOGNIZED IN OTHER COMPREHENSIVE INCOME

Income tax on items recognized in other comprehensive income in 2019 and 2018 were as follows:

		2019		2018
Deferred tax benefit on actuarial losses on employee benefit obligations	$	0.8	$	1.1
Deferred tax (expense) benefit on cash flow hedge		(0.5)		0.8
Total income tax recognized in other comprehensive income	$	0.3	$	1.9

NOTE 14 INCOME TAXES (CONT'D)

INCOME TAX RECOGNIZED IN EQUITY

Income tax on items recognized in equity in 2019 and 2018 were as follows:

	2019	2018
Excess tax benefit that results from the excess of the deductible amount over the stock-based compensation recognized in net earnings	**$ 4.7**	$ 2.8
Total income tax recognized in equity	**$ 4.7**	$ 2.8

CURRENT TAX ASSETS AND LIABILITIES

	2019	2018
Income taxes receivable	**$ 34.1**	$ 52.0
Income taxes payable	**(36.5)**	(26.5)
Income taxes (payable) receivable (net)	**$ (2.4)**	$ 25.5

DEFERRED TAX BALANCES

	2019	2018
Deferred tax assets	**$ 51.0**	$ 34.5
Deferred tax liabilities	**(502.3)**	(424.9)
Deferred tax liabilities (net)	**$ (451.3)**	$ (390.4)

DEFERRED TAX ASSETS AND LIABILITIES

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

	For the year ended March 31, 2019							
	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	**$ 45.7**	**$ 6.4**	**$ 8.1**	**$ 60.2**	**$ (2.4)**	**$ 241.6**	**$ 211.4**	**$ 450.6**
Charged/credited to net earnings	**(2.7)**	**(5.3)**	**0.3**	**(7.7)**	**0.2**	**6.7**	**38.3**	**45.2**
Charged/credited to other comprehensive income	**-**	**-**	**0.8**	**0.8**	**-**	**-**	**0.5**	**0.5**
Acquisitions	**16.7**	**-**	**-**	**16.7**	**-**	**7.5**	**(5.9)**	**1.6**
Translation and other	**(1.6)**	**-**	**0.1**	**(1.5)**	**1.0**	**19.0**	**1.9**	**21.9**
Balance, end of the year	**$ 58.1**	**$ 1.1**	**$ 9.3**	**$ 68.5**	**$ (1.2)**	**$ 274.8**	**$ 246.2**	**$ 519.8**

	For the year ended March 31, 2018							
	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	$ 56.8	$ 15.4	$ 9.9	$ 82.1	$ 8.5	$ 323.7	$ 213.2	$ 545.4
Charged/credited to net earnings	(8.6)	(8.7)	(2.8)	(20.1)	(10.3)	(70.4)	(40.0)	(120.7)
Charged/credited to other comprehensive income	-	-	1.1	1.1	-	-	(0.8)	(0.8)
Acquisitions	-	-	-	-	-	-	51.0	51.0
Translation and other	(2.5)	(0.3)	(0.1)	(2.9)	(0.6)	(11.7)	(12.0)	(24.3)
Balance, end of the year	$ 45.7	$ 6.4	$ 8.1	$ 60.2	$ (2.4)	$ 241.6	$ 211.4	$ 450.6

NOTE 15 NET EARNINGS PER SHARE

	2019	2018
Net earnings	**$ 755.3**	$ 852.5
Weighted average number of common shares outstanding	**388,554,458**	386,561,315
Dilutive options	**2,696,750**	4,610,594
Weighted average diluted number of common shares outstanding	**391,251,208**	391,171,909
Basic net earnings per share	**$ 1.94**	$ 2.21
Diluted net earnings per share	**$ 1.93**	$ 2.18

When calculating diluted net earnings per share for the year ended March 31, 2019, 7,270,893 options (3,822,206 options for the year ended March 31, 2018) 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 net earnings per share as of the date of purchase.

NOTE 16 BUSINESS ACQUISITIONS

F&A DAIRY PRODUCTS, INC.

On November 30, 2018, the Company completed the acquisition of the activities of F&A Dairy Products, Inc. (F&A). Its activities were conducted at two manufacturing facilities located in Las Cruces, New Mexico, and activities no longer conducted at Dresser, Wisconsin (USA). F&A manufactures a variety of natural cheeses, including mozzarella and provolone, which are distributed in the United States and Mexico.

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

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

The purchase price allocation will be completed during fiscal 2020.

SHEPHERD GOURMET DAIRY (ONTARIO) INC.

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

The purchase price was $99.8 million, on a debt-free-basis, of which $89.8 million was paid in cash from cash on hand and available credit facilities and $10.0 million represents a balance payable to the vendor.

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

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

NOTE 16 BUSINESS ACQUISITIONS (CONT'D)

MURRAY GOULBURN CO-OPERATIVE CO. LIMITED

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

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

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

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

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

The allocation of each purchase price is presented below.

		Murray Goulburn	Shepherd Gourmet	F&A	2019 Total
Assets acquired	Cash	$ 7.4	$ -	$ -	$ 7.4
	Receivables	244.8	5.1	18.5	268.4
	Inventories	382.9	3.2	8.7	394.8
	Prepaid expenses and other assets	10.4	0.5	0.1	11.0
	Assets held for sale	240.3	-	-	240.3
	Property, plant and equipment	632.1	12.8	58.7	703.6
	Goodwill	10.5	78.3	39.0	127.8
	Intangible assets	38.9	5.2	-	44.1
	Other assets	3.9	-	-	3.9
	Deferred income taxes	16.6	-	-	16.6
Liabilities assumed	Accounts payable and accrued liabilities	(280.9)	(3.7)	(15.4)	(300.0)
	Other liabilities	(30.6)	-	(1.5)	(32.1)
	Deferred income taxes	-	(1.6)	-	(1.6)
Net assets acquired and total consideration		$ 1,276.3	$ 99.8	$ 108.1	$ 1,484.2

BETIN, INC.

On December 12, 2017, the Company completed the acquisition of Betin, Inc., doing business as Montchevre (Betin or Montchevre). The purchase price of $348.1 million, on a debt free basis, was paid in cash.

Montchevre manufactured, marketed and distributed goat cheese in the USA, mainly under the *Montchevre* brand. Its activities are conducted at one manufacturing facility located in Belmont, Wisconsin (USA).

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

NOTE 16 BUSINESS ACQUISITIONS (CONT'D)

EXTENDED SHELF-LIFE (ESL) DAIRY PRODUCT ACTIVITIES OF SOUTHEAST MILK, INC. (SMI)

On September 29, 2017, the Company acquired the ESL dairy product activities of SMI. The purchase price of $63.6 million, on a debt free basis, included cash consideration of $37.0 million.

Its activities are conducted at one manufacturing facility located in Plant City, Florida (USA).

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

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

		Betin	SMI	2018 Total
Assets acquired	Working capital	$ 38.4	$ 2.8	$ 41.2
	Property, plant and equipment	17.5	38.6	56.1
	Goodwill	211.6	22.2	233.8
	Intangibles	131.6	-	131.6
Liabilities assumed	Finance lease obligations	-	(26.6)	(26.6)
	Deferred income taxes	(51.0)	-	(51.0)
Net assets acquired and total consideration		$ 348.1	$ 37.0	$ 385.1

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 99% 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 2019, the defined contribution expenses for the Company amounted to $63.4 million compared to $47.8 million for fiscal 2018. The Company expects to contribute approximately $65.3 million to its defined contribution plans for fiscal 2020.

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 $4.1 million to its defined benefit plans in 2020. The Company's net liability for post-employment benefit plans comprises the following:

	March 31, 2019	March 31, 2018
Present value of funded obligation	**$ 71.2**	$ 72.2
Fair value of assets	**66.3**	67.0
Present value of net obligations for funded plans	**4.9**	5.2
Present value of unfunded obligations	**30.9**	27.1
Present value of net obligations	**35.8**	32.3
Asset ceiling test	**0.8**	0.8
Accrued pension/benefit cost as at March 31	**36.6**	33.1
Employee benefit amounts on the statement of financial position as net liability	**$ 36.6**	$ 33.1

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

	March 31, 2019	March 31, 2018
Defined benefit obligation, beginning of year	**$ 99.3**	$ 102.8
Current service costs	**5.2**	5.0
Interest cost	**3.5**	3.6
Actuarial losses from change in experience	**0.1**	2.2
Actuarial losses from change in economic assumptions	**3.3**	2.8
Actuarial (gains) losses from change in demographic assumptions	**(0.1)**	0.4
Effects of settlement[1]	**(5.6)**	(1.2)
Exchange differences	**0.5**	(0.3)
Benefits paid	**(4.1)**	(16.0)
Defined benefit obligation, end of year	**$ 102.1**	$ 99.3

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

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

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

	March 31, 2019	March 31, 2018
Fair value of plan assets, beginning of year	$ 67.0	$ 64.9
Interest income on plan assets	2.3	2.5
Return on plan assets, excluding interest income	0.5	-
Administration costs	(0.3)	(0.3)
Contributions by employer	6.4	17.6
Effects of settlement[1]	(5.7)	(1.6)
Exchange differences	0.2	(0.1)
Benefits paid	(4.1)	(16.0)
Fair value of plan assets, end of year	$ 66.3	$ 67.0

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

Actual return on plans assets amounted to a gain of $2.5 million in fiscal 2019 compared to a gain of $2.2 million in fiscal year 2018.

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

	March 31, 2019	March 31, 2018
Bonds	75%	48%
Equity instruments	24%	45%
Cash and short–term investments	1%	7%
	100%	100%

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

	March 31, 2019	March 31, 2018
Employer current service cost	$ 5.2	$ 5.0
Effect of settlement	0.1	0.5
Administration costs	0.3	0.3
Interest costs	3.4	3.6
Interest income on plan assets	(2.3)	(2.5)
Defined benefits plans expense	$ 6.7	$ 6.9

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, 2019	March 31, 2018
Net losses during the year	$ (2.9)	$ (5.4)
Effect of the asset ceiling test	-	0.2
Amount recognized in other comprehensive income	$ (2.9)	$ (5.2)

Weighted average assumptions used in computing the benefit obligations at the financial position date are as follows:

	March 31, 2019	March 31, 2018
Discount rate	3.36%	3.59%
Duration of the obligation	18.40	18.13
Future salary increases	3.00%	3.00%
Mortality table	2014 Private Sector Canadian Pensioners' Mortality Table, projected generationally using Scale MI-2017	2014 Private Sector Canadian Pensioners' Mortality Table, projected generationally using Scale MI-2017

The impact of an increase and a decrease of 1% on the discount rate would be $16.1 million and $19.3 million respectively. Also, an increase or a decrease of 1% on the future salary assumptions would be approximately $3.5 million on the obligation and a 10% increase in life expectancy would represent approximately $1.6 million.

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

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

	March 31, 2019	March 31, 2018
Discount rate	**3.59%**	3.77%
Future salary increases	**3.00%**	3.00%
Mortality table	**2014 Private Sector Canadian Pensioners' Mortality Table, projected generationally using Scale MI-2017**	2014 Private Sector Canadian Pensioners' Mortality Table, projected generationally using Scale CPM-B

For measurement purposes, a 2.5% to 7.0% annual rate of increase was used for health, life insurance and dental plan costs for the fiscal years 2019 and 2018.

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	$ 110.4	$ 154.1	$ 264.5
1-2 years	85.6	-	85.6
2-3 years	62.7	-	62.7
3-4 years	49.7	-	49.7
4-5 years	39.3	-	39.3
More than 5 years	183.5	-	183.5
	$ 531.2	$ 154.1	$ 685.3

[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. 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 consolidated income statements or consolidated statement of financial position.

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, 2019, 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, 2019 and March 31, 2018, the Company has not recorded any significant liabilities associated with these indemnifications.

LETTERS OF CREDIT

As at March 31, 2019, the Company had issued letters of credit in an aggregate amount of $58.4 million pursuant to a banking facility authorizing the issuance of letters of credit in an aggregate amount of $109.5 million (as at March 31, 2018, the Company had issued letters of credit in an aggregate amount of $43.8 million pursuant to a banking facility authorizing the issuance of letters of credit in an aggregate amount of $100.0 million).

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:

		2019		2018
Entities subject to control or significant influence through ownership by its principal shareholder	**$**	**5.9**	$	6.3
Key management personnel				
Directors		**2.4**		2.6
Executive officers		**26.0**		28.1
	$	**34.3**	$	37.0

Dairy products provided by the Company were the following:

		2019		2018
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, 2019		March 31, 2018		**March 31, 2019**		March 31, 2018
Entities subject to control or significant influence through ownership by its principal shareholder	**$**	**0.1**	$	0.1	**$**	**0.2**	$	0.5
Key management personnel								
Directors		**-**		-		**15.9**		12.2
Executive officers		**-**		-		**33.7**		27.8
	$	**0.1**	$	0.1	**$**	**49.8**	$	40.5

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 incentives, 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 who retired in August 2017, consists of the following:

		2019		2018
Directors				
Cash-settled payments	$	0.1	$	0.3
Stock-based compensation		2.3		2.3
	$	2.4	$	2.6
Executive officers				
Short-term employee benefits		12.1		13.5
Post-employment benefits		3.3		3.5
Stock-based compensation		10.6		11.1
	$	26.0	$	28.1
Total compensation	$	28.4	$	30.7

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 Dairy Products Canada G.P.	100.00%	Canada
Saputo Cheese USA Inc.	100.00%	USA
Saputo Dairy Foods USA, LLC	100.00%	USA
Saputo Dairy Australia Pty LTD	100.00%	Australia
Warrnambool Cheese and Butter Factory Company Holdings Limited	100.00%	Australia
Molfino Hermanos S.A.	100.00%	Argentina

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, 2019 and March 31, 2018. No customer represented more than 10% of total consolidated revenues for the year ended March 31, 2019 (one customer with 10.4% in 2018).

NOTE 20 FINANCIAL INSTRUMENTS (CONT'D)

Allowance for doubtful accounts and past due receivables are reviewed by Management at each financial position date. The Company updates its estimate of the allowance for doubtful accounts based on the evaluation of the recoverability of trade receivables with each customer base, taking into account historical collection trends of past due accounts and current economic conditions. 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 allowance for doubtful accounts is sufficient to cover the carrying amount of receivables considered past due and at risk. The amount of the loss is recognized in the consolidated income statements within operating costs. Subsequent recoveries of amounts previously written off are credited against operating costs in the consolidated income statements. 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, 2019, 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 and unsecured bank term loans facilities 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.

For the fiscal year ended March 31, 2019, the interest expense on long-term debt totalled $66.6 million ($33.8 million in fiscal 2018). The interest accrued as at March 31, 2019, was $11.0 million ($9.7 million as at March 31, 2018).

As at March 31, 2019, the net amount exposed to short-term rates fluctuations was approximately $705.6 million. Based on this exposure, an assumed 1% increase in the interest rate would have an unfavourable impact of approximately $4.9 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, Australian dollars and Argentine Peso.

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 loss of $10.9 million (net of tax of $4.7 million) in other comprehensive income as a result. A loss of $9.9 million (net of tax of $4.2 million) was reclassified to net earnings during fiscal 2019 related to these forward exchange contracts. These cash flow hedges were also deemed to be highly effective on March 31, 2018, and an unrealized gain of $2.8 million (net of tax of $1.2 million), was recorded, during last fiscal year, in other comprehensive income. A gain of $6.0 million (net of tax of $2.6 million) was reclassified to net earnings during fiscal 2018 related to these forward exchange contracts.

During last fiscal year, the Company entered into forward exchange contracts in order to offset market fluctuations in the USD/CAD exchange rates for the US dollars intercompany financing. This intercompany financing from our US to Canada divisions for the foreign exchange hedge will settle in November 2019 for US$250.0 million. This cash flow hedges were highly effective and accordingly, the Company recognized an unrealized gain of $1.7 million (net of tax of $0.3 million) in other comprehensive income. During fiscal 2019, a gain of $0.8 million (net of tax of $0.2 million) in other comprehensive income was reclassified to net earnings related to this forward exchange contracts.

The Company's largest exposure comes from the 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.

		2019		2018
Change in net earnings	**$**	**14.8**	$	32.0
Change in comprehensive income	**$**	**310.6**	$	281.2

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 financial position date had a positive fair value of approximately $0.6 million (negative fair value of approximately $1.9 million at March 31, 2018).

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 loss of $1.3 million (net of tax of $0.2 million) was recorded in other comprehensive income. The gains recorded in the consolidated statement of comprehensive income are transferred to the consolidated 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 $0.6 million (net of tax of $0.4 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, 2019 and March 31, 2018. 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, 2019		March 31, 2018	
	Fair value	**Carrying value**	Fair value	Carrying value
Cash flow hedges				
Commodity derivatives (Level 2)	**$ 0.3**	**$ 0.3**	$ (1.4)	$ (1.4)
Foreign exchange derivatives (Level 2)	**0.2**	**0.2**	(8.7)	(8.7)
Derivatives not designated in a formal hedging relationship				
Equity forward contracts (Level 2)	**1.8**	**1.8**	(1.4)	(1.4)
Commodity derivatives (Level 2)	**0.3**	**0.3**	(0.5)	(0.5)
Long-term debt (Level 2)	**$ 2,266.9**	**$ 2,267.3**	$ 1,410.0	$ 1,425.3

The following table summarizes the financial instruments measured at fair value in the consolidated statement of financial position as at March 31, 2019 and March 31, 2018, classified using the fair value hierarchy described in Note 3.

March 31, 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Commodity futures contracts	**$ -**	**$ 0.6**	**$ -**	**$ 0.6**
Foreign exchange contracts	**-**	**0.2**	**-**	**0.2**
Equity forward contracts	**-**	**1.8**	**-**	**1.8**
	$ -	**$ 2.6**	**$ -**	**$ 2.6**

March 31, 2018	Level 1	Level 2	Level 3	Total
Commodity futures contracts	$ -	$ (1.9)	-	$ (1.9)
Foreign exchange contracts	-	(8.7)	-	(8.7)
Equity forward contracts	-	(1.4)	-	(1.4)
	$ -	$ (12.0)	$ -	$ (12.0)

For the years ended March 31, 2019 and 2018, 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 financial position 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, gain on disposal of assets, acquisition and restructuring costs, and gain on hyperinflation. 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, gain on disposal of assets, acquisition and restructuring costs, and gain on hyperinflation. The net debt-to-earnings before interest, income taxes, depreciation, amortization, gain on disposal of assets, acquisition and restructuring costs, and gain on hyperinflation ratios as at March 31, 2019 and March 31, 2018, are as follows:

		2019		2018
Bank loans	$	130.4	$	193.3
Long-term debt, including current portion		2,267.3		1,425.3
Cash and cash equivalents		(112.7)		(122.2)
Net debt	$	2,285.0	$	1,496.4
Earnings before interest, income taxes, depreciation, amortization, gain on disposal of assets, acquisition and restructuring costs, and gain on hyperinflation	$	1,221.3	$	1,264.7
Net debt-to-earnings before interest, income taxes, depreciation, amortization, gain on disposal of assets, acquisition and restructuring costs, and gain on hyperinflation		1.87		1.18

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, 2019.

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:

		2019		2018
Restructuring costs	$	1.2	$	33.7
Acquisition costs		50.2		6.9
Total	$	51.4	$	40.6

RESTRUCTURING COSTS

In fiscal 2019, the Company announced the closure of one facility. The closure occured in March 2019.

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

		2019		2018
Write down of non-current assets	$	0.2	$	10.6
Closure costs		1.0		23.1
Total	$	1.2	$	33.7

The write down of non-current assets, recorded in fiscal 2019, 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 2019 is $0.8 million ($25.1 million in fiscal 2018).

The restructuring costs recorded in fiscal 2019 represent estimated expenses required to restructure these operations. Liabilities related to severance expenditures have been grouped within current liabilities on the consolidated statement of financial position.

ACQUISITION COSTS

In connection with the Murray Goulburn Acquisition, F&A Acquisition and Shepherd Gourmet Acquisition, (Note 16), the Company incurred acquisition costs of $50.2 million ($35.3 million after tax) in fiscal 2019 of which approximately $39 million represents stamp duties for the Murray Goulburn Acquisition. In fiscal 2018, acquisition costs incurred were $6.9 million ($5.6 million after tax).

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 (Australia) and the Dairy Division (Argentina).

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, gain on disposal of assets, acquisition and restructuring costs, and gain on hyperinflation.

Management has aggregated the Cheese Division (USA) and the Dairy Foods Division (USA) due to similarities in long-term average 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		**2019**		2018
Revenues				
Canada	**$**	**4,043.1**	$	4,069.9
USA		**6,507.7**		6,132.8
International		**2,951.1**		1,339.8
	$	**13,501.9**	$	11,542.5
Earnings before interest, income taxes, depreciation, amortization, gain on disposal of assets, acquisition and restructuring costs, and gain on hyperinflation				
Canada	**$**	**413.7**	$	475.9
USA		**544.7**		649.4
International		**262.9**		139.4
	$	**1,221.3**	$	1,264.7
Depreciation and amortization				
Canada	**$**	**73.9**	$	55.9
USA		**162.3**		138.4
International		**76.8**		32.0
	$	**313.0**	$	226.3
Gain on disposal of assets		**(194.5)**		
Acquisition and restructuring costs		**51.4**		40.6
Gain on hyperinflation		**(18.5)**		
Financial charges, net		**84.3**		47.9
Earnings before income taxes		**985.6**		949.9
Income taxes		**230.3**		97.4
Net earnings	**$**	**755.3**	$	852.5

NOTE 23 SEGMENTED INFORMATION (CONT'D)

GEOGRAPHIC INFORMATION

	March 31, 2019	March 31, 2018
Revenues		
Canada	**$ 4,043.1**	$ 4,069.9
USA	**6,507.7**	6,132.8
Australia	**2,301.0**	672.5
Argentina	**650.1**	667.3
	$ 13,501.9	$ 11,542.5
Net book value of property, plant and equipment		
Canada	**$ 679.3**	$ 592.3
USA	**1,499.2**	1,361.4
Australia	**818.4**	216.3
Argentina	**98.5**	50.0
	$ 3,095.4	$ 2,220.0
Intangibles		
Canada	**$ 342.9**	$ 342.4
USA	**429.8**	398.3
Australia	**91.9**	67.6
Argentina	**11.6**	14.8
	$ 876.2	$ 823.1

The following table presents revenues by market segmentation. Certain prior year's figures have been reclassified to conform to the current presentation.

	March 31, 2019	March 31, 2018
Revenues		
Retail	**$ 6,342.3**	$ 5,688.1
Foodservice	**4,794.7**	4,481.9
Industrial	**2,364.9**	1,372.5
	$ 13,501.9	$ 11,542.5

NOTE 24 DIVIDENDS

During the year ended March 31, 2019, the Company paid dividends totalling $254.6 million, or $0.66 per share ($243.5 million, or $0.64 per share for the year ended March 31, 2018).

NOTE 25 SUBSEQUENT EVENTS

ACQUISITION OF DAIRY CREST GROUP PLC

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

The total consideration of approximately £1.2 billion ($2.1 billion), which includes a purchase price for the entire issued ordinary share capital of £975 million ($1.7 billion), paid in cash, and £256 million ($445 million) of assumed debt, was financed through the DC Acquisition Facility (Note 10). Due to the recent closing of the acquisition of Dairy Crest, the valuation and initial purchase price allocation for the business combination was not completed as at the date of release of these financial statements. As a result, the Company has not provided amounts recognized as at the acquisition date for major classes of assets acquired and liabilities assumed, including goodwill. The allocation of the total consideration will be finalized after a comprehensive evaluation of the fair value of net assets acquired has been completed.

NOTE 25 SUBSEQUENT EVENTS (CONT'D)

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

On April 26, 2019, the Company announced that it had entered into an agreement to acquire the specialty cheese business of Lion-Dairy & Drinks Pty Ltd (Specialty Cheese Business), in Australia. The transaction is subject to foreign investment approval and clearance by the Australian Competition and Consumer Commission and is expected to close in the second half of calendar year 2019. The Specialty Cheese Business produces, markets and distributes a variety of specialty cheeses under a wide portfolio of Australian brands, including *South Cape*, *Tasmanian Heritage*, *Mersey Valley* and *King Island Dairy*.

The purchase price of approximately $265 million (AU$280 million), on a cash-free and debt-free basis, will be paid in cash at closing from cash on hand and available credit facilities.