Saputo

JUNE 9, 2022

MANAGEMENT'S DISCUSSION & ANALYSIS

CONSOLIDATED FINANCIAL STATEMENTS

FY2022

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MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

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

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This report contains statements which are forward-looking statements within the meaning of applicable securities laws. These forward-looking statements include, among others, statements with respect to our objectives, outlook, business projects, strategies, beliefs, expectations, targets, commitments, goals, ambitions and strategic plans including our ability to achieve these targets, commitments, goals, ambitions and strategic plans, and statements other than historical facts. The words “may”, “could”, “should”, “will”, “would”, “believe”, “plan”, “expect”, “intend”, “anticipate”, “estimate”, “foresee”, “objective”, “continue”, “propose”, “aim”, “commit”, “assume”, “forecast”, “predict”, “seek”, “project”, “potential”, “goal”, “target”, or “pledge”, or the negative of these terms or variations of them, the use of conditional or future tense or words and expressions of similar nature, are intended to identify forward-looking statements. All statements other than statements of historical fact included in this report may constitute forward-looking statements within the meaning of applicable securities laws.

By their nature, forward-looking statements are subject to a number of inherent risks and uncertainties. Actual results could differ materially from those stated, implied, or projected in such forward-looking statements. As a result, we cannot guarantee that any forward-looking statements will materialize, and we warn readers that these forward-looking statements are not statements of historical fact or guarantees of future performance in any way. Assumptions, expectations, and estimates made in the preparation of forward-looking statements and risks and uncertainties that could cause actual results to differ materially from current expectations are discussed in our materials filed with the Canadian securities regulatory authorities from time to time, including the "Risks and Uncertainties" section of this MD&A.

Such risks and uncertainties include the following: product liability; the COVID-19 pandemic and related ongoing impacts; the availability of raw materials (including as a result of climate change, extreme weather, or global or local supply chain disruptions caused by the COVID-19 pandemic, geopolitical developments, military conflicts and trade sanctions) and related price variations, along with our ability to transfer those increases, if any, to our customers in competitive market conditions; supply chain strain and supplier concentration; the price fluctuation of our products in the countries in which we operate, as well as in international markets, which are based on supply and demand levels for dairy products; our ability to identify, attract, and retain qualified individuals; cyber threats and other information technology-related risks relating to business disruptions, confidentiality, data integrity business and email compromise-related fraud; the increased competitive environment in our industry; consolidation of clientele; unanticipated business disruption; changes in consumer trends; changes in environmental laws and regulations; the potential effects of climate change; increased focus on environmental sustainability matters; the failure to execute our Global Strategic Plan as expected or to adequately integrate acquired businesses in a timely and efficient manner; the failure to complete capital expenditures as planned; changes in interest rates and access to capital and credit markets.

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

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

All forward-looking statements included herein speak only as of the date hereof or as of the specific date of such forward-looking statements. Except as required under applicable securities legislation, Saputo does not undertake to update or revise forward-looking statements, whether written or verbal, that may be made from time to time by itself or on our behalf, whether as a result of new information, future events, or otherwise. All forward-looking statements contained herein are expressly qualified by this cautionary statement.

SELECTED FINANCIAL INFORMATION

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

	2022	2021	2020
Revenues	**15,035**	14,294	14,944
Operating costs excluding depreciation, amortization, inventory revaluation resulting from a business acquisition, and restructuring costs	**13,880**	12,823	13,476
Adjusted EBITDA[1]	**1,155**	1,471	1,468
Margin[1]	***7.7 %***	*10.3 %*	*9.8 %*
Net earnings	**274**	626	583
Margin[2]	***1.8 %***	*4.4 %*	*3.9 %*
Adjusted net earnings[1]	**485**	715	724
Margin[1]	***3.2 %***	*5.0 %*	*4.8 %*
PER SHARE			
Net earnings per share (EPS) basic	**0.66**	1.53	1.46
EPS diluted	**0.66**	1.52	1.45
Adjusted EPS basic[1]	**1.17**	1.74	1.81
Adjusted EPS diluted[1]	**1.17**	1.74	1.80
Dividends	**0.72**	0.70	0.68
Book value[2]	**15.61**	15.63	16.05
FINANCIAL POSITION			
Working capital[2]	**1,515**	1,802	1,576
Total assets	**13,683**	13,123	13,793
Long-term debt, including current portion	**3,375**	3,578	3,542
Net debt[2]	**4,080**	3,806	4,166
Total non-current financial liabilities[2]	**3,461**	3,667	3,890
Equity	**6,505**	6,444	6,559
FINANCIAL RATIOS			
Net debt / Equity[2]	**0.63**	0.59	0.64
Net debt / adjusted EBITDA[1]	**3.53**	2.59	2.84
Adjusted return on average equity[1]	***6.4 %***	*10.5 %*	*12.3 %*
STATEMENT OF CASH FLOWS			
Net cash generated from operations	**693**	1,078	1,037
Additions to property, plant and equipment, and intangible assets	**498**	434	576
Business acquisitions	**371**	—	1,930
Payment of dividends (Net of dividends paid through DRIP[3] of $87 million in fiscal 2022 and $80 million in fiscal 2021)	**209**	205	270

1 This is a total of segments measure, a non-GAAP financial measure, or a non-GAAP ratio. See the "Non-GAAP Measures" section of this MD&A for more information, including the definition and composition of the measure or ratio as well as the reconciliation to the most comparable measure in the primary financial statements, as applicable.
2 Refer to the "Glossary" section of this MD&A.
3 Effective as of the dividend paid on July 9, 2020, a dividend reinvestment plan (DRIP) was implemented.

NON-GAAP MEASURES

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

Term Used	Definition
Adjusted EBITDA	Net earnings before income taxes, financial charges, acquisition and restructuring costs, inventory revaluation resulting from a business acquisition, gain on disposal of assets, impairment of intangible assets, and depreciation and amortization.
Adjusted net earnings[1]	Net earnings before the UK tax rate change, acquisition and restructuring costs, inventory revaluation resulting from a business acquisition, gain on disposal of assets, impairment of intangible assets, and amortization of intangible assets related to business acquisitions, net of applicable income taxes.
Adjusted EBITDA margin	Adjusted EBITDA expressed as a percentage of revenues.
Adjusted net earnings margin	Adjusted net earnings expressed as a percentage of revenues.
Adjusted EPS basic	Adjusted net earnings per basic common share.
Adjusted EPS diluted	Adjusted net earnings per diluted common share.
Adjusted return on average equity	Net earnings before the UK tax rate change, acquisition and restructuring costs, inventory revaluation resulting from a business acquisition, gain on disposal of assets, and impairment of intangible assets, net of applicable income taxes, divided by average total equity, not considering the effect of annual fluctuations in foreign currency translation and adjusting items to net earnings identified above.
Net debt / adjusted EBITDA	Net debt divided by adjusted EBITDA.

[1] In previous periods, adjusted net earnings included amortization of intangible assets related to business acquisitions, net of applicable income tax. Starting in the fourth quarter of fiscal 2022, adjusted net earnings excludes amortization of intangible assets related to business acquisitions, net of applicable income taxes, to provide a more effective measure to assess performance against the Company's peer group due to the application of various accounting policies in relation to the amortization of acquired intangible assets. Comparative periods included in this MD&A were aligned to meet the current presentation.

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

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

NON-GAAP FINANCIAL MEASURES AND RATIOS

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

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

Adjusted net earnings and adjusted net earnings margin

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

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

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

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

	Q4	Q3	Q2	Q1	Fiscal 2022
Net earnings	**37**	**86**	**98**	**53**	**274**
UK tax rate change[2]	**—**	**—**	**—**	**50**	**50**
Acquisition and restructuring costs[1]	**51**	**—**	**(1)**	**1**	**51**
Gain on disposal of assets[1]	**—**	**(8)**	**—**	**—**	**(8)**
Impairment of intangible assets[1]	**—**	**43**	**—**	**—**	**43**
Amortization of intangible assets related to business acquisitions[1]	**20**	**18**	**19**	**18**	**75**
Adjusted net earnings	**108**	**139**	**116**	**122**	**485**
Revenues	**3,957**	**3,901**	**3,689**	**3,488**	**15,035**
Margin	***2.7 %***	***3.6 %***	***3.1 %***	***3.5 %***	***3.2 %***

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

	Q4	Q3	Q2	Q1	Fiscal 2021	Fiscal 2020
Net earnings	103	210	171	142	626	583
Acquisition and restructuring costs[1]	2	—	(5)	—	(3)	38
Inventory revaluation resulting from a business acquisition	—	—	—	—	—	33
Impairment of intangible assets[1]	—	—	—	19	19	—
Amortization of intangible assets related to business acquisitions[1]	19	18	18	18	73	70
Adjusted net earnings	124	228	184	179	715	724
Revenues	3,438	3,763	3,702	3,391	14,294	14,944
Margin	*3.6 %*	*6.1 %*	*5.0 %*	*5.3 %*	*5.0 %*	*4.8 %*

1 Net of income taxes.
2 On June 10, 2021, the UK Finance Act 2021 was enacted, increasing the UK tax rate from 19% to 25%, effective April 1, 2023. Refer to Note 15 to the consolidated financial statements for further information.

Adjusted EPS basic and adjusted EPS diluted

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

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

Adjusted return on average equity

Adjusted return on average equity is a component in the determination of long-term incentive compensation for management. The calculation of adjusted return on average equity uses adjusted net earnings including amortization of intangible assets related to business acquisitions, net of applicable income taxes, consistent with the composition of this non-GAAP financial measure prior to the fourth quarter of fiscal 2022. For more details on adjusted return on average equity, refer to the definition table above in the non-GAAP measures section.

Adjusted net earnings including amortization of intangible assets related to business acquisitions, net of applicable income taxes, were as follows for the years ended March 31:

	2022	2021	2020
Adjusted net earnings	**485**	715	724
Amortization of intangible assets related to business acquisitions, net of applicable income taxes	**(75)**	(73)	(70)
Adjusted net earnings including amortization of intangible assets related to business acquisitions, net of applicable income taxes	**410**	642	654

Average total equity, not considering the effect of annual fluctuations in foreign currency translation and adjusting items to net earnings identified above, were as follows for the years ended March 31:

	2022	2021	2020
Equity beginning of year	**6,444**	6,559	5,421
Foreign currency translation beginning of year	**(210)**	(668)	(582)
Adjusted net earnings items from prior year	**16**	71	(132)
Adjusted equity beginning of year	**6,250**	5,962	4,707
Equity end of year	**6,505**	6,444	6,559
Foreign currency translation end year	**(66)**	(210)	(668)
Adjusted net earnings items of the current year	**136**	16	71
Adjusted equity end of year	**6,575**	6,250	5,962
Average total equity	**6,413**	6,106	5,335
Adjusted return on average equity	***6.4 %***	*10.5 %*	*12.3 %*

Net debt to adjusted EBITDA

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

TOTAL OF SEGMENTS MEASURES

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

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

Adjusted EBITDA and adjusted EBITDA margin

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

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

(in millions of CDN dollars)

	Q4	Q3	Q2	Q1	Fiscal 2022
Net earnings	**37**	**86**	**98**	**53**	**274**
Income taxes	**(12)**	**26**	**31**	**86**	**131**
Financial charges	**16**	**17**	**19**	**18**	**70**
Acquisition and restructuring costs	**71**	**—**	**(2)**	**2**	**71**
Gain on disposal of assets	**—**	**(9)**	**—**	**—**	**(9)**
Impairment of intangible assets	**—**	**58**	**—**	**—**	**58**
Depreciation and amortization	**148**	**144**	**137**	**131**	**560**
Adjusted EBITDA	**260**	**322**	**283**	**290**	**1,155**
Revenues	**3,957**	**3,901**	**3,689**	**3,488**	**15,035**
Margin	***6.6 %***	***8.3 %***	***7.7 %***	***8.3 %***	***7.7 %***

(in millions of CDN dollars)

	Q4	Q3	Q2	Q1	Fiscal 2021	Fiscal 2020
Net earnings	103	210	171	142	626	583
Income taxes	39	67	57	55	218	217
Financial charges	23	26	22	25	96	115
Acquisition and restructuring costs	3	—	(6)	—	(3)	46
Inventory revaluation resulting from a business acquisition	—	—	—	—	—	40
Impairment of intangible assets	—	—	—	19	19	—
Depreciation and amortization	135	128	126	126	515	467
Adjusted EBITDA	303	431	370	367	1,471	1,468
Revenues	3,438	3,763	3,702	3,391	14,294	14,944
Margin	*8.8 %*	*11.5 %*	*10.0 %*	*10.8 %*	*10.3 %*	*9.8 %*

STATEMENT OF EARNINGS

(in millions of CDN dollars)

	For the three-month periods ended March 31		For the years ended March 31	
	2022	2021	**2022**	2021
Revenues				
Canada	**1,055**	1,001	**4,281**	4,135
USA	**1,743**	1,399	**6,409**	6,122
International	**922**	827	**3,453**	3,221
Europe	**237**	211	**892**	816
	3,957	3,438	**15,035**	14,294
Operating costs excluding depreciation, amortization, inventory revaluation resulting from a business acquisition, and restructuring costs				
Canada	**938**	893	**3,806**	3,688
USA	**1,701**	1,306	**6,121**	5,555
International	**860**	765	**3,205**	2,916
Europe	**198**	171	**748**	664
	3,697	3,135	**13,880**	12,823
Adjusted EBITDA				
Canada	**117**	108	**475**	447
USA	**42**	93	**288**	567
International	**62**	62	**248**	305
Europe	**39**	40	**144**	152
Total[1]	**260**	303	**1,155**	1,471
Adjusted EBITDA margin[1]	***6.6 %***	*8.8 %*	***7.7 %***	*10.3 %*
Depreciation and amortization				
Canada	**27**	27	**103**	99
USA	**57**	51	**210**	200
International	**34**	30	**132**	112
Europe	**30**	27	**115**	104
	148	135	**560**	515
Impairment of intangible assets	**—**	—	**58**	19
Gain on disposal of assets	**—**	—	**(9)**	—
Acquisition and restructuring costs	**71**	3	**71**	(3)
Financial charges	**16**	23	**70**	96
Earnings before incomes taxes	**25**	142	**405**	844
Income taxes	**(12)**	39	**131**	218
Net earnings	**37**	103	**274**	626
Net earnings margin[2]	***0.9 %***	*3.0 %*	***1.8 %***	*4.4 %*

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

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

STATEMENT OF EARNINGS (CONT'D)

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

	For the three-month periods ended March 31		For the years ended March 31	
	2022	2021	**2022**	2021
Adjusted net earnings[1]	**108**	124	**485**	715
Adjusted net earnings margin[1]	***2.7 %***	*3.6 %*	***3.2 %***	*5.0 %*
PER SHARE DATA				
EPS basic	**0.09**	0.25	**0.66**	1.53
EPS diluted	**0.09**	0.25	**0.66**	1.52
Adjusted EPS basic[1]	**0.26**	0.30	**1.17**	1.74
Adjusted EPS diluted[1]	**0.26**	0.30	**1.17**	1.74

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

Selected factors positively (negatively) affecting financial performance

(in millions of CDN dollars)

	For the three-month periods ended March 31		For the years ended March 31	
	2022	2021	**2022**	2021
USA Market Factors[1,2]	**(19)**	(4)	**(118)**	57
Foreign currency exchange[2,3]	**(12)**	(2)	**(72)**	(2)

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

2 Reflects the effect on adjusted EBITDA as compared to same quarter last fiscal year for the three-month periods; as compared to last fiscal year for the years ended March 31. Adjusted EBITDA is a total of segments measure. See the "Non-GAAP Measures" section of this MD&A for more information, including the definition and composition of the measure as well as the reconciliation to the most comparable measure in the primary financial statements, as applicable.

3 Foreign currency exchange includes the effect of the conversion of US dollars, Australian dollars, British pounds sterling, and Argentine pesos to Canadian dollars.

HIGHLIGHTS

Fourth quarter of fiscal 2022

- Revenues amounted to $3.957 billion, up $519 million or 15.1%.
- Net earnings totalled $37 million and EPS (basic and diluted) were $0.09, as compared to $103 million of net earnings and EPS (basic and diluted) of $0.25.
- Adjusted EBITDA[1] amounted to $260 million, down $43 million or 14.2%.
- Adjusted net earnings[1] totalled $108 million, as compared to $124 million, and adjusted EPS[1] (basic and diluted) were $0.26, as compared to $0.30.
- Net cash generated from operations amounted to $184 million, up $33 million or 21.9%.
- Challenging market conditions, including labour shortages, supply chain disruptions, and inflationary pressures, continued to impact our sectors to varying degrees, with the USA Sector being the most impacted.
- Input and logistics costs, mainly in North America, continued to be impacted by inflation. Pricing initiatives were not sufficient to mitigate these cost increases.
- USA Market Factors[2] negatively impacted adjusted EBITDA by $19 million, compared to the same quarter last fiscal year, mainly due to the effect of the negative spread[2].
- The Canada Sector continued to show improved results despite challenging market conditions.
- The fluctuation of the Canadian dollar versus foreign currencies negatively impacted revenues and adjusted EBITDA by $35 million and $12 million, respectively.
- Restructuring costs of $51 million after tax, which included non-cash fixed assets write-downs totalling $43 million, were incurred in connection with initiatives being undertaken under the Optimize and enhance operations pillar of our Global Strategic Plan. These initiatives include:
    - Previously announced capital investments and consolidation initiatives intended to enhance and streamline our manufacturing footprint in the USA Sector and in the International Sector; and
    - Plans to outsource warehouse and distribution activities in the Europe Sector, creating opportunities for network consolidation.
- The Board of Directors approved a dividend of $0.18 per share payable on June 28, 2022, to common shareholders of record on June 21, 2022.

Fiscal 2022

- Revenues amounted to $15.035 billion, an increase of $741 million or 5.2%.
- Net earnings totalled $274 million and EPS (basic and diluted) were $0.66, as compared to $626 million of net earnings and EPS (basic and diluted) of $1.53 and $1.52.
- Adjusted EBITDA[1] amounted to $1.155 billion, down $316 million or 21.5%.
- Adjusted net earnings[1] totalled $485 million, as compared to $715 million, and adjusted EPS[1] (basic and diluted) were $1.17, as compared to $1.74.
- Net cash generated from operations totalled $693 million, down $385 million or 35.7%.
- Challenging market conditions, including labour shortages, supply chain disruptions, and inflationary pressures, impacted our sectors to varying degrees, with the USA Sector being the most impacted.
- Input and logistics costs, mainly in North America, continued to be impacted by inflation. Pricing initiatives were not sufficient to mitigate these cost increases.
- USA Market Factors[2] negatively impacted adjusted EBITDA by $118 million, compared to the last fiscal year, mainly due to the effect of the negative spread[2].
- The Canada Sector showed favourable results despite challenging market conditions.
- Sales volumes were higher, mainly due to an increase in the foodservice market segment and, to a lesser extent, in the industrial market segment, partially offset by lower retail market segment sales volumes which returned to historical levels.
- The fluctuation of the Canadian dollar versus foreign currencies negatively impacted revenues and adjusted EBITDA by $424 million and $72 million, respectively.
- During the fiscal year, we completed the acquisitions of Bute Island Foods Ltd. (Bute Island Acquisition), the Reedsburg facility of Wisconsin Specialty Protein, LLC (Reedsburg Facility Acquisition), the business of Wensleydale Dairy Products Limited (Wensleydale Dairy Products Acquisition), and the Carolina Aseptic and Carolina Dairy businesses formerly operated by AmeriQual Group Holdings, LLC (Carolina Acquisition), (collectively, the Recent Acquisitions).
- Saputo incurred restructuring costs totalling $51 million after tax.
- As part of the continuous evaluation of our overall activities and to reallocate resources to support the growth ambitions of our Global Strategic Plan, we decided to temporarily pause for a minimum of three years the final phase of the Harmoni deployment, our Enterprise Resource Planning (ERP) project, which was set to begin in Canada. An impairment of intangible assets charge of $43 million after tax was recorded during the third quarter. The impairment charge also included the effect of the application of an agenda decision of the International Financial Reporting Interpretations Committee (IFRIC) related to the capitalization of cloud-based software costs.

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

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

OUTLOOK

- We anticipate that input and logistics costs such as consumables, packaging, transportation and fuel should remain at elevated levels, but we expect strong pricing contribution across all sectors following recently announced price increases.
- We expect further price increases to be implemented over the course of the fiscal year, in line with our pricing protocols, if cost inflation continues to persist.
- Labour and operational initiatives are expected to improve our ability to supply ongoing demand and return to historical order fill rate levels, particularly in the USA.
- Current consumer trends in key categories remain positive and price elasticity will continue to be closely monitored as the year progresses.
- We anticipate the retail market segment to remain strong as at-home food spending should remain elevated versus pre-pandemic levels, while the foodservice market segment is expected to remain competitive, particularly in the USA.
- Constraints on service and volumes are expected through the first half of fiscal 2023, due to the continuing gap between supply and demand of trucking capacity and containers.
- Supply chain conditions remain challenging, and we expect the disruption from longer lead times for sourced products to continue.
- USA Market Factors[2] will remain volatile although we adjust our pricing to reflect commodity prices.
- Despite the volatile nature of international cheese and dairy ingredient markets, our outlook on export prices remains cautiously positive.
- Volumes destined for export markets continue to recover; however, the pace and timing of the recovery to pre-pandemic levels will vary depending on the export market and supply chain improvements.
- While inflation and supply chain disruptions are likely to persist, we expect a meaningful recovery in earnings in fiscal 2023, driven by the full impact of previously announced price increases, improved productivity and fixed cost absorption, a return to historical order fill rates, and benefits stemming from our Global Strategic Plan.

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

GLOBAL STRATEGIC PLAN HIGHLIGHTS

We will continue to leverage the momentum of our ongoing Global Strategic Plan initiatives to strengthen our position as a high-quality, low-cost processor with a relentless focus on productivity and efficiency.

Beyond the previously announced capital investments and consolidation initiatives to enhance and streamline our manufacturing footprint in the USA Sector and International Sector, our UK business undertook plans to outsource our Nuneaton facility's warehouse and distribution activities to a long-term partner. We will close our Frome facility and centralize cheese packing at Nuneaton over the next two years, creating a centre of excellence and providing both operational and cost synergies while offering plenty of scope for growth.

The initiatives in the Europe Sector are expected to result in annual savings and benefits gradually, beginning in fiscal 2024, and reaching approximately $6 million after tax by the end of fiscal 2026. Restructuring costs associated with these initiatives are anticipated to be approximately $13 million after tax, which include a non-cash fixed assets write-down of approximately $4 million after tax. Restructuring costs of $6 million after tax were recorded in fiscal 2022 and the balance will be recorded in fiscal 2023. Capital expenditures associated with the initiatives are expected to be approximately $36 million.

We are poised for a recovery in fiscal 2023, and we are well underway with the full-scale roll-out of our growth, cost, and productivity initiatives. Together, this should set the stage for accelerated growth in the back half of our Global Strategic Plan with a clear line of sight to our adjusted EBITDA[1] target of $2.125 billion by the end of fiscal 2025.

THE SAPUTO PROMISE

The Saputo Promise, our approach to social, environmental, and economic performance, supports our strategic plans and allows us to pursue growth and create shared value for all stakeholders, ensuring the long-term sustainability of our business.

During the fourth quarter of fiscal 2022:

- We completed the capital allocation of our three-year $50 million investment (FY21-FY23) to accelerate our climate, water, and waste performance, dedicating approximately $20 million to an additional 32 environmental projects.
- We completed the installation of four additional projects, which should deliver savings of 1,200 tonnes of CO_2, 21,000 GJ of energy, and 18,000 m^3 of water annually.
- We joined the Sustainable Agriculture Initiative Platform, a non-profit network of over 160 members worldwide, working together to advance sustainable agricultural practices through pre-competitive collaboration.

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

CONSOLIDATED RESULTS FOR THE FOURTH QUARTER AND FISCAL YEAR ENDED MARCH 31, 2022

Revenues

Revenues for the **fourth quarter of fiscal 2022** totalled $3.957 billion, up $519 million or 15.1%, as compared to $3.438 billion for the same quarter last fiscal year.

Revenues increased due to higher domestic selling prices, together with pricing initiatives implemented in all our sectors to mitigate increasing input costs, as well as higher international cheese and dairy ingredient market prices.

The combined effect of the higher average block market price[2] and of the higher average butter market price[2] had a positive impact of $217 million. The effect of the fluctuation of the Argentine peso and the Australian dollar on export sales denominated in US dollars was favourable.

Sales volumes were stable compared to those of the fourth quarter of fiscal 2021. Retail market segment sales volumes decreased as they returned to historical levels.

The contributions of the Recent Acquisitions totalled $44 million. Finally, the fluctuation of foreign currencies versus the Canadian dollar had an unfavourable impact of $35 million.

Revenues in **fiscal 2022** totalled $15.035 billion, up $741 million or 5.2%, as compared to $14.294 billion for last fiscal year.

Revenues increased due to higher domestic selling prices, together with pricing initiatives implemented in all our sectors to mitigate increasing input costs, as well as higher international cheese and dairy ingredient market prices. However, during the first six months of fiscal 2022, fulfilling the export sales contracts that had been entered into in fiscal 2021 at depressed commodity prices in the International Sector had an unfavourable impact.

Sales volumes were higher than those of last fiscal year, mainly due to an increase in the foodservice market segment and, to a lesser extent, in the industrial market segment. However, sales volumes in the retail market segment were lower than last fiscal year, mainly due to the surge that occurred in the first quarter of fiscal 2021, although this surge began to level off starting in the second quarter of fiscal 2021. In the ongoing COVID-19 context, supply chain challenges, due to container and vessel availability issues and port inefficiencies, negatively impacted export sales volumes in our International Sector.

The combined effect of the higher average butter market price[2] and of the lower average block market price[2] had a positive impact of $61 million. The effect of the fluctuation of the Argentine peso and the Australian dollar on export sales denominated in US dollars was favourable.

The contributions of the Recent Acquisitions totalled $123 million. Finally, the fluctuation of foreign currencies, most particularly the US dollar, versus the Canadian dollar had an unfavourable impact of $424 million.

Operating costs excluding depreciation, amortization, and restructuring costs

Operating costs excluding depreciation, amortization, and restructuring costs for the **fourth quarter of fiscal 2022** totalled $3.697 billion, up $562 million or 17.9%, as compared to $3.135 billion for the same quarter last fiscal year. In **fiscal 2022,** operating costs excluding depreciation, amortization, and restructuring costs totalled $13.880 billion, up $1.057 billion or 8.2%, as compared to $12.823 billion last fiscal year. These increases were due to higher input costs in all our divisions caused by inflationary pressures. Higher revenues, dairy commodity market volatility, and higher input costs contributed to the higher cost of raw materials and consumables used. Employee salary and benefit expenses increased due to inflation and wage increases.

Net earnings

Net earnings for the **fourth quarter of fiscal 2022** totalled $37 million, down $66 million or 64.1%, as compared to $103 million for the same quarter last fiscal year. This decrease is primarily due to the factors that contributed to lower adjusted EBITDA[1] of $43 million, as described below, restructuring costs of $51 million after tax, and higher depreciation and amortization, partially offset by a lower income tax expense and lower financial charges.

In **fiscal 2022**, net earnings totalled $274 million, down $352 million or 56.2%, as compared to $626 million for last fiscal year. This decrease is primarily due to the factors that contributed to lower adjusted EBITDA[1] of $316 million, as described below, a higher impairment of intangible assets charge of $24 million after tax, restructuring costs of $51 million after tax, a one-time non-cash expense of $50 million to adjust deferred income tax liability balances to reflect the increase in the corporate income tax rate in the United Kingdom, and higher depreciation and amortization, partially offset by a lower income tax expense, lower financial charges, and a gain on disposal of assets of $8 million after tax.

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

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

Adjusted EBITDA[1]

Adjusted EBITDA[1] for the **fourth quarter of fiscal 2022** totalled $260 million, down $43 million or 14.2%, as compared to $303 million for the same quarter last fiscal year.

We continued to face increasing input and logistics costs such as consumables, packaging, transportation and fuel in all our sectors due to inflationary pressures. Pricing initiatives undertaken were not sufficient to mitigate the ongoing impact of inflation on our costs, which included an increase of $41 million related to freight and logistics costs, mainly in North America.

USA Market Factors[2] had a negative effect of $19 million, as compared to the same quarter last fiscal year, mainly due to the effect of the negative spread[2]. The relation between international cheese and dairy ingredient market prices and the cost of milk as raw material in the International Sector had a positive impact.

Labour shortages in some of our facilities, including those due to the outbreak of the Omicron COVID-19 variant, and supply chain disruptions put pressure on our ability to supply ongoing demand, which negatively impacted efficiencies and the absorption of fixed costs.

The positive effects of lower administrative costs, such as travel and promotional activities, in the context of the COVID-19 pandemic, tapered off compared to the same quarter last fiscal year.

The fluctuation of foreign currencies versus the Canadian dollar had an unfavourable impact of $12 million.

Adjusted EBITDA[1] in **fiscal 2022** totalled $1.155 billion, down $316 million or 21.5%, as compared to $1.471 billion for last fiscal year.

Input and logistics costs such as consumables, packaging, transportation, and fuel increased in all our divisions due to inflationary pressures. Pricing initiatives undertaken were not sufficient to mitigate the ongoing impact of inflation on our costs, which included an increase of $143 million related to freight and logistics costs, mainly in North America.

In a volatile dairy commodity market, USA Market Factors[2] had a negative effect of $118 million, as compared to last fiscal year, mainly due to the effect of the negative spread[2]. On the other hand, the relation between international cheese and dairy ingredient market prices and the cost of milk as raw material in the International Sector had a positive impact. However, in the first six months of fiscal 2022, the effect of fulfilling export sales contracts entered into last fiscal year at depressed commodity prices was unfavourable.

Labour shortages in some of our facilities and supply chain disruptions put pressure on our ability to supply ongoing demand, which negatively impacted efficiencies and the absorption of fixed costs.

The contributions of the Recent Acquisitions were positive.

The positive effects of lower administrative costs, such as travel and promotional activities, in the context of the COVID-19 pandemic, tapered off compared to last fiscal year.

The fluctuation of foreign currencies versus the Canadian dollar had an unfavourable impact of $72 million.

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

Depreciation and amortization

Depreciation and amortization for the **fourth quarter of fiscal 2022** totalled $148 million, up $13 million, as compared to $135 million for the same quarter last fiscal year. In **fiscal 2022**, depreciation and amortization totalled $560 million, up $45 million, as compared to $515 million for last fiscal year. These increases were mainly attributable to additional depreciation and amortization related to the Recent Acquisitions, as well as additions to property, plant and equipment, which increased the depreciable base.

Impairment of intangible assets

In **fiscal 2022,** a non-cash impairment of intangible assets charge of $58 million ($43 million after tax) was recorded. The charge includes $50 million ($38 million after tax) related to software assets following the Company's decision to pause the ERP implementation within the Dairy Division (Canada) for a minimum of three years and $8 million ($5 million after tax) as a result of the application of an agenda decision of the IFRIC related to the capitalization of cloud-based software costs.

In fiscal 2021, a non-cash impairment of intangible assets charge of $19 million was incurred in relation to our decision to retire one of our cheese brand names from our Australian portfolio.

Gain on disposal of assets

In **fiscal 2022**, the Company recorded a gain on disposal of assets of $9 million ($8 million after tax) resulting mainly from the sale of a facility in the Canada Sector.

Acquisition and restructuring costs

Acquisition and restructuring costs for the **fourth quarter of fiscal 2022** are comprised of restructuring costs of approximately $71 million ($51 million after tax) related to the announcement of several major capital investments and consolidation initiatives intended to enhance and streamline our manufacturing footprint in our USA Sector and International Sector as well as to our plans to outsource the Nuneaton facility's warehouse and distribution activities, creating opportunities for network consolidation within our Europe Sector. Restructuring costs included a non-cash impairment charge of property, plant and equipment of $60 million ($43 million after tax) and severance costs of $8 million ($6 million after tax). During the same quarter last fiscal year, acquisition and restructuring costs amounted to $3 million, which related to stamp duty taxes from a previous acquisition.

Acquisition and restructuring costs in **fiscal 2022** amounted to $71 million, which included restructuring costs of $71 million ($51 million after tax) as described above as well as acquisition costs incurred for the Recent Acquisitions that were offset by a favourable purchase price adjustment for a prior year acquisition amounting to nil. Last fiscal year, acquisition and restructuring costs amounted to $3 million, which included a gain on disposal of assets of $6 million ($5 million after tax) related to the sale of a closed facility in the Canada Sector and additional costs related to stamp duty taxes from a previous acquisition.

Financial charges

In the **fourth quarter of fiscal 2022 and in fiscal 2022**, financial charges totalled $16 million and $70 million, respectively, down $7 million and $26 million, respectively, mainly due to an increased gain on hyperinflation derived from the indexation of non-monetary assets and liabilities in Argentina.

Income tax expense

Income tax recovery for the **fourth quarter of fiscal 2022** totalled $12 million, compared to an income tax expense of $39 million for the same quarter last fiscal year. The decrease in income tax expense is mainly due to lower taxable earnings. The income tax recovery in the fourth quarter of fiscal 2022 and the income tax expense in the same quarter last fiscal year both reflect the tax effect of adjustments in respect of inflation in Argentina and the impact of the change in the geographic mix of quarterly earnings across the various jurisdictions in which we operate.

Income tax expense in **fiscal 2022** totalled $131 million, reflecting an effective tax rate of 32.3% as compared to 25.8% last fiscal year.

The effective income tax rate for fiscal 2022 included the increase in deferred income tax liability balances to reflect the enactment in June 2021 of an increase from 19% to 25% of the corporate income tax rate in the United Kingdom, which will be effective as of April 1, 2023. As a result, we incurred a one-time non-cash income tax expense of $50 million. The effective tax rate also reflected the increase in the Argentine corporate income tax rate from 25% to 35%, enacted in June 2021, the non-taxable portion of the gain on disposal of assets in Canada, as well as the tax effect of adjustments in respect of inflation in Argentina. The effective tax rate for fiscal 2022 would have been 26.1% excluding the effects of these factors.

The effective income tax rate for fiscal 2021 reflected the tax treatment of an impairment of intangible assets charge of $19 million and the tax effect of adjustments in respect of inflation in Argentina. Excluding the effects of those two factors, the effective tax rate for fiscal 2021 would have been 26.3%.

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

Adjusted net earnings[1]

Adjusted net earnings[1] for the **fourth quarter of fiscal 2022** totalled $108 million, down $16 million or 12.9%, as compared to $124 million for the same quarter last fiscal year. This is mainly due to a decrease in net earnings of $66 million, as described above, excluding higher acquisition and restructuring costs of $49 million after tax.

In **fiscal 2022**, adjusted net earnings[1] totalled $485 million, down $230 million or 32.2%, as compared to $715 million for last fiscal year. This is mainly due to a decrease in net earnings of $352 million, as described above, excluding a higher impairment of intangible assets charge of $24 million after tax, a gain on disposal of assets of $8 million after tax, higher acquisition and restructuring costs of $54 million after tax, and a one-time non-cash expense of $50 million to adjust deferred income tax liability balances to reflect the increase in the corporate income tax rate in the United Kingdom.

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

QUARTERLY FINANCIAL INFORMATION BY SECTOR

CANADA SECTOR

(in millions of CDN dollars)

Fiscal years		2022				2021		
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenues	**1,055**	**1,112**	**1,081**	**1,033**	1,001	1,089	1,063	982
Adjusted EBITDA	**117**	**121**	**124**	**113**	108	118	117	104
Adjusted EBITDA margin	**11.1 %**	**10.9 %**	**11.5 %**	**10.9 %**	10.8 %	10.8 %	11.0 %	10.6 %

USA SECTOR

(in millions of CDN dollars)

Fiscal years		2022				2021		
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenues	**1,743**	**1,627**	**1,533**	**1,506**	1,399	1,657	1,649	1,417
Adjusted EBITDA	**42**	**83**	**67**	**96**	93	171	140	163
Adjusted EBITDA margin	**2.4 %**	**5.1 %**	**4.4 %**	**6.4 %**	6.6 %	10.3 %	8.5 %	11.5 %

Selected factors positively (negatively) affecting financial performance

(in millions of CDN dollars)

Fiscal years		2022				2021		
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
USA Market Factors[1,2]	**(19)**	**(40)**	**(17)**	**(42)**	(4)	34	4	23
US currency exchange[2]	**—**	**(6)**	**(8)**	**(18)**	(5)	(2)	2	5

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

Other pertinent information

(in US dollars, except for average exchange rate)

Fiscal years		2022				2021		
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Block market price[1]								
Opening	**1.980**	**1.873**	**1.553**	**1.738**	1.650	2.573	2.640	1.330
Closing	**2.250**	**1.980**	**1.873**	**1.553**	1.738	1.650	2.573	2.640
Average	**2.005**	**1.805**	**1.706**	**1.657**	1.687	2.129	2.249	1.778
Butter market price[1]								
Opening	**2.453**	**1.760**	**1.740**	**1.818**	1.420	1.510	1.765	1.335
Closing	**2.700**	**2.453**	**1.760**	**1.740**	1.818	1.420	1.510	1.765
Average	**2.692**	**1.975**	**1.716**	**1.805**	1.480	1.444	1.571	1.500
Average whey powder market price[1]	**0.759**	**0.622**	**0.522**	**0.626**	0.517	0.388	0.311	0.356
Spread[1]	**(0.253)**	**(0.099)**	**(0.034)**	**(0.164)**	0.001	0.168	0.141	0.047
US average exchange rate to Canadian dollar[2]	**1.266**	**1.260**	**1.259**	**1.231**	1.268	1.306	1.333	1.378

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

INTERNATIONAL SECTOR

(in millions of CDN dollars)

Fiscal years	**2022**				2021			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenues	**922**	**919**	**858**	**754**	827	807	806	781
Adjusted EBITDA	**62**	**85**	**56**	**45**	62	105	78	60
Adjusted EBITDA margin	**6.7 %**	**9.2 %**	**6.5 %**	**6.0 %**	7.5 %	13.0 %	9.7 %	7.7 %

Selected factors positively (negatively) affecting financial performance

(in millions of CDN dollars)

Fiscal years	**2022**				2021			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Foreign currency exchange[1]	**(12)**	**(13)**	**(14)**	**(4)**	3	4	(1)	(9)

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

EUROPE SECTOR

(in millions of CDN dollars)

Fiscal years	**2022**				2021			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenues	**237**	**243**	**217**	**195**	211	210	184	211
Adjusted EBITDA	**39**	**33**	**36**	**36**	40	37	35	40
Adjusted EBITDA margin	**16.5 %**	**13.6 %**	**16.6 %**	**18.5 %**	19.0 %	17.6 %	19.0 %	19.0 %

CANADA SECTOR

(in millions of CDN dollars)

	For the three-month periods ended March 31		For the years ended March 31	
	2022	2021	**2022**	2021
Revenues	**1,055**	1,001	**4,281**	4,135
Adjusted EBITDA	**117**	108	**475**	447
Adjusted EBITDA margin	**11.1 %**	10.8 %	**11.1 %**	10.8 %

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

Revenues

Revenues for the **fourth quarter of fiscal 2022** totalled $1.055 billion, an increase of $54 million or 5.4%, as compared to $1.001 billion for the same quarter last fiscal year.

Revenues increased due to higher selling prices in connection with the higher cost of milk as raw material and pricing initiatives implemented to mitigate increasing input costs caused by inflationary pressures.

Sales volumes were lower in the retail market segment, mainly due to fluid milk sales volumes returning closer to pre-pandemic levels, partially offset by a rebound in sales volumes in the foodservice market segment. Retail market segment sales in the comparative quarter of fiscal 2021 had benefited from an uplift in consumer demand related to the COVID-19 pandemic.

Revenues in **fiscal 2022** totalled $4.281 billion, an increase of $146 million or 3.5%, as compared to $4.135 billion last fiscal year.

Revenues increased due to higher selling prices in connection with the higher cost of milk as raw material and pricing initiatives implemented to mitigate increasing input costs caused by inflationary pressures.

Sales volumes in the retail and industrial market segments were lower, although partially offset by a rebound in sales volumes in the foodservice market segment. Retail market segment sales in fiscal 2021 had benefited from an uplift in consumer demand related to the COVID-19 pandemic, mainly in the fluid milk category.

The retail market segment represented approximately 59% of revenues (63% in fiscal 2021), whereas the foodservice market segment represented approximately 33% of revenues (29% in fiscal 2021). These fluctuations reflected the shift in consumer demand related to the COVID-19 pandemic as sales volumes in our market segments returned closer to pre-pandemic levels. The industrial market segment represented approximately 8% of revenues in both fiscal 2022 and 2021.

To continue the expansion of our category-leading *Armstrong* cheese range, we launched several new and innovative products in high-growth and value-added formats, such as shreds, snacks, and slices. In terms of our other flagship brands, such as *Saputo, Dairyland,* and *Neilson*, we continued to support them through traditional, digital, and social media advertising as well as various trade activities.

In the dairy alternatives category, our first commercial production of plant-based beverages occurred at our Port Coquitlam facility. This inaugural production marked the beginning of our co-manufacturing activities for various dairy alternative beverage companies and retailers in North America.

With our e-commerce channels, we continued to expand the product offering on our direct-to-consumer website, *The Saputo Fridge*, and our newest e-commerce platform, *Nibbl.*, which went live during the third quarter of fiscal 2022, with delivery available in Ontario and Québec. *Nibbl*. products will be available for delivery in additional Canadian provinces during fiscal 2023.

Adjusted EBITDA

Adjusted EBITDA for the **fourth quarter of fiscal 2022** totalled $117 million, an increase of $9 million or 8.3%, as compared to $108 million for the same quarter last fiscal year.

The Canada Sector continued to show improved results despite challenging market conditions. Higher input and logistics costs caused by inflationary pressures continued to have an unfavourable impact. This included an amount of $7 million related to freight and logistics costs, which were offset by the positive effect of pricing initiatives.

With fluid milk sales volumes decreasing to pre-pandemic levels, product mix had a favourable impact.

Adjusted EBITDA in **fiscal 2022** totalled $475 million, an increase of $28 million or 6.3%, as compared to $447 million last fiscal year.

Higher input and logistics costs caused by inflationary pressures had an unfavourable impact, including $20 million related to freight and logistics costs. Pricing initiatives, as described above, contributed positively. With fluid milk sales volumes decreasing to pre-pandemic levels, the product mix was favourable. Also, the extreme weather event in British Columbia in November 2021 had a negative impact, mainly due to incremental freight and logistics costs required to service our customers.

The positive effects of lower administrative costs, such as travel and promotional activities, in the context of the COVID-19 pandemic, tapered off compared to last fiscal year.

USA SECTOR

(in millions of CDN dollars)

	For the three-month periods ended March 31		For the years ended March 31	
	2022	2021	**2022**	2021
Revenues	**1,743**	1,399	**6,409**	6,122
Adjusted EBITDA	**42**	93	**288**	567
Adjusted EBITDA margin	**2.4 %**	6.6 %	**4.5 %**	9.3 %

Selected factors positively (negatively) affecting financial performance

(in millions of CDN dollars)

	For the three-month periods ended March 31		For the years ended March 31	
	2022	2021	**2022**	2021
USA Market Factors[1,2]	**(19)**	(4)	**(118)**	57
US currency exchange[2]	**—**	(5)	**(32)**	—

1 Refer to the ''Glossary'' section of this MD&A.
2 As compared to same quarter last fiscal year for the three-month periods; as compared to last fiscal year for the years ended March 31.

Other pertinent information

(in US dollars, except for average exchange rate)

	For the three-month periods ended March 31		For the years ended March 31	
	2022	2021	**2022**	2021
Block market price[1]				
Opening	**1.980**	1.650	**1.738**	1.330
Closing	**2.250**	1.738	**2.250**	1.738
Average	**2.005**	1.687	**1.793**	1.961
Butter market price[1]				
Opening	**2.453**	1.420	**1.818**	1.335
Closing	**2.700**	1.818	**2.700**	1.818
Average	**2.692**	1.480	**2.047**	1.498
Average whey powder market price[1]	**0.759**	0.517	**0.630**	0.393
Spread[1]	**(0.253)**	0.001	**(0.137)**	0.090
US average exchange rate to Canadian dollar[2]	**1.266**	1.268	**1.251**	1.326

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

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

Revenues

Revenues for the **fourth quarter of fiscal 2022** totalled $1.743 billion, an increase of $344 million or 24.6%, as compared to $1.399 billion for the same quarter last fiscal year.

The combined effect of the higher average block market price[2] and of the higher average butter market price[2] had a positive impact of $217 million.

Sales volumes were stable in all our market segments and consumer demand for mozzarella continued to be subject to competitive market conditions.

Revenues increased due to pricing initiatives implemented to mitigate increasing input costs caused by inflationary pressures.

The contributions of the Reedsburg Facility Acquisition and the Carolina Acquisition totalled $26 million.

The fluctuation of the US dollar versus the Canadian dollar had a favourable impact of $2 million.

Revenues in **fiscal 2022** totalled $6.409 billion, an increase of $287 million or 4.7%, as compared to $6.122 billion last fiscal year.

The combined effect of the higher average butter market price[2] and of the lower average block market price[2] had a positive impact of $61 million.

Higher sales volumes in the foodservice and industrial market segments contributed positively, but were partially offset by lower retail market segment sales volumes. Consumer demand for mozzarella continued to recover throughout the fiscal year, although it remained in flux and subject to highly competitive market conditions.

Revenues increased due to pricing initiatives implemented to mitigate increasing input costs caused by inflationary pressures.

The contributions of the Reedsburg Facility Acquisition and the Carolina Acquisition, for the ten-month and seven-month periods, respectively, since they were acquired, totalled $58 million.

The fluctuation of the US dollar versus the Canadian dollar had an unfavourable impact of $307 million.

The retail market segment represented approximately 44% of revenues (47% in fiscal 2021), whereas the foodservice market segment represented approximately 45% of revenues (43% in fiscal 2021). These year-over-year changes in percentages reflected the gradual return to historical levels, which had been affected by the shift in consumer demand related to the COVID-19 pandemic in fiscal 2021. The industrial market segment represented approximately 11% of revenues (10% in fiscal 2021).

Our *Frigo Cheese Heads* and *Montchevre* retail brands continued to lead and grow in string and goat cheese, respectively. The UK's #1 cheddar cheese brand, *Cathedral City*, which was successfully introduced to the USA market in fiscal 2021, continued to grow and gain new distribution and trial well with consumers. In the latter part of fiscal 2022, the Dairy Division (USA) entered into the dairy alternative cheese category with the launch of *Vitalite* into the foodservice and retail market segments. We also added new sales volumes in dairy alternative beverages.

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

Adjusted EBITDA

Adjusted EBITDA for the **fourth quarter of fiscal 2022** totalled $42 million, a decrease of $51 million or 54.8%, as compared to $93 million for the same quarter last fiscal year.

We continued to be challenged in the quarter with inflation, commodity market volatility, as well as labour availability issues.

Higher input and logistics costs, such as consumables, packaging, transportation, and fuel, caused by inflationary pressures had a negative impact. Pricing initiatives undertaken were not sufficient to mitigate the ongoing impact of inflation on our costs, which included an increase of $33 million related to freight and logistics costs.

USA Market Factors[2] resulted in a negative net impact of $19 million, as compared to the same quarter last fiscal year.

The following factors and their impact are included in USA Market Factors:

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

Labour shortages in some of our facilities, including those due to the outbreak of the Omicron COVID-19 variant, and supply chain disruptions continued to put pressure on our ability to supply ongoing demand, which negatively impacted efficiencies and the absorption of fixed costs.

The contributions of the Reedsburg Facility Acquisition and the Carolina Acquisition were minimal.

The fluctuation of the US dollar versus the Canadian dollar had a minimal impact.

Adjusted EBITDA in **fiscal 2022** totalled $288 million, a decrease of $279 million or 49.2%, as compared to $567 million last fiscal year.

USA Market Factors resulted in a negative net impact of $118 million, as compared to last fiscal year.

The following factors and their impact are included in USA Market Factors:

- The spread (negative impact).
- The impact on the realization of inventories and the absorption of fixed costs from the combined effect of the fluctuation of the average block market price and of the average butter market price related to dairy food products (negative impact).
- Higher dairy ingredient market prices (positive impact).

Pricing initiatives undertaken were not sufficient to mitigate increasing costs caused by inflationary pressures, which included an increase of $119 million related to freight and logistics costs.

Labour shortages in some of our facilities and supply chain disruptions put pressure on our ability to supply ongoing demand. These negative effects more than offset the positive effect of increased sales volumes, led by the foodservice market segment, on efficiencies and the absorption of fixed costs.

The contributions of the Reedsburg Facility Acquisition and the Carolina Acquisition, for the ten-month and seven-month periods, respectively, since they were acquired, were minimal.

The fluctuation of the US dollar versus the Canadian dollar had an unfavourable impact of $32 million.

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

INTERNATIONAL SECTOR

(in millions of CDN dollars)

	For the three-month periods ended March 31		For the years ended March 31	
	2022	2021	**2022**	2021
Revenues	**922**	827	**3,453**	3,221
Adjusted EBITDA	**62**	62	**248**	305
Adjusted EBITDA margin	**6.7 %**	7.5 %	**7.2 %**	9.5 %

Selected factors positively (negatively) affecting financial performance

(in millions of CDN dollars)

	For the three-month periods ended March 31		For the years ended March 31	
	2022	2021	**2022**	2021
Foreign currency exchange[1]	**(12)**	3	**(43)**	(3)

1 As compared to same quarter last fiscal year for the three-month periods; as compared to last fiscal year for the years ended March 31.

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

Revenues

Revenues for the **fourth quarter of fiscal 2022** totalled $922 million, an increase of $95 million or 11.5%, as compared to $827 million for the same quarter last fiscal year.

Higher international cheese and dairy ingredient market prices and the effect of the fluctuation of the Argentine peso and the Australian dollar on export sales denominated in US dollars were favourable. Disrupted market conditions and supply chain challenges, due to container and vessel availability issues and port inefficiencies, negatively impacted export sales volumes.

Revenues increased due to higher domestic selling prices in our Dairy Division (Argentina), as a result of the hyperinflationary economy, as well as pricing initiatives implemented in our Dairy Division (Australia), in response to the higher cost of milk as raw material and increasing input costs caused by inflationary pressures.

The fluctuation of the functional currencies used in the International Sector versus the Canadian dollar had an unfavourable impact of $31 million.

Revenues in **fiscal 2022** totalled $3.453 billion, an increase of $232 million or 7.2%, as compared to $3.221 billion last fiscal year.

Higher international cheese and dairy ingredient market prices had a positive impact. However, during the first six months of fiscal 2022, fulfilling the export sales contracts that had been entered into in fiscal 2021 at depressed commodity prices had an unfavourable impact. The effect of the fluctuation of the Argentine peso and the Australian dollar on export sales denominated in US dollars was favourable. Supply chain challenges due to container and vessel availability issues and port inefficiencies negatively impacted export sales volumes.

The effect of higher domestic selling prices in our Dairy Division (Argentina), as a result of the hyperinflationary economy, continued to be positive. Revenues also increased due to pricing initiatives implemented in our Dairy Division (Australia) in response to the higher cost of milk and increasing input costs caused by inflationary pressures.

The fluctuation of the functional currencies used in the International Sector versus the Canadian dollar had an unfavourable impact of $110 million.

The retail market segment represented approximately 41% of total revenues (43% in fiscal 2021). The foodservice market segment represented approximately 8% of total revenues in fiscal 2022 (7% in fiscal 2021). The industrial market segment represented approximately 51% of total revenues in fiscal 2022 (50% in fiscal 2021). Industrial market segment sales were destined mostly for export markets.

We continued to leverage our vast portfolio of brands inherited through acquisitions. The Dairy Division (Australia) launched its rebranded *CHEER* cheese, supported by a strong awareness campaign in its first year. The *Devondale* relaunch continued to grow brand awareness. Communication and innovation in smaller formats helped retain our position for the *Tasmanian Heritage* and *Mersey Valley* specialty cheese brands. In the Dairy Division (Argentina), *La Paulina* continued to be the leading local cheese brand.

Adjusted EBITDA

Adjusted EBITDA for the **fourth quarter of fiscal 2022** totalled $62 million, flat, as compared to $62 million for the same quarter last fiscal year.

We continued to face higher input and logistics costs caused by inflationary pressures. Pricing initiatives undertaken in the domestic markets were not sufficient to mitigate increased input costs, notably the increased farmgate milk prices in Australia.

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

The fluctuation of the functional currencies used in the International Sector versus the Canadian dollar had an unfavourable impact of $12 million.

In **fiscal 2022**, adjusted EBITDA totalled $248 million, a decrease of $57 million or 18.7%, as compared to $305 million last fiscal year.

Higher input and logistics costs, including higher raw material costs due to the increased farmgate milk prices, and freight and logistics costs caused by inflationary pressures, had an unfavourable impact. Pricing initiatives undertaken in the domestic markets were not sufficient to mitigate increased input costs, notably farmgate milk prices in Australia.

Reduced milk availability in our Dairy Division (Australia) from intensified competition for raw material negatively impacted efficiencies and the absorption of fixed costs.

Lower export sales volumes resulting from supply chain challenges, due to container and vessel availability issues and port inefficiencies, negatively impacted adjusted EBITDA. In our export markets, the relation between international cheese and dairy ingredient market prices and the cost of milk as raw material had a positive impact. Fulfilling the export sales contracts entered into at depressed commodity prices last fiscal year had a negative impact in the first six months of fiscal 2022.

The fluctuation of the functional currencies used in the International Sector versus the Canadian dollar had an unfavourable impact of $43 million.

EUROPE SECTOR

(in millions of CDN dollars)

	For the three-month periods ended March 31		For the years ended March 31	
	2022	2021	**2022**	2021
Revenues	**237**	211	**892**	816
Adjusted EBITDA	**39**	40	**144**	152
Adjusted EBITDA margin	**16.5 %**	19.0 %	**16.1 %**	18.6 %

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

Revenues

Revenues for the **fourth quarter of fiscal 2022** totalled $237 million, an increase of $26 million or 12.3%, as compared to $211 million for the same quarter last fiscal year.

Revenues increased due to pricing initiatives implemented to mitigate higher input costs caused by inflationary pressures and the contributions of the Bute Island Acquisition and the Wensleydale Dairy Products Acquisition, which totalled $18 million.

Sales volumes were stable as compared to the same quarter last fiscal year, although retail market segment sales volumes decreased as they returned to historical levels.

The impact of the fluctuation of the British pound sterling versus the Canadian dollar had an unfavourable impact of $6 million.

Revenues in **fiscal 2022** totalled $892 million, an increase of $76 million or 9.3%, as compared to $816 million last fiscal year.

Revenues increased due to pricing initiatives implemented to mitigate higher input costs caused by inflationary pressures and the contributions of the Bute Island Acquisition and Wensleydale Dairy Products Acquisition, which totalled $65 million for the ten-month and eight-month periods, respectively, since they were acquired.

Sales volumes were higher as compared to those of last fiscal year, primarily due to higher industrial market segment sales volumes, mainly in the cheese and dairy ingredients categories. Although, international dairy ingredient market prices for our products in the industrial market segment were lower. Retail market segment sales volumes decreased as they returned to historical levels.

The impact of the fluctuation of the British pound sterling versus the Canadian dollar had an unfavourable impact of $7 million.

The retail market segment represented approximately 78% of revenues (87% in fiscal 2021), reflecting the effects of the COVID-19 pandemic in fiscal 2021 as sales volumes returned to historical levels. The foodservice market segment represented approximately 2% of revenues (1% in fiscal 2021). The industrial market segment represented 20% of revenues (12% in fiscal 2021) following an increase in sales volumes in this market segment.

The Dairy Division (UK) maintained its position as the largest manufacturer of branded cheese in the United Kingdom, mainly with its category-leading *Cathedral City* brand, as well as its position as a top manufacturer of dairy spreads with its category-leading *Clover* brand. We continued to develop our export business for the *Cathedral City* brand, with a new distribution agreement in Europe and retail growth across Canada and the USA through our North American platforms. Our Wensleydale Dairy Products Acquisition enhanced the breadth of our cheese offering. Following the Bute Island Acquisition, we now have an established platform from which to develop our dairy alternative business, building on strong brand and private label market positions.

Adjusted EBITDA

Adjusted EBITDA for the **fourth quarter of fiscal 2022** totalled $39 million, a decrease of $1 million or 2.5%, as compared to $40 million for the same quarter last fiscal year.

Decreased retail market segment sales volumes had a negative impact, while pricing initiatives were sufficient to offset higher input costs caused by inflationary pressures and increased commodity prices.

The contributions of the Bute Island Acquisition and the Wensleydale Dairy Products Acquisition had a positive impact of $2 million.

The impact of the fluctuation of the British pound sterling versus the Canadian dollar was minimal.

Adjusted EBITDA in **fiscal 2022** totalled $144 million, a decrease of $8 million or 5.3%, as compared to $152 million last fiscal year.

Decreased retail market segment sales volumes had a negative impact. On the other hand, increased industrial market segment sales volumes, mainly in the cheese and dairy ingredients categories, had a positive impact on efficiencies. Lower international dairy ingredient market prices for our products in this market segment had an offsetting negative impact.

We faced higher input costs caused by inflationary pressures and increased commodity prices, which had an unfavourable impact. However, pricing initiatives described above contributed positively to the mitigation of higher input costs.

The contributions of the Bute Island Acquisition and the Wensleydale Dairy Products Acquisition, for the ten-month and eight-month periods, respectively, since they were acquired, had a positive impact of $8 million.

The impact of the fluctuation of the British pound sterling versus the Canadian dollar was minimal.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The intent of this section is to provide insight into our cash and capital management strategies and how they drive operational objectives, as well as to provide details on how we manage our liquidity risk to meet Saputo's financial obligations as they come due.

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

The Company's cash and cash equivalents totalled $165 million as at March 31, 2022. In addition to these funds, we have unused credit facilities of $1.743 billion under our bank credit facilities as at March 31, 2022. We believe we are well positioned to face current market conditions given our flexible balance sheet.

The Company's liquidity needs are funded from cash generated by operations, unsecured bank credit facilities, and unsecured senior notes. These funds are used principally for capital expenditures, dividends, debt repayments, and business acquisitions and are expected to be sufficient to meet the Company's liquidity requirements. We do not foresee any difficulty in securing financing beyond what is currently available through existing arrangements or public offerings, when appropriate, to fund possible acquisitions and/or to refinance debt obligations.

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

(in millions of CDN dollars)

	For the three-month periods ended March 31		For the years ended March 31	
	2022	2021	**2022**	2021
Net cash generated from operating activities	**184**	151	**693**	1,078
Cash used for investing activities	**(161)**	(158)	**(799)**	(387)
Cash used for financing activities	**(32)**	(190)	**(72)**	(705)
Decrease in cash and cash equivalents	**(9)**	(197)	**(178)**	(14)

Operating Activities

Net cash generated from operating activities for the **fourth quarter of fiscal 2022**, amounted to $184 million, in comparison to $151 million for the same quarter last fiscal year. This increase of $33 million was mainly due to a decrease of $12 million in income taxes paid and an increase related to changes in non-cash operating working capital items of $68 million, driven by the fluctuations in accounts receivable, inventories, and accounts payable in line with the fluctuation of market prices as well as the timing of collections of accounts receivable and of payments of accounts payable. The increase was partially offset by a decrease in adjusted EBITDA[1] of $43 million and a decrease of $10 million in non-cash foreign exchange gain on debt.

In **fiscal 2022**, net cash generated from operating activities amounted to $693 million, in comparison to $1.078 billion for last fiscal year. This decrease of $385 million was mainly due to a decrease in adjusted EBITDA[1] of $316 million and an increase in non-cash foreign exchange gain on debt of $66 million. The decrease was also due to a decrease related to changes in non-cash operating working capital items of $19 million, driven by the fluctuations in accounts receivable, inventories, and accounts payable in line with the fluctuation of market prices as well as the timing of collections of accounts receivable and of payments of accounts payable. These decreases were partially offset by a decrease in income taxes paid of $17 million.

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

Investing Activities

Investing activities for the **fourth quarter of fiscal 2022** amounted to $161 million, which included $207 million used for additions to property, plant and equipment, additions to intangible assets totalling $7 million related to the ERP project, as well as the offsetting effect of proceeds from the disposal of assets in the amount of $51 million.

Investing activities in **fiscal 2022** amounted to $799 million, which included $371 million used for the Recent Acquisitions, $453 million used for additions to property, plant and equipment, additions to intangible assets totalling $45 million related to the ERP project, as well as the offsetting effect of proceeds from the disposal of assets in the amount of $70 million. Of these additions, 53% were allocated to base capital expenditures, investments to support the execution of our Saputo Promise, capex related to the ERP project, and other corporate capital expenditures, while 47% were allocated to strategic projects within the scope of our Global Strategic Plan.

Financing Activities

Financing activities for the **fourth quarter of fiscal 2022** included an increase in bank loans of $21 million. Also, we paid $18 million and $50 million of lease liabilities and dividends, respectively, net of $25 million settled through the DRIF. Finally, shares were issued as part of the stock option plan for $16 million.

Financing activities in **fiscal 2022** included an increase in bank loans of $356 million, mainly relating to funds drawn in connection with our Recent Acquisitions. Financing activities also included the issuance, on June 22, 2021, of Series 9 medium term notes for an aggregate principal amount of $300 million. The net proceeds of the issuance were used to repay the $300 million aggregate principal amount of the Series 2 medium term notes due June 23, 2021. We repaid $187 million of term loan facilities incurred in connection with prior acquisitions. Also, $80 million of lease liabilities and $209 million in dividends were paid, net of $87 million settled through the DRIP. Finally, shares were issued as part of the stock option plan for $42 million.

Liquidity

(in millions of CDN dollars, except ratio)

Fiscal years	2022	2021
Current assets	**4,295**	3,948
Current liabilities	**2,780**	2,146
Working capital[1]	**1,515**	1,802
Working capital ratio[1]	**1.54**	1.84

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

The working capital ratio is an indication of the Company's ability to cover short-term liabilities with short-term assets, without having excess dormant assets. The decrease in the working capital ratio was mainly due to a higher level of bank loans, which included funds drawn in connection with our Recent Acquisitions.

Capital Management

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

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

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

Fiscal years	**2022**	2021
Long-term debt	**3,375**	3,578
Bank loans	**419**	76
Lease Liabilities	**451**	461
Less: Cash and cash equivalents	**(165)**	(309)
Net debt[2]	**4,080**	3,806
Adjusted EBITDA[1]	**1,155**	1,471
Net debt to adjusted EBITDA[1]	**3.53**	2.59
Number of common shares	**416,738,041**	412,333,571
Number of stock options	**22,021,670**	23,339,321

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

As at March 31, 2022, the Company had $165 million in cash and cash equivalents and available bank credit facilities of $2.162 billion, of which $419 million were drawn. See Notes 10 and 11 to the consolidated financial statements for additional information related to bank loans and long-term debt.

Share capital authorized by Saputo is comprised of an unlimited number of common shares. The common shares are voting and participating. As at May 31, 2022, 416,890,118 common shares and 24,102,879 stock options were outstanding.

Sustainability-linked loan (SLL) structure

In fiscal 2020, we pledged to accelerate our global climate, water, and waste performance and announced clear targets and a formal commitment to make significant and sustainable progress by 2025.

On August 5, 2021, we amended our US$1 billion North American bank credit facility to, among other things, introduce a sustainability-linked loan (SLL) structure. The SLL structure introduces an annual pricing adjustment based on whether the Company achieves key climate and water targets in line with its 2025 environmental commitments. On June 1, 2022, the Company extended the maturity date to June 1, 2027. During fiscal 2022, $354 million (US$ 283 million) were drawn, mainly to finance acquisitions, and $147 million (US$ 118 million) were repaid. As at March 31, 2022, a total of $207 million (US$ 165 million) was drawn on this bank credit facility.

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

CONTRACTUAL OBLIGATIONS

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

The Company's contractual obligations consist of commitments to repay long-term debt, payments for leased premises, equipment, and rolling stock, as well as purchase obligations for capital expenditures and service agreements to which we are committed. Note 11 to the consolidated financial statements describes the Company's commitment to repay long-term debt and Note 7 and 20 to the consolidated financial statements describes its lease commitments.

(in millions of CDN dollars)

	March 31, 2022				March 31, 2021			
	Long-term debt	**Leases**	**Purchase obligations & other**	**Total**	Long-term debt	Leases	Purchase obligations & other	Total
Less than 1 year	**300**	**88**	**245**	**633**	300	98	164	562
1–2 years	**306**	**70**	**37**	**413**	759	76	33	868
2–3 years	**1,035**	**84**	**23**	**1,142**	685	58	12	755
3–4 years	**350**	**44**	**12**	**406**	400	73	10	483
4–5 years	**350**	**38**	**9**	**397**	350	33	7	390
More than 5 years	**1,034**	**280**	**3**	**1,317**	1,084	284	8	1,376
	3,375	**604**	**329**	**4,308**	3,578	622	234	4,434

Long-term debt

The Company's long-term debt is described in Note 11 to the consolidated financial statements.

Bank term loans

In connection with the acquisition of the activities of Murray Goulburn Co-Operative Co. Limited (Murray Goulburn Acquisition) in April 2018, we entered into a credit agreement, providing for a non-revolving term facility comprised of three tranches. A total of $1.261 billion was drawn, of which $888 million has since been repaid and/or refinanced through our medium term notes program. The credit facility bears interest at lenders' prime rates plus a maximum of 1.00%, or bankers' acceptance rates or the Australian Bank Bill Rate plus a minimum of 0.80% and a maximum of 2.00%, depending on the Company's credit ratings.

In connection with the acquisition of Dairy Crest Group plc (Dairy Crest Acquisition) in April 2019, we entered into a credit agreement providing for a non-revolving term facility comprised of three tranches. A total of $1.985 billion was drawn, of which $1.723 billion has since been repaid and/or refinanced through our medium term notes program. The credit facility bears interest at lenders' prime rates plus a maximum of 1.00% or LIBOR or SONIA or bankers' acceptance rates plus a minimum of 0.80% and a maximum of 2.00%, depending on the Company's credit ratings.

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

Senior notes

Long-term debt also includes seven series of **unsecured senior notes** outstanding under our medium term note program for a total of $2.700 billion, with annual interest rates varying from 1.42% to 3.60% and maturities ranging from June 2022 to June 2028.

FINANCIAL POSITION

The main financial position items as at March 31, 2022, varied as compared to the balances as at March 31, 2021, principally due to the inclusion of the Recent Acquisitions completed during this fiscal year. The variation also reflected the strengthening of the Canadian dollar versus the US dollar, the Australian dollar, the Argentine peso, and the British pound sterling.

The following table outlines the conversion rates of the respective local operations' financial position items in foreign currencies as at March 31, 2022, and March 31, 2021.

	As at March 31, 2022	As at March 31, 2021
US dollar / Canadian dollar[1]	**1.2505**	1.2562
Australian dollar / Canadian dollar[1]	**0.9351**	0.9545
Argentine peso / Canadian dollar[1]	**0.0112**	0.0137
British pound sterling / Canadian dollar[1]	**1.6441**	1.7315

1 Based on Bank of Canada published information.

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

The net cash position (cash and cash equivalents less bank loans) decreased from positive $233 million as at March 31, 2021, to negative $254 million as at March 31, 2022, mainly resulting from the funding of the Recent Acquisitions and repayments of $187 million of the term loan facility incurred in connection with the Dairy Crest Acquisition. The change in foreign currency translation adjustments recorded in other comprehensive income (loss) varied mainly due to the fluctuation of foreign currencies versus the Canadian dollar.

GUARANTEES

From time to time, we enter into agreements in the normal course of business, such as service arrangements and leases, and in connection with business or asset acquisitions or disposals, which by nature may provide for indemnification to third parties. These indemnification provisions may be in connection with breach of representations and warranties and for future claims for certain liabilities. The terms of these indemnification provisions vary in duration. See Note 20 to the consolidated financial statements that discuss the Company's guarantees.

RELATED PARTY TRANSACTIONS

In the normal course of business, we receive services from and provide goods and services to companies subject to control or significant influence through ownership by Saputo's principal shareholder. These transactions are entered into at fair value, consistent with market values for similar transactions. The services that are received consist mainly of travel, publicity, lodging, and office space rental. The goods that are provided consist mainly of dairy products. The services that are provided consist of management services. In fiscal 2022, these goods and services were of an immaterial amount. Transactions with key management personnel (Management defines key management personnel as all the executive officers who have responsibility and authority for controlling, overseeing, and planning the activities, as well as the Company's directors) are also considered related party transactions and consist of short-term employee benefits, post-employment benefits, stock-based compensation, and payments under the deferred share unit plan. Refer to Note 21 to the consolidated financial statements for further information on related party transactions.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's financial statements requires Management to make certain judgments and estimates about transactions and carrying values that are fulfilled at a future date. Judgments 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 judgments and estimates that could have a material effect on the financial statements is provided below.

Economic Conditions and Uncertainties

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

The Company is also continuously monitoring the geopolitical risk related to the evolving military conflict in Ukraine. This crisis did not have a significant impact on the Company's consolidated financial statements.

Income Taxes

The Company is subject to income taxes in numerous jurisdictions. Significant judgment 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 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 judgment 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 judgments, 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.

Impairment of Assets

Significant estimates and judgments are required in testing goodwill, intangible assets, and other long-lived assets, including right-of-use assets, for impairment. Management uses estimates or exercises judgment 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. Goodwill is tested for impairment annually based on the December 31 balances and whenever there is an indication of impairment. 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 duration of the obligation, inflation, the expected health care cost trend rate, the expected mortality rate, expected salary increase, etc. Changes in a number of key assumptions can have a material impact on the calculation of the obligation. Actual results will normally differ from expectations. These gains or losses are presented in the consolidated statements of comprehensive income.

CHANGES IN ACCOUNTING POLICIES

New accounting standards, interpretations, and amendments adopted during the year

Please refer to Note 3 to the consolidated financial statements for the fiscal years ended March 31, 2022, and 2021, for more information regarding the effect of new accounting standards, interpretations, and amendments adopted during fiscal 2022.

Recent standards, interpretations, and amendments not yet implemented

Please refer to Note 3 to the consolidated financial statements for the fiscal years ended March 31, 2022, and 2021, for more information regarding the effect of new accounting standards, interpretations, and amendments not yet implemented.

RISKS AND UNCERTAINTIES

The main risks and uncertainties Saputo is exposed to are presented below. The Board of Directors (the Board) delegated to the Audit Committee the responsibility to review, evaluate, and discuss with Management and Internal Audit the risk factors inherent to Saputo, including the applicable environmental, social, and governance (ESG) aspects of those risks, and ensure that appropriate measures are in place to enable Management to identify and manage these risks and uncertainties effectively. The Board also delegated to the Corporate Governance and Human Resources Committee the responsibility to oversee the risk management measures related to human resources risks, including related ESG aspects such as business ethics, diversity, equity, and inclusion, and health and safety. Saputo's enterprise risk management program is overseen by the Audit Committee, and Saputo has also adopted and implemented policies and procedures relating to risk assessment and management. The Company's risk management and related policies and procedures are reviewed regularly and at least annually.

While risk management is part of our transactional, operational, and strategic decisions, and overall management approach, risk management does not guarantee that events or circumstances, including events or circumstances related to risks and uncertainties that may not be listed below, will not occur and negatively affect our financial performance and condition.

Product Liability

Saputo's operations are subject to certain dangers and risks of liability faced by all food processors, such as the potential contamination of ingredients or products by bacteria or other external agents that may be introduced into products or packaging. The occurrence of such a contamination could result in a costly product recall, destruction of product inventory, lost sales, or litigation. Further, negative publicity, whether or not warranted, concerning food safety, or allegations of product contamination, even when false or unfounded, may damage our brand image and corporate reputation and may cause consumers to choose other products. Alleged or actual contaminations could also result in government scrutiny, investigation, or intervention, resulting in increased costs.

COVID-19 Pandemic and Related Ongoing Impacts

The COVID-19 pandemic and the related actions by governments around the world to attempt to contain the spread of the virus have disrupted and will likely continue to disrupt our global supply chain, operations, logistics, and routes to market or those of our suppliers, their suppliers, or our distributors. These disruptions, or our failure to effectively respond to them, will likely continue to increase production or distribution costs, or cause delays or inability to deliver products to our customers. The COVID-19 pandemic has also significantly increased economic uncertainty, negatively impacting our business and financial performance and condition.

While we continue to actively monitor the COVID-19 pandemic, the full extent of the pandemic's impact on our business and financial performance and condition will depend on future developments that are highly uncertain and cannot be predicted, including, among others, new information which may emerge concerning the pandemic, vaccine adoption rates (including boosters), and the effectiveness of vaccines in limiting or stopping the spread of COVID-19, either over the long term or against new, emerging variants of COVID-19, and any related actions by governments worldwide.

In addition, continuing economic and political uncertainties, such as decreases in disposable income, persistent inflationary pressures, declines in consumer confidence, or economic slowdowns or recessions in any of our major markets, may slow down or prevent the recovery of the demand for our products or may erode such demand.

We and our suppliers may continue to face supply chain and workforce disruptions in the future, which may increase supply chain, packaging, and labour costs, or may result in an inability to secure key inputs, which could negatively impact our fulfillment rates, cause delays in delivering our products to our customers or consumers, and hinder our ability to achieve our goals and targets under our Global Strategic Plan or the Saputo Promise.

In addition, the COVID-19 pandemic and related ongoing impacts may exacerbate other risks related to our business described in this section.

Supply of Raw Materials
Saputo purchases raw materials that can represent up to 85% of the cost of products. We process raw materials into finished edible products intended for resale to a broad range of customers. Availability of raw materials as well as variations in the price of foodstuffs and energy, including as a result of climate change, extreme weather, natural disasters, water availability, fires or explosions, health pandemics, outbreaks affecting humans or livestock, transportation problems, and global or local supply chain disruptions caused by the COVID-19 pandemic, geopolitical developments, military conflicts, and trade sanctions, can impact production costs and capacity utilization and therefore affect our results. The effect of any variation or the volatility of foodstuff prices on our results depends on our ability to transfer those increases to our customers, and this in the context of a competitive market.

Supply Chain Strain and Supplier Concentration
In fiscal 2022, the cost of inputs such as packaging materials, energy, fuel, transportation, and logistics necessary for the production and distribution of our products has rapidly increased. We expect the inflationary pressures on input costs to continue to impact our business in fiscal 2023. We have implemented and may continue to implement initiatives to offset these cost pressures, such as price increases, but these may not be sufficient to offset higher costs adequately or in a timely manner. Even if such initiatives are effective, higher product prices may result in decreases in sales volume or market share.

We purchase goods and services from a limited number of suppliers as a result of consolidation within the industries in which these suppliers operate. Issues with suppliers regarding pricing or performance of the goods and services they supply or the inability of suppliers to supply the required volumes of such goods and services in a timely manner, as a result of labour shortages or otherwise, could impact our financial condition and performance.

Risks related to supply chain may be further exacerbated by geopolitical developments such as the military conflict in Ukraine, which has and will likely continue to disrupt the global supply chain and contribute to economic uncertainty and increased prices of inputs and other costs.

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

Human Resources
Saputo's success depends on our ability to identify, attract, and retain qualified and diverse individuals and to execute appropriate succession planning for Management and key personnel. Inflationary pressures, shortages, and competitiveness in the labour markets where we operate our facilities, increased employee turnover, and changes in the availability of our employees, including as a result of COVID-19-related absences, have resulted in, and could continue to increase labour, pension, and people-related costs, which could have a material adverse effect on our results or financial condition. In addition, these factors have impacted, and could continue to impact, our ability to meet consumer demand, which could negatively affect our financial condition, results, or cash flows.

Although we believe we have good relationships with our employees and a significant number of our workforce is unionized, a lengthy strike or work stoppage could impact our operations and performance. Our operations are also subject to health and safety risks as well as laws and regulations in this regard. Notwithstanding Saputo's existing health and safety systems, serious injury or death of any employee could have a serious impact on Saputo's reputation, result in litigation, and require us to incur costs which may be significant.

Cybersecurity and Overall Management of Information Systems
We rely on information technology applications and systems in all areas of our operations. These applications and systems, some of which are managed by third parties, are subject to an increasing number of sophisticated and constantly evolving cyber threats. The increase in the number of employees working in a distributed remote environment has also given rise to new security threats and risks of other cybersecurity attacks. We are mainly exposed to risks relating to business disruptions, confidentiality, data integrity, and business email compromise-related fraud. Therefore, any unavailability or failure, due to security incidents or otherwise, may impede or slow down production, delay or taint certain decisions, and result in financial losses, including as a result of remediation costs. In addition, any unauthorized or malicious access to information systems containing proprietary, sensitive, or confidential information could compromise our data integrity or result in disclosure or loss of data which may have adverse effects on our activities, results, and reputation, including loss of revenues due to a disruption of the business, diminished competitive advantage, litigation or other legal procedures, or liability for failure to comply with privacy and information security laws. Although we have measures to reduce the likelihood, duration, and severity of disruptions to our information technology applications and systems, and maintain ongoing investments to protect, detect, respond to, and manage cybersecurity incidents, we have in the past been subject to cyber-attacks and expect that we will be subject to additional cyber-attacks in the future.

Also, we have reprioritized certain ongoing technology initiatives and have taken the decision to temporarily pause the final phase of the Harmoni deployment, our Enterprise Resource Planning (ERP) implementation project. There is no guarantee that the implementation of Harmoni, or our decision to postpone the final phase of deployment, will not disrupt or reduce the efficiency of our operations.

Competition
The food processing industry is extremely competitive. The global dairy industry is highly competitive and Saputo competes on a national and international basis with national and multinational competitors. Our performance in all countries where we do business depends on our ability to continue to offer quality products at competitive prices.

Consolidation of Clientele
As the consolidation in the food industry in all the market segments we serve continues, customers tend to grow larger, which results in a decrease in the number of customers and increase in the relative importance of some customers. For fiscal 2022, none of our customers represented more than 10% of total consolidated revenues. Our ability to continue to service our customers in all the markets that we serve will depend on the quality and price of our products, as well as the value proposition we offer to our customers.

Unanticipated Business Disruption
Major events, such as systems and equipment failure, cyberattacks, health pandemics (including the COVID-19 pandemic), geopolitical events, and natural disasters, or increased frequency or intensity of extreme weather conditions (including as a result of climate change), could lead to unanticipated business disruptions at any or certain of our facilities. The effect would be more significant if our larger manufacturing facilities were to be affected. The failure to mitigate business disruptions in a timely manner could negatively affect our financial performance and condition.

Consumer Trends

Demand for our products is subject to changes in consumer trends. For example, increased consumer focus on environmental sustainability matters, including emissions associated with the production of animal milk, and on health-related concerns, could result in a financial risk if a growing number of consumers turn away from animal-related products in favour of dairy alternatives, which may lead to lower demand for dairy products. The impact of these changes will depend on our ability to adapt, innovate, and develop new products. If our product innovation efforts fail to deliver the expected benefits or if growth in demand for new products does not materialize as we expect, we may not reach our financial growth targets.

Further, our operations are and could continue to be affected by the economic context should unemployment, interest rates, or inflation reach levels that influence consumer trends and consequently impact our sales and profitability. Should the inflationary pressures and global economic uncertainty we have seen in fiscal 2022 persist, consumers may increasingly purchase lower-priced offerings or may forgo some purchases altogether. To the extent that price increases are not sufficient to offset higher costs adequately or in a timely manner, and/or if they result in significant decreases in sales volume, our financial condition or operational performance may be adversely affected.

In addition, technology-based systems, which give consumers the ability to shop through e-commerce websites and mobile commerce applications, are also significantly altering the retail landscape where we operate. If we are unable to adjust to developments in these changing landscapes, we may be disadvantaged in key channels and with certain consumers, which could materially and adversely affect our sales, financial condition, and operating performance.

Environment

Saputo’s business and operations are subject to environmental laws and regulations, including those relating to permitting requirements, wastewater discharges, air emissions, greenhouse gases, releases of hazardous substances, and remediation of contaminated sites. We believe that our operations are in compliance, in all material respects, with such environmental laws and regulations, except as disclosed in the Annual Information Form dated June 9, 2022, for the fiscal year ended March 31, 2022. Compliance with these laws and regulations requires that we continue to incur operating and maintenance costs and capital expenditures, including to control potential impacts of our operations on local communities. Changes in environmental laws and regulations, evolving interpretation thereof, or more vigorous regulatory enforcement policies (including as a result of increased concern over climate change, water scarcity, waste management, plastic pollution, wastewater discharges, air emissions, greenhouse gases, or release of hazardous substances) could impose additional compliance costs, capital expenditures, as well as other financial obligations, which could have a material adverse effect on our financial position and performance.

The potential effects of climate change could have a material impact on our business and operations, including a range of operational, financial, and reputational risks. Saputo has set environmental targets and has undertaken or planned capital expenditures and other projects to increase its energy efficiency, reduce its GHG emissions, reduce waste, and decrease water usage. There is no assurance that our environmental and sustainability initiatives will be economically viable, effective or that the anticipated environmental benefits will materialize. Our ability to achieve our environmental targets, commitments, and goals depends on the development and performance of technology, innovation, and the future use and deployment of technology. It is possible that the changes necessary to reduce emissions or waste will not be feasible or that the costs will be material, either of which could have a material adverse effect on Saputo’s reputation, operations, or financial position.

In addition, there is an increased focus on environmental sustainability matters, including emissions associated with the production of animal milk. Any failure to achieve our environmental targets or other environment-related goals or a perception (whether or not valid) of our failure to act responsibly with respect to the evolving environmental issues, or to effectively respond to new, or changes in, legal or regulatory requirements concerning environmental matters, or increased operating or manufacturing costs due to increased regulation or environmental causes could adversely affect our business, our reputation, and our ability to attract capital from financial institutions and investors incorporating sustainability and ESG considerations as part of their portfolio, and increase the risk of litigation. Saputo’s reputation could be affected if we or other stakeholders in the dairy industry do not act, or are perceived not to act, responsibly.

Growth Strategy

We plan to grow both organically and through acquisitions. Our organic growth strategy, which is outlined in our Global Strategic Plan, may fail to deliver results and our targeted organic growth may never materialize. Capital expenditure projects play a key role in Saputo's organic growth strategy. The outcome and success of these projects often depend on several factors that are outside of our control, including disruptions caused by pandemics, new competing operational priorities, timing for completion, regulatory and governmental approvals, availability and cost of labour, materials, and equipment, contractor non-performance, cost of engineering, construction, and other consulting services and weather conditions. In the event of unanticipated delays or costs, business operations may be adversely affected. Other risks related to our business described in this section may impact our ability to grow organically and meet our strategic growth goals and targets.

We plan to continue to rely on new acquisitions to pursue our growth. We may therefore incur costs and divert management's time and attention in connection with potential acquisitions that may never be consummated. The ability to properly evaluate the fair value of the businesses being acquired and to properly devote the time and human resources required to successfully integrate their activities with those of Saputo constitute inherent risks related to acquisitions. The inability to adequately integrate an acquired business in a timely and efficient manner may affect our ability to realize synergies or improvements and to achieve anticipated returns, as well as resulting in higher integration costs and loss of business opportunities. In connection with acquisitions made by Saputo, there may also be liabilities and contingencies that we discover after closing, or are unable to quantify in the due diligence conducted prior to closing, and which could have a negative effect on our business, financial performance, and condition.

Intellectual Property

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

Financial Risk Exposures

Saputo has financial risk exposure to varying degrees relating to the currencies it uses for its business. Cash flows from operations in each of the countries where Saputo operates act, in part, as a natural hedge against the currency exchange risks related to debt denominated in such countries' currency. The level of the financial risk exposure related to currency fluctuations will depend on our ability to maintain appropriate protection mechanisms.

Interest Rate and Access to Capital and Credit Markets

A portion of Saputo's interest-bearing debt is subject to interest rate fluctuations. The impact on our results will depend on our ability to maintain adequate protection against such interest rate fluctuations. Our growth by acquisitions is dependent on access to liquidity in the capital and credit markets. Similarly, we may be required to access liquidity in the capital and credit markets in order to refinance or retire existing indebtedness. The impact of such financing transactions on our results will depend on our ability to secure liquidity in a timely manner and on terms and conditions acceptable to us. Changes in the perceived creditworthiness of the Company or the credit rating of our medium term notes increase our borrowing costs. Uncertain economic conditions resulting from the COVID-19 pandemic and disruption in financial markets could adversely affect our financial performance and the availability and cost of capital, preventing us from continuing to access preferred sources of liquidity when desired. Further, volatility in the capital markets has been heightened and such volatility may continue, which may cause fluctuations in the price of the Company's shares or result in shareholder grievance or activism.

Pension Plans

We operate both defined benefit and defined contribution plans (collectively, the "Plans"). Contributions to fund our defined benefit Plans are based on actuarial valuations, which themselves are based on assumptions and estimates about the long-term operations of the Plans, including assumptions on inflation, mortality, and the discount rates used to determine the liabilities of the Plans. Actual results of actuarial valuations may differ from expectations. We cannot predict whether changing markets or economic conditions, changes to pension legislation and regulations, or other factors will increase our pension expenses or liabilities, or funding obligations, diverting funds we would otherwise apply to other uses. Increases in net pension liabilities or increases in future cash contributions could adversely affect our business, financial condition, results from operations, and cash flows.

Credit Risk

We grant credit to our customers in the normal course of business. Credit valuations are performed on a regular basis and the financial statements take into account an allowance for expected credit loss. We consider that our exposure to concentration of credit risk with respect to accounts receivable from customers is low due to our large and diverse customer base operating in three market segments, retail, foodservice, and industrial, and our geographic diversity. There are no accounts receivable from any individual customer that exceeded 10% of the total balance of accounts receivable as at March 31, 2022. We regularly review the allowance for expected credit loss and accounts receivable due. We update our estimate of the allowance for doubtful accounts based on the evaluation of the recoverability of accounts receivable balances of each customer taking into consideration historic collection trends of past due accounts.

Legislative, Regulatory, Normative and Political Considerations

We are subject to local, provincial, state, federal, and international laws, regulations, rules, and policies as well as to social, economic, and political contexts prevailing in places where we conduct our activities. Consequently, the modification or change of any of these elements may have an unfavourable impact on our results and operations and may require that important expenses be made in order to adapt or comply. More specifically, the production and distribution of food products are subject to federal, state, provincial, and local laws, rules, regulations, and policies, and to international trade agreements, all of which provide a framework for our operations. Moreover, the legislative and regulatory landscape for privacy and data protection continues to evolve in jurisdictions worldwide, and there has been an increasing focus on privacy and data protection issues with the potential to affect our business. The impact of new laws and regulations, stricter enforcement or interpretations or changes to enacted laws and regulations will depend on our ability to adapt thereto and comply therewith. We are currently in compliance in all material respects with all applicable laws and regulations and maintain all material permits and licenses in connection with our operations.

Tariff Protection

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

Reputation and Public Opinion

We are committed to making progress on the Saputo Promise, our approach to social, environmental, and economic performance. Maintaining a positive reputation in the eyes of our customers, consumers, suppliers, communities, governments, regulatory bodies, and the general public is important to our continued success.

The potential for deterioration of our reputation may arise in many contexts and for many different reasons. For example, the dairy industry is subject to the activities of animal activists. Activist activities may spread information and misinformation in a variety of ways, including through protests and attempts to disrupt operations, as well as through various communication strategies. The growing use of social and digital media increases the speed and extent that information or misinformation and opinions can be shared.

Negative public opinions or shifts in opinion, negative publicity about Saputo, our brands, our products, or about the dairy industry could damage our reputation and negatively impact our sales and results. It may also diminish our ability to hire and retain the best talent, which could have an adverse impact on our overall business. Reputational risk intersects with many of the Company's other risks and may therefore exacerbate these risks.

Inventory

We are subject to inventory risks that may adversely affect our operating results as a result of variations in market selling prices for dairy products and ingredients, changes in consumer demand, seasonality, spoilage, limited product shelf life, changes in consumer tastes with respect to our products, and other factors. Excess or obsolete inventory which cannot be sold profitably, or increases in levels of inventory shrink could result in an inventory write-down or otherwise affect our financial performance.

Impairment Charges

We assess our goodwill and other intangible assets and long-lived assets as and when required by IFRS to determine whether they are impaired and, if they are, we record appropriate impairment charges. We have been required to record impairment charges in the past and it is possible that we may be required to record significant impairment charges in the future and, if we do so, our results could be materially adversely affected.

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) are responsible for establishing and maintaining disclosure controls and procedures. The Company's disclosure controls and procedures are designed to provide reasonable assurance that material information relating to the Company is made known to Management in a timely manner to allow the information required to be disclosed under securities legislation to be recorded, processed, summarized, and reported within the time periods specified in securities legislation.

The CEO and the CFO, along with Management, after evaluating the effectiveness of the Company's disclosure controls and procedures as at March 31, 2022, have concluded that the Company's disclosure controls and procedures were effective.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

The CEO and the CFO, along with Management, evaluated the effectiveness of the Company's internal control over financial reporting as at March 31, 2022, in accordance with the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, the CEO and the CFO, along with Management, have concluded that the Company's internal control over financial reporting was effective.

Saputo took a phased approach to its migration to a new ERP system, which project is now temporarily paused. In order to maintain appropriate internal controls over financial reporting in the divisions that have migrated to the new ERP system, relevant changes have been made. There were no other changes to Saputo's internal control over financial reporting that occurred during the period beginning on January 1, 2022, and ended on March 31, 2022, that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

SENSITIVITY ANALYSIS OF INTEREST RATE AND US CURRENCY FLUCTUATIONS

The debt subject to interest rate fluctuations was $1,054 million as at March 31, 2022. A 1% change in the interest rate would lead to a change in net earnings of approximately $7 million. Canadian and US currency fluctuations may affect net earnings, adjusted EBITDA, and revenues. Appreciation of the Canadian dollar compared to the US dollar would have a negative impact on net earnings, adjusted EBITDA, and revenues. However, a decrease in the Canadian dollar compared to the US dollar would have a positive impact on net earnings. During the fiscal year ended March 31, 2022, the average US dollar conversion was based on US$1.00 for $1.2510. A fluctuation of $0.10 of the Canadian dollar would have resulted in a change of approximately $2 million in net earnings, $23 million in adjusted EBITDA, and $511 million in revenues.

QUARTERLY FINANCIAL INFORMATION

2022 quarterly financial information – consolidated income statement

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

	Q4	Q3	Q2	Q1	Fiscal 2022
Revenues	3,957	3,901	3,689	3,488	15,035
Operating costs excluding depreciation, amortization, and restructuring costs	3,697	3,579	3,406	3,198	13,880
Adjusted EBITDA[1]	260	322	283	290	1,155
Adjusted EBITDA margin[1]	*6.6%*	*8.3%*	*7.7%*	*8.3%*	*7.7%*
Depreciation and amortization	148	144	137	131	560
Impairment of intangible assets	—	58	—	—	58
Gain on disposal of assets	—	(9)	—	—	(9)
Acquisition and restructuring costs	71	—	(2)	2	71
Financial charges	16	17	19	18	70
Earnings before income taxes	25	112	129	139	405
Income taxes	(12)	26	31	86	131
Net earnings	37	86	98	53	274
Net earnings margin	*0.9%*	*2.2%*	*2.7%*	*1.5%*	*1.8%*
Adjusted net earnings[1]	108	139	116	122	485
Adjusted net earnings margin[1]	*2.7%*	*3.6%*	*3.1%*	*3.5%*	*3.2%*
EPS basic	0.09	0.21	0.24	0.13	0.66
EPS diluted	0.09	0.21	0.24	0.13	0.66
Adjusted EPS Basic[1]	0.26	0.34	0.28	0.30	1.17
Adjusted EPS diluted[1]	0.26	0.33	0.28	0.29	1.17

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

Quarterly financial information by sector

	Q4	Q3	Q2	Q1	Fiscal 2022
Revenues					
Canada	1,055	1,112	1,081	1,033	4,281
USA	1,743	1,627	1,533	1,506	6,409
International	922	919	858	754	3,453
Europe	237	243	217	195	892
Total	3,957	3,901	3,689	3,488	15,035
Net earnings (consolidated)	37	86	98	53	274

	Q4	Q3	Q2	Q1	Fiscal 2022
Adjusted EBITDA					
Canada	117	121	124	113	475
USA	42	83	67	96	288
International	62	85	56	45	248
Europe	39	33	36	36	144
Total[1]	260	322	283	290	1,155

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

2021 quarterly financial information – consolidated income statement

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

	Q4	Q3	Q2	Q1	Fiscal 2021
Revenues	**3,438**	**3,763**	**3,702**	**3,391**	**14,294**
Operating costs excluding depreciation, amortization, and restructuring costs	**3,135**	**3,332**	**3,332**	**3,024**	**12,823**
Adjusted EBITDA[1]	**303**	**431**	**370**	**367**	**1,471**
Adjusted EBITDA margin[1]	***8.8%***	***11.5%***	***10.0%***	***10.8%***	***10.3%***
Depreciation and amortization	**135**	**128**	**126**	**126**	**515**
Impairment of intangible assets	**—**	**—**	**—**	**19**	**19**
Acquisition and restructuring costs	**3**	**—**	**(6)**	**—**	**(3)**
Financial charges	**23**	**26**	**22**	**25**	**96**
Earnings before income taxes	**142**	**277**	**228**	**197**	**844**
Income taxes	**39**	**67**	**57**	**55**	**218**
Net earnings	**103**	**210**	**171**	**142**	**626**
Net earnings margin	***3.0%***	***5.6%***	***4.6%***	***4.2%***	***4.4%***
Adjusted net earnings[1]	**124**	**228**	**184**	**179**	**715**
Adjusted net earnings margin[1]	***3.6%***	***6.1%***	***5.0%***	***5.3%***	***5.0%***
EPS basic	**0.25**	**0.51**	**0.42**	**0.35**	**1.53**
EPS diluted	**0.25**	**0.51**	**0.42**	**0.35**	**1.52**
Adjusted EPS basic[1]	**0.30**	**0.56**	**0.45**	**0.44**	**1.74**
Adjusted EPS diluted[1]	**0.30**	**0.55**	**0.45**	**0.44**	**1.74**

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

Quarterly financial information by sector

	Q4	Q3	Q2	Q1	Fiscal 2021
Revenues					
Canada	1,001	1,089	1,063	982	4,135
USA	1,399	1,657	1,649	1,417	6,122
International	827	807	806	781	3,221
Europe	211	210	184	211	816
Total	**3,438**	**3,763**	**3,702**	**3,391**	**14,294**
Net earnings (consolidated)	**103**	**210**	**171**	**142**	**626**

	Q4	Q3	Q2	Q1	Fiscal 2021
Adjusted EBITDA					
Canada	108	118	117	104	447
USA	93	171	140	163	567
International	62	105	78	60	305
Europe	40	37	35	40	152
Total[1]	**303**	**431**	**370**	**367**	**1,471**

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

CONSOLIDATED ANALYSIS OF EARNINGS FOR THE YEAR ENDED MARCH 31, 2021, COMPARED TO MARCH 31, 2020

Revenues

Revenues totalled $14.294 billion, a decrease of $650 million or 4.3%, as compared to $14.944 billion in fiscal 2020.

The global shift in consumer demand caused by the COVID-19 pandemic negatively impacted sales volumes in the foodservice market segment, mostly in the USA Sector, although partially offset by increased sales volumes in the retail and industrial market segments. Additional sales volumes in our export markets positively impacted revenues despite varying government-imposed restrictions throughout the fiscal year.

Lower international cheese and dairy ingredient market prices negatively impacted revenues, despite the favourable net impact of the fluctuation of the Argentine peso and the Australian dollar versus the US dollar in the export markets. The combined effect of the lower average butter market price[2] and the higher average block market price[2] also decreased revenues by approximately $114 million. However, higher domestic selling prices in the Canada Sector and the International Sector, which increased due to the higher cost of milk as raw material, positively impacted revenues.

The contributions of the acquisition of the specialty cheese business of Lion Dairy & Drinks PTY Ltd. (Specialty Cheese Business Acquisition) in the International Sector and the Dairy Crest Acquisition in the Europe Sector for the full fiscal year, as compared to partial contributions in fiscal 2020, positively impacted revenues.

Lastly, the fluctuation of foreign currencies versus the Canadian dollar decreased revenues by approximately $183 million.

Operating costs excluding depreciation, amortization, and restructuring costs

Operating costs excluding depreciation, amortization, inventory revaluation resulting from a business acquisition, and restructuring costs totalled $12.823 billion, a decrease of $653 million or 4.8%, as compared to $13.476 billion for fiscal 2020. The decrease was consistent with lower revenues, as described above, and extreme dairy commodity market volatility, which, together, contributed to the lower cost of raw materials and consumables used. Employee salary and benefit expenses increased due to wage increases and the contributions of the Specialty Cheese Business Acquisition and the Dairy Crest Acquisition for the full fiscal year, as compared to partial contributions in fiscal 2020.

Net earnings

Net earnings totalled $626 million, an increase of $43 million or 7.3%, as compared to $583 million for fiscal 2020. These increases were primarily due to the factors that contributed to higher adjusted EBITDA[1] of $3 million, as described below, lower acquisition and restructuring costs of $40 million after tax, a non-recurring inventory revaluation resulting from a business acquisition related to fiscal 2020 of $33 million after tax, partially offset by higher depreciation and amortization, an impairment of intangible assets charge of $19 million after tax, and a higher income tax expense.

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

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

Adjusted EBITDA[1]

Adjusted EBITDA[1] totalled $1.471 billion, an increase of $3 million or 0.2%, as compared to $1.468 billion in fiscal 2020.

The unfavourable relation between international cheese and dairy ingredient market prices and the cost of milk as raw material had a negative impact on adjusted EBITDA. In an extremely volatile dairy commodity market, USA Market Factors[2] had a positive impact on adjusted EBITDA of approximately $57 million.

The contributions of the Specialty Cheese Business Acquisition and the Dairy Crest Acquisition for the full fiscal year, as compared to partial contributions in fiscal 2020, increased adjusted EBITDA.

Lower administrative costs positively impacted adjusted EBITDA, with the continued ban on non-essential business travel, the reduction of promotional activity and other initiatives in the context of the COVID-19 pandemic, which mitigated the negative impacts on adjusted EBITDA of higher operational costs, including those related to additional supplies of personal protective equipment for employees and unproductive labour.

The COVID-19 pandemic negatively affected adjusted EBITDA late in the fourth quarter of fiscal 2020. In fiscal 2021, overall lower sales volumes negatively impacted efficiencies and the absorption of fixed costs, particularly in the USA Sector.

The effect of foreign currency fluctuations versus the Canadian dollar had an unfavourable impact on adjusted EBITDA of approximately $2 million.

Depreciation and amortization

Depreciation and amortization expenses amounted to $515 million, an increase of $48 million, as compared to $467 million in fiscal 2020. These increases were mainly attributable to additional depreciation and amortization related to recent acquisitions, as well as additions to property, plant and equipment, which increased the depreciable base.

Impairment of intangible assets

During the first quarter of fiscal 2021, an impairment of intangible assets charge of $19 million was incurred in relation to our decision to retire one of our cheese brand names from our Australian portfolio as part of our commitment to share in the responsibility to eliminate racism in all its forms.

Acquisition and restructuring costs

Acquisition and restructuring costs amounted to a net gain of $3.2 million, including a gain on disposal of assets of $6 million ($5 million after tax) relating to the sale of a facility in the Canada Sector and additional costs from a previous acquisition, as compared to $46 million for fiscal 2020, incurred mainly for the Dairy Crest Acquisition and the Specialty Cheese Business Acquisition.

Financial charges

Financial charges amounted to $96 million, a decrease of $19 million or 16.5%, as compared to $115 million last fiscal year. This included a decrease in interest expense of $29 million, mainly attributable to a lower debt level, lower interest rates, and a decreased gain on hyperinflation of $11 million.

Income taxes

Income tax expense totalled $218 million, reflecting an effective tax rate of 25.8% as compared to 27.1% for fiscal 2020. The fiscal 2021 income tax expense reflected the tax treatment of an impairment of intangible assets charge and an income tax benefit related to a tax inflation adjustment in Argentina. Income taxes during fiscal 2020 included an income tax expense of $17 million due to the increase in the corporate income tax rate in the United Kingdom. The effective tax rate for fiscal 2020 also reflected the income tax benefits related to a tax inflation adjustment pursuant to Argentine tax legislation and the decrease in provincial income taxes in Canada. Excluding the effects of the factors mentioned above, the effective tax rate for the fiscal years 2021 and 2020 would have been 26.3% and 26.2%, respectively.

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

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

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

Adjusted net earnings[1]

Adjusted net earnings totalled $715 million, a decrease of $9 million or 1.2%, as compared to $724 million for last fiscal year. This decrease was mainly due to higher net earnings of $43 million, excluding lower acquisition and restructuring costs of $40 million after tax, a non-recurring inventory revaluation resulting from a business acquisition related to fiscal 2020 of $33 million after tax, an impairment of intangible assets charge of $19 million after tax, and a higher income tax expense.

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

GLOSSARY

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

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

Book value per share means total equity divided by the number of common shares outstanding.

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

Net Debt means long-term debt, lease liabilities, and bank loans, including the current portion thereof, net of cash and cash equivalents. Refer to Note 22 to the consolidated financial statements for more information.

Net Debt / Equity means net debt divided by total equity. Refer to Note 22 to the consolidated financial statements for more information.

Net earnings margin means net earnings expressed as a percentage of revenues.

Non-current financial liabilities is composed of non-current long-term debt, lease liabilities, and derivative financial liabilities.

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

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

Working capital means current assets minus current liabilities.

Working capital ratio means current assets divided by current liabilities.

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 auditor to discuss internal controls, auditing matters and financial reporting issues. It also reviews the annual report, the consolidated financial statements and the independent auditor's report. The Audit Committee recommends the independent auditor for appointment by the shareholders. The independent auditor have unrestricted access to the Audit Committee. The consolidated financial statements have been audited by the independent auditor KPMG LLP, whose report follows.

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

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

June 9, 2022

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Saputo Inc.

Opinion

We have audited the consolidated financial statements of Saputo Inc. (the "Entity"), which comprise:

- the consolidated statement of financial position as at March 31, 2022;
- the consolidated income statement and consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year 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. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended March 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.

KPMG

Assessment of the carrying amount of Goodwill for Dairy Division (Australia) and Dairy Division (UK) cash generating units (CGUs)

Description for the matter

We draw attention to Notes 3 and 8 of the financial statements. The goodwill balance is $3,188 million, of which $267 million and $605 million relate to the Dairy Division (Australia) and Dairy Division (UK), respectively. The Entity performs impairment testing annually for goodwill or more frequently if events or changes in circumstances indicate that it might be impaired. When testing goodwill for impairment, the carrying values of the CGUs or group of CGUs, including goodwill, are compared with their respective recoverable amounts and an impairment loss, if any, is recognized for the excess. The recoverable amounts of the CGUs or group of CGUs are estimated based on the higher of their fair value less costs of disposal using an earnings multiplier valuation method and value in use using a discounted cash flow model. The determination of the recoverable amount requires management to make significant estimates and assumptions related to:

- The forecasted cash flows based on earnings before interest, income taxes, depreciation and amortization ("EBITDA"), terminal growth rates and discount rates, used in the discounted cash flow model
- EBITDA multiples used in the earnings multiplier valuation method.

Why this matter is a key audit matter

We identified the assessment of the carrying amount of Goodwill for Dairy Division (Australia) and Dairy Division (UK) CGUs as a key audit matter. This matter represented an area of significant risk of material misstatement given the sensitivity of the Entity's determination of the recoverable amounts of the CGUs to changes to significant assumptions. In addition, significant auditor judgment and specialized skills and knowledge were required in evaluating the results of our audit procedures.

How the Key Audit Matter Was Addressed in the Audit

The primary procedures we performed to address this key audit matter included the following:

We evaluated the Entity's ability to accurately forecast EBITDA by comparing actual results to historical EBITDA forecasts.

We involved our valuations professionals with specialized skills and knowledge, who assisted in evaluating the appropriateness of the:

- Terminal growth rates by developing a range of independent terminal growth rates using publicly available industry market data and expected long term inflation rates and comparing those to the Entity's terminal growth rate assumptions
- Discount rates by comparing inputs into the discount rates to publicly available data for comparable entities
- EBITDA multiples by developing an independent range of multiples using available market information from third party sources and observed in recent comparable transactions, and comparing those to EBITDA multiples selected by management.

Other Matter - Comparative Information

The financial statements for the year ended March 31, 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 3, 2021.

Other Information

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

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "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 and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis and the Annual Report filed with the relevant Canadian Securities Commissions as at the date of this auditors' 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 the auditors' 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 International Financial Reporting Standards (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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 generally accepted auditing standards 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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity 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.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditors' report is Toni Dilli.

/s/ KPMG LLP*

Montreal, Canada

June 9, 2022

*CPA auditor, public accountancy permit No. A123145

Deloitte.

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 statement of financial position as at March 31, 2021, and the consolidated income statement, consolidated statements of comprehensive income, changes in equity and cash flows for the year 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, 2021, and its financial performance and its cash flows for the year 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.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended March 31, 2021. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Goodwill —Dairy Division (Australia) and Dairy Division (UK) — Refer to Notes 3 and 8 to the consolidated financial statements

Key Audit Matter Description

The Company's evaluation of goodwill for impairment involves the comparison of the carrying values of cash-generating units ("CGUs") or group of CGUs, including goodwill, with their respective recoverable amounts. The recoverable amounts of the Dairy Division (Australia) and Dairy Division (UK) CGUs are estimated based on the higher of its value in use using a discounted cashflow model or fair value less costs of disposal using a multiple earnings method. This requires management to make significant estimates and assumptions related to the forecasted revenues and associated earnings before interest, income taxes, depreciation and amortization ("EBITDA") margins, terminal growth rates and discount rates, used in the discounted cashflow model and EBITDA multiples used in the multiple earnings method. Changes in these assumptions could have a significant impact on the determination of the recoverable amounts. The recoverable amounts of these CGUs exceeded their carrying values as of the measurement date, and therefore no impairment was recognized.

While there are several estimates and assumptions that are required to estimate the recoverable amounts of the Dairy Division (Australia) and Dairy Division (UK) CGUs, the estimates and assumptions with the highest degree of subjectivity related to the forecasted revenues and associated EBITDA margins, terminal growth rates, discount rates and EBITDA multiples. Performing audit procedures to evaluate the reasonableness of these estimates and assumptions required a high degree of auditor judgment and an increased extent of audit effort, including the need to involve valuation specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the forecasted revenues and associated EBITDA margins, terminal growth rates, discount rates and EBITDA multiples used by management to estimate the recoverable amount of the Dairy Division (Australia) and the Dairy Division (UK) CGUs included the following, among others:

- Evaluated management's ability to accurately forecast revenues and EBITDA margins by comparing actual results to management's historical forecasts.
- Evaluated the reasonableness of management's forecasted revenues and EBITDA margins by comparing the forecasts to:
    - Historical revenues and EBITDA margins.
    - Internal communications to senior leadership and to the Board of Directors detailing business strategies and growth plans.
    - Forecasted revenue growth rates in analysts and industry reports that are publicly available.
- With the assistance of our valuation specialists evaluated the reasonableness of the:
    - Terminal growth rates by developing a range of independent estimates using available industry data and expected long term inflation rates and comparing those to the terminal growth rates selected by management.
    - Discount rates by testing the source information underlying the determination of the discount rates and developing a range of independent estimates and comparing those to the discount rates selected by management.
    - EBITDA multiples by developing an independent range of estimates using available market information from third party sources and recent transactions, if applicable and comparing those to the EBITDA multiples selected by management.

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 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Gianmarco Lombardi.

/s/ Deloitte LLP[1]

Montréal, Québec
June 3, 2021

[1] CPA auditor, CA, public accountancy permit No. A125494

CONSOLIDATED INCOME STATEMENTS

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

Years ended March 31		2022		2021
Revenues (Note 24)	**$**	**15,035**	$	14,294
Operating costs excluding depreciation, amortization, and restructuring costs (Note 5)		**13,880**		12,823
Earnings before income taxes, financial charges, acquisition and restructuring costs, gain on disposal of assets, impairment of intangible assets, and depreciation and amortization		**1,155**		1,471
Depreciation and amortization		**560**		515
Impairment of intangible assets (Note 8)		**58**		19
Gain on disposal of assets		**(9)**		—
Acquisition and restructuring costs (Note 23)		**71**		(3)
Financial charges (Note 14)		**70**		96
Earnings before income taxes		**405**		844
Income taxes (Note 15)		**131**		218
Net earnings	**$**	**274**	$	626
Net earnings per share (Note 16)				
Basic	**$**	**0.66**	$	1.53
Diluted	**$**	**0.66**	$	1.52

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	**2022**	2021
Net earnings	**$ 274**	$ 626
Other comprehensive loss:		
Items that may be reclassified to net earnings:		
Exchange differences arising from foreign currency translation	**(142)**	(450)
Inflation effect arising from the application of hyperinflation	**(2)**	(8)
Unrealized gains on cash flow hedges (Note 17)	**19**	62
Reclassification of loss (gains) on cash flow hedges to net earnings	**11**	(7)
Income taxes relating to items that may be reclassified to net earnings	**(9)**	(15)
	(123)	(418)
Items that will not be reclassified to net earnings:		
Actuarial gain (loss) (Note 19)	**72**	(215)
Income taxes relating to items that will not be reclassified to net earnings	**(11)**	41
	61	(174)
Other comprehensive loss	**(62)**	(592)
Total comprehensive income	**$ 212**	$ 34

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, 2022	Share capital		Reserves					
	Common Shares	Amount	Foreign Currency Translation	Cash Flow Hedges	Stock Option Plan	Total Reserves	Retained Earnings	Total Equity
Balance, beginning of year	**412,333,571**	**$ 1,807**	**$ 210**	**$ —**	**$ 165**	**$ 375**	**$ 4,262**	**$ 6,444**
Net earnings	**—**	**—**	**—**	**—**	**—**	**—**	**274**	**274**
Other comprehensive loss	**—**	**—**	**(144)**	**21**	**—**	**(123)**	**61**	**(62)**
Total comprehensive income								**212**
Dividends (Note 13)	**—**	**—**	**—**	**—**	**—**	**—**	**(296)**	**(296)**
Shares issued under dividend reinvestment plan (Note 13)	**2,783,718**	**87**	**—**	**—**	**—**	**—**	**—**	**87**
Stock options	**—**	**—**	**—**	**—**	**15**	**15**	**—**	**15**
Exercise of stock options (Note 13)	**1,620,752**	**51**	**—**	**—**	**(8)**	**(8)**	**—**	**43**
Balance, end of year	**416,738,041**	**$ 1,945**	**$ 66**	**$ 21**	**$ 172**	**$ 259**	**$ 4,301**	**$ 6,505**

For the year ended March 31, 2021	Share capital		Reserves					
	Common Shares	Amount	Foreign Currency Translation	Cash Flow Hedges	Stock Option Plan	Total Reserves	Retained Earnings	Total Equity
Balance, beginning of year	408,638,373	$ 1,686	$ 668	$ (40)	$ 150	$ 778	$ 4,095	$ 6,559
Net earnings	—	—	—	—	—	—	626	626
Other comprehensive loss	—	—	(458)	40	—	(418)	(174)	(592)
Total comprehensive income								34
Dividends (Note 13)	—	—	—	—	—	—	(285)	(285)
Shares issued under dividend reinvestment plan (Note 13)	2,348,157	80	—	—	—	—	—	80
Stock options	—	—	—	—	22	22	—	22
Exercise of stock options (Note 13)	1,347,041	41	—	—	(7)	(7)	—	34
Balance, end of year	**412,333,571**	**$ 1,807**	**$ 210**	**$ —**	**$ 165**	**$ 375**	**$ 4,262**	**$ 6,444**

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, 2022	March 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents	**$ 165**	$ 309
Receivables	**1,500**	1,217
Inventories (Note 4)	**2,503**	2,294
Income taxes receivable (Note 15)	**52**	35
Prepaid expenses and other assets	**75**	93
	4,295	3,948
Property, plant and equipment (Note 6)	**3,962**	3,777
Right-of-use assets (Note 7)	**475**	482
Goodwill (Note 8)	**3,188**	3,066
Intangible assets (Note 8)	**1,371**	1,517
Other assets (Note 9)	**362**	319
Deferred tax assets (Note 15)	**30**	14
Total assets	**$ 13,683**	$ 13,123
LIABILITIES		
Current liabilities		
Bank loans (Note 10)	**$ 419**	$ 76
Accounts payable and accrued liabilities	**1,952**	1,641
Income taxes payable (Note 15)	**44**	54
Current portion of long-term debt (Note 11)	**300**	300
Current portion of lease liabilities (Note 7)	**65**	75
	2,780	2,146
Long-term debt (Note 11)	**3,075**	3,278
Lease liabilities (Note 7)	**386**	386
Other liabilities (Note 12)	**101**	116
Deferred tax liabilities (Note 15)	**836**	753
Total liabilities	**$ 7,178**	$ 6,679
EQUITY		
Share capital (Note 13)	**1,945**	1,807
Reserves	**259**	375
Retained earnings	**4,301**	4,262
Total equity	**$ 6,505**	$ 6,444
Total liabilities and equity	**$ 13,683**	$ 13,123

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

On behalf of the Board,

(signed) Lino A. Saputo	*(signed) Tony Meti*
Lino A. Saputo	Tony Meti
Chair of the Board, President and Chief Executive Officer	Director

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of CDN dollars)

Years ended March 31		**2022**		2021
Cash flows related to the following activities:				
Operating				
Net earnings	**$**	**274**	$	626
Adjustments for:				
Stock-based compensation		**37**		36
Financial charges (Note 14)		**70**		96
Income tax expense		**131**		218
Depreciation and amortization		**560**		515
Impairment of intangible assets (Note 8)		**58**		19
Restructuring charges related to optimization initiatives (Note 23)		**68**		—
(Gain) on disposal of property, plant and equipment		**(12)**		(7)
Foreign exchange (gain) loss on debt		**(21)**		45
Share of joint venture earnings, net of dividends received and other		**3**		(2)
Changes in non-cash operating working capital items		**(252)**		(233)
Cash generated from operating activities		**916**		1,313
Interest and financial charges paid		**(117)**		(112)
Income taxes paid		**(106)**		(123)
Net cash generated from operating activities	**$**	**693**	$	1,078
Investing				
Business acquisitions, net of cash acquired		**(371)**		—
Additions to property, plant and equipment		**(453)**		(380)
Additions to intangible assets		**(45)**		(54)
Proceeds from disposal of property, plant and equipment		**70**		47
Net cash used for investing activities	**$**	**(799)**	$	(387)
Financing				
Bank loans		**356**		(444)
Proceeds from issuance of long-term debt		**306**		1,084
Repayment of long-term debt		**(487)**		(1,093)
Repayment of lease liabilities		**(80)**		(80)
Net proceeds from issuance of share capital		**42**		33
Payment of dividends		**(209)**		(205)
Net cash used in financing activities	**$**	**(72)**	$	(705)
Decrease in cash and cash equivalents		**(178)**		(14)
Cash and cash equivalents, beginning of year		**309**		319
Effect of inflation		**39**		16
Effect of exchange rate changes		**(5)**		(12)
Cash and cash equivalents, end of year	**$**	**165**	$	309

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2022, and 2021.

(Tabular amounts are in millions of CDN dollars except numbers of options, units, and shares. All dollar amounts are in CDN dollars, unless otherwise indicated.)

NOTE 1 CORPORATE INFORMATION

Saputo Inc. (the Company) is a publicly traded company incorporated and domiciled in Canada. The Company's shares are listed on the Toronto Stock Exchange under the symbol "SAP." The Company produces, markets, and distributes a wide array of dairy products from Canada, the United States, Australia, Argentina, and the United Kingdom. In addition to its dairy portfolio, the Company produces, markets, and distributes a range of dairy alternative cheeses and beverages. The address of the Company's head office is 6869 Metropolitain Blvd. East, Montréal, Québec, Canada, H1P 1X8. The consolidated financial statements of the Company for the fiscal year ended March 31, 2022 (financial statements), comprise the financial results of the Company and its subsidiaries.

The financial statements were authorized for issuance by the Board of Directors on June 9, 2022.

NOTE 2 BASIS OF PRESENTATION

STATEMENT OF COMPLIANCE

The consolidated 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 historical cost basis except for defined benefit plan assets and liabilities as well as certain financial instruments that are measured at fair value as described in Note 3, Significant accounting policies.

FUNCTIONAL AND PRESENTATION CURRENCY

The Company's consolidated 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 using the first in, first out method.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

PROPERTY, PLANT AND EQUIPMENT

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

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

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

Assets held for sale are recorded at the lower of their carrying amount or fair value less costs to sell, and no depreciation is recorded. Assets under construction are not depreciated. Borrowing costs are capitalized to qualifying property, plant and equipment, if any, 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, if any, are included in “depreciation and amortization” or “restructuring costs” in the consolidated income statements.

RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Leases are recognized as a right-of-use asset and a corresponding lease liability at the commencement date. Each lease payment is allocated between a reduction of the liability and finance cost. The finance cost is recognized in ‘‘Financial charges’’ in the consolidated income statements over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The lease liability is measured at the present value of lease payments to be made, discounted using the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily available. The period over which the lease payments are discounted is the non-cancellable period for which the lessee has the right to use the underlying asset together with the renewal options that the Company is reasonably certain to exercise. The period needs to also consider termination options that the Company is reasonably certain not to exercise. Renewal options are included in a number of leases across the Company. Lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised and payment of penalties for termination of a lease.

Right-of-use assets are measured at cost, which is calculated as the amount of the initial measurement of lease liability plus any lease payments made at or before the lease commencement date, any initial direct costs, and related restoration costs. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If a lease transfers ownership of the underlying asset or if it is reasonably certain at the commencement of the lease arrangement that the Company will exercise its purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Costs associated with short-term leases and leases of low-value assets are included in the consolidated income statements.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 CGUs or group of CGUs, 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 which vary from 15 to 25 years and are reviewed for indicators of impairment at each reporting period. The assessment of the estimated useful life of trademarks is reviewed annually. 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 3 to 15 years and are reviewed for indicators of impairment at each reporting period.

Refer to “Impairment Testing of Cash-Generating Units” in Note 8 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 a CGU), 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 “depreciation and amortization” or “restructuring costs” in the consolidated income statements 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.

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.

EMPLOYEE FUTURE BENEFITS

The cost of defined benefit pension and other post-retirement benefits is actuarially determined annually on March 31 using the projected unit credit method and using Management’s best estimates of rates of compensation increases, retirement ages of employees, and expected health care costs. Key assumptions made when valuing the defined benefit obligation include the discount rate, duration of the plan, inflation, and mortality, amongst others. 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. Current service costs and past service costs are included in the consolidated income statements. Past service costs are recognized at the earlier of the date of the plan amendment or curtailment. Interest on obligations offset by interest income on plan assets are included in financial charges in the consolidated income statements. The net pension expenditure under defined contribution pension plans is generally equal to the contributions made by the employer.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

REVENUE RECOGNITION

The Company recognizes revenue when control of the asset is transferred to the customer, the vast majority upon shipment of products. Revenue is measured at the amount of consideration to which the Company expects to be entitled to. 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, the Argentine peso, and the British pound.

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 installment 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 is subsequently remeasured at each reporting period with any change in value recorded in the consolidated income statements.

The Company offers performance share units (PSU) and restricted share units (RSU) to senior management which are based on the market value of the Company's common shares. The PSU and RSU plans are non-dilutive and are 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 subsequently remeasured at each reporting period with any change in value recorded in the consolidated income statements. Compensation expense is recognized over the three-year performance cycle for PSUs and over the three-year restriction period for RSUs.

JOINT VENTURES

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

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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, PSUs, and RSUs which is measured at the fair value of common shares on the financial position dates.

The Company applies the simplified approach to recognize lifetime expected credit losses under IFRS 9. 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 changes in 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 earnings, 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

Assets and liabilities, for which fair value is measured or disclosed in the consolidated financial statements, 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 JUDGMENTS IN THE APPLICATION OF ACCOUNTING POLICIES

The preparation of the Company's financial statements requires Management to make certain judgments and estimates about transactions and carrying values that are fulfilled at a future date. Judgments 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 judgments and estimates that could have a material effect on the financial statements is provided below.

SIGNIFICANT ESTIMATES AND JUDGMENTS

Economic Conditions and Uncertainties

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

The Company is also continuously monitoring the geopolitical risk related to the evolving military conflict in Ukraine. This crisis did not have a significant impact on the Company's consolidated financial statements.

Income Taxes

The Company is subject to income taxes in numerous jurisdictions. Significant judgment 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 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 judgment 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.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 judgments, 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.

Impairment of Assets

Significant estimates and judgments are required in testing goodwill, intangible assets, and other long-lived assets, including right-of-use assets, for impairment. Management uses estimates or exercises judgment 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. Goodwill is tested for impairment annually based on the December 31 balances and whenever there is an indication of impairment. 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 duration of the obligation, inflation, the expected health care cost trend rate, the expected mortality rate, expected salary increase, etc. Changes in a number of key assumptions can have a material impact on the calculation of the obligation. 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 ADOPTED DURING THE YEAR

The following standards, amendments to existing standards, and interpretation of standards were adopted by the Company on or after April 1, 2021:

IAS 38, Configuration or customization costs in a cloud computing arrangement

In April 2021, the IFRIC published a final agenda decision clarifying how to recognize certain configuration and customization expenditures related to cloud computing.

The publication of this final agenda decision resulted in a change to our accounting policy for costs related to configuration or customization of application software that is not controlled by the Company in Software as a Service (SaaS) arrangements and as result $8 million ($5 million after tax) of previously capitalized costs were expensed and included under Impairment of intangible assets (see Note 8).

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

The following standards, amendments to standards and interpretations have been issued by the International Accounting Standards Board (IASB) and are applicable to the Company for its annual periods beginning on and after April 1, 2022, with an earlier application permitted:

IFRS 3, Business Combinations: Reference to the Conceptual Framework

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

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

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

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

This amendment is applicable to the Company beginning April 1, 2022, and its adoption will not have a significant impact on the Company's financial statements.

IAS 37, Onerous Contracts: Cost of Fulfilling a Contract

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

This amendment is applicable to the Company beginning April 1, 2022, and its adoption will not have a significant impact on the Company's financial statements.

IAS 1, Disclosure of Accounting Policies

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

This amendment is applicable to the Company beginning April 1, 2023. The adoption of this amendment is not expected to have a significant impact on the Company's financial statements.

IAS 8, Definition of Accounting Estimates

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

This amendment is applicable to the Company beginning April 1, 2023. The adoption of this amendment is not expected to have a significant impact on the Company's financial statements.

IAS 12, Deferred Tax Related to Assets and Liabilities Arising From a Single Transaction

In May 2021, the IASB issued amendments to IAS 12 to require entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

This amendment is applicable to the Company beginning April 1, 2023. The adoption of this amendment is not expected to have a significant impact on the Company's financial statements.

NOTE 4 INVENTORIES

	March 31, 2022	March 31, 2021
Finished goods	**$ 1,444**	$ 1,268
Raw materials, work in progress and supplies	**1,059**	1,026
Total	**$ 2,503**	$ 2,294

The amount of inventories recognized as an expense in operating costs for the year ended March 31, 2022, is $11.7 billion ($11.2 billion for the year ended March 31, 2021).

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

	For the years ended March 31	
	2022	2021
Changes in inventories of finished goods and work in process	**$ (168)**	$ (74)
Raw materials and consumables used	**10,522**	9,649
Foreign exchange loss (gain)	**11**	(36)
Employee benefits expense	**1,877**	1,842
Other selling costs	**803**	656
Other general and administrative costs	**835**	786
	$ 13,880	$ 12,823

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

	For the year ended March 31, 2022				
	Land	**Buildings**	**Furniture, machinery and equipment**	**Rolling stock**	**Total**
Cost					
As at March 31, 2021	**$ 207**	**$ 1,428**	**$ 4,254**	**$ 13**	**$ 5,902**
Business acquisitions (Note 18)	**2**	**43**	**91**	**—**	**136**
Additions	**2**	**103**	**348**	**—**	**453**
Disposals	**(3)**	**(11)**	**(73)**	**(2)**	**(89)**
Transfers	**—**	**27**	**(16)**	**—**	**11**
Foreign currency and hyperinflation adjustments	**(5)**	**(6)**	**3**	**1**	**(7)**
As at March 31, 2022	**$ 203**	**$ 1,584**	**$ 4,607**	**$ 12**	**$ 6,406**
Accumulated depreciation					
As at March 31, 2021	**$ —**	**$ 418**	**$ 1,697**	**$ 10**	**$ 2,125**
Depreciation	**—**	**68**	**267**	**1**	**336**
Disposals	**—**	**(8)**	**(72)**	**(1)**	**(81)**
Transfers	**—**	**—**	**2**	**—**	**2**
Impairment related to restructuring (Note 23)	**—**	**24**	**30**	**—**	**54**
Foreign currency and hyperinflation adjustments	**—**	**(1)**	**9**	**—**	**8**
As at March 31, 2022	**$ —**	**$ 501**	**$ 1,933**	**$ 10**	**$ 2,444**
Net book value at March 31, 2022	**$ 203**	**$ 1,083**	**$ 2,674**	**$ 2**	**$ 3,962**

The net book value of property, plant and equipment under construction amounts to $294 million as at March 31, 2022, ($309 million as at March 31, 2021) and consists mainly of machinery and equipment.

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

	For the year ended March 31, 2021				
	Land	Buildings	Furniture, machinery and equipment	Rolling stock	Total
Cost					
As at March 31, 2020	$ 204	$ 1,443	$ 4,192	$ 15	$ 5,854
Additions	1	66	313	—	380
Disposals	(6)	(30)	(68)	(3)	(107)
Transfers	—	—	(4)	—	(4)
Foreign currency adjustments	8	(51)	(179)	1	(221)
As at March 31, 2021	$ 207	$ 1,428	$ 4,254	$ 13	$ 5,902
Accumulated depreciation					
As at March 31, 2020	$ —	$ 396	$ 1,598	$ 10	$ 2,004
Depreciation	—	61	256	2	319
Disposals	—	(17)	(58)	(2)	(77)
Foreign currency and hyperinflation adjustments	—	(22)	(99)	—	(121)
As at March 31, 2021	$ —	$ 418	$ 1,697	$ 10	$ 2,125
Net book value at March 31, 2021	$ 207	$ 1,010	$ 2,557	$ 3	$ 3,777

NOTE 7 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The following table presents changes in right-of-use assets during fiscal 2022:

	For the year ended March 31, 2022		
	Real Estate	**Equipment**	**Total**
Balance as at April 1, 2021	**$ 345**	**$ 137**	**$ 482**
New leases / leases modifications	**23**	**58**	**81**
Depreciation	**(41)**	**(38)**	**(79)**
Foreign currency	**(5)**	**(4)**	**(9)**
Balance at March 31, 2022	**$ 322**	**$ 153**	**$ 475**

The following table presents changes in right-of-use assets during fiscal 2021:

	For the year ended March 31, 2021		
	Real Estate	Equipment	Total
Balance as at April 1, 2020	$ 274	$ 144	$ 418
New leases / leases modifications	116	20	136
Depreciation	(35)	(35)	(70)
Disposals	(14)	—	(14)
Foreign currency	4	8	12
Balance at March 31, 2021	$ 345	$ 137	$ 482

The following table presents changes in lease liabilities during fiscal 2022 and 2021:

	March 31, 2022	March 31, 2021
Balance, beginning of year	**$ 461**	**$ 415**
New leases / lease modifications	**80**	**120**
Interest expense	**15**	**15**
Payments	**(95)**	**(100)**
Foreign currency	**(10)**	**11**
	451	**461**
Current portion	**(65)**	**(75)**
Balance, end of year	**$ 386**	**$ 386**

The following maturity analysis of the Company's lease liabilities outstanding at March 31, 2022, is based on the expected undiscounted contractual cash flows until the contractual maturity date:

Less than 1 year	**$ 79**
1-2 years	**64**
2-3 years	**81**
3-4 years	**42**
4-5 years	**37**
More than 5 years	**279**
	$ 582

Expenses relating to short-term leases and leases of low value were not significant for the fiscal years ended March 31, 2022, and 2021.

NOTE 8 GOODWILL AND INTANGIBLE ASSETS

					For the year ended March 31, 2022
		Definite Life			
	Goodwill	**Trademarks**	**Customer relationships**	**Software[1] and other**	**Total Intangible Assets**
Cost					
As at March 31, 2021	$ **3,066**	$ **1,126**	$ **390**	$ **416**	$ **1,932**
Business acquisitions (Note 18)	**170**	**34**	**19**	**—**	**53**
Additions	**—**	**—**	**—**	**45**	**45**
Transfer	**—**	**(7)**	**—**	**(10)**	**(17)**
Foreign currency and hyperinflation adjustments	**(48)**	**(35)**	**(6)**	**1**	**(40)**
As at March 31, 2022	$ **3,188**	$ **1,118**	$ **403**	$ **452**	$ **1,973**
Accumulated Amortization					
As at March 31, 2021	$ **—**	$ **130**	$ **190**	$ **95**	$ **415**
Amortization	**—**	**55**	**36**	**54**	**145**
Impairment charges	**—**	**—**	**—**	**58**	**58**
Transfer	**—**	**(5)**	**—**	**(3)**	**(8)**
Foreign currency and hyperinflation adjustments	**—**	**(6)**	**(3)**	**1**	**(8)**
As at March 31, 2022	$ **—**	$ **174**	$ **223**	$ **205**	$ **602**
Net book value at March 31, 2022	$ **3,188**	$ **944**	$ **180**	$ **247**	$ **1,371**

During the third quarter of fiscal 2022, the Company recognized an impairment charge of $58 million ($43 million net of taxes) related to software assets following the Company's decision to temporarily pause the final phase of the Harmoni deployment, the Company's Enterprise Resource Planning (ERP) project, which was set to begin in Canada. The impairment charge also includes an amount relative to previously capitalized cloud-based software costs following the application of the agenda decision of the IFRIC (see Note 3).

					For the year ended March 31, 2021
		Definite Life			
	Goodwill	Trademarks	Customer relationships	Software[1] and other	Total Intangible Assets
Cost					
As at March 31, 2020	$ 3,219	$ 1,156	$ 412	$ 373	$ 1,941
Additions	—	—	—	54	54
Transfer	—	—	—	4	4
Impairment charges	—	(19)	—	—	(19)
Foreign currency and hyperinflation adjustments	(153)	(11)	(22)	(15)	(48)
As at March 31, 2021	$ 3,066	$ 1,126	$ 390	$ 416	$ 1,932
Accumulated Amortization					
As at March 31, 2020	$ —	$ 75	$ 165	$ 61	$ 301
Amortization	—	54	35	37	126
Foreign currency and hyperinflation adjustments	—	1	(10)	(3)	(12)
As at March 31, 2021	$ —	$ 130	$ 190	$ 95	$ 415
Net book value at March 31, 2021	$ 3,066	$ 996	$ 200	$ 321	$ 1,517

[1] None of the software were internally generated.

In fiscal 2021, the Company recognized impairment charges of $19 million related to trademarks. This charge was related to the Company's decision to retire a cheese brand name from its Australian portfolio of brands and is part of a commitment to share in the responsibility to eliminate racism in all its forms.

NOTE 8 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 respective recoverable amounts of CGUs or groups of CGUs to which goodwill is allocated. Management considers the sectors below to be CGUs or groups of CGUs for goodwill impairment purposes as they represent the lowest level at which the goodwill is monitored for internal management purposes.

The Company reports its operations under four geographic sectors. The Canada Sector consists of the Dairy Division (Canada). The USA Sector consists of the Dairy Division (USA). The International Sector combines the Dairy Division (Australia) and the Dairy Division (Argentina). Finally, the Europe Sector consists of the Dairy Division (UK).

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

Allocation of goodwill	**March 31, 2022**	March 31, 2021
Canada Sector		
Dairy Division (Canada)	**$ 401**	$ 401
USA Sector		
Dairy Division (USA)	**1,906**	1,851
International Sector		
Dairy Division (Australia)	**267**	265
Dairy Division (Argentina)	**9**	10
Europe Sector		
Dairy Division (UK)	**605**	539
	$ 3,188	$ 3,066

Recoverable amounts for each CGU or group of CGUs were 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 of market comparables that are applied to the results of each CGU or group of CGUs tested. The inputs used in this model are Level 3 inputs in the fair value hierarchy described in Note 3.

Considering the activities of the Dairy Division (Australia) and the Dairy Division (UK) were added to the Company's operational footprint in more recent years, we also estimated the recoverable amounts for these divisions 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 with growth 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 revenues for the CGU. The terminal growth rates used were 2.5% for the Dairy Division (Australia) and 2.2% for the Dairy Division (UK).
- Discount rate**:** Cash flows are discounted using pre-tax discount rates. The pre-tax discount rates used were 7.1% for the Dairy Division (Australia) and 6.5% for the Dairy Division (UK).

The Company performed its annual impairment testing of goodwill based on the December 31, 2021 balances, and, in all cases, the recoverable amounts exceeded their respective carrying values including goodwill; therefore, goodwill was not considered to be impaired as at March 31, 2022.

NOTE 8 GOODWILL AND INTANGIBLE ASSETS (CONT'D)

Trademarks

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

Allocation of trademarks by sectors	**March 31, 2022**	March 31, 2021
Canada	**$ 201**	$ 213
USA	**123**	130
International	**33**	36
Europe	**586**	617
	$ 943	$ 996

NOTE 9 OTHER ASSETS

	March 31, 2022	March 31, 2021
Joint ventures	**$ 35**	$ 41
Financial loan	**—**	50
Derivative financial assets	**38**	—
Employee benefits (Note 19)	**235**	178
Other	**54**	50
	$ 362	$ 319

The Company holds interests in joint ventures, which are all accounted for using the equity method. The Company recognized $4 million in net earnings, representing its share of earnings in the joint ventures for the year ended March 31, 2022 ($6 million for the year ended March 31, 2021). Dividends received from the joint ventures amounted to $7 million for the year ended March 31, 2022 ($5 million for the year ended March 31, 2021).

NOTE 10 BANK LOANS

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

		Available for use			Amount drawn	
Credit Facilities	Maturity	Canadian Currency Equivalent	Base Currency (in millions)		**March 31, 2022**	March 31, 2021
North America-USA	June 2027[1,6]	$ 375	300	USD	**$ —**	$ —
North America-Canada	June 2027[1,6]	$ 875	700	USD	**207**	—
Australia	Yearly[2,6]	$ 257	275	AUD	**50**	—
Australia	Yearly[2,6]	$ 125	100	USD	**56**	—
Japan	Yearly[3,6]	$ 82	8,000	JPY	**43**	34
United Kingdom	Yearly[4]	$ 123	75	GBP	**—**	—
Argentina	Yearly[5, 6]	$ 325	260	USD	**63**	42
		$ 2,162			**$ 419**	$ 76

1 The US$1 billion North American bank credit facility bears monthly interest at rates ranging from lender's prime rates plus a maximum of 1.00% or LIBOR or SONIA or BBSY or banker's acceptance rate plus a minimum of 0.80% and a maximum of 2.00% depending on the Company credit ratings, plus an adjustment to the applicable margins based on the Company's achievement of its sustainability targets. As at March 31, 2022, US$165 million was drawn and its foreign currency risk was offset with a cross currency swap.
2 Bears monthly interest at LIBOR or Australian Bank Bill Rate plus up to 0.90% and can be drawn in AUD or USD.
3 Bears monthly interest at TIBOR plus 0.70% and can be drawn in JPY.
4 Bears monthly interest at rates ranging from base rate plus 0.70% or SONIA plus 0.70% and can be drawn in GBP.
5 Bears monthly interest at local rate and can be drawn in USD or ARS.
6 Subject to interest rate benchmark reform (see Note 17).

Since fiscal 2021, the Company has a trade receivable purchase agreement to sell certain receivables. As at March 31, 2022, receivables totalling $62 million (AU$66 million) ($68 million (AU$72 million) at March 31, 2021) were sold under this arrangement. The receivables were derecognized upon sale as substantially all risks and rewards associated with the receivables passed to the purchaser.

On August 5, 2021, the Company amended its US$1 billion North American bank credit facility to, among other things, introduce a sustainability-linked loan (SLL) structure. The SLL structure introduces an annual pricing adjustment based on whether the Company achieves key climate and water targets in line with its 2025 environmental commitments. On June 1, 2022, the Company extended the maturity date to June 1, 2027.

NOTE 11 LONG-TERM DEBT

		March 31, 2022		March 31, 2021
Unsecured bank term loan facilities				
Obtained April 2018 (AU$600 million) and due in June 2025[1]	**$**	**373**	$	385
Obtained April 2019 (£600 million) and due in June 2025[2,5]		**262**		459
Unsecured senior notes[3,4]				
2.20%, issued in June 2016 and repaid in June 2021 (Series 2)		**—**		300
2.83%, issued in November 2016 and due in November 2023 (Series 3)		**300**		300
1.94%, issued in June 2017 and due in June 2022 (Series 4)		**300**		300
3.60%, issued in August 2018 and due in August 2025 (Series 5)		**350**		350
2.88%, issued in November 2019 and due in November 2024 (Series 6)		**400**		400
2.24%, issued in June 2020 and due in June 2027 (Series 7)		**700**		700
1.42%, issued in November 2020 and due in June 2026 (Series 8)		**350**		350
2.30%, issued in June 2021 and due in June 2028 (Series 9)		**300**		—
Other		**40**		34
	$	**3,375**	$	3,578
Current portion		**(300)**		(300)
	$	**3,075**	$	3,278
Principal repayments are as follows:				
Less than 1 year	**$**	**300**	$	300
1-2 years		**306**		759
2-3 years		**1,035**		685
3-4 years		**350**		400
4-5 years		**350**		350
More than 5 years		**1,034**		1,084
	$	**3,375**	$	3,578

1 Bear monthly interest at rates ranging from lender's prime plus a maximum of 1.00%, or banker's acceptance rates or Australian Bank Bill Rate plus a minimum of 0.80% and a maximum of 2.00%, depending on the Company's credit ratings. Interest is paid every one, two, three or six months, as selected by the Company.

2 Bears monthly interest at lender's prime rates plus a maximum of 1.00% or LIBOR or SONIA or banker's acceptance rates plus 0.80% up to a maximum of 2.00%, depending on the Company's credit ratings, and can be drawn in CAD, USD or £.

3 Interest payments are semi-annual.

4 In fiscal 2021, the Company renewed its medium term note program by filing a supplement to its base shelf prospectus dated December 9, 2020, which provides the ability to make offerings of various securities during the 25-month period for which the base shelf prospectus is effective.

5 Subject to interest rate benchmark reform (see Note 17).

On June 1, 2022, the Company amended its bank term loan facilities denominated in British pounds sterling and Australian dollars to extend their maturity dates to June 1, 2025.

On June 22, 2021, the Company issued Series 9 medium term notes for an aggregate principal amount of $300 million due June 22, 2028, bearing interest at 2.30%. The net proceeds of the issuance were used in the first quarter of fiscal 2022 to repay the $300 million aggregate principal amount of the Series 2 medium term notes due June 23, 2021.

On November 19, 2020, the Company issued Series 8 medium term notes for an aggregate principal amount of $350 million due June 19, 2026, bearing interest at 1.42%. The net proceeds of the issuance were used to repay $347 million (GBP 200 million) of the three-year tranche of the term loan facility incurred in connection with the Dairy Crest Acquisition, and for general corporate purposes.

On June 16, 2020, the Company issued Series 7 medium term notes for an aggregate principal amount of $700 million due June 16, 2027, bearing interest at 2.24%. The net proceeds of the issuance were used during the first quarter of fiscal 2021 to repay (i) the $426 million two-year tranche of the term loan facility incurred in connection with the Dairy Crest Acquisition and (ii) $206 million (AU$ 220 million) of revolving loan facilities for the Dairy Division (Australia), which included funds drawn in connection with the Specialty Cheese Business Acquisition. The remaining net proceeds were used for general corporate purposes.

NOTE 12 OTHER LIABILITIES

	March 31, 2022	March 31, 2021
Employee benefits (Note 19)	**$ 37**	$ 43
Derivative financial liabilities	**—**	3
Stock-based compensation - long-term portion	**51**	51
Other	**13**	19
	$ 101	$ 116

NOTE 13 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.

STOCK OPTION PLAN

The Company has an equity settled stock 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, 2022, 14,292,522 common shares are available for future grants under this plan and 22,021,670 common shares are underlying options outstanding. During fiscal 2022, a total of 1,620,752 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, 2022		March 31, 2021	
Granting period	Exercise price	Number of options	Number of exercisable options	Number of options	Number of exercisable options
2012	$ 21.61			100,778	100,778
2013	$ 21.48	**104,017**	**104,017**	812,537	812,537
2014	$ 25.55	**964,504**	**964,504**	1,243,555	1,243,555
2015	$ 27.74	**1,494,384**	**1,494,384**	1,734,764	1,734,764
2016	$ 35.08	**1,733,541**	**1,733,541**	1,873,838	1,873,838
2017	$ 41.40	**2,808,213**	**2,808,213**	3,057,893	2,430,803
2018	$ 46.29	**2,914,637**	**2,360,566**	3,211,194	1,938,427
2019	$ 41.02	**3,395,873**	**2,075,330**	3,791,350	1,510,080
2020	$ 45.30	**2,723,052**	**1,127,580**	3,017,017	607,726
2021	$ 33.35	**4,073,214**	**797,840**	4,496,395	—
2022	$ 37.52	**1,810,235**	**—**	—	—
		22,021,670	**13,465,975**	**23,339,321**	**12,252,508**

Changes in the number of outstanding stock options for the year ended March 31 are as follows:

	March 31, 2022		March 31, 2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of year	**23,339,321**	**$ 37.81**	20,946,092	$ 38.05
Granted	**1,984,038**	**$ 37.52**	4,637,830	$ 33.35
Exercised	**(1,620,752)**	**$ 25.83**	(1,347,041)	$ 24.31
Cancelled	**(1,680,937)**	**$ 40.74**	(897,560)	$ 40.70
Balance, end of year	**22,021,670**	**$ 38.45**	23,339,321	$ 37.81

The weighted average exercise price of the stock options granted in fiscal 2022 is $37.52, which corresponds to the weighted average market price for the five trading days immediately preceding the date of the grant ($33.35 in fiscal 2021).

NOTE 13 SHARE CAPITAL (CONT'D)

The weighted average fair value of stock options granted in fiscal 2022 was estimated at $6.52 per option ($5.04 in fiscal 2021), using the Black-Scholes option pricing model with the following assumptions:

	March 31, 2022	March 31, 2021
Weighted average:		
Risk-free interest rate	**0.88 %**	0.53 %
Expected life of options	**6.4 years**	6.3 years
Volatility[1]	**21.92 %**	21.17 %
Dividend rate	**1.91 %**	2.08 %

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 $15 million ($13 million net of taxes) and $22 million ($20 million net of taxes) relating to stock options was recorded in operating costs in the consolidated income statements for the year ended March 31, 2022, and March 31, 2021, respectively.

Options to purchase 2,600,057 common shares at a price of $29.59 per share were granted on April 1, 2022.

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 100% in 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 in the consolidated income statements.

	2022		2021	
	Units	**Liability**	Units	Liability
Balance, beginning of year	**467,685**	**$ 18**	404,019	$ 14
Annual retainer	**61,379**	**2**	55,067	2
Dividends reinvested	**10,763**	**—**	8,599	—
Variation due to change in stock price	**—**	**(4)**	—	2
Balance, end of year	**539,827**	**$ 16**	467,685	$ 18

The Company enters into equity forward contracts in order to mitigate the compensation costs associated with its DSU plan. As at March 31, 2022, and 2021, the Company had equity forward contracts on 420,000 common shares with a notional value of $14 million ($15 million as of March 31, 2021). The net compensation expense related to the DSU plan was $2 million for the year ended March 31, 2022 ($4 million for March 31, 2021), including the effect of the equity forward contracts.

NOTE 13 SHARE CAPITAL CONT'D

PERFORMANCE SHARE UNIT PLAN

The Company offers key employees and officers of the Company a performance share unit (PSU) plan to form part of long-term incentive compensation. 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. The Corporate Governance and HR Committee has discretion to award compensation absent the achievement of the vesting criteria established.

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 based on 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 in operating costs in the consolidated income statements.

	2022 Units	2021 Units
Balance, beginning of year	**1,071,256**	819,656
Annual grant	**682,326**	501,811
Cancelled	**(241,109)**	(87,350)
Payment	**(188,162)**	(162,861)
Balance, end of year	**1,324,311**	1,071,256

As at March 31, 2022, a long-term obligation related to PSUs of $20 million was recorded ($22 million as at March 31, 2021) in addition to $5 million that was recorded in accrued liabilities ($8 million as at March 31, 2021). On April 1, 2022, 1,330,950 PSUs were granted at a price of $29.59 per unit ($37.52 in 2021).

RESTRICTED SHARE UNIT PLAN

The Company also offers a restricted share unit (RSU) plan to form part of long-term incentive compensation for key employees and officers of the Company. 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. The Corporate Governance and HR Committee has discretion to award compensation absent the achievement of the vesting criteria established. 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 based on 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 is recognized as a payable and is revised at each reporting period. The expense is included in employee benefits in operating costs in the consolidated income statements.

	2022 Units	2021 Units
Balance, beginning of year	**330,469**	129,778
Annual grant	**442,912**	205,119
Cancelled	**(39,598)**	(3,007)
Payment	**(7,654)**	(1,421)
Balance, end of year	**726,129**	330,469

As at March 31, 2022, a long-term obligation related to RSUs of $9 million was recorded in addition to $4 million that was recorded in accrued liabilities. On April 1, 2022, 612,895 RSUs were granted at a price of $29.59 per unit ($37.52 in 2021).

NOTE 13 SHARE CAPITAL CONT'D

The Company enters into equity forward contracts in order to mitigate the compensation costs associated with its PSU and RSU plans. As at March 31, 2022, the Company had equity forward contracts on 2,000,000 common shares (1,170,000 as of March 31, 2021) with a notional value of $72 million ($40 million as of March 31, 2021). The net compensation expense related to PSUs was $16 million for the year ended March 31, 2022 ($13 million for the year ended March 31, 2021), including the effect of the equity forward contracts. The net compensation expense related to RSUs was $7 million for the year ended March 31, 2022 ($4 million in 2021), including the effect of the equity forward contracts.

DIVIDENDS AND DIVIDEND REINVESTMENT PLAN

The Company has a dividend reinvestment plan (DRIP), which became effective as of the first quarter of fiscal 2021 and provides eligible shareholders with the opportunity to have all or a portion of their cash dividends automatically reinvested into additional common shares.

The dividends paid in cash and through the DRIP during the years ended 2022, and 2021, are shown below:

			For the year ended March 31, 2022
Payment date	**Cash**	**DRIP**	**Total**
March 18, 2022	**$ 50**	**$ 25**	**$ 75**
December 17, 2021	**53**	**21**	**74**
September 17, 2021	**54**	**21**	**75**
June 25, 2021	**52**	**20**	**72**
Total	**$ 209**	**$ 87**	**$ 296**

			For the year ended March 31, 2021
Payment date	**Cash**	**DRIP**	**Total**
March 26, 2021	**$ 50**	**$ 22**	**$ 72**
January 7, 2021	**52**	**20**	**72**
October 2, 2020	**52**	**20**	**72**
July 9, 2020	**51**	**18**	**69**
Total	**$ 205**	**$ 80**	**$ 285**

On June 9, 2022, the Board of Directors approved a dividend of $0.18 per share payable on June 28, 2022, to common shareholders of record on June 21, 2022.

NOTE 14 FINANCIAL CHARGES

	For the years ended March 31	
	2022	2021
Interest on long-term debt	**$ 74**	$ 79
Other finance costs, net	**31**	27
Gain on hyperinflation	**(48)**	(17)
Interest on lease liabilities	**15**	15
Net interest revenue from defined benefit obligation (Note 19)	**(2)**	(8)
	$ 70	$ 96

NOTE 15 INCOME TAXES

Income tax expense comprises the following:

	For the years ended March 31	
	2022	2021
Current tax expense	**$ 91**	$ 151
Deferred tax expense	**40**	67
Income tax expense	**$ 131**	$ 218

RECONCILIATION OF THE EFFECTIVE TAX RATE

The effective income tax rate was 32.3% in 2022 (25.8% in 2021). The Company's income tax expense differs from the one calculated by applying Canadian statutory rates for the following reasons:

	2022	2021
Earnings before tax	**$ 405**	$ 844
Income taxes, calculated using Canadian statutory income tax rates of 25.8% (25.8% in 2021)	**$ 105**	$ 218
Adjustments resulting from the following:		
Effect of tax rates for foreign subsidiaries	**12**	4
Changes in tax laws and rates	**51**	(1)
Stock-based compensation	**2**	3
Benefit arising from investment in subsidiaries	**(14)**	(12)
Adjustments in respect of inflation in Argentina	**(24)**	(13)
Impairment of goodwill/assets	**—**	6
Adjustments in relation to prior years and other	**(1)**	13
Income tax expense	**$ 131**	$ 218

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

INCOME TAX RECOGNIZED IN OTHER COMPREHENSIVE INCOME

Income tax on items recognized in other comprehensive income in 2022 and 2021 were as follows:

	2022	2021
Deferred tax expense (benefit) on actuarial losses on employee benefit obligations	**$ 11**	$ (41)
Current tax expense on cash flow hedge	**4**	—
Deferred tax expense on cash flow hedges	**5**	15
Total income tax expense (benefit) recognized in other comprehensive income	**$ 20**	$ (26)

INCOME TAX RECOGNIZED IN EQUITY

Income tax on items recognized in equity in 2022 and 2021 were as follows:

	2022	2021
Excess tax benefit that results from the excess of the deductible amount over the stock-based compensation recognized in net earnings	**$ (1)**	$ (1)
Total income tax benefit recognized in equity	**$ (1)**	$ (1)

CURRENT TAX ASSETS AND LIABILITIES

	2022	2021
Income taxes receivable	**$ 52**	$ 35
Income taxes payable	**(44)**	(54)
Income taxes receivable (payable) (net)	**$ 8**	$ (19)

NOTE 15 INCOME TAXES (CONT'D)

DEFERRED TAX ASSETS AND LIABILITIES

Deferred income taxes are presented as follows on the consolidated statements of financial position, as at March 31:

		2022		2021
Deferred tax assets	**$**	**30**	$	14
Deferred tax liabilities		**(836)**		(753)
Deferred tax liabilities (net)	**$**	**(806)**	$	(739)

The movement of deferred tax assets and liabilities were as follows for the years ended March 31:

							For the year ended March 31, 2022
	Accounts payable and accrued liabilities	**Income tax losses**	**Net assets of pension plans**	**Inventories**	**Property, plant and equipment**	**Goodwill, intangible assets and other**	**Net deferred tax liabilities**
Balance, beginning of the year	**$ 53**	**$ 38**	**$ (22)**	**$ (5)**	**$ (375)**	**$ (428)**	**$ (739)**
Charged/credited to net earnings	**7**	**89**	**(18)**	**(24)**	**(60)**	**(34)**	**(40)**
Charged/credited to other comprehensive income	**—**	**—**	**(11)**	**—**	**—**	**(5)**	**(16)**
Acquisitions	**—**	**—**	**—**	**—**	**—**	**(10)**	**(10)**
Translation and other	**(2)**	**(7)**	**3**	**2**	**—**	**3**	**(1)**
Balance, end of the year	**$ 58**	**$ 120**	**$ (48)**	**$ (27)**	**$ (435)**	**$ (474)**	**$ (806)**

							For the year ended March 31, 2021
	Accounts payable and accrued liabilities	Income tax losses	Net assets of pension plans	Inventories	Property, plant and equipment	Goodwill, intangible assets and other	Net deferred tax liabilities
Balance, beginning of the year	$ 68	$ 42	$ (62)	$ (5)	$ (337)	$ (415)	$ (709)
Charged/credited to net earnings	(19)	(4)	(1)	(1)	(22)	(20)	(67)
Charged/credited to other comprehensive income	—	—	41	—	—	(15)	26
Acquisitions	4	—	—	—	1	(3)	2
Translation and other	—	—	—	1	(17)	25	9
Balance, end of the year	$ 53	$ 38	$ (22)	$ (5)	$ (375)	$ (428)	$ (739)

As at March 31, 2022, the Company had $265 million in capital losses for which no deferred tax assets had been recognized. These capital losses can be carried forward indefinitely but can only be used against future taxable capital gains.

Recognized deferred tax assets relating to unused tax losses carried forward are supported by projections of future profitability of the Company.

NOTE 16 NET EARNINGS PER SHARE

	For the years ended March 31	
	2022	2021
Net earnings	**$ 274**	$ 626
Weighted average number of common shares outstanding	**414,137,462**	409,854,735
Dilutive stock options	**690,528**	1,530,666
Weighted average diluted number of common shares outstanding	**414,827,990**	411,385,401
Basic net earnings per share	**$ 0.66**	$ 1.53
Diluted net earnings per share	**$ 0.66**	$ 1.52

When calculating diluted net earnings per share for the year ended March 31, 2022, 19,458,765 options were excluded from the calculation because their exercise price is higher than the average market value of shares during the same period (14,951,292 options were excluded for the year ended March 31, 2021).

NOTE 17 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 and cash equivalents and receivables.

Cash equivalents consist mainly of short-term investments. The Company has deposited these cash and 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 expected credit losses.

Due to its large and diverse customer base and its geographic diversity, the Company has low exposure to credit risk concentration with respect to customers' receivables. There are no receivables from any individual customer that exceeded 10% of the total balance of receivables as at March 31, 2022, and March 31, 2021. No customer represented more than 10% of total consolidated revenues for the fiscal years ended March 31, 2022, and March 31, 2021.

Allowances for expected credit loss are reviewed by Management at each financial position date and the estimate of the allowance for expected credit loss is updated 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 Company considers a financial asset in default when contractual payments are considered past due and at risk depending on the various economic and asset-specific factors, or if it becomes probable that a customer will enter bankruptcy or other insolvency proceedings.

NOTE 17 FINANCIAL INSTRUMENTS (CONT'D)

The amount of the allowance for expected credit loss 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. These allowances are not significant for the year ended March 31, 2022.

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 22 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, 2022, are as follows: accounts payable and accrued liabilities, bank loans, lease liabilities and long-term debt. All items included in accounts payable and accrued liabilities are less than one year. For maturities on bank loans, lease liabilities and the long-term debt, please refer to Note 10, Note 7, and Note 11, 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 loan 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. As a result of the interest rate benchmark reform, the Company partially amended the applicable variable interest rates referenced under certain bank credit facilities and long-term debt (see Notes 10 and 11). The Company has already transitioned the GBP LIBOR which did not have a significant impact on the Company's financial statements. Furthermore, the Company is in the process of completing its transition to the USD LIBOR. The Company is taking all necessary steps to identify, measure, and control all risks to ensure a smooth transition to the interest rate benchmark reform. As at March 31, 2022, the transition is progressing according to schedule. The reform is not expected to have a significant impact on the Company's financial statements.

For the fiscal year ended March 31, 2022, the interest expense on long-term debt totalled $74 million ($79 million in fiscal 2021). The interest accrued as at March 31, 2022, was $19 million ($19 million as at March 31, 2021).

As at March 31, 2022, the net amount exposed to short-term rates fluctuations was approximately $889 million. Based on this exposure, an assumed 1% increase in the interest rate would have an unfavourable impact of approximately $7 million on net earnings with an equal but opposite effect for an assumed 1% decrease.

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, Argentine Peso, British pounds sterling, and Japanese Yen.

The Company enters 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. As at March 31, 2022, the Company had outstanding forward exchange contracts with a notional value of US$415 million. During the fiscal year, the cash flow hedges were highly effective and accordingly, the Company recognized an unrealized loss of $3 million (net of tax of $1 million) in other comprehensive income as a result. A loss of $13 million (net of tax of $5 million) was reclassified to net earnings during fiscal 2022 related to these forward exchange contracts. These cash flow hedges were also deemed to be highly effective during fiscal 2021, and an unrealized gain of $46 million (net of tax of $19 million), was recorded in other comprehensive income. A gain of $25 million (net of tax of $11 million) was reclassified to net earnings during fiscal 2021 related to these forward exchange contracts.

NOTE 17 FINANCIAL INSTRUMENTS (CONT'D)

The Company's largest exposure comes from the US dollar fluctuations. The following table details the Company's sensitivity to a $0.10 weakening against the US dollar on net earnings and comprehensive income. For a $0.10 appreciation against the US dollar, there would be an equal and opposite impact on net earnings and comprehensive income.

		2022		2021
Change in net earnings	$	2	$	15
Change in comprehensive income	$	294	$	277

COMMODITY PRICE RISK

In certain instances, the Company enters into futures contracts to hedge against fluctuations in the price of commodities. The Company applies hedge accounting for certain of these transactions. During the fiscal year, these hedges (designated as cash flow hedges) were highly effective and accordingly, an unrealized gain of $9 million (net of tax of $3 million) was recorded in other comprehensive income. A gain of $ $4 million (net of tax of $1 million) was reclassified to net earnings during fiscal 2022 when the related inventory was ultimately sold. These hedges were also assessed to be highly effective during fiscal 2021 and accordingly, a non significant unrealized loss was recorded in other comprehensive income.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company determined that the fair value of certain of its financial assets and financial liabilities with short-term maturities approximates their carrying value. These financial instruments include cash and cash equivalents, receivables, bank loans, accounts payable, and accrued liabilities. The table below presents the fair value and the carrying value of other financial instruments as at March 31, 2022, and March 31, 2021. 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.

	March 31, 2022		March 31, 2021	
	Fair value	Carrying value	Fair value	Carrying value
Cash flow hedges				
Equity forward contracts (Level 2)	$ (3)	$ (3)	$ —	$ —
Commodity derivatives (Level 2)	8	8	2	2
Foreign exchange derivatives (Level 2)	52	52	(6)	(6)
Derivatives not designated in a formal hedging relationship				
Equity forward contracts (Level 2)	(10)	(10)	5	5
Commodity derivatives (Level 2)	2	2	1	1
Foreign exchange derivatives (Level 2)	1	1	—	—
Long-term debt (Level 2)	3,231	3,375	3,626	3,578

For the years ended March 31, 2022, and 2021, 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, judgment 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 which is based on the amount at which they could be settled based on estimated current market rates.

NOTE 18 BUSINESS ACQUISITIONS

USA SECTOR

i) CAROLINA ASEPTIC AND CAROLINA DAIRY

On August 31, 2021, the Company completed the acquisition of the Carolina Aseptic and Carolina Dairy businesses formerly operated by AmeriQual Group Holdings, LLC (Carolina Aseptic and Carolina Dairy), increasing the Company's capacity to manufacture and distribute products in its USA Sector. The activities of these two businesses are conducted at two facilities in North Carolina (USA) and employ a total of approximately 230 people. Carolina Aseptic develops, manufactures, packages, and distributes aseptic shelf-stable food products and beverages out of a purpose-built facility in Troy, North Carolina. Nearby, Carolina Dairy manufactures, packages, and distributes refrigerated yogurt in spouted pouches in Biscoe, North Carolina.

The purchase price of $148 million (US$116 million), on a cash-free and debt-free basis, was paid in cash from available credit facilities.

Recognized goodwill (tax deductible) reflects the value assigned to expected future growth to be achieved through increased capacity to manufacture and distribute products in the rapidly growing aseptic beverage and food categories as well as nutritional snacks.

ii) REEDSBURG FACILITY OF WISCONSIN SPECIALTY PROTEIN, LLC

On May 29, 2021, the Company completed the acquisition of the Reedsburg facility of Wisconsin Specialty Protein, LLC (the Reedsburg Facility). This facility located in Wisconsin (USA) manufactures value-added ingredients, such as goat whey, organic lactose, and other dairy powders, and it employs approximately 40 people.

The purchase price of $37 million (US$30 million), on a cash-free and debt-free basis, was paid in cash from cash on hand.

EUROPE SECTOR

i) WENSLEYDALE DAIRY PRODUCTS

On July 30, 2021, the Company acquired the activities of Wensleydale Dairy Products Ltd (Wensleydale Dairy Products). The business operates two facilities located in North Yorkshire (UK) and employs approximately 210 people. Wensleydale Dairy Products manufactures, blends, markets, and distributes a variety of specialty and regional cheeses which complement and expand the Company's existing range of British cheeses.

The purchase price of $38 million (£22 million), on a cash-free and debt-free basis, was paid in cash from cash on hand.

ii) BUTE ISLAND FOODS LTD

On May 25, 2021, the Company acquired all of the shares of Bute Island Foods Ltd (Bute Island Foods), based in Scotland (United Kingdom) and employing approximately 180 people. It is a manufacturer, marketer, and distributor of a variety of dairy alternative cheese products for both the retail and foodservice market segments under the vegan *Sheese* brand, alongside private label brands.

The purchase price of $148 million (£87 million), on a cash-free and debt-free basis, was paid in cash from available credit facilities and cash on hand.

Recognized goodwill (not tax deductible) reflects the value assigned to know-how and expected accelerated growth of dairy alternative cheese products globally.

NOTE 18 BUSINESS ACQUISITIONS CONT'D

Had the Company concluded each of the aforementioned acquisitions prior to (or at the beginning of) fiscal 2022, the pro-forma effect on the Company's total revenues and net earnings would have been minimal for the year ended March 31, 2022. The allocation of the purchase price for each acquisition to assets acquired and liabilities assumed is presented below:

		Bute Island Foods	Reedsburg Facility	Wensleydale Dairy Products	Carolina Aseptic and Carolina Dairy	Total
Assets acquired	Net working capital	$ 6	$ 1	$ 10	$ 5	$ 22
	Property, plant and equipment	11	36	17	72	136
	Goodwill and intangible assets	139	—	13	71	223
Liabilities assumed	Deferred income taxes	(8)	—	(2)	—	(10)
Net assets acquired		$ 148	$ 37	$ 38	$ 148	$ 371

NOTE 19 EMPLOYEE POST-EMPLOYMENT BENEFIT PLANS

The Company sponsors various post-employment benefit plans. These include both defined contribution and defined benefit pension plans, and other post-employment benefit plans.

DEFINED CONTRIBUTION PLANS

The Company offers and participates in defined contribution pension plans of which more than 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 2022, the defined contribution expenses for the Company amounted to $80 million ($77 million in fiscal 2021). The Company expects to contribute approximately $83 million to its defined contribution plans for fiscal 2023.

DEFINED BENEFIT PLANS

The Company offers and 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 up to 2% of the average eligible earnings of the last employment years multiplied by years of credited service.

There are no active employees in the Dairy Division (UK) Defined Benefit Pension Fund, which is a final salary scheme in the UK that was closed to future service accrual from April 1, 2010, and had been closed to new joiners from June 30, 2006. The Fund is administered by a corporate trustee which is legally separate from the Company; the directors of the corporate trustee comprise representatives of both the employer and employees as well as a professional trustee. The corporate trustee is responsible for the day to day administration of the benefits and the Investment Policy.

The registered pension plans must comply with statutory funding requirements in the jurisdiction 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 five 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.

NOTE 19 EMPLOYEE POST-EMPLOYMENT BENEFIT PLANS (CONT'D)

The cost of pension benefits earned by employees is actuarially determined using the projected unit credit method 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 benefit programs, such as health insurance, life insurance, and dental plans to eligible employees and retired employees. The Company expects to contribute approximately $4 million to its defined benefit plans in fiscal 2023.

The principal risks associated with the Company's defined benefit pension plans are as follows:

Investment Risk
The respective present values of the defined benefit plans' obligations are calculated using a discount rate determined with reference to high-quality corporate bond yields; if assets underperform this yield, this will create a deficit.

Changes in Bond Yields
A decrease in the corporate bond yields will increase the value of the defined benefit plans' liabilities, although this will be partially offset by an increase in the value of the defined benefit plans' debt securities holdings.

Inflation Risk
A significant portion of the defined benefit plans' obligations are linked to inflation, and higher expected future inflation will lead to higher liabilities. The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in expected future inflation will also increase the deficit.

Longevity Risk
The majority of the defined benefit plans' obligations are to provide benefits for the life of the member; increases in life expectancy of plan participants will result in an increase in liabilities.

The Company's net surplus (liability) for defined benefit plans comprises the following:

	March 31, 2022			March 31, 2021		
	Dairy Division (UK) Defined Benefit Pension Fund	**Other Plans**	**Total**	Dairy Division (UK) Defined Benefit Pension Fund	Other Plans	Total
Fair value of assets	**$ 1,943**	**71**	**2,014**	$ 2,081	68	2,149
Present value of funded obligations	**1,708**	**68**	**1,776**	1,903	73	1,976
Present value of net surplus (obligations) for funded plans	**235**	**3**	**238**	178	(5)	173
Present value of unfunded obligations	**—**	**(36)**	**(36)**	—	(38)	(38)
Present value of net surplus (obligations)	**235**	**(33)**	**202**	178	(43)	135
Asset ceiling test	**—**	**(4)**	**(4)**	—	—	—
Accrued pension/benefit cost	**$ 235**	**(37)**	**198**	$ 178	(43)	135

Presented in the statement of financial position as follows:

	March 31, 2022	March 31, 2021
Other Assets (Note 9)	**$ 235**	$ 178
Other Liabilities (Note 12)	**(37)**	(43)
Total net surplus (liability)	**$ 198**	$ 135

NOTE 19 EMPLOYEE POST-EMPLOYMENT BENEFIT PLANS (CONT'D)

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

	March 31, 2022			March 31, 2021		
	Dairy Division (UK) Defined Benefit Pension Fund	**Other Plans**	**Total**	Dairy Division (UK) Defined Benefit Pension Fund	Other Plans	Total
Defined benefit obligation, beginning of year	**$ 1,903**	**111**	**2,014**	$ 1,733	101	1,834
Current service costs	**—**	**5**	**5**	—	6	6
Interest cost	**39**	**3**	**42**	38	4	42
Actuarial (gains) losses due to change in experience	**21**	**(2)**	**19**	(17)	3	(14)
Actuarial (gains) losses due to changes in financial assumptions	**(90)**	**(10)**	**(100)**	236	9	245
Exchange differences	**(93)**	**—**	**(93)**	(13)	(2)	(15)
Benefits paid	**(72)**	**(3)**	**(75)**	(74)	(10)	(84)
Defined benefit obligation, end of year	**$ 1,708**	**104**	**1,812**	$ 1,903	111	2,014

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

	March 31, 2022			March 31, 2021		
	Dairy Division (UK) Defined Benefit Pension Fund	**Other Plans**	**Total**	Dairy Division (UK) Defined Benefit Pension Fund	Other Plans	Total
Fair value of plan assets, beginning of year	**$ 2,081**	**68**	**2,149**	$ 2,115	64	2,179
Interest income on plan assets	**42**	**2**	**44**	47	3	50
Return on plan assets, excluding interest income	**(3)**	**(2)**	**(5)**	12	4	16
Administration costs	**(1)**	**—**	**(1)**	(1)	—	(1)
Contributions by employer	**—**	**6**	**6**	—	8	8
Exchange differences	**(104)**	**—**	**(104)**	(18)	(1)	(19)
Benefits paid	**(72)**	**(3)**	**(75)**	(74)	(10)	(84)
Fair value of plan assets, end of year	**$ 1,943**	**71**	**2,014**	$ 2,081	68	2,149

For fiscal 2022, actual return on plan assets amounted to a gain of $38 million ($65 million in fiscal 2021).

NOTE 19 EMPLOYEE POST-EMPLOYMENT BENEFIT PLANS (CONT'D)

The fair value of plan assets, which does not include assets of the Company, consist of the following (all assets have a quoted market value in an active market with the exception of annuity contract and property and other, which is valued based on the corresponding liability, and cash).

	March 31, 2022			March 31, 2021		
	Dairy Division (UK) Defined Benefit Pension Fund	**Other Plans**	**Total**	Dairy Division (UK) Defined Benefit Pension Fund	Other Plans	Total
Bonds, LDI and cash[1]	**$ 1,333**	**48**	**1,381**	$ 1,388	51	1,439
Annuity contract	**375**	**—**	**375**	420	—	420
Property and other	**235**	**—**	**235**	273	—	273
Equity Instruments	—	**23**	**23**	—	17	17
Total	**$ 1,943**	**71**	**2,014**	$ 2,081	68	2,149

1 The Liability Driven Investment ('LDI') portfolio is managed by an external party. The objective is to hedge a proportion of the Fund's liabilities against changes in interest rates and inflation expectations by investing in assets that are similarly sensitive to changes in interest rates and inflation expectations. Market yields are monitored against a number of pre-set yield triggers; the level of hedging will be increased as and when triggers are met.

The Consolidated Income Statements include the following:

	March 31, 2022			March 31, 2021		
	Dairy Division (UK) Defined Benefit Pension Fund	**Other Plans**	**Total**	Dairy Division (UK) Defined Benefit Pension Fund	Other Plans	Total
Recognized in “Operating costs” (Note 5):						
Employer current service cost	**$ —**	**5**	**5**	$ —	6	6
Administration costs	**1**	**—**	**1**	1	—	1
	1	**5**	**6**	1	6	7
Recognized in “Financial charges” (Note 14):						
Interest costs	**39**	**3**	**42**	38	4	42
Interest income on plan assets	**(42)**	**(2)**	**(44)**	(47)	(3)	(50)
	(3)	**1**	**(2)**	(9)	1	(8)
Net defined benefits plans expense	**$ (2)**	**6**	**4**	$ (8)	7	(1)

NOTE 19 EMPLOYEE POST-EMPLOYMENT BENEFIT PLANS (CONT'D)

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, 2022			March 31, 2021	
	Dairy Division (UK) Defined Benefit Pension Fund	**Other Plans**	**Total**	Dairy Division (UK) Defined Benefit Pension Fund	Other Plans	Total
Return on plan assets (excluding interest income)	**$ (3)**	**(2)**	**(5)**	$ 12	4	16
Actuarial gains (losses) due to change in experience	**(21)**	**2**	**(19)**	17	(3)	14
Actuarial gains (losses) due to changes in financial assumptions	**90**	**10**	**100**	(236)	(9)	(245)
Effect of the asset ceiling test	**—**	**(4)**	**(4)**	—	—	—
Amount recognized in other comprehensive income	**$ 66**	**6**	**72**	$ (207)	(8)	(215)

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

	March 31, 2022		March 31, 2021	
	Dairy Division (UK) Defined Benefit Pension Fund	**Other Plans**	Dairy Division (UK) Defined Benefit Pension Fund	Other Plans
Discount rate	**2.70 %**	**4.02 %**	2.10 %	3.21 %
Duration of the obligation (in years)	**18.00**	**13.77**	18.00	17.30
Inflation Rate	**2.90 %**	**2.00 %**	2.50 %	2.00 %
Future salary increases	**n/a**	**3.0 %**	n/a	3.0 %
Mortality table	**S2P base tables with the following scaling factors: Pens (M/F): 109%/103% Defs (M/F): 110%/99%**	**2014 Private Sector Canadian Pensioners Mortality Table, projected generationally using Scale MI-2017**	S2P base tables with the following scaling factors: Pens (M/F): 109%/103% Defs (M/F): 110%/99%	2014 Private Sector Canadian Pensioners Mortality Table, projected generationally using Scale MI-2017

It has been assumed that the Dairy Division (UK) Defined Benefit Pension Fund members exchange 25% of their pension for a cash lump sum at retirement, on terms 8% lower than the funding basis. 30% of deferred members are assumed to take a pension increase exchange option at retirement which is available under the Fund.

SENSITIVITY TO CHANGES IN ASSUMPTIONS

The impact of an increase (decrease) of 0.1% of the discount rate would be a decrease of $31 million of the amount of the obligation (increase of $32 million). A one-year increase in life expectancy would increase the obligation by approximately $80 million. Specifically, for the Dairy Division (UK) Defined Benefit Pension Fund, the impact of an increase of 0.1% of the inflation rate would be an increase of approximately $23 million of the amount of the obligation. Specifically pertaining to the Other plans, an increase of 0.1% of the percentage of future salary increases would be an increase below $1 million of the amount of the obligation.

NOTE 20 COMMITMENTS AND CONTINGENCIES

COMMITMENTS

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

		Leases[1]		Purchase obligations[2]		Total
Less than 1 year	$	9	$	245	$	254
1-2 years		6		37		43
2-3 years		3		23		26
3-4 years		2		12		14
4-5 years		1		9		10
More than 5 years		1		3		4
	$	22	$	329	$	351

[1] Commitments related to leases represent short-term and low-value leases that do not meet the definition of a lease under IFRS 16.
[2] Purchase obligations are the contractual obligations for capital expenditures and service agreements to which the Company is committed.

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, 2022, 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, 2022, and March 31, 2021, the Company had not recorded any significant liabilities associated with these indemnifications.

LETTERS OF CREDIT

As at March 31, 2022, the Company had issued letters of credit in an aggregate amount of $67 million pursuant to a banking facility authorizing the issuance of letters of credit in an aggregate amount of $110 million (as at March 31, 2021, the Company had issued letters of credit in an aggregate amount of $69 million pursuant to a banking facility authorizing the issuance of letters of credit in an aggregate amount of $111 million).

NOTE 21 RELATED PARTY TRANSACTIONS

The Company receives services from and provides goods and services 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 are entered into and have been recorded at fair value, consistent with market values for similar transactions. The services that are received consist mainly of travel, publicity, lodging, and office space rental. The goods that are provided consist mainly of dairy products. The services that are provided consist of management services.

Transactions with key management personnel (short-term employee benefits, post-employment benefits, and stock-based compensation) 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.

NOTE 21 RELATED PARTY TRANSACTIONS (CONT'D)

Transactions with related parties are as follows:

	For the years ended March 31	
	2022	2021
Entities subject to control or significant influence through ownership by its principal shareholder	**$ 5**	$ 4
Key management personnel		
Directors	**3**	3
Executive officers	**35**	37
	$ 43	$ 44

Dairy products provided by the Company were less than $1 million for the years ended March 31, 2022, and 2021.

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

	Accounts payable and accrued liabilities	
	March 31, 2022	March 31, 2021
Key management personnel		
Directors	**16**	18
Executive officers	**33**	47
	$ 49	$ 65

The amounts payable to the Directors consist entirely of balances payable under the Company's DSU plan. Refer to Note 13 for further details. The amounts payable to executive officers consist of short-term employee incentives, share-based awards, and post-retirement benefits. Outstanding accounts receivable from related parties were less than $1 million for the years ended March, 31 2022, and 2021.

KEY MANAGEMENT PERSONNEL COMPENSATION

The compensation expense for transactions with the Company's key management personnel consists of the following:

	2022	2021
Directors		
Cash-settled payments	**$ 1**	$ 1
Stock-based compensation	**2**	2
	$ 3	$ 3
Executive officers		
Short-term employee benefits	**$ 16**	$ 18
Post-employment benefits	**3**	6
Stock-based compensation	**16**	13
	$ 35	$ 37
Total compensation	**$ 38**	$ 40

NOTE 21 RELATED PARTY TRANSACTIONS (CONT'D)

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 Ltd	100.00%	Australia
The King Island Company Pty Ltd	100.00%	Australia
Molfino Hermanos S.A.	100.00%	Argentina
Dairy Crest Ltd	100.00%	UK

NOTE 22 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 2.25 times net debt to net earnings before income taxes, financial charges, acquisition and restructuring costs, gain on disposal of assets, impairment of intangible assets, and depreciation and amortization. From time to time, the Company may deviate from its long-term leverage target to pursue 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. The Company's primary use of capital is to finance acquisitions and other growth initiatives.

The Company's capital is composed of net debt and equity. Net debt consists of long-term debt, lease liabilities, and bank loans, net of cash and cash equivalents. The net debt as at March 31, 2022, and March 31, 2021, are as follows:

	2022	2021
Long-term debt, including current portion	**$ 3,375**	$ 3,578
Bank loans	**419**	76
Lease liabilities	**451**	461
Less: Cash and cash equivalents	**(165)**	(309)
Net debt	**$ 4,080**	$ 3,806

The primary measure used by the Company to monitor its financial leverage is its ratio of net debt to net earnings before income taxes, financial charges, acquisition and restructuring costs, gain on disposal of assets, impairment of intangible assets, and depreciation and amortization. The ratio at March 31, 2022, was 3.53 (2.59 at March 31, 2021).

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, 2022.

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

NOTE 23 ACQUISITION AND RESTRUCTURING COSTS

Acquisition and restructuring costs are summarized as follows:

		2022		2021
Restructuring costs	$	71	$	(6)
Acquisition costs		—		3
Total	$	71	$	(3)

RESTRUCTURING COSTS

During the fourth quarter of fiscal 2022, the Company announced several capital investments and consolidation initiatives intended to enhance and streamline its manufacturing footprint in the USA Sector and International Sector. In the UK, the Company undertook plans to outsource the Nuneaton facility's warehouse and distribution activities, creating opportunities for network consolidation within the Europe Sector.

Restructuring costs of $71 million ($51 million after tax) were recorded during the fourth quarter of fiscal 2022, with $53 million attributable to the International Sector, $9 million to the USA Sector and $9 million to the Europe Sector. These restructuring costs included an impairment charge of property, plant and equipment of $60 million ($43 million after tax) and severance costs of $8 million ($6 million after tax). Liabilities related to severance and other restructuring costs are included in accounts payable and accrued liabilities on the consolidated statement of financial position.

In fiscal 2021, restructuring costs included a gain on disposal of assets of $6 million ($5 million after tax) relating to the sale of a Canada Sector facility.

ACQUISITION COSTS

In connection with the acquisitions completed during fiscal 2022 (see Note 18), the Company incurred acquisition costs of $6 million. Acquisition costs also include a favourable purchase price adjustment of $6 million for a prior year acquisition. In fiscal 2021, acquisition costs of $3 million ($2 million after tax) were related to additional costs from a prior year acquisition.

NOTE 24 SEGMENTED INFORMATION

The Company reports under four geographic sectors. The Canada Sector consists of the Dairy Division (Canada). The USA Sector consists of the Dairy Division (USA). The International Sector comprises the Dairy Division (Australia) and the Dairy Division (Argentina). The Europe Sector consists of the Dairy Division (UK).

These reportable sectors are managed separately as each sector represents a strategic business unit that offers different products and serves different markets.

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

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

NOTE 24 SEGMENTED INFORMATION (CONT'D)

INFORMATION ON REPORTABLE SECTORS

		For the years ended March 31		
		2022		2021
Revenues				
Canada	**$**	**4,281**	$	4,135
USA		**6,409**		6,122
International[1]		**3,453**		3,221
Europe		**892**		816
	$	**15,035**	$	14,294
Operating costs excluding depreciation, amortization, and restructuring costs				
Canada	**$**	**3,806**	$	3,688
USA		**6,121**		5,555
International		**3,205**		2,916
Europe		**748**		664
	$	**13,880**	$	12,823
Adjusted EBITDA				
Canada	**$**	**475**	$	447
USA		**288**		567
International		**248**		305
Europe		**144**		152
	$	**1,155**	$	1,471
Depreciation and amortization				
Canada	**$**	**103**	$	99
USA		**210**		200
International		**132**		112
Europe		**115**		104
	$	**560**	$	515
Impairment of intangible assets (Note 8)		**58**		19
Gain on disposal of assets		**(9)**		—
Acquisition and restructuring costs (Note 23)		**71**		(3)
Financial charges		**70**		96
Earnings before income taxes		**405**		844
Income taxes		**131**		218
Net earnings	**$**	**274**	$	626

[1] Australia accounted for $2,528 million and $2,529 million of the International Sector's revenues while Argentina accounted for $925 million and $692 million for the years ended March 31, 2022, and 2021, respectively.

NOTE 24 SEGMENTED INFORMATION (CONT'D)

MARKET SEGMENT INFORMATION

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

For the years ended March 31	Total		Canada		USA		International		Europe	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Revenues										
Retail	**$ 7,461**	$ 7,571	**$ 2,539**	$ 2,614	**$ 2,811**	$ 2,847	**$ 1,416**	$ 1,399	**$ 695**	$ 711
Foodservice	**4,579**	4,082	**1,414**	1,199	**2,859**	2,651	**285**	224	**21**	8
Industrial	**2,995**	2,641	**328**	322	**739**	624	**1,752**	1,598	**176**	97
	$ 15,035	$ 14,294	**$ 4,281**	$ 4,135	**$ 6,409**	$ 6,122	**$ 3,453**	$ 3,221	**$ 892**	$ 816

GEOGRAPHIC INFORMATION

	March 31, 2022	March 31, 2021
Net book value of property, plant and equipment		
Canada	**$ 874**	$ 856
USA	**1,676**	1,480
Australia	**873**	963
Argentina	**150**	100
United Kingdom	**389**	378
	$ 3,962	$ 3,777
Net book value of intangible assets		
Canada	**$ 259**	$ 320
USA	**345**	365
Australia	**108**	117
Argentina	**7**	8
United Kingdom	**652**	707
	$ 1,371	$ 1,517