Saputo

1 FIRST QUARTER | FISCAL 2022

Saputo Inc. (we, Saputo or the Company) is presenting its results for the first quarter of fiscal 2022, which ended on June 30, 2021.

- Revenues amounted to $3.488 billion, up $97 million or 2.9%.
- Adjusted EBITDA* amounted to $290 million, down $77 million or 21.0%.
- Net earnings totalled $53 million and EPS** (basic and diluted) were $0.13, down from $142 million and EPS (basic and diluted) of $0.35.
- Adjusted net earnings excluding amortization of intangible assets related to business acquisitions* totalled $122 million, down from $179 million, and the corresponding EPS** (basic and diluted) were $0.30 and $0.29, down from $0.44.

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

(unaudited)	**For the three-month periods ended June 30**	
	2021	2020
Revenues	**3,488**	3,391
Adjusted EBITDA*	**290**	367
Net earnings	**53**	142
Adjusted net earnings excluding amortization of intangible assets related to business acquisitions*	**122**	179
Net earnings per share (basic and diluted)	**0.13**	0.35
Adjusted net earnings per share excluding amortization of intangible assets related to business acquisitions*		
Basic	**0.30**	0.44
Diluted	**0.29**	0.44

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

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** Refer to the ''Glossary'' section of this Management's Discussion and Analysis.

HIGHLIGHTS

- The shift in consumer demand due to the COVID-19 pandemic continued to impact all of our sectors to varying degrees. Overall, sales volumes were higher than those of the first quarter of fiscal 2021, mainly in the foodservice market segment.
- Inflation created upward pressure on input costs in all our divisions, including an impact of $23 million on adjusted EBITDA related to freight and logistical costs.
- USA Market Factors** negatively impacted adjusted EBITDA by $42 million.
- The fluctuation of the Canadian dollar versus foreign currencies, particularly the US dollar, negatively impacted revenues and adjusted EBITDA by $179 million and $21 million, respectively.
- Our International Sector export sales volumes were negatively impacted by supply chain challenges.
- Net earnings were negatively impacted by 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, which will be effective as of April 1, 2023.
- In May 2021, we completed the acquisitions of Bute Island Foods Ltd. (Bute Island Acquisition), located in the United Kingdom, and the Reedsburg facility of Wisconsin Specialty Protein, LLC (Reedsburg facility Acquisition), located in the USA.
- On July 30, 2021, we completed the acquisition of the business of Wensleydale Dairy Products Limited (Wensleydale Dairy Products Acquisition), based in the United Kingdom.
- On August 5, 2021, we amended our USD$1 billion revolving credit facility to introduce a sustainability-linked loan (SLL) structure. The SLL structure introduces an annual pricing adjustment based on the achievement of key climate and water targets in line with our 2025 environmental commitments.
- The Board of Directors reviewed the dividend policy and increased the quarterly dividend from $0.175 per share to $0.18 per share, representing a 2.9% increase. The quarterly dividend will be payable on September 17, 2021, to common shareholders of record on September 7, 2021.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The goal of the management report is to analyze the results and the financial position of Saputo for the quarter ended June 30, 2021. The management report should be read while referring to Saputo's condensed interim consolidated financial statements and accompanying notes for the three-month periods ended June 30, 2021, and 2020. The Company's condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting as issued by the International Accounting Standards Board. The accounting policies of the Company are in accordance with International Financial Reporting Standards (IFRS). All dollar amounts are in Canadian dollars, unless otherwise indicated. This report takes into account material elements between June 30, 2021, and August 5, 2021, the date on which this report was approved by the Company's Board of Directors. The information in this report is being presented as at June 30, 2021, unless otherwise specified. Additional information about the Company, including its Annual Report and Annual Information Form for the year ended March 31, 2021, 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 the Management’s Discussion and Analysis dated June 3, 2021, available on SEDAR under Saputo's profile at www.sedar.com.

Such risks and uncertainties include the following: product liability; the COVID-19 pandemic; the availability of raw materials (including as a result of climate change or extreme weather) and related price variations, along with our ability to transfer those increases, if any, to our customers in competitive market conditions; 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; 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 the dairy industry; consolidation of clientele; supplier concentration; unanticipated business disruption; the economic environment; changes in environmental laws and regulations; the potential effects of climate change; increased focus on environmental sustainability matters; our ability to identify, attract and retain qualified individuals; the failure to adequately integrate acquired businesses in a timely and efficient manner; the failure to execute our global strategic plan as expected; the failure to complete capital expenditures as planned; changes in consumer trends. 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.

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 attract and retain customers and consumers; our environmental performance; 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 effects of the COVID-19 pandemic; 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 dairy products; the anticipated warehousing, logistical and transportation costs; our effective income tax rate; the exchange rate of the Canadian dollar to the currencies of cheese and dairy ingredients.

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, including the duration and severity of the COVID-19 pandemic, 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.

CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED JUNE 30, 2021

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.

Revenues

Revenues totalled $3.488 billion, up $97 million or 2.9%, as compared to $3.391 billion for the same quarter last fiscal year.

The shift in consumer demand due to the COVID-19 pandemic continued to impact all of our sectors to varying degrees. Overall, sales volumes were higher than those of the first quarter of fiscal 2021, mainly due to an increase in the foodservice market segment and, to a lesser extent, in the industrial market segment, as governments continued to slowly lift restrictions and vaccination levels continued to progress during the quarter. However, sales volumes decreased in the retail market segment when compared to the surge that occurred in the first quarter of fiscal 2021. The net impact from shifts in market segment sales volumes was favourable. Supply chain challenges due to container shortages and port inefficiencies negatively impacted export sales volumes in our International Sector.

The combined effect of the fluctuation of the average block market price** and a higher average butter market price** had a positive impact of $46 million. Revenues were positively impacted by higher domestic selling prices in the Canada Sector, which increased due to the higher cost of milk as raw material. The positive effect of higher international cheese and dairy ingredient market prices was offset by the negative effect of fulfilling export sales contracts that had been entered into during previous quarters at depressed commodity prices in the International Sector. The combined effect of the fluctuation of the Argentine peso and the Australian dollar versus the US dollar in the export markets was favourable.

Finally, the fluctuation of foreign currencies, most particularly the US dollar, versus the Canadian dollar had an unfavourable impact of $179 million.

Adjusted EBITDA*

Adjusted EBITDA* totalled $290 million, down $77 million or 21.0%, as compared to $367 million for the same quarter last fiscal year.

Input costs, such as transportation, fuel, consumables and packaging, increased in all our divisions due to inflationary pressures, including an increase of $23 million related to freight and logistical costs, mainly in North America.

In a volatile dairy commodity market, USA Market Factors** had a negative effect of $42 million. The unfavourable relation between international cheese and dairy ingredient market prices and the cost of milk as raw material, including the effect of sales contracted at depressed commodity prices in the International Sector, had a negative impact.

As described above, overall sales volumes were higher than in the comparative quarter last fiscal year, favourably impacting efficiencies and the absorption of fixed costs, particularly in North America.

The fluctuation of foreign currencies, particularly the US dollar, versus the Canadian dollar had an unfavourable impact of $21 million.

Operating costs excluding depreciation, amortization, and restructuring costs

Operating costs excluding depreciation, amortization, and restructuring costs totalled $3.198 billion, up $174 million or 5.8%, as compared to $3.024 billion for the same quarter last fiscal year. The increase was consistent with higher revenues, as described above, and dairy commodity market volatility, which, together, contributed to the higher cost of raw materials and consumables used and, higher input costs caused by inflationary pressures, mainly in North America. Employee salary and benefit expenses increased due to inflation and wage increases.

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Depreciation and amortization

Depreciation and amortization totalled $131 million, up $5 million, as compared to $126 million for the same quarter last fiscal year. This increase was mainly attributable to additions to property, plant and equipment, which increased the depreciable base. The effect of the inclusion of recent acquisitions on depreciation and amortization was minimal.

Impairment of intangible assets

Impairment of intangible assets was nil, as compared to the first quarter of fiscal 2021, when an impairment of intangible assets charge of $19 million was incurred in relation to our decision to retire the *COON* cheese brand name from our Dairy Division (Australia) portfolio as part of our commitment to share in the responsibility to eliminate racism in all its forms.

Acquisition and restructuring costs

Acquisition costs of $2 million were mainly incurred for the Bute Island Acquisition.

Financial Charges

Financial charges totalled $18 million, down $7 million, 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 expense totalled $86 million, reflecting an effective tax rate of 61.9%, as compared to 27.9% for the same quarter last fiscal year. Deferred income tax liability balances were adjusted 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. During the same quarter last fiscal year, income tax expense reflected the tax treatment of an impairment of intangible assets charge of $19 million.

Excluding the effects of the above-mentioned factors, the effective tax rates for the three-month periods ended June 30, 2021, and 2020, would have been 26.0% and 25.3%, respectively. The effective rate also reflected the increase in the corporate income tax rate in Argentina from 25% to 35%, enacted in June 2021.

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 Saputo operates, 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.

Net earnings

Net earnings totalled $53 million, down $89 million or 62.7%, as compared to $142 million for the same quarter last fiscal year. This decrease was mainly due to the aforementioned factors.

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

Adjusted net earnings excluding amortization of intangible assets related to business acquisitions* totalled $122 million, down $57 million or 31.8%, as compared to $179 million for the same quarter last fiscal year. This decrease was due to the aforementioned factors.

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SELECTED QUARTERLY FINANCIAL INFORMATION

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

Fiscal years	2022	2021				2020		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	**3,488**	3,438	3,763	3,702	3,391	3,719	3,891	3,666
Adjusted EBITDA*	**290**	303	431	370	367	299	417	394
Adjusted EBITDA margin**	**8.3 %**	8.8 %	11.5 %	10.0 %	10.8 %	8.0 %	10.7 %	10.7 %
Net earnings	**53**	103	210	171	142	89	198	175
Impairment of intangible assets[1]	**—**	—	—	—	19	—	—	—
UK tax rate change[2]	**50**	—	—	—	—	—	—	—
Inventory revaluation resulting from a business acquisition[1]	**—**	—	—	—	—	—	—	11
Acquisition and restructuring costs[1]	**1**	2	—	(5)	—	10	6	—
Amortization of intangible assets related to business acquisitions[1]	**18**	19	18	18	18	18	25	12
Adjusted net earnings excluding amortization of intangible assets related to business acquisitions*	**122**	124	228	184	179	117	229	198
Per share								
Net earnings								
Basic	**0.13**	0.25	0.51	0.42	0.35	0.22	0.49	0.44
Diluted	**0.13**	0.25	0.51	0.42	0.35	0.22	0.48	0.44
Adjusted net earnings per share excluding amortization of intangible assets related to business acquisitions*								
Basic	**0.30**	0.30	0.56	0.45	0.44	0.29	0.56	0.50
Diluted	**0.29**	0.30	0.55	0.45	0.44	0.28	0.56	0.50

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1 Net of income taxes.
2 The UK Finance Act 2021 was enacted increasing the UK corporate income tax rate from 19% to 25%, effective April 1, 2023. Refer to Note 9 to the consolidated financial statements for further information.

Selected factors positively (negatively) affecting financial performance

(in millions of CDN dollars)

Fiscal years	2022	2021			
	Q1	Q4	Q3	Q2	Q1
USA Market Factors*,[1]	**(42)**	(4)	34	4	23
Foreign currency exchange[1, 2]	**(21)**	(2)	—	4	(4)

* Refer to the "Glossary" section of this Management's Discussion and Analysis.
1 As compared to same quarter last fiscal year.
2 Foreign currency exchange includes effect on adjusted EBITDA of conversion of US dollars, Australian dollars, British pounds sterling and Argentine pesos to Canadian dollars.

OUTLOOK
BUSINESS UPDATE

COVID-19 Pandemic
As an essential provider, we will continue to navigate through the COVID-19 pandemic by maintaining our focus on our key priorities:
- safeguarding the health, safety, and well-being of our employees;
- adapting commercial initiatives, production, and supply chain to changes in consumer demand;
- supporting customers with insights to adapt their offerings and address changing needs; and
- supporting communities through donations and financial support.

Current Market Conditions
We continue to feel the disruptive effects of the lingering COVID-19 pandemic on global economic conditions, commodity pricing, consumer demand, supply chains and business productivity.

Factors that are currently impacting Saputo's performance, include:
- The overall economy continues to perform below pre-pandemic levels, although we are seeing signs of recovery in certain regions where we operate and sell our products.
- Ongoing (but varied) public health-driven restrictions globally have depressed demand levels in the foodservice market segment. Should vaccination levels increase and vaccines remain effective against different variants, it is expected that consumer mobility, and therefore foodservice demand will continue to recover. The timing and magnitude of recovery vary by geography.
- The COVID-related oversupply and ongoing overcapacity of mozzarella destined for the foodservice market segment in the USA has further increased competition. We remain committed to profitable sales volumes, and we continue to focus on diversifying into more value-added categories in both the retail and foodservice market segments.
- Volatility in the dairy commodities market remains. Beginning in the fourth quarter of fiscal 2021, the negative impact of USA Market Factors progressively worsened, led by an unfavourable Spread. USA Market Factors will continue to fluctuate from quarter to quarter, but based on the current trend, we expect to start seeing more favourable market conditions in the second quarter of fiscal 2022.
- Input costs, including transportation, fuel, consumables and packaging, are expected to remain at sustained high levels due to inflationary pressures. As a mitigating measure, we are currently implementing pricing initiatives that will take effect early in the second quarter of fiscal 2022.
- While the availability of labour should improve as pandemic stimulus measures subside, particularly in the USA, filling open positions will remain a challenge in selected regions. In response, we are deploying and testing several initiatives, including employee referral incentives and partnerships with local community colleges. We also intend to increase automation in selected facilities as part of our Global Strategic Plan.
- Fluctuations in international cheese and dairy ingredient market prices persist.
- In Australia, the competition for raw material has intensified, pressuring both milk intake and pricing. Accordingly, we are continuing to leverage our diversified approach, which combines milk purchases from our patron farmers and third-party brokers as well as toll manufacturing agreements.
- The situation with container shortages and port inefficiencies that impacted us in the fourth quarter of fiscal 2021 and in the first quarter of fiscal 2022 has somewhat improved, however we expect to continue to experience some disruptions in the next quarter in relation to export volumes.

The magnitude of the impact of these factors on our financial performance in fiscal 2022 remains difficult to estimate.

We are Focused on "Controlling the Controllables" and Moving our Business Forward
We continue to work closely with customers in the **foodservice market segment** to adapt our offerings to new consumer trends, such as take-out for in-home dining, which are expected to outlast the pandemic. In the near term, sales in the foodservice and industrial market segments will continue to be impacted as long as government-imposed COVID-19 restrictions remain in place and in flux.

In the **industrial market segment**, volumes destined for export markets continued to recover during the first quarter of fiscal 2022. Revenues are expected to continue to increase, however the pace and timing of the recovery to pre-pandemic levels will be variable and depend on the export market and on the evolution of the shipping constraints caused by container shortages and port inefficiencies.

While consumer pantry loading has subsided, the **retail market segment** continues to perform well, and we expect our sales will continue to exceed pre-pandemic levels.

In fiscal 2022, we will remain agile and flexible, both commercially and operationally, to respond to further changes in consumer demand and to the expected recovery in foodservice market segment demand. We believe we have a strong foundation to build on, which will support our growth plans.

Our Growth Strategy

We have a well-defined strategy based on a three-pronged approach comprised of **organic growth, strategic acquisitions** and **our Saputo Promise**.

Organic Growth

Our recently announced four-year Global Strategic Plan (the Plan) is designed to deliver accelerated organic growth across all our platforms. The USA Sector being the largest contributor to the successful execution of the Plan, we inaugurated, in June 2021, an executive office in Miami, Florida. The purpose of this office is to serve as a meeting place for our global and divisional teams, while increasing the presence of our executives in the USA to help support our strategy.

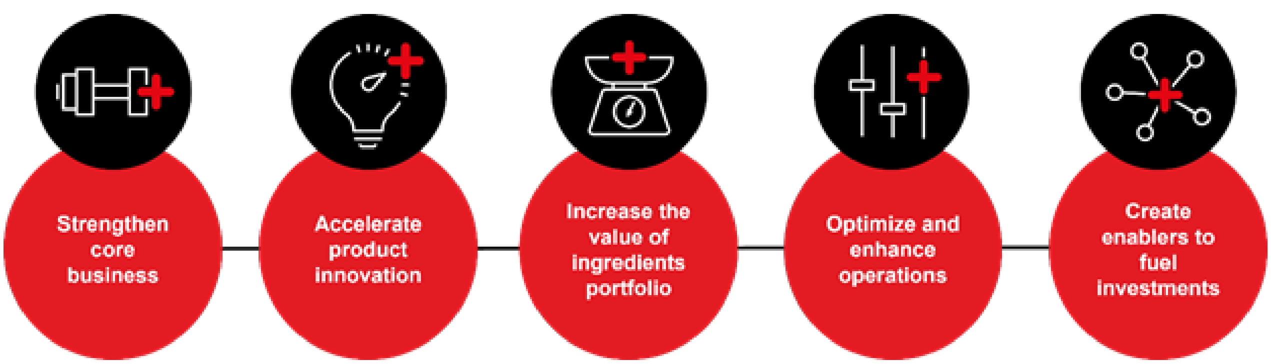
Key elements of the Plan include:

We are **targeting high single-digit Adjusted EBITDA* CAGR**[1] over the four-year period **to reach $2.125 billion by the end of fiscal 2025.** This represents a total increase of $650 million, or approximately 44%, compared to our fiscal 2021 performance. Approximately 70% of the projected Adjusted EBITDA* growth is expected to be generated by initiatives centred on optimizing and enhancing our operations. The remaining 30% of our projected Adjusted EBITDA* growth will result from initiatives aimed at driving our top line and delivering increases in profitable sales volumes at more than double the annual growth rate of global per capita dairy consumption in all regions, with the exception of Australia, where we do not expect the milk pool to grow.

The anticipated cost efficiencies derived from optimizing and enhancing our operations are expected to be realized in the back half of our Plan. Therefore, periodic increases to Adjusted EBITDA* are not expected to be linear, but we are confident that we will see **Adjusted EBITDA* growth in every year of our Plan**, despite challenging market conditions in the first quarter of fiscal 2022.

As we continue to build and diversify our business, we are focused on bolstering our presence in the retail market segment, particularly in the USA Sector, where activities historically skewed towards foodservice. As a result, a large portion of our Plan's strategic initiatives are focused on the retail market segment.

Our Plan is based on **five key pillars,** with the first three contributing to our growth at similar levels. Detailed below are selected initiatives that were either completed or in progress during the first quarter of fiscal 2022:



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[1] CAGR, Compound Annual Growth Rate is defined as the year-over-year growth rate over a specified amount of time.

Strengthen our core business - we are leveraging the power of our brands, both domestically and across geographies, and optimizing our existing product portfolio with a focus on core categories.

The cheese capacity expansion at our Davidstow facility in the UK is allowing us to further bolster our market-leading *Cathedral City* brand through additional export opportunities. In the first quarter, we entered into a long-term exclusive partnership with a key dairy player that enables us to expand the distribution of *Cathedral City* into the EU starting in the fourth quarter of fiscal 2022. In addition to the EU, we plan to increase our distribution of *Cathedral City* in the USA and Canada, following the brand's successful introduction into the North American market in fiscal 2021.

In the USA, we implemented a new filling production line, which will enable us to manufacture aseptic nutritional products to be sold in the retail market segment under a partner's well-known brand name. Production on this line is expected to begin by the end of August.

To further enhance our customer solutions in the USA, we pulled from top talent within our network to appoint a new Senior Vice President of Sales during the first quarter. The new appointee will build on his solid sales and business development track record in the Dairy Division (Canada), a Division that has distinguished itself by the strength of its customer service and execution.

Accelerating product innovation – we are expanding our presence in dairy alternatives as a strategic priority while enhancing our dairy portfolio with new formats, flavours and packaging.

We are well on our way in both the dairy alternative cheese category, where we intend to take a leadership position, and in the dairy alternative beverage category.

We acquired UK-based Bute Island Foods Ltd, an innovative manufacturer, marketer and distributor of a variety of dairy alternative cheese products for both the retail and foodservice market segments under the award-winning vegan *Sheese* brand, alongside private label brands. Prior to the acquisition, Bute Island Foods was a key partner in helping us manufacture the mozzarella alternative we have been successfully trialling with several current and potential foodservice customers in North America. Now that we have the manufacturing capabilities in-house and a product with the right sensory attributes, we are working on converting this success into sales on a global scale, including in North America and Australia.

For dairy alternative beverages, we are focused on supporting existing players through co-packing arrangements, and we continued to secure new business across North America in the first quarter. We currently have two facilities in the USA that will be taking on additional volume in the second quarter, and we will be adding more capacity to our network in the short term when our new Port Coquitlam, BC facility comes online this fall.

Increase the value of our ingredients portfolio - we will drive initiatives to maximize the value of our whey, optimize key recipes to differentiate our offering to the market, and solidify and establish commercial relationships.

Acquiring the Reedsburg facility of Wisconsin Specialty Protein, LLC was a key component in the development of our Plan as it enables us to broaden and increase the value of our ingredients offering, enhancing our portfolio in the USA and internationally. This facility provides our Dairy Division (USA) with new manufacturing capabilities for value-added ingredients such as goat whey, organic lactose and other dairy powders. We made great strides in the integration process during the first quarter, as we evaluate our ingredients portfolio and develop specialized whey products to bring to market.

Across the pond, our Dairy Division (UK) has been actively working on diversifying our dairy ingredient customer base. We expect the benefits to come through in the second half of fiscal 2022.

Optimizing and enhancing operations - we are undertaking specific operations-focused initiatives in our manufacturing, supply chain and logistics activities. This pillar is expected to be the largest contributor to our Adjusted EBITDA* growth over the Plan period.

The execution of our USA cheese network optimization plan has begun, and the initial phase and the related capital expenditures are progressing according to our timeline. We have already made investments aimed at enhancing the production of our market-leading string cheese portfolio. Due to the sequential nature of these optimization efforts, we will be taking a multi-phase approach over the next three fiscal years and deploying capital accordingly.

In Canada, our new state-of-the-art fluid milk and dairy alternative beverage facility in Port Coquitlam, BC, is on track to open this month, with fluid dairy production starting by the end of August and plant-based beverage production beginning later this fall. Following a transition period, we will complete the transfer of production and staff from certain neighbouring facilities over to the Port Coquitlam plant. This will reduce the duplication of costs and we expect the benefit to be reflected during the second half of the fiscal year.

In Australia, we are accelerating continuous improvement projects aimed at maximizing our yield per litre of milk we process. In particular, we are looking to drive efficiencies to improve the recovery of by-products, leveraging the agility of our network to redirect or repurpose by-products to benefit further processing and extract the highest value at the lowest cost.

Create enablers to fuel investments – this pillar comprises initiatives, some of which are ongoing, that will allow us to materialize synergies and reduce overhead costs. These initiatives will help to meaningfully advance our long-term growth trajectory, but we expect it to have the least contribution to Adjusted EBITDA* growth over the Plan period.

One such initiative is our global Enterprise Resource Planning (ERP) implementation (known as our Harmoni project), the rollout within the remainder of our Dairy Division (Australia) and the subsequent phases of the implementation within the Dairy Division (USA) are expected to be completed by the end of fiscal 2022, with current deployments progressing as planned and on schedule. In the Dairy Division (Canada), the planning for our ERP rollout is currently underway and we expect to complete the implementation in phases by the end of fiscal 2024. We may re-plan deployment activities based on the evolution of the COVID-19 pandemic.

As for the merge of our two USA divisions into “One USA”, we are continuing to work on our processes and procedures, aiming to maximize synergies and support our Division’s future growth.

Capital expenditures:

Underpinning our Global Strategic Plan is the **deployment of $2.3 billion in capital investments**. Approximately 50% of this amount will be allocated to base capital expenditures, including those related to our ERP initiative, which are the stay-in-business investments we make as part of our maintenance program. The balance will be supporting the Plan initiatives, with a larger portion of investments expected to be deployed in the first two years with a focus on advancing our Optimize and enhance operations strategic pillar. The expected return, mainly in the form of increased margins derived from operating cost savings, is expected to be the most significant contributor to our Adjusted EBITDA* growth over the four-year period. Deploying the necessary capital in the front half of the Plan period should allow us to capture savings in the back half.

Although the planned capital expenditures are above the historical trend of the last four years, we have not changed our level of investments in capital projects. Additionally, we intend to continue to invest annually to a level which is similar to our depreciation and amortization expense. We also intend to maintain strong financial flexibility throughout the Plan period, allowing us to continue to make strategic acquisitions and prioritize our capital management strategy. We will continue to deploy cash in a responsible manner for capital expenditures, dividends, debt repayments, acquisitions and share repurchases, when appropriate.

As we progress on our Global Strategic Plan journey, we intend to provide regular updates on the major initiatives we are undertaking to drive our organic growth.

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

Strategic Acquisitions

The recent acquisitions will serve as accelerators to our Global Strategic Plan. The acquisitions of Bute Island Foods Ltd and of the Reedsburg facility of Wisconsin Specialty Protein LLC were identified and considered in the development of our Global Strategic Plan. Therefore, the expected growth derived from those acquired businesses is embedded in the respective pillars outlined above.

In July, we completed the acquisition of the business of Wensleydale Dairy Products Limited, which complements and broadens our existing range of British cheeses. Located in North Yorkshire (UK), Wensleydale Dairy Products manufactures, blends, markets, and distributes a variety of specialty and regional cheeses, including *Yorkshire Wensleydale* cheese. Wensleydale Dairy Products' award-winning range of cheeses is also exported around the world. The business operates two facilities and employs approximately 210 people. The incremental post-acquisition Adjusted EBITDA* we expect to derive over time through organic growth, mainly around enhancements to our branded portfolio, will contribute to strengthening our core business in the value-added and specialty cheese categories.

We remain very bullish about dairy products and acquisition prospects in this space, and we intend to further accelerate our growth through strategic, accretive acquisitions based on our disciplined approach.

Areas of focus include:

- Cheese;
- Value-added ingredients;
- USA retail; and
- Dairy alternative products.

Our key regions of interest include areas we operate in, as well as regions that would expand our geographical footprint, such as Northern and Western Europe. The potential for acquisitions in both the USA and Europe is significant as both these regions offer many opportunities for further consolidation.

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. We recognize the importance of being accountable to our stakeholders, and we aim to communicate in a transparent and responsible manner about our progress to achieve our Promise. Accordingly, today we published our **2021 Saputo Promise Report**, which was expanded to provide additional disclosure on the core environmental, social, and governance (ESG) matters impacting our business.

Among other highlights, the Report introduces our **new 2025 Supply Chain Pledges**. As planned, we are extending our efforts to address sustainability considerations beyond the scope of our operations. We are committed to doing our part in creating a sustainable and equitable food system, working in partnership with our farmers, suppliers and industry partners. In the coming months, we will put our plan in motion, starting with allocating the right expertise and resources towards our Supply Chain Pledges and defining the practices which will form part of our sustainability standards.

Within the scope of our operations, we continue to make strides towards our **environmental targets** as part of our formal commitment to make significant and sustainable progress by 2025. In fiscal 2022, we are funding 24 projects to help accelerate our climate, water and waste performance.

Fiscal 2022 marks the final year of our Saputo Promise three-year plan and we have begun preparations for the next phase as we remain steadfast in our commitment to delivering on our **ESG objectives**.

Striking the Right Balance Between Operating Responsibly and Pursuing Growth

Profitability enhancement and stakeholder value creation remain the cornerstones of Saputo's objectives, supported by our robust three-pronged approach to growth. Moving forward, we are focused on effectively managing through the current challenges and delivering on our strategic growth plans to emerge an even bigger, better, and stronger Saputo for our shareholders, employees, customers, consumers, business partners, and the communities we serve.

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

INFORMATION BY SECTOR

CANADA SECTOR

(in millions of CDN dollars)

Fiscal years	2022	2021			
	Q1	Q4	Q3	Q2	Q1
Revenues	**1,033**	1,001	1,089	1,063	982
Adjusted EBITDA	**113**	107	119	117	104
Adjusted EBITDA margin	**10.9 %**	10.7 %	10.9 %	11.0 %	10.6 %

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

Revenues

Revenues totalled $1.033 billion, up $51 million or 5.2%, as compared to $982 million for the same quarter last fiscal year.

Higher sales volumes in the foodservice market segment, which outweighed decreased sales volumes in the retail market segment, had a positive impact. Retail market segment sales in the comparative quarter of fiscal 2021 had benefited from an uplift from the shift in consumer demand related to the COVID-19 pandemic.

Higher selling prices in connection with the higher cost of milk as raw material and higher dairy ingredient market prices contributed positively.

Adjusted EBITDA

Adjusted EBITDA totalled $113 million, up $9 million or 8.7%, as compared to $104 million for the same quarter last fiscal year.

Higher sales volumes within the foodservice market segment, which outweighed lower sales volumes in the retail market segment, had a favourable impact.

Higher input costs, such as freight and logistical costs, caused by inflationary pressures, had an unfavourable impact.

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

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

USA SECTOR

(in millions of CDN dollars)

Fiscal years	2022	2021			
	Q1	Q4	Q3	Q2	Q1
Revenues	**1,506**	1,399	1,657	1,649	1,417
Adjusted EBITDA	**96**	93	171	140	163
Adjusted EBITDA margin	**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			
	Q1	Q4	Q3	Q2	Q1
USA Market Factors*,[1]	**(42)**	(4)	34	4	23
US currency exchange[1]	**(18)**	(5)	(2)	2	5

* Refer to the ''Glossary'' section of this Management's Discussion and Analysis.
[1] As compared to same quarter last fiscal year.

Other pertinent information

(in US dollars, except for average exchange rate)

Fiscal years	2022	2021			
	Q1	Q4	Q3	Q2	Q1
Block market price*					
Opening	**1.738**	1.650	2.573	2.640	1.330
Closing	**1.553**	1.738	1.650	2.573	2.640
Average	**1.657**	1.687	2.129	2.249	1.778
Butter market price*					
Opening	**1.818**	1.420	1.510	1.765	1.335
Closing	**1.740**	1.818	1.420	1.510	1.765
Average	**1.805**	1.480	1.444	1.571	1.500
Average whey market price*	**0.626**	0.517	0.388	0.311	0.356
Spread*	**(0.164)**	0.001	0.168	0.141	0.047
US average exchange rate to Canadian dollar[1]	**1.231**	1.268	1.306	1.333	1.378

* Refer to the ''Glossary'' section of this Management's Discussion and Analysis.
[1] Based on Bank of Canada published information.

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

* Refer to the ''Glossary'' section of this Management's Discussion and Analysis.

Revenues

Revenues totalled $1.506 billion, up $89 million or 6.3%, as compared to $1.417 billion for the same quarter last fiscal year.

Higher sales volumes in the foodservice market segment had a positive impact. Consumer demand for mozzarella started to recover while market conditions remained highly competitive.

The combined effect of the fluctuation of the average block market price* and a higher average butter market price* had a positive impact of $46 million. Higher dairy ingredient market prices had a favourable impact of $14 million.

The fluctuation of the US dollar versus the Canadian dollar had an unfavourable impact of $158 million.

Adjusted EBITDA

Adjusted EBITDA totalled $96 million, down $67 million or 41.1%, as compared to $163 million for the same quarter last fiscal year.

The following factors, included under USA Market Factors, resulted in a combined negative net impact of $42 million:

- The spread* (negative impact).
- The combined effect of the fluctuation of the average block market price and the higher average butter market price in relation to dairy foods products on both the realization of inventories and the absorption of fixed costs (negative impact).
- Higher dairy ingredient market prices (positive impact).

Inflationary pressures caused an increase in input costs, including an unfavourable impact of $19 million related to freight and logistical costs.

The increase in sales volumes led by the foodservice market segment had a positive impact on efficiencies and the absorption of fixed costs.

The contribution of the Reedsburg facility Acquisition for the one-month period since it was acquired was minimal.

The fluctuation of the US dollar versus the Canadian dollar had an unfavourable impact of $18 million.

* Refer to the ''Glossary'' section of this Management's Discussion and Analysis.

INTERNATIONAL SECTOR

(in millions of CDN dollars)

Fiscal years	**2022**	2021			
	Q1	Q4	Q3	Q2	Q1
Revenues	**754**	827	807	806	781
Adjusted EBITDA	**45**	62	105	78	60
Adjusted EBITDA margin	**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			
	Q1	Q4	Q3	Q2	Q1
Foreign currency exchange[1]	**(4)**	3	4	(1)	(9)

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

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

Revenues

Revenues totalled $754 million, down $27 million or 3.5%, as compared to $781 million for the same quarter last fiscal year.

Supply chain challenges due to container shortages and port inefficiencies negatively impacted export sales volumes, while dedicated efforts and attention were required to support our ERP rollout to minimize supply chain disruptions. Reduced milk availability in our Dairy Division (Australia) from intensified competition for raw material and decreased third-party purchases also negatively impacted sales volumes.

The positive effect of higher international cheese and dairy ingredient market prices was offset by the negative effect of fulfilling export sales contracts that had been entered into in previous quarters at depressed commodity prices. The positive impact of the devaluation of the Argentine peso versus the US dollar in our export markets, partially offset by the strengthening of the Australian dollar versus the US dollar, was favourable.

The effect of higher domestic selling prices in our Dairy Division (Argentina), as a result of the hyperinflationary economy, was positive.

The fluctuation of the functional currencies used in the International Sector versus the Canadian dollar had an unfavourable impact of $21 million.

Adjusted EBITDA

Adjusted EBITDA totalled $45 million, down $15 million or 25.0%, as compared to $60 million for the same quarter last fiscal year.

Lower export sales volumes and reduced milk intake in Australia, as described above, affected efficiencies and the absorption of fixed costs, negatively impacting adjusted EBITDA. Reduced milk availability in our Dairy Division (Australia) from intensified competition for raw material negatively impacted sales volumes.
The unfavourable relation between international cheese and dairy ingredient market prices and the cost of milk as raw material, including the effect of sales contracted at depressed commodity prices, as described above, had a negative impact.

Higher input costs, such as freight and logistical costs, caused by inflationary pressures, had an unfavourable impact.

The fluctuation of the functional currencies used in the International Sector versus the Canadian dollar had an unfavourable impact of $4 million.

EUROPE SECTOR

(in millions of CDN dollars)					
Fiscal years	**2022**	2021			
	Q1	Q4	Q3	Q2	Q1
Revenues	**195**	211	210	184	211
Adjusted EBITDA	**36**	40	37	35	40
Adjusted EBITDA margin	**18.5 %**	19.0 %	17.6 %	19.0 %	19.0 %

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

Revenues

Revenues totalled $195 million, down $16 million or 7.6%, as compared to $211 million for the same quarter last fiscal year.

Sales volumes in the retail market segment were lower as compared to the first quarter of fiscal 2021, which had been positively impacted by a surge in demand due to the COVID-19 pandemic. This decrease was offset by the positive impact from higher industrial market segment sales volumes, mainly in the dairy ingredients category.

Lower international dairy ingredient market prices had a negative impact.

The contribution of the Bute Island Acquisition for the one-month period since it was acquired was positive.

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

Adjusted EBITDA

Adjusted EBITDA totalled $36 million, down $4 million or 10.0%, as compared to $40 million for the same quarter last fiscal year.

Lower sales volumes in the retail market segment had a negative impact. This decrease was offset by the positive impact from higher industrial market segment sales volumes, mainly in the dairy ingredients category, and the Sector’s efficiencies as those were made at lower international dairy ingredient market prices.

Higher input costs in general, caused by inflationary pressures, had an unfavourable impact.

The contribution of the Bute Island Acquisition for a one-month period in the quarter was minimal.

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

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 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 wisely to support organic growth, strategic acquisitions and our Saputo Promise.

The Company's cash and cash equivalents totalled $156 million as at June 30, 2021. In addition to these funds, we have unused credit facilities of $1.841 billion under our bank credit facilities as at June 30, 2021. We believe we are well positioned to face current market conditions given our strong balance sheet.

The Company's liquidity needs are funded from cash generated by operations, unsecured bank credit facilities and unsecured senior notes. These funds are used principally for capital expenditures, dividends, debt repayments, and business acquisitions and are expected to be sufficient to meet the Company’s liquidity requirements. 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 June 30	
	2021	2020
Cash generated from operating activities	**215**	377
Net cash generated from operating activities	**138**	336
Cash used for investing activities	**(283)**	(50)
Cash used for financing activities	**(13)**	(77)
(Decrease) increase in cash and cash equivalents	**(158)**	209

Operating Activities

Net cash generated from operating activities amounted to $138 million, in comparison to $336 million for the same quarter last fiscal year. This decrease of $198 million was due to a decrease related to changes in non-cash operating working capital items of $73 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 decrease was also due to a decrease in adjusted EBITDA of $77 million, an increase of $28 million in income tax paid, an increase in $8 million in interest paid and a decrease of $21 million in non-cash foreign exchange gains on debt.

Investing Activities

Investing activities were mainly comprised of $187 million disbursed for the Bute Island Acquisition and the Reedsburg facility Acquisition, additions to property, plant and equipment of $80 million and additions to intangibles of $16 million related to the ERP initiative.

Financing Activities

Financing activities consisted mainly of the issuance, on June 22, 2021, of Series 9 medium term notes for an aggregate principal amount of $300.0 million. The net proceeds of the issuance were used to repay the $300.0 million aggregate principal amount of the Series 2 medium term notes due June 23, 2021. We repaid $165 million of the term loan facility incurred in connection with the acquisition of Dairy Crest plc (Dairy Crest Acquisition). We paid $21 million in lease liabilities and $52 million in dividends, net of $20 million settled through the dividend reinvestment plan. Also, bank loans increased by $205 million, which included funds drawn in connection with our recent acquisitions. Finally, we issued shares as part of the stock option plan for $20 million.

Liquidity

(in millions of CDN dollars, except ratio)

	June 30, 2021	March 31, 2021
Current assets	**3,760**	3,948
Current liabilities	**2,569**	2,146
Working capital*	**1,191**	1,802
Working capital ratio*	**1.46**	1.84

* Refer to the ''Glossary'' section of this Management's Discussion and Analysis.

The working capital ratio is an indication of the Company's ability to cover short-term liabilities with short-term assets, without having excess dormant assets. The decrease in the working capital ratio was mainly due to the short-term maturity of a series of medium term loans and a higher level of bank loans.

Capital Management

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

We target a long-term leverage of approximately 2.25 times net debt to adjusted EBITDA*. From time to time, we may deviate from our long-term leverage target to pursue acquisitions and other strategic opportunities.

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

	June 30, 2021	March 31, 2021
Long-term debt	**3,400**	3,578
Bank loans	**277**	76
Lease Liabilities	**487**	461
Less: Cash and cash equivalents	**156**	309
Net debt*	**4,008**	3,806
Trailing twelve months adjusted EBITDA*	**1,394**	1,471
Net debt to adjusted EBITDA**	**2.88**	2.59
Number of common shares	**413,615,164**	412,333,571
Number of stock options	**24,189,970**	23,339,321

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

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 introduce a sustainability-linked loan (SLL) structure. The SLL structure introduces an annual pricing adjustment based on the achievement of key climate and water targets in line with our 2025 environmental commitments. The maturity date was also extended to August 5, 2026.

As at June 30, 2021, the Company had $156 million in cash and cash equivalents and available bank credit facilities of $2.118 billion, of which $277 million were drawn. See Notes 5 and 6 to the condensed interim consolidated financial statements for additional information related to bank loans and long-term debt.

Share capital authorized by Saputo is comprised of an unlimited number of common shares. The common shares are voting and participating. As at August 2, 2021, 413,625,659 common shares and 23,942,707 stock options were outstanding.

CONTRACTUAL OBLIGATIONS

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

Saputo's contractual obligations consist of commitments to repay long-term debt, payments for leased premises, equipment and rolling stock, as well as purchase obligations for capital expenditures and service agreements to which we are committed.

(in millions of CDN dollars)

	June 30, 2021				March 31, 2021			
	Long-term debt	**Leases**	**Purchase obligations & other**	**Total**	Long-term debt	Leases	Purchase obligations & other	Total
Less than 1 year	**592**	**100**	**185**	**877**	300	98	164	562
1–2 years	**374**	**78**	**32**	**484**	759	76	33	868
2–3 years	**300**	**90**	**14**	**404**	685	58	12	755
3–4 years	**400**	**42**	**10**	**452**	400	73	10	483
4–5 years	**700**	**37**	**—**	**737**	350	33	7	390
More than 5 years	**1,034**	**301**	**6**	**1,341**	1,084	284	8	1,376
	3,400	**648**	**247**	**4,295**	3,578	622	234	4,434

Long-term debt

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

Bank term loans

In connection with the acquisition of the activities of Murray Goulburn Co-Operative Co. Limited (Murray Goulburn Acquisition), we entered into a credit agreement in April 2018, providing for a non-revolving term facility comprised of three tranches. A total of $1.258 billion was drawn, of which $884 million has since been repaid. The credit facility bears interest at lenders' prime rates plus a maximum of 1.00%, or bankers' acceptance rates or the Australian Bank Bill Rate plus 0.80% up to a maximum of 2.00%, depending on the Company's credit ratings.

In connection with the 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 $2.027 billion was drawn, of which $1.735 billion has since been repaid. The credit facility bears interest at lenders' prime rates plus a maximum of 1.00% or LIBOR or bankers' acceptance rates plus 0.80% up to a maximum of 2.00%, depending on the Company's credit ratings.

On August 5, 2021, we amended these credit agreements to extend their maturity dates to August 5, 2024.

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 June 30, 2021, varied as compared to the balances as at March 31, 2021, principally due to the strengthening of the Canadian dollar versus the US dollar and the inclusion of Bute Island Acquisition and Reedsburg facility Acquisition.

The following table outlines the conversion rates of the respective local operations' financial position items in foreign currencies as at June 30, 2021, and March 31, 2021.

	As at June 30, 2021	As at March 31, 2021
US dollar / Canadian dollar[1]	**1.2398**	1.2562
Australian dollar / Canadian dollar[1]	**0.9297**	0.9545
Argentine peso / Canadian dollar[1]	**0.0130**	0.0137
British pound sterling / Canadian dollar[1]	**1.7145**	1.7315

1 Based on Bank of Canada published information.

The fluctuation of the Canadian dollar versus the US dollar, the British pound sterling, the Australian dollar and the Argentine peso 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 $121 million as at June 30, 2021, mainly resulting from a higher level of bank loans due to the Bute Island Acquisition and the Reedsburg facility Acquisition and a repayment of $165 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.

ACCOUNTING STANDARDS

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

The accounting policies and methods of computation applied in these financial statements are the same as those applied by the Company in its audited annual consolidated financial statements as at and for the year ended March 31, 2021.

Recent standards, interpretations and amendments not yet implemented

Please refer to Note 3 to the Company's condensed interim consolidated financial statements for the period ended June 30, 2021, for more information regarding the effect of new accounting standards, interpretations and amendments not yet implemented.

FOLLOW-UP ON CERTAIN SPECIFIC ITEMS OF THE ANALYSIS

For an analysis of guarantees, related-party transactions, critical accounting estimates and changes in accounting policies, risks and uncertainties, as well as a sensitivity analysis of interest rate and US currency fluctuations, see the discussion provided in the Company's 2021 Annual Report (pages 31 to 39 of the Management's Discussion and Analysis dated June 3, 2021).

DISCLOSURE CONTROLS AND PROCEDURES

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Saputo is taking a phased approach to its migration to a new ERP system. 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 April 1, 2021, and ended on June 30, 2021, that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

NON-IFRS FINANCIAL MEASURES

We report our financial results in accordance with IFRS. However, we use the following non-IFRS financial measures to explain our financial performance:

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

These non-IFRS financial measures have no standardized meaning under IFRS and are not likely to be comparable to similar measures presented by other issuers. Non-IFRS financial measures should not be viewed as a substitute for the related financial information prepared in accordance with IFRS. The components of each non-IFRS financial measure used for the three-month periods ended June 30, 2021, and 2020, are described below and are subject to change based on future transactions or where Management deems necessary to provide a better understanding and comparability of future results and activities of Saputo.

Adjusted EBITDA

We believe that adjusted EBITDA provides investors with useful information because it is a common industry measure and it is also a key metric of the Company's operational and financial performance. The adjustments made to adjusted EBITDA, including the impairment of intangible assets which is of an unusual nature, are not indicative of core business activities. Adjusted EBITDA is the key measure of profit used by our chief operating decision maker for the purpose of assessing the performance of each sector and to make decisions about the allocation of resources. The Chief Executive Officer, Chief Financial Officer and Chief Operating Officer are, collectively, our chief operating decision maker. We believe that investors and analysts also use, adjusted EBITDA to evaluate the performance of the business. Adjusted EBITDA is also a component in the determination of short-term incentive compensation for management.

Adjusted EBITDA for the three-month periods ended June 30, 2021, and 2020, is equivalent to earnings before interest, income taxes, depreciation, amortization, impairment of intangible assets, and acquisition and restructuring costs, as this financial measure is presented in the condensed interim consolidated income statement and, with respect to Saputo's reportable segments, in the notes to the financial statements.

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

(in millions of CDN dollars)

	For the three-month periods ended June 30	
	2021	2020
Earnings before income taxes	**139**	197
Financial charges[1]	**18**	25
Acquisition and restructuring costs	**2**	—
Impairment of intangible assets	**—**	19
Depreciation and amortization	**131**	126
Adjusted EBITDA	**290**	367

1 Includes gain on hyperinflation in Argentina. Refer to Note 8 to the condensed interim consolidated financial statements for the period ended June 30, 2021, for more information.

* Refer to the ''Glossary'' section of this Management's Discussion and Analysis.

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

Management believes that adjusted net earnings excluding amortization of intangible assets related to business acquisitions and adjusted net earnings per share excluding amortization of intangible assets related to business acquisitions provide useful information to investors because these financial measures provide precision with regards to our ongoing operations. They also provide readers with a representation of the activities considered of relevance to our financial performance and additional financial information that can be used to identify trends or additional disclosures about the way Saputo operates, as well as comparability to prior year results. The adjustments made to adjusted net earnings excluding amortization of intangible assets related to business acquisitions, including the impairment of intangible assets and the UK tax rate change which are of an unusual nature, are not indicative of core business activities. Management also believes that in the context of highly acquisitive companies, they are effective measures 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.

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

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

	For the three-month periods ended June 30					
	2021			2020		
		Per Share			Per Share	
	Total	**Basic**	**Diluted**	Total	Basic	Diluted
Net earnings	**53**	**0.13**	**0.13**	142	0.35	0.35
Impairment of intangible assets[1]	**—**	**—**	**—**	**19**	**0.05**	**0.05**
UK tax rate change[2]	**50**	**0.12**	**0.12**	—	—	—
Acquisition and restructuring costs[1]	**1**	**—**	**—**	—	—	—
Amortization of intangible assets related to business acquisitions[1]	**18**	**0.04**	**0.04**	18	0.04	0.04
Adjusted net earnings excluding amortization of intangible assets related to business acquisitions	**122**	**0.30**	**0.29**	179	0.44	0.44

1 Net of income taxes.
2 The UK Finance Act 2021 was enacted increasing the UK tax rate from 19% to 25%, effective April 1, 2023. Refer to Note 9 to the consolidated financial statements for further information.

* Refer to the ''Glossary'' section of this Management's Discussion and Analysis.

GLOSSARY

Adjusted EBITDA

"Adjusted EBITDA" means earnings before interest, income taxes, depreciation, amortization, impairment of intangible assets, and acquisition and restructuring costs.

Adjusted EBITDA margin

"Adjusted EBITDA margin" means adjusted EBITDA expressed as a percentage of revenues.

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

"Adjusted net earnings excluding amortization of intangible assets related to business acquisitions" means net earnings prior to the inclusion of impairment of intangible assets, acquisition and restructuring costs, and amortization of intangible assets related to business acquisitions, net of applicable income taxes.

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

"Adjusted net earnings per share excluding amortization of intangible assets related to business acquisitions" (basic and diluted) means adjusted net earnings excluding amortization of intangible assets related to business acquisitions per basic and diluted common share.

Average whey powder market price

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

Block market price

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

Butter market price

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

EPS

"EPS" means net earnings per share.

Net Debt

"Net debt" means long-term debt, lease liabilities, and bank loans, including the current portion thereof, net of cash and cash equivalents.

Net Debt to adjusted EBITDA

"Net debt to adjusted EBITDA" means net debt divided by adjusted EBITDA.

Spread

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

Trailing twelve months adjusted EBITDA

"Trailing twelve months adjusted EBITDA" is calculated by adding the actual adjusted EBITDA results for the three-months ended June 30, 2021, to the actual adjusted EBITDA results for the year ended March 31, 2021, and subtracting the actual adjusted EBITDA results for the three-months ended June 30, 2020.

USA Market Factors

USA Market Factors" include, for the USA Sector, the average block market price and its effect on the absorption of fixed costs and on the realization of inventories, the effect of the 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

"Working capital" means current assets minus current liabilities.

Working capital ratio

"Working capital ratio" means current assets divided by current liabilities.

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENTS

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

	For the three-month periods ended June 30	
	2021	2020
Revenues (Note 13)	**$ 3,488**	$ 3,391
Operating costs excluding depreciation, amortization, and restructuring costs (Note 4)	**3,198**	3,024
Earnings before interest, income taxes, depreciation, amortization, impairment of intangible assets, and acquisition and restructuring costs	**290**	367
Depreciation and amortization	**131**	126
Impairment of intangible assets (Note 13)	**—**	19
Acquisition and restructuring costs	**2**	—
Financial charges (Note 8)	**18**	25
Earnings before income taxes	**139**	197
Income taxes (Note 9)	**86**	55
Net earnings	**$ 53**	$ 142
Net earnings per share (Note 10)		
Basic	**$ 0.13**	$ 0.35
Diluted	**$ 0.13**	$ 0.35

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of CDN dollars)
(unaudited)

	For the three-month periods ended June 30	
	2021	2020
Net earnings	**$ 53**	$ 142
Other comprehensive (loss) income:		
Items that may be reclassified to net earnings:		
Exchange differences arising from foreign currency translation	**(114)**	(123)
Inflation effect arising from the application of hyperinflation	**(1)**	(3)
Unrealized (losses) gains on cash flow hedges (Note 11)	**(9)**	43
Reclassification of (gains) losses on cash flow hedges to net earnings	**(4)**	15
Income taxes relating to items that may be reclassified to net earnings	**4**	(16)
	(124)	(84)
Items that will not be reclassified to net earnings:		
Actuarial income (loss)	**25**	(153)
Income taxes relating to items that will not be reclassified to net earnings	**1**	30
	26	(123)
Other comprehensive loss	**(98)**	(207)
Total comprehensive loss	**$ (45)**	$ (65)

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in millions of CDN dollars, except common shares)
(unaudited)

For the three-month period ended June 30, 2021	**Share capital**		**Reserves**					
	Common Shares	**Amount**	**Foreign Currency Translation**	**Cash Flow Hedges**	**Stock Option Plan**	**Total Reserves**	**Retained Earnings**	**Total Equity**
Balance, beginning of year	**412,333,571**	**$ 1,807**	**$ 210**	**$ —**	**$ 165**	**$ 375**	**$ 4,262**	**$ 6,444**
Net earnings	**—**	**—**	**—**	**—**	**—**	**—**	**53**	**53**
Other comprehensive loss	**—**	**—**	**(115)**	**(9)**	**—**	**(124)**	**26**	**(98)**
Total comprehensive loss								**(45)**
Dividends (Note 7)	**—**	**—**	**—**	**—**	**—**	**—**	**(72)**	**(72)**
Shares issued under dividend reinvestment plan (Note 7)	**564,585**	**20**	**—**	**—**	**—**	**—**	**—**	**20**
Stock options	**—**	**—**	**—**	**—**	**4**	**4**	**—**	**4**
Exercise of stock options (Note 7)	**717,008**	**24**	**—**	**—**	**(4)**	**(4)**	**—**	**20**
Balance, end of period	**413,615,164**	**1,851**	**95**	**(9)**	**165**	**251**	**4,269**	**6,371**

For the three-month period ended June 30, 2020	**Share capital**		**Reserves**					
	Common Shares	**Amount**	**Foreign Currency Translation**	**Cash Flow Hedges**	**Stock Option Plan**	**Total Reserves**	**Retained Earnings**	**Total Equity**
Balance, beginning of year	408,638,373	$ 1,686	$ 668	$ (40)	$ 150	$ 778	$ 4,095	$ 6,559
Net earnings	—	—	—	—	—	—	142	142
Other comprehensive loss	—	—	(126)	42	—	(84)	(123)	(207)
Total comprehensive income								(65)
Dividends (Note 7)	—	—	—	—	—	—	(70)	(70)
Stock options	—	—	—	—	5	5	—	5
Exercise of stock options (Note 7)	103,559	3	—	—	—	—	—	3
Balance, end of period	**408,741,932**	**$ 1,689**	**$ 542**	**$ 2**	**$ 155**	**$ 699**	**$ 4,044**	**$ 6,432**

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in millions of CDN dollars)
(unaudited)

As at	**June 30, 2021**	March 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents	**$ 156**	$ 309
Receivables	**1,194**	1,217
Inventories	**2,303**	2,294
Income taxes receivable	**38**	35
Prepaid expenses and other assets	**69**	93
	3,760	3,948
Property, plant and equipment	**3,792**	3,777
Right-of-use assets	**510**	482
Goodwill	**3,145**	3,066
Intangible assets	**1,507**	1,517
Other assets	**347**	319
Deferred income taxes	**14**	14
Total assets	**$ 13,075**	$ 13,123
LIABILITIES		
Current liabilities		
Bank loans (Note 5)	**$ 277**	$ 76
Accounts payable and accrued liabilities	**1,573**	1,641
Income taxes payable	**52**	54
Current portion of long-term debt (Note 6)	**592**	300
Current portion of lease liabilities	**75**	75
	2,569	2,146
Long-term debt (Note 6)	**2,808**	3,278
Lease liabilities	**412**	386
Other liabilities	**113**	116
Deferred income taxes	**802**	753
Total liabilities	**$ 6,704**	$ 6,679
EQUITY		
Share capital (Note 7)	**1,851**	1,807
Reserves	**251**	375
Retained earnings	**4,269**	4,262
Total equity	**$ 6,371**	$ 6,444
Total liabilities and equity	**$ 13,075**	$ 13,123

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of CDN dollars)
(unaudited)

	For the three-month periods ended June 30 2021	2020
Cash flows related to the following activities:		
Operating		
Net earnings	**$ 53**	$ 142
Adjustments for:		
Stock-based compensation	**14**	4
Financial charges (Note 8)	**18**	25
Income tax expense	**86**	55
Depreciation and amortization	**131**	126
Impairment of intangible assets (Note 13)	**—**	19
Foreign exchange (gain) loss on debt	**(13)**	8
Share of joint venture earnings, net of dividends received	**1**	—
Difference between funding of post-employment benefit plans and costs	**1**	1
Changes in non-cash operating working capital items	**(76)**	(3)
Cash generated from operating activities	**215**	377
Interest and financial charges paid	**(37)**	(29)
Income taxes paid	**(40)**	(12)
Net cash generated from operating activities	**$ 138**	$ 336
Investing		
Business acquisitions, net of cash acquired	**(187)**	—
Additions to property, plant and equipment	**(80)**	(64)
Additions to intangible assets	**(16)**	(14)
Proceeds from disposal of property, plant and equipment	**—**	28
Net cash used for investing activities	**$ (283)**	$ (50)
Financing		
Bank loans	**205**	(323)
Proceeds from issuance of long-term debt	**300**	700
Repayment of long-term debt	**(465)**	(437)
Repayment of lease liabilities	**(21)**	(19)
Net proceeds from issuance of share capital	**20**	2
Payment of dividends	**(52)**	—
Net cash used in financing activities	**$ (13)**	$ (77)
(Decrease) increase in cash and cash equivalents	**(158)**	209
Cash and cash equivalents, beginning of period	**309**	319
Effect of inflation	**9**	3
Effect of exchange rate changes	**(4)**	5
Cash and cash equivalents, end of period	**$ 156**	$ 536

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three-month periods ended June 30, 2021, and 2020.

(Tabular amounts are in millions of CDN dollars except information on options, units and shares.)
(unaudited)

NOTE 1 CORPORATE INFORMATION

Saputo Inc. (the Company) is a publicly traded company incorporated and domiciled in Canada. The Company's shares are listed on the Toronto Stock Exchange under the symbol "SAP." The Company produces, markets, and distributes a wide array of dairy products from Canada, the United States, Australia, Argentina, and the United Kingdom. The address of the Company's head office is 6869 Metropolitain Blvd. East, Montréal, Québec, Canada, H1P 1X8. The condensed interim consolidated financial statements of the Company for the three-month period ended June 30, 2021 (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 August 5, 2021.

NOTE 2 BASIS OF PRESENTATION

The financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (IASB). Accordingly, certain disclosure requirements that are necessary in the preparation of an annual financial statement in compliance with International Financial Reporting Standards (IFRS) have been omitted or condensed, and, therefore, these financial statements should be read in conjunction with the Company's audited annual consolidated financial statements as at March 31, 2021, and 2020, and for the years then ended.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation applied in these financial statements are the same as those applied by the Company in its audited annual consolidated financial statements as at and for the year ended March 31, 2021.

ECONOMIC CONDITIONS AND UNCERTAINTIES

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

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

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

IFRS 3, Reference to the Conceptual Framework

In May 2020, Reference to the Conceptual Framework, amendments to IFRS 3, Business Combinations was issued. This amendment adds a requirement that, for transactions and other events within the scope of IAS 37, Provisions, contingent liabilities and contingent assets or IFRIC 21, Levies, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination. Also, 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, on a prospective basis. The Company will apply this amendment to applicable future business combinations.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES CONT'D

IAS 16, Property, Plant and Equipment: Proceeds Before Intended 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. Management is currently assessing the impact of the adoption of this amendment on the Company's financial statements.

IAS 37, Onerous Contracts – Cost of Fulfilling a Contract

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

This amendment is applicable to the Company beginning April 1, 2022. Management is currently assessing the impact of the adoption of this amendment 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.

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

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

The Company expects to implement changes, if any, arising from this agenda decision in the annual financial statements for the year ending March 31, 2022.

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

	For the three-month periods ended June 30	
	2021	2020
Changes in inventories of finished goods and work in process	**$ 69**	$ (67)
Raw materials and consumables used	**2,289**	2,282
Foreign exchange (gain) loss	**(6)**	10
Employee benefits expense	**460**	452
Other selling costs	**182**	148
Other general and administrative costs	**204**	199
	$ 3,198	$ 3,024

NOTE 5 BANK LOANS

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

		Available for use		Amount drawn	
Credit Facilities	Maturity	Canadian Currency Equivalent	Base Currency	**June 30, 2021**	March 31, 2021
North America-USA	November 2024[1,7]	$ 372	300 USD	**$ —**	$ —
North America-Canada	November 2024[1,7]	$ 868	700 USD	**205**	—
Australia	Yearly[2,7]	$ 256	275 AUD	**—**	—
Australia	Yearly[2,7]	$ 124	100 USD	**—**	—
Japan	Yearly[3,7]	$ 89	8,000 JPY	**38**	34
United Kingdom	Yearly[4,7]	$ 129	75 GBP	**—**	—
Argentina	Yearly[5,7]	$ 170	137 USD	**12**	—
Argentina	Yearly[6]	$ 110	8,474 ARS	**22**	42
		$ 2,118		**277**	$ 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 BBSY or banker's acceptance rate plus 0.80% up to a maximum of 2.00% depending on the Company credit ratings. As at June 30, 2021, 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 1.00% 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 LIBOR plus 0.70% and can be drawn in GBP.
5 Bears monthly interest at local rate and can be drawn in USD.
6 Bears monthly interest at local rate and can be drawn in ARS.
7 Subject to interest rate benchmark reform (see Note 3 in the annual consolidated financial statements for the year ended March 31, 2021).

During fiscal 2021, the Company entered into a trade receivable purchase agreement to sell certain receivables. As at June 30, 2021, receivables totalling $54 million (AU$58 million) 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 introduce a sustainability-linked loan (SLL) structure. The SLL structure introduces an annual pricing adjustment based on the achievement of key climate and water targets in line with our 2025 environmental commitments. The maturity date was also extended to August 5, 2026.

NOTE 6 LONG-TERM DEBT

		June 30, 2021		March 31, 2021
Unsecured bank term loan facilities				
Obtained April 2018 (AU$600 million) and due in April 2023[1,5]	**$**	**374**	$	385
Obtained April 2019 (£600 million) and due in April 2022[2,5]		**292**		459
Unsecured senior notes[3,4]				
2.20%, issued in June 2016 and due 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		**34**		34
	$	**3,400**	$	3,578
Current portion		**592**		300
	$	**2,808**	$	3,278
Principal repayments are as follows:				
Less than 1 year	**$**	**592**	$	300
1-2 years		**374**		759
2-3 years		**300**		685
3-4 years		**400**		400
4-5 years		**700**		350
More than 5 years		**1,034**		1,084
	$	**3,400**	$	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 0.80% up to a maximum of 2.00%, depending on the Company's credit ratings. Interest is paid every one, two, three or six months, as selected by the Company.

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

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 3 in the annual consolidated financial statements for the year ended March 31, 2021).

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 August 5, 2021, the Company amended its bank term loan facilities denominated in British pounds sterling and Australian dollars to extend their maturity dates to August 5, 2024.

NOTE 7 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

Changes in the number of outstanding stock options for the three-month period ended June 30, 2021, are as follows:

	Number	Weighted average exercise price
Balance, beginning of year	**23,339,321**	**$ 37.81**
Granted	**1,984,038**	**37.52**
Exercised	**(717,008)**	**28.55**
Cancelled	**(416,381)**	**40.33**
Balance, end of period	**24,189,970**	**$ 38.01**

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).

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:

	June 30, 2021	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.

DIVIDENDS AND DIVIDEND REINVESTMENT PLAN

The Company has a dividend reinvestment plan (DRIP), which became effective as of the dividend declared on June 4, 2020, and paid on July 9, 2020. The DRIP provides eligible shareholders with the opportunity to have all or a portion of their cash dividends automatically reinvested into additional common shares.

The dividends paid in cash and through the DRIP during the period are shown below:

	For the three-month period ended June 30, 2021		
Payment date	**Cash**	**DRIP**	**Total**
June 25, 2021	**$ 52**	**$ 20**	**$ 72**

NOTE 8 FINANCIAL CHARGES

	For the three-month periods ended June 30	
	2021	2020
Interest on long-term debt	**$ 19**	$ 20
Other finance costs, net	**6**	6
Gain on hyperinflation	**(10)**	(3)
Interest on lease liabilities	**4**	4
Net interest revenue from defined benefit obligation	**(1)**	(2)
	$ 18	$ 25

NOTE 9 INCOME TAXES

On June 10, 2021, the UK Finance Act 2021 was enacted increasing the UK tax rate from 19% to 25%, effective April 1, 2023. This change resulted in the Company recording, in the three-month period ended June 30, 2021, an income tax expense of approximately $50 million and a corresponding increase to deferred income tax liabilities.

NOTE 10 NET EARNINGS PER SHARE

	For the three-month periods ended June 30	
	2021	2020
Net earnings	**$ 53**	$ 142
Weighted average number of common shares outstanding	**412,745,213**	408,721,361
Dilutive stock options	**2,399,108**	1,374,787
Weighted average diluted number of common shares outstanding	**415,144,321**	410,096,148
Basic net earnings per share	**$ 0.13**	$ 0.35
Diluted net earnings per share	**$ 0.13**	$ 0.35

When calculating diluted net earnings per share for the three-month period ended June 30, 2021, 12,707,738 stock options were excluded from the calculation because their exercise price is higher than the average fair value of common shares (15,508,137 options, were excluded for the three-month period ended June 30, 2020).

NOTE 11 FINANCIAL INSTRUMENTS

The Company determined that the fair value of certain of its financial assets and financial liabilities with short-term maturities approximates their carrying value. These financial instruments include cash and cash equivalents, receivables, bank loans, accounts payable and accrued liabilities. The table below presents the fair value and the carrying value of other financial instruments as at, June 30, 2021, 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.

	June 30, 2021		March 31, 2021	
	Fair value	**Carrying value**	Fair value	Carrying value
Cash flow hedges				
Commodity derivatives (Level 2)	**$ (1)**	**$ (1)**	$ 2	$ 2
Foreign exchange derivatives (Level 2)	**(10)**	**(10)**	(6)	(6)
Derivatives not designated in a formal hedging relationship				
Equity forward contracts (Level 2)	**1**	**1**	5	5
Commodity derivatives (Level 2)	**—**	**—**	1	1
Long-term debt (Level 2)	**3,457**	**3,400**	3,626	3,578

NOTE 12 BUSINESS ACQUISITIONS

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 $150 million (£88 million), on a cash-free and debt-free basis, was paid in cash from available credit facilities and cash on hand. In connection with this acquisition, the Company incurred acquisition-related costs of approximately $2 million consisting mainly of stamp duty taxes.

Had the Company concluded the Bute Islands Food acquisition at the beginning of its fiscal year, the pro-forma effect on total revenues and net earnings of the Company would have been minimal.

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.

The table below presents the preliminary estimates of the fair value of the assets acquired and liabilities assumed.

		Reedsburg Facility	Bute Island Foods	Total
Assets acquired	Net working capital	$ 1	$ 6	$ 7
	Property, plant and equipment	36	12	48
	Goodwill and intangible assets	—	141	141
Liabilities assumed	Deferred income taxes	—	(9)	(9)
Net assets acquired		$ 37	$ 150	$ 187

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

NOTE 13 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 consists of the Dairy Division (Australia) and the Dairy Division (Argentina). The Europe Sector consists of the Dairy Division (UK).

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

The Chief Executive Officer, Chief Financial Officer and Chief Operating Officer 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 earnings before interest, income taxes, depreciation, amortization, impairment of intangible assets, and acquisition and restructuring costs.

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

INFORMATION ON REPORTABLE SECTORS

	For the three-month periods ended June 30	
	2021	2020
Revenues		
Canada	**$ 1,033**	$ 982
USA	**1,506**	1,417
International[1]	**754**	781
Europe	**195**	211
	$ 3,488	$ 3,391
Adjusted EBITDA		
Canada	**$ 113**	$ 104
USA	**96**	163
International	**45**	60
Europe	**36**	40
	$ 290	$ 367
Depreciation and amortization		
Canada	**$ 25**	$ 24
USA	**47**	50
International	**31**	26
Europe	**28**	26
	$ 131	$ 126
Impairment of intangible assets[2]	**—**	19
Acquisition and restructuring costs	**2**	—
Financial charges	**18**	25
Earnings before income taxes	**$ 139**	$ 197
Income taxes	**86**	55
Net earnings	**$ 53**	$ 142

1 Australia accounted for $570 million and $629 million of the International Sector's revenues, while Argentina accounted for $184 million and $152 million for the three-month periods ended June 30, 2021, and 2020, respectively.

2 Refers to a retired trademark from the Australian portfolio.

NOTE 13 SEGMENTED INFORMATION (CONT'D)

MARKET SEGMENT INFORMATION

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

For the three-month periods ended June 30	Total		Canada		USA		International		Europe	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Revenues										
Retail	**$ 1,741**	$ 1,882	**$ 616**	$ 646	**$ 638**	$ 688	**$ 325**	$ 352	**$ 162**	$ 196
Foodservice	**1,128**	901	**335**	261	**721**	594	**69**	45	**3**	1
Industrial	**619**	608	**82**	75	**147**	135	**360**	384	**30**	14
	$ 3,488	$ 3,391	**$ 1,033**	$ 982	**$ 1,506**	$ 1,417	**$ 754**	$ 781	**$ 195**	$ 211

NOTE 14 SUBSEQUENT EVENT

Acquisition of Wensleydale Dairy Products Limited

On July 30, 2021, the Company completed the acquisition of the business of Wensleydale Dairy Products Limited (Wensleydale Dairy Products), located in North Yorkshire (UK), which will join our Europe Sector. Wensleydale Dairy Products manufactures, blends, markets, and distributes a variety of specialty and regional cheeses, including *Yorkshire Wensleydale* cheese, which complements and broadens the Company's existing range of British cheeses, including *Cathedral City* and *Davidstow* cheddars. It operates two facilities and employs approximately 210 people. The purchase price totalled approximately $39 million (£23 million), on a cash-free and debt-free basis and was paid in cash at closing from available credit facilities and cash on hand.