FIRST QUARTER

FISCAL 2023

Saputo Inc. (we, Saputo or the Company) is presenting its results for the first quarter of fiscal 2023, which ended on June 30, 2022.

- Revenues amounted to $4.327 billion, up $839 million or 24.1%.
- Net earnings totalled $139 million and net earnings per share (EPS) (basic and diluted) were $0.33, up from $53 million and EPS (basic and diluted) of $0.13, respectively.
- Adjusted EBITDA[1] amounted to $347 million, up $57 million or 19.7%.
- Adjusted net earnings[1] totalled $161 million, up from $122 million, and adjusted EPS[1] (basic and diluted) were $0.39 and $0.39, up from $0.30 and $0.29.

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

(unaudited)	**For the three-month periods ended June 30**	
	2022	2021
Revenues	**4,327**	3,488
Adjusted EBITDA[1]	**347**	290
Net earnings	**139**	53
Adjusted net earnings[1]	**161**	122
EPS (basic and diluted)	**0.33**	0.13
Adjusted EPS[1]		
Basic	**0.39**	0.30
Diluted	**0.39**	0.29

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

HIGHLIGHTS

- Improved results reflected a solid performance in the Canada Sector and the International Sector and signs of recovery in the USA Sector.
- Pricing initiatives implemented across all our sectors mitigated ongoing inflationary pressures.
- Higher international cheese and dairy ingredient market prices were favourable.
- USA Market Factors[2] continued to put pressure on adjusted EBITDA due to the persistent negative spread[2] between the average cheese block market price and the cost of milk as raw material.
- The Company announced capital investments and consolidation initiatives, as part of its Global Strategic Plan, intended to further streamline its manufacturing footprint in its USA Sector. This announcement marks the continuation of the Company’s network optimization program that plays an integral role in its broader strategy to enhance operations and accelerate organic growth across its platforms. Costs related with these capital investments and consolidation initiatives will be approximately $15 million after tax, which include a non-cash fixed assets write-down of approximately $10 million after tax. These costs will start to be recorded in the second quarter of fiscal 2023.
- The Board of Directors reviewed the dividend policy and approved the quarterly dividend, which remains at $0.18 per share. The quarterly dividend will be payable on September 16, 2022, to common shareholders of record on September 6, 2022.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The goal of this management's discussion and analysis ("MD&A") is to analyze the results of, and the financial position of Saputo Inc. (we, Saputo or the Company), for the three-month period ended June 30, 2022. It should be read while referring to the condensed interim consolidated financial statements of the Company and accompanying notes for the three-month periods ended June 30, 2022, and 2021, which are 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. The information in this report is being presented as at June 30, 2022, unless otherwise specified. In preparing this report, we have taken into account material elements between June 30, 2022, and August 4, 2022, the date on which this report was approved by the Company's Board of Directors. Additional information about the Company, including its Annual Report and Annual Information Form for the year ended March 31, 2022, can be obtained on SEDAR at www.sedar.com.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

By their nature, forward-looking statements are subject to a number of inherent risks and uncertainties. Actual results could differ materially from those stated, implied, or projected in such forward-looking statements. As a result, we cannot guarantee that any forward-looking statements will materialize, and we warn readers that these forward-looking statements are not statements of historical fact or guarantees of future performance in any way. Assumptions, expectations, and estimates made in the preparation of forward-looking statements and risks and uncertainties that could cause actual results to differ materially from current expectations are discussed in our materials filed with the Canadian securities regulatory authorities from time to time, including the "Risks and Uncertainties" section of the Management's Discussion and Analysis dated June 9, 2022, available on SEDAR under the Company's profile at www.sedar.com.

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

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

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

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

SELECTED QUARTERLY FINANCIAL INFORMATION

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

Fiscal years	2023	2022				2021		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	**4,327**	3,957	3,901	3,689	3,488	3,438	3,763	3,702
Adjusted EBITDA[1]	**347**	260	322	283	290	303	431	370
Adjusted EBITDA margin[1]	**8.0 %**	6.6 %	8.3 %	7.7 %	8.3 %	8.8 %	11.5 %	10.0 %
Net earnings	**139**	37	86	98	53	103	210	171
UK tax rate change[3]	**—**	—	—	—	50	—	—	—
Acquisition and restructuring costs[2]	**6**	51	—	(1)	1	2	—	(5)
Gain on disposal of assets[2]	**—**	—	(8)	—	—	—	—	—
Impairment of intangible assets[2]	**—**	—	43	—	—	—	—	—
Amortization of intangible assets related to business acquisitions[2]	**16**	20	18	19	18	19	18	18
Adjusted net earnings [1]	**161**	108	139	116	122	124	228	184
Adjusted net earnings margin[1]	**3.7 %**	*2.7 %*	*3.6 %*	*3.1 %*	*3.5 %*	*3.6 %*	*6.1 %*	*5.0 %*
EPS basic	**0.33**	0.09	0.21	0.24	0.13	0.25	0.51	0.42
EPS diluted	**0.33**	0.09	0.21	0.24	0.13	0.25	0.51	0.42
Adjusted EPS basic[1]	**0.39**	0.26	0.34	0.28	0.30	0.30	0.56	0.45
Adjusted EPS diluted[1]	**0.39**	0.26	0.33	0.28	0.29	0.30	0.55	0.45

1 This is a total of segments measure, a non-GAAP financial measure, or a non-GAAP ratio. See the "Non-GAAP Measures" section of this MD&A for more information, including the definition and composition of the measure or ratio as well as the reconciliation to the most comparable measure in the primary financial statements, as applicable.
2 Net of income taxes.
3 On June 10, 2021, the UK Finance Act 2021 was enacted, increasing the UK tax rate from 19% to 25%, effective April 1, 2023. Refer to Note 10 to the condensed interim consolidated financial statements for further information.

Selected factors positively (negatively) affecting financial performance

(in millions of CDN dollars)

Fiscal years	2023	2022				2021		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
USA Market Factors[1,2]	**(7)**	(19)	(40)	(17)	(42)	(4)	34	4
Foreign currency exchange[2,3]	**(7)**	(12)	(18)	(21)	(21)	(2)	—	4

1 Refer to the ''Glossary'' section of this MD&A.
2 Reflects the effect on adjusted EBITDA as compared to same quarter of the previous fiscal year. Adjusted EBITDA is a total of segments measure. See the "Non-GAAP Measures" section of this MD&A for more information, including the definition and composition of the measure as well as the reconciliation to the most comparable measure in the primary financial statements, as applicable.
3 Foreign currency exchange includes the effect of conversion of US dollars, Australian dollars, British pounds sterling and Argentine pesos to Canadian dollars.

NON-GAAP MEASURES

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

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

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

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

NON-GAAP FINANCIAL MEASURES AND RATIOS

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

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

Adjusted net earnings and adjusted net earnings margin

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

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

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

(in millions of CDN dollars)

	For the three-month periods ended June 30	
	2022	2021
Net earnings	**139**	53
UK tax rate change[2]	**—**	50
Acquisition and restructuring costs[1]	**6**	1
Amortization of intangible assets related to business acquisitions[1]	**16**	18
Adjusted net earnings	**161**	122
Revenues	**4,327**	3,488
Margin	***3.7 %***	*3.5 %*

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

Adjusted EPS basic and adjusted EPS diluted

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

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

Net debt to adjusted EBITDA

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

TOTAL OF SEGMENTS MEASURES

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

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

Adjusted EBITDA and adjusted EBITDA margin

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

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

(in millions of CDN dollars)

	For the three-month periods ended June 30	
	2022	2021
Net earnings	**139**	53
Income taxes	**44**	86
Financial charges	**12**	18
Acquisition and restructuring costs	**7**	2
Depreciation and amortization	**145**	131
Adjusted EBITDA	**347**	290
Revenues	**4,327**	3,488
Margin	***8.0 %***	*8.3 %*

CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED JUNE 30, 2022

Revenues

Revenues totalled $4.327 billion, up $839 million or 24.1%, as compared to $3.488 billion for the same quarter last fiscal year.

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

The combined effect of the higher average block market price[2] and of the higher average butter market price[2] had a positive impact of $336 million. Higher international cheese and dairy ingredient market prices, as well as the effect of the fluctuation of the Argentine peso and the Australian dollar on export sales denominated in US dollars were favourable.

Sales volumes were stable compared to the same quarter last fiscal year. Both retail and foodservice market segments sales volumes are gradually returning closer to their respective pre-pandemic levels.

The contributions of the Recent Acquisitions[2] totalled $41 million.

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

Operating costs excluding depreciation, amortization, and restructuring costs

Operating costs excluding depreciation, amortization, and restructuring costs totalled $3.980 billion, up $782 million or 24.5%, as compared to $3.198 billion for the same quarter last fiscal year. The increase was due to higher input costs in all our sectors in line with inflation. Dairy commodity market volatility and higher input costs contributed to the higher cost of raw materials and consumables used. Employee salary and benefit expenses increased due to inflation and wage increases.

Net earnings

Net earnings totalled $139 million, up $86 million or 162.3%, as compared to $53 million for the same quarter last fiscal year. The increase is primarily due to higher adjusted EBITDA[1] , as described below, lower income tax expense and lower financial charges, partially offset by higher depreciation and amortization and higher restructuring costs.

Adjusted EBITDA[1]

Adjusted EBITDA[1] totalled $347 million, up $57 million or 19.7%, as compared to $290 million for the same quarter last fiscal year.

Improved results reflected a solid performance in the Canada Sector and the International Sector and signs of recovery in the USA Sector.

We benefited from previously announced pricing initiatives implemented to mitigate higher input and logistics costs such as consumables, packaging, transportation and fuel in line with ongoing inflation.

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

USA Market Factors[2] continued to put pressure on adjusted EBITDA, as compared to the same quarter last fiscal year, with a negative impact of $7 million mainly due to the persistent negative spread[2].

Labour shortages in some of our facilities and supply chain disruptions put pressure on our ability to supply ongoing demand, which negatively impacted efficiencies and the absorption of fixed costs. We continued to actively manage these challenging market conditions as they started to slowly stabilize.

We began to benefit from our focus on cost containment measures aimed at minimizing the effect of inflation while maximizing efforts to prioritize efficiency and productivity initiatives.

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

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

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

Depreciation and amortization

Depreciation and amortization totalled $145 million, up $14 million, as compared to $131 million for the same quarter last fiscal year. This increase was mainly attributable to additional depreciation and amortization related to the Recent Acquisitions, as well as additions to property, plant and equipment, which increased the depreciable base.

Acquisition and restructuring costs

Acquisition and restructuring costs totalled $7 million and were comprised of site closure costs of $9 million relating to the consolidation activities in the Europe Sector. Restructuring costs were offset by a $2 million gain on disposal of assets related to the sale of a closed facility in the Canada Sector.

Acquisition and restructuring costs for the same quarter last fiscal year totalled $2 million and were comprised mainly of acquisition costs incurred for the Bute Island Acquisition[3].

Financial Charges

Financial charges totalled $12 million, down $6 million, mainly due to an increased gain on hyperinflation derived from the indexation to inflation of non-monetary assets and liabilities in Argentina.

Income tax expense

Income tax expense totalled $44 million, reflecting an effective tax rate of 24.0%, as compared to 61.9% for the same quarter last fiscal year.

The effective income tax rate for the first quarter of fiscal 2023 included the positive impact relating to the tax and accounting treatments of inflation in Argentina which varies from quarter to quarter.

The effective tax rate for the same quarter last fiscal year included a one-time non-cash $50 million income tax expense incurred to adjust deferred income tax liability balances due to the enactment on June 10, 2021, of an increase from 19% to 25% of the UK tax rate which will be effective as of April 1, 2023. Excluding the effect of this one-time non-cash expense, the effective income tax rate for the first quarter of fiscal 2022 would have been 26.0%.

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

Adjusted net earnings[1]

Adjusted net earnings totalled $161 million, up $39 million or 32.0%, as compared to $122 million for the same quarter last fiscal year. This is mainly due to an increase in net earnings, as described above, excluding higher acquisition and restructuring costs after tax and the one-time non-cash expense to adjust deferred income tax liability balances to reflect the increase in the corporate income tax rate in the United Kingdom that was recorded in the same quarter last fiscal year.

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

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

OUTLOOK

- We anticipate that input and logistics costs such as consumables, packaging, transportation and fuel will remain at elevated levels, but we expect strong pricing contribution across all sectors following recently announced price increases.
- We will implement further price increases over the course of the fiscal year, in line with our pricing protocols, if inflation continues to persist.
- Labour initiatives and the acceleration of our productivity and operational improvement projects are expected to improve our ability to service customers and return to historical order fill rate levels, particularly in the USA.
- We expect to benefit from our focus on cost containment measures aimed at minimizing the effect of inflation while maximizing efforts to prioritize efficiency and productivity initiatives.
- We will continue to closely monitor changing consumer trends in key categories and price elasticity. We anticipate the retail market segment to remain strong as at-home food spending should remain elevated, while the foodservice market segment is expected to remain competitive, particularly in the USA.
- Constraints on service and volumes are expected through the second quarter of fiscal 2023, but supply and demand of trucking capacity and containers show signs of stability.
- Supply chain conditions remain challenging, and we expect the disruption from longer lead times for sourced products to continue.
- USA Market Factors[2] will remain volatile, although we will adjust our pricing to reflect commodity prices.
- Despite the volatile nature of international cheese and dairy ingredient markets, our outlook on export prices remains cautiously positive.
- While inflation and supply chain disruptions are likely to persist, we expect a meaningful recovery in earnings in fiscal 2023, driven by the full impact of previously announced price increases, improved productivity and fixed cost absorption, a return to historical order fill rates, and benefits stemming from our Global Strategic Plan.

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

GLOBAL STRATEGIC PLAN HIGHLIGHTS

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

We announced, on August 3, 2022, capital investments and consolidation initiatives as part of our Global Strategic Plan, intended to further streamline our manufacturing footprint in the USA Sector. This announcement marks the continuation of our network optimization program that plays an integral role in our broader strategy to enhance operations and accelerate organic growth across our platforms.

We plan to invest $45 million to convert our long-standing mozzarella cheese manufacturing facility in Reedsburg, Wisconsin, to a goat cheese manufacturing plant to increase capacity, expand our position in growing specialty cheese categories and improve productivity. In line with our strategy to modernize our mozzarella operations, current cheese manufacturing from this facility will be transferred to other existing Saputo facilities, increasing capacity utilization, improving operational efficiencies and reducing costs. Complementing these network optimization activities, we plan to close our existing goat cheese manufacturing facility in Belmont, Wisconsin. Approximately 200 impacted employees from this facility will be provided with financial support including severance. These initiatives will begin in the second quarter of fiscal 2023 and are expected to take up to 18 months to implement.

The capital investments and consolidation initiatives outlined above are expected to result in annual savings and benefits gradually, beginning in fiscal 2024, and reaching approximately $9 million ($6 million after tax) by fiscal 2025. Costs related with the capital investments and consolidation initiatives outlined above will be approximately $15 million after tax, which include a non-cash fixed assets write-down of approximately $10 million after tax. These costs will start to be recorded in the second quarter of fiscal 2023.

THE SAPUTO PROMISE

On August 4, 2022, we issued the 2022 Saputo Promise Report, which details our continued progress against key ESG initiatives.

The report outlines our long-term commitments associated with each of our seven strategic pillars: food quality and safety, our people, business ethics, responsible sourcing, environment, nutrition and healthy living, and community.

Focus on key areas where we look to create meaningful and measurable change over the next decade, highlights and achievements from this report include:

- 8% reduction in CO_2 intensity (compared to fiscal 2020 baseline)
- 2% reduction in energy intensity (compared to fiscal 2020 baseline)
- 1.7 million kilos of donated food; reducing the Company’s food waste and saving 8,000 tonnes of CO_2
- 100% of the palm oil we use as an ingredient is now sourced sustainably and Roundtable on Sustainable Palm Oil (RSPO) certified
- Our community investment program efforts totalled $16 million in fiscal 2022.

INFORMATION BY SECTOR

CANADA SECTOR

(in millions of CDN dollars)

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

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

Revenues

Revenues totalled $1.142 billion, up $109 million or 10.6%, as compared to $1.033 billion for the same quarter last fiscal year.

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

Sales volumes were lower in the retail market segment, mainly due to fluid milk sales volumes returning closer to pre-pandemic levels, partially offset by a rebound in sales volumes in the foodservice market segment, mainly in the cheese category, also returning closer to pre-pandemic levels.

Adjusted EBITDA

Adjusted EBITDA totalled $132 million, up $19 million or 16.8%, as compared to $113 million for the same quarter last fiscal year.

The Canada Sector continued to show improved year-over-year results despite challenging market conditions relative to labour and inflation. Pricing initiatives undertaken were sufficient to mitigate inflationary pressures on our costs. While working on our strategic plan initiatives, we benefited from continuous improvement programs aimed at increasing efficiencies. Product mix had a favourable impact with increases in cheese sales volumes.

Selling, general and administrative costs were lower, as we benefited from cost containment measures aimed at minimizing the effect of inflation.

USA SECTOR

(in millions of CDN dollars)

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

Selected factors positively (negatively) affecting financial performance

(in millions of CDN dollars)

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

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

Other pertinent information

(in US dollars, except for average exchange rate)

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

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

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

Revenues

Revenues totalled $2.043 billion, up $537 million or 35.7%, as compared to $1.506 billion for the same quarter last fiscal year.

The combined effect of the higher average block market price[2] and of the higher average butter market price[2] had a positive impact of $336 million.

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

Sales volumes increased mainly due to the Reedsburg[3] Facility Acquisition and the Carolina Acquisition[3]. Demand for our products remained high, although consumer demand for mozzarella in the foodservice market segment remained subject to competitive market conditions, as it continued to recover.

The fluctuation of the US dollar versus the Canadian dollar had a favourable impact of $59 million.

Adjusted EBITDA

Adjusted EBITDA totalled $97 million, up $1 million or 1.0%, as compared to $96 million for the same quarter last fiscal year.

Results reflected signs of recovery despite ongoing challenging market conditions.

We benefited from previously announced pricing initiatives to mitigate higher input and logistics cost as we continued to be challenged, although to a lesser degree than in recent quarters, with inflationary pressures, labour availability, as well as commodity market volatility.

USA Market Factors[2] continued to put pressure on adjusted EBITDA, as compared to the same quarter last fiscal year, with a negative impact of $7 million mainly due to the persistent negative spread[2].

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

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

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

As we are still working through the alignment to our standard operating procedures of one of our Recent Acquisitions, the combined contribution of the Reedsburg Facility Acquisition[3] and the Carolina Acquisition[3] negatively impacted our results.

The fluctuation of the US dollar versus the Canadian dollar had a favourable impact of $3 million.

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

INTERNATIONAL SECTOR

(in millions of CDN dollars)

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

Selected factors positively (negatively) affecting financial performance

(in millions of CDN dollars)

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

1 As compared to same quarter last fiscal year.

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

Revenues

Revenues totalled $916 million, up $162 million or 21.5%, as compared to $754 million for the same quarter last fiscal year.

The effects of higher international cheese and dairy ingredient market prices and the fluctuations of the Argentine peso and the Australian dollar on export sales denominated in US dollars were favourable. Export sales volumes were higher having a favourable impact, despite supply chain challenges, due to ongoing container and vessel availability issues and port inefficiencies.

Revenues also increased due to increased sales volumes in our domestic markets along with higher domestic selling prices, including the effect of the hyperinflationary economy in Argentina.

The fluctuation of the functional currencies used in the International Sector versus the Canadian dollar had an unfavourable impact of $53 million.

Adjusted EBITDA

Adjusted EBITDA totalled $82 million, up $37 million or 82.2%, as compared to $45 million for the same quarter last fiscal year.

Higher sales volumes both in export and domestic markets, as described above, contributed positively. In our export markets, the relation between international cheese and dairy ingredient market prices and the cost of milk as raw material also had a positive impact.

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

In the same quarter last fiscal year, fulfilling sales contracted at depressed commodity prices had an unfavourable impact and supply chain disruptions were at their peak.

The fluctuation of the functional currencies used in the International Sector versus the Canadian dollar had an unfavourable impact of $6 million.

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

EUROPE SECTOR

(in millions of CDN dollars)

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

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

Revenues

Revenues totalled $226 million, up $31 million or 15.9%, as compared to $195 million for the same quarter last fiscal year.

Revenues increased due to pricing initiatives implemented to mitigate the higher cost of milk as raw material and other input cost increases in line with inflation and the contributions of the Bute Island Acquisition[3] and the Wensleydale Dairy Products Acquisition[3], which totalled $16 million.

Sales volumes were stable compared to the same quarter last fiscal year although, retail market segment sales volumes decreased whereas industrial market segment sales volumes increased.

The impact of the fluctuation of the British pound sterling versus the Canadian dollar had an unfavourable impact of $13 million.

Adjusted EBITDA

Adjusted EBITDA totalled $36 million, flat as compared to the same quarter last fiscal year.

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

Product mix had an unfavourable impact following the fluctuation in retail and industrial market segment sales volumes described above. On the other hand, the Bute Island Acquisition[3] and the Wensleydale Dairy Products Acquisition[3] contributed positively.

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

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

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

The Company's cash and cash equivalents totalled $230 million as at June 30, 2022. In addition to these funds, we have unused credit facilities of $1.433 billion under our bank credit facilities as at June 30, 2022. We believe we are well positioned to face current market conditions given our flexible balance sheet.

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

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

(in millions of CDN dollars)

	For the three-month periods ended June 30	
	2022	2021
Net cash generated from operating activities	**127**	138
Cash used for investing activities	**(70)**	(283)
Cash used for financing activities	**(12)**	(13)
Increase (decrease) in cash and cash equivalents	**45**	(158)

Operating Activities

Net cash generated from operating activities amounted to $127 million, in comparison to $138 million for the same quarter last fiscal year. This decrease of $11 million was mainly due to a decrease related to changes in non-cash operating working capital items of $87 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 partially offset by an increase in adjusted EBITDA[1] of $57 million and a decrease of $37 million in income taxes paid.

Investing Activities

Investing activities amounted to $70 million, which included $71 million used for additions to property, plant and equipment, additions to intangible assets totalling $4 million, as well as the offsetting effect of proceeds from the disposal of assets in the amount of $5 million.

Financing Activities

Financing activities included an increase in bank loans of $363 million, mainly relating to funds drawn to repay the $300 million aggregate principal amount of the Series 4 medium term notes due June 13, 2022. We repaid $28 million of term loan facilities incurred in connection with prior acquisitions and an additional $13 million was drawn on other term loan facilities. Also, we paid $13 million of lease liabilities and $51 million of dividends, net of $24 million settled through the dividend reinvestment plan (DRIP). Finally, shares were issued as part of the stock option plan for $4 million.

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

Liquidity

(in millions of CDN dollars, except ratio)

	June 30, 2022	March 31, 2022
Current assets	**4,345**	4,295
Current liabilities	**2,783**	2,780
Working capital[1]	**1,562**	1,515
Working capital ratio[1]	**1.56**	1.54

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

The working capital ratio is an indication of the Company's ability to cover short-term liabilities with short-term assets, without having excess dormant assets. The increase in the working capital ratio was mainly due to higher cash and cash equivalents.

Capital Management

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

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

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

	June 30, 2022	March 31, 2022
Net debt[2]	**4,013**	4,080
Trailing twelve months adjusted EBITDA[2]	**1,212**	1,155
Net debt to adjusted EBITDA[1]	**3.31**	3.53
Number of common shares	**417,804,153**	416,738,041
Number of stock options	**23,492,801**	22,021,670

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

As at June 30, 2022, the Company had $230 million in cash and cash equivalents and available bank credit facilities of $2.209 billion, of which $776 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 July 31, 2022, 417,876,425 common shares and 23,041,137 stock options were outstanding.

On June 1, 2022, we extended the maturity date of our US$1 billion North American bank credit facility to June 1, 2027. During the first quarter of fiscal 2023, we drew on this bank credit facility to repay at maturity the $300 million aggregate principal of the Series 4 unsecured senior notes issued in June 2017. As at June 30, 2022, a total of $584 million was drawn on this bank credit facility. Refer to Note 5 to the condensed interim consolidated financial statements for further information.

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

CONTRACTUAL OBLIGATIONS

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

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, 2022				March 31, 2022			
	Long-term debt	**Leases**	**Purchase obligations & other**	**Total**	Long-term debt	Leases	Purchase obligations & other	Total
Less than 1 year	**—**	**87**	**258**	**345**	300	88	245	633
1–2 years	**306**	**95**	**49**	**450**	306	70	37	413
2–3 years	**990**	**50**	**21**	**1,061**	1,035	84	23	1,142
3–4 years	**700**	**43**	**14**	**757**	350	44	12	406
4–5 years	**700**	**38**	**10**	**748**	350	38	9	397
More than 5 years	**334**	**267**	**3**	**604**	1,034	280	3	1,317
	3,030	**580**	**355**	**3,965**	3,375	604	329	4,308

Long-term debt

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

Bank term loans

In connection with the acquisition of the activities of Murray Goulburn Co-Operative Co. Limited (Murray Goulburn Acquisition) in April 2018, we entered into a credit agreement, providing for a non-revolving term facility comprised of three tranches. A total of $1.233 billion was drawn, of which $896 million has since been repaid and/or refinanced through our medium term notes program. The credit facility bears interest at lenders' prime rates plus a maximum of 1.00%, or bankers' acceptance rates or the Australian Bank Bill Rate plus a minimum of 0.80% and a maximum of 2.00%, depending on the Company's credit ratings.

In connection with the acquisition of Dairy Crest Group plc (Dairy Crest Acquisition) in April 2019, we entered into a credit agreement providing for a non-revolving term facility comprised of three tranches. A total of $1.939 billion was drawn, of which $1.699 billion has since been repaid and/or refinanced through our medium term notes program. The credit facility bears interest at lenders' prime rates plus a maximum of 1.00% or LIBOR or SONIA or bankers' acceptance rates plus a minimum of 0.80% and a maximum of 2.00%, depending on the Company's credit ratings.

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

Senior notes

Long-term debt also includes six series of unsecured senior notes outstanding under our medium term note program for a total of $2.400 billion, with annual interest rates varying from 1.42% to 3.60% and maturities ranging from November 2023 to June 2028.

FINANCIAL POSITION

The main financial position items as at June 30, 2022 were lower as compared to the balances as at March 31, 2022, due to the net effect on financial position items of the foreign operations of the weakening of the Canadian dollar versus the US dollar and the strengthening of Canadian dollar versus the Australian dollar, the Argentine peso, and the British pound.

The following table sets forth exchange rates expressed in Canadian dollars per currency of our respective local operations' financial position items in foreign currencies as at June 30, 2022, and March 31, 2022.

	June 30, 2022	March 31, 2022
US dollar[1]	**1.2873**	1.2505
Australian dollar[1]	**0.8887**	0.9351
Argentine peso[1]	**0.0103**	0.0112
British pound sterling[1]	**1.5675**	1.6441

1 Based on Bank of Canada published information.

The net cash position (cash and cash equivalents less bank loans) of negative $254 million as at March 31, 2022, decreased to negative $546 million as at June 30, 2022, mainly resulting from higher bank loans due to the repayment of the $300 million aggregate principal amount of the Series 4 medium term notes. 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.

CHANGES IN ACCOUNTING POLICIES

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

Please refer to Note 3 to the Company's condensed interim consolidated financial statements for the period ended June 30, 2022, for more information regarding the effect of new accounting standards, interpretations, and amendments adopted on or after April 1, 2022.

Recent standards, interpretations, and amendments not yet implemented

Please refer to Note 3 to the Company's condensed interim consolidated financial statements for the period ended June 30, 2022, for more information regarding the effect of new accounting standards, interpretations, and amendments not yet implemented.

FOLLOW-UP ON CERTAIN SPECIFIC ITEMS OF THE ANALYSIS

For an analysis of guarantees, related-party transactions, critical accounting estimates and changes in accounting policies, risks and uncertainties, as well as a sensitivity analysis of interest rate and US currency fluctuations, see the discussion provided in the Company's 2022 Annual Report (pages 34 to 43 of the MD&A dated June 9, 2022).

DISCLOSURE CONTROLS AND PROCEDURES

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

There were no changes to Saputo's internal control over financial reporting that occurred during the period beginning on April 1, 2022, and ended on June 30, 2022, that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

GLOSSARY

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

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

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

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

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

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

Trailing twelve month adjusted EBITDA is calculated by adding the actual adjusted EBITDA results for the three-month period ended June 30, 2022, to the actual adjusted EBITDA results for the year ended March 31, 2022, and subtracting the actual adjusted EBITDA results for the three-month period ended June 30, 2021.

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

Working capital means current assets minus current liabilities.

Working capital ratio means current assets divided by current liabilities.

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENTS

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

	For the three-month periods ended June 30	
	2022	2021
Revenues (Note 14)	**$ 4,327**	$ 3,488
Operating costs excluding depreciation, amortization, and restructuring costs (Note 4)	**3,980**	3,198
Earnings before income taxes, financial charges, acquisition and restructuring costs, and depreciation and amortization	**347**	290
Depreciation and amortization	**145**	131
Acquisition and restructuring costs	**7**	2
Financial charges (Note 9)	**12**	18
Earnings before income taxes	**183**	139
Income taxes (Note 10)	**44**	86
Net earnings	**$ 139**	$ 53
Net earnings per share (Note 11)		
Basic	**$ 0.33**	$ 0.13
Diluted	**$ 0.33**	$ 0.13

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	
	2022	2021
Net earnings	**$ 139**	$ 53
Other comprehensive loss:		
Items that may be reclassified to net earnings:		
Exchange differences arising from foreign currency translation	**(23)**	(114)
Inflation effect arising from the application of hyperinflation	**(1)**	(1)
Unrealized losses on cash flow hedges (Note 12)	**(43)**	(9)
Reclassification of gains on cash flow hedges to net earnings	**(1)**	(4)
Income taxes relating to items that may be reclassified to net earnings	**12**	4
	(56)	(124)
Items that will not be reclassified to net earnings:		
Actuarial gain	**36**	25
Income taxes relating to items that will not be reclassified to net earnings	**(9)**	1
	27	26
Other comprehensive loss	**(29)**	(98)
Total comprehensive income (loss)	**$ 110**	$ (45)

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, 2022	Share capital		Reserves					
	Common Shares	Amount	Foreign Currency Translation	Cash Flow Hedges	Stock Option Plan	Total Reserves	Retained Earnings	Total Equity
Balance, beginning of year	**416,738,041**	**$ 1,945**	**$ 66**	**$ 21**	**$ 172**	**$ 259**	**$ 4,301**	**$ 6,505**
Net earnings	**—**	**—**	**—**	**—**	**—**	**—**	**139**	**139**
Other comprehensive loss	**—**	**—**	**(24)**	**(32)**	**—**	**(56)**	**27**	**(29)**
Total comprehensive income (loss)								**110**
Dividends (Note 8)	**—**	**—**	**—**	**—**	**—**	**—**	**(75)**	**(75)**
Shares issued under dividend reinvestment plan (Note 8)	**887,211**	**24**	**—**	**—**	**—**	**—**	**—**	**24**
Stock options	**—**	**—**	**—**	**—**	**3**	**3**	**—**	**3**
Exercise of stock options (Note 8)	**178,901**	**5**	**—**	**—**	**(2)**	**(2)**	**—**	**3**
Balance, end of period	**417,804,153**	**$ 1,974**	**$ 42**	**$ (11)**	**$ 173**	**$ 204**	**$ 4,392**	**$ 6,570**

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 income (loss)								(45)
Dividends (Note 8)	—	—	—	—	—	—	(72)	(72)
Shares issued under dividend reinvestment plan (Note 8)	564,585	20	—	—	—	—	—	20
Stock options	—	—	—	—	4	4	—	4
Exercise of stock options (Note 8)	717,008	24	—	—	(4)	(4)	—	20
Balance, end of period	**413,615,164**	**$ 1,851**	**$ 95**	**$ (9)**	**$ 165**	**$ 251**	**$ 4,269**	**$ 6,371**

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, 2022		March 31, 2022
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**230**	$	165
Receivables		**1,512**		1,500
Inventories		**2,505**		2,503
Income taxes receivable		**25**		52
Prepaid expenses and other assets		**73**		75
		4,345		4,295
Property, plant and equipment		**3,937**		3,962
Right-of-use assets		**456**		475
Goodwill		**3,199**		3,188
Intangible assets		**1,315**		1,371
Other assets		**400**		362
Deferred tax assets		**50**		30
Total assets	**$**	**13,702**	$	13,683
LIABILITIES				
Current liabilities				
Bank loans (Note 5)	**$**	**776**	$	419
Accounts payable and accrued liabilities		**1,886**		1,952
Income taxes payable		**63**		44
Current portion of long-term debt (Note 6)		**—**		300
Current portion of lease liabilities		**58**		65
		2,783		2,780
Long-term debt (Note 6)		**3,030**		3,075
Lease liabilities		**379**		386
Other liabilities		**87**		101
Deferred tax liabilities		**853**		836
Total liabilities	**$**	**7,132**	$	7,178
EQUITY				
Share capital (Note 8)		**1,974**		1,945
Reserves		**204**		259
Retained earnings		**4,392**		4,301
Total equity	**$**	**6,570**	$	6,505
Total liabilities and equity	**$**	**13,702**	$	13,683

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of CDN dollars)
(unaudited)

	For the three-month periods ended June 30	
	2022	2021
Cash flows related to the following activities:		
Operating		
Net earnings	**$ 139**	$ 53
Adjustments for:		
Stock-based compensation	**16**	14
Financial charges (Note 9)	**12**	18
Income tax expense	**44**	86
Depreciation and amortization	**145**	131
Restructuring charges related to optimization initiatives	**7**	—
Foreign exchange gain on debt	**(28)**	(13)
Share of joint venture earnings, net of dividends received and other	**(1)**	1
Difference between funding of post-employment benefit plans and costs	**(1)**	1
Changes in non-cash operating working capital items	**(163)**	(76)
Cash generated from operating activities	**170**	215
Interest and financial charges paid	**(40)**	(37)
Income taxes paid	**(3)**	(40)
Net cash generated from operating activities	**$ 127**	$ 138
Investing		
Business acquisitions, net of cash acquired	**—**	(187)
Additions to property, plant and equipment	**(71)**	(80)
Additions to intangible assets	**(4)**	(16)
Proceeds from disposal of property, plant and equipment	**5**	—
Net cash used for investing activities	**$ (70)**	$ (283)
Financing		
Bank loans	**363**	205
Proceeds from issuance of long-term debt	**13**	300
Repayment of long-term debt	**(328)**	(465)
Repayment of lease liabilities	**(13)**	(21)
Net proceeds from issuance of share capital	**4**	20
Payment of dividends	**(51)**	(52)
Net cash used in financing activities	**$ (12)**	$ (13)
Increase (decrease) in cash and cash equivalents	**45**	(158)
Cash and cash equivalents, beginning of period	**165**	309
Effect of inflation	**21**	9
Effect of exchange rate changes	**(1)**	(4)
Cash and cash equivalents, end of period	**$ 230**	$ 156

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, 2022, and 2021.

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

NOTE 1 CORPORATE INFORMATION

Saputo Inc. (the Company) is a publicly traded company incorporated and domiciled in Canada. The Company's shares are listed on the Toronto Stock Exchange under the symbol "SAP." The Company produces, markets, and distributes a wide array of dairy products from Canada, the United States, Australia, Argentina, and the United Kingdom. In addition to its dairy portfolio, the Company produces, markets, and distributes a range of dairy alternative cheeses and beverages. The address of the Company's head office is 6869 Metropolitain Blvd. East, Montréal, Québec, Canada, H1P 1X8. The condensed interim consolidated financial statements of the Company for the period ended June 30, 2022 (financial statements), comprise the financial results of the Company and its subsidiaries.

The financial statements were authorized for issuance by the Board of Directors on August 4, 2022.

NOTE 2 BASIS OF PRESENTATION

The financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (IASB). Accordingly, certain disclosure requirements that are necessary in the preparation of an annual financial statement in compliance with International Financial Reporting Standards (IFRS) have been omitted or condensed, and, therefore, these financial statements should be read in conjunction with the Company's audited annual consolidated financial statements as at March 31, 2022, and 2021, and for the years then ended.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation applied in these financial statements are the same as those applied by the Company in its audited annual consolidated financial statements as at and for the year ended March 31, 2022.

ECONOMIC CONDITIONS AND UNCERTAINTIES

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

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

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

The following standards, amendments to standards and interpretations were issued by the International Accounting Standards Board (IASB) and are applicable to the Company for its annual periods beginning on and after April 1, 2023, with an earlier application permitted:

IAS 1, Disclosure of Accounting Policies

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

IAS 8, Definition of Accounting Estimates

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

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES CONT'D

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

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

The adoption of these amendments is not expected to have a significant impact on the Company's financial statements.

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

The following standards, amendments to existing standards, and interpretation of standards were adopted by the Company on or after April 1, 2022:

IFRS 3, Reference to the Conceptual Framework

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

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

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

IAS 37, Onerous Contracts – Cost of Fulfilling a Contract

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

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

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

	For the three-month periods ended June 30	
	2022	2021
Changes in inventories of finished goods and work in process	**$ (29)**	$ 69
Raw materials and consumables used	**3,083**	2,289
Foreign exchange loss (gain)	**(2)**	(6)
Employee benefits expense	**507**	460
Other selling costs	**202**	182
Other general and administrative costs	**219**	204
	$ 3,980	$ 3,198

NOTE 5 BANK LOANS

		Available for use			Amount drawn as at	
Credit Facilities	Maturity	Canadian Currency Equivalent	Base Currency (in millions)		**June 30, 2022**	March 31, 2022
North America-USA	June 2027[1]	$ 386	300	USD	**$ —**	$ —
North America-Canada	June 2027[1]	$ 901	700	USD	**584**	207
Australia	Yearly[2,6]	$ 244	275	AUD	**51**	50
Australia	Yearly[2,6]	$ 129	100	USD	**58**	56
Japan	Yearly[3]	$ 76	8,000	JPY	**45**	43
United Kingdom	Yearly[4]	$ 118	75	GBP	**6**	—
Argentina	Yearly[5, 6]	$ 355	276	USD	**32**	63
		$ 2,209			**$ 776**	$ 419

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 SOFR or SONIA or BBSY or banker's acceptance rate plus a minimum of 0.80% and a maximum of 2.00% depending on the Company credit ratings, plus an adjustment to the applicable margins based on the Company's achievement of its sustainability targets. As at June 30, 2022, US$440 million was drawn and its foreign currency risk was offset with a cross currency swap.
2 Bears monthly interest at LIBOR or Australian Bank Bill Rate plus up to 0.90% and can be drawn in AUD or USD.
3 Bears monthly interest at TIBOR plus 0.70%.
4 Bears monthly interest at rates ranging from base rate plus 0.70% or SONIA plus 0.70%.
5 Bears monthly interest at local rate and can be drawn in USD or ARS.
6 Subject to interest rate benchmark reform.

As at June 30, 2022, receivables totalling $58 million (AU$66 million) ($62 million (AU$66 million) at March 31, 2022) were sold under a trade receivables purchase agreement to sell certain receivables. The receivables were derecognized upon sale as substantially all risks and rewards associated with the receivables passed to the purchaser.

NOTE 6 LONG-TERM DEBT

		June 30, 2022		March 31, 2022
Unsecured bank term loan facilities				
Obtained April 2018 (AU$600 million) and due in June 2025[1]	**$**	**337**	$	373
Obtained April 2019 (£600 million) and due in June 2025[2]		**240**		262
Unsecured senior notes[3,4]				
2.83%, issued in November 2016 and due in November 2023 (Series 3)		**300**		300
1.94%, issued in June 2017 and repaid in June 2022 (Series 4)		**—**		300
3.60%, issued in August 2018 and due in August 2025 (Series 5)		**350**		350
2.88%, issued in November 2019 and due in November 2024 (Series 6)		**400**		400
2.24%, issued in June 2020 and due in June 2027 (Series 7)		**700**		700
1.42%, issued in November 2020 and due in June 2026 (Series 8)		**350**		350
2.30%, issued in June 2021 and due in June 2028 (Series 9)		**300**		300
Other		**53**		40
	$	**3,030**	$	3,375
Current portion		**—**		(300)
	$	**3,030**	$	3,075
Principal repayments are as follows:				
Less than 1 year	**$**	**—**	$	300
1-2 years		**306**		306
2-3 years		**990**		1,035
3-4 years		**700**		350
4-5 years		**700**		350
More than 5 years		**334**		1,034
	$	**3,030**	$	3,375

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

2 Bears monthly interest at lender's prime rates plus a maximum of 1.00% or SOFR or SONIA or banker's acceptance rates plus 0.80% up to a maximum of 2.00%, depending on the Company's credit ratings, and can be drawn in CAD, USD or £. Interest is paid every one, two, three or six months, as selected by the Company.

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.

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

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

NOTE 7 NET DEBT

The Company's capital is composed of net debt and equity. Net debt consists of long-term debt, bank loans, and lease liabilities, net of cash and cash equivalents. The net debt amounts as at June 30, 2022, and March 31, 2022, are as follows:

	June 30, 2022	March 31, 2022
Long-term debt, including current portion	$ 3,030	$ 3,375
Bank loans	776	419
Lease liabilities	437	451
Less: Cash and cash equivalents	(230)	(165)
Net debt	$ 4,013	$ 4,080

The primary measure used by the Company to monitor its financial leverage is its ratio of net debt to trailing twelve months net earnings before income taxes, financial charges, acquisition and restructuring costs, gain on disposal of assets, impairment of intangible assets, and depreciation and amortization. The ratio at June 30, 2022, was 3.31 (3.53 at March 31, 2022).

NOTE 8 SHARE CAPITAL

AUTHORIZED

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

STOCK OPTION PLAN

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

	June 30, 2022		June 30, 2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of year	22,021,670	$ 38.45	23,339,321	$ 37.81
Granted	2,600,057	$ 29.59	1,984,038	$ 37.52
Exercised	(178,901)	$ 22.37	(717,008)	$ 28.55
Cancelled	(950,025)	$ 39.44	(416,381)	$ 40.33
Balance, end of period	23,492,801	$ 37.54	24,189,970	$ 38.01

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

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

	June 30, 2022	March 31, 2022
Weighted average:		
Risk-free interest rate	2.39 %	0.88 %
Life of options	6.5 years	6.4 years
Volatility[1]	22.06 %	21.92 %
Dividend rate	2.42 %	1.91 %

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

NOTE 8 SHARE CAPITAL CONT'D

DIVIDENDS AND DIVIDEND REINVESTMENT PLAN

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

Dividends paid in cash and through the DRIP during the three-month periods ended June 30, 2022, and 2021, are shown below:

			For the three-month period ended June 30, 2022
Payment date	**Cash**	**DRIP**	**Total**
June 28, 2022	**$ 51**	**$ 24**	**$ 75**

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

NOTE 9 FINANCIAL CHARGES

	For the three-month periods ended June 30	
	2022	2021
Interest on long-term debt	**$ 19**	$ 19
Other finance costs, net	**9**	6
Gain on hyperinflation	**(18)**	(10)
Interest on lease liabilities	**3**	4
Net interest revenue from defined benefit obligation	**(1)**	(1)
	$ 12	$ 18

NOTE 10 INCOME TAXES

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

NOTE 11 NET EARNINGS PER SHARE

	For the three-month periods ended June 30	
	2022	2021
Net earnings	**$ 139**	$ 53
Weighted average number of common shares outstanding	**416,900,256**	412,745,213
Dilutive stock options	**243,260**	2,399,108
Weighted average diluted number of common shares outstanding	**417,143,516**	415,144,321
Basic net earnings per share	**$ 0.33**	$ 0.13
Diluted net earnings per share	**$ 0.33**	$ 0.13

When calculating diluted net earnings per share for the three-month period ended June 30, 2022, 22,552,423 stock options were excluded from the calculation because their exercise price is higher than the average fair value of common shares (12,707,738 options, were excluded for the three-month period ended June 30, 2021).

NOTE 12 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, 2022, and March 31, 2022. Since estimates are used to determine fair value, they must not be interpreted as being realizable in the event of a settlement of the instruments.

	June 30, 2022		March 31, 2022	
	Fair value	**Carrying value**	Fair value	Carrying value
Cash flow hedges				
Equity forward contracts (Level 2)	$ (5)	$ (5)	$ (3)	$ (3)
Commodity derivatives (Level 2)	6	6	8	8
Foreign exchange derivatives (Level 2)	33	33	52	52
Derivatives not designated in a formal hedging relationship				
Equity forward contracts (Level 2)	(13)	(13)	(10)	(10)
Commodity derivatives (Level 2)	2	2	2	2
Foreign exchange derivatives (Level 2)	—	—	1	1
Long-term debt (Level 2)	2,813	3,030	3,231	3,375

NOTE 13 BUSINESS ACQUISITIONS

USA SECTOR

i) CAROLINA ASEPTIC AND CAROLINA DAIRY

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

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

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

ii) REEDSBURG FACILITY OF WISCONSIN SPECIALTY PROTEIN, LLC

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

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

NOTE 13 BUSINESS ACQUISITIONS CONT'D

EUROPE SECTOR

i) WENSLEYDALE DAIRY PRODUCTS

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

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

ii) BUTE ISLAND FOODS LTD

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

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

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

The allocation of the purchase price for each acquisition to assets acquired and liabilities assumed is presented below:

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

NOTE 14 SEGMENTED INFORMATION

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

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

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

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

NOTE 14 SEGMENTED INFORMATION (CONT'D)

INFORMATION ON REPORTABLE SECTORS

	For the three-month periods ended June 30	
	2022	2021
Revenues		
Canada	**$ 1,142**	$ 1,033
USA	**2,043**	1,506
International[1]	**916**	754
Europe	**226**	195
	$ 4,327	$ 3,488
Operating costs excluding depreciation, amortization, and restructuring costs		
Canada	**$ 1,010**	$ 920
USA	**1,946**	1,410
International	**834**	709
Europe	**190**	159
	$ 3,980	$ 3,198
Adjusted EBITDA		
Canada	**$ 132**	$ 113
USA	**97**	96
International	**82**	45
Europe	**36**	36
	$ 347	$ 290
Depreciation and amortization		
Canada	**$ 27**	$ 25
USA	**56**	47
International	**36**	31
Europe	**26**	28
	$ 145	$ 131
Acquisition and restructuring costs	**7**	2
Financial charges	**12**	18
Earnings before income taxes	**183**	139
Income taxes	**44**	86
Net earnings	**$ 139**	$ 53

[1] Australia accounted for $672 million and $570 million of the International Sector's revenues while Argentina accounted for $244 million and $184 million for the three-month periods ended June 30, 2022, and 2021, respectively.

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	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Revenues										
Retail	**$ 1,993**	$ 1,741	**$ 631**	$ 616	**$ 836**	$ 638	**$ 361**	$ 325	**$ 165**	$ 162
Foodservice	**1,462**	1,128	**419**	335	**954**	721	**81**	69	**8**	3
Industrial	**872**	619	**92**	82	**253**	147	**474**	360	**53**	30
	$ 4,327	$ 3,488	**$ 1,142**	$ 1,033	**$ 2,043**	$ 1,506	**$ 916**	$ 754	**$ 226**	$ 195