

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S STATEMENT OF RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

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

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

June 7, 2018

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Saputo Inc.

We have audited the accompanying consolidated financial statements of Saputo Inc., which comprise the consolidated balance sheets as at March 31, 2018 and March 31, 2017, and the consolidated statements of earnings, consolidated statements of comprehensive income, consolidated statements of equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Saputo Inc. as at March 31, 2018 and March 31, 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

*/s/ Deloitte LLP*¹

June 7, 2018
Montréal, Québec

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

CONSOLIDATED STATEMENTS OF EARNINGS

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

Years ended March 31	2018	2017
Revenues	\$ 11,542.5	\$ 11,162.6
Operating costs excluding depreciation, amortization, acquisition and restructuring costs (Note 5)	10,277.8	9,873.1
Earnings before interest, income taxes, depreciation, amortization, acquisition and restructuring costs	1,264.7	1,289.5
Depreciation and amortization (Notes 6 and 7)	226.3	207.3
Acquisition and restructuring costs (Note 22)	40.6	-
Interest on long-term debt	33.8	36.9
Other financial charges (Note 13)	14.1	5.0
Earnings before income taxes	949.9	1,040.3
Income taxes (Note 14)	97.4	309.2
Net earnings	\$ 852.5	\$ 731.1
Net earnings per share (Note 15)		
Basic	\$ 2.21	\$ 1.86
Diluted	\$ 2.18	\$ 1.84

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of CDN dollars)

Years ended March 31	2018	2017
Net earnings	\$ 852.5	\$ 731.1
Other comprehensive income:		
<i>Items that may be reclassified to net earnings:</i>		
Exchange differences arising from foreign currency translation	(168.2)	104.2
Net unrealized gains on cash flow hedges ¹ (Note 20)	6.0	0.6
Reclassification of gains on cash flow hedges to net earnings ²	(6.8)	(3.6)
	<u>(169.0)</u>	<u>101.2</u>
<i>Items that will not be reclassified to net earnings:</i>		
Actuarial losses ³ (Note 17)	(4.1)	(3.1)
	<u>(4.1)</u>	<u>(3.1)</u>
Other comprehensive income	(173.1)	98.1
Total comprehensive income	\$ 679.4	\$ 829.2

¹ Net of income taxes of \$2.0 (2017 – \$1.1).

² Net of income taxes of \$2.8 (2017 – \$1.7).

³ Net of income taxes of \$1.1 (2017 – \$1.4).

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

CONSOLIDATED STATEMENTS OF EQUITY

(in millions of CDN dollars, except common shares)

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

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

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

CONSOLIDATED BALANCE SHEETS

(in millions of CDN dollars)

As at	March 31, 2018	March 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 122.2	\$ 250.5
Receivables	944.9	863.2
Inventories (Note 4)	1,234.5	1,172.5
Income taxes receivable (Note 14)	52.0	15.0
Prepaid expenses and other assets	68.8	79.3
	2,422.4	2,380.5
Property, plant and equipment (Note 6)	2,220.0	2,165.5
Goodwill (Note 7)	2,417.3	2,240.5
Intangible assets (Note 7)	823.1	662.3
Other assets (Note 8)	85.7	99.7
Deferred income taxes (Note 14)	34.5	48.1
Total assets	\$ 8,003.0	\$ 7,596.6
LIABILITIES		
Current liabilities		
Bank loans (Note 9)	\$ 193.3	\$ 93.8
Accounts payable and accrued liabilities	1,068.6	1,008.3
Income taxes payable (Note 14)	26.5	91.3
Current portion of long-term debt (Note 10)	4.4	-
	1,292.8	1,193.4
Long-term debt (Note 10)	1,420.9	1,500.0
Other liabilities (Note 11)	66.7	68.9
Deferred income taxes (Note 14)	424.9	511.4
Total liabilities	\$ 3,205.3	\$ 3,273.7
EQUITY		
Share capital (Note 12)	918.9	871.1
Reserves	662.4	812.7
Retained earnings	3,216.4	2,639.1
Total equity	\$ 4,797.7	\$ 4,322.9
Total liabilities and equity	\$ 8,003.0	\$ 7,596.6

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

On behalf of the Board,

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

(signed) Tony Meti
Tony Meti
Director

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of CDN dollars)

Years ended March 31	2018	2017
Cash flows related to the following activities:		
Operating		
Net earnings	\$ 852.5	\$ 731.1
Adjustments for:		
Stock-based compensation	34.3	34.0
Interest and other financial charges	47.9	41.9
Income tax expense	97.4	309.2
Depreciation and amortization	226.3	207.3
Gain on disposal of property, plant and equipment	(0.7)	(2.0)
Impairment charges related to plant closure	10.6	-
Share of joint venture earnings, net of dividends received	0.9	(1.1)
Underfunding of employee plans in excess of costs	1.8	2.9
	1,271.0	1,323.3
Changes in non-cash operating working capital items	(115.2)	2.4
Cash generated from operating activities	1,155.8	1,325.7
Interest and other financial charges paid	(47.4)	(42.8)
Income taxes paid	(299.3)	(209.3)
Net cash generated from operating activities	809.1	1,073.6
Investing		
Business acquisitions	(385.1)	-
Additions to property, plant and equipment	(277.8)	(236.7)
Additions to intangible assets	(66.2)	(84.7)
Proceeds on disposal of property, plant and equipment	6.6	4.7
Other	(0.4)	(1.1)
	(722.9)	(317.8)
Financing		
Bank loans	129.6	(82.1)
Proceeds from issuance of long-term debt	300.0	600.0
Repayment of long-term debt	(402.2)	(552.2)
Issuance of share capital	41.0	57.6
Repurchase of share capital	(29.0)	(404.1)
Dividends	(243.5)	(228.3)
Acquisition of the remaining interest in a subsidiary	-	(87.0)
Additional non-controlling interest arising from issuance of additional shares	-	16.3
	(204.1)	(679.8)
(Decrease) increase in cash and cash equivalents	(117.9)	76.0
Cash and cash equivalents, beginning of year	250.5	164.3
Effect of exchange rate changes on cash and cash equivalents	(10.4)	10.2
Cash and cash equivalents, end of year	\$ 122.2	\$ 250.5

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2018 and 2017

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

NOTE 1 CORPORATE INFORMATION

Saputo Inc. (the Company) is a publicly traded company incorporated and domiciled in Canada. The Company's shares are listed on the Toronto Stock Exchange under the symbol "SAP." The Company produces, markets and distributes a wide array of dairy products from Canada, the United States, Argentina and Australia. The address of the Company's head office is 6869, Metropolitan Blvd. East, Montréal, Québec, Canada, H1P 1X8. The consolidated financial statements (financial statements) of the Company for the year ended March 31, 2018 comprise the financial results of the Company and its subsidiaries.

The financial statements for the year ended March 31, 2018 have been authorized for issuance by the Board of Directors on June 7, 2018.

NOTE 2 BASIS OF PRESENTATION

STATEMENT OF COMPLIANCE

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

BASIS OF MEASUREMENT

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

FUNCTIONAL AND PRESENTATION CURRENCY

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

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATED FINANCIAL STATEMENTS

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

CASH AND CASH EQUIVALENTS

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

INVENTORIES

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

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

PROPERTY, PLANT AND EQUIPMENT

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

Buildings	15 to 40 years
Furniture, machinery and equipment	3 to 20 years
Rolling stock	5 to 10 years based on estimated kilometers traveled
Assets under finance lease	Shorter of term of lease or estimated useful life

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

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

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

GOODWILL AND INTANGIBLE ASSETS

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

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

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

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

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

IMPAIRMENT OF OTHER LONG-LIVED ASSETS

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

BUSINESS COMBINATIONS

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

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

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

EMPLOYEE FUTURE BENEFITS

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

REVENUE RECOGNITION

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

FOREIGN CURRENCY TRANSLATION

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

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

STOCK-BASED COMPENSATION

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

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

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

JOINT VENTURES

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

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

INCOME TAXES

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

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

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

FINANCIAL INSTRUMENTS

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

The Company has made the following classifications:

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

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

HEDGING

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

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

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

NON-CONTROLLING INTEREST

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

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

FAIR VALUE HIERARCHY

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

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

Level 1 – Inputs are unadjusted quoted prices of identical instruments in active markets.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – One or more significant inputs used in a valuation technique are not based on observable market data in determining fair values of the instruments.

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

USE OF ESTIMATES AND JUDGEMENTS IN THE APPLICATION OF ACCOUNTING POLICIES

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

SIGNIFICANT ESTIMATES AND JUDGEMENTS

Income Taxes

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

Deferred Income Taxes

The Company follows the liability method of accounting for deferred income taxes. Deferred income tax assets and liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. As a result, a projection of taxable income is required for those years, as well as an assumption of the ultimate recovery or settlement period for temporary differences. The projection of future taxable income is based on Management's best estimates and may vary from actual taxable income. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Canadian, US and international tax rules and regulations are subject to interpretation and require judgement on the part of the Company that may be challenged by taxation authorities. The Company believes that it has adequately provided for deferred tax obligations that may result from current facts and circumstances. Temporary differences and income tax rates could change due to fiscal budget changes and/or changes in income tax laws.

Goodwill, Intangible Assets and Business Combinations

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

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, Plant and Equipment

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

Impairment of Assets

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

Employee Future Benefits

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

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

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

The following standards, amendments to standards and interpretations have been issued and are applicable to the Company for its annual periods beginning on and after April 1, 2018, with an earlier application permitted:

IFRS 2, Share-Based Payment

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

IFRS 9, Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments with the goal of replacing IAS 39, Financial Instruments: Recognition and Measurement. The new standard addresses the classification and measurement of financial assets and liabilities, provides a new impairment model for the recognition of expected credit losses and provides a new hedge accounting model. Refer to the section "Considerations for the implementation of IFRS 9 and IFRS 15" of this note for more information.

IFRS 15, Revenue from Contracts with Customers

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

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

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

In April 2016, the IASB amended IFRS 15 to comprise clarifications of the guidance on identifying performance obligations, accounting for licenses of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). The amendment includes additional practical expedients related to transition to the new revenue standard.

With regards to identifying performance obligations, the amendments clarify how to determine when promises in a contract are 'distinct' goods or services and, therefore, should be accounted for separately. The amendments to licensing guidance clarify when revenue from a license of intellectual property should be recognized 'over time' and when it should be recognized at a 'point in time'. With regards to the principal versus agent assessment, the amendments clarify that the principal in an arrangement controls a good or service before it is transferred to a customer. Refer to the section "Considerations for the implementation of IFRS 9 and IFRS 15" of this note for more information.

IAS 40, Investment Property

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

IFRIC 22, Foreign Currency Transactions and Advance Consideration

In December 2016, the IASB issued IFRIC 22 which provides an interpretation on how to determine the date of the transaction when applying the standard on foreign currency transactions, IAS 21. The interpretation applies where an entity pays or receives consideration in advance for foreign currency-denominated contracts. The date of the transaction determines the exchange rate to be used on initial recognition of the related asset, expense or income. This interpretation provides guidance for when a single payment or receipt is made, as well as for situations where multiple payments or receipts are made and aims to reduce diversity in practice.

Except as disclosed in "Considerations for the implementations of IFRS 9 and IFRS 15", the adoption of these standards, amendments and interpretation will not have a significant impact on the Company's financial statements.

The following standard has been issued and is applicable to the Company for its annual periods beginning on April 1, 2019 and thereafter, with an earlier application permitted for entities that have also adopted IFRS 15:

IFRS 16, Leases

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

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

IFRS 3, Business Combinations

In December 2017, the IASB issued an amendment to IFRS 3 to clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business.

IFRS 9, Financial Instruments

In October 2017, the IASB further amended IFRS 9 to allow financial assets with a prepayment option that could result in the option's holder receiving compensation for early termination to meet the solely payments of principal and interest condition if specified criteria are met.

IFRS 11, Joint Arrangements

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

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

IAS 19, Employee Benefits

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

IAS 23, Borrowing Costs

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

IAS 28, Investments in Associates

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

IFRIC 23, Uncertainty Over Income Tax Treatments

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

Management is currently assessing the impact of the adoption of these standards, amendments and interpretation on the Company's financial statements.

CONSIDERATIONS FOR THE IMPLEMENTATION OF IFRS 9 AND IFRS 15

IFRS 9 and IFRS 15 are required to be applied for annual reporting periods beginning on April 1, 2018. The Company will not be early adopting IFRS 9 or IFRS 15. The Company will adopt IFRS 9 and IFRS 15 in fiscal 2019.

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

The Company evaluated the impact of this standard. The Company's analysis did not identify any differences that would significantly change the classification and measurement of its financial instruments. The Company expects to apply the simplified approach and record lifetime expected losses on all trade receivables.

IFRS 9 will require the Company to ensure that hedge accounting relationships are aligned with the Company's risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. The Company completed these changes to its internal documentation to meet the requirements of IFRS 9. The Company evaluated the impact of the new standard on the consolidated financial statements and it does not have a significant impact.

IFRS 15 can be applied using one of the following two methods: retrospectively to each prior reporting period presented in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, or retrospectively with the cumulative effect of applying IFRS 15 recognized at the date of initial application. The Company decided to use the second method as its transition method as prescribed under IFRS 15.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The Company has reviewed standard purchase orders, invoices, shipping terms and significant contracts with customers including discount arrangements. The Company has quantified the impact of IFRS 15 and has determined these changes do not have a material impact on its consolidated financial statements. The following items represent the main areas where differences were identified on transition to IFRS 15:

- Presentation of the shipping and handling activities will be considered principal and will be presented on a gross basis. The Company's current accounting treatment has not resulted in any material differences.
- Revenues will be recognized at a point in time when control of the asset is transferred to the customer, generally upon shipment of products. The Company's current accounting treatment has not resulted in any material differences.
- Some contracts with customers provide incentive programs, including discounts, promotions, advertising allowances, and other volume-based incentives. Such incentives give rise to variable considerations, which are also estimated at contract inception. IFRS 15 has not resulted in any material differences to the current estimation methodologies or the timing of the recognition of estimates and the Company's current accounting treatment.

The Company does not expect to record any adjustment in the opening retained earnings as of the transition date since the impact is not material. In addition to ensuring that the accounting and disclosure requirements of IFRS 15 are met, we continue to address any systems and process changes necessary to compile the information and meet the recognition and disclosure requirements of the standards. The Company will not be required to materially change its business process and controls to support this transition.

The Company will provide additional disclosure as required by the new standard starting from the first quarter of fiscal year 2019 onwards. In addition to the new disclosure requirements under IFRS 15, the Company will also disclose the amount by which each financial statement line item is affected in the reporting period by the application of IFRS 15 as compared with the previous standards.

NEW ACCOUNTING STANDARDS ADOPTED DURING THE YEAR

The following amendments to existing standards were adopted by the Company on April 1, 2017:

IAS 7, Statement of Cash Flows

IAS 7 has been amended to provide additional presentation related to the changes in liabilities arising from financing activities such as: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

This amendment did not significantly impact the Company's financial statements for the year ended March 31, 2018.

IAS 12, Income taxes

IAS 12 has been amended to provide clarification on the requirements relating to the recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value.

This amendment did not significantly impact the Company's financial statements for the year ended March 31, 2018.

NOTE 4 INVENTORIES

	March 31, 2018	March 31, 2017
Finished goods	\$ 835.2	\$ 783.0
Raw materials, work in progress and supplies	399.3	389.5
Total	\$ 1,234.5	\$ 1,172.5

The amount of inventories recognized as an expense in operating costs for the year ended March 31, 2018 is \$9,175.1 million (\$8,876.1 million for the year ended March 31, 2017).

During fiscal 2018, a write-down of \$16.9 million (\$4.1 million at March 31, 2017) was included as an expense in "Operating costs excluding depreciation, amortization, acquisition and restructuring costs" under the caption "Changes in inventories of finished goods and work in process" presented in Note 5.

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

	2018	2017
Changes in inventories of finished goods and work in process	\$ (56.5)	\$ (88.3)
Raw materials and consumables used	8,018.0	7,768.1
Foreign exchange loss (gain)	2.7	(4.3)
Employee benefits expense	1,314.1	1,268.9
Selling costs	429.1	404.2
Other general and administrative costs	570.4	524.5
Total	\$ 10,277.8	\$ 9,873.1

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

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

								For the year ended March 31, 2018	
		Land	Buildings	Furniture, machinery and equipment	Rolling stock	Lease	Held for sale	Total	
Cost									
As at March 31, 2017	\$	69.2	\$ 854.9	\$ 2,638.3	\$ 16.9	\$ -	\$ -	\$ 3,579.3	
Business acquisitions (Note 16)		2.4	20.6	3.4	1.0	28.7	-	56.1	
Additions		0.2	83.3	193.6	0.7	-	-	277.8	
Disposals		(0.8)	(11.5)	(85.2)	(0.4)	-	-	(97.9)	
Transfers		(5.2)	(17.8)	(0.1)	-	-	23.1	-	
Foreign currency adjustments		(0.8)	(23.0)	(71.5)	(0.5)	0.9	-	(94.9)	
As at March 31, 2018	\$	65.0	\$ 906.5	\$ 2,678.5	\$ 17.7	\$ 29.6	\$ 23.1	\$ 3,720.4	
Accumulated depreciation									
As at March 31, 2017		-	290.5	1,115.9	7.4	-	-	1,413.8	
Depreciation		-	33.0	166.1	1.9	1.1	-	202.1	
Disposals		-	(8.6)	(83.1)	(0.3)	-	-	(92.0)	
Transfers		-	(8.8)	-	-	-	8.8	-	
Impairment charges related to plant closure		-	6.1	4.5	-	-	-	10.6	
Foreign currency adjustments		-	(8.8)	(25.2)	(0.1)	-	-	(34.1)	
As at March 31, 2018	\$	-	\$ 303.4	\$ 1,178.2	\$ 8.9	\$ 1.1	\$ 8.8	\$ 1,500.4	
Net book value at March 31, 2018	\$	65.0	\$ 603.1	\$ 1,500.3	\$ 8.8	\$ 28.5	\$ 14.3	\$ 2,220.0	
								For the year ended March 31, 2017	
		Land	Buildings	Furniture, machinery and equipment	Rolling stock	Lease	Held for sale	Total	
Cost									
As at March 31, 2016	\$	68.2	\$ 818.4	\$ 2,438.0	\$ 17.5	\$ -	\$ -	\$ 3,342.1	
Additions		0.4	29.5	205.0	1.8	-	-	236.7	
Disposals		(0.2)	(4.5)	(46.7)	(2.7)	-	-	(54.1)	
Foreign currency adjustments		0.8	11.5	42.0	0.3	-	-	54.6	
As at March 31, 2017	\$	69.2	\$ 854.9	\$ 2,638.3	\$ 16.9	\$ -	\$ -	\$ 3,579.3	
Accumulated depreciation									
As at March 31, 2016		-	256.3	991.7	8.1	-	-	1,256.1	
Depreciation		-	34.3	153.4	1.7	-	-	189.4	
Disposals		-	(3.5)	(45.4)	(2.5)	-	-	(51.4)	
Foreign currency adjustments		-	3.4	16.2	0.1	-	-	19.7	
As at March 31, 2017	\$	-	\$ 290.5	\$ 1,115.9	\$ 7.4	\$ -	\$ -	\$ 1,413.8	
Net book value at March 31, 2017	\$	69.2	\$ 564.4	\$ 1,522.4	\$ 9.5	\$ -	\$ -	\$ 2,165.5	

The net book value of property, plant and equipment under construction amounts to \$109.1 million as at March 31, 2018 (\$190.6 million as at March 31, 2017), and consists mainly of machinery and equipment.

The assets held for sale relate mainly to land and building in Canada as a result of the closure of certain facilities and have been recorded at the lower of carrying value and fair value less costs to sell. There were no assets held for sale as of March 31, 2017.

NOTE 7 GOODWILL AND INTANGIBLE ASSETS

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

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

¹ Customer relationships are amortized straight-line over a period of 15 years.

² None of the additions were internally generated.

IMPAIRMENT TESTING OF CASH-GENERATING UNITS

Goodwill

In determining whether goodwill is impaired, the Company is required to estimate the recoverable amount of CGUs or groups of CGUs to which goodwill is allocated. Management considers the sectors below to be CGUs or groups of CGUs as they represent the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

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

NOTE 7 GOODWILL AND INTANGIBLE ASSETS (CONT'D)

As of April 1, 2017, the Canada Sector includes national and export revenues of ingredients manufactured in Canada. The USA Sector includes national ingredient revenues, and export ingredient and cheese revenues of products manufactured in the USA. The goodwill related to Dairy Ingredients Division was reclassified to the Canada Division and the Cheese Division (USA). Prior to April 1, 2017, these figures were presented in the Dairy Ingredients Division as part of the International Sector. Accordingly, certain prior year's figures have been reclassified to conform to the current presentation.

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

Allocation of goodwill	March 31, 2018	March 31, 2017
Canada	\$ 323.2	\$ 323.2
USA		
Cheese Division (USA)	1,247.3	1,068.6
Dairy Foods Division (USA)	617.3	613.6
International		
Dairy Division (Australia)	219.6	224.9
Dairy Division (Argentina)	9.9	10.2
	\$ 2,417.3	\$ 2,240.5

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

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

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

The Company performed its annual impairment test and in all cases the recoverable amounts exceeded their respective carrying values including goodwill. As at January 31, 2018 and 2017, goodwill was not considered to be impaired.

Trademarks

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

Allocation of trademarks	March 31, 2018	March 31, 2017
Neilson – Dairy Division (Canada)	\$ 223.2	\$ 223.2
Other	210.3	131.5
	\$ 433.5	\$ 354.7

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

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

The Company tested its trademarks for impairment using value in use (discounted cash flows) to establish recoverable amounts. The recoverable amounts for each trademark and other intangibles not subject to amortization were then compared to their carrying values. In all circumstances, the recoverable amounts exceeded carrying values and therefore no impairment losses were necessary. For definite life intangibles subject to amortization, no indicators of impairment were present for fiscal 2018 and 2017.

NOTE 8 OTHER ASSETS

	March 31, 2018	March 31, 2017
Joint ventures	\$ 47.9	\$ 50.8
Other	37.8	48.9
	\$ 85.7	\$ 99.7

The Company has two joint ventures in Australia, for which it holds a 50% and 49% interest, respectively. In both joint ventures, the terms of the contracts require unanimous consent of all parties in order to direct the significant operations of the ventures. The joint ventures have a June 30th year end and are accounted for under the equity method. The Company recognized \$7.3 million in net earnings, representing its share of earnings in the joint ventures for the year ended March 31, 2018 (\$11.4 million for the year ended March 31, 2017). Dividends received from the joint ventures amounted to \$8.2 million for the year ended March 31, 2018 (\$10.3 million for the year ended March 31, 2017).

NOTE 9 BANK LOANS

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

Credit Facilities	Maturity	Available for use		Amount drawn	
		Canadian Currency Equivalent	Base Currency	March 31, 2018	March 31, 2017
North America-USA	December 2022 ¹	387.0	300.0 USD	\$ 71.0	\$ -
North America-Canada	December 2022 ¹	258.0	200.0 USD	-	-
Argentina	Yearly ²	117.4	91.0 USD	41.3	46.2
Argentina	Yearly ³	100.5	1,570 ARS	42.2	23.9
Australia	Yearly ⁴	24.8	25.0 AUD	7.9	-
Australia	Yearly ⁵	96.8	75.0 USD	30.9	23.7
		984.5		\$ 193.3	\$ 93.8

¹ Bears monthly interest at rates ranging from lender's prime rates plus a maximum of 1.00% or LIBOR or banker's acceptance rate plus 0.80% up to a maximum of 2.00% depending on the Company credit ratings.

² Bear monthly interest at local rate and can be drawn in USD.

³ Bear monthly interest at local rate and can be drawn in ARS.

⁴ Bear monthly interest at Australian Bank Bill Rate plus 0.85%.

⁵ Bear monthly interest at LIBOR or Australian Bank Bill Rate plus 0.75% and can be drawn in AUD or USD.

NOTE 10 LONG-TERM DEBT

	March 31, 2018	March 31, 2017
Unsecured bank term loan facilities		
Obtained December 2012 and due in December 2019 (\$850 million) ¹	200.0	600.0
Unsecured senior notes ²		
2.65%, issued in November 2014 and due in November 2019 (Series 1)	300.0	300.0
2.20%, issued in June 2016 and due in June 2021 (Series 2)	300.0	300.0
2.83%, issued in November 2016 and due in November 2023 (Series 3)	300.0	300.0
1.94%, issued in June 2017 and due in June 2022 (Series 4)	300.0	-
Finance lease obligations	25.3	-
	\$ 1,425.3	\$ 1,500.0
Current portion	4.4	-
	\$ 1,420.9	\$ 1,500.0
Principal repayments are as follows:		
Less than 1 year	\$ 4.4	\$ -
1-2 years	520.9	-
2-3 years	-	900.0
3-4 years	300.0	-
4-5 years	300.0	300.0
More than 5 years	300.0	300.0
	\$ 1,425.3	\$ 1,500.0

¹ Bears monthly interest at rates ranging from lender's prime plus a maximum of 1.00% or LIBOR or bankers' acceptance rates plus 0.80% up to a maximum of 2.00%, depending on the Company credit ratings, and can be drawn in CAD or USD. Effective February 4, 2013, the Company entered into an interest rate swap to fix its rate, which matured on December 30, 2016. As at March 31, 2017 interest rate on \$452.9 million of the facility was fixed at 1.58% plus appropriate spread. As at March, 31 2018, US\$157.0 million was drawn and its foreign currency risk was offset with a cross currency swap.

² Interest payments are semi-annual.

On June 12, 2017, the Company issued \$300.0 million Series 4 medium term notes with an annual interest rate of 1.94% payable in equal semi-annual instalments, maturing on June 13, 2022, pursuant to its medium term note program expiring in January 2019.

On December 21, 2017, the Company entered into a new credit agreement providing for a non-revolving term facility in the aggregate amount of \$1.28 billion (the "Acquisition Facility"), consisting of three tranches: a 1-year tranche of \$400.0 million; a 3-year tranche of \$300.0 million; and a 5-year tranche of \$580.0 million (AU\$600.0 million), which was available to finance the acquisition of the business of Murray Goulburn Co-Operative Co. Limited (Note 25). On May 1, 2018, the facility had been drawn in full.

NOTE 11 OTHER LIABILITIES

	March 31, 2018	March 31, 2017
Employee benefits (Note 17)	\$ 33.1	\$ 38.8
Derivative financial liabilities (Note 20)	11.7	4.5
Performance share unit liabilities and related fringe benefits	18.5	21.3
Other	3.4	4.3
	\$ 66.7	\$ 68.9

NOTE 12 SHARE CAPITAL

AUTHORIZED

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

	March 31, 2018	March 31, 2017
ISSUED		
387,407,403 common shares (386,234,311 common shares in 2017)	\$ 918.9	\$ 871.1

During the year ended March 31, 2018, 1,827,992 common shares (2,898,704 in 2017) were issued for an amount of \$41.0 million (\$57.6 million in 2017) pursuant to the share option plan. For the year ended March 31, 2018, the amount transferred from stock option plan reserve was \$8.2 million (\$12.7 million in 2017).

Pursuant to the normal course issuer bid which began on November 17, 2016, and expired on November 16, 2017, as amended, the Company was authorized to repurchase for cancellation up to 12,000,000 of its common shares. Under the normal course issuer bid that became effective on November 17, 2017, and expiring on November 16, 2018, the Company is authorized to repurchase, for cancellation purposes, up to 8,000,000 of its common shares. During the year ended March 31, 2018, the Company repurchased 654,900 common shares, at prices ranging from \$43.42 to \$44.99 per share, relating to the normal course issuer bids. The excess of the purchase price over the carrying value of the shares in the amount of \$27.6 million was charged to retained earnings.

SHARE OPTION PLAN

The Company has an equity settled share option plan to allow for the purchase of common shares by key employees and officers of the Company. The total number of common shares which may be issued pursuant to this plan cannot exceed 45,698,394 common shares. As at March 31, 2018, 24,360,279 common shares are available for future grants under this plan and 19,510,123 common shares are underlying options outstanding. During fiscal 2018, a total of 1,827,992 common shares were issued following the exercise of options. Options may be exercised at a price not less than the weighted average market price for the five trading days immediately preceding the date of grant. The options vest at 20% per year and expire ten years from the grant date.

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

Granting period	Exercise price	March 31, 2018		March 31, 2017	
		Number of options	Number of exercisable options	Number of options	Number of exercisable options
2008	\$ 11.55	-	-	3,668	3,668
2009	\$ 13.91	62,600	62,600	423,697	423,697
2010	\$ 10.70	652,202	652,202	800,662	800,662
2011	\$ 14.66	853,430	853,430	939,584	939,584
2012	\$ 21.61	838,875	838,875	942,295	942,295
2013	\$ 21.48	1,684,832	1,684,832	1,981,526	1,364,064
2014	\$ 25.55	2,174,840	1,589,320	2,521,165	1,237,025
2015	\$ 27.74	2,734,958	1,430,240	3,149,368	1,016,224
2016	\$ 35.08	2,699,555	949,431	2,981,402	526,006
2017	\$ 41.40	3,986,625	769,556	4,106,647	-
2018	\$ 46.29	3,822,206	-	-	-
		19,510,123	8,830,486	17,850,014	7,253,225

NOTE 12 SHARE CAPITAL (CONT'D)

Changes in the number of outstanding options are as follows:

	2018		2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of year	17,850,014	\$ 29.00	16,903,824	\$ 24.41
Options granted	3,908,023	\$ 46.29	4,218,934	\$ 41.40
Options exercised	(1,827,992)	\$ 22.41	(2,898,704)	\$ 19.87
Options cancelled	(419,922)	\$ 35.07	(374,040)	\$ 32.30
Balance, end of year	19,510,123	\$ 32.95	17,850,014	\$ 29.00

The exercise price of the options granted in fiscal 2018 is \$46.29, which corresponds to the weighted average market price for the five trading days immediately preceding the date of grant (\$41.40 in fiscal 2017).

The weighted average fair value of options granted in fiscal 2018 was estimated at \$7.68 per option (\$6.94 in fiscal 2017), using the Black Scholes option pricing model with the following assumptions:

	March 31, 2018	March 31, 2017
Weighted average:		
Risk-free interest rate	1.10%	0.81%
Expected life of options	5.4 years	5.4 years
Volatility ¹	18.89%	20.01%
Dividend rate	1.26%	1.34%

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

A compensation expense of \$24.1 million (\$20.8 million net of taxes) relating to stock options was recorded in the statement of earnings for the year ended March 31, 2018 and \$22.0 million (\$18.7 million net of taxes) was recorded for the year ended March 31, 2017.

Options to purchase 4,536,208 common shares at a price of \$41.02 per share were granted on April 1, 2018.

DEFERRED SHARE UNIT PLAN FOR DIRECTORS

For fiscal 2018, a new fee structure for Directors was adopted. Under this structure, all eligible Directors of the Company are allocated an annual retainer payable 50% in DSUs and 50% in cash or DSUs, at the election of the Director. Until the ownership threshold is met by the Director, the Director must receive the entire compensation in DSUs. The number of DSUs granted quarterly to each Director is determined based on the market value of the Company's common shares at the date of each grant. When they cease to be a Director of the Company, a cash payment equal to the market value of the accumulated DSUs will be disbursed. The liability relating to these units is adjusted by taking the number of units outstanding multiplied by the market value of common shares at the Company's year-end. The Company includes the cost of the DSU plan in "Operating costs excluding depreciation, amortization, acquisition and restructuring costs".

	2018		2017	
	Units	Liability	Units	Liability
Balance, beginning of year	367,918	\$ 17.6	374,956	\$ 16.3
Annual retainer	48,782	2.1	49,026	2.2
Dividends reinvested	4,794	0.2	4,688	0.2
Payment to directors	(126,864)	(5.6)	(60,752)	(2.6)
Variation due to change in stock price	-	(2.1)	-	1.5
Balance, end of year	294,630	\$ 12.2	367,918	\$ 17.6

The Company enters into equity forward contracts in order to mitigate the compensation costs associated with its DSU plan. As at March 31, 2018, the Company had equity forward contracts on 320,000 common shares (320,000 as of March 31, 2017) with a notional value of \$13.9 million (\$14.6 million as of March 31, 2017). The net compensation expense related to the DSU plan was \$2.2 million for the year ended March 31, 2018 (\$2.8 million for March 31, 2017), including the effect of the equity forward contracts. Certain prior years' figures have been reclassified to conform to the current year's presentation.

NOTE 12 SHARE CAPITAL (CONT'D)

PERFORMANCE SHARE UNIT PLAN

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

	2018	2017
	Units	Units
Balance, beginning of year	814,571	705,721
Annual grant	263,637	255,975
Cancelled	(6,592)	(15,738)
Payment	(299,909)	(131,387)
Balance, end of year	771,707	814,571

As at March 31, 2018, a long-term obligation related to PSUs of \$15.5 million was recorded (\$17.7 million as at March 31, 2017) in addition to \$10.9 million that was recorded in short-term liabilities (\$13.6 million as at March 31, 2017). On April 1, 2018, 298,819 PSUs were granted at a price of \$41.02 per unit (\$46.29 in 2017).

The Company enters into equity forward contracts in order to mitigate the compensation costs associated with its PSU plan. As at March 31, 2018, the Company had equity forward contracts on 770,000 common shares (700,000 as of March 31, 2017) with a notional value of \$32.9 million (\$27.1 million as of March 31, 2017). The net compensation expense related to PSUs was \$11.3 million for the year ended March 31, 2018 (\$10.0 million for the year ended March 31, 2017), including the effect of the equity forward contracts.

NOTE 13 OTHER FINANCIAL CHARGES

	2018	2017
Finance costs	\$ 17.4	\$ 8.0
Finance income	(3.3)	(3.0)
	\$ 14.1	\$ 5.0

NOTE 14 INCOME TAXES

On December 22, 2017, the United States (US) enacted the "Tax Cuts and Jobs Act" which has been commonly referred to as US tax reform. A significant change under this reform is the reduction of the US Federal tax rate from 35.0% to 21.0%, effective January 1, 2018.

This change resulted in the Company recording an income tax benefit of \$178.9 million to adjust for future tax balances of \$169.2 million and current fiscal year provisions of \$9.7 million. These benefits are estimated based on the Company's initial analysis of the "Tax Cuts and Jobs Act". Given the complexity of this act, these estimates are subject to adjustment when further guidance becomes available.

The reduction of the effective tax rate is also due to an income tax benefit of \$8.3 million following a positive settlement in a tax litigation file.

Income tax expense is comprised of the following:

	2018	2017
Current tax expense	\$ 198.0	\$ 264.9
Deferred tax recovery	(100.6)	44.3
Income tax expense	\$ 97.4	\$ 309.2

RECONCILIATION OF THE EFFECTIVE TAX RATE

The effective income tax rate was 10.4% in 2018 (29.7% in 2017). The Company's income tax expense differs from the one calculated by applying Canadian statutory rates for the following reasons:

	2018	2017
Earnings before tax	\$ 949.9	\$ 1,040.3
Income taxes, calculated using Canadian statutory income tax rates of 26.4% (26.6% in 2017)	250.4	276.2
Adjustments resulting from the following:		
Effect of tax rates for foreign subsidiaries and other deductions	29.5	66.4
Changes in tax laws and rates	(163.4)	-
Benefit arising from investment in subsidiaries	(12.8)	(14.3)
Manufacturing and processing deduction	(9.5)	(13.4)
Stock-based compensation	3.9	3.6
Recognition of previously unrecognized deferred tax assets	-	(8.3)
Adjustments in respect of prior years and other	(0.7)	(1.0)
Income tax expense	\$ 97.4	\$ 309.2

During the year, as a result of a reduction in the Canadian corporation tax rate, the statutory tax rate has decreased by approximately 0.2%.

INCOME TAX RECOGNIZED IN OTHER COMPREHENSIVE INCOME

Income tax on items recognized in other comprehensive income in 2018 and 2017 were as follows:

	2018	2017
Deferred tax benefit on actuarial losses on employee benefit obligations	\$ 1.1	\$ 1.4
Deferred tax benefit on cash flow hedge	0.8	0.6
Total income tax recognized in other comprehensive income	\$ 1.9	\$ 2.0

NOTE 14 INCOME TAXES (CONT'D)

INCOME TAX RECOGNIZED IN EQUITY

Income tax on items recognized in equity in 2018 and 2017 were as follows:

	2018	2017
Excess tax benefit that results from the excess of the deductible amount over the stock-based compensation recognized in net earnings	\$ 2.8	\$ 6.5
Total income tax recognized in equity	\$ 2.8	\$ 6.5

CURRENT TAX ASSETS AND LIABILITIES

	2018	2017
Income taxes receivable	\$ 52.0	\$ 15.0
Income taxes payable	(26.5)	(91.3)
Income taxes payable (net)	\$ 25.5	\$ (76.3)

DEFERRED TAX BALANCES

	2018	2017
Deferred tax assets	\$ 34.5	\$ 48.1
Deferred tax liabilities	(424.9)	(511.4)
Deferred tax liabilities (net)	\$ (390.4)	\$ (463.3)

DEFERRED TAX ASSETS AND LIABILITIES

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

	For the year ended March 31, 2018							
	Deferred tax asset				Deferred tax liabilities			
	Accounts payable and accrued liabilities	Income tax losses	Net assets of pension plans	Total	Inventories	Property, plant and equipment	Other	Total
Balance, beginning of the year	\$ 56.8	\$ 15.4	\$ 9.9	\$ 82.1	\$ 8.5	\$ 323.7	\$ 213.2	\$ 545.4
Charged/credited to net earnings	(8.6)	(8.7)	(2.8)	(20.1)	(10.3)	(70.4)	(40.0)	(120.7)
Charged/credited to other comprehensive income	-	-	1.1	1.1	-	-	(0.8)	(0.8)
Acquisitions	-	-	-	-	-	-	51.0	51.0
Translation and other	(2.5)	(0.3)	(0.1)	(2.9)	(0.6)	(11.7)	(12.0)	(24.3)
Balance, end of the year	\$ 45.7	\$ 6.4	\$ 8.1	\$ 60.2	\$ (2.4)	\$ 241.6	\$ 211.4	\$ 450.6

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

NOTE 15 NET EARNINGS PER SHARE

	2018	2017
Net earnings	\$ 852.5	\$ 731.1
Non-controlling interest	-	3.3
Net earnings attributable to shareholders of Saputo Inc.	\$ 852.5	\$ 727.8
Weighted average number of common shares outstanding	386,561,315	390,972,159
Dilutive options	4,610,594	5,053,793
Weighted average diluted number of common shares outstanding	391,171,909	396,025,952
Basic net earnings per share	\$ 2.21	\$ 1.86
Diluted net earnings per share	\$ 2.18	\$ 1.84

When calculating diluted net earnings per share for the year ended March 31, 2018, 3,822,206 options (no options for the year ended March 31, 2017) were excluded from the calculation because their exercise price is higher than the average market value for the year.

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

NOTE 16 BUSINESS ACQUISITIONS

BETIN, INC.

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

Montchevre manufactured, marketed and distributed goat cheese in the USA, mainly under the *Montchevre* brand. Its activities are conducted at one manufacturing facility located in Belmont, Wisconsin (USA). For the year ended on June 30, 2017, Montchevre generated annual revenues of approximately \$150 million.

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

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

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

Its activities are conducted at one manufacturing facility located in Plant City, Florida (USA). For the year ended on June 30, 2017, the ESL dairy product activities of SMI generated annual revenues of approximately \$59 million.

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

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

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

NOTE 17 EMPLOYEE POST-EMPLOYMENT BENEFITS PLANS

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

DEFINED CONTRIBUTION PLANS

The Company offers and participates in defined contribution pension plans of which 99% of its active employees are members. The net pension expense under these types of plans is generally equal to the contributions made by the employer and constitutes an expense for the year in which they are due. For fiscal 2018, the defined contribution expenses for the Company amounted to \$47.8 million compared to \$45.7 million for fiscal 2017. The Company expects to contribute approximately \$49.2 million to its defined contribution plans for fiscal 2019.

DEFINED BENEFIT PLANS

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

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

The cost of these pension benefits earned by employees is actuarially determined using the projected benefits method prorated on services and using a discount rate based on high quality corporate bonds and Management's assumptions bearing on, among other things, rates of compensation increase and retirement age of employees. All of these estimates and assessments are formulated with the help of external consultants. The plan assets and benefit obligations were valued as at March 31 with the assistance of the Company's external actuaries. The Company also offers complementary retirement benefits programs, such as health insurance, life insurance and dental plans to eligible employees and retired employees. The Company expects to contribute approximately \$4.9 million to its defined benefit plans in 2019. The Company's net liability for post-employment benefit plans comprises the following:

	March 31, 2018	March 31, 2017
Present value of funded obligation	\$ 72.2	\$ 70.4
Fair value of assets	67.0	64.9
Present value of net obligations for funded plans	5.2	5.5
Present value of unfunded obligations	27.1	32.4
Present value of net obligations	32.3	37.9
Asset ceiling test	0.8	0.9
Accrued pension/benefit cost as at March 31	33.1	38.8
Employee benefit amounts on the balance sheet as net liability	\$ 33.1	\$ 38.8

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

	March 31, 2018	March 31, 2017
Defined benefit obligation, beginning of year	\$ 102.8	\$ 87.6
Current service costs	5.0	5.8
Interest cost	3.6	3.6
Actuarial losses (gains) from change in experience	2.2	0.6
Actuarial losses (gains) from change in economic assumptions	2.8	5.1
Actuarial losses (gains) from change in demographic assumptions	0.4	2.1
Effects of settlement ¹	(1.2)	-
Exchange differences	(0.3)	0.3
Benefits paid	(16.0)	(2.3)
Defined benefit obligation, end of year	\$ 99.3	\$ 102.8

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

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

	March 31, 2018	March 31, 2017
Fair value of plan assets, beginning of year	\$ 64.9	\$ 57.1
Interest income on plan assets	2.5	2.4
Return on plan assets, excluding interest income	-	3.6
Administration costs	(0.3)	(0.3)
Contributions by employer	17.6	4.4
Effects of settlement ¹	(1.6)	-
Exchange differences	(0.1)	-
Benefits paid	(16.0)	(2.3)
Fair value of plan assets, end of year	\$ 67.0	\$ 64.9

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

Actual return on plans assets amounted to a gain of \$2.2 million in fiscal 2018 compared to a loss of \$5.6 million in fiscal year 2017.

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

	March 31, 2018	March 31, 2017
Bonds	48%	50%
Equity instruments	45%	43%
Cash and short-term investments	7%	7%
	100%	100%

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

	March 31, 2018	March 31, 2017
Employer current service cost	\$ 5.0	\$ 5.8
Effect of settlement	0.5	-
Administration costs	0.3	0.3
Interest costs	3.6	3.6
Interest income on plan assets	(2.5)	(2.4)
Defined benefits plans expense	\$ 6.9	\$ 7.3

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

	March 31, 2018	March 31, 2017
Net gains (losses) during the year	\$ (5.4)	\$ (4.3)
Effect of the asset ceiling test	0.2	(0.2)
Amount recognized in other comprehensive income	\$ (5.2)	\$ (4.5)

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

	March 31, 2018	March 31, 2017
Discount rate	3.59%	3.77%
Duration of the obligation	18.13	18.58
Future salary increases	3.00%	3.00%
Mortality table	2014 Private Sector Canadian Pensioners' Mortality Table, projected generationally using Scale CPM-B	2014 Private Sector Canadian Pensioners' Mortality Table, projected generationally using Scale CPM-B

The impact of an increase and a decrease of 1% on the discount rate would be \$14.9 million and \$17.8 million respectively. Also, an increase or a decrease of 1% on the future salary assumptions would be approximately \$3.2 million on the obligation and a 10% increase in life expectancy would represent approximately \$1.4 million.

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

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

	March 31, 2018	March 31, 2017
Discount rate	3.77%	4.10%
Future salary increases	3.00%	3.00%
Mortality table	2014 Private Sector Canadian Pensioners' Mortality Table, projected generationally using Scale CPM-B	2014 Private Sector Canadian Pensioners' Mortality Table, projected generationally using Scale CPM-B

For measurement purposes, a 3.0% to 7.0% annual rate of increase was used for health, life insurance and dental plan costs for the fiscal years 2018 and 2017.

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

NOTE 18 COMMITMENTS AND CONTINGENCIES

COMMITMENTS

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

	Leases	Purchase obligations ¹	Total
Less than 1 year	\$ 29.1	\$ 91.8	\$ 120.9
1-2 years	24.6	-	24.6
2-3 years	20.0	-	20.0
3-4 years	15.8	-	15.8
4-5 years	14.2	-	14.2
More than 5 years	27.1	-	27.1
	\$ 130.8	\$ 91.8	\$ 222.6

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

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

CLAIMS

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

INDEMNIFICATIONS

The Company from time to time offers indemnifications to third parties in the normal course of its business, in connection with business or asset acquisitions or disposals. These indemnification provisions may be in connection with breach of representations and warranties, and for future claims for certain liabilities. The terms of these indemnification provisions vary in duration. At March 31, 2018, given that the nature and amount of such indemnifications depend on future events, the Company is unable to reasonably estimate its maximum potential liability under these agreements. The Company has not made any significant indemnification payments in the past, and as at March 31, 2018 and March 31, 2017, the Company has not recorded any significant liabilities associated with these indemnifications.

NOTE 19 RELATED PARTY TRANSACTIONS

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

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

Transactions with related parties are as follows:

	2018	2017
Entities subject to control or significant influence through ownership by its principal shareholder	\$ 6.3	\$ 4.5
Key management personnel		
Directors	2.6	3.1
Executive officers	28.1	31.1
	\$ 37.0	\$ 38.7

Dairy products provided by the Company were the following:

	2018	2017
Entities subject to control or significant influence through ownership by its principal shareholder	\$ 0.3	\$ 0.3

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

	Receivables		Accounts payable and accrued liabilities	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Entities subject to control or significant influence through ownership by its principal shareholder	\$ 0.1	\$ 0.1	\$ 0.5	\$ 0.1
Key management personnel				
Directors	-	-	12.2	17.6
Executive officers	-	-	27.8	42.7
	\$ 0.1	\$ 0.1	\$ 40.5	\$ 60.4

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

NOTE 19 RELATED PARTY TRANSACTIONS (CONT'D)

KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2018	2017
Directors		
Cash-settled payments	\$ 0.3	\$ 0.7
Stock-based compensation	2.3	2.4
	\$ 2.6	\$ 3.1
Executive officers		
Short-term employee benefits	13.5	17.6
Post-employment benefits	3.5	3.4
Stock-based compensation	11.1	10.1
	\$ 28.1	\$ 31.1
Total compensation	\$ 30.7	\$ 34.2

SUBSIDIARIES

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

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

NOTE 20 FINANCIAL INSTRUMENTS

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

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

CREDIT RISK

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

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

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

Due to its large and diverse customer base and its geographic diversity, the Company has low exposure to credit risk concentration with respect to customer's receivables. There are no receivables from any individual customer that exceeded 10% of the total balance of receivables as at March 31, 2018 and March 31, 2017. However, one customer represented more than 10% of total consolidated revenues for the year ended March 31, 2018 with 10.4% (one customer with 10.6% in 2017).

NOTE 20 FINANCIAL INSTRUMENTS (CONT'D)

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

The amount of the allowance for doubtful accounts is sufficient to cover the carrying amount of receivables considered past due and at risk. The amount of the loss is recognized in the statement of earnings within operating costs. Subsequent recoveries of amounts previously written off are credited against operating costs in the statement of earnings. However, Management does not believe that these allowances are significant.

LIQUIDITY RISK

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

Contractual maturities for the significant financial liabilities as at March 31, 2018 are as follow: accounts payable and accrued liabilities, bank loans and long-term debt. All items included in accounts payable and accrued liabilities are less than one year. For maturities on bank loans and the long-term debt, please refer to Note 9 and Note 10 respectively.

INTEREST RATE RISK

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

During last fiscal year, the cash flow hedges of interest rate risk were assessed to be highly effective and a loss of \$2.1 million (net of tax of \$0.7 million) was automatically transferred in the statement of earnings at the settlement date.

For the fiscal year ended March 31, 2018, the interest expense on long-term debt totalled \$33.8 million (\$36.9 million in fiscal 2017). The interest accrued as at March 31, 2018 was \$9.7 million (\$8.3 million as at March 31, 2017).

As at March 31, 2018, the net amount exposed to short-term rates fluctuations was approximately \$271.1 million. Based on this exposure, an assumed 1% increase in the interest rate would have an unfavourable impact of approximately \$1.9 million on net earnings with an equal but opposite effect for an assumed 1% decrease.

NOTE 20 FINANCIAL INSTRUMENTS (CONT'D)

FOREIGN EXCHANGE RISK

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

The Company entered into forward exchange contracts to sell US dollars and buy Australian dollars in order to mitigate market fluctuations in the USD/AUD exchange rates on receivables. During the fiscal year, the cash flow hedges were highly effective and accordingly, the Company recognized an unrealized gain of \$2.8 million (net of tax of \$1.2 million) in other comprehensive income (and an associated asset) as a result. A gain of \$6.0 million (net of tax of \$2.6 million) was reclassified to net earnings during fiscal 2018 related to these forward exchange contracts. These cash flow hedges were also deemed to be highly effective on March 31, 2017 and an unrealized gain of \$3.5 million (net of tax of \$1.5 million), was recorded, during last fiscal year, in other comprehensive income. A gain of \$5.6 million (net of tax of \$2.4) was reclassified to net earnings during fiscal 2017 related to these forward exchange contracts.

During last fiscal year, the Company entered into forward exchange contracts in order to offset market fluctuations in the USD/CAD exchange rates for the US dollars intercompany financing. This intercompany financing from our US to Canada divisions for the foreign exchange hedge will settle in November 2019 for US\$250.0 million. This cash flow hedges were highly effective and accordingly, the Company recognized an unrealized loss of \$2.9 million (net of tax of \$0.4 million) in other comprehensive income. During fiscal 2018, a loss of \$0.8 million (net of tax of \$0.1 million) in other comprehensive income was reclassified to net earnings related to this forward exchange contracts.

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

	2018	2017
Change in net earnings	\$ 32.0	\$ 24.3
Change in comprehensive income	\$ 281.2	\$ 249.1

COMMODITY PRICE RISK

In certain instances, the Company enters into futures contracts to hedge against fluctuations in the price of commodities. Outstanding contracts as at the balance sheet date had a negative fair value of approximately \$1.9 million (negative fair value of approximately \$1.5 million at March 31, 2017).

The Company applies hedge accounting for certain of these transactions. During the fiscal year, these hedges (designated as cash flow hedges) were assessed to be highly effective and accordingly, an unrealized gain of \$0.6 million (net of tax of \$0.4 million) was recorded in other comprehensive income. The gains recorded in the statement of comprehensive income are transferred to the statement of net earnings when the related inventory is ultimately sold. These hedges (designated as cash flow hedges) were assessed to be highly effective and accordingly, an unrealized gain of \$0.2 million (net of tax of \$0.1 million) was recorded, during last fiscal year, in other comprehensive income.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company has determined that the fair value of its financial assets and financial liabilities with short-term maturities approximates their carrying value. These financial instruments include cash and cash equivalents, receivables, bank loans, accounts payable and accrued liabilities. The table below shows the fair value and the carrying value of other financial instruments as at March 31, 2018 and March 31, 2017. Since estimates are used to determine fair value, they must not be interpreted as being realizable in the event of a settlement of the instruments.

NOTE 20 FINANCIAL INSTRUMENTS (CONT'D)

	March 31, 2018		March 31, 2017	
	Fair value	Carrying value	Fair value	Carrying value
Cash flow hedges				
Commodity derivatives (Level 2)	\$ (1.4)	\$ (1.4)	\$ (1.6)	\$ (1.6)
Foreign exchange derivatives (Level 2)	(8.7)	(8.7)	3.2	3.2
Derivatives not designated in a formal hedging relationship				
Equity forward contracts (Level 2)	(1.4)	(1.4)	5.1	5.1
Commodity derivatives (Level 2)	(0.5)	(0.5)	0.1	0.1
Long-term debt (Level 2)	\$ 1,410.0	\$ 1,425.3	\$ 1,520.5	\$ 1,500.0

The following table summarizes the financial instruments measured at fair value in the consolidated balance sheet as at March 31, 2018 and March 31, 2017, classified using the fair value hierarchy described in Note 3.

March 31, 2018	Level 1	Level 2	Level 3	Total
Commodity futures contracts	\$ -	\$ (1.9)	\$ -	\$ (1.9)
Foreign exchange contracts	-	(8.7)	-	(8.7)
Equity forward contracts	-	(1.4)	-	(1.4)
	\$ -	\$ (12.0)	\$ -	\$ (12.0)
March 31, 2017	Level 1	Level 2	Level 3	Total
Commodity futures contracts	\$ -	\$ (1.5)	\$ -	\$ (1.5)
Foreign exchange contracts	-	3.2	-	3.2
Equity forward contracts	-	5.1	-	5.1
	\$ -	\$ 6.8	\$ -	\$ 6.8

For the years ended March 31, 2018 and 2017, there were no changes in valuation techniques and in inputs used in the fair value measurements and there were no transfers between the levels of the fair value hierarchy.

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

NOTE 21 CAPITAL DISCLOSURES

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

NOTE 21 CAPITAL DISCLOSURES (CONT'D)

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

The primary measure used by the Company to monitor its financial leverage is its ratio of net debt to earnings before interest, income taxes, depreciation, amortization, acquisition and restructuring costs. The net debt-to-earnings before interest, income taxes, depreciation, amortization, acquisition and restructuring costs ratios as at March 31, 2018 and March 31, 2017 are as follows:

	2018	2017
Bank loans	\$ 193.3	\$ 93.8
Long-term debt, including current portion	1,425.3	1,500.0
Cash and cash equivalents	(122.2)	(250.5)
Net debt	\$ 1,496.4	\$ 1,343.3
Earnings before interest, income taxes, depreciation, amortization, acquisition and restructuring costs	\$ 1,264.7	\$ 1,289.5
Net debt-to-earnings before interest, income taxes, depreciation, amortization, acquisition and restructuring costs	1.18	1.04

The Company has existing credit facilities which require a quarterly review of financial ratios and the Company is not in violation of any such ratio covenants as at March 31, 2018.

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

NOTE 22 ACQUISITION AND RESTRUCTURING COSTS

Acquisition and restructuring costs are summarized as follows:

	2018	2017
Restructuring costs	\$ 33.7	\$ -
Acquisition costs	6.9	-
Total	\$ 40.6	\$ -

RESTRUCTURING COSTS

In fiscal 2018, the Company announced the closure of one facility. The final closure will occur in June 2018.

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

	2018	2017
Write down of non-current assets	\$ 10.6	\$ -
Severance	23.1	-
Total	\$ 33.7	\$ -

The write down of non-current assets, recorded in fiscal 2018, consists of impairment charges to property, plant and equipment to bring them to the lower of carrying value and recoverable amount. The total after tax costs for fiscal 2018 are \$25.1 million.

The restructuring costs recorded in fiscal 2018 represent estimated expenses required to restructure these operations. Liabilities related to severance expenditures have been grouped within current liabilities on the balance sheet.

ACQUISITION COSTS

In connection with the acquisitions of SMI and Betin (Note 16) as well as the acquisition of the business of Murray Goulburn Co-Operative Co. Limited (Note 25), the Company incurred acquisition costs of \$6.9 million (\$5.6 million after tax) in fiscal 2018.

NOTE 23 SEGMENTED INFORMATION

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

As of April 1, 2017, the Canada Sector includes national and export revenues of ingredients manufactured in Canada. The USA Sector includes national ingredient revenues, and export ingredient and cheese revenues of products manufactured in the USA. Prior to April 1, 2017, these figures were presented in the Dairy Ingredients Division as part of the International Sector. Accordingly, certain prior year's figures have been reclassified to conform to the current presentation.

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

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

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

INFORMATION ON REPORTABLE SECTORS

Years ended March 31		
	2018	2017
Revenues		
Canada	\$ 4,069.9	\$ 4,060.2
USA	6,132.8	6,003.3
International	1,339.8	1,099.1
	\$ 11,542.5	\$ 11,162.6
Earnings before interest, income taxes, depreciation, amortization, acquisition and restructuring costs		
Canada	\$ 475.9	\$ 453.1
USA	649.4	734.2
International	139.4	102.2
	\$ 1,264.7	\$ 1,289.5
Depreciation and amortization		
Canada	\$ 55.9	\$ 58.0
USA	138.4	123.4
International	32.0	25.9
	\$ 226.3	\$ 207.3
Acquisition and restructuring costs	40.6	-
Financial charges, net	47.9	41.9
Earnings before income taxes	949.9	1,040.3
Income taxes	97.4	309.2
Net earnings	\$ 852.5	\$ 731.1

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

NOTE 23 SEGMENTED INFORMATION (CONT'D)

GEOGRAPHIC INFORMATION

	March 31, 2018	March 31, 2017
Total assets		
Canada	\$ 2,061.8	\$ 2,116.0
USA	4,597.0	4,198.3
International	1,344.2	1,282.3
	\$ 8,003.0	\$ 7,596.6
Net book value of property, plant and equipment		
Canada	\$ 592.3	\$ 580.3
USA	1,361.4	1,305.7
International	266.3	279.5
	\$ 2,220.0	\$ 2,165.5
Total liabilities		
Canada	\$ 2,002.8	\$ 2,157.7
USA	818.1	798.8
International	384.4	317.2
	\$ 3,205.3	\$ 3,273.7

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

NOTE 24 DIVIDENDS

During the year ended March 31, 2018, the Company paid dividends totalling \$243.5 million, or \$0.64 per share (\$228.3 million, or \$0.60 per share for the year ended March 31, 2017).

NOTE 25 SUBSEQUENT EVENTS

ACQUISITION OF THE ACTIVITIES OF SHEPHERD GOURMET DAIRY (ONTARIO) INC.

On May 23, 2018, the Company announced that it has entered into an agreement to acquire the activities of Shepherd Gourmet Dairy (Ontario) Inc. ("Shepherd Gourmet"). Its activities are conducted at one manufacturing facility located in St. Marys, Ontario (Canada). Shepherd Gourmet manufactures, markets and distributes a variety of specialty cheeses, yogurt, as well as Skyr Icelandic-style yogurt in Canada.

The purchase price of \$100 million, on a debt-free-basis, will be paid in cash from cash on hand and available credit facilities.

For the twelve-month ended on April 30, 2018, Shepherd Gourmet generated revenues of approximately \$57 million.

The transaction is subject to customary conditions and is expected to close in June 2018.

ACQUISITION OF THE BUSINESS OF MURRAY GOULBURN CO-OPERATIVE CO. LIMITED

On May 1, 2018, the Company completed the acquisition of the business of Murray Goulburn Co-Operative Co. Limited (Murray Goulburn or MG), based in Australia. The MG acquisition will add to and complement the activities of the Dairy Division (Australia) and enable the Company to strengthen its presence in Australia.

MG produces a full range of high-quality dairy foods, including fluid milk, milk powder, cheese, butter and dairy beverages, as well as a range of ingredient and nutritional products, such as infant formula. MG supplies the retail and foodservice industries globally with its flagship *Devondale*, *Liddells* and *Murray Goulburn Ingredients* brands.

The purchase price for the transaction is \$1.29 billion (AU\$1.31 billion) on a debt-free basis and was financed through the Acquisition Facility (Note 10).

For the trailing twelve-month period ended on December 31, 2017, MG had revenues of \$2.42 billion (AU\$2.43 billion).