CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S STATEMENT OF RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

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

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

June 3, 2021

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Saputo Inc. (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2021 and 2020, and the consolidated income statements, consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Key Audit Matter

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

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

Key Audit Matter Description

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

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

How the Key Audit Matter Was Addressed in the Audit

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

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

Other Information

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

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

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

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

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

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

/s/ Deloitte LLP[1]

Montréal, Québec
June 3, 2021

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

CONSOLIDATED INCOME STATEMENTS

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

Years ended March 31		2021		2020
Revenues (Note 24)	**$**	**14,293.9**	$	14,943.5
Operating costs excluding depreciation, amortization, inventory revaluation resulting from a business acquisition, and restructuring costs (Note 5)		**12,823.0**		13,475.7
Earnings before interest, income taxes, depreciation, amortization, impairment of intangible assets, inventory revaluation resulting from a business acquisition, and acquisition and restructuring costs		**1,470.9**		1,467.8
Depreciation and amortization		**515.0**		467.2
Impairment of intangible assets (Note 8)		**19.0**		—
Inventory revaluation resulting from a business acquisition (Note 18)		**—**		40.1
Acquisition and restructuring costs (Note 23)		**(3.2)**		46.0
Financial charges (Note 14)		**96.7**		115.2
Earnings before income taxes		**843.4**		799.3
Income taxes (Note 15)		**217.8**		216.5
Net earnings	**$**	**625.6**	$	582.8
Net earnings per share (Note 16)				
Basic	**$**	**1.53**	$	1.46
Diluted	**$**	**1.52**	$	1.45

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		2021		2020
Net earnings	**$**	**625.6**	$	582.8
Other comprehensive (loss) income:				
Items that may be reclassified to net earnings:				
Exchange differences arising from foreign currency translation		**(450.2)**		94.3
Inflation effect arising from the application of hyperinflation		**(7.8)**		(8.5)
Unrealized gains (losses) on cash flow hedges (Note 17)		**61.9**		(76.6)
Reclassification of (gains) losses on cash flow hedges to net earnings		**(6.5)**		24.5
Income taxes relating to items that may be reclassified to net earnings		**(15.5)**		14.1
		(418.1)		47.8
Items that will not be reclassified to net earnings:				
Actuarial (loss) income (Note 19)		**(215.3)**		83.8
Income taxes relating to items that will not be reclassified to net earnings		**41.3**		(16.9)
		(174.0)		66.9
Other comprehensive (loss) income		**(592.1)**		114.7
Total comprehensive income	**$**	**33.5**	$	697.5

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in millions of CDN dollars, except common shares)

For the year ended March 31, 2021	Share capital		Reserves					
	Common Shares	Amount	Foreign Currency Translation	Cash Flow Hedges	Stock Option Plan	Total Reserves	Retained Earnings	Total Equity
Balance, beginning of year	**408,638,373**	**$ 1,685.7**	**$ 667.9**	**$ (40.3)**	**$ 150.8**	**$ 778.4**	**$ 4,095.0**	**$ 6,559.1**
Net earnings	**—**	**—**	**—**	**—**	**—**	**—**	**625.6**	**625.6**
Other comprehensive (loss) income	**—**	**—**	**(458.0)**	**39.9**	**—**	**(418.1)**	**(174.0)**	**(592.1)**
Total comprehensive income								**33.5**
Dividends (Note 13)	**—**	**—**	**—**	**—**	**—**	**—**	**(284.9)**	**(284.9)**
Stock options (Note 13)	**—**	**—**	**—**	**—**	**22.3**	**22.3**	**—**	**22.3**
Exercise of stock options (Note 13)	**1,347,041**	**40.5**	**—**	**—**	**(6.8)**	**(6.8)**	**—**	**33.7**
Shares issued under dividend reinvestment plan (Note 13)	**2,348,157**	**80.3**	**—**	**—**	**—**	**—**	**—**	**80.3**
Balance, end of year	**412,333,571**	**$ 1,806.5**	**$ 209.9**	**$ (0.4)**	**$ 166.3**	**$ 375.8**	**$ 4,261.7**	**6,444.0**

For the year ended March 31, 2020	Share capital		Reserves					
	Common Shares	Amount	Foreign Currency Translation	Cash Flow Hedges	Stock Option Plan	Total Reserves	Retained Earnings	Total Equity
Balance, beginning of year	390,198,386	$ 991.7	$ 582.1	$ (2.3)	$ 134.0	$ 713.8	$ 3,715.0	$ 5,420.5
Net earnings	—	—	—	—	—	—	582.8	582.8
Other comprehensive income	—	—	85.8	(38.0)	—	47.8	66.9	114.7
Total comprehensive income								697.5
Shares issued under Equity Offering – net of issuance costs (Note 13)	16,642,553	639.9	—	—	—	—	—	639.9
Dividends (Note 13)	—	—	—	—	—	—	(269.7)	(269.7)
Stock options (Note 13)	—	—	—	—	23.7	23.7	—	23.7
Exercise of stock options (Note 13)	1,797,434	54.1	—	—	(6.9)	(6.9)	—	47.2
Balance, end of year	408,638,373	$ 1,685.7	$ 667.9	$ (40.3)	$ 150.8	$ 778.4	$ 4,095.0	6,559.1

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in millions of CDN dollars)

As at		March 31, 2021		March 31, 2020
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**308.7**	$	319.4
Receivables		**1,217.3**		1,371.8
Inventories (Note 4)		**2,294.2**		2,220.9
Income taxes receivable (Note 15)		**34.7**		50.3
Prepaid expenses and other assets		**92.7**		106.6
		3,947.6		4,069.0
Property, plant and equipment (Note 6)		**3,777.3**		3,850.0
Right-of-use assets (Note 7)		**481.6**		417.9
Goodwill (Note 8)		**3,066.1**		3,219.5
Intangible assets (Note 8)		**1,516.8**		1,640.7
Other assets (Note 9)		**319.7**		545.3
Deferred income taxes (Note 15)		**13.7**		50.7
Total assets	**$**	**13,122.8**	$	13,793.1
LIABILITIES				
Current liabilities				
Bank loans (Note 10)	**$**	**75.6**	$	528.5
Accounts payable and accrued liabilities		**1,641.1**		1,838.9
Income taxes payable (Note 15)		**54.2**		51.4
Current portion of long-term debt (Note 11)		**300.0**		—
Current portion of lease liabilities (Note 7)		**75.1**		74.7
		2,146.0		2,493.5
Long-term debt (Note 11)		**3,277.8**		3,542.3
Lease liabilities (Note 7)		**385.9**		340.1
Other liabilities (Note 12)		**115.9**		98.5
Deferred income taxes (Note 15)		**753.2**		759.6
Total liabilities	**$**	**6,678.8**	$	7,234.0
EQUITY				
Share capital (Note 13)		**1,806.5**		1,685.7
Reserves		**375.8**		778.4
Retained earnings		**4,261.7**		4,095.0
Total equity	**$**	**6,444.0**	$	6,559.1
Total liabilities and equity	**$**	**13,122.8**	$	13,793.1

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

On behalf of the Board,

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

(signed) Tony Meti
Tony Meti
Director

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of CDN dollars)

Years ended March 31	2021	2020
Cash flows related to the following activities:		
Operating		
Net earnings	$ 625.6	$ 582.8
Adjustments for:		
Stock-based compensation	36.2	33.5
Financial charges (Note 14)	96.7	115.2
Income tax expense	217.8	216.5
Depreciation and amortization	515.0	467.2
Impairment of intangible assets (Note 8)	19.0	—
(Gain) on disposal of property, plant and equipment	(6.4)	(2.0)
Impairment charges related to plant closures	—	12.9
Inventory revaluation resulting from a business acquisition	—	40.1
Foreign exchange loss (gain) on debt	44.4	(47.2)
Share of joint venture earnings, net of dividends received	(0.9)	11.5
Difference between funding of post-employment benefit plans and costs	(1.4)	(8.3)
Changes in non-cash operating working capital items	(233.3)	(106.7)
Cash generated from operating activities	1,312.7	1,315.5
Interest and financial charges paid	(111.3)	(139.0)
Income taxes paid	(123.3)	(139.6)
Net cash generated from operating activities	$ 1,078.1	$ 1,036.9
Investing		
Business acquisitions, net of cash acquired	—	(1,929.6)
Additions to property, plant and equipment	(379.5)	(509.9)
Additions to intangible assets	(53.5)	(66.4)
Proceeds from disposal of property, plant and equipment	45.6	11.0
Net cash used for investing activities	$ (387.4)	$ (2,494.9)
Financing		
Bank loans	(444.4)	404.3
Proceeds from issuance of long-term debt	1,084.3	2,461.5
Repayment of long-term debt	(1,093.2)	(1,546.5)
Repayment of lease liabilities	(79.5)	(90.7)
Net proceeds from issuance of share capital	32.7	684.9
Payment of dividends	(204.6)	(269.7)
Net cash (used for) generated from financing activities	$ (704.7)	$ 1,643.8
Decrease (increase) in cash and cash equivalents	(14.0)	185.8
Cash and cash equivalents, beginning of year	319.4	112.7
Effect of inflation	15.9	25.4
Effect of exchange rate changes	(12.6)	(4.5)
Cash and cash equivalents, end of year	$ 308.7	$ 319.4

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2021, and 2020.

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

NOTE 1 CORPORATE INFORMATION

Saputo Inc. (the Company) is a publicly traded company incorporated and domiciled in Canada. The Company's shares are listed on the Toronto Stock Exchange under the symbol "SAP." The Company produces, markets, and distributes a wide array of dairy products from Canada, the United States, Australia, Argentina, and the United Kingdom. The address of the Company's head office is 6869 Metropolitain Blvd. East, Montréal, Québec, Canada, H1P 1X8. The consolidated financial statements (financial statements) of the Company for the fiscal year ended March 31, 2021, comprise the financial results of the Company and its subsidiaries.

The financial statements for the fiscal year ended March 31, 2021, were authorized for issuance by the Board of Directors on June 3, 2021.

NOTE 2 BASIS OF PRESENTATION

STATEMENT OF COMPLIANCE

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

BASIS OF MEASUREMENT

The Company's financial statements have been prepared on a historical cost basis except for certain financial instruments that are measured at fair value as described in Note 3, Significant accounting policies.

FUNCTIONAL AND PRESENTATION CURRENCY

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

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATED FINANCIAL STATEMENTS

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

CASH AND CASH EQUIVALENTS

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

INVENTORIES

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

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

For the purposes of impairment testing, property, plant and equipment are tested at the cash-generating unit (CGU) level. Write-downs, if any, are included in “depreciation and amortization” or “restructuring costs” in the consolidated income statements.

RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

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

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

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

GOODWILL AND INTANGIBLE ASSETS

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

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

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

Trademarks are considered to be definite life intangible assets and are amortized using the straight-line method over their useful lives which vary from 15 to 25 years and are reviewed for indicators of impairment at each reporting period. Customer relationships and software are considered to be definite life intangible assets and are amortized using the straight-line method over their useful lives which vary from 3 to 15 years and are reviewed for indicators of impairment at each reporting period.

Refer to “Impairment Testing of Cash-Generating Units” in Note 8 for a discussion of the CGU levels at which goodwill and intangible assets are tested.

IMPAIRMENT OF OTHER LONG-LIVED ASSETS

Other long-lived assets are subject to an “indicators of impairment” test at each reporting period. In the event of an indication of impairment, the asset or group of assets (referred to as 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.

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

EMPLOYEE FUTURE BENEFITS

The cost of defined benefit pension and other post-retirement benefits is actuarially determined annually on March 31 using the projected unit credit method and using Management’s best estimates of rates of compensation increases, retirement ages of employees, and expected health care costs. Key assumptions made when valuing the defined benefit obligation include the discount rate, duration of the plan, inflation, and mortality, amongst others. Actuarial gains or losses, the effect of an adjustment, if any, on the maximum amount recognized as an asset and the impact of the minimum funding requirements, are recorded in other comprehensive income (loss) and immediately recognized in retained earnings without subsequent reclassification to the consolidated income statements. Current service costs and past service costs are included in the consolidated income statements. Past service costs are recognized at the earlier of the date of the plan amendment or curtailment. Interest on obligations offset by interest income on plan assets are included in financial charges in the consolidated income statements. The net pension expenditure under defined contribution pension plans is generally equal to the contributions made by the employer.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

REVENUE RECOGNITION

The Company recognizes revenue when control of the asset is transferred to the customer, the vast majority upon shipment of products. Revenue is measured at the amount of consideration to which the Company expects to be entitled to. Sales are net of a provision for variable consideration of estimated allowances and sales incentives provided to customers, such that it is highly probable that a significant reversal will not occur once the uncertainty related to the variable consideration is subsequently resolved.

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

FOREIGN CURRENCY TRANSLATION

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

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

STOCK-BASED COMPENSATION

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

The Company allocates deferred share units (DSU) to eligible Directors of the Company which are based on the market value of the Company's common shares. DSUs are granted on a quarterly basis, vest upon award and entitle Directors to receive a cash payment for the value of the DSUs they hold following cessation of functions as a Director of the Company. The Company recognizes an expense in its consolidated income statements and a liability in its consolidated statement of financial positions for each grant. The liability is subsequently remeasured at each reporting period with any change in value recorded in the consolidated income statements.

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

JOINT VENTURES

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

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

INCOME TAXES

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

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

Deferred income tax assets and liabilities are determined based on temporary differences between the carrying amount of an asset or liability in the consolidated statement of financial position and its tax basis. They are measured using the enacted or substantively enacted tax rates that are expected to apply when the asset is realized, or the liability is settled. A deferred income tax asset is recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be used.

FINANCIAL INSTRUMENTS

Financial assets and liabilities are initially measured at fair value. Subsequently, financial instruments classified as Fair Value through Profit or Loss (FVTPL) and fair value through other comprehensive income, part of a hedging relationship or not, continue to be measured at fair value on the statement of financial position at each reporting date, whereas other financial instruments are measured at amortized cost using the effective interest method.

The Company has made the following classifications:

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

The Company applies the simplified approach to recognize lifetime expected credit losses under IFRS 9. Certain derivative instruments are utilized by the Company to manage exposure to variations in interest rate payments and to manage foreign exchange rate risks, including foreign exchange forward contracts, currency swaps and interest rate swaps. Derivatives are initially recognized at fair value at the date the derivative contracts and currency swaps are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is immediately recognized in net earnings unless the derivative is designated as a hedging instrument.

HEDGING

The Company designates certain financial instruments as cash flow hedges. At the inception of the hedging relationship, the Company designates and formally documents the relationship between the hedging instrument and the hedged item, the risk management objective, and its strategy for undertaking the hedge.

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

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

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

FAIR VALUE HIERARCHY

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 JUDGMENTS IN THE APPLICATION OF ACCOUNTING POLICIES

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

SIGNIFICANT ESTIMATES AND JUDGMENTS

Economic conditions and uncertainties

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

Income Taxes

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

Deferred Income 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 judgment on the part of the Company that may be challenged by taxation authorities. The Company believes that it has adequately provided for deferred tax obligations that may result from current facts and circumstances. Temporary differences and income tax rates could change due to fiscal budget changes and/or changes in income tax laws.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Goodwill, Intangible Assets and Business Combinations

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

Property, Plant and Equipment

Significant judgment is necessary in the selection and application of depreciation method 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. It is Management’s best estimate that the useful lives and policies adopted adequately reflect the pattern in which the assets future economic benefits are expected to be derived.

Impairment of Assets

Significant estimates and judgments are required in testing goodwill, intangible assets and other long-lived assets, including right-of-use assets, for impairment. Management uses estimates or exercises judgment in assessing indicators of impairment, defining a CGU, forecasting future cash flows and in determining other key assumptions such as discount rates and earnings multipliers used for assessing fair value (less costs of disposal) or value in use. Goodwill is tested for impairment annually based on the December 31 balances and whenever there is an indication of impairment. Other long-lived assets are tested only when indicators of impairment are present.

Employee Future Benefits

The Company is the sponsor to both defined benefit and defined contribution plans, which provide pension and other post-employment benefits to its employees.

Several estimates and assumptions are required with regards to the determination of the defined benefit expense and its related obligation, such as the discount rate used in determining the carrying value of the obligation and the interest income on plan assets, the duration of the obligation, inflation, the expected health care cost trend rate, the expected mortality rate, expected salary increase, etc. Changes in a number of key assumptions can have a material impact on the calculation of the obligation. Actual results will normally differ from expectations. These gains or losses are presented in the consolidated statements of comprehensive income.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

The following standards, amendments to existing standards and interpretation of standards were adopted by the Company on or after April 1, 2020:

IFRS 3, Business Combinations

In October 2018, the IASB issued an amendment to IFRS 3 to clarify the definition of a business, to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets.

The adoption of this amendment did not significantly impact the Company's financial statements.

IFRS 9, Financial Instruments, IAS 39, Financial Instruments and IFRS 7, Financial Instruments disclosure – Interest Rate Benchmark Reform, Phase 1

In September 2019, the IASB issued amendments to IFRS 9, IAS 39, and IFRS 7 to address the implications of the Interbank offered rates (IBOR) reform for specific hedge accounting requirements, which require forward-looking analysis and additional disclosure requirements.

The adoption of this amendment did not significantly impact the Company's financial statements.

IFRS 9, IAS 39, IFRS 7, IFRS 4, Insurance contracts and IFRS 16 Leases – Interest Rate Benchmark Reform, Phase 2

In August 2020, the IASB issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to help entities that are impacted with the Interbank offered rates (IBOR) reform with practical expedients, clarification over the implication of the reform on hedge accounting and the introduction of new disclosures about the risks arising from the IBOR reform.

The Company is exposed to the following interest rate benchmarks which are subject to interest rate benchmark reform: GBP LIBOR, USD LIBOR and JPY LIBOR (collectively 'IBORs') in connection with certain bank credit facilities and long-term debt (see notes 10 and 11).

The Company has elected to early adopt these amendments and, in accordance with the transition provisions, were adopted retrospectively.

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

IAS 1, Presentation of Financial Statements

In January 2020, the IASB issued an amendment to clarify how to classify debt and other liabilities as current or non-current. The amendments help to determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments also clarify the classification requirements for debt an entity might settle by converting it into equity.

The early adoption of this amendment did not have a significant impact on the Company's financial statements.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Effect of new accounting standards, Interpretations and amendments not yet implemented

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

IFRS 3, Business Combinations: Reference to the Conceptual Framework

In May 2020, Reference to the Conceptual Framework, amendments to IFRS 3, Business Combinations was issued. This amendment adds a requirement that, for transactions and other events within the scope of IAS 37, Provisions, contingent liabilities and contingent assets or IFRIC 21, Levies, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination. Also, an explicit statement was added requiring an acquirer to not recognize contingent assets acquired in a business combination.

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

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

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

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

IAS 37, Onerous Contracts – Cost of Fulfilling a Contract

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

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

IAS 1 – Disclosure of Accounting Policies

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

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

IAS 8 – Definition of Accounting Estimates

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

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

NOTE 4 INVENTORIES

	March 31, 2021	March 31, 2020
Finished goods	**$ 1,267.8**	$ 1,256.3
Raw materials, work in progress and supplies	**1,026.4**	964.6
Total	**$ 2,294.2**	$ 2,220.9

The amount of inventories recognized as an expense in operating costs for the year ended March 31, 2021, is $11.161 billion ($11.637 billion for the year ended March 31, 2020).

NOTE 5 OPERATING COSTS EXCLUDING DEPRECIATION, AMORTIZATION, INVENTORY REVALUATION RESULTING FROM A BUSINESS ACQUISITION, AND RESTRUCTURING COSTS

		For the years ended March 31
	2021	2020
Changes in inventories of finished goods and work in process	**$ (74.0)**	$ (108.3)
Raw materials and consumables used	**9,648.9**	10,289.0
Foreign exchange (gain) loss	**(36.3)**	15.6
Employee benefits expense	**1,841.7**	1,751.3
Selling costs	**656.1**	679.6
Other general and administrative costs	**786.6**	848.5
Total	**$ 12,823.0**	$ 13,475.7

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

					For the year ended March 31, 2021
	Land	Buildings	Furniture, machinery and equipment	Rolling stock	Total
Cost					
As at March 31, 2020	$ 203.4	$ 1,442.9	$ 4,191.9	$ 15.3	$ 5,853.5
Additions	0.9	66.2	312.4	—	379.5
Disposals	(5.6)	(30.4)	(68.3)	(2.7)	(107.0)
Transfers	—	—	(3.7)	—	(3.7)
Foreign currency and hyperinflation adjustments	8.1	(51.1)	(178.5)	1.0	(220.5)
As at March 31, 2021	$ 206.8	$ 1,427.6	$ 4,253.8	$ 13.6	$ 5,901.8
Accumulated depreciation					
As at March 31, 2020	$ —	$ 395.8	$ 1,597.8	$ 9.9	$ 2,003.5
Depreciation	—	60.9	256.0	2.1	319.0
Disposals	—	(16.6)	(58.0)	(2.4)	(77.0)
Foreign currency and hyperinflation adjustments	—	(22.1)	(99.2)	0.3	(121.0)
As at March 31, 2021	$ —	$ 418.0	$ 1,696.6	$ 9.9	$ 2,124.5
Net book value at March 31, 2021	$ 206.8	$ 1,009.6	$ 2,557.2	$ 3.7	$ 3,777.3

The net book value of property, plant and equipment under construction amounts to $309.3 million as at March 31, 2021, ($362.1 million as at March 31, 2020) and consists mainly of machinery and equipment.

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

					For the year ended March 31, 2020
	Land	Buildings	Furniture, machinery and equipment	Rolling stock	Leases	Total
Cost						
As at March 31, 2019	$ 119.3	$ 1,232.4	$ 3,389.7	$ 18.7	$ 39.1	$ 4,799.2
Adjustment on initial application - IFRS 16	—	—	(2.1)	—	(39.1)	(41.2)
Business acquisitions (Note 17)	64.0	108.5	375.2	—	—	547.7
Additions	25.7	103.1	381.0	0.1	—	509.9
Disposals	(1.1)	(14.1)	(31.9)	(2.4)	—	(49.5)
Transfers	(1.5)	1.3	22.3	—	—	22.1
Foreign currency adjustments	(3.0)	11.7	57.7	(1.1)	—	65.3
As at March 31, 2020	$ 203.4	$ 1,442.9	$ 4,191.9	$ 15.3	$ —	$ 5,853.5
Accumulated depreciation						
As at March 31, 2019	$ —	$ 336.1	$ 1,352.6	$ 10.5	$ 4.6	$ 1,703.8
Adjustment on initial application - IFRS 16	—	—	(1.7)	—	(4.6)	(6.3)
Depreciation[1]	—	57.1	233.9	2.2	—	293.2
Disposals	—	(7.9)	(30.5)	(2.1)	—	(40.5)
Foreign currency and hyperinflation adjustments	—	10.5	43.5	(0.7)	—	53.3
As at March 31, 2020	$ —	$ 395.8	$ 1,597.8	$ 9.9	$ —	$ 2,003.5
Net book value at March 31, 2020	$ 203.4	$ 1,047.1	$ 2,594.1	$ 5.4	$ —	$ 3,850.0

[1] Depreciation includes impairment of assets related to plant closure

NOTE 7 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

		Real Estate		Equipment		Total
Balance as at April 1, 2020	$	273.6	$	144.3	$	417.9
New leases / leases modifications		116.5		20.0		136.5
Depreciation		(35.4)		(34.6)		(70.0)
Disposals		(14.4)		—		(14.4)
Foreign currency		3.9		7.7		11.6
Balance at March 31, 2021	$	344.2	$	137.4	$	481.6

The following table presents changes in right-of-use assets during fiscal 2020:

		Real Estate		Equipment		Total
Balance as at April 1, 2019	$	299.2	$	141.4	$	440.6
Business acquisitions (Note 18)		11.0		62.4		73.4
New leases / leases modifications		10.8		6.1		16.9
Transfers to Property, plant and equipment		—		(22.5)		(22.5)
Depreciation		(29.7)		(34.3)		(64.0)
Foreign currency		(17.7)		(8.8)		(26.5)
Balance at March 31, 2020	$	273.6	$	144.3	$	417.9

The following table presents changes in lease liabilities during fiscal 2021 and 2020:

		March 31, 2021		March 31, 2020
Balance, beginning of year	$	414.8	$	445.9
Business acquisitions (Note 18)		—		70.4
New leases / lease modifications		120.0		14.4
Interest expense		15.2		16.1
Payments		(99.9)		(106.8)
Foreign currency		10.9		(25.2)
		461.0		414.8
Current portion		(75.1)		(74.7)
Balance, end of year	$	385.9	$	340.1

The following maturity analysis of the Company's lease liabilities outstanding at March 31, 2021 is based on the expected undiscounted contractual cash flows until the contractual maturity date:

Less than 1 year	$	92.4
1-2 years		68.6
2-3 years		55.0
3-4 years		71.4
4-5 years		32.3
More than 5 years		282.2
	$	601.9

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

NOTE 8 GOODWILL AND INTANGIBLE ASSETS

	Goodwill	Trademarks[1]	Customer relationships[2]	Software[3] and other	Total Intangible Assets
					For the year ended March 31, 2021
		Definite Life			
Cost					
As at March 31, 2020	**$ 3,219.5**	**$ 1,156.0**	**$ 412.6**	**$ 372.8**	**$ 1,941.4**
Additions	**—**	**—**	**—**	**53.5**	**53.5**
Transfer	**—**	**—**	**—**	**3.7**	**3.7**
Impairment charges	**—**	**(19.0)**	**—**	**—**	**(19.0)**
Foreign currency and hyperinflation adjustments	**(153.4)**	**(10.8)**	**(22.7)**	**(14.1)**	**(47.6)**
As at March 31, 2021	**$ 3,066.1**	**$ 1,126.2**	**$ 389.9**	**$ 415.9**	**$ 1,932.0**
Accumulated Amortization					
As at March 31, 2020	**$ —**	**$ 75.1**	**$ 164.4**	**$ 61.2**	**$ 300.7**
Amortization	**—**	**53.9**	**35.1**	**37.0**	**126.0**
Foreign currency and hyperinflation adjustments	**—**	**0.9**	**(9.8)**	**(2.6)**	**(11.5)**
As at March 31, 2021	**$ —**	**$ 129.9**	**$ 189.7**	**$ 95.6**	**$ 415.2**
Net book value at March 31, 2021	**$ 3,066.1**	**$ 996.3**	**$ 200.2**	**$ 320.3**	**$ 1,516.8**

	Goodwill	Trademarks[1]	Customer relationships[2]	Software[3] and other	Total Intangible Assets
					For the year ended March 31, 2020
		Definite Life			
Cost					
As at March 31, 2019	$ 2,597.6	$ 464.4	$ 319.4	$ 273.8	$ 1,057.6
Business acquisitions (Note 18)	541.5	688.5	92.9	26.1	807.5
Additions	—	—	—	66.4	66.4
Transfer	—	—	(9.3)	0.5	(8.8)
Foreign currency and hyperinflation adjustments	80.4	3.1	9.6	6.0	18.7
As at March 31, 2020	$ 3,219.5	$ 1,156.0	$ 412.6	$ 372.8	$ 1,941.4
Accumulated Amortization					
As at March 31, 2019	$ —	$ 21.7	$ 125.5	$ 34.2	$ 181.4
Amortization	—	51.9	34.5	27.1	113.5
Foreign currency and hyperinflation adjustments	—	1.5	4.4	(0.1)	5.8
As at March 31, 2020	$ —	$ 75.1	$ 164.4	$ 61.2	$ 300.7
Net book value at March 31, 2020	$ 3,219.5	$ 1,080.9	$ 248.2	$ 311.6	$ 1,640.7

1 Trademarks are amortized straight-line over their useful lives which vary from 15 to 25 years.
2 Customer relationships are amortized straight-line over their useful lives which vary from 3 to 15 years.
3 None of the software were internally generated.

NOTE 8 GOODWILL AND INTANGIBLE ASSETS (CONT'D)

IMPAIRMENT TESTING OF CASH-GENERATING UNITS

Goodwill

In determining whether goodwill is impaired, the Company is required to estimate the respective recoverable amounts of CGUs or groups of CGUs to which goodwill is allocated. Management considers the sectors below to be CGUs or groups of CGUs 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 four geographic sectors. The Canada Sector consists of the Dairy Division (Canada). The USA Sector consists of the Dairy Division (USA). The International Sector combines the Dairy Division (Australia) and the Dairy Division (Argentina). Finally, the Europe Sector consists of the Dairy Division (UK).

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

Allocation of goodwill	**March 31, 2021**	March 31, 2020
Canada Sector		
Dairy Division (Canada)	**$ 401.5**	$ 401.5
USA Sector		
Dairy Division (USA)[1]	**1,851.1**	2,066.0
International Sector		
Dairy Division (Australia)	**265.4**	200.3
Dairy Division (Argentina)	**9.6**	8.7
Europe Sector		
Dairy Division (UK)	**538.5**	543.0
	$ 3,066.1	$ 3,219.5

[1] During fiscal 2021, the two former USA divisions, the Cheese Division (USA) and the Dairy Foods Division (USA), were merged into a single division now known as the Dairy Division (USA). As a result, the goodwill which was previously allocated to the two former divisions is now allocated to the Dairy Division (USA). As at March 31, 2020, goodwill of $1,393.1 million was allocated to the former Cheese Division USA and $672.9 million to the former Dairy Foods Division (USA).

Recoverable amounts for the Dairy Division (Canada) and the Dairy Division (USA) were estimated using an earnings multiplier valuation model (fair value less costs of disposal). The key assumptions used in these models consist mainly of earnings multipliers of market comparables that are applied to the results of each CGU or group of CGUs tested. The inputs used in this model are Level 3 inputs in the fair value hierarchy described in Note 3.

Recoverable amounts for the Dairy Division (Australia), the Dairy Division (Argentina), and the Dairy Division (UK) 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 revenues for the CGU.
- Discount rate**:** Cash flows are discounted using pre-tax discount rates.

The terminal growth rates and pre-tax discount rates applied to the Dairy Division (UK) were 1.9% and 6.1%, respectively.

The Company performed its annual impairment testing of goodwill based on the December 31, 2020 balances, and, in all cases, the recoverable amounts exceeded their respective carrying values including goodwill; therefore, goodwill was not considered to be impaired as at March 31, 2021.

NOTE 8 GOODWILL AND INTANGIBLE ASSETS (CONT'D)

Trademarks

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

Allocation of trademarks by sectors		March 31, 2021		March 31, 2020
Canada	**$**	**213.6**	$	228.6
USA		**130.2**		152.8
International		**35.8**		45.1
Europe		**616.7**		654.4
	$	**996.3**	$	1,080.9

The assessment of the estimated useful life of trademarks is reviewed annually. Trademarks are amortized using the straight-line method over their estimated useful lives, which vary from 15 to 25 years.

In fiscal 2021, the Company recognized impairment charges of $19.0 million related to trademarks. This charge was related to the Company’s decision to retire the *COON* cheese brand name from its Australian portfolio of brands and is part of a commitment to share in the responsibility to eliminate racism in all its forms.

NOTE 9 OTHER ASSETS

		March 31, 2021		March 31, 2020
Joint ventures	**$**	**40.7**	$	36.9
Financial loan		**50.0**		50.0
Derivative financial assets		**—**		22.5
Employee benefits (Note 19)		**177.5**		381.2
Other		**51.5**		54.7
	$	**319.7**	$	545.3

The Company holds interests in joint ventures, which are all accounted for using the equity method. The Company recognized $5.7 million in net earnings, representing its share of earnings in the joint ventures for the year ended March 31, 2021 ($1.9 million for the year ended March 31, 2020). Dividends received from the joint ventures amounted to $4.8 million for the year ended March 31, 2021 ($13.4 million for the year ended March 31, 2020).

NOTE 10 BANK LOANS

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

		Available for use			Amount drawn	
Credit Facilities	Maturity	Canadian Currency Equivalent	Base Currency		**March 31, 2021**	March 31, 2020
North America-USA	November 2024[1,8]	$ 376.9	300.0	USD	**$ —**	$ —
North America-Canada	November 2024[1,8]	$ 879.3	700.0	USD	**—**	—
Canada	January 2021[2]	$ —	—	CAD	**—**	24.9
Australia	Yearly[3,8]	$ 262.5	275.0	AUD	**—**	238.4
Australia	Yearly[3,8]	$ 125.6	100.0	USD	**—**	128.5
Japan	Yearly[4,8]	$ 90.4	8,000.0	JPY	**33.5**	24.8
United Kingdom	Yearly[5,8]	$ 129.9	75.0	GBP	**—**	17.5
Argentina	Yearly[6,8]	$ 147.0	117.0	USD	**—**	53.4
Argentina	Yearly[7]	$ 101.8	7,429.0	ARS	**42.1**	41.0
Total		$ 2,113.4			**$ 75.6**	$ 528.5

1 Bears monthly interest at rates ranging from lender's prime rates plus a maximum of 1.00% or LIBOR or BBSY or banker's acceptance rate plus 0.80% up to a maximum of 2.00% depending on the Company credit ratings.
2 Bore monthly interest at Bank's Prime Rate plus 0.25% or Banker's Acceptance Rate plus 1.25%.
3 Bears monthly interest at LIBOR or Australian Bank Bill Rate plus up to 1.00% and can be drawn in AUD or USD.
4 Bears monthly interest at TIBOR plus 0.70% and can be drawn in JPY.
5 Bears monthly interest at rates ranging from base rate plus 0.70% or LIBOR plus 0.70% and can be drawn in GBP.
6 Bears monthly interest at local rate and can be drawn in USD.
7 Bears monthly interest at local rate and can be drawn in ARS.
8 Subject to interest rate benchmark reform (see note 3)

Furthermore, during fiscal 2021, the Company entered into a trade receivable purchase agreement to sell certain receivables. As at March 31, 2021, receivables totalling $68.2 million (AU$71.5 million) were sold under this arrangement. The receivables were derecognized upon sale as substantially all risks and rewards associated with the receivables passed to the purchaser.

NOTE 11 LONG-TERM DEBT

		March 31, 2021		March 31, 2020
Unsecured bank term loan facilities				
Obtained April 2018 (AU$600.0 million) and due in April 2023[1]	**$**	**384.7**	$	437.1
Obtained April 2019 ($426.0 million) and repaid in June 2020[2]		**—**		418.8
Obtained April 2019 (£600.0 million) and due in April 2022[3]		**458.8**		1,036.4
Unsecured senior notes[4,5]				
2.20%, issued in June 2016 and due in June 2021 (Series 2)		**300.0**		300.0
2.83%, issued in November 2016 and due in November 2023 (Series 3)		**300.0**		300.0
1.94%, issued in June 2017 and due in June 2022 (Series 4)		**300.0**		300.0
3.60%, issued in August 2018 and due in August 2025 (Series 5)		**350.0**		350.0
2.88%, issued in November 2019 and due in November 2024 (Series 6)		**400.0**		400.0
2.24%, issued in June 2020 and due in June 2027 (Series 7)		**700.0**		—
1.42%, issued in November 2020 and due in June 2026 (Series 8)		**350.0**		—
Other		**34.3**		—
	$	**3,577.8**	$	3,542.3
Current portion		**300.0**		—
	$	**3,277.8**	$	3,542.3
Principal repayments are as follows:				
Less than 1 year	**$**	**300.0**	$	—
1-2 years		**758.8**		718.8
2-3 years		**684.7**		1,336.4
3-4 years		**400.0**		737.1
4-5 years		**350.0**		400.0
More than 5 years		**1,084.3**		350.0
	$	**3,577.8**	$	3,542.3

1 Bear monthly interest at rates ranging from lender's prime plus a maximum of 1.00%, or banker's acceptance rates or Australian Bank Bill Rate plus 0.80% up to a maximum of 2.00%, depending on the Company's credit ratings. Interest is paid every one, two, three or six months, as selected by the Company. As discussed in note 3 this debt is subject to interest rate benchmark reform.

2 Bore monthly interest at lender's prime rates plus a maximum of 1.00% or LIBOR or banker's acceptance rates plus 0.80% up to a maximum of 2.00%, depending on the Company's credit ratings.

3 Bears monthly interest at lender's prime rates plus a maximum of 1.00% or LIBOR or banker's acceptance rates plus 0.80% up to a maximum of 2.00%, depending on the Company's credit ratings, and can be drawn in CAD, USD or £. As discussed in note 3 this debt is subject to interest rate benchmark reform.

4 Interest payments are semi-annual.

5 On December 15, 2020, Saputo renewed its medium term note program by filing a supplement to its base shelf prospectus dated December 9, 2020, which provides the ability to make offerings of various securities during the 25-month period for which the base shelf prospectus is effective.

On June 16, 2020, the Company issued Series 7 medium term notes for an aggregate principal amount of $700.0 million due June 16, 2027, bearing interest at 2.24%. The net proceeds of the issuance were used during the first quarter of fiscal 2021 to repay (i) the $426.0 million 2-year tranche of the term loan facility incurred in connection with the Dairy Crest Acquisition and (ii) $206.0 million (AU$ 220.0 million) of revolving loan facilities for the Dairy Division (Australia), which included funds drawn in connection with the Specialty Cheese Business Acquisition. The remaining net proceeds were used for general corporate purposes.

On November 19, 2020, the Company issued Series 8 medium term notes for an aggregate principal amount of $350.0 million due June 19, 2026, bearing interest at 1.42%. The net proceeds of the issuance were used to repay $346.7 million (GBP 200.0 million) of the 3-year tranche of the term loan facility incurred in connection with the Dairy Crest Acquisition, and for general corporate purposes.

NOTE 11 LONG-TERM DEBT (CONT'D)

On November 19, 2019, the Company issued Series 6 medium term notes for an aggregate principal amount of $400.0 million and used the net proceeds to repay the $300.0 million aggregate principal amount of the Series 1 medium term notes due November 26, 2019, and the remainder of the net proceeds was used to repay a portion of the term loan facility obtained in April 2018.

On February 21, 2019, the Company entered into a credit agreement providing for a non-revolving term facility, denominated in British pounds sterling in the aggregate amount of $2.209 billion (£1.265 billion) (Dairy Crest Acquisition Facility), consisting of three tranches: a 1-year tranche of $698.5 million (£400.0 million), which was fully repaid in fiscal 2020; a 2-year tranche of $462.7 million (£265.0 million); and a 3-year tranche of $1.048 billion (£600.0 million). On April 15, 2019, an aggregate amount of $2.118. billion (£1.213 billion) was drawn on the Dairy Crest Acquisition Facility. On November 12, 2019, the 2-year tranche of £265.0 million ($456.5 million) was converted to a Canadian dollar denominated facility of $426.0 million.

NOTE 12 OTHER LIABILITIES

		March 31, 2021		March 31, 2020
Employee benefits (Note 19)	**$**	**42.9**	$	36.9
Derivative financial liabilities		**2.9**		7.1
Stock-based compensation - long-term portion		**51.4**		33.1
Other		**18.7**		21.4
	$	**115.9**	$	98.5

NOTE 13 SHARE CAPITAL

AUTHORIZED

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

	March 31, 2021			March 31, 2020		
	Common Shares			Common Shares		
	Number		**$**	Number		$
Balance, beginning of year	**408,638,373**	**$**	**1,685.7**	390,198,386	$	991.7
Issued under dividend reinvestment plan	**2,348,157**		**80.3**	—		—
Issued on exercise of options	**1,347,041**		**40.5**	1,797,434		54.1
Issued under Equity Offering	**—**	**$**	**—**	16,642,553		639.9
Balance, end of year	**412,333,571**	**$**	**1,806.5**	408,638,373	$	1,685.7

In fiscal 2020, the Company completed a public offering and a concurrent private placement of an aggregate of 16,642,553 common shares at a price of $39.60. per share for aggregate gross proceeds of $659 million (the Equity Offering). The proceeds, net of commissions, legal, and accounting fees of $19.1 million, were $639.9 million.

STOCK OPTION PLAN

The Company has an equity settled stock option plan to allow for the purchase of common shares by key employees and officers of the Company. The total number of common shares which may be issued pursuant to this plan cannot exceed 45,698,394 common shares. As at March 31, 2021, 14,595,623 common shares are available for future grants under this plan and 23,339,321 common shares are underlying options outstanding. During fiscal 2021, a total of 1,347,041 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.

NOTE 13 SHARE CAPITAL (CONT'D)

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

		March 31, 2021		March 31, 2020	
Granting period	Exercise price	**Number of options**	**Number of exercisable options**	Number of options	Number of exercisable options
2011	$ 14.66	**—**	**—**	39,840	39,840
2012	$ 21.61	**100,778**	**100,778**	543,390	543,390
2013	$ 21.48	**812,537**	**812,537**	1,122,735	1,122,735
2014	$ 25.55	**1,243,555**	**1,243,555**	1,479,140	1,479,140
2015	$ 27.74	**1,734,764**	**1,734,764**	1,941,956	1,941,956
2016	$ 35.08	**1,873,838**	**1,873,838**	2,056,423	1,565,767
2017	$ 41.40	**3,057,893**	**2,430,803**	3,357,766	1,974,026
2018	$ 46.29	**3,211,194**	**1,938,427**	3,345,835	1,347,563
2019	$ 41.02	**3,791,350**	**1,510,080**	3,949,185	765,219
2020	$ 45.30	**3,017,017**	**607,726**	3,109,822	—
2021	$ 33.35	**4,496,395**	**—**	—	—
		23,339,321	**12,252,508**	**20,946,092**	**10,779,636**

Changes in the number of outstanding options for the years ended March 31, are as follows:

	March 31, 2021		March 31, 2020	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Balance, beginning of year	**20,946,092**	**$ 38.05**	20,374,871	$ 35.96
Options granted	**4,637,830**	**$ 33.35**	3,319,450	$ 45.30
Options exercised	**(1,347,041)**	**$ 24.31**	(1,797,434)	$ 25.04
Options cancelled	**(897,560)**	**$ 40.70**	(950,795)	$ 43.17
Balance, end of year	**23,339,321**	**$ 37.81**	20,946,092	$ 38.05

The weighted average exercise price of the options granted in fiscal 2021 is $33.35, which corresponds to the weighted average market price for the five trading days immediately preceding the date of the grant ($45.30 in fiscal 2020).

The weighted average fair value of options granted in fiscal 2021 was estimated at $5.04 per option ($7.67 in fiscal 2020), using the Black-Scholes option pricing model with the following assumptions:

	March 31, 2021	March 31, 2020
Weighted average:		
Risk-free interest rate	**0.53 %**	1.61 %
Expected life of options	**6.3 years**	6.2 years
Volatility[1]	**21.17 %**	18.41 %
Dividend rate	**2.08 %**	1.45 %

[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 $22.3 million ($20.0 million net of taxes) relating to stock options was recorded in operating costs in the consolidated income statements for the year ended March 31, 2021. A compensation expense of $23.7 million ($21.3 million net of taxes) relating to stock options was recorded in operating costs in the consolidated income statements for the year ended March 31, 2020.

Options to purchase 1,984,038 common shares at a price of $37.52 per share were granted on April 1, 2021.

NOTE 13 SHARE CAPITAL (CONT'D)

DEFERRED SHARE UNIT PLAN FOR DIRECTORS

In accordance with the DSU plan, all eligible Directors of the Company are allocated an annual retainer payable 50% in DSUs and 50% in cash or 100% in DSUs, at the election of the Director. Until the ownership threshold is met by the Director, the Director must receive the entire compensation in DSUs. The number of DSUs granted quarterly to each Director is determined based on the market value of the Company's common shares at the date of each grant. When they cease to be a Director of the Company, a cash payment equal to the market value of the accumulated DSUs will be disbursed. The liability relating to these units is adjusted by taking the number of units outstanding multiplied by the market value of common shares at the Company's year-end. The Company includes the cost of the DSU plan in operating costs in the consolidated income statements.

	2021		2020	
	Units	**Liability**	Units	Liability
Balance, beginning of year	**404,019**	**$ 13.7**	349,648	$ 15.9
Annual retainer	**55,067**	**2.0**	48,185	1.8
Dividends reinvested	**8,599**	**0.3**	6,186	0.2
Variation due to change in stock price	**—**	**1.7**	—	(4.2)
Balance, end of year	**467,685**	**17.7**	404,019	$ 13.7

The Company enters into equity forward contracts in order to mitigate the compensation costs associated with its DSU plan. As at March 31, 2021, the Company had equity forward contracts on 420,000 common shares (320,000 as of March 31, 2020) with a notional value of $15.2 million ($13.1 million as of March 31, 2020). The net compensation expense related to the DSU plan was $3.5 million for the year ended March 31, 2021 ($2.0 million for March 31, 2020), including the effect of the equity forward contracts.

PERFORMANCE SHARE UNIT PLAN

The Company offers key employees and officers of the Company a performance share unit (PSU) plan to form part of long-term incentive compensation. The PSU plan is non-dilutive and is settled in cash only. Under the PSU plan, each performance cycle shall consist of three fiscal years of the Company. At the time of the grant of a PSU, the Company determines the performance criteria which must be met by the Company. The Corporate Governance and HR Committee has discretion to award compensation absent the achievement of the vesting criteria established.

Following completion of a three-year performance cycle, the PSUs for which the performance criteria have been achieved will vest and the value that will be paid out is based on the price of the common shares at such time, multiplied by the number of PSUs for which the performance criteria have been achieved. The amount potentially payable to eligible employees is recognized as a payable and is revised at each reporting period. The expense is included in employee benefits in operating costs in the consolidated income statements.

	2021	2020
	Units	Units
Balance, beginning of year	**819,656**	770,922
Annual grant	**501,811**	313,273
Cancelled	**(87,350)**	(27,379)
Payment	**(162,861)**	(237,160)
Balance, end of year	**1,071,256**	819,656

As at March 31, 2021, a long-term obligation related to PSUs of $21.5 million was recorded ($13.6 million as at March 31, 2020) in addition to $7.7 million that was recorded in accrued liabilities ($6.5 million as at March 31, 2020). On April 1, 2021, 682,326 PSUs were granted at a price of $37.52 per unit ($33.35 in 2020).

As at March 31, 2021, the Company had equity forward contracts on 1,170,000 common shares (770,000 as of March 31, 2020) with a notional value of $40.0 million ($31.3 million as of March 31, 2020). The net compensation expense related to PSUs was $13.4 million for the year ended March 31, 2021 ($10.2 million for the year ended March 31, 2020), including the effect of the equity forward contracts.

NOTE 13 SHARE CAPITAL CONT'D

RESTRICTED SHARE UNIT PLAN

The Company also offers a restricted share unit (RSU) plan to form part of long-term incentives compensation for key employees and officers of the Company. The RSU plan is non-dilutive and is settled in cash only. Under the RSU plan, each restriction period shall consist of three fiscal years of the Company. At the time of the grant of a RSU, the Company determines the vesting criteria which must be met by the participants. Such criteria may include, without limitation, continuing employment through all or part of the restriction period. The Corporate Governance and HR Committee has discretion to award compensation absent the achievement of the vesting criteria established. Following completion of a three-year restriction period, the RSUs for which the vesting criteria have been achieved will vest and the value that will be paid out is based on the price of the common shares at such time, multiplied by the number of RSUs for which the vesting criteria have been achieved. The amount potentially payable to eligible employees will be recognized as a payable and will be revised at each reporting period. The expense will be included in employee benefits in operating costs in the consolidated income statements.

	2021 Units	2020 Units
Balance, beginning of year	**129,778**	—
Annual grant	**205,119**	132,967
Cancelled	**(3,007)**	(2,755)
Payment	**(1,421)**	(434)
Balance, end of year	**330,469**	129,778

On April 1, 2021, 442,912 RSUs were granted at a price of $37.52 per unit ($33.35 in 2020). The compensation expense related to RSUs was $4.3 million for the year ended March 31, 2021 ($1.5 million in 2020), including the effect of the equity forward contracts.

The Company enters into equity forward contracts in order to mitigate the compensation costs associated with its PSU and RSU plans.

DIVIDENDS AND DIVIDEND REINVESTMENT PLAN

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

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

			For the year ended March 31, 2021
Payment date	**Cash**	**DRIP**	**Total**
July 9, 2020	**$ 51.2**	**$ 18.3**	**$ 69.5**
October 2, 2020	**51.7**	**19.9**	**71.6**
January 7, 2021	**51.4**	**20.4**	**71.8**
March 26, 2021	**50.3**	**21.7**	**72.0**
	$ 204.6	**$ 80.3**	**$ 284.9**

For the year ended March 31, 2020, dividends totalling $269.7 million were fully paid in cash.

NOTE 14 FINANCIAL CHARGES

	For the years ended March 31 2021	2020
Interest on long-term debt	**$ 78.7**	$ 95.6
Other finance costs, net	**27.3**	36.9
Gain on hyperinflation	**(17.1)**	(27.8)
Interest on lease liabilities	**15.2**	16.1
Net interest revenue from defined benefit obligation (Note 19)	**(7.4)**	(5.6)
	$ 96.7	$ 115.2

NOTE 15 INCOME TAXES

Income tax expense is comprised of the following:

	2021	2020
Current tax expense	**$ 150.8**	$ 145.1
Deferred tax expense	**67.0**	71.4
Income tax expense	**$ 217.8**	$ 216.5

RECONCILIATION OF THE EFFECTIVE TAX RATE

The effective income tax rate was 25.8% in 2021 (27.1% in 2020). The Company's income tax expense differs from the one calculated by applying Canadian statutory rates for the following reasons:

	2021	2020
Earnings before tax	**$ 843.4**	$ 799.3
Income taxes, calculated using Canadian statutory income tax rates of 25.8% (26.3% in 2020)	**217.8**	209.9
Adjustments resulting from the following:		
Effect of tax rates for foreign subsidiaries	**3.5**	5.7
Changes in tax laws and rates	**(0.9)**	7.1
Benefit arising from investment in subsidiaries	**(12.1)**	(9.1)
Impairment of goodwill/assets	**5.7**	—
Stock-based compensation	**3.5**	3.8
Disposal of asset held for sale	**—**	1.3
Adjustments in respect of prior years and other	**0.3**	(2.2)
Income tax expense	**$ 217.8**	$ 216.5

INCOME TAX RECOGNIZED IN OTHER COMPREHENSIVE INCOME

Income tax on items recognized in other comprehensive income in 2021 and 2020 were as follows:

	2021	2020
Deferred tax (benefit) expense on actuarial losses on employee benefit obligations	**$ (41.3)**	$ 16.9
Deferred tax expense (benefit) on cash flow hedges	**15.5**	(14.1)
Total income tax (benefit) expense recognized in other comprehensive income	**$ (25.8)**	$ 2.8

INCOME TAX RECOGNIZED IN EQUITY

Income tax on items recognized in equity in 2021 and 2020 were as follows:

	2021	2020
Excess tax benefit that results from the excess of the deductible amount over the stock-based compensation recognized in net earnings	**$ (1.0)**	$ (2.2)
Total income tax benefit recognized in equity	**$ (1.0)**	$ (2.2)

NOTE 15 INCOME TAXES (CONT'D)

CURRENT TAX ASSETS AND LIABILITIES

		2021		2020
Income taxes receivable	**$**	**34.7**	$	50.3
Income taxes payable		**(54.2)**		(51.4)
Income taxes payable (net)	**$**	**(19.5)**	$	(1.1)

DEFERRED TAX ASSETS AND LIABILITIES

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

		2021		2020
Deferred tax assets	**$**	**13.7**	$	50.7
Deferred tax liabilities		**(753.2)**		(759.6)
Deferred tax liabilities (net)	**$**	**(739.5)**	$	(708.9)

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

														For the year ended March 31, 2021
		Accounts payable and accrued liabilities		**Income tax losses**		**Net assets of pension plans**		**Inventories**		**Property, plant and equipment**		**Other**		**Net deferred tax liabilities**
Balance, beginning of the year	**$**	**68.0**	**$**	**42.3**	**$**	**(62.6)**	**$**	**(5.0)**	**$**	**(337.0)**	**$**	**(414.6)**	**$**	**(708.9)**
Charged/credited to net earnings		**(19.3)**		**(3.8)**		**(1.0)**		**(0.7)**		**(21.8)**		**(20.4)**		**(67.0)**
Charged/credited to other comprehensive income		**—**		**—**		**41.3**		**—**		**—**		**(15.5)**		**25.8**
Acquisitions		**3.5**		**—**		**—**		**—**		**1.0**		**(3.0)**		**1.5**
Translation and other		**0.4**		**(0.4)**		**0.5**		**0.6**		**(17.3)**		**25.3**		**9.1**
Balance, end of the year	**$**	**52.6**	**$**	**38.1**	**$**	**(21.8)**	**$**	**(5.1)**	**$**	**(375.1)**	**$**	**(428.2)**	**$**	**(739.5)**

														For the year ended March 31, 2020
		Accounts payable and accrued liabilities		Income tax losses		Net assets of pension plans		Inventories		Property, plant and equipment		Other		Net deferred tax liabilities
Balance, beginning of the year	$	58.1	$	1.1	$	9.3	$	1.2	$	(274.8)	$	(246.2)	$	(451.3)
Charged/credited to net earnings		8.4		11.2		(6.9)		3.0		(43.1)		(44.0)		(71.4)
Charged/credited to other comprehensive income		—		—		(16.9)		—		—		14.1		(2.8)
Acquisitions		3.6		29.7		(48.1)		(8.7)		(6.4)		(122.9)		(152.8)
Translation and other		(2.1)		0.3		—		(0.5)		(12.7)		(15.6)		(30.6)
Balance, end of the year	$	68.0	$	42.3	$	(62.6)	$	(5.0)	$	(337.0)	$	(414.6)	$	(708.9)

As at March 31, 2021, the Company had $275.5 million in capital losses for which no deferred tax assets had been recognized. These capital losses can be carried forward indefinitely but can only be used against future taxable capital gains.

In the March 2021 United Kingdom Budget, it was announced that legislation will be introduced in Finance Bill 2021 to increase the main rate of corporation tax from 19% to 25%, effective April 1, 2023. As substantive enactment will be after March 31, 2021, the rate increase is not yet reflected in these consolidated financial statements.

NOTE 16 NET EARNINGS PER SHARE

		For the years ended March 31
	2021	2020
Net earnings	**$ 625.6**	$ 582.8
Weighted average number of common shares outstanding	**409,854,735**	400,328,334
Dilutive options	**1,530,666**	2,121,698
Weighted average diluted number of common shares outstanding	**411,385,401**	402,450,032
Basic net earnings per share	**$ 1.53**	$ 1.46
Diluted net earnings per share	**$ 1.52**	$ 1.45

When calculating diluted net earnings per share for the year ended March 31, 2021, 14,951,292 options were excluded from the calculation because their exercise price is higher than the average market value of common shares (13,762,608 options, were excluded for the year ended March 31, 2020).

NOTE 17 FINANCIAL INSTRUMENTS

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

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

CREDIT RISK

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash 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 expected credit losses.

Due to its large and diverse customer base and its geographic diversity, the Company has low exposure to credit risk concentration with respect to customers' receivables. There are no receivables from any individual customer that exceeded 10% of the total balance of receivables as at March 31, 2021, and March 31, 2020. No customer represented more than 10% of total consolidated revenues for the fiscal years ended March 31, 2021, and March 31, 2020.

Allowances for expected credit loss are reviewed by Management at each financial position date and the estimate of the allowance for expected credit loss is updated based on the evaluation of the recoverability of trade receivables with each customer base, taking into account historical collection trends of past due accounts and current economic conditions. The accounts receivable from our export sales benefit from payment terms that are longer than our standard payment terms applicable to domestic sales. The Company considers a financial asset in default when contractual payments are considered past due and at risk depending on the various economic and asset-specific factors, or if it becomes probable that a customer will enter bankruptcy or other insolvency proceedings.

The amount of the allowance for expected credit loss is sufficient to cover the carrying amount of receivables considered past due and at risk. The amount of the loss is recognized in the consolidated income statements within operating costs. Subsequent recoveries of amounts previously written off are credited against operating costs in the consolidated income statements. These allowances are not significant for the year ended March 31, 2021.

NOTE 17 FINANCIAL INSTRUMENTS (CONT'D)

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in Note 22 relating to capital disclosures. It also manages liquidity risk by continuously monitoring actual and projected cash flows. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions out of the normal course of business.

Contractual maturities for the significant financial liabilities as at March 31, 2021, are as follows: accounts payable and accrued liabilities, bank loans, lease liabilities and long-term debt. All items included in accounts payable and accrued liabilities are less than one year. For maturities on bank loans, lease liabilities and the long-term debt, please refer to Note 10, Note 7, and Note 11, respectively.

INTEREST RATE RISK

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

For the fiscal year ended March 31, 2021, the interest expense on long-term debt totalled $78.7 million ($95.6 million in fiscal 2020). The interest accrued as at March 31, 2021, was $18.9 million ($13.2 million as at March 31, 2020).

As at March 31, 2021, the net amount exposed to short-term rates fluctuations was approximately $610.4 million. Based on this exposure, an assumed 1% increase in the interest rate would have an unfavourable impact of approximately $4.5 million on net earnings with an equal but opposite effect for an assumed 1% decrease.

Furthermore, in response to the upcoming IBOR reform describe in note 3, the Company is closely monitoring the market and the output from the various industry working groups managing the transition to new benchmark interest rates.

FOREIGN EXCHANGE RISK

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

The Company enters into forward exchange contracts to sell US dollars and buy Australian dollars in order to mitigate market fluctuations in the USD/AUD exchange rates on receivables. During the fiscal year, the cash flow hedges were highly effective and accordingly, the Company recognized an unrealized gain of $46.2 million (net of tax of $19.0 million) in other comprehensive income as a result. A gain of $24.7 million (net of tax of $10.6 million) was reclassified to net earnings during fiscal 2021 related to these forward exchange contracts. These cash flow hedges were also deemed to be highly effective during fiscal 2020, and an unrealized loss of $30.6 million (net of tax of $11.9 million), was recorded in other comprehensive income. A loss of $13.0 million (net of tax of $5.0 million) was reclassified to net earnings during fiscal 2020 related to these forward exchange contracts.

NOTE 17 FINANCIAL INSTRUMENTS (CONT'D)

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

		2021		2020
Change in net earnings	$	15.1	$	18.5
Change in comprehensive income	$	277.2	$	455.8

COMMODITY PRICE RISK

In certain instances, the Company enters into futures contracts to hedge against fluctuations in the price of commodities. The Company applies hedge accounting for certain of these transactions. During the fiscal year, these hedges (designated as cash flow hedges) were highly effective and accordingly, an unrealized loss of $0.4 million (net of tax of $0.2 million) was recorded in other comprehensive income. A loss of $20.5 million (net of tax of $7.2 million) was reclassified to net earnings during fiscal 2021 when the related inventory was ultimately sold. These hedges were also assessed to be highly effective during fiscal 2020 and accordingly, an unrealized loss of $25.7 million (net of tax of $9.0 million) was recorded in other comprehensive income.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company determined that the fair value of certain of its financial assets and financial liabilities with short-term maturities approximates their carrying value. These financial instruments include cash and cash equivalents, receivables, bank loans, accounts payable and accrued liabilities. The table below presents the fair value and the carrying value of other financial instruments as at March 31, 2021, and March 31, 2020. Since estimates are used to determine fair value, they must not be interpreted as being realizable in the event of a settlement of the instruments.

	March 31, 2021		March 31, 2020	
	Fair value	Carrying value	Fair value	Carrying value
Cash flow hedges				
Commodity derivatives (Level 2)	$ 1.5	$ 1.5	$ (28.7)	$ (28.7)
Foreign exchange derivatives (Level 2)	(6.1)	(6.1)	(9.1)	(9.1)
Derivatives not designated in a formal hedging relationship				
Equity forward contracts (Level 2)	4.9	4.9	(7.4)	(7.4)
Commodity derivatives (Level 2)	1.1	1.1	(10.1)	(10.1)
Foreign exchange derivatives (Level 2)	(0.1)	(0.1)	—	—
Long-term debt (Level 2)	3,625.9	3,577.8	3,505.7	3,542.3

For the years ended March 31, 2021, and 2020, there were no changes in valuation techniques and in inputs used in the fair value measurements and there were no transfers between the levels of the fair value hierarchy.

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

NOTE 18 BUSINESS ACQUISITIONS

LION DAIRY & DRINKS PTY LTD

On October 28, 2019, the Company acquired the specialty cheese business of Lion Dairy & Drinks Pty Ltd (the Specialty Cheese Business). The Specialty Cheese Business is conducted at two manufacturing facilities located in Burnie and King Island, Tasmania (Australia) and employs approximately 400 people. The Specialty Cheese Business produces, markets and distributes a variety of specialty cheeses under a wide portfolio of Australian brands, including *Australian Gold, King Island Dairy, Mersey Valley, South Cape and Tasmanian Heritage*.

The purchase price of $248.3 million (AU$278.1 million), on a cash-free and debt-free basis, was paid in cash from cash on hand and available credit facilities. In connection with this acquisition, the Company incurred acquisition-related costs of approximately $9 million in fiscal 2020, mainly comprised of stamp duty taxes.

DAIRY CREST GROUP PLC

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

The total consideration of $2.122 billion (£1.218 billion), was financed through a term loan facility (Note 10) and available cash. This consideration includes the purchase price for the entire issued ordinary share capital of $1.695 billion (£973.1 million) and $426.8 million (£245.1 million) of assumed debt. In connection with this acquisition, the Company incurred acquisition-related costs of approximately $23 million recorded in fiscal 2020, which included approximately $9 million in stamp duty taxes.

The Company recorded charges of $40.1 million during fiscal 2020 related to the non-cash fair value inventory adjustment as part of the Dairy Crest Acquisition purchase price allocation.

Other assets relating to the Dairy Crest Acquisition listed below are comprised of the acquired net pension surplus of $283.1 million (£162.6 million) on the acquisition date. As at April 15, 2019, the fair value of plan assets and defined benefit pension plan obligations were $2.031 billion (£1.166 billion) and $1.748 billion (£1.004 billion), respectively.

The plan assets are composed mainly of bonds and cash. The value of the defined benefit pension plan obligations was calculated using a discount rate of 2.6%.

Recognized goodwill reflects the value assigned to the European platform enabling growth and an assembled workforce within the Dairy Division (UK) CGU.

NOTE 18 BUSINESS ACQUISITIONS CONT'D

The allocation of each purchase price is presented below.

		Dairy Crest	Specialty Cheese Business	Total
Assets acquired	Cash	$ 7.0	$ 13.0	$ 20.0
	Receivables	54.6	37.1	91.7
	Inventories	369.4	45.7	415.1
	Income taxes receivable	1.5	—	1.5
	Prepaid expenses and other assets	12.1	0.4	12.5
	Property, plant and equipment	369.1	175.7	544.8
	Right-of-use assets	73.4	—	73.4
	Goodwill	541.5	—	541.5
	Intangible assets	802.8	9.6	812.4
	Other assets	283.1	2.6	285.7
	Deferred income taxes	—	1.5	1.5
Liabilities assumed	Accounts payable and accrued liabilities	(151.7)	(25.0)	(176.7)
	Lease liabilities	(70.4)	—	(70.4)
	Other liabilities	(8.3)	(12.3)	(20.6)
	Long-term debt	(436.6)	—	(436.6)
	Deferred income taxes	(152.8)	—	(152.8)
Net assets acquired		$ 1,694.7	$ 248.3	$ 1,943.0

NOTE 19 EMPLOYEE POST-EMPLOYMENT BENEFIT PLANS

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

DEFINED CONTRIBUTION PLANS

The Company offers and participates in defined contribution pension plans of which 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 2021, the defined contribution expenses for the Company amounted to $76.5 million ($71.7 million in fiscal 2020). The Company expects to contribute approximately $78.8 million to its defined contribution plans for fiscal 2022.

DEFINED BENEFIT PLANS

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

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

The registered pension plans must comply with statutory funding requirements in the jurisdiction in which they are registered. Funding valuations are required on an annual or triennial basis, depending on the jurisdiction, and employer contributions must include amortization payments for any deficit, over a period of 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.

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

The cost of pension benefits earned by employees is actuarially determined using the projected unit credit method and using a discount rate based on high quality corporate bonds and Management's assumptions bearing on, among other things, rates of compensation increase and retirement age of employees. All of these estimates and assessments are formulated with the help of external consultants. The plan assets and benefit obligations were valued as at March 31 with the assistance of the Company's external actuaries. The Company also offers complementary retirement benefits programs, such as health insurance, life insurance and dental plans to eligible employees and retired employees. The Company expects to contribute approximately $3.6 million to its defined benefit plans in fiscal 2022.

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

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

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

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

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

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

	March 31, 2021			March 31, 2020		
	Dairy Division (UK) Defined Benefit Pension Fund	**Other Plans**	**Total**	Dairy Division (UK) Defined Benefit Pension Fund	Other Plans	Total
Fair value of assets	**$ 2,080.4**	**68.3**	**2,148.7**	$ 2,114.5	63.7	2,178.2
Present value of funded obligations	**1,902.9**	**73.5**	**1,976.4**	1,733.3	66.3	1,799.6
Present value of net surplus (obligations) for funded plans	**177.5**	**(5.2)**	**172.3**	381.2	(2.6)	378.6
Present value of unfunded obligations	**—**	**(37.5)**	**(37.5)**	—	(34.0)	(34.0)
Present value of net surplus (obligations)	**177.5**	**(42.7)**	**134.8**	381.2	(36.6)	344.6
Asset ceiling test	**—**	**(0.2)**	**(0.2)**	—	(0.3)	(0.3)
Accrued pension/benefit cost	**$ 177.5**	**(42.9)**	**134.6**	$ 381.2	(36.9)	344.3

Presented in the statement of financial position as follows:

	March 31, 2021	March 31, 2020
Other Assets (Note 9)	**$ 177.5**	$ 381.2
Other Liabilities (Note 12)	**(42.9)**	(36.9)
Total net surplus (liability)	**$ 134.6**	$ 344.3

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

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

			March 31, 2021			March 31, 2020
	Dairy Division (UK) Defined Benefit Pension Fund	**Other Plans**	**Total**	Dairy Division (UK) Defined Benefit Pension Fund	Other Plans	Total
Defined benefit obligation, beginning of year	**$ 1,733.3**	**100.3**	**1,833.6**	$ —	102.1	102.1
Dairy Crest Acquisition (Note 18)	**—**	**—**	**—**	1,747.7	—	1,747.7
Current service costs	**—**	**5.5**	**5.5**	—	5.8	5.8
Interest cost	**38.5**	**3.6**	**42.1**	41.4	3.3	44.7
Actuarial (gains) losses due to change in experience	**(17.2)**	**3.6**	**(13.6)**	(5.4)	0.4	(5.0)
Actuarial (gains) losses due to changes in financial assumptions	**235.8**	**9.9**	**245.7**	17.7	(7.1)	10.6
Actuarial losses due to changes in demographic assumptions	**—**	**(0.2)**	**(0.2)**	—	—	—
Exchange differences	**(13.4)**	**(1.4)**	**(14.8)**	4.2	0.5	4.7
Benefits paid	**(74.1)**	**(10.3)**	**(84.4)**	(72.3)	(4.7)	(77.0)
Defined benefit obligation, end of year	**$ 1,902.9**	**111.0**	**2,013.9**	$ 1,733.3	100.3	1,833.6

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

			March 31, 2021			March 31, 2020
	Dairy Division (UK) Defined Benefit Pension Fund	**Other Plans**	**Total**	Dairy Division (UK) Defined Benefit Pension Fund	Other Plans	Total
Fair value of plan assets, beginning of year	**$ 2,114.5**	**63.7**	**2,178.2**	$ —	66.3	66.3
Dairy Crest Acquisition (Note 18)	**—**	**—**	**—**	2,030.8	—	2,030.8
Interest income on plan assets	**47.1**	**2.4**	**49.5**	48.1	2.2	50.3
Return on plan assets, excluding interest income	**11.9**	**4.5**	**16.4**	93.1	(4.3)	88.8
Administration costs	**(1.2)**	**(0.2)**	**(1.4)**	(1.4)	(0.2)	(1.6)
Contributions by employer	**—**	**8.1**	**8.1**	11.3	4.4	15.7
Exchange differences	**(17.8)**	**0.1**	**(17.7)**	4.9	—	4.9
Benefits paid	**(74.1)**	**(10.3)**	**(84.4)**	(72.3)	(4.7)	(77.0)
Fair value of plan assets, end of year	**$ 2,080.4**	**68.3**	**2,148.7**	$ 2,114.5	63.7	2,178.2

For fiscal 2021, actual return on plan assets amounted to a gain of $64.5 million ($137.5 million in fiscal 2020).

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

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

	March 31, 2021			March 31, 2020		
	Dairy Division (UK) Defined Benefit Pension Fund	**Other Plans**	**Total**	Dairy Division (UK) Defined Benefit Pension Fund	Other Plans	Total
Bonds, LDI and cash[1]	**$ 1,387.6**	**51.1**	**1,438.7**	$ 1,431.5	49.0	1,480.5
Annuity contract	**420.3**	**—**	**420.3**	422.9	—	422.9
Property and other	**272.5**	**—**	**272.5**	260.1	—	260.1
Equity Instruments	—	**17.2**	**17.2**	—	14.7	14.7
Total	**$ 2,080.4**	**68.3**	**2,148.7**	$ 2,114.5	63.7	2,178.2

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

The Consolidated Income Statements include the following:

	March 31, 2021			March 31, 2020		
	Dairy Division (UK) Defined Benefit Pension Fund	**Other Plans**	**Total**	Dairy Division (UK) Defined Benefit Pension Fund	Other Plans	Total
Recognized in “Operating costs” (Note 5):						
Employer current service cost	**$ —**	**5.5**	**5.5**	$ —	5.8	5.8
Administration costs	**1.2**	**0.2**	**1.4**	1.4	0.2	1.6
	1.2	**5.7**	**6.9**	1.4	6.0	7.4
Recognized in “Financial charges” (Note 14):						
Interest costs	**38.5**	**3.6**	**42.1**	41.4	3.3	44.7
Interest income on plan assets	**(47.1)**	**(2.4)**	**(49.5)**	(48.1)	(2.2)	(50.3)
	(8.6)	**1.2**	**(7.4)**	(6.7)	1.1	(5.6)
Net defined benefits plans expense	**$ (7.4)**	**6.9**	**(0.5)**	$ (5.3)	7.1	1.8

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

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

	March 31, 2021			March 31, 2020		
	Dairy Division (UK) Defined Benefit Pension Fund	**Other Plans**	**Total**	Dairy Division (UK) Defined Benefit Pension Fund	Other Plans	Total
Return on plan assets (excluding interest income)	**$ 11.9**	**4.5**	**16.4**	$ 93.1	(4.3)	88.8
Actuarial gains (losses) due to change in experience	**17.2**	**(3.6)**	**13.6**	5.4	(0.4)	5.0
Actuarial gains due to changes in demographic assumptions	**—**	**0.2**	**0.2**	—	—	—
Actuarial gains (losses) due to changes in financial assumptions	**(235.8)**	**(9.9)**	**(245.7)**	(17.7)	7.1	(10.6)
Effect of the asset ceiling test	**—**	**0.2**	**0.2**	—	0.6	0.6
Amount recognized in other comprehensive income	**$ (206.7)**	**(8.6)**	**(215.3)**	$ 80.8	3.0	83.8

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

	March 31, 2021		March 31, 2020	
	Dairy Division (UK) Defined Benefit Pension Fund	**Other Plans**	Dairy Division (UK) Defined Benefit Pension Fund	Other Plans
Discount rate	**2.10 %**	**3.21 %**	2.30 %	3.83 %
Duration of the obligation	**18.00**	**17.30**	18.00	17.68
Inflation Rate	**2.50 %**	**2.00 %**	1.80 %	2.00 %
Future salary increases	**n/a**	**3.0 %**	n/a	3.0 %
Mortality table	**S2P base tables with the following scaling factors: Pens (M/F): 109%/103% Defs (M/F): 110%/99%**	**2014 Private Sector Canadian Pensioners Mortality Table, projected generationally using Scale MI-2017**	S2P base tables with the following scaling factors: Pens (M/F): 109%/103% Defs (M/F): 110%/99%	2014 Private Sector Canadian Pensioners' Mortality Table, projected generationally using Scale MI-2017

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

SENSITIVITY TO CHANGES IN ASSUMPTIONS

The impact of an increase (decrease) of 0.1% of the discount rate would be a decrease of $35.5 million of the amount of the obligation (increase of $36.0 million). A one-year increase in life expectancy would increase the obligation by approximately $98.8 million. Specifically, for the Dairy Division (UK) Defined Benefit Pension Fund, the impact of an increase of 0.1% of the inflation rate would be an increase of approximately $30.1 million of the amount of the obligation. Specifically pertaining to the Other plans, an increase of 0.1% of the percentage of future salary increases would be an increase of approximately $0.5 million of the amount of the obligation.

NOTE 20 COMMITMENTS AND CONTINGENCIES

COMMITMENTS

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

	Leases[1]	Purchase obligations[2]	Total
Less than 1 year	$ 5.6	$ 163.8	$ 169.4
1-2 years	7.7	33.0	40.7
2-3 years	2.6	12.2	14.8
3-4 years	1.5	9.7	11.2
4-5 years	0.7	7.2	7.9
More than 5 years	1.5	8.4	9.9
	$ 19.6	$ 234.3	$ 253.9

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

CLAIMS

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

INDEMNIFICATIONS

The Company from time to time offers indemnifications to third parties in the normal course of its business, in connection with business or asset acquisitions or disposals. These indemnification provisions may be in connection with breach of representations and warranties, and for future claims for certain liabilities. The terms of these indemnification provisions vary in duration. At March 31, 2021, 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, 2021, and March 31, 2020, the Company had not recorded any significant liabilities associated with these indemnifications.

LETTERS OF CREDIT

As at March 31, 2021, the Company had issued letters of credit in an aggregate amount of $68.5 million pursuant to a banking facility authorizing the issuance of letters of credit in an aggregate amount of $110.8 million (as at March 31, 2020, the Company had issued letters of credit in an aggregate amount of $63.2 million pursuant to a banking facility authorizing the issuance of letters of credit in an aggregate amount of $110.1 million).

NOTE 21 RELATED PARTY TRANSACTIONS

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

Transactions with key management personnel (short-term employee benefits, post-employment benefits, 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.

NOTE 21 RELATED PARTY TRANSACTIONS (CONT'D)

Transactions with related parties are as follows:

	2021	2020
Entities subject to control or significant influence through ownership by its principal shareholder	**$ 3.9**	$ 6.2
Key management personnel		
Directors	**2.8**	2.5
Executive officers	**37.6**	32.4
	$ 44.3	$ 41.1

Dairy products provided by the Company were the following:

	2021	2020
Entities subject to control or significant influence through ownership by its principal shareholder	**$ 0.4**	$ 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, 2021	March 31, 2020	**March 31, 2021**	March 31, 2020
Entities subject to control or significant influence through ownership by its principal shareholder	**$ 0.4**	$ 0.1	**$ —**	$ 0.2
Key management personnel				
Directors	**—**	—	**17.7**	13.7
Executive officers	**—**	—	**47.4**	39.7
	$ 0.4	$ 0.1	**$ 65.1**	$ 53.6

The amounts payable to the Directors consist entirely of balances payable under the Company's DSU plan. Refer to Note 13 for further details. The amounts payable to executive officers consist of short-term employee incentives, share-based awards, and post-retirement benefits.

KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2021	2020
Directors		
Cash-settled payments	**$ 0.6**	$ 0.4
Stock-based compensation	**2.2**	2.1
	$ 2.8	$ 2.5
Executive officers		
Short-term employee benefits	**$ 18.0**	$ 16.4
Post-employment benefits	**5.9**	3.1
Stock-based compensation	**13.7**	12.9
	$ 37.6	$ 32.4
Total compensation	**$ 40.4**	$ 34.9

NOTE 21 RELATED PARTY TRANSACTIONS (CONT'D)

SUBSIDIARIES

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

	Percentage Owned	Location
Saputo Dairy Products Canada G.P.	100.00%	Canada
Saputo Cheese USA Inc.	100.00%	USA
Saputo Dairy Foods USA, LLC	100.00%	USA
Saputo Dairy Australia Pty Ltd	100.00%	Australia
Warrnambool Cheese and Butter Factory Company Holdings Ltd	100.00%	Australia
The King Island Company Pty Ltd	100.00%	Australia
Molfino Hermanos S.A.	100.00%	Argentina
Dairy Crest Ltd	100.00%	UK

NOTE 22 CAPITAL DISCLOSURES

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its growth strategies and undertake selective acquisitions, while at the same time taking a conservative approach towards financial leverage and management of financial risk. An additional objective includes a target for long-term leverage of 2.25 times net debt to Earnings before interest, income taxes, depreciation, amortization, impairment of intangible assets, inventory revaluation resulting from a business acquisition, and 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.

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

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, impairment of intangible assets, inventory revaluation resulting from a business acquisition, and acquisition and restructuring costs. The net debt-to-Earnings before interest, income taxes, depreciation, amortization, impairment of intangible assets, inventory revaluation resulting from a business acquisition, and acquisition and restructuring costs ratios as at March 31, 2021, and March 31, 2020, are as follows:

	2021	2020
Bank loans	**$ 75.6**	$ 528.5
Lease liabilities	**461.0**	414.8
Long-term debt, including current portion	**3,577.8**	3,542.3
Cash and cash equivalents	**(308.7)**	(319.4)
Net debt	**$ 3,805.7**	$ 4,166.2
Earnings before interest, income taxes, depreciation, amortization, impairment of intangible assets, inventory revaluation resulting from a business acquisition, and acquisition and restructuring costs	**$ 1,470.9**	$ 1,467.8
Net debt-to-earnings before interest, income taxes, depreciation, amortization, impairment of intangible assets, inventory revaluation resulting from a business acquisition, and acquisition and restructuring costs	**2.59**	2.84

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, 2021.

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

NOTE 23 ACQUISITION AND RESTRUCTURING COSTS

Acquisition and restructuring costs are summarized as follows:

		2021		2020
Restructuring costs	**$**	**(6.2)**	$	13.6
Acquisition costs		**3.0**		32.4
Total	**$**	**(3.2)**	$	46.0

RESTRUCTURING COSTS

Restructuring costs include a gain on disposal of assets of $6.2 million ($4.6 million after tax) relating to the sale of a facility in the Canada Sector, as compared to $13.6 million ($10.0 million after tax) in the previous year related to the announcement of two plant closures. Impairment charges to property, plant and equipment were recorded to reduce the carrying value of those assets to their estimated recoverable amount.

ACQUISITION COSTS

The Company incurred acquisition costs of $3.0 million ($2.2 million after tax) in fiscal 2021 which related to additional costs from a previous acquisition. In fiscal 2020, acquisition costs incurred in connection with the Dairy Crest Acquisition and the Specialty Cheese Business Acquisition, (Note 18) were $32.4 million ($28.4 million after tax).

NOTE 24 SEGMENTED INFORMATION

The Company reports under four geographic sectors. The Canada Sector consists of the Dairy Division (Canada). The USA Sector consists of the Dairy Division (USA). During the second quarter of fiscal 2021, the Company announced the merger into a single division of its two former USA divisions, the Cheese Division (USA) and the Dairy Foods Division (USA), now known as the Dairy Division (USA). The International Sector consists of the Dairy Division (Australia) and the Dairy Division (Argentina). The Europe Sector consists of the Dairy Division (UK).

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

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.

NOTE 24 SEGMENTED INFORMATION CONT'D

INFORMATION ON REPORTABLE SECTORS

Years ended March 31		**2021**		For the years ended March 31 2020
Revenues				
Canada	**$**	**4,134.9**	$	4,007.3
USA		**6,121.8**		7,093.6
International[1]		**3,221.4**		3,076.7
Europe		**815.8**		765.9
	$	**14,293.9**	$	14,943.5
Earnings before interest, income taxes, depreciation, amortization, impairment of intangible assets, inventory revaluation resulting from a business acquisition, and acquisition and restructuring costs				
Canada	**$**	**446.9**	$	404.4
USA		**567.3**		615.4
International		**305.0**		304.9
Europe		**151.7**		143.1
	$	**1,470.9**	$	1,467.8
Depreciation and amortization				
Canada	**$**	**98.9**	$	91.9
USA		**199.9**		174.2
International		**111.7**		107.8
Europe		**104.5**		93.3
	$	**515.0**	$	467.2
Impairment of intangible assets (Note 8)		**19.0**		—
Inventory revaluation resulting from a business acquisition		**—**		40.1
Acquisition and restructuring costs		**(3.2)**		46.0
Financial charges		**96.7**		115.2
Earnings before income taxes		**843.4**		799.3
Income taxes		**217.8**		216.5
Net earnings	**$**	**625.6**	$	582.8

[1] Australia accounted for $2,528.9 million and $2,353.9 million of the International Sector revenues, while Argentina accounted for $692.5 million and $722.8 million for the year ended March 31, 2021, and 2020, respectively.

NOTE 24 SEGMENTED INFORMATION CONT'D

MARKET SEGMENT INFORMATION

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

For the years ended March 31	Total		Canada		USA		International		Europe	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Revenues										
Retail	**$ 7,571.0**	$ 7,360.2	**$ 2,614.1**	$ 2,345.9	**$ 2,846.8**	$ 3,074.0	**$ 1,399.3**	$ 1,306.5	**$ 710.8**	$ 633.8
Foodservice	**4,081.5**	5,061.4	**1,199.3**	1,430.4	**2,650.5**	3,417.5	**223.6**	203.8	**8.1**	9.7
Industrial	**2,641.4**	2,521.9	**321.5**	231.0	**624.5**	602.1	**1,598.5**	1,566.4	**96.9**	122.4
	14,293.9	14,943.5	**4,134.9**	4,007.3	**6,121.8**	7,093.6	**3,221.4**	3,076.7	**815.8**	765.9

GEOGRAPHIC INFORMATION

	March 31, 2021	March 31, 2020
Net book value of property, plant and equipment		
Canada	**$ 855.7**	$ 795.2
USA	**1,480.4**	1,664.1
Australia	**962.9**	916.1
Argentina	**100.2**	106.4
United Kingdom	**378.1**	368.2
	$ 3,777.3	$ 3,850.0
Net book value of intangible assets		
Canada	**$ 319.8**	$ 326.9
USA	**365.6**	444.3
Australia	**117.0**	94.0
Argentina	**7.6**	10.5
United Kingdom	**706.8**	765.0
	$ 1,516.8	$ 1,640.7

NOTE 25 SUBSEQUENT EVENTS

Acquisitions of Bute Island Foods Ltd. and of the Reedsburg facility

On May 25, 2021, the Company completed the acquisition of Bute Island Foods Ltd. based in Scotland (United Kingdom). Bute Island Foods Ltd. is a manufacturer, marketer and distributor of a variety of dairy alternative cheese products for both the retail and foodservice market segments under the vegan *Sheese* brand, alongside private label brands. The business employs approximately 180 people. Additionally, Saputo acquired, on May 29, 2021, the Reedsburg facility of Wisconsin Specialty Protein, LLC (the Reedsburg Facility). This facility located in Wisconsin (USA) manufactures value-added ingredients such as goat whey, organic lactose and other dairy powders and it employs approximately 40 people. The aggregate purchase price for these acquisitions totalled approximately $187 million, and was paid in cash at closing from available credit facilities and cash on hand.