Saputo

2 SECOND QUARTER | FISCAL 2022

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

- Revenues were stable at $3.7 billion.
- Adjusted EBITDA* amounted to $283 million, down $87 million or 23.5%.
- Net earnings totalled $98 million and EPS** (basic and diluted) were $0.24, down from $171 million and EPS (basic and diluted) of $0.42.
- Adjusted net earnings excluding amortization of intangible assets related to business acquisitions* totalled $116 million, down from $184 million, and the corresponding EPS** (basic and diluted) were $0.28, down from $0.45.

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

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2021	2020	**2021**	2020
Revenues	**3,689**	3,702	**7,177**	7,093
Adjusted EBITDA*	**283**	370	**573**	737
Net earnings	**98**	171	**151**	313
Adjusted net earnings excluding amortization of intangible assets related to business acquisitions*	**116**	184	**238**	363
Net earnings per share				
Basic	**0.24**	0.42	**0.37**	0.76
Diluted	**0.24**	0.42	**0.36**	0.76
Adjusted net earnings per share excluding amortization of intangible assets related to business acquisitions*				
Basic	**0.28**	0.45	**0.58**	0.89
Diluted	**0.28**	0.45	**0.57**	0.88

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

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

HIGHLIGHTS

- Challenging market conditions, including labour shortages, supply chain disruptions and inflationary pressures, continued to impact our sectors to varying degrees, with the USA Sector being the most impacted.
- The Canada Sector, our most balanced platform from a market segmentation standpoint, continued to show improved results.
- Inflation continued to create upward pressure on input costs, including an impact of $33 million on adjusted EBITDA* related to freight and logistical costs, mainly in North America, and USA Market Factors** negatively impacted adjusted EBITDA by $17 million.
- In the International Sector, lower export sales volumes due to supply chain challenges, including container shortages and port inefficiencies, continued to negatively impact results.
- In the Europe Sector, the contribution of the acquisitions of Bute Island Foods Ltd. (Bute Island Acquisition) and the business of Wensleydale Dairy Products Limited (Wensleydale Dairy Products Acquisition), completed on May 25, 2021, and July 30, 2021, respectively, was positive.
- Consolidated sales volumes were stable, with sales volumes from our foodservice and retail market segments progressively rebalancing.
- The fluctuation of the Canadian dollar versus foreign currencies negatively impacted revenues and adjusted EBITDA by $143 million and $21 million, respectively.
- On August 31, 2021, we completed the acquisition of the Carolina Aseptic and Carolina Dairy businesses formerly operated by AmeriQual Group Holdings, LLC (Carolina Acquisition), increasing the USA Sector's capacity to manufacture and distribute products in the aseptic beverage and food categories, as well as the nutritional snacks space.
- The Board of Directors approved a dividend of $0.18 per share payable on December 17, 2021, to common shareholders of record on December 7, 2021.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The goal of the management report is to analyze the results and the financial position of Saputo for the quarter ended September 30, 2021. The management report should be read while referring to Saputo's condensed interim consolidated financial statements and accompanying notes for the three and six-month periods ended September 30, 2021, and 2020. The Company's condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting as issued by the International Accounting Standards Board. The accounting policies of the Company are in accordance with International Financial Reporting Standards (IFRS). All dollar amounts are in Canadian dollars, unless otherwise indicated. This report takes into account material elements between September 30, 2021, and November 4, 2021, the date on which this report was approved by the Company's Board of Directors. The information in this report is being presented as at September 30, 2021, unless otherwise specified. Additional information about the Company, including its Annual Report and Annual Information Form for the year ended March 31, 2021, can be obtained on SEDAR at www.sedar.com.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

By their nature, forward-looking statements are subject to a number of inherent risks and uncertainties. Actual results could differ materially from those stated, implied or projected in such forward-looking statements. As a result, we cannot guarantee that any forward-looking statements will materialize, and we warn readers that these forward-looking statements are not statements of historical fact or guarantees of future performance in any way. Assumptions, expectations and estimates made in the preparation of forward-looking statements and risks and uncertainties that could cause actual results to differ materially from current expectations are discussed in our materials filed with the Canadian securities regulatory authorities from time to time, including the "Risks and Uncertainties" section of the Management’s Discussion and Analysis dated June 3, 2021, available on SEDAR under Saputo's profile at www.sedar.com.

Such risks and uncertainties include the following: product liability; the COVID-19 pandemic; the availability of raw materials (including as a result of climate change or extreme weather) and related price variations, along with our ability to transfer those increases, if any, to our customers in competitive market conditions; the price fluctuation of our products in the countries in which we operate, as well as in international markets, which are based on supply and demand levels for dairy products; cyber threats and other information technology-related risks relating to business disruptions, confidentiality, data integrity business and email compromise-related fraud; the increased competitive environment in the dairy industry; consolidation of clientele; supplier concentration; unanticipated business disruption; the economic environment; changes in environmental laws and regulations; the potential effects of climate change; increased focus on environmental sustainability matters; our ability to identify, attract and retain qualified individuals; the failure to adequately integrate acquired businesses in a timely and efficient manner; the failure to execute our global strategic plan as expected; the failure to complete capital expenditures as planned; changes in consumer trends; changes in interest rates and access to capital markets. Our ability to achieve our environmental targets, commitments and goals is further subject to, among others, our ability to access and implement all technology necessary to achieve our targets, commitments and goals, as well as the development and performance of technology, innovation and the future use and deployment of technology and associated expected future results, and environmental regulation. Our ability to achieve our 2025 Supply Chain Pledges is further subject to, among others, our ability to leverage our supplier relationships.

Forward-looking statements are based on Management’s current estimates, expectations and assumptions regarding, among other things; the projected revenues and expenses; the economic, industry, competitive and regulatory environments in which we operate or which could affect our activities; our ability to attract and retain customers and consumers; our environmental performance; our sustainability efforts; the effectiveness of our environmental and sustainability initiatives; the availability and cost of milk and other raw materials and energy supplies; our operating costs; the pricing of our finished products on the various markets in which we carry on business; the effects of the COVID-19 pandemic; the successful execution of our global strategic plan; our ability to deploy capital expenditure projects as planned; our ability to correctly predict, identify, and interpret changes in consumer preferences and demand, to offer new products to meet those changes, and to respond to competitive innovation; our ability to leverage our brand value; our ability to drive revenue growth in our key product categories or platforms or add products that are in faster-growing and more profitable categories; the contribution of recent acquisitions; the anticipated market supply and demand levels for dairy products; the anticipated warehousing, logistical and transportation costs; our effective income tax rate; the exchange rate of the Canadian dollar to the currencies of cheese and dairy ingredients.

Management believes that these estimates, expectations and assumptions are reasonable as of the date hereof, and are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events, including the duration and severity of the COVID-19 pandemic, and are accordingly subject to changes after such date. Forward-looking statements are intended to provide shareholders with information regarding Saputo, including our assessment of future financial plans, and may not be appropriate for other purposes. Undue importance should not be placed on forward-looking statements, and the information contained in such forward-looking statements should not be relied upon as of any other date.

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

CONSOLIDATED RESULTS FOR THE SECOND QUARTER AND FISCAL PERIOD ENDED SEPTEMBER 30, 2021

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

Revenues

Revenues for the **second quarter of fiscal 2022** totalled $3.689 billion, down $13 million or 0.4%, as compared to $3.702 billion for the same quarter last fiscal year.

Sales volumes were stable compared to those of the second quarter of fiscal 2021. Foodservice market segment sales volumes increased as COVID-19 restrictions continued to be gradually lifted by governments and vaccination rates rose. This was offset by lower retail market segment sales volumes as they returned to historical levels. Retail market segment sales in the second quarter of fiscal 2021 had benefited from increased levels in connection with the shift in consumer demand caused by the COVID-19 pandemic. Supply chain challenges, due to container shortages and port inefficiencies, negatively impacted export sales volumes in our International Sector, although the situation improved compared to the previous quarter.

The combined effect of the lower average block market price** and a higher average butter market price** had a negative impact of $119 million. Pricing initiatives implemented during the quarter to mitigate increasing input costs began to contribute positively in North America and in our Europe Sector. Also, revenues were positively impacted by higher domestic selling prices in the Canada Sector, which increased due to the higher cost of milk as raw material. Higher international cheese and dairy ingredient market prices had a positive impact. On the other hand, fulfilling most of the remainder of the export sales contracts that had been entered into in previous quarters at depressed commodity prices in the International Sector continued to negatively impact revenues, although to a lesser extent than in the first quarter of fiscal 2022. The combined effect of the fluctuation of the Argentine peso and the Australian dollar on export sales denominated in US dollars was favourable.

The contributions of the Bute Island Acquisition and the Reedsburg facility of Wisconsin Specialty Protein, LLC (the Reedsburg Facility Acquisition) as well as the partial contributions of the Wensleydale Dairy Products Acquisition and the Carolina Acquisition (collectively, the Recent Acquisitions) totalled $26 million.

Finally, the fluctuation of foreign currencies, most particularly the US dollar, versus the Canadian dollar had an unfavourable impact of $143 million.

Revenues for the **first six months of fiscal 2022** totalled $7.177 billion, up $84 million or 1.2%, as compared to $7.093 billion for the same period last fiscal year.

Overall, sales volumes were higher than those of the first six months of fiscal 2021, mainly due to an increase in the foodservice market segment and, to a lesser extent, in the industrial market segment, as governments continued to lift restrictions and vaccination levels continued to rise. However, sales volumes decreased in the retail market segment when compared to the surge that occurred in the first quarter of fiscal 2021, although this surge began to level off during the second quarter of fiscal 2021. Supply chain challenges, due to container shortages and port inefficiencies, negatively impacted export sales volumes in our International Sector.

Pricing initiatives implemented during the second quarter to mitigate increasing input costs began to contribute positively in North America and in our Europe Sector. Revenues were positively impacted by higher domestic selling prices in the Canada Sector, which increased due to the higher cost of milk as raw material. Higher international cheese and dairy ingredient market prices had a positive impact. However, fulfilling the export sales contracts that had been entered into during previous quarters at depressed commodity prices in the International Sector had an unfavourable impact. The combined effect of the fluctuation of the Argentine peso and the Australian dollar on export sales denominated in US dollars was favourable. The combined effect of the lower average block market price** and a higher average butter market price** had a negative impact of $73 million.

The contributions of the Recent Acquisitions totalled $28 million.

Finally, the fluctuation of foreign currencies, most particularly the US dollar, versus the Canadian dollar had an unfavourable impact of $322 million.

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

Adjusted EBITDA*

Adjusted EBITDA for the **second quarter of fiscal 2022** totalled $283 million, down $87 million or 23.5%, as compared to $370 million for the same quarter last fiscal year.

As described above, overall sales volumes were stable compared to the same quarter last fiscal year. Both the labour shortages in some of our facilities and supply chain disruptions negatively impacted efficiencies and the absorption of fixed costs.

We continued to face rising inflation where pricing initiatives lagged cost surges, more so than historically. Input costs, such as transportation, fuel, consumables and packaging, increased in all our divisions due to inflationary pressures. This included an increase of $33 million related to freight and logistical costs, mainly in North America, which more than offset the positive effect of pricing initiatives undertaken during the quarter.

USA Market Factors** had a negative effect of $17 million. The relation between international cheese and dairy ingredient market prices and the cost of milk as raw material in the International Sector had a positive impact. On the other hand, the effect of fulfilling most of the remainder of the export sales contracts entered into at depressed commodity prices in previous quarters was unfavourable.

The contributions of the Recent Acquisitions described above were positive.

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

Adjusted EBITDA for the **first six months of fiscal 2022** totalled $573 million, down $164 million or 22.3%, as compared to $737 million for the same period last fiscal year.

Input costs, such as transportation, fuel, consumables and packaging, increased in all our divisions due to inflationary pressures. This included an increase of $56 million related to freight and logistical costs, mainly in North America, which more than offset the positive effect of the pricing initiatives discussed above.

In a volatile dairy commodity market, USA Market Factors** had a negative effect of $59 million. However. the favourable relation between international cheese and dairy ingredient market prices and the cost of milk as raw material in the International Sector had a positive impact. On the other hand, the effect of fulfilling export sales contracted in previous periods at depressed commodity prices was unfavourable.

Overall higher sales volumes had a favourable impact on efficiencies and the absorption of fixed costs, while both the labour shortages and supply chain disruptions continued to put pressure on our ability to supply demand.

The contributions of the Recent Acquisitions were positive.

The fluctuation of foreign currencies versus the Canadian dollar had an unfavourable impact of $42 million.

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Operating costs excluding depreciation, amortization, and restructuring costs

Operating costs excluding depreciation, amortization, and restructuring costs for the **second quarter of fiscal 2022** totalled $3.406 billion, up $74 million or 2.2%, as compared to $3.332 billion for the same quarter last fiscal year. The increase was due to higher input costs in all our divisions caused by inflationary pressures. The increase in the cost of raw material and consumables used was negligible reflecting the combined effect of stable revenues, dairy commodity market volatility and higher input costs. Employee salary and benefit expenses increased due to inflation and wage increases.

Operating costs excluding depreciation, amortization, and restructuring costs for the **first six months of fiscal 2022** totalled $6.604 billion, up $248 million or 3.9%, as compared to $6.356 billion for the same period last fiscal year. The increase was due to higher input costs in all our divisions caused by inflationary pressures. Higher revenues, dairy commodity market volatility and higher input costs contributed to the higher cost of raw materials and consumables used. Employee salary and benefit expenses increased due to inflation and wage increases.

Depreciation and amortization

Depreciation and amortization for the **second quarter of fiscal 2022** totalled $137 million, up $11 million, as compared to $126 million for the same quarter last fiscal year. In the **first six months of fiscal 2022**, depreciation and amortization totalled $268 million, up $16 million, as compared to $252 million for the same period last fiscal year. These increases were mainly attributable to additional depreciation and amortization related to the Recent Acquisitions, as well as additions to property, plant and equipment, which increased the depreciable base.

Impairment of intangible assets

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

Acquisition and restructuring costs

Acquisition and restructuring costs for the **second quarter of fiscal 2022** amounted to a net gain of $2 million, which included a favourable $6 million ($4 million after tax) purchase price adjustment for a prior acquisition and costs incurred for the Recent Acquisitions in the second quarter of fiscal 2022. During the same quarter last fiscal year, a gain on disposal of assets was recorded in the amount of $6 million ($5 million after tax) related to the sale of a closed facility in the Canada Sector.

Acquisition and restructuring costs for the **first six months of fiscal 2022** amounted to nil, which included a favourable $6 million ($4 million after tax) purchase price adjustment described above and costs incurred for the Recent Acquisitions. During the same period last fiscal year, a gain on disposal of assets was recorded in the amount of $6 million ($5 million after tax), as described above.

Financial charges

In the **second quarter and first six months of fiscal 2022**, financial charges totalled $19 million and $37 million, respectively, down $3 million and $10 million, respectively, mainly due to an increased gain on hyperinflation derived from the indexation of non-monetary assets and liabilities in Argentina.

Income tax expense

Income tax expense for the **second quarter of fiscal 2022** totalled $31 million, reflecting an effective tax rate of 24.0% as compared to 25.0% for the same quarter last fiscal year.

Income tax expense for the **first six months of fiscal 2022** totalled $117 million, reflecting an effective tax rate of 43.7% as compared to 26.4% for the same period last fiscal year. Deferred income tax liability balances were adjusted to reflect the enactment in June 2021 of an increase from 19% to 25% of the corporate income tax rate in the United Kingdom which will be effective as of April 1, 2023. As a result, we incurred a one-time non-cash income tax expense of $50 million. The effective rate also reflected the increase in the corporate income tax rate in Argentina from 25% to 35%, enacted in June 2021. During the same period last fiscal year, income tax expense reflected the tax treatment of an impairment of intangible assets charge of $19 million. Excluding the effects of these factors, the effective tax rates for the six-month periods ended September 30, 2021, and 2020, would have been 24.1% and 25.1%, respectively.

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

Net earnings

Net earnings for the **second quarter of fiscal 2022** totalled $98 million, down $73 million or 42.7%, as compared to $171 million for the same quarter last fiscal year. In the **first six months of fiscal 2022**, net earnings totalled $151 million, down $162 million or 51.8%, as compared to $313 million for the same period last fiscal year. These decreases were mainly due to the aforementioned factors.

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

Adjusted net earnings excluding amortization of intangible assets related to business acquisitions for the **second quarter of fiscal 2022** totalled $116 million, down $68 million or 37.0%, as compared to $184 million for the same quarter last fiscal year. In the **first six months of fiscal 2022**, adjusted net earnings excluding amortization of intangible assets related to business acquisitions totalled $238 million, down $125 million or 34.4%, as compared to $363 million for the same period last fiscal year. These decreases were due to the aforementioned factors.

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SELECTED QUARTERLY FINANCIAL INFORMATION

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

Fiscal years	**2022**		2021				2020	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	**3,689**	3,488	3,438	3,763	3,702	3,391	3,719	3,891
Adjusted EBITDA*	**283**	290	303	431	370	367	299	417
Adjusted EBITDA margin**	**7.7 %**	8.3 %	8.8 %	11.5 %	10.0 %	10.8 %	8.0 %	10.7 %
Net earnings	**98**	53	103	210	171	142	89	198
Impairment of intangible assets[1]	**—**	—	—	—	—	19	—	—
UK tax rate change[2]	**—**	50	—	—	—	—	—	—
Acquisition and restructuring costs[1]	**(1)**	1	2	—	(5)	—	10	6
Amortization of intangible assets related to business acquisitions[1]	**19**	18	19	18	18	18	18	25
Adjusted net earnings excluding amortization of intangible assets related to business acquisitions*	**116**	122	124	228	184	179	117	229
Per share								
Net earnings								
Basic	**0.24**	0.13	0.25	0.51	0.42	0.35	0.22	0.49
Diluted	**0.24**	0.13	0.25	0.51	0.42	0.35	0.22	0.48
Adjusted net earnings per share excluding amortization of intangible assets related to business acquisitions*								
Basic	**0.28**	0.30	0.30	0.56	0.45	0.44	0.29	0.56
Diluted	**0.28**	0.29	0.30	0.55	0.45	0.44	0.28	0.56

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

Selected factors positively (negatively) affecting financial performance

(in millions of CDN dollars)

Fiscal years	**2022**		2021			
	Q2	Q1	Q4	Q3	Q2	Q1
USA Market Factors*,[1]	**(17)**	(42)	(4)	34	4	23
Foreign currency exchange[1, 2]	**(21)**	(21)	(2)	—	4	(4)

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

OUTLOOK

BUSINESS UPDATE

COVID-19 pandemic

As an essential provider, we will continue to navigate through the COVID-19 pandemic challenges by focusing on our key priorities:

- safeguarding the health, safety, and well-being of our employees;
- mitigating the impacts of the current landscape on our production and supply chain activities;
- adapting commercial initiatives and supporting customers with insights to adapt their offerings and address changing needs.

Factors currently impacting our performance

We continue to feel the lingering disruptions of the COVID-19 pandemic on global economic conditions, commodity pricing, consumer demand, access to labour, supply chains, and business productivity.

- The **global economy recovery remains uneven**. And as economies re-open, we are faced with **labour challenges, supply chain bottlenecks, and inflationary pressures**.

- While we had expected the **availability of labour** to improve with the back-to-school transition and the expiration of pandemic stimulus measures, particularly in the USA, this recovery has yet to materialize and we anticipate it **could take at least another 12 months** before this situation normalizes. Moreover, filling open positions will remain a challenge in selected regions. In response, we continue to deploy and test several initiatives, including wage adjustments, bonus referrals, and increased advertising. These efforts have yet to yield any tangible benefits as we continue to run certain facilities well below optimal staffing levels in the USA. Labour challenges are compounded by the fact that many of the rural areas where we operate have lower vaccination rates as compared to the general population, which can lead to higher infection rates in the community and therefore higher absenteeism. This situation will improve should the USA government's anticipated vaccine mandate for companies with more than 100 employees come into effect, a process that involves the Occupational Safety and Health Administration (OSHA) issuing an Emergency Temporary Standard (ETS) to implement this requirement.
  Addressing labour availability issues is top-of-mind as we continue to deploy our Global Strategic Plan:

  a. We are currently prioritizing network optimization initiatives in those facilities where we see a more stable and sustained talent pool for the long-term.
  b. Focusing on a "less is more" approach, we have begun rationalizing the number of SKUs we produce, thereby reducing complexity in our commercial, manufacturing, and supply chain operations.
  c. As our Plan progresses, we intend to increase automation in selected facilities.

- Labour challenges are also impacting our **third-party transport and logistics** partners in the USA, leading to reduced service levels and higher costs.

- **Input costs**, including overtime wages, transportation, fuel, consumables, and packaging, are expected to remain at sustained high levels due to **inflationary pressures**. As a mitigating measure, we implemented multiple phases of pricing initiatives in the USA. Cost recovery initiatives have also been successfully implemented in Canada, Australia, and the UK. These measures can take up to 90 days to take effect and should be fully reflected in the third quarter. We are reserving the right to pass through future increases, as required, in response to rising inflation and cost surges.

- Overall, the **retail market segment** continues to perform well, and we expect our sales will keep exceeding pre-pandemic levels. However, in the USA, the internal **labour challenges** and **supply chain difficulties** described above are impacting our ability to maintain order fill rates at historical levels.

- Ongoing (but varied) public health-driven restrictions globally continue to depress **demand levels in the foodservice market segment**. Should vaccination levels continue to progress, and vaccines remain effective against different variants, it is expected that consumer mobility, and therefore foodservice demand will continue to recover, as compared to pre-pandemic levels. The timing and magnitude of recovery will vary by geography. The situation continues to be volatile and remains in flux.

- The **COVID-related oversupply (large quantities in frozen storage) and ongoing overcapacity of mozzarella** destined for the foodservice market segment in the USA has further increased competition. We remain committed to profitable sales volumes, and we continue to focus on diversifying into more value-added categories in both the retail and foodservice market segments.

- We are exposed to **fluctuations in dairy commodity prices, which remain volatile**. Following a record negative impact of USA Market Factors in the first quarter of fiscal 2022, led by an unfavourable Spread, we started seeing signs of improvement in the second quarter. USA Market Factors will continue to fluctuate from quarter to quarter based on market conditions, but we expect this more favourable trend to carry on as we move into the back half of fiscal 2022. Although we adjust our pricing to reflect commodity prices, there may be a lag which may cause swings in operating income and cash flow from one quarter to another.

- Despite the volatile nature of **international cheese and dairy ingredient markets**, we expect **export prices to be more stable** over the next few quarters.

- In the **industrial market segment**, volumes destined for export markets continue to recover, however, the pace and timing of the recovery to pre-pandemic levels will be variable and depend on the export market and improvements within the **supply chain**. Although access to containers is slowly improving, it remains difficult to find vessels to get our products to market, due to COVID-related port closures and inefficiencies. In our International Sector, we have worked through the tail end of the unfavourable export contract pricing we locked in last year, but the team continues to mitigate transport delays and constraints where possible. As COVID-impacted ports slowly began reopening late in the second quarter, the situation should improve over the coming months.

- In Australia, the **increased competition for raw material** remains high, pressuring both milk intake and pricing. Accordingly, we are continuing to leverage our diversified approach, which combines milk purchases from our patron farmers and third-party brokers as well as toll manufacturing agreements.

Magnitude of the impact on our fiscal 2022 financial performance
The magnitude of the impact of these factors on our financial performance in fiscal 2022 remains difficult to estimate. With the slower than anticipated recovery and the difficulties we faced in the first half, we expect **overall performance in fiscal 2022 to be below that of fiscal 2021**.

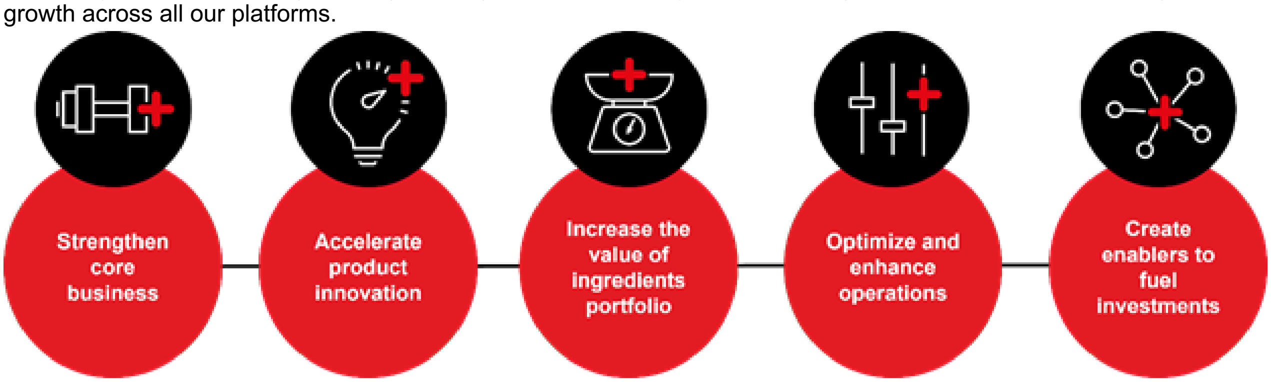
Looking at the remainder of fiscal 2022, we expect the third quarter to be our strongest, but still below the same period in fiscal 2021, which included highly favourable USA Market Factors that are unlikely to reach similar levels in fiscal 2022. We do not expect to see year-over-year improvement before the fourth quarter of fiscal 2022. As we move into the back half of fiscal 2022, we expect to see benefits from our labour-focused efforts, price increases, and strategic initiatives.

We are focused on "controlling the controllables" and moving our business forward
Many of the issues outlined above, most of which are transitory in nature, are not unique to Saputo or our industry, and we are focused on managing those that are within our control. We will stay agile and flexible, both commercially and operationally, to proactively respond to further changes and disruptions. We believe we have a strong foundation to build on as we remain steadfast in the execution of our growth strategy.

GROWTH STRATEGY

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

Organic Growth
Our four-year Global Strategic Plan (the Plan), based on five key pillars, is designed to deliver accelerated organic growth across all our platforms.



Growth target and progression:

We are **targeting high single-digit Adjusted EBITDA* CAGR**[1] over the four-year period **to reach $2.125 billion by the end of fiscal 2025.** This represents a total increase of $650 million over the four-year period, or approximately 44%, compared to our fiscal 2021 performance. The three main areas which are expected to deliver this growth over the next four years are as follows:

1. We plan to grow our sales volumes at more than double the annual growth rate of global per capita dairy consumption in all regions, except for Australia, where we do not expect the milk pool to grow. We expect this increase in our revenues to deliver incremental Adjusted EBITDA* growth of roughly $200 million.
2. We anticipate an additional $200 million of Adjusted EBITDA* growth will be generated by initiatives centred on optimizing and enhancing operations.
3. The remaining $250 million is expected to come from our other four pillars: Strengthen core business, Accelerate product innovation, Increase the value of our ingredients portfolio, and Create enablers to fuel investments, with the latter having the smallest contribution.

The anticipated cost efficiencies derived from optimizing and enhancing our operations are expected to be realized in the back half of our Plan. Therefore, Adjusted EBITDA* growth is not expected to be linear. Moreover, while our goal continues to be to pursue Adjusted EBITDA* growth in every year of our Plan, the challenging market conditions in the first two quarters and our outlook for the remainder of fiscal 2022, as described above, are impeding our ability to meet our goal in year one.

Looking ahead:

- We **remain very bullish** about our organic Global Strategic Plan.
- We **believe in the initiatives we are implementing to deliver $650 million in Adjusted EBITDA* growth** by the end of fiscal 2025.
- We stand firm in **maintaining our Adjusted EBITDA* target of $2.125 billion** by the end of fiscal 2025 as this is **what we believe we can achieve with the asset base at our disposal**.

Detailed below are selected initiatives by pillar that were either completed or in progress during the first half of fiscal 2022:

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

In the first quarter, we entered into a long-term exclusive partnership with Hochland to expand distribution of our market-leading *Cathedral City* brand into Germany, starting in the fourth quarter of fiscal 2022, and we continued to pursue opportunities to increase distribution to North America.

Our new filling production line in the USA has been up and running since the end of August, as planned. It enables us to manufacture aseptic nutritional products sold in the retail market segment under a partner's well-known brand name.

Also in the USA, we made progress on our simplification and SKU rationalization projects as we work to reduce the number of formats we manufacture in order to increase productivity while decreasing the complexity of our commercial and supply chain activities.

As part of our e-commerce strategy, our Dairy Division (Canada) launched *Nibbl*, an innovative B2C platform, in September. A first in the Canadian marketplace, *Nibbl* delivers curated specialty cheese boxes direct to consumers in Ontario and Québec, and we are actively working on expanding our distribution across Canada.

* See the "Non-IFRS Financial Measures" section of this Management's Discussion and Analysis for the reconciliations to IFRS measures.
[1] CAGR, Compound Annual Growth Rate is defined as the year-over-year growth rate over a specified amount of time.

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

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

For dairy alternative cheese, we now have the manufacturing capabilities in-house following the acquisition of UK-based Bute Island Foods, and we have a product with the right sensory attributes that was well-received by North American foodservice partners during the trial phase. We are working on converting this success into sales on a global scale, including in North America and Australia.

For dairy alternative beverages, we are focused on supporting existing players through co-packing arrangements, and we continued to secure new business across North America. Our two facilities in the USA took on additional volume in the second quarter, and we are adding more capacity with our Port Coquitlam, BC, facility.

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

Since the acquisition of the Reedsburg facility of Wisconsin Specialty Protein, LLC, we have begun materializing on our ingredients strategy to enhance our portfolio in the USA and internationally and move up the value chain. This facility provides our Dairy Division (USA) with new manufacturing capabilities for value-added ingredients such as goat whey, organic lactose, and other dairy powders. As a leading goat cheese manufacturer in North America, we are now in a position to take a leadership role in manufacturing goat whey and other niche value-added products. We made great strides towards that goal during the first half of the fiscal year, as we evaluate our ingredients portfolio and develop specialized whey products to bring to market.

Across the pond, our Dairy Division (UK) worked diligently on diversifying our dairy ingredient customer base and reaching a more flexible arrangement in relation to an exclusive arrangement that hampered our ability to diversify our customer and market mix. We expect the benefits to come through in the second half of fiscal 2022.

Optimize and enhance operations - we are undertaking specific operations-focused initiatives in our manufacturing, supply chain and logistics activities.

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

In Canada, we initiated several automation projects during the second quarter, which were originally slated to begin in fiscal 2023, as part of our global focus to accelerate our operational plans where possible. Also, our new state-of-the-art fluid milk and dairy alternative beverage facility in Port Coquitlam, BC, is now open. Fluid dairy production started at the end of August and plant-based beverage production is still slated to begin later this fall. Following a transition period, we completed the transfer of production and staff from certain neighbouring facilities over to the Port Coquitlam plant. This will reduce the duplication of costs, and we expect the benefit to be reflected during the second half of the fiscal year.

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

Create enablers to fuel investments – this pillar comprises initiatives, some of which are ongoing, that will allow us to materialize synergies and reduce overhead costs.

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

As for the merge of our two USA divisions into "One USA", we are making good progress as we continue to work on harmonizing our processes and procedures, to maximize synergies and support our Division's future growth.

Capital expenditures:

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

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

Strategic Acquisitions

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

In July, we completed the acquisition of the business of Wensleydale Dairy Products Limited, which complements and broadens our existing range of British cheeses. Then, on August 31, 2021, we completed the Carolina Acquisition. Carolina Aseptic develops, manufactures, packages, and distributes aseptic shelf-stable food products and beverages, while Carolina Dairy manufactures, packages, and distributes refrigerated yogurt in spouted pouches. By complementing our network in the USA and bringing new, innovative capacity and capabilities in-house, the Carolina Acquisition expands our presence in attractive and growing market segments, including aseptic formats, nutritional beverages, and dairy snacking through long-term strategic customer partnerships.

The incremental post-acquisition Adjusted EBITDA* we expect to derive over time through organic growth will contribute to strengthening our core business in value-added categories.

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

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

The Saputo Promise

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

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

In August, we unveiled our **new 2025 Supply Chain Pledges** as part of our planned efforts to help address sustainability considerations beyond the scope of our operations. We are currently allocating the right expertise and resources towards our Supply Chain Pledges and defining the practices which will form part of our sustainability standards. Reinforcing and aligning with these efforts, in September, we announced our support for **Pathways to Dairy Net Zero**, an initiative to accelerate climate change action in the global dairy sector. We are committed to doing our part to help transition to a net zero food system by 2050 by helping create a sustainable and equitable food system, working in partnership with our farmers, suppliers and industry partners.

Within the scope of our operations, we continue to make strides towards our **environmental targets** as part of our formal commitment to make significant and sustainable progress by 2025. We completed the capital allocation for the 24 new projects we are undertaking in fiscal 2022, which are currently in the execution stage, to help accelerate our climate, water and waste performance.

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

Striking the Right Balance Between Operating Responsibly and Pursuing Growth

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

INFORMATION BY SECTOR

CANADA SECTOR

(in millions of CDN dollars)

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

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

Revenues

Revenues for the **second quarter of fiscal 2022** totalled $1.081 billion, up $18 million or 1.7%, as compared to $1.063 billion for the same quarter last fiscal year.

Higher selling prices in connection with the higher cost of milk as raw material and higher dairy ingredient market prices contributed positively. Pricing initiatives implemented during the quarter to mitigate increasing input costs caused by inflationary pressures began to contribute positively.

Sales volumes in the retail and industrial market segments were lower as they returned to historical levels, which had a negative impact, although partially offset by a rebound in sales volumes in the foodservice market segment. Retail market segment sales in the comparative quarter of fiscal 2021 had benefited from an uplift from the shift in consumer demand related to the COVID-19 pandemic.

Revenues for the **first six months of fiscal 2022** totalled $2.114 billion, up $69 million or 3.4%, as compared to $2.045 billion for the same period last fiscal year.

Higher selling prices in connection with the higher cost of milk as raw material and higher dairy ingredient market prices contributed positively. Pricing initiatives implemented during the second quarter to mitigate increasing input costs caused by inflationary pressures began to contribute positively.

Overall, sales volumes were stable, with lower sales volumes in the retail and industrial market segments having a negative impact, although offset by a rebound in sales volumes in the foodservice market segment. Retail market segment sales in the comparative period of fiscal 2021 had benefited from an uplift in consumer demand related to the COVID-19 pandemic, mainly in the fluid milk category.

Adjusted EBITDA

Adjusted EBITDA for the **second quarter of fiscal 2022** totalled $124 million, up $7 million or 6.0%, as compared to $117 million for the same quarter last fiscal year.

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

Higher input costs caused by inflationary pressures had an unfavourable impact, including $5 million related to freight and logistical costs. Pricing initiatives were undertaken to offset these increased costs.

Overall, sales volumes decreased, with lower sales volumes in the retail and industrial market segments having a negative impact, although partially offset by higher sales volumes in the foodservice market segment.

Adjusted EBITDA for the **first six months of fiscal 2022** totalled $237 million, up $16 million or 7.2%, as compared to $221 million for the same period last fiscal year.

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

Higher input costs caused by inflationary pressures had an unfavourable impact, including $8 million related to freight and logistical costs. Pricing initiatives were undertaken to offset these increased costs.

Overall, sales volumes were stable, with lower sales volumes in the retail and industrial market segments and increased foodservice market segment sales volumes.

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

USA SECTOR

(in millions of CDN dollars)

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

Selected factors positively (negatively) affecting financial performance

(in millions of CDN dollars)

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

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

Other pertinent information

(in US dollars, except for average exchange rate)

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

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

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

Revenues

Revenues for the **second quarter of fiscal 2022** totalled $1.533 billion, down $116 million or 7.0%, as compared to $1.649 billion for the same quarter last fiscal year.

The combined effect of the lower average block market price* and a higher average butter market price* had a negative impact of $118 million.

Higher sales volumes in the foodservice market segment had a positive impact. Consumer demand for mozzarella continued to recover, as compared to the same quarter last fiscal year, although market conditions remained highly competitive.

Pricing initiatives implemented during the quarter to mitigate increasing input costs, caused by inflationary pressures, began to contribute positively.

The contribution of the Reedsburg Facility Acquisition and the one-month contribution of the Carolina Acquisition totalled $10 million.

The fluctuation of the US dollar versus the Canadian dollar had an unfavourable impact of $94 million.

Revenues for the **first six months of fiscal 2022** totalled $3.039 billion, down $27 million or 0.9%, as compared to $3.066 billion for the same period last fiscal year.

The combined effect of the lower average block market price* and a higher average butter market price* had a negative impact of $72 million.

Higher sales volumes in the foodservice market segment had a positive impact. Consumer demand for mozzarella continued to recover, although it remained in flux and subject to highly competitive market conditions.

Pricing initiatives implemented during the second quarter to mitigate increasing input costs, caused by inflationary pressures, began to contribute positively.

The contributions of the Reedsburg Facility Acquisition and the Carolina Acquisition for the four-month and one-month periods, respectively, since they were acquired totalled $10 million.

The fluctuation of the US dollar versus the Canadian dollar had an unfavourable impact of $252 million.

Adjusted EBITDA

Adjusted EBITDA for the **second quarter of fiscal 2022** totalled $67 million, down $73 million or 52.1%, as compared to $140 million for the same quarter last fiscal year.

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

We continued to face rising inflation where pricing initiatives lagged cost surges, more so than historically. Pricing initiatives undertaken during the quarter did not fully mitigate increasing input costs caused by inflationary pressures. This included an increase of $28 million related to freight and logistical costs.

The following factors, included under USA Market Factors*, resulted in a combined negative net impact of $17 million:

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

The contribution of the Reedsburg Facility Acquisition and the one-month contribution of the Carolina Acquisition were minimal.

The fluctuation of the US dollar versus the Canadian dollar had an unfavourable impact of $8 million.

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

Adjusted EBITDA for the **first six months of fiscal 2022** totalled $163 million, down $140 million or 46.2%, as compared to $303 million for the same period last fiscal year.

The following factors, included under USA Market Factors*, resulted in a combined negative net impact of $59 million:

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

The increase in sales volumes led by the foodservice market segment had a positive impact on efficiencies and the absorption of fixed costs. The negative effects of both the labour shortages in some of our facilities and supply chain disruptions continued to put pressure on our ability to supply demand.

The pricing initiatives undertaken during the second quarter did not fully mitigate increasing input costs caused by inflationary pressures, including an increase of $47 million related to freight and logistical costs.

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

The fluctuation of the US dollar versus the Canadian dollar had an unfavourable impact of $26 million.

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

INTERNATIONAL SECTOR

(in millions of CDN dollars)

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

Selected factors positively (negatively) affecting financial performance

(in millions of CDN dollars)

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

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

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

Revenues

Revenues for the **second quarter of fiscal 2022** totalled $858 million, up $52 million or 6.5%, as compared to $806 million for the same quarter last fiscal year.

Higher international cheese and dairy ingredient market prices had a positive impact. However, fulfilling most of the remainder of the export sales contracts entered into in previous quarters at depressed commodity prices continued to negatively impact revenues, although to a lesser extent than in the previous quarter. The positive impact of the devaluation of the Argentine peso, partially offset by the strengthening of the Australian dollar, on export sales denominated in US dollars was favourable.

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

Export sales volumes were negatively impacted by supply chain challenges due to container shortages and port inefficiencies, although to a lesser extent than in the previous quarter, as well as reduced milk availability in our Dairy Division (Australia), due to intensified competition for raw material.

The fluctuation of the functional currencies used in the International Sector versus the Canadian dollar had an unfavourable impact of $51 million.

Revenues for the **first six months of fiscal 2022** totalled $1.612 billion, up $25 million or 1.6%, as compared to $1.587 billion for the same period last fiscal year.

Higher international cheese and dairy ingredient market prices had a positive impact. However, fulfilling the export sales contracts that had been entered into in previous quarters at depressed commodity prices had an unfavourable impact. The positive impact of the devaluation of the Argentine peso, partially offset by the strengthening of the Australian dollar, on export sales denominated in US dollars was favourable.

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

Supply chain challenges and reduced milk availability in our Dairy Division (Australia), as discussed above, negatively impacted export sales, while efforts were required to support our ERP rollout during the first quarter to minimize supply chain disruptions.

The fluctuation of the functional currencies used in the International Sector versus the Canadian dollar had an unfavourable impact of $72 million.

Adjusted EBITDA

Adjusted EBITDA for the **second quarter of fiscal 2022** totalled $56 million, down $22 million or 28.2%, as compared to $78 million for the same quarter last fiscal year.

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

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

Despite a high milk cost, the favourable relation between international cheese and dairy ingredient market prices and the cost of milk as raw material had a positive impact. However, fulfilling most of the remainder of the export sales contracted at depressed commodity prices in previous periods partially offset this positive impact.

The fluctuation of the functional currencies used in the International Sector versus the Canadian dollar had an unfavourable impact of $14 million.

Adjusted EBITDA for the **first six months of fiscal 2022** totalled $101 million, down $37 million or 26.8%, as compared to $138 million for the same period last fiscal year.

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

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

Despite a high milk cost, the favourable relation between international cheese and dairy ingredient market prices and the cost of milk as raw material had a positive impact. However, fulfilling the export sales contracted at depressed commodity prices in previous periods partially offset this positive impact.

The fluctuation of the functional currencies used in the International Sector versus the Canadian dollar had an unfavourable impact of $18 million.

EUROPE SECTOR

(in millions of CDN dollars)

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

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

Revenues

Revenues for the **second quarter of fiscal 2022** totalled $217 million, up $33 million or 17.9%, as compared to $184 million for the same quarter last fiscal year.

Overall sales volumes returned to historical levels. Higher industrial market segment sales volumes had a positive impact, although international dairy ingredient market prices for our products in this market segment were lower. Lower retail market segment sales volumes were, however, positively impacted by the contribution of pricing initiatives implemented to mitigate higher input costs caused by inflationary pressures.

The contribution of the Bute Island Acquisition and the two-month contribution of the Wensleydale Dairy Products Acquisition totalled $15 million.

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

Revenues for the **first six months of fiscal 2022** totalled $412 million, up $17 million or 4.3%, as compared to $395 million for the same period last fiscal year.

Overall sales volumes were higher as compared to those of the same period last fiscal year. Higher industrial market segment sales volumes had a positive impact although international dairy ingredient market prices for our products in this segment were lower. Lower retail market segment sales volumes were, however, positively impacted by the contribution of pricing initiatives implemented to mitigate higher input costs caused by inflationary pressures.

The partial contributions of the Bute Island Acquisition and Wensleydale Dairy Products Acquisition for the four-month and two-month periods, respectively, since they were acquired, totalled $18 million.

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

Adjusted EBITDA

Adjusted EBITDA for the **second quarter of fiscal 2022** totalled $36 million, up $1 million or 2.9%, as compared to $35 million for the same quarter last fiscal year.

Higher sales volumes in the industrial market segment had a minimal impact as they were realized at lower international dairy ingredient market prices for our products in this market segment. Retail market segment sales volumes were lower, however, the contribution of pricing initiatives undertaken to mitigate higher input costs, caused by inflationary pressures and increased commodity prices, was positive.

The contribution of the Bute Island Acquisition and the two-month contribution of the Wensleydale Dairy Products Acquisition were positive.

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

Adjusted EBITDA for the **first six months of fiscal 2022** totalled $72 million, down $3 million or 4.0%, as compared to $75 million for the same period last fiscal year.

Overall higher sales volumes, led by increased industrial market segment sales volumes, mainly in the dairy ingredients category, had a positive impact on efficiencies. Lower international dairy ingredient market prices for our products in this market segment had an offsetting negative impact. Retail market segment sales volumes were lower, however, the contribution of pricing initiatives undertaken to mitigate higher input costs, caused by inflationary pressures and increased commodity prices, was positive.

The partial contributions of the Bute Island Acquisition and the Wensleydale Dairy Products Acquisition for the four-month period and two-month periods, respectively, since they were acquired, were positive.

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

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

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

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

The Company's cash and cash equivalents totalled $222 million as at September 30, 2021. In addition to these funds, we have unused credit facilities of $1.751 billion under our bank credit facilities as at September 30, 2021. We believe we are well positioned to face current market conditions given our strong balance sheet.

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

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

(in millions of CDN dollars)

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2021	2020	**2021**	2020
Cash generated from operating activities	**309**	439	**524**	816
Net cash generated from operating activities	**264**	375	**402**	711
Cash used for investing activities	**(287)**	(80)	**(570)**	(130)
Cash generated from (used for) financing activities	**81**	(189)	**68**	(266)
Increase (decrease) in cash and cash equivalents	**58**	106	**(100)**	315

Operating Activities

Net cash generated from operating activities for the **second quarter of fiscal 2022**, amounted to $264 million, in comparison to $375 million for the same quarter last fiscal year. This decrease of $111 million was mainly due to a decrease in adjusted EBITDA of $87 million, a decrease of $36 million in non-cash foreign exchange gain on debt and a decrease related to changes in non-cash operating working capital items of $15 million, driven by the fluctuations in accounts receivable, inventories, and accounts payable in line with the fluctuation of market prices as well as the timing of collections of accounts receivable and of payments of accounts payable. The decrease was partially offset by a decrease of $16 million and $3 million in income taxes and interest paid, respectively.

In the **first six months of fiscal 2022**, net cash generated from operating activities amounted to $402 million, in comparison to $711 million for the same period last fiscal year. This decrease of $309 million was mainly due to a decrease in adjusted EBITDA of $164 million and a decrease related to changes in non-cash operating working capital items of $88 million, driven by the fluctuations in accounts receivable, inventories, and accounts payable in line with the fluctuation of market prices as well as the timing of collections of accounts receivable and of payments of accounts payable. The decrease was also due to a decrease in non-cash foreign exchange loss on debt of $57 million, and an increase of $12 million and $5 million in income taxes and interest paid, respectively.

Investing Activities

Investing activities for the **second quarter of fiscal 2022** were mainly comprised of $188 million disbursed for the Wensleydale Dairy Products Acquisition and the Carolina Acquisition, $87 million disbursed for additions to property, plant and equipment, and additions to intangible assets totalling $14 million related to the ERP initiative.

Investing activities for the **first six months of fiscal 2022** were mainly comprised of $375 million disbursed for the Recent Acquisitions, $167 million disbursed for additions to property, plant and equipment, and additions to intangible assets totalling $30 million related to the ERP initiative.

Financing Activities

Financing activities for the **second quarter of fiscal 2022** included an increase in bank loans of $159 million, relating to funds drawn in connection with the Wensleydale Dairy Products Acquisition and the Carolina Acquisition. We repaid $8 million of the term loan facility incurred in connection with the acquisition of Dairy Crest plc (Dairy Crest Acquisition). Also, we paid $20 million and $54 million of lease liabilities and dividends, respectively, net of $21 million settled through the dividend reinvestment plan (DRIP). Finally, shares were issued as part of the stock option plan for $4 million.

Financing activities for the **first six months fiscal 2022** included an increase in bank loans of $364 million, relating to funds drawn in connection with our Recent Acquisitions. Financing activities also included the issuance, on June 22, 2021, of Series 9 medium term notes for an aggregate principal amount of $300 million. The net proceeds of the issuance were used to repay the $300 million aggregate principal amount of the Series 2 medium term notes due June 23, 2021. We repaid $173 million of the term loan facility incurred in connection with the Dairy Crest Acquisition. Also, $41 million of lease liabilities and $106 million in dividends were paid, net of $41 million settled through the DRIP. Finally, shares were issued as part of the stock option plan for $24 million.

Liquidity

(in millions of CDN dollars, except ratio)

	September 30, 2021	March 31, 2021
Current assets	**3,945**	3,948
Current liabilities	**2,557**	2,146
Working capital*	**1,388**	1,802
Working capital ratio*	**1.54**	1.84

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

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

Capital Management

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

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

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

	September 30, 2021	March 31, 2021
Long-term debt	**3,385**	3,578
Bank loans	**434**	76
Lease Liabilities	**485**	461
Less: Cash and cash equivalents	**222**	309
Net debt*	**4,082**	3,806
Trailing twelve months adjusted EBITDA*	**1,307**	1,471
Net debt to adjusted EBITDA*	**3.12**	2.59
Number of common shares	**414,360,543**	412,333,571
Number of stock options	**23,656,616**	23,339,321

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

As at September 30, 2021, the Company had $222 million in cash and cash equivalents and available bank credit facilities of $2.185 billion, of which $434 million were drawn. See Notes 5 and 6 to the condensed interim consolidated financial statements for additional information related to bank loans and long-term debt.

Share capital authorized by Saputo is comprised of an unlimited number of common shares. The common shares are voting and participating. As at November 1, 2021, 414,383,383 common shares and 23,514,592 stock options were outstanding.

Sustainability-linked loan (SLL) structure

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

On August 5, 2021, we amended our US$1 billion North American bank credit facility to introduce a sustainability-linked loan (SLL) structure. The SLL structure introduces an annual pricing adjustment based on the achievement of key climate and water targets in line with our 2025 environmental commitments. The maturity date was also extended to August 5, 2026. As at September 30, 2021, a total of $330 million ($US 260 million) was drawn on this bank credit facility.

CONTRACTUAL OBLIGATIONS

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

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

(in millions of CDN dollars)

	September 30, 2021				March 31, 2021			
	Long-term debt	**Leases**	**Purchase obligations & other**	**Total**	Long-term debt	Leases	Purchase obligations & other	Total
Less than 1 year	**300**	**94**	**191**	**585**	300	98	164	562
1–2 years	**—**	**77**	**29**	**106**	759	76	33	868
2–3 years	**951**	**87**	**19**	**1,057**	685	58	12	755
3–4 years	**750**	**45**	**14**	**809**	400	73	10	483
4–5 years	**350**	**39**	**9**	**398**	350	33	7	390
More than 5 years	**1,034**	**296**	**6**	**1,336**	1,084	284	8	1,376
	3,385	**638**	**268**	**4,291**	3,578	622	234	4,434

Long-term debt

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

Bank term loans

In connection with the acquisition of the activities of Murray Goulburn Co-Operative Co. Limited (Murray Goulburn Acquisition), we entered into a credit agreement in April 2018, providing for a non-revolving term facility comprised of three tranches. A total of $1.250 billion was drawn, of which $883 million has since been repaid. The credit facility bears interest at lenders’ prime rates plus a maximum of 1.00%, or bankers’ acceptance rates or the Australian Bank Bill Rate plus 0.80% up to a maximum of 2.00%, depending on the Company's credit ratings.

In connection with the Dairy Crest Acquisition in April 2019, we entered into a credit agreement providing for a non-revolving term facility comprised of three tranches. A total of $2.023 billion was drawn, of which $1.739 billion has since been repaid. The credit facility bears interest at lenders’ prime rates plus a maximum of 1.00% or LIBOR or bankers’ acceptance rates plus 0.80% up to a maximum of 2.00%, depending on the Company's credit ratings.

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

Senior notes

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

FINANCIAL POSITION

The main financial position items as at September 30, 2021, varied as compared to the balances as at March 31, 2021, principally due to the weakening of the Canadian dollar versus the US dollar and the inclusion of the Recent Acquisitions completed during this fiscal year.

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

	As at September 30, 2021	As at March 31, 2021
US dollar / Canadian dollar[1]	**1.2680**	1.2562
Australian dollar / Canadian dollar[1]	**0.9165**	0.9545
Argentine peso / Canadian dollar[1]	**0.0128**	0.0137
British pound sterling / Canadian dollar[1]	**1.7084**	1.7315

1 Based on Bank of Canada published information.

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

The net cash position (cash and cash equivalents less bank loans) decreased from positive $233 million as at March 31, 2021, to negative $212 million as at September 30, 2021, mainly resulting from the funding of the Recent Acquisitions and repayments of $173 million of the term loan facility incurred in connection with the Dairy Crest Acquisition. The change in foreign currency translation adjustments recorded in other comprehensive income (loss) varied mainly due to the fluctuation of foreign currencies versus the Canadian dollar.

ACCOUNTING STANDARDS

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

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

Recent standards, interpretations and amendments not yet implemented

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

FOLLOW-UP ON CERTAIN SPECIFIC ITEMS OF THE ANALYSIS

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

DISCLOSURE CONTROLS AND PROCEDURES

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Saputo is taking a phased approach to its migration to a new ERP system. In order to maintain appropriate internal controls over financial reporting in the divisions that have migrated to the new ERP system, relevant changes have been made. There were no other changes to Saputo's internal control over financial reporting that occurred during the period beginning on July 1, 2021, and ended on September 30, 2021, that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

NON-IFRS FINANCIAL MEASURES

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

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

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

Adjusted EBITDA

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

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

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

(in millions of CDN dollars)

	For the three-month periods ended September 30		**For the six-month periods ended September 30**	
	2021	2020	**2021**	2020
Earnings before income taxes	**129**	228	**268**	425
Financial charges	**19**	22	**37**	47
Acquisition and restructuring costs	**(2)**	(6)	**—**	(6)
Impairment of intangible assets	**—**	—	**—**	19
Depreciation and amortization	**137**	126	**268**	252
Adjusted EBITDA	**283**	370	**573**	737

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

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

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

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

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

	For the three-month periods ended September 30					
	2021			2020		
		Per Share			Per Share	
	Total	**Basic**	**Diluted**	Total	Basic	Diluted
Net earnings	**98**	**0.24**	**0.24**	171	0.42	0.42
Acquisition and restructuring costs[1]	**(1)**	**—**	**—**	(5)	(0.01)	(0.01)
Amortization of intangible assets related to business acquisitions[1]	**19**	**0.05**	**0.05**	18	0.04	0.04
Adjusted net earnings excluding amortization of intangible assets related to business acquisitions	**116**	**0.28**	**0.28**	184	0.45	0.45

1 Net of income taxes.

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

	For the six-month periods ended September 30					
	2021			2020		
		Per Share			Per Share	
	Total	**Basic**	**Diluted**	Total	Basic	Diluted
Net earnings	**151**	**0.37**	**0.36**	313	0.76	0.76
Impairment of intangible assets[1]	**—**	**—**	**—**	19	0.05	0.05
UK tax rate change[2]	**50**	**0.12**	**0.12**	—	—	—
Acquisition and restructuring costs[1]	**—**	**—**	**—**	(5)	(0.01)	(0.01)
Amortization of intangible assets related to business acquisitions[1]	**37**	**0.09**	**0.09**	36	0.09	0.09
Adjusted net earnings excluding amortization of intangible assets related to business acquisitions	**238**	**0.58**	**0.57**	363	0.89	0.88

1 Net of income taxes

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

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

GLOSSARY

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

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

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

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

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

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

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

EPS means net earnings per share.

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

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

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

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

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

Working capital means current assets minus current liabilities.

Working capital ratio means current assets divided by current liabilities.

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENTS

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

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2021	2020	**2021**	2020
Revenues (Note 13)	**$ 3,689**	$ 3,702	**$ 7,177**	$ 7,093
Operating costs excluding depreciation, amortization, and restructuring costs (Note 4)	**3,406**	3,332	**6,604**	6,356
Earnings before interest, income taxes, depreciation, amortization, impairment of intangible assets, and acquisition and restructuring costs	**283**	370	**573**	737
Depreciation and amortization	**137**	126	**268**	252
Impairment of intangible assets (Note 13)	**—**	—	**—**	19
Acquisition and restructuring costs	**(2)**	(6)	**—**	(6)
Financial charges (Note 8)	**19**	22	**37**	47
Earnings before income taxes	**129**	228	**268**	425
Income taxes (Note 9)	**31**	57	**117**	112
Net earnings	**$ 98**	$ 171	**$ 151**	$ 313
Net earnings per share (Note 10)				
Basic	**$ 0.24**	$ 0.42	**$ 0.37**	$ 0.76
Diluted	**$ 0.24**	$ 0.42	**$ 0.36**	$ 0.76

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of CDN dollars)
(unaudited)

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2021	2020	**2021**	2020
Net earnings	**$ 98**	$ 171	**$ 151**	$ 313
Other comprehensive (loss) income:				
Items that may be reclassified to net earnings:				
Exchange differences arising from foreign currency translation	**68**	(51)	**(46)**	(174)
Inflation effect arising from the application of hyperinflation	**—**	(1)	**(1)**	(4)
Unrealized (losses) gains on cash flow hedges (Note 11)	**(11)**	4	**(20)**	47
Reclassification of losses (gains) on cash flow hedges to net earnings	**7**	(1)	**3**	14
Income taxes relating to items that may be reclassified to net earnings	**2**	(1)	**6**	(17)
	66	(50)	**(58)**	(134)
Items that will not be reclassified to net earnings:				
Actuarial income (loss)	**—**	(10)	**25**	(163)
Income taxes relating to items that will not be reclassified to net earnings	**—**	2	**1**	32
	—	(8)	**26**	(131)
Other comprehensive income (loss)	**66**	(58)	**(32)**	(265)
Total comprehensive income	**$ 164**	$ 113	**$ 119**	$ 48

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

For the six-month period ended September 30, 2021	**Share capital**		**Reserves**					
	Common Shares	**Amount**	**Foreign Currency Translation**	**Cash Flow Hedges**	**Stock Option Plan**	**Total Reserves**	**Retained Earnings**	**Total Equity**
Balance, beginning of year	**412,333,571**	**$ 1,807**	**$ 210**	**$ —**	**$ 165**	**$ 375**	**$ 4,262**	**$ 6,444**
Net earnings	**—**	**—**	**—**	**—**	**—**	**—**	**151**	**151**
Other comprehensive income (loss)	**—**	**—**	**(47)**	**(11)**	**—**	**(58)**	**26**	**(32)**
Total comprehensive income								**119**
Dividends (Note 7)	**—**	**—**	**—**	**—**	**—**	**—**	**(147)**	**(147)**
Shares issued under dividend reinvestment plan (Note 7)	**1,196,970**	**41**	**—**	**—**	**—**	**—**	**—**	**41**
Stock options	**—**	**—**	**—**	**—**	**8**	**8**	**—**	**8**
Exercise of stock options (Note 7)	**830,002**	**28**	**—**	**—**	**(4)**	**(4)**	**—**	**24**
Balance, end of period	**414,360,543**	**1,876**	**163**	**(11)**	**169**	**321**	**4,292**	**6,489**

For the six-month period ended September 30, 2020	**Share capital**		**Reserves**					
	Common Shares	**Amount**	**Foreign Currency Translation**	**Cash Flow Hedges**	**Stock Option Plan**	**Total Reserves**	**Retained Earnings**	**Total Equity**
Balance, beginning of year	408,638,373	$ 1,686	$ 668	$ (40)	$ 150	$ 778	$ 4,095	$ 6,559
Net earnings	—	—	—	—	—	—	313	313
Other comprehensive loss	—	—	(178)	44	—	(134)	(131)	(265)
Total comprehensive income								48
Dividends (Note 7)	—	—	—	—	—	—	(141)	(141)
Shares issued under dividend reinvestment plan (Note 7)	578,437	18	—	—	—	—	—	18
Stock options	—	—	—	—	11	11	—	11
Exercise of stock options (Note 7)	207,743	6	—	—	(1)	(1)	—	5
Balance, end of period	**409,424,553**	**$ 1,710**	**$ 490**	**$ 4**	**$ 160**	**$ 654**	**$ 4,136**	**$ 6,500**

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in millions of CDN dollars)
(unaudited)

As at	September 30, 2021	March 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents	**$ 222**	$ 309
Receivables	**1,294**	1,217
Inventories	**2,329**	2,294
Income taxes receivable	**38**	35
Prepaid expenses and other assets	**62**	93
	3,945	3,948
Property, plant and equipment	**3,913**	3,777
Right-of-use assets	**507**	482
Goodwill	**3,227**	3,066
Intangible assets	**1,519**	1,517
Other assets	**351**	319
Deferred income taxes	**23**	14
Total assets	**$ 13,485**	$ 13,123
LIABILITIES		
Current liabilities		
Bank loans (Note 5)	**$ 434**	$ 76
Accounts payable and accrued liabilities	**1,704**	1,641
Income taxes payable	**50**	54
Current portion of long-term debt (Note 6)	**300**	300
Current portion of lease liabilities	**69**	75
	2,557	2,146
Long-term debt (Note 6)	**3,085**	3,278
Lease liabilities	**416**	386
Other liabilities	**117**	116
Deferred income taxes	**821**	753
Total liabilities	**$ 6,996**	$ 6,679
EQUITY		
Share capital (Note 7)	**1,876**	1,807
Reserves	**321**	375
Retained earnings	**4,292**	4,262
Total equity	**$ 6,489**	$ 6,444
Total liabilities and equity	**$ 13,485**	$ 13,123

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of CDN dollars)
(unaudited)

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2021	2020	**2021**	2020
Cash flows related to the following activities:				
Operating				
Net earnings	**$ 98**	$ 171	**$ 151**	$ 313
Adjustments for:				
Stock-based compensation	**11**	10	**25**	14
Financial charges (Note 8)	**19**	22	**37**	47
Income tax expense	**31**	57	**117**	112
Depreciation and amortization	**137**	126	**268**	252
Impairment of intangible assets (Note 13)	**—**	—	**—**	19
(Gain) on disposal of property, plant and equipment	**—**	(7)	**—**	(7)
Foreign exchange (gain) loss on debt	**(7)**	29	**(20)**	37
Share of joint venture earnings, net of dividends	**3**	3	**4**	3
Difference between funding of post-employment benefit plans and costs	**1**	(3)	**2**	(2)
Changes in non-cash operating working capital items	**16**	31	**(60)**	28
Cash generated from operating activities	**309**	439	**524**	816
Interest and financial charges paid	**(17)**	(20)	**(54)**	(49)
Income taxes paid	**(28)**	(44)	**(68)**	(56)
Net cash generated from operating activities	**$ 264**	$ 375	**$ 402**	$ 711
Investing				
Business acquisitions, net of cash acquired	**(188)**	—	**(375)**	—
Additions to property, plant and equipment	**(87)**	(81)	**(167)**	(145)
Additions to intangible assets	**(14)**	(11)	**(30)**	(25)
Proceeds from disposal of property, plant and equipment	**2**	12	**2**	40
Net cash used for investing activities	**$ (287)**	$ (80)	**$ (570)**	$ (130)
Financing				
Bank loans	**159**	1	**364**	(322)
Proceeds from issuance of long-term debt	**—**	—	**300**	700
Repayment of long-term debt	**(8)**	(122)	**(473)**	(559)
Repayment of lease liabilities	**(20)**	(20)	**(41)**	(39)
Net proceeds from issuance of share capital	**4**	3	**24**	5
Payment of dividends	**(54)**	(51)	**(106)**	(51)
Net cash generated from (used for) financing activities	**$ 81**	$ (189)	**$ 68**	$ (266)
(Decrease) increase in cash and cash equivalents	**58**	106	**(100)**	315
Cash and cash equivalents, beginning of period	**156**	536	**309**	319
Effect of inflation	**9**	4	**18**	7
Effect of exchange rate changes	**(1)**	—	**(5)**	5
Cash and cash equivalents, end of period	**$ 222**	$ 646	**$ 222**	$ 646

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

NOTE 1 CORPORATE INFORMATION

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

The financial statements were authorized for issuance by the Board of Directors on November 4, 2021.

NOTE 2 BASIS OF PRESENTATION

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

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

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

ECONOMIC CONDITIONS AND UNCERTAINTIES

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

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

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

IFRS 3, Reference to the Conceptual Framework

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

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

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES CONT'D

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

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

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

IAS 37, Onerous Contracts – Cost of Fulfilling a Contract

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

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

IAS 1, Disclosure of Accounting Policies

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

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

IAS 8, Definition of Accounting Estimates

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

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

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

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

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

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

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

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

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

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2021	2020	**2021**	2020
Changes in inventories of finished goods and work in process	**$ 2**	$ 3	**$ 71**	$ (64)
Raw materials and consumables used	**2,521**	2,519	**4,810**	4,801
Foreign exchange (gain) loss	**3**	(10)	**(3)**	—
Employee benefits expense	**471**	468	**931**	920
Other selling costs	**198**	159	**380**	307
Other general and administrative costs	**211**	193	**415**	392
	$ 3,406	$ 3,332	**$ 6,604**	$ 6,356

NOTE 5 BANK LOANS

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

		Available for use			Amount drawn	
Credit Facilities	Maturity	Canadian Currency Equivalent	Base Currency		**September 30, 2021**	March 31, 2021
North America-USA	August 2026[1,6]	$ 380	300	USD	**$ —**	$ —
North America-Canada	August 2026[1,6]	$ 888	700	USD	**330**	—
Australia	Yearly[2,6]	$ 252	275	AUD	**—**	—
Australia	Yearly[2,6]	$ 127	100	USD	**—**	—
Japan	Yearly[3,6]	$ 91	8,000	JPY	**49**	34
United Kingdom	Yearly[4,6]	$ 128	75	GBP	**—**	—
Argentina	Yearly[5, 6]	$ 319	252	USD	**55**	42
		$ 2,185			**434**	$ 76

1 The US$1 billion North American bank credit facility bears monthly interest at rates ranging from lender's prime rates plus a maximum of 1.00% or LIBOR or BBSY or banker's acceptance rate plus 0.80% up to a maximum of 2.00% depending on the Company credit ratings, plus an adjustment to the applicable margins based on Saputo's achievement of its sustainability targets. As at September 30, 2021, US$260 million was drawn and its foreign currency risk was offset with a cross currency swap.
2 Bears monthly interest at LIBOR or Australian Bank Bill Rate plus up to 0.85% and can be drawn in AUD or USD.
3 Bears monthly interest at TIBOR plus 0.70% and can be drawn in JPY.
4 Bears monthly interest at rates ranging from base rate plus 0.70% or LIBOR plus 0.70% and can be drawn in GBP.
5 Bears monthly interest at local rate and can be drawn in USD or ARS.
6 Subject to interest rate benchmark reform (see Note 3 in the annual consolidated financial statements for the year ended March 31, 2021).

During fiscal 2021, the Company entered into a trade receivable purchase agreement to sell certain receivables. As at September 30, 2021, receivables totalling $69 million (AU$75 million) were sold under this arrangement. The receivables were derecognized upon sale as substantially all risks and rewards associated with the receivables passed to the purchaser.

On August 5, 2021, the Company amended its US$1 billion North American bank credit facility to introduce a sustainability-linked loan (SLL) structure. The SLL structure introduces an annual pricing adjustment based on the achievement of key climate and water targets in line with our 2025 environmental commitments. The maturity date was also extended to August 5, 2026.

NOTE 6 LONG-TERM DEBT

	September 30, 2021	March 31, 2021
Unsecured bank term loan facilities		
Obtained April 2018 (AU$600 million) and due in August 2024[1]	**$ 367**	$ 385
Obtained April 2019 (£600 million) and due in August 2024[2,5]	**284**	459
Unsecured senior notes[3,4]		
2.20%, issued in June 2016 and due in June 2021 (Series 2)	**—**	300
2.83%, issued in November 2016 and due in November 2023 (Series 3)	**300**	300
1.94%, issued in June 2017 and due in June 2022 (Series 4)	**300**	300
3.60%, issued in August 2018 and due in August 2025 (Series 5)	**350**	350
2.88%, issued in November 2019 and due in November 2024 (Series 6)	**400**	400
2.24%, issued in June 2020 and due in June 2027 (Series 7)	**700**	700
1.42%, issued in November 2020 and due in June 2026 (Series 8)	**350**	350
2.30%, issued in June 2021 and due in June 2028 (Series 9)	**300**	—
Other	**34**	34
	$ 3,385	$ 3,578
Current portion	**300**	300
	$ 3,085	$ 3,278
Principal repayments are as follows:		
Less than 1 year	**$ 300**	$ 300
1-2 years	**—**	759
2-3 years	**951**	685
3-4 years	**750**	400
4-5 years	**350**	350
More than 5 years	**1,034**	1,084
	$ 3,385	$ 3,578

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

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

3 Interest payments are semi-annual.

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

5 Subject to interest rate benchmark reform (see Note 3 in the annual consolidated financial statements for the year ended March 31, 2021).

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

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

NOTE 7 SHARE CAPITAL

AUTHORIZED

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

STOCK OPTION PLAN

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

	Number		Weighted average exercise price
Balance, beginning of year	**23,339,321**	**$**	**37.81**
Granted	**1,984,038**		**37.52**
Exercised	**(830,002)**		**28.27**
Cancelled	**(836,741)**		**41.17**
Balance, end of period	**23,656,616**	**$**	**37.99**

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

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

	September 30, 2021	March 31, 2021
Weighted average:		
Risk-free interest rate	**0.88 %**	0.53 %
Expected life of options	**6.4 years**	6.3 years
Volatility[1]	**21.92 %**	21.17 %
Dividend rate	**1.91 %**	2.08 %

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

DIVIDENDS AND DIVIDEND REINVESTMENT PLAN

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

The dividends paid in cash and through the DRIP during the six-month periods ended September 30, 2021, and 2020, are shown below:

						For the six-month period ended September 30, 2021
Payment date		**Cash**		**DRIP**		**Total**
June 25, 2021	**$**	**52**	**$**	**20**	**$**	**72**
September 17, 2021		**54**		**21**	**$**	**75**
Total	**$**	**106**	**$**	**41**		**147**

						For the six-month period ended September 30, 2020
Payment date		**Cash**		**DRIP**		**Total**
July 9, 2020	**$**	**51**	**$**	**18**	**$**	**69**

On November 4, 2021, the Board of Directors approved a dividend of $0.18 per share payable on December 17, 2021, to common shareholders of record on December 7, 2021.

In the second quarter of fiscal 2021, the Company declared a dividend totalling $72 million payable on October 2, 2020.

NOTE 8 FINANCIAL CHARGES

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2021	2020	**2021**	2020
Interest on long-term debt	**$ 20**	$ 20	**$ 39**	$ 40
Other finance costs, net	**4**	7	**10**	13
Gain on hyperinflation	**(9)**	(6)	**(19)**	(9)
Interest on lease liabilities	**4**	3	**8**	7
Net interest revenue from defined benefit obligation	**—**	(2)	**(1)**	(4)
	$ 19	$ 22	**$ 37**	$ 47

NOTE 9 INCOME TAXES

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

NOTE 10 NET EARNINGS PER SHARE

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2021	2020	**2021**	2020
Net earnings	**$ 98**	$ 171	**$ 151**	$ 313
Weighted average number of common shares outstanding	**413,757,590**	409,314,986	**413,254,168**	409,019,796
Dilutive stock options	**1,339,655**	1,619,592	**1,517,348**	1,573,283
Weighted average diluted number of common shares outstanding	**415,097,245**	410,934,578	**414,771,516**	410,593,079
Basic net earnings per share	**$ 0.24**	$ 0.42	**$ 0.37**	$ 0.76
Diluted net earnings per share	**$ 0.24**	$ 0.42	**$ 0.36**	$ 0.76

When calculating diluted net earnings per share for the three and six-month periods ended September 30, 2021, 16,044,304 and 14,283,417 options were excluded from the calculation because their exercise price is higher than the average market value of common shares during the same periods (19,903,668 and 15,345,117 options were excluded for the three and six-month periods ended September 30, 2020).

NOTE 11 FINANCIAL INSTRUMENTS

The Company determined that the fair value of certain of its financial assets and financial liabilities with short-term maturities approximates their carrying value. These financial instruments include cash and cash equivalents, receivables, bank loans, accounts payable and accrued liabilities. The table below presents the fair value and the carrying value of other financial instruments as at, September 30, 2021, and March 31, 2021. Since estimates are used to determine fair value, they must not be interpreted as being realizable in the event of a settlement of the instruments.

	September 30, 2021		March 31, 2021	
	Fair value	**Carrying value**	Fair value	Carrying value
Cash flow hedges				
Equity forward contracts (Level 2)	**$ (2)**	**$ (2)**	$ —	$ —
Commodity derivatives (Level 2)	**(1)**	**(1)**	2	2
Foreign exchange derivatives (Level 2)	**(10)**	**(10)**	(6)	(6)
Derivatives not designated in a formal hedging relationship				
Equity forward contracts (Level 2)	**(9)**	**(9)**	5	5
Commodity derivatives (Level 2)	**—**	**—**	1	1
Foreign exchange derivatives (Level 2)	**1**	**1**	—	—
Long-term debt (Level 2)	**3,427**	**3,385**	3,626	3,578

NOTE 12 BUSINESS ACQUISITIONS

USA SECTOR

i) CAROLINA ASEPTIC AND CAROLINA DAIRY

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

The purchase price of $150 million (US$118 million), on a cash-free and debt-free basis, was paid in cash at closing.

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

ii) REEDSBURG FACILITY OF WISCONSIN SPECIALTY PROTEIN, LLC

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

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

NOTE 12 BUSINESS ACQUISITIONS CONT'D

EUROPE SECTOR

i) WENSLEYDALE DAIRY PRODUCTS

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

The purchase price of $40 million (£23 million), on a cash-free and debt-free basis, was paid in cash at closing.

ii) BUTE ISLAND FOODS LTD

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

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

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

Had the Company concluded each of the aforementioned acquisitions prior to (or at the beginning of) fiscal 2022, the pro-forma effect on the Company's total revenues and net earnings would have been minimal for the six-month period ended September 30, 2021. The allocation of the purchase price for each acquisition to assets acquired and liabilities assumed is presented below:

		Bute Island Foods	Reedsburg Facility	Wensleydale Dairy Products*	Carolina Aseptic and Carolina Dairy*	Total
Assets acquired	Net working capital	$ 6	$ 1	$ 12	$ 7	$ 26
	Property, plant and equipment	11	36	19	71	137
	Goodwill and intangible assets	139	—	9	72	220
Liabilities assumed	Deferred income taxes	(8)	—	—	—	(8)
Net assets acquired		$ 148	$ 37	$ 40	$ 150	$ 375

* Represents the preliminary estimates of the fair value of the assets acquired and liabilities assumed.

NOTE 13 SEGMENTED INFORMATION

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

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

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

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

INFORMATION ON REPORTABLE SECTORS

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2021	2020	**2021**	2020
Revenues				
Canada	**$ 1,081**	$ 1,063	**$ 2,114**	$ 2,045
USA	**1,533**	1,649	**3,039**	3,066
International[1]	**858**	806	**1,612**	1,587
Europe	**217**	184	**412**	395
	$ 3,689	$ 3,702	**$ 7,177**	$ 7,093
Adjusted EBITDA				
Canada	**$ 124**	$ 117	**$ 237**	$ 221
USA	**67**	140	**163**	303
International	**56**	78	**101**	138
Europe	**36**	35	**72**	75
	$ 283	$ 370	**$ 573**	$ 737
Depreciation and amortization				
Canada	**$ 25**	$ 23	**$ 50**	$ 47
USA	**50**	50	**97**	100
International	**34**	28	**65**	54
Europe	**28**	25	**56**	51
	$ 137	$ 126	**$ 268**	$ 252
Impairment of intangible assets[2]	**—**	—	**—**	19
Acquisition and restructuring costs	**(2)**	(6)	**—**	(6)
Financial charges	**19**	22	**37**	47
Earnings before income taxes	**129**	228	**268**	425
Income taxes	**31**	57	**117**	112
Net earnings	**$ 98**	$ 171	**$ 151**	$ 313

1 Australia accounted for $627 million and $1,197 million of the International Sector's revenues, while Argentina accounted for $231 million and $415 million for the three and six-month periods ended September 30, 2021, respectively. Australia accounted for $618 million and $1,247 million of the International Sector's revenues, while Argentina accounted for $188 million and $340 million for the three and six-month periods ended September 30, 2020, respectively.

2 Refers to a retired trademark from the Australian portfolio.

NOTE 13 SEGMENTED INFORMATION (CONT'D)

MARKET SEGMENT INFORMATION

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

For the three-month periods ended September 30	Total		Canada		USA		International		Europe	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Revenues										
Retail	**$ 1,826**	$ 1,871	**$ 623**	$ 638	**$ 662**	$ 706	**$ 369**	$ 371	**$ 172**	$ 156
Foodservice	**1,180**	1,161	**390**	346	**717**	754	**67**	58	**6**	3
Industrial	**683**	670	**68**	79	**154**	189	**422**	377	**39**	25
	3,689	3,702	**1,081**	1,063	**1,533**	1,649	**858**	806	**217**	184

For the six-month periods ended September 30	Total		Canada		USA		International		Europe	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Revenues										
Retail	**$ 3,567**	$ 3,753	**$ 1,239**	$ 1,284	**$ 1,300**	$ 1,394	**$ 694**	$ 723	**$ 334**	$ 352
Foodservice	**2,308**	2,062	**725**	607	**1,438**	1,348	**136**	103	**9**	4
Industrial	**1,302**	1,278	**150**	154	**301**	324	**782**	761	**69**	39
	$ 7,177	$ 7,093	**$ 2,114**	$ 2,045	**$ 3,039**	$ 3,066	**$ 1,612**	$ 1,587	**$ 412**	$ 395