2023 ANNUAL REPORT

Saputo

Saputo, one of the top ten dairy processors in the world, produces, markets, and distributes a wide array of dairy products of the utmost quality, including cheese, fluid milk, extended shelf-life milk and cream products, cultured products, and dairy ingredients.

Saputo is a leading cheese manufacturer and fluid milk and cream processor in Canada, a leading dairy processor in Australia and the top dairy processor in Argentina. In the USA, Saputo ranks among the top three cheese producers and is one of the top producers of extended shelf-life and cultured dairy products. In the United Kingdom, Saputo is the leading manufacturer of branded cheese and dairy spreads. In addition to its dairy portfolio, Saputo produces, markets, and distributes a range of dairy alternative cheeses and beverages. Saputo products are sold in several countries under market-leading brands, as well as private label brands. Saputo Inc. is a publicly traded company and its shares are listed on the Toronto Stock Exchange under the symbol "SAP". Follow Saputo's activities at **saputo.com** or via **Facebook**, **Instagram**, **LinkedIn**, and **Twitter**.

All amounts in this Annual Report are in Canadian dollars (CDN), unless otherwise indicated.

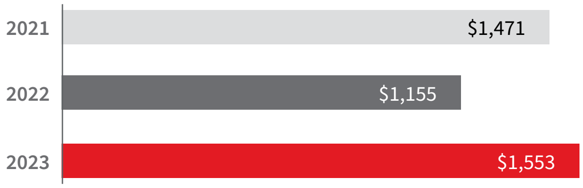
Saputo

Financial Highlights

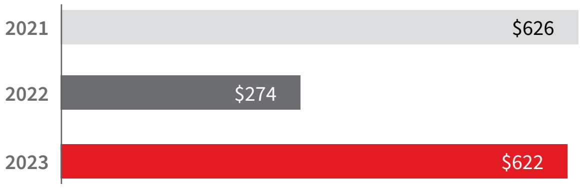
Fiscal years ended March 31 (in millions of CDN dollars)

REVENUES

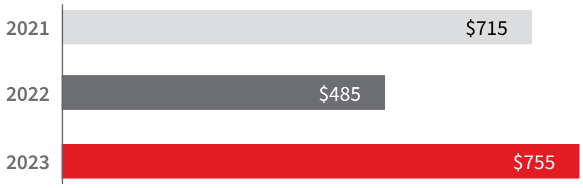
ADJUSTED EBITDA[1]



NET EARNINGS



ADJUSTED NET EARNINGS[1]



1 Adjusted EBITDA is a total of segments measure, and adjusted net earnings is a non-GAAP financial measure. These financial measures do not have any standardized meaning under International Financial Reporting Standards (IFRS). Therefore, they are unlikely to be comparable to similar measures presented by other issuers. Refer to the section entitled "Non-GAAP measures" of our Management's Discussion and Analysis for the fiscal year ended March 31, 2023, which is incorporated by reference herein, for more information on these measures, including a reconciliation to net earnings being the most comparable IFRS financial measure.

Saputo

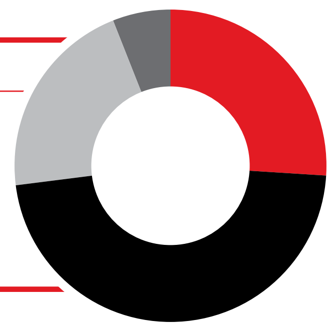
Products sold in over 60 countries

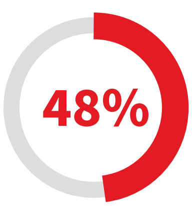
66 plants

Approx. 19,200 employees

For the fiscal year ended March 31, 2023

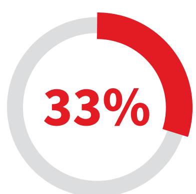
SECTOR	# OF PLANTS	# OF EMPLOYEES	% OF TOTAL REVENUES
Canada	18	6,000	26%
USA	29	7,800	47%
International	12	3,900	21%
Europe	7	1,500	6%





RETAIL

Sales are made to supermarket chains, mass-merchandisers, convenience stores, independent retailers, warehouse clubs, and specialty cheese boutiques under Saputo-owned or customer brand names. Our products are also sold directly to consumers through our e-commerce channels.



FOODSERVICE

Sales are made to broadline distributors, restaurants, hotels, and institutions under Saputo-owned or customer brand names.

INDUSTRIAL

Sales are made to manufacturers who use our dairy ingredients, cheeses, and other dairy products for further processing. Our products are used in the preparation of food items, nutritional products for all stages of life, and for various other applications.

The Saputo Promise

PROTECT • SUPPORT • NOURISH

Our Approach

The Saputo Promise is an integral part of our business and a key component of our growth. As we seek to create shared value for all our stakeholders, it provides us with a framework that ensures we manage the Environmental, Social, and Governance (ESG) risks and opportunities successfully across our operations globally.

- Food Quality and Safety
- Our People
- Business Ethics
- Responsible Sourcing
- Environment
- Nutrition
- Community

Governance

Our Board of Directors (the Board) is responsible for the stewardship of Saputo. As such, it oversees the management of our business to enhance the creation of long-term shareholder value while considering the interests of our various stakeholders.

To better fulfill its mandate, the Board:

- **Oversees the ESG factors and risks material to our business and the deployment of appropriate measures to manage them.**
- **Oversees our practices, guidelines, and policies related to the Saputo Promise.**

The Board delegates some of its ESG oversight responsibilities to the Audit Committee and the Corporate Governance and Human Resources Committee. The implementation of the Saputo Promise is led by a series of specific Management committees. Additional details on our ESG governance can be found in our 2023 Annual Information Form, dated June 8, 2023.

Strategy

Anchored in the most pressing ESG issues for our business and designed with our Global Strategic Plan in mind, our current three-year plan (FY23-FY25) builds on the momentum of the past few years, so our Saputo Promise continues to drive, enable, and sustain our growth.

In fiscal 2023, progress has been made across our seven Pillars, and we are proud to highlight the following achievements:

Our People

Maintained our efforts towards our target of having **30% of our senior management composed of women.**

25% in FY23 | 21% in FY21 | 25% in FY22

% of women in senior management

Maintained our efforts to **retain talent** in a challenging labour market.

23% in FY23 | 17% in FY21 | 24% in FY22

Global Turnover

Responsible Sourcing

Launched our **Sustainable Agriculture Policy** which defines the sustainability standards we want to achieve in partnership with our producers and milk suppliers to ensure the responsible production of dairy ingredients.

Funded initiatives in the **UK** and **Australia**, through our **Supply Chain Pledges funds**, to support the capacity building of dairy farmers around sustainable farming practices.

Sourced 100%
RSPO*-certified palm oil.

Environment

Completed the allocation of our first $50-million investment, funding more than 65 projects globally, and completing the execution of more than half of these to support our efforts.

Maintained our B score for our CDP Climate disclosure, above our industry average. We also obtained a B score for our CDP Water Disclosure, compared to C last year, reflecting our continuous progress in improving our ESG disclosure.

Approved an additional 19 projects for FY24 with the potential to save an estimated:

- **12,800 t** of CO_2e
- **226,000 GJ** of energy
- **709,000 m^3** of water

Nutrition

Launched our global **Responsible Marketing Guidelines** which aim to ensure we market our products responsibly, particularly to younger consumers, as lifelong healthy eating habits are established during childhood.

Continued investments in improving the nutritional performance of our products, resulting in the expansion of our low-fat *Cathedral City* cheese range in FY23.

* RSPO: Roundtable on Sustainable Palm Oil

Looking Ahead

In fiscal 2024, we will remain laser-focused on the execution of our Saputo Promise three-year plan as we enter its second year. Our 2023 Saputo Promise Report, including further details on our ESG performance, will be published in August 2023.

A Message From Our Chair of the Board, President and CEO

Lino A. Saputo

Chair of the Board,
President and Chief Executive Officer
Saputo Inc.

Fellow shareholders,

Our performance in fiscal 2023 (FY23) was in many ways a testament to our strengths and our values. As a team, we adapted to the new global macroeconomic context, focusing on getting products to our customers and mitigating external pressures, all while continuing to invest for the future. Through it all, I witnessed a renewed spirit of collaboration and resilience backed by an engaged leadership team that drove strong results for our Company. For seven decades, Saputo has prospered because of our performance-driven culture and the dedication of our people. Last year, we asked a great deal from them, and they delivered. I am extremely grateful to our teams around the world for delivering the care and quality our customers and consumers have come to expect from us.

We took timely action to offset rising costs, including through pricing actions in line with inflation. We did so responsibly, seeking internal efficiencies and cost containment measures to try to limit the magnitude of these price increases. We capitalized on continued elevated demand for our products and with a better supply chain performance, our service levels continued to return closer to our historical standards, enabling us to recover from a challenging fiscal 2022 (FY22). While we saw benefits from these actions in FY23, we expect to see even more in the upcoming fiscal year.

Although the changing macro environment demanded a focus on immediate execution, we also advanced on our long-term strategic priorities and our Saputo Promise goals. We moved ahead with the execution of our Global Strategic Plan, managing our business to maximize value creation, drive organic growth, and invest for the future. These efforts have positioned us well to build on the momentum gained in FY23.

Building on our momentum

Despite a volatile market environment, our financial performance reflected a strong turnaround, with results improving throughout the year. Our USA Sector led the way with significant year-over-year revenue growth and adjusted EBITDA[1] margin recovery. Our Canada and International Sectors continued to deliver consistent strong results, with returns on prior capital investments coming to fruition. In our Europe Sector, our performance was inline with last year despite ongoing cost inflation and a challenged consumer environment. As always, we focused on what we could control to navigate through inflation, labour, and supply chain challenges.

Consolidated revenues increased 18.7% driven by pricing initiatives, strong consumer demand, and favourable international pricing for cheese and dairy ingredients. Our focus on inflation-driven pricing actions and greater operational stability also positioned us well from a margin perspective with improvements across most sectors. On the labour front, enhanced recruiting and hiring processes enabled us to strengthen our teams with new hires, recover service levels, and better meet customer demand.

Balanced portfolio of trusted brands

True to our tradition, we connected people through the food they love. With consumers as value conscious as ever, we leveraged our diverse portfolio across multiple channels, brands, and price points. We saw continued strong retail demand with the trend toward greater at-home consumption here to stay, and continued recovery in the foodservice market segment. While capacity constraints impacted our ability to fully capture demand, we were able to secure new wins in branded and private label products in addition to maintaining market share for most of our key brands.

To meet consumer demands and fuel our growth, we are constantly evolving our product portfolio. To grow our leading brands, we are investing in exciting product innovations, new flavour extensions, and formats which are showing promising early results and earning widespread industry recognition. Our efforts are supported by several major marketing campaigns to drive brand awareness across our key markets, including new refreshed campaigns for *Cathedral City*, *Vitalite*, *Frigo Cheese Heads,* and *Armstrong*. Market demand for plant-based products is also creating opportunities for new offerings, and we are leveraging some of our trusted brands to build a strong platform to offer dairy-free alternatives and become a leader in this category. Recognized by consumers and leading grocery associations, these impactful product launches reaffirm our ability to bring innovative products to market in support of our overall growth strategy. ▶

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Advancing our Global Strategic Plan

We continued to advance with our Global Strategic Plan initiatives throughout the year, and I am pleased with our progress against our long-term strategy. We are only beginning to hit our stride with significant potential expected to be realized as we aim to reach our target of $2.125 billion in adjusted EBITDA[1] by the end of fiscal 2025 (FY25).

While the fundamentals of our plan remain intact, it is not static in nature, and we must remain agile to reflect the changing global macro environment. The deliberate and thoughtful steps we have taken thus far are to better align our strategy with the current market dynamics. This approach gives us the ability to quickly adjust our operating plans as we move through the course of the plan. We will continue to prioritize markets with the greatest long-term growth opportunities while focusing on capital investments that provide the highest return potential.

An important element of our plan is to continue laying the groundwork for future growth in the USA as we complete significant capital projects. During the year, we announced several capital investments and consolidation initiatives to further optimize our manufacturing footprint in our USA cheese operations. These included the construction of a new, state-of-the-art cut-and-wrap facility in Franklin, Wisconsin, and the expansion of string cheese operations on the West Coast, leading to the closure of three facilities. Strategic investments, a streamlined footprint, and optimized facilities set the stage for notable improvements in our operational performance as we consolidate production into world-class facilities and increase value-added capacity.

In Australia, we continued to pursue initiatives to further streamline our operating model, adjust our manufacturing network and strengthen market competitiveness to allow us to reinvest in areas of the business that will result in more value creation opportunities.

We began executing on our brand portfolio strategy by prioritizing meaningful and distinctive brands and categories to drive value creation in the market. As part of our roadmap to streamline the operating model, increase capacity utilization, and reduce costs, we closed our Maffra facility, streamlined two other plants, and announced the sale of two fresh milk processing facilities. Across our regions, we continue to re-evaluate our global platforms to ensure we have the right infrastructure in place for the total milk we have today and that we anticipate over the next few years.

In the UK, we announced the closure of our cheese packing facility in Frome, Somerset, to consolidate most of our cheese packing into our Nuneaton facility in 2024, creating a centre of excellence and driving operational efficiencies.

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Guided by our Saputo Promise

Our Saputo Promise remains a key enabler to our Global Strategic Plan and guides our everyday actions across seven core Pillars. In 2022, we proudly marked its fifth anniversary and issued our 2022 Saputo Promise Report outlining our progress. Addressing ESG issues that matter most to our business, our Promise three-year plan (FY23-FY25) builds on the wins of the past few years. I am proud of the many ways our teams continue to live out our purpose with the Promise embedded in our strategy and ingrained in our culture.

Our 2025 Environmental Pledges aim to accelerate our global climate, water, and waste performance through clear targets. To date, we have invested in more than 65 projects to reduce the carbon, energy, and water intensities of our operations as well as to drive progress towards minimizing waste and more sustainable packaging. An additional 19 energy and carbon saving projects will be funded in fiscal 2024 (FY24) and are expected to create estimated savings of 226,000 GJ of energy and 12,800 tonnes of CO_2e. In FY23, we were proud to maintain our B score from the CDP, which is above the industry average, thanks to our enhanced climate-related disclosure. We also obtained a B score for our CDP Water Disclosure. Reinforcing our climate governance, we recently introduced ESG-linked compensation as part of our long-term incentive plan for a broad range of management levels. Progress was also made on our packaging initiatives, including increasing recycled content in our sliced cheese trays in the UK and introducing recycled content in our shrink film for deli cups in the USA.

To ensure the responsible production of dairy ingredients, we launched our global Sustainable Agriculture Policy, which defines the sustainability standards we want to achieve in partnership with our producers and milk suppliers. We aim to have these implemented by FY25 across our operations. Our commitment to Pathways to Dairy Net Zero, an initiative to help accelerate climate efforts in the dairy industry, and our membership of the Sustainable Agriculture Initiative Platform both support our efforts. As part of our commitment to sourcing 100% RSPO-certified palm oil, we completed our global management system in FY23 to ensure our own operations can also be RSPO-certified.

To promote nutrition, we continued to improve the market penetration of our more nutritious branded products that meet our Saputo Nutrient Profiling Model (NPM) to make them even more accessible to consumers. In the Dairy Division (UK), we expanded our low-fat *Cathedral City* cheese range with the release of an Extra Mature version with 30% less fat than our standard offering. We also launched our global Responsible Marketing Guidelines to market our products responsibly, particularly to younger consumers.

We continued to support the communities where we operate through financial and food donations. In FY23, we celebrated the tenth anniversary of our Saputo Legacy Program, which supports the improvement of local sport and health facilities, building a lasting legacy within the communities where our employees live, work, and play. So far, 66 projects were funded for a total of over $3 million invested.

Fostering a diverse workplace is an ongoing journey. Following an update to our Diversity, Equity, and Inclusion (DE&I) Policy in FY22 to make it more robust and inclusive, we are now focused on embedding DE&I principles in the programs, processes, and practices that impact the employee life cycle. Beyond gender diversity, we are also increasing awareness about the different types of diversity through various initiatives. ▸

Next phase of our growth

While we continue to operate in a dynamic environment, we have clearly turned a corner in FY23, and we are at an important inflection point in our business. By leveraging our current momentum and executing on our Global Strategic Plan, we expect to deliver a year of strong adjusted EBITDA[1] growth in FY24. Our teams remain focused on enhancing our manufacturing network to optimize output, margin, and service levels. Our line-of-sight to continued growth and enhanced performance is also apparent, particularly as we complete significant capital projects to yield further scale efficiencies and increased production capabilities in some of our more value-added product categories. We expect operational stability and expanded capacity to be critical in unlocking further growth opportunities over time, particularly in our USA Sector.

As we head into the third year of our Global Strategic Plan, it is important we maintain our agility and unrelenting focus on the execution of our targeted initiatives. With the strong foundation that has been laid, I am very optimistic about what the future holds for us. I am confident in the strength of our strategy, vision, and culture, and I am energized by the opportunities we have to achieve compelling long-term growth and value creation.

I want to express my heartfelt appreciation to Louis-Philippe Carrière, who will retire from the Board of Directors at our upcoming annual shareholders meeting. Since 1986, Louis-Philippe has played a crucial role in shaping our culture and values. His unwavering dedication, passion, and expertise have been instrumental in helping us grow into the successful and thriving organization we are today.

I would like to recognize the sound guidance of the Board of Directors in steering us through the past year and in supporting Management as we pursue our path to continued success. Thank you to our shareholders, customers, and business partners, and to the many communities we serve, for your continued support and loyalty. ■

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A Closer Look at Our FY23 Performance and Highlights by Sector

Canada

The Canada Sector continued to deliver strong and consistent results. Our performance was driven by pricing actions in connection with the higher cost of milk and cost containment initiatives to offset inflationary pressures as well as additional capacity and capabilities, manufacturing efficiencies from recent capital investments, and continuous improvement programs aimed at increasing operating efficiencies. We continued to see a recovery in foodservice demand, led by both full service and quick-serve restaurants which favourably impacted our product mix, while retail segment volumes were lower, notably in the fluid milk category. We are well positioned to continue building on the momentum of the strength of our balanced, flexible, and diversified business model.

- **Showed promising early results with new product innovations within our leading brands, with new flavour extensions and formats. Our efforts are also being recognized by consumers and leading grocery associations. Our category-leading brands *Dairyland*, *Neilson*, and Saputo *Mozzarellissima* continued to be recognized as Canada's most trusted brands by consumers*. Our *Vitalite* plant-based products were awarded for best new product in the plant-based cheese slice category. Our popular *Armstrong* brand was also selected by consumers for several best new product awards.**
- **Undertook plans to streamline targeted fluid milk SKUs in certain regions, reinforcing our objective of optimizing our product portfolio.**
- **Increased our footprint in the plant-based beverage category through manufacturing of private label products for both Canada and the USA with major retailers. We continue to pursue strategic co-packing opportunities to leverage and optimize the breadth and depth of our manufacturing network and to grow our plant-based beverage business.**
- **Completed several automation projects aimed at improving plant operational efficiency. These projects targeted plants across the country and included automation of mozzarella and retail slice lines, packaging, and palletization, among other processes. We continued to identify the next set of opportunities to further automate our plant operations.**
- **Strengthened our supply chain through a series of targeted initiatives aimed at reducing touchpoints, labour intensity, and transport routes, resulting in cost savings. We also worked directly with our customers to improve the efficiency of our deliveries and continued to explore solutions to enhance our warehouse space management.**

* *Dairyland:* #1 Most Trusted by Canadians in 2022 – West – in milk category; *Neilson*: #1 Most Trusted by Canadians in 2022 – Ontario – in milk category; *Mozzarellissima*: #1 Most Trusted by Canadians in 2022 – in mozzarella cheese category, based on 2022 BrandSpark Canadian Shopper Survey.

USA

Our USA Sector recovered in FY23 following a challenging FY22, supported by pricing actions implemented to mitigate increasing costs and operational efficiencies which improved our ability to supply ongoing demand. Although still volatile, commodity prices also trended more favourably towards the end of the fiscal year. While we still faced the challenges of offsetting inflationary pressures and supply chain and labour constraints, the continued improvement in staffing levels contributed positively to our production volumes and order fill rates. Increasing production and filling ongoing demand remains a critical priority for us. The USA Sector is well positioned for continued growth, while continuing to focus on improving reliability in our supply to the market.

- **Strengthened category-leading retail brands such as *Frigo Cheese Heads*, *Montchevre*, and *Stella* to drive additional volume growth for these strategic and value-added products through marketing support and new flavour introductions. The next phase of the *Vitalite* dairy-free campaign is also underway with a focus on continuing to drive awareness across our key distribution markets.**
- **Completed the combination of our former Cheese Division (USA) and Dairy Foods Division (USA) by aligning our business processes, system applications, and IT infrastructure, and reaching a significant milestone in our One USA project. These initiatives are expected to maximize synergies, support growth, and improve our customers' experience when conducting business with our Dairy Division (USA).**
- **Announced additional capital investments to further optimize our manufacturing footprint and enhance operational agility, including the construction of a new state-of-the-art cut-and-wrap facility in Franklin, Wisconsin, which represents an investment of $240 million and is slated to be operating at full capacity by the third quarter of FY25. This will result in increased operating efficiencies and bolster capacity and capabilities for higher margin, value-added products to meet growing demand.**
- **Announced the expansion of our string cheese operations on the West Coast through an investment of $75 million to support our growth ambitions and sustain our leadership position in the string cheese product category. These two initiatives led to the decision to permanently close three facilities.**
- **Executed on our cheese network optimization strategy, with mozzarella production expansion projects completed in FY23 as expected. This more focused footprint aims to strengthen the competitiveness and long-term performance of our USA operations.**

International

Revenue for the year reflected higher international cheese and dairy ingredient market prices, higher sales volume in our domestic markets, along with higher domestic selling prices, which were offset by lower export sales volume. The improvement in adjusted EBITDA was driven by a solid performance in the Dairy Division (Argentina) and a better relation between international cheese and dairy ingredient market prices and the cost of milk as raw material. However, reduced milk availability in Australia had a negative impact on our operating efficiencies and fixed costs absorption in our Dairy Division (Australia).

Dairy Division (Australia)

In Australia, we focused on investing in our leading portfolio of brands while continuing to rationalize SKUs in non-strategic products and ongoing capacity optimization. Our year-over-year performance was negatively impacted by reduced milk availability and supply chain constraints. Managing our milk intake in Australia remains a key priority to maximize the value of milk in our platform. We are continuously working to ensure we have the right infrastructure for the total milk we have today and that we anticipate over the next few years.

- **Developed a clear portfolio strategy of prioritized brands and categories. We supported lead brands *CHEER*, *Devondale*, *Tasmanian Heritage*, and *Mersey Valley* with increased advertising investment to strengthen brand health.**
- **Launched plant-based cheese under lead cheese brand *CHEER*. We also launched flavour extensions to the *Mersey Valley* brand.**
- **Closed one of our facilities and streamlined activities at two additional facilities as part of our roadmap to increase capacity utilization and reduce costs in Australia.**
- **Announced the sale of two fresh milk processing facilities in a transaction valued at approximately $95 million to further streamline our operating model.**
- **Despite lower export sales volumes, we continued to prioritize higher value streams delivered through our premium ingredients.**

Dairy Division (Argentina)

Higher prices and a strong domestic market drove improved results for the Dairy Division (Argentina). The Division continued to benefit from higher milk intake, resulting in greater production volumes, and to leverage opportunities to increase production capacity from capital invested in our network over the years.

- **Marked major growth milestone as we are now the top dairy processor in Argentina, reinforcing our leadership position.**
- ***La Paulina* reached the first place in top of mind and brand awareness* for cheese categories, the highest recognition the brand has ever received from consumers.**
- **Benefited from strong international cheese and dairy ingredient market prices and higher shipment volumes following our mozzarella capacity expansion.**
- **Increased production and packaging capacity for processed cheese and cream cheese and completed capacity increase of grated cheese and semi-hard cheese plant to optimize and enhance our local production sites as per our Global Strategic Plan focus.**

* Omnibus Brand Health Kantar February 2022

Europe

The Dairy Division (UK) remained resilient despite inflationary pressures and prolonged challenges in the consumer environment. Pricing actions drove revenue growth, and overall demand for cheese and spreads remained stable in the UK. Nevertheless, higher milk costs, as well as higher commodity and energy costs, negatively impacted our financial performance throughout the year. In order to adjust to the current consumer environment, our Dairy Division (UK) increased private label volumes and grew sales of bulk cheese. While this shift created initial pressure on adjusted EBITDA margins following the decrease in retail market segment sales, we saw improvements towards the end of the year.

- ***Cathedral City*** **maintained its position as the #1 cheddar brand in the UK. Our branded butter and spreads portfolio including** ***Clover*****,** ***Utterly Butterly*****,** ***Willow*****,** ***Country Life*****, and** ***Vitalite*** **climbed to the #2 spot in the UK on a volume basis.**

- **Launched** ***Cathedral City*** **plant-based cheese alternative, leveraging the power of the nation's favourite cheddar brand and driving incremental category growth. This is now listed throughout UK retail.**

- ***Cathedral City*** **plant-based was named "Best Plant-Based Cheese" by FoodBev at its Plant-Based Taste Awards 2022 while The Grocer awarded it the top spot in their "Top Products Survey 2022" in the cheese category (plant based and dairy).** ***Cathedral City's*** **'Our Make it Better Cheddar' TV advert also won The Grocer's "Top Products Top Campaign" award.**

- **Won new high-end private label cheese business, strengthening our core offering and broadening our value-added portfolio, in addition to significant new private label spreads business.**

- **Continued the international expansion of our** ***Cathedral City*** **brand with increased distribution in the USA and Canada through Saputo's North American platforms, a distribution partnership for the German and Austrian markets supported by new consumer advertising, and the identification of new markets for future expansion.**

- **Announced the closure of our cheese packing facility in Frome, Somerset, to consolidate all cheese packing into our Nuneaton facility in 2024, creating a centre of excellence and driving operational efficiencies. During this transition, we have maintained strong operational performance at Frome and enabling work is on schedule at Nuneaton.**

Saputo

JUNE 8, 2023

MANAGEMENT'S DISCUSSION & ANALYSIS

CONSOLIDATED FINANCIAL STATEMENTS

FY2023

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MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

All dollar amounts are in millions of Canadian dollars, unless otherwise indicated.

The goal of this management's discussion and analysis ("MD&A") is to analyze the results of, and the financial position of Saputo Inc. (we, Saputo or the Company), for the year ended March 31, 2023. It should be read while referring to the audited consolidated financial statements of the Company for the same period and accompanying notes, which are prepared in accordance with generally accepted accounting principles in Canada ("GAAP") as set out in the CPA Canada Handbook - Accounting under Part 1, which incorporates International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. The information in this report is presented as at March 31, 2023, unless otherwise specified. In preparing this report, we have taken into account material elements between March 31, 2023, and June 8, 2023, the date on which this report was approved by the Company's Board of Directors. Additional information about the Company, including its Annual Report and Annual Information Form for the year ended March 31, 2023, can be obtained on SEDAR at www.sedar.com.

USE OF NON-GAAP MEASURES

We report our financial results in accordance with GAAP and generally assess our financial performance using financial measures that are prepared using GAAP. However, this MD&A also refers to certain non-GAAP and other financial measures which do not have a standardized meaning under GAAP, including the following: adjusted EBITDA[1]; adjusted net earnings[1]; adjusted EBITDA margin[1]; adjusted net earnings margin[1]; adjusted EPS basic[1]; adjusted EPS diluted[1]; and net debt to adjusted EBITDA[1]. These measures have no standardized meaning under GAAP and are unlikely to be comparable to similar measures presented by other issuers. Refer to the "Non-GAAP Measures" section of this MD&A for more information, including the definition and composition of the measure or ratio as well as the reconciliation to the most comparable measure in the primary financial statements, as applicable.

We use non-GAAP measures and ratios to provide investors with supplemental metrics to assess and measure our operating performance and financial position from one period to the next. These metrics are presented as a complement to enhance the understanding of operating results but not in substitution of GAAP results. In addition, non-GAAP financial measures should not be viewed as a substitute for the related financial information prepared in accordance with GAAP.

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

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 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 this MD&A.

Such risks and uncertainties include the following: product liability; the availability and price variations of milk and other inputs, our ability to transfer input costs increases, if any, to our customers in competitive market conditions; supply chain strain and supplier concentration; the price fluctuation of dairy products in the countries in which we operate, as well as in international markets; our ability to identify, attract, and retain qualified individuals; the increased competitive environment in our industry; consolidation of clientele; cyber threats and other information technology-related risks relating to business disruptions, confidentiality, data integrity business and email compromise-related fraud; unanticipated business disruption; continuing economic and political uncertainties, resulting from actual or perceived changes in the condition of the economy or economic slowdowns or recessions; the ongoing military conflict in Ukraine; public health threats, such as the recent global COVID -19 pandemic, changes in consumer trends; changes in environmental laws and regulations; the potential effects of climate change; increased focus on environmental sustainability matters; the failure to execute our Global Strategic Plan as expected or to adequately integrate acquired businesses in a timely and efficient manner; the failure to complete capital expenditures as planned; changes in interest rates and access to capital and credit markets. There may be other risks and uncertainties that we are not aware of at present, or that we consider to be insignificant, that could still have a harmful impact on our business, financial state, liquidity, results, or reputation.

Forward-looking statements are based on Management’s current estimates, expectations and assumptions regarding, among other things; the projected revenues and expenses; the economic, industry, competitive, and regulatory environments in which we operate or which could affect our activities; our ability to identify, attract, and retain qualified and diverse individuals; our ability to attract and retain customers and consumers; our environmental performance; the results of our sustainability efforts; the effectiveness of our environmental and sustainability initiatives; our operating costs; the pricing of our finished products on the various markets in which we carry on business; the successful execution of our Global Strategic Plan; our ability to deploy capital expenditure projects as planned; reliance on third parties; our ability to gain efficiencies and cost optimization from strategic initiatives; 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 successful execution of our M&A strategy; the market supply and demand levels for our products; our warehousing, logistics, and transportation costs; our effective income tax rate; the exchange rate of the Canadian dollar to the currencies of cheese and dairy ingredients. To set our financial performance targets, we have made assumptions regarding, among others: the absence of significant deterioration in macroeconomic conditions; our ability to mitigate inflationary cost pressure; the USA commodity market conditions; labour market conditions and staffing levels in our facilities; the impact of price elasticity; our ability to increase the production capacity and productivity in our facilities; and the demand growth for our products. 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; the development and performance of technology, innovation and the future use and deployment of technology and associated expected future results; the accessibility of carbon and renewable energy instruments for which a market is still developing and which are subject to risk of invalidation or reversal; and environmental regulation. Our ability to achieve our 2025 Supply Chain Pledges is further subject to, among others, our ability to leverage our supplier relationships.

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

Unless otherwise indicated by Saputo, forward-looking statements in this report describe our estimates, expectations and assumptions as of June 8, 2023, and, accordingly, are subject to change after that date. Except as required under applicable securities legislation, Saputo does not undertake to update or revise forward-looking statements, whether written or verbal, that may be made from time to time by itself or on our behalf, whether as a result of new information, future events, or otherwise. All forward-looking statements contained herein are expressly qualified by this cautionary statement.

SELECTED FINANCIAL INFORMATION

Years ended March 31
(in millions of CDN dollars, except per share amounts and ratios)

	2023	2022	2021
Revenues	**17,843**	15,035	14,294
Adjusted EBITDA[1]	**1,553**	1,155	1,471
Margin[1]	***8.7 %***	*7.7 %*	*10.3 %*
Net earnings	**622**	274	626
Margin[2]	***3.5 %***	*1.8 %*	*4.4 %*
Adjusted net earnings[1]	**755**	485	715
Margin[1]	***4.2 %***	*3.2 %*	*5.0 %*
PER SHARE			
Net earnings per share (EPS) basic	**1.49**	0.66	1.53
EPS diluted	**1.48**	0.66	1.52
Adjusted EPS basic[1]	**1.80**	1.17	1.74
Adjusted EPS diluted[1]	**1.80**	1.17	1.74
Dividends	**0.72**	0.72	0.70
Book value[2]	**16.94**	15.61	15.63
FINANCIAL POSITION			
Working capital[2]	**1,849**	1,515	1,802
Total assets	**14,425**	13,683	13,123
Long-term debt, including current portion	**3,251**	3,375	3,578
Net debt[2]	**3,777**	4,080	3,806
Total non-current financial liabilities[2]	**3,286**	3,461	3,667
Equity	**7,140**	6,505	6,444
FINANCIAL RATIOS			
Net debt / Equity[2]	**0.53**	0.63	0.59
Net debt / adjusted EBITDA[1]	**2.43**	3.53	2.59
STATEMENT OF CASH FLOWS			
Net cash generated from operations	**1,025**	693	1,078
Additions to property, plant and equipment, and intangible assets	**641**	498	434
Business acquisitions	**—**	371	—
Payment of dividends (Net of dividends paid through Dividend Reinvestment Plan (DRIP) of $102 million in fiscal 2023, $87 million in fiscal 2022 and $80 million in fiscal 2021)	**199**	209	205

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

STATEMENT OF EARNINGS

(in millions of CDN dollars)

	For the three-month periods ended March 31		For the years ended March 31	
	2023	2022	**2023**	2022
Revenues				
Canada	**1,156**	1,055	**4,696**	4,281
USA	**2,062**	1,743	**8,339**	6,409
International	**963**	922	**3,785**	3,453
Europe	**287**	237	**1,023**	892
	4,468	3,957	**17,843**	15,035
Operating costs excluding depreciation, amortization and restructuring costs				
Canada	**1,022**	938	**4,145**	3,806
USA	**1,919**	1,701	**7,851**	6,121
International	**879**	860	**3,411**	3,205
Europe	**256**	198	**883**	748
	4,076	3,697	**16,290**	13,880
Adjusted EBITDA				
Canada	**134**	117	**551**	475
USA	**143**	42	**488**	288
International	**84**	62	**374**	248
Europe	**31**	39	**140**	144
Total[1]	**392**	260	**1,553**	1,155
Adjusted EBITDA margin[1]	***8.8 %***	*6.6 %*	***8.7 %***	*7.7 %*
Depreciation and amortization				
Canada	**27**	27	**109**	103
USA	**56**	57	**227**	210
International	**36**	34	**146**	132
Europe	**25**	30	**100**	115
	144	148	**582**	560
Impairment of intangible assets	**—**	—	**—**	58
Gain on disposal of assets	**—**	—	**—**	(9)
Acquisition and restructuring costs	**28**	71	**95**	71
Financial charges	**39**	16	**101**	70
Earnings before incomes taxes	**181**	25	**775**	405
Income taxes	**22**	(12)	**153**	131
Net earnings	**159**	37	**622**	274
Net earnings margin[2]	***3.6 %***	*0.9 %*	***3.5 %***	*1.8 %*

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

STATEMENT OF EARNINGS (CONT'D)

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

	For the three-month periods ended March 31		For the years ended March 31	
	2023	2022	**2023**	2022
Net earnings	**159**	37	**622**	274
Acquisition and restructuring costs[1]	**21**	51	**70**	51
Amortization of intangible assets related to business acquisitions[1]	**16**	20	**63**	75
Impairment of intangible assets[1]	**—**	—	**—**	43
Gain on disposal of assets[1]	**—**	—	**—**	(8)
UK tax rate change[2]	**—**	—	**—**	50
Adjusted net earnings[1]	**196**	108	**755**	485
Adjusted net earnings margin[1]	***4.4 %***	*2.7 %*	***4.2 %***	*3.2 %*
PER SHARE DATA				
EPS basic	**0.38**	0.09	**1.49**	0.66
EPS diluted	**0.38**	0.09	**1.48**	0.66
Adjusted EPS basic[1]	**0.47**	0.26	**1.80**	1.17
Adjusted EPS diluted[1]	**0.47**	0.26	**1.80**	1.17

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2 On June 10, 2021, the UK Finance Act 2021 was enacted, increasing the UK tax rate from 19% to 25%, which became effective as of April 1, 2023. Refer to Note 16 to the consolidated financial statements for further information.

Selected factor(s) positively (negatively) impacting Adjusted EBITDA[1]

(in millions of CDN dollars)

	For the three-month periods ended March 31		For the years ended March 31	
	2023	2022	**2023**	2022
USA Market Factors[2,3]	**29**	(19)	**(11)**	(118)
Foreign currency exchange[3,4]	**(12)**	(12)	**(38)**	(72)

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

3 Reflects the effect on adjusted EBITDA as compared to same quarter last fiscal year for the three-month periods, and as compared to last fiscal year for the years ended March 31. Adjusted EBITDA is a total of segments measure. See the "Non-GAAP Measures" section of this MD&A for more information, including the definition and composition of the measure as well as the reconciliation to the most comparable measure in the primary financial statements, as applicable.

4 Foreign currency exchange includes the effect of the conversion of US dollars, Australian dollars, British pounds sterling, and Argentine pesos to Canadian dollars.

HIGHLIGHTS

Fourth quarter of fiscal 2023

- Revenues amounted to $4.468 billion, up $511 million or 12.9%.
- Net earnings totalled $159 million and EPS (basic and diluted) were $0.38, up from $37 million and $0.09.
- Adjusted EBITDA[1] amounted to $392 million, up $132 million or 50.8%.
- Adjusted net earnings[1] totalled $196 million, up from $108 million, and adjusted EPS[1] (basic and diluted) were $0.47, up from $0.26.
- Net cash generated from operations amounted to $421 million, up $237 million or 128.8%.
- Increased revenues reflected pricing initiatives implemented in all our sectors, the favourable combined effect of fluctuations of the average block market price[2] and of the average butter market price[2] in the USA Sector, as well as higher international cheese and dairy ingredient market prices.
- Increased adjusted EBITDA[1] was led by significant improvement in the USA Sector and solid performances in the Canada Sector and International Sector, consistent with those of the prior quarters this fiscal year.
- USA Market Factors[2] had a favourable impact of $29 million mainly driven by the fluctuations of the average butter market price[2] and their impact on pricing protocols for our dairy food products.
- Restructuring costs of $21 million after tax, which included non-cash fixed assets write-downs totalling $9 million, negatively impacted net earnings. These costs were incurred in connection with previously announced consolidation initiatives intended to further streamline and enhance our manufacturing footprint in our USA Sector as part of our Global Strategic Plan.
- On April 2, 2023, we announced that we entered into a definitive agreement to sell two fresh milk processing facilities in Australia in a transaction valued at approximately $95 million.
- The Board of Directors approved a dividend of $0.18 per share payable on June 27, 2023, to shareholders of record on June 20, 2023.

Fiscal 2023

- Revenues amounted to $17.843 billion, up $2.808 billion or 18.7%.
- Net earnings totalled $622 million and EPS (basic and diluted) were $1.49 and $1.48, up from $274 million and $0.66 respectively.
- Adjusted EBITDA[1] amounted to $1.553 billion, up $398 million or 34.5%.
- Adjusted net earnings[1] totalled $755 million, up from $485 million, and adjusted EPS[1] (basic and diluted) were $1.80, up from $1.17.
- Net cash generated from operations totalled $1.025 billion, up $332 million or 47.9%.
- Increased adjusted EBITDA[1] was led by significant improvement in the USA Sector and solid performances in the Canada Sector and International Sector.
- Increased revenues reflected:
    - Pricing initiatives implemented in all our sectors;
    - Higher average block market price[2] and higher average butter market price[2] in the USA Sector; and
    - Higher international cheese and dairy ingredient market prices.
- USA Market Factors[2] put pressure on adjusted EBITDA in the USA Sector while international cheese and dairy ingredient market prices were favourable.
- The fluctuation of the Canadian dollar versus foreign currencies negatively impacted revenues and adjusted EBITDA[1] by $62 million and $38 million, respectively.
- During the year, we incurred restructuring costs totalling $70 million after tax, which included non-cash fixed assets write-downs of $45 million. These costs were incurred in connection with consolidation initiatives undertaken in Australia, the USA Sector, and the Europe Sector to streamline and enhance our manufacturing footprint as well as other initiatives undertaken in the context of our Global Strategic Plan.

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

FY24 OUTLOOK

- We expect the carry over impact of price increases, additional capacity and capabilities, cost containment and efficiency initiatives, new product innovations, investments in our brands, and advertising to drive organic growth.

- We expect inflation on our overall input costs to moderate but to remain at elevated levels. We will continue to manage the current inflationary environment through our pricing protocols and cost containment measures.

- Global demand for dairy products is expected to grow but we foresee the impact of pricing elasticity will continue to increase.

- Competitive market dynamics and softening demand in the U.S. are expected to negatively impact our volumes as well as operational efficiencies and the absorption of fixed costs in the USA Sector.

- A more stabilized workforce, fewer supply chain constraints, and the acceleration of our productivity and operational improvement projects are expected to further enhance our ability to service customers, particularly in the USA Sector.

- The outlook for USA Market Factors[2] remains mixed. Management believes that the long-term environment is likely to be relatively supportive for commodity prices but with continued volatility in the short to medium-term.

- We expect the International Sector to be negatively impacted by lower cheese and dairy ingredient prices.

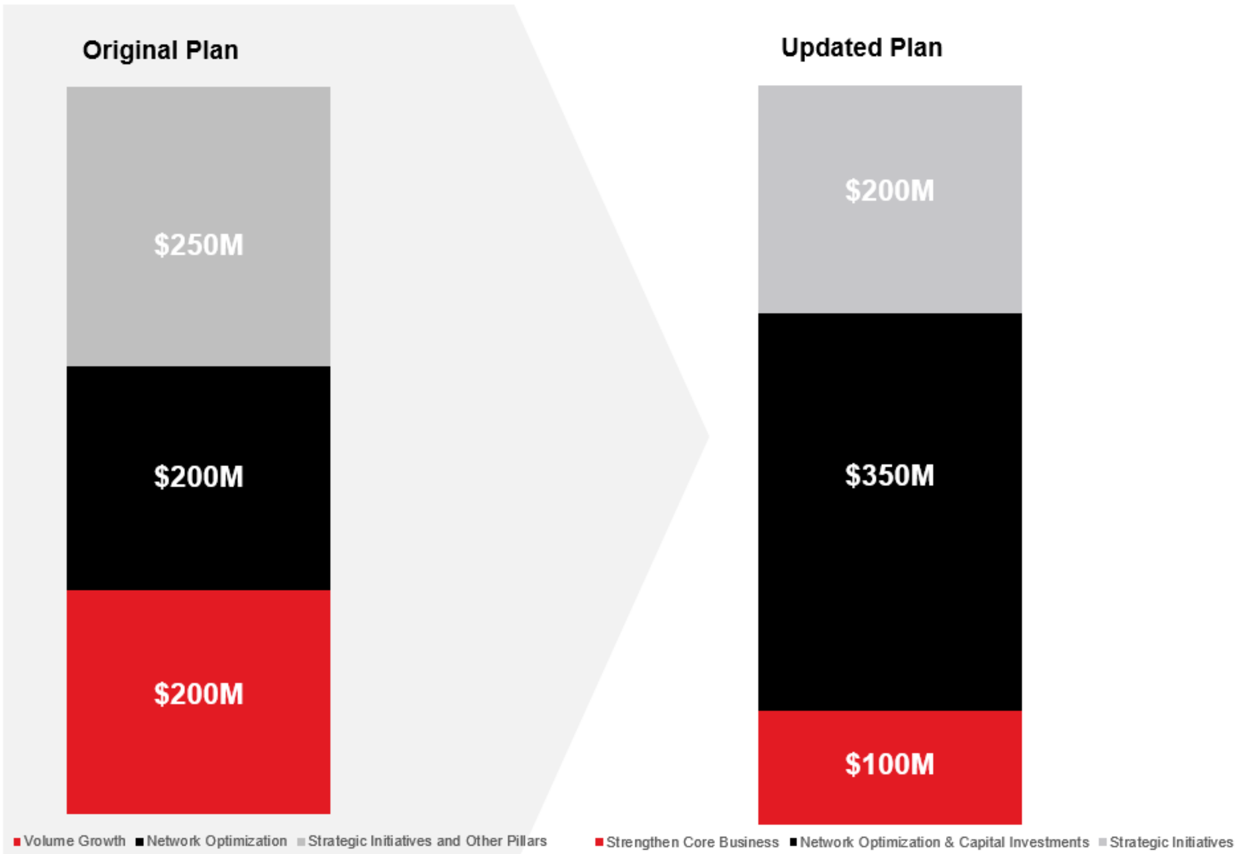
- Capital expenditures are expected to remain at similar levels versus last fiscal year, driven by Global Strategic Plan optimization and capacity expansion initiatives, and continued investments in automation.

- We expect strong operating cash flow to continue to support a balanced capital allocation strategy and provide the financial flexibility to consider value enhancing opportunities, with priority given to: (i) organic growth initiatives through capital expenditures, (ii) shareholder dividends, and (iii) debt repayments.

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

GLOBAL STRATEGIC PLAN HIGHLIGHTS

We are reaffirming our $2.125 billion adjusted EBITDA[1] target by the end of fiscal 2025 and updating our areas of focus. This represents an increase of $650 million in adjusted EBITDA[1] to our fiscal 2021 baseline. Since the announcement of our Global Strategic Plan in the fourth quarter of fiscal 2021, we witnessed a changing macroeconomic environment which uncovered additional network optimization opportunities. As a result, we now anticipate the network optimization initiatives to represent approximately $350 million of the projected adjusted EBITDA[1] growth, strategic initiatives to represent approximately $200 million, and $100 million to come from strengthening our core business.



- **Network Optimization & Capital Investments:** Streamline and optimize our asset footprint, capital and operational investments, enhance manufacturing network to improve output, margin, utilization rates, and service levels, leveraging asset flexibility and automation;
- **Strategic Initiatives:** New products and innovation, growth in dairy alternative products, process improvements, enhance value of ingredients through sales growth and cost containment initiatives; and
- **Strengthen Core Business:** Base business growth, pricing execution, improved reliability and growth of volume, channel and mix management, shift to higher-margin product mix.

On April 1, 2023, we completed the combination of our former Cheese Division (USA) and Dairy Foods Division (USA) by aligning our business processes, system applications, and IT infrastructure, and reaching a significant milestone in our One USA project. These initiatives are expected to maximize synergies, support growth, and improve our customers' experience when conducting business with our Dairy Division (USA).

On April 2, 2023, we announced that we entered into a definitive agreement to sell two fresh milk processing facilities located in Laverton North, Victoria, and Erskine Park, New South Wales, to Coles Group Limited, an Australian-based supermarket, retail, and consumer services chain, in a transaction valued at approximately $95 million (AU$105 million). In line with our Global Strategic Plan, this intended divestiture will enable us to further streamline our operating model, adjust our manufacturing network to strengthen market competitiveness, and allow us to reinvest in areas of the business that will result in more value creation opportunities.

The transaction is subject to customary conditions, including the clearance from the Australian Competition and Consumer Commission, and is expected to close in the second half of calendar 2023.

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THE SAPUTO PROMISE

The Saputo Promise is our approach to social, environmental, and economic performance based on seven Pillars: Food Quality and Safety, Our People, Business Ethics, Responsible Sourcing, Environment, Nutrition, and Community. It is an integral part of our business and a key component of our growth. As we seek to create shared value for all our stakeholders, it provides a framework that ensures we manage environmental, social, and governance (ESG) risks and opportunities successfully across our operations globally.

Anchored in the most pressing ESG issues for our business, our current three-year plan (FY23-FY25) builds on the momentum of the past few years, so our Saputo Promise continues to drive, enable, and sustain our growth.

During the fourth quarter of fiscal 2023, we:

- Approved an additional 19 projects for FY24 with the potential to save an estimated:
  - 12,800t of CO_2e
  - 226,000 GJ of energy
  - 709,000m^3 of water.

- Launched our Advancing Gender Balance initiative and set our goal to increase the representation of women to 30% by fiscal 2025 globally at the senior levels (Vice President and above).

- Celebrated the 10th anniversary of our Saputo Legacy Program which supports our local communities and promotes a healthy lifestyle by investing in the construction or improvement of sports and health facilities. Over 10 years, we funded 66 projects in five countries representing a $3 million investment.

CONSOLIDATED RESULTS FOR THE FOURTH QUARTER AND FISCAL YEAR ENDED MARCH 31, 2023

Revenues

Revenues for the **fourth quarter of fiscal 2023** totalled $4.468 billion, up $511 million or 12.9%, as compared to $3.957 billion for the same quarter last fiscal year. In **fiscal 2023**, revenues totalled $17.843 billion, up $2.808 billion or 18.7%, as compared to $15.035 billion for last fiscal year.

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

In the USA Sector, the combined effect of the fluctuations of the average block market price[2] and of the average butter market price[2] had a favourable impact of $69 million and $987 million, in the fourth quarter of fiscal 2023 and for fiscal 2023, respectively. Higher international cheese and dairy ingredient market prices, as well as the effect of the fluctuation of the Argentine peso and the Australian dollar on export sales denominated in US dollars were favourable.

Overall sales volumes were stable. Sales volumes mainly increased in the USA Sector while export sales volumes decreased due to reduced milk availability in Australia.

The fluctuation of foreign currencies versus the Canadian dollar had an unfavourable impact of $10 million and $62 million, in the fourth quarter of fiscal 2023 and for fiscal 2023, respectively.

Operating costs excluding depreciation, amortization, and restructuring costs

Operating costs excluding depreciation, amortization, and restructuring costs for the **fourth quarter of fiscal 2023** totalled $4.076 billion, up $379 million or 10.3%, as compared to $3.697 billion for the same quarter last fiscal year. In **fiscal 2023,** operating costs excluding depreciation, amortization, and restructuring costs totalled $16.290 billion, up $2.410 billion or 17.4%, as compared to $13.880 billion last fiscal year. These increases were due to higher input costs in all our sectors in line with inflation and dairy commodity market volatility, which contributed to the higher cost of raw materials and consumables used. Employee salary and benefit expenses increased due to inflation and wage increases.

Net earnings

Net earnings for the **fourth quarter of fiscal 2023** totalled $159 million, up $122 million or 329.7%, as compared to $37 million for the same quarter last fiscal year. The increase is primarily due to higher adjusted EBITDA[1], as described below, lower depreciation and amortization and acquisition and restructuring costs, partially offset by higher financial charges, and income tax expense.

In **fiscal 2023**, net earnings totalled $622 million, up $348 million or 127.0%, as compared to $274 million for last fiscal year. The increase is primarily due to higher adjusted EBITDA[1], as described below, impairment of intangible assets, and the gain on disposal of assets recorded in the third quarter of last fiscal year, partially offset by higher depreciation and amortization, acquisition and restructuring costs, financial charges, and income tax expense.

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

Adjusted EBITDA[1]

Adjusted EBITDA[1] for the **fourth quarter of fiscal 2023** totalled $392 million, up $132 million or 50.8%, as compared to $260 million for the same quarter last fiscal year.

Increased adjusted EBITDA[1] was led by significant improvement in the USA Sector and solid performances in the Canada Sector and International Sector.

We continued to benefit from the effect of higher average selling prices. Increases in average selling prices were driven by previously announced pricing initiatives implemented to mitigate higher input costs, such as consumables, packaging, transportation, and fuel, in line with pressures from ongoing inflation and volatile commodity markets.

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.

USA Market Factors[2] had a favourable impact of $29 million, as compared to the same quarter last fiscal year, mainly due to the favourable impact of fluctuations of the average butter market price[2] on pricing protocols for our dairy food products. Despite a positive Spread[2], realization of inventories for our cheese products was negative due to the unfavourable impact of fluctuations of the average block market price[2].

Despite the challenging labour environment, sales volumes increased and order fill rates have improved in the USA Sector. Reduced milk availability in Australia continued to negatively impact efficiencies and the absorption of fixed costs.

We continued to benefit from our cost containment measures aimed at minimizing the effect of inflation and our efforts to prioritize efficiency and productivity initiatives.

The fluctuation of foreign currencies versus the Canadian dollar had an unfavourable impact of $12 million.

Adjusted EBITDA[1] in **fiscal 2023** totalled $1.553 billion, up $398 million or 34.5%, as compared to $1.155 billion for last fiscal year.

Improved results reflected solid performances in the International Sector and Canada Sector and recovery in the USA Sector.

We benefited from pricing initiatives implemented to mitigate higher input costs, such as consumables, packaging, transportation, and fuel in line with ongoing inflationary pressures and commodity market volatility.

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. Last fiscal year, fulfilling sales contracted at depressed commodity prices in our International Sector had an unfavourable impact.

USA Market Factors[2] had an unfavourable impact of $11 million, as compared to last fiscal year, mainly due to the negative Spread[2] more particularly during the first half of the fiscal year. On the other hand, fluctuations of the average butter market price[2] had a favourable impact on pricing protocols for our dairy food products mostly during the fourth quarter of the fiscal year.

Labour shortages in some of our facilities and supply chain disruptions put pressure on our ability to supply ongoing demand. However, throughout the fiscal year, we consistently focused on overcoming these challenges and have been recovering sales volumes and increasing fill rates in our USA Sector. Furthermore, reduced milk availability in Australia negatively impacted efficiencies and the absorption of fixed costs. We actively managed these challenging market conditions throughout the fiscal year.

We benefited from our cost containment measures aimed at minimizing the effect of inflation and our efforts to prioritize efficiency and productivity initiatives.

The fluctuation of foreign currencies versus the Canadian dollar had an unfavourable impact of $38 million.

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

Depreciation and amortization

Depreciation and amortization for the **fourth quarter of fiscal 2023** totalled \$144 million, down \$4 million, as compared to \$148 million for the same quarter last fiscal year. In **fiscal 2023,** depreciation and amortization totalled \$582 million, up \$22 million, as compared to \$560 million for last fiscal year. This increase was mainly attributable to additional depreciation and amortization related to the Recent Acquisitions[2], as well as additions to property, plant, and equipment, which increased the depreciable base.

Acquisition and restructuring costs

Acquisition and restructuring costs for the **fourth quarter of fiscal 2023** totalled \$28 million and included a non-cash fixed assets write-down of \$12 million, and employee-related costs of \$14 million in connection with consolidation initiatives in the USA Sector being undertaken as part of our Global Strategic Plan.

Acquisition and restructuring costs in **fiscal 2023** totalled \$95 million related to initiatives undertaken in Australia, the USA Sector, and the Europe Sector as part of our Global Strategic Plan. These costs included a total non-cash fixed assets write-down of \$62 million, employee-related costs of \$28 million, accelerated depreciation, and other site closure costs. Restructuring costs also include a \$2 million gain on disposal of assets related to the sale of a closed facility in the Canada Sector.

In **fiscal 2022**, acquisition and restructuring costs totalled \$71 million and were recorded during the fourth quarter. These costs related to the announcement of several major capital investments and consolidation initiatives intended to enhance and streamline our manufacturing footprint in our USA Sector and International Sector as well as plans to outsource warehouse and distribution activities, creating opportunities for network consolidation within our Europe Sector. Restructuring costs included a non-cash impairment charge of property, plant, and equipment of \$60 million and severance costs of \$8 million.

Gain on disposal of assets

In **fiscal 2022**, the Company recorded a gain on disposal of assets of \$9 million mainly from the sale of a facility in the Canada Sector.

Impairment of intangible assets

In **fiscal 2022,** an impairment of intangible assets charge of \$58 million was recorded. The charge includes \$50 million related to software assets following our decision to pause the ERP implementation within the Dairy Division (Canada) for a minimum of three years and \$8 million as a result of the application of an agenda decision of the International Financial Reporting Interpretations Committee (IFRIC) related to the capitalization of cloud-based software costs.

Financial charges

Financial charges for the **fourth quarter of fiscal 2023** totalled \$39 million, up \$23 million, compared to the same quarter last fiscal year. This increase reflected higher interest rates, and included a decreased gain on hyperinflation of \$15 million derived from the indexation to inflation of non-monetary assets and liabilities in Argentina.

Financial charges in **fiscal 2023** totalled \$101 million, up \$31 million, compared to the same period last fiscal year. This increase reflected higher interest rates, and included a decreased gain on hyperinflation of \$4 million derived from the indexation to inflation of non-monetary assets and liabilities in Argentina.

For the **fourth quarter of fiscal 2023**, the net effect of the hyperinflation in Argentina, which increased the value of net non-monetary assets on the consolidated statement of financial position, and of the devaluation of the Argentina peso, which decreased the value of the net non-monetary assets, resulted in a minimal gain on hyperinflation (\$15 million gain in the fourth quarter of fiscal 2022). In **fiscal 2023**, the net effect of these two elements resulted in a gain on hyperinflation of \$44 million (\$48 million gain in fiscal 2022).

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

Income tax expense

Income tax expense for the **fourth quarter of fiscal 2023** totalled $22 million, compared to an income tax recovery of $12 million for the same quarter last fiscal year. The increase in income tax expense is mainly due to higher taxable earnings and their geographic mix.

Income tax expense in **fiscal 2023** totaled $153 million, reflecting an effective tax rate of 19.7% as compared to 32.3% last fiscal year.

The effective income tax rate for fiscal 2022 included a one-time non-cash $50 million income tax expense incurred to adjust deferred income tax liability balances due to the enactment on June 10, 2021, of an increase from 19% to 25% of the corporate income tax rate in the United Kingdom, which became effective on April 1, 2023. Excluding the effect of this one-time non-cash expense, the effective income tax rate for fiscal 2022 would have been 20.0%.

The tax and accounting treatments of inflation in Argentina had a favourable effect of approximately 6% on both the fiscal 2023 and fiscal 2022 effective income tax rates.

The effective income 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 tax and accounting treatments of inflation in Argentina, the amount and source of taxable income, amendments to tax legislations and income tax rates, changes in assumptions, as well as estimates we use for tax assets and liabilities.

Adjusted net earnings[1]

Adjusted net earnings for the **fourth quarter of fiscal 2023** totalled $196 million, up $88 million or 81.5%, as compared to $108 million for the same quarter last fiscal year. This is mainly due to an increase in net earnings, as described above, excluding lower acquisition and restructuring costs after tax.

In **fiscal 2023**, adjusted net earnings totalled $755 million, up $270 million or 55.7%, as compared to $485 million for last fiscal year. This is mainly due to an increase in net earnings, as described above, excluding higher acquisition and restructuring costs after tax, the one-time non-cash expense to adjust deferred income tax liability balances to reflect the increase in the corporate income tax rate in the United Kingdom, the non-recurring impairment on intangible assets after tax and gain on sale of assets after tax that were recorded last fiscal year.

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

QUARTERLY FINANCIAL INFORMATION BY SECTOR

CANADA SECTOR

(in millions of CDN dollars)

Fiscal years	2023				2022			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenues	**1,156**	**1,213**	**1,185**	**1,142**	1,055	1,112	1,081	1,033
Adjusted EBITDA	**134**	**149**	**136**	**132**	117	121	124	113
Adjusted EBITDA margin	**11.6 %**	**12.3 %**	**11.5 %**	**11.6 %**	11.1 %	10.9 %	11.5 %	10.9 %

USA SECTOR

(in millions of CDN dollars)

Fiscal years	2023				2022			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenues	**2,062**	**2,172**	**2,062**	**2,043**	1,743	1,627	1,533	1,506
Adjusted EBITDA	**143**	**146**	**102**	**97**	42	83	67	96
Adjusted EBITDA margin	**6.9 %**	**6.7 %**	**4.9 %**	**4.7 %**	2.4 %	5.1 %	4.4 %	6.4 %

Selected factor(s) positively (negatively) impacting Adjusted EBITDA

(in millions of CDN dollars)

Fiscal years	2023				2022			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
USA Market Factors[1,2]	**29**	**(6)**	**(27)**	**(7)**	(19)	(40)	(17)	(42)
US currency exchange[2]	**5**	**8**	**3**	**3**	—	(6)	(8)	(18)

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

Other pertinent information

(in US dollars, except for average exchange rate)

Fiscal years	2023				2022			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Block market price[1]								
Opening	**2.135**	**1.968**	**2.195**	**2.250**	1.980	1.873	1.553	1.738
Closing	**1.850**	**2.135**	**1.968**	**2.195**	2.250	1.980	1.873	1.553
Average	**1.943**	**2.077**	**1.927**	**2.287**	2.005	1.805	1.706	1.657
Butter market price[1]								
Opening	**2.380**	**3.145**	**2.995**	**2.700**	2.453	1.760	1.740	1.818
Closing	**2.398**	**2.380**	**3.145**	**2.995**	2.700	2.453	1.760	1.740
Average	**2.375**	**2.904**	**3.035**	**2.808**	2.692	1.975	1.716	1.805
Average whey powder market price[1]	**0.397**	**0.432**	**0.469**	**0.600**	0.759	0.622	0.522	0.626
Spread[1]	**0.040**	**(0.120)**	**(0.222)**	**(0.261)**	(0.253)	(0.099)	(0.034)	(0.164)
US average exchange rate to Canadian dollar[2]	**1.353**	**1.357**	**1.306**	**1.275**	1.266	1.260	1.259	1.231

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

INTERNATIONAL SECTOR

(in millions of CDN dollars)

Fiscal years	**2023**				2022			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenues	**963**	**917**	**989**	**916**	922	919	858	754
Adjusted EBITDA	**84**	**111**	**97**	**82**	62	85	56	45
Adjusted EBITDA margin	**8.7 %**	**12.1 %**	**9.8 %**	**9.0 %**	6.7 %	9.2 %	6.5 %	6.0 %

Selected factor(s) positively (negatively) impacting Adjusted EBITDA

(in millions of CDN dollars)

Fiscal years	**2023**				2022			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Foreign currency exchange[1]	**(15)**	**(13)**	**(9)**	**(6)**	(12)	(13)	(14)	(4)

1 As compared to same quarter last fiscal year.

EUROPE SECTOR

(in millions of CDN dollars)

Fiscal years	**2023**				2022			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenues	**287**	**285**	**225**	**226**	237	243	217	195
Adjusted EBITDA	**31**	**39**	**34**	**36**	39	33	36	36
Adjusted EBITDA margin	**10.8 %**	**13.7 %**	**15.1 %**	**15.9 %**	16.5 %	13.6 %	16.6 %	18.5 %

CANADA SECTOR

(in millions of CDN dollars)

	For the three-month periods ended March 31		For the years ended March 31	
	2023	2022	**2023**	2022
Revenues	**1,156**	1,055	**4,696**	4,281
Adjusted EBITDA	**134**	117	**551**	475
Adjusted EBITDA margin	**11.6 %**	11.1 %	**11.7 %**	11.1 %

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

Revenues

Revenues for the **fourth quarter of fiscal 2023** totalled $1.156 billion, up $101 million or 9.6%, as compared to $1.055 billion for the same quarter last fiscal year.

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

Consistent with the trends observed since the beginning of fiscal 2023, sales volumes were lower in the retail market segment, mainly in the fluid milk category, while sales volumes in the foodservice market segment were higher, mainly in the cheese category.

Revenues in **fiscal 2023** totalled $4.696 billion, up $415 million or 9.7%, as compared to $4.281 billion last fiscal year.

Revenues increased due to higher selling prices in connection with the higher cost of milk as raw material and pricing initiatives implemented to mitigate increasing input and logistics costs in line with inflation. The higher cost of milk resulted from the effect of two farm gate milk price increases which we were subject to following decisions made in fiscal 2023 by the Canadian Dairy Commission. In the prior fiscal year, and consistent with historic trends, regulatory farm gate milk price increases occurred once a year.

Sales volumes were lower in the retail market segment, mainly in the fluid milk category, while sales volumes in the foodservice market segment were higher, mainly in the cheese category.

The retail market segment represented approximately 56% of revenues (59% in fiscal 2022), whereas the foodservice market segment represented approximately 36% of revenues (33% in fiscal 2022). The industrial market segment represented approximately 8% of revenues in both fiscal 2023 and 2022.

Adjusted EBITDA

Adjusted EBITDA for the **fourth quarter of fiscal 2023** totalled $134 million, up $17 million or 14.5%, as compared to $117 million for the same quarter last fiscal year.

Year-over-year results improved despite an ongoing challenging labour environment and inflationary pressures on input costs. Higher selling prices were sufficient to mitigate these higher input costs and favourable product mix from increased cheese sales volumes also had a positive effect. We maintained focus on advancing the work related to strategic initiatives and continued to benefit from continuous improvement programs aimed at increasing operating efficiencies.

In the aftermath of the extreme weather event which occurred in British Columbia in November 2021, our fourth quarter results of fiscal 2022 were negatively impacted by incremental freight and logistics costs associated with servicing our customers.

We continued to benefit from selling, general, and administrative cost containment measures aimed at minimizing the effect of inflation.

Adjusted EBITDA in **fiscal 2023** totalled $551 million, up $76 million or 16.0%, as compared to $475 million last fiscal year.

Year-over-year results improved despite ongoing challenging market conditions relative to labour and inflation. Pricing initiatives were sufficient to mitigate inflationary pressures on our input costs. Product mix had a favourable impact, with increases in cheese sales volumes. While advancing the work in relation to our Global Strategic Plan initiatives, we benefited from continuous improvement programs aimed at increasing operating efficiencies.

We benefited from selling, general, and administrative cost containment measures aimed at minimizing the effect of inflation.

USA SECTOR

(in millions of CDN dollars)

	For the three-month periods ended March 31		For the years ended March 31	
	2023	2022	**2023**	2022
Revenues	**2,062**	1,743	**8,339**	6,409
Adjusted EBITDA	**143**	42	**488**	288
Adjusted EBITDA margin	**6.9 %**	2.4 %	**5.9 %**	4.5 %

Selected factor(s) positively (negatively) impacting Adjusted EBITDA

(in millions of CDN dollars)

	For the three-month periods ended March 31		For the years ended March 31	
	2023	2022	**2023**	2022
USA Market Factors[1,2]	**29**	(19)	**(11)**	(118)
US currency exchange[2]	**5**	—	**19**	(32)

1 Refer to the ''Glossary'' section of this MD&A.
2 As compared to same quarter last fiscal year for the three-month periods; as compared to last fiscal year for the years ended March 31.

Other pertinent information

(in US dollars, except for average exchange rate)

	For the three-month periods ended March 31		For the years ended March 31	
	2023	2022	**2023**	2022
Block market price[1]				
Opening	**2.135**	1.980	**2.250**	1.738
Closing	**1.850**	2.250	**1.850**	2.250
Average	**1.943**	2.005	**2.058**	1.793
Butter market price[1]				
Opening	**2.380**	2.453	**2.700**	1.818
Closing	**2.398**	2.700	**2.398**	2.700
Average	**2.375**	2.692	**2.781**	2.047
Average whey powder market price[1]	**0.397**	0.759	**0.473**	0.630
Spread[1]	**0.040**	(0.253)	**(0.143)**	(0.137)
US average exchange rate to Canadian dollar[2]	**1.353**	1.266	**1.328**	1.251

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

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

Revenues

Revenues for the **fourth quarter of fiscal 2023** totalled $2.062 billion, up $319 million or 18.3%, as compared to $1.743 billion for the same quarter last fiscal year.

Similar to the prior quarters of fiscal 2023, revenues increased due to pricing initiatives implemented to mitigate increasing input and logistics costs in line with ongoing inflation.

The combined effect of fluctuations of the average block market price[2] and of the average butter market price[2] had a favourable impact of $69 million.

Sales volumes increased as a result of continued improvements in our ability to supply ongoing demand.

The fluctuation of the US dollar versus the Canadian dollar had a favourable impact of $113 million.

Revenues in **fiscal 2023** totalled $8.339 billion, up $1.930 billion or 30.1%, as compared to $6.409 billion last fiscal year.

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

The combined effect of the higher average butter market price[2] and of the higher average block market price[2] had a favourable impact of $987 million.

Sales volumes increased as a result of sustained improvements throughout the fiscal year in our ability to supply ongoing demand and the combined contributions of the Reedsburg Facility Acquisition[3] and the Carolina Acquisition[3] for the full year compared to partial contributions last fiscal year. Consumer demand for our products remained strong, however, the mozzarella foodservice market segment remained subject to competitive market dynamics.

The fluctuation of the US dollar versus the Canadian dollar had a favourable impact of $351 million.

The retail market segment represented approximately 45% of revenues (44% in fiscal 2022), whereas the foodservice market segment represented approximately 45% of revenues (45% in fiscal 2022). The industrial market segment represented approximately 10% of revenues (11% in fiscal 2022).

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

Adjusted EBITDA

Adjusted EBITDA for the **fourth quarter of fiscal 2023** totalled \$143 million, up \$101 million or 240.5%, as compared to \$42 million for the same quarter last fiscal year.

Results significantly improved as compared to a very challenging fourth quarter in the previous fiscal year.

We benefited from previously announced pricing initiatives to mitigate higher input costs as we continued to be challenged with inflationary pressures, labour constraints, as well as commodity market volatility. Also, the implementation of supply chain initiatives had a positive impact.

USA Market Factors[2] had a favourable impact of \$29 million, as compared to the same quarter last fiscal year, mainly due to the favourable impact of fluctuations of the average butter market price[2] on pricing protocols for our dairy food products. Despite a positive Spread[2], realization of inventories for our cheese products was negative due to the fluctuations of the average block market price[2].

USA Market Factors[2] are comprised of the following and their respective impacts in the fourth quarter of fiscal 2023 are outlined below:

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

Despite the challenging labour environment, sales volumes increased and order fill rates have improved.

The fluctuation of the US dollar versus the Canadian dollar had a favourable impact of \$5 million.

Adjusted EBITDA in **fiscal 2023** totalled \$488 million, up \$200 million or 69.4%, as compared to \$288 million last fiscal year.

Results reflected the ongoing recovery despite ongoing challenging market conditions related to labour and inflation.

We benefited from previously announced pricing initiatives to mitigate higher input costs, as we continued to be challenged with inflationary pressures, labour availability, as well as commodity market volatility. As discussed above, we began to benefit from the implementation of supply chain initiatives aimed at minimizing inflationary pressures.

USA Market Factors[2] had an unfavourable impact of \$11 million, as compared to last fiscal year, mainly due to the negative Spread[2] more particularly during the first half of the fiscal year. On the other hand, fluctuations of the average butter market price[2] had a favourable impact on pricing protocols for our dairy food products mostly during the fourth quarter of the fiscal year.

Labour shortages in some of our facilities and supply chain disruptions put pressure on our ability to supply ongoing demand. However, throughout the fiscal year, we consistently focused on overcoming these challenges and have been progressively recovering sales volumes and improving fill rates.

The fluctuation of the US dollar versus the Canadian dollar had a favourable impact of \$19 million.

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

INTERNATIONAL SECTOR

(in millions of CDN dollars)

	For the three-month periods ended March 31		For the years ended March 31	
	2023	2022	**2023**	2022
Revenues	**963**	922	**3,785**	3,453
Adjusted EBITDA	**84**	62	**374**	248
Adjusted EBITDA margin	**8.7 %**	6.7 %	**9.9 %**	7.2 %

Selected factor(s) positively (negatively) impacting Adjusted EBITDA

(in millions of CDN dollars)

	For the three-month periods ended March 31		For the years ended March 31	
	2023	2022	**2023**	2022
Foreign currency exchange[1]	**(15)**	(12)	**(43)**	(43)

[1] As compared to same quarter last fiscal year for the three-month periods; as compared to last fiscal year for the years ended March 31.

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

Revenues

Revenues for the **fourth quarter of fiscal 2023** totalled $963 million, up $41 million or 4.4%, as compared to $922 million for the same quarter last fiscal year.

The effects of higher international cheese and dairy ingredient market prices and the fluctuation of the Argentine peso and the Australian dollar on export sales denominated in US dollars were favourable. However, fulfilling the demand for our products in our export markets continued to be challenged by reduced milk availability in Australia and resulted in lower export sales volumes.

Higher domestic selling prices, mainly in connection with the higher cost of milk as raw material, the effect of the hyperinflationary economy in Argentina, as well as higher sales volumes in our domestic markets had a positive impact.

The fluctuation of the functional currencies used in the International Sector versus the Canadian dollar had an unfavourable impact of $115 million, mainly due to the weakening of the Argentine peso.

Revenues in **fiscal 2023** totalled $3.785 billion, up $332 million or 9.6%, as compared to $3.453 billion last fiscal year.

The effects of higher international cheese and dairy ingredient market prices and the fluctuation of the Argentine peso and the Australian dollar on export sales denominated in US dollars were favourable. However, lower export sales volumes, mainly resulting from reduced milk availability in Australia, had a negative impact. In the first quarter of the fiscal year, export sales volumes were also subject to supply chain challenges due to container and vessel availability issues and port inefficiencies.

Revenues also increased due to higher sales volumes in our domestic markets along with higher domestic selling prices, mainly in connection with the higher cost of milk as raw material, as well as the effect of the hyperinflationary economy in Argentina.

The fluctuation of the functional currencies used in the International Sector versus the Canadian dollar had an unfavourable impact of $353 million, mainly due to the weakening of the Argentine peso.

The retail market segment represented approximately 40% of total revenues (41% in fiscal 2022). The foodservice market segment represented approximately 11% of total revenues in fiscal 2023 (8% in fiscal 2022). The industrial market segment represented approximately 49% of total revenues in fiscal 2023 (51% in fiscal 2022) and were destined mostly for export markets.

Adjusted EBITDA

Adjusted EBITDA for the **fourth quarter of fiscal 2023** totalled $84 million, up $22 million or 35.5%, as compared to $62 million for the same quarter last fiscal year.

Pricing initiatives undertaken in the domestic markets were sufficient to mitigate increased input costs, notably the increased farm gate milk prices in Australia.

In our export markets, the relation between international cheese and dairy ingredient market prices and the cost of milk as raw material continued to have a positive impact.

Reduced milk availability in Australia continued to negatively impact our export sales volumes as well as efficiencies and the absorption of fixed costs in our Dairy Division (Australia).

Late in the quarter, we began to gradually benefit from previously announced network optimization initiatives aimed at improving our operational efficiency and strengthen our competitiveness in Australia.

The fluctuation of the functional currencies used in the International Sector versus the Canadian dollar had an unfavourable impact of $15 million mainly due to the weakening of the Argentine peso.

In **fiscal 2023**, adjusted EBITDA totalled $374 million, up $126 million or 50.8%, as compared to $248 million last fiscal year.

Increased adjusted EBITDA in our International Sector was led by a solid performance in the Dairy Division (Argentina).

In our export markets, the relation between international cheese and dairy ingredient market prices and the cost of milk as raw material had a positive impact. In the first six months of last fiscal year, fulfilling the export sales contracted at depressed commodity prices had an unfavourable impact and supply chain disruptions were ongoing.

Reduced milk availability in Australia negatively impacted our export sales volumes, as well as efficiencies and the absorption of fixed costs in our Dairy Division (Australia), partially offset by higher milk intake in the Dairy Division (Argentina).

The fluctuation of the functional currencies used in the International Sector versus the Canadian dollar had an unfavourable impact of $43 million mainly due to the weakening of the Argentine peso.

EUROPE SECTOR

(in millions of CDN dollars)

	For the three-month periods ended March 31		For the years ended March 31	
	2023	2022	**2023**	2022
Revenues	**287**	237	**1,023**	892
Adjusted EBITDA	**31**	39	**140**	144
Adjusted EBITDA margin	**10.8 %**	16.5 %	**13.7 %**	16.1 %

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

Revenues

Revenues for the **fourth quarter of fiscal 2023** totalled $287 million, up $50 million or 21.1%, as compared to $237 million for the same quarter last fiscal year.

Similar to the prior quarters of fiscal 2023, revenues increased due to pricing initiatives implemented to mitigate the higher cost of milk as raw material and other input cost increases.

Sales volumes increased mainly in the industrial market segment in the bulk cheese category compared to the same period last fiscal year. Retail market segment sales volumes suffered from the added competitive pressures following inflation-driven pricing actions. However, this decrease was offset by higher sales volumes in private label as consumers traded out of branded products.

The fluctuation of the British pound sterling versus the Canadian dollar had an unfavourable impact of $8 million.

Revenues in **fiscal 2023** totalled $1.023 billion, up $131 million or 14.7%, as compared to $892 million last fiscal year.

Revenues increased due to pricing initiatives implemented to mitigate the higher cost of milk as raw material and other input cost increases.

Sales volumes in the retail market segment decreased due to the added pressure from inflation-driven pricing actions. Sales volume in the industrial market segment were stable. The full contributions of the Bute Island Acquisition[3] and the Wensleydale Dairy Products Acquisition[3] compared to partial contributions in the last fiscal year positively impacted revenues.

The fluctuation of the British pound sterling versus the Canadian dollar had an unfavourable impact of $60 million.

The retail market segment represented approximately 71% of revenues down from 78% of revenues in fiscal 2022, reflecting the challenging consumer environment in the context of inflation-driven pricing actions. The foodservice market segment represented approximately 3% of revenues (2% in fiscal 2022). The industrial market segment represented 26% of revenues (20% in fiscal 2022).

Adjusted EBITDA

Adjusted EBITDA for the **fourth quarter of fiscal 2023** totalled $31 million, down $8 million or 20.5%, as compared to $39 million for the same quarter last fiscal year.

Pricing initiatives continued to mitigate the higher cost of milk as raw material and other input cost increases in line with inflation, and increased commodity and energy costs due to the European energy crisis. An inventory write-down of $7 million was recorded relating to the reduction in net realizable value of cheese finished goods originally produced for the retail market segment that will be sold through the industrial channel.

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

Adjusted EBITDA in **fiscal 2023** totalled $140 million, down $4 million or 2.8%, as compared to $144 million last fiscal year.

Pricing initiatives mitigated the higher cost of milk as raw material and other input cost increases in line with inflation, and increased commodity and energy costs. However, the sharp rise in energy costs due to the European energy crisis increased our operating costs. During the fourth quarter, we recorded an inventory write-down of $7 million as discussed above.

Product mix had an unfavourable impact following the decrease in retail market segment sales volumes. As described above, an inventory write-down recorded during the fourth quarter had a negative impact. The full fiscal year contributions of the Bute Island Acquisition[3] and the Wensleydale Dairy Products Acquisition[3] compared to partial contributions in the last fiscal year was minimal.

The fluctuation of the British pound sterling versus the Canadian dollar had an unfavourable impact of $9 million.

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

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

This section provides insight into our cash and capital management strategies and how they drive operational objectives, and also provides details on how we manage our liquidity risk to meet Saputo's financial obligations as they come due.

As we navigate through the challenging environment including geopolitical developments, inflationary pressures, rising interest rates, 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 capital allocation priorities (capital expenditures, shareholder dividends, and debt repayments) allow us to support organic growth, strategic acquisitions, and our Saputo Promise.

The Company's cash and cash equivalents totalled $263 million as at March 31, 2023. In addition to these funds, we have unused credit facilities of $2.047 billion under our bank credit facilities as at March 31, 2023. We believe we are well positioned to face current market conditions given our well-balanced capital structure.

The Company's liquidity needs are funded from cash generated by operations, unsecured bank credit facilities, and senior unsecured notes. These funds are used principally for capital expenditures, dividends, debt repayments, and business acquisitions, if any, 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 March 31		**For the years ended March 31**	
	2023	2022	**2023**	2022
Net cash generated from operating activities	**421**	184	**1,025**	693
Cash used for investing activities	**(311)**	(161)	**(632)**	(799)
Cash used for financing activities	**(45)**	(32)	**(369)**	(72)
Increase (decrease) in cash and cash equivalents	**65**	(9)	**24**	(178)

Operating activities

Net cash generated from operating activities for the **fourth quarter of fiscal 2023** amounted to $421 million, in comparison to $184 million for the same quarter last fiscal year. This increase of $237 million was mainly due to an increase in adjusted EBITDA[1] of $132 million and an increase related to changes in non-cash operating working capital items of $90 million.

In **fiscal 2023** net cash generated from operating activities amounted to $1.025 billion, in comparison to $693 million for last fiscal year. This increase of $332 million was mainly due to an increase in adjusted EBITDA[1] of $398 million and lower income taxes paid of $48 million. The increase was partially offset by a decrease related to changes in non-cash operating working capital items of $115 million.

Changes in non-cash operating working capital for the fourth quarter of fiscal 2023 and for fiscal 2023 were mainly driven by the fluctuations in accounts receivable, inventories, and accounts payable in line with the fluctuation of market prices and ongoing inflation, the timing of collections of accounts receivable and of payments of accounts payable, as well as the favourable settlement of foreign exchange derivatives.

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

Investing activities

Investing activities for the fourth **quarter of fiscal 2023** amounted to $311 million, which related to net additions to property, plant and equipment and intangible assets.

Investing activities in **fiscal 2023** amounted to $632 million, which related to net additions to property, plant and equipment and intangible assets. Of these additions, 39% were allocated to base capital expenditures, investments to support the execution of our Saputo Promise, and other corporate capital expenditures, while 61% were allocated to strategic projects within the scope of our Global Strategic Plan.

Financing activities

Financing activities for the fourth **quarter of fiscal 2023** included an increase in bank loans of $20 million. We repaid $24 million of term loan facilities incurred in connection with prior acquisitions. Also, we paid $18 million of lease liabilities and $49 million of dividends, net of $26 million settled through the DRIP. Finally, shares were issued as part of the stock option plan for $26 million.

Financing activities in **fiscal 2023** included the issuance, on November 29, 2022, of Series 10 medium term notes for an aggregate principal amount of $300 million. The net proceeds of the offering were used for the repayment of a portion of our main revolving credit facility, which had been used to repay the $300 million aggregate principal amount of the Series 4 medium term notes due June 13, 2022, and for general corporate purposes. Financing activities also included the repayment of $106 million of term loan facilities incurred in connection with prior acquisitions. Also, we paid $68 million of lease liabilities and $199 million of dividends, net of $102 million settled through the DRIP. Finally, shares were issued as part of the stock option plan for $45 million.

Liquidity

(in millions of CDN dollars, except ratio)

Fiscal years	**2023**	2022
Current assets	**4,851**	4,295
Current liabilities	**3,002**	2,780
Working capital[1]	**1,849**	1,515
Working capital ratio[1]	**1.62**	1.54

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

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

Capital management

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

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

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

Fiscal years	2023	2022
Net debt[2]	**3,777**	4,080
Adjusted EBITDA[1]	**1,553**	1,155
Net debt to adjusted EBITDA[1]	**2.43**	3.53
Number of common shares	**421,604,856**	416,738,041
Number of stock options	**19,988,303**	22,021,670

1 This is a total of segments measure, a non-GAAP financial measure, or a non-GAAP ratio. See the “Non-GAAP Measures” section below of this MD&A for more information, including the definition and composition of the measure or ratio as well as the reconciliation to the most comparable measure in the primary financial statements, as applicable.
2 Refer to the ‘‘Glossary” section of this MD&A and Note 24 to the consolidated financial statements.

On November 29, 2022, we issued Series 10 medium term notes for an aggregate principal amount of $300 million due November 29, 2029, bearing interest at 5.25%. The net proceeds of the offering were used for the repayment of a portion of our main revolving credit facility, and for general corporate purposes.

On December 22, 2022, we filed an unallocated short form base shelf prospectus providing us the flexibility to make offerings of various securities during the 25-month period that the base shelf prospectus is effective, and we renewed our medium term note (MTN) program by filing a supplement to the short form base shelf prospectus.

As at March 31, 2023, the Company had $263 million in cash and cash equivalents and available bank credit facilities of $2.403 billion, of which $356 million were drawn. See Note 10 and Note 11 to the consolidated financial statements for additional information related to bank loans and long-term debt.

Authorized share capital is comprised of an unlimited number of common shares. The common shares are voting and participating. As at May 31, 2023, 421,745,391 common shares and 21,872,325 stock options were outstanding.

CONTRACTUAL OBLIGATIONS

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

The Company'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. Note 11 to the consolidated financial statements describes the Company's commitment to repay long-term debt and Notes 7 and 22 to the consolidated financial statements describes its lease commitments.

(in millions of CDN dollars)

	March 31, 2023				March 31, 2022			
	Long-term debt	**Leases**	**Purchase obligations & other**	**Total**	Long-term debt	Leases	Purchase obligations & other	Total
Less than 1 year	**307**	**115**	**368**	**790**	300	88	245	633
1–2 years	**413**	**63**	**105**	**581**	306	70	37	413
2–3 years	**847**	**56**	**26**	**929**	1,035	84	23	1,142
3–4 years	**350**	**49**	**13**	**412**	350	44	12	406
4–5 years	**734**	**43**	**4**	**781**	350	38	9	397
More than 5 years	**600**	**281**	**—**	**881**	1,034	280	3	1,317
	3,251	**607**	**516**	**4,374**	3,375	604	329	4,308

Long-term debt

The Company’s long-term debt is described in Note 11 to the consolidated financial statements.

Bank term loans

In connection with the acquisition of the activities of Murray Goulburn Co-Operative Co. Limited in April 2018, we entered into a credit agreement, providing for a non-revolving term facility comprised of three tranches. A total of $1.242 billion was drawn, of which $971 million has since been repaid and/or refinanced through our medium term notes program. The credit facility bears interest at lenders’ prime rates plus a maximum of 1.00%, or bankers’ acceptance rates or the Australian Bank Bill Rate plus a minimum of 0.80% and a maximum of 2.00%, depending on the Company's credit ratings and matures in June 2025.

In connection with the acquisition of Dairy Crest Group plc in April 2019, we entered into a credit agreement providing for a non-revolving term facility comprised of three tranches. A total of $1.999 billion was drawn, of which $1.752 billion has since been repaid and/or refinanced through our medium term notes program. The credit facility bears interest at lenders’ prime rates plus a maximum of 1.00% or SOFR or bankers’ acceptance rates plus a minimum of 0.80% and a maximum of 2.00%, depending on the Company's credit ratings. On October 6, 2022, this facility was converted to a Canadian dollar denominated facility and matures in June 2025.

Senior notes

Long-term debt also includes seven series of senior unsecured notes outstanding under our medium term note program for a total of $2.700 billion, with annual interest rates varying from 1.42% to 5.25%, and maturities ranging from November 2023 to November 2029.

FINANCIAL POSITION

The amounts for main financial position items as at March 31, 2023, were higher as compared to the March 31, 2022 balances, due to the net effect on financial position items of the foreign operations of the weakening of the Canadian dollar versus the US dollar and the British pound sterling and the strengthening of the Canadian dollar versus the Australian dollar, and the Argentine peso.

The following table sets forth exchange rates expressed in Canadian dollars per currency of our respective local operations' financial position items in foreign currencies as at March 31, 2023, and March 31, 2022.

	March 31, 2023	March 31, 2022
US dollar[1]	**1.3516**	1.2505
Australian dollar[1]	**0.9036**	0.9351
Argentine peso[1]	**0.0065**	0.0112
British pound sterling[1]	**1.6676**	1.6441

1 Based on Bank of Canada published information.

The net cash position (cash and cash equivalents less bank loans) of negative $254 million as at March 31, 2022, improved to negative $93 million as at March 31, 2023. The change in foreign currency translation adjustments recorded in other comprehensive income varied mainly due to the fluctuation of foreign currencies versus the Canadian dollar.

GUARANTEES

From time to time, we enter into agreements in the normal course of business, such as service arrangements and leases, and in connection with business or asset acquisitions or disposals, which by nature may provide for indemnification to third parties. These indemnification provisions may be in connection with breach of representations and warranties and for future claims for certain liabilities. The terms of these indemnification provisions vary in duration. Refer to Note 22 to the consolidated financial statements for further information.

RELATED PARTY TRANSACTIONS

In the normal course of business, we receive services from and provide goods and services to companies subject to control or significant influence through ownership by Saputo's principal shareholder. These transactions are entered into at fair value, consistent with market values for similar transactions. The services that are received consist mainly of travel, publicity, lodging, and office space rental. The goods that are provided consist mainly of dairy products. The services that are provided consist of management services. In fiscal 2023, these goods and services were of an immaterial amount. Transactions with key management personnel (Management defines key management personnel as all the executive officers who have responsibility and authority for controlling, overseeing, and planning the Company's activities, as well as the Company's directors) are also considered related party transactions and consist of short-term employee benefits, post-employment benefits, stock-based compensation, and payments under the deferred share unit plan. Refer to Note 23 to the consolidated financial statements for further information.

CRITICAL ACCOUNTING ESTIMATES

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

Income Taxes

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

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

Goodwill, Intangible Assets, and Business Combinations

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

Impairment of Assets

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

Employee Future Benefits

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

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

CHANGES IN ACCOUNTING POLICIES

New Accounting Standards, Interpretations, and Amendments Adopted During The Year

Please refer to Note 3 to the consolidated financial statements for the fiscal years ended March 31, 2023, and 2022, for more information regarding the effect of new accounting standards, interpretations, and amendments adopted during fiscal 2023.

Recent Standards, Interpretations, and Amendments Not Yet Implemented

Please refer to Note 3 to the consolidated financial statements for the fiscal years ended March 31, 2023, and 2022, for more information regarding the effect of new accounting standards, interpretations, and amendments not yet implemented.

RISKS AND UNCERTAINTIES

The main risks and uncertainties Saputo is exposed to are presented below. The Board of Directors (the Board) delegated to the Audit Committee the responsibility to review, evaluate, and discuss with Management and Internal Audit the risk factors inherent to Saputo, including the applicable ESG aspects of those risks, and ensure that appropriate measures are in place to enable Management to identify and manage these risks and uncertainties effectively. The Board also delegated to the Corporate Governance and Human Resources Committee the responsibility to oversee the risk management measures related to human resources risks, including related ESG aspects such as business ethics, diversity, equity, and inclusion (DE&I), and health and safety. Saputo's enterprise risk management program is overseen by the Audit Committee, and Saputo has also adopted and implemented policies and procedures relating to risk assessment and management. The Company's risk management and related procedures are reviewed regularly and at least annually.

While risk management is part of our transactional, operational, and strategic decisions, and overall management approach, risk management does not guarantee that events or circumstances, including events or circumstances related to risks and uncertainties that may not be listed below, will not occur and negatively affect our financial performance and condition.

Product Liability

Saputo's operations are subject to certain dangers and risks of liability faced by all food processors, such as the potential contamination of ingredients or products by bacteria or other external agents that may be introduced into products or packaging, product spoilage, undeclared allergens, and mislabelling, any of which could result in a costly product recall, withdrawal, destruction of product inventory, lost sales, or litigation. Third-party manufacturers producing under our brands could be subject to recalls, for the same or other reasons. Further, negative publicity, whether or not warranted, concerning food safety, or allegations of product contamination, even when false or unfounded, may damage our brand image and corporate reputation, may cause consumers to choose other products or may result in product boycott. The growing use of social and digital media further increases the speed and extent that such negative publicity can be shared. Alleged or actual contamination could also result in government scrutiny, investigation, intervention, fines, or damages resulting in increased costs and in a negative effect on our business, financial performance, or our ability to achieve our performance targets and, depending upon the significance of the affected product, that negative effect could be material.

Supply of Milk and Other Inputs

Milk is our principal ingredient, representing up to 85% of the cost of goods sold. We process milk and other dairy ingredients into finished edible products intended for resale to a broad range of customers. These raw materials and other inputs, including packaging materials, energy, fuel, transportation, and other supply chain inputs that we use for the production and distribution of our products are subject to price volatility and fluctuations in availability caused by various factors. These factors include changes in supply and demand, supplier capacity constraints, inflation, climate change, extreme weather, natural disasters, water availability, fires or explosions, health pandemics, outbreaks affecting humans or livestock, transportation problems, port congestion or delays, cybersecurity incidents, pandemics or other contagious outbreaks (including COVID-19), geopolitical developments, military conflicts (including the ongoing military conflict in Ukraine), political uncertainties, and trade sanctions. Moreover, these factors could impair the Company's ability to secure a continuing supply at a competitive price of quality ingredients and goods, which are necessary for the manufacturing of the Company's products. The price volatility and fluctuations in availability of raw materials and other inputs we use for the production and distribution of our products can impact production costs, fulfillment rates, and capacity utilization and therefore negatively affect our results and our ability to achieve our financial, operational, and sustainability goals. The effect of any variation or the volatility of foodstuff prices on our results depends on our ability to transfer those increases to our customers, and this in the context of a competitive market.

The potential effects of climate change could have a material impact on our business and operations, including a range of operational, financial, and reputational risks.

In Australia, the availability of milk as a raw material has been declining and is expected to continue to decline in fiscal 2024 due to a national milk production decline. In this region, we compete with other dairy processors to attract milk to our facilities, and our performance depends on our ability to adapt our business to the changing availability of milk as a raw material. Failure to adequately manage these challenging market conditions and to maximize profitability from the milk we obtain could negatively affect our results.

Since the beginning of fiscal 2022, the cost of the raw materials and other inputs we use for the production and distribution of our products has significantly increased. We expect the inflationary pressures on input costs to continue to impact our business in fiscal 2024. We have implemented and may continue to implement initiatives to offset these cost pressures, such as price increases, but these may not be sufficient to offset higher costs adequately or in a timely manner. Even if such initiatives are effective, higher product prices may result in decreases in sales volumes or market share.

Supply Chain Strain and Supplier Concentration

We and our suppliers have experienced and may continue to face supply chain and workforce disruptions in the future. Such disruptions which may result in increased supply chain, packaging, and labour costs, or in an inability to secure key inputs, which could negatively impact our fulfillment rates, cause delays in delivering our products to our customers or consumers and hinder our ability to achieve our goals and targets under our Global Strategic Plan or the Saputo Promise.

Some of the goods, including raw materials and packaging materials, and services we use in the production of our products are available from a limited number of third-party suppliers as a result of consolidation within the industries in which these suppliers operate. We have neither operational nor financial control on these suppliers, which are essential to our business.

Negative events affecting our suppliers or inadequate, ineffective, or incomplete supplier management strategies, policies, or procedures, including those relating to ethical sourcing, could harm the Company's reputation and hinder our ability to satisfy customers' needs, control costs, and maintain our highest quality standards, which could harm the Company's operations and financial performance. Issues with suppliers regarding pricing or performance of the goods and services they supply or the inability of suppliers to supply the required volumes of such goods and services in a timely manner, as a result of labour shortages, extreme weather conditions (including as a result of climate change) or otherwise, could impact our financial condition and performance.

Risks related to supply chain may be further exacerbated by geopolitical developments, such as the military conflict in Ukraine, which has and will likely continue to disrupt the global supply chain and contribute to economic uncertainty and increased prices of inputs and other costs.

USA and International Markets

In the USA, Australia, Argentina, and the United Kingdom, as well as in international markets, the prices of our products are based on market supply and demand forces, and may vary independently from the price of milk as a raw material. The prices are tied to numerous factors, such as the health of the economy and supply and demand levels for dairy products in the industry, and price fluctuations may affect our results. The effect of such fluctuations on our results will depend on our ability to implement mechanisms to reduce them, such as price initiatives and product portfolio diversification. The use of these mechanisms could lead to reduced sales volumes and margins.

In fiscal 2023, more than 74% of our total revenues were generated outside of Canada, including 47% in the United States. As a result, we are subject to the risks stated above which are inherent to our global operations.

Labour Availability and Human Resources

The food industry continues to face global labour shortage challenges, which are expected to continue in the short and medium-term. In addition, the broader labour market is experiencing a shortage of qualified workers, which has further increased the competition we face for qualified employees, as well as our labour, pension, and people-related costs. These factors have impacted, and could continue to impact, our ability to meet consumer demand, which could have a material adverse effect on our results, or cash flows, and could negatively impact our ability to achieve our financial, operational, and sustainability goals. Changes in immigration laws and policies could also make it more difficult for us to attract personnel. Reduced capacity of trucking capacity due to driver shortages has caused an increase in the cost of transportation for us and for our suppliers. The initiatives we have implemented to attract and retain talent may not be successful. Further, our inability to manage these factors adequately could lead to business interruption in one or more of our facilities, and sustained labour shortages could negatively impact the quality and safety of our products, as well as our health and safety performance.

Although we believe we have good relationships with our employees and a significant number of our workforce is unionized, a lengthy strike or work stoppage could impact our operations and performance, as well as our corporate reputation. Our operations are also subject to health and safety risks as well as laws and regulations in this regard. Notwithstanding Saputo's existing health and safety systems, serious injury or death of any employee could have a serious impact on Saputo's reputation, result in litigation, and require us to incur costs which may be significant.

Saputo's success depends on our ability to identify, attract, and retain qualified and diverse individuals. Saputo has set diversity targets and has undertaken or planned initiatives to foster DE&I within our workforce. If we are not perceived to have robust DE&I programs, our ability to attract, develop, and retain employees could be compromised. Further, failure to be perceived as able to achieve our DE&I goals and targets or to respect and protect the human rights of our employees (whether this perception is valid or not) could adversely affect our reputation or financial performance. Failure to execute appropriate succession planning for Management and key personnel could adversely affect our business or financial performance.

Also, we reprioritized certain ongoing technology initiatives and took the decision to temporarily pause the final phase of the Company's Enterprise Resource Planning (ERP) project deployment. There is no guarantee that our decision to postpone the final phase of deployment will not disrupt or reduce the efficiency of our operations.

Competition

The food processing and the global dairy industries are extremely competitive. Saputo competes on a national and international basis with regional, national, and multinational competitors. Our performance in all countries where we do business depends on our ability to continue to offer and supply demand for quality products at competitive prices.

Consolidation of Clientele

As the consolidation in the food industry in all the market segments we serve continues, customers tend to grow larger, which results in a decrease in the number of customers and increase in the relative importance of some customers. For fiscal 2023, none of our customers represented more than 10% of total consolidated revenues. Our ability to continue to service our customers in all the markets that we serve will depend on the quality and price of our products, as well as the value proposition we offer to our customers. We manage risks relative to the consolidation of clientele through the implementation of strategies to diversify our customer mix and our product offering in each of our market segments, as well as the implementation of value-added customer partnerships. Failure to maintain mutually beneficial relationships with our key customers or to resolve a significant dispute with any of our key customers, a change in the business condition (financial or otherwise) of any of our key customers, even if unrelated to us, or the loss of any of our key customers can adversely affect our business.

Cybersecurity and Overall Management of Information Systems

We rely on information technology applications and systems in all areas of our operations. These applications and systems, some of which are managed by third parties, are subject to an increasing number of sophisticated and constantly evolving cyber threats. The increase in the number of employees working in a distributed remote environment has also given rise to new security threats and risks of other cybersecurity attacks. We are mainly exposed to risks relating to business disruptions, confidentiality, data integrity, and business email compromise-related fraud. Therefore, any unavailability or failure, due to security incidents or otherwise, may impede or slow down production, delay or taint certain decisions, and result in financial losses, including as a result of remediation costs.

In addition, any unauthorized or malicious access to information systems containing proprietary, sensitive, or confidential information could compromise our data integrity or result in disclosure or loss of data which may have adverse effects on our activities, results, and reputation, including loss of revenues due to a disruption of the business, diminished competitive advantage, litigation or other legal procedures, or liability for failure to comply with privacy and information security laws.

We have implemented policies, practices, procedures, and controls, including maintenance of protective systems and technology, monitoring and testing, incident response, disaster recovery and business continuity plans, and employee training, to protect our IT systems, to prevent unauthorized access to confidential data, and to mitigate the risk of disruption to our business. We make strategic investments in this area in order to mitigate cyber threats. We also have security and compliance processes, protocols, and standards that are applicable to our third-party service providers. Our processes include a due diligence approach that ensures that third-party services, including cloud-based services, are evaluated using industry standard security assurance approaches to assess the risks. Third-party providers must comply with security frameworks such as the International Organization for Standardization (ISO) and International Electrotechnical Commission (IEC) 27001 standard, or equivalent, or provide third-party assurance on relevant control objectives.

Despite these measures to reduce the likelihood, duration, and severity of disruptions to our information technology applications and systems, and maintain ongoing investments to protect, detect, respond to, and manage cybersecurity incidents, we have in the past been subject to cyber-attacks and expect that we will be subject to additional cyber-attacks in the future. We and our third party service providers may be unable to anticipate, timely identify or appropriately respond to one or more of the rapidly evolving and increasingly sophisticated means by which hackers, cyber terrorists, and others may attempt to breach our security measures or our third party service providers' IT systems. This may be further exacerbated by the challenged labour market for skilled workers and people with an expertise in cybersecurity and IT systems.

Unanticipated Business Disruption

Major events, such as systems and equipment failure, supply chain disruptions, cyberattacks, health pandemics (including the COVID-19 pandemic), geopolitical events (including the ongoing military conflict in Ukraine), and natural disasters, increased frequency or intensity of extreme weather conditions (including as a result of climate change), political instability, civil unrest, or unfavorable economic conditions could lead to unanticipated business disruptions at any or certain of our facilities. The effect would be more significant if our larger manufacturing facilities were to be affected. The failure to mitigate business disruptions in a timely manner could negatively affect our financial performance and condition, as well as our ability to achieve our financial, operational, and sustainability goals.

Economic and Geopolitical Conditions

Continuing economic and political uncertainties, such as decreases in disposable income, persistent inflationary pressures, declines in consumer confidence, reduced consumer discretionary spending, resulting from actual or perceived changes in the condition of the economy or economic slowdowns or recessions in any of our major markets may slow down the demand for our products. The Company's foodservice market segment is sensitive to this risk since reduced consumer discretionary spending generally results in a decrease in the frequency and amount spent for food prepared away from home. The Company mitigates this risk through its diversified customer mix aimed at reducing concentration exposure.

The ongoing military conflict in Ukraine has continued to result in worldwide geopolitical and macroeconomic uncertainty. The conflict has resulted and could continue to result in volatile commodity markets, supply chain disruptions, increased risk of cyber incidents or other disruptions, and increased costs for transportation, energy, packaging, raw materials, and other input costs.

The continuing economic uncertainties could also result in financial instability for certain suppliers, customers, or other business partners, which could limit our capacity to supply demand further exacerbate our competition risks.

Public Health Threats and COVID-19 Pandemic Post-Recovery

An outbreak of disease, epidemic or pandemic such as the recent global COVID-19 pandemic, and the related actions by governments to attempt to contain the outbreak could have a material negative impact on the Company as it could disrupt our global supply chain, availability of labour, operations, logistics, and routes to market or those of our suppliers, their suppliers, or our distributors. These disruptions, or our failure to effectively respond to them, is likely to increase production or distribution costs, or cause delays or inability to deliver products to our customers.

There is no guarantee that the Company's actions to mitigate the effects of the recent global COVID-19 pandemic, as well as other pandemics which may occur in the future, will be effective.

Consumer Trends

Demand for our products is subject to changes in consumer trends. For example, increased consumer focus on environmental sustainability matters, including emissions associated with the production of animal milk, and on health-related concerns, could result in a financial risk if a growing number of consumers turn away from animal-related products in favour of dairy alternatives, which may lead to lower demand for dairy products. Product boycotts resulting from activism (including activism for animal rights or the environment) could reduce demand for our products. The impact of such events will depend on our ability to adapt, innovate, and develop new products which are adapted to these new consumer trends. If our product innovation efforts fail to deliver the expected benefits or if growth in demand for new products does not materialize as we expect, we may not reach our financial growth targets.

Further, our operations are and could continue to be affected by the economic context should unemployment, interest rates, or inflation reach levels that influence consumer trends and consequently impact our sales, margins and profitability. Should the inflationary pressures and global economic uncertainty we have seen in fiscal 2023 persist, consumers may increasingly purchase lower-priced offerings or may forgo some purchases altogether. To the extent that price increases are not sufficient to offset higher costs adequately or in a timely manner, and/or if they result in significant decreases in sales volume, our financial condition or operational performance may be adversely affected.

In addition, technology-based systems, which give consumers the ability to shop through e-commerce websites and mobile commerce applications, are also significantly altering the retail landscape where we operate. If we are unable to adjust to developments in these changing landscapes, we may be disadvantaged in key channels and with certain consumers, which could materially and adversely affect our sales, financial condition, and operating performance.

Environment

Saputo's business and operations are subject to environmental laws and regulations, including those relating to permitting requirements, wastewater discharges, air emissions, GHG, releases of hazardous substances, and remediation of contaminated sites. We believe that our operations are in compliance, in all material respects, with such environmental laws and regulations, except as disclosed in the Annual Information Form dated June 8, 2023, for the fiscal year ended March 31, 2023. Compliance with these laws and regulations requires that we continue to incur operating and maintenance costs and capital expenditures, including to control potential impacts of our operations on local communities. Changes in environmental laws and regulations, evolving interpretation thereof, or more vigorous regulatory enforcement policies (including as a result of increased concern over climate change, water scarcity, waste management, plastic pollution, wastewater discharges, air emissions, GHG, or release of hazardous substances) could impose additional compliance costs, capital expenditures, as well as other financial obligations, which could have a material adverse effect on our financial position and performance.

Moreover, compliance with any such changes may require us to make significant changes in our business operations and strategy, which will likely require us to devote substantial time and attention to these matters and cause us to incur additional costs.

Saputo has set environmental targets and has undertaken or planned capital expenditures and other projects to increase its energy efficiency, reduce its GHG emissions, reduce operational and packaging waste, and decrease water usage. There is no assurance that our environmental and sustainability initiatives will be economically viable, effective or that the anticipated environmental benefits will materialize. Our ability to achieve our environmental targets, commitments, and goals depends on the development and performance of technology, innovation, and the future use and deployment of technology. It is possible that the changes necessary to reduce emissions or waste will not be feasible or that the costs will be material, either of which could have a material adverse effect on Saputo's reputation, operations, or financial position.

In addition, there is an increased focus on environmental sustainability matters, including emissions associated with the production of milk. Any failure to achieve our environmental targets or other environment-related goals or a perception (whether or not valid) of our failure to act responsibly with respect to the evolving environmental issues, or to effectively respond to new, or changes in, legal or regulatory requirements concerning environmental matters, or increased operating or manufacturing costs due to increased regulation or environmental causes could adversely affect our business, our reputation, and our ability to attract capital from financial institutions and investors incorporating sustainability and ESG considerations as part of their portfolio, and increase the risk of litigation. Saputo's reputation could be affected if we or other stakeholders in the dairy industry do not act, or are perceived not to act, responsibly.

Climate Change

In fiscal 2022, we undertook a scenario-based climate assessment to help us understand how external climate risks and opportunities could impact our business operations, and better understand the resilience of our business strategy to different climate futures and the impacts associated with the transition to a lower-carbon economy. Leveraging the findings, we have developed a roadmap to embed climate-related risks in our risk management program and are developing strategies and actions to address climate risks as an organization as part of the overall risk mitigations. There is no guarantee that these risk mitigation efforts will be effective.

The potential effects of climate change could have a material impact on our business and operations, including a range of operational, financial, and reputational risks. Climate-related physical risks that may have an impact on Saputo include reduced milk yield due to heat stress or changing weather patterns, reduced availability of quality crop for feed, reduced availability of clean water for farming or manufacturing operations, and short interruption to upstream (milk supply) or downstream (our products) supply chain due to extreme weather events. Some of our milk suppliers are located in parts of the world which have suffered effects of climate change. Climate-related transition risks that may have an impact on Saputo include increased energy costs and increased demand for low-carbon products.

Increasing concern over climate change and its impacts may result in additional laws, regulations, rules, and policies designed to reduce or mitigate the effects of GHG emissions or the impacts of climate change on the environment. Increased legal or regulatory requirements may result in increased energy or compliance costs, disruption in the running of our manufacturing facilities and our business, and increased disclosure obligations.

Growth Strategy

We plan to grow both organically and through acquisitions. Our organic growth strategy, which is outlined in our Global Strategic Plan, may fail to deliver results and our targeted organic growth may never materialize. Capital expenditure projects, including strategic projects as well as projects to replace, renew or modernize older equipment, facilities, and systems, play a key role in Saputo's organic growth strategy. The outcome and success of these projects often depend on several factors that are outside of our control, including disruptions caused by availability and cost of labour, new competing operational priorities, timing for completion, regulatory and governmental approvals, pandemics, materials, and equipment, contractor non-performance, cost of engineering, construction, and other consulting services and weather conditions. In the event of unanticipated delays or costs, business operations may be adversely affected. Failure to execute our organic growth strategy or capital expenditure projects as planned and in a timely and efficient manner could result in business disruptions or negatively impact our ability to achieve our strategic growth goals and financial performance. Other risks related to our business described in this section may impact our ability to grow organically and meet our strategic growth goals and targets.

We plan to continue to rely on new acquisitions to pursue our growth. We may therefore incur costs and divert management's time and attention in connection with potential acquisitions that may never be consummated. The ability to properly evaluate the fair value of the businesses being acquired and to properly devote the time and human resources required to successfully integrate their activities with those of Saputo constitute inherent risks related to acquisitions. The inability to adequately integrate an acquired business in a timely and efficient manner may affect our ability to realize synergies or improvements and to achieve anticipated returns, as well as resulting in higher integration costs and loss of business opportunities. In connection with acquisitions made by Saputo, there may also be liabilities and contingencies that we discover after closing, or are unable to quantify in the due diligence conducted prior to closing, and which could have a negative effect on our business, financial performance, and condition.

Intellectual Property

As we are involved in the production, sale, and distribution of food products, we rely on brand recognition and loyalty from our clientele in addition to relying on the quality of our products. Also, as innovation forms part of Saputo's growth strategy, our research and development teams develop new technologies, products, and process optimization methods. We, therefore, take measures to protect, maintain, and enforce our intellectual property. There is no guarantee that such measures will be effective. Any infringement to our intellectual property could damage our value and limit our ability to compete. In addition, we may have to engage in litigation in order to protect our rights, which could result in significant costs.

Financial Risk Exposures

We operate internationally and are exposed to varying degrees to foreign exchange risk relating to the currencies we use for our business. Cash flows from operations in each of the countries where we operate act, in part, as a natural hedge against the foreign exchange risks related to debt denominated in such countries' currency. The level of the financial risk exposure related to currency fluctuations will depend on our ability to maintain appropriate protection mechanisms.

The current economic environment could result in financial instability for certain suppliers, customers, or other business partners, which could have a negative effect on our business, financial performance, financial condition, and cash flow.

Interest Rate and Access to Capital and Credit Markets

A portion of Saputo's interest-bearing debt is subject to interest rate fluctuations. The impact on our results will depend on our ability to maintain adequate protection against such interest rate fluctuations.

Our growth by acquisitions is dependent on access to liquidity in the capital and credit markets. Similarly, we may be required to access liquidity in the capital and credit markets in order to refinance or retire existing indebtedness. The impact of such financing transactions on our results will depend on our ability to secure liquidity in a timely manner and on terms and conditions acceptable to us. Changes in the perceived creditworthiness of the Company or the credit rating of our MTN increase our borrowing costs. Uncertain economic conditions and disruption in financial markets could adversely affect our financial performance and the availability and cost of capital, preventing us from continuing to access preferred sources of liquidity when desired.

Further, volatility in the capital markets has been heightened and such volatility may continue, which may cause fluctuations in the price of the Company's shares or result in shareholder grievance or activism. Such investor activism, including by short sellers, could further result in adverse volatility in the market price and trading volume of the Company's shares.

Pension Plans

We operate both defined benefit and defined contribution plans (collectively, the "Plans"). Contributions to fund our defined benefit Plans are based on actuarial valuations, which themselves are based on assumptions and estimates about the long-term operations of the Plans, including assumptions on inflation, mortality, and the discount rates used to determine the liabilities of the Plans. Actual results of actuarial valuations may differ from expectations. We cannot predict whether changing markets or economic conditions, changes to pension legislation and regulations, or other factors will increase our pension expenses or liabilities, or funding obligations, diverting funds we would otherwise apply to other uses. Increases in net pension liabilities or increases in future cash contributions could adversely affect our business, financial condition, results from operations, and cash flows.

Credit Risk

We grant credit to our customers in the normal course of business. Credit valuations are performed on a regular basis and the financial statements take into account an allowance for expected credit loss. We consider that our exposure to concentration of credit risk with respect to accounts receivable from customers is low due to our large and diverse customer base operating in three market segments, retail, foodservice, and industrial, and our geographic diversity. There are no accounts receivable from any individual customer that exceeded 10% of the total balance of accounts receivable as at March 31, 2023. We regularly review the allowance for expected credit loss and accounts receivable due. We update our estimate of the allowance for doubtful accounts based on the evaluation of the recoverability of accounts receivable balances of each customer taking into consideration historic collection trends of past due accounts. Despite these mitigation strategies, our financial performance could be negatively impacted by customers failing to fulfill their obligations.

Legislative, Regulatory, and Normative Considerations

We are subject to local, provincial, state, federal, and international laws, regulations, rules, and policies prevailing in places where we conduct our activities. Consequently, the modification or change of any of these elements may have an unfavourable impact on our results and operations and may require that important expenses be made in order to adapt or comply. More specifically, the production and distribution of food products are subject to federal, state, provincial, and local laws, rules, regulations, and policies, and to international trade agreements, all of which provide a framework for our operations.

We are subject to evolving privacy and data protection laws and regulations in the jurisdictions where we do business, and there has been an increasing focus on privacy and data protection issues with the potential to affect our business. The impact of new laws and regulations, stricter enforcement or interpretations, or changes to enacted laws and regulations will depend on our ability to adapt thereto and comply therewith. We are currently in compliance in all material respects with all applicable laws and regulations and maintain all material permits and licenses in connection with our operations.

Tariff Protection

Dairy-producing industries in Canada and the USA are still partially protected from imports by tariff-rate quotas which permit a specific volume of imports at a reduced or zero tariff and impose significant tariffs for greater quantities of imports. There is no guarantee that political decisions or amendments to international trade agreements will not result in the removal of tariff protection in the dairy market, resulting in increased competition. Our performance will be dependent on our ability to continue to offer quality products at competitive prices.

Reputation and Public Opinion

We are committed to making progress on the Saputo Promise, our approach to social, environmental, and economic performance. Maintaining a positive reputation in the eyes of our customers, consumers, suppliers, communities, governments, regulatory bodies, and the general public is important to our continued success.

The potential for deterioration of our reputation may arise in many contexts and for many different reasons. For example, the dairy industry is subject to the activities of animal activists. Activist activities may spread information and misinformation in a variety of ways, including through protests and attempts to disrupt operations, as well as through various communication strategies. The growing use of social and digital media increases the speed and extent that information or misinformation and opinions can be shared.

Negative public opinions or shifts in opinion, negative publicity about Saputo, our brands, our products, or about the dairy industry could damage our reputation and negatively impact our sales and results. It may also diminish our ability to hire and retain the best talent, which could have an adverse impact on our overall business. Reputational risk intersects with many of the Company's other risks and may therefore exacerbate these risks.

Inventory

We are subject to inventory risks that may adversely affect our operating results due to variations in market selling prices for dairy products and ingredients, changes in consumer demand, seasonality, spoilage, limited product shelf life, changes in consumer tastes with respect to our products, and other factors. Excess or obsolete inventory which cannot be sold profitably, or increases in levels of inventory shrink could result in an inventory write-down or otherwise affect our financial performance.

Impairment Charges

We assess our goodwill and other intangible assets and long-lived assets as and when required by IFRS to determine whether they are impaired and, if they are, we record appropriate impairment charges. We have been required to record impairment charges in the past and it is possible that we may be required to record significant impairment charges in the future. Although they do not attract cash outflow, our results and our reputation could be materially adversely affected by such impairment charges.

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.

The CEO and the CFO, along with Management, after evaluating the effectiveness of the Company's disclosure controls and procedures as at March 31, 2023, have concluded that the Company's disclosure controls and procedures were effective.

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.

The CEO and the CFO, along with Management, evaluated the effectiveness of the Company's internal control over financial reporting as at March 31, 2023, in accordance with the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, the CEO and the CFO, along with Management, have concluded that the Company's internal control over financial reporting was effective.

There were no changes to Saputo's internal control over financial reporting that occurred during the period beginning on January 1, 2023, and ended on March 31, 2023, that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

SENSITIVITY ANALYSIS OF INTEREST RATE AND US CURRENCY FLUCTUATIONS

The debt subject to interest rate fluctuations was $853 million as at March 31, 2023. A 1% change in the interest rate would lead to a change in net earnings of approximately $7 million. Canadian and US currency fluctuations may affect net earnings, adjusted EBITDA, and revenues. Appreciation of the Canadian dollar compared to the US dollar would have a negative impact on net earnings, adjusted EBITDA[1], and revenues. However, a decrease in the Canadian dollar compared to the US dollar would have a positive impact on net earnings. During the fiscal year ended March 31, 2023, the average US dollar conversion was based on US$1.00 for $1.3280. A fluctuation of $0.10 of the Canadian dollar would have resulted in a change of approximately $7 million in net earnings, $37 million in adjusted EBITDA[1], and $630 million in revenues.

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

QUARTERLY FINANCIAL INFORMATION

2023 quarterly financial information – consolidated income statement

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

	Q4	Q3	Q2	Q1	Fiscal 2023
Revenues	4,468	4,587	4,461	4,327	17,843
Operating costs excluding depreciation, amortization, and restructuring costs	4,076	4,142	4,092	3,980	16,290
Adjusted EBITDA[1]	392	445	369	347	1,553
Adjusted EBITDA margin[1]	*8.8%*	*9.7%*	*8.3%*	*8.0%*	*8.7%*
Depreciation and amortization	144	147	146	145	582
Acquisition and restructuring costs	28	38	22	7	95
Financial charges	39	37	13	12	101
Earnings before income taxes	181	223	188	183	775
Income taxes	22	44	43	44	153
Net earnings	159	179	145	139	622
Net earnings margin	*3.6%*	*3.9%*	*3.3%*	*3.2%*	*3.5%*
Adjusted net earnings[1]	196	221	177	161	755
Adjusted net earnings margin[1]	*4.4%*	*4.8%*	*4.0%*	*3.7%*	*4.2%*
EPS basic	0.38	0.43	0.35	0.33	1.49
EPS diluted	0.38	0.43	0.35	0.33	1.48
Adjusted EPS Basic[1]	0.47	0.53	0.42	0.39	1.80
Adjusted EPS diluted[1]	0.47	0.53	0.42	0.39	1.80

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

Quarterly financial information by sector

	Q4	Q3	Q2	Q1	Fiscal 2023
Revenues					
Canada	1,156	1,213	1,185	1,142	4,696
USA	2,062	2,172	2,062	2,043	8,339
International	963	917	989	916	3,785
Europe	287	285	225	226	1,023
Total	4,468	4,587	4,461	4,327	17,843
Net earnings (consolidated)	159	179	145	139	622

	Q4	Q3	Q2	Q1	Fiscal 2023
Adjusted EBITDA					
Canada	134	149	136	132	551
USA	143	146	102	97	488
International	84	111	97	82	374
Europe	31	39	34	36	140
Total[1]	392	445	369	347	1,553

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

2022 quarterly financial information – consolidated income statement

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

	Q4	Q3	Q2	Q1	Fiscal 2022
Revenues	**3,957**	**3,901**	**3,689**	**3,488**	**15,035**
Operating costs excluding depreciation, amortization, and restructuring costs	**3,697**	**3,579**	**3,406**	**3,198**	**13,880**
Adjusted EBITDA[1]	**260**	**322**	**283**	**290**	**1,155**
Adjusted EBITDA margin[1]	***6.6%***	***8.3%***	***7.7%***	***8.3%***	***7.7%***
Depreciation and amortization	**148**	**144**	**137**	**131**	**560**
Impairment of intangible assets	**—**	**58**	**—**	**—**	**58**
Gain on disposal of assets	**—**	**(9)**	**—**	**—**	**(9)**
Acquisition and restructuring costs	**71**	**—**	**(2)**	**2**	**71**
Financial charges	**16**	**17**	**19**	**18**	**70**
Earnings before income taxes	**25**	**112**	**129**	**139**	**405**
Income taxes	**(12)**	**26**	**31**	**86**	**131**
Net earnings	**37**	**86**	**98**	**53**	**274**
Net earnings margin	***0.9%***	***2.2%***	***2.7%***	***1.5%***	***1.8%***
Adjusted net earnings[1]	**108**	**139**	**116**	**122**	**485**
Adjusted net earnings margin[1]	***2.7%***	***3.6%***	***3.1%***	***3.5%***	***3.2%***
EPS basic	**0.09**	**0.21**	**0.24**	**0.13**	**0.66**
EPS diluted	**0.09**	**0.21**	**0.24**	**0.13**	**0.66**
Adjusted EPS basic[1]	**0.26**	**0.34**	**0.28**	**0.30**	**1.17**
Adjusted EPS diluted[1]	**0.26**	**0.33**	**0.28**	**0.29**	**1.17**

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

Quarterly financial information by sector

	Q4	Q3	Q2	Q1	Fiscal 2022
Revenues					
Canada	1,055	1,112	1,081	1,033	4,281
USA	1,743	1,627	1,533	1,506	6,409
International	922	919	858	754	3,453
Europe	237	243	217	195	892
Total	**3,957**	**3,901**	**3,689**	**3,488**	**15,035**
Net earnings (consolidated)	**37**	**86**	**98**	**53**	**274**

	Q4	Q3	Q2	Q1	Fiscal 2022
Adjusted EBITDA					
Canada	117	121	124	113	475
USA	42	83	67	96	288
International	62	85	56	45	248
Europe	39	33	36	36	144
Total[1]	**260**	**322**	**283**	**290**	**1,155**

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

CONSOLIDATED ANALYSIS OF EARNINGS FOR THE YEAR ENDED MARCH 31, 2022, COMPARED TO MARCH 31, 2021

Revenues

Revenues **in fiscal 2022** totalled $15.035 billion, up $741 million or 5.2%, as compared to $14.294 billion in fiscal 2021.

Revenues increased due to higher domestic selling prices, together with pricing initiatives implemented in all our sectors to mitigate increasing input costs, as well as higher international cheese and dairy ingredient market prices. However, during the first six months of fiscal 2022, fulfilling the export sales contracts that had been entered into in fiscal 2021 at depressed commodity prices in the International Sector had an unfavourable impact.

Sales volumes were higher than those of fiscal 2021 mainly due to an increase in the foodservice market segment and, to a lesser extent, in the industrial market segment. However, sales volumes in the retail market segment were lower than last fiscal year, mainly due to the surge that occurred in the first quarter of fiscal 2021, although this surge began to level off starting in the second quarter of fiscal 2021. In the ongoing COVID-19 context, supply chain challenges, due to container and vessel availability issues and port inefficiencies, negatively impacted export sales volumes in our International Sector.

The combined effect of the higher average butter market price[2] and of the lower average block market price[2] had a positive impact of $61 million. The 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 Recent Acquisitions[2] totalled $123 million. Finally, the fluctuation of foreign currencies, most particularly the US dollar, versus the Canadian dollar had an unfavourable impact of $424 million.

Operating costs excluding depreciation, amortization, and restructuring costs

In fiscal 2022, operating costs excluding depreciation, amortization, and restructuring costs totalled $13.880 billion, up $1.057 billion or 8.2%, as compared to $12.823 billion for fiscal 2021. These increases were 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.

Net earnings

In fiscal 2022, net earnings totalled $274 million, down $352 million or 56.2%, as compared to $626 million for fiscal 2021. This decrease is primarily due to the factors that contributed to lower adjusted EBITDA[1] of $316 million, as described below, a higher impairment of intangible assets charge of $24 million after tax, restructuring costs of $51 million after tax, a one-time non-cash expense of $50 million to adjust deferred income tax liability balances to reflect the increase in the corporate income tax rate in the United Kingdom, and higher depreciation and amortization, partially offset by a lower income tax expense, lower financial charges, and a gain on disposal of assets of $8 million after tax.

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

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

Adjusted EBITDA[1]

Adjusted EBITDA[1] **in fiscal 2022**, totalled $1.155 billion, down $316 million or 21.5%, as compared to $1.471 billion in fiscal 2021.

Input and logistics costs such as consumables, packaging, transportation, and fuel increased in all our divisions due to inflationary pressures. Pricing initiatives undertaken were not sufficient to mitigate the ongoing impact of inflation on our costs, which included an increase of $143 million related to freight and logistics costs, mainly in North America.

In a volatile dairy commodity market, USA Market Factors[2] had a negative effect of $118 million, as compared to fiscal 2021, mainly due to the effect of the negative Spread[2]. On the other hand, 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. However, in the first six months of fiscal 2022, the effect of fulfilling export sales contracts entered into last fiscal year at depressed commodity prices was unfavourable.

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

The contributions of the Recent Acquisitions[2] were positive.

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 last fiscal year.

The fluctuation of foreign currencies versus the Canadian dollar had an unfavourable impact of $72 million.

Depreciation and amortization

In fiscal 2022, depreciation and amortization expenses totalled $560 million, up $45 million, as compared to $515 million in fiscal 2021. This increase was mainly attributable to additional depreciation and amortization related to the Recent Acquisitions, as well as additions to property, plant and equipment, which increased the depreciable base.

Impairment of intangible assets

In fiscal 2022, a non-cash impairment of intangible assets charge of $58 million ($43 million after tax) was recorded. The charge includes $50 million ($38 million after tax) related to software assets following the Company's decision to pause the ERP implementation within the Dairy Division (Canada) for a minimum of three years and $8 million ($5 million after tax) as a result of the application of an agenda decision of the IFRIC related to the capitalization of cloud-based software costs.

In fiscal 2021, a non-cash impairment of intangible assets charge of $19 million was incurred in relation to our decision to retire one of our cheese brand names from our Australian portfolio.

Gain on disposal of assets

In fiscal 2022, the Company recorded a gain on disposal of assets of $9 million ($8 million after tax) resulting mainly from the sale of a facility in the Canada Sector.

Acquisition and restructuring costs

In fiscal 2022, Acquisition and restructuring costs amounted to $71 million related to the announcement of several major capital investments and consolidation initiatives intended to enhance and streamline our manufacturing footprint in our USA Sector and International Sector as well as to our plans to outsource the Nuneaton facility's warehouse and distribution activities, creating opportunities for network consolidation within our Europe Sector. Restructuring costs included a non-cash impairment charge of property, plant, and equipment of $60 million and severance costs of $8 million. Also, acquisition costs incurred for the Recent Acquisitions were offset by a favourable purchase price adjustment for a prior year acquisition amounting to nil. Last fiscal year, acquisition and restructuring costs amounted to $3 million, which included a gain on disposal of assets of $6 million ($5 million after tax) related to the sale of a closed facility in the Canada Sector and additional costs related to stamp duty taxes from a previous acquisition.

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

Financial charges

Financial charges **in fiscal 2022** totalled $70 million, down $26 million or 27.1%, as compared to $96 million in fiscal 2021 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 **in fiscal 2022** totalled $131 million, reflecting an effective tax rate of 32.3% as compared to 25.8% for fiscal 2021.

The effective income tax rate for fiscal 2022 included the increase in deferred income tax liability balances to reflect the enactment in June 2021 of an increase from 19% to 25% of the UK tax rate in the United Kingdom, which became effective as of April 1, 2023. As a result, we incurred a one-time non-cash income tax expense of $50 million. The effective tax rate also reflected the increase in the Argentine corporate income tax rate from 25% to 35%, enacted in June 2021, the non-taxable portion of the gain on disposal of assets in Canada, as well as the tax and accounting treatments for inflation in Argentina. The effective tax rate for fiscal 2022 would have been 26.1% excluding the effects of these factors.

The effective income tax for fiscal 2021 reflected the tax treatment of an impairment of intangible assets charge of $19 million and the tax and accounting treatments for inflation in Argentina. Excluding the effects of those two factors, the effective tax rate for fiscal 2021 would have been 26.3%.

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

Adjusted net earnings[1]

Adjusted net earnings **in fiscal 2022** totalled $485 million, down $230 million or 32.2%, as compared to $715 million for fiscal 2021 This is mainly due to a decrease in net earnings of $352 million, as described above, excluding a higher impairment of intangible assets charge of $24 million after tax, a gain on disposal of assets of $8 million after tax, higher acquisition and restructuring costs of $54 million after tax, and a one-time non-cash expense of $50 million to adjust deferred income tax liability balances to reflect the increase in the corporate income tax rate in the United Kingdom.

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

NON-GAAP MEASURES

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

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

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

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

NON-GAAP FINANCIAL MEASURES AND RATIOS

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

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

Adjusted net earnings and adjusted net earnings margin

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

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

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

	For the three-month periods ended March 31		**For the years ended March 31**	
	2023	2022	**2023**	2022
Net earnings	**159**	37	**622**	274
Acquisition and restructuring costs[1]	**21**	51	**70**	51
Amortization of intangible assets related to business acquisitions[1]	**16**	20	**63**	75
Gain on disposal of assets[1]	**—**	—	**—**	(8)
Impairment of intangible assets[1]	**—**	—	**—**	43
UK tax rate change[2]	**—**	—	**—**	50
Adjusted net earnings	**196**	108	**755**	**485**
Revenues	**4,468**	3,957	**17,843**	15,035
Margin	***4.4 %***	*2.7 %*	***4.2 %***	*3.2 %*

1 Net of applicable income taxes.
2 On June 10, 2021, the UK Finance Act 2021 was enacted, increasing the UK tax rate from 19% to 25%, which became effective as of April 1, 2023. Refer to Note 16 to the consolidated financial statements for further information.

Adjusted EPS basic and adjusted EPS diluted

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

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

Net debt to adjusted EBITDA

Net debt to adjusted EBITDA is the primary measure used by the Company to monitor its financial leverage. For more details on net debt, refer to the "Glossary" section of this MD&A and Note 24 to the consolidated financial statements. For more details on adjusted EBITDA, refer to the discussion above in the adjusted EBITDA and adjusted EBITDA margin section.

TOTAL OF SEGMENTS MEASURES

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

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

Adjusted EBITDA and adjusted EBITDA margin

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

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

	For the three-month periods ended March 31		**For the years ended March 31**	
	2023	2022	**2023**	2022
Net earnings	**159**	37	**622**	274
Income taxes	**22**	(12)	**153**	131
Financial charges	**39**	16	**101**	70
Acquisition and restructuring costs	**28**	71	**95**	71
Gain on disposal of assets	**—**	—	**—**	(9)
Impairment of intangible assets	**—**	—	**—**	58
Depreciation and amortization	**144**	148	**582**	560
Adjusted EBITDA	**392**	260	**1,553**	1,155
Revenues	**4,468**	3,957	**17,843**	15,035
Margin	***8.8 %***	*6.6 %*	***8.7 %***	*7.7 %*

GLOSSARY

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

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

Book value per share means total equity divided by the number of common shares outstanding.

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

Net Debt means long-term debt, lease liabilities, and bank loans, including the current portion thereof, net of cash and cash equivalents. Refer to Note 24 to the consolidated financial statements for further information.

Net earnings margin means net earnings expressed as a percentage of revenues.

Non-current financial liabilities is composed of non-current long-term debt, lease liabilities, and derivative financial liabilities.

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

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.

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 Spread, 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.

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S STATEMENT OF RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

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

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

June 8, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of Saputo Inc.

Opinion

We have audited the consolidated financial statements of Saputo Inc. (the "Entity"), which comprise:

- the consolidated statements of financial position as at March 31, 2023 and March 31, 2022;
- the consolidated income statements for the years then ended
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at March 31, 2023 and March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended March 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Assessment of the carrying amount of Goodwill for Dairy Division (Australia) and Dairy Division (UK) cash generating units (CGUs)

Description for the matter

We draw attention to Notes 3 and 8 of the financial statements. The goodwill balance is $3,338 million, of which $258 million and $613 million relate to the Dairy Division (Australia) and Dairy Division (UK), respectively. The Entity performs impairment testing annually for goodwill or more frequently if events or changes in circumstances indicate that it might be impaired. When testing goodwill for impairment, the carrying values of the CGUs or group of CGUs, including goodwill, are compared with their respective recoverable amounts and an impairment loss, if any, is recognized for the excess. The recoverable amounts of the CGUs or group of CGUs are estimated based on the higher of their fair value less costs of disposal using an earnings multiplier valuation method and value in use using a discounted cash flow model. The determination of the recoverable amount requires management to make significant estimates and assumptions related to:

- The forecasted cash flows based on earnings before interest, income taxes, depreciation and amortization ("EBITDA"), terminal growth rates and discount rates, used in the discounted cash flow model
- EBITDA multiples used in the earnings multiplier valuation method.

Why this matter is a key audit matter

We identified the assessment of the carrying amount of Goodwill for Dairy Division (Australia) and Dairy Division (UK) CGUs as a key audit matter. This matter represented an area of significant risk of material misstatement given the sensitivity of the Entity's determination of the recoverable amounts of the CGUs to changes to significant assumptions. In addition, significant auditor judgment and specialized skills and knowledge were required in evaluating the results of our audit procedures.

How the Key Audit Matter Was Addressed in the Audit

The primary procedures we performed to address this key audit matter included the following:

We evaluated the Entity's ability to accurately forecast EBITDA by comparing actual results to historical EBITDA forecasts.

We involved our valuation professionals with specialized skills and knowledge, who assisted in evaluating the appropriateness of the:

- Terminal growth rates by developing a range of independent terminal growth rates using publicly available industry market data and expected long term inflation rates and comparing those to the Entity's terminal growth rates assumptions
- Discount rates by comparing inputs into the discount rates to publicly available data for comparable entities

- EBITDA multiples by developing an independent range of multiples using available market information from third party sources and observed in recent comparable transactions, and comparing those to EBITDA multiples selected by management.

Other Information

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

- The information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- The information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis and the Annual Report filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor’s report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditor’s report is Toni Dilli.

/s/ KPMG LLP*

Montréal, Canada

June 8, 2023

* CPA auditor, public accountancy permit No. A123145

CONSOLIDATED INCOME STATEMENTS

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

Years ended March 31		2023		2022
Revenues (Note 25)	**$**	**17,843**	$	15,035
Operating costs excluding depreciation, amortization, and restructuring costs (Note 5)		**16,290**		13,880
Earnings before income taxes, financial charges, acquisition and restructuring costs, gain on disposal of assets, impairment of intangible assets, and depreciation and amortization		**1,553**		1,155
Depreciation and amortization		**582**		560
Impairment of intangible assets (Note 8)		**—**		58
Gain on disposal of assets		**—**		(9)
Acquisition and restructuring costs (Note 14)		**95**		71
Financial charges (Note 15)		**101**		70
Earnings before income taxes		**775**		405
Income taxes (Note 16)		**153**		131
Net earnings	**$**	**622**	$	274
Net earnings per share (Note 18)				
Basic	**$**	**1.49**	$	0.66
Diluted	**$**	**1.48**	$	0.66

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of CDN dollars)

Years ended March 31	2023	2022
Net earnings	**$ 622**	$ 274
Other comprehensive income (loss):		
Items that may be reclassified to net earnings:		
Exchange differences arising from foreign currency translation	**285**	(142)
Inflation effect arising from the application of hyperinflation	**(4)**	(2)
Unrealized (losses) gains on cash flow hedges (Note 19)	**(40)**	19
Reclassification of losses on cash flow hedges to net earnings	**23**	11
Income taxes relating to items that may be reclassified to net earnings	**5**	(9)
	269	(123)
Items that will not be reclassified to net earnings:		
Actuarial (loss) gain (Note 21)	**(154)**	72
Income taxes relating to items that will not be reclassified to net earnings	**38**	(11)
	(116)	61
Other comprehensive income (loss)	**153**	(62)
Total comprehensive income	**$ 775**	$ 212

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in millions of CDN dollars, except common shares)

For the year ended March 31, 2023	Share capital		Reserves					
	Common Shares	Amount	Foreign Currency Translation	Cash Flow Hedges	Stock Option Plan	Total Reserves	Retained Earnings	Total Equity
Balance, beginning of year	**416,738,041**	**$ 1,945**	**$ 66**	**$ 21**	**$ 172**	**$ 259**	**$ 4,301**	**$ 6,505**
Net earnings	—	—	—	—	—	—	**622**	**622**
Other comprehensive income	—	—	**281**	**(12)**	—	**269**	**(116)**	**153**
Total comprehensive income								**775**
Dividends (Note 13)	—	—	—	—	—	—	**(301)**	**(301)**
Shares issued under dividend reinvestment plan (Note 13)	**3,182,091**	**102**	—	—	—	—	—	**102**
Stock options (Note 13)	—	—	—	—	**13**	**13**	—	**13**
Exercise of stock options (Note 13)	**1,684,724**	**55**	—	—	**(9)**	**(9)**	—	**46**
Balance, end of year	**421,604,856**	**$ 2,102**	**$ 347**	**$ 9**	**$ 176**	**$ 532**	**$ 4,506**	**$ 7,140**

For the year ended March 31, 2022	Share capital		Reserves					
	Common Shares	Amount	Foreign Currency Translation	Cash Flow Hedges	Stock Option Plan	Total Reserves	Retained Earnings	Total Equity
Balance, beginning of year	412,333,571	$ 1,807	$ 210	$ —	$ 165	$ 375	$ 4,262	$ 6,444
Net earnings	—	—	—	—	—	—	274	274
Other comprehensive loss	—	—	(144)	21	—	(123)	61	(62)
Total comprehensive income								212
Dividends (Note 13)	—	—	—	—	—	—	(296)	(296)
Shares issued under dividend reinvestment plan (Note 13)	2,783,718	87	—	—	—	—	—	87
Stock options (Note 13)	—	—	—	—	15	15	—	15
Exercise of stock options (Note 13)	1,620,752	51	—	—	(8)	(8)	—	43
Balance, end of year	**416,738,041**	**$ 1,945**	**$ 66**	**$ 21**	**$ 172**	**$ 259**	**$ 4,301**	**$ 6,505**

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in millions of CDN dollars)

As at		March 31, 2023		March 31, 2022
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**263**	$	165
Receivables		**1,621**		1,500
Inventories (Note 4)		**2,872**		2,503
Income taxes receivable (Note 16)		**16**		52
Prepaid expenses and other assets		**79**		75
		4,851		4,295
Property, plant and equipment (Note 6)		**4,286**		3,962
Right-of-use assets (Note 7)		**446**		475
Goodwill (Note 8)		**3,338**		3,188
Intangible assets (Note 8)		**1,283**		1,371
Other assets (Note 9)		**158**		362
Deferred tax assets (Note 16)		**63**		30
Total assets	**$**	**14,425**	$	13,683
LIABILITIES				
Current liabilities				
Bank loans (Note 10)	**$**	**356**	$	419
Accounts payable and accrued liabilities		**2,149**		1,952
Income taxes payable (Note 16)		**99**		44
Current portion of long-term debt (Note 11)		**307**		300
Current portion of lease liabilities (Note 7)		**91**		65
		3,002		2,780
Long-term debt (Note 11)		**2,944**		3,075
Lease liabilities (Note 7)		**342**		386
Other liabilities (Note 12)		**137**		101
Deferred tax liabilities (Note 16)		**860**		836
Total liabilities	**$**	**7,285**	$	7,178
EQUITY				
Share capital (Note 13)		**2,102**		1,945
Reserves		**532**		259
Retained earnings		**4,506**		4,301
Total equity	**$**	**7,140**	$	6,505
Total liabilities and equity	**$**	**14,425**	$	13,683

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

On behalf of the Board,

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

(signed) Annalisa King
Annalisa King
Director

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of CDN dollars)

Years ended March 31	2023	2022
Cash flows related to the following activities:		
Operating		
Net earnings	**$ 622**	$ 274
Adjustments for:		
Stock-based compensation	**67**	37
Financial charges (Note 15)	**101**	70
Income tax expense	**153**	131
Depreciation and amortization	**582**	560
Impairment of intangible assets (Note 8)	**—**	58
Restructuring charges related to optimization initiatives	**95**	68
Gain on disposal of property, plant and equipment	**(4)**	(12)
Foreign exchange gain on debt	**(20)**	(21)
Share of joint venture earnings, net of dividends received and other	**(3)**	3
Changes in non-cash operating working capital items (Note 17)	**(367)**	(252)
Cash generated from operating activities	**1,226**	916
Interest and financial charges paid	**(143)**	(117)
Income taxes paid	**(58)**	(106)
Net cash generated from operating activities	**$ 1,025**	$ 693
Investing		
Business acquisitions, net of cash acquired	**—**	(371)
Additions to property, plant and equipment	**(617)**	(453)
Additions to intangible assets	**(24)**	(45)
Proceeds from disposal of property, plant and equipment	**9**	70
Net cash used for investing activities	**$ (632)**	$ (799)
Financing		
Bank loans	**(54)**	356
Proceeds from issuance of long-term debt	**313**	306
Repayment of long-term debt	**(406)**	(487)
Repayment of lease liabilities	**(68)**	(80)
Net proceeds from issuance of share capital	**45**	42
Payment of dividends	**(199)**	(209)
Net cash used in financing activities	**$ (369)**	$ (72)
Increase (decrease) in cash and cash equivalents	**24**	(178)
Cash and cash equivalents, beginning of year	**165**	309
Effect of Argentina hyperinflation	**75**	39
Effect of exchange rate changes	**(1)**	(5)
Cash and cash equivalents, end of year	**$ 263**	$ 165

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2023, and 2022.

(All dollar amounts are in millions of CDN dollars, except per share amounts or unless otherwise indicated.)

NOTE 1 CORPORATE INFORMATION

Saputo Inc. (the Company) is a publicly traded company incorporated and domiciled in Canada. The Company's shares are listed on the Toronto Stock Exchange under the symbol "SAP." The Company produces, markets, and distributes a wide array of dairy products from Canada, the United States, Australia, Argentina, and the United Kingdom. In addition to its dairy portfolio, the Company produces, markets, and distributes a range of dairy alternative cheeses and beverages. The address of the Company's head office is 6869 Metropolitain Blvd. East, Montréal, Québec, Canada, H1P 1X8. The consolidated financial statements of the Company for the fiscal year ended March 31, 2023 (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 June 8, 2023.

NOTE 2 BASIS OF PRESENTATION

STATEMENT OF COMPLIANCE

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

BASIS OF MEASUREMENT

The Company's financial statements have been prepared on a historical cost basis except for defined benefit plan assets and liabilities as well as certain financial instruments that are measured at fair value as described in Note 3, Material accounting policies.

FUNCTIONAL AND PRESENTATION CURRENCY

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

NOTE 3 MATERIAL ACCOUNTING POLICIES

CONSOLIDATED FINANCIAL STATEMENTS

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

CASH AND CASH EQUIVALENTS

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

INVENTORIES

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

NOTE 3 MATERIAL ACCOUNTING POLICIES (CONT'D)

PROPERTY, PLANT AND EQUIPMENT

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

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

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

Assets held for sale are recorded at the lower of their carrying amount or fair value less costs to sell, and no depreciation is recorded. Assets under construction are not depreciated.

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

RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Leases are recognized as a right-of-use asset with a corresponding lease liability at the commencement date. Each lease payment is allocated between a reduction of the liability and finance cost. The finance cost is recognized in ‘‘Financial charges’’ in the consolidated income statements over the lease period resulting in a constant periodic rate of interest on the remaining balance of the liability. The lease liability is measured at the present value of lease payments, discounted using the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily available. The period over which lease payments are discounted includes renewal options.

Costs associated with short-term leases and leases of low-value assets are included in “Operating costs excluding depreciation, amortization, and restructuring costs” in the consolidated income statements.

GOODWILL AND INTANGIBLE ASSETS

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

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

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

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

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

NOTE 3 MATERIAL ACCOUNTING POLICIES (CONT'D)

IMPAIRMENT OF OTHER LONG-LIVED ASSETS

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

BUSINESS COMBINATIONS

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

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

EMPLOYEE FUTURE BENEFITS

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

REVENUE RECOGNITION

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

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

NOTE 3 MATERIAL ACCOUNTING POLICIES (CONT'D)

FOREIGN CURRENCY TRANSLATION

The Company's functional currency is the Canadian dollar. Accordingly, the financial position accounts of foreign operations are translated into Canadian dollars using the exchange rates at the financial position dates and income statements accounts are translated into Canadian dollars using the average monthly exchange rates in effect during the periods. The foreign currency translation adjustment (CTA) reserve presented in the consolidated statements of comprehensive income and the consolidated statements of changes in equity, represents accumulated foreign currency gains (losses) on the Company's net investments in foreign operations.

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

FINANCIAL REPORTING in HYPERINFLATIONARY ECONOMIES

In July 2018, the Argentine Federation of Professional Councils in Economic Sciences (F.A.C.P.C.E.) issued a release mentioning that, effective July 1, 2018, entities reporting under IFRS are required to apply the inflation adjustment since the applicable conditions for such application have been satisfied. International Accounting Standard (IAS) no. 29 *financial reporting in hyperinflationary economies*, requires that the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy be adjusted based on an appropriate general price index to express the effects of inflation, and shall be stated in terms of the measuring unit current at the end of the reporting period. Non- monetary assets and liabilities of the Dairy Division (Argentina) are adjusted by applying the relevant index and the adjustment is included as a gain(loss) on hyperinflation which is presented in financial charges in the consolidated income statements.

STOCK-BASED COMPENSATION

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

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

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

NOTE 3 MATERIAL ACCOUNTING POLICIES (CONT'D)

INCOME TAXES

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

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

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

FINANCIAL INSTRUMENTS

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

The Company has made the following classifications:

- Cash and cash equivalents are classified as amortized cost and are subsequently measured at amortized cost.
- Receivables are classified as amortized cost and are subsequently measured at amortized cost.
- Other assets that meet the definition of a financial asset are classified as amortized cost and are subsequently measured at amortized cost.
- Bank loans, accounts payable and accrued liabilities, other liabilities, and long-term debt are classified as amortized cost and are measured at amortized cost.

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

HEDGING

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

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

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

NOTE 3 MATERIAL ACCOUNTING POLICIES (CONT'D)

FAIR VALUE HIERARCHY

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

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

Level 1 - Inputs are unadjusted quoted prices of identical instruments in active markets.
Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 - One or more significant inputs used in a valuation technique are not based on observable market data in determining fair values of the instruments.

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

USE OF ESTIMATES AND JUDGMENTS IN THE APPLICATION OF ACCOUNTING POLICIES

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

SIGNIFICANT ESTIMATES AND JUDGMENTS

Income Taxes

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

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

NOTE 3 MATERIAL ACCOUNTING POLICIES (CONT'D)

Goodwill, Intangible Assets, and Business Combinations

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

Impairment of Assets

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

Employee Future Benefits

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

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

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

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

IFRS 3, Reference to the Conceptual Framework

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

The adoption of this amendment did not significantly impact 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.

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

NOTE 3 MATERIAL ACCOUNTING POLICIES (CONT'D)

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".

The early adoption of this amendment did not 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.

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

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.

The adoption of this amendment did not significantly impact 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.

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

NOTE 4 INVENTORIES

		March 31, 2023		March 31, 2022
Finished goods	**$**	**1,521**	$	1,444
Raw materials, work in progress and supplies		**1,351**		1,059
Total	**$**	**2,872**	$	2,503

The amount of inventories recognized as an expense in operating costs for the year ended March 31, 2023, is $14.5 billion ($11.7 billion for the year ended March 31, 2022).

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

		For the years ended March 31		
		2023		2022
Changes in inventories of finished goods and work in process	**$**	**(269)**	$	(168)
Raw materials and consumables used		**12,687**		10,522
Foreign exchange loss (gain)		**15**		11
Employee benefits expense		**2,108**		1,877
Selling costs		**814**		803
General and administrative costs		**935**		835
	$	**16,290**	$	13,880

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

	For the year ended March 31, 2023				
	Land	Buildings	Furniture, machinery and equipment	Rolling stock	Total
Cost					
As at March 31, 2022	$ 203	$ 1,584	$ 4,607	$ 12	$ 6,406
Additions	9	149	459	—	617
Disposals	—	(19)	(52)	(2)	(73)
Impairment related to restructuring (Note 14)	—	—	(4)	—	(4)
Foreign currency and hyperinflation	—	57	192	1	250
As at March 31, 2023	$ 212	$ 1,771	$ 5,202	$ 11	$ 7,196
Accumulated depreciation					
As at March 31, 2022	$ —	$ 501	$ 1,933	$ 10	$ 2,444
Depreciation	—	72	290	1	363
Disposals	—	(17)	(52)	(2)	(71)
Impairment related to restructuring (Note 14)	—	19	40	—	59
Foreign currency and hyperinflation	—	16	99	—	115
As at March 31, 2023	$ —	$ 591	$ 2,310	$ 9	$ 2,910
Net book value at March 31, 2023	$ 212	$ 1,180	$ 2,892	$ 2	$ 4,286

The net book value of property, plant and equipment under construction amounts to $592 million as at March 31, 2023, ($294 million as at March 31, 2022) and consists mainly of machinery and equipment.

On April 2, 2023, the Company announced it entered into a definitive agreement to sell two fresh milk processing facilities located in Australia and, as a result, the net book value of property, plant and equipment as at March 31, 2023 includes $23 million of land and building held for sale recorded at the lower of their carrying value and estimated fair value less costs to sell. Refer to Note 7 for information on amounts of right-of-use assets and lease liabilities.

The transaction, valued at approximately $95 million (AU$105 million) is subject to customary conditions, including the clearance from the Australian Competition and Consumer Commission, and is expected to close in the second half of calendar 2023. The expected gain or loss on the closing of this transaction is expected to be minimal. This intended divestiture is in line with other initiatives undertaken by the Company in the context of its Global Strategic Plan.

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

For the year ended March 31, 2022					
	Land	Buildings	Furniture, machinery and equipment	Rolling stock	Total
Cost					
As at March 31, 2021	$ 207	$ 1,428	$ 4,254	$ 13	$ 5,902
Business acquisitions (Note 20)	2	43	91	—	136
Additions	2	103	348	—	453
Disposals	(3)	(11)	(73)	(2)	(89)
Transfers	—	27	(16)	—	11
Foreign currency and hyperinflation	(5)	(6)	3	1	(7)
As at March 31, 2022	$ 203	$ 1,584	$ 4,607	$ 12	$ 6,406
Accumulated depreciation					
As at March 31, 2021	$ —	$ 418	$ 1,697	$ 10	$ 2,125
Depreciation	—	68	267	1	336
Disposals	—	(8)	(72)	(1)	(81)
Transfers	—	—	2	—	2
Impairment related to restructuring (Note 14)	—	24	30	—	54
Foreign currency and hyperinflation	—	(1)	9	—	8
As at March 31, 2022	$ —	$ 501	$ 1,933	$ 10	$ 2,444
Net book value at March 31, 2022	$ 203	$ 1,083	$ 2,674	$ 2	$ 3,962

NOTE 7 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The following table presents changes in right-of-use assets during fiscal 2023:

	For the year ended March 31, 2023		
	Real Estate	**Equipment**	**Total**
Balance as at April 1, 2022	**$ 322**	**$ 153**	**$ 475**
New leases / leases modifications	**46**	**9**	**55**
Depreciation	**(41)**	**(37)**	**(78)**
Foreign currency	**(5)**	**(1)**	**(6)**
Balance at March 31, 2023	**$ 322**	**$ 124**	**$ 446**

The following table presents changes in right-of-use assets during fiscal 2022:

	For the year ended March 31, 2022		
	Real Estate	Equipment	Total
Balance as at April 1, 2021	$ 345	$ 137	$ 482
New leases / leases modifications	23	58	81
Depreciation	(41)	(38)	(79)
Foreign currency	(5)	(4)	(9)
Balance at March 31, 2022	$ 322	$ 153	$ 475

The following table presents changes in lease liabilities during fiscal 2023 and 2022:

	March 31, 2023	March 31, 2022
Balance, beginning of year	**$ 451**	$ 461
New leases / lease modifications	**56**	80
Interest expense	**14**	15
Payments	**(82)**	(95)
Foreign currency	**(6)**	(10)
	433	451
Current portion	**(91)**	(65)
Balance, end of year	**$ 342**	$ 386

Right-of-use assets as at March 31, 2023 include $63 million of real estate and equipment to be sold pursuant to the definitive agreement to sell two fresh milk processing facilities located in Australia described in Note 6. Lease liabilities relating to these assets total $36 million as at March 31, 2023 and are included in the current portion of lease liabilities.

The following maturity table of the Company's lease liabilities outstanding at March 31, 2023, is based on the expected undiscounted contractual cash flows until the contractual maturity date:

Less than 1 year	**$ 103**
1-2 years	**55**
2-3 years	**49**
3-4 years	**45**
4-5 years	**39**
More than 5 years	**265**
	$ 556

Expenses relating to short-term leases and leases of low value were not significant for the fiscal years ended March 31, 2023, and 2022.

NOTE 8 GOODWILL AND INTANGIBLE ASSETS

										For the year ended March 31, 2023
				Definite Life						
		Goodwill		**Trademarks**		**Customer relationships**		**Software[1] and other**		**Total Intangible Assets**
Cost										
As at March 31, 2022	**$**	**3,188**	**$**	**1,118**	**$**	**403**	**$**	**452**	**$**	**1,973**
Additions		**—**		**—**		**—**		**24**		**24**
Foreign currency and hyperinflation		**150**		**20**		**18**		**11**		**49**
As at March 31, 2023	**$**	**3,338**	**$**	**1,138**	**$**	**421**	**$**	**487**	**$**	**2,046**
Accumulated Amortization										
As at March 31, 2022	**$**	**—**	**$**	**174**	**$**	**223**	**$**	**205**	**$**	**602**
Amortization		**—**		**54**		**29**		**60**		**143**
Foreign currency and hyperinflation		**—**		**5**		**10**		**3**		**18**
As at March 31, 2023	**$**	**—**	**$**	**233**	**$**	**262**	**$**	**268**	**$**	**763**
Net book value at March 31, 2023	**$**	**3,338**	**$**	**905**	**$**	**159**	**$**	**219**	**$**	**1,283**

										For the year ended March 31, 2022
				Definite Life						
		Goodwill		Trademarks		Customer relationships		Software[1] and other		Total Intangible Assets
Cost										
As at March 31, 2021	$	3,066	$	1,126	$	390	$	416	$	1,932
Business acquisitions (Note 20)		170		34		19		—		53
Additions		—		—		—		45		45
Transfer		—		(7)		—		(10)		(17)
Foreign currency and hyperinflation		(48)		(35)		(6)		1		(40)
As at March 31, 2022	$	3,188	$	1,118	$	403	$	452	$	1,973
Accumulated Amortization										
As at March 31, 2021	$	—	$	130	$	190	$	95	$	415
Amortization		—		55		36		54		145
Impairment		—		—		—		58		58
Transfer		—		(5)		—		(3)		(8)
Foreign currency and hyperinflation		—		(6)		(3)		1		(8)
As at March 31, 2022	$	—	$	174	$	223	$	205	$	602
Net book value at March 31, 2022	$	3,188	$	944	$	180	$	247	$	1,371

[1] None of the software were internally generated.

In fiscal 2022, the Company recognized an impairment charge of $58 million ($43 million net of taxes) related to software assets following the Company's decision to temporarily pause the final phase of the Company's Enterprise Resource Planning (ERP) project deployment, which was set to begin in Canada. The impairment charge also includes an amount relative to previously capitalized cloud-based software costs following the application of the agenda decision of the IFRIC on IAS 38, *Configuration or customization costs in a cloud computing arrangement*, clarifying how to recognize certain configuration and customization expenditures related to cloud computing.

NOTE 8 GOODWILL AND INTANGIBLE ASSETS (CONT'D)

IMPAIRMENT TESTING OF CASH-GENERATING UNITS

Goodwill

In determining whether goodwill is impaired, the Company is required to estimate the respective recoverable amounts of CGUs or groups of CGUs to which goodwill is allocated. Management considers the sectors below to be CGUs or groups of CGUs for goodwill impairment purposes as they represent the lowest level at which the goodwill is monitored for internal management purposes.

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

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

Allocation of goodwill	**March 31, 2023**	March 31, 2022
Canada Sector		
Dairy Division (Canada)	**$ 401**	$ 401
USA Sector		
Dairy Division (USA)	**2,057**	1,906
International Sector		
Dairy Division (Australia)	**258**	267
Dairy Division (Argentina)	**9**	9
Europe Sector		
Dairy Division (UK)	**613**	605
	$ 3,338	$ 3,188

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

Considering the activities of the Dairy Division (Australia) and the Dairy Division (UK) were added to the Company's operational footprint in more recent years, we also estimated the recoverable amounts for these divisions using a discounted cash flow (value in use) model based on the following key assumptions:

- Cash flows: Cash flow forecasts for a given CGU are based on earnings before interest, income taxes, depreciation and amortization, and are adjusted with growth rates. The cash flow forecast does not exceed a period of five years with a terminal value calculated as a perpetuity in the final year.
- Terminal growth rate: Management uses a terminal growth rate to adjust its forecasted cash flows based on expected increases in inflation and revenues for the CGU. The terminal growth rates used were 2.0% for the Dairy Division (Australia) and 2.5% for the Dairy Division (UK).
- Discount rate**:** Cash flows are discounted using pre-tax discount rates. The pre-tax discount rates used were 9.0% for the Dairy Division (Australia) and 8.6% for the Dairy Division (UK).

The Company performed its annual impairment testing of goodwill based on the December 31, 2022 balances, and, in all cases, the recoverable amounts exceeded their respective carrying values including goodwill; therefore, goodwill was not considered to be impaired as at March 31, 2023.

NOTE 8 GOODWILL AND INTANGIBLE ASSETS (CONT'D)

Trademarks

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

Allocation of trademarks by sectors	March 31, 2023	March 31, 2022
Canada	**$ 189**	$ 201
USA	**126**	123
International	**29**	33
Europe	**561**	586
	$ 905	$ 943

NOTE 9 OTHER ASSETS

	March 31, 2023	March 31, 2022
Joint ventures	**$ 36**	$ 35
Derivative financial assets	**2**	38
Employee benefits (Note 21)	**75**	235
Other	**45**	54
	$ 158	$ 362

The Company holds interests in joint ventures, which are all accounted for using the equity method. The Company recognized $6 million in net earnings, representing its share of earnings in the joint ventures for the year ended March 31, 2023 ($4 million for the year ended March 31, 2022). Dividends received from the joint ventures amounted to $2 million for the year ended March 31, 2023 ($7 million for the year ended March 31, 2022).

NOTE 10 BANK LOANS

		Available for use			Amount drawn as at	
Credit Facilities	Maturity	Canadian Currency Equivalent	Base Currency (in millions)		**March 31, 2023**	March 31, 2022
North America-USA	June 2027[1]	$ 405	300	USD	**$ —**	$ —
North America-Canada	June 2027[1]	$ 946	700	USD	**—**	207
Australia	Yearly[2]	$ 248	275	AUD	**153**	50
Australia	Yearly[2]	$ 135	100	USD	**—**	56
Japan	Yearly[3]	$ 82	8,000	JPY	**58**	43
United Kingdom	Yearly[4]	$ 208	125	GBP	**120**	—
Argentina	Yearly[5]	$ 379	280	USD	**25**	63
		$ 2,403			**$ 356**	$ 419

1 Main revolving credit facility. Bears monthly interest at rates ranging from lender's prime rates plus a maximum of 1.00% or SOFR or SONIA or BBSY or banker's acceptance rate plus a minimum of 0.80% and a maximum of 2.00% depending on the Company credit ratings, plus an adjustment to the applicable margins based on the Company's achievement of its sustainability targets. These credit facilities are subject to interest rate benchmark reform (see Note 19).

2 Bears monthly interest at SOFR or Australian Bank Bill Rate plus up to 1.60% and can be drawn in AUD or USD.

3 Bears monthly interest at TIBOR plus 0.70%.

4 Bears monthly interest at rates ranging from base rate plus 0.80% or SONIA plus 0.80%.

5 Bears monthly interest at local rate and can be drawn in USD or ARS.

As at March 31, 2023, receivables totalling $99 million ($62 million as at March 31, 2022), were sold under receivables purchase agreements. These receivables were derecognized upon sale as substantially all risks and rewards were passed to the purchaser under the terms of the agreements.

On August 5, 2021, the Company amended its main revolving credit facility to, among other things, introduce a sustainability-linked loan (SLL) structure. The SLL structure introduces an annual pricing adjustment based on whether the Company achieves key climate and water targets in line with its 2025 environmental commitments.

NOTE 11 LONG-TERM DEBT

	March 31, 2023	March 31, 2022
Unsecured bank term loan facilities		
Obtained April 2018 and due in June 2025[1,5]	**$ 272**	$ 373
Obtained April 2019 and due in June 2025[2,5]	**225**	262
Senior unsecured notes[3,4]		
2.83%, issued in November 2016 and due in November 2023 (Series 3)	**300**	300
1.94%, issued in June 2017 and repaid in June 2022 (Series 4)	**—**	300
3.60%, issued in August 2018 and due in August 2025 (Series 5)	**350**	350
2.88%, issued in November 2019 and due in November 2024 (Series 6)	**400**	400
2.24%, issued in June 2020 and due in June 2027 (Series 7)	**700**	700
1.42%, issued in November 2020 and due in June 2026 (Series 8)	**350**	350
2.30%, issued in June 2021 and due in June 2028 (Series 9)	**300**	300
5.25%, issued in November 2022 and due in November 2029 (Series 10)	**300**	—
Other	**54**	40
	$ 3,251	$ 3,375
Current portion	**(307)**	(300)
	$ 2,944	$ 3,075
Principal repayments are as follows:		
Less than 1 year	**$ 307**	$ 300
1-2 years	**413**	306
2-3 years	**847**	1,035
3-4 years	**350**	350
4-5 years	**734**	350
More than 5 years	**600**	1,034
	$ 3,251	$ 3,375

1 Bear monthly interest at rates ranging from lender's prime rate plus a maximum of 1.00%, or banker's acceptance rates or Australian Bank Bill Rate plus a minimum of 0.80% and a maximum of 2.00%, depending on the Company's credit ratings. Interest is paid every one, two, three or six months, as selected by the Company. As at March 31, 2023, AU$300 million was drawn.

2 Bears monthly interest at lender's prime rates plus a maximum of 1.00% or SOFR or banker's acceptance rates 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. On October 6, 2022, the remaining tranche of the facility was converted to a Canadian dollar denominated facility and can be drawn in CAD or USD. As at March 31, 2023, US$166 million was drawn.

3 Issued under the Company's medium term note program. Interest payments are semi-annual.

4 On December 22, 2022, the Company filed an unallocated short form base shelf prospectus providing the flexibility to make offerings of various securities during the 25-month period that the base shelf prospectus is effective, and renewed its medium term notes (MTN) program by filing a supplement to the short form base shelf prospectus.

5 These bank term loan facilities are subject to interest rate benchmark reform (see Note 19).

NOTE 12 OTHER LIABILITIES

	March 31, 2023	March 31, 2022
Employee benefits (Note 21)	**$ 32**	$ 37
Stock-based compensation - long-term portion	**91**	51
Other	**14**	13
	$ 137	$ 101

NOTE 13 SHARE CAPITAL

AUTHORIZED

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

STOCK OPTION PLAN

The Company has an equity settled stock option plan to allow for the purchase of common shares by key employees and officers of the Company. The total number of common shares which may be issued pursuant to this plan cannot exceed 45,698,394 common shares. As at March 31, 2023, 14,641,165 common shares are available for future grants under this plan. Options may be exercised at a price not less than the weighted average market price for the five trading days immediately preceding the date of grant. The options vest at 20% per year and expire ten years from the grant date.

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

		March 31, 2023		March 31, 2022	
Granting period	Exercise price	**Number of options**	**Number of exercisable options**	Number of options	Number of exercisable options
2013	$ 21.48	**—**	**—**	104,017	104,017
2014	$ 25.55	**35,357**	**35,357**	964,504	964,504
2015	$ 27.74	**1,021,850**	**1,021,850**	1,494,384	1,494,384
2016	$ 35.08	**1,350,707**	**1,350,707**	1,733,541	1,733,541
2017	$ 41.40	**2,212,048**	**2,212,048**	2,808,213	2,808,213
2018	$ 46.29	**2,349,927**	**2,349,927**	2,914,637	2,360,566
2019	$ 41.02	**2,899,451**	**2,319,082**	3,395,873	2,075,330
2020	$ 45.30	**2,398,411**	**1,450,657**	2,723,052	1,127,580
2021	$ 33.35	**3,608,000**	**1,386,333**	4,073,214	797,840
2022	$ 37.52	**1,685,392**	**340,768**	1,810,235	—
2023	$ 29.59	**2,427,160**	**—**	—	—
		19,988,303	**12,466,729**	**22,021,670**	**13,465,975**

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

	March 31, 2023		March 31, 2022	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Balance, beginning of year	**22,021,670**	**$ 38.45**	23,339,321	$ 37.81
Granted	**2,600,057**	**$ 29.59**	1,984,038	$ 37.52
Exercised	**(1,684,724)**	**$ 26.71**	(1,620,752)	$ 25.83
Cancelled	**(2,948,700)**	**$ 40.17**	(1,680,937)	$ 40.74
Balance, end of year	**19,988,303**	**$ 38.02**	22,021,670	$ 38.45

NOTE 13 SHARE CAPITAL (CONT'D)

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

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

	Fiscal 2023 grant	Fiscal 2022 grant
Weighted average:		
Risk-free interest rate	**2.39 %**	0.88 %
Life of options	**6.5 years**	6.4 years
Volatility[1]	**22.06 %**	21.92 %
Dividend rate	**2.42 %**	1.91 %

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

A compensation expense of $13 million and $15 million relating to stock options was recorded in operating costs in the consolidated income statements for the year ended March 31, 2023, and March 31, 2022, respectively.

Options to purchase 2,231,026 common shares at a price of $34.90 per share were granted on April 1, 2023.

DEFERRED SHARE UNIT PLAN FOR DIRECTORS

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

	2023		2022	
	Units	**Liability**	Units	Liability
Balance, beginning of year	**539,827**	**$ 16**	467,685	$ 18
Annual retainer	**64,269**	**2**	61,379	2
Dividends reinvested	**12,670**	**—**	10,763	—
Variation due to change in stock price	**—**	**4**	—	(4)
Balance, end of year	**616,766**	**$ 22**	539,827	$ 16

The Company enters into equity forward contracts in order to mitigate the compensation costs associated with its DSU plan. As at March 31, 2023, and 2022, the Company had equity forward contracts on 420,000 common shares with a notional value of $16 million ($14 million as of March 31, 2022). The net compensation expense related to the DSU plan was $4 million for the year ended March 31, 2023 ($2 million for March 31, 2022), including the effect of the equity forward contracts.

NOTE 13 SHARE CAPITAL (CONT'D)

PERFORMANCE SHARE UNIT PLAN

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

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

	2023 Units	2022 Units
Balance, beginning of year	**1,324,311**	1,071,256
Annual grant	**1,344,257**	682,326
Cancelled	**(286,349)**	(241,109)
Payment	**(148,969)**	(188,162)
Balance, end of year	**2,233,250**	1,324,311

As at March 31, 2023, a long-term obligation related to PSUs of $45 million was recorded ($20 million as at March 31, 2022) in addition to $10 million that was recorded in accrued liabilities ($5 million as at March 31, 2022). On April 1, 2023, 787,536 PSUs were granted at a price of $34.90 per unit ($29.59 in 2022).

RESTRICTED SHARE UNIT PLAN

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

	2023 Units	2022 Units
Balance, beginning of year	**726,129**	330,469
Annual grant	**612,895**	442,912
Cancelled	**(53,377)**	(39,598)
Payment	**(155,119)**	(7,654)
Balance, end of year	**1,130,528**	726,129

As at March 31, 2023, a long-term obligation related to RSUs of $18 million was recorded in addition to $6 million that was recorded in accrued liabilities. On April 1, 2023, 532,674 RSUs were granted at a price of $34.90 per unit ($29.59 in 2022).

NOTE 13 SHARE CAPITAL (CONT'D)

The Company enters into equity forward contracts in order to mitigate the compensation costs associated with its PSU and RSU plans. As at March 31, 2023, the Company had equity forward contracts on 2,000,000 common shares (2,000,000 as of March 31, 2022) with a notional value of $77 million ($72 million as of March 31, 2022). The net compensation expenses related to PSUs and RSUs were $29 million and $17 million, respectively, for the year ended March 31, 2023 ($16 million and $7 million respectively, for the year ended March 31, 2022), including the effect of the equity forward contracts.

DIVIDENDS AND DIVIDEND REINVESTMENT PLAN

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

Dividends paid in cash and through the DRIP during the years ended 2023, and 2022, were as follows:

	For the years ended March 31	
	2023	2022
Cash	**$ 199**	$ 209
DRIP	**102**	87
Total	**$ 301**	$ 296

NOTE 14 ACQUISITION AND RESTRUCTURING COSTS

In fiscal 2023, restructuring costs totalling $95 million ($70 million after tax) were incurred in connection with consolidation initiatives announced by the Company to streamline and enhance its manufacturing footprint as well as other initiatives undertaken in the context of its Global Strategic Plan. Costs of $51 million were attributable to the USA Sector, $37 million to the International Sector and $9 million to the Europe Sector. Restructuring costs were offset by a $2 million gain on disposal of assets related to the sale of a closed facility in the Canada Sector.

In fiscal 2022, restructuring costs totalled $71 million ($51 million after tax) and were related to the announcement of several major capital investments and consolidation initiatives intended to enhance and streamline the Company's manufacturing footprint in the USA Sector and International Sector as well as the outsource of warehouse and distribution activities, creating opportunities for network consolidation within the Europe Sector.

Restructuring costs are summarized as follow:

	For the years ended March 31	
	2023	2022
Write down and accelerated depreciation of non-current assets	**65**	$ 60
Employee related costs and other	**30**	11
Total	**95**	$ 71

NOTE 15 FINANCIAL CHARGES

	For the years ended March 31	
	2023	2022
Interest on long-term debt	**$ 86**	$ 74
Other finance costs, net	**50**	31
Gain on hyperinflation[1]	**(44)**	(48)
Interest on lease liabilities	**14**	15
Net interest revenue from defined benefit obligation (Note 21)	**(5)**	(2)
	$ 101	$ 70

[1] Relative to the application of hyperinflation accounting for the Dairy Division (Argentina).

NOTE 16 INCOME TAXES

Income tax expense comprises the following:

	For the years ended March 31	
	2023	2022
Current tax expense	**$ 163**	$ 91
Deferred tax (recovery) expense	**(10)**	40
Income tax expense	**$ 153**	$ 131

RECONCILIATION OF THE EFFECTIVE TAX RATE

The effective income tax rate was 19.7% in 2023 (32.3% in 2022). The Company's income tax expense differs from the one calculated by applying Canadian statutory rates for the following reasons:

	2023	2022
Earnings before tax	**$ 775**	$ 405
Income taxes, calculated using Canadian statutory income tax rates of 25.8%	**200**	105
Adjustments resulting from the following:		
Effect of tax rates for foreign subsidiaries	**16**	12
Changes in tax laws and rates	**3**	51
Benefit arising from investment in subsidiaries	**(9)**	(14)
Effect of tax and accounting treatments of inflation in Argentina	**(46)**	(24)
Adjustments in relation to prior years and other	**(11)**	1
Income tax expense	**$ 153**	$ 131

On June 10, 2021, the UK Finance Act 2021 was enacted increasing the UK tax rate from 19% to 25%, which became effective as of 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.

INCOME TAX RECOGNIZED IN OTHER COMPREHENSIVE INCOME

Income tax on items recognized in other comprehensive income in 2023 and 2022 were as follows:

	2023	2022
Deferred tax (recovery) expense on actuarial losses on employee benefit obligations	**$ (38)**	$ 11
Current tax expense on cash flow hedge	**—**	4
Deferred tax (recovery) expense on cash flow hedges	**(5)**	5
Total income tax (recovery) expense recognized in other comprehensive income	**$ (43)**	$ 20

NOTE 16 INCOME TAXES (CONT'D)

CURRENT TAX ASSETS AND LIABILITIES

	2023	2022
Income taxes receivable	**$ 16**	$ 52
Income taxes payable	**(99)**	(44)
Income taxes (payable) receivable (net)	**$ (83)**	$ 8

DEFERRED TAX ASSETS AND LIABILITIES

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

	2023	2022
Deferred tax assets	**$ 63**	$ 30
Deferred tax liabilities	**(860)**	(836)
Deferred tax liabilities (net)	**$ (797)**	$ (806)

The movement of deferred tax assets and liabilities were as follows for the years ended March 31:

							For the year ended March 31, 2023
	Accounts payable and accrued liabilities	**Income tax losses**	**Net assets of pension plans**	**Inventories**	**Property, plant and equipment**	**Goodwill, intangible assets and other**	**Net deferred tax liabilities**
Balance, beginning of the year	**$ 58**	**$ 120**	**$ (48)**	**$ (27)**	**$ (435)**	**$ (474)**	**$ (806)**
Charged/credited to net earnings	**24**	**(35)**	**—**	**7**	**44**	**(30)**	**10**
Charged/credited to other comprehensive income	**—**	**—**	**38**	**—**	**—**	**5**	**43**
Foreign currency, hyperinflation and other	**(5)**	**4**	**1**	**(2)**	**(21)**	**(21)**	**(44)**
Balance, end of the year	**$ 77**	**$ 89**	**$ (9)**	**$ (22)**	**$ (412)**	**$ (520)**	**$ (797)**

							For the year ended March 31, 2022
	Accounts payable and accrued liabilities	Income tax losses	Net assets of pension plans	Inventories	Property, plant and equipment	Goodwill, intangible assets and other	Net deferred tax liabilities
Balance, beginning of the year	$ 53	$ 38	$ (22)	$ (5)	$ (375)	$ (428)	$ (739)
Charged/credited to net earnings	7	89	(18)	(24)	(60)	(34)	(40)
Charged/credited to other comprehensive income	—	—	(11)	—	—	(5)	(16)
Acquisitions	—	—	—	—	—	(10)	(10)
Foreign currency, hyperinflation and other	(2)	(7)	3	2	—	3	(1)
Balance, end of the year	$ 58	$ 120	$ (48)	$ (27)	$ (435)	$ (474)	$ (806)

As at March 31, 2023, the Company had $268 million in capital losses for which no deferred tax assets had been recognized. These capital losses can be carried forward indefinitely but can only be used against future taxable capital gains.

Recognized deferred tax assets relating to unused tax losses carried forward are supported by projections of future profitability of the Company.

NOTE 17 CHANGE IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	For the years ended March 31	
	2023	2022
Inventories	**$ (396)**	$ (250)
Receivables	**(205)**	(316)
Prepaid expenses and other assets	**(10)**	12
Accounts payable, accrued liabilities and other	**243**	312
Current Income taxes	**1**	(10)
Changes in non-cash operating working capital items	**$ (367)**	$ (252)

NOTE 18 NET EARNINGS PER SHARE

	For the years ended March 31	
	2023	2022
Net earnings	**$ 622**	$ 274
Weighted average number of common shares outstanding	**418,620,009**	414,137,462
Dilutive stock options	**609,029**	690,528
Weighted average diluted number of common shares outstanding	**419,229,038**	414,827,990
Basic net earnings per share	**$ 1.49**	$ 0.66
Diluted net earnings per share	**$ 1.48**	$ 0.66

When calculating diluted net earnings per share for the year ended March 31, 2023, 16,503,936 stock options were excluded from the calculation because their exercise price is higher than the average fair value of common shares (19,458,765 options, were excluded for the year ended March 31, 2022).

NOTE 19 FINANCIAL INSTRUMENTS

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

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

CREDIT RISK

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

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

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

Due to its large and diverse customer base and its geographic diversity, the Company has low exposure to credit risk concentration with respect to customers' receivables. There are no receivables from any individual customer that exceeded 10% of the total balance of receivables as at March 31, 2023, and March 31, 2022. No customer represented more than 10% of total consolidated revenues for the fiscal years ended March 31, 2023, and March 31, 2022.

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

The amount of the allowance for expected credit loss is sufficient to cover the carrying amount of receivables considered past due and at risk. The amount of the loss is recognized in the consolidated income statements within operating costs. Subsequent recoveries of amounts previously written off are credited against operating costs in the consolidated income statements. These allowances are not significant for the year ended March 31, 2023.

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in Note 24 relating to capital disclosures. It also manages liquidity risk by continuously monitoring actual and projected cash flows. The Board of Directors reviews and approves the Company’s operating and capital budgets, as well as any material transactions out of the normal course of business.

Contractual maturities for the significant financial liabilities as at March 31, 2023, are as follows: accounts payable and accrued liabilities, bank loans, lease liabilities and long-term debt. All items included in accounts payable and accrued liabilities are less than one year. For maturities on bank loans, lease liabilities and the long-term debt, please refer to Note 10, Note 7, and Note 11, respectively.

NOTE 19 FINANCIAL INSTRUMENTS (CONT'D)

INTEREST RATE RISK

Bank loans and unsecured bank term loan facilities bear variable interest rates and thereby expose the Company to interest rate risk on cash flows associated to interest payments. As at March 31, 2023, the amount exposed to interest rate fluctuations was $853 million and an assumed 1% change in the interest rate would lead to a change in net earnings of approximately $7 million. The senior notes bear interest at fixed rates and, as a result, no interest rate risk exists on these cash flows.

As a result of past interest rate benchmark reforms, the Company amended the applicable variable interest rates referenced under certain bank credit facilities and long-term debt (see Notes 10 and 11). These amendments did not have a significant impact on the Company's financial statements.

On May 16, 2022, Refinitiv Benchmark Services Limited, the administrator of the Canadian Dollar Offered Rate (CDOR), announced that it would cease the calculation and publication of all tenors of CDOR immediately following a final publication on Friday, June 28, 2024. The Company is subject to this reform in connection with certain bank credit facilities and long-term debt (see Notes 10 and 11) as bankers' acceptance funding will likely also cease as part of this reform. The reform is not expected to have a significant impact on the Company's financial statements.

For the fiscal year ended March 31, 2023, the interest expense on long-term debt totalled $86 million ($74 million in fiscal 2022). The interest accrued as at March 31, 2023, was $22 million ($19 million as at March 31, 2022).

FOREIGN EXCHANGE RISK

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

The Company enters into forward exchange contracts to sell US dollars and buy Australian dollars in order to mitigate market fluctuations in the USD/AUD exchange rates on receivables. As at March 31, 2023, the Company had outstanding forward exchange contracts with a notional value of US$322 million. During the fiscal year, the cash flow hedges were highly effective and accordingly, the Company recognized an unrealized loss of $37 million (net of tax of $16 million) in other comprehensive income as a result. A loss of $28 million (net of tax of $12 million) was reclassified to net earnings during fiscal 2023 related to these forward exchange contracts. These cash flow hedges were also deemed to be highly effective during fiscal 2022, and an unrealized loss of $3 million (net of tax of $1 million), was recorded in other comprehensive income. A loss of $13 million (net of tax of $5 million) was reclassified to net earnings during fiscal 2022 related to these forward exchange contracts.

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

		2023		2022
Change in net earnings	**$**	**7**	$	2
Change in comprehensive income	**$**	**381**	$	294

NOTE 19 FINANCIAL INSTRUMENTS (CONT'D)

COMMODITY PRICE RISK

In certain instances, the Company enters into futures contracts to hedge against fluctuations in the price of commodities. The Company applies hedge accounting for certain of these transactions. During the fiscal year, these hedges (designated as cash flow hedges) were highly effective and accordingly, an unrealized gain of $5 million (net of tax of $2 million) was recorded in other comprehensive income. A gain of $12 million (net of tax of $4 million) was reclassified to net earnings during fiscal 2023 when the related inventory was ultimately sold. These cash flow hedges were also deemed to be highly effective during fiscal 2022, and an unrealized gain of $9 million (net of tax of $3 million), was recorded in other comprehensive income. A gain of $4 million (net of tax of $1 million) was reclassified to net earnings during fiscal 2022 related to futures contracts.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company determined that the fair value of certain of its financial assets and financial liabilities with short-term maturities approximates their carrying value. These financial instruments include cash and cash equivalents, receivables, bank loans, accounts payable, and accrued liabilities. The table below presents the fair value and the carrying value of other financial instruments as at March 31, 2023, and March 31, 2022. Since estimates are used to determine fair value, they must not be interpreted as being realizable in the event of a settlement of the instruments.

	March 31, 2023		March 31, 2022	
	Fair value	**Carrying value**	Fair value	Carrying value
Cash flow hedges				
Equity forward contracts (Level 2)	**$ (1)**	**$ (1)**	$ (3)	$ (3)
Commodity derivatives (Level 2)	**(1)**	**(1)**	8	8
Foreign exchange derivatives (Level 2)	**3**	**3**	52	52
Derivatives not designated in a formal hedging relationship				
Equity forward contracts (Level 2)	**(5)**	**(5)**	(10)	(10)
Commodity derivatives (Level 2)	**(1)**	**(1)**	2	2
Foreign exchange derivatives (Level 2)	**(1)**	**(1)**	1	1
Long-term debt (Level 2)	**3,081**	**3,251**	3,231	3,375

For the years ended March 31, 2023, and 2022, there were no changes in valuation techniques and in inputs used in the fair value measurements and there were no transfers between the levels of the fair value hierarchy.

Fair values of other assets, long-term debt and derivative financial instruments are determined using discounted cash flow models based on market inputs prevailing at the financial position date. Where applicable, these models use market-based observable inputs including interest-rate-yield curves, volatility of certain prices or rates and credit spreads. If market based observable inputs are not available, judgment is used to develop assumptions used to determine fair values. The fair value estimates are significantly affected by assumptions including the amount and timing of estimated future cash flows and discount rates.

NOTE 20 BUSINESS ACQUISITIONS OF FISCAL 2022

USA SECTOR

i) CAROLINA ASEPTIC AND CAROLINA DAIRY

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

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

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

ii) REEDSBURG FACILITY OF WISCONSIN SPECIALTY PROTEIN, LLC

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

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

EUROPE SECTOR

i) WENSLEYDALE DAIRY PRODUCTS

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

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

ii) BUTE ISLAND FOODS LTD

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

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

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

NOTE 20 BUSINESS ACQUISITIONS OF FISCAL 2022 (CONT'D)

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

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

NOTE 21 EMPLOYEE POST-EMPLOYMENT BENEFIT PLANS

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

DEFINED CONTRIBUTION PLANS

The Company offers and participates in defined contribution pension plans of which more than 99% of its active employees are members. The net pension expense under these types of plans is generally equal to the contributions made by the employer and constitutes an expense for the year in which they are due. For fiscal 2023, the defined contribution expenses for the Company amounted to $88 million ($80 million in fiscal 2022). The Company expects to contribute approximately $90 million to its defined contribution plans for fiscal 2024.

DEFINED BENEFIT PLANS

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

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

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

The cost of pension benefits earned by employees is actuarially determined using the projected unit credit method and using a discount rate based on high quality corporate bonds and Management's assumptions bearing on, among other things, rates of compensation increase and retirement age of employees. All of these estimates and assessments are formulated with the help of external consultants. The plan assets and benefit obligations were valued as at March 31, with the assistance of the Company's external actuaries. The Company also offers complementary retirement benefit programs, such as health insurance, life insurance, and dental plans to eligible employees and retired employees. The Company expects to contribute approximately $4 million to its defined benefit plans in fiscal 2024.

NOTE 21 EMPLOYEE POST-EMPLOYMENT BENEFIT PLANS (CONT'D)

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

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

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

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

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

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

	March 31, 2023			March 31, 2022		
	Dairy Division (UK) Defined Benefit Pension Fund	**Other Plans**	**Total**	Dairy Division (UK) Defined Benefit Pension Fund	Other Plans	Total
Fair value of assets	**$ 1,352**	**67**	**1,419**	$ 1,943	71	2,014
Present value of funded obligations	**1,277**	**61**	**1,338**	1,708	68	1,776
Present value of net surplus (obligations) for funded plans	**75**	**6**	**81**	235	3	238
Present value of unfunded obligations	**—**	**(33)**	**(33)**	—	(36)	(36)
Present value of net surplus (obligations)	**75**	**(27)**	**48**	235	(33)	202
Asset ceiling test	**—**	**(5)**	**(5)**	—	(4)	(4)
Accrued pension/benefit cost	**$ 75**	**(32)**	**43**	$ 235	(37)	198

Presented in the statement of financial position as follows:

	March 31, 2023	March 31, 2022
Other Assets (Note 9)	**$ 75**	$ 235
Other Liabilities (Note 12)	**(32)**	(37)
Total net surplus (liability)	**$ 43**	$ 198

NOTE 21 EMPLOYEE POST-EMPLOYMENT BENEFIT PLANS (CONT'D)

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

	March 31, 2023			March 31, 2022		
	Dairy Division (UK) Defined Benefit Pension Fund	**Other Plans**	**Total**	Dairy Division (UK) Defined Benefit Pension Fund	Other Plans	Total
Defined benefit obligation, beginning of year	**$ 1,708**	**104**	**1,812**	$ 1,903	111	2,014
Current service costs	**—**	**4**	**4**	—	5	5
Past service costs, including curtailment gains and settlements[1]	**—**	**1**	**1**	—	—	—
Interest cost	**44**	**4**	**48**	39	3	42
Actuarial (gains) losses due to change in experience	**11**	**1**	**12**	21	(2)	19
Actuarial gains due to changes in financial assumptions	**(426)**	**(12)**	**(438)**	(90)	(10)	(100)
Actuarial losses due to changes in demographic assumptions	**3**	**—**	**3**	—	—	—
Exchange differences	**7**	**1**	**8**	(93)	—	(93)
Benefits paid	**(70)**	**(9)**	**(79)**	(72)	(3)	(75)
Defined benefit obligation, end of year	**$ 1,277**	**94**	**1,371**	$ 1,708	104	1,812

[1] In January 2023, the Company informed plan participants of two of its defined benefit plans of the intended wind-up of these plans as of December 31, 2024.

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

	March 31, 2023			March 31, 2022		
	Dairy Division (UK) Defined Benefit Pension Fund	**Other Plans**	**Total**	Dairy Division (UK) Defined Benefit Pension Fund	Other Plans	Total
Fair value of plan assets, beginning of year	**$ 1,943**	**71**	**2,014**	$ 2,081	68	2,149
Interest income on plan assets	**50**	**3**	**53**	42	2	44
Return on plan assets, excluding interest income	**(572)**	**(5)**	**(577)**	(3)	(2)	(5)
Administration costs	**(1)**	**—**	**(1)**	(1)	—	(1)
Employer contributions	**—**	**7**	**7**	—	6	6
Exchange differences	**2**	**—**	**2**	(104)	—	(104)
Benefits paid	**(70)**	**(9)**	**(79)**	(72)	(3)	(75)
Fair value of plan assets, end of year	**$ 1,352**	**67**	**1,419**	$ 1,943	71	2,014

For fiscal 2023, actual return on plan assets amounted to a loss of $525 million (gain of $38 million in fiscal 2022).

NOTE 21 EMPLOYEE POST-EMPLOYMENT BENEFIT PLANS (CONT'D)

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

		March 31, 2023				March 31, 2022
	Dairy Division (UK) Defined Benefit Pension Fund	**Other Plans**	**Total**	Dairy Division (UK) Defined Benefit Pension Fund	Other Plans	Total
Bonds, LDI and cash[1]	**$ 824**	**55**	**879**	$ 1,333	48	1,381
Annuity contract	**293**	**—**	**293**	375	—	375
Property and other	**235**	**—**	**235**	235	—	235
Equity Instruments	**—**	**12**	**12**	—	23	23
Total	**$ 1,352**	**67**	**1,419**	$ 1,943	71	2,014

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

The Consolidated Income Statements include the following:

		March 31, 2023				March 31, 2022
	Dairy Division (UK) Defined Benefit Pension Fund	**Other Plans**	**Total**	Dairy Division (UK) Defined Benefit Pension Fund	Other Plans	Total
Recognized in “Operating costs” (Note 5):						
Employer current service cost	**$ —**	**4**	**4**	$ —	5	5
Past service costs, including curtailment gains and settlements[1]	**—**	**1**	**1**	—	—	—
Administration costs	**1**	**—**	**1**	1	—	1
	1	**5**	**6**	1	5	6
Recognized in “Financial charges” (Note 15):						
Interest costs	**44**	**4**	**48**	39	3	42
Interest income on plan assets	**(50)**	**(3)**	**(53)**	(42)	(2)	(44)
	(6)	**1**	**(5)**	(3)	1	(2)
Net defined benefits plans expense	**$ (5)**	**6**	**1**	$ (2)	6	4

[1] In January 2023, the Company informed plan participants of two of its defined benefit plans of the intended wind-up of these plans as of December 31, 2024.

NOTE 21 EMPLOYEE POST-EMPLOYMENT BENEFIT PLANS (CONT'D)

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

			March 31, 2023			March 31, 2022
	Dairy Division (UK) Defined Benefit Pension Fund	**Other Plans**	**Total**	Dairy Division (UK) Defined Benefit Pension Fund	Other Plans	Total
Return on plan assets (excluding interest income)	**$ (572)**	**(5)**	**(577)**	$ (3)	(2)	(5)
Actuarial gains (losses) due to change in experience	**(11)**	**(1)**	**(12)**	(21)	2	(19)
Actuarial losses due to changes in demographic assumptions	**(3)**	**—**	**(3)**	—	—	—
Actuarial gains due to changes in financial assumptions	**426**	**12**	**438**	90	10	100
Effect of the asset ceiling test	**—**	**—**	**—**	—	(4)	(4)
Amount recognized in other comprehensive income	**$ (160)**	**6**	**(154)**	$ 66	6	72

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

		March 31, 2023		March 31, 2022
	Dairy Division (UK) Defined Benefit Pension Fund	**Other Plans**	Dairy Division (UK) Defined Benefit Pension Fund	Other Plans
Discount rate	**4.70 %**	**4.76 %**	2.70 %	4.02 %
Duration of the obligation (in years)	**15.00**	**12.97**	18.00	13.77
Inflation Rate	**2.70 %**	**2.00 %**	2.90 %	2.00 %
Future salary increases	**n/a**	**3.0 %**	n/a	3.0 %
Mortality table	**S3P base tables with the following scaling factors: Non-Insured Pens (M/F): 119%/112% Insured Pens (M/F): 112%/114% Defs (M/F): 122%/112%**	**2014 Private Sector Canadian Pens Mortality Table, projected generationally using Scale MI-2017 or Scale B**	S2P base tables with the following scaling factors: Non-Insured and Insured Pens (M/F): 109%/103% Defs (M/F): 110%/99%	2014 Private Sector Canadian Pensioners ("Pens") Mortality Table, projected generationally using Scale MI-2017

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

SENSITIVITY TO CHANGES IN ASSUMPTIONS

The impact of an increase (decrease) of 0.1% of the discount rate would be a decrease of approximately $16 million of the amount of the obligation (increase of approximately $17 million). A one-year increase in life expectancy would increase the obligation by approximately $38 million. Specifically, for the Dairy Division (UK) Defined Benefit Pension Fund, the impact of an increase of 0.1% of the inflation rate would be an increase of approximately $6 million of the amount of the obligation. Specifically pertaining to the other plans, an increase of 0.1% of the percentage of future salary increases would be an increase below $1 million of the amount of the obligation.

NOTE 22 COMMITMENTS AND CONTINGENCIES

COMMITMENTS

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

	Leases[1]	Purchase obligations[2]	Total
Less than 1 year	$ 12	$ 368	$ 380
1-2 years	8	105	113
2-3 years	7	26	33
3-4 years	4	13	17
4-5 years	4	4	8
More than 5 years	16	—	16
	$ 51	$ 516	$ 567

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

CLAIMS

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

INDEMNIFICATIONS

The Company from time to time offers indemnifications to third parties in the normal course of its business, in connection with business or asset acquisitions or disposals. These indemnification provisions may be in connection with breach of representations and warranties, and for future claims for certain liabilities. The terms of these indemnification provisions vary in duration. At March 31, 2023, given that the nature and amount of such indemnifications depend on future events, the Company is unable to reasonably estimate its maximum potential liability under these agreements. The Company has not made any significant indemnification payments in the past, and as at March 31, 2023, and March 31, 2022, the Company had not recorded any significant liabilities associated with these indemnifications.

LETTERS OF CREDIT

As at March 31, 2023, the Company had issued letters of credit in an aggregate amount of $69 million pursuant to a banking facility authorizing the issuance of letters of credit in an aggregate amount of $118 million (as at March 31, 2022, the Company had issued letters of credit in an aggregate amount of $67 million pursuant to a banking facility authorizing the issuance of letters of credit in an aggregate amount of $110 million).

NOTE 23 RELATED PARTY TRANSACTIONS

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

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

NOTE 23 RELATED PARTY TRANSACTIONS (CONT'D)

Transactions with related parties are as follows:

	For the years ended March 31	
	2023	2022
Entities subject to control or significant influence through ownership by its principal shareholder	**$ 6**	$ 5
Key management personnel		
Directors	**3**	3
Executive officers	**37**	35
	$ 46	$ 43

Dairy products provided by the Company were less than $1 million for the years ended March 31, 2023, and 2022.

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

	Accounts payable and accrued liabilities	
	March 31, 2023	March 31, 2022
Entities subject to control or significant influence through ownership by its principal shareholder	**$ 1**	$ —
Key management personnel		
Directors	**22**	16
Executive officers	**42**	33
	$ 65	$ 49

The amounts payable to the Directors consist entirely of balances payable under the Company's DSU plan. Refer to Note 13 for further details. The amounts payable to executive officers consist of short-term employee incentives, share-based awards, and post-retirement benefits. Outstanding accounts receivable from related parties were less than $1 million for the years ended March, 31 2023, and 2022.

KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2023	2022
Directors		
Cash-settled payments	**$ 1**	$ 1
Stock-based compensation	**2**	2
	$ 3	$ 3
Executive officers		
Short-term employee benefits	**$ 21**	$ 16
Post-employment benefits	**2**	3
Stock-based compensation	**14**	16
	$ 37	$ 35
Total compensation	**$ 40**	$ 38

NOTE 23 RELATED PARTY TRANSACTIONS (CONT'D)

SUBSIDIARIES

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

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

NOTE 24 CAPITAL DISCLOSURES

The Company's capital management strategy requires a well-balanced financing structure to maintain the flexibility needed to implement growth initiatives, pursue disciplined capital investments and maximize shareholder value. This includes ensuring that there is sufficient liquidity to enable organic growth, undertake selective acquisitions and support its Saputo Promise while at the same time taking a conservative approach towards financial leverage and management of financial risk. Also, the Company aims a long-term target leverage of approximately 2.25 times net debt to net earnings before income taxes, financial charges, acquisition and restructuring costs, gain on disposal of assets, impairment of intangible assets, and depreciation and amortization. From time to time, the Company may deviate from its long-term target leverage to pursue strategic opportunities. Should such a scenario arise, the Company expects to deleverage over a reasonable period of time in order to seek to maintain its investment grade ratings.

The Company's capital is composed of net debt and equity. Net debt consists of long-term debt, bank loans, and lease liabilities, net of cash and cash equivalents. The net debt amounts as at March 31, 2023, and March 31, 2022, are as follows:

		2023		2022
Long-term debt, including current portion	**$**	**3,251**	$	3,375
Bank loans		**356**		419
Lease liabilities		**433**		451
Less: Cash and cash equivalents		**(263)**		(165)
Net debt	**$**	**3,777**	$	4,080

The primary measure used by the Company to monitor its financial leverage is its ratio of net debt to net earnings before income taxes, financial charges, acquisition and restructuring costs, gain on disposal of assets, impairment of intangible assets, and depreciation and amortization. The ratio as at March 31, 2023, was 2.43 (3.53 at March 31, 2022).

The Company has existing credit facilities which require a quarterly review of financial ratios and the Company is not in violation of any such ratio covenants as at March 31, 2023.

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

NOTE 25 SEGMENTED INFORMATION

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

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

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

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

NOTE 25 SEGMENTED INFORMATION (CONT'D)

INFORMATION ON REPORTABLE SECTORS

	For the years ended March 31	
	2023	2022
Revenues		
Canada	**$ 4,696**	$ 4,281
USA	**8,339**	6,409
International[1]	**3,785**	3,453
Europe	**1,023**	892
	$ 17,843	$ 15,035
Operating costs excluding depreciation, amortization, and restructuring costs		
Canada	**$ 4,145**	$ 3,806
USA	**7,851**	6,121
International	**3,411**	3,205
Europe	**883**	748
	$ 16,290	$ 13,880
Adjusted EBITDA		
Canada	**$ 551**	$ 475
USA	**488**	288
International	**374**	248
Europe	**140**	144
	$ 1,553	$ 1,155
Depreciation and amortization		
Canada	**$ 109**	$ 103
USA	**227**	210
International	**146**	132
Europe	**100**	115
	$ 582	$ 560
Impairment of intangible assets (Note 8)	**—**	58
Gain on disposal of assets	**—**	(9)
Acquisition and restructuring costs (Note 14)	**95**	71
Financial charges	**101**	70
Earnings before income taxes	**775**	405
Income taxes	**153**	131
Net earnings	**$ 622**	$ 274

1 Australia accounted for $2,684 million and $2,528 million of the International Sector's revenues while Argentina accounted for $1,101 million and $925 million for the years ended March 31, 2023 and 2022, respectively.

NOTE 25 SEGMENTED INFORMATION (CONT'D)

MARKET SEGMENT INFORMATION

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

For the years ended March 31	Total		Canada		USA		International		Europe	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Revenues										
Retail	**$ 8,638**	$ 7,461	**$ 2,650**	$ 2,539	**$ 3,735**	$ 2,811	**$ 1,525**	$ 1,416	**$ 728**	$ 695
Foodservice	**5,831**	4,579	**1,677**	1,414	**3,728**	2,859	**394**	285	**32**	21
Industrial	**3,374**	2,995	**369**	328	**876**	739	**1,866**	1,752	**263**	176
	$ 17,843	$ 15,035	**$ 4,696**	$ 4,281	**$ 8,339**	$ 6,409	**$ 3,785**	$ 3,453	**$ 1,023**	$ 892

GEOGRAPHIC INFORMATION

	March 31, 2023	March 31, 2022
Net book value of property, plant and equipment		
Canada	**$ 892**	$ 874
USA	**1,988**	1,676
Australia	**792**	873
Argentina	**194**	150
United Kingdom	**420**	389
	$ 4,286	$ 3,962
Net book value of intangible assets		
Canada	**$ 232**	$ 259
USA	**335**	345
Australia	**87**	108
Argentina	**4**	7
United Kingdom	**625**	652
	$ 1,283	$ 1,371
Net book value of right-of-use assets		
Canada	**$ 132**	$ 142
USA	**50**	51
Australia	**163**	188
Argentina	**9**	9
United Kingdom	**92**	85
	$ 446	$ 475

Saputo

CORPORATE HEADQUARTERS

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ANNUAL MEETING OF SHAREHOLDERS

Friday, August 11, 2023, at 10:30 a.m.
(Eastern Time) - Virtual-only format

web.lumiagm.com/#/405910269

TRANSFER AGENT

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STOCK EXCHANGE

Toronto Stock Exchange

Symbol: SAP

EXTERNAL AUDITORS

KPMG LLP

Montréal, QC Canada

DIVIDEND POLICY

Saputo Inc. declares quarterly cash dividends of $0.18 per common share, representing a yearly dividend of $0.72 per share. The Board of Directors reviews our dividend policy at least once annually, based on factors such as financial condition, financial performance, and capital requirements.

DIVIDEND REINVESTMENT PLAN

Saputo provides eligible shareholders with the opportunity to have all or a portion of the cash dividends declared on their common shares automatically reinvested into additional Saputo common shares. For enrolment materials or to learn more about the DRIP, please visit: saputo.com/en/investor-toolkit/drip

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