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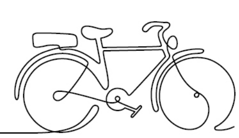
FISCAL 2025

SECOND QUARTER

Management's discussion & analysis
Consolidated financial statements



MANAGEMENT'S DISCUSSION AND ANALYSIS

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 three and six-month periods ended September 30, 2024. It should be read while referring to the condensed interim consolidated financial statements of the Company and accompanying notes for the three and six-month periods ended September 30, 2024, and 2023, which are prepared in accordance with IAS 34, Interim Financial Reporting as issued by the International Accounting Standards Board, and 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 being presented as at September 30, 2024, unless otherwise specified. In preparing this report, we have taken into account material elements between September 30, 2024, and November 7, 2024, 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, 2024, can be obtained on SEDAR+ at www.sedarplus.ca.

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 the Management's Discussion and Analysis dated June 6, 2024, available on SEDAR+ under the Company's profile at www.sedarplus.ca.

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; 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 Market Factors[2], ingredient markets, commodity prices, foreign exchange; 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 and our sustainability advocacy efforts.

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

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 November 7, 2024, 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 QUARTERLY FINANCIAL INFORMATION

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

Fiscal years	2025		2024				2023	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	**4,708**	4,606	4,545	4,267	4,323	4,207	4,468	4,587
Adjusted EBITDA[1]	**389**	383	379	370	398	362	392	445
Adjusted EBITDA margin[1]	**8.3 %**	8.3 %	8.3 %	8.7 %	9.2 %	8.6 %	8.8 %	9.7 %
Net earnings (loss)	**126**	142	92	(124)	156	141	159	179
Restructuring costs[2]	**5**	—	15	4	—	—	21	27
Goodwill impairment charge	**—**	—	—	265	—	—	—	—
Loss (gain) on hyperinflation	**11**	10	34	3	9	(2)	—	—
Amortization of intangible assets related to business acquisitions[2]	**15**	15	15	15	16	15	16	15
Adjusted net earnings[1]	**157**	167	156	163	181	154	196	221
Adjusted net earnings margin[1]	**3.3 %**	3.6 %	3.4 %	3.8 %	4.2 %	3.7 %	4.4 %	4.8 %
Earnings (loss) per share (basic and diluted)	**0.30**	0.33	0.22	(0.29)	0.37	0.33	0.38	0.43
Adjusted EPS basic[1]	**0.37**	0.39	0.37	0.38	0.43	0.37	0.47	0.53
Adjusted EPS diluted[1]	**0.37**	0.39	0.37	0.38	0.43	0.36	0.46	0.53

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

(in millions of CDN dollars)

Fiscal years	2025		2024				2023	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
USA Market Factors[3,4]	**(17)**	15	(61)	(27)	32	(14)	29	(6)
Inventory write-down	**—**	—	—	(14)	(7)	(10)	—	—
Foreign currency exchange and hyperinflation accounting[4,5]	**(14)**	(5)	(6)	(33)	(3)	4	(12)	(7)

1 This is a total of segments measure, a non-GAAP financial measure, or a non-GAAP ratio. See the “Non-GAAP Measures” section of this MD&A for more information, including the definition and composition of the measure or ratio as well as the reconciliation to the most comparable measure in the primary financial statements, as applicable.
2 Net of applicable income taxes.
3 Refer to the ‘’Glossary’’ section of this MD&A.
4 As compared to the same quarter of the previous fiscal year.
5 Foreign currency exchange includes the effect of conversion of US dollars, Australian dollars, British pounds sterling, and Argentine pesos to Canadian dollars. Amounts presented also include the effects of the application of hyperinflation accounting to the results of the Dairy Division (Argentina).

HIGHLIGHTS

Second quarter of fiscal 2025

	REVENUES	NET EARNINGS	EPS (BASIC AND DILUTED)	ADJUSTED EBITDA[1]	ADJUSTED NET EARNINGS[1]	ADJUSTED EPS[1] (BASIC AND DILUTED)
FY25 Q2	**$4.708B**	**$126M**	**$0.30**	**$389M**	**$157M**	**$0.37**
FY24 Q2	$4.323B	$156M	$0.37	$398M	$181M	$0.43

- Results reflected the following:
    - Higher revenues in all our sectors;
    - Our Canada Sector's adjusted EBITDA was up 9.5%, driven by operational efficiencies;
    - Our USA Sector continued to deliver benefits from operational improvements;
    - USA Market Factors[2] had a negative impact due to the unfavourable milk-cheese Spread[2]. Pricing protocols for our dairy food products mitigated the impact of fluctuations of the average butter market price[2];
    - In our International Sector, the Argentine peso devaluation did not keep pace with inflation, which has led to higher costs of production, including higher milk costs while, in Australia, we benefited from lower milk costs;
    - In our Europe Sector, results have increased for the third consecutive quarter, driven by higher branded cheese sales volumes; and
    - Steady cash generation from operating activities of $162 million.

- Normal course issuer bid (NCIB):
    - Saputo intends to file with the Toronto Stock Exchange (TSX) a notice of intention to make an NCIB to purchase up to 2% of its issued and outstanding common shares, during the 12 months following TSX acceptance.

- Dividend:
    - The Board of Directors approved a dividend of $0.19 per share payable on December 20, 2024, to shareholders of record on December 10, 2024.

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

For the first six months of fiscal 2025

	REVENUES	NET EARNINGS	EPS (BASIC AND DILUTED)	ADJUSTED EBITDA[1]	ADJUSTED NET EARNINGS[1]	ADJUSTED EPS[1] (BASIC AND DILUTED)
FY25 YTD	**$9.314B**	**$268M**	**$0.63**	**$772M**	**$324M**	**$0.76**
FY24 YTD	$8.530B	$297M	$0.70	$760M	$335M	$0.79

- Results reflected the following:
    - Higher revenues in all our sectors;
    - The continued solid performance in our Canada Sector;
    - The benefits derived from meaningful operational improvements in our USA Sector;
    - Under volatile commodity market conditions, USA Market Factors[2] were favourable in the first quarter while they were unfavourable in the second quarter as compared to the same quarters last fiscal year;
    - The unfavourable disconnect in the relation between international cheese and dairy ingredient market prices and the cost of milk impacted our International Sector. In Argentina, the peso devaluation did not keep pace with inflation, which has led to higher production costs, including higher milk costs while, in Australia, we benefited from lower milk costs;
    - Higher branded cheese sales volumes in our Europe Sector. In the first quarter, we exited the cycling through of remaining high-cost inventory; and
    - Net cash generated from operating activities of $353 million.

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

CONSOLIDATED RESULTS FOR THE SECOND QUARTER AND FISCAL PERIOD ENDED SEPTEMBER 30, 2024

Revenues

Revenues for the **second quarter of fiscal 2025** totalled $4.708 billion, up $385 million or 8.9%, as compared to $4.323 billion for the same quarter last fiscal year.

Revenues increased in all our sectors. Revenues reflected higher sales volumes and higher domestic selling prices. The effects of pressures from lower international cheese and dairy ingredient market prices in our export markets started tapering off.

The combined effect of the higher average block market price[2] and of the higher average butter market price[2] in our USA Sector had a positive impact of $175 million.

The more moderate Argentine peso devaluation, as compared to the second quarter of fiscal 2024, led to a reduction of the favourable impact on revenues derived from US dollar denominated export sales.

The conversion of foreign currencies to the Canadian dollar had a favourable impact of approximately $69 million. This includes the effects of inflation indexation and of the application of hyperinflation accounting to the results of the Dairy Division (Argentina).

In the **first six months of fiscal 2025**, revenues totalled $9.314 billion, up $784 million or 9.2%, as compared to $8.530 billion.

Revenues increased in all our sectors. Revenues reflected higher sales volumes and higher domestic selling prices. The effects of pressures from lower international cheese and dairy ingredient market prices in our export markets started tapering off.

The combined effect of the higher average block market price[2] and of the average butter market price[2] in our USA Sector had a positive impact of $209 million.

The more moderate Argentine peso devaluation, as compared to the first six months of fiscal 2024, led to a reduction of the favourable impact on revenues derived from US dollar denominated export sales.

The conversion of foreign currencies to the Canadian dollar had a favourable impact of approximately $128 million. This includes the effects of inflation indexation and of the application of hyperinflation accounting to the results of the Dairy Division (Argentina).

Operating costs excluding depreciation, amortization, and restructuring costs

Operating costs excluding depreciation, amortization, and restructuring costs for the **second quarter of fiscal 2025** totalled $4.319 billion, up $394 million or 10.0%, as compared to $3.925 billion for the same quarter last fiscal year. In the **first six months of fiscal 2025**, operating costs excluding depreciation, amortization, and restructuring costs totalled $8.542 billion, up $772 million or 9.9%, as compared to $7.770 billion for the same period last fiscal year.

These increases were in line with higher sales volumes and higher commodity market prices and their impacts on the cost of raw materials and consumables used, hyperinflation in Argentina, and higher labour costs, which include the effect of wage increases. We incurred duplicate operational costs to implement previously announced network optimization initiatives. Operating costs also included the favourable impacts from our cost containment measures and from operational efficiencies.

Net earnings

Net earnings for the **second quarter of fiscal 2025** totalled $126 million, down $30 million or 19.2%, as compared to $156 million for the same quarter last fiscal year. The decrease is mainly due to the factors which have led to a lower adjusted EBITDA[1], as described below, increased depreciation and amortization, restructuring costs, and higher financial charges.

In the **first six months of fiscal 2025** , net earnings totalled $268 million, down $29 million or 9.8%, as compared to $297 million for the same period last fiscal year. The decrease is mainly due to increased depreciation and amortization, restructuring costs, an increased loss on hyperinflation and increased income tax expense which have offset the factors which have led to a higher adjusted EBITDA[1], as described below.

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

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

Adjusted EBITDA[1]

Adjusted EBITDA[1] for the **second quarter of fiscal 2025** totalled $389 million, down $9 million or 2.3%, as compared to $398 million for the same quarter last fiscal year.

Results included a 9.5% increase, or $14 million, in adjusted EBITDA[1] in our Canada Sector.

In our USA Sector, results included approximately $18 million in benefits derived from capital investments in our cheese network, operational improvements, including increased capacity utilization and productivity impacting volumes, supply chain initiatives, cost reductions, and lower selling, general and administrative expenses.

USA Market Factors[2] had a negative impact of $17 million due to the unfavourable milk-cheese Spread[2]. This was partially mitigated through the favourable impact of our pricing protocols for our dairy food products relative to fluctuations of the average butter market price[2].

In our International Sector, the Argentine peso devaluation did not keep pace with inflation, which has led to higher costs of production including higher milk costs in Argentina. Reduced milk availability in Argentina further contributed to higher milk costs. In Australia, we benefited from lower milk costs in effect since July 1, 2024. The more moderate Argentine peso devaluation, as compared to the second quarter of fiscal 2024, led to less profitability from US dollar denominated export sales. The results of the International Sector include a negative impact of $17 million due to the application of hyperinflation accounting to the results of the Dairy Division (Argentina).

In our Europe Sector, improved results were driven by higher branded cheese sales volumes.

The conversion of foreign currencies to the Canadian dollar, together with the application of hyperinflation accounting, had a total unfavourable impact of approximately $14 million.

Adjusted EBITDA[1] in the **first six months of fiscal 2025** totalled $772 million, up $12 million or 1.6%, as compared to $760 million for the same period last fiscal year.

Results included a 7.9% increase in adjusted EBITDA[1] in our Canada Sector.

In our USA Sector, results included approximately $44 million in benefits derived from capital investments in our cheese network, operational improvements, including increased capacity utilization and productivity impacting volumes impacts, supply chain initiatives, cost reductions, and lower selling, general and administrative expenses.

Under volatile market conditions, USA Market Factors[2] were favourable in the first quarter while they were unfavourable in the second quarter as compared to the same quarters last fiscal year.

The unfavourable disconnect in the relation between international cheese and dairy ingredient market prices and the cost of milk as raw material had a negative impact on the International Sector's results. This was partially offset by the favourable impact of lower milk costs in Australia in effect since July 1, 2024.

In Argentina, the peso devaluation did not keep pace with inflation which has led to higher production costs including higher milk costs. Reduced milk availability in Argentina further contributed to higher milk costs. The more moderate Argentine peso devaluation, as compared to the first six months of fiscal 2024, led to less profitability from US dollar denominated export sales. The results of the International Sector include a negative impact of $27 million due to the application of hyperinflation accounting to the results of the Dairy Division (Argentina).

In our Europe Sector, results were negatively impacted by the cycling through of remaining excess high-cost inventory which was partially offset by higher branded cheese sales volumes.

The conversion of foreign currencies to the Canadian dollar, together with the application of hyperinflation accounting, had a total unfavourable impact of approximately $19 million.

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

Depreciation and amortization

Depreciation and amortization for the **second quarter of fiscal 2025** totalled $153 million, up $8 million, as compared to $145 million for the same quarter last fiscal year. Depreciation and amortization in the **first six months of fiscal 2025** totalled $301 million, up $10 million, as compared to $291 million for last fiscal year.

These increases were mainly attributable to the net effect of commissioning and decommissioning of assets in connection with capital projects under our Global Strategic Plan.

Depreciation and amortization also includes the impacts of the conversion of foreign currencies, as well as inflation indexation and hyperinflation accounting for the Dairy Division (Argentina).

Restructuring costs

Restructuring costs for the **second quarter and first six months of fiscal 2025** totalled $7 million ($5 million after tax) and were related to severance and site closure costs incurred mainly in connection with our decision to commence the final operating season of our King Island Dairy facility in the Dairy Division (Australia), with the intention of closing the facility in mid calendar 2025.

There were no restructuring costs in the first quarter of fiscal 2025 nor in year-to-date fiscal 2024.

Loss on hyperinflation

Loss on hyperinflation for the **second quarter of fiscal 2025** totalled $11 million ($9 million in fiscal 2024). In the **first six months of fiscal 2025**, the loss on hyperinflation totalled $21 million ($7 million in fiscal 2024). The change in the loss on hyperinflation is relative to the application of hyperinflation accounting for the Dairy Division (Argentina), and includes the effects of inflation indexation and currency conversion on its balance sheet amounts.

Financial charges

Financial charges for the **second quarter of fiscal 2025** totalled $49 million, up $5 million compared to the same quarter last fiscal year. In the **first six months of fiscal 2025**, financial charges totalled $87 million, up $3 million compared to the same period last fiscal year. These increases were mainly due to the unfavourable impacts of the conversion of foreign currencies, as well as inflation indexation and hyperinflation accounting for the Dairy Division (Argentina).

Income tax expense

Income tax expense for the **second quarter of fiscal 2025** totalled $43 million reflecting an effective tax rate of 25%, as compared to 22% for the same quarter last fiscal year. Income tax expense for the **first six months of fiscal 2025** totalled $88 million, reflecting an effective tax rate of 25%, as compared to 21% in the corresponding period last fiscal year.

The effective tax rate varies and could increase or decrease based on the geographic mix of quarterly and year-to-date earnings across the various jurisdictions in which we operate, the 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[1] for the **second quarter of fiscal 2025** totalled $157 million, down $24 million or 13.3%, as compared to $181 million for the same quarter last fiscal year.

Adjusted net earnings[1] for the **first six months of fiscal 2025** totalled $324 million, down $11 million or 3.3%, as compared to $335 million for the same period last fiscal year.

These decreases are mainly due to the factors which have led to decreases in net earnings, as described above, excluding the impact of restructuring costs and the loss on hyperinflation.

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FY25 OUTLOOK

- We expect to see steady improvements and remain on course to deliver on our long-term goals. Factors impacting our performance in FY25 will be the economic health of consumers, the rate of input cost inflation, commodity market and foreign exchange volatility, the supply chain environment, and benefits from our Global Strategic Plan.

- Inflationary pressures are anticipated to moderate versus the prior fiscal year. However, labour costs may remain elevated in addition to increases in marketing and advertising investments to support new product launches and our brands.

- We expect USA dairy markets to progressively improve throughout the year, supported by a better balance between milk supply and dairy demand, but with continued volatility in the short to medium-term.

- Global demand for dairy products is expected to remain moderate, alongside subdued international dairy market prices due to macroeconomic conditions.

- We expect a gradual ramp-up in contribution from optimization and capacity expansion initiatives, notably in the USA Sector, through the end of FY25 and FY26.

- The Europe Sector is expected to benefit from the cycle through of high-cost inventory, an improved product mix from higher retail sales volume, as well as a lower cost base following cost-out initiatives and site consolidation.

- The International Sector should benefit from lower overall milk prices in Australia, while Argentina will be operating under macroeconomic volatility.

- Cash flow generation should increase as we harvest the benefits from operational improvements and from a reduction in capital expenditures following the completion of the bulk of our Global Strategic Plan investments.

- Our leverage ratio should progressively come down and is anticipated to be below our target of 2.25 times net debt to adjusted EBITDA[1], as adjusted EBITDA[1] and cash flow generation improve.

[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.

INFORMATION BY SECTOR

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).

CANADA SECTOR

(in millions of CDN dollars)

Fiscal years	2025		2024			
	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	**1,294**	1,253	1,192	1,271	1,248	1,211
Adjusted EBITDA	**162**	153	138	150	148	144
Adjusted EBITDA margin	**12.5 %**	12.2 %	11.6 %	11.8 %	11.9 %	11.9 %

Revenues

Revenues for the **second quarter of fiscal 2025** totalled $1.294 billion, up $46 million or 3.7%, as compared to $1.248 billion for the same quarter last fiscal year. In the **first six months of fiscal 2025**, revenues totalled $2.547 billion, up $88 million or 3.6%, as compared to $2.459 billion for the same period last fiscal year.

Revenues for the second quarter and first six months of fiscal 2025 increased due to favourable product mix and higher selling prices in connection with the higher cost of milk as raw material.

Adjusted EBITDA

Adjusted EBITDA for the **second quarter of fiscal 2025** totalled $162 million, up $14 million or 9.5%, as compared to $148 million for the same quarter last fiscal year. For the **first six months of fiscal 2025**, adjusted EBITDA totalled $315 million, up $23 million or 7.9%, as compared to $292 million for the same period last fiscal year.

In the second quarter and first six months of fiscal 2025, our results reflected the benefits derived from operational efficiencies, including continuous improvement, supply chain optimization, and automation initiatives. Favourable product mix also had a positive impact.

Results also included the positive impact of lower general and administrative costs resulting from cost saving initiatives.

USA SECTOR

(in millions of CDN dollars)

Fiscal years	2025		2024			
	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	**2,225**	2,085	1,928	2,056	1,950	1,876
Adjusted EBITDA	**145**	162	138	133	147	103
Adjusted EBITDA margin	**6.5 %**	7.8 %	7.2 %	6.5 %	7.5 %	5.5 %

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

(in millions of CDN dollars)

Fiscal years	2025		2024			
	Q2	Q1	Q4	Q3	Q2	Q1
USA Market Factors[1,2]	**(17)**	15	(61)	(27)	32	(14)
Inventory write-down	**—**	—	—	—	—	(10)
US currency exchange[2]	**2**	2	—	—	3	5

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	2025		2024			
	Q2	Q1	Q4	Q3	Q2	Q1
Block market price[1]						
Opening	**1.910**	1.418	1.470	1.720	1.335	1.850
Closing	**2.120**	1.910	1.418	1.470	1.720	1.335
Average	**2.057**	1.793	1.516	1.620	1.817	1.579
Butter market price[1]						
Opening	**3.125**	2.843	2.665	3.300	2.440	2.398
Closing	**2.805**	3.125	2.843	2.665	3.300	2.440
Average	**3.093**	3.029	2.737	2.898	2.706	2.394
Average whey powder market price[1]	**0.506**	0.401	0.436	0.370	0.265	0.358
Spread[1]	**(0.196)**	(0.127)	(0.125)	(0.061)	0.075	(0.061)
US average exchange rate to Canadian dollar[2]	**1.364**	1.368	1.349	1.359	1.344	1.343

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

Revenues

Revenues for the **second quarter of fiscal 2025** totalled $2.225 billion, up $275 million or 14.1%, as compared to $1.950 billion for the same quarter last fiscal year.

Revenues increased in all our market segments as the combined effect of the higher average block market price[2] and of the higher average butter market price[2] had a $175 million positive impact. Higher dairy ingredient market prices also had a positive impact.

Sales volumes were stable and included higher volumes in cheese product categories, while volumes in certain dairy food product categories were lower.

The conversion of the US dollar to the Canadian dollar had a favourable impact of approximately $33 million.

Revenues for the **first six months of fiscal 2025** totalled $4.310 billion, up $484 million or 12.7%, as compared to $3.826 billion for the same period last fiscal year.

Revenues increased in all our market segments as the combined effect of the higher average block market price[2] and of the higher average butter market price[2] had a positive impact of $209 million. Higher dairy ingredient market prices also had a positive impact.

Sales volumes were higher and included higher cheese and dairy food products sales volumes.

The conversion of the US dollar to the Canadian dollar had a favourable impact of approximately $68 million.

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

Adjusted EBITDA

Adjusted EBITDA for the **second quarter of fiscal 2025** totalled $145 million, down $2 million or 1.4%, as compared to $147 million for the same quarter last fiscal year.

Our results included approximately $18 million in benefits derived from capital investments in our cheese network, operational improvements, including increased capacity utilization and productivity impacting volumes, supply chain initiatives, cost reductions and lower selling, general and administrative expenses.

USA Market Factors[2] had an unfavourable impact of $17 million, as compared to the same quarter last fiscal year, which was mainly due to the negative milk-cheese Spread[2]. Unfavourable USA Market Factors[2] were partially mitigated through the favourable impact of our pricing protocols for our dairy food products relative to fluctuations of the average butter market price[2]. Higher dairy ingredient market prices had a positive impact.

Duplicate operating costs incurred to implement previously announced network optimization initiatives were approximately $10 million.

The conversion of the US dollar versus the Canadian dollar had a favourable impact of approximately $2 million.

Adjusted EBITDA for the **first six months of fiscal 2025** totalled $307 million, up $57 million or 22.8%, as compared to $250 million for the same period last fiscal year.

Our results included approximately $44 million in benefits derived from capital investments in our cheese network, operational improvements, including increased capacity utilization and productivity impacting volumes, supply chain initiatives, cost reductions, and lower general, administrative and selling expenses.

USA Market Factors[2] had an unfavourable impact of $2 million. Under volatile commodity market conditions, USA Market Factors[2] were favourable in the first quarter while they were unfavourable in the second quarter as compared to the same quarters last fiscal year. Higher dairy ingredient market prices had a positive impact.

Duplicate operating costs incurred to implement previously announced network optimization initiatives were approximately $23 million.

In the first six months of fiscal 2024, our results included an inventory write-down of $10 million due to the decrease in certain market selling prices.

The fluctuation of the US dollar versus the Canadian dollar had a favourable impact of approximately $4 million.

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

INTERNATIONAL SECTOR

(in millions of CDN dollars)

Fiscal Years	2025		2024			
	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	**912**	1,004	1,135	636	879	868
Adjusted EBITDA	**54**	45	88	85	83	77
Adjusted EBITDA margin	**5.9 %**	4.5 %	7.8 %	13.4 %	9.4 %	8.9 %

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

(in millions of CDN dollars)

Fiscal Years	2025		2024			
	Q2	Q1	Q4	Q3	Q2	Q1
Inventory write-down	**—**	—	—	(14)	(7)	—
Foreign currency exchange and hyperinflation accounting[1]	**(15)**	(8)	(7)	(36)	(12)	(2)

[1] Foreign currency exchange includes the effect of conversion of Australian dollars and Argentine pesos to Canadian dollars, as compared to same quarter last fiscal year. Amounts presented also include the effects of the application of hyperinflation accounting to the results of the Dairy Division (Argentina), as compared to same quarter last fiscal year.

Revenues

Revenues for the **second quarter of fiscal 2025** totalled $912 million, up $33 million or 3.8%, as compared to $879 million for the same quarter last fiscal year.

Our domestic sales volumes were lower following the sale of our two fresh milk plants in Australia at the end of the first quarter, whereas, our export sales volumes were higher.

In our domestic markets, revenues were positively impacted by higher selling prices while the effects of pressures from lower international cheese and dairy ingredient market prices for our products in our export markets started tapering off. The more moderate Argentine peso devaluation, as compared to the second quarter of fiscal 2024, led to a reduction of the favourable impact on revenues derived from US dollar denominated export sales.

The conversion of the functional currencies used in the International Sector to the Canadian dollar, together with the effects of inflation indexation and the application of hyperinflation accounting to the results of the Dairy Division (Argentina), had a total favourable impact of approximately $25 million.

Revenues for the **first six months of fiscal 2025** totalled $1.916 billion, up $169 million or 9.7%, as compared to $1.747 billion for the same period last fiscal year.

Our domestic sales volumes were lower following the sale of our two fresh milk plants in Australia at the end of the first quarter, whereas, our export sales volumes were higher.

In our domestic markets, revenues were positively impacted by higher selling prices while the effects of pressures from lower international cheese and dairy ingredient market prices for our products in our export markets started tapering off. The more moderate Argentine peso devaluation, as compared to the first six months of fiscal 2024, led to a reduction of the favourable impact on revenues derived from US dollar denominated export sales.

The conversion of the functional currencies used in the International Sector to the Canadian dollar, together with inflation indexation and the application of hyperinflation accounting to the results of the Dairy Division (Argentina), had a total favourable impact of approximately $42 million.

Adjusted EBITDA

Adjusted EBITDA for the **second quarter of fiscal 2025** totalled $54 million, down $29 million or 34.9%, as compared to $83 million for the same quarter last fiscal year.

In Argentina, the peso devaluation did not keep pace with inflation, which has led to higher production costs, including higher milk costs. Reduced milk availability in Argentina further contributed to higher milk costs. In Australia, we benefited from lower milk costs, in effect since July 1, 2024.

The more moderate Argentine peso devaluation, as compared to the second quarter of fiscal 2024, led to less profitability from US dollar denominated export sales.

The results of the International Sector include a negative impact of $17 million due to the application of hyperinflation accounting to the results of the Dairy Division (Argentina).

Adjusted EBITDA for the **first six months of fiscal 2025** totalled $99 million, down $61 million or 38.1%, as compared to $160 million for the same period last fiscal year.

The unfavourable disconnect in the relation between the international cheese and dairy ingredient market prices and the cost of milk as raw material had a negative impact on our results. This was partially offset by the favourable impact of lower milk costs in Australia, in effect since July 1, 2024.

In Argentina, the peso devaluation did not keep pace with inflation which has led to higher production costs, including higher milk costs. Reduced milk availability in Argentina further contributed to higher milk costs. The more moderate Argentine peso devaluation, as compared to the first six months of fiscal 2024, led to less profitability from the effects of conversion of US dollar denominated export sales.

The results of the International Sector include a negative impact of $27 million due to the application of hyperinflation accounting to the results of the Dairy Division (Argentina).

EUROPE SECTOR

(in millions of CDN dollars)

Fiscal years	2025		2024			
	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	**277**	264	290	304	246	252
Adjusted EBITDA	**28**	23	15	2	20	38
Adjusted EBITDA margin	**10.1 %**	8.7 %	5.2 %	0.7 %	8.1 %	15.1 %

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

(in millions of CDN dollars)

Fiscal years	2025		2024			
	Q2	Q1	Q4	Q3	Q2	Q1
Foreign currency exchange[1]	**1**	1	1	3	3	1

[1] Foreign currency exchange includes the effect of conversion of British pounds sterling to Canadian dollars, as compared to same quarter last fiscal year.

Revenues

Revenues for the **second quarter of fiscal 2025** totalled $277 million, up $31 million or 12.6%, as compared to $246 million for the same quarter last fiscal year.

Increased sales volumes in the retail market segment, driven by higher branded cheese sales volumes and new private label customers, continued to have a positive impact. Dairy ingredient sales volumes were also higher due to our recently implemented direct-to-customer marketing and selling approach. Higher international dairy ingredient market prices had a positive impact.

The conversion of the British pound sterling to the Canadian dollar had a favourable impact of approximately $11 million.

Revenues for the **first six months of fiscal 2025** totalled $541 million, up $43 million or 8.6%, as compared to $498 million for the same period last fiscal year.

Increased sales volumes in the retail market segment, driven by higher branded cheese sales volumes and the onboarding of new private label customers, had a positive impact. Dairy ingredients sales volumes were higher due to our recently implemented direct-to-customer marketing and selling approach. Lower international dairy ingredient market prices had a negative impact although we began to see favourability during the second quarter.

The conversion of the British pound sterling to the Canadian dollar had a favourable impact of approximately $18 million.

Adjusted EBITDA

Adjusted EBITDA for the **second quarter of fiscal 2025** totalled $28 million, up $8 million or 40.0%, as compared to $20 million for the same quarter last fiscal year.

We benefited from higher sales volumes, as described above, supported by incremental spend in advertising and promotions. In the comparative quarter, our results were negatively impacted by product mix as we were selling inventory produced at higher milk prices.

Higher international dairy ingredient market prices had a positive impact.

The conversion of the British pound sterling to the Canadian dollar had a minimal impact.

Adjusted EBITDA for the **first six months of fiscal 2025** totalled $51 million, down $7 million or 12.1%, as compared to $58 million for the same period last fiscal year.

We benefited from higher sales volumes supported by incremental spend in advertising and promotions. In the comparative period, our results were negatively impacted by product mix, as we were selling inventory produced at higher milk prices.

In the first quarter, we exited the cycling through of remaining excess high-cost inventory, which impacted our results.

Lower international dairy ingredient market prices had a negative impact, although we began to see favourability during the second quarter.

The conversion of the British pound sterling to the Canadian dollar had a favourable impact of approximately $2 million.

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, elevated 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 remain capital expenditures, dividends, debt reduction, and share repurchases, allowing us to support organic growth, strategic acquisitions, and our Saputo Promise.

As at September 30, 2024, cash and cash equivalents totalled $455 million and we had unused credit facilities of $2.1 billion under our bank credit facilities. 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 towards our capital allocation priorities, as described above, 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 as follows:

(in millions of CDN dollars)

	For the three-month periods ended September 30		**For the six-month periods ended September 30**	
	2024	2023	**2024**	2023
Net cash generated from operating activities	**162**	169	**353**	432
Cash used for investing activities	**(90)**	(149)	**(92)**	(309)
Cash used for financing activities	**(10)**	(49)	**(276)**	(71)
Increase (decrease) in cash and cash equivalents	**62**	(29)	**(15)**	52

Operating activities

Net cash generated from operating activities for the **second quarter of fiscal 2025** amounted to $162 million, as compared to $169 million for the same quarter last fiscal year. This decrease of $7 million was mainly due to a decrease in adjusted EBITDA[1] of $9 million, offset by favourable changes in non-cash operating working capital items of $19 million.

In the **first six months of fiscal 2025,** net cash generated from operating activities amounted to $353 million, as compared to $432 million for the same period last fiscal year. This decrease of $79 million was mainly due to a decrease related to changes in non-cash operating working capital items of $125 million. This decrease was partially offset by lower income taxes paid of $50 million and an increase in adjusted EBITDA[1] of $12 million.

Changes in non-cash operating working capital for the three and six-month periods ended September 30, 2024, were mainly driven by the fluctuations in accounts receivable, inventories, and accounts payable in line with the fluctuation of market prices, foreign exchange rates and ongoing inflation, including the effects of the hyperinflationary economy in Argentina, the timing of collections of accounts receivable and of payments of accounts payable.

[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 **second quarter of fiscal 2025** and for the **first six months of fiscal 2025** amounted to $90 million and $92 million, respectively, and were mainly related to net additions to property, plant and equipment, and intangible assets.

Financing activities

Cash used for financing activities for the **second quarter of fiscal 2025** amounted to $10 million and were mainly attributable to the payment of dividends to shareholders and the repayment of outstanding indebtedness, partially offset by an increase in bank loans.

Cash used for financing activities for the **first six months of fiscal 2025** amounted to $276 million and were mainly attributable to the payment of dividends to shareholders and the repayment of outstanding indebtedness.

Liquidity

(in millions of CDN dollars, except ratio)

	September 30, 2024	March 31, 2024
Current assets	**5,022**	4,834
Current liabilities	**3,431**	3,133
Working capital[1]	**1,591**	1,701
Working capital ratio[1]	**1.46**	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.

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 return capital to shareholders.

We continue to aim for a long-term target leverage of approximately 2.25 times net debt to adjusted EBITDA[2]. 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)

	September 30, 2024	March 31, 2024
Net debt[1,3]	**3,486**	3,520
Trailing twelve months adjusted EBITDA[1,2]	**1,521**	1,509
Net debt to adjusted EBITDA[2]	**2.29**	2.33
Number of common shares	**424,358,459**	424,326,415
Number of stock options	**21,556,143**	20,315,399

1 Refer to the "Glossary" section of this MD&A.
2 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.
3 Refer to Note 7 to the condensed interim consolidated financial statements.

As at September 30, 2024, the Company had $455 million in cash and cash equivalents and available bank credit facilities of $2.470 billion, of which $370 million were drawn. See Note 5 and Note 6 to the condensed interim 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 October 31, 2024, 424,358,459 common shares and 21,553,854 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.

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

(in millions of CDN dollars)

	September 30, 2024				March 31, 2024			
	Long-term debt	**Leases**	**Purchase obligations & other**	**Total**	Long-term debt	Leases	Purchase obligations & other	Total
Less than 1 year	**879**	**82**	**289**	**1,250**	414	109	209	732
1–2 years	**350**	**80**	**92**	**522**	465	71	29	565
2–3 years	**700**	**73**	**6**	**779**	350	63	10	423
3–4 years	**334**	**60**	**2**	**396**	734	53	3	790
4–5 years	**—**	**54**	**—**	**54**	300	44	1	345
More than 5 years	**850**	**408**	**—**	**1,258**	850	267	—	1,117
	3,113	**757**	**389**	**4,259**	3,113	607	252	3,972

Long-term debt

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

Bank term loans

In connection with the acquisition of 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 $1.911 billion was drawn, of which $115 million remains to be repaid as at September 30, 2024. This non-revolving term facility bears monthly interest at lenders’ prime rates plus a maximum of 1.00% or SOFR or CORRA rates plus 0.80% up to a maximum of 2.00%, depending on the Company's credit ratings 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 an aggregate principal amount of $2.950 billion, with annual interest rates varying from 1.42% to 5.49%, and maturities ranging from November 2024 to November 2030.

FINANCIAL POSITION

Our financial position amounts as at September 30, 2024, as compared to the March 31, 2024 balances, reflect the net effect of the weakening of the Canadian dollar versus the British pound sterling and the Australian dollar, and the strengthening of the Canadian dollar versus the US dollar and the Argentine peso on financial position items of our foreign operations.

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 September 30, 2024, and March 31, 2024.

	September 30, 2024	March 31, 2024
US dollar[1]	**1.3525**	1.3540
Australian dollar[1]	**0.9350**	0.8830
Argentine peso[1]	**0.0014**	0.0016
British pound sterling[1]	**1.8090**	1.7096

1 Based on Bank of Canada published information.

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.

CHANGES IN ACCOUNTING POLICIES

Accounting Standards, Interpretations, and Amendments Adopted During The Period

For the period ended September 30, 2024, there were no new accounting standards, interpretations, and amendments adopted.

Recent Accounting Standards, Interpretations, and Amendments Issued but Not Yet Implemented

Please refer to Note 3 to our condensed interim consolidated financial statements for the period ended September 30, 2024, for more information regarding recent accounting standards, interpretations, and amendments issued but not yet implemented.

FOLLOW-UP ON CERTAIN SPECIFIC ITEMS OF THE ANALYSIS

For an analysis of guarantees, related-party transactions, critical accounting estimates and changes in accounting policies, risks and uncertainties, as well as a sensitivity analysis of interest rate and US currency fluctuations, see the discussion provided in the Company's 2024 Annual Report (pages 28 to 38 of the MD&A dated June 6, 2024).

DISCLOSURE CONTROLS AND PROCEDURES

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

There were no changes to Saputo's internal control over financial reporting that occurred during the period beginning on July 1, 2024, and ended on September 30, 2024, that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

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, and are described in this section.

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 GAAP, 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 our history of business acquisitions, adjusted net earnings provide 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, as well as by the effect of tax law changes and rate enactments. 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, net of applicable income taxes, of net earnings to adjusted net earnings:

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2024	2023	**2024**	2023
Net earnings	**126**	156	**268**	297
Restructuring costs	**5**	—	**5**	—
Amortization of intangible assets related to business acquisitions	**15**	16	**30**	31
Goodwill impairment charge	**—**	—	**—**	—
Loss on hyperinflation	**11**	9	**21**	7
Adjusted net earnings	**157**	181	**324**	**335**
Revenues	**4,708**	4,323	**9,314**	8,530
Margin (expressed as a percentage of revenues)	***3.3 %***	*4.2 %*	***3.5 %***	*3.9 %*

Adjusted EPS basic and adjusted EPS diluted

Adjusted EPS basic (adjusted net earnings per basic common share) and adjusted EPS diluted (adjusted net earnings per diluted common share) 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 restructuring costs, amortization of intangible assets related to business acquisitions, gain on disposal of assets, goodwill impairment charge, and loss (gain) on hyperinflation. 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 defined as net debt divided by adjusted EBITDA and is the primary measure used by the Company to monitor its financial leverage. For more details on net debt, refer to the "Glossary" section of this MD&A and Note 7 to the condensed interim consolidated financial statements. For more details on adjusted EBITDA, refer to the discussion below 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 condensed interim 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. Adjusted EBITDA margin consists of adjusted EBITDA expressed as a percentage of revenues. 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 September 30		**For the six-month periods ended September 30**	
	2024	2023	**2024**	2023
Net earnings	**126**	156	**268**	297
Income taxes	**43**	44	**88**	81
Financial charges	**49**	44	**87**	84
Loss on hyperinflation	**11**	9	**21**	7
Restructuring costs	**7**	—	**7**	—
Goodwill impairment charge	**—**	—	**—**	—
Depreciation and amortization	**153**	145	**301**	291
Adjusted EBITDA	**389**	398	**772**	760
Revenues	**4,708**	4,323	**9,314**	8,530
Adjusted EBITDA margin	***8.3 %***	*9.2 %*	***8.3 %***	*8.9 %*

GLOSSARY

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

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

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

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

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

Trailing twelve months adjusted EBITDA is calculated by adding the actual adjusted EBITDA results for the six-month period ended September 30, 2024, to the actual adjusted EBITDA results for the year ended March 31, 2024, and subtracting the actual adjusted EBITDA results for the six-month period ended September 30, 2023.

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.

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENTS

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

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2024	2023	**2024**	2023
Revenues	**$ 4,708**	$ 4,323	**$ 9,314**	$ 8,530
Operating costs excluding depreciation, amortization, and restructuring costs (Note 4)	**4,319**	3,925	**8,542**	7,770
Earnings before income taxes, financial charges, loss on hyperinflation, restructuring costs, and depreciation and amortization	**389**	398	**772**	760
Depreciation and amortization	**153**	145	**301**	291
Restructuring costs (Note 9)	**7**	—	**7**	—
Loss on hyperinflation	**11**	9	**21**	7
Financial charges (Note 10)	**49**	44	**87**	84
Earnings before income taxes	**169**	200	**356**	378
Income taxes	**43**	44	**88**	81
Net earnings	**$ 126**	$ 156	**$ 268**	$ 297
Net earnings per share (Note 11)				
Basic and diluted	**$ 0.30**	$ 0.37	**$ 0.63**	$ 0.70

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of CDN dollars)
(unaudited)

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2024	2023	**2024**	2023
Net earnings	**$ 126**	$ 156	**$ 268**	$ 297
Other comprehensive income (loss):				
Items that may be reclassified to net earnings:				
Effects of, exchange differences arising from foreign currency translation and, application of hyperinflation	**100**	42	**249**	(109)
Unrealized gains (losses) on cash flow hedges (Note 14)	**4**	(3)	**10**	(8)
Reclassification of (gains) losses on cash flow hedges to net earnings	**(3)**	(1)	**(3)**	3
Income taxes relating to items that may be reclassified to net earnings	**—**	1	**(2)**	2
	101	39	**254**	(112)
Items that will not be reclassified to net earnings:				
Actuarial income (loss)	**23**	(30)	**(1)**	(59)
Income taxes relating to items that will not be reclassified to net earnings	**(6)**	8	**—**	15
	17	(22)	**(1)**	(44)
Other comprehensive income (loss)	**118**	17	**253**	(156)
Total comprehensive income	**$ 244**	$ 173	**$ 521**	$ 141

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

For the six-month period ended September 30, 2024	Share capital		Reserves					
	Common Shares	Amount	Foreign Currency Translation and Hyperinflation	Cash Flow Hedges	Stock Option Plan	Total Reserves	Retained Earnings	Total Equity
Balance, beginning of year	**424,326,415**	**$ 2,180**	**$ 265**	**$ 8**	**$ 186**	**$ 459**	**$ 4,411**	**$ 7,050**
Net earnings	**—**	**—**	**—**	**—**	**—**	**—**	**268**	**268**
Other comprehensive income (loss)	**—**	**—**	**249**	**5**	**—**	**254**	**(1)**	**253**
Total comprehensive income								**521**
Dividends (Note 8)	**—**	**—**	**—**	**—**	**—**	**—**	**(159)**	**(159)**
Stock options	**—**	**—**	**—**	**—**	**8**	**8**	**—**	**8**
Exercise of stock options (Note 8)	**32,044**	**1**	**—**	**—**	**—**	**—**	**—**	**1**
Balance, end of period	**424,358,459**	**$ 2,181**	**$ 514**	**$ 13**	**$ 194**	**$ 721**	**$ 4,519**	**$ 7,421**

For the six-month period ended September 30, 2023	Share capital		Reserves					
	Common Shares	Amount	Foreign Currency Translation and Hyperinflation	Cash Flow Hedges	Stock Option Plan	Total Reserves	Retained Earnings	Total Equity
Balance, beginning of year	421,604,856	$ 2,102	$ 347	$ 9	$ 176	$ 532	$ 4,506	$ 7,140
Net earnings	—	—	—	—	—	—	297	297
Other comprehensive loss	—	—	(109)	(3)	—	(112)	(44)	(156)
Total comprehensive income								141
Dividends (Note 8)	—	—	—	—	—	—	(154)	(154)
Shares issued under dividend reinvestment plan (Note 8)	1,585,806	46	—	—	—	—	—	46
Stock options	—	—	—	—	7	7	—	7
Exercise of stock options (Note 8)	187,341	6	—	—	(2)	(2)	—	4
Balance, end of period	423,378,003	$ 2,154	$ 238	$ 6	$ 181	$ 425	$ 4,605	$ 7,184

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in millions of CDN dollars)
(unaudited)

As at	September 30, 2024	March 31, 2024
ASSETS		
Current assets		
Cash and cash equivalents	**$ 455**	$ 466
Receivables	**1,457**	1,401
Inventories	**2,977**	2,860
Income taxes receivable	**44**	32
Prepaid expenses and other assets	**89**	75
	5,022	4,834
Property, plant and equipment	**4,593**	4,531
Right-of-use assets	**439**	465
Goodwill	**3,136**	3,098
Intangible assets	**1,134**	1,166
Other assets	**95**	95
Deferred tax assets	**81**	71
Total assets	**$ 14,500**	$ 14,260
LIABILITIES		
Current liabilities		
Bank loans (Note 5)	**$ 370**	$ 418
Accounts payable and accrued liabilities	**2,105**	2,193
Income taxes payable	**19**	23
Current portion of long-term debt (Note 6)	**879**	414
Current portion of lease liabilities	**58**	85
	3,431	3,133
Long-term debt (Note 6)	**2,234**	2,699
Lease liabilities	**400**	370
Other liabilities	**125**	154
Deferred tax liabilities	**889**	854
Total liabilities	**$ 7,079**	$ 7,210
EQUITY		
Share capital (Note 8)	**2,181**	2,180
Reserves	**721**	459
Retained earnings	**4,519**	4,411
Total equity	**$ 7,421**	$ 7,050
Total liabilities and equity	**$ 14,500**	$ 14,260

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of CDN dollars)
(unaudited)

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2024	2023	**2024**	2023
Cash flows related to the following activities:				
Operating				
Net earnings	**$ 126**	$ 156	**$ 268**	$ 297
Adjustments for:				
Stock-based compensation	**8**	17	**23**	36
Financial charges (Note 10)	**49**	44	**87**	84
Income tax expense	**43**	44	**88**	81
Depreciation and amortization	**153**	145	**301**	291
Restructuring costs (Note 9)	**7**	—	**7**	—
Gain on disposal of property, plant and equipment	**(1)**	—	**(1)**	—
Foreign exchange loss on debt	**1**	3	**2**	1
Loss on hyperinflation	**11**	9	**21**	7
Share of joint venture earnings, net of dividends received and other	**(5)**	(2)	**(5)**	(3)
Changes in non-cash operating working capital items (Note 12)	**(145)**	(164)	**(259)**	(134)
Cash generated from operating activities	**247**	252	**532**	660
Interest and financial charges paid	**(27)**	(32)	**(87)**	(86)
Income taxes paid	**(58)**	(51)	**(92)**	(142)
Net cash generated from operating activities	**$ 162**	$ 169	**$ 353**	$ 432
Investing				
Additions to property, plant and equipment	**(90)**	(146)	**(187)**	(302)
Additions to intangible assets	**(1)**	(3)	**(2)**	(7)
Proceeds from disposal of property, plant and equipment (Note 13)	**1**	—	**97**	—
Net cash used for investing activities	**$ (90)**	$ (149)	**$ (92)**	$ (309)
Financing				
Bank loans	**80**	33	**(60)**	101
Repayment of long-term debt	**—**	(11)	**—**	(38)
Repayment of lease liabilities	**(11)**	(15)	**(58)**	(32)
Net proceeds from issuance of share capital	**1**	2	**1**	6
Payment of dividends	**(80)**	(58)	**(159)**	(108)
Net cash used for financing activities	**$ (10)**	$ (49)	**$ (276)**	$ (71)
(Decrease) increase in cash and cash equivalents	**62**	(29)	**(15)**	52
Cash and cash equivalents, beginning of period	**393**	376	**466**	263
Effect of exchange rate changes and Argentina hyperinflation	**—**	(8)	**4**	24
Cash and cash equivalents, end of period	**$ 455**	$ 339	**$ 455**	$ 339

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six-month periods ended September 30, 2024, and 2023.

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

NOTE 1 CORPORATE INFORMATION

Saputo Inc. (the Company) is a publicly traded company incorporated and domiciled in Canada. The Company's shares are listed on the Toronto Stock Exchange under the symbol "SAP". The Company produces, markets, and distributes a wide array of dairy products from Canada, the United States, Australia, Argentina, and the United Kingdom. In addition to its dairy portfolio, the Company produces, markets, and distributes a range of dairy alternative products. The address of the Company's head office is 1000 de la Gauchetière Street West, Suite 2900, Montréal, Québec, Canada, H3B 4W5. The condensed interim consolidated financial statements of the Company for the three and six-month periods ended September 30, 2024 (financial statements) comprise the financial results of the Company and its subsidiaries.

The financial statements were authorized for issuance by the Board of Directors on November 7, 2024.

NOTE 2 BASIS OF PRESENTATION

The financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (IASB). Accordingly, certain disclosure requirements that are necessary in the preparation of an annual financial statement in compliance with International Financial Reporting Standards (IFRS) have been omitted or condensed and, therefore, these financial statements should be read in conjunction with the Company's audited annual consolidated financial statements as at March 31, 2024, and 2023, and for the years then ended.

NOTE 3 MATERIAL ACCOUNTING POLICIES

The accounting policies and methods of computation applied in these financial statements are the same as those applied by the Company in its audited annual consolidated financial statements as at and for the year ended March 31, 2024.

RECENT ACCOUNTING STANDARDS, INTERPRETATIONS, AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE

IFRS 18, Presentation and Disclosure in Financial Statements
In April 2024, the IASB issued IFRS 18 to improve reporting of financial performance. IFRS 18 replaces IAS 1 *Presentation of Financial Statements*. It carries forward many requirements from IAS 1 unchanged and introduces increased disclosure of management defined performance measures as well as new principles for aggregation and disaggregation of information included in the consolidated income statement.

IFRS 18 is applicable to the Company beginning on April 1, 2027. The Company is currently evaluating the impact of the adoption of IFRS 18 on its consolidated financial statements.

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

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2024	2023	**2024**	2023
Changes in inventories of finished goods and work in process	**$ (94)**	$ (107)	**$ (91)**	$ (124)
Raw materials and consumables used	**3,408**	3,040	**6,628**	5,944
Foreign exchange loss (gain)	**(11)**	4	**(17)**	5
Employee benefits expense	**579**	563	**1,172**	1,108
Selling costs	**178**	179	**365**	357
General and administrative costs	**259**	246	**485**	480
	$ 4,319	$ 3,925	**$ 8,542**	$ 7,770

NOTE 5 BANK LOANS

		Available for use		Amount drawn as at	
Credit Facilities	Maturity	Canadian Currency Equivalent	Base Currency (in millions)	**September 30, 2024**	March 31, 2024
North America-USA	December 2028[1]	$ 406	300 USD	**$ —**	$ —
North America-Canada	December 2028[1]	$ 947	700 USD	**—**	71
Australia	Yearly[2]	$ 351	375 AUD	**103**	181
Australia	Yearly[2]	$ 68	50 USD	**—**	26
Japan	Yearly[3]	$ 75	8,000 JPY	**50**	41
United Kingdom	Yearly[4]	$ 226	125 GBP	**121**	91
Argentina	Yearly[5]	$ 397	294 USD	**96**	8
		$ 2,470		**$ 370**	$ 418

1 Main revolving credit facility. Bears monthly interest at rates ranging from lenders' prime rates plus a maximum of 1.00% or SOFR or SONIA or BBSY or CORRA 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.
2 Bears monthly interest at SOFR or Australian Bank Bill Rate plus up to 1.85% 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 September 30, 2024, receivables totalling $309 million ($308 million as at March 31, 2024), 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.

NOTE 6 LONG-TERM DEBT

	September 30, 2024	March 31, 2024
Unsecured bank term loan facilities		
Obtained April 2019 and due in June 2025[1]	**$ 115**	$ 115
Senior unsecured notes[2]		
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**	300
5.49%, issued in November 2023 and due in November 2030 (Series 11)	**550**	550
Other	**48**	48
	$ 3,113	$ 3,113
Current portion	**(879)**	(414)
	$ 2,234	$ 2,699
Principal repayments are as follows:		
Less than 1 year	**$ 879**	$ 414
1-2 years	**350**	465
2-3 years	**700**	350
3-4 years	**334**	734
4-5 years	**—**	300
More than 5 years	**850**	850
	$ 3,113	$ 3,113

1 Bears monthly interest at lenders' prime rates plus a maximum of 1.00% or SOFR or CORRA 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. As at September 30, 2024, US$85 million was drawn.

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

NOTE 7 NET DEBT

The Company's capital is composed of net debt and equity. Net debt consists of long-term debt, bank loans, and lease liabilities, net of cash and cash equivalents. The net debt amounts as at September 30, 2024, and March 31, 2024, are as follows:

	September 30, 2024	March 31, 2024
Long-term debt, including current portion	**$ 3,113**	$ 3,113
Bank loans	**370**	418
Lease liabilities, including current portion	**458**	455
Less: Cash and cash equivalents	**(455)**	(466)
Net debt	**$ 3,486**	$ 3,520

The primary measure used by the Company to monitor its financial leverage is its ratio of net debt to trailing twelve months net earnings before income taxes, financial charges, loss (gain) on hyperinflation,restructuring costs, depreciation and amortization and goodwill impairment charge. The ratio at September 30, 2024 was 2.29 (2.33 at March 31, 2024).

NOTE 8 SHARE CAPITAL

AUTHORIZED

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

STOCK OPTION PLAN

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

	September 30, 2024		September 30, 2023	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of year	**20,315,399**	**$ 37.79**	19,988,303	$ 38.02
Granted	**3,135,791**	**$ 26.29**	2,231,026	$ 34.90
Exercised	**(32,044)**	**$ 29.59**	(187,341)	$ 29.77
Cancelled	**(1,863,003)**	**$ 35.01**	(848,282)	$ 39.59
Balance, end of period	**21,556,143**	**$ 36.37**	21,183,706	$ 37.70

The weighted average exercise price of $26.29 of the stock options granted in fiscal 2025 corresponds to the weighted average market price for the five trading days immediately preceding the date of the grants ($34.90 in fiscal 2024).

The weighted average fair value of stock options granted in fiscal 2025 was estimated at $5.58 per option ($7.83 in fiscal 2024), using the Black-Scholes option pricing model with the following assumptions:

	Fiscal 2025 grant	Fiscal 2024 grant
Weighted average:		
Risk-free interest rate	**3.56 %**	3.10 %
Life of options	**6.5 years**	6.6 years
Volatility[1]	**23.61 %**	22.89 %
Dividend rate	**2.82 %**	2.06 %

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

NOTE 8 SHARE CAPITAL (CONT'D)

DIVIDENDS AND DIVIDEND REINVESTMENT PLAN

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

Dividends paid in cash and settled through the DRIP during the six-month periods ended September 30, 2024 and 2023 were as follows:

	For the six-month periods ended September 30	
	2024	2023
Cash	**$ 159**	$ 108
DRIP	**—**	46
Total	**$ 159**	$ 154

In the fourth quarter of fiscal 2024, the Company suspended the DRIP until further notice.

NOTE 9 RESTRUCTURING COSTS

During the second quarter of fiscal 2025, the Company recorded severance and site closure costs totaling $7 million ($5 million after tax) mainly in connection with the Company's decision to commence the final operating season of the King Island Dairy facility of the Dairy Division (Australia), with the intention of closing the facility in mid calendar 2025.

NOTE 10 FINANCIAL CHARGES

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2024	2023	**2024**	2023
Interest on long-term debt	**$ 26**	$ 26	**$ 52**	$ 51
Other finance costs, net	**18**	14	**25**	26
Interest on lease liabilities	**4**	4	**9**	8
Net interest revenue from defined benefit	**1**	—	**1**	(1)
	$ 49	$ 44	**$ 87**	$ 84

NOTE 11 NET EARNINGS PER SHARE

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2024	2023	**2024**	2023
Net earnings	**$ 126**	$ 156	**$ 268**	$ 297
Weighted average number of common shares outstanding	**424,344,808**	422,770,982	**424,335,800**	422,257,208
Dilutive shares	**444,043**	292,744	**299,528**	395,618
Weighted average diluted number of common shares outstanding	**424,788,851**	423,063,726	**424,635,328**	422,652,826
Net earnings per share (basic and diluted)	**$ 0.30**	$ 0.37	**$ 0.63**	$ 0.70

For the three and six-month periods ended September 30, 2024, 16,220,635 and 18,545,311 options were excluded from the calculation of the diluted net earnings per share because their exercise price is higher than the average market value of shares during the same period (20,235,607 and 17,867,345 options were excluded for the three and six-month periods ended September 30, 2023).

NOTE 12 CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2024	2023	**2024**	2023
Receivables	**$ (24)**	$ (130)	**$ (62)**	$ 156
Inventories	**(67)**	(134)	**(44)**	(223)
Prepaid expenses and other assets	**3**	7	**(4)**	(6)
Accounts payable, accrued liabilities and other	**(57)**	97	**(149)**	(59)
Current income taxes	**—**	(4)	**—**	(2)
Changes in non-cash operating working capital	**$ (145)**	$ (164)	**$ (259)**	$ (134)

NOTE 13 PROCEEDS FROM DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

On June 24, 2024, the Company completed the sale of its two fresh milk processing facilities, located in Australia, for proceeds of approximately $95 million (A$105 million) resulting in a minimal gain on disposal of assets.

NOTE 14 FINANCIAL INSTRUMENTS

The Company determined that the fair value of certain of its financial assets and financial liabilities with short-term maturities approximates their carrying value. These financial instruments include cash and cash equivalents, receivables, bank loans, accounts payable, and accrued liabilities. The table below presents the fair value and the carrying value of other financial instruments as at September 30, 2024, and March 31, 2024. Since estimates are used to determine fair value, they must not be interpreted as being realizable in the event of a settlement of the instruments.

	September 30, 2024		March 31, 2024	
	Fair value	**Carrying value**	Fair value	Carrying value
Cash flow hedges				
Commodity derivatives (Level 2)	**(2)**	**(2)**	4	4
Foreign exchange derivatives (Level 2)	**12**	**12**	(2)	(2)
Derivatives not designated in a formal hedging relationship				
Commodity derivatives (Level 2)	**(1)**	**(1)**	1	1
Foreign exchange derivatives (Level 2)	**(1)**	**(1)**	—	—
Long-term debt (Level 2)	**3,113**	**3,113**	3,010	3,113

NOTE 15 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.

NOTE 15 SEGMENTED INFORMATION (CONT'D)

The President and Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer, 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 (loss) before income taxes, financial charges, loss (gain) on hyperinflation, restructuring costs, depreciation and amortization and goodwill impairment charge.

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

INFORMATION ON REPORTABLE SECTORS

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2024	2023	**2024**	2023
Revenues				
Canada	**$ 1,294**	$ 1,248	**$ 2,547**	$ 2,459
USA	**2,225**	1,950	**4,310**	3,826
International[1]	**912**	879	**1,916**	1,747
Europe	**277**	246	**541**	498
	$ 4,708	$ 4,323	**$ 9,314**	$ 8,530
Operating costs excluding depreciation, amortization, and restructuring costs (Note 4)				
Canada	**$ 1,132**	$ 1,100	**$ 2,232**	$ 2,167
USA	**2,080**	1,803	**4,003**	3,576
International	**858**	796	**1,817**	1,587
Europe	**249**	226	**490**	440
	$ 4,319	$ 3,925	**$ 8,542**	$ 7,770
Adjusted EBITDA				
Canada	**$ 162**	$ 148	**$ 315**	$ 292
USA	**145**	147	**307**	250
International	**54**	83	**99**	160
Europe	**28**	20	**51**	58
	$ 389	$ 398	**$ 772**	$ 760
Depreciation and amortization				
Canada	**$ 29**	$ 27	**$ 58**	$ 53
USA	**66**	60	**129**	120
International	**30**	31	**59**	64
Europe	**28**	27	**55**	54
	$ 153	$ 145	**$ 301**	$ 291
Restructuring costs (Note 9)	**7**	—	**7**	—
Loss on hyperinflation	**11**	9	**21**	7
Financial charges (Note 10)	**49**	44	**87**	84
Earnings before income taxes	**169**	200	**356**	378
Income taxes	**43**	44	**88**	81
Net earnings	**$ 126**	$ 156	**$ 268**	$ 297

[1] Australia accounted for $610 million and $1,352 million of the International Sector's revenues while Argentina accounted for $302 million and $564 million for the three and six-month periods ended September 30, 2024, respectively. Australia accounted for $610 million and $1,233 million of the International Sector's revenues while Argentina accounted for $269 million and $514 million for the three and six-month periods ended September 30, 2023, respectively.

NOTE 15 SEGMENTED INFORMATION (CONT'D)

MARKET SEGMENT INFORMATION

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

For the three-month periods ended September 30	Total		Canada		USA		International		Europe	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
Revenues										
Retail	**$ 2,309**	$ 2,181	**$ 731**	$ 702	**$ 981**	$ 889	**$ 373**	$ 394	**$ 224**	$ 196
Foodservice	**1,634**	1,458	**476**	463	**1,035**	882	**114**	104	**9**	9
Industrial	**765**	684	**87**	83	**209**	179	**425**	381	**44**	41
	$ 4,708	$ 4,323	**$ 1,294**	$ 1,248	**$ 2,225**	$ 1,950	**$ 912**	$ 879	**$ 277**	$ 246

For the six-month periods ended September 30	Total		Canada		USA		International		Europe	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
Revenues										
Retail	**$ 4,508**	$ 4,281	**$ 1,419**	$ 1,367	**$ 1,888**	$ 1,726	**$ 761**	$ 791	**$ 440**	$ 397
Foodservice	**3,203**	2,896	**937**	922	**2,021**	1,756	**228**	202	**17**	16
Industrial	**1,603**	1,353	**191**	170	**401**	344	**927**	754	**84**	85
	$ 9,314	$ 8,530	**$ 2,547**	$ 2,459	**$ 4,310**	$ 3,826	**$ 1,916**	$ 1,747	**$ 541**	$ 498