2021 ANNUAL REPORT

Saputo

2021 Annual Report




Saputo produces, markets, and distributes a wide array of dairy products of the utmost quality, including cheese, fluid milk, extended shelf-life milk and cream products, cultured products, and dairy ingredients. Saputo is one of the top ten dairy processors in the world, a leading cheese manufacturer and fluid milk and cream processor in Canada, the top dairy processor in Australia, and the second largest in Argentina. In the USA, Saputo ranks among the top three cheese producers and is one of the largest producers of extended shelf-life and cultured dairy products. In the United Kingdom, Saputo is the largest manufacturer of branded cheese and a top manufacturer of dairy spreads. Saputo products are sold in several countries under market-leading brands, as well as private label brands. Saputo Inc. is a publicly traded company and its shares are listed on the Toronto Stock Exchange under the symbol “SAP”. Follow Saputo’s activities at saputo.com or via Facebook, LinkedIn and Twitter.

Financial Highlights

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

FISCAL YEAR	REVENUES	ADJUSTED EBITDA*	NET EARNINGS	ADJUSTED NET EARNINGS* excluding amortization of intangibles assets related to business acquisitions
2021	**$14,293.9**	**$1,470.9**	**$625.6**	**$714.8**
2020	$14,943.5	$1,467.8	$582.8	$723.6
2019	$13,501.9	$1,221.3	$755.3	$655.1
Fiscal 2021[1]	-4.3%	0.2%	7.3%	-1.2%
Since 2019 CAGR[2]	2.9%	9.7%	-9.0%	4.5%

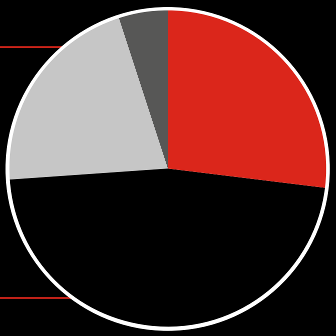
* See our Management's Discussion and Analysis for the reconciliations to IFRS measures.

[1] As compared to fiscal 2020.

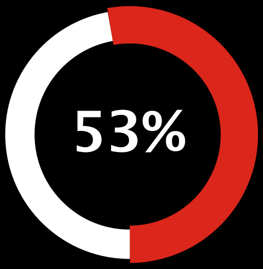
[2] CAGR, Compound Annual Growth Rate, is defined as the year-over-year growth rate over a specified amount of time.

For the fiscal year ended March 31, 2021

SECTOR	# OF PLANTS[3]	# OF EMPLOYEES	% OF TOTAL REVENUES
Canada	18	5,700	29%
USA	26	6,700	43%
International	13	3,900	22%
Europe	4	1,000	6%

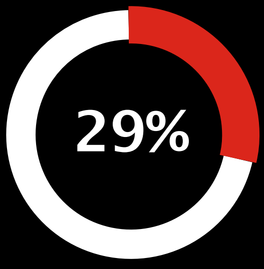


[3] The number of plants is presented as of May 25, 2021, and excludes the acquisitions of Bute Island Foods Ltd. and the Reedsburg facility of Wisconsin Specialty Protein, LLC.



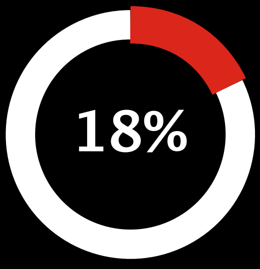
RETAIL

Sales are made to supermarket chains, mass-merchandisers, convenience stores, independent retailers, warehouse clubs, and specialty cheese boutiques under Saputo-owned or customer brand names.



FOODSERVICE

Sales are made to broadline distributors, restaurants (corporate restaurant chains, franchisees and individually-owned), hotels, and institutions under Saputo-owned or customer brand names.



INDUSTRIAL

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

Products sold in over 60 countries

61 plants

Approx. 17,300 employees

The Saputo Promise

The Saputo Promise is an integral part of our business as we seek to create shared value for all our stakeholders. It consists of seven Pillars that form the backbone of our approach to social, environmental, and economic performance. Our Board of Directors oversees the governance of our Promise as well as the deployment of appropriate measures to manage the ESG factors material to our business.

Our focus remains on the execution of our Saputo Promise three-year plan (FY20-FY22), and the COVID-19 pandemic didn't slow us down. Here are key highlights for the 2021 fiscal year (FY21) as we continued to look for opportunities to improve our performance across each of our seven Pillars.

Our FY21 Saputo Promise Summary Report—including further details on our ESG performance—will be published in August 2021.

OUR PEOPLE

We care deeply about the health and well-being of our employees and, in FY21, we sought to mitigate the financial, physical, and mental health impacts of the COVID-19 pandemic on our people and celebrate their dedication through various initiatives. We're always striving to provide the **best possible work environment—one that is safe, diverse, equitable, inclusive, and values-driven.**

Saputo was featured as **#56** out of **750** companies on *Forbes'* 2020 World's Best Employers list.

Percentage of women in senior management

2021 **21%**

2020 **16%** | 2019 **16%**

Lost Time Injury Frequency Rate

2021	2020	2019
1.61*	1.36	1.77

* Increase mainly due to COVID-19.

ENVIRONMENT

Our goal is to safeguard the environment while continuing to grow as a world-class dairy processor. As part of this commitment, we pledged to **accelerate our global climate, water, and waste (including packaging) performance by 2025**, supported by a three-year investment of $50M (FY21-FY23).

OUR TARGETS INCLUDE:

CLIMATE
Reduce our CO_2 intensity by **20%**

WATER
Reduce our water intensity by **10%**

WASTE
Packaging is reusable, recyclable or compostable **100%**

In FY21, we completed our first allocation of funds for **a dozen projects globally** that will deliver potential annual savings of more than:

60,000	8,000	700
GJ of energy	tons of CO_2	million L of water

COMMUNITY

In FY21, we upheld our commitment to **give back one percent of our annual pre-tax profits** to help build healthier communities. Furthermore, in response to the COVID-19 pandemic, we supported our communities through financial and product donations totalling **over $10 million.**

FOOD QUALITY & SAFETY

In FY21, our Quality Assurance Committee continued to provide global governance to **ensure our high standards were upheld consistently across our operations.**

Facilities certified to GFSI* standards

2021 98%

2020 98%

2019 98%

Certified facilities with Good or Excellent GFSI* audit rating

2021 100%

2020 100%

2019 100%

*Global Food Safety Initiative (GFSI)

NUTRITION & HEALTHY LIVING

We progressed the development and testing of **our new Saputo Nutrient Profiling Model**, mapping out each of our branded products. The Model, which will be launched in FY22, gives us insights into the nutritional performance of our products, enabling us to proactively address any potential regulatory changes and identify opportunities for product reformulations.

In response to evolving consumer trends, we continued to adapt our product portfolio by expanding our **dairy alternative options** and reformulating certain products to enhance nutrition.

- Leveraged innovation to develop a dairy alternative cheese with the right formulation, taste, and texture.
- Launched Vital+ Kids Vitamin Milk in Australia, enriched with vitamins for immunity, strong bones, and growing bodies.

BUSINESS ETHICS

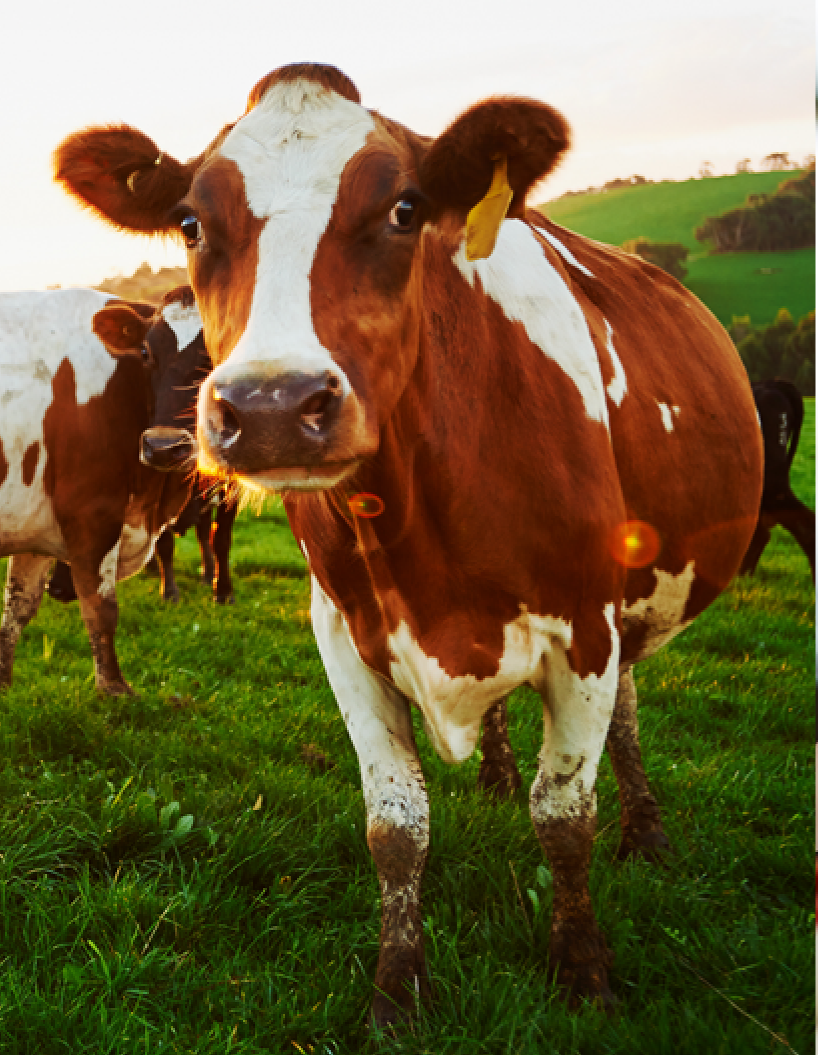
Number of significant finesfor non-compliance

ZERO IN 2021 | **One in 2020**
One in 2019

RESPONSIBLE SOURCING

We celebrated the **fifth anniversary of our zero-tolerance Animal Welfare Policy** and broadened its scope beyond dairy to include other animals used in meat products supplied to our foodservice and retail markets. We also continued to play an active role in promoting and supporting **proper animal care standards**, mainly through training and partnerships.

In January 2021, Saputo Inc. became a member of the Roundtable on Sustainable Palm Oil (RSPO), and we're committed to sourcing **100% RSPO-certified palm oil globally** in 2021 and beyond.


A Message From Our Chair of the Board & CEO

"While we certainly felt the effects of the COVID-19 pandemic, our performance reflects the strength and resilience of our global platform."

Lino A. Saputo
Chair Of The Board &
Chief Executive Officer

Fiscal 2021 (FY21) will be remembered as a pivotal year in Saputo's history. While we certainly felt the effects of the COVID-19 pandemic, our performance reflects the strength and resilience of our global platform. And amidst an atmosphere of uncertainty, we stood firm in our values and never wavered in our resolve to do the right thing for all our stakeholders.

Our employees are the heartbeat of our Company and their health always comes first. In addition to enhancing our already robust safety protocols, we maintained our commitment to no layoffs due to COVID-19 and prioritized employee well-being with programs and initiatives designed to offer peace of mind and recognize the critical role our workforce plays. As an essential provider, our teams rallied to supply the high-quality products our communities rely on. Their contributions drive our business forward and reinforce the vitality of our culture every single day, and I can't emphasize enough just how humbled and deeply grateful I am for their continued passion and dedication.

As valued members of our extended Saputo family, we supported our patron farmers with additional services and resources to help alleviate the mental and physical impacts of the pandemic. We also worked with local community organizations to help those most vulnerable, mainly to ensure food security. To date, our COVID-related financial and product donations have reached over $10 million and counting.

COVID-related community support:
over $10M

Turning challenges into opportunities

As the severity of the pandemic and corresponding government-imposed restrictions evolved throughout the year, we had to contend with fluctuating shifts in consumer demand, impacting all our sectors to varying degrees, and there remains some volatility. We were able to capitalize on this upswing by leveraging the brand power of our retail portfolio and by engaging with our retail customers to tailor our offering to match rapidly-changing consumption patterns. In contrast, the foodservice market segment was pressured when temporary dining room closures were mandated. Our USA Sector was most impacted due to its large foodservice footprint, hampering efficiencies and fixed cost absorption. That said, we did see some bright spots for those restaurants that could accommodate food pickup and/or delivery, like our quick-service and pizza chain partners. On the industrial side, where volumes are primarily destined for export, we began to see a recovery in the second half of FY21 as the international markets began to reopen.

The pandemic provided us with a licence to change. We sprung into action by adjusting our commercial initiatives, production, and supply chain. This included reviewing our marketing and innovation pipeline and retooling certain foodservice-specific production facilities to take advantage of the healthy retail market segment. And we kept the lines of communication open with our customers, offering tips and insights to help them adapt their businesses. We also took this opportunity to explore new avenues, like e-commerce. We successfully launched two direct-to-consumer websites, the first in Canada, and the second in the United Kingdom, and we started investing to ramp up our efforts to reach consumers through third-party online channels and customers through B2B platforms. Our learnings and the various initiatives we put in place will outlast the pandemic and they've already made us a more agile organization.

Staying the course

Over the years, we've maintained our prudence and discipline in all aspects, an approach that served us well in these unprecedented times. In FY21, our cost-containment measures and operations continued to generate cash, and our strong financial position enabled us to forge ahead with our plans and commitments. For instance, we made capital investments to support our future growth, we increased the dividend as we've done every year since our IPO, we were—and remain—in acquisition mode, and we advanced our Saputo Promise.

Dividend increase in FY21

Beyond employee health and safety, reaching our environmental goals and intensifying our efforts relating to Diversity, Equity and Inclusion (DE&I) were key priorities.

We made great strides towards our 2025 environmental targets, allocating a portion of our three-year $50 million investment to complete 12 specific projects across our network, which should deliver notable climate, water, and waste savings. Our progress didn't go unnoticed as we were awarded an improved score of B by CDP for our 2020 climate disclosure. Looking to fiscal 2022 (FY22), we've already started deploying our second round of projects and laying the groundwork for the upcoming launch of our new supply chain pledges to address environmental considerations beyond the scope of our operations.

Promoting DE&I is a shared responsibility—we all need to act as agents of change at work and in our communities. We signed the Business Council of Canada's statement denouncing racism, reinforcing Saputo's zero-tolerance stance on this important issue. I was also honoured to join Catalyst CEO Champions for Change to accelerate progress for gender equality, diversity, and inclusion in the workplace. Among other initiatives, we expanded the reach of our unconscious bias training, introduced a permanent workplace flexibility program, and hosted meaningful DE&I events to encourage open and honest discussions. While we've mainly concentrated on gender so far, we're in the process of revising our DE&I Policy to make it more robust and inclusive and we plan to extend our efforts accordingly.

In FY21, we were vocal about pursuing more dairy alternative opportunities to complement our current product portfolio, with an active focus on taking an early leadership position in the largely untapped alternative cheese category. To that end, we leveraged the R&D capabilities of our Dairy Division (UK) team to develop a mozzarella alternative with the right sensory attributes, and we've been successfully trialling this product with key foodservice partners in North America. On the beverage side, we supported some existing players in bringing their products to market through co-packing arrangements and our volumes continue to ramp up.

One of the most significant developments of FY21 was the merge of our two former USA divisions into a single Dairy Division (USA). This milestone marked an important step towards procuring further synergies in all aspects of our USA platform, and we firmly believe this new streamlined structure will fast-track our ambitions.

As our business evolves and grows, so too does our senior management team. In FY21, we welcomed Lyne Castonguay, an accomplished leader with extensive retail experience, as the new Deputy President and Chief Operating Officer for our Dairy Division (USA).

In the upcoming year, Carl Colizza, President and Chief Operating Officer (North America) and Dairy Division (USA), who will keep overseeing our North American activities, will ensure a transition of the Division's leadership to Lyne. We also promoted from within with Marcelo Cohen, a 19-year veteran of the Company, becoming President and Chief Operating Officer of our Dairy Division (Argentina). More recently, we announced a change in reporting structure with the forthcoming arrival of Leanne Cutts, a seasoned executive with a wealth of expertise in the banking, food and beverage, and consumer healthcare industries. Leanne will take on the newly created position of President and Chief Operating Officer (International and Europe), which, in turn, will allow Kai Bockmann, President and Chief Operating Officer, Saputo Inc., to focus on his global corporate and strategic functions. Together, these new additions enhance the deep knowledge of our core leadership team and will be instrumental in guiding our path to growth over the next several years.

Effective oversight

I want to thank my fellow Board members for their steady guidance as we navigated unchartered territory. Our Board, composed of 10 directors, 8 of whom are independent, is a highly engaged and experienced group that takes great care in its stewardship role. Considering the interests of all stakeholders, starting with our valued shareholders, our directors stay up-to-date on the latest trends, particularly as it relates to ESG, to ensure sound decision-making. For a complete overview of our corporate governance practices, please refer to our Management Information Circular dated June 3, 2021.

Looking ahead

While the pandemic cost us a year of growth in FY21, we kept moving our business forward and I'm proud of the way we continue to weather the storm. By staying true to who we are, we control our destiny—and the future is looking very bright.

Starting in FY22, we're embarking on an exciting four-year journey to boost organic growth across our business. With our new Global Strategic Plan, we're laser-focused on strengthening our core business, accelerating product innovation, increasing the value of our ingredients portfolio, optimizing and enhancing operations, and creating enablers to fuel investments. This Plan complements our ongoing efforts to expand our business through acquisitions, and we're ready and able to seize accretive opportunities. In fact, we just recently completed two strategic acquisitions that are in line with and will contribute favourably to our new Plan, welcoming UK-based dairy alternative cheese player Bute Island Foods and the Reedsburg facility of Wisconsin Specialty Protein, LLC, specializing in value-added ingredients. Finally, as we did in FY21, we'll seek to create shared value by making headway under each of the seven Pillars of our Saputo Promise.

I'm incredibly enthusiastic about our prospects and ability to deliver on all fronts in FY22 and beyond. With a clear roadmap for growth, the strength of our global team, and our solid financial foundations, we're looking to build upon our track record of success for the long-term benefit of our shareholders, employees, customers, business partners, and the communities we serve. Many thanks for your loyal support and I look forward to sharing our progress with you over the coming year. ■

A Closer Look at Our FY21 Progress by Sector

CANADA

Our commercial teams partnered closely with our retail and foodservice customers throughout the year to help navigate COVID-related demand volatility. We swiftly pivoted our operations, curbed discretionary spending and established site-specific labour contingency plans. We met consumers where they were—online—by sharing relevant content and launching our first B2C retail platform, offering limited shelf-life overstocked products at reduced prices. And it's just the beginning of our e-commerce journey.

We completed capacity expansions to capitalize on rising cheese demand, and the construction of our state-of-the-art fluid milk and dairy alternative beverage facility in Port Coquitlam, BC, is on track to be finalized by August 2021. We further optimized our network by completing the previously announced closures of two aging facilities, consolidating volumes into other sites. We gained back a major fluid account on the merits of our brand and customer service, and we achieved market share growth in all our key categories. We deployed significant efforts to keep growing our cheese portfolio, such as bringing several new products to market under our repositioned *Armstrong* brand, one of Canada's top everyday cheese brands. Our new packaging, convenient formats, and bold new flavours resonated well with consumers and we intend to build on this momentum.

USA

With historical activities skewed towards foodservice, we dealt with significant volume imbalances as consumer demand shifted. To combat the resulting inefficiencies, we recalibrated our sales and product mix from foodservice to retail, adjusting limited portions of our network to take advantage of available labour and processing capacity. Nevertheless, elevated demand and COVID-related staffing challenges hampered our ability to consistently meet some of our retail requirements. Our teams were quick to propose alternative solutions that could benefit our customers beyond the pandemic, like prioritizing extended shelf-life products and facilitating grab-and-go sliced cheese options for deli counters. We also boosted online marketing efforts to heighten visibility on major e-commerce and grocery delivery platforms.

In August 2020, we merged our two former USA divisions to create a more agile Dairy Division (USA). We've begun leveraging the best of both platforms to drive synergies and efficiencies under the guidance of a combined strategic leadership team, which was enhanced during the year.

We launched our integrated business planning process to optimize service levels and ensure production/demand alignment, and we successfully completed ERP deployments in nine additional locations with minimal disruption. Commercially, we started reaping the benefits of going to market with one voice, particularly with retailers. We broadened our private label sales in various categories and increased distribution of core branded products, namely our market-leading *Frigo Cheese Heads* range. In the foodservice and industrial market segments, we expanded key relationships and acquired new customers. We also continued to invest in our network and executed large capital projects at select facilities to support our growth in string cheese, ultrafiltered milk, and dairy alternative beverages. We successfully rolled out our first almond and oat beverages through co-packing arrangements, and we laid the groundwork to seize growing cheese alternative opportunities in the foodservice space by trialling a product that performs well on a pizza.

INTERNATIONAL

At the start of the pandemic, we shifted our focus domestically in both Australia and Argentina as various export markets went into lockdown. We began to see a recovery in our export markets in the third quarter in line with the gradual easing of restrictions. And although we initially had weaker export activity from our Australian platform, we maintained all our existing relationships and added new business in the Middle East, North America, and throughout Asia. Meanwhile, our Dairy Division (Argentina) recorded a strong performance on the export side, even securing the top spot in the 2020 ranking of Latin America cheese exporters.

In Australia, the early spike in consumer demand pressured our supply chain, but we quickly rallied to meet our customers' needs. Our domestic retail volumes remained strong throughout the year and we aggressively pursued commercial initiatives with an emphasis on higher-margin categories, like cheese and butter. Among others, we successfully repositioned and launched new products under our lactose-free *Liddells* range, which is now our fastest growing brand in everyday cheddar from a volume standpoint. After a careful and diligent review, we announced that *CHEER* would be the new name for *COON* cheese, honouring the brand affinity felt by our consumers while aligning with current attitudes and perspectives.

The Specialty Cheese Business was fully integrated into our operations and its brands continued to outperform our original projections, cementing our leadership position in this category. Once Australia started coming out of lockdown in the third quarter, our foodservice activities largely rebounded with mozzarella as a key driver, and we further developed collaborative relationships with key customers. Operationally, we benefited from network optimization measures and a higher milk intake. Coming off historic lows, national milk production trended upwards due to favourable weather conditions, which boosted our patron base's supply. We also increased milk purchases from third-party brokers and expanded our toll manufacturing opportunities.

In Argentina, the pandemic forced many smaller competitors to exit the dairy industry and we were quick to capture additional milk volumes, resulting in healthy year-over-year growth. While the foodservice segment struggled due to the restrictions in place, our retail business recorded a solid performance, anchored by our popular *La Paulina* cheese brand which celebrates its 100th anniversary this year. Our team continued to up their game by introducing new flavours, formats, and innovation, supported by an online-centric strategy. Already a highly efficient platform, we increased cheese productivity and leveraged further automation.

EUROPE

Our predominantly retail-focused UK business benefited from higher in-home consumption. We streamlined our product offering to maintain industry-leading service levels and capitalized on the strength of our brands. *Cathedral City* continued to capture market share, reinforcing its category-leading position. And we started leveraging its brand power abroad by bringing it to our North American platforms where we secured nationwide distribution with sales volumes outpacing original projections. Our *Clover* spreads brand performed well, and we launched a packaging refresh for our *Vitalite* brand, highlighting its plant-based messaging. And on the e-commerce front, we built a direct-to-consumer site for our *Davidstow* premium cheddar brand. We gained new spreads and cheese listings with local retailers, both for branded and private label offerings. The UK's top spray oil brand, *Frylight*, experienced healthy growth and we successfully integrated its production into another facility to drive increased efficiencies with lower overhead. Our cheese capacity at our Davidstow creamery continued to increase and we saw further progress in operating efficiencies across all sites. Lastly, we successfully navigated Brexit with little impact on our activities, and we look forward to accelerating our cheddar exports to the EU.

Introducing Our New Global Strategic Plan (FY22-FY25)

We're bringing our best to the table with our new Global Strategic Plan to accelerate our organic growth over the next four years. This plan is designed to deliver results and is complementary to our growth through acquisitions strategy and our commitment to the Saputo Promise.

"Through our new Global Strategic Plan, we're laying the foundation for accelerated organic growth to complement our M&A and Saputo Promise activities. With our recent leadership enhancements, a united USA platform, and key COVID learnings in tow, I strongly believe we're embarking on this exciting path with the right talent, structure, and strategic roadmap guiding our way. As our collective passion ignites our efforts, I'm confident that together we'll emerge a bigger, better, and stronger Saputo."

– **Lino A. Saputo** Chair of the Board and Chief Executive Officer

GROWTH TARGET

For the four-year period ending March 31, 2025

High single-digit Adjusted EBITDA* CAGR[1] to reach $2.125 billion by the end of FY25

CAPITAL INVESTMENTS (FY22-FY25)

Base CAPEX[2] + Strategic CAPEX = Total Investment $2.3B

CAPEX HIGHLIGHTS

+ ~$550 million

in incremental **total** of capex spend over historical four-year capex spend

* See our Management's Discussion and Analysis for the reconciliations to IFRS measures.

1 CAGR, Compound Annual Growth Rate, is defined as the year-over-year growth rate over a specified amount of time.

2 Base capex is inclusive of maintenance, implementation of Harmoni (ERP system), investments to support the execution of our Saputo Promise, and other corporate capex.

KEY PILLARS

To achieve our growth target, we're focusing our efforts on five key strategic pillars:

Strengthen Core Business

Initiatives related to our existing portfolio of products and brands

- Leverage the power of our brands
- Optimize our product portfolio with a focus on core categories, including
  - Snacking, Italian-style, and specialty cheeses
  - Value-added products, beverages, and ingredients
- International expansion
  - Maximize brand penetration
  - Retail growth in key export markets
- E-commerce strategy

Accelerate Product Innovation

New additions to our portfolio of products and brands

- Dairy alternatives
  - Become a leader in dairy alternative cheese
  - Leverage our infrastructure to seize dairy alternative beverage opportunities
- Introduce new products, flavours, and formats in value-added categories
- Packaging innovation
  - Recyclable packaging
  - Consumer-friendly

Increase the Value of Our Ingredients Portfolio

Ingredient-focused initiatives

- Maximize the value of our whey
  - Bovine
  - Goat
  - Recipe optimization
- Focus on nutritionals and explore alternative protein offerings
- Commercial partnerships

Optimize and Enhance Operations

Operations-focused initiatives: manufacturing, supply chain, and logistics

- High-quality, low-cost processor
- Network and supply chain optimization
- Leverage automation
- Integrated business planning
- Toll manufacturing opportunities

USA Sector as a key driver

Create Enablers to Fuel Investments

- One USA (merger of our two former USA divisions)
  - Complete merger and materialize synergies
- Harmoni implementation (Enterprise Resource Planning)
  - Complete deployment and realize the value of our global ERP system
- Overhead cost reduction

/ JUNE 3, 2021

Management's Discussion & Analysis

Consolidated Financial Statements

FY2021

Saputo

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MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The goal of the management report is to analyze the results of, and the financial position of Saputo Inc. (we, Saputo or the Company), for the year ended March 31, 2021. It should be read while referring to the audited consolidated financial statements and accompanying notes. The accounting policies of the Company are in accordance with International Financial Reporting Standards (IFRS). All dollar amounts are in Canadian dollars, unless otherwise indicated. This report takes into account material elements between March 31, 2021, and June 3, 2021, the date on which this report was approved by the Company's Board of Directors. The information in this report is being presented as at March 31, 2021, unless otherwise specified. Additional information about the Company, including its Annual Report and Annual Information Form for the year ended March 31, 2021, can be obtained on SEDAR at www.sedar.com.

NON-IFRS MEASURES

The Company reports its financial results in accordance with IFRS. However, in this Management's Discussion and Analysis, the following non-IFRS measures are used by the Company: adjusted EBITDA; adjusted net earnings; adjusted net earnings excluding amortization of intangible assets related to business acquisitions; adjusted net earnings per share and adjusted net earnings per share excluding amortization of intangible assets related to business acquisitions. These measures are defined in the "Glossary" section of this Management's Discussion and Analysis. Refer to the ''Non-IFRS Financial Measures'' section of this Management's Discussion and Analysis for the reconciliations to IFRS measures.

Management of the Company believes that these non-IFRS measures provide useful information to investors regarding the Company's financial condition and results of operations as they provide key metrics of its performance. These non-IFRS measures are not recognized under IFRS, do not have any standardized meaning prescribed under IFRS and may differ from similar computations as reported by other issuers, and accordingly may not be comparable. These measures should not be viewed as a substitute for the related financial information prepared in accordance with IFRS.

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” or “target”, or the negative of these terms or variations of them, the use of conditional or future tense or words and expressions of similar nature, are intended to identify forward-looking statements. All statements other than statements of historical fact included in this report may constitute forward-looking statements within the meaning of applicable securities laws.

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

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

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

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

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

SELECTED FINANCIAL INFORMATION

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

	2021	2020	2019
Revenues	**14,293.9**	14,943.5	13,501.9
Adjusted EBITDA*	**1,470.9**	1,467.8	1,221.3
*Margin***	***10.3 %***	*9.8 %*	*9.0 %*
Net earnings	**625.6**	582.8	755.3
Basic per share	**1.53**	1.46	1.94
Diluted per share	**1.52**	1.45	1.93
*Margin***	***4.4 %***	*3.9 %*	*5.6 %*
Adjusted net earnings excluding amortization of intangible assets related to business acquisitions*	**714.8**	723.6	655.1
Basic per share	**1.74**	1.81	1.69
Diluted per share	**1.74**	1.80	1.67
*Margin***	***5.0 %***	*4.8 %*	*4.9 %*
OTHER PER SHARE DATA			
Dividends	**0.70**	0.68	0.66
Book value	**15.63**	16.05	13.89
FINANCIAL POSITION DATA			
Working capital**	**1,801.6**	1,575.5	1,201.3
Total assets	**13,122.8**	13,793.1	9,885.6
Net debt**	**3,805.7**	4,166.2	2,285.0
Total non-current financial liabilities	**3,666.6**	3,889.5	1,943.9
Equity	**6,444.0**	6,559.1	5,420.5
FINANCIAL RATIOS			
Net debt / Equity	**0.59**	0.64	0.42
Net debt to adjusted EBITDA**	**2.59**	2.84	1.87
Adjusted return on average equity**	***10.5 %***	*12.3 %*	*14.2 %*
STATEMENT OF CASH FLOWS DATA			
Net cash generated from operations	**1,078.1**	1,036.9	884.5
Amount of additions to property, plant and equipment, intangible assets, net of proceeds on disposal	**387.4**	565.3	274.2
Business acquisitions	**—**	1,929.6	1,471.7
Proceeds on divestiture	**—**	—	(239.7)
Payment of dividends*** (Net of dividends paid through DRIP of $80.3 million in fiscal 2021)	**204.6**	269.7	254.6

* See the “Non-IFRS Financial Measures” section of this Management’s Discussion and Analysis for the reconciliations to IFRS measures.
** Refer to the ‘‘Glossary’’ section of this Management’s Discussion and Analysis.
*** Effective as of the dividend paid on July 9, 2020, a dividend reinvestment plan (DRIP) was implemented.

FINANCIAL INFORMATION

(in millions of CDN dollars)

	For the three-month periods ended March 31		For the years ended March 31	
	2021	2020	**2021**	2020
STATEMENT OF EARNINGS				
Revenues				
Canada	**1,000.8**	960.1	**4,134.9**	4,007.3
USA	**1,399.2**	1,694.8	**6,121.8**	7,093.6
International	**827.3**	832.4	**3,221.4**	3,076.7
Europe	**210.7**	231.4	**815.8**	765.9
	3,438.0	3,718.7	**14,293.9**	14,943.5
Operating costs excluding depreciation, amortization, inventory revaluation resulting from a business acquisition, and restructuring costs				
Canada	**893.4**	869.1	**3,688.0**	3,602.9
USA	**1,305.5**	1,600.5	**5,554.5**	6,478.2
International	**765.0**	765.9	**2,916.4**	2,771.8
Europe	**171.3**	184.8	**664.1**	622.8
	3,135.2	3,420.3	**12,823.0**	13,475.7
Adjusted EBITDA*				
Canada	**107.4**	91.0	**446.9**	404.4
USA	**93.7**	94.3	**567.3**	615.4
International	**62.3**	66.5	**305.0**	304.9
Europe	**39.4**	46.6	**151.7**	143.1
	302.8	298.4	**1,470.9**	1,467.8
*Adjusted EBITDA margin***	***8.8 %***	*8.0 %*	***10.3 %***	*9.8 %*
Depreciation and amortization				
Canada	**26.5**	23.4	**98.9**	91.9
USA	**51.2**	46.2	**199.9**	174.2
International	**29.8**	28.1	**111.7**	107.8
Europe	**27.3**	30.1	**104.5**	93.3
	134.8	127.8	**515.0**	467.2
Impairment of intangible assets	**—**	—	**19.0**	—
Inventory revaluation resulting from a business acquisition	**—**	—	**—**	40.1
Acquisition and restructuring costs	**3.0**	13.8	**(3.2)**	46.0
Financial charges	**23.3**	25.4	**96.7**	115.2
Earnings before incomes taxes	**141.7**	131.4	**843.4**	799.3
Income taxes	**38.6**	42.7	**217.8**	216.5
Net earnings	**103.1**	88.7	**625.6**	582.8
*Net earnings margin***	***3.0 %***	*2.4 %*	***4.4 %***	*3.9 %*

* See the “Non-IFRS Financial Measures” section of this Management’s Discussion and Analysis for the reconciliations to IFRS measures.
** Refer to the ‘‘Glossary’’ section of this Management’s Discussion and Analysis.

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

	For the three-month periods ended March 31		For the years ended March 31	
	2021	2020	**2021**	2020
Net earnings	**103.1**	88.7	**625.6**	582.8
Impairment of intangible assets[1]	**—**	—	**19.0**	—
Inventory revaluation resulting from a business acquisition[1]	**—**	—	**—**	32.5
Acquisition and restructuring costs[1]	**2.2**	10.1	**(2.4)**	38.4
Adjusted net earnings*	**105.3**	98.8	**642.2**	653.7
*Margin***	***3.1 %***	*2.7 %*	***4.5 %***	*4.4 %*
Amortization of intangible assets related to business acquisitions[1]	**18.4**	17.7	**72.6**	69.9
Adjusted net earnings excluding amortization of intangible assets related to business acquisitions*	**123.7**	116.5	**714.8**	723.6
*Margin***	***3.6 %***	*3.1 %*	***5.0 %***	*4.8 %*
PER SHARE DATA				
Net earnings per share	**0.25**	0.22	**1.53**	1.46
Diluted net earnings per share	**0.25**	0.22	**1.52**	1.45
Adjusted net earnings per share*	**0.26**	0.24	**1.57**	1.63
Adjusted diluted net earnings per share*	**0.25**	0.24	**1.56**	1.62
Adjusted net earnings per share excluding amortization of intangible assets related to business acquisitions*	**0.30**	0.29	**1.74**	1.81
Adjusted diluted net earnings per share excluding amortization of intangible assets related to business acquisitions*	**0.30**	0.28	**1.74**	1.80

1 Net of income taxes.
* See the "Non-IFRS Financial Measures" section of this Management's Discussion and Analysis for the reconciliations to IFRS measures.
** Refer to the ''Glossary'' section of this Management's Discussion and Analysis.

HIGHLIGHTS

Fourth quarter of fiscal 2021

- Revenues amounted to $3.438 billion, a decrease of $280.7 million or 7.5%.
- Adjusted EBITDA* amounted to $302.8 million, up $4.4 million or 1.5%.
- Net earnings totalled $103.1 million and EPS** (basic and diluted) were $0.25, as compared to $88.7 million and EPS (basic and diluted) of $0.22.
- Adjusted net earnings excluding amortization of intangible assets related to business acquisitions* totalled $123.7 million, as compared to $116.5 million, and the corresponding EPS** (basic and diluted) were $0.30, as compared to $0.29 and $0.28.
- Net cash generated from operations amounted to $150.3 million, down $144.9 million or 49.1%.
- A decrease in international cheese and dairy ingredient market prices negatively affected revenues and adjusted EBITDA.
- USA Market Factors** negatively impacted adjusted EBITDA by approximately $4 million.
- The shift in consumer demand due to the COVID-19 pandemic continued to impact all of our sectors to varying degrees. Sales volumes were lower in the foodservice and retail market segments, partially offset by higher sales volumes in the industrial market segment, which negatively impacted revenues and adjusted EBITDA. Comparatively, in the last two weeks of the fourth quarter of fiscal 2020, the pandemic had caused a surge in retail market segment sales volumes while negatively impacting adjusted EBITDA, including an amount of $44.8 million comprised of a loss from unsellable inventory and an inventory write-down resulting from the decrease in certain market selling prices in North America.

Fiscal 2021

- Revenues amounted to $14.294 billion, a decrease of $649.6 million or 4.3%.
- Adjusted EBITDA amounted to $1.471 billion, up $3.1 million or 0.2%.
- Net earnings totalled $625.6 million and EPS (basic and diluted) were $1.53 and $1.52, as compared to $582.8 million and EPS (basic and diluted) of $1.46 and $1.45.
- Adjusted net earnings excluding amortization of intangible assets related to business acquisitions totalled $714.8 million, as compared to $723.6 million, and the corresponding EPS** (basic and diluted) were $1.74, as compared to $1.81 and $1.80.
- Net cash generated from operations totalled $1.078 billion, up $41.2 million or 4.0%.
- USA Market Factors positively impacted adjusted EBITDA by approximately $57 million.
- A decrease in international cheese and dairy ingredient market prices negatively affected revenues and adjusted EBITDA.
- The contributions from the acquisitions of Lion Dairy & Drinks Pty Ltd (Specialty Cheese Business Acquisition) and Dairy Crest Group plc (Dairy Crest Acquisition) for the full fiscal year positively impacted revenues and adjusted EBITDA.
- The shift in consumer demand relative to the COVID-19 pandemic, which began to negatively affect adjusted EBITDA late in the fourth quarter of fiscal 2020 continued to negatively affect fiscal 2021 results.
- Lower sales volumes in the foodservice market segment, mostly in the USA Sector, affected efficiencies and the absorption of fixed costs. This decrease was partially offset by higher sales volumes in the retail and industrial market segments.
- The Board of Directors approved a dividend of $0.175 per share payable on June 25, 2021, to common shareholders of record on June 16, 2021.

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

OUTLOOK

COVID-19 Pandemic

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

- safeguarding the health, safety, and well-being of our employees;
- adapting commercial initiatives, production, and supply chain to consumer demand;
- supporting customers with insights to adapt their offerings and address changing needs; and
- supporting communities through donations and financial support.

Current Market Conditions

The COVID-19 pandemic continues to disrupt global economic conditions, commodity pricing, consumer demand, supply chains and business productivity.

Factors that are currently impacting Saputo's performance, or that could in the future, include:

- The overall economy that continues to perform below pre-pandemic levels, although we are seeing signs of recovery in certain regions where we operate and sell our products;
- Ongoing (but varied) public health-driven restrictions globally that depress demand levels in the foodservice market segment. As vaccination levels increase, it is expected that consumer mobility, and therefore foodservice demand will begin to recover. The rate of recovery is currently unknown;
- Higher input costs. We are expecting higher transportation costs and sustained high commodity prices, which have been rising since early in calendar 2021;
- Volatility in the dairy commodities market, albeit at more moderate levels compared to fiscal 2021;
- Fluctuations in international cheese and dairy ingredient market prices.

All of these factors will have an impact on our financial performance in fiscal 2022, and it remains impossible to estimate the magnitude of such impact, either positive or negative, at this time.

Saputo is Focused on "Controlling the Controllables" and Moving its Business Forward

We continue to work closely with customers in the **foodservice market segment** to develop innovative product offerings adapted to new consumer trends, such as take-out for in-home dining, which are expected to outlast the pandemic. In the near term, sales in the foodservice and industrial market segments will continue to be impacted as long as government-imposed COVID-19 restrictions remain in place and in flux.

In the **industrial market segment**, volumes destined for export markets began to recover during the second half of fiscal 2021. Revenues are expected to continue to increase, however the pace and timing of the recovery to pre-pandemic levels will be variable and depend on the export market.

The **retail market segment** continues to perform well. The shift in consumer demand during the pandemic benefited this segment and we expect sales will continue to perform well compared to pre-pandemic levels.

This past year, we demonstrated our ability to pivot our operations to new circumstances while staying on course with strategic investments aimed at fueling growth. We will remain agile and flexible, from both a commercial and a production perspective, to adjust to further changes in consumer demand and to the expected recovery in foodservice market segment demand. We believe we have a strong foundation to build on, which will support our growth plans.

Our Growth Strategy

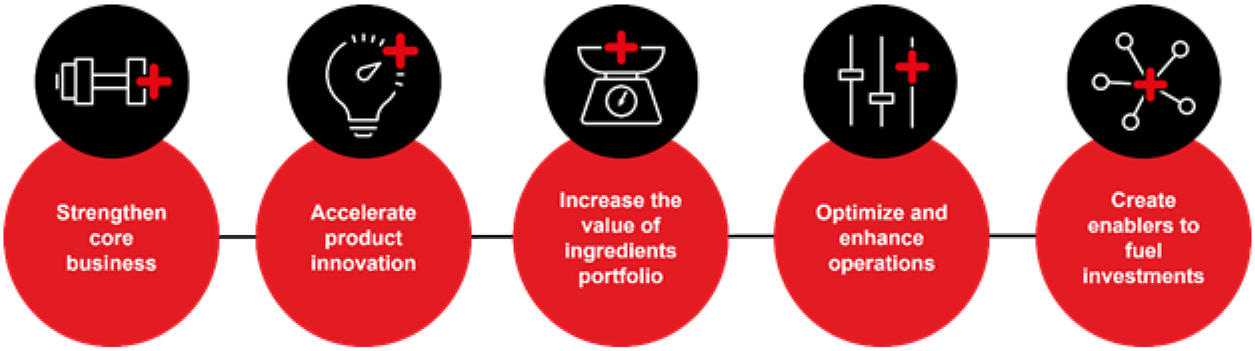
We have a well-defined strategy based on a three-pronged approach comprised of **organic growth**, **strategic acquisitions** and our **Saputo Promise**.

Saputo's steady operational cash generation and low debt position provide a solid financial foundation and ample flexibility to support our growth.

Organic Growth

Our new four-year Global Strategic Plan is designed to deliver accelerated organic growth across all our platforms. We are **targeting high single-digit Adjusted EBITDA* CAGR**[1] over the four-year period **to reach $2.125 billion by the end of fiscal 2025**.

To boost organic growth, this Plan is based on **five key pillars**: Strengthen core business, Accelerate product innovation, Increase the value of ingredients portfolio, Optimize and enhance operations, and Create enablers to fuel investments.



Under **strengthen our core business**, we are leveraging the power of our brands, both domestically and across geographies, and optimizing our existing product portfolio with a focus on core categories, including snacking, Italian-style, and specialty cheeses as well as value-added products, beverages, and ingredients. With the rise in online consumer behaviour expected to outlast the pandemic, we are also building upon the e-commerce initiatives we launched in fiscal 2021, from a direct-to-consumer, B2B, and B2B2C standpoint.

We plan on **accelerating product innovation** by expanding our presence in dairy alternatives as a strategic priority. We intend to take an early and active leadership position in the alternative cheese category, while also leveraging our network to seize opportunities on the alternative beverage side through co-packing arrangements. These initiatives complement our extensive value-added dairy portfolio, which we are looking to enhance with the introduction of new formats, flavours, and packaging that is recyclable and consumer-friendly. We are planning to leverage our e-commerce strategy to support our innovation efforts.

To **increase the value of our ingredients portfolio** we will deploy efforts to maximize the value of our whey, optimize key recipes to differentiate our offering to the market, and solidify and establish commercial relationships. We are also emphasizing our focus on nutritional ingredients, which garner a premium, as well as exploring alternative protein offerings.

As part of **optimizing and enhancing operations,** we will undertake specific operations-focused initiatives in our manufacturing, supply chain and logistics activities. As a high-quality, low-cost processor, we always seek to be as efficient as possible, and, to that end, we are focusing our efforts on increasing automation and sharpening our integrated business planning for optimal sales and production planning. Also, as part of the continual review of our operations, we look for ways to optimize our network and supply chain on an ongoing basis, rightsizing where possible and making the necessary capital investments to modernize and/or increase capacity where needed. Toll manufacturing is an option we have utilized in recent years and believe we can further benefit from moving forward.

Our final strategic pillar, **create enablers to fuel investments**, comprises initiatives, some of which are ongoing, that will allow us to materialize synergies and reduce overhead costs. Such initiatives include the completion of the merger of our two USA divisions into “One USA” from which we expect to materialize synergies thanks to a more agile platform. Also, once fully deployed, we anticipate that we will reap the benefits from the implementation of our global ERP system, known as the Harmoni project, maximizing its full potential.

Building on the successes derived from our strategic approach to capital expenditures to fuel organic growth, our Global Strategic Plan includes **planned investments of $2.3 billion**, comprised of both base and strategic capital projects. Although the planned capital expenditures are above the historical trend of the last four years, we intend to maintain our usual approach to invest in our assets to a level which is similar to our depreciation and amortization expense.

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

1 CAGR, Compound Annual Growth Rate is defined at the year-over-year growth rate over a specified amount of time.

Strategic Acquisitions

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

Areas of focus include:

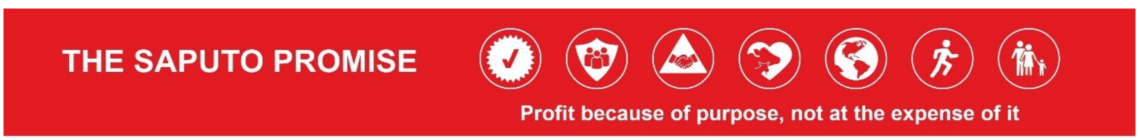
- Cheese;
- Value-added ingredients;
- USA retail; and
- Dairy alternative products.

Our key regions of interest include areas we operate in as well as regions that would expand our geographical footprint, such as Northern and Western Europe.

We recently completed the acquisition of Bute Island Foods Ltd. an innovative manufacturer, marketer and distributor of a variety of dairy alternative cheese products for both the retail and foodservice market segments under the award-winning vegan *Sheese* brand, alongside private label brands. The business is located on the Isle of Bute, off the West Coast of Scotland (United Kingdom) and employs approximately 180 people, including its founders. Additionally, we acquired the Reedsburg facility of Wisconsin Specialty Protein, LLC located in Wisconsin (USA). This facility manufactures value-added ingredients such as goat whey, organic lactose and other dairy powders and it employs approximately 40 people. These two strategic acquisitions are in line with and will contribute favourably to our new Global Strategic Plan.

The Saputo Promise

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



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

Health and Safety (H&S) and Diversity, Equity and Inclusion (DE&I) are key areas of focus. Building on our strong safety environment, we continue to intensify our efforts relating to Goal Zero, our approach to H&S based on driving a culture where our people are an integral part of the solution. We reinforced our commitment to DE&I by signing the Business Council of Canada's statement denouncing racism, a pledge that aligns with Saputo's zero-tolerance stance on this important issue, and by joining Catalyst CEO Champions for Change to accelerate progress for gender equality, diversity, and inclusion in the workplace.

In fiscal 2020, we pledged to accelerate our global climate, water, and waste (including packaging) performance by 2025 and announced clear targets and a formal commitment to allocate additional resources, including a three-year investment of $50 million. Having completed our first round of global projects in fiscal 2021, which are expected to deliver estimated annual savings of more than 60,000 GJ of energy, 8,000 tons of CO_2, and 700 million L of water, we are now allocating funds for fiscal 2022. As planned, we are also preparing to extend our efforts to our supply chain to help address industry-wide environmental considerations. Our objective is to launch our supply chain pledges later this fiscal year.

We remain committed to giving back one percent of our annual pre-tax profits each year to help build healthier communities where we operate. Over and above this commitment, since the onset of the pandemic, Saputo has been supporting communities through product donations to food banks, with ongoing financial and in-kind contributions reaching over $10 million to date.

Enterprise Resource Planning (ERP)

As we continue with our Harmoni project, the rollout within the remainder of our Dairy Division (Australia) and the subsequent phases of the implementation within the Dairy Division (USA) are expected to be completed by the end of fiscal 2022. In the Dairy Division (Canada), we initiated the planning of the ERP rollout during fiscal 2021 and we expect to complete the implementation in phases by the end of fiscal 2024. We may re-plan deployment activities based on the evolution of the COVID-19 pandemic.

Striking the Right Balance Between Operating Responsibly and Pursuing Growth

Overall, we are focused on managing through the current challenges to emerge an even stronger partner to Saputo's customers, and a stronger Company for our shareholders and other stakeholders. Profitability enhancement and stakeholder value creation remain the cornerstones of Saputo's objectives.

CONSOLIDATED RESULTS FOR THE FOURTH QUARTER AND FISCAL YEAR ENDED MARCH 31, 2021

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

Revenues

Revenues for the **fourth quarter of fiscal 2021** totalled $3.438 billion, a decrease of $280.7 million or 7.5%, as compared to $3.719 billion for the same quarter last fiscal year.

Since late in the fourth quarter of fiscal 2020, we have experienced the shift in consumer demand caused by the COVID-19 pandemic, which was declared in March 2020. Orders from customers in the foodservice and industrial market segments began to decrease while an increase was felt in the retail market segment. While the impact on revenues in the fourth quarter of fiscal 2020 was not significant, revenues were negatively impacted in the fourth quarter of fiscal 2021.

Overall sales volumes in the quarter were lower compared to the same period last fiscal year as a result of lower sales volumes in the foodservice and retail market segments, although we benefited from increased sales volumes in the industrial market segment. The decrease in revenues was mainly in the USA Sector, due to the large proportion of its foodservice activities. During the quarter, export sales volumes were higher despite ongoing government-imposed restrictions, to varying degrees, in our different export markets. Late in the fourth quarter of fiscal 2020, our retail market segment sales volumes had surged in connection with the onset of the COVID-19 pandemic.

The combined effect of the lower average block market price** and the lower average butter market price** negatively impacted revenues by approximately $107 million. Revenues also decreased due to lower international cheese and dairy ingredient market prices, although they have begun to improve since the third quarter of fiscal 2021. However, revenues were positively impacted by higher domestic selling prices in the Canada Sector, which increased due to the higher cost of milk as raw material.

The combined effect of the fluctuation of the Australian dollar and the Argentine peso versus the US dollar in the export markets negatively impacted revenues. Finally, the fluctuation of foreign currencies versus the Canadian dollar decreased revenues by approximately $125 million.

Revenues in **fiscal 2021** totalled $14.294 billion, a decrease of $649.6 million or 4.3%, as compared to $14.944 billion last fiscal year.

The global shift in consumer demand caused by the COVID-19 pandemic negatively impacted sales volumes in the foodservice market segment, mostly in the USA Sector, although partially offset by increased sales volumes in the retail and industrial market segments. Additional sales volumes in our export markets positively impacted revenues despite varying government-imposed restrictions throughout the fiscal year.

Lower international cheese and dairy ingredient market prices negatively impacted revenues, despite the favourable net impact of the fluctuation of the Argentine peso and the Australian dollar versus the US dollar in the export markets. The combined effect of the lower average butter market price and the higher average block market price also decreased revenues by approximately $114 million. However, higher domestic selling prices in the Canada Sector and the International Sector, which increased due to the higher cost of milk as raw material, positively impacted revenues.

The contributions of the Specialty Cheese Business Acquisition in the International Sector and the Dairy Crest Acquisition in the Europe Sector for the full fiscal year, as compared to partial contributions last fiscal year, positively impacted revenues.

Lastly, the fluctuation of foreign currencies versus the Canadian dollar decreased revenues by approximately $183 million.

* See the “Non-IFRS Financial Measures” section of this Management’s Discussion and Analysis for the reconciliations to IFRS measures.
** Refer to the ‘‘Glossary’’ section of this Management’s Discussion and Analysis.

Adjusted EBITDA*

Selected factors positively (negatively) affecting financial performance

(in millions of CDN dollars)

	For the three-month periods ended March 31		For the years ended March 31	
	2021	2020	**2021**	2020
USA Market Factors*,1	**(4)**	(8)	**57**	8
Inventory write-down	**—**	(18)	**—**	(18)
Foreign currency exchange1,2	**(2)**	(3)	**(2)**	(36)

* Refer to the ''Glossary'' section of this Management's Discussion and Analysis.
1 As compared to same quarter last fiscal year for the three-month periods; as compared to last fiscal year for the years ended March 31.
2 Foreign currency exchange includes effect on adjusted EBITDA of conversion of US dollars, Australian dollars, British pounds sterling and Argentine pesos to Canadian dollars.

Adjusted EBITDA for the **fourth quarter of fiscal 2021** totalled $302.8 million, an increase of $4.4 million or 1.5%, as compared to $298.4 million for the same quarter last fiscal year.

The unfavourable relation between international cheese and dairy ingredient market prices and the cost of milk as raw material negatively impacted adjusted EBITDA. Also, in a volatile dairy commodity market, USA Market Factors** had a negative effect on adjusted EBITDA of approximately $4 million.

Sales volumes were lower in the retail and foodservice market segments, although partially offset by higher sales volumes in the industrial market segment, impacting efficiencies and the absorption of fixed costs, particularly in the USA Sector.

During the last two weeks of the fourth quarter of fiscal 2020, the COVID-19 pandemic had a negative impact on adjusted EBITDA caused by the shift in consumer demand, mainly in North America, which included an amount of $26.9 million comprised of a loss from unsellable inventory destined to foodservice customers and other expenses in the Canada and USA Sectors as well as an inventory write-down of $17.9 million as a result of the decrease in certain market selling prices in the USA Sector.

Finally, the effect of foreign currency fluctuations versus the Canadian dollar had an unfavourable impact on adjusted EBITDA of approximately $2 million.

Adjusted EBITDA in **fiscal 2021** totalled $1.471 billion, an increase of $3.1 million or 0.2%, as compared to $1.468 billion last fiscal year.

The unfavourable relation between international cheese and dairy ingredient market prices and the cost of milk as raw material had a negative impact on adjusted EBITDA. In an extremely volatile dairy commodity market, USA Market Factors had a positive impact on adjusted EBITDA of approximately $57 million.

The contributions of the Specialty Cheese Business Acquisition and the Dairy Crest Acquisition for the full fiscal year, as compared to partial contributions last fiscal year, increased adjusted EBITDA.

Lower administrative costs positively impacted adjusted EBITDA, with the continued ban on non-essential business travel, the reduction of promotional activity and other initiatives in the context of the COVID-19 pandemic, which mitigated the negative impacts on adjusted EBITDA of higher operational costs, including those related to additional supplies of personal protective equipment for employees and unproductive labour.

As described above, the COVID-19 pandemic negatively affected adjusted EBITDA late in the fourth quarter of last fiscal year. In fiscal 2021, overall lower sales volumes negatively impacted efficiencies and the absorption of fixed costs, particularly in the USA Sector.

The effect of foreign currency fluctuations versus the Canadian dollar had an unfavourable impact on adjusted EBITDA of approximately $2 million.

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

Operating costs excluding depreciation, amortization, inventory revaluation resulting from a business acquisition, and restructuring costs

Operating costs excluding depreciation, amortization, inventory revaluation resulting from a business acquisition, and restructuring costs for the **fourth quarter of fiscal 2021** totalled $3.135 billion, a decrease of $285.1 million or 8.3%, as compared to $3.420 billion for the same quarter last fiscal year. The decrease was consistent with lower revenues, as described above, and dairy commodity market volatility, which, together, contributed to the lower cost of raw materials and consumables used. Employee salary and benefit expenses increased due to wage increases.

Operating costs excluding depreciation, amortization, inventory revaluation resulting from a business acquisition, and restructuring costs in **fiscal 2021** totalled $12.823 billion, a decrease of $652.7 million or 4.8%, as compared to $13.476 billion for last fiscal year. The decrease was consistent with lower revenues, as described above, and extreme dairy commodity market volatility, which, together, contributed to the lower cost of raw materials and consumables used. Employee salary and benefit expenses increased due to wage increases and the contributions of the Specialty Cheese Business Acquisition and the Dairy Crest Acquisition for the full year, as compared to partial contributions last fiscal year.

Depreciation and amortization

Depreciation and amortization for the **fourth quarter of fiscal 2021** totalled $134.8 million, an increase of $7.0 million, as compared to $127.8 million for the same quarter last fiscal year. In **fiscal 2021**, depreciation and amortization expenses amounted to $515.0 million, an increase of $47.8 million, as compared to $467.2 million last fiscal year. These increases were mainly attributable to additional depreciation and amortization related to recent acquisitions, as well as additions to property, plant and equipment, which increased the depreciable base.

Impairment of intangible assets

During the **first quarter of fiscal 2021**, an impairment of intangible assets charge of $19.0 million was incurred in relation to our decision to retire the *COON* cheese brand name from our Australian portfolio as part of our commitment to share in the responsibility to eliminate racism in all its forms.

Inventory revaluation resulting from a business acquisition

During **fiscal 2021**, inventory revaluation resulting from a business acquisition was nil and in fiscal 2020 amounted to $40.1 million. This revaluation relating to the Dairy Crest Acquisition stemmed from added value attributed to the acquired inventory as part of the purchase price allocation and was fully amortized during fiscal 2020.

Acquisition and restructuring costs

Acquisition and restructuring costs for the **fourth quarter of fiscal 2021** amounted to $3.0 million which related to stamp duty taxes from a previous acquisition, as compared to $13.8 million for the same quarter last fiscal year, which included severance and closure costs, and impairment charges for property, plant and equipment relating to plant closures.

Acquisition and restructuring costs in **fiscal 2021** amounted to a net gain of $3.2 million, including a gain on disposal of assets of $6.2 million ($4.6 million after tax) relating to the sale of a facility in the Canada Sector and additional costs from a previous acquisition, as compared to $46.0 million for fiscal 2020, incurred mainly for the Dairy Crest Acquisition and the Specialty Cheese Business Acquisition.

Financial charges

In the **fourth quarter of fiscal 2021**, financial charges totalled $23.3 million, a decrease of $2.1 million or 8.3%, as compared to $25.4 million for the same quarter last fiscal year. This includes a decrease in interest expense of $8.1 million, mainly attributable to lower interest rates and a lower debt level, and a decreased gain on hyperinflation of $6.0 million derived from the indexation of non-monetary assets and liabilities.

In **fiscal 2021,** financial charges amounted to $96.7 million, a decrease of $18.5 million or 16.1%, as compared to $115.2 million last fiscal year. This includes a decrease in interest expense of $29.2 million, mainly attributable to a lower debt level, lower interest rates, and a decreased gain on hyperinflation of $10.7 million.

Income tax expense

In the **fourth quarter of fiscal 2021**, income tax expense totalled $38.6 million, reflecting an effective tax rate of 27.2% as compared to 32.5% for the same quarter last fiscal year. Income taxes for the fourth quarter of fiscal 2021 included the impact of the change in the geographic mix of quarterly earnings across the various USA states in which we operate and the related increase of deferred tax liabilities. Income tax expense also reflected the favourable impact from a tax inflation adjustment in Argentina. Income taxes in the fourth quarter of fiscal 2020 included the increase of the deferred income tax liabilities resulting from the effect of the 2% corporate income tax rate increase in the United Kingdom, as well as the favourable impacts from hyperinflation in Argentina and from the decrease in provincial taxes in Canada.

In **fiscal 2021**, income tax expense totalled $217.8 million, reflecting an effective tax rate of 25.8% as compared to 27.1% for fiscal 2020. The fiscal 2021 income tax expense reflected the tax treatment of an impairment of intangible assets charge and an income tax benefit related to a tax inflation adjustment in Argentina. Income taxes during fiscal 2020 included an income tax expense of $17.3 million due to the increase in the corporate income tax rate in the United Kingdom. The effective tax rate for fiscal 2020 also reflected the income tax benefits related to a tax inflation adjustment pursuant to Argentine tax legislation and the decrease in provincial income taxes in Canada. Excluding the effects of the factors mentioned above, the effective tax rate for the fiscal years 2021 and 2020 would have been 26.3% and 26.2%, respectively.

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

Net earnings

Net earnings for the **fourth quarter of fiscal 2021** totalled $103.1 million, an increase of $14.4 million or 16.2%, as compared to $88.7 million for the same quarter last fiscal year. In **fiscal 2021**, net earnings totalled $625.6 million, an increase of $42.8 million or 7.3%, as compared to $582.8 million for last fiscal year. These increases were mainly due to the aforementioned factors.

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

Adjusted net earnings excluding amortization of intangible assets related to business acquisitions for the **fourth quarter of fiscal 2021** totalled $123.7 million, an increase of $7.2 million or 6.2%, as compared to $116.5 million for the same quarter last fiscal year. This increase was mainly due to the aforementioned factors.

In **fiscal 2021**, adjusted net earnings excluding amortization of intangible assets related to business acquisitions totalled $714.8 million, a decrease of $8.8 million or 1.2%, as compared to $723.6 million for last fiscal year. This decrease was mainly due to the aforementioned factors.

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

QUARTERLY FINANCIAL INFORMATION BY SECTOR

CANADA SECTOR

(in millions of CDN dollars)

Fiscal years	2021				2020			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenues	**1,000.8**	**1,088.7**	**1,063.8**	**981.6**	960.1	1,049.0	1,029.4	968.8
Adjusted EBITDA*	**107.4**	**118.3**	**117.0**	**104.2**	91.0	111.7	103.2	98.5

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

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

USA SECTOR

(in millions of CDN dollars)

Fiscal years	2021				2020			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenues	**1,399.2**	**1,656.8**	**1,649.1**	**1,416.7**	1,694.8	1,848.7	1,792.4	1,757.7
Adjusted EBITDA*	**93.7**	**171.0**	**140.4**	**162.2**	94.3	172.1	175.4	173.6

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

Selected factors positively (negatively) affecting financial performance

(in millions of CDN dollars)

Fiscal years	2021				2020			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
USA Market Factors*[,1]	**(4)**	**34**	**4**	**23**	(8)	14	10	(8)
Inventory write-down	**—**	**—**	**—**	**—**	(18)	—	—	—
US currency exchange[1]	**(5)**	**(2)**	**2**	**5**	1	—	1	6

* Refer to the "Glossary" section of this Management's Discussion and Analysis.
1 As compared to same quarter last fiscal year.

Other pertinent information

(in US dollars, except for average exchange rate)

Fiscal years	2021				2020			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Block market price*								
Opening	**1.650**	**2.573**	**2.640**	**1.330**	1.910	1.958	1.858	1.645
Closing	**1.738**	**1.650**	**2.573**	**2.640**	1.330	1.910	1.958	1.858
Average	**1.687**	**2.129**	**2.249**	**1.778**	1.835	1.971	1.912	1.711
Butter market price*								
Opening	**1.420**	**1.510**	**1.765**	**1.335**	1.950	2.128	2.410	2.255
Closing	**1.818**	**1.420**	**1.510**	**1.765**	1.335	1.950	2.128	2.410
Average	**1.480**	**1.444**	**1.571**	**1.500**	1.799	2.043	2.284	2.330
Average whey powder market price per pound*	**0.517**	**0.388**	**0.311**	**0.356**	0.353	0.326	0.352	0.370
Spread*	**0.001**	**0.168**	**0.141**	**0.047**	0.113	(0.018)	0.029	0.001[2]
US average exchange rate to Canadian dollar[1]	**1.268**	**1.306**	**1.333**	**1.378**	1.330	1.320	1.320	1.337

* Refer to the "Glossary" section of this Management's Discussion and Analysis.
1 Based on Bank of Canada published information.
2 Updated to conform to the current Spread definition.

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

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

INTERNATIONAL SECTOR

(in millions of CDN dollars)

Fiscal years	2021				2020			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenues	**827.3**	**806.8**	**805.7**	**781.6**	832.4	797.0	657.0	790.3
Adjusted EBITDA*	**62.3**	**104.7**	**78.2**	**59.8**	66.5	98.5	80.2	59.7

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

Selected factors positively (negatively) affecting financial performance

(in millions of CDN dollars)

Fiscal years	2021				2020			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Foreign currency exchange[1]	**3**	**4**	**(1)**	**(9)**	(5)	(14)	(16)	(10)

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

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

EUROPE SECTOR

(in millions of CDN dollars)

Fiscal years	2021				2020			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenues	**210.7**	**210.6**	**183.6**	**210.9**	231.4	196.1	186.8	151.6
Adjusted EBITDA*	**39.4**	**37.1**	**34.9**	**40.3**	46.6	34.7	35.6	26.2

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

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

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

CANADA SECTOR

(in millions of CDN dollars)

	For the three-month periods ended March 31		For the years ended March 31	
	2021	2020	**2021**	2020
Revenues	**1,000.8**	960.1	**4,134.9**	4,007.3
Adjusted EBITDA*	**107.4**	91.0	**446.9**	404.4

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

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

Revenues

Revenues for the **fourth quarter of fiscal 2021** totalled $1.001 billion, an increase of $40.7 million or 4.2%, as compared to $960.1 million for the same quarter last fiscal year.

Revenues were positively impacted by higher sales volumes in the retail and industrial market segments, which outweighed decreased sales volumes in the foodservice market segment resulting from the shift in consumer demand related to the COVID-19 pandemic.

Higher selling prices in connection with the higher cost of milk as raw material also contributed positively to the increase in revenues.

Revenues in **fiscal 2021** totalled $4.135 billion, an increase of $127.6 million or 3.2%, as compared to $4.007 billion last fiscal year.

Revenues were positively impacted by higher sales volumes, mainly in the fluid milk category. The shift in consumer demand related to the COVID-19 pandemic resulted in increased sales volumes in the retail and industrial market segments, which outweighed decreased sales volumes within the foodservice market segment.

Higher selling prices in connection with the higher cost of milk as raw material also contributed positively to the increase in revenues.

The retail market segment represented approximately 63% of revenues (58% in fiscal 2020), an increase reflecting the shift in consumer demand related to the COVID-19 pandemic, the sustained demand for dairy products and the brand initiatives described below.

We leveraged our long-standing *Armstrong* brand’s popularity, building on its repositioning and new line extensions to increase distribution and gain market share nationally. Following the launch of our award-winning *Armstrong* shredded cheese range, we expanded our line-up to include additional new flavours and formats created to suit the diverse needs of Canadian households. We continued our initiatives to boost brand exposure through marketing activities, media, and local trade marketing as well as online with the Spring 2020 launch of our direct-to-consumer website, The Saputo Fridge, offering consumers limited shelf-life overstocked products.

The foodservice market segment represented approximately 29% of revenues (36% in fiscal 2020), a decrease reflecting the shift in consumer demand related to the COVID-19 pandemic. Throughout the year, we worked closely with customers to develop innovative product offerings adapted to new consumer trends, such as take-out for in-home dining, which are expected to outlast the pandemic.

The industrial market segment represented approximately 8% of revenues (6% in fiscal 2020).

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

Adjusted EBITDA*

Adjusted EBITDA for the **fourth quarter of fiscal 2021** totalled $107.4 million, an increase of $16.4 million or 18.0%, as compared to $91.0 million for the same quarter last fiscal year.

Adjusted EBITDA was positively impacted by higher sales volumes within the retail and industrial market segments, which outweighed lower sales volumes in the foodservice market segment.

As a result of the COVID-19 pandemic's impact on demand in the foodservice market segment in the last two weeks of the fourth quarter of fiscal 2020, an inventory write-down and other expenses were incurred totalling $4.3 million, which were mainly attributable to unsellable inventory.

Adjusted EBITDA in **fiscal 2021** totalled $446.9 million, an increase of $42.5 million or 10.5%, as compared to $404.4 million last fiscal year.

Adjusted EBITDA was positively impacted by higher sales volumes within the retail and industrial market segments, which outweighed lower sales volumes in the foodservice market segment.

As described above, the COVID-19 pandemic negatively affected adjusted EBITDA late in the fourth quarter of fiscal 2020.

Lower administrative costs positively impacted adjusted EBITDA as a result of the ongoing ban on non-essential business travel, limitations placed on promotional activity and other initiatives in the context of the COVID-19 pandemic.

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

USA SECTOR

(in millions of CDN dollars)

	For the three-month periods ended March 31		For the years ended March 31	
	2021	2020	**2021**	2020
Revenues	**1,399.2**	1,694.8	**6,121.8**	7,093.6
Adjusted EBITDA*	**93.7**	94.3	**567.3**	615.4

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

Selected factors positively (negatively) affecting financial performance

(in millions of CDN dollars)

	For the three-month periods ended March 31		For the years ended March 31	
	2021	2020	**2021**	2020
USA Market Factors*[,1]	**(4)**	(8)	**57**	8
Inventory write-down	**—**	(18)	**—**	(18)
US currency exchange[1]	**(5)**	1	**—**	8

* Refer to the ''Glossary'' section of this Management's Discussion and Analysis.
1 As compared to same quarter last fiscal year for the three-month periods; as compared to last fiscal year for the years ended March 31.

Other pertinent information

(in US dollars, except for average exchange rate)

	For the three-month periods ended March 31		For the years ended March 31	
	2021	2020	**2021**	2020
Block market price*				
Opening	**1.650**	1.910	**1.330**	1.645
Closing	**1.738**	1.330	**1.738**	1.330
Average	**1.687**	1.835	**1.961**	1.857
Butter market price*				
Opening	**1.420**	1.950	**1.335**	2.255
Closing	**1.818**	1.335	**1.818**	1.335
Average	**1.480**	1.799	**1.498**	2.114
Average whey powder market price*	**0.517**	0.353	**0.393**	0.350
Spread*	**0.001**	0.113	**0.090**	0.046
US average exchange rate to Canadian dollar[1]	**1.268**	1.330	**1.326**	1.327

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

The USA Sector consists of the Dairy Division (USA). During the second quarter of fiscal 2021, the two former USA divisions, the Cheese Division (USA) and the Dairy Foods Division (USA), were merged into a single division now known as the Dairy Division (USA).

Revenues

Revenues for the **fourth quarter of fiscal 2021** totalled $1.399 billion, a decrease of $295.6 million or 17.4%, as compared to $1.695 billion for the same quarter last fiscal year.

Revenues were negatively impacted by lower sales volumes, particularly in the foodservice market segment.

Fluctuations in the average block market price and a lower average butter market price both negatively impacted revenues by approximately $107 million.

The fluctuation of the US dollar versus the Canadian dollar decreased revenues by approximately $99 million.

Revenues in **fiscal 2021** totalled $6.122 billion, a decrease of $971.8 million or 13.7%, as compared to $7.094 billion last fiscal year.

Revenues were negatively impacted by lower sales volumes, particularly in the foodservice market segment.

The lower average butter market price negatively impacted revenues, partially offset by the fluctuation of the average block market price, for a combined negative impact of approximately $114 million.

The fluctuation of the US dollar versus the Canadian dollar decreased revenues by approximately $52 million.

The retail market segment represented approximately 47% of total USA Sector revenues (43% in fiscal 2020) whereas the foodservice market segment represented approximately 43% of revenues (48% in fiscal 2020). These fluctuations reflected the shift in consumer demand related to the COVID-19 pandemic. In fiscal 2021, we implemented various initiatives focused on product innovation and maintaining our market share, as described below.

The *Frigo Cheese Heads*, *Treasure Cave* and *Montchevre* retail brands maintained leading market share positions in string cheese, blue cheese and goat cheese, respectively. With our strong position in “recipe cheeses” such as mozzarella, hard Italian and ricotta, the *Frigo* brand grew as consumers shifted to more in-home dining. In fiscal 2021, the UK’s #1 cheddar cheese brand, *Cathedral City*, was introduced in the USA, with products currently available for purchase in over 5,000 stores nationwide. We continued to outpace national retail market growth in core products, including cream, lactose-free milk and aerosol whipped toppings, driven by pandemic-induced in-home coffee and dessert consumption. Fiscal 2021 was a year of innovation as we launched new product lines of ultra-filtered and dairy alternative milk, as well as commissioned equipment for single-serve aseptic value-added beverages, all offered for sale across the retail and foodservice market segments.

While we were exposed to COVID-19-related challenges in the foodservice market segment throughout fiscal 2021, we worked to optimize our branded portfolio across product categories to drive profitability once dynamics improve post-pandemic. We successfully trialled a mozzarella-style cheese alternative product with the functional and taste attributes that customers and consumers are expecting in this category. Alignment with quick-service restaurant (QSR) customers, who fared well in the pandemic due to drive-thru operations, helped us outpace the market for ice cream mix and iced coffee products. Among the broadline foodservice distributors, we saw steep declines in cream and portion control creamers with reduced occasions for away-from-home coffee consumption.

The industrial market segment represented approximately 10% of revenues (9% in fiscal 2020).

* See the “Non-IFRS Financial Measures” section of this Management’s Discussion and Analysis for the reconciliations to IFRS measures.
** Refer to the ‘‘Glossary’’ section of this Management’s Discussion and Analysis.

Adjusted EBITDA*

Adjusted EBITDA for the **fourth quarter of fiscal 2021** totalled $93.7 million, a decrease of $0.6 million or 0.6%, as compared to $94.3 million for the same quarter last fiscal year.

Adjusted EBITDA was negatively impacted by lower sales volumes as a result of the shift in consumer demand, which affected efficiencies and the absorption of fixed costs.

The relation between the average block market price and the cost of milk as raw material had an unfavourable impact on adjusted EBITDA. However, the net impact of the lower average butter market price** and the fluctuation of the average block market price** had a favourable impact on both the realization of inventories and the absorption of fixed costs. Higher dairy ingredient market prices had a favourable impact on adjusted EBITDA. The combined effect of these USA Market Factors** negatively impacted adjusted EBITDA by approximately $4 million.

Also, lower administrative costs positively impacted adjusted EBITDA as a result of the ongoing ban on non-essential business travel, limitations placed on promotional activity and other initiatives in the context of the COVID-19 pandemic.

In the last two weeks of the fourth quarter of fiscal 2020, adjusted EBITDA was negatively impacted due to the decrease in foodservice customer demand as a result of the COVID-19 pandemic. This decrease included a $22.6 million loss from unsellable inventory destined to foodservice customers and other expenses, as well as an inventory write-down of $17.9 million as a result of the reduction in certain market selling prices.

Finally, the fluctuation of the US dollar versus the Canadian dollar had a negative impact on adjusted EBITDA of approximately $5 million.

Adjusted EBITDA in **fiscal 2021** totalled $567.3 million, a decrease of $48.1 million or 7.8%, as compared to $615.4 million last fiscal year.

Adjusted EBITDA was negatively impacted by lower sales volumes, which affected the Sector's efficiencies and the absorption of fixed costs.

The relation between the average block market price and the cost of milk as raw material as well as higher dairy ingredient market prices had a favourable impact on adjusted EBITDA. However, the combined effect of the fluctuation of the average block market price and the lower average butter market price had an unfavourable impact on both the realization of inventories and the absorption of fixed costs. The combined effect of these USA Market Factors positively impacted adjusted EBITDA by approximately $57 million. Furthermore, as described above, adjusted EBITDA was negatively affected by the sharp market downward pressure of commodity prices in the last two weeks of fiscal 2020.

Also, lower administrative costs positively impacted adjusted EBITDA as a result of the ongoing ban on non-essential business travel, limitations placed on promotional activity and other initiatives in the context of the COVID-19 pandemic.

As described above, the COVID-19 pandemic negatively impacted adjusted EBITDA late in the fourth quarter of fiscal 2020.

Finally, the fluctuation of the US dollar versus the Canadian dollar had a negligible impact on adjusted EBITDA.

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

INTERNATIONAL SECTOR

(in millions of CDN dollars)

	For the three-month periods ended March 31		For the years ended March 31	
	2021	2020	**2021**	2020
Revenues	**827.3**	832.4	**3,221.4**	3,076.7
Adjusted EBITDA*	**62.3**	66.5	**305.0**	304.9

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

Selected factors positively (negatively) affecting financial performance

(in millions of CDN dollars)

	For the three-month periods ended March 31		For the years ended March 31	
	2021	2020	**2021**	2020
Foreign currency exchange[1]	**3**	(5)	**(3)**	(45)

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

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

Revenues

Revenues for the **fourth quarter of fiscal 2021** totalled $827.3 million, a decrease of $5.1 million or 0.6%, as compared to $832.4 million for the same quarter last fiscal year.

A decrease in international cheese and dairy ingredient market prices negatively impacted revenues. The strengthening of the Australian dollar versus the US dollar, partially offset by the positive impact of the devaluation of the Argentine peso versus the US dollar in the export markets, also had a negative impact on revenues.

Increased sales volumes in our export markets, despite varying government-imposed health restrictions, positively impacted revenues. Sales volumes in the industrial and foodservice market segments increased whereas sales volumes in the retail market segment decreased in comparison to those of the fourth quarter of fiscal 2020, which had been positively impacted following the shift in consumer demand resulting from the COVID-19 pandemic.

The net effect of higher selling prices in the Dairy Division (Argentina), as a result of the hyperinflationary economy, and lower selling prices in the domestic market in the Dairy Division (Australia), due to lower dairy commodity prices, positively impacted revenues.

Finally, the fluctuation of the functional currencies used in the International Sector versus the Canadian dollar had a negative impact on revenues of approximately $28 million.

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

Revenues in **fiscal 2021** totalled $3.221 billion, an increase of $144.7 million or 4.7%, as compared to $3.077 billion last fiscal year.

Revenues increased in all market segments. Despite varying government-imposed lockdowns throughout the year, additional sales volumes in our export markets positively impacted revenues.

Revenues increased due to higher selling prices in the domestic market in Australia, as a result of the higher cost of milk as raw material, and in the Dairy Division (Argentina), as a result of the hyperinflationary economy. However, a decrease in international cheese and dairy ingredient market prices had a negative impact on revenues.

The impact of the devaluation of the Argentine peso versus the US dollar in the export markets, partially offset by the strengthening of the Australian dollar versus the US dollar, also positively impacted revenues. The fluctuation of the functional currencies used in the International Sector versus the Canadian dollar had a negative impact on revenues of approximately $148 million.

The contribution of the Specialty Cheese Business Acquisition for the full fiscal year, as compared 22 weeks last fiscal year, positively impacted revenues.

The retail market segment represented approximately 43% of total revenues (42% in fiscal 2020). We continued to leverage our vast portfolio of brands inherited through acquisitions. The Dairy Division (Australia) re-launched the *Devondale* brand, resulting in increased brand awareness, and launched new products under the lactose-free *Liddells* range, which is now our fastest-growing brand in everyday cheddar from a volume standpoint. *Mersey Valley* has strengthened its position as the top specialty cheddar brand and *King Island Dairy* Stormy won the 2020 Australia Grand Dairy Award in the washed/mixed rind category. The Dairy Division (Argentina) launched a promotional campaign for *La Paulina,* continuing to increase brand awareness. *La Paulina* is the leading cheese brand in Argentina.

The foodservice market segment represented approximately 7% of total revenues in fiscal 2021 (7% in fiscal 2020).

The industrial market segment represented approximately 50% of total revenues in fiscal 2021 (51% in fiscal 2020). Industrial market segment sales are destined mostly for export markets.

Adjusted EBITDA*

Adjusted EBITDA for the **fourth quarter of fiscal 2021** totalled $62.3 million, a decrease of $4.2 million or 6.3%, as compared to $66.5 million for the same quarter last fiscal year.

The relation between international cheese and dairy ingredient market prices and the cost of milk as raw material had a negative impact on adjusted EBITDA. However, higher sales volumes and improved operational efficiencies derived from increased milk availability, positively impacted adjusted EBITDA.

The fluctuation of the functional currencies used in the International Sector versus the Canadian dollar had a positive impact on adjusted EBITDA of approximately $3 million.

In **fiscal 2021**, adjusted EBITDA totalled $305.0 million, as compared to $304.9 million last fiscal year.

Adjusted EBITDA was positively impacted by higher sales volumes and improved operational efficiencies derived from increased milk availability.

The unfavourable relation between international cheese and dairy ingredient market prices and the cost of milk as raw material had a negative impact on adjusted EBITDA. The contribution of the Specialty Cheese Business Acquisition for the full fiscal year, as compared to 22 weeks last fiscal year, also increased adjusted EBITDA.

The fluctuation of the functional currencies used in the International Sector versus the Canadian dollar had a negative impact on adjusted EBITDA of approximately $3 million.

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

EUROPE SECTOR

(in millions of CDN dollars)

	For the three-month periods ended March 31		For the years ended March 31	
	2021	2020	**2021**	2020
Revenues	**210.7**	231.4	**815.8**	765.9
Adjusted EBITDA*	**39.4**	46.6	**151.7**	143.1

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

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

Revenues

Revenues for the **fourth quarter of fiscal 2021** totalled $210.7 million, a decrease of $20.7 million or 8.9%, as compared to $231.4 million for the same quarter last fiscal year.

Sales volumes in the retail market segment were lower as compared to the fourth quarter of fiscal 2020, which had been positively impacted by a surge in demand in the last two weeks of the quarter due to the COVID-19 pandemic. Also, sales volumes in the industrial market segment were lower, mainly in the dairy ingredients category, due to the continuing effects of the pandemic throughout fiscal 2021.

The fluctuation of the British pound sterling versus the Canadian dollar increased revenues by approximately $2 million.

Revenues in **fiscal 2021** totalled $815.8 million, an increase of $49.9 million or 6.5%, as compared to $765.9 million last fiscal year.

Revenues increased due to the contribution of the Dairy Crest Acquisition for the full fiscal year, as compared to a 50-week contribution in fiscal 2020 and higher sales volumes in the retail market segment fueled by increased consumer demand related to the COVID-19 pandemic. However, revenues were negatively impacted by lower sales volumes in the industrial market segment, mainly in the dairy ingredients category.

The fluctuation of the British pound sterling versus the Canadian dollar increased revenues by approximately $17 million.

The retail market segment represented approximately 87% of revenues (83% in fiscal 2020), an increase which reflected the effects of the COVID-19 pandemic. The Dairy Division (UK) maintained its position as the largest manufacturer of branded cheese in the United Kingdom, mainly with its market-leading *Cathedral City* brand, as well as its position as a top manufacturer of dairy spreads with its market-leading *Clover* brand. We opened up new markets during the year in Canada and the USA for our *Cathedral City* brand and a new e-commerce platform to develop sales for our *Davidstow* cheese brand. Updated packaging for the plant-based brand *Vitalite* was introduced, highlighting key functional and nutritional benefits to facilitate consumer choice. We continued to successfully respond to increasing demand for *Frylight*, the UK's 1-calorie oil spray, which has experienced sustained levels of demand from customers.

The foodservice and industrial market segments represented approximately 1% and 12%, respectively, of total revenues (1%, and 16%, respectively, in fiscal 2020).

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

Adjusted EBITDA*

Adjusted EBITDA for the **fourth quarter of fiscal 2021** totalled $39.4 million, a decrease of $7.2 million or 15.5%, as compared to $46.6 million for the same quarter last fiscal year.

Lower sales volumes in the retail and industrial market segments negatively impacted adjusted EBITDA.

The fluctuation of the British pound sterling versus the Canadian dollar increased adjusted EBITDA by approximately $1 million.

Adjusted EBITDA in **fiscal 2021** totalled $151.7 million, an increase of $8.6 million or 6.0%, as compared to $143.1 million last fiscal year.

Adjusted EBITDA increased due to the contribution of the Dairy Crest Acquisition for the full fiscal year, as compared to a 50-week contribution in fiscal 2020 and higher sales volumes in the retail market segment. However, adjusted EBITDA was negatively impacted by lower sales volumes in the industrial market segment, mainly in the dairy ingredients category.

The fluctuation of the British pound sterling versus the Canadian dollar increased adjusted EBITDA by approximately $4 million.

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

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

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

As we navigate through the evolution of the COVID-19 pandemic and the related uncertainties, we continue to focus on capital allocation priorities and cash flow generation. Our current capital allocation priorities are focused on investing wisely to support organic growth, business operations, and our brands.

The Company's cash and cash equivalents totalled $308.7 million as at March 31, 2021. In addition to these funds, we have unused credit facilities of $2.038 billion under our bank credit facilities as at March 31, 2021. We believe we are well positioned to navigate current market conditions given our strong balance sheet.

The Company's liquidity needs are funded from cash generated by operations, unsecured bank credit facilities and unsecured senior notes. These funds are used principally for capital expenditures, dividends, debt repayments, business acquisitions and share repurchases 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.

The Company’s cash flows are summarized in the following table:

(in millions of CDN dollars)

	For the three-month periods ended March 31		For the years ended March 31	
	2021	2020	**2021**	2020
Cash generated from operating activities	**202.7**	331.9	**1,312.7**	1,315.5
Net cash generated from operating activities	**150.3**	295.2	**1,078.1**	1,036.9
Cash used for investing activities	**(157.5)**	(201.4)	**(387.4)**	(2,494.9)
Cash (used for) generated from financing activities	**(189.4)**	(23.7)	**(704.7)**	1,643.8
(Decrease) increase in cash and cash equivalents	**(196.6)**	70.1	**(14.0)**	185.8

Operating Activities

Net cash generated from operating activities for the **fourth quarter of fiscal 2021**, amounted to $150.3 million, a decrease of $144.9 million or 49.1%, compared to $295.2 million for the same quarter last fiscal year. This decrease was related to changes in non-cash operating working capital items of $140.5 million, which were driven by the fluctuation in accounts receivable, inventories, as well as payables in line with the fluctuation of market prices. The decrease was also due to the timing of collections of accounts receivable and of payments of accounts payable, as well as higher income taxes paid of $24.4 million. The decrease was partially offset by lower interest and financial charges paid of $8.7 million, lower acquisition and restructuring costs of $10.8 million and an increase in adjusted EBITDA of $4.4 million.

In **fiscal 2021** net cash generated from operating activities amounted to $1.078 billion, as compared to $1.037 billion for last fiscal year. This increase of $41.2 million is due to lower acquisition and restructuring costs of $49.2 million, decreases in interest and financial charges paid and income taxes paid of $27.7 million and $16.3 million, respectively, an increase in non-cash foreign exchange loss on debt of $91.6 million and an increase in adjusted EBITDA of $3.1 million. The increase is partially offset by a decrease related to changes in non-cash operating working capital items of $126.6 million, which were driven by the fluctuation in accounts receivable, inventories, as well as payables in line with the fluctuation of market prices. The decrease was also due to the timing of collections of accounts receivable and of payments of accounts payable, as well as lower share of earnings in joint ventures (net of dividends received) of $12.4 million.

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

Investing Activities

Investing activities for the **fourth quarter of fiscal 2021** were mainly comprised of $144.5 million disbursed for additions to property, plant and equipment, additions to intangible assets totalling $17.9 million related to the ERP initiative and proceeds from the disposal of assets in the amount of $4.9 million.

In **fiscal 2021**, investing activities were mainly comprised of $379.5 million disbursed for additions to property, plant and equipment, additions to intangible assets totalling $53.5 million related to the ERP initiative and proceeds from the disposal of assets in the amount of $45.6 million. Of these additions, 28% went into the replacement of property, plant and equipment and 72% was used to implement new technologies and to expand and increase certain manufacturing capacities.

Financing Activities

Financing activities for the **fourth quarter of fiscal 2021** comprised the repayment of $119.9 million of bank loans and payments of $21.0 million and $101.7 million of lease liabilities and dividends, respectively. An amount of $42.1 million in dividends was paid through the DRIF. Finally, shares were issued as part of the stock option plan for $19.9 million.

In **fiscal 2021**, financing activities consisted mainly of the issuances, on June 16, 2020, of Series 7 medium term notes for an aggregate principal of $700.0 million and, on November 19, 2020, of Series 8 medium term notes for an aggregate principal of $350.0 million. A portion of the net proceeds of the issuance of Series 7 medium term notes were used to repay $426.0 million of the term loan facility incurred in connection with the Dairy Crest Acquisition and $206.0 million of revolving credit facilities for the Dairy Division (Australia), which included funds drawn in connection with the Specialty Cheese Business Acquisition. The net proceeds of the issuance of Series 8 medium term notes were used to repay $346.7 million of the 3-year tranche of the term loan facility incurred in connection with the Dairy Crest Acquisition and for general corporate purposes. In addition, we repaid long-term debt during the period in the amount of $320.5 million and bank loans of $238.4 million. Also, $79.5 million of lease liabilities and $204.6 million in dividends were paid. An amount of $80.3 million in dividends was paid through the DRIP. Finally, shares were issued as part of the stock option plan for $32.7 million.

Liquidity

(in millions of CDN dollars, except ratio)

Fiscal years	**2021**	2020
Current assets	**3,947.6**	4,069.0
Current liabilities	**2,146.0**	2,493.5
Working capital*	**1,801.6**	1,575.5
Working capital ratio*	**1.84**	1.63

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

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

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

Capital Management

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

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

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

Fiscal years	**2021**	2020
Long-term debt	**3,577.8**	3,542.3
Bank loans	**75.6**	528.5
Lease Liabilities	**461.0**	414.8
Cash and cash equivalents	**308.7**	319.4
Net debt*	**3,805.7**	4,166.2
Adjusted EBITDA**	**1,470.9**	1,467.8
Net debt to adjusted EBITDA**	**2.59**	2.84
Number of common shares	**412,333,571**	408,638,373
Number of stock options	**23,339,321**	20,946,092

* Refer to the ‘‘Glossary’’ section of this Management’s Discussion and Analysis.
** See the “Non-IFRS Financial Measures” section of this Management’s Discussion and Analysis for the reconciliations to IFRS measures.

We implemented a DRIP, which became effective as of the dividend paid on July 9, 2020, as described in Note 13 to the consolidated financial statements. The DRIP provides eligible shareholders with the opportunity to have all or a portion of their cash dividends automatically reinvested into additional common shares.

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

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

On December 9, 2020, we filed an unallocated short form base shelf prospectus providing us the flexibility to make offerings of various securities for up to an aggregate amount of $3.000 billion during the 25-month period that the base shelf prospectus is effective. On December 15, 2020, we renewed our medium term note (MTN) program by filing a supplement to the short form base shelf prospectus.

As at March 31, 2021, the Company had $308.7 million in cash and cash equivalents and available bank credit facilities of $2.113 billion, of which $75.6 million were drawn. See Notes 10 and 11 to the consolidated financial statements for additional information related to bank loans and long-term debt.

Share capital authorized by the Company is comprised of an unlimited number of common shares. The common shares are voting and participating. As at May 31, 2021, 412,723,935 common shares and 24,628,668 stock options were outstanding.

CONTRACTUAL OBLIGATIONS

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

The Company's contractual obligations consist of commitments to repay long-term debt, payments for leased premises, equipment and rolling stock, as well as purchase obligations for capital expenditures and service agreements to which we are committed. Note 11 to the consolidated financial statements describes the Company's commitment to repay long-term debt and Note 20 to the consolidated financial statements describes its lease commitments.

(in millions of CDN dollars)

	March 31, 2021				March 31, 2020			
	Long-term debt	**Leases**	**Purchase obligations & other**	**Total**	Long-term debt	Leases	Purchase obligations & other	Total
Less than 1 year	**300.0**	**98.0**	**163.8**	**561.8**	—	96.4	196.5	292.9
1–2 years	**758.8**	**76.3**	**33.0**	**868.1**	718.8	84.8	20.4	824.0
2–3 years	**684.7**	**57.6**	**12.2**	**754.5**	1,336.4	62.3	16.2	1,414.9
3–4 years	**400.0**	**72.9**	**9.7**	**482.6**	737.1	46.4	6.5	790.0
4–5 years	**350.0**	**33.0**	**7.2**	**390.2**	400.0	59.2	6.0	465.2
More than 5 years	**1,084.3**	**283.7**	**8.4**	**1,376.4**	350.0	159.8	7.9	517.7
	3,577.8	**621.5**	**234.3**	**4,433.6**	3,542.3	508.9	253.5	4,304.7

Long-term debt

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

In connection with the acquisition of the activities of Murray Goulburn Co-Operative Co. Limited (Murray Goulburn Acquisition), the Company entered into a credit agreement in April 2018 providing for a non-revolving term facility comprised of three tranches. A total of $1.273 billion was drawn, of which $888.0 million has since been repaid. The credit facility bears interest at lenders’ prime rates plus a maximum of 1.00%, or bankers’ acceptance rates or the Australian Bank Bill Rate plus 0.80% up to a maximum of 2.00%, depending on the Company's credit ratings and matures in April 2023.

In connection with the Dairy Crest Acquisition in April 2019, we entered into a credit agreement providing for a non-revolving term facility comprised of three tranches. A total of $2.037 billion was drawn, of which $1.578 billion has since been repaid. The credit facility bears interest at lenders’ prime rates plus a maximum of 1.00% or LIBOR or bankers’ acceptance rates plus 0.80% up to a maximum of 2.00%, depending on the Company's credit ratings and matures in April 2022.

Long-term debt also includes seven series of unsecured senior notes outstanding under its medium-term note program for a total of $2.700 billion, with annual interest rates varying from 1.42% to 3.60% and maturities ranging from June 2021 to June 2027.

Leases

As described in Note 7 to the condensed interim consolidated financial statements, during fiscal 2021, we entered into a 25-year lease agreement for a land and building, related to our state-of-the-art facility in Port Coquitlam, British Columbia, allowing the Dairy Division (Canada) to better serve the fluid market in Western Canada. As at March 31, 2021, the Company held right-of-use assets of $77.1 million, with a corresponding lease liability of $58.5 million in relation to this transaction.

FINANCIAL POSITION

The main financial position items as at March 31, 2021, varied as compared to the balances as at March 31, 2020, principally due to the strengthening of the Canadian dollar versus the US dollar.

The following table outlines the conversion rates of the respective local operations' financial position items in foreign currencies as at March 31, 2021, and March 31, 2020.

	As at March 31, 2021	As at March 31, 2020
US dollar / Canadian dollar[1]	**1.2562**	1.4062
Australian dollar / Canadian dollar[1]	**0.9545**	0.8621
Argentine peso / Canadian dollar[1]	**0.0137**	0.0219
British pound sterling / Canadian dollar[1]	**1.7315**	1.7462

[1] Based on Bank of Canada published information.

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

The net cash position (cash and cash equivalents less bank loans) increased from negative $209.1 million as at March 31, 2020, to $233.1 million as at March 31, 2021, mainly resulting from the increase in net cash generated from operating activities and a lower level of bank loans, including a repayment of $206.0 million in revolving loan facilities for the Dairy Division (Australia) following the issuance of the Series 7 medium term notes. The change in foreign currency translation adjustments recorded in other comprehensive income (loss) varied mainly due to the fluctuation of foreign currencies versus the Canadian dollar.

GUARANTEES

From time to time, we enter into agreements in the normal course of business, such as service arrangements and leases, and in connection with business or asset acquisitions or disposals, which by nature may provide for indemnification to third parties. These indemnification provisions may be in connection with breach of representations and warranties and for future claims for certain liabilities. The terms of these indemnification provisions vary in duration. See Note 20 to the consolidated financial statements that discuss the Company's guarantees.

RELATED PARTY TRANSACTIONS

In the normal course of business, we receive services from and provides goods and services to companies subject to control or significant influence through ownership by Saputo's principal shareholder. These transactions are entered into at fair value, consistent with market values for similar transactions. The services that are received consist mainly of travel, publicity, lodging and office space rental. The goods that are provided consist mainly of dairy products. The services that are provided consist of management services. In fiscal 2021, these goods and services were of an immaterial amount. Transactions with key management personnel (Management defines key management personnel as all the executive officers who have responsibility and authority for controlling, overseeing, and planning the activities, as well as the Company's directors) are also considered related party transactions and consist of short-term employee benefits, post-employment benefits, stock-based compensation, and payments under the deferred share unit plan. Refer to Note 21 to the consolidated financial statements for further information on related party transactions.

CRITICAL ACCOUNTING ESTIMATES

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

Economic conditions and uncertainties

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

Income Taxes

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

Deferred Income Taxes

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

Goodwill, Intangible Assets and Business Combinations

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

Property, Plant and Equipment

Significant judgment is necessary in the selection and application of depreciation method and useful lives as well as the determination of which components are significant and how they are allocated. Management has determined that the use of the straight-line method of amortization is the most appropriate as its facilities are operating at a similar output potential on a year to year basis, which indicates that production is constant. It is Management's best estimate that the useful lives and policies adopted adequately reflect the pattern in which the assets future economic benefits are expected to be derived.

Impairment of Assets

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

Employee Future Benefits

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

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

CHANGES IN ACCOUNTING POLICIES

New accounting standards, interpretations and amendments adopted during the year

Please refer to Note 3 to the consolidated financial statements for the fiscal years ended March 31, 2021, and 2020, for more information regarding the effect of new accounting standards, interpretations and amendments adopted during fiscal 2021.

Recent standards, interpretations and amendments not yet implemented

Please refer to Note 3 to the consolidated financial statements for the fiscal years ended March 31, 2021, and 2020, for more information regarding the effect of new accounting standards, interpretations and amendments not yet implemented.

RISKS AND UNCERTAINTIES

The main risks and uncertainties Saputo is exposed to are presented below. The Board of Directors (the Board) delegated to the Audit Committee the responsibility to review, evaluate and discuss with Management and Internal Audit the risk factors inherent to Saputo and ensure that appropriate measures are in place to enable Management to identify and manage these risks and uncertainties effectively. The Board also delegated to the Corporate Governance and Human Resources Committee the responsibility to oversee the risk management measures related to human resources risks. As part of its mandate to oversee the implementation of the Saputo Promise, the Board directly oversees the risks that Saputo faces regarding environmental, social and governance matters.

The Audit Committee and the Board have also adopted and implemented policies and procedures relating to risk assessment and management which are reviewed at least annually. An annual detailed presentation on all risk factors identified, as well as periodic updates, are made by Management to the Audit Committee and the Corporate Governance and Human Resources Committee, as the case may be, and to the Board.

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

Product liability

Saputo's operations are subject to certain dangers and risks of liability faced by all food processors, such as the potential contamination of ingredients or products by bacteria or other external agents that may be introduced into products or packaging. The occurrence of such a contamination could result in a costly product recall, litigation and serious damage to our reputation for product quality.

COVID-19 pandemic

The COVID-19 pandemic and the associated government and consumer responses have had and will likely continue to have an adverse impact on our business, negatively impacting our business and financial performance and condition in a number of ways:

A decrease in demand or slowdown in recovery from our customers in the foodservice and industrial segments could continue to adversely impact us. Increased sales levels in the retail market segment may not be sustained in the longer term and therefore may not continue to partially offset the reduced sales in the foodservice and industrial segments.

- A significant portion of our workforce could become unable to work because of physical or mental illness, quarantines, travel restrictions or other governmental actions.
- Supply chain disruptions of various types arising from COVID 19 may impact our ability to make products, the cost of our products and the availability to deliver to customers.
- An unplanned shutdown of one or more of our manufacturing facilities for an extended period could disrupt our production capabilities and have a negative effect on our results.
- Uncertain economic conditions resulting from the COVID-19 pandemic and disruption in financial markets and in dairy commodities markets could adversely affect our financial performance and the availability and cost of capital, preventing us from continuing to access preferred sources of liquidity when desired. This could limit Saputo's ability to fund strategic opportunities or achieve its strategic plans and other initiatives.
- The increase in the number of employees working remotely has increased demand on information technology resources and systems and increased phishing and other cybersecurity attacks.
- The implementation of the ERP system upgrade may be further delayed, which could trigger additional costs and hinder our growth and operational efficiencies.
- Saputo's customers and supply chain partners may modify their inventory, fulfillment or shipping practices, which could impact our production, fulfillment rate and sales, and potentially negatively impact our financial performance. Furthermore, sustained financial pressure on our customers, economic uncertainty and financial disruption could have an impact on credit risks and doubtful accounts.

While we continue to actively monitor the COVID-19 pandemic, its severity, magnitude, duration, intensity, and impact on our business and financial performance and condition remain difficult to accurately estimate or forecast.

Supply of raw materials

Saputo purchases raw materials that can represent up to 85% of the cost of products. We process raw materials into finished edible products intended for resale to a broad range of customers. Availability of raw materials as well as variations in the price of foodstuffs (including as a result of climate change, extreme weather, natural disasters, water availability, fires or explosions, health pandemics or outbreaks affecting humans or livestock) can impact production costs and capacity utilization and therefore affect our results. The effect of any variation or the volatility of foodstuff prices on our results depends on our ability to transfer those increases to our customers and this, in the context of a competitive market.

USA and international markets

The price of milk as raw material and the price of our products in the USA, Australia, Argentina and the United Kingdom, as well as in international markets, are based on market supply and demand forces. The prices are tied to numerous factors, such as the health of the economy and supply and demand levels for dairy products in the industry. Price fluctuations may affect our results. The effect of such fluctuations on our results will depend on our ability to implement mechanisms to reduce them.

Cybersecurity and Overall Management of Information systems

We rely on information technology applications and systems in all areas of our operations. These applications and systems, some of which are managed by third parties, are subject to an increasing number of constantly evolving cyber threats which are becoming more sophisticated. We are mainly exposed to risks relating to business disruptions, confidentiality, data integrity, and business email compromise-related fraud. Therefore, any unavailability or failure, due to security incidents or otherwise, may impede or slow down production, delay or taint certain decisions and result in financial losses. In addition, any unauthorized access to information systems, proprietary, sensitive or confidential information, or malicious use could compromise our data integrity or result in disclosure or loss of data which may have adverse effects on our activities, results, and reputation, including loss of revenues due to a disruption of the business, diminished competitive advantage, litigation or other legal procedures, or liability for failure to comply with privacy and information security laws. Although we have measures to reduce the likelihood, duration and severity of disruptions to our information technology applications and systems and to identify, respond to, and manage cybersecurity incidents, we have in the past been subject to cyber-attacks and expect that we will be subject to additional cyber-attacks in the future. Also, we are currently undertaking technology initiatives regarding an ERP system. There is no guarantee that the deployment of the ERP system will not disrupt or reduce the efficiency of our operations.

Competition

The food processing industry is extremely competitive. The global dairy industry is highly competitive and Saputo competes on a national and international basis with national and multinational competitors. Our performance in all countries where we do business depends on our ability to continue to offer quality products at competitive prices.

Consolidation of clientele

As the consolidation in the food industry in all the market segments we serve continues, customers tend to grow larger, which results in a decrease in the number of customers and increase in the relative importance of some customers. For fiscal 2021, none of our customers represented more than 10% of total consolidated revenues. Our ability to continue to service our customers in all the markets that we serve will depend on the quality and price of our products, as well as the value proposition we offer to our customers.

Supplier concentration

We purchase goods and services from a limited number of suppliers as a result of consolidation within the industries in which these suppliers operate. The food industry supply chain in all our markets has also been under strain as a result of the COVID-19 pandemic, requiring us to adapt. Issues with suppliers regarding pricing or performance of the goods and services they supply or the inability of suppliers to supply the required volumes of such goods and services in a timely manner could impact our financial condition and performance. Any such impact will depend on the effectiveness of our contingency plan.

Unanticipated business disruption

Major events, such as systems and equipment failure, health pandemics (including the COVID-19 pandemic) and natural disasters, or increased frequency or intensity of extreme weather conditions (including as a result of climate change), could lead to unanticipated business disruptions at any or certain of our facilities. The effect would be more significant if our larger manufacturing facilities are affected, in which case, the failure to find alternative suppliers or to replace lost production capacity in a timely manner could negatively affect our financial performance and condition.

Economic environment

Our operations could be affected by the economic context should unemployment, interest rates, or inflation reach levels that influence consumer trends and consequently impact our sales and profitability.

Environment

Saputo's business and operations are subject to environmental laws and regulations, including those relating to permitting requirements, wastewater discharges, air emissions, greenhouse gases, releases of hazardous substances, and remediation of contaminated sites. We believe that our operations are in compliance, in all material respects, with such environmental laws and regulations, except as disclosed in the Annual Information Form dated June 3, 2021, for the fiscal year ended March 31, 2021. Compliance with these laws and regulations requires that we continue to incur operating and maintenance costs and capital expenditures, including to control potential impacts of our operations on local communities. Changes in environmental laws and regulations, evolving interpretation thereof or more vigorous regulatory enforcement policies (including as a result of increased concern over climate change, waste management, plastic pollution, wastewater discharges, air emissions, greenhouse gases, or release of hazardous substances) could impose additional compliance costs, capital expenditures, as well as other financial obligations, which could have a material adverse effect on our financial position and performance.

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

In addition, there is an increased focus on environmental sustainability matters, including emissions associated with the production of animal milk. In that regard, Saputo's reputation could be affected if we or other stakeholders in the dairy industry do not act, or are perceived not to act, responsibly.

Human resources

Saputo's success depends on our ability to identify, attract and retain qualified and diverse individuals and to execute appropriate succession planning for Management and key personnel. Although we believe we have good relationships with our employees and a significant number of our workforce is unionized, a lengthy strike or work stoppage could impact our operations and performance. Our operations are also subject to health and safety risks as well as laws and regulations in this regard. Notwithstanding Saputo's existing health and safety systems, serious injury or death of any employee could have a serious impact on Saputo's reputation, result in litigation and require us to incur costs, which may be significant.

Growth strategy

We plan to grow both organically and through acquisitions. Our organic growth strategy, which is outlined in our Global Strategic Plan, may fail to deliver results and our targeted organic growth may never materialize. Capital expenditures projects play a key role in Saputo's organic growth strategy. The outcome and success of these projects often depend on several factors that are outside of our control, including new competing operational priorities, timing for completion, regulatory and governmental approvals, labour availability, and weather conditions. In the event of unanticipated delays or costs, business operations may be adversely affected.

We plan to continue to rely on new acquisitions to pursue our growth. The ability to properly evaluate the fair value of the businesses being acquired and to properly devote the time and human resources required to successfully integrate their activities with those of Saputo constitute inherent risks related to acquisitions. The inability to adequately integrate an acquired business in a timely and efficient manner may affect our ability to realize synergies or improvements and to achieve anticipated returns, as well as resulting in higher integration costs and loss of business opportunities. In connection with acquisitions made by Saputo, there may also be liabilities and contingencies that we discover after closing, or are unable to quantify in the due diligence conducted prior to closing, and which could have a negative effect on our business, financial performance and condition.

Consumer trends

Demand for our products is subject to changes in consumer trends. For example, increased consumer focus on environmental sustainability matters, including emissions associated with the production of animal milk could result in a financial risk if a growing number of consumers turn away from animal-related products in favour of plant-based alternatives in an attempt to reduce their carbon footprint, which may lead to lower demand for dairy products. The impact of these changes will depend on our ability to adapt, innovate and develop new products.

Intellectual property

As we are involved in the production, sale and distribution of food products, we rely on brand recognition and loyalty from our clientele in addition to relying on the quality of our products. Also, as innovation forms part of Saputo's growth strategy, our research and development teams develop new technologies, products and process optimization methods. We, therefore, take measures to protect, maintain and enforce our intellectual property. Any infringement to our intellectual property could damage our value and limit our ability to compete. In addition, we may have to engage in litigation in order to protect our rights which could result in significant costs.

Financial risk exposures

Saputo has financial risk exposure to varying degrees relating to the currency of each of the countries where it operates. In fiscal 2021, approximately 29% of sales were realized in Canada, 43% in the USA, 22% internationally, and 6% in the United Kingdom. Cash flows from operations in each of the countries where Saputo operates act, in part, as a natural hedge against the currency exchange risks related to debt denominated in such countries' currency. The level of the financial risk exposure related to currency fluctuations will depend on our ability to maintain appropriate protection mechanisms.

Interest rate and access to capital market

A portion of Saputo's interest-bearing debt is subject to interest rate fluctuations. The impact on our results will depend on our ability to maintain adequate protection against such interest rate fluctuations. Our growth by acquisitions is dependent on access to liquidity in the capital markets. Similarly, we may be required to access liquidity in the capital markets in order to refinance or retire existing indebtedness. The impact of such financing transactions on our results will depend on our ability to secure liquidity in a timely manner and on terms and conditions acceptable to it.

Pension plans

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

Credit risk

We grant credit to our customers in the normal course of business. Credit valuations are performed on a regular basis and the financial statements take into account an allowance for expected credit loss. We consider that our exposure to concentration of credit risk with respect to accounts receivable from customers is low due to our large and diverse customer base operating in three market segments, retail, foodservice and industrial, and our geographic diversity. There are no accounts receivable from any individual customer that exceeded 10% of the total balance of accounts receivable as at March 31, 2021. We regularly review the allowance for expected credit loss and accounts receivable due. We update our estimate of the allowance for doubtful accounts based on the evaluation of the recoverability of accounts receivable balances of each customer taking into consideration historic collection trends of past due accounts.

Legislative, regulatory, normative and political considerations

We are subject to local, provincial, state, federal and international laws, regulations, rules and policies as well as to social, economic and political contexts prevailing in places where we conduct our activities. Consequently, the modification or change of any of these elements may have an unfavourable impact on our results and operations and may require that important expenses be made in order to adapt or comply. More specifically, the production and distribution of food products are subject to federal, state, provincial and local laws, rules, regulations and policies and to international trade agreements, all of which provide a framework for our operations. The impact of new laws and regulations, stricter enforcement or interpretations or changes to enacted laws and regulations will depend on our ability to adapt thereto, comply therewith, and mitigate. We are currently in compliance in all material respects with all applicable laws and regulations and maintain all material permits and licenses in connection with our operations.

Tariff protection

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

DISCLOSURE CONTROLS AND PROCEDURES

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

The CEO and the CFO, along with Management, after evaluating the effectiveness of the Company's disclosure controls and procedures as at March 31, 2021, have concluded that the Company's disclosure controls and procedures were effective.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

The CEO and the CFO, along with Management, evaluated the effectiveness of the Company's internal control over financial reporting as at March 31, 2021, in accordance with the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, the CEO and the CFO, along with Management, have concluded that the Company's internal control over financial reporting was effective.

Saputo is taking a phased approach to its migration to a new ERP system. In order to maintain appropriate internal controls over financial reporting in the divisions that have migrated to the new ERP system, relevant changes have been made. There were no other changes to Saputo's internal control over financial reporting that occurred during the period beginning on January 1, 2021, and ended on March 31, 2021, that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

SENSITIVITY ANALYSIS OF INTEREST RATE AND US CURRENCY FLUCTUATIONS

The debt subject to interest rate fluctuations was $919.1 million as at March 31, 2021. A 1% change in the interest rate would lead to a change in net earnings of approximately $6.8 million. Canadian and US currency fluctuations may affect net earnings, adjusted EBITDA, and revenues. Appreciation of the Canadian dollar compared to the US dollar would have a negative impact on net earnings, adjusted EBITDA and revenues. However, a decrease in the Canadian dollar compared to the US dollar would have a positive impact on net earnings. During the fiscal year ended March 31, 2021, the average US dollar conversion was based on US$1.00 for $1.3257. A fluctuation of $0.10 of the Canadian dollar would have resulted in a change of approximately $15.1 million in net earnings, $42.8 million in adjusted EBITDA, and $464.8 million in revenues.

QUARTERLY FINANCIAL INFORMATION

2021 quarterly financial information – consolidated income statement

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

	Q4	Q3	Q2	Q1	Fiscal 2021
Revenues	**3,438.0**	**3,762.9**	**3,702.2**	**3,390.8**	**14,293.9**
Operating costs excluding depreciation, amortization, inventory revaluation resulting from a business acquisition, and restructuring costs	**3,135.2**	**3,331.8**	**3,331.7**	**3,024.3**	**12,823.0**
Adjusted EBITDA**	**302.8**	**431.1**	**370.5**	**366.5**	**1,470.9**
Margin*	***8.8%***	***11.5%***	***10.0%***	***10.8%***	***10.3%***
Depreciation and amortization	**134.8**	**128.5**	**125.7**	**126.0**	**515.0**
Impairment of intangible assets	**—**	**—**	**—**	**19.0**	**19.0**
Acquisition and restructuring costs	**3.0**	**—**	**(6.2)**	**—**	**(3.2)**
Financial charges	**23.3**	**25.5**	**22.8**	**25.1**	**96.7**
Earnings before income taxes	**141.7**	**277.1**	**228.2**	**196.4**	**843.4**
Income taxes	**38.6**	**67.3**	**57.4**	**54.5**	**217.8**
Net earnings	**103.1**	**209.8**	**170.8**	**141.9**	**625.6**
Margin	***3.0%***	***5.6%***	***4.6%***	***4.2%***	***4.4%***
Impairment of intangible assets[1]	**—**	**—**	**—**	**19.0**	**19.0**
Acquisition and restructuring costs[1]	**2.2**	**—**	**(4.6)**	**—**	**(2.4)**
Adjusted net earnings**	**105.3**	**209.8**	**166.2**	**160.9**	**642.2**
Margin*	***3.1%***	***5.6%***	***4.5%***	***4.7%***	***4.5%***
Adjusted net earnings excluding amortization of intangible assets related to business acquisitions**	**123.7**	**227.8**	**184.1**	**179.2**	**714.8**
Margin*	***3.6%***	***6.1%***	***5.0%***	***5.3%***	***5.0%***
Per Share					
Net earnings					
Basic	**0.25**	**0.51**	**0.42**	**0.35**	**1.53**
Diluted	**0.25**	**0.51**	**0.42**	**0.35**	**1.52**
Adjusted net earnings**					
Basic	**0.26**	**0.51**	**0.41**	**0.39**	**1.57**
Diluted	**0.25**	**0.51**	**0.40**	**0.39**	**1.56**
Adjusted net earnings excluding amortization of intangible assets related to business acquisitions**					
Basic	**0.30**	**0.56**	**0.45**	**0.44**	**1.74**
Diluted	**0.30**	**0.55**	**0.45**	**0.44**	**1.74**

* Refer to the ''Glossary'' section of this Management's Discussion and Analysis.
** See the "Non-IFRS Financial Measures" section of this Management's Discussion and Analysis for the reconciliations to IFRS measures.
1 Net of income taxes.

Selected factors positively (negatively) affecting financial performance

(in millions of CDN dollars)

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

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

2020 quarterly financial information – consolidated income statement

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

	Q4	Q3	Q2	Q1	Fiscal 2020
Revenues	**3,718.7**	**3,890.8**	**3,665.6**	**3,668.4**	**14,943.5**
Operating costs excluding depreciation, amortization, inventory revaluation resulting from a business acquisition, and restructuring costs	**3,420.3**	**3,473.8**	**3,271.2**	**3,310.4**	**13,475.7**
Adjusted EBITDA**	**298.4**	**417.0**	**394.4**	**358.0**	**1,467.8**
Margin*	***8.0%***	***10.7%***	***10.8%***	***9.8%***	***9.8%***
Depreciation and amortization	**127.8**	**121.8**	**108.8**	**108.8**	**467.2**
Inventory revaluation resulting from a business acquisition	**—**	**—**	**12.9**	**27.2**	**40.1**
Acquisition and restructuring costs	**13.8**	**9.4**	**0.4**	**22.4**	**46.0**
Financial charges	**25.4**	**26.8**	**34.5**	**28.5**	**115.2**
Earnings before income taxes	**131.4**	**259.0**	**237.8**	**171.1**	**799.3**
Income taxes	**42.7**	**61.2**	**62.9**	**49.7**	**216.5**
Net earnings	**88.7**	**197.8**	**174.9**	**121.4**	**582.8**
Margin	***2.4%***	***5.1%***	***4.8%***	***3.3%***	***3.9%***
Inventory revaluation resulting from a business acquisition[1]	**—**	**—**	**10.5**	**22.0**	**32.5**
Acquisition and restructuring costs[1]	**10.1**	**6.4**	**0.4**	**21.5**	**38.4**
Adjusted net earnings**	**98.8**	**204.2**	**185.8**	**164.9**	**653.7**
Margin*	***2.7%***	***5.2%***	***5.1%***	***4.5%***	***4.4%***
Adjusted net earnings excluding amortization of intangible assets related to business acquisitions**	**116.5**	**229.1**	**198.3**	**179.7**	**723.6**
Margin*	***3.1%***	***5.9%***	***5.4%***	***4.9%***	***4.8%***
Per Share					
Net earnings					
Basic	**0.22**	**0.49**	**0.44**	**0.31**	**1.46**
Diluted	**0.22**	**0.48**	**0.44**	**0.31**	**1.45**
Adjusted net earnings**					
Basic	**0.24**	**0.50**	**0.47**	**0.42**	**1.63**
Diluted	**0.24**	**0.50**	**0.47**	**0.42**	**1.62**
Adjusted net earnings excluding amortization of intangible assets related to business acquisitions**					
Basic	**0.29**	**0.56**	**0.50**	**0.46**	**1.81**
Diluted	**0.28**	**0.56**	**0.50**	**0.46**	**1.80**

* Refer to the ''Glossary'' section of this Management's Discussion and Analysis.
** See the "Non-IFRS Financial Measures" section of this Management's Discussion and Analysis for the reconciliations to IFRS measures.
1 Net of income taxes.

CONSOLIDATED ANALYSIS OF EARNINGS FOR THE YEAR ENDED MARCH 31, 2020, COMPARED TO MARCH 31, 2019

Revenues

Revenues totalled $14.944 billion, an increase of $1.442 billion or 10.7%, as compared to $13.502 billion in fiscal 2019.

Revenues increased due to the contribution of recent acquisitions, including $765.9 million generated by the Dairy Crest Acquisition for the 50-week period ended March 31, 2020.

The combined effect of a higher average block market price and a lower average butter market price increased revenues by approximately $351 million. The devaluation of the Argentine peso and the Australian dollar versus the US dollar in the export market had a positive impact on revenues. Additionally, higher international selling prices of cheese and dairy ingredients, a favourable product mix, as well as higher domestic selling prices in the Canada and International Sectors, due to the increased cost of milk as raw material, positively impacted revenues.

These increases were partially offset by lower sales volumes as a result of competitive market conditions, mainly in the fluid milk category in Canada and the cheese category in the USA, and the decline of raw milk availability in Australia.

Finally, the fluctuation of foreign currencies versus the Canadian dollar decreased revenues by approximately $231 million, mainly in the International Sector and partially offset by the USA Sector.

Adjusted EBITDA*

Adjusted EBITDA totalled $1.468 billion, an increase of $246.5 million or 20.2%, as compared to $1.221 billion in fiscal 2019.

The contribution of the Dairy Crest Acquisition for the 50-week period ended March 31, 2020, increased adjusted EBITDA by $143.1 million. Also, adjusted EBITDA increased due to the contribution of recent acquisitions for the full year, as compared to partial contributions in fiscal 2019, and the contribution of the Specialty Cheese Business Acquisition for 22 weeks in fiscal 2020.

The COVID-19 pandemic negatively affected adjusted EBITDA late in the fourth quarter of the fiscal year.

Pricing initiatives in the USA Sector positively affected adjusted EBITDA through a better alignment of selling prices with costs related to warehousing, delivery, and logistics. Higher international dairy ingredient and cheese market prices positively impacted adjusted EBITDA.

However, lower sales volumes as a result of competitive market conditions, mainly in the fluid milk category in Canada and the cheese category in the USA, and the decline of raw milk availability in Australia negatively affected adjusted EBITDA and consequentially operational efficiencies.

Also, USA Market Factors** had a favourable impact of approximately $8 million. The adoption of IFRS 16, *Leases* increased adjusted EBITDA by approximately $62 million. Lastly, the fluctuation of foreign currencies versus the Canadian dollar had an unfavourable impact on adjusted EBITDA of approximately $36 million, mainly in the International Sector.

The consolidated adjusted EBITDA margin increased to 9.8% in fiscal 2020, as compared to 9.0% in fiscal 2019, reflecting higher adjusted EBITDA margins in the International Sector and the new contribution of the Europe Sector as compared to fiscal 2019.

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

Operating costs excluding depreciation, amortization, inventory revaluation resulting from a business acquisition, and restructuring costs

Operating costs excluding depreciation, amortization, inventory revaluation resulting from a business acquisition, and restructuring costs totalled $13.476 billion, an increase of $1.195 billion or 8.9%, as compared to $12.281 billion in fiscal 2019.

Operating costs increased due to recent acquisitions, including $622.8 million from the Dairy Crest Acquisition for the 50-week period ended March 31, 2020, and the contribution of the Specialty Cheese Business Acquisition for 22 weeks in fiscal 2020.

The increase was also consistent with higher revenues, as described above, and higher dairy commodity market prices, which, together, contributed to the higher cost of raw materials and consumables used. Employee salary and benefit expenses increased due to wage increases.

Depreciation and amortization

Depreciation and amortization amounted to $467.2 million, an increase of $154.2 million, as compared to $313.0 million for fiscal 2019.

This increase was mainly attributable to additional depreciation and amortization related to recent acquisitions and to additions to property, plant and equipment, which increased the depreciable base. Also, as a result of the adoption of IFRS 16, *Leases*, depreciation of right-of-use assets represented an increase of approximately $50 million for fiscal 2020.

Acquisition costs and restructuring costs

Acquisition costs and restructuring costs amounted to $46.0 million. Acquisition costs were related to the Dairy Crest Acquisition and the Specialty Cheese Business Acquisition, which included approximately $18 million of stamp duty taxes.

Financial charges

Net interest expense increased by $58.7 million, as compared to last fiscal year.

These increases were mainly attributable to new debt related to the Dairy Crest Acquisition and the Specialty Cheese Business Acquisition, as well as higher bank loans denominated in Argentine peso, which bear higher interest rates. Also, as a result of the adoption of IFRS 16, *Leases*, interest expenses on lease liabilities pertaining to right-of-use assets represented an increase of approximately $15 million.

In accordance with IAS 29, Financial Reporting in Hyperinflationary Economies, Argentina is considered a hyperinflationary economy since July 1, 2018. For fiscal 2020, the **gain on hyperinflation** totalled $27.8 million. These gains were derived from the indexation of non-monetary assets and liabilities.

Income taxes

Income taxes totalled $216.5 million, reflecting an effective tax rate of 27.1% as compared to 23.4% for fiscal 2019.

The increase in the effective tax rate in fiscal 2020 was mainly attributable to an income tax expense of $17.3 million due to the increase in the corporate income tax rate in the United Kingdom.

The effective tax rate for fiscal 2020 also reflected the income tax benefits of $6.7 million and $3.5 million related to a tax inflation adjustment pursuant to Argentine tax legislation and the decrease in provincial income taxes in Canada, respectively. In fiscal year 2019, the effective tax rate was positively impacted as a portion of a gain on the disposition of assets was not taxable.

Excluding the effects of these factors, the effective tax rates for the fiscal years 2020 and 2019 would have been 26.2% and 26.0%, respectively. The effective tax rate varies and could increase or decrease based on the amount and source of taxable income, amendments to tax legislations and income tax rates, changes in assumptions, as well as estimates used by Saputo and its affiliates for the computation of current and deferred tax assets and liabilities.

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

Net earnings

Net earnings totalled $582.8 million, a decrease of $172.5 million or 22.8%, as compared to $755.3 million in fiscal 2019. This decrease was due to the aforementioned factors, as well as to the non-recurring after-tax gain of $167.8 million from the sale of the Burnaby, British Columbia facility, recorded in fiscal 2019.

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

Adjusted net earnings excluding amortization of intangible assets related to business acquisitions* totalled $723.6 million, an increase of $68.5 million or 10.5%, as compared to $655.1 million in fiscal 2019. This increase was due to the aforementioned factors.

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

NON-IFRS FINANCIAL MEASURES

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

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

These non-IFRS financial measures have no standardized meaning under IFRS and are not likely to be comparable to similar measures presented by other issuers. Non-IFRS financial measures should not be viewed as a substitute for the related financial information prepared in accordance with IFRS. The components of each non-IFRS financial measure used for the three-month periods and years ended March 31, 2021, and 2020, are described below and are subject to change based on future transactions or where Management deems necessary to provide a better understanding and comparability of future results and activities of Saputo.

Adjusted EBITDA

We believe that adjusted EBITDA provides investors with useful information because it is a common industry measure and it is also a key metric of the Company's operational and financial performance. The adjustments made to adjusted EBITDA, including the impairment of intangible assets which is of an unusual nature, are not indicative of core business activities. We use, and believe that investors and analysts also use, adjusted EBITDA to evaluate the performance of the business. Adjusted EBITDA is also a component in the determination of short-term incentive compensation for management.

Adjusted EBITDA for the three-month periods and years ended March 31, 2021, and 2020, is equivalent to earnings before interest, income taxes, depreciation, amortization, impairment of intangible assets, inventory revaluation resulting from a business acquisition, and acquisition and restructuring costs, as this financial measure is presented in the consolidated income statement and, with respect to Saputo's reportable segments, in the notes to the financial statements.

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

(in millions of CDN dollars)

	For the three-month periods ended March 31		**For the years ended March 31**	
	2021	2020	**2021**	2020
Earnings before income taxes	**141.7**	131.4	**843.4**	799.3
Financial charges[1]	**23.3**	25.4	**96.7**	115.2
Inventory revaluation resulting from a business acquisition	**—**	—	**—**	40.1
Acquisition and restructuring costs	**3.0**	13.8	**(3.2)**	46.0
Impairment of intangible assets	**—**	—	**19.0**	—
Depreciation and amortization	**134.8**	127.8	**515.0**	467.2
Adjusted EBITDA	**302.8**	298.4	**1,470.9**	1,467.8

[1] Includes gain on hyperinflation. Refer to Note 14 to the consolidated financial statements for the year ended March 31, 2021, for more information.

Adjusted net earnings and other non-IFRS financial measures used

Management believes that adjusted net earnings, adjusted net earnings excluding amortization of intangible assets related to business acquisitions, adjusted net earnings per share and adjusted net earnings per share excluding amortization of intangible assets related to business acquisitions provide useful information to investors because these financial measures provide precision with regards to our ongoing operations. They also provide readers with a representation of the activities considered of relevance to the Company's financial performance and additional financial information that can be used to identify trends or additional disclosures about the way Saputo operates, as well as comparability to prior year results. Management also believes that in the context of highly acquisitive companies, adjusted net earnings excluding amortization of intangible assets related to business acquisitions and adjusted net earnings per share excluding amortization of intangible assets related to business acquisitions (due to the application of various accounting policies in relation to the amortization of acquired intangible assets) are more effective measures to assess performance against its peer group.

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

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

	For the three-month periods ended March 31					
	2021			2020		
		Per Share			Per Share	
	Total	**Basic**	**Diluted**	Total	Basic	Diluted
Net earnings	**103.1**	**0.25**	**0.25**	88.7	0.22	0.22
Acquisition and restructuring costs[1]	**2.2**	**0.01**	**0.01**	10.1	0.02	0.02
Adjusted net earnings	**105.3**	**0.26**	**0.25**	98.8	0.24	0.24
Amortization of intangible assets related to business acquisitions[1]	**18.4**	**0.04**	**0.04**	17.7	0.04	0.04
Adjusted net earnings excluding amortization of intangible assets related to business acquisitions	**123.7**	**0.30**	**0.30**	116.5	0.29	0.28

1 Net of income taxes

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

	For the years ended March 31					
	2021			2020		
		Per Share			Per Share	
	Total	**Basic**	**Diluted**	Total	Basic	Diluted
Net earnings	**625.6**	**1.53**	**1.52**	582.8	1.46	1.45
Impairment of intangible assets[1]	**19.0**	**0.05**	**0.05**	—	—	—
Inventory revaluation resulting from a business acquisition[1]	**—**	**—**	**—**	32.5	0.08	0.08
Acquisition and restructuring costs[1]	**(2.4)**	**(0.01)**	**(0.01)**	38.4	0.10	0.10
Adjusted net earnings	**642.2**	**1.57**	**1.56**	653.7	1.63	1.62
Amortization of intangible assets related to business acquisitions[1]	**72.6**	**0.18**	**0.18**	69.9	0.17	0.17
Adjusted net earnings excluding amortization of intangible assets related to business acquisitions	**714.8**	**1.74**	**1.74**	723.6	1.81	1.80

1 Net of income taxes

GLOSSARY

Adjusted EBITDA
"Adjusted EBITDA" means earnings before interest, income taxes, depreciation, amortization, impairment of intangible assets, inventory revaluation resulting from a business acquisition, and acquisition and restructuring costs.

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

Adjusted net earnings
"Adjusted net earnings" means net earnings prior to the inclusion of impairment of intangible assets, inventory revaluations resulting from a business acquisition, and acquisition and restructuring costs, net of applicable income taxes.

Adjusted net earnings excluding amortization of intangible assets related to business acquisitions
"Adjusted net earnings excluding amortization of intangible assets related to business acquisitions" means adjusted net earnings prior to the inclusion of amortization of intangible assets related to business acquisitions, net of applicable income taxes.

Adjusted net earnings margin
"Adjusted net earnings margin" means adjusted net earnings expressed as a percentage of revenues.

Adjusted net earnings margin excluding amortization of intangible assets related to business acquisitions
"Adjusted net earnings margin excluding amortization of intangible assets related to business acquisitions" means adjusted net earnings excluding amortization of intangible assets related to business acquisitions expressed as a percentage of revenues.

Adjusted net earnings per share
"Adjusted net earnings per share" (basic and diluted) means adjusted net earnings per basic and diluted common share.

Adjusted net earnings per share excluding amortization of intangible assets related to business acquisitions
"Adjusted net earnings per share excluding amortization of intangible assets related to business acquisitions" (basic and diluted) means adjusted net earnings per basic and diluted common share prior to the inclusion of amortization of intangible assets related to business acquisitions, net of applicable income taxes.

Adjusted return on average equity
"Adjusted return on average equity" means adjusted net earnings divided by average total equity, not considering the effect of annual fluctuations in foreign currency translation.

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

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

EPS
"EPS" means net earnings per share.

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

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

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

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

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

Working capital
"Working capital" means current assets minus current liabilities.

Working capital ratio
"Working capital ratio" means current assets divided by current liabilities.

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S STATEMENT OF RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

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

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

June 3, 2021

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matter

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

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

Key Audit Matter Description

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

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

How the Key Audit Matter Was Addressed in the Audit

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

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

Other Information

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

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

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

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

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

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

/s/ Deloitte LLP[1]

Montréal, Québec
June 3, 2021

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

CONSOLIDATED INCOME STATEMENTS

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

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

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of CDN dollars)

Years ended March 31	**2021**	2020
Net earnings	**$ 625.6**	$ 582.8
Other comprehensive (loss) income:		
Items that may be reclassified to net earnings:		
Exchange differences arising from foreign currency translation	**(450.2)**	94.3
Inflation effect arising from the application of hyperinflation	**(7.8)**	(8.5)
Unrealized gains (losses) on cash flow hedges (Note 17)	**61.9**	(76.6)
Reclassification of (gains) losses on cash flow hedges to net earnings	**(6.5)**	24.5
Income taxes relating to items that may be reclassified to net earnings	**(15.5)**	14.1
	(418.1)	47.8
Items that will not be reclassified to net earnings:		
Actuarial (loss) income (Note 19)	**(215.3)**	83.8
Income taxes relating to items that will not be reclassified to net earnings	**41.3**	(16.9)
	(174.0)	66.9
Other comprehensive (loss) income	**(592.1)**	114.7
Total comprehensive income	**$ 33.5**	$ 697.5

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in millions of CDN dollars, except common shares)

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

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

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in millions of CDN dollars)

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

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

On behalf of the Board,

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

(signed) Tony Meti
Tony Meti
Director

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of CDN dollars)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2021, and 2020.

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

NOTE 1 CORPORATE INFORMATION

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

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

NOTE 2 BASIS OF PRESENTATION

STATEMENT OF COMPLIANCE

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

BASIS OF MEASUREMENT

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

FUNCTIONAL AND PRESENTATION CURRENCY

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

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATED FINANCIAL STATEMENTS

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

CASH AND CASH EQUIVALENTS

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

INVENTORIES

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

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

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

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

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

GOODWILL AND INTANGIBLE ASSETS

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

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

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

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

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

IMPAIRMENT OF OTHER LONG-LIVED ASSETS

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

BUSINESS COMBINATIONS

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

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

EMPLOYEE FUTURE BENEFITS

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

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

REVENUE RECOGNITION

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

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

FOREIGN CURRENCY TRANSLATION

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

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

STOCK-BASED COMPENSATION

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

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

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

JOINT VENTURES

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

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

INCOME TAXES

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

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

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

FINANCIAL INSTRUMENTS

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

The Company has made the following classifications:

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

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

HEDGING

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

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

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

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

FAIR VALUE HIERARCHY

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

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

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

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

USE OF ESTIMATES AND JUDGMENTS IN THE APPLICATION OF ACCOUNTING POLICIES

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

SIGNIFICANT ESTIMATES AND JUDGMENTS

Economic conditions and uncertainties

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

Income Taxes

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

Deferred Income Taxes

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

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Goodwill, Intangible Assets and Business Combinations

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

Property, Plant and Equipment

Significant judgment is necessary in the selection and application of depreciation method and useful lives as well as the determination of which components are significant and how they are allocated. Management has determined that the use of the straight-line method of amortization is the most appropriate as its facilities are operating at a similar output potential on a year to year basis, which indicates that production is constant. It is Management’s best estimate that the useful lives and policies adopted adequately reflect the pattern in which the assets future economic benefits are expected to be derived.

Impairment of Assets

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

Employee Future Benefits

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

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

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

IFRS 3, Business Combinations

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

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

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

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

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

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

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

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

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

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

IAS 1, Presentation of Financial Statements

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

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

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

IFRS 3, Business Combinations: Reference to the Conceptual Framework

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

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

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

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

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

IAS 37, Onerous Contracts – Cost of Fulfilling a Contract

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

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

IAS 1 – Disclosure of Accounting Policies

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

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

IAS 8 – Definition of Accounting Estimates

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

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

NOTE 4 INVENTORIES

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

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

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

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

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

NOTE 7 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

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

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

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

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

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

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

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

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

NOTE 8 GOODWILL AND INTANGIBLE ASSETS

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

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

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

NOTE 8 GOODWILL AND INTANGIBLE ASSETS (CONT'D)

IMPAIRMENT TESTING OF CASH-GENERATING UNITS

Goodwill

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

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

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

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

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

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

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

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

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

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

NOTE 8 GOODWILL AND INTANGIBLE ASSETS (CONT'D)

Trademarks

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

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

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

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

NOTE 9 OTHER ASSETS

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

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

NOTE 10 BANK LOANS

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

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

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

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

NOTE 11 LONG-TERM DEBT

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

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

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

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

4 Interest payments are semi-annual.

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

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

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

NOTE 11 LONG-TERM DEBT (CONT'D)

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

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

NOTE 12 OTHER LIABILITIES

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

NOTE 13 SHARE CAPITAL

AUTHORIZED

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

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

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

STOCK OPTION PLAN

The Company has an equity settled stock option plan to allow for the purchase of common shares by key employees and officers of the Company. The total number of common shares which may be issued pursuant to this plan cannot exceed 45,698,394 common shares. As at March 31, 2021, 14,595,623 common shares are available for future grants under this plan and 23,339,321 common shares are underlying options outstanding. During fiscal 2021, a total of 1,347,041 common shares were issued following the exercise of options. Options may be exercised at a price not less than the weighted average market price for the five trading days immediately preceding the date of grant. The options vest at 20% per year and expire ten years from the grant date.

NOTE 13 SHARE CAPITAL (CONT'D)

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

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

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

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

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

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

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

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

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

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

NOTE 13 SHARE CAPITAL (CONT'D)

DEFERRED SHARE UNIT PLAN FOR DIRECTORS

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

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

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

PERFORMANCE SHARE UNIT PLAN

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

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

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

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

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

NOTE 13 SHARE CAPITAL CONT'D

RESTRICTED SHARE UNIT PLAN

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

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

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

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

DIVIDENDS AND DIVIDEND REINVESTMENT PLAN

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

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

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

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

NOTE 14 FINANCIAL CHARGES

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

NOTE 15 INCOME TAXES

Income tax expense is comprised of the following:

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

RECONCILIATION OF THE EFFECTIVE TAX RATE

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

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

INCOME TAX RECOGNIZED IN OTHER COMPREHENSIVE INCOME

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

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

INCOME TAX RECOGNIZED IN EQUITY

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

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

NOTE 15 INCOME TAXES (CONT'D)

CURRENT TAX ASSETS AND LIABILITIES

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

DEFERRED TAX ASSETS AND LIABILITIES

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

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

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

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

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

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

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

NOTE 16 NET EARNINGS PER SHARE

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

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

NOTE 17 FINANCIAL INSTRUMENTS

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

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

CREDIT RISK

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

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

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

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

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

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

NOTE 17 FINANCIAL INSTRUMENTS (CONT'D)

LIQUIDITY RISK

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

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

INTEREST RATE RISK

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

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

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

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

FOREIGN EXCHANGE RISK

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

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

NOTE 17 FINANCIAL INSTRUMENTS (CONT'D)

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

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

COMMODITY PRICE RISK

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

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

NOTE 18 BUSINESS ACQUISITIONS

LION DAIRY & DRINKS PTY LTD

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

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

DAIRY CREST GROUP PLC

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

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

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

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

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

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

NOTE 18 BUSINESS ACQUISITIONS CONT'D

The allocation of each purchase price is presented below.

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

NOTE 19 EMPLOYEE POST-EMPLOYMENT BENEFIT PLANS

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

DEFINED CONTRIBUTION PLANS

The Company offers and participates in defined contribution pension plans of which 99% of its active employees are members. The net pension expense under these types of plans is generally equal to the contributions made by the employer and constitutes an expense for the year in which they are due. For fiscal 2021, the defined contribution expenses for the Company amounted to $76.5 million ($71.7 million in fiscal 2020). The Company expects to contribute approximately $78.8 million to its defined contribution plans for fiscal 2022.

DEFINED BENEFIT PLANS

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

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

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

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

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

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

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

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

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

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

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

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

Presented in the statement of financial position as follows:

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

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

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

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

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

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

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

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

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

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

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

The Consolidated Income Statements include the following:

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

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

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

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

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

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

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

SENSITIVITY TO CHANGES IN ASSUMPTIONS

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

NOTE 20 COMMITMENTS AND CONTINGENCIES

COMMITMENTS

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

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

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

CLAIMS

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

INDEMNIFICATIONS

The Company from time to time offers indemnifications to third parties in the normal course of its business, in connection with business or asset acquisitions or disposals. These indemnification provisions may be in connection with breach of representations and warranties, and for future claims for certain liabilities. The terms of these indemnification provisions vary in duration. At March 31, 2021, given that the nature and amount of such indemnifications depend on future events, the Company is unable to reasonably estimate its maximum potential liability under these agreements. The Company has not made any significant indemnification payments in the past, and as at March 31, 2021, and March 31, 2020, the Company had not recorded any significant liabilities associated with these indemnifications.

LETTERS OF CREDIT

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

NOTE 21 RELATED PARTY TRANSACTIONS

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

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

NOTE 21 RELATED PARTY TRANSACTIONS (CONT'D)

Transactions with related parties are as follows:

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

Dairy products provided by the Company were the following:

		2021		2020
Entities subject to control or significant influence through ownership by its principal shareholder	$	0.4	$	0.3

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

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

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

KEY MANAGEMENT PERSONNEL COMPENSATION

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

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

NOTE 21 RELATED PARTY TRANSACTIONS (CONT'D)

SUBSIDIARIES

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

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

NOTE 22 CAPITAL DISCLOSURES

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its growth strategies and undertake selective acquisitions, while at the same time taking a conservative approach towards financial leverage and management of financial risk. An additional objective includes a target for long-term leverage of 2.25 times net debt to Earnings before interest, income taxes, depreciation, amortization, impairment of intangible assets, inventory revaluation resulting from a business acquisition, and acquisition and restructuring costs. From time to time, the Company may deviate from its long-term leverage target to pursue acquisitions and other strategic opportunities. Should such a scenario arise, the Company expects to deleverage over a reasonable period of time in order to seek to maintain its investment grade ratings. Also, the Company seeks to provide an adequate return to its shareholders. The Company believes that the purchases of its own shares may, under appropriate circumstances, be a responsible use of its capital.

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

The primary measure used by the Company to monitor its financial leverage is its ratio of net debt to earnings before interest, income taxes, depreciation, amortization, impairment of intangible assets, inventory revaluation resulting from a business acquisition, and acquisition and restructuring costs. The net debt-to-Earnings before interest, income taxes, depreciation, amortization, impairment of intangible assets, inventory revaluation resulting from a business acquisition, and acquisition and restructuring costs ratios as at March 31, 2021, and March 31, 2020, are as follows:

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

The Company has existing credit facilities which require a quarterly review of financial ratios and the Company is not in violation of any such ratio covenants as at March 31, 2021.

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

NOTE 23 ACQUISITION AND RESTRUCTURING COSTS

Acquisition and restructuring costs are summarized as follows:

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

RESTRUCTURING COSTS

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

ACQUISITION COSTS

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

NOTE 24 SEGMENTED INFORMATION

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

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

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

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

NOTE 24 SEGMENTED INFORMATION CONT'D

INFORMATION ON REPORTABLE SECTORS

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

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

NOTE 24 SEGMENTED INFORMATION CONT'D

MARKET SEGMENT INFORMATION

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

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

GEOGRAPHIC INFORMATION

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

NOTE 25 SUBSEQUENT EVENTS

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

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

CORPORATE HEADQUARTERS

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ANNUAL MEETING OF SHAREHOLDERS

Thursday, August 5, 2021, at 10 a.m. (Eastern Time)
Virtual-only format
https://web.lumiagm.com/486765661

INVESTOR RELATIONS

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STOCK EXCHANGE

Toronto Stock Exchange
Symbol: SAP

TRANSFER AGENT

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1500 Robert-Bourassa Blvd., Suite 700
Montréal, QC Canada H3A 3S8
Telephone: 514-982-7888
Email: service@computershare.com

DIVIDEND POLICY

Saputo Inc. declares quarterly cash dividends on common shares at $0.175 per share, representing a yearly dividend of $0.70 per share. The Board of Directors reviews our dividend policy at least once annually, based on factors such as financial condition, financial performance, and capital requirements.

DIVIDEND REINVESTMENT PLAN

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

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