

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENTS

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

	For the three-month periods ended June 30	
	2020	2019
Revenues (Note 4)	\$ 3,390.8	\$ 3,668.4
Operating costs excluding depreciation and amortization (Note 5)	3,024.3	3,310.4
Earnings before interest, income taxes, depreciation, amortization, impairment of intangible assets, inventory revaluation resulting from a business acquisition, and acquisition and restructuring costs	366.5	358.0
Depreciation and amortization	126.0	108.8
Impairment of intangible assets (Note 14)	19.0	-
Inventory revaluation resulting from a business acquisition (Note 13)	-	27.2
Acquisition and restructuring costs (Note 13)	-	22.4
Interest on long-term debt	19.8	24.3
Other financial charges (Note 10)	5.3	4.2
Earnings before income taxes	196.4	171.1
Income taxes	54.5	49.7
Net earnings	\$ 141.9	\$ 121.4
Net earnings per share (Note 9)		
Basic	\$ 0.35	\$ 0.31
Diluted	\$ 0.35	\$ 0.31

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of CDN dollars)
(unaudited)

	For the three-month periods ended June 30	
	2020	2019
Net earnings	\$ 141.9	\$ 121.4
Other comprehensive (loss) income:		
<i>Items that may be reclassified to net earnings:</i>		
Exchange differences arising from foreign currency translation	(123.3)	(168.2)
Inflation effect arising from the application of hyperinflation	(2.5)	-
Net unrealized gains (losses) on cash flow hedges (Note 11) (Net of income taxes of \$12.1; 2019: \$0.2)	31.0	(0.3)
Net reclassification of loss on cash flow hedges to net earnings (Net of income taxes of \$3.9; 2019: \$0.8)	11.0	1.9
	(83.8)	(166.6)
<i>Items that will not be reclassified to net earnings:</i>		
Net actuarial (loss) income (Note 12) (Net of income taxes of \$30.0; 2019: \$1.0)	(123.3)	4.7
	(123.3)	4.7
Other comprehensive (loss) income	(207.1)	(161.9)
Total comprehensive (loss) income	\$ (65.2)	\$ (40.5)

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CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

For the three-month period ended June 30, 2020

	Share capital		Reserves				Retained Earnings	Total Equity
	Common Shares	Amount	Foreign Currency Translation	Cash Flow Hedges	Stock Option Plan	Total Reserves		
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	-	-	-	-	-	-	141.9	141.9
Other comprehensive (loss) income	-	-	(125.8)	42.0	-	(83.8)	(123.3)	(207.1)
Total comprehensive (loss) income								(65.2)
Dividends declared (Note 8)	-	-	-	-	-	-	(69.5)	(69.5)
Stock option plan (Note 8)	-	-	-	-	5.3	5.3	-	5.3
Shares issued under stock option plan	103,559	2.7	-	-	(0.5)	(0.5)	-	2.2
Balance, end of period	408,741,932	\$ 1,688.4	\$ 542.1	\$ 1.7	\$ 155.6	\$ 699.4	\$ 4,044.1	\$ 6,431.9

For the three-month period ended June 30, 2019

	Share capital		Reserves				Retained Earnings	Total Equity
	Common Shares	Amount	Foreign Currency Translation	Cash Flow Hedges	Stock Option Plan	Total Reserves		
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	-	-	-	-	-	-	121.4	121.4
Other comprehensive (loss) income	-	-	(168.2)	1.6	-	(166.6)	4.7	(161.9)
Total comprehensive (loss) income								(40.5)
Dividends declared	-	-	-	-	-	-	(64.5)	(64.5)
Stock option plan (Note 8)	-	-	-	-	5.9	5.9	-	5.9
Shares issued under stock option plan	771,897	26.3	-	-	(3.6)	(3.6)	-	22.7
Balance, end of period	390,970,283	\$ 1,018.0	\$ 413.9	\$ (0.7)	\$ 136.3	\$ 549.5	\$ 3,776.6	\$ 5,344.1

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CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in millions of CDN dollars)

As at	June 30, 2020 (unaudited)	March 31, 2020 (audited)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 535.7	\$ 319.4
Receivables	1,281.4	1,371.8
Inventories	2,291.3	2,220.9
Income taxes receivable	20.9	50.3
Prepaid expenses and other assets	96.0	106.6
	4,225.3	4,069.0
Property, plant and equipment	3,816.2	3,850.0
Right-of-use assets	426.2	417.9
Goodwill	3,149.9	3,219.5
Intangible assets	1,569.9	1,640.7
Other assets (Note 12)	377.5	545.3
Deferred income taxes	44.2	50.7
Total assets	\$ 13,609.2	\$ 13,793.1
LIABILITIES		
Current liabilities		
Bank loans (Note 6)	\$ 217.3	\$ 528.5
Accounts payable and accrued liabilities	1,761.1	1,838.9
Dividends payable	69.5	-
Income taxes payable	62.2	51.4
Current portion of long-term debt (Note 7)	300.0	-
Current portion of lease liabilities	77.0	74.7
	2,487.1	2,493.5
Long-term debt (Note 7)	3,513.3	3,542.3
Lease liabilities	352.8	340.1
Other liabilities	103.9	98.5
Deferred income taxes	720.2	759.6
Total liabilities	\$ 7,177.3	\$ 7,234.0
EQUITY		
Share capital (Note 8)	1,688.4	1,685.7
Reserves	699.4	778.4
Retained earnings	4,044.1	4,095.0
Total equity	\$ 6,431.9	\$ 6,559.1
Total liabilities and equity	\$ 13,609.2	\$ 13,793.1

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of CDN dollars)
(unaudited)

	For the three-month periods ended June 30	
	2020	2019
Cash flows related to the following activities:		
Operating		
Net earnings	\$ 141.9	\$ 121.4
Adjustments for:		
Stock-based compensation	3.9	5.8
Interest and other financial charges	25.1	28.5
Income tax expense	54.5	49.7
Depreciation and amortization	126.0	108.8
Impairment of intangible assets (Note 14)	19.0	-
(Gain) loss on disposal of property, plant and equipment	(0.4)	0.2
Inventory revaluation resulting from a business acquisition	-	27.2
Foreign exchange (gain) loss on debt	(1.7)	1.1
Share of joint venture earnings, net of dividends received	0.1	1.3
Difference between funding of employee plans and costs	0.8	0.6
Changes in non-cash operating working capital items	7.5	(24.3)
Cash generated from operating activities	376.7	320.3
Interest and other financial charges paid	(28.5)	(37.7)
Income taxes paid	(12.2)	(48.2)
Net cash generated from operating activities	336.0	234.4
Investing		
Business acquisitions, net of cash acquired	-	(1,694.0)
Additions to property, plant and equipment	(64.4)	(127.6)
Additions to intangible assets	(14.2)	(16.9)
Proceeds from disposal of long-lived assets	27.7	0.8
	(50.9)	(1,837.7)
Financing		
Bank loans	(322.6)	58.2
Proceeds from issuance of long-term debt	700.0	2,061.5
Repayment of long-term debt	(437.4)	(461.1)
Repayment of lease liabilities	(18.8)	(17.8)
Net proceeds from issuance of share capital	2.2	22.2
Dividends	-	(64.5)
	(76.6)	1,598.5
Increase (decrease) in cash and cash equivalents	208.5	(4.8)
Cash and cash equivalents, beginning of period	319.4	112.7
Effect of inflation	3.2	7.4
Effect of exchange rate changes	4.6	(1.7)
Cash and cash equivalents, end of period	\$ 535.7	\$ 113.6

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 1 CORPORATE INFORMATION

Saputo Inc. (the Company) is a publicly traded company incorporated and domiciled in Canada. The Company's shares are listed on the Toronto Stock Exchange under the symbol "SAP." The Company produces, markets and distributes a wide array of dairy products from Canada, the United States, Australia, Argentina and the United Kingdom. The address of the Company's head office is 6869 Metropolitan Blvd. East, Montréal, Québec, Canada, H1P 1X8. The condensed interim consolidated financial statements (financial statements) of the Company for the period ended June 30, 2020, comprise the financial results of the Company and its subsidiaries.

The financial statements for the period ended June 30, 2020, were authorized for issuance by the Board of Directors on August 6, 2020.

NOTE 2 BASIS OF PRESENTATION

The financial statements of the Company have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (IASB). Accordingly, certain disclosure requirements that are necessary in the preparation of an annual report in compliance with International Financial Reporting Standards (IFRS) have been omitted or condensed.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation applied in these financial statements are the same as those applied by the Company in its audited annual consolidated financial statements as at and for the year ended March 31, 2020, except for the impact of the adoption of the new standards, interpretations and amendments and applicable standards, as described below.

These financial statements should be read in conjunction with the Company's audited annual consolidated financial statements as at March 31, 2020, and 2019, and for the years then ended.

ECONOMIC CONDITIONS AND UNCERTAINTIES

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

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

The following standards, amendments to standards and interpretations were issued by the International Accounting Standards Board (IASB) and are applicable to the Company for its annual periods beginning on and after April 1, 2021, with an earlier application permitted:

IFRS 3, Reference to the Conceptual Framework

In May 2020, Reference to the Conceptual Framework, amendments to IFRS 3, *Business Combinations* was issued. This amendment adds a requirement that, for transactions and other events within the scope of IAS 37, *Provisions, contingent liabilities and contingent assets* or 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, they add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

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

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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.

Management is currently assessing the impact of the adoption of these amendments on the Company's financial statements.

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

The following standards, amendments to existing standards and interpretations of standards were adopted by the Company on 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, IFRS 7, Financial Instruments disclosure and IAS 39, Financial Instruments: Recognition and Measurement

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.

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 noncurrent. 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 include clarifying 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.

IFRS 16, COVID-19 Related Rent Concessions

In May 2020, the IASB issued amendments to IFRS 16, which provide relief for lessees in accounting for rent concessions granted as a direct consequence of COVID-19. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.

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

NOTE 4 REVENUES

Revenues by market segment are as follows:

	For the three-month periods ended June 30	
	2020	2019
Revenues		
Retail	\$ 1,869.6	\$ 1,684.0
Foodservice	912.8	1,354.7
Industrial	608.4	629.7
	\$ 3,390.8	\$ 3,668.4

NOTE 5 OPERATING COSTS EXCLUDING DEPRECIATION AND AMORTIZATION

	For the three-month periods ended June 30	
	2020	2019
Changes in inventories of finished goods and work in process	\$ (67.4)	\$ 17.9
Raw materials and consumables used	2,281.8	2,484.6
Foreign exchange loss	10.5	2.3
Employee benefits expense	452.1	430.2
Selling costs	148.4	170.4
Other general and administrative costs	198.9	205.0
Total	\$ 3,024.3	\$ 3,310.4

NOTE 6 BANK LOANS

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

Credit Facilities	Maturity	Available for use		Amount drawn	
		Canadian Currency Equivalent	Base Currency	June 30, 2020	March 31, 2020
North America-USA	November 2024 ¹	407.3	300.0 USD	\$ -	\$ -
North America-Canada	November 2024 ¹	950.3	700.0 USD	-	-
Canada	January 2021 ²	26.0	26.0 CAD	24.9	24.9
Australia	Yearly ³	295.2	315.0 AUD	52.3	238.4
Australia	Yearly ³	135.8	100.0 USD	37.7	128.5
Japan	Yearly ⁴	100.8	8,000.0 JPY	31.4	24.8
United Kingdom	Yearly ⁵	126.3	75.0 GBP	-	17.5
Argentina	Yearly ⁶	156.1	115.0 USD	24.4	53.4
Argentina	Yearly ⁷	133.7	6,930.0 ARS	46.6	41.0
Total		2,331.5		\$ 217.3	\$ 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 Bears 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.

NOTE 7 LONG-TERM DEBT

	June 30, 2020	March 31, 2020
Unsecured bank term loan facilities		
Obtained April 2018 (AU\$600.0 million) and due in April 2023 ¹	474.2	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	989.1	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	-
	\$ 3,813.3	\$ 3,542.3
Current portion	300.0	-
	\$ 3,513.3	\$ 3,542.3
Principal repayments are as follows:		
Less than 1 year	\$ 300.0	\$ -
1-2 years	1,289.1	718.8
2-3 years	474.2	1,336.4
3-4 years	300.0	737.1
4-5 years	400.0	400.0
More than 5 years	1,050.0	350.0
	\$ 3,813.3	\$ 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.

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 £.

⁴ Interest payments are semi-annual.

⁵ On December 12, 2018, the Company renewed its medium term note program and filed a short form base shelf prospectus qualifying an offering of medium term notes for distribution to the public in the provinces of Canada over a 25-month period.

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 quarter 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 (AUD 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 July 6, 2020, the Company repaid \$68.0 million of the 3-year tranche of the term loan facility incurred in connection with the Dairy Crest Acquisition.

NOTE 8 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.

	Number of shares	Common Shares \$
Balance at April 1, 2020	408,638,373	1,685.7
Issued on exercise of options	103,559	2.7
Balance, end of period	408,741,932	1,688.4

SHARE OPTION PLAN

Changes in the number of outstanding options for the three-month periods ended June 30, are as follows:

	June 30, 2020		June 30, 2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at April 1, 2020	20,946,092	\$ 38.05	20,374,871	\$ 35.96
Options granted	4,637,830	\$ 33.35	3,319,450	\$ 45.30
Options exercised	(103,559)	\$ 21.30	(771,897)	\$ 28.73
Options cancelled	(322,365)	\$ 41.02	(239,102)	\$ 43.03
Balance, end of period	25,157,998	\$ 37.21	22,683,322	\$ 37.50

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:

	June 30, 2020	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 \$5.3 million (\$4.7 million net of taxes) relating to stock options was recorded in the consolidated income statements for the three-month period ended June 30, 2020. A compensation expense of \$5.9 million (\$5.3 million net of taxes) relating to stock options was recorded in the consolidated income statements for the three-month period ended June 30, 2019.

DIVIDENDS AND DIVIDEND REINVESTMENT PLAN

The Company implemented a dividend reinvestment plan (DRIP), effective as of May 28, 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.

On June 4, 2020, the Board of Directors approved a dividend of \$0.17 per share totalling \$69.5 million payable on July 9, 2020, to common shareholders of record on June 30, 2020. On July 9, 2020, the Company issued 578,437 common shares at a share price of \$31.61 under its DRIP.

NOTE 9 NET EARNINGS PER SHARE

	For the three-month periods ended June 30	
	2020	2019
Net earnings	\$ 141.9	\$ 121.4
Weighted average number of common shares outstanding	408,721,361	390,912,180
Dilutive options	1,374,787	3,033,233
Weighted average diluted number of common shares outstanding	410,096,148	393,945,413
Basic net earnings per share	\$ 0.35	\$ 0.31
Diluted net earnings per share	\$ 0.35	\$ 0.31

When calculating diluted net earnings per share for the three-month period ended June 30, 2020, 15,508,137 options were excluded from the calculation because their exercise price is higher than the average market value of common shares (6,813,796 options were excluded for the three-month period ended June 30, 2019).

NOTE 10 OTHER FINANCIAL CHARGES

	For the three-month periods ended June 30	
	2020	2019
Net finance costs	\$ 6.5	\$ 8.7
Gain on hyperinflation	(3.0)	(8.1)
Interest on lease liabilities	3.6	4.7
Net interest revenue from defined benefit obligation	(1.8)	(1.1)
	\$ 5.3	\$ 4.2

NOTE 11 FINANCIAL INSTRUMENTS

The Company determined that the fair value of certain of its financial assets and financial liabilities with short-term maturities approximates their carrying value. These financial instruments include cash and cash equivalents, receivables, bank loans, accounts payable and accrued liabilities. The table below presents the fair value and the carrying value of other financial instruments as at June 30, 2020, 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.

	June 30, 2020		March 31, 2020	
	Fair value	Carrying value	Fair value	Carrying value
Cash flow hedges				
Commodity derivatives (Level 2)	\$ (8.3)	\$ (8.3)	\$ (28.7)	\$ (28.7)
Foreign exchange derivatives (Level 2)	22.7	22.7	(9.1)	(9.1)
Derivatives not designated in a formal hedging relationship				
Equity forward contracts (Level 2)	(2.6)	(2.6)	(7.4)	(7.4)
Commodity derivatives (Level 2)	(2.6)	(2.6)	(10.1)	(10.1)
Foreign exchange derivatives (Level 2)	(0.7)	(0.7)	-	-
Long-term debt (Level 2)	3,893.7	3,813.3	3,505.7	3,542.3

NOTE 12 NET ACTUARIAL LOSS

The Company recorded an actuarial loss of \$123.3 million (net of income taxes of \$30.0 million) related to its defined benefit pension plans in the consolidated statement of comprehensive income for the three-month period ended June 30, 2020. The actuarial loss resulted from a decrease in the discount rate and an increase in the inflation rate. Partially offsetting this loss, was a higher than expected actual return on plan assets. Consequently, other assets were decreased by \$153.3 million.

NOTE 13 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 *South Cape*, *Tasmanian Heritage*, *Mersey Valley* and *King Island Dairy*.

The purchase price of \$248.1 million (AU\$277.9 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 mainly comprised of stamp duty taxes.

The purchase price allocation is dependent upon certain valuations, assumptions, judgments and estimates. At this time, the Company is still gathering information in order to make a definitive allocation. The final allocation of the purchase price may vary from the preliminary allocation presented below.

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 7) 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.

The allocation of each purchase price is presented below.

		April 15 Dairy Crest	October 28 Lion Dairy	Fiscal 2020 Total
Assets acquired	Cash	\$ 7.0	\$ 13.0	\$ 20.0
	Receivables	54.6	36.9	91.5
	Inventories	369.4	45.8	415.2
	Income taxes receivable	1.5	-	1.5
	Prepaid expenses and other assets	12.1	0.4	12.5
	Property, plant and equipment	369.1	178.6	547.7
	Right-of-use assets	73.4	-	73.4
	Goodwill	541.5	-	541.5
	Intangible assets	802.8	4.7	807.5
	Other assets	283.1	2.6	285.7
Liabilities assumed	Accounts payable and accrued liabilities	(151.7)	(27.5)	(179.2)
	Lease liabilities	(70.4)	-	(70.4)
	Other liabilities	(8.3)	(6.4)	(14.7)
	Long-term debt	(436.6)	-	(436.6)
	Deferred income taxes	(152.8)	-	(152.8)
Net assets acquired		\$ 1,694.7	\$ 248.1	\$ 1,942.8

Other assets listed above 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%. 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. In connection with this acquisition, the Company incurred acquisition-related costs of approximately \$23 million, which includes approximately \$9 million in stamp duty taxes.

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

NOTE 14 SEGMENTED INFORMATION

The Company reports under four geographic sectors. The Canada Sector consists of the Dairy Division (Canada). The USA Sector consists of the Cheese Division (USA) and the Dairy Foods 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.

Management has aggregated the Cheese Division (USA) and the Dairy Foods Division (USA) due to similarities in long-term average returns and correlated market factors driving pricing strategies that affect the operations of both divisions. 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.

INFORMATION ON REPORTABLE SECTORS

	For the three-month periods ended June 30	
	2020	2019
Revenues		
Canada	\$ 981.6	\$ 968.8
USA	1,416.7	1,757.7
International	781.6	790.3
Europe	210.9	151.6
	\$ 3,390.8	\$ 3,668.4
Earnings before interest, income taxes, depreciation, amortization, impairment of intangible asset, inventory revaluation resulting from a business acquisition, and acquisition and restructuring costs		
Canada	\$ 104.2	\$ 98.5
USA	162.2	173.6
International	59.8	59.7
Europe	40.3	26.2
	\$ 366.5	\$ 358.0
Depreciation and amortization		
Canada	\$ 23.6	\$ 22.6
USA	50.0	41.9
International	26.2	26.9
Europe	26.2	17.4
	\$ 126.0	\$ 108.8
Impairment of intangible assets ¹	19.0	-
Inventory revaluation resulting from a business acquisition	-	27.2
Acquisition and restructuring costs	-	22.4
Financial charges, net	25.1	28.5
Earnings before income taxes	196.4	171.1
Income taxes	54.5	49.7
Net earnings	\$ 141.9	\$ 121.4

¹ Refers to a retired brand name from the Australian portfolio.

GEOGRAPHIC INFORMATION

	For the three-month periods ended June 30	
	2020	2019
Revenues		
Canada	\$ 981.6	\$ 968.8
USA	1,416.7	1,757.7
Australia	629.5	611.5
Argentina	152.1	178.8
United Kingdom	210.9	151.6
	\$ 3,390.8	\$ 3,668.4