

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENTS

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

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2020	2019	2020	2019
Revenues (Note 4)	\$ 3,702.2	\$ 3,665.6	\$ 7,093.0	\$ 7,334.0
Operating costs excluding depreciation and amortization (Note 5)	3,331.7	3,271.2	6,356.0	6,581.6
Earnings before interest, income taxes, depreciation, amortization, impairment of intangible assets, gain on disposal of assets, inventory revaluation resulting from a business acquisition, and acquisition and restructuring costs	370.5	394.4	737.0	752.4
Depreciation and amortization	125.7	108.8	251.7	217.6
Impairment of intangible assets (Note 15)	-	-	19.0	-
Gain on disposal of assets	(6.2)	-	(6.2)	-
Inventory revaluation resulting from a business acquisition (Note 14)	-	12.9	-	40.1
Acquisition and restructuring costs (Note 14)	-	0.4	-	22.8
Financial charges (Note 11)	22.8	34.5	47.9	63.0
Earnings before income taxes	228.2	237.8	424.6	408.9
Income taxes	57.4	62.9	111.9	112.6
Net earnings	\$ 170.8	\$ 174.9	\$ 312.7	\$ 296.3
Net earnings per share (Note 10)				
Basic	\$ 0.42	\$ 0.44	\$ 0.76	\$ 0.75
Diluted	\$ 0.42	\$ 0.44	\$ 0.76	\$ 0.75

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of CDN dollars)
(unaudited)

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2020	2019	2020	2019
Net earnings	\$ 170.8	\$ 174.9	\$ 312.7	\$ 296.3
Other comprehensive (loss) income:				
<i>Items that may be reclassified to net earnings:</i>				
Exchange differences arising from foreign currency translation	(50.1)	(43.4)	(173.4)	(211.6)
Inflation effect arising from the application of hyperinflation	(1.7)	(7.4)	(4.2)	(7.4)
Net unrealized gains (losses) on cash flow hedges (Note 12) (Net of income taxes of \$1.7 and \$13.8; 2019: \$4.0 and \$4.2)	2.3	(10.2)	33.3	(10.5)
Net reclassification of (losses) gains on cash flow hedges to net earnings (Net of income taxes of \$0.7 and \$3.2; 2019: \$1.6 and \$2.4)	(0.5)	4.0	10.5	5.9
	(50.0)	(57.0)	(133.8)	(223.6)
<i>Items that will not be reclassified to net earnings:</i>				
Net actuarial (loss) income (Note 13) (Net of income taxes of \$1.9 and \$31.9; 2019: \$2.7 and \$3.7)	(7.4)	16.1	(130.7)	20.8
	(7.4)	16.1	(130.7)	20.8
Other comprehensive (loss) income	(57.4)	(40.9)	(264.5)	(202.8)
Total comprehensive income (loss)	\$ 113.4	\$ 134.0	\$ 48.2	\$ 93.5

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CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

For the six-month period ended September 30, 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	-	-	-	-	-	-	312.7	312.7
Other comprehensive (loss) income	-	-	(177.6)	43.8	-	(133.8)	(130.7)	(264.5)
Total comprehensive (loss) income								48.2
Dividends declared (Note 9)	-	-	-	-	-	-	(141.1)	(141.1)
Stock option plan (Note 9)	-	-	-	-	10.8	10.8	-	10.8
Shares issued under dividend reinvestment plan (Note 9)	578,437	18.3	-	-	-	-	-	18.3
Shares issued under stock option plan (Note 9)	207,743	5.7	-	-	(1.0)	(1.0)	-	4.7
Balance, end of period	409,424,553	\$ 1,709.7	\$ 490.3	\$ 3.5	\$ 160.6	\$ 654.4	\$ 4,135.9	\$ 6,500.0

For the six-month period ended September 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	-	-	-	-	-	-	296.3	296.3
Other comprehensive (loss) income	-	-	(219.0)	(4.6)	-	(223.6)	20.8	(202.8)
Total comprehensive (loss) income								93.5
Shares issued under Equity Offering – net of issuance costs (Note 9)	16,642,553	639.9	-	-	-	-	-	639.9
Dividends declared	-	-	-	-	-	-	(131.0)	(131.0)
Stock option plan (Note 9)	-	-	-	-	11.9	11.9	-	11.9
Shares issued under stock option plan (Note 9)	903,923	30.4	-	-	(4.1)	(4.1)	-	26.3
Balance, end of period	407,744,862	\$ 1,662.0	\$ 363.1	\$ (6.9)	\$ 141.8	\$ 498.0	\$ 3,901.1	\$ 6,061.1

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in millions of CDN dollars)
(unaudited)

As at	September 30, 2020	March 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 646.2	\$ 319.4
Receivables	1,163.5	1,371.8
Inventories	2,299.3	2,220.9
Income taxes receivable	14.8	50.3
Prepaid expenses and other assets	73.4	106.6
	4,197.2	4,069.0
Property, plant and equipment	3,805.9	3,850.0
Right-of-use assets (Note 6)	494.4	417.9
Goodwill	3,172.3	3,219.5
Intangible assets	1,564.9	1,640.7
Other assets (Note 13)	372.9	545.3
Deferred income taxes	13.6	50.7
Total assets	\$ 13,621.2	\$ 13,793.1
LIABILITIES		
Current liabilities		
Bank loans (Note 7)	\$ 213.5	\$ 528.5
Accounts payable and accrued liabilities	1,725.1	1,838.9
Dividends payable (Note 9)	71.6	-
Income taxes payable	57.0	51.4
Current portion of long-term debt (Note 8)	300.0	-
Current portion of lease liabilities (Note 6)	76.6	74.7
	2,443.8	2,493.5
Long-term debt (Note 8)	3,420.9	3,542.3
Lease liabilities (Note 6)	405.8	340.1
Other liabilities	112.4	98.5
Deferred income taxes	738.3	759.6
Total liabilities	\$ 7,121.2	\$ 7,234.0
EQUITY		
Share capital (Note 9)	1,709.7	1,685.7
Reserves	654.4	778.4
Retained earnings	4,135.9	4,095.0
Total equity	\$ 6,500.0	\$ 6,559.1
Total liabilities and equity	\$ 13,621.2	\$ 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 September 30		For the six-month periods ended September 30	
	2020	2019	2020	2019
Cash flows related to the following activities:				
Operating				
Net earnings	\$ 170.8	\$ 174.9	\$ 312.7	\$ 296.3
Adjustments for:				
Stock-based compensation	9.9	9.4	13.8	15.2
Financial charges (Note 11)	22.8	34.5	47.9	63.0
Income tax expense	57.4	62.9	111.9	112.6
Depreciation and amortization	125.7	108.8	251.7	217.6
Impairment of intangible assets (Note 15)	-	-	19.0	-
(Gain) loss on disposal of property, plant and equipment	(6.6)	0.7	(7.0)	0.9
Inventory revaluation resulting from a business acquisition	-	12.9	-	40.1
Foreign exchange (gain) loss on debt	3.5	2.1	1.8	3.2
Share of joint venture earnings, net of dividends received	2.7	12.2	2.8	13.5
Difference between funding of employee plans and costs	(2.4)	0.4	(1.6)	1.0
Changes in non-cash operating working capital items	55.1	(164.7)	62.6	(189.0)
Cash generated from operating activities	438.9	254.1	815.6	574.4
Interest and other financial charges paid	(20.7)	(34.4)	(49.2)	(72.1)
Income taxes paid	(43.3)	(45.6)	(55.5)	(93.8)
Net cash generated from operating activities	374.9	174.1	710.9	408.5
Investing				
Business acquisitions, net of cash acquired	-	1.4	-	(1,692.6)
Additions to property, plant and equipment	(80.4)	(86.2)	(144.8)	(213.8)
Additions to intangible assets	(10.6)	(15.0)	(24.8)	(31.9)
Proceeds from disposal of assets	11.7	4.2	39.4	5.0
	(79.3)	(95.6)	(130.2)	(1,933.3)
Financing				
Bank loans	0.5	67.5	(322.1)	125.7
Proceeds from issuance of long-term debt (Note 8)	-	-	700.0	2,061.5
Repayment of long-term debt	(121.4)	(645.9)	(558.8)	(1,107.0)
Repayment of lease liabilities	(19.3)	(18.7)	(38.1)	(36.5)
Net proceeds from issuance of share capital	2.4	643.3	4.6	665.5
Payment of dividends (Note 9)	(51.2)	(66.5)	(51.2)	(131.0)
	(189.0)	(20.3)	(265.6)	1,578.2
Increase (decrease) in cash and cash equivalents	106.6	58.2	315.1	53.4
Cash and cash equivalents, beginning of period	535.7	113.6	319.4	112.7
Effect of inflation	3.5	5.5	6.7	12.9
Effect of exchange rate changes	0.4	(4.3)	5.0	(6.0)
Cash and cash equivalents, end of period	\$ 646.2	\$ 173.0	\$ 646.2	\$ 173.0

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 September 30, 2020, comprise the financial results of the Company and its subsidiaries.

The financial statements for the period ended September 30, 2020, were authorized for issuance by the Board of Directors on November 5, 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 recognize contingent assets acquired in a business combination.

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

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – 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.

Management is currently assessing the impact of the adoption of this amendment 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 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, 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 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 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 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 September 30		For the six-month periods ended September 30	
	2020	2019	2020	2019
Revenues				
Retail	\$ 1,872.5	\$ 1,770.9	\$ 3,753.0	\$ 3,477.1
Foodservice	1,160.0	1,318.0	2,061.9	2,650.5
Industrial	669.7	576.7	1,278.1	1,206.4
	\$ 3,702.2	\$ 3,665.6	\$ 7,093.0	\$ 7,334.0

NOTE 5 OPERATING COSTS EXCLUDING DEPRECIATION AND AMORTIZATION

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2020	2019	2020	2019
Changes in inventories of finished goods and work in process	\$ 3.2	\$ (76.0)	\$ (64.2)	\$ (58.1)
Raw materials and consumables used	2,519.4	2,534.5	4,801.2	5,019.1
Foreign exchange loss (gain)	(10.2)	4.9	0.3	7.2
Employee benefits expense	468.3	419.0	920.4	849.2
Selling costs	158.1	163.4	306.5	333.8
Other general and administrative costs	192.9	225.4	391.8	430.4
Total	\$ 3,331.7	\$ 3,271.2	\$ 6,356.0	\$ 6,581.6

NOTE 6 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

In the second quarter of fiscal 2021, the Company entered into a lease agreement for a land and building in the Dairy Division (Canada) and recorded right-of-use assets of \$73.6 million, with a corresponding lease liability of \$58.5 million.

NOTE 7 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	September 30, 2020	March 31, 2020
North America-USA	November 2024 ¹	399.6	300.0 USD	\$ -	\$ -
North America-Canada	November 2024 ¹	932.3	700.0 USD	-	-
Canada	January 2021 ²	26.0	26.0 CAD	25.0	24.9
Australia	Yearly ³	262.3	275.0 AUD	51.3	238.4
Australia	Yearly ³	133.2	100.0 USD	37.0	128.5
Japan	Yearly ⁴	100.8	8,000.0 JPY	35.4	24.8
United Kingdom	Yearly ⁵	129.0	75.0 GBP	-	17.5
Argentina	Yearly ⁶	153.2	115.0 USD	14.7	53.4
Argentina	Yearly ⁷	121.3	6,930.0 ARS	50.1	41.0
Total		2,257.7		\$ 213.5	\$ 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 8 LONG-TERM DEBT

	September 30, 2020	March 31, 2020
Unsecured bank term loan facilities		
Obtained April 2018 (AU\$600.0 million) and due in April 2023 ¹	434.0	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	936.9	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	-
	\$ 3,720.9	\$ 3,542.3
Current portion	300.0	-
	\$ 3,420.9	\$ 3,542.3
Principal repayments are as follows:		
Less than 1 year	\$ 300.0	\$ -
1-2 years	1,236.9	718.8
2-3 years	434.0	1,336.4
3-4 years	300.0	737.1
4-5 years	750.0	400.0
More than 5 years	700.0	350.0
	\$ 3,720.9	\$ 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 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.

NOTE 9 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 under dividend reinvestment plan	578,437	18.3
Issued on exercise of options	207,743	5.7
Balance, end of period	409,424,553	\$ 1,709.7

SHARE OPTION PLAN

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

	September 30, 2020		September 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	(207,743)	\$ 22.31	(903,923)	\$ 28.32
Options cancelled	(549,850)	\$ 40.53	(444,060)	\$ 43.19
Balance, end of period	24,826,329	\$ 37.25	22,346,338	\$ 37.51

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:

	September 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 \$5.5 million (\$5.1 million net of taxes) and \$10.8 million (\$9.8 million net of taxes) relating to stock options was recorded in the consolidated income statements for the three and six-month periods ended September 30, 2020, respectively. A compensation expense of \$6.0 million (\$5.4 million net of taxes) and \$11.9 million (\$10.7 million net of taxes) relating to stock options was recorded in the consolidated income statements for the three and six-month periods ended September 30, 2019.

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.

During the quarter, out of the dividend of \$0.17 per share totalling \$69.5 million, \$51.2 million was paid in cash and the remaining \$18.3 million was paid in common shares under the DRIP.

On August 6, 2020, the Board of Directors approved a dividend of \$0.175 per share totalling \$71.6 million payable on October 2, 2020, to common shareholders of record on September 22, 2020. As a result, the Company issued 606,007 common shares at a share price of \$32.88 under its DRIP on October 2, 2020.

NOTE 10 NET EARNINGS PER SHARE

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2020	2019	2020	2019
Net earnings	\$ 170.8	\$ 174.9	\$ 312.7	\$ 296.3
Weighted average number of common shares outstanding	409,314,986	394,461,874	409,019,796	392,631,806
Dilutive securities ¹	1,619,592	2,626,496	1,573,283	2,929,859
Weighted average diluted number of common shares outstanding	410,934,578	397,088,370	410,593,079	395,561,665
Basic net earnings per share	\$ 0.42	\$ 0.44	\$ 0.76	\$ 0.75
Diluted net earnings per share	\$ 0.42	\$ 0.44	\$ 0.76	\$ 0.75

¹ Includes options and shares to be issued under the DRIP for declared but unpaid dividends

When calculating diluted net earnings per share for the three and six-month periods ended September 30, 2020, 19,903,668 options and 15,345,117 options were excluded from the calculation because their exercise price is higher than the average market value of common shares (14,250,786 and 6,706,133 options were excluded for the three and six-month periods ended September 30, 2019).

NOTE 11 FINANCIAL CHARGES

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2020	2019	2020	2019
Interest on long term debt	\$ 20.2	\$ 26.7	\$ 40.0	\$ 51.0
Net finance costs	7.3	7.1	13.8	15.8
Gain on hyperinflation	(6.4)	(1.5)	(9.4)	(9.6)
Interest on lease liabilities	3.6	3.8	7.2	8.5
Net interest revenue from defined benefit obligation	(1.9)	(1.6)	(3.7)	(2.7)
	\$ 22.8	\$ 34.5	\$ 47.9	\$ 63.0

NOTE 12 FINANCIAL INSTRUMENTS

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

	September 30, 2020		March 31, 2020	
	Fair value	Carrying value	Fair value	Carrying value
Cash flow hedges				
Commodity derivatives (Level 2)	\$ (8.9)	\$ (8.9)	\$ (28.7)	\$ (28.7)
Foreign exchange derivatives (Level 2)	15.4	15.4	(9.1)	(9.1)
Derivatives not designated in a formal hedging relationship				
Equity forward contracts (Level 2)	(0.9)	(0.9)	(7.4)	(7.4)
Commodity derivatives (Level 2)	(3.0)	(3.0)	(10.1)	(10.1)
Long-term debt (Level 2)	3,829.2	3,720.9	3,505.7	3,542.3

NOTE 13 NET ACTUARIAL LOSS

The Company recorded an actuarial loss of \$7.4 million (net of income taxes of \$1.9 million) and \$130.7 million (net of income taxes of \$31.9 million) related to its defined benefit pension plans in the consolidated statement of comprehensive income for the three and six-month periods ended September 30, 2020, respectively. 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.

NOTE 14 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 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 8) 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 the six-month period ended September 30, 2019, 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.

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 15 SEGMENTED INFORMATION

The Company reports under four geographic sectors. The Canada Sector consists of the Dairy Division (Canada). The USA Sector consists of the Dairy Division (USA). During the quarter, 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, gain on disposal of 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.

INFORMATION ON REPORTABLE SECTORS

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2020	2019	2020	2019
Revenues				
Canada	\$ 1,063.8	\$ 1,029.4	\$ 2,045.4	\$ 1,998.2
USA	1,649.1	1,792.4	3,065.8	3,550.1
International	805.7	657.0	1,587.3	1,447.3
Europe	183.6	186.8	394.5	338.4
	\$ 3,702.2	\$ 3,665.6	\$ 7,093.0	\$ 7,334.0
Earnings before interest, income taxes, depreciation, amortization, impairment of intangible assets, gain on disposal of assets, inventory revaluation resulting from a business acquisition, and acquisition and restructuring costs				
Canada	\$ 117.0	\$ 103.2	\$ 221.2	\$ 201.7
USA	140.4	175.4	302.6	349.0
International	78.2	80.2	138.0	139.9
Europe	34.9	35.6	75.2	61.8
	\$ 370.5	\$ 394.4	\$ 737.0	\$ 752.4
Depreciation and amortization				
Canada	\$ 23.5	\$ 22.9	\$ 47.1	\$ 45.5
USA	50.0	42.0	100.0	83.9
International	27.8	25.0	54.0	51.9
Europe	24.4	18.9	50.6	36.3
	\$ 125.7	\$ 108.8	\$ 251.7	\$ 217.6
Impairment of intangible assets ¹	-	-	19.0	-
Gain on disposal of assets	(6.2)	-	(6.2)	-
Inventory revaluation resulting from a business acquisition	-	12.9	-	40.1
Acquisition and restructuring costs	-	0.4	-	22.8
Financial charges	22.8	34.5	47.9	63.0
Earnings before income taxes	228.2	237.8	424.6	408.9
Income taxes	57.4	62.9	111.9	112.6
Net earnings	\$ 170.8	\$ 174.9	\$ 312.7	\$ 296.3

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

NOTE 15 SEGMENTED INFORMATION (CONT'D)

GEOGRAPHIC INFORMATION

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2020	2019	2020	2019
Revenues				
Canada	\$ 1,063.8	\$ 1,029.4	\$ 2,045.4	\$ 1,998.2
USA	1,649.1	1,792.4	3,065.8	3,550.1
Australia	618.1	525.1	1,247.6	1,136.6
Argentina	187.6	131.9	339.7	310.7
United Kingdom	183.6	186.8	394.5	338.4
	\$ 3,702.2	\$ 3,665.6	\$ 7,093.0	\$ 7,334.0