

## 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	
	2021	2020	2021	2020
<b>Revenues (Note 13)</b>	\$ 3,689	\$ 3,702	\$ 7,177	\$ 7,093
Operating costs excluding depreciation, amortization, and restructuring costs (Note 4)	3,406	3,332	6,604	6,356
<b>Earnings before interest, income taxes, depreciation, amortization, impairment of intangible assets, and acquisition and restructuring costs</b>	<b>283</b>	370	<b>573</b>	737
Depreciation and amortization	137	126	268	252
Impairment of intangible assets (Note 13)	—	—	—	19
Acquisition and restructuring costs	(2)	(6)	—	(6)
Financial charges (Note 8)	19	22	37	47
<b>Earnings before income taxes</b>	<b>129</b>	228	<b>268</b>	425
Income taxes (Note 9)	31	57	117	112
<b>Net earnings</b>	<b>\$ 98</b>	\$ 171	<b>\$ 151</b>	\$ 313
<b>Net earnings per share (Note 10)</b>				
Basic	\$ 0.24	\$ 0.42	\$ 0.37	\$ 0.76
Diluted	\$ 0.24	\$ 0.42	\$ 0.36	\$ 0.76

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	
	2021	2020	2021	2020
<b>Net earnings</b>	<b>\$ 98</b>	<b>\$ 171</b>	<b>\$ 151</b>	<b>\$ 313</b>
Other comprehensive (loss) income:				
<i>Items that may be reclassified to net earnings:</i>				
Exchange differences arising from foreign currency translation	68	(51)	(46)	(174)
Inflation effect arising from the application of hyperinflation	—	(1)	(1)	(4)
Unrealized (losses) gains on cash flow hedges (Note 11)	(11)	4	(20)	47
Reclassification of losses (gains) on cash flow hedges to net earnings	7	(1)	3	14
Income taxes relating to items that may be reclassified to net earnings	2	(1)	6	(17)
	<b>66</b>	<b>(50)</b>	<b>(58)</b>	<b>(134)</b>
<i>Items that will not be reclassified to net earnings:</i>				
Actuarial income (loss)	—	(10)	25	(163)
Income taxes relating to items that will not be reclassified to net earnings	—	2	1	32
	<b>—</b>	<b>(8)</b>	<b>26</b>	<b>(131)</b>
<b>Other comprehensive income (loss)</b>	<b>66</b>	<b>(58)</b>	<b>(32)</b>	<b>(265)</b>
<b>Total comprehensive income</b>	<b>\$ 164</b>	<b>\$ 113</b>	<b>\$ 119</b>	<b>\$ 48</b>

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

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

For the six-month period ended September 30, 2021								
	Share capital		Reserves				Retained Earnings	Total Equity
	Common Shares	Amount	Foreign Currency Translation	Cash Flow Hedges	Stock Option Plan	Total Reserves		
<b>Balance, beginning of year</b>	412,333,571	\$ 1,807	\$ 210	\$ —	\$ 165	\$ 375	\$ 4,262	\$ 6,444
Net earnings	—	—	—	—	—	—	151	151
Other comprehensive income (loss)	—	—	(47)	(11)	—	(58)	26	(32)
Total comprehensive income								119
Dividends (Note 7)	—	—	—	—	—	—	(147)	(147)
Shares issued under dividend reinvestment plan (Note 7)	1,196,970	41	—	—	—	—	—	41
Stock options	—	—	—	—	8	8	—	8
Exercise of stock options (Note 7)	830,002	28	—	—	(4)	(4)	—	24
<b>Balance, end of period</b>	<b>414,360,543</b>	<b>1,876</b>	<b>163</b>	<b>(11)</b>	<b>169</b>	<b>321</b>	<b>4,292</b>	<b>6,489</b>

  

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		
<b>Balance, beginning of year</b>	408,638,373	\$ 1,686	\$ 668	(40)	\$ 150	\$ 778	\$ 4,095	\$ 6,559
Net earnings	—	—	—	—	—	—	313	313
Other comprehensive loss	—	—	(178)	44	—	(134)	(131)	(265)
Total comprehensive income								48
Dividends (Note 7)	—	—	—	—	—	—	(141)	(141)
Shares issued under dividend reinvestment plan (Note 7)	578,437	18	—	—	—	—	—	18
Stock options	—	—	—	—	11	11	—	11
Exercise of stock options (Note 7)	207,743	6	—	—	(1)	(1)	—	5
<b>Balance, end of period</b>	<b>409,424,553</b>	<b>\$ 1,710</b>	<b>\$ 490</b>	<b>\$ 4</b>	<b>\$ 160</b>	<b>\$ 654</b>	<b>\$ 4,136</b>	<b>\$ 6,500</b>

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## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in millions of CDN dollars)  
(unaudited)

As at	September 30, 2021	March 31, 2021
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 222	\$ 309
Receivables	1,294	1,217
Inventories	2,329	2,294
Income taxes receivable	38	35
Prepaid expenses and other assets	62	93
	3,945	3,948
<b>Property, plant and equipment</b>	<b>3,913</b>	<b>3,777</b>
<b>Right-of-use assets</b>	<b>507</b>	<b>482</b>
<b>Goodwill</b>	<b>3,227</b>	<b>3,066</b>
<b>Intangible assets</b>	<b>1,519</b>	<b>1,517</b>
<b>Other assets</b>	<b>351</b>	<b>319</b>
<b>Deferred income taxes</b>	<b>23</b>	<b>14</b>
<b>Total assets</b>	<b>\$ 13,485</b>	<b>\$ 13,123</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank loans (Note 5)	\$ 434	\$ 76
Accounts payable and accrued liabilities	1,704	1,641
Income taxes payable	50	54
Current portion of long-term debt (Note 6)	300	300
Current portion of lease liabilities	69	75
	2,557	2,146
<b>Long-term debt (Note 6)</b>	<b>3,085</b>	<b>3,278</b>
<b>Lease liabilities</b>	<b>416</b>	<b>386</b>
<b>Other liabilities</b>	<b>117</b>	<b>116</b>
<b>Deferred income taxes</b>	<b>821</b>	<b>753</b>
<b>Total liabilities</b>	<b>\$ 6,996</b>	<b>\$ 6,679</b>
<b>EQUITY</b>		
Share capital (Note 7)	1,876	1,807
Reserves	321	375
Retained earnings	4,292	4,262
<b>Total equity</b>	<b>\$ 6,489</b>	<b>\$ 6,444</b>
<b>Total liabilities and equity</b>	<b>\$ 13,485</b>	<b>\$ 13,123</b>

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	
	2021	2020	2021	2020
<b>Cash flows related to the following activities:</b>				
<b>Operating</b>				
Net earnings	\$ 98	\$ 171	\$ 151	\$ 313
Adjustments for:				
Stock-based compensation	11	10	25	14
Financial charges (Note 8)	19	22	37	47
Income tax expense	31	57	117	112
Depreciation and amortization	137	126	268	252
Impairment of intangible assets (Note 13)	—	—	—	19
(Gain) on disposal of property, plant and equipment	—	(7)	—	(7)
Foreign exchange (gain) loss on debt	(7)	29	(20)	37
Share of joint venture earnings, net of dividends	3	3	4	3
Difference between funding of post-employment benefit plans and costs	1	(3)	2	(2)
Changes in non-cash operating working capital items	16	31	(60)	28
Cash generated from operating activities	309	439	524	816
Interest and financial charges paid	(17)	(20)	(54)	(49)
Income taxes paid	(28)	(44)	(68)	(56)
Net cash generated from operating activities	\$ 264	\$ 375	\$ 402	\$ 711
<b>Investing</b>				
Business acquisitions, net of cash acquired	(188)	—	(375)	—
Additions to property, plant and equipment	(87)	(81)	(167)	(145)
Additions to intangible assets	(14)	(11)	(30)	(25)
Proceeds from disposal of property, plant and equipment	2	12	2	40
Net cash used for investing activities	\$ (287)	\$ (80)	\$ (570)	\$ (130)
<b>Financing</b>				
Bank loans	159	1	364	(322)
Proceeds from issuance of long-term debt	—	—	300	700
Repayment of long-term debt	(8)	(122)	(473)	(559)
Repayment of lease liabilities	(20)	(20)	(41)	(39)
Net proceeds from issuance of share capital	4	3	24	5
Payment of dividends	(54)	(51)	(106)	(51)
Net cash generated from (used for) financing activities	\$ 81	\$ (189)	\$ 68	\$ (266)
<b>(Decrease) increase in cash and cash equivalents</b>	<b>58</b>	<b>106</b>	<b>(100)</b>	<b>315</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>156</b>	<b>536</b>	<b>309</b>	<b>319</b>
<b>Effect of inflation</b>	<b>9</b>	<b>4</b>	<b>18</b>	<b>7</b>
<b>Effect of exchange rate changes</b>	<b>(1)</b>	<b>—</b>	<b>(5)</b>	<b>5</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 222</b>	<b>\$ 646</b>	<b>\$ 222</b>	<b>\$ 646</b>

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

# NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six-month periods ended September 30, 2021, and 2020.

(Tabular amounts are in millions of CDN dollars except numbers of options, units and shares. All dollar amounts are in Canadian dollars, unless otherwise indicated.)  
(unaudited)

## NOTE 1 CORPORATE INFORMATION

Saputo Inc. (the Company) is a publicly traded company incorporated and domiciled in Canada. The Company's shares are listed on the Toronto Stock Exchange under the symbol "SAP." The Company produces, markets, and distributes a wide array of dairy products from Canada, the United States, Australia, Argentina, and the United Kingdom. The address of the Company's head office is 6869 Metropolitan Blvd. East, Montréal, Québec, Canada, H1P 1X8. The condensed interim consolidated financial statements of the Company for the three-month period ended September 30, 2021 (financial statements), comprise the financial results of the Company and its subsidiaries.

The financial statements were authorized for issuance by the Board of Directors on November 4, 2021.

## NOTE 2 BASIS OF PRESENTATION

The financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (IASB). Accordingly, certain disclosure requirements that are necessary in the preparation of an annual financial statement in compliance with International Financial Reporting Standards (IFRS) have been omitted or condensed, and, therefore, these financial statements should be read in conjunction with the Company's audited annual consolidated financial statements as at March 31, 2021, and 2020, and for the years then ended.

## 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, 2021.

### ***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 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, 2022, 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 International Financial Reporting Interpretations Committee (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, 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 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 is not expected to 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 is not expected to have a significant impact on the Company's financial statements.

### ***IAS 12, Deferred Tax Related to Assets and Liabilities Arising From a Single Transaction***

In May 2021, the IASB issued amendments to IAS 12 to require entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

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

### ***IAS 38, Configuration or customization costs in a cloud computing arrangement***

In April 2021, the IFRS Interpretations Committee published a final agenda decision clarifying how to recognize certain configuration and customization expenditures related to cloud computing.

The Company expects to implement changes, if any, arising from this agenda decision in the annual financial statements for the year ending March 31, 2022.

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

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2021	2020	2021	2020
Changes in inventories of finished goods and work in process	\$ 2	\$ 3	\$ 71	\$ (64)
Raw materials and consumables used	2,521	2,519	4,810	4,801
Foreign exchange (gain) loss	3	(10)	(3)	—
Employee benefits expense	471	468	931	920
Other selling costs	198	159	380	307
Other general and administrative costs	211	193	415	392
	\$ 3,406	\$ 3,332	\$ 6,604	\$ 6,356

## NOTE 5 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, 2021	March 31, 2021
North America-USA	August 2026 <sup>1,6</sup>	\$ 380	300 USD	\$ —	\$ —
North America-Canada	August 2026 <sup>1,6</sup>	\$ 888	700 USD	330	—
Australia	Yearly <sup>2,6</sup>	\$ 252	275 AUD	—	—
Australia	Yearly <sup>2,6</sup>	\$ 127	100 USD	—	—
Japan	Yearly <sup>3,6</sup>	\$ 91	8,000 JPY	49	34
United Kingdom	Yearly <sup>4,6</sup>	\$ 128	75 GBP	—	—
Argentina	Yearly <sup>5,6</sup>	\$ 319	252 USD	55	42
		\$ 2,185		434	\$ 76

<sup>1</sup> The US\$1 billion North American bank credit facility 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, plus an adjustment to the applicable margins based on Saputo's achievement of its sustainability targets. As at September 30, 2021, US\$260 million was drawn and its foreign currency risk was offset with a cross currency swap.

<sup>2</sup> Bears monthly interest at LIBOR or Australian Bank Bill Rate plus up to 0.85% and can be drawn in AUD or USD.

<sup>3</sup> Bears monthly interest at TIBOR plus 0.70% and can be drawn in JPY.

<sup>4</sup> Bears monthly interest at rates ranging from base rate plus 0.70% or LIBOR plus 0.70% and can be drawn in GBP.

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

<sup>6</sup> Subject to interest rate benchmark reform (see Note 3 in the annual consolidated financial statements for the year ended March 31, 2021).

During fiscal 2021, the Company entered into a trade receivable purchase agreement to sell certain receivables. As at September 30, 2021, receivables totalling \$69 million (AU\$75 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.

On August 5, 2021, the Company amended its US\$1 billion North American bank credit facility to introduce a sustainability-linked loan (SLL) structure. The SLL structure introduces an annual pricing adjustment based on the achievement of key climate and water targets in line with our 2025 environmental commitments. The maturity date was also extended to August 5, 2026.

## NOTE 6 LONG-TERM DEBT

	September 30, 2021	March 31, 2021
Unsecured bank term loan facilities		
Obtained April 2018 (AU\$600 million) and due in August 2024 <sup>1</sup>	\$ 367	\$ 385
Obtained April 2019 (£600 million) and due in August 2024 <sup>2,5</sup>	284	459
Unsecured senior notes <sup>3,4</sup>		
2.20%, issued in June 2016 and due in June 2021 (Series 2)	—	300
2.83%, issued in November 2016 and due in November 2023 (Series 3)	300	300
1.94%, issued in June 2017 and due in June 2022 (Series 4)	300	300
3.60%, issued in August 2018 and due in August 2025 (Series 5)	350	350
2.88%, issued in November 2019 and due in November 2024 (Series 6)	400	400
2.24%, issued in June 2020 and due in June 2027 (Series 7)	700	700
1.42%, issued in November 2020 and due in June 2026 (Series 8)	350	350
2.30%, issued in June 2021 and due in June 2028 (Series 9)	300	—
Other	34	34
	<b>\$ 3,385</b>	<b>\$ 3,578</b>
Current portion	300	300
	<b>\$ 3,085</b>	<b>\$ 3,278</b>
Principal repayments are as follows:		
Less than 1 year	\$ 300	\$ 300
1-2 years	—	759
2-3 years	951	685
3-4 years	750	400
4-5 years	350	350
More than 5 years	1,034	1,084
	<b>\$ 3,385</b>	<b>\$ 3,578</b>

<sup>1</sup> 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.

<sup>2</sup> 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 £.

<sup>3</sup> Interest payments are semi-annual.

<sup>4</sup> In fiscal 2021, the Company 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.

<sup>5</sup> Subject to interest rate benchmark reform (see Note 3 in the annual consolidated financial statements for the year ended March 31, 2021).

On June 22, 2021 the Company issued Series 9 medium term notes for an aggregate principal amount of \$300 million due June 22, 2028, bearing interest at 2.30%. The net proceeds of the issuance were used in the first quarter of fiscal 2022 to repay the \$300 million aggregate principal amount of the Series 2 medium term notes due June 23, 2021.

On August 5, 2021, the Company amended its bank term loan facilities denominated in British pounds sterling and Australian dollars to extend their maturity dates to August 5, 2024.

## NOTE 7 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.

### STOCK OPTION PLAN

Changes in the number of outstanding stock options for the six-month period ended September 30, 2021, are as follows:

	Number	Weighted average exercise price
Balance, beginning of year	23,339,321	\$ 37.81
Granted	1,984,038	37.52
Exercised	(830,002)	28.27
Cancelled	(836,741)	41.17
Balance, end of period	23,656,616	\$ 37.99

The weighted average exercise price of the stock options granted in fiscal 2022 is \$37.52, which corresponds to the weighted average market price for the five trading days immediately preceding the date of the grant (\$33.35 in fiscal 2021).

The weighted average fair value of stock options granted in fiscal 2022 was estimated at \$6.52 per option (\$5.04 in fiscal 2021), using the Black-Scholes option pricing model with the following assumptions:

	September 30, 2021	March 31, 2021
<b>Weighted average:</b>		
Risk-free interest rate	0.88 %	0.53 %
Expected life of options	6.4 years	6.3 years
Volatility <sup>1</sup>	21.92 %	21.17 %
Dividend rate	1.91 %	2.08 %

<sup>1</sup> The expected volatility is based on the historic share price volatility over a period similar to the life of the options.

### DIVIDENDS AND DIVIDEND REINVESTMENT PLAN

The Company has a dividend reinvestment plan (DRIP), which became effective as of the first quarter of fiscal 2021 and 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 six-month periods ended September 30, 2021, and 2020, are shown below:

	For the six-month period ended September 30, 2021		
Payment date	Cash	DRIP	Total
June 25, 2021 \$	52 \$	20 \$	72
September 17, 2021	54	21 \$	75
Total \$	106 \$	41	147

	For the six-month period ended September 30, 2020		
Payment date	Cash	DRIP	Total
July 9, 2020 \$	51 \$	18 \$	69

On November 4, 2021, the Board of Directors approved a dividend of \$0.18 per share payable on December 17, 2021, to common shareholders of record on December 7, 2021.

In the second quarter of fiscal 2021, the Company declared a dividend totalling \$72 million payable on October 2, 2020.

## NOTE 8 FINANCIAL CHARGES

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2021	2020	2021	2020
Interest on long-term debt	\$ 20	\$ 20	\$ 39	\$ 40
Other finance costs, net	4	7	10	13
Gain on hyperinflation	(9)	(6)	(19)	(9)
Interest on lease liabilities	4	3	8	7
Net interest revenue from defined benefit obligation	—	(2)	(1)	(4)
	\$ 19	\$ 22	\$ 37	\$ 47

## NOTE 9 INCOME TAXES

On June 10, 2021, the UK Finance Act 2021 was enacted increasing the UK tax rate from 19% to 25%, effective April 1, 2023. This change resulted in the Company recording, in the first quarter of fiscal 2022, an income tax expense of approximately \$50 million and a corresponding increase to deferred income tax liabilities.

## NOTE 10 NET EARNINGS PER SHARE

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2021	2020	2021	2020
Net earnings	\$ 98	\$ 171	\$ 151	\$ 313
Weighted average number of common shares outstanding	413,757,590	409,314,986	413,254,168	409,019,796
Dilutive stock options	1,339,655	1,619,592	1,517,348	1,573,283
Weighted average diluted number of common shares outstanding	415,097,245	410,934,578	414,771,516	410,593,079
Basic net earnings per share	\$ 0.24	\$ 0.42	\$ 0.37	\$ 0.76
Diluted net earnings per share	\$ 0.24	\$ 0.42	\$ 0.36	\$ 0.76

When calculating diluted net earnings per share for the three and six-month periods ended September 30, 2021, 16,044,304 and 14,283,417 options were excluded from the calculation because their exercise price is higher than the average market value of common shares during the same periods (19,903,668 and 15,345,117 options were excluded for the three and six-month periods ended September 30, 2020).

## 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, September 30, 2021, and March 31, 2021. 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, 2021		March 31, 2021	
	Fair value	Carrying value	Fair value	Carrying value
<b>Cash flow hedges</b>				
Equity forward contracts (Level 2)	\$ (2)	\$ (2)	\$ —	\$ —
Commodity derivatives (Level 2)	(1)	(1)	2	2
Foreign exchange derivatives (Level 2)	(10)	(10)	(6)	(6)
<b>Derivatives not designated in a formal hedging relationship</b>				
Equity forward contracts (Level 2)	(9)	(9)	5	5
Commodity derivatives (Level 2)	—	—	1	1
Foreign exchange derivatives (Level 2)	1	1	—	—
<b>Long-term debt (Level 2)</b>	<b>3,427</b>	<b>3,385</b>	<b>3,626</b>	<b>3,578</b>

## NOTE 12 BUSINESS ACQUISITIONS

### USA SECTOR

#### ***i) CAROLINA ASEPTIC AND CAROLINA DAIRY***

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

The purchase price of \$150 million (US\$118 million), on a cash-free and debt-free basis, was paid in cash at closing.

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

#### ***ii) REEDSBURG FACILITY OF WISCONSIN SPECIALTY PROTEIN, LLC***

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

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

## NOTE 12 BUSINESS ACQUISITIONS CONT'D

### EUROPE SECTOR

#### i) WENSLEYDALE DAIRY PRODUCTS

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

The purchase price of \$40 million (£23 million), on a cash-free and debt-free basis, was paid in cash at closing.

#### ii) BUTE ISLAND FOODS LTD

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

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

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

Had the Company concluded each of the aforementioned acquisitions prior to (or at the beginning of) fiscal 2022, the pro-forma effect on the Company's total revenues and net earnings would have been minimal for the six-month period ended September 30, 2021. The allocation of the purchase price for each acquisition to assets acquired and liabilities assumed is presented below:

		Bute Island Foods	Reedsburg Facility	Wensleydale Dairy Products*	Carolina Aseptic and Carolina Dairy*	Total
Assets acquired	Net working capital	\$ 6	\$ 1	\$ 12	\$ 7	\$ 26
	Property, plant and equipment	11	36	19	71	137
	Goodwill and intangible assets	139	—	9	72	220
Liabilities assumed	Deferred income taxes	(8)	—	—	—	(8)
Net assets acquired		\$ 148	\$ 37	\$ 40	\$ 150	\$ 375

\* Represents the preliminary estimates of the fair value of the assets acquired and liabilities assumed.

## NOTE 13 SEGMENTED INFORMATION

The Company reports under four geographic sectors. The Canada Sector consists of the Dairy Division (Canada). The USA Sector consists of the Dairy Division (USA). The International Sector 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 Chief Executive Officer, Chief Financial Officer and Chief Operating Officer are, collectively, our chief operating decision maker and regularly review our operations and performance by sector. They review adjusted EBITDA as the key measure of profit for the purpose of assessing performance of each sector and to make decisions about the allocation of resources. Adjusted EBITDA is defined as earnings before interest, income taxes, depreciation, amortization, impairment of intangible assets, and acquisition and restructuring costs.

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

### INFORMATION ON REPORTABLE SECTORS

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2021	2020	2021	2020
<b>Revenues</b>				
Canada	\$ 1,081	\$ 1,063	\$ 2,114	\$ 2,045
USA	1,533	1,649	3,039	3,066
International <sup>1</sup>	858	806	1,612	1,587
Europe	217	184	412	395
	<b>\$ 3,689</b>	<b>\$ 3,702</b>	<b>\$ 7,177</b>	<b>\$ 7,093</b>
<b>Adjusted EBITDA</b>				
Canada	\$ 124	\$ 117	\$ 237	\$ 221
USA	67	140	163	303
International	56	78	101	138
Europe	36	35	72	75
	<b>\$ 283</b>	<b>\$ 370</b>	<b>\$ 573</b>	<b>\$ 737</b>
<b>Depreciation and amortization</b>				
Canada	\$ 25	\$ 23	\$ 50	\$ 47
USA	50	50	97	100
International	34	28	65	54
Europe	28	25	56	51
	<b>\$ 137</b>	<b>\$ 126</b>	<b>\$ 268</b>	<b>\$ 252</b>
Impairment of intangible assets <sup>2</sup>	—	—	—	19
Acquisition and restructuring costs	(2)	(6)	—	(6)
Financial charges	19	22	37	47
<b>Earnings before income taxes</b>	<b>129</b>	<b>228</b>	<b>268</b>	<b>425</b>
Income taxes	31	57	117	112
<b>Net earnings</b>	<b>\$ 98</b>	<b>\$ 171</b>	<b>\$ 151</b>	<b>\$ 313</b>

<sup>1</sup> Australia accounted for \$627 million and \$1,197 million of the International Sector's revenues, while Argentina accounted for \$231 million and \$415 million for the three and six-month periods ended September 30, 2021, respectively. Australia accounted for \$618 million and \$1,247 million of the International Sector's revenues, while Argentina accounted for \$188 million and \$340 million for the three and six-month periods ended September 30, 2020, respectively.

<sup>2</sup> Refers to a retired trademark from the Australian portfolio.

## NOTE 13 SEGMENTED INFORMATION (CONT'D)

### MARKET SEGMENT INFORMATION

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

For the three-month periods ended September 30										
	Total		Canada		USA		International		Europe	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Revenues</b>										
Retail	\$ 1,826	\$ 1,871	\$ 623	\$ 638	\$ 662	\$ 706	\$ 369	\$ 371	\$ 172	\$ 156
Foodservice	1,180	1,161	390	346	717	754	67	58	6	3
Industrial	683	670	68	79	154	189	422	377	39	25
	<b>3,689</b>	<b>3,702</b>	<b>1,081</b>	<b>1,063</b>	<b>1,533</b>	<b>1,649</b>	<b>858</b>	<b>806</b>	<b>217</b>	<b>184</b>

For the six-month periods ended September 30										
	Total		Canada		USA		International		Europe	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Revenues</b>										
Retail	\$ 3,567	\$ 3,753	\$ 1,239	\$ 1,284	\$ 1,300	\$ 1,394	\$ 694	\$ 723	\$ 334	\$ 352
Foodservice	2,308	2,062	725	607	1,438	1,348	136	103	9	4
Industrial	1,302	1,278	150	154	301	324	782	761	69	39
	<b>\$ 7,177</b>	<b>\$ 7,093</b>	<b>\$ 2,114</b>	<b>\$ 2,045</b>	<b>\$ 3,039</b>	<b>\$ 3,066</b>	<b>\$ 1,612</b>	<b>\$ 1,587</b>	<b>\$ 412</b>	<b>\$ 395</b>