

**FINANCIAL RESULTS FOR FISCAL 2020  
SECOND QUARTER ENDED SEPTEMBER 30, 2019**

**Revenues at \$3.666 billion, up 7.2%**  
**Adjusted EBITDA at \$394.4 million, up 24.2%**  
**Net earnings at \$174.9 million, up 7.2%**  
**Adjusted net earnings at \$185.8 million, up 13.9%**

(Montréal, November 7, 2019) – Saputo Inc. (TSX: SAP) (Saputo or the Company) reported today its financial results for the second quarter of fiscal 2020, which ended on September 30, 2019. All amounts in this news release are in Canadian dollars (CDN), unless otherwise indicated, and are presented according to International Financial Reporting Standards (IFRS).

- Revenues amounted to \$3.666 billion, an increase of \$245.2 million or 7.2%.
- Adjusted EBITDA\* amounted to \$394.4 million, an increase of \$76.9 million or 24.2%.
- Net earnings totalled \$174.9 million, an increase of \$11.8 million or 7.2%.
- Adjusted net earnings\* totalled \$185.8 million, an increase of \$22.7 million or 13.9%.
- Net earnings per share (basic and diluted) were \$0.44, as compared to \$0.42 for the same quarter last year.
- Adjusted net earnings per share\* (basic and diluted) were \$0.47, as compared to \$0.42 for the same quarter last year.

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

(unaudited)	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2019	2018	2019	2018
Revenues	<b>3,665.6</b>	3,420.4	<b>7,334.0</b>	6,688.2
Adjusted EBITDA*	<b>394.4</b>	317.5	<b>752.4</b>	625.0
Net earnings	<b>174.9</b>	163.1	<b>296.3</b>	289.1
Adjusted net earnings*	<b>185.8</b>	163.1	<b>350.7</b>	323.4
Net earnings per share				
Basic	<b>0.44</b>	0.42	<b>0.75</b>	0.74
Diluted	<b>0.44</b>	0.42	<b>0.75</b>	0.74
Adjusted net earnings per share*				
Basic	<b>0.47</b>	0.42	<b>0.89</b>	0.83
Diluted	<b>0.47</b>	0.42	<b>0.89</b>	0.83

## HIGHLIGHTS

- The new Europe Sector, consisting of the activities of Dairy Crest Group plc acquired on April 15, 2019 (Dairy Crest Acquisition), increased revenues and adjusted EBITDA by approximately \$187 million and \$36 million, respectively.
- Higher international selling prices of cheese and dairy ingredients positively impacted adjusted EBITDA.
- The adoption of IFRS 16, Leases positively impacted adjusted EBITDA by approximately \$16 million. The impact on net earnings was minimal.
- USA Market Factors\*\* positively impacted adjusted EBITDA by approximately \$10 million.
- Improved operational efficiencies positively impacted adjusted EBITDA.
- The fluctuation of foreign currencies versus the Canadian dollar had a negative impact on adjusted EBITDA of approximately \$14 million.
- On September 11, 2019, the Company completed a public offering and a concurrent private placement of 16,642,553 common shares at a price of \$39.60 per share for aggregate gross proceeds of \$659.0 million (the Equity Offering). The net proceeds were used to repay outstanding indebtedness related to recent acquisitions.
- On October 28, 2019, the Company completed the acquisition of the specialty cheese business of Lion Dairy & Drinks Pty Ltd (Specialty Cheese Business Acquisition), based in Australia.
- The Board of Directors approved a dividend of \$0.17 per share payable on December 13, 2019, to common shareholders of record on December 3, 2019.

\* Non-IFRS measures are described in the “Glossary” section on page 23 of the Management’s Discussion and Analysis for the second quarter of fiscal 2020.

\*\* Refer to the “Glossary” section on page 23 of the Management’s Discussion and Analysis for the second quarter of fiscal 2020.

## Additional Information

For more information on the second quarter results of fiscal 2020, reference is made to the condensed interim consolidated financial statements, the notes thereto and to the Management's Discussion and Analysis for the second quarter of fiscal 2020. These documents can be obtained on SEDAR at [www.sedar.com](http://www.sedar.com) and in the "Investors" section of the Company's website, at [www.saputo.com](http://www.saputo.com).

## Conference Call

A conference call to discuss the fiscal 2020 second quarter results will be held on Thursday, November 7, 2019, at 2:30 p.m. Eastern Time. To participate in the conference call, dial 1-800-582-1443. To ensure your participation, please dial in approximately five minutes before the call.

To listen to this call on the Web, please enter <http://www.gowebcasting.com/10411> in your Web browser.

For those unable to participate, a replay of the conference will be available until 11:59 p.m., Thursday, November 14, 2019. To access the replay, dial 1-800-558-5253, ID number 21932186. A webcast will also be archived on [www.saputo.com](http://www.saputo.com), in the "Investors" section, under "Calendar of Events".

## About Saputo

Saputo produces, markets, and distributes a wide array of dairy products of the utmost quality, including cheese, fluid milk, extended shelf-life milk and cream products, cultured products and dairy ingredients. Saputo is one of the top ten dairy processors in the world, a leading cheese manufacturer and fluid milk and cream processor in Canada, the top dairy processor in Australia and the second largest in Argentina. In the USA, Saputo ranks among the top three cheese producers and is one of the largest producers of extended shelf-life and cultured dairy products. In the United Kingdom, Saputo is the largest manufacturer of branded cheese and a top manufacturer of dairy spreads. Our products are sold in several countries under well-known brand names such as *Saputo*, *Alexis de Portneuf*, *Armstrong*, *Cathedral City*, *Clover*, *COON*, *Cracker Barrel\**, *Dairyland*, *DairyStar*, *Devondale*, *Friendship Dairies*, *Frigo Cheese Heads*, *Joyya*, *La Paulina*, *Liddells*, *Milk2Go/Lait's Go*, *Montchevre*, *Murray Goulburn Ingredients*, *Neilson*, *Nutralait*, *Scotsburn\**, *South Cape*, *Stella*, *Sungold*, *Tasmanian Heritage*, *Treasure Cave* and *Woolwich Goat Dairy*. Saputo Inc. is a publicly traded company and its shares are listed on the Toronto Stock Exchange under the symbol "SAP".

\*Trademark used under licence.

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## Media Inquiries

1-514-328-3141 / 1-866-648-5902

## CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This news release contains statements which are forward-looking statements within the meaning of applicable securities laws. These forward-looking statements include, among others, statements with respect to the Company's objectives, outlook, business projects and strategies to achieve those objectives, statements with respect to the Company's beliefs, plans and expectations, and statements other than historical facts. Specific forward-looking statements in this news release include statements with respect to the Company's expected financial performance for fiscal 2020. The words "may", "should", "will", "would", "believe", "plan", "expect", "intend", "anticipate", "estimate", "foresee", "objective", "continue", "propose" or "target", or the negative of these terms or variations of them, the use of conditional or future tense or words and expressions of similar nature, are intended to identify forward-looking statements. All statements other than statements of historical facts included in this news release may constitute forward-looking statements within the meaning of applicable securities laws.

These statements are based, among other things, on Saputo's assumptions, expectations, estimates, objectives, plans, business strategy and intentions as of the date hereof regarding the projected revenues and expenses, the economic, industry, competitive and regulatory environments in which the Company operates or which could affect its activities, its ability to attract and retain customers and consumers, as well as the availability and cost of milk and other raw materials and energy supplies, its operating costs and the pricing of its finished products on the various markets in which it carries on business. The Company's expected financial performance for fiscal 2020 is specifically based on assumptions about the successful execution of its business plan, the contribution of recent acquisitions, the capacity of the Company to generate operational efficiencies and revenues, the general economic conditions and the competitive environment within the dairy industry, the anticipated market supply and demand levels for dairy products, the availability and cost of milk as raw material, the anticipated warehousing, logistical and transportation costs, the anticipated cost of the enterprise resource planning (ERP) program and the anticipated international and domestic selling prices of cheese and dairy ingredients. Such forward-looking statements, including the Company's expected financial performance for fiscal 2020, are intended to provide shareholders with information regarding the Company, including its assessment of future financial plans, and may not be appropriate for other purposes.

By their nature, forward-looking statements are subject to a number of inherent risks and uncertainties. Actual results could differ materially from the conclusion, forecast or projection stated in such forward-looking statements. As a result, the Company cannot guarantee that any forward-looking statements will materialize, and the Company warns readers that these forward-looking statements are not fact or guarantees of future performance in any way. Assumptions, expectations and estimates made in the preparation of forward-looking statements and risks that could cause actual results to differ materially from current expectations are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including the "Risks and Uncertainties" section of the Management's Discussion and Analysis dated June 6, 2019, available on SEDAR under the Company's profile at [www.sedar.com](http://www.sedar.com). The Company's expected financial performance for fiscal 2020 is subject to such risks and uncertainties, including notably risks and uncertainties related to: product liability; the availability of raw materials and related price variations along with the ability for the Company to transfer those increases, if any, to its customers in competitive market conditions; the price fluctuation of its products in the countries in which it operates, as well as in international markets, which are based on supply and demand levels for dairy products; the increased competitive environment in the dairy industry; and the failure to adequately integrate acquired businesses in a timely and efficient manner.

Forward-looking statements are based on Management's current estimates, expectations and assumptions, which Management believes are reasonable as of the date hereof, and, accordingly, are subject to changes after such date. Undue importance should not be placed on forward-looking statements, and the information contained in such forward-looking statements should not be relied upon as of any other date.

Except as required under applicable securities legislation, Saputo does not undertake to update or revise these forward-looking statements, whether written or verbal, that may be made from time to time by itself or on its behalf, whether as a result of new information, future events or otherwise.

## CONSOLIDATED RESULTS

**Consolidated revenues** for the three-month period ended September 30, 2019, totalled \$3.666 billion, an increase of \$245.2 million or 7.2%, as compared to \$3.420 billion for the corresponding quarter last fiscal year. The new Europe Sector, consisting of the Dairy Crest Acquisition, increased revenues by \$186.8 million and the activities of F&A Dairy Products, Inc. (F&A Acquisition) also contributed positively to revenues. The devaluation of the Argentine peso and the Australian dollar versus the US dollar in the export market had a positive impact on revenues. A higher average block market\* per pound of cheese and a higher average butter market\* price per pound increased revenues by approximately \$87 million. Additionally, higher international selling prices of cheese and dairy ingredients, as well as higher domestic selling prices in the Canada and International Sectors due to the increased cost of milk as raw material, positively impacted revenues. These increases were partially offset by lower sales volumes in Canada, mainly in the fluid milk category as a result of competitive market conditions, and in Australia, following a decline in raw milk availability. The fluctuation of foreign currencies versus the Canadian dollar decreased revenues by approximately \$114 million.

For the six-month period ended September 30, 2019, revenues totalled \$7.334 billion, an increase of \$645.8 million or 9.7%, as compared to \$6.688 billion for the same period last fiscal year. The contribution of the new Europe Sector, for the 24-week period, increased revenues by \$338.4 million. Also, revenues increased due to the contribution of recent acquisitions for the full period, as compared to a partial contribution for the same period last fiscal year. The devaluation of the Argentine peso and the Australian dollar versus the US dollar in the export market had a positive impact on revenues. A higher average block market per pound of cheese and a higher average butter market price per pound increased revenues by approximately \$129 million. Additionally, higher international selling prices of cheese and dairy ingredients, as well as higher domestic selling prices in the Canada and International Sectors due to the increased cost of milk as raw material, positively impacted revenues. These increases were partially offset by lower sales volumes in Canada, mainly in the fluid milk category as a result of competitive market conditions, and in Australia, following a decline in raw milk availability. Finally, the fluctuation of foreign currencies versus the Canadian dollar decreased revenues by approximately \$140 million.

**Consolidated adjusted EBITDA** for the three-month period ended September 30, 2019, totalled \$394.4 million, an increase of \$76.9 million or 24.2%, as compared to \$317.5 million for the same quarter last fiscal year. The contribution of the new Europe Sector for the full quarter increased adjusted EBITDA by \$35.6 million. The positive effect of higher international dairy ingredient and cheese market prices was partially offset by the impact of lower sales volumes in Canada, in the fluid milk category as a result of competitive market conditions, and in Australia, due to a decline in raw milk availability. Furthermore, improved operational efficiencies, as well as lower warehousing and logistics costs related to decreased handling and external storage expenses, positively impacted adjusted EBITDA. USA Market Factors also favourably impacted adjusted EBITDA by approximately \$10 million. The adoption of IFRS 16, *Leases* positively impacted adjusted EBITDA by approximately \$16 million. The fluctuation of foreign currencies versus the Canadian dollar had a negative impact on adjusted EBITDA of approximately \$14 million.

For the six-month period ended September 30, 2019, consolidated adjusted EBITDA totalled \$752.4 million, an increase of \$127.4 million or 20.4%, as compared to \$625.0 million for the corresponding period last fiscal year. The contribution of the new Europe Sector, for the 24-week period, increased adjusted EBITDA by \$61.8 million. The positive effect of higher international dairy ingredient and cheese market prices was partially offset by lower sales volumes in Canada, in the fluid milk category as a result of competitive market conditions, and in Australia, due to a decline in raw milk availability. Furthermore, improved operational efficiencies positively impacted adjusted EBITDA. USA Market Factors also had a favourable impact on adjusted EBITDA of approximately \$2 million. These increases were partially offset by higher administrative costs, mainly due to high inflation in Argentina. The adoption of IFRS 16, *Leases* positively impacted adjusted EBITDA by approximately \$31 million. Lastly, the fluctuation of foreign currencies versus the Canadian dollar had an unfavourable impact on adjusted EBITDA of approximately \$18 million.

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\* Refer to the "Glossary" section on page 23 of the Management's Discussion and Analysis for the second quarter of fiscal 2020.

**Depreciation and amortization** for the three-month period ended September 30, 2019, totalled \$108.8 million, an increase of \$31.8 million, as compared to \$77.0 million for the same quarter last fiscal year. For the six-month period ended September 30, 2019, depreciation and amortization expenses amounted to \$217.6 million, an increase of \$66.4 million, as compared to \$151.2 million for the corresponding period last fiscal year. These increases were mainly attributable to additional depreciation and amortization related to recent acquisitions and to additions to property, plant and equipment, which increased the depreciable base. Also, as a result of the adoption of IFRS 16, *Leases*, depreciation of right-of-use assets represented an increase of approximately \$13 million and \$25 million for the three and six-month periods ended September 30, 2019, respectively.

**Inventory revaluation resulting from a business acquisition** for the three and six-month periods ended September 30, 2019, amounted to \$12.9 million and \$40.1 million, respectively. These revaluations were related to the Dairy Crest Acquisition, stemming from added value attributed to the acquired inventory as part of the purchase price allocation, and were fully amortized in the income statement as at September 30, 2019.

**Acquisition costs** for the three and six-month periods ended September 30, 2019, amounted to \$0.4 million and \$22.8 million, respectively. Acquisition costs were mainly related to the Dairy Crest Acquisition.

**Net interest expense** for the three and six-month periods ended September 30, 2019, increased by \$13.6 million and \$30.9 million, respectively, as compared to the same periods last fiscal year. These increases were mainly attributed to the additional debt related to the Dairy Crest Acquisition and bank loans denominated in Argentine Peso, which bear higher interest rates. Also, as a result of the adoption of IFRS 16, *Leases*, interest expenses on lease liabilities pertaining to right-of-use assets represented an increase of approximately \$4 million and \$8 million, respectively.

In accordance with IAS29, *Financial Reporting in Hyperinflationary Economies*, Argentina was required to be considered a hyperinflationary economy, effective July 1, 2018. For the three and six-month periods ended September 30, 2019, the **gain on hyperinflation** totalled \$1.5 million and \$9.6 million, respectively. These gains were derived from the indexation of non-monetary assets and liabilities.

**Income tax expense** for the three-month period ended September 30, 2019, totalled \$62.9 million, reflecting an effective tax rate of 26.5% compared to 25.6% for the same quarter last fiscal year. Income tax expense for the six-month period ended September 30, 2019, totalled \$112.6 million, reflecting an effective tax rate of 27.5% as compared to 24.8% for the same period last fiscal year. Excluding the effect of acquisition costs for both periods, the effective tax rates for the first semester of fiscal 2020 and 2019 would have been 26.3% and 25.3%, respectively. The income tax rate varies and could increase or decrease based on the amount and source of taxable income, amendments to tax legislations and income tax rates, changes in assumptions, as well as estimates used for the computation of tax assets and liabilities by the Company and its affiliates.

**Net earnings** for the three-month period ended September 30, 2019, totalled \$174.9 million, an increase of \$11.8 million or 7.2%, as compared to \$163.1 million for the same quarter last fiscal year. For the six-month period ended September 30, 2019, net earnings totalled \$296.3 million, an increase of \$7.2 million or 2.5%, as compared to \$289.1 million for the same period last fiscal year. These increases were due to the above-mentioned factors.

**Adjusted net earnings\*** for the three-month period ended September 30, 2019, totalled \$185.8 million, an increase of \$22.7 million or 13.9%, as compared to \$163.1 million for the same quarter last fiscal year. For the six-month period ended September 30, 2019, adjusted net earnings totalled \$350.7 million, an increase of \$27.3 million or 8.4%, as compared to \$323.4 million for the same period last fiscal year. These increases were due to the above-mentioned factors.

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\* Non-IFRS measures are described in the "Glossary" section on page 23 of the Management's Discussion and Analysis for the second quarter of fiscal 2020.

## SELECTED QUARTERLY FINANCIAL INFORMATION

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

Fiscal years	2020		2019				2018	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	<b>3,665.6</b>	3,668.4	3,236.5	3,577.2	3,420.4	3,267.8	2,744.4	3,021.8
Adjusted EBITDA*	<b>394.4</b>	358.0	275.1	321.2	317.5	307.5	261.7	318.0
Net earnings	<b>174.9</b>	121.4	124.2	342.0	163.1	126.0	130.0	337.0
Gain on disposal of assets <sup>1</sup>	-	-	-	(167.8)	-	-	-	-
Inventory revaluation resulting from a business acquisition <sup>1</sup>	<b>10.5</b>	22.0	-	-	-	-	-	-
Acquisition and restructuring costs <sup>1</sup>	<b>0.4</b>	21.5	1.6	0.2	-	34.3	5.3	25.1
USA tax reform benefit**	-	-	-	-	-	-	-	(178.9)
Adjusted net earnings*	<b>185.8</b>	164.9	125.8	174.4	163.1	160.3	135.3	183.2
Per share								
Net earnings								
Basic	<b>0.44</b>	0.31	0.32	0.88	0.42	0.32	0.34	0.87
Diluted	<b>0.44</b>	0.31	0.32	0.87	0.42	0.32	0.33	0.86
Adjusted net earnings*								
Basic	<b>0.47</b>	0.42	0.32	0.45	0.42	0.41	0.35	0.47
Diluted	<b>0.47</b>	0.42	0.32	0.44	0.42	0.41	0.35	0.47
Earnings coverage ratio**	<b>9.77</b>	10.76	12.69	14.20	12.57	15.37	20.83	23.34

\* Non-IFRS measures are described in the "Glossary" section on page 23 of the Management's Discussion and Analysis for the second quarter of fiscal 2020.

\*\* Refer to the "Glossary" section on page 23 of the Management's Discussion and Analysis for the second quarter of fiscal 2020.

<sup>1</sup> Net of income taxes.

### Selected factors positively (negatively) affecting financial performance

(in millions of CDN dollars)

Fiscal years	2020		2019			
	Q2	Q1	Q4	Q3	Q2	Q1
USA Market Factors* <sup>1</sup>	<b>10</b>	(8)	4	(19)	(7)	2
Inventory write-down	-	-	(2)	(1)	-	-
Foreign currency exchange <sup>1,2</sup>	<b>(14)</b>	(4)	2	1	5	(13)

\* Refer to the "Glossary" section on page 23 of the Management's Discussion and Analysis for the second quarter of fiscal 2020.

<sup>1</sup> As compared to the same quarter last fiscal year.

<sup>2</sup> Foreign currency exchange includes effect on adjusted EBITDA of conversion of US dollars, Australian dollars, British pounds sterling and Argentine pesos to Canadian dollars.

## OUTLOOK

Saputo benefits from a solid financial position and capital structure, supplemented by a high level of cash generated by operations, allowing the Company to continue to grow through targeted acquisitions and organically through strategic capital investments, innovation and product portfolio diversification. Profitability enhancement and shareholder value creation remain the cornerstones of the Company's objectives. Saputo has a long-standing commitment to manufacture quality products and will remain focused on operational efficiencies.

The Company is committed to living up to the values on which its business was founded in 1954. It is these values that led to the development of the Saputo Promise – its 7-Pillar approach to social, environmental, and economic performance. In fiscal 2020, the focus will be on the execution of the Saputo Promise three-year plan. With a strong foundation in place and clear strategic direction, the Company is looking for opportunities to improve its performance across each of the 7 Pillars: Food Quality and Safety, Our People, Business Ethics, Responsible Sourcing, Environment, Nutrition and Healthy Living, and Community. For Saputo, pursuing growth as a global dairy processor includes building a healthier future for its employees, consumers, customers, and those living in the communities where it operates.

In fiscal 2020, the Company continues to expect its business operations to deliver slightly higher adjusted EBITDA when compared to fiscal 2019, excluding the positive contributions of the Dairy Crest Acquisition and the Specialty Cheese Business Acquisition, and the adoption of IFRS 16, *Leases*. While benefiting from the contribution of other recent acquisitions, the Company expects to continue facing headwinds primarily relating to competitive market conditions in the USA, volatile economic conditions in Argentina, and volatility in international selling prices of cheese and dairy ingredients. The Company expects, through better efficiencies, to mitigate the impact of elevated costs in warehousing, logistics and transportation. Also, in Australia, the Company is implementing alternate measures to compensate for increased competition and lower raw milk production. The Company remains cautious regarding the improved market conditions in the USA and International Sectors.

The Company reports its business under the Canada Sector, the USA Sector, the International Sector and the Europe Sector. 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) and the Europe Sector consists of the Dairy Division (UK).

### Canada Sector

The competitive market conditions prevailing over the last 18 months are less intense, providing the Dairy Division (Canada) with an uplifted outlook for capturing profitable sales volumes. The Division will focus on specialty and value-added products for both the retail and foodservice channels. The Division will continue reviewing overall activities to mitigate low growth and undertake capital projects aimed at increasing efficiencies and maximizing its manufacturing footprint. However, warehousing, logistics and transportation costs remain consistently high. The Division will look to build on the loyalty of its customers and consumers in light of competitive market conditions, which will continue to put pressure on its financial performance.

### USA Sector

Despite challenging domestic commodity market conditions, there is currently a better equilibrium between supply and demand of dairy products. The USA Sector will continue to focus on increasing operational efficiencies and controlling costs to mitigate the impacts of dairy commodity market fluctuations, competitive market conditions and consistently high warehousing, logistics and transportation costs, which will continue to affect its financial performance.

For fiscal 2020, the Company is cautiously optimistic about improved cheese market conditions, which should lead to increased selling prices of cheese. However, the dairy ingredients market is expected to remain volatile until the first half of calendar 2020.

The Cheese Division (USA) will continue to focus on increasing operational efficiencies and controlling costs in order to mitigate the effect of competitive market conditions on adjusted EBITDA. It will focus on growing its specialty and value-added products business, pursuing operational efficiencies and ensuring customer demands are met in its commodity products business.

The Dairy Foods Division (USA) will continue to optimize its national manufacturing and logistics network, as well as its systems and processes. The Division will also focus on growing its business and utilizing the increased manufacturing capacity it is adding to its network.

## **International Sector**

The International Sector will continue to pursue sales volume growth in existing markets, as well as the development of additional international markets. The Sector will continue to focus on controlling costs, evaluating overall activities to improve efficiencies and aim to maximize its operational flexibility to mitigate the effects of fluctuations in market conditions and their impact on financial performance. The Sector will also continue to focus on innovation, and the optimization of its product mix and customer portfolios, both domestically and internationally.

Despite the devaluation of the Argentine peso, the Dairy Division (Argentina) will continue efforts to adapt to changing economic conditions.

As we advance in fiscal 2020, and as a result of the decrease in milk production in Australia, the Dairy Division (Australia) expects increased competition in the sourcing of raw milk to persist and to continue to put pressure on margins. As such, the Division is implementing alternate measures to compensate for increased competition and lower raw milk production in Australia. It will also continue to review operations to optimize the network at its disposal and benefit from its manufacturing flexibility. The Company aims to further capture opportunities derived from the operational combination of Murray Goulburn and Warrnambool Cheese and Butter under a single platform.

On October 28, 2019, the Company completed the Specialty Cheese Business Acquisition, which adds to and complements the current activities of the Dairy Division (Australia). 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 Company expects prices to remain relatively stable in the international cheese and dairy ingredients markets until the end of the first half of calendar 2020.

## **Europe Sector**

In fiscal 2020, the Company will continue to integrate the Dairy Division (UK) and focus on aligning processes, systems, and sharing best practices. The Division will pursue capital investments in its manufacturing facilities with the objective of increasing its cheesemaking capabilities and driving overall growth.

At present, the Dairy Division (UK) is a UK-focused business with a predominantly local supply chain and customer base, which mitigates the Division's exposure to risks around Brexit.

## **Enterprise Resource Planning (ERP) Program**

The Company will continue planning, designing and implementing activities for the migration to the new ERP system, which has been implemented in Argentina, at Warrnambool Cheese and Butter in Australia, in the Dairy Foods Division (USA) and is now in its first phase in the Cheese Division (USA). During the first half of calendar 2020, the Company will deploy the ERP program within the activities of Murray Goulburn, now part of the Dairy Division (Australia), which will ensure the Division is aligned under a single system. During the second half of calendar 2020, the Company will also continue with the subsequent phases of the ERP implementation within the Cheese Division (USA). The Dairy Division (Canada) implementation will begin during calendar 2021. The Dairy Division (UK) is currently not in the scope of Saputo's global ERP program and its business will continue to operate under its existing ERP system.

## **Trade Agreements**

The Company expects to continue making an effective use of its interim quota allocation under the Progressive Agreement for Trans-Pacific Partnership (CPTPP) and intends to focus on importing dairy products that complement the current Canadian product offering. Provided final allocations of dairy import licences are handled in a manner similar to the initial allocation, the Company does not foresee the CPTPP having significant impacts on its operations and will seek to take advantage of export opportunities arising from Australia and Canada to other signatory countries.

The North American Free Trade Agreement will remain in force until the new Canada-United States-Mexico Agreement (CUSMA) is ratified by all three signatory countries. At this stage, Mexico is the only country that has completed this step. The Company does not foresee significant impacts on its operations upon formal adoption of the CUSMA, assuming the bulk of the import licences is allocated to dairy processors in Canada.

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Finally, the goal remains to continue to improve overall efficiencies in all sectors, pursue growth organically and through acquisitions, and always strive to be a stronger and better operator.



## INFORMATION BY SECTOR

### CANADA SECTOR

(in millions of CDN dollars)

Fiscal years	2020		2019			
	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	1,029.4	968.8	924.8	1,059.6	1,047.7	1,011.0
Adjusted EBITDA*	103.2	98.5	90.0	113.8	104.4	105.5

\* Non-IFRS measures are described in the "Glossary" section on page 23 of the Management's Discussion and Analysis for the second quarter of fiscal 2020.

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

### USA SECTOR

(in millions of CDN dollars)

Fiscal years	2020		2019			
	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	1,792.4	1,757.7	1,616.6	1,678.5	1,618.0	1,594.6
Adjusted EBITDA*	175.4	173.6	134.2	122.4	133.8	154.3

\* Non-IFRS measures are described in the "Glossary" section on page 23 of the Management's Discussion and Analysis for the second quarter of fiscal 2020.

### Selected factors positively (negatively) affecting financial performance

(in millions of CDN dollars)

Fiscal years	2020		2019			
	Q2	Q1	Q4	Q3	Q2	Q1
USA Market factors* <sup>1</sup>	10	(8)	4	(19)	(7)	2
US currency exchange <sup>1</sup>	1	6	7	6	7	(8)

\* Refer to the "Glossary" section on page 23 of the Management's Discussion and Analysis for the second quarter of fiscal 2020.

<sup>1</sup> As compared to same quarter last fiscal year.

### Other pertinent information

(in US dollars, except for average exchange rate)

Fiscal years	2020		2019			
	Q2	Q1	Q4	Q3	Q2	Q1
<b>Block market* price</b>						
Opening	1.858	1.645	1.430	1.690	1.555	1.530
Closing	1.958	1.858	1.645	1.430	1.690	1.555
Average	1.912	1.711	1.520	1.453	1.605	1.603
<b>Butter market* price</b>						
Opening	2.410	2.255	2.218	2.320	2.268	2.215
Closing	2.128	2.410	2.255	2.218	2.320	2.268
Average	2.284	2.330	2.264	2.238	2.264	2.339
Average whey market price per pound*	0.352	0.370	0.443	0.452	0.387	0.279
Spread*	0.029	0.061	0.054	0.021	0.095	0.135
US average exchange rate to Canadian dollar <sup>1</sup>	1.320	1.337	1.330	1.321	1.307	1.290

\* Refer to the "Glossary" section on page 23 of the Management's Discussion and Analysis for the second quarter of fiscal 2020.

<sup>1</sup> Based on Bloomberg published information.

The USA Sector consists of the Cheese Division (USA) and the Dairy Foods Division (USA).

## INTERNATIONAL SECTOR

(in millions of CDN dollars)

Fiscal years	2020		2019			
	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	657.0	790.3	695.1	839.1	754.7	662.2
Adjusted EBITDA*	80.2	59.7	50.9	85.0	79.3	47.7

\* Non-IFRS measures are described in the "Glossary" section on page 23 of the Management's Discussion and Analysis for the second quarter of fiscal 2020.

### **Selected factors positively (negatively) affecting financial performance**

(in millions of CDN dollars)

Fiscal years	2020		2019			
	Q2	Q1	Q4	Q3	Q2	Q1
Inventory write-down	-	-	(2)	(1)	-	-
Foreign currency exchange <sup>1</sup>	(16)	(10)	(3)	(5)	-	(7)

<sup>1</sup> As compared to same quarter last fiscal year.

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

## EUROPE SECTOR

(in millions of CDN dollars)

Fiscal years	2020		2019			
	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	186.8	151.6	-	-	-	-
Adjusted EBITDA*	35.6	26.2	-	-	-	-

\* Non-IFRS measures are described in the "Glossary" section on page 23 of the Management's Discussion and Analysis for the second quarter of fiscal 2020.

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