Saputo

3 THIRD QUARTER | FISCAL 2019

We are presenting the results for the third quarter of fiscal 2019, which ended on December 31, 2018.

- Revenues for the quarter amounted to $3.577 billion, an increase of approximately $555 million or 18.4%.
- Earnings before interest, income taxes, depreciation, amortization, gain on disposal of assets, acquisition and restructuring costs, and gain on hyperinflation (adjusted EBITDA*) amounted to $321.2 million, an increase of $3.2 million or 1.0%.
- Net earnings totalled $342.0 million, an increase of $5.0 million or 1.5%.
- Adjusted net earnings* totalled $174.4 million, a decrease of $8.8 million or 4.8%.
- Net earnings per share (basic and diluted) were $0.88 and $0.87 respectively for the quarter, as compared to $0.87 and $0.86 for the corresponding quarter last fiscal year, an increase of 1.2%.
- Adjusted net earnings per share* (basic and diluted) were $0.45 and $0.44 for the quarter, as compared to $0.47 for the corresponding quarter last fiscal year, a decrease of 4.3% and 6.4%, respectively.

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

(unaudited)	**For the three-month periods ended December 31**		**For the nine-month periods ended December 31**	
	2018	2017	**2018**	2017
Revenues	**3,577.2**	3,021.8	**10,265.4**	8,798.1
Adjusted EBITDA*	**321.2**	318.0	**946.2**	1,003.0
Net earnings	**342.0**	337.0	**631.1**	722.5
Adjusted net earnings*	**174.4**	183.2	**497.8**	568.9
Net earnings per share				
Basic	**0.88**	0.87	**1.62**	1.87
Diluted	**0.87**	0.86	**1.61**	1.85
Adjusted net earnings per share*				
Basic	**0.45**	0.47	**1.28**	1.47
Diluted	**0.44**	0.47	**1.27**	1.45

- Revenues increased mainly as a result of the contribution of recent acquisitions.
- All recent acquisitions contributed positively to adjusted EBITDA.
- The combined effect of USA Market factors**, as well as lower international dairy ingredient and cheese market prices, negatively impacted adjusted EBITDA by approximately $26 million, as compared to the same quarter last fiscal year.
- Higher warehousing, logistical and transportation costs had an unfavourable impact on adjusted EBITDA of approximately $30 million, as compared to the same quarter last fiscal year.
- The fluctuation of the Canadian dollar versus foreign currencies during the quarter had a positive impact on adjusted EBITDA of approximately $1 million, as compared to the same quarter last fiscal year.
- On October 17, 2018, the Company completed the sale of the facility in Burnaby, British Columbia and realized a gain of $194.5 million ($167.8 million after tax). The Company has entered into a lease agreement for that same facility until the construction of a new facility in Port-Coquitlam, British Colombia, is completed.
- On November 30, 2018, the Company completed the acquisition of the activities of F&A Dairy Products, Inc. (F&A Acquisition), based in the United States, which contributed for one month in this quarter.
- The Board of Directors approved a dividend of $0.165 per share payable on March 15, 2019 to common shareholders of record on March 5, 2019.

* Non-IFRS measures described in the ''Glossary'' section on page 21 of this Management's Discussion and Analysis.
** Refer to the ''Glossary'' section on page 21 of this Management's Discussion and Analysis.

Management's Discussion and Analysis

The goal of the management report is to analyze the results and the financial position of Saputo Inc. (Saputo or the Company) for the quarter ended December 31, 2018. It should be read while referring to our condensed interim consolidated financial statements and accompanying notes for the three and nine-month periods ended December 31, 2018 and 2017. The Company's condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting as issued by the International Accounting Standards Board. The accounting policies of the Company are in accordance with International Financial Reporting Standards (IFRS). All dollar amounts are in Canadian dollars, unless otherwise indicated. This report takes into account material elements between December 31, 2018 and February 7, 2019, the date on which this report was approved by the Company's Board of Directors. Additional information about the Company, including its Annual Report and Annual Information Form for the year ended March 31, 2018, can be obtained on SEDAR at www.sedar.com.

NON-IFRS MEASURES

The Company reports its financial results in accordance with IFRS. However, in this Management's Discussion and Analysis, the following non-IFRS measures are used by the Company: adjusted EBITDA; adjusted net earnings; and adjusted net earnings per share. These measures are defined in the "Glossary" section on page 21 of this Management's Discussion and Analysis. Refer to "Measurement of Results not in Accordance with International Financial Reporting Standards" on page 19 of this Management's Discussion and Analysis for the reconciliations to IFRS measures.

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

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This report contains 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 and intentions as of the date hereof regarding 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.

These forward-looking statements include, among others, statements with respect to the Company's short and medium term objectives, outlook, business projects and strategies to achieve those objectives, as well as statements with respect to the Company's beliefs, plans, objectives and expectations. 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.

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. 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 included in the Company's 2018 Annual Report.

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. You should not place undue importance on forward-looking statements and should not rely upon this information as of any other date.

To the extent any forward-looking statement in this document constitutes financial outlook, within the meaning of applicable securities laws, such information is intended to provide shareholders with information regarding the Company, including its assessment of future financial plans, and may not be appropriate for other purposes. Financial outlook, as with forward-looking information generally, is based on current estimates, expectations and assumptions and is subject to inherent risks and uncertainties and other factors.

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 December 31, 2018 totalled $3.577 billion, an increase of approximately $555 million or 18.4%, as compared to $3.022 billion for the corresponding quarter last fiscal year. Revenues increased due to higher sales volumes mainly derived from the inclusion of the recently acquired activities of Murray Goulburn Co-Operative Co. Limited (Murray Goulburn) (Murray Goulburn Acquisition), Betin, Inc., doing business as Montchevre (Montchevre Acquisition), the activities of Shepherd Gourmet Dairy (Ontario) Inc. (Shepherd Gourmet Acquisition) and the F&A Acquisition, as compared to the same quarter last fiscal year. This increase was partially offset by a lower average block market* per pound of cheese and a lower average butter market* price per pound, which decreased revenues by approximately $42 million. Lower international selling prices of cheese and dairy ingredients also negatively impacted revenues. Finally, the fluctuation of the Canadian dollar versus foreign currencies increased revenues by approximately $5 million.

For the nine-month period ended December 31, 2018, revenues totalled $10.265 billion, an increase of approximately $1.467 billion or 16.7% in comparison to $8.798 billion for the same period last fiscal year. Higher sales volumes, mainly due to recent acquisitions, increased revenues, as compared to the corresponding period last fiscal year. This increase was partially offset by lower international selling prices of cheese and dairy ingredients. Also, a lower average block market per pound of cheese and a lower average butter market price per pound decreased revenues by approximately $50 million. Additionally, the fluctuation of the Canadian dollar versus foreign currencies decreased revenues by approximately $155 million.

Consolidated adjusted EBITDA for the three-month period ended December 31, 2018 totalled $321.2 million, an increase of $3.2 million or 1.0% in comparison to $318.0 million for the same quarter last fiscal year. Recent acquisitions and the devaluation of the Argentine peso and the Australian dollar versus the US dollar in the export market had a positive impact on adjusted EBITDA, as compared to the same quarter last fiscal year. These increases were partially offset by the combined effect of USA Market factors and lower international selling prices of cheese and dairy ingredients, which negatively impacted adjusted EBITDA by approximately $26 million, as compared to the same quarter last fiscal year. Also, higher warehousing, logistical and transportation costs of approximately $30 million negatively impacted adjusted EBITDA. The fluctuation of the Canadian dollar versus foreign currencies had a positive impact on adjusted EBITDA of approximately $1 million. Finally, lower Enterprise Resource Planning (ERP) expenses of approximately $2 million, increased adjusted EBITDA.

For the nine-month period ended December 31, 2018, consolidated adjusted EBITDA totalled $946.2 million, a decrease of $56.8 million or 5.7%, as compared to $1.003 billion for the corresponding period last fiscal year. The combined effect of USA Market factors and lower international selling prices of cheese and dairy ingredients negatively impacted adjusted EBITDA by approximately $52 million, as compared to the same period last fiscal year. Furthermore, higher warehousing and logistical costs of approximately $81 million related to additional handling and external storage expenses, as well as higher transportation costs, negatively impacted adjusted EBITDA. Higher ERP expenses of approximately $7 million also decreased adjusted EBITDA. These decreases were partially offset by the favourable impact of adjusted EBITDA generated from recent acquisitions and the devaluation of the Argentine peso and the Australian dollar versus the US dollar in the export market. Lastly, the fluctuation of the Canadian dollar versus foreign currencies had an unfavourable impact on adjusted EBITDA of approximately $7 million, as compared to the same period last fiscal year.

* Refer to the ''Glossary'' section on page 21 of this Management's Discussion and Analysis.

OTHER CONSOLIDATED RESULT ITEMS

Depreciation and amortization for the three-month period ended December 31, 2018 totalled $80.7 million, an increase of $24.6 million, in comparison to $56.1 million for the same quarter last fiscal year. For the nine-month period ended December 31, 2018, depreciation and amortization expenses amounted to $231.9 million, an increase of $70.3 million, as compared to $161.6 million for the corresponding period last fiscal year. These increases are mainly attributed to additional depreciation and amortization expenses related to recent acquisitions, additions to property, plant and equipment, which increased the depreciable base, and trademarks for which amortization started in fiscal 2019.

In the third quarter of fiscal 2019, the Company realized a **gain on disposal of assets** of $194.5 million ($167.8 million after tax) relating to the sale of its facility in Burnaby, British Columbia. The Company sold the facility for $209.0 million, of which $50.0 million will be received in fiscal 2022. As part of its capital expenditure plan, the Company will build a new state-of-the-art facility, in Port-Coquitlam, British Columbia, to better serve the market in Western Canada. The Company has entered into a lease agreement for the Burnaby facility until the construction of the new facility is completed, which is expected to be in fiscal 2021.

Acquisition costs for the three and nine-month periods ended December 31, 2018 amounted to $0.3 million and $49.2 million, respectively. In the third quarter of fiscal 2019, acquisition costs are related to the F&A Acquisition. For the nine-month period ended December 31, 2018, acquisition costs are related to the Murray Goulburn Acquisition, including approximately $39 million in stamp duty taxes, as well as to the Shepherd Gourmet Acquisition and the F&A Acquisition.

Net interest expense for the three and nine-month periods ended December 31, 2018 increased by $8.5 million and $27.8 million, respectively, in comparison to the same periods last fiscal year. These increases are mainly attributed to the additional debt related to the Murray Goulburn Acquisition.

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-month period ended December 31, 2018, the **gain on hyperinflation** totalled $18.4 million. For the nine-month period ended December 31, 2018, the gain on hyperinflation has totalled $19.4 million. The gain is derived from the indexation of non-monetary assets and liabilities.

Income taxes for the three-month period ended December 31, 2018 represented an income tax expense of $90.0 million, reflecting an effective rate of 20.8%, compared to an income tax benefit of $126.8 million for the same quarter last fiscal year. Excluding the USA tax reform benefit*, income tax expense for the three-month period ended December 31, 2017 would have totalled $52.1 million, reflecting an effective tax rate of 24.8%. This decrease of the effective rate by 4.0% is mainly due to the reduction of the US federal tax rate and the fact that a portion of the gain realized on disposition of assets during the third quarter of fiscal 2019 is not taxable. Income tax expense for the nine-month period ended December 31, 2018 totalled $185.1 million, reflecting an effective rate of 22.7% compared to $44.5 million for the same period last fiscal year. Excluding the USA tax reform benefit, income tax expense for the nine-month period ended December 31, 2017 would have totalled $223.4 million, reflecting an income tax rate of 29.1%. This decrease of the effective rate by 6.4% is mainly due to the reduction of the US federal tax rate and the fact that a portion of the gain realized on disposition of assets during the third quarter of fiscal 2019 is not taxable. 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 tax assets and liabilities by the Company and its affiliates.

Net earnings for the three-month period ended December 31, 2018 totalled $342.0 million, an increase of $5.0 million or 1.5% in comparison to $337.0 million for the same quarter last fiscal year. This increase is due to the above-mentioned factors. For the nine-month period ended December 31, 2018, net earnings totalled $631.1 million, a decrease of $91.4 million or 12.7% as compared to $722.5 million for the same period last fiscal year. This decrease is due to the above-mentioned factors.

Adjusted net earnings for the three-month period ended December 31, 2018 totalled $174.4 million, a decrease of $8.8 million or 4.8% in comparison to $183.2 million for the same quarter last fiscal year. For the nine-month period ended December 31, 2018, adjusted net earnings totalled $497.8 million, a decrease of $71.1 million or 12.5% as compared to $568.9 million for the same period last fiscal year. These decreases are due to the above-mentioned factors.

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* Refer to the ''Glossary'' section on page 21 of this Management's Discussion and Analysis.

SELECTED QUARTERLY FINANCIAL INFORMATION

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

Fiscal years	**2019**			2018				2017
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues	**3,577.2**	3,420.4	3,267.8	2,744.4	3,021.8	2,884.2	2,892.1	2,719.8
Adjusted EBITDA*	**321.2**	317.5	307.5	261.7	318.0	329.8	355.2	284.1
Net earnings	**342.0**	163.1	126.0	130.0	337.0	185.2	200.3	165.2
Gain on disposal of assets[1]	**(167.8)**	-	-	-	-	-	-	-
Acquisition and restructuring costs[1]	**0.2**	-	34.3	5.3	25.1	0.2	-	-
USA tax reform benefit**	**-**	-	-	-	(178.9)	-	-	-
Adjusted net earnings*	**174.4**	163.1	160.3	135.3	183.2	185.4	200.3	165.2
Net earnings per share								
Basic	**0.88**	0.42	0.32	0.34	0.87	0.48	0.52	0.42
Diluted	**0.87**	0.42	0.32	0.33	0.86	0.47	0.51	0.42
Adjusted net earnings per share*								
Basic	**0.45**	0.42	0.41	0.35	0.47	0.48	0.52	0.42
Diluted	**0.44**	0.42	0.41	0.35	0.47	0.47	0.51	0.42

* Non-IFRS measures described in the "Glossary" section on page 21 of this Management's Discussion and Analysis.
** Refer to the "Glossary" section on page 21 of this Management's Discussion and Analysis.
[1] Net of income taxes.

Consolidated selected factors positively (negatively) affecting adjusted EBITDA

(in millions of CDN dollars)

Fiscal years	**2019**			2018			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
USA Market factors*, 1	**(19)**	(7)	2	(3)	(19)	(6)	3
Inventory write-down	**(1)**	-	-	(11)	(2)	(3)	(1)
Foreign currency exchange[1, 2]	**1**	5	(13)	(5)	(14)	(8)	9

* Refer to the "Glossary" section on page 21 of this Management's Discussion and Analysis.
[1] As compared to the same quarter last fiscal year.
[2] Foreign currency exchange includes effect on adjusted EBITDA of conversion of US dollars, Australian dollars and Argentine pesos to Canadian dollars.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

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

The majority of the Company's liquidity needs are funded from cash generated by operations. Principally, these funds are used for capital expenditures, dividends, debt repayments, business acquisitions and share repurchases. The Company also has cash, cash equivalents and bank credit facilities available for general corporate purposes and is expected to meet its liquidity requirements for at least the next twelve months. The Company does not foresee any difficulty in securing financing beyond what is currently available through existing arrangements to fund possible acquisitions.

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

(in millions of CDN dollars)

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2018	2017	**2018**	2017
Cash generated from operating activities	**293.4**	293.5	**828.0**	797.7
Net cash generated from operating activities	**238.7**	203.0	**643.9**	491.2
Cash used for investing activities	**(70.8)**	(415.4)	**(1,364.8)**	(632.5)
Cash generated (used) for financing activities	**(130.1)**	154.5	**739.7**	24.8
(Decrease) increase in cash and cash equivalents	**37.8**	(57.9)	**18.8**	(116.5)

For the three-month period ended December 31, 2018, cash generated from **operating activities** amounted to $293.4 million in comparison to $293.5 million for the corresponding quarter last fiscal year. For the nine-month period ended December 31, 2018, cash generated from operating activities amounted to $828.0 million in comparison to $797.7 million for the corresponding period last fiscal year, an increase of $30.3 million.

Net cash generated from operating activities for the three-month period ended December 31, 2018, amounted to $238.7 million in comparison to $203.0 million for the corresponding quarter last fiscal year. This increase of $35.7 million is due to lower acquisition costs of $38.8 million, lower income tax paid of $42.8 million and an increase in adjusted EBITDA of $3.2 million. The increase was partially offset by changes in non-cash operating working capital items of $33.1 million driven by fluctuations in inventories, accounts payable, as well as receivables in line with the fluctuation of market prices and monetary effects on hyperinflation of $18.4 million. For the nine-month period ended December 31, 2018, net cash generated from operating activities amounted to $643.9 million in comparison to $491.2 million for the corresponding period last fiscal year. This increase of $152.7 million is due to changes in non-cash operating working capital items of $100.3 million driven by fluctuations in receivables, inventories, as well as accounts payable in line with the fluctuation of market prices and lower income tax paid of $149.3 million. The increase was partially offset by a decrease in adjusted EBITDA of $56.8 million, higher interest paid of $26.9 million and higher acquisition costs of $9.8 million.

Investing activities for the three-month period ended December 31, 2018 consisted of net proceeds from the sale of the facility in Burnaby, British Columbia of $155.9 million. Also, $113.0 million was disbursed for the F&A Acquisition, $100.2 million for additions to property, plant and equipment, and $15.5 million for intangibles, mainly related to the ERP program. For the nine-month period ended December 31, 2018, investing activities consisted mainly of the Murray Goulburn Acquisition, the Shepherd Gourmet Acquisition and the F&A Acquisition totalling $1.472 billion, additions to property, plant and equipment of $242.1 million and additions to intangibles of $51.6 million related to the ERP initiative. Finally, the Company received $397.0 million mainly from the sale of the Koroit, Australia[1] plant and the sale of the facility in Burnaby, British Columbia.

Financing activities for the three-month period ended December 31, 2018 consisted of a $104.7 million reimbursement of unsecured bank term loan facilities, mainly from the proceeds of the sale of the facility in Burnaby, British Columbia. Also, the Company paid $64.1 million in dividends. Finally, bank loans increased by $33.8 million and shares were issued as part of the stock option plan for $6.8 million. Financing activities for the nine-month period ended December 31, 2018 consisted mainly of additional long-term debt of $1.634 billion related to the Murray Goulburn Acquisition and the Series 5 medium term notes. The net proceeds from the issuance of the Series 5 medium term notes and the sale of the facilities in Burnaby, British Columbia and Koroit, Australia, were mainly used to reimburse unsecured bank term loan facilities. Also, the Company paid $190.3 million in dividends. Finally, shares were issued as part of the stock option plan for $33.4 million and bank loans increased by $18.0 million.

[1] This divestiture was required pursuant to the undertaking entered into with the Australian Competition and Consumer Commission in connection with the Murray Goulburn Acquisition.

Liquidity

(in millions of CDN dollars, except ratio)

	December 31, 2018	March 31, 2018
Current assets	**3,241.6**	2,422.4
Current liabilities	**2,026.0**	1,292.8
Working capital	**1,215.6**	1,129.6
Working capital ratio	**1.60**	1.87

The working capital ratio is an indication of the Company's ability to cover short-term liabilities with short-term assets, without having excess dormant assets. The decrease in the working capital ratio is mainly due to the inclusion of the balance sheet of the Murray Goulburn Acquisition.

Capital Management

The Company's capital strategy requires a well-balanced financing structure in order to maintain the flexibility required to implement growth initiatives, while allowing it to pursue disciplined capital investments and maximize shareholder value.

The Company targets a long-term leverage of approximately 2.0 times net debt to adjusted EBITDA*. From time to time, the Company may deviate from its long-term leverage target to pursue acquisitions and other strategic opportunities. Should such a scenario arise, the Company expects to deleverage over a reasonable period of time in order to seek to maintain its investment grade ratings.

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

	December 31, 2018	March 31, 2018
Long-term debt	**2,308.1**	1,425.3
Bank loans	**200.1**	193.3
Cash and cash equivalents	**145.9**	122.2
Net debt*	**2,362.3**	1,496.4
Trailing twelve-months adjusted EBITDA**	**1,207.9**	1,264.7
Net debt to adjusted EBITDA**	**1.96**	1.18
Number of common shares	**388,917,083**	387,407,403
Number of stock options	**21,812,123**	19,510,123

* Refer to the ''Glossary'' section on page 21 of this Management's Discussion and Analysis.
** Non-IFRS measures described in the ''Glossary'' section on page 21 of this Management's Discussion and Analysis

As at December 31, 2018, the Company had $145.9 million in cash and cash equivalents and available bank credit facilities of $1.316 billion, of which $200.1 million were drawn. See Notes 5 and 6 to the condensed interim consolidated financial statements for additional information related to bank loans and long-term debt.

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, expiring in January 2021.

Share capital authorized by the Company is comprised of an unlimited number of common shares. The common shares are voting and participating. As at February 4, 2019, 389,111,219 common shares and 21,474,516 stock options were outstanding.

* Refer to the ''Glossary'' section on page 21 of this Management's Discussion and Analysis.

CONTRACTUAL OBLIGATIONS

The Company manages and continually monitors its commitments and contractual obligations to ensure that these can be met with funding provided by operations and capital structure optimization.

The Company's contractual obligations consist of commitments to repay certain of its long-term debts in addition to leases of premises, equipment and rolling stock as well as purchase obligations for capital expenditures to which the Company is committed.

(in millions of CDN dollars)

	December 31, 2018				March 31, 2018			
	Long-term debt	**Leases**	**Purchase obligations**	**Total**	Long-term debt	Leases	Purchase obligations	Total
Less than 1 year	**308.5**	**76.7**	**109.5**	**494.7**	4.4	29.1	91.8	125.3
1–2 years	**22.5**	**61.9**	**-**	**84.4**	520.9	24.6	-	545.5
2–3 years	**503.1**	**54.1**	**-**	**557.2**	-	20.0	-	20.0
3–4 years	**300.0**	**47.0**	**-**	**347.0**	300.0	15.8	-	315.8
4–5 years	**824.0**	**40.9**	**-**	**864.9**	300.0	14.2	-	314.2
More than 5 years	**350.0**	**144.2**	**-**	**494.2**	300.0	27.1	-	327.1
	2,308.1	**424.8**	**109.5**	**2,842.4**	1,425.3	130.8	91.8	1,647.9

Long-term debt
As described in Note 6 to the consolidated financial statements, the Company’s long-term debt is comprised of series of medium term notes for a total of $1.550 billion, with annual interest rates varying from 1.94% to 3.60% and maturities ranging from November 2019 to August 2025.

In connection with the Murray Goulburn Acquisition, the Company entered into a new credit agreement providing for a non-revolving term facility (MG Acquisition Facility), consisting of three tranches: a 1-year tranche of $400.0 million, which has been repaid; a 3-year tranche of $300.0 million, of which $100.0 million has been repaid; and a 5-year tranche of $576.9 million (AU$600.0 million), of which $52.9 million (AU$55.0 million) has been repaid. The MG Acquisition Facility bears interest at lenders’ prime rates plus a maximum of 1.00%, or bankers’ acceptance rates or Australian Bank Bill Rate plus 0.80% up to a maximum of 2.00%, depending on the Company’s credit ratings.

BALANCE SHEET

The main balance sheet items as at December 31, 2018 varied mainly due to the recently completed acquisitions.

The conversion rate of the US operations’ balance sheet items in US currency was CDN$1.3637 per US dollar as at December 31, 2018, compared to CDN$1.2900 per US dollar as at March 31, 2018. The conversion rate of the Argentinian operations’ balance sheet items in Argentinian currency was CDN$0.0362 per Argentine peso as at December 31, 2018, compared to CDN$0.0640 per Argentine peso as at March 31, 2018. The conversion rate of the Australian operations’ balance sheet items in Australian currency was CDN$0.9614 per Australian dollar as at December 31, 2018, compared to CDN$0.9914 per Australian dollar as at March 31, 2018. The fluctuation of the Canadian dollar versus the US dollar, partially offset by the fluctuation of the Australian dollar and the Argentine peso, resulted in higher values recorded for the balance sheet items of the foreign operations.

The net cash (cash and cash equivalents less bank loans) position increased from negative $71.1 million as at March 31, 2018, to negative $54.2 million as at December 31, 2018, mainly resulting from an increase in cash. The change in foreign currency translation adjustments recorded in other comprehensive income varied mainly due to the fluctuation of the Canadian dollar versus foreign currencies.

ACCOUNTING STANDARDS

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

Below is a summary of the relevant standards affected and a discussion of the amendments.

The following standards, amendments to standards and interpretations have been issued and are applicable to the Company for its annual periods beginning on and after April 1, 2019, with an earlier application permitted:

IFRS 3, Business Combinations
In October 2018, the International Accounting Standards Board (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. In December 2017, the IASB issued an amendment to IFRS 3 to clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business.

IFRS 9, Financial Instruments
In October 2017, the IASB further amended IFRS 9 to address concerns about how this standard classifies particular prepayable financial assets.

IFRS 11, Joint Arrangements
In December 2017, the IASB issued an amendment to IFRS 11 to clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

IFRS 16, Leases
In January 2016, the IASB published a new standard, IFRS 16 ‘‘Leases’’, which will replace IAS 17 ‘‘Leases’’. The new standard will eliminate the distinction between operating and finance leases and will bring most leases on the balance sheet for lessees, except with respect to lease that meet limited exception criteria. For lessors, the accounting remains mostly unchanged and the distinction between operating and finance leases is retained.

IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies, Changes in Estimates and Errors
In October 2018, the IASB issued an amendment to IAS 1 and IAS 8 to clarify the definition of ‘material’ and to align the definition used in the Conceptual Framework and the standards themselves.

IAS 19, Employee Benefits
In February 2018, the IASB issued an amendment to IAS 19 to specify how an entity shall determine pension expenses when changes to a pension plan occur. When an amendment, curtailment or settlement to a plan takes place, IAS 19 requires an entity to remeasure its net defined benefit liability or asset. The amendments require an entity to use the updated assumptions from this remeasurement to determine the current service cost and net interest for the remainder of the reporting period after the change to the plan. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

IAS 23, Borrowing Costs
In December 2017, the IASB issued an amendment to IAS 23 clarifying that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, it becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

IAS 28, Investments in Associates
In October 2017, the IASB issued an amendment to IAS 28 to clarify that an entity should apply IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

IFRIC 23, Uncertainty Over Income Tax Treatments
In June 2017, the IFRS Interpretations Committee issued IFRIC 23 which clarifies how the recognition and measurement requirements of IAS 12, Income Taxes, are applied where there is uncertainty over income tax treatments.

Management is currently assessing the impact of the adoption of these standards, amendments to standards and interpretations on the Company’s financial statements.

CONSIDERATIONS FOR THE IMPLEMENTATION OF IFRS 16

IFRS 16 is required to be applied for annual reporting periods beginning on April 1, 2019. The Company will not be early adopting IFRS 16.

IFRS 16 can be applied using one of the following two methods: retrospectively to each prior reporting period presented in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, or retrospectively with the cumulative effect of applying IFRS 16 recognized at the date of initial application. The Company will apply the second method as its transition method as prescribed under IFRS 16.

The main impacts of adopting IFRS 16 are expected to be on recognition, measurement, presentation and disclosure of leases. Most leases considered as operating leases under IAS 17 are expected to be recognized on the consolidated balance sheet as right-of-use assets and lease liabilities. The Company expects IFRS 16 to impact its consolidated income statement with the reclassification of lease expenses from operating expenses to depreciation and interest expenses. The shift in the recognition of these expenses will affect the presentation of the consolidated cash flow statement.

Management is currently assessing the impact of the new standard on the Company's financial statements.

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

The following standards, amendments to existing and interpretation of standards were adopted by the Company on or after April 1, 2018:

IFRS 2, Share-Based Payment

In June 2016, the IASB issued an amendment to clarify how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

This amendment did not impact the Company's financial statements for the three-month and nine-month periods ended December 31, 2018.

IFRS 9, Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments with the goal of replacing IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 provides revised guidance regarding the classification and measurement of financial assets, including a new impairment model for the recognition of expected credit losses and a new hedge accounting model. IFRS 9 is applicable retrospectively in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, subject to certain exemptions and exceptions. Under IFRS 9, impairment is measured by either the twelve-month expected credit losses or lifetime expected credit losses. The Company retained the second method as its transition method as prescribed under IFRS 9.

Classification and measurement IFRS 9 contains a new classification and measurement for financial assets which consists of the following categories: amortized cost, fair value through other comprehensive income, and fair value through profit and loss (FVTPL). The new classification of financial assets provided by IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial liabilities are classified and measured based on two categories: amortized cost or FVTPL.

The following table presents the classification impacts on the financial assets and liabilities upon the adoption of IFRS 9. There was no significative impact with regards to the measurement of the financial assets and liabilities.

Asset/Liability	**Classification under IAS 39**	**Classification under IFRS 9**
Cash and cash equivalents	Loan and receivables	Amortized cost
Receivables	Loan and receivables	Amortized cost
Other long-term asset	Loan and receivables	Amortized cost
Bank Loans	Other liabilities	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Long-term debt	Other liabilities	Amortized cost
Derivatives	Fair value through profit and loss	Fair value through profit and loss

Impairment IFRS 9 provides a new impairment model that requires the recognition of expected credit losses (ECL model) that replaced the 'incurred loss' model in IAS 39. The ECL model applies to financial assets measured at amortized cost.

Hedge accounting IFRS 9 introduced a new hedge accounting model that requires the Company to ensure that hedge accounting relationships are aligned with the Company's risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. The Company completed these changes to its internal documentation to meet the requirements of IFRS 9. In accordance with the transitional provisions in IFRS 9, the Company has applied the IFRS 9 hedge accounting prospectively from the date of initial application.

The adoption of this standard did not significantly impact the Company's financial statements for the three-month and nine-month periods ended December 31, 2018.

IFRS 15, Revenue from Contracts with Customers

The IASB issued IFRS 15, Revenue from Contracts with Customers with its goal to provide a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. This new standard supersedes current revenue recognition guidance in IAS 18, Revenue, IAS 11, Construction Contracts and IFRIC 13, Customer Loyalty Programs.

This standard provides a five-step approach to revenue recognition that includes identifying contracts with customers, identifying performance obligations, determining transaction prices, allocating transaction prices to performance obligations and recognizing revenue when performance obligations are satisfied. The standard also expands current disclosure requirements.

IFRS 15 can be applied using one of the following two methods: retrospectively to each prior reporting period presented in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, or retrospectively with the cumulative effect of applying IFRS 15 recognized at the date of initial application. The Company decided to use the second method as its transition method as prescribed under IFRS 15.

As per IFRS 15, the Company must define its role as principal or agent in shipping and handling activities. With respect to this standard, the Company's shipping and handling activities are considered as principal and are presented on a gross basis.

The adoption of IFRS 15 impacted the timing of revenue recognition, where revenues are recognized at a point in time when control of the asset is transferred to the customer, generally upon shipment of products. Also, some contracts with customers provide incentive programs, including discounts, promotions, advertising allowances, and other volume-based incentives are impacted. Such incentives give rise to variable consideration, which are also estimated at contract inception. Lastly, IFRS 15 affected the classifications of certain amounts paid to customers in the statement of earnings, where payments to the customer for distinct goods or services has been classified as selling, general and administrative expenses and payments not for distinct goods or services have been classified as a component of sales.

The adoption of this standard did not significantly impact the Company's financial statements for the three-month and nine-month periods ended December 31, 2018. No adjustment was recorded on the opening balance of equity upon the adoption of IFRS 15.

IAS 40, Investment Property

In December 2016, the IASB issued an amendment to IAS 40 clarifying when assets are transferred to, or from, investment properties. The amendment clarified that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

This amendment did not impact the Company's financial statements for the three-month and nine-month periods ended December 31, 2018.

IFRIC 22, Foreign Currency Transactions and Advance Consideration

In December 2016, the IASB issued IFRIC 22 which provides an interpretation on how to determine the date of the transaction when applying the standard on foreign currency transactions, IAS 1. The interpretation applies where an entity pays or receives consideration in advance for foreign currency-denominated contracts. The date of the transaction determines the exchange rate to be used on initial recognition of the related asset, expense or income. This interpretation provides guidance for when a single payment or receipt is made, as well as for situations where multiple payments or receipts are made and aims to reduce diversity in practice.

This interpretation did not impact the Company's financial statements for the three-month and nine-month periods ended December 31, 2018.

IAS 29, FINANCIAL REPORTING IN HYPERINFLATIONARY ECONOMIES

In July 2018, the Argentine Federation of Professional Councils in Economic Sciences (F.A.C.P.C.E.) issued a release pointing out that, effective July 1, 2018, entities reporting under IFRS are required to apply the inflation adjustment since the applicable conditions for such application have been satisfied.

IAS 29 requires that the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy be adjusted based on an appropriate general price index to express the effects of inflation, and shall be stated in terms of the measuring unit current at the end of the reporting period.

Non-monetary assets and liabilities are adjusted by applying the relevant index and the effect of inflation on the Dairy Division (Argentina) is presented in the condensed interim consolidated financial statements of earnings as a gain on hyperinflation. The gain is derived from the indexation of non-monetary assets and liabilities.

The main impacts on the Company's financial opening statements are an increase of $57.0 million in non-monetary assets, such as inventory, property, plant and equipment and intangible assets, and an increase of $13.9 million in deferred income taxes liabilities. Therefore, as at July 1, 2018, a one-time gain of $43.1 million was included in the condensed interim consolidated statements of comprehensive income.

FOLLOW-UP ON CERTAIN SPECIFIC ITEMS OF THE ANALYSIS

For an analysis of guarantees, related party transactions, critical accounting policies and use of accounting estimates, risks and uncertainties, as well as a sensitivity analysis of interest rate and US currency fluctuations, the discussion provided in the Company's 2018 Annual Report can be consulted (pages 23 to 31 of the Management's Discussion and Analysis).

DISCLOSURE CONTROLS AND PROCEDURES

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

The Company is taking a phased approach to its migration to a new ERP system, which is expected to be completed in fiscal 2022. The appropriate changes to internal controls over financial reporting in relation to divisions which have migrated to the new ERP system have been made in order to continue to maintain appropriate internal controls over financial reporting. Other than these changes, there were no changes to the Company's internal control over financial reporting that occurred during the period beginning on October 1, 2018 and ended on December 31, 2018 that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

In accordance with the provisions of *Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings*, the CEO and CFO have limited the scope of their design of disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of the activities of Murray Goulburn acquired on May 1, 2018.

The contribution of the acquired activities of Murray Goulburn to our consolidated results for the nine-month period ended December 31, 2018 was 11.7% of consolidated revenues and (5.4)% of consolidated net earnings. Additionally, at December 31, 2018, the current assets of the acquired activities of Murray Goulburn represented approximately 21.0% of consolidated current assets and its current liabilities represented approximately 17.4% of consolidated current liabilities. The non-current assets of the acquired activities of Murray Goulburn represented approximately 10.1% of consolidated non-current assets and their non-current liabilities represented approximately 0.8% of consolidated non-current liabilities. The design of the disclosure controls and procedures and internal control over financial reporting of the acquired activities of Murray Goulburn will be completed by the end of fiscal 2019.

INFORMATION BY SECTOR

Canada Sector

(in millions of CDN dollars)

Fiscal years	**2019**			2018			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	**1,059.6**	1,047.7	1,011.0	980.9	1,057.2	1,032.6	999.2
Adjusted EBITDA*	**113.8**	104.4	105.5	108.1	127.9	122.9	117.0

* Non-IFRS measure described in the ''Glossary'' section on page 21 of this Management's Discussion and Analysis.

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

Revenues

Revenues for the Canada Sector totalled $1.060 billion for the three-month period ended December 31, 2018, an increase of approximately $3 million or 0.3%, as compared to $1.057 billion for the corresponding quarter last fiscal year. An increase in selling prices in accordance with the higher cost of milk as raw material, a favourable product mix and the contribution of the Shepherd Gourmet Acquisition positively impacted revenues during this quarter. This increase was partially offset by lower sales volumes of fluid milk as a result of competitive market conditions.

For the nine-month period ended December 31, 2018, revenues from the Canada Sector totalled $3.118 billion, an increase of approximately $29 million or 0.9% in comparison to $3.089 billion for the same period last fiscal year. Higher sales volumes derived from the contribution of the Shepherd Gourmet Acquisition, an increase in selling prices in accordance with the higher cost of milk as raw material and a favourable product mix positively, impacted revenues during this period. This increase was partially offset by lower sales volumes of fluid milk as a result of competitive market conditions and lower prices of dairy ingredients in the export market.

Adjusted EBITDA

Adjusted EBITDA for the Canada Sector totalled $113.8 million for the three-month period ended December 31, 2018, a decrease of $14.1 million or 11.0%, as compared to $127.9 million for the corresponding quarter last fiscal year. During the quarter, adjusted EBITDA was negatively impacted by lower sales volumes of fluid milk as a result of competitive market conditions and lower international selling prices of dairy ingredients. Contributing to the adjusted EBITDA decrease by approximately $7 million were higher warehousing and logistical costs related to increased transportation and fuel expenses, as well as higher administrative expenses related to the ERP initiative. This decrease was partially offset by the positive impact of a favourable product mix and the contribution of the Shepherd Gourmet Acquisition.

For the nine-month period ended December 31, 2018, adjusted EBITDA totalled $323.7 million, a decrease of $44.1 million or 12.0%, as compared to $367.8 million for the same period last fiscal year. During the period, adjusted EBITDA was negatively impacted by lower sales volumes of fluid milk as a result of competitive market conditions and lower international selling prices of dairy ingredients. Contributing to the adjusted EBITDA decrease by approximately $24 million were higher warehousing and logistical costs related to increased transportation and fuel expenses, as well as higher administrative expenses related to the ERP initiative. This decrease was partially offset by higher sales volumes of dairy ingredients, a favourable product mix and the contribution of the Shepherd Gourmet Acquisition.

USA Sector

(in millions of CDN dollars)

Fiscal years	2019			2018			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	**1,678.5**	1,618.0	1,594.6	1,435.1	1,591.3	1,528.1	1,578.3
Adjusted EBITDA*	**122.4**	133.8	154.3	128.3	153.9	170.7	196.5

* Non-IFRS measure described in the ''Glossary'' section on page 21 of this Management's Discussion and Analysis.

Selected factors positively (negatively) affecting adjusted EBITDA

(in millions of CDN dollars)

Fiscal years	2019			2018			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Market factors*, [1]	**(19)**	(7)	2	(3)	(19)	(6)	3
Inventory write-down	**-**	-	-	(7)	-	-	-
US currency exchange[1]	**6**	7	(8)	(6)	(9)	(7)	8

* Refer to the ''Glossary'' section on page 21 of this Management's Discussion and Analysis.
[1] As compared to same quarter of previous fiscal year.

Other pertinent information

(in US dollars, except for average exchange rate)

Fiscal years	2019			2018			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Block market price*							
Opening	**1.690**	1.555	1.530	1.540	1.735	1.525	1.520
Closing	**1.430**	1.690	1.555	1.530	1.540	1.735	1.525
Average	**1.453**	1.605	1.603	1.524	1.627	1.660	1.575
Butter market price*							
Opening	**2.320**	2.268	2.215	2.208	2.315	2.643	2.108
Closing	**2.218**	2.320	2.268	2.215	2.208	2.315	2.643
Average	**2.238**	2.264	2.339	2.160	2.254	2.568	2.312
Average whey powder market price per pound*	**0.452**	0.387	0.279	0.241	0.310	0.403	0.465
Spread*	**0.021**	0.095	0.135	0.148	0.072	0.066	0.039
US average exchange rate to Canadian dollar[1]	**1.321**	1.307	1.290	1.268	1.270	1.256	1.344

* Refer to the ''Glossary'' section on page 21 of this Management's Discussion and Analysis.
[1] Based on Bloomberg published information.

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

Revenues

Revenues for the USA Sector totalled $1.679 billion for the three-month period ended December 31, 2018, an increase of approximately $88 million or 5.5%, as compared to $1.591 billion for the corresponding quarter last fiscal year. Higher sales volumes in the dairy foods category, as well as the contribution of the Montchevre Acquisition for the full quarter and the F&A Acquisition for one month of this quarter, contributed to the increase of revenues. However, a lower average block market per pound of cheese and a lower average butter market price per pound decreased revenues by approximately $42 million, as compared to the same quarter last fiscal year. Lower selling prices in the dairy ingredient market also negatively affected revenues, while the fluctuation of the Canadian dollar versus the US dollar increased revenues by approximately $63 million.

For the nine-month period ended December 31, 2018, revenues from the USA Sector totalled $4.891 billion, an increase of approximately $193 million or 4.1% in comparison to $4.698 billion for the same period last fiscal year. Sales volumes increased mainly due to the inclusion of the Montchevre Acquisition and higher sales volumes of dairy ingredients. This increase was partially offset by lower selling prices in the dairy ingredient market. Also, a lower average block market per pound of cheese and a lower average butter market price per pound, as compared to the same period last fiscal year, decreased revenues by approximately $50 million. Finally, the fluctuation of the Canadian dollar versus the US dollar increased revenues by approximately $63 million.

Adjusted EBITDA

Adjusted EBITDA for the USA Sector totalled $122.4 million for the three-month period ended December 31, 2018, a decrease of $31.5 million or 20.5%, as compared to $153.9 million for the corresponding quarter last fiscal year. During the quarter, adjusted EBITDA was negatively impacted by competitive market conditions and increased operational costs relative to the integration of operations in the recently built facility in Almena, Wisconsin. Contributing to the adjusted EBITDA decrease by approximately $21 million were higher warehousing and logistical expenses due to increased handling and transportation costs, partially offset by lower administrative expenses related to the ERP initiative.

A lower average block market per pound of cheese and a lower average butter market price per pound during the quarter versus the corresponding quarter last fiscal year had an unfavourable impact on both the realization of inventories and the absorption of fixed costs. Also, lower dairy ingredient market prices had a negative effect on adjusted EBITDA. The relation between the average block market per pound of cheese and the cost of milk as raw material had an unfavorable impact on adjusted EBITDA, mainly due to the implementation of the Federal Milk Marketing Order in California, effective November 1, 2018, which had an impact of approximately $8 million. These USA Market factors negatively impacted adjusted EBITDA by approximately $19 million, as compared to the same quarter last fiscal year. Additional sales volumes, mainly due to recent acquisitions, had a favourable impact on adjusted EBITDA. Finally, the fluctuation of the Canadian dollar versus the US dollar had a positive impact on adjusted EBITDA of approximately $6 million.

For the nine-month period ended December 31, 2018, adjusted EBITDA totalled $410.5 million, a decrease of $110.6 million or 21.2%, as compared to $521.1 million for the corresponding period last fiscal year. During the period, adjusted EBITDA was negatively impacted by competitive market conditions and increased operational costs relative to the integration of operations in the recently built facility in Almena, Wisconsin. Contributing to the adjusted EBITDA decrease by approximately $69 million were higher warehousing and logistical expenses due to increased handling and transportation costs. This decrease was partially offset by lower administrative expenses.

A lower average block market per pound of cheese and a lower average butter market price per pound, as compared to the corresponding period last fiscal year, had an unfavourable impact on both the realization of inventories and the absorption of fixed costs. Also, lower dairy ingredient market prices had a negative effect on adjusted EBITDA. However, the relation between the average block market per pound of cheese and the cost of milk as raw material had a favorable impact on adjusted EBITDA which was partially offset by approximately $8 million due to the implementation of the Federal Milk Marketing Order in California effective, November 1, 2018. These USA Market factors negatively impacted adjusted EBITDA by approximately $24 million, as compared to the same period last fiscal year. Additional sales volumes, mainly due to recent acquisitions, had a favourable impact on adjusted EBITDA. Lastly, the fluctuation of the Canadian dollar versus the US dollar had a positive impact on adjusted EBITDA of approximately $5 million.

International Sector

(in millions of CDN dollars)

Fiscal years	2019			2018			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	**839.1**	754.7	662.2	328.4	373.3	323.5	314.6
Adjusted EBITDA*	**85.0**	79.3	47.7	25.3	36.2	36.2	41.7

* Non-IFRS measure described in the "Glossary" section on page 21 of this Management's Discussion and Analysis

Selected factors positively (negatively) affecting adjusted EBITDA

(in millions of CDN dollars)

Fiscal years	2019			2018			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Inventory write-down	**(1)**	-	-	(4)	(2)	(3)	(1)
Foreign currency exchange[1]	**(5)**	-	(7)	2	(4)	(1)	1

[1] As compared to same quarter of previous fiscal year.

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

Revenues

Revenues for the International Sector totalled $839.1 million for the three-month period ended December 31, 2018, an increase of $465.8 million or 124.8%, as compared to $373.3 million for the corresponding quarter last fiscal year. The inclusion of the Murray Goulburn Acquisition and additional revenues derived from the weakening of the Argentine peso and Australian dollar versus the US dollar in the export market increased revenues. However, lower international selling prices of cheese and dairy ingredients decreased revenues, as compared to the same quarter last fiscal year. Excluding the contribution of the Murray Goulburn Acquisition, sales volumes were relatively stable, which, combined with an unfavourable product mix, negatively impacted revenues. The fluctuation of the Canadian dollar versus the functional currencies used in the International Sector had a negative impact on revenues of approximately $58 million, as compared to the same quarter last fiscal year.

For the nine-month period ended December 31, 2018, revenues for the International Sector totalled $2.256 billion, an increase of approximately $1.245 billion or 123.2% in comparison to $1.011 billion for the same period last fiscal year. The inclusion of the Murray Goulburn Acquisition, higher sales volumes in both the Dairy Division (Australia) and the Dairy Division (Argentina) and additional revenues derived from the weakening of the Argentine peso and Australian dollar versus the US dollar in the export market increased revenues. However, lower international selling prices of cheese and dairy ingredients decreased revenues, as compared to the same period last fiscal year. Finally, the fluctuation of the Canadian dollar versus the functional currencies used in the International Sector had a negative impact on revenues of approximately $218 million, as compared to the same period last fiscal year.

Adjusted EBITDA

Adjusted EBITDA for the International Sector totalled $85.0 million for the three-month period ended December 31, 2018, an increase of $48.8 million or 134.8%, as compared to $36.2 million for the corresponding quarter last fiscal year. The inclusion of the Murray Goulburn Acquisition, as well as the weakening of the Argentine peso and Australian dollar for export sales in US dollars had a positive impact on adjusted EBITDA. These increases were partially offset by the decline of international cheese and dairy ingredient market prices and the fact that the cost of milk as raw material did not follow this decrease, as well as higher administrative expenses, as compared to the same quarter last fiscal year. Excluding the contribution of the Murray Goulburn Acquisition, sales volumes were relatively stable, which, combined with an unfavourable product mix, negatively impacted adjusted EBITDA. The fluctuation of the Canadian dollar versus functional currencies used in the International Sector had a negative impact on adjusted EBITDA of approximately $5 million, as compared to the same quarter last fiscal year.

For the nine-month period ended December 31, 2018, adjusted EBITDA totalled $212.0 million, an increase of $97.9 million or 85.8%, as compared to $114.1 million for the same period last fiscal year. The inclusion of the Murray Goulburn Acquisition, as well as the weakening of the Argentine peso and Australian dollar for export sales in US dollars had a positive impact on adjusted EBITDA. Also, higher sales volumes in both the Dairy Division (Australia) and the Dairy Division (Argentina), as well as lower administrative expenses related to the ERP initiative, favourably impacted adjusted EBITDA. These increases were partially offset by the decline of international cheese and dairy ingredient market prices, and the fact that the cost of milk as raw material did not follow this decrease as compared to the same period last fiscal year. Lastly, the fluctuation of the Canadian dollar versus functional currencies used in the International Sector had a negative impact on adjusted EBITDA of approximately $12 million, as compared to the same period last fiscal year.

OUTLOOK

The Company benefits from a solid balance sheet and capital structure, supplemented by a high level of cash generated by operations. This financial flexibility allows the Company to continue to grow with targeted acquisitions and organically through strategic capital investments. 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 will continue planning, designing and implementation activities for the migration to the new ERP system, which has been implemented in Argentina, Australia and the Dairy Foods Division (USA). As its next step, the Company will deploy its ERP program within the recently acquired activities of Murray Goulburn, which will ensure that the Australian operations are aligned under a single system. Saputo anticipates this phase will be completed in fiscal 2020, after which the remaining North American divisions will proceed with ERP implementations, expected to be completed in fiscal 2022.

As at the third quarter of fiscal 2019, the Company had invested approximately $245 million and expects to complete its original ERP program with an amount of approximately $290 million, which is $40 million above initial estimate. With recent acquisitions, namely the Murray Goulburn Acquisition, the acquisition of the extended shelf-life dairy product activities of Southeast Milk, Inc., the Montchevre Acquisition, the Shepherd Gourmet Acquisition and the F&A Acquisition, the Company has increased the scope of its ERP program and the duration by 2 years, increasing the expected total investment to approximately $370 million. Taking into account the new deployment schedule and recent acquisitions, the Company's investment in its ERP program is expected to be approximately $60 million in fiscal 2019 (approximately $12 million of which will be invested during the fourth quarter of fiscal 2019) and approximately $51 million in fiscal 2020. The total investment and duration of the ERP program will vary as a function of the Company's growth through acquisitions.

In November 2018, the Government of Canada announced that it would allocate, on an interim basis, a significant portion of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) dairy import licences to dairy processors in Canada. Saputo believes this development will be favourable for consumers and the dairy industry in Canada. The Company expects to continue making an effective use of its allocated quotas and intends to focus on importing dairy products that complement the current Canadian offering.

In Canada, the Company will continue reviewing overall activities to keep focusing on profitable sales volumes and improving operational efficiencies in order to mitigate pressure on margins, low growth and competitive market conditions. The Dairy Division (Canada) will undertake capital projects aimed at increasing efficiencies and maximizing its manufacturing footprint in order to maintain a leadership position. As part of the Company's capital expenditure plan, it has commenced construction of a new state-of-the-art facility, in Port-Coquitlam, British Columbia to better serve the market in Western Canada. Also, the Company plans to close its facility in Courtenay, British Columbia by March 31, 2019. The production will be integrated into other Saputo facilities. In total, 29 employees are affected by this decision.

The Division will also continue to benefit from the integration of the Shepherd Gourmet Acquisition completed in the third quarter of this fiscal year, which enables the Dairy Division (Canada) to increase its presence in specialty cheeses and yogurts in Canada.

The Cheese Division (USA) will continue to focus on increasing operational efficiencies and controlling costs in order to mitigate the negative impact of dairy commodity markets and competitive market conditions on adjusted EBITDA. During the upcoming quarters, the Division will continue its intensified efforts to achieve blue cheese manufacturing efficiencies within the short-term at its newly constructed Almena, Wisconsin facility. The Company remains confident that the capital expenditure project will allow the Division to continue to strengthen its position within this category.

The Division will also continue to benefit from the integration of the Montchevre Acquisition which enables the Cheese Division (USA) to broaden its presence in specialty cheeses in the USA.

Following the implementation in California of the Federal Milk Marketing Order (FMMO), the Sector will continue to monitor dairy markets and take appropriate decisions to mitigate the impact on its operations.

The Division will proceed with the integration of the F&A Acquisition. The acquisition adds to and complements the activities of the Cheese Division (USA) and also gives the Company access to a new milk pool in New Mexico (USA).

The Dairy Foods Division (USA) will continue its optimization and investments in its existing network in order to benefit from new production capabilities. Also, the Division will focus on its supply chain planning, warehousing and logistics activities to meet customer demand and increase efficiencies.

The International Sector will continue to pursue sales volume growth in existing markets, as well as develop additional international markets. The Sector will continue to focus on controlling costs, evaluate overall activities to improve efficiencies and aim to maximize its operational flexibility to mitigate fluctuations in market conditions and their impact on adjusted EBITDA.

In Australia, the Company will continue its integration of the Murray Goulburn Acquisition. The combination of its two Australian operating units into one single platform is progressing well. The Company remains focused on growing milk intake, reviewing operations and maximizing the network at its disposal.

For calendar 2019, the Company expects a modest price recovery in both the USA and International markets of cheese and dairy ingredients. The Company does not expect that this price recovery will offset market volatility, which is expected to remain until the end of calendar 2019.

Finally, the goal remains to continue to improve overall efficiencies in all sectors and pursue growth organically and through acquisitions.

MEASUREMENT OF RESULTS NOT IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

In certain instances, the Company makes references to terms in evaluating financial performance measures, such as adjusted EBITDA, adjusted net earnings and adjusted net earnings per share that hold no standardized meaning under IFRS. These non-IFRS measurements are therefore not likely to be comparable to similarly titled or described measures in use by other publicly traded companies nor do they indicate that excluded items are non-recurring. The Company uses earnings before interest, income taxes, depreciation, amortization, gain on disposal of assets, acquisition and restructuring costs, and gain on hyperinflation (adjusted EBITDA) as a performance measure as it is a common industry measure and reflects the ongoing profitability of the Company's consolidated business operations.

Adjusted net earnings is defined by the Company as net earnings prior to the inclusion of a gain on disposal of assets, acquisition and restructuring costs, net of applicable income taxes, if any. Adjusted net earnings per share is defined as adjusted net earnings per basic and diluted common share. The most comparable IFRS financial measures to the ones used by the Company are earnings before income taxes, as well as net earnings and net earnings per share (basic and diluted).

Adjusted EBITDA, adjusted net earnings and adjusted net earnings per share, as used by Management, provide precision and comparability with regards to the Company's ongoing operation. They also provide readers with a representation of the activities considered of relevance to the Company's financial performance through the inclusion of additional financial information that can be used to identify trends or additional disclosures that provide information into the manner in which the Company operates. They also provide comparability to the Company's prior year results.

The definitions provided above are used in the context of the results and activities for the three-month and nine-month periods ended December 31, 2018. They are subject to change based on future transactions and as deemed necessary by Management in order to provide a better understanding and comparability of future results and activities of the Company.

A reconciliation of earnings before income taxes, net earnings and net earnings per share to adjusted EBITDA, adjusted net earnings and adjusted net earnings per share for the three and nine-month periods in which Management has presented these measures is provided below.

(in millions of CDN dollars)

	For the three-month periods ended December 31		**For the nine-month periods ended December 31**	
	2018	2017	**2018**	2017
Earnings before income taxes	**432.0**	210.2	**816.2**	767.0
Gain on hyperinflation	**(18.4)**	-	**(19.4)**	-
Other financial charges	**4.7**	4.0	**12.9**	9.5
Interest on long-term debt	**16.4**	8.6	**49.9**	25.5
Acquisition and restructuring costs	**0.3**	39.1	**49.2**	39.4
Gain on disposal of assets	**(194.5)**	-	**(194.5)**	-
Depreciation and amortization	**80.7**	56.1	**231.9**	161.6
Adjusted EBITDA	**321.2**	318.0	**946.2**	1,003.0

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

	For the three-month periods ended December 31					
	2018			2017		
		Per Share			Per Share	
	Total	**Basic**	**Diluted**	Total	Basic	Diluted
Net earnings	**342.0**	**0.88**	**0.87**	337.0	0.87	0.86
Gains on disposal of assets[1]	**(167.8)**	**(0.43)**	**(0.43)**	-	-	-
Acquisition and restructuring costs[1]	**0.2**	**-**	**-**	25.1	0.07	0.07
USA tax reform benefit*	**-**	**-**	**-**	(178.9)	(0.46)	(0.46)
Adjusted net earnings	**174.4**	**0.45**	**0.44**	183.2	0.47	0.47

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

	For the nine-month periods ended December 31					
	2018			2017		
		Per Share			Per Share	
	Total	**Basic**	**Diluted**	Total	Basic	Diluted
Net earnings	**631.1**	**1.62**	**1.61**	722.5	1.87	1.85
Gains on disposal of assets[1]	**(167.8)**	**(0.43)**	**(0.43)**	-	-	-
Acquisition and restructuring costs[1]	**34.5**	**0.09**	**0.09**	25.3	0.07	0.07
USA tax reform benefit*	**-**	**-**	**-**	(178.9)	(0.46)	(0.46)
Adjusted net earnings	**497.8**	**1.28**	**1.27**	568.9	1.47	1.45

1 Net of income taxes

* Refer to the "Glossary" section on page 21 of this Management's Discussion and Analysis.

GLOSSARY

Adjusted EBITDA
"Adjusted EBITDA" means earnings before interest, income taxes, depreciation, amortization, gain on disposal of assets, acquisition and restructuring costs, and gain on hyperinflation.

Adjusted net earnings
"Adjusted net earnings" means net earnings prior to the inclusion of a gain on disposal of assets, acquisition and restructuring costs, net of applicable income taxes.

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

Average whey powder market price
"Average whey powder market price" means the average daily price for extra grade dry whey published on Dairy Market News.

Block market
"Block market" means the price of a 40 pound block of cheddar traded on the Chicago Mercantile Exchange (CME), used as the base price for cheese.

Butter market
"Butter market" means the price for Grade AA Butter traded on the CME, used as the base price for butter.

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

Net debt to adjusted EBITDA
"Net debt to adjusted EBITDA" means net debt divided by our Trailing twelve-months adjusted EBITDA.

Spread
"Spread" means the average block market per pound of cheese less the result of the average cost per hundredweight of Class III and/or Class 4b milk price divided by 10 in the USA market.

Trailing twelve-months adjusted EBITDA
"Trailing twelve-months adjusted EBITDA" is calculated by adding actual nine-months ended December 31, 2018 results of adjusted EBITDA to actual year ended March 31, 2018 results of adjusted EBITDA and subtracting actual nine-months ended December 31, 2017 results of adjusted EBITDA.

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

USA tax reform benefit
"USA tax reform benefit" means the one-time benefit of the Company related to the adjustment for futures tax balances and tax provisions in the third quarter of fiscal 2018 due to the reduction of the US federal tax rate pursuant to the enactment of the *Tax Cuts and Jobs Act* on December 22, 2017.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS

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

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2018	2017	**2018**	2017
Revenues (Note 12)	**$ 3,577.2**	$ 3,021.8	**$ 10,265.4**	$ 8,798.1
Operating costs excluding depreciation and amortization (Note 4)	**3,256.0**	2,703.8	**9,319.2**	7,795.1
Earnings before interest, income taxes, depreciation, amortization, gain on disposal of assets, acquisition and restructuring costs, and gain on hyperinflation	**321.2**	318.0	**946.2**	1,003.0
Depreciation and amortization	**80.7**	56.1	**231.9**	161.6
Gain on disposal of assets (Note 14)	**(194.5)**	-	**(194.5)**	-
Acquisition and restructuring costs	**0.3**	39.1	**49.2**	39.4
Gain on hyperinflation	**(18.4)**	-	**(19.4)**	-
Interest on long-term debt	**16.4**	8.6	**49.9**	25.5
Other financial charges (Note 9)	**4.7**	4.0	**12.9**	9.5
Earnings before income taxes	**432.0**	210.2	**816.2**	767.0
Income taxes (Note 10)	**90.0**	(126.8)	**185.1**	44.5
Net earnings	**$ 342.0**	$ 337.0	**$ 631.1**	$ 722.5
Net earnings per share (Note 8)				
Basic	**$ 0.88**	$ 0.87	**$ 1.62**	$ 1.87
Diluted	**$ 0.87**	$ 0.86	**$ 1.61**	$ 1.85

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of CDN dollars)
(unaudited)

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2018	2017	**2018**	2017
Net earnings	**$ 342.0**	$ 337.0	**$ 631.1**	$ 722.5
Other comprehensive income (loss):				
Items that may be reclassified to net earnings:				
Exchange differences arising from foreign currency translation	**286.1**	21.6	**129.6**	(273.5)
Inflation effect arising from the application of hyperinflation	**4.7**	-	**34.4**	-
Net unrealized (losses) gains on cash flow hedges[1] (Note 11)	**(3.1)**	(3.4)	**(10.9)**	8.3
Reclassification of losses (gains) on cash flow hedges to net earnings[2]	**5.0**	(1.1)	**8.3**	(5.9)
Other comprehensive income (loss)	**292.7**	17.1	**161.4**	(271.1)
Total comprehensive income	**$ 634.7**	$ 354.1	**$ 792.5**	$ 451.4

[1] Net of income taxes of $1.3 and $4.7 for the three and nine-month periods ended December 31, 2018, respectively (2017 - $1.5 and $2.6).
[2] Net of income taxes of $2.1 and $3.5 for the three and nine-month periods ended December 31, 2018, respectively (2017 - $0.4 and $2.7).

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EQUITY

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

For the nine-month period ended December 31, 2018

	Share capital		Reserves					
	Common Shares	Amount	Foreign Currency Translation	Cash Flow Hedges	Stock Option Plan	Total Reserves	Retained Earnings	Total Equity
Balance, beginning of year	**387,407,403**	**$ 918.9**	**$ 549.6**	**$ (3.8)**	**$ 116.6**	**$ 662.4**	**$ 3,216.4**	**$ 4,797.7**
Net earnings	**-**	**-**	**-**	**-**	**-**	**-**	**631.1**	**631.1**
Other comprehensive income	**-**	**-**	**164.0**	**(2.6)**	**-**	**161.4**	**-**	**161.4**
Total comprehensive income								**792.5**
Dividends declared	**-**	**-**	**-**	**-**	**-**	**-**	**(190.3)**	**(190.3)**
Stock option plan (Note 7)	**-**	**-**	**-**	**-**	**18.9**	**18.9**	**-**	**18.9**
Shares issued under stock option plan	**1,509,680**	**33.4**	**-**	**-**	**-**	**-**	**-**	**33.4**
Amount transferred from reserves to share capital upon exercise of options	**-**	**6.6**	**-**	**-**	**(6.6)**	**(6.6)**	**-**	**-**
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	**-**	**-**	**-**	**-**	**2.5**	**2.5**	**-**	**2.5**
Balance, end of period	**388,917,083**	**$ 958.9**	**$ 713.6**	**$ (6.4)**	**$ 131.4**	**$ 838.6**	**$ 3,657.2**	**$ 5,454.7**

For the nine-month period ended December 31, 2017

	Share capital		Reserves					
	Common Shares	Amount	Foreign Currency Translation	Cash Flow Hedges	Stock Option Plan	Total Reserves	Retained Earnings	Total Equity
Balance, beginning of year	386,234,311	$ 871.1	$ 717.8	$ (3.0)	$ 97.9	$ 812.7	$ 2,639.1	$ 4,322.9
Net earnings	-	-	-	-	-	-	722.5	722.5
Other comprehensive income	-	-	(273.5)	2.4	-	(271.1)	-	(271.1)
Total comprehensive income								451.4
Dividends declared	-	-	-	-	-	-	(181.6)	(181.6)
Stock option plan (Note 7)	-	-	-	-	18.2	18.2	-	18.2
Shares issued under stock option plan	1,414,470	33.4	-	-	-	-	-	33.4
Amount transferred from reserves to share capital upon exercise of options	-	6.6	-	-	(6.6)	(6.6)	-	-
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	-	-	-	-	1.6	1.6	-	1.6
Shares repurchased and cancelled	(654,900)	(1.4)	-	-	-	-	(27.6)	(29.0)
Balance, end of period	386,993,881	$ 909.7	$ 444.3	$ (0.6)	$ 111.1	$ 554.8	$ 3,152.4	$ 4,616.9

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

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

(in millions of CDN dollars)

As at		**December 31, 2018 (unaudited)**		March 31, 2018 (audited)
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**145.9**	$	122.2
Receivables		**1,263.0**		944.9
Inventories		**1,734.8**		1,234.5
Income taxes receivable		**30.4**		52.0
Prepaid expenses and other assets		**67.5**		68.8
		3,241.6		2,422.4
Property, plant and equipment		**3,076.5**		2,220.0
Goodwill		**2,650.9**		2,417.3
Intangible assets		**892.0**		823.1
Other assets		**134.6**		85.7
Deferred income taxes		**54.8**		34.5
Total assets	**$**	**10,050.4**	$	8,003.0
LIABILITIES				
Current liabilities				
Bank loans (Note 5)	**$**	**200.1**	$	193.3
Accounts payable and accrued liabilities		**1,470.3**		1,068.6
Income taxes payable		**47.1**		26.5
Current portion of long-term debt (Note 6)		**308.5**		4.4
		2,026.0		1,292.8
Long-term debt (Note 6)		**1,999.6**		1,420.9
Other liabilities		**85.5**		66.7
Deferred income taxes		**484.6**		424.9
Total liabilities	**$**	**4,595.7**	$	3,205.3
EQUITY				
Share capital (Note 7)		**958.9**		918.9
Reserves		**838.6**		662.4
Retained earnings		**3,657.2**		3,216.4
Total equity	**$**	**5,454.7**	$	4,797.7
Total liabilities and equity	**$**	**10,050.4**	$	8,003.0

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of CDN dollars)
(unaudited)

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2018	2017	**2018**	2017
Cash flows related to the following activities:				
Operating				
Net earnings	**$ 342.0**	$ 337.0	**$ 631.1**	$ 722.5
Adjustments for:				
Stock-based compensation	**9.2**	8.8	**31.9**	24.7
Interest and other financial charges	**21.1**	12.6	**62.8**	35.0
Income taxes	**90.0**	(126.8)	**185.1**	44.5
Depreciation and amortization	**80.7**	56.1	**231.9**	161.6
Gain on disposal of property, plant and equipment	**(194.5)**	(0.6)	**(195.5)**	(1.0)
Impairment charges related to plant closure	**-**	10.6	**-**	10.6
Share of joint venture earnings, net of dividends received	**(2.1)**	(2.6)	**3.0**	3.5
Monetary effect on hyperinflation	**(18.4)**	-	**(19.4)**	-
Underfunding of employee plans in excess of costs	**0.6**	0.5	**1.8**	1.3
	328.6	295.6	**932.7**	1,002.7
Changes in non-cash operating working capital items	**(35.2)**	(2.1)	**(104.7)**	(205.0)
Cash generated from operating activities	**293.4**	293.5	**828.0**	797.7
Interest and other financial charges paid	**(26.7)**	(19.7)	**(66.9)**	(40.0)
Income taxes paid	**(28.0)**	(70.8)	**(117.2)**	(266.5)
Net cash generated from operating activities	**238.7**	203.0	**643.9**	491.2
Investing				
Business acquisitions, net of cash acquired	**(114.8)**	(336.6)	**(1,471.7)**	(370.4)
Additions to property, plant and equipment	**(100.2)**	(62.8)	**(242.1)**	(212.5)
Additions to intangible assets	**(15.5)**	(17.3)	**(51.6)**	(55.5)
Proceeds on disposal of assets held for sale	**157.3**	-	**397.0**	-
Proceeds on disposal of property, plant and equipment	**2.5**	1.4	**3.9**	6.2
Other	**(0.1)**	(0.1)	**(0.3)**	(0.3)
	(70.8)	(415.4)	**(1,364.8)**	(632.5)
Financing				
Bank loans	**33.8**	204.8	**18.0**	303.2
Proceeds from issuance of long-term debt	**-**	-	**1,633.6**	300.0
Repayment of long-term debt	**(106.6)**	(1.2)	**(755.0)**	(401.2)
Issuance of share capital	**6.8**	12.8	**33.4**	33.4
Repurchase of share capital	**-**	-	**-**	(29.0)
Dividends	**(64.1)**	(61.9)	**(190.3)**	(181.6)
	(130.1)	154.5	**739.7**	24.8
Increase (decrease) in cash and cash equivalents	**37.8**	(57.9)	**18.8**	(116.5)
Cash and cash equivalents, beginning of period	**91.3**	180.8	**122.2**	250.5
Effect of inflation	**12.4**	-	**12.4**	-
Effect of exchange rate changes on cash and cash equivalents	**4.4**	1.4	**(7.5)**	(9.7)
Cash and cash equivalents, end of period	**$ 145.9**	$ 124.3	**$ 145.9**	$ 124.3

The accompanying notes are an integral part of these unaudited condensed consolidated interim 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, Argentina and Australia. The address of the Company's head office is 6869 Metropolitain Blvd. East, Montréal, Québec, Canada, H1P 1X8. The condensed interim consolidated financial statements (financial statements) of the Company for the three and nine-month periods ended December 31, 2018 comprise the financial results of the Company and its subsidiaries.

The financial statements for the three and nine-month periods ended December 31, 2018 have been authorized for issuance by the Board of Directors on February 7, 2019.

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 consolidated financial statements as at and for the year ended March 31, 2018 except for the impact of the adoption of the new standards, interpretations and amendments and applicable standard, as described below.

These financial statements should be read in conjunction with the Company's audited consolidated financial statements.

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

Below is a summary of the relevant standards affected and a discussion of the amendments.

The following standards, amendments to standards and interpretations have been issued and are applicable to the Company for its annual periods beginning on and after April 1, 2019, with an earlier application permitted:

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. In December 2017, the IASB issued an amendment to IFRS 3 to clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business.

IFRS 9, Financial Instruments

In October 2017, the IASB further amended IFRS 9 to address concerns about how this standard classifies particular prepayable financial assets.

IFRS 11, Joint Arrangements

In December 2017, the IASB issued an amendment to IFRS 11 to clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

IFRS 16, Leases

In January 2016, the IASB published a new standard, IFRS 16 ''Leases'', which will replace IAS 17 ''Leases''. The new standard will eliminate the distinction between operating and finance leases and will bring most leases on the balance sheet for lessees, except with respect to lease that meet limited exception criteria. For lessors, the accounting remains mostly unchanged and the distinction between operating and finance leases is retained.

IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies, Changes in Estimates and Errors

In October 2018, the IASB issued an amendment to IAS 1 and IAS 8 to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves.

IAS 19, Employee Benefits

In February 2018, the IASB issued an amendment to IAS 19 to specify how an entity shall determine pension expenses when changes to a pension plan occur. When an amendment, curtailment or settlement to a plan takes place, IAS 19 requires an entity to remeasure its net defined benefit liability or asset. The amendments require an entity to use the updated assumptions from this remeasurement to determine the current service cost and net interest for the remainder of the reporting period after the change to the plan. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

IAS 23, Borrowing Costs

In December 2017, the IASB issued an amendment to IAS 23 clarifying that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, it becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

IAS 28, Investments in Associates

In October 2017, the IASB issued an amendment to IAS 28 to clarify that an entity should apply IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

IFRIC 23, Uncertainty Over Income Tax Treatments

In June 2017, the IFRS Interpretations Committee issued IFRIC 23 which clarifies how the recognition and measurement requirements of IAS 12, Income Taxes, are applied where there is uncertainty over income tax treatments.

Management is currently assessing the impact of the adoption of these standards, amendments to standards and interpretations on the Company's financial statements.

CONSIDERATIONS FOR THE IMPLEMENTATION OF IFRS 16

IFRS 16 is required to be applied for annual reporting periods beginning on April 1, 2019. The Company will not be early adopting IFRS 16.

IFRS 16 can be applied using one of the following two methods: retrospectively to each prior reporting period presented in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, or retrospectively with the cumulative effect of applying IFRS 16 recognized at the date of initial application. The Company will apply the second method as its transition method as prescribed under IFRS 16.

The main impacts of adopting IFRS 16 are expected to be on recognition, measurement, presentation and disclosure of leases. Most leases considered as operating leases under IAS 17 are expected to be recognized on the consolidated balance sheet as right-of-use assets and lease liabilities. The Company expects IFRS 16 to impact its consolidated income statement with the reclassification of lease expenses from operating expenses to depreciation and interest expenses. The shift in the recognition of these expenses will affect the presentation of the consolidated cash flow statement.

Management is currently assessing the impact of the new standard on the Company's financial statements.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

The following standards, amendments to existing and interpretation of standards were adopted by the Company on or after April 1, 2018:

IFRS 2, Share-Based Payment

In June 2016, the IASB issued an amendment to clarify how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

This amendment did not impact the Company's financial statements for the three-month and nine-month periods ended December 31, 2018.

IFRS 9, Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments with the goal of replacing IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 provides revised guidance regarding the classification and measurement of financial assets, including a new impairment model for the recognition of expected credit losses and a new hedge accounting model. IFRS 9 is applicable retrospectively in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, subject to certain exemptions and exceptions. Under IFRS 9, impairment is measured by either the twelve-month expected credit losses or lifetime expected credit losses. The Company retained the second method as its transition method as prescribed under IFRS 9.

Classification and measurement IFRS 9 contains a new classification and measurement for financial assets which consists of the following categories: amortized cost, fair value through other comprehensive income, and fair value through profit and loss (FVTPL). The new classification of financial assets provided by IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial liabilities are classified and measured based on two categories: amortized cost or FVTPL.

The following table presents the classification impacts on the financial assets and liabilities upon the adoption of IFRS 9. There was no significative impact with regards to the measurement of the financial assets and liabilities.

Asset/Liability	**Classification under IAS 39**	**Classification under IFRS 9**
Cash and cash equivalents	Loan and receivables	Amortized cost
Receivables	Loan and receivables	Amortized cost
Other long-term asset	Loan and receivables	Amortized cost
Bank Loans	Other liabilities	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Long-term debt	Other liabilities	Amortized cost
Derivatives	Fair value through profit and loss	Fair value through profit and loss

Impairment IFRS 9 provides a new impairment model that requires the recognition of expected credit losses (ECL model) that replaced the 'incurred loss' model in IAS 39. The ECL model applies to financial assets measured at amortized cost.

Hedge accounting IFRS 9 introduced a new hedge accounting model that requires the Company to ensure that hedge accounting relationships are aligned with the Company's risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. The Company completed these changes to its internal documentation to meet the requirements of IFRS 9. In accordance with the transitional provisions in IFRS 9, the Company has applied the IFRS 9 hedge accounting prospectively from the date of initial application.

The adoption of this standard did not significantly impact the Company's financial statements for the three-month and nine-month periods ended December 31, 2018.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

IFRS 15, Revenue from Contracts with Customers

The IASB issued IFRS 15, Revenue from Contracts with Customers with its goal to provide a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. This new standard supersedes current revenue recognition guidance in IAS 18, Revenue, IAS 11, Construction Contracts and IFRIC 13, Customer Loyalty Programs.

This standard provides a five-step approach to revenue recognition that includes identifying contracts with customers, identifying performance obligations, determining transaction prices, allocating transaction prices to performance obligations and recognizing revenue when performance obligations are satisfied. The standard also expands current disclosure requirements.

IFRS 15 can be applied using one of the following two methods: retrospectively to each prior reporting period presented in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, or retrospectively with the cumulative effect of applying IFRS 15 recognized at the date of initial application. The Company decided to use the second method as its transition method as prescribed under IFRS 15.

As per IFRS 15, the Company must define its role as principal or agent in shipping and handling activities. With respect to this standard, the Company's shipping and handling activities are considered as principal and are presented on a gross basis.

The adoption of IFRS 15 impacted the timing of revenue recognition, where revenues are recognized at a point in time when control of the asset is transferred to the customer, generally upon shipment of products. Also, some contracts with customers provide incentive programs, including discounts, promotions, advertising allowances, and other volume-based incentives are impacted. Such incentives give rise to variable consideration, which are also estimated at contract inception. Lastly, IFRS 15 affected the classifications of certain amounts paid to customers in the statement of earnings, where payments to the customer for distinct goods or services has been classified as selling, general and administrative expenses and payments not for distinct goods or services have been classified as a component of sales.

The adoption of this standard did not significantly impact the Company's financial statements for the three-month and nine-month periods ended December 31, 2018. No adjustment was recorded on the opening balance of equity upon the adoption of IFRS 15.

IAS 40, Investment Property

In December 2016, the IASB issued an amendment to IAS 40 clarifying when assets are transferred to, or from, investment properties. The amendment clarified that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

This amendment did not impact the Company's financial statements for the three-month and nine-month periods ended December 31, 2018.

IFRIC 22, Foreign Currency Transactions and Advance Consideration

In December 2016, the IASB issued IFRIC 22 which provides an interpretation on how to determine the date of the transaction when applying the standard on foreign currency transactions, IAS 1. The interpretation applies where an entity pays or receives consideration in advance for foreign currency-denominated contracts. The date of the transaction determines the exchange rate to be used on initial recognition of the related asset, expense or income. This interpretation provides guidance for when a single payment or receipt is made, as well as for situations where multiple payments or receipts are made and aims to reduce diversity in practice.

This interpretation did not impact the Company's financial statements for the three-month and nine-month periods ended December 31, 2018.

IAS 29, Financial Reporting in Hyperinflationary Economies

In July 2018, the Argentine Federation of Professional Councils in Economic Sciences (F.A.C.P.C.E.) issued a release pointing out that, effective July 1, 2018, entities reporting under IFRS are required to apply the inflation adjustment since the applicable conditions for such application have been satisfied.

IAS 29 requires that the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy be adjusted based on an appropriate general price index to express the effects of inflation, and shall be stated in terms of the measuring unit current at the end of the reporting period.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

IAS 29, Financial Reporting in Hyperinflationary Economies (cont'd)

Non-monetary assets and liabilities are adjusted by applying the relevant index and the effect of inflation on the Dairy Division (Argentina) is presented in the condensed interim consolidated financial statements of earnings as a gain on hyperinflation. The gain is derived from the indexation of non-monetary assets and liabilities.

The main impacts on the Company's financial opening statements are an increase of $57.0 million in non-monetary assets, such as inventory, property, plant and equipment and intangible assets, and an increase of $13.9 million in deferred income taxes liabilities. Therefore, as at July 1, 2018, a one-time gain of $43.1 million was included in the condensed interim consolidated statements of comprehensive income.

NOTE 4 OPERATING COSTS EXCLUDING DEPRECIATION AND AMORTIZATION

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2018	2017	**2018**	2017
Changes in inventories of finished goods and work in process	**$ (76.2)**	$ 12.7	**$ (87.3)**	$ (43.3)
Raw materials and consumables used	**2,504.6**	2,122.1	**7,053.4**	6,112.7
Foreign exchange loss	**8.5**	2.4	**6.3**	2.8
Employee benefits expense	**406.6**	334.2	**1,187.6**	983.3
Selling costs	**183.3**	109.7	**507.9**	317.5
Other general and administrative costs	**229.2**	122.7	**651.3**	422.1
Total	**$ 3,256.0**	$ 2,703.8	**$ 9,319.2**	$ 7,795.1

For the three and nine-month periods ended December 31, 2018, a write-down of $0.7 million and $1.0 million, respectively, was included as an expense in "Operating costs excluding depreciation and amortization" under the caption "Changes in inventories of finished goods and work in process" ($1.6 million and $5.8 million for the three and nine-month periods ended December 31, 2017). Certain prior year's figures have been reclassified to conform to the current presentation.

NOTE 5 BANK LOANS

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

		Available for use			Amount drawn	
Credit Facilities	Maturity	Canadian Currency Equivalent	Base Currency		**December 31, 2018**	March 31, 2018
North America-USA	December 2023[1]	409.1	300.0	USD	**$ 36.8**	$ 71.0
North America-Canada	December 2023[1]	272.7	200.0	USD	**-**	-
Argentina	Yearly[2]	124.1	91.0	USD	**62.7**	41.3
Argentina	Yearly[3]	71.3	1,970.0	ARS	**23.0**	42.2
Australia	Yearly[4]	302.8	315.0	AUD	**53.3**	7.9
Australia	Yearly[4]	136.4	100.0	USD	**24.3**	30.9
		1,316.4			**$ 200.1**	$ 193.3

[1] Bears monthly interest at rates ranging from lender's prime rates plus a maximum of 1.00% or LIBOR or banker's acceptance rate plus 0.80% up to a maximum of 2.00% depending on the Company credit ratings.
[2] Bear monthly interest at local rate and can be drawn in USD.
[3] Bear monthly interest at local rate and can be drawn in ARS.
[4] Bear monthly interest at LIBOR or Australian Bank Bill Rate plus 0.70% and can be drawn in AUD or USD.

NOTE 6 LONG-TERM DEBT

		December 31, 2018		March 31, 2018
Unsecured bank term loan facilities				
Obtained December 2012 and due in December 2019 ($850.0 million)[1]	**$**	**-**	$	200.0
Obtained April 2018 and due in April 2021[2]		**200.0**		-
Obtained April 2018 and due in April 2023 (AU$600.0 million)[2]		**524.0**		-
Unsecured senior notes[3]				
2.65%, issued in November 2014 and due in November 2019 (Series 1)		**300.0**		300.0
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**		-
Finance lease obligations		**34.1**		25.3
	$	**2,308.1**	$	1,425.3
Current portion		**308.5**		4.4
	$	**1,999.6**	$	1,420.9
Principal repayments are as follows:				
Less than 1 year	**$**	**308.5**	$	4.4
1-2 years		**22.5**		520.9
2-3 years		**503.1**		-
3-4 years		**300.0**		300.0
4-5 years		**824.0**		300.0
More than 5 years		**350.0**		300.0
	$	**2,308.1**	$	1,425.3

1 Bear monthly interest at rates ranging from lender's prime plus a maximum of 1.00% or LIBOR or bankers' acceptance rates plus 0.80% up to a maximum of 2.00%, depending on the Company's credit ratings, and can be drawn in CAD or USD.

2 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.

3 Interest payments are semi-annual.

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 August 14, 2018, the Company issued $350.0 million Series 5 medium term notes with an annual interest rate of 3.60% payable in equal semi-annual instalments, maturing on August 14, 2025, pursuant to its medium term note program.

On December 21, 2017, the Company entered into a new credit agreement providing for a non-revolving term facility in the aggregate amount of $1.284 billion (MG Acquisition Facility), which was available to finance the acquisition of the business of Murray Goulburn Co-Operative Co. Limited (Note 12). On May 1, 2018, the MG Acquisition Facility had been drawn in full.

The Company used the proceeds of the Series 5 medium term notes, available cash and credit facilities to reimburse $400.0 million of the MG Acquisition Facility. In addition, following the Koroit plant divestiture (Note 12), the Company reimbursed $200.0 million of unsecured bank term loan facilities and $46.6 million (AU$50.0 million) of the MG Acquisition Facility. During the third quarter of fiscal 2019, the Company reimbursed an additional $100.0 million and $4.7 million (AU$5.0 million) of the MG Acquisition Facility.

NOTE 7 SHARE CAPITAL

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

		December 31, 2018		March 31, 2018
ISSUED				
388,917,083 common shares (387,407,403 common shares at March 31, 2018)	$	**958.9**	$	918.9

SHARE OPTION PLAN

Changes in the number of outstanding options for the nine-month periods are as follows:

	December 31, 2018		December 31, 2017	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Balance, beginning of year	**19,510,123**	**$ 32.95**	17,850,014	$ 29.00
Options granted	**4,536,208**	**$ 41.02**	3,908,023	$ 46.29
Options exercised	**(1,509,680)**	**$ 22.11**	(1,414,470)	$ 23.64
Options cancelled	**(724,528)**	**$ 42.65**	(305,246)	$ 34.11
Balance, end of period	**21,812,123**	**$ 35.12**	20,038,321	$ 32.67

The exercise price of the options granted in fiscal 2019 is $41.02, which corresponds to the weighted average market price for the five trading days immediately preceding the date of grant ($46.29 in fiscal 2018).

The weighted average fair value of options granted in fiscal 2019 was estimated at $7.12 per option ($7.68 in fiscal 2018), using the Black-Scholes option pricing model with the following assumptions:

	December 31, 2018	March 31, 2018
Weighted average:		
Risk-free interest rate	**1.95 %**	1.10 %
Expected life of options	**5.6 years**	5.4 years
Volatility[1]	**18.42 %**	18.89 %
Dividend rate	**1.54 %**	1.26 %

[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 $6.4 million ($5.6 million net of taxes) and $18.9 million ($17.0 million net of taxes) relating to stock options was recorded in the statement of earnings for the three and nine-month periods ended December 31, 2018, respectively. A compensation expense of $6.2 million ($5.2 million net of taxes) and $18.2 million ($15.3 million net of taxes) was recorded for the three and nine-month periods ended December 31, 2017, respectively.

NOTE 8 NET EARNINGS PER SHARE

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2018	2017	**2018**	2017
Net earnings	**$ 342.0**	$ 337.0	**$ 631.1**	$ 722.5
Weighted average number of common shares outstanding	**388,743,518**	386,700,080	**388,441,403**	386,516,987
Dilutive options	**3,370,937**	5,147,503	**3,211,005**	4,901,922
Weighted average diluted number of common shares outstanding	**392,114,455**	391,847,583	**391,652,408**	391,418,909
Basic net earnings per share	**$ 0.88**	$ 0.87	**$ 1.62**	$ 1.87
Diluted net earnings per share	**$ 0.87**	$ 0.86	**$ 1.61**	$ 1.85

When calculating diluted net earnings per share for the three and nine-month periods ended December 31, 2018, 11,685,038 options and 7,382,625 options, respectively, were excluded from the calculation because their exercise price is higher than the average market value of common shares (3,857,513 options, were excluded for the three and nine-month periods ended December 31, 2017).

Shares purchased under the normal course issuer bid, if any, are excluded from the calculation of net earnings per share as of the date of purchase.

NOTE 9 OTHER FINANCIAL CHARGES

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2018	2017	**2018**	2017
Finance costs	**$ 6.3**	$ 5.3	**$ 16.8**	$ 12.5
Finance income	**(1.6)**	(1.3)	**(3.9)**	(3.0)
	$ 4.7	$ 4.0	**$ 12.9**	$ 9.5

NOTE 10 INCOME TAXES

During the third quarter of fiscal 2019, a gain on disposal of assets was realized and a portion of this gain was not taxable. This non-taxable portion of the gain decreased the income tax rates of the three and nine-month periods ended December 31, 2018.

On December 22, 2017, the United States (US) enacted the “Tax Cuts and Jobs Act” which has been commonly referred to as USA tax reform. A significant change under this reform was the reduction of the US federal tax rate from 35.0% to 21.0%, which was effective January 1, 2018. This change resulted in the Company recording, in the three and nine-month periods ended December 31, 2017, an income tax benefit of $178.9 million.

NOTE 11 FINANCIAL INSTRUMENTS

The Company has 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 shows the fair value and the carrying value of other financial instruments as at December 31, 2018 and March 31, 2018. 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.

	December 31, 2018		March 31, 2018	
	Fair value	**Carrying value**	Fair value	Carrying value
Cash flow hedges				
Commodity derivatives (Level 2)	**$ (0.4)**	**$ (0.4)**	$ (1.4)	$ (1.4)
Foreign exchange derivatives (Level 2)	**2.2**	**2.2**	(8.7)	(8.7)
Derivatives not designated in a formal hedging relationship				
Equity forward contracts (Level 2)	**(4.6)**	**(4.6)**	(1.4)	(1.4)
Commodity derivatives (Level 2)	**(0.1)**	**(0.1)**	(0.5)	(0.5)
Long-term debt (Level 2)	**$ 2,270.4**	**$ 2,308.1**	$ 1,410.0	$ 1,425.3

NOTE 12 BUSINESS ACQUISITIONS

F&A DAIRY PRODUCTS, INC.

On November 30, 2018, the Company completed the acquisition of the activities of F&A Dairy Products, Inc. (F&A). Its activities are conducted at two manufacturing facilities located in Las Cruces, New Mexico, and Dresser, Wisconsin (USA). F&A manufactures a variety of natural cheeses, including mozzarella and provolone, which are distributed in the United States and Mexico. For the twelve-month period ended on August 31, 2018, F&A generated revenues of approximately US$163 million (CDN$212 million).

The purchase price of US$85.0 million (CDN$113.0 million), on a debt-free basis, was paid in cash from cash on hand and available credit facilities.

Recognized goodwill reflects the value assigned to expected future synergies and an assembled workforce within the Cheese Division (USA) CGU.

The final allocation will be completed during fiscal 2020.

SHEPHERD GOURMET (ONTARIO) INC.

On June 19, 2018, the Company completed the acquisition of the activities of Shepherd Gourmet Dairy (Ontario) Inc. (Shepherd Gourmet). Its activities are conducted at one manufacturing facility located in St. Marys, Ontario (Canada). Shepherd Gourmet manufactures, markets and distributes a variety of specialty cheeses, yogurt, as well as Skyr Icelandic-style yogurt in Canada. For the twelve-month period ended on April 30, 2018, Shepherd Gourmet generated revenues of approximately $57 million.

The purchase price was $99.8 million, on a debt-free-basis, of which $89.8 million was paid in cash from cash on hand and available credit facilities and $10.0 million represents a balance payable to the vendor.

Recognized goodwill reflects the value assigned to expected future synergies and an assembled workforce within the Dairy Division (Canada) CGU.

The final allocation was completed in the third quarter of fiscal 2019.

NOTE 12 BUSINESS ACQUISITIONS (CONT'D)

MURRAY GOULBURN CO-OPERATIVE CO. LIMITED

On May 1, 2018, the Company completed the acquisition of the business of Murray Goulburn Co-Operative Co. Limited (Murray Goulburn or MG), based in Australia. The MG acquisition complements the activities of the Dairy Division (Australia) and enables the Company to strengthen its presence in Australia. MG produces a full range of dairy foods, including fluid milk, milk powder, cheese, butter and dairy beverages, as well as a range of ingredient and nutritional products, such as infant formula. MG supplies the retail and foodservice industries globally with its flagship *Devondale*, *Liddells* and *Murray Goulburn Ingredients* brands. For the twelve-month period ended on June 30, 2017, Murray Goulburn generated revenues of approximately $2.5 billion (AU$2.5 billion).

The purchase price for the transaction was $1.276 billion (AU$1.311 billion) on a debt-free basis and was financed through the MG Acquisition Facility (Note 6). Included in the purchase price, the Company assumed liabilities of $76.7 million.

On August 17, 2018, the Company completed the sale of the Koroit plant in Victoria for a selling price of $239.7 million (AU$250.9 million). This divestiture was required pursuant to the undertaking entered into with the Australian Competition and Consumer Commission in connection with the acquisition of the activities of MG. The assets held for sale of the Koroit plant included inventory, property, plant and equipment and intangible assets. These assets were valued at fair value less costs to sell. There was no gain or loss related to this transaction.

The final allocation will be completed by the end of this fiscal year.

The allocation of each purchase price is presented below.

		Murray Goulburn	Shepherd Gourmet	F&A	2019 Total
Assets acquired	Cash	$ 7.4	$ -	$ -	$ 7.4
	Receivables	244.8	5.1	18.8	268.7
	Inventories	382.9	3.2	8.9	395.0
	Prepaid expenses and other assets	10.4	0.5	0.1	11.0
	Assets held for sale	240.3	-	-	240.3
	Property, plant and equipment	632.1	12.8	54.3	699.2
	Goodwill	8.5	78.1	48.9	135.5
	Intangible assets	38.9	5.2	-	44.1
	Other assets	3.9	-	-	3.9
	Deferred income taxes	18.6	-	-	18.6
Liabilities assumed	Accounts payable and accrued liabilities	(280.9)	(3.5)	(15.5)	(299.9)
	Other liabilities	(30.6)	-	(2.5)	(33.1)
	Deferred income taxes	-	(1.6)	-	(1.6)
Net assets acquired and total consideration		$ 1,276.3	$ 99.8	$ 113.0	$ 1,489.1

NOTE 12 BUSINESS ACQUISITIONS (CONT'D)

BETIN, INC.

On December 12, 2017, the Company completed the acquisition of Betin, Inc., doing business as Montchevre (Betin or Montchevre). The purchase price of $348.1 million, on a debt free basis, was paid in cash.

Montchevre manufactured, marketed and distributed goat cheese in the USA, mainly under the *Montchevre* brand. Its activities are conducted at one manufacturing facility located in Belmont, Wisconsin (USA). For the year ended on June 30, 2017, Montchevre generated annual revenues of approximately $150 million.

Recognized goodwill reflects the value assigned to expected future synergies and an assembled workforce within the Cheese Division (USA) CGU.

EXTENDED SHELF-LIFE (ESL) DAIRY PRODUCT ACTIVITIES OF SOUTHEAST MILK, INC. (SMI)

On September 29, 2017, the Company acquired the ESL dairy product activities of SMI. The purchase price of $63.6 million, on a debt free basis, included cash consideration of $37.0 million.

Its activities are conducted at one manufacturing facility located in Plant City, Florida (USA). For the year ended on June 30, 2017, the ESL dairy product activities of SMI generated annual revenues of approximately $59 million.

Recognized goodwill reflects the value assigned to expected future synergies and an assembled workforce within the Dairy Foods Division (USA) CGU.

The purchase price was allocated to the identifiable assets acquired and liabilities assumed based on the fair values presented below.

		Betin	SMI	2018 Total
Assets acquired	Working capital	$ 38.4	$ 2.8	$ 41.2
	Property, plant and equipment	17.5	38.6	56.1
	Goodwill	211.6	22.2	233.8
	Intangibles	131.6	-	131.6
Liabilities assumed	Finance lease obligations	-	(26.6)	(26.6)
	Deferred income taxes	(51.0)	-	(51.0)
Net assets acquired and total consideration paid in cash		$ 348.1	$ 37.0	$ 385.1

NOTE 13 SEGMENTED INFORMATION

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

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, acquisition and restructuring costs.

Management has aggregated the Cheese Division (USA) and the Dairy Foods Division (USA) due to similarities in long-term average returns and correlated market factors driving pricing strategies that affect the operations of both divisions. The divisions within the International Sector have been combined due to similarities in global market factors and production processes.

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

NOTE 13 SEGMENTED INFORMATION (CONT'D)

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2018	2017	**2018**	2017
Revenues				
Canada	**$ 1,059.6**	$ 1,057.2	**$ 3,118.3**	$ 3,089.0
USA	**1,678.5**	1,591.3	**4,891.1**	4,697.7
International	**839.1**	373.3	**2,256.0**	1,011.4
	$ 3,577.2	$ 3,021.8	**$ 10,265.4**	$ 8,798.1
Earnings before interest, income taxes, depreciation, amortization, gain on disposal of assets, acquisition and restructuring costs, and gain on hyperinflation				
Canada	**$ 113.8**	$ 127.9	**$ 323.7**	$ 367.8
USA	**122.4**	153.9	**410.5**	521.1
International	**85.0**	36.2	**212.0**	114.1
	$ 321.2	$ 318.0	**$ 946.2**	$ 1,003.0
Depreciation and amortization				
Canada	**$ 18.9**	$ 13.9	**$ 54.4**	$ 41.4
USA	**40.5**	34.3	**120.6**	96.1
International	**21.3**	7.9	**56.9**	24.1
	$ 80.7	$ 56.1	**$ 231.9**	$ 161.6
Gain on disposal of assets	**(194.5)**	-	**(194.5)**	-
Acquisition and restructuring costs	**0.3**	39.1	**49.2**	39.4
Gain on hyperinflation	**(18.4)**	-	**(19.4)**	-
Financial charges, net	**21.1**	12.6	**62.8**	35.0
Earnings before income taxes	**432.0**	210.2	**816.2**	767.0
Income taxes	**90.0**	(126.8)	**185.1**	44.5
Net earnings	**$ 342.0**	$ 337.0	**$ 631.1**	$ 722.5

The following table presents revenues by market segmentation. Certain prior year's figures have been reclassified to conform to the current presentation.

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2018	2017	**2018**	2017
Revenues				
Retail	**$ 1,680.3**	$ 1,530.7	**$ 4,795.8**	$ 4,348.4
Foodservice	**1,205.7**	1,092.8	**3,619.3**	3,383.3
Industrial	**691.2**	398.3	**1,850.3**	1,066.4
	$ 3,577.2	$ 3,021.8	**$ 10,265.4**	$ 8,798.1

NOTE 14 SALE OF BURNABY FACILITY

In the third quarter of fiscal 2019, the Company realized a gain on disposal of assets of $194.5 million ($167.8 million after tax) relating to the sale of its facility in Burnaby, British Columbia. The Company sold the facility for $209.0 million, of which $50.0 million will be received in fiscal 2022. As part of its capital expenditure plan, the Company will build a new state-of-the-art facility, in Port-Coquitlam, British Columbia, to better serve the market in Western Canada. The Company has entered into a lease agreement for the Burnaby facility until the construction of the new facility is completed, which is expected to be in fiscal 2021.