

SAPUTO REPORTS FINANCIAL RESULTS FOR THE SECOND QUARTER OF FISCAL 2023 ENDED SEPTEMBER 30, 2022

(Montréal, November 10, 2022) – Saputo Inc. (TSX: SAP) (we, Saputo or the Company) reported today its financial results for the second quarter of fiscal 2023, which ended on September 30, 2022. All amounts in this news release are in millions of Canadian dollars (CDN), except per share amounts, unless otherwise indicated, and are presented according to International Financial Reporting Standards (IFRS).

“We are pleased with the progress we have made in stabilizing the business while improving our execution. Again, our team’s agility played a pivotal role this quarter as we delivered strong year-over-year growth across key metrics, including revenues, net earnings, adjusted EBITDA¹, and adjusted EPS¹, driven by our successful efforts to mitigate inflation, our efficiency and productivity, and sustained consumer demand,” said Lino A. Saputo, Chair of the Board, President and CEO. *“Our year-to-date performance reaffirms our confidence for the balance of the fiscal year as we remain focused on generating shared value for all stakeholders.”*

Fiscal 2023 Second Quarter Financial Highlights

- Revenues amounted to \$4.461 billion, up \$772 million or 20.9%.
- Net earnings totalled \$145 million and net earnings per share (EPS) (basic and diluted) were \$0.35, up from \$98 million and \$0.24, respectively.
- Adjusted EBITDA¹ amounted to \$369 million, up \$86 million or 30.4%.
- Adjusted net earnings¹ totalled \$177 million, up from \$116 million and adjusted EPS¹ (basic and diluted) were \$0.42 up from \$0.28.

(unaudited)	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2022	2021	2022	2021
Revenues	4,461	3,689	8,788	7,177
Adjusted EBITDA ¹	369	283	716	573
Net earnings	145	98	284	151
Adjusted net earnings ¹	177	116	338	238
EPS				
Basic	0.35	0.24	0.68	0.37
Diluted	0.35	0.24	0.68	0.36
Adjusted EPS ¹				
Basic	0.42	0.28	0.81	0.58
Diluted	0.42	0.28	0.81	0.57

- Further progress during this recovery year was led by continued solid performances in the International Sector and Canada Sector and improved results in the USA Sector.
- Increased revenues reflected:
 - Pricing initiatives implemented in all our sectors;
 - Higher average block market price² and higher average butter market price² in the USA Sector; and
 - Higher international cheese and dairy ingredient market prices.
- Ongoing inflationary pressures on input costs and commodity market volatility were successfully mitigated by pricing initiatives.
- USA Market Factors² continued to put pressure on adjusted EBITDA due to the persistent negative spread² between the average cheese block market price and the cost of milk as raw material.
- Restructuring costs of \$16 million after tax, which included non-cash fixed assets write-downs totalling \$14 million, negatively impacted net earnings. These costs were incurred in connection with previously announced capital investments and consolidation initiatives in the USA Sector being undertaken as part of our Global Strategic Plan.
- We announced further consolidation initiatives intended to enhance our operational efficiency and strengthen our competitiveness in Australia. As part of the Optimize and Enhance Operations pillar of our Global Strategic Plan, these initiatives include the intention to permanently close our Maffra, Victoria, facility. Additionally, while the sites will remain operational, we will streamline activities at our facilities located in Leongatha, Victoria, and Mil-Lel, South Australia. Costs related with the consolidation initiatives will be approximately \$26 million after tax, which include non-cash asset write-downs of approximately \$20 million. These costs will be recorded in the third quarter of fiscal 2023.
- The Board of Directors approved a dividend of \$0.18 per share payable on December 16, 2022, to shareholders of record on December 6, 2022.

¹ This is a total of segments measure, a non-GAAP financial measure, or a non-GAAP ratio. These measures and ratios do not have a standardized meaning under IFRS. Therefore, they are unlikely to be comparable to similar measures presented by other issuers. See the “Non-GAAP Measures” section of this news release for more information, including the definition and composition of the measure or ratio as well as the reconciliation to the most comparable measure in the primary financial statements, as applicable.

² Refer to the “Glossary” section of the Management’s Discussion and Analysis.

OUTLOOK

- We anticipate that input and logistics costs, such as consumables, packaging, transportation, and fuel, which have been subject to ongoing inflationary pressures, will remain at elevated levels, but we expect strong pricing contribution across all sectors in line with price increases.
- We will implement further price increases over the course of the fiscal year, as part of our pricing protocols, if inflation continues to persist.
- Labour initiatives, fewer supply chain constraints, and the acceleration of our productivity and operational improvement projects are expected to further enhance our ability to service customers and return to historical order fill rate levels, particularly in the USA Sector.
- We expect the Europe Sector to continue to be negatively impacted by the volatility in energy costs resulting from the European energy crisis.
- We expect to continue to benefit from cost containment measures aimed at minimizing the effect of inflation and our efforts to prioritize efficiency and productivity initiatives.
- We will continue to closely monitor changing consumer trends in key categories. Given broader macroeconomic trends and changes in consumer spending, we expect that the impact of pricing elasticity will increase moderately in the second half of the fiscal year. We anticipate the retail market segment to remain strong as at-home food spending should remain elevated, while the foodservice market segment is expected to remain competitive, particularly in the USA Sector.
- USA Market Factors² will remain volatile, although we will aim to adjust our pricing to reflect commodity prices.
- Despite the volatile nature of international cheese and dairy ingredient markets, our outlook on export prices remains cautiously positive.
- While we continue to face macro-economic challenges, we expect a meaningful recovery in earnings in fiscal 2023, driven by the full impact of previously announced price increases, improved productivity and fixed cost absorption, a return to historical order fill rates, and benefits stemming from our Global Strategic Plan.

² Refer to the "Glossary" section of the Management's Discussion and Analysis.

GLOBAL STRATEGIC PLAN HIGHLIGHTS

We will continue to leverage the momentum of our ongoing Global Strategic Plan initiatives to strengthen our position as a high-quality, low-cost processor with a relentless focus on productivity and efficiency.

We announced further consolidation initiatives intended to enhance our operational efficiency and strengthen our competitiveness in Australia. As part of the Optimize and Enhance Operations pillar of our Global Strategic Plan, these initiatives include the intention to permanently close our Maffra, Victoria, facility. Additionally, while the sites will remain operational, we will streamline activities at our facilities located in Leongatha, Victoria, and Mil-Lel, South Australia. Many of the impacted production and packaging functions at these three facilities will be absorbed or integrated into our other Australian facilities, increasing capacity utilization and reducing costs.

These initiatives in our International Sector are expected to result in annual savings and benefits gradually, beginning in the fourth quarter of fiscal 2023, and reaching approximately \$14 million (\$10 million after tax) by fiscal 2025. Costs related with the consolidation initiatives outlined above will be approximately \$26 million after taxes, which include non-cash asset write-downs of approximately \$20 million. These costs will be recorded in the third quarter of fiscal 2023.

THE SAPUTO PROMISE

The Saputo Promise is our approach to social, environmental, and economic performance based on seven Pillars: Food Quality and Safety, Our People, Business Ethics, Responsible Sourcing, Environment, Nutrition, and Community. It is an integral part of our business and a key component of our growth. As we seek to create shared value for all our stakeholders, it provides a framework that ensures we manage ESG risks and opportunities successfully across our operations globally.

Anchored in the most pressing ESG issues for our business, our current three-year plan (FY23-FY25) builds on the momentum of the past few years, so our Saputo Promise continues to drive, enable, and sustain our growth.

Highlights for the first half of fiscal 2023 include:

- a. Continued execution of our Environmental Pledges including:
 - i. Completing four additional capital projects aimed at reducing the water intensity of our operations.
 - ii. Progress on our packaging initiatives, including increasing the recycled content of our sliced cheese trays in the United Kingdom and introducing recycled content in our shrink film for deli cups in the USA.
- b. Launched our global Sustainable Agriculture Policy, which defines the sustainability standards we want to achieve in partnership with our producers and milk suppliers to ensure the responsible production of dairy ingredients.
- c. Launched our global Responsible Marketing Guidelines which aim to ensure we market our products responsibly, particularly to younger consumers, as lifelong healthy eating habits are established during childhood.
- d. Continued to support the communities where we operate through financial and food donations.

Additional Information

For more information, reference is made to the condensed interim consolidated financial statements, the notes thereto and to the Management's Discussion and Analysis for the second quarter of fiscal 2023. These documents can be obtained on SEDAR under the Company's profile at www.sedar.com and in the "Investors" section of the Company's website, at www.saputo.com.

Earnings Conference Call

A webcast and conference call to discuss the fiscal 2023 second quarter financial results will be held on Friday, November 11, 2022, at 8:30 a.m. (Eastern Time)

The webcast will begin with a short presentation followed by a question and answer period. The speakers will be Lino A. Saputo, Chair of the Board, President and Chief Executive Officer, and Maxime Therrien, Chief Financial Officer and Secretary.

To participate:

- **Webcast** : <https://www.gowebcasting.com/12252>
Presentation slides will be included in the webcast and can also be accessed in the "Investors" section of Saputo's website (www.saputo.com), under "Calendar of Events".
- **Conference line** (*audio only*): 1-800-926-6349
Please dial-in five minutes prior to the start time.

Replay of the conference call and webcast presentation

For those unable to join, the webcast presentation will be archived on Saputo's website (www.saputo.com) in the "Investors" section, under "Calendar of Events". A replay of the conference call will also be available until Friday, November 18, 2022, 11:59 p.m. (Eastern Time) by dialling 1-800-558-5253 (ID number: 22020937).

About Saputo

Saputo produces, markets, and distributes a wide array of dairy products of the utmost quality, including cheese, fluid milk, extended shelf-life milk and cream products, cultured products, and dairy ingredients. Saputo is one of the top ten dairy processors in the world, a leading cheese manufacturer and fluid milk and cream processor in Canada, and the top dairy processor in Australia and Argentina. In the USA, Saputo ranks among the top three cheese producers and is one of the largest producers of extended shelf-life and cultured dairy products. In the United Kingdom, Saputo is the largest manufacturer of branded cheese and a top manufacturer of dairy spreads. In addition to its dairy portfolio, Saputo produces, markets, and distributes a range of dairy alternative cheeses and beverages. Saputo products are sold in several countries under market-leading brands, as well as private label brands. Saputo Inc. is a publicly traded company and its shares are listed on the Toronto Stock Exchange under the symbol "SAP". Follow Saputo's activities at www.saputo.com or via [Facebook](#), [LinkedIn](#) and [Twitter](#).

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CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This news release contains statements which are forward-looking statements within the meaning of applicable securities laws. These forward-looking statements include, among others, statements with respect to our objectives, outlook, business projects, strategies, beliefs, expectations, targets, commitments, goals, ambitions and strategic plans including our ability to achieve these targets, commitments, goals, ambitions and strategic plans, and statements other than historical facts. The words “may”, “could”, “should”, “will”, “would”, “believe”, “plan”, “expect”, “intend”, “anticipate”, “estimate”, “foresee”, “objective”, “continue”, “propose”, “aim”, “commit”, “assume”, “forecast”, “predict”, “seek”, “project”, “potential”, “goal”, “target”, or “pledge”, or the negative of these terms or variations of them, the use of conditional or future tense or words and expressions of similar nature, are intended to identify forward-looking statements. All statements other than statements of historical fact included in this news release may constitute forward-looking statements within the meaning of applicable securities laws.

By their nature, forward-looking statements are subject to a number of inherent risks and uncertainties. Actual results could differ materially from those stated, implied, or projected in such forward-looking statements. As a result, we cannot guarantee that any forward-looking statements will materialize, and we warn readers that these forward-looking statements are not statements of historical fact or guarantees of future performance in any way. Assumptions, expectations, and estimates made in the preparation of forward-looking statements and risks and uncertainties that could cause actual results to differ materially from current expectations are discussed in our materials filed with the Canadian securities regulatory authorities from time to time, including the “Risks and Uncertainties” section of the Management’s Discussion and Analysis dated June 9, 2022, available on SEDAR under the Company’s profile at www.sedar.com

Such risks and uncertainties include the following: product liability; the COVID-19 pandemic and related ongoing impacts; the availability of raw materials (including as a result of climate change, extreme weather, or global or local supply chain disruptions caused by the COVID-19 pandemic, geopolitical developments, military conflicts and trade sanctions) and related price variations, along with our ability to transfer those increases, if any, to our customers in competitive market conditions; supply chain strain and supplier concentration; the price fluctuation of our products in the countries in which we operate, as well as in international markets, which are based on supply and demand levels for dairy products; our ability to identify, attract, and retain qualified individuals; cyber threats and other information technology-related risks relating to business disruptions, confidentiality, data integrity business and email compromise-related fraud; the increased competitive environment in our industry; consolidation of clientele; unanticipated business disruption; changes in consumer trends; changes in environmental laws and regulations; the potential effects of climate change; increased focus on environmental sustainability matters; the failure to execute our Global Strategic Plan as expected or to adequately integrate acquired businesses in a timely and efficient manner; the failure to complete capital expenditures as planned; changes in interest rates and access to capital and credit markets.

Forward-looking statements are based on Management’s current estimates, expectations and assumptions regarding, among other things; the projected revenues and expenses; the economic, industry, competitive, and regulatory environments in which we operate or which could affect our activities; our ability to identify, attract, and retain qualified and diverse individuals; our ability to attract and retain customers and consumers; our environmental performance; the results of our sustainability efforts; the effectiveness of our environmental and sustainability initiatives; the availability and cost of milk and other raw materials and energy supplies; our operating costs; the pricing of our finished products on the various markets in which we carry on business; the successful execution of our Global Strategic Plan; our ability to deploy capital expenditure projects as planned; our ability to correctly predict, identify, and interpret changes in consumer preferences and demand, to offer new products to meet those changes, and to respond to competitive innovation; our ability to leverage our brand value; our ability to drive revenue growth in our key product categories or platforms or add products that are in faster-growing and more profitable categories; the contribution of recent acquisitions; the anticipated market supply and demand levels for our products; the anticipated warehousing, logistics, and transportation costs; our effective income tax rate; the exchange rate of the Canadian dollar to the currencies of cheese and dairy ingredients. Our ability to achieve our environmental targets, commitments, and goals is further subject to, among others, our ability to access and implement all technology necessary to achieve our targets, commitments, and goals, as well as the development and performance of technology, innovation and the future use and deployment of technology and associated expected future results, and environmental regulation. Our ability to achieve our 2025 Supply Chain Pledges is further subject to, among others, our ability to leverage our supplier relationships.

Management believes that these estimates, expectations, and assumptions are reasonable as of the date hereof, and are inherently subject to significant business, economic, competitive, and other uncertainties and contingencies regarding future events, and are accordingly subject to changes after such date. Forward-looking statements are intended to provide shareholders with information regarding Saputo, including our assessment of future financial plans, and may not be appropriate for other purposes. Undue importance should not be placed on forward-looking statements, and the information contained in such forward-looking statements should not be relied upon as of any other date.

All forward-looking statements included herein speak only as of the date hereof or as of the specific date of such forward-looking statements. Except as required under applicable securities legislation, Saputo does not undertake to update or revise forward-looking statements, whether written or verbal, that may be made from time to time by itself or on our behalf, whether as a result of new information, future events, or otherwise. All forward-looking statements contained herein are expressly qualified by this cautionary statement.

SELECTED QUARTERLY FINANCIAL INFORMATION

Fiscal years	2023		2022				2021	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	4,461	4,327	3,957	3,901	3,689	3,488	3,438	3,763
Adjusted EBITDA ¹	369	347	260	322	283	290	303	431
Adjusted EBITDA margin ¹	8.3 %	8.0 %	6.6 %	8.3 %	7.7 %	8.3 %	8.8 %	11.5 %
Net earnings	145	139	37	86	98	53	103	210
UK tax rate change ³	—	—	—	—	—	50	—	—
Acquisition and restructuring costs ²	16	6	51	—	(1)	1	2	—
Gain on disposal of assets ²	—	—	—	(8)	—	—	—	—
Impairment of intangible assets ²	—	—	—	43	—	—	—	—
Amortization of intangible assets related to business acquisitions ²	16	16	20	18	19	18	19	18
Adjusted net earnings ¹	177	161	108	139	116	122	124	228
Adjusted net earnings margin ¹	4.0 %	3.7 %	2.7 %	3.6 %	3.1 %	3.5 %	3.6 %	6.1 %
EPS basic	0.35	0.33	0.09	0.21	0.24	0.13	0.25	0.51
EPS diluted	0.35	0.33	0.09	0.21	0.24	0.13	0.25	0.51
Adjusted EPS basic ¹	0.42	0.39	0.26	0.34	0.28	0.30	0.30	0.56
Adjusted EPS diluted ¹	0.42	0.39	0.26	0.33	0.28	0.29	0.30	0.55

Selected factors positively (negatively) impacting Adjusted EBITDA¹

Fiscal years	2023		2022				2021	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
USA Market Factors ^{4,5}	(27)	(7)	(19)	(40)	(17)	(42)	(4)	34
Foreign currency exchange ^{5,6}	(12)	(7)	(12)	(18)	(21)	(21)	(2)	—

¹ This is a total of segments measure, a non-GAAP financial measure, or a non-GAAP ratio. These measures and ratios do not have a standardized meaning under IFRS. Therefore, they are unlikely to be comparable to similar measures presented by other issuers. See the "Non-GAAP Measures" section of this news release for more information, including the definition and composition of the measure or ratio as well as the reconciliation to the most comparable measure in the primary financial statements, as applicable.

² Net of income taxes.

³ On June 10, 2021, the UK Finance Act 2021 was enacted, increasing the UK tax rate from 19% to 25%, effective April 1, 2023. Refer to Note 11 to the condensed interim consolidated financial statements for further information.

⁴ Refer to the "Glossary" section of the Management's Discussion and Analysis.

⁵ As compared to the same quarter of the previous fiscal year.

⁶ Foreign currency exchange includes the effect of conversion of US dollars, Australian dollars, British pounds sterling and Argentine pesos to Canadian dollars.

CONSOLIDATED RESULTS FOR THE SECOND QUARTER AND FISCAL PERIOD ENDED SEPTEMBER 30, 2022

Revenues

Revenues for the **second quarter of fiscal 2023** totalled \$4.461 billion, up \$772 million or 20.9%, as compared to \$3.689 billion for the same quarter last fiscal year.

Revenues increased due to higher domestic selling prices in line with the higher cost of milk as raw material, together with pricing initiatives implemented in all our sectors to mitigate increasing input costs.

The combined effect of the higher average block market price² and of the higher average butter market price² had a positive impact of \$307 million in the USA Sector. Higher international cheese and dairy ingredient market prices, as well as the effect of the fluctuation of the Argentine peso and the Australian dollar on export sales denominated in US dollars were favourable.

Sales volumes were stable compared to those of the second quarter of fiscal 2022.

The contributions of the Carolina Acquisition³ and the Wensleydale Dairy Products Acquisition³ for the full quarter compared to partial contributions during the same quarter last fiscal year positively impacted revenues by \$20 million.

The fluctuation of foreign currencies versus the Canadian dollar had an unfavourable impact of \$12 million.

Revenues for the **first six months of fiscal 2023** totalled \$8.788 billion, up \$1.611 billion or 22.4%, as compared to \$7.177 billion for the same period last fiscal year.

Revenues increased due to higher domestic selling prices in line with the higher cost of milk as raw material, together with pricing initiatives implemented in all our sectors to mitigate increasing input costs.

The combined effect of the higher average block market price² and of the higher average butter market price² had a positive impact of \$643 million in the USA Sector. Higher international cheese and dairy ingredient market prices, as well as the effect of the fluctuation of the Argentine peso and the Australian dollar on export sales denominated in US dollars were favourable.

Sales volumes were stable compared to the same period last fiscal year.

The contributions of the Recent Acquisitions² for the full period compared to partial contributions in the same period last fiscal year totalled \$61 million.

The fluctuation of foreign currencies versus the Canadian dollar had an unfavourable impact of \$19 million.

Operating costs excluding depreciation, amortization, and restructuring costs

Operating costs excluding depreciation, amortization, and restructuring costs for the **second quarter of fiscal 2023** totalled \$4.092 billion, up \$686 million or 20.1%, as compared to \$3.406 billion for the same quarter last fiscal year. Operating costs excluding depreciation, amortization, and restructuring costs for the **first six months of fiscal 2023** totalled \$8.072 billion, up \$1.468 billion or 22.2%, as compared to \$6.604 billion the same period last fiscal year. These increases were due to higher input costs in all our sectors in line with inflation. Dairy commodity market volatility and higher input costs contributed to the higher cost of raw materials and consumables used. Employee salary and benefit expenses increased due to inflation and wage increases.

Net earnings

Net earnings for the **second quarter of fiscal 2023** totalled \$145 million, up \$47 million or 48.0%, as compared to \$98 million for the same quarter last fiscal year. The increase is primarily due to higher adjusted EBITDA¹, as described below and lower financial charges, partially offset by higher depreciation and amortization, higher restructuring costs, and higher income tax expense.

Net earnings for the **first six months of fiscal 2023** totalled \$284 million, up \$133 million or 88.1%, as compared to \$151 million for the same period last fiscal year. The increase is primarily due to higher adjusted EBITDA¹, as described below, a lower income tax expense and lower financial charges, partially offset by higher depreciation and amortization as well as higher restructuring costs.

¹ This is a total of segments measure, a non-GAAP financial measure, or a non-GAAP ratio. See the "Non-GAAP Measures" section of this news release for more information, including the definition and composition of the measure or ratio as well as the reconciliation to the most comparable measure in the primary financial statements, as applicable.

² Refer to the "Glossary" section of this MD&A.

Adjusted EBITDA¹

Adjusted EBITDA¹ for the **second quarter of fiscal 2023** totalled \$369 million, up \$86 million or 30.4%, as compared to \$283 million for the same quarter last fiscal year.

Improved results reflected further recovery in the USA Sector and continued solid performances in the International Sector and Canada Sector.

We continued to benefit from previously announced pricing initiatives implemented to mitigate higher input costs, such as consumables, packaging, transportation, and fuel, in line with ongoing inflationary pressures and commodity market volatility.

The relation between international cheese and dairy ingredient market prices and the cost of milk as raw material in the International Sector had a positive impact.

USA Market Factors² continued to put pressure on adjusted EBITDA, as compared to the same quarter last fiscal year, with a negative impact of \$27 million mainly due to the persistent negative spread².

Labour shortages in some of our facilities, combined with supply chain disruptions, put pressure on our ability to supply ongoing demand. These factors, along with reduced milk availability in Australia, negatively impacted efficiencies and the absorption of fixed costs. We continued to actively manage these challenging market conditions.

We continued to benefit from our cost containment measures aimed at minimizing the effect of inflation and our efforts to prioritize efficiency and productivity initiatives.

The fluctuation of foreign currencies versus the Canadian dollar had an unfavourable impact of \$12 million.

Adjusted EBITDA¹ for the **first six months of fiscal 2023** totalled \$716 million, up \$143 million or 25.0%, as compared to \$573 million for the same period last fiscal year.

Improved results reflected solid performances in the International Sector and Canada Sector and further recovery in the USA Sector.

We benefited from previously announced pricing initiatives implemented to mitigate higher input costs, such as consumables, packaging, transportation, and fuel in line with ongoing inflationary pressures and commodity market volatility.

The relation between international cheese and dairy ingredient market prices and the cost of milk as raw material in the International Sector had a positive impact. In the same period last fiscal year, fulfilling sales contracted at depressed commodity prices in our International Sector had an unfavourable impact.

USA Market Factors² continued to put pressure on adjusted EBITDA, as compared to the same period last fiscal year, with a negative impact of \$34 million mainly due to the persistent negative spread².

Labour shortages in some of our facilities, combined with supply chain disruptions, put pressure on our ability to supply ongoing demand. These factors, along with reduced milk availability in Australia, negatively impacted efficiencies and the absorption of fixed costs. We continued to actively manage these challenging market conditions.

We benefited from our cost containment measures aimed at minimizing the effect of inflation and our efforts to prioritize efficiency and productivity initiatives.

The fluctuation of foreign currencies versus the Canadian dollar had an unfavourable impact of \$19 million.

Depreciation and amortization

Depreciation and amortization for the **second quarter of fiscal 2023** totalled \$146 million, up \$9 million, as compared to \$137 million for the same quarter last fiscal year. Depreciation and amortization for the **first six months of fiscal 2023** totalled \$291 million, up \$23 million, as compared to \$268 million for the same period last fiscal year. These increases were mainly attributable to additional depreciation and amortization related to the Recent Acquisitions², as well as additions to property, plant and equipment, which increased the depreciable base.

¹ This is a total of segments measure, a non-GAAP financial measure, or a non-GAAP ratio. See the "Non-GAAP Measures" section of this news release for more information, including the definition and composition of the measure or ratio as well as the reconciliation to the most comparable measure in the primary financial statements, as applicable.

² Refer to the "Glossary" section of the Management's Discussion and Analysis.

Acquisition and restructuring costs

Acquisition and restructuring costs for the **second quarter of fiscal 2023** totalled \$22 million and included a non-cash fixed assets write-down of \$19 million, accelerated depreciation, and employee-related costs in connection with capital investments and consolidation initiatives in our USA Sector, as part of our Global Strategic Plan.

Acquisition and restructuring costs for the same quarter last fiscal year amounted to a net gain of \$2 million which included a favourable purchase price adjustment for a prior acquisition.

Acquisition and restructuring costs for the **first six months of fiscal 2023** totalled \$29 million and comprised costs as described above, as well as site closure costs of \$9 million relating to the consolidation activities in the Europe Sector, as part of our Global Strategic Plan. Restructuring costs also include a \$2 million gain on disposal of assets related to the sale of a closed facility in the Canada Sector.

During the same period last fiscal year, acquisition and restructuring costs amounted to nil, as they were offset by a favourable purchase price adjustment and costs incurred for the Recent Acquisitions².

Financial charges

Financial charges for the **second quarter and first six months of fiscal 2023** totalled \$13 million and \$25 million, respectively down \$6 million and \$12 million, and included an increased gain on hyperinflation derived from the indexation to inflation of non-monetary assets and liabilities in Argentina.

Income tax expense

Income tax expense for the **second quarter and first six months of fiscal 2023** totalled \$43 million and \$87 million, respectively. The effective tax rates for the second quarter and first six months of fiscal 2023 were 22.9% and 23.5% as compared to 24.0% and 43.7% respectively in the corresponding periods last fiscal year.

The effective income tax rate for the second quarter and first six months of fiscal 2023 included the positive impact relating to the tax and accounting treatments of inflation in Argentina which varies from quarter to quarter.

The effective tax rate for the first six months of last fiscal year included a one-time non-cash \$50 million income tax expense incurred to adjust deferred income tax liability balances due to the enactment on June 10, 2021, of an increase from 19% to 25% of the UK tax rate which will be effective as of April 1, 2023. Excluding the effect of this one-time non-cash expense, the effective income tax rate for the six-month period ended September 30, 2021, would have been 24.1%.

The effective tax rate varies and could increase or decrease based on the geographic mix of quarterly and year-to-date earnings across the various jurisdictions in which we operate, inflation in Argentina, the amount and source of taxable income, amendments to tax legislations and income tax rates, changes in assumptions, as well as estimates we use for tax assets and liabilities.

Adjusted net earnings¹

Adjusted net earnings¹ for the **second quarter of fiscal 2023** totalled \$177 million, up \$61 million or 52.6%, as compared to \$116 million for the same quarter last fiscal year. This is mainly due to an increase in net earnings, as described above, excluding higher acquisition and restructuring costs after tax.

Adjusted net earnings¹ for the **first six months of fiscal 2023** totalled \$338 million, up \$100 million or 42.0%, as compared to \$238 million for the same period last fiscal year. This is mainly due to an increase in net earnings, as described above, excluding higher acquisition and restructuring costs after tax and the one-time non-cash expense to adjust deferred income tax liability balances to reflect the increase in the corporate income tax rate in the UK that was recorded in the same period last fiscal year.

¹ This is a total of segments measure, a non-GAAP financial measure, or a non-GAAP ratio. See the "Non-GAAP Measures" section of this news release for more information, including the definition and composition of the measure or ratio as well as the reconciliation to the most comparable measure in the primary financial statements, as applicable.

² Refer to the "Glossary" section of the Management's Discussion and Analysis.

INFORMATION BY SECTOR

CANADA SECTOR

Fiscal years	2023		2022			
	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	1,185	1,142	1,055	1,112	1,081	1,033
Adjusted EBITDA	136	132	117	121	124	113
Adjusted EBITDA margin	11.5 %	11.6 %	11.1 %	10.9 %	11.5 %	10.9 %

USA SECTOR

Fiscal years	2023		2022			
	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	2,062	2,043	1,743	1,627	1,533	1,506
Adjusted EBITDA	102	97	42	83	67	96
Adjusted EBITDA margin	4.9 %	4.7 %	2.4 %	5.1 %	4.4 %	6.4 %

Selected factors positively (negatively) impacting Adjusted EBITDA

Fiscal years	2023		2022			
	Q2	Q1	Q4	Q3	Q2	Q1
USA Market Factors ^{1,2}	(27)	(7)	(19)	(40)	(17)	(42)
US currency exchange ²	3	3	—	(6)	(8)	(18)

¹ Refer to the "Glossary" section of the Management's Discussion and Analysis.

² As compared to same quarter last fiscal year.

Other pertinent information

(in US dollars, except for average exchange rate)

Fiscal years	2023		2022			
	Q2	Q1	Q4	Q3	Q2	Q1
Block market price¹						
Opening	2.195	2.250	1.980	1.873	1.553	1.738
Closing	1.968	2.195	2.250	1.980	1.873	1.553
Average	1.927	2.287	2.005	1.805	1.706	1.657
Butter market price¹						
Opening	2.995	2.700	2.453	1.760	1.740	1.818
Closing	3.145	2.995	2.700	2.453	1.760	1.740
Average	3.035	2.808	2.692	1.975	1.716	1.805
Average whey powder market price ¹	0.469	0.600	0.759	0.622	0.522	0.626
Spread ¹	(0.222)	(0.261)	(0.253)	(0.099)	(0.034)	(0.164)
US average exchange rate to Canadian dollar ²	1.306	1.275	1.266	1.260	1.259	1.231

¹ Refer to the "Glossary" section of the Management's Discussion and Analysis.

² Based on Bank of Canada published information.

INTERNATIONAL SECTOR

Fiscal years	2023		2022			
	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	989	916	922	919	858	754
Adjusted EBITDA	97	82	62	85	56	45
Adjusted EBITDA margin	9.8 %	9.0 %	6.7 %	9.2 %	6.5 %	6.0 %

Selected factor positively (negatively) impacting Adjusted EBITDA

Fiscal years	2023		2022			
	Q2	Q1	Q4	Q3	Q2	Q1
Foreign currency exchange ¹	(9)	(6)	(12)	(13)	(14)	(4)

¹ As compared to same quarter last fiscal year.

EUROPE SECTOR

Fiscal years	2023		2022			
	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	225	226	237	243	217	195
Adjusted EBITDA	34	36	39	33	36	36
Adjusted EBITDA margin	15.1 %	15.9 %	16.5 %	13.6 %	16.6 %	18.5 %

Selected factor positively (negatively) impacting Adjusted EBITDA

Fiscal years	2023		2022			
	Q2	Q1	Q4	Q3	Q2	Q1
Foreign currency exchange ¹	(4)	(2)	(1)	—	—	—

¹ As compared to same quarter last fiscal year.

NON-GAAP MEASURES

We report our financial results in accordance with GAAP and generally assess our financial performance using financial measures that are prepared using GAAP. However, this news release also refers to certain non-GAAP and other financial measures which do not have a standardized meaning under GAAP, including the following.

Term Used	Definition
Adjusted EBITDA	Net earnings before income taxes, financial charges, acquisition and restructuring costs, gain on disposal of assets, impairment of intangible assets, and depreciation and amortization.
Adjusted net earnings	Net earnings before the UK tax rate change, acquisition and restructuring costs, gain on disposal of assets, impairment of intangible assets, and amortization of intangible assets related to business acquisitions, net of applicable income taxes.
Adjusted EBITDA margin	Adjusted EBITDA expressed as a percentage of revenues.
Adjusted net earnings margin	Adjusted net earnings expressed as a percentage of revenues.
Adjusted EPS basic	Adjusted net earnings per basic common share.
Adjusted EPS diluted	Adjusted net earnings per diluted common share.

We use non-GAAP measures and ratios to provide investors with supplemental metrics to assess and measure our operating performance and financial position from one period to the next. We believe that those measures are important supplemental metrics because they eliminate items that are less indicative of our core business performance and could potentially distort the analysis of trends in our operating performance and financial position. We also use non-GAAP measures to facilitate operating and financial performance comparisons from period to period, to prepare annual budgets and forecasts, and to determine components of management compensation. We believe these non-GAAP measures, in addition to the financial measures prepared in accordance with IFRS, enable investors to evaluate the Company's operating results, underlying performance, and future prospects in a manner similar to management. These metrics are presented as a complement to enhance the understanding of operating results but not in substitution of GAAP results.

These non-GAAP measures have no standardized meaning under GAAP and are unlikely to be comparable to similar measures presented by other issuers. Our method of calculating these measures may differ from the methods used by others, and, accordingly, our definition of these non-GAAP financial measures may not be comparable to similar measures presented by other issuers. In addition, non-GAAP financial measures should not be viewed as a substitute for the related financial information prepared in accordance with GAAP. This section provides a description of the components of each non-GAAP measure used in this news release and the classification thereof.

NON-GAAP FINANCIAL MEASURES AND RATIOS

A non-GAAP financial measure is a financial measure that depicts the Company's financial performance, financial position, or cash flow and either excludes an amount that is included in or includes an amount that is excluded from the composition of the most directly comparable financial measures disclosed in the Company's financial statements. A non-GAAP ratio is a financial measure disclosed in the form of a ratio, fraction, percentage, or similar representation and that has a non-GAAP financial measure as one or more of its components.

Below are descriptions of the non-GAAP financial measures and ratios that we use as well as reconciliations to the most comparable GAAP financial measures, as applicable.

Adjusted net earnings and adjusted net earnings margin

We believe that adjusted net earnings and adjusted net earnings margin provide useful information to investors because this financial measure and this ratio provide precision with regards to our ongoing operations by eliminating the impact of non-operational or non-cash items. We believe that in the context of highly acquisitive companies, adjusted net earnings provides a more effective measure to assess performance against the Company's peer group, including due to the application of various accounting policies in relation to the amortization of acquired intangible assets.

We also believe adjusted net earnings and adjusted net earnings margin are useful to investors because they help identify underlying trends in our business that could otherwise be masked by certain write-offs, charges, income, or recoveries that can vary from period to period. We believe that securities analysts, investors, and other interested parties also use adjusted net earnings to evaluate the performance of issuers. Excluding these items does not imply they are non-recurring. These measures do not have any standardized meanings under GAAP and are therefore unlikely to be comparable to similar measures presented by other companies.

The following table provides a reconciliation of net earnings to adjusted net earnings.

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2022	2021	2022	2021
Net earnings	145	98	284	151
UK tax rate change ²	—	—	—	50
Acquisition and restructuring costs ¹	16	(1)	22	—
Amortization of intangible assets related to business acquisitions ¹	16	19	32	37
Adjusted net earnings	177	116	338	238
Revenues	4,461	3,689	8,788	7,177
Margin	4.0 %	3.1 %	3.8 %	3.3 %

¹ Net of income taxes.

² On June 10, 2021, the UK Finance Act 2021 was enacted, increasing the UK tax rate from 19% to 25%, effective April 1, 2023. Refer to Note 11 to the condensed interim consolidated financial statements for further information.

Adjusted EPS basic and adjusted EPS diluted

Adjusted EPS basic and adjusted EPS diluted are non-GAAP ratios and do not have any standardized meaning under GAAP. Therefore, these measures are unlikely to be comparable to similar measures presented by other issuers. We define adjusted EPS basic and adjusted EPS diluted as adjusted net earnings divided by the basic and diluted weighted average number of common shares outstanding for the period. Adjusted net earnings is a non-GAAP financial measure. For more details on adjusted net earnings, refer to the discussion above in the adjusted net earnings and adjusted net earnings margin section.

We use adjusted EPS basic and adjusted EPS diluted, and we believe that certain securities analysts, investors, and other interested parties use these measures, among other ones, to assess the performance of our business without the effect of the UK tax rate change, acquisition and restructuring costs, gain on disposal of assets, impairment of intangible assets, and amortization of intangible assets related to business acquisitions. We exclude these items because they affect the comparability of our financial results and could potentially distort the analysis of trends in business performance. Adjusted EPS is also a component in the determination of long-term incentive compensation for management.

TOTAL OF SEGMENTS MEASURES

A total of segments measure is a financial measure that is a subtotal or total of two or more reportable segments and is disclosed within the notes to Saputo's consolidated financial statements, but not in its primary financial statements. Consolidated adjusted EBITDA is a total of segments measure.

Consolidated adjusted EBITDA is the total of the adjusted EBITDA of our four geographic sectors. We report our business under four sectors: Canada, USA, International, and Europe. The Canada Sector consists of the Dairy Division (Canada), the USA Sector consists of the Dairy Division (USA), the International Sector consists of the Dairy Division (Australia) and the Dairy Division (Argentina), and the Europe Sector consists of the Dairy Division (UK). We sell our products in three different market segments: retail, foodservice, and industrial.

Adjusted EBITDA and adjusted EBITDA margin

We believe that adjusted EBITDA and adjusted EBITDA margin provide investors with useful information because they are common industry measures. These measures are also key metrics of the Company's operational and financial performance without the variation caused by the impacts of the elements itemized below and provide an indication of the Company's ability to seize growth opportunities in a cost-effective manner, finance its ongoing operations, and service its long-term debt. Adjusted EBITDA is the key measure of profit used by management for the purpose of assessing the performance of each sector and of the Company as a whole, and to make decisions about the allocation of resources. We believe that securities analysts, investors, and other interested parties also use adjusted EBITDA to evaluate the performance of issuers. Adjusted EBITDA is also a component in the determination of short-term incentive compensation for management.

The following table provides a reconciliation of net earnings to adjusted EBITDA on a consolidated basis.

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2022	2021	2022	2021
Net earnings	145	98	284	151
Income taxes	43	31	87	117
Financial charges	13	19	25	37
Acquisition and restructuring costs	22	(2)	29	—
Depreciation and amortization	146	137	291	268
Adjusted EBITDA	369	283	716	573
Revenues	4,461	3,689	8,788	7,177
Margin	8.3 %	7.7 %	8.1 %	8.0 %