



We are presenting the results for the second quarter of fiscal 2018, which ended on September 30, 2017.

- Net earnings totalled \$185.2 million, a decrease of \$6.6 million or 3.4%.
- Earnings before interest, income taxes, depreciation and amortization (EBITDA¹) amounted to \$329.5 million, a decrease of \$11.1 million or 3.3%.
- Revenues for the quarter amounted to \$2.884 billion, an increase of approximately \$39 million or 1.4%.
- Net earnings per share (basic and diluted) were \$0.48 and \$0.47, respectively for the quarter as compared to \$0.49 and \$0.48 for the corresponding quarter last fiscal year, a decrease of 2.0% and 2.1% respectively.

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

(unaudited)	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2017	2016	2017	2016
Revenues	2,884.2	2,845.3	5,776.3	5,476.7
EBITDA ¹	329.5	340.6	684.7	658.8
Net earnings	185.2	191.8	385.5	368.5
Net earnings per share				
Basic	0.48	0.49	1.00	0.94
Diluted	0.47	0.48	0.99	0.92

- In the Canada Sector, revenues were negatively impacted by lower sales volumes and an unfavourable product mix. EBITDA increased due to operational efficiencies through raw material optimization.
- In the USA Sector, a higher average butter market³ price per pound was partially offset by a lower average block market² per pound of cheese, as compared to the same quarter last fiscal year which increased revenues. Higher sales volumes, as well as higher international selling prices of cheese and dairy ingredients also positively impacted revenues during the quarter. EBITDA was negatively impacted by an unfavourable product mix, as well as unfavourable market factors⁴ of approximately \$6 million, as compared to the same quarter last fiscal year.
- In the International Sector, revenues and EBITDA increased due to higher international selling prices of cheese and dairy ingredients, as well as higher sales volumes in both the domestic and export markets.
- The fluctuation of the Canadian dollar versus foreign currencies during the quarter had a negative impact on revenues of approximately \$78 million, as compared to the same quarter last fiscal year. This fluctuation negatively impacted EBITDA by approximately \$8 million, as compared to the same quarter last fiscal year.
- The Board of Directors approved a dividend of \$0.16 per share payable on December 15, 2017 to common shareholders of record on December 5, 2017.
- On September 29, 2017, the Company completed the acquisition of the extended shelf-life dairy product activities of Southeast Milk, Inc. (SMI Acquisition).
- On October 26, 2017, the Company announced that it has entered into an agreement to acquire the business of Murray Goulburn Co-Operative Co. Limited (MG) (Murray Goulburn Acquisition), based in Australia. The purchase price for the transaction is CDN\$1.29 billion (AU\$1.31 billion) on a debt-free basis and will be financed through a newly committed bank loan. The transaction is expected to close in the first half of calendar year 2018.
- On November 1, 2017, the Company announced that it has entered into an agreement to acquire Betin, Inc., doing business as Montchevre (Montchevre Acquisition). The transaction is expected to close by the end of 2017.

¹ EBITDA is a non-IFRS measure. Refer to "Measurement of Results not in Accordance with International Financial Reporting Standards" included on page 3 of this report for the definition of this term.

² "Average block market" is the average daily price of a 40 pound block of cheddar traded on the Chicago Mercantile Exchange (CME), used as the base price for cheese.

³ "Average butter market" is the average daily price for Grade AA Butter traded on the CME, used as the base price for butter.

⁴ Market factors refer to the USA Sector and include 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 product sales.

Management's Discussion and Analysis

The purpose of this management report is to provide investors with a greater understanding of the Company's business, performance and strategy, as well as to analyze the results and the financial position of the Company for the quarter ended September 30, 2017. It should be read while referring to our condensed interim consolidated financial statements and accompanying notes for the three and six-month periods ended September 30, 2017 and 2016. 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. All dollar amounts are in Canadian dollars, unless otherwise indicated. This report takes into account material elements between September 30, 2017 and November 2, 2017, 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, 2017, can be obtained on SEDAR at www.sedar.com.

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 2017 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.

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 EBITDA, 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 and amortization, (EBITDA) as a performance measure as it is a common industry measure and reflects the ongoing profitability of the Company's consolidated business operations. The most comparable IFRS financial measure to EBITDA is earnings before income taxes.

EBITDA, as used by Management, provides precision and comparability with regards to the Company's ongoing operation. Non-IFRS measures 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. Non-IFRS measures also provide comparability to the Company's prior year results.

The definition provided above is used in the context of the results and activities for the three and six-month periods ended September 30, 2017. Non-IFRS measures 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 to EBITDA for the three and six-month periods in which Management has presented this measure is provided below.

(in millions of CDN dollars)

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2017	2016	2017	2016
Earnings before income taxes	265.2	280.1	556.8	536.3
Other financial charges	3.4	1.6	5.5	3.6
Interest on long-term debt	9.1	8.7	16.9	19.4
Depreciation and amortization	51.8	50.2	105.5	99.5
EBITDA	329.5	340.6	684.7	658.8

OPERATING RESULTS

Consolidated revenues for the quarter ended September 30, 2017 totalled \$2.884 billion, an increase of approximately \$39 million or 1.4%, as compared to \$2.845 billion for the corresponding quarter last fiscal year. Higher international selling prices of cheese and dairy ingredients, as well as higher selling prices related to the increase of the cost of milk as raw material in the Canada Sector and the International Sector positively impacted revenues. A higher average butter market² price per pound was partially offset by a lower average block market¹ per pound of cheese, which increased revenues by approximately \$30 million, as compared to the same quarter last fiscal year. Also, higher sales volumes increased revenues, as compared to the same quarter last fiscal year. Finally, the fluctuation of the Canadian dollar versus foreign currencies decreased revenues by approximately \$78 million.

For the six-month period ended September 30, 2017, revenues totalled \$5.776 billion, an increase of approximately \$299 million or 5.5% in comparison to \$5.477 billion for the same period last fiscal year. A higher average block market per pound of cheese and the average butter market price per pound, increased revenues by approximately \$96 million. Higher international selling prices of cheese and dairy ingredients, as well as higher sales volumes positively impacted revenues. Additionally, higher selling prices related to the increase of the cost of milk as raw material in the Canada Sector and the International Sector increased revenues, as compared to the corresponding period last fiscal year. Finally, the fluctuation of the Canadian dollar versus foreign currencies decreased revenues by approximately \$18 million.

Consolidated EBITDA for the second quarter of fiscal 2018 totalled \$329.5 million, a decrease of \$11.1 million or 3.3% in comparison to \$340.6 million for the same quarter last fiscal year. Market factors in the US negatively affected EBITDA by approximately \$6 million. Higher selling prices of cheese and dairy ingredients, as well as operational efficiencies through raw material optimization were offset by an unfavourable product mix, higher warehousing and logistical costs related to additional external storage expenses, as well as higher administrative expenses, mainly due to the Enterprise Resource Planning (ERP) initiative. Finally, the fluctuation of the Canadian dollar versus foreign currencies had an unfavourable impact on EBITDA of approximately \$8 million, as compared to the same quarter last fiscal year.

For the six-month period ended September 30, 2017, consolidated EBITDA totalled \$684.7 million, an increase of \$25.9 million or 3.9%, as compared to \$658.8 million for the corresponding period last fiscal year. The increase is mainly due to higher international selling prices of cheese and dairy ingredients. Additionally, EBITDA increased due to operational efficiencies through raw material optimization, as well as higher sales volumes. The increase was partially offset by higher administrative expenses, mainly due to the ERP initiative, as well as higher warehousing and logistical costs related to additional external storage expenses. Additionally, unfavourable market factors in the US decreased EBITDA by approximately \$3 million. Finally, the fluctuation of the Canadian dollar versus foreign currencies had a favourable impact on EBITDA of approximately \$1 million, as compared to the same period last fiscal year.

¹ "Average block market" is the average daily price of a 40 pound block of cheddar traded on the Chicago Mercantile Exchange (CME), used as the base price for cheese.

² "Average butter market" is the average daily price for Grade AA Butter traded on the CME, used as the base price for butter.

OTHER CONSOLIDATED RESULT ITEMS

Depreciation and amortization for the second quarter of fiscal 2018 totalled \$51.8 million, an increase of \$1.6 million, in comparison to \$50.2 million for the same quarter last fiscal year. This increase is mainly attributed to additions to property, plant and equipment, increasing the depreciable base, partially offset by the fluctuation of the Canadian dollar versus foreign currencies. For the six-month period ended September 30, 2017, depreciation and amortization expenses amounted to \$105.5 million, an increase of \$6.0 million, as compared to \$99.5 million for the corresponding period last fiscal year. This increase is mainly attributed to additions to property, plant and equipment, increasing the depreciable base.

Net interest expense for the three-month period ended September 30, 2017 increased by \$2.2 million in comparison to the same quarter last fiscal year. This increase is mainly attributed to higher bank loans denominated in Argentine peso which bear high interest rates and an increase of interest rates on long-term debt. For the six-month period ended September 30, 2017, net interest expenses decreased by \$0.6 million compared to the corresponding period last fiscal year. This decrease is mainly attributed to lower interest rates and a lower level of long-term debt.

Income taxes for the second quarter of fiscal 2018 totalled \$80.0 million, reflecting an effective tax rate of 30.2% compared to 31.5% for the same quarter last fiscal year. Income taxes for the six-month period ended September 30, 2017 totalled \$171.3 million, reflecting an income tax rate of 30.8% in comparison to 31.3% for the same period last fiscal year. 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 second quarter of fiscal 2018 totalled \$185.2 million, a decrease of \$6.6 million or 3.4% in comparison to \$191.8 million for the same quarter last fiscal year. This decrease is due to the above-mentioned factors. For the six-month period ended September 30, 2017 net earnings totalled \$385.5 million, as compared to \$368.5 million for the same period last fiscal year. This increase is due to the above-mentioned factors.

SELECTED QUARTERLY FINANCIAL INFORMATION

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

Fiscal years	2018		2017					2016	
	Q2	Q1	Q4	Q3	Q2	Q1		Q4	Q3
Revenues	2,884.2	2,892.1	2,719.8	2,966.1	2,845.3	2,631.4	Revenues	2,734.0	2,901.0
EBITDA	329.5	355.2	284.1	346.6	340.6	318.2	EBITDA	281.6	320.1
Net earnings	185.2	200.3	165.2	197.4	191.8	176.7	Net earnings	141.2	175.2
							Adjusted EBITDA ¹	313.1	320.4
							Acquisition costs ²	0.5	0.2
							Restructuring costs ²	23.1	-
							Adjusted net earnings ¹	164.8	175.4
Net earnings per share							Net earnings per share		
Basic	0.48	0.52	0.42	0.50	0.49	0.45	Basic	0.36	0.44
Diluted	0.47	0.51	0.42	0.49	0.48	0.44	Diluted	0.36	0.44
							Adjusted net earnings per share ¹		
							Basic	0.42	0.45
							Diluted	0.41	0.44

¹ Adjusted EBITDA, adjusted net earnings and adjusted net earnings per share (basic and diluted) are non-IFRS measures. Refer to "Measurement of Results not in Accordance with International Financial Reporting Standards" included on page 7 of the Management's Discussion and Analysis, in the Company's 2017 Annual Report, for the definition of these terms.

² Net of income taxes.

Consolidated selected factors positively (negatively) affecting EBITDA

(in millions of CDN dollars)

Fiscal years	2018		2017			
	Q2	Q1	Q4	Q3	Q2	Q1
Market factors ^{1,2}	(6)	3	(10)	(3)	20	(11)
Inventory write-down	(3)	(1)	(2)	-	(1)	(1)
Foreign currency exchange ^{1,3}	(8)	9	(4)	3	3	11

¹ As compared to the same quarter of the last fiscal year.

² Market factors refer to the USA Sector and include 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 product sales.

³ Foreign currency exchange includes effect on 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 bank credit facilities available for general corporate purposes.

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

(in millions of CDN dollars)

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2017	2016	2017	2016
Cash generated from operating activities	253.7	329.6	504.2	749.1
Net cash generated from operating activities	168.4	263.8	288.2	612.4
Cash used for investing activities	(123.6)	(64.7)	(217.1)	(144.4)
Cash generated (used) for financing activities	9.4	(256.9)	(129.7)	(309.5)
Increase (decrease) in cash and cash equivalents	54.2	(57.8)	(58.6)	158.5

For the three-month period ended September 30, 2017, cash generated from **operating activities** amounted to \$253.7 million in comparison to \$329.6 million for the corresponding quarter last fiscal year, a decrease of \$75.9 million. For the six-month period ended September 30, 2017, cash generated from operating activities amounted to \$504.2 million in comparison to \$749.1 million for the corresponding period last fiscal year, a decrease of \$244.9 million.

Net cash generated from operating activities for the three-month period ended September 30, 2017, amounted to \$168.4 million in comparison to \$263.8 million for the corresponding quarter last fiscal year. The decrease of \$95.4 million is due to changes in non-cash operating working capital items of \$59.2 million driven by the fluctuation in accounts receivable, inventories, as well as payables in line with the fluctuation of market prices. This decrease was also related to a decrease in EBITDA of \$11.1 million and an increase of \$19.3 million in income tax paid. For the six-month period ended September 30, 2017, net cash generated from operating activities amounted to \$288.2 million in comparison to \$612.4 million for the corresponding period last fiscal year. The decrease of \$324.2 million is due to changes in non-cash operating working capital items of \$273.7 million driven by the fluctuation in accounts receivable, inventories, as well as payables in line with the fluctuation of market prices and an increase of \$84.6 million in income tax paid. The decrease was partially offset by an increase in EBITDA of \$25.9 million and reduced interest and other financial charges paid of \$5.3 million.

Investing activities for the three-month period ended September 30, 2017 were mainly comprised of additions to property, plant and equipment of \$74.8 million and intangibles related to the ERP initiative of \$19.1 million. The Company used \$33.8 million for the SMI Acquisition. For the six-month period ended September 30, 2017, investing activities consisted mainly of additions to property, plant and equipment of \$149.7 million and additions to intangibles of \$38.2 million related to the ERP initiative. Also, the Company used \$33.8 million for the SMI Acquisition.

Financing activities for the three-month period ended September 30, 2017 consisted mainly of an increase in bank loans of \$61.7 million. In addition, shares were issued as part of the stock option plan for \$9.5 million. Finally, the Company paid \$61.8 million in dividends. Financing activities for the six-month period ended September 30, 2017 consisted mainly of an increase in bank loans of \$98.4 million and the net reimbursement of \$100.0 million in long-term debt resulting from the issuance of \$300.0 million medium term notes, which was used in addition to cash on hand to repay \$400.0 million from an unsecured bank term loan. In addition, shares were issued as part of the stock option plan for \$20.6 million. Finally, the Company repurchased share capital for \$29.0 million and paid \$119.7 million in dividends.

Liquidity

Cash and cash equivalents, cash flows generated from operations, and the availability to draw against existing bank credit facilities are expected to enable the Company 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.

(in millions of CDN dollars, except ratio)

	September 30, 2017	March 31, 2017
Current assets	2,438.1	2,380.5
Current liabilities	1,233.1	1,193.4
Working capital	1,205.0	1,187.1
Working capital ratio	1.98	1.99

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.

Capital Management

The Company's capital strategy requires a well-balanced financing structure in order to maintain flexibility 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 debt¹ to 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)

	September 30, 2017	March 31, 2017
Cash and cash equivalents	180.8	250.5
Bank loans	174.9	93.8
Net debt ¹	1,420.1	1,343.3
Trailing twelve-months EBITDA	1,315.4	1,289.5
Net debt-to-trailing twelve-months EBITDA	1.08	1.04
Number of common shares	386,463,879	386,234,311
Number of stock options	20,638,645	17,850,014

¹ Net debt consists of long-term debt and bank loans, net of cash and cash equivalents.

As at September 30, 2017, the Company had \$180.8 million in cash and cash equivalents and available bank credit facilities of \$963.0 million, of which \$174.9 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.

During the first quarter of fiscal 2018, the Company issued \$300 million medium term notes under its medium term note program.

Share capital authorized by the Company is comprised of an unlimited number of common shares. The common shares are voting and participating. As at October 30, 2017, 386,519,662 common shares and 20,540,727 stock options were outstanding.

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)

	September 30, 2017				March 31, 2017			
	Long-term debt	Leases	Purchase obligations	Total	Long-term debt	Leases	Purchase obligations	Total
Less than 1 year	4.2	28.6	93.0	125.8	-	30.6	88.9	119.5
1–2 years	4.3	23.9	-	28.2	-	25.3	-	25.3
2–3 years	517.5	19.2	-	536.7	900.0	21.0	-	921.0
3–4 years	300.0	14.8	-	314.8	-	16.9	-	16.9
4–5 years	300.0	12.3	-	312.3	300.0	13.3	-	313.3
More than 5 years	300.0	30.3	-	330.3	300.0	37.2	-	337.2
	1,426.0	129.1	93.0	1,648.1	1,500.0	144.3	88.9	1,733.2

Long-term debt

As described in Note 6 to the consolidated financial statements, the Company's long-term debt is comprised of unsecured bank term loan facilities of \$200.0 million, maturing in December 2019, which bear interest at lenders' prime rates plus a maximum of 1.00%, or bankers' acceptance rates plus 0.85%, up to a maximum of 2.00%, depending on the Company credit ratings.

Long-term debt is also comprised of four series of \$300.0 million of medium term notes for a total of \$1.200 billion, with annual interest rates varying from 1.94% to 2.83% and maturity ranging from November 2019 to November 2023.

As part of the SMI Acquisition, the Company assumed \$26.0 million of finance lease obligations.

Minimum payments on operating leases

The Company has long-term operating leases for premises, equipment and rolling stock.

BALANCE SHEET

The main balance sheet items as at September 30, 2017 varied mainly due to the strengthening of the Canadian dollar versus the US dollar in comparison to March 31, 2017.

The conversion rate of the US operations' balance sheet items in US currency was CDN\$1.247 per US dollar as at September 30, 2017, compared to CDN\$1.332 per US dollar as at March 31, 2017. The conversion rate of the Argentinian operations' balance sheet items in Argentinian currency was CDN\$0.072 per Argentine peso as at September 30, 2017, compared to CDN\$0.087 per Argentine peso as at March 31, 2017. The conversion rate of the Australian operations' balance sheet items in Australian currency was CDN\$0.977 per Australian dollar as at September 30, 2017, compared to CDN\$1.016 per Australian dollar as at March 31, 2017. The strengthening of the Canadian dollar versus the US dollar, the Australian dollar and the Argentine peso resulted in lower values recorded for the balance sheet items of the foreign operations.

The net cash (cash and cash equivalents less bank loans) position decreased from positive \$156.7 million as at March 31, 2017, to positive \$5.9 million as at September 30, 2017, mainly resulting from the decrease of cash and cash equivalents. The change in foreign currency translation adjustment recorded in other comprehensive income varied mainly due to the weakening of the US dollar.

FOLLOW-UP ON CERTAIN SPECIFIC ITEMS OF THE ANALYSIS

For an analysis of guarantees, related party transactions, accounting standards, critical accounting policies and use of accounting estimates, future standards, new accounting standards adopted, risks and uncertainties, as well as a sensitivity analysis of interest rate and US currency fluctuations, the discussion provided in the Company's 2017 Annual Report can be consulted (pages 19 to 27 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.

INTERNAL CONTROLS 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 CEO and the CFO, along with Management, have concluded, after having conducted an evaluation and to the best of their knowledge, that, as at September 30, 2017, no change in the Company's internal control over financial reporting occurred that could have materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

INFORMATION BY SECTOR

As of April 1, 2017, the Canada Sector includes national and export revenues of ingredients manufactured in Canada. The USA Sector includes national ingredient revenues, and export ingredient and cheese revenues of products manufactured in the USA. Prior to April 1, 2017, these figures were presented in the Dairy Ingredients Division as part of the International Sector. Accordingly, certain prior year's figures have been reclassified to conform to the current presentation.

Canada Sector

(in millions of CDN dollars)

Fiscal years	2018		2017			
	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	1,032.6	999.2	959.8	1,059.0	1,044.3	997.1
EBITDA	122.9	117.0	104.1	116.9	119.8	112.3

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

Revenues

Revenues for the Canada Sector totalled \$1.033 billion for the quarter ended September 30, 2017, a decrease of approximately \$11 million or 1.1%, as compared to \$1.044 billion for the corresponding quarter last fiscal year. The decrease in revenues is mainly due to lower sales prices on ingredients sold in the export market, as well as an unfavourable product mix. Also, lower sales volumes of juices, a product category the Company exited, decreased revenues. These were partially offset by higher selling prices related to the increase in the cost of milk as raw material.

Since the beginning of the fiscal year, revenues from the Canada Sector totalled \$2.032 billion, a decrease of approximately \$9 million or 0.4% in comparison to \$2.041 billion for the same period last fiscal year. Lower sales volumes of juices, a product category the Company exited, and an unfavourable product mix decreased revenues, as compared to the same period last fiscal year. This decrease was partially offset by higher selling prices related to the increase in the cost of milk as raw material.

EBITDA

EBITDA for the Canada Sector totalled \$122.9 million for the quarter ended September 30, 2017, an increase of \$3.1 million or 2.6%, as compared to \$119.8 million for the corresponding quarter last fiscal year. Operational efficiencies through raw material optimization, as well as plant efficiencies positively impacted EBITDA. This increase was partially offset by lower sales volumes, an unfavourable product mix and higher administrative expenses mainly due to the ERP initiative, as well as higher warehousing and logistical costs related to additional external storage expenses.

Since the beginning of the fiscal year, EBITDA totalled \$239.9 million, an increase of \$7.8 million or 3.4%, as compared to \$232.1 million for the same period last fiscal year. Operational efficiencies through raw material optimization positively impacted EBITDA, as compared to the same period last fiscal year. This increase was partially offset by lower sales volumes, an unfavourable product mix, as well as higher warehousing and logistical costs related to additional external storage expenses. Also, higher administrative expenses mainly due to the ERP initiative decreased EBITDA.

USA Sector

(in millions of CDN dollars)

Fiscal years	2018		2017			
	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	1,528.1	1,578.3	1,486.5	1,593.8	1,532.0	1,391.0
EBITDA	170.4	196.5	150.5	200.1	196.1	187.5

Selected factors positively (negatively) affecting EBITDA

(in millions of CDN dollars)

Fiscal years	2018		2017			
	Q2	Q1	Q4	Q3	Q2	Q1
Market factors ^{1, 2}	(6)	3	(10)	(3)	20	(11)
US currency exchange ¹	(7)	8	(7)	-	-	8

¹ As compared to same quarter of previous fiscal year.

² Market factors refer to the USA Sector and include 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 product sales.

Other pertinent information

(in US dollars, except for average exchange rate)

Fiscal years	2018		2017			
	Q2	Q1	Q4	Q3	Q2	Q1
Average block market per pound of cheese	1.660	1.575	1.580	1.738	1.689	1.412
Closing block price per pound of cheese ¹	1.735	1.525	1.520	1.660	1.533	1.660
Average butter market price per pound	2.568	2.312	2.177	1.997	2.149	2.125
Closing butter market price per pound ²	2.315	2.643	2.108	2.268	1.898	2.350
Average whey market price per pound ³	0.403	0.465	0.482	0.380	0.299	0.241
Spread ⁴	0.066	0.039	0.011	0.112	0.119	0.125
US average exchange rate to Canadian dollar ⁵	1.256	1.344	1.324	1.334	1.305	1.288

¹ Closing block price is the price of a 40 pound block of cheddar traded on the Chicago Mercantile Exchange (CME) on the last business day of each quarter.

² Closing butter market price is the price for Grade AA Butter traded on the CME, on the last business day of each quarter.

³ Average whey market price is based on Dairy Market News published information.

⁴ Spread is 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.

⁵ 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 \$1.528 billion for the quarter ended September 30, 2017, a decrease of approximately \$4 million or 0.3%, as compared to \$1.532 billion for the corresponding quarter last fiscal year. A higher average butter market price per pound was partially offset by a lower average block market per pound of cheese in the second quarter of fiscal 2018 which increased revenues by approximately \$30 million, as compared to the same quarter last fiscal year. Higher sales volumes and higher selling prices in the international cheese and dairy ingredient market also positively impacted revenues during the quarter. The fluctuation of the Canadian dollar versus the US dollar decreased revenues by approximately \$56 million.

Since the beginning of the fiscal year, revenues from the USA Sector totalled \$3.106 billion, an increase of approximately \$183 million or 6.3% in comparison to \$2.923 billion for the same period last fiscal year. A higher average block market per pound of cheese and a higher butter market price per pound, as compared to the same period last fiscal year, increased revenues by approximately \$96 million. Additionally, higher sales volumes, as well as higher selling prices in the international cheese and dairy ingredient market positively impacted revenues. The fluctuation of the Canadian dollar versus the US dollar increased revenues by approximately \$3 million.

EBITDA

EBITDA for the USA Sector totalled \$170.4 million for the quarter ended September 30, 2017, a decrease of \$25.7 million or 13.1%, as compared to \$196.1 million for the corresponding quarter last fiscal year. The variation in the average block market per pound of cheese during the quarter versus the corresponding quarter last fiscal year had an unfavourable impact on both the realization of inventories and on the absorption of fixed costs. Also, the relation between the average block market per pound of cheese and the cost of milk as raw material was unfavourable. However, a higher dairy ingredient market had a positive effect on EBITDA. These combined market factors, including unfavourable margins associated with a fluctuation of butter market prices, negatively impacted EBITDA by approximately \$6 million, as compared to the same quarter last fiscal year. Contributing to the EBITDA decrease were an unfavourable product mix, increased administrative expenses, mainly due to the ERP initiative, as well as higher warehousing and logistical expenses due to higher transportation costs. This decrease was partially offset by higher sales volumes. The fluctuation of the Canadian dollar versus the US dollar had a negative impact on EBITDA of approximately \$7 million.

Since the beginning of the fiscal year, EBITDA totalled \$366.9 million, a decrease of \$16.7 million or 4.4%, as compared to \$383.6 million for the corresponding period last fiscal year. Contributing to the EBITDA decrease were higher administrative expenses, mainly due to the ERP initiative, higher warehouse and logistical costs due to higher transportation costs, as well as an unfavourable product mix. The relation between the average block market per pound of cheese and the cost of milk as raw material was unfavourable. However, the variation in the average block market per pound of cheese for the six-month period ended September 30, 2017, as compared to the same period last fiscal year, resulted in a favourable realization of inventories. Also, a higher dairy ingredient market had a positive effect on EBITDA. These combined market factors, including favourable margins associated with a fluctuation of butter market prices, negatively impacted EBITDA by approximately \$3 million, as compared to the same period last fiscal year. The weakening of the Canadian dollar versus the US dollar had a positive impact on EBITDA of approximately \$1 million.

International Sector

(in millions of CDN dollars)

Fiscal years	2018		2017			
	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	323.5	314.6	273.5	313.3	269.0	243.3
EBITDA	36.2	41.7	29.5	29.6	24.7	18.4

Selected factors positively (negatively) affecting EBITDA

(in millions of CDN dollars)

Fiscal years	2018		2017			
	Q2	Q1	Q4	Q3	Q2	Q1
Inventory write-down	(3)	(1)	(2)	-	(1)	(1)
Foreign currency exchange ¹	(1)	1	(1)	4	1	3

¹ As compared to same quarter of previous fiscal year.

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

Revenues

Revenues for the International Sector totalled \$323.5 million for the quarter ended September 30, 2017, an increase of \$54.5 million or 20.3%, as compared to \$269.0 million for the corresponding quarter last fiscal year. Higher selling prices in both the domestic and export markets, as well as the fluctuation of the Argentine peso versus the US dollar in the export market increased revenues, as compared to the same quarter last fiscal year. Additionally, higher sales volumes from the Dairy Division (Argentina) in both the domestic and export markets increased revenues. In the Dairy Division (Australia), higher sales volumes in the domestic market increased revenues. The fluctuation of the Canadian dollar versus the foreign currencies used in the International Sector had a negative impact on revenues of approximately \$22 million, as compared to the same quarter last fiscal year.

Since the beginning of the fiscal year, revenues for the International Sector totalled \$638.1 million, an increase of approximately \$125.8 million or 24.6% in comparison to \$512.3 million for the same period last fiscal year. Higher selling prices in both the domestic and export markets, as well as the fluctuation of the Argentine peso versus the US dollar in the export market increased revenues, as compared to the same period last fiscal year. Additionally, higher sales volumes from the Dairy Division (Argentina) in both the domestic and export markets increased revenues. In the Dairy Division (Australia), sales volumes remained stable in both the domestic and export markets despite an unfavourable product mix that decreased revenues. The fluctuation of the Canadian dollar versus the foreign currencies used in the International Sector had a negative impact on revenues of approximately \$21 million, as compared to the same period last fiscal year.

EBITDA

EBITDA for the International Sector totalled \$36.2 million for the quarter ended September 30, 2017, an increase of \$11.5 million or 46.6%, as compared to \$24.7 million for the corresponding quarter last fiscal year. Higher sales volumes positively impacted EBITDA. In the export market, higher selling prices and the fluctuation of the Argentine peso versus the US dollar positively impacted EBITDA, as compared to the same quarter last fiscal year. This increase was partially offset by higher administrative expenses, mainly due to the ERP initiative, in comparison to the same quarter last fiscal year. As a result of the decrease in certain market selling prices, inventory was written down by approximately \$3 million for the quarter, as compared to approximately \$1 million for the same quarter last fiscal year. The fluctuation of the Canadian dollar versus foreign currencies had a negative impact on EBITDA of approximately \$1 million.

Since the beginning of the fiscal year, EBITDA totalled \$77.9 million, an increase of \$34.8 million or 80.7%, as compared to \$43.1 million for the same period last fiscal year. Higher sales volumes in both the domestic and export markets positively impacted EBITDA. Also, higher selling prices and the fluctuation of the Argentine peso versus the US dollar positively impacted EBITDA derived from the export market, as compared to the same period last fiscal year. This increase was partially offset by higher administrative expenses, mainly due to the ERP initiative, in comparison to the same period last fiscal year. As a result of the decrease in market selling prices, inventory was written down by approximately \$4 million since the beginning of the fiscal year, as compared to approximately \$2 million for the same period last fiscal year. The fluctuation of the Canadian dollar versus foreign currencies had a minimal impact on EBITDA.

OUTLOOK

In fiscal 2018, the Company intends to benefit from its global complementary platforms to face challenges in the dairy market environment. The Company benefits from a strong balance sheet and capital structure, supplemented by a high level of cash generated by operations, and low debt levels. This financial flexibility allows the Company to grow through targeted acquisitions and organically through strategic capital investments. The Company has a long-standing commitment to manufacture quality products and will remain focused on operational efficiencies. Profitability enhancement and shareholder value creation remain the cornerstones of the Company's objectives.

The implementation of the ERP system is progressing as planned. Since the beginning of the second quarter, all the activities in the International Sector are operating with the new ERP system. The implementation began in the Dairy Foods Division (USA) during the third quarter of fiscal 2018 and completion is expected over the next quarters. In the Cheese Division (USA), as was the case in other divisions, resources will be allocated relating to the ERP initiative, as the implementation is scheduled for fiscal 2019. The Dairy Division (Canada) will be the last division to implement the ERP system, which is scheduled for fiscal 2020.

In Canada, we will continue to focus on reviewing overall activities to improve operational efficiency, in order to mitigate downward margin pressures, low growth and competitive market conditions. As such, the closure of the Ottawa (Ontario) plant is scheduled in December 2017, as previously announced. During fiscal 2018, the Dairy Division (Canada) will undertake capital projects aimed at increasing efficiencies and capacity to maintain its leadership position. The Company intends to leverage the success of the rebranding effort of the *Saputo* brand and reaffirming its engagement to consumers from coast-to-coast as their preferred and trusted cheese brand through various promotions, advertising and innovative packaging.

In the Cheese Division (USA), the Company will focus on increasing operational efficiencies and controlling costs in order to mitigate the negative impact on EBITDA of the dairy commodity markets. During the upcoming quarter, the Division will begin the production of blue cheese in its newly constructed facility. This capital expenditure project will allow the Division to strengthen its position within the blue cheese category. Also, the Cheese Division (USA) will pursue growth of cheese export sales volumes to the extent US milk pricing is competitive with world prices.

We expect to be in a position to complete the Monchevre Acquisition by the end of 2017. The acquisition will enable the Cheese Division (USA) to broaden its presence in specialty cheese in the United States. Montchevre manufactures, markets and distributes goat cheese in the United States, mainly under the *Montchevre* brand.

The Dairy Foods Division (USA) continues to focus on optimization and maximizing investment in its existing network in order to benefit from new capabilities in production, enable future growth, meet customer demand and bring new products to market. The Sector will keep investing to support production capabilities and strengthen its competitive cost position. More specifically, the Dairy Foods Division (USA) will focus on targeted capital expenditures aimed at increasing production capacity.

The Division will focus on integrating the new SMI Acquisition and evaluating improvement opportunities.

The International Sector will continue to pursue sales volumes growth in existing markets, as well as develop additional international markets. In the remainder of fiscal 2018, the Dairy Division (Australia) will benefit from increased capacity following the completion of its cheese expansion project. The Sector will continue to evaluate overall activities to improve efficiencies and aim to maximize its operational flexibility to mitigate volatility in market conditions. While volatility in dairy markets remains, we expect a weakening in the international cheese and dairy ingredient prices. However, we do not expect these declines to be significant in fiscal year 2018. As such, we will continue to focus on controlling costs and increasing operational efficiencies in order to mitigate their impact on EBITDA.

With the Murray Goulburn Acquisition, the Company will add to and complement the activities of Saputo's Dairy Division (Australia). By acquiring a well-established industry player, the Company reinforces its commitment to strengthen its presence in the Australian market. MG produces a full range of high-quality dairy foods, including drinking 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. Saputo intends to continue to invest in its Australian platform and contribute to the ongoing development of its domestic and international business. The transaction is expected to close in the first half of calendar year 2018.

Innovation has always been a priority, enabling us to offer products that meet consumer needs. Accordingly, we will continue to forge and secure long-term relationships with both customers and consumers.

The Company intends to renew its normal course issuer bid expiring on November 16, 2017.

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS

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

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2017	2016	2017	2016
Revenues	\$ 2,884.2	\$ 2,845.3	\$ 5,776.3	\$ 5,476.7
Operating costs excluding depreciation and amortization (Note 4)	2,554.7	2,504.7	5,091.6	4,817.9
Earnings before interest, income taxes, depreciation and amortization	329.5	340.6	684.7	658.8
Depreciation and amortization	51.8	50.2	105.5	99.5
Interest on long-term debt	9.1	8.7	16.9	19.4
Other financial charges (Note 9)	3.4	1.6	5.5	3.6
Earnings before income taxes	265.2	280.1	556.8	536.3
Income taxes	80.0	88.3	171.3	167.8
Net earnings	\$ 185.2	\$ 191.8	\$ 385.5	\$ 368.5
Net earnings per share (Note 8)				
Basic	\$ 0.48	\$ 0.49	\$ 1.00	\$ 0.94
Diluted	\$ 0.47	\$ 0.48	\$ 0.99	\$ 0.92

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 September 30		For the six-month periods ended September 30	
	2017	2016	2017	2016
Net earnings	\$ 185.2	\$ 191.8	\$ 385.5	\$ 368.5
Other comprehensive income (loss):				
<i>Items that may be reclassified to net earnings:</i>				
Exchange differences arising from foreign currency translation	(165.3)	78.5	(295.1)	39.3
Net unrealized gains (losses) on cash flow hedges ¹ (Note 10)	2.7	(2.5)	11.7	1.2
Reclassification of gains on cash flow hedges to net earnings ²	(3.7)	(0.5)	(4.8)	(2.1)
Other comprehensive income (loss)	(166.3)	75.5	(288.2)	38.4
Total comprehensive income	\$ 18.9	\$ 267.3	\$ 97.3	\$ 406.9

¹ Net of income taxes of \$0.3 and \$4.1 for the three and six-month periods ended September 30, 2017, respectively (2016 - \$1.9 and \$0.5).

² Net of income taxes of \$1.8 and \$2.3 for the three and six-month periods ended September 30, 2017, respectively (2016 - \$0.4 and \$1.1).

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 six-month period ended September 30, 2017

	Share capital		Reserves				Retained Earnings	Total	Non-Controlling Interest	Total Equity
	Common Shares	Amount	Foreign Currency Translation	Cash Flow Hedges	Stock Option Plan	Total Reserves				
Balance, beginning of year	386,234,311	\$ 871.1	\$ 717.8	\$ (3.0)	\$ 97.9	\$ 812.7	\$ 2,639.1	\$ 4,322.9	\$ -	\$ 4,322.9
Net earnings	-	-	-	-	-	-	385.5	385.5	-	385.5
Other comprehensive income	-	-	(295.1)	6.9	-	(288.2)	-	(288.2)	-	(288.2)
Total comprehensive income	-	-	-	-	-	-	-	97.3	-	97.3
Dividends declared	-	-	-	-	-	-	(119.7)	(119.7)	-	(119.7)
Stock option plan (Note 7)	-	-	-	-	12.0	12.0	-	12.0	-	12.0
Shares issued under stock option plan	884,468	20.6	-	-	-	-	-	20.6	-	20.6
Amount transferred from reserves to share capital upon exercise of options	-	4.1	-	-	(4.1)	(4.1)	-	-	-	-
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	-	-	-	-	1.3	1.3	-	1.3	-	1.3
Shares repurchased and cancelled	(654,900)	(1.4)	-	-	-	-	(27.6)	(29.0)	-	(29.0)
Balance, end of period	386,463,879	\$ 894.4	\$ 422.7	\$ 3.9	\$ 107.1	\$ 533.7	\$ 2,877.3	\$ 4,305.4	\$ -	\$ 4,305.4

For the six-month period ended September 30, 2016

	Share capital		Reserves				Retained Earnings	Total	Non-Controlling Interest	Total Equity
	Common Shares	Amount	Foreign Currency Translation	Cash Flow Hedges	Stock Option Plan	Total Reserves				
Balance, beginning of year	392,520,687	\$ 821.0	\$ 613.6	\$ -	\$ 82.1	\$ 695.7	\$ 2,485.1	\$ 4,001.8	\$ 68.0	\$ 4,069.8
Net earnings	-	-	-	-	-	-	367.4	367.4	1.1	368.5
Other comprehensive income	-	-	39.3	(0.9)	-	38.4	-	38.4	-	38.4
Total comprehensive income	-	-	-	-	-	-	-	405.8	1.1	406.9
Additional non-controlling interests arising from issuance of additional shares	-	-	-	-	-	-	-	-	16.4	16.4
Dividends declared	-	-	-	-	-	-	(111.9)	(111.9)	-	(111.9)
Stock option plan (Note 7)	-	-	-	-	10.7	10.7	-	10.7	-	10.7
Shares issued under stock option plan	1,722,751	33.6	-	-	-	-	-	33.6	-	33.6
Amount transferred from reserves to share capital upon exercise of options	-	7.3	-	-	(7.3)	(7.3)	-	-	-	-
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	-	-	-	-	4.2	4.2	-	4.2	-	4.2
Shares repurchased and cancelled	(2,041,000)	(4.4)	-	-	-	-	(74.5)	(78.9)	-	(78.9)
Balance, end of period	392,202,438	\$ 857.5	\$ 652.9	\$ (0.9)	\$ 89.7	\$ 741.7	\$ 2,666.1	\$ 4,265.3	\$ 85.5	\$ 4,350.8

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	September 30, 2017 (unaudited)	March 31, 2017 (audited)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 180.8	\$ 250.5
Receivables	959.9	863.2
Inventories	1,231.2	1,172.5
Income taxes receivable	15.3	15.0
Prepaid expenses and other assets	50.9	79.3
	2,438.1	2,380.5
Property, plant and equipment	2,149.5	2,165.5
Goodwill	2,149.7	2,240.5
Intangible assets	668.5	662.3
Other assets	86.1	99.7
Deferred income taxes	39.5	48.1
Total assets	\$ 7,531.4	\$ 7,596.6
LIABILITIES		
Current liabilities		
Bank loans (Note 5)	\$ 174.9	\$ 93.8
Accounts payable and accrued liabilities	1,011.7	1,008.3
Income taxes payable	42.3	91.3
Current portion of long-term debt (Note 6)	4.2	–
	1,233.1	1,193.4
Long-term debt (Note 6)	1,421.8	1,500.0
Other liabilities	67.6	68.9
Deferred income taxes	503.5	511.4
Total liabilities	\$ 3,226.0	\$ 3,273.7
EQUITY		
Share capital (Note 7)	894.4	871.1
Reserves	533.7	812.7
Retained earnings	2,877.3	2,639.1
Total equity	\$ 4,305.4	\$ 4,322.9
Total liabilities and equity	\$ 7,531.4	\$ 7,596.6

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 September 30		For the six-month periods ended September 30	
	2017	2016	2017	2016
Cash flows related to the following activities:				
Operating				
Net earnings	\$ 185.2	\$ 191.8	\$ 385.5	\$ 368.5
Adjustments for:				
Stock-based compensation	9.0	7.8	15.9	14.1
Interest and other financial charges	12.5	10.3	22.4	23.0
Income tax expense	80.0	88.3	171.3	167.8
Depreciation and amortization	51.8	50.2	105.5	99.5
Gain on disposal of property, plant and equipment	(0.2)	(1.8)	(0.4)	(1.7)
Share of joint venture earnings, net of dividends received	(2.3)	5.5	6.1	4.8
Underfunding of employee plans in excess of costs	0.5	1.1	0.8	2.3
	336.5	353.2	707.1	678.3
Changes in non-cash operating working capital items	(82.8)	(23.6)	(202.9)	70.8
Cash generated from operating activities	253.7	329.6	504.2	749.1
Interest and other financial charges paid	(4.4)	(4.2)	(20.3)	(25.6)
Income taxes paid	(80.9)	(61.6)	(195.7)	(111.1)
Net cash generated from operating activities	168.4	263.8	288.2	612.4
Investing				
Business acquisition	(33.8)	–	(33.8)	–
Additions to property, plant and equipment	(74.8)	(45.6)	(149.7)	(109.6)
Additions to intangible assets	(19.1)	(22.4)	(38.2)	(37.4)
Proceeds on disposal of property, plant and equipment	4.2	3.6	4.8	3.8
Other	(0.1)	(0.3)	(0.2)	(1.2)
	(123.6)	(64.7)	(217.1)	(144.4)
Financing				
Bank loans	61.7	(41.8)	98.4	(112.6)
Proceeds from issuance of long-term debt	–	–	300.0	300.0
Repayment of long-term debt	–	(113.7)	(400.0)	(339.7)
Issuance of share capital	9.5	20.6	20.6	33.6
Repurchase of share capital	–	(63.2)	(29.0)	(78.9)
Dividends	(61.8)	(58.8)	(119.7)	(111.9)
	9.4	(256.9)	(129.7)	(309.5)
Increase (decrease) in cash and cash equivalents	54.2	(57.8)	(58.6)	158.5
Cash and cash equivalents, beginning of period	131.1	381.6	250.5	164.3
Effect of exchange rate changes on cash and cash equivalents	(4.5)	7.6	(11.1)	8.6
Cash and cash equivalents, end of period	\$ 180.8	\$ 331.4	\$ 180.8	\$ 331.4

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 Metropolitan Blvd. East, Montréal, Québec, Canada, H1P 1X8. The condensed interim consolidated financial statements (financial statements) of the Company for the period ended September 30, 2017 comprise the financial results of the Company and its subsidiaries.

The financial statements for the period ended September 30, 2017 have been authorized for issuance by the Board of Directors on November 2, 2017.

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, 2017 except for the impact of the adoption of the new standards, interpretations and amendments 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

The IASB continues to make revisions as part of its improvements project. Below is a summary of the relevant standards affected and a discussion of the amendments.

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 is effective for the annual reporting periods beginning on or after January 1, 2018. Management is currently assessing the impact of the adoption of this amendment.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

IFRS 9, Financial Instruments

The IASB issued IFRS 9 in November 2009 with the long-term goal of replacing IAS 39, Financial Instruments: Recognition and Measurement. Since then, an amendment was made in July 2014 relating to the classification of financial assets and the use of a single impairment model for all financial instruments.

This amendment, along with the adoption of the standard, are effective for annual reporting periods beginning on or after January 1, 2018. Management is currently evaluating the impact of the adoption of this standard, including the amendment.

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 will supersede current revenue recognition guidance in IAS 18, Revenue, IAS 11, Construction Contracts and IFRIC 13, Customer Loyalty Programmes.

The objective of this standard is to provide 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. In certain instances, transfer of assets that are not related to the entity's ordinary activities will also be required to follow some of the recognition and measurement requirements of the new model. The standard also expands current disclosure requirements.

In April 2016, the IASB amended IFRS 15 to comprise clarifications of the guidance on identifying performance obligations, accounting for licenses of intellectual property and the principal versus agent assessment (gross versus net revenue presentation).

With regards to identifying performance obligations, the amendments clarify how to determine when promises in a contract are 'distinct' goods or services and, therefore, should be accounted for separately. The amendments to licensing guidance clarify when revenue from a license of intellectual property should be recognized 'over time' and when it should be recognized at a 'point in time'. With regards to the principal versus agent assessment, the amendments clarify that the principal in an arrangement controls a good or service before it is transferred to a customer.

This standard and related amendments are effective for annual reporting periods beginning on or after January 1, 2018. Management is currently assessing the impact of the adoption of this standard.

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 may be applied prospectively or retrospectively.

This amendment is effective for annual reporting periods beginning on or after January 1, 2018. Management is currently assessing the impact of the adoption of this amendment.

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 standard is effective for annual reporting periods beginning on or after January 1, 2018. Management is currently assessing the impact of the adoption of this standard.

IFRS 16, Leases

In January 2016, the IASB published a new standard, IFRS 16, Leases. The new standard will eliminate the distinction between operating and finance leases and will bring most leases on the balance sheet for lessees. For lessors, the accounting remains mostly unchanged and the distinction between operating and finance leases is retained.

This standard is effective for annual reporting periods beginning on or after January 1, 2019. Management is currently assessing the impact of the adoption of this standard.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

This standard is effective for annual reporting periods beginning on or after January 1, 2019. Management is currently assessing the impact of the adoption of this standard.

IFRS 10, Consolidated Financial Statements & IAS 28, Investments in Associates

The IASB previously issued a narrow-scope amendment to IFRS 10, Consolidated Financial Statements and IAS 28, Investments in Associates and Joint Ventures to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 when dealing with the sale or contribution of assets between an investor and its associate or joint venture. The original amendments required a full gain or loss to be recognized where a transaction involved a business or that a partial gain or loss be recognized when a transaction involved assets that did not constitute a business.

The effective date for these amendments has been deferred indefinitely. The impact of adoption of these amendments has not yet been determined.

CONSIDERATIONS FOR THE IMPLEMENTATION OF IFRS 9 AND IFRS 15

IFRS 9 and IFRS 15 are required to be applied for annual reporting periods beginning on or after January 1, 2018. The Company will not be early adopting IFRS 9 or IFRS 15.

IFRS 9 is applicable retrospectively in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, subject to certain exemptions and exceptions. In general, the main impacts of adopting IFRS 9 are expected to be on classification and measurement of financial assets, the introduction of a new impairment model based on expected losses (rather than incurred loss as per IAS 39, Financial Instruments: Recognition and Measurement), hedge accounting and significant additional disclosure requirements.

The Company is currently evaluating the impact of this standard. The Company's preliminary analysis has not identified any differences that would significantly change the classification and measurement of its financial instruments. The Company expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Company continues to evaluate the impact of the new standard on the consolidated financial statements but it is not expected to have a significant impact.

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.

The main impacts of adopting IFRS 15 are expected to be on timing of revenue recognition, on whether the Company is acting as the principal or the agent for the shipping and handling activities, on the variable consideration to include in the transaction price such as rebates, incentives and allowances and on consideration on payments made in exchange for a distinct good or service or as a sale incentive, as well as additional disclosures.

Based on the preliminary assessments completed to date, the Company does not expect that the adoption of IFRS 15 will have a material impact on the consolidated financial statements. The impact will result in an increase of revenue and operating costs. Management is in the process of quantifying the accounting impact of the adoption of IFRS 15 and progress made to date is consistent with management's planned timeline.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

The following standards were adopted by the Company on April 1, 2017:

IAS 7, Statement of Cash Flows

IAS 7 has been amended to provide additional presentation related to the changes in liabilities arising from financing activities such as: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

This amendment did not impact the Company's financial statements for the three and six-month periods ended September 30, 2017.

IAS 12, Income taxes

IAS 12 has been amended to provide clarification on the requirements relating to the recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value.

This amendment did not impact the Company's financial statements for the three and six-month periods ended September 30, 2017.

NOTE 4 OPERATING COSTS EXCLUDING DEPRECIATION AND AMORTIZATION

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2017	2016	2017	2016
Changes in inventories of finished goods and work in process	\$ (101.0)	\$ (46.4)	\$ (137.7)	\$ (11.1)
Raw materials and consumables used	2,088.3	2,011.0	4,082.5	3,760.4
Foreign exchange (gain) loss	(2.9)	(0.6)	0.4	(0.3)
Employee benefits expense	316.5	309.3	648.5	610.3
Selling costs	85.4	84.0	173.4	158.8
Other general and administrative costs	168.4	147.4	324.5	299.8
Total	\$ 2,554.7	\$ 2,504.7	\$ 5,091.6	\$ 4,817.9

For the three and six-month periods ended September 30, 2017, a write-down of \$3.3 million and \$4.2 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" (\$0.9 million and \$1.9 million for the three and six-month periods ended September 30, 2016). 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:

Credit Facilities	Maturity	Available for use		Amount drawn	
		Canadian Currency Equivalent	Base Currency	September 30, 2017	March 31, 2017
North America-USA	December 2021 ¹	249.4	200.0 USD	\$ -	\$ -
North America-Canada	December 2021 ¹	374.2	300.0 USD	-	-
Argentina	Yearly ²	127.2	102.0 USD	43.3	46.2
Argentina	Yearly ³	94.3	1,310.0 ARS	49.3	23.9
Australia	Yearly ⁴	24.4	25.0 AUD	20.5	-
Australia	Yearly ⁵	93.5	75.0 USD	61.8	23.7
		963.0		\$ 174.9	\$ 93.8

¹ Bears monthly interest at rates ranging from lender's prime rates plus a maximum of 1% or LIBOR or banker's acceptance rate plus 0.85% up to a maximum of 2% 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 Australian Bank Bill Rate plus 0.85%.

⁵ Bear monthly interest at LIBOR or Australian Bank Bill Rate plus 0.75% and can be drawn in AUD or USD.

NOTE 6 LONG-TERM DEBT

	September 30, 2017	March 31, 2017
Unsecured bank term loan facilities		
Obtained December 2012 and due in December 2019 (\$850 million) ¹	\$ 200.0	\$ 600.0
Unsecured senior notes ²		
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	-
Finance lease obligations ³	26.0	-
	\$ 1,426.0	\$ 1,500.0
Current portion	4.2	-
	\$ 1,421.8	\$ 1,500.0
Principal repayments are as follows:		
Less than 1 year	\$ 4.2	\$ -
1-2 years	4.3	-
2-3 years	517.5	900.0
3-4 years	300.0	-
4-5 years	300.0	300.0
More than 5 years	300.0	300.0
	\$ 1,426.0	\$ 1,500.0

¹ Bear monthly interest at rates ranging from lender's prime plus a maximum of 1% or LIBOR or bankers' acceptance rates plus 0.85% up to a maximum of 2%, depending on the Company credit ratings, and can be drawn in CAD or USD. Effective February 4, 2013, the Company entered into an interest rate swap to fix its rate, which matured on December 30, 2016. As at September 30, 2017, US\$158.7 million was drawn and its foreign currency risk was offset with a cross currency swap (US\$452.9 million as at March 31, 2017).

² Interest payments are semi-annual.

³ On September 29, 2017, in connection with the acquisition of the extended shelf-life (ESL) dairy product activities of Southeast Milk, Inc. (SMI), the Company assumed finance lease obligations.

On June 12, 2017, the Company issued \$300.0 million Series 4 medium term notes with an annual interest rate of 1.94% payable in equal semi-annual instalments, maturing on June 13, 2022, pursuant to its medium term note program expiring in January 2019.

NOTE 7 SHARE CAPITAL

	September 30, 2017	March 31, 2017
ISSUED		
386,463,879 common shares (386,234,311 common shares at March 31, 2017)	\$ 894.4	\$ 871.1

SHARE OPTION PLAN

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

	September 30, 2017		September 30, 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of year	17,850,014	\$ 29.00	16,903,824	\$ 24.41
Options granted	3,908,023	\$ 46.29	4,218,934	\$ 41.40
Options exercised	(884,468)	\$ 23.31	(1,722,751)	\$ 19.47
Options cancelled	(234,924)	\$ 34.80	(283,567)	\$ 32.53
Balance, end of period	20,638,645	\$ 32.45	19,116,440	\$ 28.48

The exercise price of the options granted in fiscal 2018 is \$46.29, which corresponds to the weighted average market price for the five trading days immediately preceding the date of grant (\$41.40 in fiscal 2017).

The weighted average fair value of options granted in fiscal 2018 was estimated at \$7.68 per option (\$6.94 in fiscal 2017), using the Black-Scholes option pricing model with the following assumptions:

	September 30, 2017	March 31, 2017
Weighted average:		
Risk-free interest rate	1.10 %	0.81 %
Expected life of options	5.4 years	5.4 years
Volatility ¹	18.89 %	20.01 %
Dividend rate	1.26 %	1.34 %

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 \$6.1 million (\$5.2 million net of taxes) and \$12.0 million (\$10.1 million net of taxes) relating to stock options was recorded in the statement of earnings for the three and six-month periods ended September 30, 2017, respectively. A compensation expense of \$5.3 million (\$4.6 million net of taxes) and \$10.7 million (\$9.1 million net of taxes) was recorded for the three and six-month periods ended September 30, 2016, respectively.

NOTE 8 NET EARNINGS PER SHARE

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2017	2016	2017	2016
Net earnings	\$ 185.2	\$ 191.8	\$ 385.5	\$ 368.5
Non-controlling interest	-	(0.9)	-	(1.1)
Net earnings attributable to shareholders of Saputo Inc.	\$ 185.2	\$ 190.9	\$ 385.5	\$ 367.4
Weighted average number of common shares outstanding	386,267,407	392,309,407	386,326,766	392,388,954
Dilutive options	4,797,191	4,753,282	5,004,754	5,788,031
Weighted average diluted number of common shares outstanding	391,064,598	397,062,689	391,331,520	398,176,985
Basic net earnings per share	\$ 0.48	\$ 0.49	\$ 1.00	\$ 0.94
Diluted net earnings per share	\$ 0.47	\$ 0.48	\$ 0.99	\$ 0.92

When calculating diluted net earnings per share for the three and six-month periods ended September 30, 2017, 3,862,941 options were excluded from the calculation because their exercise price is higher than the average market value of common shares (no options and 4,134,977 options, respectively, were excluded for the three and six-month periods ended September 30, 2016).

NOTE 9 OTHER FINANCIAL CHARGES

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2017	2016	2017	2016
Finance costs	\$ 4.3	\$ 2.1	\$ 7.2	\$ 4.4
Finance income	(0.9)	(0.5)	(1.7)	(0.8)
	\$ 3.4	\$ 1.6	\$ 5.5	\$ 3.6

NOTE 10 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 September 30, 2017 and March 31, 2017. Since estimates are used to determine fair value, they must not be interpreted as being realizable in the event of a settlement of the instruments.

	September 30, 2017		March 31, 2017	
	Fair value	Carrying value	Fair value	Carrying value
Cash flow hedges				
Commodity derivatives (Level 2)	\$ 0.2	\$ 0.2	(1.6)	(1.6)
Foreign exchange derivatives (Level 2)	(14.8)	(14.8)	3.2	3.2
Derivatives not designated in a formal hedging relationship				
Equity forward contracts (Level 2)	-	-	5.1	5.1
Commodity derivatives (Level 2)	(0.1)	(0.1)	0.1	0.1
Long-term debt (Level 2)	\$ 1,418.6	\$ 1,426.0	\$ 1,520.5	\$ 1,500.0

NOTE 11 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 (Argentina) and the Dairy Division (Australia).

As of April 1, 2017, the Canada Sector includes national and export revenues of ingredients manufactured in Canada. The USA Sector includes national ingredient revenues, and export ingredient and cheese revenues of products manufactured in the USA. Prior to April 1, 2017, these figures were presented in the Dairy Ingredients Division as part of the International Sector. Accordingly, certain prior year's figures have been reclassified to conform to the current presentation.

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.

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2017	2016	2017	2016
Revenues				
Canada	\$ 1,032.6	\$ 1,044.3	\$ 2,031.8	\$ 2,041.4
USA	1,528.1	1,532.0	3,106.4	2,923.0
International	323.5	269.0	638.1	512.3
	\$ 2,884.2	\$ 2,845.3	\$ 5,776.3	\$ 5,476.7
Earnings before interest, income taxes, depreciation and amortization				
Canada	\$ 122.9	\$ 119.8	\$ 239.9	\$ 232.1
USA	170.4	196.1	366.9	383.6
International	36.2	24.7	77.9	43.1
	\$ 329.5	\$ 340.6	\$ 684.7	\$ 658.8
Depreciation and amortization				
Canada	\$ 13.9	\$ 14.4	\$ 27.5	\$ 28.5
USA	29.3	29.7	61.8	59.2
International	8.6	6.1	16.2	11.8
	\$ 51.8	\$ 50.2	\$ 105.5	\$ 99.5
Financial charges, net	12.5	10.3	22.4	23.0
Earnings before income taxes	265.2	280.1	556.8	536.3
Income taxes	80.0	88.3	171.3	167.8
Net earnings	\$ 185.2	\$ 191.8	\$ 385.5	\$ 368.5

NOTE 12 BUSINESS ACQUISITION

ESL dairy product activities of SMI

On September 29, 2017, the Company acquired the ESL dairy product activities of SMI. The purchase price of \$63.5 million, on a debt free basis, included cash consideration of \$37.0 million and assumed liabilities of \$26.5 million. The net assets acquired included inventories, property, plant and equipment, goodwill, as well as finance lease obligations. Total net assets acquired represent \$37.0 million. The final purchase price allocation will be completed by the end of this fiscal year.

The ESL dairy product activities of SMI employs approximately 75 people at one manufacturing facility located in Plant City, Florida (USA) and generates annual revenues of approximately CDN\$59 million (US\$47 million).

NOTE 13 SUBSEQUENT EVENTS

Business of Murray Goulburn Co-Operative Co. Limited

On October 26, 2017, the Company announced that it has entered into an agreement to acquire the business of Murray Goulburn Co-Operative Co. Limited (Murray Goulburn or MG), based in Australia.

The purchase price for the transaction is CDN\$1.29 billion (AU\$1.31 billion) on a debt-free basis and will be financed through a newly committed bank loan. The transaction is subject to the approval of MG shareholders and customary conditions (including foreign investment approval and clearance by the Australian Competition and Consumer Commission). Murray Goulburn has approximately 2,300 employees and operates eleven manufacturing facilities across Australia and China. The transaction is expected to close in the first half of calendar year 2018.

For the twelve-month period ended on June 30, 2017, MG had revenues of approximately CDN\$2.5 billion (AU\$2.5 billion) and earnings before interest, taxes, depreciation, amortization, milk supply support package forgiveness, rationalisation costs, write-downs and non-recurring costs of approximately CDN\$78 million (AU\$79 million).

Betin, Inc.

On November 1, 2017, the Company announced that it has entered into an agreement to acquire Betin, Inc., doing business as Montchevre. Its activities are conducted at one manufacturing facility located in Belmont, Wisconsin (USA). The business employs approximately 319 people.

For the twelve-month period ended on June 30, 2017, Montchevre generated revenues of approximately CDN\$150 million.

The transaction is subject to customary conditions (including regulatory approval) and is expected to close by the end of 2017.

EXHIBIT TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

CALCULATION OF EARNINGS COVERAGE RATIO

The following table sets forth the earnings coverage ratio for the 12-month period ended September 30, 2017:

Earnings coverage ratio	26.69 times
--------------------------------	--------------------

The earnings coverage ratio is equal to net earnings (before interest on long-term debt, other financial charges and incomes taxes) for the applicable period divided by interest on long-term debt and other financial charges for the applicable period.