Saputo

3

FISCAL 2011 | THIRD QUARTER

We are presenting the results for the third quarter of fiscal 2011, which ended on December 31, 2010.

- Net earnings for the quarter totalled $111.8 million, an increase of $7.5 million or 7.2% compared to $104.3 million for the same quarter last fiscal year.
- Earnings before interest, income taxes, depreciation and amortization (EBITDA[1]) amounted to $190.6 million, an increase of $7.1 million or 3.9% in comparison to $183.5 million for the same quarter last fiscal year.
- Revenues for the quarter amounted to $1.542 billion, an increase of $44.8 million or 3.0% in comparison to $1.497 billion for the corresponding quarter last fiscal year.
- Basic Earnings per share (EPS) was $0.55 and diluted EPS was $0.54 for the quarter, as compared to basic and diluted EPS of $0.50 for the corresponding quarter last fiscal year.

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

	For the three-month periods ended		
	December 31, 2010	December 31, 2009	September 30, 2010
Revenues	**1,542.1**	1,497.3	1,560.6
EBITDA	**190.6**	183.5	210.8
Net earnings	**111.8**	104.3	125.5
EPS			
Basic	**0.55**	0.50	0.60
Diluted	**0.54**	0.50	0.60

- In the United States (US), the average block market[2] per pound of cheese increased by US$0.07 compared to the same period last fiscal year, increasing revenues and EBITDA by positively affecting the absorption of fixed costs.
- The steadily decreasing block market per pound of cheese in the US had a negative impact on the realization of inventories, and its relationship with the cost of milk as raw material negatively impacted EBITDA, as compared to the same quarter last fiscal year.
- The appreciation of the Canadian dollar versus the US dollar and the Argentinian peso impacted results by eroding approximately $27 million in revenues and $3 million in EBITDA for the three-month period ended December 31, 2010.
- The Company recorded a charge of $1.9 million during the quarter related to the recall of certain process cheese products.
- The Board of Directors approved a dividend of $0.16 per share payable on March 18, 2011 to common shareholders of record on March 7, 2011.

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

	For the nine-month periods ended	
	December 31, 2010	December 31, 2009
Revenues	**4,538.8**	4,426.4
EBITDA	**592.2**	516.6
Net earnings	**348.7**	283.6
EPS		
Basic	**1.69**	1.37
Diluted	**1.67**	1.36

[1] **Measurement of results not in accordance with Generally Accepted Accounting Principles**
The Company assesses its financial performance based on its EBITDA, this being earnings before interest, income taxes, depreciation and amortization. EBITDA is not a measurement of performance as defined by Generally Accepted Accounting Principles in Canada, and consequently may not be comparable to similar measurements presented by other companies.

[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.

Management's Analysis

The goal of the management report is to analyze the results and the financial position for the quarter ended December 31, 2010. It should be read while referring to our consolidated financial statements and accompanying notes for the three- and nine-month periods ended December 31, 2010 and 2009. The Saputo Inc. (Company or Saputo) accounting policies are in accordance with Canadian Generally Accepted Accounting Principles of the Canadian Institute of Chartered Accountants (CICA). All dollar amounts are in Canadian dollars unless otherwise indicated. This report takes into account material elements between December 31, 2010, and February 3, 2011, the date of this report, on which it was approved by the Board of Directors of Saputo. Additional information about the Company, including the Annual Report and the Annual Information Form for the year ended March 31, 2010 can be obtained on Sedar at www.sedar.com.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This report, including the "Outlook" section, contains forward-looking statements within the meaning of securities laws. These statements are based, among others, on the Company's current assumptions, expectations, estimates, objectives, plans and intentions regarding projected revenues and expenses, the economic and industry environments in which the Company operates or which could affect its activities, its ability to attract and retain clients and consumers as well as its operating costs, raw materials and energy supplies which are subject to a number of risks and uncertainties. Forward-looking statements can generally be identified by the use of the conditional tense, the words "may", "should", "would", "believe", "plan", "expect", "intend", "anticipate", "estimate", "foresee", "objective" or "continue" or the negative of these terms or variations of them or words and expressions of similar nature. Actual results could differ materially from the conclusion, forecast or projection stated in such forward-looking information. 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 throughout this Management's Analysis and in the most recently filed Annual Report which is available on SEDAR at www.sedar.com. Forward-looking information contained in this report, including the "Outlook" section, is based on Management's current estimates, expectations and assumptions, which Management believes are reasonable as of the current date. You should not place undue importance on forward-looking information and should not rely upon this information as of any other date. Except as required under applicable securities legislation, Saputo does not undertake to update these forward-looking statements, whether written or oral, 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.

OPERATING RESULTS

Consolidated revenues for the quarter ended December 31, 2010 amounted to $1.542 billion, an increase of $44.8 million or 3.0% in comparison to the $1.497 billion for the corresponding quarter last fiscal year. The increase was mainly due to a higher average block market per pound of cheese, a more favourable dairy ingredients market and increased sales volumes in our USA Dairy Products Sector, as well as higher selling prices in relation to the higher cost of milk in the Argentinian Division of the CEA Dairy Products Sector. The strengthening of the Canadian dollar compared to the US dollar and Argentinian peso negatively affected revenues.

For the nine-month period ended December 31, 2010, revenues totalled $4.539 billion, an increase of $112.4 million or 2.5% in comparison to the $4.426 billion for the corresponding period last fiscal year. Revenues increased mainly due to a higher average block market per pound of cheese, a more favourable dairy ingredients market and increased sales volumes in our USA Dairy Products Sector. The inclusion of the activities of F&A Dairy of California, Inc. acquired on July 20, 2009 (F&A Dairy Acquisition) also increased revenues during the nine-month period as compared to the corresponding period last fiscal year. Also, selling price increases in relation to the higher cost of milk in the Argentinian Division of the CEA Dairy Products Sector contributed to increasing revenues as compared to last fiscal year. The strengthening of the Canadian dollar compared to the US dollar and Argentinian peso negatively affected revenues as compared to the corresponding period last fiscal year.

Consolidated earnings before interest, income taxes, depreciation and amortization (EBITDA) for the third quarter of fiscal 2011 amounted to $190.6 million, an increase of $7.1 million or 3.9% in comparison to $183.5 million for the same quarter last fiscal year. The EBITDA increase is explained by operational efficiencies and more favourable market conditions in our Canadian Dairy Products Division. The increase is also explained by favourable selling prices in the

Argentinian Division mainly in the export market. In the USA Dairy Products Sector, negative market factors completely offset operational efficiencies and increased sales volumes.

For the nine-month period ended December 31, 2010, EBITDA totalled $592.2 million, an increase of $75.6 million or 14.6% in comparison to the $516.6 million for the corresponding period last fiscal year. Initiatives undertaken with regards to operational efficiencies in our USA and CEA Dairy Products Sectors increased EBITDA in comparison to the same period last fiscal year. Additionally, more favourable market factors in the US as well as favourable selling prices, mainly in the export market in Argentina, positively contributed to EBITDA as compared to the same period last fiscal year.

OTHER CONSOLIDATED RESULTS ITEMS

Depreciation and amortization for the third quarter of fiscal 2011 totalled $26.7 million, a decrease of $0.6 million compared to the same quarter last fiscal year. For the nine-month period ended December 31, 2010, depreciation and amortization expense amounted to $79.0 million, a decrease of $4.7 million as compared to the $83.7 million for the corresponding period last fiscal year. The strengthening of the Canadian dollar throughout fiscal 2011 compared to the same period last fiscal year mainly contributed to decreasing the depreciation expense.

Net interest expense for the three- and nine-month periods ended December 31, 2010 decreased by $2.8 million and $9.4 million respectively in comparison to the same periods last fiscal year. The decreases are mainly due to lower debt levels as compared to the corresponding periods last fiscal year.

Income taxes for the third quarter of fiscal 2011 totalled $46.0 million, reflecting an effective tax rate of 29.1% compared to 29.2% for the same quarter last fiscal year. Income taxes for the nine-month period ended December 31, 2010 totalled $146.3 million, reflecting an income tax rate of 29.6% in comparison to the 30.0% for the same period last fiscal year. The income tax rates vary and could increase or decrease based on the amount of taxable income derived and from which source, any amendments to tax laws and income tax rates and changes in assumptions and estimates used for tax assets and liabilities by the Company and its affiliates.

Net earnings totalled $111.8 million for the quarter ended December 31, 2010 compared to $104.3 million for the same quarter last fiscal year. For the nine-month period ended December 31, 2010, net earnings totalled $348.7 million as compared to $283.6 million for the same period last fiscal year. These reflect the various factors analyzed in this report.

SELECTED QUARTERLY FINANCIAL INFORMATION

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

Fiscal years	**2011**			2010				2009
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues	**1,542.1**	1,560.6	1,436.1	1,384.2	1,497.3	1,482.7	1,446.4	1,460.4
EBITDA	**190.6**	210.8	190.8	175.5	183.5	174.7	158.5	141.9
Net earnings	**111.8**	125.5	111.4	99.1	104.3	94.5	84.8	69.2
EPS								
Basic	**0.55**	0.60	0.54	0.48	0.50	0.46	0.41	0.33
Diluted	**0.54**	0.60	0.53	0.47	0.50	0.45	0.41	0.33

Consolidated selected factors positively (negatively) affecting EBITDA[1]

(in millions of CDN dollars)

Fiscal years	**2011**			2010
	Q3	Q2	Q1	Q4
Market factors[2]	**(15.0)**	10.0	17.0	15.0
US currency exchange	**(3.0)**	(4.0)	(9.0)	(11.0)
Rationalization charges	**-**	-	-	(6.4)

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

[2] Market factors 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 as well as the market pricing impact related to sales of dairy ingredients.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

(in thousands of CDN dollars)

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2010	2009	**2010**	2009
Cash generated by operating activities before changes in non-cash working capital items	**147,111**	138,694	**459,223**	390,909
Changes in non-cash working capital items	**31,919**	25,380	**(2,808)**	31,995
Cash used for investing activities	**(21,099)**	(28,479)	**(73,111)**	(138,252)
Cash used by financing activities	**(125,839)**	(134,287)	**(256,937)**	(303,786)
Increase (decrease) in cash and cash equivalents	**32,092**	1,308	**126,367**	(19,134)

For the three-month period ended December 31, 2010, cash generated by **operating activities** before changes in non-cash working capital items amounted to $147.1 million, an increase of $8.4 million in comparison to the $138.7 million for the corresponding quarter last fiscal year. Since the beginning of the fiscal year, this figure amounted to $459.2 million, an increase of $68.3 million in comparison to $390.9 million for the same period last fiscal year. Increases in the three- and nine-month periods are primarily attributable to increased net earnings as compared to the same period last fiscal year. Non-cash working capital items generated $31.9 million for the third quarter of fiscal 2011 compared to $25.4 million for the corresponding quarter of fiscal 2010. For the nine-month period ended December 31, 2010, non-cash working capital items used $2.8 million, as compared to a generation of $32.0 million for the same period last fiscal year. The change in non-cash working capital items during the three-month period ended December 31, 2010 as compared to the same period last fiscal year can be attributed to an increase in income tax payable. The change in non-cash working capital items during the nine-month period ended December 31, 2010 as compared to the same period last fiscal year can be attributed to an increase in receivables due to a higher average block market in the US.

Investing activities were comprised mainly of additions to fixed assets of $25.5 million and $85.7 million for the three- and nine-month periods ended December 31, 2010 respectively.

Financing activities for the three-month period ended December 31, 2010 consisted of a decrease in bank loans of $4.0 million, issuance of shares for a cash consideration of $8.5 million as part of the stock option plan, the purchase of share capital totalling $97.4 million in accordance with a normal course issuer bid, as well as the payment of $32.9 million in dividends. For the nine-month period ended December 31, 2010, financing activities consisted of a decrease in bank loans of $35.1 million, issuance of shares for a cash consideration of $30.7 million as part of the stock option plan, as well as the purchase of share capital totalling $156.3 million in accordance with a normal course issuer bid, and the payment of $96.3 million in dividends.

Liquidity

(in thousands of CDN dollars)

	December 31, 2010	March 31, 2010
Current assets	**1,299,149**	1,046,378
Current liabilities	**760,026**	690,694
Working capital	**539,123**	355,684
Working capital ratio	**1.71**	1.51

The increase in the working capital ratio is mainly attributed to the increase in the cash and cash equivalents position, the decrease in bank loans and the reclassification of the portfolio investment as current asset in comparison to March 31, 2010.

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.

(in thousands of CDN dollars)

	December 31, 2010	March 31, 2010
Cash and cash equivalents	**180,458**	54,819
Bank loans	**27,831**	61,572
Long-term debt	**379,730**	380,790
Shareholders' equity	**2,127,165**	2,028,598
Interest-bearing[1] debt-to-equity ratio	**0.11**	0.19
Number of common shares	**204,615,196**	207,425,823
Number of preferred shares	**-**	-
Number of stock options	**9,245,329**	9,413,750

[1] Net of cash and cash equivalents.

The Company had $180.5 million of cash and cash equivalents and available bank credit facilities of approximately $601 million as at December 31, 2010; $27.8 million of which were drawn. Should the need arise, the Company could make additional financing arrangements to pursue growth through acquisitions.

Share capital authorized by the Company is comprised of an unlimited number of common and preferred shares. The common shares are voting and participating. The preferred shares can be issued in one or more series, and the terms and privileges of each class must be determined at the time of their creation. As at January 25, 2011, 204,058,422 common shares and 9,177,083 stock options were outstanding.

CONTRACTUAL OBLIGATIONS

The Company's contractual obligations consist of commitments to repay certain of its long-term debts as well as certain leases of premises, equipment and rolling stock.

(in thousands of CDN dollars)

	December 31, 2010			March 31, 2010		
	Long-term debt	**Minimum lease**	**Total**	Long-term debt	Minimum lease	Total
Less than 1 year	**-**	**13,879**	**13,879**	-	12,600	12,600
1-2 years	**-**	**10,930**	**10,930**	-	10,285	10,285
2-3 years	**-**	**9,614**	**9,614**	-	8,161	8,161
3-4 years	**159,730**	**7,651**	**167,381**	-	7,094	7,094
4-5 years	**-**	**6,702**	**6,702**	160,790	5,261	166,051
More than 5 years	**220,000**	**18,539**	**238,539**	220,000	6,977	226,977
	379,730	**67,315**	**447,045**	380,790	50,378	431,168

BALANCE SHEET

With regards to balance sheet items as at December 31, 2010, compared to those as at March 31, 2010, the main variance is due to a higher average block market per pound of cheese causing an increase in our Dairy Products Division (USA) working capital items. This was partially offset by the strengthening of the Canadian dollar versus the US dollar since March 31, 2010, resulting in the conversion of the balance sheets of foreign subsidiaries at lower rates, thus decreasing the Canadian dollar value of balance sheet items.

FOLLOW-UP ON CERTAIN SPECIFIC ITEMS OF THE ANALYSIS

For an analysis of off-balance sheet arrangements, guarantees, related party transactions, accounting standards, critical accounting policies and use of accounting estimates as well as risks and uncertainties, we encourage you to consult the comments provided in the 2010 Annual Report (pages 16 to 25 of the Management's Analysis), since there were no notable changes during the nine-month period ended December 31, 2010.

FUTURE ACCOUNTING STANDARDS

International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board (AcSB) announced January 1, 2011 as the changeover date for publicly-listed companies with December 31st year ends to adopt IFRS, replacing Canada's own generally accepted accounting principles (GAAP). The changeover date applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, the Company's IFRS adoption date of April 1, 2011 will require restatement, for comparative purposes, of amounts reported by the Company for the year ended March 31, 2011 and an opening IFRS balance sheet as of April 1, 2010.

The Company's changeover is proceeding according to schedule. The Company has quantified certain of its adjustments (presented below), has modified its information technology 0system processes to monitor divergences between Canadian GAAP and IFRS for this IFRS comparative year and has developed a financial statement template for its first IFRS reporting period (i.e. for the three months ended June 30, 2011) which includes IFRS comparative figures and new IFRS disclosure requirements.

The following includes a discussion relating to adjustments to be made to the Company's April 1, 2010 opening balance sheet in order to provide investors and other users with relevant information to analyze the impact IFRS is expected to have on the Company's financial statements. Readers are cautioned that the information presented below reflects the most recent assumptions and expectations of Management. Circumstances beyond the control of the Company may require changes to such information due to new IFRS standards and pronouncements that are expected to be issued and become effective before the changeover or as a result of regulatory or other economic factors. The information presented below is therefore subject to change and does not represent a final assessment of divergences noted by the Company to date but is intended to highlight areas in which it has achieved considerable progress.

Identification and Impact of Accounting Policy Changes

IFRS 1 "FIRST TIME ADOPTION OF REPORTING STANDARDS"

IFRS 1 discusses the framework for transition from an entity's current reporting standards to IFRS. The general requirement of IFRS 1 is to apply IFRS retrospectively on first-time adoption. However, the standard allows for certain exemptions from this general requirement. The Company has identified the following significant exemption that it has elected to utilize that will result in a transition adjustment to the April 1, 2010 opening balance sheet:

- **IAS 21 The Effects of Changes on Foreign Exchange Rates** – IFRS 1 allows an entity to recognize all cumulative translation adjustments (CTA) of foreign operations in retained earnings, effectively zeroing out the pre-transition balance. The Company has elected to apply this exemption, resulting in an increase in other comprehensive income and decrease in retained earnings of approximately $188 million each on the opening April 1, 2010 balance sheet. The overall impact to shareholders' equity as a result of this reclassification is nil.

IFRS 2 "SHARE-BASED PAYMENT"

Graded Vesting - For stock options that vest in installments, IFRS requires the use of the graded vesting method requiring that each installment be treated as a separate grant with its own separate fair value. Canadian GAAP, however, permits the use of a straight-line recognition model which considers the individual installments to be a single award. The expense would then be recognized equally over the Company's five year grant period.

The use of the graded vesting model as required by IFRS leads to a transition adjustment that increases contributed surplus and decreases retained earnings by approximately $4 million each as at April 1, 2010. Readers should note that this model will result in the recognition of increased expenses in the first two years of a grant and lower expenses in the following three-year period compared to the straight-line recognition model currently in use by the Company. No significant impact is expected in the stock based compensation expense over the five year vesting period.

IAS 12 "INCOME TAXES"

Intangible Assets - Under Canadian Income Tax Act requirements, an entity includes 75% of the cost of an intangible asset in the cumulative eligible capital account. Under Canadian GAAP the tax basis for eligible capital expenditures represents the balance in the cumulative eligible capital account plus 25 percent of the carrying amount. Under IFRS, the tax basis is not increased by 25% of the carrying amount. As a result of this difference in calculation of the tax basis of these assets, the Company will increase deferred tax liabilities and decrease retained earnings by approximately $16 million each to account for these taxable temporary differences as at April 1, 2010.

Presentation of Deferred Income Taxes – Under Canadian GAAP, an entity is required to present both current and long-term future income taxes on its balance sheet. Under IFRS, an entity must present them entirely as long-term. Accordingly, the Company will reclassify to long-term approximately $22 million of current deferred income tax assets and approximately $9 million of current deferred income tax liabilities at April 1, 2010.

IAS 16 "PROPERTY, PLANT AND EQUIPMENT" ("PP&E")

IFRS requires an entity to separately depreciate each component of an item of PP&E with a cost that is significant in relation to the item's total cost using useful lives and depreciation methods that more closely reflect their respective service potential. Practice under Canadian GAAP has been to depreciate PP&E based on component parts when practicable to do so. The application of the more detailed accounting required by IFRS results in an increase in carrying values of both PP&E and retained earnings of approximately $55 million, as at April 1, 2010.

IAS 19 "EMPLOYEE BENEFITS"

The Company sponsors defined benefit pension plans and other benefits plans in Canada and the US. At the time of transition, IFRS requires certain adjustments to the Company's opening balance sheet as at April 1, 2010 explained as follows:

Unamortized Transitional Asset – Canadian GAAP permits an entity to carry an unamortized transitional asset upon first-time adoption of Section 3461 Employee Future Benefits. There is no concept of unamortized transitional assets under IFRS, resulting in a write-down of any remaining unamortized asset.

Plan asset valuation method – Canadian GAAP permits an entity to utilize a market-related value in determining the plan's expected return on assets which is not consistent with IFRS's requirement to utilize market values specific to the assets only.

Actuarial Gains and Losses – IFRS 1 permits an entity to recognize all unamortized actuarial gains and losses at the date of transition to IFRS in retained earnings. The Company has elected to apply this transitional option. An entity must then determine whether to account for future actuarial gains or losses either:

1. Entirely in expense;
2. Partially recognized in expense based on the corridor approach which results in only a portion of actuarial gains or losses recognized in income (current method used by the Company);
3. Fully recognized in Other Comprehensive Income without subsequent recycling to expense, an option not permitted under Canadian GAAP.

The Company has elected to recognize future actuarial gains or losses fully to Other Comprehensive Income upon transition to IFRS.

This divergence will result in a decrease of both net assets and retained earnings of approximately $89 million.

DEFERRED TAXES

Management has estimated that the deferred income tax impact as a result of the divergences noted above (except for those specifically addressed in the IAS 12 Income Taxes section) will result in an increase to both deferred income tax assets and retained earnings of approximately $3 million, as at April 1, 2010.

A summary of the total impact of the divergences noted to date between Canadian GAAP and IFRS on the balance sheet can be found below. These figures are subject to change resulting from certain regulatory and economic factors discussed above.

SUMMARY OF IFRS ADJUSTMENTS

(in millions of CDN dollars)

As at April 1, 2010 IFRS Adjustments	Retained earnings	Accumulated other comprehensive income	Contributed surplus	**Total impact on Shareholders' equity increase/ (decrease)**	Property, plant and equipment (PP&E)	Deferred income taxes liability (increase)	Other assets (decrease)	**Total impact on net assets increase/ (decrease)**
IFRS 1 - Reset of CTA	(188)	188	-	**-**	-	-	-	**-**
IFRS 2 - Share based payment	(4)	-	4	**-**	-	-	-	**-**
IAS 12 - Eligible capital expenditure	(16)	-	-	**(16)**	-	(16)	-	**(16)**
IAS 16 – Componentization of PP&E	55	-	-	**55**	55	-	-	**55**
IAS 19 - Employee benefits	(89)	-	-	**(89)**	-	-	(89)	**(89)**
Deferred income taxes	3	-	-	**3**	-	3	-	**3**
Total	(239)	188	4	**(47)**	55	(13)	(89)	**(47)**

Internal Control over Financial Reporting

The Company has implemented internal controls for the communication of revised policies listed above to respective personnel in a timely fashion. Controls continue to be evaluated on an ongoing basis throughout the convergence process.

Financial Reporting Expertise, Including Training Requirements

The Company has trained required personnel for the changes listed above. Training necessities continue to be evaluated throughout the convergence process.

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer and the Chief Financial Officer 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 so that information required to be disclosed under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and the Chief Financial Officer 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 Canadian GAAP.

The Chief Executive Officer and the Chief Financial Officer, together with Management, have concluded after having conducted an evaluation and to the best of their knowledge that, as of December 31, 2010, 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

CEA Dairy Products Sector

(in millions of CDN dollars)

Fiscal years	2011			2010				2009
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues	**995.2**	993.8	927.0	876.5	960.2	963.6	945.7	904.3
EBITDA	**125.5**	132.3	121.6	117.7	115.4	112.3	112.5	98.3

Selected factors positively (negatively) affecting EBITDA[1]
(in millions of CDN dollars)

Fiscal years	2011			2010
	Q3	Q2	Q1	Q4
Market factors[2]	**2.0**	2.0	1.0	2.0
Rationalization charges	**-**	-	-	(3.4)

[1] As compared to same quarter of previous fiscal year.
[2] Market factors include the international market pricing impact related to sales of dairy ingredients.

Revenues

Revenues for the CEA Dairy Products Sector totalled $995.2 million for the quarter ended December 31, 2010, an increase of $35.0 million compared to $960.2 million for the same period last fiscal year. This is mainly attributed to increased sales volumes and higher selling prices in relation to the higher cost of milk in Argentina, as well as a favourable dairy ingredients market in the Sector. During the quarter, the strengthening of the Canadian dollar versus the Argentinian peso eroded revenues by approximately $6 million.

Since the beginning of the fiscal year, revenues from the CEA Dairy Products Sector have amounted to $2.916 billion, an increase of $46.6 million in comparison to $2.869 billion for the same period last fiscal year. This is mainly due to higher selling prices in relation to the higher cost of milk in Argentina, as well as a favourable dairy ingredients market in the Sector; partially offset by lower sales volumes in Canada. For the nine-month period ended December 31, 2010, the appreciation of the Canadian dollar versus the Argentinian peso eroded approximately $21 million in revenues.

EBITDA

For the quarter ended December 31, 2010, EBITDA totalled $125.5 million, an increase of $10.1 million or 8.8% compared to the $115.4 million for the corresponding quarter last fiscal year. The Dairy Products Division (Canada) increased EBITDA through continued operational efficiencies and decreased expenses. The Division also benefitted from favourable dairy ingredients market conditions as compared to the same quarter last fiscal year. Additionally, during the quarter, the Division recalled certain process cheese products for which a $1.9 million charge was recorded.

EBITDA of the Dairy Products Division (Europe) decreased slightly during the quarter and remained at the same level for the nine-month period ended December 31, 2010, as compared to the same periods last fiscal year.

The Dairy Products Division (Argentina) contributed to the CEA Dairy Products Sector's EBITDA increase for the three- and nine-month periods as compared to the same periods last fiscal year primarily due to a better product mix, as well as favourable selling prices mainly in the export market.

Since the beginning of the fiscal year, EBITDA has totalled $379.4 million, an increase of $39.2 million in comparison to $340.2 million for the corresponding period last fiscal year. Continued operational efficiencies, decreased expenses as well as favourable dairy ingredients market conditions and selling prices, mainly in the export market, contributed to the increase.

USA Dairy Products Sector

(in millions of CDN dollars)

Fiscal years	**2011**			2010				2009
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues	**510.2**	528.9	474.3	472.2	498.1	477.3	458.6	517.0
EBITDA	**61.4**	73.9	65.0	55.2	63.7	58.1	41.3	39.1

Selected factors positively (negatively) affecting EBITDA[1]
(in millions of CDN dollars)

Fiscal years	**2011**			2010
	Q3	Q2	Q1	Q4
Market factors[2]	**(17.0)**	8.0	16.0	13.0
US currency exchange	**(3.0)**	(4.0)	(9.0)	(11.0)

[1] As compared to same quarter of previous fiscal year.
[2] Market factors 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 as well as market pricing impact related to sales of dairy ingredients.

Other pertinent information

(in US dollars, except for average exchange rate)

Fiscal years	**2011**			2010	
	Q3	Q2	Q1	Q4	Q3
Average block market per pound of cheese	**1.590**	1.571	1.397	1.465	1.517
Closing block price[1] per pound of cheese	**1.340**	1.760	1.420	1.400	1.450
Whey market price[2] per pound	**0.390**	0.380	0.390	0.400	0.370
Spread[3]	**0.116**	0.118	0.121	0.129	0.149
US average exchange rate to Canadian dollar[4]	**1.014**	1.039	1.027	1.041	1.056

[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] Whey powder market price is based on Dairy Market News published information.
[3] 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.
[4] Based on Bank of Canada published information.

Revenues

Revenues for the USA Dairy Products Sector totalled $510.2 million for the quarter ended December 31, 2010, an increase of $12.1 million compared to the $498.1 million for the corresponding quarter last fiscal year. The increase of US$0.07 in the average block market per pound of cheese as compared to the same quarter last fiscal year increased revenues by approximately $16 million. Additional revenues from a more favourable dairy ingredients market and higher sales volumes increased revenues by approximately $17 million. The appreciation of the Canadian dollar eroded approximately $21 million in revenues.

Since the beginning of the fiscal year, revenues have totalled $1.513 billion, an increase of $79.4 million in comparison to the $1.434 billion for the same period last fiscal year. A higher average block market per pound of cheese increased revenues by approximately $140 million. Revenues from the F&A Dairy Acquisition, higher sales volumes and a more favourable dairy ingredients market, increased revenues by approximately $54 million. The appreciation of the Canadian dollar eroded revenues by approximately $115 million.

EBITDA

For the quarter ended December 31, 2010, EBITDA totalled $61.4 million, a decrease of $2.3 million in comparison to $63.7 million for the same quarter last fiscal year. During the quarter, the block market per pound of cheese decreased steadily from US$1.76 to US$1.34 having a negative effect on the realization of inventories. The relationship between the average block market per pound of cheese and the cost of milk as raw material was less favourable in the quarter in comparison to the same period last fiscal year. The average block market per pound of cheese increased from US$1.52 in the third quarter of last fiscal year to US$1.59 in the third quarter of fiscal 2011, creating a positive effect on the absorption of fixed costs. A more favourable dairy ingredients market in comparison to the same quarter last fiscal year also increased EBITDA. These market factors combined had a negative impact of approximately $17 million on EBITDA. Initiatives undertaken with regards to operational efficiencies and higher sales volumes offset increased expenses, including ingredient and promotional costs, increasing EBITDA by approximately $15 million in comparison to the same quarter last fiscal year. In the third quarter of the previous fiscal year, the Division recorded an inventory write-down of $2.1 million. The appreciation of the Canadian dollar eroded approximately $3 million in EBITDA.

Since the beginning of the fiscal year, EBITDA has totalled $200.3 million, an increase of $37.1 million in comparison to the $163.2 million for the corresponding period last fiscal year. Initiatives undertaken with regards to operational efficiencies combined with increased sales volumes more than offset increased expenses, including fuel and promotional costs. These factors increased EBITDA by approximately $44 million in comparison to the same period last fiscal year. For the nine-month period ended December 31, 2010 market factors increased EBITDA by approximately $7 million in comparison to the same period last fiscal year. EBITDA for the third quarter of last fiscal year included a $2.1 million inventory write-down. The appreciation of the Canadian dollar eroded approximately $16 million in EBITDA.

Grocery Products Sector

(in millions of CDN dollars)

Fiscal years	**2011**			2010				2009
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues	**36.8**	37.8	34.8	35.5	39.0	41.8	42.2	39.0
EBITDA	**3.6**	4.7	4.2	2.6	4.3	4.3	4.6	4.5

Selected factors positively (negatively) affecting EBITDA[1]

(in millions of CDN dollars)

Fiscal years	**2011**			2010
	Q3	Q2	Q1	Q4
Rationalization charges	**-**	-	-	(3.0)

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

Revenues

Revenues for the Grocery Products Sector totalled $36.8 million for the quarter, a $2.2 million decrease compared to the same quarter last fiscal year. This decrease is mainly due to lower sales volumes in all regions.

Since the beginning of the fiscal year, revenues for the Grocery Products Sector have totalled $109.5 million, a $13.5 million decrease as compared to the corresponding period last fiscal year.

EBITDA

EBITDA for the Grocery Products Sector amounted to $3.6 million, a $0.7 million decrease, compared to the same quarter last fiscal year. This decrease is the result of additional in store promotions that were incurred in the quarter in an effort to improve sales volumes. The cost of these promotions more than offset improvements from manufacturing efficiencies and cost reductions. In the same quarter last fiscal year, the Sector incurred rationalization costs of approximately $0.6 million.

Since the beginning of the fiscal year, EBITDA has totalled $12.5 million, a $0.7 million decrease compared to the same period last fiscal year. The Sector's lower sales volumes and additional promotional costs negatively affected EBITDA and were partially offset by better efficiencies and lower costs. In the same period last fiscal year, the Sector incurred rationalization costs of approximately $1.5 million.

OUTLOOK

In the Dairy Products Division (Canada) the consolidation of distribution activities in the Greater Toronto Area within one distribution center is still ongoing and should be completed during the fourth quarter of fiscal 2011. The Division will continue to review overall activities in order to achieve additional operational efficiencies and decrease operational costs.

During the quarter, the Dairy Products Division (Canada) initiated a recall in conjunction with the Canadian Food Inspection Agency (CFIA) on certain process cheese products as they may have been contaminated with *Lysteria monocytogenes*. There have been no reported illnesses associated with the consumption of the recalled products. As a result of this event, the Company ceased production of the affected line and quarantined the production area. A thorough investigation was conducted with internal and external experts and the cause was identified. Corrective measures are being implemented and the production line is set to be recommissioned during the first quarter of fiscal 2012 with the approval of the CFIA. In the meantime, the production of process cheese product continues in another Saputo facility.

The Dairy Products Division (Europe) will continue to work towards increasing sales volumes while obtaining milk supply at prices competitive with the selling price of cheese.

The Dairy Products Division (Argentina) will continue to seek sales volume growth in the domestic and export markets.

During the quarter, the USA Dairy Products Sector completed capital expenditures at the California facility acquired in fiscal 2010, as part of the F&A Dairy Acquisition. These expenditures should improve operational efficiencies. The Sector will continue to support its leading brands as well as launch new products in an effort to further penetrate targeted markets.

The Grocery Products Sector will continue to focus on increasing sales volumes in the snack-cake and frozen category. In addition, four new products under the *HOP&GO!* brand are being introduced in the fourth quarter.

The Company holds a 21% interest in Dare Holdings Ltd. (Dare). On June 30, 2010, the Company exercised its option requiring that the shares it holds in Dare be repurchased at their fair market value pursuant to the terms and conditions of the shareholders agreement entered into between the parties, which provides that such fair market value will be determined by an independent valuator. The valuation process is ongoing and the parties have made various submissions to the valuator. Although the ultimate outcome of the valuation cannot be determined at this time, Management believes that the fair market value of the shares will exceed their cost.

We intend to maintain our sound approach and continue to maximize efficiencies in all of our divisions. Our goal remains to pursue growth internally and through acquisitions.

(signed)	(signed)
Lino Saputo Chairman of the Board	Lino A. Saputo, Jr. President and Chief Executive Officer

February 3, 2011

NOTICE

The consolidated financial statements of Saputo Inc. for the three-month and the nine-month periods ended December 31, 2010 and 2009 have not been reviewed by an external auditor.

CONSOLIDATED STATEMENTS OF EARNINGS

(in thousands of CDN dollars, except per share amount)
(unaudited)

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2010	2009	**2010**	2009
Revenues	**$ 1,542,093**	$ 1,497,272	**$ 4,538,798**	$ 4,426,399
Cost of sales, selling and administrative expenses	**1,351,507**	1,313,782	**3,946,594**	3,909,781
Earnings before interest, depreciation, amortization and income taxes	**190,586**	183,490	**592,204**	516,618
Depreciation and amortization (Note 6)	**26,729**	27,342	**79,007**	83,705
Operating income	**163,857**	156,148	**513,197**	432,913
Interest on long-term debt	**5,876**	7,606	**17,524**	23,777
Other interest, net	**212**	1,243	**660**	3,803
Earnings before income taxes	**157,769**	147,299	**495,013**	405,333
Income taxes	**45,983**	42,969	**146,348**	121,730
Net earnings	**$ 111,786**	$ 104,330	**$ 348,665**	$ 283,603
Earnings per share (Note 11)				
Net earnings				
Basic	**$ 0.55**	$ 0.50	**$ 1.69**	$ 1.37
Diluted	**$ 0.54**	$ 0.50	**$ 1.67**	$ 1.36

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands of CDN dollars, except common shares)
(unaudited)

For the nine-month period ended December 31, 2010

	Share capital					
	Common Shares (in thousands)	Amount	Retained Earnings	Accumulated Other Comprehensive (Loss)	Contributed Surplus	**Total Shareholders' Equity**
Balance at beginning of period	207,426	$ 584,749	$ 1,603,373	$ (188,045)	$ 28,521	$ 2,028,598
Comprehensive income:						
Net earnings	-	-	348,665	-	-	348,665
Net change in currency translation of financial statements of self-sustaining foreign operations	-	-	-	(29,834)	-	(29,834)
Total comprehensive income						318,831
Dividends declared	-	-	(96,263)	-	-	(96,263)
Stock based compensation (Note 12)	-	-	-	-	6,182	6,182
Shares issued under stock option plan	1,726	30,723	-	-	-	30,723
Amount transferred from contributed surplus to share capital upon exercise of options	-	7,671	-	-	(7,671)	-
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	-	-	-	-	1,671	1,671
Shares repurchased and cancelled	(4,379)	(12,803)	(143,489)	-	-	(156,292)
Shares repurchased and not cancelled	(158)	(467)	(5,818)	-	-	(6,285)
Balance at end of period[1]	204,615	$ 609,873	$ 1,706,468	$ (217,879)	$ 28,703	$ 2,127,165

For the nine-month period ended December 31, 2009

	Share capital					
	Common Shares (in thousands)	Amount	Retained earnings	Accumulated Other Comprehensive Income (Loss)	Contributed Surplus	**Total Shareholders' Equity**
Balance at beginning of period	207,087	$ 555,529	$ 1,373,856	$ 16,219	$ 26,744	$ 1,972,348
Comprehensive income:						
Net earnings	-	-	283,603	-	-	283,603
Net change in currency translation of financial statements of self-sustaining foreign operations	-	-	-	(169,207)	-	(169,207)
Net change on derivative financial instruments designated as cash flow hedges, net of tax	-	-	-	1,149	-	1,149
Total comprehensive income						115,545
Dividends declared	-	-	(88,926)	-	-	(88,926)
Stock based compensation (Note 12)	-	-	-	-	5,955	5,955
Shares issued under stock option plan	1,196	18,101	-	-	-	18,101
Amount transferred from contributed surplus to share capital upon exercise of options	-	4,896	-	-	(4,896)	-
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	-	-	-	-	373	373
Shares repurchased and cancelled	(1,084)	(2,929)	(25,125)	-	-	(28,054)
Balance at end of period[2]	207,199	$ 575,597	$ 1,543,408	$ (151,839)	$ 28,176	$ 1,995,342

[1] Retained Earnings and Accumulated Other Comprehensive Income total is $ 1,488,589.

[2] Retained Earnings and Accumulated Other Comprehensive Income total is $ 1,391,569.

CONSOLIDATED BALANCE SHEETS
(in thousands of CDN dollars)

	December 31, 2010 *(unaudited)*	March 31, 2010 *(audited)*
ASSETS		
Current assets		
Cash and cash equivalents	$ 180,458	$ 54,819
Receivables	433,264	367,069
Inventories (Note 4)	580,791	566,754
Income taxes	2,395	5,940
Future income taxes	21,778	22,302
Prepaid expenses and other assets	39,120	29,494
Portfolio investment (Note 5)	41,343	-
	1,299,149	1,046,378
Portfolio investment (Note 5)	-	41,343
Fixed assets (Note 6)	1,029,162	1,038,756
Goodwill	710,892	716,695
Trademarks and other intangibles	312,285	316,613
Other assets (Note 7)	82,052	90,272
Future income taxes	5,153	3,394
	$ 3,438,693	$ 3,253,451
LIABILITIES		
Current liabilities		
Bank loans (Note 8)	$ 27,831	$ 61,572
Accounts payable and accrued liabilities	524,356	471,106
Income taxes	195,368	149,377
Future income taxes	12,471	8,639
	760,026	690,694
Long-term debt (Note 9)	379,730	380,790
Other liabilities	9,255	9,694
Future income taxes	162,517	143,675
	1,311,528	1,224,853
SHAREHOLDERS' EQUITY	2,127,165	2,028,598
	$ 3,438,693	$ 3,253,451

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of CDN dollars)
(unaudited)

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2010	2009	**2010**	2009
Cash flows related to the following activities:				
Operating				
Net earnings	**$ 111,786**	$ 104,330	**$ 348,665**	$ 283,603
Items not affecting cash and cash equivalents				
Stock based compensation	**2,103**	2,060	**6,182**	5,955
Depreciation and amortization	**26,729**	27,342	**79,007**	83,705
(Gain) loss on disposal of fixed assets	**(32)**	112	**(98)**	(7)
Future income taxes	**6,476**	5,363	**24,301**	19,099
Deferred share units	**1,325**	677	**3,125**	2,125
Funding of employee plans in excess of costs	**(1,276)**	(1,190)	**(1,959)**	(3,571)
	147,111	138,694	**459,223**	390,909
Changes in non-cash operating working capital items	**31,919**	25,380	**(2,808)**	31,995
	179,030	164,074	**456,415**	422,904
Investing				
Business acquisitions	**-**	132	**-**	(49,592)
Additions to fixed assets	**(25,503)**	(23,864)	**(85,669)**	(80,758)
Proceeds on disposal of fixed assets	**50**	127	**5,418**	436
Other assets and other liabilities	**4,354**	(4,874)	**7,140**	(8,338)
	(21,099)	(28,479)	**(73,111)**	(138,252)
Financing				
Bank loans	**(3,954)**	62,915	**(35,105)**	(16,390)
Proceeds from issuance of long-term debt	**-**	-	**-**	330,000
Repayment of long-term debt	**-**	(178,517)	**-**	(518,517)
Issuance of share capital	**8,454**	11,344	**30,723**	18,101
Repurchase of share capital	**(97,419)**	-	**(156,292)**	(28,054)
Dividends	**(32,920)**	(30,029)	**(96,263)**	(88,926)
	(125,839)	(134,287)	**(256,937)**	(303,786)
Increase (decrease) in cash and cash equivalents	**32,092**	1,308	**126,367**	(19,134)
Effect of exchange rate changes on cash and cash equivalents	**(726)**	(1,558)	**(728)**	(7,707)
Cash and cash equivalents, beginning of period	**149,092**	17,293	**54,819**	43,884
Cash and cash equivalents, end of period	**$ 180,458**	$ 17,043	**$ 180,458**	$ 17,043
Supplemental information				
Interest paid	**$ 12,102**	$ 20,056	**$ 24,796**	$ 33,806
Income taxes paid	**$ 17,066**	$ 23,068	**$ 69,897**	$ 92,972

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are in thousands of CDN dollars except information on options and shares)
(unaudited)

1 — Significant Accounting Policies

Basis of presentation
The unaudited consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and applied in the same manner as the most recently audited financial statements. These financial statements do not include all the information and notes required according to GAAP for annual financial statements, and should therefore be read in conjunction with the audited consolidated financial statements and the notes included in the Company's Annual Report for the year ended March 31, 2010.

Effect of new accounting standards not yet implemented
International Financial Reporting Standards (IFRS). In 2006, the Canadian Accounting Standards Board (AcSB) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, the Company's transition date of April 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ending March 31, 2011. The Company has quantified certain of its noted Canadian GAAP to IFRS divergences and preparing its April 1, 2010 opening balance sheet.

2 — Foreign Currency Translation

The balance sheet accounts of the self-sustaining companies operating outside Canada are translated into Canadian dollars using the exchange rates at the balance sheet dates. Statement of earnings accounts are translated into Canadian dollars using the average monthly exchange rates in effect during the periods. The unrealized gains (losses) on translation of the financial statements of self-sustaining foreign operations account presented in accumulated other comprehensive income (loss) represent accumulated foreign currency gains (losses) on the Company's net investments in companies operating outside Canada. The change in the unrealized gains (losses) on translation of the financial statements of self-sustaining foreign operations account for the period resulted mainly from the fluctuation in value of the Canadian dollar as compared to the US dollar.

Foreign currency accounts of the Company and its subsidiaries are translated using the exchange rates at the balance sheet dates for monetary assets and liabilities and the prevailing exchange rates at the time of transactions for income and expenses. Non-monetary items are translated at the historical exchange rates. Gains or losses resulting from this translation are included in the cost of sales, selling and administrative expenses.

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2010	2009	**2010**	2009
Foreign currency gain (loss)	**$ 519**	$ (27)	**$ 384**	$ 231

3 — Accumulated Other Comprehensive (Loss)

	December 31, 2010	March 31, 2010
Net unrealized (losses) on translation of financial statements of self-sustaining foreign operations	**$ (217,879)**	$ (189,308)
Losses on derivatives items designated as hedges of interest cash flows, net of tax	-	1,263
Accumulated other comprehensive (loss)	**$ (217,879)**	$ (188,045)

4 — Inventories

	December 31, 2010	March 31, 2010
Finished goods	$ 400,307	$ 372,373
Raw materials, work in process and supplies	180,484	194,381
	$ 580,791	$ 566,754

The amount of inventories recognized as an expense in cost of sales for the three- and nine-month periods ended December 31, 2010 are $1,207,498,000 and $3,525,622,000 respectively ($1,180,720,000 and $3,506,257,000 for the three- and nine-month periods ended December 31, 2009 respectively).

Last fiscal year, the Company recorded a write-down of inventory of $2,109,000 for the three-month period ended December 31, 2009 which was recognized as an expense in cost of sales for the period. The carrying amount of inventory at net realizable value was $19,940,000 as of December 31, 2009.

5 — Portfolio Investment

The Company holds a 21% interest in Dare Holdings Ltd. (Dare) which is recorded as a portfolio investment at cost less the excess of dividends received over the Company's share in accumulated earnings. On June 30, 2010, the Company exercised its option requiring that the shares it holds in Dare be repurchased at their fair market value pursuant to the terms and conditions of the shareholders agreement entered into between the parties, which provides that such fair market value will be determined by an independent valuator. The valuation process is ongoing and the parties have made various submissions to the valuator. Although the ultimate outcome of the valuation cannot be determined at this time, Management believes that the fair market value of the shares will exceed their cost.

6 — Fixed Assets

	December 31, 2010			March 31, 2010		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Land	$ 35,841	$ -	$ 35,841	$ 38,920	$ -	$ 38,920
Buildings	383,627	100,310	283,317	382,480	92,164	290,316
Furniture, machinery and equipment	1,295,480	597,816	697,664	1,242,504	543,674	698,830
Rolling stock	8,084	5,568	2,516	13,117	8,435	4,682
Held for sale	9,824	-	9,824	6,008	-	6,008
	$ 1,732,856	$ 703,694	$ 1,029,162	$ 1,683,029	$ 644,273	$ 1,038,756

During the three- and nine-month periods ended December 31, 2010, the depreciation expense related to fixed assets totalled $25,436,000 and $75,153,000 respectively ($26,013,000 and $79,732,000 for the three- and nine-month periods ended December 31, 2009 respectively).

The net book value of fixed assets under construction amounts to $48,601,000 as at December 31, 2010 ($46,271,000 as at March 31, 2010), and consists mainly of machinery and equipment.

The assets held for sale relate mainly to land and buildings in Canada as a result of certain plant closures.

7 — Other Assets

		December 31, 2010		March 31, 2010
Net accrued pension plan assets	$	**66,888**	$	64,451
Taxes receivable		**7,163**		15,893
Other		**8,001**		9,928
	$	**82,052**	$	90,272

8 — Bank Loans

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

		Available for use			Amount drawn			
Credit Facilities	Maturity	Canadian Currency Equivalent	Base Currency			December 31,2010		March 31, 2010
North America-US Currency	[1]December 2012	129,298	130,000	USD	$	**-**	$	-
North America-CDN Currency	[1]December 2012	368,002	370,000	USD		**-**		30,000
Argentina	[2]Yearly	86,244	355,941	ARS		**25,245**		28,213
Germany	[3]Yearly	6,660	5,000	EUR		**2,586**		-
United Kingdom	[3]Yearly	10,859	7,000	GBP		**-**		3,359
		601,063			$	**27,831**	$	61,572

[1] Bear monthly interest at rates based on lender's prime rates plus a maximum of 0.25% or LIBOR or banker's acceptance rate plus 0.50% up to a maximum of 1.125%, depending on a financial ratio of the Company.
[2] Bear monthly interest at local rate and can be drawn in ARS or USD.
[3] Bear monthly interest at base rate plus 1.50% or LIBOR-EURIBOR plus 1.50%.

9 — Long-Term Debt

		December 31, 2010		March 31, 2010
Unsecured senior notes[1]				
8.41%, issued in November 1999 and due in November 2014 (US$50,000,000)	$	**49,730**	$	50,790
5.34%, issued in June 2009 and due in June 2014		**110,000**		110,000
5.82%, issued in June 2009 and due in June 2016		**220,000**		220,000
	$	**379,730**	$	380,790

Principal repayments are as follows:

Less than 1 year	$	**-**	$	-
1-2 years		**-**		-
2-3 years		**-**		-
3-4 years		**159,730**		-
4-5 years		**-**		160,790
More than 5 years		**220,000**		220,000
	$	**379,730**	$	380,790

[1] Interest payments are semi-annual.

10 — Employee Pension and Other Benefits Plans

The Company provides benefits and defined contribution pension plans as well as other benefits plans such as health insurance, life insurance and dental plans to eligible employees and retired employees. Pension and other benefits plan obligations are affected by factors such as interest rates, adjustments arising from plan amendments, changes in assumptions and experience gains or losses. The costs are based on a measurement of the pension and other benefits plan obligations and the pension fund assets.

Total benefit costs are as follows:

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2010	2009	**2010**	2009
Pension plans	**$ 6,136**	$ 4,825	**$ 18,412**	$ 14,491
Other benefits plans	**200**	270	**601**	820
	$ 6,336	$ 5,095	**$ 19,013**	$ 15,311

11 — Earnings per Share

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2010	2009	**2010**	2009
Net earnings	**$ 111,786**	$ 104,330	**$ 348,665**	$ 283,603
Weighted average number of common shares outstanding	**205,296,658**	207,017,579	**206,674,179**	206,857,035
Dilutive options	**2,623,191**	1,662,516	**2,623,191**	1,662,516
Dilutive number of common shares outstanding	**207,919,849**	208,680,095	**209,297,370**	208,519,551
Basic earnings per share	**$ 0.55**	$ 0.50	**$ 1.69**	$ 1.37
Diluted earnings per share	**$ 0.54**	$ 0.50	**$ 1.67**	$ 1.36

When calculating dilutive earnings per share for the nine-month periods ended December 31, 2010 and 2009, no options were excluded from the calculation since the exercise price is lower than the average market value.

All shares repurchased and not yet cancelled are treated as cancelled for purposes of computing basic and diluted earnings per share.

12 — Stock Option Plan

Changes in the number of outstanding options are as follows:

	For the nine-month periods ended December 31					
	2010			2009		
	Number of options		**Weighted average exercise price**	Number of options		Weighted average exercise price
Balance at beginning of period	**9,413,750**	**$**	**20.13**	9,128,841	$	16.93
Options granted	**1,753,233**	**$**	**29.32**	2,232,039	$	21.40
Options exercised	**(1,726,448)**	**$**	**17.80**	(1,195,706)	$	15.13
Options cancelled	**(195,206)**	**$**	**20.17**	(147,854)	$	20.53
Balance at end of period	**9,245,329**	**$**	**22.31**	10,017,320	$	18.35

The exercise price of the options granted in fiscal 2011 is $29.32, which corresponds to the weighted average market price for the five trading days immediately preceding the date of grant ($21.40 in 2010).

The fair value of options granted in fiscal 2011 was estimated at $5.49 per option ($3.26 in 2010), using the Black Scholes option pricing model with the following assumptions:

	December 31, 2010	March 31, 2010
Risk-free interest rate:	**2.6%**	1.9%
Expected life of options:	**5 years**	5 years
Volatility:	**20.7%**	19.1%
Dividend rate:	**1.6%**	2.0%

A compensation expense of $2,103,000 ($1,894,000 after income taxes) and $6,182,000 ($5,554,000 after income taxes) relating to stock options was recorded in cost of sales, selling and administrative expenses for the three- and nine-month periods ended December 31, 2010, respectively. A compensation expense of $2,060,000 ($1,851,000 after income taxes) and $5,955,000 ($5,329,000 after income taxes) was recorded for the three- and nine-month periods ended December 30, 2009, respectively.

13 – Segmented Information

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2010	2009	**2010**	2009
Revenues[1]				
Dairy Products				
CEA	**$ 995,154**	$ 960,179	**$ 2,915,982**	$ 2,869,385
USA	**510,164**	498,123	**1,513,359**	1,434,024
	1,505,318	1,458,302	**4,429,341**	4,303,409
Grocery Products	**36,775**	38,970	**109,457**	122,990
	$ 1,542,093	$ 1,497,272	**$ 4,538,798**	$ 4,426,399
Earnings before interest, depreciation amortization and income taxes				
Dairy Products				
CEA	**$ 125,496**	$ 115,429	**$ 379,405**	$ 340,222
USA	**61,441**	63,729	**200,283**	163,162
	186,937	179,158	**579,688**	503,384
Grocery Products	**3,649**	4,332	**12,516**	13,234
	$ 190,586	$ 183,490	**$ 592,204**	$ 516,618
Depreciation and amortization				
Dairy Products				
CEA	**$ 13,166**	$ 13,027	**$ 39,480**	$ 39,334
USA	**11,665**	12,061	**33,833**	37,614
	24,831	25,088	**73,313**	76,948
Grocery Products	**1,898**	2,254	**5,694**	6,757
	$ 26,729	$ 27,342	**$ 79,007**	$ 83,705
Operating income				
Dairy Products				
CEA	**$ 112,330**	$ 102,402	**$ 339,925**	$ 300,888
USA	**49,776**	51,668	**166,450**	125,548
	162,106	154,070	**506,375**	426,436
Grocery Products	**1,751**	2,078	**6,822**	6,477
	$ 163,857	$ 156,148	**$ 513,197**	$ 432,913
Interest	**6,088**	8,849	**18,184**	27,580
Earnings before income taxes	**157,769**	147,299	**495,013**	405,333
Income taxes	**45,983**	42,969	**146,348**	121,730
Net earnings	**$ 111,786**	$ 104,330	**$ 348,665**	$ 283,603

[1] Revenues are attributable to countries based upon manufacturing origin.