Saputo

FISCAL 2012 SECOND QUARTER 2

We are presenting the results for the second quarter of fiscal 2012, which ended on September 30, 2011.

- Net earnings for the quarter totalled $127.1 million, an increase of $1.3 million or 1.0% compared to $125.8 million for the same quarter last fiscal year.
- Earnings before interest, income taxes, depreciation and amortization (EBITDA[1]) amounted to $213.1 million, an increase of $1.7 million or 0.8% in comparison to $211.4 million for the same quarter last fiscal year.
- Revenues for the quarter amounted to $1.791 billion, an increase of $240.7 million or 15.5% in comparison to $1.551 billion for the corresponding quarter last fiscal year.
- Basic earnings per share (EPS) of $0.63 and diluted EPS of $0.61 for the quarter, as compared to basic and diluted EPS of $0.60 for the corresponding quarter last fiscal year.

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

	For the three-month periods ended		
	September 30, 2011	September 30, 2010	June 30, 2011
Revenues	**1,791.4**	1,550.7	1,639.0
EBITDA	**213.1**	211.4	209.6
Net earnings	**127.1**	125.8	126.6
EPS			
Basic	**0.63**	0.60	0.62
Diluted	**0.61**	0.60	0.61

- In the United States (US), the average block market[2] per pound of cheese increased by US$0.44 compared to the same period last fiscal year, increasing revenues and positively affecting EBITDA due to a better absorption of fixed costs.
- The decreasing block market per pound of cheese in the US in the latter part of the quarter resulted in an unfavourable realization of inventories, and an unfavourable relationship with the cost of milk as raw material, negatively impacting EBITDA, as compared to the same quarter last fiscal year.
- The acquisition of DCI Cheese Company, Inc. (DCI Acquisition) on March 25, 2011 in the US contributed to revenues and EBITDA.
- The appreciation of the Canadian dollar versus the US dollar and the Argentinian peso during the quarter impacted results by eroding approximately $50 million in revenues and $5 million in EBITDA, as compared to the same quarter last fiscal year.
- The Board of Directors approved a dividend of $0.19 per share payable on December 16, 2011 to common shareholders of record on December 6, 2011.

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

	For the six-month periods ended	
	September 30, 2011	September 30, 2010
Revenues	**3,430.4**	2,986.9
EBITDA	**422.7**	402.7
Net earnings	**253.6**	237.5
EPS		
Basic	**1.25**	1.14
Diluted	**1.22**	1.13

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[1] **Measurement of results not in accordance with International Financial Reporting Standards (IFRS)**
The Company assesses its financial performance based on its EBITDA, this being earnings before interest, income taxes, depreciation and amortization. EBITDA is not a measure of performance as defined by IFRS 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 Discussion and Analysis

The goal of the management report is to analyze the results and the financial position for the quarter ended September 30, 2011. 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, 2011 and 2010. The financial information for the comparative quarter has been restated or reclassified to conform to IFRS. A reconciliation of reported financial information to what had been reported under Canadian generally accepted accounting principles (CGAAP) to IFRS is included in Note 16 of the Consolidated Financial Statements. All dollar amounts are in Canadian dollars, unless otherwise indicated. This report takes into account material elements between September 30, 2011, and November 9, 2011, the date of this report, on which it 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, 2011, can be obtained on SEDAR at www.sedar.com.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This report 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 Discussion and 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 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, the Company does not undertake to update 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.

OPERATING RESULTS

Consolidated revenues for the quarter ended September 30, 2011 amounted to $1.791 billion, an increase of $240.7 million or 15.5% in comparison to $1.551 billion for the corresponding quarter last fiscal year. This increase was mainly due to the inclusion of the DCI Acquisition, a higher average block market per pound of cheese, increased sales volumes and a more favourable dairy ingredients market in the USA Dairy Products Sector. Higher selling prices in relation to the higher cost of milk in the Canadian and Argentinian Divisions and higher sales volumes in the Argentinian Division of the CEA Dairy Products Sector also increased revenues. The strengthening of the Canadian dollar compared to the US dollar and Argentinian peso negatively affected revenues.

For the six-month period ended September 30, 2011, revenues totalled $3.430 billion, an increase of $443.5 million or 14.8% in comparison to $2.987 billion for the corresponding period last fiscal year. The increase is mainly due to the inclusion of the DCI Acquisition, a higher average block market per pound of cheese, and a more favourable dairy ingredients market in the USA Dairy Products Sector. Higher selling prices in relation to the higher cost of milk in the Canadian and Argentinian Divisions and increased sales volumes in the Argentinian Division of the CEA Dairy Products Sector also increased revenues. The strengthening of the Canadian dollar compared to the US dollar and Argentinian peso negatively affected revenues as compared to the same period last fiscal year.

Consolidated earnings before interest, income taxes, depreciation and amortization (EBITDA) for the second quarter of fiscal 2012 amounted to $213.1 million, an increase of $1.7 million or 0.8% in comparison to $211.4 million for the same quarter last fiscal year. This increase is explained by improved operational efficiencies and inclusion of the DCI Acquisition, which offset unfavourable market factors in the USA Dairy Products Sector. Increased sales volumes in the Argentinian Division, mainly in the export market, and favourable dairy ingredients market conditions in the Dairy

Products Division (Canada) also account for the increase. The strengthening of the Canadian dollar compared to the US dollar negatively affected EBITDA as compared to the same period last fiscal year.

For the six-month period ended September 30, 2011, EBITDA totalled $422.7 million, an increase of $20.0 million or 5.0% in comparison to the $402.7 million for the corresponding period last fiscal year. The increase is mainly due to operational efficiencies and the inclusion of the DCI Acquisition offsetting unfavourable market factors in the USA Dairy Products Sector. In addition, increased sales volumes in the Argentinian Division, mainly in the export market, and favourable dairy ingredients market conditions in the Dairy Products Division (Canada) contributed to the increase. The strengthening of the Canadian dollar compared to the US dollar negatively affected EBITDA as compared to the same period last fiscal year.

OTHER CONSOLIDATED RESULTS ITEMS

Depreciation and amortization for the second quarter of fiscal 2012 totalled $25.0 million, a decrease of $1.5 million compared to the same quarter last fiscal year. For the six-month period ended September 30, 2011, depreciation and amortization expense amounted to $49.6 million, a decrease of $3.3 million as compared to the $52.9 million for the corresponding period last fiscal year. The strengthening of the Canadian dollar throughout the quarter compared to the same period last fiscal year mainly contributed to the decrease in depreciation expense.

Interest and other financial charges for the three- and six-month periods ended September 30, 2011 increased by $3.1 million and $2.7 million, respectively, in comparison to the same periods last fiscal year. The increase is mainly related to a $2.3 million unrealized loss on a foreign currency denominated intercompany advance in Canada. This advance is not part of a net investment in a foreign subsidiary, as such the offsetting unrealized gain of $2.3 million is included in the currency translation adjustment account resulting from the conversion of the US subsidiary's financial statements to Canadian dollars.

Income taxes for the second quarter of fiscal 2012 totalled $52.5 million, reflecting an effective tax rate of 29.2% compared to 29.9% for the same quarter last fiscal year. Income taxes for the six-month period ended September 30, 2011 totalled $104.7 million, reflecting an income tax rate of 29.2% in comparison to 29.7% for the same period last fiscal year. The income tax rate varies 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 $127.1 million for the quarter ended September 30, 2011 compared to $125.8 million for the same quarter last fiscal year. For the six-month period ended September 30, 2011, net earnings totalled $253.6 million as compared to $237.5 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	2012		2011				2010[1]	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	**1,791.4**	1,639.0	1,481.3	1,534.9	1,550.7	1,436.2	1,384.2	1,497.3
EBITDA	**213.1**	209.6	194.5	191.1	211.4	191.3	175.5	183.5
Net earnings	**127.1**	126.6	100.4	112.1	125.8	111.7	99.1	104.3
EPS								
Basic	**0.63**	0.62	0.49	0.55	0.60	0.54	0.48	0.50
Diluted	**0.61**	0.61	0.48	0.54	0.60	0.53	0.47	0.50

[1] Based on CGAAP

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

(in millions of CDN dollars)

Fiscal years	2012		2011	
	Q2	Q1	Q4	Q3
Market factors[2]	**(10.0)**	13.0	31.0	(15.0)
US currency exchange	**(5.0)**	(5.0)	(5.0)	(3.0)
Inventory write-down	**-**	-	(3.0)	-

[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 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 September 30		For the six-month periods ended September 30	
	2011	2010	**2011**	2010
Cash generated from operating activities	**221,286**	188,649	**344,241**	342,910
Net cash generated from operating activities	**174,448**	162,318	**189,361**	277,385
Cash used for investing activities	**(11,828)**	(26,701)	**(7,562)**	(52,012)
Cash used for financing activities	**(122,566)**	(109,827)	**(198,416)**	(131,098)
Increase (decrease) in cash and cash equivalents	**40,054**	25,790	**(16,617)**	94,275

For the three-month period ended September 30, 2011, cash generated by **operating activities** amounted to $221.3 million, an increase of $32.7 million in comparison to the $188.6 million for the corresponding quarter last fiscal year. Since the beginning of the fiscal year, this figure amounted to $344.2 million, an increase of $1.3 million in comparison to $342.9 million for the same period last fiscal year. Increases in the three- and six-month periods are mainly attributable to increased net earnings and changes in non-cash working capital items as compared to the same periods last fiscal year. The change in non-cash working capital items for the six-month period ended September 30, 2011, is attributed to a higher average block market in the US, which increased inventories and receivables. Net cash generated from operating activities for the three- and six-month periods ended September 30, 2011 amounted to $174.4 and $189.4 million in comparison to $162.3 and $277.4 million, respectively, for the corresponding periods last fiscal year. This change is mainly attributable to changes in non-cash working capital items and higher income taxes paid related to an increase in taxable income of prior fiscal years.

Investing activities were comprised mainly of additions to property, plant and equipment in the amount of $24.4 million and $44.4 million for the three- and six-month periods ended September 30, 2011, respectively. Also, the sale of the portfolio investment generated $27.7 million during the first quarter of fiscal 2012 and disposals of property, plant and equipment generated $12.1 million during the second quarter of fiscal 2012.

Financing activities for the three-month period ended September 30, 2011 consisted of an increase in bank loans totalling $68.8 million, issuance of shares as part of the stock option plan for a cash consideration of $1.7 million, the purchase of share capital totalling $122.1 million in accordance with a normal course issuer bid, as well as the payment of $71.0 million in dividends. For the six-month period ended September 30, 2011, financing activities consisted of issuance of shares as part of the stock option plan for a cash consideration of $15.6 million, as well as the purchase of share capital totalling $142.9 million in accordance with the normal course issuer bid, and the payment of $71.0 million in dividends.

Liquidity

(in thousands of CDN dollars, except ratio)

	September 30, 2011	March 31, 2011
Current assets	**1,342,405**	1,291,798
Current liabilities	**893,559**	943,006
Working capital	**448,846**	348,792
Working capital ratio	**1.50**	1.37

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, except ratio and number of shares and options)

	September 30, 2011	March 31, 2011
Cash and cash equivalents	**64,095**	77,491
Bank loans	**172,465**	170,589
Long-term debt	**382,410**	378,480
Shareholders' equity	**2,223,742**	2,072,635
Interest-bearing[1] debt-to-equity ratio	**0.22**	0.23
Number of common shares	**200,906,795**	203,830,505
Number of stock options	**9,075,344**	8,674,238

[1] Net of cash and cash equivalents.

As at September 30, 2011, the Company had $64.1 million in cash and cash equivalents and available bank credit facilities of approximately $650 million, $172.5 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 issuance. No preferred shares were outstanding. As at October 31, 2011, 200,612,607 common shares and 9,048,918 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)

	September 30, 2011			March 31, 2011		
	Long-term debt	**Minimum lease**	**Total**	Long-term debt	Minimum lease	Total
Less than 1 year	**-**	**15,852**	**15,852**	-	15,978	15,978
1-2 years	**-**	**13,962**	**13,962**	-	13,339	13,339
2-3 years	**110,000**	**11,765**	**121,765**	-	12,037	12,037
3-4 years	**52,410**	**10,081**	**62,491**	158,480	10,045	168,525
4-5 years	**220,000**	**7,469**	**227,469**	-	8,738	8,738
More than 5 years	**-**	**22,010**	**22,010**	220,000	23,447	243,447
	382,410	**81,139**	**463,549**	378,480	83,584	462,064

BALANCE SHEET

With regards to balance sheet items as at September 30, 2011, compared to those as at March 31, 2011, the main variances are due to a higher average block market per pound of cheese, which resulted in an increase to working capital items in our Dairy Products Division (USA), and to the weakening of the Canadian dollar versus the US dollar, resulting in a conversion of the balance sheets of foreign subsidiaries at higher rates, thus increasing 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, the completed IFRS conversion plan, critical accounting policies and use of accounting estimates, as well as risks and uncertainties, we encourage you to consult the comments provided in the 2011 Annual Report (pages 18 to 25 of the Management's Discussion and Analysis) and Note 18 of the June 30, 2011 first quarter condensed interim financial statements.

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 IFRS.

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 September 30, 2011, 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	2012		2011				2010[1]	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	**1,032.5**	970.2	921.2	995.2	993.8	927.0	876.5	960.2
EBITDA	**135.7**	125.3	113.0	126.0	132.8	122.1	117.7	115.4

[1] Based on CGAAP

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

Fiscal years	2012		2011	
	Q2	Q1	Q4	Q3
Market factors[2]	**3.0**	3.0	1.0	2.0

[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 $1.033 billion for the quarter ended September 30, 2011, an increase of $38.7 million compared to $993.8 million for the same period last fiscal year. This is mainly attributed to higher selling prices in relation to the higher cost of milk in both Canada and Argentina, increased sales volumes in Argentina, as well as a favourable dairy ingredients market. These offset lower sales volumes, mainly in the fluid milk category in Canada, resulting from a decline in consumer milk consumption. Additionally, increased sales volumes from the European operations contributed slightly to the revenue increase as compared to the same period last fiscal year. During the quarter, the strengthening of the Canadian dollar versus the Argentinian peso eroded revenues by approximately $13 million.

Since the beginning of the fiscal year, revenues from the CEA Dairy Products Sector amounted to $2.003 billion, an increase of $81.9 million in comparison to $1.921 billion for the same period last fiscal year. This is mainly due to increased selling prices in relation to the higher cost of milk in Canada and Argentina, increased sales volumes in Argentina, as well as a favourable dairy ingredients market. These increases were partially offset by lower sales volumes in Canada. The appreciation of the Canadian dollar versus the Argentinian peso eroded revenues by approximately $22 million.

EBITDA

For the quarter ended September 30, 2011, EBITDA totalled $135.7 million, an increase of $2.9 million or 2.2% compared to $132.8 million for the corresponding quarter last fiscal year. In the Dairy Products Division (Canada), favourable dairy ingredients market conditions and a gain on sale of property, plant and equipment of approximately $2 million, offset the negative effect of lower sales volumes and increased fuel and other costs as compared to the same quarter last fiscal year.

For the three- and six-month periods ended September 30, 2011, the Dairy Products Division (Europe) EBITDA remained stable as compared to the same periods last fiscal year.

The Dairy Products Division (Argentina) EBITDA increased for the three- and six-month periods ended September 30, 2011, primarily due to favourable selling prices and increased sales volumes, mainly in the export market.

Since the beginning of the fiscal year, EBITDA totalled $261.1 million, an increase of $6.1 million in comparison to $255.0 million for the corresponding period last fiscal year. Favourable selling prices and increased sales volumes in Argentina, mainly in the export market, along with a more favourable dairy ingredients market, contributed to this increase, offsetting the negative effect of lower sales volumes and increased fuel and other costs in Canada.

USA Dairy Products Sector

(in millions of CDN dollars)

Fiscal years	2012		2011				2010[1]	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	**723.7**	636.5	528.2	502.9	519.1	474.3	472.2	498.1
EBITDA	**74.4**	80.8	81.4	61.5	73.9	65.0	55.2	63.7

[1] Based on CGAAP

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

Fiscal years	2012		2011	
	Q2	Q1	Q4	Q3
Market factors[2]	**(13.0)**	10.0	30.0	(17.0)
US currency exchange	**(5.0)**	(5.0)	(5.0)	(3.0)
Inventory write-down	**-**	-	(3.0)	-

[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 the market pricing impact related to sales of dairy ingredients.

Other pertinent information
(in US dollars, except for average exchange rate)

Fiscal years	2012		2011		
	Q2	Q1	Q4	Q3	Q2
Average block market per pound of cheese	**2.006**	1.736	1.695	1.590	1.571
Closing block price[1] per pound of cheese	**1.720**	2.130	1.625	1.340	1.760
Average whey market price[2] per pound	**0.590**	0.520	0.450	0.390	0.380
Spread[3]	**0.040**	0.094	0.126	0.116	0.118
US average exchange rate to Canadian dollar[4]	**0.976**	0.969	0.986	1.014	1.039

[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] Average 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 $723.7 million for the quarter ended September 30, 2011, an increase of $204.6 million compared to the $519.1 million for the corresponding quarter last fiscal year. The inclusion of the DCI Acquisition, combined with additional revenues from a more favourable dairy ingredients market, and slightly higher sales volumes, increased revenues by approximately $150 million in the quarter. An increase in the average block market per pound of cheese of US$0.44 compared to the same quarter last fiscal year increased revenues by approximately $93 million. The appreciation of the Canadian dollar eroded approximately $38 million in revenues.

Since the beginning of the fiscal year, revenues totalled $1.360 billion, an increase of $366.9 million in comparison to the $993.4 million for the same period last fiscal year. Revenues from the DCI Acquisition, slightly higher sales volumes and a more favourable dairy ingredients market increased revenues by approximately $271 million. A higher average block market per pound of cheese increased revenues by approximately $166 million. The strengthening of the Canadian dollar decreased revenues by approximately $70 million.

EBITDA
For the quarter ended September 30, 2011, EBITDA totalled $74.4 million, an increase of $0.5 million or 0.7% in comparison to $73.9 million for the same quarter last fiscal year. Initiatives undertaken in current and prior fiscal years with regards to operational efficiencies and the inclusion of the DCI Acquisition offset increased fuel and other operational costs including higher milk costs due to the negative impact of the revised milk pricing formula in California. These factors combined increased EBITDA by approximately $19 million in comparison to the same quarter last fiscal year. A US$0.44 higher average block market per pound of cheese compared to the same quarter last fiscal year created a positive effect on the absorption of fixed costs. Despite a higher average block market per pound of cheese in the quarter, the block price decreased steadily throughout the latter part of the quarter, creating a negative effect on the realization of inventories and resulting in a less favourable relationship between the average block market per pound of cheese and the cost of milk as raw material in comparison to the same period last fiscal year. Finally, a more favourable dairy ingredients market in comparison to the same quarter last fiscal year increased EBITDA. These market factors combined had a negative impact of approximately $13 million on EBITDA. The appreciation of the Canadian dollar eroded approximately $5 million in EBITDA.

Since the beginning of the fiscal year, EBITDA totalled $155.3 million, an increase of $16.5 million in comparison to the $138.8 million for the corresponding period last fiscal year. Additional EBITDA from initiatives undertaken in the prior and current fiscal years with regards to improved operational efficiencies and the inclusion of the DCI Acquisition more than offset increased fuel and operational costs, including higher milk costs due to the negative impact of the revised milk pricing formula in California. These factors combined increased EBITDA by approximately $30 million in comparison to the same period last fiscal year. For the six-month period ended September 30, 2011, market factors decreased EBITDA by approximately $3 million in comparison to the same period last fiscal year. The appreciation of the Canadian dollar eroded approximately $10 million in EBITDA.

Grocery Products Sector

(in millions of CDN dollars)

Fiscal years	**2012**		2011				2010[1]	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	**35.2**	32.3	31.9	36.8	37.8	34.9	35.5	39.0
EBITDA	**2.9**	3.4	0.1	3.6	4.7	4.2	2.6	4.3

[1] Based on CGAAP

Revenues

Revenues for the Grocery Products Sector totalled $35.2 million for the quarter, a $2.6 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 totalled $67.5 million, a $5.2 million decrease compared to the same period last fiscal year.

EBITDA

EBITDA for the Grocery Products Sector amounted to $2.9 million, a $1.8 million decrease compared to the same quarter last fiscal year. This decrease is the result of higher ingredients costs and lower sales volumes, offsetting manufacturing efficiencies.

For the six-month period ended September 30, 2011, EBITDA amounted to $6.3 million, a $2.6 million decrease as compared to the $8.9 million for the same period last fiscal year. This decrease is the result of higher ingredients costs and lower sales volumes, offsetting manufacturing efficiencies.

OUTLOOK

The Dairy Products Division (Canada) continues to focus on recuperating volumes lost in the fluid milk category during the first six months of this fiscal year, as well as maximizing benefits that can be derived from the consolidation of manufacturing and distribution activities in the Greater Toronto Area, announced at the end of fiscal 2010. The Division will continue to pursue its investment strategy in product categories that offer potential for growth, such as the speciality cheese category. Finally, the Division continues to review overall activities in an effort to increase operational efficiencies.

The Dairy Products Division (Europe) will continue to focus on volume growth, while obtaining milk supply at prices competitive with the selling price of cheese.

The Dairy Products Division (Argentina) will seek to maintain current volumes in the export markets, while trying to mitigate increasing milk costs as raw material and remaining competitive with the selling price of cheese. The Division will also continue to focus on further volume growth in the domestic market.

During the second quarter of fiscal 2012, the California Consolidation Stabilization and Marketing Committee rendered its decision on amendments to the class 4b milk pricing formula. Effective September 1, 2011, the whey factor used in determining the milk pricing formula will vary in accordance with changes in the whey market. Before this decision, the whey factor was fixed. Had the revised pricing formula been effective since the beginning of the fiscal year, the resulting negative impact on EBITDA would have amounted to approximately US$6 million for the period April 1, 2011 to August 31, 2011 based on whey market prices during that period. In the upcoming quarters, the Dairy Products Division (USA) will work on implementing various measures in an effort to diminish the negative impact of this decision. The Division will continue to focus on improving operational efficiencies, as well as evaluating opportunities at the newly acquired DCI Acquisition. The Division will continue to monitor dairy markets and take necessary actions to benefit operations. The Division will continue to promote its leading retail brands as well as enhance its existing foodservice product portfolio.

The Grocery Products Sector will continue to focus on increasing sales volumes and developing sales in the US market.

The Company has the intention to purchase by way of a normal course issuer bid (Bid), for cancellation purposes, up to 10,030,630 Common Shares, which represents approximately 5% of its issued and outstanding Common Shares as of October 31, 2011. These purchases will be made in accordance with applicable regulations over a 12-month period beginning on November 15, 2011 and ending on November 14, 2012, subject to regulatory approval. The consideration that the Company will pay for any Common Shares acquired by it under the Bid will be in cash at the market price of such shares at the time of acquisition. In connection with the Bid, the Company will establish an automatic purchase plan which enables the Company to provide standard instructions regarding how the Common Shares are to be repurchased during self-imposed blackout periods. The Company believes that the purchase of its own shares may, in appropriate circumstances, be a responsible investment of funds on hand.

Our goal remains to continue to improve efficiencies and pursue growth internally and through acquisitions.

Lino Saputo Chairman of the Board	Lino A. Saputo, Jr. President and Chief Executive Officer and Vice Chairman of the Board

November 9, 2011

NOTICE
The condensed interim consolidated financial statements of Saputo Inc. for the three-month and six-month periods ended September 30, 2011 and 2010 have not been reviewed by an external auditor.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS

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

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2011	2010	**2011**	2010
Revenues	**$ 1,791,407**	$ 1,550,741	**$ 3,430,402**	$ 2,986,889
Operating costs excluding depreciation and amortization (Notes 5 & 16)	**1,578,340**	1,339,379	**3,007,707**	2,584,213
Earnings before interest, depreciation, amortization and income taxes	**213,067**	211,362	**422,695**	402,676
Depreciation and amortization (Notes 7 & 16)	**24,972**	26,505	**49,581**	52,852
Operating income	**188,095**	184,857	**373,114**	349,824
Interest on long-term debt	**5,791**	5,846	**11,510**	11,648
Other financial charges (Note 14)	**2,753**	(369)	**3,300**	448
Earnings before income taxes	**179,551**	179,380	**358,304**	337,728
Income taxes (Note 16)	**52,471**	53,577	**104,658**	100,207
Net earnings	**$ 127,080**	$ 125,803	**$ 253,646**	$ 237,521
Earnings per share (Note 11)				
Net earnings				
Basic	**$ 0.63**	$ 0.60	**$ 1.25**	$ 1.14
Diluted	**$ 0.61**	$ 0.60	**$ 1.22**	$ 1.13

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands of CDN dollars)
(unaudited)

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2011	2010	**2011**	2010
Net earnings	**$ 127,080**	$ 125,803	**$ 253,646**	$ 237,521
Other comprehensive income (loss):				
Exchange differences arising from foreign currency translation	**108,110**	(36,458)	**97,825**	8,726
Total other comprehensive income (loss)	**108,110**	(36,458)	**97,825**	8,726
Comprehensive income	**$ 235,190**	$ 89,345	**$ 351,471**	$ 246,247

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

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

For the six-month period ended September 30, 2011

	Share capital		Reserves				
	Common Shares (in thousands)	Amount	Foreign Currency Translation	Stock-Based Compensation	Total Reserves	Retained Earnings	Total Shareholders' Equity
Balance, beginning of period	203,830	$ 617,675	$ (60,930)	$ 33,384	$ (27,546)	$ 1,482,506	$ 2,072,635
Net earnings	-	-	-	-	-	253,646	253,646
Other comprehensive income	-	-	97,825	-	97,825	-	97,825
Comprehensive income							351,471
Dividends declared	-	-	-	-	-	(71,040)	(71,040)
Stock-based compensation (Note 10)	-	-	-	4,454	4,454	-	4,454
Shares issued under stock option plan	724	15,550	-	-	-	-	15,550
Amount transferred from reserves to share capital upon exercise of options	-	3,020	-	(3,020)	(3,020)	-	-
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	-	-	-	520	520	-	520
Shares repurchased and cancelled	(3,480)	(10,778)	-	-	-	(132,144)	(142,922)
Shares repurchased and not cancelled	(167)	(520)	-	-	-	(6,406)	(6,926)
Balance, end of period	200,907	$ 624,947	$ 36,895	$ 35,338	$ 72,233	$ 1,526,562	$ 2,223,742

For the six-month period ended September 30, 2010

	Share capital		Reserves				
	Common Shares (in thousands)	Amount	Foreign Currency Translation	Stock-Based Compensation	Total Reserves	Retained Earnings	Total Shareholders' Equity
Balance, beginning of period	207,426	$ 584,749	$ -	$ 32,681	$ 32,681	$ 1,363,181	$ 1,980,611
Net earnings	-	-	-	-	-	237,521	237,521
Other comprehensive income	-	-	8,726	-	8,726	-	8,726
Comprehensive income							246,247
Dividends declared	-	-	-	-	-	(63,343)	(63,343)
Stock-based compensation (Note 10)	-	-	-	4,079	4,079	-	4,079
Shares issued under stock option plan	1,254	22,269	-	-	-	-	22,269
Amount transferred from reserves to share capital upon exercise of options	-	5,587	-	(5,587)	(5,587)	-	-
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	-	-	-	1,190	1,190	-	1,190
Shares repurchased and cancelled	(1,737)	(5,010)	-	-	-	(53,863)	(58,873)
Shares repurchased and not cancelled	(274)	(799)	-	-	-	(8,787)	(9,586)
Balance, end of period	206,669	$ 606,796	$ 8,726	$ 32,363	$ 41,089	$ 1,474,709	$ 2,122,594

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

(in thousands of CDN dollars)
(unaudited)

	September 30, 2011	March 31, 2011
ASSETS		
Current assets		
Cash and cash equivalents	$ 64,095	$ 77,491
Receivables	509,122	460,807
Inventories (Note 4)	725,097	662,194
Income taxes	1,196	12,623
Prepaid expenses and other assets	42,895	50,940
Portfolio investment (Note 6)	-	27,743
	1,342,405	1,291,798
Property, plant and equipment (Notes 7 & 16)	1,109,262	1,079,083
Goodwill	879,576	843,862
Trademarks and other intangibles	340,595	339,038
Other assets	20,549	19,081
Deferred income taxes (Note 16)	6,353	5,469
	$ 3,698,740	$ 3,578,331
LIABILITIES		
Current liabilities		
Bank loans (Note 8)	$ 172,465	$ 170,589
Accounts payable and accrued liabilities	583,415	573,779
Income taxes	137,679	198,638
	893,559	943,006
Long-term debt (Note 9)	382,410	378,480
Other liabilities	29,595	32,727
Deferred income taxes (Note 16)	169,434	151,483
	1,474,998	1,505,696
SHAREHOLDERS' EQUITY		
Share capital	624,947	617,675
Reserves	72,233	(27,546)
Retained earnings	1,526,562	1,482,506
	2,223,742	2,072,635
	$ 3,698,740	$ 3,578,331

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of CDN dollars)
(unaudited)

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2011	2010	**2011**	2010
Cash flows related to the following activities:				
Operating				
Net earnings	**$ 127,080**	$ 125,803	**$ 253,646**	$ 237,521
Items not affecting cash and cash equivalents				
Stock option plan	**2,314**	2,064	**4,454**	4,079
Interest and other financial charges	**8,544**	5,477	**14,810**	12,096
Income tax expense	**52,471**	53,577	**104,658**	100,207
Depreciation and amortization	**24,972**	26,505	**49,581**	52,852
Gain on disposal of property, plant and equipment	**(2,134)**	(14)	**(2,184)**	(66)
Deferred share units	**749**	1,175	**2,025**	1,800
Funding of employee plans in excess of costs	**(1,514)**	(63)	**(4,119)**	(933)
	212,482	214,524	**422,871**	407,556
Changes in non-cash operating working capital items	**8,804**	(25,875)	**(78,630)**	(64,646)
Cash generated from operating activities	**221,286**	188,649	**344,241**	342,910
Interest paid	**(619)**	(415)	**(12,524)**	(12,694)
Income taxes paid	**(46,219)**	(25,916)	**(142,356)**	(52,831)
Net cash generated from operating activities	**174,448**	162,318	**189,361**	277,385
Investing				
Business acquisition	**-**	-	**(2,797)**	-
Proceeds on disposal of portfolio investment	**-**	-	**27,720**	-
Additions to property, plant and equipment	**(24,363)**	(28,828)	**(44,424)**	(60,166)
Proceeds on disposal of property, plant and equipment	**12,107**	4,409	**12,223**	5,368
Other assets and other liabilities	**428**	(2,282)	**(284)**	2,786
	(11,828)	(26,701)	**(7,562)**	(52,012)
Financing				
Bank loans	**68,826**	(3,961)	**(4)**	(31,151)
Issuance of share capital	**1,736**	16,350	**15,550**	22,269
Repurchase of share capital	**(122,088)**	(58,873)	**(142,922)**	(58,873)
Dividends	**(71,040)**	(63,343)	**(71,040)**	(63,343)
	(122,566)	(109,827)	**(198,416)**	(131,098)
Increase (decrease) in cash and cash equivalents	**40,054**	25,790	**(16,617)**	94,275
Effect of exchange rate changes on cash and cash equivalents	**4,806**	(837)	**3,221**	(2)
Cash and cash equivalents, beginning of period	**19,235**	124,139	**77,491**	54,819
Cash and cash equivalents, end of period	**$ 64,095**	$ 149,092	**$ 64,095**	$ 149,092

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 1 CORPORATE INFORMATION

Saputo Inc. 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 in Canada, the United States, Argentina and Europe, as well as bakery products in Canada. The address of the Company's head office is 6869 Metropolitain Blvd. East, St-Léonard, Québec, Canada, H1P 1X8. The condensed interim consolidated financial statements ("financial statements") of the Company for the period ended September 30, 2011 comprise the financial results of the Company and its subsidiaries.

The financial statements for the period ending September 30, 2011 have been authorized for issuance by the Board of Directors on November 9, 2011.

NOTE 2 BASIS OF PRESENTATION

Statement of compliance

The financial statements of the Company have been prepared in accordance with IAS 34, Interim Financial Reporting, and IFRS 1, First-time Adoption of IFRS, 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 IFRS have been omitted or condensed. The Company's accounting policies applied upon conversion to IFRS and IFRS 1 elections made to convert the Canadian Generally Accepted Accounting Principles ("CGAAP") results to IFRS have been disclosed in the first unaudited financial statements for the three-month period ended June 30, 2011. There have been no changes to these accounting policies or use of IFRS 1 exemptions previously disclosed in the June 30, 2011 financial statements. These accounting policies have been applied consistently to all periods presented in these financial statements, and have been applied consistently throughout the consolidated entities.

The Company's previously filed annual financial statements have been prepared in accordance with CGAAP, which differ in several respects from the requirements of currently enacted IFRS. Accordingly, the Company has modified certain of its accounting policies in order to comply with IFRS and provided certain disclosures for the understanding of the financial statements.

Basis of measurement

The Company's financial statements have been prepared on a going concern basis and by applying the historical cost principle, except for:

- any derivative financial instruments, which are measured at fair value;
- the portfolio investment, which was measured at fair value;
- liabilities under the deferred share unit plan, which are measured at fair value;
- pension liabilities have been measured in accordance with IAS 19, Employee Benefits.

Functional and presentation currency

The Company's financial statements are presented in Canadian dollars, which is also the consolidated entity's functional currency. All financial information has been rounded to the nearest thousand, unless stated otherwise.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

For information on the impact of the amended accounting policies, please refer to Note 16 of this report and to Note 18 of the Company's financial statements for the first quarter ended June 30, 2011.

USE OF ESTIMATES AND JUDGEMENTS IN THE APPLICATION OF ACCOUNTING POLICIES

In certain events, the preparation of the Company's financial statements requires Management to make certain judgements and estimates about transactions and carrying values that are fulfilled at a future date. Judgements and estimates are volatile by their nature and are continuously monitored by Management. Estimates and judgements are necessary for:

- establishing allowances for doubtful accounts;
- establishing provisions;
- accounting for business combinations;
- selecting useful lives, rates and methods in accounting for acquisitions of property, plant and equipment,
- testing goodwill, intangibles and property, plant and equipment for impairment and;
- measuring employee future benefits.

A complete discussion of the judgements and estimates that could have a material effect on the financial statements is provided in the Company's financial statements for the first quarter ended June 30, 2011.

EFFECT OF NEW ACCOUNTING STANDARDS NOT YET IMPLEMENTED

The IASB made several revisions as part of its continuing improvements project. Below are a summary of the relevant standards affected and a discussion of the amendments.

IFRS 9, Financial Instruments

This new standard will be applicable for reporting periods on or after January 1, 2013 and details the measurement and recognition criteria for the identification and recording of financial assets and liabilities. The Company has not yet determined the impact of adoption of this new standard on the financial statements.

IFRS 10, Consolidated Financial Statements

This new standard will be applicable for reporting periods on or after January 1, 2013 and will replace the consolidation standards section in IAS 27, Consolidated and Separate Financial Statements. IFRS 10 establishes principles for the preparation and presentation of consolidated financial statements. The Company has not yet determined the impact of adoption of this new standard on the financial statements.

IFRS 12, Disclosure of Interests in Other Entities

This new standard establishes disclosure requirements for interests held in other entities and is applicable for reporting periods on or after January 1, 2013. The Company has not yet determined the impact of adoption of this new standard on the financial statements.

IFRS 13, Fair Value Measurement

This new standard establishes a single framework for the measurement of fair value and is applicable January 1, 2013. The Company has not yet determined the impact of adoption of this new standard on the financial statements.

IAS 1, Presentation of Financial Statements

Revisions to IAS 1 have occurred to reflect new requirements for the presentation of earnings and other comprehensive income within their respective statements. These revisions are effective for annual periods beginning on or after July 1, 2012. The Company has not yet determined the impact of adoption of these new accounting requirements on the financial statements.

IAS 19, Employee Benefits

The IASB has amended this standard in order to eliminate the option of deferring the recognition of gains and losses, to improve disclosure of risks that are assumed by a company that offers a defined benefit plan to its employees and to improve the presentation of changes in assets and liabilities resulting from defined benefit plans including requiring re-measurements to be presented in other comprehensive income. These revisions are effective for fiscal years beginning on or after January 1, 2013. The Company has not yet determined the impact of adoption of this newly revised standard on the financial statements.

NOTE 4 INVENTORIES

		September 30, 2011		March 31, 2011
Finished goods	$	476,706	$	451,959
Raw materials, work in progress and supplies		248,391		213,235
Inventory write-down		-		(3,000)
	$	725,097	$	662,194

NOTE 5 OPERATING COSTS EXCLUDING DEPRECIATION AND AMORTIZATION

	For the three-month periods ended September 30				For the six-month periods ended September 30			
		2011		2010		2011		2010
Changes in inventories of finished goods and work in progress	$	(2,834)	$	15,618	$	(46,795)	$	(25,310)
Raw materials and consumables used		1,281,408		1,038,375		2,471,269		2,051,501
Foreign exchange loss (gain)		80		(512)		(41)		141
Employee benefits expense		163,846		153,356		324,012		306,176
Selling costs		58,794		55,770		123,548		114,408
Other general and administrative costs		77,046		76,772		135,714		137,297
Total operating costs	$	1,578,340	$	1,339,379	$	3,007,707	$	2,584,213

NOTE 6 PORTFOLIO INVESTMENT

The Company held a 21% interest in Dare Holdings Ltd. (Dare), which was recorded as a portfolio investment. On June 30, 2010, the Company exercised its option requiring that the shares it held in Dare be repurchased at their fair market value pursuant to the terms and conditions of the shareholders' agreement entered into between the parties. The valuator issued its report with respect to the fair market value of the shares in May 2011 and the Company's shares were repurchased for $27,720,000 on June 17, 2011 on a without prejudice basis. The Company has commenced legal proceedings to contest the value at which its shares were repurchased.

NOTE 7 PROPERTY, PLANT AND EQUIPMENT

	For the six-month period ended September 30, 2011					
	Land	**Buildings**	**Furniture, machinery and equipment**	**Rolling stock**	**Held for sale**	**Total**
Cost						
As at March 31, 2011	**$ 35,543**	**$ 394,883**	**$ 1,295,769**	**$ 7,538**	**$ 11,917**	**$ 1,745,650**
Additions	**-**	**4,496**	**39,864**	**64**	**-**	**44,424**
Disposals	**-**	**(15)**	**(2,401)**	**(228)**	**(11,917)**	**(14,561)**
Foreign currency adjustments	**840**	**14,412**	**49,952**	**17**	**-**	**65,221**
As at September 30, 2011	**$ 36,383**	**$ 413,776**	**$ 1,383,184**	**$ 7,391**	**$ -**	**$ 1,840,734**
Accumulated depreciation						
As at March 31, 2011	**-**	**125,405**	**533,674**	**5,353**	**2,135**	**666,567**
Depreciation	**-**	**6,765**	**39,870**	**404**	**-**	**47,039**
Disposals	**-**	**(3)**	**(2,206)**	**(178)**	**(2,135)**	**(4,522)**
Foreign currency adjustments	**-**	**3,990**	**18,388**	**10**	**-**	**22,388**
As at September 30, 2011	**$ -**	**$ 136,157**	**$ 589,726**	**$ 5,589**	**$ -**	**$ 731,472**
Net book value at September 30, 2011	**$ 36,383**	**$ 277,619**	**$ 793,458**	**$ 1,802**	**$ -**	**$ 1,109,262**

	For the year ended March 31, 2011					
	Land	Buildings	Furniture, machinery and equipment	Rolling stock	Held for sale	Total
Cost						
As at April 1, 2010	$ 38,920	$ 382,480	$ 1,242,504	$ 13,117	$ 6,008	$ 1,683,029
Business acquisition	-	4,620	6,180	-	-	10,800
Additions	-	12,891	99,000	209	-	112,100
Disposals	-	-	(13,081)	(5,682)	(6,008)	(24,771)
Transfers	(2,887)	(9,030)	-	-	11,917	-
Foreign currency adjustments	(490)	3,922	(38,834)	(106)	-	(35,508)
As at March 31, 2011	$ 35,543	$ 394,883	$ 1,295,769	$ 7,538	$ 11,917	$ 1,745,650
Accumulated depreciation						
As at April 1, 2010	-	111,145	469,777	8,412	-	589,334
Depreciation	-	15,064	84,927	877	-	100,868
Disposals	-	-	(14,785)	(3,904)	-	(18,689)
Transfers	-	(2,135)	-	-	2,135	-
Foreign currency adjustments	-	1,331	(6,245)	(32)	-	(4,946)
As at March 31, 2011	$ -	$ 125,405	$ 533,674	$ 5,353	$ 2,135	$ 666,567
Net book value at March 31, 2011	$ 35,543	$ 269,478	$ 762,095	$ 2,185	$ 9,782	$ 1,079,083

The net book value of property, plant and equipment under construction amounts to $62,476,000 as at September 30, 2011 ($38,056,000 as at March 31, 2011).

For the six-month period ended September 30, 2011, a gain on disposal of property, plant and equipment held for sale totalling $2,095,000 was recorded in operating costs excluding depreciation and amortization.

NOTE 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			September 30, 2011		March 31, 2011
North America-US Currency	[1] December 2012	157,230	150,000	USD	$	26,959	$	9,015
North America-CDN Currency	[1] December 2012	387,834	370,000	USD		114,000		135,000
Argentina	[2] Yearly	85,973	366,000	ARS		25,157		23,270
Germany	[3] Yearly	6,986	5,000	EUR		5,686		3,304
United Kingdom	[3] Yearly	11,362	7,000	BPS		663		-
		649,385			$	172,465	$	170,589

[1] Bear monthly interest at rates ranging from 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%.

NOTE 9 LONG-TERM DEBT

		September 30, 2011		March 31, 2011
Unsecured senior notes[1]				
8.41%, issued in November 1999 and due in November 2014 (US$50,000,000)	$	52,410	$	48,480
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
	$	382,410	$	378,480

[1] Interest payments are semi-annual

NOTE 10 SHARE CAPITAL

Share Option Plan

The Company has an equity settled share option plan to allow for the purchase of common shares by key employees and officers of the Company. The total number of common shares which may be issued pursuant to this plan cannot exceed 22,749,130 common shares. As at September 30, 2011, a total of 22,025,440 common shares are issuable under this plan. Options granted prior to July 31, 2007 may be exercised at a price equal to the closing quoted value of the shares on the day preceding the grant date. Options granted thereafter may be exercised at a price not less than the weighted average market price for the five trading days immediately preceding the date of grant. The options vest at 20% per year and expire ten years from the grant date.

Changes in the number of outstanding options are as follows:

	September 30, 2011			September 30, 2010		
	Number of options		**Weighted average exercise price**	Number of options		Weighted average exercise price
Balance, beginning of period	**8,674,238**	**$**	**22.62**	9,413,750	$	20.13
Options granted	**1,244,780**	**$**	**43.22**	1,753,233	$	29.32
Options exercised	**(723,690)**	**$**	**21.49**	(1,254,582)	$	17.75
Options cancelled	**(119,984)**	**$**	**22.76**	(126,978)	$	21.12
Balance, end of period	**9,075,344**	**$**	**25.46**	9,785,423	$	22.07

The exercise price of the options granted in fiscal 2012 is $43.22, which corresponds to the weighted average market price for the five trading days immediately preceding the date of grant ($29.32 in fiscal 2011).

The average fair value for the options granted in fiscal 2012 was estimated at $8.96 per option ($6.28 in fiscal 2011), using the Black-Scholes option pricing model with the following assumptions:

	September 30, 2011	March 31, 2011
Weighted average:		
Risk-free interest rate	**2.65%**	2.70%
Expected life of options	**5 years**	5 years
Volatility	**21.66%**	23.96%
Dividend rate	**1.24%**	1.70%

The volatility percentage is calculated on historical share prices over the average expected life of each instalment which has an overall average life of five years.

A compensation expense of $2,314,000 ($2,048,000 net of taxes) and $4,454,000 ($3,944,000 net of taxes) relating to stock options was recorded in the statement of earnings for the three- and six-month periods ended September 30, 2011, respectively. A compensation expense of $2,064,000 ($1,854,000 net of taxes) and $4,079,000 ($3,660,000 net of taxes) was recorded for the three- and six-month periods ended September 30, 2010, respectively.

NOTE 11 EARNINGS PER SHARE

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2011	2010	**2011**	2010
Net earnings	**$ 127,080**	$ 125,803	**$ 253,646**	$ 237,521
Weighted average number of common shares outstanding	**202,764,706**	207,121,998	**203,307,448**	207,392,139
Dilutive options	**3,618,019**	3,020,088	**3,868,083**	2,399,282
Weighted average diluted number of common shares outstanding	**206,382,725**	210,142,086	**207,175,531**	209,791,421
Basic earnings per share	**$ 0.63**	$ 0.60	**$ 1.25**	$ 1.14
Diluted earnings per share	**$ 0.61**	$ 0.60	**$ 1.22**	$ 1.13

When calculating diluted earnings per share for the three- and six-month periods ended September 30, 2011, 1,230,855 options (no options for the three- and six-month periods ended September 30, 2010) were excluded from the calculation because their exercise price is higher than the average market value for the period.

Shares purchased under the normal course issuer bid were excluded from the calculation of earnings per share as of the date of purchase.

NOTE 12 EMPLOYEE PENSIONS AND OTHER BENEFIT PLANS

The Company provides defined 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 discount 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 September 30		For the six-month periods ended September 30	
	2011	2010	**2011**	2010
Defined benefit pension plan expense	**$ 627**	$ 903	**$ 1,254**	$ 1,806
Defined contribution pension plan expense	**4,589**	4,560	**9,215**	8,849
Other benefit plan expenses	**141**	146	**282**	292
	$ 5,357	$ 5,609	**$ 10,751**	$ 10,947

NOTE 13 SEGMENTED INFORMATION

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2011	2010	**2011**	2010
Revenues[1]				
Dairy Products				
CEA	**$ 1,032,521**	$ 993,839	**$ 2,002,689**	$ 1,920,828
USA	**723,728**	519,065	**1,360,257**	993,379
	1,756,249	1,512,904	**3,362,946**	2,914,207
Grocery Products	**35,158**	37,837	**67,456**	72,682
	$ 1,791,407	$ 1,550,741	**$ 3,430,402**	$ 2,986,889
Earnings before interest, depreciation amortization and income taxes				
Dairy Products				
CEA	**$ 135,749**	$ 132,818	**$ 261,084**	$ 254,967
USA	**74,437**	73,881	**155,283**	138,842
	210,186	206,699	**416,367**	393,809
Grocery Products	**2,881**	4,663	**6,328**	8,867
	$ 213,067	$ 211,362	**$ 422,695**	$ 402,676
Depreciation and amortization				
Dairy Products				
CEA	**$ 13,126**	$ 12,987	**$ 25,980**	$ 25,958
USA	**10,436**	12,132	**20,817**	24,122
	23,562	25,119	**46,797**	50,080
Grocery Products	**1,410**	1,386	**2,784**	2,772
	$ 24,972	$ 26,505	**$ 49,581**	$ 52,852
Operating income				
Dairy Products				
CEA	**$ 122,623**	$ 119,831	**$ 235,104**	$ 229,009
USA	**64,001**	61,749	**134,466**	114,720
	186,624	181,580	**369,570**	343,729
Grocery Products	**1,471**	3,277	**3,544**	6,095
	$ 188,095	$ 184,857	**$ 373,114**	$ 349,824
Interest and other financial charges	**8,544**	5,477	**14,810**	12,096
Earnings before income taxes	**179,551**	179,380	**358,304**	337,728
Income taxes	**52,471**	53,577	**104,658**	100,207
Net earnings	**$ 127,080**	$ 125,803	**$ 253,646**	$ 237,521

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

NOTE 14 OTHER FINANCIAL CHARGES

	For the three-month period ended September 30		For the six-month period ended September 30	
	2011	2010	**2011**	2010
Finance costs	**$ 528**	$ 218	**$ 1,165**	$ 1,116
Finance income	**(35)**	(587)	**(125)**	(668)
Unrealized loss on a foreign currency denominated intercompany advance	**2,260**	-	**2,260**	-
	$ 2,753	$ (369)	**$ 3,300**	$ 448

NOTE 15 DIVIDENDS

During the six-month period ended September 30, 2011, the Company paid dividends totalling $71,039,528, or $0.38 per share ($63,342,904, or $0.32 per share for the six-month period ended September 30, 2010).

NOTE 16 TRANSITION TO IFRS

The Company's financial statements for the three- and six-month periods ended September 30, 2011 have been prepared under IFRS, applying the requirements of IAS 34, Interim Financial Reporting. The accounting policies described in Note 3 of the Company's first quarter condensed interim financial statements ("financial statements") dated June 30, 2011 have been applied consistently to both current and prior periods, except for the obligatory exceptions and exemptions permitted by IFRS 1, which are detailed in Note 18 of its first quarter financial statements.

RECONCILIATION OF CGAAP TO IFRS

IFRS 1 requires an entity to explain the impact of the transition from CGAAP to IFRS on the entity's financial position, total comprehensive income and cash flows for the opening IFRS balance sheet (April 1, 2010), the current comparative period (September 30, 2010) and the comparative year end (March 31, 2011). Please refer to Note 18 of the Company's first quarter IFRS financial statements for reconciliations of required balances on April 1, 2010 and March 31, 2011. The following information provides a reconciliation of CGAAP to IFRS for the three- (where required) and six-month periods ended September 30, 2010:

RECONCILIATION OF CONSOLIDATED SHAREHOLDERS' EQUITY

	Ref.	**September 30, 2010**
Shareholders' equity - CGAAP		$ 2,171,180
Employee benefit adjustment	1	(89,091)
Deferred income tax expense	2	3,757
25% permanent difference on intangibles	2	(16,376)
Property, plant and equipment - componentization	3	54,365
Currency translation adjustment	5	(1,241)
Shareholders' equity - IFRS		$ 2,122,594

NOTE 16 TRANSITION TO IFRS (CONT'D)

RECONCILIATION OF CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

	For the three-month period ended September 30, 2010			
	CGAAP	Ref.	Adjustment	IFRS
Revenues	$ 1,550,741		$ -	$ 1,550,741
Operating costs excluding depreciation and amortization	1,339,908	6	(529)	1,339,379
Earnings before interest, depreciation, amortization and income taxes	210,833		529	211,362
Depreciation and amortization	26,218	3	287	26,505
Operating income	184,615		242	184,857
Interest on long-term debt	5,846		-	5,846
Other financial charges	(369)		-	(369)
Earnings before income taxes	179,138		242	179,380
Income taxes	53,656	7	(79)	53,577
Net earnings	$ 125,482		$ 321	$ 125,803
Other comprehensive income (loss):				
Exchange differences arising from foreign currency translation	(36,523)	5	65	(36,458)
Total other comprehensive income (loss)	(36,523)		65	(36,458)
Comprehensive income	$ 88,959		$ 386	$ 89,345

	For the six-month period ended September 30, 2010			
	CGAAP	Ref.	Adjustment	IFRS
Revenues	$ 2,986,889		$ -	$ 2,986,889
Operating costs excluding depreciation and amortization	2,585,271	6	(1,058)	2,584,213
Earnings before interest, depreciation, amortization and income taxes	401,618		1,058	402,676
Depreciation and amortization	52,278	3	574	52,852
Operating income	349,340		484	349,824
Interest on long-term debt	11,648		-	11,648
Other financial charges	448		-	448
Earnings before income taxes	337,244		484	337,728
Income taxes	100,365	7	(158)	100,207
Net earnings	$ 236,879		$ 642	$ 237,521
Other comprehensive income (loss):				
Exchange differences arising from foreign currency translation	9,967	5	(1,241)	8,726
Total other comprehensive income (loss)	9,967		(1,241)	8,726
Comprehensive income	$ 246,846		$ (599)	$ 246,247

NOTE 16 TRANSITION TO IFRS (CONT'D)

RECONCILING NOTES

1. Employee Benefit Adjustment

The Company sponsors both defined benefit pension plans and other benefit plans, in both Canada and the US. At the time of transition, IFRS requires certain adjustments to the Company's April 1, 2010 balance sheet resulting from divergences with CGAAP. Please refer to the Company's first quarter financial statements for a discussion of the divergences between CGAAP and IFRS relating to adjustments for that period.

For the three-month period ended September 30, 2010 the Company recorded a $529,000 ($398,000 net of taxes) decrease in expenses over CGAAP as a result of the application of the differing IFRS pension calculation requirements, principally relating to the Company no longer amortizing unamortized transitional balances, past service costs or actuarial gains or losses. Similarly, for the six-month period ended September 30, 2010, the Company's pension expense decreased by $1,058,000 ($796,000 net of taxes), also due to the calculation differences explained above between CGAAP and IFRS.

The adjustments to retained earnings as a result of the pension divergences relating to April 1, 2010 adjustments and for the three- and six-month periods ending September 30, 2010 are summarized as follows:

		Adjustments
IFRS Adjustments on April 1, 2010 to reduce retained earnings	$	90,149
Pension expense savings for the six-month period ended September 30, 2010 resulting from differing IFRS calculation requirements		(1,058)
Adjustments to September 30, 2010 CGAAP reported balances	$	89,091

2. Deferred Income Taxes

Though no conceptual differences exist in the calculation of deferred income taxes under CGAAP and IFRS, the adjustments found under this caption are the result of differences in the carrying values in other reconciling divergences.

The net deferred income tax liability on September 30, 2010 has been decreased by $24,071,000 to reflect the adjustments made to the employee benefits expense and stock-based compensation as discussed within this note. The net deferred income tax liability on September 30, 2010 has also been increased by $20,536,000 to reflect the adjustments made to depreciation resulting from the implementation of componentization as discussed in reconciling note 3.

Furthermore, under Canadian Income Tax Act requirements, an entity includes 75% of the cost of an intangible asset in the cumulative eligible capital account. Under CGAAP the tax basis for eligible capital expenditures represents the balance in the cumulative eligible capital account plus 25% of the carrying amount. Under IFRS, the tax basis is not increased by 25% of the carrying amount. As a result of this divergence, an adjustment of $16,376,000 was required to decrease equity in order to reconcile the Company's previously reported second quarter condensed interim consolidated shareholders' equity.

The adjustments to the net deferred income tax liability for the period ended September 30, 2010 are summarized as follows:

Deferred income tax liability

	Ref.		September 30, 2010
Pension adjustments	1	$	23,640
Stock-based compensation	8		431
Intangible assets	2		(16,376)
Componentization	3		(20,536)
Deferred income tax liability increase		$	(12,841)

NOTE 16 TRANSITION TO IFRS (CONT'D)

3. Property, Plant and Equipment Componentization

Under IFRS, an entity is required to "componentize" individual items of property, plant and equipment into its various significant parts for purposes of separate depreciation of each significant component using useful lives and amortization methods that are more closely reflective of their respective service potential. Practice under CGAAP, however, has been to depreciate property, plant & equipment according to category only.

Please refer to the Company's June 30, 2011 financial statements for further details on the impact of componentization balances on April 1, 2010 and March 31, 2011.

For the three- and six-month periods ended September 30, 2010, the revised componentization calculation led to an overall increase in depreciation expense of $287,000 ($77,000 net of taxes) and $574,000 ($154,000 net of taxes), respectively.

As a result of the April 1, 2010 opening balance sheet componentization adjustment in the Dairy Products Division (USA), the Company incurred an additional CTA loss of $509,500 and $1,019,000 for the three- and six-month periods ended September 30, 2010, respectively.

The adjustments to property, plant & equipment for the three- and six-month periods ended September 30, 2010 are summarized as follows:

		September 30, 2010
Opening balance sheet adjustments	$	54,939
Depreciation adjustments for the six-month period		(574)
Subtotal - componentization adjustments		54,365
CTA adjustments for the six-month period		(1,019)
Adjustments to CGAAP balances	$	53,346

4. Presentation of Deferred Income Taxes

CGAAP required an entity to present deferred income tax balances into a current and long-term portion. IFRS requires deferred income taxes be presented as long-term and in certain instances permits netting between deferred income tax assets and liabilities. Accordingly, the Company has reclassified all deferred income tax assets and liabilities as long-term.

5. Currency Translation Adjustment (CTA)

As a result of the April 1, 2010 componentization adjustment in the Dairy Products Division (USA) discussed in the Company's first quarter financial statements, an additional CTA loss of $509,500 and $1,019,000 for the three- and six-month periods ended September 30, 2010 was recorded. Please refer to the Company's first quarter financial statements for further information regarding required adjustments on the April 1, 2010.

Furthermore, the deferred income tax adjustment calculated in reconciling note 2 has resulted in a gain in CTA of $575,000 for the three-month period ended September 30, 2010 and an overall loss in CTA of $222,000 for the six-month period ended September 30, 2010.

The adjustments that have impacted CTA are summarized as follows:

		September 30, 2010
Componentization - US opening balance sheet adjustments	$	(1,019)
Deferred income taxes - US balance sheet adjustments		(222)
Total CTA loss	$	(1,241)

NOTE 16 TRANSITION TO IFRS (CONT'D)

6. Operating Costs

The "operating costs" caption replaces CGAAP's caption of "cost of sales, selling and administrative expenses" and has been adjusted as a result of the divergences discussed above as follows:

	Ref.	For the three-month period ended September 30, 2010	For the six-month period ended September 30, 2010
Total decrease to operating costs (pension expense)	1	$ (529)	$ (1,058)

7. Income Taxes

As a result of the IFRS adjustments affecting pension and depreciation expenses discussed within this reconciling note, the tax savings for the three- and six-month periods ended September 30, 2010 are summarized as follows:

	Ref.	For the three-month period ended September 30, 2010	For the six-month period ended September 30, 2010
Tax expense on pension adjustments	1	$ 131	$ 262
Tax recovery on componentization adjustments	3	(210)	(420)
Total tax recovery relating to operating costs		$ (79)	$ (158)

8. Stock-based Compensation

For share options that vest in instalments, IFRS requires the use of the graded vesting method, which requires that each instalment be treated as a separate grant with its own separate fair value and amortized over its corresponding vesting period. CGAAP, however, allows an entity the option of either using the graded vesting method or the straight-line method, which uses a single pool approach and recognizes expenses equally over the expected vesting period. Under CGAAP, the Company was using the straight-line method for its grants that vest over a five year period.

For the three- and six-month periods ended September 30, 2010, the graded vesting method did not result in a material discrepancy with the stock-based compensation expense recorded in the September 30, 2010 and March 31, 2011 financial results prepared under CGAAP and therefore prior reported balances have not been adjusted.

The previously reported weighted average number of common shares outstanding, used to determine the diluted earnings per share for the six-month period ended September 30, 2010, was adjusted from 2,256,633 under CGAAP to 2,399,282 under IFRS. The diluted earnings per share, for the period ending September 30, 2010, were not impacted by this adjustment.

9. Reconciliation of Statement of Cash Flows

Under CGAAP, interest paid and income taxes paid were disclosed as supplemental information in the consolidated statement of cash flows. IFRS, however, requires an entity to present these items separately within the cash flow statement as their own separate line items. Accordingly, the Company has separately presented interest paid and income taxes paid in operating cash flows. The transition to IFRS has not led to any reclassifications between operating, investing or financing activities in comparison to those presented under CGAAP and therefore no reconciliation of the statement of cash flows has been presented.

NOTE 17 COMPARATIVE AMOUNTS

Certain of the prior periods' comparative figures have been reclassified to conform to the current period's presentation.