Saputo

2

Second
Quarter
Fiscal
2014

We are presenting the results for the second quarter of fiscal 2014, which ended on September 30, 2013.

- Net earnings totalled $133.3 million, an increase of $3.6 million or 2.8%.
- Earnings before interest, income taxes, depreciation and amortization (EBITDA) amounted to $240.4 million, an increase of $24.8 million or 11.5%.
- Revenues for the quarter amounted to $2.230 billion, an increase of $484.9 million or 27.8%.
- Basic earnings per share (EPS) was $0.68 and diluted EPS was $0.67 for the quarter, an increase of 3.0%, as compared to basic EPS of $0.66 and diluted EPS of $0.65 for the corresponding quarter last fiscal year.

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

		For the three-month periods ended	
	September 30, 2013	September 30, 2012	June 30, 2013
Revenues	**2,230.3**	1,745.4	2,173.5
EBITDA	**240.4**	215.6	242.1
Net earnings	**133.3**	129.7	136.7
EPS			
Basic	**0.68**	0.66	0.70
Diluted	**0.67**	0.65	0.69

- As of April 1, 2013, the Company realigned its reporting structure consistent with its operating structure and now reports under three geographic sectors: the Canada Sector, the USA Sector and the International Sector. The comparative figures have been reclassified to reflect this new reporting structure.
- The acquisition of Morningstar Foods, LLC (Morningstar Acquisition) on January 3, 2013, renamed Saputo Dairy Foods USA, LLC, contributed to revenues and EBITDA in the USA Sector for the quarter.
- In the USA Sector, the average block market[1] per pound of cheese decreased by US$0.02 compared to the same period last fiscal year, decreasing revenues. Also in the USA Sector, market factors negatively impacted EBITDA.
- The Canada Sector EBITDA increased slightly due to the positive impact of a favourable product mix, offsetting higher costs.
- The International Sector EBITDA increased due to higher prices in the international market.
- The fluctuation of the Canadian dollar versus the US dollar and the Argentinean peso during the quarter had a positive impact on revenues and EBITDA, as compared to the same quarter last fiscal year.
- The Board of Directors approved a dividend of $0.23 per share payable on December 13, 2013 to common shareholders of record on December 3, 2013.

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

	For the six-month periods ended	
	September 30, 2013	September 30, 2012
Revenues	**4,403.9**	3,443.7
EBITDA	**482.5**	418.6
Net earnings	**270.0**	251.5
EPS		
Basic	**1.38**	1.27
Diluted	**1.36**	1.25

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

Management's Discussion and Analysis

The goal of the management report is to analyze the results and the financial position of the Company for the quarter ended September 30, 2013. 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, 2013 and 2012. The Company's condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting as issued by the International Accounting Standards Board. All dollar amounts are in Canadian dollars, unless otherwise indicated. This report takes into account material elements between September 30, 2013 and November 7, 2013, 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, 2013, 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 other things, on Saputo's assumptions, expectations, estimates, objectives, plans and intentions as of the date hereof regarding projected revenues and expenses, the economic, industry, competitive and regulatory environments in which the Company operates or which could affect its activities, its ability to attract and retain customers and consumers, as well as the availability and cost of milk and other raw materials and energy supplies, its operating costs and the pricing of its finished products on the various markets in which it carries on business.

These forward-looking statements include, among others, statements with respect to the Company's short and medium term objectives, outlook, business projects and strategies to achieve those objectives, as well as statements with respect to the Company's beliefs, plans, objectives and expectations. The words "may", "should", "will", "would", "believe", "plan", "expect", "intend", "anticipate", "estimate", "foresee", "objective", "continue", "propose" or "target", or the negative of these terms or variations of them, the use of conditional tense or words and expressions of similar nature, are intended to identify forward-looking statements.

By their nature, forward-looking statements are subject to a number of inherent risks and uncertainties. Actual results could differ materially from the conclusion, forecast or projection stated in such forward-looking statements. As a result, the Company cannot guarantee that any forward-looking statements will materialize. Assumptions, expectations and estimates made in the preparation of forward-looking statements and risks that could cause actual results to differ materially from current expectations are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including the "Risks and Uncertainties" section of the Management's Discussion and Analysis included in the Company's 2013 Annual Report.

Forward-looking statements are based on Management's current estimates, expectations and assumptions, which Management believes are reasonable as of the date hereof, and, accordingly, are subject to changes after such date. You should not place undue importance on forward-looking statements and should not rely upon this information as of any other date.

Except as required under applicable securities legislation, Saputo does not undertake to update or revise these forward-looking statements, whether written or verbal, that may be made from time to time by itself or on its behalf, whether as a result of new information, future events or otherwise.

OPERATING RESULTS

Consolidated revenues for the quarter ended September 30, 2013 amounted to $2.230 billion, an increase of $484.9 million or 27.8% in comparison to $1.745 billion for the corresponding quarter last fiscal year. This increase was mainly due to the inclusion of the revenues derived from the Morningstar Acquisition. Also, higher selling prices in relation to the higher cost of milk in both the Canada and International Sectors, as well as a better product mix in the Canada Sector, contributed to this increase. Lower cheese sales volumes in the USA Sector, as compared to the corresponding quarter last fiscal year, partially offset this increase. The fluctuation of the Canadian dollar versus the US dollar and Argentinean peso increased revenues by approximately $10 million.

For the six-month period ended September 30, 2013, revenues totalled $4.404 billion, an increase of $960.2 million or 27.9% in comparison to $3.444 billion for the corresponding period last fiscal year. The inclusion of revenues derived from the Morningstar Acquisition principally contributed to this increase. Increased sales volumes and higher selling prices in relation to the higher cost of milk in the Canada and International Sectors, as well as a better product mix in the Canada Sector, partially contributed to this increase. Also contributing to this increase was the positive impact of the higher average block market per pound of cheese in the USA Sector, partially offset by lower cheese sales volumes in this sector. The fluctuation of the Canadian dollar increased revenues by approximately $4 million.

Consolidated earnings before interest, income taxes, depreciation and amortization (EBITDA) for the second quarter of fiscal 2014 amounted to $240.4 million, an increase of $24.8 million or 11.5% in comparison to $215.6 million for the same quarter last fiscal year. This increase is mainly explained by EBITDA derived from the Morningstar Acquisition. Selling price increases in the International Sector and a favourable product mix in the Canada Sector also contributed to the increase in EBITDA. Unfavourable market factors and lower cheese sales volumes in the USA Sector partially offset the EBITDA increase. The fluctuation of the Canadian dollar had a favourable impact on EBITDA, as compared to the same period last fiscal year.

For the six-month period ended September 30, 2013, EBITDA totalled $482.5 million, an increase of $63.9 million or 15.3% in comparison to $418.6 million for the corresponding period last fiscal year. This increase is mainly explained by EBITDA derived from the Morningstar Acquisition. Higher selling prices in the International Sector, as well as a favourable product mix in the Canada Sector, also contributed to EBITDA. Unfavourable market factors and lower cheese sales volumes in the USA Sector partially offset this increase. Additionally, in the USA Sector, the decision rendered by the California Department of Food & Agriculture to adopt a temporary price increase for the cost of milk in California, as well as increased operational costs in both Canada and the US, negatively impacted EBITDA, as compared to the corresponding period last fiscal year. The fluctuation of the Canadian dollar increased EBITDA, as compared to the same period last fiscal year.

OTHER CONSOLIDATED RESULTS ITEMS

Depreciation and amortization for the second quarter of fiscal 2014 totalled $35.7 million, an increase of $8.6 million, as compared to $27.1 million for the corresponding period last fiscal year. For the six-month period ended September 30, 2013, depreciation and amortization expense amounted to $70.0 million, an increase of $15.7 million, as compared to $54.3 million for the corresponding period last fiscal year. This increase in depreciation and amortization for both the three and six-month periods is essentially related to the Morningstar Acquisition and also reflects fluctuations in foreign exchange rates between the Canadian and the US dollar.

Net interest expense for the three and six-month periods ended September 30, 2013 increased by $10.1 and $19.0 million, respectively, in comparison to the same period last fiscal year. This increase is mainly attributed to a higher level of debt resulting from the Morningstar Acquisition.

Income taxes for the second quarter of fiscal 2014 totalled $54.8 million, reflecting an effective tax rate of 29.1% compared to 28.8% for the same quarter last fiscal year. Income taxes for the six-month period ended September 30, 2013 totalled $110.6 million, reflecting an income tax rate of 29.1% in comparison to 28.4% 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 $133.3 million for the quarter ended September 30, 2013, compared to $129.7 million for the same quarter last fiscal year. For the six-month period ended September 30, 2013, net earnings totalled $270.0 million, as compared to $251.5 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	**2014**		2013				2012	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	**2,230.3**	2,173.5	2,053.3	1,800.6	1,745.4	1,698.3	1,703.5	1,796.5
EBITDA	**240.4**	242.1	229.7	212.5	215.6	203.0	201.0	207.3
Net earnings	**133.3**	136.7	100.5	130.0	129.7	121.8	(2.6)	129.8
Adjusted net earnings[1]	**133.3**	136.7	129.2	130.0	129.7	121.8	122.4	129.8
EPS								
Basic	**0.68**	0.70	0.51	0.66	0.66	0.61	0.00	0.64
Diluted	**0.67**	0.69	0.51	0.65	0.65	0.60	0.00	0.64
Adjusted EPS[1]								
Basic	**0.68**	0.70	0.65	0.66	0.66	0.61	0.62	0.64
Diluted	**0.67**	0.69	0.65	0.65	0.65	0.60	0.61	0.64

[1] Adjusted net earnings and adjusted earnings per share (basic and diluted) are non-IFRS measures. Refer to the section "Measurement of Results not in Accordance with International Financial Reporting Standards" included on page 7 of the Management's Discussion and Analysis included in the Company's 2013 Annual Report for the definition of these terms.

Consolidated selected factors positively (negatively) affecting EBITDA

(in millions of CDN dollars)

Fiscal years	**2014**		2013			
	Q2	Q1	Q4	Q3	Q2	Q1
Market factors[1 2]	**(17)**	12	5	8	10	(14)
Inventory write-down	**-**	-	-	-	-	(3)
US currency exchange[1]	**4**	1	-	(3)	2	3

[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	
	2013	2012	**2013**	2012
Cash generated from operating activities	**228,229**	218,722	**441,069**	441,341
Net cash generated from operating activities	**182,317**	184,683	**301,907**	329,542
Cash used for investing activities	**(45,375)**	(31,086)	**(96,295)**	(59,506)
Cash used for financing activities	**(128,947)**	(182,478)	**(214,865)**	(270,126)
Increase (decrease) in cash and cash equivalents	**7,995**	(28,881)	**(9,253)**	(90)

For the three-month period ended September 30, 2013, cash generated from **operating activities** amounted to $228.2 million in comparison to $218.7 million for the corresponding quarter last fiscal year, an increase of $9.5 million. For the six-month period ended September 30, 2013, cash generated from operating activities amounted to $441.1 million in comparison to $441.3 million for the corresponding period last fiscal year, a decrease of $0.2 million. Net cash generated from operating activities for the three and six-month periods ended September 30, 2013, amounted to $182.3 million and $301.9 million, respectively, in comparison to $184.7 million and $329.5 million, respectively, for the corresponding periods last fiscal year. These changes are mainly attributable to higher interest and income taxes paid.

Investing activities were mainly comprised of additions to property, plant and equipment in the amount of $47.4 million and $97.5 million for the three and six-month periods ended September 30, 2013, respectively.

Financing activities for the three and six-month periods ended September 30, 2013 consisted, respectively, of an increase in bank loans totalling $48.9 and $72.8 million, the issuance of shares as part of the stock option plan for a cash consideration of $6.4 and $16.2 million, the purchase of share capital totalling $59.8 and $140.0 million in accordance with the Company's normal course issuer bid and the reimbursement of $38.6 and $78.1 million of long-term debt, as well as the payment of $85.8 million in dividends in the second quarter.

Liquidity

(in thousands of CDN dollars, except ratio)

	September 30, 2013	March 31, 2013
Current assets	**1,517,860**	1,512,556
Current liabilities	**1,348,485**	1,226,647
Working capital	**169,375**	285,909
Working capital ratio	**1.13**	1.23

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, 2013	March 31, 2013
Cash and cash equivalents	**35,093**	43,177
Bank loans	**246,689**	181,865
Long-term debt	**1,476,211**	1,548,300
Shareholders' equity	**2,393,415**	2,305,672
Interest-bearing[1] debt-to-equity ratio	**0.71**	0.73
Number of common shares	**194,196,187**	196,619,440
Number of stock options	**9,656,554**	8,375,931

[1] Net of cash and cash equivalents.

As at September 30, 2013, the Company had $35.1 million in cash and cash equivalents and available bank credit facilities of approximately $362 million. See Note 5 to the condensed interim consolidated financial statements for additional information related to bank loans.

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 series is to be determined at the time of their issuance. No preferred shares were outstanding. As at October 31, 2013, 194,165,996 common shares and 9,483,808 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, 2013			March 31, 2013		
	Long-term debt	**Minimum lease**	**Total**	Long-term debt	Minimum lease	Total
Less than 1 year	**264,545**	**23,209**	**287,754**	152,400	21,736	174,136
1-2 years	**204,166**	**15,827**	**219,993**	313,200	16,103	329,303
2-3 years	**370,000**	**11,445**	**381,445**	150,000	12,549	162,549
3-4 years	**637,500**	**8,269**	**645,769**	932,700	8,520	941,220
4-5 years	**-**	**6,473**	**6,473**	-	6,890	6,890
More than 5 years	**-**	**16,857**	**16,857**	-	18,615	18,615
	1,476,211	**82,080**	**1,558,291**	1,548,300	84,413	1,632,713

BALANCE SHEET

With regards to balance sheet items as at September 30, 2013, compared to those as at March 31, 2013, the variances are the result of normal operational fluctuations.

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, risks and uncertainties, as well as sensitivity analysis, we encourage you to consult the discussion provided in the Company's 2013 Annual Report (pages 18 to 24 of the Management's Discussion and Analysis).

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) are responsible for establishing and maintaining disclosure controls and procedures. The Company's disclosure controls and procedures are designed to provide reasonable assurance that material information relating to the Company is made known to Management in a timely manner 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 CEO and the CFO are responsible for establishing and maintaining internal control over financial reporting. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The CEO and the CFO, together with Management, have concluded, after having conducted an evaluation and to the best of their knowledge, that, as of September 30, 2013, 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

Canada Sector

(in millions of CDN dollars)

Fiscal years	2014		2013			
	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	**920.5**	896.0	856.0	937.9	892.2	891.9
EBITDA	**116.7**	115.7	119.1	123.4	116.2	118.0

The Canada Sector includes the Dairy Division (Canada) and the Bakery Division. The Bakery Division represents approximately 4% of the Sector's revenues.

Revenues

Revenues for the Canada Sector totalled $920.5 million for the quarter ended September 30, 2013, an increase of $28.3 million, as compared to $892.2 million for the same period last fiscal year. In the Dairy Division (Canada), overall sales volumes were similar to the same quarter of last fiscal year. Cheese, butter and value-added milk sales volumes were slightly higher, while sales volumes of traditional milk and juices were slightly lower. These factors positively affected the product mix, resulting in increased revenues. In addition, higher selling prices in accordance with the higher cost of milk as raw material also contributed to the increase in revenues. Despite a decrease in per capita fluid milk consumption, the Company maintained its leadership position in the market. In the Bakery Division, sales volumes increased slightly.

Since the beginning of the fiscal year, revenues from the Canada Sector amounted to $1.817 billion, an increase of $32.5 million in comparison to $1.784 billion for the same period last fiscal year. This is mainly due to increased selling prices in relation to the higher cost of milk, as well as a favourable product mix in the Dairy Division (Canada), resulting from higher cheese sales volumes offsetting lower butter, value-added milk and juice sales volumes. Sales volumes in the Bakery Division also increased in comparison to the same period last fiscal year.

EBITDA

For the quarter ended September 30, 2013, EBITDA totalled $116.7 million, an increase of $0.5 million or 0.4%, as compared to $116.2 million for the corresponding quarter last fiscal year. In the Dairy Division (Canada), higher manufacturing costs offset a favourable product mix. The Bakery Division EBITDA increased slightly for the quarter, due to lower operational costs, as compared to the same period last fiscal year.

Since the beginning of the fiscal year, EBITDA totalled $232.4 million, a decrease of $1.8 million or 0.8%, as compared to $234.2 million for the corresponding period last fiscal year. A favourable product mix in Canada was offset by higher manufacturing costs. Increased sales volumes and lower operational costs in the Bakery Division contributed slightly to EBITDA in comparison to the same period last fiscal year.

USA Sector

(in millions of CDN dollars)

Fiscal years	2014		2013			
	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	**1,078.6**	1,053.3	971.3	663.5	632.7	581.5
EBITDA	**107.9**	112.6	103.1	80.8	89.1	70.8

Selected factors positively (negatively) affecting EBITDA

(in millions of CDN dollars)

Fiscal years	2014		2013			
	Q2	Q1	Q4	Q3	Q2	Q1
Market factors[1 2]	**(17)**	12	5	8	10	(14)
US currency exchange[1]	**4**	1	-	(3)	2	3

[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	2014		2013			
	Q2	Q1	Q4	Q3	Q2	Q1
Average block market per pound of cheese	**1.735**	1.779	1.668	1.955	1.750	1.539
Closing block price[1] per pound of cheese	**1.765**	1.638	1.693	1.760	2.075	1.650
Average w hey market price[2] per pound	**0.580**	0.580	0.580	0.620	0.550	0.500
Spread[3]	**0.041**	0.046	0.017	0.028	0.060	0.072
US average exchange rate to Canadian dollar[4]	**1.039**	1.023	1.009	0.991	0.995	1.010

[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.

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

Revenues

Revenues for the USA Sector totalled $1.079 billion for the quarter ended September 30, 2013, an increase of $445.9 million, as compared to $632.7 million for the corresponding quarter last fiscal year. This increase was mainly due to the inclusion of revenues derived from the Morningstar Acquisition. Cheese sales volumes decreased mainly in the foodservice and industrial segments during the quarter due to a highly competitive market, which decreased revenues as compared to the corresponding quarter last fiscal year. A lower average block market per pound of cheese of US$1.73 in the second quarter of fiscal 2014, as compared to US$1.75 for the corresponding quarter last fiscal year, decreased revenues by approximately $3 million. The weakening of the Canadian dollar increased revenues by approximately $26 million.

Since the beginning of the fiscal year, revenues totalled $2.132 billion, an increase of $917.7 million in comparison to $1.214 billion for the same period last fiscal year. This increase is mainly due to the inclusion of revenues derived from the Morningstar Acquisition. In addition, a higher average block market per pound of cheese for the first six months of fiscal 2014, as compared to the same period last fiscal year, increased revenues by approximately $48 million. Lower cheese sales volumes partially offset this increase. The weakening of the Canadian dollar increased revenues by approximately $34 million.

EBITDA

For the quarter ended September 30, 2013, EBITDA totalled $107.9 million, an increase of $18.8 million or 21.1% in comparison to $89.1 million for the same quarter last fiscal year. This increase was mainly due to the inclusion of the Morningstar Acquisition. The average block market per pound of cheese was US$1.73 for the quarter, US$0.02 lower as compared to the same quarter last fiscal year, resulting in an unfavourable impact on the absorption of fixed costs. The relationship between the average block market per pound of cheese and the cost of milk as raw material was less favourable in comparison to the same period last fiscal year. During the quarter, the block price opened at US$1.64 and closed at US$1.77, an increase of US$0.13, compared to opening at US$1.65 and closing at US$2.08, an increase of US$0.43, for last fiscal year. This net difference in the quarter versus the same quarter last fiscal year had an unfavourable impact on the realization of inventories. These market factors combined had a negative impact of approximately $17 million on EBITDA. Also, during the quarter, EBITDA was negatively affected by lower cheese sales volumes, increased fuel and other operational costs, and higher milk costs resulting from the temporary revised milk pricing formula in California, partially offset by better efficiencies. The weakening of the Canadian dollar versus the US dollar had a positive impact on EBITDA of approximately $4 million.

Since the beginning of the fiscal year, EBITDA totalled $220.5 million, an increase of $60.6 million in comparison to $159.9 million for the corresponding period last fiscal year. This increase was mainly due to the inclusion of the Morningstar Acquisition. Lower cheese sales volumes, increased fuel, promotional and other operational costs in addition to the negative impact of higher milk costs resulting from the revised milk pricing formula in California, negatively impacted EBITDA, offsetting better efficiencies, as compared to the same period last fiscal year. Market factors decreased EBITDA by approximately $5 million for the six-month period ended September 30, 2013. The strengthening of the Canadian dollar versus the US dollar had a positive impact on EBITDA of approximately $5 million.

International Sector

(in millions of CDN dollars)

Fiscal years	**2014**		2013			
	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	**231.2**	224.2	226.0	199.3	220.5	225.0
EBITDA	**15.8**	13.8	7.5	8.3	10.3	14.2

Selected factors positively (negatively) affecting EBITDA

(in millions of CDN dollars)

Fiscal years	**2014**		2013			
	Q2	Q1	Q4	Q3	Q2	Q1
Inventory write-down	**-**	**-**	-	-	-	(3)

The International Sector includes the Dairy Division (Argentina) and the Dairy Ingredients Division. The Dairy Ingredients Division includes national and export ingredients sales, as well as cheese exports from the North American divisions. The Dairy Division (Europe) ceased operations in the first quarter of fiscal 2014, as announced in late fiscal 2013, and its results are included in the comparative figures.

Revenues

Revenues for the International Sector totalled $231.2 million for the quarter, a $10.7 million increase compared to the same quarter last fiscal year. Revenues from the Dairy Division (Argentina) increased due to higher selling prices relating to the higher cost of raw milk, as well as increased sales volumes. The Dairy Ingredients Division revenues decreased, as compared to the corresponding quarter last fiscal year, due to lower sales volumes, which offset a favourable product mix. Additionally, revenues in the Sector decreased by approximately $16 million due to the closure of the European operations. The strengthening of the Canadian dollar versus the Argentinean peso negatively impacted revenues by approximately $16 million, as compared to the same quarter last fiscal year.

Since the beginning of the fiscal year, revenues totalled $455.4 million, an increase of $9.9 million in comparison to $445.5 million for the same period last fiscal year. Revenues from the Dairy Division (Argentina) increased due to higher selling prices relating to the higher cost of raw milk, as well as increased sales volumes. The Dairy Ingredients Division revenues decreased as compared to the corresponding period last fiscal year, primarily due to lower sales volumes and a decrease in selling prices in the international market. Additionally, revenues in the Sector were reduced by approximately $25 million due to the closure of the European operations. The strengthening of the Canadian dollar versus the Argentinean peso negatively impacted revenues by approximately $30 million, as compared to the same period last fiscal year.

EBITDA

EBITDA for the International Sector amounted to $15.8 million, a $5.5 million increase compared to the same quarter last fiscal year. EBITDA of the Dairy Division (Argentina) increased, as compared to the corresponding quarter last fiscal year, mainly due to higher selling prices in the export market. EBITDA for the Dairy Ingredients Division decreased slightly, as compared to the corresponding quarter last fiscal year, primarily due to lower selling prices in the international market and an increase in operating costs.

Since the beginning of the fiscal year, EBITDA amounted to $29.6 million, a $5.0 million increase compared to the same period last fiscal year. EBITDA of the Dairy Division (Argentina) increased, as compared to the corresponding period last fiscal year, mainly due to higher selling prices in the export market and an increase in sales volumes. Included in EBITDA of last fiscal year was a $2.5 million inventory write-down, relating to a drop in selling prices towards the end of the first quarter of last fiscal year. EBITDA for the Dairy Ingredients Division remained stable, as compared to the same period last fiscal year, with higher sales volumes offsetting lower selling prices in the international market and increased operating costs.

OUTLOOK

The Dairy Division (Canada) continues to seek volume growth in the cheese and fluid milk categories, including the value-added milk category, which offers high potential for growth. The division will pursue investments in product categories, such as specialty cheeses, with the intention to maximize exposure across Canada using its coast-to-coast distribution capabilities. The property, plant and equipment investments in certain of our Canadian facilities, announced in March 2013 as part of the fiscal 2014 plant consolidation initiative, is also moving along as planned. In addition, the Company will continue to focus on increasing sales volumes in the snack-cake category, mainly through the development of sales in the US market. On October 18, 2013, Canada and the European Union jointly announced they had reached an agreement in principle in respect of the Comprehensive Economic Trade Agreement (CETA). The parties will now seek to conclude the formal text of CETA and seek its ratification, which is expected to take about two years. Thereafter, it is further expected that CETA's implementation will be phased-in over a number of years. Once fully implemented, the annual volume of European-manufactured cheese permitted to enter the Canadian market on a preferential tariff basis will double from the current volume to an estimated 30,000 tonnes.

The USA Sector will continue to integrate the Dairy Foods Division (USA) to seek further improvements, synergies and market opportunities. The Sector will also pursue volume growth and evaluate opportunities in the specialty cheese category. Improved efficiencies in both manufacturing and distribution facilities across the US remain a priority in fiscal 2014. Fluctuations in the dairy market will continue to be monitored and appropriate measures to mitigate operational impacts will be implemented. Mitigating opportunities from the effect of the higher milk costs resulting from amendments to the milk pricing formula in California will continue to be sought. On June 21, 2013, the California Department of Food and Agriculture (CDFA) enacted another temporary change to the milk pricing formula for California milk. This temporary measure was in effect from July 1, 2013 to December 31, 2013. However, on October 22, 2013, the CDFA announced a decision effectively extending this temporary price increase through to June 30, 2014. For the six months leading to the end of the fiscal year, this increase in class 4b milk price is expected to have a negative impact on EBITDA of approximately US$3 million.

The International Sector will continue to face challenges relating to the cost of milk as raw material, while remaining competitive with selling prices in the international market. The Sector anticipates that the price and demand for dairy products in the international market should remain at current levels until the end of fiscal 2014. The expansion project to gradually increase manufacturing capacity in the Dairy Division (Argentina) is proceeding as planned. The Sector will also continue to focus on improving overall efficiencies.

On October 7, 2013, the Company announced a takeover bid for the Australian dairy company Warrnambool Cheese and Butter Factory Company Holdings Limited (Warrnambool). The directors of Warrnambool have unanimously recommended that Warrnambool shareholders accept the Company's offer in the absence of a superior proposal. The offer was launched on October 30, 2013 and is subject to a limited number of conditions (including foreign investment approval and a minimum tender condition of greater than 50%). Based on the current issued share capital of Warrnambool, the purchase price for 100% of the shares of Warrrnambool would be approximately $444 million and will be funded by the Company's new $500 million three year term bank loan. See Note 12 to the condensed interim consolidated financial statements. There can be no assurance that the Company's offer will be successful, either in whole or in part, as Warrnambool is also the subject of other non-solicited takeover offers and proposals.

The Company has the intention to purchase by way of a normal course issuer bid (Bid), for cancellation purposes, up to 9,708,299 Common Shares, which represents approximately 5% of its issued and outstanding Common Shares as of October 31, 2013. A copy of the notice with respect to the Bid may be obtained without charge upon request to the Secretary of the Company. These purchases will be made in accordance with applicable regulations over a 12-month period beginning on November 15, 2013 and ending on November 14, 2014, subject to regulatory approval. The consideration that the Company will pay for any Common Shares acquired by it on the open market under the Bid will be in cash at the market price of such shares at the time of acquisition. Purchases made by way of private agreements under the Bid would be at a discount to the prevailing market price of the Common Shares at the time of the acquisition, as provided in the relevant exemption order. 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, under appropriate circumstances, be a responsible investment of funds on hand.

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

(signed) Lino Saputo
Lino Saputo
Chairman of the Board

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

November 7, 2013

NOTICE
The condensed interim consolidated financial statements of Saputo Inc. for the three and six-month periods ended September 30, 2013 and 2012 have not been reviewed by an independent 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	
	2013	2012	**2013**	2012
Revenues	**$ 2,230,326**	$ 1,745,372	**$ 4,403,860**	$ 3,443,707
Operating costs excluding depreciation and amortization (Note 4)	**1,989,938**	1,529,757	**3,921,376**	3,025,079
Earnings before interest, depreciation, amortization and income taxes	**240,388**	215,615	**482,484**	418,628
Depreciation and amortization	**35,700**	27,083	**69,978**	54,310
Interest on long-term debt	**12,978**	5,820	**25,891**	11,576
Other financial charges (Note 9)	**3,583**	672	**5,963**	1,273
Earnings before income taxes	**188,127**	182,040	**380,652**	351,469
Income taxes	**54,830**	52,386	**110,607**	99,991
Net earnings	**$ 133,297**	$ 129,654	**$ 270,045**	$ 251,478
Earnings per share (Note 8)				
Net earnings				
Basic	**$ 0.68**	$ 0.66	**$ 1.38**	$ 1.27
Diluted	**$ 0.67**	$ 0.65	**$ 1.36**	$ 1.25

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	
	2013	2012	**2013**	2012
Net earnings	**$ 133,297**	$ 129,654	**$ 270,045**	$ 251,478
Other comprehensive income (loss):				
Items that may be reclassified to net earnings:				
Exchange differences arising from foreign currency translation	**(61,360)**	(55,253)	**18,486**	(30,744)
Unrealized (loss) gain on cash flow hedges[1] (Note 10)	**(1,719)**	-	**5,392**	-
Other comprehensive income (loss)	**(63,079)**	(55,253)	**23,878**	(30,744)
Comprehensive income	**$ 70,218**	$ 74,401	**$ 293,923**	$ 220,734

[1] Net of income taxes (recovery) of $(597) and $1,874 for the three and six-month periods ended September 30, 2013, respectively (2012 - nil).

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

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

For the six-month period ended September 30, 2013	Share capital		Reserves					
	Common Shares (in thousands)	Amount	Foreign Currency Translation	Cash Flow Hedges	Stock Option Plan	Total Reserves	Retained Earnings	Total Shareholders' Equity
Balance, beginning of period	**196,619**	**$ 663,275**	**$ (5,730)**	**$ (3,660)**	**$ 47,439**	**$ 38,049**	**$ 1,604,348**	**$ 2,305,672**
Net earnings	**-**	**-**	**-**	**-**	**-**	**-**	**270,045**	**270,045**
Other comprehensive income (loss)	**-**	**-**	**18,486**	**5,392**	**-**	**23,878**	**-**	**23,878**
Comprehensive income								**293,923**
Dividends declared	**-**	**-**	**-**	**-**	**-**	**-**	**(85,820)**	**(85,820)**
Stock option plan (Note 7)	**-**	**-**	**-**	**-**	**7,814**	**7,814**	**-**	**7,814**
Shares issued under stock option plan	**640**	**16,194**	**-**	**-**	**-**	**-**	**-**	**16,194**
Amount transferred from reserves to share capital upon exercise of options	**-**	**3,264**	**-**	**-**	**(3,264)**	**(3,264)**	**-**	**-**
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	**-**	**-**	**-**	**-**	**796**	**796**	**-**	**796**
Shares repurchased and cancelled	**(2,957)**	**(10,124)**	**-**	**-**	**-**	**-**	**(129,866)**	**(139,990)**
Shares repurchased and not cancelled	**(106)**	**(363)**	**-**	**-**	**-**	**-**	**(4,811)**	**(5,174)**
Balance, end of period	**194,196**	**$ 672,246**	**$ 12,756**	**$ 1,732**	**$ 52,785**	**$ 67,273**	**$ 1,653,896**	**$ 2,393,415**

For the six-month period ended September 30, 2012	Share capital		Reserves					
	Common Shares (in thousands)	Amount	Foreign Currency Translation	Cash Flow Hedges	Stock Option Plan	Total Reserves	Retained Earnings	Total Shareholders' Equity
Balance, beginning of period	199,038	$ 629,606	$ (29,864)	$ -	$ 38,836	$ 8,972	$ 1,467,108	$ 2,105,686
Net earnings	-	-	-	-	-	-	251,478	251,478
Other comprehensive income (loss)	-	-	(30,744)	-	-	(30,744)	-	(30,744)
Comprehensive income								220,734
Dividends declared	-	-	-	-	-	-	(78,959)	(78,959)
Stock option plan (Note 7)	-	-	-	-	6,716	6,716	-	6,716
Shares issued under stock option plan	602	13,137	-	-	-	-	-	13,137
Amount transferred from reserves to share capital upon exercise of options	-	2,847	-	-	(2,847)	(2,847)	-	-
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	-	-	-	-	1,048	1,048	-	1,048
Shares repurchased and cancelled	(2,686)	(8,609)	-	-	-	-	(102,467)	(111,076)
Balance, end of period	196,954	$ 636,981	$ (60,608)	$ -	$ 43,753	$ (16,855)	$ 1,537,160	$ 2,157,286

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

(in thousands of CDN dollars)

As at	September 30, 2013 *(unaudited)*	March 31, 2013 *(audited)*
ASSETS		
Current assets		
Cash and cash equivalents	**$ 35,093**	$ 43,177
Receivables	**605,729**	624,553
Inventories	**802,466**	770,158
Income taxes	**1,625**	2,786
Prepaid expenses and other assets	**72,947**	71,882
	1,517,860	1,512,556
Property, plant and equipment	**1,653,535**	1,617,195
Goodwill	**1,588,119**	1,569,592
Trademarks and other intangibles	**451,049**	454,876
Other assets	**28,776**	29,962
Deferred income taxes	**10,903**	9,459
	$ 5,250,242	$ 5,193,640
LIABILITIES		
Current liabilities		
Bank loans (Note 5)	**$ 246,689**	$ 181,865
Accounts payable and accrued liabilities	**731,823**	748,318
Income taxes	**105,428**	144,064
Current portion of long-term debt (Note 6)	**264,545**	152,400
	1,348,485	1,226,647
Long-term debt (Note 6)	**1,211,666**	1,395,900
Other liabilities	**64,377**	74,101
Deferred income taxes	**232,299**	191,320
	2,856,827	2,887,968
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	**672,246**	663,275
Reserves	**67,273**	38,049
Retained earnings	**1,653,896**	1,604,348
	2,393,415	2,305,672
	$ 5,250,242	$ 5,193,640

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	
	2013	2012	**2013**	2012
Cash flows related to the following activities:				
Operating				
Net earnings	**$ 133,297**	$ 129,654	**$ 270,045**	$ 251,478
Adjustments for:				
Stock-based compensation	**5,332**	4,465	**10,565**	8,771
Interest and other financial charges	**16,561**	6,492	**31,854**	12,849
Income tax expense	**54,830**	52,386	**110,607**	99,991
Depreciation and amortization	**35,700**	27,083	**69,978**	54,310
Gain on disposal of property, plant and equipment	**(361)**	(13)	**(414)**	(22)
Funding of employee plans in excess of costs	**(3,953)**	(3,114)	**(5,263)**	(5,475)
	241,406	216,953	**487,372**	421,902
Changes in non-cash operating working capital items	**(13,177)**	1,769	**(46,303)**	19,439
Cash generated from operating activities	**228,229**	218,722	**441,069**	441,341
Interest and other financial charges paid	**(10,756)**	(602)	**(31,647)**	(12,821)
Income taxes paid	**(35,156)**	(33,437)	**(107,515)**	(98,978)
Net cash generated from operating activities	**182,317**	184,683	**301,907**	329,542
Investing				
Additions to property, plant and equipment	**(47,420)**	(29,583)	**(97,507)**	(59,230)
Proceeds on disposal of property, plant and equipment	**369**	432	**449**	746
Other	**1,676**	(1,935)	**763**	(1,022)
	(45,375)	(31,086)	**(96,295)**	(59,506)
Financing				
Bank loans	**48,929**	(48,423)	**72,830**	(88,142)
Repayment of long-term debt	**(38,636)**	-	**(78,079)**	-
Issuance of share capital	**6,353**	5,320	**16,194**	13,137
Repurchase of share capital	**(59,773)**	(60,416)	**(139,990)**	(116,162)
Dividends	**(85,820)**	(78,959)	**(85,820)**	(78,959)
	(128,947)	(182,478)	**(214,865)**	(270,126)
Increase (decrease) in cash and cash equivalents	**7,995**	(28,881)	**(9,253)**	(90)
Effect of exchange rate changes on cash and cash equivalents	**(438)**	(1,206)	**1,169**	(1,311)
Cash and cash equivalents, beginning of period	**27,536**	172,823	**43,177**	144,137
Cash and cash equivalents, end of period	**$ 35,093**	$ 142,736	**$ 35,093**	$ 142,736

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. (the Company) is a publicly traded company incorporated and domiciled in Canada. The Company's shares are listed on the Toronto Stock Exchange under the symbol "SAP". The Company produces, markets and distributes a wide array of dairy products from Canada, the United States and Argentina as well as bakery products from 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, 2013 comprise the financial results of the Company and its subsidiaries.

The financial statements for the period ended September 30, 2013 have been authorized for issuance by the Board of Directors on November 7, 2013.

NOTE 2 BASIS OF PRESENTATION

The financial statements of the Company have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (IASB). Accordingly, certain disclosure requirements that are necessary in the preparation of an annual report in compliance with International Financial Reporting Standards (IFRS) have been omitted or condensed. The accounting policies and methods of computation applied in these condensed interim consolidated financial statements are the same as those applied by the Company in its consolidated financial statements as at and for the year ended March 31, 2013, except for the impact of the adoption of the new standards, interpretations and amendments described below. These condensed interim consolidated financial statements should be read in conjunction with those audited consolidated financial statements.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

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

IFRS 9, Financial Instruments

The IASB issued IFRS 9 in November 2009 with the long-term goal of replacing IAS 39, Financial Instruments: Recognition and Measurement, effective for annual reporting periods beginning on or after January 1, 2015. The issuance of this IFRS represents the first phase of the long-term project and provides guidance on the classification and measurement of financial assets and liabilities. The Company has not yet determined the impact on the financial statements of the adoption of this revised accounting standard.

IAS 36, Impairment of Assets

In May 2013, the IASB published amendments to IAS 36 no longer requiring the disclosure of the recoverable amounts of each cash generating unit or group of units to which a significant portion of the overall carrying amount of goodwill (or other intangible assets with indefinite useful lives) has been allocated. The IASB clarified that this requirement is only applicable in the event of an impairment loss or reversal of an impairment loss. This amendment is effective for annual reporting periods beginning on or after January 1, 2014 and is not expected to impact the Company's financial statements.

IAS 39, Financial Instruments: Recognition and Measurement

In June 2013, the IASB published amendments to IAS 39 providing relief from the cessation of hedge accounting where derivatives being used in hedging arrangements are novated under certain circumstances. Previously under IAS 39, novation of derivatives resulted in the cessation of hedge accounting. This amendment is applicable retrospectively for annual reporting periods beginning on or after January 1, 2014 and is not expected to impact the Company's financial statements.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

The following standards were adopted by the Company on April 1, 2013:

IFRS 7, Financial Instruments Disclosures and IAS 32, Financial Instruments Presentation
The IASB issued amendments to IFRS 7 and IAS 32 in December 2011 which clarified the requirements for offsetting financial assets and financial liabilities including revised disclosure requirements for financial assets and liabilities that are offset. The effective dates of amendments to IFRS 7 and IAS 32 are for the annual reporting periods beginning on or after January 1, 2013 and January 1, 2014 respectively.

The amendments made under these standards did not affect the Company's financial statements for the period ending September 30, 2013 due to the lack of offsetting arrangements currently undertaken.

IFRS 10, Consolidated Financial Statements
The IASB issued IFRS 10 in May 2011 which replaced portions of IAS 27, Consolidated and Separate Financial Statements. This new standard became effective for annual reporting periods beginning on or after January 1, 2013 and requires retroactive application. IFRS 10 establishes principles for the preparation and presentation of consolidated financial statements and specifically identifies the criteria for the inclusion of another entity into the set of consolidated financial statements by establishing control as the most relevant basis for consolidation.

The adoption of this standard did not impact the Company's financial statement consolidation methods or practices for the period ending September 30, 2013 given that the Company wholly-owns the equity and voting interests of its subsidiaries.

IFRS 12, Disclosure of Interests in Other Entities
The IASB issued IFRS 12 in May 2011 and became effective for annual reporting periods on or after January 1, 2013. This new standard requires an entity to disclose information that enables users of its financial statements to evaluate the nature of, and risks associated with, its interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities along with the effects of those interests on its financial position, financial performance and cash flows.

The adoption of this standard did not impact the Company's September 30, 2013 financial statements.

IFRS 13, Fair Value Measurement
The IASB issued IFRS 13 in May 2011 and became effective for annual reporting periods beginning on or after January 1, 2013. This IFRS defines fair value, sets out in a single IFRS framework for measurement of fair value and requires disclosures regarding fair value measurements.

The adoption of this standard did not impact any of the calculations or methodologies used by the Company to determine fair value for the period ending September 30, 2013.

IAS 1, Presentation of Financial Statements
The IASB amended IAS 1 in June 2011 incorporating revisions reflecting requirements for the presentation of earnings and other comprehensive income within their respective statements. IAS 1 now requires items within other comprehensive income to be classified separately within that statement where they will be subsequently reclassified to the statement of earnings. These revisions became effective for annual reporting periods beginning on or after July 1, 2012.

The adoption of the amendment within this standard has resulted in the statement of comprehensive income being subdivided retrospectively into items that may be reclassified into net earnings and those that will not be.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

IAS 16, Property, Plant and Equipment

The IASB amended IAS 16 in May 2012 effective for annual reporting periods on or after January 1, 2013 requiring the presentation of spare parts, servicing equipment and stand-by equipment as property, plant and equipment when they meet the definition of property, plant and equipment in accordance with IAS 16. In the event they do not meet the definition, they are required to be presented as inventory.

The adoption of the amendments within this standard did not materially impact the Company's September 30, 2013 financial statements.

IAS 19 (Revised), Employee Benefits

The IASB revised IAS 19 in June 2011 in order to require a company to use the same discount rate in both its calculation of the defined benefit obligation and the expected return on plan assets. These amendments also required the inclusion of administrative expenses in current service costs. Disclosure requirements were also amended to require additional disclosures for defined benefit pension plans in order to improve disclosure of risks that are assumed by a company that offers these types of plans. These revisions are effective for annual reporting periods beginning on or after January 1, 2013.

The impact of the adoption of IAS 19 (Revised) did not materially impact the Company's September 30, 2013 financial statements.

NOTE 4 OPERATING COSTS EXCLUDING DEPRECIATION AND AMORTIZATION

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2013	2012	**2013**	2012
Changes in inventories of finished goods and work in progress	**$ 36,977**	$ 31,300	**$ (870)**	$ 35,802
Raw materials and consumables used	**1,536,092**	1,193,169	**3,094,903**	2,368,876
Foreign exchange loss (gain)	**1,110**	(285)	**381**	(818)
Employee benefits expense	**226,393**	177,104	**453,106**	355,851
Selling costs	**63,629**	58,632	**128,945**	123,500
Other general and administrative costs	**125,737**	69,837	**244,911**	141,868
Total operating costs	**$ 1,989,938**	$ 1,529,757	**$ 3,921,376**	$ 3,025,079

NOTE 5 BANK LOANS

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

		Available for use			Amount drawn	
Credit Facilities	Maturity	Canadian Currency Equivalent	Base Currency		**September 30, 2013**	March 31, 2013
North America-US Currency	July 2017[1]	133,939	130,000	USD	**$ 1,716**	$ -
North America-CDN Currency	July 2017[1]	381,211	370,000	USD	**146,353**	116,113
Argentina	Yearly[2]	121,233	683,000	ARS	**94,805**	61,950
Other	Yearly[3]	18,607	13,400	EUR	**3,815**	3,802
		654,990			**$ 246,689**	$ 181,865

1 Bear monthly interest at rates ranging from lender's prime rates plus a maximum of 1.00% or LIBOR or banker's acceptance rate plus 0.85% up to a maximum of 2.00% depending on a financial ratio of the Company.
2 Bear monthly interest at local rates ranging from 4 to 16% 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 6 LONG-TERM DEBT

		September 30, 2013		March 31, 2013
Unsecured bank term loan facility				
Obtained December 2012 and due in December 2016 (US tranche $350,000,000)	$	244,696	$	317,500
Obtained December 2012 and due in December 2016 (CDN tranche $850,000,000)		850,000		850,000
Unsecured senior notes				
8.41%, issued in November 1999 and due in November 2014 (US$50,000,000)		51,515		50,800
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
	$	1,476,211	$	1,548,300
Current portion		264,545		152,400
	$	1,211,666	$	1,395,900

NOTE 7 SHARE CAPITAL

Issued

		September 30, 2013		March 31, 2013
194,196,187 common shares (196,619,440 common shares at March 31, 2013)	$	672,246	$	663,275

Share Option Plan

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

	September 30, 2013			September 30, 2012		
	Number of options		Weighted average exercise price	Number of options		Weighted average exercise price
Balance, beginning of period	8,375,931	$	30.78	8,484,524	$	25.92
Options granted	2,065,269	$	51.10	1,884,991	$	42.96
Options exercised	(640,447)	$	25.29	(602,228)	$	21.81
Options cancelled	(144,199)	$	41.51	(101,724)	$	27.72
Balance, end of period	9,656,554	$	35.33	9,665,563	$	29.48

The exercise price of the options granted in fiscal 2014 is $51.10, which corresponds to the weighted average market price for the five trading days immediately preceding the date of grant ($42.96 in fiscal 2013).

The weighted average fair value of options granted in fiscal 2014 was estimated at $11.53 per option ($10.26 in fiscal 2013), using the Black-Scholes option pricing model with the following assumptions:

	September 30, 2013	March 31, 2013
Weighted average:		
Risk-free interest rate	1.34%	1.63%
Expected life of options	5.5 years	5.5 years
Volatility	26.96%	28.28%
Dividend rate	1.66%	1.76%

A compensation expense of $3,829,000 ($3,258,000 net of taxes) and $7,814,000 ($6,676,000 net of taxes) relating to stock options was recorded in the statement of earnings for the three and six-month periods ended September 30, 2013, respectively. A compensation expense of $3,446,000 ($3,037,000 net of taxes) and $6,716,000 ($5,910,000 net of taxes) was recorded for the three and six-month periods ended September 30, 2012, respectively.

NOTE 8 EARNINGS PER SHARE

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2013	2012	**2013**	2012
Net earnings	**$ 133,297**	$ 129,654	**$ 270,045**	$ 251,478
Weighted average number of common shares outstanding	**195,001,689**	197,449,628	**195,805,253**	198,241,384
Dilutive options	**2,508,002**	2,949,343	**2,660,281**	3,041,645
Weighted average diluted number of common shares outstanding	**197,509,691**	200,398,971	**198,465,534**	201,283,029
Basic earnings per share	**$ 0.68**	$ 0.66	**$ 1.38**	$ 1.27
Diluted earnings per share	**$ 0.67**	$ 0.65	**$ 1.36**	$ 1.25

When calculating diluted earnings per share for the three and six-month periods ended September 30, 2013, 2,021,481 options were excluded from the calculation since their exercise price is higher than the average market value of common shares for the period (3,082,711 options for the three and six-month periods ended September 30, 2012).

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

NOTE 9 OTHER FINANCIAL CHARGES

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2013	2012	**2013**	2012
Finance costs[1]	**$ 3,688**	$ 743	**$ 6,192**	$ 1,523
Finance income[2]	**(105)**	(71)	**(229)**	(250)
	$ 3,583	$ 672	**$ 5,963**	$ 1,273

[1] Includes interest on bank loans, bank charges, and amortization of financing fees.
[2] Includes interest earned on excess cash.

NOTE 10 FINANCIAL INSTRUMENTS

The Company has determined that the fair value of its financial assets and financial liabilities with short-term maturities approximates their carrying value. These financial instruments include cash and cash equivalents, receivables, bank loans, accounts payable and accrued liabilities. The table below shows the fair value and the carrying value of other financial instruments as at September 30, 2013 and March 31, 2013.

	September 30, 2013		March 31, 2013	
	Fair value	**Carrying value**	Fair value	Carrying value
Other assets that meet the definition of a financial asset	**$ 113**	**$ 116**	$ 198	$ 204
Long-term debt	**$ 1,502,728**	**$ 1,476,211**	$ 1,583,380	$ 1,548,300
Derivative swaps designated as cash flow hedges	**$ 2,334**	**$ 2,334**	$ (4,932)	$ (4,932)

NOTE 11 SEGMENTED INFORMATION

As of April 1, 2013, the Company realigned its reporting structure consistent with its operating structure and now reports under three geographic sectors. The Canada Sector includes the Dairy Division (Canada) and the Bakery Division. The USA Sector combines the Cheese Division (USA) and the Dairy Foods Division (USA). Finally, the International Sector combines the Dairy Division (Argentina) and the Dairy Ingredients Division. The Dairy Ingredients Division includes national and export ingredients sales, as well as cheese exports from the North American divisions.

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2013	2012 *(Reclassified)*	**2013**	2012 *(Reclassified)*
Revenues				
Canada	**$ 920,536**	$ 892,206	**$ 1,816,584**	$ 1,784,126
USA	**1,078,570**	632,712	**2,131,891**	1,214,118
International	**231,220**	220,454	**455,385**	445,463
	$ 2,230,326	$ 1,745,372	**$ 4,403,860**	$ 3,443,707
Earnings before interest, depreciation, amortization and income taxes				
Canada	**$ 116,662**	$ 116,195	**$ 232,359**	$ 234,161
USA	**107,943**	89,080	**220,537**	159,940
International	**15,783**	10,340	**29,588**	24,527
	$ 240,388	$ 215,615	**$ 482,484**	$ 418,628
Depreciation and amortization				
Canada	**$ 13,759**	$ 14,167	**$ 26,868**	$ 28,325
USA	**20,733**	11,727	**40,734**	23,559
International	**1,208**	1,189	**2,376**	2,426
	$ 35,700	$ 27,083	**$ 69,978**	$ 54,310
Interest and other financial charges	**16,561**	6,492	**31,854**	12,849
Earnings before income taxes	**188,127**	182,040	**380,652**	351,469
Income taxes	**54,830**	52,386	**110,607**	99,991
Net earnings	**$ 133,297**	$ 129,654	**$ 270,045**	$ 251,478

NOTE 12 SUBSEQUENT EVENTS

On October 7, 2013, the Company announced a takeover bid for the Australian dairy company Warrnambool Cheese and Butter Factory Company Holdings Limited (Warrnambool). The directors of Warrnambool have unanimously recommended that Warrnambool shareholders accept the Company's offer in the absence of a superior proposal. The offer was launched on October 30, 2013 and is subject to a limited number of conditions (including foreign investment approval and a minimum tender condition of greater than 50%). Based on the current issued share capital of Warrnambool, the purchase price for 100% of the shares of Warrrnambool would be approximately $444,000,000 and will be funded by the Company's new $500,000,000 three year term bank loan. There can be no assurance that the Company's offer will be successful, either in whole or in part, as Warrnambool is also the subject of other non-solicited takeover offers and proposals.

A new term bank loan facility was signed on October 17, 2013 and provides up to $500,000,000 to be used for the potential Warrnambool acquisition or for general corporate purposes, and provides for multiple drawdowns until December 31, 2014. The facility is unsecured and bears interest at lenders' prime rates plus a maximum of 1%, or bankers' acceptance rates plus 0.85%, up to a maximum of 2.0%, depending on a financial ratio of the Company. This facility is subject to mandatory quarterly principal repayments of $15,625,000, the first repayment being due March 31, 2014. The ending balance is due upon maturity, which is three years from the first drawdown date.