Saputo

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First Quarter

Fiscal 2015

We are presenting the results for the first quarter of fiscal 2015, which ended on June 30, 2014.

- Net earnings totalled $145.3 million, an increase of $8.6 million or 6.3%.
- Earnings before interest, income taxes, depreciation and amortization (EBITDA) amounted to $268.9 million, an increase of $26.8 million or 11.1%.
- Revenues for the quarter amounted to $2.621 billion, an increase of $447.3 million or 20.6%.
- Basic earnings per share (EPS) was $0.74 and diluted EPS was $0.73 for the quarter as compared to basic EPS of $0.70 and diluted EPS of $0.69 for the corresponding quarter last fiscal year, an increase of 5.7%.

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

(unaudited)	For the three-month periods ended		
	June 30, 2014	June 30, 2013	March 31, 2014
Revenues	**2,620.8**	2,173.5	2,485.9
Adjusted EBITDA[1]	**268.9**	242.1	277.8
Net earnings	**145.3**	136.7	119.8
Adjusted net earnings[1]	**145.3**	136.7	152.8
EPS			
Basic	**0.74**	0.70	0.61
Diluted	**0.73**	0.69	0.61
Adjusted EPS[1]			
Basic	**0.74**	0.70	0.78
Diluted	**0.73**	0.69	0.78

- The acquisition of Warrnambool Cheese & Butter Factory Company Holdings Limited (Warrnambool Acquisition), for which operations have been consolidated since January 21, 2014, contributed to revenues and EBITDA in the International Sector for the full quarter.
- On April 14, 2014, the Company completed the acquisition of the fluid milk activities of Scotsburn Co-Operative Services Limited (Scotsburn Acquisition), which contributed to the revenues and EBITDA of the Canada Sector.
- In the USA Sector, the average block market[2] per pound of cheese increased by US$0.38 and the average butter market[3] price per pound increased by US$0.51 compared to the same period last fiscal year, increasing revenues. Market factors[4] in the USA Sector negatively impacted EBITDA.
- The Canada Sector EBITDA decreased mainly due to higher ingredients and operational costs.
- The International Sector EBITDA increased due to the contribution of the Dairy Division (Australia) and higher selling prices in the export 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 reviewed the dividend policy and increased the quarterly dividend from $0.23 per share to $0.26 per share, representing a 13.0% increase. The quarterly dividend will be payable on September 15, 2014 to common shareholders of record on September 4, 2014.
- The Board of Directors also declared a stock dividend of one common share per each issued and outstanding common share, which has the same effect as a two-for-one stock split of the Company's outstanding common shares. The dividend on the common shares will be paid on September 29, 2014 to shareholders of record as of the close of business on September 19, 2014. The stock dividend is subject to obtaining all necessary regulatory approvals. The additional common shares will be issued on September 29, 2014. The Company's common shares will begin trading on an ex-dividend basis (split basis) on September 30, 2014.

[1] Adjusted EBITDA, 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 6 of the Management's Discussion and Analysis included in the Company's 2014 Annual Report for the definition of these terms.
[2] "Average block market" is the average daily price of a 40 pound block of cheddar traded on the Chicago Mercantile Exchange (CME), used as the base price for cheese.
[3] "Average butter market" is the average daily price for Grade AA Butter traded on the CME, used as base price for butter.
[4] 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, the market pricing impact related to sales of dairy ingredients as well as the impact of the average butter market price related to dairy food product sales.

Management's Discussion and Analysis

The goal of the management report is to analyze the results and the financial position of the Company for the quarter ended June 30, 2014. It should be read while referring to our condensed interim consolidated financial statements and accompanying notes for the three-month periods ended June 30, 2014 and 2013. 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 June 30, 2014 and August 5, 2014, 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, 2014, 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 2014 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 June 30, 2014 amounted to $2.621 billion, an increase of $447.3 million or 20.6% in comparison to $2.174 billion for the corresponding quarter last fiscal year. This increase is due to the inclusion of the Dairy Division (Australia) / Warrnambool Acquisition in the International Sector, which contributed to revenues for a full quarter. Also, a higher average block market per pound of cheese as well as a higher average butter market price in the USA Sector increased revenues as compared to the corresponding quarter last fiscal year. Higher selling prices in relation to the higher cost of milk in the Canada and International sectors, as well as higher sales volumes in the Canada and USA sectors contributed to this increase. The fluctuation of the Canadian dollar versus the US dollar and Argentinean peso increased revenues by approximately $34 million.

Consolidated earnings before interest, income taxes, depreciation and amortization (EBITDA) for the first quarter of fiscal 2015 amounted to $268.9 million, an increase of $26.8 million or 11.1% in comparison to $242.1 million for the same quarter last fiscal year. Included in EBITDA is the contribution of the Dairy Division (Australia) for a full quarter. Higher selling prices in the export market as well as higher sales volumes in Canada were partially offset by higher ingredients and operational costs in both the Canada and International Sectors. Unfavourable market factors in the USA Sector negatively affected EBITDA, and were partially offset by increased sales volumes and a decrease in operational costs. The fluctuation of the Canadian dollar had a favourable impact on EBITDA, as compared to the same period last fiscal year.

OTHER CONSOLIDATED RESULTS ITEMS

Depreciation and amortization for the first quarter of fiscal 2015 totalled $38.9 million, an increase of $4.6 million, as compared to $34.3 million for the corresponding period last fiscal year. This increase is essentially related to the additional depreciation and amortization expense from the Warrnambool Acquisition. It also reflects fluctuations in foreign exchange rates between the Canadian and the US dollar.

Net interest expense for the three-month period ended June 30, 2014 increased by $4.2 million in comparison to the same period last fiscal year. This increase is mainly attributed to a higher level of debt resulting from the Warrnambool Acquisition.

Income taxes for the first quarter of fiscal 2015 totalled $65.1 million, reflecting an effective tax rate of 30.9% compared to 29.0% for the same quarter 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 $145.3 million for the quarter ended June 30, 2014, compared to $136.7 million for the same quarter 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	2015	2014				2013		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	**2,620.8**	2,485.9	2,343.2	2,230.3	2,173.5	2,053.3	1,800.6	1,745.4
Adjusted EBITDA[1]	**268.9**	277.8	260.0	240.4	242.1	229.7	212.5	215.6
Net earnings	**145.3**	119.8	144.1	133.3	136.7	100.5	130.0	129.7
Adjusted net earnings[1]	**145.3**	152.8	144.1	133.3	136.7	129.2	130.0	129.7
EPS								
Basic	**0.74**	0.61	0.74	0.68	0.70	0.51	0.66	0.66
Diluted	**0.73**	0.61	0.73	0.67	0.69	0.51	0.65	0.65
Adjusted EPS[1]								
Basic	**0.74**	0.78	0.74	0.68	0.70	0.65	0.66	0.66
Diluted	**0.73**	0.78	0.73	0.67	0.69	0.65	0.65	0.65

[1] Adjusted EBITDA, 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 6 of the Management's Discussion and Analysis included in the Company's 2014 Annual Report for the definition of these terms.

Consolidated selected factors positively (negatively) affecting EBITDA

(in millions of CDN dollars)

Fiscal years	2015	2014			
	Q1	Q4	Q3	Q2	Q1
Market factors[1 2]	**(35)**	16	9	(17)	12
US currency exchange[1]	**7**	9	5	4	1

[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, the market pricing impact related to sales of dairy ingredients as well as the impact of the average butter market price related to dairy food product sales.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

(in thousands of CDN dollars)

	For the three-month periods ended June 30	
	2014	2013
Cash generated from operating activities	**184,777**	212,840
Net cash generated from operating activities	**109,789**	119,590
Cash used for investing activities	**(92,951)**	(50,920)
Cash used for financing activities	**(7,849)**	(85,918)
Increase (decrease) in cash and cash equivalents	**8,989**	(17,248)

For the three-month period ended June 30, 2014, cash generated from **operating activities** amounted to $184.8 million in comparison to $212.8 million for the corresponding quarter last fiscal year, a decrease of $28.0 million.

Net cash generated from operating activities for the three-month period ended June 30, 2014, amounted to $109.8 million in comparison to $119.6 million for the corresponding period last fiscal year. This decrease of $9.8 million is due to changes in non-cash operating working capital items of $58.2 million, mainly due to a decrease in accounts payable following the year end. This decrease was offset by an increase in cash flows generated from operating activities before changes in non-cash operating working capital items of $30.1 million and a decrease of $19.5 million in income tax paid.

Investing activities were mainly comprised of $61.1 million disbursed for the acquisition of Scotsburn Co-Operative Services Limited and additions to property, plant and equipment in the amount of $32.4 million for the three-month period ended June 30, 2014.

Financing activities for the three-month period ended June 30, 2014 consisted of an increase of $30.4 million in bank loans, the issuance of shares as part of the stock option plan for a cash consideration of $17.4 million, and the net reimbursement of $55.6 million of long-term debt.

Liquidity

(in thousands of CDN dollars, except ratio)

	June 30, 2014	March 31, 2014
Current assets	**1,864,188**	1,895,846
Current liabilities	**1,570,964**	1,725,094
Working capital	**293,224**	170,752
Working capital ratio	**1.19**	1.10

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)

	June 30, 2014	March 31, 2014
Cash and cash equivalents	**47,966**	39,346
Bank loans	**334,156**	310,066
Long-term debt	**1,725,475**	1,789,294
Total equity	**2,852,074**	2,839,160
Interest-bearing[1] debt-to-equity ratio	**0.71**	0.73
Number of common shares	**195,652,866**	195,068,912
Number of stock options	**9,884,971**	8,448,481

[1] Net of cash and cash equivalents.

As at June 30, 2014, the Company had $48.0 million in cash and cash equivalents and available bank credit facilities of approximately $844 million, of which $334.2 million were drawn. See Notes 5 and 6 to the condensed interim consolidated financial statements for additional information related to bank loans and long-term debt.

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 July 31, 2014, 195,829,556 common shares and 9,656,793 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)

	June 30, 2014			March 31, 2014		
	Long-term debt	**Minimum lease**	**Total**	Long-term debt	Minimum lease	Total
Less than 1 year	**274,225**	**21,202**	**295,427**	393,600	24,558	418,158
1-2 years	**432,500**	**16,578**	**449,078**	213,819	17,395	231,214
2-3 years	**1,018,750**	**11,492**	**1,030,242**	1,181,875	11,755	1,193,630
3-4 years	**-**	**8,959**	**8,959**	-	8,919	8,919
4-5 years	**-**	**6,514**	**6,514**	-	6,816	6,816
More than 5 years	**-**	**15,187**	**15,187**	-	16,494	16,494
	1,725,475	**79,932**	**1,805,407**	1,789,294	85,937	1,875,231

BALANCE SHEET

With regards to balance sheet items as at June 30, 2014, compared to those as at March 31, 2014, 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, future standards, new accounting standards adopted, risks and uncertainties, as well as a sensitivity analysis of interest rate and US currency fluctuations, we encourage you to consult the discussion provided in the Company’s 2014 Annual Report (pages 17 to 25 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 at June 30, 2014, 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	2015	2014			
	Q1	Q4	Q3	Q2	Q1
Revenues	**949.1**	881.4	955.6	920.5	896.0
EBITDA	**113.3**	108.9	116.1	116.7	115.7

The Canada Sector includes the Dairy Division (Canada) and the Bakery Division. The Bakery Division represents less than 5% of the Sector's revenues.

Revenues

Revenues for the Canada Sector totalled $949.1 million for the quarter ended June 30, 2014, an increase of $53.1 million, as compared to $896.0 million for the same period last fiscal year. The inclusion of revenues from the Scotsburn Acquisition since April 14, 2014 increased revenues in the quarter. Also, in the Dairy Division (Canada), higher sales volumes and a favourable product mix increased revenues in comparison to the same quarter last fiscal year. Higher selling prices in accordance with the higher cost of milk as raw material also contributed to this increase.

EBITDA

For the quarter ended June 30, 2014, EBITDA totalled $113.3 million, a decrease of $2.4 million or 2.1%, as compared to $115.7 million for the corresponding quarter last fiscal year. In the Dairy Division (Canada), higher ingredients and operational costs offset the positive contribution of increased sales volumes and a favourable product mix. During the quarter, the Scotsburn Acquisition contributed positively to EBITDA.

USA Sector

(in millions of CDN dollars)

Fiscal years	2015	2014			
	Q1	Q4	Q3	Q2	Q1
Revenues	**1,291.9**	1,220.0	1,138.0	1,078.6	1,053.3
EBITDA	**117.8**	128.1	121.1	107.9	112.6

Selected factors positively (negatively) affecting EBITDA

(in millions of CDN dollars)

Fiscal years	2015	2014			
	Q1	Q4	Q3	Q2	Q1
Market factors[1 2]	**(35)**	16	9	(17)	12
US currency exchange[1]	**7**	9	5	4	1

[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, the market pricing impact related to sales of dairy ingredients as well as the impact of the average butter market price related to dairy food product sales.

Other pertinent information

(in US dollars, except for average exchange rate)

Fiscal years	2015	2014			
	Q1	Q4	Q3	Q2	Q1
Average block market per pound of cheese	**2.161**	2.178	1.836	1.735	1.779
Closing block price[1] per pound of cheese	**2.000**	2.385	2.000	1.765	1.638
Average butter market price per pound	**2.123**	1.832	1.579	1.467	1.610
Closing butter market[2] price per pound	**2.500**	2.000	1.533	1.610	1.428
Average w hey market[3] price per pound	**0.660**	0.620	0.570	0.580	0.580
Spread[4]	**(0.008)**	0.012	0.044	0.041	0.046
US average exchange rate to Canadian dollar[5]	**1.091**	1.104	1.042	1.039	1.023

[1] Closing block price is the price of a 40 pound block of cheddar traded on the Chicago Mercantile Exchange (CME) on the last business day of each quarter.
[2] Closing butter market price is the price for Grade AA Butter traded on the CME, on the last business day of each quarter.
[3] Average whey market price is based on Dairy Market News published information.
[4] Spread is the average block market per pound of cheese less the result of the average cost per hundredweight of Class III and/or Class 4b milk price divided by 10.
[5] Based on 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 $1.292 billion for the quarter ended June 30, 2014, an increase of $238.6 million, as compared to $1.053 billion for the corresponding quarter last fiscal year. A higher average block market per pound of cheese of US$2.16 in the first quarter of fiscal 2015, as compared to US$1.78 for the corresponding quarter last fiscal year, and an average butter market price of US$2.12, as compared to US$1.61 increased revenues by approximately $131 million. Increases in sales volumes and selling prices in both the Cheese Division (USA) and the Dairy Foods Division (USA) during the quarter positively affected revenues as compared to the corresponding quarter last fiscal year. The weakening of the Canadian dollar increased revenues by approximately $70 million.

EBITDA

EBITDA totalled $117.8 million for the quarter ended June 30, 2014, an increase of $5.2 million or 4.6% in comparison to $112.6 million for the same quarter last fiscal year. Higher sales volumes in both the Cheese Division (USA) and the Dairy Foods Division (USA) in addition to pricing initiatives and operational efficiencies increased EBITDA as compared to the same quarter last fiscal year. 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$2.39 and closed at US$2.00, a decrease of US$0.39, compared to opening at US$1.69 and closing at US$1.64, a decrease of US$0.05 for the same period 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. The average block market per pound of cheese was US$2.16 for the quarter, US$0.38 higher as compared to the same quarter last fiscal year, resulting in a favourable impact on the absorption of fixed costs. Also, the higher average butter market price as compared to the corresponding quarter last fiscal year negatively affected EBITDA. These market factors combined had a negative impact of approximately $35 million on EBITDA. The weakening of the Canadian dollar versus the US dollar had a positive impact on EBITDA of approximately $7 million.

International Sector

(in millions of CDN dollars)

Fiscal years	2015	2014			
	Q1	Q4	Q3	Q2	Q1
Revenues	**379.7**	384.5	249.5	231.2	224.2
EBITDA	**37.8**	40.8	22.8	15.8	13.8

The International Sector includes the Dairy Division (Argentina), the Dairy Division (Australia) and the Dairy Ingredients Division. The Dairy Ingredients Division includes national and export ingredients sales from the North American divisions, as well as cheese exports from these same divisions.

Revenues

Revenues for the International Sector totalled $379.7 million for the quarter, an increase of $155.6 million compared to the same quarter last fiscal year. This increase is mainly due to the inclusion of revenues from the Dairy Division (Australia) for the full quarter. Revenues from the Dairy Division (Argentina) increased due to higher selling prices relating to the higher cost of raw milk, as well as increased selling prices in the export market. Sales volumes were slightly lower, decreasing revenues. The Dairy Ingredients Division revenues also increased, as compared to the corresponding quarter last fiscal year, due to increased selling prices in the export market and a favourable product mix. The strengthening of the Canadian dollar versus the Argentinean peso negatively impacted revenues by approximately $36 million, as compared to the same quarter last fiscal year.

EBITDA

EBITDA for the International Sector amounted to $37.8 million, a $24.0 million increase compared to the same quarter last fiscal year. This increase is mainly due to the inclusion of EBITDA from the Dairy Division (Australia) for the full quarter. 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, offsetting increased operating costs for the quarter. EBITDA for the Dairy Ingredients Division was comparable to the corresponding quarter last fiscal year, as it benefitted from a better product mix, offsetting slightly lower volumes.

OUTLOOK

The Dairy Division (Canada) continues to pursue volume growth in commodity and specialty-type cheeses and in the fluid milk category. The Division will seek opportunities in the value-added milk category, which offers growth potential in a category in which the Company is well-positioned. We will pursue investments in product categories such as specialty cheeses, for which the intention is to maximize exposure across Canada, with coast-to-coast distribution capabilities. The Scotsburn Acquisition, completed on April 14, 2014, enables the Dairy Division (Canada) to increase its presence in Atlantic Canada. The Division has integrated systems and processes in the first quarter and will evaluate opportunities and possible synergies in an effort to improve and expand its product offerings to its customers during the rest of fiscal 2015.

During the first quarter of fiscal 2015, the Dairy Division (Canada) closed two facilities, as announced in fiscal 2013 and 2014. These measures are part of the Company's continuing effort to pursue additional efficiencies and decrease costs. Annual after tax savings should be approximately $8 million, of which approximately $6 million should commence in fiscal 2015. Innovation continues to be a priority, enabling us to offer products that meet the needs of today's consumers. Accordingly, we are allocating resources to product innovation allowing us to forge and secure long-term relationships with both customers and consumers. The Division will complete, in the second quarter of fiscal 2015, the project to consolidate distribution activities of the Greater Montreal Area into one distribution center located in Saint-Laurent, Québec. This initiative was announced in fiscal 2013 and is a result of the Company's ongoing evaluation of activities aimed at cost reduction and productivity enhancements. In addition, the Company will continue to focus on increasing sales volumes in the snack-cake category in Canada and to develop sales in the US market.

The Company will continue to move forward with the integration of the Dairy Foods Division (USA) with a primary focus on implementing the Division's processes and systems. The Sector intends to capitalize on this Division's national manufacturing and distribution footprint and benefit from possible synergies. Additionally, in fiscal 2015, we will continue to focus on recuperating lost volumes in the Cheese Division (USA), with cooperative efforts of our International Sector, geared towards growing the export sales market. The Cheese Division (USA) plans to continue to gain distribution and market share for its premium lines of snack cheeses and flavoured blue cheese offerings.

The closure of two plants in the USA Sector in fiscal 2015, announced in March 2014, is in line with the Company's continuing review of operations in order to maximize return on capital and seek additional efficiencies. Annual after tax savings should be approximately $3 million. The Sector will continue to evaluate opportunities to improve efficiencies in both manufacturing and distribution facilities across the US, as well as monitor fluctuations in dairy markets and take appropriate decisions to mitigate the impact on operations. As a result of last fiscal year's capital expenditures at a Midwest facility, we will focus on decreasing operational costs due to increased manufacturing capacity. The Dairy Foods Division (USA) will focus on volume growth by aligning with strong and growing customers and bringing innovative products to market.

The International Sector continues to pursue sales volume growth in existing markets, as well as develop additional international markets from its Argentinean operations for which capacity has increased over the last two years. Also, the Sector will pursue growth of cheese export sales volumes from the Cheese Division (USA). The inclusion of the Dairy Division (Australia) has provided the International Sector an additional platform to seek long-term growth as a dairy player on a global scale. We intend to accelerate growth in Australia, by making necessary capital investments and devoting resources to increase manufacturing capacity, grow milk intake and create new opportunities. The Sector will continue to evaluate overall activities in an effort to improve efficiencies.

Our goal remains to continue to improve overall efficiencies in all sectors 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

August 5, 2014

NOTICE
The condensed interim consolidated financial statements of Saputo Inc. for the three-month periods ended June 30, 2014 and 2013 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 June 30	
	2014	2013
Revenues	**$ 2,620,800**	$ 2,173,534
Operating costs excluding depreciation and amortization (Note 4)	**2,351,908**	1,931,438
Earnings before interest, depreciation, amortization and income taxes	**268,892**	242,096
Depreciation and amortization	**38,947**	34,278
Interest on long-term debt	**14,618**	12,913
Other financial charges (Note 9)	**4,914**	2,380
Earnings before income taxes	**210,413**	192,525
Income taxes	**65,103**	55,777
Net earnings	**$ 145,310**	$ 136,748
Attributable to:		
Shareholders of Saputo Inc.	**$ 144,295**	$ 136,748
Non-controlling interest	**1,015**	-
	$ 145,310	$ 136,748
Earnings per share (Note 8)		
Net earnings		
Basic	**$ 0.74**	$ 0.70
Diluted	**$ 0.73**	$ 0.69

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands of CDN dollars)
(unaudited)

	For the three-month periods ended June 30	
	2014	2013
Net earnings	**$ 145,310**	$ 136,748
Other comprehensive income (loss):		
Items that may be reclassified to net earnings:		
Exchange differences arising from foreign currency translation	**(106,802)**	79,846
Net unrealized gains on cash flow hedges[1] (Note 10)	**280**	7,111
Reclassification of gains on cash flow hedges to net earnings[2]	**(4,004)**	-
Other comprehensive income (loss)	**(110,526)**	86,957
Comprehensive income	**$ 34,784**	$ 223,705
Attributable to:		
Shareholders of Saputo Inc.	**$ 34,253**	$ 223,705
Non-controlling interest	**531**	-
	$ 34,784	$ 223,705

[1]Net of income taxes of $96 (2013 - $2,471).
[2]Net of income taxes recovery of $1,716 (2013 - nil).

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EQUITY

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

For the three-month period ended June 30, 2014

	Share capital		Reserves							
	Common Shares (in thousands)	**Amount**	**Foreign Currency Translation**	**Cash Flow Hegdes**	**Stock Option Plan**	**Total Reserves**	**Retained Earnings**	**Total**	**Non-Controlling Interest**	**Total Equity**
Balance, beginning of period	**195,069**	**$ 703,111**	**$ 183,321**	**$ 1,528**	**$ 57,433**	**$ 242,282**	**$ 1,830,911**	**$ 2,776,304**	**$ 62,856**	**$ 2,839,160**
Net earnings	**-**	**-**	**-**	**-**	**-**	**-**	**144,295**	**144,295**	**1,015**	**145,310**
Other comprehensive income	**-**	**-**	**(106,802)**	**(3,240)**	**-**	**(110,042)**	**-**	**(110,042)**	**(484)**	**(110,526)**
Comprehensive income								**34,253**	**531**	**34,784**
Dividends declared	**-**	**-**	**-**	**-**	**-**	**-**	**(45,015)**	**(45,015)**	**-**	**(45,015)**
Stock option plan (Note 7)	**-**	**-**	**-**	**-**	**4,348**	**4,348**	**-**	**4,348**	**-**	**4,348**
Shares issued under stock option plan	**584**	**17,401**	**-**	**-**	**-**	**-**	**-**	**17,401**	**-**	**17,401**
Amount transferred from reserves to share capital upon exercise of options	**-**	**3,520**	**-**	**-**	**(3,520)**	**(3,520)**	**-**	**-**	**-**	**-**
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	**-**	**-**	**-**	**-**	**1,396**	**1,396**	**-**	**1,396**	**-**	**1,396**
Balance, end of period	**195,653**	**$ 724,032**	**$ 76,519**	**$ (1,712)**	**$ 59,657**	**$ 134,464**	**$ 1,930,191**	**$ 2,788,687**	**$ 63,387**	**$ 2,852,074**

For the three-month period ended June 30, 2013

	Share capital		Reserves							
	Common Shares (in thousands)	Amount	Foreign Currency Translation	Cash Flow Hegdes	Stock Option Plan	Total Reserves	Retained Earnings	Total	Non-Controlling Interest	**Total Equity**
Balance, beginning of period	196,619	$ 663,275	$ (5,730)	$ (3,660)	$ 47,439	$ 38,049	$ 1,604,348	$ 2,305,672	$ -	$ 2,305,672
Net earnings	-	-	-	-	-	-	136,748	136,748	-	136,748
Other comprehensive income	-	-	79,846	7,111	-	86,957	-	86,957	-	86,957
Comprehensive income								223,705	-	223,705
Dividends declared	-	-	-	-	-	-	(41,018)	(41,018)	-	(41,018)
Stock option plan (Note 7)	-	-	-	-	3,985	3,985	-	3,985		3,985
Shares issued under stock option plan	374	9,841	-	-	-	-	-	9,841	-	9,841
Amount transferred from reserves to share capital upon exercise of options	-	1,903	-	-	(1,903)	(1,903)	-	-	-	-
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	-	-	-	-	405	405	-	405	-	405
Shares repurchased and cancelled	(1,700)	(5,810)	-	-	-	-	(74,407)	(80,217)	-	(80,217)
Balance, end of period	195,293	$ 669,209	$ 74,116	$ 3,451	$ 49,926	$ 127,493	$ 1,625,671	$ 2,422,373	$ -	$ 2,422,373

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

(in thousands of CDN dollars)

As at		June 30, 2014 *(unaudited)*		March 31, 2014 *(audited)*
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**47,966**	$	39,346
Receivables		**796,142**		807,409
Inventories		**913,063**		933,232
Income taxes		**28,691**		30,867
Prepaid expenses and other assets		**78,326**		84,992
		1,864,188		1,895,846
Property, plant and equipment		**1,903,251**		1,928,761
Goodwill		**1,927,397**		1,954,691
Trademarks and other intangibles		**488,130**		484,830
Other assets		**80,600**		79,968
Deferred income taxes		**13,075**		12,796
Total assets	**$**	**6,276,641**	$	6,356,892
LIABILITIES				
Current liabilities				
Bank loans (Note 5)	**$**	**334,156**	$	310,066
Accounts payable and accrued liabilities		**800,558**		897,222
Dividends payable		**45,015**		-
Income taxes		**117,010**		124,206
Current portion of long-term debt (Note 6)		**274,225**		393,600
		1,570,964		1,725,094
Long-term debt (Note 6)		**1,451,250**		1,395,694
Other liabilities		**48,621**		48,396
Deferred income taxes		**353,732**		348,548
Total liabilities	**$**	**3,424,567**	$	3,517,732
EQUITY				
Share capital (Note 7)		**724,032**		703,111
Reserves		**134,464**		242,282
Retained earnings		**1,930,191**		1,830,911
Equity attributable to shareholders of Saputo Inc.		**2,788,687**		2,776,304
Non-controlling interest		**63,387**		62,856
Total equity	**$**	**2,852,074**	$	2,839,160
Total liabilities and equity	**$**	**6,276,641**	$	6,356,892

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of CDN dollars)
(unaudited)

	For the three-month periods ended June 30	
	2014	2013
Cash flows related to the following activities:		
Operating		
Net earnings	**$ 145,310**	$ 136,748
Adjustments for:		
Stock-based compensation	**7,649**	5,233
Interest and other financial charges	**19,532**	15,293
Income tax expense	**65,103**	55,777
Depreciation and amortization	**38,947**	34,278
Gain on disposal of property, plant and equipment	**(1,038)**	(53)
Share of joint venture earnings	**(266)**	-
Under(Over)funding of employee plans compared to costs	**829**	(1,310)
	276,066	245,966
Changes in non-cash operating working capital items	**(91,289)**	(33,126)
Cash generated from operating activities	**184,777**	212,840
Interest and other financial charges paid	**(22,093)**	(20,891)
Income taxes paid	**(52,895)**	(72,359)
Net cash generated from operating activities	**109,789**	119,590
Investing		
Business acquisition	**(61,079)**	-
Additions to property, plant and equipment	**(32,448)**	(50,087)
Proceeds on disposal of property, plant and equipment	**1,362**	80
Other	**(786)**	(913)
	(92,951)	(50,920)
Financing		
Bank loans	**30,388**	23,901
Proceeds from issuance of long-term debt	**110,000**	-
Repayment of long-term debt	**(165,638)**	(39,443)
Issuance of share capital	**17,401**	9,841
Repurchase of share capital	**-**	(80,217)
	(7,849)	(85,918)
Increase (decrease) in cash and cash equivalents	**8,989**	(17,248)
Effect of exchange rate changes on cash and cash equivalents	**(369)**	1,607
Cash and cash equivalents, beginning of period	**39,346**	43,177
Cash and cash equivalents, end of period	**$ 47,966**	$ 27,536

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 in Canada, the United States, Argentina and Australia 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 June 30, 2014 comprise the financial results of the Company and its subsidiaries.

The financial statements for the period ended June 30, 2014 have been authorized for issuance by the Board of Directors on August 5, 2014.

NOTE 2 BASIS OF PRESENTATION

The financial statements of the Company have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (IASB). Accordingly, certain disclosure requirements that are necessary in the preparation of an annual report in compliance with International Financial Reporting Standards (IFRS) have been omitted or condensed.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation applied in these 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, 2014, 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 the Company's audited consolidated financial statements.

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

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

IFRS 2, Share-based Payment

The IASB has amended the definitions of market and vesting conditions and added definitions for performance and service conditions. Vesting conditions are now defined as either service conditions or performance conditions. The amendments also clarify certain other requirements for performance, service, market and non-vesting conditions.

These amendments are effective for annual reporting periods beginning on or after July 1, 2014. Management is still evaluating the impact of these requirements but the adjustments, if any, resulting from these amendments are not likely to be material.

IFRS 3, Business Combinations

The IASB amended IFRS 3 to clarify that contingent consideration in a business combination, whether an asset or liability, should continue to be measured at fair value at each reporting date regardless of whether the contingent consideration is considered a financial instrument within the scope of IFRS 9 or IAS 39 and regardless of whether it is considered a non-financial asset or liability (changes in fair value shall be included in net earnings).

These amendments are effective for annual reporting periods beginning on or after July 1, 2014. Management does not believe these amendments will have a material impact on the Company's financial statements.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

IFRS 8, Operating Segments

The IASB amended IFRS 8 to require an entity to disclose the judgements in applying the aggregation criteria found in paragraph 12. The standard now requires a brief description of the operating segments that have been aggregated in the present manner and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.

IFRS 8 has also been amended to clarify that an entity only needs to present a reconciliation between the total reporting segment's assets to the entities' total assets if this information is usually provided to the chief operating decision maker.

These amendments are effective for annual reporting periods beginning on or after July 1, 2014. Management is still analyzing the impact of these amendments but does not expect any significant adjustments to its financial statements.

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. Several amendments have been made to this standard since that date including amendments made in February 2014 relating to hedging requirements.

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

IFRS 13, Fair Value

The IASB amended the basis for conclusion in IFRS 13 to clarify that the issuance of IFRS 13 (and related amendments to IAS 39, Financial Instruments: Recognition and Measurement) does not require discounting of short-term receivables and payables if they are not significant.

This amendment is effective for annual reporting periods beginning on or after July 1, 2014 and is not expected to materially impact the Company's financial statements.

IFRS 15, Revenue from Contracts with Customers

The IASB issued IFRS 15, Revenue from Contracts with Customers with its goal to provide a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. This new standard will supersede current revenue recognition guidance in IAS 18, Revenue, IAS 11, Construction Contracts and IFRIC 13, Customer Loyalty Programmes.

The objective of this standard is to provide a five-step approach to revenue recognition that includes identifying contracts with customers, identifying performance obligations, determining transaction prices, allocating transaction prices to performance obligations and recognizing revenue when performance obligations are satisfied. In certain instances, transfer of assets that are not related to the entity`s ordinary activities will also be required to follow some of the recognition and measurement requirements of the new model. The standard also expands current disclosure requirements.

This standard is effective for annual reporting periods beginning on or after January 1, 2017. Management is currently assessing the impact of the adoption of this standard.

IAS 19, Employee Benefits

IAS 19 has been amended to clarify that employee (or third party) contributions that are independent of the number of years of service can be deducted from the service cost in the period that the service is rendered and not necessarily allocated over periods of service. Other contributions made by employees (or third parties) are to be attributed to the periods of service using the plan's contribution formula or on a straight line basis.

This amendment is effective for annual reporting periods beginning on or after July 1, 2014 and is not expected to impact the Company's financial statements.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

IAS 24, Related Party Transactions

IAS 24 clarifies that a management entity providing key management personnel services to a reporting entity is also considered a related party of the reporting entity. Therefore the amounts paid by the reporting entity in relation to those services must also be included in the amounts disclosed in the related party transactions note. Disclosures of the components of the services provided are not required.

This amendment is effective for annual reporting periods beginning on or after July 1, 2014 and is not expected to impact the Company's financial statements.

IAS 40, Investment Property

The IASB amended this standard to clarify that this standard and IFRS 3, Business Combinations are not mutually exclusive and the application of both standards may be required in the event of an asset acquisition. An entity will need to determine whether the asset acquired meets the definition of investment property while also determining whether the transaction constitutes a business acquisition under IFRS 3.

This amendment is effective for annual reporting periods beginning on or after July 1, 2014 and is not expected to impact the Company's financial statements.

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

The following standards were adopted by the Company on April 1, 2014:

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 intangibles 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 did not impact the Company's financial statements for the three-month period ended June 30, 2014.

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 did not impact the Company's financial statements for the three-month period ended June 30, 2014.

NOTE 4 OPERATING COSTS EXCLUDING DEPRECIATION AND AMORTIZATION

	For the three-month periods ended June 30	
	2014	2013
Changes in inventories of finished goods and work in process	**$ 23,823**	$ (37,847)
Raw materials and consumables used	**1,879,730**	1,558,811
Foreign exchange gain	**(4,053)**	(729)
Employee benefits expense	**253,020**	226,713
Selling costs	**69,126**	65,316
Other general and administrative costs	**130,262**	119,174
Total	**$ 2,351,908**	$ 1,931,438

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		**June 30, 2014**	March 31, 2014
North America-US Currency	July 2019[1]	138,710	130,000	USD	**$ 80,025**	$ 95,073
North America-CDN Currency	July 2019[1]	394,790	370,000	USD	**125,000**	80,285
Argentina	Yearly[2]	184,345	1,404,000	ARS	**71,979**	79,487
Australia	Yearly[3]	125,825	125,000	AUD	**57,152**	55,221
		843,670			**$ 334,156**	$ 310,066

[1] Bears monthly interest at rates ranging from lender's prime rates plus a maximum of 1% or LIBOR or banker's acceptance rate plus 0.85% up to a maximum of 2% depending on a financial ratio of the Company. The term of this facility was extended from July 2017 to July 2019 in April 2014.
[2] Bear monthly interest at local rate and can be drawn in ARS or USD.
[3] Bear monthly interest at local rate and can be drawn in AUD.

NOTE 6 LONG-TERM DEBT

	June 30, 2014	March 31, 2014
Unsecured bank term loan facility		
Obtained October 2013 and due in December 2016 ($500,000,000)[1]	**$ 468,750**	$ 374,375
Obtained December 2012 and due in December 2016 (US tranche $350,000,000)[2]	**133,375**	179,644
Obtained December 2012 and due in December 2016 (CDN tranche $850,000,000)[2]	**850,000**	850,000
Unsecured senior notes[3]		
8.41%, issued in November 1999 and due in November 2014 (US$50,000,000)	**53,350**	55,275
5.34%, issued in June 2009 and due in June 2014	**-**	110,000
5.82%, issued in June 2009 and due in June 2016	**220,000**	220,000
	$ 1,725,475	$ 1,789,294
Current portion	**274,225**	393,600
	$ 1,451,250	$ 1,395,694

[1] Bears monthly interest at rates ranging from lender's prime plus a maximum of 1%, or bankers' acceptance rates plus 0.85% up to a maximum of 2%, depending on a financial ratio of the Company.
[2] Bear monthly interest at rates ranging from lender's prime plus a maximum of 1% or LIBOR or bankers' acceptance rates plus 0.85% up to a maximum of 2%, depending on a financial ratio of the Company. Effective February 4, 2013, the Company entered into an interest rate swap to fix its rate for the total term of the US dollar tranche and for $700,000,000 of the Canadian dollar tranche unsecured bank term loan facility. The effective fixed interest rate is 1.58% (plus applicable spread) for the Canadian dollar tranche and 0.31% (plus applicable spread) on the US dollar tranche.
[3] Interest payments are semi-annual.

NOTE 7 SHARE CAPITAL

Issued

	June 30, 2014	March 31, 2014
195,652,866 common shares (195,068,912 common shares at March 31, 2014)	$ 724,032	$ 703,111

Share Option Plan

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

	June 30, 2014		June 30, 2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of period	8,448,481	$ 36.51	8,375,931	$ 30.78
Options granted	2,062,826	$ 55.48	2,065,269	$ 51.10
Options exercised	(583,954)	$ 29.80	(373,380)	$ 26.36
Options cancelled	(42,382)	$ 37.24	(35,207)	$ 40.93
Balance, end of period	9,884,971	$ 40.82	10,032,613	$ 35.09

The exercise price of the options granted in fiscal 2015 is $55.48, which corresponds to the weighted average market price for the five trading days immediately preceding the date of grant ($51.10 in fiscal 2014).

The weighted average fair value of options granted in fiscal 2015 was estimated at $10.92 per option ($11.53 in fiscal 2014), using the Black-Scholes option pricing model with the following assumptions:

	June 30, 2014	March 31, 2014
Weighted average:		
Risk-free interest rate	1.71%	1.34%
Expected life of options	5.3 years	5.5 years
Volatility	23.43%	26.96%
Dividend rate	1.82%	1.66%

A compensation expense of $4,348,000 ($3,679,000 net of taxes) relating to stock options was recorded in the statement of earnings for the three-month period ended June 30, 2014 and $3,985,000 ($3,418,000 net of taxes) was recorded for the three-month period ended June 30, 2013.

NOTE 8 EARNINGS PER SHARE

	For the three-month periods ended June 30	
	2014	2013
Net earnings attributable to shareholders of Saputo Inc.	$ 144,295	$ 136,748
Weighted average number of common shares outstanding	195,299,609	196,617,647
Dilutive options	2,614,551	2,808,643
Weighted average diluted number of common shares outstanding	197,914,160	199,426,290
Basic earnings per share	$ 0.74	$ 0.70
Diluted earnings per share	$ 0.73	$ 0.69

When calculating diluted earnings per share for the three-month period ended June 30, 2014, no options were excluded from the calculation since their exercise price is lower than the average market value of common shares for the period (2,056,014 options were excluded for the three-month period ended June 30, 2013).

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 June 30	
	2014	2013
Finance costs	**$ 4,987**	$ 2,504
Finance income	**(73)**	(124)
	$ 4,914	$ 2,380

NOTE 10 FINANCIAL INSTRUMENTS

The Company has determined that the fair value of certain of its financial assets and financial liabilities with short-term maturities approximates their carrying value. These financial instruments include cash and cash equivalents, receivables, bank loans, accounts payable and accrued liabilities. The table below shows the fair value and the carrying value of other financial instruments as at June 30, 2014 and March 31, 2014.

		June 30, 2014		March 31, 2014
	Fair value	**Carrying value**	Fair value	Carrying value
Cash flow hedges				
Interest rate swaps (Level 3)	**$ (2,295)**	**$ (2,295)**	$ (2,671)	$ (2,671)
Foreign exchange forward contracts (Level 3)	**-**	**-**	140	140
Derivatives not designated in a formal hedging relationship				
Currency swaps (Level 2)	**$ (1)**	**$ (1)**	$ 3	$ 3
Commodity futures contracts (Level 2)	**2,011**	**2,011**	162	162
Long-term debt (Level 3)	**1,740,794**	**1,725,475**	1,808,190	1,789,294

NOTE 11 SEGMENTED INFORMATION

	For the three-month periods ended June 30	
	2014	2013
Revenues		
Canada	**$ 949,118**	$ 896,048
USA	**1,291,935**	1,053,321
International	**379,747**	224,165
	$ 2,620,800	$ 2,173,534
Earnings before interest, depreciation, amortization and income taxes		
Canada	**$ 113,316**	$ 115,697
USA	**117,771**	112,594
International	**37,805**	13,805
	$ 268,892	$ 242,096
Depreciation and amortization		
Canada	**$ 13,125**	$ 13,109
USA	**21,832**	20,001
International	**3,990**	1,168
	$ 38,947	$ 34,278
Financial charges, net	**19,532**	15,293
Earnings before income taxes	**210,413**	192,525
Income taxes	**65,103**	55,777
Net earnings	**$ 145,310**	$ 136,748

NOTE 12 BUSINESS ACQUISITION

Scotsburn Co-Operative Services Limited
On January 17, 2014, the Company announced that it had entered into an agreement to acquire the fluid milk activities of Scotsburn Co-Operative Services Limited based in Atlantic Canada. The acquisition was finalized on April 14, 2014.

The Scotsburn Fluid Milk Business operates two fluid milk processing facilities located in Sydney, Nova Scotia, and Mount Pearl, Newfoundland and employs an aggregate of approximately 400 people in Atlantic Canada. Its operations consist of manufacturing, selling, marketing, distributing and merchandising of products such as fluid milk, cream, sour cream, ice cream mix and cottage cheese, mainly under the *Scotsburn* brand.

The preliminary allocation of the purchase price is presented below. The final allocation will be completed by March 31, 2015.

		Scotsburn Co-Operative Services Limited	
Assets acquired	Inventories	$	5,132
	Prepaid expenses and other assets		777
	Property, plant and equipment		22,455
	Goodwill		23,651
	Trademarks and other intangibles		14,973
Liabilities assumed	Accounts payable and accrued liabilities		(2,009)
Net assets acquired		$	64,979
Consideration	Cash paid	$	61,079
	Balance payable		3,900
	Total consideration	$	64,979

Goodwill reflects the value assigned to expected future synergies and an assembled workforce.

NOTE 13 STOCK DIVIDEND

On August 5, 2014, the Board of Directors declared a stock dividend of one common share per each issued and outstanding common share, which has the same effect as a two-for-one stock split of the Company's outstanding common shares. The dividend on the common shares will be paid on September 29, 2014 to shareholders of record as of the close of business on September 19, 2014. The stock dividend is subject to obtaining all necessary regulatory approvals. The additional common shares will be issued on September 29, 2014.