Saputo

2014 Annual Report

Cover photo (left to right)

Emma, daughter of Francesco Randazzo, Sales
Lara, daughter of Martin Scuccimari, Environment
Laurence, daughter of Mélanie Jolin, Communications
Justine, daughter of Sandy Vassiadis, Communications

Back cover photo (left to right)

Neziade, daughter of Hamou Atmani, Distribution
Kahlyn, daughter of Ted Lawson, Marketing
Kery Ann, daughter of Onil Lubin, Operations
Sara, daughter of Lionel Ettedgui, Bakery Division

Our
dairy products
fuel your
active life


Saputo
Saputo
Saputo
87

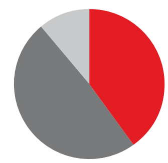
Left to right

Coach: Emanuele, son of Lino A. Saputo, Jr.
Xavier, son of Sandy Vassiadis, Communications
Louis, son of Roxanne Corbin, Communications
Massimo, son of Carl Colizza, Operations
Philippe, son of Roxanne Corbin, Communications
David, son of Carl Colizza, Operations
Manuel, son of Maxime Therrien, Finance
and Administration of Operations

Our dairy products

...

promote vitality

Sector	Number of plants	Number of employees	% of total revenues
Canada Sector	25	5,900	40%
USA Sector	26	5,300	49%
International Sector	4	1,500	11%
Products sold in over 40 countries	**55 plants**	**12,700 employees**	

stimulate growth

Years ended March 31
(in millions of CDN dollars)

	Revenues	**Adjusted EBITDA[2]**	**Adjusted net earnings[3]**	**Net earnings**
2014	**$9,232.9**	**$1,020.3**	**$567.0**	**$534.0**
2013	$7,297.7	$860.8	$510.6	$481.9
2009	$5,793.3	$547.8	$278.9	$278.9
Fiscal 2014	**+26.5%**	**+18.5%**	**+11.0%**	**+10.8%**
Since 2009	**+9.8%** CAGR[1]	**+13.3%** CAGR[1]	**+15.2%** CAGR[1]	**+13.9%** CAGR[1]

Saputo produces, markets, and distributes a wide array of dairy products of the utmost quality, including cheese, fluid milk, extended shelf-life milk and cream products, cultured products and dairy ingredients. Saputo is one of the top ten dairy processors in the world, the largest in Canada, the third largest in Argentina, and the fourth largest in Australia. In the US, Saputo ranks among the top three cheese producers and is one of the largest producers of extended shelf-life and cultured dairy products. Our products are sold in several countries under well-known brand names such as *Saputo*, *Alexis de Portneuf*, *Armstrong*, *Baxter*, *Dairyland*, *Dragone*, *DuVillage 1860*, *Friendship*, *Frigo Cheese Heads*, *Great Midwest*, *King's Choice*, *Kingsey*, *La Paulina*, *Milk2Go*, *Neilson*, *Nutrilait*, *Ricrem*, *Salemville*, *Scotsburn*[4], *Stella*, *Sungold* and *Treasure Cave*. Saputo Inc. is a publicly traded company whose shares are listed on the Toronto Stock Exchange under the symbol "SAP".

(1) CAGR, Compound Annual Growth Rate is defined as the year over year growth rate over a specified amount of time.
(2) Adjusted EBITDA is defined as earnings before interest, income taxes, depreciation, amortization, acquisition, restructuring and other costs. Adjusted EBITDA represents a non-IFRS (International Financial Reporting Standards) measure.
(3) Adjusted net earnings is defined as net earnings prior to the inclusion of acquisition, restructuring, and other costs, net of applicable income taxes, if any. Adjusted net earnings represents a non-IFRS measure. Refer to the "Measurement of Results not in Accordance with IFRS" section of the Company's Management Discussion and Analysis for a reconciliation of net earnings to adjusted net earnings.
(4) Trademark used under licence.

Financial data
(in millions of CDN dollars)

As at March 31, 2014

Adjusted EBITDA[2]	$1,020.3
Net debt	$2,060.0
Equity	$2,839.2

boost the system

Fiscal 2014

Net cash from operations
$656.3

Dividends
$175.3

Net addition to property, plant and equipment
$223.4

Repurchase of share capital
$154.4

Business acquisition
$449.6

Net debt variation
$373.0

Since 2009

Net cash from operations
$2,997.2

Dividends
$732.0

Net addition to property, plant and equipment
$718.6

Repurchase of share capital
$839.4

Business acquisition
$2,209.1

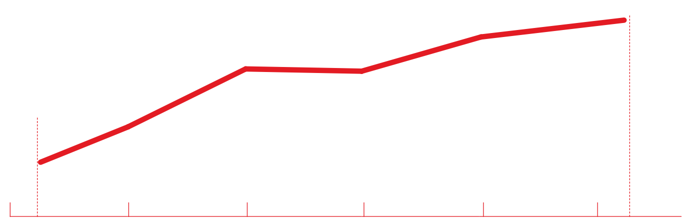
Net debt variation
$1,347.0

provide stamina

Toronto Stock Exchange (SAP)

Fiscal 2014
+8.0%

Since 2009
+21.6% CAGR[1]



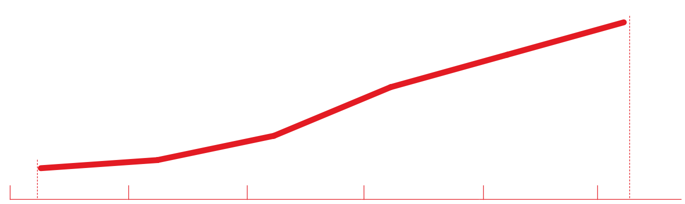
2009	2010	2011	2012	2013	**2014**
$20.94	$29.58	$43.76	$43.21	$51.58	**$55.69**

are worth sharing

Dividend growth

Fiscal 2014
+9.5%

Since 2009
+10.4% CAGR[1]



2009	2010	2011	2012	2013	**2014**
$0.56	$0.58	$0.64	$0.76	$0.84	**$0.92**

Financial Highlights

Years ended March 31 (in thousands of CDN dollars, except per share amounts and ratios)	**2014**	2013	2012
REVENUES			
Canada	**3,653,512**	3,578,083	3,522,801
USA	**4,489,938**	2,849,244	2,541,429
International	**1,089,439**	870,350	866,140
	9,232,889	7,297,677	6,930,370
ADJUSTED EBITDA[1]			
Canada	**457,375**	476,176	471,212
USA	**469,814**	344,256	297,618
International	**93,156**	40,340	62,101
	1,020,345	860,772	830,931
Net earnings	**533,966**	481,921	380,840
Attributable to:			
Shareholders of Saputo Inc.	**533,097**	481,921	380,840
Non-controlling interest	**869**	–	–
	533,966	481,921	380,840
Acquisition costs (net of income taxes of $270 and $3,531 for 2014 and 2013, respectively)	**9,189**	6,115	–
Restructuring costs (net of income taxes of $10,851 and $10,034 for 2014 and 2013, respectively)	**19,888**	22,597	–
Other costs (net of income taxes of $1,534)	**3,931**	–	–
Impairment of goodwill	**–**	–	125,000
Adjusted net earnings[1]	**566,974**	510,633	505,840
Attributable to:			
Shareholders of Saputo Inc.	**566,105**	510,633	505,840
Non-controlling interest	**869**	–	–
	566,974	510,633	505,840
Net cash generated from operations	**656,310**	645,792	522,987
Working capital	**170,752**	285,909	497,023
Total assets	**6,356,892**	5,193,640	3,599,120
Interest bearing debt[2]	**2,060,014**	1,686,988	402,369
Equity	**2,839,160**	2,305,672	2,105,680
PER SHARE			
Adjusted net earnings[1]			
Basic	**2.90**	2.58	2.51
Diluted	**2.87**	2.55	2.47
Net earnings			
Basic	**2.73**	2.44	1.89
Diluted	**2.70**	2.41	1.86
Dividends declared[3]	**0.92**	0.84	0.76
Book value	**14.55**	11.73	10.58
FINANCIAL RATIOS			
Interest bearing debt / Equity	**0.73**	0.73	0.19
Adjusted return on average adjusted equity[4]	**22.0%**	23.2%	24.2%

(1) The terms adjusted EBITDA, adjusted net earnings and adjusted earnings per share (basic and diluted) represent non-IFRS measures. Refer to the "Measurement of Results not in Accordance with IFRS" section of the Company's Management Discussion and Analysis for a reconciliation of net earnings to adjusted net earnings.
(2) Net of cash and cash equivalents.
(3) For the purpose of the Income Tax Act (Canada) and other similar provincial legislation, all dividends paid as of January 1, 2007 and thereafter, are eligible dividends until further notice.
(4) Adjusted return on average equity is defined as adjusted net earnings divided by average total equity.

Message from the Chairman of the Board

Our steady international growth is a testament to our organization's passion, dedication and teamwork.

I am pleased to report another year of growth and success. As our Company grows larger and stronger, I am glad to see our traditional family values continue to fuel Saputo's culture. Our steady international growth in an evolving dairy industry is a testament to the passion, dedication and teamwork that characterize our organization.

Our employees are the main reason behind our continuing success. We have approximately 12,700 employees worldwide, and they come to work each day with the goal of moving our business forward. They think about improvement, growth, quality, safety, social responsibility and much more in our complex business environment. I cannot say enough about the contribution of our employees, who should be proud of taking part in our Company's ongoing development.

Another group deserving of credit is our Board of Directors. Saputo's Board has nine independent directors and two non-independent directors—myself, and the Chief Executive Officer and Vice Chairman. Over the past two years, our Board has been renewed with three new independent directors.

Each director contributes valuable expertise and experience toward a mandate becoming increasingly rigorous in the modern era of corporate governance. Every year, Saputo conducts an assessment of its corporate governance practices against current best practices. Our Board plays a key role in strategic development and I am pleased with the exchanges and dynamic relationship between the Board and our management team. I would like to thank our management team for being responsive and transparent with the Board and its committees, and for working with the Board in a very synergistic way.

I would also like to thank the Board and management for reinforcing a culture of integrity throughout the Company. The Board believes in the importance of good governance practices, as stated in the Management Proxy Circular dated June 5, 2014. For additional information concerning the Company's corporate governance practices and Board nominees, please refer to this document.

The deliberate, thoughtful development of our Company demonstrates the strength of the business. Ever mindful of the best interests of our stakeholders, I look forward to new opportunities and accomplishments for our next fiscal year.

Emanuele (Lino) Saputo, C.M., O.Q., D^{r} h.c.
Chairman of the Board

Board of Directors

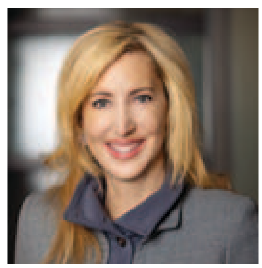
Lino A. Saputo, Jr.
Chief Executive Officer and
Vice Chairman of the Board
Saputo Inc.

Lucien Bouchard
Senior Partner
Davies Ward Phillips
& Vineberg LLP

Pierre Bourgie
President and
Chief Executive Officer
Société Financière Bourgie
(1996) Inc.

Henry E. Demone
CEO
High Liner Foods Inc.

Anthony M. Fata
President
Sager Food Products Inc.



Annalisa King
Senior Vice President and CFO
Best Buy Canada Ltd.

Tony Meti
President
G.D.N.P.
Consulting Services, Inc.

Caterina Monticciolo, CPA, CA
President
Julvest Capital Inc.

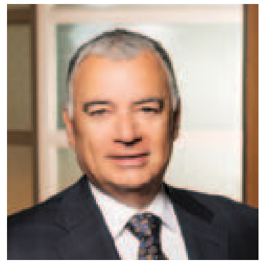
Patricia Saputo, CPA, CA, ICD.D
Chief Financial Officer
Placements Italcan Inc.

Annette Verschuren
Chairman and CEO
NRstor Inc.

Corporate Management

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

Louis-Philippe Carrière
Executive Vice President
Finance and Administration
Saputo Inc.



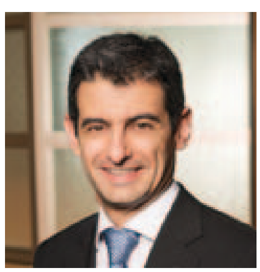
Dino Dello Sbarba
President and
Chief Operating Officer
Saputo Inc.

Gaétane Wagner
Executive Vice President
Human Resources
Saputo Inc.

Kai Bockmann
President and
Chief Operating Officer
Dairy Division (International)

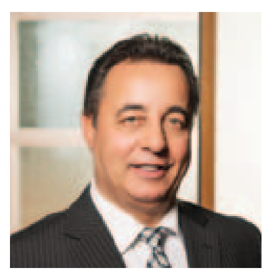
Terry Brockman
President and
Chief Operating Officer
Cheese Division (USA)

Paul Corney
President and
Chief Operating Officer
Dairy Foods Division (USA)



Lionel Ettedgui
President and
Chief Operating Officer
Bakery Division

David Lord
President and
Chief Operating Officer
Dairy Division (Australia)



Lorenzo Spinelli
President and
Chief Operating Officer
Dairy Division (Canada)

Q&A

with our CEO Lino A. Saputo, Jr.

In fiscal year 2014, we continued our growth as a global dairy processor. We acquired two new plants, bringing our worldwide total to 55. Australia has been added to our geographic reach, joining Canada, the US and Argentina. For many years, we have considered Australia to be a prime platform for our strategic development. When an opportunity came to acquire a majority interest in Warrnambool Cheese and Butter Factory Company Holdings Limited ("Warrnambool"), our team worked diligently to secure 88% of the company's outstanding shares. Warrnambool will play a key role in the advancement of our International Sector.

We are also pleased with the acquisition of the fluid milk operations of Scotsburn Co-Operative Services Limited ("Scotsburn"); it will enable us to expand and improve our presence in the Atlantic region. As for the US market, it is still very fragmented, and this provides many opportunities for us. Last year's acquisition of the Dairy Foods Division (USA) gave us a platform for value-added products we are very familiar with as we have been making them in Canada for decades, and until then, were not part of our US product offering. In Argentina, our capital investments have substantially increased our capacity in this growth market, and they serve as a model for reviewing our new Australian platform. Meanwhile, we continue to assess potential acquisitions that can move our business strategy forward.

As we expand our business presence, another aspect of Saputo follows closely behind—our goal to make communities healthier through good nutrition and physical activity. As a good corporate citizen, we pursue environmentally responsible business practices in our facilities and continue to invest in our employees. Much credit for Saputo's success is due to our employees who apply their energy and creativity every day and help our Company reach its potential. In a rapidly growing organization, it takes personal responsibility from each individual to make sure quality, safety, and innovation remain at the forefront of our business. I would like to welcome all new employees who joined us this year, including the employees of Warrnambool and Scotsburn.

Q What did you enjoy most about the Warrnambool bid process?

This acquisition was filled with twists and turns that were exciting, and kept everyone on their toes. Our team came together and rose to the challenge. I had a chance to do what I love most: get to know the Warrnambool employees, suppliers, and shareholders, and let them get to know Saputo. For me, some of the most memorable moments occurred at meetings we held with Warrnambool farmer shareholders.

Q Saputo has a corporate culture that explicitly values the employee. How do you go about instilling this culture in the companies you acquire?

First, let me point out why we have a corporate culture which values employees. We started out as a family business in the dairy products industry where quality was the only path to success. You soon realize no one person can safeguard quality, and a high level of trust must be placed in your employees. As we grow larger, we find this reality does not change. When we acquire a new company, I take part in the integration by personally visiting the facilities. I want to make sure management understands and applies our corporate culture right from the start. Our culture is a key differentiator for us; we know we couldn't experience the same success without appreciating and trusting our employees and providing them with the right training, tools, resources and support.

Q How will you operate Warrnambool?

We will take the best of what we have learned from integrating our acquisitions in Canada, the US and Argentina to guide our operation of Warrnambool. The companies we acquire usually find they can manage more effectively because they gain access to our knowhow, international experience, financial resources and support. Saputo intends to invest in Warrnambool to accelerate its growth, and create new opportunities for the company, its employees and suppliers. We see potential to increase manufacturing capacity, grow milk intake, drive ongoing improvements in operating efficiency, and support innovation and new product development. From an operating standpoint, we have a lot of confidence in the Warrnambool management team. It is a great business with a strong heritage—one that Saputo intends to preserve. Moreover, we will retain and grow current brands while we seek to introduce new product lines.

Q Where do you think the dairy industry will be in ten years?

Patterns of dairy consumption are shifting around the world, but one important development for us will be increasing consumption in emerging economies such as Asia. Growing household wealth will expand the demand for food choices, and we want to play a role in meeting this need by providing affordable products to families. I feel very confident about the future of the dairy industry as a whole.

Q What market challenges do you think the business will face in the coming years?

From the very beginning, Saputo has chosen to focus mainly on the dairy industry and we have come to know it extremely well. That's a real advantage for us. There are many factors each year that can affect the business, but they are usually challenges we have experienced and found ways to overcome in the past. The price of ingredients can vary, for example, or milk quotas and regulations are subject to change. Consumer preferences also shift over longer periods of time. We have found ways to mitigate these risks and apply the necessary innovation, research and development, and capital investment to stay on our growth trajectory.

Q How does Saputo respond to changes in the regulatory environment?

Saputo continues to monitor negotiations touching on trade agreements and regulation of the dairy industry. Canada and the European Union have now agreed in principle on a Comprehensive Economic and Trade Agreement (CETA). When CETA is fully implemented, which could take a few years, the annual volume of European-manufactured cheeses entering Canada could double from the current volume to an estimated 30,000 tonnes. We are also monitoring discussions to create a Trans-Pacific trade partnership.

In California, we are dealing with a regulatory decision to extend a temporary milk price increase through to June 30, 2014. It has raised our short-term costs and put pressure on our pricing. Saputo's response is to reduce, as much as possible, the impact such factors can have on our business by finding and implementing efficiencies throughout our operations.

Q&A

with our CFO Louis-Philippe Carrière

Saputo recorded a solid financial performance for the fiscal year ended March 31, 2014. Our revenues for fiscal year 2014 reached $9.2 billion, up 26.5% from fiscal 2013. Adjusted net earnings totaled $567.0 million compared to $510.6 million last fiscal year. In fiscal year 2014, increases in revenue, EBITDA and net earnings were mainly due to the inclusion of the Dairy Foods Division (USA).

We are delighted with our global market outlook given our recent acquisitions. The highlights of this fiscal year were our market entry into Australia, and the acquisition of new operations in Atlantic Canada announced in fiscal 2014 and completed at the beginning of fiscal 2015. Saputo is able to generate cash flow that can support a wide range of important financial objectives: to invest in fixed assets, continue increasing dividends, grow through acquisitions, and continue to buy back shares.

Q How would you describe the Warrnambool bid?

Saputo has made 23 acquisitions since becoming a public company in 1997, but Warrnambool was the most public acquisition process so far. The entire team worked tirelessly to achieve our objective. Acquisitions by nature are quite complex, but, as always, we remained patient, never got discouraged, and trusted our offer. Ultimately, we won the bid and it brought an exciting new dimension to Saputo's International Sector. We are very satisfied with this accomplishment.

Q Was Warrnambool an expensive acquisition?

In fact, Warrnambool is the most expensive acquisition we have completed based on the multiple of EBITDA we use to measure such deals. However, we don't always look at the expense in absolute terms; we see it in proportion to our expected long-term return on investment and, more importantly, for the potential it adds to our future development strategy. This transaction fits our acquisition strategy well, as it gives us a platform to develop a market for growth in Australia and to explore opportunities in Oceania and Asia. We did pay a premium, which is common in a competitive bid process, but we ensured our offer did not overvalue Warrnambool.

Q When you make an acquisition, what is the time frame you think about for making the new operating unit as profitable as others at Saputo?

The time frame cannot be consistent with each acquisition, because each transaction is different and many factors come into play. We have a lot of experience integrating acquired companies and I think we have become quite good at it. We like to acquire companies that have a solid management team and strong market potential. Within 12 to 24 months, we aim to bring the new unit completely into Saputo's business model.

Q Given the regulatory environment, is there still room to make acquisitions in Canada?

I would say yes, but those opportunities tend to be limited. For example, we found a strategic fit in the fluid milk operations of Scotsburn Co-operative Services. We continue to seek out and evaluate every available opportunity.

Q Could you support more acquisitions in the short term?

Yes, and this is fundamental to our growth strategy. We first allocate necessary funds to capital expenditures. Then we return approximately 30% from our net earnings or adjusted net earnings to shareholders in form of dividends. The remaining cash is essentially directed toward acquisitions. Our current debt sits at about $2.1 billion, and we could add another $3 billion to $3.5 billion.

Q Is returning value to shareholders still part of your plan?

We definitely want our shareholders to participate in Saputo's profits through payment of dividends. We believe it is a way to demonstrate the strength of our financial position to shareholders, and to help maintain their confidence in Saputo. We review our dividend policy once a year, usually in August. At our last review, the Board increased the quarterly dividend from $0.21 to $0.23 per share—an increase of 9.5%.

We have consistently increased our dividends per share each year. We tend to have a dividend payout ratio representing approximately a third of our net earnings or adjusted net earnings. We will also consider repurchasing shares through our normal course issuer bid as a last option for managing the treasury, but only after giving consideration to our debt reimbursement obligations.

Q Where do new acquisitions fit into Saputo's financial reporting structure?

On April 1, 2013, we realigned our reporting structure to be consistent with our operating structure. Since then, we report under three geographic sectors: the Canada Sector, the USA Sector, and the International Sector. On January 21, 2014, when Saputo obtained a controlling interest in Warrnambool, we began consolidating its financials into our International Sector. Scotsburn's financials were consolidated into our Canada Sector as at April 14, 2014.

Q&A

with our COO Dino Dello Sbarba

As our business is becoming larger and more geographically diverse, fiscal 2014 was busy but also fulfilling given the accomplishments we made. Our Morningstar acquisition began reporting as the Dairy Foods Division (USA), and operations continued while integration was underway. We have now begun two new integration processes with Warrnambool in our International Sector and Scotsburn in our Canada Sector, and I look forward to working closely with those teams.

Our Dairy Division (Canada) continues to seek volume growth in the cheese and fluid milk categories, including the value-added milk category that offers high potential for expansion. Canada will also continue to pursue investments in product categories, such as specialty cheeses, taking advantage of our coast-to-coast distribution capabilities. Our sales and marketing teams accomplished a great deal in fiscal 2014 by launching innovative products to capitalize on consumer trends, and by aligning with the operations of certain customers to improve efficiency and increase orders.

The USA Sector has moved ahead with the integration of the Dairy Foods Division (USA), seeking further improvements, synergies, and market opportunities. The Cheese Division (USA) will also seek volume growth and evaluate opportunities in the specialty cheese category.

In the International Sector, the expansion project to gradually increase manufacturing capacity in the Dairy Division (Argentina) is now completed. This Sector will also continue to focus on improving overall efficiencies, and will bring new growth opportunities to our Australian platform.

Q After more than a year since the Morningstar acquisition, can you share some of the integration details?

Right from the start, we focused on implementing the Saputo philosophy: our values, the need for efficiency, and how we go to market. The team at the Dairy Foods Division (USA) performed admirably by continuing to innovate and serve customers while a complex transition was underway. Our initial efforts focused on restoring vital support functions that had been provided by the division's former parent company: functions such as administration, procurement, human resources and others. Information and budget systems had to be migrated from old to new. With the departure of a senior executive during the year, I felt it would be helpful to take on the role of Interim President of the division, and I spent a lot of time in the US to offer support during that period. This acquisition was immediately accretive to earnings, and the new division is performing well. The new President and Chief Operating Officer of the Dairy Foods Division (USA), Paul Corney, was appointed in March 2014. Paul has been a senior manager at the Company for many years. I am confident he will continue the integration of this division and further instil Saputo's core values.

Q What can you tell us about the current world marketplace for dairy products?

The current world market is characterized by high demand, which is an extremely positive long-term trend for our business. Supply needs to catch up with demand, and this can be accomplished by increasing milk intake and production capacity as we have done in Argentina and hope to do at other locations. Now that we are engaging more with world markets, dealing with their price expectations and assimilating them into our formulas for doing business, we need to ensure we maintain a balanced approach to domestic vs. international growth. We need to work closely with our suppliers around the world to secure access to raw materials at prices that leave us competitive with world market prices. This underscores the importance of building solid relationships with our suppliers. Only by working together can we forge a strong dairy industry.

Q Were there any major projects, milestones or investments in fiscal 2014 that stood out?

This year was the 10th anniversary of our acquisition in Argentina, and this milestone stands out because it demonstrates how much Saputo can improve an acquired company within a decade. During that period, we have invested over $120 million in plant improvements, which allowed us to more than double our milk intake and processing volumes.

This year, we completed a new round of investment to put ourselves at the leading edge of cheese processing. Whenever we make an acquisition, or complete a major project, we share the lessons we have learned with all our divisions—and we participate in industry forums to discuss and exchange best practices. We are always looking to implement industry best practices whether they are in food safety, environmental sustainability, or other areas.

Q Were there any innovations last year that really exemplify what you are trying to accomplish at Saputo?

There were many innovations, but one that springs to mind is *Milk2Go Sport*, a sports recovery beverage enhanced with 26 grams of protein developed in response to the current trend in post-exercise nutrition. In the retail segment of our market, many consumers prefer products that fit their busy lifestyles, such as shredded cheese packs, blends, and dessert beverages. On the manufacturing side, our latest technology innovations have enabled us to add value to dairy components, to be more efficient, and to provide increased product functionality. These are just some of the many different ways to show our various customers we care about satisfying their needs.

Q How much time does it take to bring a new product to market?

To stay with the example of *Milk2Go Sport*, it took a little over a year from the product's conception to its availability on store shelves. With all new food products, there is extensive market research required before launch. Every aspect must be carefully evaluated: consumer benefits, market size, long-term viability, processing investment needs, recipe development, regulatory requirements, packaging, labeling, and many other factors.

Q What role does the drive for efficiency play at Saputo?

Operational efficiency is the cornerstone of Saputo's way of doing business. We simply maintain a continuous quest for higher efficiency in all our operations. Over the last year, we have focused on finding additional efficiencies to reduce costs in our facilities, while strengthening our market presence at the same time. In Canada and the US, we are consolidating some processing facilities and making capital investments to upgrade our operations and improve efficiency.

In March 2014, as part of our measures aimed at improving operational efficiency, we announced the closure of four facilities in Canada and the US. The first facility was closed in May and the last closure will occur in December 2015. The production will be integrated into other Saputo facilities. We also completed construction of our new distribution centre in Montréal, and it began operating at the beginning of fiscal 2015. In the US, we have introduced a major project to enhance flexibility in ingredient processing in California, and we started to exploit some synergies between our operations in the Dairy Foods Division (USA) and the Cheese Division (USA). We have also made major capital investments in our facilities to increase cheese-making capacity.

1

Acquisitions,
a dynamic path
to growth

2

Making good food
is our passion

3

Quality
rises to the top

4

R&D is an essential
ingredient

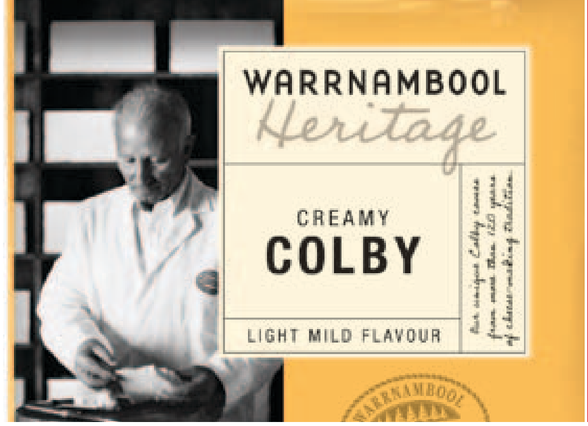
5

Connecting with
our customers

6

Delivering our
products to you

Our recipe for success



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Acquisitions, a dynamic path to growth

Approach

Saputo strives to acquire production assets to increase our manufacturing capacity, grow our milk intake, and drive ongoing improvements in operating efficiency while contributing to our desire for innovation and the development of new products.

Finding all of these attributes requires patience and discipline. Our objective is to identify businesses fitting our strategic priorities and creating value for shareholders.

Over the past 15 years of making frequent acquisitions, Saputo has become adept at the process of integrating new organizations into our larger operation. We make our acquired companies stronger by applying our knowhow, international experience, financial resources, and support.

Fiscal 2014 Highlights

- The acquisition of 88% of Warrnambool shares gives Saputo access to new sources of milk, a solid platform for creating products for the Australian domestic market, and greater flexibility to respond to customer needs.
- The Warrnambool acquisition also provides us with an opportunity to expand our presence in nearby export markets in Oceania and Asia.
- The addition of the fluid milk activities of Scotsburn will enable our Canadian Dairy Division to increase its presence in the Atlantic region.

Objectives

We intend to make the necessary capital investments to grow milk intake, improve efficiency, support innovation, and develop new projects. Acquiring a production platform in Australia was an objective we have strived to accomplish for several years. We will integrate Warnambool's two facilities and 420 employees; and Scotsburn's two facilities and 400 employees. Good companies in milk-producing countries and new markets will remain interesting to us as long as they fall within the scope of our corporate strategy. Our balance sheet remains strong, and we have the financial flexibility to move ahead with multiple acquisitions if attractive opportunities arise.

2

Making good food is our passion

Approach

Making good food is an art, even when the “kitchen” needs to be the size of a manufacturing facility. Our employees who make Saputo foods are proud of the knowledge and experience they bring to their craft, as well as the importance they place on developing tasty products. We support their work by continuously researching and investing in equipment upgrades, process improvements and safety programs, as well as market research to help us make the right products for our customers.

Fiscal 2014 Highlights

- In several plants across Saputo’s operations, we replaced and/or upgraded infrastructure such as buildings, electrical equipment, refrigeration, air handling and other elements to continue to foster a safe and efficient production environment.
- The Canada Sector continued to improve its efficiency by shifting production from plants closed during the year to specialized plants in Western and Eastern Canada. This will result in the simplification and concentration of our operations in more modern facilities.
- In the USA Sector, we streamlined some of our production, replaced equipment and invested in packaging lines to improve quality, as well as reduce supply costs. We upgraded equipment to improve the efficiency of our shredded cheese production. Investments were also made in plant infrastructure to continue to enhance food safety.
- In Argentina, two new cheese lines were installed to significantly increase our production capacity in both our plants. We also invested in new packaging equipment to improve efficiency.

Objectives

Moving into our next fiscal year, we will continue to invest in infrastructure and food processing technology allowing us to maintain our efforts to improve raw material usage, increase capacity and support growth. Integration of our two new acquisitions will be a primary focus, and we will be investing in new projects. Along with our ongoing expansion, efficiency will remain a key objective as we maximize the utilization of our existing facilities, create synergies and meet customer needs.

1. Adrian Medina, John Cardoza, Production
2. Hernan Roque, Operations
3. Cecilia Andrea Nievas, Finance and Administration

3

Quality rises to the top

Approach

At Saputo, quality includes such tangible considerations as food safety, consistency and nutritional value. The quality of our products, together with their recipes and flavours, create the kind of food experience we are proud to share with consumers and customers.

Our food safety programs are organized in a five-pillar approach: leadership, knowledge, risk assessment, risk mitigation, and verification. This approach not only ensures Saputo products are made to high industry standards of safety, but also that those standards are continuously evaluated, reviewed and improved. We reinforce our own food safety policies and procedures by developing programs for our suppliers. Technical information is gathered from our suppliers to assess their ongoing performance in food safety and freshness.

A significant part of our organization is devoted to quality control and quality assurance in the form of food safety teams. Each facility works toward achieving certification in food-handling policies, practices and procedures.

Fiscal 2014 Highlights

- The Dairy Foods Division (USA) has been fully integrated into all Saputo Quality Assurance programs.
- Some notable food safety initiatives were initiated for the Cheese Division (USA) including hosting seminars for domestic and import specialty cheese suppliers, and participating in a leadership committee for the dairy industry.
- A new training program with support materials was developed to ensure warehouse teams are equipped to deal with food safety challenges specific to that environment. This new and improved program has been tested in two warehouses and will be rolled out to all facilities in Canada.
- A cross-divisional team launched significant updates to our supplier food safety qualification programs. These efforts introduced a common software platform to track and assess supplier performance; it also gives us the ability to share results across divisions.
- In Canada, facilities continue to work towards achieving Global Food Safety Initiative Certification (GFSI), and all Quality Control managers and Quality Assurance advisors became qualified as Internal Auditors with the British Retail Consortium (BRC). This year, two facilities were the latest to achieve GFSI standing with BRC.
- Our USA Sector and Canada Sector worked together to implement a more efficient process for qualifying and approving suppliers for food safety. The new process automates the collection of technical data from suppliers to help us review and manage the information we need to support our food safety programs.

Objectives

Saputo will continue to support its five-pillar framework for food safety across the organization. As we continue to grow by acquisition, we will ensure newly acquired facilities have the information and resources to implement the same quality standards we use in all our facilities. We also share best practices among our various divisions to make sure quality control and food safety standards can continue to evolve and be refined in every operating unit of our Company.

We continually update all food safety plans and tracking systems as such to follow ongoing changes in legislation; there are currently several initiatives in progress requiring completion or continuation, such as warehouse training programs and our new supplier approval process. We will continue to share our food safety expertise and resources with our ingredient and cheese suppliers.

1. Justin Shiever, Quality Assurance

4

R&D is an essential ingredient

Approach

Saputo approaches product innovation from many angles, including market analysis, consumer research and customer requests. Our consumer directed research and development team examines trends and consumer preferences, and then uses the insights gained to develop exciting new products. Our development process can introduce new recipes, flavours, sizes, packages and other product attributes; but it can also change an existing product to enhance nutrition and health benefits, such as reduced salt, sugar or fat.

Another segment of our R&D effort consumers rarely see occurs deep in our operations. Here, we work on proprietary processes for making our products, and on sourcing equipment that will help us prepare it efficiently. Once a product is made, subsequent steps such as packaging, refrigeration, storage and shipping are all targets for our R&D efforts to preserve freshness.

In recent years, technology has become much more important to the way we operate our business, and our R&D resources have been increased as a result. We are also developing new mechanisms to share our R&D findings company-wide so we can multiply the benefits of our investment.

Fiscal 2014 Highlights

- Core product launches focused on protein and value-added beverages, based on research that showed growth in away-from-home consumption in this category. Saputo led the development of several national chain menus around new *frappé* and shake items. We also launched ultra-filtered protein milk containing less sugar and more protein than regular reduced fat milk.
- Saputo successfully met targets for variable cost savings through cost reduction initiatives in packaging and ingredient harmonization.
- We continue to invest in innovative cheese-making technologies we have developed internally. These technologies have resulted in product improvements, as well as better manufacturing process control and efficiency.
- We continue to develop our whey strategy to help us have a cost-effective business. We will explore new opportunities to optimize the return from our whey protein.

Objectives

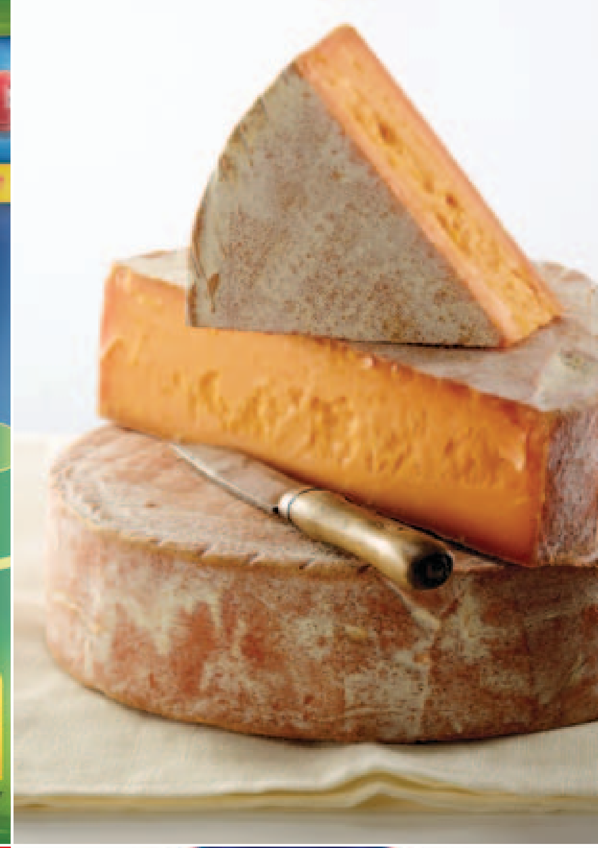
In fiscal 2015, our R&D efforts in Argentina and the US will continue to focus on stabilizing the effects of raw material cost fluctuations by optimizing our recipes. Any new technological improvements aimed at enhancing consistency and efficiency are shared with our other divisions. Alongside these operational R&D priorities, we will continue to support our product development and marketing teams in expanding the number of product offerings to satisfy the evolving tastes of consumers.

1. Tony Salathe and his son Collin, Sales


1


MILK 2 GO SPORT
26g PROTEIN
CHOCOLATE
MILK PROTEIN SHAKE
325 mL
MILK 2 GO SPORT
26g PROTEIN
ARTIFICIAL FLAVOUR
VANILLA
MILK PROTEIN SHAKE
325 mL


NUEVO
380g
ENVASE FAMILIAR.
La Paulina
queso en hebras
ITALIANO
Light
Cuatro Quesos
Gouda, Mozzarella, Reggianito, Parmesano
+FRESCURA!
+PRACTICO!
PESO NETO
380g
Encontrá nuestras recetas en www.lapaulina.com.ar




SUPER
WORLD CHEESE AWARDS
GOLD

5


SALEMVILLE
AGED AT LEAST 90 DAYS
RESERVE
Extra-Aged Amish
Blue Cheese
Made with milk from hand-milked, grass-fed cows.


Saputo

Connecting with our customers

Approach

In the world of consumer products, food is perhaps the most necessary and most diverse. We all need food every day, but what do we choose, and how do we choose? Flavour is certainly one determining factor, and the demand for a wide variety of flavours increases as consumers' palates evolve. As society becomes more health conscious, people are concerned about eating a balanced diet supplying essential nutrients. At the same time, today's fast-paced lifestyle is creating the need for convenient foods that can be consumed quickly, or on the go.

These are just some of the consumer preferences Saputo researches and uses to spark innovation in new product development. As a dairy processor, we are fortunate to have an entire food group of product possibilities including cheeses, milks, milk-based beverages, proteins, and more. Our product development specialists find ways to satisfy a variety of consumer preferences, and our sales and marketing experts promote our products through merchandising, advertising, social media and more. These efforts help us to steadily build our brand awareness and our business around the world.

Fiscal 2014 Highlights

- The Dairy Division (Canada) launched new products, including sports recovery beverage *Milk2Go Sport* (enriched with 26g of protein) and a Baileys-branded non-alcoholic coffee creamer. For foodservice customers, new dairy product solutions like ready-to-serve smoothie mix and *Fior di Latte* wood oven pizza cheese were launched. The division also reduced the sodium in all cottage cheeses by 25% and focused on value-added milks such as micro-filtered and lactose free as well as organic milk, where it has become the national leader.
- In the US, the Cheese Division (USA) also launched several new snacking items including premium products such as Pepper Jack String, Chipotle Cheddar, Wisconsin Colby-Jack, 9 month yellow Cheddar, and four flavours of *Treasure Cave* Crumbled Blue Cheese. The specialty division introduced a variety of new cheese offerings including double and triple cream brie options and flavour-infused double cream brie cheeses. The division's *Salemville* Blue Reserve cheese won 1st place in the Cheese Competition Awards at the World Dairy Expo. The Dairy Foods Division (USA) launched new products including pour-over ice coffee, ultra-filtered protein milk, and light protein beverages.
- The Dairy Division (Argentina) expanded marketing and distribution of a *La Paulina* shredded cheese family-pack with a zip reseal that won a Consumer Choice Award in fiscal 2014 as most innovative in the shredded cheese category.

Objectives

While we continue to promote our flagship dairy brands, Saputo will work closely with customers on product and menu development providing customized products to meet their needs. Marketing and sales efforts will aim to boost Saputo's presence through a variety of promotional platforms and integrated advertising campaigns including TV and social media. We will continue to find more ways to understand food trends and satisfy customers' needs.

6

Delivering our products to you

Approach

Developing and processing our food products, the core of our business, relies on distribution and logistics to ensure the right products reach the right customers at the right time. At Saputo, we make it our mission to protect the freshness, flavour and nutritional value of our products at all times as they move through our distribution network.

Distributing Saputo products requires specialized facilities, equipment and human resources. We must manage the balance between supply and demand efficiently, so products are available when customers and consumers need them. Our distribution employees receive ongoing training to make sure the distribution of our products meets customer demands.

1. Tony Tallman and Adesina Adeosun, Operations

Fiscal 2014 Highlights

- In Canada, the construction of our new Montreal Distribution Centre is complete and the facility started operating in June 2014. One outstanding feature of this facility will be a "best of breed" warehouse management system to improve the integration of all warehouse functions.
- In Argentina, we accommodated higher production growth by adjusting our distribution system to facilitate greater exports. We also adapted our information systems to incorporate the production from two new cheese lines.
- In the US, the Dairy Foods Division (USA) opened a new distribution warehouse near Atlanta. This facility generates revenues and cost savings for both existing and new customers. The Cheese Division (USA) performed a comprehensive review of its transportation network, leading to increased efficiency and lower delivery costs.
- In Canada and the US, we expanded our use of GPS technology to re-engineer route networks that reduce driving distances, save fuel and improve visibility across the network. We also expanded voice-picking technology to five distribution centres across Canada. By realigning teams to focus on advanced forecasting and inventory planning, we were able to significantly improve distribution metrics compared to last fiscal year.

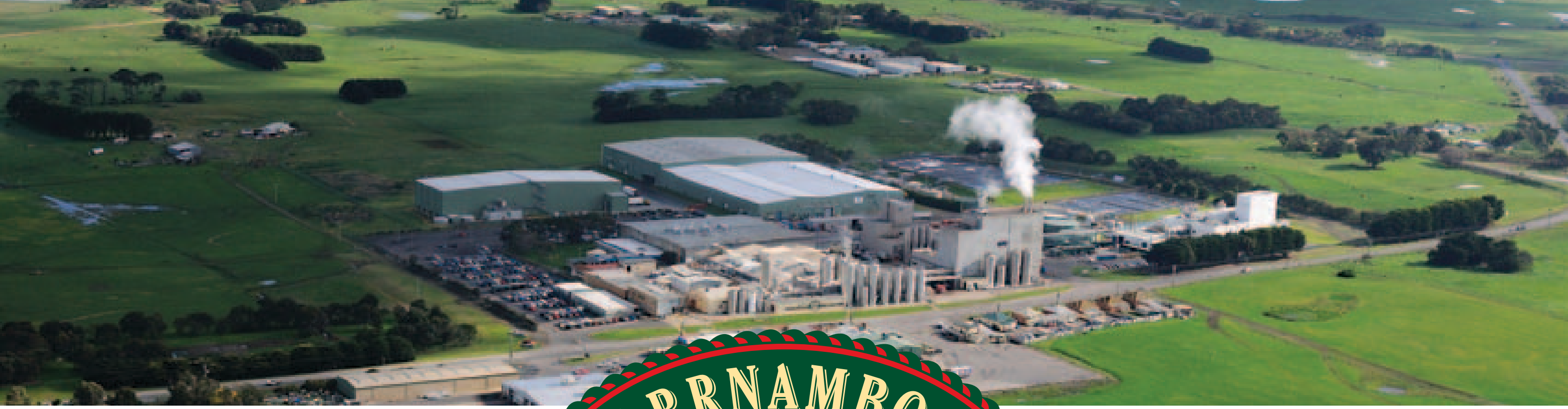
Objectives

In the Dairy Division (Canada), our supply chain optimization team along with our logistics team will develop and implement plans to reduce product handling and improve our cost to serve customers. The goal is to have one consistent approach to improve accuracy and, in turn, increase customer satisfaction.

The Cheese Division (USA) is reviewing inventory management processes to optimize the frequency for product orders and relevant quantities. Optimized order quantities will improve our trucking runs, as well as increase warehouse efficiency by reducing product handling.

We will also continue to work in the Dairy Foods Division (USA) and Cheese Division (USA) to identify potential synergies in the transportation and distribution networks.

In Argentina, we will consolidate distribution and aim to improve service levels while remaining cost efficient.



The Warrnambool acquisition

Approximately
CAD$550 million
in annual revenues

About
420
employees

Approximately
800 million litres
of milk processed annually

2
manufacturing facilities

Acquisition completed on
February 12, 2014

In February 2014, Saputo closed its offer to purchase the shares of Warrnambool Cheese and Butter Factory Company Holdings Limited (Warrnambool), and successfully acquired 88% of its outstanding shares. This acquisition operates as a division within our International Sector.

Started over 125 years ago, Warrnambool is now Australia's fourth largest dairy processor with milk intake representing approximately 10% of Australia's annual production. The Company draws milk from some of the most productive dairy regions in Australia to produce cheese, butter and butter blends, milk, cream and dairy ingredients. Products are sold throughout Australia to the retail, foodservice and industrial market segments, as well as internationally.

This acquisition is strategic to our future growth plan by giving us access to the Australian domestic market, as well as export potential to Asia and Oceania. As a leading international dairy processor, Saputo will work to strengthen Warrnambool's competitive position and deliver benefits for employees, suppliers and the local communities. We intend to invest in this business to accelerate its growth.

The business will continue to be managed by its current management team. Saputo requested certain modifications to Warrnambool's constitution to, among other things, allow a restructuring of the Warrnambool Board. The new Board, elected on May 9, consists of five directors. This board composition will allow the company to benefit from the experience of re-elected directors, in terms of their knowledge of local market dynamics, the dairy industry, the Warrnambool business and its key relationships, while adding Saputo nominees to the Board.

Social Responsibility at Saputo

1. Saputo Field, Riverway Sports Park
2. Saputo annual employee Hockey Tournament
3. Athletes Justine, Chloé and Maxime Dufour-Lapointe, freestyle skiing and moguls
4. Sandy Burt, Business Development and Ted Lawson, Marketing, participating in the Vancouver Sun Run
5. Saputo Ice Pad, Moldmasters Sportsplex, Georgetown
6. Athlete Dominique Maltais, snowboard cross
7. Oconto District School Board
8. Physical Health & Education Canada


VISALIA
Saputo FIELD
ESTABLISHED 2013
1


2
Saputo
440 LAVAL
CHEVROLET


SOCHI 2014
CANADA
3


4
Dairyland
Dairyland


Saputo
Dollars
Saputo
5


6
SOCHI
CANADA


7
HOME
GUESTS
BALL ON
DOWN
YDS TO GO
QTR
Holcim
Saputo
Johnson Associates
REAL ESTATE
GEORGETOWN SOCCER CLUB


8

Environment

Saputo is committed to pursuing environmentally responsible business practices. We comply with carbon emissions regulations and are closely monitoring the impact of evolving environmental legislation in jurisdictions where we operate. Our manufacturing facilities manage their environmental impact with support from divisional environmental teams that conduct regular audits.

At Saputo, we believe environmental sustainability is a process of continuous improvement. We keep on refining our data collection and analytical tools to provide meaningful information to our management teams. We also disclose our greenhouse gas emissions and energy consumption through the Carbon Disclosure Project. Our consolidated measurement and internal reporting of key environmental performance indicators has improved, and has allowed us to increase our score every year since 2011.

We are now entering our third year of participation in the EnergyStar Challenge for Industry, a program of the US Environmental Protection Agency™ (EPA), which encourages manufacturing facilities to reduce their energy intensity by at least 10% from an established baseline within five years. We continue to support increases in manufacturing efficiency at all of our facilities.

The Company also partners with the dairy industry to support sustainable farming and animal wellbeing.

As with many areas of our business, we want our employees to participate in the movement toward environmental sustainability. Our program called "Sustainability Motivated by Innovation, Life, and Environmental Stewardship (SMILES)" has given our employees a way to share best practices and support events which promote environmental stewardship. From employees using electric vehicles to special Earth Day celebrations, our team has been engaged and proud to share ideas and best practices with the potential to positively impact our environment.

Employees and careers

By fostering a distinctive corporate culture built on respect for employees and their commitment to the Company, Saputo has grown from a small family business to one of the world's largest dairy processors. Today, we recognize this pool of employee knowledge, experience and integrity represents Saputo's greatest strength. Keeping our culture strong requires attention and education, especially over the last years when most new employees have joined Saputo through acquisition. When we acquire a new company, the transfer of our culture is one of our priorities. Our goal is to ensure our new teams understand and adopt our corporate culture early on.

We promote the wellbeing of employees through several programs, one of which is called "Feed your life." In the last fiscal year, we showed employees how a series of small steps can lead to better health at no additional cost. We covered, among other things, the benefits of choosing healthier ingredients and cooking to preserve nutritional value. In our facilities, the employees who are our Ambassadors are constantly developing creative ways to enhance the success of this program.

Our concern for workplace safety is a high priority. Saputo provides safety equipment and training, and we are proud to see a record number of our plants have reached milestones in terms of numbers of days without accidents. Professional and personal developments are also priorities. Teams of trainers help employees build knowledge in areas such as cheese-making, supervision, good manufacturing practices, strategic thinking, and teamwork.

These employee programs are shared among our divisions as their effectiveness is tested and their success is proven. Standardizing on best practices helps to improve our operations everywhere.

Community outreach

Saputo is committed to making communities healthier through good nutrition and physical activity. We are proud our employees endorse many of Saputo's community outreach activities by participating in events and volunteering their time.

A major focus of our outreach mission is supporting activities and events that get people moving and promote an overall healthier lifestyle. The Great Crossover Challenge was one of the projects we funded this year. High school students from every Canadian province trained to cycle in a relay from Vancouver to Saguenay to meet inspirational health advocate Pierre Lavoie, founder of the *Grand Défi Pierre Lavoie*—a cause Saputo has proudly supported for many years.

Part of our outreach mission seeks leadership by example, and which is why we sponsor both Canadian Olympic athletes and student athletes. Dominique Maltais (snowboard cross) took home an Olympic silver medal in Sochi, and sisters Justine, Chloé and Maxime Dufour-Lapointe (freestyle skiing, moguls) earned two medals—gold for Justine and silver for Chloé. These athletes are role models for health and fitness, as well as passion and determination.

We continue to support projects to improve the quality of sport facilities and equipment—an initiative we call the Saputo Legacy Program. We ask our employees to nominate local projects that can make a difference in their communities. In Georgetown, Ontario, we are proud that residents can skate and play hockey on the Saputo Ice Pad at the recently renovated Moldmasters Sportsplex. In California, Saputo Field will allow the community of Visalia to play soccer in beautiful Riverway Sports Park. In Wisconsin, the Oconto District School Board was pleased to receive a donation from Saputo put towards completing the community's softball fields.

Programs to build awareness and educate people about healthy diet and physical activity also fall within Saputo's community outreach mission. Physical Health & Education Canada (PHEC) became a new partner this year. Their program called *At My Best* develops teaching tools for physical and health educators to work with elementary school children. Saputo also supports an organization called Agriculture in the Classroom by helping to deliver fresh fruit, vegetables and milk to schools across British Columbia. Healthy cooking is on the menu in Québec, where we support a summer camp program for disadvantaged children called *Apprenti-chef* organized by the Fondation Père Sablon.

Our goal remains to reinvest 1% of our annual pre-tax profits in communities through financial support and product donations. In the coming year, we plan to continue expanding our efforts to build healthier communities by improving local sport facilities in countries where we operate.

Management's Discussion and Analysis

—

Consolidated Financial Statements

2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The goal of the management report is to analyze the results of, and the financial position for, the year ended March 31, 2014. It should be read while referring to the audited consolidated financial statements and accompanying notes. The accounting policies of Saputo Inc. (Company or Saputo) for financial years ended March 31, 2014, 2013 and 2012 are in accordance with International Financial Reporting Standards (IFRS). All dollar amounts are in Canadian dollars, unless otherwise indicated. This report takes into account material elements between March 31, 2014 and June 5, 2014, the date on which this report was approved by Saputo's Board of Directors. Additional information about the Company, including the 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 this Management's Discussion and Analysis.

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.

Global Overview

Our Company

Saputo is one of the top ten dairy processors in the world, the largest in Canada, the third in Argentina and the fourth in Australia. In the US, the Company ranks among the top three cheese producers and is one of the largest producers of extended shelf-life and cultured dairy products.

Our Business

SAPUTO HAS 12,700 EMPLOYEES

in plants, distribution networks and offices across four countries, operating its business and reporting its results through three sectors.

TOTAL REVENUES BY SECTOR (%)

CANADA	40%
USA	49%
INTERNATIONAL	11%

TOTAL REVENUES

$9.2 BILLION

Our Network

SAPUTO PRODUCTS

are available in all market segments.

TOTAL REVENUES BY SEGMENT (%)

RETAIL	49%	Sales are made to supermarket chains, mass-merchandisers, convenience stores, independent retailers, warehouse clubs and specialty cheese boutiques under company-owned or customer brand names.
FOODSERVICE	40%	Sales are made to broadline distributors, as well as to restaurants and hotels, under company-owned or customer brand names.
INDUSTRIAL	11%	Sales are made to food processors using Saputo's products as ingredients to manufacture their products.

Selected Consolidated Financial Information

Years ended March 31 (in thousands of CDN dollars, except per share amounts and ratios)	**2014**	2013	2012
STATEMENT OF EARNINGS DATA			
Revenues			
Canada	**3,653,512**	3,578,083	3,522,801
USA	**4,489,938**	2,849,244	2,541,429
International	**1,089,439**	870,350	866,140
	9,232,889	7,297,677	6,930,370
Operating Costs Excluding Depreciation, Amortization, Acquisition, Restructuring and Other Costs			
Canada	**3,196,137**	3,101,907	3,051,589
USA	**4,020,124**	2,504,988	2,243,811
International	**996,283**	830,010	804,039
	8,212,544	6,436,905	6,099,439
Adjusted EBITDA[1]			
Canada	**457,375**	476,176	471,212
USA	**469,814**	344,256	297,618
International	**93,156**	40,340	62,101
	1,020,345	860,772	830,931
Adjusted EBITDA margin (%)	***11.1%***	*11.8%*	*12.0%*
Depreciation and Amortization			
Canada	**53,734**	57,940	53,772
USA	**85,027**	53,901	43,670
International	**7,846**	4,788	4,501
	146,607	116,629	101,943
Acquisition costs	**9,459**	9,646	–
Restructuring costs	**30,739**	32,631	–
Other costs	**5,465**	–	–
Impairment of goodwill	**–**	–	125,000
Interest on long-term debt	**53,239**	29,896	23,081
Other financial charges	**15,846**	4,203	1,569
Earnings before income taxes	**758,990**	667,767	579,338
Income taxes	**225,024**	185,846	198,498
Net earnings	**533,966**	481,921	380,840
Net earnings margin (%)	**5.8%**	*6.6%*	*5.5%*
Attributable to:			
Shareholders of Saputo Inc.	**533,097**	481,921	380,840
Non-controlling interest	**869**	–	–
	533,966	481,921	380,840

Years ended March 31 (in thousands of CDN dollars, except per share amounts and ratios)	**2014**	2013	2012
Net earnings	**533,966**	481,921	380,840
Acquisition costs (net of income taxes of $270 and $3,531 for 2014 and 2013, respectively)	**9,189**	6,115	–
Restructuring costs (net of income taxes of $10,851 and $10,034 for 2014 and 2013, respectively)	**19,888**	22,597	–
Other costs (net of income taxes of $1,534)	**3,931**	–	–
Impairment of goodwill	**–**	–	125,000
Adjusted net earnings[2]	**566,974**	510,633	505,840
Adjusted net earnings margin (%)	***6.1%***	*7.0%*	*7.3%*
Attributable to:			
Shareholders of Saputo Inc.	**566,105**	510,633	505,840
Non-controlling interest	**869**	–	–
	566,974	510,633	505,840
PER SHARE DATA			
Adjusted earnings per share[2]	**2.90**	2.58	2.51
Adjusted diluted earnings per share[2]	**2.87**	2.55	2.47
Earnings per share	**2.73**	2.44	1.89
Diluted earnings per share	**2.70**	2.41	1.86
Dividends declared per share	**0.92**	0.84	0.76
BALANCE SHEET DATA			
Total assets	**6,356,892**	5,193,640	3,599,120
Interest bearing debt[3]	**2,060,014**	1,686,988	402,369
Equity	**2,839,160**	2,305,672	2,105,686
STATEMENT OF CASH FLOWS DATA			
Net cash generated from operations	**656,310**	645,792	522,987
Amount of additions to property, plant and equipment, net of proceeds on disposal	**223,371**	177,336	105,716

	2014	2013	2012
ADJUSTED EARNINGS PER SHARE[2]	**$2.90**	$2.58	$2.51
EARNINGS PER SHARE	**$2.73**	$2.44	$1.89
ACQUISITION, RESTRUCTURING AND OTHER COSTS[4,5]	**$0.17**	$0.14	$0.62

(1) Adjusted EBITDA is a non-IFRS measure (refer to page 6) and is defined as earnings before interest, income taxes, depreciation, amortization, acquisition, restructuring and other costs.
(2) Adjusted net earnings and adjusted earnings per share (basic and diluted) are non-IFRS measures. Refer to "Measurement of Results not in Accordance with International Financial Reporting Standards" on page 6 of this Management's Discussion and Analysis for the definition of these terms.
(3) Net of cash and cash equivalents.
(4) Per share amount (basic).
(5) Other costs include impairment of goodwill for fiscal 2012.

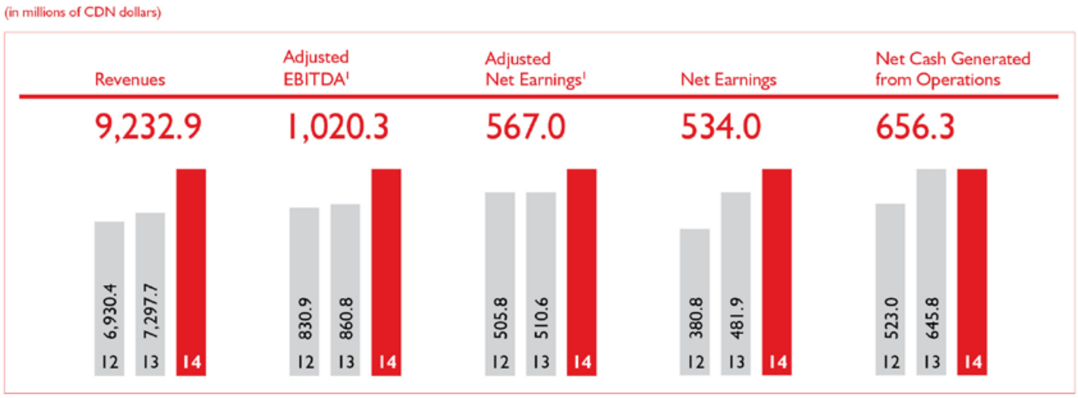
FINANCIAL ORIENTATION

Saputo's objectives are to create shareholder value and enhance profitability. The Company operates in a competitive and challenging global economic environment. We remain focused on growth, both internally and through acquisitions, to further expand in existing and new markets and reinforce our global presence in emerging markets. To achieve these objectives, the Company continues to practice strict discipline in cost management and operational efficiency and to remain a prudent operator and financial manager. Additionally, the Company remains proactive in evaluating possible acquisitions and potential growth markets. Saputo benefits from a solid balance sheet and capital structure, supplemented by a high level of cash generated by operations and low debt levels. Our financial flexibility allows growth through targeted acquisitions and enables the Company to face possible economic challenges. In fiscal 2014, the Company continued to strategically invest in capital projects, expand its activities in new and existing markets, increase its dividend and effectively manage cash by purchasing back its own shares through its normal course issuer bid.

ELEMENTS TO CONSIDER WHEN READING MANAGEMENT'S DISCUSSION AND ANALYSIS FOR FISCAL 2014

The following are highlights and key performance measures for fiscal 2014:

- Adjusted net earnings[1] totalled $567.0 million, up 11.0%.
- Net earnings totalled $534.0 million, up 10.8%.
- Acquisition, restructuring and other costs in fiscal 2014 decreased net earnings by $33.0 million ($0.17 basic and diluted earnings per share).
- Adjusted earnings before interest, income taxes, depreciation, amortization, acquisition, restructuring and other costs (adjusted EBITDA[1]) totalled $1.020 million, up 18.5%.
- Revenues reached $9.233 billion, up 26.5%.
- Net cash generated from operations totalled $656.3 million, up 1.6%.
- As of April 1, 2013, the Company realigned its reporting structure consistent with its operating structure and reports under three geographic sectors: the Canada Sector, the USA Sector and the International Sector. The comparative figures have been reclassified to reflect this reporting structure.
- During the third quarter, the Company announced a takeover bid to buy all the shares of Warrnambool Cheese & Butter Factory Company Holdings Limited (Warrnambool Acquisition), a dairy processor in Australia. At the closing of the bid on February 12, 2014, the Company held an 87.92% interest in Warrnambool shares and its operations are consolidated since January 21, 2014.
- In the United States (US), the average block market[2] per pound of cheese increased by US$0.15 compared to fiscal 2013, increasing revenues.
- In the US, market factors positively impacted EBITDA as compared to fiscal 2013.
- The acquisition of Morningstar Foods, LLC (Morningstar Acquisition) on January 3, 2013, renamed Saputo Dairy Foods USA, LLC (Dairy Foods Division (USA)), contributed to revenues and EBITDA in the USA Sector for the full fiscal year.
- The fluctuation of the Canadian dollar had a positive impact on revenues and EBITDA of the USA Sector while negatively impacting revenues and EBITDA of the International Sector in fiscal 2014.



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[1] Adjusted net earnings and adjusted EBITDA represent non-IFRS measures. Refer to "Measurement of Results not in Accordance with International Financial Reporting Standards" on page 6 of this Management's Discussion and Analysis 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.

OUTLOOK

In fiscal 2015, the Company intends to continue to improve its efficiencies, while remaining committed to producing quality products, innovation and internal growth. It will continue to analyze its activities, invest in capital projects and identify opportunities. The Company's flexible capital structure and low debt levels allow it to actively evaluate and pursue strategic acquisition opportunities, with the goal of expanding its presence in key markets.

MEASUREMENT OF RESULTS NOT IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

In certain instances, the Company makes references to terms in evaluating financial performance measures, such as adjusted EBITDA, adjusted net earnings and adjusted earnings per share, that hold no standardized meaning under IFRS. These non-IFRS measurements are therefore not likely to be comparable to similarly titled or described measures in use by other publicly traded companies nor do they indicate that excluded items are non-recurring.

Adjusted EBITDA represents earnings before interest, income taxes, depreciation, amortization, acquisition, restructuring and other costs. Adjusted net earnings is defined by the Company as net earnings prior to the inclusion of acquisition, restructuring, and other costs, net of applicable income taxes, if any. Adjusted earnings per share is defined as adjusted net earnings attributable to shareholders of Saputo Inc. per basic and diluted common share. The most comparable IFRS financial measures to the ones used by the Company are earnings before interest, income taxes, depreciation and amortization, as well as net earnings and earnings per share (basic and diluted).

Adjusted EBITDA, adjusted net earnings and adjusted earnings per share, as used by Management, provide greater precision and comparability with regards to the Company's ongoing operation. They also provide readers with a representation of the activities considered of greater relevance to the Company's financial performance through the inclusion of additional financial information that can be used to identify trends or additional disclosures that provide information into the manner in which the Company is operated. Non-IFRS measures also provide greater comparability to the Company's prior year results.

The table below provides a reconciliation of net earnings and earnings per share (basic and diluted) to adjusted net earnings and adjusted earnings per share.

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

	2014			2013		
		Per Share			Per Share	
	Total	**Basic**	**Diluted**	Total	Basic	Diluted
Net earnings	**533,966**	**2.73**	**2.70**	481,921	2.44	2.41
Acquisition costs	**9,189**	**0.05**	**0.05**	6,115	0.03	0.03
Restructuring costs	**19,888**	**0.10**	**0.10**	22,597	0.11	0.11
Other	**3,931**	**0.02**	**0.02**	-	-	-
Adjusted net earnings	**566,974**	**2.90**	**2.87**	510,633	2.58	2.55

CONSOLIDATED RESULTS

CONSOLIDATED SELECTED FACTORS POSITIVELY (NEGATIVELY) AFFECTING EBITDA

(in millions of CDN dollars)

Fiscal years	2014	2013
Market factors[1 2]	20	9
Inventory write-down	-	(3)
US currency exchange[1]	19	2

[1] As compared to the previous fiscal year.
[2] Market factors include the average block market per pound of cheese and its effect on the absorption of fixed costs and on the realization of inventories, the effect of the relationship between the average block market per pound of cheese and the cost of milk as raw material as well as market pricing impact related to sales of dairy ingredients.

Consolidated revenues totalled $9.233 billion, an increase of $1.935 billion or 26.5%, compared to $7.298 billion in fiscal 2013. Revenues in the USA Sector increased by approximately $1.641 billion. The inclusion of the Dairy Foods Division (USA) for a full fiscal year, and a higher average block market per pound of cheese of US$1.88 in fiscal 2014, compared to US$1.73 in fiscal 2013, offset lower sales volumes. Revenues from the Canada Sector increased by approximately $75 million in comparison to last fiscal year. Higher selling prices in accordance with the increase in the cost of milk as raw material, as well as increased sales volumes in the Dairy Division (Canada) explain the increased revenues in this Sector. Revenues from the International Sector increased by approximately $219 million, due to higher international selling prices and an increase in sales volumes, as well as the inclusion of revenues from the Warrnambool Acquisition since January 21, 2014. A positive effect on revenues by the weakening of the Canadian dollar in comparison to the US dollar in fiscal 2014 was partially offset by the negative effect of its strengthening versus the Argentinian peso.

Consolidated adjusted earnings before interest, income taxes, depreciation, amortization, acquisition, restructuring and other costs (Adjusted EBITDA[1]) amounted to $1.020 billion in fiscal 2014, an increase of $159.5 million or 18.5% compared to $860.8 million for fiscal 2013. The EBITDA of the USA Sector amounted to $469.8 million, an increase of $125.5 million, in comparison to $344.3 million for last fiscal year. The inclusion of the Dairy Foods Division (USA) for the full fiscal year more than offset lower sales volumes and an increase in ingredients, fuel and other operational costs, as well as the negative impact of the revised milk pricing formula in California during fiscal 2014. The average block market per pound of cheese for fiscal 2014 was US$1.88 as compared to US$1.73 for the previous fiscal year. This increase of the block market per pound of cheese for fiscal 2014 had a favourable impact on the realization of inventories in contrast to last fiscal year, in addition to positively affecting 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 as compared to fiscal 2013. The combination of these market factors, including reduced profitability associated with higher commodity prices in the Dairy Foods Division (USA), increased EBITDA by approximately $20 million. The weakening of the Canadian dollar in fiscal 2014 added approximately $19 million to the USA Sector EBITDA.

EBITDA for the Canada Sector totalled $457.4 million in fiscal 2014, a decrease of $18.8 million in comparison to $476.2 million for last fiscal year. This decrease is mainly attributable to an increasingly competitive market resulting in a partial absorption of higher ingredients, packaging, and other costs, as compared to fiscal 2013. This decrease is partially offset by a combination of a better product mix and higher sales volumes in the Dairy Division (Canada). The Bakery Division EBITDA increased slightly, as compared to fiscal 2013.

EBITDA for the International Sector totalled $93.2 million in fiscal 2014, an increase of $52.9 million in comparison to $40.3 million in fiscal 2013. EBITDA of the Dairy Division (Argentina) increased, as compared to fiscal 2013, mainly due to higher selling prices in the export market and increased sales volumes. Also contributing to this increase is the EBITDA derived from the Warrnambool Acquisition since January 21, 2014. EBITDA for the Dairy Ingredients Division remained stable compared to fiscal 2013. Included in the results of fiscal 2013 was an inventory write-down of $2.5 million.

The consolidated adjusted EBITDA margin decreased to 11.1% in fiscal 2014, as compared to 11.8% in fiscal 2013, resulting from lower EBITDA in the Canada Sector as well as lower EBITDA margins in the USA Sector due to the Dairy Foods Division (USA).

Depreciation and amortization totalled $146.6 million in fiscal 2014, an increase of $30.0 million, compared to $116.6 million in fiscal 2013. The increase is mainly due to the inclusion of the Dairy Foods Division (USA) for a full year as compared to one quarter in fiscal 2013. Also, it reflects variations in the depreciable asset bases and fluctuations in foreign exchange between the Canadian dollar and both the US dollar and Argentinian peso.

In fiscal 2014, the Company incurred **acquisition costs** relating to the Warrnambool Acquisition, which closed on February 12, 2014, and the acquisition of the fluid milk activities of Scotsburn Co-Operative Services Limited (Scotsburn Acquisition), completed on April 14, 2014, totalling $9.5 million ($9.2 million after tax), **restructuring costs** in relation to plant closures in the United States and Canada totalling $30.7 million ($19.9 million after tax), as well as **other costs** totalling $5.5 million ($3.9 million after tax) relating to amendments to pension plans for executive officers. In connection with these restructuring costs, the Company has incurred $7.8 million in severance costs, $0.8 million in other closure costs and $22.1 million in impairment charges to property, plant and equipment.

In fiscal 2013, the Company incurred **acquisition costs** relating to the Morningstar Acquisition, totalling $9.6 million ($6.1 million after tax), as well as **restructuring costs** in relation to plant closures in Europe and Canada totalling $32.6 million ($22.6 million after tax). In connection with these restructuring costs for fiscal 2013, the Company incurred $7.8 million in severance costs, $2.8 million in other closure costs, $21.7 million in impairment charges to property, plant and equipment, and $0.3 million in other charges.

Net interest expense amounted to $69.1 million in fiscal 2014, compared to $34.1 million in fiscal 2013. The increase is mainly attributed to a higher level of debt resulting from the Morningstar and Warrnambool Acquisitions.

Income taxes totalled $225.0 million in fiscal 2014, as compared to $185.8 million in fiscal 2013, for an effective tax rate of 29.6% in fiscal 2014 as compared to 27.8% for the previous year. Excluding acquisition, restructuring and other costs in both fiscal years, the tax rates would have been 29.5% and 28.1%, respectively. 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 for fiscal 2014 totalled $534.0 million, an increase of $52.1 million or 10.8% compared to $481.9 million in fiscal 2013. This increase is due to the factors mentioned above.

Adjusted net earnings[1] for fiscal 2014 totalled $567.0 million, an increase of $56.4 million or 11.0% compared to $510.6 million in fiscal 2013. This increase is due to the factors mentioned above, without considering acquisition, restructuring and other costs.

[1] Adjusted EBITDA and adjusted net earnings represent non-IFRS measures. Refer to “Measurement of Results not in Accordance with International Financial Reporting Standards” on page 6 of this Management’s Discussion and Analysis for the definition of these terms.

INFORMATION BY SECTOR

CANADA SECTOR

(in millions of CDN dollars)

Fiscal years	2014	2013	2012
Revenues	**3,653.5**	3,578.1	3,522.8
EBITDA	**457.4**	476.2	471.2

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

In fiscal 2014, the Canada Sector benefitted from increased sales volumes and a favourable product mix in the cheese category, offsetting an unfavourable product mix in the fluid milk category. These increases were offset mainly by higher ingredients costs throughout the year. The strategy for growth in Canada continued to be the same in fiscal 2014. Stagnant growth and competitive market conditions required the Company to focus on reviewing overall activities including cost reduction and improvement of operational efficiencies. As such, the Company announced towards the end of fiscal 2014 the restructuring of certain manufacturing activities including the closure of two plants.

REVENUES

Revenues from the Canada Sector totalled $3.654 billion, an increase of $75.4 million or 2.1% as compared to $3.578 billion in fiscal 2013. Revenues in the Dairy Division (Canada) increased due to higher selling prices relating to the increase in the cost of milk as raw material and higher sales volumes. Additionally, sales volumes of traditional milk and cheese were higher, while sales volumes of value-added milk and butter decreased. Overall, revenues were positively affected.

The Sector manufactures approximately 32% of all Canadian natural cheese. Saputo's market share of total fluid milk in Canada is approximately 36%. Saputo remains the leader in the Canadian dairy industry in both these categories.

The retail segment of the Dairy Division (Canada) continued to be the leading segment with 64% of revenues, a 2% decrease from last year. In fiscal 2014, fluid milk per capita consumption decreased by approximately 3%, while the cream category increased by 5%. Cheese consumption increased slightly and butter consumption showed a slight decrease, when compared to the previous fiscal year. Despite decreased overall consumption, the Division's investment strategy in the value-added category continued to pay off. The Division is the leading processor in Canada in organic milk and lactose-reduced milk, and these sub-categories show 11% and 6% national market growth. The Division continued to support its leading brands, *Trutaste*, *Dairy Oh!,* and *Milk2Go*, in an effort to pursue growth and market expansion through various promotions and advertising. Saputo has both the #1 and #2 fluid milk brands in the refrigerated dairy case category with *Dairyland* and *Neilson*. Additionally, the retail segment continued to focus on increasing exposure of the specialty cheese category across Canada.

The foodservice segment represented 33% of revenues in the Dairy Division (Canada), a 1% increase compared to last fiscal year. The Company's commitment remains to provide quality service to a customer base consisting mainly of distributors, restaurant chains and pizzerias. Our focus is to ensure that we are the supplier of choice by offering high quality and innovative products to meet the everyday needs of our customers. The Company invests in the foodservice industry, through partnerships with various culinary colleges and the Canadian Culinary Federation, amongst others, thereby investing in future generations that contribute to a strong and healthy outlook for this industry.

The industrial segment represented 3% of revenues in the Dairy Division (Canada), a 1% increase compared to last fiscal year. In fiscal 2014, we continued to provide our customers with the right products to meet their recipes' specifications. This segment also benefitted from a favourable dairy ingredients product mix throughout the fiscal year.

The Bakery Division revenues increased slightly as compared to fiscal 2013, due primarily to an increase in sales volumes in Canada.

EBITDA

EBITDA for the Canada Sector totalled $457.4 million for the year ended March 31, 2014 as compared to $476.2 million in fiscal 2013, representing a decrease of $18.8 million or 3.9%. The EBITDA margin decreased to 12.5% from 13.3% in fiscal 2013.

EBITDA decreased in the Dairy Division (Canada) compared to the previous fiscal year mainly due to an increasingly competitive market resulting in a partial absorption of higher ingredients, packaging and other costs. This decrease was partially offset by an increase in sales volumes, a favourable product mix, and an increase in selling prices as compared to fiscal 2013.

The Bakery Division EBITDA increased slightly in fiscal 2014 resulting from favourable operating efficiencies in sales and manufacturing, in addition to a decrease in operating expenses.

OUTLOOK

Fiscal 2015 will bring another year of continuous challenges in Canada due to the competitive nature of the market. Despite these difficult conditions, the Dairy Division (Canada) will continue 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, and one 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 Division will complete, in the first 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.

The recent Scotsburn Acquisition will enable the Dairy Division (Canada) to increase its presence in Atlantic Canada. The Division will evaluate opportunities and possible synergies in an effort to improve and expand its product offerings to all customers.

In fiscal 2015, we will close three facilities as announced in fiscal 2013 and 2014. These measures are part of the Company's continual 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 has always been 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.

Production capacity continues to be evaluated in line with the objective to reduce excess production capacity at the Canada Sector plants, which, at March 31, 2014, stood at 27% and 34% in cheese and fluid milk activities, respectively.

USA SECTOR

(in millions of CDN dollars)

Fiscal years	2014	2013	2012
Revenues	**4,489.9**	2,849.2	2,541.4
EBITDA	**469.8**	344.3	297.6

SELECTED FACTORS POSITIVELY (NEGATIVELY) AFFECTING EBITDA

(in millions of CDN dollars)

Fiscal years	2014	2013
Market factors[1] [2]	**20**	9
US currency exchange[1]	**19**	2

[1] As compared to the previous fiscal year.
[2] Market factors include the average block market per pound of cheese and its effect on the absorption of fixed costs and on the realization of inventories, the effect of the relationship between the average block market per pound of cheese and the cost of milk as raw material as well as market pricing impact related to sales of dairy ingredients.

OTHER PERTINENT INFORMATION

(in US dollars, except for average exchange rate)

Fiscal years	2014	2013
Average block market per pound of cheese	**1.882**	1.728
Closing block price[1] per pound of cheese	**2.385**	1.693
Average whey market price[2] per pound	**0.590**	0.560
Spread[3]	**0.036**	0.044
US average exchange rate to Canadian dollar[4]	**1.052**	1.001

[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 the fiscal year.
[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).

Fiscal 2014 marked a full year's contribution from the Dairy Foods Division (USA). This business complements the activities of the Cheese Division (USA). Through this acquisition, the Company benefits from the Dairy Foods Division's national manufacturing and distribution footprint. This transaction expanded product offerings to customers in the US and broadened the range of Saputo's future acquisition opportunities. In fiscal 2014, the Sector continued to benefit from capital expenditures completed in the current and prior fiscal years.

For fiscal 2014, the average block market per pound of cheese opened at US$1.69 and increased to US$2.39 by the end of the fiscal year. In March 2014, the average block market per pound of cheese hit a record high of US$2.43. Given the continued high demand for dairy exports, market prices increased throughout fiscal 2014 resulting in higher averages in comparison to the prior fiscal year. For fiscal 2014, the average block market per pound of cheese was US$1.88 compared to US$1.73 for fiscal 2013. Additionally, the revised milk pricing formula in California enacted by the California Department of Food and Agriculture (CDFA) negatively impacted results of the Cheese Division (USA).

In fiscal 2014, we continued initiatives aimed at increasing our capacity, efficiency and flexibility in cheese manufacturing. We also improved whey processing and increased drying capabilities.

REVENUES

Revenues for the USA Sector totalled $4.490 billion in fiscal 2014, an increase of $1.641 billion or 57.6% in comparison to $2.849 billion in fiscal 2013. The inclusion of a complete fiscal year's revenues derived from the Dairy Foods Division (USA) was the main reason for the revenue increase. A higher average block market per pound of cheese of US$1.88 in fiscal 2014, in comparison to US$1.73 in fiscal 2013, increased revenues by approximately $129 million, offsetting lower sales volumes. The weakening of the Canadian dollar increased revenues by approximately $164 million.

The retail segment contributed 42% of total USA Sector revenues, down from 44% in fiscal 2013. Two of our retail brands maintained their #1 market share position. *Frigo Cheese Heads* continues to lead the string cheese brand category in the US market and *Treasure Cave* continues to lead the crumbled blue cheese category. The Cheese Division continued to gain distribution and marketing share by introducing several product line extensions including *Frigo Cheese Heads Premium Snacking Cheeses, Frigo Cheese Heads Cheese & Meat Combos and Treasure Cave Flavored Blue Cheeses*. The Dairy Foods Division benefitted from positive trends in the private label category through the introduction of new products and continued to surpass market growth in such categories as ESL creams/creamers, value-added milk and cultured products. Retail marketing programs supported our major brands in the retail cheese category with thematic promotions through print, e-mail, social media advertising and promotional incentives.

The foodservice segment contributed 52% of total revenues, as compared to 46% in fiscal 2013. The Dairy Foods Division (USA) drives up the percentage of this segment since it is foodservice oriented. Traffic counts continued in an upward trend during the fiscal year, helping the foodservice segment increase sales volumes. To continue the enhancement of our brand equity for our premium brand of mozzarella, as well as increase awareness of our specialty cheese segment in the foodservice channel, the Division offered various trade incentives in fiscal 2014. The segment continued to see interest in new products developed to provide a value alternative to customers. These new offerings demonstrated repeat business from foodservice customers. Targeted specifically to the pizza operator segment and the national chain restaurant accounts, marketing support included print media, direct mail and web advertising, as well as broker / distributor incentives to entice additional business. Business with restaurants benefitted from continued growth of beverage programs within quick serve restaurant chains. The Dairy Foods Division (USA) selling approach affords us an advantage in dealing with restaurant chains. We continue to work with these customers on new menu offerings. We are the leading dairy provider to large national broad line distributors as well as regional foodservice distributors, supplying private label brands of half-n-half creamers, whipping cream, cottage cheese and sour cream.

The industrial segment includes cheese sales and accounted for 6% of revenues versus 10% in fiscal 2013. In fiscal 2013, sales volumes were lower mainly due to a decrease in sales to government-sponsored programs and market competitiveness. In fiscal 2014, the industrial segment worked with key customers to ensure our product recipes met the appropriate customer applications.

EBITDA

EBITDA totalled $469.8 million for fiscal 2014, an increase of $125.5 million or 36.5% in comparison to $344.3 million in fiscal 2013. The inclusion of a complete fiscal year's results from the Dairy Foods Division (USA) increased EBITDA as compared to fiscal 2013. Also contributing to the EBITDA increase was the favourable market factors and initiatives undertaken by the Cheese Division (USA) in the prior and current fiscal years with regards to improved operational efficiencies. Partially offsetting the EBITDA increase were higher ingredients, fuel and other costs as well as, lower sales volumes, and the negative impact of higher milk costs resulting from the revised milk pricing formula in California.

The block market per pound of cheese steadily increased throughout fiscal 2014. The average block market per pound of cheese for fiscal 2014 was US$1.88 as compared to US$1.73 for the previous fiscal year. During the current fiscal year, the block price opened at US$1.69 and closed at US$2.39, an increase of US$0.70, compared to opening at US$1.49 and closing at US$1.69, an increase of US$0.20, for the previous fiscal year. This positive difference for fiscal 2014 had a favourable impact on the realization of inventories and the higher average block market positively affected 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 fiscal 2013. The combination of these market factors, including reduced profitability associated with higher commodity prices in the Dairy Foods Division (USA), increased EBITDA by approximately $20 million. The weakening of the Canadian dollar in fiscal 2014 added approximately $19 million to the USA Sector's EBITDA.

OUTLOOK

In fiscal 2015, the Company will continue the integration of the Dairy Foods Division (USA) and will focus on implementing the Company's processes and systems. The Sector intends to capitalize on the Division's national manufacturing and distribution footprint and benefit from possible synergies. An analysis of administrative and information technology will be done in order to effectively integrate central functions, streamline systems, and adopt an efficient working environment.

Additionally, in fiscal 2015, we will attempt to recuperate lost volumes in the Cheese Division (USA) and also we should benefit from the effort of our International Sector, 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 fiscal 2015, which was announced in March 2014, is in line with the Company's continual 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. The Sector will also continue to monitor fluctuations in dairy markets and take appropriate decisions to mitigate the impact on operations.

INTERNATIONAL SECTOR

(in millions of CDN dollars)

Fiscal years	2014	2013	2012
Revenues	1,089.4	870.4	866.2
EBITDA	93.2	40.3	62.1

SELECTED FACTORS POSITIVELY (NEGATIVELY) AFFECTING EBITDA

(in millions of CDN dollars)

Fiscal years	2014	2013
Inventory write-down	-	(3)

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. 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 $1.089 billion for the fiscal year ended March 31, 2014, an increase of $219.0 million or 25.2% as compared to $870.4 million in fiscal 2013. This increase is due to higher selling prices, mainly in the export market and increased sales volumes in both the domestic and export markets in the Dairy Division (Argentina). Also contributing to this increase is the inclusion of revenues from the Dairy Division (Australia) since January 21, 2014. The Dairy Ingredients Division’s revenues were higher as compared to fiscal 2013 due to a favourable product mix offsetting lower ingredient sales volumes. Included in fiscal 2013 were the revenues from the Dairy Division (Europe), which ceased operations in the first quarter of fiscal 2014, reducing revenues by approximately $54 million. The strengthening of the Canadian dollar versus the Argentinean peso decreased revenues by approximately $78 million.

EBITDA

EBITDA for the International Sector amounted to $93.2 million, a $52.9 million increase as compared to $40.3 million for fiscal 2013. The Argentinian operations contributed to the EBITDA increase due to favourable selling prices, mainly in the export market, in addition to an increase in sales volumes, as compared to last fiscal year. Also contributing to this increase was the inclusion of EBITDA from the Dairy Division (Australia) since January 21, 2014. In the Dairy Ingredients Division, a better product mix was offset by increases in costs as compared to last fiscal year. Included in the results of fiscal 2013 was an inventory write-down of $2.5 million.

OUTLOOK

The International Sector will continue to pursue sales volume growth in existing markets, as well as develop additional international markets from its operations in Argentina for which we increased capacity over the last two years. Also, we will pursue growth of cheese export sales volumes out of the Cheese Division (USA). The inclusion of the Dairy Division (Australia) has given the International Sector an additional platform and will be key for the long-term growth of this Sector 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.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The intent of this section is to provide insight into the cash and capital management strategies and how they drive operational objectives, as well as to provide details on how the Company manages its liquidity risk to meet its financial obligations as they come due.

The majority of the Company's liquidity needs are funded from cash generated by operations. Principally, these funds are used for capital spending, dividends, business acquisitions, debt repayments and share repurchase. The Company also has bank credit facilities available for general corporate purposes.

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

(in thousands of CDN dollars)

Fiscal years	2014	2013	2012
Cash generated from operating activities	**881,485**	842,889	754,733
Net cash generated from operating activities	**656,310**	645,792	522,987
Cash used for investing activities	**(672,146)**	(1,625,000)	(87,117)
Cash generated from (used for) financing activities	**4,934**	868,762	(368,828)
(Decrease) increase in cash and cash equivalents	**(10,902)**	(110,446)	67,042

Cash generated from **operating activities** amounted to $881.5 million for fiscal 2014, an increase of $38.6 million compared to $842.9 million in fiscal 2013 due mainly to an increase in EBITDA, partially offset by higher depreciation and amortization, interest and income taxes. Changes in non-cash operating working capital items used $129.4 million of cash compared to $4.4 million used in fiscal 2013, mainly as a result of increases in accounts receivable and inventory as compared to last fiscal year. The increase in accounts receivable is mainly due to a higher average block price in the US and higher selling prices in the international market. Inventory increased mainly due to the higher cost of milk in the US and higher inventory levels in the International Sector. Net cash generated by operating activities amounted to $656.3 million for fiscal 2014, compared to $645.8 million in fiscal 2013.

For **investing activities**, the Company used $672.1 million in fiscal 2014; $449.6 million was disbursed for the Warrnambool Acquisition and $223.6 million was disbursed for additions to property, plant and equipment, which exceeds depreciation of $134.1 million by approximately $90 million, mainly related to specific and strategic projects. Of these additions, 27% went into the replacement of property, plant and equipment and 73% to both implement new technologies and to expand and increase certain manufacturing capacities.

Financing activities generated $4.9 million in fiscal 2014. Long-term debt increased by $390.0 million, in relation to the Warrnambool Acquisition. During fiscal 2014, $175.0 million was reimbursed as part of long-term repayment obligations. The Company issued shares for a cash consideration of $41.9 million as part of the stock option plan, paid $175.3 million in dividends and $154.4 million for the repurchase of share capital as part of its normal course issuer bids. Also, the Company increased the use of its bank loans by $77.8 million.

LIQUIDITY

Cash and cash equivalents, cash flows generated from operations, and the availability to draw against existing bank credit facilities are expected to enable the Company to meet its liquidity requirements over at least the next twelve months, exclusive of any possible business acquisitions. The Company does not foresee any difficulty in securing financing beyond what is currently available through existing arrangements.

(in thousands of CDN dollars, except ratio)

Fiscal years	2014	2013	2012
Current assets	**1,895,846**	1,512,556	1,399,464
Current liabilities	**1,725,094**	1,226,647	902,441
Working capital	**170,752**	285,909	497,023
Working capital ratio	**1.10**	1.23	1.55

The working capital ratio is an indication of the Company's ability to cover short-term liabilities with short-term assets, without having excess dormant assets.

The decrease in the working capital ratio is mainly attributed to a higher current portion of long-term debt maturing in fiscal 2015 and an increase in bank loans resulting from the Warrnambool Acquisition.

CAPITAL MANAGEMENT

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

Fiscal years	2014	2013	2012
Cash and cash equivalents	**39,346**	43,177	144,137
Bank loans	**310,066**	181,865	166,631
Long-term debt	**1,789,294**	1,548,300	379,875
Total equity	**2,839,160**	2,305,672	2,105,686
Interest-bearing[1] debt-to-equity ratio	**0.73**	0.73	0.19
Number of common shares	**195,068,912**	196,619,440	199,037,565
Number of stock options	**8,448,481**	8,375,931	8,484,524

[1] Net of cash and cash equivalents.

The Company had $39.3 million of cash and cash equivalents, an available bank term loan of $110 million and available bank credit facilities of approximately $875 million, $310.1 million of which were drawn. See Note 9 to the consolidated financial statements for details of the Company's 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 class must be determined at the time of their issuance. No preferred shares were outstanding. As at May 23, 2014, 195,305,729 common shares and 10,247,519 stock options were outstanding.

NORMAL COURSE ISSUER BIDS

The Company announced on November 7, 2012 its intention to purchase, by way of a normal course issuer bid (Bid), for cancellation purposes, up to 9,850,532 common shares, which represented 5% of its 197,010,649 issued and outstanding common shares as of October 31, 2012 over a 12-month period beginning on November 15, 2012 and ending on November 14, 2013. These purchases were made by means of open market transactions through the facilities of the TSX or such other means as may be permitted by the TSX and under applicable laws, including by way of exempt offers and private agreements under an issuer bid exemption order issued by a securities regulatory authority in Canada. The consideration that the Company paid for common shares acquired by it on the open market under the Bid was in cash at the market price of such shares at the time of acquisition. Purchases made by way of private agreements under the Bid were 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 established an automatic purchase plan, which enabled the Company to provide standard instructions regarding the repurchase of common shares during self-imposed blackout periods.

The Company announced on November 7, 2013 its intention to purchase, by way of a new normal course issuer bid (New Bid), for cancellation purposes, up to 9,708,299 common shares, which represents 5% of its 194,165,996 issued and outstanding common shares as of October 31, 2013 over a 12-month period beginning on November 15, 2013 and ending on November 14, 2014. These purchases are made by means of open market transactions through the facilities of the TSX or such other means as may be permitted by the TSX and under applicable laws, including by way of exempt offers and private agreements under an issuer bid exemption order issued by a securities regulatory authority in Canada. The consideration that the Company pays for any common shares acquired by it on the open market under the New Bid is in cash at the market price of such shares at the time of acquisition. Purchases made by way of private agreements under the New Bid are 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 New Bid, the Company established an automatic purchase plan, which enables the Company to provide standard instructions regarding the repurchase of common shares during self-imposed blackout periods.

During the year ended March 31, 2014, the Company purchased 3,251,800 common shares, at prices ranging from $46.46 to $49.55 per share, under the Bids (4,261,400 common shares at prices ranging from $39.44 to $49.01 per share for the year ended March 31, 2013).

The Company believes that the purchase of its own shares may, under appropriate circumstances, be a responsible investment of available funds.

CONTRACTUAL OBLIGATIONS

The Company manages and continually monitors its commitments and contractual obligations to ensure that these can be met with funding provided by operations and capital structure optimization.

The Company's contractual obligations consist of commitments to repay certain long-term debts and leases of premises, equipment and rolling stock. Note 10 to the consolidated financial statements describes the Company's commitment to repay long-term debt, and Note 18 to the consolidated financial statements describes its lease commitments.

(in thousands of CDN dollars)

	Long-term debt	Minimum lease	Total
Less than 1 year	**393,600**	**24,558**	**418,158**
1-2 years	**213,819**	**17,395**	**231,214**
2-3 years	**1,181,875**	**11,755**	**1,193,630**
3-4 years	**-**	**8,919**	**8,919**
4-5 years	**-**	**6,816**	**6,816**
More than 5 years	**-**	**16,494**	**16,494**
	1,789,294	**85,937**	**1,875,231**

LONG-TERM DEBT

As described in Note 10 to the consolidated financial statements, the Company's long-term debt is comprised of unsecured term bank loan facilities of $1.4 billion, maturing in December 2016, which bear interest at lenders' prime rates plus a maximum of 1.00%, or bankers' acceptance rates plus 0.85%, up to a maximum of 2.00%, depending on a financial ratio of the Company and are subject to quarterly repayments of $57.1 million. Long-term debt is also comprised of unsecured senior notes of $55.3 million (US$50 million) issued at an interest rate of 8.41% maturing November 2014; $110.0 million issued at an interest rate of 5.34% maturing June 2014; and $220.0 million issued at an interest rate of 5.82% maturing June 2016.

MINIMUM PAYMENTS ON OPERATING LEASES

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

BALANCE SHEET

The main balance sheet items as at March 31, 2014 varied mainly due to the Warrnambool Acquisition on January 21, 2014, and the weakening of the Canadian dollar versus the US dollar in comparison to March 31, 2013.

The conversion rate of the US operations' balance sheet items in US currency was CDN$1.1055 per US dollar as at March 31, 2014, compared to CDN$1.0160 per US dollar as at March 31, 2013. The conversion rate of the Argentinian operations' balance sheet items in Argentinian currency was CDN$0.1380 per Argentinian peso as at March 31, 2014, compared to CDN$0.1983 per Argentinian peso as at March 31, 2013. The weakening of the Canadian dollar versus the US dollar resulted in higher values recorded for the balance sheet items of the foreign operations and was partially offset by the strengthening of the Canadian dollar versus the Argentinian peso.

The net cash (cash and cash equivalents less bank loans) position decreased from negative $138.7 million as at March 31, 2013, to negative $270.7 million as at March 31, 2014, mainly resulting from the consolidation of the Warrnambool Acquisition as well as from other general use. The change in foreign currency translation adjustment recorded in other comprehensive income varied due to the strengthening of the US dollar.

GUARANTEES

From time to time, the Company enters into agreements in the normal course of its business, such as service arrangements and leases, and in connection with business or asset acquisitions or disposals, agreements, which by nature may provide for indemnification to third parties. These indemnification provisions may be in connection with breach of representations and guarantees and for future claims for certain liabilities, including liabilities related to tax and environmental issues. The terms of these indemnification provisions vary in duration. See Note 18 to the consolidated financial statements that discuss the Company's guarantees.

RELATED PARTY TRANSACTIONS

In the normal course of business, the Company receives and provides goods and services from and to companies subject to control or significant influence through ownership by its principal shareholder. These goods and services are of an immaterial amount and compensated by a consideration equal to their fair value, comparable to similar arms' length transactions. The goods and services that are received consist of office space rental, travel arrangements, transportation of goods, and lodging. Included in the transactions with related parties for fiscal 2013 was a purchase of land and building from a related party totalling $16,400,000. The acquired property serves as the site for the consolidated distribution activities of the Greater Montreal area as well as the administrative offices of the Dairy Division (Canada). The consideration paid was equal to the fair value. Transactions with key management personnel (comprised of directors and named executive officers: the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and the three most highly compensated executive officers) are also considered related party transactions and consist of salaries, bonuses, options, performance share units and payments under the deferred share unit plan. The goods and services that are provided consist of services and dairy products. Refer to Note 19 to the consolidated financial statements for further information on related party transactions.

ACCOUNTING STANDARDS

CRITICAL ACCOUNTING POLICIES AND USE OF ACCOUNTING ESTIMATES

The preparation of the Company's financial statements requires Management to make certain judgements and estimates about transactions and carrying values that are fulfilled at a future date. Judgements and estimates are subject to fluctuations due to changes in internal and/or external factors and are continuously monitored by Management. A discussion of the judgements and estimates that could have a material effect on the financial statements is provided below.

Allowance for Doubtful Accounts

Management reviews its accounts receivable at the end of each reporting period and estimates balances which may be deemed to be uncollectible in the future. This review requires the use of assumptions and takes into consideration certain factors, such as historical collection trends and past due amounts for each customer balance. In the event that future collections differ from estimated provisions, future earnings will be affected.

Income Taxes

The Company is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the consolidated provision for income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters differs from the amounts that were initially recorded, such differences will impact the results for the reporting period and their respective current income tax and deferred income tax provisions in the reporting period in which such determination is made.

Deferred Income Taxes

The Company follows the liability method of accounting for deferred income taxes. Deferred income tax assets and liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. As a result, a projection of taxable income is required for those years, as well as an assumption of the ultimate recovery or settlement period for temporary differences. The projection of future taxable income is based on Management's best estimates and may vary from actual taxable income. On an annual basis, the Company assesses its need to establish a valuation allowance for its deferred income tax assets. Canadian, US and international tax rules and regulations are subject to interpretation and require judgment on the part of the Company that may be challenged by taxation authorities. The Company believes that it has adequately provided for deferred tax obligations that may result from current facts and circumstances. Temporary differences and income tax rates could change due to fiscal budget changes and/or changes in income tax laws.

Goodwill, Trademarks, Other Intangibles and Business Combinations

Goodwill, trademarks and other intangibles have principally arisen as a result of business combinations. The acquisition method, which also requires significant estimates and judgements, is used to account for these business combinations. As part of the allocation process in a business combination, estimated fair values are assigned to the net assets acquired, including trademarks and other intangibles. These estimates are based on forecasts of future cash flows, estimates of economic fluctuations and an estimated discount rate. The excess of the purchase price over the estimated fair value of the net assets acquired is then assigned to goodwill. In the event that actual net assets fair values are different from estimates, the amounts allocated to the net assets, and specifically to trademarks and other intangibles, could differ from what is currently reported. This would then have a pervasive impact on the carrying value of goodwill. Differences in estimated fair values would also have an impact on the amortization of definite life intangibles.

Property, Plant and Equipment
Critical judgement is necessary in the selection and application of accounting policies and useful lives as well as the determination of which components are significant and how they are allocated. Management has determined that the use of the straight-line method of amortization is the most appropriate as its facilities are operating at a similar output potential on a year-to-year basis, which indicates that production is constant. It is Management's best estimate that the useful lives and policies adopted adequately reflect the flow of resources and the economic benefits required and derived in the use and servicing of these long-lived productive assets.

Impairment of Assets
Significant estimates and judgements are required in testing goodwill, trademarks and other intangibles and other long-lived assets for impairment. Management uses estimates or exercises judgement in assessing indicators of impairment, defining a cash-generating unit, forecasting future cash flows and determining discount rates and earnings multipliers used for assessing fair value (less selling costs) or value in use. Estimates made for goodwill, trademarks and other intangibles can be found in Note 7 of the consolidated financial statements. Other long-lived assets are tested only when indicators of impairment are present.

Employee Future Benefits
The Company is the sponsor to both defined benefit and defined contribution plans, which provide pension and other post-employment benefits to its employees. Several estimates and assumptions are required with regards to the determination of the defined benefit expense and its related obligation, such as the expected return on assets available to fund the obligation, the discount rate used in determining the carrying value of the obligation, the expected health care cost trend rate, the expected mortality rate, etc. Actual results will normally differ from expectations. These gains or losses are presented in the consolidated statements of comprehensive income.

FUTURE STANDARDS

The International Accounting Standards Board (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.

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.

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 the 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. Management is currently analyzing the impact of the adoption of these amendments.

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 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 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.

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.

NEW ACCOUNTING STANDARDS ADOPTED DURING THE YEAR

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 year ended March 31, 2014.

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 year ended March 31, 2014.

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 resulted in minimal additional disclosures in the Company's March 31, 2014 financial statements. Refer to Note 16 Business Acquisitions and Note 19 Related Party Transactions for further details.

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 ended March 31, 2014.

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.

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 impact the Company's March 31, 2014 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 March 31, 2014 financial statements.

RISKS AND UNCERTAINTIES

The main risks and uncertainties the Company is exposed to are presented hereafter. The Board of Directors (the Board) delegated to the Audit Committee the responsibility to study and evaluate the risk factors inherent to the Company and ensure that appropriate measures are in place to enable Management to identify and manage these risk factors effectively. The Audit Committee receives regular reports from Management on these matters. In this regard, the Audit Committee and the Board have adopted and implemented certain policies and procedures which are reviewed at least annually. An annual detailed presentation on all risk factors identified, as well as periodic presentations, are made by Management to the Audit Committee and, as required, to the Board.

While risk management is part of the Company's transactional, operational and strategic decisions, as well as the Company's overall management approach, risk management does not guarantee that events or circumstances will not occur which could negatively affect the Company's financial condition and performance.

PRODUCT LIABILITY

Saputo's operations are subject to certain dangers and risks of liability faced by all food processors, such as the potential contamination of ingredients or products by bacteria or other external agents that may be introduced into products or packaging. The occurrence of such a problem could result in a costly product recall and serious damage to Saputo's reputation for product quality.

SUPPLY OF RAW MATERIALS

Saputo purchases raw materials that may represent up to 85% of the cost of products. It processes raw materials into the form of finished edible products intended for resale to a broad range of customers. Availability of raw materials as well as variations in the price of foodstuffs can therefore influence the Company's results upwards or downwards, and the effect of any increase of foodstuff prices on results depends on the Company's ability to transfer those increases to its customers and this, in the context of a competitive market.

US AND INTERNATIONAL MARKETS

The price of milk as raw material and the price of our products in the US, Argentina and Australia, as well as in international markets, are based on market supply and demand forces. The prices are tied to numerous factors, such as the health of the economy and supply and demand levels for dairy products in the industry. Price fluctuations may affect the Company's results. The effect of such fluctuations on results will depend on its ability to implement mechanisms to reduce them.

COMPETITION

The food processing industry is extremely competitive. The Canadian dairy industry is highly competitive and is comprised of three major competitors, including Saputo. In the US, Argentina and Australia, Saputo competes in the dairy industry on a national basis with several regional and national competitors. Saputo also competes in the dairy industry internationally. The Company's performance in all the countries in which it does business will be dependent on its ability to continue to offer quality products at competitive prices.

CONSOLIDATION OF CLIENTELE

During the last few years, there has been important consolidation in the food industry in all market segments. Given that Saputo serves these segments, the consolidation within the industry has resulted in a decrease in the number of customers and an increase in the relative importance of some customers. One customer represented more than 10% of total consolidated sales for fiscal 2014, with 11.4%. The Company's ability to continue to service its customers in all the markets that it serves will depend on the quality of its products and services as well as price.

CREDIT RISK

The Company grants credit to its customers in the normal course of business. Credit valuations are performed on a regular basis and the financial statements take into account an allowance for bad debts. The Company considers that it has low exposure to concentration of credit risk with respect to accounts receivable from customers due to its large and diverse customer base operating in three segments, retail, foodservice and industrial, and its geographic diversity. There are no accounts receivable from any individual customer that exceeded 10% of the total balance of accounts receivable as at March 31, 2014. The allowance for bad debts and accounts receivable due is reviewed regularly by Management. The Company updates its estimate of the allowance for doubtful accounts based on the evaluation of the recoverability of accounts receivable balances of each customer taking into consideration historic collection trends of past due accounts.

SUPPLIER CONCENTRATION

The Company purchases goods and services from a limited number of suppliers as a result of consolidation within the industries in which these suppliers operate in North America and other major markets. Furthermore, issues with suppliers regarding pricing or performance of the goods and services they supply or the inability of suppliers to supply the required volumes of such goods and services in a timely manner could impact the Company's financial condition and performance. Any such impact will depend on the effectiveness of the Company's contingency plan.

UNANTICIPATED BUSINESS DISRUPTION

Major events, such as equipment failure, health pandemics and natural disasters, could lead to unanticipated business disruption of any or certain of the Company's manufacturing facilities. The effect would be more significant if the Company's larger manufacturing facilities are affected, in which case, the failure to find alternative suppliers or to replace lost production capacity in a timely manner could negatively affect the Company's financial condition and performance.

ECONOMIC ENVIRONMENT

The Company's operations could be affected by the economic context should the unemployment level, interest rates or inflation reach levels that influence consumer trends and consequently, impact the Company's sales and profitability.

ENVIRONMENT

Saputo's business and operations are subject to environmental laws and regulations, including those relating to permitting requirements, wastewater discharges, air emissions (greenhouse gases and other), releases of hazardous substances and remediation of contaminated sites. The Company believes that its operations are in compliance, in all material respects, with such environmental laws and regulations, except as disclosed in the Annual Information Form dated June 5, 2014 for the fiscal year ended March 31, 2014. Compliance with these laws and regulations requires that the Company continue to incur operating and maintenance costs and capital expenditures, including to control potential impacts of its operations on local communities. Future events such as changes in environmental laws and regulations or more vigorous regulatory enforcement policies could have a material adverse effect on the financial position of Saputo and could require additional expenditures to achieve or maintain compliance.

CONSUMER TRENDS

Demand for the Company's products is subject to changes in consumer trends. These changes may affect earnings. The impact of these changes will depend on the Company's ability to innovate and develop new products.

INTELLECTUAL PROPERTY

As the Company is involved in the production, sale and distribution of food products, it relies on brand recognition and loyalty from its clientele in addition to relying on the quality of its products. Also, as innovation forms part of the Company's growth strategy, its research and development teams develop new technologies, products and process optimization methods. The Company therefore takes measures to protect, maintain and enforce its intellectual property. Any infringement to its intellectual property could damage its value and limit the Company's ability to compete. In addition, Saputo may have to engage in litigation in order to protect its rights which could result in significant costs.

FINANCIAL RISK EXPOSURES

Saputo has financial risk exposure to varying degrees relating to the currency of each of the countries where it operates. Approximately 40% of sales are realized in Canada, 49% in the US, and 11% internationally. Cash flows from operations in each of the countries where Saputo operates act as a natural hedge against the exchange risks related to debt denominated in such countries' currency. The level of the financial risk exposure related to currency will depend on its ability to maintain this natural hedge or any other protection mechanism.

INTEREST RATE AND ACCESS TO CAPITAL MARKET

Saputo's interest bearing debt is subject to interest rate fluctuations. The impact on the Company's results will depend on its ability to maintain mechanisms to protect against such interest rate fluctuations. The Company's growth is driven mainly by acquisitions and is dependent on access to liquidity in the capital market.

LEGISLATIVE, REGULATORY, NORMATIVE AND POLITICAL CONSIDERATIONS

The Company is subject to local, provincial, state, federal and international laws, regulations, rules and policies as well as to social, economical and political contexts prevailing in places where Saputo conducts its activities. Consequently, the modification or change of any of these elements may have an unfavourable impact on Saputo's results and operations and may require that important expenses be made in order to adapt or comply. More specifically, the production and distribution of food products are subject to federal, state, provincial and local laws, rules, regulations and policies and to international trade agreements, all of which provide a framework for Saputo's operations. The impact of new laws and regulations, stricter enforcement or interpretations or changes to enacted laws and regulations will depend on the Company's ability to adapt, comply and mitigate. Saputo is currently in compliance with all important laws and regulations and maintains all important permits and licenses in connection with its operations.

GROWTH BY ACQUISITIONS

The Company plans to grow both organically and through acquisitions. Historically, the Company has grown through acquisitions and should reasonably and in large part rely on new acquisitions to pursue its growth. The ability to properly evaluate the fair value of the businesses being acquired, to properly devote the time and human resources required to successfully integrate their activities with those of the Company as well as the capability to realize synergies, improvements and the expected profit and to achieve anticipated returns constitute inherent risks related to acquisitions.

TARIFF PROTECTION

Dairy-producing industries are still partially protected from imports by tariff-rate quotas which permit a specific volume of imports at a reduced or zero tariff and impose significant tariffs for greater quantities of imports. There is no guarantee that political decisions or amendments to international trade agreements will not, at some point in the future, result in the removal of tariff protection in the dairy market, resulting in increased competition. The Company's performance will be dependent on its ability to continue to offer quality products at competitive prices.

INFORMATION SYSTEMS

The Company is increasingly dependent upon integrated information technology applications for its business. The main risks relate to confidentiality, data integrity and interruption of computer services. Therefore, any failure of these applications or communication networks or security failures with respect to data centres or networks may impede or slow down production, delay or taint certain decisions and result in financial losses for the Company. In addition, any accidental or intentional loss of data that would be used by third parties may have adverse effects on the Company's activities and its results.

DISCLOSURE CONTROLS AND PROCEDURES

The CEO and the 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.

The CEO and the CFO, together with Management, after evaluating the effectiveness of the Company's disclosure controls and procedures as at March 31, 2014, have concluded that the Company's disclosure controls and procedures were effective.

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, after evaluating the effectiveness of the Company's internal control over financial reporting as at March 31, 2014, have concluded that the Company's internal control over financial reporting was effective.

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 March 31, 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.

SENSITIVITY ANALYSIS OF INTEREST RATE AND US CURRENCY FLUCTUATIONS

The debt subject to interest rate fluctuations was $834.5 million as at March 31, 2014 and consisted of $310.1 million of bank loans and $524.4 million of term bank loans. A 1% change in the interest rate would lead to a change in net earnings of approximately $5.9 million. Canadian and US currency fluctuations may affect earnings. Appreciation of the Canadian dollar compared to the US dollar would have a negative impact on earnings. Conversely, a decrease in the Canadian dollar would have a positive impact on earnings. During the fiscal year ended March 31, 2014, the average US dollar conversion was based on CDN$1.00 for US$0.948. A fluctuation of CDN$0.01 would have resulted in a change of approximately $2.1 million in net earnings, $4.7 million in EBITDA and $44.5 million in revenues.

QUARTERLY FINANCIAL INFORMATION

2014 QUARTERLY FINANCIAL INFORMATION - CONSOLIDATED STATEMENT OF EARNINGS

(in thousands of CDN dollars, except per share amounts)	Q1 (unaudited)	Q2 (unaudited)	Q3 (unaudited)	Q4 (unaudited)	Fiscal 2014 (audited)
Statement of earnings data					
Revenues	**2,173,534**	**2,230,326**	**2,343,165**	**2,485,864**	**9,232,889**
Operating costs excluding depreciation, amortization, acquisition, restructuring and other costs	**1,931,438**	**1,989,938**	**2,083,127**	**2,208,041**	**8,212,544**
Earnings before interest, depreciation, amortization, acquisition, restructuring, other costs and income taxes	**242,096**	**240,388**	**260,038**	**277,823**	**1,020,345**
Margin %	**11.1%**	**10.8%**	**11.1%**	**11.2%**	**11.1%**
Depreciation and amortization	**34,278**	**35,700**	**37,178**	**39,451**	**146,607**
Acquisition costs	**-**	**-**	**-**	**9,459**	**9,459**
Restructuring costs	**-**	**-**	**-**	**30,739**	**30,739**
Other costs	**-**	**-**	**-**	**5,465**	**5,465**
Interest on long-term debt	**12,913**	**12,978**	**12,993**	**14,355**	**53,239**
Other financial charges	**2,380**	**3,583**	**4,941**	**4,942**	**15,846**
Earnings before income taxes	**192,525**	**188,127**	**204,926**	**173,412**	**758,990**
Income taxes	**55,777**	**54,830**	**60,791**	**53,626**	**225,024**
Net earnings	**136,748**	**133,297**	**144,135**	**119,786**	**533,966**
Net margin %	**6.3%**	**6.0%**	**6.2%**	**4.8%**	**5.8%**
Acquisition costs (net of income taxes of $270)	**-**	**-**	**-**	**9,189**	**9,189**
Restructuring costs (net of income taxes of $10,851)	**-**	**-**	**-**	**19,888**	**19,888**
Other costs (net of income taxes of $1,534)	**-**	**-**	**-**	**3,931**	**3,931**
Adjusted net earnings[1]	**136,748**	**133,297**	**144,135**	**152,794**	**566,974**
Adjusted net earnings margin %	**6.3%**	**6.0%**	**6.2%**	**6.1%**	**6.1%**
ATTRIBUABLE TO:					
Shareholders of Saputo Inc.	**136,748**	**133,297**	**144,135**	**151,925**	**566,105**
Non-controlling interest	**-**	**-**	**-**	**869**	**869**
	136,748	**133,297**	**144,135**	**152,794**	**566,974**
Per Share					
Net earnings					
Basic	**0.70**	**0.68**	**0.74**	**0.61**	**2.73**
Diluted	**0.69**	**0.67**	**0.73**	**0.61**	**2.70**
Adjusted net earnings[1]					
Basic	**0.70**	**0.68**	**0.74**	**0.78**	**2.90**
Diluted	**0.69**	**0.67**	**0.73**	**0.78**	**2.87**

[1] Adjusted net earnings and adjusted earnings per share (basic and diluted) are non-IFRS measures. Refer to “Measurement of Results not in Accordance with International Financial Reporting Standards” on page 6 of this Management’s Discussion and Analysis for the definition of these terms.

2013 QUARTERLY FINANCIAL INFORMATION – CONSOLIDATED STATEMENT OF EARNINGS

(in thousands of CDN dollars, except per share amounts)	Q1 (unaudited)	Q2 (unaudited)	Q3 (unaudited)	Q4 (unaudited)	Fiscal 2013 (audited)
Statement of earnings data					
Revenues	1,698,335	1,745,372	1,800,644	2,053,326	7,297,677
Operating costs excluding depreciation, amortization, acquisition and restructuring	1,495,322	1,529,757	1,588,180	1,823,646	6,436,905
Earnings before interest, depreciation, amortization, acquisition, restructuring, and income taxes	203,013	215,615	212,464	229,680	860,772
Margin %	12.0%	12.4%	11.8%	11.2%	11.8%
Depreciation and amortization	27,227	27,083	26,751	35,568	116,629
Acquisition costs	-	-	-	9,646	9,646
Restructuring costs	-	-	-	32,631	32,631
Interest on long-term debt	5,756	5,820	5,805	12,515	29,896
Other financial charges	601	672	585	2,345	4,203
Earnings before income taxes	169,429	182,040	179,323	136,975	667,767
Income taxes	47,605	52,386	49,349	36,506	185,846
Net earnings	121,824	129,654	129,974	100,469	481,921
Net margin %	7.2%	7.4%	7.2%	4.9%	6.6%
Acquisition costs (net of income taxes of $3,531)	-	-	-	6,115	6,115
Restructuring costs (net of income taxes of $10,034)	-	-	-	22,597	22,597
Adjusted net earnings[1]	121,824	129,654	129,974	129,181	510,633
Adjusted net earnings margin %	7.2%	7.4%	7.2%	6.3%	7.0%
Per Share					
Net earnings					
Basic	0.61	0.66	0.66	0.51	2.44
Diluted	0.60	0.65	0.65	0.51	2.41
Adjusted net earnings[1]					
Basic	0.61	0.66	0.66	0.65	2.58
Diluted	0.60	0.65	0.65	0.65	2.55

[1] Adjusted net earnings and adjusted earnings per share (basic and diluted) are non-IFRS measures. Refer to "Measurement of Results not in Accordance with International Financial Reporting Standards" on page 6 of this Management's Discussion and Analysis for the definition of these terms.

SELECTED FACTORS POSITIVELY (NEGATIVELY) AFFECTING EBITDA
(in millions of CDN dollars)

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

[1] As compared to the same quarter of the last fiscal year.
[2] Market factors include the average block market per pound of cheese and its effect on the absorption of fixed costs and on the realization of inventories, the effect of the relationship between the average block market per pound of cheese and the cost of milk as raw material as well as market pricing impact related to sales of dairy ingredients.

OTHER PERTINENT INFORMATION

(in US dollars, except for average exchange rate)

Fiscal years	2014				2013
	Q4	Q3	Q2	Q1	Q4
Average block market per pound of cheese	**2.178**	**1.836**	**1.735**	**1.779**	1.668
Closing block price[1] per pound of cheese	**2.385**	**2.000**	**1.765**	**1.638**	1.693
Average whey market price[2] per pound	**0.620**	**0.570**	**0.580**	**0.580**	0.580
Spread[3]	**0.012**	**0.044**	**0.041**	**0.046**	0.017
US average exchange rate to Canadian dollar[4]	**1.104**	**1.042**	**1.039**	**1.023**	1.009

[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.

SUMMARY OF FOURTH QUARTER RESULTS ENDED MARCH 31, 2014

Consolidated revenues for the quarter ended March 31, 2014 amounted to $2.486 billion, an increase of $432.6 million or 21.1% compared to $2.053 billion for the same quarter last fiscal year.

The USA Sector revenues increased by approximately $249 million as compared to the corresponding quarter last fiscal year. A more favourable average block market per pound of cheese in the fourth quarter of US$2.18 compared to US$1.67 during the same quarter of fiscal 2013 increased revenues by approximately $106 million. Contributing to the increase was an increase in sales volumes as well as higher selling prices. The weakening of the Canadian dollar versus the US dollar added approximately $91 million in revenues as compared to the same quarter last fiscal year.

In the Canada Sector, revenues increased by approximately $25 million in the fourth quarter as compared to last fiscal year. Higher selling prices relating to the cost of milk as raw material, in addition to increases in sales volumes in both the retail and foodservice segments in Canada were the primary reasons for the increase as compared to last fiscal year. Sales volumes of traditional milk and cheese categories were higher, while value-added milk and butter categories experienced a decrease in sales volumes.

Revenues from the International Sector increased by approximately $159 million as compared to the corresponding quarter last fiscal year. The Sector benefitted from the contribution of the Dairy Division (Australia) since January 21, 2014. Additionally, selling price increases relating to the cost of milk as raw material in Argentina as well as price increases in dairy ingredients in the international market added to revenues. Sales volume increases in Argentina and a more favourable dairy ingredients product mix offset lower sales volumes in the Dairy Ingredients Division. The Dairy Division (Europe) ceased operations in the first quarter of fiscal 2014, and as a result negatively impacted revenues by approximately $15 million when compared to last fiscal year.

Consolidated adjusted earnings before interest, income taxes, depreciation, amortization, acquisition, restructuring and other costs (adjusted EBITDA[1]) totalled $277.8 million for the quarter ended March 31, 2014, an increase of $48.1 million or 20.9% compared to the $229.7 million for the same quarter last fiscal year.

The EBITDA of the USA Sector increased by approximately $25 million in the fourth quarter compared to the same quarter last fiscal year. An increase in the average block market per pound of cheese to US$2.18 in the fourth quarter, as compared to US$1.67 in the same quarter last fiscal year, positively affected the absorption of fixed costs. During the quarter, the block price opened at US$2.00 and closed at US$2.39, an increase of US$0.39, compared to opening at US$1.76 and closing at US$1.69, a decrease of US$0.07 for the same period last fiscal year. This positive difference had a favourable impact on the realization of inventories. The relationship between the average block market per pound of cheese and the cost of milk as raw material was unfavourable as compared to the same quarter last fiscal year. These combined market factors, including unfavourable margins associated with higher commodity prices in the Dairy Foods Division, increased EBITDA by approximately $16 million, as compared to the same period last fiscal year. Increased sales volumes and lower promotional costs were offset by higher ingredients, fuel and conversion costs as compared to the same period of the prior fiscal year, negatively affecting EBITDA. The weakening of the Canadian dollar versus the US dollar added approximately $10 million in EBITDA as compared to the same quarter last fiscal year.

EBITDA for the Canada Sector decreased by approximately $10 million in comparison to the same quarter last fiscal year. Higher ingredients and operational costs in the Dairy Division (Canada) offset increased sales volumes, in both retail and foodservice segments.

The EBITDA of the International Sector increased by approximately $33 million for the quarter ended March 31, 2014 in comparison to the same quarter last fiscal year. Contributing to this increase is the inclusion of EBITDA from the Dairy Division (Australia) since January 21, 2014. 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. This increase was slightly offset by an increase in operational costs.

Depreciation and amortization for the quarter ended March 31, 2014 totalled $39.5 million, an increase of $3.9 million compared to $35.6 million for the same quarter last fiscal year. The increase is mainly due to the inclusion of Dairy Division (Australia)'s results beginning on January 21, 2014.

In the fourth quarter of fiscal 2014, the Company incurred **acquisition costs** relating to the Warrnambool Acquisition, which closed on February 12, 2014, and the Scotsburn Acquisition, finalized on April 14, 2014, totalling $9.5 million ($9.2 million after tax), **restructuring costs** in relation to plant closures in the United States and Canada totalling $30.7 million ($19.9 million after tax), as well as **other costs** totalling $5.5 million ($3.9 million after tax) relating to amendments to pension plans for executive officers. In connection with the restructuring costs, the Company has incurred $7.8 million in severance costs, $0.8 million in other closure costs and $22.1 million in impairment charges to property, plant and equipment.

In the last quarter of fiscal 2013, the Company incurred **acquisition costs** relating to the Morningstar Acquisition, totalling $9.6 million ($6.1 million after tax), as well as **restructuring costs** in relation to plant closures in Europe and Canada totalling $32.6 million ($22.6 million after tax). In connection with the restructuring costs, the Company had incurred $7.8 million in severance costs, $2.8 million in other closure costs, $21.7 million in impairment charges to property, plant and equipment, and $0.3 million in other charges

Net interest expense increased to $19.3 million compared to $14.9 million for the corresponding period last fiscal year. The increase is mainly attributed to a higher level of debt resulting from the Warrnambool Acquisition, as well as a general increase in interest rates in Argentina, as compared to the same quarter last fiscal year.

With respect to **income taxes**, the effective tax rate for the current quarter was 30.2% compared to 27.9% for the same quarter last fiscal year, excluding acquisition, restructuring and other costs in fiscal 2014 and restructuring and acquisition costs in fiscal 2013. 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 amounted to $119.8 million for the quarter ended March 31, 2014, an increase of $19.3 million compared to the net earnings of $100.5 million for the same quarter last fiscal year. This is due to the factors mentioned above.

Adjusted net earnings[1] amounted to $152.8 million for the quarter ended March 31, 2014, an increase of $23.6 million compared to the same quarter last fiscal year. This increase is due to the factors mentioned above, without considering acquisition, restructuring and other costs.

During the quarter, the Company added approximately $80 million in property, plant and equipment, issued shares for a cash consideration of $17.7 million as part of the stock option plan and paid out $44.8 million in dividends to its shareholders. For the same quarter, the Company generated net cash from operating activities of $144.6 million, a decrease from the $160.1 million generated for the corresponding period last fiscal year.

[1] Adjusted EBITDA and adjusted net earnings represent non-IFRS measures. Refer to "Measurement of Results not in Accordance with International Financial Reporting Standards" on page 6 of this Management's Discussion and Analysis for the definition of these terms.

QUARTERLY FINANCIAL INFORMATION

During fiscal 2014, quarterly changes in revenues and EBITDA as compared to fiscal 2013 were affected by the inclusion of a full year's revenue and EBITDA derived from the Morningstar Acquisition, in addition to revenue and EBITDA from the Warrnambool Acquisition on January 21, 2014. Additionally, changes in operational costs, sales volume variances, product mix, and the average block market in the US affected quarterly financial results.

The inclusion of the Warrnambool Acquisition results, in the fourth quarter, increased both revenues and EBITDA. In the Dairy Division (Canada) higher sales volumes and a better product mix were offset by higher costs throughout the year. In the Cheese Division (USA), the higher average block market in fiscal 2014 compared to fiscal 2013 positively affected revenues and had a positive impact on the absorption of fixed costs. The higher block price in the current fiscal year versus last fiscal year had a favourable impact on the realization of inventories. The fluctuation of the Canadian dollar versus the US dollar and the Argentinian peso in fiscal 2014 versus fiscal 2013 had net positive impact on both revenues and EBITDA. The quarterly earnings directly reflect the effects of the previously mentioned items.

ANALYSIS OF EARNINGS FOR THE YEAR ENDED MARCH 31, 2013 COMPARED TO MARCH 31, 2012

Consolidated revenues totalled $7.298 billion, an increase of $367.3 million or 5.3%, compared to $6.930 billion in fiscal 2012. Revenues in the USA Sector increased by approximately $308 million. The inclusion of the Morningstar Acquisition and a more favourable dairy ingredients product mix, offset lower sales volumes, increasing revenues by approximately $328 million as compared to last fiscal year. A lower average block market per pound of cheese of US$1.73 in fiscal 2013, compared to US$1.76 in fiscal 2012, decreased revenues by approximately $21 million. Revenues from the Canada Sector increased by approximately $55 million in comparison to the prior fiscal year. Higher selling prices in Canadian operations in accordance with the increase in the cost of milk as raw material, as well as a better product mix in the Dairy Division (Canada) and a more favourable dairy ingredients product mix, explain the increased revenues in this Sector. Bakery Division revenues increased by approximately $3 million, mainly due to increased sales volumes. Revenues in the International Sector increased approximately $5 million as compared to the prior fiscal year. Higher selling prices in the Dairy Division (Argentina) in accordance with the increase in the cost of milk as raw material were partially offset by lower sales volumes, mainly in the export market. A positive effect on revenues by the strengthening of the Canadian dollar in comparison to the Argentinian peso in fiscal 2013 was completely offset by the effect of its weakening versus the US dollar.

Consolidated earnings before interest, income taxes, depreciation, amortization, acquisition, restructuring and other costs (EBITDA) amounted to $860.8 million in fiscal 2013, an increase of $29.9 million or 3.6% compared to $830.9 million for fiscal 2012. The EBITDA of the USA Sector amounted to $344.3 million, an increase of $46.7 million, in comparison to $297.6 million for the prior fiscal year. The inclusion of the Dairy Foods Division (USA), initiatives undertaken by the Sector in fiscal 2013 and prior years in order to improve operational efficiencies, and a decrease in ingredients and fuel costs, more than offset lower sales volumes, increased promotional and other costs, as well as the negative impact of the revised milk pricing formula in California during fiscal 2013. These combined factors increased EBITDA by approximately $30 million during fiscal 2013 as compared to fiscal 2012. The block market per pound of cheese steadily increased throughout the first half of fiscal 2013, subsequently decreasing for the rest of the fiscal year. The average block market per pound of cheese for fiscal 2013 was US$1.73 as compared to US$1.76 for the previous fiscal year. During fiscal 2013, the block price opened at US$1.49 and closed at US$1.69, an increase of US$0.20, compared to opening at US$1.63 and closing at US$1.49, a decrease of US$0.14 for the previous fiscal year. This net increase for fiscal 2013 had a favourable impact on the realization of inventories in contrast to the prior fiscal year, where the decreasing block price resulted in an unfavourable impact. The lower average block market negatively affected the absorption of fixed costs. The decrease in the dairy ingredients market negatively affected EBITDA in fiscal 2013. The relationship between the average block market per pound of cheese and the cost of milk as raw material was comparable to fiscal 2012. The combination of these market factors had a positive impact of approximately $9 million on EBITDA. Included in the results of fiscal 2013 is an inventory write-down of $2.5 million, as compared to $3.8 million for the prior fiscal year. The weakening of the Canadian dollar in fiscal 2013 added approximately $2 million to the USA Sector EBITDA.

EBITDA for the Canada Sector totalled $476.2 million in fiscal 2013, an increase of $5.0 million in comparison to $471.2 million for the prior fiscal year. This increase is due to higher selling prices in relation to an increase in the cost of milk as raw material and a better product mix, offsetting lower sales volumes in the Dairy Division (Canada). EBITDA for the Bakery Division increased by $1.2 million to $13.9 million in fiscal 2013, from $12.7 million in fiscal 2012. This increase is mainly attributable to higher sales volumes as compared to fiscal 2012.

The International Sector EBITDA decreased to $40.3 million in fiscal 2013 from $62.1 million for fiscal 2012. This decrease is attributable to less favourable selling prices, mainly in the export market, as well as decreased volumes in the Dairy Division (Argentina).

The consolidated EBITDA margin decreased to 11.8% in fiscal 2013, as compared to 12.0% in fiscal 2012, resulting from the Dairy Foods Division (USA), which has a lower margin.

Depreciation and amortization totalled $116.6 million in fiscal 2013, an increase of $14.7 million, compared to $101.9 million in fiscal 2012. The increase is mainly due to the inclusion of the Dairy Foods Division (USA) for the fourth quarter of fiscal 2013. Also, it reflects variations in the depreciable asset base and fluctuations in foreign exchange between the Canadian dollar and both the US dollar and Argentinian peso.

In fiscal 2013, the Company incurred **acquisition costs** relating to the Morningstar Acquisition, totalling $9.6 million ($6.1 million after tax), as well as **restructuring costs** in relation to plant closures in Europe and Canada totalling $32.6 million ($22.6 million after tax). In connection with the restructuring costs, the Company has incurred $7.8 million in severance costs, $2.8 million in other closure costs, $21.7 million in impairment charges to property, plant and equipment, and $0.3 million in impairment charges to goodwill. In fiscal 2012, the Company recorded an **impairment of goodwill** in the amount of $125.0 million ($125.0 million after tax) for the Bakery Division.

Net interest expense amounted to $34.1 million in fiscal 2013, compared to $24.7 million in fiscal 2012. The increase is mainly attributed to a higher level of debt resulting from the Morningstar Acquisition, as compared to the prior fiscal year.

Income taxes totalled $185.8 million in fiscal 2013, as compared to $198.5 million in fiscal 2012, for an effective tax rate of 27.8% in fiscal 2013 as compared to 34.3% for the previous year. There was no income tax effect on the $125.0 million goodwill impairment in fiscal 2012, which explains the higher income tax rate for fiscal 2012. Excluding acquisition and restructuring costs in fiscal 2013, and impairment of goodwill in fiscal 2012, the tax rates would have been 28.1% and 28.2%, respectively. 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 for fiscal 2013 totalled $481.9 million, an increase of $101.1 million or 26.5% compared to $380.8 million in fiscal 2012. This increase is due to the factors mentioned above.

Adjusted net earnings[1] for fiscal 2013 totalled $510.6 million, an increase of $4.8 million or 0.9% compared to $505.8 million in fiscal 2012. This increase is due to the factors mentioned above, without considering acquisition, restructuring and impairment costs.

[1] Adjusted net earnings represents a non-IFRS measure. Refer to “Measurement of Results not in Accordance with International Financial Reporting Standards” on page 6 of this Management’s Discussion and Analysis for the definition of this term.

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S STATEMENT OF RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation and presentation of the consolidated financial statements and the financial information presented in this annual report. This responsibility includes the selection of accounting policies and practices and making judgments and estimates necessary to prepare the consolidated financial statements in accordance with International Financial Reporting Standards.

Management has also prepared the financial information presented elsewhere in this annual report and has ensured that it is consistent with the consolidated financial statements.

Management maintains systems of internal control designed to provide reasonable assurance that assets are safeguarded and that relevant and reliable financial information is being produced.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and is responsible for reviewing and approving the consolidated financial statements. The Board of Directors carries out this responsibility principally through its Audit Committee, which is comprised solely of independent directors. The Audit Committee meets periodically with Management and the independent auditors to discuss internal controls, auditing matters and financial reporting issues. It also reviews the annual report, the consolidated financial statements and the independent auditors' report. The Audit Committee recommends the independent auditors for appointment by the shareholders. The independent auditors have unrestricted access to the Audit Committee. The consolidated financial statements have been audited by the independent auditors Deloitte LLP, whose report follows.

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

(signed) Louis-Philippe Carrière
Louis-Philippe Carrière, FCPA, FCA
Executive Vice President
Finance and Administration, and Secretary

June 5, 2014

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Saputo Inc.

We have audited the accompanying consolidated financial statements of Saputo Inc., which comprise the consolidated balance sheets as at March 31, 2014 and March 31, 2013, and the consolidated statements of earnings, consolidated statements of comprehensive income, consolidated statements of equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Saputo Inc. as at March 31, 2014 and March 31, 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(signed) Deloitte LLP [1]

June 5, 2014
Montréal, Québec

[1] CPA auditor, CA, public accountancy permit No. A116207

CONSOLIDATED STATEMENTS OF **EARNINGS**

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

Years ended March 31		2014		2013
Revenues	**$**	**9,232,889**	$	7,297,677
Operating costs excluding depreciation, amortization, acquisition, restructuring and other costs (Note 5)		**8,212,544**		6,436,905
Earnings before interest, depreciation, amortization, acquisition, restructuring, other costs and income taxes		**1,020,345**		860,772
Depreciation and amortization (Notes 6 and 7)		**146,607**		116,629
Acquisition, restructuring and other costs (Note 22)		**45,663**		42,277
Interest on long-term debt		**53,239**		29,896
Other financial charges (Note 13)		**15,846**		4,203
Earnings before income taxes		**758,990**		667,767
Income taxes (Note 14)		**225,024**		185,846
Net earnings	**$**	**533,966**	$	481,921
Attributable to:				
Shareholders of Saputo Inc.		**533,097**		481,921
Non-controlling interest (Note 16)		**869**		-
	$	**533,966**	$	481,921
Earnings per share (Note 15)				
Net earnings				
Basic	**$**	**2.73**	$	2.44
Diluted	**$**	**2.70**	$	2.41

CONSOLIDATED STATEMENTS OF **COMPREHENSIVE INCOME**

(in thousands of CDN dollars)

Years ended March 31		**2014**		2013
Net earnings	**$**	**533,966**	$	481,921
Other comprehensive income (loss):				
Items that may be reclassified to net earnings:				
Exchange differences arising from foreign currency translation		**189,051**		24,134
Net unrealized gains (losses) on cash flow hedges[1] (Note 20)		**5,672**		(3,660)
Items that will not be reclassified to net earnings:				
Actuarial gains (losses)[2] (Note 17)		**12,019**		(11,514)
Other comprehensive income (loss)		**206,742**		8,960
Comprehensive income	**$**	**740,708**	$	490,881
Attributable to:				
Shareholders of Saputo Inc.	**$**	**739,355**	$	490,881
Non-controlling interest (Note 16)		**1,353**		-
	$	**740,708**	$	490,881

[1] Net of income taxes (recovery) of $2,215 (2013 - $(1,272)).
[2] Net of income taxes (recovery) of $4,691 (2013 - $(4,093)).

CONSOLIDATED STATEMENTS OF **EQUITY**

(in thousands of CDN dollars, except common shares)

For the year ended March 31, 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 year	**196,619**	**$ 663,275**	**$ (5,730)**	**$ (3,660)**	**$ 47,439**	**$ 38,049**	**$ 1,604,348**	**$ 2,305,672**	**$ -**	**$ 2,305,672**
Business acquisitions (Note 16)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**61,503**	**61,503**
Net earnings	**-**	**-**	**-**	**-**	**-**	**-**	**533,097**	**533,097**	**869**	**533,966**
Other comprehensive income	**-**	**-**	**189,051**	**5,188**	**-**	**194,239**	**12,019**	**206,258**	**484**	**206,742**
Comprehensive income								**739,355**	**1,353**	**740,708**
Dividends declared	**-**	**-**	**-**	**-**	**-**	**-**	**(175,321)**	**(175,321)**	**-**	**(175,321)**
Stock option plan (Note 12)	**-**	**-**	**-**	**-**	**15,851**	**15,851**	**-**	**15,851**	**-**	**15,851**
Shares issued under stock option plan	**1,702**	**41,861**	**-**	**-**	**-**	**-**	**-**	**41,861**	**-**	**41,861**
Amount transferred from reserves to share capital upon exercise of options	**-**	**9,114**	**-**	**-**	**(9,114)**	**(9,114)**	**-**	**-**	**-**	**-**
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	**-**	**-**	**-**	**-**	**3,257**	**3,257**	**-**	**3,257**	**-**	**3,257**
Shares repurchased and cancelled	**(3,252)**	**(11,139)**	**-**	**-**	**-**	**-**	**(143,232)**	**(154,371)**	**-**	**(154,371)**
Balance, end of year	**195,069**	**$ 703,111**	**$ 183,321**	**$ 1,528**	**$ 57,433**	**$ 242,282**	**$ 1,830,911**	**$ 2,776,304**	**$ 62,856**	**$ 2,839,160**

For the year ended March 31, 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 year	199,038	$ 629,606	$ (29,864)	$ -	$ 38,836	$ 8,972	$ 1,467,108	$ 2,105,686	$ -	$ 2,105,686
Net earnings	-	-	-	-	-	-	481,921	481,921	-	481,921
Other comprehensive income	-	-	24,134	(3,660)	-	20,474	(11,514)	8,960	-	8,960
Comprehensive income								490,881	-	490,881
Dividends declared	-	-	-	-	-	-	(161,651)	(161,651)	-	(161,651)
Stock option plan (Note 12)	-	-	-	-	13,701	13,701	-	13,701		13,701
Shares issued under stock option plan	1,842	38,468	-	-	-	-	-	38,468	-	38,468
Amount transferred from reserves to share capital upon exercise of options	-	9,003	-	-	(9,003)	(9,003)	-	-	-	-
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	-	-	-	-	3,905	3,905	-	3,905	-	3,905
Shares repurchased and cancelled	(4,261)	(13,802)	-	-	-	-	(171,516)	(185,318)	-	(185,318)
Balance, end of year	196,619	$ 663,275	$ (5,730)	$ (3,660)	$ 47,439	$ 38,049	$ 1,604,348	$ 2,305,672	$ -	$ 2,305,672

CONSOLIDATED **BALANCE SHEETS**

(in thousands of CDN dollars)

As at		March 31, 2014		March 31, 2013
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**39,346**	$	43,177
Receivables		**807,409**		624,553
Inventories (Note 4)		**933,232**		770,158
Income taxes (Note 14)		**30,867**		2,786
Prepaid expenses and other assets		**84,992**		71,882
		1,895,846		1,512,556
Property, plant and equipment (Note 6)		**1,928,761**		1,617,195
Goodwill (Note 7)		**1,954,691**		1,569,592
Trademarks and other intangibles (Note 7)		**484,830**		454,876
Other assets (Note 8)		**79,968**		29,962
Deferred income taxes (Note 14)		**12,796**		9,459
Total assets	**$**	**6,356,892**	$	5,193,640
LIABILITIES				
Current liabilities				
Bank loans (Note 9)	**$**	**310,066**	$	181,865
Accounts payable and accrued liabilities		**897,222**		748,318
Income taxes (Note 14)		**124,206**		144,064
Current portion of long-term debt (Note 10)		**393,600**		152,400
		1,725,094		1,226,647
Long-term debt (Note 10)		**1,395,694**		1,395,900
Other liabilities (Note 11)		**48,396**		74,101
Deferred income taxes (Note 14)		**348,548**		191,320
Total liabilities	**$**	**3,517,732**	$	2,887,968
EQUITY				
Share capital		**703,111**		663,275
Reserves		**242,282**		38,049
Retained earnings		**1,830,911**		1,604,348
Equity attributable to shareholders of Saputo Inc.		**2,776,304**		2,305,672
Non-controlling interest (Note 16)		**62,856**		-
Total equity	**$**	**2,839,160**	$	2,305,672
Total liabilities and equity	**$**	**6,356,892**	$	5,193,640

On behalf of the Board,

(signed) Emanuele (Lino) Saputo
Emanuele (Lino) Saputo, C.M., O.Q., D^r h.c.
Director

(signed) Tony Meti
Tony Meti
Director

CONSOLIDATED **STATEMENTS OF CASH FLOWS**

(in thousands of CDN dollars)

Years ended March 31		**2014**		2013
Cash flows related to the following activities:				
Operating				
Net earnings	**$**	**533,966**	$	481,921
Adjustments for:				
Stock-based compensation		**22,084**		17,537
Interest and other financial charges		**69,085**		34,099
Income tax expense		**225,024**		185,846
Depreciation and amortization		**146,607**		116,629
Gain on disposal of property, plant and equipment		**(122)**		(53)
Restructuring charges related to plant closures		**22,096**		23,820
Share of joint venture earnings		**(1,406)**		-
Funding of employee plans in excess of costs		**(6,486)**		(12,485)
		1,010,848		847,314
Changes in non-cash operating working capital items		**(129,363)**		(4,425)
Cash generated from operating activities		**881,485**		842,889
Interest and other financial charges paid		**(65,837)**		(34,953)
Income taxes paid		**(159,338)**		(162,144)
Net cash generated from operating activities		**656,310**		645,792
Investing				
Business acquisition		**(449,578)**		(1,433,945)
Additions to property, plant and equipment		**(223,624)**		(178,237)
Proceeds on disposal of property, plant and equipment		**253**		901
Other		**803**		(13,719)
		(672,146)		(1,625,000)
Financing				
Bank loans		**77,810**		21,884
Proceeds from issuance of long-term debt		**390,000**		1,198,565
Repayment of long-term debt		**(175,045)**		(38,100)
Issuance of share capital		**41,861**		38,468
Repurchase of share capital		**(154,371)**		(190,404)
Dividends		**(175,321)**		(161,651)
		4,934		868,762
Decrease in cash and cash equivalents		**(10,902)**		(110,446)
Effect of exchange rate changes on cash and cash equivalents		**7,071**		9,486
Cash and cash equivalents, beginning of year		**43,177**		144,137
Cash and cash equivalents, end of year	**$**	**39,346**	$	43,177

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2014 and 2013
(Tabular amounts are in thousands of CDN dollars except information on options, units and shares.)

NOTE 1 CORPORATE INFORMATION

Saputo Inc. (the Company) is a publicly traded company incorporated and domiciled in Canada. The Company's shares are listed on the Toronto Stock Exchange under the symbol "SAP." The Company produces, markets and distributes a wide array of dairy products from Canada, the United States, Argentina and Australia 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 consolidated financial statements (financial statements) of the Company for the year ended March 31, 2014 comprise the financial results of the Company and its subsidiaries.

The financial statements for the year ended March 31, 2014 have been authorized for issuance by the Board of Directors on June 5, 2014.

NOTE 2 BASIS OF PRESENTATION

STATEMENT OF COMPLIANCE
The consolidated annual financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS).

BASIS OF MEASUREMENT
The Company's financial statements have been prepared on a going concern basis and applied based on the historical cost principle except for certain assets and liabilities as described in the significant accounting policies section.

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

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATED FINANCIAL STATEMENTS
The consolidated financial statements include the accounts of the Company and entities under its control. Control exists when an entity is exposed, or has rights, to variable returns from its involvement with investees and has the ability to affect those returns through its power over them. All intercompany transactions and balances have been eliminated. Investments over which the Company has effective control are consolidated. The operating results of acquired businesses, from their respective acquisition dates, are included in the consolidated statements of earnings.

CASH AND CASH EQUIVALENTS
Cash and cash equivalents consist primarily of cash and short-term investments having an initial maturity of three months or less at the time of acquisition.

INVENTORIES
Finished goods, raw materials and work in process are valued at the lower of cost and net realizable value, cost being determined under the first in, first out method. Borrowing costs are allocated to qualifying inventory where inventory takes a substantial period of time to reach finished goods status.

PROPERTY, PLANT AND EQUIPMENT
Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses and are depreciated using the straight-line method over their estimated useful lives as described below:

Buildings	15 to 40 years
Furniture, machinery and equipment	3 to 20 years
Rolling stock	5 to 10 years based on estimated kilometres traveled

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Where components of an item of building or furniture, machinery and equipment are individually significant, they are accounted for separately within the categories described above.

Assets held for sale are recorded at the lower of their carrying amount or fair value less costs to sell, and no depreciation is recorded. Assets under construction are not depreciated. Borrowing costs are capitalized to qualifying property, plant and equipment where the period of construction of those assets takes a substantial period of time to get ready for their intended use. Borrowing costs, if incurred, are added to the cost of those assets until such time as the assets are substantially ready for their intended use.

For the purposes of impairment testing, property, plant and equipment are tested at the cash-generating unit (CGU) level. Write-downs are included in "depreciation and amortization" presented on the consolidated statements of earnings.

GOODWILL, TRADEMARKS AND OTHER INTANGIBLES

Goodwill represents the excess of the consideration transferred in a given acquisition over the fair value of the identifiable net assets acquired and is initially recorded at that value. Goodwill is subsequently carried at cost less any impairment. Trademarks and other intangibles are initially recorded at their transaction fair values. Trademarks are subsequently carried at cost less any impairment losses. Other intangibles are subsequently carried at cost less accumulated amortization and less impairment losses, if any.

Goodwill and trademarks are not amortized. However they are tested for impairment annually or more frequently if events or changes in circumstances indicate that the assets might be impaired. When testing goodwill, the carrying values of the CGU's or group of CGU's including goodwill are compared with their respective recoverable amounts (higher of fair value less costs of disposal and value in use) and an impairment loss, if any, is recognized for the excess.

When testing trademarks and indefinite life intangibles for impairment, the carrying values (including the carrying value of the related CGU's or group of CGU's excluding goodwill) are also compared to their recoverable amounts.

Other intangibles are amortized using the straight-line method over their useful lives which vary from 5 to 15 years and are reviewed for indicators of impairment prior to each reporting period.

Refer to "Impairment Testing of Cash-Generating Units" in Note 7 for a discussion of the CGU levels at which goodwill, trademarks and other intangibles are tested.

IMPAIRMENT OF OTHER LONG-LIVED ASSETS

Other long-lived assets are subject to an "indicators of impairment" test at each reporting period. In the event of an indication of impairment, the asset or group of assets (referred to as CGU's), for which identifiable cash flows that are largely independent of the cash inflows from other assets or group of assets exist, are tested for impairment. An impairment loss is recorded in net earnings when the carrying value exceeds the recoverable amount. The recoverable amount is defined as the greater of fair value less costs of disposal and value in use.

BUSINESS COMBINATIONS

The Company accounts for its business combinations using the acquisition method of accounting. Under this method, the Company allocates the purchase price to tangible and intangible assets acquired and liabilities assumed based on estimated fair values at the date of acquisition, with the excess of the purchase price amount allocated to goodwill.

Significant debt issuance costs directly related to the funding of business acquisitions are included in the carrying value of the debt and are amortized over the related debt term using the effective interest rate method. Acquisition costs are expensed as incurred.

NON-CONTROLLING INTEREST

Non-controlling interests represent equity interest in acquired subsidiaries by third parties. The non-controlling shareholders claim on net assets of the subsidiary is presented as a component within equity. Any share purchases from non-controlling interests after the Company obtains control of a division are treated as transactions with equity owners of the Company. Net earnings and each component of other comprehensive income are attributed to both the owners of the Company and to the non-controlling interest.

EMPLOYEE FUTURE BENEFITS

The cost of pension and other post-retirement benefits is actuarially determined annually on March 31 using the projected benefit method prorated based on years of service and using Management's best estimates of rates of compensation increases, retirement ages of employees and expected health care costs. Current service costs, interest on obligations offset by expected return on assets are expensed in the year. Actuarial gains or losses, the effect of an adjustment, if any, on the maximum amount recognized as an asset and the impact of the minimum funding requirements, are recorded in other comprehensive income (loss) and immediately recognized in retained earnings without subsequent reclassification to the consolidated statements of earnings. The net pension expenditure under defined contribution pension plans is generally equal to the contributions made by the employer.

REVENUE RECOGNITION

The Company recognizes revenue when the title and risk of loss are transferred to customers, price is determinable, collection is reasonably assured and when persuasive evidence of an arrangement exists. Revenues are recorded net of sales incentives including volume rebates, shelving or slotting fees and advertising rebates.

FOREIGN CURRENCY TRANSLATION

The Company's functional currency is the Canadian dollar. Accordingly, the balance sheet accounts of foreign operations are translated into Canadian dollars using the exchange rates at the balance sheet dates and statements of earnings accounts are translated into Canadian dollars using the average monthly exchange rates in effect during the periods. The foreign currency translation adjustment (CTA) reserve presented in the consolidated statements of comprehensive income and the consolidated statements of equity, represents accumulated foreign currency gains (losses) on the Company's net investments in companies operating outside Canada. The change in the unrealized gains (losses) on translation of the financial statements of foreign operations for the periods presented resulted mainly from the fluctuation in value of the Canadian dollar as compared to the US dollar.

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

STOCK-BASED COMPENSATION

The Company offers an equity settled stock option plan to certain employees within the organization pursuant to which options are granted over a five-year vesting period with a ten-year expiration term. The fair value of each instalment of an award is determined separately and recognized over the vesting period. When stock options are exercised, any consideration paid by employees and the related compensation expense recorded as a stock option plan reserve are credited to share capital.

The Company allocates deferred share units (DSU) to eligible Directors of the Company which are based on the market value of the Company's common shares. DSU are granted on a quarterly basis, vest upon award and entitle Directors to receive a cash payment for the value of the DSU they hold following cessation of functions as a Director of the Company. The Company recognizes an expense in its consolidated statements of earnings and a liability in its consolidated balance sheets for each grant. The liability and related expense is subsequently re-measured at each reporting period.

The Company offers performance share units (PSU) to senior management which are based on the market value of the Company's common shares. The PSU plan is non-dilutive and is settled in cash. These awards are considered cash-settled share-based payment awards. A liability is recognized for the employment service received and is measured initially, on the grant date, at the fair value of the liability. The liability is then subsequently remeasured at each reporting period with any change in value recorded in net earnings. The compensation expense is recognized over the three-year performance cycle.

EARNINGS PER SHARE

Basic earnings per share is determined by calculating the net earnings attributable to shareholders of Saputo Inc. divided by the weighted average number of shares outstanding during the period. Diluted earnings per share is calculated in the same manner as basic earnings per share except that the weighted average number of outstanding shares is adjusted to reflect the impact of the conversion of potential shares that may have a dilutive impact and is determined independently for each reporting period presented.

RESEARCH AND DEVELOPMENT TAX CREDITS

The Company benefits from research and development tax credits related to operating costs and property, plant and equipment. These credits are accounted for either as a reduction of operating costs or property, plant and equipment.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

INCOME TAXES

Income tax expense represents the sum of current and deferred income tax and is recognized in the consolidated statements of earnings with the exception of items that are recognized in the consolidated statements of comprehensive income or directly in equity.

Current income taxes are determined in relation to taxable earnings for the year and incorporate any adjustments to current taxes payable in respect of previous years.

The Company follows the liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on temporary differences between the carrying amount of an asset or liability in the consolidated balance sheets and its tax basis. They are measured using the enacted or substantively enacted tax rates that are expected to apply when the asset is realized or the liability is settled. A deferred income tax asset is recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be used.

NON-CURRENT ASSETS HELD FOR SALE

The Company classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through their continuing use. Furthermore, to meet the requirements to be presented as held for sale, the non-current asset or disposal group must be immediately available for sale in its present condition subject only to terms that are usual and customary for sales of such assets or disposal groups and its sale must be highly probable. In order for a sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset or disposal group, and an active program to locate a buyer and complete the plan must have been initiated. Furthermore, the asset or disposal group must be actively marketed for sale at a price that is reasonable in relation to its current fair value.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell and any depreciation or amortization normally taken on those items of property, plant and equipment or intangibles is halted.

FINANCIAL INSTRUMENTS

Financial assets and liabilities are initially measured at fair value. Subsequently, financial instruments classified as financial assets available for sale, held for trading and derivative financial instruments, part of a hedging relationship or not, continue to be measured at fair value on the balance sheet at each reporting date, whereas other financial instruments are measured at amortized cost using the effective interest method.

The Company has made the following classifications:

- Cash and cash equivalents are classified as financial assets held for trading and are measured at fair value.
- Receivables are classified as loans and receivables and are measured at amortized cost.
- Other assets that meet the definition of a financial asset are classified as loans and receivables and are initially measured at fair value and subsequently at amortized cost.
- Bank loans, accounts payable and accrued liabilities, other liabilities and long-term debt are classified as other liabilities and are measured at amortized cost, with the exception of the liability related to DSUs and PSUs which is measured at the fair value of common shares on the balance sheet dates.

Certain derivative instruments are utilized by the Company to manage exposure to variations in interest rate payments associated with its unsecured bank term loan facility and to manage foreign exchange rate risks, including foreign exchange forward contracts, currency swaps and interest rate swaps. Derivatives are initially recognized at fair value at the date the derivative contracts, currency swaps are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is immediately recognized in net earnings unless the derivative is designated as a hedging instrument.

HEDGING

The Company designates certain financial instruments as cash flow hedges. At the inception of the hedging relationship, the Company formally documents its risk management objective, strategy, term, nature of risk being hedged and identifies both the hedged item and hedging instrument.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Variations in the fair value of cash flow hedges representing gains or losses on the effective portion are recorded in other comprehensive income until the hedged item affects net earnings. Variations in the fair value of cash flow hedges representing gains or losses on the ineffective portion are recorded in net earnings.

The Company formally assesses at inception and quarterly thereafter, the effectiveness of the hedging instruments ability to offset variations in the cash flow risks associated with the hedged item. Where a hedging relationship is no longer effective, hedge accounting is discontinued and any subsequent change in the fair value of the hedging instrument is recognized in net earnings.

JOINT VENTURES
Joint ventures are accounted for using the equity method and represent those entities in which the Company exercises joint control over and for which it is exposed to variable returns from its involvement in the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

INVESTMENT PROPERTIES
Investment properties represent real estate properties owned by the Company that are held to earn rental income and/or for capital appreciation. These properties are recognized initially at cost and then subsequently carried at fair value with any changes recognized in net earnings. Fair values are determined by an independent appraiser.

FAIR VALUE HIERARCHY
All financial instruments measured at fair value are categorized into one of three hierarchy levels, described below, for disclosure purposes. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Each level reflects the inputs used to measure the fair values of assets and liabilities:

Level 1 –Inputs are unadjusted quoted prices of identical instruments in active markets.
Level 2 –Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 –One or more significant inputs used in a valuation technique are not based on observable market data in determining fair values of the instruments.

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

USE OF ESTIMATES AND JUDGEMENTS IN THE APPLICATION OF ACCOUNTING POLICIES
The preparation of the Company's financial statements requires Management to make certain judgements and estimates about transactions and carrying values that are fulfilled at a future date. Judgements and estimates are subject to fluctuations due to changes in internal and/or external factors and are continuously monitored by Management. A discussion of the judgements and estimates that could have a material effect on the financial statements is provided below.

SIGNIFICANT ESTIMATES AND JUDGEMENTS

Allowance for Doubtful Accounts
Management reviews its accounts receivable at the end of each reporting period and estimates balances which may be deemed to be uncollectible in the future. This review requires the use of assumptions and judgment that takes into consideration certain factors, such as historical collection trends and past due amounts for each customer balance. In the event that future collections differ from estimated provisions, future earnings will be affected.

Income Taxes
The Company is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the consolidated provision for income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters differs from the amounts that were initially recorded, such differences will impact the results for the reporting period and the respective current income tax and deferred income tax provisions in the reporting period in which such determination is made.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Deferred Income Taxes

The Company follows the liability method of accounting for deferred income taxes. Deferred income tax assets and liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. As a result, a projection of taxable income is required for those years, as well as an assumption of the ultimate recovery or settlement period for temporary differences. The projection of future taxable income is based on Management's best estimates and may vary from actual taxable income. On an annual basis, the Company assesses its need to establish a valuation allowance for its deferred income tax assets. Canadian, US and international tax rules and regulations are subject to interpretation and require judgement on the part of the Company that may be challenged by taxation authorities. The Company believes that it has adequately provided for deferred tax obligations that may result from current facts and circumstances. Temporary differences and income tax rates could change due to fiscal budget changes and/or changes in income tax laws.

Goodwill, Trademarks and Other Intangibles and Business Combinations

Goodwill, trademarks and other intangibles have principally arisen as a result of business combinations. The acquisition method, which also requires significant estimates and judgements, is used to account for these business combinations. As part of the allocation process in a business combination, estimated fair values are assigned to the net assets acquired, including trademarks and other intangibles. These estimates are based on forecasts of future cash flows, estimates of economic fluctuations and an estimated discount rate. The excess of the purchase price over the estimated fair value of the net assets acquired is then assigned to goodwill. In the event that actual net assets fair values are different from estimates, the amounts allocated to the net assets, and specifically to trademarks and other intangibles, could differ from what is currently reported. This would then have a pervasive impact on the carrying value of goodwill. Differences in estimated fair values would also have an impact on the amortization of definite life intangibles.

Property, Plant and Equipment

Critical judgement is necessary in the selection and application of accounting policies and useful lives as well as the determination of which components are significant and how they are allocated. Management has determined that the use of the straight-line method of amortization is the most appropriate as its facilities are operating at a similar output potential on a year to year basis, which indicates that production is constant (please refer to the estimated useful lives table for further details on the useful lives of productive assets). It is Management's best estimate that the useful lives and policies adopted adequately reflect the flow of resources and the economic benefits required and derived in the use and servicing of these long-lived productive assets.

Impairment of Assets

Significant estimates and judgements are required in testing goodwill, trademarks and other intangibles and other long-lived assets for impairment. Management uses estimates or exercises judgement in assessing indicators of impairment, defining a CGU, forecasting future cash flows and in determining other key assumptions such as discount rates and earnings multipliers used for assessing fair value (less costs of disposal) or value in use. Estimates made for goodwill, trademarks and other intangibles can be found in Note 7. Other long-lived assets are tested only when indicators of impairment are present.

Employee Future Benefits

The Company is the sponsor to both defined benefit and defined contribution plans, which provide pension and other post-employment benefits to its employees. Several estimates and assumptions are required with regards to the determination of the defined benefit expense and its related obligation, such as the discount rate used in determining the carrying value of the obligation and the expected return on assets, the expected health care cost trend rate, the expected mortality rate, etc. Actual results will normally differ from expectations. These gains or losses are presented in the consolidated statements of comprehensive income.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

The International Accounting Standards Board (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.

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.

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 the 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.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

This amendment is effective for annual reporting periods beginning on or after July 1, 2014. Management is currently analyzing the impact of the adoption of these amendments.

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 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 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.

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 YEAR

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 year ended March 31, 2014.

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.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The adoption of this standard did not impact the Company's financial statement consolidation methods or practices for the year ended March 31, 2014.

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 resulted in minimal additional disclosures in the Company's March 31, 2014 financial statements. Refer to Note 16 Business Acquisitions and Note 19 Related Party Transactions for further details.

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 ended March 31, 2014.

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.

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 impact the Company's March 31, 2014 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 March 31, 2014 financial statements.

NOTE 4 INVENTORIES

	March 31, 2014	March 31, 2013
Finished goods	$ 651,660	$ 551,733
Raw materials, work in progress and supplies	281,572	220,971
Inventory write-down	-	(2,546)
Total	$ 933,232	$ 770,158

The amount of inventories recognized as an expense in operating costs for the year ended March 31, 2014 is $7,419,529,000 ($5,816,940,000 for the year ended March 31, 2013).

For fiscal 2014, no write-down ($2,546,000 at March 31, 2013) was included as an expense in "Operating costs excluding depreciation, amortization, acquisition, restructuring and other costs" under the caption "Changes in inventories of finished goods and work in process" in Note 5.

NOTE 5 OPERATING COSTS EXCLUDING DEPRECIATION, AMORTIZATION, ACQUISITION, RESTRUCTURING AND OTHER COSTS

	2014	2013
Changes in inventories of finished goods and work in process	$ (128,338)	$ (73,306)
Raw materials and consumables used	6,645,890	5,209,598
Foreign exchange gain	(1,854)	(779)
Employee benefits expense	928,905	745,975
Selling costs	262,558	240,363
Other general and administrative costs	505,383	315,054
Total	$ 8,212,544	$ 6,436,905

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

For the year ended March 31, 2014

	Land	Buildings	Furniture, machinery and equipment	Rolling stock	Held for sale	Total
Cost						
As at March 31, 2013	**$ 56,186**	**$ 585,257**	**$ 1,830,466**	**$ 5,330**	**$ 24,553**	**$ 2,501,792**
Business acquisition (Note 16)	**2,530**	**23,449**	**143,514**	**8,403**	**-**	**177,896**
Additions	**726**	**74,128**	**148,800**	**(30)**	**-**	**223,624**
Disposals	**(18)**	**(1,607)**	**(12,953)**	**(711)**	**(24,553)**	**(39,842)**
Transfers	**(35)**	**(765)**	**(6,977)**	**-**	**7,777**	**-**
Foreign currency adjustments	**1,963**	**22,688**	**68,901**	**411**	**-**	**93,963**
As at March 31, 2014	**$ 61,352**	**$ 703,150**	**$ 2,171,751**	**$ 13,403**	**$ 7,777**	**$ 2,957,433**
Accumulated depreciation						
As at March 31, 2013	**-**	**166,206**	**691,378**	**2,460**	**24,553**	**884,597**
Depreciation	**-**	**25,760**	**107,588**	**715**	**-**	**134,063**
Disposals	**-**	**(1,590)**	**(12,918)**	**(650)**	**(24,553)**	**(39,711)**
Transfers	**-**	**(423)**	**(6,507)**	**-**	**6,930**	**-**
Impairment	**-**	**8,311**	**13,785**	**-**	**-**	**22,096**
Foreign currency adjustments	**-**	**6,499**	**21,225**	**(97)**	**-**	**27,627**
As at March 31, 2014	**$ -**	**$ 204,763**	**$ 814,551**	**$ 2,428**	**$ 6,930**	**$ 1,028,672**
Net book value at March 31, 2014	**$ 61,352**	**$ 498,387**	**$ 1,357,200**	**$ 10,975**	**$ 847**	**$ 1,928,761**

For the year ended March 31, 2013

	Land	Buildings	Furniture, machinery and equipment	Rolling stock	Held for sale	Total
Cost						
As at March 31, 2012	$ 35,841	$ 422,822	$ 1,397,380	$ 7,278	$ -	$ 1,863,321
Business acquisition (Note 16)	9,879	100,287	347,252	-	-	457,418
Additions	10,878	62,618	104,531	210	-	178,237
Disposals	(145)	(1,598)	(3,561)	(1,938)	-	(7,242)
Transfers	(634)	(2,657)	(22,819)	(118)	26,228	-
Foreign currency adjustments	367	3,785	7,683	(102)	(1,675)	10,058
As at March 31, 2013	$ 56,186	$ 585,257	$ 1,830,466	$ 5,330	$ 24,553	$ 2,501,792
Accumulated depreciation						
As at March 31, 2012	-	142,577	611,989	3,550	-	758,116
Depreciation	-	24,630	84,115	771	-	109,516
Disposals	-	(1,225)	(3,466)	(1,703)	-	(6,394)
Transfers	-	(655)	(9,343)	(118)	10,116	-
Impairment	-	-	6,035	-	15,674	21,709
Foreign currency adjustments	-	879	2,048	(40)	(1,237)	1,650
As at March 31, 2013	$ -	$ 166,206	$ 691,378	$ 2,460	$ 24,553	$ 884,597
Net book value at March 31, 2013	$ 56,186	$ 419,051	$ 1,139,088	$ 2,870	$ -	$ 1,617,195

The net book value of property, plant and equipment under construction amounts to $176,045,000 as at March 31, 2014 ($93,147,000 as at March 31, 2013), and consists mainly of machinery and equipment.

The assets held for sale relate to land, building and equipment in Canada (land and buildings for Canada and Europe for fiscal 2013) as a result of the closure of certain facilities (Note 22) and have been recorded at lower of carrying value and fair value less costs to sell.

NOTE 7 GOODWILL, TRADEMARKS AND OTHER INTANGIBLES

				For the year ended March 31, 2014
		Indefinite Life	**Definite Life**	
	Goodwill	**Trademarks and other**	**Other intangibles[1]**	**Total trademarks and other intangibles**
Cost				
As at March 31, 2013	**$ 1,569,592**	**$ 291,166**	**$ 189,127**	**$ 480,293**
Business acquisition (Note 16)	**257,215**	**5,921**	**20,157**	**26,078**
Foreign currency adjustments	**127,884**	**5,121**	**12,344**	**17,465**
As at March 31, 2014	**$ 1,954,691**	**$ 302,208**	**$ 221,628**	**$ 523,836**
Accumulated Amortization				
As at March 31, 2013	**-**	**-**	**25,417**	**25,417**
Amortization	**-**	**-**	**12,544**	**12,544**
Foreign currency adjustments	**-**	**-**	**1,045**	**1,045**
As at March 31, 2014	**$ -**	**$ -**	**$ 39,006**	**$ 39,006**
Net book value at March 31, 2014	**$ 1,954,691**	**$ 302,208**	**$ 182,622**	**$ 484,830**

				For the year ended March 31, 2013
		Indefinite Life	Definite Life	
	Goodwill	Trademarks and other	Other intangibles[1]	Total trademarks and other intangibles
Cost				
As at March 31, 2012	$ 733,527	$ 285,454	$ 68,187	$ 353,641
Business acquisition (Note 16)	812,234	4,724	118,454	123,178
Foreign currency adjustments	23,831	988	2,486	3,474
As at March 31, 2013	$ 1,569,592	$ 291,166	$ 189,127	$ 480,293
Accumulated Amortization				
As at March 31, 2012	-	-	18,186	18,186
Amortization	-	-	7,112	7,112
Foreign currency adjustments	-	-	119	119
As at March 31, 2013	$ -	$ -	$ 25,417	$ 25,417
Net book value at March 31, 2013	$ 1,569,592	$ 291,166	$ 163,710	$ 454,876

[1] Other intangibles consists of customer relationships and other definite life intangibles.

IMPAIRMENT TESTING OF CASH-GENERATING UNITS

Goodwill

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 and includes the operations of the recently acquired Warrnambool Cheese & Butter Factory Company Holdings Limited (Warrnambool Acquisition), refer to note 16 for further details. The Dairy Ingredients Division includes national and export ingredients sales from the North American divisions as well as cheese exports from these same divisions.

In determining whether goodwill is impaired, the Company is required to estimate the recoverable amount of CGUs or groups of CGUs to which goodwill is allocated. Management considers the sectors below to be CGUs or groups of CGUs as they represent the lowest levels at which goodwill is monitored for internal management purposes, with the exception of $44,430,000 of goodwill allocated to the Bakery Division within the Canada Sector.

NOTE 7 GOODWILL, TRADEMARKS AND OTHER INTANGIBLES (CONT'D)

Accordingly, goodwill has been allocated to each CGU or group of CGUs as follows:

Allocation of goodwill	March 31, 2014	March 31, 2013
Canada	$ 313,494	$ 313,494
USA	1,370,198	1,256,098
International	270,999	-
	$ 1,954,691	$ 1,569,592

The recoverable amounts for the Dairy Division (Canada) and the USA Sector have been estimated using an earnings multiplier valuation model (fair value less costs of disposal). The key assumptions used in this model include earnings multipliers of market comparables applied to the Company's most recent results. For the Bakery Division, the recoverable amount has been estimated using a discounted cash flow model (value in use) which includes key assumptions of forecasted cash flows (over a five-year period), estimated terminal growth rates, pre-tax discount rates and income tax rates.

The Company performed its annual goodwill impairment test at the CGU or group of CGUs level for the Dairy Division (Canada), the USA Sector and the Bakery Division on March 31, 2014. In all cases the recoverable amounts exceeded their respective carrying values including goodwill and therefore, no impairment has been recorded. There are no reasonably possible changes in key assumptions within the Dairy Division (Canada) and USA Sector that would lead to an impairment of goodwill.

Trademarks

Trademarks are included in the following CGU or group of CGUs:

Allocation of trademarks	March 31, 2014	March 31, 2013
Neilson	$ 223,200	$ 223,200
Other	79,008	67,966
	$ 302,208	$ 291,166

For purposes of trademarks and other indefinite life intangibles impairment testing, recoverable amounts of the CGU or group of CGUs to which they belong have been estimated using discounted cash flows (value in use) based on the following key assumptions:

- **Cash flows:** Cash flow forecasts for a given trademark are based on earnings before interest, income taxes, depreciation and amortization and are adjusted for a terminal growth rate and income tax rates. The cash flow forecast does not exceed a period of five years with a terminal value calculated as a perpetuity in the final year.
- **Terminal growth rate**: Management uses a terminal growth rate to adjust its forecasted cash flows based on expected increases in inflation and revenue for the products under trademark.
- **Discount rate:** Cash flows are discounted using pre-tax discount rates.

The Company tested its trademarks and other indefinite life intangibles for impairment on March 31, 2014 using value in use (discounted cash flows) to establish recoverable amounts. The recoverable amounts for each trademark and other intangibles not subject to amortization were then compared to their carrying values. In all circumstances, the recoverable amounts exceeded carrying values and therefore no impairment losses were necessary. For definite life intangibles subject to amortization, no indicators of impairment were present for fiscal 2014.

NOTE 8 OTHER ASSETS

		2014		2013
Taxes receivable	**$**	**11,752**	$	10,058
Investment properties		**11,517**		-
Joint ventures		**38,410**		-
Other		**18,289**		19,904
	$	**79,968**	$	29,962

The Company has investment properties held for rental and two joint ventures for which it holds a 50% and 49% interest, respectively. In both joint ventures, the terms of the contract require unanimous consent of all parties in order to direct the significant operations of the ventures. The joint ventures have a June 30th year end and are accounted for under the equity method. The Company recognized, in net earnings, $1,406,000, representing its share of earnings in the joint venture for the period ended March 31, 2014.

NOTE 9 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			2014		2013
North America-US Currency	July 2019[1]	143,715	130,000	USD	**$**	**95,073**	$	-
North America-CDN Currency	July 2019[1]	409,035	370,000	USD		**80,285**		116,113
Argentina	Yearly[2]	193,752	1,404,000	ARS		**79,487**		61,950
Australia	Yearly[3]	128,100	125,000	AUD		**55,221**		-
Other		-	-	EUR		**-**		3,802
		874,602			**$**	**310,066**	$	181,865

[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 10 LONG-TERM DEBT

		2014		2013
Unsecured bank term loan facility				
Obtained October 2013 and due in December 2016 ($500,000,000)[1]	$	**374,375**	$	-
Obtained December 2012 and due in December 2016 (US tranche $350,000,000)[2]		**179,644**		317,500
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)		**55,275**		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
	$	**1,789,294**	$	1,548,300
Current portion		**393,600**		152,400
	$	**1,395,694**	$	1,395,900

Principal repayments are as follows:

Less than 1 year	$	**393,600**	$	152,400
1-2 years		**213,819**		313,200
2-3 years		**1,181,875**		150,000
3-4 years		**-**		932,700
4-5 years		**-**		-
More than 5 years		**-**		-
	$	**1,789,294**	$	1,548,300

[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. $110,000,000 is available for drawdown until December 2014.
[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 11 OTHER LIABILITIES

		2014		2013
Employee benefits (Note 17)	$	**33,204**	$	56,110
Derivative financial liabilities (Note 20)		**2,671**		4,932
Other		**12,521**		13,059
	$	**48,396**	$	74,101

NOTE 12 SHARE CAPITAL

AUTHORIZED

The authorized share capital of the Company consists of an unlimited number of common and preferred shares. The common shares are voting and participating. The preferred shares may be issued in one or more series, the terms and privileges of each series to be determined at the time of their issuance.

		March 31, 2014		March 31, 2013
ISSUED				
195,068,912 common shares (196,619,440 common shares in 2013)	$	**703,111**	$	663,275

1,701,272 common shares (1,843,275 in 2013) were issued during the year ended March 31, 2014 for an amount of $41,861,000 ($38,468,000 in 2013) pursuant to the share option plan. For the year ended March 31, 2014, the amount transferred from stock option plan reserve was $9,114,000 ($9,003,000 in 2013).

Pursuant to the normal course issuer bid, which began on November 15, 2012, and expired on November 14, 2013, the Company was authorized to repurchase for cancellation up to 9,850,532 of its common shares. Under the new normal course issuer bid that became effective on November 15, 2013, and expiring on November 14, 2014, the Company is authorized to repurchase, for cancellation purposes, up to 9,708,299 of its common shares. During the year ended March 31, 2014, the Company repurchased 3,251,800 common shares, at prices ranging from $46.46 to $49.55 per share, relating to the normal course issuer bids. The excess of the purchase price over the carrying value of the shares in the amount of $143,232,000 was charged to retained earnings. During the year ended March 31, 2013, the Company repurchased 4,261,400 common shares, at prices ranging from $39.44 to $49.01 per share, relating to the normal course issuer bids. The excess of the purchase price over the carrying value of the shares in the amount of $171,516,000 was charged to retained earnings.

SHARE OPTION PLAN

The Company has an equity settled share option plan to allow for the purchase of common shares by key employees and officers of the Company. The total number of common shares which may be issued pursuant to this plan as at March 31, 2014 cannot exceed 17,935,823 common shares. As at March 31, 2014, 9,487,342 common shares are issuable under this plan in addition to the 8,448,481 common shares underlying options outstanding. Options granted prior to July 31, 2007 may be exercised at a price equal to the closing quoted value of the common shares on the day preceding the grant date. Options granted thereafter may be exercised at a price not less than the weighted average market price for the five trading days immediately preceding the date of grant. The options vest at 20% per year and expire ten years from the grant date.

NOTE 12 SHARE CAPITAL (CONT'D)

Options issued and outstanding as at year end are as follows:

		March 31, 2014		March 31, 2013	
Granting period	Exercise price	**Number of options**	**Number of exercisable options**	Number of options	Number of exercisable options
2005	$ 16.53	**6,288**	**6,288**	205,006	205,006
2006	$ 18.08	**204,270**	**204,270**	325,312	325,312
2007	$ 16.35	**370,406**	**370,406**	517,401	517,401
2008	$ 23.09	**448,497**	**448,497**	659,563	659,563
2009	$ 27.81	**561,948**	**561,948**	886,992	613,624
2010	$ 21.40	**1,018,821**	**651,357**	1,379,093	595,818
2011	$ 29.32	**1,163,843**	**562,494**	1,374,698	421,162
2012	$ 43.22	**1,032,972**	**355,875**	1,165,370	215,574
2013	$ 42.96	**1,728,243**	**299,500**	1,862,496	-
2014	$ 51.10	**1,913,193**	**-**	-	-
		8,448,481	**3,460,635**	8,375,931	3,553,460

Changes in the number of outstanding options are as follows:

	2014		2013	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Balance, beginning of year	**8,375,931**	**$ 30.78**	8,484,524	$ 25.92
Options granted	**2,065,269**	**$ 51.10**	1,884,991	$ 42.96
Options exercised	**(1,701,272)**	**$ 24.61**	(1,843,275)	$ 20.87
Options cancelled	**(291,447)**	**$ 44.88**	(150,309)	$ 30.93
Balance, end of year	**8,448,481**	**$ 36.51**	8,375,931	$ 30.78

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:

	2014	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 $15,851,000 ($13,568,000 net of taxes) relating to stock options was recorded in the statement of earnings for the year ended March 31, 2014 and $13,701,000 ($12,029,000 net of taxes) was recorded for the year ended March 31, 2013.

Options to purchase 2,062,826 common shares at a price of $55.48 per share were granted on April 1, 2014.

DEFERRED SHARE UNIT PLAN FOR DIRECTORS

In accordance with the deferred share unit plan, all eligible Directors of the Company are allocated annually a fixed amount of deferred share units which are granted on a quarterly basis. Additionally, Directors receive quarterly remuneration either in cash or deferred share units, at the choice of each Director. If a Director elects to receive deferred share units, the number of deferred share units varies as it is based on the market value of the Company's common shares. When they cease to be a Director of the Company, a cash payment equal to the market value of the accumulated deferred share units will be disbursed. The liability relating to these units is adjusted by taking the number

NOTE 12 SHARE CAPITAL (CONT'D)

of units outstanding multiplied by the market value of common shares at the Company's year end. The variation of the liability is recorded as an expense under "Operating costs excluding depreciation, amortization, acquisition, restructuring and other costs".

	2014			2013		
	Units		**Liability**	Units		Liability
Balance, beginning of year	**243,110**	**$**	**13,111**	255,349	$	11,533
Annual grant	**20,000**		**1,003**	19,333		904
Board compensation	**13,675**		**683**	14,320		663
Payment to directors	**(55,061)**		**(2,836)**	(45,892)		(1,961)
Variation due to change in stock price	**-**		**951**	-		1,972
Balance, end of year	**221,724**	**$**	**12,912**	243,110	$	13,111

In fiscal 2014, the Company renewed its equity forward contract on 220,000 Saputo Inc. common shares with a notional value of $12,248,874 ($11,348,436 in 2013) to mitigate the compensation costs associated with its deferred share unit plan. The Company recognized a gain of $543,840 (gain of $1,632,389 in fiscal 2013) reducing the expense associated with the deferred share unit plan upon the re-measurement of the equity forward contract ended in March 2014 and a gain of $144,383 on the equity forward contract renewed until March 2015.

PERFORMANCE SHARE UNIT PLAN

In fiscal 2013, the Company established a PSU plan to form part of long-term incentive compensation, together with the options for senior management. The PSU plan is non-dilutive and is settled in cash only. Under the PSU plan, each performance cycle shall consist of three fiscal years of the Company. At the time of the grant of a PSU, the Company determines the performance criteria which must be met. Following completion of a three-year performance cycle, the PSUs for which the performance criteria have been achieved will vest and the value that will be paid out is the price of the common shares at such time, multiplied by the number of PSUs for which the performance criteria have been achieved. The amount potentially payable to eligible employees is recognized as a payable and is revised at each reporting period. The expense is included in employee benefits under the "Operating costs excluding depreciation, amortization, acquisition, restructuring and other costs" caption.

	2014			2013		
	Units		**Liability**	Units		Liability
Balance, beginning of year	**66,885**	**$**	**2,108**	-	$	-
Annual grant	**80,126**		**2,866**	67,392		2,120
Cancelled	**(10,597)**		**(522)**	(507)		(12)
Payment	**(286)**		**(14)**	-		-
Variation due to change in stock price	**-**		**1,251**	-		-
Balance, end of year	**136,128**	**$**	**5,689**	66,885	$	2,108

On April 1, 2014, 166,860 PSU's were granted at a price of $55.48 per unit ($51.10 in 2013).

During the first quarter of fiscal 2014, the Company entered into an equity forward contract on 25,000 Saputo Inc. common shares with a notional value of $1,223,743 to mitigate the compensation costs associated with its performance share unit plan. The Company recognized a gain of $142,508 reducing the expense associated with the performance share unit plan upon the settlement of the equity forward contract ending in March 2014. In March 2014, the Company renewed this equity forward contract with a notional value of $1,391,918 and entered into a new equity forward contract on an additional 150,000 Saputo Inc. common shares with a notional value of $8,215,395. Gains of $16,407 and $232,981 were recognized on the equity forward contracts of 25,000 and 150,000 Saputo Inc. commons shares, respectively.

NOTE 13 OTHER FINANCIAL CHARGES

		2014		2013
Finance costs	**$**	**16,249**	$	4,719
Finance income		**(403)**		(516)
	$	**15,846**	$	4,203

NOTE 14 INCOME TAXES

Income tax expense is comprised of the following:

		2014		2013
Current tax expense	$	**122,545**	$	150,127
Deferred tax expense		**102,479**		35,719
Income tax expense	$	**225,024**	$	185,846

RECONCILIATION OF THE EFFECTIVE TAX RATE

The effective income tax rate was 29.6% in 2014 (27.8% in 2013). The Company's income tax expense differs from the one calculated by applying Canadian statutory rates for the following reasons:

		2014		2013
Earnings before tax	$	**758,990**	$	667,767
Income taxes, calculated using Canadian statutory income tax rates of 26.3% (26% in 2013)		**199,621**		173,532
Adjustments resulting from the following:				
Effect of tax rates for foreign subsidiaries and other deductions		**41,383**		30,103
Changes in tax laws and rates		**819**		143
Benefit arising from investment in subsidiaries		**(20,073)**		(14,781)
Manufacturing and processing deduction		**(332)**		(2,842)
Acquisition cost		**2,241**		-
Stock-based compensation		**2,650**		2,566
Effect of loss on restructuring cost		**-**		(7,154)
Tax losses for which no deferred income tax assets was recognized		**837**		7,043
Adjustments in respect of prior years		**(1,619)**		(2,670)
Other		**(503)**		(94)
Income tax expense	$	**225,024**	$	185,846

During the year, as a result of the increase in the Canadian corporation tax rate, the statutory tax rate has increased by approximately 0.3%.

INCOME TAX RECOGNIZED IN OTHER COMPREHENSIVE INCOME

Income tax on items recognized in other comprehensive income in 2014 and 2013 were as follows:

		2014		2013
Deferred tax benefit (expense) on actuarial losses (gains) on employee benefit obligations	$	**(4,691)**	$	4,093
Deferred tax benefit (expense) on cash flow hedges loss (gain)		**(2,215)**		1,272
Total income tax recognized in other comprehensive income	$	**(6,906)**	$	5,365

INCOME TAX RECOGNIZED IN EQUITY

Income tax on items recognized in equity in 2014 and 2013 were as follows:

		2014		2013
Excess tax benefit that results from the excess of the deductible amount over the stock-based compensation recognised in net earnings	$	**3,257**	$	3,905
Total income tax recognized in equity	$	**3,257**	$	3,905

CURRENT TAX ASSETS AND LIABILITIES

		2014		2013
Current tax assets	$	**30,867**	$	2,786
Current tax liabilities		**(124,206)**		(144,064)
Current tax liabilities (net)	$	**(93,339)**	$	(141,278)

NOTE 14 INCOME TAXES (CONT'D)

DEFERRED TAX BALANCES

		2014		2013
Deferred tax assets	**$**	**12,796**	$	9,459
Deferred tax liabilities		**(348,548)**		(191,320)
Deferred tax liabilities (net)	**$**	**(335,752)**	$	(181,861)

DEFERRED TAX ASSETS AND LIABILITIES

The movement of deferred tax assets and liabilities are shown below:

	Balance April 1, 2013	Charged/ Credited to net earnings	Charged/ Credited to other comprehensive income or equity	Acquisitions	Translation and other	Balance March 31, 2014
Deferred tax asset						
Accounts payable and accrued liabilities	**$ 28,375**	**$ 2,951**	**$ -**	**$ 13,327**	**$ 281**	**$ 44,934**
Income tax losses	**5,218**	**(528)**	**-**	**-**	**101**	**4,791**
Net assets of pension plans	**13,670**	**(1,606)**	**(4,691)**	**-**	**83**	**7,456**
	$ 47,263	**$ 817**	**$ (4,691)**	**$ 13,327**	**$ 465**	**$ 57,181**
Deferred tax liabilities						
Inventories	**$ 14,109**	**$ 28,415**	**$ -**	**$ 320**	**$ 2,200**	**$ 45,044**
Property, plant and equipment	**175,762**	**39,838**	**-**	**29,147**	**13,195**	**257,942**
Other	**36,753**	**35,043**	**2,215**	**9,116**	**4,320**	**87,447**
Long-term debt	**2,500**	**-**	**-**	**-**	**-**	**2,500**
	$ 229,124	**$ 103,296**	**$ 2,215**	**$ 38,583**	**$ 19,715**	**$ 392,933**

	Balance April 1, 2012	Charged/ Credited to net earnings	Charged/ Credited to other comprehensive income or equity	Acquisitions	Translation and other	Balance March 31, 2013
Deferred tax asset						
Accounts payable and accrued liabilities	$ 19,953	$ 5,396	$ -	$ 3,583	$ (557)	$ 28,375
Income tax losses	12,210	(7,058)	-	-	66	5,218
Net assets of pension plans	13,017	(3,462)	4,093	-	22	13,670
	$ 45,180	$ (5,124)	$ 4,093	$ 3,583	$ (469)	$ 47,263
Deferred tax liabilities						
Inventories	$ 5,099	$ 8,934	$ -	$ -	$ 76	$ 14,109
Property, plant and equipment	166,861	7,259	-	-	1,642	175,762
Other	19,911	14,402	(1,272)	3,583	129	36,753
Long-term debt	2,500	-	-	-	-	2,500
	$ 194,371	$ 30,595	$ (1,272)	$ 3,583	$ 1,847	$ 229,124

NOTE 15 EARNINGS PER SHARE

		2014		2013
Net earnings attributable to shareholders of Saputo Inc.	**$**	**533,097**	$	481,921
Weighted average number of common shares outstanding		**195,123,232**		197,589,714
Dilutive options		**2,551,443**		2,731,407
Weighted average diluted number of common shares outstanding		**197,674,675**		200,321,121
Basic earnings per share	**$**	**2.73**	$	2.44
Diluted earnings per share	**$**	**2.70**	$	2.41

When calculating diluted earnings per share for the year ended March 31, 2014, 1,913,193 options (no options for the year ended March 31, 2013) were excluded from the calculation because their exercise price is higher than the average market value for the year.

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

NOTE 16 BUSINESS ACQUISITIONS

Warrnambool Cheese & Butter Factory Company Holdings

On October 7, 2013, the Company announced its takeover bid for the Australian dairy company Warrnambool Cheese & Butter Factory Company Holdings Limited in order to expand its international footprint. Warrnambool is an Australian public company, listed on the Australian Securities Exchange (ASX) and is one of the largest milk processors in Australia. Warrnambool produces a range of dairy products for domestic and export markets. Its products include cheese, butter and butter blends, milk, cream and dairy ingredients.

On January 21, 2014, the Company reached a controlling interest of 52.702% and began consolidating Warrnambool's results into its International Sector as its Dairy Division (Australia).

The Company continued to increase its ownership interest in Warrnambool shares subsequent to the control date and pursuant to the terms of the takeover bid culminating in a relevant interest of 87.92% on February 12, 2014 when the offer closed and reflecting a total cash consideration of $449,577,800.

The purchase price, funded out of the Company's committed bank term loan and bank loan, was allocated to the identifiable assets acquired and liabilities assumed based on the fair values presented below. The final allocation of the purchase price will be completed in the next fiscal year.

NOTE 16 BUSINESS ACQUISITIONS (CONT'D)

			2014 Warrnambool Cheese & Butter Factory Company Holdings
Assets acquired	Cash and cash equivalents	$	4,369
	Receivables		66,268
	Inventories		131,604
	Prepaid expenses and other assets		5
	Property, plant and equipment		177,896
	Goodwill		257,215
	Trademarks and other intangibles		26,078
	Other assets		43,416
Liabilities assumed	Bank loans		(71,023)
	Accounts payable and accrued liabilities		(88,134)
	Income taxes		(10,744)
	Other liabilities		(613)
	Deferred income taxes		(25,256)
Net assets acquired		$	511,081
	Non-controlling interest		(61,503)
		$	449,578
Consideration	Cash	$	59,578
	Long-term debt		390,000
	Total consideration	$	449,578

The non-controlling interest of $61,503,000, recognized on the date control was obtained, has been measured based on fair value and represents the number of shares owned by third parties multiplied by the share price of AU$9.40 paid by the Company.

Recognized goodwill consists of an assembled workforce and expected growth opportunities in both domestic and international markets.

Morningstar Foods, LLC

On January 3, 2013, the Company completed the purchase of Morningstar Foods, LLC (Morningstar) for a total cash consideration of $1,433,945,000 pursuant to the terms and conditions of a Membership Interest Purchase Agreement.

Morningstar produces a variety of dairy and non-dairy extended shelf-life (ESL) products, including creams and creamers, ice cream mixes, whipping cream, aerosol whipped toppings, iced coffee, half and half, value-added milks, as well as cultured products such as sour cream and cottage cheese. These products are manufactured under a wide array of company-owned or customer brand names, and are sold throughout the US via an internal sales force and independent brokers. Morningstar serves the needs of retailers, national quick-serve restaurant chains, grocery stores, mass merchandisers and distributors across the United States.

The acquisition of Morningstar complements the activities of the Cheese Division (USA). Through this acquisition, the Company benefits from Morningstar's national manufacturing and distribution footprint. This transaction expands product offerings to customers in the United States and broadens the range of the Company's future acquisition opportunities. These expected synergies, along with the benefits associated with an assembled workforce represent the major qualitative factors comprising goodwill.

The purchase price was allocated based on the fair values of the identifiable assets acquired and liabilities assumed as follows:

NOTE 16 BUSINESS ACQUISITIONS (CONT'D)

			2013
			Morningstar Foods, LLC
Assets acquired	Cash and cash equivalents	$	7
	Receivables		71,264
	Inventories		64,985
	Prepaid expenses and other assets		6,661
	Property, plant and equipment		457,418
	Goodwill		812,234
	Trademarks and other intangibles		123,178
	Other assets		3,200
Liabilities assumed	Accounts payable and accrued liabilities		(96,268)
	Other liabilities		(8,734)
Net assets acquired		$	1,433,945
Consideration	Cash	$	235,380
	Long-term debt		1,198,565
	Total consideration	$	1,433,945

NOTE 17 EMPLOYEE PENSION AND OTHER BENEFITS PLANS

The Company sponsors various post-employment benefit plans. These include pension plans, both defined contribution and defined benefit plans, and other post-employment benefits. Post-employment benefit plans are classified as either defined contribution plans or defined benefit plans.

Defined Contribution Plans

The Company offers and participates in defined contribution pension plans of which 92% of its active employees are members. The net pension expense under these types of plans is generally equal to the contributions made by the employer and constitutes an expense for the year in which they are due. For fiscal 2014, the defined contribution expenses for the Company amounted to $31,114,000 compared to $22,434,000 for fiscal 2013.

Defined Benefit Plans

The Company participates in defined benefit pension plans in which the remaining active employees are members. Under the terms of the defined benefit pension plans, pensions are based on years of service and the average salary of the last employment years.

The registered pension plans must comply with statutory funding requirements in the province or state in which they are registered. Funding valuations are required on an annual or triennial basis, depending on the jurisdiction, and employer contributions must include amortization payments for any deficit, over a period of 5 to 15 years. Contribution holidays are allowed and subject to certain thresholds. Other non-registered pension plans and benefits other than pension are not subject to any minimum funding requirements.

NOTE 17 EMPLOYEE PENSION AND OTHER BENEFITS PLANS (CONT'D)

The cost of these pension benefits earned by employees is actuarially determined using the projected benefits method prorated on services and using a discount rate based on high quality corporate bonds and Management's assumptions bearing on, among other things, rates of compensation increase and retirement age of employees. All of these estimates and assessments are formulated with the help of external consultants. The plan assets and benefit obligations were valued as at March 31 with the assistance of the Company's external actuaries. The Company also offers complementary retirement benefits programs, such as health insurance, life insurance and dental plans to eligible employees and retired employees. The Company expects to contribute approximately $5,682,000 to its defined benefit plans in 2015. The Company's net liability for post-employment benefit plans comprises the following:

	Pension	**Other**	**March 31, 2014**	Pension	Other	March 31, 2013
Present value of funded obligation	**$ 259,187**	**$ -**	**$ 259,187**	$ 251,003	$ -	$ 251,003
Fair value of assets	**254,353**	**-**	**254,353**	218,808	-	218,808
Present value of net obligations for funded plans	**4,834**	**-**	**4,834**	32,195	-	32,195
Present value of unfunded obligations	**12,828**	**10,757**	**23,585**	5,904	11,252	17,156
Present value of net obligations	**17,662**	**10,757**	**28,419**	38,099	11,252	49,351
Asset ceilling test	**4,785**	**-**	**4,785**	421	-	421
Impact of minimum funding requirement	**-**	**-**	**-**	6,338	-	6,338
Accrued pension/benefit cost as at March 31	**22,447**	**10,757**	**33,204**	44,858	11,252	56,110
Employee benefit amounts on the balance sheet:						
Liabilities	**22,447**	**10,757**	**33,204**	44,858	11,252	56,110
Assets	**-**	**-**	**-**	-	-	-
Net liability	**$ 22,447**	**$ 10,757**	**$ 33,204**	$ 44,858	$ 11,252	$ 56,110

The changes in the present value of the defined benefit obligations are as follows:

	Pension	**Other**	**March 31, 2014**	Pension	Other	March 31, 2013
Defined benefit obligation, beginning of year	**$ 256,907**	**$ 11,252**	**$ 268,159**	$ 233,789	$ 10,666	$ 244,455
Current service costs	**6,447**	**26**	**6,473**	5,204	24	5,228
Past service cost generated during the year[1]	**5,465**	**-**	**5,465**	-	-	-
Contribution by plan participants	**766**	**-**	**766**	789	-	789
Interest cost	**10,682**	**461**	**11,143**	10,905	488	11,393
Actuarial (gains) losses from change in experience	**(1,404)**	**(1,259)**	**(2,663)**	1,762	(52)	1,710
Actuarial (gains) losses from change in economic assumptions	**(547)**	**(2)**	**(549)**	15,530	691	16,221
Actuarial losses from change in demographic assumptions	**11,216**	**1,003**	**12,219**	-	126	126
Business acquisition	**-**	**-**	**-**	2,927	-	2,927
Effect of settlement[2]	**(5,137)**	**-**	**(5,137)**	-	-	-
Exchange differences	**877**	**18**	**895**	177	8	185
Benefits paid	**(13,257)**	**(742)**	**(13,999)**	(14,176)	(699)	(14,875)
Defined benefit obligation, end of year	**$ 272,015**	**$ 10,757**	**$ 282,772**	$ 256,907	$ 11,252	$ 268,159

[1] An amendment was made to pension plans for executive officers in fiscal 2014.
[2] In December 2013, two plans with inactive employees only were terminated and annuities were purchased to release the plan from its liability.

The changes in the fair value of plan assets are as follows:

	Pension	**Other**	**March 31, 2014**	Pension	Other	March 31, 2013
Fair value of plan assets, beginning of year	**$ 218,808**	**$ -**	**$ 218,808**	$ 193,221	$ -	$ 193,221
Expected return	**9,347**	**-**	**9,347**	9,217	-	9,217
Actuarial gains	**23,461**	**-**	**23,461**	12,694	-	12,694
Administration costs	**(565)**	**-**	**(565)**	(588)	-	(588)
Contributions by employer	**20,489**	**742**	**21,231**	15,750	699	16,449
Contributions by participants	**766**	**-**	**766**	789	-	789
Effects of settlement[1]	**(5,300)**	**-**	**(5,300)**	-	-	-
Business acquisition	**-**	**-**	**-**	1,780	-	1,780
Exchange differences	**604**	**-**	**604**	121	-	121
Benefits paid	**(13,257)**	**(742)**	**(13,999)**	(14,176)	(699)	(14,875)
Fair value of plan assets, end of year	**$ 254,353**	**$ -**	**$ 254,353**	$ 218,808	$ -	$ 218,808

[1] In December 2013, two plans with inactive employees only were terminated and annuities were purchased to release the plan from its liability.

NOTE 17 EMPLOYEE PENSION AND OTHER BENEFITS PLANS (CONT'D)

Actual return on plans assets amounted to a gain of $32,243,000 in fiscal 2014 compared to a gain of $21,323,000 in fiscal year 2013.

The fair value of plan assets, which do not include assets of the Company, consist of the following:

	March 31, 2014	March 31, 2013
Bonds	**39%**	42%
Equity instruments	**58%**	55%
Cash and short–term investments	**3%**	3%
	100%	100%

The expenses recognized below are included in "Operating costs excluding depreciation, amortization, acquisition, restructuring, and other costs" within employee benefits expense (refer to Note 5) and are detailed as follows:

	Pension	**Other**	**March 31, 2014**	Pension	Other	March 31, 2013
Employer current service cost	**$ 6,447**	**$ 26**	**$ 6,473**	$ 5,204	$ 24	$ 5,228
Employer past service cost	**5,465**	**-**	**5,465**	-	-	-
Effect of settlement	**164**	**-**	**164**	-	-	-
Administration costs	**565**	**-**	**565**	588	-	588
interest costs	**10,682**	**461**	**11,143**	10,905	488	11,393
Interest on effect of asset ceiling	**13**	**-**	**13**	14	-	14
Interest on effect of liability arising from minimum funding	**269**	**-**	**269**	12	-	12
Expected return on plan assets	**(9,347)**	**-**	**(9,347)**	(9,217)	-	(9,217)
Defined benefits plans expense	**$ 14,258**	**$ 487**	**$ 14,745**	$ 7,506	$ 512	$ 8,018

The Company recognizes actuarial gains and losses in the period in which they occur, for all its defined benefit plans. These actuarial gains and losses are recognized in other comprehensive income and are presented below:

	Pension	**Other**	**March 31, 2014**	Pension	Other	March 31, 2013
Net gains (losses) during the year	**$ 14,196**	**$ 258**	**$ 14,454**	$ (4,598)	$ (765)	$ (5,363)
Effect of the asset ceiling test	**(4,351)**	**-**	**(4,351)**	(124)	-	(124)
Effect of impact of additional liability arising from the minimum funding requirement	**6,607**	**-**	**6,607**	(6,066)	-	(6,066)
Amount recognized in other comprehensive income	**16,452**	**258**	**16,710**	(10,788)	(765)	(11,553)

Weighted average assumptions used in computing the benefit obligations at the balance sheet date are as follows:

	March 31, 2014	March 31, 2013
Discount rate	**4.25%**	4.22%
Duration of the obligation	**12.3**	12.3
Future salary increases	**3.00%**	3.00%

The impact of an increase and a decrease of 0.5% on the discount rate would be $19,300,000 and $17,300,000 respectively. Also, an increase or a decrease of 1% on the future salary assumptions would be approximately $3,000,000 on the obligation and a one year increase or decrease in life expectancy would represent approximately $6,700,000.

Weighted average assumptions used in computing the net periodic pension cost for the year are as follows:

	March 31, 2014	March 31, 2013
Discount rate	**4.22%**	4.74%
Future salary increases	**3.00%**	3.00%

For measurement purposes, a 3.5% to 7% annual rate of increase was used for health, life insurance and dental plan costs for the year. In comparison, during the previous year, a 5.23% to 9% annual rate was used.

Assumed medical cost trend rates have an effect on the amounts recognized in profit or loss. A one percentage point change in the assumed medical cost trend rates would have marginal impact on cost and obligations.

NOTE 18 COMMITMENTS AND CONTINGENCIES

LEASES

The Company carries on some of its operations in leased premises and has also entered into lease agreements for equipment and rolling stock. The minimum annual lease payments required for the next fiscal years are as follows:

Less than 1 year	$	**24,558**
1-2 years		**17,395**
2-3 years		**11,755**
3-4 years		**8,919**
4-5 years		**6,816**
More than 5 years		**16,494**
	$	**85,937**

The Company guarantees to certain lessors a portion of the residual value of certain leased assets with respect to operations which mature until 2017. If the market value of leased assets, at the end of the respective operating lease term, is inferior to the guaranteed residual value, the Company is obligated to indemnify the lessors, specific to certain conditions, for the shortfall up to a maximum value. The Company believes that the potential indemnification will not have a significant effect on the financial statements.

CLAIMS

The Company is a defendant to certain claims arising from the normal course of its business. The Company is also a defendant in certain claims and/or assessments from tax authorities in various jurisdictions. The Company believes that the final resolution of these claims and/or assessments will not have a material adverse effect on its earnings or financial position.

INDEMNIFICATIONS

The Company from time to time offers indemnifications to third parties in the normal course of its business, in connection with business or asset acquisitions or dispositions. These indemnification provisions may be in connection with breach of representations and warranties, and for future claims for certain liabilities, including liabilities related to tax and environmental matters. The terms of these indemnification provisions vary in duration. At March 31, 2014, given that the nature and amount of such indemnifications depend on future events, the Company is unable to reasonably estimate its maximum potential liability under these agreements. The Company has not made any significant indemnification payments in the past, and as at March 31, 2014 and March 31, 2013, the Company has not recorded a liability associated with these indemnifications.

NOTE 19 RELATED PARTY TRANSACTIONS

The Company receives and provides goods and services which consist of rent, travel, transport, lodging and management services from and to companies subject to control or significant influence through ownership by its principal shareholder. These transactions, which are not significant to the Company's financial position or financial results, are made in the normal course of business and have been recorded at the fair value, consistent with market values for similar transactions.

Transactions with key management personnel (salaries, bonuses, options, and payments under the PSU and DSU plans) are also considered related party transactions. Management defines key management personnel as named executive officers: the CEO, CFO and the three most highly compensated executive officers of the Company whom are among those persons having responsibility and authority for controlling, overseeing and planning the activities of the Company, as well as the Company's Directors.

NOTE 19 RELATED PARTY TRANSACTIONS (CONT'D)

Transactions with related parties are as follows:

		2014		2013
Entities subject to control or significant influence through ownership by its principal shareholder	**$**	**2,742**	$	19,497
Key management personnel				
Directors		**2,422**		2,355
Named Executive Officers		**18,680**		11,944
	$	**23,844**	$	33,796

Included in the transactions with related parties for fiscal 2013 was a purchase of land and building from a related party totalling $16,400,000. The acquired property is the site for the consolidated distribution activities of the Greater Montreal area as well as the administrative offices of the Dairy Division (Canada). The transaction was recorded at fair value.

Dairy products and other services provided by the Company were the following:

		2014		2013
Entities subject to control or significant influence through ownership by its principal shareholder	**$**	**372**	$	370

Outstanding receivables and accounts payable and accrued liabilities for the transactions above are the following:

	Receivables				Accounts payable and accrued liabilities			
		March 31, 2014		March 31, 2013		**March 31, 2014**		March 31, 2013
Entities subject to control or significant influence through ownership by its principal shareholder	**$**	**55**	$	43	**$**	**25**	$	32
Key management personnel								
Directors		**-**		-		**12,912**		13,111
Named executive officers		**-**		-		**16,698**		9,397
	$	**55**	$	43	**$**	**29,635**	$	22,540

The amounts payable to the Directors consist entirely of balances payable under the Company's DSU plan. Refer to Note 12 for further details. The amounts payable to named executive officers consist of short-term employee benefits, share-based awards and post-retirement benefits.

KEY MANAGEMENT PERSONNEL COMPENSATION

The compensation expense for transactions with the Company's key management personnel consists of the following:

		2014		2013
Directors				
Cash-settled payments	**$**	**737**	$	788
Stock-based compensation		**1,685**		1,567
	$	**2,422**	$	2,355
Named executive officers				
Short-term employee benefits		**8,254**		7,931
Post-employment benefits		**6,520**		808
Stock-based compensation		**3,906**		3,205
	$	**18,680**	$	11,944
Total compensation	**$**	**21,102**	$	14,299

NOTE 19 RELATED PARTY TRANSACTIONS (CONT'D)

SUBSIDIARIES

The Company's subsidiaries are wholly owned with the exception of Warrnambool (Note 16) for which a 12.08% non-controlling interest exists. The following information summarizes the Company's significant subsidiaries which produce a wide array of dairy products including cheese, fluid milk, extended shelf-life milk and cream products, cultured products and dairy ingredients:

	Percentage Owned	Location
Saputo Cheese USA Inc.	100.00%	USA
Saputo Dairy Products Canada G.P.	100.00%	Canada
Saputo Dairy Foods USA, LLC	100.00%	USA
Warrnambool Cheese & Butter Factory Company Holdings Limited	87.92%	Australia
Molfino Hermanos S.A.	100.00%	Argentina

NOTE 20 FINANCIAL INSTRUMENTS

In the normal course of business, the Company uses various financial instruments which by their nature involve risk, including credit risk, liquidity risk, price risk (including commodity price risk), foreign exchange risk and interest rate risk. These financial instruments are subject to normal credit conditions, financial controls and risk management and monitoring strategies.

Occasionally, the Company may enter into derivative financial instrument transactions in order to mitigate or hedge risks in accordance with risk objectives and strategies. The Company does not enter into these arrangements for speculative purposes.

CREDIT RISK

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash equivalents and receivables.

Cash equivalents consist mainly of short-term investments. The Company has deposited these cash equivalents in reputable financial institutions.

The Company also offers credit to its customers in the normal course of business for trade receivables. Credit valuations are performed on a regular basis and reported results take into account allowances for potential bad debts.

Due to its large and diverse customer base and its geographic diversity, the Company has low exposure to credit risk concentration with respect to customer's receivables. There are no receivables from any individual customer that exceeded 10% of the total balance of receivables as at March 31, 2014 and March 31, 2013. However one customer represented more than 10% of total consolidated sales for the year ended March 31, 2014, with 11.4% (two customers with 11.2% and 10.7% in 2013).

Allowance for doubtful accounts and past due receivables are reviewed by Management at each balance sheet date. The Company updates its estimate of the allowance for doubtful accounts based on the evaluation of the recoverability of receivable balances from each customer taking into account historic collection trends of past due accounts. Receivables are written off once determined not to be collectible.

On average, the Company will generally have 10% of receivables that are due beyond normal terms, but are not impaired. The carrying amount of receivables is reduced by an allowance account and the amount of the loss is recognized in the statement of earnings within operating costs. Subsequent recoveries of amounts previously written off are credited against operating costs in the statement of earnings. However, Management does not believe that these allowances are significant.

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in Note 21 relating to capital disclosures. It also manages liquidity risk by continuously monitoring actual and projected cash flows. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions out of the normal course of business.

NOTE 20 FINANCIAL INSTRUMENTS (CONT'D)

INTEREST RATE RISK

The Company is exposed to interest rate risks through its financial obligations that bear variable interest rates.

Bank loans bear interest at fluctuating rates and thereby expose the Company to interest rate risk on cash flows associated to interest payments. The senior notes bear interest at fixed rates and, as a result, no interest rate risk exists on these cash flows.

The bank term loan bears interest at variable rates and thereby exposes the Company to interest rate risk on cash flows associated to interest payments. As a result of such interest rate risk, the Company entered into interest rate swap agreements on February 4, 2013 for the total term of the bank term loan facility in which the Company agreed to exchange variable interest payments for fixed rate payments at specified intervals. The notional amount upon which the swaps are based represent equal amounts to those outstanding with regards to the 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. Refer to Note 10 for further details on the unsecured bank term loan facility. The Company has designated these interest rate swaps as cash flow hedges of interest rate risk in accordance with its risk management strategy.

On March 31, 2014, the cash flow hedges of interest rate risk were assessed to be highly effective and accordingly, an unrealized gain of $1,668,000 (net of tax of $593,000) was recorded in other comprehensive income. These cash flow hedges were also deemed to be highly effective in March 31, 2013 and an unrealized loss of $3,660,000 (net of tax of $1,272,000) was recorded in other comprehensive income (and an associated liability) as a result. The amounts recorded in the statement of comprehensive income are transferred to the statement of net earnings to offset interest on long-term debt when the interest expense is recorded in net earnings.

For the fiscal year ended March 31, 2014, the interest expense on long-term debt totalled $53,239,000 ($29,896,000 in March 31, 2013). The interest accrued on March 31, 2014 was $6,801,000 ($6,836,000 at March 31, 2013).

As at March 31, 2014, the net amount exposed to short-term rates fluctuations was approximately $834,446,000. Based on this exposure, an assumed 1% increase in the interest rate would have an unfavourable impact of approximately $5,875,000 on net earnings with an equal but opposite effect for an assumed 1% decrease.

FOREIGN EXCHANGE RISK

The Company operates internationally and is exposed to foreign exchange risk resulting from various foreign currency transactions. Foreign exchange transaction risk arises primarily from future commercial transactions that are denominated in a currency that is not the functional currency of the Company's business unit that is party to the transaction. The Company had outstanding foreign currency contracts as at the balance sheet date for the purchase of 72,700,000 Australian dollars (700,000 Euros in 2013) and an outstanding currency swap contract of US$8,700,000.

The Company is mainly exposed to US dollar fluctuations. The following table details the Company's sensitivity to a 1% weakening of the Canadian dollar against the US dollar on net earnings and comprehensive income. For a 1% appreciation of the Canadian dollar against the US dollar, there would be an equal and opposite impact on net earnings and comprehensive income.

		2014		2013
Change in net earnings	**$**	**2,094**	$	1,599
Change in comprehensive income	**$**	**25,723**	$	22,852

As a result of the Warrnambool Acquisition (Note 16), Saputo Inc. became party to cash flow hedges that were entered into by the Company's subsidiary in order to reduce exposure to fluctuations in foreign currency risk. Warrnambool entered into forward exchange contracts to sell US dollars and buy Australian dollars. The cash flows associated to these currency swaps are expected to come due within the next 12 months. As at March 31, 2014, the cash flow hedges were highly effective and accordingly, the Company recognized a gain of $4,004,000 (net of tax of $1,622,000) in other comprehensive income (and an associated asset).

NOTE 20 FINANCIAL INSTRUMENTS (CONT'D)

COMMODITY PRICE RISK

The Company occasionally enters into contracts to hedge against fluctuations in the price of commodities. Outstanding contracts as at the balance sheet date had a positive fair value of approximately $162,000 (positive fair value of approximately $175,000 at March 31, 2013). The Company does not use hedge accounting for these transactions.

FAIR VALUE OF 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 March 31, 2014 and March 31, 2013. Since estimates are used to determine fair value, they must not be interpreted as being realizable in the event of a settlement of the instruments.

	March 31, 2014		March 31, 2013	
	Fair value	**Carrying value**	Fair value	Carrying value
Cash flow hedges				
Interest rate swaps	**$ (2,671)**	**$ (2,671)**	$ (4,932)	$ (4,932)
Foreign exchange forward contracts	**140**	**140**	-	-
Derivatives not designated in a formal hedging relationship				
Currency swaps	**$ 3**	**$ 3**	$ -	$ -
Commodity futures contracts	**162**	**162**	-	-
Long-term debt (Level 3)	**1,808,190**	**1,789,294**	1,583,380	1,548,300

The following table summarizes the financial instruments measured at fair value in the consolidated balance sheet as at March 31, 2014, classified using the fair value hierarchy described in Note 3.

	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	**$ 39,346**	**$ -**	**$ -**	**$ 39,346**
Interest rate swaps	**-**	**-**	**(2,671)**	**(2,671)**
Foreign exchange forward contracts	**-**	**-**	**140**	**140**
Currency swaps	**-**	**3**	**-**	**3**
Commodity futures contracts	**-**	**162**	**-**	**162**
Investment properties	**-**	**-**	**11,517**	**11,517**
	$ 39,346	**$ 165**	**$ 8,986**	**$ 48,497**

Fair values of other assets, long-term debt and derivative financial instruments are determined using discounted cash flow models based on market inputs prevailing at the balance sheet date and are also obtained from financial institutions. Where applicable, these models use market-based observable inputs including interest-rate-yield curves, volatility of certain prices or rates and credit spreads. If market based observable inputs are not available, judgement is used to develop assumptions used to determine fair values. The fair value estimates are significantly affected by assumptions including the amount and timing of estimated future cash flows and discount rates. The Company's derivatives transactions are accounted for on a fair value basis.

NOTE 21 CAPITAL DISCLOSURES

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its growth strategies and undertake selective acquisitions, while at the same time taking a conservative approach towards financial leverage and management of financial risk. An additional objective is to provide an adequate return to its shareholders. Furthermore, the Company believes that the purchases of its own shares may, under appropriate circumstances, be a responsible use of its capital.

The Company's capital is composed of net debt and equity. Net debt consists of long-term debt and bank loans, net of cash and cash equivalents. The Company's primary use of capital is to finance acquisitions.

The primary measure used by the Company to monitor its financial leverage is its ratio of net debt to equity. The net debt-to-equity ratios as at March 31, 2014 and March 31, 2013 are as follows:

		2014		2013
Bank loans	**$**	**310,066**	$	181,865
Long-term debt		**1,789,294**		1,548,300
Cash and cash equivalents		**(39,346)**		(43,177)
Net debt	**$**	**2,060,014**	$	1,686,988
Equity	**$**	**2,839,160**	$	2,305,673
Net debt-to-equity		**0.73:1**		0.73:1

The Company has existing credit facilities which require a quarterly review of financial ratios and the Company is not in violation of any such ratios as at March 31, 2014.

The Company is not subject to capital requirements imposed by a regulator.

NOTE 22 ACQUISITION, RESTRUCTURING AND OTHER COSTS

Acquisition, restructuring and other costs are summarized as follows:

		2014		2013
Acquisition costs	**$**	**9,459**	$	9,646
Restructuring costs		**30,739**		32,631
Other costs		**5,465**		-
Total	**$**	**45,663**	$	42,277

Acquisition Costs

As a result of the Warrnambool Acquisition (Note 16) and the acquisition of the fluid milk activities of Scotsburn Co-Operative Services Limited (Note 25), the Company incurred acquisition costs of $9,459,000 ($9,189,000 after tax) in fiscal 2014.

In fiscal 2013, the Company incurred acquisition costs of $9,646,000 ($6,115,000 after tax) in relation to the Morningstar Acquisition.

NOTE 22 ACQUISITION, RESTRUCTURING AND OTHER COSTS (CONT'D)

Restructuring Costs

In fiscal 2014, the Company announced the closures of four facilities. The first facility was closed in May 2014 and the final closures will occur in June 2014 and December 2015.

Costs associated with the closures recorded in fiscal 2014 and 2013 are summarized in the table below.

	2014	2013
Write down of non-current assets	**22,096**	21,709
Severance	**7,796**	7,776
Other	**847**	3,146
Total	**30,739**	32,631

The write down of non-current assets consists mainly of impairment charges to property, plant and equipment to bring them to the lower of carrying value and fair value less costs of disposal. The total after tax costs for fiscal 2014 are $19,888,000 ($22,597,000 in fiscal 2013).

The restructuring costs represent Management's best estimates of the expenses required to restructure these operations. Liabilities related to severance expenditures have been classified as provisions and grouped within current and non-current liabilities on the balance sheet.

Other Costs

Effective April 1, 2014, amendments to the supplementary retirement plans for executive officers were made and the Company incurred $5,465,000 ($3,931,000 after tax) of additional costs.

NOTE 23 SEGMENTED INFORMATION

As of April 1, 2013, the Company realigned its reporting structure consistent with its operating structure and 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), the Dairy Ingredients Division and the Dairy Division (Australia), refer to note 16 for further details. The Dairy Ingredients Division includes national and export ingredients sales from the North American divisions, as well as cheese exports from these same divisions.

These operating sectors are managed separately because each sector represents a strategic business unit that offers different products and serves different markets. The Company measures performance based on geographic operating income and sector operating income on a stand-alone basis.

The accounting policies of the sectors are the same as those described in Note 3 relating to significant accounting policies. The Company does not have any intersector sales.

Information on operating sectors

Years ended March 31	2014	2013 *(Reclassified)*
Revenues		
Canada	**$ 3,653,512**	$ 3,578,083
USA	**4,489,938**	2,849,244
International	**1,089,439**	870,350
	$ 9,232,889	$ 7,297,677
Earnings before interest, depreciation, amortization, acquisition, restructuring, other costs and income taxes		
Canada	**$ 457,375**	$ 476,176
USA	**469,814**	344,256
International	**93,156**	40,340
	$ 1,020,345	$ 860,772
Depreciation and amortization		
Canada	**$ 53,734**	$ 57,940
USA	**85,027**	53,901
International	**7,846**	4,788
	$ 146,607	$ 116,629
Acquisition, restructuring and other costs	**45,663**	42,277
Financial charges, net	**69,085**	34,099
Earnings before income taxes	**758,990**	667,767
Income taxes	**225,024**	185,846
Net earnings	**$ 533,966**	$ 481,921

NOTE 23 SEGMENTED INFORMATION (CONT'D)

Geographic information

		March 31, 2014		March 31, 2013 (reclassified)
Changes to non-current assets				
Canada	$	**54,003**	$	28,666
USA		**192,145**		1,436,995
International		**533,814**		15,767
	$	**779,962**	$	1,481,428
Total Assets				
Canada	$	**1,832,350**	$	1,772,537
USA		**3,491,056**		3,151,454
International		**1,033,486**		269,649
	$	**6,356,892**	$	5,193,640
Net book value of property, plant and equipment				
Canada	$	**584,443**	$	523,570
USA		**1,075,784**		1,005,942
International		**268,534**		87,683
	$	**1,928,761**	$	1,617,195
Total liabilities				
Canada	$	**2,151,568**	$	1,896,512
USA		**919,097**		850,468
International		**447,067**		140,988
	$	**3,517,732**	$	2,887,968

NOTE 24 DIVIDENDS

During the year ended March 31, 2014, the Company paid dividends totalling $175,321,820, or $0.92 per share ($161,651,170, or $0.84 per share for the year ended March 31, 2013).

NOTE 25 SUBSEQUENT EVENTS

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 ("Scotsburn Fluid Milk Business"). Scotsburn Fluid Milk Business is a Nova Scotia cooperative that will continue its other activities such as its frozen ice cream and frozen novelties business.

The purchase price of $61 million, on a debt-free basis excludes approximately $8 million of working capital items and was paid in cash by drawing on available credit lines. 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 Scotsburn Fluid Milk Business generates annual sales of approximately $160 million and about $8 million of earnings before interest, taxes, depreciation and amortization. This transaction will enable Saputo's Dairy Division (Canada) to increase its presence in Atlantic Canada.

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Annual Meeting of Shareholders
Tuesday, August 5, 2014, at 9:30 a.m.
Laval Room, Hotel Sheraton Laval
2440 Autoroute des Laurentides
Laval, QC Canada H7T 1X5

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External Auditors
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Dividend Policy
Saputo Inc. declares quarterly cash dividends on common shares at $0.23 per share, representing a yearly dividend of $0.92 per share. The balance of the Company's earnings is reinvested to finance the growth of its business.

The Board of Directors reviews the Company's dividend policy from time to time, but at least once annually, based on financial condition, financial performance, capital requirements and such other factors as are deemed relevant by the Board in its sole discretion.

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