

**Management's
Discussion and Analysis**

—
**Consolidated
Financial Statements**

2015

Saputo

TABLE OF CONTENTS

| | |
|---|-----------|
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 2 |
| Caution Regarding Forward-Looking Statements | 2 |
| Selected Consolidated Financial Information | 3 |
| Financial Orientation | 5 |
| Elements to Consider when Reading Management's Discussion and Analysis for Fiscal 2015 | 5 |
| Measurement of Results not in Accordance with International Financial Reporting Standards | 6 |
| Outlook | 7 |
| Consolidated Results | 7 |
| Information by Sector | 9 |
| Canada Sector | 9 |
| USA Sector | 11 |
| International Sector | 14 |
| Liquidity, Financial and Capital Resources | 15 |
| Contractual Obligations | 17 |
| Balance Sheet | 17 |
| Guarantees | 18 |
| Related Party Transactions | 18 |
| Accounting Standards | 18 |
| Critical Accounting Policies and Use of Accounting Estimates | 18 |
| Future Standards | 19 |
| New Accounting Standards Adopted During the Year | 21 |
| Risks and Uncertainties | 22 |
| Disclosure Controls and Procedures | 24 |
| Internal Controls over Financial Reporting | 24 |
| Sensitivity Analysis of Interest Rate and US Currency Fluctuations | 24 |
| Quarterly Financial Information | 25 |
| Summary of Fourth Quarter Results Ended March 31, 2015 | 27 |
| Analysis of Earnings for the Year Ended March 31, 2014 Compared to March 31, 2013 | 30 |
| CONSOLIDATED FINANCIAL STATEMENTS | 32 |
| NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | 39 |

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, 2015. 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, 2015, 2014 and 2013 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, 2015 and June 4, 2015, 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, 2015, 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.

Selected Consolidated Financial Information

Years ended March 31
(in thousands of CDN dollars, except per share amounts and ratios)

| | 2015 | 2014 | 2013 |
|---|-------------------|------------------|------------------|
| STATEMENT OF EARNINGS DATA | | | |
| Revenues | | | |
| Canada | 3,835,766 | 3,653,512 | 3,578,083 |
| USA | 5,279,656 | 4,489,938 | 2,849,244 |
| International | 1,542,290 | 1,089,439 | 870,350 |
| | 10,657,712 | 9,232,889 | 7,297,677 |
| Operating Costs Excluding Depreciation, Amortization, Gain on disposal of a Business, Acquisition, Restructuring and Other Costs | | | |
| Canada | 3,431,267 | 3,196,137 | 3,101,907 |
| USA | 4,744,776 | 4,020,124 | 2,504,988 |
| International | 1,419,946 | 996,283 | 830,010 |
| | 9,595,989 | 8,212,544 | 6,436,905 |
| Adjusted EBITDA¹ | | | |
| Canada | 404,499 | 457,375 | 476,176 |
| USA | 534,880 | 469,814 | 344,256 |
| International | 122,344 | 93,156 | 40,340 |
| | 1,061,723 | 1,020,345 | 860,772 |
| <i>Adjusted EBITDA margin (%)</i> | 10.0 % | 11.1 % | 11.8 % |
| Depreciation and Amortization | | | |
| Canada | 59,482 | 53,734 | 57,940 |
| USA | 92,713 | 85,027 | 53,901 |
| International | 18,748 | 7,846 | 4,788 |
| | 170,943 | 146,607 | 116,629 |
| Gain on disposal of a business | (25,904) | — | — |
| Acquisition costs | 700 | 9,459 | 9,646 |
| Restructuring costs | (7,246) | 30,739 | 32,631 |
| Other costs | — | 5,465 | — |
| Interest on long-term debt | 54,058 | 53,239 | 29,896 |
| Other financial charges | 19,267 | 15,846 | 4,203 |
| Earnings before income taxes | 849,905 | 758,990 | 667,767 |
| Income taxes | 237,036 | 225,024 | 185,846 |
| Net earnings | 612,869 | 533,966 | 481,921 |
| Net earnings margin (%) | 5.8 % | 5.8 % | 6.6 % |
| Attributable to: | | | |
| Shareholders of Saputo Inc. | 607,608 | 533,097 | 481,921 |
| Non-controlling interest | 5,261 | 869 | — |
| | 612,869 | 533,966 | 481,921 |

Years ended March 31
(in thousands of CDN dollars, except per share amounts and ratios)

| | 2015 | 2014 | 2013 |
|---|-----------|-----------|-----------|
| Net earnings | 612,869 | 533,966 | 481,921 |
| Gain on disposal of a business (net of income taxes of \$0) | (25,904) | — | — |
| Acquisition costs (net of income taxes of \$210, \$270 and \$3,531 for 2015, 2014 and 2013, respectively) | 490 | 9,189 | 6,115 |
| Restructuring costs (net of income taxes of \$2,565, \$10,851 and \$10,034 for 2015, 2014 and 2013, respectively) | (4,681) | 19,888 | 22,597 |
| Other costs (net of income taxes of \$1,534) | — | 3,931 | — |
| Adjusted net earnings ³ | 582,774 | 566,974 | 510,633 |
| Adjusted net earnings margin (%) | 5.5 % | 6.1 % | 7.0 % |
| Attributable to: | | | |
| Shareholders of Saputo Inc. | 577,513 | 566,105 | 510,633 |
| Non-controlling interest | 5,261 | 869 | — |
| | 582,774 | 566,974 | 510,633 |
| PER SHARE DATA² | | | |
| Earnings per share | 1.55 | 1.37 | 1.22 |
| Diluted earnings per share | 1.53 | 1.35 | 1.20 |
| Adjusted earnings per share ³ | 1.48 | 1.45 | 1.29 |
| Adjusted diluted earnings per share ³ | 1.46 | 1.43 | 1.27 |
| Dividends declared per share | 0.52 | 0.46 | 0.42 |
| Book value | 9.25 | 7.28 | 5.87 |
| BALANCE SHEET DATA | | | |
| Working Capital | 783,034 | 170,752 | 285,909 |
| Total assets | 6,800,254 | 6,356,892 | 5,193,640 |
| Interest bearing debt ⁴ | 1,667,260 | 2,060,014 | 1,686,988 |
| Equity | 3,628,555 | 2,839,160 | 2,305,672 |
| FINANCIAL RATIOS | | | |
| Interest Bearing debt / Equity | 0.46 | 0.73 | 0.73 |
| Adjusted return on average equity ⁵ | 20.4 % | 22.8 % | 23.0 % |
| STATEMENT OF CASH FLOWS DATA | | | |
| Net cash generated from operations | 769,815 | 656,310 | 645,792 |
| Amount of additions to property, plant and equipment, net of proceeds on disposal | 184,848 | 223,371 | 177,336 |

1 Adjusted EBITDA is a non-IFRS measure (refer to page 6) and is defined as earnings before interest, income taxes, depreciation, amortization, gain on disposal of a business, acquisition, restructuring and other costs.

2 Fiscal 2014 and 2013 per share data has been adjusted for a stock dividend of one common share per each issued and outstanding common share, which was paid on September 29, 2014 and had the same effect as a two-for-one stock split of the Company's outstanding common shares.

3 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.

4 Net of cash and cash equivalents.

5 Adjusted return on average equity is defined as adjusted net earnings divided by average total equity not considering the effect of annual fluctuations in foreign currency translation.

FINANCIAL ORIENTATION

Profitability enhancement and shareholder value creation remain the cornerstones of Saputo's objectives. In an increasingly competitive and challenging global economic environment, the Company remains focused on organic growth and growth through acquisitions, in an effort to develop new and expand existing markets in addition to reinforcing a global presence in emerging markets. The Company maintains strict discipline in cost management and operational efficiency in order 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 healthy balance sheet and capital structure, including 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 2015, 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 2015

The following are highlights and key performance measures for fiscal 2015:

- Net earnings totalled \$612.9 million, up 14.8%.
- Adjusted net earnings¹ totalled \$582.8 million, up 2.8%.
- Earnings before interest, income taxes, depreciation, amortization, gain on disposal of a business, acquisition, restructuring and other costs (adjusted EBITDA¹) totalled \$1.062 billion, up 4.1%.
- Revenues reached \$10.658 billion, up 15.4%.
- Net cash generated from operations totalled \$769.8 million, up 17.3%.
- In the Canada Sector, a competitive economic environment and delays in the completion of certain projects put downward pressure on EBITDA.
- In the United States (US), a higher average block market² per pound of cheese of US\$1.97 in fiscal 2015, in comparison to US\$1.88 in fiscal 2014, as well as an average butter market³ price of US\$2.12, as compared to US\$1.62, increased revenues.
- In the US, market factors⁴ negatively impacted EBITDA as compared to fiscal 2014.
- In the International Sector, a drop in selling prices in the export market negatively affected EBITDA. It also resulted in an inventory write-down of \$9.5 million.
- The acquisition of Warrnambool Cheese and Butter Factory Company Holdings Limited (Warrnambool Acquisition) on January 21, 2014, contributed to revenues and EBITDA in the International 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 2015.
- On November 14, 2014, Saputo Inc. filed a short form base shelf prospectus qualifying an offering of unsecured senior notes under a medium term note program for distribution to the public over a 25-month period. On November 26, 2014, the Company issued \$300 million Series 1 medium term notes with an annual interest rate of 2.654% payable in equal semi-annual instalments, maturing on November 26, 2019.
- The disposal of the Bakery Division in fiscal 2015 for \$114.3 million on a debt-free basis resulted in a gain on disposal, increasing net earnings by \$25.9 million (\$0.06 basic and diluted earnings per share).
- During the fourth quarter, the Company announced the acquisition of the everyday cheese business of Lion-Dairy & Drinks Pty Ltd (EDC Acquisition) in Australia, completed on May 24, 2015.
- On August 5, 2014 the Board of Directors declared a stock dividend of one common share per each issued and outstanding common share, which was paid on September 29, 2014 and had the same effect as a two-for-one stock split of the Company's outstanding common shares. References to common shares, options and related information made herein have been retroactively adjusted to reflect the stock dividend.

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.

³ "Average butter market" is the average daily price for Grade AA Butter traded on the CME, used as the base price for butter.

⁴ Market factors include the average block market per pound of cheese and its effect on the absorption of fixed costs and on the realization of inventories, the effect of the relationship between the average block market per pound of cheese and the cost of milk as raw material, the market pricing impact related to sales of dairy ingredients, as well as the impact of the average butter market price related to dairy food product sales.

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 EBITDA, 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. The Company uses earnings before interest, income taxes, depreciation and amortization (EBITDA) as a performance measure as it is a common industry measure and reflects the ongoing profitability of the Company's consolidated business operations.

Adjusted EBITDA represents earnings before interest, income taxes, depreciation, amortization, gain on disposal of a business, acquisition, restructuring and other costs. Adjusted net earnings is defined by the Company as net earnings prior to the inclusion of a gain on disposal of a business, 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 income taxes, 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 definitions provided above are used in the context of the results and activities for the year ended March 31, 2015. They are subject to change based on future transactions and as deemed necessary by Management in order to provide a better understanding and comparability of future results and activities of the Company.

A reconciliation of earnings before income taxes, net earnings and earnings per share to adjusted EBITDA, adjusted net earnings and adjusted earnings per share for the fiscal years in which Management has presented these adjusted measures is provided below.

(in thousands of CDN dollars)

| | 2015 | 2014 | 2013 |
|--------------------------------|-----------|-----------|---------|
| Earnings before income taxes | 849,905 | 758,990 | 667,767 |
| Other financial charges | 19,267 | 15,846 | 4,203 |
| Interest on long-term debt | 54,058 | 53,239 | 29,896 |
| Gain on disposal of a business | (25,904) | - | - |
| Acquisition costs | 700 | 9,459 | 9,646 |
| Restructuring costs | (7,246) | 30,739 | 32,631 |
| Other | - | 5,465 | - |
| Depreciation and Amortization | 170,943 | 146,607 | 116,629 |
| Adjusted EBITDA | 1,061,723 | 1,020,345 | 860,772 |

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

| | 2015 | | | 2014 | | | 2013 | | |
|---|----------|--------------------|----------------------|---------|--------------------|----------------------|---------|--------------------|----------------------|
| | Total | Per Share Basic | Per Share Diluted | Total | Per Share Basic | Per Share Diluted | Total | Per Share Basic | Per Share Diluted |
| Net earnings ¹ | 607,608 | 1.55 | 1.53 | 533,097 | 1.37 | 1.35 | 481,921 | 1.22 | 1.20 |
| Gain on disposal of a business ² | (25,904) | (0.06) | (0.06) | - | - | - | - | - | - |
| Acquisition costs ² | 490 | - | - | 9,189 | 0.02 | 0.02 | 6,115 | 0.01 | 0.01 |
| Restructuring costs ² | (4,681) | (0.01) | (0.01) | 19,888 | 0.05 | 0.05 | 22,597 | 0.06 | 0.06 |
| Other costs ² | - | - | - | 3,931 | 0.01 | 0.01 | - | - | - |
| Adjusted net earnings ¹ | 577,513 | 1.48 | 1.46 | 566,105 | 1.45 | 1.43 | 510,633 | 1.29 | 1.27 |

¹ Attributable to shareholders of Saputo Inc.

² Net of income taxes

OUTLOOK

In fiscal 2016, the Company intends to continue benefitting from the Warrnambool Acquisition in Australia as a platform for future development in the International Sector. Additionally, the Company will continue to improve its efficiencies, while remaining committed to producing quality products, innovation and organic growth. It will continue to analyze its overall 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.

CONSOLIDATED RESULTS

CONSOLIDATED SELECTED FACTORS POSITIVELY (NEGATIVELY) AFFECTING EBITDA

(in millions of CDN dollars)

| Fiscal years | 2015 | 2014 |
|--|------|------|
| Market factors ^{1 2} | (68) | 20 |
| Inventory write-down | (10) | - |
| Foreign currency exchange ^{1 3} | 26 | 14 |

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

³ Foreign currency exchange includes effect on EBITDA of conversion of US dollars and Argentinian pesos to Canadian dollars.

Consolidated revenues totalled \$10.658 billion, an increase of \$1.425 billion or 15.4%, compared to \$9.233 billion in fiscal 2014. Revenues in the USA Sector increased by approximately \$790 million. A higher average block market per pound of cheese of US\$1.97 compared to US\$1.88 in fiscal 2014, a higher average butter market of US\$2.12 compared to US\$1.62, as well as the weakening of the Canadian dollar increased revenues as compared to last fiscal year. Revenues from the International Sector increased by approximately \$453 million. The inclusion of revenues from the Warrnambool Acquisition for the full year as compared to nine weeks in fiscal 2014, as well as increased selling prices in accordance with the cost of milk as raw material were partially offset by a decrease in selling prices in the international market and a decrease in sales volumes in the Dairy Division (Argentina). Revenues from the Canada Sector increased by approximately \$182 million in comparison to last fiscal year. The inclusion of revenues from the Scotsburn Acquisition since April 14, 2014, in addition to increased sales volumes and higher selling prices in accordance with the increase in the cost of milk as raw material explain the increased revenues in this Sector. The disposal of the Bakery Division in the fourth quarter decreased revenues as compared to last fiscal year.

Consolidated earnings before interest, income taxes, depreciation, amortization, gain on disposal of a business, acquisition, restructuring and other costs (Adjusted EBITDA¹) amounted to \$1.062 billion in fiscal 2015, an increase of \$41.4 million or 4.1% compared to \$1.020 billion for fiscal 2014. This amount is composed of increases in the USA and International Sectors of \$65.1 million and \$29.2 million, respectively, and a decrease in the Canada Sector of \$52.9 million. Foreign exchange fluctuations added approximately \$26 million to EBITDA as compared to last fiscal year.

The EBITDA of the USA Sector amounted to \$534.9 million, an increase of \$65.1 million, in comparison to \$469.8 million for last fiscal year. Increased efficiencies and higher sales volumes drove this increase. The average block market per pound of cheese for fiscal 2015 was US\$1.97 as compared to US\$1.88 for the previous fiscal year. This increase of the block market per pound of cheese for fiscal 2015 had a favourable impact on the absorption of fixed costs. The decrease in average block price throughout fiscal 2015, as opposed to the increasing trend during last fiscal year had a negative 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 less favourable as compared to fiscal 2014. Increased profitability associated with commodity prices in the Dairy Foods Division (USA) had a positive effect on EBITDA. The combination of these market factors decreased EBITDA by approximately \$68 million as compared to last fiscal year. The weakening of the Canadian dollar versus the US dollar in fiscal 2015 added approximately \$39 million to the USA Sector EBITDA.

EBITDA for the Canada Sector totalled \$404.5 million in fiscal 2015, a decrease of \$52.9 million in comparison to \$457.4 million for last fiscal year. Increased warehousing, logistical, administration, production and ingredient costs as well as an increasingly competitive environment had a negative impact on EBITDA. These were slightly offset by EBITDA generation through increased sales volumes as compared to the prior fiscal year. The disposal of the Bakery Division in the fourth quarter also reduced EBITDA resulting from a slightly less than five-week contribution in the fourth quarter of fiscal 2015 as compared to a full fourth quarter last fiscal year.

EBITDA for the International Sector totalled \$122.3 million in fiscal 2015, an increase of \$29.1 million in comparison to \$93.2 million in fiscal 2014. The Sector benefitted from the contribution of the Warrnambool Acquisition for a full year in fiscal 2015 as compared to only nine weeks in fiscal 2014. EBITDA of the Dairy Division (Argentina) decreased as compared to fiscal 2014 due to declining international cheese and ingredient selling prices and the fact that the cost of milk as raw material did not follow this decrease. Included in the results of fiscal 2015 was an inventory write-down of \$9.5 million. The strengthening of the Canadian dollar in fiscal 2015 eroded approximately \$13 million to the International Sector's EBITDA.

The consolidated adjusted EBITDA margin decreased to 10.0% in fiscal 2015, as compared to 11.1% in fiscal 2014, resulting mainly from a lower EBITDA in the Canada Sector as compared to the prior fiscal year.

Depreciation and amortization totalled \$170.9 million in fiscal 2015, an increase of \$24.3 million, compared to \$146.6 million in fiscal 2014. The increase is mainly due to the inclusion of the Warrnambool Acquisition for a full year as compared to nine weeks in fiscal 2014. The increase also 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 2015, the Company realized a **gain on disposal of a business** of \$25.9 million (\$25.9 million after tax) relating to the sale of the Bakery Division, which closed on February 2, 2015. Also, the Company incurred **acquisition costs** of approximately \$0.7 million (\$0.5 million after tax) related to the acquisition of the everyday cheese business (EDC Acquisition) of Lion-Dairy & Drinks Pty Ltd in Australia, announced on March 2, 2015 and completed on May 24, 2015. The Company also reversed in fiscal 2015 approximately \$7.2 million of restructuring costs (\$4.7 million after tax) accounted for in fiscal 2014, mainly due to the cancellation of a planned plant closure and lower than estimated other plant closure costs.

In fiscal 2014, the Company incurred **acquisition costs** of \$9.5 million (\$9.2 million after tax) 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. Also, **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** of \$5.5 million (\$3.9 million after tax) relating to amendments to pension plans for executive officers were incurred.

Net interest expense amounted to \$73.3 million in fiscal 2015, compared to \$69.1 million in fiscal 2014. The increase is mainly attributed to a full year of interest on additional debt to finance the Warrnambool Acquisition.

Income taxes totalled \$237.0 million in fiscal 2015, as compared to \$225.0 million in fiscal 2014, for an effective tax rate of 27.9% in fiscal 2015 as compared to 29.6% for the previous year. The reduction of the current year effective tax rate is mainly due to the gain on disposal of a business that is not taxable and a positive tax adjustment following the closure of prior year's tax file. 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 2015 totalled \$612.9 million, an increase of \$78.9 million or 14.8% compared to \$534.0 million in fiscal 2014. This increase is due to the factors mentioned above.

Adjusted net earnings¹ for fiscal 2015 totalled \$582.8 million, an increase of \$15.8 million or 2.8% compared to \$567.0 million in fiscal 2014. This increase is due to the factors mentioned above, without considering gain on disposal of a business, 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 | 2015 | 2014 | 2013 |
|--------------|---------|---------|---------|
| Revenues | 3,835.8 | 3,653.5 | 3,578.1 |
| EBITDA | 404.5 | 457.4 | 476.2 |

The Canada Sector includes the Dairy Division (Canada) and the Bakery Division. The Bakery Division represented approximately 3% of the Sector's revenues, and was sold on February 2, 2015.

In fiscal 2015, the Canada Sector benefitted from increased sales volumes, from existing operations and the inclusion of the Scotsburn Acquisition, completed on April 14, 2014.

REVENUES

Revenues from the Canada Sector totalled \$3.836 billion, an increase of \$182.3 million or 5.0% as compared to \$3.654 billion in fiscal 2014. Revenues in the Dairy Division (Canada) increased due to increased sales volumes and higher selling prices relating to the increase in the cost of milk as raw material. Cheese, traditional milk and butter sales volumes were higher, while value-added milk volumes decreased. The Scotsburn Acquisition contributed positively to revenues for fiscal 2015, partially offset by a decrease in revenue related to the disposal of the Bakery Division. Overall, revenues were positively affected as volumes increased compared to the prior fiscal year.

The Sector manufactures approximately 33% of all Canadian natural cheese. Saputo's market share of total fluid milk and cream in Canada is approximately 36%. Saputo is the largest cheese manufacturer and the leading fluid milk and cream processor.

The retail segment of the Dairy Division (Canada) continued to be the leading segment with 64% of revenues, the same share as last fiscal year. In fiscal 2015, fluid milk per capita consumption decreased by approximately 1%, while the cream category increased by 1%. Cheese consumption decreased and butter consumption showed an increase, when compared to the previous fiscal year. The Division continued to support its leading national brands, *Saputo*, *Armstrong* and *Milk2Go* through various consumer and trade marketing activities and engaged consumers through promotions and the use of online and social media. *Dairyland* and *Neilson*, continue to be the #1 and #2 brands in the refrigerated dairy case on a national basis and were supported by marketing initiatives such as sponsorships and sampling events. Additionally, the retail segment continued to focus on increasing the exposure of our fine cheese brands, *Alexis de Portneuf* and *DuVillage 1860*, across Canada through expanded distribution and marketing support.

The foodservice segment represented 34% of revenues in the Dairy Division (Canada), a 1% increase compared to last fiscal year. The Company's focus is to support customers such as distributors, restaurant chains and pizzerias by providing quality products that perform to their expectations. Saputo strives to be the supplier of choice by offering high quality service and support. 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 will contribute to a strong and healthy industry.

The industrial segment represented 2% of revenues in the Dairy Division (Canada), a 1% decrease compared to last fiscal year.

EBITDA

EBITDA for the Canada Sector totalled \$404.5 million for the year ended March 31, 2015 as compared to \$457.4 million in fiscal 2014, representing a decrease of \$52.9 million or 11.6%. The EBITDA margin decreased to 10.5% from 12.5% in fiscal 2015.

EBITDA decreased in the Dairy Division (Canada) compared to the previous fiscal year, due to a combination of factors. An increasingly competitive market, higher ingredients, packaging and other costs as well as inefficiencies resulting from the delay in execution and completion of certain projects during the year decreased EBITDA. Also, efficiencies did not materialize as planned, resulting in additional warehousing and logistical costs, which negatively affected EBITDA as compared to fiscal 2014. Increased administration expenses related to an analysis on a new Enterprise Resource Planning (ERP) system, as well as higher other administrative expenses, negatively affected EBITDA. The Canada Sector benefitted from an increase in sales volumes and a favourable product mix. Additionally, the Scotsburn Acquisition has generated a lower EBITDA than expected.

OUTLOOK

The competitive market which existed in fiscal 2015 is anticipated to continue in fiscal 2016, and remains a Company challenge. Additionally, dairy ingredient markets declined through the last half of fiscal 2015 and are expected to remain low through fiscal 2016. In order to mitigate downward margin pressures, the Dairy Division (Canada) will continue to optimize its operating platform and evaluate its cost structures. While focus remains on strengthening cost control, the division will leverage its operational flexibility to enhance profitability. Announced on February 6, 2015, the Canada Sector is led by Carl Colizza as President and Chief Operating Officer of the Dairy Division (Canada), since April 1, 2015. He has been with the Company since 1998 and has held several senior management positions in operations. His experience in all aspects of operations will be beneficial for the Sector.

The Scotsburn Acquisition in fiscal 2015 enables the Dairy Division (Canada) to increase its presence in Atlantic Canada. The Division is continually evaluating opportunities and synergies, and focusing on the improvement and expansion of its product offerings to all customers.

During fiscal 2015, the Company initiated an in-depth analysis to assess the state of its ERP system. The objectives of this program are to define the Company's ERP future state, assess future benefits and establish a set of common goals aligned with its business strategy. In the fourth quarter of fiscal 2015, the Company incurred expenses of approximately \$3 million related to this program and anticipates incurring similar expenses during the next quarters of fiscal 2016. Additions to property, plant and equipment in fiscal 2016 related to the new ERP implementation should amount to approximately \$48 million. The planning, designing and implementing of a new ERP system should require additions to property, plant and equipment of between \$210 and \$250 million over the next five fiscal years. Upon completion, the Company expects annual after-tax savings of \$20 to \$25 million.

Innovation has always been a priority, enabling us to offer products that meet the needs of today's consumers. Accordingly, we are allocating additional resources to product innovation, allowing us to continue to forge and secure long-term relationships with both customers and consumers.

Production capacity continues to be evaluated in line with the objective of reducing excess production capacity within the Canada Sector plants, which, at March 31, 2015, stood at 24% and 34% in cheese and fluid milk activities, respectively.

USA SECTOR

(in millions of CDN dollars)

| Fiscal years | 2015 | 2014 | 2013 |
|--------------|---------|---------|---------|
| Revenues | 5,279.7 | 4,489.9 | 2,849.2 |
| EBITDA | 534.9 | 469.8 | 344.3 |

SELECTED FACTORS POSITIVELY (NEGATIVELY) AFFECTING EBITDA

(in millions of CDN dollars)

| Fiscal years | 2015 | 2014 |
|-----------------------------------|------|------|
| Market factors ^{1,2} | (68) | 20 |
| US currency exchange ¹ | 39 | 19 |

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

OTHER PERTINENT INFORMATION

(in US dollars, except for average exchange rate)

| Fiscal years | 2015 | 2014 |
|--|-------|-------|
| Average block market per pound of cheese | 1.970 | 1.882 |
| Closing block price per pound of cheese ¹ | 1.580 | 2.385 |
| Average butter market price per pound | 2.122 | 1.622 |
| Closing butter market price per pound ² | 1.785 | 2.000 |
| Average whey market price per pound ³ | 0.587 | 0.590 |
| Spread ⁴ | 0.017 | 0.036 |
| US average exchange rate to Canadian dollar ⁵ | 1.136 | 1.052 |

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 Closing butter market price is the price of Grade AA Butter traded on the CME, on the last business day of each fiscal year.

³ Average whey powder market price is based on Dairy Market News published information.

⁴ Spread is the average block market per pound of cheese less the result of the average cost per hundredweight of Class III and/or Class 4b milk price divided by 10.

⁵ Based on Bank of Canada published information.

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

In fiscal 2015, the USA Sector achieved strong results. In the Cheese Division (USA), implementations of cost-reduction and rationalization activities resulted in improved operational efficiencies, allowing it to minimize the effect of the volatile cheese and dairy ingredients commodity markets during the year. In the Dairy Foods Division (USA), pricing initiatives and other measures were focused on mitigating the impact of commodity price fluctuations.

For fiscal 2015, the average block market per pound of cheese opened at US\$2.39 and decreased to US\$1.58 by the end of the fiscal year, as compared to opening at US\$1.69 and closing at US\$2.39 for fiscal 2014. For fiscal 2015, the average block market per pound of cheese was US\$1.97 compared to US\$1.88 for fiscal 2014.

In fiscal 2015, while benefitting from increased sales volumes, the Company continued initiatives aimed at increasing capacity, efficiency and flexibility in cheese manufacturing. The Company also improved and increased whey processing and drying capabilities.

REVENUES

Revenues for the USA Sector totalled \$5.280 billion in fiscal 2015, an increase of \$789.7 million or 17.6% in comparison to \$4.490 billion in fiscal 2014. A higher average block market per pound of cheese of US\$1.97 in fiscal 2015, in comparison to US\$1.88 in fiscal 2014, as well as an average butter market price of US\$2.12, as compared to US\$1.62, increased revenues by approximately \$261 million. Additionally, certain pricing initiatives aimed at reducing the negative impact of a volatile commodity market on EBITDA and higher sales volumes during fiscal 2015 increased revenues. The weakening of the Canadian dollar increased revenues by approximately \$362 million.

The retail segment contributed 44% of total USA Sector revenues, up from 42% in fiscal 2014. 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 50% of total revenues, as compared to 52% in fiscal 2014. This segment benefitted from the biggest increase in sales volumes of all segments. Traffic counts continued in an upward trend during the fiscal year, helping the foodservice segment increase sales volumes. To continue to build on the sales momentum and brand equity for our premium brand of mozzarella, as well as increase awareness of our specialty cheese segment in the foodservice channel, the Cheese Division (USA) offered various trade incentives in fiscal 2015. The segment continued to see growth in new products developed to provide a value alternative to customers. These new offerings demonstrated repeat business from foodservice customers, including distributor and national chain accounts. 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. 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, unchanged as compared to fiscal 2014. In fiscal 2015, sales volumes were higher mainly due to an increase in sales to new customers.

EBITDA

EBITDA totalled \$534.9 million for fiscal 2015, an increase of \$65.1 million or 13.8% in comparison to \$469.8 million in fiscal 2014. Contributing to the EBITDA increase were the initiatives undertaken in the prior and current fiscal years with regards to improved operational efficiencies, increased sales volumes and the positive effect of the rationalization activities completed at the beginning of the fiscal year. Additionally, pricing initiatives undertaken by the Sector positively affected EBITDA. Partially offsetting the EBITDA increase were unfavorable market factors and an increase in ingredients, fuel and other costs.

The block market per pound of cheese steadily increased throughout the first half of fiscal 2015, then took a steep decrease in the latter half of the fiscal year. The average block market per pound of cheese for fiscal 2015 was US\$1.97 as compared to US\$1.88 for the previous fiscal year. During the current fiscal year, the block price opened at US\$2.39 and closed at US\$1.58, a decrease of US\$0.81, compared to opening at US\$1.69 and closing at US\$2.39, an increase of US\$0.70, for the previous fiscal year. This net difference for fiscal 2015 had an unfavourable impact on the realization of inventories. However, 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 2014. The combination of these market factors, including reduced profitability associated with higher commodity prices in the Dairy Foods Division (USA), decreased EBITDA by approximately \$68 million. The weakening of the Canadian dollar in fiscal 2015 added approximately \$39 million to the USA Sector's EBITDA.

OUTLOOK

International dairy ingredient markets have declined through the last half of fiscal 2015 and these prices are anticipated to remain low through fiscal 2016. These depressed selling prices are expected to put downward pressure on the sector's margins and we will continue to focus on controlling costs and increasing efficiencies in order to mitigate their impact on EBITDA.

In fiscal 2015, the Company completed the process and systems integration of the Dairy Foods Division (USA), and in fiscal 2016 will focus on implementing the Company's business model, including its philosophy of being a low-cost producer. The sector will continue to focus on possible synergies stemming from the Divisions' national manufacturing and distribution footprint. In addition, the sector intends to capitalize on investments made to an existing network to provide new capabilities enabling future growth. Also, 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.

Additionally, in fiscal 2016, we will work to capture additional volumes in the Cheese Division (USA) and 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 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 | 2015 | 2014 | 2013 |
|--------------|---------|---------|-------|
| Revenues | 1,542.3 | 1,089.4 | 870.4 |
| EBITDA | 122.3 | 93.2 | 40.3 |

SELECTED FACTORS POSITIVELY (NEGATIVELY) AFFECTING EBITDA

(in millions of CDN dollars)

| Fiscal years | 2015 | 2014 |
|--|------|------|
| Inventory write-down | (10) | - |
| Foreign currency exchange ¹ | (13) | (5) |

¹ As compared to the previous fiscal year.

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

REVENUES

Revenues for the International Sector totalled \$1.542 billion for the fiscal year ended March 31, 2015, an increase of \$452.9 million or 41.6% as compared to \$1.089 billion in fiscal 2014. This increase is mainly due to the inclusion of revenues from the Dairy Division (Australia) for the full year as compared to nine weeks in fiscal 2014. Also contributing to the increase are higher selling prices to mitigate the impact of increases in the cost of milk as raw material, partially offset by a decrease in selling prices in the international market. The Dairy Ingredients Division's revenues were higher as compared to fiscal 2014 due to increased ingredient sales volumes and a favourable product mix. The fluctuation of the Canadian dollar versus the foreign currencies used in the International Sector negatively impacted revenues by approximately \$90 million.

EBITDA

EBITDA for the International Sector amounted to \$122.3 million, an increase of \$29.1 million as compared to \$93.2 million for fiscal 2014. Contributing to this increase was the inclusion for the full year in fiscal 2015 of EBITDA from the Dairy Division (Australia), as compared to nine weeks in fiscal 2014. In the Dairy Division (Argentina), a decrease in international cheese and ingredient prices and the fact that the cost of milk as raw material did not follow this decrease, as compared to last fiscal year, decreased EBITDA in fiscal 2015. Included in the results of fiscal 2015 was an inventory write-down of \$9.5 million as a result of a decrease in export sales prices. The Dairy Ingredients Division generated a comparable EBITDA to last fiscal year. The strengthening of the Canadian dollar in fiscal 2015 eroded approximately \$13 million of the International Sector EBITDA.

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 capacity has been increased in the last few years. Also, we will pursue growth of cheese export sales volumes out of the Cheese Division (USA) to the extent milk pricing is competitive with world prices. The inclusion of the Dairy Division (Australia) has given the International Sector an additional platform which will be very important for the long-term growth of the sector as a dairy player on a global scale. We anticipate that the EDC Acquisition will bring new opportunities to the sector. The sector will continue to evaluate overall activities in an effort to improve efficiencies.

International cheese and dairy ingredient markets have declined through the last half of fiscal 2015 and these prices are anticipated to remain low through fiscal 2016. These depressed selling prices are expected to put downward pressure on the sector's margins, as such, we will continue to focus on controlling costs and increasing efficiencies in order to mitigate their impact on EBITDA.

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 | 2015 | 2014 | 2013 |
|---|------------------|-------------|-------------|
| Cash generated from operating activities | 1,069,952 | 881,485 | 842,889 |
| Net cash generated from operating activities | 769,815 | 656,310 | 645,792 |
| Cash used for investing activities | (166,435) | (672,146) | (1,625,000) |
| Cash (used for) generated from financing activities | (572,893) | 4,934 | 868,762 |
| Increase (Decrease) in cash and cash equivalents | 30,487 | (10,902) | (110,446) |

Cash generated from **operating activities** amounted to \$1.070 billion for fiscal 2015, an increase of \$188.5 million compared to \$881.5 million in fiscal 2014 due to an increase in EBITDA and to the changes in non-cash operating working capital items which used \$14.4 million of cash compared to \$129.4 million used in fiscal 2014. Net cash generated by operating activities amounted to \$769.8 million for fiscal 2015, compared to \$656.3 million in fiscal 2014.

For **investing activities**, the Company used \$166.4 million in fiscal 2015; \$65.0 million was disbursed for the Scotsburn Acquisition, \$114.3 million was generated by the disposal of the Bakery Division, and \$186.9 million was disbursed for additions to property, plant and equipment, mainly related to specific and strategic projects, which exceeds depreciation of \$170.9 million by approximately \$16 million. Of these additions, 35% went into the replacement of property, plant and equipment and 65% to both implement new technologies and to expand and increase certain manufacturing capacities.

Financing activities used \$572.9 million in fiscal 2015. From this usage, \$380.4 million represents net reimbursement of interest bearing debt, payments of \$197.7 million in dividends and repurchases of \$48.8 million in share capital as part of its normal course issuer bids. The Company issued shares for a cash consideration of \$54.0 million as part of the stock option plan.

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. The Company does not foresee any difficulty in securing financing beyond what is currently available through existing arrangements to fund possible acquisitions.

(in thousands of CDN dollars, except ratio)

| Fiscal years | 2015 | 2014 | 2013 |
|-----------------------|------------------|-------------|-------------|
| Current assets | 1,962,455 | 1,895,846 | 1,512,556 |
| Current liabilities | 1,179,421 | 1,725,094 | 1,226,647 |
| Working capital | 783,034 | 170,752 | 285,909 |
| Working capital ratio | 1.66 | 1.10 | 1.23 |

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 increase in the working capital ratio is mainly attributed to the reduction in the current portion of long-term debt during fiscal 2015 of \$340.5 million and repayments of \$140.2 million of bank loans.

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.

The Company targets a long-term leverage of approximately 2.0 times net debt¹ to Adjusted EBITDA². From time to time, the Company may deviate from its long-term leverage target to pursue acquisitions and other strategic opportunities. Should such a scenario arise, the Company expects to deleverage over a reasonable period of time in order to seek to maintain its investment grade ratings.

(in thousands of CDN dollars, except ratio and number of shares and options)

| Fiscal years | 2015 | 2014 | 2013 |
|--|-------------|-------------|-------------|
| Cash and cash equivalents | 72,566 | 39,346 | 43,177 |
| Bank loans | 169,826 | 310,066 | 181,865 |
| Net debt ¹ | 1,667,260 | 2,060,014 | 1,686,988 |
| Adjusted EBITDA ² | 1,061,723 | 1,020,345 | 860,772 |
| Net debt-to-Adjusted EBITDA ² | 1.57 | 2.02 | 1.96 |
| Number of common shares ³ | 392,225,049 | 390,137,824 | 393,238,880 |
| Number of stock options ³ | 17,081,469 | 16,896,962 | 16,751,862 |

¹Total debt, net of cash and cash equivalents.

² Adjusted EBITDA 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.

³ Fiscal 2014 and 2013 number of common shares and stock options have been adjusted for a stock dividend of one common share per each issued and outstanding common share.

The Company had \$72.6 million of cash and cash equivalents and available bank credit facilities of approximately \$1.06 billion, \$169.8 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 25, 2015, 392,734,819 common shares and 19,644,352 stock options were outstanding.

NORMAL COURSE ISSUER BIDS

The Company announced on November 7, 2013 its intention to purchase, by way of a normal course issuer bid (Bid), for cancellation purposes, up to 19,416,598 common shares, which represented 5% of its 388,331,992 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 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. No purchases were made by way of private agreements under the Bid. 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 6, 2014 its intention to purchase, by way of a new normal course issuer bid (New Bid), for cancellation purposes, up to 19,532,686 common shares, which represents 5% of its 390,653,736 issued and outstanding common shares as of October 31, 2014 over a 12-month period beginning on November 17, 2014 and ending on November 16, 2015. 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, 2015, the Company purchased 1,503,400 common shares, at prices ranging from \$31.18 to \$33.37 per share, under the Bids (6,503,600 common shares at prices ranging from \$23.23 to \$24.78 per share for the year ended March 31, 2014).

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 | 53,125 | 27,393 | 80,518 |
| 1-2 years | 432,500 | 20,894 | 453,394 |
| 2-3 years | 212,500 | 17,228 | 229,728 |
| 3-4 years | 212,500 | 13,411 | 225,911 |
| 4-5 years | 659,375 | 10,551 | 669,926 |
| More than 5 years | - | 29,054 | 29,054 |
| | 1,570,000 | 118,531 | 1,688,531 |

LONG-TERM DEBT

As described in Note 10 to the consolidated financial statements, the Company's long-term debt is comprised of unsecured bank term loan facilities of \$1.050 billion, maturing in December 2019, 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 the Company credit ratings, and are subject to quarterly repayments of \$53.1 million. Due to prepayments made in fiscal 2015, the next quarterly repayment will be made in the fourth quarter of fiscal 2016. Long-term debt is also comprised of unsecured senior notes of \$220.0 million issued at an interest rate of 5.82% maturing June 2016.

Additionally, on November 26, 2014, the Company issued \$300.0 million Series 1 medium term notes with an annual interest rate of 2.654% payable in equal semi-annual instalments, maturing on November 26, 2019. This issuance was completed pursuant to a short form base shelf prospectus qualifying an offering of unsecured senior notes under a medium term note program for distribution to the public over a 25-month period.

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, 2015 varied mainly due to the Scotsburn Acquisition on April 14, 2014, and the weakening of the Canadian dollar versus the US dollar in comparison to March 31, 2014.

The conversion rate of the US operations' balance sheet items in US currency was CDN\$1.2666 per US dollar as at March 31, 2015, compared to CDN\$1.1055 per US dollar as at March 31, 2014. The conversion rate of the Argentinian operations' balance sheet items in Argentinian currency was CDN\$0.1438 per Argentinian peso as at March 31, 2015, compared to CDN\$0.1380 per Argentinian peso as at March 31, 2014. The weakening of the Canadian dollar versus the US dollar and the Argentinian peso resulted in higher values recorded for the balance sheet items of the foreign operations.

The net cash (cash and cash equivalents less bank loans) position increased from negative \$270.7 million as at March 31, 2014, to negative \$97.3 million as at March 31, 2015, mainly resulting from the reduction of bank loans. The change in foreign currency translation adjustment recorded in other comprehensive income varied mainly 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, publicity and lodging. 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 short-term employee benefits, post-employment benefits, stock-based compensation 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 discount rate used in determining the carrying value of the obligation and the interest income on plan 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.

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 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 expect these amendments to 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. 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.

This amendment is effective for annual reporting periods beginning on or after July 1, 2014 and will only result in additional disclosures in the financial statements which are not material in nature.

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.

This amendment is effective for annual reporting periods beginning on or after July 1, 2014 and will not impact the Company's 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 July and August 2014 relating to the classification of financial assets and the use of a single impairment model for all financial instruments.

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 10, Consolidated Financial Statements & IAS 28, Investments in Associates

The IASB has issued a narrow-scope amendment to IFRS 10, Consolidated Financial Statements and IAS 28, Investments in Associates and Joint Ventures to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 when dealing with the sale or contribution of assets between an investor and its associate or joint venture. The new standards now require that a full gain or loss is recognized when a transaction involves a business and that a partial gain or loss is recognized when a transaction involves assets that do not constitute a business.

This amendment is effective for annual reporting periods beginning on or after January 1, 2016 and is not expected to impact the Company's financial statements.

IFRS 13, Fair Value

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

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

IFRS 15, Revenue from Contracts with Customers

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

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

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

IAS 19, Employee Benefits

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

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

IAS 19 has also been amended to clarify that in determining the discount rate for post-employment benefit obligations, the currency of the liability is of importance and not the country in which it arises. Furthermore, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used.

This amendment is effective for annual reporting periods beginning on or after January 1, 2016. Management is currently evaluating the impact of the adoption of this amendment but does not expect it to have a significant impact on the Company's financial statements.

IAS 24, Related Party Transactions

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

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

IAS 40, Investment Property

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

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

NEW ACCOUNTING STANDARDS ADOPTED DURING THE YEAR

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

IAS 36, Impairment of Assets

In May 2013, the IASB published amendments to IAS 36 no longer requiring the disclosure of the recoverable amounts of each cash generating unit or group of units to which a significant portion of the overall carrying amount of goodwill (or other intangibles with indefinite useful lives) has been allocated. The IASB clarified that this requirement is only applicable in the event of an impairment loss or reversal of an impairment loss.

This amendment did not impact the Company's financial statements for the year ended March 31, 2015.

IAS 39, Financial Instruments: Recognition and Measurement

In June 2013, the IASB published amendments to IAS 39 providing relief from the cessation of hedge accounting where derivatives being used in hedging arrangements are novated under certain circumstances. Previously under IAS 39, novation of derivatives resulted in the cessation of hedge accounting.

This amendment did not impact the Company's financial statements for the year ended March 31, 2015.

IFRIC 21, Levies

In May 2013, the IASB issued IFRIC 21, Levies, which provides an interpretation on the accounting for levies imposed by governments. This interpretation clarifies the obligating event that leads to the recognition of liabilities for payments made to government agencies excluding payments made in accordance with IAS 12, Income Taxes. This interpretation provides guidance on the timing of recognition of liabilities and identifies the relevant legislation as the triggering event for recognition.

This amendment did not have an impact on the financial statements of the Company for the year ended March 31, 2015.

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 the Company's 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, national and multinational 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 2015, with 10.2%. 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, 2015. 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 4, 2015 for the fiscal year ended March 31, 2015. 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 36% of sales are realized in Canada, 49% in the US, and 15% 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, economic 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, 2015, 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, 2015, 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, 2015, 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 \$519.8 million as at March 31, 2015 and consisted of \$169.8 million of bank loans and \$350.0 million of term bank loans. A 1% change in the interest rate would lead to a change in net earnings of approximately \$3.7 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, 2015, the average US dollar conversion was based on CDN\$1.00 for US\$0.878. A fluctuation of CDN\$0.01 would have resulted in a change of approximately \$2.2 million in net earnings, \$4.7 million in EBITDA and \$46.6 million in revenues.

QUARTERLY FINANCIAL INFORMATION

2015 QUARTERLY FINANCIAL INFORMATION - CONSOLIDATED STATEMENT OF EARNINGS

| <i>(in thousands of CDN dollars, except per share amounts)</i> | | | | | |
|---|-----------|-----------|-----------|-----------|-------------|
| | Q1 | Q2 | Q3 | Q4 | Fiscal 2015 |
| Statement of earnings data | | | | | |
| Revenues | 2,620,800 | 2,701,263 | 2,821,828 | 2,513,821 | 10,657,712 |
| Operating costs excluding depreciation, amortization, gain on disposal of a business, acquisition, and restructuring costs | 2,351,908 | 2,419,088 | 2,543,131 | 2,281,862 | 9,595,989 |
| Earnings before interest, depreciation, amortization, gain on disposal of a business, acquisition, restructuring and income taxes | 268,892 | 282,175 | 278,697 | 231,959 | 1,061,723 |
| Margin % | 10.3% | 10.4% | 9.9% | 9.2% | 10.0% |
| Depreciation and amortization | 38,947 | 41,360 | 43,936 | 46,700 | 170,943 |
| Gain on disposal of a business | - | - | - | (25,904) | (25,904) |
| Acquisition costs | - | - | - | 700 | 700 |
| Restructuring costs | - | - | - | (7,246) | (7,246) |
| Interest on long-term debt | 14,618 | 13,674 | 13,629 | 12,137 | 54,058 |
| Other financial charges | 4,914 | 4,487 | 4,494 | 5,372 | 19,267 |
| Earnings before income taxes | 210,413 | 222,654 | 216,638 | 200,200 | 849,905 |
| Income taxes | 65,103 | 66,926 | 62,087 | 42,920 | 237,036 |
| Net earnings | 145,310 | 155,728 | 154,551 | 157,280 | 612,869 |
| Net margin % | 5.5% | 5.8% | 5.5% | 6.3% | 5.8% |
| Gain on disposal of a business | - | - | - | (25,904) | (25,904) |
| Acquisition costs (net of income taxes of \$210) | - | - | - | 490 | 490 |
| Restructuring costs (net of income taxes of \$2,565) | - | - | - | (4,681) | (4,681) |
| Adjusted net earnings ¹ | 145,310 | 155,728 | 154,551 | 127,185 | 582,774 |
| Adjusted net earnings margin % | 5.5% | 5.8% | 5.5% | 5.1% | 5.5% |
| ATTRIBUTABLE TO: | | | | | |
| Shareholders of Saputo Inc. | 144,295 | 154,436 | 152,595 | 126,187 | 577,513 |
| Non-controlling interest | 1,015 | 1,292 | 1,956 | 998 | 5,261 |
| | 145,310 | 155,728 | 154,551 | 127,185 | 582,774 |
| Per Share | | | | | |
| Net earnings | | | | | |
| Basic | 0.37 | 0.39 | 0.39 | 0.40 | 1.55 |
| Diluted | 0.36 | 0.39 | 0.38 | 0.39 | 1.53 |
| Adjusted net earnings ¹ | | | | | |
| Basic | 0.37 | 0.39 | 0.39 | 0.32 | 1.48 |
| Diluted | 0.36 | 0.39 | 0.38 | 0.32 | 1.46 |

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.

2014 QUARTERLY FINANCIAL INFORMATION – CONSOLIDATED STATEMENT OF EARNINGS

| <i>(in thousands of CDN dollars, except per share amounts)</i> | Q1 | Q2 | Q3 | Q4 | Fiscal 2014 |
|--|-----------|-----------|-----------|-----------|-------------|
| 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% |
| ATTRIBUTABLE 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 | 0.35 | 0.34 | 0.37 | 0.31 | 1.37 |
| Diluted | 0.34 | 0.34 | 0.37 | 0.31 | 1.35 |
| Adjusted net earnings ¹ | | | | | |
| Basic | 0.35 | 0.34 | 0.37 | 0.39 | 1.45 |
| Diluted | 0.34 | 0.34 | 0.37 | 0.39 | 1.43 |

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 | 2015 | | | |
|--|------|------|----|------|
| | Q4 | Q3 | Q2 | Q1 |
| Market factors ^{1 2} | (23) | (20) | 10 | (35) |
| Inventory write-down | (3) | (7) | - | - |
| Foreign currency exchange ^{1 3} | 15 | 5 | 2 | 4 |

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

³ Foreign currency exchange includes effect on EBITDA of conversion of US dollars and Argentinian pesos to Canadian dollars.

OTHER PERTINENT INFORMATION

(in US dollars, except for average exchange rate)

| Fiscal years | 2015 | | | | 2014 |
|--|-------|-------|---------|---------|-------|
| | Q4 | Q3 | Q2 | Q1 | Q4 |
| Average block market per pound of cheese | 1.542 | 2.052 | 2.111 | 2.161 | 2.178 |
| Closing block price per pound of cheese ¹ | 1.580 | 1.553 | 2.208 | 2.000 | 2.385 |
| Average butter market price per pound | 1.660 | 2.026 | 2.676 | 2.123 | 1.832 |
| Closing butter market price per pound ² | 1.785 | 1.555 | 2.895 | 2.500 | 2.000 |
| Average whey market price per pound ³ | 0.458 | 0.580 | 0.653 | 0.660 | 0.620 |
| Spread ⁴ | 0.061 | 0.036 | (0.021) | (0.008) | 0.012 |
| US average exchange rate to Canadian dollar ⁵ | 1.244 | 1.134 | 1.090 | 1.091 | 1.104 |

¹ Closing block price is the price of a 40 pound block of cheddar traded on the Chicago Mercantile Exchange (CME) on the last business day of each quarter.

² Closing butter market price is the price of Grade AA Butter traded on the CME, on the last business day of each quarter.

³ Average whey powder market price is based on Dairy Market News published information.

⁴ Spread is the average block market per pound of cheese less the result of the average cost per hundredweight of Class III and/or Class 4b milk price divided by 10.

⁵ Based on Bank of Canada published information.

SUMMARY OF FOURTH QUARTER RESULTS ENDED MARCH 31, 2015

Consolidated revenues for the quarter ended March 31, 2015 amounted to \$2.514 billion, an increase of \$28.0 million or 1.1% compared to \$2.486 billion for the same quarter last fiscal year.

The USA Sector revenues increased by approximately \$28 million as compared to the corresponding quarter last fiscal year. Contributing to the increase were higher sales volumes and selling prices as compared to the same quarter last fiscal year. A less favourable average block market per pound of cheese in the fourth quarter of US\$1.54 compared to US\$2.18 during the same quarter of fiscal 2014, and an average butter market price of US\$1.66, as compared to US\$1.83, decreased revenues by approximately \$181 million. The weakening of the Canadian dollar versus the US dollar added approximately \$148 million in revenues as compared to the same quarter last fiscal year.

In the Canada Sector, revenues increased by approximately \$28 million in the fourth quarter as compared to last fiscal year. In the Dairy Division (Canada), increases in sales volumes in both the retail and foodservice segments were mainly due to additional volumes stemming from the Scotsburn Acquisition. Sales volumes of traditional milk, cheese and butter categories were higher, while the value-added milk category experienced a decrease in sales volumes. The disposal of the Bakery Division in the fourth quarter reduced revenues resulting from a slightly less than five-week contribution in the fourth quarter of fiscal 2015 as compared to a full fourth quarter last fiscal year.

Revenues from the International Sector decreased by approximately \$28 million as compared to the corresponding quarter last fiscal year. In the Dairy Division (Argentina), a decrease in selling prices in the international market as well as lower sales volumes reduced revenues as compared to the same quarter last fiscal year. Both the Dairy Division (Australia) and Dairy Ingredients Division revenues were lower in the fourth quarter of fiscal 2015, as compared to the same quarter last fiscal year due to depressed export market sales prices, as compared to the same quarter last fiscal year.

Consolidated earnings before interest, income taxes, depreciation, amortization, gain on disposal of a business, acquisition, restructuring and other costs (adjusted EBITDA¹) totalled \$232.0 million for the quarter ended March 31, 2015, a decrease of \$45.8 million or 16.5% compared to the \$277.8 million for the same quarter last fiscal year.

The EBITDA of the USA Sector increased by approximately \$13 million in the fourth quarter compared to the same quarter last fiscal year. Increased sales volumes, better efficiencies and lower ingredient costs, positively contributed to EBITDA. During the quarter, the block price opened at US\$1.55 and closed at US\$1.58, an increase of US\$0.03, compared to opening at US\$2.00 and closing at US\$2.39, an increase of US\$0.39 for the same period last fiscal year. This negative difference had an unfavourable 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 favourable as compared to the same quarter last fiscal year. A decrease in the average block market per pound of cheese to US\$1.54 in the fourth quarter, as compared to US\$2.18 in the same quarter last fiscal year, negatively affected the absorption of fixed costs. These combined market factors, partially offset by favourable margins associated with higher commodity prices in the Dairy Foods Division, decreased EBITDA by approximately \$23 million, as compared to the same period last fiscal year. The weakening of the Canadian dollar versus the US dollar added approximately \$16 million in EBITDA as compared to the same quarter last fiscal year.

EBITDA for the Canada Sector decreased by approximately \$27 million in comparison to the same quarter last fiscal year. In the Dairy Division (Canada), a delay in the completion of the new distribution centre project located in St. Laurent, Quebec increased warehousing and logistical costs during the quarter. Higher production costs and an increasingly competitive market offset increased sales volumes and the positive contribution of the Scotsburn Acquisition, in both retail and foodservice segments. Additionally, EBITDA of the Canada Sector was negatively impacted by approximately \$8 million in additional administration expenses related to an analysis on a new ERP system as well as the timing of certain expenses and certain year-end adjustments. The disposal of the Bakery Division negatively impacted EBITDA for the fourth quarter of fiscal 2015 resulting from a five-week contribution in the fourth quarter of fiscal 2015 as compared to a full fourth quarter last fiscal year.

The EBITDA of the International Sector decreased by approximately \$32 million for the quarter ended March 31, 2015 in comparison to the same quarter last fiscal year. The primary reason for this decrease was lower prices in export markets, negatively affecting EBITDA in the Dairy Division (Argentina), Dairy Division (Australia), and the Dairy Ingredients Division. Sales volume decreases in the Dairy Division (Argentina) negatively impacted EBITDA. Included in EBITDA for the quarter is an inventory write-down of \$2.7 million as a result of the decrease in export market sales prices.

Depreciation and amortization for the quarter ended March 31, 2015 totalled \$46.7 million, an increase of \$7.2 million compared to \$39.5 million for the same quarter last fiscal year. The increase is mainly due to the inclusion of the results of the Dairy Division (Australia) for a full quarter as compared to nine weeks in fiscal 2014.

In the fourth quarter of fiscal 2015, the Company realized a **gain on disposal of a business** of \$25.9 million (\$25.9 million after tax) relating to the sale of the Bakery Division. Also, the Company incurred **acquisition costs** of \$0.7 million (\$0.5 million after tax) related to the acquisition of the everyday cheese business of Lion-Dairy & Drinks Pty Ltd in Australia, completed on May 24, 2015. The Company also reversed in the fourth quarter of fiscal 2015 approximately \$7.2 million of restructuring costs (\$4.7 million after tax) accounted for in fiscal 2014, due to the cancellation of a planned plant closure and lower than estimated other plant closure costs.

In the fourth quarter of fiscal 2014, the Company incurred **acquisition costs** of \$9.5 million (\$9.2 million after tax) relating to the Warrnambool Acquisition, which closed on February 12, 2014, and the Scotsburn Acquisition, finalized on April 14, 2014. Also, **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** of \$5.5 million (\$3.9 million after tax) relating to amendments to pension plans for executive officers were incurred.

Net interest expense amounted to \$17.5 million compared to \$19.3 million for the corresponding period last fiscal year. The decrease is mainly attributed to a lower level of debt resulting from payments made during the current fiscal year, as compared to the same quarter last fiscal year.

With respect to **income taxes**, the effective tax rate for the current quarter was 21.4% compared to 30.9% for the same quarter last fiscal year. The reduction of the fourth quarter effective tax rate is mainly due to the gain on disposal of a business that is not taxable and a positive tax adjustment following the closure of prior year's tax file. 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 \$157.3 million for the quarter ended March 31, 2015, an increase of \$37.5 million compared to the net earnings of \$119.8 million for the same quarter last fiscal year. This is due to the factors mentioned above.

Adjusted net earnings¹ amounted to \$127.2 million for the quarter ended March 31, 2015, a decrease of \$25.6 million compared to the same quarter last fiscal year. This decrease is due to the factors mentioned above, without considering acquisition, restructuring and other costs.

During the quarter, the Company added approximately \$58.0 million in property, plant and equipment, issued shares for a cash consideration of \$20.6 million as part of the stock option plan and paid out \$50.9 million in dividends to its shareholders. For the same quarter, the Company generated net cash from operating activities of \$276.5 million, an increase from the \$144.6 million generated for the corresponding period last fiscal year.

QUARTERLY FINANCIAL INFORMATION

During fiscal 2015, quarterly changes in revenues and EBITDA as compared to fiscal 2014 were affected by the inclusion of a full year's revenue and EBITDA derived from the Warrnambool Acquisition, in addition to revenue and EBITDA decreases from the disposal of the Bakery Division in the fourth quarter of the fiscal year. Additionally, changes in operational costs, sales volume variances, product mix, and the average block and butter markets in the US affected quarterly financial results. In the Dairy Division (Canada) higher sales volumes and a better product mix were offset by increased competitive pressures and higher costs throughout the year. In the USA Sector, the higher average block and butter markets in fiscal 2015 compared to fiscal 2014 positively affected revenues while their fluctuations during the year negatively impacted inventory realization and other market factors. International cheese and dairy ingredient prices and demand declined in the fourth quarter resulting in downward pressure on margins. The net fluctuation of the Canadian dollar versus the US dollar and the Argentinian peso in fiscal 2015 versus fiscal 2014 had a net positive impact on both revenues and EBITDA. The quarterly earnings directly reflect the effects of the previously mentioned items.

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.

ANALYSIS OF EARNINGS FOR THE YEAR ENDED MARCH 31, 2014 COMPARED TO MARCH 31, 2013

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 the prior 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 earnings before interest, income taxes, depreciation, amortization, acquisition, restructuring and other costs (Adjusted EBITDA¹) 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 the prior 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 the prior 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 the prior 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.

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.

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 earnings¹ 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 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
Chief Financial Officer
and Secretary

June 4, 2015

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, 2015 and March 31, 2014, 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, 2015 and March 31, 2014, 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 4, 2015
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 | 2015 | 2014 |
|---|----------------------|---------------------|
| Revenues | \$ 10,657,712 | \$ 9,232,889 |
| Operating costs excluding depreciation, amortization, gain on disposal of a business, acquisition, restructuring and other costs (Note 5) | 9,595,989 | 8,212,544 |
| Earnings before interest, depreciation, amortization, gain on disposal of a business, acquisition, restructuring, other costs and income taxes | 1,061,723 | 1,020,345 |
| Depreciation and amortization (Notes 6 and 7) | 170,943 | 146,607 |
| Gain on disposal of a business (Note 22) | (25,904) | - |
| Acquisition, restructuring and other costs (Note 22) | (6,546) | 45,663 |
| Interest on long-term debt | 54,058 | 53,239 |
| Other financial charges (Note 13) | 19,267 | 15,846 |
| Earnings before income taxes | 849,905 | 758,990 |
| Income taxes (Note 14) | 237,036 | 225,024 |
| Net earnings | \$ 612,869 | \$ 533,966 |
| Attributable to: | | |
| Shareholders of Saputo Inc. | 607,608 | 533,097 |
| Non-controlling interest (Note 16) | 5,261 | 869 |
| | \$ 612,869 | \$ 533,966 |
| Earnings per share (Note 15) | | |
| Net earnings | | |
| Basic | \$ 1.55 | \$ 1.37 |
| Diluted | \$ 1.53 | \$ 1.35 |

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands of CDN dollars)

| Years ended March 31 | 2015 | 2014 |
|--|-------------------|-------------------|
| Net earnings | \$ 612,869 | \$ 533,966 |
| Other comprehensive income (loss): | | |
| <i>Items that may be reclassified to net earnings:</i> | | |
| Exchange differences arising from foreign currency translation | 373,403 | 189,051 |
| Net unrealized (losses) gains on cash flow hedges ¹ (Note 20) | (3,050) | 5,672 |
| Reclassification of gains on cash flow hedges to net earnings ² | (3,975) | - |
| <i>Items that will not be reclassified to net earnings:</i> | | |
| Actuarial (losses) gains ³ (Note 17) | (20,960) | 12,019 |
| Other comprehensive income (loss) | 345,418 | 206,742 |
| Comprehensive income | \$ 958,287 | \$ 740,708 |
| Attributable to: | | |
| Shareholders of Saputo Inc. | \$ 953,510 | \$ 739,355 |
| Non-controlling interest (Note 16) | 4,777 | 1,353 |
| | \$ 958,287 | \$ 740,708 |

¹ Net of income taxes of \$787 (2014 - \$2,215).

² Net of income taxes of \$1,603 (2014 - nil).

³ Net of income taxes of \$8,147 (2014 - \$4,691).

CONSOLIDATED STATEMENTS OF EQUITY

(in thousands of CDN dollars, except common shares)

| For the year ended March 31, 2015 | | | | | | | | | | | |
|--|------------------------------|------------|------------------------------|------------------|-------------------|----------------|-------------------|--------------|--------------------------|--------------|--|
| | Share capital | | | Reserves | | | Retained Earnings | Total | Non-Controlling Interest | Total Equity | |
| | Common Shares (in thousands) | Amount | Foreign Currency Translation | Cash Flow Hedges | Stock Option Plan | Total Reserves | | | | | |
| Balance, beginning of year | 390,138 | \$ 703,111 | \$ 183,321 | \$ 1,528 | \$ 57,433 | \$ 242,282 | \$ 1,830,911 | \$ 2,776,304 | \$ 62,856 | \$ 2,839,160 | |
| Net earnings | - | - | - | - | - | - | 607,608 | 607,608 | 5,261 | 612,869 | |
| Other comprehensive income | - | - | 373,403 | (6,541) | - | 366,862 | (20,960) | 345,902 | (484) | 345,418 | |
| Comprehensive income | | | | | | | | 953,510 | 4,777 | 958,287 | |
| Dividends declared | - | - | - | - | - | - | (197,681) | (197,681) | - | (197,681) | |
| Stock option plan (Note 12) | - | - | - | - | 18,678 | 18,678 | - | 18,678 | - | 18,678 | |
| Shares issued under stock option plan | 3,590 | 54,002 | - | - | - | - | - | 54,002 | - | 54,002 | |
| Amount transferred from reserves to share capital upon exercise of options | - | 11,515 | - | - | (11,515) | (11,515) | - | - | - | - | |
| Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized | - | - | - | - | 4,895 | 4,895 | - | 4,895 | - | 4,895 | |
| Shares repurchased and cancelled | (1,503) | (2,819) | - | - | - | - | (45,967) | (48,786) | - | (48,786) | |
| Balance, end of year | 392,225 | \$ 765,809 | \$ 556,724 | \$ (5,013) | \$ 69,491 | \$ 621,202 | \$ 2,173,911 | \$ 3,560,922 | \$ 67,633 | \$ 3,628,555 | |

| For the year ended March 31, 2014 | | | | | | | | | | | |
|--|------------------------------------|------------|------------------------------------|------------------------|-------------------------|-------------------|----------------------|--------------|---------------------------------|-----------------|--|
| | Share capital | | Reserves | | | | | | | | |
| | Common Shares (in thousands) | Amount | Foreign Currency Translation | Cash Flow Hedges | Stock Option Plan | Total Reserves | Retained Earnings | Total | Non- Controlling Interest | Total Equity | |
| Balance, beginning of year | 393,238 | \$ 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 | 3,404 | 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 | (6,504) | (11,139) | - | - | - | - | (143,232) | (154,371) | - | (154,371) | |
| Balance, end of year | 390,138 | \$ 703,111 | \$ 183,321 | \$ 1,528 | \$ 57,433 | \$ 242,282 | \$ 1,830,911 | \$ 2,776,304 | \$ 62,856 | \$ 2,839,160 | |

CONSOLIDATED BALANCE SHEETS

(in thousands of CDN dollars)

| As at | March 31, 2015 | March 31, 2014 |
|---|---------------------|---------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 72,566 | \$ 39,346 |
| Receivables | 784,519 | 807,409 |
| Inventories (Note 4) | 1,006,024 | 933,232 |
| Income taxes (Note 14) | 1,059 | 30,867 |
| Prepaid expenses and other assets | 98,287 | 84,992 |
| | 1,962,455 | 1,895,846 |
| Property, plant and equipment (Note 6) | 2,073,115 | 1,928,761 |
| Goodwill (Note 7) | 2,125,016 | 1,954,691 |
| Trademarks and other intangibles (Note 7) | 506,307 | 484,830 |
| Other assets (Note 8) | 115,779 | 79,968 |
| Deferred income taxes (Note 14) | 17,582 | 12,796 |
| Total assets | \$ 6,800,254 | \$ 6,356,892 |
| LIABILITIES | | |
| Current liabilities | | |
| Bank loans (Note 9) | \$ 169,826 | \$ 310,066 |
| Accounts payable and accrued liabilities | 898,124 | 897,222 |
| Income taxes (Note 14) | 58,346 | 124,206 |
| Current portion of long-term debt (Note 10) | 53,125 | 393,600 |
| | 1,179,421 | 1,725,094 |
| Long-term debt (Note 10) | 1,516,875 | 1,395,694 |
| Other liabilities (Note 11) | 70,201 | 48,396 |
| Deferred income taxes (Note 14) | 405,202 | 348,548 |
| Total liabilities | \$ 3,171,699 | \$ 3,517,732 |
| EQUITY | | |
| Share capital | 765,809 | 703,111 |
| Reserves | 621,202 | 242,282 |
| Retained earnings | 2,173,911 | 1,830,911 |
| Equity attributable to shareholders of Saputo Inc. | 3,560,922 | 2,776,304 |
| Non-controlling interest (Note 16) | 67,633 | 62,856 |
| Total equity | \$ 3,628,555 | \$ 2,839,160 |
| Total liabilities and equity | \$ 6,800,254 | \$ 6,356,892 |

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 | 2015 | 2014 |
|---|------------------|------------------|
| Cash flows related to the following activities: | | |
| Operating | | |
| Net earnings | \$ 612,869 | 533,966 |
| Adjustments for: | | |
| Stock-based compensation | 32,616 | 22,084 |
| Interest and other financial charges | 73,325 | 69,085 |
| Income tax expense | 237,036 | 225,024 |
| Depreciation and amortization | 170,943 | 146,607 |
| Loss (gain) on disposal of property, plant and equipment | 290 | (122) |
| Gain on disposal of a business | (25,904) | - |
| Restructuring charges related to plant closures | (7,246) | 22,096 |
| Share of joint venture earnings | (7,720) | (1,406) |
| Overfunding of employee plans in excess of costs | (1,808) | (6,486) |
| | 1,084,401 | 1,010,848 |
| Changes in non-cash operating working capital items | (14,449) | (129,363) |
| Cash generated from operating activities | 1,069,952 | 881,485 |
| Interest and other financial charges paid | (60,988) | (65,837) |
| Income taxes paid | (239,149) | (159,338) |
| Net cash generated from operating activities | 769,815 | 656,310 |
| Investing | | |
| Business acquisition | (64,979) | (449,578) |
| Additions to property, plant and equipment | (186,919) | (223,624) |
| Proceeds from disposal of a business | 114,305 | - |
| Proceeds on disposal of property, plant and equipment | 2,071 | 253 |
| Other | (30,913) | 803 |
| | (166,435) | (672,146) |
| Financing | | |
| Bank loans | (150,407) | 77,810 |
| Proceeds from issuance of long-term debt | 410,000 | 390,000 |
| Repayment of long-term debt | (640,021) | (175,045) |
| Issuance of share capital | 54,002 | 41,861 |
| Repurchase of share capital | (48,786) | (154,371) |
| Dividends | (197,681) | (175,321) |
| | (572,893) | 4,934 |
| Increase (decrease) in cash and cash equivalents | 30,487 | (10,902) |
| Effect of exchange rate changes on cash and cash equivalents | 2,733 | 7,071 |
| Cash and cash equivalents, beginning of year | 39,346 | 43,177 |
| Cash and cash equivalents, end of year | \$ 72,566 | \$ 39,346 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2015 and 2014

(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. The address of the Company's head office is 6869, Metropolitain Blvd. East, Montréal, Québec, Canada, H1P 1X8. The consolidated financial statements (financial statements) of the Company for the year ended March 31, 2015 comprise the financial results of the Company and its subsidiaries.

The financial statements for the year ended March 31, 2015 have been authorized for issuance by the Board of Directors on June 4, 2015.

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.

STOCK DIVIDEND

On August 5, 2014, the Board of Directors declared a stock dividend of one common share per each issued and outstanding common share, which had the same effect as a two-for-one stock split of the Company's outstanding common shares, paid on September 29, 2014 to shareholders of record as of the close of business on September 19, 2014. The Company's shares began trading on an ex-dividend basis (split basis) on September 30, 2014 and references to common shares, options and related information made herein have been retroactively adjusted to reflect the stock dividend.

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.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 |

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.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 and interest on obligations offset by interest income on plan 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.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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 interest income on plan 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 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 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 expect these amendments to 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. 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.

This amendment is effective for annual reporting periods beginning on or after July 1, 2014 and will only result in additional disclosures in the financial statements which are not material in nature.

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.

This amendment is effective for annual reporting periods beginning on or after July 1, 2014 and will not impact the Company's 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 July and August 2014 relating to the classification of financial assets and the use of a single impairment model for all financial instruments.

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 10, Consolidated Financial Statements & IAS 28, Investments in Associates

The IASB has issued a narrow-scope amendment to IFRS 10, Consolidated Financial Statements and IAS 28, Investments in Associates and Joint Ventures to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 when dealing with the sale or contribution of assets between an investor and its associate or joint venture. The new standards now require that a full gain or loss is recognized when a transaction involves a business and that a partial gain or loss is recognized when a transaction involves assets that do not constitute a business.

This amendment is effective for annual reporting periods beginning on or after January 1, 2016 and is not expected to impact the Company's financial statements.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

IFRS 13, Fair Value

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

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

IFRS 15, Revenue from Contracts with Customers

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

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

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

IAS 19, Employee Benefits

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

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

IAS 19 has also been amended to clarify that in determining the discount rate for post-employment benefit obligations, the currency of the liability is of importance and not the country in which it arises. Furthermore, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used.

This amendment is effective for annual reporting periods beginning on or after January 1, 2016. Management is currently evaluating the impact of the adoption of this amendment but is not expecting it to have a significant impact on the Company's financial statements.

IAS 24, Related Party Transactions

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

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

IAS 40, Investment Property

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

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

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

IAS 36, Impairment of Assets

In May 2013, the IASB published amendments to IAS 36 no longer requiring the disclosure of the recoverable amounts of each cash generating unit or group of units to which a significant portion of the overall carrying amount of goodwill (or other intangibles with indefinite useful lives) has been allocated. The IASB clarified that this requirement is only applicable in the event of an impairment loss or reversal of an impairment loss.

This amendment did not impact the Company's financial statements for the year ended March 31, 2015.

IAS 39, Financial Instruments: Recognition and Measurement

In June 2013, the IASB published amendments to IAS 39 providing relief from the cessation of hedge accounting where derivatives being used in hedging arrangements are novated under certain circumstances. Previously under IAS 39, novation of derivatives resulted in the cessation of hedge accounting.

This amendment did not impact the Company's financial statements for the year ended March 31, 2015.

IFRIC 21, Levies

In May 2013, the IASB issued IFRIC 21, Levies, which provides an interpretation on the accounting for levies imposed by governments. This interpretation clarifies the obligating event that leads to the recognition of liabilities for payments made to government agencies excluding payments made in accordance with IAS 12, Income Taxes. This interpretation provides guidance on the timing of recognition of liabilities and identifies the relevant legislation as the triggering event for recognition.

This amendment did not have an impact on the financial statements of the Company for the year ended March 31, 2015.

NOTE 4 INVENTORIES

| | March 31, 2015 | March 31, 2014 |
|--|----------------|----------------|
| Finished goods | \$ 692,251 | \$ 651,660 |
| Raw materials, work in progress and supplies | 313,773 | 281,572 |
| Total | \$ 1,006,024 | \$ 933,232 |

The amount of inventories recognized as an expense in operating costs for the year ended March 31, 2015 is \$8,662,359,000 (\$7,419,529,000 for the year ended March 31, 2014).

During fiscal 2015, a write-down of \$9,453,000 (nil at March 31, 2014) was included as an expense in "Operating costs excluding depreciation, amortization, gain on disposal of a business, acquisition, restructuring and other costs" under the caption "Changes in inventories of finished goods and work in process" presented in Note 5.

NOTE 5 OPERATING COSTS EXCLUDING DEPRECIATION, AMORTIZATION, GAIN ON DISPOSAL OF A BUSINESS, ACQUISITION, RESTRUCTURING AND OTHER COSTS

| | 2015 | 2014 |
|--|--------------|--------------|
| Changes in inventories of finished goods and work in process | \$ (62,421) | \$ (128,338) |
| Raw materials and consumables used | 7,749,936 | 6,645,890 |
| Foreign exchange gain | (15,241) | (1,854) |
| Employee benefits expense | 1,069,096 | 928,905 |
| Selling costs | 292,345 | 262,558 |
| Other general and administrative costs | 562,274 | 505,383 |
| Total | \$ 9,595,989 | \$ 8,212,544 |

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

| For the year ended March 31, 2015 | | | | | | |
|-----------------------------------|-----------|------------|--|---------------|---------------|--------------|
| | Land | Buildings | Furniture, machinery and equipment | Rolling stock | Held for sale | Total |
| Cost | | | | | | |
| As at March 31, 2014 | \$ 61,352 | \$ 703,150 | \$ 2,171,751 | \$ 13,403 | \$ 7,777 | \$ 2,957,433 |
| Business acquisition (Note 16) | 459 | 6,725 | 8,356 | 2,814 | - | 18,354 |
| Business disposal (Note 22) | (314) | (22,602) | (105,120) | (561) | - | (128,597) |
| Additions | 2,204 | 49,032 | 134,245 | 1,438 | - | 186,919 |
| Disposals | (288) | (14,979) | (33,438) | (152) | (912) | (49,769) |
| Transfers | (701) | (4,901) | - | - | 5,602 | - |
| Foreign currency adjustments | 3,028 | 42,636 | 163,609 | (432) | - | 208,841 |
| As at March 31, 2015 | \$ 65,740 | \$ 759,061 | \$ 2,339,403 | \$ 16,510 | \$ 12,467 | \$ 3,193,181 |
| Accumulated depreciation | | | | | | |
| As at March 31, 2014 | - | 204,763 | 814,551 | 2,428 | 6,930 | 1,028,672 |
| Business disposal (Note 22) | - | (8,992) | (65,621) | (371) | - | (74,984) |
| Depreciation | - | 29,982 | 124,305 | 1,719 | - | 156,006 |
| Disposals | - | (13,663) | (32,775) | (58) | (912) | (47,408) |
| Transfers | - | (2,929) | - | - | 2,929 | - |
| Reversal of impairment | - | (147) | (2,295) | - | - | (2,442) |
| Foreign currency adjustments | - | 9,179 | 49,165 | 1,878 | - | 60,222 |
| As at March 31, 2015 | \$ - | \$ 218,193 | \$ 887,330 | \$ 5,596 | \$ 8,947 | \$ 1,120,066 |
| Net book value at March 31, 2015 | \$ 65,740 | \$ 540,868 | \$ 1,452,073 | \$ 10,914 | \$ 3,520 | \$ 2,073,115 |

| 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 |

The net book value of property, plant and equipment under construction amounts to \$61,918,000 as at March 31, 2015 (\$176,045,000 as at March 31, 2014), and consists mainly of machinery and equipment.

The assets held for sale relate to land, building and equipment in Canada (land, building and equipment in Canada in fiscal 2014) 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

The Company reports its operations under three geographic sectors. The Canada Sector consists of Dairy Division (Canada). The USA Sector includes Cheese Division (USA) and Dairy Foods Division (USA). Finally, the International Sector combines Dairy Division (Argentina), Dairy Division (Australia) and the Dairy Ingredients Division. The Dairy Ingredients Division includes national and export ingredient sales and cheese export sales from the North American divisions.

| | For the year ended March 31, 2015 | | | |
|----------------------------------|-----------------------------------|----------------------|--------------------------------|--|
| | Indefinite Life | | Definite Life | |
| | Goodwill | Trademarks and other | Other intangibles ¹ | Total trademarks and other intangibles |
| Cost | | | | |
| As at March 31, 2014 | \$ 1,954,691 | \$ 302,208 | \$ 221,628 | \$ 523,836 |
| Business acquisition (Note 16) | 30,434 | 9,642 | 5,331 | 14,973 |
| Business disposal (Note 22) | (44,430) | (2,238) | - | (2,238) |
| Foreign currency adjustments | 184,321 | 8,328 | 18,770 | 27,098 |
| As at March 31, 2015 | \$ 2,125,016 | \$ 317,940 | \$ 245,729 | \$ 563,669 |
| Accumulated Amortization | | | | |
| As at March 31, 2014 | - | - | 39,006 | 39,006 |
| Amortization | - | - | 14,937 | 14,937 |
| Foreign currency adjustments | - | - | 3,419 | 3,419 |
| As at March 31, 2015 | \$ - | \$ - | \$ 57,362 | \$ 57,362 |
| Net book value at March 31, 2015 | \$ 2,125,016 | \$ 317,940 | \$ 188,367 | \$ 506,307 |

| | 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 |

¹ Other intangibles consist of customer relationships and other definite life intangibles. Definite life intangibles are amortized straight-line over a period of 15 years.

IMPAIRMENT TESTING OF CASH-GENERATING UNITS

Goodwill

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.

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

Goodwill has been allocated to each CGU or group of CGUs as follows:

| Allocation of goodwill | March 31, 2015 | March 31, 2014 |
|----------------------------|---------------------|---------------------|
| Canada | \$ 293,688 | \$ 313,494 |
| USA | | |
| Cheese Division (USA) | 986,627 | 861,116 |
| Dairy Foods Division (USA) | 583,245 | 509,082 |
| International | | |
| Dairy Division (Australia) | 222,780 | 229,993 |
| Dairy Division (Argentina) | 9,669 | 10,250 |
| Dairy Ingredients Division | 29,007 | 30,756 |
| | \$ 2,125,016 | \$ 1,954,691 |

Recoverable amounts have been estimated using an earnings multiplier valuation model (fair value less costs of disposal). The key assumptions used in these models consist mainly of earnings multipliers for market comparables that are applied to the results of each CGU or group of CGUs tested.

The Company performed its annual goodwill impairment test on March 31, 2015 and in all cases the recoverable amounts exceeded their respective carrying values including goodwill. There are no reasonably possible changes in key assumptions 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, 2015 | March 31, 2014 |
|-----------------------------------|-------------------|-------------------|
| Neilson - Dairy Division (Canada) | \$ 223,200 | \$ 223,200 |
| Other | 94,740 | 79,008 |
| | \$ 317,940 | \$ 302,208 |

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, 2015 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 2015.

NOTE 8 OTHER ASSETS

| | 2015 | | 2014 | |
|-----------------------|------|---------|------|--------|
| Taxes receivable | \$ | 9,321 | \$ | 11,752 |
| Investment properties | | 9,223 | | 11,517 |
| Joint ventures | | 42,658 | | 38,410 |
| Other | | 54,577 | | 18,289 |
| | \$ | 115,779 | \$ | 79,968 |

The Company has investment properties held for rental and two joint ventures in Australia, 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 \$7,720,000 in net earnings, representing its share of earnings in the joint ventures for the year ended March 31, 2015 (\$1,406,000 for the year 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 | | 2015 | 2014 |
| | | | | | | |
| North America-USA | December 2019 ¹ | 253,320 | 200,000 USD | \$ | 6,333 | \$ 95,073 |
| North America-Canada | December 2019 ¹ | 379,980 | 300,000 USD | | 614 | 80,285 |
| Argentina | Yearly ² | 267,180 | 1,858,000 ARS | | 113,858 | 79,487 |
| Australia | Yearly ³ | 159,539 | 165,000 AUD | | 49,021 | 55,221 |
| | | 1,060,019 | | \$ | 169,826 | \$ 310,066 |

¹ Bears monthly interest at rates ranging from lender's prime rates plus a maximum of 1% or LIBOR or banker's acceptance rate plus 0.85% up to a maximum of 2% depending on the Company credit ratings.

² Bear monthly interest at local rate and can be drawn in ARS or USD.

³ Bear monthly interest at Australian Bank Bill Rate plus 0.85% (AUD drawdowns) or LIBOR plus 0.75% (USD drawdowns).

NOTE 10 LONG-TERM DEBT

| | 2015 | 2014 |
|--|--------------|--------------|
| Unsecured bank term loan facility | | |
| Obtained October 2013 and due in December 2019 (\$500,000,000) ¹ | \$ 300,000 | \$ 374,375 |
| Obtained December 2012 and due in December 2019 (US tranche \$350,000,000) ² | - | 179,644 |
| Obtained December 2012 and due in December 2019 (CDN tranche \$850,000,000) ² | 750,000 | 850,000 |
| Unsecured senior notes ³ | | |
| 8.41%, issued in November 1999 and due in November 2014 (US\$50,000,000) | - | 55,275 |
| 5.34%, issued in June 2009 and due in June 2014 | - | 110,000 |
| 5.82%, issued in June 2009 and due in June 2016 | 220,000 | 220,000 |
| 2.65%, issued in November 2014 and due in November 2019 | 300,000 | - |
| | \$ 1,570,000 | \$ 1,789,294 |
| Current portion | 53,125 | 393,600 |
| | \$ 1,516,875 | \$ 1,395,694 |
| Principal repayments are as follows: | | |
| Less than 1 year | \$ 53,125 | \$ 393,600 |
| 1-2 years | 432,500 | 213,819 |
| 2-3 years | 212,500 | 1,181,875 |
| 3-4 years | 212,500 | - |
| 4-5 years | 659,375 | - |
| More than 5 years | - | - |
| | \$ 1,570,000 | \$ 1,789,294 |

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 the Company credit ratings.

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 the Company credit ratings. 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, for the period ending December 2016. 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.

On November 14, 2014, Saputo Inc. filed a short form base shelf prospectus qualifying an offering of unsecured senior notes under a medium term note program for distribution to the public over a 25-month period. On November 26, 2014, the Company issued \$300,000,000 Series 1 medium term notes with an annual interest rate of 2.654% payable in equal semi-annual instalments, maturing on November 26, 2019.

The North America unsecured bank loan facility (Note 9) and the unsecured bank term loan facilities (Note 10) were amended effective December 17, 2014 to provide for an extended maturity until December 31, 2019. These amendments also include a modification of the formula that establishes the interest rates from a leverage-based grid to a credit-rating-based grid.

NOTE 11 OTHER LIABILITIES

| | 2015 | 2014 |
|---|-----------|-----------|
| Employee benefits (Note 17) | \$ 37,693 | \$ 33,204 |
| Derivative financial liabilities (Note 20) | 7,887 | 2,671 |
| Performance share unit liabilities and related fringe | 14,934 | 5,810 |
| Other | 9,687 | 6,711 |
| | \$ 70,201 | \$ 48,396 |

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, 2015 | March 31, 2014 |
|---|----------------|----------------|
| ISSUED | | |
| 392,225,049 common shares (390,137,824 common shares in 2014) | \$ 765,809 | \$ 703,111 |

3,590,625 common shares (3,402,544 in 2014) were issued during the year ended March 31, 2015 for an amount of \$54,002,000 (\$41,861,000 in 2014) pursuant to the share option plan. For the year ended March 31, 2015, the amount transferred from stock option plan reserve was \$11,515,000 (\$9,114,000 in 2014).

Pursuant to the normal course issuer bid, which began on November 15, 2013, and expired on November 14, 2014, the Company was authorized to repurchase for cancellation up to 19,416,598 of its common shares. Under the normal course issuer bid that became effective on November 17, 2014, and expiring on November 16, 2015, the Company is authorized to repurchase, for cancellation purposes, up to 19,532,686 of its common shares. During the year ended March 31, 2015, the Company repurchased 1,503,400 common shares, at prices ranging from \$31.18 to \$33.37 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 \$45,967,000 was charged to retained earnings.

STOCK DIVIDEND

On August 5, 2014, the Board of Directors declared a stock dividend of one common share per each issued and outstanding common share, which had the same effect as a two-for-one stock split of the Company's outstanding common shares. The dividend on the common shares was paid on September 29, 2014 to shareholders of record as of the close of business on September 19, 2014. The additional common shares were issued on September 29, 2014. The total number of common shares issued presented above reflects retroactively the impact of the two-for-one stock split.

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, 2015 cannot exceed 32,281,021 common shares. As at March 31, 2015, 15,199,552 common shares are issuable under this plan in addition to the 17,081,469 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:

| Granting period | Exercise price | March 31, 2015 | | March 31, 2014 | |
|-----------------|----------------|-------------------|-------------------------------|-------------------|-------------------------------|
| | | Number of options | Number of exercisable options | Number of options | Number of exercisable options |
| 2005 | \$ 8.27 | - | - | 12,576 | 12,576 |
| 2006 | \$ 9.04 | 8,088 | 8,088 | 408,540 | 408,540 |
| 2007 | \$ 8.18 | 479,498 | 479,498 | 740,812 | 740,812 |
| 2008 | \$ 11.55 | 699,650 | 699,650 | 896,994 | 896,994 |
| 2009 | \$ 13.91 | 847,189 | 847,189 | 1,123,896 | 1,123,896 |
| 2010 | \$ 10.70 | 1,277,517 | 1,277,517 | 2,037,642 | 1,302,714 |
| 2011 | \$ 14.66 | 1,724,819 | 1,167,445 | 2,327,686 | 1,124,988 |
| 2012 | \$ 21.61 | 1,710,493 | 870,233 | 2,065,944 | 711,750 |
| 2013 | \$ 21.48 | 2,977,347 | 948,185 | 3,456,486 | 599,000 |
| 2014 | \$ 25.55 | 3,442,002 | 590,358 | 3,826,386 | - |
| 2015 | \$ 27.74 | 3,914,866 | 39,486 | - | - |
| | | 17,081,469 | 6,927,649 | 16,896,962 | 6,921,270 |

Changes in the number of outstanding options are as follows:

| | 2015 | | 2014 | |
|----------------------------|-------------------|---------------------------------|-------------------|---------------------------------|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Balance, beginning of year | 16,896,962 | \$ 18.26 | 16,751,862 | \$ 15.39 |
| Options granted | 4,125,652 | \$ 27.74 | 4,130,538 | \$ 25.55 |
| Options exercised | (3,590,625) | \$ 15.04 | (3,402,544) | \$ 12.31 |
| Options cancelled | (350,520) | \$ 24.53 | (582,894) | \$ 22.44 |
| Balance, end of year | 17,081,469 | \$ 21.09 | 16,896,962 | \$ 18.26 |

The exercise price of the options granted in fiscal 2015 is \$27.74, which corresponds to the weighted average market price for the five trading days immediately preceding the date of grant (\$25.55 in fiscal 2014).

The weighted average fair value of options granted in fiscal 2015 was estimated at \$5.46 per option (\$5.77 in fiscal 2014), using the Black Scholes option pricing model with the following assumptions:

| | 2015 | 2014 |
|--------------------------|-----------|-----------|
| Weighted average: | | |
| Risk-free interest rate | 1.71% | 1.34% |
| Expected life of options | 5.3 years | 5.5 years |
| Volatility | 23.43% | 26.96% |
| Dividend rate | 1.82% | 1.66% |

A compensation expense of \$17,794,000 (\$14,966,000 net of taxes) relating to stock options was recorded in the statement of earnings for the year ended March 31, 2015 and \$15,851,000 (\$13,568,000 net of taxes) was recorded for the year ended March 31, 2014.

Options to purchase 3,280,395 common shares at a price of \$35.08 per share were granted on April 1, 2015.

NOTE 12 SHARE CAPITAL (CONT'D)

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 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, gain on disposal of a business, acquisition, restructuring and other costs".

| | 2015 | | 2014 | |
|--|----------|-----------|-----------|-----------|
| | Units | Liability | Units | Liability |
| Balance, beginning of year | 443,448 | \$ 12,912 | 486,220 | \$ 13,111 |
| Annual grant | 38,400 | 1,277 | 40,000 | 1,003 |
| Board compensation | 20,599 | 684 | 27,350 | 683 |
| Payment to directors | (83,690) | (2,343) | (110,122) | (2,836) |
| Variation due to change in stock price | - | 2,706 | - | 951 |
| Balance, end of year | 418,757 | \$ 15,236 | 443,448 | \$ 12,912 |

In fiscal 2015, the Company renewed its equity forward contracts on 440,000 Saputo Inc. common shares with a notional value of \$16,104,520 (\$12,248,874 in 2014) to mitigate the compensation costs associated with its deferred share unit plan. The Company recognized a gain of \$3,552,343 (gain of \$543,840 in fiscal 2014) upon re-measurement of equity forward contracts matured in March 2015, reducing the expense associated with the deferred share unit plan. A loss of \$688,409 was recognized on equity forward contracts maturing during fiscal 2016.

PERFORMANCE SHARE UNIT PLAN

The Company offers senior management a performance share unit (PSU) plan to form part of long-term incentive compensation, together with other plans discussed within this report. 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, gain on disposal of a business, acquisition, restructuring and other costs" caption.

| | 2015 | | 2014 | |
|--|----------|-----------|----------|-----------|
| | Units | Liability | Units | Liability |
| Balance, beginning of year | 272,256 | \$ 5,689 | 133,770 | \$ 2,108 |
| Annual grant | 333,720 | 7,299 | 160,252 | 2,866 |
| Cancelled | (10,386) | (270) | (21,194) | (522) |
| Payment | (34,594) | (1,238) | (572) | (14) |
| Variation due to change in stock price | - | 3,432 | - | 1,251 |
| Balance, end of year | 560,996 | \$ 14,912 | 272,256 | \$ 5,689 |

On April 1, 2015, 280,930 PSUs were granted at a price of \$35.08 per unit (\$27.74 in 2014).

In fiscal 2015, the Company renewed its equity forward contract on 600,000 Saputo Inc. common shares with a notional value of \$22,105,500 (\$1,223,743 in 2014) to mitigate the compensation costs associated with its performance share unit plan. The Company recognized a gain of \$3,585,250 (gain of \$142,508 in fiscal 2014) upon re-measurement of equity forward contract matured in March 2015, reducing the expense associated with the performance share unit plan. A loss of \$988,475 was recognized on the equity forward contract maturing during fiscal 2016.

NOTE 13 OTHER FINANCIAL CHARGES

| | 2015 | 2014 |
|----------------|-----------|-----------|
| Finance costs | \$ 19,900 | \$ 16,249 |
| Finance income | (633) | (403) |
| | \$ 19,267 | \$ 15,846 |

NOTE 14 INCOME TAXES

Income tax expense is comprised of the following:

| | 2015 | 2014 |
|----------------------|------------|------------|
| Current tax expense | \$ 207,733 | \$ 122,545 |
| Deferred tax expense | 29,303 | 102,479 |
| Income tax expense | \$ 237,036 | \$ 225,024 |

RECONCILIATION OF THE EFFECTIVE TAX RATE

The effective income tax rate was 27.9% in 2015 (29.6% in 2014). The Company's income tax expense differs from the one calculated by applying Canadian statutory rates for the following reasons:

| | 2015 | 2014 |
|---|------------|------------|
| Earnings before tax | \$ 849,905 | \$ 758,990 |
| Income taxes, calculated using Canadian statutory income tax rates of 26.1% (26.3% in 2014) | 221,756 | 199,621 |
| Adjustments resulting from the following: | | |
| Effect of tax rates for foreign subsidiaries and other deductions | 51,235 | 41,383 |
| Changes in tax laws and rates | 466 | 819 |
| Benefit arising from investment in subsidiaries | (17,670) | (20,073) |
| Manufacturing and processing deduction | (7,573) | (332) |
| Acquisition cost | - | 2,241 |
| Stock-based compensation | 2,678 | 2,650 |
| Disposal of a business | (10,931) | - |
| Tax losses for which no deferred income tax assets was recognized | 3,260 | 837 |
| Adjustments in respect of prior years | (4,419) | (1,619) |
| Other | (1,766) | (503) |
| Income tax expense | \$ 237,036 | \$ 225,024 |

During the year, as a result of a reduction in the Canadian corporation tax rate, the statutory tax rate has decreased by approximately 0.2%.

INCOME TAX RECOGNIZED IN OTHER COMPREHENSIVE INCOME

Income tax on items recognized in other comprehensive income in 2015 and 2014 were as follows:

| | 2015 | 2014 |
|--|-----------|------------|
| Deferred tax benefit (expense) on actuarial losses (gains) on employee benefit obligations | \$ 8,147 | \$ (4,691) |
| Deferred tax benefit (expense) on cash flow hedge losses (gains) | 2,390 | (2,215) |
| Total income tax recognized in other comprehensive income | \$ 10,537 | \$ (6,906) |

INCOME TAX RECOGNIZED IN EQUITY

Income tax on items recognized in equity in 2015 and 2014 were as follows:

| | 2015 | 2014 |
|---|----------|----------|
| Excess tax benefit that results from the excess of the deductible amount over the stock-based compensation recognised in net earnings | \$ 4,895 | \$ 3,257 |
| Total income tax recognized in equity | \$ 4,895 | \$ 3,257 |

NOTE 14 INCOME TAXES (CONT'D)

CURRENT TAX ASSETS AND LIABILITIES

| | 2015 | 2014 |
|-------------------------------|-------------|-------------|
| Current tax assets | \$ 1,059 | \$ 30,867 |
| Current tax liabilities | (58,346) | (124,206) |
| Current tax liabilities (net) | \$ (57,287) | \$ (93,339) |

DEFERRED TAX BALANCES

| | 2015 | 2014 |
|--------------------------------|--------------|--------------|
| Deferred tax assets | \$ 17,582 | \$ 12,796 |
| Deferred tax liabilities | (405,202) | (348,548) |
| Deferred tax liabilities (net) | \$ (387,620) | \$ (335,752) |

DEFERRED TAX ASSETS AND LIABILITIES

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

| For the year ended March 31, 2015 | | | | | | | | | |
|--|--|-------------------|-----------------------------|-----------|--------------------------|-------------------------------|------------|----------------|------------|
| | Deferred tax asset | | | | Deferred tax liabilities | | | | |
| | Accounts payable and accrued liabilities | Income tax losses | Net assets of pension plans | Total | Inventories | Property, plant and equipment | Other | Long-term debt | Total |
| Balance, beginning of the year | \$ 44,934 | \$ 4,791 | \$ 7,456 | \$ 57,181 | \$ 45,044 | \$ 257,942 | \$ 87,447 | \$ 2,500 | \$ 392,933 |
| Charged/credited to net earnings | (3,474) | (4,791) | (4,026) | (12,291) | (30,128) | 18,127 | 31,513 | (2,500) | 17,012 |
| Charged/credited to other comprehensive income or equity | - | - | 8,147 | 8,147 | - | - | (2,390) | - | (2,390) |
| Acquisitions | - | - | - | - | - | (726) | (34) | - | (760) |
| Translation and other | 2,166 | - | 415 | 2,581 | 2,709 | 25,282 | 8,452 | - | 36,443 |
| Balance, end of the year | \$ 43,626 | \$ - | \$ 11,992 | \$ 55,618 | \$ 17,625 | \$ 300,625 | \$ 124,988 | \$ - | \$ 443,238 |

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

NOTE 15 EARNINGS PER SHARE

| | 2015 | 2014 |
|--|-------------|-------------|
| Net earnings attributable to shareholders of Saputo Inc. | \$ 607,608 | \$ 533,097 |
| Weighted average number of common shares outstanding | 391,101,412 | 390,246,464 |
| Dilutive options | 6,159,277 | 5,102,886 |
| Weighted average diluted number of common shares outstanding | 397,260,689 | 395,349,350 |
| Basic earnings per share | \$ 1.55 | \$ 1.37 |
| Diluted earnings per share | \$ 1.53 | \$ 1.35 |

Basic and diluted earnings per share have been adjusted to reflect the two-for-one stock split discussed in Note 12. When calculating diluted earnings per share for the year ended March 31, 2015, no options (3,826,386 options for the year ended March 31, 2014) were excluded from the calculation because their exercise price is lower 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

Scotsburn Co-Operative Services Limited

On April 14, 2014, the Company completed the acquisition of the fluid milk activities of Scotsburn Co-Operative Services Limited based 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* (trademark used under licence) brand. The final allocation of the purchase price is presented below.

| | 2015 |
|--|--|
| | Scotsburn Co-Operative Services Limited |
| Assets acquired | |
| Inventories | \$ 5,132 |
| Prepaid expenses and other assets | 777 |
| Property, plant and equipment | 22,455 |
| Goodwill | 24,624 |
| Trademarks and other intangibles | 14,973 |
| Liabilities assumed | |
| Accounts payable and accrued liabilities | (2,009) |
| Deferred income taxes | (973) |
| Net assets acquired and total consideration paid | \$ 64,979 |

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

Warrnambool Cheese and Butter Factory Company Holdings Limited

On October 7, 2013, the Company announced its takeover bid for the Australian dairy company Warrnambool Cheese and Butter Factory Company Holdings Limited (WCBF) 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.

NOTE 16 BUSINESS ACQUISITIONS (CONT'D)

| | | 2014 | |
|--------------------------|--|---|----------|
| | | Warrnambool Cheese and Butter Factory Company Holdings Limited | |
| Assets acquired | Cash and cash equivalents | \$ | 4,369 |
| | Receivables | | 66,268 |
| | Inventories | | 131,604 |
| | Prepaid expenses and other assets | | 5 |
| | Property, plant and equipment | | 173,796 |
| | Goodwill | | 263,024 |
| | Trademarks and other intangibles | | 26,078 |
| | Other assets | | 42,015 |
| | Deferred income taxes | | 6,120 |
| Liabilities assumed | Bank loans | | (71,023) |
| | Accounts payable and accrued liabilities | | (86,964) |
| | Income taxes | | (12,467) |
| | Other liabilities | | (613) |
| | Deferred income taxes | | (31,131) |
| 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 purchase price allocation was finalized in fiscal 2015, resulting in reclassifications as follows: increases of \$5,810,000 to goodwill and \$1,723,000 to income taxes payable, reductions to property, plant and equipment of \$4,101,000, other assets of \$1,400,000, accounts payable and accrued liabilities of \$1,170,000 and deferred income taxes of \$244,000.

The non-controlling interest of \$61,503,000, recognized on the date control was obtained, was 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 consisted of an assembled workforce and expected growth opportunities in both domestic and international markets.

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 98% 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 2015, the defined contribution expenses for the Company amounted to \$37,122,000 compared to \$31,114,000 for fiscal 2014.

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 \$3,353,000 to its defined benefit plans in 2016. The Company's net liability for post-employment benefit plans comprises the following:

| | Pension | Other | March 31, 2015 | Pension | Other | March 31, 2014 |
|--|-----------|----------|----------------|------------|-----------|----------------|
| Present value of funded obligation | \$ 74,465 | \$ - | \$ 74,465 | \$ 259,187 | \$ - | \$ 259,187 |
| Fair value of assets | 63,488 | - | 63,488 | 254,353 | - | 254,353 |
| Present value of net obligations for funded plans | 10,977 | - | 10,977 | 4,834 | - | 4,834 |
| Present value of unfunded obligations | 19,234 | 5,877 | 25,111 | 12,828 | 10,757 | 23,585 |
| Present value of net obligations | 30,211 | 5,877 | 36,088 | 17,662 | 10,757 | 28,419 |
| Asset ceiling test | 1,605 | - | 1,605 | 4,785 | - | 4,785 |
| Accrued pension/benefit cost as at March 31 | 31,816 | 5,877 | 37,693 | 22,447 | 10,757 | 33,204 |
| Employee benefit amounts on the balance sheet as net liability | \$ 31,816 | \$ 5,877 | \$ 37,693 | \$ 22,447 | \$ 10,757 | \$ 33,204 |

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

| | Pension | Other | March 31, 2015 | Pension | Other | March 31, 2014 |
|--|------------|-----------|----------------|------------|-----------|----------------|
| Defined benefit obligation, beginning of year | \$ 272,015 | \$ 10,757 | \$ 282,772 | \$ 256,907 | \$ 11,252 | \$ 268,159 |
| Current service costs | 7,112 | 8 | 7,120 | 6,447 | 26 | 6,473 |
| Past service cost generated during the year | - | - | - | 5,465 | - | 5,465 |
| Contribution by plan participants | 651 | - | 651 | 766 | - | 766 |
| Interest cost | 9,641 | 408 | 10,049 | 10,682 | 461 | 11,143 |
| Actuarial losses (gains) from change in experience | 5,710 | 8 | 5,718 | (1,404) | (1,259) | (2,663) |
| Actuarial losses (gains) from change in economic assumptions | 31,851 | 845 | 32,696 | (547) | (2) | (549) |
| Actuarial losses from change in demographic assumptions | 1,169 | 1 | 1,170 | 11,216 | 1,003 | 12,219 |
| Business disposal, net of acquisition | (156,721) | (5,675) | (162,396) | - | - | - |
| Effect of settlement ¹ | (66,939) | - | (66,939) | (5,137) | - | (5,137) |
| Exchange differences | 1,907 | 32 | 1,939 | 877 | 18 | 895 |
| Benefits paid | (12,697) | (507) | (13,204) | (13,257) | (742) | (13,999) |
| Defined benefit obligation, end of year | \$ 93,699 | \$ 5,877 | \$ 99,576 | \$ 272,015 | \$ 10,757 | \$ 282,772 |

¹ Annuities were purchased to release the plan from its liability in regards with retirees.

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

| | Pension | Other | March 31, 2015 | Pension | Other | March 31, 2014 |
|--|------------|-------|----------------|------------|-------|----------------|
| Fair value of plan assets, beginning of year | \$ 254,353 | \$ - | \$ 254,353 | \$ 218,808 | \$ - | \$ 218,808 |
| Interest income on plan assets | 8,955 | - | 8,955 | 9,347 | - | 9,347 |
| Return on plan assets, excluding interest income | 7,052 | - | 7,052 | 23,461 | - | 23,461 |
| Administration costs | (641) | - | (641) | (565) | - | (565) |
| Contributions by employer | 10,849 | 507 | 11,356 | 20,489 | 742 | 21,231 |
| Contributions by participants | 651 | - | 651 | 766 | - | 766 |
| Effects of settlement ¹ | (67,386) | - | (67,386) | (5,300) | - | (5,300) |
| Business disposal, net of acquisition | (138,787) | - | (138,787) | - | - | - |
| Exchange differences | 1,139 | - | 1,139 | 604 | - | 604 |
| Benefits paid | (12,697) | (507) | (13,204) | (13,257) | (742) | (13,999) |
| Fair value of plan assets, end of year | \$ 63,488 | \$ - | \$ 63,488 | \$ 254,353 | \$ - | \$ 254,353 |

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 \$15,366,000 in fiscal 2015 compared to a gain of \$32,243,000 in fiscal year 2014.

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

| | March 31, 2015 | March 31, 2014 |
|---------------------------------|----------------|----------------|
| Bonds | 57% | 39% |
| Equity instruments | 38% | 58% |
| Cash and short-term investments | 5% | 3% |
| | 100% | 100% |

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

| | Pension | Other | March 31, 2015 | Pension | Other | March 31, 2014 |
|--|----------|--------|----------------|-----------|--------|----------------|
| Employer current service cost | \$ 7,112 | \$ 8 | \$ 7,120 | \$ 6,447 | \$ 26 | \$ 6,473 |
| Employer past service cost | - | - | - | 5,465 | - | 5,465 |
| Effect of settlement | 448 | - | 448 | 164 | - | 164 |
| Administration costs | 641 | - | 641 | 565 | - | 565 |
| Interest costs | 9,641 | 450 | 10,091 | 10,682 | 461 | 11,143 |
| Interest on effect of asset ceiling | 203 | - | 203 | 13 | - | 13 |
| Interest on effect of liability arising from minimum funding | - | - | - | 269 | - | 269 |
| Interest income on plan assets | (8,955) | - | (8,955) | (9,347) | - | (9,347) |
| Defined benefits plans expense | \$ 9,090 | \$ 458 | \$ 9,548 | \$ 14,258 | \$ 487 | \$ 14,745 |

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, 2015 | Pension | Other | March 31, 2014 |
|---|-------------|----------|----------------|-----------|--------|----------------|
| Net (losses) gains during the year | \$ (31,678) | \$ (812) | \$ (32,490) | \$ 14,196 | \$ 258 | \$ 14,454 |
| Effect of the asset ceiling test | 3,383 | - | 3,383 | (4,351) | - | (4,351) |
| Effect of impact of additional liability arising from the minimum funding requirement | - | - | - | 6,607 | - | 6,607 |
| Amount recognized in other comprehensive income | \$ (28,295) | \$ (812) | \$ (29,107) | \$ 16,452 | \$ 258 | \$ 16,710 |

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

| | March 31, 2015 | March 31, 2014 |
|----------------------------|----------------|----------------|
| Discount rate | 3.44% | 4.25% |
| Duration of the obligation | 17.0 | 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 \$8,200,000 and \$9,300,000 respectively. Also, an increase or a decrease of 1% on the future salary assumptions would be approximately \$4,000,000 on the obligation and a one year increase or decrease in life expectancy would represent approximately \$1,700,000.

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

| | March 31, 2015 | March 31, 2014 |
|-------------------------|----------------|----------------|
| Discount rate | 4.25% | 4.22% |
| 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 fiscal years 2015 and 2014.

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 | \$ | 27,393 |
| 1-2 years | | 20,894 |
| 2-3 years | | 17,228 |
| 3-4 years | | 13,411 |
| 4-5 years | | 10,551 |
| More than 5 years | | 29,054 |
| | \$ | 118,531 |

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 disposals. 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, 2015, 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, 2015 and March 31, 2014, the Company has not recorded any significant liabilities associated with these indemnifications.

NOTE 19 RELATED PARTY TRANSACTIONS

The Company receives and provides goods and services which consist of rent, travel, publicity, 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 (short-term employee benefits, post-employment benefits, stock-based compensation and payments under the DSU plan) 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:

| | 2015 | 2014 |
|---|-----------|-----------|
| Entities subject to control or significant influence through ownership by its principal shareholder | \$ 4,260 | \$ 3,966 |
| Key management personnel | | |
| Directors | 2,799 | 2,422 |
| Named Executive Officers | 16,701 | 18,680 |
| | \$ 23,760 | \$ 25,068 |

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

| | 2015 | 2014 |
|---|--------|--------|
| Entities subject to control or significant influence through ownership by its principal shareholder | \$ 389 | \$ 372 |

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

| | Receivables | | Accounts payable and accrued liabilities | |
|---|----------------|----------------|--|----------------|
| | March 31, 2015 | March 31, 2014 | March 31, 2015 | March 31, 2014 |
| Entities subject to control or significant influence through ownership by its principal shareholder | \$ 40 | \$ 55 | \$ 32 | \$ 25 |
| Key management personnel | | | | |
| Directors | - | - | 15,236 | 12,912 |
| Named executive officers | - | - | 25,198 | 16,698 |
| | \$ 40 | \$ 55 | \$ 40,466 | \$ 29,635 |

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:

| | 2015 | 2014 |
|------------------------------|-----------|-----------|
| Directors | | |
| Cash-settled payments | \$ 838 | \$ 737 |
| Stock-based compensation | 1,961 | 1,685 |
| | \$ 2,799 | \$ 2,422 |
| Named executive officers | | |
| Short-term employee benefits | 8,918 | 8,254 |
| Post-employment benefits | 1,779 | 6,520 |
| Stock-based compensation | 6,004 | 3,906 |
| | \$ 16,701 | \$ 18,680 |
| Total compensation | \$ 19,500 | \$ 21,102 |

NOTE 19 RELATED PARTY TRANSACTIONS (CONT'D)

SUBSIDIARIES

The Company's subsidiaries are wholly owned with the exception of WCBF (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 and 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, interest rate risk, foreign exchange risk and price risk (including commodity price 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 management 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, 2015 and March 31, 2014. However one customer represented more than 10% of total consolidated sales for the year ended March 31, 2015, with 10.2% (one customer with 11.4% in 2014).

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 initial term of the bank term loan facility, ending in December 2016, in which the Company agreed to exchange variable interest payments for fixed rate payments at specified intervals. In fiscal 2015, the bank term loans were extended to December 2019. The swap term will remain unchanged and the hedge is expected to continue to be effective for the remainder of its term, on \$700,000,000 of the Canadian dollar tranche. The effective fixed interest rate is 1.58% (plus applicable spread) for the Canadian 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, 2015, the cash flow hedges of interest rate risk were assessed to be highly effective and accordingly, an unrealized loss of \$3,875,000 (net of tax of \$1,341,000) was recorded in other comprehensive income. These cash flow hedges were also deemed to be highly effective on March 31, 2014 and an unrealized gain of \$1,668,000 (net of tax of \$593,000) was recorded in other comprehensive income (and an associated asset) 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, 2015, the interest expense on long-term debt totalled \$54,058,000 (\$53,239,000 in fiscal 2014). The interest accrued on March 31, 2015 was \$6,200,000 (\$6,801,000 at March 31, 2014).

As at March 31, 2015, the net amount exposed to short-term rates fluctuations was approximately \$447,260,000. Based on this exposure, an assumed 1% increase in the interest rate would have an unfavourable impact of approximately \$3,225,000 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. In 2015, the Company did not have any outstanding foreign currency contracts as at the balance sheet. In 2014, the Company had outstanding foreign currency contracts as at the balance sheet date for the purchase of A\$72,700,000 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.

| | 2015 | | 2014 |
|--------------------------------|------|--------|-----------|
| Change in net earnings | \$ | 2,608 | \$ 2,094 |
| Change in comprehensive income | \$ | 31,975 | \$ 25,723 |

As a result of the Warrnambool Acquisition in fiscal 2014 (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. 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). During fiscal 2015, this amount was reclassified to net earnings and no further foreign exchange hedges were used within this subsidiary.

NOTE 20 FINANCIAL INSTRUMENTS (CONT'D)

COMMODITY PRICE RISK

In certain instances, the Company enters into futures 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 \$988,000 (positive fair value of approximately \$162,000 at March 31, 2014).

The Company applies hedge accounting for certain of these transactions. On March 31, 2015, these hedges (designated as cash flow hedges) were assessed to be highly effective and accordingly, an unrealized gain of \$854,000 (net of tax of \$573,000) is recorded in other comprehensive income. The gain recorded in the statement of comprehensive income are transferred to the statement of net earnings when the related inventory is ultimately sold. Hedge accounting for commodity contracts was not elected in fiscal 2014.

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, 2015 and March 31, 2014. 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, 2015 | | March 31, 2014 | |
|--|------------------|------------------|------------------|------------------|
| | Fair value | Carrying value | Fair value | Carrying value |
| Cash flow hedges | | | | |
| Interest rate swaps | \$ (7,887) | \$ (7,887) | \$ (2,671) | \$ (2,671) |
| Commodity futures contracts | 1,427 | 1,427 | - | - |
| Foreign exchange forward contracts | - | - | 140 | 140 |
| Derivatives not designated in a formal hedging relationship | | | | |
| Currency swaps | \$ - | \$ - | \$ 3 | \$ 3 |
| Commodity futures contracts | (439) | (439) | 162 | 162 |
| Long-term debt (Level 3) | 1,592,610 | 1,570,000 | 1,808,190 | 1,789,294 |

The following table summarizes the financial instruments and investment properties measured at fair value in the consolidated balance sheet as at March 31, 2015 and March 31, 2014, classified using the fair value hierarchy described in Note 3.

| March 31, 2015 | Level 1 | Level 2 | Level 3 | Total |
|------------------------------------|----------------|----------------|----------------|--------------|
| Cash and cash equivalents | \$ 72,566 | \$ - | \$ - | \$ 72,566 |
| Interest rate swaps | - | (7,887) | - | (7,887) |
| Commodity futures contracts | - | 988 | - | 988 |
| Investment properties | - | - | 9,223 | 9,223 |
| | \$ 72,566 | \$ (6,899) | \$ 9,223 | \$ 74,890 |
| March 31, 2014 | 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 | \$ (2,366) | \$ 11,517 | \$ 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 includes a target for long-term leverage of 2.0 times net debt to earnings before interest, depreciation, amortization, gain on disposal of a business, acquisition, restructuring, other costs, and income taxes. From time to time, the Company may deviate from its long-term leverage target to pursue acquisitions and other strategic opportunities. Should such a scenario arise, the Company expects to deleverage over a reasonable period of time in order to seek to maintain its investment grade ratings. Also, the Company seeks to provide an adequate return to its shareholders. 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 earnings before interest, depreciation, amortization, gain on disposal of a business, acquisition, restructuring, other costs, and income taxes. The net debt-to-earnings before interest, depreciation, amortization, gain on disposal of a business, acquisition, restructuring, other costs, and income taxes ratios as at March 31, 2015 and March 31, 2014 are as follows:

| | 2015 | 2014 |
|--|--------------|--------------|
| Bank loans | \$ 169,826 | \$ 310,066 |
| Long-term debt, including current portion | 1,570,000 | 1,789,294 |
| Cash and cash equivalents | (72,566) | (39,346) |
| Net debt | \$ 1,667,260 | \$ 2,060,014 |
| Earnings before interest, depreciation, amortization, gain on disposal of a business, acquisition, restructuring, other costs and income taxes | \$ 1,061,723 | \$ 1,020,345 |
| Net debt-to-earnings before interest, depreciation, amortization, gain on disposal of a business, acquisition, restructuring, other costs and income taxes | 1.57 | 2.02 |

The Company has existing credit facilities which require a quarterly review of financial ratios and the Company is not in violation of any such ratio covenants as at March 31, 2015.

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

NOTE 22 GAIN ON DISPOSAL OF A BUSINESS, ACQUISITION, RESTRUCTURING AND OTHER COSTS

Gain on disposal of a business, acquisition, restructuring and other costs are summarized as follows:

| | 2015 | 2014 |
|-------------------------------------|-------------|-----------|
| Gain on disposal of a business | \$ (25,904) | \$ - |
| Acquisition costs | 700 | 9,459 |
| Restructuring costs (cost reversal) | (7,246) | 30,739 |
| Other costs | - | 5,465 |
| Total | \$ (32,450) | \$ 45,663 |

Gain on disposal of a business

On February 2, 2015, the Company completed the transaction announced on December 18, 2014 and sold Saputo Bakery Inc., its Bakery Division which was classified within the Canada Sector, to Canada Bread Company, Limited, a subsidiary of Grupo Bimbo S.A.B. de C.V. for a selling price of \$114,305,000 on a debt-free basis. The Company recorded a gain of \$25,904,000 on disposal. The Bakery Division's revenues (approximately \$107,000,000) represented approximately 1% of Saputo's consolidated revenues.

Acquisition Costs

In fiscal 2015, the Company incurred acquisition costs of \$700,000 (\$490,000 after tax) in relation to the everyday cheese business ("EDC Business") of Lion-Dairy & Drinks Pty Ltd (Note 25). In fiscal 2014, the Company incurred acquisition costs of \$9,459,000 (\$9,189,000 after tax) resulting from the Warrnambool Acquisition (Note 16) and the acquisition of the fluid milk activities of Scotsburn Co-Operative Services Limited (Note 16).

NOTE 22 GAIN ON DISPOSAL OF A BUSINESS ACQUISITION, RESTRUCTURING AND OTHER COSTS (CONT'D)

Restructuring Costs

In fiscal 2014, the Company announced the closures of four facilities. Three of these facilities closed in the first quarter of fiscal 2015. The fourth facility scheduled for closure will remain operational.

Reversal of costs in fiscal 2015 and costs incurred in 2014 regarding these restructuring activities are summarized in the table below.

| | 2015 | 2014 |
|----------------------------------|---------|--------|
| Write down of non-current assets | (4,523) | 22,096 |
| Severance | (1,117) | 7,796 |
| Other | (1,606) | 847 |
| Total cost (reversal) | (7,246) | 30,739 |

Reversal of costs in fiscal 2015 are due to the cancellation of a planned plant closure and lower than anticipated closure costs. Amounts due to the cancellation of the plant closure were reversed back to property, plant and equipment. The total after tax effect is \$4,191,000.

The write down of non-current assets recorded in fiscal 2014 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 are \$19,888,000.

The restructuring costs recorded in fiscal 2014 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

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

NOTE 23 SEGMENTED INFORMATION

The Company reports under three geographic sectors. The Canada Sector consists of Dairy Division (Canada). The USA Sector aggregates 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). 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 reportable sectors are managed separately as each sector represents a strategic business unit that offers different products and serves different markets. The Company measures geographic and sector performance based on earnings before interest, depreciation, amortization, gain on disposal of a business, acquisition, restructuring, other costs and income taxes.

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 reportable sectors

| Years ended March 31 | 2015 | 2014 |
|---|----------------------|---------------------|
| Revenues | | |
| Canada | \$ 3,835,766 | \$ 3,653,512 |
| USA | 5,279,656 | 4,489,938 |
| International | 1,542,290 | 1,089,439 |
| | \$ 10,657,712 | \$ 9,232,889 |
| Earnings before interest, depreciation, amortization, gain on disposal of a business, acquisition, restructuring, other costs and income taxes | | |
| Canada | \$ 404,499 | \$ 457,375 |
| USA | 534,880 | 469,814 |
| International | 122,344 | 93,156 |
| | \$ 1,061,723 | \$ 1,020,345 |
| Depreciation and amortization | | |
| Canada | \$ 59,482 | \$ 53,734 |
| USA | 92,713 | 85,027 |
| International | 18,748 | 7,846 |
| | \$ 170,943 | \$ 146,607 |
| Gain on disposal of a business | (25,904) | - |
| Acquisition, restructuring and other costs | (6,546) | 45,663 |
| Financial charges, net | 73,325 | 69,085 |
| Earnings before income taxes | 849,905 | 758,990 |
| Income taxes | 237,036 | 225,024 |
| Net earnings | \$ 612,869 | \$ 533,966 |

NOTE 23 SEGMENTED INFORMATION (CONT'D)

Geographic information

| | March 31, 2015 | March 31, 2014 |
|--|---------------------|---------------------|
| Total Assets | | |
| Canada | \$ 1,810,070 | \$ 1,832,350 |
| USA | 3,875,676 | 3,491,056 |
| International | 1,114,508 | 1,033,486 |
| | \$ 6,800,254 | \$ 6,356,892 |
| Net book value of property, plant and equipment | | |
| Canada | \$ 579,486 | \$ 584,443 |
| USA | 1,227,860 | 1,075,784 |
| International | 265,769 | 268,534 |
| | \$ 2,073,115 | \$ 1,928,761 |
| Total liabilities | | |
| Canada | \$ 2,008,965 | \$ 2,151,568 |
| USA | 675,189 | 919,097 |
| International | 487,545 | 447,067 |
| | \$ 3,171,699 | \$ 3,517,732 |

NOTE 24 DIVIDENDS

During the year ended March 31, 2015, the Company paid dividends totalling \$197,680,750, or \$0.52 per share (\$175,321,820, or \$0.46 per share for the year ended March 31, 2014).

NOTE 25 SUBSEQUENT EVENTS

On March 2, 2015 the Company announced that its Australian subsidiary, Warrnambool Cheese and Butter Factory Company Holdings Limited (WCBF), entered into an agreement to acquire the everyday cheese business ("EDC Business") of Lion-Dairy & Drinks Pty Ltd ("Lion") based in Victoria, Australia.

The purchase price of \$134,400,000 (A\$137,500,000), on a debt-free basis, includes \$104,100,000 which represents the value of inventory net of a minimal amount of assumed liabilities, and is subject to the final determination of the inventory amount and assumed liabilities amount at closing. The purchase price was paid in cash at closing on May 25, 2015, through new bank term loans.

The EDC Business' operations include cutting and wrapping, distribution, sales & marketing and intellectual property associated with the *COON*, *Cracker Barrel* (trademark used under licence), *Mil Lei* and *Fred Walker* brands. The EDC Business generates annual sales of approximately \$156,000,000 (A\$160,000,000) and employs approximately 170 people. The cut and wrap operations of the EDC Business are located in a building owned by WCBF, which is adjacent to WCBF's cheese manufacturing facility at Allansford.

The transaction will enable WCBF to increase its presence in consumer branded everyday cheese products segment in Australia with strong market positions in this segment, and is consistent with Saputo's stated strategy to invest in WCBF to accelerate its growth in Australia.

EXHIBIT TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Calculation of Earnings Coverage Ratio

The following table sets forth the earnings coverage ratio for the 12-month period ended March 31, 2015:

| | |
|--------------------------------|--------------------|
| Earnings coverage ratio | 12.54 times |
|--------------------------------|--------------------|

The earnings coverage ratio is equal to net earnings (before interest on long-term debt and other financial charges and incomes taxes) for the applicable period divided by interest on long-term debt and other financial charges for the applicable period.