Saputo

3 THIRD QUARTER | FISCAL 2018

We are presenting the results for the third quarter of fiscal 2018, which ended on December 31, 2017.

- Net earnings totalled $337.0 million, an increase of $139.6 million or 70.7%.
- Adjusted net earnings[1] totalled $183.2 million, a decrease of $14.2 million or 7.2%.
- Earnings before interest, income taxes, depreciation, amortization, acquisition and restructuring costs (adjusted EBITDA[1]) amounted to $318.0 million, a decrease of $28.6 million or 8.3%.
- Revenues for the quarter amounted to $3.022 billion, an increase of approximately $56 million or 1.9%.
- Net earnings per share (basic and diluted) were $0.87 and $0.86, respectively for the quarter as compared to $0.50 and $0.49 for the corresponding quarter last fiscal year, an increase of 74.0%.and 75.5%, respectively.
- Adjusted net earnings per share[1] (basic and diluted) were $0.47, as compared to $0.50 and $0.49 for the corresponding quarter last fiscal year, a decrease of 6.0% and 4.1%, respectively.

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

(unaudited)	**For the three-month periods ended December 31**		**For the nine-month periods ended December 31**	
	2017	2016	**2017**	2016
Revenues	**3,021.8**	2,966.1	**8,798.1**	8,442.8
Adjusted EBITDA[1]	**318.0**	346.6	**1,003.0**	1,005.4
Net earnings	**337.0**	197.4	**722.5**	565.9
Adjusted net earnings[1]	**183.2**	197.4	**568.9**	565.9
Net earnings per share				
Basic	**0.87**	0.50	**1.87**	1.44
Diluted	**0.86**	0.49	**1.85**	1.42
Adjusted net earnings per share[1]				
Basic	**0.47**	0.50	**1.47**	1.44
Diluted	**0.47**	0.49	**1.45**	1.42

- On December 22, 2017, the United States (US) enacted the ''Tax Cuts and Jobs Act'' which has been commonly referred to as the US tax reform. This reform resulted in the Company recording an income tax benefit of $178.9 million to adjust for future tax balances and current fiscal year provisions.
- In the Canada Sector, revenues remained relatively stable. Adjusted EBITDA increased due to operational efficiencies through raw material optimization.
- In the USA Sector, a higher average butter market[3] price combined with a lower average block market[2] per pound of cheese and higher sales volumes increased revenues. Unfavourable market factors[4] of approximately $19 million negatively impacted adjusted EBITDA, as compared to the same quarter last fiscal year.
- In the International Sector, revenues and adjusted EBITDA increased due to higher selling prices and higher sales volumes in both the domestic and export markets.
- The fluctuation of the Canadian dollar versus foreign currencies had a negative impact on revenues and adjusted EBITDA of approximately $100 million and $14 million, respectively, as compared to the same quarter last fiscal year.

[1] Adjusted EBITDA, adjusted net earnings and adjusted net earnings per share (basic and diluted) are non-IFRS measures. Refer to "Measurement of Results not in Accordance with International Financial Reporting Standards" included on page 4 of this report for the definition of these terms.
[2] "Average block market" is the average daily price of a 40 pound block of cheddar traded on the Chicago Mercantile Exchange (CME), used as the base price for cheese.
[3] "Average butter market" is the average daily price for Grade AA Butter traded on the CME, used as the base price for butter.
[4] Market factors refer to the USA Sector and 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 products.

- The acquisitions of the extended shelf-life dairy product activities of Southeast Milk, Inc. (SMI Acquisition) and Betin, Inc., doing business as Montchevre (Montchevre Acquisition), were completed on September 29, 2017 and December 12, 2017, respectively.
- On October 26, 2017, the Company announced that it had entered into an agreement to acquire the business of Murray Goulburn Co-Operative Co. Limited (Murray Goulburn or MG), based in Australia (Murray Goulburn Acquisition). The purchase price for the transaction is $1.29 billion (AU$1.31 billion) on a debt-free basis and the transaction is expected to close in the first half of calendar year 2018.
- The Board of Directors approved a dividend of $0.16 per share payable on March 16, 2018 to common shareholders of record on March 6, 2018.

Management's Discussion and Analysis

The purpose of this management report is to provide investors with a greater understanding of the Company's business, performance and strategy, as well as to analyze the results and the financial position of the Company for the quarter ended December 31, 2017. It should be read while referring to our condensed interim consolidated financial statements and accompanying notes for the three and nine-month periods ended December 31, 2017 and 2016. The Company's condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting as issued by the International Accounting Standards Board. All dollar amounts are in Canadian dollars, unless otherwise indicated. This report takes into account material elements between December 31, 2017 and February 1, 2018, the date on which this report was approved by the Company's Board of Directors. Additional information about the Company, including its Annual Report and Annual Information Form for the year ended March 31, 2017, can be obtained on SEDAR at www.sedar.com.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of applicable 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 or future tense or words and expressions of similar nature, are intended to identify forward-looking statements.

By their nature, forward-looking statements are subject to a number of inherent risks and uncertainties. Actual results could differ materially from the conclusion, forecast or projection stated in such forward-looking statements. As a result, the Company cannot guarantee that any forward-looking statements will materialize. Assumptions, expectations and estimates made in the preparation of forward-looking statements and risks that could cause actual results to differ materially from current expectations are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including the "Risks and Uncertainties" section of the Management's Discussion and Analysis included in the Company's 2017 Annual Report.

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

To the extent any forward-looking statement in this document constitutes financial outlook, within the meaning of applicable securities laws, such information is intended to provide shareholders with information regarding the Company, including its assessment of future financial plans, and may not be appropriate for other purposes. Financial outlook, as with forward-looking information generally, is based on current estimates, expectations and assumptions and is subject to inherent risks and uncertainties and other factors.

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.

MEASUREMENT OF RESULTS NOT IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

In certain instances, the Company makes references to terms in evaluating financial performance measures, such as adjusted EBITDA, adjusted net earnings and adjusted net 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, amortization, acquisition and restructuring costs (adjusted 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 net earnings is defined by the Company as net earnings prior to the inclusion of acquisition and restructuring costs, net of applicable income taxes, if any. Adjusted net earnings per share is defined as adjusted net earnings 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 net earnings per share (basic and diluted).

Adjusted EBITDA, adjusted net earnings and adjusted net earnings per share, as used by Management, provides precision and comparability with regards to the Company's ongoing operation. Non-IFRS measures also provide readers with a representation of the activities considered of 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 operates. Non-IFRS measures also provide comparability to the Company's prior year results.

The definitions provided above are used in the context of the results and activities for the three and nine-month periods ended December 31, 2017. Non-IFRS measures 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 net earnings per share to adjusted EBITDA, adjusted net earnings and adjusted net earnings per share for the three and nine-month periods in which Management has presented this measure is provided below.

(in millions of CDN dollars)

	For the three-month periods ended December 31		**For the nine-month periods ended December 31**	
	2017	2016	**2017**	2016
Earnings before income taxes	**210.2**	285.9	**767.0**	822.2
Other financial charges	**4.0**	0.6	**9.5**	4.2
Interest on long-term debt	**8.6**	9.2	**25.5**	28.6
Acquisition and restructuring costs	**39.1**	-	**39.4**	-
Depreciation and amortization	**56.1**	50.9	**161.6**	150.4
Adjusted EBITDA	**318.0**	346.6	**1,003.0**	1,005.4

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

	For the three-month periods ended December 31					
	2017			2016		
		Per Share			Per Share	
	Total	**Basic**	**Diluted**	Total	Basic	Diluted
Net earnings	**337.0**	**0.87**	**0.86**	**197.4**	**0.50**	**0.49**
Acquisition and restructuring costs[1]	**25.1**	**0.07**	**0.07**	-	-	-
US Tax Reform	**(178.9)**	**(0.46)**	**(0.46)**	-	-	-
Adjusted net earnings	**183.2**	**0.47**	**0.47**	**197.4**	**0.50**	**0.49**

(in millions of CDN dollars, except per share amounts

	For the nine-month periods ended December 31					
	2017			2016		
		Per Share			Per Share	
	Total	**Basic**	**Diluted**	Total	Basic	Diluted
Net earnings	**722.5**	**1.87**	**1.85**	565.9	1.44	1.42
Acquisition and restructuring costs[1]	**25.3**	**0.07**	**0.07**	-	-	-
US Tax Reform	**(178.9)**	**(0.46)**	**(0.46)**	-	-	-
Adjusted net earnings	**568.9**	**1.47**	**1.45**	565.9	1.44	1.42

[1] Net of income taxes

OPERATING RESULTS

Consolidated revenues for the quarter ended December 31, 2017 totalled $3.022 billion, an increase of approximately $56 million or 1.9%, as compared to $2.966 billion for the corresponding quarter last fiscal year. Higher sales volumes, as well as the inclusion of revenues from the SMI Acquisition for the full quarter and the Montchevre Acquisition for two weeks increased revenues, as compared to the same quarter last fiscal year. A higher average butter market[2] price per pound, partially offset by a lower average block market[1] per pound of cheese, increased revenues by approximately $30 million, as compared to the same quarter last fiscal year. Also, higher international selling prices of cheese and dairy ingredients, as well as higher selling prices related to the increase of the cost of milk as raw material in the Canada Sector and the International Sector positively impacted revenues. Finally, the fluctuation of the Canadian dollar versus foreign currencies decreased revenues by approximately $100 million.

For the nine-month period ended December 31, 2017, revenues totalled $8.798 billion, an increase of approximately $355 million or 4.2% in comparison to $8.443 billion for the same period last fiscal year. The fluctuation of the average butter market price per pound and the average block market per pound of cheese, increased revenues by approximately $126 million. Higher sales volumes, higher international selling prices of cheese and dairy ingredients, as well as the inclusion of revenues from the SMI Acquisition for the full quarter and the Montchevre Acquisition for two weeks positively impacted revenues. Additionally, higher selling prices related to the increase of the cost of milk as raw material in the Canada Sector and the International Sector increased revenues, as compared to the corresponding period last fiscal year. Moreover, the fluctuation of the Canadian dollar versus foreign currencies decreased revenues by approximately $118 million.

Consolidated adjusted EBITDA for the third quarter of fiscal 2018 totalled $318.0 million, a decrease of $28.6 million or 8.3% in comparison to $346.6 million for the same quarter last fiscal year. The decrease is due to market factors in the US negatively affecting adjusted EBITDA by approximately $19 million. Additionally, higher administrative expenses, mainly due to the Enterprise Resource Planning (ERP) initiative and higher warehousing and logistical costs related to additional external storage expenses decreased adjusted EBITDA. This decrease was partially offset by operational efficiencies through raw material optimization, as well as higher selling prices of cheese and dairy ingredients, higher sales volumes and a favourable product mix. The inclusion of the SMI Acquisition for the full quarter and the Montchevre Acquisition for two weeks had a minimal impact on adjusted EBITDA. Finally, the fluctuation of the Canadian dollar versus foreign currencies had an unfavourable impact on adjusted EBITDA of approximately $14 million, as compared to the same quarter last fiscal year.

For the nine-month period ended December 31, 2017, consolidated adjusted EBITDA totalled $1.003 billion, a decrease of approximately $2 million or 0.2%, as compared to $1.005 billion for the corresponding period last fiscal year. Higher international selling prices of cheese and dairy ingredients positively affected adjusted EBITDA. Additionally, adjusted EBITDA increased due to operational efficiencies through raw material optimization, as well as higher sales volumes and a favourable product mix. The increase was partially offset by unfavourable market factors in the US decreasing adjusted EBITDA by approximately $22 million, as well as higher administrative expenses, mainly due to the ERP initiative and higher warehousing and logistical costs related to additional external storage expenses. Finally, the fluctuation of the Canadian dollar versus foreign currencies had an unfavourable impact on adjusted EBITDA of approximately $13 million, as compared to the same period last fiscal year.

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

OTHER CONSOLIDATED RESULT ITEMS

Depreciation and amortization for the third quarter of fiscal 2018 totalled $56.1 million, an increase of $5.2 million, in comparison to $50.9 million for the same quarter last fiscal year. For the nine-month period ended December 31, 2017, depreciation and amortization expenses amounted to $161.6 million, an increase of $11.2 million, as compared to $150.4 million for the corresponding period last fiscal year. These increases are mainly attributed to additions to property, plant and equipment, increasing the depreciable base, as well as the additional depreciation and amortization expense from the SMI Acquisition and the Montchevre Acquisition.

In the third quarter of fiscal 2018, the Company incurred **acquisition and restructuring costs** of $39.1 million ($25.1 million after tax). Acquisition costs are related to the SMI Acquisition, the Montchevre Acquisition and the previously announced Murray Goulburn Acquisition. In connection with the restructuring costs relating to a plant closure in Fond du Lac, Wisconsin, the Company incurred $23.7 million in severance and closure costs and $10.6 million in impairment charges to property, plant and equipment.

Net interest expense for the three and nine-month periods ended December 31, 2017 increased by $2.8 million and $2.2 million, respectively, in comparison to the same periods last fiscal year. These increases are mainly attributed to higher bank loans denominated in Argentine peso which bear higher interest rates.

Income taxes for the third quarter of fiscal 2018 represent an income tax benefit of $126.8 million compared to an income tax expense of $88.5 million for the same quarter last fiscal year. During the third quarter, the Company recorded an income tax benefit of $178.9 million to adjust for futures tax balances of $169.2 million and current fiscal year provisions of $9.7 million, due to the reduction of the US federal tax rate. Excluding the benefit of the US federal tax rate reduction, income tax expense for the third quarter of fiscal 2018 would have totalled $52.1 million, reflecting an effective tax rate of 24.8% compared to 31.0% for the same quarter last fiscal year. This reduction is due to an income tax recovery of $8.3 million following a positive settlement in a tax file. Income tax expense for the nine-month period ended December 31, 2017 totalled $44.5 million compared to $256.3 million for the same quarter last fiscal year. Excluding the benefit of the US federal tax rate reduction, income tax expense for the nine-month period ended December 31, 2017 would have totalled $223.4 million, reflecting an income tax rate of 29.1% in comparison to 31.2% for the same period last fiscal year. This reduction is due to an income tax recovery of $8.3 million following a positive settlement in a tax file. The income tax rate varies and could increase or decrease based on the amount and source of taxable income, amendments to tax legislations and income tax rates, changes in assumptions, as well as estimates used for tax assets and liabilities by the Company and its affiliates.

Net earnings for the third quarter of fiscal 2018 totalled $337.0 million, an increase of $139.6 million or 70.7% in comparison to $197.4 million for the same quarter last fiscal year. For the nine-month period ended December 31, 2017, net earnings totalled $722.5 million, an increase of $156.6 million or 27.7% as compared to $565.9 million for the same period last fiscal year. These increases are due to the above-mentioned factors.

Adjusted net earnings[1] totalled $183.2 million for the quarter ended December 31, 2017, compared to $197.4 million for the same quarter last fiscal year. This decrease is due to the above-mentioned factors. For the nine-month period ended December 31, 2017 adjusted net earnings, totalled $568.9 million, as compared to $565.9 million for the same period last fiscal year. This increase is due to the above-mentioned factors.

[1] Adjusted net earnings is a non-IFRS measure. Refer to “Measurement of Results not in Accordance with International Financial Reporting Standards” included on page 4 of this report for the definition of this term.

SELECTED QUARTERLY FINANCIAL INFORMATION

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

Fiscal years	**2018**			2017				2016
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues	**3,021.8**	2,884.2	2,892.1	2,719.8	2,966.1	2,845.3	2,631.4	2,734.0
Adjusted EBITDA[1]	**318.0**	329.8	355.2	284.1	346.6	340.6	318.2	313.1
Net earnings	**337.0**	185.2	200.3	165.2	197.4	191.8	176.7	141.2
Acquisition and restructuring costs[2]	**25.1**	0.2	–	–	–	–	–	23.6
US Tax Reform	**(178.9)**	–	–	–	–	–	–	–
Adjusted net earnings[1]	**183.2**	185.4	200.3	165.2	197.4	191.8	176.7	164.8
Net earnings per share								
Basic	**0.87**	0.48	0.52	0.42	0.50	0.49	0.45	0.36
Diluted	**0.86**	0.47	0.51	0.42	0.49	0.48	0.44	0.36
Adjusted net earnings per share[1]								
Basic	**0.47**	0.48	0.52	0.42	0.50	0.49	0.45	0.42
Diluted	**0.47**	0.47	0.51	0.42	0.49	0.48	0.44	0.41

1 Adjusted EBITDA, adjusted net earnings and adjusted net earnings per share (basic and diluted) are non-IFRS measures. Refer to "Measurement of Results not in Accordance with International Financial Reporting Standards" included on page 4 of this report for the definition of these terms.
2 Net of income taxes.

Consolidated selected factors positively (negatively) affecting adjusted EBITDA

(in millions of CDN dollars)

Fiscal years	**2018**			2017			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Market factors[1, 2]	**(19)**	(6)	3	(10)	(3)	20	(11)
Inventory write-down	**(2)**	(3)	(1)	(2)	-	(1)	(1)
Foreign currency exchange[1, 3]	**(14)**	(8)	9	(4)	3	3	11

1 As compared to the same quarter of the last fiscal year.
2 Market factors refer to the USA Sector and 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 products.
3 Foreign currency exchange includes effect on adjusted EBITDA of conversion of US dollars, Australian dollars and Argentine pesos to Canadian dollars.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The intent of this section is to provide insight into the Company's cash and capital management strategies and how they drive operational objectives, as well as 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 expenditures, dividends, debt repayments, business acquisitions and share repurchases. The Company also has bank credit facilities available for general corporate purposes.

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

(in millions of CDN dollars)

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2017	2016	**2017**	2016
Cash generated from operating activities	**293.5**	313.1	**797.7**	1,062.2
Net cash generated from operating activities	**203.0**	258.3	**491.2**	870.7
Cash used for investing activities	**(415.4)**	(73.0)	**(632.5)**	(217.4)
Cash generated (used) for financing activities	**154.5**	(92.7)	**24.8**	(402.2)
Increase (decrease) in cash and cash equivalents	**(57.9)**	92.6	**(116.5)**	251.1

For the three-month period ended December 31, 2017, cash generated from **operating activities** amounted to $293.5 million in comparison to $313.1 million for the corresponding quarter last fiscal year, a decrease of $19.6 million. For the nine-month period ended December 31, 2017, cash generated from operating activities amounted to $797.7 million in comparison to $1.062 billion for the corresponding period last fiscal year, a decrease of $264.5 million.

Net cash generated from operating activities for the three-month period ended December 31, 2017, amounted to $203.0 million in comparison to $258.3 million for the corresponding quarter last fiscal year. The decrease of $55.3 million is due to a decrease in adjusted EBITDA of $28.6 million and restructuring costs of $34.3 million. The decrease related to changes in non-cash operating working capital items of $37.6 million driven by the fluctuation in accounts receivable, inventories, as well as payables in line with the fluctuation of market prices was offset by an increase of $28.6 million and $7.1 million in income tax paid and interest paid, respectively. For the nine-month period ended December 31, 2017, net cash generated from operating activities amounted to $491.2 million in comparison to $870.7 million for the corresponding period last fiscal year. The decrease of $379.5 million is due to changes in non-cash operating working capital items of $236.1 million driven by the fluctuation in accounts receivable, inventories, as well as payables in line with the fluctuation of market prices and an increase of $113.2 million and $1.8 million in income tax paid and interest paid, respectively.

Investing activities for the three-month period ended December 31, 2017 were mainly comprised of $336.6 million disbursed for the SMI Acquisition and the Montchevre Acquisition, additions to property, plant and equipment of $62.8 million and intangibles related to the ERP initiative of $17.3 million. For the nine-month period ended December 31, 2017, investing activities consisted mainly of the SMI Acquisition and the Montchevre Acquisition totalling $370.4 million, additions to property, plant and equipment of $212.5 million and additions to intangibles of $55.5 million related to the ERP initiative.

Financing activities for the three-month period ended December 31, 2017 consisted mainly of an increase in bank loans of $204.8 million, mainly due to the financing of the Montchevre Acquisition, and issued shares as part of the stock option plan for $12.8 million. Finally, the Company paid $61.9 million in dividends. Financing activities for the nine-month period ended December 31, 2017 consisted mainly of an increase in bank loans of $303.2 million due to the Montchevre Acquisition and the net reimbursement of $100.0 million in long-term debt resulting from the issuance of $300.0 million medium term notes, which was used in addition to cash on hand to repay $400.0 million from an unsecured bank term loan. In addition, shares were issued as part of the stock option plan for $33.4 million. Finally, the Company repurchased share capital for $29.0 million and paid $181.6 million in dividends.

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 for 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 millions of CDN dollars, except ratio)

	December 31, 2017	March 31, 2017
Current assets	**2,521.2**	2,380.5
Current liabilities	**1,476.9**	1,193.4
Working capital	**1,044.3**	1,187.1
Working capital ratio	**1.71**	1.99

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.

Capital Management

The Company's capital strategy requires a well-balanced financing structure in order to maintain flexibility to implement growth initiatives, while allowing it to pursue disciplined capital investments and maximize shareholder value.

The Company targets a long-term leverage of approximately 2.0 times net debt[1] to adjusted EBITDA[2]. 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 millions of CDN dollars, except ratio and number of shares and options)

	December 31, 2017	March 31, 2017
Long-term debt	**1,425.7**	1,500.0
Bank loans	**370.4**	93.8
Cash and cash equivalents	**124.3**	250.5
Net debt[1]	**1,671.8**	1,343.3
Trailing twelve-months adjusted EBITDA[2]	**1,287.1**	1,289.5
Net debt-to-trailing twelve-months adjusted EBITDA[2]	**1.30**	1.04
Number of common shares	**386,993,881**	386,234,311
Number of stock options	**20,038,321**	17,850,014

1 Net debt consists of long-term debt and bank loans, net of cash and cash equivalents.

2 Adjusted EBITDA is a non-IFRS measure. Refer to "Measurement of Results not in Accordance with International Financial Reporting Standards" included on page 4 of this report for the definition of this term.

As at December 31, 2017, the Company had $124.3 million in cash and cash equivalents and available bank credit facilities of $926.4 million, of which $370.4 million were drawn. In connection with the Murray Goulburn Acquisition, the Company entered into a new credit agreement on December 21, 2017 providing for a non-revolving term facility in the aggregate amount of $1.289 billion (the Acquisition Facility) consisting of three tranches: a 1-year tranche of $400.0 million; a 3-year tranche of $300.0 million; and a 5-year tranche of AU$600.0 million ($589.0 million). The Acquisition Facility is available to finance the Murray Goulburn Acquisition.

See Notes 5 and 6 to the condensed interim consolidated financial statements for additional information related to bank loans and long-term debt.

Share capital authorized by the Company is comprised of an unlimited number of common shares. The common shares are voting and participating. As at January 29, 2018, 387,106,889 common shares and 19,879,917 stock options were outstanding.

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 of its long-term debts in addition to leases of premises, equipment and rolling stock as well as purchase obligations for capital expenditures to which the Company is committed.

(in millions of CDN dollars)

	December 31, 2017				March 31, 2017			
	Long-term debt	**Leases**	**Purchase obligations**	**Total**	Long-term debt	Leases	Purchase obligations	Total
Less than 1 year	**4.3**	**27.9**	**72.5**	**104.7**	-	30.6	88.9	119.5
1–2 years	**4.3**	**23.9**	**-**	**28.2**	-	25.3	-	25.3
2–3 years	**517.1**	**19.2**	**-**	**536.3**	900.0	21.0	-	921.0
3–4 years	**300.0**	**15.3**	**-**	**315.3**	-	16.9	-	16.9
4–5 years	**300.0**	**13.0**	**-**	**313.0**	300.0	13.3	-	313.3
More than 5 years	**300.0**	**29.3**	**-**	**329.3**	300.0	37.2	-	337.2
	1,425.7	**128.6**	**72.5**	**1,626.8**	1,500.0	144.3	88.9	1,733.2

Long-term debt

As described in Note 6 to the consolidated financial statements, the Company's long-term debt is comprised of unsecured bank term loan facilities of $200.0 million, maturing in December 2019, which bear interest at lenders' prime rates plus a maximum of 1.00%, or bankers' acceptance rates plus 0.80%, up to a maximum of 2.00%, depending on the Company credit ratings.

Long-term debt is also comprised of four series of $300.0 million of medium term notes for a total of $1.200 billion, with annual interest rates varying from 1.94% to 2.83% and maturity ranging from November 2019 to November 2023.

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 December 31, 2017 varied mainly due to the strengthening of the Canadian dollar versus the US dollar, the Australian dollar and the Argentine peso, as well as the inclusion of the SMI Acquisition and the Montchevre Acquisition in comparison to March 31, 2017.

The conversion rate of the US operations' balance sheet items in US currency was CDN$1.257 per US dollar as at December 31, 2017, compared to CDN$1.332 per US dollar as at March 31, 2017. The conversion rate of the Argentinian operations' balance sheet items in Argentinian currency was CDN$0.068 per Argentine peso as at December 31, 2017, compared to CDN$0.087 per Argentine peso as at March 31, 2017. The conversion rate of the Australian operations' balance sheet items in Australian currency was CDN$0.982 per Australian dollar as at December 31, 2017, compared to CDN$1.016 per Australian dollar as at March 31, 2017. The strengthening of the Canadian dollar versus the US dollar, the Australian dollar and the Argentine peso resulted in lower values recorded for the balance sheet items of the foreign operations.

The net cash (cash and cash equivalents less bank loans) position decreased from positive $156.7 million as at March 31, 2017, to negative $246.1 million as at December 31, 2017, mainly resulting from the decrease of net cash due to the SMI Acquisition and the Montchevre Acquisition. The change in foreign currency translation adjustment recorded in other comprehensive income varied mainly due to the weakening of the US dollar.

FOLLOW-UP ON CERTAIN SPECIFIC ITEMS OF THE ANALYSIS

For an analysis of guarantees, related party transactions, accounting standards, critical accounting policies and use of accounting estimates, future standards, new accounting standards adopted, risks and uncertainties, as well as a sensitivity analysis of interest rate and US currency fluctuations, the discussion provided in the Company's 2017 Annual Report can be consulted (pages 19 to 27 of the Management's Discussion and Analysis).

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) are responsible for establishing and maintaining disclosure controls and procedures. The Company's disclosure controls and procedures are designed to provide reasonable assurance that material information relating to the Company is made known to Management in a timely manner to allow the information required to be disclosed under securities legislation to be recorded, processed, summarized and reported within the time periods specified in securities legislation.

INTERNAL CONTROL 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, along with Management, have concluded, after having conducted an evaluation and to the best of their knowledge, that, as at December 31, 2017, no change in the Company's internal control over financial reporting occurred that could have materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

INFORMATION BY SECTOR

As of April 1, 2017, the Canada Sector includes national and export revenues of ingredients manufactured in Canada. The USA Sector includes national ingredient revenues, and export ingredient and cheese revenues of products manufactured in the USA. Prior to April 1, 2017, these figures were presented in the Dairy Ingredients Division as part of the International Sector. Accordingly, certain prior year's figures have been reclassified to conform to the current presentation.

Canada Sector

(in millions of CDN dollars)

Fiscal years	**2018**			2017			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	**1,057.2**	1,032.6	999.2	959.8	1,059.0	1,044.3	997.1
Adjusted EBITDA	**127.9**	122.9	117.0	104.1	116.9	119.8	112.3

The Canada Sector consists of the Dairy Division (Canada).

Revenues

Revenues for the Canada Sector totalled $1.057 billion for the quarter ended December 31, 2017, a decrease of approximately $2 million or 0.2%, as compared to $1.059 billion for the corresponding quarter last fiscal year. The decrease in revenues is mainly due to lower selling prices on ingredients sold in the export market. Sales volumes remained relatively stable.

Since the beginning of the fiscal year, revenues from the Canada Sector totalled $3.089 billion, a decrease of approximately $11 million or 0.4% in comparison to $3.100 billion for the same period last fiscal year. Lower sales volumes of juices, a product category the Company exited, and lower selling prices on ingredients sold in the export market, decreased revenues, as compared to the same period last fiscal year. This decrease was partially offset by higher selling prices related to the increase in the cost of milk as raw material and a favourable product mix.

Adjusted EBITDA

Adjusted EBITDA for the Canada Sector totalled $127.9 million for the quarter ended December 31, 2017, an increase of $11.0 million or 9.4%, as compared to $116.9 million for the corresponding quarter last fiscal year. Operational efficiencies through raw material optimization, as well as lower administrative expenses attributable to the phasing of the ERP deployment activities being mainly in the USA Sector during the quarter, positively impacted adjusted EBITDA. This increase was partially offset by higher warehousing and logistical costs related to additional external storage expenses. The fluctuation of the Canadian dollar versus foreign currencies had a negative impact on adjusted EBITDA of approximately $1 million.

Since the beginning of the fiscal year, adjusted EBITDA totalled $367.8 million, an increase of $18.8 million or 5.4%, as compared to $349.0 million for the same period last fiscal year. Operational efficiencies through raw material optimization, as well as lower administrative expenses attributable to the phasing of the ERP deployment activities, positively impacted adjusted EBITDA, as compared to the same period last fiscal year. This increase was partially offset by higher warehousing and logistical costs related to additional external storage expenses, as well as lower sales volumes of juices, a product category the Company exited. The fluctuation of the Canadian dollar versus foreign currencies had a negative impact on adjusted EBITDA of approximately $1 million.

USA Sector

(in millions of CDN dollars)

Fiscal years	2018			2017			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	**1,591.3**	1,528.1	1,578.3	1,486.5	1,593.8	1,532.0	1,391.0
Adjusted EBITDA	**153.9**	170.7	196.5	150.5	200.1	196.1	187.5

Selected factors positively (negatively) affecting adjusted EBITDA

(in millions of CDN dollars)

Fiscal years	2018			2017			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Market factors[1, 2]	**(19)**	(6)	3	(10)	(3)	20	(11)
US currency exchange[1]	**(9)**	(7)	8	(7)	-	-	8

1 As compared to same quarter of previous fiscal year.
2 Market factors refer to the USA Sector and 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 products.

Other pertinent information

(in US dollars, except for average exchange rate)

Fiscal years	2018			2017			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Average block market per pound of cheese	**1.627**	1.660	1.575	1.580	1.738	1.689	1.412
Closing block price per pound of cheese[1]	**1.540**	1.735	1.525	1.520	1.660	1.533	1.660
Average butter market price per pound	**2.254**	2.568	2.312	2.177	1.997	2.149	2.125
Closing butter market price per pound[2]	**2.208**	2.315	2.643	2.108	2.268	1.898	2.350
Average whey market price per pound[3]	**0.310**	0.403	0.465	0.482	0.380	0.299	0.241
Spread[4]	**0.072**	0.066	0.039	0.011	0.112	0.119	0.125
US average exchange rate to Canadian dollar[5]	**1.270**	1.256	1.344	1.324	1.334	1.305	1.288

1 Closing block price is the price of a 40 pound block of cheddar traded on the Chicago Mercantile Exchange (CME) on the last business day of each quarter.
2 Closing butter market price is the price for Grade AA Butter traded on the CME, on the last business day of each quarter.
3 Average whey market price is based on Dairy Market News published information.
4 Spread is the average block market per pound of cheese less the result of the average cost per hundredweight of Class III and/or Class 4b milk price divided by 10.
5 Based on Bloomberg published information.

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

Revenues

Revenues for the USA Sector totalled $1.591 billion for the quarter ended December 31, 2017, a decrease of approximately $3 million or 0.2%, as compared to $1.594 billion for the corresponding quarter last fiscal year. A higher average butter market price per pound was partially offset by a lower average block market per pound of cheese in the third quarter of fiscal 2018 which increased revenues by approximately $30 million, as compared to the same quarter last fiscal year. Higher sales volumes, the inclusion of the SMI Acquisition for the full quarter and the Montchevre Acquisition for two weeks, as well as higher selling prices in the international cheese and dairy ingredient market also positively impacted revenues during the quarter. The fluctuation of the Canadian dollar versus the US dollar decreased revenues by approximately $73 million.

Since the beginning of the fiscal year, revenues from the USA Sector totalled $4.698 billion, an increase of approximately $181 million or 4.0% in comparison to $4.517 billion for the same period last fiscal year. A higher average block market per pound of cheese and a higher average butter market price per pound, as compared to the same period last fiscal year, increased revenues by approximately $126 million. Additionally, higher sales volumes, as well as higher selling prices in the international cheese and dairy ingredient market positively impacted revenues. The inclusion of the SMI Acquisition for the full quarter and the Montchevre Acquisition for two weeks positively impacted revenues. The fluctuation of the Canadian dollar versus the US dollar decreased revenues by approximately $70 million.

Adjusted EBITDA

Adjusted EBITDA for the USA Sector totalled $153.9 million for the quarter ended December 31, 2017, a decrease of $46.2 million or 23.1%, as compared to $200.1 million for the corresponding quarter last fiscal year. The variation in the average block market per pound of cheese and the average butter market price per pound during the quarter versus the corresponding quarter last fiscal year had an unfavourable impact on both the realization of inventories and on the absorption of fixed costs. The relation between the average block market per pound of cheese and the cost of milk as raw material had a minimal impact on adjusted EBITDA, while a higher dairy ingredient market had a positive effect on adjusted EBITDA. These combined market factors negatively impacted adjusted EBITDA by approximately $19 millition, as compared to the same quarter last fiscal year. Contributing to the adjusted EBITDA decrease were higher administrative expenses, mainly due to the ERP initiative, as well as higher warehousing and logistical expenses due to higher transportation costs. The inclusion of the SMI Acquisition for the full quarter and the Montchevre Acquisition for two weeks had a minimal impact on adjusted EBITDA. This decrease was partially offset by higher sales volumes. The fluctuation of the Canadian dollar versus the US dollar had a negative impact on adjusted EBITDA of approximately $9 million.

Since the beginning of the fiscal year, adjusted EBITDA totalled $521.1 million, a decrease of $62.6 million or 10.7%, as compared to $583.7 million for the corresponding period last fiscal year. The relation between the average block market per pound of cheese and the cost of milk as raw material was unfavourable. Also, the variation in the average block market per pound of cheese for the nine-month period ended December 31, 2017, as compared to the same period last fiscal year, resulted in an unfavourable realization of inventories. However, a higher dairy ingredient market had a positive effect on adjusted EBITDA. These combined market factors, including unfavourable margins associated with a fluctuation of butter market prices, negatively impacted adjusted EBITDA by approximately $22 million, as compared to the same period last fiscal year. Contributing to the adjusted EBITDA decrease were higher administrative expenses, mainly due to the ERP initiative, as well as higher warehouse and logistical costs due to higher transportation costs. These decreases were partially offset by higher sales volumes and a favourable product mix. The weakening of the Canadian dollar versus the US dollar had a negative impact on adjusted EBITDA of approximately $8 million.

International Sector

(in millions of CDN dollars)

Fiscal years	2018			2017			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	**373.3**	323.5	314.6	273.5	313.3	269.0	243.3
Adjusted EBITDA	**36.2**	36.2	41.7	29.5	29.6	24.7	18.4

Selected factors positively (negatively) affecting adjusted EBITDA

(in millions of CDN dollars)

Fiscal years	2018			2017			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Inventory write-down	**(2)**	(3)	(1)	(2)	-	(1)	(1)
Foreign currency exchange[1]	**(4)**	(1)	1	(1)	4	1	3

[1] As compared to same quarter of previous fiscal year.

The International Sector consists of the Dairy Division (Argentina) and the Dairy Division (Australia).

Revenues

Revenues for the International Sector totalled $373.3 million for the quarter ended December 31, 2017, an increase of $60.0 million or 19.2%, as compared to $313.3 million for the corresponding quarter last fiscal year. Higher selling prices in both the domestic and export markets and higher sales volumes from the Dairy Division (Argentina) and the Dairy Division (Australia) increased revenues. The fluctuation of the Argentine peso versus the US dollar in the export market increased revenues, as compared to the same quarter last fiscal year. Finally, the fluctuation of the Canadian dollar versus the foreign currencies used in the International Sector had a negative impact on revenues of approximately $27 million, as compared to the same quarter last fiscal year.

Since the beginning of the fiscal year, revenues for the International Sector totalled $1.011 billion, an increase of approximately $186 million or 22.5% in comparison to $825.6 million for the same period last fiscal year. Higher selling prices in both the domestic and export markets, as well as the fluctuation of the Argentine peso versus the US dollar in the export market increased revenues, as compared to the same period last fiscal year. Additionally, higher sales volumes from the Dairy Division (Argentina) in both the domestic and export markets increased revenues. In the Dairy Division (Australia), an unfavourable product mix partially offset by higher sales volumes in the export market decreased revenues. The fluctuation of the Canadian dollar versus the foreign currencies used in the International Sector had a negative impact on revenues of approximately $48 million, as compared to the same period last fiscal year.

Adjusted EBITDA

Adjusted EBITDA for the International Sector totalled $36.2 million for the quarter ended December 31, 2017, an increase of $6.6 million or 22.3%, as compared to $29.6 million for the corresponding quarter last fiscal year. Higher selling prices and the fluctuation of the Argentine peso versus the US dollar positively impacted adjusted EBITDA, as compared to the same quarter last fiscal year. This increase was partially offset by an unfavourable product mix. As a result of the decrease in certain market selling prices, inventory was written down by approximately $2 million, decreasing adjusted EBITDA, as compared to the same quarter last fiscal year. The fluctuation of the Canadian dollar versus foreign currencies had a negative impact on adjusted EBITDA of approximately $4 million.

Since the beginning of the fiscal year, adjusted EBITDA totalled $114.1 million, an increase of $41.4 million or 56.9%, as compared to $72.7 million for the same period last fiscal year. Higher selling prices and the fluctuation of the Argentine peso versus the US dollar positively impacted adjusted EBITDA, as compared to the same period last fiscal year. Also, higher sales volumes in both the domestic and export markets, positively impacted adjusted EBITDA. This increase was partially offset by higher administrative expenses, mainly due to the ERP initiative, in comparison to the same period last fiscal year. As a result of the decrease in certain market selling prices, inventory was written down by approximately $6 million since the beginning of the fiscal year, as compared to approximately $2 million for the same period last fiscal year. The fluctuation of the Canadian dollar versus foreign currencies had a negative impact on adjusted EBITDA of approximately $4 million.

OUTLOOK

The Company benefits from a strong balance sheet and capital structure, supplemented by a high level of cash generated by operations, and low debt levels, allowing it to continue to benefit from its global complementary platforms to face ongoing challenges in the dairy market environment. This financial flexibility allows the Company to grow through targeted acquisitions and organically through strategic capital investments. The Company has a long-standing commitment to manufacture quality products and will remain focused on operational efficiencies. Profitability enhancement and shareholder value creation remain the cornerstones of the Company's objectives.

The implementation of the ERP system is progressing as planned. Since the beginning of the second quarter, all activities in the International Sector are operating within the new ERP system. The implementation began in the Dairy Foods Division (USA) during the third quarter of fiscal 2018 and completion is expected over the next quarters. In the Cheese Division (USA), the ERP initiative has kicked-off, and the implementation is scheduled for fiscal 2019. The Dairy Division (Canada) is scheduled to implement the ERP system in fiscal 2020.

In Canada, we will continue to focus on reviewing overall activities to improve operational efficiency, in order to mitigate downward margin pressures, low growth and competitive market conditions. The Dairy Division (Canada) will undertake capital projects aimed at increasing efficiencies and capacity to maintain its leadership position. The Division also intends to capture market opportunities from the redesign of the *Saputo* brand and reaffirming its engagement to consumers from coast-to-coast as their preferred and trusted cheese brand through various promotions, advertising and innovative packaging.

In the Cheese Division (USA), the Company is focusing on increasing operational efficiencies and controlling costs in order to mitigate the negative impact on adjusted EBITDA of the dairy commodity markets. During the upcoming quarters, the Division will benefit from the production of blue cheese in its newly constructed facility in Almena, Wisconsin. This capital expenditure project will allow the Division to strengthen its position within the blue cheese category. Also, the Cheese Division (USA) will pursue growth of cheese export sales volumes to the extent US milk pricing is competitive with world prices.

The Division will proceed with the integration of the Montchevre Acquisition. The acquisition will enable the Cheese Division (USA) to broaden its presence in specialty cheese in the United States.

The Division announced the closure of its cheese manufacturing facility in Fond du Lac, Wisconsin which is scheduled for May 2018. This decision was made in an effort to pursue additional efficiencies and decrease costs while strengthening its market presence as part of the Company's continual analysis of its overall activities. The current production will be integrated into the Company's facility in Almena, Wisconsin.

The Dairy Foods Division (USA) continues to focus on optimization and maximizing investment in its existing network in order to benefit from new capabilities in production, enable future growth, meet customer demand and bring new products to market. The Division has integrated the SMI Acquisition and will focus on maximizing network infrastructure and distribution. The Division will keep investing to support production capabilities and strengthen its competitive cost position. More specifically, the Dairy Foods Division (USA) will focus on targeted capital expenditures aimed at increasing production capacity.

The International Sector will continue to pursue sales volumes growth in existing markets, as well as develop additional international markets. Since the completion of the cheese expansion project earlier in this fiscal year, the Dairy Division (Australia) has positioned itself with increased capacity to further pursue its growth. The Sector will continue to evaluate overall activities to improve efficiencies and aim to maximize its operational flexibility to mitigate volatility in market conditions. As volatility in dairy markets remains, we expect a weakening in the international cheese and dairy ingredient prices for the first half of calendar year 2018. As such, we will continue to focus on controlling costs and increasing operational efficiencies in order to mitigate their impact on adjusted EBITDA.

On October 26, 2017, the Company announced that it had entered into an agreement to acquire the business of Murray Goulburn, based in Australia. The Company will continue to work towards the completion of this acquisition and the transaction is expected to close in the first half of calendar year 2018. With the Murray Goulburn Acquisition, the Company would add to and complement the activities of Saputo's Dairy Division (Australia). By acquiring a well-established industry player, the Company reinforces its commitment to strengthen its presence in the Australian market. MG produces a full range of high-quality dairy foods, including drinking milk, milk powder, cheese, butter and dairy beverages, as well as a range of ingredient and nutritional products, such as infant formula. MG supplies the retail and foodservice industries globally with its flagship *Devondale, Liddells* and *Murray Goulburn Ingredients* brands. Saputo intends to continue to invest in its Australian platform and contribute to the ongoing development of its domestic and international business.

On December 22, 2017, the United States (US) enacted the ‘‘Tax Cuts and Jobs Act’’, commonly referred to as the US tax reform, which includes a US Federal tax rate reduction. If this new US Federal tax rate had been in effect for the nine-month period ended December 31, 2017, on an annualized basis, the impact would have represented an income tax expense reduction of approximately US$38 million.

The goal remains to continue to improve overall efficiencies in all sectors and pursue growth organically and through acquisitions.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS

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

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2017	2016	**2017**	2016
Revenues	**$ 3,021.8**	$ 2,966.1	**$ 8,798.1**	$ 8,442.8
Operating costs excluding depreciation, amortization, acquisition and restructuring costs (Note 4)	**2,703.8**	2,619.5	**7,795.1**	7,437.4
Earnings before interest, income taxes, depreciation, amortization, acquisition and restructuring costs	**318.0**	346.6	**1,003.0**	1,005.4
Depreciation and amortization	**56.1**	50.9	**161.6**	150.4
Acquisition and restructuring costs	**39.1**	-	**39.4**	-
Interest on long-term debt	**8.6**	9.2	**25.5**	28.6
Other financial charges (Note 9)	**4.0**	0.6	**9.5**	4.2
Earnings before income taxes	**210.2**	285.9	**767.0**	822.2
Income taxes (Note 10)	**(126.8)**	88.5	**44.5**	256.3
Net earnings	**$ 337.0**	$ 197.4	**$ 722.5**	$ 565.9
Net earnings per share (Note 8)				
Basic	**$ 0.87**	$ 0.50	**$ 1.87**	$ 1.44
Diluted	**$ 0.86**	$ 0.49	**$ 1.85**	$ 1.42

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of CDN dollars)
(unaudited)

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2017	2016	**2017**	2016
Net earnings	**$ 337.0**	$ 197.4	**$ 722.5**	$ 565.9
Other comprehensive income (loss):				
Items that may be reclassified to net earnings:				
Exchange differences arising from foreign currency translation	**21.6**	60.2	**(273.5)**	99.5
Net unrealized (losses) gains on cash flow hedges[1] (Note 11)	**(3.4)**	(2.6)	**8.3**	(1.4)
Reclassification of (gains) losses on cash flow hedges to net earnings[2]	**(1.1)**	0.7	**(5.9)**	(1.4)
Other comprehensive income (loss)	**17.1**	58.3	**(271.1)**	96.7
Total comprehensive income	**$ 354.1**	$ 255.7	**$ 451.4**	$ 662.6

[1] Net of income taxes of $1.5 and $2.6 for the three and nine-month periods ended December 31, 2017, respectively (2016 - $0.3 and $0.2).
[2] Net of income taxes of $0.4 and $2.7 for the three and nine-month periods ended December 31, 2017, respectively (2016 - $0.3 and $0.8).

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EQUITY

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

For the nine-month period ended December 31, 2017

	Share capital		Reserves							
	Common Shares	Amount	Foreign Currency Translation	Cash Flow Hedges	Stock Option Plan	Total Reserves	Retained Earnings	Total	Non-Controlling Interest	Total Equity
Balance, beginning of year	386,234,311	$ 871.1	$ 717.8	$ (3.0)	$ 97.9	$ 812.7	$ 2,639.1	$ 4,322.9	$ -	$ 4,322.9
Net earnings	-	-	-	-	-	-	722.5	722.5	-	722.5
Other comprehensive income	-	-	(273.5)	2.4	-	(271.1)	-	(271.1)	-	(271.1)
Total comprehensive income								451.4	-	451.4
Dividends declared	-	-	-	-	-	-	(181.6)	(181.6)	-	(181.6)
Stock option plan (Note 7)	-	-	-	-	18.2	18.2	-	18.2	-	18.2
Shares issued under stock option plan	1,414,470	33.4	-	-	-	-	-	33.4	-	33.4
Amount transferred from reserves to share capital upon exercise of options	-	6.6	-	-	(6.6)	(6.6)	-	-	-	-
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	-	-	-	-	1.6	1.6	-	1.6	-	1.6
Shares repurchased and cancelled	(654,900)	(1.4)	-	-	-	-	(27.6)	(29.0)	-	(29.0)
Balance, end of period	386,993,881	$ 909.7	$ 444.3	$ (0.6)	$ 111.1	$ 554.8	$ 3,152.4	$ 4,616.9	$ -	$ 4,616.9

For the nine-month period ended December 31, 2016

	Share capital		Reserves							
	Common Shares	Amount	Foreign Currency Translation	Cash Flow Hedges	Stock Option Plan	Total Reserves	Retained Earnings	Total	Non-Controlling Interest	Total Equity
Balance, beginning of year	392,520,687	$ 821.0	$ 613.6	$ -	$ 82.1	$ 695.7	$ 2,485.1	$ 4,001.8	$ 68.0	$ 4,069.8
Net earnings	-	-	-	-	-	-	563.5	563.5	2.4	565.9
Other comprehensive income	-	-	99.5	(2.8)	-	96.7	-	96.7	-	96.7
Total comprehensive income								660.2	2.4	662.6
Additional non-controlling interests arising from issuance of additional shares	-	-	-	-	-	-	-	-	16.2	16.2
Dividends declared	-	-	-	-	-	-	(170.4)	(170.4)	-	(170.4)
Stock option plan (Note 7)	-	-	-	-	16.4	16.4	-	16.4	-	16.4
Shares issued under stock option plan	2,329,141	47.0	-	-	-	-	-	47.0	-	47.0
Amount transferred from reserves to share capital upon exercise of options	-	10.1	-	-	(10.1)	(10.1)	-	-	-	-
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	-	-	-	-	4.6	4.6	-	4.6	-	4.6
Shares repurchased and cancelled	(5,486,280)	(11.9)	-	-	-	-	(223.1)	(235.0)	-	(235.0)
Shares repurchased and not cancelled	(187,700)	(0.4)	-	-	-	-	(8.5)	(8.9)	-	(8.9)
Balance, end of period	389,175,848	$ 865.8	$ 713.1	$ (2.8)	$ 93.0	$ 803.3	$ 2,646.6	$ 4,315.7	$ 86.6	$ 4,402.3

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

(in millions of CDN dollars)

As at	December 31, 2017 (unaudited)	March 31, 2017 (audited)
ASSETS		
Current assets		
Cash and cash equivalents	**$ 124.3**	$ 250.5
Receivables	**985.9**	863.2
Inventories	**1,266.3**	1,172.5
Income taxes receivable	**64.8**	15.0
Prepaid expenses and other assets	**79.9**	79.3
	2,521.2	2,380.5
Property, plant and equipment	**2,179.1**	2,165.5
Goodwill	**2,368.3**	2,240.5
Intangible assets	**809.1**	662.3
Other assets	**88.9**	99.7
Deferred income taxes	**31.0**	48.1
Total assets	**$ 7,997.6**	$ 7,596.6
LIABILITIES		
Current liabilities		
Bank loans (Note 5)	**$ 370.4**	$ 93.8
Accounts payable and accrued liabilities	**1,075.9**	1,008.3
Income taxes payable	**26.3**	91.3
Current portion of long-term debt (Note 6)	**4.3**	–
	1,476.9	1,193.4
Long-term debt (Note 6)	**1,421.4**	1,500.0
Other liabilities	**65.7**	68.9
Deferred income taxes	**416.7**	511.4
Total liabilities	**$ 3,380.7**	$ 3,273.7
EQUITY		
Share capital (Note 7)	**909.7**	871.1
Reserves	**554.8**	812.7
Retained earnings	**3,152.4**	2,639.1
Total equity	**$ 4,616.9**	$ 4,322.9
Total liabilities and equity	**$ 7,997.6**	$ 7,596.6

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of CDN dollars)
(unaudited)

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2017	2016	**2017**	2016
Cash flows related to the following activities:				
Operating				
Net earnings	**$ 337.0**	$ 197.4	**$ 722.5**	$ 565.9
Adjustments for:				
Stock-based compensation	**8.8**	10.0	**24.7**	24.1
Interest and other financial charges	**12.6**	9.8	**35.0**	32.8
Income taxes	**(126.8)**	88.5	**44.5**	256.3
Depreciation and amortization	**56.1**	50.9	**161.6**	150.4
Gain on disposal of property, plant and equipment	**(0.6)**	(0.2)	**(1.0)**	(1.9)
Impairment charges related to plant closure	**10.6**	–	**10.6**	–
Share of joint venture earnings, net of dividends received	**(2.6)**	(4.4)	**3.5**	0.4
Underfunding of employee plans in excess of costs	**0.5**	0.8	**1.3**	3.1
	295.6	352.8	**1,002.7**	1,031.1
Changes in non-cash operating working capital items	**(2.1)**	(39.7)	**(205.0)**	31.1
Cash generated from operating activities	**293.5**	313.1	**797.7**	1,062.2
Interest and other financial charges paid	**(19.7)**	(12.6)	**(40.0)**	(38.2)
Income taxes paid	**(70.8)**	(42.2)	**(266.5)**	(153.3)
Net cash generated from operating activities	**203.0**	258.3	**491.2**	870.7
Investing				
Business acquisitions	**(336.6)**	–	**(370.4)**	–
Additions to property, plant and equipment	**(62.8)**	(50.7)	**(212.5)**	(160.3)
Additions to intangible assets	**(17.3)**	(22.9)	**(55.5)**	(60.3)
Proceeds on disposal of property, plant and equipment	**1.4**	0.4	**6.2**	4.2
Other	**(0.1)**	0.2	**(0.3)**	(1.0)
	(415.4)	(73.0)	**(632.5)**	(217.4)
Financing				
Bank loans	**204.8**	23.6	**303.2**	(89.0)
Proceeds from issuance of long-term debt	**–**	300.0	**300.0**	600.0
Repayment of long-term debt	**(1.2)**	(212.5)	**(401.2)**	(552.2)
Issuance of share capital	**12.8**	13.4	**33.4**	47.0
Repurchase of share capital	**–**	(158.7)	**(29.0)**	(237.6)
Dividends	**(61.9)**	(58.5)	**(181.6)**	(170.4)
	154.5	(92.7)	**24.8**	(402.2)
(Decrease) increase in cash and cash equivalents	**(57.9)**	92.6	**(116.5)**	251.1
Cash and cash equivalents, beginning of period	**180.8**	331.4	**250.5**	164.3
Effect of exchange rate changes on cash and cash equivalents	**1.4**	9.7	**(9.7)**	18.3
Cash and cash equivalents, end of period	**$ 124.3**	$ 433.7	**$ 124.3**	$ 433.7

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 1 CORPORATE INFORMATION

Saputo Inc. (the Company) is a publicly traded company incorporated and domiciled in Canada. The Company's shares are listed on the Toronto Stock Exchange under the symbol "SAP." The Company produces, markets and distributes a wide array of dairy products from Canada, the United States, Argentina and Australia. The address of the Company's head office is 6869 Metropolitain Blvd. East, Montréal, Québec, Canada, H1P 1X8. The condensed interim consolidated financial statements (financial statements) of the Company for the period ended December 31, 2017 comprise the financial results of the Company and its subsidiaries.

The financial statements for the period ended December 31, 2017 have been authorized for issuance by the Board of Directors on February 1, 2018.

NOTE 2 BASIS OF PRESENTATION

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

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation applied in these financial statements are the same as those applied by the Company in its consolidated financial statements as at and for the year ended March 31, 2017 except for the impact of the adoption of the new standards, interpretations and amendments described below.

These financial statements should be read in conjunction with the Company's audited consolidated financial statements.

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

The IASB continues to make revisions as part of its improvements project. Below is a summary of the relevant standards affected and a discussion of the amendments.

The following standards, amendments to standards and an interpretation have been issued and are applicable to the Company for its annual periods beginning on and after April 1, 2018, with an earlier application permitted:

IFRS 2, Share-Based Payment

In June 2016, the IASB issued an amendment to clarify how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

IFRS 9, Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments with the goal of replacing IAS 39, Financial Instruments: Recognition and Measurement. The new standard addresses the classification and measurement of financial assets and liabilities, provides a new impairment model for the recognition of expected credit losses and provides a new hedge accounting model.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

In April 2016, the IASB amended IFRS 15 to comprise clarifications of the guidance on identifying performance obligations, accounting for licenses of intellectual property and the principal versus agent assessment (gross versus net revenue presentation).

With regards to identifying performance obligations, the amendments clarify how to determine when promises in a contract are 'distinct' goods or services and, therefore, should be accounted for separately. The amendments to licensing guidance clarify when revenue from a license of intellectual property should be recognized 'over time' and when it should be recognized at a 'point in time'. With regards to the principal versus agent assessment, the amendments clarify that the principal in an arrangement controls a good or service before it is transferred to a customer.

IAS 40, Investment Property

In December 2016, the IASB issued an amendment to IAS 40 clarifying when assets are transferred to, or from, investment properties. The amendment clarified that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence. This amendment may be applied prospectively or retrospectively.

IFRIC 22, Foreign Currency Transactions and Advance Consideration

In December 2016, the IASB issued IFRIC 22 which provides an interpretation on how to determine the date of the transaction when applying the standard on foreign currency transactions, IAS 1. The interpretation applies where an entity pays or receives consideration in advance for foreign currency-denominated contracts. The date of the transaction determines the exchange rate to be used on initial recognition of the related asset, expense or income. This interpretation provides guidance for when a single payment or receipt is made, as well as for situations where multiple payments or receipts are made and aims to reduce diversity in practice.

Management is currently assessing the impact of the adoption of these standards, amendments and interpretation on the Company's financial statements.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The following standards, amendments to standards and interpretation have been issued and are applicable to the Company for its annual periods beginning on and after April 1, 2019, with an earlier application permitted:

IFRS 3, Business Combinations
In December 2017, the IASB issued an amendment to IFRS 3 to clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business.

IFRS 9, Financial Instruments
In October 2017, the IASB further amended IFRS 9 to address concerns about how this standard classifies particular prepayable financial assets. In addition, the IASB clarified an aspect of the accounting for financial liabilities following a modification.

IFRS 11, Joint Arrangements
In December 2017, the IASB issued an amendment to IFRS 11 to clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

IFRS 16, Leases
In January 2016, the IASB published a new standard, IFRS 16, Leases. The new standard will eliminate the distinction between operating and finance leases and will bring most leases on the balance sheet for lessees. For lessors, the accounting remains mostly unchanged and the distinction between operating and finance leases is retained.

IAS 23, Borrowing Costs
In December 2017, the IASB issued an amendment to IAS 23 clarifying that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, it becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

IAS 28, Investments in Associates
In October 2017, the IASB issued an amendment to IAS 28 to clarify that an entity should apply IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

IFRIC 23, Uncertainty Over Income Tax Treatments
In June 2017, the IFRS Interpretations Committee issued IFRIC 23 which clarifies how the recognition and measurement requirements of IAS 12, Income Taxes, are applied where there is uncertainty over income tax treatments.

Management is currently assessing the impact of the adoption of these standards, amendments and interpretation on the Company's financial statements.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

CONSIDERATIONS FOR THE IMPLEMENTATION OF IFRS 9 AND IFRS 15

IFRS 9 and IFRS 15 are required to be applied for annual reporting periods beginning on or after January 1, 2018. The Company will not be early adopting IFRS 9 or IFRS 15.

IFRS 9 is applicable retrospectively in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, subject to certain exemptions and exceptions. In general, the main impacts of adopting IFRS 9 are expected to be on classification and measurement of financial assets, the introduction of a new impairment model based on expected losses (rather than incurred loss as per IAS 39, Financial Instruments: Recognition and Measurement), hedge accounting and significant additional disclosure requirements.

The Company is currently evaluating the impact of this standard. The Company's preliminary analysis has not identified any differences that would significantly change the classification and measurement of its financial instruments. The Company expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Company continues to evaluate the impact of the new standard on the consolidated financial statements but it is not expected to have a significant impact.

IFRS 15 can be applied using one of the following two methods: retrospectively to each prior reporting period presented in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, or retrospectively with the cumulative effect of applying IFRS 15 recognized at the date of initial application. The Company decided to use the second method as its transition method as prescribed under IFRS 15.

The Company's preliminary analysis has identified classification changes between revenues and operating costs related to the presentation of the shipping and handling activities, as well as the presentation of rebates and other variable considerations to determine whether it is a distinct good or service or a sales incentive. Also, the timing of revenue recognition, when control over an asset is transferred to a customer, is not expected to result in any significant changes to the Company's revenue recognition practices. The new guidance related to rebates and other variable considerations is generally consistent with the current revenue recognition practices. Management is in the process of quantifying the accounting impact of the adoption of IFRS 15, assessing the overall impact on the Company's disclosures and progress made to date is consistent with management's planned timeline. Based on the preliminary assessments completed to date, the Company does not expect that the adoption of IFRS 15 will have a material impact on the consolidated financial statements.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

The following amendments to existing standards were adopted by the Company on April 1, 2017:

IAS 7, Statement of Cash Flows

IAS 7 has been amended to provide additional presentation related to the changes in liabilities arising from financing activities such as: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

This amendment did not impact the Company's financial statements for the three and nine-month periods ended December 31, 2017.

IAS 12, Income taxes

IAS 12 has been amended to provide clarification on the requirements relating to the recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value.

This amendment did not impact the Company's financial statements for the three and nine-month periods ended December 31, 2017.

NOTE 4 OPERATING COSTS EXCLUDING DEPRECIATION, AMORTIZATION, ACQUISITION AND RESTRUCTURING COSTS

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2017	2016	**2017**	2016
Changes in inventories of finished goods and work in process	**$ 12.7**	$ (27.2)	**$ (43.3)**	$ (26.5)
Raw materials and consumables used	**2,109.9**	2,085.1	**6,110.4**	5,833.6
Foreign exchange loss (gain)	**2.4**	(1.6)	**2.8**	(1.9)
Employee benefits expense	**333.4**	323.5	**981.9**	933.8
Selling costs	**108.8**	104.1	**332.8**	307.3
Other general and administrative costs	**136.6**	135.6	**410.5**	391.1
Total	**$ 2,703.8**	$ 2,619.5	**$ 7,795.1**	$ 7,437.4

For the three and nine-month periods ended December 31, 2017, a write-down of $1.6 million and $5.8 million, respectively, was included as an expense in "Operating costs excluding depreciation and amortization" under the caption "Changes in inventories of finished goods and work in process" (nil and $1.9 million for the three and nine-month periods ended December 31, 2016). Certain prior year's figures have been reclassified to conform to the current presentation.

NOTE 5 BANK LOANS

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

		Available for use			Amount drawn	
Credit Facilities	Maturity	Canadian Currency Equivalent	Base Currency		December 31, 2017	March 31, 2017
North America-USA	December 2022[1]	377.1	300.0	USD	$ **188.6**	$ -
North America-Canada	December 2022[1]	251.4	200.0	USD	**-**	-
Argentina	Yearly[2]	86.7	69.0	USD	**52.8**	46.2
Argentina	Yearly[3]	92.3	1,365.0	ARS	**51.7**	23.9
Australia	Yearly[4]	24.6	25.0	AUD	**13.7**	-
Australia	Yearly[5]	94.3	75.0	USD	**63.6**	23.7
		926.4			$ **370.4**	$ 93.8

1 Bears monthly interest at rates ranging from lender's prime rates plus a maximum of 1.00% or LIBOR or banker's acceptance rate plus 0.80% up to a maximum of 2.00% depending on the Company credit ratings.
2 Bear monthly interest at local rate and can be drawn in USD.
3 Bear monthly interest at local rate and can be drawn in ARS.
4 Bear monthly interest at Australian Bank Bill Rate plus 0.85%.
5 Bear monthly interest at LIBOR or Australian Bank Bill Rate plus 0.75% and can be drawn in AUD or USD.

NOTE 6 LONG-TERM DEBT

	December 31, 2017	March 31, 2017
Unsecured bank term loan facilities		
Obtained December 2012 and due in December 2019 ($850 million)[1]	$ **200.0**	$ 600.0
Unsecured senior notes[2]		
2.65%, issued in November 2014 and due in November 2019 (Series 1)	**300.0**	300.0
2.20%, issued in June 2016 and due in June 2021 (Series 2)	**300.0**	300.0
2.83%, issued in November 2016 and due in November 2023 (Series 3)	**300.0**	300.0
1.94%, issued in June 2017 and due in June 2022 (Series 4)	**300.0**	-
Finance lease obligations	**25.7**	-
	$ **1,425.7**	$ 1,500.0
Current portion	**4.3**	-
	$ **1,421.4**	$ 1,500.0
Principal repayments are as follows:		
Less than 1 year	$ **4.3**	$ -
1-2 years	**4.3**	-
2-3 years	**517.1**	900.0
3-4 years	**300.0**	-
4-5 years	**300.0**	300.0
More than 5 years	**300.0**	300.0
	$ **1,425.7**	$ 1,500.0

1 Bear monthly interest at rates ranging from lender's prime plus a maximum of 1.00% or LIBOR or bankers' acceptance rates plus 0.80% up to a maximum of 2.00%, depending on the Company credit ratings, and can be drawn in CAD or USD. Effective February 4, 2013, the Company entered into an interest rate swap to fix its rate, which matured on December 30, 2016. As at December 31, 2017, US$155.6 million was drawn and its foreign currency risk was offset with a cross currency swap (US$452.9 million as at March 31, 2017).
2 Interest payments are semi-annual.

On June 12, 2017, the Company issued $300.0 million Series 4 medium term notes with an annual interest rate of 1.94% payable in equal semi-annual instalments, maturing on June 13, 2022, pursuant to its medium term note program expiring in January 2019.

NOTE 6 LONG-TERM DEBT (CONT'D)

On December 21, 2017, the Company entered into a new credit agreement providing for a non-revolving term facility in the aggregate amount of $1.289 billion (the "acquisition facility"), consisting of three tranches: a 1-year tranche of $400.0 million; a 3-year tranche of $300.0 million; and a 5-year tranche of AU$600.0 million ($589.0 million). The acquisition facility is available to finance the acquisition of the business of Murray Goulburn Co-Operative Co. Limited.

NOTE 7 SHARE CAPITAL

	December 31, 2017	March 31, 2017
ISSUED		
386,993,881 common shares (386,234,311 common shares at March 31, 2017)	**$ 909.7**	$ 871.1

SHARE OPTION PLAN

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

	December 31, 2017		December 31, 2016	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Balance, beginning of year	**17,850,014**	**$ 29.00**	16,903,824	$ 24.41
Options granted	**3,908,023**	**$ 46.29**	4,218,934	$ 41.40
Options exercised	**(1,414,470)**	**$ 23.64**	(2,329,141)	$ 20.16
Options cancelled	**(305,246)**	**$ 34.11**	(354,592)	$ 32.32
Balance, end of period	**20,038,321**	**$ 32.67**	18,439,025	$ 28.68

The exercise price of the options granted in fiscal 2018 is $46.29, which corresponds to the weighted average market price for the five trading days immediately preceding the date of grant ($41.40 in fiscal 2017).

The weighted average fair value of options granted in fiscal 2018 was estimated at $7.68 per option ($6.94 in fiscal 2017), using the Black-Scholes option pricing model with the following assumptions:

	December 31, 2017	March 31, 2017
Weighted average:		
Risk-free interest rate	**1.10 %**	0.81 %
Expected life of options	**5.4 years**	5.4 years
Volatility[1]	**18.89 %**	20.01 %
Dividend rate	**1.26 %**	1.34 %

[1] The expected volatility is based on the historic share price volatility over a period similar to the life of the options.

A compensation expense of $6.2 million ($5.2 million net of taxes) and $18.2 million ($15.3 million net of taxes) relating to stock options was recorded in the statement of earnings for the three and nine-month periods ended December 31, 2017, respectively. A compensation expense of $5.7 million ($4.8 million net of taxes) and $16.4 million ($13.9 million net of taxes) was recorded for the three and nine-month periods ended December 31, 2016, respectively.

NOTE 8 NET EARNINGS PER SHARE

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2017	2016	**2017**	2016
Net earnings	**$ 337.0**	$ 197.4	**$ 722.5**	$ 565.9
Non-controlling interest	**-**	(1.3)	**-**	(2.4)
Net earnings attributable to shareholders of Saputo Inc.	**$ 337.0**	$ 196.1	**$ 722.5**	$ 563.5
Weighted average number of common shares outstanding	**386,700,080**	391,169,781	**386,516,987**	391,408,007
Dilutive options	**5,147,503**	6,498,545	**4,901,922**	4,711,910
Weighted average diluted number of common shares outstanding	**391,847,583**	397,668,326	**391,418,909**	396,119,917
Basic net earnings per share	**$ 0.87**	$ 0.50	**$ 1.87**	$ 1.44
Diluted net earnings per share	**$ 0.86**	$ 0.49	**$ 1.85**	$ 1.42

When calculating diluted net earnings per share for the three and nine-month periods ended December 31, 2017, 3,857,513 options were excluded from the calculation because their exercise price is higher than the average market value of common shares (no options and 4,128,667 options, respectively, were excluded for the three and nine-month periods ended December 31, 2016).

NOTE 9 OTHER FINANCIAL CHARGES

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2017	2016	**2017**	2016
Finance costs	**$ 5.3**	$ 1.3	**$ 12.5**	$ 5.7
Finance income	**(1.3)**	(0.7)	**(3.0)**	(1.5)
	$ 4.0	$ 0.6	**$ 9.5**	$ 4.2

NOTE 10 INCOME TAXES

On December 22, 2017, the United States (US) enacted the “Tax Cuts and Jobs Act” which has been commonly referred to as US tax reform. A significant change under this reform is the reduction of the US Federal tax rate from 35.0% to 21.0%, effective January 1, 2018.

This change resulted in the Company recording an income tax benefit of $178.9 million to adjust for future tax balances of $169.2 million and current fiscal year provisions of $9.7 million. These benefits are estimated based on the Company’s initial analysis of the “Tax Cuts and Jobs Act”. Given the complexity of this act, these estimates are subject to adjustment when further guidance becomes available.

The reduction of the effective tax rate is also due to an income tax benefit of $8.3 million following a positive settlement in a tax litigation file.

NOTE 11 FINANCIAL INSTRUMENTS

The Company has determined that the fair value of certain of its financial assets and financial liabilities with short-term maturities approximates their carrying value. These financial instruments include cash and cash equivalents, receivables, bank loans, accounts payable and accrued liabilities. The table below shows the fair value and the carrying value of other financial instruments as at December 31, 2017 and March 31, 2017. 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.

	December 31, 2017		March 31, 2017	
	Fair value	**Carrying value**	Fair value	Carrying value
Cash flow hedges				
Commodity derivatives (Level 2)	**$ (3.5)**	**$ (3.5)**	$ (1.6)	$ (1.6)
Foreign exchange derivatives (Level 2)	**(17.4)**	**(17.4)**	3.2	3.2
Derivatives not designated in a formal hedging relationship				
Equity forward contracts (Level 2)	**2.2**	**2.2**	5.1	5.1
Commodity derivatives (Level 2)	**(0.9)**	**(0.9)**	0.1	0.1
Long-term debt (Level 2)	**$ 1,415.9**	**$ 1,425.7**	$ 1,520.5	$ 1,500.0

NOTE 12 SEGMENTED INFORMATION

The Company reports under three geographic sectors. The Canada Sector consists of the Dairy Division (Canada). The USA Sector consists of the Cheese Division (USA) and the Dairy Foods Division (USA). The International Sector consists of the Dairy Division (Argentina) and the Dairy Division (Australia).

As of April 1, 2017, the Canada Sector includes national and export revenues of ingredients manufactured in Canada. The USA Sector includes national ingredient revenues, and export ingredient and cheese revenues of products manufactured in the USA. Prior to April 1, 2017, these figures were presented in the Dairy Ingredients Division as part of the International Sector. Accordingly, certain prior year’s figures have been reclassified to conform to the current presentation.

Management has aggregated the Cheese Division (USA) and the Dairy Foods Division (USA) due to similarities in long-term average returns and correlated market factors driving pricing strategies that affect the operations of both divisions. The divisions within the International Sector have been combined due to similarities in global market factors and production processes.

NOTE 12 SEGMENTED INFORMATION (CONT'D)

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2017	2016	**2017**	2016
Revenues				
Canada	**$ 1,057.2**	$ 1,059.0	**$ 3,089.0**	$ 3,100.4
USA	**1,591.3**	1,593.8	**4,697.7**	4,516.8
International	**373.3**	313.3	**1,011.4**	825.6
	$ 3,021.8	$ 2,966.1	**$ 8,798.1**	$ 8,442.8
Earnings before interest, income taxes, depreciation, amortization, acquisition and restructuring costs				
Canada	**$ 127.9**	$ 116.9	**$ 367.8**	$ 349.0
USA	**153.9**	200.1	**521.1**	583.7
International	**36.2**	29.6	**114.1**	72.7
	$ 318.0	$ 346.6	**$ 1,003.0**	$ 1,005.4
Depreciation and amortization				
Canada	**$ 13.9**	$ 14.7	**$ 41.4**	$ 43.2
USA	**34.3**	29.4	**96.1**	88.6
International	**7.9**	6.8	**24.1**	18.6
	$ 56.1	$ 50.9	**$ 161.6**	$ 150.4
Acquisition and restructuring costs	**39.1**	-	**39.4**	-
Financial charges, net	**12.6**	9.8	**35.0**	32.8
Earnings before income taxes	**210.2**	285.9	**767.0**	822.2
Income taxes	**(126.8)**	88.5	**44.5**	256.3
Net earnings	**$ 337.0**	$ 197.4	**$ 722.5**	$ 565.9

NOTE 13 BUSINESS ACQUISITION

Betin, Inc.

On December 12, 2017, the Company completed the acquisition of Betin, Inc., doing business as Montchevre, previously announced on November 1, 2017. The purchase price of $341.1 million, on a debt free basis, was paid in cash at closing from cash on hand and available credit lines. The preliminary purchase price allocation reflects the estimated value allocated to working capital for $31.3 million, property, plant and equipment for $17.5 million, goodwill for $211.9 million, intangible assets for $ 131.3 million and deferred income tax liabilities for $50.9 million.

Montchevre manufactures, markets and distributes goat cheese in the US, mainly under the *Montchevre* brand. Its activities are conducted at one manufacturing facility located in Belmont, Wisconsin (USA). The business employs approximately 319 people. For the twelve-month period ended on June 30, 2017, Montchevre generated revenues of approximately $150 million.

The final purchase price allocation will be completed by the first half of calendar year 2018.

Extended shelf-life (ESL) dairy product activities of Southeast Milk, Inc. (SMI)

On September 29, 2017, the Company acquired the ESL dairy product activities of SMI. The purchase price of $63.5 million, on a debt free basis, included cash consideration of $37.0 million and assumed liabilities of $26.5 million. Value of net assets acquired represents $37.0 million and includes inventories, property, plant and equipment, goodwill, as well as finance lease obligations and accounts payable.

The ESL dairy product activities of SMI employs approximately 75 people at one manufacturing facility located in Plant City, Florida (USA) and generates annual revenues of approximately $59 million.

The final purchase price allocation will be completed by the end of this fiscal year.

EXHIBIT TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

CALCULATION OF EARNINGS COVERAGE RATIO

The following table sets forth the earnings coverage ratio for the 12-month period ended December 31, 2017:

Earnings coverage ratio	**23.34 times**

The earnings coverage ratio is equal to net earnings (before interest on long-term debt, 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.