FISCAL 2009 THIRD QUARTER 3

Message to Shareholders

We are presenting the results for the third quarter of fiscal 2009, which ended on December 31, 2008.

Net earnings for the quarter ended December 31, 2008 totalled $57.8 million, a decrease of $24.2 million or 29.5% compared to $82.0 million for the same quarter last fiscal year. Included in the results of the current quarter is an inventory write-down of $12.9 million in relation with a strong decrease in the block market[1] per pound of cheese at the end of this quarter and depressed international selling prices. Also included are plant-related closure costs for our Hinesburg, Vermont manufacturing facility of $7.4 million, of which $6 million are non-cash costs. Results for the same quarter last fiscal year included a one-time tax reduction to adjust future tax balances of approximately $6.5 million due to a reduction in Canadian federal tax rates. Excluding these adjustments, net earnings would have been $78.1 million, an increase of $2.6 million or 3.4% in comparison to the $75.5 million for the same quarter last fiscal year.

Earnings before interest, income taxes, depreciation, amortization and impairment (EBITDA[2]) amounted to $125.7 million, a decrease of $11.3 million or 8.2% in comparison to $137.0 million for the same quarter last fiscal year. The EBITDA of our Canada, Europe and Argentina (CEA) Dairy Products Sector decreased by approximately $8.9 million. This decrease was due to less favourable by-product market conditions in our Canadian operations, lower profitability in international sales resulting from the general decrease of sales prices on the international market and a write-down of inventory in our Argentinean and European operations. These offset the inclusion of one-month's results from the acquired activities of Neilson Dairy, the dairy division of Weston Foods (Canada) Inc. completed on December 1, 2008 (Neilson Dairy Acquisition). The EBITDA of our USA Dairy Products Sector decreased by approximately $1.4 million in comparison to the same quarter last fiscal year. This is mainly attributed to a less favourable by-product market, the Hinesburg, Vermont plant-related closure costs in addition to a write-down of inventory. These offset the initiatives undertaken in the prior and current fiscal years with regards to improved operational efficiencies and increased selling prices, in addition to the contribution of Alto Dairy Cooperative's activities in the United States (US), acquired on April 1, 2008 (Alto Acquisition). The EBITDA of our Grocery Products Sector decreased by approximately $1 million in comparison to the same quarter last fiscal year.

Revenues for the quarter ended December 31, 2008, amounted to $1.517 billion, an increase of $240.0 million or 18.8% in comparison to the $1.277 billion for the corresponding quarter last fiscal year. The increase is due mainly to our USA Dairy Products Sector, whose revenues increased by approximately $141.4 million. The inclusion of the Alto Acquisition, combined with the weakening of the Canadian dollar mainly explain the revenue increase as compared to the same period last fiscal year. Revenues from our CEA Dairy Products Sector increased by approximately $99 million. Higher selling prices in Canada and in Argentina's domestic market in accordance with the increase in the cost of milk as raw material, increased sales volume from our Dairy Products Division (Argentina) and the inclusion of the Neilson Dairy Acquisition's one-month's results are the main factors explaining the revenue increase. Revenues from our Grocery Products Sector decreased by approximately $0.3 million in comparison to the same quarter 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 the cheese.

[2] **Measurement of results not in accordance with generally accepted accounting principles**

The Company assesses its financial performance based on its EBITDA, this being earnings before interest, income taxes, depreciation, amortization and impairment. EBITDA is not a measurement of performance as defined by generally accepted accounting principles in Canada, and consequently may not be comparable to similar measurements presented by other companies.

Outlook[3]

On December 1, 2008, we completed the Neilson Dairy Acquisition, which included two manufacturing facilities in Ontario, Canada. This business employs approximately 390 employees and produces, sells and distributes products such as fluid milk and dairy beverages, cream products and non-dairy creamers, juices and drinks under the *Neilson* brand and other brands. This acquisition allowed our Canadian Dairy Products Division to expand its presence in the Ontario fluid milk and cream markets. In the next quarters, we will focus on integrating these operations. We will also continue the analysis of our cost structure in an effort to identify synergies that could be derived from the newly acquired operations. On December 14, 2008, the amended regulations establishing new standards of composition for cheese manufactured in and imported to Canada became effective. While we are in compliance with these new Canadian requirements, we continue to believe that we have legal grounds to challenge the new requirements and the legal challenge filed in the Federal Court of Canada on October 20, 2008, with two other dairy processors in Canada follows its course. We continue our efforts to mitigate the impact that the new standards will have on our results, while trying our outmost to minimize the effect on our customers.

In our Dairy Products Division (Europe), we faced lower selling prices due to softening in demand and increased supply while milk prices as raw material did not adjust accordingly. In an effort to offset these negative market conditions, we will continue to improve overall efficiencies and undertake costs cutting measures.

In our Dairy Products Division (Argentina), we are facing depressed selling prices on the export market with relatively high milk prices as raw material. We will continue to focus on efficiencies and cost reductions in an effort to improve our results.

During the third quarter, our Dairy Products Division (USA) completed the closure of our Hinesburg, Vermont manufacturing facility. Production was transferred successfully to other facilities within the US. Annual benefits from this closure, of approximately US$2.2 million, are expected to commence at the beginning of fiscal 2010. With respect to the Alto Acquisition, capital projects relating to our newly acquired facilities are well under way. These capital projects should increase operational efficiencies and improve our flexibility within the US dairy industry. In an effort to grow market share in several highly competitive retail categories, the Division concentrated its marketing efforts on supporting our main brands with distinctive promotions. The Division also launched new product lines under the *Black Creek* and *Alto* brand names in an effort to increase our presence in the US dairy market. Towards the latter stages of the third quarter, the block market per pound of cheese decreased significantly. This trend continued in January 2009, decreasing to a low of US$1.04. Minimum selling price and cost reduction measures, amongst others, are being established in connection with this decrease.

In the Bakery Division, we are keeping the focus on our brand leaders, a strategy that allows us to benefit from production efficiencies and sales performance. Since the beginning of the fiscal year, marketing funds have been oriented towards stimulating direct activities at the store level. We are implementing different initiatives in order to mitigate ingredient and packaging cost increases, while finding ways to optimize our recipes. Savings from these initiatives are expected to be minimal this year. Also, we are currently evaluating more co-packing opportunities for the US market.

Over the last few months, the economy has deteriorated worldwide and is currently in a recession. We believe that we have a strong balance sheet to face current economic conditions. Also, we are in an industry that provides food products which are essential to the daily dietary needs of consumers. We are present in all three market segments: retail, foodservice and industrial, which mitigate any downward pressure on overall revenues.

Dividends

The Board of Directors declared a quarterly dividend of $0.14 per share payable on March 20, 2009 to common shareholders of record on March 9, 2009.

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[3] We refer you to the cautionary statement regarding forward-looking information set forth below under "Management Analysis".

Management's Analysis

The goal of the management report is to analyse the results of and the financial position for the quarter ended December 31, 2008. It should be read while referring to our consolidated financial statements and accompanying notes for the three- and nine-month periods ended December 31, 2008 and 2007. The Company's accounting policies are in accordance with Canadian generally accepted accounting principles of the Canadian Institute of Chartered Accountants (CICA). All dollar amounts are in Canadian dollars unless otherwise indicated. This report takes into account material elements between December 31, 2008, and February 4, 2009, the date of this report, on which it was approved by the Board of Directors of Saputo Inc. (Company or Saputo). Additional information about the Company, including the annual report and the annual information form for the year ended March 31, 2008 can be obtained on Sedar at www.sedar.com.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This report, including the "Outlook" section, contains forward-looking statements within the meaning of securities laws. These statements are based, among others, on our current assumptions, expectations, estimates, objectives, plans and intentions regarding projected revenues and expenses, the economic and industry environments in which we operate or which could affect our activities, our ability to attract and retain clients and consumers as well as our operating costs, raw materials and energy supplies which are subject to a number of risks and uncertainties. Forward-looking statements can generally be identified by the use of the conditional tense, the words "may", "should", "would", "believe", "plan", "expect", "intend", "anticipate", "estimate", "foresee", "objective" or "continue" or the negative of these terms or variations of them or words and expressions of similar nature. Actual results could differ materially from the conclusion, forecast or projection stated in such forward-looking information. As a result, we 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 our actual results to differ materially from our current expectations are discussed throughout this MD&A and in our most recently filed Annual Report which is available on SEDAR at www.sedar.com. Forward-looking information contained in this report, including the "Outlook" section, is based on management's current estimates, expectations and assumptions, which management believes are reasonable as of the current date. You should not place undue importance on forward-looking information and should not rely upon this information as of any other date. Except as required by law, we do not undertake to update these forward-looking statements, whether written or oral, that may be made from time to time by us or on our behalf.

Operating Results

Consolidated revenues for the quarter ended December 31, 2008 amounted to $1.517 billion, an increase of $240.0 million or 18.8% in comparison to the $1.277 billion for the corresponding quarter last fiscal year. Revenues from our USA Dairy Products Sector increased by approximately $141 million due mainly to the Alto Acquisition, completed at the beginning of fiscal 2009 combined with the weakening of the Canadian dollar. This increase was partially offset by a lower average block market per pound of cheese of US$1.79 compared to US$1.99 for the same quarter last fiscal year, and a less favourable by-product market. Revenues from our CEA Dairy Products Sector increased by approximately $99 million in comparison to the same quarter last fiscal year. Higher selling prices in Canada and Argentina's domestic market in accordance with the increase in the cost of milk as raw material, increased sales volume from our Dairy Products Division (Argentina), and the Neilson Dairy Acquisition are the main factors explaining the revenue increase. These positive factors were slightly offset by less favourable by-product market conditions. Revenues from our Grocery Products Sector decreased by approximately $0.3 million in comparison to the same quarter last fiscal year.

For the nine-month period ended December 31, 2008, revenues totalled $4.333 billion, an increase of $540.0 million or 14.2% in comparison to the $3.793 billion for the corresponding period last fiscal year. Revenues from our USA Dairy Products Sector increased by approximately $341.4 million due to the Alto Acquisition and increased selling prices. These factors were partially offset by a less favourable by-product market as compared to the same period last fiscal year. Revenues from our CEA Dairy Products Sector increased by approximately $199.1 million in comparison to the same period last fiscal year. Higher selling prices in Canada and in Argentina's domestic market in accordance with the increase in the cost of milk as raw material, increased sales volume from our Dairy Products Division (Argentina) and the inclusion of the Neilson Dairy Acquisition's one-month's results are the main factors explaining the revenue increase. These positive factors were slightly offset by less favourable by-product market conditions. Revenues from our Grocery Products Sector remained approximately unchanged in comparison to the same period last fiscal year. During the nine-month period ended December 31, 2008, the weakening of the Canadian dollar contributed approximately $61 million to the Company's revenues in comparison to the same period last fiscal year.

Consolidated earnings before interest, income taxes, depreciation, amortization and impairment (EBITDA), for the third quarter of fiscal 2009 amounted to $125.7 million, a decrease of $11.3 million or 8.2% in comparison to $137.0 million for the same quarter last fiscal year. The EBITDA of our CEA Dairy Products Sector decreased by $8.9 million in comparison to the same quarter last fiscal year. This decrease was due to less favourable by-product market conditions in our Canadian operations, lower profitability in international sales resulting from the general decrease of sales prices on the international market and a $7.4 million write-down of inventory in our Argentinean and European operations. These negative factors were partially offset by the EBITDA generated from the Neilson Dairy Acquisition and better operating efficiencies. The EBITDA of our USA Dairy Products Sector decreased by $1.4 million compared to the same quarter last fiscal year. An $11.1 million inventory write-down during the quarter in addition to a less favourable by-product market, and costs associated with the closure of our Hinesburg, Vermont manufacturing facility contributed to this decrease, partially offset by the contribution of the Alto Acquisition. The EBITDA of our Grocery Products Sector decreased by approximately $1 million in comparison to the same quarter last fiscal year.

For the nine-month period ended December 31, 2008, EBITDA totalled $406.0 million, an increase of $17.4 million or 4.5% in comparison to the same period last fiscal year. Increased EBITDA from our CEA Dairy Products Sector of $11.3 million and from our USA Dairy Products Sector of $7.6 million offset a reduction of $1.6 million from our Grocery Products Sector. Since the beginning of the fiscal year, the weakening of the Canadian dollar contributed approximately $4 million to the Company's EBITDA in comparison to the same period last fiscal year.

Other Consolidated Results Items

Depreciation and impairment expense for the third quarter of fiscal 2009 totalled $34.1 million, an increase of $14.4 million compared to the same quarter last fiscal year. The increase is due mainly to the impairment amount of $8.6 million for the closure of the Hinesburg, Vermont manufacturing facility and the Alto Acquisition. Capital investments undertaken by all divisions in the prior fiscal year also contributed to increase depreciation expense in the current quarter.

Net interest expense increased by $2.8 million to $8.8 million for the quarter ended December 31, 2008 and increased by $2.5 million to $22.2 million for the nine-month period ended December 31, 2008, in comparison to the corresponding quarter of last fiscal year, mainly related to the Neilson Dairy Acquisition.

Income taxes for the third quarter of fiscal 2009 totalled $25.0 million, reflecting an effective tax rate of 30.2% compared to 26.3% for the same quarter last fiscal year. During the third quarter of fiscal 2008, the Company recorded a one-time tax reduction to adjust future tax balances of approximately $6.5 million due to a reduction in Canadian federal tax rates. Excluding this adjustment, effective tax rate would have been 32.2%. Income taxes for the nine-month period ended December 31, 2008 totalled $94.5 million, reflecting an effective tax rate of 31.1%, the same as for the corresponding period last fiscal year. Our income tax rates vary and could increase or decrease based on the amount of taxable income derived and from which source, any amendments to tax laws and income tax rates and changes in assumptions and estimates used for tax assets and liabilities by the Company and its affiliates.

Net earnings reached $57.8 million for the quarter ended December 31, 2008 compared to $82.0 million for the same quarter last fiscal year. For the nine-month period ended December 31, 2008, net earnings totalled $209.8 million compared to $213.0 million for the corresponding period last fiscal year. These reflect the various factors analyzed above.

Cash and Financial Resources

For the three-month period ended December 31, 2008, **cash generated by operating activities before changes in non-cash working capital** items amounted to $94.9 million, an increase of $0.8 million in comparison to the $94.1 million for the corresponding quarter last fiscal year. Since the beginning of the fiscal year, this figure amounted to $299.7 million, an increase of $21.0 million in comparison to the $278.7 million for the same period last fiscal year. Non-cash working capital items used $20.0 million for the third quarter of fiscal 2009, compared to a generation of $15.5 million for the corresponding quarter of fiscal 2008. For the nine-month period ended December 31, 2008, non-cash working capital items used $41.5 million, compared to $74.4 million for the same period last fiscal year. For this quarter and the nine-month periods ended December 31, 2008 and 2007, the usage of cash can be explained mainly by an increase in income taxes payments for amounts related to taxes payable, in addition to the increase in inventory.

Investing activities comprised of additions to fixed assets of $31.2 million and $83.3 million for the three- and nine-month periods ended December 31, 2008 respectively. For the three-month period ended December 31, 2008, the Company used $467.5 million for the Neilson Dairy Acquisition and $161.1 million for the Alto Acquisition in the first quarter of the current fiscal year.

Financing activities for the third quarter of fiscal 2009 consisted of an increase in bank loans of $444.3 million, the issuance of shares for a cash consideration of $1.3 million, and the payment of $29.0 million in dividends. The increase in bank loans is explained mainly by the Neilson Dairy Acquisition.

As at December 31, 2008, the Company had working capital of $139.2 million, a decrease from the $416.3 million as at March 31, 2008. This is mainly related to the Neilson Dairy and Alto Acquisitions completed in this fiscal year, which were paid from available cash and the usage of bank loans, and also the US$170 million US senior notes, due in November 2009, that are now presented as current liability.

As at December 31, 2008, our interest bearing debt-to-equity ratio stood at 0.45, in comparison to 0.17 as at March 31, 2008, mainly resulting from the indebtedness related to the Neilson Dairy and Alto Acquisitions.

As at December 31, 2008, the Company had available bank credit facilities of approximately $896 million, $582.2 million of which are drawn. The long-term portion of bank loans is $340.0 million. Should the need arise, the Company could make additional financing arrangements to pursue growth through acquisitions.

Balance Sheet

With regards to balance sheet items as at December 31, 2008, compared to those as at March 31, 2008, we should note that the variation in most items is mainly due to the Neilson Dairy and Alto Acquisitions. The weakening of the Canadian dollar since March 31, 2008 resulted in the conversion of the balance sheets of foreign subsidiaries at higher rates, thus increasing the Canadian dollar values of balance sheet items. From an operational perspective, the lower average block market per pound of cheese has caused a decrease in our Dairy Products Division (USA) working capital items as at December 31, 2008 in comparison to March 31, 2008. The Company's total assets stood at $3.553 billion as at December 31, 2008 compared to $2.733 billion as at March 31, 2008.

Share Capital Information

Share capital authorized by the Company is comprised of an unlimited number of common and preferred shares. The common shares are voting and participating. The preferred shares can be issued in one or more series, and the terms and privileges of each series must be determined at the time of their creation.

	Authorized	Issued as at December 31, 2008	Issued as at January 31, 2009
Common shares	Unlimited	206,895,325	206,941,131
Preferred shares	Unlimited	None	None
Stock options		9,364,675	9,315,086

In the first three quarters of fiscal 2009, no common shares were purchased under the normal course issuer bid which expired on November 12, 2008 and the normal course issuer bid effective as of November 13, 2008.

Follow-up on Certain Specific Items of the Analysis

For an analysis of off-balance sheet arrangements, guarantees, contractual obligations, related party transactions, accounting standards, critical accounting policies and use of accounting estimates as well as risks and uncertainties, we encourage you to consult the comments provided in the 2008 annual report on pages 28 to 32 of the management's analysis, since there were no notable changes during the first three quarters of fiscal 2009. Following the announcement of the CICA relating to International Financial Reporting Standards, the Company is currently preparing a transition plan.

Internal Controls over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer, together with management, have concluded after having conducted an evaluation and to the best of their knowledge that, as of December 31, 2008, 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

CEA Dairy Products Sector

For the quarter ended December 31, 2008, revenues for the CEA Dairy Products Sector amounted to $854.1 million, an increase of 13.1%, or $99.3 million, compared to $754.8 million for the same period last fiscal year. Approximately half of the increase comes from the recent Neilson Dairy Acquisition, completed on December 1, 2008, which contributed to revenues for 4 weeks in the quarter. The revenues from the Neilson Dairy Acquisition are in line with the annual revenues generated at the time of the acquisition. Higher selling prices in Canada and in Argentina's domestic market in accordance with the increase in the cost of milk as raw material and increased sales volume from our Argentinean activities contributed also to the revenue increase. This increase offset a less favourable by-product market and lower revenues from our Canadian division related to a slight decrease in sales volumes. Revenues from our Dairy Products Division (Europe) decreased compared to the same quarter last fiscal year due to lower sales volumes. During the quarter, the weakening of the Canadian dollar increased revenues by approximately $7.6 million mainly from our Argentinean operations.

Since the beginning of the fiscal year, revenues from the CEA Dairy Products Sector amounted to $2,419 billion, an increase of $199.0 million in comparison to $2,220 billion for the same period last fiscal year. The increase is attributable to higher selling prices in our Canadian and Argentinean operations, in accordance with the increase in the cost of milk as raw material, increased sales volumes from our Argentinean operations, and the inclusion of revenues from the recent Neilson Dairy

Acquisition. Less favourable by-product market conditions since the beginning of the fiscal year reduced revenues as compared to the same period last fiscal year. For the nine-month period ended December 31, 2008, the weakening of the Canadian dollar has increased revenues by approximately $5 million mainly from our Argentinean operations.

For the quarter ended December 31, 2008, EBITDA for the CEA Dairy Products Sector totalled $86.7 million, a decline of $8.9 million or 9.3% compared to the $95.6 million for the corresponding quarter last fiscal year. An inventory write-down of $7.4 million was recorded in the quarter in relation to our Argentinean and European operations.

Our Dairy Products Division (Canada) performed well in the quarter despite continued unfavourable by-product market conditions that negatively impacted EBITDA by approximately $6 million compared to the same period last fiscal year. Offsetting part of this decrease was the EBITDA generated from the Neilson Dairy Acquisition.

For the third quarter ended December 31, 2008, our Dairy Products Division (Europe) had lower EBITDA compared to the same quarter last fiscal year. This decrease is mainly due to higher milk prices as raw material and difficulty in recovering them through our selling prices. In addition, the Company recorded an inventory write-down in the quarter resulting from lower selling prices in the market.

The EBITDA of our Dairy Products Division (Argentina) performed well despite showing lower EBITDA compared to the same quarter last fiscal year. This decrease was mainly due to lower selling prices on the export markets despite high milk prices as raw material. In addition, there was a write-down of inventory resulting from lower selling prices on the export market.

Since the beginning of the fiscal year, EBITDA for the CEA Dairy Products Sector totalled $280.6 million, an increase of $11.4 million or 4.2% in comparison to the $269.2 million for the same period last fiscal year. This increase was mainly due to increased volumes in our Argentinean domestic and export markets and the continued benefits derived from rationalization activities completed in prior years in our Canadian operations. These positive factors were partially offset by less favourable by-product market conditions and the negative impact on EBITDA from our European operations.

USA Dairy Products Sector

Revenues for the USA Dairy Products Sector totalled $621.6 million for the quarter ended December 31, 2008, an increase of $141.4 million from the $480.2 million for the corresponding quarter last fiscal year. The increase is due to the Alto Acquisition completed on April 1, 2008, as well as increased selling prices. This increase offset reduced revenues due to lower sales volumes along with the downward trend of the by-product market during the quarter compared to the same quarter last fiscal year. An average block market per pound of cheese of US$1.79 for the current quarter, US$0.20 lower than the average block market per pound of cheese for the same quarter last fiscal year, decreased revenues by approximately $30 million. The weakening of the Canadian dollar increased revenues by approximately $98 million.

Since the beginning of the fiscal year, revenues totalled $1.788 billion, an increase of $342 million in comparison to the $1.446 billion for the same period last fiscal year. Additional revenues from the Alto Acquisition and increased selling prices offset reduced revenues due to a less favourable by-product market as well as lower sales volume in comparison to the same period last fiscal year. These factors combined increased revenues by approximately $275 million. The higher average block market per pound of cheese increased revenues by approximately $11 million and the weakening of the Canadian dollar increased revenues by approximately $56 million.

For the quarter ended December 31, 2008, the EBITDA totalled $35.7 million, a decrease of $1.4 million in comparison to the $37.1 million for the same quarter last fiscal year. The decrease is mainly due to market factors. The average block market per pound of cheese for the third quarter was US$1.79 in comparison to US$1.99 for the corresponding quarter last fiscal year. This decrease negatively affected the absorption of our fixed costs. The realization of our inventories was less favourable in the current quarter compared to the same quarter last fiscal year. This was due to a decrease in the average block market per pound of cheese between the second and third quarter of the current fiscal year compared to a slight increase for the corresponding period last fiscal year. However, the relationship between the average block market per pound of cheese and the cost of milk as raw material was more favourable in the third quarter of the current fiscal year. Also, the by-product market continued to decline with the average whey market for the quarter dropping to approximately US$0.16 compared to US$0.43 for the same period last fiscal year. Finally, an inventory write-down of $11.1 million was recorded in the quarter reflecting a strong decrease in the block market per pound of cheese at the end of this quarter. These market factors combined had a negative impact of approximately $18 million on EBITDA. In the quarter, EBITDA was negatively impacted by approximately $2 million as a result of the closure of our Hinesburg, Vermont manufacturing facility announced on October 22, 2008. Higher EBITDA due to the Alto Acquisition, initiatives undertaken in the prior and current fiscal years with regards to improved operational efficiencies and increased selling prices, as well as the benefits derived from changes to the United States Department of Agriculture (USDA) Class III product-price formula effective at the beginning of this quarter offset increased operational costs incurred during the third quarter of fiscal 2009. These factors combined positively affected EBITDA by approximately $12 million in comparison to the same quarter last fiscal year. The weakening of the Canadian dollar increased EBITDA by approximately $7 million.

Since the beginning of the fiscal year, EBITDA totalled $112.9 million, an increase of $7.6 million in comparison to the $105.3 million for the corresponding period last fiscal year. Additional EBITDA from the Alto Acquisition, initiatives undertaken in the prior and current fiscal years with regards to improved operational efficiencies and increased selling prices as well as the benefits derived from changes to the USDA Class III product-price formula offset increased operational costs. These factors combined increased EBITDA by approximately $12 million in comparison to the same period last fiscal year. EBITDA decreased due to plant-related closure costs of approximately $2 million for our Hinesburg, Vermont manufacturing facility. Negative market factors decreased EBITDA by approximately $7 million for the nine-month period ended December 31, 2008 in comparison to the same period last fiscal year. The weakening of the Canadian dollar increased EBITDA by approximately $4 million.

Grocery Products Sector

Revenues for the Grocery Products Sector totalled $41.7 million for the quarter, a $0.3 million decrease compared to the same quarter last fiscal year. Revenues continued to be negatively impacted due to the introduction of private label products by retailers and highly competitive selling prices. The decrease in revenues was partially offset by a price increase that took effect in November 2007 and a slight increase from our US co-packing activities compared to the same quarter last fiscal year.

Since the beginning of fiscal 2009, revenues for the Grocery Products Sector totalled $126.1 million, relatively at the same level as compared to the corresponding period last fiscal year.

EBITDA for the Grocery Products Sector amounted to $3.2 million, a $1.0 million decrease or 23.8% compared to the same quarter last fiscal year. EBITDA margin decreased from 10.0% in the third quarter of fiscal 2008 to 7.7% this quarter. In the quarter, the Division incurred additional costs in an effort to support its brands, along with a decrease in sales volume and increased operating costs related to higher ingredient, packaging, labour and energy costs totalling approximately $1.6 million compared to the same quarter last fiscal year. These factors offset the benefits from the price increase.

Since the beginning of fiscal 2009, the EBITDA amounted to $12.4 million, a $1.7 million decrease as compared to the same period last fiscal year. EBITDA margin went from 11.1% last fiscal year to 9.8% this fiscal year. Also, the Division incurred higher ingredient, packaging, labour and energy costs along with additional costs for brand support totalling approximately $5.9 million.

(signed)
Lino Saputo
Chairman of the Board

(signed)
Lino A. Saputo, Jr.
President and
Chief Executive Officer

February 4, 2009

NOTICE

The consolidated financial statements of Saputo Inc. for the three-month and the nine-month periods ended December 31, 2008 and 2007 have not been reviewed by an external auditor.

CONSOLIDATED STATEMENTS OF EARNINGS

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

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2008	2007	**2008**	2007
Revenues	**$ 1,517,457**	$ 1,277,037	**$ 4,332,911**	$ 3,792,754
Cost of sales, selling and administrative expenses	**1,391,802**	1,140,081	**3,926,993**	3,404,211
Earnings before interest, depreciation, impairment and income taxes	**125,655**	136,956	**405,918**	388,543
Depreciation and impairment of fixed assets (Note 5)	**34,090**	19,669	**79,447**	59,607
Operating income	**91,565**	117,287	**326,471**	328,936
Interest on long-term debt	**5,573**	4,494	**15,004**	14,218
Other interest, net	**3,212**	1,468	**7,226**	5,499
Earnings before income taxes	**82,780**	111,325	**304,241**	309,219
Income taxes	**25,021**	29,307	**94,491**	96,230
Net earnings	**$ 57,759**	$ 82,018	**$ 209,750**	$ 212,989
Earnings per share (Note 9)				
Net earnings				
Basic	**$ 0.28**	$ 0.40	**$ 1.02**	$ 1.03
Diluted	**$ 0.28**	$ 0.39	**$ 1.01**	$ 1.02

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands of dollars)
(unaudited)

	For the nine-month periods ended December 31	
	2008	2007
Net earnings	$ 209,750	$ 212,989
Net change in unrealized losses on translation of financial statements of self-sustaining operations	138,478	(86,885)
Comprehensive income	$ 348,228	$ 126,104

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
(in thousands of dollars)
(unaudited)

	For the nine-month periods ended December 31	
	2008	2007
Retained earnings, beginning of period	$ 1,206,568	$ 1,085,081
Net earnings	209,750	212,989
Dividends	(82,677)	(69,745)
Excess of purchase price of share capital over carrying value	–	(72,258)
Retained earnings, end of period	$ 1,333,641	$ 1,156,067

SEGMENTED INFORMATION
(in thousands of dollars)
(unaudited)

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2008	2007	2008	2007
Revenues				
Dairy Products				
CEA[1]	$ 854,132	$ 754,812	$ 2,419,202	$ 2,220,069
USA	621,623	480,205	1,787,645	1,446,206
	1,475,755	1,235,017	4,206,847	3,666,275
Grocery Products	41,702	42,020	126,064	126,479
	$ 1,517,457	$ 1,277,037	$ 4,332,911	$ 3,792,754
Earnings before interest, depreciation, impairment and income taxes				
Dairy Products				
CEA	$ 86,684	$ 95,576	$ 280,578	$ 269,198
USA	35,746	37,162	112,901	105,250
	122,430	132,738	393,479	374,448
Grocery Products	3,225	4,218	12,439	14,095
	$ 125,655	$ 136,956	$ 405,918	$ 388,543
Depreciation and impairment of fixed assets				
Dairy Products				
CEA	$ 10,050	$ 9,108	$ 28,895	$ 27,405
USA	22,173	8,262	44,951	26,318
	32,223	17,370	73,846	53,723
Grocery Products	1,867	2,299	5,601	5,884
	$ 34,090	$ 19,669	$ 79,447	$ 59,607
Operating income				
Dairy Products				
CEA	$ 76,634	$ 86,468	$ 251,683	$ 241,793
USA	13,573	28,900	67,950	78,932
	90,207	115,368	319,633	320,725
Grocery Products	1,358	1,919	6,838	8,211
	$ 91,565	$ 117,287	$ 326,471	$ 328,936
Interest	8,785	5,962	22,230	19,717
Earnings before income taxes	82,780	111,325	304,241	309,219
Income taxes	25,021	29,307	94,491	96,230
Net earnings	$ 57,759	$ 82,018	$ 209,750	$ 212,989

1 Canada, Europe and Argentina

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of dollars)

(unaudited)

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2008	2007	**2008**	2007
Cash flows related to the following activities:				
Operating				
Net earnings	**$ 57,759**	$ 82,018	**$ 209,750**	$ 212,989
Items not affecting cash				
Stock based compensation	**1,947**	2,089	**5,759**	6,246
Depreciation and impairment of fixed assets	**34,090**	19,669	**79,447**	59,607
Loss (gain) on disposal of fixed assets	**42**	99	**(3,438)**	(326)
Future income taxes	**1,397**	(9,843)	**8,701**	(276)
Deferred share units	**172**	237	**986**	942
Funding of employee plans in excess of costs	**(483)**	(177)	**(1,473)**	(521)
	94,924	94,092	**299,732**	278,661
Changes in non-cash operating working capital items	**(20,025)**	15,503	**(41,534)**	(74,384)
	74,899	109,595	**258,198**	204,277
Investing				
Business acquisitions (Note 12)	**(467,578)**	–	**(628,574)**	(253,188)
Portfolio Investment	**–**	1,648	**–**	1,648
Additions to fixed assets	**(31,222)**	(27,667)	**(83,289)**	(69,252)
Proceeds on disposals of fixed assets	**895**	394	**7,964**	2,376
Other assets	**(5,222)**	(4,976)	**(7,822)**	(2,793)
	(503,127)	(30,601)	**(711,721)**	(321,209)
Financing				
Bank loans	**444,282**	(73,919)	**355,678**	(37,329)
Issuance of share capital	**1,276**	2,202	**12,844**	23,801
Repurchase of share capital	**–**	–	**–**	(81,472)
Dividends	**(28,959)**	(24,661)	**(82,677)**	(69,745)
	416,599	(96,378)	**285,845**	(164,745)
Decrease in cash and cash equivalents	**(11,629)**	(17,384)	**(167,678)**	(281,677)
Effect of exchange rate changes on cash and cash equivalents	**(5,110)**	2,487	**157**	7,417
Cash and cash equivalents, beginning of period	**14,928**	17,531	**165,710**	276,894
(Bank indebtedness) cash and cash equivalents, end of period	**$ (1,811)**	$ 2,634	**$ (1,811)**	$ 2,634
Supplemental information				
Interest paid	**$ 14,312**	$ 10,560	**$ 26,609**	$ 24,050
Income taxes paid	**$ 19,702**	$ 10,962	**$ 99,083**	$ 71,923

CONSOLIDATED BALANCE SHEETS

(in thousands of dollars)

	December 31, 2008	March 31, 2008
	(unaudited)	*(audited)*
ASSETS		
Current assets		
Cash and cash equivalents	$ –	$ 165,710
Receivables	555,157	408,973
Inventories (Note 4)	592,331	533,686
Income taxes	3,843	10,252
Future income taxes	24,505	17,150
Prepaid expenses and other assets	37,920	43,729
	1,213,756	1,179,500
Portfolio investment	41,343	41,343
Fixed assets (Note 5)	1,123,276	871,739
Goodwill	746,347	522,546
Trademarks and other intangibles	328,200	38,043
Other assets (Note 6)	84,243	75,257
Future income taxes	16,221	5,048
	$ 3,553,386	$ 2,733,476
LIABILITIES		
Current liabilities		
Bank indebtedness	$ 1,811	$ –
Bank loans (Note 7)	242,184	222,584
Accounts payable and accrued liabilities	509,157	409,323
Income taxes	92,080	111,511
Future income taxes	22,296	19,790
Current portion of long-term debt	207,060	-
	1,074,588	763,208
Long-term debt (Note 7)	400,900	225,830
Other liabilities	26,207	13,972
Future income taxes	147,853	111,306
	1,649,548	1,114,316
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	551,289	536,921
Contributed surplus (Note 11)	26,844	22,085
Retained earnings	1,333,641	1,206,568
Accumulated other comprehensive loss (Note 3)	(7,936)	(146,414)
	1,903,838	1,619,160
	$ 3,553,386	$ 2,733,476

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(tabular amounts are in thousands of dollars except information on options and shares)
(unaudited)

1 — Accounting Policies

The unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and applied in the same manner as the most recently audited financial statements. During the nine-month period, the Company adopted Section 3031 of the CICA Handbook, Inventories. The adoption of this section has no impact on the consolidated financial statements. The unaudited consolidated financial statements do not include all the information and notes required according to generally accepted accounting principles for annual financial statements, and should therefore be read in conjunction with the audited consolidated financial statements and the notes included in the Company's annual report for the year ended March 31, 2008.

2 — Foreign Currency Translation

The balance sheet accounts of the self-sustaining companies operating outside Canada are translated into Canadian dollars using the exchange rates at the balance sheet dates. Statement of earnings accounts are translated into Canadian dollars using the average monthly exchange rates in effect during the periods. The unrealized losses on translation of the financial statements of self-sustaining operations account presented in accumulated other comprehensive loss represents accumulated foreign currency losses on the Company's net investments in companies operating outside Canada. The change in the unrealized losses on translation of the financial statements of self-sustaining operations account for the period resulted mainly from the change in value of the Canadian dollar as compared to the currencies of our foreign subsidiaries.

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

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2008	2007	**2008**	2007
Foreign exchange gain	$ **614**	$ 232	$ **1,074**	$ 847

3 — Accumulated Other Comprehensive Loss

	December 31, 2008	Year ended March 31, 2008
Accumulated other comprehensive loss, beginning of period	$ (146,414)	$ (82,664)
Other comprehensive gain (loss)	138,478	(63,750)
Accumulated other comprehensive loss, end of period	$ (7,936)	$ (146,414)

Accumulated other comprehensive loss represents unrealized losses on translation of financial statements of self-sustaining operations.

4 — Inventories

The following table presents the components of the inventories:

	December 31, 2008	March 31, 2008
Finished goods	$ 361,893	$ 322,550
Raw materials, work in process and supplies	230,438	211,136
	$ 592,331	$ 533,686

The amount of inventories recognized as an expense for the three- and nine-month periods ended December 31, 2008, is $1,251,182,000 and $3,541,368,000 respectively.

The Company recorded a write-down of inventory of $18,489,000 which was recognized as an expense in the current quarter. The carrying amount of inventory at net realizable value is $76,974,000.

5 — Fixed Assets

	December 31, 2008			March 31, 2008		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Land	$ 41,790	$ –	$ 41,790	$ 34,117	$ –	$ 34,117
Buildings	397,293	86,062	311,231	337,789	74,679	263,110
Furniture, machinery and equipment	1,284,791	524,245	760,546	997,317	431,054	566,263
Rolling stock	13,636	7,756	5,880	12,478	7,662	4,816
Held for sale	3,829	–	3,829	3,433	–	3,433
	$ 1,741,339	$ 618,063	$ 1,123,276	$ 1,385,134	$ 513,395	$ 871,739

Fixed assets held for sale represent land and buildings in the United States that will be disposed of as a result of certain plant closures. During the nine-month period, a gain of $3,530,000 was recognized on the sale of fixed assets held for sale and a write-down to fixed assets of $8,649,000 was taken as a result of a plant closure in our US Division.

The net book value of fixed assets under construction, that are not being amortized, amounts to $76,601,000 as at December 31, 2008 ($46,593,000 as at March 31, 2008), and consists mainly of machinery and equipment.

6 — Other Assets

	December 31, 2008	March 31, 2008
Net accrued pension plan assets	$ 58,349	$ 56,239
Taxes receivable	17,778	10,822
Other	8,116	8,196
	$ 84,243	$ 75,257

7 — Bank Loans

The Company has available short-term bank credit facilities providing for bank loans up to a maximum of approximately $896,000,000 of which $582,200,000 are drawn. The long-term portion of bank loans is $340,000,000 and is included with long-term debt (nil as at March 31, 2008). These credit facilities consist of North American bank loans providing up to a maximum of $648,000,000 of which $374,500,000 are drawn, expiring in December 2012, are available mainly in US dollars or the equivalent in other currencies and bear interest at rates based on lenders' prime rates plus a maximum of 0.25% or LIBOR or bankers' acceptance rate plus 0.50% up to a maximum of 1.125%. The Argentina, Germany and United Kingdom businesses bank loans provide up to a maximum of $98,000,000 of which $57,700,000 are drawn and bear interest at local market rates. In addition, during the quarter ended December 31, 2008, the Company committed to an additional bank credit facility of $300,000,000 for the Neilson Dairy Acquisition for a six-month period which expires in May 2009. The outstanding balance available and used for this additional bank credit facility as at December 31, 2008 is $150,000,000 and bears interest at rates based on lenders prime rates or bankers acceptance plus 0.50% up to a maximum of 2.00%.

8 — Employee Pension and Other Benefit Plans

The Company provides benefit and defined contribution pension plans as well as other benefit plans such as health insurance, life insurance and dental plans to eligible employees and retired employees. Pension and other benefit plan obligations are affected by factors such as interest rates, adjustments arising from plan amendments, changes in assumptions and experience gains or losses. The costs are based on a measurement of the pension and other benefit plan obligations and the pension fund assets.

Total benefit costs for the three-and nine-month periods ended December 31 are as follows:

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2008	2007	**2008**	2007
Pension plans	**$ 5,456**	$ 5,123	**$ 15,845**	$ 15,340
Other benefits plans	**324**	304	**948**	904
	$ 5,780	$ 5,427	**$ 16,793**	$ 16,244

9 — Earnings per Share

Earnings per share for the three-and nine-month periods ended December 31, 2007 were retroactively restated to reflect the 100% stock dividend (see note 10).

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2008	2007	**2008**	2007
Net earnings	**$ 57,759**	$ 82,018	**$ 209,750**	$ 212,989
Weighted average number of common shares				
Outstanding	206,856,281	205,475,981	**206,611,800**	205,804,142
Dilutive options	**2,172,312**	2,126,922	**2,172,312**	2,126,922
Dilutive number of common shares outstanding	**209,028,593**	207,602,903	**208,784,112**	207,931,064
Basic earnings per share	**$ 0,28**	$ 0,40	**$ 1,02**	$ 1,03
Diluted earnings per share	**$ 0,28**	$ 0,39	**$ 1,01**	$ 1,02

9 — Earnings per Share (cont'd)

When calculating dilutive earnings per share, 1,589,442 options were excluded from the calculation because their exercise price was higher than the average market value. In the previous period no options were excluded.

Shares purchased during the nine-month period ended December 31, 2007, under the normal course issuer bid, were excluded from the calculation of earnings per share as of the date of purchase (none in 2008).

10 — Share Capital

Authorized

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

	December 31, 2008	March 31, 2008
Issued		
206,895,325 common shares (205,962,964 at March 31, 2008)	$ **551,289**	$ 536,921

On November 6, 2007, the Company declared a 100% stock dividend, whereby the shareholders of the Company received an additional share for every share held. The stock dividend was applicable to shareholders of record as of the close of business on December 10, 2007, which had the same effect as a two-for-one stock split of the Company's outstanding common shares. All references made to prior fiscal year's number and prices of common shares and options have been adjusted to reflect this stock dividend.

932,361 common shares (1,898,274 in 2007) for an amount of $12,844,000 ($23,801,000 in 2007) were issued during the nine-month period ended December 31, 2008, pursuant to the share option plan. For share options granted since April 1, 2002, the amount previously accounted for as an increase to contributed surplus was also transferred to share capital upon the exercise of options. For the nine-month period ended December 31, 2008, the amount transferred from contributed surplus was $1,524,000 ($5,460,000 in 2007).

Pursuant to the normal course issuer bid, which began on November 13, 2007, and expired on November 12, 2008, the Company was authorized to purchase for cancellation up to 10,272,848 of its common shares. During the nine-month period ended December 31, 2008, the Company did not purchase any common shares relating to this normal course issuer bid. Under the normal course issuer bid that became effective on November 13, 2008, the Company is authorized to purchase, for cancellation purposes, up to 10,340,377 of its common shares. During the quarter, the Company did not purchase any common shares under this normal course issuer bid.

10 — Share Capital (cont'd)

Share option plan

The Company established a share option plan to allow for the purchase of common shares by key employees, officers and directors of the Company. The total number of common shares which may be issued pursuant to this plan cannot exceed 28,000,000 common shares. Options granted prior to July 31, 2007 may be exercised at a price equal to the closing quoted value of the shares on the day preceding the grant date. Options granted thereafter may be exercised at a price not less than the weighted average market price for the five trading days immediately preceding the date of grant. The options vest at 20% per year and expire ten years from the grant date.

Options issued and outstanding as at the period end are as follows:

		December 31, 2008		March 31, 2008	
Granting period	Exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
1999	from $8.06 to $9.37	–	–	20,480	$9.22
2000	$9.85	82,280	$9.85	111,404	$9.85
2001	$6.75	208,812	$6.75	217,836	$6.75
2002	from $9.50 to $11.50	280,346	$9.52	409,246	$9.52
2003	$15.18	561,598	$15.18	745,912	$15.18
2004	$11.25	941,404	$11.25	1,203,594	$11.25
2005	$16.53	1,019,470	$16.53	1,138,316	$16.53
2006	$18.08	1,265,750	$18.08	1,383,476	$18.08
2007	$16.35	1,785,164	$16.35	1,933,324	$16.35
2008	$23.09	1,630,409	$23.09	1,729,840	$23.09
Current	$27.81	1,589,442	$27.81	–	–
		9,364,675	$16.79	8,893,428	$16.52
Options exercisable at the end of the period		4,372,501	$14.85	3,535,818	$13.56

Changes in the number of options are as follows:

	December 31, 2008	
	Number of options	Weighted average exercise price
Balance at beginning of period	8,893,428	$ 16.52
Options granted	1,634,393	$ 27.81
Options exercised	(932,361)	$ 13.78
Options cancelled	(230,785)	$ 20.48
Balance at end of period	9,364,675	$ 16.79

The exercise price of the options granted in fiscal 2009 is $27.81, which corresponds to the weighted average market price for the five trading days immediately preceding the date of grant.

10 — Share Capital (cont'd)

The fair value of options granted in fiscal 2009 was estimated at $4.98 per option, using the Black Scholes option pricing model with the following assumptions:

	December 31, 2008	March 31, 2008
Risk-free interest rate:	3.0%	4.0%
Expected life of options:	5 years	5 years
Volatility:	19%	25%
Dividend rate:	1.7%	2.1%

A compensation expense of $1,947,000 ($1,715,000 after income taxes) and $5,759,000 ($5,064,000 after income taxes) relating to share options was recorded in the statement of earnings for the three-and nine-month periods ended December 31, 2008, respectively. A compensation expense of $2,089,000 ($1,841,000 after income taxes) and $6,246,000 ($5,537,000 after income taxes) was recorded for the three-and nine-month periods ended December 31, 2007.

11 — Contributed Surplus

	December 31, 2008	Year ended March 31, 2008
Contributed surplus, beginning of period	$ 22,085	$ 18,864
Stock based compensation	5,759	8,279
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	524	974
Amount transferred to share capital	(1,524)	(6,032)
Contributed surplus, end of period	$ 26,844	$ 22,085

12 — Business Acquisition

On April 1, 2008, the Company completed the acquisition of the activities of Alto Dairy Cooperative in the United States for a cash consideration of $161,074,000. The fair values attributed to the assets acquired were $33,311,000 to receivables, $24,273,000 to inventories, $474,000 to prepaid expenses, $31,173,000 to accounts payable, $70,840,000 to fixed assets and $63,349,000 to goodwill. The final allocation of the purchase price will be completed this fiscal year.

On December 1, 2008, the Company completed the acquisition of the activities of Neilson Dairy, the dairy division of Weston Foods (Canada) Inc., for a cash consideration of $467,500,000. The fair values attributed to the assets acquired were $26,245,000 to receivables, $10,036,000 to inventories, $313,000 to prepaid expenses, $51,645,000 to accounts payable, $87,040,000 to fixed assets, $223,200,000 to trademarks, $63,100,000 to customer relationship, $1,120,000 to future income tax liability and $110,331,000 to goodwill. The final allocation of the purchase price will be completed in the next fiscal year.