Saputo

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SECOND QUARTER

FISCAL 2010

We are presenting the results for the second quarter of fiscal 2010, which ended on September 30, 2009.

- Net earnings for the quarter ended September 30, 2009 totalled $94.5 million, an increase of $25.5 million or 37.0% compared to $69.0 million for the same quarter last fiscal year.
- Earnings before interest, income taxes, depreciation and amortization (EBITDA[1]) amounted to $174.7 million, an increase of $44.8 million or 34.5% in comparison to $129.9 million for the same quarter last fiscal year.
- Revenues for the quarter ended September 30, 2009 amounted to $1.483 billion, an increase of $29.2 million or 2.0% in comparison to $1.454 billion for the corresponding quarter last fiscal year.
- Basic Earnings per share (EPS) was $0.46 and diluted EPS $0.45 for the quarter ended September 30, 2009, as compared to $0.34 and $0.33 respectively for the corresponding quarter last fiscal year.

(in millions of dollars except per share amounts)	For the three-month periods ended		
(unaudited)	**September 30, 2009**	September 30, 2008	June 30, 2009
Revenues	**$ 1,482.7**	$ 1,453.5	$ 1,446.4
EBITDA	**174.7**	129.9	158.5
Net earnings	**94.5**	69.0	84.8
EPS			
Basic	**$ 0.46**	$ 0.34	$ 0.41
Diluted	**$ 0.45**	$ 0.33	$ 0.41

- The acquired activities of Neilson Dairy (Neilson), completed on December 1, 2008, contributed to the quarter's revenues and EBITDA as compared to the second quarter of fiscal 2009.
- In the United States (US), the average block market[2] per pound of cheese declined by US$0.63 compared to the same period last fiscal year, placing downward pressure on revenues and EBITDA.
- While the average block market per pound of cheese in the US decreased, its relationship with the cost of milk as raw material benefitted the Company. In addition, the realization of inventories was favourable as compared to the same quarter last fiscal year.
- The Board of Directors approved a dividend of $0.145 per share payable on December 18, 2009 to common shareholders of record on December 7, 2009.

(in millions of dollars except per share amounts)	For the six-month periods ended	
(unaudited)	**September 30, 2009**	September 30, 2008
Revenues	**$ 2,929.1**	$ 2,815.5
EBITDA	**333.1**	280.3
Net earnings	**179.3**	152.0
EPS		
Basic	**$ 0.87**	$ 0.74
Diluted	**$ 0.86**	$ 0.73

[1] **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 and amortization. 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.

[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.

Management's Analysis

The goal of the management report is to analyse the results of and the financial position for the quarter ended September 30, 2009. It should be read while referring to our consolidated financial statements and accompanying notes for the three- and six-month periods ended September 30, 2009 and 2008. Saputo'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 September 30, 2009, and November 3, 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, 2009 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 September 30, 2009 amounted to $1.483 billion, an increase of $29.0 million or 2.0% in comparison to the $1.454 billion for the corresponding quarter last fiscal year. The increase was mainly due to the contribution of Neilson in our Canadian Dairy Products Division. This increase was partially offset by a lower average block market per pound of cheese in the US. The addition of F&A Dairy of California (F&A Dairy Acquisition) on July 20, 2009 also increased revenues for the quarter. The weakening of the Canadian dollar compared to the US dollar contributed favourably to revenues.

For the six-month period ended September 30, 2009, revenues totalled $2.929 billion, an increase of $114.0 million or 4.0% in comparison to the $2.815 billion for the corresponding period last fiscal year. Revenues from our CEA Dairy Products Sector increased mainly due to the inclusion of Neilson. This increase was offset by a lower average block market per pound of cheese in addition to decreased volumes in our USA Dairy Products Sector during the period as compared to the corresponding period last fiscal year. The weakening of the Canadian dollar compared to the US dollar contributed favourably to revenues.

Consolidated earnings before interest, income taxes, depreciation and amortization (EBITDA) for the second quarter of fiscal 2010 amounted to $174.7 million, an increase of $44.8 million or 34.5% in comparison to $129.9 million for the same quarter last fiscal year. The EBITDA increase is explained by improved operational efficiencies, changes to the product-price formula and lower ingredients and other costs in our USA Dairy Products Sector. The EBITDA increase is also explained by the inclusion of Neilson, improved operational efficiencies and lower ingredients and other costs in our Canadian Dairy Products Division.

For the six-month period ended September 30, 2009, EBITDA totalled $333.1 million, an increase of $52.8 million or 18.8% in comparison to the $280.3 million for the corresponding period last fiscal year. The inclusion of Neilson in our CEA Dairy Products Sector, as well as improved operational efficiencies stemming from initiatives undertaken in the current and prior fiscal years in our USA and CEA Dairy Products Sectors increased EBITDA in comparison to the same period last fiscal year. This increase was partially offset by negative market factors in the US and lower profitability in our Argentinean Division.

OTHER CONSOLIDATED RESULTS ITEMS

Depreciation and amortization for the second quarter of fiscal 2010 totalled $28.0 million, an increase of $5.0 million compared to the same quarter last fiscal year. For the six-month period ended September 30, 2009, depreciation and amortization expense amounted to $56.4 million, an increase of $11.0 million as compared to the $45.4 million for the same period last fiscal year. These increases are due mainly to the additional charge in our CEA Dairy Products Sector as a result of the inclusion of Neilson. Capital investments undertaken by all divisions in the prior fiscal year also contributed to increase the expense for the respective periods.

Net interest expense increased by $4.0 million to $10.7 million for the quarter ended September 30, 2009 and $5.3 million to $18.7 million for the six-month period ended September 30, 2009 in comparison to the respective quarter and six-month period of last fiscal year. The increase is mainly due to higher debt levels to fund the acquisition of Neilson as compared to the corresponding periods last fiscal year.

Income taxes for the second quarter of fiscal 2010 totalled $41.5 million, reflecting an effective tax rate of 30.5% compared to 31.2% for the same quarter last fiscal year. Income taxes for the six-month period ended September 30, 2009 totalled $78.8 million, reflecting an effective tax rate of 30.5% in comparison to 31.4% for the same 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 totalled $94.5 million for the quarter ended September 30, 2009 compared to $69.0 million for the same quarter last fiscal year. For the six-month period ended September 30, 2009, net earnings totalled $179.3 million compared to $152.0 million for the corresponding period last fiscal year. These reflect the various factors analyzed in this report.

SELECTED QUARTERLY FINANCIAL INFORMATION

(in millions of dollars except per share amounts)

Fiscal years	2010		2009				2008	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	$ 1,482.7	$ 1,446.4	$ 1,460.4	$ 1,517.5	$ 1,453.5	$ 1,361.9	$ 1,266.1	$ 1,277.0
EBITDA	174.7	158.5	141.9	125.7	129.9	150.3	137.5	137.0
Net earnings	94.5	84.8	69.2	57.8	69.0	83.0	75.2	82.0
EPS								
Basic	$ 0.46	$ 0.41	$ 0.33	$ 0.28	$ 0.34	$ 0.40	$ 0.37	$ 0.40
Diluted	$ 0.45	$ 0.41	$ 0.33	$ 0.28	$ 0.33	$ 0.40	$ 0.36	$ 0.39

Selected factors positively (negatively) affecting EBITDA[1]
(in millions of dollars)

Fiscal years	2010		2009	
	Q2	Q1	Q4	Q3
Market factors[2]	4.8	(30.0)	(27.0)	(12.9)
US currency exchange	5.6	6.0	7.0	7.0
Inventory write-down	–	–	(2.4)	(18.5)
Plant closure costs	–	–	–	(2.0)

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

CASH AND FINANCIAL RESOURCES

For the three-month period ended September 30, 2009, **cash generated by operating activities before changes in non-cash working capital items** amounted to $133.6 million, an increase of $39.2 million in comparison to the $94.4 million for the corresponding quarter last fiscal year. Since the beginning of the fiscal year, this figure amounted to $252.2 million, an increase of $47.4 million in comparison to $204.8 million for the same period last fiscal year. Increases in the three- and six-month periods are primarily attributable to increased net earnings as well as higher depreciation expense and future income taxes as compared to the same periods last fiscal year. Non-cash working capital items generated $22.9 million for the second quarter of fiscal 2010, compared to $16.9 million for the corresponding quarter of fiscal 2009. For the six-month period ended September 30, 2009, non-cash working capital items generated $6.6 million, as compared to a usage of $21.5 million for the same period last fiscal year. The change in non-cash working capital items during the three- and six-month period ended September 30, 2009 as compared to the same periods last fiscal year can be attributed to a decrease in inventory, mainly in our CEA Dairy Products Sector, as well as an increase in income tax payable as a result of increased earnings.

Investing activities comprised mainly of additions to fixed assets of $30.6 million and $56.9 million for the three- and six-month periods ended September 30, 2009 respectively and $49.7 million for the F&A Dairy Acquisition in the three-month period ended September 30, 2009.

Financing activities for the second quarter of fiscal 2010 consisted of repayment of bank loans for $13.6 million, issuance of shares for a cash consideration of $4.1 million as part of the stock option plan, the purchase of share capital totalling $28.1 million in accordance with a normal course issuer bid, as well as the payment of $58.9 million of dividends. Additionally, for the six-month period ended September 30, 2009, the Company reimbursed $340 million of long-term bank credit facilities with the proceeds from the issuance of $330 million long-term unsecured Senior Notes.

As at September 30, 2009, the Company had working capital of $213.8 million, an increase from the $166.7 million as at March 31, 2009. This is mainly related to the decrease in short-term liabilities, mainly bank loans and the current portion of long-term debt. The increase was partially offset by a reduction of inventory since the end of the last fiscal year.

As at September 30, 2009, our net interest bearing debt-to-equity ratio stood at 0.31, in comparison to 0.36 as at March 31, 2009, mainly resulting from the decrease in indebtedness due to the payments with available cash from operations.

As at September 30, 2009, the Company had available bank credit facilities of approximately $606 million, $53.8 million of which were drawn. 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 September 30, 2009, compared to those as at March 31, 2009, the strengthening of the Canadian dollar versus the US dollar since March 31, 2009 resulted in the conversion of the balance sheets of foreign subsidiaries at lower rates, thus decreasing the Canadian dollar value of balance sheet items. In addition, the lower average block market per pound of cheese has caused a decrease in our Dairy Products Division (USA) working capital items as at September 30, 2009 in comparison to March 31, 2009. The Company's total assets stood at $3.310 billion as at September 30, 2009 compared to $3.499 billion as at March 31, 2009.

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.

		Issued as at		
	Authorized	October 29, 2009	September 30, 2009	March 31, 2009
Common shares	Unlimited	206,449,340	206,445,896	207,087,283
Preferred shares	Unlimited	–	–	–
Stock options		10,788,385	10,817,920	9,128,841

During the six-month period ended September 30, 2009, the Company purchased 1,084,400 common shares at prices ranging from $24.10 to $27.25 per share as part of the normal course issuer bid effective November 13, 2008 and expiring on November 12, 2009. Under this normal course issuer bid, the Company is authorized to purchase, for cancellation purposes, up to 10,340,377 of its common shares. Prior to these purchases, the Company had not purchased any common shares under this current normal course issuer bid.

CONTRACTUAL OBLIGATIONS

The Company completed during the first quarter of fiscal 2010 a $330 million debt financing, composed of $110 million Canadian denominated unsecured Senior Notes, issued at an interest rate of 5.34% for a term of five years maturing on June 22, 2014, and $220 million Canadian denominated unsecured Senior Notes issued at an interest rate of 5.82% for a term of seven years maturing on June 22, 2016. The proceeds of this financing were used to pay down part of the Company's existing credit facilities and for general corporate purposes.

The Company's contractual obligations consist of commitments and/or estimates to repay certain of its long-term debts as well as certain leases of premises, equipment and rolling stock.

(in thousands of dollars)

	September 30, 2009			March 31, 2009		
	Long-term debt	Minimum lease	Total	Long-term debt	Minimum lease	Total
Less than 1 year	$ 182,019	$ 12,680	$ 194,699	$ 214,421	$ 13,769	$ 228,190
1-2 years	–	9,394	9,394	200,000	10,042	210,042
2-3 years	–	8,083	8,083	140,000	8,831	148,831
3-4 years	–	6,817	6,817	–	7,251	7,251
4-5 years	110,000	8,054	118,054	–	6,213	6,213
Subsequent years	273,535	4,920	278,455	63,065	11,360	74,425
	$ 565,554	$ 49,948	$ 615,502	$ 617,486	$ 57,466	$ 674,952

ACCOUNTING STANDARDS

Goodwill and Intangible assets

In February 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets, which supersedes Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs, effective April 1, 2009 for the Company. This new section sets out standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this section had no impact on the consolidated financial statements of the Company.

International Financial Reporting Standards (IFRS)

In February 2008, the AcSB announced January 1, 2011 as the changeover date for publicly-listed companies with December 31st year ends to adopt IFRS, replacing Canada's own generally accepted accounting principles. The changeover date applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, the Company's IFRS adoption date of April 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Company for the year ended March 31, 2011 and an opening IFRS balance sheet as of April 1, 2010.

In order to ensure seamless transition to IFRS, the Company has divided its convergence plan into the following phases:

Phase 1: Identification and Analysis
Phase 2: Impact Analysis and Development Phase
Phase 3: Implementation Phase

The Company is currently in the Impact Analysis and Development Phase of its convergence plan and is progressing according to schedule. The effects of any Canadian GAAP to IFRS divergences noted during the Company's Phase 1 are currently being investigated for significance and have not, as of yet, been quantified.

Furthermore, accounting policies are currently under analysis by Management with active implication of Senior Management in the identification and approval of significant IFRS policy divergences.

The Company has identified the following eight accounting areas that it has deemed of either high or moderate significance:

IFRS 1 "First Time Adoption of Reporting Standards"
IFRS 2 "Share-Based Payment"
IFRS 3 "Business Combinations"
IAS 16 "Property, Plant and Equipment"
IAS 19 "Employee Benefits"
IAS 32 & IAS 39 "Financial Instruments Presentation, Recognition and Measurement"
IAS 36 "Impairment of Assets"

Significance has been established as the potential impact divergences may have on the Company's financial statements. The determination of the significance of the areas listed above has been assessed based on a review of CICA publications detailing divergences between Canadian GAAP and IFRS and through an analysis undertaken by the IFRS Convergence Team of all enacted IFRS Standards.

Readers of the Financial Statements are cautioned that the International Accounting Standards Board (IASB) intends on further revising several accounting standards (including but not limited to "Financial Instruments" and "Post Employment Benefits") that may result in modification to the accounting areas identified as above. The IASB has also indicated several other convergence projects between IFRS and FASB that may further alter this assessment.

Financial Statement readers should also note that any transition divergences between Canadian GAAP and IFRS will be accounted for through retained earnings (or another category of equity where applicable) and not through the consolidated statement of earnings. As such, reconciliations shall be presented in the year of conversion specifying significant IFRS adjustments.

In phase II, which began on October 1, 2009, the Company is analyzing the impact of the divergences that it has identified and developping processes to eliminate any incongruencies.

Identification and Resolution of Key IT and Data Systems Requirements

The Company has performed an initial analysis of its data system infrastructure and has concluded that transition to IFRS will not result in a material modification to any of its IT processes as a result of the divergences it has identified.

Future amendments to IFRS may, however, contradict these initial findings.

Internal Control over Financial Reporting

The Company is currently identifying the impact of divergences on its internal controls, the impact of which will be disclosed in accordance with CSA requirements when the assessment has been finalized.

Financial Reporting Expertise, Including Training Requirements
The Company has undertaken the development of an internal communication plan to disseminate relevant modifications to the accounting for and reporting of financial results ensuing from significant IFRS divergences.

Status of Remaining Key Elements
The status of the remaining key elements, as identified by CSA Staff Notice 52-320 and as discussed in the Company's 2009 Annual Report remains unchanged.

FOLLOW-UP ON CERTAIN SPECIFIC ITEMS OF THE ANALYSIS

For an analysis of off-balance sheet arrangements, guarantees, related party transactions, accounting standards, critical accounting policies and use of accounting estimates as well as risks and uncertainties, we encourage you to consult the comments provided in the 2009 Annual Report on pages 31 to 36 of the management's analysis, since there were no notable changes during the six-month period ended September 30, 2009.

DISCLOSURE CONTROLS AND PROCEDURES

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and the Chief Financial Officer 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 Canadian GAAP.

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 September 30, 2009, 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

(in millions of dollars)

Fiscal years	2010		2009				2008	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	$ 963.6	$ 945.7	$ 904.3	$ 854.1	$ 810.1	$ 755.0	$ 746.2	$ 754.8
EBITDA	112.3	112.5	98.3	86.7	94.9	99.0	94.2	95.6

Selected factors positively (negatively) affecting EBITDA[1]
(in millions of dollars)

Fiscal years	2010		2009	
	Q2	Q1	Q4	Q3
Market factors[2]	(0.8)	(2.0)	(4.0)	(6.0)
Inventory write-down	–	–	(1.0)	(7.4)

[1] as compared to same quarter of previous fiscal year.
[2] Market factors include the international market pricing impact related to sales of dairy ingredients.

Revenues

For the quarter ended September 30, 2009, revenues for the CEA Dairy Products Sector totalled $963.6 million, an increase of 18.9% or $153.5 million compared to $810.1 million for the same period last fiscal year. This increase is mainly due to the inclusion of Neilson. In Canada, additional revenues were generated by increased selling prices, in accordance with the increase of the cost of milk as raw material, as well as additional volumes in certain categories. In Argentina, even if sales volumes increased, the additional revenues generated was completely offset as a result of lower selling prices. Our European operations faced lower sales volumes. During the quarter, the strengthening of the Canadian dollar versus the Argentinean pesos decreased revenues by approximately $12 million.

Since the beginning of the fiscal year, revenues from the CEA Dairy Products Sector amounted to $1.909 billion, an increase of $344 million in comparison to the $1.565 billion for the same period last fiscal year. This increase is mainly due to the inclusion of Neilson. For the six-month period ended September 30, 2009, the appreciation of the Canadian dollar eroded approximately $13 million of revenues to the Sector, essentially from our Argentinean operations.

EBITDA

For the quarter ended September 30, 2009, EBITDA for the CEA Dairy Products Sector totalled $112.3 million, an increase of $17.4 million or 18.3% compared to the $94.9 million for the corresponding quarter last fiscal year. The increase in EBITDA is mainly attributed to our Canadian Dairy Products Division as a result of the inclusion of Neilson as well as additional sales volumes and operational efficiencies resulting from prior years' rationalization. Also, a reduction of handling and delivery costs combined with lower fuel and certain other costs benefitted the Canadian Dairy Products Division. Finally, the dairy ingredient market had no impact in the quarter in comparison to the previous fiscal year.

For the quarter ended September 30, 2009, our Dairy Products Division (Europe) showed a slight increase in EBITDA compared to the same quarter last fiscal year as a result of improved profitability from our German operations due to better efficiencies and higher volumes. This increase was partially offset by lower profitability from our United Kingdom (UK) operations as a result of the combination of high milk price as raw material, low selling prices as well as lower sales volumes.

Our Dairy Products Division (Argentina) EBITDA was negatively affected, as compared to the same quarter last fiscal year, mainly due to low selling prices in the export market, while prices for milk as raw material remained high.

Since the beginning of the fiscal year, EBITDA for the CEA Dairy Products Sector totalled $224.8 million, an increase of $30.9 million or 15.9% in comparison to the $193.9 million for the same period last fiscal year. This increase was mainly due to the inclusion of Neilson in our Canadian Dairy Products Division, along with higher sales volumes and better operational efficiencies. Partially offsetting this increase is an unfavourable dairy ingredient market, decreasing EBITDA by approximately $2 million. Our European operations showed a slight increase in EBITDA. Our Dairy Products Division (Argentina) EBITDA was negatively affected since the beginning of the fiscal year as selling prices on the export market remained low, while prices for milk as raw material remained high.

USA Dairy Products Sector

(in millions of dollars)

Fiscal years	2010		2009				2008	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	$ 477.3	$ 458.6	$ 517.0	$ 621.6	$ 601.5	$ 564.5	$ 481.8	$ 480.2
EBITDA	58.1	41.3	39.1	35.7	31.1	46.0	40.2	37.2

Selected factors positively (negatively) affecting EBITDA[1]
(in millions of dollars)

Fiscal years	2010		2009	
	Q2	Q1	Q4	Q3
Market factors[2]	5.6	(28.0)	(23.0)	(6.9)
US currency exchange	5.6	6.0	7.0	7.0
Inventory write-down	–	–	(1.4)	(11.1)
Plant closure costs	–	–	–	(2.0)

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

Other pertinent information
(in US dollars except for average exchange rate)

Fiscal years	2010		2009		
	Q2	Q1	Q4	Q3	Q2
Average block market per pound of cheese	$ 1.2323	$ 1.189	$ 1.203	$ 1.788	$ 1.864
Closing block price[1] per pound of cheese	$ 1.4125	$ 1.115	$ 1.290	$ 1.133	$ 1.805
Whey market price[2] per pound	$ 0.320	$ 0.270	$ 0.160	$ 0.160	$ 0.260
Spread[3]	$ 0.155	$ 0.176	$ 0.196	$ 0.198	$ 0.146
US average exchange rate to Canadian dollar[4]	1.096	1.172	1.254	1.205	1.043

[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] Whey powder market price is based on Dairy Market News published information.
[3] Spread is the average block market per pound of cheese less the result of the average cost per hundredweight of Class III and/or Class IV milk price divided by 10.
[4] Based on Bank of Canada published information.

Revenues

Revenues for the USA Dairy Products Sector totalled $477.3 million for the quarter ended September 30, 2009, a decrease of $124.2 million from the $601.5 million for the corresponding quarter last fiscal year. The decrease is mainly due to a significantly lower average block market per pound of cheese as well as lower sales volumes. These factors combined reduced revenues by approximately $166 million. The addition of our new facility in Newman, California, acquired on July 20, 2009, as well as additional revenues from a more favourable dairy ingredient market increased revenues by approximately $18 million. The weakening of the Canadian dollar increased revenues by approximately $24 million.

Since the beginning of the fiscal year, revenues totalled $935.9 million, a decrease of $230.1 million in comparison to the $1.166 billion for the same period last fiscal year. A lower average block market per pound of cheese as well as reduced sales volumes decreased revenues by approximately $335 million. The weakening of the Canadian dollar increased revenues by approximately $87 million.

EBITDA

For the quarter ended September 30, 2009, the EBITDA totalled $58.1 million, an increase of $27.0 million in comparison to the $31.1 million for the same quarter last fiscal year. During the current quarter, the average block market per pound of cheese increased to US$1.23 as compared to US$1.19 in the first quarter. The opposite occurred during the corresponding quarter last fiscal year averaging US$1.86 compared to US$1.98 in the first quarter. This net change positively affected the realization of our inventories. The relationship between the average block market per pound of cheese and the cost of milk as raw material was also more favourable in the current quarter in comparison to the same period last fiscal year. A more favourable dairy ingredient market in comparison to the same quarter last fiscal year also increased EBITDA. The decrease in the average block market per pound of cheese from US$1.86 for the second quarter of last fiscal 2009 to US$1.23 for the second quarter of fiscal 2010 negatively affected the absorption of fixed costs. These market factors combined had a positive impact of approximately $6 million on this quarter's EBITDA. Initiatives undertaken in prior and current fiscal years with regards to improved operational efficiencies, and lower ingredients and energy costs and the inclusion of our newly acquired facility in Newman, California more than offset increased promotional and other costs incurred in the current quarter in comparison to the same quarter last fiscal year. The EBITDA in the second quarter of fiscal 2010 also improved due to changes in the product-price formula enacted by the United States Department of Agriculture (USDA) in the third quarter of fiscal 2009. All of these factors increased EBITDA by approximately $16 million. The weakening of the Canadian dollar increased EBITDA by approximately $5 million.

Since the beginning of the fiscal year, EBITDA totalled $99.4 million, an increase of $22.3 million in comparison to the $77.1 million for the corresponding period last fiscal year. Additional EBITDA from initiatives undertaken in prior and current fiscal years with regards to improved operational efficiencies, lower ingredient costs as well as positive changes in the product-price formula and the contribution of our newly acquired facility in Newman, California more than offset increased operational costs. These factors combined increased EBITDA by approximately $33 million in comparison to the same period last fiscal year. Market factors, including an unfavourable average block market per pound of cheese and its negative impact on the absorption of our fixed costs, combined with favourable relationship between the average block market per pound of cheese and the cost of milk as raw material, favourable inventory realization, and favourable dairy ingredients market decreased EBITDA by approximately $22 million for the six-month period ended September 30, 2009 in comparison to the same period last fiscal year. The weakening of the Canadian dollar increased EBITDA by approximately $11 million.

Grocery Products Sector

(in millions of dollars)

Fiscal years	2010		2009				2008	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	$ 41.8	$ 42.2	$ 39.0	$ 41.7	$ 42.0	$ 42.4	$ 38.1	$ 42.0
EBITDA	4.3	4.6	4.5	3.2	4.0	5.3	3.1	4.2

Revenues

Revenues for the Grocery Products Sector totalled $41.8 million for the quarter, a $0.2 million decrease compared to the same quarter last fiscal year. The Sector recorded higher sales volumes and had a better product mix resulting in increased revenues. This increase was offset by additional brand support following a slight decrease in market share during the quarter.

Since the beginning of fiscal 2010, revenues for the Grocery Products Sector totalled $84.0 million, a $0.4 million decrease as compared to the corresponding period last fiscal year.

EBITDA

EBITDA for the Grocery Products Sector amounted to $4.3 million, a $0.3 million increase as compared to the same quarter last fiscal year. EBITDA margin increased from 9.5% in the second quarter of fiscal 2009 to 10.3% this quarter. The positive effect on EBITDA from higher sales volumes and better product mix and control of operating costs was partially offset by additional costs relating to brand support and rationalization costs of approximately $0.9 million absorbed during the quarter, resulting from the closing of thrift stores in Quebec and Ontario and of the Rondeau Québec facility.

Since the beginning of fiscal 2010, the EBITDA amounted to $8.9 million, a $0.3 million decrease as compared to the same period last fiscal year. EBITDA margin went from 10.9% last fiscal year to 10.6% this fiscal year. The Division benefitted from higher sales volumes and better product mix offset by additional costs relating to brand support and rationalization costs.

OUTLOOK

In our Dairy Products Division (Canada), we continue the integration of the Neilson operations acquired last December and the analysis of our cost structure. *Le Cendrillon*, produced by La Maison Alexis de Portneuf Inc., has been crowned World Champion, all categories combined, at the prestigious and influential World Cheese Awards 2009. Consequently, the demand increased and therefore we will adjust our production volumes. We will continue our investment strategy in the speciality cheese category. Following the legal challenge filed in the Federal Court of Canada with two other dairy processors in 2008 regarding the amended regulations establishing new standards for cheese manufactured in and imported to Canada, the Court, on October 7, 2009, dismissed this challenge. We are currently reviewing the possibility to appeal the judgment.

In our Dairy Products Division (Europe), UK operations, the decision was taken to reduce a significant amount of milk supply due to the non competitive high cost of milk in relation to the low selling price of cheese in the market, resulting in lower sales volumes. Our focus for the remainder of fiscal 2010 will be to recuperate some of that lost volume and ensure that we regain the necessary milk supply needed at a cost that will be competitive with the selling price of cheese.

The Dairy Products Division (Argentina) is still facing depressed selling prices on the export market while milk prices as raw material remain relatively high. We anticipate that this situation will improve in the upcoming quarters.

During the second quarter of fiscal 2010, the USA Dairy Products Sector completed the system integration of our newly acquired facility in Newman, California. During the remainder of the fiscal year, we will continue to evaluate this operation with the goal of identifying and improving operational efficiencies. After a harsh beginning to the fiscal year, the US dairy market showed signs of a possible recovery during the second quarter of fiscal 2010. Both the average block market per pound of cheese and the dairy ingredient markets increased in comparison to the first quarter of this fiscal year. The California Department of Food and Agriculture has advised that a consolidated public hearing to consider petitions that were filed for amendments to the stabilization and marketing plans for market milk will be held on November 9, 2009.

In the Bakery Division, we will launch in the third quarter a line of products geared towards the frozen category. We are currently pursuing the review of different aspects of our Bakery Division, such as low volume SKU's and the standardization of packaging and ingredients which should be completed in the fourth quarter of the current fiscal year.

The Company has the intention to purchase by way of a normal course issuer bid (Bid), for cancellation purposes, up to a maximum of 10,322,467 common shares. This represents 5% of its issued and outstanding common shares as of October

31, 2009. These purchases will be made in accordance with applicable regulations over a maximum period of 12 months beginning on November 13, 2009 and ending on November 12, 2010, subject to regulatory approval. The consideration that the Company will pay for any common shares acquired by it under the Bid will be in cash at the market price of such common shares at the time of acquisition. The Company believes that the purchase of its own shares may, in appropriate circumstances, be a responsible investment of funds on hand.

We intend to maintain our sound approach and continue to maximize our efficiencies. Our goal remains to pursue growth internally and through acquisitions.

(signed)
Lino Saputo
Chairman of the Board

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

November 3, 2009

NOTICE

The consolidated financial statements of Saputo Inc. for the three-month and the six-month periods ended September 30, 2009 and 2008 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 September 30		For the six-month periods ended September 30	
	2009	2008	**2009**	2008
Revenues	**$ 1,482,693**	$ 1,453,544	**$ 2,929,127**	$ 2,815,454
Cost of sales, selling and administrative expenses	**1,308,021**	1,323,598	**2,595,999**	2,535,191
Earnings before interest, depreciation, amortization and income taxes	**174,672**	129,946	**333,128**	280,263
Depreciation and amortization (Note 5)	**28,013**	22,962	**56,363**	45,357
Operating income	**146,659**	106,984	**276,765**	234,906
Interest on long-term debt	**9,658**	4,834	**16,171**	9,431
Other interest, net	**1,029**	1,826	**2,560**	4,014
Earnings before income taxes	**135,972**	100,324	**258,034**	221,461
Income taxes	**41,520**	31,296	**78,761**	69,470
Net earnings	**$ 94,452**	$ 69,028	**$ 179,273**	$ 151,991
Earnings per share (Note 10)				
Net earnings				
Basic	**$ 0.46**	$ 0.34	**$ 0.87**	$ 0.74
Diluted	**$ 0.45**	$ 0.33	**$ 0.86**	$ 0.73

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands of dollars, except common shares)
(unaudited)

For the six-month period ended September 30, 2009

	Retained earnings	Accumulated Other Comprehen-sive Income (Loss)	Share capital: Common Shares (in thousands)	Share capital: Amount	Contributed Surplus	**Total Shareholders' Equity**
Balance at beginning of period	$ 1,373,856	$ 16,219	207,087	$ 555,529	$ 26,744	$ 1,972,348
Comprenhensive income:						
Net income	179,273	–	–	–	–	179,273
Net change in currency translation of financial statements of self-sustaining foreign operations	–	(147,727)	–	–	–	(147,727)
Net changes on derivative financial instruments designated as cash flow hedges, net of tax	–	523	–	–	–	523
Total comprehensive income						32,069
Dividends declared	(58,897)	–	–	–	–	(58,897)
Stock based compensation (Note 11)	–	–	–	–	3,895	3,895
Shares issued under stock option plans	–	–	443	6,757	–	6,757
Amount transferred from contributed surplus to share capital upon exercise of options	–	–	–	1,884	(1,884)	–
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	–	–	–	–	159	159
Shares redeemed and cancelled	(25,125)	–	(1,084)	(2,929)	–	(28,054)
Balance at end of period[1]	$ 1,469,107	$ (130,985)	206,446	$ 561,241	$ 28,914	$ 1,928,277

For the six-month period ended September 30, 2008

	Retained earnings	Accumulated Other Comprehen-sive (Loss)	Share capital: Common Shares (in thousands)	Share capital: Amount	Contributed Surplus	**Total Shareholders' Equity**
Balance at beginning of period	$ 1,206,568	$ (146,414)	205,963	$ 536,921	$ 22,085	$ 1,619,160
Comprenhensive income:						
Net income	151,991	–	–	–	–	151,991
Net change in currency translation of financial statements of self-sustaining foreign operations	–	36,841	–	–	–	36,841
Total comprehensive income						188,832
Dividends declared	(53,718)	–	–	–	–	(53,718)
Stock based compensation (Note 11)	–	–	–	–	3,812	3,812
Shares issued under stock option plans	–	–	839	11,572	–	11,572
Amount transferred from contributed surplus to share capital upon exercise of options	–	–	–	1,341	(1,341)	–
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	–	–	–	–	483	483
Balance at end of period[2]	$ 1,304,841	$ (109,573)	206,802	$ 549,834	$ 25,039	$ 1,770,141

[1] Retained Earnings and Accumulated Other Comprehensive Income total is $ 1,338,122.

[2] Retained Earnings and Accumulated Other Comprehensive Income total is $ 1,195,268.

CONSOLIDATED BALANCE SHEETS

(in thousands of dollars)

	September 30, 2009 *(unaudited)*	March 31, 2009 *(audited)*
ASSETS		
Current assets		
Cash and cash equivalents	$ 17,293	$ 43,884
Receivables	426,033	427,227
Inventories (Note 4)	547,912	583,594
Income taxes	8,346	9,585
Future income taxes	23,794	23,881
Prepaid expenses and other assets	29,052	37,501
	1,052,430	1,125,672
Portfolio investment	41,343	41,343
Fixed assets (Note 5)	1,076,390	1,149,662
Goodwill	731,852	760,283
Trademarks and other intangibles	320,552	327,516
Other assets (Note 6)	81,732	88,326
Future income taxes	5,271	6,301
	$ 3,309,570	$ 3,499,103
LIABILITIES		
Current liabilities		
Bank loans (Note 7)	$ 53,814	$ 139,399
Accounts payable and accrued liabilities	486,781	484,866
Income taxes	108,180	113,910
Future income taxes	7,872	6,348
Current portion of long-term debt (Note 8)	182,019	214,421
	838,666	958,944
Long-term debt (Note 8)	383,535	403,065
Other liabilities	13,274	22,180
Future income taxes	145,818	142,566
	1,381,293	1,526,755
SHAREHOLDERS' EQUITY	1,928,277	1,972,348
	$ 3,309,570	$ 3,499,103

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of dollars)
(unaudited)

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2009	2008	2009	2008
Cash flows related to the following activities:				
Operating				
Net earnings	$ 94,452	$ 69,028	$ 179,273	$ 151,991
Items not affecting cash and cash equivalents				
Stock based compensation	1,997	1,981	3,895	3,812
Depreciation and amortization	28,013	22,962	56,363	45,357
Gain on disposal of fixed assets	(22)	(422)	(119)	(3,480)
Future income taxes	9,509	859	13,736	7,304
Deferred share units	874	454	1,448	814
Funding of employee plans in excess of costs	(1,191)	(487)	(2,381)	(990)
	133,632	94,375	252,215	204,808
Changes in non-cash operating working capital items	22,924	16,938	6,615	(21,509)
	156,556	111,313	258,830	183,299
Investing				
Business acquisition (Note 12)	(49,724)	(393)	(49,724)	(160,996)
Additions to fixed assets	(30,617)	(27,265)	(56,894)	(52,067)
Proceeds on disposal of fixed assets	212	2,940	309	7,069
Other liabilities	2,857	(1,511)	(3,464)	(2,600)
	(77,272)	(26,229)	(109,773)	(208,594)
Financing				
Bank loans	(13,608)	(52,612)	(79,305)	(88,604)
Proceeds from issuance of long-term debt	-	-	330,000	-
Repayment of long-term debt	-	-	(340,000)	-
Issuance of share capital	4,139	4,596	6,757	11,572
Repurchase of share capital	(28,054)	-	(28,054)	-
Dividends	(58,897)	(53,718)	(58,897)	(53,718)
	(96,420)	(101,734)	(169,499)	(130,750)
Decrease in cash and cash equivalents	(17,136)	(16,650)	(20,442)	(156,045)
Effect of exchange rate changes on cash and cash equivalents	(2,221)	4,257	(6,149)	5,263
Cash and cash equivalents, beginning of period	36,650	27,321	43,884	165,710
Cash and cash equivalents, end of period	$ 17,293	$ 14,928	$ 17,293	$ 14,928
Supplemental information				
Interest paid	$ 1,359	$ 1,707	$ 13,750	$ 12,297
Income taxes paid	$ 16,862	$ 26,039	$ 69,904	$ 79,381

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1 — Significant Accounting Policies

Basis of presentation

The unaudited consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and applied in the same manner as the most recently audited financial statements. These financial statements do not include all the information and notes required according to GAAP 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, 2009.

New accounting policies

During the six-month period ended September 30, 2009, the Company adopted Section 3064 of the CICA Handbook, Goodwill and Intangible Assets, which supersedes Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and development costs. The Section establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets, including intangible assets developed internally. The adoption of this Section has no impact on the consolidated financial statements or on the carrying value of the goodwill and intangible assets.

Effect of new accounting standards not yet implemented

International Financial Reporting Standards (IFRS). In 2006, the Canadian Accounting Standards Board (AcSB) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, the Company's transition date of April 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ending March 31, 2011. The Company is currently in the impact analysis and development phase of its convergence plan and is progressing according to schedule. The effects of any Canadian GAAP to IFRS divergences noted during the Company's Phase 1 are currently being quantified as of the date of the end of the second quarter of fiscal 2010.

Section 1582, Business Combinations. This new Section, which replaces Section 1581, will be applicable to business combinations for which the acquisition date is on or after the Company's interim and fiscal year beginning April 1, 2011. Early adoption is permitted. This Section improves the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects. The Company has not yet determined the impact of the adoption of this new Section on the consolidated financial statements.

Section 1601 Consolidated financial statements. This new Section, which replaces Section 1600, will be applicable to financial statements relating to the Company's interim and fiscal year beginning on or after April 1, 2011. Early adoption is permitted. This Section establishes standards for the preparation of consolidated financial statements. The Company has not yet determined the impact of the adoption of this new Section on the consolidated financial statements.

Section 1602, Non-Controlling interests. This new Section will be applicable to financial statements relating to the Company's interim and fiscal year beginning on or after April 1, 2011. Early adoption is permitted. This Section establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company has not yet determined the impact of the adoption of this new Section on the consolidated financial statements.

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 gains (losses) on translation of the financial statements of self-sustaining foreign operations account presented in accumulated other comprehensive income (loss) represents accumulated foreign currency gains (losses) on the Company's net investments in companies operating outside Canada. The change in the unrealized gains (losses) on translation of the financial statements of self-sustaining foreign operations account for the period resulted mainly from the fluctuation in value of the Canadian dollar as compared to the US dollar.

Foreign currency accounts of the Company and its subsidiaries are translated using the exchange rates at the balance sheet dates for monetary assets and liabilities and 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 September 30		For the six-month periods ended September 30	
	2009	2008	**2009**	2008
Foreign exchange gain	**$ 48**	$ 98	**$ 258**	$ 460

3 — Accumulated Other Comprehensive Income (Loss)

	September 30, 2009	March 31, 2009
Unrealized (losses) gains on currency translation of financial statements of foreign self-sustaining operations	**$ (130,245)**	$ 17,482
Losses on derivative financial instruments designated as cash flow hedges, net of tax	**(740)**	(1,263)
Accumulated other comprehensive income (loss)	**$ (130,985)**	$ 16,219

4 — Inventories

	September 30, 2009	March 31, 2009
Finished goods	**$ 352,563**	$ 368,456
Raw materials, work in process and supplies	**195,349**	215,138
	$ 547,912	$ 583,594

The amount of inventories recognized as an expense for the three- and six-month periods ended September 30, 2009 are $1,176,905,000 and $2,325,537,000 respectively ($1,200,605,000 and $2,290,186,000 for the three- and six-month periods ended September 30, 2008 respectively).

5 — Fixed Assets

	September 30, 2009			March 31, 2009		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Land	$ 39,809	$ –	$ 39,809	$ 42,243	$ –	$ 42,243
Buildings	386,686	91,627	295,059	417,335	90,675	326,660
Furniture, machinery and equipment	1,266,154	535,629	730,525	1,321,468	548,676	772,792
Rolling stock	13,336	8,072	5,264	13,329	7,864	5,465
Held for sale	5,733	–	5,733	2,502	–	2,502
	$ 1,711,718	$ 635,328	$ 1,076,390	$ 1,796,877	$ 647,215	$ 1,149,662

During the three- and six-month periods ended September 30, 2009, the depreciation expense related to fixed assets totalled $26,686,000 and $53,721,000 respectively ($22,727,000 and $44,895,000 for the three- and six-month periods ended September 30, 2008 respectively). No gain on disposal of fixed assets held for sale was recorded in the six-month period ended September 30, 2009 ($3,507,000 for the six-month period ended September 30, 2008). This amount was recorded in cost of sales, selling and administrative expenses in the six-month period ended September 30, 2008. The assets held for sale relate mainly to land and buildings in the United States and in Canada as a result of certain plant closures.

The net book value of fixed assets under construction, that are not being amortized, amounts to $72,455,000 as at September 30, 2009 ($67,707,000 as at March 31, 2009), and consists mainly of machinery and equipment.

6 — Other Assets

	September 30, 2009	March 31, 2009
Net accrued pension plan asset	$ 62,332	$ 61,040
Taxes receivable	11,293	18,993
Other	8,107	8,293
	$ 81,732	$ 88,326

7 — 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	September 30, 2009	March 31, 2009
North America-US Currency	December 2012	139,191	130,000 USD	$ 23,273	$ –
North America-CDN Currency	December 2012	396,159	370,000 USD	–	390,000
Canada	May 2009	–	–	–	40,000
Argentina	Yearly	15,370	55,150 ARS	–	–
Argentina	Yearly	35,333	33,000 USD	22,245	47,927
Germany	Yearly	7,843	5,000 EUR	–	1,472
United Kingdom	Yearly	12,011	7,000 BPS	8,296	–
		605,907		53,814	479,399
Amount classified as long-term debt				–	(340,000)
				$ 53,814	$ 139,399

8 — Long-Term Debt

	September 30, 2009	March 31, 2009
Unsecured senior notes		
8.12%, issued in November 1999 and due in November 2009 (US$170,000,000)	$ 182 019	$ 214,421
8.41%, issued in November 1999 and due in November 2014 (US$50,000,000)	53 535	63,065
5.34%, issued in June 2009 and due in June 2014	110,000	–
5.82%, issued in June 2009 and due in June 2016	220,000	–
Bank loan – long-term portion (Note 7)	–	340,000
	565,554	617,486
Current portion	182,019	214,421
	$ 383,535	$ 403,065

Estimated principal repayments are as follows:		
Less than 1 year	$ 182,019	$ 214,421
1-2 years	–	200,000
2-3 years	–	140,000
3-4 years	–	–
4-5 years	110,000	–
Subsequent years	273,535	63,065
	$ 565,554	$ 617,486

9 — 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 six-month periods ended September 30 are as follows:

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2009	2008	2009	2008
Pension plans	$ 4,834	$ 5,212	$ 9,666	$ 10,389
Other benefits plans	276	298	550	624
	$ 5,110	$ 5,510	$ 10,216	$ 11,013

10 — Earnings per Share

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2009	2008	2009	2008
Net earnings	$ 94,452	$ 69,028	$ 179,273	$ 151,991
Weighted average number of common shares outstanding	206,515,827	206,722,954	206,776,476	206,489,084
Dilutive options	1,170,012	2,624,376	1,170,012	2,624,376
Weighted average dilutive number of common shares outstanding	207,685,839	209,347,330	207,946,488	209,113,460
Basic earnings per share	$ 0,46	$ 0,34	$ 0,87	$ 0,74
Diluted earnings per share	$ 0,45	$ 0,33	$ 0,86	$ 0,73

When calculating dilutive earnings per share, 1,544,780 options (1,612,988 in 2008) were excluded from the calculation because their exercise price is higher than the average market value.

11 — Stock option compensation

Changes in the number of outstanding options are as follows:

	For the six-month periods ended			
	September 30, 2009		September 30, 2008	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of period	9,128,841	$ 16.93	8,893,428	$ 16.52
Options granted	2,232,039	$ 21.40	1,634,393	$ 27.81
Options exercised	(443,013)	$ 15.24	(838,877)	$ 13.79
Options cancelled	(99,947)	$ 19.83	(141,511)	$ 19.82
Balance at end of period	10,817,920	$ 18.09	9,547,433	$ 16.78

The exercise price of the options granted in fiscal 2010 is $21.40, which corresponds to the weighted average market price for the five trading days immediately preceding the date of grant ($27.81 in 2009).

The fair value of options granted in fiscal 2010 was estimated at $3.24 per option ($4.98 in 2009), using the Black Scholes option pricing model with the following assumptions:

	September 30, 2009	March 31, 2009
Risk-free interest rate:	1.9%	3.0%
Expected life of options:	5 years	5 years
Volatility:	19%	19%
Dividend rate:	2.0%	1.7%

A compensation expense of $1,997,000 ($1,789,000 after income taxes) and $3,895,000 ($3,478,000 after income taxes) relating to stock options was recorded in the statement of earnings for the three- and six-month periods ended September 30, 2009, respectively. A compensation expense of $1,981,000 ($1,749,000 after income taxes) and $3,812,000 ($3,349,000 after income taxes) was recorded for the three- and six-month periods ended September 30, 2008 respectively.

12 — Business Acquisition

On July 20, 2009, the Company completed the acquisition of the activities of F&A Dairy of California, Inc. in the United States. The final allocation of the purchase price will be completed in the current fiscal year.

On April 1, 2008, the Company completed the acquisition of the cheese activities of Alto Dairy Cooperative in the United States.

		September 30, 2009	September 30, 2008
		F&A Dairy of California Inc	Alto Dairy Cooperative
Assets acquired	Receivables	$ –	$ 31,709
	Inventories	3,860	22,096
	Prepaid expenses	–	262
	Fixed assets	24,902	70,840
	Goodwill	20,851	63,271
	Trademarks and other intangibles	111	–
Liabilities assumed	Accounts payable and accrued liabilities	–	27,182
		$ 49,724	$ 160,996
Consideration	Cash paid	$ 49,724	$ 160,996

13 — Segmented Information

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2009	2008	2009	2008
Revenues				
Dairy Products				
CEA[1]	$ 963,556	$ 810,066	$ 1,909,206	$ 1,565,070
USA	477,301	601,511	935,901	1,166,022
	1,440,857	1,411,577	2,845,107	2,731,092
Grocery Products	41,836	41,967	84,020	84,362
	$ 1,482,693	$ 1,453,544	$ 2,929,127	$ 2,815,454
Earnings before interest, depreciation amortization and income taxes				
Dairy Products				
CEA	$ 112,282	$ 94,850	$ 224,793	$ 193,894
USA	58,131	31,141	99,433	77,155
	170,413	125,991	324,226	271,049
Grocery Products	4,259	3,955	8,902	9,214
	$ 174,672	$ 129,946	$ 333,128	$ 280,263
Depreciation and amortization				
Dairy Products				
CEA	$ 13,085	$ 9,480	$ 26,307	$ 18,845
USA	12,515	11,615	25,553	22,778
	25,600	21,095	51,860	41,623
Grocery Products	2,413	1,867	4,503	3,734
	$ 28,013	$ 22,962	$ 56,363	$ 45,357
Operating income				
Dairy Products				
CEA	$ 99,197	$ 85,370	$ 198,486	$ 175,049
USA	45,616	19,526	73,880	54,377
	144,813	104,896	272,366	229,426
Grocery Products	1,846	2,088	4,399	5,480
	$ 146,659	$ 106,984	$ 276,765	$ 234,906
Interest	10,687	6,660	18,731	13,445
Earnings before income taxes	135,972	100,324	258,034	221,461
Income taxes	41,520	31,296	78,761	69,470
Net earnings	$ 94,452	$ 69,028	$ 179,273	$ 151,991

[1] Canada, Europe and Argentina