Saputo

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FISCAL 2011 | SECOND QUARTER

We are presenting the results for the second quarter of fiscal 2011, which ended on September 30, 2010.

- Net earnings for the quarter totalled $125.5 million, an increase of $31.0 million or 32.8% compared to $94.5 million for the same quarter last fiscal year.
- Earnings before interest, income taxes, depreciation and amortization (EBITDA[1]) amounted to $210.8 million, an increase of $36.1 million or 20.7% in comparison to $174.7 million for the same quarter last fiscal year.
- Revenues for the quarter amounted to $1.561 billion, an increase of $77.9 million or 5.3% in comparison to $1.483 billion for the corresponding quarter last fiscal year.
- Basic Earnings per share (EPS) and diluted EPS were $0.60 for the quarter, as compared to basic EPS of $0.46 and diluted EPS of $0.45 for the corresponding quarter last fiscal year.

(in millions of Canadian dollars (CDN), except per share amounts)	For the three-month periods ended		
(unaudited)	**September 30, 2010**	September 30, 2009	June 30, 2010
Revenues	**1,560.6**	1,482.7	1,436.1
EBITDA	**210.8**	174.7	190.8
Net earnings	**125.5**	94.5	111.4
EPS			
Basic	**0.60**	0.46	0.54
Diluted	**0.60**	0.45	0.53

- In the United States (US), the average block market[2] per pound of cheese increased by US$0.34 compared to the same period last fiscal year, increasing revenues and EBITDA by positively affecting the absorption of fixed costs.
- The increasing block market per pound of cheese in the US also had a favourable impact on the realization of inventories, while its relationship with the cost of milk as raw material had a negative impact on EBITDA, as compared to the same quarter last fiscal year.
- The appreciation of the Canadian dollar versus the US dollar and the Argentinian peso impacted results by eroding approximately $35 million in revenues and $5 million in EBITDA for the three-month period ended September 30, 2010.
- The Board of Directors approved a dividend of $0.16 per share payable on December 17, 2010 to common shareholders of record on December 7, 2010.

(in millions of CDN dollars, except per share amounts)	For the six-month periods ended	
(unaudited)	**September 30, 2010**	September 30, 2009
Revenues	**2,996.7**	2,929.1
EBITDA	**401.6**	333.1
Net earnings	**236.9**	179.3
EPS		
Basic	**1.14**	0.87
Diluted	**1.13**	0.86

[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 analyze the results and the financial position for the quarter ended September 30, 2010. It should be read while referring to our consolidated financial statements and accompanying notes for the three- and six-month periods ended September 30, 2010 and 2009. The Saputo Inc. (Company or Saputo) 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, 2010, and November 1, 2010, the date of this report, on which it was approved by the Board of Directors of Saputo. Additional information about the Company, including the Annual Report and the Annual Information Form for the year ended March 31, 2010 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 the Company's current assumptions, expectations, estimates, objectives, plans and intentions regarding projected revenues and expenses, the economic and industry environments in which the Company operates or which could affect its activities, its ability to attract and retain clients and consumers as well as its 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, the Company cannot guarantee that any forward-looking statements will materialize. Assumptions, expectations and estimates made in the preparation of forward-looking statements and risks that could cause actual results to differ materially from current expectations are discussed throughout this Management's Analysis and in the 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 under applicable securities legislation, Saputo does not undertake to update these forward-looking statements, whether written or oral, that may be made from time to time by itself or on its behalf, whether as a result of new information, future events or otherwise.

OPERATING RESULTS

Consolidated revenues for the quarter ended September 30, 2010 amounted to $1.561 billion, an increase of $77.9 million or 5.3% in comparison to the $1.483 billion for the corresponding quarter last fiscal year. The increase was mainly due to a higher average block market per pound of cheese, a more favourable dairy ingredients market and increased sales volumes in our USA Dairy Products Sector, as well as higher selling prices in relation to the higher cost of milk in the Argentinian Division of the CEA Dairy Products Sector. The strengthening of the Canadian dollar compared to the US dollar and Argentinian peso negatively affected revenues.

For the six-month period ended September 30, 2010, revenues totalled $2.997 billion, an increase of $67.6 million or 2.3% in comparison to the $2.929 billion for the corresponding period last fiscal year. Revenues increased mainly due to a higher average block market per pound of cheese, a more favourable dairy ingredients market and increased sales volumes in our USA Dairy Products Sector. The inclusion of the activities of F&A Dairy of California, Inc. acquired on July 20, 2009 (F&A Dairy Acquisition) also increased revenues during the six-month period as compared to the corresponding period last fiscal year. Also, selling price increases in relation to the higher cost of milk in the Argentinian Division of the CEA Dairy Products Sector contributed to increasing revenues as compared to last fiscal year. The strengthening of the Canadian dollar compared to the US dollar and Argentinian peso negatively affected revenues as compared to the corresponding period last fiscal year.

Consolidated earnings before interest, income taxes, depreciation and amortization (EBITDA) for the second quarter of fiscal 2011 amounted to $210.8 million, an increase of $36.1 million or 20.7% in comparison to $174.7 million for the same quarter last fiscal year. The EBITDA increase is explained by operational efficiencies and more favourable market conditions in our USA Dairy Products Sector. The increase is also explained by operational efficiencies in our Canadian Dairy Products Division as well as favourable selling prices mainly in the export market in Argentina.

For the six-month period ended September 30, 2010, EBITDA totalled $401.6 million, an increase of $68.5 million or 20.6% in comparison to the $333.1 million for the corresponding period last fiscal year. Initiatives undertaken with regards to operational efficiencies in our USA and CEA Dairy Products Sectors increased EBITDA in comparison to the same period last fiscal year. Additionally, more favourable market factors in the US as well as favourable selling prices, mainly in the export market in Argentina, positively contributed to EBITDA as compared to the same period last fiscal year.

OTHER CONSOLIDATED RESULTS ITEMS

Depreciation and amortization for the second quarter of fiscal 2011 totalled $26.2 million, a decrease of $1.8 million compared to the same quarter last fiscal year. For the six-month period ended September 30, 2010, depreciation and amortization expense amounted to $52.3 million, a decrease of $4.1 million as compared to the $56.4 million for the corresponding period last fiscal year. The strengthening of the Canadian dollar throughout fiscal 2011 compared to the same period last fiscal year mainly contributed to decreasing the depreciation expense.

Net interest expense decreased by $5.2 million for the quarter ended September 30, 2010 and $6.6 million for the six-months ended the same date in comparison to the same periods last fiscal year. The decreases are mainly due to lower debt levels as compared to the corresponding periods last fiscal year.

Income taxes for the second quarter of fiscal 2011 totalled $53.7 million, reflecting an effective tax rate of 30.0% compared to 30.5% for the same quarter last fiscal year. Income taxes for the six-month period ended September 30, 2010 totalled $100.4 million, reflecting an income tax rate of 29.8% in comparison to the 30.5% for the same period last fiscal year. The 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 $125.5 million for the quarter ended September 30, 2010 compared to $94.5 million for the same quarter last fiscal year. For the six-month period ended September 30, 2010, net earnings totalled $236.9 million as compared to $179.3 million for the same period last fiscal year. These reflect the various factors analyzed in this report.

SELECTED QUARTERLY FINANCIAL INFORMATION

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

Fiscal years	2011		2010				2009	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	**1,560.6**	1,436.1	1,384.2	1,497.3	1,482.7	1,446.4	1,460.4	1,517.5
EBITDA	**210.8**	190.8	175.5	183.5	174.7	158.5	141.9	125.7
Net earnings	**125.5**	111.4	99.1	104.3	94.5	84.8	69.2	57.8
EPS								
Basic	**0.60**	0.54	0.48	0.50	0.46	0.41	0.33	0.28
Diluted	**0.60**	0.53	0.47	0.50	0.45	0.41	0.33	0.28

Consolidated selected factors positively (negatively) affecting EBITDA[1]

(in millions of CDN dollars)

Fiscal years	2011		2010	
	Q2	Q1	Q4	Q3
Market factors[2]	**10.0**	17.0	15.0	18.0
US currency exchange	**(4.0)**	(9.0)	(11.0)	(9.0)
Inventory write-down	**–**	–	–	(2.1)
Rationalization charges	**–**	–	(6.4)	(0.6)

[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 the market pricing impact related to sales of dairy ingredients.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

	For the three-month periods ended September 30		For the six-month periods ended September 30	
(in thousands of CDN dollars)	**2010**	2009	**2010**	2009
Cash generated by operating activities before changes in non-cash working capital items	**164,830**	133,632	**312,112**	252,215
Changes in non-cash working capital items	**(2,512)**	22,924	**(34,727)**	6,615
Cash used for investing activities	**(26,701)**	(77,272)	**(52,012)**	(109,773)
Cash used by financing activities	**(109,827)**	(96,420)	**(131,098)**	(169,499)
Increase (decrease) in cash and cash equivalents	**25,790**	(17,136)	**94,275**	(20,442)

For the three-month period ended September 30, 2010, cash generated by **operating activities** before changes in non-cash working capital items amounted to $164.8 million, an increase of $31.2 million in comparison to the $133.6 million for the corresponding quarter last fiscal year. Since the beginning of the fiscal year, this figure amounted to $312.1 million, an increase of $59.9 million in comparison to $252.2 million for the same period last fiscal year. Increases in the three- and six-month periods are primarily attributable to increased net earnings as compared to the same period last fiscal year. Non-cash working capital items used $2.5 million for the second quarter of fiscal 2011 compared to a generation of $22.9 million for the corresponding quarter of fiscal 2010. For the six-month period ended September 30, 2010, non-cash working capital items used $34.7 million, as compared to a generation of $6.6 million for the same period last fiscal year. The change in non-cash working capital items during the three- and six-month periods ended September 30, 2010 as compared to the same periods last fiscal year can be attributed to an increase in receivables due to a higher average block market per pound of cheese and increased revenues. This was partially offset by an increase in income tax payable as a result of an increase in net earnings.

Investing activities were comprised mainly of additions to fixed assets of $28.8 million and $60.2 million for the three- and six-month periods ended September 30, 2010 respectively.

Financing activities for the three-month period ended September 30, 2010 consisted of a decrease in bank loans of $4.0 million, issuance of shares for a cash consideration of $16.4 million as part of the stock option plan, the purchase of share capital totalling $58.9 million in accordance with a normal course issuer bid, as well as the payment of $63.3 million in dividends. For the six-month period ended September 30, 2010, financing activities consisted of a decrease in bank loans of $31.2 million, issuance of shares for a cash consideration of $22.3 million as part of the stock option plan, as well as the purchase of share capital totalling $58.9 million in accordance with a normal course issuer bid, and the payment of $63.3 million in dividends.

Liquidity

(in thousands of CDN dollars, except ratio)	**September 30, 2010**	March 31, 2010
Current assets	**1,265,388**	1,046,378
Current liabilities	**721,283**	690,694
Working capital	**544,105**	355,684
Working capital ratio	**1.75**	1.51

The increase in the working capital ratio is mainly attributed to the increase in the cash and cash equivalents position, the decrease in bank loans and the reclassification of the portfolio investment as current asset in comparison to March 31, 2010.

Capital Management

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

(in thousands of CDN dollars, except ratio and number of shares and options)	**September 30, 2010**	March 31, 2010
Cash and cash equivalents	**149,092**	54,819
Bank loans	**30,244**	61,572
Long-term debt	**381,450**	380,790
Shareholders' equity	**2,171,180**	2,028,598
Interest-bearing[1] debt-to-equity ratio	**0.12**	0.19
Common shares	**206,669,330**	207,425,823
Preferred shares	**–**	–
Stock options	**9,785,423**	9,413,750

[1] Net of cash and cash equivalents.

The Company had $149.1 million of cash and cash equivalents and available bank credit facilities of approximately $623 million as at September 30, 2010; $30.2 million of which were drawn. Should the need arise, the Company could make additional financing arrangements to pursue growth through acquisitions.

Share capital authorized by the Company is comprised of an unlimited number of common and preferred shares. The common shares are voting and participating. The preferred shares can be issued in one or more series, and the terms and privileges of each class must be determined at the time of their creation. As at October 25, 2010, 206,310,629 common shares and 9,687,156 stock options were outstanding.

CONTRACTUAL OBLIGATIONS

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

(in thousands of CDN dollars)

	September 30, 2010			March 31, 2010		
	Long-term debt	**Minimum lease**	**Total**	Long-term debt	Minimum lease	Total
Less than 1 year	–	**13,217**	**13,217**	–	12,600	12,600
1-2 years	–	**11,114**	**11,114**	–	10,285	10,285
2-3 years	–	**9,761**	**9,761**	–	8,161	8,161
3-4 years	**110,000**	**8,038**	**118,038**	–	7,094	7,094
4-5 years	**51,450**	**6,622**	**58,072**	160,790	5,261	166,051
More than 5 years	**220,000**	**20,169**	**240,169**	220,000	6,977	226,977
	381,450	**68,921**	**450,371**	380,790	50,378	431,168

BALANCE SHEET

With regards to balance sheet items as at September 30, 2010, compared to those as at March 31, 2010, the main variance is due to a higher average block market per pound of cheese that caused an increase in our Dairy Products Division (USA) working capital items. Also, the strengthening of the US dollar versus the Canadian dollar since March 31, 2010, resulted in the conversion of the balance sheets of foreign subsidiaries at higher rates, thus increasing the Canadian dollar value of balance sheet items.

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 2010 Annual Report (pages 16 to 25 of the Management's Analysis), since there were no notable changes during the six-month period ended September 30, 2010.

FUTURE ACCOUNTING STANDARDS

International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board (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 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.

The Company is currently in phase II of its convergence plan, which began on October 1, 2009 and is continuing its analysis of accounting divergences according to schedule. This analysis is expected to be completed by the end of the third quarter.

Although no material change was necessary to the information technology infrastructure, the Company has made modifications to its fixed asset reporting module to incorporate the requirements of componentization.

The status of the other key elements remain unchanged from year end. Please refer to the 2010 Annual Report (pages 18 to 22 of the Management's Analysis) for further details.

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, 2010, 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 CDN dollars)

Fiscal years	2011		2010				2009	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	**993.8**	927.0	876.5	960.2	963.6	945.7	904.3	854.1
EBITDA	**132.3**	121.6	117.7	115.4	112.3	112.5	98.3	86.7

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

Fiscal years	2011		2010	
	Q2	Q1	Q4	Q3
Market factors[2]	**2.0**	1.0	2.0	2.0
Rationalization charges	–	–	(3.4)	–

[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

Revenues for the CEA Dairy Products Sector totalled $993.8 million for the quarter ended September 30, 2010, an increase of $30.2 million compared to $963.6 million for the same period last fiscal year. This is mainly attributed to increased sales volumes and higher selling prices in relation to the higher cost of milk in Argentina, as well as a favourable dairy ingredients market in the Sector. This offset slightly lower sales volumes in the Canadian Division. During the quarter, the strengthening of the Canadian dollar versus the Argentinian peso eroded revenues by approximately $5 million.

Since the beginning of the fiscal year, revenues from the CEA Dairy Products Sector amounted to $1.921 billion, an increase of $11.6 million in comparison to $1.909 billion for the same period last fiscal year. This is mainly due to higher selling prices in relation to the higher cost of milk in Argentina, as well as a favourable dairy ingredients market in the Sector; partially offset by lower sales volumes in Canada. For the six-month period ended September 30, 2010, the appreciation of the Canadian dollar versus the Argentinian peso eroded approximately $15 million in revenues.

EBITDA

For the quarter ended September 30, 2010, EBITDA totalled $132.3 million, an increase of $20.0 million or 17.8% compared to the $112.3 million for the corresponding quarter last fiscal year. The Dairy Products Division (Canada) increased EBITDA through continued operational efficiencies and decreased expenses. Additionally, the Division benefitted from favourable dairy ingredients market conditions as compared to the same quarter last fiscal year.

For the three- and six-month periods ended September 30, 2010, EBITDA of the Dairy Products Division (Europe) improved slightly as compared to the same periods last fiscal year.

The Dairy Products Division (Argentina) contributed to the CEA Dairy Products Sector EBITDA increase for the three- and six-month periods as compared to the same periods last fiscal year mainly due to a better product mix, as well as favourable selling prices mainly in the export market.

Since the beginning of the fiscal year, EBITDA totalled $253.9 million, an increase of $29.1 million in comparison to $224.8 million for the corresponding period last fiscal year. Continued operational efficiencies, decreased expenses and favourable dairy ingredients market conditions contributed to the increase.

USA Dairy Products Sector

(in millions of CDN dollars)

Fiscal years	2011		2010				2009	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	**528.9**	474.3	472.2	498.1	477.3	458.6	517.0	621.6
EBITDA	**73.9**	65.0	55.2	63.7	58.1	41.3	39.1	35.7

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

Fiscal years	2011		2010	
	Q2	Q1	Q4	Q3
Market factors[2]	**8.0**	16.0	13.0	16.0
US currency exchange	**(4.0)**	(9.0)	(11.0)	(9.0)
Inventory write down	**–**	–	–	(2.1)

[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	2011		2010		
	Q2	Q1	Q4	Q3	Q2
Average block market per pound of cheese	**1.571**	1.397	1.465	1.517	1.232
Closing block price[1] per pound of cheese	**1.760**	1.420	1.400	1.450	1.413
Whey market price[2] per pound	**0.380**	0.390	0.400	0.370	0.320
Spread[3]	**0.118**	0.121	0.129	0.149	0.155
US average exchange rate to Canadian dollar[4]	**1.039**	1.027	1.041	1.056	1.096

[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 4b milk price divided by 10.

[4] Based on Bank of Canada published information.

Revenues

Revenues for the USA Dairy Products Sector totalled $528.9 million for the quarter ended September 30, 2010, an increase of $51.6 million from the $477.3 million for the corresponding quarter last fiscal year. The increase of US$0.34 in the average block market per pound of cheese as compared to the same quarter last fiscal year increased revenues by approximately $76 million. Additional revenues from a more favourable dairy ingredients market and higher sales volumes, increased revenues by approximately $6 million. The appreciation of the Canadian dollar eroded approximately $30 million in revenues.

Since the beginning of the fiscal year, revenues totalled $1.003 billion, an increase of $67.3 million in comparison to the $935.9 million for the same period last fiscal year. A higher average block market per pound of cheese increased revenues by approximately $124 million. Revenues from the F&A Dairy Acquisition, higher sales volumes and a more favourable dairy ingredients market, increased revenues by approximately $37 million. The appreciation of the Canadian dollar eroded revenues by approximately $94 million.

EBITDA

For the quarter ended September 30, 2010, EBITDA totalled $73.9 million, an increase of $15.8 million in comparison to $58.1 million for the same quarter last fiscal year. Initiatives undertaken with regards to operational efficiencies and increased sales volumes offset increased expenses, mainly promotional costs, incurred during the quarter. These factors increased EBITDA by approximately $12 million in comparison to the same quarter last fiscal year. The average block market per pound of cheese increased from US$1.23 in the second quarter of last fiscal year to US$1.57 in the second quarter of fiscal 2011, creating a positive effect on the absorption of fixed costs. During the quarter, the block market per pound of cheese increased steadily generating a positive effect on the realization of inventories. A more favourable dairy ingredients market in comparison to the same quarter last fiscal year also increased EBITDA. The relationship between the average block market per pound of cheese and the cost of milk as raw material was less favourable in the quarter in comparison to the same period last fiscal year. These market factors combined had a positive impact of approximately $8 million on EBITDA. The appreciation of the Canadian dollar eroded approximately $4 million in EBITDA.

Since the beginning of the fiscal year, EBITDA totalled $138.8 million, an increase of $39.4 million in comparison to the $99.4 million for the corresponding period last fiscal year. Initiatives undertaken with regards to operational efficiencies combined with increased sales volumes more than offset increased expenses, mainly promotional costs. These factors increased EBITDA by approximately $29 million in comparison to the same period last fiscal year. For the six-month period ended September 30, 2010 market factors increased EBITDA by approximately $24 million in comparison to the same period last fiscal year. The appreciation of the Canadian dollar eroded approximately $13 million in EBITDA.

Grocery Products Sector

(in millions of CDN dollars)

Fiscal years	2011		2010				2009	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	**37.8**	34.8	35.5	39.0	41.8	42.2	39.0	41.7
EBITDA	**4.7**	4.2	2.6	4.3	4.3	4.6	4.5	3.2

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

Fiscal years	2011		2010	
	Q2	**Q1**	Q4	Q3
Rationalization charges	–	–	(3.0)	(0.6)

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

Revenues

Revenues for the Grocery Products Sector totalled $37.8 million for the quarter, a $4.0 million decrease compared to the same quarter last fiscal year. This decrease is due to lower sales volumes resulting from thrift store closures that occurred in the second quarter of fiscal 2010, product rationalization in fiscal 2010 and lower sales volumes in all regions.

Since the beginning of the fiscal year, revenues for the Grocery Products Sector totalled $72.7 million, a $11.3 million decrease as compared to the corresponding period last fiscal year.

EBITDA

EBITDA for the Grocery Products Sector amounted to $4.7 million, a $0.4 million increase, compared to the same quarter last fiscal year. The reduction of expenses offset the negative impact on EBITDA due to lower sales volumes. In the same quarter last fiscal year, the Sector incurred rationalization costs of approximately $0.9 million.

Since the beginning of the fiscal year, EBITDA totalled $8.9 million, the same amount as compared to the same period last fiscal year. The Sector benefitted from cost reductions offset by lower sales volumes. In the same period last fiscal year, the Sector incurred rationalization costs of approximately $0.9 million.

OUTLOOK

The Dairy Products Division (Canada) announced on March 30, 2010 the consolidation of distribution activities in the Greater Toronto Area within one distribution center. This is still in process and should be completed during the fourth quarter of fiscal 2011. The Division will continue to review overall activities in order to achieve additional operational efficiencies and decrease operational costs.

The Dairy Products Division (Europe) will continue to work towards increasing sales volumes while obtaining milk supply at prices competitive with the selling price of cheese.

The Dairy Products Division (Argentina) will continue to seek sales volume growth in the domestic and export markets.

In the USA Dairy Products Sector, capital expenditures at our Midwest facilities acquired in fiscal 2009 are completed. These capital expenditures increased capacity and should reduce operational costs and improve the management of dairy ingredients from the Midwest facilities. Capital expenditures at our California facility acquired in fiscal 2010, as part of the F&A Dairy Acquisition, are also progressing as planned. They should be completed by the third quarter of the current fiscal year.

The Grocery Products Sector will continue to focus on increasing sales volumes in the snack-cake category while continuing to expand its new product offering in the frozen cake category.

The Company holds a 21% interest in Dare Holdings Ltd. (Dare). On June 30, 2010, the Company exercised its option requiring that the shares it holds in Dare be repurchased at their fair market value pursuant to the terms and conditions of the shareholders agreement entered into between the parties, which provides that such fair market value will be determined by an independent valuator. The fair market value of the shares and the closing date for the sale of the Company's interest have not yet been determined, however the closing shall occur no later than December 27, 2010. We expect that the fair market value of the shares will exceed their cost.

The Company has the intention to purchase by way of a normal course issuer bid (Bid), for cancellation purposes, up to 5% of its issued and outstanding Common Shares as of October 31, 2010. These purchases will be made in accordance with applicable regulations over a 12-month period beginning on November 15, 2010 and ending on November 14, 2011, 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 shares at the time of acquisition. In connection with the Bid, the Company will establish an automatic purchase plan which enables the Company to provide standard instructions regarding how the Common Shares are to be repurchased during self imposed black-out periods. 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 efficiencies in all of our divisions. Our goal remains to pursue growth internally and through acquisitions.

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

November 1, 2010

NOTICE

The consolidated financial statements of Saputo Inc. for the three-month and the six-month periods ended September 30, 2010 and 2009 have not been reviewed by an external auditor.

CONSOLIDATED STATEMENTS OF EARNINGS

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

(unaudited)

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2010	2009	**2010**	2009
Revenues	**$ 1,560,557**	$ 1,482,693	**$ 2,996,705**	$ 2,929,127
Cost of sales, selling and administrative expenses	**1,349,724**	1,308,021	**2,595,087**	2,595,999
Earnings before interest, depreciation, amortization and income taxes	**210,833**	174,672	**401,618**	333,128
Depreciation and amortization (Note 6)	**26,218**	28,013	**52,278**	56,363
Operating income	**184,615**	146,659	**349,340**	276,765
Interest on long-term debt	**5,846**	9,658	**11,648**	16,171
Other interest, net	**(369)**	1,029	**448**	2,560
Earnings before income taxes	**179,138**	135,972	**337,244**	258,034
Income taxes	**53,656**	41,520	**100,365**	78,761
Net earnings	**$ 125,482**	$ 94,452	**$ 236,879**	$ 179,273
Earnings per share (Note 11)				
Net earnings				
Basic	**$ 0.60**	$ 0.46	**$ 1.14**	$ 0.87
Diluted	**$ 0.60**	$ 0.45	**$ 1.13**	$ 0.86

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in thousands of CDN dollars, except common shares)

(unaudited)

For the six-month period ended September 30, 2010

	Share capital					
	Common Shares (in thousands)	Amount	Retained Earnings	Accumulated Other Comprehensive (Loss)	Contributed Surplus	Total Shareholders' Equity
Balance at beginning of period	207,426	$ 584,749	$ 1,603,373	$ (188,045)	$ 28,521	$ 2,028,598
Comprehensive income:						
Net earnings	–	–	236,879	–	–	236,879
Net change in currency translation of financial statements of self-sustaining foreign operations	–	–	–	9,967	–	9,967
Total comprehensive income						246,846
Dividends declared	–	–	(63,343)	–	–	(63,343)
Stock based compensation (Note 12)	–	–	–	–	4,079	4,079
Shares issued under stock option plan	1,254	22,269	–	–	–	22,269
Amount transferred from contributed surplus to share capital upon exercise of options	–	5,587	–	–	(5,587)	–
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	–	–	–	–	1,190	1,190
Shares repurchased and cancelled	(1,737)	(5,010)	(53,863)	–	–	(58,873)
Shares repurchased and not cancelled	(274)	(799)	(8,787)	–	–	(9,586)
Balance at end of period[1]	206,669	$ 606,796	$ 1,714,259	$ (178,078)	$ 28,203	$ 2,171,180

For the six-month period ended September 30, 2009

	Share capital					
	Common Shares (in thousands)	Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Contributed Surplus	Total Shareholders' Equity
Balance at beginning of period	207,087	$ 555,529	$ 1,373,856	$ 16,219	$ 26,744	$ 1,972,348
Comprehensive income:						
Net earnings	–	–	179,273	–	–	179,273
Net change in currency translation of financial statements of self-sustaining foreign operations	–	–	–	(147,727)	–	(147,727)
Net change 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 12)	–	–	–	–	3,895	3,895
Shares issued under stock option plan	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 repurchased and cancelled	(1,084)	(2,929)	(25,125)	–	–	(28,054)
Balance at end of period[2]	206,446	$ 561,241	$ 1,469,107	$ (130,985)	$ 28,914	$ 1,928,277

[1] Retained Earnings and Accumulated Other Comprehensive Income total is $ 1,536,181.

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

CONSOLIDATED BALANCE SHEETS

(in thousands of CDN dollars)

	September 30, 2010 *(unaudited)*	March 31, 2010 *(audited)*
ASSETS		
Current assets		
Cash and cash equivalents	$ 149,092	$ 54,819
Receivables	426,901	367,069
Inventories (Note 4)	589,694	566,754
Income taxes	4,751	5,940
Future income taxes	22,975	22,302
Prepaid expenses and other assets	30,632	29,494
Portfolio investment (Note 5)	41,343	–
	1,265,388	1,046,378
Portfolio investment (Note 5)	–	41,343
Fixed assets (Note 6)	1,049,807	1,038,756
Goodwill	720,309	716,695
Trademarks and other intangibles	314,349	316,613
Other assets (Note 7)	86,927	90,272
Future income taxes	3,860	3,394
	$ 3,440,640	$ 3,253,451
LIABILITIES		
Current liabilities		
Bank loans (Note 8)	$ 30,244	$ 61,572
Accounts payable and accrued liabilities	500,512	471,106
Income taxes	176,458	149,377
Future income taxes	14,069	8,639
	721,283	690,694
Long-term debt (Note 9)	381,450	380,790
Other liabilities	9,255	9,694
Future income taxes	157,472	143,675
	1,269,460	1,224,853
SHAREHOLDERS' EQUITY	2,171,180	2,028,598
	$ 3,440,640	$ 3,253,451

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

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2010	2009	2010	2009
Cash flows related to the following activities:				
Operating				
Net earnings	$ 125,482	$ 94,452	$ 236,879	$ 179,273
Items not affecting cash and cash equivalents				
Stock based compensation	2,064	1,997	4,079	3,895
Depreciation and amortization	26,218	28,013	52,278	56,363
Gain on disposal of fixed assets	(14)	(22)	(66)	(119)
Future income taxes	9,997	9,509	17,825	13,736
Deferred share units	1,175	874	1,800	1,448
Funding of employee plans in excess of costs	(92)	(1,191)	(683)	(2,381)
	164,830	133,632	312,112	252,215
Changes in non-cash operating working capital items	(2,512)	22,924	(34,727)	6,615
	162,318	156,556	277,385	258,830
Investing				
Business acquisitions	–	(49,724)	–	(49,724)
Additions to fixed assets	(28,828)	(30,617)	(60,166)	(56,894)
Proceeds on disposal of fixed assets	4,409	212	5,368	309
Other assets and other liabilities	(2,282)	2,857	2,786	(3,464)
	(26,701)	(77,272)	(52,012)	(109,773)
Financing				
Bank loans	(3,961)	(13,608)	(31,151)	(79,305)
Proceeds from issuance of long-term debt	–	–	–	330,000
Repayment of long-term debt	–	–	–	(340,000)
Issuance of share capital	16,350	4,139	22,269	6,757
Repurchase of share capital	(58,873)	(28,054)	(58,873)	(28,054)
Dividends	(63,343)	(58,897)	(63,343)	(58,897)
	(109,827)	(96,420)	(131,098)	(169,499)
Increase (decrease) in cash and cash equivalents	25,790	(17,136)	94,275	(20,442)
Effect of exchange rate changes on cash and cash equivalents	(837)	(2,221)	(2)	(6,149)
Cash and cash equivalents, beginning of period	124,139	36,650	54,819	43,884
Cash and cash equivalents, end of period	$ 149,092	$ 17,293	$ 149,092	$ 17,293
Supplemental information				
Interest paid	$ 415	$ 1,359	$ 12,694	$ 13,750
Income taxes paid	$ 25,916	$ 16,862	$ 52,831	$ 69,904

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are in thousands of CDN 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, 2010.

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 in Phase II of its convergence plan and is evaluating the quantitative impact of the accounting divergences noted in Phase I. The financial reporting impact of these divergences is in the process of being quantified.

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	
	2010	2009	**2010**	2009
Foreign currency gain (loss)	**$ 518**	$ 48	**$ (135)**	$ 258

3 — Accumulated Other Comprehensive (Loss)

	September 30, 2010	March 31, 2010
Net unrealized (losses) on translation of financial statements of self-sustaining foreign operations	$ (178,078)	$ (189,308)
Losses on derivatives items designated as hedges of interest cash flows, net of tax	–	1,263
Accumulated other comprehensive (loss)	$ (178,078)	$ (188,045)

4 — Inventories

	September 30, 2010	March 31, 2010
Finished goods	$ 399,053	$ 372,373
Raw materials, work in process and supplies	190,641	194,381
	$ 589,694	$ 566,754

The amount of inventories recognized as an expense in cost of sales for the three- and six-month periods ended September 30, 2010 are $1,211,914,000 and $2,318,124,000 respectively ($1,176,905,000 and $2,325,537,000 for the three- and six-month periods ended September 30, 2009 respectively).

5 — Portfolio Investment

The Company holds a 21% interest in Dare Holdings Ltd. (Dare) which is recorded as a portfolio investment at cost less the excess of dividends received over the Company's share in accumulated earnings. On June 30, 2010, the Company exercised its option requiring that the shares it holds in Dare be repurchased at their fair market value pursuant to the terms and conditions of the shareholders agreement entered into between the parties, which provides that such fair market value will be determined by an independent valuator. The fair market value of the shares and the closing date for the sale of the Company's interest have not yet been determined, however the closing shall occur no later than December 27, 2010. Management expects that the fair market value of the shares will exceed their cost.

6 — Fixed Assets

	September 30, 2010			March 31, 2010		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Land	$ 36,236	$ –	$ 36,236	$ 38,920	$ –	$ 38,920
Buildings	400,633	98,496	302,137	382,480	92,164	290,316
Furniture, machinery and equipment	1,285,133	586,482	698,651	1,242,504	543,674	698,830
Rolling stock	8,472	5,598	2,874	13,117	8,435	4,682
Held for sale	9,909	–	9,909	6,008	–	6,008
	$ 1,740,383	$ 690,576	$ 1,049,807	$ 1,683,029	$ 644,273	$ 1,038,756

During the three- and six-month periods ended September 30, 2010, the depreciation expense related to fixed assets totalled $24,936,000 and $49,717,000 respectively ($26,686,000 and $53,721,000 for the three- and six-month periods ended September 30, 2009 respectively).

The net book value of fixed assets under construction amounts to $63,302,000 as at September 30, 2010 ($46,271,000 as at March 31, 2010), and consists mainly of machinery and equipment.

The assets held for sale relate mainly to land and buildings in Canada as a result of certain plant closures.

7 — Other Assets

	September 30, 2010	March 31, 2010
Net accrued pension plan assets	$ 66,952	$ 64,451
Taxes receivables	11,213	15,893
Other	8,762	9,928
	$ 86,927	$ 90,272

8 — 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 30,2010	March 31, 2010
North America-US Currency	[1]December 2012	133,770	130,000	USD	$ –	$ –
North America-CDN Currency	[1]December 2012	380,730	370,000	USD	–	30,000
Argentina	[2]Yearly	90,073	351,850	ARS	28,680	28,213
Germany	[3]Yearly	7,003	5,000	EUR	1,564	–
United Kingdom	[3]Yearly	11,339	7,000	GBP	–	3,359
		622,915			$ 30,244	$ 61,572

[1] Bear monthly interest at rates based on lender's prime rates plus a maximum of 0.25% or LIBOR or banker's acceptance rate plus 0.50% up to a maximum of 1.125%, depending on a financial ratio of the Company.

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

[3] Bear monthly interest at base rate plus 1.50% or LIBOR-EURIBOR plus 1.50%.

9 — Long-Term Debt

	September 30, 2010	March 31, 2010
Unsecured senior notes[1]		
8.41%, issued in November 1999 and due in November 2014 (US$50,000,000)	$ 51,450	$ 50,790
5.34%, issued in June 2009 and due in June 2014	110,000	110,000
5.82%, issued in June 2009 and due in June 2016	220,000	220,000
	$ 381,450	$ 380,790

Principal repayments are as follows:

Less than 1 year	$ –	$ –
1-2 years	–	–
2-3 years	–	–
3-4 years	110,000	–
4-5 years	51,450	160,790
More than 5 years	220,000	220,000
	$ 381,450	$ 380,790

[1]Interest payments are semi-annual.

10 — Employee Pension and Other Benefits Plans

The Company provides benefits and defined contribution pension plans as well as other benefits 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 are as follows:

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2010	2009	**2010**	2009
Pension plans	**$ 6,139**	$ 4,834	**$ 12,276**	$ 9,666
Other benefits plans	**200**	276	**401**	550
	$ 6,339	$ 5,110	**$ 12,677**	$ 10,216

11 — Earnings per Share

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2010	2009	**2010**	2009
Net earnings	**$ 125,482**	$ 94,452	**$ 236,879**	$ 179,273
Weighted average number of common shares outstanding	**207,121,998**	206,515,827	**207,392,139**	206,776,476
Dilutive options	**2,256,633**	1,170,012	**2,256,633**	1,170,012
Dilutive number of common shares outstanding	**209,378,631**	207,685,839	**209,648,772**	207,946,488
Basic earnings per share	**$ 0.60**	$ 0.46	**$ 1.14**	$ 0.87
Diluted earnings per share	**$ 0.60**	$ 0.45	**$ 1.13**	$ 0.86

When calculating dilutive earnings per share for the six-month period ended September 30, 2010, no options (1,544,780 in 2009) were excluded from the calculation because their exercise price is higher than the average market value.

All shares repurchased and not yet cancelled are treated as cancelled for purposes of computing basic and diluted earnings per share.

12 — Stock Option Plan

Changes in the number of outstanding options are as follows:

	For the six-month periods ended September 30					
	2010			2009		
	Number of options		**Weighted average exercise price**	Number of options		Weighted average exercise price
Balance at beginning of period	**9,413,750**	**$**	**20.13**	9,128,841	$	16.93
Options granted	**1,753,233**	**$**	**29.32**	2,232,039	$	21.40
Options exercised	**(1,254,582)**	**$**	**17.75**	(443,013)	$	15.24
Options cancelled	**(126,978)**	**$**	**21.12**	(99,947)	$	19.83
Balance at end of period	**9,785,423**	**$**	**22.07**	10,817,920	$	18.09

The exercise price of the options granted in fiscal 2011 is $29.32, which corresponds to the weighted average market price for the five trading days immediately preceding the date of grant ($21.40 in 2010).

The fair value of options granted in fiscal 2011 was estimated at $5.49 per option ($3.26 in 2010), using the Black Scholes option pricing model with the following assumptions:

	September 30, 2010	March 31, 2010
Risk-free interest rate:	**2.6%**	1.9%
Expected life of options:	**5 years**	5 years
Volatility:	**20.7%**	19.1%
Dividend rate:	**1.6%**	2.0%

A compensation expense of $2,064,000 ($1,854,000 after income taxes) and $4,079,000 ($3,660,000 after income taxes) relating to stock options was recorded in cost of sales, selling and administrative expenses for the three- and six-month periods ended September 30, 2010, respectively. A compensation expense of $1,997,000 ($1,789,000 after income taxes) and $3,895,000 ($3,478,000 after income taxes) was recorded for the three- and six-month periods ended September 30, 2009, respectively.

13 – Segmented Information

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2010	2009	**2010**	2009
Revenues[1]				
Dairy Products				
CEA	**$ 993,839**	$ 963,556	**$ 1,920,828**	$ 1,909,206
USA	**528,881**	477,301	**1,003,195**	935,901
	1,522,720	1,440,857	**2,924,023**	2,845,107
Grocery Products	**37,837**	41,836	**72,682**	84,020
	$ 1,560,557	$ 1,482,693	**$ 2,996,705**	$ 2,929,127
Earnings before interest, depreciation amortization and income taxes				
Dairy Products				
CEA	**$ 132,289**	$ 112,282	**$ 253,909**	$ 224,793
USA	**73,881**	58,131	**138,842**	99,433
	206,170	170,413	**392,751**	324,226
Grocery Products	**4,663**	4,259	**8,867**	8,902
	$ 210,833	$ 174,672	**$ 401,618**	$ 333,128
Depreciation and amortization				
Dairy Products				
CEA	**$ 13,165**	$ 13,085	**$ 26,314**	$ 26,307
USA	**11,155**	12,515	**22,168**	25,553
	24,320	25,600	**48,482**	51,860
Grocery Products	**1,898**	2,413	**3,796**	4,503
	$ 26,218	$ 28,013	**$ 52,278**	$ 56,363
Operating income				
Dairy Products				
CEA	**$ 119,124**	$ 99,197	**$ 227,595**	$ 198,486
USA	**62,726**	45,616	**116,674**	73,880
	181,850	144,813	**344,269**	272,366
Grocery Products	**2,765**	1,846	**5,071**	4,399
	$ 184,615	$ 146,659	**$ 349,340**	$ 276,765
Interest	**5,477**	10,687	**12,096**	18,731
Earnings before income taxes	**179,138**	135,972	**337,244**	258,034
Income taxes	**53,656**	41,520	**100,365**	78,761
Net earnings	**$ 125,482**	$ 94,452	**$ 236,879**	$ 179,273

[1] Revenues are attributable to countries based upon manufacturing origin.