We are presenting the results for the third quarter of fiscal 2016, which ended on December 31, 2015.

- Net earnings totalled $175.2 million, an increase of $20.6 million or 13.3%.
- Adjusted net earnings[1] totalled $175.4 million, an increase of $20.8 million or 13.5%.
- Earnings before interest, income taxes, depreciation, amortization, gain on disposal of a business, acquisition, restructuring and other costs (adjusted EBITDA[1]) amounted to $320.4 million, an increase of $41.7 million or 15.0%.
- Revenues for the quarter amounted to $2.901 billion, an increase of $79.2 million or 2.8%.
- Adjusted earnings per share[1] (basic and diluted) were $0.45 and $0.44, respectively, for the quarter as compared to $0.39 and $0.38 for the corresponding quarter last fiscal year, an increase of 15.4% and 15.8%, respectively.

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

(unaudited)	**For the three-month periods ended December 31**		**For the nine-month periods ended December 31**	
	2015	2014	**2015**	2014
Revenues	**2,901.0**	2,821.8	**8,257.5**	8,143.9
EBITDA	**320.1**	278.7	**858.2**	829.8
Adjusted EBITDA[1]	**320.4**	278.7	**861.0**	829.8
Net earnings	**175.2**	154.6	**460.1**	455.6
Adjusted net earnings[1]	**175.4**	154.6	**462.1**	455.6
Earnings per share				
Basic	**0.44**	0.39	**1.17**	1.15
Diluted	**0.44**	0.38	**1.16**	1.14
Adjusted earnings per share[1]				
Basic	**0.45**	0.39	**1.18**	1.15
Diluted	**0.44**	0.38	**1.16**	1.14

- In the USA Sector, the fluctuation of the average block market[2] per pound of cheese and the average butter market[3] price per pound, compared to the same quarter last fiscal year, decreased revenues by approximately $191 million. EBITDA increased due to higher sales volumes, decreased ingredients costs and better efficiencies offsetting unfavourable market factors[4] of approximately $4 million as compared to the same quarter last fiscal year.
- The Canada Sector EBITDA increased due to lower ingredients costs, as well as lower warehousing and logistical costs. The increase was partially offset by lower dairy ingredients sales prices, higher administrative expenses, as well as decreased EBITDA associated with the disposal of the Bakery Division in fiscal 2015.
- The International Sector EBITDA was negatively impacted by lower selling prices during the quarter without a similar decline in the cost of milk as raw material.
- The fluctuation of the Canadian dollar versus foreign currencies during the quarter had a positive impact on revenues and EBITDA of approximately $261 million and $29 million, respectively, as compared to the same quarter last fiscal year.
- The companies forming Woolwich Dairy (Woolwich Acquisition) which have been consolidated since October 5, 2015, contributed to revenues and EBITDA of both the Canada and USA Sectors.
- The Board of Directors approved a dividend of $0.135 per share payable on March 11, 2016 to common shareholders of record on March 1, 2016.

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[1] Adjusted net earnings, adjusted EBITDA and adjusted earnings per share (basic and diluted) are non-IFRS measures. Refer to "Measurement of Results not in Accordance with International Financial Reporting Standards" included in this report for the definition of these terms.
[2] "Average block market" is the average daily price of a 40 pound block of cheddar traded on the Chicago Mercantile Exchange (CME), used as the base price for cheese.
[3] "Average butter market" is the average daily price for Grade AA Butter traded on the CME, used as base price for butter.
[4] Market factors include the average block market per pound of cheese and its effect on the absorption of fixed costs and on the realization of inventories, the effect of the relationship between the average block market per pound of cheese and the cost of milk as raw material, the market pricing impact related to sales of dairy ingredients, as well as the impact of the average butter market price related to dairy food product sales.

Management's Discussion and Analysis

The purpose of this management report is to provide investors with a greater understanding of the Company's business, performance and strategy, as well as to analyze the results and the financial position of the Company for the quarter ended December 31, 2015. It should be read while referring to our condensed interim consolidated financial statements and accompanying notes for the three and nine-month periods ended December 31, 2015 and 2014. The Company's condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting as issued by the International Accounting Standards Board. All dollar amounts are in Canadian dollars, unless otherwise indicated. This report takes into account material elements between December 31, 2015 and February 4, 2016, the date on which this report was approved by the Company's Board of Directors. Additional information about the Company, including its Annual Report and Annual Information Form for the year ended March 31, 2015, can be obtained on SEDAR at www.sedar.com.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of securities laws. These statements are based, among other things, on Saputo's assumptions, expectations, estimates, objectives, plans and intentions as of the date hereof regarding projected revenues and expenses, the economic, industry, competitive and regulatory environments in which the Company operates or which could affect its activities, its ability to attract and retain customers and consumers, as well as the availability and cost of milk and other raw materials and energy supplies, its operating costs and the pricing of its finished products on the various markets in which it carries on business.

These forward-looking statements include, among others, statements with respect to the Company's short and medium term objectives, outlook, business projects and strategies to achieve those objectives, as well as statements with respect to the Company's beliefs, plans, objectives and expectations. The words "may", "should", "will", "would", "believe", "plan", "expect", "intend", "anticipate", "estimate", "foresee", "objective", "continue", "propose" or "target", or the negative of these terms or variations of them, the use of conditional tense or words and expressions of similar nature, are intended to identify forward-looking statements.

By their nature, forward-looking statements are subject to a number of inherent risks and uncertainties. Actual results could differ materially from the conclusion, forecast or projection stated in such forward-looking statements. As a result, the Company cannot guarantee that any forward-looking statements will materialize. Assumptions, expectations and estimates made in the preparation of forward-looking statements and risks that could cause actual results to differ materially from current expectations are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including the "Risks and Uncertainties" section of the Management's Discussion and Analysis included in the Company's 2015 Annual Report.

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

Except as required under applicable securities legislation, Saputo does not undertake to update or revise these forward-looking statements, whether written or verbal, that may be made from time to time by itself or on its behalf, whether as a result of new information, future events or otherwise.

MEASUREMENT OF RESULTS NOT IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

In certain instances, the Company makes references to terms in evaluating financial performance measures, such as EBITDA, adjusted EBITDA, adjusted net earnings and adjusted earnings per share, that hold no standardized meaning under IFRS. These non-IFRS measurements are therefore not likely to be comparable to similarly titled or described measures in use by other publicly traded companies nor do they indicate that excluded items are non-recurring. The Company uses earnings before interest, income taxes, depreciation and amortization (EBITDA) as a performance measure as it is a common industry measure and reflects the ongoing profitability of the Company's consolidated business operations.

Adjusted EBITDA represents earnings before interest, income taxes, depreciation, amortization, gain on disposal of a business, acquisition, restructuring and other costs. Adjusted net earnings is defined by the Company as net earnings prior to the inclusion of a gain on disposal of a business, acquisition, restructuring and other costs, net of applicable income taxes, if any. Adjusted earnings per share is defined as adjusted net earnings attributable to shareholders of Saputo Inc. per basic and diluted common share. The most comparable IFRS financial measures to the ones used by the Company are earnings before income taxes, as well as net earnings and earnings per share (basic and diluted).

Adjusted EBITDA, adjusted net earnings and adjusted earnings per share, as used by Management, provide greater precision and comparability with regards to the Company's ongoing operation. They also provide readers with a representation of the activities considered of greater relevance to the Company's financial performance through the inclusion of additional financial information that can be used to identify trends or additional disclosures that provide information into the manner in which the Company operated. Non-IFRS measures also provide greater comparability to the Company's prior year results.

The definitions provided above are used in the context of the results and activities for the three and nine-month periods ended December 31, 2015. They are subject to change based on future transactions and as deemed necessary by Management in order to provide a better understanding and comparability of future results and activities of the Company.

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

(in millions of CDN dollars)

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2015	2014	**2015**	2014
Earnings before income taxes	**250,542**	216,638	**659,136**	649,705
Other financial charges	**7,429**	4,494	**18,999**	13,895
Interest on long-term debt	**11,952**	13,629	**36,197**	41,921
Gain on disposal of a business	**–**	–	**–**	–
Acquisition costs	**306**	–	**2,790**	–
Restructuring costs	**–**	–	**–**	–
Other costs	**–**	–	**–**	–
Depreciation and amortization	**50,146**	43,936	**143,887**	124,243
Adjusted EBITDA	**320,375**	278,697	**861,009**	829,764

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

	For the three-month periods ended December 31					
	2015			2014		
		Per Share			Per Share	
	Total	**Basic**	**Diluted**	Total	Basic	Diluted
Net earnings[1]	**174.5**	**0.44**	**0.44**	152.6	0.39	0.38
Gain on disposal of a business[2]	**–**	**–**	**–**	–	–	–
Acquisition costs[2]	**0.2**	**0.01**	**–**	–	–	–
Restructuring costs[2]	**–**	**–**	**–**	–	–	–
Other costs[2]	**–**	**–**	**–**	–	–	–
Adjusted net earnings[1]	**174.7**	**0.45**	**0.44**	152.6	0.39	0.38

[1] Attributable to shareholders of Saputo Inc.

[2] Net of income taxes

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

	For the nine-month periods ended December 31					
	2015			2014		
		Per Share			Per Share	
	Total	**Basic**	**Diluted**	Total	Basic	Diluted
Net earnings[1]	**459.6**	**1.17**	**1.16**	451.3	1.15	1.14
Gain on disposal of a business[2]	**–**	**–**	**–**	–	–	–
Acquisition costs[2]	**2.0**	**0.01**	**–**	–	–	–
Restructuring costs[2]	**–**	**–**	**–**	–	–	–
Other costs[2]	**–**	**–**	**–**	–	–	–
Adjusted net earnings[1]	**461.6**	**1.18**	**1.16**	451.3	1.15	1.14

[1] Attributable to shareholders of Saputo Inc.

[2] Net of income taxes

OPERATING RESULTS

Consolidated revenues for the quarter ended December 31, 2015 totalled $2.901 billion, an increase of approximately $79 million or 2.8%, as compared to $2.822 billion for the corresponding quarter last fiscal year. The increase is due mainly to higher sales volumes and the inclusion of revenues from the Woolwich Acquisition and the everyday cheese business of Lion-Dairy & Drinks Pty Ltd (EDC Acquisition). This increase was partially offset by the fluctuation of the average block market per pound of cheese and the average butter market price per pound, compared to the same quarter last fiscal year, decreasing revenues by approximately $191 million. Lower international selling prices of cheese and dairy ingredients, as compared to the corresponding quarter last fiscal year, negatively affected revenues. The disposal of the Bakery Division, in the fourth quarter of fiscal 2015, resulted in decreased revenues. Finally, the fluctuation of the Canadian dollar versus foreign currencies increased revenues by approximately $261 million.

For the nine-month period ended December 31, 2015, revenues totalled $8.258 billion, an increase of approximately $114 million or 1.4% in comparison to $8.144 billion for the same period last fiscal year. The increase is due mainly to higher sales volumes, as well as the inclusion of revenues from the Woolwich and EDC Acquisitions. A lower average block market per pound of cheese, as well as a lower average butter market price decreased revenues by approximately $629 million. Lower international selling prices of cheese and dairy ingredients, as compared to the corresponding period last fiscal year, negatively affected revenues. The disposal of the Bakery Division, in the fourth quarter of fiscal 2015, resulted in decreased revenues as compared to the same period last fiscal year. Finally, the fluctuation of the Canadian dollar versus foreign currencies increased revenues by approximately $725 million.

Consolidated adjusted EBITDA for the third quarter of fiscal 2016 totalled $320.4 million, an increase of $41.7 million or 15.0% in comparison to $278.7 million for the same quarter last fiscal year. The increase is due to higher sales volumes, lower ingredients costs, lower warehousing and logistical costs, as well as an increase in operational efficiencies. Also, the inclusion of the Woolwich and EDC Acquisitions positively impacted EBITDA. This increase was partially offset by lower international selling prices of cheese and dairy ingredients without a similar decline in the cost of milk as raw material. Market factors in the US negatively affected EBITDA by approximately $4 million. Also, the disposal of the Bakery Division in fiscal 2015 negatively impacted EBITDA. Finally, the fluctuation of the Canadian dollar versus foreign currencies had a favourable impact on EBITDA of approximately $29 million, as compared to the same quarter last fiscal year.

For the nine-month period ended December 31, 2015, EBITDA totalled $861.0 million, an increase of $31.2 million or 3.8%, as compared to $829.8 million for the corresponding period last fiscal year. The increase is due to higher sales volumes, increased operational efficiencies and lower ingredients costs. The inclusion of the Woolwich and EDC Acquisitions positively impacted EBITDA. The increase was partially offset by lower international selling prices of cheese and dairy ingredients without a similar decline in the cost of milk as raw material. Market factors in the US negatively affected EBITDA by $38 million. As a result of the decrease in international market selling prices, inventory was written down by approximately $13 million, decreasing EBITDA in the current period. Also, the disposal of the Bakery Division in fiscal 2015 negatively impacted EBITDA. Finally, the fluctuation of the Canadian dollar versus foreign currencies had a favourable impact on EBITDA of approximately $71 million, as compared to the same period last fiscal year.

OTHER CONSOLIDATED RESULT ITEMS

Depreciation and amortization for the third quarter of fiscal 2016 totalled $50.1 million, an increase of $6.2 million, in comparison to $43.9 million for the same quarter last fiscal year. For the nine-month period ended December 31, 2015, depreciation and amortization expense amounted to $143.9 million, an increase of $19.7 million, as compared to $124.2 million for the corresponding period last fiscal year. These increases are mainly attributed to the fluctuation of the Canadian dollar versus foreign currencies, as well as additions to property plant and equipment, increasing the depreciable base.

Acquisition costs amounted to $0.3 million and $2.8 million for the three and nine-month periods ended December 31, 2015 related to the Woolwich and EDC Acquisitions.

Net interest expense for the three month-period ended December 31, 2015 increased by $1.3 million in comparison to the same period last fiscal year. This increase is mainly attributed to higher interest rates on an Argentine Peso denominated credit facility. For the nine-month period ended December 31, 2015, net interest expense decreased by $0.6 million compared to the corresponding period last fiscal year. This decrease is mainly attributed to a lower level of debt.

Income taxes for the third quarter of fiscal 2016 totalled $75.4 million, reflecting an effective tax rate of 30.1% compared to 28.7% for the same quarter last fiscal year. Income taxes for the nine-month period ended December 31, 2015 totalled $199.0 million, reflecting an income tax rate of 30.2% in comparison to 29.9% for the same period last fiscal year. The income tax rate varies and could increase or decrease based on the amount and source of taxable income, amendments to tax legislations and income tax rates, changes in assumptions, as well as estimates used for tax assets and liabilities by the Company and its affiliates.

Net earnings totalled $175.2 million for the quarter ended December 31, 2015, compared to $154.6 million for the same quarter last fiscal year. For the nine-month period ended December 31, 2015, net earnings totalled $460.1 million, as compared to $455.6 million for the same period last fiscal year.

Adjusted net earnings totalled $175.4 million for the quarter ended December 31, 2015, compared to $154.6 million for the same quarter last fiscal year. For the nine-month period ended December 31, 2015, adjusted net earnings totalled $462.1 million, as compared to $455.6 million for the same period last fiscal year.

SELECTED QUARTERLY FINANCIAL INFORMATION

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

Fiscal years	2016			2015				2014
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues	**2,901.0**	2,792.1	2,564.4	2,513.8	2,821.8	2,701.3	2,620.8	2,485.9
Adjusted EBITDA[1]	**320.4**	281.7	258.9	232.0	278.7	282.2	268.9	277.8
Net earnings	**175.2**	148.6	136.4	157.3	154.6	155.7	145.3	119.8
Gain on disposal of a business[2]	**–**	–	–	(25.9)	–	–	–	–
Acquisition costs[2]	**0.2**	1.1	0.6	0.5	–	–	–	9.2
Restructuring costs[2]	**–**	–	–	(4.7)	–	–	–	19.9
Other costs[2]	**–**	–	–	–	–	–	–	3.9
Adjusted net earnings[1]	**175.4**	149.7	137.0	127.2	154.6	155.7	145.3	152.8
Attributable to:								
Shareholders of Saputo Inc.	**174.7**	149.0	137.9	126.2	152.6	154.4	144.3	151.9
Non-controlling interest	**0.7**	0.7	(0.9)	1.0	2.0	1.3	1.0	0.9
	175.4	149.7	137.0	127.2	154.6	155.7	145.3	152.8
Earnings per share[3]								
Basic	**0.44**	0.38	0.35	0.40	0.39	0.39	0.37	0.31
Diluted	**0.44**	0.37	0.34	0.39	0.38	0.39	0.36	0.31
Adjusted earnings per share[1, 3]								
Basic	**0.45**	0.38	0.35	0.32	0.39	0.39	0.37	0.39
Diluted	**0.44**	0.38	0.34	0.32	0.38	0.39	0.36	0.39

[1] Adjusted EBITDA, adjusted net earnings and adjusted earnings per share (basic and diluted) are non-IFRS measures. Refer to the section "Measurement of Results not in Accordance with International Financial Reporting Standards" included in this report for the definition of these terms.
[2] Net of income taxes.
[3] Per share data prior to September 30, 2014 has been adjusted for a stock dividend of one common share per each issued and outstanding common share, which was paid on September 29, 2014 and had the same effect as a two-for-one stock split of the Company's outstanding common shares.

Consolidated selected factors positively (negatively) affecting EBITDA

(in millions of CDN dollars)

Fiscal years	2016			2015			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Market factors[1, 2]	**(4)**	(37)	3	(23)	(20)	10	(35)
Inventory write-down	**–**	–	(13)	(3)	(7)	–	–
Foreign currency exchange[1, 3]	**29**	27	15	15	5	2	4

[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, the market pricing impact related to sales of dairy ingredients, as well as the impact of the average butter market price related to dairy food product sales.
[3] Foreign currency exchange includes effect on EBITDA of conversion of US dollars, Australian dollars and Argentinian pesos to Canadian dollars.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

(in thousands of CDN dollars)

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2015	2014	**2015**	2014
Cash generated from operating activities	**296,313**	256,801	**781,594**	711,304
Net cash generated from operating activities	**224,472**	182,301	**551,779**	493,328
Cash used for investing activities	**(160,304)**	(74,948)	**(387,977)**	(213,425)
Cash generated (used) for financing activities	**5,022**	(109,540)	**39,886**	(270,885)
Increase (decreased) in cash and cash equivalents	**69,190**	(2,187)	**203,688**	9,018

For the three-month period ended December 31, 2015, cash generated from **operating activities** amounted to $296.3 million in comparison to $256.8 million for the corresponding quarter last fiscal year, an increase of $39.5 million. For the nine-month period ended December 31, 2015, cash generated from operating activities amounted to $781.6 million in comparison to $711.3 million for the corresponding period last fiscal year, an increase of $70.3 million.

Net cash generated from operating activities for the three-month period ended December 31, 2015, amounted to $224.5 million in comparison to $182.3 million for the corresponding period last fiscal year, a profit driven increase in liquidity of $42.2 million. For the nine-month period ended December 31, 2015, net cash generated from operating activities amounted to $551.8 million in comparison to $493.3 million for the corresponding period last fiscal year. This additional liquidity of $58.5 million is due to an increase in non-cash operating working capital items of $33.7 million driven by the fluctuation of market prices in the USA Sector and cash flows generated from operating activities before changes in non-cash operating working capital items of $36.6 million. This was offset by changes in income taxes paid of $10.3 million.

Investing activities for the three-month period ended December 31, 2015 were mainly comprised of $80.3 million disbursed for the Woolwich Acquisition, additions to property, plant and equipment of $50.4 million and additions to software licenses and professional service intangibles of $33.2 million related to the ERP (Enterprise Resource Planning) initiative. For the nine-month period ended December 31, 2015, investing activities consisted mainly of the Woolwich and EDC Acquisition totalling $212.7 million, additions to property, plant and equipment of $145.7 million and additions to intangibles of $33.2 million related to the ERP initiative.

Financing activities for the three-month period ended December 31, 2015 consisted mainly of an increase in bank loans of $53.5 million mainly due to the Woolwich Acquisition, the payment of $53.0 million in dividends and the issuance of shares as part of the stock option plan for a cash consideration of $10.8 million. For the nine-month period ended December 31, 2015, the Company received proceeds from long-term debt of $134.7 million related to the EDC Acquisition, increased bank loans by $73.5 million and issued shares as part of the stock option plan for a cash consideration of $24.6 million. In addition, the Company paid $157.0 million in dividends, reimbursed long-term debt of $12.2 million and repurchased share capital for $23.6 million.

Liquidity

(in thousands of CDN dollars, except ratio)

	December 31, 2015	March 31, 2015
Current assets	**2,454,721**	1,962,455
Current liabilities	**1,451,950**	1,179,421
Working capital	**1,002,771**	783,034
Working capital ratio	**1.69**	1.66

Capital Management

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

The Company targets a long-term leverage of approximately 2.0 times net debt[1] to Adjusted EBITDA. From time to time, the Company may deviate from its long-term leverage target to pursue acquisitions and other strategic opportunities. Should such a scenario arise, the Company expects to deleverage over a reasonable period of time in order to seek to maintain its investment grade ratings.

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

	December 31, 2015	March 31, 2015
Cash and cash equivalents	**306,112**	72,566
Bank loans	**230,467**	169,826
Net debt[1]	**1,622,913**	1,667,260
Trailing twelve-months adjusted EBITDA	**1,092,968**	1,061,723
Net debt-to-trailing twelve-months adjusted EBITDA	**1.48**	1.57
Number of common shares	**392,852,610**	392,225,049
Number of stock options	**18,555,249**	17,081,469

[1] Total debt, net of cash and cash equivalents.

As at December 31, 2015, the Company had $306.1 million in cash and cash equivalents and available bank credit facilities of approximately $1.060 billion, of which $230.5 million were drawn. See Notes 5 and 6 to the condensed interim consolidated financial statements for additional information related to bank loans and long-term debt.

Share capital authorized by the Company is comprised of an unlimited number of common 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 is to be determined at the time of their issuance. No preferred shares are outstanding. As at January 29, 2016, 392,941,160 common shares and 18,441,601 stock options were outstanding.

Normal Course Issuer Bid

On November 17, 2015, the Company renewed its normal course issuer bid (Bid) in order to repurchase up to 19,547,976 common shares. A copy of the notice with respect of the Bid may be obtained without charge upon request to the Secretary of the Company. Reference is made to the news release of the Company dated November 12, 2015 for a summary of the information contained in the notice.

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)

	December 31, 2015			March 31, 2015		
	Long-term debt	**Minimum lease**	**Total**	Long-term debt	Minimum lease	Total
Less than 1 year	**245,208**	**32,119**	**277,327**	53,125	27,393	80,518
1–2 years	**25,208**	**23,948**	**49,156**	432,500	20,894	453,394
2–3 years	**78,142**	**19,379**	**97,521**	212,500	17,228	229,728
3–4 years	**1,350,000**	**15,775**	**1,365,775**	212,500	13,411	225,911
4–5 years	**–**	**12,483**	**12,483**	659,375	10,551	669,926
More than 5 years	**–**	**31,480**	**31,480**	–	29,054	29,054
	1,698,558	**135,184**	**1,833,742**	1,570,000	118,531	1,688,531

BALANCE SHEET

With regards to balance sheet items as at December 31, 2015 compared to those as at March 31, 2015, the variances are the result of normal operational fluctuations except for the inclusion of the Woolwich and EDC business. For additional information on the Woolwich and EDC Acquisitions, see Note 12 of the condensed interim consolidated financial statements.

FOLLOW-UP ON CERTAIN SPECIFIC ITEMS OF THE ANALYSIS

For an analysis of guarantees, related party transactions, accounting standards, critical accounting policies and use of accounting estimates, future standards, new accounting standards adopted, risks and uncertainties, as well as a sensitivity analysis of interest rate and US currency fluctuations, the discussion provided in the Company's 2015 Annual Report can be consulted (pages 18 to 24 of the Management's Discussion and Analysis).

DISCLOSURE CONTROLS AND PROCEDURES

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The CEO and the CFO are responsible for establishing and maintaining internal control over financial reporting. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The CEO and the CFO, along with Management, have concluded, after having conducted an evaluation and to the best of their knowledge, that, as at December 31, 2015, no change in the Company's internal control over financial reporting occurred that could have materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

INFORMATION BY SECTOR

Canada Sector

(in millions of CDN dollars)

Fiscal years	2016			2015			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	**992.8**	958.5	917.5	909.6	1,005.4	971.7	949.1
EBITDA	**107.5**	99.4	98.1	82.3	102.1	106.8	113.3

The Canada Sector consists of the Dairy Division (Canada). In fiscal 2015, the Sector included both the Dairy Division (Canada) and the Bakery Division.

Revenues

Revenues for the Canada Sector totalled $992.8 million for the quarter ended December 31, 2015, a decrease of approximately $13 million or 1.3%, as compared to $1.005 billion for the corresponding quarter last fiscal year. The decrease in revenues was mainly related to the disposal of the Bakery Division in the fourth quarter of fiscal 2015. The decrease was partially offset by higher sales volumes and a favourable product mix as compared to the same quarter last fiscal year. The inclusion of revenues from the Woolwich Acquisition increased revenues during the quarter.

Since the beginning of the fiscal year, revenues from the Canada Sector totalled $2.869 billion, a decrease of approximately $57 million or 2.0% in comparison to $2.926 billion for the same period last fiscal year. The decrease in revenues was mainly related to the disposal of the Bakery Division in the fourth quarter of fiscal 2015. However, higher sales volumes and a favourable product mix increased revenues as compared to the same period last fiscal year. The inclusion of revenues from the Woolwich Acquisition increased revenues during the period.

EBITDA

EBITDA for the Canada Sector totalled $107.5 million for the quarter ended December 31, 2015, an increase of $5.4 million or 5.3%, as compared to $102.1 million for the corresponding quarter last fiscal year. The increase is due to lower ingredients costs and lower warehousing and logistical costs. The inclusion of the Woolwich Acquisition positively impacted EBITDA. This increase was offset by a lower international dairy ingredient market that negatively impacted EBITDA as compared to the same quarter last fiscal year. Increased administrative expenses related mainly to the ERP initiatives announced at the beginning of the year negatively impacted EBITDA as compared to the same quarter last fiscal year. Lastly, the disposal of the Bakery Division in the fourth quarter of last fiscal year negatively affected EBITDA of the current quarter by approximately $4 million.

Since the beginning of the fiscal year, EBITDA totalled $305.0 million, a decrease of $17.2 million or 5.3%, as compared to $322.2 million for the same period last fiscal year. A decline in the international dairy ingredient market, as well as increased warehousing and logistical costs decreased EBITDA as compared to the same period last fiscal year. Increased administrative expenses related mainly to the ERP initiatives announced at the beginning of the year negatively impacted EBITDA as compared to the same period last fiscal year. The Sector benefitted from additional volumes and lower ingredients costs as compared to the same period last fiscal year. The inclusion of the Woolwich Acquisition positively impacted EBITDA. The disposal of the Bakery Division in the fourth quarter of last fiscal year negatively affected EBITDA of the current period by approximately $12 million.

USA Sector

(in millions of CDN dollars)

Fiscal years	2016			2015			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	**1,574.9**	1,459.2	1,303.3	1,248.2	1,394.5	1,345.1	1,291.9
EBITDA	**190.1**	172.7	171.7	141.0	139.5	136.6	117.8

Selected factors positively (negatively) affecting EBITDA

(in millions of CDN dollars)

Fiscal years	2016			2015			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Market factors[1, 2]	**(4)**	(37)	3	(23)	(20)	10	(35)
US currency exchange[1]	**25**	27	15	15	10	6	7

[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 on the relationship between the average block market per pound of cheese and the cost of milk as raw material, the market pricing impact related to sales of dairy ingredients, as well as the impact of the average butter market price related to dairy food product sales.

Other pertinent information

(in US dollars, except for average exchange rate)

Fiscal years	2016			2015			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Average block market per pound of cheese	**1.621**	1.687	1.619	1.542	2.052	2.111	2.161
Closing block price per pound of cheese[1]	**1.508**	1.670	1.620	1.580	1.553	2.208	2.000
Average butter market price per pound	**2.562**	2.243	1.877	1.660	2.026	2.676	2.123
Closing butter market price per pound[2]	**2.080**	2.510	1.918	1.785	1.555	2.895	2.500
Average whey market price per pound[3]	**0.226**	0.309	0.430	0.458	0.580	0.653	0.660
Spread[4]	**0.152**	0.120	0.078	0.061	0.036	(0.021)	(0.008)
US average exchange rate to Canadian dollar[5]	**1.333**	1.309	1.229	1.244	1.134	1.090	1.091

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

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

Revenues

Revenues for the USA Sector totalled $1.575 billion for the quarter ended December 31, 2015, an increase of approximately $180 million or 12.9%, as compared to $1.395 billion for the corresponding quarter last fiscal year. Higher sales volumes in both US divisions, as well as the inclusion of the Woolwich Acquisition, increased revenues. The fluctuation of the average block market per pound of cheese and the butter market in the third quarter of fiscal 2016, as compared to the corresponding quarter last fiscal year, decreased revenues by approximately $191 million. The weakening of the Canadian dollar versus the US dollar increased revenues by approximately $247 million.

Since the beginning of the fiscal year, revenues from the USA Sector totalled $4.337 billion, an increase of approximately $305 million or 7.6% in comparison to $4.032 billion for the same period last fiscal year. Higher sales volumes in both US divisions, as well as the inclusion of the Woolwich Acquisition, positively contributed to the increase. A lower average block market per pound of cheese and a lower average butter market price as compared to the same period last fiscal year decreased revenues by approximately $629 million. The weakening of the Canadian dollar versus the US dollar increased revenues by approximately $688 million.

EBITDA

EBITDA for the USA Sector totalled $190.1 million for the quarter ended December 31, 2015, an increase of $50.6 million or 36.3%, as compared to $139.5 million for the corresponding quarter last fiscal year. In the Cheese Division (USA), higher sales volumes, a decrease in ingredients costs, as well as better efficiencies increased EBITDA as compared to the corresponding quarter last fiscal year. The Dairy Foods Division (USA) benefitted from increased sales volumes, a favourable product mix, lower warehousing and logistical costs, as well as decreased operational costs attributed to better cost control. The Sector also benefitted from procurement efficiencies. A variation in the average block market per pound of cheese in the quarter versus the corresponding quarter last fiscal year had a favourable impact on the realization of inventories and an unfavourable impact on the absorption of fixed costs. The relationship between the average block market per pound of cheese and the cost of milk as raw material was favourable. A lower dairy ingredient market had a negative effect on EBITDA. These combined market factors, including the unfavourable margins associated with the higher commodity prices in the Dairy Foods Division (USA), decreased EBITDA by approximately $4 million, as compared to the same quarter last fiscal year. The weakening of the Canadian dollar versus the US dollar had a positive impact on EBITDA of approximately $25 million.

Since the beginning of the fiscal year, EBITDA totalled $534.6 million, an increase of $140.7 million or 35.7%, as compared to $393.9 million for the corresponding period last fiscal year. Higher sales volumes, a decrease in ingredients costs and operational efficiencies in both Cheese Division (USA) and the Dairy Food Division (USA) positively impacted EBITDA. Market factors decreased EBITDA by approximately $38 million for the nine-month period ended December 31, 2015 compared to the same period last fiscal year, resulting mainly from the combined impact of a lower dairy ingredient market, as well as a favourable impact on the realization of inventories and an unfavourable impact on the absorption of fixed costs. A favourable relationship between the average block market per pound of cheese and the cost of milk as raw material positively impacted EBITDA. The favourable margins associated with the lower commodity prices in the Dairy Foods Division (USA) increased EBITDA. The weakening of the Canadian dollar versus the US dollar had a positive impact on EBITDA of approximately $67 million.

International Sector

(in millions of CDN dollars)

Fiscal years	2016			2015			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	**333.4**	374.4	343.6	356.1	422.0	384.5	379.7
EBITDA	**22.8**	9.6	(10.9)	8.7	37.1	38.7	37.8

Selected factors positively (negatively) affecting EBITDA

(in millions of CDN dollars)

Fiscal years	2016			2015			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Inventory write-down	**–**	–	(13)	(3)	(7)	–	–
Foreign currency exchange[1]	**4**	–	–	–	(5)	(4)	(3)

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

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

Revenues

Revenues for the International Sector totalled $333.4 million for the quarter ended December 31, 2015, a decrease of $88.6 million or 21.0%, as compared to $422.0 million for the corresponding quarter last fiscal year. This decrease is due to lower international cheese and dairy ingredient market prices. In the Dairy Division (Argentina), lower volumes in the export markets and lower selling prices in both the domestic and export markets decreased revenues, partially offsetting the impact of higher volumes in the domestic market, as compared to the same quarter last fiscal year. Revenues of the Dairy Division (Australia) decreased due to the decline in the international cheese and dairy ingredient market prices. This decrease was partially offset by the inclusion of the EDC Acquisition. Revenues of the Dairy Ingredients Division decreased as compared to the corresponding quarter last fiscal year due to the lower selling prices in the international markets, lower sales volumes, as well as unfavourable product mix. The fluctuation of the Canadian dollar versus the foreign currencies used in the International Sector positively impacted revenues by approximately $14 million, as compared to the same quarter last fiscal year.

Since the beginning of the fiscal year, revenues for the International Sector totalled $1.051 billion, a decrease of approximately $135 million or 11.4% in comparison to $1.186 billion for the same period last fiscal year. This decrease is due to the decline of international cheese and dairy ingredient market prices. In the Dairy Division (Argentina), lower selling prices, as well as lower volumes in the export market decreased revenues but were offset by the impact of higher prices and higher volumes in the domestic market, as compared to the same quarter last fiscal year. Revenues of the Dairy Division (Australia) decreased due to the decline in the international cheese and dairy ingredient market prices, partially offset by higher sales volumes and the inclusion of the EDC Acquisition. Revenues of the Dairy Ingredients Division decreased as compared to the corresponding period last fiscal year due to the lower selling prices in the international markets and an unfavourable product mix. The fluctuation of the Canadian dollar versus the foreign currencies used in the International Sector positively impacted revenues by approximately $37 million, as compared to the same period last fiscal year.

EBITDA

EBITDA for the International Sector totalled $22.8 million for the quarter ended December 31, 2015, a decrease of $14.3 million or 38.5%, as compared to $37.1 million for the corresponding quarter last fiscal year. In the Dairy Division (Argentina), lower international cheese and dairy ingredient market prices and the fact that the cost of milk as raw material did not follow this decrease in the export market, as well as higher manufacturing costs negatively affected EBITDA. This decrease was partially offset by higher volumes in the domestic market. In the Dairy Division (Australia), the decrease in market selling prices and the high cost of milk as raw material negatively affected EBITDA. The inclusion of the EDC Acquisition positively impacted EBITDA. EBITDA of the Dairy Ingredients Division was comparable to the corresponding quarter last fiscal year. Included in EBITDA of the corresponding quarter of last fiscal year is an inventory write-down of approximately $7 million. The weakening of the Canadian dollar versus foreign currencies had a positive impact on EBITDA of approximately $4 million.

Since the beginning of the fiscal year, EBITDA totalled $21.5 million, a decrease of $92.2 million or 81.1%, as compared to $113.7 million for the same period last fiscal year. In the Dairy Division (Argentina), a decline of international cheese and dairy ingredient market prices in the export market and the fact that the cost of milk as raw material did not follow this decrease as compared to last fiscal year negatively affected EBITDA. In the Dairy Division (Australia), the decrease in market selling prices and the high cost of milk as raw material negatively affected EBITDA. The inclusion of the EDC Acquisition positively impacted EBITDA. EBITDA for the Dairy Ingredients Division remained stable, as compared to the same period last fiscal year. As a result of the decrease in market selling prices, inventory was written down by approximately $13 million since the beginning of the fiscal year, as compared to $7 million for the same period last fiscal year. The Sector benefitted from additional volumes that positively affected EBITDA. The weakening of the Canadian dollar versus foreign currencies had a positive impact on EBITDA of approximately $4 million.

OUTLOOK

In Canada, competitive market factors and the depressed dairy ingredient market continued to place downward pressure on the results of the Division. The Dairy Division (Canada) seeks to optimize its operating platform and continues to evaluate its cost structure in order to mitigate downward margin pressure. The Division continues to leverage its operational flexibility to enhance profitability, in addition to maintaining cost control.

Innovation has always been a priority, enabling the Company to offer products that meet consumer needs. Accordingly, additional resources have been allocated to product innovation, allowing us to continue to forge and secure long-term relationships with both customers and consumers.

In the USA Sector, depressed selling prices in the international dairy ingredient market are expected to put downward pressure on margins and the Company will continue to focus on controlling costs and increasing efficiencies in order to mitigate their impact on EBITDA. International dairy ingredient market have declined since the last half of fiscal 2015 and these prices are anticipated to remain low throughout the first half of fiscal 2017.

The Company will continue to focus on the implementation of its business model within the Dairy Foods Division (USA), including its philosophy of being a low-cost processor. The USA Sector will continue to focus on possible synergies stemming from the Divisions' national manufacturing and distribution footprint. In addition, the Sector intends to capitalize on investments made to its existing network in an effort to provide new capabilities and enable future growth.

The Woolwich Acquisition enables the Company to increase its presence in the specialty cheese category in North America. During the fourth quarter of fiscal 2016, Woolwich operations will be integrated into Saputo's operating divisions. The Company will also evaluate potential synergies and focus on improving and expanding product offerings to all customers.

The International Sector will continue to pursue sales volume growth in existing markets, as well as develop additional international markets. Also, we will pursue growth of cheese export sales volumes from the Cheese Division (USA) to the extent milk pricing is competitive with world prices. The Dairy Division (Australia) has given the International Sector an additional platform, which contributes to the long-term growth of the Sector as a dairy player on a global scale. We anticipate that the EDC Acquisition will bring new opportunities to the Sector. The Sector will continue to evaluate overall activities in an effort to improve efficiencies.

International cheese and dairy ingredient markets were depressed through the third quarter of fiscal 2016 and these prices are anticipated to remain low throughout the first half of fiscal 2017 and are expected to continue to put downward pressure on the Sector's margins. As such, we will continue to focus on controlling costs and increasing efficiencies in order to mitigate their impact on EBITDA.

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

(signed) Lino Saputo
Lino Saputo
Chairman of the Board

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

February 4, 2016

NOTICE

The condensed interim consolidated financial statements of Saputo Inc. for the three and nine-month periods ended December 31, 2015 and 2014 have not been reviewed by an independent auditor.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS

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

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2015	2014	**2015**	2014
Revenues	**$ 2,901,033**	$ 2,821,828	**$ 8,257,543**	$ 8,143,891
Operating costs excluding depreciation, amortization, gain on disposal of a business, acquisition, restructuring and other costs (Note 4)	**2,580,658**	2,543,131	**7,396,534**	7,314,127
Earnings before interest, depreciation, amortization, gain on disposal of a business, acquisition, restructuring, other costs and income taxes	**320,375**	278,697	**861,009**	829,764
Depreciation and amortization	**50,146**	43,936	**143,887**	124,243
Acquisition costs	**306**	–	**2,790**	–
Interest on long-term debt	**11,952**	13,629	**36,197**	41,921
Other financial charges (Note 9)	**7,429**	4,494	**18,999**	13,895
Earnings before income taxes	**250,542**	216,638	**659,136**	649,705
Income taxes	**75,358**	62,087	**198,982**	194,116
Net earnings	**$ 175,184**	$ 154,551	**$ 460,154**	$ 455,589
Attributable to:				
Shareholders of Saputo Inc.	**$ 174,453**	$ 152,595	**$ 459,660**	$ 451,326
Non-controlling interest	**731**	1,956	**494**	4,263
	$ 175,184	$ 154,551	**$ 460,154**	$ 455,589
Earnings per share (Note 8)				
Net earnings				
Basic	**$ 0.44**	$ 0.39	**$ 1.17**	$ 1.15
Diluted	**$ 0.44**	$ 0.38	**$ 1.16**	$ 1.14

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands of CDN dollars)
(unaudited)

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2015	2014	**2015**	2014
Net earnings	**$ 175,184**	$ 154,551	**$ 460,154**	$ 455,589
Other comprehensive income (loss):				
Items that may be reclassified to net earnings:				
Exchange differences arising from foreign currency translation	**137,472**	86,178	**300,145**	92,035
Net unrealized gains (losses) on cash flow hedges[1] (Note 10)	**4,387**	(741)	**6,702**	(200)
Reclassification of gains on cash flow hedges to net earnings[2]	**(1,329)**	–	**(3,610)**	(4,004)
Items that will not be reclassified to net earnings:				
Actuarial losses[3]	**–**	(8,255)	**–**	(8,255)
Other comprehensive income (loss)	**140,530**	77,182	**303,237**	79,576
Comprehensive income	**$ 315,714**	$ 231,733	**$ 763,391**	$ 535,165
Attributable to:				
Shareholders of Saputo Inc.	**$ 314,983**	$ 229,777	**$ 762,897**	$ 531,386
Non-controlling interest	**731**	1,956	**494**	3,779
	$ 315,714	$ 231,733	**$ 763,391**	$ 535,165

[1] Net of income taxes of $2,260 and $4,610 for the three and nine-month periods ended December 31, 2015, respectively (2014 – $452 and $266).
[2] Net of income taxes of $1,121 and $2,834 for the three and nine-month periods ended December 31, 2015, respectively (2014 – nil and $1,716).
[3] Net of income taxes of $3,017 for the three and nine-month periods ended December 31, 2014.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EQUITY

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

For the nine-month period ended December 31, 2015

	Share capital		Reserves							
	Common Shares (in thousands)	Amount	Foreign Currency Translation	Cash Flow Hegdes	Stock Option Plan	Total Reserves	Retained Earnings	Total	Non-Controlling Interest	Total Equity
Balance, beginning of period	**392,225**	**$ 765,809**	**$ 556,724**	**$ (5,013)**	**$ 69,491**	**$ 621,202**	**$ 2,173,911**	**$ 3,560,922**	**$ 67,633**	**$ 3,628,555**
Net earnings	**–**	**–**	**–**	**–**	**–**	**–**	**459,660**	**459,660**	**494**	**460,154**
Other comprehensive income	**–**	**–**	**300,145**	**3,092**	**–**	**303,237**	**–**	**303,237**	**–**	**303,237**
Comprehensive income								**762,897**	**494**	**763,391**
Dividends declared	**–**	**–**	**–**	**–**	**–**	**–**	**(157,030)**	**(157,030)**	**–**	**(157,030)**
Stock option plan (Note 7)	**–**	**–**	**–**	**–**	**13,176**	**13,176**	**–**	**13,176**	**–**	**13,176**
Shares issued under stock option plan	**1,428**	**24,623**	**–**	**–**	**–**	**–**	**–**	**24,623**	**–**	**24,623**
Amount transferred from reserves to share capital upon exercise of options	**–**	**5,007**	**–**	**–**	**(5,007)**	**(5,007)**	**–**	**–**	**–**	**–**
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	**–**	**–**	**–**	**–**	**2,077**	**2,077**	**–**	**2,077**	**–**	**2,077**
Shares repurchased and cancelled	**(800)**	**(1,590)**	**–**	**–**	**–**	**–**	**(22,058)**	**(23,648)**	**–**	**(23,648)**
Balance, end of period	**392,853**	**$ 793,849**	**$ 856,869**	**$ (1,921)**	**$ 79,737**	**$ 934,685**	**$ 2,454,483**	**$ 4,183,017**	**$ 68,127**	**$ 4,251,144**

For the nine-month period ended December 31, 2014

	Share capital		Reserves							
	Common Shares (in thousands)	Amount	Foreign Currency Translation	Cash Flow Hegdes	Stock Option Plan	Total Reserves	Retained Earnings	Total	Non-Controlling Interest	Total Equity
Balance, beginning of period	390,138	$ 703,111	$ 183,321	$ 1,528	$ 57,433	$ 242,282	$ 1,830,911	$ 2,776,304	$ 62,856	$ 2,839,160
Net earnings	–	–	–	–	–	–	451,326	451,326	4,263	455,589
Other comprehensive income	–	–	92,035	(3,720)	–	88,315	(8,255)	80,060	(484)	79,576
Comprehensive income								531,386	3,779	535,165
Dividends declared	–	–	–	–	–	–	(146,754)	(146,754)	–	(146,754)
Stock option plan (Note 7)	–	–	–	–	13,382	13,382	–	13,382	–	13,382
Shares issued under stock option plan	2,284	33,396	–	–	–	–	–	33,396	–	33,396
Amount transferred from reserves to share capital upon exercise of options	–	7,215	–	–	(7,215)	(7,215)	–	–	–	–
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	–	–	–	–	3,495	3,495	–	3,495	–	3,495
Shares repurchased and cancelled	(1,503)	(2,819)	–	–	–	–	(45,967)	(48,786)	–	(48,786)
Balance, end of period	390,919	$ 740,903	$ 275,356	$ (2,192)	$ 67,095	$ 340,259	$ 2,081,261	$ 3,162,423	$ 66,635	$ 3,229,058

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS
(in thousands of CDN dollars)

As at	December 31, 2015 *(unaudited)*	March 31, 2015 *(audited)*
ASSETS		
Current assets		
Cash and cash equivalents	**$ 306,112**	$ 72,566
Receivables	**884,323**	784,519
Inventories	**1,170,762**	1,006,024
Income taxes	**817**	1,059
Prepaid expenses and other assets	**92,707**	98,287
	2,454,721	1,962,455
Property, plant and equipment	**2,222,552**	2,073,115
Goodwill	**2,317,434**	2,125,016
Trademarks and other intangibles	**575,937**	506,307
Other assets	**121,721**	115,779
Deferred income taxes	**18,195**	17,582
Total assets	**$ 7,710,560**	$ 6,800,254
LIABILITIES		
Current liabilities		
Bank loans (Note 5)	**$ 230,467**	$ 169,826
Accounts payable and accrued liabilities	**937,168**	898,124
Income taxes	**39,107**	58,346
Current portion of long-term debt (Note 6)	**245,208**	53,125
	1,451,950	1,179,421
Long-term debt (Note 6)	**1,453,350**	1,516,875
Other liabilities	**74,304**	70,201
Deferred income taxes	**479,812**	405,202
Total liabilities	**$ 3,459,416**	$ 3,171,699
EQUITY		
Share capital (Note 7)	**793,849**	765,809
Reserves	**934,685**	621,202
Retained earnings	**2,454,483**	2,173,911
Equity attributable to shareholders of Saputo Inc.	**4,183,017**	3,560,922
Non-controlling interest	**68,127**	67,633
Total equity	**$ 4,251,144**	$ 3,628,555
Total liabilities and equity	**$ 7,710,560**	$ 6,800,254

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of CDN dollars)
(unaudited)

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2015	2014	**2015**	2014
Cash flows related to the following activities:				
Operating				
Net earnings	**$ 175,184**	$ 154,551	**$ 460,154**	$ 455,589
Adjustments for:				
Stock-based compensation	**6,921**	5,299	**21,186**	19,134
Interest and other financial charges	**19,381**	18,123	**55,196**	55,816
Income tax expense	**75,358**	62,087	**198,982**	194,116
Depreciation and amortization	**50,146**	43,936	**143,887**	124,243
(Gain) loss on disposal of property, plant and equipment	**(647)**	118	**(747)**	(839)
Share of gain in joint venture earnings	**(2,563)**	(2,950)	**(4,714)**	(5,482)
Under (over)funding of employee plans compared to costs	**338**	(4,992)	**1,889**	(3,334)
	324,118	276,172	**875,833**	839,243
Changes in non-cash operating working capital items	**(27,805)**	(19,371)	**(94,239)**	(127,939)
Cash generated from operating activities	**296,313**	256,801	**781,594**	711,304
Interest and other financial charges paid	**(19,437)**	(18,578)	**(53,674)**	(52,120)
Income taxes paid	**(52,404)**	(55,922)	**(176,141)**	(165,856)
Net cash generated from operating activities	**224,472**	182,301	**551,779**	493,328
Investing				
Business acquisition	**(80,300)**	–	**(212,740)**	(64,979)
Additions to property, plant and equipment	**(50,402)**	(54,772)	**(145,713)**	(128,929)
Additions to intangibles	**(33,246)**	–	**(33,246)**	–
Proceeds on disposal of property, plant and equipment	**3,404**	376	**4,596**	1,749
Other	**240**	(20,552)	**(874)**	(21,266)
	(160,304)	(74,948)	**(387,977)**	(213,425)
Financing				
Bank loans	**53,497**	(148,571)	**73,453**	(104,550)
Proceeds from issuance of long-term debt	**–**	300,000	**134,666**	410,000
Repayment of long-term debt	**(6,302)**	(190,928)	**(12,178)**	(414,191)
Issuance of share capital	**10,842**	6,629	**24,623**	33,396
Repurchase of share capital	**–**	(25,887)	**(23,648)**	(48,786)
Dividends	**(53,015)**	(50,783)	**(157,030)**	(146,754)
	5,022	(109,540)	**39,886**	(270,885)
Increase (decrease) in cash and cash equivalents	**69,190**	(2,187)	**203,688**	9,018
Effect of exchange rate changes on cash and cash equivalents	**17,483**	(647)	**29,858**	(1,112)
Cash and cash equivalents, beginning of period	**219,439**	50,086	**72,566**	39,346
Cash and cash equivalents, end of period	**$ 306,112**	$ 47,252	**$ 306,112**	$ 47,252

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 1 CORPORATE INFORMATION

Saputo Inc. (the Company) is a publicly traded company incorporated and domiciled in Canada. The Company's shares are listed on the Toronto Stock Exchange under the symbol "SAP." The Company produces, markets and distributes a wide array of dairy products from Canada, the United States, Argentina and Australia. The address of the Company's head office is 6869 Metropolitain Blvd. East, Montréal, Québec, Canada, H1P 1X8. The condensed interim consolidated financial statements (financial statements) of the Company for the period ended December 31, 2015 comprise the financial results of the Company and its subsidiaries.

The financial statements for the period ended December 31, 2015 have been authorized for issuance by the Board of Directors on February 4, 2016.

NOTE 2 BASIS OF PRESENTATION

The financial statements of the Company have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (IASB). Accordingly, certain disclosure requirements that are necessary in the preparation of an annual report in compliance with International Financial Reporting Standards (IFRS) have been omitted or condensed. On August 5, 2014 the Board of Directors declared a stock dividend of one common share per each issued and outstanding common share, which had the same effect as a two-for-one stock split of the Company's outstanding common shares, paid on September 29, 2014 to shareholders of record as of the close of business on September 19, 2014. The Company's shares began trading on an ex-dividend basis (split basis) on September 30, 2014 and references to common shares, options and related information made herein have been retroactively adjusted to reflect the stock dividend.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation applied in these condensed interim consolidated financial statements are the same as those applied by the Company in its consolidated financial statements as at and for the year ended March 31, 2015 except for the impact of the adoption of the new standards, interpretations and amendments described below.

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

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

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

IFRS 9, Financial Instruments

The IASB issued IFRS 9 in November 2009 with the long-term goal of replacing IAS 39, Financial Instruments: Recognition and Measurement. Several amendments have been made to this standard since that date including amendments made in July and August 2014 relating to the classification of financial assets and the use of a single impairment model for all financial instruments.

These amendments, along with the adoption of the standard, are effective for annual reporting periods beginning on or after January 1, 2018. Management is currently evaluating the impact of the adoption of this standard, including amendments.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

The IASB previously issued a narrow-scope amendment to IFRS 10, Consolidated Financial Statements and IAS 28, Investments in Associates and Joint Ventures to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 when dealing with the sale or contribution of assets between an investor and its associate or joint venture. The original amendments required a full gain or loss to be recognized where a transaction involved a business or that a partial gain or loss be recognized when a transaction involved assets that did not constitute a business.

The original effective date for this amendment was for annual reporting periods beginning on or after January 1, 2016 however, on December 21, 2015, the IASB decided to postpone this change until the completion of a broader review by the IASB which may result in the simplification of accounting for such transactions and other aspects of accounting for associates and joint ventures.

IFRS 15, Revenue from Contracts with Customers

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

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

This standard is effective for annual reporting periods beginning on or after January 1, 2018. Management is currently assessing the impact of the adoption of this standard.

IFRS 16, Leases

On January 13, 2016, the IASB published a new standard, IFRS 16, Leases. The new standard will eliminate the distinction between operating and finance leases and will bring most leases on the balance sheet for lessees. For lessors, the accounting remains mostly unchanged and the distinction between operating and finance leases is retained.

This standard is effective for annual reporting periods beginning on or after January 1, 2019. Management is currently assessing the impact of the adoption of this standard.

IAS 19, Employee Benefits

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

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

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

The following standards were adopted by the Company on April 1, 2015:

IFRS 2, Share-based Payment

The IASB has amended the definitions of market and vesting conditions and added definitions for performance and service conditions. Vesting conditions are now defined as either service conditions or performance conditions. The amendments also clarify certain other requirements for performance, service, market and non-vesting conditions.

This amendment did not impact the Company's financial statements for the three and nine-month periods ending December 31, 2015.

IFRS 3, Business Combinations

The IASB amended IFRS 3 to clarify that contingent consideration in a business combination, whether an asset or liability, should continue to be measured at fair value at each reporting date regardless of whether the contingent consideration is considered a financial instrument within the scope of IFRS 9 or IAS 39 and regardless of whether it is considered a non-financial asset or liability (changes in fair value shall be included in net earnings).

This amendment did not impact the Company's financial statements for the three and nine-month periods ending December 31, 2015.

IFRS 8, Operating Segments

The IASB amended IFRS 8 to require an entity to disclose the judgements in applying the aggregation criteria. The standard now requires a brief description of the operating segments that have been aggregated in the present manner and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.

The adoption of this amendment has not materially impacted the Company's financial statements with the exception of additional disclosures found in Note 11.

IFRS 8 has also been amended to clarify that an entity needs to present a reconciliation between the total reporting segment's assets to the entities' total assets only if this information is usually provided to the chief operating decision maker.

This amendment did not impact the Company's financial statements for the three and nine-month periods ending December 31, 2015 as this information is already disclosed by the Company in its Annual Report.

IFRS 13, Fair Value

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

This amendment did not significantly impact the Company's financial statements for the three and nine-month periods ending December 31, 2015.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

IAS 19, Employee Benefits

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

This amendment did not impact the Company's financial statements for the three and nine-month periods ending December 31, 2015.

IAS 24, Related Party Transactions

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

This amendment did not impact the Company's financial statements for the three and nine-month periods ending December 31, 2015.

IAS 40, Investment Property

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

This amendment did not impact the Company's financial statements for the three and nine-month periods ending December 31, 2015.

NOTE 4 OPERATING COSTS EXCLUDING DEPRECIATION, AMORTIZATION, GAIN ON DISPOSAL OF A BUSINESS, ACQUISITION, RESTRUCTURING AND OTHER COSTS

	For the three-month periods ended December 31		**For the nine-month periods ended December 31**	
	2015	2014	**2015**	2014
Changes in inventories of finished goods and work in process	**$ 46,672**	$ 10,595	**$ (86,026)**	$ (16,567)
Raw materials and consumables used	**1,985,177**	2,042,920	**5,915,963**	5,923,615
Foreign exchange gain	**(1,055)**	(4,818)	**(5,876)**	(9,894)
Employee benefits expense	**311,627**	271,595	**893,316**	783,693
Selling costs	**76,040**	76,943	**213,644**	220,106
Other general and administrative costs	**162,197**	145,896	**465,513**	413,174
	$ 2,580,658	$ 2,543,131	**$ 7,396,534**	$ 7,314,127

For the three and nine-month periods ended December 31, 2015, a write-down of nil and $13,085,000, respectively, was included as an expense in "Operating costs excluding depreciation, amortization, gain on disposal of a business, acquisition, restructuring and other costs" under the caption "Changes in inventories of finished goods and work in process" ($6,836,000 for the three and nine-month periods ended December 31, 2014).

NOTE 5 BANK LOANS

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

		Available for use			Amount drawn	
Credit Facilities	Maturity	Canadian Currency Equivalent	Base Currency		**December 31, 2015**	March 31, 2015
North America–USA	December 2019[1]	276,800	200,000	USD	**$ –**	$ 6,333
North America–Canada	December 2019[1]	415,200	300,000	USD	**35,000**	614
Argentina	Yearly[2]	198,620	1,858,000	ARS	**95,189**	113,858
Australia	Yearly[3]	100,830	100,000	AUD	**72,598**	23,689
Australia	Yearly[4]	69,200	50,000	USD	**27,680**	25,332
		1,060,650			**$ 230,467**	$ 169,826

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

NOTE 6 LONG-TERM DEBT

	December 31, 2015	March 31, 2015
Unsecured bank term loan facility		
Obtained October 2013 and due in December 2019 ($500,000,000)[1]	**$ 300,000**	$ 300,000
Obtained December 2012 and due in December 2019 ($850,000,000)[2]	**750,000**	750,000
Obtained May 2015 and due in May 2018 (AUD$140,000,000)[3]	**128,558**	–
Unsecured senior notes[4]		
5.82%, issued in June 2009 and due in June 2016	**220,000**	220,000
2.65%, issued in November 2014 and due in November 2019	**300,000**	300,000
	$ 1,698,558	$ 1,570,000
Current portion	**245,208**	53,125
	$ 1,453,350	$ 1,516,875
Principal repayments are as follows:		
Less than 1 year	**$ 245,208**	$ 53,125
1–2 years	**25,208**	432,500
2–3 years	**78,142**	212,500
3–4 years	**1,350,000**	212,500
4–5 years	**–**	659,375
More than 5 years	**–**	–
	$ 1,698,558	$ 1,570,000

[1] Bears monthly interest at rates ranging from lender's prime plus a maximum of 1%, or bankers' acceptance rates plus 0.85% up to a maximum of 2%, depending on the Company's credit ratings.
[2] Bear monthly interest at rates ranging from lender's prime plus a maximum of 1% or bankers' acceptance rates plus 0.85% up to a maximum of 2%, depending on the Company's credit ratings. Effective February 4, 2013, the Company entered into interest rate swaps to fix its rate. As at December 31, 2015, interest rate on $600,000,000 of the facility was fixed at 1.58% plus applicable spread.
[3] Bears monthly interest at Australian Bank Bill rate plus 0.85%.
[4] Interest payments are semi-annual.

The term loans obtained in October 2013 and December 2012 were amended in October 2015 to eliminate the obligations of the Company to make quarterly repayments of principal prior to maturity.

An amount of AUD$140,000,000 was drawn from new bank term loan facilities on May 25, 2015, in order to fund the acquisition of the everyday cheese business of Lion-Dairy & Drinks Pty Ltd. The facilities require quarterly repayments of AUD$6,250,000 beginning on September 30, 2015. The balance of AUD$71,250,000 is due upon maturity in May 2018.

NOTE 7 SHARE CAPITAL

	December 31 ,2015	March 31, 2015
ISSUED		
392,852,610 common shares (392,225,049 common shares at March 31, 2015)	$ 793,849	$ 765 809

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

	December 31, 2015		December 31, 2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of period	17,081,469	$ 21.09	16,896,962	$ 18.26
Options granted	3,280,395	$ 35.08	4,125,652	$ 27.74
Options exercised	(1,427,561)	$ 17.25	(2,284,721)	$ 14.62
Options cancelled	(379,054)	$ 27.35	(269,598)	$ 24.53
Balance, end of period	18,555,249	$ 23.73	18,468,295	$ 20.73

The exercise price of the options granted in fiscal 2016 is $35.08, which corresponds to the weighted average market price for the five trading days immediately preceding the date of grant ($27.74 in fiscal 2015).

The weighted average fair value of options granted in fiscal 2016 was estimated at $6.02 per option ($5.46 in fiscal 2015), using the Black-Scholes option pricing model with the following assumptions:

	December 31, 2015	March 31, 2015
Weighted average:		
Risk-free interest rate	0.80%	1.71%
Expected life of options	5.3 years	5.3 years
Volatility	21.19%	23.43%
Dividend rate	1.53%	1.82%

A compensation expense of $4,514,000 ($3,860,000 net of taxes) and $13,176,000 ($11,255,000 net of taxes) relating to stock options was recorded in the statement of earnings for the three and nine-month periods ended December 31, 2015, respectively. A compensation expense of $4,640,000 ($3,912,000 net of taxes) and $13,382,000 ($11,326,000 net of taxes) was recorded for the three and nine-month periods ended December 31, 2014, respectively.

NOTE 8 EARNINGS PER SHARE

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2015	2014	**2015**	2014
Net earnings attributable to shareholders of Saputo Inc.	**$ 174,453**	$ 152,595	**$ 459,660**	$ 451,326
Weighted average number of common shares outstanding	**392,486,628**	390,748,957	**392,621,292**	390,986,087
Dilutive options	**4,779,913**	6,154,995	**5,076,400**	6,026,381
Weighted average diluted number of common shares outstanding	**397,266,541**	396,903,952	**397,697,692**	397,012,468
Basic earnings per share	**$ 0.44**	$ 0.39	**$ 1.17**	$ 1.15
Diluted earnings per share	**$ 0.44**	$ 0.38	**$ 1.16**	$ 1.14

When calculating diluted earnings per share for the three and nine-month periods ended December 31, 2015, 3,190,127 options were excluded from the calculation since their exercise price is higher than the average market value of common shares for the period (no options were excluded for the three and nine-month periods ended December 31, 2014).

NOTE 9 OTHER FINANCIAL CHARGES

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2015	2014	**2015**	2014
Finance costs	**$ 7,675**	$ 4,631	**$ 20,065**	$ 14,225
Finance income	**(246)**	(137)	**(1,066)**	(330)
	$ 7,429	$ 4,494	**$ 18,999**	$ 13,895

NOTE 10 FINANCIAL INSTRUMENTS

The Company has determined that the fair value of certain of its financial assets and financial liabilities with short-term maturities approximates their carrying value. These financial instruments include cash and cash equivalents, receivables, bank loans, accounts payable and accrued liabilities. The table below shows the fair value and the carrying value of other financial instruments as at December 31, 2015 and March 31, 2015. Since these estimates are used to determine fair value, they must not be interpreted as being realizable in the event of a settlement of the instruments.

	December 31, 2015		March 31, 2015	
	Fair value	**Carrying value**	Fair value	Carrying value
Cash flow hedges				
Interest rate derivatives (Level 2)	**$ (6,788)**	**$ (6,788)**	$ (7,887)	$ (7,887)
Commodity derivatives (Level 2)	**5,517**	**5,517**	1,427	1,427
Foreign exchange derivatives (Level 2)	**(190)**	**(190)**	–	–
Derivatives not designated in a formal hedging relationship				
Commodity derivatives (Level 2)	**(1,217)**	**(1,217)**	(439)	(439)
Long-term debt (Level 3)	**$ 1,709,486**	**$ 1,698,558**	$ 1,592,610	$ 1,570,000

NOTE 11 SEGMENTED INFORMATION

The Company reports under three geographic sectors. The Canada Sector consists of the Dairy Division (Canada). The USA Sector aggregates the Cheese Division (USA) and the Dairy Foods Division (USA). Finally, the International Sector combines the Dairy Division (Argentina), the Dairy Division (Australia) and the Dairy Ingredients Division. The Dairy Ingredients Division includes national and export ingredients sales from the North American divisions, as well as cheese exports from these same divisions.

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

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2015	2014	**2015**	2014
Revenues				
Canada	**$ 992,760**	$ 1,005,355	**$ 2,868,784**	$ 2,926,179
USA	**1,574,871**	1,394,476	**4,337,415**	4,031,513
International	**333,402**	421,997	**1,051,344**	1,186,199
	$ 2,901,033	$ 2,821,828	**$ 8,257,543**	$ 8,143,891
Earnings before interest, depreciation, amortization, gain on disposal of a business, acquisition, restructuring, other costs and income taxes				
Canada	**$ 107,492**	$ 102,101	**$ 304,971**	$ 322,237
USA	**190,116**	139,484	**534,561**	393,867
International	**22,767**	37,112	**21,477**	113,660
	$ 320,375	$ 278,697	**$ 861,009**	$ 829,764
Depreciation and amortization				
Canada	**$ 14,044**	$ 15,672	**$ 40,769**	$ 43,917
USA	**30,290**	23,682	**85,999**	67,405
International	**5,812**	4,582	**17,119**	12,921
	$ 50,146	$ 43,936	**$ 143,887**	$ 124,243
Acquisition costs	**$ 306**	$ –	**$ 2,790**	$ –
Financial charges, net	**19,381**	18,123	**55,196**	55,816
Earnings before income taxes	**250,542**	216,638	**659,136**	649,705
Income taxes	**75,358**	62,087	**198,982**	194,116
Net earnings	**$ 175,184**	$ 154,551	**$ 460,154**	$ 455,589

NOTE 12 BUSINESS ACQUISITION

Woolwich Dairy
On October 5, 2015, the Company acquired the companies forming Woolwich Dairy (Woolwich). The purchase price of $80,300,000, on a debt-free basis, included receivables, inventories, property, plant and equipment, goodwill and intangibles net of liabilities assumed. The final purchase price allocation will be completed by the end of next fiscal year. Woolwich generates annual revenues of approximately $70,000,000.

Woolwich produces, distributes, markets and sells goat cheese in Canada and the USA. Woolwich operations are comprised of three manufacturing facilities (in Québec and in Ontario, Canada; and in Wisconsin, USA), as well as a distribution centre (in Ontario, Canada). Woolwich is a leading manufacturer of branded and private label goat cheese for the North American market. Its brands include *Woolwich Dairy*, *Chevrai* and *Wholesome Goat*. The business employs approximately 190 people.

The transaction enables the Company to increase its presence in the specialty cheese category in North America.

Everyday Cheese Business of Lion-Dairy & Drinks Pty Ltd
On May 25, 2015, Warrnambool Cheese and Butter Factory Company Holdings Limited (WCB) (Dairy Division (Australia)) completed the transaction announced on March 2, 2015 and acquired the everyday cheese business (EDC Business) of Lion-Dairy & Drinks Pty Ltd (Lion) based in Victoria, Australia.

The initial consideration paid of $132,440,000 (AUD$137,500,000), on a debt-free basis, included a receivable for closing adjustments, inventories, property, plant and equipment, and intangibles net of a minimal amount of assumed liabilities, is subject to further closing adjustments, and was financed through new bank term loans. The final purchase price allocation will be completed by the end of this fiscal year.

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

The transaction enables WCB to increase its presence in consumer branded everyday cheese products segment in Australia with strong market positions in this segment.

EXHIBIT TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Calculation of Earnings Coverage Ratio

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

Earnings coverage ratio	**12.82 times**

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