

**NOTICE**

The condensed interim consolidated financial statements of Saputo Inc. for the three and nine-month periods ended December 31, 2016 and 2015 have not been reviewed by an independent auditor.

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS**

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

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2016	2015	2016	2015
<b>Revenues</b>	\$ 2,966.1	\$ 2,901.0	\$ 8,442.8	\$ 8,257.5
Operating costs excluding depreciation, amortization, gain on disposal of a business, acquisition and restructuring costs (Note 4)	2,619.5	2,580.6	7,437.4	7,396.5
<b>Earnings before interest, income taxes, depreciation, amortization, gain on disposal of a business, acquisition and restructuring costs</b>	<b>346.6</b>	320.4	<b>1,005.4</b>	861.0
Depreciation and amortization	50.9	50.1	150.4	143.8
Acquisition and restructuring costs	-	0.3	-	2.7
Interest on long-term debt	9.2	12.0	28.6	36.2
Other financial charges (Note 9)	0.6	7.4	4.2	19.0
<b>Earnings before income taxes</b>	<b>285.9</b>	250.6	<b>822.2</b>	659.3
Income taxes	88.5	75.4	256.3	199.1
<b>Net earnings</b>	<b>\$ 197.4</b>	\$ 175.2	<b>\$ 565.9</b>	\$ 460.2
<b>Attributable to:</b>				
<b>Shareholders of Saputo Inc.</b>	<b>196.1</b>	174.5	<b>563.5</b>	459.7
<b>Non-controlling interest</b>	<b>1.3</b>	0.7	<b>2.4</b>	0.5
	<b>\$ 197.4</b>	\$ 175.2	<b>\$ 565.9</b>	\$ 460.2
<b>Earnings per share (Note 8)</b>				
Net earnings				
Basic	\$ 0.50	\$ 0.44	\$ 1.44	\$ 1.17
Diluted	\$ 0.49	\$ 0.44	\$ 1.42	\$ 1.16

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

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of CDN dollars)  
(unaudited)

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2016	2015	2016	2015
<b>Net earnings</b>	\$ 197.4	\$ 175.2	\$ 565.9	\$ 460.2
Other comprehensive income (loss):				
<i>Items that may be reclassified to net earnings:</i>				
Exchange differences arising from foreign currency translation	60.2	137.4	99.5	300.1
Net unrealized (losses) gains on cash flow hedges <sup>1</sup> (Note 10)	(2.6)	4.4	(1.4)	6.7
Reclassification of losses (gains) on cash flow hedges to net earnings <sup>2</sup>	0.7	(1.3)	(1.4)	(3.6)
<b>Other comprehensive income (loss)</b>	<b>58.3</b>	<b>140.5</b>	<b>96.7</b>	<b>303.2</b>
<b>Total comprehensive income</b>	<b>\$ 255.7</b>	<b>\$ 315.7</b>	<b>\$ 662.6</b>	<b>\$ 763.4</b>
<b>Attributable to:</b>				
<b>Shareholders of Saputo Inc.</b>	<b>\$ 254.4</b>	<b>\$ 315.0</b>	<b>\$ 660.2</b>	<b>\$ 762.9</b>
<b>Non-controlling interest</b>	<b>1.3</b>	<b>0.7</b>	<b>2.4</b>	<b>0.5</b>
	<b>\$ 255.7</b>	<b>\$ 315.7</b>	<b>\$ 662.6</b>	<b>\$ 763.4</b>

<sup>1</sup> Net of income taxes of \$0.3 and \$0.2 for the three and nine-month periods ended December 31, 2016, respectively (2015 - \$2.3 and \$4.6).

<sup>2</sup> Net of income taxes of \$0.3 and \$0.8 for the three and nine-month periods ended December 31, 2016, respectively (2015 - \$1.1 and \$2.8).

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

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EQUITY

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

For the nine-month period ended December 31, 2016										
	Share capital		Reserves				Retained Earnings	Total	Non-Controlling Interest	Total Equity
	Common Shares	Amount	Foreign Currency Translation	Cash Flow Hedges	Stock Option Plan	Total Reserves				
<b>Balance, beginning of year</b>	392,520,687	\$ 821.0	\$ 613.6	\$ -	\$ 82.1	\$ 695.7	\$ 2,485.1	\$ 4,001.8	\$ 68.0	\$ 4,069.8
Net earnings	-	-	-	-	-	-	563.5	563.5	2.4	565.9
Other comprehensive income	-	-	99.5	(2.8)	-	96.7	-	96.7	-	96.7
Total comprehensive income								660.2	2.4	662.6
Net additional non-controlling interests arising from issuance of additional shares	-	-	-	-	-	-	-	-	16.2	16.2
Dividends declared	-	-	-	-	-	-	(170.4)	(170.4)	-	(170.4)
Stock option plan (Note 7)	-	-	-	-	16.4	16.4	-	16.4	-	16.4
Shares issued under stock option plan	2,329,141	47.0	-	-	-	-	-	47.0	-	47.0
Amount transferred from reserves to share capital upon exercise of options	-	10.1	-	-	(10.1)	(10.1)	-	-	-	-
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	-	-	-	-	4.6	4.6	-	4.6	-	4.6
Shares repurchased and cancelled	(5,486,280)	(11.9)	-	-	-	-	(223.1)	(235.0)	-	(235.0)
Shares repurchased and not cancelled	(187,700)	(0.4)	-	-	-	-	(8.5)	(8.9)	-	(8.9)
<b>Balance, end of period</b>	<b>389,175,848</b>	<b>\$ 865.8</b>	<b>\$ 713.1</b>	<b>\$ (2.8)</b>	<b>\$ 93.0</b>	<b>\$ 803.3</b>	<b>\$ 2,646.6</b>	<b>\$ 4,315.7</b>	<b>\$ 86.6</b>	<b>\$ 4,402.3</b>

For the nine-month period ended December 31, 2015										
	Share capital		Reserves				Retained Earnings	Total	Non-Controlling Interest	Total Equity
	Common Shares	Amount	Foreign Currency Translation	Cash Flow Hedges	Stock Option Plan	Total Reserves				
<b>Balance, beginning of year</b>	392,225,049	\$ 765.8	\$ 556.7	\$ (5.0)	\$ 69.6	\$ 621.3	\$ 2,173.8	\$ 3,560.9	\$ 67.7	\$ 3,628.6
Net earnings	-	-	-	-	-	-	459.7	459.7	0.5	460.2
Other comprehensive income	-	-	300.1	3.1	-	303.2	-	303.2	-	303.2
Total comprehensive income								762.9	0.5	763.4
Dividends declared	-	-	-	-	-	-	(157.0)	(157.0)	-	(157.0)
Stock option plan (Note 7)	-	-	-	-	13.2	13.2	-	13.2	-	13.2
Shares issued under stock option plan	1,427,561	24.6	-	-	-	-	-	24.6	-	24.6
Amount transferred from reserves to share capital upon exercise of options	-	5.0	-	-	(5.0)	(5.0)	-	-	-	-
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	-	-	-	-	2.1	2.1	-	2.1	-	2.1
Shares repurchased and cancelled	(800,000)	(1.6)	-	-	-	-	(22.1)	(23.7)	-	(23.7)
<b>Balance, end of period</b>	<b>392,852,610</b>	<b>\$ 793.8</b>	<b>\$ 856.8</b>	<b>\$ (1.9)</b>	<b>\$ 79.9</b>	<b>\$ 934.8</b>	<b>\$ 2,454.4</b>	<b>\$ 4,183.0</b>	<b>\$ 68.2</b>	<b>\$ 4,251.2</b>

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

## CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

(in millions of CDN dollars)

As at	December 31, 2016 (unaudited)	March 31, 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 433.7	\$ 164.3
Receivables	884.9	818.8
Inventories	1,106.1	1,077.1
Income taxes	2.8	4.7
Prepaid expenses and other assets	71.5	110.9
	2,499.0	2,175.8
<b>Property, plant and equipment</b>	<b>2,142.5</b>	<b>2,086.0</b>
<b>Goodwill</b>	<b>2,242.2</b>	<b>2,194.1</b>
<b>Intangible assets</b>	<b>640.6</b>	<b>587.0</b>
<b>Other assets</b>	<b>100.9</b>	<b>106.5</b>
<b>Deferred income taxes</b>	<b>24.3</b>	<b>22.9</b>
<b>Total assets</b>	<b>\$ 7,649.5</b>	<b>\$ 7,172.3</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank loans (Note 5)	\$ 89.6	\$ 178.2
Accounts payable and accrued liabilities	974.5	896.6
Income taxes	92.4	37.1
Current portion of long-term debt (Note 6)	–	244.9
	1,156.5	1,356.8
<b>Long-term debt (Note 6)</b>	<b>1,500.0</b>	<b>1,208.3</b>
<b>Other liabilities</b>	<b>60.9</b>	<b>61.8</b>
<b>Deferred income taxes</b>	<b>529.8</b>	<b>475.6</b>
<b>Total liabilities</b>	<b>\$ 3,247.2</b>	<b>\$ 3,102.5</b>
<b>EQUITY</b>		
Share capital (Note 7)	865.8	821.0
Reserves	803.3	695.7
Retained earnings	2,646.6	2,485.1
<b>Equity attributable to shareholders of Saputo Inc.</b>	<b>4,315.7</b>	<b>4,001.8</b>
<b>Non-controlling interest</b>	<b>86.6</b>	<b>68.0</b>
<b>Total equity</b>	<b>\$ 4,402.3</b>	<b>\$ 4,069.8</b>
<b>Total liabilities and equity</b>	<b>\$ 7,649.5</b>	<b>\$ 7,172.3</b>

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

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of CDN dollars)  
(unaudited)

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2016	2015	2016	2015
<b>Cash flows related to the following activities:</b>				
<b>Operating</b>				
Net earnings	\$ 197.4	\$ 175.2	\$ 565.9	\$ 460.2
Adjustments for:				
Stock-based compensation	10.0	6.9	24.1	21.1
Interest and other financial charges	9.8	19.4	32.8	55.2
Income tax expense	88.5	75.4	256.3	199.1
Depreciation and amortization	50.9	50.1	150.4	143.8
Gain on disposal of property, plant and equipment	(0.2)	(0.7)	(1.9)	(0.8)
Share of joint venture earnings	(4.4)	(2.5)	(9.1)	(4.7)
Underfunding of employee plans in excess of costs	0.8	0.4	3.1	1.9
	<b>352.8</b>	<b>324.2</b>	<b>1,021.6</b>	<b>875.8</b>
Changes in non-cash operating working capital items	(39.7)	(27.9)	31.1	(94.2)
Cash generated from operating activities	<b>313.1</b>	<b>296.3</b>	<b>1,052.7</b>	<b>781.6</b>
Interest and other financial charges paid	(12.6)	(19.4)	(38.2)	(53.7)
Income taxes paid	(42.2)	(52.4)	(153.3)	(176.1)
Net cash generated from operating activities	<b>258.3</b>	<b>224.5</b>	<b>861.2</b>	<b>551.8</b>
<b>Investing</b>				
Business acquisitions	–	(80.3)	–	(212.7)
Additions to property, plant and equipment	(50.7)	(50.4)	(160.3)	(145.7)
Additions to intangible assets	(22.9)	(33.3)	(60.3)	(33.3)
Proceeds on disposal of property, plant and equipment	0.4	3.4	4.2	4.6
Other	0.2	0.2	8.5	(0.9)
	<b>(73.0)</b>	<b>(160.4)</b>	<b>(207.9)</b>	<b>(388.0)</b>
<b>Financing</b>				
Bank loans	23.6	53.6	(89.0)	73.5
Proceeds from issuance of long-term debt	300.0	–	600.0	134.7
Repayment of long-term debt	(212.5)	(6.3)	(552.2)	(12.2)
Issuance of share capital	13.4	10.8	47.0	24.6
Repurchase of share capital	(158.7)	–	(237.6)	(23.7)
Dividends	(58.5)	(53.0)	(170.4)	(157.0)
	<b>(92.7)</b>	<b>5.1</b>	<b>(402.2)</b>	<b>39.9</b>
<b>Increase in cash and cash equivalents</b>	<b>92.6</b>	<b>69.2</b>	<b>251.1</b>	<b>203.7</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>331.4</b>	<b>219.4</b>	<b>164.3</b>	<b>72.6</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>9.7</b>	<b>17.5</b>	<b>18.3</b>	<b>29.8</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 433.7</b>	<b>\$ 306.1</b>	<b>\$ 433.7</b>	<b>\$ 306.1</b>

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

# NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

## NOTE 1 CORPORATE INFORMATION

Saputo Inc. (the Company) is a publicly traded company incorporated and domiciled in Canada. The Company's shares are listed on the Toronto Stock Exchange under the symbol "SAP." The Company produces, markets and distributes a wide array of dairy products from Canada, the United States, Argentina and Australia. The address of the Company's head office is 6869 Metropolitan Blvd. East, Montréal, Québec, Canada, H1P 1X8. The condensed interim consolidated financial statements (financial statements) of the Company for the period ended December 31, 2016 comprise the financial results of the Company and its subsidiaries.

The financial statements for the period ended December 31, 2016 have been authorized for issuance by the Board of Directors on February 2, 2017.

## NOTE 2 BASIS OF PRESENTATION

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

## NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation applied in these financial statements are the same as those applied by the Company in its consolidated financial statements as at and for the year ended March 31, 2016 except for the impact of the adoption of the new standards, interpretations and amendments described below.

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

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

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

#### ***IAS 7, Statement of Cash Flows***

On January 29, 2016, the IASB amended IAS 7 to require further disclosures enabling users of the financial statement to evaluate changes in liabilities arising from financing activities. To achieve this objective, the IASB requires that the following changes in liabilities arising from financing activities are disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

This amendment is effective for the annual periods beginning on or after January 1, 2017. Management is currently evaluating the impact of these disclosure requirements.

#### ***IFRS 2, Share-Based Payment***

On June 20, 2016, the IASB issued an amendment to clarify how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

## NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

This amendment is effective for the annual reporting periods beginning on or after January 1, 2018. Management is currently assessing the impact of the adoption of this amendment but is not expecting it to have a significant impact on the Company's financial statements.

### ***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.

### ***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.

On April 12, 2016, the IASB amended IFRS 15 to comprise clarifications of the guidance on identifying performance obligations, accounting for licenses of intellectual property and the principal versus agent assessment (gross versus net revenue presentation).

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

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

### ***IAS 40, Investment Property***

On December 8, 2016, the IASB issued an amendment to IAS 40 clarifying when assets are transferred to, or from investment properties. The amendment clarified that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence. This amendment may be applied prospectively or retrospectively.

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

### ***IFRIC 22, Foreign Currency Transactions and Advance Consideration***

On December 8, 2016, the IASB issued IFRIC 22 which provides an interpretation on how to determine the date of the transaction when applying the standard on foreign currency transactions, IAS 1. The interpretation applies where an entity pays or receives consideration in advance for foreign currency-denominated contracts. The date of the transaction determines the exchange rate to be used on initial recognition of the related asset, expense or income. This Interpretation provides guidance for when a single payment or receipt is made, as well as for situations where multiple payments or receipts are made and aims to reduce diversity in practice.

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.

## NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### **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.

### **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. Upon finalization of this standard, management will then assess the impact of the adoption.

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

The following standard was adopted by the Company on April 1, 2016:

### **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 did not impact the Company's financial statements for the three and nine-month periods ended December 31, 2016.

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

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2016	2015	2016	2015
Changes in inventories of finished goods and work in process	\$ (30.2)	\$ 46.7	\$ (41.3)	\$ (86.0)
Raw materials and consumables used	2,088.1	1,982.9	5,848.4	5,903.3
Foreign exchange gain	(1.6)	(1.1)	(1.9)	(5.9)
Employee benefits expense	323.5	311.6	933.8	893.3
Selling costs	80.9	82.1	239.7	230.2
Other general and administrative costs	158.8	158.4	458.7	461.7
Total	\$ 2,619.5	\$ 2,580.6	\$ 7,437.4	\$ 7,396.5

For the three and nine-month periods ended December 31, 2016, a write-down of nil and \$1.9 million, respectively, was included as an expense in "Operating costs excluding depreciation, amortization, gain on disposal of a business, acquisition and restructuring costs" under the caption "Changes in inventories of finished goods and work in process" (nil and \$13.1 million for the three and nine-month periods ended December 31, 2015). Certain prior year's figures have been reclassified to conform to the current year's presentation.

## NOTE 5 BANK LOANS

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

Credit Facilities	Maturity	Available for use		Amount drawn	
		Canadian Currency Equivalent	Base Currency	December 31, 2016	March 31, 2016
North America-USA	December 2021 <sup>1</sup>	268.5	200.0 USD	\$ 0.3	\$ -
North America-Canada	December 2021 <sup>1</sup>	402.8	300.0 USD	-	-
Argentina	Yearly <sup>2</sup>	123.5	92.0 USD	47.7	50.0
Argentina	Yearly <sup>3</sup>	91.4	1,070.0 ARS	15.4	13.7
Australia	Yearly <sup>4</sup>	24.3	25.0 AUD	-	84.6
Australia	Yearly <sup>5</sup>	100.7	75.0 USD	26.2	29.9
		1,011.2		\$ 89.6	\$ 178.2

<sup>1</sup> 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 credit ratings.

<sup>2</sup> Bear monthly interest at local rate and can be drawn in USD.

<sup>3</sup> Bear monthly interest at local rate and can be drawn in ARS.

<sup>4</sup> Bear monthly interest at Australian Bank Bill Rate plus 0.85%.

<sup>5</sup> Bear monthly interest at LIBOR or Australian Bank Bill Rate plus 0.75% and can be drawn in AUD or USD.

## NOTE 6 LONG-TERM DEBT

	December 31, 2016	March 31, 2016
<b>Unsecured bank term loan facilities</b>		
Obtained October 2013 and due in December 2019 (\$500 million) <sup>1</sup>	\$ -	\$ 212.5
Obtained December 2012 and due in December 2019 (\$850 million) <sup>2</sup>	600.0	600.0
Obtained May 2015 and due in May 2018 (AUD\$140 million) <sup>3</sup>	-	120.7
<b>Unsecured senior notes<sup>4</sup></b>		
5.82%, issued in June 2009 and due in June 2016	-	220.0
2.65%, issued in November 2014 and due in November 2019 (Series 1)	300.0	300.0
2.20%, issued in June 2016 and due in June 2021 (Series 2)	300.0	-
2.83%, issued in November 2016 and due in November 2023 (Series 3)	300.0	-
	\$ 1,500.0	\$ 1,453.2
<b>Current portion</b>	-	244.9
	\$ 1,500.0	\$ 1,208.3
<b>Principal repayments are as follows:</b>		
Less than 1 year	\$ -	\$ 244.9
1-2 years	-	24.9
2-3 years	900.0	70.9
3-4 years	-	1,112.5
4-5 years	300.0	-
More than 5 years	300.0	-
	\$ 1,500.0	\$ 1,453.2

<sup>1</sup> 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 credit ratings.

<sup>2</sup> Bear monthly interest at rates ranging from lender's prime plus a maximum of 1% or LIBOR or bankers' acceptance rates plus 0.85% up to a maximum of 2%, depending on the Company credit ratings. Effective February 4, 2013, the Company entered into an interest rate swap to fix its rate. This swap ended December 30, 2016 (interest rate on \$562.5 million was fixed at 1.58% plus applicable spread as at March 31, 2016).

<sup>3</sup> Bears monthly interest at Australian Bank Bill rate plus 0.85%.

<sup>4</sup> Interest payments are semi-annual.

## NOTE 6 LONG-TERM DEBT (CONT'D)

On December 6, 2016, the Company renewed its medium term note program and filed a short form base shelf prospectus qualifying an offering of unsecured senior notes for distribution to the public over a 25-month period.

On November 21, 2016, the Company issued \$300.0 million Series 3 medium term notes pursuant to its medium term note program with an annual interest rate of 2.83% payable in equal semi-annual instalments, maturing on November 21, 2023.

On June 23, 2016, the Company issued \$300.0 million Series 2 medium term notes pursuant to its medium term note program with an annual interest rate of 2.20% payable in equal semi-annual instalments, maturing on June 23, 2021.

## NOTE 7 SHARE CAPITAL

	December 31, 2016	March 31, 2016
ISSUED		
389,175,848 common shares (392,520,687 common shares at March 31, 2016)	\$ 865.8	\$ 821.0

### Share Option Plan

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

	December 31, 2016		December 31, 2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of year	16,903,824	\$ 24.41	17,081,469	\$ 21.09
Options granted	4,218,934	\$ 41.40	3,280,395	\$ 35.08
Options exercised	(2,329,141)	\$ 20.16	(1,427,561)	\$ 17.25
Options cancelled	(354,592)	\$ 32.32	(379,054)	\$ 27.35
Balance, end of period	18,439,025	\$ 28.68	18,555,249	\$ 23.73

The exercise price of the options granted in fiscal 2017 is \$41.40, which corresponds to the weighted average market price for the five trading days immediately preceding the date of grant (\$35.08 in fiscal 2016).

The weighted average fair value of options granted in fiscal 2017 was estimated at \$6.94 per option (\$6.02 in fiscal 2016), using the Black-Scholes option pricing model with the following assumptions:

	December 31, 2016	March 31, 2016
<b>Weighted average:</b>		
Risk-free interest rate	0.81%	0.80%
Expected life of options	5.4 years	5.3 years
Volatility	20.01%	21.19%
Dividend rate	1.34%	1.53%

A compensation expense of \$5.7 million (\$4.8 million net of taxes) and \$16.4 million (\$13.9 million net of taxes) relating to stock options was recorded in the statement of earnings for the three and nine-month periods ended December 31, 2016, respectively. A compensation expense of \$4.5 million (\$3.9 million net of taxes) and \$13.2 million (\$11.3 million net of taxes) was recorded for the three and nine-month periods ended December 31, 2015, respectively.

## NOTE 8 EARNINGS PER SHARE

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2016	2015	2016	2015
Net earnings attributable to shareholders of Saputo Inc.	\$ 196.1	\$ 174.5	\$ 563.5	\$ 459.7
Weighted average number of common shares outstanding	391,169,781	392,486,628	391,408,007	392,621,292
Dilutive options	6,498,545	4,779,913	4,711,910	5,076,400
Weighted average diluted number of common shares outstanding	397,668,326	397,266,541	396,119,917	397,697,692
Basic earnings per share	\$ 0.50	\$ 0.44	\$ 1.44	\$ 1.17
Diluted earnings per share	\$ 0.49	\$ 0.44	\$ 1.42	\$ 1.16

When calculating diluted earnings per share for the three and nine-month periods ended December 31, 2016, no options and 4,128,667 options, respectively, were excluded from the calculation since their exercise price is higher than the average market value of common shares (3,190,127 options were excluded for the three and nine-month periods ended December 31, 2015).

## NOTE 9 OTHER FINANCIAL CHARGES

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2016	2015	2016	2015
Finance costs	\$ 1.3	\$ 7.7	\$ 5.7	\$ 20.1
Finance income	(0.7)	(0.3)	(1.5)	(1.1)
	\$ 0.6	\$ 7.4	\$ 4.2	\$ 19.0

## 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, 2016 and March 31, 2016. Since estimates are used to determine fair value, they must not be interpreted as being realizable in the event of a settlement of the instruments.

	December 31, 2016		March 31, 2016	
	Fair value	Carrying value	Fair value	Carrying value
<b>Cash flow hedges</b>				
Interest rate derivatives (Level 2)	\$ -	\$ -	(6.2)	(6.2)
Commodity derivatives (Level 2)	2.9	2.9	(1.6)	(1.6)
Foreign exchange derivatives (Level 2)	(3.3)	(3.3)	7.9	7.9
<b>Derivatives not designated in a formal hedging relationship</b>				
Commodity derivatives (Level 2)	1.2	1.2	(2.5)	(2.5)
<b>Long-term debt (Level 2)</b>	1,507.3	1,500.0	1,239.4	1,233.2
<b>Long-term debt (Level 3)</b>	\$ -	\$ -	222.1	220.0

## NOTE 11 SEGMENTED INFORMATION

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

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	
	2016	2015	2016	2015
<b>Revenues</b>				
Canada	\$ 1,044.5	\$ 992.7	\$ 3,052.6	\$ 2,868.7
USA	1,537.4	1,574.9	4,377.5	4,337.4
International	384.2	333.4	1,012.7	1,051.4
	\$ 2,966.1	\$ 2,901.0	\$ 8,442.8	\$ 8,257.5
<b>Earnings before interest, income taxes depreciation, amortization, gain on disposal of a business, acquisition and restructuring costs</b>				
Canada	\$ 116.9	\$ 107.5	\$ 349.0	\$ 305.0
USA	200.1	190.1	583.7	534.5
International	29.6	22.8	72.7	21.5
	\$ 346.6	\$ 320.4	\$ 1,005.4	\$ 861.0
<b>Depreciation and amortization</b>				
Canada	\$ 14.7	\$ 14.0	\$ 43.2	\$ 40.7
USA	29.4	30.3	88.6	86.0
International	6.8	5.8	18.6	17.1
	\$ 50.9	\$ 50.1	\$ 150.4	\$ 143.8
Acquisition and restructuring costs	\$ –	\$ 0.3	\$ –	\$ 2.7
Financial charges, net	9.8	19.4	32.8	55.2
<b>Earnings before income taxes</b>	<b>285.9</b>	<b>250.6</b>	<b>822.2</b>	<b>659.3</b>
Income taxes	88.5	75.4	256.3	199.1
<b>Net earnings</b>	<b>\$ 197.4</b>	<b>\$ 175.2</b>	<b>\$ 565.9</b>	<b>\$ 460.2</b>

## EXHIBIT TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

### Calculation of Earnings Coverage Ratio

The following table sets forth the earnings coverage ratio for the 12-month period ended December 31, 2016:

<b>Earnings coverage ratio</b>	<b>22.54 times</b>
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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.