

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	
	2017	2016	2017	2016
Revenues	\$ 3,021.8	\$ 2,966.1	\$ 8,798.1	\$ 8,442.8
Operating costs excluding depreciation, amortization, acquisition and restructuring costs (Note 4)	2,703.8	2,619.5	7,795.1	7,437.4
Earnings before interest, income taxes, depreciation, amortization, acquisition and restructuring costs	318.0	346.6	1,003.0	1,005.4
Depreciation and amortization	56.1	50.9	161.6	150.4
Acquisition and restructuring costs	39.1	-	39.4	-
Interest on long-term debt	8.6	9.2	25.5	28.6
Other financial charges (Note 9)	4.0	0.6	9.5	4.2
Earnings before income taxes	210.2	285.9	767.0	822.2
Income taxes (Note 10)	(126.8)	88.5	44.5	256.3
Net earnings	\$ 337.0	\$ 197.4	\$ 722.5	\$ 565.9
Net earnings per share (Note 8)				
Basic	\$ 0.87	\$ 0.50	\$ 1.87	\$ 1.44
Diluted	\$ 0.86	\$ 0.49	\$ 1.85	\$ 1.42

The accompanying notes are an integral part of these 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	
	2017	2016	2017	2016
Net earnings	\$ 337.0	\$ 197.4	\$ 722.5	\$ 565.9
Other comprehensive income (loss):				
<i>Items that may be reclassified to net earnings:</i>				
Exchange differences arising from foreign currency translation	21.6	60.2	(273.5)	99.5
Net unrealized (losses) gains on cash flow hedges ¹ (Note 11)	(3.4)	(2.6)	8.3	(1.4)
Reclassification of (gains) losses on cash flow hedges to net earnings ²	(1.1)	0.7	(5.9)	(1.4)
Other comprehensive income (loss)	17.1	58.3	(271.1)	96.7
Total comprehensive income	\$ 354.1	\$ 255.7	\$ 451.4	\$ 662.6

¹ Net of income taxes of \$1.5 and \$2.6 for the three and nine-month periods ended December 31, 2017, respectively (2016 - \$0.3 and \$0.2).

² Net of income taxes of \$0.4 and \$2.7 for the three and nine-month periods ended December 31, 2017, respectively (2016 - \$0.3 and \$0.8).

The accompanying notes are an integral part of these 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, 2017										
	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				
Balance, beginning of year	386,234,311	\$ 871.1	\$ 717.8	\$ (3.0)	\$ 97.9	\$ 812.7	\$ 2,639.1	\$ 4,322.9	\$ -	\$ 4,322.9
Net earnings	-	-	-	-	-	-	722.5	722.5	-	722.5
Other comprehensive income	-	-	(273.5)	2.4	-	(271.1)	-	(271.1)	-	(271.1)
Total comprehensive income	-	-	-	-	-	-	-	451.4	-	451.4
Dividends declared	-	-	-	-	-	-	(181.6)	(181.6)	-	(181.6)
Stock option plan (Note 7)	-	-	-	-	18.2	18.2	-	18.2	-	18.2
Shares issued under stock option plan	1,414,470	33.4	-	-	-	-	-	33.4	-	33.4
Amount transferred from reserves to share capital upon exercise of options	-	6.6	-	-	(6.6)	(6.6)	-	-	-	-
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	-	-	-	-	1.6	1.6	-	1.6	-	1.6
Shares repurchased and cancelled	(654,900)	(1.4)	-	-	-	-	(27.6)	(29.0)	-	(29.0)
Balance, end of period	386,993,881	\$ 909.7	\$ 444.3	\$ (0.6)	\$ 111.1	\$ 554.8	\$ 3,152.4	\$ 4,616.9	\$ -	\$ 4,616.9

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				
Balance, beginning of year	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
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)
Balance, end of period	389,175,848	\$ 865.8	\$ 713.1	\$ (2.8)	\$ 93.0	\$ 803.3	\$ 2,646.6	\$ 4,315.7	\$ 86.6	\$ 4,402.3

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

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

(in millions of CDN dollars)

As at	December 31, 2017 (unaudited)	March 31, 2017 (audited)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 124.3	\$ 250.5
Receivables	985.9	863.2
Inventories	1,266.3	1,172.5
Income taxes receivable	64.8	15.0
Prepaid expenses and other assets	79.9	79.3
	2,521.2	2,380.5
Property, plant and equipment	2,179.1	2,165.5
Goodwill	2,368.3	2,240.5
Intangible assets	809.1	662.3
Other assets	88.9	99.7
Deferred income taxes	31.0	48.1
Total assets	\$ 7,997.6	\$ 7,596.6
LIABILITIES		
Current liabilities		
Bank loans (Note 5)	\$ 370.4	\$ 93.8
Accounts payable and accrued liabilities	1,075.9	1,008.3
Income taxes payable	26.3	91.3
Current portion of long-term debt (Note 6)	4.3	–
	1,476.9	1,193.4
Long-term debt (Note 6)	1,421.4	1,500.0
Other liabilities	65.7	68.9
Deferred income taxes	416.7	511.4
Total liabilities	\$ 3,380.7	\$ 3,273.7
EQUITY		
Share capital (Note 7)	909.7	871.1
Reserves	554.8	812.7
Retained earnings	3,152.4	2,639.1
Total equity	\$ 4,616.9	\$ 4,322.9
Total liabilities and equity	\$ 7,997.6	\$ 7,596.6

The accompanying notes are an integral part of these 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	
	2017	2016	2017	2016
Cash flows related to the following activities:				
Operating				
Net earnings	\$ 337.0	\$ 197.4	\$ 722.5	\$ 565.9
Adjustments for:				
Stock-based compensation	8.8	10.0	24.7	24.1
Interest and other financial charges	12.6	9.8	35.0	32.8
Income taxes	(126.8)	88.5	44.5	256.3
Depreciation and amortization	56.1	50.9	161.6	150.4
Gain on disposal of property, plant and equipment	(0.6)	(0.2)	(1.0)	(1.9)
Impairment charges related to plant closure	10.6	–	10.6	–
Share of joint venture earnings, net of dividends received	(2.6)	(4.4)	3.5	0.4
Underfunding of employee plans in excess of costs	0.5	0.8	1.3	3.1
	295.6	352.8	1,002.7	1,031.1
Changes in non-cash operating working capital items	(2.1)	(39.7)	(205.0)	31.1
Cash generated from operating activities	293.5	313.1	797.7	1,062.2
Interest and other financial charges paid	(19.7)	(12.6)	(40.0)	(38.2)
Income taxes paid	(70.8)	(42.2)	(266.5)	(153.3)
Net cash generated from operating activities	203.0	258.3	491.2	870.7
Investing				
Business acquisitions	(336.6)	–	(370.4)	–
Additions to property, plant and equipment	(62.8)	(50.7)	(212.5)	(160.3)
Additions to intangible assets	(17.3)	(22.9)	(55.5)	(60.3)
Proceeds on disposal of property, plant and equipment	1.4	0.4	6.2	4.2
Other	(0.1)	0.2	(0.3)	(1.0)
	(415.4)	(73.0)	(632.5)	(217.4)
Financing				
Bank loans	204.8	23.6	303.2	(89.0)
Proceeds from issuance of long-term debt	–	300.0	300.0	600.0
Repayment of long-term debt	(1.2)	(212.5)	(401.2)	(552.2)
Issuance of share capital	12.8	13.4	33.4	47.0
Repurchase of share capital	–	(158.7)	(29.0)	(237.6)
Dividends	(61.9)	(58.5)	(181.6)	(170.4)
	154.5	(92.7)	24.8	(402.2)
(Decrease) increase in cash and cash equivalents	(57.9)	92.6	(116.5)	251.1
Cash and cash equivalents, beginning of period	180.8	331.4	250.5	164.3
Effect of exchange rate changes on cash and cash equivalents	1.4	9.7	(9.7)	18.3
Cash and cash equivalents, end of period	\$ 124.3	\$ 433.7	\$ 124.3	\$ 433.7

The accompanying notes are an integral part of these 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, 2017 comprise the financial results of the Company and its subsidiaries.

The financial statements for the period ended December 31, 2017 have been authorized for issuance by the Board of Directors on February 1, 2018.

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, 2017 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.

The following standards, amendments to standards and an interpretation have been issued and are applicable to the Company for its annual periods beginning on and after April 1, 2018, with an earlier application permitted:

IFRS 2, Share-Based Payment

In June 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.

IFRS 9, Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments with the goal of replacing IAS 39, Financial Instruments: Recognition and Measurement. The new standard addresses the classification and measurement of financial assets and liabilities, provides a new impairment model for the recognition of expected credit losses and provides a new hedge accounting model.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

In April 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.

IAS 40, Investment Property

In December 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.

IFRIC 22, Foreign Currency Transactions and Advance Consideration

In December 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.

Management is currently assessing the impact of the adoption of these standards, amendments and interpretation on the Company's financial statements.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The following standards, amendments to standards and interpretation have been issued and are applicable to the Company for its annual periods beginning on and after April 1, 2019, with an earlier application permitted:

IFRS 3, Business Combinations

In December 2017, the IASB issued an amendment to IFRS 3 to clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business.

IFRS 9, Financial Instruments

In October 2017, the IASB further amended IFRS 9 to address concerns about how this standard classifies particular prepayable financial assets. In addition, the IASB clarified an aspect of the accounting for financial liabilities following a modification.

IFRS 11, Joint Arrangements

In December 2017, the IASB issued an amendment to IFRS 11 to clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

IFRS 16, Leases

In January 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.

IAS 23, Borrowing Costs

In December 2017, the IASB issued an amendment to IAS 23 clarifying that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, it becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

IAS 28, Investments in Associates

In October 2017, the IASB issued an amendment to IAS 28 to clarify that an entity should apply IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

IFRIC 23, Uncertainty Over Income Tax Treatments

In June 2017, the IFRS Interpretations Committee issued IFRIC 23 which clarifies how the recognition and measurement requirements of IAS 12, Income Taxes, are applied where there is uncertainty over income tax treatments.

Management is currently assessing the impact of the adoption of these standards, amendments and interpretation on the Company's financial statements.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

CONSIDERATIONS FOR THE IMPLEMENTATION OF IFRS 9 AND IFRS 15

IFRS 9 and IFRS 15 are required to be applied for annual reporting periods beginning on or after January 1, 2018. The Company will not be early adopting IFRS 9 or IFRS 15.

IFRS 9 is applicable retrospectively in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, subject to certain exemptions and exceptions. In general, the main impacts of adopting IFRS 9 are expected to be on classification and measurement of financial assets, the introduction of a new impairment model based on expected losses (rather than incurred loss as per IAS 39, Financial Instruments: Recognition and Measurement), hedge accounting and significant additional disclosure requirements.

The Company is currently evaluating the impact of this standard. The Company's preliminary analysis has not identified any differences that would significantly change the classification and measurement of its financial instruments. The Company expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Company continues to evaluate the impact of the new standard on the consolidated financial statements but it is not expected to have a significant impact.

IFRS 15 can be applied using one of the following two methods: retrospectively to each prior reporting period presented in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, or retrospectively with the cumulative effect of applying IFRS 15 recognized at the date of initial application. The Company decided to use the second method as its transition method as prescribed under IFRS 15.

The Company's preliminary analysis has identified classification changes between revenues and operating costs related to the presentation of the shipping and handling activities, as well as the presentation of rebates and other variable considerations to determine whether it is a distinct good or service or a sales incentive. Also, the timing of revenue recognition, when control over an asset is transferred to a customer, is not expected to result in any significant changes to the Company's revenue recognition practices. The new guidance related to rebates and other variable considerations is generally consistent with the current revenue recognition practices. Management is in the process of quantifying the accounting impact of the adoption of IFRS 15, assessing the overall impact on the Company's disclosures and progress made to date is consistent with management's planned timeline. Based on the preliminary assessments completed to date, the Company does not expect that the adoption of IFRS 15 will have a material impact on the consolidated financial statements.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

The following amendments to existing standards were adopted by the Company on April 1, 2017:

IAS 7, Statement of Cash Flows

IAS 7 has been amended to provide additional presentation related to the changes in liabilities arising from financing activities such as: (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 did not impact the Company's financial statements for the three and nine-month periods ended December 31, 2017.

IAS 12, Income taxes

IAS 12 has been amended to provide clarification on the requirements relating to the recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value.

This amendment did not impact the Company's financial statements for the three and nine-month periods ended December 31, 2017.

NOTE 4 OPERATING COSTS EXCLUDING DEPRECIATION, AMORTIZATION, ACQUISITION AND RESTRUCTURING COSTS

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2017	2016	2017	2016
Changes in inventories of finished goods and work in process	\$ 12.7	\$ (27.2)	\$ (43.3)	\$ (26.5)
Raw materials and consumables used	2,109.9	2,085.1	6,110.4	5,833.6
Foreign exchange loss (gain)	2.4	(1.6)	2.8	(1.9)
Employee benefits expense	333.4	323.5	981.9	933.8
Selling costs	108.8	104.1	332.8	307.3
Other general and administrative costs	136.6	135.6	410.5	391.1
Total	\$ 2,703.8	\$ 2,619.5	\$ 7,795.1	\$ 7,437.4

For the three and nine-month periods ended December 31, 2017, a write-down of \$1.6 million and \$5.8 million, respectively, was included as an expense in "Operating costs excluding depreciation and amortization" under the caption "Changes in inventories of finished goods and work in process" (nil and \$1.9 million for the three and nine-month periods ended December 31, 2016). Certain prior year's figures have been reclassified to conform to the current 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, 2017	March 31, 2017
North America-USA	December 2022 ¹	377.1	300.0 USD	\$ 188.6	\$ -
North America-Canada	December 2022 ¹	251.4	200.0 USD	-	-
Argentina	Yearly ²	86.7	69.0 USD	52.8	46.2
Argentina	Yearly ³	92.3	1,365.0 ARS	51.7	23.9
Australia	Yearly ⁴	24.6	25.0 AUD	13.7	-
Australia	Yearly ⁵	94.3	75.0 USD	63.6	23.7
		926.4		\$ 370.4	\$ 93.8

¹ Bears monthly interest at rates ranging from lender's prime rates plus a maximum of 1.00% or LIBOR or banker's acceptance rate plus 0.80% up to a maximum of 2.00% depending on the Company credit ratings.

² Bear monthly interest at local rate and can be drawn in USD.

³ Bear monthly interest at local rate and can be drawn in ARS.

⁴ Bear monthly interest at Australian Bank Bill Rate plus 0.85%.

⁵ 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, 2017	March 31, 2017
Unsecured bank term loan facilities		
Obtained December 2012 and due in December 2019 (\$850 million) ¹	\$ 200.0	\$ 600.0
Unsecured senior notes ²		
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	300.0
2.83%, issued in November 2016 and due in November 2023 (Series 3)	300.0	300.0
1.94%, issued in June 2017 and due in June 2022 (Series 4)	300.0	-
Finance lease obligations	25.7	-
	\$ 1,425.7	\$ 1,500.0
Current portion	4.3	-
	\$ 1,421.4	\$ 1,500.0
Principal repayments are as follows:		
Less than 1 year	\$ 4.3	\$ -
1-2 years	4.3	-
2-3 years	517.1	900.0
3-4 years	300.0	-
4-5 years	300.0	300.0
More than 5 years	300.0	300.0
	\$ 1,425.7	\$ 1,500.0

¹ Bear monthly interest at rates ranging from lender's prime plus a maximum of 1.00% or LIBOR or bankers' acceptance rates plus 0.80% up to a maximum of 2.00%, depending on the Company credit ratings, and can be drawn in CAD or USD. Effective February 4, 2013, the Company entered into an interest rate swap to fix its rate, which matured on December 30, 2016. As at December 31, 2017, US\$155.6 million was drawn and its foreign currency risk was offset with a cross currency swap (US\$452.9 million as at March 31, 2017).

² Interest payments are semi-annual.

On June 12, 2017, the Company issued \$300.0 million Series 4 medium term notes with an annual interest rate of 1.94% payable in equal semi-annual instalments, maturing on June 13, 2022, pursuant to its medium term note program expiring in January 2019.

NOTE 6 LONG-TERM DEBT (CONT'D)

On December 21, 2017, the Company entered into a new credit agreement providing for a non-revolving term facility in the aggregate amount of \$1.289 billion (the "acquisition facility"), consisting of three tranches: a 1-year tranche of \$400.0 million; a 3-year tranche of \$300.0 million; and a 5-year tranche of AU\$600.0 million (\$589.0 million). The acquisition facility is available to finance the acquisition of the business of Murray Goulburn Co-Operative Co. Limited.

NOTE 7 SHARE CAPITAL

	December 31, 2017	March 31, 2017
ISSUED		
386,993,881 common shares (386,234,311 common shares at March 31, 2017)	\$ 909.7	\$ 871.1

SHARE OPTION PLAN

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

	December 31, 2017		December 31, 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of year	17,850,014	\$ 29.00	16,903,824	\$ 24.41
Options granted	3,908,023	\$ 46.29	4,218,934	\$ 41.40
Options exercised	(1,414,470)	\$ 23.64	(2,329,141)	\$ 20.16
Options cancelled	(305,246)	\$ 34.11	(354,592)	\$ 32.32
Balance, end of period	20,038,321	\$ 32.67	18,439,025	\$ 28.68

The exercise price of the options granted in fiscal 2018 is \$46.29, which corresponds to the weighted average market price for the five trading days immediately preceding the date of grant (\$41.40 in fiscal 2017).

The weighted average fair value of options granted in fiscal 2018 was estimated at \$7.68 per option (\$6.94 in fiscal 2017), using the Black-Scholes option pricing model with the following assumptions:

	December 31, 2017	March 31, 2017
Weighted average:		
Risk-free interest rate	1.10 %	0.81 %
Expected life of options	5.4 years	5.4 years
Volatility ¹	18.89 %	20.01 %
Dividend rate	1.26 %	1.34 %

¹ The expected volatility is based on the historic share price volatility over a period similar to the life of the options.

A compensation expense of \$6.2 million (\$5.2 million net of taxes) and \$18.2 million (\$15.3 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, 2017, respectively. A compensation expense of \$5.7 million (\$4.8 million net of taxes) and \$16.4 million (\$13.9 million net of taxes) was recorded for the three and nine-month periods ended December 31, 2016, respectively.

NOTE 8 NET EARNINGS PER SHARE

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2017	2016	2017	2016
Net earnings	\$ 337.0	\$ 197.4	\$ 722.5	\$ 565.9
Non-controlling interest	-	(1.3)	-	(2.4)
Net earnings attributable to shareholders of Saputo Inc.	\$ 337.0	\$ 196.1	\$ 722.5	\$ 563.5
Weighted average number of common shares outstanding	386,700,080	391,169,781	386,516,987	391,408,007
Dilutive options	5,147,503	6,498,545	4,901,922	4,711,910
Weighted average diluted number of common shares outstanding	391,847,583	397,668,326	391,418,909	396,119,917
Basic net earnings per share	\$ 0.87	\$ 0.50	\$ 1.87	\$ 1.44
Diluted net earnings per share	\$ 0.86	\$ 0.49	\$ 1.85	\$ 1.42

When calculating diluted net earnings per share for the three and nine-month periods ended December 31, 2017, 3,857,513 options were excluded from the calculation because their exercise price is higher than the average market value of common shares (no options and 4,128,667 options, respectively, were excluded for the three and nine-month periods ended December 31, 2016).

NOTE 9 OTHER FINANCIAL CHARGES

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2017	2016	2017	2016
Finance costs	\$ 5.3	\$ 1.3	\$ 12.5	\$ 5.7
Finance income	(1.3)	(0.7)	(3.0)	(1.5)
	\$ 4.0	\$ 0.6	\$ 9.5	\$ 4.2

NOTE 10 INCOME TAXES

On December 22, 2017, the United States (US) enacted the "Tax Cuts and Jobs Act" which has been commonly referred to as US tax reform. A significant change under this reform is the reduction of the US Federal tax rate from 35.0% to 21.0%, effective January 1, 2018.

This change resulted in the Company recording an income tax benefit of \$178.9 million to adjust for future tax balances of \$169.2 million and current fiscal year provisions of \$9.7 million. These benefits are estimated based on the Company's initial analysis of the "Tax Cuts and Jobs Act". Given the complexity of this act, these estimates are subject to adjustment when further guidance becomes available.

The reduction of the effective tax rate is also due to an income tax benefit of \$8.3 million following a positive settlement in a tax litigation file.

NOTE 11 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, 2017 and March 31, 2017. 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, 2017		March 31, 2017	
	Fair value	Carrying value	Fair value	Carrying value
Cash flow hedges				
Commodity derivatives (Level 2)	\$ (3.5)	\$ (3.5)	(1.6) \$	(1.6)
Foreign exchange derivatives (Level 2)	(17.4)	(17.4)	3.2	3.2
Derivatives not designated in a formal hedging relationship				
Equity forward contracts (Level 2)	2.2	2.2	5.1	5.1
Commodity derivatives (Level 2)	(0.9)	(0.9)	0.1	0.1
Long-term debt (Level 2)	\$ 1,415.9	\$ 1,425.7	1,520.5 \$	1,500.0

NOTE 12 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). The International Sector consists of the Dairy Division (Argentina) and the Dairy Division (Australia).

As of April 1, 2017, the Canada Sector includes national and export revenues of ingredients manufactured in Canada. The USA Sector includes national ingredient revenues, and export ingredient and cheese revenues of products manufactured in the USA. Prior to April 1, 2017, these figures were presented in the Dairy Ingredients Division as part of the International Sector. Accordingly, certain prior year's figures have been reclassified to conform to the current presentation.

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.

NOTE 12 SEGMENTED INFORMATION (CONT'D)

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2017	2016	2017	2016
Revenues				
Canada	\$ 1,057.2	\$ 1,059.0	\$ 3,089.0	\$ 3,100.4
USA	1,591.3	1,593.8	4,697.7	4,516.8
International	373.3	313.3	1,011.4	825.6
	\$ 3,021.8	\$ 2,966.1	\$ 8,798.1	\$ 8,442.8
Earnings before interest, income taxes, depreciation, amortization, acquisition and restructuring costs				
Canada	\$ 127.9	\$ 116.9	\$ 367.8	\$ 349.0
USA	153.9	200.1	521.1	583.7
International	36.2	29.6	114.1	72.7
	\$ 318.0	\$ 346.6	\$ 1,003.0	\$ 1,005.4
Depreciation and amortization				
Canada	\$ 13.9	\$ 14.7	\$ 41.4	\$ 43.2
USA	34.3	29.4	96.1	88.6
International	7.9	6.8	24.1	18.6
	\$ 56.1	\$ 50.9	\$ 161.6	\$ 150.4
Acquisition and restructuring costs	39.1	-	39.4	-
Financial charges, net	12.6	9.8	35.0	32.8
Earnings before income taxes	210.2	285.9	767.0	822.2
Income taxes	(126.8)	88.5	44.5	256.3
Net earnings	\$ 337.0	\$ 197.4	\$ 722.5	\$ 565.9

NOTE 13 BUSINESS ACQUISITION

Betin, Inc.

On December 12, 2017, the Company completed the acquisition of Betin, Inc., doing business as Montchevre, previously announced on November 1, 2017. The purchase price of \$341.1 million, on a debt free basis, was paid in cash at closing from cash on hand and available credit lines. The preliminary purchase price allocation reflects the estimated value allocated to working capital for \$31.3 million, property, plant and equipment for \$17.5 million, goodwill for \$211.9 million, intangible assets for \$ 131.3 million and deferred income tax liabilities for \$50.9 million.

Montchevre manufactures, markets and distributes goat cheese in the US, mainly under the *Montchevre* brand. Its activities are conducted at one manufacturing facility located in Belmont, Wisconsin (USA). The business employs approximately 319 people. For the twelve-month period ended on June 30, 2017, Montchevre generated revenues of approximately \$150 million.

The final purchase price allocation will be completed by the first half of calendar year 2018.

Extended shelf-life (ESL) dairy product activities of Southeast Milk, Inc. (SMI)

On September 29, 2017, the Company acquired the ESL dairy product activities of SMI. The purchase price of \$63.5 million, on a debt free basis, included cash consideration of \$37.0 million and assumed liabilities of \$26.5 million. Value of net assets acquired represents \$37.0 million and includes inventories, property, plant and equipment, goodwill, as well as finance lease obligations and accounts payable.

The ESL dairy product activities of SMI employs approximately 75 people at one manufacturing facility located in Plant City, Florida (USA) and generates annual revenues of approximately \$59 million.

The final purchase price allocation will be completed by the end of this fiscal year.

**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, 2017:

Earnings coverage ratio	23.34 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.