Saputo

NEWS RELEASE
For immediate release

FINANCIAL RESULTS FISCAL 2011 FIRST QUARTER, ENDED JUNE 30, 2010

Net earnings at $111.4 million, up 31.4%
Revenues at $1.436 billion, down 0.7%

(Montreal, August 3, 2010) – We are presenting the results for the first quarter of fiscal 2011, which ended on June 30, 2010.

- Net earnings for the quarter totalled $111.4 million, an increase of $26.6 million or 31.4% compared to $84.8 million for the same quarter last fiscal year.
- Earnings before interest, income taxes, depreciation and amortization (EBITDA[1]) amounted to $190.8 million, an increase of $32.3 million or 20.4% in comparison to $158.5 million for the same quarter last fiscal year.
- Revenues for the quarter amounted to $1.436 billion, a decrease of $10.3 million or 0.7% in comparison to $1.446 billion for the corresponding quarter last fiscal year.
- Basic earnings per share (EPS) was $0.54 and diluted EPS was $0.53 for the quarter, as compared to $0.41 for both basic and diluted EPS for the corresponding quarter last fiscal year.

(in millions of Canadian dollars (CDN), except per share amounts)	For the three-month periods ended		
(unaudited)	**June 30, 2010**	June 30, 2009	March 31, 2010
Revenues	**1,436.1**	1,446.4	1,384.2
EBITDA	**190.8**	158.5	175.5
Net earnings	**111.4**	84.8	99.1
EPS			
Basic	**0.54**	0.41	0.48
Diluted	**0.53**	0.41	0.47

- In the United States (US), the average block market[2] per pound of cheese increased by US$0.21 compared to the same period last fiscal year, increasing revenues and EBITDA by positively affecting the absorption of fixed costs.
- In the US, EBITDA benefitted from a favourable realization of inventories generated by a rising block market per pound of cheese as opposed to a decreasing block for the same quarter last fiscal year and was impacted by a less favourable relationship between the average block market per pound of cheese and the cost of milk as raw material compared to the same quarter last fiscal year.
- The appreciation of the Canadian dollar versus the US dollar and Argentinean peso impacted results by eroding approximately $75 million in revenues and $9 million in EBITDA as compared to the same quarter last fiscal year.
- The Board of Directors reviewed the dividend policy and increased the quarterly dividend from $0.145 per share to $0.16 per share, representing a 10.3% increase. The quarterly dividend will be payable on September 17, 2010 to common shareholders of record on September 6, 2010.
- The Company announces today that Mr. Pierre Leroux, Executive Vice President, Human Resources and Corporate Affairs, has advised that he will be retiring as of April 1, 2011. The Company has a succession plan in place and his successor will be determined in the coming months.

[1] **Measurement of results not in accordance with Generally Accepted Accounting Principles**
The Company assesses its financial performance based on its EBITDA, this being earnings before interest, depreciation, amortization and income taxes. EBITDA is not a measure of performance as defined by Generally Accepted Accounting Principles in Canada, and consequently may not be comparable to similar measurements presented by other companies.

[2] "Average block market" is the average daily price of a 40 pound block of cheddar traded on the Chicago Mercantile Exchange (CME), used as the base price for cheese.

Conference Call

A conference call to discuss the first quarter results of fiscal 2011 will be held on Tuesday, August 3, 2010, at 2:00 PM, Eastern time. To participate in the conference call, dial 1.800.926.5093. To ensure your participation, please dial in approximately five minutes before the call. To listen to this call on the web, please enter http://www.gowebcasting.com/1815 in your web browser.

For those unable to participate, a replay will be available until midnight, Eastern time, Tuesday, August 10, 2010. To access the replay, dial 1.800.558.5253, ID number 21475256. A replay of the conference call will also be available on the Company's web site at www.saputo.com.

About Saputo

Saputo produces, markets and distributes a wide array of products of the utmost quality, including cheese, fluid milk, yogurt, dairy ingredients and snack-cakes. Saputo is the 12th largest dairy processor in the world, the largest in Canada, the third largest in Argentina, among the top 3 cheese producers in the United States and the largest snack-cake manufacturer in Canada. Our products are sold in more than 40 countries under well-known brand names such as *Saputo*, *Alexis de Portneuf*, *Armstrong*, *Baxter*, *Dairyland*, *Danscorella*, *De Lucia*, *Dragone*, *DuVillage 1860*, *Frigo Cheese Heads*, *Kingsey*, *La Paulina*, *Neilson*, *Nutrilait*, *Ricrem*, *Stella*, *Treasure Cave*, *HOP&GO!*, *Rondeau* and *Vachon*. Saputo is a publicly traded company whose shares are listed on the Toronto Stock Exchange under the symbol SAP.

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Information

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Management's Analysis

The goal of the management report is to analyze the results of and the financial position for the quarter ended June 30, 2010. It should be read while referring to consolidated financial statements and accompanying notes for the three-month periods ended June 30, 2010 and 2009. Saputo Inc.'s (Company or Saputo) accounting policies are in accordance with Canadian Generally Accepted Accounting Principles of the Canadian Institute of Chartered Accountants (CICA). All dollar amounts are in Canadian dollars unless otherwise indicated. This report takes into account material elements between June 30, 2010, and August 3, 2010, the date of this report, on which it was approved by the Board of Directors of Saputo. Additional information about the Company, including the Annual Report and the Annual Information Form for the year ended March 31, 2010 can be obtained on Sedar at www.sedar.com.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This report, including the "Outlook" section, contains forward-looking statements within the meaning of securities laws. These statements are based, among others, on the Company's current assumptions, expectations, estimates, objectives, plans and intentions regarding projected revenues and expenses, the economic and industry environments in which the Company operates or which could affect its activities, its ability to attract and retain clients and consumers as well as its operating costs, raw materials and energy supplies which are subject to a number of risks and uncertainties. Forward-looking statements can generally be identified by the use of the conditional tense, the words "may", "should", "would", "believe", "plan", "expect", "intend", "anticipate", "estimate", "foresee", "objective" or "continue" or the negative of these terms or variations of them or words and expressions of similar nature. Actual results could differ materially from the conclusion, forecast or projection stated in such forward-looking information. As a result, the Company cannot guarantee that any forward-looking statements will materialize. Assumptions, expectations and estimates made in the preparation of forward-looking statements and risks that could cause actual results to differ materially from current expectations are discussed throughout this Management's Analysis and in the most recently filed Annual Report which is available on SEDAR at www.sedar.com. Forward-looking information contained in this report, including the "Outlook" section, is based on Management's current estimates, expectations and assumptions, which Management believes are reasonable as of the current date. You should not place undue importance on forward-looking information and should not rely upon this information as of any other date. Except as required under applicable securities legislation, Saputo does not undertake to update these forward-looking statements, whether written or oral, that may be made from time to time by itself or on its behalf, whether as a result of new information, future events or otherwise.

OPERATING RESULTS

Consolidated revenues for the quarter ended June 30, 2010 amounted to $1.436 billion, a decrease of $10.3 million or 0.7% in comparison to the $1.446 billion for the corresponding quarter last fiscal year. The strengthening of the Canadian dollar compared to the US dollar and Argentinean peso negatively affected revenues. This was partially offset by a higher average block market per pound of cheese, a more favourable dairy ingredients market and the addition of the activities of F&A Dairy of California, Inc. acquired on July 20, 2009 (F&A Dairy Acquisition) in the US. Finally, slightly lower sales volumes in the CEA Dairy Products Sector were partially offset by volume increases in the USA Dairy Products Sector.

Consolidated earnings before interest, income taxes, depreciation and amortization (EBITDA) for the first quarter of fiscal 2011 amounted to $190.8 million, an increase of $32.3 million or 20.4% in comparison to $158.5 million for the same quarter last fiscal year. The EBITDA increase is explained by operational efficiencies and more favourable market conditions in the USA Dairy Products Sector. The CEA Dairy Products Sector contributed to increase EBITDA by continued operational efficiencies in addition to the decrease in cost of ingredients and packaging and favourable selling prices from the Argentinean international and domestic markets.

OTHER CONSOLIDATED RESULTS ITEMS

Depreciation and amortization for the first quarter of fiscal 2011 totalled $26.1 million, a decrease of $2.3 million compared to the same quarter last fiscal year. The strengthening of the Canadian dollar in the first quarter of fiscal 2011 compared to the same quarter last fiscal year mainly contributed to decrease the depreciation expense.

Net interest expense decreased by $1.4 million for the quarter ended June 30, 2010 in comparison to the same quarter last fiscal year. The decrease is mainly due to lower debt levels as compared to the corresponding period last fiscal year.

Income taxes for the first quarter of fiscal 2011 totalled $46.7 million, reflecting an effective tax rate of 29.5% compared to 30.5% for the same quarter last fiscal year. The income tax rates vary and could increase or decrease based on the amount of taxable income derived and from which source, any amendments to tax laws and income tax rates and changes in assumptions and estimates used for tax assets and liabilities by the Company and its affiliates.

Net earnings totalled $111.4 million for the quarter ended June 30, 2010 compared to $84.8 million for the same quarter last fiscal year. These reflect the various factors analyzed in this report.

SELECTED QUARTERLY FINANCIAL INFORMATION

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

Fiscal years	2011	2010				2009		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	**1,436.1**	1,384.2	1,497.3	1,482.7	1,446.4	1,460.4	1,517.5	1,453.5
EBITDA	**190.8**	175.5	183.5	174.7	158.5	141.9	125.7	129.9
Net earnings	**111.4**	99.1	104.3	94.5	84.8	69.2	57.8	69.0
EPS								
Basic	**0.54**	0.48	0.50	0.46	0.41	0.33	0.28	0.34
Diluted	**0.53**	0.47	0.50	0.45	0.41	0.33	0.28	0.33

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

Fiscal years	2011	2010		
	Q1	Q4	Q3	Q2
Market factors[2]	**17.0**	15.0	18.0	5.0
US currency exchange	**(9.0)**	(11.0)	(9.0)	3.0
Inventory write-down	**–**	–	(2.1)	–
Rationalization charges	**–**	(6.4)	(0.6)	(0.9)

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

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

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

(in thousands of CDN dollars)	For the three-month periods ended June 30 2010	2009
Cash generated by operating activities before changes in non-cash working capital items	**147,282**	118,583
Changes in non-cash working capital items	**(32,215)**	(16,309)
Cash used for investing activities	**(25,311)**	(32,501)
Cash used by financing activities	**(21,271)**	(73,079)
Increase (decrease) in cash and cash equivalents	**68,485**	(3,306)

For the three-month period ended June 30, 2010, cash generated by **operating activities** before changes in non-cash working capital items amounted to $147.3 million, an increase of $28.7 million in comparison to the $118.6 million for the corresponding quarter last fiscal year. The increase is primarily attributable to an increase in net earnings as compared to the same period last fiscal year. Non-cash working capital items used $32.2 million for the first quarter of fiscal 2011 compared to a usage of $16.3 million for the corresponding quarter of fiscal 2010.

Investing activities were comprised mainly of additions to fixed assets of $31.3 million for the three-month period ended June 30, 2010.

Financing activities for the first quarter of fiscal 2011 consisted of a decrease in bank loans of $27.2 million and issuance of shares for a cash consideration of $5.9 million as part of the stock option plan.

Liquidity

(in thousands of CDN dollars, except ratio)	**June 30, 2010**	March 31, 2010
Current assets	**1,218,210**	1,046,378
Current liabilities	**712,676**	690,694
Working capital	**505,534**	355,684
Working capital ratio	**1.71**	1.51

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

Capital Management

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

(in thousands of CDN dollars, except ratio and number of shares and options)	**June 30, 2010**	March 31, 2010
Cash and cash equivalents	**124,139**	54,819
Bank loans	**33,231**	61,572
Long-term debt	**383,230**	380,790
Interest-bearing debt[1]	**292,322**	387,543
Shareholders' equity	**2,164,654**	2,028,598
Interest-bearing[1] debt-to-equity ratio	**0.14**	0.19
Common shares	**207,765,545**	207,425,823
Preferred shares	**–**	–
Stock options	**10,755,729**	9,413,750

[1] Net of cash and cash equivalents.

The Company had $124.1 million of cash and cash equivalents and available bank credit facilities of approximately $643 million, $33.2 million of which are drawn. Should the need arise, the Company could make additional financing arrangements to pursue growth through acquisitions.

Share capital authorized by the Company is comprised of an unlimited number of common and preferred shares. The common shares are voting and participating. The preferred shares can be issued in one or more series, and the terms and privileges of each class must be determined at the time of their creation. As at July 28, 2010, 207,902,484 common shares and 10,605,191 stock options were outstanding.

CONTRACTUAL OBLIGATIONS

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

(in thousands of CDN dollars)

	June 30, 2010			March 31, 2010		
	Long-term debt	**Minimum lease**	**Total**	Long-term debt	Minimum lease	Total
Less than 1year	–	13,519	13,519	–	12,600	12,600
1-2 years	–	11,399	11,399	–	10,285	10,285
2-3 years	–	9,812	9,812	–	8,161	8,161
3-4 years	110,000	8,229	118,229	–	7,094	7,094
4-5 years	53,230	6,764	59,994	160,790	5,261	166,051
More than 5 years	220,000	21,554	241,554	220,000	6,977	226,977
	383,230	71,277	454,507	380,790	50,378	431,168

BALANCE SHEET

With regards to balance sheet items as at June 30, 2010, compared to those as at March 31, 2010, the main variance is due to the strengthening of the US dollar versus the Canadian dollar since March 31, 2010, resulting in the conversion of the balance sheets of foreign subsidiaries at higher rates, thus increasing the Canadian dollar value of balance sheet items.

FOLLOW-UP ON CERTAIN SPECIFIC ITEMS OF THE ANALYSIS

For an analysis of off-balance sheet arrangements, guarantees, related party transactions, accounting standards, critical accounting policies and use of accounting estimates as well as risks and uncertainties, we encourage you to consult the comments provided in the 2010 Annual Report on pages 16 to 25 of the Management's Analysis, since there were no notable changes during the three-month period ended June 30, 2010.

FUTURE ACCOUNTING STANDARDS

International Financial Reporting Standards (IFRS)

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

The Company is currently in phase II of its convergence plan, which began on October 1, 2009. Please refer to the 2010 Annual Report on pages 18 to 22 of the Management's Analysis for further details. Though the Company is proceeding according to schedule, the impact of divergences noted in Phase I is in the process of being quantified.

DISCLOSURE CONTROLS AND PROCEDURES

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and the Chief Financial Officer are responsible for establishing and maintaining internal control over financial reporting. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

The Chief Executive Officer and the Chief Financial Officer, together with Management, have concluded after having conducted an evaluation and to the best of their knowledge that, as of June 30, 2010, no change in the Company's internal control over financial reporting occurred that could have materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

INFORMATION BY SECTOR

CEA Dairy Products Sector

(in millions of CDN dollars)

Fiscal years	2011	2010				2009		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	**927.0**	876.5	960.2	963.6	945.7	904.3	854.1	810.1
EBITDA	**121.6**	117.7	115.4	112.3	112.5	98.3	86.7	94.9

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

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

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

[2] Market factors include the international market pricing impact related to sales of dairy ingredients.

Revenues

Revenues for the CEA Dairy Products Sector totalled $927.0 million for the quarter ended June 30, 2010, a decrease of $18.7 million compared to $945.7 million for the same period last fiscal year. The decrease is mainly attributed to lower sales volumes from the Canadian, Argentinean and European Divisions. The decrease was partially offset by increased selling prices in both domestic and export markets in Argentina, as well as a favourable dairy ingredients market. During the quarter, the strengthening of the Canadian dollar versus the Argentinean peso eroded revenues by approximately $10 million.

EBITDA

For the quarter ended June 30, 2010, EBITDA totalled $121.6 million, an increase of $9.1 million or 8.1% compared to the $112.5 million of the corresponding quarter last fiscal year. The Canadian Dairy Products Division positively contributed to EBITDA by continued operational efficiencies in addition to the decrease in cost of ingredients and packaging. Additionally, the Division benefitted from favourable dairy ingredients market conditions as compared to the same quarter last fiscal year.

For the quarter ended June 30, 2010, EBITDA of the Dairy Products Division (Europe) remained relatively stable as compared to the same quarter last fiscal year.

The Dairy Products Division (Argentina) contributed positively to the CEA Dairy Products Sector EBITDA as compared to the same quarter last fiscal year mainly due to a better product mix, as well as favourable selling prices in the international and domestic markets.

USA Dairy Products Sector

(in millions of CDN dollars)

Fiscal years	2011	2010				2009		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	**474.3**	472.2	498.1	477.3	458.6	517.0	$ 621.6	601.5
EBITDA	**65.0**	55.2	63.7	58.1	41.3	39.1	35.7	31.1

***Selected factors positively (negatively) affecting EBITDA*[1]**

(in millions of CDN dollars)

Fiscal years	2011	2010		
	Q1	Q4	Q3	Q2
Market factors[2]	**16.0**	13.0	16.0	6.0
US currency exchange	**(9.0)**	(11.0)	(9.0)	3.0
Inventory write down	**–**	–	(2.1)	–

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

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

Other pertinent information

(in US dollars, except for average exchange rate)

Fiscal years	2011	2010			
	Q1	Q4	Q3	Q2	Q1
Average block market per pound of cheese	**1.397**	1.465	1.517	1.232	1.189
Closing block price[1] per pound of cheese	**1.420**	1.400	1.450	1.413	1.115
Whey market price[2] per pound	**0.390**	0.400	0.370	0.320	0.270
Spread[3]	**0.121**	0.129	0.149	0.155	0.176
US average exchange rate to Canadian dollar[4]	**1.027**	1.041	1.056	1.096	1.172

[1] Closing block price is the price of a 40 pound block of cheddar traded on the Chicago Mercantile Exchange (CME) on the last business day of each quarter.

[2] Whey powder market price is based on Dairy Market News published information.

[3] Spread is the average block market per pound of cheese less the result of the average cost per hundredweight of Class III and/or Class 4b milk price divided by 10.

[4] Based on Bank of Canada published information.

Revenues

Revenues for the USA Dairy Products Sector totalled $474.3 million for the quarter ended June 30, 2010, an increase of $15.7 million from the $458.6 million for the corresponding quarter last fiscal year. An average block market per pound of cheese of US$1.40 for the first quarter of fiscal 2011, an increase of US$0.21 as compared to the same quarter last fiscal year, increased revenues by approximately $48 million. The F&A Dairy Acquisition combined with additional revenues from a more favourable dairy ingredients market and higher sales volumes increased revenues by approximately $32 million. The appreciation of the Canadian dollar eroded approximately $64 million in revenues.

EBITDA

For the quarter ended June 30, 2010, EBITDA totalled $65.0 million, an increase of $23.7 million in comparison to $41.3 million for the same quarter last fiscal year. The average block market per pound of cheese increased from US$1.19 in the first quarter of last fiscal year to US$1.40 in the first quarter of fiscal 2011. This increase created a positive effect on the absorption of fixed costs. A more favourable dairy ingredients market in comparison to the same quarter last fiscal year also increased EBITDA. During the quarter, the block market per pound of cheese increased steadily generating a positive effect on the realization of inventories, whereas the opposite occurred in the same quarter last fiscal year. The relationship between the average block market per pound of cheese and the cost of milk as raw material was less favourable in the quarter in comparison to the same period last fiscal year. These market factors combined had a positive impact of approximately $16 million on EBITDA.

The inclusion of the F&A Dairy Acquisition, higher sales volumes, initiatives undertaken in the prior and current fiscal years with regards to improved operational efficiencies, and lower ingredients costs offset increased promotional and transportation costs incurred during the quarter in comparison to the same quarter last fiscal year increasing EBITDA by approximately $17 million. The appreciation of the Canadian dollar eroded approximately $9 million in EBITDA.

Grocery Products Sector

(in millions of CDN dollars)

Fiscal years	2011	2010				2009		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	**34.8**	35.5	39.0	41.8	42.2	39.0	41.7	42.0
EBITDA	**4.2**	2.6	4.3	4.3	4.6	4.5	3.2	4.0

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

Fiscal years	2011	2010		
	Q1	Q4	Q3	Q2
Rationalization charges	–	(3.0)	(0.6)	(0.9)

Revenues

Revenues for the Grocery Products Sector totalled $34.8 million for the quarter, a $7.4 million decrease compared to the same quarter last fiscal year. This decrease is due to lower sales volumes resulting from thrift store closures that occurred in the second quarter of fiscal 2010, product rationalization in fiscal 2010 and lower sales volumes in all regions.

EBITDA

EBITDA for the Grocery Products Sector amounted to $4.2 million, a $0.4 million decrease, compared to the same quarter last fiscal year. Although the Sector reduced its expenses, lower sales volumes had a greater impact on EBITDA.

OUTLOOK

The Dairy Products Division (Canada) will continue to invest in projects in order to increase capacity to strengthen its presence in the growing specialty cheese category. The Division has announced plans to relocate the Brampton, Ontario milk and cream production to other facilities in the current fiscal year. Additionally in Ontario, the Division will consolidate distribution in the Greater Toronto Area within the new distribution center. These measures were announced on March 30, 2010 with expected completion in the fall of 2010. Also, the Division will continue to review overall activities in order to achieve additional operational efficiencies and decrease operational costs.

The Dairy Products Division (Europe) continues to cope with a challenging environment with respect to obtaining milk supply at prices competitive with the selling price of cheese. The Division continues to work towards increasing volumes while improving manufacturing efficiencies.

The Dairy Products Division (Argentina) continues to seek volume growth in the domestic market. Ongoing challenges are the increasing cost of milk as raw material and remaining competitive with the export market selling price. The Division will also continue to focus on improving operational efficiencies in efforts to improve results.

In the USA Dairy Products Sector, capital expenditures at our Midwest facilities acquired in fiscal 2009 are nearing completion. These capital expenditures should increase our capacity, reduce operational costs, as well as improve the management of our dairy ingredients from our Midwest facilities. Capital expenditures at our California facility acquired in fiscal 2010, as part of the F&A Dairy Acquisition are also progressing as planned. They should be completed during the following quarters.

The Bakery Division will continue to review certain aspects of its operations, such as lower volume stock-keeping units (SKU) and the standardization of packaging and ingredients. Also, the Division will focus on further plant automation in the current fiscal year. In addition, the Division will continue to expand its product offering such as new product lines geared towards the frozen category.

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

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

(signed)
Lino Saputo
Chairman of the Board

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

August 3, 2010

NOTICE

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

CONSOLIDATED STATEMENTS OF EARNINGS

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

(unaudited)

	For the three-month periods ended June 30	
	2010	2009
Revenues	$ 1,436,148	$ 1,446,434
Cost of sales, selling and administrative expenses	1,245,363	1,287,978
Earnings before interest, depreciation, amortization and income taxes	190,785	158,456
Depreciation and amortization (Note 6)	26,060	28,350
Operating income	164,725	130,106
Interest on long-term debt	5,802	6,513
Other interest, net	817	1,531
Earnings before income taxes	158,106	122,062
Income taxes	46,709	37,241
Net earnings	$ 111,397	$ 84,821
Earnings per share (Note 11)		
Net earnings		
Basic	$ 0.54	$ 0.41
Diluted	$ 0.53	$ 0.41

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

For the three-month period ended June 30, 2010

	Share capital: Common Shares (in thousands)	Share capital: Amount	Retained Earnings	Accumulated Other Comprehensive (Loss)	Contributed Surplus	Total Shareholders' Equity
Balance at beginning of period	207,426	$ 584,749	$ 1,603,373	$ (188,045)	$ 28,521	$ 2,028,598
Comprehensive income:						
Net earnings	–	–	111,397	–	–	111,397
Net change in currency translation of financial statements of self-sustaining foreign operations	–	–	–	46,490	–	46,490
Total comprehensive income						157,887
Dividends declared	–	–	(30,138)	–	–	(30,138)
Stock based compensation (Note 12)	–	–	–	–	2,015	2,015
Shares issued under stock option plan	340	5,919	–	–	–	5,919
Amount transferred from contributed surplus to share capital upon exercise of options	–	1,411	–	–	(1,411)	–
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	–	–	–	–	373	373
Balance at end of period[1]	207,766	$ 592,079	$ 1,684,632	$ (141,555)	$ 29,498	$ 2,164,654

For the three-month period ended June 30, 2009

	Share capital: Common Shares (in thousands)	Share capital: Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Contributed Surplus	Total Shareholders' Equity
Balance at beginning of period	207,087	$ 555,529	$ 1,373,856	$ 16,219	$ 26,744	$ 1,972,348
Comprehensive income:						
Net earnings	–	–	84,821	–	–	84,821
Net change in currency translation of financial statements of self-sustaining foreign operations	–	–	–	(73,718)	–	(73,718)
Net change on derivative financial instruments designated as cash flow hedges, net of tax	–	–	–	1,263	–	1,263
Total comprehensive income						12,366
Dividends declared	–	–	(28,971)	–	–	(28,971)
Stock based compensation (Note 12)	–	–	–	–	1,898	1,898
Shares issued under stock option plan	177	2,618	–	–	–	2,618
Amount transferred from contributed surplus to share capital upon exercise of options	–	704	–	–	(704)	–
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	–	–	–	–	26	26
Shares repurchased and cancelled	(329)	(890)	(7,084)	–	–	(7,974)
Balance at end of period[2]	206,935	$ 557,961	$ 1,422,622	$ (56,236)	$ 27,964	$ 1,952,311

[1] Retained Earnings and Accumulated Other Comprehensive Income total is $ 1,543,077.

[2] Retained Earnings and Accumulated Other Comprehensive Income total is $ 1,366,386.

CONSOLIDATED BALANCE SHEETS
(in thousands of CDN dollars)

	June 30, 2010 (unaudited)	March 31, 2010 (audited)
ASSETS		
Current assets		
Cash and cash equivalents	$ 124,139	$ 54,819
Receivables	380,784	367,069
Inventories (Note 4)	614,026	566,754
Income taxes	4,852	5,940
Future income taxes	23,867	22,302
Prepaid expenses and other assets	29,199	29,494
Portfolio investment (Note 5)	41,343	–
	1,218,210	1,046,378
Portfolio investment (Note 5)	–	41,343
Fixed assets (Note 6)	1,069,220	1,038,756
Goodwill	730,052	716,695
Trademarks and other intangibles	316,393	316,613
Other assets (Note 7)	85,693	90,272
Future income taxes	3,774	3,394
	$ 3,423,342	$ 3,253,451
LIABILITIES		
Current liabilities		
Bank loans (Note 8)	$ 33,231	$ 61,572
Accounts payable and accrued liabilities	476,927	471,106
Dividend payable	30,138	–
Income taxes	160,245	149,377
Future income taxes	12,135	8,639
	712,676	690,694
Long-term debt (Note 9)	383,230	380,790
Other liabilities	9,686	9,694
Future income taxes	153,096	143,675
	1,258,688	1,224,853
SHAREHOLDERS' EQUITY	2,164,654	2,028,598
	$ 3,423,342	$ 3,253,451

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

	For the three-month periods ended June 30	
	2010	2009
Cash flows related to the following activities:		
Operating		
Net earnings	$ 111,397	$ 84,821
Items not affecting cash and cash equivalents		
Stock based compensation	2,015	1,898
Depreciation and amortization	26,060	28,350
Gain on disposal of fixed assets	(52)	(97)
Future income taxes	7,828	4,227
Deferred share units	625	574
Funding of employee plans in excess of costs	(591)	(1,190)
	147,282	118,583
Changes in non-cash operating working capital items	(32,215)	(16,309)
	115,067	102,274
Investing		
Additions to fixed assets	(31,338)	(26,277)
Proceeds on disposal of fixed assets	959	97
Other assets and other liabilities	5,068	(6,321)
	(25,311)	(32,501)
Financing		
Bank loans	(27,190)	(65,697)
Proceeds from issuance of long-term debt	-	330,000
Repayment of long-term debt	-	(340,000)
Issuance of share capital	5,919	2,618
	(21,271)	(73,079)
Increase (decrease) in cash and cash equivalents	68,485	(3,306)
Effect of exchange rate changes on cash and cash equivalents	835	(3,928)
Cash and cash equivalents, beginning of period	54,819	43,884
Cash and cash equivalents, end of period	$ 124,139	$ 36,650
Supplemental information		
Interest paid	$ 12,279	$ 12,391
Income taxes paid	$ 26,915	$ 53,042

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1 — Significant Accounting Policies

Basis of presentation

The unaudited consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and applied in the same manner as the most recently audited financial statements. These financial statements do not include all the information and notes required according to GAAP for annual financial statements, and should therefore be read in conjunction with the audited consolidated financial statements and the notes included in the Company's Annual Report for the year ended March 31, 2010.

Effect of new accounting standards not yet implemented

International Financial Reporting Standards (IFRS). In 2006, the Canadian Accounting Standards Board (AcSB) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, the Company's transition date of April 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ending March 31, 2011. While the Company is in Phase II of its convergence plan and is evaluating the quantitative impact of the accounting divergences noted in Phase I, the financial reporting impact of these divergences is in the process of being quantified.

2 — Foreign Currency Translation

The balance sheet accounts of the self-sustaining companies operating outside Canada are translated into Canadian dollars using the exchange rates at the balance sheet dates. Statement of earnings accounts are translated into Canadian dollars using the average monthly exchange rates in effect during the periods. The unrealized gains (losses) on translation of the financial statements of self-sustaining foreign operations account presented in accumulated other comprehensive income (loss) represents accumulated foreign currency gains (losses) on the Company's net investments in companies operating outside Canada. The change in the unrealized gains (losses) on translation of the financial statements of self-sustaining foreign operations account for the period resulted mainly from the fluctuation in value of the Canadian dollar as compared to the US dollar.

Foreign currency accounts of the Company and its subsidiaries are translated using the exchange rates at the balance sheet dates for monetary assets and liabilities and the prevailing exchange rates at the time of transactions for income and expenses. Non-monetary items are translated at the historical exchange rates. Gains or losses resulting from this translation are included in the cost of sales, selling and administrative expenses.

	For the three-month periods ended June 30	
	2010	2009
Foreign currency (loss) gain	**$ (653)**	$ 210

3 — Accumulated Other Comprehensive (Loss)

	June 30, 2010	March 31, 2010
Net unrealized (losses) on translation of financial statements of self-sustaining foreign operations	$ (141,555)	$ (189,308)
Losses on derivatives items designated as hedges of interest cash flows, net of tax	–	1,263
Accumulated other comprehensive (loss)	$ (141,555)	$ (188,045)

4 — Inventories

	June 30, 2010	March 31, 2010
Finished goods	$ 395,465	$ 372,373
Raw materials, work in process and supplies	218,561	194,381
	$ 614,026	$ 566,754

The amount of inventories recognized as an expense in cost of sales for the three-month period ended June 30, 2010 is $1,106,210,000 ($1,148,632,000 for the three-month period ended June 30, 2009).

5 — Portfolio Investment

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

6 — Fixed Assets

	June 30, 2010			March 31, 2010		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Land	$ 36,599	$ –	$ 36,599	$ 38,920	$ –	$ 38,920
Buildings	385,052	96,657	288,395	382,480	92,164	290,316
Furniture, machinery and equipment	1,301,668	577,044	724,624	1,242,504	543,674	698,830
Rolling stock	8,642	5,537	3,105	13,117	8,435	4,682
Held for sale	16,497	–	16,497	6,008	–	6,008
	$ 1,748,458	$ 679,238	$ 1,069,220	$ 1,683,029	$ 644,273	$ 1,038,756

During the three-month period ended June 30, 2010, the depreciation expense related to fixed assets totalled $24,781,000 ($27,035,000 for the three-month period ended June 30, 2009).

The net book value of fixed assets under construction amounts to $65,265,000 as at June 30, 2010 ($46,271,000 as at March 31, 2010), and consists mainly of machinery and equipment.

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

7 — Other Assets

	June 30, 2010	March 31, 2010
Net accrued pension plan assets	$ 63,861	$ 64,451
Taxes receivables	13,415	15,893
Other	8,417	9,928
	$ 85,693	$ 90,272

8 — Bank Loans

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

		Available for use			Amount drawn	
Credit Facilities	Maturity	Canadian Currency Equivalent	Base Currency		June 30, 2010	March 31, 2010
North America-US Currency	[1]December 2012	138,398	130,000	USD	$ –	$ –
North America-CDN Currency	[1]December 2012	393,902	370,000	USD	–	30,000
Argentina	[2]Yearly	92,754	349,752	ARS	30,301	28,213
Germany	[3]Yearly	6,518	5,000	EUR	597	–
United Kingdom	[3]Yearly	11,096	7,000	BPS	2,333	3,359
		642,668			$ 33,231	$ 61,572

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

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

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

9 — Long-Term Debt

	June 30, 2010	March 31, 2010
Unsecured senior notes[1]		
8.41%, issued in November 1999 and due in November 2014 (US$50,000,000)	$ 53,230	$ 50,790
5.34%, issued in June 2009 and due in June 2014	110,000	110,000
5.82%, issued in June 2009 and due in June 2016	220,000	220,000
	$ 383,230	$ 380,790
Principal repayments are as follows:		
Less than 1 year	$ –	$ –
1-2 years	–	–
2-3 years	–	–
3-4 years	110,000	–
4-5 years	53,230	160,790
More than 5 years	220,000	220,000
	$ 383,230	$ 380,790

[1]Interest payments are semi-annual.

10 — Employee Pension and Other Benefits Plans

The Company provides benefits and defined contribution pension plans as well as other benefits plans such as health insurance, life insurance and dental plans to eligible employees and retired employees. Pension and other benefit plan obligations are affected by factors such as interest rates, adjustments arising from plan amendments, changes in assumptions and experience gains or losses. The costs are based on a measurement of the pension and other benefit plan obligations and the pension fund assets.

Total benefit costs are as follows:

	For the three-month periods ended June 30	
	2010	2009
Pension plans	**$ 6,137**	$ 4,832
Other benefits plans	**201**	274
	$ 6,338	$ 5,106

11 — Earnings per Share

	For the three-month periods ended June 30	
	2010	2009
Net earnings	**$ 111,397**	$ 84,821
Weighted average number of common shares outstanding	**207,639,124**	207,029,240
Dilutive options	**2,141,811**	1,068,528
Weighted average dilutive number of common shares outstanding	**209,780,935**	208,097,768
Basic earnings per share	**$ 0.54**	$ 0.41
Diluted earnings per share	**$ 0.53**	$ 0.41

When calculating dilutive earnings per share for the three-month period ended June 30, 2010, 1,746,760 options (3,156,149 in 2009) were excluded from the calculation because their exercise price is higher than the average market value.

12 — Stock Option Plan

Changes in the number of outstanding options are as follows:

	For the three-month periods ended June 30					
	2010			2009		
	Number of options		**Weighted average exercise price**	Number of options		Weighted average exercise price
Balance at beginning of period	**9,413,750**	**$**	**20.13**	9,128,841	$	16.93
Options granted	**1,753,233**	**$**	**29.32**	2,232,039	$	21.40
Options exercised	**(339,722)**	**$**	**17.43**	(176,562)	$	14.83
Options cancelled	**(71,532)**	**$**	**18.91**	(80,456)	$	18.90
Balance at end of period	**10,755,729**	**$**	**21.72**	11,103,862	$	17.00

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

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

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

A compensation expense of $2,015,000 ($1,806,000 after income taxes) relating to stock options was recorded in cost of sales, selling and administrative expenses for the three-month period ended June 30, 2010. A compensation expense of $1,898,000 ($1,689,000 after income taxes) was recorded for the three-month period ended June 30, 2009.

13 – Segmented Information

	For the three-month periods ended June 30	
	2010	2009
Revenues[1]		
Dairy Products		
CEA	$ 926,989	$ 945,650
USA	474,314	458,600
	1,401,303	1,404,250
Grocery Products	34,845	42,184
	$ 1,436,148	$ 1,446,434
Earnings before interest, depreciation amortization and income taxes		
Dairy Products		
CEA	$ 121,620	$ 112,511
USA	64,961	41,302
	186,581	153,813
Grocery Products	4,204	4,643
	$ 190,785	$ 158,456
Depreciation and amortization		
Dairy Products		
CEA	$ 13,149	$ 13,222
USA	11,013	13,038
	24,162	26,260
Grocery Products	1,898	2,090
	$ 26,060	$ 28,350
Operating income		
Dairy Products		
CEA	$ 108,471	$ 99,289
USA	53,948	28,264
	162,419	127,553
Grocery Products	2,306	2,553
	$ 164,725	$ 130,106
Interest	6,619	8,044
Earnings before income taxes	158,106	122,062
Income taxes	46,709	37,241
Net earnings	$ 111,397	$ 84,821

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