



SAPUTO INC.

ANNUAL INFORMATION FORM

June 8, 2004

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ITEM 1 – THE COMPANY

1.1 INCORPORATION

Saputo Inc. was constituted by a Certificate of Amalgamation issued pursuant to the provisions of the *Canada Business Corporations Act* on July 1, 1992, which was amended on August 25, 1997 in order to change the provisions attached to its authorized share capital. On August 2, 2000, the Certificate was further amended to enable the directors to appoint additional directors between shareholders' meetings. The head office and principal place of business of the Company is located at 6869 Metropolitan Boulevard East, Saint-Léonard, Québec, Canada, H1P 1X8.

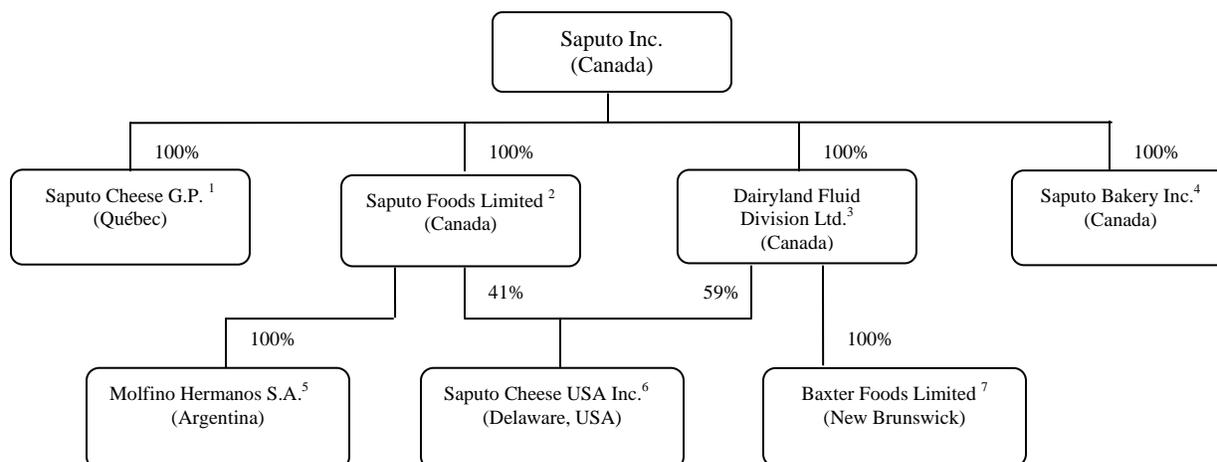
In this Annual Information Form, unless the context otherwise requires or indicates, the terms “Saputo” and the “Company” mean Saputo Inc. itself or together with its subsidiaries and/or other entities under its direct or indirect control (collectively the “**Subsidiaries**”), or any one or more of them.

On November 23, 2001, Saputo declared a 100% stock dividend on the Common Shares which had the same effect as a two-for-one split (the “**Stock Split**”) and doubled the number of Common Shares outstanding. All references to numbers of Common Shares and prices of Common Shares made herein have been adjusted to reflect the Stock Split.

In this Annual Information Form, all references to “\$” or “CDN\$” are to Canadian dollars and all references to “US\$” are to United States dollars.

1.2 CORPORATE STRUCTURE

The following organizational chart illustrates the corporate structure of Saputo and its significant Subsidiaries, and their respective jurisdictions of incorporation.



- (1) Production, sale and distribution of dairy products, mainly cheese, and other food products in the Province of Québec.
- (2) Production, sale and distribution of dairy products, mainly cheese, and other food products in Canadian provinces other than Québec.
- (3) Production, sale and distribution of a wide range of fluid milk, cream products, sour cream, cottage cheese, yogurt and soft serve dairy mixes as well as juices and other beverages, and distribution of a variety of other dairy and related products in Western Canada and Ontario. Quebec fluid milk operations are conducted through Crémierie des trois-rivières S.E.C.
- (4) Production, sale and distribution of bakery items almost exclusively in Canada.
- (5) Production, sale and distribution of dairy products in and from Argentina.
- (6) Production and sale of dairy products, mainly cheese, in the United States.
- (7) Production, sale and distribution of dairy products including fluid milk, sour cream and juices and other beverages in the Maritime Provinces.

ITEM 2 – GENERAL DEVELOPMENT OF THE BUSINESS

2.1 OVERVIEW

The Company operates its business through two sectors, the Dairy Products sector composed of the Dairy Products sector (Canada and other) and the Dairy Products sector (USA), and the Grocery Products sector. The Dairy Products sectors and the Grocery Products sector represent respectively 95.3% and 4.7% of the Company's total sales. The Dairy Products sector (Canada and other) is composed of the Dairy Products division (Canada) and the Dairy Products division (Argentina); the Dairy Products sector (USA) is composed of the Cheese division (USA); and the Grocery Products sector is composed of the Bakery division.

The Company's total consolidated sales are made as to 64.0% in Canada, as to 34.8% in the United States and as to 1.2% in Argentina. Through its two sectors, the Company operates 43 manufacturing facilities and employs almost 7,500 employees.

Dairy Products Sector (Canada and other)

Through its Dairy Products sector (Canada and other), Saputo produces and markets, in Canada, mozzarella, cheddar, as well as other specialty and fine cheeses, butter, and value-added by-products such as whey powder, ice cream mixes, lactose and whey protein. Saputo also distributes fine imported cheeses to specialty delis and a large assortment of other non-dairy products that complement its cheese distribution mainly to pizzerias. Saputo has established itself as Canada's leading producer of cheese, with a share of approximately 35% of the Canadian natural cheese production. Saputo's cheese products are sold through independent non-exclusive distributors and sales agents as well as through its own distribution network within three market segments: retail, foodservice and industrial.

In the Dairy Products sector (Canada and other), the Company also produces, markets and distributes, in Canada, fluid milk and a wide range of dairy products, including cream, yogurt, sour cream and cottage cheese. The dairy product line is complemented by various non-dairy products, including flavoured coffee creamers, juices and drinks. The Company is one of the three largest fresh milk processors in Canada with an estimated 20 % share of the Canadian market. Saputo services these products mainly to the retail segment through its direct-store delivery ("DSD") distribution network operated by Company-owned and independent distributors, as well as through an important home delivery network. These products are also sold to the foodservice segment.

On November 28, 2003, the Company completed the acquisition of Molfino Hermanos S.A. ("Molfino") in Argentina (see "- History (including Acquisitions and Dispositions)"). The operations of Molfino form part of the Dairy Products sector (Canada and other).

During fiscal 2004, the retail segment accounted for 62% of the Dairy Products sector (Canada and other)'s sales, the foodservice segment for 30%, and the industrial segment for 8%.

In fiscal 2004, the Dairy Products sector (Canada and other) represented 60.5% of the Company's total sales. Through this sector, the Company operates 26 manufacturing facilities in Canada and two in Argentina and employed, on May 1, 2004, 4,477 employees, 828 of which were located in Argentina.

Dairy Products Sector (USA)

Through its Dairy Products sector (USA), the Company produces a broad line of mozzarella, speciality cheeses and imitation cheese products. The Company also produces sweetened condensed milk as well as whey protein concentrates and ingredient blends which are derived from its cheese production.

Saputo ranks as one of the leading natural cheese producers in the United States with approximately 6% of natural cheese production. Directly or through independent non-exclusive distributors and sales agents, Saputo services three market segments: retail, foodservice and industrial. During fiscal 2004, the retail segment accounted for 30% of the Dairy Products sector (USA)'s sales volume, the foodservice segment for 42% and the industrial

segment for 28%.

In fiscal 2004, the Dairy Products sector (USA) represented 34.8% of the Company's total sales. Through this sector, the Company operates 14 manufacturing facilities in the United States and employed, as of May 1, 2004, 1,889 employees.

Grocery Products Sector

The Company produces, markets and distributes snack cakes, tarts and cereal bars in Canada and, on a much smaller scale, in the United States. These products are sold almost exclusively in the Canadian retail market through a DSD distribution network as well as independent distributors. Saputo is the largest manufacturer of snack cakes in Canada. In this sector, the Company operates one manufacturing facility in the Province of Québec and employed, as of May 1, 2004, 1,114 employees.

2.2 HISTORY (INCLUDING ACQUISITIONS AND DISPOSITIONS)

Mr. Emanuele (Lino) Saputo, Chairman of the Board of Saputo, founded the Company with his parents in 1954, producing quality cheeses for the Italian community of Montréal.

Between 1970 and 1997, Saputo acquired several production operations, food distributors and developed its national distribution network, positioning itself in Canada as a leading producer of mozzarella. In 1988, the Company entered the United States market by acquiring two cheese manufacturing plants. On July 31, 1997, Saputo acquired Crémierie des Trois-Rivières, Limitée thereby entering the fluid milk market.

On October 15, 1997, the Company completed its initial public offering of 18,941,000¹ Common Shares at \$8.50¹ per share (the "**Initial Public Offering**"). In December of the same year, Saputo issued 18,000,000¹ special warrants at \$12.50¹ per warrant in order to finance, in part, the Stella Acquisition (as defined below).

On December 5, 1997, Saputo expanded its presence in the United States by acquiring Stella Holdings, Inc., a manufacturer of mozzarella and specialty cheeses (which, together with its then wholly-owned subsidiaries, are hereinafter collectively referred to as "**Stella**") for a total consideration of approximately \$580 million paid in cash (the "**Stella Acquisition**"). During its fiscal year ended December 31, 1996, Stella had revenues of approximately \$1 billion. With the Stella Acquisition, the Company tripled its revenues and established itself as one of the leading natural cheese producers in the United States.

In 1998, Saputo continued its growth in Canada and the United States by acquiring mozzarella, speciality cheeses, sweetened condensed milk and value-added by-products manufacturers.

On September 15, 1999, the Company acquired all of the outstanding shares of Culinar Inc., now known as Saputo Bakery Group Inc., for a price of \$283.5 million. This transaction was paid in cash and through the issuance of 5,006,000¹ Common Shares of Saputo at a price of \$19.98¹ per share. Culinar produced, marketed and distributed snack cakes, cookies, fine breads and soups and had sales of approximately \$270 million. With this acquisition, Saputo became the largest manufacturer of snack cakes in Canada.

On November 12, 1999, Saputo completed the private placement of US \$250 million Senior Notes to institutional investors in the United States. The term of the Notes ranges from seven to fifteen years with an average interest rate of 8.16%. The proceeds of the private placement were used to refinance part of the Company's existing credit facilities.

¹ This information has been restated to reflect the Stock Split.

On February 28, 2000, the Company acquired all of the outstanding shares of Groupe Cayer-JCB Inc., a manufacturer of fine cheeses based in the Province of Québec, for a price of \$13.7 million paid in cash and \$6.7 million of indebtedness. Cayer had sales of approximately \$55 million.

On February 5, 2001, Saputo completed the acquisition of the fluid milk and cheese operations of Agrifoods International Co-operative Limited (“**Agrifoods**”), one of the largest dairy processors in Canada, through the purchase of all of the outstanding shares of some of Agrifoods’ operating subsidiaries including Dairyland Fluid Division Ltd, Armstrong Cheese Company Ltd and Baxter Foods Limited for the price of \$407.3 million paid in cash (the “**Dairyworld Acquisition**”). The acquired businesses generated net sales of approximately \$1.4 billion.

On July 15, 2001, Saputo concluded a partnership agreement pursuant to which Dare Foods Limited (“**Dare**”) acquired the cookies, fine breads and soup operations of Saputo’s Grocery Products sector which represented annual revenues of approximately \$83 million. In consideration thereof, Saputo obtained a 21% equity interest in the Dare group. As a result of this transaction, Dare became the second largest cookie producer in Canada.

On November 23, 2001, Saputo completed its Stock Split and doubled the number of Common Shares outstanding. See “The Company – Incorporation”.

On June 28, 2002, the Company completed a secondary offering pursuant to which companies controlled by Mr. Emanuele (Lino) Saputo² or by his brothers and sisters and their families sold 7,635,000 Common Shares to the public, at a price of \$32.75 per share.

On May 1, 2003, the Company entered into an agreement with Western Marketing & Sales, LLC, to form Gallo Protein 2003, LLC, in which Saputo holds a 51% equity interest. Gallo Protein 2003, LLC, based in Atwater, California, manufactures and markets whey protein isolates and related products from the whey protein concentrate supplied by Saputo’s Tulare and South Gate, California cheese manufacturing plants, as well as from the whey of other cheese operations. The Company’s investment related to this agreement amounts to approximately \$3.5 million.

On May 23, 2003, the Company acquired the business relating to the *Treasure Cave* and *Nauvoo* blue cheese brands and certain blue cheese-related assets from ConAgra Foods Inc. for a purchase price of \$36.5 million paid in cash. This acquisition positions the Company as the leader in the blue cheese category on the US retail market segment.

On November 28, 2003, Saputo acquired 100% of Molfino, the third largest dairy processor in Argentina, for the price of approximately \$60 million on a debt-free basis. This company produces a wide variety of soft, semi-soft, hard and grated cheeses, as well as butter, cream, milk powder, UHT milk and *dulce de leche* (caramelized milk). This transaction gives Saputo the opportunity to establish itself in a market where the raw material is accessible at competitive international prices.

2 See « Directors and Officers - Directors » for more details on the Common Shares beneficially owned or over which control or direction is exercised by Mr. Emanuele (Lino) Saputo.

ITEM 3 – INDUSTRY OVERVIEW

3.1 DAIRY PRODUCTS INDUSTRY

3.1.1 The Canadian Dairy Industry

Regulatory Environment

The regulation of the content, composition, labelling, packaging, marketing and distribution of all food products in Canada is a shared responsibility between the federal and the provincial governments. The dairy industry is further governed by a series of federal and provincial regulations specific to the production, processing and distribution of milk and milk-related products. All applicable statutes, whether provincial or federal, permit plant inspections, product testing and other regulatory scrutiny.

In Canada, all milk processing plants are subjected to regular inspections by federal authorities and are required to be registered under the *Canada Agricultural Products Act*. Provincial legislation also demands that milk processing plants be licensed, compelling them to comply with all provincial inspections and regulations.

Milk Supply

The Canadian dairy industry operates within a highly regulated environment. The Canadian Dairy Commission (“**CDC**”), a crown corporation, has been mandated by the federal government to implement Canada’s national dairy policy which is predicated on shared jurisdictional powers between the federal and provincial governments. Fluid milk is regulated provincially, while industrial milk is regulated federally. “Fluid milk” refers to table milk or cream intended for consumption in fluid forms, whereas “industrial milk” is used for the manufacturing of all other dairy products, such as cheese, butter, ice cream and yogurt. According to CDC information, the fluid milk sector represents approximately 39% of raw milk delivered in Canada while the industrial milk sector represents approximately 61% of such deliveries.

The Canadian dairy industry operates within a supply managed system. The key goal of supply management is to ensure a fair return for dairy farmers while maintaining the production of sufficient volumes of industrial milk to satisfy the domestic Canadian consumer demand for dairy products as well as certain planned exports. This is essentially achieved by setting the support price that the dairy processors can receive for butter and skimmed milk powder sold to the CDC to clear market surpluses and by controlling the supply of industrial milk.

Every dairy year (which runs from August 1 to July 31), the CDC calculates the national industrial milk production level based on anticipated domestic demand and certain planned exports. This amount is then allocated according to the terms of the National Milk Marketing Plan, a federal/provincial agreement. This agreement stipulates, among other things, that Québec’s and Ontario’s shares of the national industrial milk production (the “**Market Sharing Quota**”) are approximately 45.6% and 31.8% respectively.

Once the industrial milk level is determined and allocated among the provinces, provincial marketing boards govern the production, pricing and marketing of milk within their own borders. Each provincial marketing board allocates the milk to dairy processors. Industrial milk is allocated according to a cascading system that classifies industrial milk into various classes of products to be manufactured. Priority of supply is given to the higher milk classes, which command a higher milk price.

Although there may be some provincial variations, quantities of milk in each class, other than fluid milk, are generally restricted in their growth. Since the Market Sharing Quota is based on historical and anticipated demand for dairy products, Management believes that the risk of a processor losing a significant part of its available milk volume is very low.

International Trade (Canada)

Imports. The Department of Foreign Affairs and International Trade administers Canada's cheese import quotas. These quotas are divided into European Union and non-European Union sources. This results from Canada's obligation to the European Union to import from it 66.0% of the approximately 20.4 million kilograms of cheese that Canada is committed to import annually under the World Trade Organization ("WTO") Agreement on Agriculture. Imports within this minimum access commitment of 20.4 million kilograms of cheese are subject to low rates of duty while imports over this commitment are subject to significantly higher tariffs. Over-access tariffs for cheese currently stand at 245.5% of invoiced value. On May 1, 2004, the European Union expanded with the addition of ten (10) new countries. At this time, it is unclear if these new additions will alter the current import ratios defined above and applicable to Canada.

Exports. In order to comply with the final decision of the WTO rendered on January 17, 2003, which found that Canada's dairy export practices constituted export subsidies, Canada is forced to export any quantity of milk products over its WTO commitments at the same prices as Canada's national milk prices which makes exports of dairy products from Canada non-competitive. The export of by-products like lactose and whey is not affected by the WTO decision.

Canadian Market

The dairy processing industry makes a major contribution to the Canadian economy with shipments valued at \$9.9 billion in 2003. Second only to meat processing, the dairy processing sector accounted for approximately 13.6% of the estimated value of all food and beverage processing sales during the same year. Significant rationalization is occurring in the processing sector as processors strive to achieve the greater efficiencies and economies of scale required to remain competitive in increasingly global markets.

In 2002-2003, there were 17,890 dairy farms in Canada. This represents a decrease of 783 farms from the previous dairy year. Approximately 81% of Canada's dairy farms are located in the Provinces of Québec and Ontario. The Western provinces and the Maritime provinces account for 14% and 5%, respectively.

The following table indicates the production volumes of selected dairy products manufactured in Canada in 2003.

Canadian Production Volumes of Selected Dairy Products in 2003 ⁽¹⁾
(in thousands)

Cheese.....	341,911	kg
Fluid Milk and Cream.....	2,961,249	litres
Cottage cheese	24,653	kg
Ice cream and other frozen products	519,193	litres
Other dairy products	489,412	kg

(1) Source: Canadian Dairy Commission.

3.1.2 The United States Dairy Industry

Regulatory Environment

In the United States, the production of all food products is subject to extensive federal, state and local government regulations regarding the advertising, quality, packaging, labelling and safety.

All food plants are subject to regulation and inspection by the United States Food and Drug Administration (“**FDA**”) and by the United States Department of Agriculture (“**USDA**”). Individual states may also enforce more stringent regulations regarding the manufacturing of food products. State and local government agencies work with the federal government to ensure the safety of food produced within their jurisdictions. Violations of federal, state and local regulations may result in seizure and condemnation of products, cease and desist orders, injunctions and monetary penalties. State and local government agencies also enforce environmental compliance.

Milk Supply

In the United States, there are two grades of milk: Grade A and Grade B. Grade A milk is produced under specific sanitary requirements and dairy producers must hold a Grade A shipping permit. Grade A milk accounts for 98% of the United States milk supply and is used for fluid as well as manufacturing purposes. Grade B milk represents 2% of the United States milk production and is used exclusively to manufacture butter, cheese and skim milk powder.

The following table presents the utilization of the United States milk production in 2003:

Utilization of United States Milk Production in 2003 ⁽¹⁾

Utilized as fluid milk and cream	32.2 %
Manufactured into cheese	37.9 %
Manufactured into frozen dairy products.....	8.7 %
Used on farms where produced.....	0.7 %
Other uses	20.5 %

(1) Source: USDA, Dairy Products 2003 Summary, published April 2004.

In most cases, milk marketed within the United States is priced according to its use. Milk prices are set monthly based on product price formulas. Price data used in the formulas is collected through surveys conducted by the USDA’s National Agriculture Statistics Service. In addition, in April 2003, California established a minimum milk price. Milk used in fluid products is placed in Class I, the highest priced class. Milk used to produce ice cream, yogurt, cottage cheese, sour cream, ricotta cheese and other soft products is Class II. Milk used to manufacture cheese and cream cheese is Class III, and milk used to produce butter and milk powders is Class IV. In California, milk used to produce ice cream and sherbet is Class III; milk used to manufacture butter and milk powder is Class IV(a) and milk used to produce cheese and cream cheese is Class IV(b).

Wholesale pricing for the bulk of the United States cheese production is established by daily cash cheddar cheese trading on the Chicago Mercantile Exchange (CME). The last trade of the day establishes the market price for the day. If no trades occur, the market price is determined based on the bid and offer prices. Processors typically charge a premium over the CME price.

A dairy processing plant is not limited in terms of the quantity of milk it can receive and is free to negotiate its milk supply with whomever it chooses. Independent processors usually negotiate with local cooperatives or may procure milk directly from individual farms. Processors are charged a price which reflects the current month's USDA class price plus a negotiated handling charge.

United States dairy programs influence the production and marketing of milk and milk products through the operation of the Commodity Credit Corporation ("CCC"), a federal agency. CCC buys butter, non-fat dry milk and cheese at the following support prices:

- Butter @ US \$ 1.0500 per pound;
- Cheddar cheese 40 pound blocks @ US \$1.1314 per pound;
- Non-fat dry milk powder @ US \$0.8000 per pound.

Such products are sold or used either domestically or internationally in specific government programs. The CCC does not directly support dairy farmers, nor does it establish a target return for farmers.

International Trade (United States)

Imports. Another key component of the United States dairy program is import restrictions. Most United States cheese import quotas are country and product specific. Under the terms of the WTO Agreement on Agriculture, the United States agreed to import, at a lower tariff rate, approximately 135,587 metric tons of cheese in 2003. Tariffs for cheese in excess of the quota are prohibitive.

Entry for dairy products made with sheep, goat and buffalo milk do not require a license nor are they subject to a United States duty. The same is true for a few other products including brie cheese.

Exports. The United States is not a significant exporter of dairy products. Its export activity accounted for US \$1.002 billion in 2003 and US \$945.5 million in 2002.

Most export activity is conducted through the Dairy Export Incentive Program which allocates subsidized export volumes to specific countries thereby enabling exporters to bid for export assistance for dairy products destined to these countries.

United States Market

The USDA states that there were 399 cheese manufacturing plants in the United States in 2003, which produced 3.9 billion kilograms (kg) of cheese. Cheddar accounted for 31.9% of this amount, or 1.2 billion kg, while Italian cheeses totalled 1.6 billion kg, or 41%. Mozzarella alone added up to 1.3 billion kg, representing 79.7% of Italian cheeses and 32.6% of all cheeses produced in 2003.

3.1.3 International Dairy Industry

Compared to the world dairy production, the volumes of dairy products currently traded on the world market are small. However, we note that the trade of dairy products tends to grow and that the countries' respective market shares are evolving very quickly. The bulk of this international trade is regional within each continent and is energized by free-trade zones, the oldest and the biggest being the European Union. Other trade zones are developing in the Americas, the Middle East and in Asia.

In recent years, the shifts in market shares have been significant. In fact, the WTO Uruguay Round of trade negotiations influenced this change as the WTO addressed specifically for the first time the trade of agricultural products. Between 1995 and 2002, the European Union (then comprised of 15 countries) has seen its share of the world market shrink from 53% to 30%, New Zealand's share grow from 19% to 28%, Australia's share grow from 13% to 18%. The United States share has fallen from 6% to 4% while Argentina has gained 1% to reach 4% of the world market. Following the WTO Appellate Body's ruling rendered in December 2002, Canada is no longer a major exporter of dairy products.

The implementation of the latest *Common Agricultural Policy* in the expanded European Union is expected to have a measurable impact on the global dairy industry. This policy aims to reduce dairy farm gate prices as well as eliminate export subsidies, with the farm revenue loss being compensated for by direct farm payments consistent with WTO commitments. Reports indicate that such compensation may be inadequate to prevent a significant drop in dairy farm numbers across Europe, which may contribute to maintaining firmer prices in the international market. The world market is itself polarizing into “pre-packed, consumer ready” and “bulk commodity, dairy ingredients” markets with as yet unpredictable long term effects on traditional trading patterns and ultimately, world prices.

Argentina

Regulatory Environment

The regulatory environment in Argentina is diametrically different from that in Canada or the United States. While there are national, provincial and municipal laws, only a very small number are specific to the dairy industry. The dairy industry adheres to the international Codex Alimentarius standards for those products which are traded internationally, such as cheese and skim milk powder, and follows recognized good manufacturing practices for all products brought to the domestic market.

Milk Supply

In Argentina, milk prices are negotiated monthly between the processors and milk producers . There are no limitations or restrictions as to the quantity of milk that is produced and processed. In addition, milk marketed within Argentina is not priced or classified according to its use. Moreover, dairy processors are not limited to the amount of milk that they can purchase and are free to negotiate milk supply agreements with whomever they choose. Usually, agreements are negotiated with dairy producers within a given radius of the dairy processing plant.

Total milk production in Argentina approximates 80 million hectolitres per year, which is slightly higher than total Canadian milk production. The following table indicates the production volume of selected dairy products produced in Argentina.

Argentina Production Volumes of Selected Dairy Products in 2003 ⁽¹⁾
(in thousands)

Cheese.....	332,293	Metric tons
Fluid Milk.....	1,386,253	Litres
Yogurt.....	271,463	Metric tons
Other dairy products	438,975	Metric tons

(1) Source: *Secretaria de Agricultura, Ganaderia Pesca y Alimentos, Cuadro estadístico, May 2004.*

Exports

Argentina is a member of the South American free trade group Mercosul, and is also a player in the international dairy market. It has a large milk basin and is capable of producing milk at internationally competitive prices. There are no governmental programs that aid processors to export dairy products. In 2003, Argentina exported 171,000 MT of dairy products. Of this quantity, 126,000 MT was milk powder, 21,000 MT cheese and the remaining 24,000 MT consisted of other dairy products.

3.1.4 Future Trends

The consolidation trend which began several years ago in both the American and Canadian dairy industries is, in the Company's opinion, set to continue. This evolving competitive environment will necessarily force regional processors to either adapt, sell or merge with other industry participants. Well-capitalized industry consolidators should take advantage of this consolidation trend to make strategic acquisitions.

Representatives of the various governments have initiated discussions through the Doha Round of WTO negotiations that should lead to new tariff and subsidy reductions in agricultural products during the coming years. The Doha Round is expected to be completed between 2005 and 2008, depending on the date on which the Committee's framework paper is finalized and approved.

Over the coming years, the dairy industry in Canada will need to focus on creating innovative dairy products that match the changing nutritional needs of consumers in order to grow the domestic market.

In the United States, plant quotas are non-existent. Accordingly, dairy processing companies are not limited to their existing milk reception volumes, but rather their expansion is a function of their activities in the market place.

3.2 GROCERY PRODUCTS INDUSTRY

Regulatory Environment

The regulation of the content, composition, labelling, packaging, marketing and distribution of all food products in Canada is a shared responsibility between the federal and the provincial governments. The grocery products industry is subject to stringent quality and labelling standards, including those of the *Food and Drugs Act* and of the *Consumer Packaging and Labelling Act*.

Canadian Retail Market

Over the recent years, Canada's retail market has changed with the increasing importance of non-supermarket channels of distribution such as mass merchandisers and warehouse clubs. This trend has resulted in significant consolidation within the grocery channel where five national chains controlled approximately 87% of all retail sales in 2003.

The snack cake industry generates sales of approximately \$707 million per year in Canada. This industry segment comprises among others, snack cakes, muffins, granola, cereal and fruit bars, fresh baked deserts business as well as marshmallow squares. Pre-packaged snack cake products enjoy a 17.8% market share of the snack cake industry in Canada. Of the pre-packaged snack cake products total sales in Canada, approximately 61% and 28% are made in the provinces of Québec and Ontario, respectively.

ITEM 4 – DESCRIPTION OF THE BUSINESS

The Company operates its business through two sectors, the Dairy Products sector (which includes the Dairy Products sector (Canada and other) and the Dairy Products sector (USA)) and the Grocery Products sector. Through its Dairy Products sector and its Grocery Products sector, the Company operates 43 manufacturing facilities and employs almost 7,500 employees. The Dairy Products sector (Canada and other) is composed of the Dairy Products division (Canada) and the Dairy Products division (Argentina); the Dairy Products sector (USA) is composed of the Cheese division (USA); and the Grocery Products sector is composed of the Bakery division.

The following table presents the relative importance of the Company's two sectors over the last two fiscal years.

	Sales by Sector			
	Year ended March 31, 2004		Year ended March 31, 2003	
	Sales (\$000)	% of total sales	Sales (\$000)	% of total sales
Dairy Products sector				
Dairy Products sector..... (Canada and other)	2,161,852	60.5	2,017,383	59.4
Dairy Products sector (USA)	1,240,954	34.8	1,212,810	35.7
Sub-total	<u>3,402,806</u>	95.3	<u>3,230,193</u>	95.1
Grocery Products sector	167,384	4.7	167,919	4.9
Total.....	<u>3,570,190</u>	<u>100.0</u>	<u>3,398,112</u>	<u>100.0</u>

Dairy Products Sector (Canada and other)

Through its Dairy Products sector (Canada and other), Saputo produces and markets, in Canada, mozzarella, cheddar as well as other specialty and fine cheeses, butter and value-added by-products such as whey powder, ice cream mixes, lactose and whey protein. Saputo also distributes fine imported cheeses to specialty delis and a large assortment of other non-dairy products that complement its cheese distribution mainly to pizzerias. Saputo has established itself as Canada's leading producer of cheese, with a share of approximately 35% of the Canadian natural cheese production. Saputo's cheese products are sold through independent non-exclusive distributors and sales agents as well as through its own distribution network within three market segments: retail, foodservice and industrial.

In the Dairy Products sector (Canada and other), the Company also produces, markets and distributes, in Canada, fluid milk and a wide range of dairy products, including cream, yogurt, sour cream and cottage cheese. The dairy product line is complemented by various non-dairy products, including flavoured coffee creamers, juices and drinks. The Company is one of the three largest fresh milk processors in Canada with an estimated 20% share of the Canadian market. Saputo services these products mainly to the retail segment through its DSD distribution network operated by Company-owned and independent distributors, as well as through an important home delivery network. These products are also sold to the foodservice segment.

Through its operations in Argentina, the Company produces a wide variety of soft, semi-soft, hard and grated cheeses, as well as butter, cream, milk powder, UHT milk and *dulce de leche* (caramelized milk). Saputo services these products to the retail and industrial market segments through independent distributors. The Company is the third largest dairy processor in Argentina.

During fiscal 2004, the retail segment accounted for 62% of the Dairy Products sector (Canada and other)'s sales, the foodservice segment for 30% and the industrial segment for 8%.

In fiscal 2004, the Dairy Products sector (Canada and other) represented 60.5% of the Company's total sales. Through this sector, the Company operates 26 manufacturing facilities in Canada and two in Argentina and employed, on May 1, 2004, 4,477 employees, 828 of which were located in Argentina.

Dairy Products Sector (USA)

Through its Dairy Products sector (USA), the Company produces a broad line of mozzarella, speciality cheeses and imitation cheese products. The Company also produces sweetened condensed milk as well as whey protein concentrates and ingredient blends which are derived from its cheese production.

Saputo ranks as one of the leading natural cheese producers in the United States with approximately 6% of natural cheese production. Directly or through independent non-exclusive distributors and sales agents, Saputo services three market segments: retail, foodservice and industrial. During fiscal 2004, the retail segment accounted for 30% of the Dairy Products sector (USA)'s sales volume, the foodservice segment for 42% and the industrial segment for 28%.

In fiscal 2004, the Dairy Products sector (USA) represented 34.8% of the Company's total sales. Through this sector, the Company operates 14 manufacturing facilities in the United States and employed, as of May 1, 2004, 1,889 employees.

Grocery Products Sector

The Company produces, markets and distributes snack cakes, tarts and cereal bars in Canada and, on a much smaller scale, in the United States. These products are sold almost exclusively in the Canadian retail market through a DSD distribution network as well as independent distributors. Saputo is the largest manufacturer of snack cakes in Canada. In this sector, the Company operates one manufacturing facility in the Province of Québec and employed, as of May 1, 2004, 1,114 employees.

Overall Profile

The following tables present the segmentation of total Company sales by region and by market segment for the last two fiscal years:

	Total Company Sales – Geographic Segmentation			
	Year ended March 31, 2004		Year ended March 31, 2003	
	Sales (\$000)	% of total sales	Sales (\$000)	% of total sales
United States	1,240,954	34.8	1,212,810	35.7
Canada.....	2,284,774	64.0	2,185,302	64.3
Argentina.....	44,462 ⁽¹⁾	1.2 ⁽¹⁾	n/a ⁽¹⁾	n/a ⁽¹⁾
Total	<u>3,570,190</u>	<u>100.0</u>	<u>3,398,112</u>	<u>100.0</u>

(1) The acquisition of Molfino was completed on November 28, 2003.

Total Company Sales – Market Segmentation					
		Year ended March 31, 2004		Year ended March 31, 2003	
		Sales (\$000)	% of total sales	Sales (\$000)	% of total sales
Dairy Products Sector					
Dairy Products sector (Canada and other)					
Retail	1,340,348	37.5	1,217,866	35.9	
Foodservice	648,556	18.2	602,002	17.7	
Industrial	172,948	4.8	197,515	5.8	
Sub-Total.....	2,161,852	60.5	2,017,383	59.4	
Dairy Products sector (USA)⁽¹⁾	1,240,954	34.8	1,212,810	35.7	
Sub-Total.....	3,402,806	95.3	3,230,193	95.1	
Grocery Products Sector⁽²⁾	167,384	4.7	167,919	4.9	
Total	<u>3,570,190</u>	<u>100.0</u>	<u>3,398,112</u>	<u>100.0</u>	

(1) Sales volumes are more representative of our US activities due to the impact of currency fluctuation and the variation of the selling price per pound of cheese on sales dollars. (See table “Sales Volumes – Market Segmentation” in section 4.2.3).

(2) The grocery products are sold almost exclusively in the retail market segment.

As the Company’s sectors are completely different, the description of the Company’s business will be divided in three sections, (i) the Dairy Products sector, segregated into the Dairy Products sector (Canada and other), (ii) the Dairy Products sector (USA) and (iii) the Grocery Products sector.

4.1 DAIRY PRODUCTS SECTOR (CANADA AND OTHER)

4.1.1 Products

In Canada, Saputo produces and markets nationally a wide variety of quality cheeses including mozzarella and cheddar, specialty cheeses such as ricotta, provolone, parmesan, feta, havarti, fine cheeses such as brie and camembert, other firm cheeses including brick, colby, farmer, munster and monterey jack, as well as processed cheeses. Saputo’s cheese products are sold under various brand names, such as *Saputo*, *Stella*, *Armstrong*, *Caron* and *Cayer*. Saputo also sells its cheese products under private labels and produces butter, powdered milk and evaporated milk as well as a number of by-products derived from its cheese production, including whey powder, ice cream mixes, lactose and whey protein. The Company’s distribution network distributes fine imported cheeses to specialty delis and a large assortment of third party manufactured non-dairy products that complement its cheese distribution to pizzerias in the foodservice industry.

Saputo is one of the three largest fresh milk processors in Canada, with an estimated 20% share of the Canadian market. Fluid milk is sold under the *Dairyland* brand in Western Canada and Ontario, the *Nutrilait* brand in Québec and the *Baxter* brand in the Maritimes. Saputo also produces and markets cream, sour cream, cottage cheese and yogurt. Specialty milk is also produced and marketed under the brand names *Milk 2 Go*, *Lait’s Go*, *Dairyland Plus* and *Nutrilait Plus*. In addition to its dairy products line, Saputo also produces and distributes other refrigerated products, including juices.

In Argentina, Saputo produces and markets a wide variety of soft, semi-soft, hard and grated cheeses, as well as butter, cream, milk powder, UHT milk and *dulce de leche* (caramelized milk). Approximately 60% of its products are sold nationally, while 40% is sold on the export market. These products are sold under the recognized brand names of *Molfino*, *La Paulina* and *Ricrem*.

4.1.2 Production

Raw Materials

Milk represents on average 85% of the costs incurred by the Company in the manufacturing of dairy products. In Canada, due to the regulated nature of the Canadian dairy industry, Saputo sources its milk through the milk boards in each province. The Company sources its other raw materials from various suppliers.

In Argentina, Saputo sources its milk from farmers and approximately 3% of our milk supply is sourced from Saputo's farms. The Company sources its other raw materials from various suppliers.

Facilities

In the Dairy Products sector (Canada and other), the Company operates a total of 28 manufacturing facilities, 26 of which are located in Canada and two in Argentina. The Company owns all of its plants with the exception of one of its two facilities located in Calgary, Alberta.

The Company operates 13 facilities in Western Canada. These facilities have the overall weekly capacity to process approximately 27 million litres of milk into cheese, fluid milk and other related dairy products and to produce processed cheese.

In Ontario, the Company operates 4 facilities, with an overall weekly capacity to process approximately 5 million litres of milk into cheese or fluid milk.

In Québec and the Maritimes, the Company operates a total of 9 facilities. These facilities have an overall weekly capacity to process approximately 15 million litres of milk into cheese, fluid milk and other related dairy products as well as liquid whey in these facilities.

In Argentina, the Company operates two facilities with an overall weekly capacity to process approximately 10 million litres of milk into cheese and other related dairy products.

The facilities operating in the Dairy Products sector (Canada and other) have, with their overall production capacity combined, an excess capacity of 20% for the Canadian cheese operations, 32% for the Canadian fluid milk operations and 17 % in Argentina.

4.1.3 Markets

Saputo is Canada's leading producer of cheese with a share of approximately 35% of the Canadian natural cheese production. Saputo sells its products to the retail, foodservice and industrial market segments. The Company also distributes fine imported cheeses to specialty delis and provides independent pizzerias with numerous food and non-food products sourced from third-party manufacturers that are complementary to the sale of its cheeses to such clients. The Company is one of the three largest fresh milk processors in Canada with an estimated 20% share of the Canadian market. Saputo also sells, through its Canadian operations, cheese, lactose, whey powder, ice cream mixes and whey protein to a vast array of clients in Canada, Europe, South America, Asia and Africa.

Saputo is the third largest dairy processor in Argentina, processing approximately 5% of the entire milk production. The Company sells its products nationally to the retail and industrial market segments. Approximately 60% of the products manufactured in Argentina are sold in the local market, while 40% are exported to over 30 countries.

Clientele

Within the Dairy Products sector (Canada and other), the Company services three market segments: retail, foodservice and industrial.

The following table illustrates, for the Dairy Products sector (Canada and other), the segmentation of sales by market segment for each of the last two fiscal years:

Dairy Products sector (Canada and other) – Sales – Market Segmentation				
Year ended March 31, 2004		Year ended March 31, 2003		
	Sales (\$000)	% of total sales	Sales (\$000)	% of total sales
Retail	1,340,348	62.0	1,217,866	60.4
Foodservice	648,556	30.0	692,002	29.8
Industrial.....	172,948	8.0	197,515	9.8
Total	<u>2,161,852</u>	<u>100.0</u>	<u>2,017,383</u>	<u>100.0</u>

Retail. Saputo sells both branded and private label dairy products to its retail customers which include supermarket chains, convenience stores, independent retailers, warehouse clubs and specialty cheese boutiques. In fiscal 2004, the majority of Saputo's retail sales was in branded products with the remainder being private label. Saputo's retail dairy products are sold in the dairy case and deli cheese counter sections of stores. Saputo provides its retail customers with a wide range of dairy products, including cheddar, mozzarella, fluid milk, cream, yogurt, sour cream, cottage cheese, specialty cheeses and fine cheeses. The dairy product line is complemented with various non-dairy products, including flavoured coffee creamers, juices and drinks. Saputo also provides milk powder from its Argentina operations to its retail customers.

Foodservice. Foodservice customers include broad-line distributors, restaurants (corporate restaurant chains, franchisees and individually-owned), hotels and institutions. Saputo provides its foodservice customers with branded and private label cheese products as well as fluid milk products. In the case of independent pizzerias in Canada, Saputo also provides these clients with non-dairy products manufactured by third parties through its own distribution network. Saputo also produces soft-serve dairy mixes for quick service restaurant chains.

Industrial. Industrial clients include processors who use the Company's products as an ingredient in the preparation of other food items. The Company supplies cheese to numerous Canadian frozen pizza manufacturers as well as to processors of frozen entrées. The Company also produces by-products from its Canadian cheese manufacturing activities such as lactose, whey powder and whey protein. The Company sells, through its Canadian industrial segment and its operations in Argentina, cheese, lactose, whey powder, ice cream mixes, whey protein, milk powder, butter and cream to a vast array of clients in Canada, Argentina, Europe, South America, Asia and Africa.

4.1.4 Distribution

In Canada, sales of dairy products are made through direct shipments to certain large retail, foodservice and industrial customers as well as to national and regional third party distributors. Saputo has also developed a nation-wide distribution network for its dairy operations, comprised of 26 distribution centres and warehouses and over 500 distribution routes located across Canada. Saputo also operates one of the largest home delivery networks for milk and other food products in Canada.

In Argentina, the Company distributes its products through third party distributors which are supplied through the Company's nine (9) distribution centres located across the country. This network services large retail chains, distributors and industrial customers.

4.1.5 Competition

With respect to its cheese products, the Company competes mainly with Agropur coopérative agro-alimentaire (“**Agropur**”), Parmalat Canada Inc. (“**Parmalat**”) and Kraft General Foods Canada Inc. (for process and cream cheese and through the production volumes of Agropur for its natural cheese). Saputo has established itself as Canada’s leading producer of cheese with a share of approximately 35% of the Canadian natural cheese production.

Saputo holds an estimated 20% share of the Canadian market for fluid milk which ranks it among the three largest fresh milk processors, all of which hold similar market shares. The Company faces very broad competition in most product categories, with specific competitors varying widely by region. Among the Company’s largest competitors are Agropur and Parmalat. Other competitors include co-operatives in British Columbia and Atlantic Canada.

The Company is the third largest dairy processor in Argentina, processing approximately 5% of the entire milk production. The Company competes mainly with Sancor Cooperativas Unidas Limitada and Mastellone Hermanos S.A. which hold the largest market shares in Argentina. Other competitors include Sucesores de Alfredo Williner S.A., Veronica S.A. and Milkaut S.A..

4.1.6 Employee Relations

As at May 1, 2004, the Company’s Dairy Products sector (Canada and other) had 3,649 employees in Canada and 828 in Argentina. Approximately 38% of the Dairy Products sector (Canada and other)’s work force is unionised.

The Company does not currently foresee any labour unrest in connection with the renewal of collective agreements expiring in fiscal 2005. All agreements that expired in fiscal 2004 were either renewed upon satisfactory terms or continue to govern during ongoing negotiations, which are expected to result in satisfactory renewals. The Company has good employee relations. The loyalty and dedication of its employees are key elements in the Company’s performance. In Management’s opinion, this is the direct result of the family culture that has permeated the entire Company.

4.2 DAIRY PRODUCTS SECTOR (USA)

4.2.1 Products

Saputo produces a broad line of mozzarella, specialty cheeses such as ricotta, provolone, blue, swiss, parmesan, romano, feta and imitation cheese products which are sold under various brand names such as *Saputo*, *Stella*, *Frijo*, *Frijo Cheese Heads*, *Dragone*, *Lorraine* and *Treasure Cave*, as well as under private label. The Company also produces sweetened condensed milk as well as whey powder, whey protein concentrates and ingredient blends which are derived from its cheese production.

4.2.2 Production

Raw Materials

In the United States, Saputo sources its milk primarily from cooperatives pursuant to contracts which generally range from one (1) to three (3) years. Milk represents on average 85% of the costs incurred by the Company in the manufacturing of the dairy products. The Company sources its other raw materials from various suppliers.

Facilities

Within this sector, the Company operates 14 manufacturing facilities which are all owned by the Company.

In the American Northeast, the Company operates 3 plants with an overall weekly capacity to process approximately 11.3 million litres of milk into cheese. The Company also operates 9 facilities in the Midwest, with a total overall weekly capacity to process approximately 16.1 million litres of milk into cheese and related dairy products and to produce canned milk powders. Finally, the Company operates 2 facilities in the Western United States, which have a combined weekly capacity to process approximately 9 million litres of milk into cheese. The U.S. facilities have, with their overall production capacity combined, an excess capacity of 6%.

4.2.3 Markets

Saputo ranks as one of the leading natural cheese producer in the United States with approximately 6% of natural cheese production. The Company competes in the United States natural cheese industry by selling branded and private label products to retail, foodservice and industrial customers.

Clientele

Within the Dairy Products sector (USA), the Company services three market segments: retail, foodservice and industrial.

The following table illustrates, for the Dairy Products sector (USA), the segmentation of sales by market segment for each of the last two fiscal years:

Dairy Products sector (USA) – Sales Volumes – Market Segmentation ¹		
	Year ended March 31, 2004	Year ended March 31, 2003
	% of total sales volumes	% of total sales volumes
Retail	30	28
Foodservice	42	39
Industrial.....	28	33
Total	<u>100.0</u>	<u>100.0</u>

(1) Sales volumes are more representative of our US activities due to the impact of currency fluctuation and the variation of the selling price per pound of cheese on sales dollars.

Retail. Saputo sells both branded and private label products to its retail customers which include supermarket chains, independent retailers, warehouse clubs and specialty cheese boutiques. In fiscal 2004, the majority of Saputo's retail sales was in branded products with the remainder being private label. Saputo's retail dairy products are sold in the dairy case and deli cheese counter sections of stores. Saputo also provides its retail customers with specialty cheeses and fine cheeses.

Foodservice. Foodservice customers include broad-line distributors, restaurants (corporate restaurant chains, franchisees and individually-owned) and hotels. Saputo provides its foodservice customers with branded and private label products.

Industrial. Industrial clients include processors who use the Company's products as an ingredient in the preparation of other food items. The Company supplies cheese to numerous American frozen pizza manufacturers as well as to processors of frozen entrées.. The Company also produces by-products from its United States cheese manufacturing activities such as whey powder and whey protein.

4.2.4 Distribution

Sales are made through direct shipments to certain large retail, foodservice and industrial customers as well as to national and regional third party distributors.

4.2.5 Competition

In the United States, the Company competes on a national basis with regional and national competitors including Lactalis USA, Inc. (Sorrento), Leprino Foods Company, Land O'Lakes, Inc., Kraft Foods, Inc., Dairy Farmers of America, ConAgra Dairy Foods, Sargento Foods, and Foremost Farms USA.

4.2.6 Employee Relations

As at May 1, 2004, the Company's Dairy Products sector (USA) had 1,889 employees. Approximately 40 % of the workforce is unionized.

The Company does not currently foresee any labour unrest in connection with the renewal of collective agreements expiring in fiscal 2005. All agreements that expired in fiscal 2004 were either renewed upon satisfactory terms or continue to govern during ongoing negotiations, which are expected to result in satisfactory renewals. The Company has good employee relations in the United States. The loyalty and dedication of its employees are key elements in the Company's performance. In Management's opinion, this is the direct result of the family culture that has permeated the entire Company.

4.3 GROCERY PRODUCTS SECTOR

The Company produces, markets and distributes snack cakes, tarts and cereal bars in Canada and, on a much smaller scale, in the United States. The following provides an overview of the products, production facility, markets, competition and employee relations for the Grocery Products sector.

In August 2003, the Company began an evaluation process of its Bakery division to ensure that it had the necessary tools and focus to adequately develop and achieve new goals. In February 2004, the Company completed this evaluation process and concluded that the best way to maximize opportunities for its employees and its shareholders was to retain the Bakery division and to invest in its development and the redeployment of its brands. In order to achieve these objectives, the Company intends to spend approximately \$20 million in controlled and targeted investments over the course of the next three years. These investments should be covered by the additional profitability to be generated within such period.

4.3.1 Products

Within this sector, the Company produces and markets snack cakes, tarts and cereal bars, which are sold almost exclusively in the Canadian retail market. Saputo occupies a predominant position in the snack cake market in Canada and its products are sold under the *Vachon* and *Hostess* umbrella brands which carry recognized brand names such as *Jos Louis*, *Ah Caramel!*, *Passion Flakie*, *Hop & Go!*, *May West*, *Granny's* and others.

4.3.2 Production

Raw Materials

The Company generally sources its raw materials from various suppliers.

Facilities

Within this sector, Saputo operates one manufacturing facility in the Province of Québec which is owned by the Company and has an overall excess capacity of 30%.

4.3.3 Markets and Distribution

The Company is the largest manufacturer of snack cakes in Canada. Saputo sells its products almost exclusively in the Canadian retail market segment and the Company's sales for this sector are almost exclusively in branded products. The Company's grocery products are distributed mainly through its DSD distribution network.

4.3.4 Competition

In the snack cakes category, the Company competes with regional manufacturers which enjoy significantly smaller market shares than Saputo. In the Province of Québec, the Company's main competitors in the snack cake category are Pâtisserie Chevalier Inc., McKee Foods Corporation and Pâtisserie Fortin, a division of Maple Hurst Bakery Inc., and in the cereal bar category are Biscuits Leclerc Ltd., Kellogg Canada Inc. and The Quaker Oats Company of Canada Limited. In Ontario, Eastern and Western Canada, the Company's principal competitors are Oakrun Farm Bakery Ltd., McKee Foods Corporation and McSweeney's Plus Distribution Ltd., respectively.

4.3.5 Employee Relations

As at May 1, 2004, the Grocery Products sector had 1,114 employees, approximately 80% of which were unionised. The collective agreement for the Sainte-Marie facility was renewed during fiscal 2004 and will expire on December 31, 2007. The Company does not currently foresee any labor unrest in connection with the renewal of collective agreements expiring in fiscal 2005.

4.4 CAPITAL EXPENDITURES

Management believes that the Company has adequate manufacturing capacity to meet current and near term demand for its products. It is Saputo's intention to continue to expand and modernize its plants, with investments being focused on equipment and processes designed to increase efficiency. More specifically, during the last five fiscal years, Saputo incurred \$325.0 million in capital expenditures. In fiscal 2004, the Company spent \$90.4 million and, in fiscal 2005, Saputo expects to incur capital expenditures of approximately \$80 million.

4.5 ENVIRONMENT

The Company's operations are subject to various federal, provincial, state, municipal and local laws and regulations relating to the protection of the environment. Compliance with these laws and regulations requires the Company to incur expenses and to monitor its operations on an ongoing basis. The Company believes that its operations are in compliance in all material respects with currently applicable environmental laws and regulations except as discussed below. It is the Company's intention to comply with all applicable environmental laws and regulations.

Through past acquisitions, the Company inherited historical contamination at some facilities. Most of these sites have been contaminated by former petroleum storage tanks, most of which have been removed. At each of these sites, the Company is either implementing proper remediation measures, or proceeding with additional investigation to determine if further action is required. In some cases, with the consent of governmental authorities, the Company continues to monitor the situation to confirm that no further action is required. The Company does not expect that major expenditures will be required to deal with the contamination at these facilities.

Environmental assessments conducted in the context of the recent acquisition of Molfino in Argentina, have revealed possible environmental compliance and site contamination issues. Under an agreement entered into with the vendor, amounts from the purchase price have been set aside to cover for the costs of further investigation and to implement any corrective action which may be required. The Company believes that sufficient funds were set aside to cover for any expenditures required to reach compliance or to remediate to acceptable standards, as the case may be.

During fiscal 2004, the Company spent approximately \$2.5 million to comply with existing environmental laws and regulations and improve plant efficiency to reduce wastewater discharge, to update or remove underground storage tanks, to address contamination issues and to improve wastewater treatment systems at a number of its facilities in Canada and the United States. Management estimates similar expenditures at \$5.9 million for fiscal 2005. Management believes that compliance with currently applicable environmental protection requirements will not have a material effect on the Company's earnings or competitive position during fiscal 2005.

4.6 TRADEMARKS

As the Company is involved in the production, sale and distribution of food products, it relies on brand recognition and loyalty from its clientele in addition to relying on the quality of its products. The Company focuses on certain established brands and believes that its trademarks are recognized by consumers for quality and reliability. Hence, Saputo takes appropriate measures to protect and enforce its intellectual property.

4.7 RISKS AND UNCERTAINTIES

Product Liability

Saputo's operations are subject to certain dangers and risks of liability faced by all food processors, such as the potential contamination of ingredients or products by bacteria or other external agents that may accidentally be introduced into products or packaging. Saputo has quality control procedures in place within its operations to reduce such risks and has never experienced any material contamination problems with its products. However, the occurrence of such a problem could result in a costly product recall and serious damage to Saputo's reputation for product quality. We maintain product liability and other insurance coverage that we believe to be generally in accordance with the market practice in the industry.

Supply of Raw Materials

Saputo purchases raw materials that may represent up to 85% of the cost of products. It processes raw materials into the form of finished edible products intended for resale to a broad range of consumers. Thus, variations in the price of foodstuffs can influence Company results upwards or downwards, and the effect of any increase of foodstuff prices on results depends on the ability of the Company to transfer those increases to its customers, and this in the context of a competitive market.

US and International Markets

The price of our main raw material – milk – and the price of our cheese products in the United States and Argentina and by-products on international markets are based on market supply and demand forces. The prices are tied to numerous factors, such as the health of the economy and supply and demand levels for dairy products in the industry. Price fluctuations may affect the Company's results. The effect of such fluctuations on our results will

depend on our ability to implement mechanisms to reduce them.

Competition

The food processing industry in North America is extremely competitive. Saputo participates in this industry primarily through its dairy operations. The Canadian dairy industry is highly competitive and is comprised of three major competitors, including Saputo. In the United States, Saputo competes in the dairy industry on a national basis with several regional and national competitors, and this is also true of our activities in Argentina. Our performance will be dependent on our ability to continue to offer quality products at competitive prices, and this applies to all the countries in which we operate.

Consolidation of Clientele

During the last few years, we have seen important consolidation in the food industry in all market segments. Given that we serve these segments, the consolidation within the industry resulted in a decrease in the number of clients and an increase in the relative importance of some clients. Within the retail, foodservice and ingredient market segments, no customer represents more than 10% of our total consolidated sales, except for one retail customer representing 11.6 % to which we sell both branded and private label products. Our ability to continue to service our clients in all the markets that we serve will depend on the quality of our products, services and the prices of our products.

Environment

Saputo's business and operations are subject to environmental laws and regulations. We believe that our operations are in compliance, in all material aspects, with such environmental laws and regulations, except as disclosed elsewhere in this Annual Information Form. Any new environmental laws or regulations or more vigorous regulatory enforcement policies could have a material adverse effect on the financial position of Saputo and could require significant additional expenditures to achieve or maintain compliance.

Consumer Trends

Demand for our products is subject to changes in consumer trends. These changes may affect the Company's earnings. In order to constantly adapt to these changes, the Company innovates and develops new products.

Financial Risk Exposures

Saputo has financial risk exposure to varying degrees relating to interest rates or to exchange rates related to United States and the Argentine currencies. While we use interest rate swaps to manage our interest rate exposure, we do not fully hedge against all these financial risk exposures, and there can be no assurance that such exposures will not affect our profitability. Approximately 34.8% of our sales are realized in the United States and 1.2% in Argentina; therefore, we are exposed to currency exchange fluctuations. Cash flows from US operations constitute a natural hedge against the exchange risk related to debt expressed in US dollars. To minimize the effect of interest rate fluctuations on the results of the Company, Saputo has utilized swaps for 78.6% of its long-term debt in Canadian currency. The debt in US currency is at a fixed rate throughout its term. Overall, 97% of the total long-term debt is protected from interest rate fluctuations.

Regulatory Considerations

The production and distribution of food products are subject to federal, state, provincial and local laws, rules, regulations and policies and to international trade agreements, all of which provide a framework for Saputo's operations. The impact of new laws and regulations, stricter enforcement or interpretations or changes to enacted laws and regulations will depend on our ability to adapt and comply. We are currently in compliance with all important government laws and regulations and maintain all important permits and licenses in connection with our operations.

Tariff Protection

Dairy-producing industries are still partially protected from imports by tariff-rate quotas which permit a specific volume of imports at a reduced or zero tariff and impose significant tariffs for greater quantities of imports. There is no guarantee that political decisions or amendments to international trade agreements will not, at some time in the future, result in the removal of tariff protection in the dairy market, resulting in increased competition. Our performance will be dependent on our ability to continue to offer quality products at competitive prices.

ITEM 5 – DIVIDEND POLICY

Saputo has a policy of declaring quarterly cash dividends on the Common Shares. In fiscal 2002, 2003 and 2004, Saputo declared respectively the following yearly dividends on the common shares, \$0.22, \$0.40 and \$0.48 per share. In fiscal 2004, the Company's dividend policy was reviewed by the Board of Directors and the quarterly dividend of \$0.10 per share, representing a yearly dividend of \$0.40 per share, was increased on August 6, 2003 to \$0.12 per share, representing a yearly dividend of \$0.48 per share. The balance of the Company's earnings are reinvested to finance the growth of its business. The Company's dividend policy will be reviewed from time to time, but at least once annually, by the Board of Directors and will depend on Saputo's financial condition, results of operations, capital requirements and such other factors as the Board of Directors, in its sole discretion, deems relevant.

ITEM 6 – CAPITAL STRUCTURE

The articles of the Company provide that its authorized share capital shall be composed of an unlimited number of Common Shares and an unlimited number of Preferred shares, issuable in series, all without nominal or par value. As of the close of business on June 1st, 2004, 103,970,432 Common Shares and no Preferred shares were issued and outstanding.

The following is a summary of the material provisions which attach to the classes of shares of the capital stock of Saputo and is qualified by reference to the full text of the rights, privileges, restrictions and conditions of such shares.

Common Shares

The Common Shares carry and are subject to the following rights, privileges, restrictions and conditions:

Voting

Each Common Share entitles its holder to receive notice of and to attend all general and special meetings of shareholders of Saputo, other than meetings at which only the holders of a particular class or series are entitled to vote, and each such Common Share entitles its holder to one vote.

Dividends

The holders of Common Shares are, in the discretion of the Board of Directors, entitled to receive, out of any amounts properly applicable to the payment of dividends and after the payment of any dividends payable on the Preferred shares, any dividends declared and payable by Saputo on the Common Shares.

Dissolution

The holders of Common Shares shall be entitled to share equally in any distribution of the assets of Saputo upon the liquidation, dissolution or winding-up of Saputo or other distribution of its assets among its shareholders. Such participation is subject to the rights, privileges, restrictions and conditions attached to any issued and outstanding Preferred shares or shares of any other class ranking prior to the Common Shares.

Preferred Shares

The Preferred shares may be issued from time to time in one or more series, the terms of each series including the number of shares, the designation, rights, preferences, privileges, priorities, restrictions, conditions and limitations to be determined at the time of creation of each such series by the Board of Directors of Saputo without shareholder approval, provided that all Preferred shares will rank, with respect to dividends and return of capital in the event of liquidation, dissolution, winding-up or other distribution of assets of Saputo for the purpose of winding-up its affairs, *pari passu* among themselves and in priority to all shares of any class ranking junior to the Preferred shares.

ITEM 7 – MARKET FOR SECURITIES

The Common Shares of Saputo are listed on the Toronto Stock Exchange under the stock market symbol “SAP”. The following table shows the price range and trading volume of the Common Shares for each of the months of the last fiscal year:

Price Range and Trading Volume of the Common Shares			
Month	High (\$)	Low (\$)	Volume (000's)
April 2003	25.35	21.80	1,555,027
May 2003	26.17	24.25	1,911,135
June 2003	28.15	24.70	2,291,122
July 2003	27.95	25.10	1,179,166
August 2003	28.60	27.35	898,924
September 2003	28.50	25.16	1,331,246
October 2003	27.75	25.75	1,611,249
November 2003	29.00	25.45	1,981,754
December 2003	32.50	26.51	2,514,089
January 2004	32.30	29.48	1,516,924
February 2004	31.30	28.90	1,448,770
March 2004	33.15	29.70	1,170,876

ITEM 8 – DIRECTORS AND OFFICERS

8.1 DIRECTORS

The following table sets forth each director's name and municipality of residence, the year in which he or she first became a director, his or her principal occupation and the number of Common Shares beneficially owned, directly or indirectly, or over which control or direction was exercised by each director as at June 1, 2004. Directors are elected until the next annual meeting of shareholders or, in the case of a vacancy or resignation, until a successor is elected or appointed.

Name and municipality of residence	Director since	Principal occupation	Common Shares beneficially owned or over which control or direction was exercised as at June 1, 2004
EMANUELE (LINO) SAPUTO ⁽³⁾ Senneville, Québec	1992	Chairman of the Board of the Company	60,345,126 ⁽¹⁾
LINO A. SAPUTO, JR. Westmount, Québec	2001	President and Chief Executive Officer of the Company	33,589
ANDRE BERARD ⁽²⁾⁽⁵⁾ Verdun, Québec	1997	Corporate Director	8,125
CLAUDE BLANCHET ⁽⁴⁾ Île Bizard, Québec	2000	Corporate Director	2,000
LUCIEN BOUCHARD Outremont, Québec	2004	Senior Partner, Davies Ward Phillips & Vineberg LLP	--
PIERRE BOURGIE ⁽²⁾⁽⁴⁾ Outremont, Québec	1997	President and Chief Executive Officer of Société Financière Bourgie Inc. (a holding company)	465,000
FRANK A. DOTTORI Témiscaming, Québec	2003	President and Chief Executive Officer of Tembec Inc. (a forest products company)	--
JEAN GAULIN ⁽²⁾ San Antonio, Texas, USA	2003	Corporate Director	6,200
CATERINA MONTICCIOLO, CA Laval, Québec	1997	President of Julvest Capital Inc. (a holding company)	119,000
PATRICIA SAPUTO, CA, FP Laval, Québec	1999	President of Pasa Holdings Inc. (a holding company)	1,800
LOUIS A. TANGUAY ⁽⁴⁾ Laval, Québec	1997	Corporate Director	4,000

(1) The shares are held by Jolina Capital Inc. and Gestion Jolina Inc., both of which are holding companies controlled by Mr. Emanuele (Lino) Saputo, and by other holding companies owned and controlled by his brothers and sisters and their families, all of which have granted to Gestion Jolina Inc. a power of attorney to vote all of the Common Shares held by them at the time of the Company's Initial Public Offering.

(2) Members of the Corporate Governance and Human Resources Committee.

- (3) Mr. Emanuele (Lino) Saputo is a director of Uniforêt Inc. which filed for protection under the *Companies' Creditors Arrangement Act* on April 17, 2001. In May 2003, Uniforêt Inc. entered into a plan of arrangement with its creditors. In February 2004, Uniforêt Inc. completed the implementation of this plan.
- (4) Members of the Audit Committee.
- (5) Lead Director.

During the last five years, all of the above directors have been engaged in their present principal occupations or in other executive capacities with the companies indicated opposite their name or with related or affiliated companies, except for Mr. Lino A. Saputo, Jr. who, from January 1, 2000 to January 15, 2001, was Assistant to the President of Uniforêt Inc. (a lumber company); Mr. André Bérard who, until March 10, 2004, was Chairman of the Board of a Canadian Chartered Bank; Mr. Claude Blanchet who, until May 2003, was Chairman of the Board, President and Chief Executive Officer of Société générale de financement du Québec; Mr. Lucien Bouchard who, from January 1996 to March 2001, was Prime Minister of the Province of Québec and, since April 2001, is a senior partner at Davies Ward Phillips & Vineberg LLP; and Mr. Jean Gaulin who, from January 1, 1999 to December 31, 2001, was President and Chief Executive Officer of Ultramar Diamond Shamrock, and from January 1, 2000 to December 31, 2001, was also Chairman of the Board of Ultramar Diamond Shamrock and since January 1, 2002, is a Corporate Director.

Information as to shares beneficially owned by each director, or over which each exercised control or direction, as at June 1, 2004, has been furnished by the directors individually.

Additional information concerning the shareholdings of, and options granted to, directors is included in the section entitled "Election of Directors" appearing on page 3 of the Company's Management Proxy Circular dated June 8, 2004, which information is incorporated herein by reference.

8.2 EXECUTIVE OFFICERS

The following table sets forth the name, municipality of residence and position with the Company of each person who is an executive officer of the Company as of the date hereof:

Name and municipality of residence	Position
Emanuele (Lino) Saputo Senneville, Québec	Chairman of the Board
Lino A. Saputo, Jr. Westmount, Québec	President and Chief Executive Officer
Louis-Philippe Carrière, CA Lorraine, Québec	Executive Vice-President, Finance and Administration and Secretary
Dino Dello Sbarba Rosemère, Québec	President and Chief Operating Officer, Cheese Division (USA)
Pierre Leroux Saint-Bruno, Québec	Executive Vice-President, Human Resources and Corporate Affairs
Randy Williamson Île des Soeurs, Québec	President and Chief Operating Officer, Dairy Products Division (Canada)

During the last five years, all of the above executive officers have held the principal occupation indicated above or other executive capacities with the Company, except for Lino A. Saputo, Jr. who, from January 1, 2000 to January 15, 2001, was Assistant to the President of Uniforêt Inc. (a lumber company); and Randy Williamson who, between 1998 and the completion of the Dairyworld Acquisition, was Chief Operating Officer of Dairyworld.

As at June 1, 2004, the directors and executive officers of Saputo, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, an aggregate of 61,010,047 Common Shares, representing approximately 58.7 % of the outstanding Common Shares of the Company.

ITEM 9 – LEGAL PROCEEDINGS

The Company is defendant to certain claims arising from the normal conduct of its business. Management believes that the final resolution of these claims will not have a material adverse effect on its earnings or financial position.

ITEM 10 – INTEREST OF MANAGEMENT AND OTHERS IN TRANSACTIONS

In the normal course of business, the Company receives and provides goods and services from and to companies subject to significant influence by its principal shareholder. These goods and services of an immaterial amount are compensated by a counterpart equal to the fair market value.

ITEM 11 – TRANSFER AGENTS AND REGISTRARS

The transfer agents and registrar of the Company is National Bank Trust at its principal offices in Montreal and Toronto.

ITEM 12 – MATERIAL CONTRACTS

No material contract outside the ordinary course of business was entered into by the Company since January 1, 2002.

ITEM 13 – AUDIT COMMITTEE INFORMATION

13.1 AUDIT COMMITTEE’S CHARTER

The Audit Committee’s charter, as approved by the Board of Directors on February 5, 2004, is included in Appendix A.

13.2 COMPOSITION AND RELEVANT EDUCATION AND EXPERIENCE

All members of the Audit Committee are independent and financially literate.

The following table sets forth each Audit Committee member’s name and education and experience relevant to the performance of his responsibilities as an Audit Committee member.

Name	Education and experience
Claude Blanchet	Completed a M.B.A. specialized in finance. From 1978 to 1983, he was the general director of the Société de Développement Corporatif, an organization which main purpose was to invest in Québec’s cooperatives. From 1983 to 1997, Mr. Blanchet was President and General Director of the Fonds de Solidarité des Travailleurs du Québec, a large capital risk organization in Canada, and from 1997 to 2003, he was Chairman of the Board and Chief Executive Officer of the Société générale de financement du Québec. Moreover, Mr. Blanchet was and continues to act as a corporate director in various public and private companies. Throughout these professional experiences, Mr. Blanchet participated actively in the review of financial statements and was directly involved in the investment in the capital of several companies. Mr. Blanchet’s experiences required and contributed to the development of his ability to analyse financial statements and understand the Generally Accepted Accounting Principles (the “GAAP”).
Pierre Bourgie	Completed a bachelor’s degree in commerce. Mr. Bourgie was President of Urgel Bourgie Ltd. until the sale of this company in 1996. Since then, he is responsible for the investment activities of the Bourgie family and has founded two (2) investment funds, Les Partenaires de Montréal, specialized in business financing, and Ipso Facto, specialized in real estate investments. Mr. Bourgie is the President of these two (2) funds. Mr. Bourgie also serves on the board of directors of various companies, where, for certain of them, he is a member of the audit committee, including one where he is the Chair of the committee. Mr. Bourgie’s experiences required and contributed to the development of his ability to analyse financial statements and understand the GAAP.
Louis A. Tanguay	Completed a bachelor’s degree in commerce. Mr. Tanguay occupied several executive positions within the BCE organization requiring his involvement in the preparation of financial statements and the analysis of financial and operational performances of BCE related companies. More specifically, he was Chairman of the Board of Telebec, Executive Vice President (Corporate) of Bell Canada, President of Bell Québec and President of Bell Canada International. He was also actively involved in the acquisition, merger and disposal of companies. Mr. Tanguay has an extensive past and present experience as a corporate director of public companies involving, for some of them, participation in audit committees. Mr. Tanguay’s professional experiences required and contributed to the development of his ability to analyse financial statements and understand the GAAP.

13.3 POLICIES AND PROCEDURES REGARDING THE SERVICES RENDERED BY THE EXTERNAL AUDITORS

On February 5, 2004, the Company adopted a revised policy with respect to services rendered by its external auditors (the “**Policy**”).

The Policy divides the services in three categories: (i) services that are considered audit related (“**Audit Services**”) and therefore covered by the annual audit budget; (ii) services that are considered indirectly audit related (“**Consultation Services**”) but not covered by the annual audit budget; and (iii) non-audit services (“**Non-Audit Services**”). Pursuant to the Policy, no services other than the Audit Services can be provided by the Company’s external auditors unless the following conditions are met:

Consultation Services

- (i) The Audit Committee has pre-approved the Consultation Services to be provided; or
- (ii) the aggregate amount of all services (other than Audit Services) not pre-approved by the Audit Committee and rendered during the financial year in which the Consultation Services are to be rendered do not exceed the highest of \$25,000 or five percent (5%) of the total amount of fees paid by the Company during the financial year in which the Consultation Services are to be rendered.

Non-Audit Services

- (i) The attribution of the Non-Audit Services to the external auditors of the Company presents an added-value for the Company; and
- (ii) the Audit Committee pre-approved the services to be rendered.

Finally, the Policy requires that the management of the Company presents to the Audit Committee, on a quarterly basis, a statement of the services (other than the Audit Services) rendered by the external auditors of the Company as well as any mandate given to other accounting firms.

13.4 EXTERNAL AUDITOR SERVICE FEES BY CATEGORY

The following table sets out the fees paid to Deloitte & Touche LLP, the Company’s external auditors, for the fiscal years 2003 and 2004:

Fee Category	2003	2004
	(\$)	(\$)
Audit Fees	473,412	493,614
Audit Related Fees	95,678	79,927
Tax Fees	496,972	232,158
All Other Fees	37,250	247,575
Total	<u>1,103,312</u>	<u>1,053,274</u>

“Audit Fees” include the aggregate professional fees paid to Deloitte & Touche LLP for the audit of the consolidated annual financial statements and other regulatory audits and filings.

“Audit Related Fees” include the aggregate fees paid to Deloitte & Touche LLP for services related to the Audit Services, including namely pension plans audits, consultations regarding financial reporting and accounting standards and translation of the annual report.

“Tax Fees” include the aggregate fees paid to Deloitte & Touche LLP for tax compliance, tax advice, tax planning and advisory services relating to the preparation of corporate tax, capital tax and sales tax returns.

“All Other Fees” include the aggregate fees paid to Deloitte & Touche LLP for all services other than those reported under Audit Fees, Audit Related Fees and Tax Fees, including namely consultation services for municipal taxation and due diligence review in the context of acquisitions.

ITEM 14 - ADDITIONAL INFORMATION

Additional information, including disclosure of the Company’s corporate governance practices, remuneration and indebtedness to the Company of the directors and officers, principal holders of Saputo’s securities, and options to purchase securities, where applicable, is included in Saputo’s Management Proxy Circular dated June 8, 2004 and may be found in SEDAR at www.sedar.com. Additional financial information is included in the Consolidated Financial Statements of Saputo and Notes thereto and in the accompanying Management Report for the fiscal year ended March 31, 2004. Copies of these documents may be obtained upon request to the Secretary of the Company, at its head office, 6869 Metropolitan Boulevard East, Saint-Léonard, Québec, H1P 1X8, Telephone: (514) 328-6662.

In addition, when the securities of Saputo are in the course of a distribution pursuant to a short form prospectus or when a preliminary short form prospectus has been filed, the following documents may be obtained free of charge from the Secretary of the Company:

- (i) one copy of the Annual Information Form, together with one copy of any documents or portion thereof incorporated by reference therein;
- (ii) one copy of the comparative financial statements of Saputo for its most recently completed fiscal year together with the report of the auditor thereon and one copy of any interim financial statements of Saputo subsequent to the financial statements for its most recently completed fiscal year;
- (iii) one copy of Saputo’s Management Proxy Circular for its most recent annual meeting of shareholders which involved the election of directors; and
- (iv) one copy of any other documents that are incorporated by reference in the preliminary short form prospectus or the short form prospectus.

At any other time, one copy of the documents referred to in subparagraphs (i), (ii) and (iii) above will be provided free of charge upon request to the Secretary.

* * *

AUDIT COMMITTEE MANDATE

AUTHORITY

The audit committee (the “Committee”) is a standing committee of the board of directors which has the responsibilities described under the heading “Responsibilities”.

The Committee has free access to personnel and documents of the company and is granted the resources necessary to carry out its duties.

STRUCTURE

1. The Committee is made up of a minimum of three independent directors of the company, each having financial skills.
2. The mandate of the members is for one year and may be renewed. The members are appointed by the board of directors at the first meeting following the annual meeting of shareholders, or at any other meeting to fill a vacancy.
3. The chairman is appointed by the board of directors for a one-year term, which may be renewed. In the absence or failure of the chairman to sit, the chair is filled by a member chosen by the Committee.
4. The Committee meets at least four times annually to examine the annual and quarterly financial statements of the company and may call special meetings as needed. The Committee determines the place, date and time of its meetings. The meetings may be held by telephone or by any other means allowing the members to communicate with each other.
5. The quorum for meetings of the Committee is a majority of the members and decisions are made by the majority of the votes cast by the members present.
6. Minutes of meetings of the Committee are taken by the secretary of the board of directors (or any other person designated by the Committee) and must give an exact account of the decisions made at the meetings.
7. In addition to the members of the Committee, any other person may be called before the meetings at the request of the chairman of the Committee.
8. The Committee has the power to retain independent legal counsels or other advisors it considers necessary to carry out its mandate and to fix their compensation.
9. The Committee has the power to communicate directly with the internal auditor of the company.
10. The external auditor reports directly to the Committee.

RESPONSIBILITIES

11. Directly supervise the work of the external auditor retained to establish or issue the auditor's report or render other audit, examination or certification services to the company.
12. Review the quarterly and annual financial statements of the company, management's report and press releases respecting the financial results before their public release.
13. Review the content of the management proxy circular, annual information form and annual report of the company.
14. Review, examine and discuss the foreseeable repercussions of the new audit and accounting standards or new securities rules.
15. Study any other issue about which the board of directors should, in the opinion of the auditors, be informed.
16. Study and evaluate the risk factors inherent to the company and ensure the development of appropriate measures to manage them effectively.
17. Periodically evaluate the presence of the necessary internal control systems of the company and periodically review the effectiveness of such systems.
18. Periodically evaluate the procedures set up by the company to communicate the financial information taken or derived from the financial statements of the company other than the information referred to in paragraph 12 of this mandate and periodically ensure their effectiveness.
19. Establish procedures regarding:
 - i. The receipt, keeping and processing of complaints received by the company respecting accounting and internal accounting controls or the audit;
 - ii. The confidential and anonymous presentation by employees of the company of concerns affecting questionable matters relating to accounting or auditing.
20. Recommend to the board of directors the auditors for the upcoming fiscal year and the fees to be paid to them.
21. Annually review the audit plan prepared by the external auditors and determine whether it meets the needs of the company.
22. Adopt a policy concerning the prior approval of all services not related to the audit which the external auditors of the company may render to the company and its subsidiaries in accordance with applicable legislation.
23. Meet with the auditors in regard to the financial statements and discuss with them their assessment of the control systems in place and their recommendations.
24. The Committee shall periodically meet the internal auditor to ensure the quality of the internal controls of the Company and make the link between the internal auditor and the external auditors of the company.
25. Study the impact of new accounting principles on the company's results.
26. Review the financial statements of the pension plans of the company.

27. Examine and approve the hiring policies of the company with respect to employees and former employees of the present auditor and former auditors of the company.
28. Carry out any other duty related to the performance of its mandate.
29. Carry out any other mandate which the board of directors may entrust to it from time to time.
30. Annually assess the accomplishments and performance of the audit committee.
31. Annually review the mandate of the audit committee.