MANAGEMENT'S ANALYSIS

The goal of the management report is to analyze the results of and the financial position for the year ended March 31, 2009. It should be read while referring to our audited consolidated financial statements and accompanying notes. Saputo Inc.'s (Company or Saputo) accounting policies are in accordance with Canadian Generally Accepted Accounting Principles of the Canadian Institute of Chartered Accountants. All dollar amounts are in Canadian dollars unless otherwise indicated. This report takes into account material elements between March 31, 2009 and June 9, 2009, the date of this report, on which it was approved by the board of directors of Saputo. Additional information about the Company, including the annual information form for the year ended March 31, 2009, can be obtained on sedar at www.sedar.com.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

GLOBAL OVERVIEW

Fiscal 2009 was a successful year for Saputo despite showing slightly lower results than the previous fiscal year. We were faced with volatile market conditions especially in the later part of this fiscal year. We were able to withstand these negative factors and maintain our focus towards growth. Our business approach has helped us to continue to be efficient and innovative.

During the year, Saputo completed two acquisitions as part of its growth strategy. The Company acquired the activities of Alto Dairy Cooperative (Alto Acquisition) in the United States (US) on April 1, 2008 and Neilson Dairy, the dairy division of Weston Foods (Canada) Inc. (Neilson Dairy Acquisition) in Canada on December 1, 2008. These transactions complement our platform in those markets and strengthen our goal to become a global leader in our industry.

Saputo is the eleventh largest dairy processor in the world, the largest dairy processor in Canada, among the top three cheese producers in the US, the third largest dairy processor in Argentina and the largest snack-cake manufacturer in Canada.

Saputo operates its business through two sectors and five divisions, the Dairy Products Sector and the Grocery Products Sector. The Canada, Europe and Argentina (CEA) Dairy Products Sector is composed of the Dairy Products Division (Canada), the Dairy Products Division (Europe) and the Dairy Products Division (Argentina); the USA Dairy Products Sector is composed of the Dairy Products Division (USA) and the Grocery Products Sector is composed of the Bakery Division. Our Dairy Products Sector accounts for 97.1% of our consolidated revenues, and our Grocery Products Sector, for 2.9% of consolidated revenues. Saputo manufactures almost all of the products it commercializes.

Saputo's dairy products are available in all segments of the food market: retail, foodservice, and industrial. The retail segment accounts for 53% of total revenues within the Dairy Products Sector. Sales are made to supermarket chains, mass merchandisers, convenience stores, independent retailers, warehouse clubs and specialty cheese boutiques under our own brand names as well as under private labels. Products manufactured for and sold within this segment include dairy products as well as non-dairy products such as non-dairy creamers, juices and drinks.

The foodservice segment accounts for 34% of total revenues within the Dairy Products Sector. Sales are made to specialty cheeses and broad line distributors as well as to restaurants and hotels under our own brand names and various private labels. Through our Canadian distribution network, we also offer non-dairy products manufactured by third parties. We also produce dairy blends mainly for the ice cream market.

The industrial segment accounts for 13% of total revenues within the Dairy Products Sector. Sales are made to food processors that use our products as ingredients to manufacture their products.

In addition, we produce dairy ingredients[1] such as lactose, whey powder and whey protein in our Canadian, US and Argentinean cheese manufacturing facilities. We supply various international clients with cheese, lactose, whey powder and protein.

Saputo's grocery products are sold in Canada almost exclusively in the retail segment through supermarket chains, independent retailers, and warehouse clubs. Products are also available on a small-scale in the US, through co-packing agreements whereby the Company manufactures products for third parties under brand names owned by such parties. Products manufactured and sold within this Sector include snack-cakes, tarts, cereal bars and fresh cookies and pies.

FINANCIAL ORIENTATION

Our Company's objectives are to remain at the forefront of operational efficiency and innovation and making strategic investments with the common goal of growing profitability. The downturn in the global economic conditions of this past fiscal year proved that it is equally as imperative for our Company to be financially sound as it is to be flexible enough to withstand unpredictable changes in such an economic environment. We proved this true, by delivering another year of growth despite facing one of the toughest economic environments in decades, in addition to making two acquisitions in line with our growth strategy.

Saputo's financial position continues to be strong, including high level of cash flows generated and a low leveraged balance sheet. A combination of cash flows generated from existing operations and proper working capital management allowed the Company's financial flexibility to increase its dividend payments to shareholders, to continue its disciplined approach to capital investments and to invest in strategic growth platforms. Increasing shareholder value remains a priority thus we continuously evaluate possible growth through acquisitions while maintaining the utmost discipline in doing so.

ELEMENTS TO CONSIDER WHEN READING MANAGEMENT'S ANALYSIS FOR FISCAL 2009

During fiscal 2009, we experienced a good financial performance:

- Net earnings totalled $278.9 million, down 3.2%
- Earnings before interest, income taxes, depreciation and amortization (EBITDA) totalled $547.8 million, up 4.1%
- Revenues reached $5.793 billion, up 14.5%
- Cash flows generated by operations totalled $467.3 million, up 60.5%

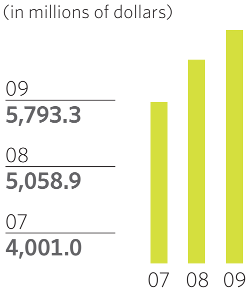
The Company had improved results in both the CEA and the USA Dairy Products Sectors in fiscal 2009. The results from our CEA Dairy Products Sector benefited mainly from the inclusion of the Neilson Dairy Acquisition, which was completed on December 1, 2008. Benefits from various cost-cutting initiatives were partially offset by less favourable dairy ingredients market conditions as well as inventory write-downs in both our Argentinean and European operations. Furthermore, volume increases in our Argentinean operations were partially negated in the last semester by substantial decreases in selling prices, mainly in the export market.

Our Dairy Products Division (Europe) continued to face difficult market conditions in fiscal 2009. Sales volumes decreased resulting from a sharp decline in cheese prices in the international market. Our German operations were less affected than our United Kingdom (UK) operations.

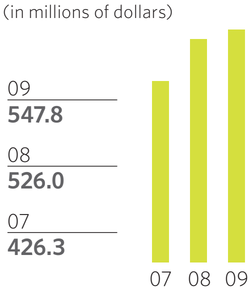
Improved results in our USA Dairy Products Sector were mainly due to the inclusion of the Alto Acquisition, completed on April 1, 2008, in addition to benefits from the initiatives taken by the Company in prior and current fiscal years with regards to improved operational efficiencies and increased selling prices. These factors were offset by lower sales volumes, a significant drop in dairy ingredients prices due to market conditions, in addition to a decrease in the overall average block market[2] per pound of cheese in fiscal 2009 to US$1.71 as compared to US$1.88 for the last fiscal year. This decrease in the block market resulted in a less favourable absorption of our fixed costs and an unfavourable impact on the realization of our inventories. Conversely, a more favourable relationship between the average block market per pound of cheese and the cost of milk as raw material improved results in fiscal 2009, as compared to the last fiscal year. Included in the results is a rationalization charge for the closure of our Hinesburg, Vermont manufacturing facility and an inventory write-down charge. Finally, the weakening of the Canadian dollar positively impacted results in our USA Dairy Products Sector.

Our fiscal 2009 Grocery Products Sector results remained relatively stable in comparison to fiscal 2008. During the fiscal year, we experienced lower sales volumes and higher ingredients, packaging and labour costs as compared to last fiscal year. This was offset by price increases that took effect in November 2007.

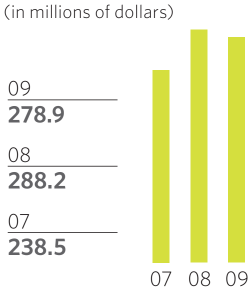
REVENUES
(in millions of dollars)



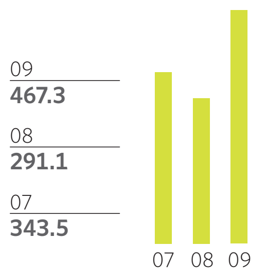
EBITDA
(in millions of dollars)



NET EARNINGS
(in millions of dollars)



CASH FLOWS GENERATED BY OPERATIONS
(in millions of dollars)



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

SELECTED CONSOLIDATED FINANCIAL INFORMATION

Years ended March 31 (in thousands of dollars, except per share amounts and ratios)	2009	2008	2007
Statement of earnings data			
Revenues — Dairy Products Sector			
CEA[1]	$ 3,323,541	$ 2,966,293	$ 2,794,099
USA	2,304,613	1,927,983	1,036,830
	5,628,154	4,894,276	3,830,929
Grocery Products Sector	165,109	164,624	170,051
	$ 5,793,263	$ 5,058,900	$ 4,000,980
Cost of sales, selling and administrative expenses			
Dairy Products Sector			
CEA	$ 2,944,643	$ 2,602,928	$ 2,477,013
USA	2,152,607	1,782,505	953,940
	5,097,250	4,385,433	3,430,953
Grocery Products Sector	148,214	147,423	143,695
	$ 5,245,464	$ 4,532,856	$ 3,574,648
EBITDA[2] — Dairy Products Sector			
CEA	$ 378,898	$ 363,365	$ 317,086
USA	152,006	145,478	82,890
	530,904	508,843	399,976
Grocery Products Sector	16,895	17,201	26,356
	$ 547,799	$ 526,044	$ 426,332
EBITDA margin (%)	*9.5%*	*10.4%*	*10.7%*
Depreciation and amortization			
Dairy Products Sector			
CEA	$ 41,560	$ 36,810	$ 36,163
USA	58,849	34,780	29,849
	100,409	71,590	66,012
Grocery Products Sector	7,875	7,844	6,104
	$ 108,284	$ 79,434	$ 72,116
Operating income			
Dairy Products Sector			
CEA	$ 337,338	$ 326,555	$ 280,923
USA	93,157	110,698	53,041
	430,495	437,253	333,964
Grocery Products Sector	9,020	9,357	20,252
	$ 439,515	$ 446,610	$ 354,216
Interest on long-term debt	20,684	18,806	22,603
Other interest, net of interest income	11,031	6,538	(3,498)
Earnings before income taxes	407,800	421,266	335,111
Income taxes	128,852	133,066	96,644
Net earnings	$ 278,948	$ 288,200	$ 238,467
Net earnings margin (%)	*4.8%*	*5.7%*	*6.0%*
Net earnings per share	$ 1.35	$ 1.40	$ 1.15
Diluted net earnings per share	$ 1.34	$ 1.38	$ 1.14
Dividends declared per share	$ 0.56	$ 0.48	$ 0.40
Balance sheet data			
Total assets	$ 3,499,103	$ 2,733,476	$ 2,488,367
Interest bearing debt[3]	$ 713,001	$ 282,704	$ 116,140
Shareholders' equity	$ 1,972,348	$ 1,619,160	$ 1,533,018
Statement of cash flows data			
Cash flows generated by operations	$ 467,288	$ 291,062	$ 343,501
Amount of additions to fixed assets, net of proceeds on disposal	$ 112,831	$ 96,438	$ 72,319

1 Canada, Europe and Argentina Dairy Products Sector.

2 Measurement of results not in accordance with Generally Accepted Accounting Principles.
The Company assesses its financial performance based on its EBITDA, this being earnings before interest, depreciation, amortization and income taxes. EBITDA is not a measurement of performance as defined by Generally Accepted Accounting Principles in Canada, and consequently may not be comparable to similar measurements presented by other companies. Reference is made to the section entitled "Measurement of results not in accordance with Generally Accepted Accounting Principles".

3 Net of cash and cash equivalents.

Saputo's consolidated revenues totalled $5.793 billion, an increase of $734.4 million or 14.5% compared to $5.059 billion for fiscal 2008. Our USA Dairy Products Sector revenues increased by approximately $377 million. The inclusion of the Alto Acquisition, along with selling price increases offset lower revenues due to lower sales volumes and the downward trend of the dairy ingredients market. These factors combined accounted for approximately $332 million of additional revenues. An average block market per pound of cheese of US$1.71 in fiscal 2009, compared to US$1.88 in fiscal 2008, negatively affected revenues by approximately $96 million. Revenues from our CEA Dairy Products Sector increased by approximately $357 million in comparison to last fiscal year. The inclusion of four months of revenues from the Neilson Dairy Acquisition, in addition to higher selling prices in our Canadian and Argentinean operations, in accordance with the increase in the cost of milk as raw material and increased sales volumes from our Argentinean activities explain the increased revenues in this Sector. Less favourable dairy ingredients market conditions decreased revenues in fiscal 2009 as compared to the prior fiscal year. Revenues from our Grocery Products Sector remained relatively stable, increasing by approximately $0.5 million in comparison to last fiscal year. The weakening of the Canadian dollar in fiscal 2009 added approximately $150 million in revenues in comparison to last fiscal year.

Consolidated earnings before interest, income taxes, depreciation and amortization (EBITDA) amounted to $547.8 million in fiscal 2009, an increase of $21.8 million or 4.1% compared to the $526.0 million for fiscal 2008. The increase is mainly due to our CEA Dairy Products Sector, for which EBITDA amounted to $378.9 million in fiscal 2009, an increase of $15.5 million in comparison to $363.4 million for last fiscal year. This increase is mainly attributed to the inclusion of the Neilson Dairy Acquisition, in addition to better efficiencies, including cost reduction initiatives in production, warehousing and logistics, and increased sales volumes from our Argentinean operations as compared to last fiscal year. The negative impact of the unfavourable dairy ingredients market conditions decreased EBITDA by approximately $23 million. The EBITDA of our Dairy Products Division (Europe) was negatively affected due to difficult market conditions.

The EBITDA of our USA Dairy Products Sector amounted to $152.0 million, an increase of $6.5 million in comparison to $145.5 million for last fiscal year. The inclusion of the Alto Acquisition, as well as the initiatives undertaken by the Company in prior and current fiscal years with regards to improved operational efficiencies and increased selling prices benefited the EBITDA. The decision by the US Department of Agriculture (USDA) in the third quarter of fiscal 2009 to change the product-price formula also had a positive impact on EBITDA. These benefits offset increased ingredients, fuel and other costs during fiscal 2009. Also, the Sector incurred approximately $2 million of rationalization charges in relation to the closure of our facility in Hinesburg, Vermont. These factors combined increased EBITDA by approximately $26 million as compared to last fiscal year. An average block market per pound of cheese of US$1.71 in fiscal 2009 in comparison to US$1.88 in fiscal 2008 negatively impacted EBITDA, causing an unfavourable basis of absorption of our fixed costs and having an unfavourable impact on the realization of our inventories in fiscal 2009. In addition, the Sector's EBITDA decreased due to an unfavourable dairy ingredients market as compared to the prior fiscal year. These decreases were offset by a more favourable relationship between the average block market per pound of cheese and the cost of milk as raw material as compared to last fiscal year. Included in the EBITDA is an inventory write-down of $12.5 million. These market factors combined had a negative impact of approximately $30 million on the EBITDA of fiscal 2009 as compared to fiscal 2008. Finally, the weakening of the Canadian dollar added approximately $11 million to the current fiscal year's EBITDA.

The EBITDA of our Grocery Products Sector decreased by $0.3 million to $16.9 million in the current fiscal year, from $17.2 million in fiscal 2008. This decrease is mainly due to additional costs in an effort to support our brands, along with a decrease in sales volumes and higher ingredients, packaging, labour and energy costs totalling approximately $5 million. These factors offset the benefits from the selling price increase.

The consolidated EBITDA margin decreased to 9.5% in fiscal 2009 as compared to 10.4% in fiscal 2008. This decrease is due to lower EBITDA margins achieved by all our sectors as compared to fiscal 2008.

Depreciation and amortization expense totalled $108.3 million in fiscal 2009, an increase of $28.9 million over $79.4 million in fiscal 2008. The increase is mainly attributed to the Alto Acquisition in our USA Dairy Products Sector and the Neilson Dairy Acquisition in our CEA Dairy Products Sector. Also included in depreciation and amortization expense is an impairment amount of $8.6 million for the closure of the Hinesburg, Vermont manufacturing facility. In addition, capital investments undertaken by all divisions in the current and prior fiscal years also contributed to increase depreciation expense.

Net interest expense amounted to $31.7 million in fiscal 2009 compared to $25.3 million in fiscal 2008. The increase is mainly due to the Alto and Neilson Dairy Acquisitions as well as the weakening of the Canadian dollar increasing the interest expense on our US dollar debt.

Income taxes totalled $128.9 million in fiscal 2009 as compared to $133.1 million for an effective tax rate of 31.6% in both fiscal 2009 and 2008. During the second quarter of fiscal 2008, the Company recorded a tax charge of approximately $3 million due to a reduction of future income tax assets recorded in previous fiscal years for our Argentinean Division. In the third quarter of fiscal 2008, this charge was offset by a one-time tax benefit of approximately $6.5 million to reflect the reduction in the Canadian federal tax rates sanctioned in December 2007. Our income tax rate varies and could increase or decrease based on the amount of taxable income derived and from which source, any amendments to tax laws and income tax rates and changes in assumptions and estimates used for tax assets and liabilities by the Company and its affiliates.

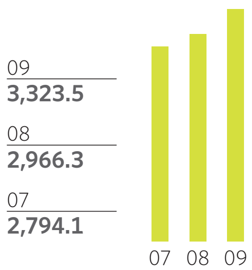
Net earnings for the fiscal year ended March 31, 2009 totalled $278.9 million, a decrease of $9.3 million or 3.2% compared to $288.2 million in fiscal 2008. The decrease is due to the factors mentioned above.

INFORMATION BY SECTOR

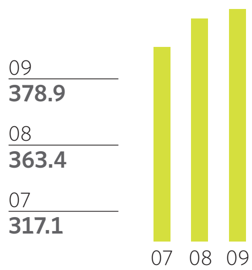
CEA DAIRY PRODUCTS SECTOR

The CEA Dairy Products Sector faced numerous challenges in fiscal 2009. The dairy ingredients market continued to drop throughout the current fiscal year, negatively affecting the Sector's results. The amended regulations establishing new standards of composition for cheese manufactured in and imported to Canada became effective in December 2008 and the Company, with two other dairy processors, filed a legal challenge which follows its course. Our Canadian Dairy Products Division met these amended standards, while trying its utmost to minimize any negative impact on its results. We also completed on December 1, 2008 the Neilson Dairy Acquisition, which positively contributed four months to our results. The decline of the cheese prices in the international market during the second half of fiscal 2009 had a negative impact on the results of our Dairy Products Divisions (Europe and Argentina). Despite these challenges in fiscal 2009, the CEA Dairy Products Sector performed well.

REVENUES
(in millions of dollars)



EBITDA
(in millions of dollars)



REVENUES

Revenues from the CEA Dairy Products Division amounted to $3.323 billion, an increase of $357.2 million or 12.0% compared to the $2.966 billion for fiscal 2008. The increase in revenues is distributed as follows: approximately $288 million is attributed to our Dairy Products Division (Canada) and the balance to our Dairy Products Divisions (Europe and Argentina).

The $288 million increase in revenue from our Dairy Products Division (Canada) is attributed as follows: approximately $200 million of the increase comes from the recent Neilson Dairy Acquisition, which contributed to revenues for four months in the current fiscal year. The revenues from the Neilson Dairy Acquisition are in line with the annual revenues generated at the time of the acquisition. Higher selling prices stemming from the increase in the cost of milk as raw material, is the other major factor contributing to the revenue increase. These increases offset lower revenues resulting from a less favourable dairy ingredients market and slightly lower sales volumes in comparison to the previous fiscal year.

Our pricing, rebating and discounting practices in all segments were unchanged throughout the fiscal year.

The Company produces approximately 32% of all the natural cheese manufactured in Canada. As for fluid milk, Saputo's total production in Canada accounts for approximately 35%. Saputo remains the leader in the Canadian Dairy industry.

The **retail segment** accounts for 66% of revenues for our Dairy Products Division (Canada), a slight increase compared to the previous fiscal year. We are proud to mention that our *Saputo* stretched Mozzarella and *Milk 2 Go/Lait's Go* single-serve plastic beverages are number one within their respective retail category in Canada, while our *Neilson* milk and cream rank first in their respective category in Ontario[1]. On the fluid milk side, we continued to support our brands with distinctive promotions and advertising. With the Neilson Dairy Acquisition, we plan to capitalize on our increased presence in the Ontario market and maximize the use of our new brand portfolio. On the cheese side, we were able to post volume increases in our specialty cheese category from our *Alexis de Portneuf* and *DuVillage* 1860 products.

The **foodservice segment** represents 29% of revenues for our Dairy Products Division (Canada), a slight decrease compared to last fiscal year. We continued to promote our cheese offering within the pizza industry through trade shows and selected publications. We serve our foodservice customers through our direct-to-store delivery (DSD) network and broadline distributors. We are continuously working with our customers to better serve them, meet their needs and develop and maintain a long-term relationship. The volume increase in this segment came from the fluid milk and cream categories from some of our national accounts.

The **industrial segment** accounts for 5% of revenues in our Dairy Products Division (Canada), a slight decrease compared to the previous fiscal year. This segment is comprised of cheese and dairy ingredients sales. Revenues in this segment were negatively impacted by less favourable dairy ingredients market conditions compared to last fiscal year. This negative impact was partially offset by increased skim milk powder sales to the Canadian Dairy Commission relating to the surplus milk from Western provinces, where we act as plant of last resort.

Revenues from our Dairy Products Division (Europe) decreased due to lower sales volumes resulting from a sharp decrease in cheese prices in the international market, which lowered demand and increased supply.

Revenues from our Dairy Products Division (Argentina) increased mainly due to higher sales volumes in both the domestic and export markets despite the downward trend in export sales in the later part of fiscal 2009 due to lower selling prices as a result of decreased demand in the international market. Also contributing to the sales revenues is the increase in selling prices in accordance with the cost of milk as raw material. Finally, the weakening of the Canadian dollar also increased revenues by approximately $10 million.

[1] Source: ACNieslen, MarketTrack, latest 52 weeks ending March 14, 2009.

EBITDA

Our EBITDA totalled $378.9 million for the fiscal year ending March 31, 2009, an increase of 4.3% compared to $363.4 million for the previous fiscal year. The EBITDA margin decreased from 12.2% in fiscal 2008 to 11.4% in fiscal 2009. The decrease in EBITDA margin is attributed to a combination of less favourable dairy ingredients market conditions, lower cheese prices in the international market and the inclusion of the Neilson Dairy Acquisition whose EBITDA margins are lower compared to the rest of our Canadian activities.

The Dairy Products Division (Canada) performed well this fiscal year despite unfavourable dairy ingredients market conditions that negatively impacted EBITDA by approximately $23 million. Partly offsetting this negative market was the inclusion of the Neilson Dairy Acquisition, which positively contributed four months to EBITDA. Additional EBITDA was also generated through various cost reduction initiatives in our manufacturing facilities, as well as warehousing and logistics. These initiatives offset additional ingredients, fuel and other costs incurred in fiscal 2009 compared to fiscal 2008. Finally, included in EBITDA is a gain of approximately $3 million from the sale of a previously closed manufacturing facility.

From an operational point of view, being an efficient manufacturer and a low cost producer remains a priority. We have been successful in fiscal 2009 at mitigating the negative impact of the dairy ingredients market conditions on our results, by reviewing aspects of our organization in order to improve our everyday operations. As always, we continue the ongoing analysis of our operations.

We also worked hard to mitigate any negative impact on our results from complying with the new standards of composition for cheese manufactured in and imported to Canada, introduced in December 2008, while also trying our utmost to minimize the effects on our customers. We are satisfied with the results of our efforts at this point.

The Dairy Products Division (Argentina) performed well, showing improved EBITDA over the previous fiscal year. The Division generated higher sales volumes both in the domestic and export markets, benefiting from the return of historical milk production volumes which were affected by floods in June 2007. This offset negative market conditions with lower selling prices in the international market in the second half of fiscal 2009. The Dairy Products Division (Europe) showed lower EBITDA in the current fiscal year due to difficult market conditions which lowered sales volumes resulting from a decrease in cheese prices in the international market. The German operations showed improvements compared to the previous year as they were able to streamline their retail customers and take advantage of some lower milk prices available in the market. The Dairy Products Divisions (Argentina and Europe) combined recorded an inventory write-down of $8.4 million in the current fiscal year as a result of negative market conditions with lower selling prices in the international market in the second half of fiscal 2009.

OUTLOOK

The Neilson Dairy Acquisition, which included two manufacturing facilities in Ontario, Canada, allowed our Canadian Dairy Products Division to expand its presence in the Ontario fluid milk and cream markets. In the following fiscal year, we will focus on integrating these operations. We are continuing the analysis of our cost structure in an effort to identify and materialize synergies with this new acquisition. The market for value-added milk offers potential for growth and we are taking actions to capitalize on the opportunities from both production and market perspectives. We will also continue to support our core brands as we are developing strategies for the use of our brand portfolio in an effort to maintain our leadership position.

We still believe that speciality cheeses will be a key category in Canada and we are working towards remaining the leader in this category. We will also allocate financial resources towards our manufacturing processes through machinery and equipment in order for us to remain competitive.

Saputo is proud to be the Official Packaged Dairy Supplier of the 2010 Vancouver Olympic and Paralympic Winter Games, and of the Canadian Olympic Team for Vancouver 2010 and London 2012. Therefore, we will supply products such as yogurt, milk and cheese to the athletes of the games under our *Saputo, Armstrong, Bari, Baxter, Cheese Heads, Dairyland, Milk* 2 *Go/Lait's Go, Neilson,* and *Nutrilait* brands. Numerous initiatives are taking place such as marketing Olympic endorsed packaging and promotions, websites dedicated to our sponsored athletes and internal contests for our employees. We will try our best to maximize the opportunity and the visibility that this partnership offers.

Production capacity is constantly under evaluation for all categories of products. Our goal is to produce the right product at the right place, closest to the market they belong to. Excess production capacity in our Canadian cheese activities stands at 31% and 34% in our Canadian fluid milk activities. In the next fiscal year, we will continue to review our overall activities in an effort to improve our operational efficiencies and operational costs.

In our Dairy Products Division (Europe), we anticipate that milk prices should come down to more competitive levels to reflect the current cheese selling prices in the market. Our focus in fiscal 2010 will be to complete the capital expenditure programs that were put in place in fiscal 2009 and start benefitting from these investments. In addition, we will continue to improve overall efficiencies and undertake cost cutting measures.

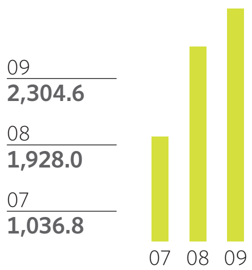
The Dairy Products Division (Argentina) should continue in fiscal 2010 to see depressed selling prices in the export market. The Division faces challenges with high milk prices in relation to lower cheese selling prices in the international market. The Division will continue to focus on efficiencies and cost reductions in an effort to improve results.

USA DAIRY PRODUCTS SECTOR

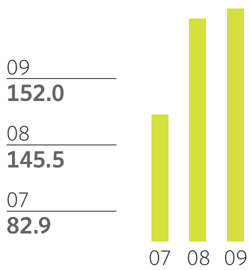
In fiscal 2009, volatile market conditions within the US dairy industry had an impact on our USA Dairy Products Sector. The average block market per pound of cheese of US$1.98 in the first quarter of fiscal 2009 was subsequently followed by three consecutive drops in the remaining quarters of the fiscal year. The average block market per pound of cheese for the fourth quarter of fiscal 2009 equalled US$1.20. In fact, the block market per pound of cheese reached a low of US$1.04 in the month of January 2009, well below the dairy industry support level of US$1.13. This downward trend negatively affected the results of our Dairy Products Division (USA). The average block market per pound of cheese decreased from US$1.88 in fiscal 2008 to US$1.71 in fiscal 2009. The dairy ingredients market also experienced similar decreases in fiscal 2009 with an average whey price of approximately US$0.22 compared to US$0.52 for fiscal 2008. Lower dairy ingredients prices placed downward pressure on our margins given our increased presence in dairy ingredients, due to the recent acquisitions. In fiscal 2008, the State of California fixed the whey factor used in the milk pricing formula. Due to the lower dairy ingredients prices, this change did not benefit the Division in fiscal 2009 in comparison to fiscal 2008. At the beginning of the third quarter of fiscal 2009, the USDA implemented changes to the product-price formula, increasing the manufacturing cost allowance. This change had a positive effect on the results of our USA Dairy Products Sector. During the third quarter of fiscal 2009, we completed the closure of our Hinesburg, Vermont manufacturing facility. Production was transferred successfully to other facilities within the US.

In fiscal 2009, our Dairy Products Division (USA) was successful in facing the volatility challenges within the US dairy industry.

REVENUES
(in millions of dollars)



EBITDA
(in millions of dollars)



REVENUES

Revenues from our USA Dairy Products Sector totalled $2.305 billion in fiscal 2009, an increase of $376.6 million or 19.5% in comparison to $1.928 billion in fiscal 2008. The increase is mainly due to the Alto Acquisition, as well as selling price increases. This increase offset reduced revenues due to lower sales volumes along with the downward trend of the dairy ingredients market during the current fiscal year compared to fiscal 2008. These combined factors increased revenues by approximately $332 million in fiscal 2009 in comparison to fiscal 2008. An average block market per pound of cheese of US$1.71 in fiscal 2009, compared to US$1.88 in fiscal 2008, reduced revenues by approximately $96 million. The weakening of the Canadian dollar increased revenues by approximately $140 million.

Our pricing, rebating, and discounting practices in all segments were unchanged throughout the fiscal year.

During fiscal 2009, the retail, foodservice, and industrial segments accounted for 35%, 47%, and 18%, respectively, of our total sales volumes. During fiscal 2008, the retail, foodservice, and industrial segment accounted for 29%, 46%, and 25%, respectively, of our total sales volumes. The change in percentages is due mainly to the Alto Acquisition.

In the **retail segment**, we are proud to mention that both our *Frigo Cheese Heads* and *Treasure Cave* brands are number one within their respective string cheese and blue cheese retail brand category. Throughout the fiscal year, the Division concentrated its marketing effort on supporting these brands in order to maintain its leadership position. The Division also re-launched the *Black Creek* brand of premium aged cheddar into the retail deli market, a brand inherited as part of the Alto Acquisition, as well as its *Lorraine* cheese.

In fiscal 2009, marketing efforts within the **foodservice segment** were aimed at increasing product awareness. We continued to promote and advertise our cheese offerings within the pizza industry, utilizing targeted publications and trade shows. We introduced a new *Alto* brand into the foodservice segment. This new brand is a line of American-style cheeses in block, shred, and sliced formats. The US Division can now offer a more complete line of products to our foodservice customers. In addition, innovative re-closable packaging, aimed at improving convenience and product quality, was developed and introduced in the current fiscal year.

The **industrial segment** includes cheese sales, as well as whey products and sweetened condensed milk. In fiscal 2009, depressed dairy ingredients prices in the international market in comparison to prior fiscal year negatively affected the industrial segment. The Alto Acquisition, which included a dairy ingredients drying facility, increased the availability of products for sale as well as provided additional flexibility for processing our whey in Wisconsin.

EBITDA

During fiscal 2009, earnings before interest, income taxes, depreciation and amortization totalled $152.0 million, a $6.5 million or 4.5% increase in comparison to the $145.5 million in fiscal 2008.

In fiscal 2009, the Division benefited from the Alto Acquisition, as well as the initiatives undertaken by the Company in prior and current fiscal years with regards to improved operational efficiencies and increased selling prices. The decision by the USDA in the third quarter of fiscal 2009 to change the product-price formula also increased EBITDA. These increases offset additional ingredients, fuel, and other costs incurred in fiscal 2009 in comparison to fiscal 2008, along with a rationalization charge of $2.0 million for the closure of our Hinesburg, Vermont manufacturing facility. The decision in fiscal 2008 by the State of California to fix the whey factor when determining the milk price formula had a negative impact on our fiscal 2009 results in comparison to the prior fiscal year due to the lower whey price. These combined factors increased EBITDA by approximately $26 million. Offsetting this increase were the following negative market factors. The average block market per pound of cheese during the first three quarters of fiscal 2009 of US$1.88 was followed by a fourth quarter average of US$1.20 resulting in a US$1.71 average for fiscal 2009, US$0.17 lower than the average block market per pound of cheese in fiscal 2008 of US$1.88. The decreasing average block market per pound of cheese worsened the basis of absorption of our fixed costs and had an unfavorable impact on the realization of our inventories, especially in the later stages of fiscal 2009. When the block market consistently decreases throughout the fiscal year, as was the case in fiscal 2009, product manufactured at a given market price is subsequently sold at a lower selling price, negatively affecting our margins. The dairy ingredients market also experienced similar decreases in fiscal 2009 in comparison to fiscal 2008. The average whey market of approximately US$0.22 in fiscal 2009 was US$0.30 lower than the US$0.52 average whey market in fiscal 2008 negatively affecting our results. However, as whey is a factor in determining the product-price formula, the relationship between the average block market per pound of cheese and the cost of milk as raw material was more favorable in fiscal 2009 in comparison to fiscal 2008. Finally, an inventory write-down of $12.5 million was recorded in fiscal 2009, mainly in the third quarter, reflecting the strong decrease in the block market per pound of cheese at the end of the third quarter and in the fourth quarter. These market factors combined had a negative impact of approximately $30 million on the EBITDA of fiscal 2009 in comparison to fiscal 2008. On the other hand, the weakening of the Canadian dollar increased EBITDA by approximately $11 million.

OUTLOOK

On April 1, 2008, we completed the Alto Acquisition. This transaction allowed our US Division to expand its business and presence within the US dairy industry. In fiscal 2009, we successfully transitioned these operations into Saputo's existing systems and structure. We also undertook various capital projects aimed at improving our flexibility and increasing our capacity. These capital projects will be finalized in fiscal 2010. The two facilities acquired as part of the Alto Acquisition will benefit from the USDA decision to change the product-price formula.

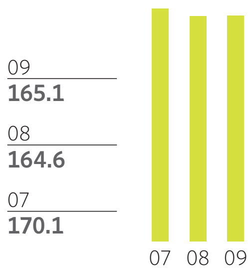
In fiscal 2009, our Dairy Products Division (USA) completed strategic capital projects that will benefit the Division in fiscal 2010 and beyond. Expanding our string cheese capacities, a growing product category, enhancing our mozzarella production capabilities in California, and the completion of our two-year capital plan for the west coast facilities acquired from Land O'Lakes puts the Division in a better position to grow and become more efficient in the future. The closure of our Hinesburg, Vermont manufacturing facility should also provide opportunities for cost savings and increased efficiencies in the next fiscal year.

With regards to selling price initiatives, in fiscal 2009, the Division implemented various strategies aimed at mitigating uncontrollable market factors. These selling price initiatives were necessary at the beginning of the fiscal year, when markets were relatively high, as well as during the last quarter, when the market dropped below the dairy industry support level price. Selling price mechanisms were also revamped to better align our selling prices with changing operational costs. In fiscal 2010, we will continue to monitor our selling prices and will make appropriate decisions for the business. Due to increased competition, our marketing efforts will continue to focus on supporting our leading brands. In addition, we will continue to promote our products in order to increase our overall market share.

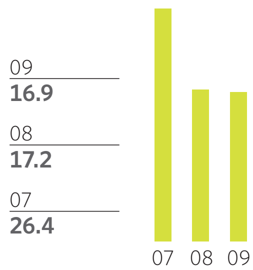
In fiscal 2009, our USA Dairy Products Sector was not only faced with dairy market volatility, but also had to cope with the challenges of the current economic context. Our diverse product offering in all three market segments: retail, foodservice and industrial, mitigated some of the effects of the harsh market conditions. Due to the relentless efforts of our employees towards product quality, operational efficiency and customer service, we enter fiscal 2010 with optimism.

GROCERY PRODUCTS SECTOR

REVENUES
(in millions of dollars)



EBITDA
(in millions of dollars)



REVENUES

Revenues for the Grocery Products Sector totalled $165.1 million for the fiscal year ended March 31, 2009, a decrease of $0.5 million compared to the previous fiscal year. Revenues were negatively impacted in fiscal 2009 due to the introduction of private label products by retailers and highly competitive selling prices resulting in lower sales volumes in the Canadian market. The decrease in revenues was offset by the price increase that took effect in November 2007 and an increase from our US co-packing activities, especially in the fourth quarter of fiscal 2009.

During the current fiscal year, we continued to support our brands with marketing activities geared towards in-store activities in an effort to maintain our market share. Due to the nature of this sector, we need to continue to be innovative and constantly adapt to consumer demands. During fiscal 2009, we introduced numerous new products. For example, we launched 100 calories cakes, cupcakes and De Luxe cakes under the *Vachon* brand as well as new cupcakes flavours, and finally new fresh cookies under the *Rondeau* brand catering to back-to-school program. In the US, our efforts were concentrated towards existing clients and the development of new products to meet their needs.

EBITDA

The EBITDA of our Grocery Products Sector totalled $16.9 million, a decrease of $0.3 million compared to the last fiscal year. This decrease in EBTIDA is mainly due to additional costs in an effort to support our brands, along with a decrease in sales volumes and higher ingredients, packaging, labour and energy costs totalling approximately $5 million. These factors offset the benefits from the selling price increase. EBITDA margin went from 10.4% in fiscal 2008 to 10.2% in fiscal 2009.

OUTLOOK

The Division is in the process of reviewing all of its operations. Some of the strategies in the coming year will be to review all of the products offered and establish more uniformity to maximize efficiency at the manufacturing level. Also, different initiatives are being implemented in an effort to mitigate increasing ingredients and packaging costs. In achieving some of these initiatives, the Division should be in a better position. In addition, the Division is working towards the development of a new line of products in an effort to increase its presence at the store level. Finally, we will maintain the focus on our brand leaders since this has always been one of the main strengths of the Division.

LIQUIDITY

Cash generated by operating activities before changes in non-cash working capital items amounted to $389.5 million for fiscal 2009, a decrease of $1.3 million compared to $390.8 million in fiscal 2008. During fiscal 2009, non-cash working capital items generated $77.8 million, in comparison to $99.8 million used in fiscal 2008. The increase in funds generated from non-cash working capital items in fiscal 2009 is mainly due to decreased working capital levels in our US operations resulting from the decrease in the average block market per pound of cheese during the current fiscal year mainly in the fourth quarter as compared to last fiscal year. In fiscal 2008, the use of funds was due mainly to an inverse situation to fiscal 2009, whereby this usage reflected the increased working capital level in US operations due to an increase in the average block market per pound of cheese as compared to prior year. In investing activities, the Company used $755.4 million in fiscal 2009 mainly for the Neilson Dairy and Alto Acquisitions, with a combined purchase price of $630.4 million. The Company added $121.9 million in fixed assets, of which nearly 24% went into the replacement of fixed assets and 76% to implement new technologies, as well as to expand and increase certain manufacturing capacities. The Company also disposed of unused assets in fiscal 2009 for total proceeds of $9.0 million. As for financing activities in fiscal 2009, the Company increased its long-term debt by $340.0 million in relation to the Neilson Dairy Acquisition, decreased the use of its bank loans by $81.7 million and paid $111.7 million in dividends. In fiscal 2009, the Company also issued shares for a cash consideration of $14.9 million, as part of the stock option plan.

FINANCIAL RESOURCES

As at March 31, 2009, the Company's working capital stood at $166.7 million, a decrease of $249.6 million compared to the $416.3 million at March 31, 2008. The decrease is mainly attributed to the previously available funds disbursed for the Alto Acquisition and the US$170 million senior notes that are due in November 2009 and that are now part of the current liabilities. Our net interest bearing debt-to-equity ratio stood at 0.36 as at March 31, 2009, compared to 0.17 as at March 31, 2008. For fiscal 2010, the Company expects to add about $100 million to fixed assets, with approximately $22 million marked for new technology and added manufacturing capacity. The remainder will be devoted for the replacement of certain fixed assets. The Company expects fixed-asset depreciation expense to total approximately $110 million in fiscal 2010. All funds required for the additions to fixed assets will be generated from Company operations. As at March 31, 2009, the Company had no significant commitments related to fixed asset acquisitions. The Company has at its disposal bank credit facilities of approximately $802 million, $479.4 million of which are drawn. See Note 7 to the consolidated financial statements that describes the bank loans. The Company also had $43.9 million of cash and cash equivalents. Over the course of fiscal 2010, $40 million of bank loans will reach maturity and will be paid from other existing available bank credit facilities. Also, the current portion of long-term debt of $214.4 million that will be due in November 2009 related to the US$170 million senior notes will be repaid from the Company cash generated from operations as well as from available bank credit facilities. Finally, the Company is currently evaluating some long-term refinancing in light of maturities that will become effective in fiscal 2010. Should the need arise, the Company can make additional financing arrangements to pursue its growth through acquisitions.

BALANCE SHEET

In comparison to March 31, 2008, the main balance sheet items as at March 31, 2009 varied due to the depreciation of the Canadian dollar versus both the US dollar and the Argentinean peso. The conversion rate of our US operations' balance sheet items in US currency was CND$1.2613 per US dollar as at March 31, 2009, compared to CND$1.0265 per US dollar as at March 31, 2008. The conversion rate of our Argentinean operations' balance sheet items in Argentinean currency was CND$0.3318 per Argentinean peso as at March 31, 2009 compared to CND$0.3226 per Argentinean peso as at March 31, 2008. The weakening of the Canadian dollar results in higher values recorded for the balance sheet items of our foreign operations. Changes in the main balance sheet items were also due to the Alto and Neilson Dairy Acquisitions. Our net cash position decreased from negative $56.9 million as at March 31, 2008, to negative $95.5 million as at March 31, 2009. This is due to the Company's use of cash to pay for acquisitions during the fiscal year. The change in foreign currency translation adjustment listed under accumulated other comprehensive income varied due to the weakening of the Canadian dollar. The Company's total assets stood at $3.499 billion as at March 31, 2009, compared to $2.733 billion as at March 31, 2008.

SHARE CAPITAL INFORMATION

Share capital authorized by the Company is comprised of an unlimited number of common and preferred shares. The common shares are voting and participating. The preferred shares can be issued in one or more series, and the terms and privileges of each class must be determined at the time of their creation.

	Authorized	Issued as at March 31, 2009	Issued as at May 28, 2009
Common Shares	Unlimited	207,087,283	207,117,341
Preferred Shares	Unlimited	None	None
Stock Options		9,128,841	11,261,735

The Company announced on November 7, 2007 its intention to purchase, by way of a normal course issuer bid (Bid), for cancellation purposes, some of its common shares through the facilities of the Toronto Stock Exchange, beginning on November 13, 2007. Under the Bid, the Company could have purchased for cancellation up to 10,272,848 common shares. This represented 5% of its 205,456,990 issued and outstanding common shares as of October 31, 2007. These purchases could have been made in accordance with applicable regulations over a maximum period of 12 months beginning on November 13, 2007 and ending on November 12, 2008. The consideration was in cash and equivalent to the market price of such common shares at the time of acquisition.

The Company announced on November 11, 2008 its intention to purchase, by way of a new normal course issuer bid (New Bid), for cancellation purposes, some of its common shares through the facilities of the Toronto Stock Exchange, beginning on November 13, 2008. Under the New Bid, the Company may purchase for cancellation up to 10,340,377 common shares. This represents 5% of its 206,807,551 issued and outstanding common shares as of October 31, 2008. These purchases can be made in accordance with applicable regulations over a maximum period of 12 months beginning on November 13, 2008 and ending on November 12, 2009. The cash consideration, which the Company pays for any common shares acquired by it under the New Bid is the market price of such common shares at the time of acquisition.

For the year ended March 31, 2009, the Company did not purchase for cancellation any common shares under the Bids. For the year ended March 31, 2008, the Company purchased for cancellation an aggregate of 3,705,240 common shares at an average of $21.98 for a total of $81.5 million.

The Company believes that the purchase of its own shares may, under appropriate circumstances, be a responsible investment of funds on hand. Copies of the notice with respect to both Bids may be obtained without charge upon request to the Secretary of the Company.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has certain off-balance sheet arrangements, consisting primarily of leasing certain premises as well as certain lease agreements for equipment and rolling stock. These agreements are recorded as operating leases. Future minimum lease payments as at March 31, 2009 totalled $57.5 million. The Company does not use derivative financial instruments for speculation. Saputo uses certain derivative financial instruments in specific situations. In the normal course of business, our Canadian operations import some products and our management of foreign exchange risk occasionally leads us to make certain foreign currency purchases in euros, of which the total amount as at March 31, 2009, was 1.8 million euros.

The Company periodically enters into forward contracts to protect itself against price fluctuations on certain commodities when it has secured a commitment to sell a finished product. As at March 31, 2009 the market value of these contracts was negative $3.8 million.

The Company's exposure to the derivative financial instruments used is not affected by changing economic conditions, since these instruments are generally held until maturity. Notes 18 and 20 to the consolidated financial statements describe the Company's off-balance sheet arrangements.

GUARANTEES

From time to time, the Company enters into agreements in the normal course of its business, such as service arrangements and leases, and in connection with business or asset acquisitions or disposals, agreements, which by nature may provide for indemnification to third parties. These indemnification provisions may be in connection with breach of representations and guarantees and for future claims for certain liabilities, including liabilities related to tax and environmental issues. The terms of these indemnification provisions vary in duration. Note 18 to the consolidated financial statements discusses the Company's guarantees.

CONTRACTUAL OBLIGATIONS

The Company's contractual obligations consist of commitments to repay certain of its long-term debts and certain repayment estimates for other long-term debts as well as certain leases of premises, equipment and rolling stock. Note 8 describes the Company's commitment to repay long-term debt, and Note 18 describes its lease commitments.

(in thousands of dollars)	Long-term debt	Minimum lease	Total
2010	214,421	13,769	227,489
2011	200,000	10,042	210,014
2012	140,000	8,831	148,831
2013	–	7,251	7,251
2014	–	6,213	6,213
Subsequent years	63,065	11,360	74,425
Total	617,486	57,466	674,223

RELATED PARTY 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, which are comparable to similar transactions. The goods and services that are received consist of rent of office space, travel arrangements, transportation of goods, lodging and the purchase of canned goods as well as management fees for compensation of the Chairman of the Board. The goods and services that are provided consist of dairy products. See Note 19 to the consolidated financial statements that describes the related party transactions.

ACCOUNTING STANDARDS

APPLIED STANDARDS

During the fiscal years ended March 2009 and 2008, the Company adopted the following new accounting policies as described in the Canadian Institute of Chartered Accountants (CICA) Handbook.

INVENTORIES

Section 3031 of the CICA Handbook, Inventories, provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. This section is to be applied for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The presentation of our inventory is in accordance with the recommendations of this new section.

CREDIT RISK AND FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

EIC-173 of the CICA Handbook, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities requires that an entity's own credit risk and the credit risk of counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of this recommendation had no significant impact on the consolidated financial statements.

ACCOUNTING CHANGES

Section 1506 of the CICA Handbook, Accounting Changes. It revises the current standards on changes in accounting policies, estimates or errors. The adoption of this section had no impact on the consolidated financial statements.

COMPREHENSIVE INCOME

Section 1530 of the CICA Handbook, Comprehensive Income. It describes reporting and disclosure recommendations with respect to comprehensive income and its components. Comprehensive income is the change in shareholders' equity, which results from transactions and events from sources other than the Company's shareholders. These transactions and events include changes in the currency translation adjustment relating to self-sustaining foreign operations. The adoption of this section implied that the Company now presents a consolidated statement of comprehensive income as a part of the consolidated financial statements. The comparative consolidated financial statements are restated to reflect the application of this section only for changes in the balances for foreign currency translation of self-sustaining foreign operations.

CAPITAL DISCLOSURES

Section 1535 of the CICA Handbook, Capital Disclosures. It establishes guidelines for the disclosure of information regarding an entity's capital and how it is managed. The presentation of our capital is in accordance with the recommendations of this new section.

FOREIGN CURRENCY TRANSLATION

Section 1651 of the CICA Handbook, Foreign Currency Translation. It establishes standards for the translation of transactions of a reporting Company that are denominated in a foreign currency and financial statements of a foreign operation for incorporation in the financial statements of a reporting company. As a result of the adoption of this section and Section 1530, Comprehensive Income, changes in the unrealized losses in the translation of the financial statements of self-sustained foreign operations are presented in the consolidated statement of Comprehensive Income.

INVESTMENTS

Section 3051 of the CICA Handbook, Investments. It establishes standards for accounting for investments subject to significant influence and for measuring and disclosing certain other non-financial instrument investments. The adoption of this section had no impact on the consolidated financial statements.

EQUITY

Section 3251 of the CICA Handbook, Equity. It establishes standards for the presentation of equity and changes in equity during the reporting period. The presentation of our equity is in accordance with the recommendations of this new section.

FINANCIAL INSTRUMENTS – RECOGNITION AND MEASUREMENT

Section 3855 of the CICA Handbook, Financial Instruments – Recognition and Measurement. It exposes the standards for recognizing and measuring financial instruments in the balance sheet and the standards for reporting gains and losses in the consolidated financial statements. Financial assets available for sale, assets and liabilities held for trading and derivative financial instruments, part of a hedging relationship or not, have to be measured at fair value. The presentation of financial instruments is in accordance with the recommendations of this new section.

FINANCIAL INSTRUMENTS – DISCLOSURES

Section 3862 of the CICA Handbook, Financial Instruments – Disclosures, provides disclosure in the financial statements that enables users to evaluate the significance of financial instruments for the entity's financial position and performance. Also, it helps users to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date and how the entity manages those risks. The presentation of financial instruments is in accordance with the recommendations of this new section.

FINANCIAL INSTRUMENTS – PRESENTATION

Section 3863 of the CICA Handbook, Financial Instruments – Presentation, enhances financial statement users understanding of the significance of financial instruments of our entity's financial position, performance and cash flows. The presentation of financial instruments is in accordance with the recommendations of this new section.

HEDGES

Section 3865 of the CICA Handbook, Hedges. This section establishes standards for when and how hedge accounting may be applied. This section requires that formal documentation, designation of specific hedging relationship components, and assessment of effectiveness are pre-requisites for the application of hedge accounting. The presentation of hedges is in accordance with the recommendations of this new section.

FUTURE STANDARDS

GOODWILL AND INTANGIBLE ASSETS

Section 3064 of the CICA Handbook, Goodwill and Intangible Assets, establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented companies. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company believes the adoption of this new section will not have a significant impact on its consolidated financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

The Company has established an IFRS convergence team that oversees and is actively involved in the transition to IFRS. This convergence team consists of senior managers and analysts from within the Company's Corporate Finance and Corporate Accounting Departments. The Company feels that it is devoting the necessary resources to achieve seamless transition to IFRS by the required date of conversion.

In order to integrate new accounting standards and assess the impact that new policies may have on our activities, the Company has undertaken the development of a changeover plan to ensure that a smooth transition occurs. The key elements of this changeover plan will address the following topics:

- Identification and impact of accounting policy changes;
- Identification and resolution of key information technology and data systems requirements;
- Evolution of internal controls over financial reporting;
- Revision of disclosure controls and related procedures;
- Financial reporting expertise including training requirements;
- Identification of impact on business activities.

The key elements listed above shall be addressed over the following phases:

- Identification and Analysis Phase – Involves the prioritization of accounting topics and the identification of significant divergences between Canadian GAAP and IFRS. Completion of this phase is expected by the end of second quarter of fiscal year 2010.
- Impact Analysis and Development Phase – Involves the quantification of significant divergences in order to adequately develop processes (Information Technology, Internal Control Improvements, Training, Disclosure Control Revision and Identification of Impact on Business Activities) to ensure IFRS compliance. This phase may overlap with the Identification and Analysis Phase for less significant accounting standards. Completion of this phase is expected by end of fiscal year 2010.
- Implementation Phase – Involves the resolution of divergences determined in the Identification/Analysis and Impact Analysis/Development Phase. Completion of this phase is expected by the end of fiscal year 2011.

Identification and Impact of Accounting Policy Changes

The Company is currently in the Identification and Analysis Phase of its changeover plan. In the Identification and Analysis Phase, the Company is identifying differences between Canadian GAAP and IFRS and significant accounting policy choices will be made prior to conversion for those accounting standards deemed significant by the Company.

Identification and Resolution of Key IT and Data Systems Requirements

The Company shall assess the need for any additions or modifications to its existing IT infrastructure upon completion of the Identification and Analysis Phase of the changeover plan.

Evolution of Internal and Disclosure Controls

In accordance with the Company's continued commitment to Bill 198 compliance, the Company's controls shall be updated and tested as required based on its completed assessment of divergences between Canadian GAAP and IFRS. This phase is expected to be undertaken in the fiscal 2010 year.

Financial Reporting Expertise

Members of the IFRS convergence team have participated in training seminars with the Company's external auditors. The International Accounting Standard Board (IASB) currently has several review projects under way which may significantly affect various standards. As such, further changes are expected to these standards between now and the conversion date which may impact the current divergence analysis of Canadian GAAP to IFRS. As such, the convergence team will ensure that it is up-to-date on recent revisions by actively monitoring and reviewing IASB revision releases, by obtaining publications provided by the CICA and by engaging in additional training seminars provided by its external auditors.

Training will most likely commence in fiscal 2010 for employees outside the convergence team. The exact timing of this exercise will not be known until completion of the Identification and Analysis Phase.

Identification of Impact on Business Activities

Based on industry practices, the Company is commonly evaluated based on earnings before interest, income taxes, depreciation and amortization (EBITDA). Financial statement readers are cautioned that divergences between Canadian GAAP and IFRS will lead to differing calculations of EBITDA under these two distinct standards.

The Company will continue to evaluate any future uses of its financial information for key performance indicators and measures such as covenants and financial ratios and shall update this changeover element as the need arises.

CRITICAL ACCOUNTING POLICIES AND USE OF ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in accordance with Generally Accepted Accounting Principles requires management to make estimates. These estimates are established on the basis of previous fiscal years and management's best judgment. Management continually reviews these estimates. Actual results may differ from those estimates. The following section establishes the main estimates used in preparing the consolidated financial statements of Saputo Inc.

FIXED ASSETS

In order to allocate the cost of fixed assets over their useful lives, estimates of the duration of their useful lives must be carried out. The cost of each fixed asset will then be attributed over the duration of its useful life and amortized year after year on this basis.

PORTFOLIO INVESTMENT

The portfolio investment is recorded at cost. The Company carries out an annual valuation to ensure that the fair value of the investment is not lower than the carrying amount. To calculate an estimated fair value, the Company uses the Company's EBITDA by applying to it a multiple based on comparable industry standards. If the portfolio investment undergoes a decline in value that is permanent, its carrying amount would be written down to account for this decline in value. The Company has performed the impairment test and no write-down was necessary in fiscal 2009.

GOODWILL

The accounting standards require that goodwill not be amortized and that an impairment test be performed annually or more frequently when events occur or circumstances arise that could indicate a reduction in its fair value. To determine any decline in value, each of the respective accounting units are required to undergo an assessment. The Company's assessments are based on multiples for Saputo and for the industry. These multiples are applied to EBITDA and net assets. Should the calculated value be lower than the book value, a write-down would be taken. The Company has performed the impairment test, no write-down was necessary in fiscal 2009.

BUSINESS COMBINATIONS

The Company accounts for its business combinations using the purchase method of accounting. Under this method, the Company allocates the purchase price to tangible and intangible assets acquired and liabilities assumed based on estimated fair values at the date of acquisition, with the excess of the purchase price amount allocated to goodwill.

STOCK BASED COMPENSATION

The Company uses the fair value based method to expense stock based compensation. With this method, the Company records a compensation cost over the vesting period of the options granted. The expected useful life of options used for calculating the fair value of options is based on management's experience and judgment.

TRADEMARKS

Impairment testing has to be performed on all trademarks annually. Estimated future cash flows to be derived from the intangibles are discounted to the present using current market rates. The discounted cash flow is compared to the carrying value of the trademarks. Should the discounted cash flow be lower than the book value, a write-down is taken. The Company has performed the impairment test and no write-down was necessary in fiscal 2009.

HEDGING

The Company uses interest rate derivatives to manage the combination of fixed to floating interest rates on its long-term bank debt. The Company currently uses cash flow hedges and does not use any fair value hedges. For its cash flow hedges, the effective portion of the changes in fair value of the hedging item is recognized in accumulated other comprehensive income, whereas the ineffective portion is recognized in interest expense. The amounts recognized in accumulated other comprehensive income, with respect to cash flow hedges, are reclassified in net earnings in the period or periods during which the hedged item affects net earnings.

PENSION PLANS

The Company offers and participates in defined contribution pension plans of which more than 85% of its active employees are members. The net pension expenditure under these types of plans is generally equal to the contributions made by the employer.

The Company also participates in defined benefit pension plans in which the remaining active employees are members. The cost of these pension benefits earned by employees is actuarially determined using the projected benefit method prorated on services and using management's assumptions bearing on, among other things, expected return on plan assets, rates of compensation increase and the retirement age of employees. All of these estimates and assessments are formulated with the help of external consultants.

The discount rate is determined on the basis of the effective rates of return on high-quality long-term corporate bonds, as required by the adjusted standard, to account for the duration of plan liability. The rate applied for the period ended December 31, 2008 was 7.47%, compared to 5.61% used in the prior year. We established the expected average return on invested assets at 7.01% (7.3% in the prior year) given the type and combination of these assets. This assumption is deemed reasonable and is supported by our external consultants. The compensation growth rate was set at 3.5% over the long-term, taking into consideration estimated future inflation rates. Any changes in these assumptions or any plan experience that differs from the expected entails actuarial gains or losses with respect to expected results. If these gains or losses exceed 10% of the maximum of the asset or liability of the plans, they are amortized over the expected average remaining service life of the group of employees participating in the plans, in compliance with CICA recommendations.

In fiscal 2008, the defined contribution assets were transferred to a provider of group retirement and investment services, which offers a large variety of mutual funds. The defined contribution pension plans participants are responsible for their own investment choices.

Defined benefit pension plans assets are held by independent trusts, and the average composition of the overall portfolio as at December 31, 2008 was 7% in cash and short-term investments, 52% in fixed income investments and 41% in shares of Canadian and foreign companies. For the moment, we do not expect any major change to this asset allocation. The average composition of defined benefit pension plans as of December 31, 2007 was 3% in cash and short-term investments, 47% in fixed income investments and 50% in shares of Canadian and foreign companies.

For defined benefit pension plans, actuarial valuations were performed in December 2006 and July 2007, covering more than 97% of the obligations with respect to this type of plan. Following these valuations, a solvency deficiency of $4.4 million and $10 million on December 31, 2006 and July 1, 2007 was noted. In accordance with the provincial legislation, an additional contribution is required for the next five years to pay off this deficiency of $14.4 million. The additional payment required for fiscal 2009 was of $4.0 million ($5.1 million for 2008). The additional payment for fiscal 2010 will be of $1.5 million. The next evaluation for all the pension plans is scheduled for December 31, 2009.

The Company also offers a complementary retirement medical benefit program. For the purpose of assessing costs related to this program, the hypothetical annual growth rate of medical costs was set between 6.3% and 7.6% for fiscal year 2010 and, based on the assumptions used, these rates should gradually decline to reach 5% in fiscal 2014. The effect of an increase or decrease of 1% on overall health care costs has no material impact on the results.

FUTURE INCOME TAXES

The Company follows the liability method of accounting for income taxes. Future income tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. As a result, a projection of taxable income is required for those years, as well as an assumption of the ultimate recovery or settlement period for temporary differences. The projection of future taxable income is based on Management's best estimates and may vary from actual taxable income. On an annual basis, the Company assesses its need to establish a valuation allowance for its future income tax assets. Canadian, US and international tax rules and regulations are subject to interpretation and require judgment on the part of the Company that may be challenged by the taxation authorities. The Company believes that it has adequately provided for future tax obligations that may result from current facts and circumstances. Temporary differences and income tax rates could change due to fiscal budget changes and/or changes in income tax laws.

RISKS AND UNCERTAINTIES

The main risks and uncertainties the Company is exposed to and the strategies adopted to mitigate them are presented hereafter. The Board of Directors delegated to the Audit Committee the responsibility to study and evaluate the risk factors inherent to the Company and ensure that appropriate measures are in place to enable Management to identify and manage them effectively. Accordingly, the Audit Committee and the Board of Directors adopted and implemented policies and procedures that are reviewed at least annually. Moreover, an annual detailed presentation on all risk factors identified and periodic presentations are made to the Audit Committee, and as required, to the Board of Directors.

While risk management is part of the Company's transactional, operational and strategic decisions as well as the Company's overall management approach, it does not guarantee that events or circumstances will not occur which could negatively affect the Company's financial condition and performance.

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. Availability of raw materials as well as variations in the price of foodstuffs can therefore influence Company results upwards or downwards, and the effect of any increase of foodstuff prices on results depends on the Company's ability to transfer those increases to its customers and this, in the context of a competitive market.

US AND INTERNATIONAL MARKETS

The price of milk as raw material and the price of our cheese products in the US, Argentina, Germany and the UK and dairy ingredients and cheese in 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 is extremely competitive. The Canadian dairy industry is highly competitive and is comprised of three major competitors, including Saputo. In the US, Argentina, Germany and the UK, Saputo competes in the dairy industry on a national basis with several regional and national competitors. Our performance in all the countries in which we operate will be dependent on our ability to continue to offer quality products at competitive prices.

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 has resulted in a decrease in the number of clients and an increase in the relative importance of some clients. No customer represented more than 10% of our total consolidated sales for fiscal 2009. 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.

CREDIT RISK

The Company grants credit to its customers in the normal course of business. Credit valuations are performed on a regular basis and the financial statements take into account an allowance for bad debts. The Company considers that it has low exposure to concentration of credit risk with respect to accounts receivable from customers due to its large and diverse customer base operating in three segments, retail, foodservice and industrial, and its geographic diversity. There are no accounts receivable from any individual customer that exceeded 10% of the total balance of accounts receivable as of March 31, 2009. The allowance for bad debts and accounts receivable due is reviewed regularly by Management. The Company updates its estimate of the allowance for doubtful accounts based on the evaluation of the recoverability of accounts receivable balances of each customer taking into consideration historic collection trends of past due accounts.

ECONOMIC ENVIRONMENT

The operations of the Company could be affected by the economic context should the unemployment level, interest rates or inflation reach levels that influence consumer trends and consequently, impact the Company's sales and profitability.

ENVIRONMENT

Saputo's business and operations are subject to environmental laws and regulations, including those relating to wastewater discharges, releases of hazardous and non hazardous substances, and remediation of contaminated sites. We believe that our operations are in compliance, in all material aspects, with such environmental laws and regulations, except as disclosed in our Annual Information Form dated May 28, 2009 for the fiscal year ended March 31, 2009. Compliance with these laws and regulations requires that the Company continues to incur operating and maintenance costs and capital expenditures. Future events such as changes in environmental laws and 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 the foreign currency of its US, Argentina, Germany and UK operations. Approximately 38% of sales are realized in the US and 5% in Germany, UK and Argentina, combined. However, the cash flows from these operations act as a natural hedge against exchange risk. Cash flows from the US also constitute a natural hedge against the exchange risk related to debt expressed in US dollars. As at March 31, 2009, interest-bearing debt of the Company was comprised of senior notes and bank loans of which 76% were at a fixed interest rate. With regards to interest rate, fluctuation exposure on interest-bearing debt, refer to the section "Sensitivity Analysis of Interest Rate and the US Currency Fluctuations".

LEGISLATIVE, REGULATORY, NORMATIVE AND POLITICAL CONSIDERATIONS

The Company is subject to local, provincial, state, federal and international laws, regulations, rules and policies as well as to social, economical and political contexts prevailing in places where we conduct our activities. Consequently, the modification or change of any of these elements may have an unfavourable impact on Saputo's results and operations and may require that important expenses be made in order to adapt to or comply with it. More specifically, 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.

GROWTH BY ACQUISITIONS

The Company plans to grow both organically and through acquisitions. Historically, the Company has grown through acquisitions and should reasonably and in large part rely on new acquisitions to pursue its growth. The ability to properly evaluate the fair value of the businesses being acquired, to properly evaluate the time and human resources required to successfully integrate their activities with these of the Company as well as our capability to realize synergies, improvements and the expected profit and to achieve anticipated returns constitute inherent risks related to acquisitions.

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 point 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.

DISCLOSURE CONTROLS AND PROCEDURES

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

The Chief Executive Officer and the Chief Financial Officer together with Management, after evaluating the effectiveness of the Company's disclosure controls and procedures as of March 31, 2009, have concluded that the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company and its consolidated subsidiaries would have been known to them.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

The Chief Executive Officer and the Chief Financial Officer, together with Management, after evaluating the effectiveness of the Company's internal control over financial reporting as of March 31, 2009, have concluded that the Company's internal control over financial reporting was effective.

The Chief Executive Officer and the Chief Financial Officer, together with Management, have concluded after having conducted an evaluation and to the best of their knowledge that, as of March 31, 2009, no change in the Company's internal control over financial reporting occurred that could have materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

SENSITIVITY ANALYSIS OF INTEREST RATE AND THE US CURRENCY FLUCTUATIONS

As at March 31, 2009, the Company had outstanding $214.4 million senior notes bearing interest at a fixed rate of 8.12%, maturing in November 2009 and $63.1 million at 8.41%, maturing in November 2014. Bank loans totalled $479.4 million, of which $300 million were effectively hedged with interest rate swaps for a two-year period having an average interest rate of 1.05% plus 0.5%, up to a maximum of 1.125%. The remaining $179.4 million are not being hedged and are subject to interest rate fluctuations. A 1% change in the interest rate would lead to a change in net earnings of approximately $1.3 million, based on the $179.4 million in non-hedged bank loans outstanding as of March 31, 2009. Canadian and US currency fluctuations may affect earnings. Appreciation of the Canadian dollar compared to the US dollar would have a negative impact on earnings. Conversely, a decrease in the Canadian dollar would have a positive impact on earnings. During the fiscal year ended March 31, 2009, the average US dollar conversion was based on CND$1.00 for US$0.79. A fluctuation of CND$0.01 would have resulted in a change of approximately $0.5 million in net earnings, $1.6 million in EBITDA and $24.4 million in revenues.

MEASUREMENT OF RESULTS NOT IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The Company defines EBITDA as earnings before interest, income taxes, depreciation and amortization. EBITDA is presented on a consistent basis from period to period.

We use EBITDA, among other measures, to assess the operating performance of our ongoing businesses without the effects of depreciation expense. We exclude depreciation expense because it largely depends on the accounting methods and assumptions a company uses, as well as non-operating factors such as the historical cost of capital assets.

EBITDA is not a measurement of results that is defined in accordance with Generally Accepted Accounting Principles (GAAP) in Canada, nor is it intended to be regarded as an alternative to other financial operating performance measures. It is not intended to represent funds available for debt service, dividend payments, reinvestment or other discretionary uses, and should not be considered separately or as a substitute for measures of performance prepared in accordance with GAAP in Canada. EBITDA is used by the Company because Management believes it is a meaningful measure of performance. EBITDA is commonly used by the investment community to analyze the performance of companies in the industries in which the Company is active. The Company's definition of EBITDA may not be identical to similarly titled measures reported by other companies and consequently may not be comparable to similar measurements presented by other companies.

The most comparable Canadian GAAP financial measures are that of operating income. The tables below present the reconciliation of operating income to EBITDA on a consolidated basis.

MEASUREMENT OF RESULTS NOT IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

	2009				
	Dairy Products Sector			Grocery Products Sector	Total
(in thousands of dollars)	CEA	USA	Total		
Operating income	337,338	93,157	430,495	9,020	439,515
Depreciation and amortization	41,560	58,849	100,409	7,875	108,284
EBITDA	378,898	152,006	530,904	16,895	547,799

	2008				
	Dairy Products Sector			Grocery Products Sector	Total
(in thousands of dollars)	CEA	USA	Total		
Operating income	326,555	110,698	437,253	9,357	446,610
Depreciation and amortization	36,810	34,780	71,590	7,844	79,434
EBITDA	363,365	145,478	508,843	17,201	526,044

THE 2008 AND 2009 QUARTERLY FINANCIAL INFORMATION HAS NOT BEEN REVIEWED BY AN EXTERNAL AUDITOR

2009 QUARTERLY FINANCIAL INFORMATION - CONSOLIDATED STATEMENT OF EARNINGS

(in thousands of dollars, except per share amounts)	1st QUARTER (UNAUDITED)	2nd QUARTER (UNAUDITED)	3rd QUARTER (UNAUDITED)	4th QUARTER (UNAUDITED)	FISCAL 2009 (AUDITED)
Statement of earnings data					
Revenues	1,361,910	1,453,544	1,517,457	1,460,352	5,793,263
Cost of sales, selling and administrative expenses	1,211,593	1,323,598	1,391,802	1,318,471	5,245,464
Earnings before interest, depreciation, amortization and income taxes	150,317	129,946	125,655	141,881	547,799
Margin %	11.0%	8.9%	8.3%	9.7%	9.5%
Depreciation and amortization	22,395	22,962	34,090	28,837	108,284
Operating income	127,922	106,984	91,565	113,044	439,515
Interest on long-term debt	4,597	4,834	5,573	5,680	20,684
Other interest, net	2,188	1,826	3,212	3,805	11,031
Earnings before income taxes	121,137	100,324	82,780	103,559	407,800
Income taxes	38,174	31,296	25,021	34,361	128,852
Net earnings	82,963	69,028	57,759	69,198	278,948
Net margin %	6.1%	4.7%	3.8%	4.7%	4.8%
Per share					
Net earnings					
Basic	0.40	0.34	0.28	0.33	1.35
Diluted	0.40	0.33	0.28	0.33	1.34

2008 QUARTERLY FINANCIAL INFORMATION - CONSOLIDATED STATEMENT OF EARNINGS

(in thousands of dollars, except per share amounts)	1st QUARTER (UNAUDITED)	2nd QUARTER (UNAUDITED)	3rd QUARTER (UNAUDITED)	4th QUARTER (UNAUDITED)	FISCAL 2008 (AUDITED)
Statement of earnings data					
Revenues	1,226,735	1,288,982	1,277,037	1,266,146	5,058,900
Cost of sales, selling and administrative expenses	1,099,220	1,164,910	1,140,081	1,128,645	4,532,856
Earnings before interest, depreciation, amortization and income taxes	127,515	124,072	136,956	137,501	526,044
Margin %	10.4%	9.6%	10.7%	10.9%	10.4%
Depreciation and amortization	20,268	19,670	19,669	19,827	79,434
Operating income	107,247	104,402	117,287	117,674	446,610
Interest on long-term debt	5,040	4,684	4,494	4,588	18,806
Other interest, net	1,549	2,482	1,468	1,039	6,538
Earnings before income taxes	100,658	97,236	111,325	112,047	421,266
Income taxes	32,211	34,712	29,307	36,836	133,066
Net earnings	68,447	62,524	82,018	75,211	288,200
Net margin %	5.6%	4.9%	6.4%	5.9%	5.7%
Per share					
Net earnings					
Basic	0.33	0.30	0.40	0.37	1.40
Diluted	0.33	0.30	0.39	0.36	1.38

SUMMARY OF THE FOURTH QUARTER RESULTS ENDED MARCH 31, 2009

Revenues for the quarter ended March 31, 2009 amounted to $1.460 billion, an increase of $194.2 million or 15.3% compared to $1.266 billion for the same quarter last fiscal year.

The increase is attributed mainly to our CEA Dairy Products Sector, whose revenues increased by approximately $158 million in the fourth quarter as compared to last fiscal year. The inclusion of the Neilson Dairy Acquisition, completed on December 1, 2008, higher selling prices in our Canadian operations in accordance with the increase in the cost of milk as raw material, and higher sales volumes in our Argentinean operations were the main factors responsible for this increase. This was partially offset by lower export prices in our Argentinean operations. The weakening of the Canadian dollar versus the Argentinean peso added approximately $5 million of revenues for the quarter as compared to the same quarter last fiscal year.

Our USA Dairy Products Sector contributed approximately $35 million to the revenue increase as compared to the corresponding quarter last fiscal year. The inclusion of the Alto Acquisition was the main contributor to this revenue increase. Less favourable dairy ingredients market conditions and lower sales volumes partially offset this increase. In addition, an average block market per pound of cheese of US$1.20 in the current quarter compared to US$1.91 in the same quarter last fiscal year decreased revenues by approximately $106 million. The weakening of the Canadian dollar in the fourth quarter of fiscal 2009 added approximately $85 million of additional revenues.

Revenues from our Grocery Products Sector increased by approximately $1 million in the fourth quarter of fiscal 2009 in comparison to the same quarter last fiscal year. This increase is due to increased sales volumes from our US co-packing activities as compared to the same quarter last fiscal year.

Earnings before interest, income taxes, depreciation and amortization (EBITDA) totalled $141.9 million for the quarter ended March 31, 2009, an increase of $4.4 million or 3.2% compared to the $137.5 million for the same quarter last fiscal year.

The increase is mainly attributed to our CEA Dairy Products Sector. EBITDA increased by approximately $4 million in comparison to the same quarter last fiscal year in this Sector. The inclusion of the Neilson Dairy Acquisition, as well as operational efficiencies, and the weakening of the Canadian dollar as compared to the Argentinean peso were the main reasons for this EBITDA increase. This offset an unfavourable dairy ingredients market in Canada of $1.0 million and an unfavourable export market in Argentina in addition to an inventory write-down in our Argentinean operations of $1.0 million. The Dairy Products Division (Europe) had lower EBITDA in the fourth quarter.

The EBITDA of our USA Dairy Products Sector decreased by approximately $1 million in the current quarter compared to the same quarter last fiscal year. A decrease in the average block market per pound of cheese to US$1.20 in the current quarter, compared to US$1.91 in the same quarter last fiscal year had an effect on EBITDA, negatively impacting the basis of absorption of our fixed costs as well as having an unfavourable impact on the realization of inventories in the fourth quarter of fiscal 2009 as compared to the same quarter of last fiscal year. These decreases were offset by a more favourable relationship between the average block market per pound of cheese and the cost of milk as raw material compared to the same quarter last fiscal year. In addition, the Sector also experienced a less favourable dairy ingredients market. Together, these factors negatively impacted EBITDA by approximately $23 million. The market factor decreases were offset during the quarter by an increase due to the benefits derived from the initiatives undertaken in prior and current fiscal years with regards to improved operational efficiencies and increased selling prices. These factors increased EBITDA by approximately $14.5 million. The weakening of the Canadian dollar during the quarter added approximately $7 million to this fiscal year's EBITDA.

The EBITDA of our Grocery Products Sector increased by approximately $1 million for the quarter ended March 31, 2009 in comparison to the same quarter last fiscal year. During the quarter, the Sector incurred lower costs towards brand support which offset additional operating costs related to higher ingredient, packaging, labour and energy costs.

Depreciation and amortization for the quarter ended March 31, 2009 totalled $28.8 million, an increase of $9.0 million compared to $19.8 million for the same quarter last fiscal year. The increase is mainly due to the Alto and Neilson Dairy Acquisitions, as well as capital investments completed in the current and prior fiscal years. **Net interest expense** increased to $9.5 million compared to $5.6 million for the corresponding period last fiscal year, as a result of the utilization of credit facilities to complete the Neilson Dairy Acquisition. With respect to **income taxes**, the effective tax rate for the current quarter was 33.2% compared to 32.9% for the same quarter last fiscal year. The increase in the effective tax rate is a result of the variation in the source of earnings this quarter as compared to the same quarter last fiscal year.

Net earnings amounted to $69.2 million for the quarter ended March 31, 2009, a decrease of $6.0 million compared to the same quarter last fiscal year.

During the quarter, the Company added approximately $39 million in fixed assets, issued shares for a cash consideration of $2.1 million as part of the stock option plan and paid out $29.0 million in dividends to its shareholders. The Company also decreased its bank loans by approximately $97.4 million during the current quarter. For the same quarter, the Company generated cash flows of $209.1 million, an increase from the $86.8 million generated for the corresponding period last fiscal year. This increase can be attributed mainly to the lower working capital items in our US Division due to the decrease in the average block market per pound of cheese during the quarter.

QUARTERLY FINANCIAL INFORMATION

During fiscal 2009, certain specific circumstances affected the quarterly changes in revenues and earnings before interest, income taxes, depreciation and amortization compared to fiscal 2008. The continuous decrease of the dairy ingredients market throughout the current fiscal year negatively impacted the Company's revenues and EBITDA. Further impacting revenues was the lower average block market per pound of cheese as compared to the prior fiscal year. This also hampered the absorption of fixed costs and the realization of inventories, having a negative impact on our EBITDA in fiscal 2009 as compared to fiscal 2008. However, the relationship between the average block market per pound of cheese and the cost of milk as raw material was favourable throughout the year due to low prices of dry whey, a key element in determining the price of milk, and as such increased EBITDA. The drop of cheese prices in the international market during the second half of the current fiscal year lowered revenues and EBITDA compared to the previous fiscal year and also required an inventory write-down in the third quarter. The weakening of the Canadian dollar in the third and fourth quarters of fiscal 2009 had a greater impact versus the appreciation of the Canadian dollar in the first and second quarters of fiscal 2009, generating both additional revenues and EBITDA. The Company also completed the Alto Acquisition in the USA Dairy Products Sector and included four months of activities of the Neilson Dairy Acquisition in our CEA Dairy Products Sector increasing both revenues and EBITDA. The quarterly earnings directly reflect the effects of the previously mentioned items.

ANALYSIS OF EARNINGS FOR THE YEAR ENDED MARCH 31, 2008 COMPARED TO MARCH 31, 2007

Saputo's consolidated revenues in fiscal 2008 totalled $5.059 billion, an increase of $1.058 billion or 26.4% compared to $4.001 billion for fiscal 2007. The increase was attributed primarily to our USA Dairy Products Sector, whose revenues increased by approximately $891 million. The inclusion of the activities of the Land O'Lakes West Coast industrial cheese business (Land O'Lakes West Coast Acquisition), along with selling price increases and higher sales volumes accounted for approximately $730 million of additional revenues for fiscal 2008. An average block market per pound of cheese of US$1.88 in fiscal 2008, compared to US$1.26 in fiscal 2007, positively affected revenues by approximately $290 million. Revenues from our CEA Dairy Products Sector increased by approximately $172 million in comparison to fiscal 2007. Higher selling prices in our Canadian and Argentinean operations, in accordance with the increase in the cost of milk as raw material, increased sales volumes from our Canadian fluid milk activities, additional revenues due to a more favourable dairy ingredients market, and the inclusion of our UK operations, acquired on March 23, 2007, explained the increased revenues in this Sector. These factors offset the erosion of revenues from our Argentinean operations due to volume decreases mainly in the export market in addition to the appreciation of the Canadian dollar versus the Argentinean peso. Revenues from our Grocery Products Sector decreased by approximately $5.4 million in comparison to fiscal 2007. This decrease was explained by lower sales volumes due to price increases that took effect in November 2007, and lower sales volume from our US co-packing activities. The appreciation of the Canadian dollar in fiscal 2008 eroded approximately $155 million in revenues in comparison to fiscal 2007.

Consolidated earnings before interest, income taxes, depreciation and amortization (EBITDA) amounted to $526.0 million in fiscal 2008, an increase of $99.7 million or 23.4% compared to the $426.3 million for fiscal 2007. The increase was mainly due to our USA Dairy Products Sector, in which EBITDA amounted to $145.5 million, an increase of $62.6 million in comparison to $82.9 million for fiscal 2007. This increase was mainly due to the inclusion of the Land O'Lakes West Coast Acquisition, as well as the initiatives undertaken by the Company in both fiscal 2008 and 2007. The Sector also benefited from the revisions to reduce the manufacturing milk cost by the State of California and the USDA. In addition, an average block market per pound of cheese of US$1.88 in fiscal 2008 was significantly higher than US$1.26 in fiscal 2007, improving the basis of absorption of our fixed costs and having a favourable impact on the realization of our inventories in fiscal 2008. Conversely, a less favourable relationship between the average block market per pound of cheese and the cost of milk as raw material was observed in fiscal 2008 as compared to fiscal 2007. These combined market factors had a positive impact of approximately $4 million on EBITDA. The rise of the Canadian dollar eroded approximately $10 million from the EBITDA of fiscal 2008. In fiscal 2007, the Sector incurred approximately $1.3 million of rationalization charges, in relation to the closure of our facility in Peru, Indiana.

The EBITDA of our CEA Dairy Products Sector amounted to $363.4 million in fiscal 2008, an increase of $46.3 million in comparison to $317.1 million for fiscal 2007. This increase was mainly attributed to the benefits derived from rationalization activities undertaken in our Canadian operations during prior fiscal years, better efficiencies, along with increased sales volumes from our Canadian fluid milk activities in comparison to fiscal 2007. The Sector also benefited from more favourable dairy ingredients market conditions in fiscal 2008, having a positive effect on EBITDA of approximately $8 million. The EBITDA of our Argentinean Division improved in fiscal 2008 due to benefits derived from capital investments in both fiscal 2008 and 2007. During fiscal 2007, rationalization charges of approximately $2.1 million were taken for the closure of our Vancouver, British Columbia facility and our Boucherville, Quebec facility. The EBITDA of our Dairy Products Division (Europe) was negatively affected due to difficult market conditions, primarily in our German operations, but had a minimal effect on the Sector's EBITDA.

The EBITDA of our Grocery Products Sector decreased by $9.2 million to $17.2 million in fiscal 2008 from $26.4 million in fiscal 2007. This decrease was mainly due to higher ingredients, packaging and labour costs for approximately $4.1 million. In addition, lower sales volumes from our Canadian and US activities lowered EBITDA by approximately $1.3 million net of the price increase announced in November 2007.

The consolidated EBITDA margin decreased from 10.7% in fiscal 2007 to 10.4% in fiscal 2008. This decrease was due to lower EBITDA margins achieved by our USA Dairy Products Sector and Grocery Products Sector slightly offsetting the increase in the CEA Dairy Products Sector for fiscal 2008 in comparison to fiscal 2007.

Depreciation expense totalled $79.4 million in fiscal 2008, an increase of $7.3 million over $72.1 million in fiscal 2007. The increase was mainly attributed to the Land O'Lakes West Coast Acquisition in our USA Dairy Products Sector. Capital investments undertaken by all divisions in fiscal 2008 and 2007 also contributed to increase depreciation expense.

Net interest expense amounted to $25.3 million in fiscal 2008 compared to $19.1 million in fiscal 2007. The increase was due to additional interest incurred as a result of the Company drawing on its available credit facilities to complete the Land O'Lakes West Coast Acquisition at the beginning of fiscal 2008 as well as the repurchase of shares as part of the normal course issuer bid. Interest on long-term debt decreased due to the repayment of US$30.0 million of long-term debt during the third quarter of fiscal 2007 as well as the appreciation of the Canadian dollar, thus reducing the interest expense on our US dollar debt.

Income taxes totalled $133.1 million in fiscal 2008 for an effective tax rate of 31.6%, compared to $96.6 million for an effective tax rate of 28.8% in fiscal 2007. During fiscal 2007, the Company benefited from a one-time tax reduction of approximately $6 million to adjust future tax balances, due to a reduction in Canadian federal tax rates. During the second quarter of fiscal 2008, the Company recorded a tax charge of approximately $3 million due to a reduction of future income tax assets recorded in previous fiscal years for our Argentinean Division. In the third quarter of fiscal 2008, this charge was offset by a one-time tax benefit of approximately $6.5 million to reflect the reduction in the Canadian federal tax rates sanctioned in December 2007. Our income tax rate varies and could increase or decrease based on the amount of taxable income derived and from which source, any amendments to tax laws and income tax rates and changes in assumptions and estimates used for tax assets and liabilities by the Company and its affiliates.

Net earnings for the fiscal year ended March 31, 2008 totalled $288.2 million, an increase of $49.7 million or 20.9% compared to $238.5 million in fiscal 2007. The increase was due to the factors mentioned above.

OUTLOOK

Fiscal 2009 was a good year for the Company despite numerous challenges with regards to volatile market conditions. We enter fiscal 2010 with optimism.

Our Dairy Products Division (Canada) will complete, in fiscal 2010, the integration process of the Neilson Dairy Acquisition. It will also continue to work towards the optimization of its production facilities in an effort to improve efficiencies.

In fiscal 2010, we will complete the capital expenditure programs for our European operations. In addition, we will continue to improve overall efficiencies of these operations in an effort to improve results.

The Dairy Products Division (Argentina) faces challenges from the relatively high local milk prices combined with the current lower cheese selling prices in the international market. Nevertheless, in order to become even more competitive, nationally and internationally, the Division will continue to focus on efficiencies and cost reductions in an effort to improve its overall operations.

In fiscal 2010, the USA Dairy Products Sector will have to cope with many challenges of the current economic context. Since the Division is well represented in all three market segments, it is well positioned to face this situation. In addition, further focus will be on completion of expansion projects in California as well as Wisconsin in an effort to improve overall efficiencies.

Our Grocery Products Sector's objective will be to re-evaluate its entire operations. Revamping of the manufacturing process and streamlining of the product offering will be the focus of this new fiscal year.

With the current economic crisis, we intend to maintain our sound approach, while closely monitoring our operations to cope with the current context and to also continue to maximize our efficiency. We are in a solid financial position with a sound fundamental structure. This should provide the Company with the basis to pursue growth internally and through acquisitions, and to overcome the challenges that could come our way.