



TEAMING UP TO GO FURTHER



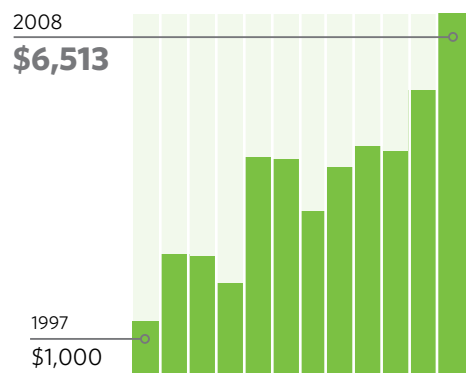
Saputo

2008 ANNUAL REPORT

Listed on the Toronto Stock Exchange (TSX) since October 15, 1997, Saputo celebrates its 10th anniversary as a public company. It has since experienced a steady evolution, with both its financial performance and expansion.

EVOLUTION OF AN INVESTMENT

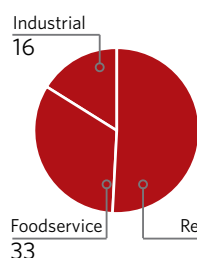
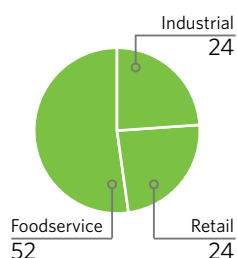
(in dollars)



When the shares were first issued in 1997, their value was \$17 each. From that time, the share has split twice, in November 2001 and December 2007. The graph on the left demonstrates the evolution of a \$1,000 investment made on October 15, 1997.

	MARCH 31, 1998	MARCH 31, 2008
EMPLOYEES	3,100	9,200
PRODUCTION	21 PLANTS - Canada 7 - USA 14	47 PLANTS - Canada 26 - USA 17 - Argentina 2 - Germany 1 - United Kingdom 1
QUANTITY OF MILK TRANSFORMED ANNUALLY	2.6 billion litres	5 billion litres
PRODUCTS	Cheeses and dairy ingredients	Cheeses, milk, yogurts, dairy ingredients and snack-cakes

REVENUES PER MARKET SEGMENT (%)



■ March 31, 1998 ■ March 31, 2008

REVENUES PER SECTOR (%)

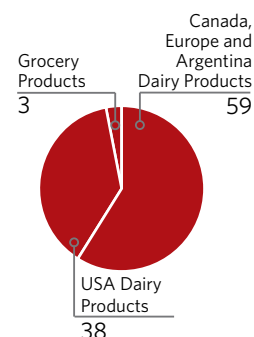
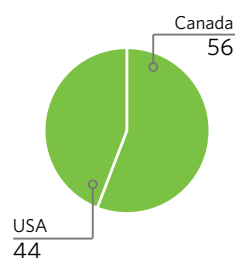


TABLE OF CONTENTS

- Highlights 01 ● Message from the Chairman of the Board 02 ● Message from the President and Chief Executive Officer 04 ●
- Operating Review 06 ● Social Responsibility 14 ● Management's Analysis 18 ● Consolidated Financial Statements 37 ●
- Notes to the Consolidated Financial Statements 41 ● Shareholder Information 57 ●

HIGHLIGHTS

Fiscal years ended March 31 (in thousands of dollars, except per share amounts and ratios)			
	2008	2007	2006
Revenues			
Dairy Products Sector	\$ 2,966,293	\$ 2,794,099	\$ 2,651,402
CEA ¹	1,927,983	1,036,830	1,206,601
USA			
	4,894,276	3,830,929	3,858,003
Grocery Products Sector	164,624	170,051	164,207
	\$ 5,058,900	\$ 4,000,980	\$ 4,022,210
Earnings before interest, income taxes, depreciation and amortization (EBITDA)²			
Dairy Products Sector	\$ 363,365	\$ 317,086	\$ 261,593
CEA	145,478	82,890	78,300
USA			
	508,843	399,976	339,893
Grocery Products Sector	17,201	26,356	26,072
	\$ 526,044	\$ 426,332	\$ 365,965
Net earnings	\$ 288,200	\$ 238,467	\$ 192,102
Cash flows generated by operations	\$ 291,062	\$ 343,501	\$ 299,567
Working capital	\$ 416,292	\$ 521,114	\$ 423,623
Total assets	\$ 2,733,476	\$ 2,488,367	\$ 2,253,933
Interest bearing debt ³	\$ 282,704	\$ 116,140	\$ 241,854
Shareholders' equity	\$ 1,619,160	\$ 1,533,018	\$ 1,402,543
Per share⁴			
Net earnings			
Basic	\$ 1.40	\$ 1.15	\$ 0.92
Diluted	\$ 1.38	\$ 1.14	\$ 0.91
Dividends declared ⁵	\$ 0.48	\$ 0.40	\$ 0.36
Book value	\$ 7.86	\$ 7.39	\$ 6.74
Financial ratios			
Interest bearing debt/Shareholders' equity	0.17	0.08	0.17
Return on average shareholders' equity	18.3 %	16.2 %	14.1 %

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, income taxes, depreciation and amortization (including devaluation of portfolio investment for fiscal 2006). 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".

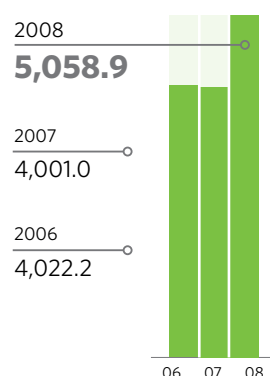
3 Net of cash and cash equivalents.

4 All references to number and prices of Common Shares made herein have been adjusted to reflect the 100% stock dividend declared on December 10, 2007, which had the same effect as a two-for-one stock split.

5 For the purpose of the Income Tax Act and other similar provincial legislation, all dividends paid as of January 1, 2007 and thereafter, are eligible dividends until further notice.

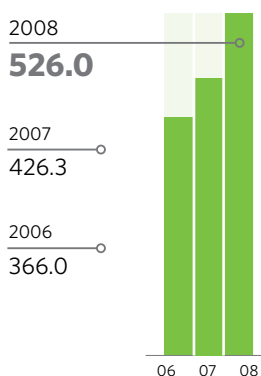
REVENUES

(in millions of dollars)



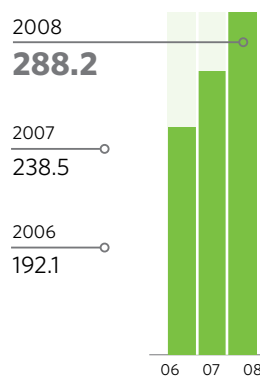
EBITDA

(in millions of dollars)



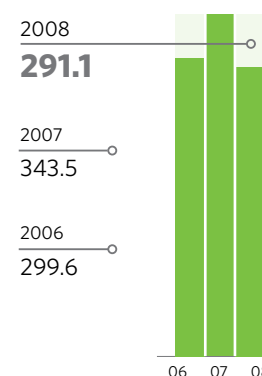
NET EARNINGS

(in millions of dollars)



CASH FLOWS GENERATED BY OPERATIONS

(in millions of dollars)



Message from the **CHAIRMAN OF THE BOARD**



KNOWLEDGE
THAT
LEADS
US INTO
TOMORROW

This year, the Company I founded with my family over 50 years ago is celebrating its 10th anniversary as a public company. There have been many changes since then but at the core, Saputo has stayed true to its character. We craft quality products created by our team of dedicated employees, continue to encourage teamwork and all the while promoting a family environment within the Company. Our simple structure and our entrepreneurial way of thinking enable our employees to work closely, allowing Saputo to achieve its results to date.

BOARD OF DIRECTORS

EMANUELE (LINO) SAPUTO
Chairman of the Board

ANDRÉ BÉRARD
Corporate Director

LUCIEN BOUCHARD
Senior Partner, Davies Ward
Phillips & Vineberg LLP

PIERRE BOURGIE
President and Chief Executive Officer,
Société Financière Bourgie Inc.

FRANK A. DOTTORI
President,
Fadco Consulting Inc. and Managing
Director, Greenfield Ethanol's Cellulosic
Ethanol Division

JEAN GAULIN
Corporate Director

CATERINA MONTICCILOLO, CA
President,
Julvest Capital Inc.

LINO A. SAPUTO, JR.
President and Chief Executive Officer,
Saputo Inc.

PATRICIA SAPUTO, CA, ICD.D
Chief Financial Officer,
Placements Italcant Inc.

LOUIS A. TANGUAY
Corporate Director

As Chairman of the Board, I am proud of the team that surrounds me and of each individual that contributes to the success of Saputo. It brings me great joy to see that our employees continue to work together to attain common objectives and strive for excellence.

BELIEVING IN GOVERNANCE

This spirit translates to the members of the Board of Directors as well. Our goal is to make decisions that are in the best interest of Saputo shareholders.

To help fulfill our mandate, focus has been placed on the importance of knowledge. Individually and collectively, we regularly evaluate ourselves to assess our performance and optimize our contribution to Saputo. For this reason, over the past years, we provided the directors with regular presentations on subjects that benefit their knowledge of the industry in which Saputo is active. As part of our educational plan, directors annually visit one or more of our facilities, on a rotation basis, which is a great way for them to truly experience the Saputo culture first hand.

The Board of Directors is comprised of 2 committees: the Corporate Governance and Human Resources committee and the Audit committee. Their respective chairs present, at each board meeting, a review of the committee's works and achievements, with a scheduled discussion period. This level of communication between the Board of Directors and its committees allows Board members to be better informed on works in progress and enables the committees to benefit from the experience of all directors.

Also, responsible for the stewardship of the Company, the Board of Directors considers important that it evaluates itself in line with the evolution of the Company. As such, we have considered that it was appropriate this year, in addition to the current 10, to suggest the appointment of 2 new directors, both being independant. A Board of 12 members would reflect the growth of the Company within the last few years.

The Board believes that the value of the equity stake held by the principal shareholder ensures that his interests are aligned with those of all shareholders. As such, while founders of the Company are represented, the Board is composed of a majority of independent directors who meet separately following each regular meeting. Both committees are composed entirely of independent directors, while the Board also has an independent lead director. Also, the positions of Chairman of the Board and Chief Executive Officer are separate. Please refer to the Information Circular, dated June 5, 2008, for additional information concerning the Company's corporate governance practices.

**Individually and collectively, we regularly evaluate ourselves
to assess our performance and optimize our contribution to Saputo.**

RECOGNIZING TEAM EFFORT

I extend my sincere gratitude to the members of the Board of Directors for their guidance, support and advice over the years. While each individual contribution is unique, all members of the Board complement each other. They are a valued group and I am certain that their expertise will guide us into the following year.

I also truly appreciate the business of our clientele and partners, who I thank for their continued loyalty towards our Company. We will continue to offer the best of Saputo, respecting our high standard of quality products and service.

In conclusion, the incredible passion that drives all Saputo employees allows the Company to go further with each passing year. It is their undeniable commitment that fuels our dreams and helps us achieve our set goals. I thank them for their dedication and incomparable work that is reflected in our success.



LINO SAPUTO
Chairman of the Board



CORPORATE MANAGEMENT

From left to right:

LINO A. SAPUTO, JR.
President and
Chief Executive Officer

CLAUDE PINARD
President and Chief Operating Officer,
Bakery Division

PIERRE LEROUX
Executive Vice-President,
Human Resources and
Corporate Affairs

LOUIS-PHILIPPE CARRIÈRE
Executive Vice-President,
Finance and Administration

DINO DELLO SBARBA
President and Chief Operating Officer,
Dairy Products Division (Canada)
and by interim (Europe and Argentina)

TERRY BROCKMAN
President and Chief Operating Officer,
Dairy Products Division (USA)

Over the last 10 years, since our initial public offering, we have grown into a global dairy business.

From the outset and throughout our evolution, we have maintained the culture that has distinguished our Company, placing high value on the fundamentals that helped establish Saputo over 50 years ago. Our commitment to offering quality products remains, while our appreciation towards our employees is ever-present as they are the cornerstone of our success.

Our progression is apparent through our consecutively strong performances. Total revenues reached \$5.059 billion for the fiscal year ended March 31, 2008 as compared to a humble, yet very respectable, \$817.2 million in fiscal 1998. Over the past decade, our EBITDA has increased by \$430.6 million, representing \$526.0 million this fiscal year, while net earnings rose by \$243 million, totalling \$288.2 million for fiscal 2008.

Furthermore, when the shares of our company were first listed on the Toronto Stock Exchange on October 15, 1997, one share was valued at \$17, and has since split twice as a result of share dividends. Considering the worth of one Saputo share as at the end of this fiscal year, the value of a \$1,000 investment in 1997 would now represent \$6,513 excluding returns on dividends.

The continued efforts of our employees, whose expertise is an essential part of our foundation, contributed greatly to these accomplishments. Ranked as the 15th largest dairy processor worldwide, we now employ 9,200 dedicated men and women who, in 5 countries, craft our products that are now distributed in over 40 countries.

A YEAR OF CHANGE

Over the last 12 months, we were able to pursue our expansion, having grown our business considerably in the United States (US) through the acquisitions of the Land O'Lakes West Coast industrial cheese business in April 2007 and, in April 2008, of Alto Dairy Cooperative. Also, our profitability improved in the US, in Canada and in Argentina allowing us to strengthen our base. At the same time, we became more familiar with the European market through our German and United Kingdom (UK) operations. Furthermore, there were many changes in the dairy industry, globally

and locally, that affected each of our divisions. Saputo welcomed the challenges and by tradition, our employees worked together to find effective ways to not only face the issues head on but also, find ways to rise above them.

Although the Canadian market conditions in general terms remained stable, certain regulatory changes were introduced with respect to the composition of cheese and labelling of products. Preparing for these amended regulations is an on-going process for our Dairy Products Division (Canada). Consequently, though it may be challenging, we will be compliant with the new Canadian requirements, effective in December 2008, and we intend to alleviate the potential impact they may have on our activities, while trying our best to minimize the effect on our customers.

Some markets, such as that of the US, are more volatile than Canada. Due to different pricing systems, the Dairy Products Division (USA) continues to experience whey price fluctuations and make allowance discrepancies even though some positive changes were made by regulators with respect to price calculation formulas. While most product prices in the US were quite high on average, the dry whey market, which is a determinant in the cost of milk, rose to unprecedented levels. When combined with the inconstant market conditions, the situation remains challenging. Nonetheless, we are committed to and focused on our development, as the US market constitutes a key aspect of our growth strategy.

Argentina is another market that has experienced some difficulties over this past fiscal year. While our capital investments in this division are completed, our plant utilization has not yet reached full capacity due primarily to the floods that occurred at the beginning of fiscal 2008. Also, in an attempt to ensure a full domestic supply of dairy products to local markets at competitive prices, the Argentinean government imposed new ceiling prices for the export of dairy products which further challenged our ability to maintain our margins. This export tax was recently positively adjusted and we intend to continue to collaborate with the government to meet the domestic requirements, while maintaining our presence in the export markets.

The floods in Argentina, combined with other climatic incidences such as the drought in Australia and the decreased number of milk producers and production in the European Union, resulted in the rising price of milk on an international level. These conditions caused an imbalance within the global dairy industry, contributing not only to a higher demand than supply, but also putting forth emerging importer markets, such as China, Russia and the Middle East.

Our Bakery Division has also experienced adverse market conditions with regards to higher packaging and ingredients costs and the introduction of private labels among some retailers. The division continues to focus on improving overall efficiencies, specifically in recipes and processes at the manufacturing level, while preserving its market share.

A COMPANY OF STRENGTH

Our achievements over the past decade represent a journey filled with challenging circumstances. Essentially, they reflect our qualities as a company and as a team. Since our founding, Saputo employees have been true leaders in the dairy industry, adapting to the different circumstances that arose. Consequently, we have become very flexible in our activities, demonstrating that we are capable of responding positively to obstacles. This flexibility, along with the willingness demonstrated by our team to learn and capitalize from opportunities, allows us to change as the industry evolves. In the course of our evolution, however, the Company's objective remained unchanged. We intend to offer high-quality products to our consumers and customers. This has always been, and will remain, a reflection of our employees' dedication.

Over the next year, we will continue to solidify our foundations, which should in turn allow us to further expand our business. We will strive to find ways to be more efficient and effective throughout the different levels of our activities as we analyze our practices and identify ways to better ourselves in all areas within the Company.

With our low debt level and our sound structure, we aim to pursue our growth through acquisitions. As our industry consolidates, our objective is to find assets that will complement Saputo's activities. Essentially, with our international client base and the rise of global demand, the world has become our market. We will look for opportunities that prove to fit within the Saputo structure and its culture, and continue to find projects that would add value for our stakeholders.

Teaming up to go further represents what Saputo has always stood for. As a team, we remain disciplined in our approach, with a clear focus of how we envision Saputo's growth. Our passion has brought us thus far and it still motivates us in finding new ways to improve and develop our business on a global scale. The execution of our plans and the realization of our objectives are only possible with the continued involvement of our employees. We will work together as one cohesive unit to achieve the goals that will successfully lead us into the future.



LINO A. SAPUTO, JR.
President and Chief Executive Officer

OPERATING Review

Liette Lessard, Clémence Vachon and Gisèle Bisson,
Production, Ste-Marie, Bakery Division



2
SECTORS
5
DIVISIONS

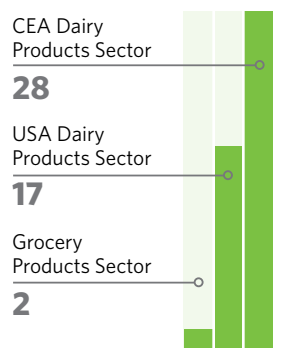


OUR ORGANIZATION

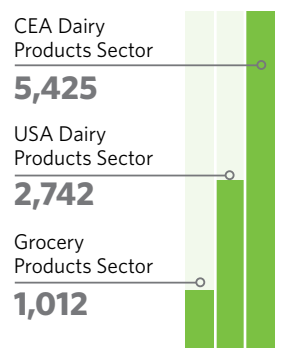


REALIZING OUR
OBJECTIVES
COLLECTIVELY

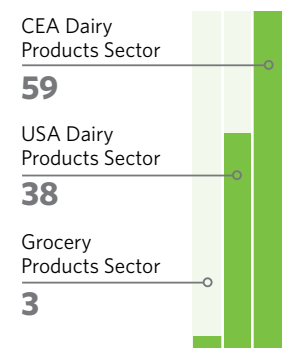
NUMBER OF PLANTS PER SECTOR



NUMBER OF EMPLOYEES



REVENUES (%) PER SECTOR



Lindsay MacPherson, Karen Tang and Jane Neville,
Quality Assurance, Burnaby, Dairy Products Division (Canada)



Michelle Sicotte, Internal Audit and
Louise St-Jean, Taxation, Head Office

TEAMING UP TO GO FURTHER...

Together, over the years, we have aspired to grow, exploring new opportunities while staying true to our philosophy. Our progress is owed to the continued dedication of our 9,200 employees, who, across 5 countries, team up every day to go further. They craft, market and distribute a wide range of high-quality products, including cheese, fluid milk, yogurt, dairy ingredients and snack-cakes.

We remain committed to offering products of the highest quality and pursuing growth on a global scale.

Saputo, which is comprised of 2 sectors and 5 divisions, is present in 3 food market segments: retail, foodservice and industrial. During fiscal 2008, Saputo processed over 5 billion litres of raw milk and produced approximately 500 million kilograms of cheese and, with the recent acquisition of the activities of Alto Dairy Cooperatives (Alto Acquisition), should process annually approximately 5.7 billion litres of raw milk and should produce approximately 600 million kilograms of cheese. We are the 15th largest dairy processor in the world, the largest in Canada, the 3rd largest in Argentina, among the top 3 cheese producers in the United States (US), and the largest snack-cake manufacturer in Canada.

We remain committed to offering products of the highest quality and pursuing growth on a global scale. Fuelled both by product innovation and by acquisitions, we are dedicated to responding to our consumers' needs while constantly reviewing our operations to remain a low-cost and efficient operator.

Consumers and customers in over 40 countries appreciate our products distributed under our well-known brands such as *Saputo*, *Alexis de Portneuf*, *Armstrong*, *Baxter*, *Dairyland*, *Danscorella*, *De Lucia*, *Dragone*, *DuVillage 1860*, *Frigo*, *Kingsey*, *La Paulina*, *Nutrilait*, *Ricrem*, *Stella*, *Treasure Cave*, *HOP&GO!*, *Rondeau* and *Vachon*.

Saputo Inc. is a public company whose shares are traded on the Toronto Stock Exchange under the symbol SAP.

Martin Brazeau, Plant Operations, Brampton, Antonino Iacono, Administration, St-Léonard and Debbie Carson, Human Resources, St-John, Dairy Products Division (Canada)



DAIRY PRODUCTS DIVISON (CANADA)

Our Dairy Products Division (Canada) manufactures 32% of all natural cheese and processes 22% of all fluid milk in the country, making Saputo the largest dairy processor in Canada.

During fiscal 2008, we continued to consolidate our main activities related to the processing of cheese (cutting, shredding and packaging), as was announced last fiscal year, with our capital investments coming to an end during fiscal 2009. This consolidation plan led us to complete the closing of our cutting plant in Boucherville, Québec, in June 2007. Other capital investments were put forth within our operations. For instance, we increased our production level of yogurt, which is already proving to be beneficial.

In addition, the integration and rationalization of our logistical operations continued in order to decrease operational expenses and continue to lessen the impact of our energy and fuel costs by combining distribution routes.

Our excellent performance is the result of the constant analysis of our activities and the initiative of various projects or programs aimed at improving our operational efficiency.



Although we find ourselves in an industry where the per capita consumption of cheese is relatively stable, excluding the specialty cheese category, which is experiencing strong growth, we are increasing our sales volume and market share in many product categories. Our *Armstrong* brand and our specialty and goat cheeses brand *Alexis de Portneuf* continue to grow steadily, while our *Saputo* brand of Mediterranean specialty cheeses remains the first choice¹ among Canadian consumers.

To that effect, our line of *Saputo* Feta cheeses is the favorite among the Canadian consumers². Furthermore, innovation was at the core of our cheese brands, and as a result, we introduced new products including flavoured cheddars such as our *Peppadew* Cheddar. We also expanded our line of specialty cheeses by introducing a new *Doré-mi*, enhanced by oriental spices, and *Le Coeur du Nectar*, a cow and goat milk cheese with a fruit blend topping, which was recently recognized as the Best New Dairy Dessert at the 2008 Dairy Innovation Awards.

In addition, many other cheeses were awarded prestigious prizes from various national and international contests. Again this year, our *Bleubry Alexis de Portneuf* was selected as Grand Champion at the Royal Agriculture Winter Fair and at the British Empire Cheese Show organized by the Central Ontario Cheesemaker Association. We won 10 prizes for our cheese products at the above-mentioned competitions.

¹ Source: AC Nielsen, Brand Overview Report, TL Italian Excl. Mozzarella, 52 weeks ending April 12, 2008.

² Source: AC Nielsen, Total Feta Brand Review, 52 weeks ending March 15, 2008.

Fareed Khayo and Daniel Bäuerle,
Production, Heiden, Dairy Products Division (Europe)



Within Canada, there is a trend towards increased consumption of dairy products with added nutritional benefits. Accordingly, we launched a number of new value-added dairy products to capitalize on this trend. For example, we introduced *Nature's Treat* yogurt, which is made from all-natural ingredients, and *Alive* yogurt, which provides high levels of antioxidants. Within the *Dairyland Plus* line of premium fluid milks, we expanded our offering of lactose-free milks and launched a probiotic milk.

Our *Milk2Go/Lait's Go* line of flavoured milks delivered significant growth and continues to be the number one¹ brand of single-serve plastic beverage category in Canada. In April 2007, we expanded our *Milk2Go/Lait's Go* line by launching *Orange Obsession*, which has been well received by consumers. In October 2007, we introduced *Creama*, an innovative new line of flavoured and unflavoured dairy creams packaged in 400mL plastic bottles.

In January 2008, Saputo became the Official Packaged Dairy Products Supplier of the Vancouver 2010 Olympic and Paralympic Winter Games and of the Canadian Olympic Teams of Beijing 2008, Vancouver 2010 and London 2012. Therefore, we will supply products such as cheese, yogurt and milk to the athletes under our *Saputo*, *Armstrong* and *Dairyland* brands. Moreover, we will be launching a variety of promotions highlighting our partnership with the 2010 Winter Games and our belief that physical activity and sports represent a means towards creating a better society.

Our excellent performance is the result of the constant analysis of our activities and the initiative of various projects or programs aimed at improving our operational efficiency.

DAIRY PRODUCTS DIVISION (EUROPE)

Our Dairy Products Division (Europe) includes operations in both Germany and the United Kingdom (UK). Processing over 370,000 litres of milk per day, we mainly cater to customers of the retail and foodservice segments.

This division welcomed 2 employees from our Canadian operations that will stay over a 2-year period to facilitate the transmission of the Company's values as well as to implement work methods and specific Saputo processes.

During the course of fiscal 2008, in Germany, we focused on procedures, make processes and quality of certain systems and products and foresee the completion of the integration process in the coming fiscal year. We concentrated our efforts on existing product lines and on finding a better equilibrium of sales between all market segments.

In the UK, throughout the fiscal year, we concentrated our efforts on the betterment of operational efficiency. Following capital investments made this fiscal year, our plant now meets the standard of quality of the organization. We have begun other investment programs with the objective of improving our operational efficiencies. We also successfully completed the integration of the information systems. These improvements should produce beneficial results during next fiscal year. With the product base being similar to the foodservice segments of Canada and the US, we intend to apply the same product-to-market strategies and approach with our customers.

Our activities in Europe also experienced some difficulty, affected by the rising price of milk as a raw material. Following the price increase and its associated challenges within the different markets, we assessed the profitability of each customer for long-term potential, with an emphasis on reducing the operational costs in order to mitigate the negative impact of these trying conditions. We continue to revise our structures, as well as our processes and procedures in order to optimize our activities.



Matthew Williams and David Davies,
Production, Newcastle Emllyn, Dairy Products
Division (Europe)

¹ Source: AC Nielsen, Single-Serve Plastic Dairy Beverages, all channels, latest 52 weeks ending September 1, 2007.



Raúl Hang, Luis Schumacher and Fabián Mottura,
Production, Rafaela, Dairy Products Division (Argentina)



Spezialitäten
Käseerei
De Lucia

Danscorella

La Paulina

Ricrem

molfino

Taluhet
QUESO ARGENTINO

Senda
QUESO FUSION MEXICO

DAIRY PRODUCTS DIVISION (ARGENTINA)

Our Dairy Products Division (Argentina) continues to grow and remains the third largest milk processor in the country. We process approximately 1.9 million litres of raw milk per day, which accounts for 7% of all milk processed in Argentina.

During the past years, various enhancements were made to our plants. As a result, we have experienced improved operational efficiencies, due in part to small initiatives that together helped reduce costs, and increase the level of production, which have contributed to the good performance of the division during this fiscal year.

Nonetheless, following the major floods in the first quarter of fiscal 2007, we did face obstacles which also affected the entire industry. Although production levels are currently increasing, the actual rate of production in fiscal 2008 was lower than the previous year's due to the aftermath of the floods. We also experienced a rise in the price of milk as a raw material, considering the actual high global market price of milk, which increased the retail price of cheese. Still, we were able to benefit from the growth in the domestic consumption of cheese.

Simultaneously, as the Argentinean government sets policies to ensure full supply to the domestic market, we must continue to adjust our plan of action in order to carefully balance the quantity of dairy products for domestic consumption and that for our customers abroad. The flexibility in our Argentinean plants has permitted us to balance our activities between both markets and to obtain a better return, without losing ground in any market. We actually gained more international presence by entering new markets.

During the fiscal year, we also put great emphasis on the introduction and promotion of spreadable processed cheeses. In addition, we introduced light cheeses to respond to the growing demand of healthier choices by our consumers. We also reaffirmed the position of our brand *La Paulina* among our retail clients.

Leo Pescua, Distribution, Ignacio Rojas, Production and
Thao Ngo, Quality Assurance, Tulare, Dairy Products Division (USA)



DAIRY PRODUCTS DIVISION (USA)

Saputo is among the top three cheese producers in the US, producing approximately 7% of all natural cheese. The recent Alto Acquisition, which includes 2 plants situated in Wisconsin and employs approximately 470 individuals, reinforces our presence in the US. It also increases our flexibility given the location and whey drying capability.

Our progress, as always, is attributed to the talented and dedicated people that work in our facilities.

The integration of the activities of the Land O'Lakes West Coast industrial cheese business continues to progress. Capital projects undertaken in the current fiscal year will be completed during fiscal 2009, permitting us to optimize our operational efficiency. This progress, as always, is attributed to the talented and dedicated people that work in our facilities.

Throughout fiscal 2008, our commitment to improve our operational efficiencies as well as returning to historical levels of profitability led to numerous initiatives. Rationalization activities in our shredding and string cheese operations have been completed. These projects involved the cessation of the shredding activities at our plant in Lena, Wisconsin and the transfer of string cheese manufacturing and packaging operations from Waldo, Wisconsin to other plants within the division. These projects have reduced costs and allowed us to streamline our activities, improving profitability in the competitive and volatile US dairy industry.



Bryan Silva and Manuel Vieira,
Production, Tulare, Dairy Products Division (USA)

Lucinda Caetana, Quality Assurance, Byron Taylor, Production and Ted Schildknecht, Maintenance, Tulare, Dairy Products Division (USA)



Moreover, price increases were implemented within all sales channels in an effort to reduce the effect of higher commodity costs.

Efficiency projects have reduced costs and allowed us to streamline our activities, improving profitability in the competitive and volatile US dairy industry.

It is important for the division to remain assertive in the retail segment given the increasing number of branded products as well as private labels in the natural cheese snack and in the specialty cheese categories.

We can then benefit from the growing popularity of these product categories. In this regard, we revamped our *Frigo Cheese Heads* string cheese brand, enhanced its quality and introduced new flavours. With respect to our specialty cheeses, we redesigned the packaging of our *Treasure Cave* blue cheese brand to enhance its recognition and to render a more distinctive look. These initiatives were supported by many promotional activities and have already proven beneficial. We have increased our number 1¹ brand leadership position and have enjoyed gains in sales volume, having surpassed the growth in the category.

Our cheeses continue to be among the favourites of US consumers. In addition, many were recognized with prizes at cheese contests held during the past fiscal year. Our part-skim mozzarella, string cheese, blue veined and gorgonzola cheeses were acknowledged for their excellence at the 2007 US Championship Cheese Contest.

¹ Source: IRI Info Scan/Wal-Mart Panel Data (FDMW), latest 24 weeks ending January 27, 2008, and IRI info scan/food, Drug, Mass Wal-Mart, current 52 weeks ending April 20, 2008.

Jacques Paquette, Sales, Dany Lamontagne, Distribution
and Daniel Cadorette, Sales, Ste-Foy, Bakery Division



REVENUES
PER MARKET SEGMENT
Bakery Division

MAINLY
RETAIL

BAKERY DIVISION

As the most important snack-cake manufacturer in Canada, our Bakery Division mainly caters to clients of the retail segment.

During the fiscal year, we pursued the integration of the activities of Biscuits Rondeau Inc. and Boulangerie Rondeau Inc. (Rondeau) within the division. Also, we completed the closing of our Laval plant and transferred production to our Ste-Marie plant. In addition, we proceeded with the integration of Rondeau products on our distribution network and closed our distribution center in Laval. Our manufacturing performance was impacted by this integration process and certain capital expenditure processes that all together did not generate the expected yields and performance. Following certain adjustments implemented at the end of fiscal 2008, these initiatives, as well as other capital investment projects, should help us attain an increased production volume of our leading brands, reduce certain costs and focus more on our sales efforts to improve profitability.

For instance, our optimization team continues to review recipes with the intent of reducing the impact of the costs of ingredients, while maintaining the quality of our products.

The division also experienced more aggressive pricing strategies by its competitors as well as the introduction

As the most important snack-cake manufacturer in Canada, our Bakery Division mainly caters to clients of the retail segment.

of private brands. As a result, we too strived to increase our sales efforts.

Accordingly, new HOP&GO! bars were introduced this past fiscal year, including Homestyle Bars Raisin and Almond, Minis Brownies and Molasses, while we also revised the brand's signature and packaging.

Also, the snack-cake brand *Jos Louis* was highlighted when it was featured for an innovative advertising initiative, which played on the popularity of video exchange sites and at the same time encouraged consumers to send in videos that put *Jos Louis* in the spotlight. This campaign was very successful among our clientele.





WORKING TOGETHER TO MAKE A DIFFERENCE

Jorge L. Cordts, Information Technology, Head Office, believes in the Company's commitments, such as its partnership with the Québec Foundation for Athletic Excellence of which Chloé Dufour-Lapointe, a freestyle skier and Olympic hopeful for the 2010 Vancouver Games, is a bursary recipient.

At Saputo, we are dedicated to building a better society, economically, environmentally and socially. Saputo places great importance on contributing to the betterment of its communities in each country where it is present, while focusing on the generation of tomorrow.

INVESTING IN OUR EMPLOYEES

Saputo considers its employees to be the Company's most valuable assets. Our team of 9,200 men and women work together everyday, striving to achieve the same objectives. This is only feasible through teamwork, a key element of our philosophy. As a result, it is our responsibility to offer our employees favourable working conditions, allowing them to excel.

Our employees evolve in an environment that has an entrepreneurial spirit and that encourages initiative and leadership, values commitment and responsibility, and believes in integrity and professionalism as well as in the respect of others.

Our Code of Ethics, which is a reflection of our corporate culture, encompasses numerous fundamental values. We ensure that our culture continues to offer a workplace that inspires innovation, rewards performance and fosters productivity. Believing in internal promotions, we encourage that each individual's strengths be used and developed at the maximum potential. Many of our employees have actually evolved greatly within their divisions, while others have been given the opportunity of transferring to a new country, where their expertise was needed. We believe that it is important to draw on the experience of our employees to improve our activities and to expand our Company, but also to allow the individual to grow.

As an organization, we prepare our team members to overcome obstacles that may present themselves. We promote on-the-job training and also offer various professional development opportunities, responding to the needs of different departments such as sales training, coaching, leadership development and precise technical instruction for specific trades. We also support employees that choose to pursue their academic studies through financial assistance.



Everyday, Saputo employees dedicate themselves to crafting high-quality products. Here are Miguel Lobo and Angel Jacki, Production, Rafaela, Dairy Products Division (Argentina).



The Québec Soccer Federation encourages over 200,000 young individuals, between the ages of 5 and 18, to participate in organized soccer clubs across the province.

The Québec Breakfast Club served 2 million breakfasts during the last school year in over 200 primary and high schools across the province of Québec.



It is equally important for us to provide a work environment that is both healthy and safe for our employees. While our production plants participate in our Health and Safety Program, internal inspectors periodically verify our plants, identifying both the strong and weak points of the facility. Furthermore, suggestions are made on how to improve future performances and plant managers are encouraged to set the example and convey the importance of respecting guidelines. Also, employees regularly receive health and safety information sessions.

As an employer, we remain committed to contributing to the personal well-being of our employees as well, through the fringe benefit programs including collective insurance plans and retirement plans. We also try to extend support to their families through different actions. These numerous initiatives and the team spirit that is felt throughout all of our locations certainly contribute to our workforce's loyalty, where the average number of years of service is slightly above 10 years.

DELIVERING QUALITY

At the heart of our corporate culture are the values of respect, commitment and responsibility which are extended to our consumers by offering quality products.

Saputo established norms to ensure the standard of our products. These strict norms, which are supported by our quality control teams, are outlined to our employees, and are present in our plants and operations. We also have hygienic practices and set procedures to prevent problems in connection with quality or microbiological hazards.

Furthermore, our plants follow stringent controls and operate under industry certification. In addition, the majority of our plants carry HACCP (Hazard Analysis Critical Control Point), ISO (International Organization for Standardization) or other recognized certification. Also, all of our dairy plants have verification systems in place to help ensure the quality of raw milk. If, in spite of the numerous controls, an issue should arise, we have established procedures and contingency plans to help resolve the situation quickly.

Our consumers and clients are also offered services through our websites and our toll-free telephone lines, allowing them to contact us for any information. Furthermore, our sales and customer service teams act with respect to our corporate culture, with a consideration for client satisfaction.

GIVING BACK TO OUR COMMUNITY

Through our social commitment towards the community, we are involved with many organizations, concentrating our resources on the development of youth, specifically through children's nutrition, physical activity and entrepreneurship.

Being a leader in the food industry, it is important for us to make healthier products accessible and also encourage good eating habits among children. This objective is achieved mainly through our partnership with Breakfast Clubs of Canada. The organization offers 220,000 children the possibility of taking part in a school breakfast program in Canada, providing them with nutritious food to start their day off right. As a result of our support, many schools offer HOP&GO! bars, sliced cheese and cheese sticks to their students. In addition, our financial assistance contributes to the execution of new programs across the country, which increases the number of kids that may benefit from a complete breakfast.

We equally support food banks through product and monetary donations within the regions where we are present, and assist families and individuals that are in need by supplying them with food.

In order to meet our objectives, we also extend our commitment by promoting physical activity. This is guided by the conviction that good eating habits, combined with physical activity, contribute to the balanced development of individuals. In fact, during the fiscal year, we announced our partnership with the 2010 Olympic and Paralympic Winter Games in Vancouver, as well as with the Canadian Olympic Team for Beijing 2008, Vancouver 2010 and London 2012. This partnership encompasses our numerous athletic commitments over the years, supporting athletes at all levels, and it truly exemplifies the importance of physical activity. This support contributes to the development of sports across Canada as well as to the success of such an important event for Canadians and all athletes. Through this partnership, Saputo becomes the official supplier of packaged dairy products and will offer its quality products to the athletes, volunteers and participants of the Games.

Among its sports-related partnerships, Saputo also encourages the Québec Foundation for Athletic Excellence. Saputo offers bursaries annually, 14 of which were awarded to athletes last fall. Included in this group are high-performance athletes such as Dasha Gaïazova, member of the cross-country skiing national team and Olympic hopeful for Vancouver 2010, wrestler Martine Dugrenier, silver medalist at the 2007 World Championships, cyclist and national team member Martin Gilbert, diver Meaghan Benfeito, freestyle skiers Chloé and Maxime Dufour-Lapointe, among others.

While physical activity and sports are generally important to us, soccer occupies a particular place in our commitments. For us, not only does it encourage physical activity but we believe that this sport, accessible to all, encourages team spirit, respect towards others, leadership and determination. In fact, we are one of the three founding partners of the Montréal Impact professional soccer team, which is part of the United Soccer Leagues. The promotion of soccer is also achieved through the Québec Soccer Federation, which encourages numerous associations across the province. Saputo contributes financially to this organization and as a result, more than 200,000 young players benefit from this support, through the realization of their clubs and tournaments. Other sports organizations are also supported such as *Club 9 de Julio* and *Escuela de fútbol* in Argentina.

We complete our involvement in the development of children by associating ourselves to various organizations that aim to accomplish different goals for youngsters. In particular, we support the Make-A-Wish Foundation of America in the US, which grants children with life-threatening medical conditions their ultimate wish. In Argentina, we support *La Huella*, an organization that offers workshops for children with mental disorders and *Granja El Ceibo*, which helps disabled children.

Finally, it is very important for the Company's founders to help young entrepreneurs start their business and add value to their community. We support Junior Achievement of Canada and of Argentina, which educate students of grades 5 to 12 about business, helping them discover leadership and entrepreneurial skills. Also, we are a partner of the *Fondation du maire de Montréal pour la Jeunesse* which offers bursaries, technical support and a tutorial program to young entrepreneurs.

We equally contribute to the education of our future generations of workers and managers through various bursary programs and by supporting educational institutions.

We encourage our own employees to get involved in their community, through volunteering for instance. Sometimes, we are able to recognize their initiatives, and support their monetary contributions through our match and give program.



The Make-A-Wish Foundation of America grants wishes to children with life-threatening medical conditions every 40 minutes.



Martine Dugrenier, wrestler, is a Saputo bursary recipient of the Québec Foundation for Athletic Excellence and ranks 2nd worldwide.

Martin Scuccimarri, Environmental Affairs and Sylvia Mereb,
Quality Assurance, St-Léonard, Dairy Products Division (Canada)

A TEAM THAT CARES FOR THE FUTURE



Kenny Wong, recipient of Junior Achievement of Canada's 2008 Business Challenge award, presented by Bill Bailey, Sales, Burnaby, Dairy Products Division (Canada).



Maria Salomé Lomdjian and Franco Romanini Saputo bursary recipients of the *Fondation du maire de Montréal pour la Jeunesse*, and owners of Caipirissima, a Brazilian café and catering service.

CONTRIBUTING TO OUR ENVIRONMENT

At Saputo, we are aware that the environment may be affected by our activities. While the Company strives to innovate and grow, the importance of conserving and protecting the environment is kept in mind.

In addition to initiatives implemented by our Environmental Affairs team, such as periodical audits, we have realized certain projects over the course of the fiscal year to further help safeguard the environment in accordance with our environmental policy.

In Canada, new equipment has permitted us to decrease the quantity of plastic wrap waste resulting from the packaging process of certain products for distribution. We have also optimized some packaging, maintaining a standard of quality for protecting products and their weight, while reducing the quantity of plastic used.

With regards to transportation, we strive to maximize the use of our distribution lines, which lessens the impact of our activities on the environment and minimizes fuel consumption.

Within our plants, the maintenance of our equipment is carried out regularly to ensure that less efficient or outdated equipment is updated with or replaced by technologically advanced parts or equipment, which offer an enhanced level of performance and consequently, use a reduced level of energy. We also succeeded in decreasing waste of ingredients and by-products through our production, thanks to research and development efforts.

Many projects were also carried out in the US to reduce the impact of our activities on the environment. One of our plants benefited from a regeneration project to save energy, while 11 other plants benefited from a change, allowing them to be more efficient, to reduce their water consumption as well as their quantity of waste, among others. Modifications were also made to certain equipment to prevent spillage and contamination.

Our Bakery Division also took steps towards minimizing the effect of its operations on the environment by ensuring that boxes used for packaging are made from recycled cardboard. Also, a Hydro-Québec energy efficiency project was put in place at our Ste-Marie plant and a geothermic project that will use the ground's energy to heat and cool the facility is in progress.

Throughout the Company, we continuously revise our processes in order to enhance our efficiencies and reduce our costs.



RESULTS ACHIEVED THROUGH **COMBINED** EFFORTS

THE GOAL OF THE MANAGEMENT REPORT IS TO ANALYZE THE RESULTS OF AND THE FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 2008. IT SHOULD BE READ WHILE REFERRING TO OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND ACCOMPANYING NOTES. THE COMPANY'S 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, 2008 AND JUNE 5, 2008, THE DATE OF THIS REPORT, ON WHICH IT WAS APPROVED BY THE BOARD OF DIRECTORS OF SAPUTO INC. (COMPANY OR SAPUTO). ADDITIONAL INFORMATION ABOUT THE COMPANY, INCLUDING THE ANNUAL INFORMATION FORM FOR THE YEAR ENDED MARCH 31, 2008, 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. While we may elect to, we are under no obligation and do not undertake to update this information at any particular time.

¹ All references to numbers and prices of Common Shares made herein have been adjusted to reflect the 100% stock dividend declared on December 10, 2007, which had the same effect as a two-for-one stock split.

GLOBAL OVERVIEW

This past fiscal year proved to be another successful year for our Company, as the prior fiscal year's goals were met and surpassed on most levels, notwithstanding the numerous challenges. During fiscal 2008, we continued to be proactive in our quest to remain a global leader in our industry by exploring growth through acquisitions. At the same time, we focused our efforts on growth from within, and remained dedicated to innovation and operational efficiency.

With these goals in mind, Saputo completed in the United States (US) the acquisition of the activities of Land O'Lakes West Coast Industrial Cheese Business (Land O'Lakes West Coast Acquisition) on April 2, 2007 and of the activities of Alto Dairy Cooperative (Alto Acquisition) on April 1, 2008 (the results do not include any activities from this acquisition). These transactions demonstrate to our shareholders our commitment towards continual growth in addition to allowing our Company to expand its business and achieve an even stronger presence in the US.

In an increasingly challenging dairy industry, Saputo is proud of its position as the largest dairy processor in Canada, the third in Argentina and among the top three cheese producers in the US. On a worldwide scale, Saputo ranks as the 15th largest dairy processor. Saputo is also the largest snack-cake manufacturer in Canada.

Saputo is active in two sectors: Dairy Products, which accounts for 96.7% of consolidated revenues, and Grocery Products, with 3.3% of consolidated revenues. Saputo manufactures almost all of the products it commercializes.

Saputo operates its business through two sectors and five divisions, the Dairy Products Sector composed of the Canada, Europe and Argentina Dairy Products Sector (CEA Dairy Products Sector), the USA Dairy Products Sector, and the Grocery Products Sector. The 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.

Saputo's dairy products are available in all segments of the food market: retail, foodservice, and industrial. The retail segment accounts for 49% 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 for fast-food chains.

The industrial segment accounts for 17% 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 by-products such as lactose, whey powder and whey protein in our Canadian, US and Argentinean cheese manufacturing facilities. Both our Canadian and Argentinean operations supply various international clients with cheese, lactose, whey powder, milk powder and whey protein.

With the Alto Acquisition in the US, the split of our Dairy Products Sector segment revenues should be approximately 45% retail, 34% foodservice and 21% industrial, on a pro forma basis.

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

In an evolving global market place, it continues to be our Company's objective to push the limits of innovation and operational efficiency while continuing to grow through strategic acquisitions. It is not only a part of our business model but has always been at the core of our culture. Therefrom lies our commitment to exploit opportunities and maximize profitability in line with this underlying culture that over the years has made Saputo a world leader in the dairy industry as we know it today.

Our positive cash flows and strong financial position are a testament to our commitment. They resulted from increased efficiency and improvements as well as the successful integration of the activities of the Land O'Lakes West Coast Acquisition in the US over the last fiscal year. This financial solidity allows us to continue to invest in our operations as well as having the resources to seek out potential acquisitions in new or existing markets. These cash flows resulted in an increase in the dividends paid to shareholders, a renewal of the normal course issuer bid, and investment in strategic capital programs in addition to research and developmental activities. We remain committed to growth through acquisitions and continue to evaluate opportunities that present themselves while maintaining our discipline.

ELEMENTS TO CONSIDER WHEN READING MANAGEMENT'S ANALYSIS FOR FISCAL 2008

During fiscal 2008, we experienced a solid financial performance:

- Net earnings totalled \$288.2 million, up 20.9%
- Earnings before interest, income taxes, depreciation and amortization (EBITDA) totalled \$526.0 million, up 23.4%
- Revenues reached \$5.059 billion, up 26.4%
- Cash flows generated by operations totalled \$291.1 million, down 15.3%

The improved results in fiscal 2008 are mainly due to our USA Dairy Products Sector. The inclusion of the Land O'Lakes West Coast Acquisition, the positive impact from a higher average block market¹ per pound of cheese, as well as the initiatives undertaken by the Company in the prior and current fiscal years all contributed to the improved results. The overall average block market per pound of cheese in fiscal 2008 of US\$1.88 was US\$0.62 higher compared to US\$1.26 for the last fiscal year, resulting in a better basis of absorption of our fixed costs and having a favourable impact on the realization of our inventories. Conversely, a less favourable relationship between the average block market per pound of cheese and the cost of milk as raw material was observed this fiscal year. These increases were partially offset by a continued appreciation of the Canadian dollar. The Company expects to continue to benefit from the change to the manufacturing milk price which altered the dry whey factor and increased the manufacturing allowance for cheese, effective on December 1, 2007, as determined by the Consolidated Stabilization and Marketing Plan Hearings in California held in October 2007.

The results from our CEA Dairy Products Sector also improved in fiscal 2008. Benefits derived from prior fiscal years' operational rationalization activities undertaken in our Canadian operation, better efficiencies, volume growth in core categories such as fluid milk and cream, in addition to higher by-products sales due to more favourable by-product market conditions all contributed to the improved CEA Dairy Products Sector results. Furthermore, our Argentinean operations improved as a result of benefits derived from current and prior fiscal years' capital investments.

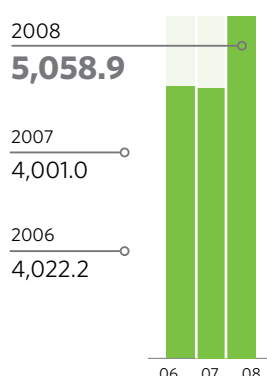
Our Dairy Products Division (Europe) faced difficult market conditions in fiscal 2008. Increased milk costs and delays in implementing higher selling prices to our customers in Germany negatively affected the results. In the UK, our information systems' integration was successfully completed in the third quarter and the initiation of capital investment programs to improve efficiencies and yields is progressing as planned.

Our fiscal 2008 Grocery Products Sector results decreased significantly in comparison to fiscal 2007. This decrease is mainly attributable to higher ingredients, packaging and labour costs. In addition, we experienced lower sales volumes due to price increases that took effect in November 2007.

In fiscal 2008, the Company had a net tax benefit of approximately \$3.5 million. This was a combination of a reduction in the Canadian federal tax rates sanctioned in December 2007, benefiting the results by approximately \$6.5 million, and a tax charge of approximately \$3 million due to a reduction of future income tax assets in our Argentinean Division. In fiscal 2007, the Company recorded a tax benefit of approximately \$6 million.

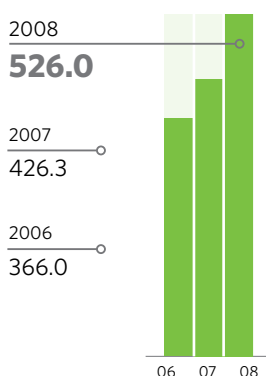
REVENUES

(in millions of dollars)



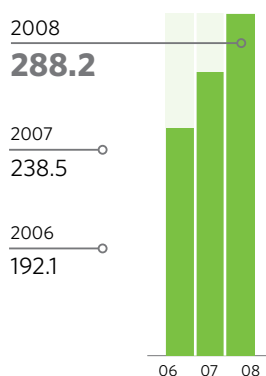
EBITDA

(in millions of dollars)



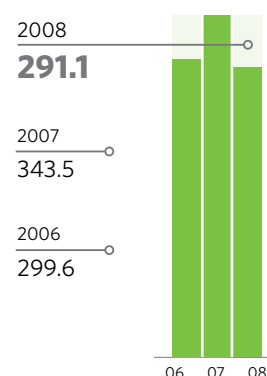
NET EARNINGS

(in millions of dollars)



CASH FLOWS GENERATED BY OPERATIONS

(in millions of dollars)



¹ "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 the cheese.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

Years ended March 31 (in thousands of dollars, except per share amounts and ratios)		2008	2007	2006
Statement of earnings data				
Revenues	Dairy Products Sector	\$ 2,966,293	\$ 2,794,099	\$ 2,651,402
	CEA ¹	1,927,983	1,036,830	1,206,601
	USA			
		4,894,276	3,830,929	3,858,003
	Grocery Products Sector	164,624	170,051	164,207
		\$ 5,058,900	\$ 4,000,980	\$ 4,022,210
Cost of sales, selling and administrative expenses	Dairy Products Sector	\$ 2,602,928	\$ 2,477,013	\$ 2,389,809
	CEA	1,782,505	953,940	1,128,301
	USA			
		4,385,433	3,430,953	3,518,110
	Grocery Products Sector	147,423	143,695	138,135
		\$ 4,532,856	\$ 3,574,648	\$ 3,656,245
EBITDA ²	Dairy Products Sector	\$ 363,365	\$ 317,086	\$ 261,593
	CEA	145,478	82,890	78,300
	USA			
		508,843	399,976	339,893
	Grocery Products Sector	17,201	26,356	26,072
		\$ 526,044	\$ 426,332	\$ 365,965
	<i>EBITDA margin (%)</i>	10.4 %	10.7 %	9.1 %
Depreciation of fixed assets	Dairy Products Sector	\$ 36,810	\$ 36,163	\$ 34,146
	CEA	34,780	29,849	29,881
	USA			
		71,590	66,012	64,027
	Grocery Products Sector	7,844	6,104	5,334
		\$ 79,434	\$ 72,116	\$ 69,361
Operating income	Dairy Products Sector	\$ 326,555	\$ 280,923	\$ 227,447
	CEA	110,698	53,041	48,419
	USA			
		437,253	333,964	275,866
	Grocery Products Sector	9,357	20,252	20,738
		\$ 446,610	\$ 354,216	\$ 296,604
Devaluation of portfolio investment		-	-	10,000
Interest on long-term debt		18,806	22,603	24,474
Other interest, net of interest income		6,538	(3,498)	(644)
Earnings before income taxes		421,266	335,111	262,774
Income taxes		133,066	96,644	70,672
Net earnings		\$ 288,200	\$ 238,467	\$ 192,102
<i>Net earnings margin (%)</i>		5.7 %	6.0 %	4.8 %
Net earnings per share		1.40	1.15	0.92
Diluted net earnings per share		1.38	1.14	0.91
Dividends declared per share		0.48	0.40	0.36
Balance sheet data				
Total assets		\$ 2,733,476	\$ 2,488,367	\$ 2,253,933
Interest bearing debt ³		\$ 282,704	\$ 116,140	\$ 241,854
Shareholders' equity		\$ 1,619,160	\$ 1,533,018	\$ 1,402,543
Statement of cash flows data				
Cash flows generated by operations		\$ 291,062	\$ 343,501	\$ 299,567
Amount of additions to fixed assets, net of proceeds on disposal		\$ 96,438	\$ 72,319	\$ 92,868

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, income taxes, depreciation and amortization (including devaluation of portfolio investment for fiscal 2006). 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 \$5.059 billion, an increase of \$1.058 billion or 26.4% compared to \$4.001 billion for fiscal 2007. The increase is attributed primarily to our USA Dairy Products Sector, whose revenues increased by approximately \$891 million. The inclusion of the 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 last fiscal year. 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 by-products market, and the inclusion of our UK operations, acquired on March 23, 2007, explain 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 last fiscal year. This decrease is explained by lower sales volume 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 last fiscal year.

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 is 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 last fiscal year. This increase is mainly due to the inclusion of the Land O'Lakes West Coast Acquisition, as well as the initiatives undertaken by the Company in the prior and current fiscal years. The sector also benefited from the revisions to reduce the manufacturing milk cost by the State of California and the United States Department of Agriculture (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 this fiscal year compared to last fiscal year. 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 current fiscal year's EBITDA. 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 last fiscal year. This increase is 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 last fiscal year. The sector also benefited from more favourable by-products 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 the current and prior fiscal years. 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 the current fiscal year from \$26.4 million in fiscal 2007. This decrease is 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 is 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 is mainly attributed to the Land O'Lakes West Coast Acquisition in our USA Dairy Products Sector. Capital investments undertaken by all divisions in the current and prior fiscal years 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 is 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 the fiscal year 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.

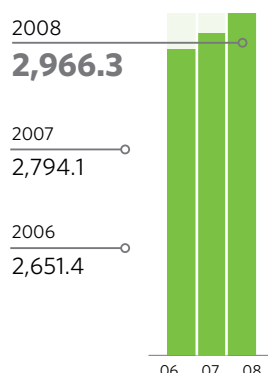
Net earnings for the fiscal year ended March 31, 2008 totalled \$288.2 million, an increase of \$49.7 million or 20.9% compared to \$238.5 million in fiscal 2007. The increase is due to the factors mentioned above.

INFORMATION BY SECTOR

CANADA, EUROPE AND ARGENTINA DAIRY PRODUCTS SECTOR (CEA DAIRY PRODUCTS SECTOR)

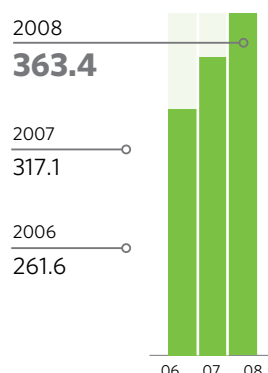
REVENUES

(in millions of dollars)



EBITDA

(in millions of dollars)



REVENUES

The revenues of the CEA Dairy Products Sector amounted to \$2.966 billion, an increase of 6.2% or \$172.2 million compared to the \$2.794 billion for the previous fiscal year. The increase in revenues is distributed as follows: approximately \$133 million is attributed to our Dairy Products Division (Canada), approximately \$43 million is attributed to our Dairy Products Division (Europe) offsetting approximately a \$4 million reduction in revenues related to our Dairy Products Division (Argentina).

The \$133 million increase in revenues from our Dairy Products Division (Canada) is attributable to three main factors. Approximately \$58 million relates to higher selling prices in accordance with the increase of the cost of milk as raw material. Secondly, we enjoyed volume growth in some of our categories, mainly fluid milk and cream, continuing the trend from our previous fiscal year. Our sales volume for our fluid milk category increased by 6.1% as compared to a 3.3% increase last fiscal year. Finally, our industrial segment contributed to the revenue increase through higher by-products sales due to more favourable by-product market conditions. These increases offset lower sales volumes from less profitable products in our Canadian retail and industrial cheese segments. Overall, our division generated moderate volume growth.

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 and remains the leader in the industry. On the fluid milk side, Saputo accounts for approximately 22% of the Canadian total production.

The **retail segment** remained relatively stable in the current fiscal year and accounts for 63% of revenues for our Dairy Products Division (Canada). The overall milk per capita consumption showed minimal change, although speciality milk consumption is growing. To that end, our value-added milk category which includes our famous *Milk 2 Go/Lait's Go* has delivered several years of double digit sales growth and is currently the best selling brand in Canada with a 49% market share as a single-serve plastic beverage. During the last fiscal year, consumers' enthusiasm for speciality cheeses and yogurts continued to be present. In that respect, we enjoyed significant growth in our Italian speciality cheese revenues. Total speciality

sales volume growth was approximately 8% compared to last fiscal year. For the yogurt category, the Canadian yogurt production increased by 3.5%. Due to our continuous efforts in innovation, including our new *Alive* yogurt launched in July 2007, our yogurt sales volume growth was slightly above the industry growth over last fiscal year.

The **foodservice segment** remained relatively stable compared to the previous fiscal year and represents 31% of revenues for our Dairy Products Division (Canada). We are committed to working closely with our customers in order to better satisfy their needs, helping to maintain and develop a strong relationship to grow our business. The largest volume increase in this segment was in the fluid milk and cream category with some of our national accounts.

The **industrial segment** accounts for 6% of revenues in our Dairy Products Division (Canada), relatively stable in comparison to last fiscal year. This segment is comprised of cheese sales as well as by-products sales. Our increase in revenues in this segment is the result of a more favourable by-product market and increased skim milk powder sales to the Canadian Dairy Commission relating to the surplus milk for the Western provinces where we act as a plant of last resort.

Revenues from our Dairy Products Division (Europe) increased by approximately \$43 million, representing a full year of revenues compared to only one week last fiscal year for our UK operation. These revenues are in line with our expectations. In Germany, lower sales volumes in the fiscal year were offset by higher selling prices as a result of higher milk prices.

The \$4 million revenue decrease in our Dairy Products Division (Argentina) in fiscal 2008 compared to fiscal 2007 is due to a combination of the appreciation of the Canadian dollar, which eroded revenues by approximately \$26 million, and lower sales volumes mainly on the export market. Almost offsetting all of this decrease was the higher sales revenues as a result of increased selling prices in accordance with the increase in the cost of milk as raw material.

EBITDA

Our EBITDA totalled \$363.4 million for the fiscal year ending March 31, 2008 compared to \$317.1 million a year earlier, an increase of \$46.3 million or 14.6%. The EBITDA margin increased from 11.3% in the previous fiscal year to 12.2% in fiscal 2008. This increase is the result of better margins from both our Dairy Products Division (Canada) and our Dairy Products Division (Argentina).

The strong performance of the Dairy Products Division (Canada) continued this fiscal year, benefiting from prior fiscal years' operational rationalizations. In addition, the increased EBITDA during fiscal 2008 clearly reflects better efficiencies throughout our manufacturing plants in both our cheese and fluid milk activities resulting in improved EBITDA of approximately \$12 million. These ongoing measures, an integral part of our commitment to being a low cost producer, have allowed our manufacturing facilities to become more specialized and efficient.

On March 31, 2007, we completed the closure of our cheese manufacturing plant in Vancouver, British Columbia and on June 2, 2007, our cutting and wrapping facility in Boucherville, Québec ceased its operations. The EBITDA of fiscal 2007 included rationalization charges of approximately \$2.1 million related to these closures. As part of this process, the Company has finalized the automation project for its cutting and packaging operations. In addition, the Company plans to invest approximately \$49 million in fixed assets in fiscal 2009, including about \$10 million to enhance automation within its Canadian plants.

Higher sales volume in our fluid milk and cream category, along with savings generated through logistics, supply chain and warehousing activities generated additional EBITDA. Furthermore, the favourable by-products market in fiscal 2008 had a positive impact of approximately \$8.0 million on EBITDA compared to fiscal 2007.

The Dairy Products Division (Europe) faced difficult market conditions in the current fiscal year as a result of increasing milk prices throughout the year combined with delays in implementing, in Germany, higher selling prices to our customers and loss of volume in relation to these price increases. Even though the UK operations performed well in fiscal 2008, these factors negatively affected our EBITDA in the current fiscal year.

The EBITDA of our Dairy Products Division (Argentina) improved in fiscal 2008 compared to fiscal 2007. Benefits derived from capital investments in the current and prior fiscal years helped to negate the adverse effect of three factors: higher milk prices during the year as a result of major floods in certain regions of Argentina, in the early part of the current fiscal year; lower sales volumes and new government regulations imposed in the first quarter, limiting selling prices on the export market. In addition, the appreciation of the Canadian dollar negatively affected EBITDA.

OUTLOOK

In fiscal 2009, we will continue to concentrate on all areas of our business and increase marketing efforts to launch value-added products that generate higher margins. We will also continue to support our core brands in an effort to maintain our position in the market.

We still believe that the market for specialty cheeses offers good opportunities. With our dedicated specialty cheese resources, we are well positioned to capitalize on these opportunities. We consider innovation as a primary focus in order to be able to offer products that meet the needs of today's consumers. We continue to allocate resources to product innovations that should allow us to secure and build long-term relationships with both our customers and our consumers. We are also planning to invigorate our speciality brand portfolio through a new brand, *DuVillage 1860*, for our former *DuVillage de Warwick* products.

We also see excellent opportunities for innovation in several other dairy categories, including milk, cream, yogurt and cheese. Accordingly, we are planning to launch new value-added dairy products during fiscal 2009. Moreover, we will support our product innovations via strong advertising and promotion programs throughout fiscal 2009.

In January, Saputo became the Official Packaged Dairy Supplier of the Vancouver 2010 Olympic and Paralympic Winter Games and of the Canadian Olympic Teams of Beijing 2008, 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* and *Dairyland* brands. Some marketing initiatives will be executed in the course of the next fiscal year to promote this partnership.

The Government of Canada has introduced, in December 2007, amended regulations establishing new standards of composition

for cheese manufactured in and imported to Canada. The federal Government has provided a one-year transition period to allow the industry to be in compliance with the new requirements. Saputo has always met the Canadian and international standards for its manufactured products. Consequently, we will be in compliance with these new Canadian requirements, notwithstanding that these amended regulations are different from the international cheese standards. We intend to mitigate the impact that these new standards will have on our results, while trying our utmost to minimize the effect on our customers.

The division is constantly evaluating its production capacity in all categories of products. Our excess production capacity stands at 35%. We continue to look at every aspect of our day-to-day operations and take the necessary steps to become a stronger division.

In our Dairy Products Division (Europe), we anticipate that milk prices will stabilize. Our focus in fiscal 2009 is to fully integrate these operations within Saputo. We will continue to invest in certain capital expenditure programs, in an effort to improve overall efficiencies and allow the division to grow in volume and increase profitability. We expect that the experienced employees from our Canadian operations, transferred in the current fiscal year, will help this division achieve these goals.

The Dairy Products Division (Argentina) will continue, in fiscal 2009, to focus on increased efficiencies and volume growth in both the domestic and international markets. Milk production volumes started to increase in mid-year of fiscal 2008 after major floods significantly impacted milk production. We expect that these milk production volumes will continue to increase and return to historical levels.

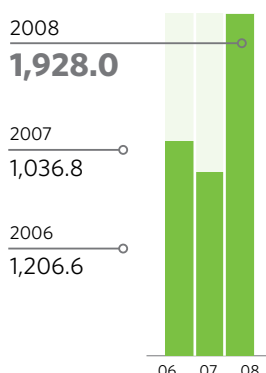
USA DAIRY PRODUCTS SECTOR

The volatility within the US dairy industry had an impact on our USA Dairy Products Sector throughout fiscal 2008. Toward the end of fiscal 2007, the price of dry whey, a key input in the formula to establish the minimum price for milk, reached unprecedented levels as high as US\$0.82 per pound. This trend continued during the first three quarters of fiscal 2008, followed by a drop in the fourth quarter to US\$0.24 per pound. Consequently, the price of milk in fiscal 2008 also reached levels much higher than historical averages. In October 2007, the State of California conducted the Consolidated Stabilization and Marketing Plan Hearings on this issue. The result of these hearings was to fix the whey factor used in the milk pricing formula as well as increase the manufacturing allowance for cheese production in California. This change, along with governmental regulatory changes enacted in prior years, continues to influence the US dairy industry. The average block market per pound of cheese in fiscal 2008 was also higher in comparison to historical averages. Fiscal 2008 began with a block market per pound of cheese of US\$1.42, then rose to an average of US\$1.63 in the first quarter, and has averaged approximately US\$1.96 for the remaining three quarters which resulted in an average block market per pound of cheese for fiscal 2008 of US\$1.88 compared to US\$1.26 in fiscal 2007.

Despite the market volatility in fiscal 2008, our Dairy Products Division (USA) showed significant improvements over fiscal 2007.

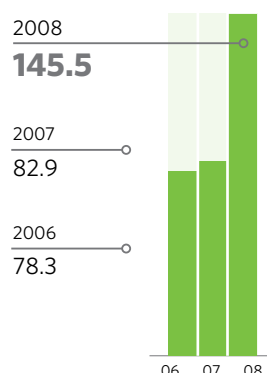
REVENUES

(in millions of dollars)



EBITDA

(in millions of dollars)



REVENUES

Revenues from our USA Dairy Products Sector totalled \$1.928 billion in fiscal 2008, an increase of \$891.2 million or 86.0% in comparison to \$1.037 billion in fiscal 2007. The increase is mainly due to the Land O'Lakes West Coast Acquisition, selling price increases as well as higher sales volumes. These factors combined increased revenues by approximately \$730 million in fiscal 2008 in comparison to fiscal 2007. An average block market per pound of cheese of US\$1.88 in fiscal 2008, compared to an average block market per pound of cheese of US\$1.26 in fiscal 2007, contributed approximately \$290 million in additional revenues. The appreciation of the Canadian dollar eroded approximately \$129 million of revenues. Our sales volume increase is mainly due to our string cheese category.

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

During fiscal 2008, the retail, foodservice, and industrial segments accounted for 29%, 46%, and 25%, respectively, of our total sales volume. During fiscal 2007, the retail, foodservice, and industrial segment accounted for 31%, 48%, and 21%, respectively, of our total sales volume. The change in percentages is mainly due to the Land O'Lakes West Coast Acquisition.

In the retail segment, we continued to support our brands with distinctive promotions and advertising in order to ensure our growth and maintain our market leadership. Our *Frigo Cheese Heads* brand continues to be the number one brand of string cheese. In fact, our market share in this competitive category increased in comparison to last fiscal year. Our *Treasure Cave* brand underwent packaging changes in fiscal 2008. These changes were aimed at providing a premium look in comparison to our competition. The brand has already experienced distribution gains towards the end of the fiscal year.

In the foodservice segment, we continued to promote and advertise our cheese offerings within the pizza industry, utilizing targeted publications and trade shows. A combination of advertising in leading foodservice magazines, web-based advertising, as well as targeted e-newsletters, increased the awareness of our products within this segment.

The industrial segment includes cheese sales, as well as whey by-products, sweetened condensed milk and eggnog. The segment benefited from the high by-product prices on the international market in fiscal 2008 in comparison to last fiscal year. The Land O'Lakes West Coast Acquisition, which included a by-product drying facility, increased the by-products available for sale as well as provided additional flexibility for our US operations.

EBITDA

During fiscal 2008, EBITDA totalled \$145.5 million, a \$62.6 million or 75.5% increase in comparison to the \$82.9 million in fiscal 2007. This increase is mainly due to initiatives undertaken by the Company in the prior and current fiscal years with regards to increased selling prices, reduction of cost associated with milk handling, improved operational efficiency and the Land O'Lakes West Coast Acquisition. The increase offset a reduction in EBITDA due to increased promotions as well as increased ingredients and other costs in fiscal 2008 in comparison to fiscal 2007. These factors combined increased EBITDA by approximately \$63 million in comparison to fiscal 2007. The decisions taken in fiscal 2007 and 2008, by both the State of California and the USDA to reduce the manufacturing milk cost, also increased EBITDA by approximately \$5 million in the current fiscal year. The appreciation of the Canadian dollar eroded approximately \$10 million of EBITDA in fiscal 2008.

The average block market per pound of cheese in fiscal 2008 of US\$1.88 was US\$0.62 higher than the average block market per pound of cheese in fiscal 2007 of US\$1.26. The block market per pound of cheese began fiscal 2008 at US\$1.42 and rose quickly to achieve the average mentioned previously. The increasing average block market per pound of cheese improved the basis of absorption of our fixed costs and had a favourable impact on the realization of our inventories in fiscal 2008. However, during the first three quarters of fiscal 2008, the increase in the average block market per pound of cheese was accompanied by a higher price of dry whey, a key input in determining the cost of milk as raw material. Consequently, the relationship between the average block market per pound of cheese and the cost of milk as raw material was less favourable in fiscal 2008 in comparison to fiscal 2007. In fact, during the first three quarters of fiscal 2008, the high price of dry whey drove the cost of milk to record levels, placing massive pressure on the margins achievable by cheese producers. During the later part of the third quarter and throughout the fourth quarter of fiscal 2008, the price of dry whey steadily decreased, thus alleviating some of the pressure on cheese producers and improving the "spread" or margin between the average block market per pound of cheese and the cost of milk as raw material. These market factors combined had a positive impact of approximately \$4 million on the EBITDA of fiscal 2008 in comparison to fiscal 2007. The division incurred approximately \$1.3 million of rationalization charges, in fiscal 2007, in relation to the closing of our facility in Peru, Indiana.

OUTLOOK

At the beginning of fiscal 2008, we completed the Land O'Lakes West Coast Acquisition. Throughout fiscal 2008, we concentrated our efforts on integrating these operations into the existing USA Dairy Products Sector. Due to the efforts of our employees, the integration is progressing successfully. In fiscal 2009, we will complete our capital investment project for these operations, which should result in enhanced operating efficiencies and improved financial performance. The decision of the Consolidated Stabilization and Marketing Plan Hearings in California to increase the manufacturing allowance for cheese production should also benefit our operations on the West Coast.

On April 1, 2008, we completed the Alto Acquisition. This business employs approximately 470 people and produces Italian- and American- style cheeses, as well as whey products in two plants located in Wisconsin. In their fiscal 2007, on an adjusted basis in order to take into consideration certain non-recurring expenses, the Alto business had sales of approximately US\$378 million and EBITDA of US\$19.6 million. This strategic

transaction will allow our US division to expand its business and represents another step in our goal to achieve a stronger presence in the US. In fiscal 2009, we will concentrate our efforts on integrating these operations into Saputo's existing information systems as well as its structure. We will also continue our extensive analysis of the cost structure in an effort to identify synergies between the newly acquired operations and our existing facilities in the US.

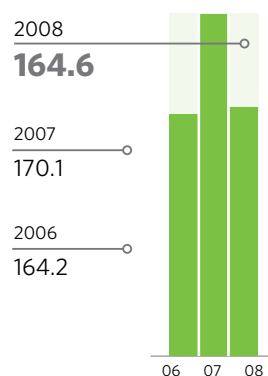
Fiscal 2009 should benefit from many initiatives undertaken in the prior fiscal year. During fiscal 2008, we completed the rationalization of our shredding and string cheese operations in the US. The benefits of these activities, including reductions in labour, overheads and raw materials, should improve fiscal 2009 results. In addition, various selling price initiatives undertaken in the later stages of fiscal 2008 should also contribute to the performance of the division. Other capital investments will also be undertaken in fiscal 2009 to improve operational efficiencies and overall profitability. The continued focus on our leading brands, *Frigo Cheese Heads* and *Treasure Cave*, as well as additional support for our specialty cheeses, should also present many opportunities in fiscal 2009.

The volatility in the US dairy industry over the past few years has posed many challenges for the USA Dairy Products Sector. This volatility is not expected to end in the near future. As we have done in the past, we take decisions to mitigate the results of volatile market conditions on our operations. Our goal of providing quality products and services to our customers while maintaining efficient operations remains intact.

GROCERY PRODUCTS SECTOR

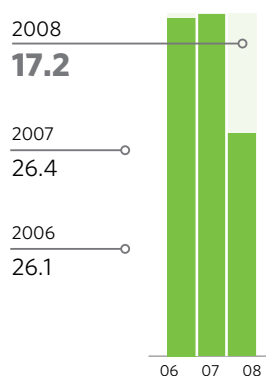
REVENUES

(in millions of dollars)



EBITDA

(in millions of dollars)



REVENUES

Revenues for the Grocery Products Sector totalled \$164.6 million for the fiscal year ended March 31, 2008, a decrease of \$5.4 million compared to the previous fiscal year. This decrease is mainly due to our Canadian sales volume which declined compared to last fiscal year by 1.5%. Also, the introduction of private label products, highly competitive prices in the market and price increases which took effect mid-November 2007 further impacted our revenues. The Quebec market has been the most affected by these factors. The activities of Biscuits Rondeau Inc. and Boulangerie Rondeau Inc. (Rondeau) have in part compensated for these decreases, as they were included for a full year in fiscal 2008. Sales volume from our US co-packing activities also showed significant decreases compared to last fiscal year to a level of about 58%.

We have maintained our market share, despite higher competition in a decreasing market.

During the current fiscal year, we have actively supported our brands. Due to the nature of our sector, we need to innovate and constantly adapt our product offering on a seasonal basis. During fiscal 2008, we have introduced 11 new products. For example, we launched new *Passion Flakie* and *HOP&GO!* under the *Vachon* brand as well as new oatmeal cookies for the Western Canadian market under the *Hostess* brand. Also, our Rondeau integration plan provided for a revamping of our product offering in an effort to standardize our packaging format.

In the US, we concentrated our efforts in developing co-packing agreements. Unfortunately our efforts did not bear fruit in fiscal 2008.

EBITDA

The EBITDA for our Grocery Products Sector totalled \$17.2 million for fiscal 2008, a decrease of \$9.2 million compared to the last fiscal year. This decrease in EBITDA is mainly due to higher ingredients, packaging and labour costs for approximately \$4.1 million, as well as lower sales volumes from our Canadian and US activities lowering EBITDA by approximately \$1.3 million net of the impact of the price increases. During fiscal 2008, we spent \$2.7 million more to support our brands in Canada and towards the pension plan. During the prior fiscal years, our investments in fixed assets have allowed us to increase our operational efficiency by different automation and robotization projects. The savings related to these investments have partly offset the increase in the previously mentioned costs. However, major capital investment projects during the fiscal year added \$1.2 million in labour and start up costs. EBITDA margin went from 15.5% in fiscal 2007 to 10.7% in fiscal 2008.

Our manufacturing performance was impacted by the integration process of Rondeau and certain capital expenditure projects that all together did not generate the expected yields and performance.

OUTLOOK

In the division, we are facing difficult economic conditions which have a direct impact on our financial results. The main challenges are increased competition, aggressive pricing on the market, introduction of private labels in some retailers, increasing pension plan costs and continually increasing raw material and packaging costs. In order to mitigate the impact of these factors, we have taken a series of measures in terms of marketing and operations. We have transferred marketing funds to be used by the sales force at the store level. We are working on diminishing the negative impact of the cost of raw materials and packaging by focusing on the optimisation of recipes and manufacturing processes. On the US side, we are evaluating different opportunities. In March 2008, we have concluded an agreement for a private label with a new American customer, which should compensate for approximately 25% of the lost US co-packing activities volume in fiscal 2008.

LIQUIDITY

Cash generated by operating activities before changes in non-cash working capital items amounted to \$390.8 million for fiscal 2008, an increase of \$76.0 million compared to \$314.8 million in fiscal 2007. During fiscal 2008, non-cash working capital items used \$99.8 million, in comparison to \$28.7 million generated in fiscal 2007. The increase in funds used from non-cash working capital items in fiscal 2008 is mainly due to

increased working capital level in our US operations resulting from the increase in the average block market per pound of cheese during the current fiscal year as compared to last fiscal year. In fiscal 2007, the generation of funds was due mainly to reduced inventories as a result of improved inventory management in our Canadian and Argentinean dairy operations.

In investing activities, the Company used \$354.4 million in fiscal 2008 mainly for the Land O'Lakes West Coast Acquisition for a purchase price of \$250.9 million. The Company added \$101.7 million in fixed assets, of which nearly 16% went into the replacement of fixed assets. The remaining funds were used to implement new technologies, as well as to expand and increase certain manufacturing capacities. The Company also disposed of unused assets in fiscal 2008 for total proceeds of \$5.3 million.

As for financing activities in fiscal 2008, the Company increased the use of its bank loans by \$91.4 million, purchased share capital totalling \$81.5 million in accordance with a normal course issuer bid and paid \$94.5 million in dividends. In fiscal 2008, the Company also issued shares for a cash consideration of \$28.4 million, as part of the stock option plan.

FINANCIAL RESOURCES

As at March 31, 2008, the Company's working capital stood at \$416.3 million, a decrease of \$104.8 million compared to the \$521.1 million at March 31, 2007. The decrease is mainly attributed to the previously available funds disbursed for the Land O'Lakes West Coast Acquisition. Our net interest bearing debt-to-equity ratio stood at 0.17 as at March 31, 2008, compared to 0.08 as at March 31, 2007.

For fiscal 2009, the Company expects to add about \$101 million to fixed assets, with approximately \$57 million marked for new technology and added manufacturing capacity. The remainder will be devoted to replacing certain fixed assets. The Company expects fixed-asset depreciation expense to total approximately \$90 million in fiscal 2009. The increase in depreciation expense in comparison to fiscal 2008 is the result of the Alto Acquisition and capital expenditures undertaken in the current and prior fiscal years. All funds required for the additions to fixed assets will be generated from Company operations. As at March 31, 2008, the Company had no significant commitments related to fixed asset acquisitions.

The Company has at its disposal bank credit facilities of approximately \$649 million, \$222.6 million of which are drawn. The Company also had \$165.7 million of cash and cash equivalents, for which \$163 million were used for the Alto Acquisition completed on April 1, 2008. During the fiscal year, an additional \$300 million was added to our existing available bank credit facilities. Should the need arise, the Company can make additional financing arrangements to pursue growth through acquisitions.

BALANCE SHEET

In comparison to March 31, 2007, the main balance sheet items as at March 31, 2008 varied due to the appreciation 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\$1.0265 per US dollar as at March 31, 2008, compared to CND\$1.1546 per US dollar as at March 31, 2007. The conversion rate of our Argentinean operations' balance sheet items in Argentinean currency was CND\$0.3226 per Argentinean peso as at March 31, 2008 compared to CND\$0.3691 per Argentinean peso as at March 31, 2007. The increased Canadian dollar results in lower values recorded for the balance sheet items of our foreign operations. Changes in the main balance sheet items were also due to the Land O'Lakes

West Coast Acquisition. Our net cash position decreased from \$137.9 million as at March 31, 2007, to a negative \$56.9 million as at March 31, 2008. This is due to the Company's use of existing cash and cash equivalents at the beginning of fiscal 2008 to pay for the Land O'Lakes West Coast Acquisition. The change in foreign currency translation adjustment listed under shareholders' equity varied due to the appreciation of the Canadian dollar. The Company's total assets stood at \$2.733 billion as at March 31, 2008, compared to \$2.488 billion as at March 31, 2007.

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, 2008	Issued as at May 27, 2008
Common Shares	Unlimited	205,962,964	206,080,915
Preferred Shares	Unlimited	None	None
Stock Options		8,893,428	10,338,170

The Company announced on November 7, 2006 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, 2006.

Under the Bid, the Company could have purchased for cancellation up to 10,358,608 common shares. This represented 5% of its 207,172,178 issued and outstanding common shares as of October 31, 2006. These purchases could have been made in accordance with applicable regulations over a maximum period of 12 months beginning on November 13, 2006 and ending on November 12, 2007. The Company could not have purchased more than 2% of the issued and outstanding common shares in any 30-day period. The consideration, which was in cash, which the Company paid for any common shares acquired by it under the Bid was the market price of such common shares at the time of acquisition. 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 announced on November 6, 2007 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, 2007.

Under the New Bid, the Company may purchase for cancellation up to 10,272,848 common shares. This represents 5% of its 205,456,990 issued and outstanding common shares as of October 31, 2007. These purchases can be 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 Company cannot purchase more than 2% of the issued and outstanding common shares in any 30-day period. 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, 2008, the Company did not purchase for cancellation any common shares under the New Bid.

For the year ended March 31, 2007, the Company purchased for cancellation an aggregate of 2,813,400 common shares at an average of \$18.02 for a total of \$50.7 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, 2008 totalled \$47.0 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, 2008, was 2,400,000 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, 2008 the market value of these contracts was \$0.6 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 17 and 19 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 17 to the consolidated financial statements discusses the Company's guarantees.

CONTRACTUAL OBLIGATIONS

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

Note 7 describes the Company's commitment to repay long-term debt, and Note 17 describes its lease commitments.

(in thousands of dollars)	Long-term debt	Minimum lease	Total
2009	-	11,864	11,864
2010	174,505	9,241	183,746
2011	-	7,417	7,417
2012	-	5,455	5,455
2013	-	4,359	4,359
Subsequent years	51,325	8,672	59,997
Total	225,830	47,008	272,838

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. See Note 18 to the consolidated financial statements that describe the related party transactions.

ACCOUNTING STANDARDS

APPLIED STANDARDS

During the year, the Company adopted the following new accounting policies as described in the CICA Handbook (Canadian Institute of Chartered Accountants):

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 adoption of this section had no impact on the consolidated financial statements.

Financial Instruments – Disclosures

Section 3862 of the CICA Handbook, Financial Instruments – Disclosures, provides disclosure in the financial statements that enable 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 adoption of this section had no impact on the consolidated financial statements.

FUTURE STANDARDS

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 Company is presently evaluating the impact this adoption may have on the consolidated financial statements.

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 is presently evaluating the impact this adoption of this new Section on its consolidated financial statements.

International Financial Reporting Standards (“IFRS”)

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, the Company's transition date of April 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended March 31, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

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 recorded in fiscal 2008.

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 2008.

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 2008.

SENSITIVITY ANALYSIS

PENSION PLAN AND OTHER EMPLOYEE FUTURE BENEFITS

(in thousands of dollars)	Pension plans		Other employee future benefits	
	Accrued benefit obligations	Net expense	Accrued benefit obligations	Net expense
Anticipated rate of return on assets				
Effect of an increase of 1%	n.a.	(1,835)	n.a.	n.a.
Effect of a decrease of 1%	n.a.	1,835	n.a.	n.a.
Discount rate				
Effect of an increase of 1%	(19,802)	(2,873)	(1,037)	(420)
Effect of a decrease of 1%	25,965	2,452	1,227	486
Assumed growth rate of overall healthcare costs				
Effect of an increase of 1%	n.a.	n.a.	896	245
Effect of a decrease of 1%	n.a.	n.a.	(786)	(222)

Pension Plans

The Company offers and participates in defined contribution pension plans of which more than 80% 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 of 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, the discount rate, 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, 2007 was 5.60% compared to 5.26% used in the prior year.

We established the expected average return on invested assets at 7.3% 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.

The Company also offers a post-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 6.6% and 9% for fiscal year 2009 and, based on the assumptions used, these rates should gradually decline to reach 6% in fiscal 2013.

Any change 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.

The above table presents a sensitivity analysis of the key economic assumptions used to measure the impact on defined benefit pension obligations, on other employee future benefit obligations and on net expenditures. This sensitivity analysis must be used with caution, as its results are hypothetical, and variations in each of the key assumptions could turn out not to be linear. The sensitivity analysis should be read in conjunction with Note 16 of the consolidated financial statements. The sensitivity of each key variable has been calculated independently of the others. The measurement date of pension plan assets and liabilities is December 31 of each fiscal year.

Pension plan assets are held by several independent trusts, and the average composition of the overall portfolio as at December 31, 2007 was 4% in cash and short-term investments, 43% in bonds and 53% in shares of Canadian, US and foreign companies. In the long-term, we do not expect any major change to this asset allocation. The average composition as of December 31, 2006, was identical to this year.

For defined benefit 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 on December 31, 2006 and \$10 million on July 1, 2007 was noted, reducing the deficit by half, \$28.8 million noted at the time of the last actuarial evaluations.

Higher return on assets combined with additional contributions to the deficits of the last years, contributed to reduce the gap. 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 2008 was of \$4.8 million (\$7.2 million for 2007). The additional payment required for fiscal 2009 will be of \$4.9 million. The next evaluation for certain pension plans is scheduled for December 2009.

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

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 by-products and cheese on international markets are based on market supply and demand forces. The prices are tied to numerous factors, such as the health of the economy and supply and demand levels for dairy products in the industry. Price fluctuations may affect the Company's results. The effect of such fluctuations on our results will depend on our ability to implement mechanisms to reduce them.

Competition

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

Consolidation of Clientele

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

Environment

Saputo's business and operations are subject to environmental laws and regulations, 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 27, 2008 for the fiscal year ended March 31, 2008. 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, 2008, the Company's long-term debt was made up of the US senior notes only, which are at a fixed rate throughout their term.

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 together with management, after evaluating the effectiveness of the Company's disclosure controls and procedures as of March 31, 2008, 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, together with management, have concluded after having conducted an evaluation and to the best of their knowledge that, as of March 31, 2008, 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

The portion of the long-term debt covered by fixed interest rates equals 100%. The used portion of the bank credit facility is

subject to interest rate fluctuations, and was not being protected as of March 31, 2008. A 1% change in the interest rate would lead to a change in net earnings of approximately \$1.4 million, based on the \$222.6 million in bank loans outstanding as of March 31, 2008. 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, 2008, the average US dollar conversion was based on CND\$1.00 for US\$0.97. A fluctuation of CND\$0.01 would have resulted in a change of approximately \$0.7 million in net earnings, \$1.7 million in EBITDA and \$21.0 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 on 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

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

(in thousands of dollars)	2007				
	Dairy Products			Grocery Products	Total
	CEA	USA	Total		
Operating income	280,923	53,041	333,964	20,252	354,216
Depreciation of fixed assets	36,163	29,849	66,012	6,104	72,116
EBITDA	317,086	82,890	399,976	26,356	426,332

THE 2007 AND 2008 QUARTERLY FINANCIAL INFORMATION HAS NOT BEEN REVIEWED BY AN EXTERNAL AUDITOR.

2008 QUARTERLY FINANCIAL INFORMATION – CONSOLIDATED STATEMENT OF EARNINGS

	1 ST QUARTER	2 ND QUARTER	3 RD QUARTER	4 TH QUARTER	FISCAL 2008
(IN THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(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, income taxes and depreciation	127,515	124,072	136,956	137,501	526,044
Margin %	10.4%	9.6%	10.7%	10.9%	10.4%
Depreciation of fixed assets	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

2007 QUARTERLY FINANCIAL INFORMATION – CONSOLIDATED STATEMENT OF EARNINGS

	1 ST QUARTER	2 ND QUARTER	3 RD QUARTER	4 TH QUARTER	FISCAL 2007
(IN THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(AUDITED)
Statement of earnings data					
Revenues	\$ 981,142	\$ 994,145	\$ 1,016,989	\$ 1,008,704	\$ 4,000,980
Cost of sales, selling and administrative expenses	888,065	887,378	901,955	897,250	3,574,648
Earnings before interest, income taxes and depreciation	93,077	106,767	115,034	111,454	426,332
Margin %	9.5%	10.7%	11.3%	11.0%	10.7%
Depreciation of fixed assets	18,129	17,652	18,732	17,603	72,116
Operating income	74,948	89,115	96,302	93,851	354,216
Interest on long-term debt	5,586	5,739	5,594	5,684	22,603
Other interest, net	(545)	(760)	(959)	(1,234)	(3,498)
Earnings before income taxes	69,907	84,136	91,667	89,401	335,111
Income taxes	16,643	25,850	27,609	26,542	96,644
Net earnings	\$ 53,264	\$ 58,286	\$ 64,058	\$ 62,859	\$ 238,467
Net margin %	5.4%	5.9%	6.3%	6.2%	6.0%
Per Share					
Net earnings					
Basic	\$ 0.26	\$ 0.28	\$ 0.31	\$ 0.31	\$ 1.15
Diluted	\$ 0.26	\$ 0.28	\$ 0.30	\$ 0.30	\$ 1.14

SUMMARY OF THE FOURTH QUARTER RESULTS ENDED MARCH 31, 2008

Revenues for the quarter ended March 31, 2008 amounted to \$1.266 billion, an increase of \$257.4 million or 25.5% compared to \$1.009 billion for the same quarter last fiscal year. The increase is attributed mostly to our USA Dairy Products Sector whose revenues increased by approximately \$204 million compared to the corresponding quarter last fiscal year. The inclusion of the Land O'Lakes West Coast Acquisition along with higher sales volumes and selling prices, increased revenues by approximately \$186 million. In addition, an average block market per pound of cheese of US\$1.91 in the current quarter compared to US\$1.34 in the same quarter last fiscal year generated approximately \$69 million of additional revenues. The appreciation of the Canadian dollar in the fourth quarter of fiscal 2008 eroded approximately \$50 million of revenues. Revenues from our Canada, Europe and Argentina Dairy Products Sector (CEA Dairy Products Sector) also contributed to the overall increase in revenues, adding approximately \$57 millions in the fourth quarter as compared to last fiscal year. 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, increased skim milk powder sales to the Canadian Dairy Commission relating to the surplus milk from Western provinces where we act as a plant of last resort, and the inclusion of our UK operations, were the main factors responsible for this increase. It was partially offset by a lower by-product market, a decrease in volume mainly on exports in our Argentinean operations and the appreciation of the Canadian dollar versus the Argentinean peso. Revenues from our Grocery Products Sector decreased by \$4.6 million in the fourth quarter of fiscal 2008 in comparison to the same quarter last fiscal year. This decrease is due to lower Canadian sales volume as a result of price increases instituted in the third quarter of fiscal 2008, in addition to the launch of private label products by retailers and highly competitive prices in the market place. Also, sales volumes from our US co-packing activities showed significant decreases compared to last fiscal year.

Earnings before interest, income taxes, depreciation, and amortization (EBITDA) totalled \$137.5 million for the quarter ended March 31, 2008, an increase of \$26.0 million or 23.3% compared to the \$111.5 million for the same quarter last fiscal year. The increase is mainly attributed to our USA Dairy Products Sector, whose EBITDA increased by approximately \$19 million in the current quarter compared to the same quarter last fiscal year. The increase is due to the inclusion of the Land O'Lakes West Coast Acquisition, as well as the initiatives undertaken by the Company in the prior and current fiscal years. An average block market per pound of cheese of US\$1.91 in the current quarter, compared to US\$1.34 in the same quarter last fiscal year, created a better absorption of our fixed costs. The relationship between the average block market per pound of cheese and the cost of milk as raw material was favourable this quarter compared to the same period last fiscal year. Conversely, the average block market per pound of cheese between the current quarter and the third quarter of fiscal 2008, in comparison to the same quarters in fiscal 2007, created an unfavourable impact on the realization of inventories. Together, these market factors had a positive effect of approximately \$6 million on the EBITDA of the fourth quarter of fiscal 2008. In addition, benefits derived from the revised milk pricing formulas from both the State of California and the USDA in aggregate amounted to approximately \$2 million.

The EBITDA of our CEA Dairy Products Sector increased by approximately \$10 million in comparison to the same quarter last fiscal year. Higher sales volumes from our Canadian fluid milk activities and improved Argentinean operations were the main factors behind this increase. This offset a less favourable by-product market, an adverse effect relating to new government regulations limiting selling prices in Argentina, and the appreciation of the Canadian dollar versus the Argentinean peso. The inclusion of our Dairy Products Divisions (Europe) had a minimal impact on EBITDA in the fourth quarter.

The EBITDA of our Grocery Products Sector decreased by approximately \$3 million for the quarter ended March 31, 2008 in comparison to the same quarter last fiscal year. The decrease is due to higher ingredients, packaging and labour costs and the decline in sales volume from our Canadian and US activities.

Depreciation expense for the quarter ended March 31, 2008 totalled \$19.8 million, an increase of \$2.2 million compared to \$17.6 million for the same quarter last fiscal year. The increase is mainly due to the Land O'Lakes West Coast Acquisition along with depreciation related to capital investments completed in the current and prior fiscal years. Net interest expense increased to \$5.6 million compared to \$4.5 million for the corresponding period last fiscal year, as a result of the utilization of additional credit facilities to complete the Land O'Lakes West Coast Acquisition, combined with the repayment of US\$30 million of long-term debt during the third quarter of fiscal 2007. The effective tax rate for the current quarter was 32.9% compared to 29.7% for the same quarter last fiscal year. The increase in the effective tax rate is as a result of the variation in the source of earnings this quarter as compared to the same quarter in the last fiscal year. During the fourth quarter of last fiscal year, the Company benefited from a one-time tax reduction of approximately \$2 million to adjust future tax balances, due to a reduction in Canadian federal tax rates. Excluding this adjustment, the effective tax rate would have been 31.9%.

During the quarter, the Company added approximately \$32 million in fixed assets, issued shares for a cash consideration of \$4.5 million as part of the stock option plan and paid out \$24.7 million in dividends to its shareholders. The Company also increased its bank loans by approximately \$129 million at the end of the current quarter in anticipation of the Alto Acquisition in the US on April 1, 2008. For the same quarter, the Company generated cash flows of \$86.8 million, a decrease from the \$91.9 million generated for the corresponding period last fiscal year. Net earnings amounted to \$75.2 million for the quarter ended March 31, 2008, an increase of \$12.3 million compared to the same quarter last fiscal year.

QUARTERLY FINANCIAL INFORMATION

During fiscal 2008, certain specific circumstances affected the quarterly changes in revenues and earnings before interest, income taxes, depreciation and amortization compared to fiscal 2007. Throughout the four quarters of fiscal 2008, the average block market per pound of cheese remained significantly higher compared to fiscal 2007, therefore benefiting from absorption of fixed costs and realization of inventories. However, the relationship between the average block market per pound of cheese and the cost of milk as raw material was unfavourable in the first three quarters due to high prices of dry whey, a key element in determining the price of milk. The high by-products market benefited EBITDA in the first three quarters of fiscal 2008 compared to fiscal 2007. The Canadian dollar was stronger throughout all four quarters of fiscal 2008 eroding both

revenues and EBITDA. The Company also completed on April 1, 2007 the Land O'Lakes West Coast Acquisition and included the full year of activities of Dansco Dairy Products Limited in the UK, acquired on March 23, 2007. The quarterly earnings directly reflect the effects of the previously mentioned items.

ANALYSIS OF EARNINGS FOR THE YEAR ENDED MARCH 31, 2007 COMPARED TO MARCH 31, 2006

Saputo's consolidated revenues in fiscal 2007 totalled \$4.001 billion, a decrease of \$21.2 million or 0.5% compared to \$4.022 billion for fiscal 2006. The decrease was attributed to our USA Dairy Products Sector, whose revenues decreased by approximately \$170 million. An average block market per pound of cheese of US\$1.26 in fiscal 2007, compared to US\$1.42 in fiscal 2006, negatively affected revenues by approximately \$84 million. The appreciation of the Canadian dollar in fiscal 2007 eroded approximately \$48 million in revenues in comparison to fiscal 2006. Sales volumes decreased by 5.9%, due to the closure of the Peru, Indiana facility in May 2006. Excluding this closure, sales volumes remained relatively stable in fiscal 2007 in comparison to fiscal 2006. Revenues from our CEA Dairy Products Sector increased by approximately \$143 million in comparison to fiscal 2006. Higher selling prices in our Canadian operations, in accordance with the increase in the cost of milk as raw material, increased sales volumes from our Canadian fluid milk activities and Argentinean operations, additional revenues due to a more favourable by-products market, and the inclusion of our German operations, acquired on April 13, 2006, explain the increased revenues in this sector. These factors offset the erosion of revenues from our Argentinean operations due to the appreciation of the Canadian dollar. Revenues from our Grocery Products Sector increased by approximately \$6 million in comparison to fiscal 2006. Additional sales volumes intended for the Canadian market and the inclusion of Rondeau, acquired on July 28, 2006, offset lower revenues generated by our co-packing agreements for the manufacturing of products for the US market.

Consolidated earnings before interest, income taxes, depreciation, amortization and devaluation (EBITDA) amounted to \$426.3 million in fiscal 2007, an increase of \$60.3 million or 16.5% compared to the \$366.0 million for fiscal 2006. The increase was attributed essentially to our CEA Dairy Products Sector, whose EBITDA increased by \$55.5 million to \$317.1 million in comparison to \$261.6 million for fiscal 2006. This increase is mainly attributed to the benefits derived from rationalization activities undertaken in our Canadian operations during prior years, along with increased sales volumes from our Canadian fluid milk activities and Argentinean operations in comparison to fiscal 2006. The sector also benefited from a more favourable by-products market. The EBITDA of our Argentinean operations was negatively affected by the appreciation of the Canadian dollar, as well as the previously reported changes in the export tax. Both factors negatively affected EBITDA by approximately \$4 million compared to fiscal 2006. 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. Fiscal 2006 included a rationalization charge of approximately \$2.0 million for the closure of our Harrowsmith, Ontario facility. The EBITDA of our Dairy Products Division (Europe) had a minimal effect on the sector's EBITDA.

The EBITDA of our USA Dairy Products Sector amounted to \$82.9 million in fiscal 2007, an increase of \$4.6 million in comparison to \$78.3 million for fiscal 2006. Significant efforts were undertaken by the sector to increase EBITDA, such as improving operational efficiencies, increasing selling prices, reducing promotional, energy, packaging and ingredients costs, and reducing the cost associated with milk handling. These efforts increased EBITDA by approximately \$22 million in fiscal 2007 compared to fiscal 2006. The sector also benefited from the revisions to the milk pricing formulas from the State of California, effective November 1, 2006 as well as the USDA, effective February 1, 2007. These positive factors offset reductions in EBITDA due to the negative market conditions. An average block market per pound of cheese of US\$1.26 in fiscal 2007 was lower than US\$1.42 in fiscal 2006, causing a negative effect on the absorption of our fixed costs. In addition, 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 2007 compared to fiscal 2006. With regards to inventories, the market factors had a favourable impact on their realization. These factors combined had a negative impact of approximately \$20 million on EBITDA. The rise of the Canadian dollar eroded approximately \$3.4 million from the EBITDA in fiscal 2007. Also in fiscal 2007, the division incurred approximately \$1.3 million of rationalization charges, in relation to the closure of our facility in Peru, Indiana. In fiscal 2006, the sector incurred approximately \$3.3 million of rationalization charges in relation to the closure of our facility in Whitehall, Pennsylvania.

The EBITDA of our Grocery Products Sector increased slightly to \$26.4 million in fiscal 2007 from \$26.1 million in fiscal 2006. Decreased marketing expenditures and the inclusion of Rondeau, acquired on July 28, 2006, increased EBITDA by approximately \$5 million in fiscal 2007. This increase was offset by increased raw material and other costs, and lower EBITDA resulting from reduced revenues generated by our co-packing agreements for the manufacturing of products for the US market in comparison to fiscal 2006. The Grocery Products Sector also incurred in fiscal 2007 approximately \$0.6 million of rationalization charges in relation to the closure of its facility in Laval, Quebec.

The consolidated EBITDA margin increased from 9.1% in fiscal 2006 to 10.7% in fiscal 2007. This increase was due to higher EBITDA margins achieved by essentially all sectors in fiscal 2007 in comparison to fiscal 2006.

Depreciation expense totalled \$72.1 million in fiscal 2007, an increase of \$2.7 million over \$69.4 million in fiscal 2006. The increase was mainly attributed to capital expenditures undertaken in all sectors, more predominantly in our CEA Dairy Products Sector. The acquisitions completed in fiscal 2007 also explain the increased depreciation. These increases offset lower depreciation from our Dairy Products Division (USA) and our Dairy Products Division (Argentina) as a result of the appreciation of the Canadian dollar.

In fiscal 2006, the Company wrote down the value of its portfolio investment by \$10.0 million, negatively affecting net earnings before income taxes. In addition, a dividend of \$1.0 million received during fiscal 2006 was accounted for as a reduction of the cost of the investment. These actions were deemed necessary following an evaluation of the fair value of the investment. The write-down had an after-tax effect of approximately \$8 million in fiscal 2006. The same evaluation was performed in fiscal 2007. The conclusion was that no write-down was necessary in fiscal 2007.

Net interest expense amounted to \$19.1 million in fiscal 2007 compared to \$23.8 million in fiscal 2006. The decrease was due to additional interest revenue generated from excess cash on hand in fiscal 2007 compared to fiscal 2006, the appreciation of the Canadian dollar and the repayment of the US\$30 million of long-term debt.

Income taxes totalled \$96.6 million in fiscal 2007 for an effective tax rate of 28.8%, compared to \$70.7 million for an effective tax rate of 26.9% in fiscal 2006. 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. In fiscal 2006, the Company recorded a tax benefit of approximately \$4 million resulting from prior tax losses available for operations. Also in fiscal 2006, the Company recorded a tax charge of approximately \$2 million to adjust future tax balances due to an increase in Canadian provincial tax rates. Excluding these tax adjustments, the effective tax rate for fiscal 2007 was 30.6% in comparison to 27.7% in fiscal 2006. 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. During fiscal 2007, a proposed change with retroactive effect to Canadian provincial tax legislation was effectively enacted. A tax assessment for an amount of approximately \$12 million was issued as a result of the enactment. The Company has legal basis to believe that it will not have to pay such tax assessment. Therefore, no amount relating to this assessment has been included in the March 31, 2007 financial statement.

Net earnings for the year ended March 31, 2007 totalled \$238.5 million, an increase of \$46.4 million or 24.2% compared to \$192.1 million in fiscal 2006. The increase was due to the factors mentioned above.

OUTLOOK

Fiscal 2008 was an excellent year for the Company. Our divisions performed well and are ready to enter fiscal 2009 with confidence and enthusiasm.

Our Canadian dairy operations will continue to work towards the optimization of our production facilities in an effort to improve efficiencies. One of our challenges in fiscal 2009 will be the implementation of the new standards of composition for cheese manufactured in and imported to Canada. We intend to be in compliance with these new Canadian requirements notwithstanding that they are different from the international cheese standards. We intend to mitigate the impact that these new standards will have on our results, while trying our utmost to minimize the effect on our customers.

In fiscal 2009, we will continue to integrate our European operations. For our German operations, our focus will be to complete the integration and achieve better efficiencies with the help of our Canadian employees transferred in fiscal 2008. The integration of the UK operations is further ahead in the process. We anticipate that this division will increase efficiencies and improve overall profitability.

Our Dairy Products Division (Argentina), in fiscal 2009, will continue to focus on efficiencies. With the expected return of milk production volumes following major floods in early fiscal 2008, this should increase our production volumes and allow us to further develop the domestic and international markets.

The Alto Acquisition completed at the beginning of fiscal 2009 will further enhance our presence in the US and will also complement our previous Land O'Lakes West Coast Acquisition completed last fiscal year. Part of fiscal 2009's objective is to integrate the Saputo culture and values to these new operations and improve their profitability.

For fiscal 2009, our Grocery Products Sector's objective will be to improve on operational efficiencies and optimize its manufacturing processes in order to mitigate increasing ingredients and packaging costs, in addition to completing the integration of the Rondeau business.

We are in an excellent financial position with a low level of debt and a sound structure. This will allow us to pursue our growth through acquisitions.

Management's Statement **OF RESPONSIBILITY FOR FINANCIAL REPORTING**

Management is responsible for the preparation and presentation of the consolidated financial statements and the financial information presented in this annual report. This responsibility includes the selection of accounting policies and practices and making judgments and estimates necessary to prepare the consolidated financial statements in accordance with generally accepted accounting principles.

Management has also prepared the financial information presented elsewhere in this annual report and has ensured that it is consistent with the consolidated financial statements.

Management maintains systems of internal control designed to provide reasonable assurance that assets are safeguarded and that relevant and reliable financial information is being produced.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is responsible for reviewing and approving the consolidated financial statements. The Board of Directors carries out this responsibility principally through its Audit Committee, which is comprised solely of independent directors. The Audit Committee meets periodically with management and the external auditors to discuss internal controls, auditing matters and financial reporting issues. It also reviews the annual report, the consolidated financial statements and the external auditors' report. The Audit Committee recommends the external auditors for appointment by the shareholders. The external auditors have unrestricted access to the Audit Committee. The consolidated financial statements have been audited by the external auditors Deloitte & Touche LLP, whose report follows.



LINO A. SAPUTO, JR.
President and
Chief Executive Officer



LOUIS-PHILIPPE CARRIÈRE, FCA
Executive Vice President,
Finance and Administration, and Secretary

May 27, 2008

Auditors' Report **TO THE SHAREHOLDERS OF SAPUTO INC.**

We have audited the consolidated balance sheets of Saputo Inc. as at March 31, 2008 and 2007 and the consolidated statements of earnings, comprehensive income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



DELOITTE & TOUCHE LLP
Chartered Accountants
Montréal, Québec
May 27, 2008

Consolidated Statements OF EARNINGS

Years ended March 31 (in thousands of dollars, except per share amounts)	2008	2007
Revenues	\$ 5,058,900	\$ 4,000,980
Cost of sales, selling and administrative expenses	4,532,856	3,574,648
Earnings before interest, depreciation and income taxes	526,044	426,332
Depreciation of fixed assets (Note 3)	79,434	72,116
Operating income	446,610	354,216
Interest on long-term debt	18,806	22,603
Other interest, net (Note 12)	6,538	(3,498)
Earnings before income taxes	421,266	335,111
Income taxes (Note 13)	133,066	96,644
Net earnings	\$ 288,200	\$ 238,467
Earnings per share (Note 14)		
Net earnings		
Basic	\$ 1.40	\$ 1.15
Diluted	\$ 1.38	\$ 1.14

Consolidated Statements OF COMPREHENSIVE INCOME

Years ended March 31 (in thousands of dollars)	2008	2007
Net earnings	\$ 288,200	\$ 238,467
Net change in unrealized losses on translation of financial statements of self-sustaining operations	(63,750)	(5,398)
Comprehensive income	\$ 224,450	\$ 233,069

Consolidated Statements OF RETAINED EARNINGS

Years ended March 31 (in thousands of dollars)	2008	2007
Retained earnings, beginning of year	\$ 1,085,081	\$ 971,131
Net earnings	288,200	238,467
Dividends	(94,455)	(80,721)
Excess of purchase price of share capital over carrying value (Note 9)	(72,258)	(43,796)
Retained earnings, end of year	\$ 1,206,568	\$ 1,085,081

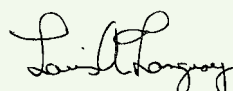
Consolidated **BALANCE SHEETS**

As at March 31 (in thousands of dollars)	2008	2007
ASSETS		
Current assets		
Cash and cash equivalents	\$ 165,710	\$ 276,894
Receivables	408,973	324,702
Inventories	533,686	445,992
Income taxes	10,252	6,413
Future income taxes (Note 13)	17,150	13,045
Prepaid expenses and other assets	43,729	23,939
	1,179,500	1,090,985
Portfolio investment (Note 2)	41,343	42,991
Fixed assets (Note 3)	871,739	691,226
Goodwill (Note 4)	522,546	547,379
Trademarks and other intangibles (Note 4)	38,043	32,340
Other assets (Note 5)	75,257	73,726
Future income taxes (Note 13)	5,048	9,720
	\$ 2,733,476	\$ 2,488,367
LIABILITIES		
Current liabilities		
Bank loans (Note 6)	\$ 222,584	\$ 139,001
Accounts payable and accrued liabilities	409,323	343,911
Income taxes	111,511	85,644
Future income taxes (Note 13)	19,790	1,294
Current portion of long-term debt (Note 7)	-	21
	763,208	569,871
Long-term debt (Note 7)	225,830	254,012
Other liabilities (Note 8)	13,972	16,413
Future income taxes (Note 13)	111,306	115,053
	1,114,316	955,349
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	536,921	511,737
Contributed surplus (Note 10)	22,085	18,864
Retained earnings	1,206,568	1,085,081
Accumulated other comprehensive loss (Note 11)	(146,414)	(82,664)
	1,619,160	1,533,018
	\$ 2,733,476	\$ 2,488,367

On behalf of the board,



Lino Saputo
Director



Louis A. Tanguay
Director

Consolidated Statements OF CASH FLOWS

Years ended March 31 (in thousands of dollars)	2008	2007
Cash flows related to the following activities:		
Operating		
Net earnings	\$ 288,200	\$ 238,467
Items not affecting cash		
Stock based compensation	8,279	7,917
Depreciation of fixed assets	79,434	72,116
Gain on disposal of fixed assets	(144)	(122)
Future income taxes	15,838	(1,525)
Deferred share units	1,265	1,173
Funding of employee plans in excess of costs	(2,019)	(3,207)
	390,853	314,819
Changes in non-cash operating working capital items	(99,791)	28,682
	291,062	343,501
Investing		
Business acquisitions (Note 15)	(254,204)	(31,794)
Portfolio investment	1,648	-
Additions to fixed assets	(101,723)	(76,127)
Proceeds on disposal of fixed assets	5,285	3,808
Other assets	(5,443)	(6,124)
	(354,437)	(110,237)
Financing		
Bank loans	91,413	93,701
Repayment of long-term debt	-	(33,828)
Issuance of share capital	28,366	20,886
Repurchase of share capital	(81,472)	(50,677)
Dividends	(94,455)	(80,721)
	(56,148)	(50,639)
(Decrease) increase in cash and cash equivalents	(119,523)	182,625
Effect of exchange rate changes on cash and cash equivalents	8,339	2,736
Cash and cash equivalents, beginning of year	276,894	91,533
Cash and cash equivalents, end of year	\$ 165,710	\$ 276,894
Supplemental information		
Interest paid	\$ 25,767	\$ 19,651
Income taxes paid	\$ 92,235	\$ 84,868

NOTES to the Consolidated Financial Statements

Years ended March 31, 2008 and 2007

(Tabular amounts are in thousands of dollars except information on options, units and shares.)

1. SIGNIFICANT ACCOUNTING POLICIES

NEW ACCOUNTING POLICIES

During the year, the Company adopted the following new accounting policies as described in the CICA Handbook (Canadian Institute of Chartered Accountants):

Accounting Changes

Effective April 1, 2007, the Company adopted 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

Effective April 1, 2007, the Company adopted 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 Corporation'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

Effective January 1, 2008, the Company adopted 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 this new section.

Foreign Currency Translation

Effective April 1, 2007, the Company adopted 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 statements of comprehensive income.

Investments

Effective April 1, 2007, the Company adopted 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

Effective April 1, 2007, the Company adopted 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

Effective April 1, 2007, the Company adopted 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 adoption of this section had no impact on the consolidated financial statements.

Financial Instruments – Disclosures

Effective January 1, 2008, the Company adopted Section 3862 of the CICA Handbook, Financial Instruments – Disclosures, provides disclosure in the financial statements that enable 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 the financial instruments are in accordance with the recommendations of this new section.

Financial Instruments – Presentation

Effective January 1, 2008, the Company adopted 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 the financial instruments are in accordance with the recommendations of this new section.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Hedges

On April 1, 2007, the Company adopted 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 adoption of this section had no impact on the consolidated financial statements.

SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

In the preparation of financial statements in conformity with Canadian generally accepted accounting principles, management must make estimates such as the useful life, impairment, and depreciation of fixed assets, the valuation of goodwill, portfolio investments, trademarks and other intangibles and future income taxes and certain actuarial and economic assumptions used in determining defined benefit pension costs, accrued pension benefits obligation and pension plan assets, and stock-based compensation that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the revenues and expenses for the period. Actual results could differ from these estimates.

Consolidated financial statements

The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances have been eliminated. Investments over which the Company has effective control are consolidated. The interest on the joint venture that is jointly controlled is accounted for by the proportionate consolidation method. The operating results of acquired businesses, from their respective acquisition dates, are included in the consolidated statements of earnings.

Cash and cash equivalents

Cash and cash equivalents consist primarily of unrestricted cash and short-term investments having an initial maturity of three months or less at the time of acquisition.

Inventories

Finished goods and goods in process are valued at the lower of cost and net realizable value. Raw materials are valued at the lower of cost and replacement value. Cost being determined under the first in, first out method.

Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted or substantively enacted tax rates that will be in effect when the differences are expected to reverse. Future income tax assets are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax asset will be realized.

Fixed assets

Fixed assets are stated at cost and are depreciated using the straight line method over their estimated useful lives based on the following terms:

Buildings	20 to 40 years
Furniture, machinery and equipment	3 to 20 years
Rolling stock	5 to 10 years or based on kilometers traveled

Assets held for sale are recorded at the lower of cost or net realizable value less costs to dispose, and no depreciation is recorded.

Impairment of long-lived assets

In the event indications exist that the carrying amount of long-lived assets may not be recoverable, undiscounted estimated cash flows are projected over their remaining term, and compared to the carrying amount. To the extent such projections indicate that future undiscounted cash flows are not sufficient to recover the carrying amounts of related assets, a charge is recorded to reduce the carrying amount to equal to fair value, as represented by projected future discounted cash flows.

Goodwill, trademarks and other intangible assets

Goodwill, trademarks and quotas are not amortized; however they are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the assets might be impaired. The carrying values of goodwill, trademarks and quotas are compared with their respective fair values, and an impairment loss is recognized for the excess, if any. Other intangibles are amortized over their useful life.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Employee future benefits

The cost of pension and other post-retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on services and using estimates of expected return on plan assets, which is based on market-related value, rates of compensation increase, retirement ages of employees and expected health care costs and other post retirement benefits. Current service costs are expensed in the year. In accordance with generally accepted accounting principles, past service costs and the excess of the net actuarial gains or losses related to defined benefit pension plans over 10% of the greater of the benefit obligation or fair value of plan assets are amortized over the expected average remaining service period of active employees entitled to receive benefits under the plans. The Company uses five-year asset smoothing to determine the defined benefit pension costs. In the case where a plan restructuring entails both a plan curtailment and settlement of obligations from the plan, the curtailment is recorded before the settlement. The average remaining service period of active participants covered by the pension plans is 11.5 years.

Revenue recognition

The Company recognizes revenue upon shipment of goods when the title and risk of loss are transferred to customers, price is determinable, collection is reasonably assured and when persuasive evidence of an arrangement exists. Revenues are recorded net of sales incentives including volume rebates, shelving or slotting fees, and advertising rebates.

Foreign currency translation

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

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

	2008	2007
Foreign currency (loss) gain	\$ (99)	\$ 855

Stock-based compensation

The fair value based method of accounting is used to expense stock-based compensation awards. This method consists of recording compensation cost to earnings over the vesting period of options granted. When stock options are exercised, any consideration paid by employees and the related compensation expense recorded as contributed surplus are credited to share capital.

Earnings per share

Basic earnings per share are based on the weighted-average number of shares outstanding during the year. The dilutive effect of stock options is determined using the treasury stock method.

FUTURE ACCOUNTING POLICIES

Inventories

In June 2007, the CICA issued Section 3031, Inventories, replacing Section 3030, Inventories. The new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning April 1, 2008. It provides more guidance on the measurement and disclosure requirements for inventories. The Company is currently evaluating the impact of the adoption of this new Section on its consolidated financial statements.

Goodwill and intangible assets

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning April 1, 2009. It 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 is currently evaluating the impact of the adoption of this new Section on its consolidated financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, the Company's transition date of April 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended March 31, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

2. PORTFOLIO INVESTMENT

	2008	2007
21% share capital interest in Dare Holdings Ltd.	\$ 41,343	\$ 42,991

The portfolio investment is recorded at cost less the excess of dividends received over the Company's share in accumulated earnings. No dividends were received in fiscal 2008 or 2007.

During the year, the Company received from Dare Holdings Ltd. an amount of \$1,648,000, as a full loan reimbursement, which was included in this investment.

3. FIXED ASSETS

	2008			2007		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Land	\$ 34,117	\$ -	\$ 34,117	\$ 27,666	\$ -	\$ 27,666
Buildings	337,789	74,679	263,110	278,463	68,750	209,713
Furniture, machinery and equipment	997,317	431,054	566,263	824,427	383,350	441,077
Rolling stock	12,478	7,662	4,816	12,928	7,156	5,772
Held for sale	3,433	-	3,433	6,998	-	6,998
	\$ 1,385,134	\$ 513,395	\$ 871,739	\$ 1,150,482	\$ 459,256	\$ 691,226

During the year, a gain on sale of fixed assets held for sale totalling \$144,000 (\$122,000 in 2007) was recorded in cost of sales, selling and administrative expenses. These assets relate mainly to the activities of our Canada, Europe and Argentina Dairy Products Sector.

In fiscal 2007, a \$3,238,000 write down to fair value of certain buildings and machinery and equipment was recorded. This charge is included in depreciation of fixed assets.

Fixed assets held for sale represent mainly machinery, equipment and buildings in Canada and the US that will be disposed of as a result of certain plant closures.

The book value of fixed assets under construction, that are not being amortized, amounts to \$46,593,000 as at March 31, 2008 (\$22,518,000 as at March 31, 2007) and consists mainly of machinery and equipment.

4. GOODWILL, TRADEMARKS AND OTHER INTANGIBLES

	2008			2007		
	Dairy Products Sector	Grocery Products Sector	Total	Dairy Products Sector	Grocery Products Sector	Total
Goodwill						
Balance, beginning of year	\$ 377,949	\$ 169,430	\$ 547,379	\$ 379,959	\$ 164,513	\$ 544,472
Foreign currency translation adjustment	(24,833)	-	(24,833)	(2,405)	-	(2,405)
Business acquisitions (Note 15)	-	-	-	395	4,917	5,312
Balance, end of year	\$ 353,116	\$ 169,430	\$ 522,546	\$ 377,949	\$ 169,430	\$ 547,379
Trademarks and other intangibles						
Balance, beginning of year	\$ 30,340	\$ 2,000	\$ 32,340	\$ 30,589	\$ -	\$ 30,589
Foreign currency translation adjustment	(2,863)	-	(2,863)	(249)	-	(249)
Business acquisitions (Note 15)	9,080	-	9,080	-	2,000	2,000
Amortization	(514)	-	(514)	-	-	-
Balance, end of year	\$ 36,043	\$ 2,000	\$ 38,043	\$ 30,340	\$ 2,000	\$ 32,340

5. OTHER ASSETS

	2008	2007
Net accrued pension plan assets (Note 16)	\$ 56,239	\$ 54,326
Taxes receivable	10,822	12,626
Other	8,196	6,774
	\$ 75,257	\$ 73,726

6. BANK LOANS

The Company has available short-term bank credit facilities providing for bank loans up to a maximum of approximately \$649,000,000. The North American bank loans, which expired in December 2012, are available mainly in US dollars or the equivalent in other currencies and bear interest at rates based on lenders' prime rates plus a maximum of 0.25% or LIBOR or bankers' acceptances rate plus 0.50% up to a maximum of 1.125%, depending on the interest-bearing debt to the earnings before interest, depreciation and amortization and income taxes ratio of the Company. 14% of the total short-term bank credit facilities is available for the Argentina, Germany and United Kingdom businesses and bear interest at local market rates.

7. LONG-TERM DEBT

	2008	2007
Senior notes		
8.12%, due in November 2009 (US\$170,000,000)	\$ 174,505	\$ 196,282
8.41%, due in November 2014 (US\$50,000,000)	51,325	57,730
Other loans, paid in 2008	-	21
	225,830	254,033
Current portion	-	21
	\$ 225,830	\$ 254,012

Estimated principal payments required in future years are \$174,505,000 in 2010 and \$51,325,000 in 2015.

8. OTHER LIABILITIES

	2008	2007
Employee future benefits (Note 16)	\$ 9,202	\$ 9,430
Other	4,770	6,983
	\$ 13,972	\$ 16,413

9. SHARE CAPITAL

AUTHORIZED

The authorized share capital of the Company consists of an unlimited number of common and preferred shares. The common shares are voting and participating. The preferred shares may be issued in one or more series, the terms and privileges of each series to be determined at the time of their creation.

STOCK DIVIDEND

On November 6, 2007, the Company declared a 100% stock dividend, whereby the shareholders of the Company received an additional share for every share held. The stock dividend was applicable to shareholders of record as of the close of business on December 10, 2007, which had the same effect as a two-for-one stock split of the Company's outstanding Common Shares. All references made to prior fiscal year's number and prices of common shares and share options have been adjusted to reflect this stock dividend.

	2008	2007
ISSUED		
205,962,964 common shares (207,353,834 in 2007)	\$ 536,921	\$ 511,737

2,314,370 common shares (1,938,124 in 2007) for an amount of \$28,366,000 (\$20,886,000 in 2007) were issued during the year ended March 31, 2008 pursuant to the share option plan. For share options granted since April 1, 2002, the amount previously accounted for as an increase to contributed surplus was also transferred to share capital upon the exercise of options. For the year ended March 31, 2008, the amount transferred from contributed surplus was \$6,032,000 (\$3,481,000 in 2007).

9. SHARE CAPITAL (cont'd)

Pursuant to the normal course issuer bid, which began on November 13, 2006, the Company could have purchased for cancellation up to 10,358,608 common shares until November 12, 2007. Pursuant to the new normal course issuer bid, which began on November 13, 2007, the Company may purchase for cancellation up to 10,272,848 common shares until November 12, 2008. During the year ended March 31, 2008, the Company purchased 3,705,240 (2,813,400 in 2007) common shares at prices ranging from \$21.73 to \$22.00 per share (\$17.38 to \$19.00 in 2007). The excess of the purchase price over the carrying value of the shares in the amount of \$72,258,000 (\$43,796,000 in 2007) was charged to retained earnings.

SHARE OPTION PLAN

The Company established a share option plan to allow for the purchase of common shares by key employees, officers and directors of the Company. The total number of common shares which may be issued pursuant to this plan cannot exceed 28,000,000 common shares. Options granted prior to July 31, 2007 may be exercised at a price equal to the closing quoted value of the shares on the day preceding the grant date. Options granted thereafter may be exercised at a price not less than the weighted average market price for the five trading days immediately preceding the date of grant. The options vest at 20% per year and expire ten years from the grant date.

Options issued and outstanding as at the year ends are as follows:

Granting period	Exercise price	2008		2007	
		Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
1998	\$ 4.25	-	\$ 4.25	38,000	\$ 4.25
1999	from \$8.06 to \$9.37	20,480	\$ 9.22	106,280	\$ 9.22
2000	\$ 9.85	111,404	\$ 9.85	213,898	\$ 9.85
2001	\$ 6.75	217,836	\$ 6.75	526,804	\$ 6.75
2002	from \$9.50 to \$11.50	409,246	\$ 9.52	838,410	\$ 9.52
2003	\$ 15.18	745,912	\$ 15.18	1,085,188	\$ 15.18
2004	\$ 11.25	1,203,594	\$ 11.25	1,597,510	\$ 11.25
2005	\$ 16.53	1,138,316	\$ 16.53	1,454,626	\$ 16.53
2006	\$ 18.08	1,383,476	\$ 18.08	1,655,864	\$ 18.08
2007	\$ 16.35	1,933,324	\$ 16.35	2,194,636	\$ 16.35
2008	\$ 23.09	1,729,840	\$ 23.09	-	-
		8,893,428	\$ 16.52	9,711,216	\$ 14.32
Options exercisable at end of year		3,535,818	\$ 13.56	4,023,642	\$ 12.02

Changes in the number of options are as follows:

	2008		2007	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of year	9,711,216	\$ 14.32	9,758,486	\$ 13.18
Options granted	1,779,172	\$ 23.09	2,282,450	\$ 16.35
Options exercised	(2,314,370)	\$ 12.25	(1,938,124)	\$ 10.78
Options cancelled	(282,590)	\$ 17.46	(391,596)	\$ 15.13
Balance at end of year	8,893,428	\$ 16.52	9,711,216	\$ 14.32

The exercise price of these options granted in fiscal 2008 is \$23.09 (\$16.35 in 2007), which corresponds to the closing quoted value of the shares on the day preceding the grant date.

The fair value of share purchase options granted in fiscal 2008 was estimated at \$7.17 per option (\$4.89 in 2007), using the Black Scholes option pricing model with the following assumptions:

	2008	2007
Risk-free interest rate:	4.0%	4.2%
Expected life of options:	5 years	5 years
Volatility:	25%	35%
Dividend rate:	2.1%	2.5%

A compensation expense of \$8,279,000 (\$7,323,000 after income taxes) relating to stock options was recorded in the statement of earnings for the year ended March 31, 2008 and \$7,917,000 (\$6,958,000 after income taxes) was recorded for the year ended March 31, 2007.

9. SHARE CAPITAL (cont'd)

The effect of this expense on basic and diluted earnings per share was \$0.04 for the year ended March 31, 2008, and \$0.04 for the year ended March 31, 2007.

Options to purchase 1,634,393 common shares at a price of \$27.81 were also granted on April 1, 2008.

DEFERRED SHARE UNITS PLAN FOR DIRECTORS

Since April 1, 2004, all eligible directors of the Company are allocated annually a fixed amount of deferred share units (annual grant) which are granted on a quarterly basis in accordance with the deferred share units plan. Also, the directors have a choice to receive either cash or deferred share units for their compensation. The number of units issued to each director is based on the market value of the Company's common shares at each grant date. Following cessation of functions as director of the Company, a cash payment equal to the market value of the accumulated deferred share units will be disbursed. The liability relating to these units is adjusted by taking the number of units outstanding multiplied by the market value of common shares at the Company's year-end. The variation of the liability is recorded as an expense in cost of sales, selling and administrative expenses.

	2008		2007	
	Units	Liability	Units	Liability
Beginning of year	85,450	\$ 2,182	55,808	\$ 1,009
Annual grant	16,000	421	16,000	309
Board compensation	11,151	367	13,642	323
Increase due to change in stock price	-	477	-	541
End of year	112,601	\$ 3,447	85,450	\$ 2,182

10. CONTRIBUTED SURPLUS

	2008	2007
Contributed surplus, beginning of year	\$ 18,864	\$ 14,428
Stock based compensation	8,279	7,917
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	974	-
Amount transferred to share capital	(6,032)	(3,481)
Contributed surplus, end of year	\$ 22,085	\$ 18,864

11. ACCUMULATED OTHER COMPREHENSIVE LOSS

	2008	2007
Accumulated other comprehensive loss, beginning of year	\$ (82,664)	\$ (77,266)
Other comprehensive loss	(63,750)	(5,398)
Accumulated other comprehensive loss, end of year	\$ (146,414)	\$ (82,664)

12. OTHER INTEREST

	2008	2007
Expense	\$ 7,707	\$ 4,055
Income	(1,169)	(7,553)
	\$ 6,538	\$ (3,498)

13. INCOME TAXES

The provision for income taxes is comprised of the following:

	2008	2007
Current income taxes	\$ 117,228	\$ 98,169
Future income taxes	15,838	(1,525)
	\$ 133,066	\$ 96,644

13. INCOME TAXES (cont'd)

Reconciliation of income taxes, calculated using statutory Canadian income tax rates, to the income tax provision presented in the statement of earnings:

	2008	2007
Income taxes, calculated using Canadian statutory income tax rates	\$ 131,946	\$ 108,415
Adjustments resulting from the following:		
Effect of tax rates of foreign subsidiaries	6,576	685
Changes in tax laws and rates	(6,577)	(6,058)
Benefit arising from investment in subsidiaries	(12,038)	(8,033)
Stock based compensation	1,891	2,142
Effect of losses carry forward	4,480	(3,096)
Other	6,788	2,589
Provision for income taxes	\$ 133,066	\$ 96,644

The tax effects of temporary differences that give rise to significant portions of the future tax asset and liability are as follows:

	2008	2007
Future income tax asset		
Accounts payable and accrued liabilities	\$ 10,153	\$ 6,895
Income tax losses	904	10,681
Portfolio Investment	738	1,151
Other	8,563	7,272
	\$ 20,358	\$ 25,999

	2008	2007
Future income tax liability		
Inventories	\$ 19,390	\$ 5,863
Fixed assets	79,395	82,757
Net assets of pension plans	12,092	13,423
Other assets	7,904	6,596
Long-term debt	10,475	10,942
	\$ 129,256	\$ 119,581

Classified in the financial statements as:

Current future income tax asset	\$ 17,150	\$ 13,045
Long-term future income tax asset	5,048	9,720
Current future income tax liability	(19,790)	(1,294)
Long-term future income tax liability	(111,306)	(115,053)
Net future income tax liability	\$ (108,898)	\$ (93,582)

POTENTIAL TAX BENEFITS

As of March 31, 2008, in addition to the income tax losses recorded, the Company has income tax losses of approximately \$6,905,000 (\$26,357,000 in 2007) which may be used to reduce future years' taxable income of its foreign subsidiaries. These losses can be carried forward indefinitely.

14. EARNINGS PER SHARE

	2008	2007
Net earnings	\$ 288,200	\$ 238,467
Weighted average number of common shares outstanding	205,660,927	207,440,308
Dilutive options	2,638,598	1,455,456
Dilutive number of common shares outstanding	208,299,525	208,895,764
Basic earnings per share	\$ 1.40	\$ 1.15
Diluted earnings per share	\$ 1.38	\$ 1.14

When calculating dilutive earnings per share in 2007 and 2008, no options were excluded from the calculation due to the exercise price being lower than the average market value of the share.

Shares purchased during the year under both normal course issuer bids were excluded from the calculation of earnings per share as of the date of purchase.

15. BUSINESS ACQUISITIONS

On April 2, 2007, the Company acquired the activities of Land O'Lakes West Coast industrial cheese business in the United States for a cash consideration of \$250,904,000. The fair values attributed to the assets acquired were \$22,620,000 to working capital, \$222,504,000 to fixed assets, and \$ 5,780,000 to other intangibles.

During fiscal 2008, the Company also acquired cheese import quotas, from a company subject to significant influence by its principal shareholders, for its Dairy Products Division (Canada) for a cash consideration of \$3,300,000. This purchase is allocated to other intangibles.

On April 13, 2006, the Company acquired the activities of Spezialitäten-Kaserei De Lucia GmbH (a German cheese manufacturer producing Italian cheese specialties) for a cash consideration of \$7,086,000, which was attributed mainly to fixed assets.

On July 28, 2006, the Company acquired the activities of Boulangerie Rondeau Inc. and Biscuits Rondeau Inc. (a fresh tart and cookie manufacturer operating in Canada) for a cash consideration of \$12,545,000. The fair values attributed to the assets acquired were \$1,218,000 to working capital, \$4,410,000 to fixed assets, \$4,917,000 to goodwill, and \$2,000,000 to trademarks.

On March 23, 2007, the Company acquired the activities of Dansco Dairy Products Limited (a United Kingdom manufacturer producing mainly mozzarella) for a cash consideration of \$12,163,000. The fair values attributed to the assets acquired were \$3,935,000 to working capital, and \$8,228,000 to fixed assets.

16. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

The Company provides benefit and defined contribution pension plans as well as other benefit plans such as health insurance, life insurance and dental plans to be eligible employees and retired employees.

Under the terms of the defined benefit pension plans, pensions are based on years of service and the average salary of the last employment years or the career salary. Contributions paid by employees and contributions by the Company are based on recommendations from independent actuaries. Actuarial valuations were performed in December 2006 and July 2007. The measurement date of pension plan assets and liabilities is December 31.

The defined contribution pension plans entitle participating employees to an annual contribution giving right to a pension.

Plan assets are principally comprised of shares of Canadian and foreign companies (53%), fixed income investments (43%) and cash and short-term investments (4%).

16. EMPLOYEE PENSION AND OTHER BENEFIT PLANS (cont'd)

FINANCIAL POSITION OF THE PLANS

	2008		2007	
	Defined benefit pension plans	Other benefit plans	Defined benefit pension plans	Other benefit plans
Changes in accrued benefit obligations				
Benefits obligation at beginning of year	\$ 199,938	\$ 13,143	\$ 200,370	\$ 13,001
Addition during the year	-	588	-	-
Current service cost	7,756	224	7,096	256
Interest cost	10,361	667	10,339	658
Benefits paid	(12,690)	(1,368)	(14,612)	(1,144)
Actuarial (gains) losses	(8,805)	(278)	(3,225)	406
Foreign currency gain	(390)	(292)	(30)	(34)
Benefits obligation at end of year	196,170	12,684	199,938	13,143
Changes in fair value of plan assets				
Fair value of plan assets at beginning of year	193,146	-	175,819	-
Actual return on plan assets	657	-	19,254	-
Employer contributions	10,101	1,196	11,563	944
Employee contributions	1,125	172	1,150	200
Benefits paid	(12,690)	(1,368)	(14,613)	(1,144)
Foreign currency loss	(279)	-	(27)	-
Fair value of plan assets at end of year	192,060	-	193,146	-
Funded status				
Deficit, end of year	(4,111)	(12,684)	(6,792)	(13,143)
Unamortized actuarial losses	65,903	2,223	67,104	2,251
Unamortized past service cost	963	201	1,081	231
Valuation allowance	(573)	-	(181)	-
Unamortized transitional obligation	(7,593)	973	(8,749)	1,169
Asset (liability) as at the measurement date	54,589	(9,287)	52,463	(9,492)
Employer contributions made from the measurement date to the end of the year	1,650	85	1,863	62
Net asset (liability) recognized in the balance sheet	\$ 56,239	\$ (9,202)	\$ 54,326	\$ (9,430)

16. EMPLOYEE PENSION AND OTHER BENEFIT PLANS (cont'd)

Most defined benefit pension plans present an accrued benefits obligation in excess of plan assets.

EMPLOYEE BENEFIT PLANS EXPENSE

	2008		2007	
	Pension plans	Other benefit plans	Pension plans	Other benefit plans
Defined benefit plans				
Employer current service cost	\$ 6,631	\$ 52	\$ 5,946	\$ 56
Interest cost on benefits obligation	10,361	667	10,339	658
Actual return on plan assets	(657)	-	(19,254)	-
Actuarial (gains) losses	(8,805)	(278)	(3,225)	406
Unadjusted benefits (income)/expense before taking into account the long-term nature of the cost	7,530	441	(6,194)	1,120
Difference between expected return and actual return on plan assets	(12,765)	-	6,538	-
Difference between amortized past service costs and plan amendments for the year	115	31	115	31
Difference between net actuarial loss recognized and actual actuarial loss on benefits obligation	13,858	636	8,608	(140)
Transitional obligation amortization	(1,156)	196	(1,156)	196
Defined benefit plan expense before valuation allowance	7,582	1,304	7,911	1,207
Valuation allowance	392	-	181	-
Defined benefit plan expense	7,974	1,304	8,092	1,207
Defined contribution plan expense	12,733	-	11,929	-
Total benefit plan expense	\$ 20,707	\$ 1,304	\$ 20,021	\$ 1,207

For the year ended March 31, 2008, the Company's total expense for all its employee benefits plans was \$22,011,000 (\$21,228,000 in 2007) and the total Company contributions to the employee benefits plans was \$24,030,000 (\$24,436,000 in 2007).

Weighted average assumptions

To determine benefits obligation at the end of year:				
Discount rate	5.61%	5.44%	5.26%	5.35%
Rate of compensation	3.50%	3.50%	3.50%	3.50%
To determine benefit plans expense:				
Discount rate	5.26%	5.35%	5.26%	5.31%
Expected long-term rate of return on plan assets	7.30%	N/A	7.31%	N/A
Rate of compensation increase	3.50%	3.50%	3.50%	3.50%

For measurement purposes, a 6.6% to 9% annual rate of increase was used for health, life insurance and dental plan costs for the year 2009 and this rate is assumed to decrease gradually to 6% in 2013. In comparison, during the previous year, a 7% to 10% annual rate was used for the year 2008 and that rate was assumed to decrease gradually to 5.1% in 2012.

17. COMMITMENTS AND CONTINGENCIES

The Company carries on some of its operations in leased premises and has also entered into lease agreements for equipment and rolling stock. The minimum annual lease payments required are as follows:

2009	\$ 11,864
2010	9,241
2011	7,417
2012	5,455
2013	4,359
Subsequent years	8,672
	\$ 47,008

The Company is defendant to certain claims arising from the normal course of its business. The Company believes that the final resolution of these claims will not have a material adverse effect on its earnings or financial position. During fiscal 2007, a proposed change with retroactive effect to Canadian provincial tax legislation was effectively enacted. A tax assessment for an amount of approximately \$12,000,000 was issued as a result of the enactment. The Company has legal basis to believe that it will not have to pay such tax assessment. Therefore, no amount has been included in the financial statements.

17. COMMITMENTS AND CONTINGENCIES (cont'd)

INDEMNIFICATIONS

The Company from time to time offers indemnifications to third parties in the normal course of its business, in connection with business or asset acquisitions or dispositions. These indemnification provisions may be in connection with breach of representations and warranties and for future claims for certain liabilities, including liabilities related to tax and environmental matters. The terms of these indemnification provisions vary in duration. At March 31, 2008, given that the nature and amount of such indemnifications depend on future events, the Company is unable to reasonably estimate its maximum potential liability under these agreements. The Company has not made any significant indemnification payments in the past, and as at March 31, 2008 and 2007, the Company has not recorded a liability associated with these indemnifications.

LEASES

The Company guarantees to certain lessors a portion of the residual value of certain leased assets with respect to operating which mature until 2014. If the market value of leased assets, at the end of the respective operating lease term, is inferior to the guaranteed residual value, the Company is obligated to indemnify the lessor, specific to certain conditions, for the shortfall up to a maximum value. The Company believes that the potential indemnification will not have a significant effect on the consolidated financial statements.

18. RELATED PARTY TRANSACTIONS

The Company receives and provides services from companies subject to significant influence through ownership by its principal shareholder. These transactions were made in the normal course of business and have been recorded at the exchange amount which corresponds to the fair market value. All amounts are included in cost of sales, selling and administrative expenses on the statement of earnings.

Services received were the following:

	2008	2007
Rent, travel and lodging expenses	\$ 2,135	\$ 2,164
Management fees for compensation of the Chairman of the Board	500	500
	\$ 2,635	\$ 2,664

Services provided were the following:

Management fees for services provided by the Company	\$ 175	\$ 175
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There are no amounts receivable or payable with respect to these transactions as at March 31, 2008 and 2007.

19. FINANCIAL INSTRUMENTS

In the normal course of business, the Company uses various financial instruments which by their nature involve risk, including credit risk, liquidity risk, and market risk. Market risk consists of price risk (including commodity price risk, and quoted market price risk), foreign exchange risk, and interest rate risk. These financial instruments are subject to normal credit standards, financial controls, risk management as well as monitoring procedures. The following analysis provides a measurement of risks as at the balance sheet dates.

A) FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company has made the following classifications in its determination of estimates for fair values of each of its financial instruments:

Cash and cash equivalents are classified as financial assets held for trading and are measured at fair value.

Accounts receivable are classified as loans and receivables and are initially measured at fair value and subsequently at amortized cost.

Portfolio Investment is classified as available for sale, and is carried at amortized cost since it does not have a quoted price in an active market.

Other assets that meet the definition of a financial asset are classified as loans and receivables and are initially measured at fair value and subsequently at amortized cost.

Bank loans are classified as financial liabilities held for trading and are measured at fair value.

Accounts payable and accrued liabilities, other liabilities and long-term debt are classified as other liabilities and are initially measured at fair value and subsequently at amortized cost, with the exception of the liability related to deferred share units which is measured at fair value.

The Company has determined that the fair value of its financial assets and financial liabilities approximates their respective carrying amounts as at the balance sheet dates.

The fair value of long-term debt, estimated by discounting expected cash flows at rates currently offered to the Company for debts of the same remaining maturities and conditions, is \$251,598,000 (\$277,500,000 in 2007).

19. FINANCIAL INSTRUMENTS (cont'd)

B) CREDIT RISK

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash equivalents and accounts receivables.

The cash equivalents consist mainly of short-term deposits. None of the cash equivalents are in asset backed commercial paper products. The Company has deposited the cash equivalents with reputable financial institutions, from which management believes the risk of loss to be remote.

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 no exposure to concentration of credit risk with respect to accounts receivable from customers due to its large and diverse customer base operating and its geographic diversity. There are no accounts receivable from any individual customer that exceeds 10% of the total balance of accounts receivable as of March 31, 2008.

Allowance for doubtful accounts and past due receivables are reviewed by management at each balance sheet reporting date. 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 account historic collection trends of past due accounts. Accounts receivable are written-off once determined not to be collectable.

On average, the Company will generally have 10% of accounts receivable that is due beyond normal terms, but is not impaired. The carrying amount of accounts receivable is reduced by an allowance account and the amount of the loss is recognized in the income statement within operating expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against operating expenses in the income statement. However, management does not believe that these allowances are significant.

C) LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in Note 20 to the audited consolidated financial statements ("Capital Disclosures"). It also manages liquidity risk by continuously monitoring actual and projected cash flows. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions out of the normal course of business.

As at March 31, 2008, the Company was holding cash and cash equivalents of \$165,710,000. The Company also has available \$649,000,000 in short-term bank credit facilities (Note 6). Given the Company's available liquid resources as compared to the timing of the payments of liabilities, management assesses the Company's liquidity risk to be low.

D) INTEREST RATE RISK

The short-term bank credit facilities bear interest at fluctuating rates. The long-term debt is at a fixed rate therefore no interest rate risk exists.

For the fiscal year ended March 31, 2008, the interest expense on long-term debt totalled \$18,806,000 (\$22,603,000 in March 31, 2007). The interest accrued to March 31, 2008 was an amount of \$7,049,000 (\$7,929,000 at March 31, 2007).

Based on the balance outstanding during the year ended March 31, 2008, a 1% increase in the interest rate index would have resulted in a decrease of \$2,200,000 in earnings before income taxes. For a 1% decrease in the interest rate index there would be an equal and opposite impact on earnings before income taxes.

E) FOREIGN EXCHANGE RISK

The Company operates internationally and is exposed to foreign exchange risk arriving from various foreign currency transactions. Foreign exchange transaction risk arises primarily from future commercial transactions that are denominated in a currency that is not the functional currency of the Company's business unit that is party to the transaction. The Company had outstanding foreign currency contracts as at the balance sheet date for the purchase of 2,400,000 euros (1,300,000 euros and \$5,500,000 US in 2007).

The Company is mainly exposed to fluctuations of the US dollar. The following table details the Company's sensitivity to a 1% strengthening of the US dollar on the net earnings and comprehensive income against the Canadian dollar. For a 1% weakening of the US dollar against the Canadian dollar, there would be an equal and opposite impact on net earnings and comprehensive income.

	2008
	US dollar impact
Increase in net earnings	\$ 681
Increase in comprehensive income	\$ 5,070

19. FINANCIAL INSTRUMENTS (cont'd)

F) COMMODITY PRICE RISK

The Company occasionally enters into hedging contracts to hedge against fluctuations in the price of commodities. Outstanding contracts as at the balance sheet date had a positive fair value of \$600,000 (negative fair value of \$756,000 in 2007).

20. CAPITAL DISCLOSURES

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its growth strategy and undertake selective acquisitions, while at the same time taking a conservative approach towards financial leverage and management of financial risk. An additional objective is to provide an adequate return to its shareholders. Furthermore, the Company believes that the purchases of its own shares may, under appropriate circumstances, be a responsible use of its capital.

The Company's capital is composed of net debt and shareholders' equity. Net debt consists of interest-bearing debt and bank loans, net of cash and cash equivalents. The Company's primary uses of capital is to finance increases in non-cash working capital and for capital expenditures such as capacity expansion and business acquisitions.

The primary measure used by the Company to monitor its financial leverage is its ratio of net debt to shareholders' equity. The net debt to equity ratio as at March 31, 2008 and March 31, 2007 was as follows:

	2008	2007
Bank loans	\$ 222,584	\$ 139,001
Current portion of long-term debt	-	21
Long-term debt	225,830	254,012
Cash and cash equivalents	(165,710)	(276,894)
Net debt	282,704	116,140
Shareholders' equity	1,619,160	1,533,018
Net debt to equity	0.17:1	0.08:1

The Company believes that the results of the current internal ratio is consistent with its capital management's objectives.

The Company has existing credit facilities which require a quarterly review and the Company is not in violation of any such ratios as of March 31, 2008.

The Company is not subject to capital requirements imposed by a regulator.

21. SEGMENTED INFORMATION

The Company has two operating Sectors: Dairy Products and Grocery Products.

The Dairy Products Sector principally includes the production and distribution of cheeses and fluid milk. The activities of this sector are carried out in Canada, Europe, Argentina (CEA) and United States (USA).

The Grocery Products Sector consists of the production and marketing of mainly snack-cakes. Total assets of this sector include the portfolio investment.

These operating sectors are managed separately because each sector represents a strategic business unit that offers different products and serves different markets. The Company measures performance based on geographic operating income and sector operating income on a stand-alone basis.

The accounting policies of the sectors are the same as those described in Note 1 relating to significant accounting policies. The Company does not have any intersector sales.

21. SEGMENTED INFORMATION (cont'd)

Information on operating sectors

	2008			2007		
	CEA	USA	Total	CEA	USA	Total
Revenues ¹						
Dairy products	\$ 2,966,293	\$ 1,927,983	\$ 4,894,276	\$ 2,794,099	\$ 1,036,830	\$ 3,830,929
Grocery products	164,624	-	164,624	170,051	-	170,051
	\$ 3,130,917	\$ 1,927,983	\$ 5,058,900	\$ 2,964,150	\$ 1,036,830	\$ 4,000,980
Earnings before interest, depreciation and income taxes						
Dairy products	\$ 363,365	\$ 145,478	\$ 508,843	\$ 317,086	\$ 82,890	\$ 399,976
Grocery products	17,201	-	17,201	26,356	-	26,356
	\$ 380,566	\$ 145,478	\$ 526,044	\$ 343,442	\$ 82,890	\$ 426,332
Depreciation of fixed assets						
Dairy products	\$ 36,810	\$ 34,780	\$ 71,590	\$ 36,163	\$ 29,849	\$ 66,012
Grocery products	7,844	-	7,844	6,104	-	6,104
	\$ 44,654	\$ 34,780	\$ 79,434	\$ 42,267	\$ 29,849	\$ 72,116
Operating income						
Dairy products	\$ 326,555	\$ 110,698	\$ 437,253	\$ 280,923	\$ 53,041	\$ 333,964
Grocery products	9,357	-	9,357	20,252	-	20,252
	\$ 335,912	\$ 110,698	\$ 446,610	\$ 301,175	\$ 53,041	\$ 354,216
Interest			25,344			19,105
Earnings before income taxes			421,266			335,111
Income taxes			133,066			96,644
Net earnings			\$ 288,200			\$ 238,467

¹ Revenues are attributable to countries based upon manufacturing origin.

21. SEGMENTED INFORMATION (cont'd)

Geographic information

	2008				2007			
	Canada	Argentina & Europe	United States	Total	Canada	Argentina & Europe	United States	Total
Revenues ¹								
Dairy products	\$ 2,700,962	\$ 265,331	\$ 1,927,983	\$ 4,894,276	\$ 2,566,645	\$ 227,454	\$ 1,036,830	\$ 3,830,929
Grocery products	164,624	-	-	164,624	170,051	-	-	170,051
	\$ 2,865,586	\$ 265,331	\$ 1,927,983	\$ 5,058,900	\$ 2,736,696	\$ 227,454	\$ 1,036,830	\$ 4,000,980
Total assets								
Dairy products	\$ 1,075,228	\$ 237,687	\$ 1,114,556	\$ 2,427,471	\$ 1,014,705	\$ 206,145	\$ 961,923	\$ 2,182,773
Grocery products	306,005	-	-	306,005	305,594	-	-	305,594
	\$ 1,381,233	\$ 237,687	\$ 1,114,556	\$ 2,733,476	\$ 1,320,299	\$ 206,145	\$ 961,923	\$ 2,488,367
Net book value of fixed assets								
Dairy products	\$ 342,908	\$ 91,645	\$ 391,537	\$ 826,090	\$ 332,980	\$ 102,073	\$ 209,666	\$ 644,719
Grocery products	45,649	-	-	45,649	46,507	-	-	46,507
	\$ 388,557	\$ 91,645	\$ 391,537	\$ 871,739	\$ 379,487	\$ 102,073	\$ 209,666	\$ 691,226
Additions to fixed assets								
Dairy products	\$ 42,113	\$ 7,674	\$ 42,594	\$ 92,381	\$ 24,264	\$ 28,588	\$ 15,699	\$ 68,551
Grocery products	9,342	-	-	9,342	7,576	-	-	7,576
	\$ 51,455	\$ 7,674	\$ 42,594	\$ 101,723	\$ 31,840	\$ 28,588	\$ 15,699	\$ 76,127
Goodwill								
Dairy products	\$ 156,324	\$ 395	\$ 196,397	\$ 353,116	\$ 156,324	\$ 395	\$ 221,230	\$ 377,949
Grocery products	169,430	-	-	169,430	169,430	-	-	169,430
	\$ 325,754	\$ 395	\$ 196,397	\$ 522,546	\$ 325,754	\$ 395	\$ 221,230	\$ 547,379

¹ Revenues are attributable to countries based upon manufacturing origin.

22. SUBSEQUENT EVENTS

On April 1, 2008, the Company acquired the activities of Alto Dairy Cooperative in the US for a cash consideration of \$163,000,000. The fair values attributed to the assets acquired were \$27,000,000 to working capital, \$72,500,000 to fixed assets and \$63,500,000 to goodwill. The final allocation of the purchase price will be completed in the next fiscal year.

23. COMPARATIVE AMOUNTS

Certain of the prior year's comparative figures have been reclassified to conform to the current year's presentation.

SHAREHOLDER Information

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GENERAL ANNUAL MEETING OF SHAREHOLDERS

Wednesday, August 6, 2008, at 11 a.m.
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EXTERNAL AUDITORS

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DIVIDEND POLICY

Saputo Inc. declares quarterly cash dividends on common shares at \$0.12 per share, representing a yearly dividend of \$0.48 per share. The balance of corporate earnings is reinvested to finance the growth of the Company's business.

The Board of Directors may review the Company's dividend policy from time to time based on financial position, operating results, capital requirements and such other factors as are deemed relevant by the Board in its sole discretion.

*Un exemplaire français vous sera expédié
sur demande adressée à :*

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