2009 ANNUAL REPORT

Saputo

TRADITION PASSION EVOLUTION




Saputo produces, markets and distributes a wide array of products of the utmost quality, including cheese, fluid milk, yogurt, dairy ingredients and snack-cakes. The Company remains focused on pursuing growth worldwide through product innovation and acquisitions, while remaining a low-cost, efficient producer. Our products are sold in more than **40 countries** under well-known brands such as *Saputo, Alexis de Portneuf, Armstrong, Baxter, Dairyland, Danscorella, De Lucia, Dragone, DuVillage 1860, Frigo Cheese Heads, Kingsey, La Paulina, Neilson, Nutrilait, Ricrem, Stella, Treasure Cave, HOP&GO!, Rondeau* and *Vachon*.

We process **approximately 6 billion litres of raw milk**. Saputo is the **11th largest dairy processor in the world**, the largest in Canada, the third largest in Argentina, among the top 3 cheese producers in the United States and the largest snack-cake manufacturer in Canada.

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

Our organization

2 Sectors

- **DAIRY PRODUCTS**
  - CANADA, EUROPE AND ARGENTINA (CEA) DAIRY PRODUCTS SECTOR
    - DAIRY PRODUCTS DIVISION (CANADA)
    - DAIRY PRODUCTS DIVISION (EUROPE)
    - DAIRY PRODUCTS DIVISION (ARGENTINA)
  - USA DAIRY PRODUCTS SECTOR
    - DAIRY PRODUCTS DIVISION (USA)
- **GROCERY PRODUCTS**
  - GROCERY PRODUCTS SECTOR
    - BAKERY DIVISION

5 Divisions

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As at March 31, 2009

	DAIRY PRODUCTS SECTOR		GROCERY PRODUCTS SECTOR
	CEA	USA	BAKERY
NUMBER OF PLANTS	30	15	2
NUMBER OF EMPLOYEES	5,783	2,733	1,107
% REVENUES	57	40	3

HIGHLIGHTS

Fiscal years ended March 31 (in thousands of dollars, except per share amounts and ratios)	2009	2008	2007
Revenues			
Dairy Products Sector			
CEA[1]	$ 3,323,541	$ 2,966,293	$ 2,794,099
USA	2,304,613	1,927,983	1,036,830
	5,628,154	4,894,276	3,830,929
Grocery Products Sector	165,109	164,624	170,051
	$ 5,793,263	$ 5,058,900	$ 4,000,980
Earnings before interest, depreciation, amortization and income taxes (EBITDA)[2]			
Dairy Products Sector			
CEA	$ 378,898	$ 363,365	$ 317,086
USA	152,006	145,478	82,890
	530,904	508,843	399,976
Grocery Products Sector	16,895	17,201	26,356
	$ 547,799	$ 526,044	$ 426,332
Net earnings	$ 278,948	$ 288,200	$ 238,467
Cash flows generated by operations	$ 467,288	$ 291,062	$ 343,501
Working capital	$ 166,728	$ 416,292	$ 521,114
Total assets	$ 3,499,103	$ 2,733,476	$ 2,488,367
Interest bearing debt[3]	$ 713,001	$ 282,704	$ 116,140
Shareholders' equity	$ 1,972,348	$ 1,619,160	$ 1,533,018
Per share[4]			
Net earnings			
Basic	$ 1.35	$ 1.40	$ 1.15
Diluted	$ 1.34	$ 1.38	$ 1.14
Dividends declared[5]	$ 0.56	$ 0.48	$ 0.40
Book value	$ 9.52	$ 7.86	$ 7.39
Financial ratios			
Interest bearing debt/Shareholders' equity	0.36	0.17	0.08
Return on average shareholders' equity	15.5%	18.3%	16.2%

[1] Canada, Europe and Argentina Dairy Products Sector.

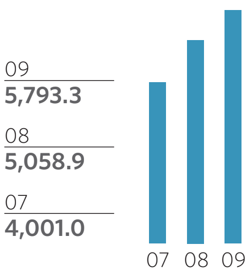
[2] Measurement of results not in accordance with Generally Accepted Accounting Principles.
The Company assesses its financial performance based on its EBITDA, this being earnings before interest, depreciation, amortization and income taxes. EBITDA is not a measurement of performance as defined by Generally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

[3] Net of cash and cash equivalents.

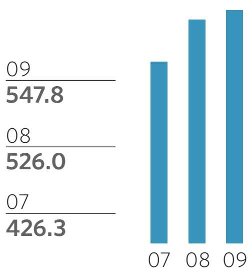
[4] All references to number and prices of Common Shares for 2007 herein have been adjusted to reflect the 100% stock dividend declared on December 10, 2007, which had the same effect as a two-for-one stock split.

[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.

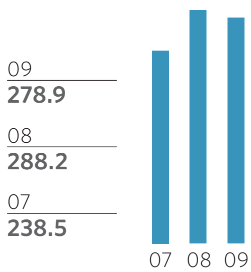
REVENUES
(in millions of dollars)



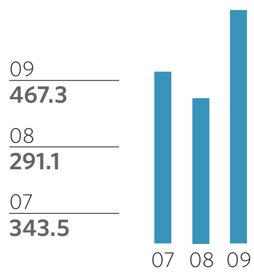
EBITDA
(in millions of dollars)



NET EARNINGS
(in millions of dollars)



CASH FLOWS GENERATED BY OPERATIONS
(in millions of dollars)



MESSAGE FROM THE CHAIRMAN OF THE BOARD

EMANUELE (LINO) SAPUTO
Chairman of the Board

At the heart of the Company since its founding, passion has allowed us to constantly reach new heights while dedicating ourselves to quality.

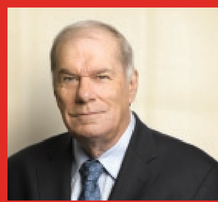












ANDRÉ BÉRARD, Corporate Director

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

ANTHONY M. FATA, President, Sager Food Products Inc.

JEAN GAULIN, Corporate Director

TONY METI, President, G.D.N.P. Consulting Services, Inc.

CATERINA MONTICCIOLO, 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 Italcan Inc.

LOUIS A. TANGUAY, Corporate Director

As Chairman of the Board, I have the privilege to witness firsthand the sustained evolution of our Company. I am proud to see that passion is still driving our team. At the heart of the Company since its founding, passion has allowed us to constantly reach new heights while dedicating ourselves to quality. The contribution of every single employee, no matter their role or title, helps us rise to business challenges and allows us to remain an efficient Company.

Our simple and proven structure, combined with a disciplined and rigorous approach, enables us to adapt to change and grow, while staying true to our tradition. This is why the Company is positioned for the future, while remaining inspired by its rich culture.

GOVERNANCE AND CONTINUING IMPROVEMENT

I am proud of our Company's successes as well as the accomplishments of the Board of Directors. It is my pleasure to report on the Board's main activities. Effective since our last General Annual Meeting held at the beginning of August 2008, we have expanded our Board of Directors and welcomed two new independent members. With 12 directors, we believe we better mirror the scope of our Company. It was an honour to greet Mr. Anthony M. Fata, President, Sager Food Products Inc., and Mr. Tony Meti, President, G.D.N.P. Consulting Services, Inc.

In recent years, we have implemented policies and procedures to improve our governance and allow our directors to optimize their knowledge of various key elements specific to Saputo, such as our industry and regulatory frameworks. We are very satisfied with the outcome of this initiative.

The Board of Directors is composed of the Corporate Governance and Human Resources committee, as well as the Audit committee. Members of both these committees have access to management to assist them in carrying out their duties. In order to inform the Board of the committees' work, a periodic report is presented by the respective committees' chair, after which a discussion period takes place between the directors. Board members can therefore stay informed on the achievements and projects of the committees.

Fiscal 2009 was a year in which we benefited from recent years' initiatives and consolidated our accomplishments. Our outlook is positive and the Board will continue, as per its mandate, to focus on making decisions based on the best interest of Saputo shareholders.

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. The positions of Chairman of the Board and Chief Executive Officer are separate. While founders of the Company are represented, the Board is composed of 12 directors, 10 of which are independent directors and meet separately following each regular meeting and upon needs. A Lead Director is also appointed to provide independent leadership of the Board of Directors and both committees are composed entirely of independent directors. Please refer to the Information Circular, dated June 9, 2009, for additional information concerning the Company's corporate governance practices.

We are committed to remaining vigilant and offering high-quality products, in line with our values.

RECOGNITION AND LOYALTY

I wish to sincerely thank all members of the Board of Directors for their assistance and counsel. The dedication they put into their work is invaluable to the Company. The Board of Directors and myself are looking forward to a new year of evolution and we will do our utmost to support the Company.

I also want to recognize our clients for choosing our products and thank our business partners for their trust. We are committed to remaining vigilant and offering high-quality products, in line with our values.

Finally, I thank all Saputo employees, at every level of the Company. Their unwavering commitment and efforts are a true inspiration to us. Without them, our goals are unattainable. They are the true source of our success.

LINO SAPUTO
Chairman of the Board

Our rich and solid past, combined with our fundamental approach to business, enable us to look confidently to the future.

CORPORATE MANAGEMENT
From left to right:

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

LIONEL ETTEDGUI, President and Chief Operating Officer, Bakery Division

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

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

CLAUDE PINARD, Executive Vice-President, Communications and Social Responsibility

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

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

Since our Company was first founded, our strong **tradition** has always been carried forward by an unwavering **passion**, which in turn fostered our **evolution**. A discipline-based approach has shaped our numerous successes and has allowed us to grow into a strong and resilient Company. While our heritage remains a true source of inspiration, we are determined to adapt to change as a means to grow. This is how we can evolve and rise to any challenge. Our business requires both stability and innovation, and we believe the key is to find a proper balance. In doing so, our rich and solid past, combined with our fundamental approach to business, enable us to look confidently to the future.

For fiscal 2009, total revenues amounted to $5.793 billion, up by 14.5% compared to last fiscal year. Net earnings totalled $278.9 million, compared to $288.2 million for the preceding fiscal year, down 3.2%. In fiscal 2009, we were faced with volatile market conditions as the block price per pound of cheese in the US fell throughout the year, in particular the last quarter, as did the dairy ingredients and cheese prices on the international market. In true form, we were able to combat these negative market conditions and end fiscal 2009 with respectable results.

Throughout fiscal 2009, we reinforced our commitment to growth. In Canada, our Dairy Products Division completed on December 1, 2008 the acquisition of Neilson Dairy, the dairy division of Weston Foods (Canada) Inc. (Neilson Dairy Acquisition), which enhanced our presence in Ontario, especially in the fluid milk and cream categories. We also successfully complied with the amended regulations that came into effect in December 2008, which set new standards for cheese manufactured in and imported to Canada. While we have always followed Canadian and international guidelines, we believe to have legal grounds to contest these new requirements. We have filed a challenge in the Federal Court of Canada in conjunction with two other dairy processors, which continues to follow its course. We have since worked to mitigate the impact of these amended regulations on our results and our customers.

During this past fiscal year, our US Dairy Products Division experienced an eventful year in terms of market conditions and completed the acquisition of the activities of Alto Dairy Cooperative on April 1, 2008 (Alto Acquisition). Our ongoing capital projects should improve our operational efficiencies and flexibility within the US dairy industry. We also completed our capital investment programs in our west coast plants acquired from Land O'Lakes in April 2007. These two acquisitions have almost doubled the size of our US Division and have provided us with an opportunity to strengthen our operational platform within a dynamic industry that faces a challenging and competitive environment.

Also, we restructured some of our operations. We completed the closure of our Hinesburg plant in Vermont, that was affected by a fire in September 2008, and production was successfully transferred to other US facilities. Furthermore, in the US, the average block market[1] per pound of cheese dropped considerably during the last quarter of fiscal 2009 which led us to apply minimum selling price policies and various cost reduction measures to minimize the effect of this trend.

During the first and second quarters of fiscal 2009, we experienced a good start in our Argentinean Division, as the market strengthened. During the third quarter, the international dairy market experienced surpluses in supply, resulting in sales prices of dairy products tumbling to a lower level by the end of fiscal 2009, while prices of milk as raw material did not adjust accordingly. Notwithstanding, our milk intake has progressed throughout the year and we increased our market share in a growing domestic market while continuing to diversify our international presence. We continue working at being more efficient and lowering our operating costs.

We are in a sound financial position and trust our ability to cope with the current economic context.

In Europe, the Company also faced lower selling prices due to weaker demand and increased supply. More stable milk prices are emerging as we continue to integrate the activities of our plants and invest in capital expenditure programs to stimulate overall efficiencies.

In the past few years, the Bakery Division has faced increases in raw material and packaging costs, thereby impacting its profitability. Various initiatives have been carried out to alleviate these increases and to optimize our recipes. Moreover, the snack-cake category is under increased pressure at the trade level because of the introduction of private label products by major retailers and aggressive pricing by competitors.

In addition, changes in the senior management team of the Bakery Division were announced in February 2009. The position of President and Chief Operating Officer, Bakery Division is now assumed by Mr. Lionel Ettedgui. He was recently President and General Manager of a food company and has extensive experience in manufacturing operations and sales in the food industry.

[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 cheese.

EVOLUTION WITHIN UNPRECEDENTED MARKET DYNAMICS

We are in a sound financial position and trust our ability to cope with the current economic context. While we are not underestimating the situation, our strong balance sheet, in-depth understanding of the industry and of our customer base, as well as our operational focus should enable us to deal with the ensuing challenges and pursue growth as a global dairy company. In short, we are not claiming that we can simply stand by and watch this economic context without being affected, but we strongly feel that our business structure will allow us to overcome the challenges that could come our way.

In fact, in our industry, we consistently deal with market changes and uncontrollable elements and have relied on mechanisms that we developed and tested during the past 50 years. We are often faced with regulation changes and market volatility in the jurisdictions where we operate. The prices and spreads for the US average block market per pound of cheese remain an important topic, not to mention international prices of cheese and dairy ingredients. The fact that we have successfully managed these constantly evolving factors supports our positive outlook.

We intend to maintain our sound approach, while closely monitoring our operations to cope with the current economic context and to also continue to maximize our efficiency. Our main initiatives are, and will remain, focused on reviewing our fixed and variable operating expenses. In addition, we are confident that our presence in three food market segments, retail, foodservice and industrial, will continue to be beneficial as this provides us flexibility and leeway. Above all, our teams at every level of the Company remain crucial in overcoming challenges and fostering innovation. This is why we not only want to follow the trends, but also set the pace given new technologies, emerging agri-food issues and industry transformations.

For us, evolution means pursuing our business objectives in a responsible and strategic manner in order to produce high quality products at the lowest possible cost. It means staying informed and adapting to a host of new technologies, whether they relate to equipment, ingredients, processing or logistics.

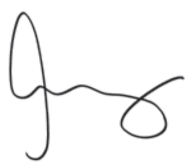
A SUSTAINABLE TRADITION

Sustainable development has always been an integral part of our operations. Saputo is culturally built to operate in a sustainable manner. As such, we have always strived to do more with less and improve our processes. For instance, through the sustained improvement of our techniques and machinery, we aim to produce more, minimizing waste and maximizing our use of raw materials while maintaining and even improving the quality of our products. The philosophy behind sustainable development is aligned with our values and at the very core of our Company culture. We are constantly looking for new ways to optimize our facilities. This is why we have chosen to slowly integrate this concept into our report in the course of the next few years.

GUIDED BY PASSION

We are convinced that our history will continue to serve us well in the midst of the challenges that lie ahead. Our financial solidity, governance practices, structure, and above all, the strength, passion and determination of our team, will allow us to continue on our path; seizing opportunities, coping with headwinds and adapting to change.

Our tradition is the true source of inspiration that paves the way to a successful and sustainable evolution. And above all, our growth is made possible only by the hard work of our team of dedicated men and women, who help us rise to new challenges and continuously improve our Company.



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

EVOLUTION INSPIRED BY PASSION

Saputo's sustained and disciplined evolution has always been fuelled by a rich tradition, as well as unwavering passion. Our 9,600 employees, who work in 5 countries, are focused on the future, while they remain inspired by our roots. They embody our corporate culture and allow us to grow even stronger day after day.

Sustainability has always been an integral part of our operations.

Throughout this report, we will highlight some of our **SUSTAINABLE INITIATIVES.**

PICTURE: Josée Michaud, Technical Services, Europe and Argentina
Micheline Quesnel, Accounting, St-Léonard, QC, Canada
Daniel Leblanc, Production, St-Léonard, QC, Canada

DAIRY PRODUCTS SECTOR
CANADA, EUROPE AND ARGENTINA

DAIRY PRODUCTS DIVISION (CANADA)

MARKETING INITIATIVES

- TV campaign featuring *Saputo* family of Mozzarella in Western Canada.
- TV and print campaign promoting *Armstrong* Cheddar cheese.
- Promotional campaign *We're Family* supporting *Baxter* in New Brunswick.
- Introduction of *DuVillage 1860*, a specialty cheese brand.
- Distribution of a new magazine *All the Best from Alexis*, which features recipes and tips on fine cheeses.

Saputo is the largest dairy processor in Canada. As such, our Dairy Products Division (Canada) manufactures 32% of all natural cheese and processes 35% of all fluid milk in the country.

We faced many challenges this fiscal year in Canada. The Division demonstrated a strong performance while facing the negative impact of the international dairy ingredients market conditions. We maintained and strengthened our leadership position in the Canadian market by completing the Neilson Dairy Acquisition on December 1, 2008. This acquisition established Saputo as the leading processor of fluid milk and cream products in Ontario. Through this transaction, we also welcomed 390 additional employees, and gained 2 new production facilities.

Although dairy consumption in Canada remained stable overall, we continued to invest in the specialty cheese and value-added milk product categories, which experienced increases.

Amended federal regulations came into effect on December 14, 2008, thereby impacting Canada's cheese making environment. We adapted to this by adjusting recipes as well as the nomenclature of certain products in compliance with the new standards. While these amended regulations do not change the profile or taste of the concerned products, they do limit the use of some domestic and imported natural milk components. Ultimately, these regulatory changes have resulted in increased manufacturing costs and selling prices.

REVENUES (%) PER MARKET SEGMENT
Dairy Products Division (Canada)

66% Retail
29% Foodservice
5% Industrial

PICTURE: Fequière Emmanuel, Production, St-Léonard, QC, Canada

ACHIEVEMENTS

- The *Cendré de Lune DuVillage 1860* won the 2008 **World Champion cheese reserve** and Gold in its category at the **World Cheese Awards.**
- *Saputo* is still the **favourite feta cheese** among Canadian consumers[1] and came in **1st Place** at the **2008 American Cheese Society Awards.**
- *Milk 2 Go/Lait's Go* remains the **number one brand** of single-serve plastic dairy beverage in Canada[2].
- *La Sauvagine Alexis de Portneuf* won a **Gold medal** in its category at the **2008 World Cheese Awards.**
- The *Mont Gleason DuVillage 1860* emmental won **first place** in its category at the **2008 British Empire Cheese Show.**

OPERATIONS

Our research and development efforts were focused on optimizing our cheese recipes in order to be compliant with the amended regulations. They were also aimed at preserving our high-quality products and their functional properties, such as taste and texture, and also to mitigate, as much as possible, the impact on our costs.

As for the Neilson Dairy Acquisition, the integration is ongoing, as we continue to assess the synergies. Our objective is to enhance the distribution of Neilson's brands across Canada for certain categories of products, while further increasing the penetration of some of our Saputo brands in Ontario.

We also continue to focus on the optimization of our activities through various initiatives such as improving our efficiency in the manufacturing of value-added products and reviewing our operations in each location. As such, our Burnaby plant is now certified organic. In fiscal 2009, we streamlined our distribution and logistics activities to reduce costs.

NEW PRODUCTS

- Introduction of ***Creama***, a line-up of regular and flavoured dairy creamers.
- Launch of ***DuVillage 1860*** new specialty cheeses ***Fleur de Lys***, ***Lady Laurier*** and ***Le Pleine Lune***.
- Marketing of two new sheep's milk cheeses under the ***Alexis de Portneuf*** brand.
- Introduction of an improved ***Li'l Ones*** Toddler yogurt fortified with Vitamin D and DHA.
- Reformulation of the ***Shape*** yogurt with reduced calorie count to 40 per serving.

We have replaced the existing boilers at our **Trenton, ON** facility with high efficiency water tube boilers which **emit almost half the amount of carbon** into the atmosphere.

vancouver 2010 OFFICIAL SUPPLIER

POWERING DREAMS Saputo

Official Supplier of Packaged Dairy Products for the Vancouver 2010 Olympic and Paralympic Winter Games as well as for the Canadian Olympic Teams for both these Games and the 2012 London Games.

Introduction of the *Powering Dreams* program to promote our partnership with the Vancouver 2010 Olympic and Paralympic Games.
www.poweringdreams.ca

Sources:
1 AC Nielsen, Total Feta Brand Review, All Channels, latest 52 weeks ending March 14, 2009.
2 AC Nielsen, Market Track, National, Total Grocery+Drug+MM+GM+WC, latest 52 weeks ending April 11, 2009.

DAIRY PRODUCTS SECTOR
CANADA, EUROPE AND ARGENTINA

DAIRY PRODUCTS DIVISION (EUROPE)

MARKETING INITIATIVE

* Introduction of **new packaging** featuring *Saputo* as the **brand endorser** both for *De Lucia* and *Danscorella* **products**.

In December 2008, our plant located in Germany was certified by the **British Retail Consortium**, a recognition already obtained by our UK plant in fiscal 2008. This certification is considered the **benchmark for best practices in the food industry**.

With operations in Germany and the United Kingdom (UK), our Dairy Products Division (Europe) caters mostly to customers in the retail and foodservice segments.

In the context of global market conditions, the Company faced lower selling prices in fiscal 2009, which stem from lower demand and increased supply. Cheese prices declined faster than milk costs, therefore some inventories had to be written down. The market for commodity cheeses is still relatively unstable. In Germany, we streamlined our retail customer base appropriately and strengthened our presence in this segment. We continue to work towards the same objective within the foodservice segment to manage current market instability caused by excess production and distressed pricing in light of lower consumption.

OPERATIONS

In order to offset the current negative market conditions, we improved overall efficiencies by implementing cost cutting measures while focusing on quality processes. We continued to invest capital to increase returns and efficiencies in the production of high-quality products at competitive prices. We transitioned to a local management team in Germany and in the UK with continued support from the corporate services group. Furthermore, in Germany, we diversified our milk supply base and added flexibility in order to better align our production based on demand. Our German operations are now certified by European standards of quality control, namely International Food Standards (IFS) and British Retail Consortium (BRC). Finally, in our UK operations which are currently certified under the BRC, our capital investments to improve overall cheese making processes are close to completion.

PICTURE: Burkhard Schröder, Production, Heiden, Germany

DAIRY PRODUCTS SECTOR
CANADA, EUROPE AND ARGENTINA

DAIRY PRODUCTS DIVISION (ARGENTINA)

MARKETING INITIATIVES

- **TV campaign** to promote *La Paulina* grated cheese.
- **Introduction of two new flavours** in *La Paulina* spreadable cheese line, **Port Salut** and **Port Salut Light**, to cater to the specific taste of the domestic market.

During the course of the fiscal year, we applied **ergonomic improvements** to certain work stations at our **Tio Pujio plant** in order to **reduce the rate of work-related injuries**.

Our Dairy Products Division (Argentina) is the country's third largest milk processor. We process an average of 2.2 million litres of raw milk daily, which accounts for approximately 8% of all milk processed in Argentina.

Over the last few years, production levels of milk in Argentina experienced an increase, except in 2007, when major floods negatively affected production by 6%. However, during the course of fiscal 2009, milk production was back to historical levels. Focusing on the domestic market, we were able to increase our market share while exceeding the country's average milk intake growth rate during this past fiscal year. Indeed, our production and sales levels are higher than they were two years ago, and this upward trend is continuing. We are nonetheless facing depressed selling prices in the dairy products' export market, with relatively high prices for milk as raw material. We therefore continued to focus on efficiencies and cost reductions in an effort to improve our results and ensure our products remain competitive.

Until December 2008, the price of milk as raw material rose on a monthly basis, fuelled by the increase in the cost of farming inputs, inflation and pressure by the farming community. As the world markets for dairy products deteriorated in the third quarter and throughout the fourth quarter, we saw a slight decrease in the price of milk as raw material. As dairy stocks and milk supply increased, the governement removed, in March 2009, the export tax for most dairy products. Looking forward, this measure, as long as the milk price decreases, should help mitigate weak export selling prices on international markets. Finally, we will continue to increase our presence in the domestic market without neglecting our export markets.

OPERATIONS

Our key objectives in Argentina are to profitably grow the domestic market for cheese and continue to develop the export market for cheese and dairy ingredients. For example, with the re-introduction on the domestic market of Sardo, a specialty hard cheese, we seek to diversify our product offering, increase sales while maximizing our production capabilities and optimize distribution. We continuously strive to increase efficiencies aimed towards lowering our costs of operation. For instance, the consolidation of our distribution centers network enabled us to enhance logistics and the reinforcement of our sales team provided us with new leadership to focus on areas of growth.

NEW PRODUCT

- Introduction of a **new spreadable processed light cheese** under ***La Paulina*** brand.

PICTURE: Carlos Martinez, Production, Rafaela, Argentina

DAIRY PRODUCTS SECTOR
USA

DAIRY PRODUCTS DIVISION (USA)

MARKETING INITIATIVES

- Introduction of a **new *Alto* mozzarella brand** in the foodservice channel.
- **Re-launch** of the ***Black Creek* cheddar brand**, with promotional support.
- Distribution of our ***Stella Toppers*** fresh mozzarella product line in **new packaging with a resealable zipper**.
- Launch of a **new premium** and **contemporary package** for our **blue cheese *Treasure Cave*** brand.

Saputo is ranked among the top three cheese producers in the US, producing approximately 9% of all natural cheese in the country. The growth of this Division in recent years, achieved mainly through acquisitions, has enabled us to reinforce our presence and enhance our production capabilities.

In fiscal 2009, we were affected by significant fluctuations in the block market per pound of cheese. In addition, at the beginning of fiscal 2009, unprecedented price increases in commodities such as dairy products, grain and fuel affected demand for cheese. These soaring prices were followed by the emergence of the recession, which placed even more pressure on the overall food industry.

In terms of dairy prices, the block market per pound of cheese rose to record highs in the first quarter, while at the end of the third quarter, it dropped sharply. Whey markets declined steadily throughout this entire fiscal year.

Regulatory changes also had an impact on our Dairy Products Division (USA). During the third quarter of fiscal 2008, the State of California enacted changes to the milk pricing formula in response to record high dairy ingredients markets in fiscal 2008. These modifications resulted in an increase of the manufacturing cost allowance, and fixing of the whey factor in the milk pricing formula. In fiscal 2009, dairy ingredients markets decreased sharply, and the changes therefore negatively affected our operations. The US Department of Agriculture (USDA) also announced in fiscal 2009 its decision to change the product-price formulas, which increased the manufacturing cost allowance, contributing positively to our fiscal 2009 results. In addition, Congress passed the Farm Bill that allows processors to enter into forward contracts for milk supply directly with farmers.

PICTURE: Greg Patterson, Production, Reedsburg, WI, USA

OPERATING REVIEW

ACHIEVEMENTS

- *Frigo Cheese Heads* maintained **the number one brand position** in the string cheese category[1].
- *Treasure Cave* is the **number one brand** in the **blue cheese** retail category[2].
- *Stella Toppers* fresh mozzarella cheese was awarded the **American Culinary Federation** (ACF) **Seal of Approval**.

- Our **Colby Jack** won first place in its category at the **2008 World Cheese Awards**.
- Our **Mozzarella, whole milk**, was awarded first place at the **2008 World Cheese Awards**.

OPERATIONS

On April 1, 2008, Saputo completed the Alto Acquisition. This transaction included two Wisconsin facilities which produce Italian and American-style cheeses, as well as whey products. In the first quarter of fiscal 2009, these operations were successfully integrated within the Saputo structure. In addition, capital expenditure projects aimed at improving our flexibility and operational efficiency are well under way and should be completed towards the end of the third quarter of fiscal 2010.

We constantly strive to be a low cost manufacturer while maintaining high-quality standards. In fiscal 2009, we also completed capital expenditure projects for our west coast facilities acquired at the beginning of fiscal 2008, which should improve our results in upcoming fiscal years. We also implemented several initiatives in terms of string cheese production, Mozzarella manufacturing processes and equipment improvements. Finally, we closed our Hinesburg, VT plant damaged by a fire in September 2008. Production was successfully transferred to other US facilities during the fiscal year.

In one of our **Fond du Lac, WI plant**, we increased our silo capacity for water obtained through cheese production. We therefore minimize the use of **potable water in our cleaning operations**.

[1] Source: IRI, Infoscan, FDMW, latest 52 weeks, ending March 22, 2009.
[2] Source: IRI, Infoscan, latest 52 weeks, ending March 22, 2009.

GROCERY PRODUCTS SECTOR

BAKERY DIVISION

NEW PRODUCTS

- Launch of 8 *Vachon* cakes reformulated to contain only 100 calories, including our famous *Ah! Caramel, Jos Louis* and *May West*.
- Introduction of the *HOP&GO!* Signature squares available in 3 different flavours.
- Distribution of a new De Luxe fruit cake during the Holiday Season.
- Marketing of a new *Jos Louis* white cake.
- Introduction of De Luxe cakes available in chocolate and maple flavours.

Saputo's Bakery Division is Canada's top snack-cake manufacturer and caters mainly to retail segment clients.

The Bakery Division operates in a highly competitive category. The introduction of private label brands and aggressive pricing on the market, combined with the fact that we increased our prices in fiscal 2008, contributed to a decrease in our volume. In light of these challenges, we have introduced aggressive price promotions to attract and retain consumers in the category. The implementation of these measures allowed us to recover a significant portion of the volume we lost in the first quarter when private label brands were introduced. While we were able to mitigate the losses and effectively compete with private labels, the situation nonetheless affected our profitability.

OPERATIONS

From an operational standpoint, we are constantly seeking ways to improve the quality of our products and reduce costs. We continuously test new ingredients and adjust recipes to adapt to high prices of raw material, packaging, labour and energy. Moreover, our Research and Development team always concentrates on new product development and optimization of our recipes. We also remained focused on our brand leaders, a strategy that enables us to benefit from production efficiencies and to increase sales performance. Marketing activities have been steered towards in-store activities.

In our **Ste-Marie, QC,** plant, we are pursuing the implementation of strategies aimed at **minimizing risks of accidents** that may arise due to exposure to moving parts during **production, maintenance or repair activities**.

PICTURE: Raymonde Vachon, Production, Ste-Marie, QC, Canada

TRUE TO ITS TRADITION

From its very beginning, Saputo has remained true to its tradition, contributing to building a better society. By focusing our work in a way that fosters social, economic and environmental evolution, we aim to help others achieve their full potential and live in a healthier society.

Whether it is our employees, the communities where we operate, sporting organizations, social programs or the environment, Saputo contributes to the

BETTERMENT OF OUR SOCIETY.

PICTURES: Jennifer Heil, Olympic medallist in freestyle skiing in Torino 2006
Léa Primeau, Benoit Primeau's daughter, dairy ingredients sales, St-Léonard, QC, Canada
Paola Traverssa, Quality Control, Tio Pujio, Argentina

SOCIAL RESPONSIBILITY

As a world-class dairy processor, we are committed to manage our operations in compliance with applicable laws and regulations and by establishing norms to offer quality products. In addition, **we take an active role in promoting sound eating habits**, either through the marketing of innovative products that respond to consumers' current dietary needs or by communicating information on wise nutritional choices. Finally, **we understand the importance of preserving our environment** and are always seeking ways to develop processes to optimize our use of raw material, as well as minimizing our energy consumption.

Sustainability has always been an integral part of our corporate culture as a smart business approach. We intend to highlight our social responsibility results in the next fiscal years.

OUR WORK ENVIRONMENT, A PRIORITY

With offices and plants in North and South America as well as in Europe, Saputo has always been served exceptionally well by the expertise and passion of its employees, no matter their role within the Company. We are committed to offering our workforce a favorable working environment, allowing them to excel. After all, the 9,600 men and women who make up the Saputo team are our culture's ambassadors.

As such, we are proud to provide good conditions, allowing our employees to find their work and responsibilities stimulating and rewarding. Our organizational structure therefore fosters open communication and provides internal advancement opportunities. Not only are our employees offered personal development programs in the form of training and education, they are also encouraged to build on their strengths, which in turn, makes our Company even stronger. In addition, Saputo has designed a special management coaching program to support its culture.

In terms of labor relations, we comply with applicable local laws and regulations, and respect the right of employees to form representative organizations. It goes without saying that Saputo insists on upholding a workplace free from any form of violence and constraint such as harassment, whether psychological or sexual, or discrimination based on race, national or ethnic origin, color, religion, age, sex, sexual orientation, matrimonial status, civil status, or physical or mental handicap. These principles are defined in our Code of Ethics, which is distributed to all our employees and to which they must adhere.

PICTURES: Lucie Paquet and Isabelle Proulx, Production, St-Raymond, QC, Canada
Ron Madorash, Production, Edmonton, AB, Canada

Our employees are the cornerstone of our success, which is why we promote open communication and internal advancement.

Finally, the personal well-being of our employees and their families is also important to us, and we offer fringe benefit programs with collective insurance programs and retirement plans. Also, 49% of our employees elected to participate in our employee share ownership plan. We feel strongly about these initiatives, as we believe they fuel our workforce's quality of life and motivation within their work environment. We are pleased to report that the average number of years of service is slightly above 10 years.

DATA ON THE WORKFORCE As at March 31, 2009

	DAIRY PRODUCTS DIVISION				BAKERY DIVISION
EMPLOYEES	CANADA	EUROPE	ARGENTINA	USA	
NUMBER OF PERMANENT	4,115	153	881	2,709	872
NUMBER OF PART TIME	455	5	9	23	182
NUMBER OF TEMPORARY	127	5	33	1	53
AVERAGE AGE	40.8	38.8	38.0	42.0	44.0
AVERAGE YEARS OF SERVICE	9.6	6.7	12.0	9.4	17.0

At Saputo, **health** and **safety** govern our actions.

HEALTH AND SAFETY, A KEY CONCERN

Saputo believes that protecting the security of its employees is of utmost importance. As such, above and beyond compliance to laws and regulations, we implement measures and guidelines to ensure that work is performed safely. We also see that these instructions are enforced to minimize the risk of injuries and illnesses, namely by requiring that all plant managers communicate and enforce guidelines. In short, health and safety concerns govern our actions when planning and overseeing work, whether it pertains to training, new equipment, plant operations or any other activity that may have an impact in this regard. Through our Health and Safety Program, periodical internal inspections, and employee information sessions, we continuously seek to improve our performance.

Saputo maintains its commitment to **excellence** and to crafting the **highest quality** products.

QUALITY, OUR ULTIMATE GOAL

A key component of our tradition-based culture remains our commitment to offering our consumers and customers quality products. Above and beyond the industry standards that our plants follow, such as HACCP (Hazard Analysis Critical Control Point) and other recognized certifications, Saputo has implemented stringent norms to help ensure the quality of our products. These strict norms are monitored and supported by quality control teams, they are explained to employees, and are enforced in our plants and operations. Hygienic procedures are also used to prevent issues pertaining to quality or microbiological hazards. In addition, all our dairy plants have control systems in place to help ensure the quality of raw milk and of our finished products. Should an issue nonetheless arise, the Company has procedures and recovery plans to mitigate the situation quickly and effectively.

Our consumers and clients may also use our websites and toll-free telephone lines, to contact us for any information. Our sales and customer service representatives promote client satisfaction, in the spirit of our culture and tradition.

All of our employees are committed to crafting quality products. Among them, 325 employees, or 3.4% of our total workforce, dedicate themselves exclusively to quality control and quality assurance functions.

PICTURES: Michel Doyon, Production, Ste-Marie, QC, Canada
Lindsay MacPherson, Karen Tang and Jane Neville, Quality Assurance, Burnaby, QC, Canada

THE ENVIRONMENT, OUR FOCUS

As a Company, we want to pursue our growth as a world-class dairy processor, as well as our global expansion. We aim to do so while mitigating the impact our activities may have on the environment. We feel that both innovation and growth can be achieved in a sustainable and responsible manner and have therefore adopted and implemented an environmental policy, which allows us to monitor our performance and comply with current environmental laws, regulations and standards.

In fiscal 2009, we appointed resources to work on ensuring the sustained monitoring of our operations. This team is also responsible for seeking opportunities aimed at minimizing our activities' environmental impact. The work of these employees is steered towards gaining a better understanding of the Company's environmental footprint.

In this spirit, many of our plants are consistently striving to reduce their overall consumption of potable water. For instance, some of our cheese facilities are now using a reverse osmosis permeate, a product of the whey filtration, in cleaning of equipment and silos. Overall chemical use was also reduced by implementing optimization measures for our cleaning process and by reclaiming and reusing cleaning chemical solutions.

As it pertains to reducing our greenhouse gas emissions, transportation is a key concern. Hence, in fiscal 2009, the logistics team worked on optimizing the efficiency of our internal fleet through truck and trailer retrofits, and by shifting a considerable portion of transportation from road to intermodal rail. These measures enabled us to cut on greenhouse gas emissions.

We initiated other projects over the fiscal year to contribute to the preservation of our environment. These initiatives were aimed mainly at reducing the consumption of our two main sources of energy, electricity and natural gas.

Saputo adopted an **Environmental Policy** in 2006. This policy, which is reviewed periodically, applies to our day-to-day operations.

Saputo is committed to pursuing **environmentally responsible business practices** and is continuously seeking improvement in its environmental performance.

PICTURES: Plant of Tio Pujio, Argentina
Cristian Alzuguray, production, Rafaela, Argentina

The installation of variable frequency drives on our equipment in California, US resulted in **savings of 700,000 kWh per year**, which is equivalent to the CO_2 emissions from the electricity use of 70 homes for one year.

Through our optimization project in partnership with Hydro-Québec, our **Ste-Marie** plant is **saving up to 820,000 kWh per year**, which is equivalent to the CO_2 emissions from the electricity use of 82 homes for one year.

Our combined packaging projects enabled us to **reduce** our annual **greenhouse gas emissions** by 950 metric tons of CO_2 which is equivalent to the CO_2 emissions from the electricity use of 132 homes for one year.

RESPONSIBLE ENERGY CONSUMPTION

A great number of our plants in the Dairy Products Sector made processing changes aimed at optimizing the use of energy through heat transfer and regeneration. We replaced some of our boilers with high-efficiency fire tube boilers, thus reducing carbon emissions by almost half. Air compressor changes were also made, resulting in significant reductions in electrical consumption. We also focused on recovering heat as part of the UHT process, using it for other hot water loops in the plant and recovering the condensate for boiler water make-up. These changes had a positive effect on our daily energy consumption and will continue to contribute to our environment while we pursue our growth. We collaborated with our utility partners to identify additional energy savings. We also installed variable frequency drives on several pieces of equipment to control the power being supplied to the motors in addition to recapturing energy from both the hot and cold processing water.

As for the Bakery Division, our Ste-Marie plant has become a member of the *Réseau Écolectrique d'Hydro-Québec*, as a result of an optimization project related to the centralization of the stop and start ventilation systems. To join this group, companies are required to reduce their energy consumption by at least 5%, and our result was 16%.

SOUND USE OF MATERIALS

Through the sustained improvement of our techniques and equipment, we aim to produce more, while minimizing waste and maximizing our use of raw materials while maintaining or even improving the quality of our products.

Among our initiatives, our Canadian fluid milk packaging operations have reduced their use of plastics by optimizing the design of certain bottles and reducing the thickness of the inner milk plastic bags. These changes have resulted in a reduction of high- and low-density polyethylene of 581 metric tons per year, or a 7.7% reduced requirement of plastic on these goods. In the US, we eliminated 59% of our corrugated paper requirement on certain deli-cups by choosing a packaging format that combines corrugated paper pads and low-density polyethylene film while maintaining our product's integrity.

Saputo places great importance on contributing to the betterment of the communities where it operates by concentrating resources on the **development of youth**, whether in terms of **nutrition**, **sports** and **entrepreneurship**.

Saputo Olympic hopefuls for Vancouver 2010 Winter Games

FREESTYLE SKIING – MOGULS
* Chloé Dufour-Lapointe
* Maxime Dufour-Lapointe
* Jennifer Heil - OLYMPIC MEDALLIST, TORINO 2006
* Vincent Marquis

CROSS-COUNTRY SKIING
* Dasha Gaiazova

LONG OR SHORT TRACK SPEED SKATING
* Valérie Maltais
* Philippe Riopel

COMMUNITY OUTREACH

Reaching out to communities is very important to Saputo. More specifically, the Company focuses its involvement on the development of youth, whether in terms of nutrition, sports or entrepreneurship. We strongly believe that healthy eating and physical activity contribute to the balanced development of individuals. This year, our focus is on the 2010 Winter Games. We are in fact the Official Supplier of Packaged Dairy Products for the Vancouver 2010 Olympic and Paralympic Winter Games as well as for the Canadian Olympic Team for Vancouver 2010 and London 2012. This partnership is a reflection of our numerous commitments over the years. Supporting athletes at all levels truly shows how strongly we feel about physical activity. Through this initiative, Saputo aims to contribute to the development of sport.

In fiscal 2009, Saputo also announced its sponsorship of six athletes who passionately commit themselves to their sport in the hopes of taking part one day in the Olympic Games. The athletes are Dasha Gaiazova, in cross-country skiing, Maxime, Chloé and Justine Dufour-Lapointe as well as Olympic Champion Jennifer Heil, in freestyle skiing – moguls and Kathy Tremblay, a triathlete who competed in the 2008 Beijing Olympics. These sponsorships are in addition to our bursary program with the Quebec Foundation for Athletic Excellence which proudly support athletes.

When it comes to physical activity, soccer is particularly important to us. Our involvement with this sport stems from our belief that it is an accessible way to encourage young people to move while promoting several of the values we feel strongly about, namely leadership, teamwork and respect. As such, we are one of the founding partners of the Montréal Impact professional soccer team in the United Soccer Leagues. We are also actively involved with the Québec Soccer Federation.

In terms of nutrition, we are involved with the Breakfast Clubs of Canada, an organization whose mission is to feed our children's future through community-based nutrition programs aimed at providing children in need with a full breakfast. Furthermore, by way of product and monetary contributions, we donate to various food banks in regions where we do business.

Also, as the Company was founded through an entrepreneurial initiative, Saputo aims to provide this same opportunity to others. As such, the Company has given numerous students the possibility to excel in their academic and professional development via different bursary programs. Moreover, Saputo continues to support certain colleges and universities by funding capital campaigns and research chairs.

In addition, Saputo contributes to the Make-A-Wish Foundation in the US, which provides children with life-threatening medical conditions the chance to make their dreams a reality.

Lastly, as so many of our employees are involved in their respective communities, we encourage their efforts through our Corporate Matching Program.

vancouver 2010
OFFICIAL SUPPLIER

MANAGEMENT'S ANALYSIS

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

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

GLOBAL OVERVIEW

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

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

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

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

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

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

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

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

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

FINANCIAL ORIENTATION

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

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

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

During fiscal 2009, we experienced a good financial performance:

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

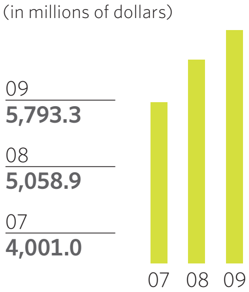
The Company had improved results in both the CEA and the USA Dairy Products Sectors in fiscal 2009. The results from our CEA Dairy Products Sector benefited mainly from the inclusion of the Neilson Dairy Acquisition, which was completed on December 1, 2008. Benefits from various cost-cutting initiatives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

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

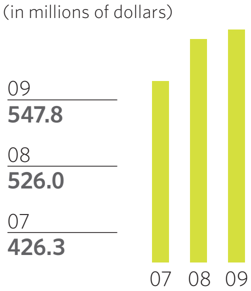
Improved results in our USA Dairy Products Sector were mainly due to the inclusion of the Alto Acquisition, completed on April 1, 2008, in addition to benefits from the initiatives taken by the Company in prior and current fiscal years with regards to improved operational efficiencies and increased selling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

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

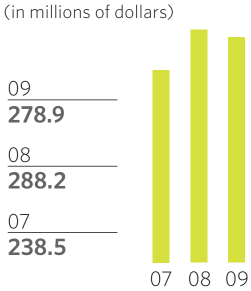
REVENUES
(in millions of dollars)



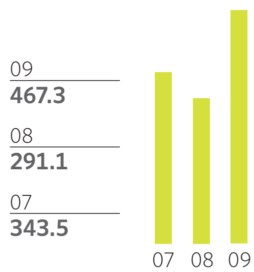
EBITDA
(in millions of dollars)



NET EARNINGS
(in millions of dollars)



CASH FLOWS GENERATED BY OPERATIONS
(in millions of dollars)



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

SELECTED CONSOLIDATED FINANCIAL INFORMATION

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

[1] Canada, Europe and Argentina Dairy Products Sector.

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

[3] Net of cash and cash equivalents.

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

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

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

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

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

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

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

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

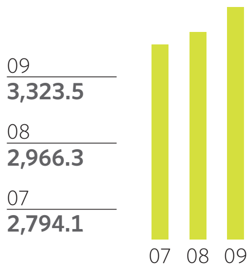
Net earnings for the fiscal year ended March 31, 2009 totalled $278.9 million, a decrease of $9.3 million or 3.2% compared to $288.2 million in fiscal 2008. The decrease is due to the factors mentioned above.

INFORMATION BY SECTOR

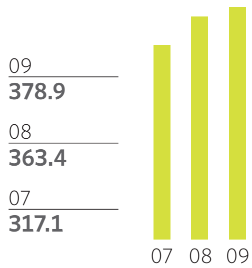
CEA DAIRY PRODUCTS SECTOR

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

REVENUES
(in millions of dollars)



EBITDA
(in millions of dollars)



REVENUES

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

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

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

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

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

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

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

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

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

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

EBITDA

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

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

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

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

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

OUTLOOK

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

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

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

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

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

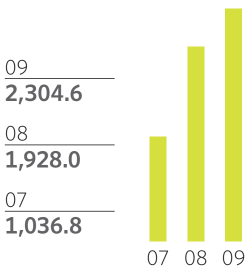
The Dairy Products Division (Argentina) should continue in fiscal 2010 to see depressed selling prices in the export market. The Division faces challenges with high milk prices in relation to lower cheese selling prices in the international market. The Division will continue to focus on efficiencies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

USA DAIRY PRODUCTS SECTOR

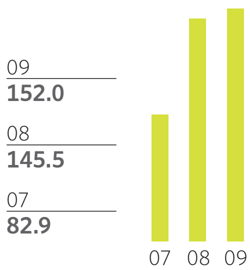
In fiscal 2009, volatile market conditions within the US dairy industry had an impact on our USA Dairy Products Sector. The average block market per pound of cheese of US$1.98 in the first quarter of fiscal 2009 was subsequently followed by three consecutive drops in the remaining quarters of the fiscal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

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

REVENUES
(in millions of dollars)



EBITDA
(in millions of dollars)



REVENUES

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

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

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

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

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

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

EBITDA

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

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

OUTLOOK

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

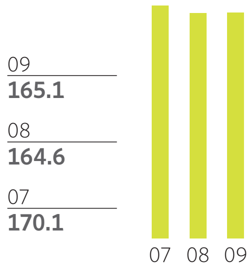
In fiscal 2009, our Dairy Products Division (USA) completed strategic capital projects that will benefit the Division in fiscal 2010 and beyond. Expanding our string cheese capacities, a growing product category, enhancing our mozzarella production capabilities in California, and the completion of our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

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

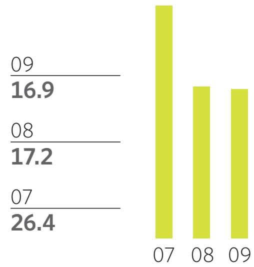
In fiscal 2009, our USA Dairy Products Sector was not only faced with dairy market volatility, but also had to cope with the challenges of the current economic context. Our diverse product offering in all three market segments: retail, foodservice and industrial, mitigated some of the effects of the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

GROCERY PRODUCTS SECTOR

REVENUES
(in millions of dollars)



EBITDA
(in millions of dollars)



REVENUES

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

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

EBITDA

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

OUTLOOK

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

LIQUIDITY

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

FINANCIAL RESOURCES

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

BALANCE SHEET

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

SHARE CAPITAL INFORMATION

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

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

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

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

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

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

OFF-BALANCE SHEET ARRANGEMENTS

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

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

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

GUARANTEES

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

CONTRACTUAL OBLIGATIONS

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

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

RELATED PARTY TRANSACTIONS

In the normal course of business, the Company receives and provides goods and services from and to companies subject to significant influence by its principal shareholder. These goods and services of an immaterial amount are compensated by a counterpart equal to the fair market value, which are comparable to similar transactions. The goods and services that are received consist of rent of office space, travel arrangements, transportation of goods, lodging and the purchase of canned goods as well as management fees for compensation of the Chairman of the Board. The goods and services that are provided consist of dairy products. See Note 19 to the consolidated financial statements that describes the related party transactions.

ACCOUNTING STANDARDS

APPLIED STANDARDS

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

INVENTORIES

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

CREDIT RISK AND FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

ACCOUNTING CHANGES

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

COMPREHENSIVE INCOME

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

CAPITAL DISCLOSURES

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

FOREIGN CURRENCY TRANSLATION

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

INVESTMENTS

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

EQUITY

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

FINANCIAL INSTRUMENTS – RECOGNITION AND MEASUREMENT

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

FINANCIAL INSTRUMENTS – DISCLOSURES

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

FINANCIAL INSTRUMENTS – PRESENTATION

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

HEDGES

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

FUTURE STANDARDS

GOODWILL AND INTANGIBLE ASSETS

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

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

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

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

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

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

Identification and Impact of Accounting Policy Changes

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

Identification and Resolution of Key IT and Data Systems Requirements

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

Evolution of Internal and Disclosure Controls

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

Financial Reporting Expertise

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

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

Identification of Impact on Business Activities

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

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

CRITICAL ACCOUNTING POLICIES AND USE OF ACCOUNTING ESTIMATES

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

FIXED ASSETS

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

PORTFOLIO INVESTMENT

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

GOODWILL

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

BUSINESS COMBINATIONS

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

STOCK BASED COMPENSATION

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

TRADEMARKS

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

HEDGING

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

PENSION PLANS

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

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

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

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

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

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

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

FUTURE INCOME TAXES

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

RISKS AND UNCERTAINTIES

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

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

PRODUCT LIABILITY

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

SUPPLY OF RAW MATERIALS

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

US AND INTERNATIONAL MARKETS

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

COMPETITION

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

CONSOLIDATION OF CLIENTELE

During the last few years, we have seen important consolidation in the food industry in all market segments. Given that we serve these segments, the consolidation within the industry has resulted in a decrease in the number of clients and an increase in the relative importance of some clients. No customer represented more than 10% of our total consolidated sales for fiscal 2009. Our ability to continue to service our clients in all the markets that we serve will depend on the quality of our products, services and the prices of our products.

CREDIT RISK

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

ECONOMIC ENVIRONMENT

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

ENVIRONMENT

Saputo's business and operations are subject to environmental laws and regulations, including those relating to wastewater discharges, releases of hazardous and non hazardous substances, and remediation of contaminated sites. We believe that our operations are in compliance, in all material aspects, with such environmental laws and regulations, except as disclosed in our Annual Information Form dated May 28, 2009 for the fiscal year ended March 31, 2009. Compliance with these laws and regulations requires that the Company continues to incur operating and maintenance costs and capital expenditures. Future events such as changes in environmental laws and regulations or more vigorous regulatory enforcement policies could have a material adverse effect on the financial position of Saputo and could require significant additional expenditures to achieve or maintain compliance.

CONSUMER TRENDS

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

FINANCIAL RISK EXPOSURES

Saputo has financial risk exposure to varying degrees relating to the foreign currency of its US, Argentina, Germany and UK operations. Approximately 38% of sales are realized in the US and 5% in Germany, UK and Argentina, combined. However, the cash flows from these operations act as a natural hedge against exchange risk. Cash flows from the US also constitute a natural hedge against the exchange risk related to debt expressed in US dollars. As at March 31, 2009, interest-bearing debt of the Company was comprised of senior notes and bank loans of which 76% were at a fixed interest rate. With regards to interest rate, fluctuation exposure on interest-bearing debt, refer to the section "Sensitivity Analysis of Interest Rate and the US Currency Fluctuations".

LEGISLATIVE, REGULATORY, NORMATIVE AND POLITICAL CONSIDERATIONS

The Company is subject to local, provincial, state, federal and international laws, regulations, rules and policies as well as to social, economical and political contexts prevailing in places where we conduct our activities. Consequently, the modification or change of any of these elements may have an unfavourable impact on Saputo's results and operations and may require that important expenses be made in order to adapt to or comply with it. More specifically, the production and distribution of food products are subject to federal, state, provincial and local laws, rules, regulations and policies and to international trade agreements, all of which provide a framework for Saputo's operations. The impact of new laws and regulations, stricter enforcement or interpretations or changes to enacted laws and regulations will depend on our ability to adapt and comply. We are currently in compliance with all important government laws and regulations and maintain all important permits and licenses in connection with our operations.

GROWTH BY ACQUISITIONS

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

TARIFF PROTECTION

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

DISCLOSURE CONTROLS AND PROCEDURES

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

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

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

SENSITIVITY ANALYSIS OF INTEREST RATE AND THE US CURRENCY FLUCTUATIONS

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

MEASUREMENT OF RESULTS NOT IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

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

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

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

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

MEASUREMENT OF RESULTS NOT IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

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

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

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

2009 QUARTERLY FINANCIAL INFORMATION - CONSOLIDATED STATEMENT OF EARNINGS

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

2008 QUARTERLY FINANCIAL INFORMATION - CONSOLIDATED STATEMENT OF EARNINGS

	1st QUARTER	2nd QUARTER	3rd QUARTER	4th 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, depreciation, amortization and income taxes	127,515	124,072	136,956	137,501	526,044
Margin %	10.4%	9.6%	10.7%	10.9%	10.4%
Depreciation and amortization	20,268	19,670	19,669	19,827	79,434
Operating income	107,247	104,402	117,287	117,674	446,610
Interest on long-term debt	5,040	4,684	4,494	4,588	18,806
Other interest, net	1,549	2,482	1,468	1,039	6,538
Earnings before income taxes	100,658	97,236	111,325	112,047	421,266
Income taxes	32,211	34,712	29,307	36,836	133,066
Net earnings	68,447	62,524	82,018	75,211	288,200
Net margin %	5.6%	4.9%	6.4%	5.9%	5.7%
Per share					
Net earnings					
Basic	0.33	0.30	0.40	0.37	1.40
Diluted	0.33	0.30	0.39	0.36	1.38

SUMMARY OF THE FOURTH QUARTER RESULTS ENDED MARCH 31, 2009

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

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

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

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

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

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

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

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

Depreciation and amortization for the quarter ended March 31, 2009 totalled $28.8 million, an increase of $9.0 million compared to $19.8 million for the same quarter last fiscal year. The increase is mainly due to the Alto and Neilson Dairy Acquisitions, as well as capital investments completed in the current and prior fiscal years.

Net interest expense increased to $9.5 million compared to $5.6 million for the corresponding period last fiscal year, as a result of the utilization of credit facilities to complete the Neilson Dairy Acquisition. With respect to **income taxes**, the effective tax rate for the current quarter was 33.2% compared to 32.9% for the same quarter last fiscal year. The increase in the effective tax rate is a result of the variation in the source of earnings this quarter as compared to the same quarter last fiscal year.

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

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

QUARTERLY FINANCIAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

OUTLOOK

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

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

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

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

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

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

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

CONSOLIDATED FINANCIAL STATEMENTS

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 29, 2009

AUDITORS' REPORT TO THE SHAREHOLDERS OF SAPUTO INC.

We have audited the consolidated balance sheets of Saputo Inc. as at March 31, 2009 and 2008 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, 2009 and 2008 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 [1]

Montréal, Québec
May 29, 2009

[1] Chartered accountant audit permit nº 17046.

CONSOLIDATED STATEMENTS OF **EARNINGS**

Years ended March 31 (in thousands of dollars, except per share amounts)	2009	2008
Revenues	$ 5,793,263	$ 5,058,900
Cost of sales, selling and administrative expenses	5,245,464	4,532,856
Earnings before interest, depreciation, amortization and income taxes	547,799	526,044
Depreciation and amortization (Note 4 and 5)	108,284	79,434
Operating income	439,515	446,610
Interest on long-term debt	20,684	18,806
Other interest, net (Note 13)	11,031	6,538
Earnings before income taxes	407,800	421,266
Income taxes (Note 14)	128,852	133,066
Net earnings	$ 278,948	$ 288,200
Earnings per share (Note 15)		
Net earnings		
Basic	$ 1.35	$ 1.40
Diluted	$ 1.34	$ 1.38

CONSOLIDATED STATEMENTS OF **COMPREHENSIVE INCOME**

Years ended March 31 (in thousands of dollars)	2009	2008
Net earnings	$ 278,948	$ 288,200
Other comprehensive income (loss):		
Foreign currency translation adjustment		
Net change in unrealized gains (losses) on translation of financial statements of self-sustaining foreign operations	163,896	(63,750)
Net changes in cash flow hedge		
Losses on derivative items designated as hedges of interest cash flows, net of tax	(1,263)	–
Total other comprehensive income (loss)	162,633	(63,750)
Comprehensive income	$ 441,581	$ 224,450

CONSOLIDATED STATEMENTS OF **RETAINED EARNINGS**

Years ended March 31 (in thousands of dollars)	2009	2008
Retained earnings, beginning of year	$ 1,206,568	$ 1,085,081
Net earnings	278,948	288,200
Dividends	(111,660)	(94,455)
Excess of purchase price of share capital over carrying value (Note 10)	–	(72,258)
Retained earnings, end of year	$ 1,373,856	$ 1,206,568

CONSOLIDATED **BALANCE SHEETS**

As at March 31 (in thousands of dollars)	2009	2008
ASSETS		
Current assets		
Cash and cash equivalents	$ 43,884	$ 165,710
Receivables	427,227	408,973
Inventories (Note 2)	583,594	533,686
Income taxes	9,585	10,252
Future income taxes (Note 14)	23,881	17,150
Prepaid expenses and other assets	37,501	43,729
	1,125,672	1,179,500
Portfolio investment (Note 3)	41,343	41,343
Fixed assets (Note 4)	1,149,662	871,739
Goodwill (Note 5)	760,283	522,546
Trademarks and other intangibles (Note 5)	327,516	38,043
Other assets (Note 6)	88,326	75,257
Future income taxes (Note 14)	6,301	5,048
	$ 3,499,103	$ 2,733,476
LIABILITIES		
Current liabilities		
Bank loans (Note 7)	$ 139,399	$ 222,584
Accounts payable and accrued liabilities	484,866	409,323
Income taxes	113,910	111,511
Future income taxes (Note 14)	6,348	19,790
Current portion of long-term debt (Note 8)	214,421	-
	958,944	763,208
Long-term debt (Note 8)	403,065	225,830
Other liabilities (Note 9)	22,180	13,972
Future income taxes (Note 14)	142,566	111,306
	1,526,755	1,114,316
SHAREHOLDER'S EQUITY		
Retained earnings	1,373,856	1,206,568
Accumulated other comprehensive income (loss) (Note 12)	16,219	(146,414)
	$ 1,390,075	$ 1,060,154
Share capital (Note 10)	555,529	536,921
Contributed surplus (Note 11)	26,744	22,085
	1,972,348	1,619,160
	$ 3,499,103	$ 2,733,476

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)	2009	2008
Cash flows related to the following activities:		
Operating		
Net earnings	$ 278,948	$ 288,200
Items not affecting cash and cash equivalents		
Stock based compensation	7,791	8,279
Depreciation and amortization	108,284	79,434
Gain on disposal of fixed assets	(3,450)	(144)
Future income taxes	2,721	15,838
Deferred share units	(62)	1,265
Funding of employee plans in excess of costs	(4,761)	(2,019)
	389,471	390,853
Changes in non-cash operating working capital items	77,817	(99,791)
	467,288	291,062
Investing		
Business acquisitions (Note 16)	(630,353)	(254,204)
Portfolio investment	–	1,648
Additions to fixed assets	(121,863)	(101,723)
Proceeds on disposal of fixed assets	9,032	5,285
Other assets	(12,181)	(5,443)
	(755,365)	(354,437)
Financing		
Proceeds from long-term debt	340,000	–
Bank loans	(81,682)	91,413
Issuance of share capital	14,921	28,366
Repurchase of share capital	–	(81,472)
Dividends	(111,660)	(94,455)
	161,579	(56,148)
Decrease in cash and cash equivalents	(126,498)	(119,523)
Effect of exchange rate changes on cash and cash equivalents	4,672	8,339
Cash and cash equivalents, beginning of year	165,710	276,894
Cash and cash equivalents, end of year	$ 43,884	$ 165,710
Supplemental information		
Interest paid	$ 29,242	$ 25,767
Income taxes paid	$ 124,829	$ 92,235

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2009 and 2008

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

NOTE 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):

INVENTORIES

Effective April 1, 2008, the Company adopted Section 3031 of the CICA Handbook, Inventories, which replaces Section 3030 of the same name. The new section provides guidance on the basis and method of measurement of inventories and allows for reversal of previous write-downs. The section also establishes new standards on disclosure of accounting policies used, carrying amounts, amounts recognized as an expense, write-downs and the amount of any reversal of any write-downs. This new standard aligns accounting for inventories under Canadian generally accepted accounting principles (GAAP) with International Financial Reporting Standards (IFRS). The presentation of inventories is in accordance with the recommendation of this new section. There were no significant adjustments to the carrying value of inventories upon adoption of this new standard.

CREDIT RISK AND FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Effective January 20, 2009, the Company adopted EIC-173 of the CICA Handbook, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. Under this new standard, an entity's own credit risk and the credit risk of counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of this recommendation had no significant impact on the consolidated financial statements.

SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES

In the preparation of financial statements in conformity with Canadian GAAP, Management must make estimates such as the net realizable value of inventories, the useful life, impairment and depreciation of fixed assets, the valuation of goodwill, portfolio investments, trademarks and other intangibles, purchase price allocation, fair value of financial instruments and income taxes and certain actuarial and economic assumptions used in determining defined benefit pension costs, fair value of long-lived assets, 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 was jointly controlled was accounted for by the proportionate consolidation method for the period until it was sold. 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 consists 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, raw materials and goods in process are valued at the lower of cost and net realizable 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.

INVESTMENT

The portfolio investment is recorded at cost less the excess of dividends received over the Company's share in accumulated earnings. The Company monitors its investment for other than temporary declines in fair value and charges net earnings when other than temporary decline in estimated value occurs.

NOTE 1 **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

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 their carrying amount or fair 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 and trademarks 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 and trademarks are compared with their respective fair values, and an impairment loss is recognized for the excess, if any. Other intangibles are amortized using the straight-line method over their useful lives which vary from 5 to 15 years.

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.

EMPLOYEE FUTURE BENEFITS

The cost of pension and other post-retirement benefits 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 GAAP, 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 recognizes changes in the fair value of plan assets over a period of five years 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 outside Canada are translated into Canadian dollars using the exchange rates at the balance sheet dates. Statement of earnings accounts are translated into Canadian dollars using the average monthly exchange rates in effect during the periods. The unrealized gains (losses) on translation of the financial statements of self-sustaining operations account presented in accumulated other comprehensive income (loss) represents accumulated foreign currency gains (losses) on the Company's net investments in companies operating outside Canada. The change in the unrealized gains (losses) on translation of the financial statements of self-sustaining foreign operations account for the period resulted mainly from the fluctuation in the 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 rate at the balance sheet dates for monetary assets and liabilities and the prevailing exchange rates at the time of transactions for income and expenses. Non-monetary items are translated at the historical exchange rates. Gains or losses resulting from this translation are included in the cost of sales, selling and administrative expenses.

	2009	2008
Foreign currency gain (loss)	$ 1,962	$ (99)

NOTE 1 **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

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.

RESEARCH AND DEVELOPMENT TAX CREDITS

The Company benefits from research and development tax credits related to operating costs and fixed assets. These credits are accounted for either as a reduction of operating costs or fixed assets.

FINANCIAL INSTRUMENTS

Financial assets and liabilities are initially measured at fair value and their subsequent measurement depends of their classification, as described in Note 20. The classification depends on the objectives set forth when the financial instruments were purchased or issued, their characteristics and their designation by the Company.

HEDGES

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

FUTURE ACCOUNTING POLICIES

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 believes the adoption of this new section will not have a significant impact 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.

NOTE 2 INVENTORIES

	2009	2008
Finished goods	$ 368,456	$ 322,550
Raw materials, work in process and supplies	215,138	211,136
	$ 583,594	$ 533,686

The amount of inventories recognized as an expense in cost of sales for the year ended March 31, 2009 is $4,715,075,000 ($4,053,743,000 for the year ended March 31, 2008).

The Company recorded a write-down of inventory of $20,900,000 (nil in 2008) which was included in the amount of inventory recognized as an expense in cost of sales in the current year.

NOTE 3 PORTFOLIO INVESTMENT

	2009	2008
21% share capital interest in Dare Holdings Ltd.	$ 41,343	$ 41,343

A dividend of $1,500,000 was received during fiscal 2009 and was accounted for in earnings (nil in 2008).

During the year 2008, the Company received from Dare Holdings Ltd. an amount of $1,648,000, as a full loan reimbursement, which was included in this investment.

NOTE 4 FIXED ASSETS

	2009			2008		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Land	$ 42,243	$ –	$ 42,243	$ 34,117	$ –	$ 34,117
Buildings	417,335	90,675	326,660	337,789	74,679	263,110
Furniture, machinery and equipment	1,321,468	548,676	772,792	997,317	431,054	566,263
Rolling stock	13,329	7,864	5,465	12,478	7,662	4,816
Held for sale	2,502	–	2,502	3,433	–	3,433
	$ 1,796,877	$ 647,215	$ 1,149,662	$ 1,385,134	$ 513,395	$ 871,739

During the year, the depreciation expense related to fixed assets totalled $97,245,000 ($78,920,000 in 2008) and a gain on disposal of fixed assets held for sale totalling $3,450,000 ($144,000 in 2008) was recorded in cost of sales, selling and administrative expenses. The assets held for sale relate mainly to land and buildings in Canada and in the US as a result of certain plant closures.

An impairment of fixed assets in the amount of $8,649,000 was recorded as a result of a plant closure in the USA Dairy Products Sector (none in 2008) and is included in depreciation and amortization expense.

The net book value of fixed assets under construction, that are not being amortized, amounts to $67,707,000 as at March 31, 2009 ($46,593,000 as at March 31, 2008) and consists mainly of machinery and equipment.

NOTE 5 GOODWILL, TRADEMARKS AND OTHER INTANGIBLES

	2009			2008		
	Dairy Products Sector	Grocery Products Sector	Total	Dairy Products Sector	Grocery Products Sector	Total
Goodwill						
Balance, beginning of year	$ 353,116	$ 169,430	$ 522,546	$ 377,949	$ 169,430	$ 547,379
Foreign currency translation adjustment	61,508	–	61,508	(24,833)	–	(24,833)
Business acquisitions (Note 16)	176,229	–	176,229	–	–	–
Total Goodwill	$ 590,853	$ 169,430	$ 760,283	$ 353,116	$ 169,430	$ 522,546
Trademarks						
Balance, beginning of year	$ 28,125	$ 2,000	$ 30,125	$ 30,340	$ 2,000	$ 32,340
Foreign currency translation adjustment	4,630	–	4,630	(2,215)	–	(2,215)
Business acquisitions (Note 16)	223,200	–	223,200	–	–	–
Balance, end of year	$ 255,955	$ 2,000	$ 257,955	$ 28,125	$ 2,000	$ 30,125
Other intangibles						
Balance, beginning of year	$ 7,918	$ –	$ 7,918	$ –	$ –	$ –
Foreign currency translation adjustment	933	–	933	(648)	–	(648)
Business acquisitions (Note 16)	63,100	–	63,100	9,080	–	9,080
Amortization	(2,390)	–	(2,390)	(514)	–	(514)
Balance, end of year	$ 69,561	$ –	$ 69,561	$ 7,918	$ –	$ 7,918
Total trademarks and other intangibles	$ 325,516	$ 2,000	$ 327,516	$ 36,043	$ 2,000	$ 38,043

NOTE 6 OTHER ASSETS

	2009	2008
Net accrued pension plan asset (Note 17)	$ 61,040	$ 56,239
Taxes receivable	18,993	10,822
Other	8,293	8,196
	$ 88,326	$ 75,257

NOTE 7 BANK LOANS

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

		Available for Use		Amount drawn	
Credit Facilities	Maturity	Canadian Currency Equivalent	Base Currency	2009	2008
North America-US Currency	(1) December 2012	163,969	130,000 USD	–	–
North America-CDN Currency	(1) December 2012	466,681	370,000 USD	390,000	173,668
Canada	(2) May 2009	40,000	40,000 CAD	40,000	–
Canada	(3) Yearly	40,400	40,400 CAD	–	–
Argentina	(4) Yearly	18,299	55,150 ARS	–	–
Argentina	(4) Yearly	52,155	41,350 USD	47,927	48,085
Germany	(5) Yearly	8,355	5,000 EUR	1,472	396
United Kingdom	(5) Yearly	12,615	7,000 BPS	–	435
		802,474		479,399	222,584
Amount classified as long-term debt				(340,000)	–
				139,399	222,584

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

2 Bear interest at rates based on lender's prime rates plus a maximum of 1.00% or LIBOR or banker's acceptance rate plus 1.50% up to a maximum of 2.00%, depending on a financial ratio of the Company.

3 Bear interest at rates based on lender's prime rates.

4 Bear interest at local rate.

5 Bear interest at base rate plus 1.50% or LIBOR-EUROBOR plus 1.50%.

NOTE 8 LONG-TERM DEBT

	2009	2008
Unsecured senior notes		
8.12%, due in November 2009 (US$170,000,000)	$ 214,421	$ 174,505
8.41%, due in November 2014 (US$50,000,000)	63,065	51,325
Unsecured bank loans (Note 7)	340,000	–
$300,000,000 bears interest at prime rate plus 0.25% or LIBOR or bankers' acceptance rate plus 0.50% up to a maximum of 1.125% (effective interest rate due to interest rate swaps of 1.05% plus 0.50% up to a maximum of 1.125%), depending on a financial ratio of the Company		
$40,000,000 bears interest at prime rate plus 0.25% or LIBOR or bankers' acceptance rate plus 0.50% up to a maximum of 1.125%, depending on a financial ratio of the Company		
	617,486	225,830
Current portion	214,421	–
	$ 403,065	$ 225,830

Estimated principal repayments are as follows:

2010	$ 214,421
2011	200,000
2012	140,000
2013	–
2014	–
Subsequent years	63,065
	$ 617,486

NOTE 9 OTHER LIABILITIES

	2009	2008
Employee future benefits (Note 17)	$ 9,797	$ 9,202
Other	12,383	4,770
	$ 22,180	$ 13,972

NOTE 10 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.

	2009	2008
ISSUED		
207,087,283 common shares (205,962,964 in 2008)	$ 555,529	$ 536,921

1,124,319 common shares (2,314,370 in 2008) for an amount of $14,921,000 ($28,366,000 in 2008) were issued during the year ended March 31, 2009 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, 2009, the amount transferred from contributed surplus was $3,687,000 ($6,032,000 in 2008).

Pursuant to the normal course issuer bid, which began on November 13, 2007, and expired on November 12, 2008, the Company was authorized to purchase for cancellation up to 10,272,848 of its common shares. During the year, the Company did not purchase any common shares relating to this normal course issuer bid. Under the new normal course issuer bid that became effective on November 13, 2008, and expiring on November 12, 2009, the Company is authorized to purchase, for cancellation purposes, up to 10,340,377 of its common shares. During the year ended March 31, 2009, the Company did not purchase any common shares under this normal course issuer bid. During the year ended March 31, 2008, the Company purchased 3,705,240 common shares at prices ranging from $21.73 to $22.00 per share. The excess of the purchase price over the carrying value of the shares in the amount of $72,258,000 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:

		2009		2008	
Granting period	Exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
1999	$8.06 to $9.37	–	$ –	20,480	$ 9.22
2000	$9.85	33,436	$ 9.85	111,404	$ 9.85
2001	$6.75	157,440	$ 6.75	217,836	$ 6.75
2002	$9.50 to $11.50	269,398	$ 9.52	409,246	$ 9.52
2003	$15.18	544,730	$ 15.18	745,912	$ 15.18
2004	$11.25	908,166	$ 11.25	1,203,594	$ 11.25
2005	$16.53	1,003,300	$ 16.53	1,138,316	$ 16.53
2006	$18.08	1,255,410	$ 18.08	1,383,476	$ 18.08
2007	$16.35	1,765,450	$ 16.35	1,933,324	$ 16.35
2008	$23.09	1,618,484	$ 23.09	1,729,840	$ 23.09
2009	$27.81	1,573,027	$ 27.81	–	–
		9,128,841	$ 16.93	8,893,428	$ 16.52
Options exercisable at end of year		4,176,760	$ 15.03	3,535,818	$ 13.56

NOTE 10 **SHARE CAPITAL** (cont'd)

Changes in the number of outstanding options are as follows:

	2009		2008	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of year	8,893,428	$ 16.52	9,711,216	$ 14.32
Options granted	1,634,393	$ 27.81	1,779,172	$ 23.09
Options exercised	(1,124,319)	$ 13.27	(2,314,370)	$ 12.25
Options cancelled	(274,661)	$ 20.83	(282,590)	$ 17.46
Balance at end of year	9,128,841	$ 16.93	8,893,428	$ 16.52

The exercise price of the options granted in fiscal 2009 is $27.81, which corresponds to the weighted average market price for the five trading days immediately preceding the date of grant ($23.09 in 2008).

The fair value of options granted in fiscal 2009 was estimated at $4.98 per option ($7.17 in 2008), using the Black Scholes option pricing model with the following assumptions:

	2009	2008
Risk-free interest rate:	3.0%	4.0%
Expected life of options:	5 years	5 years
Volatility:	19%	25%
Dividend rate:	1.7%	2.1%

A compensation expense of $7,791,000 ($6,865,000 after income taxes) relating to stock options was recorded in the statement of earnings for the year ended March 31, 2009 and $8,279,000 ($7,323,000 after income taxes) was recorded for the year ended March 31, 2008.

The effect of this expense on basic and diluted earnings per share was $0.03 for the year ended March 31, 2009 and $0.04 for the year ended March 31, 2008.

Options to purchase 2,232,039 common shares at a price of $21.40 were granted on April 1, 2009.

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. Moreover, the directors have a choice to receive either cash or deferred 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.

	2009		2008	
	Units	Liability	Units	Liability
Beginning of year	112,601	$ 3,447	85,450	$ 2,182
Annual grant	18,000	433	16,000	421
Board compensation	15,462	364	11,151	367
(Decrease) Increase due to change in stock price	–	(859)	–	477
End of year	146,063	$ 3,385	112,601	$ 3,447

NOTE 11 **CONTRIBUTED SURPLUS**

	2009	2008
Contributed surplus, beginning of year	$ 22,085	$ 18,864
Stock based compensation	7,791	8,279
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	555	974
Amount tranferred to share capital upon exercise of options	(3,687)	(6,032)
Contributed surplus, end of year	$ 26,744	$ 22,085

NOTE 12 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Balance as at April 1, 2008	Net changes incurred during the year	Balance as at March 31, 2009
Net unrealized (losses) gains on translation of financial statements of self-sustaining operations	$ (146,414)	$ 163,896	$ 17,482
Losses on derivative items designated as hedges of interest cash flows, net of tax	–	(1,263)	(1,263)
Accumulated other comprehensive (loss) income	$ (146,414)	$ 162,633	$ 16,219

	Balance as at April 1, 2007	Net changes incurred during the year	Balance as at March 31, 2008
Net unrealized losses on translation of financial statements of self-sustaining operations	$ (82,664)	$ (63,750)	$ (146,414)
Accumulated other comprehensive loss	$ (82,664)	$ (63,750)	$ (146,414)

NOTE 13 OTHER INTEREST

	2009	2008
Expense	$ 11,380	$ 7,707
Income	(349)	(1,169)
	$ 11,031	$ 6,538

NOTE 14 INCOME TAXES

The provision for income taxes is comprised of the following:

	2009	2008
Current income taxes	$ 126,131	$ 117,228
Future income taxes	2,721	15,838
	$ 128,852	$ 133,066

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

	2009	2008
Income taxes, calculated using Canadian statutory income tax rates	$ 126,677	$ 131,946
Adjustments resulting from the following:		
Effect of tax rates of foreign subsidiaries	5,306	6,576
Changes in tax laws and rates	(857)	(6,577)
Benefit arising from investment in subsidiaries	(15,008)	(12,038)
Stock based compensation	1,776	1,891
Effect of losses carry forward	3,493	4,480
Other	7,465	6,788
Provision for income taxes	$ 128,852	$ 133,066

NOTE 14 **INCOME TAXES** (cont'd)

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

	2009	2008
Future income tax asset		
Accounts payable and accrued liabilities	$ 14,677	$ 10,153
Income tax losses	2,505	904
Portfolio Investment	740	738
Other	7,135	8,563
	$ 25,057	$ 20,358

	2009	2008
Future income tax liability		
Inventories	$ 1,732	$ 19,390
Fixed assets	107,310	79,395
Net assets of pension plans	13,625	12,092
Other assets	10,647	7,904
Long-term debt	10,475	10,475
	$ 143,789	$ 129,256

Classified in the financial statements as:

Current future income tax asset	$ 23,881	$ 17,150
Long-term future income tax asset	6,301	5,048
Current future income tax liability	(6,348)	(19,790)
Long-term future income tax liability	(142,566)	(111,306)
Net future income tax liability	$ (118,732)	$ (108,898)

NOTE 15 EARNINGS PER SHARE

	2009	2008
Net earnings	$ 278,948	$ 288,200
Weighted average number of common shares outstanding	206,720,191	205,660,927
Dilutive options	1,595,432	2,638,598
Dilutive number of common shares outstanding	208,315,623	208,299,525
Basic earnings per share	$ 1.35	$ 1.40
Diluted earnings per share	$ 1.34	$ 1.38

When calculating dilutive earnings per share, 1,573,027 options (nil in 2008) were excluded from the calculation because their exercise price is higher than the average market value.

Shares purchased in fiscal 2008 under normal course issuer bids were excluded from the calculation of earnings per share as of the date of purchase.

NOTE 16 BUSINESS ACQUISITIONS

On April 1, 2008, the Company completed the acquisition of the cheese activities of Alto Dairy Cooperative in the United States for a cash consideration of $161,074,000. The fair values attributed to the net assets acquired were $31,709,000 to receivables, $22,096,000 to inventories, $262,000 to prepaid expenses, $27,182,000 to accounts payable, $70,840,000 to fixed assets and $63,349,000 to goodwill.

On December 1, 2008, the Company completed the acquisition of the dairy activities of Neilson Dairy, the dairy division of Weston Foods (Canada) Inc., for a cash consideration of $469,279,000. The fair values attributed to the assets acquired were $29,983,000 to receivables, $9,859,000 to inventories, $378,000 to prepaid expenses, $56,041,000 to accounts payable, $87,040,000 to fixed assets, $223,200,000 to trademarks, $63,100,000 to other intangibles, $1,120,000 to future income tax liability and $112,880,000 to goodwill. The final allocation of the purchase price will be completed in the next fiscal year.

NOTE 16 **BUSINESS ACQUISITIONS** (cont'd)

During fiscal 2008, 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 $22,880,000 to inventories, $585,000 to prepaid expenses, $845,000 to accounts payable, $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.

NOTE 17 **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 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. The Company and the employee share the cost of the contributions which are based on recommendations from independent actuaries. Actuarial valuations were performed in December 2006 and July 2007. The next actuarial valuations are planned no later than December 31, 2009. 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 41% in shares of Canadian and foreign companies (53% in 2008), 52% in fixed income investments (43% in 2008) and 7% in cash and short-term investments (4% in 2008).

FINANCIAL POSITION OF THE PLANS

	2009		2008	
	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	$ 196,170	$ 12,684	$ 199,938	$ 13,143
Addition during the year	–	26	–	588
Current service cost	6,137	231	7,756	224
Interest cost	10,834	674	10,361	667
Benefits paid	(12,848)	(1,222)	(12,690)	(1,368)
Actuarial gains	(31,341)	(1,448)	(8,805)	(278)
Foreign currency loss (gain)	728	385	(390)	(292)
Benefits obligation at end of year	169,680	11,330	196,170	12,684
Changes in fair value of plan assets				
Fair value of plan assets at beginning of year	192,060	–	193,146	–
Actual return on plan assets	(22,784)	–	657	–
Employer contributions	8,611	1,035	10,101	1,196
Employee contributions	1,100	187	1,125	172
Benefits paid	(12,848)	(1,222)	(12,690)	(1,368)
Foreign currency gain (loss)	569	–	(279)	–
Fair value of plan assets at end of year	166,708	–	192,060	–
Funded status				
Deficit, end of year	(2,972)	(11,330)	(4,111)	(12,684)
Unamortized actuarial losses	68,628	505	65,903	2,223
Unamortized past service cost	853	201	963	201
Valuation allowance	(559)	–	(573)	–
Unamortized transitional (asset) obligation	(6,437)	777	(7,593)	973
Asset (liability) as at the measurement date	59,513	(9,847)	54,589	(9,287)
Employer contributions made from the measurement date to the end of the year	1,527	50	1,650	85
Net asset (liability) recognized in the balance sheet	$ 61,040	$ (9,797)	$ 56,239	$ (9,202)

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

NOTE 17 **EMPLOYEE PENSION AND OTHER BENEFIT PLANS** (cont'd)

EMPLOYEE BENEFIT PLANS EXPENSE

	2009		2008	
	Pension plans	Other benefit plans	Pension plans	Other benefit plans
Defined benefit plans				
Employer current service cost	$ 5,037	$ 42	$ 6,631	$ 52
Interest cost on benefits obligation	10,834	674	10,361	667
Actual return on plan assets	22,784	–	(657)	–
Acturial gains	(31,341)	(1,448)	(8,805)	(278)
Unadjusted benefits expense (income) before taking into account the long-term nature of the cost	7,314	(732)	7,530	441
Difference between expected return and actual return on plan assets	(37,117)	–	(12,765)	–
Difference between amortized past service costs and plan amendments for the year	115	59	115	31
Difference between net actuarial loss recognized and actual actuarial loss on benefits obligation	34,651	1,573	13,858	636
Transitional (asset) obligation amortization	(1,156)	196	(1,156)	196
Defined benefit plans expense before valuation allowance	3,807	1,096	7,582	1,304
Valuation allowance	(18)	–	392	–
Defined benefit plans expense	3,789	1,096	7,974	1,304
Defined contribution plans expense	15,537	–	12,733	–
Total benefit plans expense	$ 19,326	$ 1,096	$ 20,707	$ 1,304

For the year ended March 31, 2009, the Company's total expense for all its employee benefits plans was $20,422,000 ($22,011,000 in 2008) and the total Company contributions to the employee benefits plans was $25,183,000 ($24,030,000 in 2008).

Weighted average assumptions

To determine benefits obligation at the end of year:				
Discount rate	7.47%	6.68%	5.61%	5.44%
Rate of compensation increase	3.50%	3.50%	3.50%	3.50%
To determine benefit plans expense:				
Discount rate	5.61%	5.44%	5.26%	5.35%
Expected long-term rate of return on plan assets	7.01%	N/A	7.30%	N/A
Rate of compensation increase	3.50%	3.50%	3.50%	3.50%

For measurement purposes, a 6.3% to 7.6% annual rate of increase was used for health, life insurance and dental plan costs for the year 2010 and this rate is assumed to decrease gradually to 5% in 2014. In comparison, during the previous year, a 6.6% to 9% annual rate was used for the year 2009 and that rate was assumed to decrease gradually to 6% in 2013.

NOTE 18 COMMITMENTS AND CONTINGENCIES

LEASES

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 for the next fiscal years are as follows:

2010	$ 13,769
2011	10,042
2012	8,831
2013	7,251
2014	6,213
Subsequent years	11,360
	$ 57,466

NOTE 18 **COMMITMENTS AND CONTINGENCIES** (cont'd)

The Company guarantees to certain lessors a portion of the residual value of certain leased assets with respect to operations 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.

CLAIMS

The Company is defendant to certain claims arising from the normal course of its business. The Company is also defendant in certain claims and/or assessments from tax authorities in various jurisdictions. The Company believes that the final resolution of these claims and/or assessments will not have a material adverse effect on its earnings or financial position.

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, 2009, 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, 2009 and 2008, the Company has not recorded a liability associated with these indemnifications.

NOTE 19 **RELATED PARTY TRANSACTIONS**

The Company receives and provides goods and services from and to 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, being the market value of similar transactions.

Goods and services received were the following:

		2009		2008
Rent, travel, transport and lodging expenses and canned goods	$	4,923	$	3,669
Management fees for compensation of the Chairman of the Board		500		500
	$	5,423	$	4,169

Goods and services provided were the following:

Dairy products and services provided by the Company	$	528	$	379

There is an amount payable by the Company of $1,380,000 with respect to these transactions as at March 31, 2009 (nil in 2008).

NOTE 20 **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 carrying value 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 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.

NOTE 20 **FINANCIAL INSTRUMENTS** (cont'd)

Bank loans, 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 except for long-term debt approximates their respective carrying amounts as at the balance sheet dates.

Derivative financial instruments are measured at fair value. The change in fair value of the effective portion of the hedge is recognized in other comprehensive income, net of income taxes.

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 $288,994,000 for the senior notes ($251,598,000 in 2008) and $328,311,000 for the bank loans (nil in 2008) which includes $1,751,000 of interest swaps.

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 low 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 exceeded 10% of the total balance of accounts receivable as of March 31, 2009.

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 21 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, 2009, the Company was holding cash and cash equivalents of $43,884,000. The Company also has available $802,000,000 in short-term bank credit facilities (Note 7). 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 bank loans bear interest at fluctuating rates. The senior notes are at a fixed rate therefore no interest rate risk exists.

For the fiscal year ended March 31, 2009, the interest expense on long-term debt totalled $20,684,000 ($18,806,000 in March 31, 2008). The interest accrued to March 31, 2009 was an amount of $8,661,000 ($7,049,000 at March 31, 2008).

The Company is exposed to interest rate risks through its financial obligations bearing variable interest rates.

As of March 31, 2009, the net amount exposed to short-term rates fluctuations was approximately $179,000,000. Based on this exposure, an assumed 1 percentage point increase in interest rate would have an unfavourable impact of approximately $1,300,000 on net earnings with an equal but opposite effect for an assumed 1 percentage point decrease.

NOTE 20 **FINANCIAL INSTRUMENTS** (cont'd)

The Company uses derivative contracts to manage the combination of floating interest rates on its long-term bank debt. In January 2009, the Company entered into floating to fixed interest rate swaps to fix the rate on its floating rate exposure to the Canadian Banker's Acceptance rate. The Company will pay an average fixed rate of interest of 1.05% plus 0.50% up to a maximum of 1.125% on amounts totalling $300,000,000 between January 22, 2009 and February 7, 2011. As at March 31, 2009, the interest rate swaps met the criteria for hedge accounting. The fair value of this instrument is recorded in other liabilities.

E) FOREIGN EXCHANGE RISK

The Company operates internationally and is exposed to foreign exchange risk resulting 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 1,800,000 euros (2,400,000 euros in 2008).

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.

	2009	2008
	US dollar impact	US dollar impact
Increase in net earnings	$ 514	$ 681
Increase in comprehensive income	$ 8,050	$ 5,070

F) COMMODITY PRICE RISK

The Company occasionally enters into contracts to hedge against fluctuations in the price of commodities. Outstanding contracts as at the balance sheet date had a negative fair value of approximately $3,790,000 (positive fair value of $600,000 in 2008). The Company does not use hedge accounting for these transactions.

NOTE 21 **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 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, 2009 and March 31, 2008 was as follows:

	2009	2008
Bank loans	$ 139,399	$ 222,584
Current portion of long-term debt	214,421	–
Long-term debt	403,065	225,830
Cash and cash equivalents	(43,884)	(165,710)
Net debt	$ 713,001	$ 282,704
Shareholders' equity	$ 1,972,348	$ 1,619,160
Net debt to equity	0.36:1	0.17:1

The Company believes that the result 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, 2009.

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

NOTE 22 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, fluid milk and dairy ingredients. The activities of this Sector are carried out in Canada, Europe and Argentina (CEA) and in the United Sates (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.

Information on operating sectors

	2009			2008		
	CEA	USA	Total	CEA	USA	Total
Revenues[1]						
Dairy products	$ 3,323,541	$ 2,304,613	$ 5,628,154	$ 2,966,293	$ 1,927,983	$ 4,894,276
Grocery products	165,109	–	165,109	164,624	–	164,624
	$ 3,488,650	$ 2,304,613	$ 5,793,263	$ 3,130,917	$ 1,927,983	$ 5,058,900
Earnings before interest, depreciation, amortization and income taxes						
Dairy products	$ 378,898	$ 152,006	$ 530,904	$ 363,365	$ 145,478	$ 508,843
Grocery products	16,895	–	16,895	17,201	–	17,201
	$ 395,793	$ 152,006	$ 547,799	$ 380,566	$ 145,478	$ 526,044
Depreciation and amortization						
Dairy products	$ 41,560	$ 58,849	$ 100,409	$ 36,810	$ 34,780	$ 71,590
Grocery products	7,875	–	7,875	7,844	–	7,844
	$ 49,435	$ 58,849	$ 108,284	$ 44,654	$ 34,780	$ 79,434
Operating income						
Dairy products	$ 337,338	$ 93,157	$ 430,495	$ 326,555	$ 110,698	$ 437,253
Grocery products	9,020	–	9,020	9,357	–	9,357
	$ 346,358	$ 93,157	$ 439,515	$ 335,912	$ 110,698	$ 446,610
Interest			31,715			25,344
Earnings before income taxes			407,800			421,266
Income taxes			128,852			133,066
Net earnings			$ 278,948			$ 288,200

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

NOTE 22 **SEGMENTED INFORMATION** (cont'd)

Geographic information

	2009				2008			
	Canada	Argentina & Europe	United States	Total	Canada	Argentina & Europe	United States	Total
Revenues[1]								
Dairy products	$ 2,988,513	$ 335,028	$ 2,304,613	$ 5,628,154	$ 2,700,962	$ 265,331	$ 1,927,983	$ 4,894,276
Grocery products	165,109	–	–	165,109	164,624	–	–	164,624
	$ 3,153,622	$ 335,028	$ 2,304,613	$ 5,793,263	$ 2,865,586	$ 265,331	$ 1,927,983	$ 5,058,900
Total assets								
Dairy products	$ 1,660,987	$ 271,142	$ 1,295,986	$ 3,228,115	$ 1,116,571	$ 237,687	$ 1,114,556	$ 2,468,814
Grocery products	270,988	–	–	270,988	264,662	–	–	264,662
	$ 1,931,975	$ 271,142	$ 1,295,986	$ 3,499,103	$ 1,381,233	$ 237,687	$ 1,114,556	$ 2,733,476
Net book value of fixed assets								
Dairy products	$ 438,675	$ 97,210	$ 572,615	$ 1,108,500	$ 342,908	$ 91,645	$ 391,537	$ 826,090
Grocery products	41,162	–	–	41,162	45,649	–	–	45,649
	$ 442,837	$ 97,210	$ 572,615	$ 1,149,662	$ 388,557	$ 91,645	$ 391,537	$ 871,739
Additions to fixed assets								
Dairy products	$ 43,359	$ 12,107	$ 63,000	$ 118,466	$ 42,113	$ 7,674	$ 42,594	$ 92,381
Grocery products	3,397	–	–	3,397	9,342	–	–	9,342
	$ 46,756	$ 12,107	$ 63,000	$ 121,863	$ 51,455	$ 7,674	$ 42,594	$ 101,723
Goodwill								
Dairy products	$ 269,204	$ 395	$ 321,254	$ 590,853	$ 156,324	$ 395	$ 196,397	$ 353,116
Grocery products	169,430	–	–	169,430	169,430	–	–	169,430
	$ 438,634	$ 395	$ 321,254	$ 760,283	$ 325,754	$ 395	$ 196,397	$ 522,546

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

NOTE 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

Tuesday, August 4, 2009, at 9:30 a.m.
Laval Room, Hotel Sheraton Laval
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EXTERNAL AUDITORS

Deloitte & Touche LLP, Montréal QC

DIVIDEND POLICY

Saputo Inc. declares quarterly cash dividends on common shares at $0.14 per share, representing a yearly dividend of $0.56 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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