

Saputo

Taking a bite out of life

2013

Annual Report



**Feeding
the world**

**with our
nutritious
products**



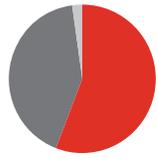


**is a challenge
which unites us
every day.**

Our dairy products



ensure vitality

Sector	Number of plants	Number of employees	% of total revenues*
CEA Dairy Products Sector	26	6,100	56%
USA Dairy Products Sector	26	5,200	42%
Grocery Products Sector	1	700	2%
Products sold in over 40 countries	53 plants	12,000 employees	

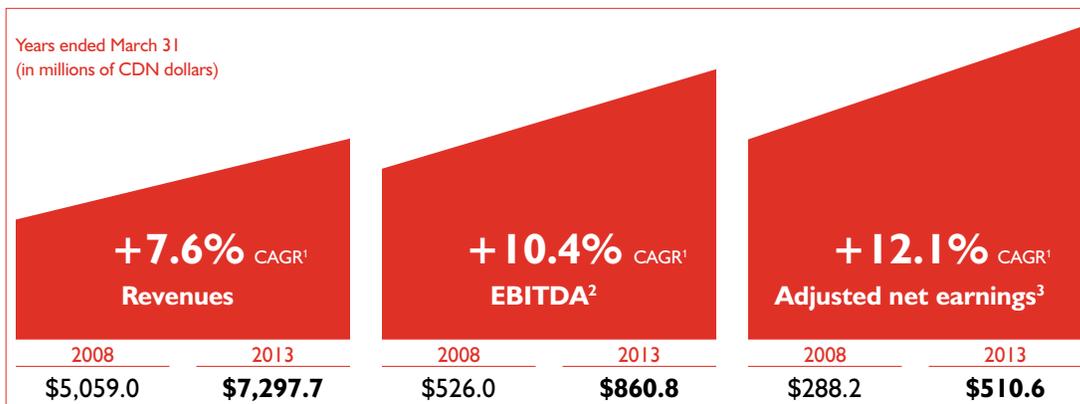
Saputo produces, markets, and distributes a wide array of dairy products of the utmost quality, including cheese, fluid milk, extended shelf-life milk and cream products, cultured products and dairy ingredients. Saputo is one of the top ten dairy processors in the world, the largest in Canada, the third largest in Argentina and among the top three cheese producers in the United States. Our products are sold in more than 40 countries under well-known brand names such as *Saputo*, *Alexis de Portneuf*, *Armstrong*, *Baxter*, *Dairyland*, *Dragone*, *DuVillage 1860*, *Friendship*, *Frijo Cheese Heads*, *Great Midwest*, *King's Choice*, *Kingsey*, *La Paulina*, *Milk2Go*, *Neilson*, *Nutralit*, *Ricrem*, *Salemville*, *Stella* and *Treasure Cave*. Saputo Inc. is a publicly traded company whose shares are listed on the Toronto Stock Exchange under the symbol "SAP".



1. Flavio Emmanuel Bendezu Delgado, Operations
2. Employees from the Mont-Laurier Plant, Québec

* With the Morningstar Acquisition, the percentage of total revenues, on an annual *pro forma* basis, would have been 47.8% in the CEA Dairy Products Sector, 50.6% in the USA Dairy Products Sector and 1.6% in the Grocery Products Sector.

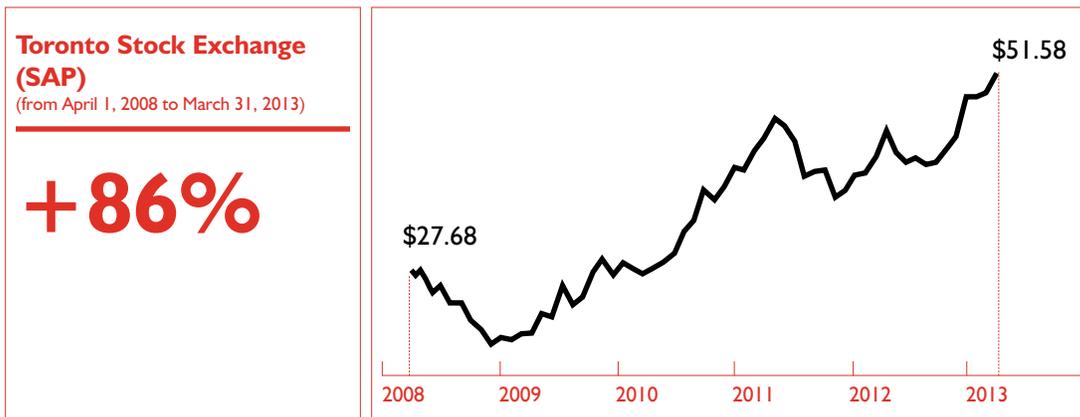
stimulate
growth



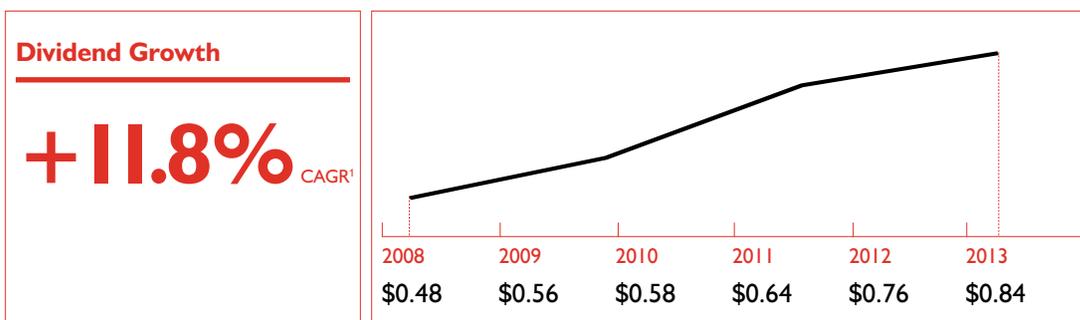
boost the
system



provide
stamina



are worth
sharing



(1) CAGR, Compound Annual Growth Rate is defined as the year over year growth rate over a specified amount of time.

(2) EBITDA is defined as earnings before interest, income taxes, depreciation, amortization, acquisition, restructuring and impairment costs.

(3) Adjusted net earnings is defined as net earnings without considering acquisition, restructuring, and impairment costs.

Adjusted net earnings represents a non-IFRS measure.

Message from the Chairman of the Board



Emanuele (Lino) Saputo, C.M., O.Q., D' h.c.
Chairman of the Board

I am pleased to share another successful year with you. Our Company was built on strong family values and traditions, and I am glad to see these continue to be a fundamental aspect of our culture. We believe it is passion, dedication and teamwork which help us adapt to our evolving industry. These values are intrinsic to every aspect of our business, as we seek ways to continue to expand our product offering, work to always improve overall efficiencies and become stronger.

Our Company's many accomplishments can be attributed to various factors, but most importantly to our employees. We have a team of devoted individuals, and each of them is dedicated to pushing our business forward. It is our employees worldwide who have made us the multinational dairy processing company we are today.

Every year, we have consistently relied on our Management team and our Board of Directors to ensure a sound future for our business. I would like to thank them for their involvement in reviewing our strategic orientation, as well as promoting a continued culture of integrity throughout the Company.

The Board is comprised of 11 members, 9 of whom are independent. The Chief Executive Officer and Vice Chairman, and myself, are non-independent Board members. In fiscal 2013, we welcomed two new directors: Ms. Annalisa King and Mr. Henry E. Demone, who were elected in July 2012.

Mr. Frank A. Dottori has announced he will be retiring from our Board after 10 years. We wish to thank him for his appreciated contribution. Ms. Annette Verschuren will be proposed for election to the Board at our annual general meeting in August. We believe that her experience and background will complement our Board.

All the members bring a wealth of experience which enables them to carry out their mandate. Together, Board members review plans for the upcoming fiscal year presented by the Management team, namely evaluating the competitive and regulatory environment of the industry to identify risks and opportunities. They assess the Company's results and accomplishments against its objectives. The Board also has two committees composed entirely of independent directors: the Corporate Governance and Human Resources Committee, and the Audit Committee. I am confident our Board will continue to fulfill its duties and I look forward to pursuing the Company's objectives in fiscal 2014. The Board believes in the importance of good governance practices, as stated in the Company's Management Proxy Circular, dated June 5, 2013. For additional information concerning the Company's corporate governance practices and Board nominees, I invite you to please refer to such document.

With the best interest of all stakeholders in mind, I am convinced we will keep strengthening our business.

We believe it is
passion, dedication
and teamwork
which help us adapt
to our evolving
industry.

Board of Directors



Lino A. Saputo, Jr.
Chief Executive Officer, and
Vice Chairman of the Board
Saputo Inc.



Lucien Bouchard
Senior Partner
Davies Ward Phillips
& Vineberg LLP



Pierre Bourgie
President and
Chief Executive Officer
Société Financière Bourgie
(1996) Inc.



Henry E. Demone
President and CEO
High Liner Foods Inc.



Frank A. Dottori
President
FADCO Consulting Inc.



Anthony M. Fata
President
Sager Food Products Inc.



Annalisa King
Senior Vice President and CFO
Best Buy Canada Ltd.



Tony Meti
President
G.D.N.P.
Consulting Services, Inc.



Caterina Monticciolo, CPA, CA
President
Julvest Capital Inc.



Patricia Saputo, CPA, CA, ICD.D
Chief Financial Officer
Placements Italcant Inc.

Corporate Management



From left to right:

Kai Bockmann, President and Chief Operating Officer, Dairy Division (International)
Lorenzo Spinelli, President and Chief Operating Officer, Dairy Division (Canada)
Lionel Ettedgui, President and Chief Operating Officer, Bakery Division
Dino Dello Sbarba, President and Chief Operating Officer, Saputo Inc.
Lino A. Saputo, Jr., Chief Executive Officer and Vice Chairman of the Board
Louis-Philippe Carrière, Executive Vice President, Finance and Administration
Gaétane Wagner, Executive Vice President, Human Resources
Kevin C. Yost, President and Chief Operating Officer, Dairy Foods Division (USA)
Terry Brockman, President and Chief Operating Officer, Cheese Division (USA)

We sat down with Management to ask them a few questions about how Saputo performed last year and what will drive our future growth.



with our CEO Lino A. Saputo, Jr.

To provide you with high quality dairy products every day, we employ 12,000 people. Everything we do is driven by our purpose to feed the world with high quality and nutritious dairy products. Today, we have 53 plants in Canada, the United States and Argentina to serve you. We have the necessary resources to maintain a leadership position in many markets and thanks to our geographically well-diversified infrastructures, the solid reputation of our brands, and our continued investments in research and development — and in our facilities — we are confident to be well positioned to face the future.

Reflecting on fiscal 2013, I am satisfied with our accomplishments. Our new management structure has been in place for twelve full months and I have had the chance to adapt to my new role. It took a little time to get used to not being as involved with day-to-day operations and leaving this task to Dino Dello Sbarba, who became our President and COO in April 2012. I now have more time to evaluate acquisition opportunities, growth strategies and can devote additional time to the investor community as a whole, and to community outreach initiatives.

This year was marked by strategic planning initiatives. The leadership team and I focused on putting forward our Company's next steps. Fiscal 2013 was highlighted by many important decisions, including the consolidation of distribution in the Greater Montreal area, the announced closure of two Canadian plants and our exit of the European market.

The year in review was also marked by our acquisition of Morningstar Foods, LLC. This new addition is a great complement to our existing portfolio in the United States and will allow us to continue to develop new and existing platforms.

Q Can you provide more information on the consolidation project in the Greater Montreal area?

Our goal is to constantly find ways to improve overall efficiencies. As part of our continued analysis of activities, we initiated a project to consolidate the distribution activities of the Greater Montreal area into one distribution center located in Saint-Laurent, Québec. This new center will comprise the distribution and logistics activities currently being conducted at our Saint-Laurent, Boucherville and Saint-Leonard locations, as well as some administrative offices of the Canadian Division. Employees have gradually started moving into the new facility and the project is on schedule to be completed in March 2014.

Q What specific plants are scheduled to close in Canada during fiscal 2014?

Over the last year, we've maintained efforts to pursue additional efficiencies and decrease costs while strengthening our market presence. We announced the closure of two plants in Canada — more specifically our manufacturing facilities in Warwick, Québec, and in Winkler, Manitoba. These closures will be completed in 2014 and production will be integrated into other facilities in Canada.

Q Why did you decide to exit the European market this year?

Since acquiring two plants, one in the United Kingdom and the other in Germany in 2006 and 2007 respectively, we aimed to penetrate the European market and get a better understanding of its realities and dynamics. The Germany plant specialized in Italian specialty cheeses for the retail market segment, whereas the United Kingdom facility mainly produced mozzarella for the foodservice market segment.

The past few years have been a learning experience. Our European business did not have sufficient critical mass to be profitable and we did not see short to mid-term opportunities to ensure such profitability. As such, we decided to close both facilities to further concentrate our efforts and resources in current platforms and other markets.



Q Have you crossed off Europe for good from your list of potential markets?

For now, we choose to concentrate our efforts in our other platforms. Europe being a very mature market, we now understand that a critical mass in the market is mandatory to be profitable. We will however continue to evaluate opportunities that come forward, including those in Europe.

Q Why is the Morningstar Foods, LLC acquisition an exciting addition for Saputo?

We are very excited about this addition as it represents a great platform. It is now known under the name Saputo Dairy Foods (USA) and complements the activities of our Cheese Division (USA). This is a newly created division in the United States and has enabled us to add a variety of products to satisfy consumers' needs and evolving trends. More specifically, the Dairy Foods division produces a wide range of dairy and non-dairy extended shelf-life ("ESL") products, including creams and creamers, ice cream mixes, whipping cream, aerosol whipped toppings, iced coffee, half-and-half, value-added milks, as well as cultured products such as sour cream and cottage cheese. These products are manufactured under a wide array of company-owned and customer brand names, and are sold nationwide through an internal sales force and independent brokers. The Dairy Foods division serves the needs of retailers, national quick-serve restaurant chains, grocery stores, mass merchandisers and distributors across the United States.

Such complementarity creates stability and value. We aim to continue to grow in the United States and through this new offering, we believe there are possibilities to further develop our platforms in the United States and other countries.

Q Has the Morningstar acquisition slowed down your future acquisition potential?

Not at all! Although Saputo Dairy Foods (USA) represents a sizeable acquisition, we continue to have the human and financial resources to pursue growth through acquisitions. We also have the appetite for continued growth.

Q How will Saputo adapt if changes are brought to the Canada-EU trade and the Trans-Pacific Partnership?

Our entrepreneurial spirit and flexibility have always enabled us to adapt to regulatory changes. I believe we have an ability to respond rapidly and react effectively to any changes. We operate in various countries and they all have different regulatory systems. If there is a change in one system, I believe we have the infrastructure, and capital and human resources to adapt and take advantage of opportunities.

Q What is to be expected from Saputo in the upcoming years?

We are ranked as one of the top ten dairy processors in the world. We have considerable experience and knowledge of the industry, and our possibilities are numerous.

We believe in the importance of embracing a global perspective for long-term growth. As we look to the future, we remain confident in our ability to develop new platforms and new markets mainly through acquisitions. We are always on the lookout for new ways to work more efficiently, and we continually adjust our approach to take advantage of opportunities.

Q What do you owe your success to?

We have the people, the financial resources and the passion to meet our growth objectives. Our accomplishments wouldn't be possible without our outstanding team. I would like to extend my gratitude to our employees who devote their energies and resourcefulness to ensure our Company continues to perform to high levels and standards. With their support, we are able to continually create value and keep moving forward. Furthermore, I wish to sincerely thank our loyal customers and suppliers for their ongoing commitment. We have always appreciated the confidence and trust our customers have placed in us, and we are very thankful for the partnerships we have built with our suppliers over the years.



with our CFO Louis-Philippe Carrière

I am pleased to review our performance for the year ended March 31, 2013 and provide some insight into our financial structure and positioning. Our revenues for the fiscal year reached \$7.3 billion up 5.3% from fiscal 2012. Adjusted net earnings totalled \$510.6 million, compared to \$505.8 million last fiscal year.

We delivered good results this year, despite many challenges with international pricing, fluctuations in the block price in the USA and escalating raw material prices. While these market factors impacted us, we were nonetheless able to slightly increase volumes and grow our business, mainly through our recent Morningstar acquisition.

It is particularly gratifying to be able to support such sizeable acquisitions and investment initiatives while also returning value to our shareholders. The ability to do both, while still investing in plant improvements and capital expenditure projects, underscores our Company's strong cash generation capabilities.

Our strong cash flow enables us to continue to reinvest in the Company and return value to shareholders through increased dividends and share repurchase programs.

Q How would you characterize your most recent acquisition?

Morningstar Foods, LLC represents a strategic transaction with sizable annual revenues, operating in a dairy product category we know well, and it complements our cheese business in the United States. It provides an excellent opportunity to expand and diversify our dairy offering to customers. This acquisition is adding about \$150 million of EBITDA on an annual basis. Furthermore, it gave us the opportunity to use about \$250 million of cash we had available, and added \$1.2 billion of debt to our balance sheet. Our total net debt stands at about \$1.7 billion with a 0.73 net interest bearing debt/equity ratio. We are under-leveraged and have significant financial flexibility.

We completed the transaction in early January and this acquisition contributed to year-over-year improvements.

Q Have low interest rates influenced your decisions to acquire businesses?

Interest rates are indeed low and that is a plus for us. We have never acquired, nor do we ever expect to acquire a business because of low interest rates or a strong currency. When we acquire a business, it is because of two main reasons: it's a strategic fit and it adds value to our business.

Q Would you consider making other acquisitions and adding more debt to your balance sheet?

Absolutely! The fundamentals of our business remain solid and our balance sheet is strong. With low debt levels and almost no off-balance sheet arrangements, and taking into account the profitability of businesses to be acquired, I estimate we could add about \$2.7 billion in additional debt while continuing to comply with our existing covenants. With a strong cash flow and a solid financial foundation, we are firmly positioned for continued growth.



Q How do you invest the cash you generate?

For the year in review, our operating activities generated net cash of \$646 million.

To maintain and enhance our long-term competitiveness, we efficiently reinvest the cash generated from our business in capital expenditure projects, dividends, acquisitions and the repurchase of shares through a normal course issuer bid.

Q Is awarding dividends to your shareholders a priority?

Capital expenditures in our business are first in line and dividends are essentially as important in terms of cash allocations. We revise our dividend policy once per year, generally, in August. Over the last 13 years, we have consistently increased our dividends per share each year. We tend to have a dividend payout ratio representing approximately 30% of our net earnings or adjusted net earnings.

Q Will you continue buying back your shares through a normal course issuer bid?

Yes. We renewed our normal course issuer bid last November. It provides us the ability to repurchase shares with our available cash; if we feel this is a responsible investment. Since the Morningstar acquisition last January, we have repurchased about 1.2 million shares for about \$58.2 million.

Q How would you describe your financial approach?

We have always had a disciplined approach to financial management and it has served us well. Over the last few years, our capital structure has been under-leveraged. With our most recent acquisition, we only have approximately \$1.7 billion in debt versus about \$2.3 billion in equity and approximately \$861 million in EBITDA generated this year. Being disciplined, we commit ourselves to reimburse about \$150 million of debt annually. Going forward, we intend to maintain a certain leverage and keep at least \$1 billion in debt on our balance sheet. Our goal is to continue to fund growth and create value for our stakeholders.

We know from experience that by remaining disciplined and by combining our extensive knowledge of the industry with our unique culture and commitment to excellence, we will continue to grow.

Our objective has always been to sustain growth and increase value by balancing earnings, capital efficiency and financial soundness.

Q Is there anything else to be mentioned?

Yes. Until this fiscal year, we used to report our financial results as the Canada, Europe and Argentina Dairy Products Sector, the USA Dairy Products Sector and the Grocery Products Sector. In light of the way we are now looking at our business, we have realigned our reporting structure and, as of fiscal 2014, we will report under three new sectors. The Canadian Sector will include the Dairy Division (Canada) and the Bakery Division. The USA Sector will combine the Cheese Division (USA) and the Dairy Foods Division (USA). Finally, the International Sector will combine the Dairy Division (Argentina) and the Dairy Ingredients Division. The Dairy Ingredients Division will include national and export ingredients sales, as well as cheese exports from our North American divisions.



with our COO Dino Dello Sbarba

Q How would you describe your role?

Fostering an environment where ideas and best practices are shared and where each person is encouraged to assist in creating value for our business are essential parts of my role.

As such, I ensure corporate guidelines are followed while enabling divisions to be autonomous and keep their entrepreneurial spirit. I work closely with all sectors to establish their mid to long-term objectives and provide them with direction. I also assist in determining the necessary investments to achieve our objectives, and make sure adequate financial support and sufficient human resources are provided to attain our goals.

My role consists of ensuring our Company's culture is well entrenched within the divisions and that each of them is working in-sync with our corporate human resources department. Moreover, I am responsible for providing support to divisions to implement processes and procedures in peripheral functions such as audit, risk management and food safety protocols, to name a few.

Q What would you say was your divisions' focus this year?

During the past fiscal year, every division worked on adapting their structure to achieve our long-term objectives. We realigned some of our divisional and reporting structures to prepare for the future. We also strengthened roles for some of our key people in regions where we operate and sell our products. As we aim to continue to grow, mainly through acquisitions, we have to ensure we are ready to welcome and integrate new businesses. As such, the new role of Senior Vice President, Operational Administration was created to focus on synergies and best practices. This includes aligning our needs in terms of procurement, risk management, operational administrative controls and enterprise resource planning (ERP), amongst others.

Q Do you consider this a challenging time for the dairy industry?

While our industry is vibrant and growing on a worldwide basis, it remains highly competitive and raw material prices are subject to volatility in most countries. It is also a highly politically charged industry. Furthermore, consumers and customers' needs are evolving and they are becoming increasingly demanding. We have faced such challenges in the past and I believe, with our refocus on the international front, coupled with our most recent acquisition of Morningstar, we are well poised for growth.



Q Do you have any updates on the Morningstar integration?

The integration began during the fourth quarter of our fiscal year. We used a very similar approach when we acquired Molino Hermanos in Argentina and Stella Foods in the United States in 2003 and 1997 respectively. More specifically, we sent a team comprised of employees from our Head Office and from the Dairy Division (USA) to begin the integration process in areas of convergence, such as some administrative and procurement functions. Our Information Technology team immediately started to work with the newly acquired business to transition from their former ERP system and map out the path to move to Saputo's processes without interrupting ongoing business and while ensuring continued service to customers. Since, all of our departments have started working with their new counterpart to implement processes and discuss potential synergies. Our Sales teams have begun reviewing client profiles to ensure we continue to bring added-value to existing clients and work together to bring new offerings or solutions to current and new customers.

It is important to note that this newly acquired business is being treated as a division which will operate within the USA Sector. The integration will continue throughout fiscal 2014 with the objective of achieving consistency with Saputo's best practices.

Q What are you doing to exceed consumer and customer demands?

We continue to ensure our products are of high quality and place utmost importance on food safety. Over the past several years, we have focused on creating innovative dairy products that match the changing nutritional needs of consumers. The long-term prognosis for growth in demand for dairy products is positive. In fact, expanding wealth in developing nations, despite European economic turmoil, has gradually begun to fuel a transition towards increased proteins in the diet of their population, and the dairy industry is likely a primary beneficiary of this transition. By sourcing milk at world competitive prices and employing innovative processing technologies, we are positioning ourselves to profitably continue to serve consumers and customers.

We believe to have adequate manufacturing capacity to meet current and near-term demand for our products. It is our intention to continue to expand and modernize our plants where possible, through investments in equipment and processes designed to increase efficiencies.

Financial Highlights

Years ended March 31 (in thousands of CDN dollars, except per share amounts and ratios)	2013	2012	2011
REVENUES			
Dairy Products Sector			
CEA ¹	4,091,356	4,054,516	3,837,188
USA	3,069,179	2,741,813	2,024,455
	7,160,535	6,796,329	5,861,643
Grocery Products Sector	137,142	134,041	141,289
	7,297,677	6,930,370	6,002,932
EBITDA²			
Dairy Products Sector			
CEA	498,967	514,786	493,842
USA	347,859	303,405	281,888
	846,826	818,191	775,730
Grocery Products Sector	13,946	12,740	12,551
	860,772	830,931	788,281
Net earnings	481,921	380,840	450,051
Acquisition costs (net of income taxes of \$3,531)	6,115	–	–
Restructuring costs (net of income taxes of \$10,034)	22,597	–	–
Impairment of goodwill	–	125,000	–
Impairment of portfolio investment (net of income taxes of \$2,000)	–	–	11,600
Adjusted net earnings ³	510,633	505,840	461,651
Net cash generated from operations	645,792	522,987	588,520
Working capital	285,909	497,023	348,792
Total assets	5,193,640	3,599,120	3,578,331
Interest bearing debt ⁴	1,686,988	402,369	471,578
Shareholders' equity	2,305,672	2,105,686	2,072,635
PER SHARE			
Adjusted net earnings ³			
Basic	2.58	2.51	2.24
Diluted	2.55	2.47	2.21
Net earnings			
Basic	2.44	1.89	2.18
Diluted	2.41	1.86	2.15
Dividends declared ⁵	0.84	0.76	0.64
Book Value	11.73	10.58	10.17
FINANCIAL RATIOS			
Interest bearing debt / Shareholders' equity	0.73	0.19	0.23
Adjusted return on average adjusted shareholders' equity ⁶	23.2%	24.2%	22.4%

(1) Canada, Europe and Argentina Dairy Products Sector.

(2) Earnings before interest, income taxes, depreciation, amortization, acquisition, restructuring and impairment costs.

(3) The term adjusted net earnings represents a non-IFRS financial measure. Refer to the "Measurement of results not in Accordance with IFRS" section on page 7 of the Company's Management's Discussion and Analysis for further information.

(4) Net of cash and cash equivalents.

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

(6) Adjusted return on average shareholders' equity is defined as adjusted net earnings divided by the average shareholders' equity.

The ingredients of our performance

- 1** An appetite for acquisitions
- 2** Unquenchable thirst to surpass ourselves
- 3** Quality at the top of the daily menu
- 4** A passion for innovation
- 5** Exploring a world of new flavours
- 6** An attention to detail ensures successful recipes every time
- 7** The hunger to go the extra mile



An appetite for acquisitions



Approach

Acquisitions have played a key role in our growth, especially over the past 15 years. With every new acquisition, we are meticulous in incorporating its activities into our operations and making them stronger. Once fully integrated, our facilities can benefit from the larger organization's global resources.

We pride ourselves on being patient and disciplined in our search for growth. We want to keep creating value and ensure our acquisitions are strategic and a good fit. Considering this, it is important to stay on course with our objectives. We have a thorough understanding of the dairy industry, which enables us to always be prepared to evaluate targeted acquisitions as opportunities become apparent.

Fiscal 2013 Highlights

- In January 2013, we completed the acquisition of Morningstar Foods, LLC and were honored to welcome approximately 2,000 new employees to the Company.
- This transaction expands our product offering to customers in the United States and broadens the range of future acquisition opportunities. We now benefit from a national manufacturing and distribution footprint in the United States.
- We continue to benefit from synergies and opportunities from past acquisitions and have reinforced our platforms for the dairy ingredients and specialty cheese categories.

Objectives

With our low level of debt and strong financial capability, we are well positioned to continue to pursue growth through acquisitions. Our strategy will remain focused on a targeted and disciplined expansion program. We recognize the importance of developing new markets within the global dairy industry, specifically in Latin America and Oceania. In the United States, the market remains segmented with further opportunities for consolidation.

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1. Hector Molfino, Milk Supply, Industry & Government Relations
 2. Rym Louda, Finance and Administration
-





1

2



2



Unquenchable thirst to surpass ourselves

Approach

We feel food should be a source of pleasure and meals are meant to be shared. We have 53 plants in 3 countries to satisfy the needs of consumers and customers. This year, we processed over six billion litres of milk into various products ranging from cheese, fluid milk, dairy extended shelf-life products, cultured products and dairy ingredients. Our team works to bring you the best milk has to offer.

Fiscal 2013 Highlights

- As we aim to provide high quality products to our customers, we continued to invest in our processing equipment to maximize the use of our raw materials.
- We invested in packaging lines to maximize efficiencies, increase capacity and minimize costs.
- We are reaping the benefits of the investments in equipment and processes which were made in previous years.
- Specialty cheeses continue to demonstrate growth and an unprecedented number of our products have won numerous prizes, which is a direct result of the attention we place on the consumer tasting experience.

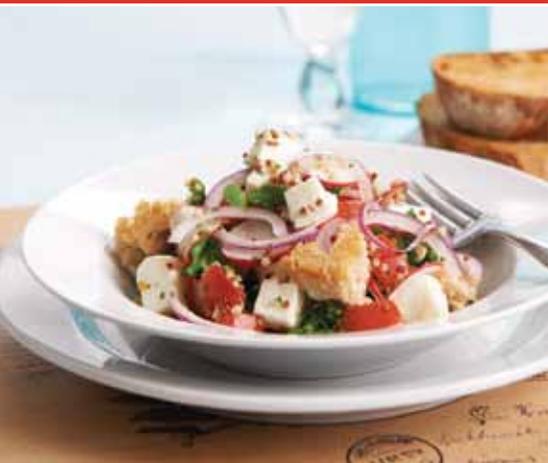
Objectives

We are dedicated to offering high quality dairy products at the right price and fulfilling the nutritional needs of our consumers. We encourage families to eat healthy meals and we provide nutritious products around the world.

As we grow our business, our objective is to continue to be known by clients and consumers for excellence in both products and service. As such, it is important for us to remain true to our principals of offering high quality dairy products which meet evolving needs.

-
1. Maxime Alarie, Operations
 2. Nelson Burgos, Operations
 3. Daniel Saint-Laurent, Maintenance
 4. Serge St-Amour, Laboratory
 5. Frédérique Mignault and her family, Accounting and Administration, Nicolas Proulx and his family, Operations
-

Quality at the top of the daily menu



Approach

Our top priority is to ensure the products we make available to our consumers and customers are safe and of the utmost quality. At every meal, people everywhere look to include fresh, wholesome and nutritious products to their diets. In addition to providing safe and high quality products, combining healthy and nutritious ingredients for your family is key.

As such, we have developed our food safety programs around a five-pillar approach: leadership, knowledge, risk assessment, risk mitigation, and verification. These key principles govern our commitment to high standards in food safety and quality in line with leading practices in the food industry. We implement sanitary processes and ensure they are at a minimum consistent with industry standards. To deliver high quality products, we choose our ingredients carefully and take the time to listen to our consumers and customers to make our products better, convenient and nutritious.

We have established cross-functional teams, both within each division and between them to ensure optimal use of resources and advancement of programs. Safety and quality of our products originate with the people who work hard to manufacture them. We consistently invest in training for our employees, working with them and the Food Safety teams at each plant to ensure procedures are effective and up-to-date.

Fiscal 2013 Highlights

- Food Safety teams in each plant worked on continuous improvement initiatives identified by the Quality Assurance team and plant employees.
- Additional resources were deployed in several plants to support our Hazard Analysis Critical Control Points (HACCP) based programs consistent with our Global Food Safety Initiative (GFSI) mindset.
- Specialists in microbiology and food safety continuously conducted in-plant risk assessments, coaching of Food Safety team members, as well as hands on evaluation of facilities and programs.
- Canadian plants continued their process to obtain certification from the British Retail Consortium (BRC) and we continued to maintain the Safe Quality Foods (SQF) certification in the United States, both of which are GFSI-recognized certification programs. In Argentina, we pursued the implementation of International Organization for Standardization (ISO) and HACCP standards.

Objectives

The five-pillar approach is well established in our business practices, and we will continue to keep it top of mind when developing internal food safety programs. To reinforce our existing approach to food safety, we will develop training materials and programs designed specifically for warehouses and their explicit needs. To ensure a consistent, optimized and best-in-class approach to quality across all our facilities, we will keep developing and improving our programs to support best-practices initiatives.





A passion for innovation

Approach

There are important links between high quality products and a strong R&D team. We know innovation is essential to increasing and strengthening our market position. Our R&D team supports our business and focuses efficiencies through technical advances, this for the benefit of customers and to satisfy their needs in terms of product usages and tastes. The R&D team also concentrates on developing nutritious, delicious and convenient products — both for our own brands and our customers' brands. Because consumers and customers are increasingly more conscious of nutrition and diets, we work at developing recipes that satisfy their needs. These include but are not limited to fat-free, reduced-sugar and reduced-salt options. Investments are made at every level to capitalize on evolving trends and meet the various customer specifications. We continuously explore additional product offerings and process developments. In our efforts to ensure our plants and equipments are state-of-the-art, we constantly evaluate and integrate equipment upgrades aimed at increasing product performance.

Our team of R&D experts continues to grow. This year, we have enhanced our regional technical support to speed-up the implementation of new technologies. These initiatives lead to further learnings that are brought back to a global team, and applied locally in a continuous improvement loop.

Fiscal 2013 Highlights

- To ensure our operations are provided with state-of-the-art technology, we continued to implement new equipment with the objective of optimizing product quality and performance.
- This year, we worked on various snack-sized and easy cooking options with increased packaging functionality for busy families.
- To meet our consumers' health-conscious flavour profiles, we developed new recipes and launched new flavours. For example, in Canada, we launched *Brise du Matin Light*, a brie cheese with only 15% milk fat, we expanded the *Nikos* product line in the United States to include fat-free and flavoured fetas, and launched a new *La Paulina Light* shredded Italian cheese in a "Four Cheeses" flavour in Argentina.

Objectives

Our R&D efforts will continue to include developing and integrating innovative technologies into our operations and our team of R&D experts will support the execution of processes and major new installations in our plants. We will continue to improve our processes and support the technical, quality and food safety aspects of our business. We will maintain our focus on optimizing the use of our raw materials, notably from our whey products, by increasing our flexibility in product diversity and expanding product lines, such as the value-added category.

1. Georges Pelletier, Operations



4



Exploring a world of new flavours



Approach

Dairy products are part of a well-balanced diet and can easily be included in every meal of the day. This year, our cheeses earned a record number of reputable industry prizes. This is a testament that our portfolio of brands provides value and meets a wide variety of consumer needs throughout the day.

String cheese and individual-sized portions are quick and healthy snacks, chocolate milk is a great recovery beverage after a workout, and natural cheese slices in a re-sealable package are always a convenient option for consumers.

We are continuously innovating to satisfy consumers and customers. It is important to offer them a variety of products which meet their needs while continuing to offer the ones they love and depend on. Through creative and captive in-store promotions, public relations campaigns and social media outlets, we focus on building brand awareness. As such, we develop products and brands aimed at leveraging the heritage, quality and long-standing traditions on which our Company was built. We use every available communication tool to reach out to consumers and customers. We continue to study purchase patterns, work at improving the buying experience and build more attractive sales displays for the retail segment. We choose to engage with our consumers and customers, to keep them abreast of new products and to obtain their feedback — this, to ensure we bear in mind their experiences when developing new products and recipes.

Through our internal marketing expertise, we continue to strengthen our portfolio of well-known brands and ensure our strategies are current.



Fiscal 2013 Highlights

- We won 53 industry prizes for 33 of our specialty cheeses manufactured in Canada and the United States.
- Through new branding strategies, we continued to emphasize on our Company's strengths, mainly heritage, tradition, expert cheese-making and premium quality products.
- We continued to strengthen our presence in the value-added product category and increasingly promoted the brands *Saputo*, *Milk2Go* and *Dairy Oh!* in Canada, *Black Creek* in the United States, and *La Paulina* in Argentina.
- We invested in the development of marketing campaigns focused on gaining consumer feedback and building brand relevance through several social media platforms, with Facebook contests and how-to videos on YouTube, amongst others.

Objectives

We will pursue efforts to build upon the heritage of our leading brands and extend product lines. We will maintain support of our value-added product category and our emphasis on our offering of health-oriented products. We will continue to develop innovative products for our quick-serve restaurant customers and provide healthy dairy-based options for in-school consumption. Furthermore, through partnerships with culinary federations, it is important for us to maintain our ongoing support of future chefs and foodservice industry leaders.

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1. Diane Couture, Sales
 2. David Couture, Marketing
-



We will continue
to provide the right service
to our customers
and drive efficiency
within the supply chain.

An attention
to detail ensures
successful recipes
every time

Approach

To ensure our customers can enjoy high quality products at the right price, we have aligned our business processes internally. As such, delivering the right quantity at the right time and at the right place is essential to our commitment to servicing our customers. We have a rigorous system in place to ensure our dairy products are delivered in a cost-efficient and timely manner, while maintaining product integrity.

We constantly invest in equipment and training in an effort to better manage demand and supply, which translates into improvements in inventory management and overall service levels. Increased employee training allows us to proactively satisfy the needs of an ever so sophisticated customer base.

We take a thoughtful collaborative approach in developing and refining our distribution and transportation networks. Understanding our customers, as well as our operational requirements is at the heart of our review process. With that in mind, our goal is to be a distribution and logistics provider with superior levels of service and performance, and always remain cost efficient.



3



4



Fiscal 2013 Highlights

- To provide our customers with proactive promotional planning, a lower execution cost and a better overall satisfaction rate, we continued to invest in the necessary resources. While managing day-to-day interactions, we were able to build even stronger relationships with our customers.
- We placed significant efforts to combine some of our distribution networks onto a common platform, aligning our retail, foodservice and industrial segments, and specialty businesses. This led to the creation of a common warehouse management system in key multi-categories logistics centers, enabled more efficient operations and improved shipment synergies.
- We implemented new software to align our operational planning processes and are using a new database structure to effectively manage our inventory stock levels.
- We continued to invest in food safety initiatives. As such, we started to implement a Global Positioning System and refrigeration tracking software in parts of our distribution network.

Objectives

We will continue to rollout software solutions to facilitate improvements in fill rates, warehouse management, as well as expedite and facilitate traceability within our supply chain. We expect to complete the implementation of these solutions in early fiscal 2014. Investing in employee training and technology is part of our constant effort to drive a lower cost supply chain. We plan on increasing our efficiencies by investing in our sales and operational planning processes. By improving our forecasting, we will utilize our plant, distribution and transportation resources more effectively, resulting in enhanced cost and service.

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1. Employees from the Saint-Léonard plant, Québec
 2. Luis Bustamante, Sales
 3. Maria Fulvio, Imports
 4. Liviu Radu, Accounting and Administration
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The hunger to go the extra mile



Approach

We are consistently working at finding ways to increase the value of our product offering. We add new functionalities, tweak recipes and develop new flavours while always ensuring we provide high quality products at the right price.

As they are often synonym of innovation and convenience, value-added products are experiencing the highest growth levels. Our investment priorities in this category include new product innovations and acquisition opportunities.

We continue to capitalize on the increasing popularity of coffee consumption outside of the home which is creating attractive growth opportunities for us. We pursue our investments in our value-added product category, including items such as extended shelf-life (“ESL”) creamers, iced-coffee mixes and flavoured coffee modifiers which represent important ingredients in the current coffee craze.

Fiscal 2013 Highlights

- Through the acquisition of Morningstar, we added a new platform in the United States which enabled us to expand our product offering.
- We improved formulas for our value-added milks, such as lactose-free and flavoured products, as well as DHA (Docosahexaenoic acid) enhanced products — an omega-3 fatty acid.
- Through targeted campaigns, we increased market share and brand awareness in Argentina for value-added products such as *La Paulina* shredded and spreadable cheeses.
- We have further strengthened our leading market position in the category of flavoured coffee whitener with *International Delight** in Canada.

Objectives

The addition of Saputo Dairy Foods (USA) has brought a new portfolio of products for us in the United States. However, such products are not unfamiliar to us, as we’ve been processing similar ones in Canada for decades. Because value-added products, such as protein-enhanced milks and flavoured beverages, represent a growing market segment, we will continue to work at growing this category.

1. Martin Archambault, Operations

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The Morningstar acquisition



Approximately
CDN\$ 1.6 billion
in annual revenues

About
2,000
employees

A network of
10
manufacturing facilities

Acquisition completed on
January 3, 2013

Now known as Saputo Dairy Foods (USA), this newly acquired business operates as a division within our USA Sector and is headed by its own President and Chief Operating Officer.

With plants located across the United States, more specifically in Alabama, California, Connecticut, Kentucky, Maryland, Minnesota, New York and Texas, we have national coverage and distribution.

Saputo Dairy Foods (USA) produces a variety of dairy and non-dairy extended shelf-life ("ESL") products, including creams and creamers, ice cream mixes, whipping cream, aerosol whipped toppings, iced coffee, half-and-half, value-added milks, as well as cultured products such as sour cream and cottage cheese.

These products are manufactured under a wide array of company-owned and customer brand names, and are sold nationwide through an internal sales force and independent brokers.

Through this division, we aim to serve the needs of leading national quick-serve restaurant chains, national retailers, grocery stores, mass merchandisers and distributors across the United States.

This platform provides us with the opportunity to broaden the range of our future acquisitions in the United States and other countries, and enables us to continue to take advantage of market trends. The value-added product category is growing, particularly when it comes to coffee drinks and indulgent beverages or desserts. We are confident we can continue to build on these trends and strengthen our business.

Our social responsibility

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1. Athlete Tara Whitten, Cycling
 2. S.M.I.L.E.S. Program
 3. Culinary Camp, *Tableé des chefs*
 4. Gino D'andrea and his son, International Sales
 5. Nathalie Bourdeau and Carole Thiffault, Operations
 6. Saputo slope, *Club Ski Beauce*, Québec
 7. Michelle Sicotte, Internal Audit, and Richard Fafard, Technical Services
 8. Saputo Family Corner, *Stade Saputo*, Montréal, Québec
 9. Employees from the distribution center in Montréal, Québec
 10. Saputo Hockey Tournament
 11. Athletes Martine Dugrenier, Wrestling and Kathy Tremblay, Triathlon, with Justine, daughter of Sandy Vassiadis, Communications
 12. Jean-Laura Cangé, Distribution Center
 13. Ethel Gaudet, Laboratory, with employees and volunteers
 14. Somano Duy, Finance and Administration
 15. *Stade multisports de l'école polyvalente Saint-Joseph*, Mont-Laurier, Québec
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Environment

We support environmentally sound business practices throughout our divisions. In recent years, we began participating in the EnergyStar Challenge for Industry, which encourages manufacturing facilities to reduce their energy intensity by at least 10% within 5 years of an established baseline. Through increased awareness and ongoing initiatives, 4 of our manufacturing plants have thus far achieved the challenge. We continue to make investments in our operations and encourage our facilities to produce more energy-efficient products. Globally, we have successfully reduced our energy intensity by 0.4% this year.

In fiscal 2013, new opportunities have broadened our sustainability strategy. With respect to regulations aimed at reducing carbon emissions, we have taken the necessary steps to understand how, and to what extent, the new California Cap-and-Trade program will affect our current and future business. With sustainability-metrics reporting, we are regularly tracking energy usage and emissions data for each of our facilities. We will keep monitoring Cap-and-Trade programs and climate change-related regulations in the jurisdictions where we operate to ensure compliance. Furthermore, we maintain our progress towards the full integration of environmental management and sustainability metrics for our newly-acquired operations in the United States.

We are also committed to supporting our employees and their sustainable actions. For this reason, we recently launched a Company-wide program aimed at engaging, motivating, and guiding our employees to be more sustainable. The SMILES program — Sustainability Motivated by Innovation, Life, and Environmental Stewardship — will raise awareness on environmental sustainability opportunities for our employees and recognize their initiatives in this area.

Moreover, our Company is a supporter of long-term economic, environmental and social viability of animal farming systems.

We are a supporter of animal well-being in partnership with the dairy industries through multiple organizations and government agencies. We will continue to take a collaborative approach with dairy suppliers for proper animal care to remain a high priority in the dairy industry.

Employees and careers

All dairy processors have access to the same raw material, equipment and technology. What distinguishes us are our employees.

Because employees are our most important asset, we invest actively in their development, safety and well-being, and encourage them to get involved and take ownership.

This year, within our program to encourage healthy lifestyles, a special initiative was launched where everyone within our facilities was encouraged to follow a balanced diet including 2 portions of dairy products and 5 portions of fruits and vegetables, and dedicate 30 minutes to wellness or physical activity every day. The response was overwhelming. Some locations went the extra mile and implemented various health and wellness initiatives, such as cultivating a garden to enjoy fresh produce.

As a growing company, keeping record of our employees and their attendances and achievements can be a challenge. We therefore implemented an integrated human resources information system, to enable the automation of our key business processes. We are now capable of globally managing the various positions within the Company, see where there are vacancies and promote internally or seek candidates externally, when necessary. This software aligns our processes to business needs, thus leading to improved efficiency and more flexibility.

Community outreach

We have a unique company culture, our leadership programs are therefore designed internally to take into account our strong set of values. In an effort to meet global development needs, we rely on our employees to pursue growth. We make sure they are provided with the necessary training to enhance their skills as they take on additional responsibilities and face new challenges. We have also formalized our succession planning process for management positions, enabling us to identify gaps in the required skills and develop customized development plans.

We are committed to providing a safe working environment. We have increased the frequency of health and safety audits in our plants, distribution centers and warehouses. We have also centralized efforts at a corporate level to ensure the same standards are used across the Company. Best practices are being shared across all our locations through different communication tools and training programs.

We believe it is fundamental that a company like ours play an important role in society. We have a long and rich history of being associated with sports, wellness and generosity, because we feel people of all ages can benefit from a healthy-living lifestyle through good nutrition and physical activity.

This past year, we've renewed our commitment to the communities where we operate by investing not only in programs, but also in sport facilities and equipment improvements with the intention of creating a lasting Saputo legacy.

There is much need in Canada, the US and Argentina for improvement of sports facilities, such as fields, courts, rinks and slopes, including essential equipment. This past year, we invested in many projects including the revamping of the *Club Ski Beauce* in Québec, Canada, and the installation of a basketball scoreboard for the school district in Monticello, Wisconsin, United States. We are confident we will succeed in creating lasting value if we connect with our communities through such local and meaningful initiatives.

We also maintained support of community programs, to help get kids moving and interested in physical activity, as well as provide tools to take ownership of their own nutrition. When kids become involved in adopting healthy habits, their parents also get involved in the process, thus encouraging families to lead a healthier lifestyle together. Such programs include the *Grand Défi Pierre Lavoie*, FitSpirit, BC Agriculture in the Classroom and *La Tablee des Chefs* in Canada, the *Club 9 de Julio* in Argentina, as well as athlete sponsorships. Our sponsored athletes are dedicated to their sport and are role models for healthy living. We were proud to see three of them represent Canada at the London 2012 Olympic Games, namely Kathy Tremblay (triathlon); Martine Dugrenier (wrestling); and Tara Whitten, who won an Olympic bronze medal in track cycling.

Given our mission, we gave back approximately 1% of our pre-tax profits to our communities through financial support to projects and product donations, and with the help of our employees who dedicate their time to the causes we support. In coming years, we aim to further pursue our objective of building healthier communities by continuing to partner with organizations of national scope and assisting local sport facilities.

**Head Office**

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Annual Meeting of Shareholders

Tuesday, August 6, 2013, at 9:30 a.m.
Laval Room, Hotel Sheraton Laval
2440 Autoroute des Laurentides
Laval, QC Canada H7T 1X5

Investor Relations

Corporate Communications
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Stock Exchange

Toronto
Symbol: SAP

Transfer Agent

Computershare Trust Company of Canada
1500 University Street, Suite 700
Montréal, QC Canada H3A 3S8
Telephone: 514-982-7888

External Auditors

Deloitte LLP, Montréal, QC, Canada

Dividend Policy

Saputo Inc. declares quarterly cash dividends on common shares at \$0.21 per share, representing a yearly dividend of \$0.84 per share. The balance of the Company's earnings is reinvested to finance the growth of its business.

The Board of Directors reviews the Company's dividend policy from time to time, but at least once annually, based on financial condition, financial performance, capital requirements and such other factors as are deemed relevant by the Board in its sole discretion.

Saputo

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