RESULTS ACHIEVED THROUGH COMBINED EFFORTS

THE GOAL OF THE MANAGEMENT REPORT IS TO ANALYZE THE RESULTS OF AND THE FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 2008. IT SHOULD BE READ WHILE REFERRING TO OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND ACCOMPANYING NOTES. THE COMPANY'S ACCOUNTING POLICIES ARE IN ACCORDANCE WITH CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES OF THE CANADIAN INSTITUTE OF CHARTERED ACCOUNTANTS. ALL DOLLAR AMOUNTS ARE IN CANADIAN DOLLARS UNLESS OTHERWISE INDICATED. THIS REPORT TAKES INTO ACCOUNT MATERIAL ELEMENTS BETWEEN MARCH 31, 2008 AND JUNE 5, 2008, THE DATE OF THIS REPORT, ON WHICH IT WAS APPROVED BY THE BOARD OF DIRECTORS OF SAPUTO INC. (COMPANY OR SAPUTO). ADDITIONAL INFORMATION ABOUT THE COMPANY, INCLUDING THE ANNUAL INFORMATION FORM FOR THE YEAR ENDED MARCH 31, 2008, CAN BE OBTAINED ON SEDAR AT WWW.SEDAR.COM.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This report, including the "Outlook" section, contains forward-looking statements within the meaning of securities laws. These statements are based, among others, on our current assumptions, expectations, estimates, objectives, plans and intentions regarding projected revenues and expenses, the economic and industry environments in which we operate or which could affect our activities, our ability to attract and retain clients and consumers as well as our operating costs, raw materials and energy supplies which are subject to a number of risks and uncertainties. Forward-looking statements can generally be identified by the use of the conditional tense, the words "may", "should", "would", "believe", "plan", "expect", "intend", "anticipate", "estimate", "foresee", "objective" or "continue" or the negative of these terms or variations of them or words and expressions of similar nature. Actual results could differ materially from the conclusion, forecast or projection stated in such forward-looking information. As a result, we cannot guarantee that any forward-looking statements will materialize. Assumptions, expectations and estimates made in the preparation of forward-looking statements and risks that could cause our actual results to differ materially from our current expectations are discussed throughout this MD&A and, in particular, in "Risks and Uncertainties". Forward-looking information contained in this report, including the "Outlook" section, is based on management's current estimates, expectations and assumptions, which management believes are reasonable as of the current date. You should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While we may elect to, we are under no obligation and do not undertake to update this information at any particular time.

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

GLOBAL OVERVIEW

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

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

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

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

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

Saputo's dairy products are available in all segments of the food market: retail, foodservice, and industrial. The retail segment accounts for 49% of total revenues within the Dairy Products Sector. Sales are made to supermarket chains, mass merchandisers, convenience stores, independent retailers, warehouse clubs and specialty cheese boutiques under our own brand names as well as under private labels. Products manufactured for and sold within this segment include dairy products as well as non-dairy products such as non-dairy creamers, juices and drinks.

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

The industrial segment accounts for 17% of total revenues within the Dairy Products Sector. Sales are made to food processors that use our products as ingredients to manufacture their products.

In addition, we produce by-products such as lactose, whey powder and whey protein in our Canadian, US and Argentinean cheese manufacturing facilities. Both our Canadian and Argentinean operations supply various international clients with cheese, lactose, whey powder, milk powder and whey protein.

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

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

FINANCIAL ORIENTATION

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

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

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

During fiscal 2008, we experienced a solid financial performance:

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

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

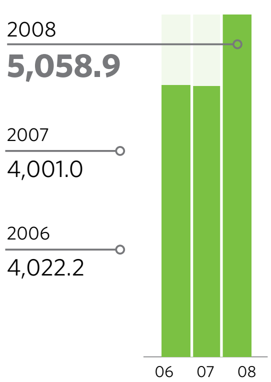
The results from our CEA Dairy Products Sector also improved in fiscal 2008. Benefits derived from prior fiscal years' operational rationalization activities undertaken in our Canadian operation, better efficiencies, volume growth in core categories such as fluid milk and cream, in addition to higher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

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

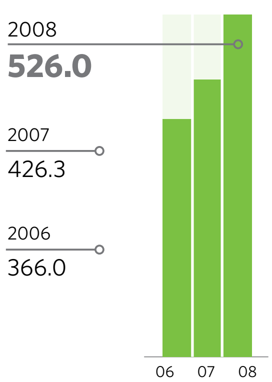
Our fiscal 2008 Grocery Products Sector results decreased significantly in comparison to fiscal 2007. This decrease is mainly attributable to higher ingredients, packaging and labour costs. In addition, we experienced lower sales volumes due to price increases that took effect in November 2007.

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

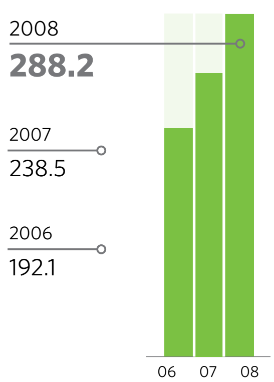
REVENUES
(in millions of dollars)



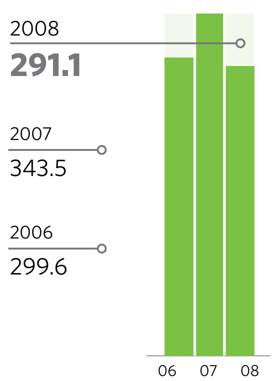
EBITDA
(in millions of dollars)



NET EARNINGS
(in millions of dollars)



CASH FLOWS GENERATED BY OPERATIONS
(in millions of dollars)



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

SELECTED CONSOLIDATED FINANCIAL INFORMATION

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

[1] Canada, Europe and Argentina Dairy Products Sector.
[2] Measurement of results not in accordance with Generally Accepted Accounting Principles.
The Company assesses its financial performance based on its EBITDA, this being earnings before interest, income taxes, depreciation and amortization (including devaluation of portfolio investment for fiscal 2006). EBITDA is not a measurement of performance as defined by Generally Accepted Accounting Principles in Canada, and consequently may not be comparable to similar measurements presented by other companies. Reference is made to the section entitled "Measurement of results not in accordance with Generally Accepted Accounting Principles".
[3] Net of cash and cash equivalents.

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

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

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

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

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

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

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

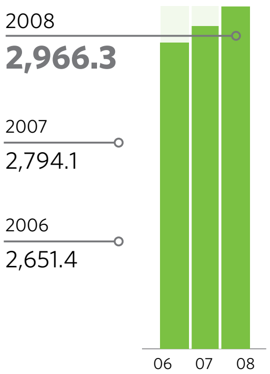
Income taxes totalled $133.1 million in fiscal 2008 for an effective tax rate of 31.6%, compared to $96.6 million for an effective tax rate of 28.8% in fiscal 2007. During fiscal 2007, the Company benefited from a one-time tax reduction of approximately $6 million to adjust future tax balances, due to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

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

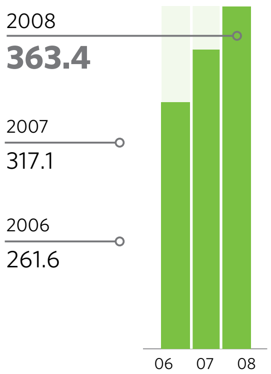
INFORMATION BY SECTOR

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

REVENUES
(in millions of dollars)



EBITDA
(in millions of dollars)



REVENUES

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

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

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

The Company produces approximately 32% of all the natural cheese manufactured in Canada and remains the leader in the industry. On the fluid milk side, Saputo accounts for approximately 22% of the Canadian total production.

The **retail segment** remained relatively stable in the current fiscal year and accounts for 63% of revenues for our Dairy Products Division (Canada). The overall milk per capita consumption showed minimal change, although speciality milk consumption is growing. To that end, our value-added milk category which includes our famous *Milk 2 Go/Lait's Go* has delivered several years of double digit sales growth and is currently the best selling brand in Canada with a 49% market share as a single-serve plastic beverage. During the last fiscal year, consumers' enthusiasm for speciality cheeses and yogurts continued to be present. In that respect, we enjoyed significant growth in our Italian speciality cheese revenues. Total speciality sales volume growth was approximately 8% compared to last fiscal year. For the yogurt category, the Canadian yogurt production increased by 3.5%. Due to our continuous efforts in innovation, including our new *Alive* yogurt launched in July 2007, our yogurt sales volume growth was slightly above the industry growth over last fiscal year.

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

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

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

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

EBITDA

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

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

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

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

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

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

OUTLOOK

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

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

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

In January, Saputo became the Official Packaged Dairy Supplier of the Vancouver 2010 Olympic and Paralympic Winter Games and of the Canadian Olympic Teams of Beijing 2008, Vancouver 2010 and London 2012. Therefore, we will supply products such as yogurt, milk and cheese to the athletes of the games under our *Saputo, Armstrong* and *Dairyland* brands. Some marketing initiatives will be executed in the course of the next fiscal year to promote this partnership.

The Government of Canada has introduced, in December 2007, amended regulations establishing new standards of composition for cheese manufactured in and imported to Canada. The federal Government has provided a one-year transition period to allow the industry to be in compliance with the new requirements. Saputo has always met the Canadian and international standards for its manufactured products. Consequently, we will be in compliance with these new Canadian requirements, notwithstanding that these amended regulations are different from the international cheese standards. We intend to mitigate the impact that these new standards will have on our results, while trying our outmost to minimize the effect on our customers.

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

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

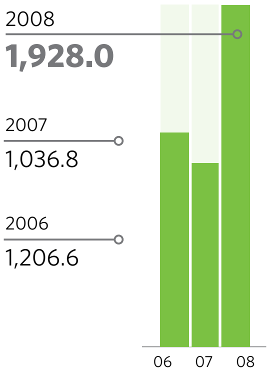
The Dairy Products Division (Argentina) will continue, in fiscal 2009, to focus on increased efficiencies and volume growth in both the domestic and international markets. Milk production volumes started to increase in mid-year of fiscal 2008 after major floods significantly impacted milk production.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

USA DAIRY PRODUCTS SECTOR

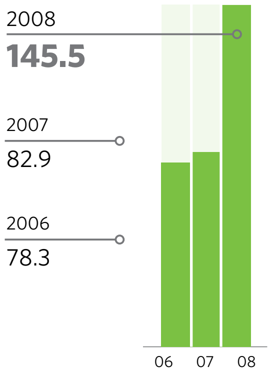
The volatility within the US dairy industry had an impact on our USA Dairy Products Sector throughout fiscal 2008. Toward the end of fiscal 2007, the price of dry whey, a key input in the formula to establish the minimum price for milk, reached unprecedented levels as high as US$0.82 per pound. This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

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

REVENUES
(in millions of dollars)



EBITDA
(in millions of dollars)



REVENUES

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

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

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

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

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

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

EBITDA

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

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

OUTLOOK

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

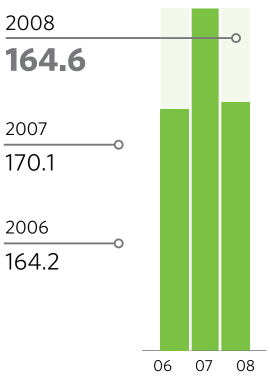
On April 1, 2008, we completed the Alto Acquisition. This business employs approximately 470 people and produces Italian- and American- style cheeses, as well as whey products in two plants located in Wisconsin. In their fiscal 2007, on an adjusted basis in order to take into consideration certain non-recurring expenses, the Alto business had sales of approximately US$378 million and EBITDA of US$19.6 million. This strategic transaction will allow our US division to expand its business and represents another step in our goal to achieve a stronger presence in the US. In fiscal 2009, we will concentrate our efforts on integrating these operations into Saputo's existing information systems as well as its structure. We will also continue our extensive analysis of the cost structure in an effort to identify synergies between the newly acquired operations and our existing facilities in the US.

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

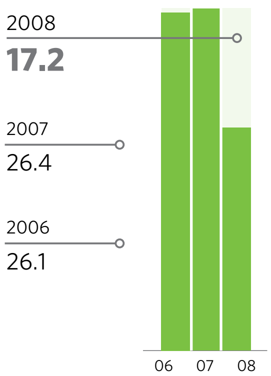
The volatility in the US dairy industry over the past few years has posed many challenges for the USA Dairy Products Sector. This volatility is not expected to end in the near future. As we have done in the past, we take decisions to mitigate the results of volatile market conditions on our operations.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

GROCERY PRODUCTS SECTOR

REVENUES
(in millions of dollars)



EBITDA
(in millions of dollars)



REVENUES

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

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

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

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

EBITDA

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

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

OUTLOOK

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

LIQUIDITY

Cash generated by operating activities before changes in non-cash working capital items amounted to $390.8 million for fiscal 2008, an increase of $76.0 million compared to $314.8 million in fiscal 2007. During fiscal 2008, non-cash working capital items used $99.8 million, in comparison to $28.7 million generated in fiscal 2007. The increase in funds used from non-cash working capital items in fiscal 2008 is mainly due to increased working capital level in our US operations resulting from the increase in the average block market per pound of cheese during the current fiscal year as compared to last fiscal year. In fiscal 2007, the generation of funds was due mainly to reduced inventories as a result of improved inventory management in our Canadian and Argentinean dairy operations.

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

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

FINANCIAL RESOURCES

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

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

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

BALANCE SHEET

In comparison to March 31, 2007, the main balance sheet items as at March 31, 2008 varied due to the appreciation of the Canadian dollar versus both the US dollar and the Argentinean peso. The conversion rate of our US operations' balance sheet items in US currency was CND$1.0265 per US dollar as at March 31, 2008, compared to CND$1.1546 per US dollar as at March 31, 2007. The conversion rate of our Argentinean operations' balance sheet items in Argentinean currency was CND$0.3226 per Argentinean peso as at March 31, 2008 compared to CND$0.3691 per Argentinean peso as at March 31, 2007. The increased Canadian dollar results in lower values recorded for the balance sheet items of our foreign operations. Changes in the main balance sheet items were also due to the Land O'Lakes West Coast Acquisition. Our net cash position decreased from $137.9 million as at March 31, 2007, to a negative $56.9 million as at March 31, 2008. This is due to the Company's use of existing cash and cash equivalents at the beginning of fiscal 2008 to pay for the Land O'Lakes West Coast Acquisition. The change in foreign currency translation adjustment listed under shareholders' equity varied due to the appreciation of the Canadian dollar. The Company's total assets stood at $2.733 billion as at March 31, 2008, compared to $2.488 billion as at March 31, 2007.

SHARE CAPITAL INFORMATION

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

	Authorized	Issued as at March 31, 2008	Issued as at May 27, 2008
Common Shares	Unlimited	205,962,964	206,080,915
Preferred Shares	Unlimited	None	None
Stock Options		8,893,428	10,338,170

The Company announced on November 7, 2006 its intention to purchase, by way of a normal course issuer bid (Bid), for cancellation purposes, some of its common shares through the facilities of the Toronto Stock Exchange, beginning on November 13, 2006.

Under the Bid, the Company could have purchased for cancellation up to 10,358,608 common shares. This represented 5% of its 207,172,178 issued and outstanding common shares as of October 31, 2006. These purchases could have been made in accordance with applicable regulations over a maximum period of 12 months beginning on November 13, 2006 and ending on November 12, 2007. The Company could not have purchased more than 2% of the issued and outstanding common shares in any 30-day period. The consideration, which was in cash, which the Company paid for any common shares acquired by it under the Bid was the market price of such common shares at the time of acquisition. For the year ended March 31, 2008, the Company purchased for cancellation an aggregate of 3,705,240 common shares at an average of $21.98 for a total of $81.5 million.

The Company announced on November 6, 2007 its intention to purchase, by way of a new normal course issuer bid (New Bid), for cancellation purposes, some of its common shares through the facilities of the Toronto Stock Exchange, beginning on November 13, 2007.

Under the New Bid, the Company may purchase for cancellation up to 10,272,848 common shares. This represents 5% of its 205,456,990 issued and outstanding common shares as of October 31, 2007. These purchases can be made in accordance with applicable regulations over a maximum period of 12 months beginning on November 13, 2007 and ending on November 12, 2008. The Company cannot purchase more than 2% of the issued and outstanding common shares in any 30-day period. The cash consideration, which the Company pays for any common shares acquired by it under the New Bid is the market price of such common shares at the time of acquisition. For the year ended March 31, 2008, the Company did not purchase for cancellation any common shares under the New Bid.

For the year ended March 31, 2007, the Company purchased for cancellation an aggregate of 2,813,400 common shares at an average of $18.02 for a total of $50.7 million.

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

OFF-BALANCE SHEET ARRANGEMENTS

The Company has certain off-balance sheet arrangements, consisting primarily of leasing certain premises as well as certain lease agreements for equipment and rolling stock. These agreements are recorded as operating leases. Future minimum lease payments as at March 31, 2008 totalled $47.0 million. The Company does not use derivative financial instruments for speculation. Saputo uses certain derivative financial instruments in specific situations. In the normal course of business, our Canadian operations import some products and our management of foreign exchange risk occasionally leads us to make certain foreign currency purchases in euros, of which the total amount as at March 31, 2008, was 2,400,000 euros.

The Company periodically enters into forward contracts to protect itself against price fluctuations on certain commodities when it has secured a commitment to sell a finished product. As at March 31, 2008 the market value of these contracts was $0.6 million.

The Company's exposure to the derivative financial instruments used is not affected by changing economic conditions, since these instruments are generally held until maturity. Notes 17 and 19 to the consolidated financial statements describe the Company's off-balance sheet arrangements.

GUARANTEES

From time to time, the Company enters into agreements in the normal course of its business, such as service arrangements and leases, and in connection with business or asset acquisitions or disposals, agreements, which by nature may provide for indemnification to third parties. These indemnification provisions may be in connection with breach of representations and guarantees and for future claims for certain liabilities, including liabilities related to tax and environmental issues. The terms of these indemnification provisions vary in duration. Note 17 to the consolidated financial statements discusses the Company's guarantees.

CONTRACTUAL OBLIGATIONS

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

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

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

RELATED PARTY TRANSACTIONS

In the normal course of business, the Company receives and provides goods and services from and to companies subject to significant influence by its principal shareholder. These goods and services of an immaterial amount are compensated by a counterpart equal to the fair market value. See Note 18 to the consolidated financial statements that describe the related party transactions.

ACCOUNTING STANDARDS

APPLIED STANDARDS

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

Accounting Changes

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

Comprehensive Income

Section 1530 of the CICA Handbook, Comprehensive Income. It describes reporting and disclosure recommendations with respect to comprehensive income and its components. Comprehensive income is the change in shareholders' equity, which results from transactions and events from sources other than the Company's shareholders. These transactions and events include changes in the currency translation adjustment relating to self-sustaining foreign operations.

The adoption of this Section implied that the Company now presents a consolidated statement of comprehensive income as a part of the consolidated financial statements. The comparative consolidated financial statements are restated to reflect the application of this Section only for changes in the balances for foreign currency translation of self-sustaining foreign operations.

Capital Disclosures

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

Foreign Currency Translation

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

Investments

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

Equity

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

Financial Instruments – Recognition and Measurement

Section 3855 of the CICA Handbook, Financial Instruments – Recognition and Measurement. It exposes the standards for recognizing and measuring financial instruments in the balance sheet and the standards for reporting gains and losses in the consolidated financial statements. Financial assets available for sale, assets and liabilities held for trading and derivative financial instruments, part of a hedging relationship or not, have to be measured at fair value. The adoption of this section had no impact on the consolidated financial statements.

Financial Instruments – Disclosures

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

Financial Instruments – Presentation

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

Hedges

Section 3865 of the CICA Handbook, Hedges. This Section establishes standards for when and how hedge accounting may be applied. This section requires that formal documentation, designation of specific hedging relationship components, and assessment of effectiveness are pre-requisites for the application of hedge accounting. The adoption of this section had no impact on the consolidated financial statements.

FUTURE STANDARDS

Inventories

Section 3031 of the CICA Handbook, Inventories, provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. This section is to be applied for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Company is presently evaluating the impact this adoption may have on the consolidated financial statements.

Goodwill and Intangible Assets

Section 3064 of the CICA Handbook, Goodwill and Intangible Assets, establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented companies. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company is presently evaluating the impact this adoption of this new Section on its consolidated financial statements.

International Financial Reporting Standards ("IFRS")

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

CRITICAL ACCOUNTING POLICIES AND USE OF ACCOUNTING ESTIMATES

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

Fixed Assets

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

Portfolio Investment

The portfolio investment is recorded at cost. The Company carries out an annual valuation to ensure that the fair value of the investment is not lower than the carrying amount. To calculate an estimated fair value, the Company uses the Company's EBITDA by applying to it a multiple based on comparable industry standards. If the portfolio investment undergoes a decline in value that is permanent, its carrying amount would be written down to account for this decline in value. The Company has performed the impairment test and no write-down was recorded in fiscal 2008.

Goodwill

The accounting standards require that goodwill not be amortized and that an impairment test be performed annually or more frequently when events occur or circumstances arise that could indicate a reduction in its fair value. To determine any decline in value, each of the respective accounting units are required to undergo an assessment. The Company's assessments are based on multiples for Saputo and for the industry. These multiples are applied to EBITDA and net assets. Should the calculated value be lower than the book value, a write-down would be taken. The Company has performed the impairment test, no write-down was necessary in fiscal 2008.

Business Combinations

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

Stock Based Compensation

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

Trademarks

Impairment testing has to be performed on all trademarks annually. Estimated future cash flows to be derived from the intangibles are discounted to the present using current market rates. The discounted cash flow is compared to the carrying value of the trademarks. Should the discounted cash flow be lower than the book value, a write-down is taken. The Company has performed the impairment test and no write-down was necessary in fiscal 2008.

SENSITIVITY ANALYSIS
PENSION PLAN AND OTHER EMPLOYEE FUTURE BENEFITS

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

Pension Plans

The Company offers and participates in defined contribution pension plans of which more than 80% of its active employees are members. The net pension expenditure under these types of plans is generally equal to the contributions made by the employer.

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

The discount rate is determined on the basis of the effective rates of return on high-quality long-term corporate bonds, as required by the adjusted standard, to account for the duration of plan liability. The rate applied for the period ended December 31, 2007 was 5.60% compared to 5.26% used in the prior year.

We established the expected average return on invested assets at 7.3% given the type and combination of these assets. This assumption is deemed reasonable and is supported by our external consultants.

The compensation growth rate was set at 3.5% over the long-term, taking into consideration estimated future inflation rates.

The Company also offers a post-retirement medical benefit program. For the purpose of assessing costs related to this program, the hypothetical annual growth rate of medical costs was set between 6.6% and 9% for fiscal year 2009 and, based on the assumptions used, these rates should gradually decline to reach 6% in fiscal 2013.

Any change in these assumptions or any plan experience that differs from the expected entails actuarial gains or losses with respect to expected results. If these gains or losses exceed 10% of the maximum of the asset or liability of the plans, they are amortized over the expected average remaining service life of the group of employees participating in the plans, in compliance with CICA recommendations.

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

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

For defined benefit plans, actuarial valuations were performed in December 2006 and July 2007, covering more than 97% of the obligations with respect to this type of plan. Following these valuations, a solvency deficiency of $4.4 million on December 31, 2006 and $10 million on July 1, 2007 was noted, reducing the deficit by half, $28.8 million noted at the time of the last actuarial evaluations.

Higher return on assets combined with additional contributions to the deficits of the last years, contributed to reduce the gap. In accordance with the provincial legislation, an additional contribution is required for the next five years to pay off this deficiency of $14.4 million. The additional payment required for fiscal 2008 was of $4.8 million ($7.2 million for 2007). The additional payment required for fiscal 2009 will be of $4.9 million. The next evaluation for certain pension plans is scheduled for December 2009.

Future Income Taxes

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

RISKS AND UNCERTAINTIES

Product Liability

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

Supply of Raw Materials

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

US and International Markets

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

Competition

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

Consolidation of Clientele

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

Environment

Saputo's business and operations are subject to environmental laws and regulations, including those relating to wastewater discharges, releases of hazardous and non hazardous substances, and remediation of contaminated sites. We believe that our operations are in compliance, in all material aspects, with such environmental laws and regulations, except as disclosed in our Annual Information Form dated May 27, 2008 for the fiscal year ended March 31, 2008. Compliance with these laws and regulations requires that the Company continues to incur operating and maintenance costs and capital expenditures. Future events such as changes in environmental laws and regulations or more vigorous regulatory enforcement policies could have a material adverse effect on the financial position of Saputo and could require significant additional expenditures to achieve or maintain compliance.

Consumer Trends

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

Financial Risk Exposures

Saputo has financial risk exposure to varying degrees relating to the foreign currency of its US, Argentina, Germany and UK operations. Approximately 38% of sales are realized in the US and 5% in Germany, UK and Argentina, combined. However, the cash flows from these operations act as a natural hedge against exchange risk. Cash flows from the US also constitute a natural hedge against the exchange risk related to debt expressed in US dollars. As at March 31, 2008, the Company's long-term debt was made up of the US senior notes only, which are at a fixed rate throughout their term.

Legislative, Regulatory, Normative and Political Considerations

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

Growth by Acquisitions

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

Tariff Protection

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

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer and the Chief Financial Officer together with management, after evaluating the effectiveness of the Company's disclosure controls and procedures as of March 31, 2008, have concluded that the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company and its consolidated subsidiaries would have been known to them.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and the Chief Financial Officer, together with management, have concluded after having conducted an evaluation and to the best of their knowledge that, as of March 31, 2008, no change in the Company's internal control over financial reporting occurred that could have materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

SENSITIVITY ANALYSIS OF INTEREST RATE AND THE US CURRENCY FLUCTUATIONS

The portion of the long-term debt covered by fixed interest rates equals 100%. The used portion of the bank credit facility is subject to interest rate fluctuations, and was not being protected as of March 31, 2008. A 1% change in the interest rate would lead to a change in net earnings of approximately $1.4 million, based on the $222.6 million in bank loans outstanding as of March 31, 2008. Canadian and US currency fluctuations may affect earnings. Appreciation of the Canadian dollar compared to the US dollar would have a negative impact on earnings. Conversely, a decrease in the Canadian dollar would have a positive impact on earnings. During the fiscal year ended March 31, 2008, the average US dollar conversion was based on CND$1.00 for US$0.97. A fluctuation of CND$0.01 would have resulted in a change of approximately $0.7 million in net earnings, $1.7 million in EBITDA and $21.0 million in revenues.

MEASUREMENT OF RESULTS NOT IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

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

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

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

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

MEASUREMENT OF RESULTS NOT IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

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

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

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

2008 QUARTERLY FINANCIAL INFORMATION – CONSOLIDATED STATEMENT OF EARNINGS

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

2007 QUARTERLY FINANCIAL INFORMATION – CONSOLIDATED STATEMENT OF EARNINGS

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

SUMMARY OF THE FOURTH QUARTER RESULTS ENDED MARCH 31, 2008

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

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

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

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

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

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

QUARTERLY FINANCIAL INFORMATION

During fiscal 2008, certain specific circumstances affected the quarterly changes in revenues and earnings before interest, income taxes, depreciation and amortization compared to fiscal 2007. Throughout the four quarters of fiscal 2008, the average block market per pound of cheese remained significantly higher compared to fiscal 2007, therefore benefiting from absorption of fixed costs and realization of inventories. However, the relationship between the average block market per pound of cheese and the cost of milk as raw material was unfavourable in the first three quarters due to high prices of dry whey, a key element in determining the price of milk. The high by-products market benefited EBITDA in the first three quarters of fiscal 2008 compared to fiscal 2007. The Canadian dollar was stronger throughout all four quarters of fiscal 2008 eroding both revenues and EBITDA. The Company also completed on April 1, 2007 the Land O'Lakes West Coast Acquisition and included the full year of activities of Dansco Dairy Products Limited in the UK, acquired on March 23, 2007. The quarterly earnings directly reflect the effects of the previously mentioned items.

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

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

Consolidated earnings before interest, income taxes, depreciation, amortization and devaluation (EBITDA) amounted to $426.3 million in fiscal 2007, an increase of $60.3 million or 16.5% compared to the $366.0 million for fiscal 2006. The increase was attributed essentially to our CEA Dairy Products Sector, whose EBITDA increased by $55.5 million to $317.1 million in comparison to $261.6 million for fiscal 2006. This increase is mainly attributed to the benefits derived from rationalization activities undertaken in our Canadian operations during prior years, along with increased sales volumes from our Canadian fluid milk activities and Argentinean operations in comparison to fiscal 2006. The sector also benefited from a more favourable by-products market. The EBITDA of our Argentinean operations was negatively affected by the appreciation of the Canadian dollar, as well as the previously reported changes in the export tax. Both factors negatively affected EBITDA by approximately $4 million compared to fiscal 2006. During fiscal 2007, rationalization charges of approximately $2.1 million were taken for the closure of our Vancouver, British Columbia facility and our Boucherville, Quebec facility. Fiscal 2006 included a rationalization charge of approximately $2.0 million for the closure of our Harrowsmith, Ontario facility. The EBITDA of our Dairy Products Division (Europe) had a minimal effect on the sector's EBITDA.

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

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

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

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

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

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

Income taxes totalled $96.6 million in fiscal 2007 for an effective tax rate of 28.8%, compared to $70.7 million for an effective tax rate of 26.9% in fiscal 2006. During fiscal 2007, the Company benefited from a one-time tax reduction of approximately $6 million to adjust future tax balances, due to a reduction in Canadian federal tax rates. In fiscal 2006, the Company recorded a tax benefit of approximately $4 million resulting from prior tax losses available for operations. Also in fiscal 2006, the Company recorded a tax charge of approximately $2 million to adjust future tax balances due to an increase in Canadian provincial tax rates. Excluding these tax adjustments, the effective tax rate for fiscal 2007 was 30.6% in comparison to 27.7% in fiscal 2006. Our income tax rate varies and could increase or decrease based on the amount of taxable income derived and from which source, any amendments to tax laws and income tax rates and changes in assumptions and estimates used for tax assets and liabilities by the Company and its affiliates. During fiscal 2007, a proposed change with retroactive effect to Canadian provincial tax legislation was effectively enacted. A tax assessment for an amount of approximately $12 million was issued as a result of the enactment. The Company has legal basis to believe that it will not have to pay such tax assessment. Therefore, no amount relating to this assessment has been included in the March 31, 2007 financial statement.

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

OUTLOOK

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

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

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

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

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

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

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