

STRENGTH THROUGH UNITY

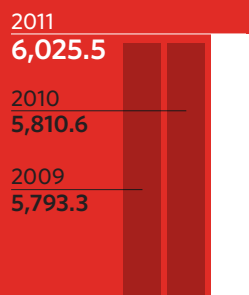
2011 ANNUAL REPORT

Saputo

HIGHLIGHTS

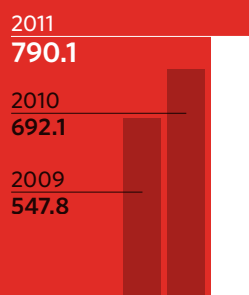
REVENUES

(in millions of CDN dollars)



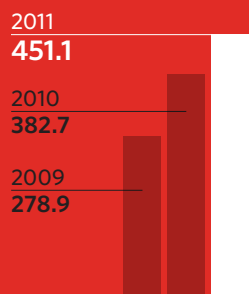
EBITDA

(in millions of CDN dollars)



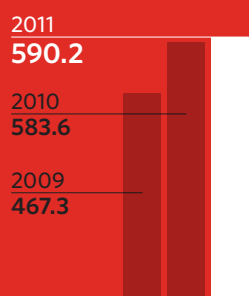
NET EARNINGS

(in millions of CDN dollars)



CASH FLOWS GENERATED BY OPERATIONS

(in millions of CDN dollars)



Fiscal years ended March 31

(in thousands of Canadian (CDN) dollars, except per share amounts and ratios)

	2011	2010	2009
Revenues			
Dairy Products Sector			
CEA	\$ 3,837,188	\$ 3,745,930	\$ 3,323,541
USA	2,046,993	1,906,189	2,304,613
Grocery Products Sector	5,884,181	5,652,119	5,628,154
	141,289	158,463	165,109
	\$ 6,025,470	\$ 5,810,582	\$ 5,793,263
Earnings before interest, depreciation, amortization, devaluation and income taxes (EBITDA)¹			
Dairy Products Sector			
CEA	\$ 490,143	\$ 457,895	\$ 378,898
USA	287,446	218,375	152,006
Grocery Products Sector	777,589	676,270	530,904
	12,551	15,801	16,895
	\$ 790,140	\$ 692,071	\$ 547,799
Net earnings	\$ 451,119	\$ 382,714	\$ 278,948
Cash flows generated by operations	\$ 590,185	\$ 583,615	\$ 467,288
Working capital	\$ 340,893	\$ 355,684	\$ 166,728
Total assets	\$ 3,664,309	\$ 3,253,451	\$ 3,499,103
Interest bearing debt ²	\$ 471,578	\$ 387,543	\$ 713,001
Shareholders' equity	\$ 2,125,641	\$ 2,028,598	\$ 1,972,348
Per share			
Net earnings			
Basic	\$ 2.19	\$ 1.85	\$ 1.35
Diluted	\$ 2.16	\$ 1.83	\$ 1.34
Dividends declared ³	\$ 0.64	\$ 0.58	\$ 0.56
Book value	\$ 10.43	\$ 9.78	\$ 9.52
Financial ratios			
Interest bearing debt/Shareholders' equity	0.22	0.19	0.36
Return on average shareholders' equity	21.7%	19.1%	15.5%

¹ 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, amortization and devaluation of portfolio investment. EBITDA is not a measure 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".

² Net of cash and cash equivalents.

³ For the purpose of the Income Tax Act and other similar provincial legislation, all dividends paid as of January 1, 2007 and thereafter, are eligible dividends until further notice.

TABLE OF CONTENTS

- 02 Message from the Chairman of the Board
- 04 Message from the President & Chief Executive Officer
- 08 Operating Review
- 16 Social Responsibility

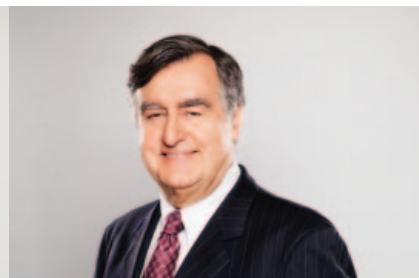
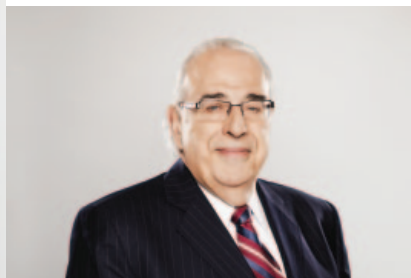
Shareholder Information, Management's Discussion and Analysis, Consolidated Financial Statements and Notes to Consolidated Financial Statements are presented at the end of this document.



SUCCESS THROUGH UNITY

Saputo produces, markets and distributes a wide array of products of the utmost quality, including cheese, fluid milk, yogurt, dairy ingredients and snack-cakes. Saputo is the 12th largest dairy processor in the world, the largest in Canada, the third largest in Argentina, among the top three cheese producers in the United States and the largest snack-cake manufacturer in Canada. Our products are sold in more than 50 countries under well-known brand names.

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



MESSAGE FROM THE CHAIRMAN OF THE BOARD



As Chairman of the Board, I would like to congratulate Management, as well as the members of the Board of Directors, for their excellent work this year. Saputo has always recognized the importance of working together to overcome challenges and succeed. The ongoing efforts of every single employee, regardless of role or title, undoubtedly contributed to our accomplishments. I am always very proud that the family values and traditions upon which the Company was built remain fundamental aspects of our culture today. Now more than ever, across the world, those values ensure that our employees work in unity.

BELIEVING IN SOUND GOVERNANCE

The Board of Directors is responsible for the stewardship of the Company and overseeing its management. To help fulfill this mandate, the members of the Board of Directors favour an approach based on the importance of sharing knowledge and experience amongst themselves and with the Management of the Company, while sharing their understanding of the industry and markets in which the Company operates. In this regard, the Board of Directors visits facilities, attends presentations on the industry, strategic development and other matters of interest, and evaluates its work to optimize its contribution to Saputo.

The Board is comprised of 12 directors, 10 of which are independent and meet separately from Management following each meeting and as needed. The founders of the Company are represented on the Board, and the positions of Chairman of the Board and Chief Executive Officer are distinct and held by two non-independent Board members. A Lead Director is appointed to provide independent leadership to the Board of Directors. The Board considers that the value of the equity stake held by the principal shareholder ensures its interests are aligned with those of all shareholders. I am also pleased to report that upon the recommendation of the Human Resources and Corporate Governance Committee, Mr. Lino A. Saputo, Jr. has been appointed Vice Chairman of the Board in addition to his position as President and Chief Executive Officer.

The Board of Directors has two committees: the Corporate Governance and Human Resources Committee and the Audit Committee. Members of both committees are exclusively independent and have access to the Management team to assist them in carrying out their duties. At each Board meeting, a periodic report is presented by each committee's chair, after which a discussion period takes place between the Directors. Therefore, Board members are kept informed on the achievements and projects of each committee.

The Board of Directors believes that each of its members should carry the confidence and support of the shareholders. In addition to the individual voting process implemented several years ago by the Company, this year the Board established a majority voting policy, which will apply at the shareholders' meeting to be held on August 2, 2011.

The Board believes in the importance of good governance practices, as stated in the Management Proxy Circular, dated June 7, 2011. For additional information concerning the Company's corporate governance practices, please refer to such document.

ACKNOWLEDGEMENTS

I am truly thankful to all members of the Board of Directors for their support and assistance. Our Board of Directors continues to serve us with great distinction. Directors have both supported and challenged us this year. Their expertise and experience enable us to make decisions in the interest of Saputo's shareholders.

For the upcoming shareholders' meeting to be held on August 2, 2011, Mr. Louis A. Tanguay will not renew his mandate as Director. I want to sincerely thank Mr. Tanguay on behalf of the Board of Directors and the Company for his dedication, support and insight during his 14 years as a Board member with the Company.

I am also grateful to our clients and business partners who entrust us with their business. We remain dedicated to working hard to offer the best of Saputo.

Finally, I want to sincerely thank all Saputo employees for their trust and loyalty. Through their determination, they are key players in our success. Their efforts and desire to take on challenges were essential in helping achieve our goals and even enabled us to surpass them. It is with confidence and enthusiasm that the Board and I are starting fiscal 2012.



LINO SAPUTO
Chairman of the Board

BOARD OF DIRECTORS

From left to right

EMANUELE (LINO) SAPUTO
Chairman of the Board

ANDRÉ BÉRARD
Corporate Director

LUCIEN BOUCHARD
Senior Partner,
Davies Ward Phillips & Vineberg LLP

PIERRE BOURGIE
President and Chief Executive Officer,
Société Financière Bourgie (1996) Inc.

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

ANTHONY M. FATA
President, Sager Food Products Inc.

JEAN GAULIN
Corporate Director

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

CATERINA MONTICCILOLO, CA.
President, Julvest Capital Inc.

LINO A. SAPUTO, JR.
President and Chief Executive Officer
and Vice Chairman of the Board,
Saputo Inc.

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

LOUIS A. TANGUAY
Corporate Director



MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

Total revenues for the fiscal year ended March 31, 2011 reached \$6.025 billion, up 3.7% from fiscal 2010. Net earnings totalled \$451.1 million, compared to \$382.7 million for the last fiscal year.

Once again, we rose, in unison, to face challenges and grow profitably.

As difficult as some challenges can be, I am always impressed by our employees all over the world who come together to accomplish our primary goal: to offer consumers high-quality products, and to meet the evolving needs of the market.

DAIRY PRODUCTS DIVISION (CANADA)

In Canada, dairy consumption has remained stable and we continue to supply a large share of milk under our *Neilson* and *Dairyland* brands. There has, however, been an increase in certain niche categories, such as speciality cheeses and flavoured milks. In order to take advantage of the growing specialty cheese market, and to drive innovation and increase efficiency, we expanded our specialty cheese plant located in St-Raymond, Quebec.

Our specialty cheeses garnered numerous awards in the fiscal year. *La Sauvagine* de *Alexis de Portneuf* won top honours at both the World Championship Cheese Contest and the World Cheese Awards.

In the flavoured milk category, we expanded our product offering through new product launches. These include new sugar-reduced *Milk 2 Go* Chillin' Chocolate and *Neilson The Ultimate Chocolate Milk*, "the perfect post-activity recovery beverage." We also maintained our goal to offer new serving options to fit our consumers' needs, such as single serve 250 ml portions.

During the course of the year, marketing initiatives were aimed at supporting improvements to the functionality and appeal of packaging, to support staple products and respond to growing trends, including flavoured milks and specialty products.

We also initiated a multimedia campaign to relaunch our *Saputo Mozzarellissima*, including TV and billboards, and enhanced food photography graphics for each packaging format.

In our continuing effort to improve our operational efficiency, we implemented several initiatives to streamline the Dairy Products Division (Canada) operations. These included increasing capacity at our Georgetown, Ontario plant and amalgamating the operations of our Brampton, Ontario facility into other Ontario facilities. We also consolidated all of the distribution activities of the Greater Toronto Area into one distribution centre, located in Vaughan, Ontario. These changes were completed in the fourth quarter of fiscal 2011.

During the latter part of fiscal 2011, we initiated a recall in conjunction with the Canadian Food Inspection Agency (CFIA) of certain processed cheese products due to potential *Listeria monocytogenes* contamination. We are very satisfied by the exemplary teamwork demonstrated throughout the Company in its rapid handling of the situation. This incident, however, reminded us that we must continue to be proactive.

In fiscal 2012, we plan to continue actualizing synergies to improve efficiencies and reduce costs. We also intend to increase investments in our brands and support innovations in specialty cheeses as well as value-added milks.

DAIRY PRODUCTS DIVISION (USA)

During fiscal 2011, the US market slowly climbed out of a difficult economic environment, and began showing signs of growth. The consumer trend towards home-cooked meals persisted, translating into increased cheese sales at the retail level. However, we continued to see a shift from branded to private label products, as price remains a priority for consumers.

The US Division benefitted from volume growth in all three market segments, predominantly in the retail segment. In the foodservice segment, we benefitted from volume increases in the value and quick serve outlets along with pizzeria chains. These changes in consumer dining habits are once again a reflection of the current economic climate.

Saputo's position within the retail, foodservice and industrial segments helps maintain stability despite US dairy market fluctuations. Nevertheless, these fluctuations continued to create challenges for our US Division. During the first six months of the fiscal year, the block market per pound of cheese increased. In the last quarter, it finished with a decline after several periods of fluctuation.

In fiscal 2011, we completed certain initiatives aimed at increasing our capacity, efficiency and flexibility. In the Midwest and West, we increased string cheese manufacturing and we expanded our drying facilities to improve our whey process and increase drying capabilities. We also consolidated some of our packaging activities.

CORPORATE MANAGEMENT

From left to right

DINO DELLO SBARBA

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

LOUIS-PHILIPPE CARRIÈRE

Executive Vice President,
Finance and Administration

GAËTANE WAGNER

Executive Vice President,
Human Resources

TERRY BROCKMAN

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

LIONEL ETTEDGUI

President and
Chief Operating Officer,
Bakery Division

LINO A. SAPUTO, JR.

President and
Chief Executive Officer

Additionally, we continued to build our retail position as the #1 brand in the string cheese category by supporting **Frigo Cheese Heads** with several strategic line extensions in fiscal 2011. We built on our leading position by launching **Frigo Cheese Heads Fit & Fun Lovers**, **Frigo Cheese Heads Cheddar Lovers** and **Frigo Cheese Heads Jack Lovers** variety packs.

During the fiscal year, our cheeses won several awards. Among them, our **Stella Rindless Blue Cheese** and **Stella Reduced Fat Blue Cheese** were honoured at the American Cheese Society Awards.

The acquisition of Fairmount Cheese Holdings, Inc., the parent company of DCI Cheese Company, Inc. (Richfield, Wisconsin), was completed in March 2011. In fiscal 2012, this acquisition will enable us to further enhance our presence in the retail segment, to expand our product offering and to fulfill customers' increasing demand for specialty cheeses.

In fiscal 2011, we invested in one of our California facilities, and by the end of the first quarter of fiscal 2012, we will begin serving our West Coast customers directly from that facility, instead of using third-party warehousing. We will also continue to evaluate our operations to seek further improvements and maintain efforts to drive innovation and adapt to market fluctuations and consumer tastes.

DAIRY PRODUCTS DIVISION (ARGENTINA)

In Argentina, inflation drove up dairy prices in the domestic market, while increased international demand drove up prices in the export market. The Division benefitted from higher sales volumes, expanding our domestic market share.

In fiscal 2011, we continued to invest in our two facilities and to implement initiatives to increase efficiencies. We expanded certain product lines in value-added categories, such as sliced and grated cheese, and we increased support for our flagship brand, *La Paulina*, with stronger marketing investments. We also launched a new cream cheese line for sale in the domestic market, quickly propelling **La Paulina** to the #3 position in the cream cheese category.

Finally, we continued to develop the export market, and took advantage of favourable export selling prices.

In fiscal 2012, in the domestic market, we will focus on increasing our market share. On the export market, our objective is to continue to diversify both our product offering and our customer base. We will continue to evaluate our operations to improve efficiencies and reduce costs.

Each of our 10,200 employees, whether at an office in Canada or at a plant in Argentina, is a link in the Saputo chain.

DAIRY PRODUCTS DIVISION (EUROPE)

In Europe, dairy prices gradually increased throughout the year, creating challenges in our recuperation of costs on the market. We continued to focus on our objective to increase our market share in the European Union.

In the United Kingdom, milk was competitively priced in relation to the selling price of cheese. We therefore increased our milk intake and solidified relations with our customers.

In Germany, we launched a new line of fresh mozzarella in resealable cups. This innovative line offers consumers the distinctive taste of fresh mozzarella with premium packaging. There was improved performance in our German operations due to better efficiencies.

In fiscal 2012, we will continue to take various initiatives at the plant level to improve efficiencies, as well as to develop new products for the retail segment in an effort to increase sales volumes. We will also continue to migrate our **De Lucia** branded retail products to the **Saputo** brand.

BAKERY DIVISION

The consumption of snack-cake products declined slightly during fiscal 2011. The Division took certain initiatives in an effort to increase sales volumes, such as relaunching the **hop & go** brand as a reduced-calorie snack and expanding both our frozen and **Igor** product lines. Despite these initiatives, sales volumes decreased by a greater proportion than the decline in consumption of snack-cake products.

The Division faced further challenges throughout the year with rising costs. We took initiatives at the plant level in order to improve efficiencies. We also improved distribution of our products in Ontario and Western Canada in an effort to reduce costs.

Through research and development initiatives, we successfully prolonged the shelf life of several products, which should improve the flexibility required to expand our distribution.

In fiscal 2012, the Division will maintain its efforts to increase sales volumes by boosting its presence in certain markets, including the US, and will continue to develop new products to meet consumer demand.

UNITED THROUGH OUR PASSION

One of the most rewarding parts of my role is meeting Company employees, and sensing in them the same passion and excitement I feel every day. We have always been careful in evaluating potential new hires. It is not enough that they be excellent at their jobs, more importantly they must fit seamlessly within the Saputo culture.

Each of our 10,200 employees—whether at an office in Canada or at a plant in Argentina—is a link in the Saputo chain. That chain keeps our operations running smoothly day after day, and allows us to work in unity, to keep growing stronger.

Fiscal 2011 was a great year of growth and success. We invested in our brands, garnered awards, launched new products, and actualized synergies and efficiencies through many initiatives implemented during the year, which should continue to bear fruit in fiscal 2012.

I would like to take this opportunity to note Pierre Leroux, Executive Vice President, Human Resources and Corporate Affairs, retired in April, 2011. We thank him for his 22 years of service with the Company and welcome Gaétane Wagner in her new role. Gaétane was appointed Executive Vice President, Human Resources as of April 1, 2011. She had been acting as Senior Vice President, Human Resources for our Dairy Products Division (Canada) since 2009 and previously assumed this function with our Dairy Products Division (USA) from 2007 to 2009.

As at March 31, 2011

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

30 

6,061 

63.7% OF TOTAL
REVENUES

**USA DAIRY
PRODUCTS
SECTOR**

17 

3,380 

34.0% OF TOTAL
REVENUES

ALIGNED ON COMMON GOALS

After an exciting year, we now look ahead to fiscal 2012. We will continue to deliver quality products while remaining a low cost dairy producer. Our flexibility and our capacity to adapt to market shifts should enable us to capitalize on opportunities. We will continue to concentrate our efforts on product innovation and to actively search for acquisition opportunities that would bring added value.

The key to Saputo's success is, as always, our dedicated employees who help us maintain our traditions and values, and who are always prepared to roll up their sleeves to help us grow bigger, better and stronger. Here's looking at a promising 2012.




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


**GROCERY
PRODUCTS
SECTOR**

1 

772 

2.3% OF TOTAL
REVENUES

 Number of plants

 Number of employees



We have always aspired to grow, exploring new opportunities, while staying true to our values. Whether in Canada, the US, Argentina, the UK or Germany, our approach and standards are the same.

We owe our success to the dedication of our employees who work in unity towards our number one goal: to transform milk into high-quality products while meeting the evolving needs of the market.

UNITED

IN OUR APPROACH

Fuelled both by product innovation and acquisitions, we are dedicated to responding to our customers' needs while constantly reviewing our operations to remain a low-cost and efficient processor.

Our main business starts with raw materials and ends with products carrying a deliverable promise to meet our consumers' and customers' expectations.

We process over six billion litres of milk into various dairy products, and 1.2 million eggs into snack-cake products, with three objectives in mind: ensuring the safety, quality and performance of the final product; maximizing the use of raw materials; and maintaining production flexibility. Matching the product to the customers' and consumers' expectations involves many stages:

ENSURING SAFETY, QUALITY AND PERFORMANCE

We maintain high standards of quality control to ensure consistency of the final product. Our food safety and quality standards encompass the entire supply chain from raw materials to delivery to customers. Our employees work in unity, with daily dedication and attention to detail, to meet our objectives.

MAXIMIZING THE USE OF RAW MATERIALS

Under specific guidelines and key performance indicators, our operators ensure our processes result in transforming raw materials at low cost into the desired product, with all the attributes necessary to deliver its brand promise and customer requirements. To achieve this, we are constantly searching for innovative processes to maximize the use of raw materials.



MEETING EXPECTATIONS THROUGH MANUFACTURING

MAINTAINING PRODUCTION FLEXIBILITY

To remain efficient, we must remain flexible, whether by increasing capacity to respond to the demand in growing markets or streamlining production through automation. For example, in the last fiscal year we increased string cheese manufacturing capacity in response to increased market demand. We completed shred capacity expansions in the Midwest and Western US. Although we faced many challenges with rising raw material costs, we quickly adapted to these challenges by optimizing our recipes while maintaining our high-quality standards. As well, we further developed our whey strategy to help ensure that our business is cost effective. To this end, we completed an investment in lactose and whey protein concentrate dryers at two strategic plants. Both are now in operation, providing the flexibility required to optimize the benefits from dairy ingredients markets. We will continue to explore opportunities that allow us to optimize the return from our whey.



In keeping with our commitment to offer safe, quality products, we maintain high standards and practices across all facilities.

These standards are based on Hazard Analysis Critical Control Points (HACCP), or principles-based equivalents, and include Good Manufacturing Practices, Good Warehousing and Distribution Practices, and Standard Operating Practices.

Additionally, many of our facilities participate in the Global Food Safety Initiative (GFSI). GFSI is an internationally recognized initiative that endorses certified audits using several recognized programs, including Safe Quality Food (SQF).

The GFSI audits evaluate food safety and quality management systems and focus on prevention and risk. Several of our plants were recognized under these programs in fiscal 2011. Also, our plants undergo many food safety audits conducted by external food safety auditors and regulatory agencies, as well as by our own Quality Assurance teams, which perform internal audits of our programs to ensure compliance with our standards and practices.

ASSURING **QUALITY**

Saputo's Senior Management participates in the Quality Assurance Committee, which meets quarterly to review programs and key performance indicators focused on food safety in each of our plants. These include certification programs, audit results, environmental controls, mock recalls and regulatory developments affecting food safety. Allocation of resources is also reviewed to ensure our objectives are met.

Research and Development is at the root of all our products.

We continually evaluate our products for best results, and seek to apply the most appropriate solutions throughout our divisions. Through innovation—whether for our systems, equipment or recipes—the Research and Development (R&D) team is dedicated to meeting and exceeding expectations. In line with our processing operations, the R&D team adheres to similar objectives: efficiency, functionality, and innovation.

EFFICIENCY: OPTIMIZING OUR RECIPES

We constantly optimize our recipes while maintaining high-quality standards. In doing so, we strive to develop innovative technologies in our production of cheese and other dairy products.

In fiscal 2011, we used our R&D technologies to enhance the performance of several products, and to improve manufacturing processes and raw material control.

FUNCTIONALITY: FINDING SOLUTIONS FOR OUR CUSTOMERS' NEEDS

Our R&D team supports our sales teams to develop specific products for our foodservice and industrial customers. The objective is to modify recipes or processes in order to deliver the demanded outcome—whether that means a mozzarella with a specific stretch and colour for pizzerias, a blue cheese for a salad dressing manufacturer, or a cream with particular cooking requirements for a foodservice operator. We also develop products specifically adapted to our customers' distribution chains to meet certain requirements, such as shelf life.



WE STRIVE
TO DEVELOP
INNOVATIVE
PRODUCTION
TECHNOLOGIES.

INNOVATION THROUGH RESEARCH AND DEVELOPMENT

INNOVATION: LAUNCHING NEW PRODUCTS

Our R&D team works closely with our marketing departments and plants to develop new products for our divisions.

In fiscal 2011, we seized such opportunities. In Canada, we introduced new sugar-reduced **Milk 2 Go Chillin' Chocolate**, **Neilson The Ultimate Chocolate Milk**, and **Dairyland** Lactose Free skim and 2% milk. In the US, we broadened the spectrum of products in our portfolio with the launch of natural cheese snack variety packs, and the introduction of **Frigo Cheese Heads Super String** in two package sizes in the retail market. We also significantly expanded the **Alto** brand in the foodservice segment with the introduction of 19 new mozzarella cheeses and blends in both shredded and diced formats. And we launched fresh mozzarella in resealable cups in Germany, and a new cream cheese in Argentina.



Saputo's network is comprised of over 30 warehouse and distribution centres.

They are strategically located to optimize efficiencies and minimize cost.

Our distribution system is customer driven. We prepare our products for a combination of delivery routes that best serve the customers' needs, including exclusive and non-exclusive third-party distributors, company-owned vehicles and customer pickup. The flexibility of our distribution system allows us to adapt to customer demands.

In our quest for efficiency, we continually work to optimize our platforms and technologies to best manage our inventories.

Our technology helps ensure we have the right product in the right place at the right time.

In fiscal 2011, we continued to invest in communications software to better manage inventory movement, and forecast more effectively. We also further consolidated our warehousing and distribution systems to improve efficiencies.

We carried on with the consolidation of all the distribution activities of the Greater Toronto Area into one distribution centre, located in Vaughan, Ontario. This will help us achieve synergies in transportation services by combining loads and improving route logistics.

In fiscal 2011, we began consolidation of our West Coast US distribution to bring it under our direct umbrella. This project, to be completed by the first quarter of fiscal 2012, will eliminate the need for third-party distribution centres in the regions.

To counteract the impact of fuel costs, we constantly evaluate alternative options, such as shifting to rail transport when available. We are constantly adapting while ensuring consistent high-quality service.

We always look for synergies that enable us to be more efficient, speedy and cost-conscious.

SERVING **CUSTOMER** NEEDS
THROUGH **DISTRIBUTION**



Marketing supports our brands and helps them grow stronger.

Each Division has its own marketing focus, specific to a given market and products. Once a divisional strategy is set, the departments work together, through a unified vision, to seek growth in all segments.

Marketing uses the most favourable avenues of communication for each particular brand and its target markets. These range from direct in-store activities, to social media strategies, web-based promotions and recipes, and traditional radio and TV campaigns and contests.

Additionally, we continuously work closely with our customers to assist with developmental support for their own branded packaging and other initiatives.

In fiscal 2011, we supported our leading brands.

Initiatives included campaigns for **Saputo Mozzarellissima** and flavoured milks in Canada, **Frigo Cheese Heads** in the US and **La Paulina** cream cheese in Argentina. In our Bakery Division, we relaunched **hop & go** as “a totally guilt-free pleasure at break time.”

We also launched many new specialty cheeses to meet rising consumer demand under our **Alexis de Portneuf** and **DuVillage 1860** brands in Canada, as well as new cheeses under our **Frigo** and **Alto** brands in the US.

We continued to gain international recognition with several awards, including first category placements at several contests in North America and abroad, such as the Sélection Caseus Contest, for: **Chèvre des Neiges** and **La Roche Noire Alexis de Portneuf**; **Cendré de Lune** and **Cantonnier DuVillage 1860**; and **Kingsey Cheese Curds**. As well, the American Culinary Federation awarded our **Stella** blue cheese its Seal of Approval.

DELIVERING VALUE THROUGH MARKETING





We are present in all segments where dairy products are consumed.

We market dairy products to the retail, foodservice and industrial segments.

Our bakery products are almost exclusively aimed at the retail market.

We strive to use the best and most efficient ways to serve the market, to bring value to customers, through products, service and solutions.

MEETING CLIENTS' NEEDS THROUGH **SALES**



Our divisions operate with a combination of our own dedicated sales force, brokers, and exclusive and non-exclusive distributors.

RETAIL SEGMENT

We strive to enhance our product mix with existing customers, and to increase distribution with retailers, mass merchandisers and alternate channels.

We make sure we have the right communication systems in place with our customers. As such, we continuously strive to equip our sales force with the proper tools to effectively serve our customers. Our sales teams follow market trends that can influence the consumption of our products, and with proper analysis, we assist our customers in finding ways to grow their sales.

FOODSERVICE SEGMENT

With our solution-oriented approach, we work with our foodservice customers to find the right product match for their specific menu requirements. We work with hotels, fine restaurants, pizza-chains, or chefs to create new dishes, add to their menu offerings, or create new serving options. We are constantly developing new product variations—such as sliced, shredded, or diced cheeses for different uses—as well as packaging innovations. Last year, our Canadian Dairy Division launched a specialty cheese box with six varieties for fine restaurants and hotels desiring to enhance their specialty cheese dining experience.

INDUSTRIAL SEGMENT

Our sales force works with customers to offer the right ingredients with the right attributes for the right preparation. This segment of our industry is highly specialized and involves a multifunctional team often including members of R&D, technical support, sales and operations, to ensure that the proper functionality is delivered to our customers for each of their specific products, such as mozzarella for frozen pizza, ricotta for frozen lasagna, cream for dessert foods or blue cheese for salad dressing.

AND CUSTOMER SERVICE



Offering our 10,200 employees a favourable work environment is the best guarantee they will excel and build a career with us.



Employees of Rafaela plant, Argentina

Our strategy is supported by five principles: advantageous employment conditions, a healthy work environment, work-life balance, as well as tailored recruitment and succession plans.

UNITY THROUGH SOCIAL RESPONSIBILITY

ADVANTAGEOUS EMPLOYMENT CONDITIONS

Saputo provides advantageous conditions by offering internal advancement opportunities, enabling its employees to learn and grow through personal development programs and achieve their full potential. Various teaching methods, such as in-class instruction, e-learning and one-on-one mentoring, have been implemented over the years to meet employees' learning needs. Saputo encourages its employees to build on their strengths and to take on new challenges and responsibilities in a stimulating and rewarding work environment. The Company, which focuses on the importance of open communication and teamwork, counts on a management coaching program to support its culture.

As the well-being of employees and their families is important to Saputo, the Company also offers competitive salaries, fringe benefit programs, collective insurance programs and retirement plans.

A HEALTHY AND SAFE WORK ENVIRONMENT

By working in unity, every employee contributes to the evolution and success of the Company. Saputo attaches great importance to their health and safety, and therefore has high safety standards—including a goal to attain an injury-free work environment.

To pursue that goal, in fiscal 2011, we completed numerous safety initiatives focusing primarily on prevention. We developed Ammonia Steering Committees to help our plants better manage risks in the area of refrigeration through training and prevention measures.

Numerous locations developed site specific Safety Action Plans with the assistance of their local Health and Safety Committees in order to minimize the risk of injury. We designed a new comprehensive auditing tool to be used for site management. We launched Behavioural Based Training to recognize and proactively address specific behaviours to prevent accidents. We train our employees on site to increase their level of expertise.

WORK-LIFE BALANCE

Apart from focusing on providing employees with a safe work environment, we also place great importance on their general well-being. For this reason, in fiscal 2011, we launched the “Feed Your Life” program. This innovative initiative has three goals: to educate employees about the importance of investing in their health and well-being; to encourage employees to become informed in their health care decisions; and to equip employees with the tools they need to take control of their health.

Many activities were organized Company-wide by local ambassadors. Activities included a blood donation clinic, a walking group, and a quit smoking challenge, to name a few.

RECRUITMENT

Saputo is continuously seeking good talent, and uses various means of recruitment such as social media to help attract new employees. We place a lot of importance on the cultural fit of our employees, and seek people with values that match our own. We also look for people who have an interest in building a career with us, and we support them with development programs. Our new employees benefit from an orientation program to ensure an immediate sense of belonging.

*Karla Holback and Kenneth Miller,
Waupun, WI, USA, Production*



BUILDING A CAREER WITH US

SUCCESSION PLAN

Succession planning is a priority. With that in mind, our Human Resources and Training teams are building a succession plan to quickly fill possible gaps in resources, knowledge and expertise. We are conducting analyses for positions throughout all segments of the Company to identify the positions that need to be filled, the timeframe and the people who have the potential to step in. The analyses also enable us to identify and provide the necessary training and development opportunities. Our employees benefit from a tailored development program in order to ensure they have all the knowledge required. Saputo encourages promotion from within.

The succession plan also allows us to be consistently proactive towards putting the right person, in the right position, at the right time.

Saputo is dedicated to pursuing environmentally responsible business practices and is continuously seeking ways to improve its environmental performance.

Saputo focuses on initiatives aimed at reducing the impact of its operations on the environment. Employees recognize that efforts dedicated to efficiently managing resources reduce the Company's environmental footprint and decrease overall costs.

Environmental protection and water scarcity are becoming growing concerns. Saputo set, throughout fiscal 2011, a primary focus on gathering information from its operations to evaluate the impact of its energy and potable water usage on the environment. Understanding these facets has enabled the Company to evaluate—and in some cases—reduce its greenhouse gas emissions.

By adopting environmentally responsible business practices, Saputo encourages entrepreneurship among its employees, who seek opportunities to improve the Company's way of operating. As part of its sustainability strategy, Saputo is dedicated to the conservation of energy and the natural resources which are used for its day-to-day operations.

Projects in all divisions are evaluated to ensure not only an adequate return on investment, but that sound judgment is used concerning sustainability.

In an effort to decrease the environmental impact of our activities, we created a sustainability supplier survey. The survey acts as a tool to help us measure and monitor the sustainability performance of our suppliers, and to understand our products' lifecycle impacts. It covers environmental (water, energy, waste), social and economic questions to help promote more sustainable business practices.

Saputo also believes that embedding carbon footprinting into its processes is essential to understanding the environmental impact of its products' life cycle. For this reason, Saputo is pleased to participate in the Carbon Disclosure Project.

CARING FOR

This year, we executed many projects to reduce our environmental footprint related to water and energy usage. Whether we are saving potable water through the use of recuperation systems for our Clean-In-Place processes or optimizing the use of energy through heat transfer and regeneration, we continue to explore initiatives that may reduce our environmental impact.

During fiscal 2011, we promoted more sustainable business practices. We embedded sustainability values across the Company through an awareness training program. We set out to develop a sustainability scorecard to capture key performance indicators pertaining to environmental, social and economic metrics. We also began a project that will enable us to quantify Company greenhouse gas emissions for compliance reporting and responding to stakeholder requirements.

We had many environmental initiatives in fiscal 2011. Since diverting waste from landfill sites is imperative in waste management, several of our plants assessed their waste and have been successfully recycling items such as film cores, scrap steel, wire, obsolete film and cartons.

We evaluated energy consumption and installed new equipment in certain facilities, such as high energy efficient air compressors and new packaging machinery, which can attain up to 25% more energy efficiency. Energy efficiency is not limited to the plant floor. It can also be applied to our finished goods and dry warehousing. Simple lighting modifications, such as installing fluorescent lighting, improve the work environment, and can reduce electrical consumption and costs.

Over the years we strived to be more energy efficient by replacing our crude oil boiler burners with burners that use natural gas, as they are more economical and emit less carbon. Over 95% of all our burners are now natural gas burners.

Other energy reduction initiatives have been put in place to reduce our costs and carbon footprint. We made improvements to many cream cooling systems and whey pasteurizers, which reduced electrical and natural gas consumption. Furthermore, we have reduced energy consumption through the strategic amalgamation and consolidation of several plants and distribution centres.

Whether we are reducing our consumption of electricity, natural gas or water, we believe that any amount reduced on a year-to-year basis contributes to sustainability and adheres to the overall spirit of operational efficiencies.

In fiscal 2012, we will continue to seek ways to reduce our environmental impact, placing additional emphasis on decreasing the amount of waste sent to landfills, and on increasing the recycling of raw materials and used packaging. We also intend to promote these practices with our suppliers.



OUR **ENVIRONMENT**

In fiscal 2012, we also plan to benchmark production efficiency in terms of energy, water, waste and carbon in order to establish reduction strategies. In addition, we will set our capital expenditure projects to allow us to identify energy and natural resources reduction possibilities. Finally, we will work on developing a Social Responsibility policy, while continuing to promote sustainability values with our employees.

We believe innovation will play a major role in meeting our objectives and in reducing the environmental impact of our business activities.

Since our founding in 1954, it has been important for us to give back to the communities which have supported us and helped us flourish.

In recent years, we felt that in order to contribute to building a better society, we needed to focus on helping underprivileged communities, by promoting healthier eating habits and an active lifestyle especially through the practice of sports activities.

To attain our goals, we have not only partnered with various foundations, but also with athletes. Each of our sponsored athletes is carefully selected based on their capacity to inspire and motivate people to have healthy and active lifestyles.

Through our partnerships with multiple organizations, such as *Le Grand défi Pierre Lavoie*, *FitSpirit*, as well as soccer organizations and sports federations, we hope to encourage people to make physical activity a part of their daily routine, while creating a healthier standard for future generations.

Our efforts to instil healthy eating habits and help feed underprivileged communities have led us to partner with numerous non-profit organizations such as the *Breakfast Clubs of Canada*.

This year, we have solidified our partnerships and worked at finding synergies with organizations that will help us expand our reach. We feel confident we have the right partnerships and community outreach platform in place in Canada, and can now focus on developing similar programs in other countries in which we operate.

REACHING OUT TO OUR COMMUNITY

SAPUTO, GRAND
SPONSOR OF
LE GRAND DÉFI
PIERRE LAVOIE.



HEAD OFFICE

Saputo Inc.
6869 Metropolitain Blvd. East
St-Léonard, QC Canada H1P 1X8
Telephone: 514.328.6662
Fax: 514.328.3310
www.saputo.com

GENERAL ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

Tuesday, August 2, 2011, at 9:30 a.m.
Laval Room, Hotel Sheraton Laval
2440 Autoroute des Laurentides
Laval, QC Canada H7T 1X5

INVESTOR RELATIONS

Corporate Communications
Telephone: 514.328.3347
Fax: 514.328.3364
Email: investors@saputo.com

STOCK EXCHANGE

Toronto
Symbol: SAP

TRANSFER AGENT

Computershare Trust Company of Canada
1500 University Street, Suite 700
Montréal, QC Canada H3A 3S8
Telephone: 514.982.7888

EXTERNAL AUDITORS

Deloitte & Touche LLP, Montréal, QC, Canada

DIVIDEND POLICY

Saputo Inc. declares quarterly cash dividends on common shares at \$0.16 per share, representing a yearly dividend of \$0.64 per share. The balance of corporate earnings is reinvested to finance the growth of the Company's business.

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

