MANAGEMENT'S DISCUSSION AND ANALYSIS
AND
CONSOLIDATED FINANCIAL STATEMENTS

2011 ANNUAL REPORT

Saputo

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The goal of the management report is to analyze the results of and the financial position for the year ended March 31, 2011. It should be read while referring to audited consolidated financial statements and accompanying notes. The accounting policies of Saputo Inc. (Company or Saputo) 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, 2011 and June 7, 2011, the date of this report, on which it was approved by the Board of Directors of Saputo. Additional information about the Company, including the annual information form for the year ended March 31, 2011, can be obtained on SEDAR at www.sedar.com.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

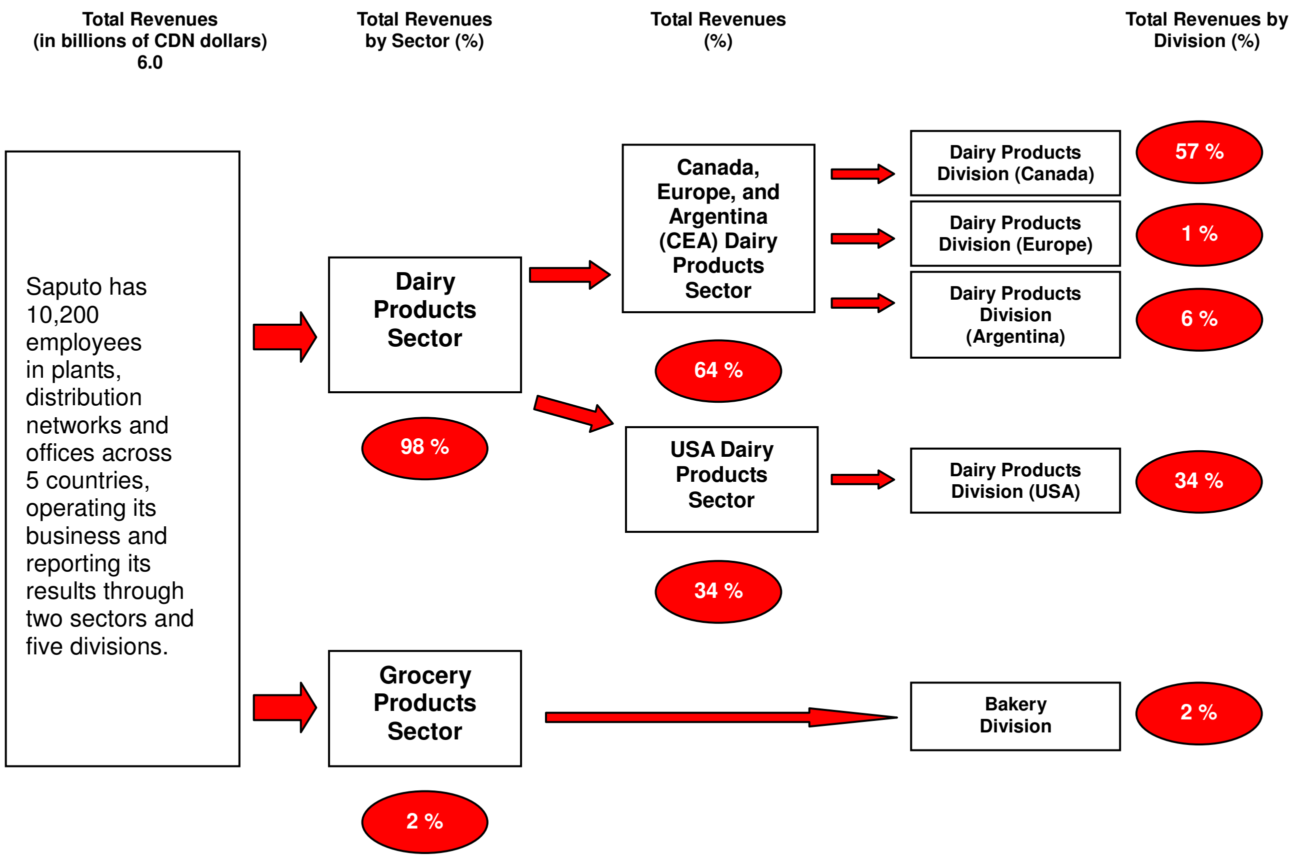
This report, including the "Outlook" sections, contains forward-looking statements within the meaning of securities laws. These statements are based, among other things, on the Company's current assumptions, expectations, estimates, objectives, plans and intentions regarding projected revenues and expenses, the economic and industry environments in which the Company operates or which could affect its activities, its ability to attract and retain customers and consumers, as well as its 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, the Company 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 actual results to differ materially from current expectations are discussed throughout this Management's Discussion and Analysis and, in particular, in "Risks and Uncertainties". Forward-looking information contained in this report, including the "Outlook" sections, is based on Management's current estimates, expectations and assumptions, which Management believes are reasonable as of the current date. You should not place undue importance on forward-looking information and should not rely upon this information as of any other date. Except as required under applicable securities legislation, the Company does not undertake to update these forward-looking statements, whether written or verbal, that may be made from time to time by itself or on its behalf, whether as a result of new information, future events or otherwise.

GLOBAL OVERVIEW

THE COMPANY

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

OUR BUSINESS



OUR NETWORK

Total Dairy Products Revenues (%)

Saputo's dairy products are available in all market segments.

Segment	Revenues (%)	Description
Retail	55 %	Sales are made to supermarket chains, mass-merchandisers, convenience stores, independent retailers, warehouse clubs and specialty cheese boutiques under its own brand names, as well as under private labels. Products manufactured for and sold within this segment include dairy products and non-dairy products such as non-dairy creamers, juices and drinks.
Foodservice	32 %	Sales are made to broadline distributors, as well as to restaurants and hotels, under its own brand names and various private labels. Through its Canadian distribution network, Saputo also offers non-dairy products manufactured by third parties. The Company also produces dairy blends mainly for the ice cream market.
Industrial	13 %	Sales are made to food processors that use Saputo's products as ingredients to manufacture their products. The Company produces cheese as well as dairy ingredients such as lactose, whey powder and whey protein.

Saputo's grocery products are sold in Canada almost exclusively in the retail segment through supermarket chains, independent retailers, and warehouse clubs. Products are also available on a small-scale in the US, through co-packing agreements, under which the Company manufactures private-label products for third parties. Products manufactured and sold within this Sector include mainly snack-cakes.

FINANCIAL ORIENTATION

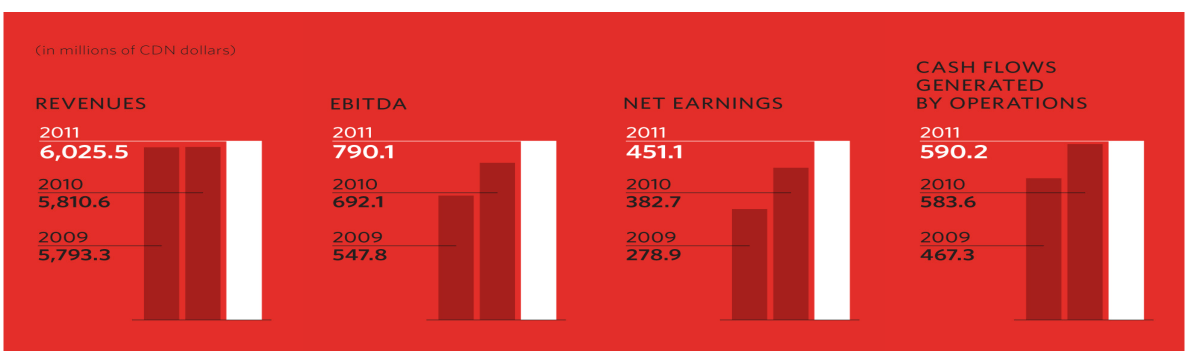
The Company's objectives are linked to fundamental values which shaped it for over 50 years: to maintain strict discipline in cost management and operational efficiency, to grow organically and through acquisitions in order to expand existing markets and establish a global presence, while creating shareholder value. Prudent operating and financial management remain key. In line with its growth strategy, in fiscal 2011, the Company continued to expand its presence in the US with the acquisition of DCI Cheese Company, Inc. (DCI Acquisition) on March 25, 2011, and finalized the integration of previous acquisitions.

Saputo benefits from a solid balance sheet, supplemented by a high level of cash generated by operations and low debt levels allowing for financial flexibility for growth through targeted acquisitions and to face possible economic changes. In the current fiscal year, the Company continued to strategically invest in capital projects, expanded its activities, increased its payments of dividends, and continued to effectively manage cash by purchasing back its own shares through the use of a normal course issuer bid.

ELEMENTS TO CONSIDER WHEN READING MANAGEMENT'S DISCUSSION AND ANALYSIS FOR FISCAL 2011

During fiscal 2011, Saputo experienced good financial performance:

- Net earnings totalled $451.1 million, up 17.9%.
- Devaluation of the portfolio investment decreased net earnings by $11.6 million ($0.06 basic and diluted earnings per share).
- Earnings before interest, income taxes, depreciation, amortization and devaluation of portfolio investment (EBITDA) totalled $790.1 million, up 14.2%.
- Revenues reached $6.025 billion, up 3.7%.
- Cash flows generated by operations totalled $590.2 million, up 1.1%.
- Initiatives undertaken in prior and current fiscal years with regards to improving operational efficiencies positively impacted the results of the USA and CEA Dairy Products Sectors.
- In the United States (US), the average block market[1] per pound of cheese increased by US$0.21 compared to fiscal 2010, increasing revenues and EBITDA by positively affecting the absorption of fixed costs.
- The increasing block market per pound of cheese in the US also had a favourable impact on the realization of inventories, while its relationship with the cost of milk as raw material had a negative impact on EBITDA, as compared to fiscal 2010.
- The dairy ingredients market positively affected both revenues and EBITDA of the USA and Canadian Dairy Products Divisions as compared to fiscal 2010.
- The strengthening of the Canadian dollar negatively impacted both revenues and EBITDA of the USA and Argentinian Dairy Products Divisions in fiscal 2011.
- Sales volumes in fiscal 2011 for our Dairy Products Divisions increased by 1.7% in Argentina and 3% in the US, and decreased by 2% in Canada, 4% in Europe and 6% in the Bakery Division.



OUTLOOK

In fiscal 2012, the Company intends to maintain its sound approach and remains committed to producing quality products, innovation and internal growth. It will continue to analyze its activities, invest in capital projects and follow through on the implementation of measures aimed at improving efficiencies and remaining a low cost producer. The Company's flexible capital structure and low debt levels allow it to actively evaluate and pursue strategic acquisition opportunities, with the goal of expanding its presence in key markets.

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

SELECTED CONSOLIDATED FINANCIAL INFORMATION

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

Years ended March 31		**2011**	2010	2009
Statement of earnings data				
Revenues	Dairy Products Sector			
	CEA[1]	**3,837,188**	3,745,930	3,323,541
	USA	**2,046,993**	1,906,189	2,304,613
		5,884,181	5,652,119	5,628,154
	Grocery Products Sector	**141,289**	158,463	165,109
		6,025,470	5,810,582	5,793,263
Cost of sales, selling and administrative expenses				
	Dairy Products Sector			
	CEA	**3,347,045**	3,288,035	2,944,643
	USA	**1,759,547**	1,687,814	2,152,607
		5,106,592	4,975,849	5,097,250
	Grocery Products Sector	**128,738**	142,662	148,214
		5,235,330	5,118,511	5,245,464
EBITDA[2]	Dairy Products Sector			
	CEA	**490,143**	457,895	378,898
	USA	**287,446**	218,375	152,006
		777,589	676,270	530,904
	Grocery Products Sector	**12,551**	15,801	16,895
		790,140	692,071	547,799
	EBITDA margin (%)	**13.1%**	11.9%	9.5%
Depreciation and amortization	Dairy Products Sector			
	CEA	**52,582**	54,843	41,560
	USA	**44,410**	49,844	58,849
		96,992	104,687	100,409
	Grocery Products Sector	**7,840**	8,819	7,875
		104,832	113,506	108,284
Operating income	Dairy Products Sector			
	CEA	**437,561**	403,052	337,338
	USA	**243,036**	168,531	93,157
		680,597	571,583	430,495
	Grocery Products Sector	**4,711**	6,982	9,020
		685,308	578,565	439,515
Devaluation of portfolio investment		**13,600**	-	-
Interest on long-term debt		**23,211**	29,901	20,684
Other interest, net		**663**	5,161	11,031
Earnings before income taxes		**647,834**	543,503	407,800
Income taxes		**196,715**	160,789	128,852
Net earnings		**451,119**	382,714	278,948
Net earnings margin (%)		**7.5%**	6.6%	4.8%
Net earnings per share		**2.19**	1.85	1.35
Diluted net earnings per share		**2.16**	1.83	1.34
Dividends declared per share		**0.64**	0.58	0.56
Balance sheet data				
Total assets		**3,664,309**	3,253,451	3,499,103
Interest bearing debt[3]		**471,578**	387,543	713,001
Shareholders' equity		**2,125,641**	2,028,598	1,972,348
Statement of cash flows data				
Cash flows generated by operations		**590,185**	583,615	467,288
Amount of additions to fixed assets, net of proceeds on disposal		**105,822**	106,334	112,831

[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, 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".

[3] Net of cash and cash equivalents.

CONSOLIDATED SELECTED FACTORS POSITIVELY (NEGATIVELY) AFFECTING EBITDA

(in millions of CDN dollars)

Fiscal years	**2011**	2010
Market factors[1] [2]	**43.0**	8.0
Inventory write-down	**(3.0)**	(2.1)
US currency exchange[1]	**(21.0)**	(12.0)
Rationalization charges	**-**	(7.9)

[1] As compared to the previous fiscal year.
[2] Market factors include the average block market per pound of cheese and its effect on the absorption of fixed costs and on the realization of inventories, the effect of the relationship between the average block market per pound of cheese and the cost of milk as raw material as well as market pricing impact related to sales of dairy ingredients.

Consolidated revenues totalled $6.025 billion, an increase of $214.9 million or 3.7% compared to $5.811 billion for fiscal 2010. The USA Dairy Products Sector revenues increased by approximately $141 million. This is mainly due to a higher average block market per pound of cheese of US$1.56 in fiscal 2011, compared to US$1.35 in fiscal 2010, increasing revenues by approximately $191 million. Increased sales volumes, a full year's contribution to revenues by the activities of F&A Dairy of California, Inc., acquired on July 20, 2009 (F&A Dairy Acquisition), and more favourable dairy ingredients markets contributed to revenues as compared to last fiscal year. These factors combined accounted for an increase of approximately $96 million in revenues. Revenues from the CEA Dairy Products Sector increased by approximately $91 million in comparison to last fiscal year. Higher selling prices in both the Canadian and Argentinian operations in accordance with the increase in the cost of milk as raw material, as well as increased sales volumes from Argentinian activities, explain the increased revenues in this Sector. These offset lower sales volumes from the Canadian operations. Revenues from the Grocery Products Sector decreased by approximately $17 million mainly due to lower sales volumes. The strengthening of the Canadian dollar in fiscal 2011 eroded approximately $174 million in revenues in comparison to last fiscal year.

Consolidated earnings before interest, income taxes, depreciation, amortization and devaluation of portfolio investment (EBITDA) amounted to $790.1 million in fiscal 2011, an increase of $98.0 million or 14.2% compared to the $692.1 million for fiscal 2010. The EBITDA of the USA Dairy Products Sector amounted to $287.4 million, an increase of $69.0 million in comparison to $218.4 million for last fiscal year. Initiatives undertaken by the Sector in the prior and current fiscal years in order to improve operational efficiencies, increased sales volumes and the full year's inclusion of the F&A Dairy Acquisition, more than offset increased fuel, promotional and ingredients costs during fiscal 2011. These combined factors increased EBITDA by approximately $54 million during fiscal 2011 as compared to fiscal 2010. The block market per pound of cheese steadily increased throughout fiscal 2011. The average for the year ended March 31, 2011 was US$1.56 as compared to US$1.35 for the previous fiscal year. The higher average block market contributed positively to the Sector's absorption of fixed costs. The increasing block market throughout the fiscal year favourably impacted the realization of inventories. The increase in the dairy ingredients market also positively affected EBITDA in fiscal 2011. The relationship between the average block market per pound of cheese and the cost of milk as raw material was unfavourable in fiscal 2011 in comparison to fiscal 2010. The combination of these market factors had a positive impact of approximately $37 million on EBITDA of fiscal 2011. Also, included in the results of fiscal 2011 was an inventory write-down of $3.0 million as compared to $2.1 million in fiscal 2010. The strengthening of the Canadian dollar in fiscal 2011 eroded approximately $21 million of the USA Dairy Products Sector EBITDA.

EBITDA for the CEA Dairy Products Sector totalled $490.1 million in fiscal 2011, an increase of $32.2 million in comparison to $457.9 million for last fiscal year. This increase is mainly attributed to operational efficiencies, a more favourable dairy ingredients market and lower costs from the Canadian operations, as compared to last fiscal year. EBITDA includes a charge of approximately $2 million in relation to a product recall in fiscal 2011 and a rationalization charge of $3.4 million in fiscal 2010. The Argentinian operations contributed to the EBITDA increase through higher sales volumes and favourable selling prices mainly in the export market as compared to last fiscal year. The Dairy Products Division (Europe) improved its EBITDA slightly in fiscal 2011 mainly through increased efficiencies and cost cutting measures despite lower sales volumes and the continuing challenges facing the European market, particularly the constant increase of the cost of milk compared to selling prices.

EBITDA for the Grocery Products Sector decreased by $3.2 million to $12.6 million in the current fiscal year, from $15.8 million in fiscal 2010. This decrease is mainly due to lower sales volumes and increased trade program expenses. These negative factors were partially offset by the benefits derived from operational initiatives implemented throughout fiscal 2011 and previous years.

The consolidated EBITDA margin increased to 13.1% in fiscal 2011 as compared to 11.9% in fiscal 2010 mainly due to the Dairy Products Sector.

Depreciation and amortization totalled $104.8 million in fiscal 2011, a decrease of $8.7 million over $113.5 million in fiscal 2010. This is mainly due to the strengthening of the Canadian dollar throughout fiscal 2011 compared to last fiscal year. Included in fiscal 2010 depreciation and amortization expense was an impairment amount of $2.6 million related to the closure of the Brampton, Ontario fluid milk plant and the consolidation of the Toronto, Ontario distribution activities.

The Company proceeded with a **devaluation of portfolio investment** for an amount of $13.6 million, negatively affecting net earnings before income taxes ($11.6 million after tax), following the receipt, in May 2011, of a report from an independent valuator with regards to the fair market value of the Company's portfolio investment (see Note 3 to the consolidated financial statements).

Net interest expense amounted to $23.9 million in fiscal 2011 compared to $35.1 million in fiscal 2010. The decrease is attributed to a lower level of long-term debt with the reimbursement of senior notes in the third quarter of fiscal 2010 and lower bank loans for most of the current fiscal year.

Income taxes totalled $196.7 million in fiscal 2011 as compared to $160.8 million in fiscal 2010 for an effective tax rate of 30.4% in fiscal 2011 as compared to 29.6% for the previous year. The 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 fiscal 2011 totalled $451.1 million, an increase of $68.4 million or 17.9% compared to $382.7 million in fiscal 2010. This increase is due to the factors mentioned above.

INFORMATION BY SECTOR

CEA DAIRY PRODUCTS SECTOR

(in millions of CDN dollars)

Fiscal years	**2011**	2010	2009
Revenues	**3,837.2**	3,745.9	3,323.5
EBITDA	**490.1**	457.9	378.9

SELECTED FACTORS POSITIVELY (NEGATIVELY) AFFECTING EBITDA
(in millions of CDN dollars)

Fiscal years	**2011**	2010
Market factors[1] [2]	**6.0**	1.0
Rationalization charges	**-**	(3.4)

[1] As compared to previous fiscal year.
[2] Market factors include the international market pricing impact related to sales of dairy ingredients.

The CEA Dairy Products Sector showed good results in fiscal 2011. The Sector's constant analysis of cost structures and activities relating to manufacturing, distribution and warehousing intended to optimize efficiencies resulted in cost savings which contributed positively to fiscal 2011 results.

During the year, the Dairy Products Division (Canada) initiated a recall in conjunction with the Canadian Food Inspection Agency (CFIA) on certain processed cheese products for possible contamination with *Listeria monocytogenes*. There were no reported illnesses associated with the consumption of the recalled products. As a result of this event, the Company ceased production of the affected line and quarantined the production area. A thorough investigation was conducted with internal and external experts and the cause was identified. Corrective measures will be completed with the recommissioning of the production line during the first quarter of fiscal 2012. In the meantime, the production of processed cheese products continues in another Saputo facility. Additionally, almost no savings were generated by the restructuring related to the closure of the Brampton, Ontario fluid plant and consolidation of the Toronto, Ontario distribution activities since the restructuring was completed in late fiscal 2011.

The Dairy Products Division (Argentina) contributed positively throughout fiscal 2011, with increased sales volumes and favourable selling prices mainly in the export market. The Dairy Products Division (Europe) improved slightly compared to the previous fiscal year despite continued challenges with the constant increase of the cost of milk as raw material compared to selling prices of our finished products.

REVENUES
Revenues from the CEA Dairy Products Sector totalled $3.837 billion, an increase of $91.3 million or 2.4% as compared to $3.746 billion in fiscal 2010. Approximately $96 million of the increase is attributed to the Dairy Products Division (Argentina) offsetting a reduction of approximately $4 million in revenues mainly related to the Dairy Products Division (Europe).

Revenues in the Dairy Products Division (Canada) remained relatively stable. Lower sales volumes from fluid milk as compared to the prior fiscal year were offset by higher selling prices stemming from the increase in the cost of milk as raw material, as well as increases in sales of value added milk products and cheese. Additionally, the dairy ingredients market had a positive impact on revenues as compared to the preceding fiscal year.

In fiscal 2011, the pricing, rebating and discounting practices in all segments were unchanged from prior fiscal years.

The Company produces approximately 32% of all the natural cheese manufactured in Canada. Saputo's share of total production of fluid milk in Canada is approximately 35%. Saputo remains the leader in the Canadian Dairy Industry in both these categories.

Most product categories within the Canadian dairy market remained relatively stable in terms of per capita consumption. The Division's retail segment also remained stable in the current fiscal year, accounting for 64% of its revenues. The speciality cheese category, fuelled by consumer enthusiasm, continued to grow, along with value added milk products, offsetting slightly lower sales volumes in the fluid milk category. Saputo, through various promotions and advertising, maintained its support of leading brands, *Trutaste*, *Dairy Oh!,* and *Milk2GO*, in an effort to pursue growth and market expansion. Saputo has both the #1 and #2 brands in the refrigerated dairy case category with *Dairyland* and *Neilson* in the fluid milk business.

The foodservice segment represented 29% of revenues in the Dairy Products Division (Canada), the same as the prior fiscal year. We continued to support our customers in order to meet their requirements through new recipes, formats and/or cost-reduction initiatives. Furthermore, we continued to realign production to be more responsive to market trends.

The industrial segment represented 7% of revenues in the Dairy Products Division (Canada), and remained stable compared to last fiscal year. This segment is comprised of milk, cheese and dairy ingredients sales. This segment also benefitted from favourable dairy market conditions throughout the fiscal year.

Revenues for the Dairy Products Division (Europe) decreased during fiscal 2011 as compared to the prior fiscal year. This decrease is attributable to lower sales volumes in the German operations resulting from the Division's objective to diversify its client base.

Revenues from the Dairy Products Division (Argentina) increased in fiscal 2011 as compared to fiscal 2010 as a result of increased sales volumes in the domestic market due to the introduction of new products and increased brand promotions. Additionally, the Division benefitted from favourable selling prices, mainly in the export market.

Finally, the appreciation of the Canadian dollar as compared to the previous fiscal year negatively impacted revenues in the CEA Dairy Products Sector by approximately $28 million.

EBITDA
EBITDA totalled $490.1 million for the year ended March 31, 2011 as compared to $457.9 million in fiscal 2010, which represents an increase of $32.2 million or 7.0%. EBITDA margin increased to 12.8% from 12.2% in fiscal 2010.

EBITDA increased in the Dairy Products Division (Canada) compared to the previous fiscal year as a result of benefits derived from operational efficiencies and a more favourable dairy ingredients market for fiscal 2011. Additional EBITDA was also generated by various cost reduction initiatives. During fiscal 2011, synergies continued to materialize, mainly by the combination of routes and standardization of cost structures. The dairy ingredients market was more favourable compared to fiscal 2010 by approximately $6 million. Finally, the Division incurred a charge of approximately $2 million dollars with regards to the recall of certain processed cheese products. Included in last fiscal year's EBITDA is a rationalization charge of approximately $3.4 million in connection with the closure of the Brampton, Ontario fluid plant and the consolidation of the Toronto, Ontario distribution activities.

The Dairy Products Division (Europe) EBITDA in fiscal 2011 improved slightly despite the continuing challenges facing the European market. The improvement in EBITDA can be attributed mainly to efficiencies, cost reduction measures and streamlining of operations, despite slight decreases in sales volumes and the continued increase in the cost of milk compared to selling prices.

The Dairy Products Division (Argentina) EBITDA increased in fiscal 2011, benefitting from higher sales volumes in the domestic market and a better product mix. Also, favourable selling prices mainly in the export market compared to the previous fiscal year and better efficiencies and lower costs within the Division contributed to the increase.

OUTLOOK

The Dairy Products Division (Canada) will focus on maximizing the benefits that can be derived from the restructuring related to the closure of the Brampton, Ontario fluid plant and the consolidation of the Toronto, Ontario distribution activities. These measures were announced on March 30, 2010 and were completed in the fourth quarter of fiscal 2011. The Division will continue to invest in projects to increase specialty cheese manufacturing capacity in order to bolster its presence in the growing specialty cheese category. It will also continue to review overall activities in an effort to improve operational efficiencies and decrease operational costs.

The legal challenge filed in regards to the amended regulations establishing new standards for cheese manufactured in and imported into Canada was dismissed by the Federal Court of Canada on October 7, 2009. The appeal filed before the Federal Court of Appeal of Canada was also dismissed on February 28, 2011. However, together with another dairy processor, the Company filed a request for leave to appeal before the Supreme Court of Canada and the matter is pending.

The Dairy Products Division (Europe) anticipates that fiscal 2012 will still be a challenging year with respect to obtaining milk supply at prices competitive with the selling price of cheese. Nevertheless, the Division will work towards increasing its volume while improving efficiency of its manufacturing facilities.

The Dairy Products Division (Argentina) will continue to seek volume growth in both the domestic and export markets. Other challenges will be to mitigate the increasing cost of milk as raw material while remaining competitive with the selling price in the export market. The Division will also continue to focus on improving operational efficiencies.

Production capacity continues to be evaluated in line with the objective to reduce excess production capacity at the CEA Dairy Products Sector plants, which, at March 31, 2011, stood at 26% and 33% in cheese and fluid milk activities, respectively.

In May 2011, an independent valuator issued a report with regards to the fair market value of the Company's portfolio investment which resulted in a write-down of $13.6 million before income taxes in fiscal 2011. The Company intends to contest this outcome and to pursue all recourses and remedies available under the law.

USA DAIRY PRODUCTS SECTOR

(in millions of CDN dollars)

Fiscal years	**2011**	2010	2009
Revenues	**2,047.0**	1,906.2	2,304.6
EBITDA	**287.4**	218.4	152.0

SELECTED FACTORS POSITIVELY (NEGATIVELY) AFFECTING EBITDA
(in millions of CDN dollars)

Fiscal years	**2011**	2010
Market factors[1 2]	**37.0**	7.0
US currency exchange[1]	**(21.0)**	(12.0)
Inventory write-down	**(3.0)**	(2.1)

[1] As compared to the previous fiscal year.
[2] Market factors include the average block market per pound of cheese and its effect on the absorption of fixed costs and on the realization of inventories, the effect of the relationship between the average block market per pound of cheese and the cost of milk as raw material as well as market pricing impact related to sales of dairy ingredients.

OTHER PERTINENT INFORMATION
(in US dollars, except for average exchange rate)

Fiscal years	**2011**	2010
Average block market per pound of cheese	**1.563**	1.351
Closing block price[1] per pound of cheese	**1.625**	1.400
Average whey market price[2] per pound	**0.400**	0.340
Spread[3]	**0.120**	0.152
US average exchange rate to Canadian dollar[4]	**1.017**	1.091

[1] Closing block price is the price of a 40 pound block of cheddar traded on the Chicago Mercantile Exchange (CME) on the last business day of the fiscal year.
[2] Average whey powder market price is based on Dairy Market News published information.
[3] Spread is the average block market per pound of cheese less the result of the average cost per hundredweight of Class III and/or Class 4b milk price divided by 10.
[4] Based on Bank of Canada published information.

In fiscal 2011, the USA Dairy Products Sector achieved good results. The Division completed the capital expenditures planned for both the Midwest facilities acquired in fiscal 2009 and the California facility acquired last fiscal year. These projects, along with other targeted capital expenditures, allowed the Division to increase capacities in both cheese and dairy ingredient products. The capital expenditures also allowed the Division to better balance its production and enhance its product offering. The initiatives taken in the prior and current fiscal years contributed to the success of the Dairy Products Division (USA) in fiscal 2011.

During fiscal 2011, market factors generally contributed positively to revenues and EBITDA, while the strengthening of the Canadian dollar had the opposite effect.

REVENUES

Revenues for the USA Dairy Products Sector totalled $2.047 billion in fiscal 2011, an increase of $140.8 million or 7.4% in comparison to $1.906 billion in fiscal 2010. This is mainly due to a higher average block market per pound of cheese in fiscal 2011 of US$1.56 in comparison to US$1.35 in fiscal 2010. This increased revenues by approximately $191 million. Higher sales volumes, a full year of revenues generated by the F&A Dairy Acquisition, and increased revenues due to a more favourable dairy ingredients market also contributed to increased revenues in comparison to last fiscal year. These factors combined increased revenues by approximately $96 million. The strengthening of the Canadian dollar eroded revenues by approximately $146 million.

The pricing, rebating, and discounting practices in all segments were unchanged throughout fiscal 2011.

The Division enjoyed a 3% sales volume increase in fiscal 2011, the majority of which came from the retail segment. The retail, foodservice, and industrial segments accounted for 38%, 48%, and 14% of the Division’s total sales volume, compared to 36%, 49%, and 15%, respectively, in fiscal 2010.

In the retail segment, the Division benefitted from good volume growth despite the fact that the natural cheese category in the US remained relatively stable in fiscal 2011 in comparison to the prior fiscal year. Private label growth continued in fiscal 2011 at the expense of branded sales volumes. However, the Division maintained the #1 ranking for *Frigo Cheese Heads* in the string cheese category, *Treasure Cave* in the blue cheese category, as well as *Stella* in the Italian-style wedge cheese category. In the current fiscal year, the Division also launched several line extensions to maintain the leadership position in the string cheese category. Marketing initiatives, including innovative promotional offers, drove brand recognition and distinguished our products in the competitive natural cheese category.

The foodservice segment remained relatively stable. Changes in consumer dining habits towards quick serve outlets along with pizzeria chains were observed in fiscal 2011. The Division offered trade incentives and continued to use targeted marketing campaigns to support its leading foodservice brands and increase distribution.

The industrial segment includes cheese and dairy ingredients sales. In fiscal 2011, industrial cheese sales volumes increased due to volume growth with existing and new customers. During the current fiscal year, the Division also enjoyed more favourable dairy ingredient prices, which positively impacted the industrial segment. The acquisitions completed over the past fiscal years, combined with strategic capital expenditures, have given the Division more flexibility with regards to changes in the dairy ingredients market.

EBITDA

During fiscal 2011, earnings before interest, income taxes, depreciation and amortization totalled $287.4 million, a $69 million or 31.6% increase in comparison to the $218.4 million in fiscal 2010. In fiscal 2011, the Division benefitted from initiatives undertaken in the prior and current fiscal years with regards to improved operational efficiencies, increased sales volumes and the inclusion of a full year's results from the F&A Dairy Acquisition. These increases offset additional expenses, including fuel, promotional and ingredients costs, in fiscal 2011 in comparison to fiscal 2010. These factors combined increased EBITDA by approximately $54 million.

The average block market per pound of cheese increased throughout fiscal 2011. The average block market per pound of cheese equalled US$1.56 in fiscal 2011, US$0.21 higher in comparison to US$1.35 in fiscal 2010. The higher average block market per pound of cheese improved the basis of absorption of fixed costs. The increasing block market throughout the current fiscal year had a favourable impact on the realization of inventories. The increase in the average whey market price per pound, from US$0.34 in fiscal 2010 to US$0.40 in fiscal 2011, also positively affected the EBITDA. The relationship between the average block market per pound of cheese and the cost of milk as raw material was unfavourable in fiscal 2011 in comparison to fiscal 2010, mainly due to the rising whey market price, which is a factor in determining the product-price formula. These market factors combined had a positive impact of approximately $37 million on the EBITDA of fiscal 2011 in comparison to fiscal 2010. Also included in the results of fiscal 2011 was an inventory write-down of $3.0 million, due to a sudden drop of approximately US$0.40 in the block market per pound of cheese in the last three weeks of fiscal 2011. Included in the results of fiscal 2010 was an inventory write-down of $2.1 million, due to a drop in the block market per pound of cheese late in the third quarter of fiscal 2010. The strengthening of the Canadian dollar eroded approximately $21 million in EBITDA.

OUTLOOK

On March 25, 2011, the Company completed the DCI Acquisition. This acquisition will allow the USA Dairy Products Sector to further enhance its presence in the retail segment by expanding its product offering, fulfilling customers' increasing demand for specialty cheeses. In fiscal 2012, the Division will continue to evaluate these operations to seek further improvements, synergies and market opportunities. By the end of the first quarter of fiscal 2012, the Division will be serving West Coast customers directly from one of its California facilities, instead of using third-party warehousing. The Division will continue to evaluate capital projects and opportunities in an effort to improve efficiencies.

GROCERY PRODUCTS SECTOR

(in millions of CDN dollars)

Fiscal years	**2011**	2010	2009
Revenues	**141.3**	158.5	165.1
EBITDA	**12.6**	15.8	16.9

SELECTED FACTORS POSITIVELY (NEGATIVELY) AFFECTING EBITDA
(in millions of CDN dollars)

Fiscal years	**2011**	2010
Rationalization charges	**-**	(4.5)

REVENUES

Revenues for the Grocery Products Sector totalled $141.3 million for the fiscal year ended March 31, 2011, a $17.2 million decrease compared to the previous fiscal year. This decrease is mainly due to lower sales volumes in all regions. The Sector took certain initiatives to increase sales by launching new products in the snack-cake and frozen category. Also, in an effort to stimulate volume growth certain price reductions were made through trade programs. These efforts were not enough to offset lower revenues resulting from decreased sales volumes.

In fiscal 2011, the Sector's pricing, rebating, and discounting practices were changed for the reasons mentioned above compared to fiscal 2010.

EBITDA

EBITDA for the Grocery Products Sector amounted to $12.6 million, a $3.2 million decrease, compared to the previous fiscal year. This decrease is mainly due to lower sales volumes. Additional promotional costs were also incurred in the year in an effort to improve sales volumes, which more than offset improvements from manufacturing efficiencies and cost reductions. In the previous fiscal year, the Sector incurred rationalization costs of approximately $4.5 million.

OUTLOOK

The Grocery Products Sector will continue to focus on increasing sales volumes in the snack-cake and frozen categories. The Sector also plans to take advantage of the extended shelf-life of several products which should improve the flexibility needed to expand distribution. Finally, the Sector will continue to maintain its efforts in expanding sales into the US market.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The intent of this section is to provide insight into the cash and capital management strategies and how they drive operational objectives, as well as to provide details on how the Company manages its liquidity risk to be able to meet its financial obligations as they come due.

The majority of the liquidity needs are funded from cash generated by operations. Principally, these funds are used for business acquisitions, capital spending, dividends, and for debt repayments. Also, the Company has bank credit facilities available for general corporate purposes.

The Company's cash flows are summarized in the following table:

(in thousands of CDN dollars)

Fiscal years	**2011**	2010	2009
Cash generated by operating activities before changes in non-cash working capital items	**632,170**	522,839	389,471
Changes in non-cash working capital items	**(41,985)**	60,776	77,817
Cash used for investing activities	**(373,217)**	(172,912)	(755,365)
Cash (used) generated by financing activities	**(195,704)**	(391,504)	161,579
Increase (decrease) in cash and cash equivalents	**21,264**	19,199	(126,498)

Cash generated by **operating activities** before changes in non-cash working capital items amounted to $632.2 million for fiscal 2011, an increase of $109.4 million compared to $522.8 million in fiscal 2010. During fiscal 2011, non-cash working capital items used $42.0 million, in comparison to a generation of $60.8 million in fiscal 2010. The decrease in funds generated from non-cash working capital items in fiscal 2011 is mainly due to increased working capital levels in the US operations resulting from the increase in the average block market per pound of cheese.

For **investing activities**, the Company used $373.2 million in fiscal 2011. An amount of $267.3 million was disbursed for the DCI Acquisition. Also, $112.1 million was disbursed for additions to fixed assets, of which 24% went into the replacement of fixed assets and 76% to implement new technologies, as well as to expand and increase certain manufacturing capacities.

For **financing activities** in fiscal 2011, the Company increased the use of its bank loans by $107.8 million mainly for the DCI Acquisition and issued shares for a cash consideration of $40.4 million as part of the stock option plan. The Company paid $128.9 million in dividends and $214.9 million for the repurchase of share capital as part of the normal course issuer bid.

LIQUIDITY

Cash and cash equivalents, cash flows generated from operations, and the availability to draw against existing bank credit facilities are expected to enable the Company to meet its liquidity requirements over at least the next twelve months, exclusive of any possible business acquisitions. The Company does not foresee any difficulty in securing financing should it be required beyond what it already has in place and access to.

(in thousands of CDN dollars, except ratio)

Fiscal years	**2011**	2010	2009
Current assets	**1,312,098**	1,046,378	1,125,672
Current liabilities	**971,205**	690,694	958,944
Working capital	**340,893**	355,684	166,728
Working capital ratio	**1.35**	1.51	1.17

The Company's working capital ratio is an indication of its ability to cover short-term liabilities with short-term assets, without having excess dormant assets.

The decrease in the working capital ratio is mainly attributed to the fact that the Company used available cash and bank loans for the DCI Acquisition.

CAPITAL MANAGEMENT

The Company's capital strategy requires a well-balanced financing structure in order to maintain flexibility to implement growth initiatives while allowing it to pursue disciplined capital investments and maximize shareholder value.

(in thousands of CDN dollars, except ratio and number of shares and options)

Fiscal years	**2011**	2010	2009
Cash and cash equivalents	**77,491**	54,819	43,884
Bank loans	**170,589**	61,572	139,399
Long-term debt	**378,480**	380,790	617,486
Shareholders' equity	**2,125,641**	2,028,598	1,972,348
Interest-bearing[1] debt-to-equity ratio	**0.22**	0.19	0.36
Number of common shares	**203,830,505**	207,425,823	207,087,283
Number of stock options	**8,674,238**	9,413,750	9,128,841

[1] Net of cash and cash equivalents.

The Company had $77.5 million of cash and cash equivalents and available bank credit facilities of approximately $606 million, $170.6 million of which are drawn. See Note 7 to the consolidated financial statement that describes the bank loans.

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 issuance. No preferred shares were outstanding. As at May 26, 2011, 203,835,956 common shares and 9,587,192 stock options were outstanding.

NORMAL COURSE ISSUER BIDS

The Company announced on November 3, 2009 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, 2009. Under the Bid, the Company could have purchased for cancellation up to 10,322,467 common shares. This represented 5% of its 206,449,340 issued and outstanding common shares as of October 31, 2009. These purchases could have been made in accordance with applicable regulations over a maximum period of 12 months beginning on November 13, 2009 and ending on November 12, 2010. The cash consideration, which the Company paid for any common shares acquired by it under the Bid, is the market price of such common shares at the time of acquisition.

The Company announced on November 4, 2010 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 15, 2010. Under the New Bid, the Company may purchase for cancellation up to 10,315,947 common shares. This represented 5% of its 206,318,943 issued and outstanding common shares as of October 31, 2010. These purchases can be made in accordance with applicable regulations over a maximum period of 12 months beginning on November 15, 2010 and ending on November 14, 2011. 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. In connection with the New Bid, the Company established an automatic purchase plan which enables the Company to provide standard instructions regarding the repurchase of common shares during self-imposed blackout periods.

During the year ended March 31, 2011, the Company purchased 5,875,775 common shares, at prices ranging from $31.90 to $43.50 per share, under the bids (1,420,200 common shares, at prices ranging from $24.10 to $29.99 per share for the year ended March 31, 2010).

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.

CONTRACTUAL OBLIGATIONS

The Company manages and continually monitors its commitments and contractual obligations to ensure that these can be met with funding provided by operations and capital structure optimization.

The Company's contractual obligations consist of commitments to repay certain long-term debts and leases of premises, equipment and rolling stock. Note 8 to the consolidated financial statements describes the Company's commitment to repay long-term debt, and Note 17 to the consolidated financial statements describes its lease commitments.

(in thousands of CDN dollars)

	Long-term debt	Minimum lease	Total
Less than 1 year	-	15,978	15,978
1-2 years	-	13,339	13,339
2-3 years	-	12,037	12,037
3-4 years	158,480	10,045	168,525
4-5 years	-	8,738	8,738
More than 5 years	220,000	23,447	243,447
Total	378,480	83,584	462,064

LONG-TERM DEBT

As described in Note 8 to the consolidated financial statements, the Company's long-term debt is comprised of unsecured Senior Notes in the amount of $48.5 (US$50) million issued at an interest rate of 8.41% maturing November 2014, $110.0 million issued at an interest rate of 5.34% maturing June 2014, and $220.0 million issued at an interest rate of 5.82% maturing June 2016.

MINIMUM PAYMENTS ON OPERATING LEASES

The Company has long-term operating leases for premises, equipment and rolling stock.

BALANCE SHEET

In comparison to March 31, 2010, the main balance sheet items as at March 31, 2011 varied due to the appreciation of the Canadian dollar versus both the US dollar and the Argentinian peso, the higher average block market per pound of cheese in the US and the DCI Acquisition (see Note 15 to the consolidated financial statements). Also, the Company wrote-down the value of its portfolio investment by $13.6 million (see Note 3 to the consolidated financial statements).

The conversion rate of the US operations' balance sheet items in US currency was CDN$0.9696 per US dollar as at March 31, 2011, compared to CDN$1.0158 per US dollar as at March 31, 2010. The conversion rate of the Argentinian operations' balance sheet items in Argentinian currency was CDN$0.2337 per Argentinian peso as at March 31, 2011 compared to CDN$0.2614 per Argentinian peso as at March 31, 2010. The strengthening of the Canadian dollar results in lower values recorded for the balance sheet items of the foreign operations.

The net cash position decreased from negative $6.8 million as at March 31, 2010, to negative $93.1 million as at March 31, 2011, mainly due to the use of credit facilities for the DCI Acquisition. The change in foreign currency translation adjustment listed under accumulated other comprehensive income varied due to the strengthening of the Canadian dollar.

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, 2011 totalled $83.6 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, the Canadian operations import some products and the management of foreign exchange risk occasionally leads the Company to make certain foreign currency forward contract purchases in Euros and US dollars, which amounted to 0.6 million Euros as at March 31, 2011 (2.3 million Euros and 4.0 million US dollars as at March 31, 2010).

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, 2011, the market value of these contracts was positive $2.6 million (negative $1.1 million as at March 31, 2010).

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. See note 17 to the consolidated financial statements that discuss the Company's guarantees.

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 are of an immaterial amount and compensated by a consideration equal to their fair market value, comparable to similar arms' length transactions. The goods and services that are received consist of rent of office space, travel arrangements, transportation of goods, and lodging, as well as management fees for compensation of the Chairman of the Board. The goods and services that are provided consist of services and dairy products. See Note 18 to the consolidated financial statements that describe the related party transactions.

ACCOUNTING STANDARDS

FUTURE STANDARDS

International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board (AcSB) announced January 1, 2011 as the changeover date for publicly-listed companies with December 31 year ends to adopt IFRS, replacing Canada's Generally Accepted Accounting Principles (GAAP). The changeover date applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, the Company's IFRS adoption date of April 1, 2011 will require restatement, for comparative purposes, of amounts reported by the Company for the year ended March 31, 2011 and an opening IFRS balance sheet as of April 1, 2010.

The Company's transition to IFRS is substantially complete as at March 31, 2011. The Company modified its information technology system processes to monitor divergences between Canadian GAAP and IFRS for this IFRS comparative year, the impact of which is not considered significant. The Company identified the relevant controls necessary to capture any new financial information required by IFRS. The overall impact of the transition to IFRS from an operational point of view has been nominal with no significant changes required to the Company's operations or reporting environment.

The Company's April 1, 2010 transition adjustments are presented below. They include a discussion relating to adjustments to be made to the Company's April 1, 2010 opening balance sheet in order to provide investors and other users with relevant information to analyze the impact IFRS will have on the Company's financial statements. Readers are cautioned that the information presented below reflects the most recent assumptions and expectations of Management. Circumstances beyond the control of the Company may require changes to such information due to any new or unforeseen changes to IFRS standards and interpretations. The information presented below may therefore be subject to change.

The Company has begun accumulating the required information for comparative periods. This process is expected to be completed by the end of the first quarter of fiscal 2012.

Identification and Impact of Accounting Policy Changes

IFRS 1 "FIRST TIME ADOPTION OF REPORTING STANDARDS"
IFRS 1 discusses the framework for transition from an entity's current reporting standards to IFRS. The general requirement of IFRS 1 is to apply IFRS retrospectively on first-time adoption. However, the standard allows for certain exemptions from this general requirement. The Company has identified the following significant exemption that it has elected to utilize that will result in a transition adjustment to the April 1, 2010 opening balance sheet:

- **IAS 21 "THE EFFECTS OF CHANGES ON FOREIGN EXCHANGE RATES"** – IFRS 1 allows an entity to recognize all cumulative translation adjustments (CTA) of foreign operations in retained earnings, effectively zeroing out the pre-transition balance. The Company has elected to apply this exemption, resulting in an increase in accumulated other comprehensive income and a decrease in retained earnings of $188.0 million each on the opening April 1, 2010 balance sheet. The overall impact to shareholders' equity as a result of this reclassification is nil.

The Company has also made the following IFRS elections that will not result in a direct transition adjustment:

- **IFRS 3 "BUSINESS COMBINATIONS"** - IFRS 1 allows an entity to apply IFRS 3 either retrospectively to all business combinations, retrospectively from a certain point forward or prospectively. The Company has elected to apply IFRS 3 prospectively. Accordingly, no accounting adjustments will occur to business combinations for differences between GAAP and IFRS (identified below) prior to the date of transition. Consequently, there will be no restatement of pre-transition goodwill or intangibles.

- **IAS 16 "PROPERTY, PLANT & EQUIPMENT"** - IFRS 1 allows an entity to carry forward its fixed asset cost, subject to the elimination of any discrepancies with Canadian GAAP or to revalue its fixed assets at fair value on transition and subsequently apply those values as deemed cost. The Company has elected to retroactively apply the fixed asset historical cost model for IFRS purposes on its transition date.

IFRS 2 "SHARE-BASED PAYMENT"
Graded Vesting - For stock options that vest in installments, IFRS requires the use of the graded vesting method requiring that each installment be treated as a separate grant with its own separate fair value. Canadian GAAP, however, permits the use of a straight-line recognition model which considers the individual installments to be a single award. The expense would then be recognized equally over the Company's five year vesting period.

The use of the graded vesting model as required by IFRS leads to a transition adjustment that increases contributed surplus and decreases retained earnings by $4.2 million each as at April 1, 2010. Readers should note that this model will result in the recognition of increased expenses in the first few years of the vesting period and lower expenses in the latter few years compared to the straight-line recognition model currently in use by the Company. No significant impact is expected in the stock-based compensation expense over the full vesting period of options granted.

IAS 12 "INCOME TAXES"
Intangible Assets - Under Canadian Income Tax Act requirements, an entity includes 75% of the cost of an intangible asset in the cumulative eligible capital account. Under Canadian GAAP the tax basis for eligible capital expenditures represents the balance in the cumulative eligible capital account plus 25% of the carrying amount. Under IFRS, the tax basis is not increased by 25% of the carrying amount. As a result of this difference in calculation of the tax basis of these assets, the Company will increase deferred tax liabilities and decrease retained earnings by $16.4 million each to account for these taxable temporary differences as at April 1, 2010.

Presentation of Deferred Income Taxes – Under Canadian GAAP, an entity is required to present both current and long-term future income taxes on its balance sheet. Under IFRS, an entity must present them entirely as long-term. Accordingly, the Company will reclassify to long-term $22.3 million of current deferred income tax assets and $8.6 million of current deferred income tax liabilities at April 1, 2010.

IAS 16 "PROPERTY, PLANT AND EQUIPMENT" ("PP&E")
IFRS requires an entity to separately depreciate each component of an item of PP&E with a cost that is significant in relation to the item's total cost using useful lives and depreciation methods that more closely reflect their respective service potential. Practice under Canadian GAAP has been to depreciate PP&E based on component parts when practicable to do so. The application of the more detailed accounting required by IFRS results in an increase in carrying values of both PP&E and retained earnings of $54.9 million, as at April 1, 2010.

IAS 19 "EMPLOYEE BENEFITS"
The Company sponsors defined benefit pension plans and other benefits plans in Canada and the United States. At the time of transition, IFRS requires certain adjustments to the Company's opening balance sheet as at April 1, 2010 explained as follows:

Unamortized Transitional Asset – Canadian GAAP permits an entity to carry an unamortized transitional asset upon first-time adoption of Section 3461, Employee Future Benefits. There is no concept of unamortized transitional assets under IFRS, resulting in a write-down of any remaining unamortized asset on transition to IFRS.

Plan asset valuation method – Canadian GAAP permits an entity to utilize a market-related rate in determining the plan's expected return on assets which is not consistent with IFRS's requirement to utilize market rates specific to the assets only. The Company has therefore revised its valuation policies to incorporate the requirement to use a market rate.

Actuarial Gains and Losses – IFRS 1 permits an entity to recognize all unamortized actuarial gains and losses at the date of transition to IFRS in retained earnings. The Company has elected to apply this transitional option. An entity must then determine whether to account for future actuarial gains or losses either:

1. Entirely in expense;
2. Partially recognized in expense based on the corridor approach which results in only a portion of actuarial gains or losses recognized in income (current method used by the Company);
3. Fully recognized in Accumulated Other Comprehensive Income without subsequent recycling to expense, an option not permitted under Canadian GAAP.

The Company has elected to recognize future actuarial gains or losses fully to Accumulated Other Comprehensive Income upon transition to IFRS.

This divergence will result in a decrease of both net assets and retained earnings of $90.1 million.

The following other significant IFRS accounting policy choice that does not have an immediate transition impact has been made:

IAS 36 "IMPAIRMENT OF ASSETS"
Goodwill, trademarks, other intangibles and fixed assets are tested for impairment, as follows:

Goodwill is tested at the group of cash generating units level. As goodwill is monitored internally at each operating segment level, the group of cash generating units is considered the operating segment that is tested. The Company has identified the following groups of cash generating units:

- CEA Dairy Products Sector
- USA Dairy Products Sector
- Grocery Products Sector

Trademarks and other intangibles are tested at the individual asset level.

Long-lived assets are subject to an "indicators of impairment" test at each reporting period. In the event of an indication of impairment, the asset or group of assets (referred to as cash generating units) for which identifiable cash flows exist are tested for impairment and an impairment loss is recorded where the carrying value exceeds the recoverable amount. The recoverable amount is defined as the greater of fair value less costs to sell and value in use.

DEFERRED TAXES

Management has estimated that the deferred income tax impact as a result of the divergences noted above (except for those specifically addressed in the IAS 12 Income Taxes section) will result in an increase to both deferred income tax assets and retained earnings of $3.6 million, as at April 1, 2010.

A summary of the total impact of the divergences explained above between Canadian GAAP and IFRS on the balance sheet can be found below. These figures are subject to change resulting from certain regulatory factors which may occur in fiscal 2012. The overall impact of the adoption of IFRS results in a decrease in net assets and in shareholders' equity of $48.0 million, respectively.

SUMMARY OF IFRS ADJUSTMENTS

(in millions of CDN dollars)

As at April 1, 2010 IFRS Adjustments	Retained earnings	Accumulated other comprehensive income	Contributed surplus	**Total impact on Shareholders' equity increase/ (decrease)**	Property, plant and equipment (PP&E)	Deferred income taxes liability (increase)/ decrease	Other assets (decrease)	**Total impact on net assets increase/ (decrease)**
IFRS 1 - Reset of CTA	(188.0)	188.0	-	**-**	-	-	-	**-**
IFRS 2 - Share based payment	(4.2)	-	4.2	**-**	-	-	-	**-**
IAS 12 - Eligible capital expenditure	(16.4)	-	-	**(16.4)**	-	(16.4)	-	**(16.4)**
IAS 16 - Componentization of PP&E	54.9	-	-	**54.9**	54.9	-	-	**54.9**
IAS 19 - Employee benefits	(90.1)	-	-	**(90.1)**	-	-	(90.1)	**(90.1)**
Deferred income taxes	3.6	-	-	**3.6**	-	3.6	-	**3.6**
Total	(240.2)	188.0	4.2	**(48.0)**	54.9	(12.8)	(90.1)	**(48.0)**

Identification and Resolution of Key Information Technology (IT) and Data Systems Requirements

The Company has undertaken an analysis of its IT and data systems environment with regards to the accounting adjustments noted above as well as the generally more detailed disclosure requirements required in IFRS and the other key elements and has determined that no significant modifications were necessary except with regards to componentization of fixed assets, where minor modifications were required. Management has concluded that the Company's current reporting information systems are compatible with the requirements of IFRS that impact the context of the Company's internal reporting environment.

Internal Control over Financial Reporting

The Company has implemented internal controls for the communication of revised accounting policies listed above to the relevant personnel in order to ensure that reporting occurs in an accurate and timely fashion and in conformity with IFRS. The overall impact of IFRS adoption on the internal control over financial reporting environment has not been significant. The largest transition adjustment noted above relates to pension accounting which requires a significant involvement from the Company's actuaries. Accordingly, no new control is required as the revised requirements fall entirely within the actuary's area of involvement. The second largest transition adjustment relates to componentization of fixed assets. The Company has modified its IT environment to reflect this requirement and has established new invoice codification procedures to acquire the necessary information. This revision has been made at minimal cost and minimal complexity. The remaining transition adjustments noted above are not considered significant.

Revision to Disclosure Controls and Related Procedures

The Company continues to monitor filing requirements throughout the convergence process. With regards to disclosure procedures, IFRS generally requires greater note disclosure than Canadian GAAP. The Company is in the process of finalizing its review of disclosure controls but is not expecting significant changes to the control environment.

Financial Reporting Expertise, Including Training Requirements

The Company has trained required personnel for the changes listed above. Training will continue throughout the year of adoption and beyond as necessary.

Identification of Impact on Business Activities

The Company has reviewed its existing business activities and has concluded that IFRS will not have an impact on its operations. The Company reviewed its financial ratios in light of the adjustments described above and is not in violation of any ratios under its credit facilities. No contracts with existing customers and suppliers have been impacted by the adoption of IFRS.

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 the Company.

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. A write-down of $13.6 million was recorded in fiscal 2011.

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 and no write-down was necessary in fiscal 2011.

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 would be taken. The Company has performed the impairment test and no write-down was necessary in fiscal 2011.

HEDGING

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

PENSION PLANS

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

The Company also participates in defined benefit pension plans in which the remaining active employees are members. The cost of these pension benefits earned by employees is actuarially determined using the projected benefits 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, 2010 was 5.49%, compared to 6.00% in the prior year. Saputo established the expected average return on invested assets at 6.75% given the type and combination of these assets, compared to 6.76% in the prior year. This assumption is deemed reasonable and is supported by external consultants. The compensation growth rate was set at 3.0% over the long-term, taking into consideration estimated future inflation rates, compared to 3.5% in the prior year. Any changes in these assumptions or any plan experience that differs from the expected entails actuarial gains or losses with respect to expected results. If these gains or losses exceed 10% of the maximum of the asset or liability of the plans, they are amortized over the expected average remaining service life of the group of employees participating in the plans, in compliance with CICA recommendations.

Pension plan assets are held by several independent trusts, and the average composition of the overall portfolio as at December 31, 2010 was 2% in cash and short-term investments, 47% in bonds and 51% in shares of Canadian, US and foreign companies. For the moment, the Company does not expect any major change to this asset allocation. The average composition as of December 31, 2009 was 1% in cash and short-term investments, 51% in bonds and 48% in shares of Canadian, US and foreign companies.

For defined benefit plans, actuarial valuations were performed in December 2010 covering 79% of the obligations with respect to this type of plan. Final results are still to come. In December 2009, actuarial valuations were performed, covering 93% of the obligations and showing a $44.5 million deficit.

The Company also offers a complementary retirement medical benefits program. For the purpose of assessing costs related to this program, the hypothetical annual growth rate of medical costs was set between 4.16% and 11% for fiscal year 2012 and, based on the assumptions used, these rates should gradually decline to reach 4.74% in fiscal 2016. The effect of an increase or decrease of 1% on overall health care costs has no material impact on the results.

FUTURE INCOME TAXES

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

RISKS AND UNCERTAINTIES

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

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

PRODUCT LIABILITY

Saputo's operations are subject to certain dangers and risks of liability faced by all food processors, such as the potential contamination of ingredients or products by bacteria or other external agents that may be introduced into products or packaging. The occurrence of such a problem could result in a costly product recall and serious damage to Saputo's reputation for product quality.

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 customers. Availability of raw materials as well as variations in the price of foodstuffs can therefore influence the Company's 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 cheese products in the US, Argentina and Europe as well as dairy ingredients and cheese in international markets are based on market supply and demand forces. The prices are tied to numerous factors, such as the health of the economy and supply and demand levels for dairy products in the industry. Price fluctuations may affect the Company's results. The effect of such fluctuations on results will depend on its ability to implement mechanisms to reduce them.

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

CONSOLIDATION OF CLIENTELE
During the last few years, there has been important consolidation in the food industry in all market segments. Given that Saputo serves these segments, the consolidation within the industry has resulted in a decrease in the number of customers and an increase in the relative importance of some customers. No customer represented more than 10% of total consolidated sales for fiscal 2011 except for one which represented 13%. The Company's ability to continue to service its customers in all the markets that it serves will depend on the quality of its products, services and the prices of its products.

CREDIT RISK
The Company grants credit to its customers in the normal course of business. Credit valuations are performed on a regular basis and the financial statements take into account an allowance for bad debts. The Company considers that it has low exposure to concentration of credit risk with respect to accounts receivable from customers due to its large and diverse customer base operating in three segments, retail, foodservice and industrial, and its geographic diversity. There are no accounts receivable from any individual customer that exceeded 10% of the total balance of accounts receivable as at March 31, 2011. The allowance for bad debts and accounts receivable due is reviewed regularly by Management. The Company updates its estimate of the allowance for doubtful accounts based on the evaluation of the recoverability of accounts receivable balances of each customer taking into consideration historic collection trends of past due accounts.

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

ENVIRONMENT
Saputo's business and operations are subject to environmental laws and regulations, including those relating to permitting requirements, wastewater discharges, air emissions (greenhouse gas and other), releases of hazardous substances and remediation of contaminated sites. The Company believes that its operations are in compliance, in all material respects, with such environmental laws and regulations, except as disclosed in the Annual Information Form dated June 7, 2011 for the fiscal year ended March 31, 2011. Compliance with these laws and regulations requires that the Company continues to incur operating and maintenance costs and capital expenditures, including to control potential impacts of its operations on local communities. 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 additional expenditures to achieve or maintain compliance.

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

INTELLECTUAL PROPERTY
As the Company is involved in the production, sale and distribution of food products, it relies on brand recognition and loyalty from its clientele in addition to relying on the quality of its products. Also, as innovation forms part of the Company's growth strategy, its research and development teams develop new technologies, products and process optimization methods. The Company therefore takes measures to protect and enforce its intellectual property. Any infringement to its intellectual property could damage its value and limit the Company's ability to compete. In addition, Saputo may have to engage in litigation in order to protect its rights which could result in significant costs.

FINANCIAL RISK EXPOSURES
Saputo has financial risk exposure to varying degrees relating to the currency of each of the countries where it operates. Approximately 60% of sales are realized in Canada, 34% in the US, and 6% in Argentina. Cash flows from operations in each of the countries where Saputo operates act as a natural hedge against the exchange risks related to debt denominated in such countries' currency. The level of the financial risk exposure related to currency will depend on its ability to maintain this natural hedge or any other protection mechanism.

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 Saputo conducts its 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 its ability to adapt and comply. Saputo is currently in compliance with all important government laws and regulations and maintains all important permits and licenses in connection with its 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 those of the Company as well as the 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. The Company's performance will be dependent on its ability to continue to offer quality products at competitive prices.

INFORMATION SYSTEMS
The Company is increasingly dependent upon integrated information technology applications for its business. The main risks relate to confidentiality, data integrity and interruption of computer services. Therefore, any failure of these applications or communications network or security failure with respect to data centres or networks may impede or slow down production, delay or taint certain decisions and result in financial losses for the Company. In addition, any accidental or intentional loss of data that would be used by third parties may have adverse effects on the Company's activities and its results.

DISCLOSURE CONTROLS AND PROCEDURES

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

The Chief Executive Officer and the Chief Financial Officer, together with Management, after evaluating the effectiveness of the Company's disclosure controls and procedures as at March 31, 2011, have concluded that the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company and its consolidated subsidiaries would have been known to them.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

The Chief Executive Officer and the Chief Financial Officer, together with Management, after evaluating the effectiveness of the Company's internal control over financial reporting as at March 31, 2011, have concluded that the Company's internal control over financial reporting was effective.

The Chief Executive Officer and the Chief Financial Officer, together with Management, have concluded, after having conducted an evaluation and to the best of their knowledge that, as at March 31, 2011, 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 debt subject to interest rate fluctuations was $170.6 million as at March 31, 2011 and consisted of bank loans. A 1% change in the interest rate would lead to a change in net earnings of approximately $1.2 million. 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, 2011, the average US dollar conversion was based on CDN$1.00 for US$0.99. A fluctuation of CDN$0.01 would have resulted in a change of approximately $1.3 million in net earnings, $3.2 million in EBITDA and $24.1 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, amortization and devaluation. EBITDA is presented on a consistent basis from period to period.

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

EBITDA is not a measurement of results that is defined in accordance with 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 measure is that of operating income. The tables below present the reconciliation of operating income to EBITDA on a consolidated basis.

MEASUREMENT OF RESULTS NOT IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

(in thousands of CDN dollars)

Fiscal year	2011				
	Dairy Products Sector			**Grocery Products Sector**	
	CEA	**USA**	**Total**		**Total**
Operating income	**437,561**	**243,036**	**680,597**	**4,711**	**685,308**
Depreciation and amortization	**52,582**	**44,410**	**96,992**	**7,840**	**104,832**
EBITDA	**490,143**	**287,446**	**777,589**	**12,551**	**790,140**

(in thousands of CDN dollars)

Fiscal year	2010				
	Dairy Products Sector			Grocery Products Sector	
	CEA	USA	Total		Total
Operating income	403,052	168,531	571,583	6,982	578,565
Depreciation and amortization	54,843	49,844	104,687	8,819	113,506
EBITDA	457,895	218,375	676,270	15,801	692,071

THE 2010 AND 2011 QUARTERLY FINANCIAL INFORMATION HAS NOT BEEN REVIEWED BY AN EXTERNAL AUDITOR

2011 QUARTERLY FINANCIAL INFORMATION - CONSOLIDATED STATEMENT OF EARNINGS

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

	1st Quarter (unaudited)	2nd Quarter (unaudited)	3rd Quarter (unaudited)	4th Quarter (unaudited)	Fiscal 2011 (audited)
Statement of earnings data					
Revenues	1,436,148	1,560,557	1,542,093	1,486,672	6,025,470
Cost of sales, selling and administrative expenses	1,245,363	1,349,724	1,351,507	1,288,736	5,235,330
Earnings before interest, depreciation, amortization, devaluation and income taxes	190,785	210,833	190,586	197,936	790,140
Margin %	13.3%	13.5%	12.4%	13.3%	13.1%
Depreciation and amortization	26,060	26,218	26,729	25,825	104,832
Operating income	164,725	184,615	163,857	172,111	685,308
Devaluation of portfolio investment	-	-	-	13,600	13,600
Interest on long-term debt	5,802	5,846	5,876	5,687	23,211
Other interest, net	817	(369)	212	3	663
Earnings before income taxes	158,106	179,138	157,769	152,821	647,834
Income taxes	46,709	53,656	45,983	50,367	196,715
Net earnings	111,397	125,482	111,786	102,454	451,119
Net margin %	7.8%	8.0%	7.2%	6.9%	7.5%
Per share					
Net earnings					
Basic	0.54	0.60	0.55	0.50	2.19
Diluted	0.53	0.60	0.54	0.49	2.16

2010 QUARTERLY FINANCIAL INFORMATION – CONSOLIDATED STATEMENT OF EARNINGS

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

	1st Quarter (unaudited)	2nd Quarter (unaudited)	3rd Quarter (unaudited)	4th Quarter (unaudited)	Fiscal 2010 (audited)
Statement of earnings data					
Revenues	1,446,434	1,482,693	1,497,272	1,384,183	5,810,582
Cost of sales, selling and administrative expenses	1,287,978	1,308,021	1,313,782	1,208,730	5,118,511
Earnings before interest, depreciation, amortization and income taxes	158,456	174,672	183,490	175,453	692,071
Margin %	11.0%	11.8%	12.3%	12.7%	11.9%
Depreciation and amortization	28,350	28,013	27,342	29,801	113,506
Operating income	130,106	146,659	156,148	145,652	578,565
Interest on long-term debt	6,513	9,658	7,606	6,124	29,901
Other interest, net	1,531	1,029	1,243	1,358	5,161
Earnings before income taxes	122,062	135,972	147,299	138,170	543,503
Income taxes	37,241	41,520	42,969	39,059	160,789
Net earnings	84,821	94,452	104,330	99,111	382,714
Net margin %	5.9%	6.4%	7.0%	7.2%	6.6%
Per share					
Net earnings					
Basic	0.41	0.46	0.50	0.48	1.85
Diluted	0.41	0.45	0.50	0.47	1.83

SELECTED FACTORS POSITIVELY (NEGATIVELY) AFFECTING EBITDA
(in millions of CDN dollars)

Fiscal year	2011			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Market factors[1 2]	31.0	(15.0)	10.0	17.0
US currency exchange[1]	(5.0)	(3.0)	(4.0)	(9.0)
Inventory write-down	(3.0)	-	-	-

[1] As compared to the same quarter of the last fiscal year.
[2] Market factors include the average block market per pound of cheese and its effect on the absorption of fixed costs and on the realization of inventories, the effect of the relationship between the average block market per pound of cheese and the cost of milk as raw material as well as market pricing impact related to sales of dairy ingredients.

OTHER PERTINENT INFORMATION
(in US dollars, except for average exchange rate)

Fiscal years	2011				2010
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter
Average block market per pound of cheese	1.695	1.590	1.571	1.397	1.465
Closing block price[1] per pound of cheese	1.625	1.340	1.760	1.420	1.400
Average whey market price[2] per pound	0.450	0.390	0.380	0.390	0.400
Spread[3]	0.126	0.116	0.118	0.121	0.129
US average exchange rate to Canadian dollar[4]	0.986	1.014	1.039	1.027	1.041

[1] Closing block price is the price of a 40 pound block of cheddar traded on the Chicago Mercantile Exchange (CME) on the last business day of each quarter.
[2] Average whey powder market price is based on Dairy Market News published information.
[3] Spread is the average block market per pound of cheese less the result of the average cost per hundredweight of Class III and/or Class 4b milk price divided by 10.
[4] Based on Bank of Canada published information.

SUMMARY OF THE FOURTH QUARTER RESULTS ENDED MARCH 31, 2011

Consolidated revenues for the quarter ended March 31, 2011 amounted to $1.487 billion, an increase of $102.5 million or 7.4% compared to $1.384 billion for the same quarter last fiscal year.

The USA Dairy Products Sector revenues increased by approximately $61 million as compared to the corresponding quarter last fiscal year. A more favourable average block market per pound of cheese in the fourth quarter of US$1.69 compared to US$1.46 during the fourth quarter of fiscal 2010 increased revenues by approximately $51 million. A more favourable dairy ingredients market and increased sales volumes increased revenues by approximately $40 million as compared to the same quarter last fiscal year. Finally, the strengthening of the Canadian dollar eroded approximately $30 million in revenues as compared to the same quarter last fiscal year.

In the CEA Dairy Products Sector, revenues increased by approximately $45 million in the fourth quarter as compared to last fiscal year. This is due to higher sales volumes in the Argentinian Division and additional revenues generated by price increases in relation to the higher cost of milk in the Canadian and Argentinian operations. Also, a more favourable dairy ingredients market in Canada contributed to this increase. Finally, the strengthening of the Canadian dollar against the Argentinian peso eroded revenues as compared to the same quarter last fiscal year by approximately $7 million.

Revenues from the Grocery Products Sector decreased by approximately $4 million in the fourth quarter of fiscal 2011 in comparison to the same quarter last fiscal year. This decrease is due to lower sales volumes and higher trade programs as compared to the same quarter last fiscal year.

Consolidated EBITDA totalled $197.9 million for the quarter ended March 31, 2011, an increase of $22.4 million or 12.8% compared to the $175.5 million for the same quarter last fiscal year.

The EBITDA of the USA Dairy Products Sector increased by approximately $32 million in the fourth quarter compared to the same quarter last fiscal year. An increase in the average block market per pound of cheese to US$1.69 in the fourth quarter as compared to US$1.46 in the same quarter last fiscal year, positively affected the absorption of the fixed costs and had a favourable impact on the realization of inventories. Additionally, the Sector experienced a more favourable dairy ingredients market. These increases were partially offset by a less favourable relationship between the average block market per pound of cheese and the cost of milk as raw material compared to the same quarter last fiscal year. These combined market factors increased EBITDA by approximately $30 million as compared to the same period last fiscal year.

The Sector benefitted from the initiatives undertaken in prior and current fiscal years with regards to improved operational efficiencies, offsetting higher ingredient, fuel and promotional costs. These factors together positively affected EBITDA by approximately $10 million as compared to the same quarter last fiscal year. Also included in the quarter was an inventory write-down of $3.0 million due to a sudden drop of approximately US$0.40 in the block market per pound of cheese in the last three weeks of the quarter. The strengthening of the Canadian dollar during the quarter eroded approximately $5 million in EBITDA.

EBITDA for the CEA Dairy Products Sector decreased by approximately $7 million in comparison to the same quarter last fiscal year. This decrease is explained mainly by lower efficiencies and higher costs, mostly relating to certain products downgraded in value for having failed to meet required specifications and the resulting replenishment of these products through co-packing arrangements. This was partially offset by a more favourable dairy ingredients market and improved results from our Argentinian operations. Included in the fourth quarter of fiscal 2010 was a rationalization charge of approximately $3.4 million in connection with the closure of the Brampton, Ontario fluid plant and the consolidation of the Toronto, Ontario distribution activities. The Dairy Products Division (Europe) EBITDA remained stable in the fourth quarter as compared to the same quarter last fiscal year.

The EBITDA of the Grocery Products Sector decreased by approximately $3 million for the quarter ended March 31, 2011 in comparison to the same quarter last fiscal year. This decrease is mainly attributable to a decrease in sales volumes and higher trade programs as compared to the corresponding quarter last fiscal year. Additionally, the Company recorded a rationalization charge of approximately $3 million in relation to the restructuring of the Sector's distribution network in Ontario in the fourth quarter of fiscal 2010.

Depreciation and amortization for the quarter ended March 31, 2011 totalled $25.8 million, a decrease of $4.0 million compared to $29.8 million for the same quarter last fiscal year. The decrease is mainly due to an impairment amount of $2.6 million included in depreciation and amortization of the fourth quarter of fiscal 2010 for the closure of the Brampton, Ontario fluid milk plant and consolidation of the distribution activities in Toronto, Ontario.

In the quarter, the Company proceeded with a **devaluation of portfolio investment** for an amount of $13.6 million, negatively affecting net earnings before income taxes ($11.6 million after tax), following the receipt, in May 2011, of a report from an independent valuator with regards to the fair market value of the Company's portfolio investment (see Note 3 to the consolidated financial statements).

Net interest expense decreased to $5.7 million compared to $7.5 million for the corresponding period last fiscal year. The decrease can be explained by the reduction of bank loans for most of the quarter compared to the same period last fiscal year. The bank loans only increased for the March 25, 2011 DCI Acquisition.

With respect to **income taxes**, the effective tax rate for the current quarter was 33.0% compared to 28.2% for the same quarter last fiscal year. The 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 amounted to $102.5 million for the quarter ended March 31, 2011, an increase of $3.4 million compared to the same quarter last fiscal year.

During the quarter, the Company added approximately $26 million in fixed assets, issued shares for a cash consideration of $9.7 million as part of the stock option plan and paid out $32.7 million in dividends to its shareholders. The Company also increased its bank loans by approximately $142.9 million during the fourth quarter, essentially for the DCI Acquisition. For the same quarter, the Company generated cash flows from operating activities of $133.8 million, a decrease from the $160.7 million generated for the corresponding period last fiscal year. This decrease can be attributed mainly to lower working capital items generated in the US Division due to a higher average block market per pound of cheese during the fourth quarter of fiscal 2011 as compared to fiscal 2010.

QUARTERLY FINANCIAL INFORMATION

During fiscal 2011, quarterly changes in revenues and EBITDA as compared to 2010 were affected both by specific market conditions and Company initiatives targeted to improve productivity and efficiencies. An increasing average block market per pound of cheese throughout the fiscal year had a positive impact on the realization of inventories. The average block market for fiscal 2011 increased as compared to 2010, and this had a positive impact on the absorption of fixed costs. The increase of the dairy ingredients market throughout the current fiscal year positively impacted the Company's revenues and EBITDA. However, the increase in the dry whey price negatively affected the relationship between the average block market per pound of cheese and the cost of milk as raw material. The strengthening of the Canadian dollar throughout fiscal 2011 eroded both revenues and EBITDA in the fiscal year, as compared to last fiscal year. The inclusion of a full year's activities of the F&A Dairy Acquisition, in the USA Dairy Products Sector, increased both revenues and EBITDA. The DCI Acquisition had a negligible impact on results as it was completed on March 25, 2011. The quarterly earnings directly reflect the effects of the previously mentioned items.

ANALYSIS OF EARNINGS FOR THE YEAR ENDED MARCH 31, 2010 COMPARED TO MARCH 31, 2009

Consolidated revenues in fiscal 2010 totalled $5.811 billion, an increase of $17.3 million or 0.3% compared to $5.793 billion for fiscal 2009. Revenues from the CEA Dairy Products Sector increased by approximately $422 million in comparison to the prior fiscal year. The inclusion of the activities of Neilson Dairy acquired on December 1, 2008 (Neilson Dairy Acquisition) contributed to revenues for a full year as compared to four months in fiscal 2009. In addition, higher selling prices in the Canadian operations in accordance with the increase in the cost of milk as raw material and increased sales volumes from the Canadian and Argentinian activities explain the increased revenues in this Sector. Lower selling prices from the Argentinian export sales decreased revenues in fiscal 2010 as compared to the prior fiscal year. The USA Dairy Products Sector revenues decreased by approximately $398 million. This decrease was mainly due to a lower average block market per pound of cheese of US$1.35 in fiscal 2010, compared to US$1.71 in fiscal 2009, lowering revenues by approximately $284 million. Revenue increases due to the F&A Dairy Acquisition, along with a favourable dairy ingredients market were completely offset by lower sales volumes as compared to fiscal 2009. These factors combined accounted for a reduction of approximately $42 million in revenues. Revenues from the Grocery Products Sector decreased by approximately $7 million mainly due to lower sales volumes. The strengthening of the Canadian dollar in fiscal 2010 eroded approximately $116 million in revenues in comparison to the prior fiscal year.

Consolidated earnings before interest, income taxes, depreciation and amortization (EBITDA) amounted to $692.1 million in fiscal 2010, an increase of $144.3 million or 26.3% compared to the $547.8 million for fiscal 2009. The increase was due to both the CEA and USA Dairy Products Sectors. EBITDA for the CEA Dairy Products Sector totalled $457.9 million in fiscal 2010, an increase of $79.0 million in comparison to $378.9 million for fiscal 2009. This increase was mainly attributed to the inclusion of the Neilson Dairy Acquisition, in addition to better efficiencies, including cost reduction initiatives in manufacturing, warehousing and logistics, and a more favourable dairy ingredients market compared to the prior fiscal year. Included in EBITDA was a rationalization charge of $3.4 million in connection with the announced closure of the Brampton, Ontario fluid plant and the consolidation of the Toronto, Ontario distribution activities. The Argentinian operations negatively impacted EBITDA mainly due to the high cost of milk as raw material versus lower selling prices in the export market. The Dairy Products Division (Europe) improved its EBITDA in fiscal 2010 mainly through increased efficiencies and by implementing cost cutting measures despite the continuing challenges facing the European market, more precisely, the high cost of milk compared to low selling prices. Included in the EBITDA of the Dairy Products Divisions (Argentina and Europe) for fiscal 2009 was an inventory write-down of $8.4 million as a result of negative market conditions.

The EBITDA of the USA Dairy Products Sector amounted to $218.4 million, an increase of $66.4 million in comparison to $152.0 million for fiscal 2009. EBITDA increased as compared to the previous fiscal year due to initiatives undertaken by the Company in the prior and current fiscal years with regards to improving operational efficiencies as well as the F&A Dairy Acquisition. Also, lower ingredient and fuel costs in addition to changes made to the milk pricing formula by the USDA in the third quarter of fiscal 2009 more than offset increased promotional costs during fiscal 2010. These combined factors increased EBITDA by approximately $59 million during fiscal 2010 as compared to fiscal 2009. The average block market per pound of cheese steadily increased throughout fiscal 2010; however its average for the year ended March 31, 2010 was US$1.35 as compared to US$1.71 for the previous fiscal year. The lower average block market negatively affected the Sector's absorption of fixed costs. The average whey market of approximately US$0.34 in fiscal 2010 was US$0.12 higher than the US$0.22 average during fiscal 2009. As whey is a factor in determining the product-price formula, the relationship between the average block market per pound of cheese and the cost of milk as raw material was also less favourable in fiscal 2010 in comparison to fiscal 2009. Conversely, the increasing block market throughout fiscal 2010 favourably impacted the realization of inventories, especially in the last two quarters of fiscal 2010 in comparison to fiscal 2009. Lastly, a more favourable dairy ingredients market positively impacted EBITDA. The combination of these market factors had a positive impact of approximately $7 million on EBITDA. Also, included in the results of fiscal 2010 was an inventory write-down of $2.1 million, due to a drop in the block market per pound of cheese late in the third quarter of fiscal 2010. In comparison, included in the EBITDA of fiscal 2009 was a rationalization charge of $2.0 million for the closure of the Hinesburg, Vermont manufacturing facility in addition to an inventory write-down of $12.5 million for reasons similar to fiscal 2010. The strengthening of the Canadian dollar in fiscal 2010 eroded approximately $12 million of the USA Dairy Products Sector's EBITDA.

The EBITDA of the Grocery Products Sector decreased by $1.1 million to $15.8 million in fiscal 2010, from $16.9 million in fiscal 2009. This decrease was mainly due to rationalization costs of $4.5 million related to the closure of the Québec facility and 23 thrift stores in Québec and Ontario and the restructuring of Ontario's distribution network in addition to decreased volumes as a result of product rationalization and thrift store closures. These negative factors were partially offset by the benefits derived from operational initiatives implemented throughout fiscal 2010.

The consolidated EBITDA margin increased to 11.9% in fiscal 2010 as compared to 9.5% in fiscal 2009 mainly due to the Dairy Products Sector.

Depreciation and amortization totalled $113.5 million in fiscal 2010, an increase of $5.2 million over $108.3 million in fiscal 2009. The increase was mainly attributed to the inclusion of a full year's depreciation for the Neilson Dairy Acquisition in the CEA Dairy Products Sector as compared to only four months in fiscal 2009. Also included in depreciation and amortization expense for fiscal 2010 was an impairment amount of $2.6 million for the closure of the Brampton, Ontario fluid milk plant and the consolidation of the Toronto, Ontario distribution activities. In addition, capital investments undertaken by all divisions in fiscal 2010 and prior fiscal years also contributed to increase depreciation expense. Included in fiscal 2009 depreciation and amortization expense was an impairment amount of $8.6 million related to the closure of the Hinesburg, Vermont manufacturing facility.

Net interest expense amounted to $35.1 million in fiscal 2010 compared to $31.7 million in fiscal 2009. The increase was mainly related to the financing of the Neilson Dairy Acquisition.

Income taxes totalled $160.8 million in fiscal 2010 as compared to $128.9 million for an effective tax rate of 29.6% in fiscal 2010 as compared to 31.6% in fiscal 2009. During the third quarter of fiscal 2010, the Company reduced its future income tax liability by approximately $1.4 million to reflect a reduction in the Canadian tax rate sanctioned during the quarter. The 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, 2010 totalled $382.7 million, an increase of $103.8 million or 37.2% compared to $278.9 million in fiscal 2009. The increase was due to the factors mentioned above.