

IN THE AUSTRALIAN COMPETITION TRIBUNAL

of 2013

MURRAY GOULBURN CO-OPERATIVE CO LIMITED

**RE: PROPOSED ACQUISITION OF WARRNAMBOOL CHEESE
AND BUTTER FACTORY COMPANY HOLDINGS LIMITED**

Certificate identifying annexure

This is the annexure marked **MB24** now produced and shown to Maldwyn Beniston at the time of signing his statement on 28 November 2013.

Annexure MB24
Saputo Annual Report 2012

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2012 ANNUAL REPORT



**STANDING TOGETHER
LOOKING
AHEAD**

Saputo

Saputo



CHEESE



MILK



BAKERY



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

From left to right
XAVIER and **JUSTINE**
 Children of Sandy Vassiadis
 Communications
THÉODORE
 Son of Catherine Gauthier
 Administration
LOUIS
 Son of Roxanne Corbin
 Communications
EMMA-JADE
 Daughter of Marc-André Milhomme
 Production
PHILIPPE
 Son of Roxanne Corbin
 Communications

Cover picture
 STÉPHANIE LEBLANC, Marketing and FRANK PRADELLA, Procurement



INSPIRING OUR FUTURE

Over the years, we have always known to stand together, and through our disciplined approach and accomplishments, became a leader in the dairy industry.

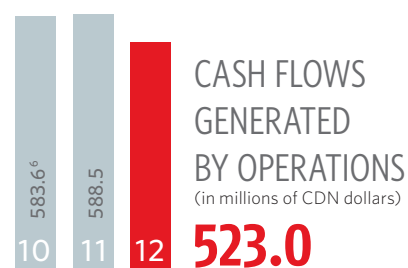
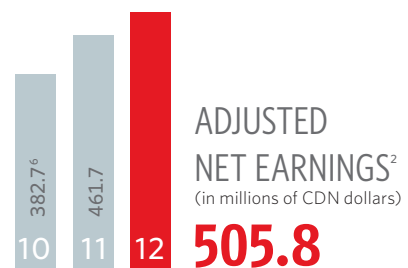
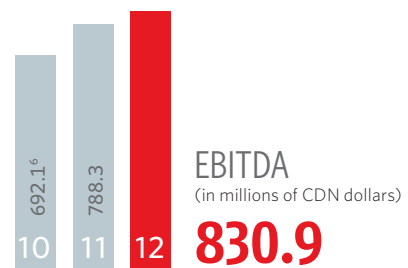
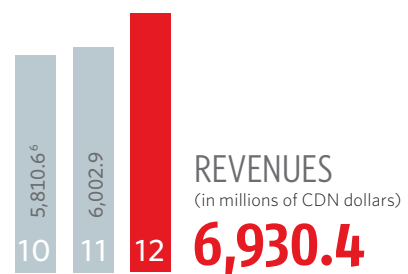
Our employees are our strength and with their collective experience, we continue to capitalize on expanding markets and evolving trends.

As we look ahead, we are structured to build on our momentum.

FINANCIAL HIGHLIGHTS

Years ended March 31
(in thousands of CDN dollars,
except per share amounts
and ratios)

	2012	2011	2010 ⁶
REVENUES			
Dairy Products Sector			
CEA ¹	4,054,516	3,837,188	3,745,930
USA	2,741,813	2,024,455	1,906,189
Grocery Products Sector	6,796,329	5,861,643	5,652,119
	134,041	141,289	158,463
	6,930,370	6,002,932	5,810,582
EBITDA⁷			
Dairy Products Sector			
CEA	514,786	493,842	457,895
USA	303,405	281,888	218,375
Grocery Products Sector	818,191	775,730	676,270
	12,740	12,551	15,801
	830,931	788,281	692,071
Net earnings	380,840	450,051	382,714
Impairment of goodwill	125,000	-	-
Impairment of portfolio investment (net of income taxes)	-	11,600	-
Adjusted net earnings ²	505,840	461,651	382,714
Net cash generated from operations	522,987	588,520	583,615
Working capital	497,023	348,792	355,684
Total assets	3,599,120	3,578,331	3,253,451
Interest bearing debt ³	402,369	471,578	387,543
Shareholders' equity	2,105,686	2,072,635	2,028,598
PER SHARE			
Adjusted net earnings ²			
Basic	2.51	2.24	1.85
Diluted	2.47	2.21	1.83
Net earnings			
Basic	1.89	2.18	1.85
Diluted	1.86	2.15	1.83
Dividends declared ⁴	0.76	0.64	0.58
Book value	10.58	10.17	9.78
FINANCIAL RATIOS			
Interest bearing debt/ Shareholders' equity	0.19	0.23	0.19
Adjusted return on average shareholders' equity ⁵	24.2%	22.4%	19.1%



¹ Canada, Europe and Argentina Dairy Products Sector.

² The term adjusted net earnings represents a non-IFRS financial measure. Refer to the "Measurement of Results not in Accordance with IFRS" section of the Company's Management's Discussion and Analysis on page 7 for further information.

³ Net of cash and cash equivalents.

⁴ For the purpose of the Income Tax Act (Canada) and other similar provincial legislation, all dividends paid as of January 1, 2007 and thereafter, are eligible dividends until further notice.

⁵ Adjusted return on average shareholders' equity is defined as adjusted net earnings divided by total shareholders' equity.

⁶ Based on Canadian Generally Accepted Accounting Principles (CGAAP).

⁷ Earnings before interest, impairment, depreciation, amortization and income taxes.

AT A GLANCE

CEA
DAIRY PRODUCTS
SECTOR

30 
PLANTS

6,100 
EMPLOYEES

58.5%
OF TOTAL REVENUES

USA
DAIRY PRODUCTS
SECTOR

16 
PLANTS

3,300 
EMPLOYEES

39.6%
OF TOTAL REVENUES

GROCERY
PRODUCTS
SECTOR

1 
PLANT

700 
EMPLOYEES

1.9%
OF TOTAL REVENUES

SERVING
CUSTOMERS
IN **50+**
COUNTRIES

47 
PLANTS

10,100 
EMPLOYEES

Saputo produces, markets and distributes a wide array of products of the utmost quality, including cheese, fluid milk, yogurt, dairy ingredients and snack-cakes. We are the 12th largest dairy processor in the world, the largest in Canada, the third largest in Argentina, and among the top three cheese producers in the US, and serve customers in over 50 countries.

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



EMANUELE (LINO) SAPUTO
Chairman of the Board

Understanding
the industry and
markets in which
the Company
operates is key.

INTERVIEW WITH THE CHAIRMAN OF THE BOARD

REFLECTING ON THE PAST YEAR, WHAT CONTINUES TO BE SAPUTO'S STRENGTH?

As Chairman of the Board, I am very proud that the family values and traditions upon which the Company was built remain fundamental aspects of our culture. We have always believed in the importance of standing together to overcome challenges and adapt to needs, trends and changes in our environment. Our success is based on the ongoing efforts of every single employee, regardless of role or title, who share their trust and loyalty with the Company.

WHAT IS THE ROLE OF THE BOARD OF DIRECTORS?

The Board is responsible for overseeing the stewardship of the Company's affairs to ensure that its resources are managed so as to create economic wealth. It monitors and assesses Management's strategic decisions. By sharing knowledge and experience with the Company's Management Team, members of the Board of Directors engage in responsible planning and directing of Company resources. Understanding the industry and markets in which the Company operates is key. Thus, the Board of Directors invests time in visiting facilities, attending presentations on the industry, strategic development and other matters of interest, and evaluates its work to optimize its contribution to Saputo.


BOARD OF DIRECTORS (from left to right)

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

ANDRÉ BÉRARD
Corporate Director

LUCIEN BOUCHARD
Senior Partner
Davies Ward Phillips & Vineberg LLP

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

FRANK A. DOTTORI
President, FADCO Consulting Inc.

ANTHONY M. FATA
President, Sager Food Products Inc.

JEAN GAULIN
Corporate Director

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

CATERINA MONTICCIOLO, CA
President, Julvest Capital Inc.

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

CAN YOU COMMENT ON THE GOVERNANCE STRUCTURE OF THE BOARD?

We currently have eleven directors on our Board, nine of whom are independent. The Founders of the Company are represented on the Board. The Chief Executive Officer and Vice Chairman, and myself as Chairman of the Board, are non-independent Board members. A Lead Director is appointed to provide independent leadership to the Board of Directors.

In addition, the Board of Directors has two committees: the Corporate Governance and Human Resources Committee, and the Audit Committee. All committee members are independent and have access to Management to assist them in carrying out their duties. At each Board meeting, a report is presented by each committee's chair, which keeps all Board members informed on the achievements and projects of such committees. After each meeting of the Board and its committees, the independent members have an opportunity to meet without Management. Also, with respect to the election of Board members at the shareholders' meeting, in addition to the individual voting process which is in effect, a majority voting policy was established in 2011.

ARE YOU EXPECTING ANY CHANGES TO THE BOARD?

For the upcoming shareholders' meeting to be held on July 31, 2012, Messrs. André Bérard and Jean Gaulin have advised us that they will not renew their mandates as directors. On behalf of the Board, I would like to thank them both for having provided us with great

guidance through the years. Mr. Bérard has been part of our Board since the Company went public in 1997 and Mr. Gaulin since 2003, each lending their loyalty, direction and support to the Company over the years.

Management and the Board are pleased to propose two new nominees who will bring their knowledge and experience to the table. I am confident that the proposed composition of the Board will enable it to accomplish its mandate, standing together and looking ahead to lead the new fiscal year.

The Board believes in the importance of good governance practices, as stated in the Company's Management Proxy Circular, dated June 5, 2012. For additional information concerning the Company's corporate governance practices and Board nominees, please refer to such document.

ANY FINAL WORDS?

It is essential for me to congratulate Management and the Members of the Board for their hard work, as well as to thank Saputo employees for their dedication and loyalty. Without their contribution, we would not have met our goals. We will continue to offer high quality products and services to our clients, consumers and business partners. The Board and I are eager to start fiscal 2013, confident we have the knowledge in achieving the Company's objectives, while being mindful of our shareholders' best interests.



INTERVIEW WITH THE

CHIEF EXECUTIVE OFFICER

CORPORATE MANAGEMENT *(from left to right)*

LORENZO SPINELLI

President and Chief Operating Officer
Dairy Products Division (Canada)

KAI BOCKMANN

President and Chief Operating Officer
Dairy Products Division (International)

LIONEL ETTEDGUI

President and Chief Operating Officer
Bakery Division

DINO DELLO SBARBA

President and Chief Operating Officer
Saputo Inc.

LINO A. SAPUTO, JR.

Chief Executive Officer and Vice Chairman of the Board

LOUIS-PHILIPPE CARRIÈRE

Executive Vice President
Finance and Administration

GAËTANE WAGNER

Executive Vice President
Human Resources

TERRY BROCKMAN

President and Chief Operating Officer
Dairy Products Division (USA)

Fiscal 2012 was a successful year. Total revenues for the year ended March 31, 2012 reached \$6.930 billion, up 15.4% from fiscal 2011. Adjusted net earnings totalled \$505.8 million, compared to \$461.7 million for the last fiscal year. Our employees' commitment to our success is second to none. We know how to stand together and work as a team. As such, we continue to be an employer of choice, to offer high quality products across all our markets, and seek opportunities to further our development. Saputo continues to be known as a dynamic and stable Company thanks to our employees worldwide, who strive to overreach their potential.

To keep creating value, it is important to be patient and disciplined in our search for growth.

CAN YOU DESCRIBE YOUR BUSINESS AND YOUR POSITION WITHIN THE INDUSTRY?

We are in the dairy products business. We are the 12th largest dairy processor in the world, the largest in Canada, the third largest in Argentina, among the top three cheese producers in the US, and serving customers in over 50 countries. Committed to craftsmanship and innovation, we strive to be on the leading edge of technology. Through the quality and diversity of the products we offer, and as more and more people in emerging markets are including dairy as part of a healthy and balanced diet, we are confident we will continue to reinforce our position within the industry.

ACQUISITIONS HAVE CONTRIBUTED TO SAPUTO'S FINANCIAL GROWTH. WHAT CAN WE EXPECT IN THE FUTURE GIVEN YOUR HEALTHY FINANCIAL POSITION?

Our growth model is in fact mostly based on acquisitions. Since becoming a public company in 1997, we have completed 21 acquisitions, thereby expanding our activities and constantly increasing our size. All our acquisitions need to be strategic and a good fit. Therefore, to keep creating value, it is important to be patient and disciplined in our search for growth.

Our most recent acquisition of Fairmount Cheese Holdings, Inc. – the parent company of DCI Cheese Company, Inc. – established our platform in the US specialty cheese category, which has enabled us to provide a greater variety of products to our customers.

We intend to continue on our path to be bigger, better and stronger. We offer our employees training and invest in their potential to ensure they continue to push the Company forward, while meeting the needs of our markets with great attention and dedication.

GIVEN YOUR HEALTHY CASH FLOW, WHAT ARE YOU USING AVAILABLE FUNDS FOR?

Aside from using our cash flow for acquisitions, we use available funds to pay dividends to our shareholders and buy back our stock through a normal-course issuer bid. We also use available funds to reinvest in our business and pay back debt.

HAVE YOU ENCOUNTERED ANY CHALLENGES IN THE RECENT YEAR?

We have the advantage of offering healthy, staple products which are easy to include in every meal of the day, and we strive to use the best and most efficient ways to serve the market by bringing value to our customers and consumers in terms of our products, services and solutions. We have a balanced presence within the retail, foodservice and industrial segments, which contribute to keeping major economic fluctuations at bay.

We have the advantage of offering healthy, staple products which are easy to include in every meal of the day.

Today, at close to \$7 billion in revenues, we sought a new structure to lead us into the future.

DO YOU EXPECT ANY REGULATORY CHANGES IN THE DAIRY INDUSTRY?

We are following all discussions and we will continue to adapt to regulatory changes that come our way. Whenever faced with changes, we have always evaluated the situation, and found ways to convert challenges into opportunities. Our presence across Canada, the United States, Argentina and in Europe, which requires us to understand and evaluate the varying regional regulations in each country, has provided us with the experience to adapt to regulatory changes.

HAVE YOU EXPERIENCED MARKET DEMANDS OR CONCERNS FOR FOOD SAFETY?

We have always been dedicated to providing safe and quality products, and our employees make safety a priority. We are conscious we are not immune to risk and, therefore, we question our actions continuously to see how we can improve our methods and procedures to ensure the safety and quality of our products based on best practices. As far as food safety is concerned, the countries where we operate are dairy producing countries with solid infrastructures.

LAST NOVEMBER YOU ANNOUNCED SOME STRUCTURAL CHANGES TO SENIOR MANAGEMENT. CAN YOU PROVIDE US WITH THE REASONS FOR SUCH CHANGES?

The last time a leadership structure was established was in 2001. At the time, revenues were approximately \$2.7 billion. Today, at close to \$7 billion in revenues, we sought a new structure to lead us into the future. We created new roles on the executive team, so as to better position the Company for future growth. Therefore, Dino Dello Sbarba has been appointed President and Chief Operating Officer. He oversees the Company's operations, and each divisional President and Chief Operating Officer reports directly to him.

More specifically, Lorenzo Spinelli has been named President and Chief Operating Officer, Dairy Products Division (Canada), and Kai Bockmann has been appointed President and Chief Operating Officer, Dairy Products Division (International), which is comprised of our European and Argentinian operations. As for Terry Brockman, President and Chief Operating Officer, Dairy Products Division (USA), and Lionel Ettedgui, President and Chief Operating Officer, Bakery Division, their roles and responsibilities are unchanged. The positions held by Gaétane Wagner, Executive Vice President, Human Resources, and Louis-Philippe Carrière, Executive Vice President, Finance and Administration, remain the same, and they continue to report to me.

WHAT ARE SOME OF YOUR OBSERVATIONS TOWARDS INDUSTRY TRENDS AND MARKETS?

Worldwide, dairy products consumption has been on the rise, and increasingly becoming part of a well balanced diet for populations in emerging markets. We need to be flexible and adapt to trends in other markets, and develop a strategy which allows us to seize opportunities. The industry continues to focus on creating innovative products to match customer and consumer demand.

WHAT IS THE SECRET INGREDIENT BEHIND YOUR PRODUCTS' AWARDS AND PRIZES?

We owe our success to several factors, notably our employees' passion and devotion, our attention to detail, our knowledge and our capacity to understand the needs of the various markets and consumer trends. Furthermore, we have always used quality ingredients and pushed ourselves to be better each day from the last.

We are proud of our tradition and our products continue to be valued by consumers. We can attribute the success of our cheeses to the craftsmanship of our employees, combined with their passion and innovation to make sure we continue to produce award winning products.

We work hard to provide our customers and consumers with high quality products at the right price.

WHAT WERE SOME OF SAPUTO'S HIGHLIGHTS DURING THE LAST FISCAL YEAR?

Saputo prides itself on the ability to produce quality and safe products at low cost. Fiscal 2012 was a good year. We focused on process improvements and operational efficiency across all our divisions, and we will be moving forward with those objectives. We work hard to provide our customers and consumers with high quality products at the right price. We continue to focus on improving operational efficiencies and evaluating opportunities overall. In Canada, we developed several new products, such as **Mozzarina** di Bufala made from buffalo milk, and leveraged leading brands to new consumer demographics.

Within the Dairy Products Division (USA), we have observed continued trends towards the expansion of specialty cheeses. Also, despite changes to Class 4b (cheesemilk) prices by the California Department of Agriculture, we took necessary measures to mitigate the impact on our operations.

In Argentina, we continue to focus on further volume growth in the domestic market. The launch of new **La Paulina** products, such as a line of shredded cheeses, helps support brand positioning and consumer awareness as we work to increase market coverage.

In Europe, we maintain our volume growth objective in the foodservice segment.

The Bakery Division launched new varieties of **hop & go** products and continues to focus on increasing sales volumes in the snack-cake and frozen categories, and pursuing sales development in the US market.

It is by standing together, that we maintain the confidence needed to keep growing our business.

WHERE IS SAPUTO HEADING?

Saputo's history, family traditions and values are engraved in our Company's culture. As we are always seeking new ways of working more efficiently, we adjust our approach to make the most of opportunities which come our way. It is by standing together, that we maintain the confidence needed to keep growing our business. We have the right knowledge of the industry and the right resources to continue to grow through acquisitions. We believe Canada provides us with a stable market and the US has many opportunities for growth. We also have an interest in certain parts of the world, such as Europe, Latin America and Oceania. If opportunities arise which meet our criteria and strategy for growth, we will not hesitate to act. Looking ahead, we will continue reaching for growth opportunities and a stronger future.



We ensure to have adequate manufacturing capacity to meet current and near-term demand for all our products.

OUR OPERATIONS

We process over six billion litres of milk every year to create a variety of dairy products and ingredients. We ensure to have adequate manufacturing capacity to meet current and near-term demand for all our products. We maintain our goal to remain a low-cost manufacturer while remaining competitive on the marketplace, producing quality and safe products for our customers and consumers.

We are always working to improve our manufacturing processes. Findings made in a facility can generate significant Company-wide savings and improvements as they may be replicated in other locations. As we expand and modernize our plants with investments being focused on equipment and processes designed for efficiency, we continue to make the most of our raw materials, increase throughputs, improve cost effectiveness, as well as advance food quality and employee safety.

In fiscal 2012, we maintained focus on growth and on improving our manufacturing facilities. With trends showing an increased consumption of specialty cheeses, we invest in our facilities to manufacture products that meet the needs of our customers and consumers. This year, we continued to find ways to optimize the benefits from the consolidation of manufacturing and distribution activities in Ontario. In the United States, we completed our capital expenditures at one of our California facilities, which is being used to serve our West Coast customers, rather than through third-party warehousing. We also improved our packaging quality and standardized form/fill/sealing packaging machines to the Rapid Pak innovation. With the increase in milk production in Argentina, we aimed to expand the milk intake capacity to receive this additional volume and will continue to do so. As a result, we were able to increase the dairy ingredients' volume and production capacity.



QUALITY

Our programs are designed to maintain high quality and safety standards across all facilities; they meet regulatory requirements and good manufacturing practices, and are also designed to address customer requirements. Our Quality Assurance teams develop and implement these programs across all divisions.

Ensuring that processing of dairy products consistently delivers the desired level for safe and quality foods requires strict adherence to a complex set of programs. Such programs are aimed at identifying, preventing, controlling and eliminating risk of contamination, spoilage and other factors affecting the quality of our products. This occurs from the time we receive milk from the farms to the moment we deliver the products to our customers and consumers.

At Saputo, this process is part of our culture and is based on five key principles: Leadership, Knowledge, Risk Assessment, Risk Mitigation, and Verification. Proper leadership ensures a constant focus on quality and safety. Each division, with the help of Quality Assurance managers, and internal and external specialists, provides hands-on assistance and training for employees to gain knowledge in food safety. In order to assess, mitigate and control our risks, we promote good manufacturing practices, adhere to standards based on Hazard Analysis Critical Control Points (HACCP) and equivalents, conduct regular internal audits of our processes and practices, and take part in extensive third-party audit programs driven by Global Food Safety Initiative (GFSI). This year, we continued to certify our plants through various programs and worked with many of our suppliers to ensure adherence to high standards within the industry.

As we operate in a dynamic environment where we are evolving with new technologies and new regulatory policies, we constantly enhance our practices to respond to changes. We continue to invest in laboratory and testing equipment, training for our food quality and safety specialists, infrastructure upkeep for our facilities, and IT enhancements to provide up-to-date, fast and reliable information.

Safe and quality food is a collective effort and not only the responsibility of the food industry. As we are involved at every level of manufacturing, packaging, conservation and delivery of dairy products, it is important to ensure that every party involved is just as committed to providing safe and quality products every step of the way. We monitor feedback from our customers and consumers, and promote risk prevention and mitigation, in order to consistently deliver safe and quality products.

AUDREY-ROSE
Daughter of Eric Hébert, Sales



- Leadership
- Knowledge
- Risk Assessment
- Risk Mitigation
- Verification

Ensuring that processing of dairy products consistently delivers the desired level for safe and quality foods requires strict adherence to a complex set of programs.



When we are successful in innovating at one location, the experience, insight and knowledge acquired are shared across all our facilities.

RESEARCH AND DEVELOPMENT

Our Research and Development (R&D) team works to support operations across all our facilities. They collaborate with marketing on innovative dairy products and develop new recipes to meet customer and consumer requirements, in addition to ensuring our recipes are optimized based on the availability, functionality and costs of ingredients. In fiscal 2012, our R&D team worked on the launch of new products to capitalize on trends; such as an enhanced flavour crumbled blue cheese. We continue to innovate on the functionality of mozzarella for pizzas, producing cheeses with specific characteristics such as texture, colour and flavour. We created a reduced sodium/fat mozzarella. Furthermore, we developed more specialty products according to the evolution of taste, and researched new trendy flavour profiles. In this respect, in fiscal 2012 we launched *Mozzarina* di Bufala, made from buffalo milk, introduced *The Ultimate* recovery dairy beverages in chocolate and vanilla flavours, as a protein enhanced, post-workout dairy beverage, as well as a new line of fruit-based *hop & go* snack-cakes, in a 100-calorie healthy portion amongst others.

Our R&D team continues to research ways to improve our processes and support operations from a technical and food safety standpoint. We work on designs and specifications for new and updated equipment, most recently for different packaging options and new string-cutting tools. With each process improvement project, we strive to implement up-to-date sustainable technology, renewable energy and robotics. When we are successful in innovating at one location, the experience, insight and knowledge acquired are shared across all our facilities.

Saputo is dedicated to continuously pursuing efficiency, functionality and innovation to enhance the performance of its products and its manufacturing processes, as well as bring new products to the market, while keeping its high quality standards top of mind.

MARKETING

Each of our divisions plans and executes a tailored strategy for every one of our brands, taking into account specific requirements of their respective market. This approach is based on using the most effective tools to communicate to consumers and includes using multiple media such as TV, radio, print and social media combined with interactive trade-related activities such as in-store promotions, product demonstrations, and contests. We increasingly leverage the equity of our brands to grow our sales worldwide.

In Canada, this fiscal year, we focused on the value-added milk category and re-launched *The Ultimate* recovery dairy beverages, in chocolate and vanilla flavours, as a protein added, single serve, post-workout, milk-based beverage. We will continue to focus on this segment through fiscal 2013. The US Division built awareness campaigns for many of Saputo's key brands, such as *Frijo Cheese Heads*, *Treasure Cave* and *Stella*, in order to expand the growth of our products. In Argentina, we continued to support *La Paulina* brand and related product launches. We plan on increasing the market penetration and brand awareness of our line of cream cheeses and shredded cheeses. In Europe, the brand conversion from *Delucia* to *Saputo* is ongoing in Germany, and we are supporting increased trade-related activity in the UK.

The specialty cheese category remains a key focus of our marketing teams across all our divisions. To respond to increasing consumer demand for these products, we will continue to develop new flavours and formats. Year after year, our specialty cheeses continue to be recognized and many have earned awards at various highly regarded competitions. Most recently, Saputo won five gold medals at the World Championship Cheese Contest, one of them with a newly launched product, *Le Double Joie* by *Alexis de Portneuf*. Also at this contest, the three-year-old *Black Creek* cheddar finished second in its category, in addition to a bronze medal win at the World Cheese Awards merited by our *Stella* gorgonzola cheese.



JEAN-ALEXANDRE
Son of Louis-Philippe Carrière, Finance and Administration



We increasingly leverage the equity of our brands to grow our sales worldwide.



Our cheeses and dairy ingredients travel as little as 1 km within a locality, and as much as 18,375 km from Buenos Aires in Argentina, to Yokohama in Japan, to reach our customers' doorstep.

DISTRIBUTION AND LOGISTICS

As we offer dairy products to our customers and consumers in over 50 countries, we continuously work to provide the necessary logistics to better meet their demands, all the while finding ways to optimize our distribution system. Our cheeses and dairy ingredients travel as little as 1 km within a locality, and as much as 18,375 km from Buenos Aires in Argentina, to Yokohama in Japan, to reach our customers' doorstep. Cost-sustainability is a priority for us and we keep this in mind when optimizing our platform to better manage our inventories, never overlooking quality, customer service and timely delivery throughout our network.

In fiscal 2012, we completed various initiatives and continued to invest in technology to improve inventory management and started implementing a voice directed pick system in some of our facilities. This new system combines hardware and software to enable employees to more efficiently build orders within our warehouses and distribution centers with a hands-free voice-enabled device. The efficiency gains translate into fewer errors, better throughput and can provide service improvements for our customers. For the year ahead, we will continue to work on improving our distribution network and implementing initiatives that increase our efficiency. In Canada, we will continue to work on maximizing the benefits from the consolidation of manufacturing and distribution activities in Ontario. In the United States, our distribution center opened and is fully functional for the West Coast distribution of products, and our East Coast warehouse is open for service and is expected to be fully operational in the first quarter of fiscal 2013.

SALES AND CUSTOMER SERVICE

We market dairy products to the retail, foodservice and industrial segments. Our customers and consumers are the ones who drive our business forward and our objective is to continue to establish long-term relations with them. We serve customers in over 50 countries, innovate to meet their needs, offer a wide product mix, and maximize our distribution channels resulting in improved logistics.

Our sales teams follow market trends and collaborate with other teams across the Company on new product introductions, product line extensions and targeted marketing activities. As a result, this year we improved sales penetration and logistics, and sought to increase our market share across all cheese categories.

Furthermore, we provided specialized tailored service to our customers and improved our leadership position in the specialty cheese category. We continue to offer solutions towards category management and distribution. We will continue through the next fiscal year, to work on further penetration in the specialty cheese category, pursue products and packaging innovation, capitalizing on evolving consumer trends and preferences.



JUSTINE
Daughter of Sandy Vassiadis, Communications



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



OUR SPECIALTY CHEESES



Saputo offers a wide selection of specialty cheeses, including over 200 varieties. In the past year, we have developed more than 13 cheeses made from cow milk, goat milk and recently, from buffalo milk.

The acquisition of DCI Cheese Company, Inc. enabled us to establish a platform for the specialty cheese market in the United States, thus offering a more diverse product line to our customers and consumers. The DCI acquisition added domestic and imported specialty cheeses to our US portfolio. With our experience within the specialty cheese market in Canada, we are in a good position to capitalize on the opportunities that this expanding market provides.

Our high quality products are indicative of the hard work that goes into developing their intensity, finesse, and their characteristics. The craftsmanship and innovation demonstrated by our master cheese makers have resulted in our cheeses being awarded numerous prestigious prizes this fiscal year.

This fiscal year,
we have developed
more than 13 cheeses
made from cow milk,
goat milk and recently,
from buffalo milk.



PRIZES AND AWARDS

LISANDRO PESCI
Production

- *Lady Laurier* d'Arthabaska and the *Tomme des Cantons* by *DuVillage 1860* won first place in their respective categories at the British Empire Cheese Competition.
- Five wins at the World Cheese Awards, with the *Cendré de Lune* by *DuVillage 1860* winning gold and the *Stella* gorgonzola meriting bronze in their respective categories.
- Our cheeses have garnered a host of international awards at the World Championship Cheese Contest, with the *Bleubry*, *Chèvre des Neiges* Fig & Orange, and *Le Double Joie* by *Alexis de Portneuf*, as well as *La Tentation de Laurier* and the *Lady Laurier* d'Arthabaska by *DuVillage 1860*, all winning a gold medal in their respective categories. Also, the three-year-old *Black Creek* cheddar finished second in its category.
- The Mini Hors D'œuvre by *DuVillage 1860* won 4 prizes. It merited a prize in the Dairy Products Category, a special award for all Canadian products and a special award for innovation and originality at the Canadian Grand Prix New Product Awards. The fourth award was given by the International Dairy Federation for Best Dairy Innovation.



200+
VARIETIES



OUR INTERNATIONAL PRESENCE



CÉDRIC, son of Eric Hébert, Sales

CHANEL COCCO, Internal Audit



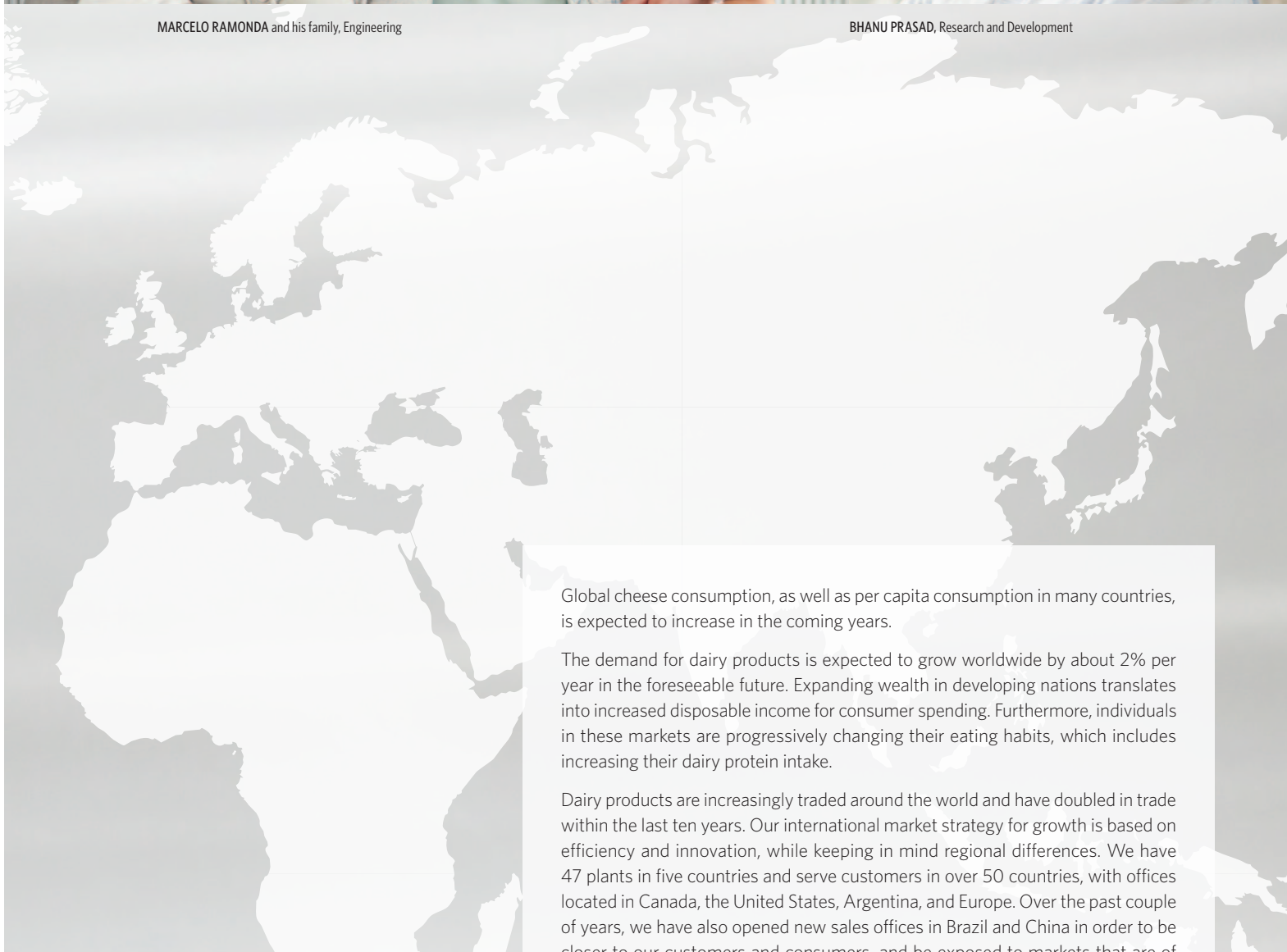
The demand for dairy products is expected to grow worldwide by about 2% per year in the foreseeable future.





MARCELO RAMONDA and his family, Engineering

BHANU PRASAD, Research and Development



Global cheese consumption, as well as per capita consumption in many countries, is expected to increase in the coming years.

The demand for dairy products is expected to grow worldwide by about 2% per year in the foreseeable future. Expanding wealth in developing nations translates into increased disposable income for consumer spending. Furthermore, individuals in these markets are progressively changing their eating habits, which includes increasing their dairy protein intake.

Dairy products are increasingly traded around the world and have doubled in trade within the last ten years. Our international market strategy for growth is based on efficiency and innovation, while keeping in mind regional differences. We have 47 plants in five countries and serve customers in over 50 countries, with offices located in Canada, the United States, Argentina, and Europe. Over the past couple of years, we have also opened new sales offices in Brazil and China in order to be closer to our customers and consumers, and be exposed to markets that are of interest to Saputo.

In the last three years, we have experienced a double digit growth in international sales. Within the cheese category, we mainly export mozzarella, edam, gouda, goya, fresh mozzarella and cheddar. Saputo offers several ingredients, including commonly used dairy ingredients such as non-fat dry milk, whole milk powder, casein, lactose, sweet whey powder, deproteinized whey powder and whey protein concentrates. We also provide specialized ingredients, such as whey protein isolates and functional dairy blends. All of these dairy ingredients are used in different food and non-food applications, and serve as a basis for the development of many other innovative types of products.

SERVING CUSTOMERS
IN OVER
50 COUNTRIES

OUR SOCIAL RESPONSIBILITY

ENVIRONMENT

Saputo is dedicated to reducing its environmental footprint with sound business practices that are reinforced by the know-how of our employees, as well as the input of third-party experts. With the implementation of sustainability metrics, this fiscal year, we have been able to gain further insight into our operational efficiency and our capacity to further reduce our environmental impact, not only within our own processes, but throughout our products' life cycle. We ensure that each of our 47 plants work to integrate sustainable operations by setting their own reduction objectives and taking advantage of positive benefits such as increased efficiency and reduction of operational costs, in addition to becoming greener.

In fiscal 2012, we saw improvements in overall natural resource consumption and emissions, and also saved on costs while producing more. Globally, we reduced our energy intensity by 3%.

Initiatives included reducing annual water consumption by replacing certain old air compressors with new high efficiency ones. Furthermore, in the United States, we enhanced our energy efficiency by optimizing a refrigeration system with software programming, therefore leading to overall cost savings in addition to reducing our environmental footprint. We continue to focus on ways to reduce our waste of potable water through the improvement of the manufacturing cleaning processes in some of our plants.

A strong collaboration with our supply chain ensures our suppliers keep their own environmental sustainability in mind, all the while delivering quality and valued raw materials. Partnering with Energy Star has allowed us to strengthen our environmental commitment, and encourages us to reduce within 5 years the energy intensity in our manufacturing facilities by 10%.

We will continue to focus on sustainability. As such, we continue to improve our ecological footprint and how we impact the environment. We aim to further new and ongoing initiatives Company-wide and improve our operational efficiency through fiscal year 2013 onwards, while reducing our environmental footprint.

In fiscal 2012, we saw improvements in overall natural resource consumption and emissions.

EMPLOYEES AND CAREERS

A Stronger Future

Saputo prides itself on having a sound workforce, by recognizing talent and encouraging the professional development of its employees in their leadership roles. In order to effectively lead our 10,100 employees now and in the future, we must continue to identify and build on our internal resources. New positions and job openings were created as needed at all levels of the organization. We support our employees' objective to further their careers with us, which is complemented by hiring new talent that will strengthen our already experienced workforce. Our recruitment objective is fixed on finding the right cultural fit. We seek individuals who share our values and are interested in developing a career with us. Our continuous efforts ensure we are providing an attractive employment package and hiring the right people in the process. Along with offering the necessary professional training and guidance to new employees, we keep on building a sense of belonging and teamwork.

Promoting a Healthy Lifestyle

Our employees are our most important asset. As an organization, we care about their well-being and try to provide the best possible environment for their success. We focus on educating our employees in regards to the importance of health care and taking action towards a healthier future for themselves and for their children. Through wellness initiatives, we work with our partners to promote healthy behaviour amongst our employees, and improve their lifestyle by promoting physical activity and healthy nutrition. Encouraging our employees to take their health into their own hands is essential for achieving a work-life balance. Saputo aims to lead by example and we therefore promote healthy initiatives within local communities.

Putting Our Employees' Safety First

Saputo has always been committed to providing a safe work environment to all its employees. Individually and as a whole, they all contribute to strengthen our safety standards. By investing in Health & Safety education and awareness programs, we reinforce our internal responsibility system, and increasingly involve more employees in the process. Effective communication is a key element to the success of our action plan. By introducing a policy aimed towards eliminating violence and harassment in the workplace, we are able to perpetuate our communicative approach. We will also increase employee awareness and ownership of health and safety to further reduce exposure to risk. Our objective is to continue to prevent injuries by offering the operational tools and training that provide a more secure environment for our employees and give Saputo a competitive advantage.

Our employees
are our most
important asset.



10,100 
employees



COMMUNITY OUTREACH



SARAH CHEVRIER-CÔTÉ and AMÉLIE VAILLANCOURT, Human Resources

ANOUK PETIT and BRAUNYNO BELO, Communications
FITSPIRIT ACTIVITY AT MONT-AVILA, QUEBEC

Looking ahead, we are committed to investing, once again, approximately 1% of our pre-tax profits in the communities where we are present.



SPONSORED RUGBY TEAM, United Kingdom

On the road to the London 2012 Olympic Games



KATHY TREMBLAY, Triathlon



MARTINE DUGRENIER, Wrestling



TARA WHITTEN, Cycling

We aim to inform, encourage and support communities, in which we operate, to adopt a healthy-living lifestyle through good nutrition and physical activity.

Making a Healthy Difference in our Communities

In fiscal 2012, as we set out to more formally define our corporate responsibility strategy outside of Canada, we created the necessary operational structure to attain our sponsorship objectives in Argentina, the United States and Europe. With every partnership, we aim to inform, encourage and support communities, in which we operate, to adopt a healthy-living lifestyle through good nutrition and physical activity.

Over the last year, we evaluated each of our sponsorships and renewed those we were confident would help us reach our goals. We look forward to signing new partnerships, within our scope, in the upcoming year. We encourage our employees to participate in projects, activities and initiatives that activate our community outreach mission, while helping them achieve their own healthy-living lifestyle.

Looking ahead, we are committed to investing, once again, approximately 1% of our pre-tax profits in the communities where we are present. This figure represents financial contributions, employee volunteering and product donations, which will serve to help a healthier society stand together.

DOMINIQUE MALTAIS, Snowboardcross



JUSTINE, CHLOÉ and MAXIME DUFOUR-LAPOINTE, Freestyle Skiing





LOOKING AHEAD

HEAD OFFICE

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6869 Metropolitan Blvd. East
St-Léonard, QC Canada H1P 1X8
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Fax: 514.328.3310
www.saputo.com

**GENERAL ANNUAL MEETING
OF SHAREHOLDERS**

Tuesday, July 31, 2012, at 9:30 a.m.
Laval Room, Hotel Sheraton Laval
2440 Autoroute des Laurentides
Laval, QC Canada H7T 1X5

INVESTOR RELATIONS

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

STOCK EXCHANGE

Toronto
Symbol: SAP

TRANSFER AGENT

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

EXTERNAL AUDITORS

Deloitte & Touche LLP, Montréal, QC, Canada

DIVIDEND POLICY

Saputo Inc. declares quarterly cash dividends on common shares at \$0.19 per share, representing a yearly dividend of \$0.76 per share. The balance of corporate earnings is reinvested to finance the growth of the Company's business.

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

www.saputo.com