

# Saputo, Inc.

## Company Overview

- Headquartered in Montreal, Canada, Saputo produces, markets and distributes a wide array of dairy products including cheese, fluid milk, yogurt, dairy ingredients and snack-cakes. Prior to its recent acquisition of Morningstar Foods, Saputo's primarily focused on mozzarella, but the company also produced other Italian cheeses, European cheeses and North American cheeses, as well as value-added whey by-products such as lactose and whey protein.
- Saputo is the twelfth 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 serves customers in over 50 countries. In the past decade, Saputo has undertaken several acquisitions that greatly expanded its presence outside of North America. However, Saputo remains a small player in Europe, processing less than 1% of the entire milk production in Germany and the UK.
- Founded in the 1950s by Italian immigrants Giuseppe Saputo and his son Emanuele (Lino), Saputo is now a publicly traded company whose shares are listed on the Toronto Stock Exchange under the symbol SAP. The Saputo family remains at the helm of the company, with co-founder Emanuele (Lino) Saputo Chairman of the Board and his son, Lino A. Saputo, Jr., Chief Executive Officer. Lino Saputo is the 6<sup>th</sup> richest man in Canada and the 23<sup>rd</sup> richest man in the world, with a net worth estimated to be \$3.4 billion. Lino Saputo owns 66,779,924 common shares of the company, representing approximately 33.7% of the outstanding common shares of Saputo, Inc.

## Dairy Manufacturing

### *Canada: 26 Plants*

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- Saputo has grown to become Canada's leading milk processor, producing 32% of Canada's natural cheese and 35% of its milk. Saputo became the number one player in the Canadian milk producing industry through its 2001 acquisition of Dairyworld Foods, an important Canadian producer of fluid milk, cheese and other dairy products.

### *Grocery Products: 1 Plant*

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- In 1999, Saputo acquired Culinar Inc., a leading producer of snack cakes, fine breads, soups and cookies in Canada. Saputo produces and distributes snack cakes, cookies, fine breads and soups, under recognized brand names such as Vachon, Viau-McCormicks, Grissol and Loney's.

### *United States: 28 Plants<sup>1</sup>*

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- Saputo entered the United States in the 1980s with its acquisition of two plants. However, it wasn't until 2007 and its acquisition of the Land O'Lakes West Coast industrial cheese business that Saputo established itself as a major presence in the United States. The Land O'Lakes West Coast business included the production, sale, cutting and packaging of mainly mozzarella and provolone in Tulare, California. Saputo's brands in the United States include Dragone, Frigo, Lorraine Cheese, Schneider Cheese, Black Creek and Treasure Cave.

### *Germany: 1 Plant*

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- In 2006, Saputo Inc. completed its acquisition of *Spezialitäten-Käserei De Lucia GmbH*, a German cheese manufacturer producing Italian cheese specialties such as mozzarella, ricotta and mascarpone. *Spezialitäten-Käserei De Lucia GmbH* employs approximately 60 people at its manufacturing facility located in Heiden, Germany. The company's revenues in its last fiscal year were approximately Euro 20 million.

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<sup>1</sup> Includes Morningstar Facilities

### *United Kingdom: 1 Plant*

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- Saputo has been present in the United Kingdom since 2007, following the acquisition of Dansco Dairy Products Limited. Based at the Newcastle Emlyn facility in West Wales, approximately 85 employees craft Mozzarella in a state of the art manufacturing facility.

### *Argentina: 2 Plants*

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- In 2003, Saputo acquired 100% of Molfino Hermanos S.A. (Molfino), the third largest dairy processor in Argentina. The purchase price was US\$50.8 million. National sales represent approximately 60% of total sales, with the remaining 40% done through exports. The company produces a wide variety of soft, semi-soft, hard and grated cheeses, as well as butter, cream, milk powder, UHT milk and dulce de leche (caramelized milk).

## Distribution

### *Canada: 25 Distribution Centers*

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- In Canada, sales of dairy products are made through direct shipments to certain large retail, foodservice and industrial customers, as well as to national and regional third party distributors. Saputo has also developed a nation-wide distribution network for its dairy operations, comprised of 25 distribution centres and warehouses and over 640 distribution routes located across Canada.

### *United States: 1 Distribution Center*

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- Saputo operates a distribution center in Carlstadt, NJ, acquired from its acquisition of DCI Cheese Company. As part of this acquisition, Saputo acquired an important portfolio of import licenses for specialty cheeses manufactured abroad. Sales are made through direct shipments to certain large retail, foodservice and industrial customers, as well as to national and regional third party distributors. Saputo utilizes certain third party distributors including Americold in Leesport, PA and Appleton, WI.

## Morningstar Acquisition

- On December 3, 2012 Saputo signed a definitive agreement to acquire Morningstar Foods, LLC, a subsidiary of Dean Foods Company. Morningstar produces a variety of dairy and non-dairy extended shelf-life products, including creams and creamers, ice cream mixes, whipping cream, aerosol whipped toppings, iced coffee, half and half, value-added milks, as well as cultured products such as sour cream and cottage cheese. Morningstar serves the needs of retailers, national quick-serve restaurant chains, grocery stores, mass merchandisers and distributors across the United States.
- The purchase price for the transaction is US\$1.45 billion on a debt-free basis and will be financed through a newly committed bank loan.
- Saputo's acquisition of Morningstar Foods will add an additional 12<sup>2</sup> facilities to the company's manufacturing network in the United States, as well as approximately 2,000 employees. This will essentially replicate the breadth of its current Canadian operations and create a U.S. division of comparable size, if not slightly larger.
- Saputo's acquisition of Morningstar Foods from Dean Foods will essentially tie the company with Dairy Farmers of America for having the second largest number of dairy manufacturing facilities in the United States. Most media outlets now report that Saputo is the second largest dairy company in the United States.

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<sup>2</sup> Press releases state that Morningstar operates 10 manufacturing facilities. However, Dean Foods' last annual report lists 12 Morning Star facilities. For the purposes of this report, the larger number of facilities is used.

# Comparison of Saputo Operations

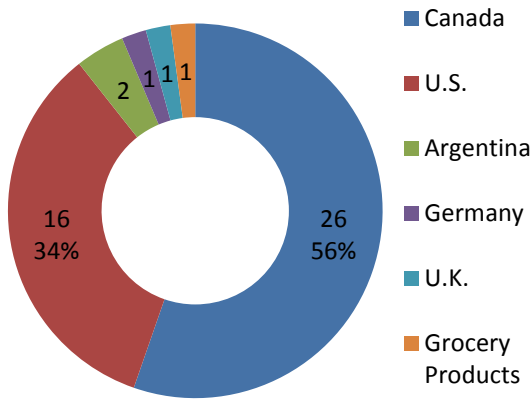
Before and After Morningstar Acquisition\*

Sector	Plants		Employees		Revenues (thousands CDN)		% of Revenues	
	Pre-M	Post-M	Pre-M	Post-M	Pre-M	Post-M	Pre-M	Post-M
Canada	26	26	6,100	6,100	3,870,216	3,870,216	56%	44%
United States	16	28	3,300	5,300	2,741,813	4,341,813	40%	47%
Grocery Products	1	1	700	700	141,289	141,289	2%	2%
UK	1	1	85	85	69,300	69,300	1%	1%
Argentina	2	2	850	850	89,000	89,000	1%	1%
Germany	1	1	60	60	26,000	26,000	0%	0%
Total	47	59	10,100	12,100	6,937,618	8,537,618	100%	100%

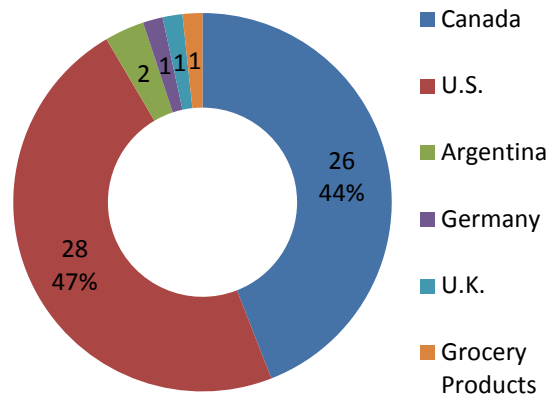
\*Morningstar Revenues represented in this chart have been converted from U.S. Dollar to CDN  
 "M" refers to the acquisition of Morningstar, Revenues for UK, Germany and Argentina approximate

Country	Teamster Density	
	Pre-Merger	Post-Merger
United States	11%	18%
Canada	6%	6%
North America	8%	14%

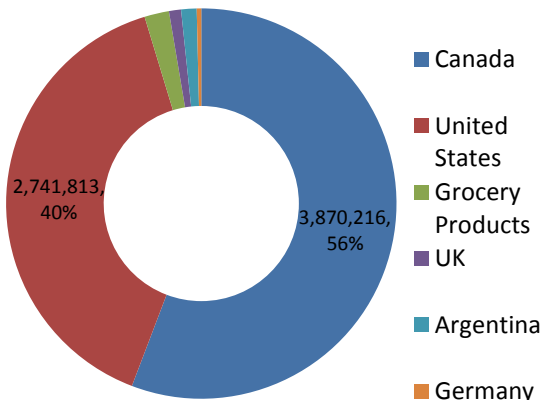
**Saputo Plants  
Before Morningstar**



**Saputo Plants  
After Morningstar**



**Saputo Revenues  
In Thousands CDN  
Before Morningstar**



**Saputo Revenues  
In Thousands CDN  
After Morningstar**

