

Agropur Dairy Cooperative

ANNUAL
REPORT

Proud
ambassador
for our
industry

2015



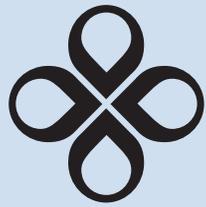


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Agropur can be proud of its rich contribution to the communities where it is present, the reduction of its environmental footprint, and its commitment to human values, which is at the core of its values.

INTRODUCTION

Agropur Proud to give something back

Donations, sponsorships and employee fundraising campaign

Sustainability has been a central theme in Agropur's history. The Cooperative's members and employees are dedicated to its development. In this spirit, the organization is strongly committed to solidarity with those in need and to giving something back to the communities that make up the social fabric of which Agropur is part. Agropur maintained that commitment in 2015 by allocating the equivalent of 1% of its earnings before patronage dividends and income tax to donations and sponsorships for benefit events and organizations that promote the health and well-being of children and families. All the organizations Agropur supports—which include food banks, *Fondation OLO*, the Breakfast Club, and a number of hospital foundations—were carefully selected on the basis of well-defined criteria. They do vital work in their communities and make a difference in people's lives.

The Cooperative's employees share these values rooted in solidarity. Again in 2015, they mobilized and organized local campaigns that raised more than \$78,000 for many organizations through the Employee Fundraising program.

Succession planning

Succession planning is a critical factor for our sustainability; hence the importance we attach to grooming the youths who will be the leaders of tomorrow. Agropur funds numerous scholarships for outstanding students enrolled in college and university programs related to agriculture or food processing in many parts of Canada. Agropur also makes annual donations to several U.S. universities, including the University of South Dakota and the University of Wisconsin.

The Young Cooperative Leaders Program also prepares young people to assume their responsibilities as member/owners of Agropur. Every year, Agropur organizes these training programs, which consist of enriching educational activities related to the cooperative movement, for young dairy producers in each of Agropur's administrative regions. Many participants have benefited from the program over its more than 30 years of existence.

Environment

In recent years, Agropur has developed an environmental management system covering all its sites. The Environment department maintains a regulatory watch and oversees the keeping of legal registers. Environment committees that include members of the Board and of management see to the continuity of the organization's actions and major policies. In 2015, sustained communication efforts raised employee awareness of environmental management at the plants, the need to reduce paper and water consumption, and environmentally responsible management of computer equipment.

Projects are constantly being launched to reduce our operations' environmental impact. For example, the Granby plant has completed a large-scale project that has reduced its potable water usage by one million litres per day. Loss reduction programs are underway at the Edmonton and Burnaby plants.

The new head office is Leadership in Energy and Environmental Design (LEED) certified. The environmentally sustainable building will produce less waste, save energy, use less water and stimulate innovation. It has been built with a view to preserving resources and integrating harmoniously into its environment.





Environmental responsibility

“The pleasure of consuming an Agropur product is accompanied by the satisfaction of supporting environmentally responsible practices.”

In the photo

MAXIME MORIN, MEMBER-PRODUCER,
FERME LÉONARD MORIN ET FILS INC.
(EST DU QUÉBEC REGION) AND HIS SON FRÉDÉRIK

Breakfast Club

“Buying an Agropur product is a way to support the development of thousands of children.”





MESSAGE
FROM THE PRESIDENT



MESSAGE FROM THE PRESIDENT

Proud of our choices

Dear members and employees,
We are pleased with our growth and operating results for 2015, which reflect our strong performance. Thanks to the strategic decisions made to safeguard our cooperative's future, our recent acquisitions and investments have increased our revenues and our earnings before interest, taxes and amortization.

Nonetheless, factors that are not under our control, such as the sharp decline in global dairy prices and an extremely competitive market in Canada, have negatively affected our net results.

Hats off to our executive team and managers for our overall results in a difficult context, particularly the significant improvement for Natrel in the United States

and for Ultima Foods, the efficient integration of our acquisitions and mergers and the substantial reduction in our operating costs.

Our mobilization

The year 2015 was also one of mobilization. During the Trans-Pacific Partnership (TPP) talks, we energetically

defended the supply management system, both in the public arena and with various levels of government.

We are convinced that the concessions would have been even greater had we and our members, other partners in our industry and our governments not mobilized around the issue. I am proud of the work that has been done and I want to thank everyone who acted to help influence the federal government to minimize the TPP's impacts on our industry.

Analysis of impacts

In this context, we widely distributed the *Analysis of the potential impacts of the end of supply management on the Canadian dairy industry* prepared by the Boston Consulting Group (BCG). This extremely well-written, serious and credible paper had a significant impact on decision makers and the media alike.

The BCG study demonstrates that dairy production remains largely shored up financially by governments in the main milk-producing nations and that no country has managed to make a success of deregulation without massive intervention on the part of governments.

Contrary to what some may believe, Canadians do not pay more for their dairy products than those in other countries with a similar standard of living. It has been shown that there is no link between lower prices for producers and the prices paid by consumers. Canadian consumers do not pay for their milk twice, once at the grocery store, and once again with their taxes. Canadian consumers pay for their milk at the checkout counter but they don't pay a second time with their taxes as is the case in many other countries.

Canada's supply management system is not subsidized. It provides our dairy farmers with income to cover their costs, and helps preserve the social fabric and spur economic development in our communities. We have a unique system that has stood the test of time.

Trade agreements

When we factor in the TPP and the concessions made to the European Union, the Canadian government will have conceded approximately 5.5% of the Canadian market.

So far, Canada has negotiated free-trade agreements with countries representing 80% of global dairy exports. There are no other negotiations planned with major dairy-producing or exporting countries in the near future, so Canadian dairy industry players have a general idea of what to expect in the years ahead.

With these deals done, the allocation of import quotas under the Canada-Europe Agreement and the TPP must be administered in a way that minimizes the impact on our industry, by granting the quotas to Canadian manufacturers. We have developed Canada's fine cheese industry in harmony with imports. We thus have the necessary expertise to limit the impact that imports of products similar to ours will have on Canadian production and thereby ensure the integrity of our supply management system.

Ingredients strategy

There are still many issues and uncertainties. First, the federal government must quickly take control of its borders, as it has promised to do, and resolve the issue of dairy ingredients that circumvent border controls, such as liquid proteins. The issue is a priority in order to maintain the supply management system and is critical to Agropur and the producers we support in that respect.

At the same time, we are working to implement a national ingredients strategy in Canada that will be a win-win for producers and processors. We must make better use of structural surpluses of skim milk powder for the benefit of producers, while offering these ingredients to processors for their domestic manufacturing. We must agree to a national solution to this national issue.

Outlook

It is comforting to realize that, had we known two years ago what we know today, we would have made the same strategic choices, because they were crucial to guarantee the future and the sustainability of our cooperative.

We knew that expanding our activities in the United States would make us more exposed to market volatility. This requires greater prudence in the management of our business and the use of our cash in order to maintain sound financial health. For this reason, we have decided to limit our capital investments for 2016, to continue to cut costs, and to postpone the redemption of members' capital and certificates of indebtedness.

Market forces being what they are, worldwide prices will eventually rise. Thanks to our mergers and acquisitions, our plant investments, our cost reductions, our high-quality assets, our strong brands and our managers, who are among the most seasoned and well-respected in the market, we are better placed than ever to take advantage of a stronger market when the time comes.

On behalf of the Board, I thank our CEO, Robert Coallier, and his team for their excellent work. I also thank you, our 3,367 members, for your commitment to your cooperative.



Serge Riendeau

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Proud of our achievements

Dear members and employees,
Although fiscal year 2015 was highly challenging for us, our achievements of the past few years have positioned us more effectively than ever to ensure our long-term development.

Results

Despite an unfavourable business environment, our results reflect our growth. Sales for 2015 reached nearly \$5.9 billion, up by \$1.2 billion or 26.0% over 2014, while adjusted EBITDA grew by 10.2% to reach \$306 million. Our earnings before patronage dividends and income tax were down 37.6%, however, due primarily to increased amortization and financial expenses related to our recent acquisitions and capital expenditures. At the end of our fiscal year, members' equity stood at \$1.291 billion, an increase of 5.0%.

A significant earnings improvement was reported by Ultima Foods, which recorded positive EBITDA for the first time since the launch of iögo, and by Natrel's U.S. operations. We successfully completed and commissioned the vast majority of our capital projects.

Nevertheless, the decline in global dairy markets was unprecedented, driving down whey powder prices in the United States. Those factors impacted prices and our results, which, although positive, were overall below our expectations.

Faced with that situation, the management team worked tirelessly to offset the shortfalls, enabling us to exceed our cost control objectives.

The U.S. proportion of our revenues was up significantly to 43.8% in 2015, compared with 35.9% in 2014. Without our strategic decisions regarding mergers and acquisitions, we would have posted negative growth in results, and without the profitability of the United States, EBITDA would be down sharply, despite the mergers and acquisitions undertaken in Canada.

Although our financial position remains strong, managing our bank debt is a priority and we are taking concrete steps in that area, including the completion in December 2015 of a second issue of first preferred shares for an amount of \$300 million. Reducing our debt will allow us to pursue our development and maintain our position as a major player in the North American market.

Brands that build customer loyalty

Our brands are an important lever for our growth. We continue to rely on strong brands that attract and keep consumers. In 2015, we continued to invest in our OKA, Natrel and iögo brands. Our OKA sales volume is growing steadily, Natrel has been recognized as the most trusted brand among Canadian dairy products, according to a University of Victoria survey, and iögo has captured market shares of 13% in Canada and 19% in Quebec.

Innovation

Innovation remains the greatest challenge for our industry and for Agropur. We need to think differently, get off the beaten track and be bold. Beyond initiatives like the Natrel Milk Bar by java u or our partnership with the *Boîte à Fromages* food truck, we need to view innovation from another perspective. We are introducing new processes to allow us to carve out a place in the markets and set ourselves apart in the eyes of consumers.

Cost control

In 2012, we set an objective to reduce our costs by \$75 million by 2015, and we have exceeded that objective, with savings on an annualized basis of \$84 million. In 2016, we will seek further synergies by launching a new three-year cost-reduction program.

In addition, our recent investments have established a solid foundation for us going forward. For instance, in 2015, we improved our OKA cheese production capacity. In our U.S. plants, we increased feta cheese capacity by 30% and tripled our mozzarella capacity. We also completed the projects at our Lethbridge, Alberta and Saint-Hyacinthe, Quebec plants, as well as the aseptic product line in Bedford, Nova Scotia.

Last but not least, we completed Phase 1 of our ERP project to standardize our computer platforms and processes under a single solution.

Our human capital

With the implementation of new organizational structures in the U.S. and Canada, we will be able to better serve our customers, while generating significant savings and synergies.

As we move into our new head office, we are confident that this exceptional environment will help us attract and retain the best talent and optimize cooperation among our teams.

Further, we have entered into long-term agreements with our employees at a number of processing sites, establishing positive conditions that will allow us to continue our development in a stable working environment.

National and international development

In 2015, we completed the transaction with Northumberland in New Brunswick and the acquisition of Sobeys dairy assets in Western Canada. The five new plants are helping us to achieve our objective of establishing a nation-wide presence and put us in an excellent position to meet the needs of our domestic customers. The year 2015 was also in large part dedicated to consolidating and integrating the merger and acquisitions carried out in 2014 and 2015 and to making significant investments in our manufacturing infrastructure. We are thus preparing the organization for its next phase of development.

Conclusion

We remain confident that our strategic choices are sound and are proud of our achievements. Developing our U.S. presence is critical. Our assets are solid and state-of-the-art. We have competent, motivated employees. We are pressing ahead with work to increase loyalty to our brands and thus become a go-to name, making us less vulnerable to prices.

We are hoping for a market recovery, and when it does come we will be in a position to take advantage of it, realizing the full potential of our choices.

I sincerely thank the members of the Board of Directors and our President, Serge Riendeau, for their confidence and advice. I also thank the members of the management team for their collaboration and dedication. My thanks as well to all our employees in Canada and the U.S. for their sense of initiative and their commitment.



Robert Coallier

BOARD OF DIRECTORS



BOARD OF DIRECTORS

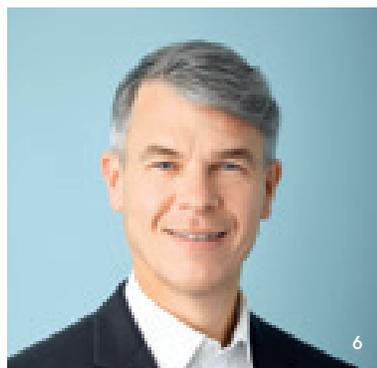
1 SERGE RIENDEAU President, presented and elected by universal suffrage 1991 | **2 RENÉ MOREAU** Vice-President, Nicolet-Bois-Francs 1998 | **3 JEANNIE VAN DYK** Vice-President, Atlantic 2013 | **4 MICHEL COUTURE** First Member of the Executive, Chaudière-Appalaches 2001 | **5 CÉLINE DELHAES** Second Member of the Executive, Laurentides-Lanaudière 2011 | **6 ROGER MASSICOTTE** Third Member of the Executive, Mauricie-Portneuf 2003 | **7 ROGER BEAULIEU** Est du Québec 2014 | **8 STÉPHANIE BENOIT** Presented and elected by universal suffrage 2015 | **9 CLAUDE CRESSIER** Érables-Seigneuries 2015

Legend: Director's name, administrative region and year of election to Board



10 JEAN FILIATRAULT Montérégie 1993 | **11 ALAIN FORGET** Laurentides–Lanaudière 2014 | **12 DARIE GAGNÉ** Chaudière-Appalaches 1997 | **13 JEAN-PIERRE LACOMBE** Salaberry–Richelieu 2007 | **14 VALÈRE LIEUTENANT** Estrie–Granby 2012 | **15 VITAL VOULIGNY** Nicolet–Bois-Francs 2007 | **16 RALPH BALLAM** Guest member of the Board 2013 | **17 SUZANNE BLANCHET** Guest member of the Board, the Human Resources Committee and the Environment Committee 2015 | **18 JIM WALKER** Guest member of the Board 2014

SENIOR MANAGEMENT COMMITTEE



- 1 ROBERT COALLIER** Chief Executive Officer | **2 JOCELYN LAUZIÈRE** Senior Vice-President and Chief Financial Officer | **3 LORRAINE BÉDARD** Senior Vice-President, Legal Affairs, Member Relations and Corporate Secretary
4 SERGE PAQUETTE President, Canada Operations, Agropur Cooperative
5 DOUG SIMON President, U.S. Operations, Agropur Inc.
6 DOMINIQUE BENOIT Senior Vice-President, Institutional Affairs and Communications | **7 PIERRE CORRIVEAU** Senior Vice-President, Human Capital
8 SERGE FORTIER Senior Vice-President, Information Technology
9 NICOLAS MARIE Senior Vice-President, Strategic Sourcing and Development
10 BENOÎT ZOLNÁĚ Senior Vice-President, Operational Excellence and Quality



A Cooperative's success is seen in the well-being of the people who are part of it. Agropur achieves its objectives by creating a conducive climate for the success of the entire organization.

BRAND STRATEGY

Proud of our strong outstanding brands

In 2015, Agropur decided to act more boldly and take its brand strategy to the next level, while maintaining its focus on its strong, respected brands and better balancing them with copacking activities.

Capital expenditures and partnerships

Capital expenditures and marketing efforts to support our flagship OKA, Natrel and iögo brands continued during the year and delivered the expected results. In line with its new leave-the-beaten-path approach, Agropur tested new concepts, such as the partnership with java u coffee shops.

During the year, we continued making substantial capital expenditures to increase our OKA cheese production capacity. Our investments of the past two years have helped boost sales volumes significantly. Sales of OKA have been stimulated by a major advertising campaign, which has proved highly successful. We have also formed a partnership with the *Boîte à Fromages* food truck to sell our iconic OKA brand. Fans of the truck can follow its daily movements around Montreal on Facebook.

The positive effects of the Natrel brand repositioning continue to be felt. With its modern new image, Natrel has been able to differentiate itself from its competitors and its mindshare continues to grow, resulting in increased buying intentions among consumers and non-consumers alike. Natrel Lactose Free has continued making strides and is strongly positioned in the marketplace.

The Natrel brand's high profile in Canada was confirmed by a survey conducted by the University of

Victoria in British Columbia, which found it to be the most trusted Canadian dairy brand.

Building on its reputation for excellence, Natrel joined forces with java u, a coffee shop chain popular with fans of specialty coffee, to offer patrons a unique experience. The Natrel Milk Bar by java u offers the Natrel product line (lactose free, fine filtered, organic, etc.), presenting Natrel as a quality brand that adapts to patrons' tastes and preferences. Natrel Milk Bar by java u is part of the trend towards brands offering a unique experience that is at once flexible and simple.

iögo, another brand in which we have invested heavily since launch, had an excellent year. Its continuing progress in the marketplace was driven by dynamic and diverse promotional activities and the introduction of new products that meet the needs of young and old alike. The iögo brand increased its market share to 19% in Quebec and 13% in Canada as a whole, lifting our Ultima Foods joint venture into the black.

New products

Our leading brands launched a raft of new products in 2015. Many were extensions of our existing product lines. Launched in the spring under the Natrel brand, Snack comes in two flavours. Its high protein content makes it the ideal nutritional snack. During the same period, Natrel brought to market two new iced coffee flavours and in September it added a delicious Caramel Latte flavour with only 1% fat to its flavoured milk line. Brand-new Natrel butter made with sea salt appeared on the shelves and in the refrigerators of Quebec and

Ontario consumers in August. As always with Natrel products, the taste is exquisite.

The latest addition to the OKA cheese family, OKA L'Artisan Smoke, is a response to the growing popularity of smoked products. Long-ripening OKA Frère Alphonse and Maillon Fort, a soft cheese inspired by specialty French Bries, were also launched in 2015. They are available in specialty shops at certain times of the year, such as Easter, Quebec's national day and the holiday season.

Among other things, Ultima Foods introduced three new iögo products. Nano in a pouch, launched in May, lets kids enjoy their favourite yogurt with no spoon and no mess. It was followed by iögo Protein and iögo Smoothie, which hit the Canadian market in August. Ultima Foods also launched an organic kefir under its Olympic brand in spring 2015.

Awards

Our products win recognition for their quality year after year, and 2015 was no exception. Once again, our cheeses distinguished themselves in prestigious competitions, winning numerous awards including first-place finishes by Brie Notre-Dame, Champfleury and Brie Chevalier (made in Saint-Hyacinthe, Quebec) at the British Empire Show; by cheeses made in Weyauwega and Luxemburg, Wisconsin and Lake Norden, South Dakota at the United States Championship Cheese Contest; by Champfleury at the American Cheese Society competition; and by Agropur Grand Cheddar (made in Notre-Dame-du-Bon-Conseil, Quebec) and OKA L'Artisan (made in Oka, Quebec) at the *Sélection Caseus* contest.

Natrel[®]

Québon[®]

Sealtest[®]

island FARMs

Farmers



Central Dairies

OKA

AGROPUR
Grand Cheddar
CANADIAN RESERVE[™]



Allegro

FROMAGES FINS
ANCO
FINE CHEESE



Damafro

biPro

PZ-44

ISO CHILL[®]

Dairytown
"the heart of Canada's country"



iöGO[™]





Boîte à Fromages Food truck

“I know that when I choose Agropur, I am supporting a dairy farmer.”

In the photo

ALEXANDRA BONNET, OWNER OF BOÎTE À FROMAGES
PATRICIA BOURQUE, AGROPUR EMPLOYEE,
AND JEAN-MARC POIRIER, MEMBER-PRODUCER,
FERME FRANORD INC. (SALABERRY-RICHELIEU REGION)



A

OKA Cheese

- o Volume up by more than 50% in 2 years
- o Partnership with *Boîte à Fromages* food truck in the streets of Montreal
- o Increased exposure propelled by OKA-based recipes

B

NATREL Milk

- o Increased buying intentions
- o “Most trusted Canadian dairy brand,” according to a consumer survey by the University of Victoria in British Columbia
- o Partnership with java u to offer patrons a unique experience at 21 locations



C

IÖGO Yogourt

- o Increased market penetration driven by dynamic promotional activities
- o New products that meet consumer needs
- o Market share: 19% in Quebec and 13% in Canada



D

BIPRO Protein

- o Innovative product and marketing
- o Higher level of protein purity than any comparable product (over 95%)
- o BiPro will soon introduce new products to meet consumer needs and demand

Natrel Milk Bar by java u

“Java u lets me choose from
a selection of quality
Natrel products to create
a unique latte.”



INNOVATION

Proud to anticipate consumers' needs

Innovation was identified in 2012 as one of the key pillars for Agropur's future development. To date, innovation has received less attention than the other pillars but it will be a crucial component of our strategies in the years to come. Innovation means much more than extending our existing product line. The following initiatives are good examples of the path we must take.

We need to innovate in our processes, our capital expenditures, our marketing and our partnerships to launch products that will revolutionize the industry.

Our flagship OKA brand

To achieve its ambitious growth targets for OKA cheese, Agropur spent \$45 million on a marketing campaign and on modernization of the equipment at its Oka plant. A new line was installed during the year and commissioned in October. Moulding, demoulding and mould handling are now fully automated on the state-of-the-art line. We successfully met the greatest challenge: to modernize the equipment without altering the authentic flavour of OKA cheese.

Strong potential for alpha-lactalbumin

The investments made in our Jerome, Idaho plant are another compelling example of innovation. A cutting-edge project, based on advanced engineering and scientific expertise, increased by ten the plant's alpha-lactalbumin production capacity. It makes the purest alpha-lactalbumin in the world. Alpha-lactalbumin, a cow's milk protein isolate, was put together by the development team at our acquired Davisco business.

It is the protein that is closest to the protein in human milk, which is essential to nursing infants. This high-quality product positions us to form partnerships with customers

to develop, among other things, a new generation of preparations for infants. Our Protein Technology Centre in LeSueur, Minnesota used next-generation technology to achieve the spectacular results.

Innovative marketing

Today, in addition to meeting consumers' needs, products must be supported by a wide range of online promotional activities, including contests, recipes, interaction with consumers, etc. Increasingly, consumers are not satisfied with simply purchasing a product; they expect a different experience and they want to know about the provider of the product and its values. Businesses must therefore adapt to the concerns, needs and demands of a new generation of consumers.

The Natrel Milk Bar by java u is a case in point. It doesn't just offer consumers milk; it serves up a variety of high-quality milk products to provide a unique coffee experience. Both the customer experience and Natrel's exposure benefit.

The development and marketing of BiPro are another example of innovation. BiPro, made at the LeSueur, Minnesota and Jerome, Idaho plants, is a premium-quality whey protein isolate that is popular with customers such as professional athletes because of the peerless purity of the protein (over 95%). The marketing approach is unusual in that BiPro can be purchased only online on the BiProUSA site or Amazon. It currently comes in powder form (flavoured or plain) and will soon also be available in ready-to-drink beverages and protein bars to meet consumer demand.

COST LEADERSHIP

Proud of our winning business model

Cost leadership was identified in the Agropur 2015 strategic review as one of the keys to our organization's growth. In light of that analysis, several projects have been carried out over the past three years. The annual savings target of \$75 million set in 2012 was reached and exceeded during the past year with annualized savings of \$84 million, enabling us to stay competitive in a tough market environment. Having completed our first cost-reduction program, we will launch a new three-year program in the near future.

Capital expenditures and activities

Major capital expenditures were made at the Weyauwega, Wisconsin plant to double its feta production capacity. Work is well advanced and the line could be commissioned in the spring of 2016. Other capital projects are underway at the Luxemburg and Little Chute plants to further increase their capacity. Capital expenditures were also made in 2015 to modernize the Oka, Lethbridge, Quebec City and Saint-Hyacinthe plants and increase their capacity.

A new laboratory has been built in Saint-Hubert, Quebec on the site of the new head office, which is nearing completion and will begin welcoming employees in early 2016.

In connection with the reorganization and optimization of some of its operations, Agropur announced in the second half of the year that two of its plants will close—Saint-Bruno, Quebec in the spring of 2016 and Chilliwack, B.C. in the fall of 2016—and their production will be transferred to other facilities in the same regions. The move will help optimize Agropur's operations.

In February 2015, we implemented phase 1 of our Enterprise Resource Planning (ERP) project, which harmonizes our IT platforms and brings all our processes together in a single tool. The scale of this colossal project exceeds that of any previous integration effort at Agropur.

Purchasing was also consolidated across the organization to enable knowledge-sharing, closer contact with suppliers, and leveraging of our buying power.

Finally, towards the end of the financial year, we announced a major transformation of our structure with the creation of a consolidated Canadian operating unit, which eliminates all the former divisions and business units that had made up Agropur's Canadian operations. This transformation will give the organization greater operational agility at every level. Significant synergies will result, allowing for the standardization of our processes and the adoption of best practices. We will continue to emphasize quality while strictly controlling our costs.

Saint-Hyacinthe plant

“Agropur’s experienced
staff and modern
facilities guarantee products
of the highest quality.”

In the photo

DAVID POIRIER AND NATHALIE BEIL,
AGROPUR EMPLOYEES



Morin family

“To be a member of Agropur means being part of a family of 13,000 producers and employees, all of whom are as passionate as me.”

In the photo

MAXIME MORIN AND CAROLINE LEPAGE, MEMBER-PRODUCERS, FERME LÉONARD MORIN ET FILS INC. (EST DU QUÉBEC REGION), AND THEIR CHILDREN ANNABELLE, FRÉDÉRIK, ALEXANDRE AND ROXANNE, ACCOMPANIED BY HÉLÈNE ROY AND ALAIN GAGNÉ, AGROPUR EMPLOYEES





HUMAN CAPITAL

Proud to provide a stimulating work environment

Transformation of the organizational structure

Many internal changes have been made in recent years to build Agropur into an industry leader. Among other things, its structure has been transformed to boost efficiency and agility, increase the organization's success and become more responsive to the specific needs of the Canadian and U.S. markets.

First, Doug Simon was appointed President of U.S. Operations, Agropur Inc. in June 2015. Mr. Simon now heads the Cheese and Ingredients segment as well as the acquired Davisco operations. His mission is to continue growing Agropur in the U.S. market and optimize operations. The new structure will be finalized in the coming months.

In Canada, we all know that we are working in a fast-changing market environment. Given increased competition in the industry and the ongoing proliferation of new options for consumers, we must constantly strive to improve our positioning in order to remain a Canadian dairy industry leader.

The analysis conducted in recent months has led us to redefine our Canadian market approach and bring together our operations in Canada. Serge Paquette has been appointed to head the new structure. All Canadian divisions and business units have been brought together in the new unit, which now includes all the operations of our milk, fresh products, frozen products, cheese and ingredients businesses. This transformation enables us to offer our customers a single, fully integrated product portfolio and to implement a customer-centric approach supported by closer proximity.

These new structures and approaches will have positive impacts on all our segments

and operations, including better leveraging of our brands, optimization of synergies in our plants and in sales and marketing, application of best practices and greater emphasis on innovation.

Agropur will also provide a stimulating, motivational working environment for employees, promote talent development and offer attractive opportunities for advancement.

Succession planning

Human Capital implemented a new best-practices-based program to identify and groom future leaders in order to ensure Agropur's sustainability. After pilot projects conducted in five different sectors, the necessary adjustments were made to the approach and the tool. The program is now ready to be deployed across the organization.

Evolution project

Major growth-driving projects launched in 2015 included Evolution, which was implemented at the Victoria, B.C. and Notre-Dame-du-Bon-Conseil, Quebec plants.

The process revolves around employee ownership of performance, development of management skills and efficiency improvements in the work groups.

Performance indicators and work standards are being applied in order to improve efficiency in the plants and distribution centres and promote a culture of performance.

This vital project will improve Agropur's results across the board and help it position itself advantageously in the marketplace. The Evolution project will be deployed throughout the organization in 2016.

Health and safety (H&S)

After an increase in the composite frequency of industrial accidents in 2013-2014, our health and safety record improved in 2015.

A major harmonization effort was carried out across all Agropur sites, particularly with respect to the prevention program, which promotes a "zero tolerance" approach to risk, and the program to recognize safe behaviours.

There was also a strong focus on implementing a more participatory occupational health and safety structure that gets employees and committees involved in searching for solutions so as to constantly improve safety programs.

New head office

In February 2016, the new Agropur Campus, currently under construction in Saint-Hubert, will welcome employees from Agropur administrative services now located in Saint-Laurent, Granby and Longueuil, as well as Ultima Foods employees. They will enjoy a modern working environment with state-of-the-art technology and carefully arranged work spaces that promote collaboration, communication and synergies.



Investment

“Our successes come back to the local community.”

In the photo

MAXIME MORIN AND CAROLINE LEPAGE,
MEMBER-PRODUCERS, FERME LÉONARD MORIN ET FILS INC.
(EST DU QUÉBEC REGION)

NATIONAL AND INTERNATIONAL DEVELOPMENT

Proud to position the organization for the future

2015 was a year of consolidation and integration of our latest acquisitions. In the wake of the major transactions of the previous year, it was necessary to take the time to properly integrate them.

Those transactions enabled us to achieve our targets and stay on course despite difficult market conditions.

Without the contribution of the merger and acquisitions, we would have suffered a serious setback in 2015.

The merger with Dairytown kept the organization in the hands of producer/members and helped ensure our Cooperative's sustainability. It also increased our processing and distribution capacity, enabling us to better serve our customers nationwide.

The Davisco acquisition endowed us with an international network and extensive expertise in ingredients. As a result of that acquisition, Agropur is now one of the five largest manufacturers of cheese and ingredients in the U.S.

The acquisition's contribution to diversifying our product portfolio and increasing our presence in the U.S. will be an invaluable asset for Agropur's future development.

In 2015, the acquired ingredients operations were fully integrated into our ingredients business in order to share best practices and capture valuable synergies. The combination also enables us to bring a unified offering to market.

The acquisition of Sobeys' dairy assets, which closed in late March 2015, hoisted us to an industry-leading position in Canada. The transaction also enabled us to expand Natrel's presence in western Canada and introduce the brand to the Alberta, Saskatchewan and Manitoba markets. We quickly and successfully implemented our financial systems and trained the users.

The acquisition of Northumberland's dairy assets, closed at the beginning of our fiscal year, strengthened our new position in the Atlantic region, increased our ability to serve our customers nationally, and kept dairy processing assets in the hands of Canadian dairy producers.

Sharing our success

“Agropur’s development
benefits many communities
across North America.”

In the photo
SAINT-HYACINTHE PLANT



AGROPUR
COOPERATIVE

Head office and Canada Operations

4600 Armand-Frappier Street
Longueuil, QC J3Z 1G5
450-646-1010

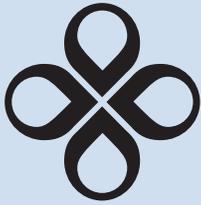
U.S. Operations, Agropur Inc.

3500 East Destination Drive
Appleton, WI 54915
920-944-0990

Ultima Foods*

4600 Armand-Frappier Street
Longueuil, QC J3Z 1G5
450-646-1010

*Joint venture





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