

**SAPUTO INC. ANNOUNCES AN AGREEMENT TO
ACQUIRE DAIRYWORLD FOODS**

(Montréal, December 18, 2000) Saputo Inc. announced today that it has entered into an agreement to acquire the fluid-milk and cheese operations, as well as certain joint-venture interests of *Agrifoods International Cooperative Limited*, more commonly known as “*Dairyworld Foods*.” This agreement, which has been approved by the *Agrifoods* board of directors, is subject to ratification by the cooperative’s delegate body at a meeting to be held in mid-January 2001.

The purchase price of the *Dairyworld Foods* transaction is C\$407 million (US\$268 million) on a debt-free basis and will be financed through bank indebtedness. The transaction, subject to the usual conditions (including approval by the Competition Bureau), is expected to be closed by the end of January 2001.

Dairyworld Foods has annual sales of C\$1.4 billion (US\$921 million) and EBITDA of C\$61.4 million (US\$40.4 million). The company employs 3,200 people and operates 24 plants in Canada. *Dairyworld Foods* produces and markets fluid milk, yogurt, cheese, butter, skim-milk powder, juices and value-added food ingredients. The company’s leading brands are *Dairyland*, *Dairy Producers*, *Baxter*, *Armstrong* and *Fraser Valley*. After the transaction, Saputo will have annualized revenues of C\$3.4 billion (US\$2.2 billion) and EBITDA of C\$329 million (US\$216 million), with more than 8,450 employees and 55 plants in operation across North America.

According to Camillo Lisio, Saputo president and chief operating officer, “The *Dairyworld* transaction is a key strategic step towards our objective of becoming a leading player in the North American dairy industry. It also diversifies the product range in Saputo’s core business. *Dairyworld*’s seasoned team will strengthen our group and will contribute significantly to our growth.” Lino Saputo, chairman and CEO of Saputo concurred. “We believe this transaction places us at the forefront of the Canadian dairy industry and we intend to work with all industry participants, so that together we can successfully face the challenges that lie ahead,” he said.

For more information about this transaction, please visit www.saputo.com.

Conference call

A conference call to discuss this transaction will be held on Monday, December 18, 2000 at 2:00 p.m. Montreal time. The number to call to participate in the conference call is (416) 695-5806 or 1-800-273-9672. To ensure your participation, please dial in about five minutes before the start of the call.

For those unable to participate, a taped broadcast will be available to listeners up until midnight, Friday, December 22, 2000. To access the broadcast please dial (416) 695-5800 or 1-800-408-3053, pass code 633020. The conference call will be archived on the Saputo web site at www.saputo.com, in the *Financial Information* section, and on the CNW web site at: www.newswire.ca.

About Saputo

Saputo Inc. is a North American manufacturer of dairy and grocery products. From its dairy processing operations, Saputo manufactures mainly mozzarella, with expertise extending to other Italian, European and North American cheeses, as well as value-added whey byproducts such as lactose and whey protein. The company's leading dairy brands include *Saputo, Stella, Frigo, Dragone, Caron* and *Cayer*. In Canada, Saputo also operates a distribution network where it markets a wide variety of imported cheeses and nondairy products to complement its cheese offerings. Through its grocery products division, Saputo manufactures and distributes snack cakes, cookies, fine breads and soups, under such well-known brand names as *Vachon, Viau-McCormicks, Grissol* and *Loney's*.

Saputo currently has 5,250 employees in its workforce. The company operates 15 dairy products plants in the United States, as well as 11 plants and a network of 17 distribution centres in Canada. In the grocery products sector, Saputo operates five plants in Canada along with a direct-to-store delivery network of 53 warehouses and five distribution centres. Saputo shares are listed on the Toronto Stock Exchange under the symbol SAP.

Information:

Lynda Leith
Directrice des Communications
Saputo Inc.
(514) 328-3381

Dan Wong
Director of Communications
Dairyworld Foods
(604) 675-7163

On December 18, 2000, Saputo Inc. announced that it has entered into an agreement to acquire the fluid-milk ("Dairyland") and cheese operations ("Armstrong") as well as certain joint venture interests of Agrifoods International Cooperative Limited, more commonly known as "Dairyworld Foods". This agreement, which has been approved by the Agrifood board of directors, is subject to ratification by the cooperative's delegate body at a meeting to be held in mid-January 2001. The transaction, subject to the usual conditions (including approval by the Competition Bureau), is expected to be finalized by the end of January 2001.

Operations



Revenues:	C\$2 billion (US\$1.32 billion)
EBITDA:	C\$267.6 million (US\$176 M)
Employees:	5,250
Production facilities:	31

Note: Based on Saputo Inc. 6 months results ended September 30, 2000, annualized.



Revenues:	C\$1.4 billion (US\$920 M)
EBITDA:	C\$61.4 million (US\$40.4 M)
Employees:	3,200
Production facilities:	24

Note: Based on Agrifoods International Cooperative Limited 9 months results ended September 30, 2000, annualized

Strategic Rationale

- ❖ This acquisition will give Saputo:
 - Greater geographic breadth (plants in 8 Canadian provinces);
 - An important presence in the national Cheddar market;
 - A significant participation in the Canadian Process cheese market.
- ❖ This acquisition will confirm Saputo's status as a consolidator in the ongoing rationalization of the North American dairy industry.
- ❖ This acquisition will allow Saputo to be a full-fledged participant in every segment of the dairy industry, except for ice cream.
- ❖ This acquisition will enable Saputo to rationalize cheese production in order to maximize the efficiency of the combined company.
- ❖ This acquisition will benefit from Saputo's manufacturing focus and low-cost production expertise.
- ❖ This acquisition will give Saputo access to a significantly larger milk pool.
- ❖ This acquisition will offer an opportunity to fully leverage Saputo's owned and operated Canadian distribution system.

Transaction Parameters

- ❖ Purchase price: C\$407 million (US\$268 million) on a debt-free basis.
- ❖ TEV / EBITDA: 6.6 x annualized 9 months ended September 30, 2000, EBITDA
- ❖ Financing: Bank indebtedness

Financial Information

Pro Forma Consolidated Income Statement

<i>C\$ millions, except per share amounts</i>	Saputo ⁽¹⁾	Dairyworld Foods
Revenues	\$1 966,90	\$1 420,00
EBITDA	\$267,60	\$61,40
EBITDA Margin	13,60%	4,30%
Depreciation	\$48,90	\$14,50
Interest	\$38,00	-
Earnings Before Income Taxes and Amortization of Goodwill	\$180,70	\$46,90
Income Taxes	<u>\$57,10</u>	<u>\$17,80</u>
Earnings Before Amortization of Goodwill	\$123,60	\$29,10
Amortization of Goodwill	<u>\$12,70</u>	<u>-</u>

❖ Acquisition is accretive to EPS by \$0.23 (excluding \$0.11 of goodwill amortization).

❖ 14% increase in CFPS or \$0.51 per share.

(1) September 30, 2000 first semester results of fiscal 2001 on an annualized basis.

(2) September 30, 2000 nine-month results of fiscal 2000 on an annualized basis.

(3) Purchase price of C\$407 million financed through bank indebtedness.

Company Information

SAPUTO INC.

Head Office: 6869 Metropolitan Blvd. East, Montréal, Québec, H1P 1X8 Canada
 Contact: Lynda Leith, Director of Communications
 Telephone: (514) 328-3381 Fax: (514) 328-3364 email: lynda.leith@saputo.com
 Internet: www.saputo.com
 TSE symbol: SAP
 Shares outstanding: 51.2 million
 Recent share price: C\$32.75 (December 15, 2000)
 Market capitalization: C\$1.677 billion