



## PRESS RELEASE

### FINANCIAL RESULTS FOR FISCAL 2004

#### Net earnings up 22.3%

(Montréal, June 8, 2004) – Saputo Inc. revealed today its financial results for fiscal 2004, which ended March 31, 2004.

- Net earnings of \$212.4 million or \$2.05 (basic) per share, up 22.3% as compared to \$173.7 million or \$1.68 (basic) per share for fiscal 2003.
- Revenues of \$3.570 billion, up 5.1% as compared to the previous fiscal year.
- Earnings before interest, income taxes, depreciation and amortization (EBITDA)<sup>1</sup> of \$403.3 million, up 14.3% as compared to last year.
- EBITDA in the Canadian and Other Dairy Products Sector amounted to \$209.9 million as at March 31, 2004, up 5.2% compared to the \$199.6 million posted in fiscal 2003. The EBITDA margin slipped from 9.9% to 9.7% in 2004. In the course of the fiscal year, the Company incurred rationalization expenses of \$7.8 million related to certain rationalization measures.
- EBITDA in the US Dairy Products Sector totalled \$160.9 million, a \$40.8 million or 34% increase over the \$120.1 million posted in 2003. EBITDA margin climbed from 9.9% to 13.0%. During the fiscal year, sales volume grew by 5.9%.
- EBITDA in the Grocery Products Sector totalled \$32.5 million, almost at the same level as the previous fiscal year. The EBITDA margin dropped from 19.8% in 2003 to 19.4% in 2004.
- Cash flow from operating activities of \$287.6 million, up 28.7% as compared to the previous fiscal year.
- Repayment of \$110.1 million in accordance with the Company's long-term debt commitments.

#### Summary of Fourth Quarter Results

- Net earnings stood at \$58.1 million, up 21.5% from the \$47.8 million recorded for the same period one year earlier.
- The effective tax rate was 28.6% compared to 21.1% for the previous year. A \$4.1 million tax benefit was achieved through a transfer pricing agreement reached in the fourth quarter of fiscal 2003 and applicable to Canadian-US intercompany transactions.

<sup>1</sup> **Measurement of results not in accordance with generally accepted accounting principles**

The Company assesses its financial performance based on its EBITDA, this being earnings before interest, income taxes, depreciation and amortization. EBITDA is not a measurement of performance as defined by generally accepted accounting principles in Canada, and consequently may not be comparable to similar measurements presented by other companies.

- Revenues totalled \$945.9 million, an increase of \$138.8 million compared to the same period for fiscal 2003.
- EBITDA for the fourth quarter increased \$18.0 million, closing at \$106.6 million compared to \$88.6 million in 2003. The increase stems essentially from the US Dairy Products Sector because of significantly higher volumes and the fact that the average selling price per pound of cheese was higher than in fiscal 2003.
- EBITDA relatively stable for the Canadian and Other Dairy Products Sector and Grocery Products Sector compared to the same period one year earlier. However, the Canadian and Other Dairy Products Sector incurred rationalization expenses of \$2.7 million related to plant closures.
- The average selling price per pound of cheese on the US market was up by 27% compared to the same quarter for fiscal 2003, representing an increase of \$49.0 million in revenues. US sales volumes for the fourth quarter were up by 15.2% compared to fiscal 2003, representing an increase of \$45 million in revenues. Appreciation of the Canadian dollar this last quarter compared to the corresponding period in fiscal 2003, which represents roughly \$46 million less revenues.
- The Canadian and Other Dairy Products Sector drove their revenues up \$90.0 million compared to the same period last year. Of this amount, approximately \$34 million in revenues comes from our latest acquisition in Argentina, which contributed to revenues during this fourth quarter.

## **Appointment**

Saputo announces that Mr. Carmine De Somma will head the international operations of the Company, as President and Chief Operating Officer. Mr. De Somma has been with the Company for 16 years where he has held numerous positions. For the last several years, he acted as Senior Vice-President, International Cheese Sales and Procurement, where he has earned a good experience in international sales and exports. In his new role, Mr. De Somma will lead, among other things, the activities of the Company in Argentina.

## **Outlook**

Once again, 2004 posts excellent financial results, while at the same time showing an improved financial foundation. During the year, we made three acquisitions and our Dairy Products Sector generated substantial growth in sales volumes. This fiscal year also enabled the Company to validate the growth potential of the Bakery Division and, for the very first time, to penetrate markets beyond North America as a manufacturer, bringing us a step closer to our goal of becoming a world class dairy processor.

Since becoming a public company in October 1997, we have made several acquisitions – some large-scale acquisitions, which have made a great impact, and other smaller-scale acquisitions, which are just as important for our development. Moreover, we believe in organic growth through building sales volumes, obtaining new clients and developing new market niches. We believe in increasing net earnings by constantly improving the way we do things – essentially, to continue to outdo ourselves.

Consequently, for the last seven years, we have demonstrated our ability to grow organically and through acquisitions. Each of these years posts a return on average equity of more than 18%, except for fiscal 2001 that experienced a 16% return, for an average of 18.5% over the last seven years.

Our outlook is very positive for fiscal 2005. However, there are circumstances over which we have no control, such as changes in foreign currencies that could have an impact when we translate earnings of our foreign self-sustaining operations into Canadian dollars. Changes in the average selling price per pound of cheese in the US could also have an impact, as was the case during fiscal 2004. These circumstances could have positive or negative effects on earnings.

The effects of these changes aside, fiscal 2005 leaves room for projecting positive sales growth in terms of dollars and volume. We also anticipate growth in EBITDA, net earnings and cash flows. This growth takes each division's objectives into account, but does not take into consideration the impact that future acquisitions could have on earnings.

Saputo will continue to judiciously invest in fixed assets and proceed rigorously to limit its additions to the annual depreciation amount. However, this amount may be exceeded during specific projects, among other things, following an acquisition.

We have a sound balance sheet, with \$2.07 billion in assets and a debt bearing interest ratio at 0.39 of shareholders' equity. We have great financial flexibility. Current contractual commitments on bank loans and the senior notes would enable us, if new debts were contracted, to add almost \$1 billion in additional debt for acquisitions.

We have all the assets from a financial perspective to enable us to become a world class dairy processor. To achieve this goal, we will continue to reinvest in our development. Our proactive approach with respect to acquisitions should be beneficial to attaining our objectives.

## **Corporate Governance**

- The Company's Board of Directors is composed of a majority of unrelated and independent directors and the two Board committees are composed solely of unrelated and independent directors.
- Appointment of an unrelated and independent lead director whose responsibilities include holding quarterly meetings of the unrelated and independent directors.
- Development of a formal evaluation process for the Board, its committees and the individual directors, and adoption of a code of ethics.
- New compensation policy for directors, which sets out rules for minimum shareholdings in the Company. In addition, the options granted to directors have been replaced by deferred share units.
- New mandate for the Audit Committee and adoption of policies for services which could be provided by its external auditors and other accounting firms, the hiring of its external auditors' employees and former employees and the handling of complaints of an accounting or financial nature.
- Filing of the certificate for the annual documents during the transition period for fiscal 2004 signed by the Chief Executive Officer and the Chief Financial Officer, even if its application to the Company will not be in force until its first quarter of fiscal 2005.

## Forward-Looking Statements

This press release document contains management's analysis on forward-looking statements. Caution should be used in the interpretation of management's analysis and statements, since management often makes reference to objectives and strategies, which contain a certain element of risk and uncertainty. Due to the nature of our business, the risks and uncertainties associated with it could cause the results to differ materially from those stated in such forward-looking statements.

## Dividends

The Board of Directors of the Company declared a dividend of \$0.12 per share, payable on July 9, 2004, to shareholders of record as of June 23, 2004. This dividend is for the quarter ended March 31, 2004.

## Conference Call

A conference call to discuss the fiscal 2004 results will be held on Tuesday, June 8, 2004 at 4:15 PM, Eastern time. To participate in the conference dial 1 866 207-8482. To ensure your participation, please dial in approximately five minutes before the call.

To listen to this call on the web, please enter

<http://web1.to.fastvibe.com/CWS/sap/040608sap/staging.htm> in your web browser.

For those unable to participate, an instant replay will be available until midnight, Tuesday, June 15, 2004. To access the replay dial 1 888 562-2823, passcode 189864. The conference call will also be archived on the Saputo web site at [www.saputo.com](http://www.saputo.com).

## About Saputo

Founded in 1954, Saputo is celebrating, in 2004, 50 years of growth. During this time, the Company has maintained its family flavour and the vitality of a team whose passion is equalled only by its know-how... and its taste for good food! Every day, our 7,500 employees proudly work in our 43 plants and distribution centres to produce, market and distribute a wide range of products that are found daily in grocery stores, in restaurants and in prepared meals. In so doing, they share their passion for a job well done and their commitment to quality. Well established in the dairy and grocery products sectors, we offer our products under the brand names of *Saputo*, *Stella*, *Frigo*, *Dragone*, *Armstrong*, *Caron*, *Cayer*, *Treasure Cave*, *Dairyland*, *Baxter*, *Nutrilait*, *La Paulina*, *Ricrem* and *Vachon*. We are the largest dairy processor in Canada, one of the largest cheese producers in North America and the third largest dairy processor in Argentina. Saputo Inc. is a public company whose shares are listed on the Toronto Stock Exchange under the symbol SAP. Visit our Web site at [www.saputo.com](http://www.saputo.com).



**CONSOLIDATED STATEMENTS OF EARNINGS**  
(in thousands of dollars, except per share amounts)

	For the three-month periods ended March 31		For the years ended March 31	
	(unaudited)	(unaudited)	(audited)	(audited)
	2004	2003	2004	2003
<b>Revenues</b>	\$ 945,857	\$ 807,065	\$ 3,570,190	\$ 3,398,112
Cost of sales, selling and administrative expenses	839,208	718,437	3,166,933	3,045,317
<b>Earnings before interest, depreciation and income taxes</b>	<b>106,649</b>	<b>88,628</b>	<b>403,257</b>	<b>352,795</b>
Depreciation of fixed assets	16,808	17,739	66,038	70,889
<b>Operating income</b>	<b>89,841</b>	<b>70,889</b>	<b>337,219</b>	<b>281,906</b>
Interest on long-term debt	8,000	10,276	34,792	43,672
Other interest	515	110	1,218	(1,351)
<b>Earnings before income taxes</b>	<b>81,326</b>	<b>60,503</b>	<b>301,209</b>	<b>239,585</b>
Income taxes	23,260	12,743	88,844	65,857
<b>Net earnings</b>	<b>\$ 58,066</b>	<b>\$ 47,760</b>	<b>\$ 212,365</b>	<b>\$ 173,728</b>
<b>Per share</b>				
Net earnings				
Basic	\$ 0.56	\$ 0.46	\$ 2.05	\$ 1.68
Diluted	\$ 0.56	\$ 0.45	\$ 2.03	\$ 1.66

**CONSOLIDATED STATEMENTS OF RETAINED EARNINGS**  
(in thousands of dollars)

	(audited)	(audited)
For the years ended March 31	2004	2003
<b>Retained earnings, beginning of year</b>	<b>\$ 546,667</b>	<b>\$ 409,648</b>
Net earnings	212,365	173,728
Dividends	(47,661)	(36,709)
<b>Retained earnings, end of year</b>	<b>\$ 711,371</b>	<b>\$ 546,667</b>

**NOTE : THESE FINANCIAL STATEMENTS SHOULD BE READ IN CONJUNCTION WITH OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND THE NOTES THERETO AND WITH OUR MANAGEMENT REPORT FOR THE FISCAL YEAR ENDED MARCH 31, 2004. THESE DOCUMENTS CAN BE OBTAINED ON SEDAR AT [WWW.SEDAR.COM](http://WWW.SEDAR.COM)**



# SEGMENTED INFORMATION

(in thousands of dollars)

	For the three-month periods ended March 31		For the years ended March 31	
	(unaudited)	(unaudited)	(audited)	(audited)
	2004	2003	2004	2003
<b>Revenues</b>				
Dairy Products				
Canada & Other	\$ 577,144	\$ 487,475	\$ 2,161,852	\$ 2,017,383
United States	325,951	277,941	1,240,954	1,212,810
	903,095	765,416	3,402,806	3,230,193
Grocery Products	42,762	41,649	167,384	167,919
	\$ 945,857	\$ 807,065	\$ 3,570,190	\$ 3,398,112
<b>Earnings before interest, depreciation and income taxes</b>				
Dairy Products				
Canada & Other	\$ 54,137	\$ 51,882	\$ 209,855	\$ 199,561
United States	44,210	28,222	160,887	120,069
	98,347	80,104	370,742	319,630
Grocery Products	8,302	8,524	32,515	33,165
	\$ 106,649	\$ 88,628	\$ 403,257	\$ 352,795
<b>Depreciation of fixed assets</b>				
Dairy Products				
Canada & Other	\$ 8,794	\$ 7,670	\$ 29,854	\$ 29,697
United States	7,668	8,692	31,550	35,704
	16,462	16,362	61,404	65,401
Grocery Products	346	1,377	4,634	5,488
	\$ 16,808	\$ 17,739	\$ 66,038	\$ 70,889
<b>Operating income</b>				
Dairy Products				
Canada & Other	\$ 45,343	\$ 44,212	\$ 180,001	\$ 169,864
United States	36,542	19,530	129,337	84,365
	81,885	63,742	309,338	254,229
Grocery Products	7,956	7,147	27,881	27,677
	\$ 89,841	\$ 70,889	\$ 337,219	\$ 281,906
Interest	8,515	10,386	36,010	42,321
<b>Earnings before income taxes</b>	<b>81,326</b>	<b>60,503</b>	<b>301,209</b>	<b>239,585</b>
Income taxes	23,260	12,743	88,844	65,857
<b>Net earnings</b>	<b>\$ 58,066</b>	<b>\$ 47,760</b>	<b>\$ 212,365</b>	<b>\$ 173,728</b>



# CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of dollars)

	For the three-month periods ended March 31		For the years ended March 31	
	(unaudited)	(unaudited)	(audited)	(audited)
	2004	2003	2004	2003
<b>Cash flows related to the following activities:</b>				
<b>Operating</b>				
Net earnings	\$ 58,066	\$ 47,760	\$ 212,365	\$ 173,728
Items not affecting cash				
Stock based compensation	696	(1,105)	2,936	1,475
Depreciation of fixed assets	16,808	17,739	66,038	70,889
Gain on disposal of fixed assets	(529)	(298)	(680)	(404)
Future income taxes	13,253	(2,838)	20,630	4,435
	88,294	61,258	301,289	250,123
Changes in non-cash operating working capital items	(13,203)	7,454	(13,717)	(26,591)
	75,091	68,712	287,572	223,532
<b>Investing</b>				
Business Acquisitions	(178)	-	(99,994)	-
Portfolio Investment	2,000	-	2,000	-
Additions to fixed assets	(21,491)	(23,387)	(90,446)	(70,591)
Proceeds on disposals of fixed assets	4,911	974	5,926	4,060
Other assets	(596)	191	(4,677)	3,614
	(15,354)	(22,222)	(187,191)	(62,917)
<b>Financing</b>				
Bank loans	(4,281)	(5,941)	63,945	(11,315)
Repayment of long-term debt	(27,517)	(27,535)	(110,099)	(122,565)
Issuance of share capital for a cash consideration	2,634	585	4,931	4,509
Employee future benefits	(646)	340	4	990
Dividends	(12,446)	(10,344)	(47,661)	(36,709)
	(42,256)	(42,895)	(88,880)	(165,090)
<b>Increase (decrease) in cash</b>	<b>17,481</b>	<b>3,595</b>	<b>11,501</b>	<b>(4,475)</b>
<b>Effect of exchange rate changes</b>	<b>1,548</b>	<b>(3,571)</b>	<b>(2,391)</b>	<b>(1,613)</b>
<b>(Bank indebtedness) cash, beginning of year</b>	<b>(11,155)</b>	<b>(1,260)</b>	<b>(1,236)</b>	<b>4,852</b>
<b>Cash (bank indebtedness), end of year</b>	<b>\$ 7,874</b>	<b>\$ (1,236)</b>	<b>\$ 7,874</b>	<b>\$ (1,236)</b>

## Supplemental information

Interest paid	\$ 983	\$ (449)	\$ 33,889	\$ 38,805
Income taxes paid	\$ 18,768	\$ (8,596)	\$ 70,095	\$ 43,079



**CONSOLIDATED BALANCE SHEETS**  
(in thousands of dollars)

	March 31, 2004 (audited)	March 31, 2003 (audited)
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 7,874	\$ -
Receivables	287,012	239,366
Inventories	420,660	392,852
Income taxes	9,348	24,290
Future income taxes	14,877	12,854
Prepaid expenses and other assets	13,838	18,383
	<b>753,609</b>	<b>687,745</b>
<b>Portfolio investment</b>	<b>53,991</b>	<b>55,991</b>
<b>Fixed assets</b>	<b>661,183</b>	<b>627,841</b>
<b>Goodwill</b>	<b>524,856</b>	<b>550,630</b>
<b>Trademarks</b>	<b>26,076</b>	<b>-</b>
<b>Other assets</b>	<b>46,422</b>	<b>39,618</b>
<b>Future income taxes</b>	<b>3,411</b>	<b>8,861</b>
	<b>\$ 2,069,548</b>	<b>\$ 1,970,686</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Bank overdraft	\$ -	\$ 1,236
Bank loans	82,367	17,592
Accounts payable and accrued liabilities	295,124	245,188
Income taxes	26,020	44,403
Future income taxes	8,927	-
Current portion of long-term debt	43,969	110,000
	<b>456,407</b>	<b>418,419</b>
<b>Long-term debt</b>	<b>327,942</b>	<b>411,135</b>
<b>Employee future benefits</b>	<b>13,941</b>	<b>13,937</b>
<b>Future income taxes</b>	<b>114,429</b>	<b>110,691</b>
	<b>912,719</b>	<b>954,182</b>
<b>Shareholders' equity</b>		
<b>Share capital</b>	<b>469,262</b>	<b>464,331</b>
<b>Contributed surplus</b>	<b>4,411</b>	<b>1,475</b>
<b>Retained earnings</b>	<b>711,371</b>	<b>546,667</b>
<b>Foreign currency translation adjustment</b>	<b>(28,215)</b>	<b>4,031</b>
	<b>1,156,829</b>	<b>1,016,504</b>
	<b>\$ 2,069,548</b>	<b>\$ 1,970,686</b>

**Information**

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