Saputo

PRESS RELEASE

FINANCIAL RESULTS FOR THE SECOND QUARTER OF FISCAL 2003

NET EARNINGS UP 1.5%
CASH FLOW UP 8.5%

(Montréal, November 12, 2002) – Saputo Inc. revealed today its financial results for the second quarter of fiscal 2003, ended September 30, 2002.

- Net earnings of $42.1 million or $0.41 (basic) per share, an increase of 1.5% as compared to the second quarter of fiscal 2002. This amount takes into account the recording of an expense relative to the stock-based compensation in the amount of $0.735 million or $0.007 (basic) per share.
- EBITDA[1] of $87.6 million, down 3.7% as compared to the $91.0 million of the same period last year.
- EBITDA in the Dairy Products Sector (Canada) of $48.5 million, up 11% compared to the same period last year.
- EBITDA in the Dairy Products Sector (United States) of $31.6 million, down 18.6% in comparison with the $38.8 million for the same period last year.
- Average selling price per pound of cheese on the American market down 33.7% as compared to the same period last year, representing a decrease of US$0.57 a pound.
- Unfavourable impact of about $9 million on EBITDA and of approximately $70 million on revenues in the Dairy Products Sector (United States) owing to cheese price conditions on the American market during the quarter as compared to the same period in the previous fiscal year.
- Sales volume in the Dairy Products Sector (United States) up 12.5% (11.1% since the beginning of the fiscal year) as compared to the same quarter last year.
- EBITDA in the Grocery Products Sector of $8.4 million.
- Revenues of $861.8, a decrease of 3.5% as compared to the $893.4 million for the same period last year. The average selling price per pound of cheese on the American market, US$0.57 lower than it was during the same period last year, had a downward effect on Company revenues equal to roughly $70 million, obscuring the 12.5% growth in sales volume in the United States division of our Dairy Products Sector.
- Cash generated before changes in non-cash working capital items of $66.5 million, up 8.5% compared to the same period a year earlier.
- Repayment of $51.5 million in long-term debt and bank loans.

[1] **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.

Outlook

Over the coming quarters we will complete the last phases in the integration of Canadian dairy activities, while continuing in our efforts to grow organically and by acquisition.

In the United States, our goal of increasing production volume by 13% remains unchanged, and we are actively seeking potential cheese-making acquisitions. Finding solutions to the volatility of prices on the American market remains a priority, in order to counteract the effects of that volatility on our results.

Our Bakery Division, this September 27, transferred the activities of the plant in Aurora, Ontario, to the facility in Sainte-Marie, Québec. The division just made its first deliveries of snack cakes to the United States, in early October, and will continue with its efforts to penetrate those markets where we are currently less represented.

In the month of October we carried out the closing, as announced earlier, of a cheese-making plant in the United States. We also announced, this past September, the shutdown of three Canadian cheese-making plants. One of those plants closed its doors at the end of October, while the two others will cease their activities during the course of the next year. These rationalizations are part of the uninterrupted analysis of our processes. The activities of these plants will be transferred to other facilities of the Company. After-tax costs related with these Canadian and American rationalizations will be approximately $4.1 million, including $1.8 million related to the devaluation of fixed assets. The Company expects to realize annual after-tax savings of roughly $4.9 million.

Dividends

The Board of Directors of the Company declared a dividend of $0.10 per share, payable on December 13, 2002, to shareholders of record as of November 29, 2002. This dividend is for the quarter ended September 30, 2002.

Conference call

A conference call to discuss the second quarter of fiscal 2003 results will be held on Tuesday November 12, 2002 at 4:15 PM, Montreal time. To participate in the conference dial (416) 405-9328 or 1-800-387-6216. To ensure your participation, please dial in approximately five minutes before the call.

To listen to this call on the web, please enter http://www.newswire.ca/webcast/pages/SaputoInc20021113/ in your web browser.

For those unable to participate, an instant replay will be available until midnight, Tuesday, November 19, 2002. To access the replay please dial (416) 695-5800 or 1-800-408-3053, pass code 1302897.

The conference call will also be archived on the Saputo web site at www.saputo.com .

About Saputo

The largest dairy processor in Canada and one of the leading cheese producers in North America, Saputo Inc. is a public company operating in the dairy and grocery products sectors. Its products are marketed under well-known brands such as *Saputo, Stella, Frigo, Dragone, Dairyland, Baxter, Armstrong, Caron, Cayer, Nutrilait* and *Vachon*. A dynamic, world class company, Saputo Inc. employs over 7,000 individuals in 48 plants. Company shares are listed on the Toronto Stock Exchange under the symbol SAP. For further information, please visit our website at www.saputo.com.

Consolidated Statements of Earnings

(unaudited)

(in thousands of dollars, except per share amounts)	For the three-month periods ended September 30 2002	2001	For the six-month periods ended September 30 2002	2001
Revenues	**$ 861,763**	$ 893,443	**$1,735,705**	$1,766,499
Cost of sales, selling and administrative expenses (Note 2)	**774,155**	802,413	**1,559,584**	1,584,360
Earnings before interest, depreciation and income taxes	**87,608**	91,030	**176,121**	182,139
Depreciation of fixed assets	**17,743**	17,085	**35,354**	35,342
Operating income	**69,865**	73,945	**140,767**	146,797
Interest on long-term debt	**10,804**	13,907	**22,472**	28,198
Other interest	**(481)**	(235)	**(728)**	(573)
Earnings before income taxes	**59,542**	60,273	**119,023**	119,172
Income taxes	**17,433**	18,815	**35,591**	37,437
Net earnings	**$ 42,109**	$ 41,458	**$ 83,432**	$ 81,735
Per share (Notes 4 and 5)				
Net earnings				
Basic	**$ 0.41**	$ 0.40	**$ 0.81**	$ 0.80
Diluted	**$ 0.40**	$ 0.40	**$ 0.80**	$ 0.79

The Company adopted the new Canadian Institute of Chartered Accountants accounting recommendations for stock-based compensation on April 1, 2002. These recommendations propose the fair value method to record stock options granted to employees. During the quarter ended September 30, 2002, the Company therefore used the fair value method accounting for stock-based compensation (Note 5).

Consolidated Statements of Retained Earnings

(unaudited)

For the six-month periods ended September 30	2002	2001
(in thousands of dollars)		
Retained earnings, beginning of period	**$ 409,648**	$ 271,087
Net earnings	**83,432**	81,735
Dividends	**(16,023)**	(10,270)
Retained earnings, end of period	**$ 477,057**	$ 342,552

Segmented Information

(unaudited)

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2002	2001	**2002**	2001
(in thousands of dollars)				
Revenues				
Dairy products				
Canada	**$ 500,725**	$ 493,671	**$1,012,382**	$ 986,924
United States	**319,148**	354,742	**638,891**	673,864
	819,873	848,413	**1,651,273**	1,660,788
Grocery products	**41,890**	45,030	**84,432**	105,711
	$ 861,763	$ 893,443	**$1,735,705**	$1,766,499
Earnings before interest, depreciation and income taxes				
Dairy products				
Canada	**$ 48,507**	$ 43,738	**$ 97,996**	$ 84,709
United States	**31,559**	38,786	**62,616**	79,277
	80,066	82,524	**160,612**	163,986
Grocery products	**8,402**	8,506	**17,229**	18,153
Stock-based compensation charge (Note 5)	**(860)**	—	**(1,720)**	—
	$ 87,608	$ 91,030	**$ 176,121**	$ 182,139
Depreciation of fixed assets				
Dairy products				
Canada	**$ 7,317**	$ 7,153	**$ 14,631**	$ 14,562
United States	**9,066**	8,392	**17,987**	16,770
	16,383	15,545	**32,618**	31,332
Grocery products	**1,360**	1,540	**2,736**	4,010
	$ 17,743	$ 17,085	**$ 35,354**	$ 35,342
Operating income				
Dairy products				
Canada	**$ 41,190**	$ 36,585	**$ 83,365**	$ 70,147
United States	**22,493**	30,394	**44,629**	62,507
	63,683	66,979	**127,994**	132,654
Grocery products	**7,042**	6,966	**14,493**	14,143
Stock-based compensation charge (Note 5)	**(860)**	—	**(1,720)**	—
	$ 69,865	$ 73,945	**$ 140,767**	$ 146,797
Interest	**10,323**	13,672	**21,744**	27,625
Earnings before income taxes	**59,542**	60,273	**119,023**	119,172
Income taxes	**17,433**	18,815	**35,591**	37,437
Net earnings	**$ 42,109**	$ 41,458	**$ 83,432**	$ 81,735

Consolidated Statements of
Cash Flows

(unaudited)

(in thousands of dollars, except per share amounts)	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2002	2001	**2002**	2001
Cash flows related to the following activities:				
Operating				
Net earnings	**$ 42,109**	$ 41,458	**$ 83,432**	$ 81,735
Items not affecting cash				
Depreciation of fixed assets	**17,743**	17,085	**35,354**	35,342
Loss on disposal of fixed assets	**33**	—	**37**	—
Future income taxes	**6,582**	2,789	**10,972**	5,578
	66,467	61,332	**129,795**	122,655
Changes in non-cash operating working capital items	**30,562**	(9,989)	**23,447**	(32,428)
	97,029	51,343	**153,242**	90,227
Investing				
Additions to fixed assets	**(17,005)**	(17,532)	**(32,259)**	(29,358)
Proceeds on disposals of fixed assets	**965**	—	**1,518**	—
Other assets	**(2,223)**	695	**(1,706)**	(6,104)
	(18,263)	(16,837)	**(32,447)**	(35,462)
Financing				
Bank loans	**(6,502)**	9,031	**(26,757)**	(312)
Repayment of long-term debt	**(45,030)**	(30,000)	**(70,030)**	(40,000)
Issuance of share capital	**749**	1,130	**3,763**	3,456
Employee future benefits	**150**	312	**450**	576
Dividends	**(16,023)**	(10,270)	**(16,023)**	(10,270)
	(66,656)	(29,797)	**(108,597)**	(46,550)
Increase in cash	**12,110**	4,709	**12,198**	8,215
Effect of exchange rate changes	**1,691**	520	**2,471**	960
Cash, beginning of period	**5,720**	10,240	**4,852**	6,294
Cash, end of period	**$ 19,521**	$ 15,469	**$ 19,521**	$ 15,469
Supplemental information				
Interest paid	**$ 1,891**	$ 9,607	**$ 21,138**	$ 29,224
Income taxes paid	**$ 21,457**	$ 24,505	**$ 41,567**	$ 29,092
Per share (Note 4)				
Net inflow of cash related to operations before changes in non-cash operating working capital items				
Basic	**$ 0.64**	$ 0.60	**$ 1.26**	$ 1.20
Diluted	**$ 0.63**	$ 0.59	**$ 1.24**	$ 1.19

Consolidated
Balance Sheets

(in thousands of dollars)	September 30 2002 (unaudited)	March 31 2002 (audited)
Assets		
Current assets		
Cash	**$ 19,521**	$ 4,852
Receivables	**270,633**	272,895
Inventories	**379,816**	406,621
Income taxes	**5,862**	4,288
Future income taxes	**13,587**	13,781
Prepaid expenses and other assets	**7,280**	11,078
	696,699	713,515
Portfolio investment	**55,991**	55,991
Fixed assets	**650,674**	658,845
Goodwill	**569,561**	572,375
Other assets (Note 3)	**43,546**	41,859
Future income taxes	**4,080**	4,090
	$ 2,020,551	$ 2,046,675
Liabilities		
Current liabilities		
Bank loans	**$ 2,150**	$ 28,907
Accounts payable and accrued liabilities	**313,985**	305,752
Income taxes	**1,532**	17,393
Current portion of long-term debt	**107,500**	102,555
	425,167	454,607
Long-term debt	**493,646**	572,570
Employee future benefits	**13,397**	12,947
Future income taxes	**116,244**	105,963
	1,048,454	1,146,087
Shareholders' Equity		
Share capital (Note 5)	**463,585**	459,822
Retained earnings	**477,057**	409,648
Contributed surplus resulting from the recording of the stock-based compensation	**1,470**	—
Foreign currency translation adjustment	**29,985**	31,118
	972,097	900,588
	$ 2,020,551	$ 2,046,675

Notes
to the Consolidated Financial Statements
(in thousands of dollars)

1. Accounting Policies

The unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles used in Canada and applied in the same manner as the most recently audited financial statements, with the exception of the recording of the stock-based compensation expense on a prospective basis since April 1, 2002. The unaudited consolidated financial statements do not include all the information and notes required according to generally accepted accounting principles for annual financial statements, and should therefore be read with the audited consolidated financial statements and the notes included in the Company's annual report for the year ended March 31, 2002.

2. Foreign Currency Translation

The balance sheet accounts of the self-sustaining companies operating in the United States were translated into Canadian dollars using the exchange rates at the balance sheet dates. Statement of earnings accounts were translated in Canadian dollars using the average monthly exchange rates in effect during the fiscal years. The foreign currency translation adjustment account presented in shareholders' equity represents accumulated foreign currency gains or losses on the Company's net investments in self-sustaining companies operating in the United States. The change in the foreign currency translation has no impact on the results from operations.

Foreign currency accounts of Canadian companies were translated into Canadian dollars using the exchange rates at the end of the year for current assets and liabilities and the prevailing exchange rates at the time of transactions for income and expenses. Gains resulting from this translation are included in the statement of earnings with "Cost of sales, selling and administrative expenses" and is represented by the following amounts:

	For the three-month periods ended September 30		**For the six-month periods ended September 30**	
	2002	2001	**2002**	2001
Foreign exchange gain	**$ 191**	$ 36	**$ 98**	$ 10

3. Other Assets

	September 30 2002	March 31 2002
Employee pension net benefit asset	**$ 27,746**	$ 26,561
Other	**15,800**	15,298
	$ 43,546	$ 41,859

4. Earnings per Share

The weighted average number of common shares outstanding for the three-month period ended September 30, 2002 is 103,389,462 (102,723,892 in 2001). For the six-month period ended September 30, 2002, this number is 103,335,771 (102,635,714 in 2001).

The weighted average number of common shares outstanding, including the potentially dilutive shares that could be issued following the exercise of options granted under the Company's share option plan is 104,624,321 (103,290,382 in 2001).

In 2001, the computations of basic and diluted earnings per share were adjusted retroactively as a result of the stock dividend declared to shareholders of record on November 23, 2001 which has the same effect as a two for one stock split.

5. Share Capital

Authorized

The authorized share capital of the Company consists of an unlimited number of common and preferred shares. The common shares are voting and participating. The preferred shares may be issued in one or more series, the terms and privileges of each series to be determined at the time of their creation.

	September 30 2002	March 31 2002
Issued		
103,405,553 common shares (103,184,447 at March 31, 2002)	**$ 463,585**	$ 459, 822

221,106 common shares for an amount of $3,763,000 were issued during the six-month period ended September 30, 2002 pursuant to the share option plan.

Share Option Plan

During the six-month period ended September 30, 2002, the Company granted 934,965 options.

	Number of options	**Weighted average exercise price**
Balance, March 31, 2002	**3,258,967**	**$ 16.69**
Options granted on April 1, 2002	**934,965**	**$ 30.35**
Options exercised	**(221,106)**	**$ 17.02**
Options cancelled	**(93,932)**	**$ 19.55**
Balance, September 30, 2002	**3,878,894**	**$ 19.89**

5. Share Capital (cont'd)

Stock-Based Compensation

The Company adopted the new Canadian Institute of Chartered Accountants accounting recommendations for stock-based compensation on April 1, 2002. These recommendations propose the fair value method to record stock options granted to employees. During the quarter ended September 30, 2002, the Company therefore used the fair value method accounting for stock-based compensation.

The Company recorded a $735,000 ($860,000 before income taxes) and a $1,470,000 ($1,720,000 before income taxes) expense related to options granted for the three-month and six-month periods ended September 30, 2002 respectively.

The effect of the expense on basic earnings per share and fully diluted earnings per share is $0.007 for the three-month period ended September 30, 2002 and $0.014 for the six-month period ended on the same date.

The fair value of share purchase options was estimated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate:	5%
Expected life of options:	10 years
Volatility:	20%
Dividend rate:	1.3%

6. Comparative Figures

Certain of the prior year's comparative figures have been reclassified to conform to the current year's presentation.

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Information

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