



PRESS RELEASE

FINANCIAL RESULTS FOR FISCAL 2003

NET EARNINGS UP 8.4%

(Montréal, June 10, 2003) – Saputo Inc. revealed today its financial results for fiscal 2003, which ended March 31, 2003.

- Net earnings of \$173.7 million or \$1.68 (basic) per share, up 8.4% as compared to fiscal 2002. This amount takes into account the recording of an expense relative to stock based compensation in the amount of \$1.3 million. If it were not for that element, net earnings would have risen by 9.2% over fiscal 2002.
- Revenues totalled \$3.398 billion compared to \$3.457 billion of fiscal 2002. The average selling price per pound of cheese on the US market was 21% lower for fiscal 2003 as compared to last year creating a shortfall in revenues of approximately \$158 million. Also, our Bakery Division operated exclusively in a snack cake environment in fiscal 2003, unlike last year, when there were 15 weeks of operations in the cookie, fine bread and soup categories. These operations were transferred to Dare Foods in July 2001.
- EBITDA¹ amounted to \$354.3 million in fiscal 2003, up 0.5% over last year.
- EBITDA in the Canadian Dairy Products Sector of \$200.6 million, up 9.6% compared to the same period last year. EBITDA margin for this sector climbed from 9.2% last year to 9.9% during fiscal 2003. These amounts take into account approximately \$1.1 million of rationalization cost incurred during the year.
- EBITDA in the US Dairy Products Sector of \$120.5 million, a decrease of \$13.5 million from last year. Market price conditions in fiscal 2003 created a shortfall of approximately \$19 million in EBITDA compared to fiscal 2002.
- Sales volume in the US Dairy Products Sector up nearly 9.5% as compared to last year.
- EBITDA in the Grocery Products Sector of \$33.2 million for an EBITDA margin of 19.8% as compared to \$35.4 million and a margin of 18.9% for fiscal 2002.
- Cash generated before changes in non-cash operating working capital items of \$250.1 million, slightly over last year.
- Repayment of \$133.9 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, amortization and stock based compensation. 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.

Summary of fourth quarter results

- Net earnings stand at \$47.8 million.
- Net earnings take into account a positive after-tax adjustment of \$0.9 million to the cumulative stock based compensation cost.
- The effective tax rate was 21.1%, lower than the last fiscal year and reflecting the different jurisdictions in which taxable profits originated, as well as a \$4.1 million tax benefit in connection with a transfer pricing agreement reached in the fourth quarter, which takes into account the difference in income tax rates applicable to Canadian-US inter-company transactions.
- EBITDA for the fourth quarter amounted to \$87.5 million, compared to \$92.5 million for the same period of fiscal 2002. The decrease stems essentially from the US Dairy Products Sector, where the average selling price per pound of cheese was lower than in fiscal 2002 and combined with the appreciation of the Canadian dollar to account for a reduction in EBITDA. The Canadian Dairy Products Sector and Grocery Products Sector were relatively stable compared to fiscal 2002.
- Revenues totalled \$807.1 million, compared to \$833.6 million for the same period of fiscal 2002, representing a decrease of \$26.5 million.
- In the US Dairy Products Sector, appreciation of the Canadian dollar in relation to US currency this last quarter compared to the corresponding period in fiscal 2002 represents roughly \$15 million less in revenues. The average selling price per pound of cheese on the US market was down by about 11% during the quarter compared to fiscal 2002, representing about \$17 million less in revenues. At December 31, 2002, our US sales volumes were up 11.1% for the nine-month period compared to the fiscal year before. For the final quarter, growth was 4.8%, bringing the increase in volume for fiscal 2003 to 9.5%.
- The Canadian Dairy Products Sector and Grocery Products Sector enjoyed slight increases in revenues amounting to \$4.1 million, or 0.8%.

Sensibility analysis

Canadian-US currency variations may affect results. Based on 2003 US dollar conversion and on our 2003 financial results, a change of CND\$0.01 would have resulted in a variation of approximately \$0.4 million in net earnings, \$1.7 million in EBITDA and \$17.0 million in revenues.

Outlook

Over the coming years, the dairy industry will need to focus on creating innovative dairy products that match the changing nutritional needs of consumers. While milk and cheese have been, and will continue to be, mainstays of Canadian consumers' diets, advances in technology will increasingly allow us to utilize wholesome milk products as a means to deliver a broad range of nutritional, lifestyle and health needs. A critical component to the industry achieving innovation and consumer satisfaction lies in cooperation between and objectives shared by all levels of the industry.

We have mentioned frequently that the Canadian dairy market does not present many possibilities for organic growth. Cheese consumption is static, notwithstanding cheese sales growth in the retail segment. We believe that the development of new value-added products may sustain the growth and development of new or existing categories of milk products or dairy beverages. We are already present in that segment with some of our products in the Milk Division, but much remains to be done through innovation.

In our Canadian Dairy Products Sector, beyond the development of new products or new niches, our guarantee of success continues to lie in ensuring our efficiency. We are going to complete the rationalization project initiated in 2003 and we intend to spend approximately \$2 million over the course of fiscal 2004, which should translate into savings of approximately \$7 million for that period and of approximately \$8 million per year thereafter. Possibilities for organic growth being quite limited, we must be highly active in the daily management of our activities that encompass all levels of the organization. During the 2004 fiscal year, our evaluation will focus, among other things, on the efficiency of our operational structure and on maximizing the use of our production capacities. The Company's origins are in the manufacture of cheese, and for this reason our attention has always primarily been focused, as is the case today, on seeking out acquisitions in the cheese industry. However, with a market share of approximately 20% in fluid milk, we are open to considering eventual acquisitions in Canada, in milk and in dairy beverages.

The United States remains the place where the potential for acquisitions is greatest. The US industry is coming off a rather difficult year and remains relatively fragmented. There is room for consolidation, and we will be watchful. We are going to continue our strategic organic growth, where we could easily increase capacity with a minor investment, if necessary. Beginning April 1, 2003, we also introduced a minimum pricing formula on all of our cheese sales in the United States, closely linked to the Government support price per pound of cheese on the US market.

Our Bakery Division will continue to work on improving efficiency while further developing our business in all regions of Canada. It is important to remain efficient in an environment where competition is increasing and where we are exposed to price fluctuations in raw materials. We will continue in our efforts to gradually penetrate the US market.

Our goal of becoming a world-class cheese company remains unchanged, but to achieve it we must be in a market where the raw material is accessible at competitive international prices. Therefore, we have initiated a search for acquisitions and partnerships that would take us beyond North America. Our intention here remains the same: to broaden our horizons in order to better serve our customer base, and in such a way as to be competitive on a worldwide basis.

Board of Directors

Over the last few months, two directors joined the Board of the Company. They are Mr. Jean Gaulin and Mr. Frank A. Dottori. Mr. Gaulin is currently a corporate director. During his career, he has held different executive positions at Ultramar Diamond Shamrock. Mr. Dottori is currently President and Chief Executive Officer of Tembec, a Canadian forest products company.

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. We disclaim any intention or obligation to update or revise forward-looking statements based on any new information or event that may occur.

Dividends

The Board of Directors of the Company declared a dividend of \$0.10 per share, payable on July 11, 2003, to shareholders of record as of June 25, 2003. This dividend is for the quarter ended March 31, 2003.

Conference call

A conference call to discuss the fiscal 2003 results will be held on Tuesday, June 10, 2003 at 4:15 PM, Eastern time. To participate in the conference dial (416) 695-5806 or 1-800-273-9672. 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/030610sap/staging.htm> in your web browser.

For those unable to participate, an instant replay will be available until midnight, Tuesday, June 17, 2003. To access the replay dial (416) 695-5800 or 1-800-408-3053, passcode 1433192. The conference call will also be archived on the Saputo web site at www.saputo.com.

About Saputo

Every day, in 47 plants and in our distribution centres, Saputo's 7,000 employees proudly manufacture, market and distribute a wide range of products that find their way daily on store shelves, in restaurants and in prepared meals. Active in the dairy and grocery product sectors, the Company markets its products under such brand names as *Saputo*, *Stella*, *Frigo*, *Dragone*, *Armstrong*, *Caron*, *Cayer*, *Treasure Cave*, *Dairyland*, *Baxter*, *Nutrilait* and *Vachon*. A dynamic world-class company, Saputo Inc. is the largest dairy processor in Canada and one of the leading cheese manufacturers in North America. Saputo Inc. is a public company and its shares are listed on the Toronto Stock Exchange under the symbol SAP. Visit www.saputo.com for further information.



CONSOLIDATED STATEMENTS OF EARNINGS

(in thousands of dollars, except per share amounts)

	For the three-month periods ended March 31 (unaudited)		For the year ended March 31 (audited)	
	2003	2002	2003	2002
Revenues	\$ 807,065	\$ 833,634	\$ 3,398,112	\$ 3,457,412
Cost of sales, selling and administrative expenses	718,437	741,113	3,045,317	3,104,990
Earnings before interest, depreciation and income taxes	88,628	92,521	352,795	352,422
Depreciation of fixed assets	17,739	15,771	70,889	68,087
Operating income	70,889	76,750	281,906	284,335
Interest on long-term debt	10,276	12,339	43,672	53,379
Other interest	110	(136)	(1,351)	(801)
Earnings before income taxes	60,503	64,547	239,585	231,757
Income taxes	12,743	21,216	65,857	71,596
Net earnings	\$ 47,760	\$ 43,331	\$ 173,728	\$ 160,161
Per share				
Net earnings				
Basic	\$ 0.46	\$ 0.42	\$ 1.68	\$ 1.56
Diluted	\$ 0.45	\$ 0.41	\$ 1.66	\$ 1.54

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(in thousands of dollars)

	For the year ended March 31 (audited)	
	2003	2002
Retained earnings, beginning of year	\$ 409,648	\$ 271,087
Net earnings	173,728	160,161
Dividends	(36,709)	(21,600)
Retained earnings, end of year	\$ 546,667	\$ 409,648

See notes to the March 31, 2003 consolidated financial statements presented in the annual report



SEGMENTED INFORMATION

(in thousands of dollars)

	For the three-month periods ended March 31 (unaudited)		For the year ended March 31 (audited)	
	2003	2002	2003	2002
Revenues				
Dairy Products				
Canada	\$ 487,475	\$ 484,407	\$ 2,017,383	\$ 1,987,486
United States	277,941	308,616	1,212,810	1,282,555
	765,416	793,023	3,230,193	3,270,041
Grocery Products	41,649	40,611	167,919	187,371
	\$ 807,065	\$ 833,634	\$ 3,398,112	\$ 3,457,412
Earnings before interest, depreciation and income taxes				
Dairy Products				
Canada	\$ 51,317	\$ 50,819	\$ 200,621	\$ 183,054
United States	27,837	32,729	120,484	133,996
	79,154	83,548	321,105	317,050
Grocery Products	8,369	8,973	33,165	35,372
Stock based compensation charge	1,105	-	(1,475)	-
	\$ 88,628	\$ 92,521	\$ 352,795	\$ 352,422
Depreciation of fixed assets				
Dairy Products				
Canada	\$ 7,670	\$ 5,965	\$ 29,697	\$ 27,970
United States	8,692	8,456	35,704	33,607
	16,362	14,421	65,401	61,577
Grocery Products	1,377	1,350	5,488	6,510
	\$ 17,739	\$ 15,771	\$ 70,889	\$ 68,087
Operating income				
Dairy Products				
Canada	\$ 43,647	\$ 44,854	\$ 170,924	\$ 155,084
United States	19,145	24,273	84,780	100,389
	62,792	69,127	255,704	255,473
Grocery Products	6,992	7,623	27,677	28,862
Stock based compensation charge	1,105	-	(1,475)	-
	\$ 70,889	\$ 76,750	\$ 281,906	\$ 284,335
Interest	10,386	12,203	42,321	52,578
Earnings before income taxes	60,503	64,547	239,585	231,757
Income taxes	12,743	21,216	65,857	71,596
Net earnings	\$ 47,760	\$ 43,331	\$ 173,728	\$ 160,161



CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of dollars)

	For the three-month periods ended March 31 (unaudited)		For the year ended March 31 (audited)	
	2003	2002	2003	2002
Cash flows related to the following activities:				
Operating				
Net earnings	\$ 47,760	\$ 43,331	\$ 173,728	\$ 160,161
Items not affecting cash				
Stock based compensation	1,475	-	1,475	-
Depreciation	17,739	15,771	70,889	68,087
Gain on disposal of fixed assets	(298)	-	(404)	(845)
Future income taxes	(2,838)	8,455	4,435	17,132
	63,838	67,557	250,123	244,535
Changes in non-cash operating working capital items	4,874	(13,914)	(26,591)	(44,929)
	68,712	53,643	223,532	199,606
Investing				
Plant acquisition	-	(16,410)	-	(16,410)
Additions to fixed assets	(23,387)	(20,967)	(70,591)	(63,180)
Proceeds on disposals of fixed assets	974	3,445	4,060	3,445
Other assets	191	(1,417)	3,614	(7,889)
	(22,222)	(35,349)	(62,917)	(84,034)
Financing				
Bank loans	(5,941)	23,347	(11,315)	18,264
Repayment of long-term debt	(27,535)	(55,050)	(122,565)	(125,050)
Issuance of share capital	585	3,623	4,509	8,775
Employee future benefits	340	1,397	990	1,373
Dividends	(10,344)	(5,673)	(36,709)	(21,600)
	(42,895)	(32,356)	(165,090)	(118,238)
Increase (decrease) in cash	3,595	(14,062)	(4,475)	(2,666)
Effect of exchange rate changes	(3,571)	(491)	(1,613)	1,224
(Bank overdraft) cash, beginning of period	(1,260)	19,405	4,852	6,294
(Bank overdraft) cash, end of period	\$ (1,236)	\$ 4,852	\$ (1,236)	\$ 4,852

Supplemental information

Interest paid (received)	\$ (449)	\$ 3,187	\$ 38,805	\$ 51,630
Income taxes paid (received)	\$ (8,596)	\$ 18,523	\$ 43,079	\$ 68,795



CONSOLIDATED BALANCE SHEETS

(in thousands of dollars)

	March 31, 2003 (audited)	March 31, 2002 (audited)
Assets		
Current assets		
Cash	\$ -	\$ 4,852
Receivables	239,366	272,895
Inventories	392,852	406,621
Income taxes	24,290	4,288
Future income taxes	12,854	13,781
Prepaid expenses and other assets	18,383	11,078
	687,745	713,515
Portfolio investment	55,991	55,991
Fixed assets	627,841	658,845
Goodwill	550,630	572,375
Other assets	39,618	41,859
Future income taxes	8,861	4,090
	\$ 1,970,686	\$ 2,046,675
Liabilities		
Current liabilities		
Bank overdraft	\$ 1,236	\$ -
Bank loans	17,592	28,907
Accounts payable and accrued liabilities	245,188	305,752
Income taxes	44,403	17,393
Current portion of long-term debt	110,000	102,555
	418,419	454,607
Long-term debt	411,135	572,570
Employee future benefits	13,937	12,947
Future income taxes	110,691	105,963
	954,182	1,146,087
Shareholders' Equity		
Share capital	464,331	459,822
Contributed surplus	1,475	-
Retained earnings	546,667	409,648
Foreign currency translation adjustment	4,031	31,118
	1,016,504	900,588
	\$ 1,970,686	\$ 2,046,675

Information

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