Management's Analysis

The 2002 fiscal year was outstanding. Net earnings totalled $160.2 million, an increase of 29.1% over the $124.1 million (before amortization of goodwill) of the previous fiscal year. Dairyworld, acquired on February 5, 2001, was the main driving force behind this advance, and once again this year each of the divisions performed well. These results generated a return on average shareholders' equity of 19.4% for fiscal 2002.

This year Dairyworld contributed to the results for the entire year, compared to eight weeks in fiscal 2001. Furthermore, cookies, fine breads and soups activities in the Grocery Products Sector contributed during 15 weeks in 2002, compared to the entire year in 2001, these activities having been transferred to Dare Foods in exchange for an ownership interest of 21% in that company.

Operating Results •

Revenues totalled $3.457 billion at March 31, 2002, up 60.0% over the $2.162 billion of the previous fiscal year. 90% of the increase in revenues is attributable to the contribution of Dairyworld for 52 weeks this year. The rest of the advance is related to the combination of additional revenues deriving from American activities and the lower revenues from the activities of the Grocery Products Sector, primarily because of the transfer to Dare Foods of the cookies, fine breads and soups activities as per the agreement entered into in July 2001.

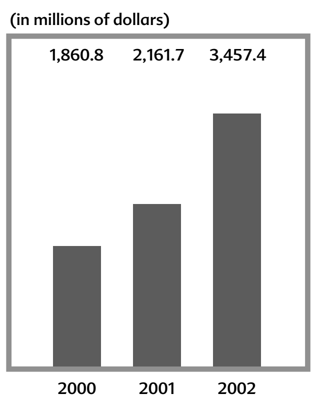
As for **earnings before interest, income taxes, depreciation and amortization (EBITDA)**, these reached $352.4 million in fiscal 2002, an increase of 30.0% over the $271.0 million of last year. The Canadian components of the Dairy Products Sector, impacted by the strength of the contribution of Dairyworld, were the principal source of this increase.

The EBITDA profit margin, meanwhile, dropped from 12.5% in 2001 to 10.2% in 2002. The Dairyworld margin was 4.6% last year and made significant progress in the course of fiscal 2002. Dairyworld's revenues represent nearly 40% of the total revenues of the Company but generate a lower EBITDA margin than do other activities — which exerts downward pressure on the EBITDA margin for the Company activities as a whole.

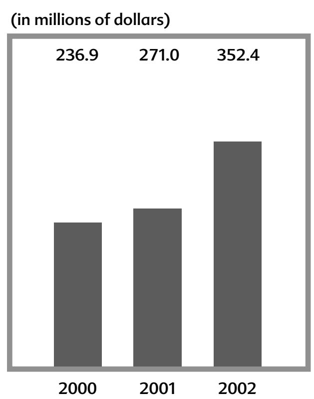
During the fiscal year, **depreciation of fixed assets** amounted to $68.1 million, compared to the $51.8 million of the previous year. 82% of that increase is related to the depreciation of Dairyworld's fixed assets over an entire year.

For the fiscal year ended March 31, 2002, **interest expense** climbed to $52.6 million, an increase of $13.1 million over the previous fiscal year and which reflects the costs involved in financing the acquisition of Dairyworld for 52 weeks, compared to eight weeks last year. The interest expense would have been greater had it not been for the excellent results of the Company, which enabled it to make significant repayments of long-term debts. Low interest rates also worked in the Company's favour.

REVENUES



EBITDA



Income taxes totalled $71.6 million for fiscal 2002, for an effective tax rate of 30.9%, which was more or less the same rate as the previous fiscal year.

Reflecting all the initiatives of each one of the divisions and especially the efforts devoted to the integration of Dairyworld, **net earnings** reached $160.2 million, up $36.1 million or 29.1 % over the $124.1 million (before amortization of goodwill) of the previous year.

Cash and financial resources •

Fiscal 2002 was another excellent year in terms of cash flow linked to the Company's activities. Cash generated before changes in non-cash working capital items totalled $244.5 million, an increase of 28.6% over the $190.1 million of the previous fiscal year. During fiscal 2002 the Company earmarked $59.7 million for additional capital expenditures, touching on all sectors of activity. Roughly half the sums earmarked were for the replacement of certain of our fixed assets. Nearly 22% of the total went towards enhancing our production capacities, either by expansion or by new acquisitions, the aim being to rationalize some of our activities. Lastly, roughly $17 million was invested with the objective of improving our processes and our technology and meeting environmental standards. For fiscal 2003 we anticipate spending $64 million for additional capital expenditures, a much lower amount than the $71 million in depreciation costs expected for the same fiscal year.

Also in 2002, investment activity devoted $16.4 million to the acquisition of businesses. As for financing activities, in the course of the year, thanks to excellent cash inflow, the Company repaid $125 million in long-term debt, a full $30 million above stated commitments. Another $21.6 million was paid out in dividends, amounting to $0.22 per share as compared to the $0.18 per share of the previous fiscal year. The Company undertook to review, at least once a year, its annual dividend policy, in relation to results, financial position and perspectives for the future.

In excellent financial health and with a working-capital ratio of 1.57 and a debt to equity ratio of 0.78, the Company looks to the future with optimism. With its goal of growth through acquisitions, the Company could add $600 million in additional indebtedness to its current financial position without infringing on the integrity of certain ratios it is committed to honouring.

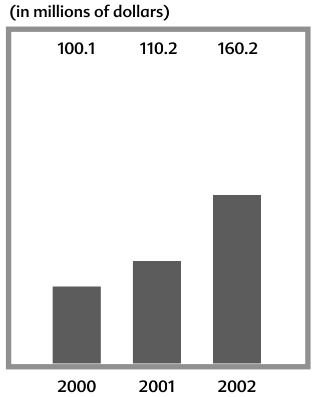
Financial instruments, risk and uncertainty •

Fiscal 2002 was marked by economic factors that brought downward pressure to bear on interest rates. Since March 31, 2001, when half its long-term debt was at variable rates, the Company availed itself of drops in interest rates to conclude swap contracts. Thus, at March 31, 2002, only 11% of its long-term debt is subject to fluctuations of interest rates.

The Company realizes approximately 37% of its sales in the United States and is therefore exposed to currency exchange fluctuations. The cash flows from US operations constitute a natural hedge against the exchange risk related to debt expressed in US dollars. The Company is also subject to commodity pricing fluctuation.

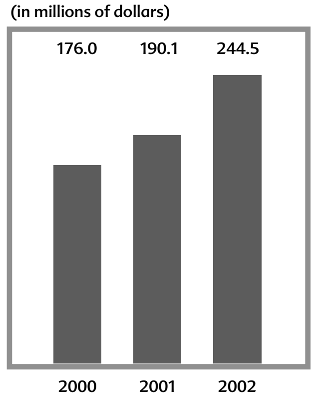
NET EARNINGS

(in millions of dollars)



CASH FLOW GENERATED BY OPERATIONS

(in millions of dollars)



The Company operates in the area of edible products intended for a broad range of consumers, and is diligent in applying all its quality-control procedures from start to finish of the process of manufacturing and marketing. For any other risks the Company could be exposed to, controls and mechanisms currently in place continuously enable the firm to reduce them.

Changes in accounting policies •

In 2001 the Canadian Institute of Chartered Accountants (CICA) published new Handbook sections 1581 ("Business Combinations") and 3062 ("Goodwill and Other Intangible Assets"). The new standards specify that all business combinations are required to use the purchase method of accounting, and that goodwill may no longer be amortized but must rather be tested for impairment on an annual basis. All permanent impairment to the book value of goodwill must be written off. The Company has therefore not been amortizing goodwill since April 1, 2001. Impairment tests were applied on March 31, 2002 and 2001, and no impairment of value was ascertained.

The CICA also published an accounting standard — Section 3870, "Stock-Based Compensation and Other Stock-Based Payments" — to be adopted for fiscal years beginning on or after January 1, 2002. The Company has been applying it since that date. For fiscal 2002, the effect of applying this section on the pro forma basic net earnings per share is less than $0.02 per share.

Outlook •

The pronounced growth of profits in fiscal 2002 demonstrates once again the ability of the Company to acquire, to integrate and to effectively improve the results of businesses acquired. Although well-advanced, the process of improving the activities of Dairyworld, under way since February 5, 2001, will continue well into the 2003 fiscal year. With that acquisition, the Company has positioned itself strategically on a Canadian scale. Integration efforts are aimed first and foremost at the improvement of operating processes. It happens nevertheless that the rationalization of business locations must take its place in the framework of our improvement processes if we are to further reinforce the Company for the future.

The growth of the Company, although it may happen organically, rests essentially on acquisitions. We have demonstrated so over the last several years, by raising revenues from $450 million for fiscal 1997 to almost $3.5 billion in the last fiscal year, while our results generated a return on average shareholders' equity of 18.4% during this same five-year period.

The Company demonstrates its leadership as a consolidator and integrator. Our financial position is excellent. We are a dairy processor above all else; and equipped with our experience and the well-advanced integration of Dairyworld, we will focus development work on the American market, where our growth — although again organic to some extent — will take place primarily by way of acquisitions. We will be on the lookout for anything that may contribute to the growth of Saputo, and will be targeting firms with the capacity to grow within the Company.

Information by sector

The Company administers two sectors of activity, the Dairy Products Sector, which operates in Canada and in the United States, and the Grocery Products Sector, which consists of the Bakery Division.

Dairy Products •

In Canada, revenues for the fiscal year ended March 31, 2002 totalled $1.987 billion, an increase of 147% over the $804.0 million posted last year. The contribution of Dairyworld over 52 weeks this year, compared to just eight weeks a year earlier, accounts for 99% of the increase in revenues for fiscal 2002. Since this acquisition, our dairy revenues in Canada are more equally divided geographically, and our line of products is more extensive and better distributed in the different market segments.

In the United States, revenues amounted to $1.283 billion, up 16% over the $1.106 billion of last year. During the fiscal year, the average price per pound of cheese was higher than it was during the previous fiscal year. Also, in 2002, the Canadian dollar weakened in relation to US currency. The combined effect of these two elements represents $185 million more in revenues as compared to the fiscal year before. As for volumes processed and brought to market, data remained essentially the same as a year earlier. The latest acquisition, a processing plant in Pennsylvania in March 2002, should enable us to increase our volume by approximately 6% in the course of the next fiscal year. And the Company is focusing greater effort on organic growth.

The aggregate of the Dairy Products Sector generated **EBITDA** of $317.1 million at March 31, 2002, up 38.8% over the $228.5 million posted in fiscal 2001.

In Canada, EBITDA totalled $183.1 million at March 31, 2002, compared to the $96.9 million reported last year — an increase of $86.2 million, or 89%. The primary source of this advance is the full-year contribution of Dairyworld, which the year before contributed for eight weeks. Beyond that full-year contribution, efforts at integration and improvement undertaken during fiscal 2002 with respect to Dairyworld activities were very productive. Those efforts will continue for a good part of fiscal 2003, with the aim of establishing a fully efficient Canadian dairy operation. Since the start of the 2002 fiscal year we have been increasing Dairyworld's EBITDA from quarter to quarter.

Canadian dairy EBITDA profit margins slipped from 12.1% last year to 9.2% this year. That drop can be explained by the fact that Dairyworld posts a lower EBITDA margin than do the rest of Canadian dairy activities and that it contributed for all 52 weeks of fiscal 2002 as compared to eight weeks in fiscal 2001. If we were to annualize Dairyworld's revenues and EBITDA for the eight weeks of operations of the previous fiscal year, we would get a Canadian dairy EBITDA margin of 7.7% — meaning that the margin of 9.2% obtained this year clearly indicates growth, an accurate reflection of all the improvement efforts made during the fiscal year.

EBITDA from the American Dairy Products Sector totalled $134.0 million at March 31, 2002, up 1.8% over the $131.6 million generated last year. The weakness of the Canadian dollar accounted for a positive contribution of $5 million in EBITDA compared to the previous year. On the other hand, when we examine the American market with great care for the fiscal year ended March 31, 2002, we can determine three important elements. The first is that the price of the raw material, milk, did not fluctuate in tandem with variations in the price per pound of cheese — which entails a negative effect on EBITDA. The second is that the price per pound of cheese was US$1.2350 on March 31, 2002, down US$0.12 from the US$1.3550 of March 31, 2001 — which also has a negative effect on EBITDA. And the third element is that, during fiscal 2002, the average sales price per pound of cheese rose to US$1.45 from the US$1.17 of 2001 — which has a favourable impact on EBITDA, costs other than milk having a better absorption basis. These

three elements combined to obscure the improvements carried out in the United States this year, both in terms of better operating performance and of tighter cost control. Indeed, their combined effect represents a loss of potential earnings of close to $11 million in EBITDA.

The EBITDA profit margin of 10.5% at March 31, 2002, compared to the 11.9% at March 31, 2001, would have been 12.8% if we extract from revenues of the last fiscal year the $185 million related to the average sales price per pound of cheese as well as the impact of a weaker Canadian dollar, and if we readjust the EBITDA for this fiscal year to mitigate the negative and positive effects mentioned above. Thus, our operating systems have once again demonstrated their performance capacities in spite of unfavourable conditions that lie beyond our control.

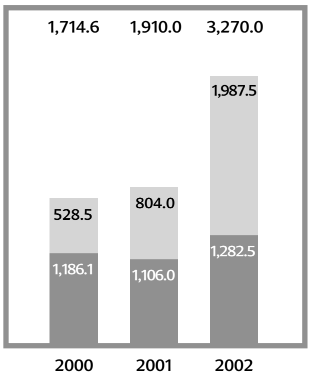
Grocery Products •

Revenues from this sector dropped from $251.7 million for the fiscal year ended March 31, 2001, to $187.4 million for the fiscal year ended March 31, 2002. This decrease is primarily accounted for by the transfer of our cookies, fine breads and soups activities to Dare Foods last July. In other words, the activities of those segments contributed to revenues in fiscal 2002 for only 15 weeks, as opposed to a full 52 weeks during fiscal 2001.

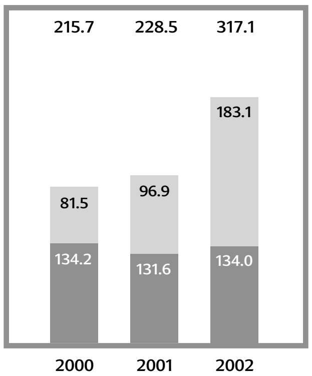
Our new positioning, with an emphasis on snack cakes, will enable us to better focus on our activities with a view to expanding our market in Western Canada and gradually developing the US market.

EBITDA totalled $35.4 million at March 31, 2002, for an EBITDA profit margin of 18.9%, compared to the $42.5 million and profit margin of 16.9% posted at March 31, 2001. As we mentioned above, the transfer of certain activities to Dare Foods mostly explains the drop of $7.1 million in EBITDA. From our ownership interest of 21% in Dare Foods, we received a dividend included in our revenues and we expect an appreciation in the value of our investment. This transfer of activities will provide the Bakery Division with a very precise focus, which will help us enhance its profitability. The latest initiatives announced in this sector, including consolidation of our manufacturing facilities, will enable us to enhance performance in the division.

REVENUES
DAIRY PRODUCTS SECTOR
(in millions of dollars)



EBITDA
DAIRY PRODUCTS SECTOR
(in millions of dollars)



Canada ■ United States

2002 Quarterly Financial Information
Consolidated Statements of Earnings

(in thousands of dollars, except per share amounts)	1st Quarter (unaudited)	2nd Quarter (unaudited)	3rd Quarter (unaudited)	4th Quarter (unaudited)	Fiscal 2002 (audited)
Statements of earnings data					
Revenues	$ 873,056	$ 893,443	$ 857,279	$ 833,634	$ 3,457,412
Cost of sales, selling and administrative expenses	781,947	802,413	779,517	741,113	3,104,990
Earnings before interest, income taxes, depreciation and amortization (EBITDA)	91,109	91,030	77,762	92,521	352,422
EBITDA margin	*10.4%*	*10.2%*	*9.1%*	*11.1%*	*10.2%*
Depreciation of fixed assets	18,257	17,085	16,974	15,771	68,087
Operating income	72,852	73,945	60,788	76,750	284,335
Interest on long-term debt	14,291	13,907	12,842	12,339	53,379
Other interest	(338)	(235)	(92)	(136)	(801)
Earnings before income taxes and amortization of goodwill	58,899	60,273	48,038	64,547	231,757
Income taxes	18,622	18,815	12,943	21,216	71,596
Earnings before amortization of goodwill	40,277	41,458	35,095	43,331	160,161
Amortization of goodwill	—	—	—	—	—
Net earnings	$ 40,277	$ 41,458	$ 35,095	$ 43,331	$ 160,161
Net margin	*4.6%*	*4.6%*	*4.1%*	*5.2%*	*4.6%*
Per share					
Earnings before amortization of goodwill	$ 0.40	$ 0.40	$ 0.34	$ 0.42	$ 1.56
Diluted earnings before amortization of goodwill	$ 0.39	$ 0.40	$ 0.34	$ 0.41	$ 1.54
Net earnings	$ 0.40	$ 0.40	$ 0.34	$ 0.42	$ 1.56
Diluted net earnings	$ 0.39	$ 0.40	$ 0.34	$ 0.41	$ 1.54

2001 Quarterly Financial Information
Consolidated Statements of Earnings

(in thousands of dollars, except per share amounts)	1st Quarter (unaudited)	2nd Quarter (unaudited)	3rd Quarter (unaudited)	4th Quarter (unaudited)	Fiscal 2001 (audited)
Statements of earnings data					
Revenues	$ 479,949	$ 503,508	$ 490,135	$ 688,079	$ 2,161,671
Cost of sales, selling and administrative expenses	413,190	436,478	432,534	608,495	1,890,697
Earnings before interest, income taxes, depreciation and amortization (EBITDA)	66,759	67,030	57,601	79,584	270,974
EBITDA margin	*13.9%*	*13.3%*	*11.8%*	*11.6%*	*12.5%*
Depreciation of fixed assets	12,392	12,052	11,960	15,359	51,763
Operating income	54,367	54,978	45,641	64,225	219,211
Interest on long-term debt	9,907	9,446	9,233	12,117	40,703
Other interest	(57)	(274)	(680)	(173)	(1,184)
Earnings before income taxes and amortization of goodwill	44,517	45,806	37,088	52,281	179,692
Income taxes	14,027	14,529	11,480	15,571	55,607
Earnings before amortization of goodwill	30,490	31,277	25,608	36,710	124,085
Amortization of goodwill	3,180	3,177	3,235	4,252	13,844
Net earnings	$ 27,310	$ 28,100	$ 22,373	$ 32,458	$ 110,241
Net margin	*5.7%*	*5.6%*	*4.6%*	*4.7%*	*5.1%*
Per share					
Earnings before amortization of goodwill	$ 0.30	$ 0.30	$ 0.25	$ 0.36	$ 1.21
Diluted earnings before amortization of goodwill	$ 0.29	$ 0.30	$ 0.25	$ 0.36	$ 1.20
Net earnings	$ 0.27	$ 0.27	$ 0.22	$ 0.32	$ 1.08
Diluted net earnings	$ 0.26	$ 0.27	$ 0.22	$ 0.32	$ 1.07