



SECOND QUARTER FISCAL 2001
Interim Report

 SAPUTO

Message to Shareholders



We are pleased to announce the results for the second quarter of 2001. For the quarter ended September 30, 2000, net earnings were 18.6% higher than in the same quarter last year and attained \$28.1 million or \$0.55 (basic) per share, compared with \$23.7 million or \$0.49

(basic) per share a year earlier.

Earnings before interest, income taxes, depreciation and amortization (EBITDA) amounted to \$67 million, \$11.4 million (20.5%) more than for the same period last year. Nearly 83% of this increase is attributable to the new Grocery Products sector, which contributed to the whole second quarter 2001 as opposed to only two weeks of the same period last year. The EBITDA margin increased to 13.3%, compared with 11.2% for the same quarter 2000.

Revenues totalled \$503.5 million for the three months ended September 30, 2000, an increase of 1.7% compared with \$495 million in 1999. Two major factors affected sales: additional revenues from the acquisition of Culinar Inc. and Cayer-JCB Group Inc., and a decrease in the average selling price of cheese on the American market, which fell 27% lower than in the same quarter last year.

CASH AND FINANCIAL RESOURCES

Since the beginning of fiscal 2001, net cash flow generated from operations before changes in non-cash working capital items was approximately \$93.4 million or \$1.82 (basic) per share. This was 22.1% higher than the \$76.5 million or \$1.57 (basic) per share recorded for the same period in the previous fiscal year. These substantial cash inflows were mainly used to repay \$81.1 million of the long-term debt, \$61.1 million more than the Company's current commitments. Net additional capital expenditures accounted for most of the remaining funds generated from operations. These amounted to \$16 million at September 30, 2000 and included the \$3.1 million proceeds from the disposal of capital assets during this period.

INFORMATION BY SECTOR

DAIRY PRODUCTS - CANADA

Revenues for second quarter 2001 were \$18.3 million (13.7%) higher than for the same quarter last year. The February 2000 acquisition of Cayer-JCB Group Inc. was the main reason for this increase.

The EBITDA margin was 13.2%, compared with 13.9% for the same quarter 2000. If we would exclude the lower EBITDA margins generated by Cayer-JCB Group Inc. and the international market segment, the EBITDA margin would be 16.3%. The integration of Cayer-JCB Group activities is proceeding and the Company believes it will achieve total integration in the next few months. With the resulting synergy, a higher EBITDA margin may be expected. With regards to the EBITDA margin on international sales, this was negatively affected by the delay in setting up a milk supply system compliant with World Trade Organization regulations on export products.

DAIRY PRODUCTS - UNITED STATES

For the second quarter of the current fiscal year, revenues totalled \$288.2 million, \$58.7 million less than in the same quarter last year. The unfavourable average selling price of cheese, which resulted in a 27% decrease compared to the same period last year, explains \$56 million of the discrepancy in sales; the remaining difference is due to slightly lower volumes.

EBITDA for the quarter ended September 30, 2000 was \$36.1 million, an increase of 2% compared to last year. The EBITDA margin during this quarter was 12.5%. If we would exclude the effect of the change in the average selling price per pound of cheese, the EBITDA margin would be 10.5%, compared with 10.2% last year.

INFORMATION BY SECTOR (CONTINUED)

GROCERY PRODUCTS

Revenues for second quarter 2001 amounted to \$63 million and EBITDA attained \$10.9 million. The EBITDA margin was 17.3%, compared with 10.6% in the same quarter 2000. However, last year's second quarter revenues only included the results of Culinar Inc. for two weeks as opposed to the whole period this year.

Before Saputo acquired the firm, Culinar's EBITDA margin was 12.2%. Company management is satisfied with the progress achieved in integrating Culinar activities, which is reflected in the substantial increase in the EBITDA margin compared with historical data. Activities in this sector are expected to be fully integrated into the corporate fold by March 31, 2001.

ACCOUNTING POLICY

The Company has adopted, on a prospective basis, the new recommendations by the Canadian Institute of Chartered Accountants concerning accounting methods for income taxes, pensions and other future benefits. Adopting these changes had no significant impact on the results of the current fiscal year.

DIVIDEND

The Board of Directors of the Company has declared a dividend of \$0.09 per common share payable on December 15, 2000 to shareholders of record at December 1, 2000. This dividend relates to the second quarter beginning July 1, 2000 and ended September 30, 2000.



Lino Saputo
*Chairman of the Board and
Chief Executive Officer*



Camillo Lisio
*President and
Chief Operating Officer*

November 14, 2000

Consolidated statements of earnings

(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	
	2000	1999	2000	1999
REVENUE	\$ 503,508	\$ 495,031	\$ 983,457	\$ 909,962
Cost of sales, selling and administrative expenses	436,478	439,428	849,668	804,192
EARNINGS BEFORE INTEREST, DEPRECIATION, AMORTIZATION AND INCOME TAXES	67,030	55,603	133,789	105,770
Depreciation of fixed assets	12,052	8,779	24,444	16,779
OPERATING INCOME	54,978	46,824	109,345	88,991
Interest on long-term debt	9,446	6,655	19,353	12,973
Other interest, net of interest income	(274)	1,584	(331)	3,101
EARNINGS BEFORE INCOME TAXES AND AMORTIZATION OF GOODWILL	45,806	38,585	90,323	72,917
Income taxes	14,529	12,766	28,556	24,142
EARNINGS BEFORE AMORTIZATION OF GOODWILL	31,277	25,819	61,767	48,775
Amortization of goodwill	3,177	2,109	6,357	3,939
NET EARNINGS	\$ 28,100	\$ 23,710	\$ 55,410	\$ 44,836
PER SHARE				
EARNINGS BEFORE AMORTIZATION OF GOODWILL				
Basic	\$ 0.61	\$ 0.53	\$ 1.21	\$ 1.00
Fully diluted	\$ 0.59		\$ 1.17	
NET EARNINGS				
Basic	\$ 0.55	\$ 0.49	\$ 1.08	\$ 0.92
Fully diluted	\$ 0.53		\$ 1.05	
NET INFLOW OF CASH RELATED TO OPERATIONS BEFORE CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS				
Basic			\$ 1.82	\$ 1.57
Fully diluted			\$ 1.76	
Weighted average number of common shares outstanding	51,207,251	49,062,540	51,204,701	48,742,611
Number of common shares outstanding, including shares that may be issued following the exercise of options granted under the Company's share option plan	52,906,520		52,906,520	

Selected segmented information (unaudited)

(In thousands of dollars)	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2000	1999	2000	1999
REVENUE				
Dairy products				
Canada	\$ 152,266	\$ 133,963	\$ 300,953	\$ 264,622
United States	288,222	346,924	554,677	631,196
	440,488	480,887	855,630	895,818
Grocery products	63,020	14,144	127,827	14,144
	\$ 503,508	\$ 495,031	\$ 983,457	\$ 909,962
EARNINGS BEFORE INTEREST, DEPRECIATION, AMORTIZATION AND INCOME TAXES				
Dairy products				
Canada	\$ 20,053	\$ 18,663	\$ 42,238	\$ 38,431
United States	36,072	35,447	70,387	65,846
	56,125	54,110	112,625	104,277
Grocery products	10,905	1,493	21,164	1,493
	\$ 67,030	\$ 55,603	\$ 133,789	\$ 105,770
DEPRECIATION OF FIXED ASSETS				
Dairy products				
Canada	\$ 2,906	\$ 2,144	\$ 5,865	\$ 4,553
United States	6,914	6,158	13,816	11,749
	9,820	8,302	19,681	16,302
Grocery products	2,232	477	4,763	477
	\$ 12,052	\$ 8,779	\$ 24,444	\$ 16,779
OPERATING INCOME				
Dairy products				
Canada	\$ 17,147	\$ 16,519	\$ 36,373	\$ 33,878
United States	29,158	29,289	56,571	54,097
	46,305	45,808	92,944	87,975
Grocery products	8,673	1,016	16,401	1,016
	\$ 54,978	\$ 46,824	\$ 109,345	\$ 88,991
AMORTIZATION OF GOODWILL				
Dairy products				
Canada	\$ 207	\$ 151	\$ 394	\$ 299
United States	1,709	1,696	3,441	3,378
	1,916	1,847	3,835	3,677
Grocery products	1,261	262	2,522	262
	\$ 3,177	\$ 2,109	\$ 6,357	\$ 3,939

Consolidated statements of cash flows

(unaudited)

<i>(In thousands of dollars)</i>	For the six-month periods ended September 30	
	2000	1999
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net earnings	\$ 55,410	\$ 44,836
Items not affecting cash		
Depreciation and amortization	30,801	20,718
Future income taxes	7,167	10,900
	93,378	76,454
Currency loss on cash held in foreign currency	3	50
Changes in non-cash operating working capital items	15,976	(21,507)
	109,357	54,997
INVESTING		
Business acquisitions		
Total purchase price	—	(283,500)
Issuance of share capital related to business acquisitions	—	99,995
Long-term debt related to business acquisitions	—	180,000
Cash of the acquired businesses	—	14,737
Business acquisitions - net	—	11,232
Net additions to fixed assets	(16,007)	(34,065)
Other assets	(75)	1,292
Foreign currency translation adjustment	(22,422)	13,895
	(38,504)	(7,646)
FINANCING		
Repayment of long-term debt	(81,077)	(24,200)
Bank loans	(2,585)	9,305
Issuance of share capital	134	472
Dividends	(7,681)	(5,837)
Foreign currency translation adjustment	17,533	(8,829)
	(73,676)	(29,089)
NET CHANGES IN CASH	(2,823)	18,262
CURRENCY LOSS ON CASH HELD IN FOREIGN CURRENCY	(3)	(50)
CASH (BANK OVERDRAFT), BEGINNING OF PERIOD	4,310	(7,855)
CASH, END OF PERIOD	\$ 1,484	\$ 10,357
ADDITIONNAL INFORMATION		
Income taxes paid	\$ 6,206	\$ 10,016
Interest paid	\$ 18,472	\$ 18,752

Consolidated balance sheets (unaudited)

<i>(In thousands of dollars)</i>	As at September 30	
	2000	1999
ASSETS		
CURRENT ASSETS	\$ 431,460	\$ 474,426
FIXED ASSETS	495,737	492,747
GOODWILL	478,732	462,940
FUTURE INCOME TAXES	11,551	10,064
OTHER ASSETS	9,511	7,688
	\$ 1,426,991	\$ 1,447,865
LIABILITIES		
CURRENT LIABILITIES	\$ 268,906	\$ 331,415
LONG-TERM DEBT	396,763	457,662
FUTURE INCOME TAXES	72,569	75,127
	738,238	864,204
SHAREHOLDERS' EQUITY	688,753	583,661
	\$ 1,426,991	\$ 1,447,865

