Consolidated Statements of Earnings

Years ended March 31

(in thousands of dollars, except per share amounts)	2003	2002
Revenues	**$ 3,398,112**	$ 3,457,412
Cost of sales, selling and administrative expenses	**3,045,317**	3,104,990
Earnings before interest, depreciation and income taxes	**352,795**	352,422
Depreciation of fixed assets	**70,889**	68,087
Operating income	**281,906**	284,335
Interest on long-term debt	**43,672**	53,379
Other interest (Note 11)	**(1,351)**	(801)
Earnings before income taxes	**239,585**	231,757
Income taxes (Note 12)	**65,857**	71,596
Net earnings	**$ 173,728**	$ 160,161
Earnings per share (Note 13)		
Net earnings		
Basic	**$ 1.68**	$ 1.56
Diluted	**$ 1.66**	$ 1.54

Consolidated Statements of Retained Earnings

Years ended March 31

(in thousands of dollars)	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

Consolidated Balance Sheets

As at March 31

(in thousands of dollars)	**2003**	2002
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 (Note 3)	**55,991**	55,991
Fixed assets (Note 4)	**627,841**	658,845
Goodwill (Note 5)	**550,630**	572,375
Other assets (Note 6)	**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 (Note 7)	**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 (Note 8)	**110,000**	102,555
	418,419	454,607
Long-term debt (Note 8)	**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 (Note 9)	**464,331**	459,822
Contributed surplus (Note 10)	**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

On behalf of the Board

(signed)

Lino Saputo, **Director**

(signed)

Louis A. Tanguay, **Director**

Consolidated Statements of Cash Flows

Years ended March 31

(in thousands of dollars)	2003	2002
Cash flows related to the following activities:		
Operating		
Net earnings	$ 173,728	$ 160,161
Items not affecting cash		
Stock based compensation	1,475	–
Depreciation	70,889	68,087
Gain on disposal of fixed assets	(404)	(845)
Future income taxes	4,435	17,132
	250,123	244,535
Changes in non-cash operating working capital items	(26,591)	(44,929)
	223,532	199,606
Investing		
Plant acquisition (Note 14)	–	(16,410)
Additions to fixed assets	(70,591)	(63,180)
Proceeds on disposal of fixed assets	4,060	3,445
Other assets	3,614	(7,889)
	(62,917)	(84,034)
Financing		
Bank loans	(11,315)	18,264
Repayment of long-term debt	(122,565)	(125,050)
Issuance of share capital for a cash consideration	4,509	8,775
Employee future benefits	990	1,373
Dividends	(36,709)	(21,600)
	(165,090)	(118,238)
Decrease in cash	(4,475)	(2,666)
Effect of exchange rate changes	(1,613)	1,224
Cash, beginning of year	4,852	6,294
(Bank overdraft) cash, end of year	$ (1,236)	$ 4,852
Supplemental information		
Interest paid	$ 38,805	$ 51,630
Income taxes paid	$ 43,079	$ 68,795

Notes to the Consolidated Financial Statements

Years ended March 31

(in thousands of dollars)

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles used in Canada and take into account the following significant accounting policies:

Use of estimates

In the course of the preparation of financial statements in conformity with generally accepted accounting principles, management must make estimates such as certain actuarial and economic assumptions used in determining defined benefit pension costs, accrued pension benefit obligations and pension plan assets, and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the revenues and expenses for the period. Actual results could differ from these estimates.

Consolidated financial statements

The consolidated financial statements include the accounts of Saputo Inc. and all its subsidiaries (the "Company"). The operating results of acquired businesses, from their respective acquisition dates, are included in the consolidated statements of earnings.

Inventories

Finished goods and goods in process are valued at the lower of average cost and net realizable value. Raw materials are valued at the lower of cost and replacement value, cost being determined under the first-in, first-out method.

Fixed assets

Fixed assets are stated at cost and are depreciated using the straight-line method over their estimated useful lives or by using the following methods:

Buildings	15 years to 40 years
Furniture, machinery and equipment	3 years to 15 years
Rolling stock	5 years to 10 years or based on kilometers traveled

Income taxes

The Company follows the liability method of income tax allocation. Under this method, future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates that will be in effect when the differences are expected to reverse.

Revenue recognition

The Company recognizes revenue, net of sales incentives, upon shipment of goods when title and risk of loss pass to customers.

Employee future benefits

The cost of pension and other post-retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on services and using estimates of expected return on plan assets, rates of compensation increase, retirement ages of employees and expected health care costs and other post-retirement benefits.

Goodwill

The Company adopted prospectively the new Canadian Institute of Chartered Accountants (CICA) recommendations on goodwill on April 1, 2001. The new standards do not permit the amortization of goodwill. Goodwill must be tested for impairment annually or more often, when an event occurs or circumstance arises that could indicate a reduction in its fair value.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 into Canadian dollars using the average monthly exchange rates in effect during the fiscal years. Canadian company debt relating to the financing of the acquisitions of the self-sustaining companies was also converted using the exchange rates at the balance sheet dates. 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 account during the year ended March 31, 2003 resulted from the increase in value of the Canadian dollar as compared to the US dollar.

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 or losses resulting from this translation are included in the statement of earnings.

	2003	2002
Foreign currency gain (loss)	**$ 383**	$ (36)

2. CHANGE IN ACCOUNTING POLICIES

Stock based compensation

The Company adopted prospectively the new CICA recommendations on stock based compensation and other stock based payments, effective April 1, 2002. These recommendations, propose but do not impose, the use of the fair value based method of accounting to expense stock based compensation awards. This method consists of recording compensation cost to earnings over the vesting period of options granted. When stock options are exercised, any consideration paid by employees is credited to share capital.

A compensation cost of $1,475,000 ($1,310,000 after income taxes) for stock options granted during the year was recorded in the statement of earnings for the year ended March 31, 2003.

The effect of this cost on basic and diluted earnings per share was $0.013 for the year ended March 31, 2003.

The fair value of share purchase options awarded during the year was estimated at $8.98 per option, using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate:	5%
Expected life of options:	7 1/2 years
Volatility:	20%
Dividend rate:	1.4%

The exercice price of these options is $30.35, which corresponds to the closing quoted value of the shares on the day preceding the date of the grant.

3. PORTFOLIO INVESTMENT

On July 15, 2001, the Company disposed of the cookie, fine bread and soup operations of its grocery products sector in favor of Dare Foods in exchange of a 21% share capital interest in companies of the Dare Foods group.

The investment was recorded at cost which corresponds to the following fair value of the assets as at the date of disposal:

Working capital	$ 5,542
Fixed assets	25,879
Goodwill	24,570
	$ 55,991

A gain on disposal of $845,000 resulted from this transaction.

The Company received a dividend of $2,000,000 from this investment during the year ($1,050,000 in 2002). The amount is included in revenues.

4. FIXED ASSETS

	2003			2002
	Cost	**Accumulated depreciation**	**Net book value**	Net book value
Land	**$ 33,050**	**$ –**	**$ 33,050**	$ 34,729
Buildings	**237,627**	**48,158**	**189,469**	206,827
Furniture, machinery and equipment	**634,027**	**233,923**	**400,104**	410,849
Rolling stock	**8,785**	**3,567**	**5,218**	6,440
	$ 913,489	**$ 285,648**	**$ 627,841**	$ 658,845

5. GOODWILL

	2003			2002		
	Dairy products sector	**Grocery products sector**	**Total**	Dairy products sector	Grocery products sector	Total
Balance, beginning of year	**$ 407,862**	**$ 164,513**	**$ 572,375**	$ 403,563	$ 189,083	$ 592,646
Foreign currency translation adjustment	**(21,745)**	**–**	**(21,745)**	2,963	–	2,963
Decrease due to the disposal of the Company's cookie, fine bread and soup operations (Note 3)	**–**	**–**	**–**	–	(24,570)	(24,570)
Adjustment	**–**	**–**	**–**	1,336	–	1,336
Balance, end of year	**$ 386,117**	**$ 164,513**	**$ 550,630**	$ 407,862	$ 164,513	$ 572,375

6. OTHER ASSETS

	2003	2002
Net accrued pension plan asset	**$ 29,553**	$ 26,561
Other	**10,065**	15,298
	$ 39,618	$ 41,859

7. BANK LOANS

The Company has available short-term bank credit facilities providing for bank loans up to a maximum of approximately $228,000,000. These bank loans are available in Canadian or US dollars and bear interest at rates based on lenders' prime rates plus a maximum of 0.6% or LIBOR or bankers acceptance rate plus 0.55% up to a maximum of 1.6%, depending on the interest-bearing debt to the earnings before interest, depreciation and amortization and income taxes ratio of the Company.

8. LONG-TERM DEBT

	2003	2002
Term bank loan, available in the form of bank advances or bankers' acceptances, repayable by quarterly variable instalments until December 2004, bearing interest at fluctuating rates based on prime rate plus a maximum of 0.6% and bankers' acceptances rates plus 0.55% up to a maximum of 1.6%, depending on the interest-bearing debt to the earnings before interest, depreciation and amortization and income taxes ratio of the Company. As at March 31, 2003, the term bank loan is comprised of advances of $770,000 and bankers' acceptances of $153,100,000 ($275,600,000 in 2002)	**$ 153,870**	$ 276,370
Senior notes		
7.97%, due in November 2006 (US$30,000,000)	**44,034**	47,805
8.12%, due in November 2009 (US$170,000,000)	**249,526**	270,895
8.41%, due in November 2014 (US$50,000,000)	**73,390**	79,675
Other loans, repayable in annual variable instalments, due in 2008	**315**	380
	521,135	675,125
Current portion	**110,000**	102,555
	$ 411,135	$ 572,570

Estimated principal payments required in future years are as follows:

2004	**$ 110,000**
2005	**43,919**
2006	**50**
2007	**44,034**
2008	**216**
2009 and subsequent years	**322,916**
	$ 521,135

9. 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.

	2003	2002
Issued		
103,460,005 common shares (103,184,447 in 2002)	**$ 464,331**	$ 459,822

9. SHARE CAPITAL (cont'd)

275,558 common shares for an amount of $4,509,000 were issued during the year ended March 31, 2003 pursuant to the share option plan.

733,667 common shares for an amount of $8,775,000 were issued during the year ended March 31, 2002 pursuant to the share option plan.

Share option plan

The Company established a share option plan to allow for the purchase of common shares by key employees, officers and directors of the Company. The total number of common shares which may be issued pursuant to this plan cannot exceed 14,000,000 common shares. Options may be exercised at a price equal to the closing quoted value of the shares on the day preceding the date of the grant. In general, the options vest at 20% per year and expire ten years from the date of the grant.

Options issued and outstanding as at the year-ends are as follows:

		2003		2002	
Granting period	Exercise price	**Number of options**	**Weighted average exercise price**	Number of options	Weighted average exercise price
1998	$8.50	**185,649**	**$ 8.50**	212,718	$ 8.50
1999	from $16.13 to $18.75	**298,347**	**$ 18.29**	365,850	$ 18.28
2000	$19.70	**445,299**	**$ 19.70**	529,230	$ 19.70
2001	$13.50	**884,116**	**$ 13.50**	1,005,387	$ 13.50
2002	from $19.00 to $23.00	**1,060,640**	**$ 19.12**	1,145,782	$ 19.10
2003	$30.35	**910,893**	**$ 30.35**	–	$ –
		3,784,944	**$ 19.99**	3,258,967	$ 16.69
Options exercisable at year-end		**1,188,048**	**$ 13.44**	517,050	$ 16.41

Changes in the number of options are as follows:

	2003		2002	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Balance at beginning of year	**3,258,967**	**$ 16.69**	3,301,956	$ 14.64
Options granted	**934,965**	**$ 30.35**	1,289,058	$ 19.10
Options exercised	**(275,558)**	**$ 16.36**	(733,667)	$ 11.96
Options cancelled	**(133,430)**	**$ 19.40**	(598,380)	$ 16.34
Balance at end of year	**3,784,944**	**$ 19.99**	3,258,967	$ 16.69

1,336,396 options to purchase common shares at a price of $22.50 were also granted as at April 1, 2003.

10. CONTRIBUTED SURPLUS

Contributed surplus resulting from the accounting of stock based compensation	$ 1,475

11. OTHER INTEREST

	2003	2002
Expense	**$ 726**	$ 894
Income	**(2,077)**	(1,695)
	$ (1,351)	$ (801)

12. INCOME TAXES

The provision for income taxes is comprised of the following:

	2003	2002
Current income taxes	**$ 61,422**	$ 54,464
Future income taxes	**4,435**	17,132
	$ 65,857	$ 71,596

Reconciliation of income taxes, calculated using statutory Canadian income tax rates, to the income tax provision presented in the statement of earnings:

	2003	2002
Income taxes, calculated using statutory Canadian income tax rates	**$ 83,200**	$ 85,520
Adjustments resulting from the following:		
Manufacturing and processing credit	**(7,246)**	(10,084)
Non-taxable dividend from the portfolio investment	**(791)**	(388)
Tax rates of American subsidiaries	**612**	1,282
Changes in tax laws and rates	**(2,728)**	(387)
Other	**(7,190)**	(4,347)
Provision for income taxes	**$ 65,857**	$ 71,596

The tax effects of temporary differences that give rise to significant portions of the future tax asset and liability are as follows:

	2003	2002
Future income taxes asset		
Accounts payable and accrued liabilities	**$ 5,496**	$ 9,560
Losses for income tax purposes	**4,570**	6,579
Other	**4,879**	2,775
	$ 14,945	$ 18,914
Future income taxes liability		
Fixed assets	**$ 92,064**	$ 88,018
Net assets of pension plans	**4,999**	9,209
Other assets	**557**	1,944
Portfolio investment	**6,301**	7,835
	$ 103,921	$ 107,006

12. INCOME TAXES (cont'd)

Classified in the financial statements as:

Current future income taxes asset	**$ 12,854**	$ 13,781
Long-term future income taxes asset	**8,861**	4,090
Long-term future income taxes liability	**(110,691)**	(105,963)
Net future income taxes liability	**$ 88,976**	$ 88,092

13. EARNINGS PER SHARE

Basic earnings per share have been calculated using the weighted average number of common shares outstanding during each fiscal year: 103,380,203 shares in 2003 and 102,793,390 in 2002.

Diluted earnings per share for the year ended March 31, 2003 have been calculated using 104,454,043 common shares, being the sum of the weighted average number of outstanding shares as at March 31, 2003 (103,380,203 shares) and the potentially dilutive shares that could be issued following the exercise of options granted under the Company's share option plan (1,073,840 shares).

Diluted earnings per share for the year ended March 31, 2002 have been calculated using 103,712,252 common shares, being the sum of the weighted average number of outstanding shares as at March 31, 2002 (102,793,390 shares) and the potentially dilutive shares that could be issued following the exercise of options granted under the Company's share option plan (918,862 shares).

Earnings per share were calculated net of income taxes.

14. PLANT ACQUISITION

The Company acquired during the year ended March 31, 2002 a cheese manufacturing plant situated in the United States for a cash consideration of $16,410,000. The allocation of the purchase price was $14,059,000 for fixed assets and $2,351,000 for working capital.

15. EMPLOYEE PENSION AND BENEFIT PLANS

The Company provides defined benefit and defined contribution pension plans as well as other benefits such as health insurance, life insurance and dental plans to eligible employees and retired employees.

Under the terms of the defined benefit pension plans, pensions are based on years of service and the average salary of the last employment years or the career salary. Contributions are paid by employees and contributions by the Company are based on recommendations from independent actuaries.

The defined contribution pension plans entitle participating employees to an annual contribution giving right to a pension.

Plan assets are principally comprised of shares of Canadian and foreign companies, mutual funds and fixed income investments.

15. EMPLOYEE PENSION AND BENEFIT PLANS (cont'd)

Financial position of the plans

	2003		2002	
	Defined benefit pension plans	**Other benefit plans**	Defined benefit pension plans	Other benefit plans
Changes in fair value of plan assets				
Fair value of plan assets at beginning of year	**$ 163,003**	**$ –**	$ 192,470	$ –
Acquisitions during the year	**893**	**–**	854	–
Actual return on plan assets	**(9,709)**	**–**	(5,333)	–
Employer contributions	**698**	**777**	514	809
Employee contributions	**1,129**	**71**	1,509	–
Benefits paid	**(13,684)**	**(848)**	(14,464)	(809)
Divestitures	**–**	**–**	(12,557)	–
Foreign currency (loss) gain	**(185)**	**–**	10	–
Fair value of plan assets at end of year	**142,145**	**–**	163,003	–
Changes in accrued benefits obligation				
Benefit obligation at beginning of year	**154,735**	**19,175**	166,430	18,695
Acquisitions during the year	**893**	**–**	727	–
Current service cost	**4,125**	**799**	4,937	784
Interest	**10,008**	**276**	10,430	1,332
Benefits paid	**(13,684)**	**(848)**	(14,464)	(809)
Actuarial (gain) loss	**(940)**	**1,281**	(1,121)	77
Amendments and divestitures	**–**	**–**	(12,225)	(904)
Foreign currency (gain) loss	**(247)**	**–**	21	–
Benefit obligation at end of year	**154,890**	**20,683**	154,735	19,175
Surplus (deficit)	**(12,745)**	**(20,683)**	8,268	(19,175)
Unamortized actuarial loss	**55,715**	**2,610**	33,138	1,749
Unamortized past service cost	**802**	**(456)**	895	(572)
Foreign currency loss	**(1,146)**	**–**	(1,277)	–
Unamortized transitional obligation	**(13,370)**	**4,592**	(14,526)	5,051
Asset (liability) as at the measurement date	**29,256**	**(13,937)**	26,498	(12,947)
Employer contributions made from the measurement date to the end of the year	**297**	**–**	63	–
Net asset (liability) recognized in the balance sheet	**$ 29,553**	**$ (13,937)**	$ 26,561	$ (12,947)

The net accrued benefit asset is included in other assets presented in the balance sheet (Note 6).

15. EMPLOYEE PENSION AND BENEFIT PLANS (cont'd)

	2003		2002	
	Pension plans	**Other benefit plans**	Pension plans	Other benefit plans
Employee benefit plans expense				
Defined benefit plans				
Current service cost	**$ 3,025**	**$ 694**	$ 3,428	$ 784
Interest cost	**10,058**	**1,341**	10,201	1,205
Expected return on plan assets	**(14,010)**	**–**	(14,842)	–
Amortization of transitional obligation	**(1,155)**	**460**	(1,230)	467
Amortization of past service cost	**89**	**37**	28	(19)
Amortization of actuarial gain	**70**	**(13)**	45	(538)
Provision for decrease in value	**67**	**–**	–	–
	(1,856)	**2,519**	(2,370)	1,899
Defined contribution plans	**8,531**	**–**	7,191	–
	$ 6,675	**$ 2,519**	$ 4,821	$ 1,899
Weighted average assumptions				
Discount rate of obligation	**6.75%**	**6.75%**	6.75%	7.00%
Expected long-term rate of return on plan assets	**7.90%**	**N/A**	8.00%	N/A
Rate of compensation increase	**3.50%**	**3.50%**	3.50%	3.50%

For measurement purposes, a 5.5% to 12% annual rate of increase was used for health, life insurance and dental plan costs for the year 2004 and this rate is assumed to decrease gradually to 5.7% in 2009 and remain at that level thereafter.

16. COMMITMENTS AND CONTINGENCIES

The Company carries some of its operations in leased premises and has also entered into lease agreements for equipment and rolling stock. The minimum annual lease payments required for the next five years are as follows:

2004	**$ 9,814**
2005	**8,337**
2006	**6,689**
2007	**5,175**
2008	**8,883**
	$ 38,898

The Company is defendant to certain claims arising from the normal conduct of its business. The Company believes that the final resolution of these claims will not have a material adverse effect on its earnings or financial position.

The Company from time to time enters into agreements in the normal course of its business, such as a service arrangements and leases, and in connection with business or asset acquisitions or dispositions, which agreements by their nature may provide for indemnifications of counterparties. These indemnification provisions may be in connection with breach of representations and warranties and for future claims for certain liabilities, including liabilities related to tax and environmental matters. The terms of these indemnification provisions vary in duration. Given the nature of such indemnifications, the Company is unable to reasonably estimate its maximum potential liability under these agreements.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair value of financial instruments

The fair value of cash, receivables, bank overdraft, bank loans, accounts payable and accrued liabilities corresponds to their carrying value due to their short-term maturity.

The fair value of long-term debt, estimated by discounting expected cash flows at rates currently offered to the Company for debts of the same remaining maturities and conditions, is $604,385,000 ($697,138,000 in 2002).

b) Credit risk

The Company grants credit to its customers in the normal course of business. Credit valuations are performed on a regular basis and the financial statements take into account an allowance for bad debts. The Company does not have any credit risk concentration.

c) Interest rate risk

The short-term bank credit facilities and long-term bank loans bear interest at fluctuating rates.

The Company occasionally enters into interest swap contracts to hedge against exposures to increases in interest rates. As at March 31, 2003, the Company had entered into an interest swap contract at a rate of 5.08% covering $75,937,500 of long-term debt. This contract expires in December 2004. As at March 31, 2003, an amount of $1,089,740 would be necessary to settle this contract.

d) Currency risk

In the normal course of Canadian operations, the Company enters into certain foreign currency transactions. The Company manages its currency risks by occasionally entering into foreign currency contracts. Outstanding foreign currency contracts as at the balance sheet date are not material.

The Company realizes approximately 36% 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.

e) Price commodities risk

The Company occasionally enters into hedging contracts to hedge against fluctuations on the price of certain commodities. Outstanding contracts are not material as at the balance sheet date.

18. SEGMENTED INFORMATION

The dairy products segment principally includes the production and distribution of cheeses and fluid milk. The activities of this segment are carried out in Canada and the United States.

The grocery products sector consists exclusively since July 15, 2001 of the production and marketing of snack cakes. Prior to that date, the products of this sector were classified in four categories, snack cakes, cookies, fine breads and soups. The production and marketing operations of cookies, fine breads and soups were sold on July 15, 2001 (see Note 3). Total assets of this sector includes the portfolio investment.

These operating segments are managed separately because each segment represents a strategic business unit that offers different products and serves different markets. The Company measures performance based on geographic operating income and segment operating income on a stand alone basis.

The accounting policies of the segments are the same as those described in Note 1 relating to significant accounting policies. The Company does not make any intersegment sales.

18. SEGMENTED INFORMATION (cont'd)

Information on operating segments

	2003			2002		
	Canada	**United States**	**Total**	Canada	United States	Total
Revenue						
Dairy products	**$ 2,017,383**	**$ 1,212,810**	**$ 3,230,193**	$ 1,987,486	$ 1,282,555	$ 3,270,041
Grocery products	**167,919**	**–**	**167,919**	187,371	–	187,371
	$ 2,185,302	**$ 1,212,810**	**$ 3,398,112**	$ 2,174,857	$ 1,282,555	$ 3,457,412
Earnings before interest depreciation and income taxes						
Dairy products	**$ 200,621**	**$ 120,484**	**$ 321,105**	$ 183,054	$ 133,996	$ 317,050
Grocery products	**33,165**	**–**	**33,165**	35,372	–	35,372
Stock based compensation	**(1,060)**	**(415)**	**(1,475)**	–	–	–
	$ 232,726	**$ 120,069**	**$ 352,795**	$ 218,426	$ 133,996	$ 352,422
Depreciation of fixed assets						
Dairy products	**$ 29,697**	**$ 35,704**	**$ 65,401**	$ 27,970	$ 33,607	$ 61,577
Grocery products	**5,488**	**–**	**5,488**	6,510	–	6,510
	$ 35,185	**$ 35,704**	**$ 70,889**	$ 34,480	$ 33,607	$ 68,087
Operating income						
Dairy products	**$ 170,924**	**$ 84,780**	**$ 255,704**	$ 155,084	$ 100,389	$ 255,473
Grocery products	**27,677**	**–**	**27,677**	28,862	–	28,862
Stock based compensation	**(1,060)**	**(415)**	**(1,475)**	–	–	–
	$ 197,541	**$ 84,365**	**281,906**	$ 183,946	$ 100,389	284,335
Interest			**42,321**			52,578
Earnings before income taxes			**239,585**			231,757
Income taxes			**65,857**			71,596
Net earnings			**$ 173,728**			$ 160,161

18. SEGMENTED INFORMATION (cont'd)

	2003			2002		
	Canada	**United States**	**Total**	Canada	United States	Total
Total assets						
Dairy products	**$ 861,176**	**$ 824,759**	**$ 1,685,935**	$ 821,888	$ 936,334	$ 1,758,222
Grocery products	**284,751**	**–**	**284,751**	288,453	–	288,453
	$ 1,145,927	**$ 824,759**	**$ 1,970,686**	$ 1,110,341	$ 936,334	$ 2,046,675
Net book value of fixed assets						
Dairy products	**$ 276,036**	**$ 312,164**	**$ 588,200**	$ 264,482	$ 353,572	$ 618,054
Grocery products	**39,641**	**–**	**39,641**	40,791	–	40,791
	$ 315,677	**$ 312,164**	**$ 627,841**	$ 305,273	$ 353,572	$ 658,845
Additions to fixed assets						
Dairy products	**$ 42,694**	**$ 22,080**	**$ 64,774**	$ 35,348	$ 25,364	$ 60,712
Grocery products	**5,817**	**–**	**5,817**	2,468	–	2,468
	$ 48,511	**$ 22,080**	**$ 70,591**	$ 37,816	$ 25,364	$ 63,180
Goodwill, unamortized portion						
Dairy products	**$ 132,698**	**$ 253,419**	**$ 386,117**	$ 134,552	$ 273,310	$ 407,862
Grocery products	**164,513**	**–**	**164,513**	164,513	–	164,513
	$ 297,211	**$ 253,419**	**$ 550,630**	$ 299,065	$ 273,310	$ 572,375

19. COMPARATIVE AMOUNTS

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