THIRD QUARTER

FISCAL 2000

SAPUTO GROUP INC.

INTERIM REPORT

Message TO SHAREHOLDERS

We are proud to present the results of the third quarter ended December 31, 1999. Culinar Inc., which was acquired on September 15, 1999, made a full contribution to these results. Net income increased 32.2 % compared with the same period last year, reaching $26.3 million or $0.51 (basic) per share. For fiscal 2000 to date, our net income totals $71.1 million, 31.2% more than the $54.2 million posted in the previous fiscal year.

Earnings before interest, taxes, depreciation and amortization (EBITDA) for the third quarter amount to $65.6 million, an increase of 29.9 % compared with $50.5 million in the same quarter last fiscal year. It should be noted that during the quarter ended December 31, 1999, the average selling price per pound of cheese on the American market fell to its lowest point in six years. At December 31, 1999, the selling price per pound of cheese was US$1.20, well below the US$1.47 in effect at September 30, 1999 and the US$1.33 at March 31, 1999. As a result, we reflected the drop in inventory value caused by this fluctuation in cheese prices on the US market. This had a direct negative impact of $3.5 million on EBITDA for the third quarter of fiscal 2000. Moreover, the selling price of by-products fell 27% on the international market compared with last year.

Despite these negative factors, the quarter ended December 31, 1999 saw a major increase in earnings compared with last year, a clear demonstration of the success of the Company's ongoing efforts for integration and rationalization in every division.

Revenues amounted to $497.4 million this quarter. This 4.8% drop compared with the same period last year is mainly due to the lower selling price of cheese in the United States.

Dairy Processing Division

Canada

Third-quarter revenues rose by 1.7%, or $2.3 million, compared with the same quarter of the previous fiscal year. EBITDA was 10.3% higher, amounting to $20 million. The EBITDA margin grew from 13.6% in the third quarter of fiscal 1999 to 14.7% in this third quarter of fiscal 2000. It clearly illustrates the successful integration of the acquisitions completed in September 1998 and the continuous improvement of the Company's operations.

United States

For the third quarter, revenues amounted to $296.4 million, a decrease of $92.7 million compared with the same quarter of the previous fiscal year. An amount of $80 million of this decline is explained by unfavorable variations in the selling price of cheese, which fell 34% compared with the same period last year. The stronger Canadian dollar also had a negative impact of $13 million on revenues.

EBITDA for the quarter ended December 31, 1999 was $36.7 million, an increase of 13.3% over the $32.4 million of the same period last year. The margin progressed from 8.3% last year to 12.4% this year. Lower cheese prices in the third quarter of fiscal 2000 affected EBITDA by nearly $3.5 million, given the lower value of inventory. This is a market situation entirely beyond the Company's control. For this third quarter, if we exclude the effects of the variation in cheese prices and the stronger Canadian dollar as well as the lower inventory value already mentioned, the EBITDA margin would be 10.3%.

Pastry, Cookie, Bread and Soup Division

For its first full quarter, Culinar Inc. contributed to the financial results with sales of $65.2 million and EBITDA of $8.9 million, representing an EBITDA margin of 13.7%.

Sales remained relatively stable during the three months ended December 31, 1999, compared with Culinar Inc. historical data. Regarding revenues, the Company adopted a presentation of sales figures, net of discounts and rebates, as opposed to the presentation method used at Culinar Inc. before it was acquired by Saputo Group Inc.

Compared with Culinar Inc. historical data, EBITDA increased slightly during the quarter ended December 31, 1999, a concrete indication of the first rationalization efforts launched since its acquisition. All aspects of this division are currently undergoing analysis, which should be completed in March 2000. We will then develop an action plan aimed at maximizing profitability for the Company in this new sector of activity.

Cash flow and financial resources

Since the beginning of fiscal 2000, net cash flow generated by operations before net changes in non-cash operating working capital items have amounted to $126.3 million, or $2.55 per share (basic), an increase of 36.5% over the $92.5 million for the corresponding period in fiscal 1999. Last November the Company issued to private US institutions US$250 million in senior notes having an average term of 10.6 years. The proceeds of this issue were used to repay part of the long-term debt. As a result, the Company will benefit from greater financial flexibility, additional sources of financing and advantageous credit conditions.

The balance sheet as at December 31, 1999 shows an excellent financial situation. Working capital is $146.4 million and the debt/capital ratio[1] is 0.48. Major inflows of funds from our activities are constantly improving our financial situation and allowed the Company to anticipate various capital expenditure projects. For the nine months ended December 31, 1999, additions to fixed assets totaled $46.4 million, of which $44.5 million were in the dairy processing division. In Canada, the main projects involve upgrading our processes, expanding production capacity at the Saint-Hyacinthe plant and enlarging our head office. In the United States, modernization of our Hinesburg plant accounts for one third of capital expenditures, with the balance devoted to the upgrading of manufacturing processes.

In conclusion, the results for the last quarter, although adversely affected by American market conditions, clearly demonstrate the success of our integration process, and also confirm the Company's position as a low-cost producer. The pastry, cookie, bread and soup division is already starting to show the positive effects of the changes made so far and give us a glimpse of the potential of these activities. Finally, the acquisition of Groupe Cayer-J.C.B. Inc., to be completed by the end of February for approximately $20 million, will open up a new world of opportunities for the Company, in a market segment that perfectly complements its existing cheese production and distribution activities. It goes without saying that the Company remains on the lookout for potential acquisitions that will allow it to continue in its thrust.

[1] Interest bearing debt / Shareholders' equity plus interest bearing debt

LINO SAPUTO
Chairman of the Board
and Chief Executive Officer

CAMILLO LISIO
President and
Chief Operating Officer

February 21, 2000

Consolidated Statements of Earnings

(Unaudited)	Quarters ended December 31		For the nine-month periods ended December 31	
(In thousands of dollars, except per share amounts)	**1999**	1998	**1999**	1998
Revenue	**$ 497,391**	$ 522,614	**$ 1,407,353**	$ 1,410,536
Cost of sales, selling and administrative expenses	**431,824**	472,091	**1,236,016**	1,269,946
Earnings before depreciation, amortization of goodwill, interest and income taxes	**65,567**	50,523	**171,337**	140,590
Depreciation and amortization of fixed assets	**10,777**	8,860	**27,556**	23,847
Operating income	**54,790**	41,663	**143,781**	116,743
Interest on long-term debt	**9,800**	7,062	**22,773**	21,599
Other interest, net of interest income	**861**	1,336	**3,962**	3,317
Earnings before income taxes and amortization of goodwill	**44,129**	33,265	**117,046**	91,827
Income taxes	**14,695**	11,565	**38,837**	32,615
Earnings before amortization of goodwill	**29,434**	21,700	**78,209**	59,212
Amortization of goodwill	**3,137**	1,804	**7,076**	4,976
Net earnings	**$ 26,297**	$ 19,896	**$ 71,133**	$ 54,236

PER SHARE				
EARNINGS BEFORE AMORTIZATION OF GOODWILL				
Basic	**$ 0,58**	$ 0,45	**$ 1,58**	$ 1,22
Diluted	**$ 0,56**		**$ 1,50**	
NET EARNINGS				
Basic	**$ 0,51**	$ 0,41	**$ 1,43**	$ 1,12
Diluted	**$ 0,50**		**$ 1,36**	
NET INFLOW OF CASH RELATED TO THE OPERATION BEFORE CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS				
Basic			**$ 2,55**	$ 1,90
Diluted			**$ 2,42**	
Number of common shares outstanding	**51 161 617**	48 578 876	**49 618 474**	48 578 876
Number of common shares outstanding, including shares that may be issued following the exercise of options granted under the company's share option plan	**52 265 474**		**52 265 474**	

Selected Segmented Information

(unaudited)	Quarters ended December 31		For the nine-month periods ended December 31	
(in thousands of dollars)	**1999**	1998	**1999**	1998
REVENUE				
Dairy Processing Division				
Canada	**$ 135,790**	$ 133,515	**$ 400,412**	$ 379,026
United States	**296,412**	389,099	**927,608**	1,031,510
	432,202	522,614	**1,328,020**	1,410,536
Pastry, Cookie, Bread and Soup Division	**65,189**	–	**79,333**	–
	$ 497,391	$ 522,614	**$ 1,407,353**	$ 1,410,536
EARNINGS BEFORE DEPRECIATION, AMORTIZATION OF GOODWILL, INTEREST AND INCOME TAXES				
Dairy Processing Division				
Canada	**$ 20,013**	$ 18,145	**$ 58,444**	$ 54,060
United States	**36,678**	32,378	**102,524**	86,530
	56,691	50,523	**160,968**	140,590
Pastry, Cookie, Bread and Soup Division	**8,876**	–	**10,369**	–
	$ 65,567	$ 50,523	**$ 171,337**	$ 140,590
DEPRECIATION AND AMORTIZATION OF ASSETS				
Dairy Processing Division				
Canada	**$ 2,430**	$ 2,103	**$ 6,982**	$ 6,062
United States	**6,108**	6,757	**17,857**	17,785
	8,538	8,860	**24,839**	23,847
Pastry, Cookie, Bread and Soup Division	**2,239**	–	**2,717**	–
	$ 10,777	$ 8,860	**$ 27,556**	$ 23,847
OPERATING INCOME				
Dairy Processing Division				
Canada	**$ 17,583**	$ 16,046	**$ 51,462**	$ 47,998
United States	**30,570**	25,617	**84,667**	68,745
	48,153	41,663	**136,129**	116,743
Pastry, Cookie, Bread and Soup Division	**6,637**	–	**7,652**	–
	$ 54,790	$ 41,663	**$ 143,781**	$ 116,743
DEPRECIATION OF GOODWILL				
Dairy Processing Division				
Canada	**$ 168**	$ 200	**$ 467**	$ 292
United States	**1,681**	1,604	**5,059**	4,684
	1,849	1,804	**5,526**	4,976
Pastry, Cookie, Bread and Soup Division	**1,288**	–	**1,550**	–
	$ 3,137	$ 1,804	**$ 7,076**	$ 4,976
NET ADDITIONS TO FIXED ASSETS				
Dairy Processing Division				
Canada	**$ 3,031**	$ 3,356	**$ 11,540**	$ 8,517
United States	**7,775**	11,485	**33,001**	29,311
	10,806	14,841	**44,541**	37,828
Pastry, Cookie, Bread and Soup Division	**1,499**	–	**1,829**	–
	$ 12,305	$ 14,841	**$ 46,370**	$ 37,828

Consolidated Cash Flow Statements

(unaudited)	For the nine months ended December 31	
(in thousands of dollars)	**1999**	**1998**
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net earnings	**$ 71,133**	$ 54,236
Items not affecting cash		
Depreciation and amortization	**34,632**	28,823
Deferred income taxes	**20,571**	9,449
	126,336	92,508
Changes in non-cash operating working capital items	**(24,275)**	(31,598)
	102,061	60,910
INVESTING		
Business Acquisition		
Total purchase price	**(283,500)**	(64,467)
Issuance of share capital related to business acquisition	**99,995**	1,070
Long-term debt related to business acquisition	**180,000**	50,014
Cash of the acquired businesses	**14,737**	989
Business acquisition – net	**11,232**	(12,394)
Net additions to fixed assets	**(46,370)**	(37,828)
Other assets – net	**(1,524)**	(4)
Foreign currency translation adjustment	**24,791**	(41,760)
	(11,871)	(91,986)
FINANCING		
Increase in long-term debt	**96,287**	–
Repayment of long-term debt	**(106,805)**	(40,956)
Bank loan	**(47,803)**	21,539
Issuance of share capital	**506**	54
Dividends	**(8,907)**	(8,745)
Foreign currency translation adjustment	**(15,974)**	30,513
	(82,696)	2,405
Net increase (decrease) in cash	**7,494**	(28,671)
Foreign exchange gain on cash held in foreign currency	**505**	569
(Bank indebtedness) cash, beginning of period	**(7,855)**	12,320
Cash (bank indebtedness), end of period	**$ 144**	$ (15,782)

Consolidated Balance Sheets

(unaudited)	As at December 31	
(In thousands of dollars)	**1999**	**1998**
ASSETS		
Current assets	**$ 390,198**	$ 419,755
Fixed assets	**488,527**	409,977
Goodwill	**473,696**	267,062
Other assets	**10,439**	5,862
	$ 1,362,860	$ 1,102,656
LIABILITIES		
Current liabilities	**$ 243,820**	$ 302,476
Long-term debt	**471,491**	355,710
Deferred income taxes	**46,311**	13,291
	761,622	671,477
SHAREHOLDERS' EQUITY	**601,238**	431,179
	$ 1,362,860	$ 1,102,656