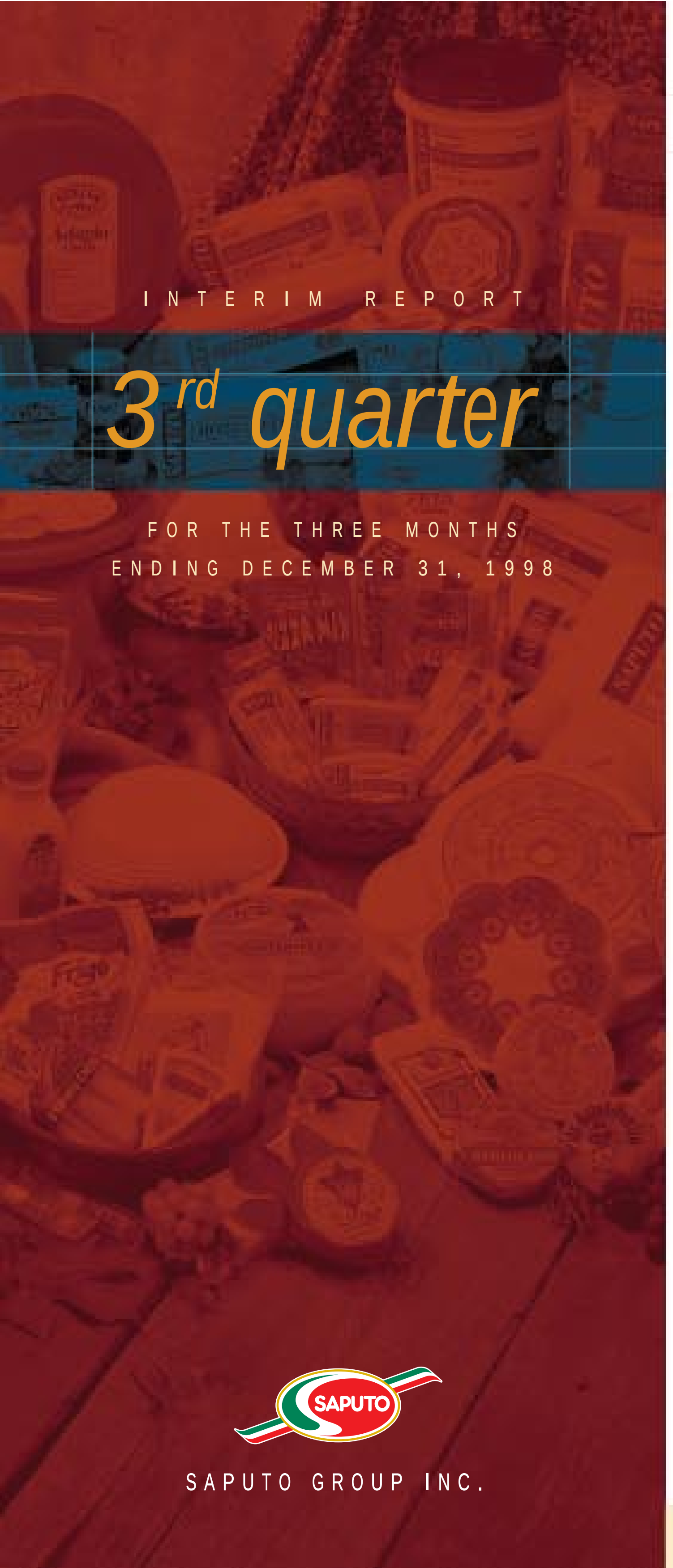

INTERIM REPORT

3rd quarter

FOR THE THREE MONTHS ENDING DECEMBER 31, 1998

SAPUTO GROUP INC.

MESSAGE TO THE Shareholders

Ever since Saputo Group completed its initial public offering a little over a year ago, its bottom line has improved dramatically following a series of acquisitions both in Canada and in the United States. The Company now has 13 distribution centres and 28 manufacturing facilities across North America. Strengthened by its extended distribution network, Saputo can take advantage of the many opportunities provided by the geographical diversification of its assets. In addition, the Company is in the process of finalizing the integration of its recent acquisitions, and the resulting synergies are the primary contributor to the Group's improved performance.

Revenues for the third quarter ending December 31, 1998 totalled $ 522.6 million, an increase of 166.6 % over the same period in 1997. For the first nine months of the year, revenues totalled $ 1.4 billion, up $ 973.7 million compared to the corresponding period in 1997. U.S. acquisitions accounted for practically all of this increase, with a contribution of 94.4 %.

Earnings before interest, taxes, depreciation and amortization (EBITDA) rose from $ 24.5 million in the third quarter of 1997 to $ 50.5 million one year later, an increase of 106.1 %. The EBITDA margin for the third quarter was 9.7 %, compared to 12.5 % a year earlier. Since the beginning of the fiscal year, EBITDA have improved 124.6 % over 1997 and now stand at $ 140.6 million. The EBITDA margin, on the other hand, was 10.0 % in 1998, as opposed to 14.3 % in 1997. This apparent decrease in the profit margin from 1997 to 1998 is due to the increased price of cheese in the United States. In fact, fluctuations in cheese prices on the U.S. market have a direct impact on EBITDA margins. More specifically, a price increase will push revenues up without changing the Company's earnings, in absolute dollar terms, since the cost of raw materials increases in lockstep with the price of cheese. A decrease in price would have the opposite effect. Disregarding the impact of price fluctuations, our EBITDA margins have been growing and are well on the way to achieving our objectives for June 1999.

Net earnings for the third quarter of the year amounted to $ 19.9 million, up 74.6 % compared to the $ 11.4 million recorded 12 months earlier. For the first nine months of the current year, net earnings totalled $ 54.2 million, an increase of $ 21.1 million, or 63.7 %, over 1997.

Cash flow from operations, before net changes in non-cash working capital, added up to $ 92.5 million for the nine months ending December 31, 1998, which is 130.7 % more than the $ 40.1 million recorded for the same period in 1997.

Moreover, the Company is currently putting the finishing touches to its strategy for solving any potential problems arising from the Year 2000 (Y2K) issue. In fact, Saputo has implemented a Y2K compliance program encompassing every aspect of this issue and plans to have it fully completed around March 31, 1999. However, we realize that the new millennium may have a number of effects which will not or cannot be detected prior to December 31, 1999. This said, we believe that the Y2K should not have any major financial or operational impact on the Company's operations.

In closing, the third quarter's financial results reflect the efforts put forth and the determination shown by our personnel during the integration of our U.S. operations. Indeed, net earnings for the third quarter of the year were up 25.2 % over those of the first quarter and 8.2 % over those of the second. This increase had a direct impact on earnings per share, which rose from 33 cents in the first quarter of the year to 38 cents in the second quarter, and finally to 41 cents in the third.

Lino Saputo
Chairman of the Board
and Chief Executive Officer

Camillo Lisio
President and
Chief Operating Officer

February 17, 1999

CONSOLIDATED STATEMENTS OF EARNINGS

(unaudited)

(in thousands of dollars except for earnings per share)	For the three months ended December 31		For the nine months ended December 31	
	1998	1997	**1998**	1997
Revenue	**$ 522 614**	$ 196 042	**$ 1 410 536**	$ 436 800
Cost of sales, selling and administrative expenses	**472 091**	171 521	**1 269 946**	374 159
Earnings before the undernoted expenses	**50 523**	24 521	**140 590**	62 641
Depreciation and amortization of fixed assets	**8 860**	3 687	**23 847**	7 584
Amortization of goodwill	**1 804**	600	**4 976**	750
Earnings before interest and income taxes	**39 859**	20 234	**111 767**	54 307
Interest on long-term debt	**7 062**	1 896	**21 599**	1 896
Other interest, net of interest income	**1 336**	198	**3 317**	220
Earnings before income taxes	**31 461**	18 140	**86 851**	52 191
Income taxes	**11 565**	6 695	**32 615**	19 107
Net earnings	**$ 19 896**	$ 11 445	**$ 54 236**	$ 33 084
Earnings per share				
Basic (1)	**$ 0.41**	$ 0.30	**$ 1.12**	$ 1.01
Fully diluted (2)	**$ 0.40**	$ 0.23	**$ 1.10**	$ 0.68

(1) Basic earnings per share for have been calculated using the weighted average number of common shares outstanding.

(2) Fully diluted earnings per share have been calculated using 49 399 051 (48 940 309 in 1997) shares, being 48 597 174 common shares currently outstanding (48 470 500 in 1997) and 801 777 common shares that may be issued under the Company's share option plan (469 809 in 1997).

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

(unaudited)

(in thousands of dollars)	For the nine months ended December 31	
	1998	1997
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net earnings	**$ 54 236**	$ 33 084
Items not affecting cash		
Depreciation and amortization	**28 823**	8 334
Deferred income taxes	**9 449**	(1 352)
Gain on disposal of fixed assets	**(9)**	–
	92 499	40 066
Changes in non-cash operating working capital items	**(35 225)**	(15 090)
	57 274	24 976
Investing		
Business acquisition	**(64 467)**	(578 870)
Cash of acquired businesses	**989**	0
Additions to fixed assets	**(38 480)**	(14 028)
Proceeds from disposal of fixed assets	**661**	0
Investments - net change	**0**	1 595
Other assets - net change	**(4)**	(7 845)
Advances to companies controlled by shareholders	**0**	20 944
Foreign currency translation adjustment	**(7 049)**	3 769
	(108 350)	(574 435)
Financing		
Increase in long-term debt	**50 014**	359 617
Repayment of long-term debt	**(40 956)**	(128)
Repayment of promissory note	**–**	(14 000)
Advances from a shareholder corporation	**–**	(3 775)
Issuance of common shares	**1 124**	386 000
Redemption of preferred shares	**–**	(126 000)
Common shares issue costs, net of income taxes	**–**	(8 453)
Dividends	**(8 745)**	(28 044)
	1 437	565 217
Changes in cash	**(49 639)**	15 758
Bank indebtedness, beginning of period	**(9 689)**	(11 643)
(Bank indebtedness) cash, end of period	**$ (59 328)**	$ 4 115

CONSOLIDATED BALANCE SHEETS

(unaudited)

(in thousands of dollars)	As at December 31	
	1998	1997
ASSETS		
Current assets		
Cash	**$ –**	$ 4 115
Receivables	**191 690**	132 573
Inventories	**227 640**	166 048
Prepaid expenses and other assets	**425**	9 528
	419 755	312 264
Investments	**–**	750
Fixed assets	**409 977**	288 937
Goodwill, unamortized portion	**267 062**	263 556
Other assets	**5 862**	9 158
	$ 1 102 656	$ 874 665
LIABILITIES		
Current liabilities		
Bank indebtedness	**$ 59 328**	$ –
Accounts payable and accrued liabilities	**184 571**	138 290
Income taxes	**7 577**	1 614
Current portion of long-term debt	**51 000**	20 890
	302 476	160 794
Long-term debt	**355 710**	344 877
Deferred income taxes	**13 291**	8 421
	671 477	514 092
SHAREHOLDERS' EQUITY		
Share capital	**348 913**	345 370
Retained earnings	**67 714**	11 445
Foreign currency translation adjustment	**14 552**	3 758
	431 179	360 573
	$ 1 102 656	$ 874 665