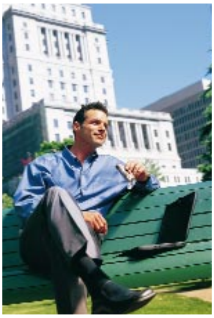
Interim Report

3rd Quarter

Fiscal 2002



SAPUTO

Message to the shareholders
and analysis of operating results and financial position

We are pleased to present the results for the third quarter of fiscal 2002, ended December 31, 2001, for which the Company posted solid financial results.

Net earnings were up 37.1% as compared to the same period of the previous fiscal year, for a total of $35.1 million or $0.34 (basic) per share in comparison with the $25.6 million or $0.25 (basic) per share posted for the same period the year before. Two important elements are reflected in these results. First, the performance of Dairyworld, our latest acquisition, whose integration process is still on course and whose performance is very encouraging. The contribution of Dairyworld activities to the overall earnings of the Company grows steadily. Indeed, its EBITDA margin has risen by more than 50% since its acquisition in February 2001. Second, in the course of the quarter the average selling price per pound of cheese on the American market dropped by almost $0.38 US as compared to the price on September 30, 2001. That drop had a direct and negative impact on the performance of the Company. Notwithstanding, our net earnings showed an increase of more than 37% for the quarter, and of 33.6% since the beginning of the fiscal year, compared to the same periods for the previous year.

Earnings before interest, income taxes, depreciation and amortization (EBITDA) reached $77.8 million in the course of the third quarter of fiscal 2002, an increase of 35.1% over the $57.6 million of last year's third quarter. This growth of $20.2 million is attributable to the activities of Dairyworld, acquired on February 5, 2001, which generated $24.1 million in EBITDA for the quarter. Since the beginning of the fiscal year, a 35.8% increase in EBITDA has been posted, amounting to $259.9 million, as compared to the $191.4 million for the same period of the previous fiscal year.

The Company's revenues totalled $863.7 million for the three-month period ended December 31, 2001, a climb of 76.2% from the $490.1 million for the corresponding period in the previous fiscal year. Dairyworld's contribution to the Company's revenues accounts for the bulk of that increase.

CASH AND FINANCIAL RESOURCES

Since the beginning of the fiscal year, cash generated before changes in non-cash working capital items total $177.8 million or $1.73 (basic) per share, a 32.2% increase over the $134.5 million or $1.31 (basic) per share posted for the corresponding period a year earlier.

The Company used this important cash inflow to reimburse $70 million in long-term debt, $30 million of that during the quarter ended December 31, 2001. The Company also earmarked a significant part of these operating funds for additional capital expenditures, amounting to $43 million, $13.7 million of that during the third quarter. For the fiscal year in progress, the Company is holding to $60 million for the amount anticipated for additional capital expenditures. But additional sums could prove to be necessary in the framework of the Dairyworld integration process. To date, $9 million has been earmarked for additional capital expenditures as part of that process.

Furthermore, the Company has paid out $15.9 million in dividends, reimbursed $5 million in bank loans and increased its cash holdings by nearly $13 million since the beginning of the fiscal year.

INFORMATION BY SECTOR

Dairy Products (Canada)

The acquisition of Dairyworld has considerably changed the profile of this sector. Revenues for the third quarter of the fiscal year 2002 reached $522.6 million, an increase of 241% over the $153.1 million for the same period last year. That increase can almost entirely be accounted for by the contribution of Dairyworld, with its revenues of $365.1 million. EBITDA reached $47.5 million for the quarter ended December 31, 2001, an increase of 109% over the $22.7 million for the corresponding period a year earlier. Again, this rise in EBITDA is almost entirely attributable to the activities of Dairyworld.

EBITDA margin in this sector fell from 14.8% for the third quarter of the previous fiscal year to 9.1% for the third quarter of this year. Dairyworld generates less EBITDA margin than that of the other Canadian activities of the Company; its EBITDA amounted to $24.1 million for the last quarter, representing a 6.6% margin. However, EBITDA margin for Dairyworld activities, which stood at 4.3% at the time of acquisition, rose from 5.2% for the first quarter of the current fiscal year to 5.9% for the second quarter. And for the third quarter of the current fiscal year, EBITDA margin for Dairyworld activities climbed to 6.6%. Since the outset of the fiscal year, $62.3 million in EBITDA has been generated by Dairyworld activities, on revenues that reached $1.056 billion. The Company continues with its integration process, and the positive effects of the steps we have taken provide us with a sense of pride. For the quarter ended December 31, 2001, EBITDA for other activities in the Dairy Products sector rose to $23.4 million and revenues amounted to $157.4 million, representing a 14.9% margin. Last year, for the same three-month period ended December 31, Canadian activities generated EBITDA of $22.7 million on revenues of $153.1 million, which represents a 14.8% margin.

Dairy Products (United States)

Revenues for the third quarter of fiscal 2002 amounted to $300.1 million, an increase of $23.5 million over the $276.6 million for the same period the previous fiscal year. This increase can be explained primarily by the upswing in the average selling price per pound of cheese over the same period a year earlier, which translates into a positive effect of $29 million on revenues. A slight decrease in volume accompanied by a favorable impact stemming from the devaluation of the Canadian dollar accounts for the remainder of the variation in revenues.

The reversal suffered by the average price per pound of cheese in the United States in this quarter is reflected in EBITDA for the three-month period ended December 31, 2001. EBITDA totalled $22 million, down $4.3 million from the $26.3 million recorded for the same period a year earlier. EBITDA margin, meanwhile, slid from 9.5% for the third quarter last year to 7.3% for the third quarter of the fiscal year in progress. Two important factors account for this EBITDA decrease. First, the pronounced drop in the average selling price per pound of cheese on the American market since September 30, 2001 reversed the gains of close to $8.4 million recorded during the first two quarters of the current fiscal year. Those gains had been realized while the selling price per pound of cheese was on the upswing.

Second, generally the purchase price of the principal raw material, milk, fluctuates in tandem with variations in the selling price per pound of cheese. Nevertheless, over the three-month period that ended December 31, 2001, the drop in the price per pound of cheese was not followed by a proportionate decrease in the cost of milk. This situation produced an unfavorable difference of nearly $6 million, which entailed a drop of an equivalent amount in EBITDA for the quarter. Notwithstanding, since the beginning of the fiscal year the American division has generated EBITDA of $101.3 million, an increase of $4.6 million over the $96.7 million for the same period in the previous fiscal year.

Grocery Products

For the first time, as a result of the partnership agreement entered into with Dare Foods which was concluded on July 15, 2001, whereby it acquired the cookies, fine breads and soups operations of the Company's Grocery Products sector, results for that sector refer only to the snack cakes category. For the third quarter, and taking into consideration the impact of the above transaction, revenues came in at $41 million, a decline of $19.4 million as compared to the $60.4 million of the same period in the previous fiscal year. For the quarter ended December 31, 2001, EBITDA amounted to $8.2 million, producing a margin of 20.1%. This EBITDA includes a gain of roughly $0.85 million relative to the sale of assets in the cookies, fine breads and soups categories of the Grocery Products sector.

DIVIDENDS

The Board of Directors of the Company declared a dividend of $0.055 per common share, payable on March 22, 2002, to common shareholders of record on March 8, 2002. This dividend relates to the third quarter, ended December 31, 2001.

From quarter to quarter we have ensured the Company's growth by means of well thought-out acquisitions paired with our willingness to properly integrate each one of them through continuous improvement in their efficiency and their processes. As for the future, we will continue to carefully examine every business opportunity that presents itself, with the interests of all our shareholders in mind.

LINO SAPUTO
Chairman of the Board and Chief Executive Officer
February 20, 2002

Consolidated statements of **earnings** *(unaudited)*

(in thousands of dollars, except per share amounts)	For the three-month periods ended December 31 2001	2000	For the nine-month periods ended December 31 2001	2000
REVENUES	**$ 863,679**	$ 490,135	**$2,637,828**	$1,473,592
Cost of sales, selling and administrative expenses	**785,917**	432,534	2,377,927	1,282,202
EARNINGS BEFORE INTEREST, DEPRECIATION, AMORTIZATION AND INCOME TAXES	**77,762**	57,601	**259,901**	191,390
Depreciation of fixed assets	**16,974**	11,960	**52,316**	36,404
OPERATING INCOME	**60,788**	45,641	**207,585**	154,986
Interest on long-term debt	**12,842**	9,233	**41,040**	28,586
Other interest	**(92)**	(680)	**(665)**	(1,011)
EARNINGS BEFORE INCOME TAXES AND AMORTIZATION OF GOODWILL	**48,038**	37,088	**167,210**	127,411
Income taxes	**12,943**	11,480	**50,380**	40,036
EARNINGS BEFORE AMORTIZATION OF GOODWILL	**35,095**	25,608	**116,830**	87,375
Amortization of goodwill ***	**—**	3,235	**—**	9,592
NET EARNINGS	**$ 35,095**	$ 22,373	**$ 116,830**	$ 77,783
PER SHARE				
Net earnings *(earnings before amortization of goodwill in 2000)*				
Basic	**$ 0.34**	$ 0.25	**$ 1.14**	$ 0.85
Diluted	**$ 0.34**	$ 0.25	**$ 1.13**	$ 0.85

*** The Company adopted the new Canadian Institute of Chartered Accountants accounting recommendations on amortization of goodwill. Goodwill ceased to be amortized in accordance with these recommendations since April 1, 2001. Had the application of the new recommendations been permitted during the period of nine months ended December 31, 2000, net earnings would have been respectively $25,608,000 and $87,375,000.

Consolidated statements of retained **earnings** *(unaudited)*

(in thousands of dollars)	For the nine-month periods ended December 31 2001	2000
RETAINED EARNINGS, BEGINNING OF PERIOD	**$ 271,087**	$ 177,746
Net earnings	**116,830**	77,783
Dividends	**(15,927)**	(12,291)
RETAINED EARNINGS, END OF PERIOD	**$ 371,990**	$ 243,238

Selected segmented **information** *(unaudited)*

(in thousands of dollars)	For the three-month periods ended December 31 2001	2000	For the nine-month periods ended December 31 2001	2000
REVENUES				
Dairy products				
Canada	**$ 522,555**	$ 153,080	**$1,517,129**	$ 454,033
United States	**300,075**	276,617	**973,939**	831,294
	822,630	429,697	**2,491,068**	1,285,327
Grocery products	**41,049**	60,438	**146,760**	188,265
	$ 863,679	$ 490,135	**$2,637,828**	$1,473,592
EARNINGS BEFORE INTEREST, DEPRECIATION, AMORTIZATION AND INCOME TAXES				
Dairy products				
Canada	**$ 47,526**	$ 22,652	**$ 132,235**	$ 64,890
United States	**21,990**	26,273	**101,267**	96,660
	69,516	48,925	**233,502**	161,550
Grocery products	**8,246**	8,676	**26,399**	29,840
	$ 77,762	$ 57,601	**$ 259,901**	$ 191,390
DEPRECIATION OF FIXED ASSETS				
Dairy products				
Canada	**$ 7,443**	$ 2,586	**$ 22,005**	$ 8,451
United States	**8,381**	7,142	**25,151**	20,958
	15,824	9,728	**47,156**	29,409
Grocery products	**1,150**	2,232	**5,160**	6,995
	$ 16,974	$ 11,960	**$ 52,316**	$ 36,404
OPERATING INCOME				
Dairy products				
Canada	**$ 40,083**	$ 20,066	**$ 110,230**	$ 56,439
United States	**13,609**	19,131	**76,116**	75,702
	53,692	39,197	**186,346**	132,141
Grocery products	**7,096**	6,444	**21,239**	22,845
	$ 60,788	$ 45,641	**$ 207,585**	$ 154,986
Interest	**12,750**	8,553	**40,375**	27,575
EARNINGS BEFORE INCOME TAXES AND AMORTIZATION OF GOODWILL	**48,038**	37,088	**167,210**	127,411
Income taxes	**12,943**	11,480	**50,380**	40,036
EARNINGS BEFORE AMORTIZATION OF GOODWILL	**35,095**	25,608	**116,830**	87,375
Amortization of goodwill ***	**—**	3,235	**—**	9,592
NET EARNINGS	**$ 35,095**	$ 22,373	**$ 116,830**	$ 77,783

Consolidated statements of **cash flows** *(unaudited)*

(in thousands of dollars, except per share amounts)	For the three-month periods ended December 31 **2001**	2000	For the nine-month periods ended December 31 **2001**	2000
Cash flows related to the following activities:				
OPERATING				
Net earnings	**$ 35,095**	$ 22,373	**$ 116,830**	$ 77,783
Items not affecting cash				
Depreciation and amortization	**16,974**	15,195	**52,316**	45,996
Future income taxes	**3,099**	3,566	**8,677**	10,733
	55,168	41,134	**177,823**	134,512
Currency (gain) loss on cash held in foreign currency	**(24)**	—	**(21)**	3
Changes in non-cash operating working capital items	**3,802**	(9,687)	**(27,719)**	6,289
	58,946	31,447	**150,083**	140,804
INVESTING				
Net additions to fixed assets	**(13,700)**	(10,175)	**(43,058)**	(26,182)
Other assets	**(341)**	(1,189)	**(6,445)**	(1,264)
Foreign currency translation adjustment	**(6,228)**	2,457	**(6,913)**	(19,965)
	(20,269)	(8,907)	**(56,416)**	(47,411)
FINANCING				
Bank loans	**(4,771)**	(100)	**(5,083)**	(2,685)
Repayment of long-term debt	**(30,000)**	(9,995)	**(70,000)**	(91,072)
Issuance of share capital	**1,696**	32	**5,152**	166
Employee future benefits	**(600)**	—	**(24)**	—
Dividends	**(5,657)**	(4,610)	**(15,927)**	(12,291)
Foreign currency translation adjustment	**4,567**	(1,858)	**5,305**	15,675
	(34,765)	(16,531)	**(80,577)**	(90,207)
INCREASE IN CASH	**3,912**	6,009	**13,090**	3,186
CURRENCY GAIN (LOSS) ON CASH HELD IN FOREIGN CURRENCY	**24**	—	**21**	(3)
CASH, BEGINNING OF PERIOD	**15,469**	1,484	**6,294**	4,310
CASH, END OF PERIOD	**$ 19,405**	$ 7,493	**$ 19,405**	$ 7,493
SUPPLEMENTAL INFORMATION				
Interest paid	**$ 19,219**	$ 15,732	**$ 48,443**	$ 34,204
Income taxes paid	**$ 21,180**	$ 12,748	**$ 50,272**	$ 18,954
PER SHARE (NOTE 4)				
Inflow of cash related to operations before changes in non-cash operating working capital items				
Basic	**$ 0.54**	$ 0.40	**$ 1.73**	$ 1.31
Diluted	**$ 0.53**	$ 0.40	**$ 1.72**	$ 1.31

Consolidated **balance sheets**

(in thousands of dollars)	*(unaudited)* December 31, 2001	*(audited)* March 31, 2001
ASSETS		
CURRENT ASSETS		
Cash	$ 19,405	$ 6,294
Receivables	281,246	279,493
Inventories	389,279	376,447
Income taxes	500	2,866
Future income taxes	21,072	22,751
Prepaid expenses and other assets	6,188	10,628
	717,690	698,479
FIXED ASSETS	644,315	675,021
INVESTMENT, AT COST (NOTE 3)	55,187	—
GOODWILL, UNAMORTIZED PORTION (COST OF $ 609,646)	571,402	592,646
OTHER ASSETS	40,415	33,970
FUTURE INCOME TAXES	12,017	12,863
	$ 2,041,026	$ 2,012,979
LIABILITIES		
CURRENT LIABILITIES		
Bank loans	$ 5,560	$ 10,643
Accounts payable and accrued liabilities	311,557	320,426
Income taxes	18,832	29,457
Current portion of long-term debt	100,000	95,075
	435,949	455,601
LONG-TERM DEBT	630,698	700,821
EMPLOYEE FUTURE BENEFITS	11,550	11,574
FUTURE INCOME TAXES	103,737	97,082
	1,181,934	1,265,078
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (102,927,720 SHARES, 102,450,780 SHARES AS AT MARCH 31, 2001) (NOTE 4)	456,199	451,047
RETAINED EARNINGS	371,990	271,087
FOREIGN CURRENCY TRANSLATION ADJUSTMENT	30,903	25,767
	859,092	747,901
	$ 2,041,026	$ 2,012,979

Notes relating to the **consolidated financial statements**

NOTE 1 - ACCOUNTING POLICIES

The unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles used in Canada and applied in the same manner as the most recently audited financial statements. The unaudited consolidated financial statements do not include all the information and notes required according to generally accepted accounting principles for annual financial statements, and should therefore be read with the audited consolidated financial statements and the notes included in the Company's annual report for the year ended March 31, 2001.

NOTE 2 - CHANGE IN ACCOUNTING POLICY

As of March 31, 2001, the Company retroactively adopted the new recommendations of the CICA regarding the method used to calculate diluted earnings per share. In accordance with the new recommendations, the share treasury stock method is now used to determine the dilutive effect of share options.

Following this change, diluted earnings before amortization of goodwill per common share for the third quarter of 2001 have been restated, from $0.24 to $0.25. For the nine-month period ended December 31, 2000, earnings per common share have been restated, from $0.83 to $0.85. This change in accounting policy had no effect on the current period.

The weighted average number of common shares outstanding for the three-month period ended December 31, 2001 is 102,848,831 (102,419,798 in 2000). For the nine-month period ended December 31, 2001, this number is 102,706,753 (102,412,866 in 2000).

The weighted average number of common shares outstanding, including the potentially dilutive shares that could be issued following the exercise of options granted under the Company's share option plan is 103,558,952 (103,020,508 in 2000).

NOTE 3 - INVESTMENT

On July 15, 2001, the Company entered into a partnership agreement through its subsidiary Culinar pursuant to which Dare Foods Ltd. acquired the cookies, fine breads and soups operations of the Company's Grocery Products sector. This transaction grants Saputo Inc. a share participation of 21% in Dare Foods Ltd.

This non-monetary transaction has been accounted for at the fair value of the assets disposed of.

NOTE 4 - EARNINGS PER SHARE

The computations of basic and diluted earnings per share were adjusted retroactively for all periods presented to reflect the change as a result of the stock dividend paid on November 30, 2001 which has the same effect as a two-for-one stock split.