A taste of things to come

ANNUAL REPORT 2000

SAPUTO GROUP INC.

Saputo Group Inc. is a North American manufacturer of dairy and grocery products. From its dairy processing operations, Saputo manufactures predominantly Mozzarella, with expertise extending to other Italian cheeses, European cheeses and North American cheeses, as well as value-added whey by-products such as lactose and whey protein. The Dairy Products sector's leading brands are *Saputo*, *Stella*, *Frigo*, *Dragone*, *Caron* and *Cayer*. In Canada, Saputo also operates a distribution network through which the Company markets a broad assortment of imported cheeses and non-dairy products to complement its cheese offerings.

Through its Grocery Products sector, Saputo produces and distributes snack cakes, cookies, fine breads and soups, under recognized brand names such as *Vachon*, *Viau-McCormicks*, *Grissol* and *Loney's*.

Saputo employs over 5,400 people. Within the Dairy Products sector, it operates 17 plants in the United States, as well as 11 plants and a network of 17 distribution centres in Canada. In the Grocery Products sector, Saputo operates five plants in Canada and a direct store delivery network of 53 warehouses and five distribution centres. The Company's shares are listed on The Toronto Stock Exchange under the symbol SAP.

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All amounts in this report are in Canadian dollars, unless otherwise stated.

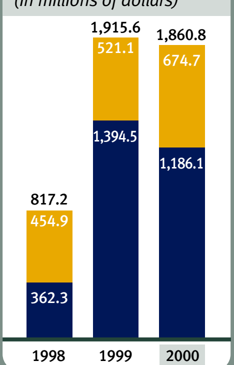
Un exemplaire français vous sera expédié sur demande adressée au :

Service des communications
Groupe Saputo Inc.
6869, boul. Métropolitain Est
Saint-Léonard (Québec)
H1P 1X8

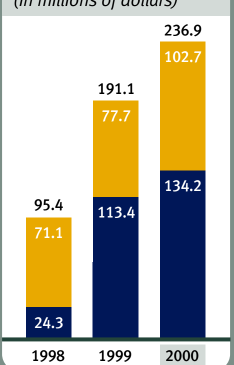
Financial Highlights

As at March 31 *(In thousands of dollars, except per share amounts and ratios)*	**2000**	1999	1998
REVENUES			
Dairy Products sector			
Canada	**$ 528,466**	$ 521,146	$ 454,907
United States	**1,186,136**	1,394,491	362,348
	$ 1,714,602	$ 1,915,637	$ 817,255
Grocery Products sector	**$ 146,276**	$ –	$ –
	$ 1,860,878	$ 1,915,637	$ 817,255
EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA)			
Dairy Products sector			
Canada	**$ 81,539**	$ 77,744	$ 71,079
United States	**134,188**	113,343	24,348
	$ 215,527	$ 191,087	$ 95,427
Grocery Products sector	**$ 21,218**	$ –	$ –
	$ 236,945	$ 191,087	$ 95,427
NET EARNINGS	**$ 100,068**	$ 79,093	$ 45,745
Cash flow generated by operations, before changes in non-cash operating working capital items	**$ 176,047**	$ 128,334	$ 63,972
Working capital	**$ 150,562**	$ 98,459	$ 115,935
Total assets	**$ 1,373,565**	$ 1,072,049	$ 896,662
Long-term debt, including current portion	**$ 501,575**	$ 377,784	$ 361,334
Shareholders' equity	**$ 628,894**	$ 449,933	$ 369,893
PER SHARE			
Earnings before amortization of goodwill			
Basic	**$ 2.20**	$ 1.79	$ 1.30
Fully diluted	**$ 2.08**	$ 1.75	$ 0.98
Net earnings			
Basic	**$ 2.00**	$ 1.63	$ 1.23
Fully diluted	**$ 1.89**	$ 1.59	$ 0.93
Cash flow generated by operations, before changes in non-cash operating working capital items	**$ 3.52**	$ 2.64	$ 1.72
Book value	**$ 12.28**	$ 9.25	$ 7.62
FINANCIAL RATIOS			
Interest bearing debt / Shareholders' equity	**0.83**	0.99	1.04
Return on average shareholders' equity	**18.6 %**	19.3 %	18.9 %

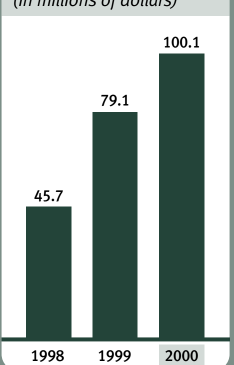
REVENUES
(in millions of dollars)



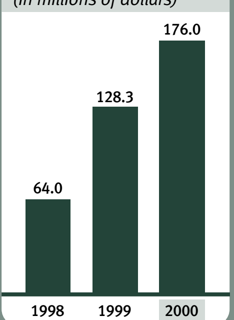
EBITDA
(in millions of dollars)



NET EARNINGS
(in millions of dollars)



CASH FLOW GENERATED BY OPERATIONS
(in millions of dollars)

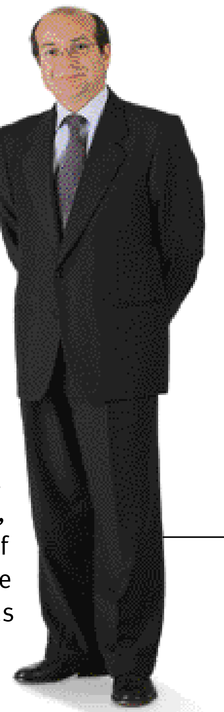


Canada
United States

Message to the shareholders

Fiscal 2000 was another year of growth for Saputo. We increased our net earnings by 26.5% to $100.1 million ($2.00 per share), compared with $79.1 million last year. An important portion of this increase came from our Dairy Products sector.

We finalized the integration process of our American and Canadian dairy acquisitions. This was partly achieved through plant and product rationalization. We also conducted a careful analysis of our client base in terms of our strategic objectives. Yet, our most powerful tool remained the continuous improvement of our manufacturing processes. This, combined with the overall efficiency achieved throughout the Company, resulted in higher productivity and an increase in earnings.



CAMILLO LISIO

In our quest for expansion, we will continue to look at the potential acquisition of companies whose activities complement our own and where the application of our operating expertise will enhance shareholder value.

REVENUES

Revenues for the year amounted to $1.861 billion, compared with $1.916 billion in fiscal 1999. With 64% of our sales coming from the United States, two main factors affected the final revenue figure: the conversion of US sales into Canadian dollars and the fluctuation of the selling price of cheese in the American market. This year's average conversion factor had a negative effect of $26 million, compared with the average exchange rate of fiscal 1999. In addition, during the fiscal year just ended, the selling price per pound of cheese fell to its lowest point in six years and brought the average market price to US$1.35 compared with US$1.57 in the previous fiscal year. This had an adverse impact of $149 million compared with our revenues of fiscal 1999.

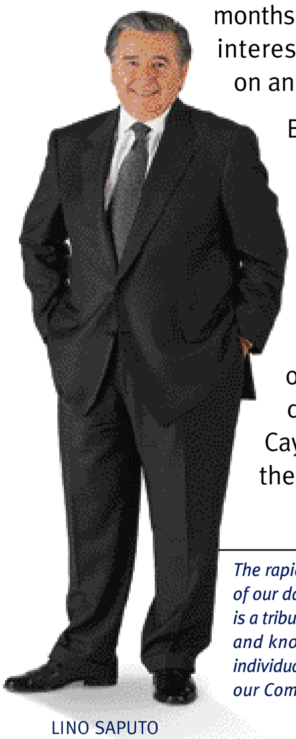
ACQUISITIONS

Growth also came from acquisitions, which, as we have stated, are an important part of our business development strategy. Our primary area of interest continued to be the dairy industry and we remained open to evaluating strategic opportunities in North America and beyond. Consistent with our strategy, we also devised a plan to diversify within the food industry. We believed this broader approach would give us an additional platform on which to build our business. An ideal opportunity arose in September 1999 with Culinar Inc., the largest manufacturer of snack cakes and fine breads and one of the largest cookie manufacturers in Canada.

We were drawn by Culinar's potential. With an impressive portfolio of national and regional brands holding enviable shares of the Canadian market in their categories, the company brought us a balance between our commodity and branded products. In addition, it achieved our goal of expanding our activities to other sectors of the food industry. Our knowledge of the retail market through our dairy processing operations combined with our manufacturing expertise gave us the necessary confidence to take on this challenge. We appreciated the support shown by our shareholders when we embarked on this new venture. We are now pleased to report that after six months of operation, we have increased Culinar's EBITDA (earnings before interest, income taxes, depreciation and amortization) by $6.5 million on an annualized basis, compared to its historical data.

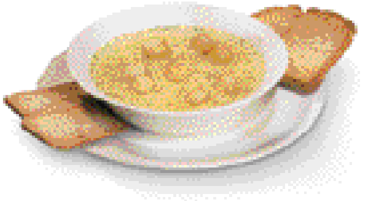
By the end of the current fiscal year, we will have completed the integration of Culinar into our corporate fold. We will then be ready to evaluate market opportunities for Culinar products in the Canadian and international markets.

On February 28, 2000, we completed the acquisition of Cayer-JCB Group Inc., a manufacturer of European cheeses based in the Province of Québec. We intend to integrate this company into our Dairy Products sector and increase Cayer's market presence via our distribution network. Since most of the products manufactured by Cayer are not subject to a quota or tariff when entering the United States, they will benefit from our representation in the American market.



The rapid integration of our dairy acquisitions is a tribute to the expertise and knowledge of the individuals who make up our Company.

LINO SAPUTO

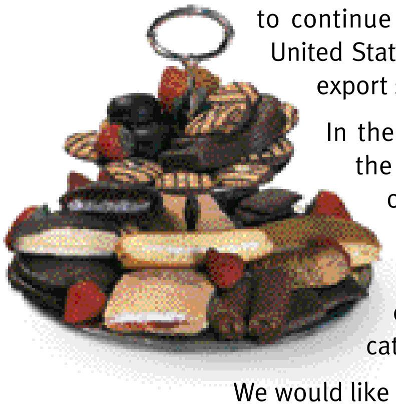


OUTLOOK

Our ambition is to build a worldwide dairy company. We believe that this year's achievements brought us closer to our goal. The rapid integration of our dairy acquisitions is a tribute to the knowledge and expertise of the individuals who make up our Company. We are therefore confident that our experience can be applied to Culinar in order to build a strong sector that will complement our dairy operations. Since acquiring Culinar, we have restructured Saputo into two sectors: Dairy Products and Grocery Products.

In the Dairy Products sector, our results clearly demonstrate that we are a low-cost producer and operator. In the current year we will focus our efforts on achieving greater market penetration.

The recent WTO decision regarding Canadian exports of dairy products strengthens our belief that we acted in a timely manner when we implemented our strategy to expand significantly into the United States and structure the management of our Company along North American lines. Today, this position serves us well and gives us the flexibility to continue servicing certain export markets with products manufactured in the United States while we await the establishment of a WTO-compliant Canadian dairy export system.



In the Grocery Products sector, we will devote our efforts to implementing the same low-cost production and operation methods. This will reinforce our base and increase our competitiveness. As part of the integration process, we also intend to complete a full analysis of the sector's activities.

In our quest for expansion, we will continue to look at potential acquisitions of companies whose activities complement our own and where the application of our operating expertise will enhance shareholder value.

We would like to thank our employees for their exceptional performance. They powered our success. We also welcome the men and women who joined us this year. We hope that the Saputo environment will allow them to realize their full potential. Finally, we would like to express our gratitude to our colleagues on the Board of Directors for their sound advice and unwavering support.

"Lino Saputo"
(signed)

Lino Saputo
Chairman of the Board and
Chief Executive Officer

"Camillo Lisio"
(signed)

Camillo Lisio
President and
Chief Operating Officer

June 7, 2000

What Makes Us Grow

A leader in the North American Mozzarella and specialty cheese markets, Saputo is constantly evolving. Always on the lookout, the Company is poised to seize any opportunity that falls within its business plan for further expansion.

At Saputo, we know that quality is what ultimately guarantees our growth. Only products of the finest quality will inspire loyalty. The Company has never compromised on the quality of its products, and our clients have rewarded us accordingly.

Since 1954, and even more so since becoming a public company, Saputo has always managed its assets in a way that ensures the highest possible return for the Company's shareholders. All decisions are taken in accordance with this underlying philosophy.

DAIRY PRODUCTS SECTOR
Plant ● Distribution centre ■

GROCERY PRODUCTS SECTOR
Plant ● Distribution centre ■

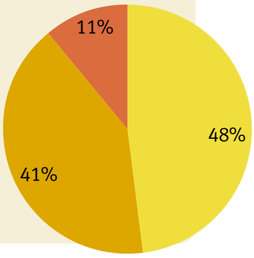
Dairy Products

Activities: Founded in 1954, we have, over the years, firmly established our expertise in the low-cost production of quality dairy products. Our main sector clearly reflects our origins. We manufacture a comprehensive line of cheeses and whey by-products such as lactose. In Québec, we also make frozen novelties and bottle fluid milk. In Canada, we additionally operate a distribution network of 17 centres strategically located coast to coast.

We offer our clients an extensive line of food products and non-food items manufactured by third parties to complement our cheese offerings.

SALES BY PRODUCT CATEGORY

CATEGORY	SALES *(in thousands of dollars)*
MOZZARELLA	817,351
OTHER MANUFACTURED CHEESES, BUTTER, FLUID MILK AND FROZEN NOVELTIES	709,941
OTHERS	187,310
‣ BY-PRODUCTS AND SWEETENED CONDENSED MILK	
‣ IMPORTED CHEESES	
‣ NON-DAIRY PRODUCTS	



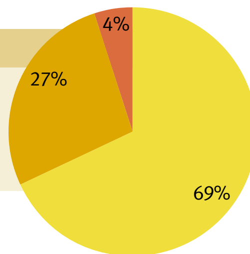
MANUFACTURED CHEESES

TYPE	PRODUCTS
ITALIAN	Asiago, Bocconcini, Cacino, Caciocavallo, Fontinella, Friulano, Gorgonzola, Mozzarella, Parmesan, Pastorella, Provolone, Ricotta, Romano, Trecce, Tuma
EUROPEAN	Blue, Brie, Camembert, Feta, Goat Cheese, Havarti, Swiss
NORTH AMERICAN	Brick, Cheddar, Colby, Farmer, Lorraine, Monterey Jack, Munster, Process Cheese

Our efficient production and operation methods ensure we remain competitive wherever we do business. We sell our products in three markets, Canada, the United States and the international market, under recognized national and regional brand names.

SALES BY MARKET

MARKET	SALES *(in thousands of dollars)*
UNITED STATES	1,186,136
CANADA	452,547
INTERNATIONAL	75,919



GEOGRAPHIC COVERAGE OF OUR BRAND NAMES

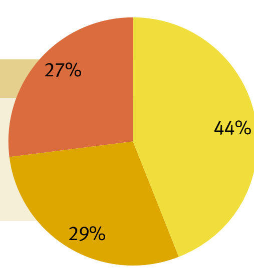
CANADA	BRAND NAME
NATIONAL BRANDS	Saputo Stella Cayer Caron
QUÉBEC BRANDS	Descôteaux Froma-Dar
WESTERN CANADA BRAND	Bari

UNITED STATES	BRAND NAME
NATIONAL BRANDS	Stella Frigo Lorraine
EASTERN STATES BRANDS	Dragone Saputo Cayer
WESTERN STATES BRAND	Gardenia

Our sales are divided into three segments. The scope of this diversification benefits the Company by ensuring it is not dependent on any one market segment for its revenue base and ultimate profitability. It also has the advantage of allowing the Company to respond to shifts in consumption patterns due to social or economic changes.

SALES BY MARKET SEGMENT

MARKET SEGMENT	SALES *(in thousands of dollars)*
FOODSERVICE	759,821
RETAIL	452,798
INGREDIENT	501,983



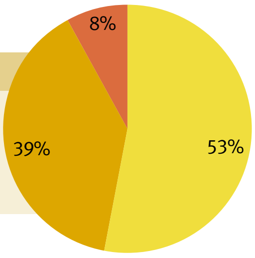
FOODSERVICE

Our foodservice customers primarily consist of distributors, hotels, pizzerias and restaurants. We are positioned as a manufacturer of branded and private label products that meet the needs of this clientele. In Canada, we operate a distribution network and offer our clients our cheeses as well as a complete line of food products and other items manufactured by third parties.

The consistently high quality of our products combined with our personal service have made us a leader in this segment. We have built a relationship of trust with our clients. Their loyalty motivates us to achieve superior performance.

FOODSERVICE REVENUES BY MARKET

MARKET	**SALES** *(in thousands of dollars)*
UNITED STATES	402,507
CANADA	298,391
INTERNATIONAL	58,923



OBJECTIVES 2000

For fiscal 2000, our objective was to strengthen our position as a specialist in this segment by responding to the needs of our clients. With this in mind, we offered seasonal trade promotions and recipe suggestions to our customers in order to increase usage of our products. Italian and European cheeses are being featured on more menus today and our Italian specialty table and grating cheeses all exhibited strong sales throughout the year.

To appeal to the industry's increased demand for products that cut down on meal preparation, in February 2000 we set up a promotional program in the United States introducing the *Frigo* brand ready-to-spread ricotta filling *Lasagna Made Easy*. Customers greeted it with enthusiasm. In Canada, the spotlight was on the launching of new blends of cheeses. On the international market, we sold mainly Mozzarella that was distributed worldwide, in countries such as Mexico, Belgium and Saudi Arabia.

On the international market, we sold mainly Mozzarella that was distributed worldwide, in countries such as Mexico, Belgium and Saudi Arabia.

OBJECTIVES 2001

For fiscal 2001, we intend to grow our position in this segment by exploring and developing new avenues in markets that are still untapped by the Company.

Needless to say, we will continue to devote all our efforts to producing quality products and offering outstanding personalized service. Because ultimately, these are the two defining qualities that set us apart.

We offered seasonal trade promotions and recipe suggestions to our customers in order to increase usage of our products.

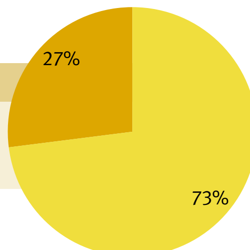
RETAIL

In the retail segment, we service a wide array of outlets consisting of supermarket chains, grocery stores, warehouse clubs and gourmet cheese boutiques. Above all, we are recognized as a supplier of specialty Italian cheeses, the most popular being Mozzarella, Ricotta, Provolone, Parmesan and Asiago. We position these products as ideal for giving a quick flavor boost to everyday Italian cooking.

Our product line also includes many other cheeses. Blue, Bocconcini, Lorraine, Swiss and string Mozzarella are just a few examples.

RETAIL REVENUES BY MARKET

MARKET	SALES *(in thousands of dollars)*
UNITED STATES	331,972
CANADA	120,826



OBJECTIVES 2000

For fiscal 2000, our objectives were to consolidate our retail presence and increase consumer awareness of our trademarks. We achieved this goal by developing new products and running major promotions supporting our brands.

In Canada, we repositioned our *Caron* brand to enhance our domestic and imported lines of European cheeses. We took advantage of increased demand from consumers for convenient, portable foods by launching a new line of fresh sliced cheeses under our *Saputo* brand in Canada. This line was a finalist in the Canadian Grand Prix of New Products.

In the United States, two major initiatives were taken to increase sales of our string Mozzarella sold under the *Frigo Cheese Heads* label. First, the brand was supported in advertising and on-package with powerful, family entertainment brands such as Disney Adventures magazine, Disney Radio, Nickelodeon magazine and Nickelodeon.com. Secondly, a cheddar-flavored variety was introduced in January 2000 and has met with very strong retail acceptance and early consumer sales velocity. The *Frigo Cheese Heads* brand is the #1 brand nationally in the string cheese category, with a solid market share of 18%[1].

Major initiatives were taken to increase sales of our string Mozzarella sold under the Frigo Cheese Heads label. The brand was supported in advertising and on-package with powerful, family entertainment brands such as Disney Adventures magazine and Disney Radio.

OBJECTIVES 2001

Our two main objectives for fiscal 2001 are to further strengthen our retail presence across North America and to consolidate our leadership position in the specialty market.

The acquisition of *Cayer-JCB Group Inc.* on February 28, 2000 fits these goals. As a manufacturer of European and North American specialty cheeses, *Cayer* complements our cheese production perfectly, with cheeses such as Brie, Camembert, goat cheese and Havarti.

We plan to position our brand names with ongoing marketing activities, including new recipes and fresh promotional campaigns. More specifically, we plan two major new promotions on *Cheese Heads* packages during the year. In addition, we will be broadening our range of products.

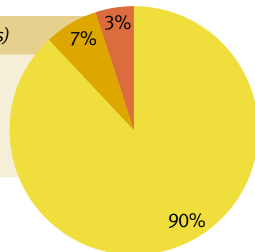
[1] *A.C. Nielsen – February 12, 2000 (52 weeks)*

INGREDIENT

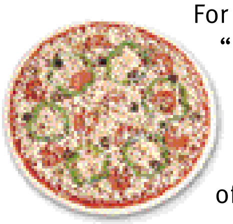
In the ingredient segment, our clients are processors who use our products as an ingredient in their food preparations. We have positioned ourselves as a supplier able to develop products that respond to our clients' specifications. Consistent quality is essential and we have been able to deliver on that count. Our dedicated sales team are thoroughly familiar with our clients' operations and offer them strong technical support.

INGREDIENT REVENUES BY MARKET

MARKET	SALES *(in thousands of dollars)*
UNITED STATES	451,656
CANADA	33,331
INTERNATIONAL	16,996



OBJECTIVES 2000



For fiscal 2000, our objective was to further enhance our position in the "ready-to-eat" and frozen meal market.

Among others, our Blue cheese is a choice ingredient for salad-dressing manufacturers. Our ability to customize Ricotta recipes for our customers' needs and our wide offering of Mozzarella have been important factors of our success in this segment.

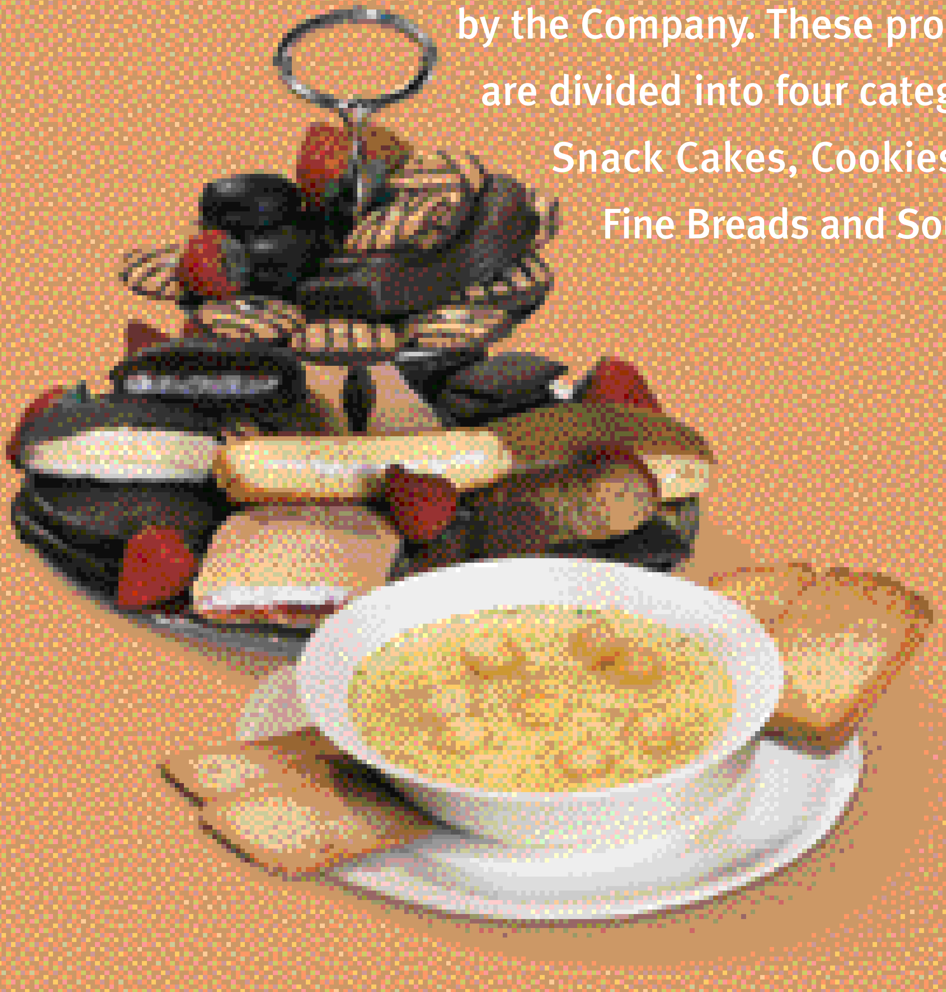
OBJECTIVES 2001

Time is an increasingly rare commodity and more and more consumers are seeking new solutions for quick meals. We believe that the sales of "ready-to-eat" and frozen meals are bound to rise. Saputo is determined to take full advantage of this trend by promoting its products.

For 2001, the Company's number one objective in this segment will be to achieve even greater prominence. Saputo will strive to introduce its various cheeses to the manufacturers of frozen prepared foods as well as grocery chains or suppliers that prepare "ready-to-eat" meals.

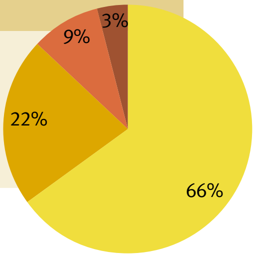
Grocery Products

Activities: This new sector at Saputo dates from the acquisition of Culinar in September 1999 and encompasses all non-dairy products manufactured by the Company. These products are divided into four categories: Snack Cakes, Cookies, Fine Breads and Soups.



SALES BY PRODUCT CATEGORY

CATEGORY	SALES *(in thousands of dollars)* 28 WEEK-PERIOD
SNACK CAKES	96,225
COOKIES	32,124
FINE BREADS	13,750
SOUPS	4,177



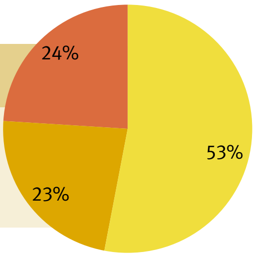
PRODUCTS MANUFACTURED

CATEGORY	PRODUCTS
SNACK CAKES	Flakies, muffin bars, small tarts or pies, snack cakes
COOKIES	Enrobed, fruit and jelly filled sandwiches, mallows, plain, sugar cream sandwiches
FINE BREADS	Bread sticks, crisp breads, croutons, Melba toasts, rusks, snack breads
SOUPS	Soups, stock mixes

Our revenues are generated almost exclusively in the Canadian retail market segment.

SALES BY REGION

REGION	SALES *(in thousands of dollars)* 28 WEEK-PERIOD
QUÉBEC	77,444
ONTARIO	33,982
OTHERS	34,850



Products are marketed under four umbrella brands: *Vachon*, *Viau-McCormick*, *Grissol* and *Loney's*. Each umbrella brand, except *Loney's*, supports strong trademarks, some of which are shown here.

MAJOR BRAND NAMES

Vachon	Ah Caramel! Jos. Louis May West Passion Flakie Hop & Go
Grissol	Li'l Cravings
Viau McCormicks	Whippet Viva Puffs Normandie Wagon Wheels Imagine
OTHER BRANDS	Flamingo Granny's Loney's

SNACK CAKES

Our products in the Snack Cakes category are sold under the Vachon brand. The most popular are *Jos. Louis*, *Ah Caramel!*, *Passion Flakie* and *May West*. In 1998, the brand also entered the healthy choice segment with its *Hop & Go* line.

The Company had a dominant position in the Canadian snack cake market.

To increase and leverage brand awareness, a series of new products was launched under the Hop & Go and Jos. Louis brands, as well as seasonal flavored products such as maple Ah Caramel!

OBJECTIVES 2000

For fiscal 2000, the objective was to focus on the top brands in this category. To increase and leverage brand awareness, a series of new products was launched under the *Hop & Go* and *Jos. Louis* brands, as well as seasonal flavored products such as maple *Ah Caramel!*, the black forest Christmas log and more. These products contributed significantly to our sales in fiscal 2000.

OBJECTIVES 2001

During fiscal 2001, we will continue to leverage our leading brands, concentrating especially on two consumer trends: “good-for-you” and “on-the-go” snacks. We also intend to develop new products for more indulgent consumers.

COOKIES

In the Cookies category, we market our products under the *Viau-McCormicks* brand. The top sellers are *Viva Puffs*, *Whippet*, *Wagon Wheels* and *Normandie*.

OBJECTIVES 2000

For fiscal 2000, the objective was to control the decline in sales volume. To do so, emphasis was put on the strong brands and the development of new products. Highlights of this plan included the launching of the *Imagine* line, the introduction of *Viva Fun Tic Tac Toe* cookies for children, and the launching of the new *Cappuccino Whippet*, which marked the first appearance of this line's new packaging. The packaging for the *Normandie* line was also revamped.

In addition, two major promotions were created for the *Whippet* line, with well-known partners: Cirque du Soleil and the Just for Laughs Festival. Furthermore, a national promotion was run for the *Viva Puffs*, which featured a calling card inside each box. The promotion was a resounding success.

A national promotion was run for the Viva Puffs, which featured a calling card inside each box.

OBJECTIVES 2001

The cookie sector is highly competitive, with over 2,000 different SKUs marketed under more than 300 separate brands across the country. To retain our competitive position, we will capitalize on the *Imagine* line and introduce new products.

FINE BREADS
In the Fine Breads category, the main brand is *Grissol*. Key products under this brand include Melba toasts, croutons, rusks and bread sticks.

OBJECTIVES 2000
For fiscal 2000, there were three objectives: capitalize on the modest growth in traditional fine breads, enhance consumer perception of the *Grissol* brand using trendy *Li'l Cravings* products, and penetrate the savory munchies sector with a new, distinctive snack.

To achieve the first two objectives, four seasonal promotions were set up using in-store displays. Regarding the third objective, the new *Frenzi* snack did not meet expectations.

We will try to increase consumer awareness of the brand by suggesting quick, easy ways of making Grissol products part of the daily routine.

OBJECTIVES 2001
We will continue to inject more zest into the *Grissol* brand during the coming fiscal year. With this in mind, we will try to increase consumer awareness of the brand by suggesting quick, easy ways of making *Grissol* products part of the daily routine.

SOUPS
All products in the Soups category are marketed under the *Loney's* brand. Our line features a variety of soups and stock mixes.

OBJECTIVES 2000
For fiscal 2000, the objective was to maintain the category's position with a limited marketing investment. Promotions centered on tactical activities like pre-packed display containers to show new ways of using the products.

Promotions centered on tactical activities like pre-packed display containers to show new ways of using the products.

OBJECTIVES 2001
We will update the image of our *Loney's* stock mixes in order to improve the product's impact on the shelf.

Financial section

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SAPUTO GROUP INC.

Management's Discussion and Analysis

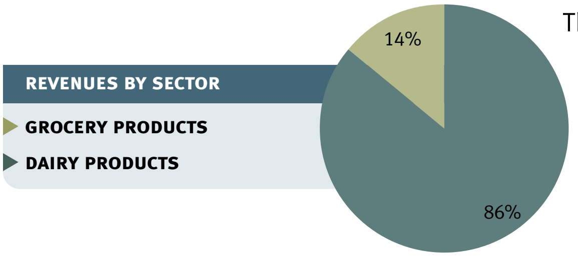
of operating results and financial position

During fiscal 2000, Saputo Group Inc. achieved significant growth. Net earnings increased 26.5% and reached $100.1 million, compared with $79.1 million for the previous fiscal year, despite slightly lower revenues. This increase was chiefly due to our American activities.

Fiscal 2000 was marked by the acquisition of Culinar Inc. on September 15, 1999 and Cayer-JCB Group Inc. on February 28, 2000, as well as the issuance in the fall, of US$250 million Senior Notes on the American market. The financial statements reflect the acquisition of Culinar Inc. for 28 weeks and that of Cayer-JCB Group Inc. for a period of 4 weeks. The financial results are also clear evidence of the successful integration of our American activities and the Company's firm commitment to constantly improve efficiency.

OPERATING RESULTS

Consolidated revenues amounted to $1.861 billion during the fiscal year ended March 31, 2000. This was 2.9% lower than the $1.916 billion for fiscal 1999, despite $146.3 million in additional revenues generated by Culinar Inc. since its acquisition. These additional revenues were absorbed by the negative impact of the lower average selling price per pound of cheese on the American market.

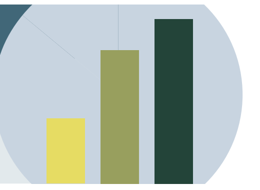


The Company is now operating two sectors: Dairy Products and Grocery Products. On an annualized basis, the Dairy Products sector generates 86% of our revenues and Culinar Inc., whose activities are now grouped under the Grocery Products sector, accounts for the remaining 14%.

Earnings before interest, income taxes, depreciation and amortization (EBITDA) attained $236.9 million for fiscal 2000, an increase of 24% compared with $191.1 million for the fiscal year ended March 31, 1999. The fact that 53.7% of this growth originated in our Dairy Products sector is testimony to the integration of our US activities. The remaining $21 million came from our new activities in the Grocery Products sector.

EBITDA
(in thousands of dollars)

2000	236,945
1999	191,087
1998	95,427



Depreciation of fixed assets amounted to $37.8 million for fiscal 2000, $10.7 million more than in the previous fiscal year. This increase was mainly due to the activities of Culinar Inc., acquired during the year, and depreciation associated with capital expenditures elsewhere in the Group.

Interest expense amounted to $37.6 million at March 31, 2000, compared with $33.9 million at the same date last year. This increase reflects the acquisition of Culinar Inc., which was partly financed by a bank loan of $180 million.

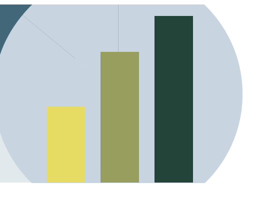
Income tax expense is directly linked to the current rates. The consolidated income tax rate was lower during fiscal 2000 than in the previous fiscal year mainly because the Company benefited from a reduction in taxes due to the financing put in place through the Senior Notes.

Amortization of goodwill amounted to $10.1 million during fiscal 2000, compared with $7.9 million for fiscal 1999. This increase is chiefly due to amortization of goodwill associated with the acquisition of Culinar Inc.

Net earnings attained $100.1 million, or $2.00 per share, for the fiscal year ended March 31, 2000, a 26.5% increase over the $79.1 million, or $1.63 per share, of the previous fiscal year. This major increase in net earnings is the concrete result of the integration of our American activities and the resulting operational efficiency that positively impacted on the Company's profitability.

NET EARNINGS
(in thousands of dollars)

2000	100,068
1999	79,093
1998	45,745

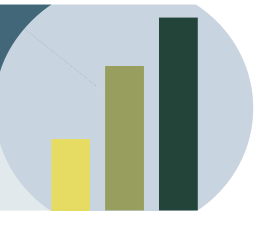


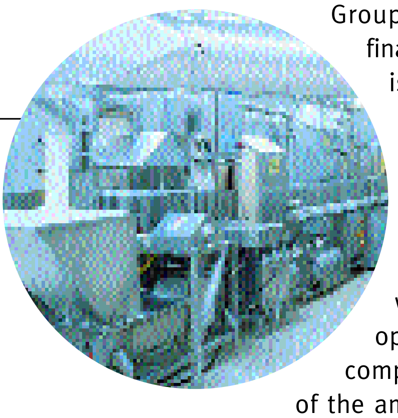
CASH AND FINANCIAL RESOURCES

Cash generated before changes in non-cash working capital items was $176 million in fiscal 2000, or $3.52 per share, an increase of 37.2% over the $128.3 million, or $2.64 per share, of the previous fiscal year. In addition to the major contribution of the net earnings, cash was generated by the substantial portion of fixed asset depreciation and goodwill amortization as well as by deferred taxes associated with capital expenditures or tax benefits emanating from past losses at firms acquired by the Company.

CASH FLOW GENERATED BY OPERATIONS
(in thousands of dollars)

2000	176,047
1999	128,334
1998	63,972





An important portion of the capital expenditures was invested in improving our manufacturing and operational efficiency.

During fiscal 2000, Saputo acquired Culinar Inc. and Cayer-JCB Group Inc. for a total consideration of $297.2 million, financed through a bank loan of $180 million and the issuance of common shares for $100 million.

Capital expenditures amounted to $53.1 million. Of this amount, $36.7 million were invested in our American activities and $16.4 million in our Canadian activities, of which $3.1 million were invested in the Grocery Products sector. An important portion of this total was invested in improving our manufacturing and operational efficiency. Various major projects were also completed or implemented. In the United States, one third of the amount spent was used to expand and modernize the Hinesburg, Vermont plant, allowing us to shut down the facility in Richmond, Vermont. In Canada, a significant portion of the amount spent was used to enlarge our Head Office.

During fiscal 2001, we plan to add about $45 million of capital expenditures to our fixed assets, continuing our efforts to improve our manufacturing processes and increase profitability.

To achieve greater financial flexibility, the Company refinanced part of its bank debt by issuing Senior Notes on the American market. These Senior Notes were issued for a total of US$250 million, with an average maturity of 10.6 years and an average interest rate of 8.16%. The funds raised were mainly used to refinance long-term debt previously contracted with a banking syndicate. As a result of this Senior Notes issue, Saputo Group Inc. now benefits from additional sources of financing as well as advantageous credit conditions that will prove useful for implementing our growth strategy.

The Company pays a quarterly dividend of $0.06 per share, representing an annual dividend of $0.24 per share outstanding. For the fiscal year ended March 31, 2000, the Company distributed $12 million to its shareholders. Working capital at the end of fiscal 2000 was $150.6 million, compared with $98.5 million the previous fiscal year. The ratio of interest bearing debt to shareholder equity improved to 0.83 at March 31, 2000 from 0.99 at March 31, 1999.

The financial structure of Saputo Group Inc. at March 31, 2000 indicates that the Company is able to cover its future capital expenditures and repay its long-term debt. At the same time, the Company has unused bank credit facilities of $157.4 million with which to ensure its growth.

FINANCIAL INSTRUMENTS, RISK AND UNCERTAINTY

The Company protected itself against the risk associated with fluctuating interest rates with a fixed rate long-term debt in the form of Senior Notes and concluded a swap contract allowing it to fix interest rates for specific periods. With respect to the exchange rate risk, our American activities generate sufficient cash flow to constitute a natural hedge.

WORLD TRADE ORGANIZATION DECISION

In response to the appeal by Canada, the WTO confirmed its decision in favor of the United States and New Zealand that Canada was violating its obligations regarding the subsidized export of dairy products. Since February 1, 2000, the Canadian Dairy Commission no longer issues permits guaranteeing processors a special price for milk used to manufacture cheeses destined for export.

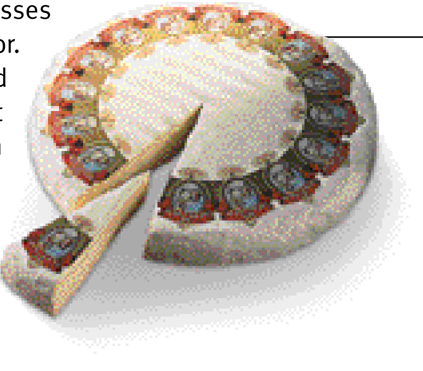
Discussions are currently taking place between all stakeholders in the Canadian dairy industry with a view to establishing an export system that complies with Canada's commitments under the 1994 GATT agreement on agriculture. It is still too early to predict when such a system will be put in place.

However, our privileged position as a North American manufacturer gives us the flexibility to use our American production to satisfy our international clientele while we await the outcome of these discussions.

OUTLOOK

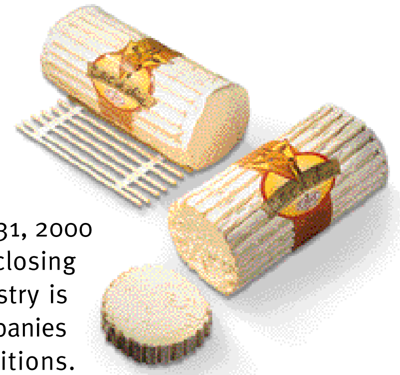
Growth through acquisitions continues to be an important part of our development strategy. Master cheesemakers primarily, we are always open to assessing strategic opportunities of any kind in the dairy industry, both in North America and worldwide. The diversification begun during the last fiscal year with the acquisition of Culinar Inc. has also allowed us to develop a new platform focused on recognized brands that add value to the Company. Our operational expertise will enable us to improve the profitability of this sector, for the benefit of all our shareholders. We will spare no effort in completing the integration of this new acquisition before the end of the current fiscal year.

Concurrently, we will continue to upgrade processes and increase efficiency in our Dairy Products sector. The addition of Cayer-JCB Group Inc. has increased the importance of the specialty cheese segment within the group, which generates a higher margin than the other segments of the Company.



The addition of Cayer-JCB Group Inc., a manufacturer and distributor of specialty cheeses, has given more importance to the specialty cheese segment.

INFORMATION BY SECTOR



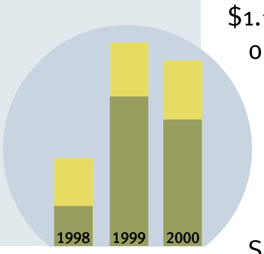
DAIRY PRODUCTS

This sector is divided into two geographical segments: Canada and the United States. Sales on the international market are conducted from Canada.

In Canada, revenues for the fiscal year ended March 31, 2000 were 1.4% higher than in the previous fiscal year, closing at $528.5 million. Because the Canadian dairy industry is characterized by a supply management system, companies may only achieve substantial growth by acquisitions. Accordingly, this $7.4 million increase in fiscal 2000 is mainly due to the contribution by companies acquired during fiscal 1999, which contributed for the first time to a whole fiscal year. The foodservice market segment continued to predominate and accounted for 56.4% of sales. However, the acquisition of Cayer-JCB Group Inc., has enabled the Company to increase its proportion of sales in the retail market segment.

REVENUES
DAIRY PRODUCTS SECTOR
(in thousands of dollars)

2000	
▸ UNITED STATES	1,186,136
▸ CANADA	528,466
1999	
▸ UNITED STATES	1,394,491
▸ CANADA	521,146
1998	
▸ UNITED STATES	362,348
▸ CANADA	454,907



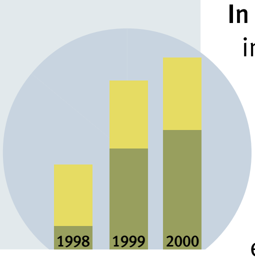
In the United States, revenues for fiscal 2000 were $1.186 billion, or $208 million lower than the $1.394 billion of the previous fiscal year. The lower figure is explained by three factors. First, the average market price per pound of cheese fell from US$1.57 for the fiscal year ended March 31, 1999 to US$1.35 for the fiscal year ended March 31, 2000. This lowered our revenues for fiscal 2000 by $149 million compared with the previous fiscal year. Second, the stronger Canadian dollar during fiscal 2000, compared with fiscal 1999, had a negative effect of $26 million on our revenues. Third, as part of its profitability objectives, the Company decided to forego 2.5% of its cheese volume.

Note that revenues alone were affected by the lower average price per pound of cheese and the stronger Canadian dollar. These factors had no impact on EBITDA.

EBITDA for the whole Dairy Products sector was 12.9% higher than the $191.1 million of the 1999 fiscal year, attaining $215.7 million at March 31, 2000. EBITDA margins improved to 12.6% in fiscal 2000 compared with 10% in fiscal 1999.

EBITDA
DAIRY PRODUCTS SECTOR
(in thousands of dollars)

2000	
▸ UNITED STATES	134,188
▸ CANADA	81,539
1999	
▸ UNITED STATES	113,343
▸ CANADA	77,744
1998	
▸ UNITED STATES	24,348
▸ CANADA	71,079



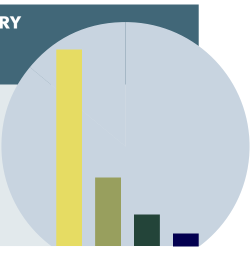
In Canada, EBITDA was $81.5 million at March 31, 2000, an increase of 4.9% over the $77.7 million for the same period last fiscal year. The profit margin improved from 14.9% in fiscal 1999 to 15.4% for fiscal 2000. During fiscal 2000, the Dairy Products sector in Canada benefited from the results of integrating our 1999 acquisitions. This sector also continued to upgrade its manufacturing efficiency with a view to increasing EBITDA, despite the restrictive regulatory context.

In the United States, EBITDA climbed from $113.3 million for fiscal 1999 to $134.2 million at March 31, 2000, an increase of 18.4%. The American EBITDA margin rose to 11.3 % at March 31, 2000 compared with 8.1% at the same date last fiscal year.

As stated, the revenues generated by our American activities fluctuate with the average annual selling price per pound of cheese as well as the US-Canadian dollar exchange rate. In fiscal 2000, the lower average price per pound of cheese and the stronger Canadian dollar, compared with the previous fiscal year, resulted in a reduction of $175 million in revenues. If the average selling price per pound of cheese and average exchange rate in fiscal 2000 had been identical to those of the previous fiscal year, the EBITDA margin would have been 9.9% for the fiscal year ended March 31, 2000, compared with 8.1% at March 31, 1999.

REVENUES BY PRODUCT CATEGORY
GROCERY PRODUCTS SECTOR
(in thousands of dollars)

SNACK CAKES	96,225
COOKIES	32,124
FINE BREADS	13,750
SOUPS	4,177

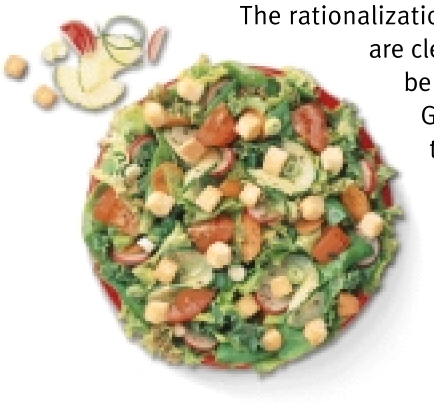


Many factors contributed to our higher American EBITDA: upgrading of manufacturing processes, investments, increased sales of higher margin specialty products, rationalization of production, and the decision to abandon certain cheese volumes regarded as non-strategic. The performance by the American portion of this sector is all the more significant when we take into account the fact that we had to absorb a devaluation of our inventory because the market price per pound of cheese was US$1.11 at March 31, 2000 compared with US1.33 at March 31, 1999.

GROCERY PRODUCTS

This sector was created following the acquisition of Culinar Inc. on September 15, 1999. It contributed to the Company's sales for a period of 28 weeks and posted $146.3 million in revenues for the fiscal year ended March 31, 2000. On an annualized basis, this represents 14% of the Company's total revenues. Sales in this sector are almost exclusively in the Canadian retail market segment. During the 28 weeks following the acquisition, sales figures compared favorably with Culinar Inc. revenues for the same period in the previous year. The Company has made it a priority to maximize efficiency in this sector before exploring further market opportunities.

EBITDA at March 31, 2000 was $21.2 million, representing a margin of 14.5% compared with the 12.2% that appears in Culinar Inc. historical data. The rationalization and integration undertaken since this acquisition are clearly reflected in this sector's results. The process will be completed during the current fiscal year and the whole Group will benefit from the synergies stemming from the integration of this new sector.



Management's statement

of responsibility for financial reporting

Management is responsible for the preparation and presentation of the consolidated financial statements and the financial information presented in this annual report.

This responsibility includes the selection of accounting policies and practices and making judgements and estimates necessary to prepare the consolidated financial statements in accordance with generally accepted accounting principles.

Management has also prepared the financial information presented elsewhere in this annual report and has ensured that it is consistent with the consolidated financial statements.

Management maintains systems of internal control designed to provide reasonable assurance that assets are safeguarded and that relevant and reliable financial information is being produced.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is responsible for reviewing and approving the consolidated financial statements. The Board of Directors carries out this responsibility principally through its Audit Committee, which is comprised solely of directors who are not employees of the Company. The Audit Committee meets periodically with management and the external auditors to discuss internal controls, auditing matters and financial reporting issues. It also reviews the annual report, the consolidated financial statements and the external auditors' report. The Audit Commitee recommends the external auditors for appointment by the shareholders. The external auditors have unrestricted access to the Audit Commitee. The consolidated financial statements have been audited by the external auditors, Deloitte & Touche, whose report follows.

"Camillo Lisio"
(signed)

Camillo Lisio
President and
Chief Operating Officer

"Louis-Philippe Carrière"
(signed)

Louis-Philippe Carrière, CA
Executive Vice-President,
Finance and Administration, and Secretary

Auditors' report

to the shareholders of Saputo Group Inc.

We have audited the consolidated balance sheets of Saputo Group Inc. as at March 31, 2000 and 1999 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Deloitte & Touche, LLP"
(signed)

DELOITTE & TOUCHE, LLP

Chartered Accountants
Laval, Quebec
May 12, 2000

Consolidated statements of
earnings

Years ended March 31 *(in thousands of dollars, except per share amounts)*	2000	1999
REVENUE	**$ 1,860,878**	$ 1,915,637
Cost of sales, selling and administrative expenses	**1,623,933**	1,724,550
EARNINGS BEFORE INTEREST, DEPRECIATION, AMORTIZATION AND INCOME TAXES	**236,945**	191,087
Depreciation of fixed assets	**37,785**	27,051
OPERATING INCOME	**199,160**	164,036
Interest on long-term debt	**34,184**	28,589
Other interest, net of interest income	**3,397**	5,307
EARNINGS BEFORE INCOME TAXES AND AMORTIZATION OF GOODWILL	**161,579**	130,140
Income taxes *(Note 7)*	**51,386**	43,170
EARNINGS BEFORE AMORTIZATION OF GOODWILL	**110,193**	86,970
Amortization of goodwill	**10,125**	7,877
NET EARNINGS	**$ 100,068**	$ 79,093
EARNINGS PER SHARE *(Note 8)*		
Earnings before amortization of goodwill		
Basic	**$ 2.20**	$ 1.79
Fully diluted	**$ 2.08**	$ 1.75
Net earnings		
Basic	**$ 2.00**	$ 1.63
Fully diluted	**$ 1.89**	$ 1.59

Consolidated statements of
retained earnings

Years ended March 31 *(in thousands of dollars)*	2000	1999
RETAINED EARNINGS, BEGINNING OF YEAR	**$ 89,655**	$ 22,223
Net earnings	**100,068**	79,093
Dividends	**(11,977)**	(11,661)
RETAINED EARNINGS, END OF YEAR	**$ 177,746**	$ 89,655

Consolidated balance sheets

As at March 31 *(in thousands of dollars)*	2000	1999
ASSETS		
CURRENT ASSETS		
Cash	$ 4,310	$ –
Receivables	147,188	152,997
Inventories	236,791	222,873
Prepaid expenses and other assets	8,999	5,408
	397,288	381,278
FIXED ASSETS *(Note 2)*	491,514	403,888
GOODWILL, UNAMORTIZED PORTION (COST OF $497,456)	475,229	281,708
OTHER ASSETS	9,534	5,175
	$ 1,373,565	$ 1,072,049
LIABILITIES		
CURRENT LIABILITIES		
Bank overdraft	$ –	$ 7,855
Bank loans *(Note 3)*	17,585	61,659
Accounts payable and accrued liabilities	169,885	159,540
Income taxes	19,034	4,620
Current portion of long-term debt	40,222	49,145
	246,726	282,819
LONG-TERM DEBT *(Note 4)*	461,353	328,639
DEFERRED INCOME TAXES	36,592	10,658
	744,671	622,116
SHAREHOLDERS' EQUITY		
SHARE CAPITAL *(Note 5)*	450,632	349,488
RETAINED EARNINGS	177,746	89,655
FOREIGN CURRENCY TRANSLATION ADJUSTMENT	516	10,790
	628,894	449,933
	$ 1,373,565	$ 1,072,049

On behalf of the board

"Lino Saputo"
(signed)

Lino Saputo, Director

"Camillo Lisio"
(signed)

Camillo Lisio, Director

Consolidated statements of

cash flows

Years ended March 31 *(in thousands of dollars)*	**2000**	1999
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net earnings	**$ 100,068**	$ 79,093
Items not affecting cash		
Depreciation, amortization and other items	**47,910**	34,997
Deferred income taxes	**28,069**	14,244
	176,047	128,334
Currency gain on cash held in foreign currency	**(82)**	(361)
Changes in non-cash operating working capital items	**(10,363)**	(29,763)
	165,602	98,210
INVESTING		
Business acquisitions *(Note 6)*	**(2,334)**	(13,445)
Net additions to fixed assets	**(53,115)**	(62,624)
Other assets	**(2,119)**	659
Foreign currency translation adjustment	**22,433**	(32,821)
	(35,135)	(108,231)
FINANCING		
Bank loans	**(44,074)**	39,650
Increase in long-term debt	**96,287**	–
Repayment of long-term debt	**(145,194)**	(56,987)
Issuance of share capital	**1,150**	629
Dividends	**(11,977)**	(11,661)
Foreign currency translation adjustment	**(14,576)**	17,854
	(118,384)	(10,515)
NET CHANGES IN CASH	**12,083**	(20,536)
CURRENCY GAIN ON CASH HELD IN FOREIGN CURRENCY	**82**	361
(BANK OVERDRAFT) CASH, BEGINNING OF YEAR	**(7,855)**	12,320
CASH (BANK OVERDRAFT), END OF YEAR	**$ 4,310**	$ (7,855)
SUPPLEMENTAL INFORMATION		
Interest paid	**$ 28,030**	$ 28,662
Income taxes paid	**$ 12,963**	$ 24,715

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:

Consolidated financial statements

The consolidated financial statements include the accounts of Saputo Group Inc. and all its subsidiaries. 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 to 40 years
FURNITURE, MACHINERY AND EQUIPMENT	3 to 15 years
ROLLING STOCK	5 to 10 years or based on kilometers traveled

Goodwill

Goodwill is recorded at cost and amortized under the straight-line method over a maximum period of forty years. Management reviews goodwill on a continuous basis to determine whether there has been a permanent impairment of its value by comparing the carrying amount with future undiscounted operating income

Deferred income taxes

The Company uses the tax allocation method. In accordance with this accounting method, the current tax expense may differ from the accounting tax expense as a result of the timing differences that arise in reporting certain expenses or revenues for financial statement and income tax purposes. The differences are recorded as deferred income taxes and are basically due to depreciation of fixed assets.

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 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, 2000 resulted from the strengthening of the Canadian dollar as compared to the US dollar.

Foreign currency accounts of Canadian companies were translated into Canadian dollars using the exchange rate 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.

2. FIXED ASSETS

	2000			1999
	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE	NET BOOK VALUE
Land	**$ 20,179**	**$ –**	**$ 20,179**	$ 18,378
Buildings	**170,127**	**21,657**	**148,470**	117,106
Furniture, machinery and equipment	**434,274**	**116,222**	**318,052**	265,081
Rolling stock	**7,422**	**2,609**	**4,813**	3,323
	$ 632,002	**$ 140,488**	**$ 491,514**	$ 403,888

3. BANK LOANS

The Company has available short-term bank credit facilities providing for bank loans up to a maximum of approximately $175,000,000. These bank loans are available in Canadian or US dollars and bear interest at rates based on lenders' prime rates or LIBOR.

4. LONG-TERM DEBT

	2000	1999
Term bank loan (US$40,000,000), (US$77,873,081 in 1999), repayable in December 2001, bearing interest at fluctuating rates based on LIBOR rate plus 0.75% to a maximum of 1.5% depending on the interest-bearing debt to the earnings before interest, depreciation and amortization and income taxes ratio of the Company	**$ 57,976**	$ 117,440
Term bank loan (US$170,104,905), bearing interest at fluctuating rates based on LIBOR rate plus 0.5% to a maximum of 1.5% depending on the interest-bearing debt to the earnings before interest, depreciation and amortization and income taxes ratio of the Company	**–**	256,536
Term bank loan, repayable in quarterly instalments of $10,000,000, bearing interest at fluctuating rates based on bankers' acceptances rates plus 0.5% up to a maximum of 1.25%, depending on the interest-bearing debt to the earnings before interest, depreciation and amortization and income taxes ratio of the Company	**80,000**	–
Senior notes		
7.97%, due in November 2006 (US$30,000,000)	**43,482**	–
8.12%, due in November 2009 (US$170,000,000)	**246,398**	–
8.41%, due in November 2014 (US$50,000,000)	**72,470**	–
Bonds and other loans, repayable in annual variable instalments, bearing interest at rates from 2.75% to 6.2%, due in 2004 (US$862,000), (US$2,505,000 in 1999)	**1,249**	3,808
	501,575	377,784
Current portion	**40,222**	49,145
	$ 461,353	$ 328,639

Estimated principal payments required in each of the next five years are as follows:

2001	**$ 40,222**
2002	**98,212**
2003	**251**
2004	**265**
2005	**275**
	$ 139,225

5. 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.

	2000	1999
ISSUED		
51,200,994 common shares (48,630,998 in 1999)	**$ 450,632**	$ 349,488

2,503,000 common shares for an amount of $99,994,850 were issued during the year in partial consideration for the acquisition of Culinar Inc. In addition, 66,996 common shares for an amount of $1,149,850 were issued pursuant to the share option plan.

The stated capital of the common shares was reduced by $55,915,000 on December 18, 1997.

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 will not exceed 3,000,000 common shares. Options may be exercised at a price equal to the closing price 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. No compensation expense is recognized for this plan when options are granted. The consideration paid on exercise of options is credited to share capital.

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

		2000		1999	
GRANTING PERIOD	EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
1998	$17.00	**349,787**	**$ 17.00**	429,292	$ 17.00
1999	from $32.25 to $37.50	**278,306**	**$ 36.43**	316,210	$ 36.43
2000	$39.40	**373,699**	**$ 39.40**	–	–
		1,001,792	**$ 30.75**	745,502	$ 25.24
Options exercisable at year-end		**199,075**	**$ 22.39**	220,870	$ 17.00

5. SHARE CAPITAL (cont'd)

Changes in the number of options are as follows:

	2000		1999	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Balance at beginning of year	**745,502**	**$ 25.24**	469,809	$ 17.00
Options granted	**422,825**	**$ 39.40**	350,481	$ 36.47
Options exercised	**(66,996)**	**$ 17.16**	(36,988)	$ 17.00
Options cancelled	**(99,539)**	**$ 35.29**	(37,800)	$ 35.00
Balance at end of year	**1,001,792**	**$ 30.75**	745,502	$ 25.24

In addition, 733,741 options to purchase common shares at a price of $27.00 were granted on April 1, 2000.

6. BUSINESS ACQUISITIONS

Year ended March 31, 2000

On September 15, 1999, the Company acquired for a total consideration of $283,500,000, all of the issued shares of Culinar Inc., a manufacturer of snack cakes, cookies, fine breads and soups operating in Canada. This acquisition was paid by a cash consideration of $183,505,150 which was financed in part with a long-term credit facility of $180,000,000 and by the issuance of 2,503,000 common shares at $39.95 per share for an amount of $99,994,850.

On February 28, 2000, the Company also acquired for a cash consideration of $13,725,000 all of the issued shares of Cayer-JCB Group Inc., a Canadian producer of European cheeses. Liabilities assumed of $13,729,000 includes bank indebtedness and long-term debt of $6,689,000.

These acquisitions were recorded using the purchase method of accounting. Goodwill resulting from these acquisitions is amortized under the straight-line method over a period of forty years.

Net assets acquired were the following as at the dates of acquisition:

	CULINAR INC.	CAYER-JCB GROUP INC.	TOTAL
Cash	**$ 14,737**	**$ 159**	**$ 14,896**
Tangible assets	**118,117**	**14,856**	**132,973**
Goodwill	**201,721**	**12,439**	**214,160**
Total assets	**334,575**	**27,454**	**362,029**
Liabilities assumed	**51,075**	**13,729**	**64,804**
NET ASSETS ACQUIRED	**$ 283,500**	**$ 13,725**	**$ 297,225**
Purchase price			**$ 297,225**
Long-term financing			**(180,000)**
Issuance of share capital			**(99,995)**
Cash of acquired businesses			**(14,896)**
CASH USED FOR THE ACQUISITIONS			**$ 2,334**

6. BUSINESS ACQUISITIONS (cont'd)

Year ended March 31, 1999

On May 1, 1998, the Company acquired for a cash consideration of $54,144,000 (US$37,836,000) all of the issued shares of Avonmore Cheese Inc. and Waterford Food Products, Inc., cheese and by-product producers operating in the United States. This acquisition was financed in part with a long-term credit facility of $50,014,000 (US$34,000,000).

On September 1, 1998, the Company acquired all of the issued shares of Riverside Cheese and Butter Inc. for a total consideration of $6,387,000, payable by the issuance of 17,500 common shares at $40 per share for an amount of $700,000 and a cash consideration of $5,687,144. On September 16, 1998, the Company also acquired the assets of Bari Cheese Ltd. for a total consideration of $4,987,000, payable by the issuance of 9,250 common shares at $40 per share for an amount of $370,000 and a cash consideration of $4,617,000. These two businesses are Canadian cheese producers.

These acquisitions were recorded using the purchase method of accounting. Goodwill resulting from the acquisition of Riverside Cheese and Butter Inc. is amortized under the straight-line method over a period of forty years.

Net assets acquired were the following as at the dates of acquisition:

	AVONMORE CHEESE INC. AND WATERFORD FOOD PRODUCTS, INC.	RIVERSIDE CHEESE AND BUTTER INC.	BARI CHEESE LTD.	TOTAL
Cash	$ 2,039	$ (1,050)	$ –	$ 989
Tangible assets	79,957	4,028	4,987	88,972
Goodwill	–	4,576	–	4,576
Total assets	81,996	7,554	4,987	94,537
Liabilities assumed	27,852	1,167	–	29,019
NET ASSETS ACQUIRED	$ 54,144	$ 6,387	$ 4,987	$ 65,518

Purchase price	$ 65,518
Long-term financing	(50,014)
Issuance of share capital	(1,070)
Cash of acquired businesses	(989)
CASH USED FOR THE ACQUISITIONS	$ 13,445

7. INCOME TAXES

The provision for income taxes is comprised of the following:

	2000	1999
Provision using basic income tax rates	**$ 60,283**	$ 52,059
Decrease resulting from:		
Manufacturing and processing tax credits	**(6,440)**	(5,757)
Non-deductible or non-taxable items	**(2,457)**	(3,132)
	$ 51,386	$ 43,170

8. EARNINGS PER SHARE

Basic earnings per share have been calculated using the weighted average number of common shares outstanding during each fiscal year.

Fully diluted earnings per share for the year ended March 31, 2000 have been calculated using 52,936,527 common shares, being the sum of the number of common shares outstanding as at March 31, 2000 (51,200,994 shares) and the shares that may be issued following the exercise of options granted under the Company's share option plan (1,735,533 shares).

Fully diluted earnings per share for the year ended March 31, 1999 have been calculated using 49,798,325 common shares, being the sum of the number of common shares outstanding and the shares that may be issued following the exercise of options granted under the Company's share option plan.

9. PENSION PLANS

The estimated net value of the pension plan assets amounted to $115,000,000 on December 31, 1999 ($3,078,000 as at December 31, 1998) and the estimated actuarial valuation of the accrued pension obligations was $93,000,000 at the same date ($2,909,000 as at December 31, 1998).

10. COMMITMENTS RELATED TO LEASES

The Company carries some of its operations in premises leased until the year 2005 and has also entered into lease agreements for equipment and rolling stock ending in 2006. The minimum annual lease payments required for the next five years are as follows:

2001	**$ 6,112**
2002	**4,624**
2003	**2,302**
2004	**948**
2005	**156**
	$ 14,142

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair value of financial instruments

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

The fair value of senior notes, estimated by discounting expected cash flows at rates currently offered to the Company for debts of the same remaining maturities and conditions, approximates the carrying value.

The fair value of the other long-term debt also approximates the carrying value.

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.

In October 1999, the Company entered into an interest swap contract at a rate of 6.38% to hedge against exposures to increases in interest rates. As at March 31, 2000, this contract covers US$40,000,000 of debt and expires in December 2001. The estimated fair value of this contract is US$330,000 as at March 31, 2000.

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 majority of the Company's operations are carried out in the United States. The cash flows from US operations constitute a natural hedge against the exchange risk related to debt expressed in US dollars.

12. SEGMENTED INFORMATION

As a result of the acquisition of Culinar Inc. in September 1999, the Company now operates in two reportable segments, the dairy products sector and the grocery products sector.

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

The grocery products sector includes all non-dairy products manufactured by the Company. These products are classified in four categories, snack cakes, cookies, fine breads and soups. The activities of this segment are carried out in Canada.

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.

12. SEGMENTED INFORMATION (cont'd)

Information on operating segments

	2000			1999		
	CANADA	UNITED STATES	TOTAL	CANADA	UNITED STATES	TOTAL
REVENUE						
Dairy products	**$ 528,466**	**$ 1,186,136**	**$ 1,714,602**	$ 521,146	$ 1,394,491	$ 1,915,637
Grocery products	**146,276**	**–**	**146,276**	–	–	–
	$ 674,742	**$ 1,186,136**	**$ 1,860,878**	$ 521,146	$ 1,394,491	$ 1,915,637
EARNINGS BEFORE INTEREST, DEPRECIATION, AMORTIZATION AND INCOME TAXES						
Dairy products	**$ 81,539**	**$ 134,188**	**$ 215,727**	$ 77,744	$ 113,343	$ 191,087
Grocery products	**21,218**	**–**	**21,218**	–	–	–
	$ 102,757	**$ 134,188**	**$ 236,945**	$ 77,744	$ 113,343	$ 191,087
DEPRECIATION OF FIXED ASSETS						
Dairy products	**$ 9,108**	**$ 23,739**	**$ 32,847**	$ 8,402	$ 18,649	$ 27,051
Grocery products	**4,938**	**–**	**4,938**	–	–	–
	$ 14,046	**$ 23,739**	**$ 37,785**	$ 8,402	$ 18,649	$ 27,051
OPERATING INCOME						
Dairy products	**$ 72,431**	**$ 110,449**	**$ 182,880**	$ 69,342	$ 94,694	$ 164,036
Grocery products	**16,280**	**–**	**16,280**	–	–	–
	$ 88,711	**$ 110,449**	**$ 199,160**	$ 69,342	$ 94,694	$ 164,036
INTEREST			**37,581**			33,896
EARNINGS BEFORE INCOME TAXES AND AMORTIZATION OF GOODWILL			**161,579**			130,140
INCOME TAXES			**51,386**			43,170
EARNINGS BEFORE AMORTIZATION OF GOODWILL			**110,193**			86,970
AMORTIZATION OF GOODWILL			**10,125**			7,877
NET EARNINGS			**$ 100,068**			$ 79,093

12. SEGMENTED INFORMATION (cont'd)

	2000			1999		
	CANADA	UNITED STATES	TOTAL	CANADA	UNITED STATES	TOTAL
TOTAL ASSETS						
Dairy products	**$ 243,597**	**$ 814,807**	**$ 1,058,404**	$ 181,050	$ 890,999	$ 1,072,049
Grocery products	**315,161**	**–**	**315,161**	–	–	–
	$ 558,758	**$ 814,807**	**$ 1,373,565**	$ 181,050	$ 890,999	$ 1,072,049
NET BOOK VALUE OF FIXED ASSETS						
Dairy products	**$ 97,636**	**$ 316,714**	**$ 414,350**	$ 88,259	$ 315,629	$ 403,888
Grocery products	**77,164**	**–**	**77,164**	–	–	–
	$ 174,800	**$ 316,714**	**$ 491,514**	$ 88,259	$ 315,629	$ 403,888
NET ADDITIONS TO FIXED ASSETS						
Dairy products	**$ 13,278**	**$ 36,742**	**$ 50,020**	$ 11,797	$ 50,827	$ 62,624
Grocery products	**3,095**	**–**	**3,095**	–	–	–
	$ 16,373	**$ 36,742**	**$ 53,115**	$ 11,797	$ 50,827	$ 62,624
GOODWILL, UNAMORTIZED PORTION						
Dairy products	**$ 20,980**	**$ 255,373**	**$ 276,353**	$ 8,927	$ 272,781	$ 281,708
Grocery products	**198,876**	**–**	**198,876**	–	–	–
	$ 219,856	**$ 255,373**	**$ 475,229**	$ 8,927	$ 272,781	$ 281,708

13. COMPARATIVE FIGURES

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

Shareholder information

GENERAL ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS	**Wednesday August 2, 2000, at 11:00** **Salon Laval, Hotel Sheraton** 2440 autoroute des Laurentides Laval, Québec
INVESTOR RELATIONS	**Lynda Leith** Director of Communications Telephone: **(514) 328-3381** Fax: **(514) 328-3364** E-mail: lynda.leith@saputo.com
STOCK EXCHANGE	Toronto Symbol: SAP
TRANSFER AGENT	**General Trust of Canada** 1100 University Street, Suite 900, Montréal, Québec H3B 2G7 Canada Telephone: **(514) 871-7171** 1 800 341-1419 Fax: **(514) 871-7442**
INDEPENDANT AUDITORS	**Deloitte & Touche**, Laval, Québec
DIVIDEND POLICY	It is the policy of Saputo Group Inc. to declare quarterly cash dividends on the common shares in an amount of $0.06 per share, representing a yearly dividend of $0.24 per share. The balance of corporate earnings are reinvested to finance the growth of the Company's business. The Board of Directors may review the Company's dividend policy from time to time based on financial position, operating results, capital requirements and such other factors as are deemed relevant by the Board, at its sole discretion.

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Société Financière Bourgie Inc.

CAMILLO LISIO
President and Chief Operating Officer
Saputo Group Inc.

CATERINA MONTICCIOLO, CA
Controller
Placements Vigica Inc.

LINO SAPUTO
Chairman of the Board and Chief Executive Officer
Saputo Group Inc.

PATRICIA SAPUTO, CA, FP
President
Gestion Pasa Inc.

LOUIS A. TANGUAY
President and Chief Operating Officer
Bell Canada International

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and Chief Executive Officer

CAMILLO LISIO
President
and Chief Operating Officer

LOUIS-PHILIPPE CARRIÈRE
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Finance and Administration

DINO DELLO SBARBA
Executive Vice-President
Sales, Marketing and Logistics

PIERRE LEROUX
Executive Vice-President
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