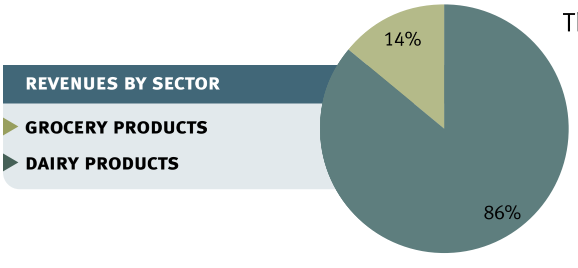
Management's Discussion and Analysis
of operating results and financial position

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

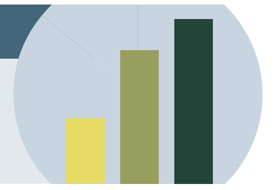
Consolidated revenues amounted to $1.861 billion during the fiscal year ended March 31, 2000. This was 2.9% lower than the $1.916 billion for fiscal 1999, despite $146.3 million in additional revenues generated by Culinar Inc. since its acquisition. These additional revenues were absorbed by the negative 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.

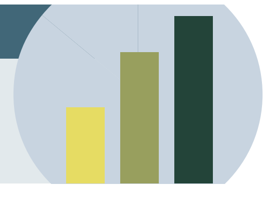
Interest expense amounted to $37.6 million at March 31, 2000, compared with $33.9 million at the same date last year. This increase reflects the acquisition of Culinar Inc., which was partly financed by a bank loan of $180 million.

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.

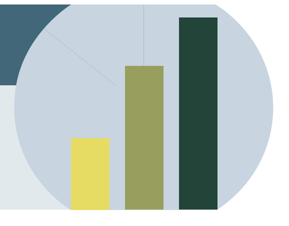
NET EARNINGS *(in thousands of dollars)*	
2000	100,068
1999	79,093
1998	45,745



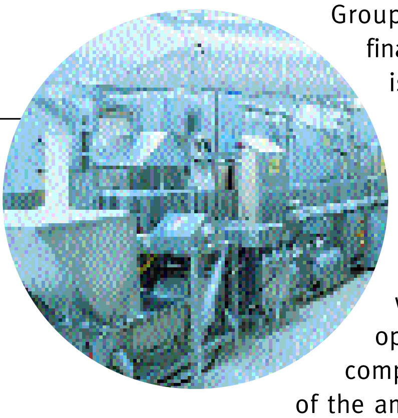
CASH AND FINANCIAL RESOURCES

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



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.



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

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.

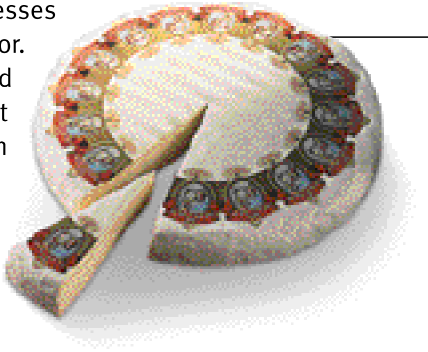
Discussions are currently taking place between all stakeholders in the Canadian dairy industry with a view to establishing an export system that complies with Canada's commitments under the 1994 GATT agreement on agriculture. It is still too early to predict when such a system will be put in place.

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

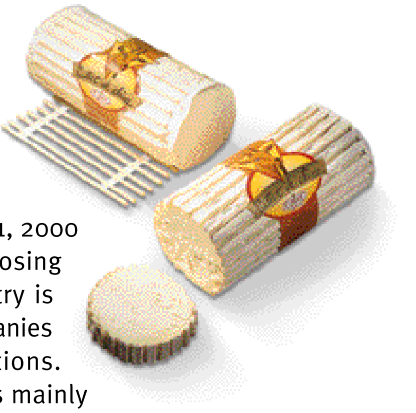
Growth through acquisitions continues to be an important part of our development strategy. Master cheesemakers primarily, we are always open to assessing strategic opportunities of any kind in the dairy industry, both in North America and worldwide. The diversification begun during the last fiscal year 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



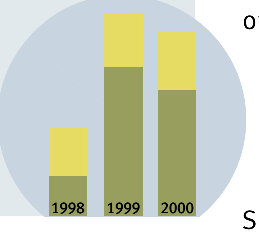
DAIRY PRODUCTS

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



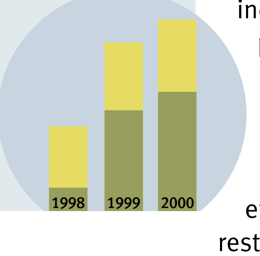
In the United States, revenues for fiscal 2000 were $1.186 billion, or $208 million lower than the $1.394 billion of the previous fiscal year. The lower figure is explained by three factors. First, the average market price per pound of cheese fell from US$1.57 for the fiscal year ended March 31, 1999 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



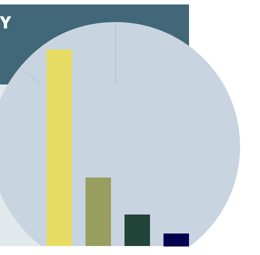
In Canada, EBITDA was $81.5 million at March 31, 2000, an increase of 4.9% over the $77.7 million for the same period last fiscal year. The profit margin improved from 14.9% in fiscal 1999 to 15.4% for fiscal 2000. During fiscal 2000, the Dairy Products sector in Canada benefited from the results of 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.