FIRST QUARTER FISCAL 2001
Interim Report

SAPUTO GROUP INC.

Message to Shareholders

We are pleased to present the results of the first quarter of fiscal 2001, ended June 30, 2000. The results continue on the same path of increased profitability for Saputo Group Inc.

During this first quarter, net earnings totalled $27.3 million or $0.53 (basic) per share, an increase of 29.4% over the $21.1 million or $0.43 (basic) per share for the same quarter last year.

Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to $66.8 million for this quarter, up 33.1% compared with $50.2 million in the first quarter of fiscal 2000. Nearly two-thirds of this increase came from our new Grocery Products sector. The EBITDA margin grew substantially, reaching 13.9% at June 30, 2000, compared with 12.1% at the same date last year.

Revenues amounted to $479.9 million for the quarter ended June 30, 2000, 15.7% more than the $414.9 million recorded for the same period last year. Sales increased, despite a drop in revenues because the average selling price per pound of cheese on the American market was 14.3% lower than during the same period last year. The additional revenues came from acquisitions completed during fiscal 2000, namely Culinar Inc. and Cayer-JCB Group Inc.

CASH AND FINANCIAL RESOURCES

Cash flows from operations before changes in non-cash working capital items for the first quarter amounted to $46.9 million or $0.92 (basic) per share. This was 37.5% more than the $34.1 million or $0.70 (basic) per share for the same quarter last year.

Saputo used this major influx of funds to repay $48.7 million of its long-term debt, $38.7 million more than its repayment commitments. The first quarter also saw additional capital expenditures of $8.9 million and the disposal of $2.4 million in fixed assets. These projects were part of our additional capital expenditures commitments for fiscal 2001, which amount to approximately $45 million.

ACCOUNTING POLICY

In accordance with new recommendations by the Canadian Institute of Chartered Accountants (CICA), the Company has adopted two changes in its accounting methods, one concerning income taxes, the other concerning pensions and other future benefits for employees.

The liability approach is now used in accounting for income taxes, instead of the deferral method. The effect of applying this recommendation on the financial results for the quarter ended June 30, 2000 is negligable.

Regarding employees' future benefits, costs relating to post-retirement benefits and benefits other than pensions were formerly charged to the results for the period in which they were paid. Under the new recommendations, accounting for these costs is now done while employees are still working for the Company. This change in accounting policy had no appreciable impact on the first quarter financial statements.

INFORMATION BY SECTOR

DAIRY PRODUCTS - CANADA

Revenues for the first quarter of fiscal 2001 amounted to $148.7 million, a 13.8% increase compared with the $130.7 million of the first quarter 2000. This comes mainly from the revenues of Cayer-JCB Group Inc., acquired on February 28, 2000. However, this company caused a slight downturn in the EBITDA margin because Cayer-JCB Group Inc. generated a lower EBITDA margin than our Canadian activities at the time of the acquisition. As a result, the EBITDA margin was 14.9%, compared with 15.1% for the same quarter last year. The integration of Cayer-JCB Group Inc. has just begun but we are confident it will be rapid and will subsequently enable us to achieve EBITDA margins comparable to the rest of our Canadian Dairy Products sector.

INFORMATION BY SECTOR (CONTINUED)

DAIRY PRODUCTS - UNITED STATES

Revenues amounted to $266.5 million for the first quarter ended June 30, 2000, down $17.8 million from the $284.3 million recorded last year. This fall in revenues was due to a 14.3% drop in the average selling price per pound of cheese compared with the same period last year, representing a difference of nearly $22 million.

EBITDA for the first quarter 2001 was $34.3 million, an increase of $3.9 million or 12.8% over the $30.4 million of the first quarter 2000. The EBITDA margin rose from 10.7% in the first quarter 2000 to 12.9% for the first quarter 2001. For this first quarter, the EBITDA margin without the variation in the price of cheese would be 11.9%, compared with 10.7% for the same period last year.

GROCERY PRODUCTS

For the first quarter 2001, revenues amounted to $64.8 million and EBITDA stood at $10.3 million. The EBITDA margin reached 15.9%, a significant increase over the 12.2% historically generated by Culinar before its acquisition by the Company. This upturn reflects the extensive integration already accomplished and offers a glimpse of this new sector's potential. The integration process is scheduled for completion by the end of the current fiscal year. We will then evaluate all opportunities for our grocery products on the Canadian and international markets.

DIVIDENDS

In view of the Company's excellent performance over the last fiscal years, the Board of Directors has revised the Company's dividend policy upwards. The quarterly dividend will increase from 6 cents per share to 9 cents per share, giving an annual total of 36 cents per share. This 50% increase becomes effective with the dividend payment due on September 1, 2000 to shareholders of record on August 18, 2000.

The results for the first quarter 2001 speak clearly of our success in constantly improving our processes and our work methods in order to remain a low-cost manufacturer and increase the Company's returns. We intend to apply these principles to the companies acquired recently, so as to consolidate their bases and make them more profitable. In addition, we will continue to pursue our growth objective by exploring acquisition opportunities.

Lino Saputo
Chairman of the Board and
Chief Executive Officer

Camillo Lisio
President and
Chief Operating Officer

August 2, 2000

Consolidated statements of earnings
(unaudited)

FOR THE THREE-MONTH PERIODS ENDED JUNE 30 *(In thousands of dollars, except per share amounts)*	**2000**	1999
REVENUE	**$ 479,949**	$ 414,931
Cost of sales, selling and administrative expenses	**413,190**	364,764
EARNINGS BEFORE INTEREST, DEPRECIATION, AMORTIZATION AND INCOME TAXES	**66,759**	50,167
Depreciation of fixed assets	**12,392**	8,000
OPERATING INCOME	**54,367**	42,167
Interest on long-term debt	**9,907**	6,318
Other interest, net of interest income	**(57)**	1,517
EARNINGS BEFORE INCOME TAXES AND AMORTIZATION OF GOODWILL	**44,517**	34,332
Income taxes	**14,027**	11,376
EARNINGS BEFORE AMORTIZATION OF GOODWILL	**30,490**	22,956
Amortization of goodwill	**3,180**	1,830
NET EARNINGS	**$ 27,310**	$ 21,126
PER SHARE		
EARNINGS BEFORE AMORTIZATION OF GOODWILL		
Basic	**$ 0.60**	$ 0.47
Fully diluted	**$ 0.58**	
NET EARNINGS		
Basic	**$ 0.53**	$ 0.43
Fully diluted	**$ 0.52**	
NET INFLOW OF CASH RELATED TO OPERATIONS BEFORE CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS		
Basic	**$ 0.92**	$ 0.70
Fully diluted	**$ 0.89**	
Weighted average number of common shares outstanding	**51,202,150**	48,631,265
Number of common shares outstanding, including shares that may be issued following the exercise of options granted under the Company's share option plan	**52,915,948**	

Selected segmented information (unaudited)

FOR THE THREE-MONTH PERIODS ENDED JUNE 30
(in thousands of dollars)

	2000	1999
REVENUE		
Dairy products		
Canada	**$ 148,687**	$ 130,659
United States	**266,455**	284,272
	415,142	414,931
Grocery products	**64,807**	–
	$ 479,949	$ 414,931
EARNINGS BEFORE INTEREST, DEPRECIATION, AMORTIZATION AND INCOME TAXES		
Dairy products		
Canada	**$ 22,185**	$ 19,768
United States	**34,315**	30,399
	56,500	50,167
Grocery products	**10,259**	–
	$ 66,759	$ 50,167
DEPRECIATION OF FIXED ASSETS		
Dairy products		
Canada	**$ 2,959**	$ 2,409
United States	**6,902**	5,591
	9,861	8,000
Grocery products	**2,531**	–
	$ 12,392	$ 8,000
OPERATING INCOME		
Dairy products		
Canada	**$ 19,226**	$ 17,359
United States	**27,413**	24,808
	46,639	42,167
Grocery products	**7,728**	–
	$ 54,367	$ 42,167
AMORTIZATION OF GOODWILL		
Dairy products		
Canada	**$ 187**	$ 148
United States	**1,732**	1,682
	1,919	1,830
Grocery products	**1,261**	–
	$ 3,180	$ 1,830

Consolidated statements of cash flows (unaudited)

FOR THE THREE-MONTH PERIODS ENDED JUNE 30 *(in thousands of dollars)*	2000	1999
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net earnings	**$ 27,310**	$ 21,126
Items not affecting cash		
Depreciation and amortization	**15,572**	9,830
Future income taxes	**4,031**	3,174
	46,913	34,130
Currency loss on cash held in foreign currencies	**2**	63
Changes in non-cash operating working capital items	**(20,772)**	(14,249)
	26,143	19,944
INVESTING		
Net additions to fixed assets	**(6,513)**	(16,819)
Other assets	**743**	1,407
Foreign currency translation adjustment	**(12,304)**	17,557
	(18,074)	2,145
FINANCING		
Repayment of long-term debt	**(48,722)**	(12,100)
Bank loans	**(1,270)**	8,477
Issuance of share capital	**71**	27
Foreign currency translation adjustment	**10,180**	(11,039)
	(39,741)	(14,635)
NET CHANGES IN CASH	**(31,672)**	7,454
CURRENCY LOSS ON CASH HELD IN FOREIGN CURRENCIES	**(2)**	(63)
CASH (BANK OVERDRAFT), BEGINNING OF PERIOD	**4,310**	(7,855)
BANK OVERDRAFT, END OF PERIOD	**$ (27,364)**	$ (464)
ADDITIONAL INFORMATION		
Income taxes paid	**$ 4,164**	$ 2,170
Interest paid	**$ 17,115**	$ 5,611

Consolidated
balance sheets (unaudited)

AS AT JUNE 30 *(In thousands of dollars)*	**2000**	1999
ASSETS		
CURRENT ASSETS	**$ 423,051**	$ 407,582
FIXED ASSETS	**492,526**	403,316
GOODWILL	**477,461**	271,712
FUTURE INCOME TAXES	**9,963**	8,098
OTHER ASSETS	**8,791**	3,768
	$ 1,411,792	$ 1,094,476
LIABILITIES		
CURRENT LIABILITIES	**$ 257,844**	$ 272,435
LONG-TERM DEBT	**422,373**	305,585
FUTURE INCOME TAXES	**69,080**	52,589
	749,297	630,609
SHAREHOLDERS' EQUITY	**662,495**	463,867
	$ 1,411,792	$ 1,094,476