

TO MEMBERS AND EMPLOYEES

The Cooperative acquired Maplewood, Minnesota based Schrøder Milk in December 2008, as part of its ongoing expansion plans in the U.S. Each year, Schrøder processes some 150 million litres of milk into a wide range of dairy products. The company also offers specialty beverages, juices and gourmet foods. On January 16, Agropur sold U.S. cheese manufacturer Deutsch Käse Haus, as the products of the small Indiana based company were no longer in line with Agropur's development strategy.

Agropur posted **first quarter** sales of nearly \$758 million, an increase of \$148 million compared to last year. All business units contributed to the increase. The Schrøder acquisition, combined with that of Trega Foods and Laiterie Lamothe in the second quarter of 2008, accounted for \$117 million. Noticeably, lower milk volumes were delivered to the Cheese and Functional Products Division's Canadian operations compared to the same period last year. Sales of industrial cheese, which rose by 3.5 million kilos, offset the drop in powder sales. Canadian fine cheese plants kept pace, while imported products slowed significantly. As for fluid milk, while the Ontario market remained highly competitive, Island Farms' growth in Western Canada continued unabated.

Earnings from operations were similar to that of the first quarter of 2008, at \$47.6 million. The impact of the new U.S. acquisitions was negated by lower whey product selling prices. Although favourable, the impact was not as high as expected due to the significant drop in U.S. milk prices. We anticipate improving our position once prices stabilize or start rising again. New investments increased depreciation expenses to \$20 million. Financial revenues included a currency gain of \$1.2 million related to investments in foreign operations.

Net earnings after taxes of subsidiaries and joint ventures were \$28.4 million in the first three months, \$4.6 million lower than in 2008.

Cash flows from operations were in line with the earnings from operations, at \$47.2 million. Working capital increased by \$52.4 million since the beginning of the financial year, mostly as a result of the decrease in accounts payable, as is always the case in the first quarter. Among other things, accounts payable were reduced by \$22.2 million in patronage dividends paid out in December, and \$14.5 million in payments to buy back butter and powder inventories funded by the Canadian Dairy Commission (CDC), as well as the payment of income taxes and amounts owed to certain suppliers.

The long-term debt was reduced by \$30.8 million, mainly due to the subsequent repayment of the debt assumed during the Schrøder acquisition. After three months, investments totalled \$64.5 million, including the Schrøder acquisition, and \$20.6 million were disbursed for shares redeemed from members. Equity rose to \$657 million, an increase of \$78 million over the last 12 months. Respecting asset-backed commercial paper, recently converted to long-term notes, their \$59 million value continues to be an estimated value as there is still no active market for these items. Interest amounts of nearly \$3 million were finally received in January, and recorded to the balance sheet against long-term notes.



Serge Riendeau, Chairman



Pierre Claprood, Chief Executive Officer



For the 13-week period ended January 31, 2009

CONSOLIDATED EARNINGS*

(in thousands of dollars)

	13 WEEKS	
	2009	2008
Sales	757,791	609,599
Operating expenses	710,225	562,366
Earnings from operations before the following items	47,566	47,233
Depreciation and amortization	20,020	14,970
Net financial revenues	(1,305)	(809)
Gain on disposal of assets	(131)	(710)
Income taxes of subsidiaries and joint ventures	572	809
Net earnings**	28,410	32,973

CONSOLIDATED CASH FLOWS*

(in thousands of dollars)

	13 WEEKS	
	2009	2008
Operating activities		
Net earnings	28,410	32,973
Items not involving use of funds	18,779	14,305
	47,189	47,278
Change in non-cash items	(52,382)	(89,079)
	(5,193)	(41,801)
Financing activities		
Long-term debt	(30,752)	2,464
Investing activities		
Acquisition of fixed assets and other assets, net of proceeds	(64,518)	(13,686)
Activities with members and on share capital		
Issuance of shares	3	7
Redemption of shares	(20,613)	(10,868)
	(20,610)	(10,861)
Effect of exchange rate fluctuations on cash position	(1,572)	515
Net change in cash position	(122,645)	(63,369)

CONSOLIDATED BALANCE SHEET*

(in thousands of dollars)

	January 31 2009	February 2 2008
Assets		
Current assets	457,919	415,840
Investments	59,161	74,329
Fixed and other assets	610,731	407,463
	1,127,811	897,632
Liabilities		
Current liabilities	436,115	290,208
Long-term debt	8,341	4,361
Future income taxes	26,324	24,099
	470,780	318,668
Equity		
Share capital	390,410	346,651
Reserve and others	266,621	232,313
	657,031	578,964
	1,127,811	897,632

* Unaudited

** Patronage dividends and income taxes of the Cooperative based on the current net earnings are accounted for at year end.