

## TO MEMBERS AND EMPLOYEES

The Cooperative's U.S. expansion continued unabated with the December 2009 acquisition of Green Meadows Foods, a cheese factory located in the state of Iowa. Green Meadows Foods is one of the newest cheese factories in the U.S., capable of processing approximately 400 million litres of milk a year. The plant produces over 10 varieties of American and Italian cheeses.

Agropur posted **first quarter** sales of \$817 million, an increase of \$60 million compared to last year. The U.S. acquisitions – Schroeder Milk in December 2008, the Farmland Dairies' plant located in Grand Rapids in September 2009, and Green Meadows Foods – accounted for \$58 million of the increase. Sales from the Fine Cheese Division were up by 11%, primarily driven by the performance of imported products. As for Division Natrel, their milk sales volume rose by 5%, mostly due to higher volumes in Ontario. The growing popularity of Yoptimal yogurt and the notoriety enjoyed by the Yoplait Source line have helped Ultima Foods maintain its sales growth pace. The Cheese and Functional Products Division's cheese and butter sales volumes decreased, but powder volumes increased. Despite higher volumes, sales from our U.S. cheese operations were adversely affected by the rising Canadian dollar relative to the first quarter of 2009.

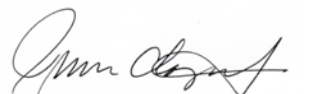
Earnings from operations (compared to the previous year) were higher by \$14.8 million, or 31.1%, reaching \$62.4 million. Every business unit posted higher earnings. The most recent U.S. acquisitions accounted for \$4.5 million of the earnings. The Cheese and Functional Products Division was more profitable due to higher whey product selling prices. Moreover, higher prices and higher volumes contributed to the performance of our U.S. cheese operations. Net earnings after taxes of subsidiaries and joint ventures for the opening three months were \$37.8 million, representing an increase of \$9.4 million over 2009.

Cash flows from operations kept pace with the earnings, reaching \$60.4 million. Working capital rose by \$61.4 million since the beginning of the financial year, primarily as a result of a \$11.5 million increase in Plan B butter inventories, a \$13.7 million increase in accounts receivable and a \$29.2 million drop in accounts payable, with \$23.1 million in patronage dividends paid out last December accounting for part of that drop.

After the opening three months of the financial year, investments totalled \$93.8 million, including the Green Meadows Foods acquisition, and \$22.8 million were disbursed for shares redeemed from members.

Equity rose to \$718.2 million, an increase of \$62.3 million, or 9.5%, over the last 12 months.


  
Serge Riendeau, Chairman


  
Pierre Claprod, Chief Executive Officer

### CONSOLIDATED EARNINGS\*

(in thousands of dollars)	13 weeks	
	2010	2009
Sales	817,304	757,791
Operating expenses	754,944	710,225
Earnings from operations before the following items	62,360	47,566
Depreciation and amortization	22,332	20,020
Net financial expenses (revenues)	370	(1,305)
Loss (gain) on disposal of assets	7	(131)
Income taxes of subsidiaries and joint ventures	1,874	572
Net earnings**	37,777	28,410

### CONSOLIDATED CASH FLOWS\*

(in thousands of dollars)	13 weeks	
	2010	2009
<b>Operating activities</b>		
Net earnings	37,777	28,410
Items not involving use of funds	22,655	18,779
	60,432	47,189
Change in non-cash items	(61,435)	(52,382)
	(1,003)	(5,193)
<b>Financing activities</b>		
Long-term debt	2,197	(30,752)
<b>Investing activities</b>		
Business acquisitions, purchase of fixed assets and other assets, net of proceeds	(93,792)	(64,518)
<b>Activities with members and on share capital</b>		
Issuance of shares	6	3
Redemption of shares	(22,813)	(20,613)
	(22,807)	(20,610)
Effect of exchange rate fluctuations on cash position	(100)	(1,572)
Net change in cash position	(115,505)	(122,645)

### CONSOLIDATED BALANCE SHEET\*

(in thousands of dollars)	January 30	January 31
	2010	2009
<b>Assets</b>		
Current assets	470,243	454,980
Investments	46,916	59,161
Fixed and other assets	738,323	612,501
	1,255,482	1,126,642
<b>Liabilities</b>		
Current liabilities	497,971	436,115
Long-term debt	7,927	8,341
Future income taxes	31,405	26,324
	537,303	470,780
<b>Equity</b>		
Share capital	434,559	390,410
Reserve and others	283,620	265,452
	718,179	655,862
	1,255,482	1,126,642

\* Unaudited

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