

TO MEMBERS AND EMPLOYEES

Second quarter sales reached \$829.8 million, up \$65.8 million from last year. Our U.S. subsidiaries account for \$47.3 million of this increase, fuelled in part by the acquisition of Green Meadows Foods and the Farmland Dairies facility in Grand Rapids. However, had 2009 exchange rates remained unchanged, the increase in sales would have been \$34.7 million higher. In Canada, Division Natrel's milk sales is up 6.1%, driven by volume growth in Ontario. The Fine Cheese Division's imported products continued to perform well, with a 7.3% overall increase in sales volumes. The dynamic performance of Yoptimal, Yoplait Source and Yop products, combined with the launch of the Asana yogurt, enabled Ultima Foods to continue to post higher sales volumes. Canadian sales were relatively stable for the Cheese and Functional Products Division.

Compared with the same quarter last year, earnings from operations stand at \$61.6 million, an increase of \$4.5 million. Both the higher prices for the Cheese and Functional Products Division's whey products and Division Natrel's higher volumes contributed to this performance. The improvement in the results generated by the new U.S. acquisitions was offset by lower U.S. milk prices and a stronger Canadian dollar. After income taxes of subsidiaries and joint ventures, net earnings amounted to \$36.6 million, compared to \$33.0 million last year, i.e. an increase of \$3.6 million or 11.2%.

The integration of the most recent U.S. acquisitions is well underway. As planned, following the purchase of Green Meadows Foods, \$9.0 million is invested to complete the whey processing facilities.

After six months, sales totalled \$1.647 billion, a \$125.3 million increase over last year. Net earnings grew 21.3% to \$74.4 million, up by \$13.0 million.

Cash flows from operations were a further reflection of the results, up by \$19.3 million to reach \$120.7 million. Working capital rose by \$52.8 million since the beginning of the financial year, primarily as a result of a \$14.7 million increase in accounts receivable and a drop in accounts payable. The \$23.1 million in patronage dividends paid out last December accounted for part of that drop, as did the payment of income taxes.

Investing activities of \$110.7 million included the cost of acquiring Green Meadows Foods and new equipment investments. In terms of activities with members, share redemptions for the period amounted to \$24.1 million.

Over the last 12 months, equity rose by \$52.9 million to \$734.8 million.



Serge Riendeau, Chairman



Pierre Claprod, Chief Executive Officer

CONSOLIDATED EARNINGS*

	Second quarter		26 weeks	
	(in thousands of dollars)			
	2010	2009	2010	2009
Sales	829,818	763,998	1,647,122	1,521,789
Operating expenses	768,225	706,948	1,523,169	1,417,173
Earnings from operations before the following items	61,593	57,050	123,953	104,616
Depreciation and amortization	23,318	21,139	45,650	41,159
Net financial expenses (revenues)	813	333	1,183	(972)
Loss (gain) on disposal of assets	69	7	76	(124)
Income taxes of subsidiaries and joint ventures	752	2,611	2,626	3,183
Net earnings**	36,641	32,960	74,418	61,370

CONSOLIDATED CASH FLOWS*

	26 weeks	
	(in thousands of dollars)	
	2010	2009
Operating activities		
Net earnings	74,418	61,370
Items not involving use of funds	46,263	40,035
	120,681	101,405
Change in non-cash items	(52,832)	(56,902)
	67,849	44,503
Financing activities		
Long-term debt	2,800	(29,120)
Investing activities		
Business acquisitions, purchase of fixed assets and other assets, net of proceeds	(110,669)	(65,946)
Activities with members and on share capital		
Issuance of shares	12	7
Redemption of shares	(24,092)	(21,570)
	(24,080)	(21,563)
Effect of exchange rate fluctuations on cash position	(605)	697
Net change in cash position	(64,705)	(71,429)

CONSOLIDATED BALANCE SHEET*

	May 1	May 2
	(in thousands of dollars)	
	2010	2009
Assets		
Current assets	478,274	441,331
Investments	46,719	49,097
Fixed and other assets	714,486	596,800
	1,239,479	1,087,228
Liabilities		
Current liabilities	466,354	368,961
Long-term debt	8,327	10,078
Future income taxes	29,953	26,232
	504,634	405,271
Equity		
Share capital	433,286	389,457
Reserve and others	301,559	292,500
	734,845	681,957
	1,239,479	1,087,228

* Unaudited

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