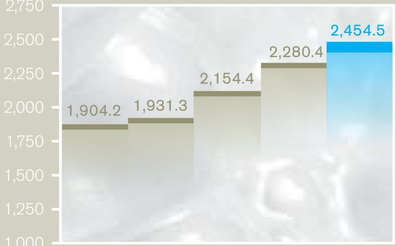
2007 Annual Report | Agropur cooperative

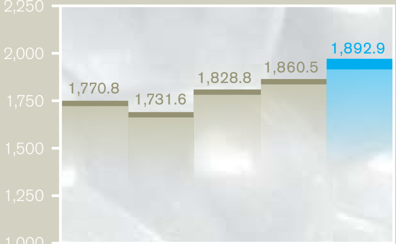
agropur

2003 2004 2005 2006 2007

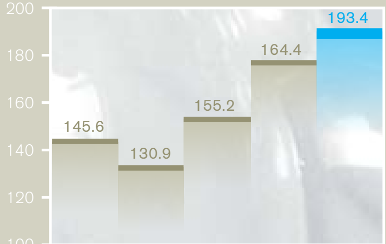
SALES
(in millions of dollars)



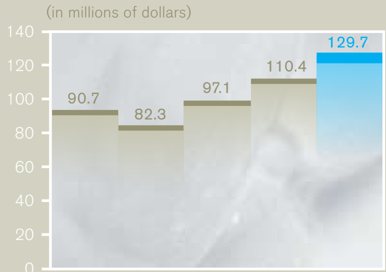
MILK PROCESSED
(in millions of litres)



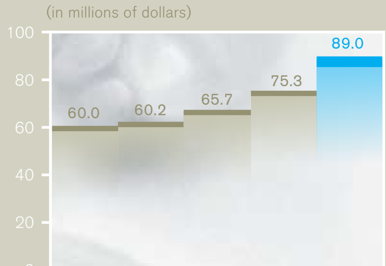
EBITDA*
(in millions of dollars)



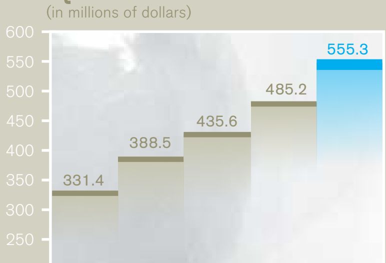
EARNINGS BEFORE PATRONAGE DIVIDENDS
(in millions of dollars)



PATRONAGE DIVIDENDS
(in millions of dollars)



EQUITY
(in millions of dollars)



* Earnings before patronage dividends, interest, taxes, depreciation and amortization and gain on disposal of assets.

2003 2004 2005 2006 2007

3,783
MEMBERS

4,488
EMPLOYEES

SALES OF
$2.45 billion

PROCESSES CLOSE TO
2 billion
LITRES OF MILK ANNUALLY

22
PLANTS

	2007	2006
Sales (in millions of dollars)	**2,454.5**	2,280.4
Milk processed (in millions of litres)	**1,892.9**	1,860.5
Earnings before patronage dividends (in millions of dollars)	**129.7**	110.4
Asset acquisitions (in millions of dollars)	**69.1**	52.3
Total assets (in millions of dollars)	**907.6**	845.3
Number of members	**3,783**	3,939
Number of employees	**4,488**	4,008

Founded in 1938, Agropur draws its inspiration from the principles of tradition, simplicity and modernity. Today it is the largest dairy cooperative in Canada, offering consumers an impressive product line, from fluid milk to the most refined cheeses. Agropur processes close to 2 billion litres of milk annually in its 22 plants, located in Canada, the United States and Argentina.

Despite the major challenges that have marked its development, Agropur continues to grow steadily with sales of close to 2.5 billion dollars. If the past is an indicator of the future, the organization is about to increase its presence on the international scene in the near future. The success of the Cooperative resides on its 3,783 members and its 4,488 employees.

When tradition is synonymous with quality

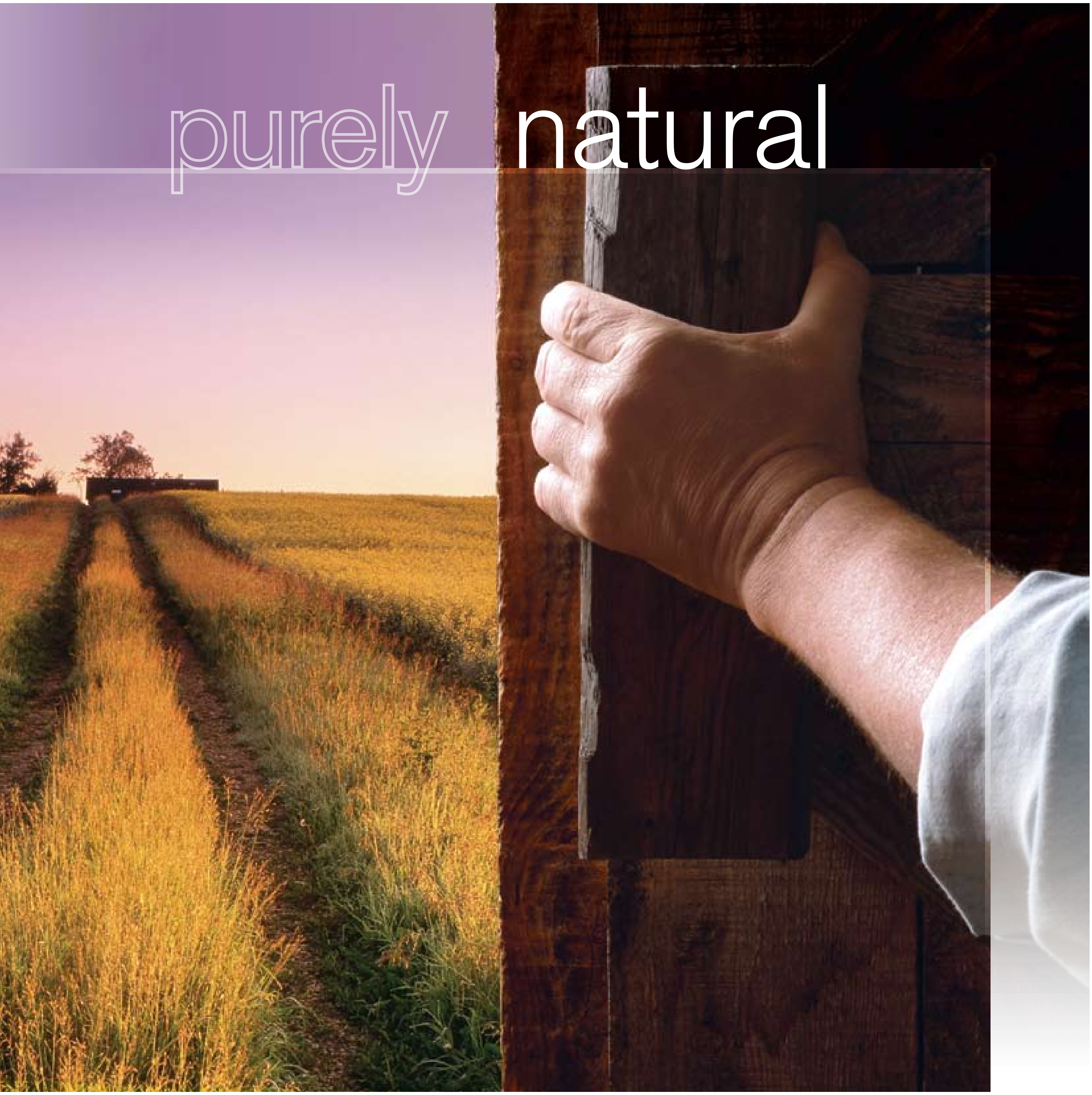
Taking inspiration from nature itself, Agropur uses milk of the highest quality and unequalled richness, which is the basis of a long line of innovative and **purely natural** products. At the dawn of the 21st century, Agropur is committed to offering products that are pure, distinctive and of the highest quality. Success has in no way compromised the authenticity of Agropur products, but rather contributed to it.

Under the loving care of its employees, Agropur's products continue to bear the hallmark of outstanding work and a human touch. All employees are inspired by the Cooperative's basic values of tradition, purity and authenticity. In keeping with the spirit of the Cooperative's founders and still relevant today, Agropur's values are the foundation of its business ethics. These same values continue to guide its actions in every respect.

Despite Agropur's modest beginnings, the organization has grown to become one of the major players in the Canadian dairy industry. Active from coast to coast, its operations even extend beyond Canada's borders.

As a responsible corporate citizen, Agropur expresses its commitment to the community through many local and international initiatives. The Cooperative also exports its know-how to developing countries, as demonstrated in recent years by its involvement with SOCODEVI. This organization's main mission is to contribute to the sustainable development of other countries by the transfer of local expertise.

purely natural



The Cooperative continues on its upward path

On the eve of celebrating its 70 years of existence, Agropur continues on its upward path by adhering to its original values, which remain the pillars of the organization. To continue to promote its values, Agropur relies on a dynamic associative structure and a network of motivated and dedicated facilitators and delegates. The Cooperative thus maintains productive contact with the members, who are regularly consulted to establish overall directions that will help guide its actions.

At the start of this year, a number of consultation meetings were held in all the administrative regions of the Cooperative as part of the 2007 Strategic Reflection. Announced during the last Annual General Meeting, this review aimed to gather members' points of view about three major subjects of interest pertaining to Agropur's future: recruitment of new members, its democratic structure and associative life, and the growth of the organization. The findings of this review will guide the Board of Directors in the major directions and decisions that need to be taken in the coming years; these will be announced at the next Annual General Meeting. On behalf of the Board, I would like to thank all of those members who participated in this exercise.

We believe that to remain competitive in the face of various external pressures, we must acquire more processing assets, whether in Canada or abroad.

At the end of the year, discussions were initiated with Gay Lea, a dairy cooperative in Ontario, to launch a major new Canadian dairy cooperative. However, despite all the hard work that went into bringing this project to fulfilment and following a thorough review of both parties' respective business plans, we concluded it was in the best interest of the members of both cooperatives to end the merger talks entered into in the fall. I wish to thank everyone involved with this merger project.

The year 2007 marked Agropur's first foray into the South American continent with the creation of the joint venture *Grupo La Lacteo,* in November 2007, in partnership with Adecoagro. The latter is a leader in the production of food and renewable energy in Argentina, Brazil and Uruguay. This partnership will allow us to develop new dairy activities in South America. *Grupo La Lacteo* processes more than 120 million litres of milk annually and has two plants located in the province of Cordoba, in Argentina. Its 146 employees are responsible for producing milk beverages, fresh dairy products, powdered milk and cheese.

"The Cooperative has no borders," Agropur's founders said. These words, more relevant than ever today, are reflected in the strategies that the organization has adopted.

Still on the topic of the international sphere, the Cooperative has been involved with SOCODEVI, since early 2006, in a project aimed at promoting the development of the dairy industry in Paraguay – specifically, eight dairy cooperatives. Agropur is involved in making improvements to milk quality, to the management of best practices in quality assurance at the plant, to marketing and distribution, and to the management of cooperatives. As part of this project, a few board members and employees travelled to Paraguay. Also, members of Agropur's Board of Directors welcomed at the Longueuil head office, a delegation from that country in June. We can be proud of our involvement in this knowledge transfer project, making it possible for these cooperatives in Paraguay to be better equipped for the future.

Also, as a dairy industry leader, our organization was asked to deposit a brief within the framework of the consultations of the *Commission sur l'avenir de l'agriculture et de l'agroalimentaire québécois*, in September 2007. We considered it imperative to offer our perspective on the current dairy situation.

In this country, we have the opportunity to benefit from two traditional collective marketing arrangements: joint ventures and cooperatives. Our system makes it possible to offer consumers innovative, high-quality products at competitive prices, as well as offering all of our industry partners an "equitable" marketing model from which everyone can profit.

Despite the fact that our cooperative is seeking new business opportunities abroad, it continues to benefit from a dairy marketing system that is as effective as what exists elsewhere in the world. The supply management system in Canada is as beneficial to consumers as to producers and processors. We want to be able to count on the stability that the Canadian dairy system provides us in order to continue growing.

This is an important asset that our governments must protect. Our sector must be able to continue to rely on strong regulatory and government support. For over thirty years, this system has enabled the Canadian and Quebec dairy sectors to remain financially strong and permitted both producers and processors to enjoy favourable conditions.

Nevertheless, some external elements beyond our control do oblige us to remain alert. The most recent Canadian statistics show that dairy ingredient imports, which had seen strong growth since 1998, seem to have peaked and have even declined in some cases. This situation may be the result of policies implemented in Canada two years ago, which were designed to make us more competitive against imports of ingredients used in certain products. Following the publication by the Canadian Food Inspection Agency of regulations concerning cheese-making standards, Agropur lost no time in submitting its comments to the Agency. We are the only major processor that favours implementing cheese standards to limit the use of dairy ingredients in cheese. However, we would like these standards to be uniform for all products, in order to establish a level playing field between processors.

Finally, negotiations in the agricultural sector of the World Trade Organization (WTO), which were formally re-launched in January 2007 and dealing specifically with three basic issues – export subsidies, access to markets and domestic support – could have a direct impact on the supply management system in Canada as we know it today. These negotiations still represent a potential threat to our industry, and even if the process may seem risky, long-drawn and difficult to follow, progress is nonetheless being made. We should therefore conclude that an agreement will be reached by the member countries and that our dairy system will therefore be put under pressure. Regardless of the conclusions of these discussions, our industry must be able to rely on the government giving us the same support as the support given in other dairy-producing countries, so that we can compete on equal terms.

To conclude, I would like to extend a warm thanks to Mr. Pierre Claprood, Chief Executive Officer, and his team, as well as to all the members, managers and employees of Agropur for their good work, their dedication to our organization and the excellent 2007 results.

Serge Riendeau
Chairman

Agropur in excellent financial health

For several years, Agropur has sown seeds and continues to reap the benefits. This past year, 2007, is another good year for the Cooperative and it marked its entrance in South America. Agropur continues to grow as a result of its excellent financial health. An international situation, which has been quite favourable to our organization, as well as a 53-week year, among other things, helped make 2007 a record year for us, with sales of 2.45 billion dollars and earnings before patronage dividends of 129.7 million dollars even though there was a $10 million devaluation of our commercial paper portfolio.

While it is the cheese divisions that have distinguished themselves, all of the divisions continue to improve steadily. Expanding our interest in Bright Cheese House from 49% to 100% last February also contributed to this sales growth. In addition to increased sales volumes in cheese, favourable selling prices of whey products on the international market have also contributed significantly. After a few difficult years, our American operation, Deutsch Käse Haus, has just started to achieve profitability in 2007 and efforts are ongoing to improve results. Division Natrel sales continue to grow, due in large part to additional sales volumes of the 53rd week, through a mix favoring added value products and inflation of selling prices. As for Ultima Foods, given the slowdown in yogurt market growth, this joint venture is managing to hold its own with slightly increased sales. Also, since the start of the year, the price of milk on world markets has been rising, partly due to increased milk consumption in China and other Asian countries, as well as the drought plaguing Australia and reduced dairy reserves in Europe.

Globalization is without a doubt a fundamental characteristic of the world in which we live. Borders are opening up, markets are blending into one another, and our clients are located on both sides of the border and about everywhere in the world so we have to fall into step. Other factors such as shrinking exports, a relatively small and saturated internal market with minimal growth, and pressure being exerted by the WTO are all forcing our organization to look outside the country to ensure growth.

In markets that are relatively limited and mature, growth comes mainly from three sources: mergers and acquisitions, innovation and improvements in operating efficiency. Agropur is simultaneously working on all these fronts.

The work we have put into prospecting and developing business outside the country's borders over the last few years has begun to bear fruit. For our organization, 2007 has been a year of projects and expansion. It has been particularly marked by the creation of a South American joint venture in Argentina, *Grupo La Lacteo*, by taking control of Bright Cheese House in Ontario, as well as acquiring the goodwill of *Laiterie Château* in Quebec. Finally, several business acquisition opportunities are being studied or negotiated at the moment. Agropur could carry out several projects over the next few months.

Realizing potential acquisition arrangements nationally or abroad is a great stimulus. The successful integration of new operations is a big challenge for any organization and for the employees involved. Our ability to integrate other businesses appropriately and effectively rests largely on our human resources including those of the organizations joining us. It is vital that a business that is in growth mode, such as ours, can count on capable, available and mobile employees and on the fresh talent we are grooming internally.

In this age of globalization, Agropur must be more determined than ever to maintain its leadership position in order to remain competitive in different markets. Never before has the organization been under as much pressure to field a highly qualified workforce. Competitiveness in our business increasingly depends on the ability of a workforce to adapt to new technologies, new equipment and to changes in the business environment.

2005 was a pivotal year when we set the objective of zero lost-time accident by 2009 – a difficult goal to achieve but nevertheless feasible. This is not only a business objective; among other things, these measures draw us closer to our employees and allow us to keep a watchful eye on their health and well-being. We still have not achieved this goal and we have to admit that there remains a lot of work to do. Thanks to the vitality of the Occupational Safety and Health (OSH) committees and their excellent work, significant progress has been made. In Agropur's recent history, 2007 is the year in which the fewest number of workplace accidents occurred.

This year, the signing of six collective agreements, of 5 or 7 year terms, will help ensure stability for all parties and will also demonstrate to our clients our determination to maintain our reliability as a supplier.

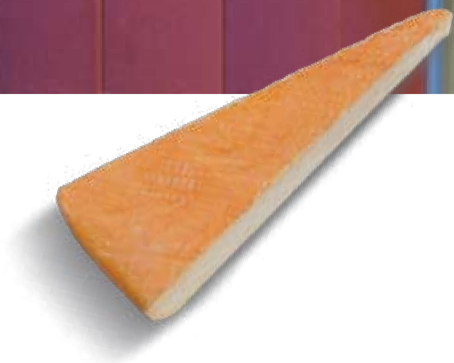
The long-term competitiveness of Agropur largely depends on its ability to keep developing new products at the same pace. The dairy industry is one in which both innovation and product development are essential in meeting the changing needs of an increasingly demanding clientele. The dairy sector has matured in Canada, and innovation is one of the cornerstones for ensuring the growth of our organization. In a context of globalization, it is essential that Agropur acquire research infrastructure; moving forward confidently, Agropur has decided to acquire new cutting-edge R&D facilities. The future R&D centre, equipped with modern laboratories making it possible to speed up and expand new-product development, will be operational during the second half of 2008.

Once again, the year 2007 has been prolific in terms of new products, allowing Agropur to preserve its status as an innovative business. In addition, our products have shone by winning several awards and distinctions; we are proud of this fruitful harvest, which has met our greatest expectations.

In conclusion, a good performance at several levels, including an excellent financial situation, allows us to approach the challenges awaiting us with confidence and determination, in Canada and abroad. I would like to sincerely thank Mr. Serge Riendeau, Chairman, all the members of the Board of Directors and Management Committee, our Cooperative members and all of Agropur's employees for the excellent results and for helping to make our organization a most inspiring and stimulating business model.

Pierre Claprood
Chief Executive Officer

The key to success: our employees



true

To continue its growth, Agropur must count on a healthy, solid and stable foundation. The past success has not derived from good fortune but from 70 years of hard work.

The growth of the Cooperative depends on its ability to develop human talent internally even in a context of technological advances, acquisitions and science. Agropur can indeed rely on the solid bedrock of its human resources and their skills. Remaining on the cutting edge of technology is certainly a major challenge, but in globalized markets where technology is available to all, one of the ways to stand out is in the quality of one's employees.

An organization's human resources must be able to accomplish their work safely, which is why we have placed so much emphasis on health and safety in the workplace in recent years. We have set ambitious objectives to encourage behaviours that will become second nature, to guard against possible accidents. Ensuring workplace well-being – removing the risk of physical or psychological injury – is crucial.

The values that Agropur can count on most are still the professionalism, commitment and dedication of its employees. It is they who will develop new products and innovative procedures, and attract important new business. Thanks to its human resources, the Cooperative can continue on its development path and confidently face the challenges of growth. Agropur's success depends in large part on the quality of its employees at all levels: trustworthy and **purely true**.


purely good

A healthy choice for assured benefits

Dairy products are often associated with childhood pleasures. Always a part of our celebrations, they evolve over time but still maintain their good taste and virtues.

Today's consumers are increasingly demanding and aware of what they eat. They want to know the effects these foods will have on their health, and also want to be offered products "with added nutrients" that meet specific dietary needs. In the last few years, many new products have been introduced such as calcium-enriched, Omega-3 or probiotic milk, as well as lactose-free milk and yogurt with antioxidants and probiotics, to name just a few, to satisfy particular needs.

Given their health concerns, consumers are ready to spend more for healthy products that can bring them benefits. Year after year, new studies confirm the beneficial properties of dairy products. Cheese helps ward off dental cavities and even seems to reverse the process. Other studies also emphasize that dairy products offer the benefit of supplying proteins and calcium, which prevent osteoporosis.

From the outset, Agropur aims to satisfy its customers by offering an array of products of excellent quality, aimed at the well-being and health of the consumer. In addition to the products "with added nutrients" Agropur also offers a range of products allowing consumers to indulge themselves without feeling they have "cheated" a little.

Agropur is always ready to listen to consumers and aims to exceed their expectations by marketing products that are **purely good**, a skillful blend of know-how and good taste.

purely

Agropur: an innovative and creative processor

State-of-the-art facilities

A business in constant evolution

pure Champfleury OKA AVEC CHAMPIGNONS AGROPUR Canadian Reserve AllégroProbio

new

To preserve its position as a market leader, Agropur must be diligent in sustaining its R&D efforts, a decisive factor in meeting the many needs of its clients.

For several years, Agropur has demonstrated its innovative ability by introducing **purely new** products, making it possible to be present on national and international markets. The year 2007 has been no exception.

The most recent products developed are *Champfleury*, *Allégro Probio 4%*, *Oka with mushrooms*, *Canadian Reserve*, *Quebon Blue Raspberry Milk*, *Quebon Chocolate Milk Beverage with Splenda*, *Yoplait Source Exotik Selection* and *Yoplait Creamy Duo* yogurts. Several cheese product packs have been revamped, and the fine cheese line now displays the new *Agropur Signature* seal of quality. This makes it possible to consolidate several brands of cheese with high-added value under the same umbrella brand. The innovations in the functional dairy products field, such as *Crinolac*, have facilitated the development of new markets like ice cream and deli meats.

A recipient of several prestigious prizes, including the 2007 *Caséus d'or* awarded in Quebec for its *Champfleury* cheese, Agropur is demonstrating that tradition and know-how are closely linked to success. *Canadian Reserve* took first place at the *World Cheese Award* and still holds the title of world's best aged cheddar, awarded at the *World Championship Cheese Contest* in 2006 for a period of two years. *Ricotta Prestigio* and *Chevalier Brie Triple Crème* also won first prize at the *American Cheese Society*, held in the United States. Recipients of many awards, our products affirm the reputation of an innovative business that takes pride in its origins.

FINANCIAL REVIEW

In 2007, Agropur's earnings before patronage dividends reached new heights at close to $130 million; all product lines contributed to the increase. It should, however, be noted that there were 53 weeks in the fiscal year, compared to 52 weeks in the previous fiscal year.

RESULTS

Sales rose by 7.6%, reaching a historical high of $2.454 billion. More than half of the increase is from the Cheese and Functional Products group, which benefited from a 1.7% increase in the volume of available milk because of the 53rd week. A larger proportion of that milk was directed toward cheese-making to the detriment of powders slated for export. With the February 2007 acquisition of 51% of shares not held in Bright Cheese House, Agropur is now higher up the value chain with its cheeses. Growth was slower in the fine cheese and yogourt business units compared to previous years. Moreover, these markets are experiencing highly competitive pricing. With respect to beverages and creams, volumes are stable on a comparable period, despite the acquisition of *Laiterie Château* goodwill in Outaouais last January.

Earnings before interest, taxes, depreciation and amortization (EBITDA) stood at $193.4 million, up by $29 million or 17.6%. In addition to the gains attributed to the additional volume of cheeses, the price of whey products simply skyrocketed under the influence of runaway global prices. When whey powder is included, these price increases account for nearly half of the higher results, which are complemented by the increased imports of proteins and startup of numerous business projects. Strong performance by the cheese plants, combined with high volumes in the Bel, soft ripened cheeses and Oka segments are the source of this growth. Ultima is experiencing slightly greater earnings, increased volume and efforts to reduce production costs offset lower prices for customers. As for Natrel, growth can primarily be attributed to sales in the 53rd week and good market conditions early in the year. The pressure put on prices is getting more and more intense.

Depreciation and amortization increased, particularly following the acquisition of 51% of shares in Bright Cheese House, which is now 100% owned by Agropur.

At $4.5 million, financial expenses include a $10 million devaluation for an asset-backed commercial paper (ABCP) portfolio. The portfolio, which has a par value of $84 million, was distributed among 12 different trusts. As at November 6, 2007, the DBRS credit-rating agency still gave its highest rating to 11 of the 12 trusts. At the time of writing this review, there was complete uncertainty about the restructuring of the ABCP market.

The Cooperative's earnings before patronage dividends and taxes stood at $129.7 million. The Board of Directors approved patronage dividends at a rate of 7.15% of the value of members' milk deliveries (equivalent to $5.25/hl). These dividends are payable in a proportion of 25% cash and 75% investment shares.

CASH FLOW

Operating activities generated cash flows of $182 million, which was $34 million higher than the previous year. Apart from the acquisition of investments (ABCP cash reclassified as long-term investments), cash flows were sufficient to cover the investment plan, including the acquisition of companies, repayment of debt and distribution of $44 million to members.

BALANCE SHEET

As at November 3, 2007, inventory levels were particularly high due to the much larger than expected milk shipments received in the last months of the fiscal year and the decision to keep more fine cheese in stock in anticipation of the holiday season. Fixed assets and other long-term assets increased following the major investment program carried out during the year and the acquisition of Bright Cheese House. In terms of liabilities, the balance sheet shows practically no more interest-bearing debt.

CONCLUSION

Record earnings and cash flows, combined with a balance sheet that reflects an excellent financial position, will enable the Cooperative to capitalize on market opportunities and enter new development stages.

Benoit Gagnon
Chief Financial Officer

AUDITORS' REPORT

December 20, 2007

To the Members of Agropur cooperative

We have audited the consolidated balance sheet and the accumulated other comprehensive income of **Agropur cooperative** as at November 3, 2007 and the consolidated statements of earnings and reserve, cash flows and comprehensive income for the year then ended. These financial statements are the responsibility of the Cooperative's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Cooperative as at November 3, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers s.r.l./s.e.n.c.r.l.

Chartered Accountants

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l. and the other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

CONSOLIDATED STATEMENT OF EARNINGS AND RESERVE

(in thousands of dollars)	2007 (53 weeks)	2006 (52 weeks)
Sales	**2,454,541**	2,280,370
Operating expenses	**2,261,169**	2,115,975
Earnings from operations before the following items	**193,372**	164,395
Depreciation and amortization (note 4)	**56,398**	53,170
Net financial expenses (revenues) (notes 4 and 6)	**4,555**	(3,234)
Gain on disposal of assets	**(1,501)**	(1,329)
Income taxes of subsidiaries and joint ventures	**4,243**	5,402
Earnings before patronage dividends and the Cooperative's income taxes	**129,677**	110,386
Patronage dividends (note 5)	**88,963**	75,317
Cooperative's income taxes	**14,847**	12,425
Net earnings	**25,867**	22,644
Reserve – Beginning of year	**172,392**	149,748
Reserve – End of year	**198,259**	172,392

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of dollars)	**2007** (53 weeks)	2006 (52 weeks)
CASH FLOWS FROM		
Operating activities		
Earnings before patronage dividends and the Cooperative's income taxes	**129,677**	110,386
Cooperative's income taxes payable	**(11,550)**	(14,049)
Items not involving use of funds		
Depreciation and amortization	**56,398**	53,170
Future income taxes of subsidiaries and joint ventures	**(621)**	54
Devaluation of commercial papers (note 6)	**10,000**	-
Other	**(1,501)**	(1,329)
	182,403	148,232
Change in non-cash items (note 7)	**(22,621)**	1,711
	159,782	149,943
Financing activities		
Repayment of long-term debt	**(26,559)**	(4,412)
Investing activities		
Purchase of investments (note 6)	**(83,329)**	-
Business acquisition (note 3)	**(39,931)**	-
Purchase of fixed assets	**(66,708)**	(52,328)
Addition of other assets	**(2,418)**	-
Proceeds on disposal of assets	**2,571**	2,855
Variance on cross-currency swap agreement renewal to hedging	**260**	638
	(189,555)	(48,835)
Activities with members and on share capital		
Patronage dividends payable in cash (note 5)	**(22,241)**	(18,829)
Issuance of shares (note 15)	**35**	46
Redemption of shares (note 15)	**(22,078)**	(29,560)
	(44,284)	(48,343)
Net change in cash position during the year	**(100,616)**	48,353
Cash position – Beginning of year	**147,854**	99,501
Cash position – End of year	**47,238**	147,854

Cash position consists of cash and temporary investment and of bank overdrafts and bank loans.

CONSOLIDATED BALANCE SHEET

(in thousands of dollars)	November 3 **2007**	October 28 2006
ASSETS		
Current assets		
Cash and temporary investment	**52,461**	154,598
Accounts receivable	**141,916**	130,677
Inventories (note 8)	**222,629**	197,242
Income taxes	**699**	-
Prepaid expenses	**7,732**	7,390
Future income taxes (note 9)	**4,107**	4,053
	429,544	493,960
Investments in commercial papers (note 6)	**74 329**	-
Fixed assets (note 10)	**298,647**	269,581
Other assets (note 11)	**105,035**	81,801
	907,555	845,342
LIABILITIES		
Current liabilities		
Bank overdrafts and bank loans	**5,223**	6,744
Accounts payable and accrued liabilities (note 13)	**322,010**	303,670
Income taxes	**-**	6,428
Current portion of long-term debt (note 14)	**-**	4,320
	327,233	321,162
Long-term debt (note 14)	**1,000**	22,965
Future income taxes (note 9)	**24,054**	15,990
	352,287	360,117
EQUITY		
Share capital (note 15)	**357,512**	312,833
Reserve	**198,259**	172,392
Accumulated other comprehensive income	**(503)**	-
	555,268	485,225
	907,555	845,342

Approved by the Board of Directors

Serge Riendeau
Director

René Grimard
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of dollars)	2007 (53 weeks)
Net earnings for the year	**25,867**
Other items	
Financial instruments designated as cash flow hedges (note 16)	
Unrealized losses, net of income taxes of 257	**(529)**
Reversal in the consolidated statement of earnings, net of income taxes of 150	**321**
Variance on foreign currency translation adjustments in self-sustaining subsidiary, net of hedging activities and income taxes of 26	**(30)**
	(238)
Comprehensive income for the year	**25,629**

STATEMENT OF ACCUMULATED OTHER COMPREHENSIVE INCOME, NET OF INCOME TAXES

(in thousands of dollars)	November 3 2007	Adjusted opening balance
Financial instruments losses designated as cash flow hedges	**(529)**	(321)
Foreign currency translation adjustments in self-sustaining subsidiary, net of hedging activities	**26**	56
	(503)	(265)

1. STATUTES OF INCORPORATION

Agropur cooperative (“the Cooperative”) was established on August 29, 1938 under the Act Respecting Cooperative Agricultural Associations and, since October 26, 2000, has been governed by the Canadian Cooperatives Act.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements include the accounts of the Cooperative and its subsidiaries as well as its share of the assets, liabilities, revenues and expenses of joint ventures.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts in the financial statements.

ACCOUNTING CHANGES

Financial instruments

On October 29, 2006, the Cooperative adopted the following new Handbook Sections issued by the Canadian Institute of Chartered Accountants:

Financial instruments – recognition and measurement

Section 3855 expands on Handbook Section 3860 “Financial Instruments – Disclosure and Presentation”, by prescribing when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented. Under this new statement:

- All financial assets and liabilities are carried at fair value in the consolidated balance sheet, except loans and receivables, investments held-to-maturity and non-trading financial liabilities, which are carried at amortized cost. Realized and unrealized gains and losses on trading financial assets and liabilities are recognized immediately in the consolidated statement of earnings while unrealized gains and losses on financial assets that are available for sale are recognized in other comprehensive income until their realization, after which these amounts are recognized in the consolidated statement of earnings.
- All derivatives financial instruments are carried at fair value in the consolidated balance sheet.

Hedges

Section 3865 provides alternative accounting treatments to those found in Section 3855 for entities who choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on AcG-13 “Hedging Relationships”, and the hedging guidance in Section 1650 “Foreign Currency Translation” by specifying how hedge accounting is applied and what disclosures are necessary when it is applied. Under this new statement:

- In a fair value hedge, hedging activities are carried at fair value, with changes in fair value recognized in the consolidated statement of earnings. The changes in the fair value of the hedged item attributable to the hedged risk is also recorded in consolidated earnings by way of a corresponding adjustment of the carrying amount of the hedged items recognized in the consolidated balance sheet.
- In a cash flow hedge, the changes in fair value of derivative financial instruments is recorded in other comprehensive income. These amounts are reclassified in the consolidated statement of earnings in the periods in which results are affected by the cash flows of the hedged item.
- Hedges of net investments in self-sustaining foreign operations are treated in a manner similar to cash flow hedges.
- Any hedge ineffectiveness is recorded in the consolidated statement of earnings.

Comprehensive income

Section 1530 introduced a new requirement to present certain revenues, expenses, unrealized gains and losses, that otherwise would not be immediately recorded in income, in a comprehensive income statement.

On October 29, 2006, the initial adoption of this standard resulted in an accumulated deficit of other comprehensive income of $265,000.

Accounting by a vendor for consideration given to a customer

The Cooperative adopted EIC-156 “Accounting by a Vendor for Consideration Given to a Customer”. Under this new standard, certain rebates granted by the Cooperative to its clients have to be reclassified as a reduction in sales rather than as operating expenses. The new standard was applied retroactively with restatement of prior year financial statements, for an impact of $3,747,000.

INVENTORIES

Finished goods and goods in process are valued at the lower of average cost and net realizable value. Raw materials are valued at the lower of cost and replacement value, cost being determined under the first-in, first-out method.

FIXED ASSETS

Fixed assets are recorded at cost, net of applicable government grants.

Depreciation is calculated over the estimated useful lives of the assets based on the following methods and rates:

Buildings	Diminishing balance	5%
Equipment	Diminishing balance	15% and 20%
Office furniture	Diminishing balance	20%
Computer equipment	Straight-line	20% and 25%
Rolling stock	Diminishing balance	30%

OTHER ASSETS

Other assets consist mainly of goodwill which is amortized on a straight-line basis over periods not exceeding 20 years. The Cooperative determines if a permanent impairment in the value of goodwill has occurred. To support this valuation, the Cooperative determines mainly whether estimated future cash flows on an undiscounted basis exceed the net book value of assets purchased.

Furthermore, deferred charges for procurement contracts are accounted for and amortized on a straight-line basis according to the duration of the agreements.

EMPLOYEE FUTURE BENEFITS

The Cooperative accounts for its obligations under the employee benefit plans and related costs net of the plan assets. The cost of pension and other retirement benefits earned by employees is determined from actuarial calculations according to the projected benefit method prorated on years of service based on management’s best estimate assumptions about the investment returns on the plans, salary projections and the retirement ages of employees. Assets and accrued benefit obligations are evaluated three months before the date of the financial statements. The fair value of assets is determined using the fair market value. The estimated rate of return on the plan assets is based on the long-term estimated rate of return and the value of the plan assets assessed at fair value. The excess of the net actuarial gain (loss) over 10% of accrued benefit obligations, or over 10% of the fair value of the plan assets where such amount is higher, is amortized over the average remaining service life of employees. The cost of past services resulting from changes to the plans is amortized over the average remaining service life of employees.

INCOME TAXES

Income taxes are accounted for using the liability method of tax allocation. Under this method, future income taxes are calculated on the difference between the tax basis and the carrying amount of the various assets and liabilities. Future income tax assets and liabilities are measured using the tax rates that are expected to be in effect in the years when the timing differences are expected to reverse. Income tax assets are recognized when it is more likely than not that the asset will be realized.

TRANSLATION OF FOREIGN CURRENCIES

Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the balance sheet date, whereas transactions denominated in foreign currencies are translated at the average monthly exchange rates for the period. The resulting foreign currency translation gains and losses, net of hedging operations, are included in the statement of earnings.

Foreign operation

All assets and liabilities of the self-sustaining subsidiary operating in the United States are translated into Canadian dollars at the exchange rate prevailing at the balance sheet date. Revenues and expenses are translated at the average exchange rates for the period. Foreign currency gains and losses are mitigated through hedging operations using cross-currency swaps.

Hedging

The Cooperative documents the risk management strategy for establishing the relationship to apply hedge accounting. At the signing of the hedging contract, management documents the hedged item (an asset, a liability or an anticipated transaction), details of the hedging instrument used and the valuation method of effectiveness. Realized gains or losses on hedges are deferred until realization of the hedged item for best matching in the statement of earnings.

3. BUSINESS ACQUISITION

In February 2007, the Cooperative increased its interest in the joint venture Bright Cheese House from 49% to 100%.

The acquisition cost allocation is detailed as follows:

(in thousands of dollars)	
Current assets	**15,147**
Fixed and other assets	**20,445**
Liabilities assumed	**(14,251)**
Goodwill	**13,510**
Acquisition cost	**34,851**
Cash position of business acquired	**(5,080)**
Cash flows from acquisition	**39,931**

The goodwill is not tax deductible.

4. EARNINGS

The following items are included in the consolidated statement of earnings:

(in thousands of dollars)	**2007**	2006
Depreciation of fixed assets	**40,731**	37,644
Amortization of other assets	**15,667**	15,526
Interest on long-term debt	**1,066**	868

5. PATRONAGE DIVIDENDS

The patronage dividends to members are paid $22,241,000 (2006 – $18,829,000) in cash and $66,722,000 (2006 – $56,488,000) through the issuance of investment shares.

6. INVESTMENTS IN COMMERCIAL PAPERS

Taking into account an exceptional liquidity crisis on the market related to asset-backed commercial papers, these short-term investments of $83,329,000 held as at November 3, 2007, were excluded from the cash position reported in the statement of cash flows. Including interest receivable of $1,000,000, a devaluation of $10,000,000 has been accounted as at the balance sheet date. Taking into account a lack of information available on the market, the fair value of these investments as well as their maturity date could significantly differ from estimates fixed by the management.

7. CASH FLOWS

Cash flows related to non-cash items have increased (decreased) as follows:

(in thousands of dollars)	2007	2006
Accounts receivable	**(7,834)**	(7,373)
Inventories	**(15,355)**	(11,510)
Prepaid expenses	**(53)**	1,713
Accounts payable and accrued liabilities	**14,474**	17,948
Income taxes	**(7,019)**	32
Other assets – Employee future benefits	**629**	628
Other assets – Procurement agreements and others	**(7,463)**	273
	(22,621)	1,711

Net interest received amounts to $2,355,000 (2006 – $1,619,000). Income taxes paid amount to $23,225,000 (2006 – $19,309,000).

8. INVENTORIES

(in thousands of dollars)	2007	2006
Finished goods	**197,337**	172,973
Raw materials, goods in process and supplies	**25,292**	24,269
	222,629	197,242

9. FUTURE INCOME TAXES

The main components of the Cooperative's future income tax assets and liabilities are as follows:

(in thousands of dollars)	2007	2006
Future income tax assets		
Accrued expenses, provisions and other reserves that are tax deductible only at the time of disbursement	**4,107**	4,053
Future income tax liabilities		
Fixed and other assets	**24,054**	15,990

10. FIXED ASSETS

(in thousands of dollars)	Cost	Accumulated depreciation	2007 Net	2006 Net
Land	21,581	-	**21,581**	21,617
Buildings	160,578	65,815	**94,763**	85,123
Equipment	455,384	300,252	**155,132**	141,689
Office furniture	5,776	5,115	**661**	701
Computer equipment	43,114	33,252	**9,862**	11,124
Rolling stock	41,633	24,985	**16,648**	9,327
	728,066	429,419	**298,647**	269,581

11. OTHER ASSETS

(in thousands of dollars)	2007	2006
Goodwill	**68,939**	65,508
Employee future benefits (note 19)	**5,899**	6,512
Procurement agreements and others	**30,197**	9,781
	105,035	81,801

12. BANK LOANS

The Cooperative and its joint venture have lines of credit to a maximum of $120,330,000 which bear interest at variable rates generally not exceeding the prime rate. Bank loans are not secured by any of the Cooperative's assets. As at November 3, 2007, letters of credit are issued for a total value of $492,000.

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in thousands of dollars)	2007	2006
Members	**82,192**	115,654
Third parties	**239,818**	188,016
	322,010	303,670

14. LONG-TERM DEBT

(in thousands of dollars)	2007	2006
Loans contracted under a term credit agreement, bearing interest at an average rate of 6.48% (1)	**-**	23,679
Other loans (2)	**1,000**	3,606
	1,000	27,285
Current portion	**-**	4,320
	1,000	22,965

(1) As at January 30, 2007, the Cooperative made an anticipated reimbursement of the loans contracted under a term credit agreement.

(2) The repayment of the long-term debt is due in 2010.

15. SHARE CAPITAL

The following constitutes a summary of certain privileges, rights and conditions related to the Cooperative's shares. Reference can be made to the statutes of the Cooperative for the full text of these conditions.

The share capital of the Cooperative's members is variable and unlimited as to the number of shares in each class that can be issued, with the exception of Class C investment shares whose number is limited to 100,000,000. The shares have a nominal value of $1 each, with the exception of member shares ($100), Class M investment shares, Series 1 ($20), Series 2 ($1,500), Series 3 ($400) and Series 4 (to be determined when first issued).

When joining, new members subscribe to one member share and 10 Class M investment shares. Voting rights are restricted to one vote per member.

In consideration of patronage dividends, the following investment shares are issued: either Class A, Series A1 (A before 2004) and Class B, Series B1 (B before 2004), or Class C, Series AAA and BBB, as per the member's choice.

Class A, Series A and A1 and Class B, Series B and B1 investment shares are eligible under the Registered Retirement Savings Plan when converted into Class C, Series AA and BB investment shares respectively. Class C, Series AA and BB investment shares can be held by auxiliary members. No Class B, Series E investment shares formerly signed under the Cooperative Investment Plan have been issued since January 1, 1996.

Class A, Series L investment shares were authorized to serve as partial payment for a business acquisition in 2001.

Class C, Series AAA and BBB investment shares are issued according to the terms governing the Class A, Series A and A1 and Class B, Series B and B1 investment shares respectively, under the Cooperative Investment Plan. These investment shares are also eligible under the Registered Retirement Savings Plan.

Member shares as well as all classes of the investment shares are redeemable under certain conditions at their par value upon resolution of the Board of Directors. Share redemptions are subject to certain financial ratios. In addition, for Class B, Series E and Class C, Series AAA and BBB investment shares, issued before 2004, the law requires that the reserve be increased by 50% of the amount of the redemption since issuance.

At year-end, shares issued and fully paid were as follows:

(in thousands of dollars)	2007	2006
Member shares	**383**	395
Investment shares		
Class A, Series A and A1	**188,224**	159,092
Class A, Series L	**-**	6,931
Class B, Series B, B1 and E	**87,740**	76,349
Class C, Series AA	**26,967**	24,806
Class C, Series BB	**13,630**	11,637
Class C, Series AAA	**24,563**	19,675
Class C, Series BBB	**10,918**	8,853
Class M, Series 1, 2 and 3	**5,087**	5,095
	357,512	312,833

During the year, share capital changed as follows:

(in thousands of dollars)	2007	2006
Balance – Beginning of year	**312,833**	285,859
Issuance of shares as payment for patronage dividends	**66,722**	56,488
Instalments on member shares and Class M investment shares	**35**	46
Redemption of shares in cash	**(22,078)**	(29,560)
Balance – End of year	**357,512**	312,833

During the year, an amount of $8,062,000 (2006 – $7,597,000) was transferred from Class A and B shares to Class C shares.

As at November 3, 2007, inactive members held shares of the Cooperative for a total amount of $6,686,000 (2006 – $733,000).

16. FINANCIAL INSTRUMENTS

FAIR VALUE

The book value of financial instruments is assumed to approximate their fair value due to their short-term maturity. These financial instruments generally include cash and temporary investments, accounts receivable, bank overdrafts and bank loans, and accounts payable and accrued liabilities.

INTEREST RATE RISK

The financial assets and liabilities do not bear interest, except for cash, temporary investment and long-term debt.

Interest rate swap agreements have been settled at the same time of the anticipated reimbursement of the Cooperative's long-term debt on January 2007. These agreements were accounted as cash flow hedging relationships.

CASH FLOW HEDGE AGAINST FOREIGN EXCHANGE RISK

Currency forward contracts

The Cooperative hedges against foreign exchange risks for projected future transactions by means of currency forward contracts, mainly in U.S. dollars, euros and pounds sterling. Foreign currency unrealized gains and losses are recorded initially in the consolidated comprehensive income and reversed in earnings at the expiry of the contracts. At the presentation date of the financial information, the foreign exchange contracts, spread over periods not exceeding one year and are as follows:

Purchases	US$6,652,000
Sales	US$1,762,000
Purchases	11,745,000 euros
Sales	780,000 GBP

Cross-currency swaps

The Cooperative has concluded a cross-currency swap agreement to hedge the net investment in the U.S. subsidiary, having the effect of translating capital of US$3,400,000 into capital of CA$3,570,000 at maturity in July 2008.

17. INVESTMENTS IN JOINT VENTURES

The Cooperative's share in the statements of earnings, cash flows and balance sheets of the joint ventures is summarized as follows:

(in thousands of dollars)	2007	2006
Assets	**53,954**	71,627
Liabilities	**24,121**	35,570
Sales	**125,538**	142,256
Cash flows from operating activities	**24,371**	8,003
Cash flows from investing activities	**(12,557)**	(10,274)

18. COMMITMENTS AND CONTINGENCIES

a) Commitments relating mainly to operating leases are as follows:

(in thousands of dollars)	
Total commitments (including 6,904 for next year)	**29,380**

b) The Cooperative is party to litigations in the normal course of business. Even if the outcome of these litigations cannot be expressed with certainty, the related liability is recorded when it is likely that it will result in a loss and that the amount can be estimated. Furthermore, management estimates that the losses that could result from these litigations will be negligible.

19. EMPLOYEE FUTURE BENEFITS

Employee future benefits relate mainly to pension plans. The obligations of the defined benefit plans are based on the employee's length of service and the pay of the last years of service. The pension benefits can be adjusted according to a formula based on the return on plan assets and the consumer price index. The actuarial valuation of the plans are performed at least every three years, the last valuations were performed mainly in January 2005 and January 2006.

Net expense is as follows:

(in thousands of dollars)	2007	2006
Defined contribution plans		
Net expense	**5,972**	5,524
Defined benefit plans		
Current service cost	**2,689**	2,789
Interest cost on accrued benefit obligation	**4,030**	3,843
Actual return on plan assets	**(7,778)**	(4,436)
Difference between actual return and expected return	**3,561**	633
Actuarial loss (gain) on accrued benefit obligation	**2,057**	(3,102)
Difference between actual actuarial loss and the amount recognized for the year	**(283)**	4,487
Amortization of transitional balance	**(903)**	(903)
Net expense	**3,373**	3,311

The information on defined benefit plans is as follows:

(in thousands of dollars)	2007	2006
Plan assets		
Fair value – beginning of year	**66,709**	61,774
Actual return on plan assets	**7,778**	4,436
Employer contributions	**2,737**	5,000
Employee contributions	**844**	818
Benefits paid	**(3,697)**	(3,379)
Transfer to another plan	**-**	(1,940)
Fair value – end of year	**74,371**	66,709

The above contributions approximate the total cash payments. Equity securities included 59% (2006 – 55%) of total plan assets, invested mainly in Canada.

(in thousands of dollars)	2007	2006
Accrued benefit obligation		
Balance – beginning of year	**72,196**	73,167
Current service cost	**2,689**	2,789
Interest cost	**4,030**	3,843
Employee contributions	**844**	818
Benefits paid	**(3,697)**	(3,379)
Actuarial loss (gain)	**2,057**	(3,102)
Transfer to another plan	**-**	(1,940)
Balance – end of year	**78,119**	72,196

(in thousands of dollars)	2007	2006
Employee future benefits assets		
Funding status – plan assets net of obligations (deficit)	**(3,748)**	(5,487)
Less: Transitional assets at the beginning, unrecorded and to be amortized	**(3,216)**	(4,119)
Plus: Actuarial loss, unrecorded and to be amortized	**12,232**	15,510
Plus: Employer contributions after valuation date	**631**	608
Employee future benefits assets	**5,899**	6,512

For pension plans with an accrued benefit obligation that was higher than the assets, the accrued benefit obligation is $45,389,000 (2006 – $58,241,000) and the assets are $38,500,000 (2006 – $50,547,000).

Employee future benefits assets are presented with other assets in the balance sheet.

	2007	2006
Weighted-average assumptions		
Accrued benefit obligation		
Discount rate	**5.50%**	5.50%
Long-term inflation rate of salary expense	**4.00%**	4.00%
Net benefit expense		
Discount rate	**5.50%**	5.25%
Expected return on plan assets	**6.75%**	6.50%
Long-term inflation rate of salary expense	**4.00%**	4.00%

The Cooperative participates in multi-employer defined benefit plans for certain unionized employee groups. These plans are accounted for as defined contribution plans. Contributions for the year amount to $676,000.

20. SEGMENT DISCLOSURES

The Cooperative carries on the business of processing and selling dairy products within a regulated raw milk sourcing environment. Processed products are distributed to a large number of customers, including major Canadian food chains and industrial customers. Assets are located mainly in Canada. In addition, sales are made primarily in Canada. The Cooperative's Board has determined that Agropur carries on business in only one operating sector, dairy products.

Four customers represent respectively more than 10% of the sales figure, for a sales volume amounting to $1,162,000,000.

21. SUBSEQUENT EVENT

On November 5, 2007, the Cooperative concluded an agreement to acquire 50% of the shares of a company located in Argentina, for an approximate amount of $12,500,000.

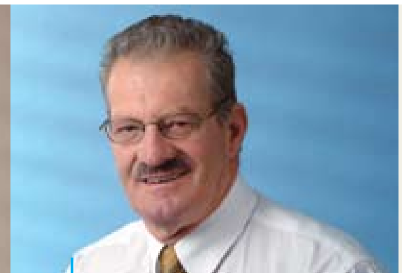
22. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform with the current year's presentation.

BOARD OF DIRECTORS

René Grimard[1]
Vice-Chairman
Des Appalaches 1995

Serge Riendeau[1]
Chairman
Estrie 1991



Roger Daoust[2]
Salaberry 1993

Roger Massicotte[1]
Mauricie / Portneuf 2003

Michel Couture[1]
De L'Érable 2001

Daniel Lamy
Berthier / Maskinongé 2004

Lorna Jean Neveu[2]
Laurentides / Lanaudière 1996

Jean-Pierre Lacombe
Yamaska 2007

Vital Vouligny
Lac Saint-Pierre 2007

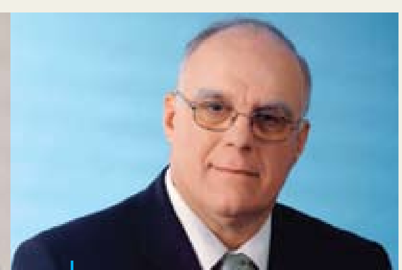
Luc Chassé
Des Seigneuries 2006

Roger Beaulieu[2]
Est du Québec 2000

René Moreau[1]
Bois-Francs 1998

Gaétan Jodoin
Granby 1996

Darie Gagné[2]
Chaudière 1997



Jean Filiatrault[2]
Acton 1993

Legend: Director / Administrative region / Year elected to the Board
[1] Executive Committee members [2] Directors whose term expires in 2007; however, they can be re-elected

MANAGEMENT COMMITTEE

Pierre Claprood
Chief Executive Officer

Robert Gour
President
Fine Cheese Division

Benoit Gagnon
Chief Financial Officer

Corporate Secretary (acting)

Serge Paquette
President
Division Natrel

Scott McDonald
Vice-President
Human Resources

Louis Lefebvre
President
Cheese and Functional
Products Division

Dominique Benoit
Vice-President
Institutional Business
and Member Relations

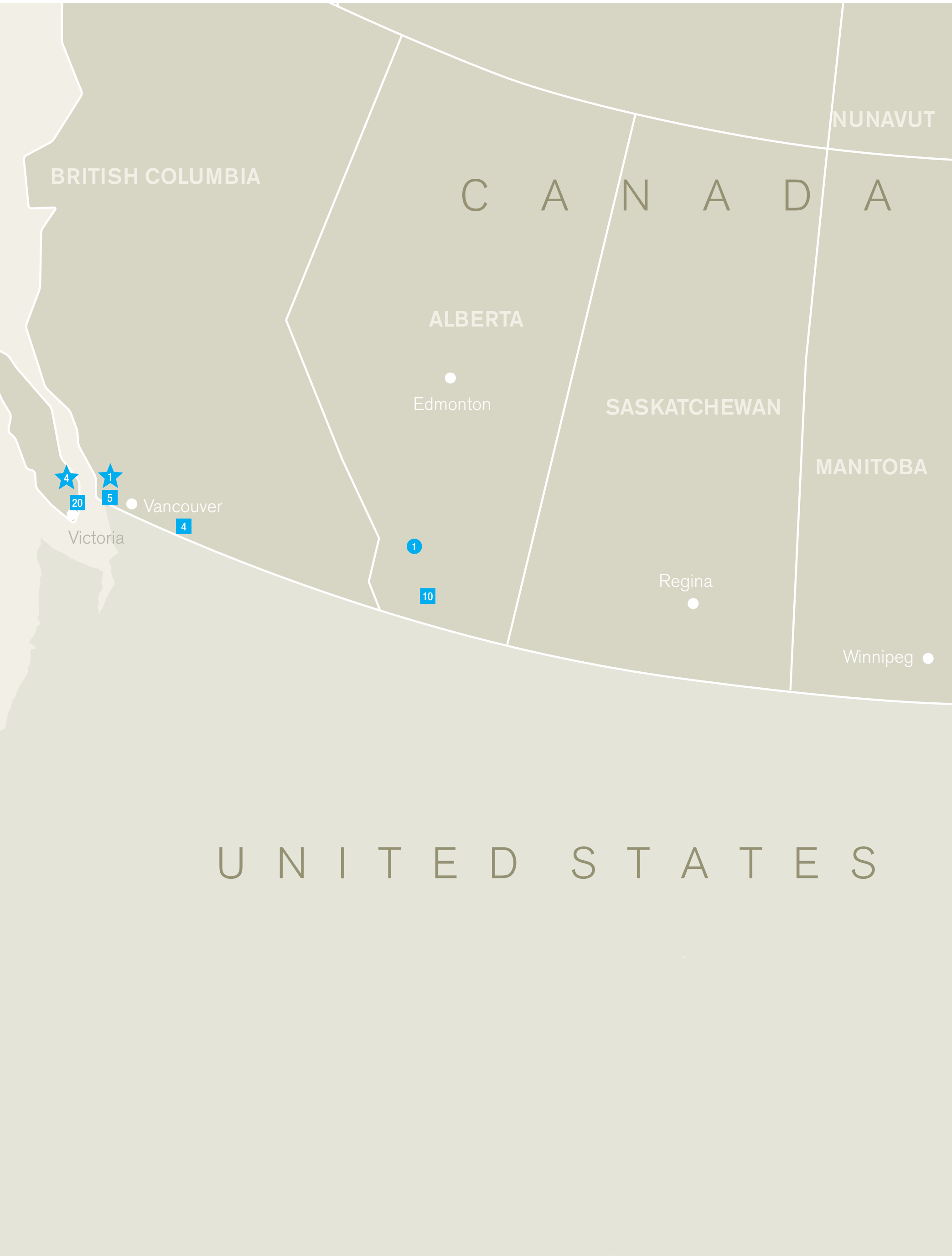
Jean Brodeur
Vice-President
Public Relations
and Communications

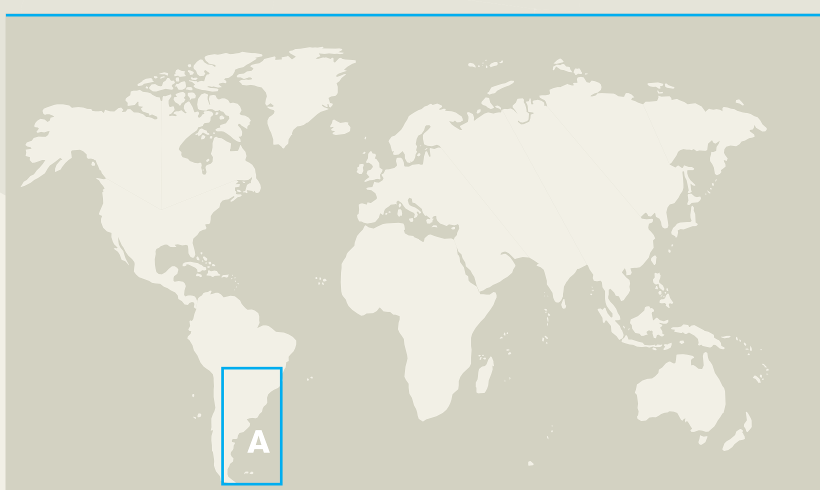
Michel Leclair
Vice-President
Quality Assurance

Michel St-Louis
Director, Legal Affairs
(acting)

Michel Pouliot
Vice-President
Research and Development

LOCATIONS





HEAD OFFICES

1 Longueuil, Que. Agropur
2 Longueuil, Que. Ultima Foods Inc.
3 Ferreyra, Cordoba, Grupo La Lacteo

PLANTS

1 Amqui, Que. DN
2 Beauceville, Que. CFPD
3 Bon-Conseil, Que. CFPD
4 Chilliwack, B.C. DN
5 Delta, B.C. Ultima Foods Inc.
6 Don Mills, Ont. DN
7 Ferreyra, Cordoba, Grupo La Lacteo
8 Granby, Que. CFPD
9 Granby, Que. Ultima Foods Inc.
10 Lethbridge, Alta. CFPD
11 Middlebury, IN, CFPD
12 Oka, Que. FCD
13 Ottawa, Ont. DN
14 Plessisville, Que. CFPD
15 Quebec City, Que. DN
16 Saint-Bruno, Que. DN
17 Saint-Hyacinthe, Que. FCD
18 Saint-Laurent, Que. DN
19 Sudbury, Ont. DN
20 Victoria, B.C. DN
21 Villa Del Rosario, Cordoba, Grupo La Lacteo
22 Woodstock, Ont. CFPD

LABORATORY AND R&D CENTRE

Granby, Que.

GARAGES

1 Iberville, Que. CFPD
2 Saint-Agapit, Que. CFPD

MAJOR WAREHOUSES

1 Annacis Island, Delta, B.C. DN
2 Baie-Comeau, Que. DN
3 Brantford, Ont. DN
4 Cassidy, B.C. DN
5 Jonquière, Que. DN
6 Kingston, Ont. DN
7 London, Ont. DN
8 Orillia, Ont. DN
9 Montreal, Que. DN
10 Rimouski, Que. DN
11 Sainte-Thérèse, Que. DN
12 Sherbrooke, Que. DN
13 Trois-Rivières, Que. DN
14 Windsor, Ont. DN

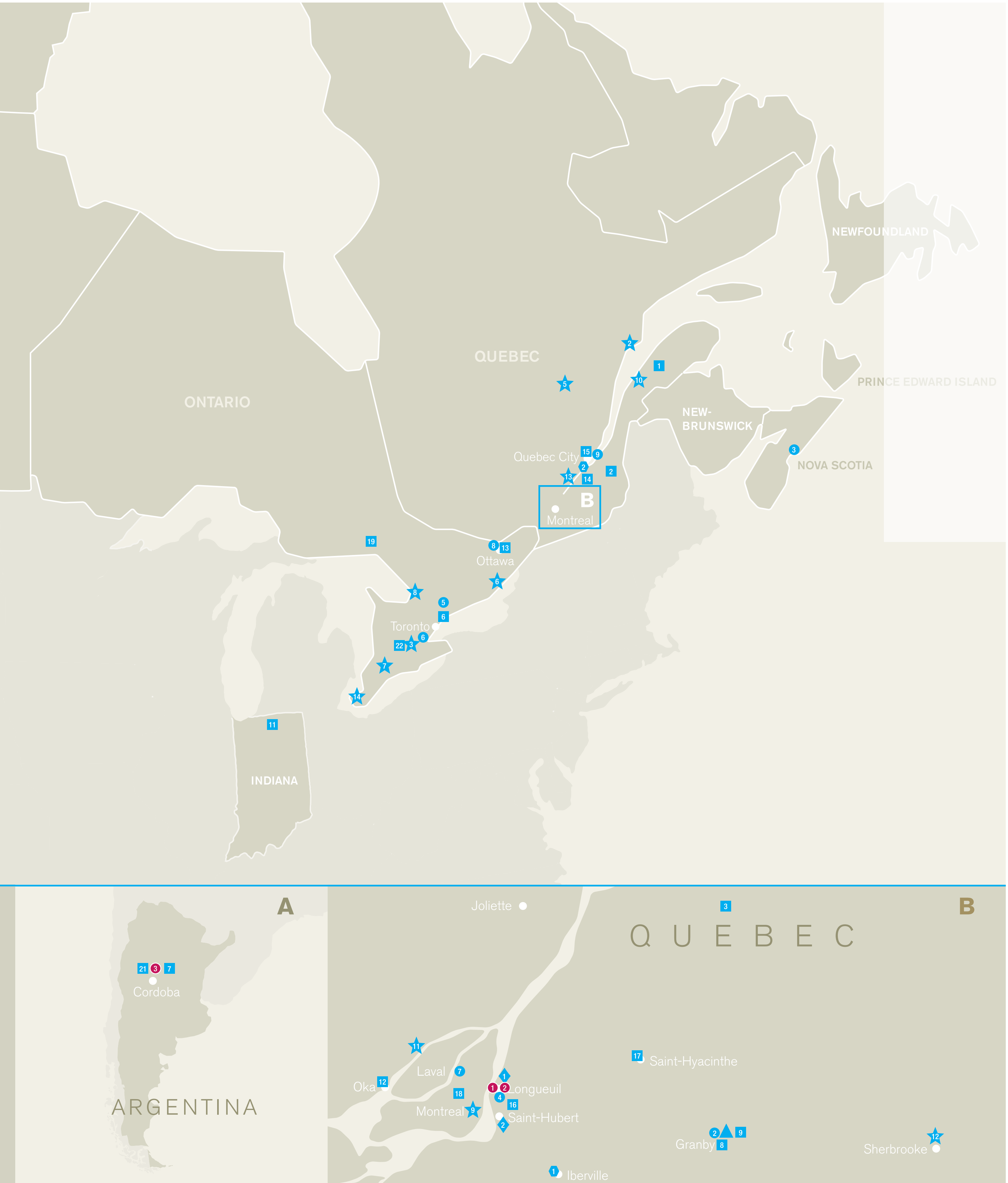
OFFICES

1 Calgary, Alta. Ultima Foods Inc. and FCD (sales)
2 Granby, Que. CFPD (administrative office)
3 Halifax, N.S. Ultima Foods Inc. and FCD (sales)
4 Longueuil, Que. DN (administrative office)
5 Markham, Ont. DN (administrative office) and CFPD (sales)
6 Mississauga, Ont. Ultima Foods Inc. and FCD (sales)
7 Montréal-Nord, Que. FCD (administrative office)
8 Ottawa, Ont. Ultima Foods Inc. and FCD (sales)
9 Quebec City, Que. Ultima Foods Inc. and FCD (sales)

DISTRIBUTION CENTRES

1 Longueuil, Que. Ultima Foods Inc. (National Distribution Centre)
2 Saint-Hubert, Que. FCD and CFPD

Legend:
FCD: Fine Cheese Division
CFPD: Cheese and Functional Products Division
DN: Division Natrel


QUEBEC
ONTARIO
NEWFOUNDLAND
PRINCE EDWARD ISLAND
NEW-
BRUNSWICK
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Quebec City
B
Montreal
Ottawa
Toronto
INDIANA
A
Cordoba
ARGENTINA
Joliette
Q U E B E C
B
Saint-Hyacinthe
Laval
Oka
Longueuil
Montreal
Saint-Hubert
Granby
Sherbrooke
Iberville

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450 375-1991

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Longueuil, Quebec
J4G 2V2
450 651-3737

* Joint venture

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Recycled items contain 30% postconsumer waste fiber.