Message to Shareholders

We are pleased to present the results for the first quarter of fiscal 2008, which ended on June 30, 2007.

Net earnings closed at $68.4 million, an increase of $15.1 million or 28.3% in comparison to the $53.3 million for the same period last year. Included in the results of the first quarter of the previous fiscal year was a one-time tax reduction to adjust future tax balances of approximately $4 million, due to a reduction in Canadian federal tax rates. Excluding this adjustment, net earnings would have increased by $19.1 million or 38.7% over the corresponding period last year.

Earnings before interest, income taxes, depreciation and amortization (EBITDA[1]) amounted to $127.5 million, an increase of $34.4 million or 37% in comparison to the $93.1 million for the same quarter last fiscal year. The EBITDA of our US Dairy Products Sector increased by approximately $19 million in comparison to the same quarter last fiscal year. A higher average block market[2] per pound of cheese, initiatives undertaken in the previous fiscal year with regards to increased selling prices, reduction of costs associated with milk handling, improved operational efficiencies and the contribution of the Land O'Lakes West Coast industrial cheese business in the US (Land O'Lakes West Coast Acquisition) are the main factors explaining the EBITDA increase. These factors offset a less favourable relationship between the average block market per pound of cheese and the cost of milk as raw material. During the first quarter of fiscal 2007, a rationalization charge of $1.3 million was taken for the closure of our Peru, Indiana facility. The EBITDA of our Canadian and Other Dairy Products Sector increased by approximately $18 million in comparison with the same period last fiscal year. This increase is due to a more favourable by-product market, benefits derived from rationalization activities undertaken in our Canadian operation during prior years, and additional sales volumes from our Canadian fluid milk activities. The EBITDA of our Grocery Products Sector decreased by $2.4 million in comparison to the same quarter last fiscal year. The decrease is attributed to higher raw material, marketing and other costs, additional expenses relating to the pension fund, and lower sales volumes generated by our co-packing agreements for the manufacturing of products for the US market. During the quarter, the appreciation of the Canadian dollar eroded approximately $1 million of the Company's EBITDA in comparison to the same quarter last fiscal year.

Revenues for the quarter ended June 30, 2007 totalled $1.227 billion, an increase of $245.6 million or 25% over the $981.1 million for the corresponding period last year. The increase is due mainly to our US Dairy Products Sector, whose revenues increased by approximately $221 million. The Land O'Lakes West Coast Acquisition and a higher average block market per pound of cheese explain the revenue increase. Revenues from our Canadian and Other Dairy Products Sector increased by approximately $24 million. Higher selling prices in accordance with the increase in the cost of milk as raw material, increased sales volumes from our Canadian fluid milk activities and the inclusion of our UK operations, acquired on March 23, 2007, are the main factors explaining the revenue increase. The revenues from our Grocery Products Sector increased by approximately $1 million in comparison to the same quarter last fiscal year. During the first quarter of fiscal 2008, the appreciation of the Canadian dollar eroded approximately $9 million in the Company's revenues in comparison to the same quarter last fiscal year.

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[1] **Measurement of results not in accordance with generally accepted accounting principles**
The Company assesses its financial performance based on its EBITDA, this being earnings before interest, income taxes, depreciation and amortization. EBITDA is not a measurement of performance as defined by generally accepted accounting principles in Canada, and consequently may not be comparable to similar measurements presented by other companies.

[2] "**Average block market**" is the average daily price of a 40 pound block of Cheddar traded on the Chicago Mercantile Exchange (CME), used as the base price for the cheese.

At the beginning of the first quarter of fiscal 2008, the Company completed the Land O'Lakes West Coast Acquisition. During the same quarter, the Company also completed the closure of its Boucherville, Quebec cutting and wrapping facility and of its fresh cookie facility in Laval, Quebec.

Outlook[3]

In the Dairy Products Division (Canada), we will continue striving to remain a low-cost producer in order to stay competitive within the industry. We will actively seek new ways to improve our operational efficiencies with the objective of increasing our profitability. This will allow us to benefit from the optimization of our production facilities; not only through the closure of our Vancouver and Boucherville plants, but also through our investment in automation. We will continue our investments in product innovation and value-added products through research and development and marketing initiatives with a view to drive long-term EBITDA growth.

In Argentina, our business is experiencing steady growth due to the completion of our capital investment program which has resulted in increased flexibility and operational efficiencies. We will maintain our focus on increased efficiencies in order to mitigate the effects of factors beyond our control such as the floods that occurred in this quarter. This factor combined with other international events such as the drought in Australia and the European Union subsidy cuts on dairy products have all culminated to drive the price of raw milk to historical highs since we entered the Argentinean market. Despite these challenges, we plan to pursue our growth on both the domestic and international markets.

In Germany, the integration of the activities of Spezialitäten-Käserei De Lucia GmbH (De Lucia), acquired on April 13, 2006, is progressing. Our US division should benefit from the implementation, during fiscal 2008, of some technologies presently used by our German division.

Our Dairy Products Division (United Kingdom) was created following the acquisition of the activities of Dansco Dairy Products Limited (Dansco) in March 2007. The integration of these activities is progressing well.

Further to the recent international acquisitions, Mr. Dino Dello Sbarba, President and Chief Operating Officer, Dairy Products Division (Canada), has been appointed to also act, on an interim basis, as President and Chief Operating Officer of the Dairy Products Divisions (Argentina, Germany and United Kingdom). Mr. Carmine De Somma, previously President and Chief Operating Officer, Dairy Products Division (Argentina), will be assuming other functions within the Company.

In the United States, we will focus our efforts on the integration of the activities of the Land O'Lakes West Coast Acquisition. An extensive analysis of the cost structure is in progress to optimize the synergies between these new activities and the existing ones in our US division. This acquisition allows us to further solidify our manufacturing and marketing platform in the US dairy industry. Despite the numerous challenges the US dairy market presents, such as the record high whey prices and the increases in the cost of milk as a raw material, we remain committed to mitigate these adverse market conditions through operational efficiencies, innovation and price increases. In terms of marketing initiatives, we will relaunch our *Frigo Cheese Heads* string cheese with an improved texture and flavour, as well as new packaging. The US market constitutes a key aspect of our growth strategy.

In the Bakery Division, we are pursuing the integration of the activities of Biscuits Rondeau inc. et Boulangerie Rondeau inc. (Rondeau), acquired in July 2006. In that regard, we have completed the closure of our plant in Laval, Québec, on June 29, 2007. The integration of these activities in our Ste-Marie, Quebec plant should start to benefit our overhead costs and increase our efficiency late in the second quarter of this fiscal year. We are also focusing on increasing the presence of Rondeau's products in Ontario and in the Atlantic provinces as well as extending our distribution network, which should

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[3] We refer you to the cautionary statement regarding forward-looking information set forth below under "Management Analysis".

benefit us in the next semester. We will continue to focus our marketing and sales efforts towards the *Vachon* brand, the core of our Bakery division. As we are committed to growing the category, we plan to execute various promotions during the back-to-school period. In order to increase our profitability, we will be modifying our pricing and rebate structure effective August 2007. We also made the decision to cut back some of our marketing programs and, in light of the constantly changing competitive environment in the snack-cake category, we plan to review our approach to market and assess our various marketing and sales initiatives for the remainder of the fiscal year. On the operation side, our Ste-Marie plant will benefit from capital investments made since the beginning of the fiscal year which should improve both efficiency and profitability. We also put together an optimization team whose mandate is to review all recipes in order to help offset the impact of higher ingredient costs. In the US, we will seek to improve the development of our co-packing activities.

We are very pleased with the results obtained during this first quarter. We plan to pursue our expansion through a sharp focus on innovation and improved efficiencies. Finally, we are always seeking acquisition opportunities that would enable us to grow and create additional value for our shareholders.

Dividends

The Board of Directors revised its policy and raised Company dividends. The quarterly dividend will rise to $0.24 per share from $0.20 per share, for a total of $0.96 per share annually, representing a 20% increase. This dividend will become effective for the dividend payment of September 14, 2007 to shareholders of record on September 4, 2007.

Management's Analysis

The goal of the management report is to analyze the results of and the financial position for the quarter ended June 30, 2007. It should be read while referring to our consolidated financial statements and accompanying notes for the three-month periods ended June 30, 2007 and 2006. The Company's accounting policies are in accordance with Canadian generally accepted accounting principles of the Canadian Institute of Chartered Accountants. All dollar amounts are in Canadian dollars unless otherwise indicated. This report takes into account material elements between June 30, 2007 and July 31, 2007, the date of this report, on which it was approved by the Board of Directors of Saputo Inc. (Company or Saputo). Additional information about the Company, including the annual report and the annual information form for the year ended March 31, 2007, can be obtained on Sedar at www.sedar.com.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This report, including the "Outlook" section, contains forward-looking information within the meaning of securities laws. These statements are based on our current assumptions, expectations and estimates, regarding projected revenues and expenses, the Canadian, US, Argentinean, German and United Kingdom economic environment, our ability to attract and retain clients and consumers, our operating costs and raw materials and energy supplies which are subject to a number of risks and uncertainties. Actual results could differ materially from the conclusion, forecast or projection stated in such forward-looking information. As a result, we cannot guarantee that any forward-looking statements will materialize. Assumptions, expectations and estimates made in the preparation of forward-looking statements and risks that could cause our actual results to differ materially from our current expectations are discussed throughout this MD&A and in our most recently filed annual report which is available on SEDAR at www.sedar.com. Forward-looking information contained in this report, including the "Outlook" section, is based on management's current estimates, expectations and assumptions, which management believes are reasonable as of the current date. You should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While we may elect to, we are under no obligation and do not undertake to update this information at any particular time.

Operating Results

Consolidated revenues for the quarter ended June 30, 2007 totalled $1.227 billion, an increase of $245.6 million or 25% in comparison to the $981.1 million for the corresponding period last fiscal year. Revenues from our US Dairy Products Sector increased by approximately $221 million. The increase is due mainly to the Land O'Lakes West Coast Acquisition, completed at the beginning of fiscal 2008. An average block market per pound of cheese of US$1.63 compared to US$1.18 for the same quarter last fiscal year, also contributed to increase our US division's revenues. Our Canadian and Other Dairy Products Sector revenues increased by approximately $24 million in comparison to the same quarter last fiscal year. Higher selling prices in our Canadian and Argentinean operations in accordance with the increase in the cost of milk as raw material, increased sales volumes from our Canadian fluid milk activities, and the inclusion of our UK operations, acquired on March 23, 2007, are the main factors explaining the revenue increase. These positive factors offset lower revenues due to reduced sales volumes from our Canadian cheese activities, and a decrease in revenues from our Argentinean operations. Revenues from our Grocery Products Sector increased by approximately $1 million in comparison to the same quarter last year. During the first quarter of fiscal 2008, the appreciation of the Canadian dollar eroded approximately $9 million in the Company's revenues in comparison to the same quarter last year.

Consolidated earnings before interest, income taxes, depreciation and amortization (EBITDA), for the first quarter of fiscal 2008 totalled $127.5 million, an increase of $34.4 million or 37% in comparison to the $93.1 million for the same quarter last fiscal year. The EBITDA of our US Dairy Products Sector increased by approximately $19 million. A higher average block market per pound of cheese, initiatives undertaken in the previous fiscal year with regards to increased selling prices, reduction of costs associated with milk handling, improved operational efficiencies and the contribution of the Land O'Lakes West Coast Acquisition are the main factors explaining the EBITDA increase. These benefits offset a less favourable relationship between the average block market per pound of cheese and the cost of milk as raw material. Included in the EBITDA of the first quarter of fiscal 2007, was a rationalization charge of $1.3 million for the closure of our Peru, Indiana facility. The EBITDA of our Canadian and Other Dairy Products Sector increased by approximately $18 million. The increase is due to a more favourable by-product market, benefits derived from rationalization activities undertaken during prior years, and additional sales volumes from our Canadian fluid milk activities. The EBITDA of our Argentinean operation was slightly lower in comparison to the same quarter last fiscal year. Our German and UK operations continue to have a negligible impact on EBITDA. The EBITDA of our Grocery Products Sector decreased by $2.4 million in comparison to the same period last fiscal year. Higher raw material, marketing and other costs, additional expenses relating to the pension fund, and lower sales volumes generated by our co-packing agreements for the manufacturing of products for the US market explain the decreased EBITDA of our Bakery Division. During the quarter, the appreciation of the Canadian dollar eroded approximately $1 million of the Company's EBITDA in comparison to the same quarter last fiscal year.

Other Consolidated Results Items

Depreciation expense for the quarter ended June 30, 2007 totalled $20.3 million, an increase of $2.2 million in comparison to the $18.1 million at June 30, 2006. The increase is due mainly to the Land O'Lakes West Coast Acquisition completed on April 2, 2007. Capital investments undertaken by all divisions in the prior year along with the completion of other acquisitions also contributed to the increase in depreciation expense. These factors offset reduced depreciation from our foreign subsidiaries due to the appreciation of the Canadian dollar.

Net interest expense amounted to $6.6 million for the first quarter of fiscal 2008, compared to $5.0 million for the first quarter of fiscal 2007. Interest on long-term debt decreased by $0.5 million due to the repayment of US $30 million of long-term debt during the third quarter of fiscal 2007 as well as the appreciation of the Canadian dollar, which reduced the interest expense on our US dollar debt. However, other interest increased by $2.1 million due mainly to the Land O'Lakes West Coast Acquisition. Excess cash on hand throughout fiscal 2007, which generated interest revenue, was used in April 2007 to consummate the Land O'Lakes West Coast Acquisition.

Income taxes for the quarter ended June 30, 2007 totalled $32.2 million for an effective tax rate of 31.9%, compared to an effective tax rate of 23.8% for the same quarter last fiscal year. During the first quarter of fiscal 2007, the Company benefited from a one-time tax reduction of approximately $4 million to adjust future tax balances, due to a reduction in Canadian federal tax rates. Excluding the one-time benefit, the effective tax rate for the first quarter of fiscal 2007 would be 29.4%. Our income tax varies and could increase or decrease based on the amount of taxable income derived and from which source, any amendments to tax laws and income tax rates and changes in assumptions and estimates used for tax assets and liabilities by the Company and its affiliates.

Net earnings reached $68.4 million for the first quarter of fiscal 2008, an increase of $15.1 million as compared to the same quarter last year. This reflects the various factors analyzed above.

Cash and Financial Resources

For the three-month period ended June 30, 2007, **cash generated by operating activities before changes in non-cash working capital** items amounted to $93.0 million, compared to $68.0 million for the same period last year. The increase is mainly due to higher earnings in the current quarter compared to the same quarter last year. Non-cash working capital items used $80 million for the quarter ended June 30, 2007, compared to generating $1.0 million for the corresponding quarter last fiscal year. The difference is attributed mainly to higher working capital items in our US division due to the increase in the average block market per pound of cheese during the current quarter in comparison to our fiscal year ended March 31, 2007.

Investing activities used $253.2 million essentially for the Land O'Lakes West Coast Acquisition completed on April 2, 2007. The Company added $17.7 million in fixed assets during the quarter.

Financing activities for the first quarter of fiscal 2008 consisted of a decrease in bank loans of $5.1 million, the issuance of shares for a cash consideration of $9.7 million, as part of the Stock Option Plan, and the use of cash for the purchase of share capital totalling $36.6 million in accordance with the normal course issuer bid.

As at June 30, 2007, working capital stood at $266.3 million, a decrease from the $521.1 million as at March 31, 2007. The decrease is mainly attributed to the funds disbursed for the Land O'Lakes West Coast Acquisition.

As at June 30, 2007, our debt-to-equity ratio stood at 0.25, in comparison to 0.08 as at March 31, 2007.

The Company currently has available bank credit facilities of approximately $330 million, $128.1 million of which are drawn, essentially for our US and Argentinean operations. Should the need arise, the Company can make additional financing arrangements to pursue growth through acquisitions.

Balance Sheet

With regards to balance sheet items as at June 30, 2007 that varied compared to those as at March 31, 2007, we should note that the variation in most items is principally due to the Land O'Lakes West Coast Acquisition. The continued appreciation of the Canadian dollar reduced the balance sheet items reported for our foreign subsidiaries. From an operational perspective, our accounts receivables, inventories, and accounts payables increased due mainly to our Cheese Division (USA). The higher average block market per pound of cheese during the first quarter of fiscal 2008 was the main factor causing certain US balance sheet items to increase in value as at June 30, 2007 in comparison to March 31, 2007. At June 30, 2007, a dividend payable amounting to $20.5 million, relating to the fourth quarter of fiscal 2007 paid on July 20, 2007, as well as a share purchase payable amounting to $44.9 million, relating to shares purchased in accordance with the normal course issuer bid settled on July 5, 2007, were included as current liabilities. The Company's total assets stood at $2.503 billion as at June 30, 2007, compared to $2.488 billion at March 31, 2007.

Share Capital Information

Share capital authorized by the Company is comprised of an unlimited number of common and preferred shares. The common shares are voting and participating. The preferred shares can be issued in one or more series, and the terms and privileges of each series must be determined at the time of their creation.

	Authorized	Issued as at June 30, 2007	Issued as at July 20, 2007
Common shares	Unlimited	102,254,238	102,351,843
Preferred shares	Unlimited	None	None
Stock options		5,210,525	5,110,867

In the first quarter of fiscal 2008, we purchased 1,852,620 common shares at prices ranging from $43.46 to $44.00 per share as part of the normal course issuer bid initiated on November 13, 2006.

Follow-up on Certain Specific Items of the Analysis

For an analysis of off-balance sheet arrangements, guarantees, contractual obligations, related party transactions, accounting standards, critical accounting policies and use of accounting estimates as well as risks and uncertainties, we encourage you to consult the comments provided in the 2007 annual report on pages 28 to 33 of the management's analysis, since there were no notable changes during the first quarter of fiscal 2008.

Internal Controls over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer, together with management, have concluded after having conducted an evaluation and to the best of their knowledge that, as of June 30, 2007, no change in the Company's internal control over financial reporting occurred that could have materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

Information by Sector

Canadian and Other Dairy Products Sector

This Sector consists of our Dairy Products Division (Canada), Dairy Products Division (Argentina), Dairy Products Division (Germany) and Dairy Products Division (United Kingdom).

For the quarter ended June 30, 2007, revenues from the Canadian and Other Dairy Products Sector amounted to $722.0 million, an increase of $23.9 million in comparison to the $698.1 million for the same period last year. Higher selling prices in our Canadian and Argentinean operations, in accordance with the rise of the cost of milk as raw material, increased sales volumes in our Canadian fluid milk activities in both our retail and foodservice segments, higher by-products sales due to a more favourable by-product market and the inclusion of our newly acquired operations in the United Kingdom are the main factors explaining the revenue increase. These increases offset lower revenues due to reduced sales volumes from our Canadian cheese activities. Revenues from our Dairy Products Division (Germany) remained relatively stable in comparison to the same quarter last fiscal year. The appreciation of the Canadian dollar eroded approximately $1 million of revenues from the Canadian and Other Dairy Products Sector.

Earnings before interest, income taxes, depreciation and amortization (EBITDA) for the quarter ended June 30, 2007, totalled $89.0 million, an increase of $17.5 million or 24.5% compared to the $71.5 million for the corresponding quarter last fiscal year. The EBITDA margin increased from 10.2% last fiscal year to 12.3% this fiscal year.

The Dairy Products Division (Canada) delivered a strong performance in this quarter compared to the same quarter last fiscal year. The division benefited by approximately $6 million from improved rationalizations completed in the prior fiscal year. Approximately $8 million of additional EBITDA is attributable to a more favourable by-product market price this quarter. Additional EBITDA was also attributable to a combination of higher sales volumes in our fluid milk & cream category, and a reduction in our handling and delivery costs.

During this quarter, we completed the closure of our cutting and wrapping facility in Boucherville, Quebec. This decision was part of the Company's continual analysis of its overall activities and the implementation of measures aimed at improving its operational efficiency. As a result of the closure of the Vancouver and Boucherville plants, the Company expects annual EBITDA savings of approximately $4.8 million. These savings have started to materialize in the current quarter. Approximately $3 million in savings are expected for fiscal 2008.

The EBITDA of our Dairy Products Division (Argentina) was slightly lower in comparison to the same quarter last year, and considerably lower than the fourth quarter of fiscal 2007. In this first quarter of fiscal 2008, the division was faced with difficult conditions with regards to milk supply as a result of major floods in certain regions of Argentina. This resulted in the milk price skyrocketing to record highs since we entered the Argentinean market. In addition, new government regulations were imposed during the quarter that limit the selling prices on the export market. These negative factors have offset benefits derived from capital investment made in the previous fiscal years.

Both our Dairy Products Division (Germany) and our Dairy Products Division (United Kingdom) had a minimal effect on our EBITDA.

US Dairy Products Sector

Revenues for the US Dairy Products Sector totalled $463.2 million for the quarter ended June 30, 2007, representing a $220.7 million or 91% increase from the $242.5 million posted for the same period one year earlier. The Land O'Lakes West Coast Acquisition completed on April 2, 2007 contributed $169 million to this increase. The average block market per pound of cheese in the first quarter was US$1.63, US$0.45 higher than the same period last year, boosting revenues by approximately $53 million. The appreciation of the Canadian dollar eroded approximately $8 million in revenues. Our sales volume for the quarter was 64% higher compared to the same quarter last year due almost entirely to the recent acquisition. The retail segment now accounts for 28% of our total sales volume, the foodservice segment 47% and the industrial segment 25%. Promotional efforts continued in this quarter supporting our retail brands, as well as advertising in major food service magazines.

For the quarter ended June 30, 2007, EBITDA totalled $34 million, resulting in a $19.3 million or 131.3% increase compared to $14.7 million for the same period last year. During the first quarter of fiscal 2008, the average block market per pound of cheese was US$0.45 higher compared to the same period last year, creating a positive effect on the absorption of fixed costs. The rising cheese market created a very favourable impact on the realization of inventories which was offset to a degree by increased milk prices driven by the dramatically higher average whey market in the quarter. These higher milk prices led to a less favourable relationship between the average block market per pound of cheese and the cost of milk as raw material. All these combined factors had a negative impact of approximately $3 million on EBITDA. The Land O'Lakes West Coast Acquisition contributed to EBITDA as expected. We continued to improve operational efficiencies throughout the quarter. The division benefited from reduced manufacturing milk price from the State of California and the United States Department of Agriculture announced in the last fiscal year amounting to approximately $3 million. EBITDA improved by approximately $17 million due to initiatives undertaken in the previous fiscal year with regards to increased selling prices, reduction of costs associated with milk handling, improved operational efficiencies and the contribution of the Land O'Lakes West Coast Acquisition. The appreciation of the Canadian dollar eroded approximately $1 million in EBITDA. During the first quarter of fiscal 2007, the division incurred rationalization costs for the closure of its Peru, Indiana facility in the amount of $1.3 million.

Grocery Products Sector

Revenues for the Grocery Product Sector totalled $41.5 million for the first quarter of fiscal 2008, a $1.0 million increase compared to the same period last fiscal year. The increase is due to the inclusion of Rondeau, acquired in July 2006, partly offset by a reduction in sales volumes from our co-packing agreements for the manufacturing of products for the US market as compared to the same period last fiscal year. Our sales volume in Canada remained relatively stable despite increased competition and aggressive pricing in the Canadian market.

EBITDA for the quarter ended June 30, 2007 stood at $4.5 million a $2.4 million decrease compared to the corresponding quarter last fiscal year. The EBITDA margin went from 16.9% to 11.4% in comparison to the same quarter last fiscal year. The division suffered declined revenues generated by its co-packing agreements for the manufacturing of products for the US market, thus decreasing EBITDA. In addition, the division incurred higher manufacturing costs, mainly related to ingredients, packaging, labour and energy cost. Combined these negative factors have eroded EBITDA by approximately $1.9 million. During the quarter, the division spent $0.3 million in additional marketing initiatives geared towards the development of its brands. Finally, during this fiscal year, we anticipate to expense approximately $1.1 million in addition to last fiscal year related to the pension plan, of which $0.3 million was expensed in this quarter.

(signed)	**(signed)**
Lino Saputo	**Lino Saputo, Jr.**
Chairman of the Board	President and
	Chief Executive Officer

July 31, 2007

NOTICE

The consolidated financial statements of Saputo Inc. for the three-month periods ended June 30, 2007 and 2006 have not been reviewed by an external auditor.

CONSOLIDATED STATEMENTS OF EARNINGS

(in thousands of dollars, except per share amounts)

(unaudited)

	For the three-month periods ended June 30	
	2007	2006
Revenues	$ 1,226,735	$ 981,142
Cost of sales, selling and administrative expenses	1,099,220	888,065
Earnings before interest, depreciation and income taxes	127,515	93,077
Depreciation of fixed assets	20,268	18,129
Operating income	107,247	74,948
Interest on long-term debt	5,040	5,586
Other interest, net	1,549	(545)
Earnings before income taxes	100,658	69,907
Income taxes	32,211	16,643
Net earnings	$ 68,447	$ 53,264
Earnings per share (Note 7)		
Net earnings		
Basic	$ 0.66	$ 0.51
Diluted	$ 0.66	$ 0.51

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(in thousands of dollars)

(unaudited)

	For the three-month periods ended June 30	
	2007	2006
Retained earnings, beginning of period	$ 1,085,081	$ 971,131
Net earnings	68,447	53,264
Dividends	(20,469)	(18,659)
Excess of purchase price of share capital over carrying value	(72,258)	(21,172)
Retained earnings, end of period	$ 1,060,801	$ 984,564

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands of dollars)

(unaudited)

	For the three-month periods ended June 30	
	2007	2006
Net earnings	$ 68,447	$ 53,264
Other comprehensive income		
Net change in unrealized losses on translation of financial statements of self-sustaining operations	(44,979)	(18,015)
Comprehensive income	$ 23,468	$ 35,249

SEGMENTED INFORMATION
(in thousands of dollars)
(unaudited)

	For the three-month periods ended June 30	
	2007	2006
Revenues		
Dairy Products		
Canada and Other	$ 722,023	$ 698,084
United States	463,165	242,534
	1,185,188	940,618
Grocery Products	41,547	40,524
	$ 1,226,735	$ 981,142
Earnings before interest, depreciation and income taxes		
Dairy Products		
Canada and Other	$ 88,999	$ 71,463
United States	34,020	14,754
	123,019	86,217
Grocery Products	4,496	6,860
	$ 127,515	$ 93,077
Depreciation of fixed assets		
Dairy Products		
Canada and Other	$ 9,329	$ 9,097
United States	9,130	7,458
	18,459	16,555
Grocery Products	1,809	1,574
	$ 20,268	$ 18,129
Operating income		
Dairy Products		
Canada and Other	$ 79,670	$ 62,366
United States	24,890	7,296
	104,560	69,662
Grocery Products	2,687	5,286
	$ 107,247	$ 74,948
Interest	6,589	5,041
Earnings before income taxes	100,658	69,907
Income taxes	32,211	16,643
Net earnings	$ 68,447	$ 53,264

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of dollars)
(unaudited)

	For the three-month periods ended June 30	
	2007	2006
Cash flows related to the following activities:		
Operating		
Net earnings	$ 68,447	$ 53,264
Items not affecting cash		
Stock based compensation	2,082	2,035
Depreciation of fixed assets	20,268	18,129
Loss (gain) on disposal of fixed assets	4	(16)
Future income taxes	2,338	(4,986)
Funding of employee plans in excess of costs	(172)	(409)
	92,967	68,017
Changes in non-cash operating working capital items	(79,989)	951
	12,978	68,968
Investing		
Business acquisitions (Note 10)	(253,188)	(7,613)
Additions to fixed assets	(17,691)	(17,642)
Proceeds on disposals of fixed assets	199	31
Other assets	2,288	(1,712)
	(268,392)	(26,936)
Financing		
Bank loans	(5,123)	(3,000)
Issuance of share capital	9,748	4,927
Repurchase of share capital	(36,606)	(24,491)
	(31,981)	(22,564)
(Decrease) increase in cash and cash equivalents	(287,395)	19,468
Effect of exchange rate changes on cash and cash equivalents	3,322	(1,118)
Cash and cash equivalents, beginning of period	276,894	91,533
Cash and cash equivalents, end of period	$ (7,179)	$ 109,883
Supplemental information		
Interest paid	$ 11,079	$ 9,493
Income taxes paid	$ 39,289	$ 20,747

CONSOLIDATED BALANCE SHEETS
(in thousands of dollars)

	June 30 2007 *(unaudited)*	March 31 2007 *(audited)*
ASSETS		
Current assets		
Cash and cash equivalents	$ –	$ 276,894
Receivables	404,431	324,702
Inventories	492,312	445,992
Income taxes	6,895	6,413
Future income taxes	12,323	13,045
Prepaid expenses and other assets	24,858	23,939
	940,819	1,090,985
Portfolio investment	42,991	42,991
Fixed assets (Note 4)	871,169	691,226
Goodwill	530,280	547,379
Trademarks and other intangibles	39,194	32,340
Other assets (Note 5)	68,910	73,726
Future income taxes	9,424	9,720
	$ 2,502,787	$ 2,488,367
LIABILITIES		
Current liabilities		
Bank indebtedness	$ 7,179	$ –
Bank loans	128,089	139,001
Accounts payable and accrued liabilities	396,532	343,911
Dividend payable	20,469	–
Share purchase payable	44,866	–
Income taxes	75,024	85,644
Future income taxes	2,387	1,294
Current portion of long-term debt	8	21
	674,554	569,871
Long-term debt	234,388	254,012
Other liabilities	14,427	16,413
Future income taxes	113,043	115,053
	1,036,412	955,349
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	514,189	511,737
Contributed surplus (Note 9)	19,028	18,864
Retained earnings	1,060,801	1,085,081
Accumulated other comprehensive loss (Note 3)	(127,643)	(82,664)
	1,466,375	1,533,018
	$ 2,502,787	$ 2,488,367

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(tabular amounts are in thousands of dollars except information on options and shares)
(unaudited)

1 — Accounting Policies

The unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and applied in the same manner as the most recently audited financial statements. During the quarter, the Company adopted the following accounting policies: section 1530, Comprehensive Income, section 3855, Financial Instruments – Recognition and Measurement, and section 3865, Hedges. The unaudited consolidated financial statements do not include all the information and notes required according to generally accepted accounting principles for annual financial statements, and should therefore be read in conjunction with the audited consolidated financial statements and the notes included in the Company's annual report for the year ended March 31, 2007.

2 — Foreign Currency Translation

The balance sheet accounts of the self-sustaining companies operating in the United States, Argentina, Germany and the United Kingdom are translated into Canadian dollars using the exchange rates at the balance sheet dates. Statement of earnings accounts are translated into Canadian dollars using the average monthly exchange rates in effect during the periods. The unrealized losses on translation of the financial statements of self-sustaining operations account presented in accumulated other comprehensive loss represents accumulated foreign currency losses on the Company's net investments in companies operating in the United States, Argentina, Germany and the United Kingdom. The change in the unrealized losses on translation of the financial statements of self-sustaining operations account for the period resulted mainly from the increase in value of the Canadian dollar as compared to the US dollar.

Foreign currency accounts of the Company and its subsidiaries are translated using the exchange rates at the balance sheet date for monetary assets and liabilities and the prevailing exchange rates at the time of transactions for income and expenses. Gains or losses resulting from this translation are included in the statement of earnings.

	For the three-month periods ended June 30	
	2007	2006
Foreign exchange gain	$ 402	$ 201

3 — Accumulated Other Comprehensive Loss

	June 30, 2007
Accumulated other comprehensive loss, beginning of period	$ (82,664)
Other comprehensive loss	(44,979)
Accumulated other comprehensive loss, end of period	$ (127,643)

4 — Fixed Assets

	June 30, 2007			March 31, 2007		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Land	$ 34,059	$ –	$ 34,059	$ 27,666	$ –	$ 27,666
Buildings	331,316	69,850	261,466	278,463	68,750	209,713
Furniture, machinery and equipment	948,312	384,891	563,421	824,427	383,350	441,077
Rolling stock	13,071	7,565	5,506	12,928	7,156	5,772
Held for sale	6,717	–	6,717	6,998	–	6,998
	$ 1,333,475	$ 462,306	$ 871,169	$ 1,150,482	$ 459,256	$ 691,226

Fixed assets held for sale represent mainly machinery, equipment and buildings of the Canadian and US Dairy Products Sectors that will be disposed of as a result of certain plant closures.

The net book value of fixed assets under construction, that are not being amortized, amounts to $29,029,000 as at June 30, 2007 ($22,518,000 as at March 31, 2007), and consists mainly of machinery and equipment.

5 — Other Assets

	June 30, 2007	March 31, 2007
Net accrued pension plan asset	$ 54,890	$ 54,326
Taxes receivable	6,333	12,626
Other	7,687	6,774
	$ 68,910	$ 73,726

6 — Employee Pension and Other Benefit Plans

The Company provides defined benefit and defined contribution pension plans as well as other benefit plans such as health insurance, life insurance and dental plans to eligible employees and retired employees. Pension and other benefit plan obligations are affected by factors such as interest rates, adjustments arising from plan amendments, changes in assumptions and experience gains or losses. The costs are based on a measurement of the pension and other benefit plan obligations and the pension fund assets.

Total benefit costs for the three-month periods ended June 30 are as follows:

	For the three-month periods ended June 30	
	2007	2006
Pension plans	$ 4,869	$ 4,848
Other benefits plans	359	358
	$ 5,228	$ 5,206

7 — Earnings per Share

	For the three-month periods ended June 30 2007	2006
Net earnings	$ 68,447	$ 53,264
Weighted average number of common shares outstanding	103,503,328	104,194,477
Dilutive options	934,852	385,994
Dilutive number of common shares outstanding	104,438,180	104,580,471
Basic earnings per share	$ 0.66	$ 0.51
Diluted earnings per share	$ 0.66	$ 0.51

When calculating dilutive earnings per share, 882,504 options (883,381 in 2006) were excluded from the calculation because their exercise price is higher than the average market value.

Shares purchased during the period, under the normal course issuer bid, were excluded from the calculation of earnings per share as of the date of purchase.

8 — Share Capital

Authorized

The authorized share capital of the Company consists of an unlimited number of common and preferred shares. The common shares are voting and participating. The preferred shares may be issued in one or more series, the terms and privileges of each series to be determined at the time of their creation.

	June 30, 2007	March 31, 2007
Issued		
102,254,238 common shares (103 676 917 at March 31, 2007)	$ 514,189	$ 511,737

429,941 common shares (238,030 in 2006) for an amount of $9,748,000 ($4,927,400 in 2006) were issued during the three-month period ended June 30, 2007 pursuant to the share option plan. For share options granted since April 1, 2002, the amount previously accounted for as an increase to contributed surplus was also transferred to share capital upon the exercise of options. For the three-month period ended June 30, 2007, the amount transferred from contributed surplus was $1,918,000 ($811,000 in 2006).

Pursuant to the normal course issuer bid, which began on November 13, 2006, the Company may purchase for cancellation up to 5,179,304 common shares until November 12, 2007. During the three-month period ended June 30, 2007, the Company purchased 1,852,620 common shares at prices ranging from $43.46 to $44.00 per share. The excess of the purchase price over the carrying value of the shares in the amount of $72,258,000 was charged to retained earnings.

8 — Share Capital (cont'd)

Share option plan

The Company established a share option plan to allow for the purchase of common shares by key employees, officers and directors of the Company. The total number of common shares which may be issued pursuant to this plan cannot exceed 14,000,000 common shares. Options may be exercised at a price equal to the closing quoted value of the shares on the day preceding the grant date. The options vest at 20% per year and expire ten years from the grant date.

Options issued and outstanding as at the period end are as follows:

		June 30, 2007		March 31, 2007	
Granting period	Exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
1998	$ 8.50	10,636	$ 8.50	19,000	$ 8.50
1999	from $16.13 to $18.75	45,970	$18.43	53,140	$18.43
2000	$19.70	83,458	$19.70	106,949	$19.70
2001	$13.50	145,436	$13.50	263,402	$13.50
2002	from $19.00 to $23.00	362,006	$19.05	419,205	$19.04
2003	$30.35	494,347	$30.35	542,594	$30.35
2004	$22.50	719,798	$22.50	798,755	$22.50
2005	$33.05	668,209	$33.05	727,313	$33.05
2006	$36.15	762,098	$36.15	827,932	$36.15
2007	$32.70	1,036,063	$32.70	1,097,318	$32.70
Current	$46.18	882,504	$46.18		
		5,210,525	$32.03	4,855,608	$28.64
Options exercisable at the end of the period		2,495,153	$26.67	2,011,821	$24.03

Changes in the number of options are as follows:

	June 30, 2007	
	Number of options	Weighted average exercise price
Balance at beginning of period	4,855,608	$ 28.64
Options granted	889,586	$ 46.18
Options exercised	(429,941)	$ 22.67
Options cancelled	(104,728)	$ 33.43
Balance at end of period	5,210,525	$ 32.03

8 — Share Capital (cont'd)

The fair value of share purchase options granted was estimated at $14.48 per option, using the Black-Scholes option pricing model with the following assumptions:

	June 30, 2007	March 31, 2007
Risk-free interest rate:	**4.4%**	4.2%
Expected life of options:	**5 years**	5 years
Volatility:	**35%**	35%
Dividend rate:	**2.0%**	2.5%

The exercise price of these options is $46.18, which corresponds to the closing quoted value of the shares on the day preceding the grant date.

A compensation expense of $2,082,000 ($1,848,000 after income taxes) relating to stock options was recorded in the statement of earnings for the three-month period ended June 30, 2007 and $2,035,000 ($1,802,000 after income taxes) was recorded for the three-month period ended June 30, 2006.

9 — Contributed Surplus

	June 30, 2007	Year ended March 31, 2007
Contributed surplus, beginning of period	**$ 18,864**	$ 14,428
Stock based compensation	**2,082**	7,917
Amount transferred to share capital	**(1,918)**	(3,481)
Contributed surplus, end of period	**$ 19,028**	$ 18,864

10 — Business Acquisition

On April 2, 2007, the Company acquired the activities of Land O'Lakes West Coast industrial cheese business in the US for a cash consideration of $249,224,000. The fair values attributed to the assets acquired were $20,795,000 to working capital, $226,649,000 to fixed assets, and $5,780,000 to intangible assets. The final allocation of the purchase price will be completed in the current fiscal year.

During the quarter, the Company also acquired import quotas for our Dairy Products Division (Canada) for $3,300,000. This purchase is allocated to intangible assets.