Message to Shareholders

We are presenting the results for the first quarter of fiscal 2006, which ended on June 30, 2005.

Net earnings closed at $54.2 million, down 7.0% compared to the same period last year.

Earnings before interest, income taxes, depreciation and amortization (EBITDA[1]), totalled $96.7 million, a decrease of $10.3 million from the $107.0 million posted one year earlier. The decrease is attributed to our US Dairy Products Sector. A lower average block market[2] per pound of cheese, a less favourable relationship between the average block market per pound of cheese and the cost of milk as raw material, the appreciation of the Canadian dollar, along with increased promotional, fuel and ingredients costs compared to the same quarter last year were the major factors contributing to the decreased EBITDA in our US Dairy Products Sector. All divisions within our Canadian and Other Dairy Products Sector showed positive EBITDA growth in the first quarter of fiscal 2006 compared to the first quarter of fiscal 2005. Savings derived from rationalization activities undertaken in fiscal 2005, increased sales volumes, and the inclusion of Fromage Côté, acquired on April 18, 2005 were the main elements positively affecting EBITDA. In our Grocery Products Sector, EBITDA decreased by $1.4 million over the same period last year, due mainly to additional marketing expenses.

Revenues totalled $1.007 billion, a decrease of 1.2% over the $1.019 billion posted one year earlier. Revenues from our US Dairy Products Sector were negatively affected by a lower average block market per pound of cheese and the appreciation of the Canadian dollar compared to the same period last year. The decrease offset a revenue increase in our Canadian and Other Dairy Products Sector resulting from increased selling prices, higher sales volumes, as well as the inclusion of Fromage Côté. Revenues from our Grocery Products Sector were $2.6 million lower compared to the same period last year.

During the first quarter of fiscal 2006, the Company acquired the activities of Fromage Côté S.A. and Distributions Kingsey Inc., a cheese manufacturer operating in Canada, along with the activities of Schneider Cheese, Inc., a cheese manufacturer operating in the United States.

[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.

Outlook

In our Dairy Products Division (Canada), we remain determined to capitalize on the increasing consumer interest for specialty cheeses and in so doing maximize the benefit of the acquisition of Fromage Côté. We have thus put in place, at the end of June 2005, an operating structure whose focus is to further develop our specialty cheese products offering. This structure allows us to have dedicated employees in the manufacturing, sales and marketing activities of our specialty business. We intend to use our manufacturing expertise in order to bring to market new products. We strongly believe in this category of cheese products and we intend to benefit from its development. As for our fluid milk activities, we will direct our efforts in solidifying our customer base with value-added products like yogourts and flavoured milk. We are going to continue to develop the vending machine segment as we have been doing for the last two years. We will also increase our efforts to further develop our presence in Ontario and Québec.

In Argentina, we continue to develop both the national and international markets. Our capital expenditure program is progressing as planned and will allow us to better manage our by-products.

In the United States, we faced adverse market conditions in the first quarter, resulting in a decrease in our profitability, even though we increased our sales volumes. We have been addressing this issue on an ongoing basis and intend to put in place certain mechanisms that should help minimize these adverse market conditions. In the first quarter, important promotional expenses were incurred in the retail segment, in which we intend to benefit from increased sales volumes in the current fiscal year. The integration of Schneider Cheese is progressing and will allow us to extend our product offering in the string cheese category.

In our Grocery Products Sector, we will continue to pursue our objective to increase the value of our products through our research and development activities. During the first quarter of fiscal 2006, we initiated the investments forecasted in our three year-plan, totalling $20 million, for the development and redeployment of our brands as discussed in the 2005 annual report. We are satisfied with the results so far and we will continue to move forward with this program. We will also pursue the introduction of our products in the United States through alternate avenues as our efforts in the first quarter of fiscal 2006 led to promising results.

Finally, we are evaluating potential acquisitions of dairy operations to pursue our growth.

Dividends

The Board of Directors revised its policy and raised Company dividends. The quarterly dividend will therefore rise to $0.18 per share from $0.15 per share, for a total of $0.72 per share annually, representing a 20% increase. This dividend will become effective for the dividend payment of September 2, 2005 to shareholders of record on August 19, 2005.

Management’s Analysis

The goal of this management report is to analyze the quarter ended June 30, 2005. It should be read in conjunction with the audited consolidated financial statements and accompanying notes for the fiscal year ended March 31, 2005, as well as the Company’s management report for the same period. This report takes into account every material element to be considered between June 30, 2005 and August 2, 2005, the date of this report, on which it was approved by the Board of Directors of Saputo Inc. (the “Company” or “Saputo”). This disclosure document contains management’s analysis on forward-looking statements. Caution should be used in the interpretation of management’s analysis and statements, since management often makes reference to objectives and strategies that contain a certain element of risk and uncertainty. Due to the nature of our business, the risks and uncertainties associated with it could cause the results to differ materially from those stated in such forward-looking statements.

Operating Results

Consolidated revenues for the quarter ended June 30, 2005 totalled $1.007 billion, a decrease of $12 million or 1.2% over the $1.019 billion for the same quarter last year. Revenues from our US Dairy Products Sector declined by approximately $55 million. The appreciation of the Canadian dollar and an average block market per pound of cheese of US$1.52 compared to US$2.01 for the same quarter last year, were the major factors negatively affecting the revenues of the US Dairy Products Sector. These factors offset additional revenues generated by an increase in sales volumes in our US Dairy Products Sector compared to the same period last year. Revenues from our Canadian and Other Dairy Products Sector increased by approximately $46 million in comparison to the corresponding period last fiscal year. This increase is attributed to higher selling prices in all divisions within the sector, sales volume increases in our Canadian fluid milk activities, and revenues generated by Fromage Côté, acquired on April 18, 2005. Revenues from our Grocery Products Sector decreased by approximately $3 million compared to the same period last year. The increase in the base selling price for our economy- and family-size products announced on February 7, 2005, affected our sales volumes compared to the same period last year.

Consolidated earnings before interest, income taxes, depreciation and amortization (EBITDA) for the first quarter of fiscal 2006 stood at $96.7 million, a decrease of $10.3 million or 9.6% from the $107.0 million posted in the corresponding period last year. The decrease is attributed mostly to our US Dairy Products Sector, which decreased by approximately $19 million compared to the same period last year. A lower average block market per pound of cheese, a less favourable relationship between the average block market per pound of cheese and the cost of milk as raw material, the appreciation of the Canadian dollar, along with increased promotional, fuel and ingredient costs compared to the same quarter last year were the major factors contributing to the decreased EBITDA in our US Dairy Products Sector. The EBITDA of our Canadian and Other Dairy Products Sector increased by approximately $10 million compared to the same period last year. Rationalization activities undertaken in fiscal 2005 in our Canadian fluid milk activities, increased sales volumes also in our Canadian fluid milk activities, EBITDA generated from Fromage Côté, acquired on April 18, 2005, and more favourable EBITDA generated by our Argentina operations were the main factors contributing to the EBITDA increase in our Canadian and Other Dairy Products Sector. The EBITDA of our Grocery Products Sector decreased by about $1.4 million due to additional pension charges, increased marketing expenses, and lower sales volumes.

The EBITDA margin decreased from 10.5% in the first quarter of fiscal 2005 to 9.6% in the first quarter of fiscal 2006. Lower EBITDA margins generated in our US Dairy Products Sector and our Grocery Products Sector negatively affected the consolidated EBITDA margin in comparison to the corresponding period last year.

Other Consolidated Results Items

Depreciation expense stood at $17.9 million for the first quarter of fiscal 2006, up by $0.9 million compared to the same period last year. The increase is attributed to Fromage Côté, acquired on April 18, 2005, and the additional depreciation related to additions made to fixed assets in the prior fiscal year, specifically in our Canadian and Other Dairy Products Sector.

Net interest expense decreased by $2.0 million over the quarter ended June 30, 2005 as compared to the same period last year. The reduction is essentially explained by the decrease in interest on long-term debt as a result of lower long-term debt levels in comparison to the same period last year.

Income taxes totalled $18.3 million, reflecting an effective rate of 25.2%, compared to 28.6% for the corresponding period last year. The reduced rate is the result of a greater portion of our taxable earnings being generated in Canada in comparison to the same period last year, which is subject to lower tax rates than the United States.

Net earnings reached $54.2 million, down $4.1 million as compared to the same period last year. This reflects the various factors analyzed above.

Cash and Financial Resources

Over the first quarter of fiscal 2006, cash generated by operating activities before changes in non-cash working capital items totalled $73.4 million, a decrease of $3.4 million from the corresponding period last year. The decrease is a direct result of lower net earnings generated in the first quarter compared to the same quarter last year. Non-cash working capital items used $12.9 million for the first quarter of fiscal 2006, compared to a usage of $57.9 million for the first quarter of fiscal 2005. This discrepancy is explained by an increase in the inventory of our US Dairy Products Sector, which occurred in the first quarter of fiscal 2005, to replenish several aged cheese categories and string cheese products.

Investment activities used $83.5 million to acquire the activities of Fromage Côté S.A. and Distributions Kingsey Inc., a cheese manufacturer operating in Canada, along with the activities of Schneider Cheese, Inc., a cheese manufacturer operating in the United States. The Company added $14.6 million in fixed assets during the quarter.

Financing activities comprised of an increase in bank loans for $1.5 million and the issuance of shares for a cash consideration of $8.3 million, as part of the Stock Option Plan.

As at June 30, 2005, working capital stood at $439.8 million, compared to $452.6 million as at March 31, 2005. The decrease is attributed essentially to the acquisition of the activities of Fromage Côté S.A. and Distributions Kingsey Inc. and Schneider Cheese, Inc., which were paid entirely by cash available and cashflows generated by the Company.

As at June 30, 2005, our interest bearing debt-to-equity ratio stood at 0.22, relatively unchanged from the 0.21 as at March 31, 2005.

The Company currently has at its disposal bank credit facilities of $234 million, $16.0 million of which are drawn. The Company also has $15.5 million of cash on hand. Should the need arise, the Company can make additional financing arrangements to pursue growth through acquisitions.

Balance Sheet

With regards to the balance sheet items as at June 30, 2005 that varied compared to those as at March 31, 2005, we should note that the variation in most items is principally due to the acquisition of the activities of Fromage Côté S.A. and Distributions Kingsey Inc. and of Schneider Cheese, Inc. From an operations perspective, inventories increased in both our US Dairy Products Sector and our Canadian operations, due to the temporary build-up of inventory. We maintain our objective indicated in our 2005 annual report to reduce inventories by $35 million throughout fiscal 2006. The Company's total assets stood at $2.236 billion as at June 30, 2005, compared to $2.133 billion as at March 31, 2005.

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, 2005	Issued as at July 22, 2005
Common shares	Unlimited	104,940,926	104,992,599
Preferred shares	Unlimited	None	None
Stock options		5,233,777	5,173,802

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 2005 annual report on pages 31 to 37 of the management's analysis, since there were no notable changes during the first quarter of fiscal 2006.

Information by Sector

Canadian and Other Dairy Products Sector

This sector consists of our Dairy Products Division (Canada) as well as our Dairy Products Division (Argentina).

For the quarter ended June 30, 2005, revenues for the Canadian and Other Dairy Products Sector totalled $652.8 million, an increase of 7.5%, or $45.7 million, compared to $607.1 million for the same period last year. Approximately $23 million of the increase comes from the recent acquisition of Fromage Côté, completed on April 18, 2005, and contributed to revenues for 11 weeks in the quarter. Fromage Côté revenues are in line with the annual revenues generated at the time of the acquisition. About $19 million in additional revenues were generated in our Dairy Products Division (Canada) by the increase in our selling price, in accordance with the increase in the cost of milk as raw material.

In Canada, our cheese activities volumes were lower compared to last year, essentially due to non-recurring sales that occurred in the first quarter of fiscal 2005. In our fluid milk activities, revenues were higher this quarter compared to the same period last year, due to higher sales volumes in the fluid milk, cream and yogourt categories. In addition, we showed a slight increase over last year in the drinks category sold under the *Sunny Delight*[3] license. In Argentina, revenues this quarter increased slightly compared to the same period last year, due to a combination of an increase in the selling price, in accordance with the increase in the cost of milk as raw material, and slightly lower volumes.

With the exclusion of revenues from the acquisition of Fromage Côté, revenues in the first quarter of fiscal 2006 were higher by approximately $53 million, or 9.2%, compared to the fourth quarter of fiscal 2005. Sales volumes in the Canadian fluid milk activities continued to increase. The Canadian cheese activities saw their sales volumes increase through the return of certain volumes. In the fourth quarter of fiscal 2005, our cheese sales volumes were negatively affected as a result of the increase in the price of cheese products due to the increase in the cost of milk as raw material, which occurred in February 2005. In the first quarter of fiscal 2006, these volumes were recuperated.

[3] Trademark used under license.

For the quarter ended June 30, 2005, EBITDA rose to $65.8 million, up 18.6% or $10.3 million over the same period last year. The EBITDA margin increased to 10.1% this year compared to 9.1% last year.

Our Canadian and Other Dairy Products Sector performed well compared to the same period last year. Our manufacturing efficiencies remain a priority and we continue to be a low-cost processor. The recent acquisition of Fromage Côté has contributed to the overall EBITDA, but not at the same EBITDA margin as in our other Canadian dairy activities. The rationalization activities completed in the prior year have started to show increased savings in the quarter of approximately $2 million compared to the same period last year. In addition, approximately $1 million in expenses was incurred last year as a result of processing excess milk in Western Canada in acting as last-resort processor, in which this expense was not incurred this year. Furthermore during this first quarter of fiscal 2006, rationalization costs of approximately $1 million were expensed. Revenues pertaining to our Argentina activities continue to show improved EBITDA margins, benefiting from the integration process and capital investments made in the prior fiscal year.

US Dairy Products Sector

Revenues for the US Dairy Products Sector totalled $315.2 million for the quarter ended June 30, 2005, representing a $55.3 million or 14.9% decrease from the $370.5 million posted for the same period one year earlier. One of the main reasons for this decrease in revenues is that the average block market per pound of cheese in the first quarter was US$0.49 lower compared to the same period last year, trimming revenues by approximately $71 million. The appreciation of the Canadian dollar eroded approximately $30 million in revenues. On the other hand, our sales volumes for the quarter increased by 11.5% mainly in the foodservice and industrial segment. In the retail segment, volumes for the quarter were slightly higher compared to the same period last year. Heavy promotional efforts were made in this quarter in supporting our retail brands as well as continued introductions of new products, such as *Juniors and Nacho Frigo Cheese Heads* and extending our *Frigo Cheese Heads* product line. The recent acquisition of Schneider Cheese, Inc. acquired on May 27, 2005, accounted for approximately 1% of the 11.5% volume increase in the quarter.

For the quarter ended June 30, 2005, EBITDA totalled $25.3 million, resulting in a $19.2 million or 43.1% decrease compared to $44.5 million for the same period last year. During the first quarter of fiscal 2006, the average block market per pound of cheese was US$0.49 lower compared to the same period last year, creating a negative effect on the absorption of fixed costs. The average block market per pound of cheese declined in 7 of the 13 weeks of the quarter, creating a less favourable relationship between the average block market per pound of cheese and the cost of milk as raw material compared to the same period last year. With regards to the inventories, overall variations in the average block market per pound of cheese had an impact on their realization. These factors combined had a negative impact of approximately $11.5 million on EBITDA. The appreciation of the Canadian dollar eroded approximately $2.3 million in EBITDA. The increased contribution from the additional volumes in the quarter was minimal since the sales were mainly related to commodity priced items. In the quarter, heavy promotional efforts were made relating to brand support and the launching of new products in the *Frigo Cheese Heads* product line. These promotions resulted in an additional cost of approximately $4 million compared to the first quarter of fiscal 2005. The continued increase in fuel costs related to transportation resulted in approximately $2 million of additional expenses. The remainder of the unfavourable effects on EBITDA is related to the increased ingredients cost used in the manufacturing processes.

Grocery Products Sector

Revenues for the Grocery Products Sector totalled $38.7 million for the first quarter of fiscal 2006, a $2.6 million decrease as compared to the corresponding quarter of last year. The price increase implemented last February as well as a change in our pricing strategy regarding the reduction and the frequency of rebates had an impact on sales volume, which showed a decrease as compared to the same period last year.

During the quarter, the division was able to maintain its market share despite an increasingly competitive market in Canada. We introduced *Jos. Louis*, *Ah! Caramel*, *Half Moon*, *Brownies, Hop&Go!* and our tarts products in either a trans-fat-reduced or trans-fat-free formulas. As mentioned in the 2005 annual report, our strategy to approach the US market is to look for co-packing arrangements. We have started to manufacture products for the US market, and expect that these initiatives will generate approximately $3 million in revenues over the course of the current fiscal year.

EBITDA for the Grocery Products Sector stood at $5.6 million, a decrease of $1.4 million compared to the same quarter last year. The EBITDA margin went from 17% to 14.5% for the same period. The division incurred additional costs of $0.5 million related to the pension fund in the first quarter of fiscal 2006 as compared to the first quarter of last fiscal year. For fiscal 2006, we anticipate to expense approximately $2 million over fiscal 2005, related to the pension plan. The division has also engaged in additional marketing expenses such as a TV campaign, advertisement in magazines as well as sampling of products for approximately $1.2 million during the first quarter of fiscal 2006, in order to develop its *Hop&Go!* brand in Ontario and the Atlantic provinces. Excluding these marketing expenses, the EBITDA margin would have been at 17.6%.

(signed)
Lino Saputo
Chairman of the Board

(signed)
Lino Saputo, Jr.
President and
Chief Executive Officer

August 2, 2005

NOTICE

The consolidated financial statements of Saputo Inc. for the three-month periods ended June 30, 2005 and 2004 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	
	2005	2004
Revenues	**$ 1,006,708**	$ 1,018,900
Cost of sales, selling and administrative expenses	**910,034**	911,882
Earnings before interest, depreciation and income taxes	**96,674**	107,018
Depreciation of fixed assets	**17,904**	17,043
Operating income	**78,770**	89,975
Interest on long-term debt	**6,344**	7,870
Other interest	**(1)**	467
Earnings before income taxes	**72,427**	81,638
Income taxes	**18,273**	23,348
Net earnings	**$ 54,154**	$ 58,290
Per share (Note 6)		
Net earnings		
Basic	**$ 0.52**	$ 0.56
Diluted	**$ 0.51**	$ 0.55

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
(in thousands of dollars)
(unaudited)

	2005	2004
Retained earnings, beginning of period	**$ 884,054**	$ 711,371
Net earnings	**54,154**	58,290
Dividends	**(15,727)**	(12,502)
Retained earnings, end of period	**$ 922,481**	$ 757,159

SEGMENTED INFORMATION
(in thousands of dollars)
(unaudited)

	For the three-month periods ended June 30	
	2005	2004
Revenues		
Dairy Products		
Canada and Other	**$ 652,801**	$ 607,060
United States	**315,176**	370,514
	967,977	977,574
Grocery Products	**38,731**	41,326
	$ 1,006,708	$ 1,018,900
Earnings before interest, depreciation and income taxes		
Dairy Products		
Canada and Other	**$ 65,768**	$ 55,513
United States	**25,347**	44,482
	91,115	99,995
Grocery Products	**5,559**	7,023
	$ 96,674	$ 107,018
Depreciation of fixed assets		
Dairy Products		
Canada and Other	**$ 8,686**	$ 7,478
United States	**7,780**	8,274
	16,466	15,752
Grocery Products	**1,438**	1,291
	$ 17,904	$ 17,043
Operating income		
Dairy Products		
Canada and Other	**$ 57,082**	$ 48,035
United States	**17,567**	36,208
	74,649	84,243
Grocery Products	**4,121**	5,732
	$ 78,770	$ 89,975
Interest	**6,343**	8,337
Earnings before income taxes	**72,427**	81,638
Income taxes	**18,273**	23,348
Net earnings	**$ 54,154**	$ 58,290

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

	For the three-month periods ended June 30	
	2005	2004
Cash flows related to the following activities:		
Operating		
Net earnings	**$ 54,154**	$ 58,290
Items not affecting cash		
Stock based compensation	**1,982**	1,170
Depreciation of fixed assets	**17,904**	17,043
Loss (gain) on disposal of fixed assets	**5**	(14)
Funding of employee plans in excess of costs	**(1,433)**	(1,539)
Future income taxes	**778**	1,885
	73,390	76,835
Changes in non-cash operating working capital items	**(12,866)**	(57,913)
	60,524	18,922
Investing		
Business acquisitions (Note 9)	**(83,527)**	-
Additions to fixed assets	**(14,621)**	(15,592)
Proceeds on disposals of fixed assets	**89**	595
Other assets	**328**	660
	(97,731)	(14,337)
Financing		
Bank loans	**1,506**	5,978
Repayment of long-term debt	**-**	(27,512)
Issuance of share capital for a cash consideration	**8,327**	7,258
	9,833	(14,276)
(Decrease) in cash	**(27,374)**	(9,691)
Effect of exchange rate changes on cash	**1,362**	847
Cash, beginning of period	**41,477**	7,874
Cash (bank overdraft), end of period	**$ 15,465**	$ (970)
Supplemental information		
Interest paid	**$ 12,695**	$ 14,415
Income taxes paid	**$ 6,223**	$ 9,342

CONSOLIDATED BALANCE SHEETS
(in thousands of dollars)

	June 30, 2005 *(unaudited)*	March 31, 2005 *(audited)*
ASSETS		
Current assets		
Cash	**$ 15,465**	$ 41,477
Receivables	**312,825**	299,828
Inventories	**501,428**	452,814
Income taxes	**14,384**	14,381
Future income taxes	**9,343**	10,711
Prepaid expenses and other assets	**16,725**	16,795
	870,170	836,006
Portfolio investment	**53,991**	53,991
Fixed assets (Note 3)	**666,701**	648,584
Goodwill	**562,124**	507,200
Trademarks	**24,372**	24,054
Other assets (Note 4)	**54,901**	53,437
Future income taxes	**3,982**	9,800
	$ 2,236,241	**$ 2,133,072**
LIABILITIES		
Current liabilities		
Bank loans	**$ 16,006**	$ 15,083
Accounts payable and accrued liabilities	**312,469**	291,197
Dividends payable	**15,727**	-
Income taxes	**78,897**	67,438
Future income taxes	**7,246**	9,653
	430,345	383,371
Long-term debt	**306,508**	302,521
Other liabilities	**19,289**	19,139
Future income taxes	**108,828**	112,191
	864,970	817,222
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	**493,400**	483,896
Contributed surplus (Note 8)	**8,900**	8,095
Retained earnings	**922,481**	884,054
Foreign currency translation adjustment	**(53,510)**	(60,195)
	1,371,271	1,315,850
	$ 2,236,241	$ 2,133,072

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(tabular amounts are in thousands of dollars except information on options)
(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. 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 with the audited consolidated financial statements and the notes included in the Company's annual report for the year ended March 31, 2005.

2 - Foreign Currency Translation
The balance sheet accounts of the self-sustaining companies operating in the United States and Argentina 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 foreign currency translation adjustment account presented in shareholders' equity represents accumulated foreign currency gains or losses on the Company's net investments in self-sustaining companies operating in the United States and Argentina. The change in the foreign currency translation account for the period principally resulted from the decrease 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	
	2005	2004
Foreign exchange gain	**$ 420**	$ 163

3 - Fixed Assets

	June 30, 2005			March 31, 2005		
	Cost	**Accumulated depreciation**	**Net book value**	Cost	Accumulated depreciation	Net book value
Land	**$ 29,001**	**$ -**	**$ 29,001**	$ 27,872	$ -	$ 27,872
Buildings	**254,028**	**55,210**	**198,818**	246,887	53,657	193,230
Furniture, machinery and equipment	**732,319**	**305,115**	**427,204**	707,965	290,014	417,951
Rolling stock	**12,744**	**5,731**	**7,013**	11,817	5,378	6,439
Held for sale	**4,665**	**-**	**4,665**	3,092	-	3,092
	$ 1,032,757	**$ 366,056**	**$ 666,701**	$ 997,633	$ 349,049	$ 648,584

Fixed assets held for sale represent mainly machinery, equipment and buildings of the Canadian dairy products sector 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 $59,828,000 as at June 30, 2005 ($47,921,000 as at March 31, 2005).

4 - Other assets

		June 30, 2005		March 31, 2005
Net accrued pension plan asset	**$**	**47,297**	$	45,505
Other		**7,604**		7,932
	$	**54,901**	$	53,437

5 – 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:

		2005		2004
Pension plans	**$**	**3,524**	$	2,668
Other benefit plans		**612**		418
	$	**4,136**	$	3,086

6 - Earnings per Share
Basic earnings per share have been calculated using the weighted average number of common shares outstanding during each period: 104,645,179 shares for the three-month period ended June 30, 2005 (103,969,656 for the three-month period ended June 30, 2004).

Diluted earnings per share for the three-month period ended June 30, 2005 have been calculated using 106,138,698 (105,436,306 for the three-month period ended June 30, 2004) common shares by applying the treasury stock method.

7- 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, 2005		March 31, 2005
Issued				
104,940,926 common shares (104,527,282 at March 31,2005)	**$**	**493,400**	$	483,896

413,644 common shares (423,032 in 2004) for an amount of $8,327,539 ($7,258,610 in 2004) were issued during the three-month period ended June 30, 2005 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 period ended June 30, 2005, the amount transferred from contributed surplus was $1,177,000.

7- 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, 2005		March 31, 2005	
Granting period	Exercise price	**Number of options**	**Weighted average exercise price**	Number of options	Weighted average exercise price
1998	$ 8.50	**72,320**	**$ 8.50**	77,420	$ 8.50
1999	from $16.13 to $18.75	**121,896**	**$18.36**	160,602	$ 18.34
2000	$19.70	**214,841**	**$19.70**	272,403	$ 19.70
2001	$13.50	**473,479**	**$13.50**	582,608	$ 13.50
2002	from $19.00 to $23.00	**748,561**	**$19.10**	814,073	$ 19.09
2003	$30.35	**751,429**	**$30.35**	815,518	$ 30.35
2004	$22.50	**1,081,946**	**$22.50**	1,174,625	$ 22.50
2005	$33.05	**856,494**	**$33.05**	900,666	$ 33.05
Current	$36.15	**912,811**	**$36.15**	-	-
		5,233,777	**$26.03**	4,797,915	$ 23.62
Options exercisable at the end of the period		**2,359,794**	**$21.13**	1,778,646	$19.71

Changes in the number of options are as follows:

	June 30, 2005	
	Number of options	**Weighted average exercise price**
Balance at beginning of period	**4,797,915**	**$ 23.62**
Options granted	**914,952**	**$ 36.15**
Options exercised	**(413,644)**	**$ 20.13**
Options cancelled	**(65,446)**	**$ 28.16**
Balance at end of period	**5,233,777**	**$ 26.03**

The fair value of share purchase options granted was estimated at $10.79 per option ($9.86 as at March 31, 2005), using the Black-Scholes option pricing model with the following assumptions:

	June 30, 2005	March 31, 2005
Risk-free interest rate:	**4.0%**	3.5%
Expected life of options:	**6 years**	6½ years
Volatility:	**28%**	28%
Dividend rate:	**2.0%**	1.8%

The exercise price of these options is $36.15 ($33.05 for the corresponding period), which corresponds to the closing quoted value of the shares on the day preceding the grant date.

7- Share Capital (cont'd)
A compensation expense of $1,982,000 ($1,792,000 after income taxes) relating to stock options was recorded in the statement of earnings for the three-month period ended June 30, 2005 and $1,170,000 ($1,034,000 after income taxes) was recorded for the three-month period ended June 30, 2004.

The effect of this expense on basic and diluted earnings per share was $0.02 for the three-month period ended June 30, 2005, and $0.01 for the three-month period ended June 30, 2004.

8 – Contributed Surplus

	June 30, 2005	Year ended March 31, 2005
Contributed surplus, beginning of period	**$ 8,095**	$ 4,411
Stock based compensation	**1,982**	4,774
Amount transferred to share capital	**(1,177)**	(1,090)
Contributed surplus, end of period	**$ 8,900**	$ 8,095

9 – Business Acquisitions
On April 18, 2005, the Company acquired the activities of Fromage Côté S.A. and Distributions Kingsey Inc. (a cheese manufacturer operating in Canada) for a cash consideration of $52,900,000, subject to adjustments. The preliminary purchase price allocation is as follows; working capital: $10,900,000, fixed assets: $11,375,000 and intangible assets: $30,625,000. The final allocation of the purchase price will be completed during the current fiscal year.

On May 27, 2005, the Company acquired the activities of Schneider Cheese, Inc. (a cheese manufacturer operating in the United States) for a cash consideration of US$24,400,000, subject to adjustments. The preliminary purchase price allocation is as follows; working capital: US$2,400,000, fixed assets: US$4,350,000 and intangible assets: US$17,650,000. The final allocation of the purchase price will be completed during the current fiscal year.

10 – Comparative Figures
Certain of the prior period's comparative figures have been reclassified to conform to the current period's presentation.