Message to Shareholders

We are pleased to present the results for the third quarter of fiscal 2004, which ended December 31, 2003.

Net earnings totalled $50.0 million, up 17.6% from the same period last year. These results take into account a rationalization expense in our Canadian Dairy Products Sector and the appreciation of the Canadian dollar over last year. These two factors created a shortfall in net earnings of approximately $2.9 million.

Our Cheese Division (USA) performed well in the third quarter, both in terms of sales volumes and EBITDA[1] over last year. Higher average selling prices per pound of cheese combined with the favourable relationship between the average selling price per pound of cheese and the cost of the raw material, milk, contributed to our US division's performance, in spite of the unfavourable effect of the appreciation of the Canadian dollar.

Our Dairy Products Division (Canada) continues to show improvement, both in terms of revenues and EBITDA, as a result of improved processes.

Our Bakery Division was relatively stable for this third quarter, both in revenues and EBITDA.

Consolidated revenues totalled $892.0 million, up 4.3% over last year.

On November 28, 2003, we completed the acquisition of 100% of Molfino Hermanos S.A. (Molfino), the third largest dairy processor in Argentina. This acquisition was recorded at the time of the acquisition date and has had a minimal effect on the third quarter results due to the short period between the acquisition date and the end of the third quarter.

Outlook

At the outset of the fiscal year, each of the Company's divisions sets a specific number of growth objectives. These objectives were itemized in the Company's 2003 annual report and are reviewed throughout the fiscal year.

As announced last November, we proceeded with the merger of our Cheese Division (Canada) and our Milk Division into a single unit, namely the Dairy Products Division (Canada) at the beginning of January 2004. The new division will enable us to adopt a complete, unified approach to our manufacturing and sales operations, marketing activities, logistics and administrative processes, and thus further improve our Canadian Dairy Products Sector as a whole. During the coming months, we will pay particularly close attention to the integration of this new division.

[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.

To capitalize on our diversified flavoured-milk line of products, which has become increasingly popular, we will review opportunities with vending machine programs to sell milk in schools and other public areas that we had not been servicing up to now.

We announced in mid-September 2003 the closure of two plants in our Canadian operations that should be completed by March 31, 2004. The Company also expects to close before the end of February the transaction for the sale of its manufacturing operations on Annacis Island, British Columbia, to Soyaworld, a soy-based beverage company from British Columbia. These measures are part of the Company's continual analysis of its activities and the implementation of measures aimed at improving its operational efficiency. With regards to the above-mentioned mid-September announcements, we anticipate, in the fourth quarter, to charge after-tax rationalization costs of approximately $5.1 million, which includes approximately $1.5 million of non-cash effect related to the devaluation of fixed assets. During the current quarter, $0.5 million of rationalization costs have been accounted for. With these announcements, we expect to realize annual after-tax savings of roughly $6.5 million.

Branded products in Canada and in the United States offer many possibilities and synergies. We intend to approach our North American dairy activities in an increasingly transnational way. For example, our string cheese brand *Cheese Heads,* the biggest seller of its category in the United States, has recently been made available in Canada, which enables us to realize interesting synergies both in terms of the sharing of knowledge and manufacturing processes and of merchandizing and promotion. Our intention is to review our product offering in North America to identify other areas where we could benefit from this approach.

On November 28, 2003, we completed the acquisition of 100% of Molfino. We have already started to review all aspects of the operations. Four employees from our Canadian and US operations have been transferred to Argentina in key functions for a period of two years. Their presence in Argentina will ease the transmission of the Saputo values, working methodologies and processes. Argentina constitutes a completely new market for us. For this reason, this transaction differs from prior acquisitions where we were already present in the markets and for which the objective was to integrate the newly acquired operations within our own operations. Our objective in Argentina is to improve our operations in order to build stronger bases in that country as we believe we can benefit from opportunities in the long term in both the national and international markets.

The evaluation process we began last August to ensure that our Bakery Division had the necessary tools and focus to adequately develop and achieve new goals has been completed. These last few months have enabled us to scrutinize the entire structure of the division and to analyze various alternatives with respect to its future within or outside our group. We have come to the conclusion that the best way to maximize opportunities for our employees and our shareholders was to retain this division and to invest in its development and the redeployment of its brands. We emerge from this process with a more global vision of the business and with the intention of concentrating on a greater penetration of the Ontario, Maritime and Western-Canadian markets – while not forgetting the United States, where we will continue to favour more gradual penetration. To reach our objectives, we have established investment plans focused on market development and introduction of new products that will require the contribution and support of all sectors within the division from manufacturing to sales and distribution. In order to achieve such greater penetration, we intend to spend approximately $20 million in controlled and targeted investments over the course of the next three years. These investments should be covered by the additional profitability to be generated within such period. Following this three-year period, we expect that our Bakery Division will have achieved a greater penetration in all such markets.

We are actively seeking to acquire cheese operations in the United States, as well as operations in the cheese segment and in fluid-milk and milk-based beverage segments in Canada.

Dividends

The Company's Board of Directors declared a dividend of $0.12 per share, payable on March 5, 2004 to shareholders of record on February 20, 2004. This dividend is in respect of the quarter ended December 31, 2003.

Management's Analysis

The goal of this management report is to analyze the quarter ended December 31, 2003. It should be read alongside the Company's annual report for the fiscal year ended March 31, 2003.

This disclosure document contains management's analysis of forward-looking statements. Caution should be exercised 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. We disclaim any intention or obligation to update or revise forward-looking statements based on any new information or event that may occur.

Operating results

The Company's **consolidated revenues** for the quarter ended December 31, 2003 stood at $892.0 million, an increase of $36.7 million over the same period last year. Roughly 78% of the increase stems from our Canadian Dairy Products Sector. Increased prices and volumes, along with the introduction of new products, were the driving factors behind the increase. Also, the Canadian Dairy Products Sector revenues' increase includes our newly acquired division, Molfino, with revenues of $9.9 million from the date of the acquisition to the end of the quarter. Approximately 22% of the consolidated revenue increase is attributed to our Cheese Division (USA). The division's increased sales volume and the positive effect of better average selling prices per pound of cheese on the US market offset the negative effect of the appreciation of the Canadian dollar to produce this revenue increase. Since the beginning of the fiscal year, consolidated revenues totalled $2.624 billion, up $33.3 million over last year. Compared to last year, the appreciation of the Canadian dollar has eroded revenues by approximately $58 million for the quarter and approximately $136 million since the beginning of the fiscal year, overshadowing the effect of improved average selling prices per pound of cheese on the US market as well as increased revenues from our Canadian Dairy Products Sector.

Earnings before interest, income taxes, depreciation and amortization (EBITDA) for the third quarter stood at $95.1 million, up 8.0% over the $88.0 million reported last year. This increase resulted primarily from the performance of our Cheese Division (USA), due to an increase in sales volumes and the average selling price per pound of cheese, which is US$0.33 higher this year. The relation between the cost of the raw material, milk, and the average selling price per pound of cheese was also to our advantage. However, the appreciation of the Canadian dollar created a shortfall of approximately $6.3 million in EBITDA for the quarter as compared with last year. For the nine-month period ended December 31, 2003, the EBITDA totalled $296.6 million, an increase of $32.4 million over the same period the previous year. Approximately 77% of this increase is attributed to our Cheese Division (USA). The remainder of the increase was produced by our Canadian Dairy Products Sector.

Other consolidated results items

Depreciation expense stood at $16.3 million for the third quarter of 2004, down $1.5 million from $17.8 million for the same period last year. The reduced depreciation expense is explained primarily by the strength of the Canadian dollar in the third quarter compared to the same period last year. Since the beginning of the fiscal year, the depreciation expense has fallen by $3.9 million compared to the previous year, again as a result of the appreciation of the Canadian dollar.

Interest expense decreased by $1.7 million during the third quarter of fiscal 2004 compared to the same period a year earlier. This reduction is primarily attributable to the reduction of long-term debt following the repayments made over the last 12 months.

Income taxes totalled $20.3 million, for an effective tax rate of 28.8%, compared to the effective rate of 29.2% for the same period last year. The rate has remained relatively stable given similar distribution of income between the different jurisdictions as compared to last year.

In the third quarter, **net earnings** reached $50.0 million, or $0.48 (basic) per share, an increase of 17.6% over the $42.5 million, or $0.41 (basic) per share last year. For the nine-month period ended December 31, 2003, our net earnings totalled $154.3 million, an increase of 22.5% over the $126.0 million reported last year. These increases reflect the various factors explained above.

Cash and financial resources

Over the third quarter of fiscal 2004, **cash generated before changes in non-cash operating working capital items** amounted to $71.9 million, up $14.6 million over the $57.3 million reported for the same period last year. Since the beginning of the fiscal year, there has been a 12.8% increase over the same period last year. Non-cash operating working capital items used, over the third quarter, $8.6 million primarily related to the semi-annual payment of interest on US senior notes.

As for **investment activities**, we added $22.9 million of new fixed assets, for which approximately 63.9% was earmarked for innovations and for the expansion of existing sites. The balance relates to the replacement of fixed assets. We maintain our annual forecast for fixed asset additions of $80 million revised in our interim report for the second quarter of fiscal 2004. On November 28, 2003, we acquired Molfino for an amount of $59.8 million paid by cash flows generated by the operations of the third quarter.

Over the quarter ended December 31, 2003, cash increased by $18.7 million from **financing activities**. We increased bank loans by $57.9 million mainly related to long-term debt payments of $27.6 million and dividends paid of $12.4 million. Since the beginning of the fiscal year, our interest-bearing debt went from $540.0 million as at March 31, 2003 to $496.3 million as at December 31, 2003, a decrease of $43.7 million. During the same period, we completed $99.8 million in business acquisitions. The interest-bearing debt-to-equity ratio went from 0.53 as at March 31, 2003, to 0.45 as at December 31, 2003. With approximately $126 million of unused bank credit facilities at its disposal, the Company can continue its growth objectives through acquisitions and, should the need arise, make additional financing arrangements.

Sensibility of US currency variation
For the nine-month period ended December 31, 2003, the average US dollar conversion was based on CND$0.73 for US$1.00. For the same period last year, conversion was based on CND$0.64 for US$1.00. For the nine-month period ended December 31, 2003, each CND$0.01 fluctuation resulted in a variation of approximately $15.1 million in revenues, $1.9 million in EBITDA and $0.7 million in net earnings.

Accounting policies
In conformity with the recommendation of the Canadian Institute of Chartered Accountants (CICA) to use the fair value-based method of accounting, the Company entered stock based payments on a prospective basis in its results beginning April 1, 2002. The effect of this expense on net earnings for the third quarter is $0.7 million or $0.006 per share, compared to $0.7 million or $0.007 per share for the same period last year. For the nine-month period ended December 31, 2003, the effect of this expense on net earnings is $2.0 million or $0.019 per share, compared to $2.2 million or $0.021 per share for the same period last year.

Use of estimates
In preparing financial statements in conformity with generally accepted accounting principles, management must make estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for a given period. Actual results could differ from these estimates.

The Company regularly revises its estimates and assumptions based on available information. Overall, the Company is of the opinion that the estimates used would have no material impact on the financial situation of the Company, except for changes to the assumptions and estimates of a long-term sensitive and prospective nature, such as income tax rates, accounting of pension plans and other employee future benefits, and accounting of stock based compensation, which are based on several prospective assumptions.

Financial instruments, risks and uncertainties
In the third quarter of fiscal 2004, there were no notable changes with respect to financial instruments, risks, and uncertainties. As such, please refer to Management's Analysis contained in pages 26 and 27 of the 2003 annual report.

Information by sector

Canadian Dairy Products Sector
During the quarter ended December 31, 2003, revenues for the Canadian Dairy Products Sector were $546.6 million, up 5.6% over the same period last year.

Our Cheese Division (Canada) posted revenues of $303.9 million, a 3.4% increase over the same quarter last year. Part of this increase is due to the annual increase in cheese prices caused by the increase in the cost of the raw material, milk. Also, despite the decrease in export sales volumes, the retail segment showed growth as a result of promotional initiatives and the introduction of new products such as *Saputo Cheese Heads*, certain semi-soft cheeses and other private label products. Since the beginning of the fiscal year, the Cheese Division (Canada) posted revenues of $885.0 million, up 2.0% over the same period last year.

In the third quarter, the Milk Division's revenues rose to $232.8 million, up 4.1% over the same period last year. Practically all product categories contributed to the increased revenues. Part of this increase is directly related to the increase in average selling prices stemming from the increased cost of the raw material, milk. Over the quarter, consumers continued to benefit from new products introductions in categories such as flavoured milk. Since the beginning of the fiscal year, the Milk Division's revenues reached $689.8 million, a 4.2% increase over the same period last year.

For this quarter, EBITDA for the Canadian Dairy Products Sector reached $53.5 million, an increase of 5.3% over the corresponding period of the previous year. This amount takes into account rationalization costs of $1.4 million. In the absence of this cost, the EBITDA margin would have been 10.0%, almost identical to the prior year.

Since the outset of the fiscal year, EBITDA stands at $155.7 million, a 5.4% increase compared to the same period last year.

Our consolidated results include only one month of operations from our newly acquired division, Molfino, for which revenues totalled $9.9 million for the quarter ended December 31, 2003 and insignificant EBITDA.

US Dairy Products Sector

Revenues for the Cheese Division (USA) totalled $304.0 million for the quarter ended December 31, 2003, up 2.7% over the $296.0 million for the same period last year. The largest part of the increased revenues stems from the 3.7% increase in sales volumes with respect to last year, generating approximately $18 million in additional revenues. The latest acquisition, made in May 2003, has contributed to the increase, but the vast majority of the increase comes from organic growth, particularly in the retail and foodservice segments, due to promotional initiatives, such as the relaunching of our ricotta product line, and better market penetration. The average selling price per pound of cheese, up US$0.33 over last year, generated approximately $48 million in additional revenues. The appreciation of the Canadian dollar created a shortfall of approximately $58 million. Since the beginning of fiscal 2004, revenues for the Cheese Division (USA) stand at $915.0 million, down $19.9 million compared to the same period last year. Although our sales volumes are up 2.8% and the average selling price per pound of cheese, higher this year, increased our revenues by almost $92 million, the rising Canadian dollar eliminated approximately $136 million in revenues since the beginning of the fiscal year.

For the quarter ended December 31, 2003, EBITDA closed at $34.1 million, an increase of $4.4 million as compared to $29.7 million last year. This represents an increase of 14.8%. Had it not been for the strong Canadian dollar, EBITDA would have been $6.3 million higher. The average selling price per pound of cheese was up US$0.33 this quarter as compared to the same period last year, having a favourable impact on the absorption of our fixed costs. During this quarter, we saw a more favourable relationship between the average selling price per pound of cheese and the cost of the raw material, milk. However, the drop in the average selling price per pound of cheese during the period of September 30, 2003 to December 31, 2003 had a negative effect by the realization of the inventories from September 30, 2003. All of these factors combined created a positive effect that represents approximately $4.7 million in EBITDA. Also, an additional $6.0 million in EBITDA was generated during the quarter as a result of the increase in sales volumes, the improvement in processes and the contribution of our latest acquisitions, made during the first quarter.

Since the beginning of the fiscal year, EBITDA for the Cheese Division (USA) increased by $24.8 million and the appreciation of the Canadian dollar created a shortfall of approximately $16.6 million in EBITDA.

Grocery Products Sector
In the third quarter of 2004, revenues for the Bakery Division stood at $41.5 million, similar to the prior year. Since the beginning of the fiscal year, revenues declined by $1.6 million from the $126.3 million for the same period one year earlier.

EBITDA for the Bakery Division attained $7.4 million for the third quarter, compared to $7.5 million for last year. For the nine-month period ended December 31, 2003, EBITDA was $24.2 million, $0.4 million lower than the corresponding period last year.

(signed)
Lino Saputo
Chairman of the Board
and Chief Executive Officer

February 5, 2004

CONSOLIDATED STATEMENTS OF EARNINGS
(in thousands of dollars, except per share amounts)
(unaudited)

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2003	2002	**2003**	2002
Revenues	**$ 892,010**	$ 855,342	**$ 2,624,333**	$ 2,591,047
Cost of sales, selling and administrative expenses	**796,949**	767,296	**2,327,725**	2,326,880
Earnings before interest, depreciation and income taxes	**95,061**	88,046	**296,608**	264,167
Depreciation of fixed assets	**16,252**	17,796	**49,230**	53,150
Operating income	**78,809**	70,250	**247,378**	211,017
Interest on long-term debt	**8,223**	10,776	**26,792**	33,396
Other interest	**272**	(585)	**703**	(1,461)
Earnings before income taxes	**70,314**	60,059	**219,883**	179,082
Income taxes	**20,276**	17,523	**65,584**	53,114
Net earnings	**$ 50,038**	$ 42,536	**$ 154,299**	$ 125,968
Per share (Note 4)				
Net earnings				
Basic	**$ 0.48**	$ 0.41	**$ 1.49**	$ 1.22
Diluted	**$ 0.47**	$ 0.41	**$ 1.47**	$ 1.21

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

For the nine-month periods ended December 31	**2003**	2002
Retained earnings, beginning of period	**$ 546,667**	$ 409,648
Net earnings	**154,299**	125,968
Dividends	**(35,215)**	(26,365)
Retained earnings, end of period	**$ 665,751**	$ 509,251

SEGMENTED INFORMATION
(in thousands of dollars)
(unaudited)

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2003	2002	**2003**	2002
Revenues				
Dairy Products				
Canada	**$ 546,580**	$ 517,526	**$ 1,584,708**	$ 1,529,908
United States	**303,966**	295,978	**915,003**	934,869
	850,546	813,504	**2,499,711**	2,464,777
Grocery Products	**41,464**	41,838	**124,622**	126,270
	$ 892,010	$ 855,342	**$ 2,624,333**	$ 2,591,047
Earnings before interest, depreciation and income taxes				
Dairy Products				
Canada	**$ 53,508**	$ 50,766	**$ 155,718**	$ 147,679
United States	**34,120**	29,768	**116,677**	91,847
	87,628	80,534	**272,395**	239,526
Grocery Products	**7,433**	7,512	**24,213**	24,641
	$ 95,061	$ 88,046	**$ 296,608**	$ 264,167
Depreciation of fixed assets				
Dairy Products				
Canada	**$ 7,156**	$ 7,396	**$ 21,060**	$ 22,027
United States	**7,667**	9,025	**23,882**	27,012
	14,823	16,421	**44,942**	49,039
Grocery Products	**1,429**	1,375	**4,288**	4,111
	$ 16,252	$ 17,796	**$ 49,230**	$ 53,150
Operating income				
Dairy Products				
Canada	**$ 46,352**	$ 43,370	**$ 134,658**	$ 125,652
United States	**26,453**	20,743	**92,795**	64,835
	72,805	64,113	**227,453**	190,487
Grocery Products	**6,004**	6,137	**19,925**	20,530
	$ 78,809	$ 70,250	**$ 247,378**	$ 211,017
Interest	**8,495**	10,191	**27,495**	31,935
Earnings before income taxes	**70,314**	60,059	**219,883**	179,082
Income taxes	**20,276**	17,523	**65,584**	53,114
Net earnings	**$ 50,038**	$ 42,536	**$ 154,299**	$ 125,968

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

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2003	2002	**2003**	2002
Cash flows related to the following activities:				
Operating				
Net earnings	**$ 50,038**	$ 42,536	**$ 154,299**	$ 125,968
Items not affecting cash				
Stock based compensation	**746**	860	**2,240**	2,580
Depreciation of fixed assets	**16,252**	17,796	**49,230**	53,150
Gain on disposal of fixed assets	**-**	(143)	**(151)**	(106)
Future income taxes	**4,894**	(3,699)	**7,377**	7,273
	71,930	57,350	**212,995**	188,865
Changes in non-cash operating working capital items	**(8,633)**	(55,772)	**(514)**	(34,045)
	63,297	1,578	**212,481**	154,820
Investing				
Business Acquisitions (Note 6)	**(59,760)**	-	**(99,816)**	-
Additions to fixed assets	**(22,923)**	(14,945)	**(68,955)**	(47,204)
Proceeds on disposals of fixed assets	**425**	1,568	**1,015**	3,086
Other assets	**(643)**	5,129	**(4,081)**	3,423
	(82,901)	(8,248)	**(171,837)**	(40,695)
Financing				
Bank loans	**57,898**	21,383	**68,226**	(5,374)
Repayment of long-term debt	**(27,562)**	(25,000)	**(82,582)**	(95,030)
Issuance of share capital	**554**	161	**2,297**	3,924
Employee future benefits	**200**	200	**650**	650
Dividends	**(12,432)**	(10,342)	**(35,215)**	(26,365)
	18,658	(13,598)	**(46,624)**	(122,195)
Increase (decrease) in cash	**(946)**	(20,268)	**(5,980)**	(8,070)
Effect of exchange rate changes	**(948)**	(513)	**(3,939)**	1,958
Cash (bank indebtedness), beginning of period	**(9,261)**	19,521	**(1,236)**	4,852
Cash (bank indebtedness), end of period	**$ (11,155)**	$ (1,260)	**$ (11,155)**	$ (1,260)

Supplemental information

Interest paid	**$ 14,970**	$ 18,116	**$ 32,906**	$ 39,254
Income taxes paid	**$ 16,701**	$ 10,108	**$ 51,327**	$ 51,675

CONSOLIDATED BALANCE SHEETS
(in thousands of dollars)

	December 31, 2003 *(unaudited)*	March 31, 2003 *(audited)*
Assets		
Current assets		
Receivables	**$ 289,938**	$ 239,366
Inventories	**400,747**	392,852
Income taxes	**3,786**	24,290
Future income taxes	**10,373**	12,854
Prepaid expenses and other assets	**4,445**	18,383
	709,289	687,745
Portfolio investment	**55,991**	55,991
Fixed assets	**660,428**	627,841
Goodwill	**550,816**	550,630
Other assets (Note 3)	**45,172**	39,618
Future income taxes	**5,677**	8,861
	$ 2,027,373	$ 1,970,686
Liabilities		
Current liabilities		
Bank indebtedness	**$ 11,155**	$ 1,236
Bank loans	**85,823**	17,592
Accounts payable and accrued liabilities	**272,325**	245,188
Income taxes	**30,217**	44,403
Current portion of long-term debt	**71,419**	110,000
	470,939	418,419
Long-term debt	**327,859**	411,135
Employee future benefits	**14,587**	13,937
Future income taxes	**107,915**	110,691
	921,300	954,182
Shareholders' Equity		
Share capital (Note 5)	**466,628**	464,331
Contributed surplus	**3,715**	1,475
Retained earnings	**665,751**	546,667
Foreign currency translation adjustment	**(30,021)**	4,031
	1,106,073	1,016,504
	$ 2,027,373	$ 1,970,686

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars)

1 - Accounting policies

The unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles used in Canada 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, 2003.

2 - Foreign currency translation

The balance sheet accounts of the self-sustaining companies operating in the United States were translated into Canadian dollars using the exchange rates at the balance sheet dates. Statement of earnings accounts were translated in 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.

Foreign currency accounts of Canadian companies were translated into Canadian dollars using the exchange rates at the balance sheet date for current 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 with "Cost of sales, selling and administrative expenses" and are represented by the following amounts:

	For the three-month periods ended December 31		**For the nine-month periods ended December 31**	
	2003	2002	**2003**	2002
Foreign exchange gain	**$ 4**	$ 43	**$ 472**	$ 141

3 - Other assets

	December 31 2003	March 31 2003
Net accrued pension plan asset	**$ 34,534**	$ 29,553
Other	**10,638**	10,065
	$ 45,172	$ 39,618

4 - Earnings per share

The weighted average number of common shares outstanding for the three-month period ended December 31, 2003 is 103,595,986 (103,414,128 in 2002). For the nine-month period ended December 31, 2003, this number is 103,554,114 (103,361,890 in 2002).

The weighted average number of common shares outstanding, including the potentially dilutive shares that could be issued following the exercise of options granted under the Company's share option plan is 104,766,602 (104,508,669 in 2002).

5 - 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.

	December 31 2003	March 31 2003
Issued		
103,625,747 common shares (103,460,005 as at March 31, 2003)	**$ 466,628**	$ 464,331

165,742 common shares for an amount of $2,297,157 were issued during the nine-month period ended December 31, 2003 pursuant to the share option plan.

Share option plan

	Number of options	**Weighted average exercise price**
Balance, March 31, 2003	3,784,944	$ 19.99
Options granted	1,338,396	$ 22.50
Options exercised	(165,742)	$ 15.24
Options cancelled	(58,927)	$ 23.17
Balance, December 31, 2003	4,898,671	$ 20.80

Stock based compensation

The Company adopted on a prospective basis the new CICA accounting recommendations for stock based compensation on April 1, 2002. These recommendations propose the fair value method to record to earnings the stock options granted to employees. The Company therefore used the fair value method accounting for employee stock based compensation.

The Company recorded a $653,000 ($746,000 before income taxes) and a $1,969,000 ($2,240,000 before income taxes) expense related to options granted for the three-month and nine-month periods ended December 31, 2003 respectively. The Company recorded a $735,000 ($860,000 before income taxes) and a $2,205,000 ($2,580,000 before income taxes) expense related to options granted for the three-month and nine-month periods ended December 31, 2002 respectively.

The effect of the expense on basic earnings per share and fully diluted earnings per share is $0.006 for the three-month period ended December 31, 2003 ($0.007 in 2002) and $0.019 for the nine-month period ended on the same date ($0.021 in 2002).

The fair value of share purchase options was estimated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate:	5%
Expected life of options:	7½ years
Volatility:	20%
Dividend rate:	1.4%

6 - Business acquisitions

During the nine-month period ended December 31, 2003, the Company acquired a 51% interest in Gallo Protein 2003, LLC and acquired the commercial activities of the *Treasure Cave* and *Nauvoo* brands for a cash consideration of $40,056,000. The values attributed to the net assets acquired were $28,679,000 to goodwill and trademarks,

$5,205,000 to fixed assets, and $6,172,000 to working capital. Gallo Protein 2003, LLC, in which the Company acquired a 51% interest on May 1, 2003, operates in the United States and manufactures and markets whey protein isolates and related products from whey protein concentrate. The commercial activities of the *Treasure Cave* and *Nauvoo* brands acquired on May 23, 2003 are related to the manufacturing and commercialization of blue cheese in the United States.

On November 28, 2003, the Company completed the acquisition of 100% of Molfino Hermanos S.A. (Molfino). Total cash consideration paid for Molfino was $59,800,000. The values attributed to the net assets acquired were $41,100,000 to fixed assets, $1,590,000 to other assets, and the remainder $17,110,000 to working capital. The final allocation of the purchase price is not finalized. It will be completed in the subsequent fiscal year. The results of Molfino have been consolidated from the acquisition date, November 28, 2003, and are included in the Canadian Dairy Products Sector.

7 - Commitments and contingencies

The Company carries some of its operations in leased premises and has also entered into lease agreements for equipment and rolling stock.

The Company is defendant to certain claims arising from the normal conduct of its business. The Company believes that the final resolution of these claims will not have a material adverse effect on its earnings or financial position.

The Company from time to time enters into agreements in the normal course of its business, such as service arrangements and leases, and in connection with business or asset acquisitions or dispositions, which agreements by their nature may provide for indemnifications of counterparties. These indemnification provisions may be in connection with breach of representations and warranties and for future claims for certain liabilities, including liabilities related to tax and environmental matters. The terms of these indemnification provisions vary in duration. Given the nature of such indemnifications, the Company is unable to reasonably estimate its maximum potential liability under these agreements.

8 - Comparative figures

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