MAPLE LEAF FOODS

ANNUAL REPORT 2010

CONTENTS

AT A GLANCE

Maple Leaf Foods is one of Canada's leading consumer packaged food companies, specializing in fresh and prepared meats, meals and bakery products. We have three of the top 20 Canadian retail brands as well as leading market positions in North American frozen par-baked bread and specialty bakery products in the United Kingdom.

MAPLE LEAF FOODS OPERATES THREE CORE BUSINESSES:

Our **Meat Products Group** comprises the two leading Canadian brands in fresh and prepared meats, *Maple Leaf* and *Schneiders*, as well as *Maple Leaf Prime Naturally* fresh, seasoned and prepared chicken and a number of leading sub-brands. Products include prepared meats such as bacon, ham, sausages, and sliced and deli meats including a new Natural Selections sliced meats line, containing no added preservatives and simple ingredients. We also make ready-to-cook and ready-to-serve meals, and value-added fresh pork, poultry and turkey. These products are marketed primarily in Canada, the U.S., Mexico and Japan.

Our **Bakery Products Group** operates in Canada, the United States and the United Kingdom. The Canadian fresh bakery business owns *Dempster's*, the #1 national brand of fresh bread, and produces nutritious fresh bakery products such as whole wheat, organic and multi-grain breads, rolls and artisan breads. We also own Olivieri Foods, which is the leading brand of fresh pasta and sauce products. The frozen bakery business is a major North American producer and distributor of frozen unbaked, par-baked and fully-baked bread products for retail and foodservice customers. Our U.K. business is a leading producer of specialty products, producing bagels, croissants, and crusty and artisan breads.

Our **Agribusiness Group** provides raw material and essential services to Maple Leaf's fresh and prepared meats facilities. This includes raising hogs to provide approximately 16% of the supply required for our primary processing. Maple Leaf is also Canada's largest recycler of animal by-products, converting waste into value-added products such as feed supplements and fertilizers and is a significant producer of clean-burning commercial biofuels.

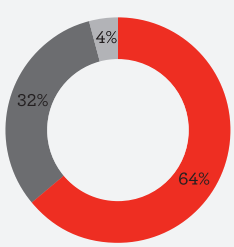
Maple Leaf Foods has 21,000 employees worldwide and operates approximately 85 plants across North America and the United Kingdom.

financial highlights

For years ended December 31

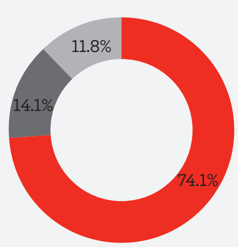
(In millions of Canadian dollars, except share information)	**2010**	2009	2008	2007	2006
CONSOLIDATED RESULTS					
Sales	**4,968**	5,222	5,243	5,210	5,325
Adjusted operating earnings(i)	**222**	196	128	199	173
Net earnings (loss) from continuing operations	**26**	52	(37)	(23)	(20)
Net earnings, as reported(ii)	**26**	52	(37)	195	5
Return on assets employed(iii)	**6.8%**	5.9%	3.4%	6.7%	5.6%
FINANCIAL POSITION					
Net assets employed(iv)	**2,347**	2,416	2,348	2,267	2,479
Shareholders' equity	**1,217**	1,189	1,143	1,149	994
Net borrowings	**902**	1,016	1,023	855	1,213
PER SHARE					
Net earnings (loss) from continuing operations	**0.19**	0.40	(0.29)	(0.18)	(0.16)
Adjusted net earnings from continuing operations(i)	**0.76**	0.57	0.29	0.51	0.38
Net earnings, as reported(ii)	**0.19**	0.40	(0.29)	1.53	0.04
Dividends	**0.16**	0.16	0.16	0.16	0.16
Book value	**8.69**	8.69	8.84	8.87	7.82
NUMBER OF SHARES (MILLIONS)					
Weighted average	**135.6**	129.8	126.7	127.3	127.5
Outstanding at December 31	**140.0**	136.8	129.3	129.6	127.1

(i) *Refer to non-GAAP measures on page 49 of Management's Discussion & Analysis for definition.*
(ii) *Includes results of discontinued operations.*
(iii) *After tax, but before interest, calculated on average month-end net assets employed. Excludes one-time direct product recall costs, restructuring and other related costs.*
(iv) *Total assets, less cash, future tax assets and non-interest bearing liabilities.*



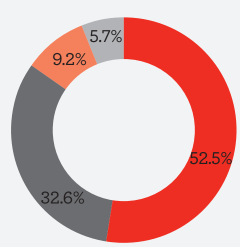
SALES BY GROUP

- 64.0% MEAT PRODUCTS
- 32.0% BAKERY PRODUCTS
- 4.0% AGRIBUSINESS



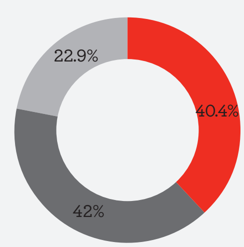
DOMESTIC VS. INTERNATIONAL SALES

- 74.1% DOMESTIC
- 14.1% U.S.
- 11.8% OTHER INTERNATIONAL



TOTAL ASSETS BY GROUP

- 52.5% MEAT PRODUCTS
- 32.6% BAKERY PRODUCTS
- 9.2% AGRIBUSINESS
- 5.7% NON-ALLOCATED



ADJUSTED OPERATING EARNINGS(i)

- 40.4% MEAT PRODUCTS
- 42.0% BAKERY PRODUCTS
- 22.9% AGRIBUSINESS
- (5.3)% NON-ALLOCATED

segmented operating results

Protein Group

(In millions of Canadian dollars)	2010	2009	% Change
MEAT PRODUCTS GROUP			
Sales	**3,181**	3,310	(4)%
Earnings from operations before restructuring and other related costs	**90**	55	62%
Total assets	**1,573**	1,653	(5)%
AGRIBUSINESS GROUP			
Sales	**199**	206	(3)%
Earnings from operations before restructuring and other related costs	**51**	48	6%
Total assets	**277**	287	(4)%
TOTAL PROTEIN GROUP			
Sales	**3,381**	3,516	(4)%
Earnings from operations before restructuring and other related costs	**141**	103	36%
Total assets	**1,850**	1,940	(5)%

Operating Groups

Protein Group: *The **Meat Products Group** comprises value-added prepared meats; chilled meal entrees and lunch kits; and value-added fresh pork, poultry and turkey products. The **Agribusiness Group** includes hog production and animal by-products recycling.*

Bakery Products Group

(In millions of Canadian dollars)	2010	2009	% Change
TOTAL BAKERY PRODUCTS GROUP			
Sales	**1,587**	1,705	(7)%
Earnings from operations before restructuring and other related costs	**93**	102	(9)%
Total assets	**977**	955	2%

*The **Bakery Products Group** is comprised of Maple Leaf's 90.0% ownership in Canada Bread Company, Limited ("Canada Bread"), a producer of fresh and frozen value-added bakery products, and specialty pasta and sauces.*

MESSAGE FROM THE CHAIRMAN

Dear Fellow Shareholders:
In September 2010 the Board of Directors of Maple Leaf Foods approved a comprehensive plan that we believe will create significant near- and longer-term value. This plan is the culmination of two years of thorough planning and analysis. It builds on Maple Leaf's success over the past decade in consolidating leading market positions in the Canadian value-added meat and bakery industries and is designed to ensure we are competitive with a parity Canadian dollar. In short, it defines the Company's long-term success and maximizes sustainable return to shareholders.

It's still early days, but so far all signs are positive. Management has delivered seven consecutive quarters of improving financial results since the tragic events of 2008 and the plan's early-stage initiatives are well underway and on track.

The Board will continue to monitor Management's execution against the plan and will consider each major capital investment on its merits and according to the progress made against our targets as we move through the plan.

Strong governance is an important factor in ensuring the Company delivers on its earnings targets and commitments to shareholders. In 2010, there were a number of substantive changes to the composition of our shareholder base and of our Board of Directors. As a result, the Board initiated a review of governance processes and structure to ensure the Board reflects these changes.

As part of this process, James Hankinson and Claude Lamoureux of the Corporate Governance Committee, met with many of our large shareholders to hear their views on our value creation plan and governance process. In early January, we retained a global search firm to identify a strong candidate for independent director to stand for nomination at the 2010 Annual General Meeting.

More recently, we also appointed Gregory Boland, CEO of West Face Capital, which currently holds an 11.4% ownership position in Maple Leaf, to the Board of Directors. Mr. Boland's appointment helps ensure Maple Leaf will continue to benefit from the perspective and experience of a significant shareholder.

This type of positive renewal has been active and ongoing at the Maple Leaf Board for the past several years. Since 2007, we have recruited three new independent directors – including Geoffrey Beattie, John Bragg and Claude Lamoureux – bringing considerable new skills and perspectives to the Board.

The directors also have direct access and involvement with leaders in the business, both through their participation at Board meetings and through an innovative program called Board Connect, with each director spending a day a year in one of the Company's businesses, where they get direct insights into our Company and engagement with our people. This initiative has been recognized as a pioneering effort to give directors greater understanding of the business at a deeper level, and unfettered access to operating management and their teams.

I would like to thank our Board of Directors, who in the past year have demonstrated continued passion and conviction to do what is right for Maple Leaf Foods. Our Board faced its most active year in 2010 in managing the changes to the shareholder base and in approving the strategy that sets the course for the foreseeable future. As a result, we entered 2011 with a clear and united focus on the path to deliver sustained value for shareholders.

The directors and officers of Maple Leaf Foods hold approximately 2.4% of the Company's shares, not including either McCain Capital Corporation's 31.3% ownership stake or West Face Capital's 11.4%. Taken together, approximately 45% of the Company's shares are held by members of the Board and/or Management and their affiliates. This is a significant ownership stake that ties our interests to those of our shareholders and solidifies our commitment to realize the full earnings potential of this Company.

Sincerely,

G. WALLACE F. MCCAIN, C.C.
CHAIRMAN

MESSAGE TO SHAREHOLDERS

Maple Leaf Foods reported increased margins and earnings in fiscal 2010, despite rapid rises in costs of both grains and meat proteins. These results reflect the significant positive momentum that is building in our Company.

To Our Fellow Shareholders:
We enter 2011 with one of the strongest portfolios of food brands and products in Canada, a clear and compelling plan for future success, and seven consecutive quarters of improving results behind us. This plan will see us significantly improve profitability and competitiveness by eliminating costs and investing in scale and technology. It is achievable, measureable and affordable. It includes cost reduction initiatives that are well within our control and ability to execute, and is already showing results.

Our entire Management team is committed to executing on this plan and delivering on the promise of creating value for Maple Leaf Foods and its shareholders. Specifically, we expect the plan to deliver 75% margin growth by 2015.

Across our organization, we are continuing to set global standards of excellence in food safety. We have been recognized as one of Canada's leading corporate cultures. We are investing in product innovation and marketing to grow market share and build on our brand leadership. And we hold fast to our Maple Leaf Leadership Values as the touchstone for everything we do.

SUMMARY FINANCIAL HIGHLIGHTS	2010	2009
Sales	$5.0B	$5.2B
Return on net assets (RONA)	6.8%	5.9%
Adjusted operating earnings(i)	$222.0M	$196.1M
Adjusted net earnings per share from continuing operations(i)	$0.76	$0.57
Operating cash flow from continuing operations	$283.7M	$89.2M
Capital expenditures	$162M	$163M
Debt to EBITDA ratio	2.5×	2.9×
Share price performance relative to S&P Food Index	(16.4)%	(10.4)%

(i) *Refer to non-GAAP measures on page 49 of Management's Discussion & Analysis for definition.*

2010 FINANCIAL HIGHLIGHTS

Adjusted Earnings Per Share increased 33% in 2010 compared to 2009 due to continued better performance in the Meat Products Group. We benefited from robust poultry and pork markets and improved manufacturing efficiencies. While margins increased in the prepared meats business due to the success of many initiatives to reduce costs and increase net pricing, earnings were affected by lower volumes as consumers adjusted to higher price levels. In the Bakery Products Group, stronger results in the fresh bakery business were more than offset by lower earnings in the frozen and U.K. bakery operations. A number of initiatives are underway in both these businesses to increase earnings and are expected to contribute positively in 2011.

We completed several debt refinancings, on competitive rates and terms, including a US$355 million private placement refinancing, a $170 million committed three-year accounts receivable securitization, and a Canadian private debt financing for $90 million, all of which increased the average maturity of the Company's debt to 4.2 years. Maple Leaf's ability to finance on favourable terms is a reflection of the investment community's confidence in our business and Maple Leaf's value creation plan. With the existing revolving credit facility maturing on May 31, 2011, the Company is currently negotiating a longer-term replacement facility.

1. EXECUTING ON A CLEAR AND COMPREHENSIVE PLAN FOR CREATING VALUE

We have built leading brands and market shares through over 30 acquisitions in the past decade. While the challenges of the past few years, most notably the rise in the Canadian dollar, have impeded our ability to realize the earnings potential that comes with these competitive strengths, the underlying value of the investments is enduring.

The culmination of this effort is a detailed strategic blueprint for delivering significant and sustainable value to our shareholders, now and over the next five years, by significantly reducing our cost structure.

Adjusting our business model and our performance to a new normal of parity currency with the United States is a journey – a challenging one; but an exciting and rewarding one. Our Board and Management have spent the past two years evaluating a wide range of strategic alternatives for maximizing shareholder value and plotting the best course forward for Maple Leaf Foods. This process saw us visit over 20 leading plants around the world; perform a detailed, line-by-line assessment of potential savings by individual product category; engage over 60 internal and external experts; conduct over 20 different reviews by our senior Management team; and undertake six separate Board reviews of our strategic direction. We have done our homework!

The culmination of this effort is a detailed strategic blueprint for delivering significant and sustainable value to our shareholders, now and over the next five years, by significantly reducing our cost structure. It is a plan that was built from the bottom up and evaluated in the context of our peers' performance in the food industry, which typically deliver EBITDA margins in the 10% to 15% range. It is a plan rooted in specific cost reductions, not aspirational growth targets. Our plan will see Maple Leaf deliver margins of 9.5% by 2012 and 12.5% margins by 2015, compared to 7.3% in 2010, and returns on assets well in excess of the Company's cost of capital.

TREMENDOUS GROWTH IN SHAREHOLDER VALUE

> 75% EBITDA margin increase – based largely on cost take-out

Benefits from growth/innovation are incremental

	2010 ACTUAL	2012	2015
PROTEIN EBITDA	6.8%	8.5%	12.5%
BAKERY EBITDA	9.2%	11.5%	12.5%
TOTAL EBITDA	7.3%	9.5%	12.5%

THE PLAN IS CLEAR AND COMPREHENSIVE

We will drive profitability and increase our long-term competitiveness and lower our cost structure by reducing the complexity of our supply chains and by investing in scale and technology.

Scale and technology investments were neither necessary nor affordable when the Canadian dollar was at $0.65 compared to the U.S. dollar. Today, they are achievable and mandatory. This requires fully integrating our current manufacturing base of over 85 plants, and consolidating production at fewer, larger, dedicated plants.

Scale is essential to competing and winning in the North American food industry. We are seeing the advantages flowing to our North American competitors that have made this investment. Through our analysis and planning, we know precisely what scale will mean for Maple Leaf – a 15% to 25% reduction in manufacturing costs and a 60% improvement in productivity. Aggregating our category volumes into large, single, high-technology sites using the latest in materials handling, robotics and packaging will create real and lasting change in the profitability and competitiveness of our business.

While the magnitude of the task is significant, the scope of initiatives is not new to the Maple Leaf management team. We have a deep and successful track record of executing complex initiatives, including those of similar size and nature as planned in our five-year blueprint. Of course, we are also mindful of risks – mostly centred on the demands of completing this work all concurrently and in relatively short time frames. This is where our well-seasoned execution disciplines will pay dividends.

We are making excellent progress – ahead of schedule and under budget – on the construction of our new “mega-scale” bakery in southern Ontario. Once completed in mid-2011, it will be the largest and most efficient bakery of its kind in North America. This new bakery will reduce overhead costs, increase productivity and advance our capacity to support new product innovation.

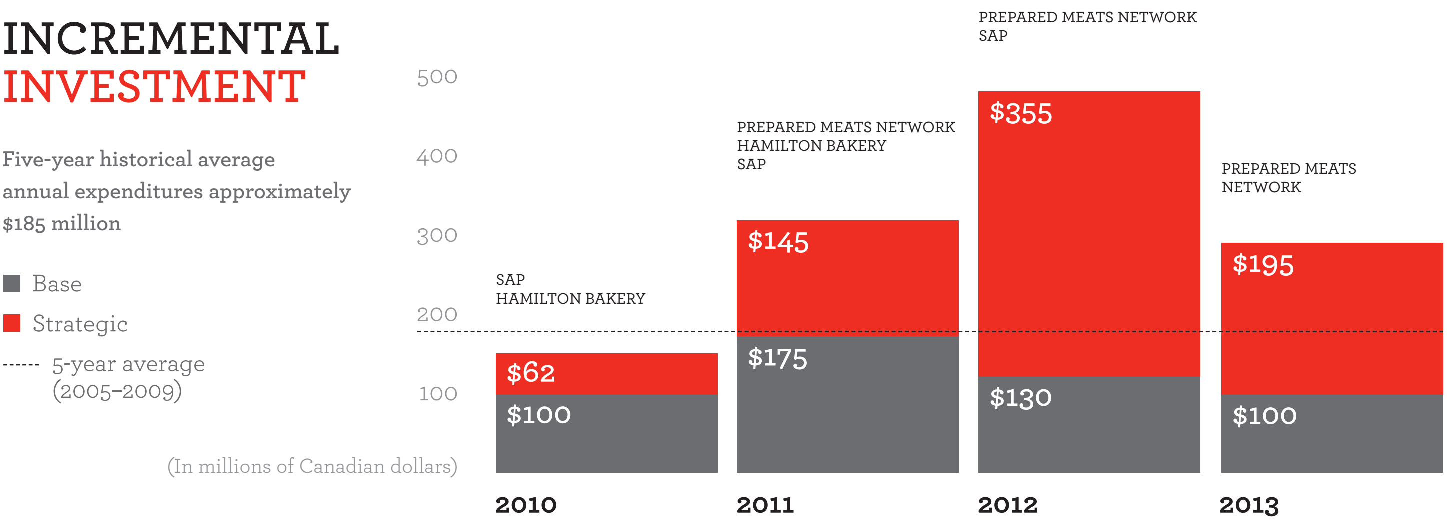
The benefit of these capital investments will be further enhanced by the work already underway to simplify our product lines and reduce complexity. In our prepared meats business, we have launched a major initiative to substantially reduce the over 4,000 different types of prepared meat products in our system, a legacy of our numerous acquisitions and a regional supply chain network. In many cases the differences are minor – a slight difference in product size or packaging specifications. In some cases there will be a reduction in overlapping regional brands. We began to realize early benefits from this work late in 2010 and simplification across other major categories will continue through 2011. Making fewer, higher volume products is also a prerequisite to ensuring we gain cost efficiencies from scale plants.

We are making excellent progress – ahead of schedule and under budget – on the construction of our new “mega-scale” bakery in southern Ontario.

Once completed in mid-2011, it will be the largest and most efficient bakery of its kind in North America.

INCREMENTAL INVESTMENT

Five-year historical average annual expenditures approximately $185 million



The plan targets a 75% improvement in EBITDA margins by 2015. More specifically, we are targeting margins of 9.5% by 2012 and 12.5% by 2015.

THE PLAN IS AFFORDABLE

We are adhering to a very disciplined approach. In the first two years of the plan, we expect to achieve significant cost savings through complexity reduction and the early benefits of near-term plant consolidations without major capital investments. We have committed to maintaining an investment-grade credit rating through the life of the plan, with a target of 3.0× debt to EBITDA or lower. At year-end 2010 this ratio was 2.5×.

It's also important to view the costs and benefits of this plan against the alternative. That's because if we weren't investing in new scale and technology, we would have to invest more money in older plants to keep them running. The result is an incremental new spend of roughly $550 million from 2010 through 2013 to achieve a state-of-the-art manufacturing network over what it would cost just to maintain the status quo.

THE PLAN IS MEASURABLE

The plan targets a 75% improvement in EBITDA margins by 2015. More specifically, we are targeting margins of 9.5% by 2012 and 12.5% by 2015. This includes taking margins in our business from 7.3% in 2010 to 12.5% over the next five years. The EBITDA metric is not our primary measure of success; rather it is our measure of comparative operating performance. Ultimately this strategy will deliver the return on net assets shareholders require, well above our cost of capital, to create value.

2. CREATING VALUE NOW AND OVER THE LONGER TERM

One of the most important characteristics of our journey is its balance of near- and longer-term initiatives. Between now and 2012, we will focus on reducing product and manufacturing complexity, specific cost-saving initiatives, optimizing our pricing, and continuing the successful implementation of our new SAP system.

From 2012 to the end of 2013, we will concentrate on the more capital intensive phase of the plan including building scale in our facilities and investing in modern, cost-saving technology, in addition to implementing a shared services structure to reduce overhead costs.

We are seeing positive results now. In November, we completed the sale of our pork processing facility in Ontario and announced the closure of our prepared meats facility in Nova Scotia. Early in 2011 we announced the closure of a small frozen bakery in Quebec, a small bakery in the U.K. and a prepared meats plant in British Columbia. These closures allow us to aggregate volumes at other plants and reduce costs. We are on track to commission our new Ontario bakery later this year, and begin consolidating production from three smaller facilities. We also completed the sale of our fresh sandwich business, which allows us to focus on growth in our core bakery businesses.

We are making excellent progress on the implementation of our new SAP system that will integrate our operations into one world-class systems platform. We completed 37 installations by the end of January 2011, including our corporate functions, our frozen bakery, the poultry business and the first in fresh bakery. We have a very disciplined approach to implementing SAP, designed to minimize risk through starting in our smaller operations and the non customer-facing side of our business first, allowing us to gain experience and insights from ongoing implementations. So far it's been a winning strategy. The entire conversion is expected to be substantially complete in 2013.

"This is one of the most aggressive and successful enterprise-wide implementations of SAP we have seen for a company of the size and complexity of Maple Leaf Foods. The implementation has been planned and executed with precision and careful assessment and support of business requirements."

SAP

3. DELIVERING STRONG AND IMPROVED PERFORMANCE

BAKERY PRODUCTS GROUP

Over the past 15 years, we have built Canada's largest fresh bakery business, the leading specialty bakery business in the U.K., one of the largest frozen bakery businesses in North America, and a growing fresh pasta and sauce business.

Today, our bakery business is an integral part of our overall operations and has enabled us to respond to growing demand from Canadian food retailers and foodservice providers for a broader range of integrated product solutions.

2010 was a year of challenges in our frozen and U.K. bakery operations that impacted our overall performance. Our frozen bakery operations provide frozen, partially or fully-baked artisan and premium breads and rolls to retail and food service customers across North America. Sales volumes and earnings declined due to some transitory changes by some key customers. Performance in this business began to improve toward the end of the year and we expect improved results in 2011.

Our operations in the United Kingdom produce premium specialty products, and the deeper impact of the recession in the U.K. has challenged this business. We are responding by lowering costs through consolidating volumes, manufacturing and SG&A cost reductions. We are also increasing our marketing through increased promotion of the New York Bakery brand in the U.K. to drive growth in the bagel category. Through a relatively small investment we have built this business from a start-up to a market leader over the past decade. Prior to the financial recession of 2008, the business was very profitable and it will be successful again. For Maple Leaf in total, the U.K. bakery is a footprint for future growth outside North America, which is essential, long term.

Here is a summary of our financial performance in the Bakery Products Group:

TOTAL BAKERY PRODUCTS GROUP

(In millions of Canadian dollars)	**2010**	2009	2008	2007	2006
Sales	**$ 1,587.5**	$ 1,705.1	$ 1,705.9	$ 1,510.6	$ 1,333.7
Adjusted operating earnings(i)	**93.2**	102.2	83.0	119.3	100.9
Total assets	**976.9**	955.5	1,003.7	823.1	810.9

(i) *Refer to non-GAAP measures on page 49 of Management's Discussion & Analysis for definition.*

Our fresh bakery business, the largest segment of the Bakery Products Group, increased its earnings in 2010. This is an excellent business and Canada's leading provider of nutritious, value-added products under marquee brand names including Dempster's, POM and Ben's. The focus in this business is an identical blueprint as our strategic plan for the protein operations – realize efficiency gains through simplification, build scale in our bakery network, and increase top-line performance through growth in current and new categories. Last year we launched a project to standardize the sizes of pans used for baking breads and rolls...again numerous acquisitions had created a lot of variability, resulting in complexity and added costs. By early 2012 we will reduce pan sizes from 33 today to 10, with 80% of our volume in three sizes. The new bakery facility in Ontario will significantly reduce overhead costs and provide additional capacity to support new product innovation.

PREPARED MEATS FACILITIES

SHIFTING VOLUME INTO MORE PRODUCTIVE PLANTS

+

Average Plant Size:

2.2×

(millions of kgs/annum)

LEVERAGING NEW TECHNOLOGY AND PROCESSES

=

such as:

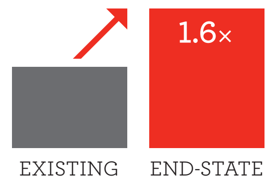
- high speed automated lines
- improved food safety technology
- superior support functions via SAP

IMPROVED PRODUCTIVITY AND HIGHER SKILL LEVEL

Production per person:

1.6×

(kgs/person)



PROTEIN GROUP

Since 2005 our Protein Group has withstood considerable adversity.

In our pork operations, we undertook a major restructuring to consolidate operations, improve efficiency, reduce currency risk and increase our competitiveness on a global level. This was the first focus of effort in the journey of adjusting to the new currency environment because of the immediate impact of the stronger currency on this segment of our business. Our team has done an excellent job and we are now seeing increased earnings that flow directly from the success of this initiative.

In our prepared meats business, where restructuring efforts were put on hold during the product recall in 2008, we have a similar opportunity to substantially increase earnings by consolidating our operations and investing in fewer large-scale, modern plants. Scale and efficiency are some of the biggest determinants of profitability in the prepared meats business.

Here is a summary of our financial performance in our Protein Group:

TOTAL PROTEIN GROUP

(In millions of Canadian dollars)	**2010**	2009	2008	2007	2006
Sales	**$ 3,380.6**	$ 3,516.5	$ 3,536.7	$ 3,699.0	$ 3,991.6
Adjusted operating earnings[(i)]	**140.5**	103.5	59.6	87.5	71.9
Total assets	**1,849.9**	1,940.4	1,976.7	1,863.2	2,254.0

[(i)] *Refer to non-GAAP measures on page 49 of Management's Discussion & Analysis for definition.*

In 2010, our Protein Group, which includes both the Meat Products Group and Agribusiness Group results, delivered significantly higher earnings, benefiting from strong performance in our fresh pork and poultry operations. In our prepared meats business, we implemented price increases that increased margins, but lower volumes reduced earnings compared to the prior year. Our Management team is focused on improving results through a combination of price increases to offset raw material costs, manufacturing cost reductions, and sales and marketing strategies that strengthen category management and build consumer demand.

Our Agribusiness Group provides essential services to our meat facilities, including a supply of high-quality hogs and recycling of by-products into commercial agricultural and biodiesel products. These operations benefited from higher hog prices and reduced feed costs in 2010.

4. GROWING THE TOP LINE

Great food companies need to stay in front of consumer trends, innovate constantly, and drive market share growth through ongoing investment in brands and marketing. These activities are essential to maintaining our leading position in the market and rewarding our shareholders longer term.

In 2010 we invested in growing the Maple Leaf brand, launching a series of advertisements that focused on our commitment to quality and fresh, trusted ingredients. In addition, we introduced breakthrough new products like Maple Leaf Natural Selections, which was recently chosen by consumers as one of Canada's best new products of the year, and Prime Chicken Strips that address consumers' increasing need for healthier, more nutritious products that are simple to prepare.

In fresh bakery we extended our leadership in whole grain products and extended our brand strength into new segments like pitas, naans and rye bread. In frozen bakery we introduced big winners like cheese bagels. Under the Olivieri brand we continued to build our fresh pasta leadership with new forms and flavours. In the U.K. we successfully re-launched our New York Bakery bagel brand with new improved products, packaging and a highly effective marketing campaign that drove significant volume and margin growth in this category.

We believe in the need to strongly invest in consumer marketing and new product innovation across our businesses that is fuelled by deep consumer insights. Done well, it will further build consumer and customer preference for our products and strong and enduring consumer relationships with each of our leading brands. Maple Leaf Foods has three of Canada's top brands. Building on this well-earned position with new products that taste great, deliver good nutrition and value is a pact we have with consumers, customers and ultimately our shareholders.

DOING WHAT'S RIGHT

Keeping our people and food safe is a fundamental part of our culture. We made excellent progress last year in implementing our new food safety strategy, including:

- Further enhanced our plant sanitation programs, including sanitation effectiveness audits and weekly sanitation talks
- Reduced *Listeria* risk in all our ready-to-eat meat products through reformulation with bacterial growth inhibitors approved by Health Canada in late 2008
- Attained "A" rating with certification to Global Food Safety Initiative standard at all 19 facilities audited; with a goal to have all facilities certified by the end of 2012
- Implemented training programs to increase knowledge and responsibility for food safety excellence across Maple Leaf Foods

2010 marked our ninth consecutive year of continuous improvement in reportable injury frequency and an overall improvement of 20% across all Maple Leaf operations, an achievement that is among the best in the industry. We track and communicate our workplace safety record monthly, and we are proud that we have built a culture that prioritizes the health and safety of our people with continued excellent results.

Recognizing our responsibility as a major food company to respond to issues of food security and hunger, we distributed thousands of pounds of meat and bakery products to people in need last year. We also invested to support grassroots initiatives globally in countries devastated by extreme poverty, food shortages and resulting health issues. Our annual Community Day raised funds to support youth leadership involved in community-based food security projects. The passion of our people for reaching out and using their talents to achieve positive social change is simply inspiring!

We also made good progress in 2010 in reducing the environmental impact of our operations. In Ontario, where most of our plants are located, we achieved a 93% waste diversion rate. In the United Kingdom, our operations achieved a remarkable increase in landfill diversion from 62% in 2009 to 93% in 2010. We completed the full clean-up and recycling of all our electronic wastes in Ontario, sending more than 10 tonnes of electronic wastes to an ISO 14001 certified recycler. We will expand this initiative nationally in 2011. We implemented additional heat recovery at our three plants that consume the most fuel. We are proud that our new Hamilton bakery is being constructed to LEED standards and our office building in Mississauga was awarded LEED Gold Certification, one of only a few commercial buildings to achieve this standard in Ontario.

LOOKING FORWARD

As always, we are grateful to our people for their hard work and dedication, and to the millions of consumers that put their loyalty and faith in our products every day. And we place enormous importance on the relationships we have and earn every day with our customers.

Our business must be cost competitive if we are to deliver maximum value to our shareholders. That is a strategic imperative at Maple Leaf. We have a clear and comprehensive plan in place to realize this, a plan that is achievable, affordable and already producing improvements in our profitability and competitiveness. We have the foundation in our brands, market shares and people to deliver strong return to shareholders. We are implementing the plan – with discipline and focus – to deliver on this promise.

Sincerely,

MICHAEL H. MCCAIN
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

MICHAEL H. VELS
EXECUTIVE VICE-PRESIDENT
AND CHIEF FINANCIAL OFFICER

RICHARD A. LAN
CHIEF OPERATING OFFICER
FOOD GROUP

J. SCOTT MCCAIN
PRESIDENT AND
CHIEF OPERATING OFFICER
AGRIBUSINESS GROUP