

Investor Day

December 2, 2004

Fresh Bakery - The Power of Branding & Innovation

Barry McLean, *President, Fresh Bakery*





Barry McLean

President, Canada Bread Fresh Bakery

- President, Fresh Bakery since 2002
- More than 20 years experience in consumer packaged goods industry
- Career includes positions with J.M. Schneiders, Campbell's and Kraft Canada (formerly Nabisco)
- Joined Maple Leaf Foods in 2000 as Senior Vice President and General Manager, Fresh Bakery



Agenda

- Overview of Fresh Bakery
- Brand Development History
 - ▶ Consumer Trends and Implications
- Competitively Advantaged Brand Architecture
 - ▶ Value of Branding
 - ▶ Brands Drive Growth
 - ▶ Brand Investment
 - ▶ Innovative Brand Development Successes
- Strategy for Future Growth



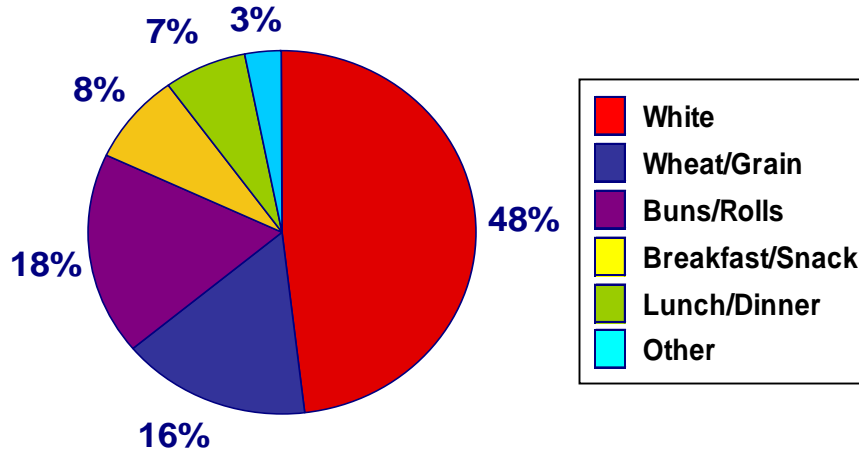
Overview – Fresh Bakery

- Canada's leading producer of fresh bread and bakery products
- Coast to coast network of 22 bakeries serving major grocery chains, retail outlets and food service operators across Canada and the NE and NW United States
- More than 5,000 employees
- 43% total bakery market share
- *Dempster's* is national brand leader in fresh bakery
- Market leader in health and well-being products in Canada



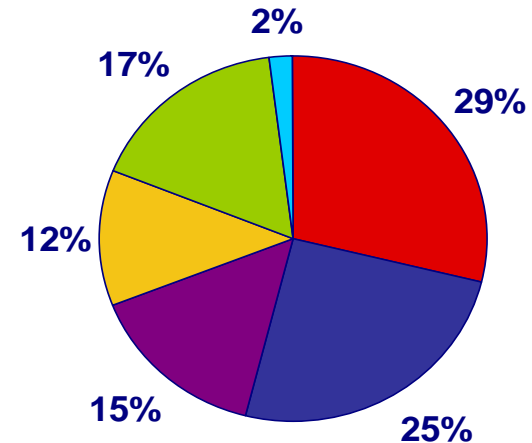
Changing Consumer Drivers

1985-1995



- White bread, buns and rolls dominate market - mainly private label
- Key drivers: price/value, freshness, trust
- Little differentiation/innovation
- Lunch/Dinner primarily rye breads
- Breakfast - English muffins, fruit bread
- Nutritional enhancement limited to enriched white, folic acid

2004



- Growth of wheat/grain bread - 66% branded
- Key consumer driver: nutrition
- Significant differentiation/innovation
- Lunch/Dinner growth- flatbreads/tortillas
- Bagel growth as breakfast item
- Nutritional enhancement through fibre, B vitamins, Omega 3, grains, folic acid



Why Brands are Important

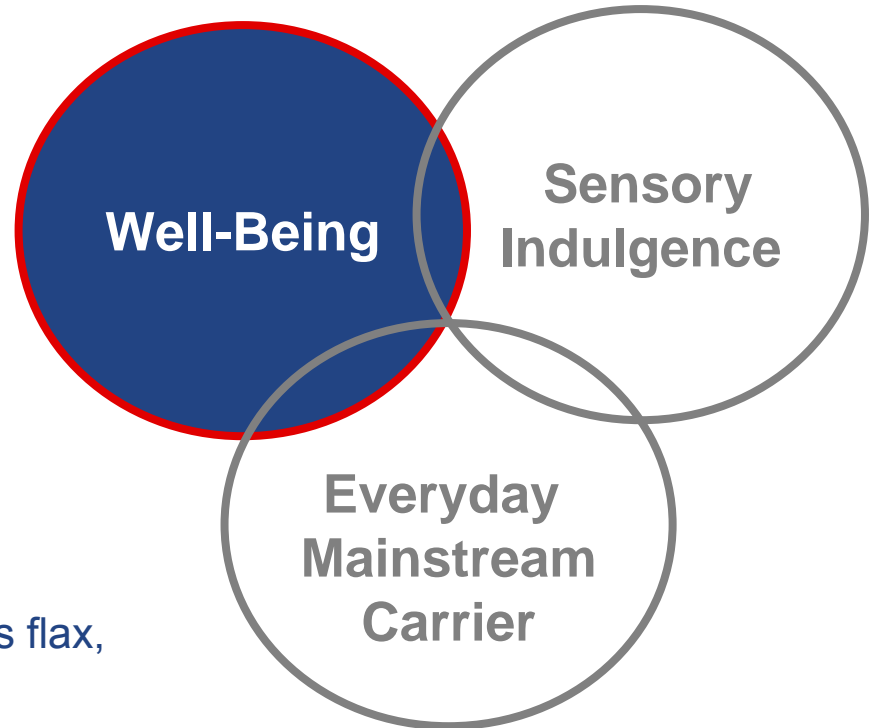
- Provide significant barrier to entry
- Strong brands drive purchasing behaviour
- Consumer trust in compelling brand propositions
 - ▶ Health and well-being expert
 - ▶ Specialty and authentic breads and baked goods
- Strong allegiance to local brands
 - ▶ Trusted local baker - freshness
- Ideal platform for product innovation and diversification



Competitively Superior Brand Portfolio

Well-Being

- Proposition
 - ▶ Health and well-being expert
- Key consumer drivers
 - ▶ Nutrition, ingredients, taste, quality and texture
- Innovation
 - ▶ Focused on health benefits such as flax, Omega 3, fibre, etc.
- Core segments
 - ▶ Whole wheat, grains, diet and organics
- Leading brands

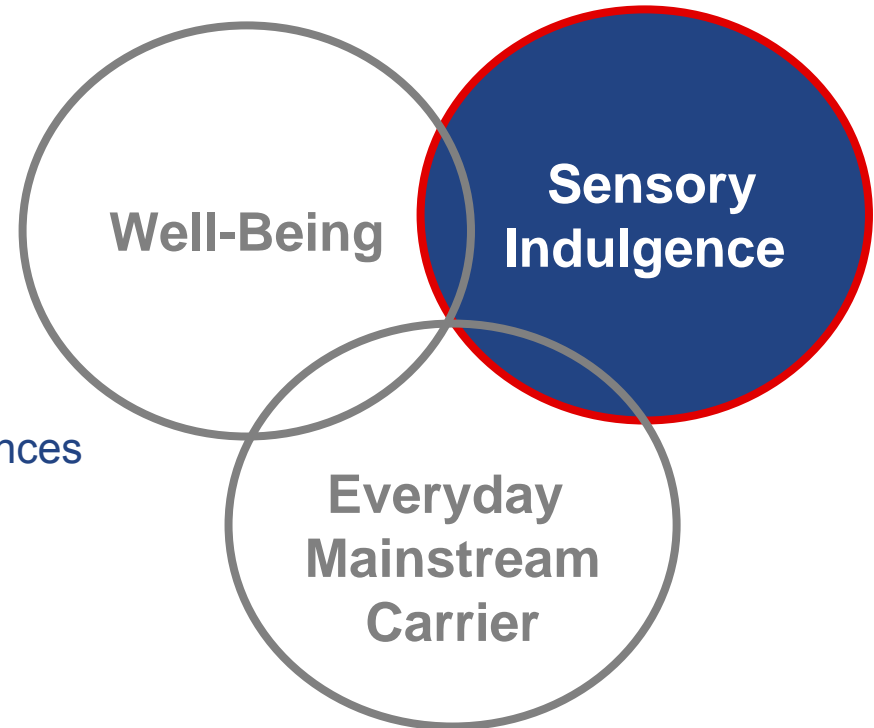




Competitively Superior Brand Portfolio

Sensory Indulgence

- Proposition
 - ▶ Specialty and authentic breads and baked goods
- Key consumer drivers
 - ▶ Variety, flavours and taste experiences
- Innovation
 - ▶ Focused on food experience
- Core segments
 - ▶ Tortillas, pitas, super premium breads, dinner breads and sweet goods
- Leading brands

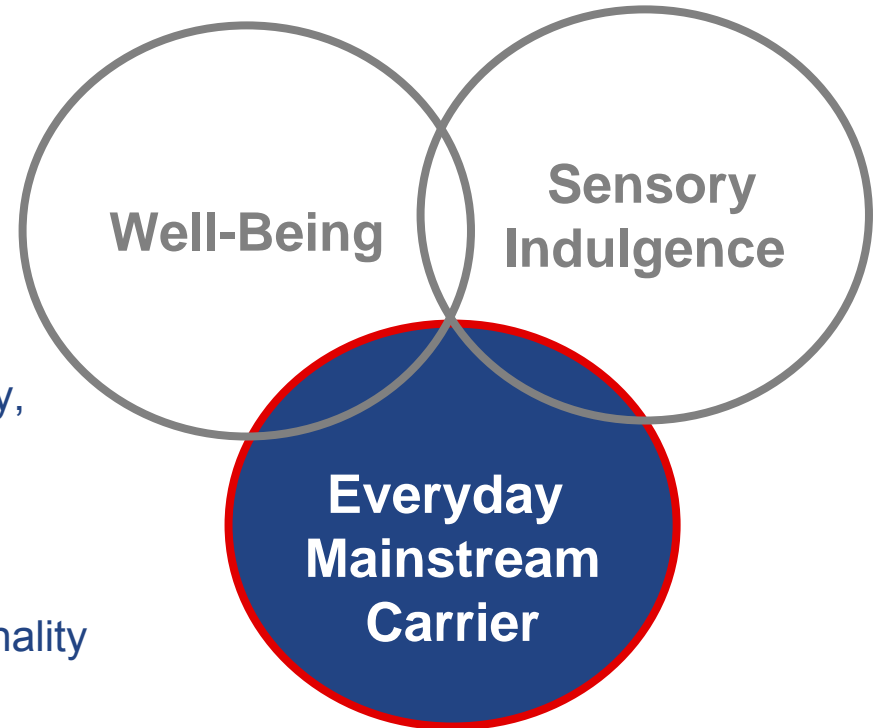




Competitively Superior Brand Portfolio

Everyday Carrier

- Proposition
 - ▶ Trusted local baker; freshness
- Key consumer drivers
 - ▶ Trust, freshness, product familiarity, consistency, locally “rooted”
- Innovation
 - ▶ Focused on freshness and functionality
- Core segments
 - ▶ White, wheat, sandwich bread, hot dog/hamburger buns, English muffins
- Leading brands

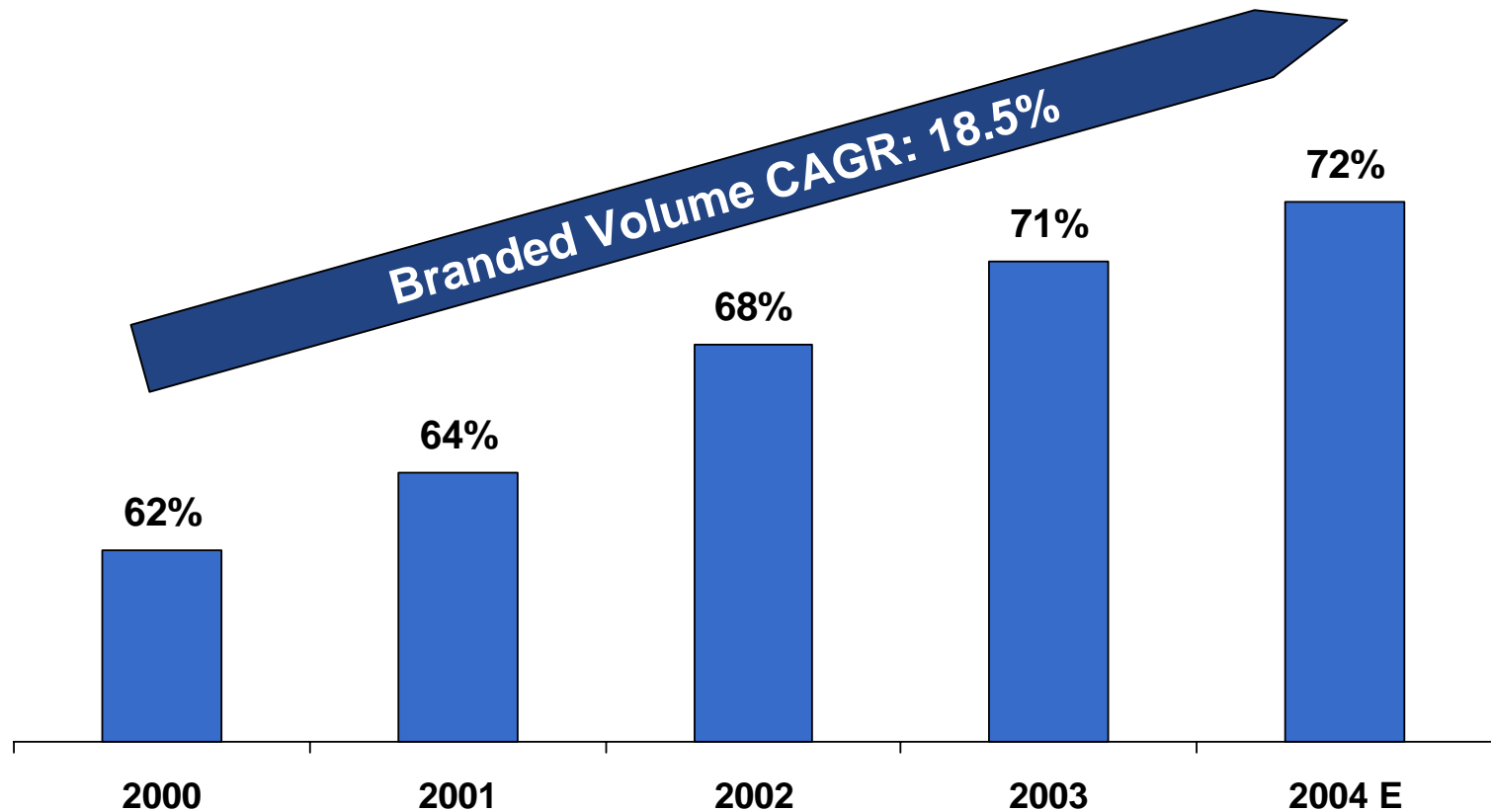




Brands Drive Growth

Branded Fresh Bakery Share

Branded Share



Source : Internal (Total Sales/Units), 2004 LE (wk 46 2004)



Product Innovation

Organic Bread



Consumer Needs

- Mainstream, fresh organic bread, available in the commercial bread aisle

Innovation Response

- R&D developed new formula for commercial organic product
- Product certified “organic” by Eco-Cert
- *Dempster’s* and *Bon Matin™* signify trust; *Healthy Way* provides clarity on consumer promise
- Leverage equity in *Dempster’s* brand and national distribution
- Available in full size 600g loaf at more affordable price than most organic offerings

Innovation Results

- Achieved leadership of the organic segment
- Organic segment ↑ 14% YTD, Maple Leaf ↑ 41%



Product Innovation

Extended Shelf Life



Consumer Needs

- Key consumer drivers in white bread category: longevity, freshness & trust

Innovation Response

- R&D developed new significantly softer formula
- Extended shelf life from +6 to +12 days
- Cellofoil™ packaging provides greater barrier and consumer reason to believe
- Provides differentiated white bread offering

Innovation Results

- Achieved double digit sales growth since March 2003
- Achieved a 13% share in highly competitive Ontario market



Product Innovation

Whole Grains



Consumer Needs

- Research continues to reinforce link between whole grains and a variety of key health benefits.

Innovation Response

- *Dempster's WholeGrains* launched in January 2001
- R&D formulation made only with whole grain flour, bran and germ, providing all the vitamins, minerals, nutrients and fibre naturally present in the grain
- Delivers on both nutrition and taste by offering a range of great tasting varieties with relevant and differentiated consumer benefits (no preservatives, no white flour, trans-fat free, fibre, Omega 3)

Innovation Results

- *WholeGrains* has over 25% market share
- Nationally *Dempster's WholeGrains (12 Grain)* is #1 grain product



Future Opportunities

- Anticipate consumer needs
 - ▶ Continue investment in market research and innovation
- Health and well-being segment provides significant future growth
 - ▶ Promote health and nutrition benefits of current portfolio
 - ▶ Extend brand portfolios with new health nutrients and benefits
- Sensory Indulgence
 - ▶ Expand products that deliver a richer and more flavourful food experience
- Mainstream Carrier
 - ▶ Drive growth through innovation in form, freshness, convenience
 - ▶ Grow equity in local brands



Summary

- Bakery sector transformed from commodity to consumer-driven
- Superior brand portfolio and weighting in high nutrition categories
 - ▶ Leading market and brand positions, nationally and regionally
 - ▶ Well-diversified product offering
- Innovation and brands provide platform for growth and superior profitability
 - ▶ Changing demographics expected to drive significant growth
 - ▶ Continue investment and leverage brand equity
 - ▶ Focus growth on premium products; well-being and sensory segments

Investor Day

December 2, 2004

