



# Maple Leaf Foods

***Investor Presentation***

***February 25, 2004***

Some of the statements in this presentation may constitute forward-looking information and future results could differ materially from what is included. Please refer to the MD&A section of the Company's 2002 Annual Report and other public filings for a description of the Company's operations and the factors that could impact our financial results.



# Agenda

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# The Evolution of Maple Leaf Foods



1898



1922



1959



1975



1990



1999

- Founded in 1898, Maple Leaf is one of Canada's leading providers of quality foods
- Canada Packers and Maple Leaf Mills merged in 1991 to form Maple Leaf Foods
- Purchased by Hillsdown Holdings in 1990, the company lacked overall direction and purpose
- The company was rejuvenated in 1995 when it was purchased by McCain Capital and the Ontario Teachers' Pension Plan Board



# Maple Leaf Foods

## *A Snapshot*

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- **Canada's leading food processor and food exporter**
  - Protein & bakery businesses
- **Over \$5 billion revenue**
- **Approximately 18,000 employees and 100 operating facilities**
- **A Canadian market leader in our businesses:**
  - Animal nutrition, hog production, pork processing, branded poultry, food exporter, rendering, fresh and frozen par-baked bakery products
- **Management have a large stake in the business**
  - Track record in building highly successful companies
  - Manage with a long term view, focused on the core fundamental
- **A strong performance driven culture rooted in Leadership Edge and Six Sigma**



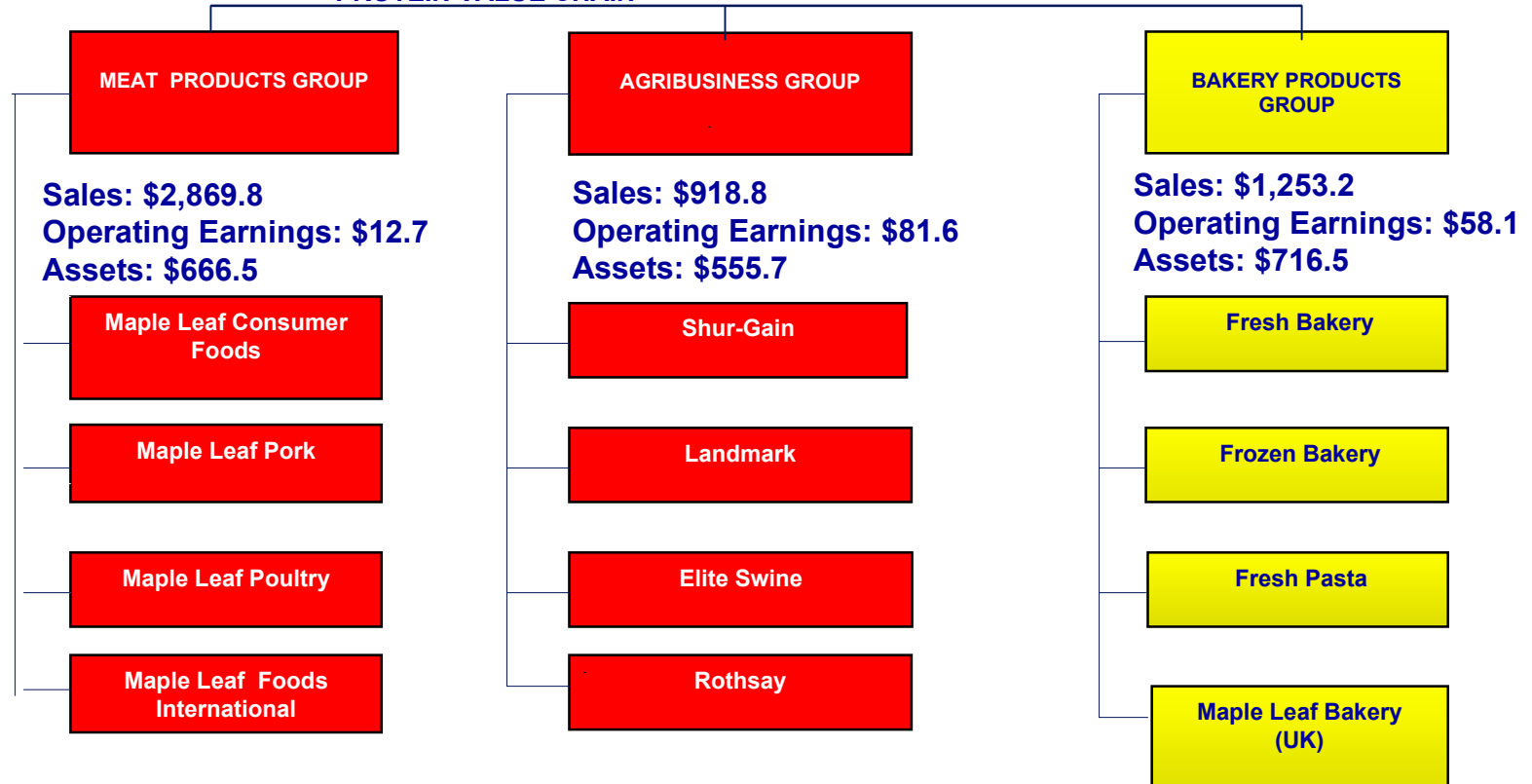
# Maple Leaf Foods

**MAPLE LEAF FOODS INC.**

**Sales: \$5,042**

**Operating Earnings<sup>(1)</sup>: \$152 million Assets: \$2,148.7 million**

## PROTEIN VALUE CHAIN

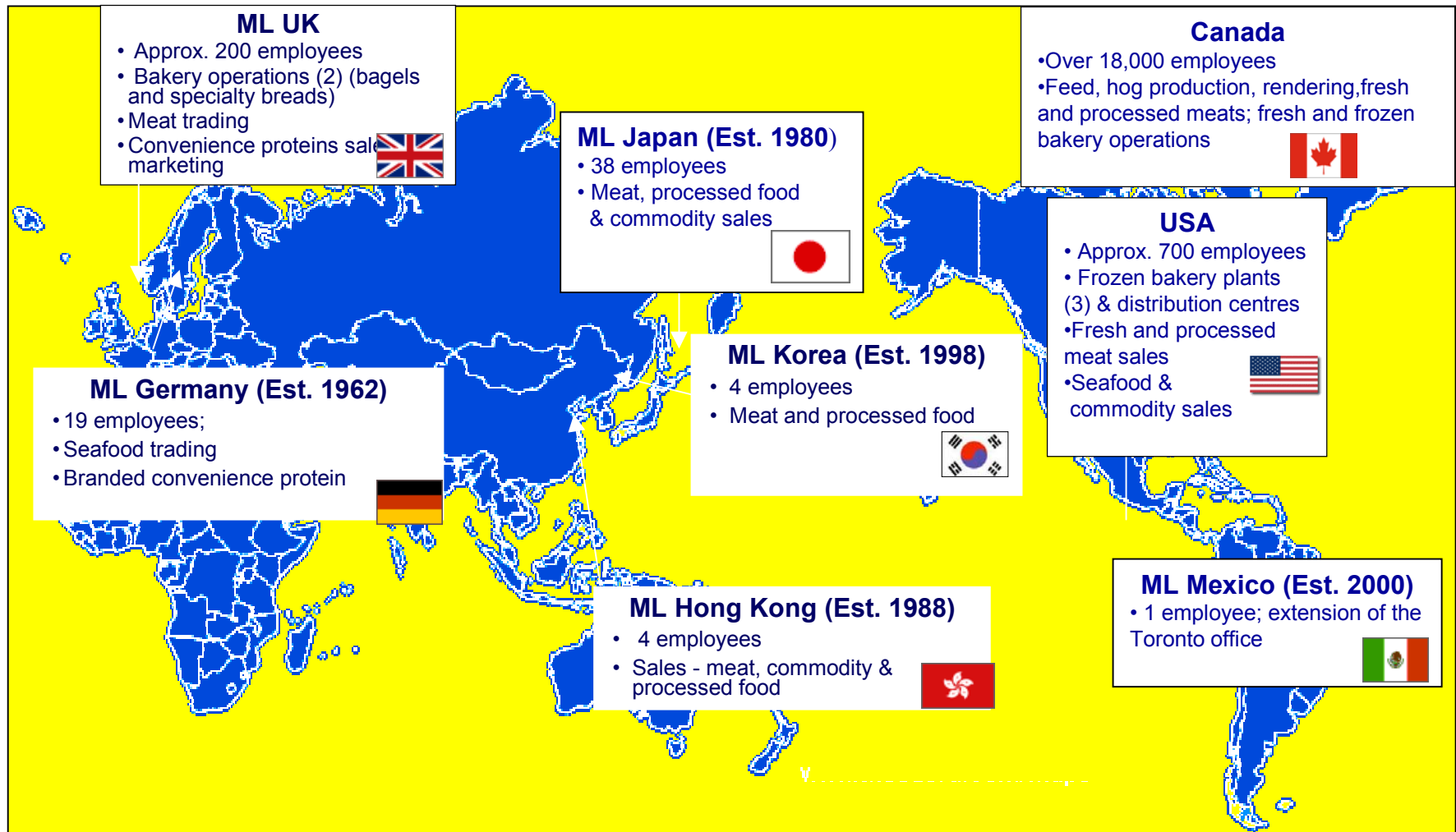


<sup>(1)</sup> Before restructuring costs



# Maple Leaf Foods

## *International Operations*





# Building Long Term Shareholder Value





# Agenda

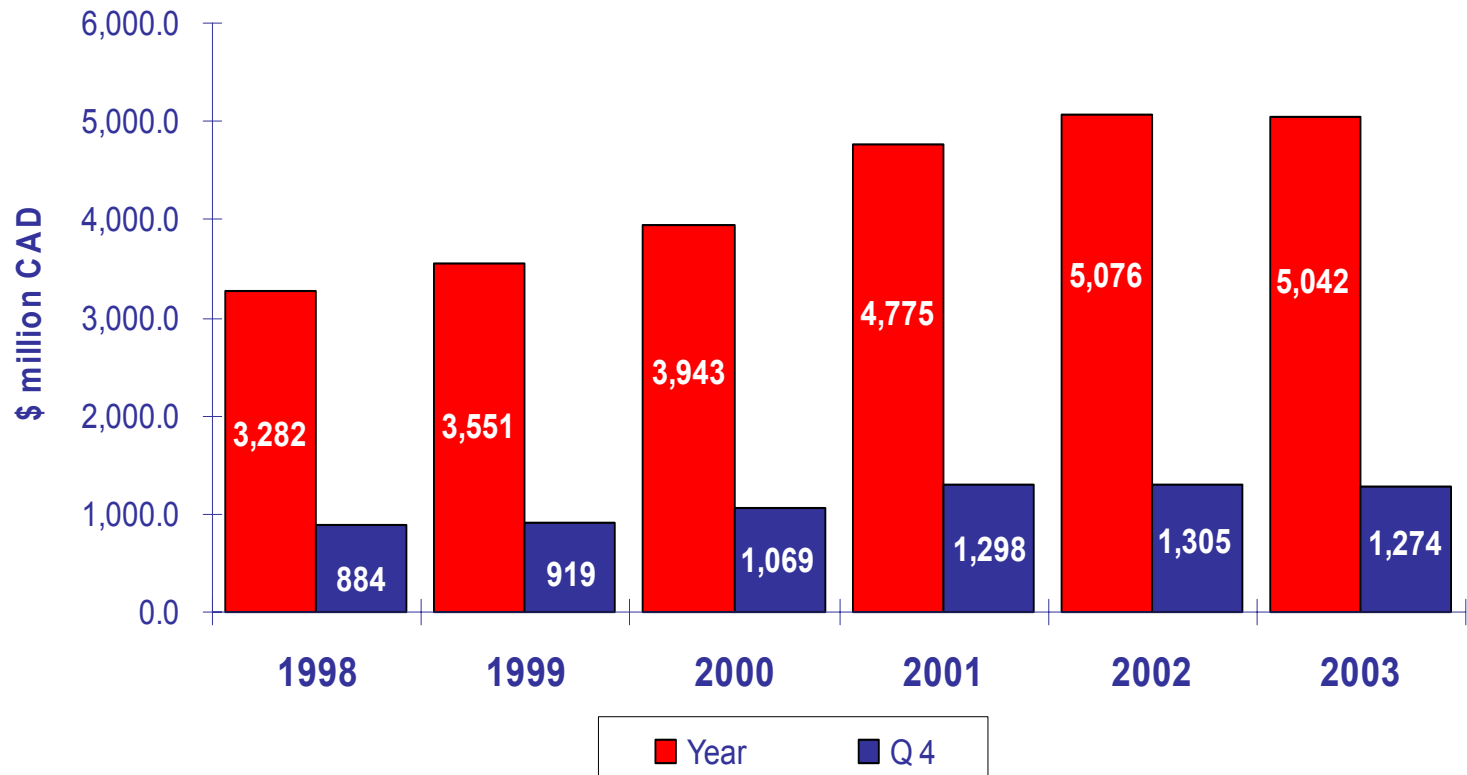
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# Annual and Fourth Quarter Sales





# Annual and Fourth Quarter Operating Earnings <sup>(1)</sup>

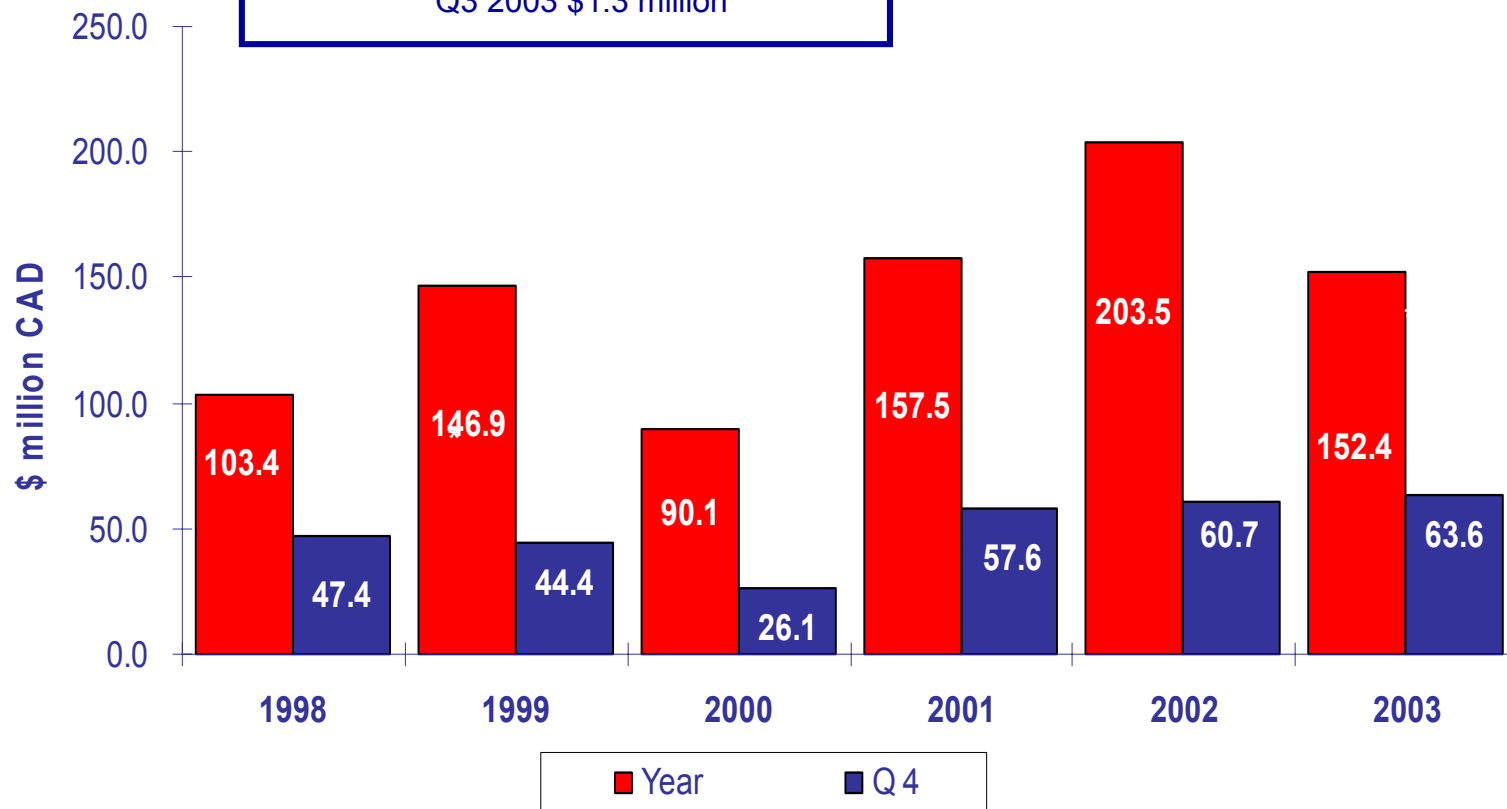
Pension wind-up gain included in results:

Q4 2002 \$8.6 million

Q1 2003 \$4.7 million

Q2 2003 \$3.5 million

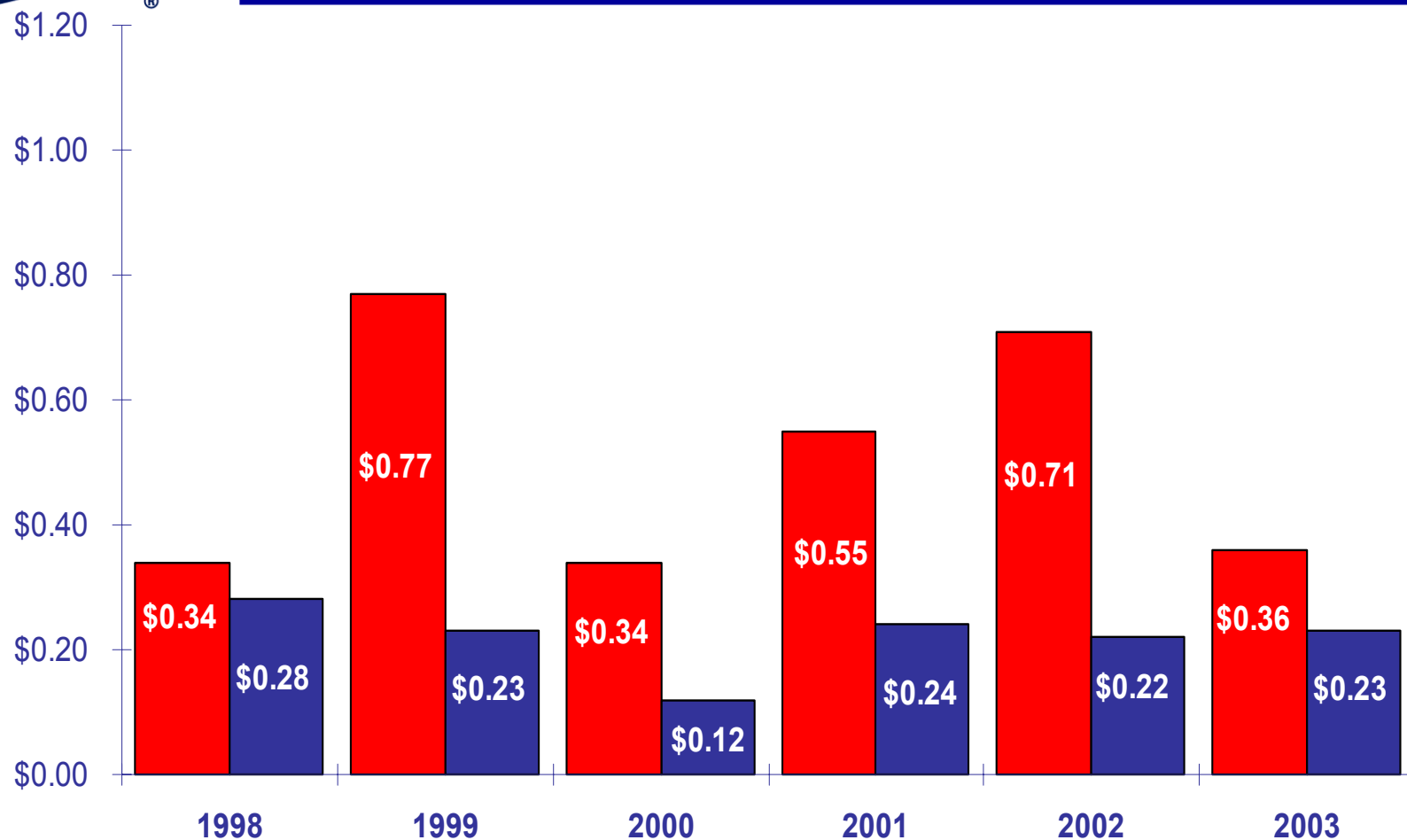
Q3 2003 \$1.3 million



<sup>(1)</sup> Before restructuring costs



# Annual and Fourth Quarter Net Income & EPS <sup>(1)</sup>



<sup>(1)</sup> Before restructuring costs

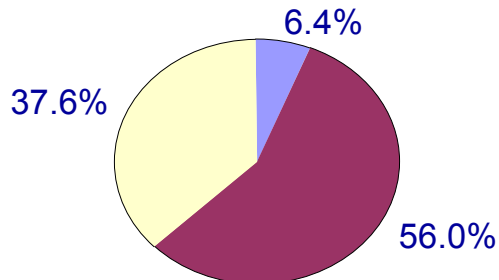
■ Year ■ Q 4



# A Snapshot

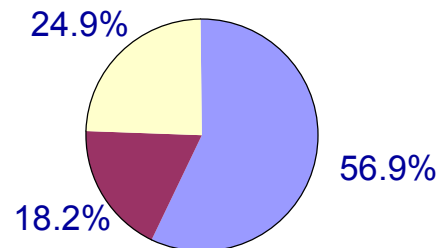
## 2003 Operating Results by Business

**OPERATING INCOME BY GROUP**



Meat Agribusiness Bakery

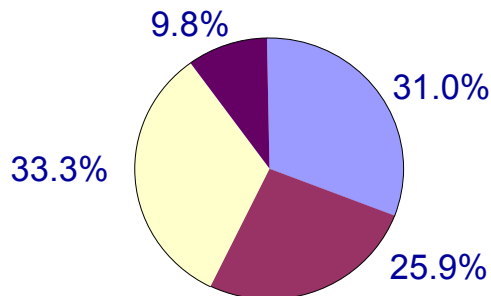
**TOTAL SALES BY GROUP**



Domestic sales - 64.8%; International - 35.2%

Meat Agribusiness Bakery

**TOTAL ASSETS BY GROUP**



Meat Agribusiness Bakery Not Allocated



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# Headline News

## *Fourth Quarter 2003*

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- Operating earnings up 22% compared to Q4/02
- Protein Value Chain operating earnings up 43%, supported primarily by improved ancillary feed operations, increased poultry margins, and product innovation
- Agribusiness operations performed well but were impacted by challenges that affect all Canadian hog producers
- Bakery operating earnings down 18% due to integration costs in Atlantic Canada fresh bakery operations
- Increased par-baked bread sales and margins
- Continued negative impact of high Canadian dollar



# Protein Value Chain Operations

*43% improvement in Q4 operating earnings*

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## Meat Products Group:

- **Sales declined due to a reduction in hogs processed**
  - Processed 1.5MM hogs in Q4 and 6.3MM in 2003 compared to 1.7 MM hogs in Q4 and 6.3MM hogs in 2002
- **Operating earnings improved significantly**
  - Improved supply and demand balance strengthened poultry processor margins
  - Strong growth of *Maple Leaf Medallion Naturally* pork and *Maple Leaf Prime Naturally* chicken
  - Sales of *Maple Leaf Fully Cooked Roasts* significantly outperformed expectations
  - Improvement at Moncton meat processing plant
- **USDA pork processor margins improving, but down 27% from last year** (\$7.02/CWT compared to \$9.64/CWT in Q4 last year)
- **Japanese market down compared to Q4/02**
  - Some improvement late in the fourth quarter



# Protein Value Chain Operations

*...cont'd*

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## Agribusiness Group:

### ■ Operating earnings increased in Q4/03

- Good animal nutrition performance (dairy and poultry feed)
- Poultry quota sales
- Significant increase in pet food sales and profits
- Rendering operations increased profitability despite BSE impact

### ■ Hog production business impacted by high Canadian dollar and higher feed costs compared to the US

- Resulted in approximately \$25 decline in Canadian hog prices, which are linked to US prices
- Maple Leaf is affected by our effective hog ownership (currently approximately 28%) and through our producer contracts
- We are realigning contracts to factor in exchange rate, reflecting changes as contracts roll over, and working with producers to improve operating efficiencies and reduce costs

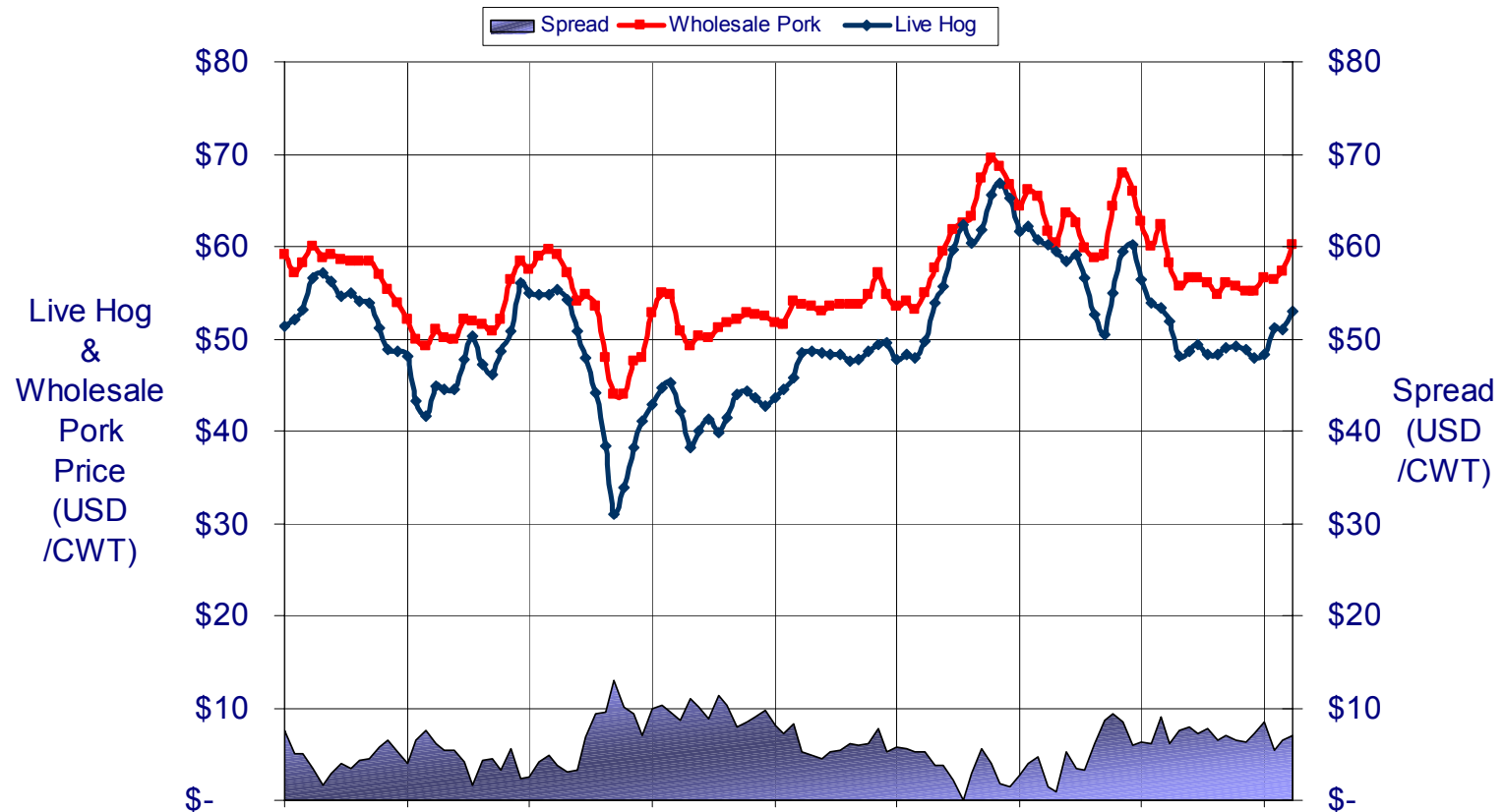




# USDA Pork Processor Margins

*...down 27% from Q4/02 but improving*

Live Hog versus Wholesale Pork Price



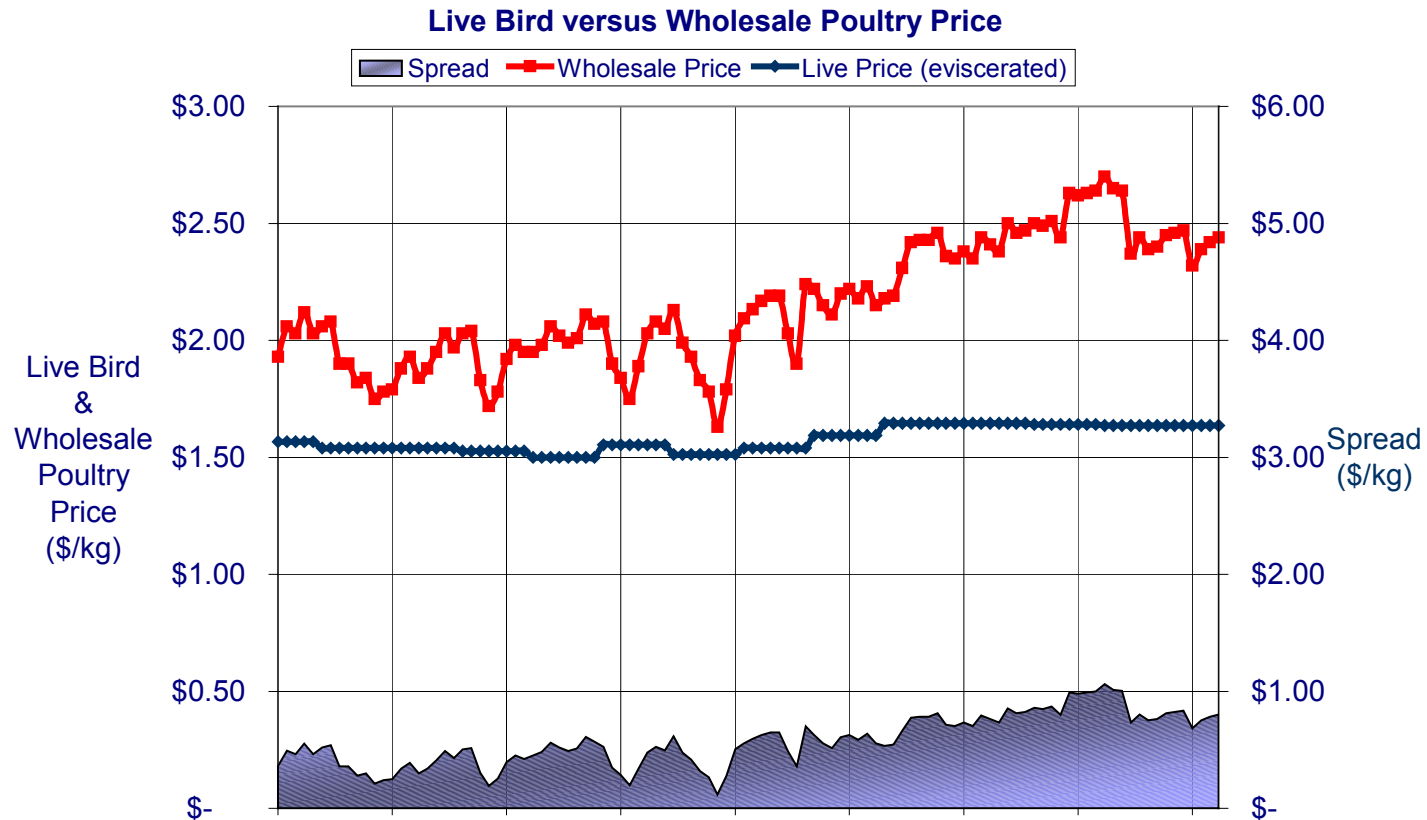
	Q1-02	Q2-02	Q3-02	Q4-02	Q1-03	Q2-03	Q3-03	Q4-03
<b>Wholesale Pork</b>	\$ 57.84	\$ 51.94	\$ 52.79	\$ 51.98	\$ 53.75	\$ 60.98	\$ 63.07	\$ 57.28
<b>Live Hog</b>	\$ 53.28	\$ 47.22	\$ 46.11	\$ 42.34	\$ 47.59	\$ 57.33	\$ 58.14	\$ 50.74
<b>Spread</b>	\$ 4.56	\$ 4.73	\$ 6.69	\$ 9.64	\$ 6.16	\$ 3.65	\$ 4.93	\$ 7.02

Last update: Feb 1/04  
Effective date: Jan 21/04  
**Source: USDA**



# Improved Poultry Margins

*...as supply and demand comes into balance*



	Q1-02	Q2-02	Q3-02	Q4-02	Q1-03	Q2-03	Q3-03	Q4-03
<b>Wholesale Poultry</b>	\$1.95	\$1.90	\$2.00	\$1.90	\$2.13	\$2.30	\$ 2.46	\$ 2.53
<b>Live Bird (evisc.)</b>	\$1.55	\$1.54	\$1.51	\$1.53	\$1.56	\$1.63	\$ 1.64	\$ 1.64
<b>Spread</b>	<b>\$0.40</b>	<b>\$0.36</b>	<b>\$0.49</b>	<b>\$0.37</b>	<b>\$0.57</b>	<b>\$0.67</b>	<b>\$ 0.81</b>	<b>\$0.89</b>

Last update: Feb 1/04  
Effective date: Jan 21/04  
Source: Robert Shapiro Consulting

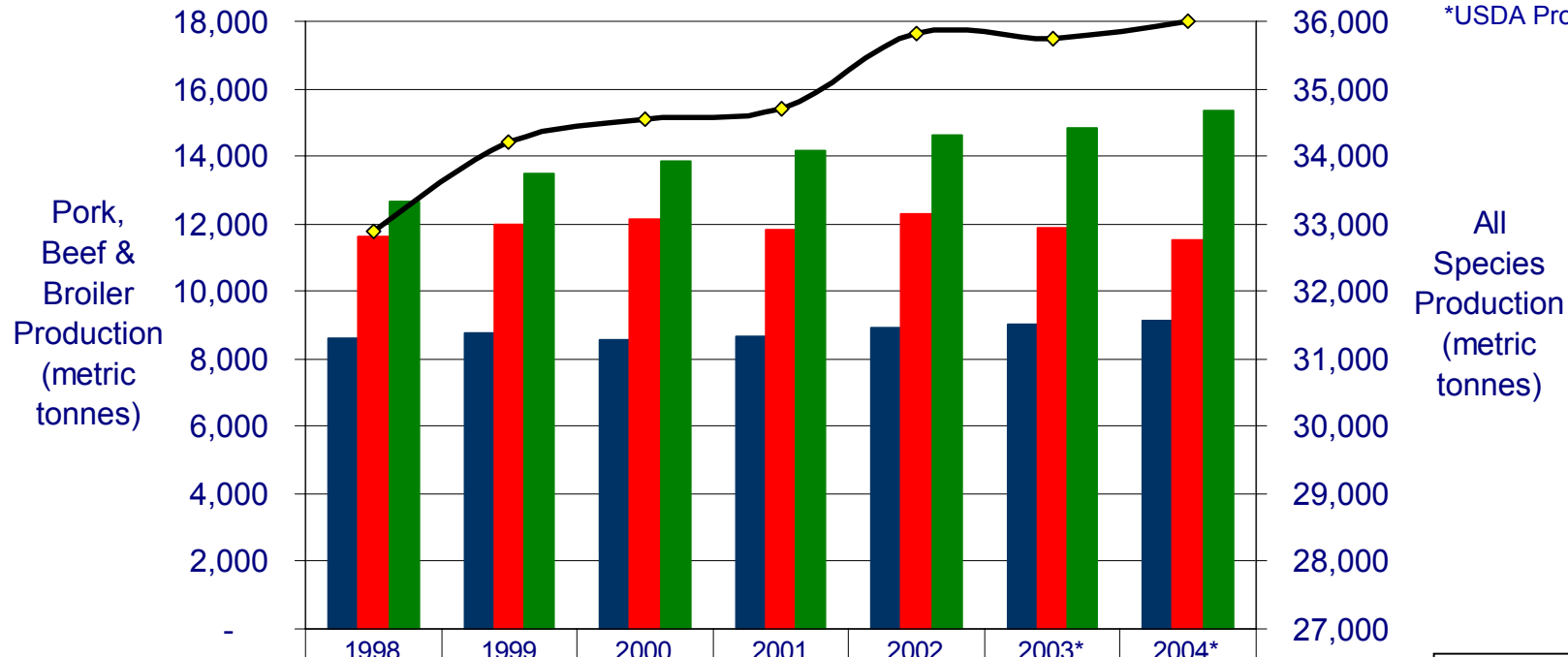


# US Meat Production Down Slightly

*...due to decline in beef production*

**Annual US Commercial Pork, Beef and Chicken Production  
(metric tonnes)**

Last update: Feb 1/04  
Source: USDA  
\*USDA Projections



	1998	1999	2000	2001	2002	2003*	2004*
Pork	8,609	8,744	8,578	8,680	8,920	9,031	9,106
Beef	11,636	11,970	12,146	11,840	12,287	11,900	11,510
Chicken	12,639	13,490	13,833	14,183	14,621	14,816	15,379
Total all species	32,884	34,205	34,557	34,703	35,829	35,746	35,995
% of PY		104.0%	101.0%	100.4%	103.2%	99.8%	100.7%

02-03 YOY % change	
Pork	1.3%
Beef	(3.1%)
Chicken	1.3%
Total	(0.2%)



# **Bakery Products Operations**

## *...18% decline in Q4 Operating Earnings*

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- **Earnings decline due to costs associated with integrating Atlantic bakery operations**
  - Closed bakery and consolidated distribution routes
  - Restructuring expected to be completed by the end of Q1/04
- **Quebec operations fully recovered from labour disruption, and increased market share in Q4**
- **Par-bake sales improved from Q4 last year, supported by contribution from new retail and food service accounts**
- **UK capacity expansions driving increased bagel sales and new product lines such as hand held snacks**



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# Growth Drivers

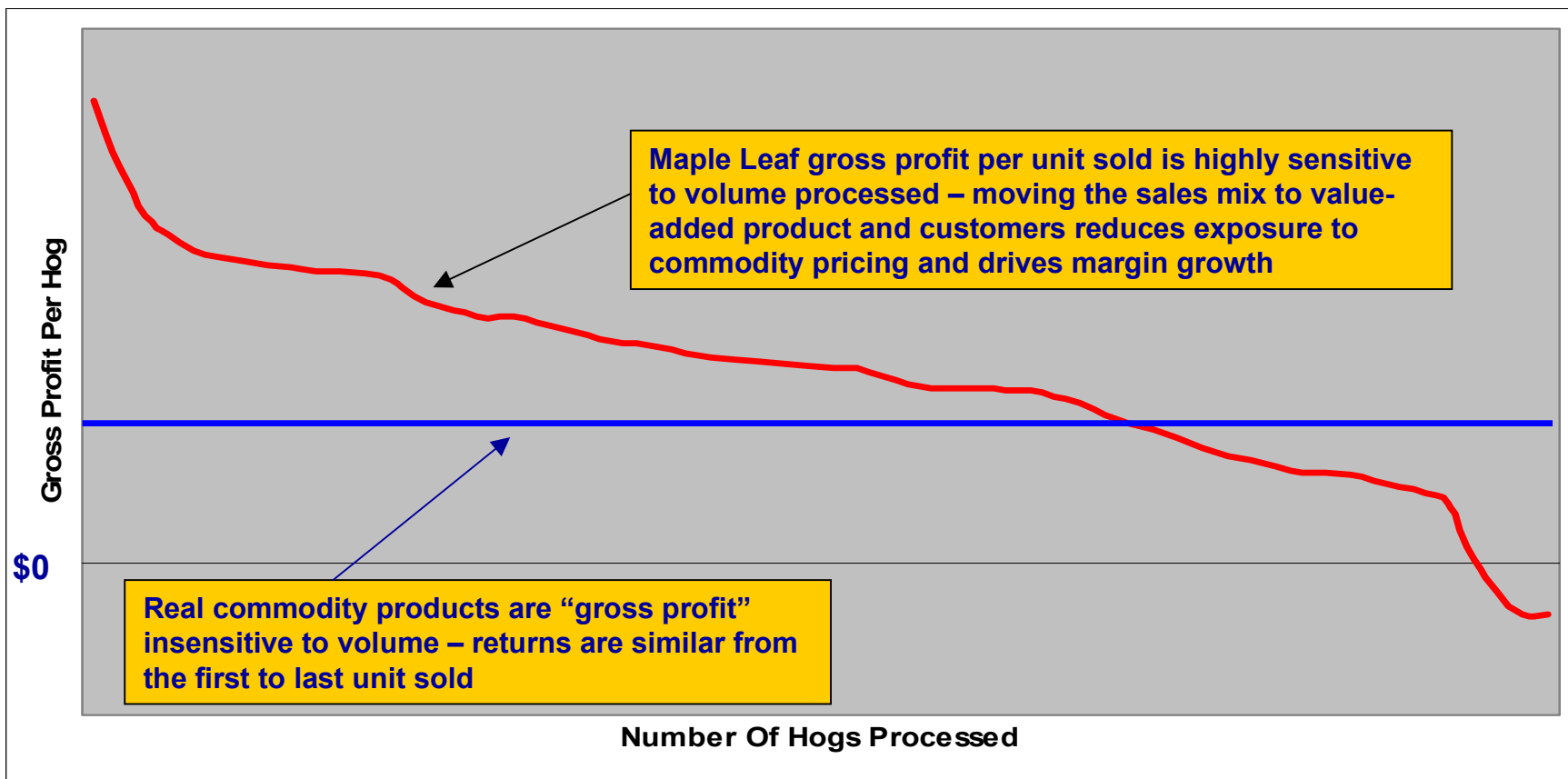
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- **Build our value-added sales mix in our fresh pork operations**
- **Balance our portfolio of fresh and further processed meat and grocery products**
- **Build brand equity and a strong competitive advantage through leadership in food safety**
- **Increase market for premium bakery products through product innovation**



# Build Our Value-Added Sales Mix

## *Fresh Pork Operations*





# Balancing Our Portfolio

## *New Product Innovation*

### *Maple Leaf Fully Cooked Roasts*

- Launched in August 2003 and already the national category leader in the fast growing market for premium meal solutions
- Significantly outperformed expectations
- Adding new capacity in response to strong customer demand
- Two new products coming in March with more in 2004







# Balancing Our Portfolio

## *Schneider Foods Acquisition*

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- Signed agreement to acquire Schneider Foods in September 2003
- Will balance Maple Leaf's fresh and further processed meats operations and provide greater earnings stability
- Competition Bureau is reviewing transaction
- Anticipate the transaction will close by the end of Q1 2004



# Food Safety Leadership

## *Differentiating the Maple Leaf Brand*

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### ■ **Maple Leaf is ahead of the food safety curve**

- *Maple Leaf Prime Naturally* and *Medallion Naturally* all vegetable grain fed poultry and pork are national brand leaders
- Maple Leaf 40 Step Food Safety Audits exceed regulatory standards
- No use of growth promotants or chemicals in pork a significant point of difference in global markets

### ■ **The Maple Leaf brand is based on food safety assurance**

- Maple Leaf - ***We Take Care<sup>TM</sup>***

### ■ **Maple Leaf recently announced DNA based traceability program for pork, believed to be the first of its kind worldwide**

- Using DNA, “Nature’s Bar Code”, we can trace products from the consumer to the farm of origin
- Commence sampling this spring and deliver fully traceable product to Japanese customers in Q4
- Available in the North American market by mid-2005



# Growth in Premium Bakery Market

## *New Product Innovation*

- **Launched Dempster's *Carb Wise*<sup>™</sup> and *Healthy Way Carb Conscious*<sup>™</sup> bread products**
  - Canada Bread has not experienced a sales decline due to low-carb diets, due to our strong position in whole grains category
  - Third party market data shows Canadian grain bread sales have jumped 6% in 2003, while white bread sales have declined 1%
- **Launched *POM* and *Bon Matin* organic grain product lines in Quebec**
  - Bon Matin and POM brands are leaders in Quebec market
- **Significant new par-baked retail and foodservice accounts contribute to market growth**
  - Customized premium par-baked products provide large customers a significant point of difference





## Summary

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- Improvement in global protein markets expected in 2004
- Strong growth driven by value-added branded products and new product innovation
- Addressing internal challenges that impacted 2003 earnings
- Transformational opportunity with Schneiders acquisition to balance fresh and further-processed meats portfolio
- Leadership in food safety innovation and brand position
- Heading into 2004 with confidence



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