Message to Shareholders

This was a "show me" year for Maple Leaf Foods.

In 2010, we launched our value creation plan with a very strong commitment that we would significantly increase earnings now and over the next several years. We're very pleased to report that we are making excellent progress.

- Delivered over $1.00 adjusted earnings per share, the first time in our history
- Compound annual growth rate in EBT of 44% since 2008
- Double-digit adjusted earnings per share growth over the past three years

This progress was achieved in the face of rising food costs and an uncertain economy. In North America, food costs rose approximately 3% over last year. Consumers ranked concern over rising food costs second only to high gas costs in a 2011 Nielsen survey. The clear winner was the discount grocery channel, which increased sales by 3% at the expense of other banners.

We managed this challenging market environment with great merchandising and promotions, increasing our penetration into discount channels and launching new product innovation. The result was an increase in market share across our core prepared meats categories (bacon, wieners and sliced meats) for our flagship Maple Leaf® and Schneiders® brands and in our U.K. bagel business.

2011 FINANCIAL HIGHLIGHTS

In 2011, Maple Leaf Foods grew adjusted operating earnings by 21%, despite a decline in our fourth quarter results, which reflected the near-term impact of high meat costs, weaker commodity markets and transitory duplicative overhead costs in our fresh bakery business due to network changes. For the year, wheat prices increased 45% from 2010, which escalated costs in our bakery business. Corn prices were up 59%, increasing the cost of livestock production and raw material costs in our prepared meats business. We managed this commodity inflation with price increases across our businesses. Volumes, however, declined for Maple Leaf and our peers in the short term, as higher prices resulted in tighter consumer spending.

Our adjusted earnings per share increased 40% to $1.01 – which was a record performance for Maple Leaf Foods. Since 2008 we have increased adjusted operating earnings by 102% and adjusted earnings per share by 250%. We are very satisfied with these results. While the share price did not track our increased earnings, we are confident that the market will recognize continued growth in our financial results and the value potential in our stock.

Progress on a number of priority projects moved our value creation plan forward in 2011 and delivered some early contributions to earnings. Most notably these included two early plant closures and ongoing changes to simplify our prepared meats product mix, which in turn reduced manufacturing costs.

We've also been active on other fronts – building a great culture that fosters success. In 2011, our innovative ThinkFOOD! Centre hosted close to 200 customer events, where we collaborated on new recipe, product development and merchandising ideas. We are living our commitment to becoming a global food safety leader. We were named one of the top 10 Marketers of the Year in 2011. We have been recognized as having one of Canada's leading corporate cultures. And we continue to build on our Maple Leaf Leadership Values as the foundation for everything we do.

EBITDA Margin Targets

	2010	2011	2012	2015
Protein EBITDA	6.6%	7.8%	8.5%	12.5%
Bakery EBITDA	9.3%	8.7%	11.5%	12.5%
Total EBITDA	7.2%	8.0%	9.5%	12.5%

We are targeting a 15% to 25% reduction in costs in our prepared meats network over the next three years.

Summary Financial Highlights

	2011	2010
Sales	**$ 4,893.6M**	$ 4,968.1M
Return on net assets ("RONA")	**10.0%**	8.6%
Adjusted operating earnings	**$ 259.0M**	$ 214.5M
Adjusted earnings per share	**$ 1.01**	$ 0.73
Operating cash flow from continuing operations	**$ 244.8M**	$ 285.2M
Capital expenditures	**$ 229.2M**	$ 162.3M
Debt to EBITDA ratio	**2.5×**	2.5×
Share price performance relative to S&P Food Index	**(19.0)%**	(16.4)%

WHAT'S AHEAD IN 2012

This is a year of significant momentum as we move ahead with a number of strategic initiatives. By the end of 2012, we plan to hit our first EBITDA margin target of 9.5%. The big hitters behind this improvement are our ongoing product simplification activities, the benefit of early prepared meats plant closures, pricing, and continued improvements in the base business.

By the end of the year, we will have largely completed the expansions to our prepared meats plants in Winnipeg and Saskatoon, and commenced volume transition from other facilities. We'll have closed two of our three smaller Ontario bakeries, consolidating volume into our new scale bakery. SAP will be implemented across our prepared meats and rendering businesses. Construction of our new prepared meats plant in Hamilton, Ontario will commence mid-year and is scheduled for completion in mid-2013. We also expect to deliver higher levels of growth across our consumer-facing businesses.

These complex change initiatives are not without risk. We have identified potential threats or variables and developed mitigation strategies for each one. We have established a disciplined project management process and structure to guide these multiple initiatives. This includes detailed planning and resource mapping to ensure we have the right people, with the right skills, leading and managing these projects. We are benefiting deeply from the experience gained from the transformation of our fresh pork business, the expansion of the Brandon, Manitoba pork plant and the construction and commissioning of our new Hamilton bakery – all well executed on time and on budget.

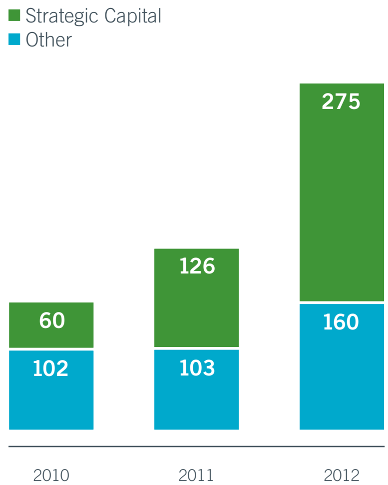
Over the next three years, we will be significantly increasing our capital investments, especially in our prepared meats business, to establish scale efficiencies and deliver margin growth. We expect to spend approximately $435 million in 2012, primarily to support the expansion of three facilities and commence construction of our new prepared meats facility in Hamilton. The other significant expense is continuing with our SAP implementation. Base capital spending is expected to be approximately $160 million in 2012.

We have rigorous financial disciplines, reflected in a strong balance sheet and lending agreements. In May, the Company entered into a new four-year $800.0 million committed revolving credit facility with a syndicate of Canadian, U.S. and international institutions to replace an $870.0 million revolving credit facility that was due to mature. The new facility is unsecured and bears interest based on short-term interest rates. The financing, which matures on May 16, 2015, results in a weighted average term of the Company's debt of 4.9 years.

Phasing of Capital

(In millions of Canadian dollars)

Significant capital investment in 2012 will support facility expansion, construction and consolidation, as well as SAP implementation.



MAJOR MILESTONES ACHIEVED IN 2011

- Expanded margins in our Meat Products Group
- Commissioned our new scale fresh bakery on time and on budget
- Launched a detailed plan to achieve scale efficiencies in our prepared meats network
- Executed the early closure of two prepared meats plants
- Improved results in our U.K. bakery business
- Reduced costs by standardizing over 1,000 prepared meats products
- Successfully completed 19 SAP implementations
- Increased prepared meats market share through new product innovation
- Gained market share in both the Maple Leaf® and Schneiders® brands

We are committed to maintaining a strong balance through this period of major capital investment. These costs will be funded through existing cash flow with no new equity required. Management's target is to maintain a debt to EBITDA ratio of 3.0x or lower. As at December 31, 2011 this ratio was 2.5x.

While top-line growth is not factored into our near- and long-term margin targets, it is the foundation for the healthy long-term growth of our Company. We need to drive higher levels of organic growth, and that means placing greater emphasis on strengthening our sales organization and investing in our brands, marketing and store displays and superb product innovation.

DELIVERING A STRONGER RETURN TO SHAREHOLDERS

Delivering higher levels of profitability is directly tied to establishing a highly efficient, low cost supply chain. We are targeting a reduction in costs in our prepared meats business of 15% to 25% over the next three years. Therein lies the key to significant wealth generation and sustainable competitive advantage. We expect increased manufacturing and distribution efficiencies and other strategic initiatives to increase our EBITDA margins to 9.5% by 2012 and 12.5% by 2015. These targets are consistent with our large North American peers, who typically deliver EBITDA margins in the 10% to 15% range.

The path to achieve these goals is clear, and we are well along with execution. The immediate results are evident – reflected in our earnings improvement over the past three years.

Our people have worked tirelessly, with tenacity and conviction, to deliver extraordinary results. The fact that many plants will close to achieve what is necessary has been accepted with grace and professionalism. We are humbled by the pride and integrity that our people have in producing great food for their families and communities.

Our entire Management team is committed to achieving our value creation plan. In 2012, we further aligned our interests with shareholders by making incentive compensation for senior leaders 100% tied to delivering financial targets. That means delivering 75% margin growth by 2015.

LOOKING FORWARD

Maple Leaf has all the ingredients to be a GREAT food company. We have strong brands and market shares – we are the market leader in virtually all of our businesses. These are foundational elements for any great food company and the basis for our long-term growth.

We are very confident in our ability to create significant value for shareholders. We have a clear, achievable plan that is delivering and will continue to deliver results. The culmination of our efforts will be a significantly more profitable and competitive company.

Our Management team collectively owns over 34% of the shares of Maple Leaf – a big stake in this Company. Our interest, like yours, is to see this confidence rewarded in the near and longer term.

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