



# Maple Leaf Foods Investor Presentation

**Fourth Quarter and Year Ended Dec. 31, 2006**

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 Maple Leaf's 2006 Annual Consolidated Financial Statements and other public filings for a description of operations and factors that could impact the Company's financial results.



# A Challenging Year - A Strategic Transformation

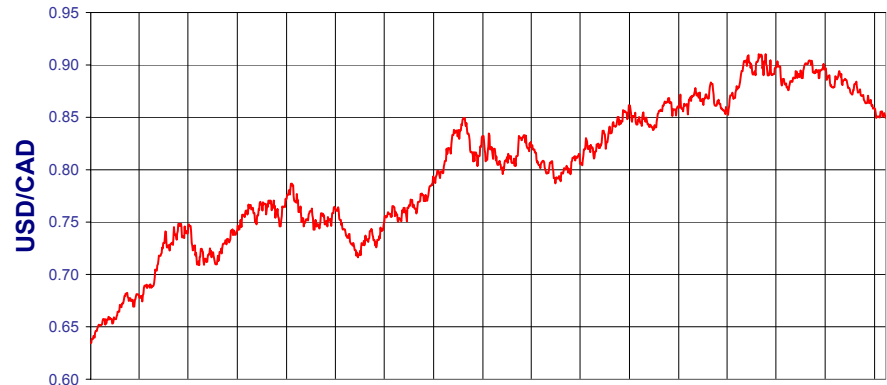
- ⌘ **2006 overall was a challenging year**
  - ↗ Excellent performance in our value added meats and fresh bakery businesses
  - ↗ Difficult results in businesses impacted by currency, protein markets and energy costs
  
- ⌘ **Some improvement in underlying conditions resulted in higher earnings in the fourth quarter**
  - ↗ Results still not nearly reflective of our earnings potential
  
- ⌘ **We have launched a strategic transformation of our protein business to improve margins and step-change earnings growth**
  - ↗ Reduce exposure to currency and commodity markets through downsizing fresh pork operations and restructuring our hog production operations to align with the value added meats and meals business
  
- ⌘ **New strategy will deliver sustainable business changes**
  - ↗ Lower volatility
  - ↗ Less exposure to currency and commodity markets
  - ↗ Higher sustainable earnings
  - ↗ Improvement in base earnings potential in excess of \$100 million annually
  - ↗ On track to complete by the end of 2009



# Ongoing Earnings Pressure from Strong CDN\$

## USD/CDN – increased 33% since 2003

- CDN\$ gained 3% in Q4/06; up 7% in 2006
- Marginal impact in Q4 2006 but cumulative increase continues to affect relative competitiveness in the fresh pork and hog production businesses



CAD/USD

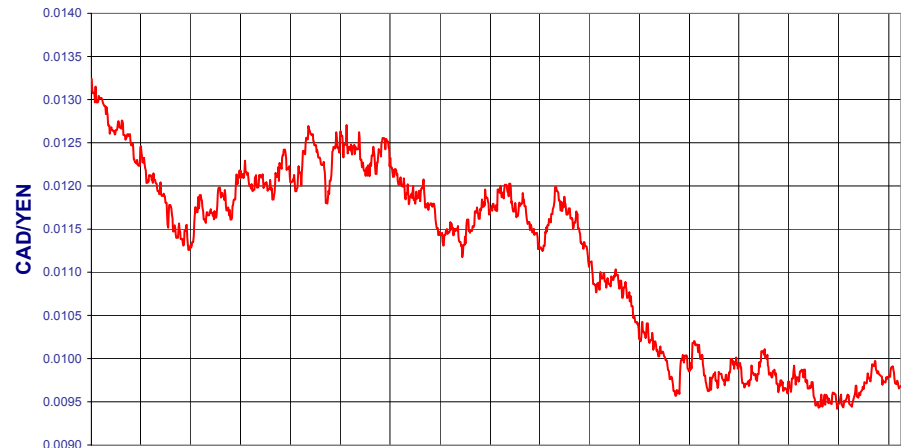
Average QTR Price	Q1-03	Q2-03	Q3-03	Q4-03	Q1-04	Q2-04	Q3-04	Q4-04	Q1-05	Q2-05	Q3-05	Q4-05	Q1-06	Q2-06	Q3-06	Q4-06	Q1-07 (QTD)
Close Price	1.511	1.398	1.379	1.316	1.318	1.359	1.307	1.220	1.226	1.244	1.203	1.174	1.155	1.123	1.124	1.139	1.173
Close Price	1.469	1.354	1.349	1.297	1.310	1.337	1.260	1.202	1.210	1.227	1.161	1.162	1.167	1.114	1.117	1.165	1.178

Source: Bloomberg

Effective Date: Jan 22, 2007

## CAD/YEN - YEN declined 24% since 2003

- Down 3% in Q4/06; 11% in 2006 against CDN\$
- Small impact in Q4 but aggregate change has significantly impacted profitability of pork exports and challenged global competitiveness



YEN/CAD

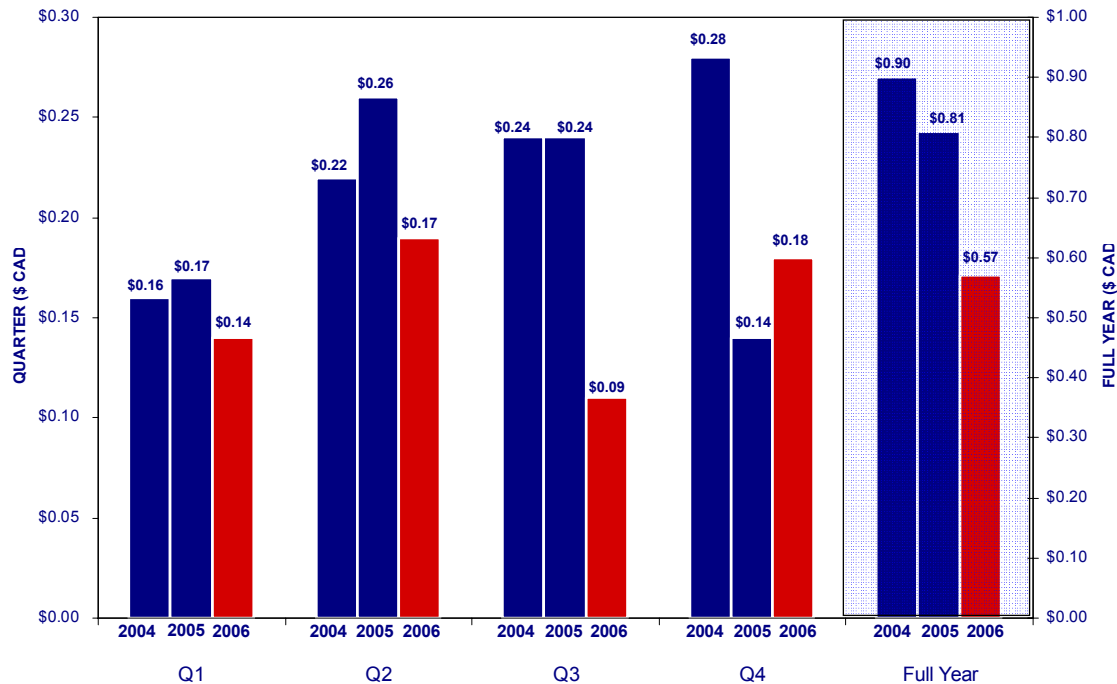
Average QTR Price	Q1-03	Q2-03	Q3-03	Q4-03	Q1-04	Q2-04	Q3-04	Q4-04	Q1-05	Q2-05	Q3-05	Q4-05	Q1-06	Q2-06	Q3-06	Q4-06	Q1-07 (QTD)
Close Price	78.78	84.90	85.10	82.69	81.43	80.73	84.08	86.64	85.23	86.47	92.50	99.90	101.27	101.97	103.69	103.40	102.28
Close Price	80.35	88.72	82.70	83.04	79.51	81.79	87.26	85.31	88.60	90.40	97.79	101.49	100.76	102.75	105.69	102.18	103.28

Source: Bloomberg

Effective Date: Jan. 22, 2007



# Modest Gain in Q4 EPS to \$0.18\*



⌘ Q4 EPS up 29% but compares to low base in Q4 last year

⌘ Full year EPS of \$0.57 down 30% from 2005

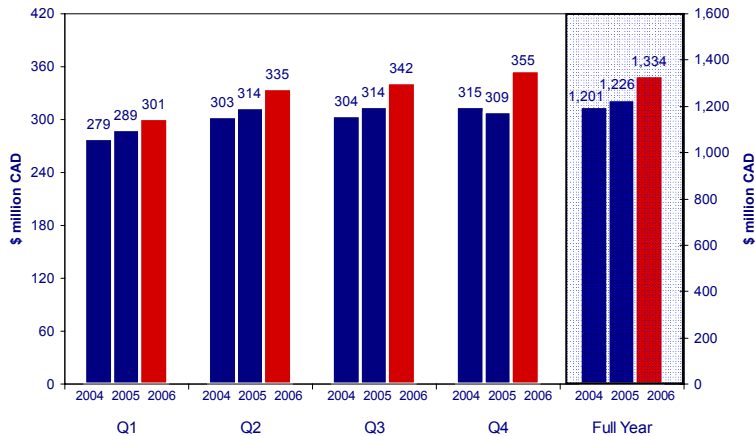
⌘ Well below earnings potential

\* Note: before restructuring and other related costs and non-recurring tax expense

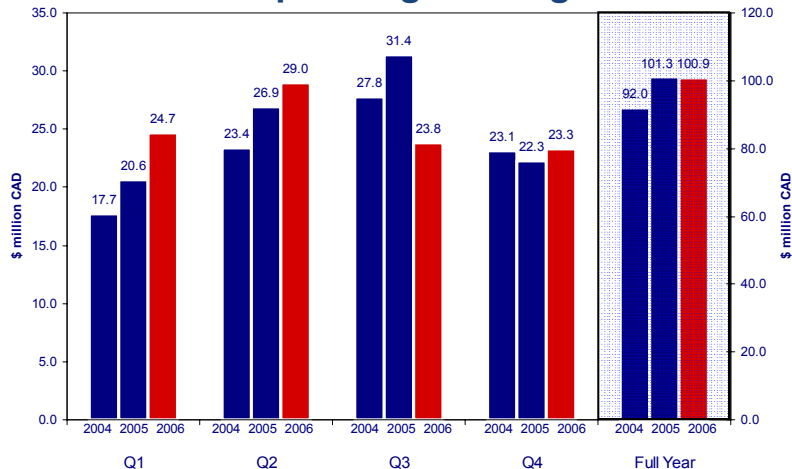


# Bakery Group Results

## Q4 Sales up 15%



## Q4 Operating Earnings

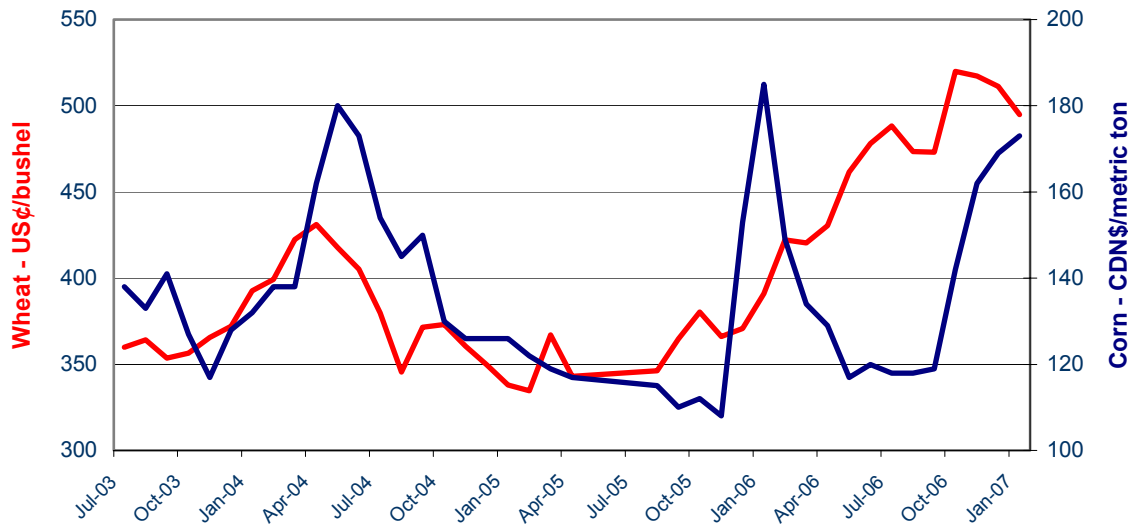


- ⌘ UK bakery acquisitions contributed to higher sales (7% of Q4 sales increase)
- ⌘ Earnings consistent with last year as higher fresh bakery earnings offset by lower US frozen results
- ⌘ Fresh bakery earnings driven by operating and sales mix improvements and price increases to offset flour and other cost increases
  - 2007 focus is on top line growth through innovation, new category expansion and continued cost reduction
- ⌘ Excellent performance in UK bakery, benefiting from strong bagel sales and one month of earnings from French Croissant Company acquisitions
- ⌘ Olivieri fresh pasta business earnings up due to higher sales of whole grain pasta and higher US sales
- ⌘ Despite higher volumes and some price increases, US frozen bakery profitability pressured by ongoing operational challenges and higher distribution and warehousing costs
  - Investment in additional warehousing capacity in 2007 will reduce warehousing and distribution costs



# Sharp Rise in Wheat and Corn Prices Pressured Bakery and Hog Production Earnings

Average Wheat & Corn Prices



Effective Date: Jan. 22, 2007

⌘ Growth in ethanol industry and poor international wheat crops drove corn and wheat prices higher in 2006

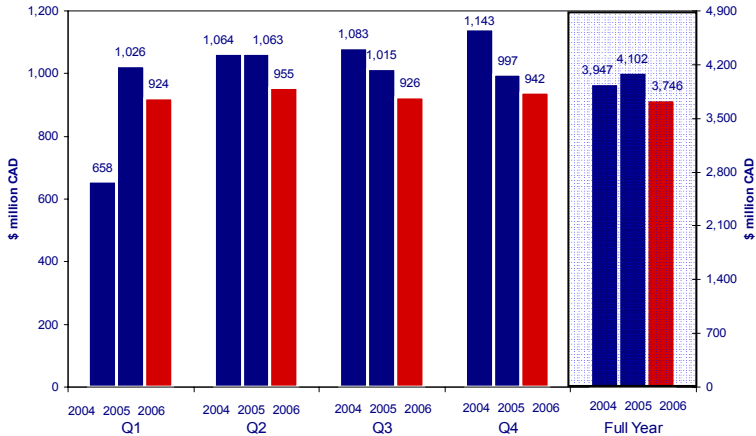
- 10 year high in wheat prices, up 39% in Q4 and 31% for the year
- Steep increase in corn prices up 27% in fourth quarter and 16% for the year

⌘ Recovering the effect this has on most food production depends on pricing action



# Meat Group Results

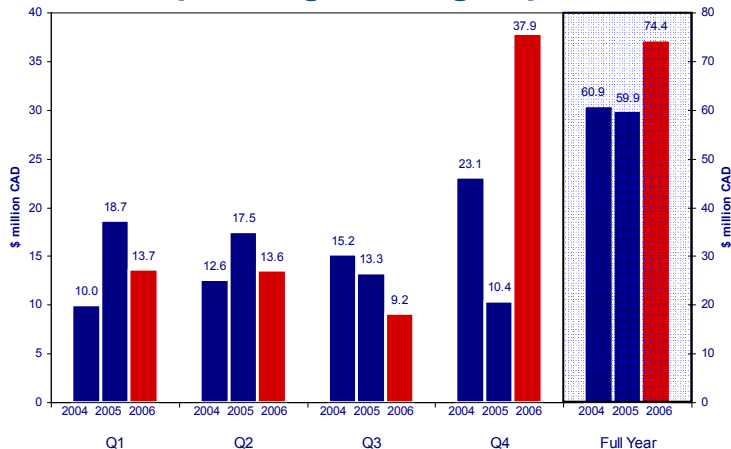
## Q4 Sales down 6%



⌘ Fourth quarter stronger compared to a low base last year

- The consumer foods value added meats and meals business earnings increased significantly through improved sales mix and price increases to offset higher input costs
- Fresh pork earnings improved despite decline in industry processor margins, resulting from lower manufacturing costs and improved customer mix
- Fresh poultry operations earnings increased, buoyed by improved industry poultry processor margins; some offset in higher meat costs to value added poultry operations
- Launched *Maple Leaf Simply Fresh* line of refrigerated meal entrees in early February, with strong early customer response

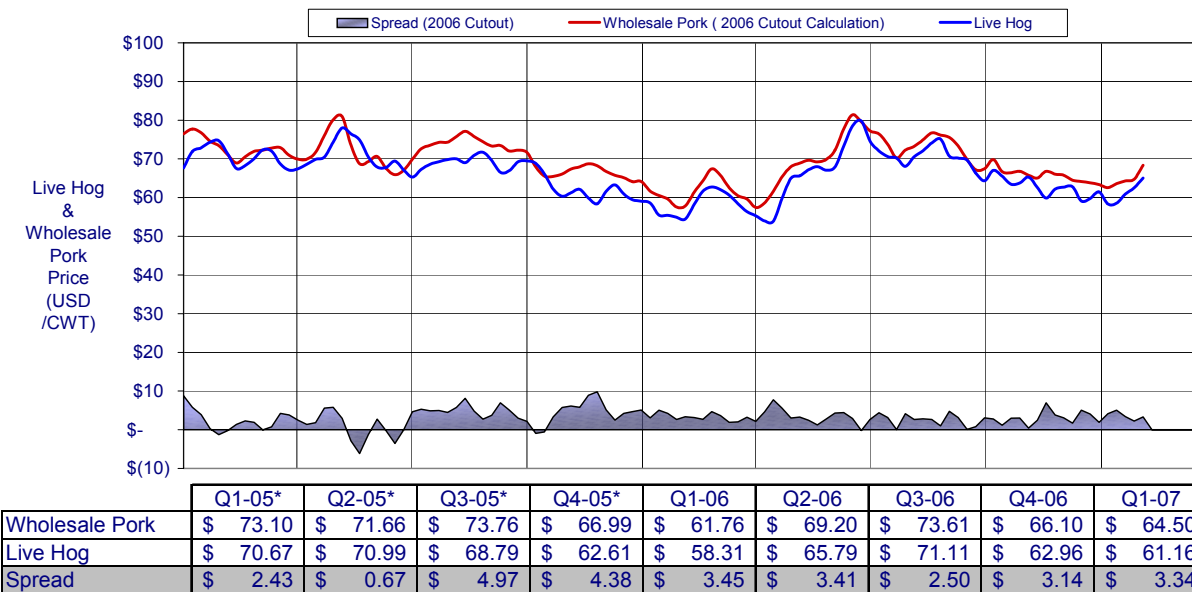
## Q4 Operating Earnings up 264%





# USDA Commodity Pork Processor Margins

Live Hog versus Wholesale Pork Price



⌘ Some decline in  
USDA pork processor  
margins compared to Q4/05

⌘ USDA margin  
decline not a  
significant factor  
influencing our pork  
operating results in the  
fourth quarter or year

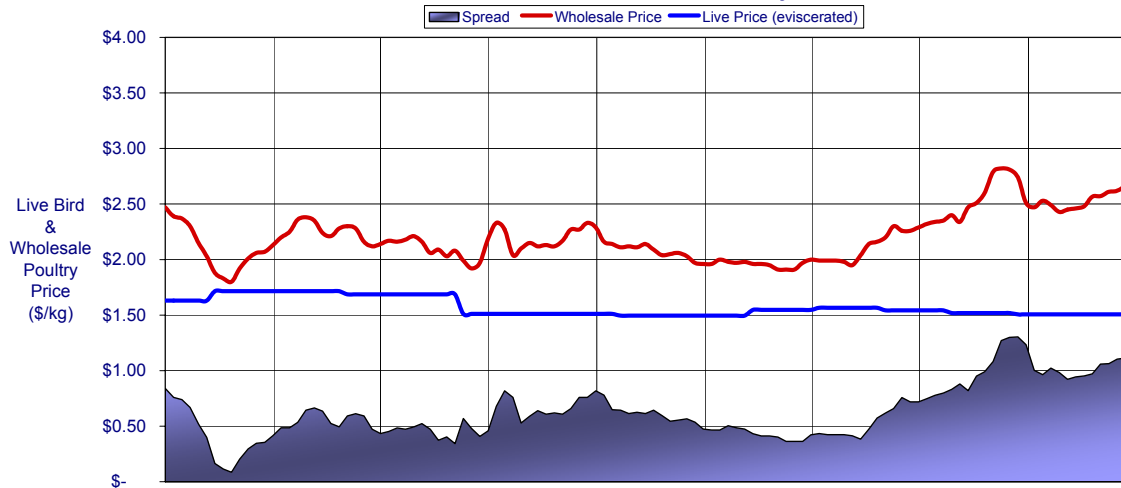
\*Historical Wholesale Pork values have been restated using January 1, 2006 USDA cutout calculation method.





# CDN Commodity Poultry Processor Margins

Live Bird versus Wholesale Poultry Price



⌘ Large increase in poultry processor margin in the fourth quarter

⌘ Significantly improved poultry operating earnings in Q4 and the back half of 2006

	Q4-04	Q1-05	Q2-05	Q3-05	Q4-05	Q1-06	Q2-06	Q3-06	Q4-06
Wholesale Poultry	\$ 2.10	\$ 2.25	\$ 2.09	\$ 2.20	\$ 2.08	\$ 1.96	\$ 2.12	\$ 2.54	\$ 2.56
Live Bird (evisc.)	\$ 1.68	\$ 1.70	\$ 1.63	\$ 1.51	\$ 1.50	\$ 1.53	\$ 1.56	\$ 1.13	\$ 1.12
Spread	\$ 0.42	\$ 0.55	\$ 0.46	\$ 0.69	\$ 0.58	\$ 0.43	\$ 0.56	\$ 1.41	\$ 1.44

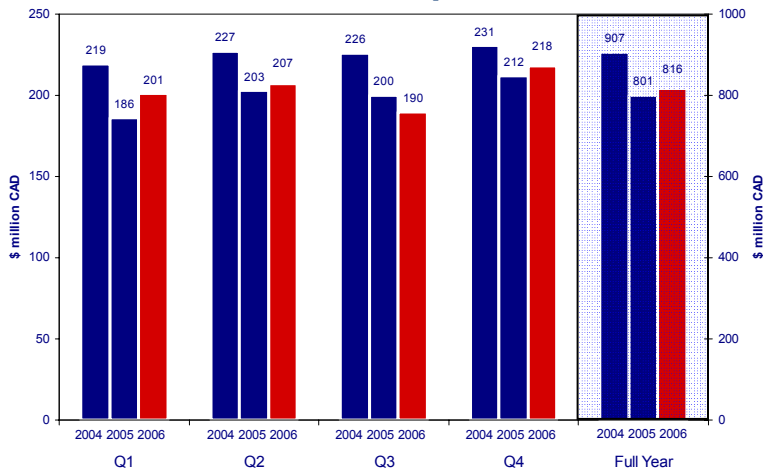
Source: AOCIP Indicator (Shapiro Consulting)

Effective date: Jan 12, 2007



# Agribusiness Group Results

## Q4 Sales up 2%



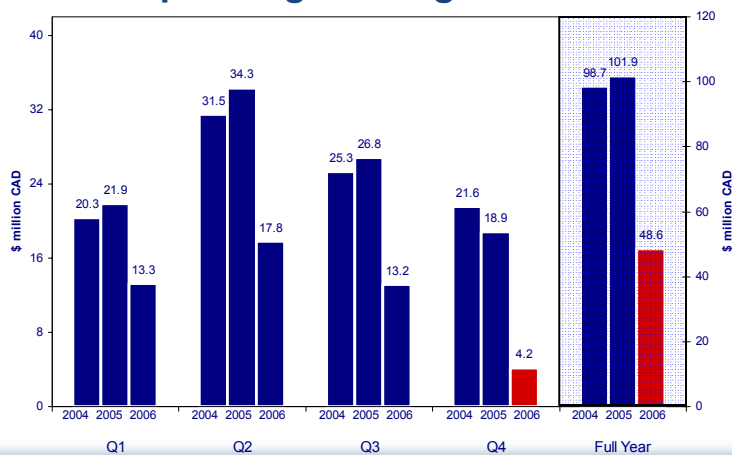
## ⌘ Q4 earnings declined 78% driven by lower hog production earnings

- Higher feed costs and some currency impact
- Restructuring underway to simplify hog production and reduce costs
- 20% effective hog ownership in fourth quarter

## ⌘ Earnings in the animal nutrition business lower in Q4 and 2006 due to short-term factors

- Lower hog feed volumes related to Maple Leaf hog production restructuring
- Transitional issues related to consolidating three mills in Atlantic Canada into one high efficiency mill

## Q4 Operating Earnings down 78%





# Protein Reorganization Update

- ⌘ **Detailed plans in place to deliver \$100 million in incremental annualized earnings through the reorganization by the end of 2009**
- ⌘ **In process of selling the animal nutrition business (15 feed mills and R&D facility)**
- ⌘ **Restructuring of Manitoba hog operations underway, expect to be completed by the end of 2007**
  - Increasing ownership in some barns, exiting others and concentrating hog production in close proximity to our Brandon pork processing plant
- ⌘ **Commencing upgrades to support second shift expansion at Brandon**
  - Expansion from current 45,000 hogs per week to 75,000 hogs per week in fourth quarter of 2007; ramp up to a full second shift by the end of 2009
  - Transitioning key valued added customers from Burlington plant to Brandon
- ⌘ **Sale or exit of non-core Global trading businesses completed by the end of February; ready to integrate into Consumer Foods organization**
- ⌘ **Announced closure of sub-scale Nova Scotia fresh poultry plant by end of April 2007; consolidating processing into Ontario**



# Restructuring Costs Overview

\$ 'millions	2006	Remaining	Total
Protein Value Chain Reorganization	50	50-100	100-150*
Other	15	25	40
<b>Total</b>	<b>65</b>	<b>75-125</b>	<b>140-190</b>

\* Estimates depend on outcome of sale or closure of certain facilities

## Q4 Restructuring Costs

⌘ Restructuring and other related costs of \$44.9 million (including cash of \$19.5 million)

- Protein reorganization \$29.8 million
- Bakery facilities closures \$5.5 million
- Poultry plant closure \$2.3 million
- Impairment of an investment \$7.3 million

## Revised Estimate of Protein Reorganization Restructuring Costs

⌘ Between \$100 million to \$150 million (previous estimate \$80 million - \$120 million)

- Including cash of \$35 million to \$50 million
- Range now includes all potential costs of closing facilities
- \$49.5 million of these estimated restructuring costs were recorded in 2006
- The balance will be recognized over the next three years

## Other Restructuring Costs

⌘ Estimated additional \$25 million will be recorded in 2007 (unrelated to Protein reorganization)

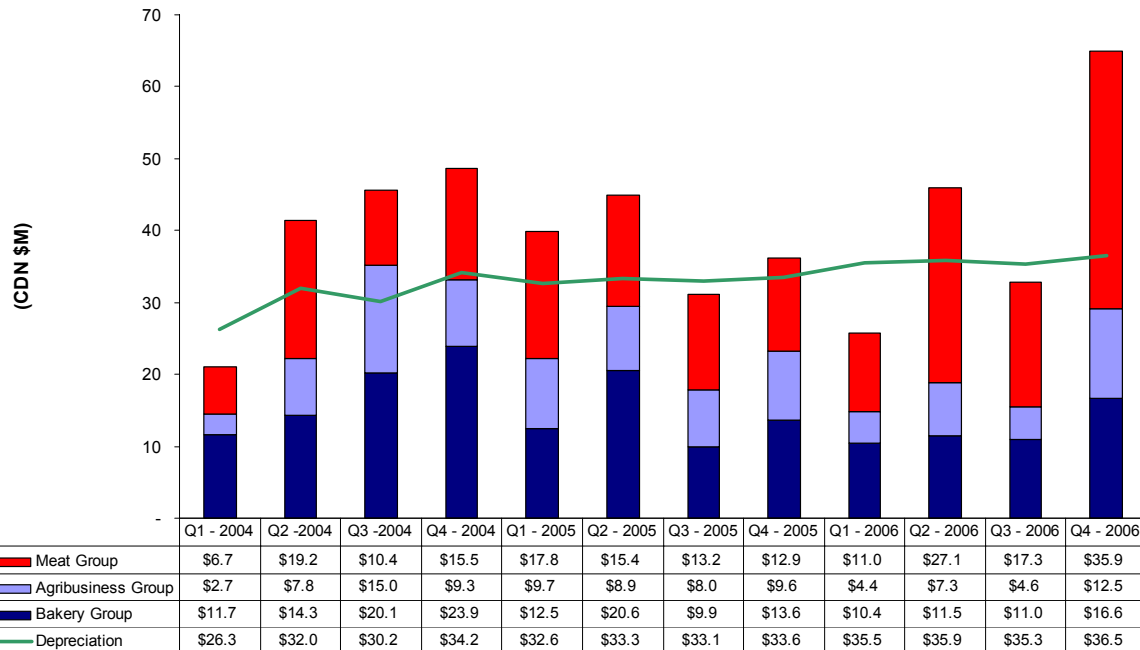


# Q4 and 2006 Financial Highlights

- ⌘ **Q4 Interest expense increased slightly to \$25 million (2005: \$24 million) and \$99 million for full year (2005: \$98 million), reflecting slightly higher short term interest rates**
  - At year end, interest rates on 77% of Company's indebtedness were fixed
- ⌘ **Q4 cash flow from operating activities was \$58 million, down from \$126 million last year due to lower net earnings and higher working capital investment; \$132 million in 2006**
- ⌘ **Q4 capital expenditures on plant and equipment increased to \$65 million from \$36 million last year; \$170 million in 2006**
  - Relocation of *Schneiders Lunchmate* manufacturing operations to a new facility
  - Investment in the new Brampton plant to support new product line expansion and future capacity



# Capital Expenditures



⌘ Increases in 2007 to support restructuring and innovation and capacity expansion

➤ Full year capital estimated at \$220 million

## ⌘ 2007 Projects

➤ Brandon 2<sup>nd</sup> shift kill

➤ Brampton meats and meals capacity

➤ New warehousing at Roanoke bakery

➤ UK bakery capacity expansions

➤ Relocation of Saskatoon value-added production



# Summary

- ⌘ **Value added meats and bakery businesses performed very well in Q4 and full year 2006**
- ⌘ **Earnings were offset by the currency exposed areas of our business, primary pork processing and hog production**
- ⌘ **We are addressing these challenges through a transformational reorganization of our protein value chain operations**
- ⌘ **Bakery businesses will increase earnings through top-line growth in fresh bakery, continued market growth in the UK, and recovery in the US frozen business**
- ⌘ **We have a clear achievable plan to significantly increase shareholder value by 2009**



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