

## GENERAL KEY POINTS

### BACKGROUND:

- Since 1995, our vision has been to be a significant and growing participant in the global protein value chain, producing fresh pork for the world within a vertically coordinated business model.
- At the time this model was developed, the cost of raising and processing a hog in Canada was globally competitive. Our organizational structure of separate but coordinated Independent Operating Companies (IOCs) was established to maximize profitability by allowing these businesses to participate in external commerce in their respective markets.
- Since then, currency changes have significantly impacted the competitiveness of the Canadian industry and eroded the profitability of Maple Leaf's protein value chain operations, particularly our hog production and fresh pork businesses.
- Aggressive actions by major industry players to increasingly integrate their meat operations from hog production through to value-added further processing have altered the competitive landscape and challenged the strategic foundation of the Company's vertical coordination business model.
- During the past five months, Maple Leaf has undertaken a detailed analysis of its protein value chain strategy in the context of currency and industry challenges to determine the best strategy to improve profitability and growth in the Company's protein business.

### THE PATH TO VALUE CREATION:

- Through this detailed assessment we have defined a strategy that goes far beyond addressing currency challenges to provide significant growth and value creation opportunities for Maple Leaf Foods.
- We will focus our growth in the value-added fresh and further processed meats and meals market. All other components of the protein value chain will be aligned to meet the needs and specifications of this business.
- We expect to substantially complete this reorganization and alignment to the new strategy and business model in three years.
- We will deliver the highest quality value-added pork and poultry products that meet the requirements of our retail, industrial and foodservice customers within a balanced and optimized model.

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- We will continue to grow our valued-added poultry business, supporting our further processed poultry requirements as well as our *Maple Leaf Prime Naturally* fresh poultry business.
- We will continue to reorganize our hog production business with the objective to transition our investments to 100% ownership of fewer hogs, and as a result will significantly reduce the number of hogs we raise. Through implementing the new model, we expect to concentrate the majority of our hog production operations in Manitoba as it provides proximity to our Brandon primary processing plant. Maple Leaf will continue to be a large buyer and processor of hogs.
- We will size our primary pork processing to meet the needs and specifications of our value-added business. We believe that that we will meet these future requirements through a single manufacturing facility, our Brandon plant. We do not expect that our other operations outside this scope will fit long-term and over time, we will determine the best path to realize their full value.
- Global Foods will remain as the exclusive international selling arm integrated into the new organization, optimizing the value of fresh pork not required to support our further processing requirements. We will continue to serve the needs of specific global markets, such as Japan and Mexico, developing profitable sales channels while operating within the boundaries of a balanced a balanced, optimized business model defined by our further processing needs.
- We will retain those feed mills that are required to meet our future hog production requirements, eventually integrating these into our hog production business, where they will operate as a cost centre of the new company. Working closely with Maple Leaf Animal Nutrition management, we will identify the best growth opportunities for other components of our animal nutrition businesses that are outside the value chain, to ensure we maximize their value and realize their full potential.
- Maintaining control over by-product management is an integral component of primary pork and poultry processing, as it secures low cost disposal and provides opportunities to create a value stream. We have yet to determine the exact role and fit of our rendering business in the new business model.

### THE FUTURE:

- The result will be a simpler; more focused, more competitive business model, with significantly less exposure to currency and commodity markets.

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- Our goal is to deliver over \$100 million in incremental earnings in our protein value chain within the next three years. We believe we can achieve significantly more than this through successfully implementing our strategy.
- We will expand our leadership in the high growth, higher margin value-added fresh and further processed meats and meals market, through increasing our consumer orientation, accelerating innovation, investing in new assets, and global acquisitions.
- Our consumer orientation will be heightened. We will lead with new products that meet consumers' emerging needs, seeking a balance with our internal supply chain capabilities in order to optimize profitability.
- We will invest in new product development that responds to consumer needs for nutrition, convenience and taste, and broadens our product portfolio from value-added meats to ready meal solutions.

### NEXT STEPS:

- While there is much work involved in successfully implementing the strategy, we will be guided by the need to achieve our end state as quickly as possible and achieve our financial goals.
- We expect it will take three years to significantly implement the new strategy.
- We will balance the pace of change with our absolute commitment to treating our people fairly and respectfully through the process, maintaining business stability and customer focus, and minimizing any impact to our important stakeholders.
- We will keep our employees, customers and other stakeholders updated as we implement our strategy, and communicate well in advance of any changes that may relate to them.