



# Maple Leaf Foods

## Investor Presentation

### Third Quarter Ended September 30, 2005

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 Maple Leaf's 2004 Annual Report and other public filings for a description of operations and factors that could impact the Company's financial results.



# Agenda

- ▶ **Highlights**
- ▶ **Financial Summary**
- ▶ **Operations and Market Overview**
- ▶ **Questions**



# Highlights

- ▶ **Operating earnings increased 5% in the third quarter**
  - ▲ Bakery up 13%; Protein Value Chain operations down 1%
  - ▲ Net earnings up 13%; EPS of \$0.24 consistent with last year
- ▶ **Strong performance in fresh bakery and consumer products**
  - ▲ Driven by increased sales of higher nutrition products and improved category management in the consumer products business
  - ▲ Lower costs resulting from early merger synergies
- ▶ **Weaker primary processing earnings and inflationary pressures impacted earnings growth**
  - ▲ Low commodity processor spreads
  - ▲ Short term impact of rising energy costs



# Agenda

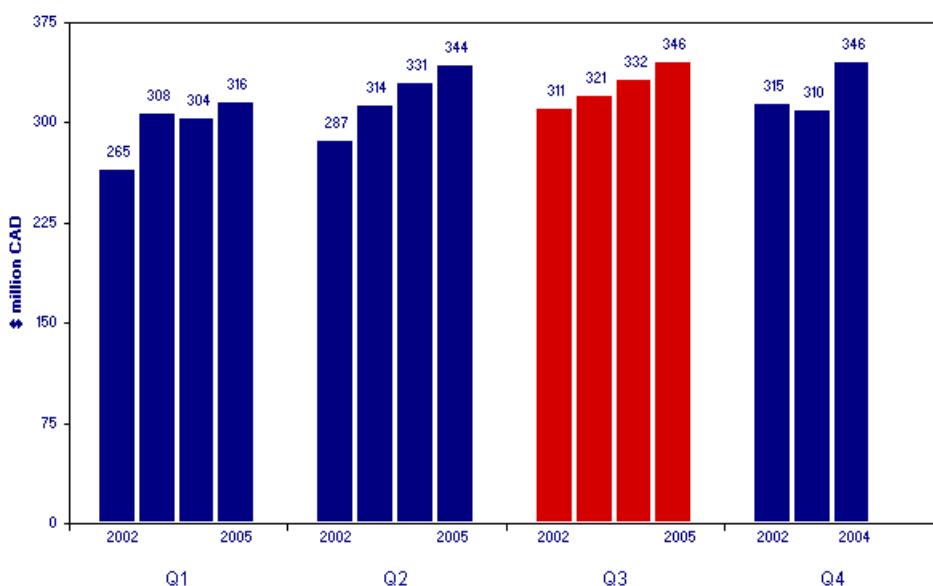
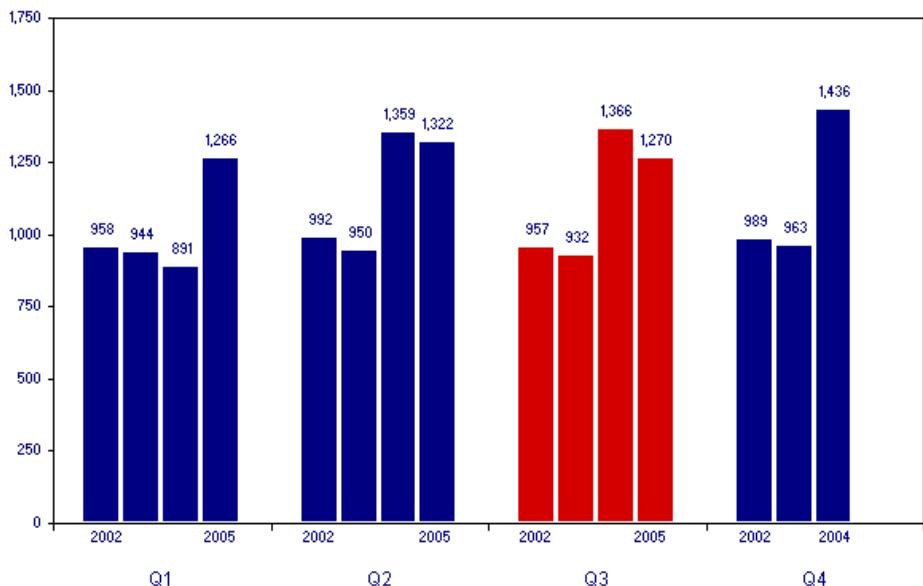
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# Third Quarter Sales of \$1.6 Billion

Protein Value Chain down 7%

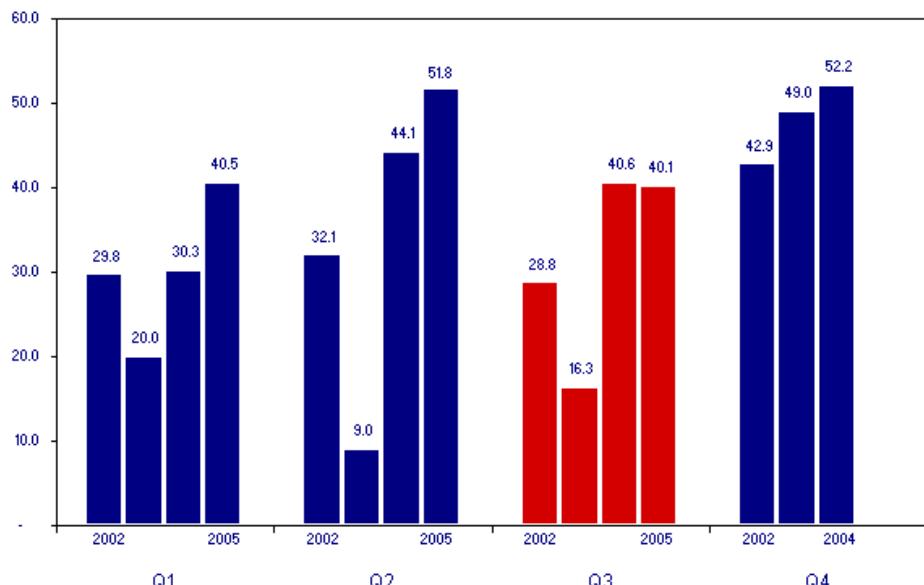
Bakery Products Up 4%



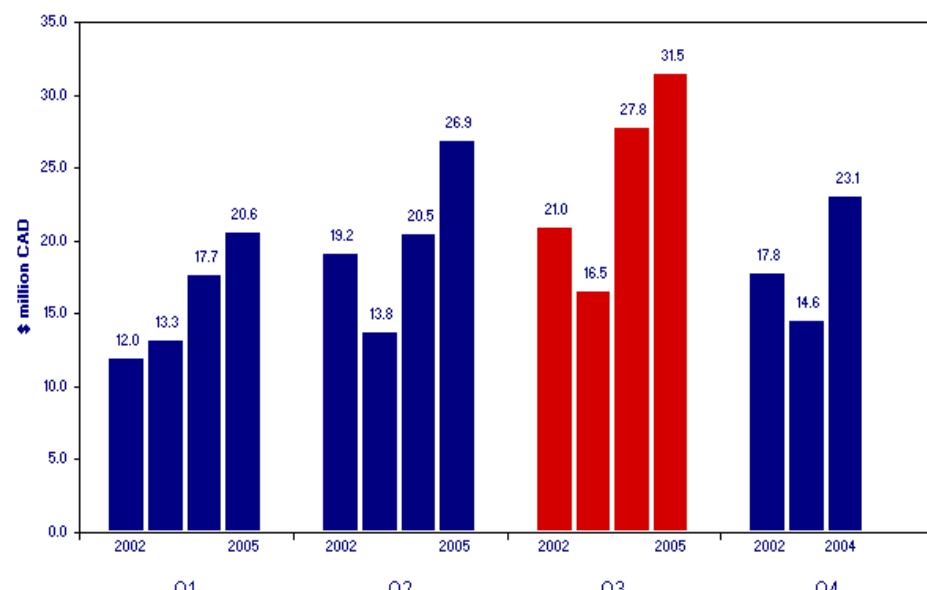


# Operating Earnings up 5% to \$71.6 Million

## Protein Value Chain Down 1%



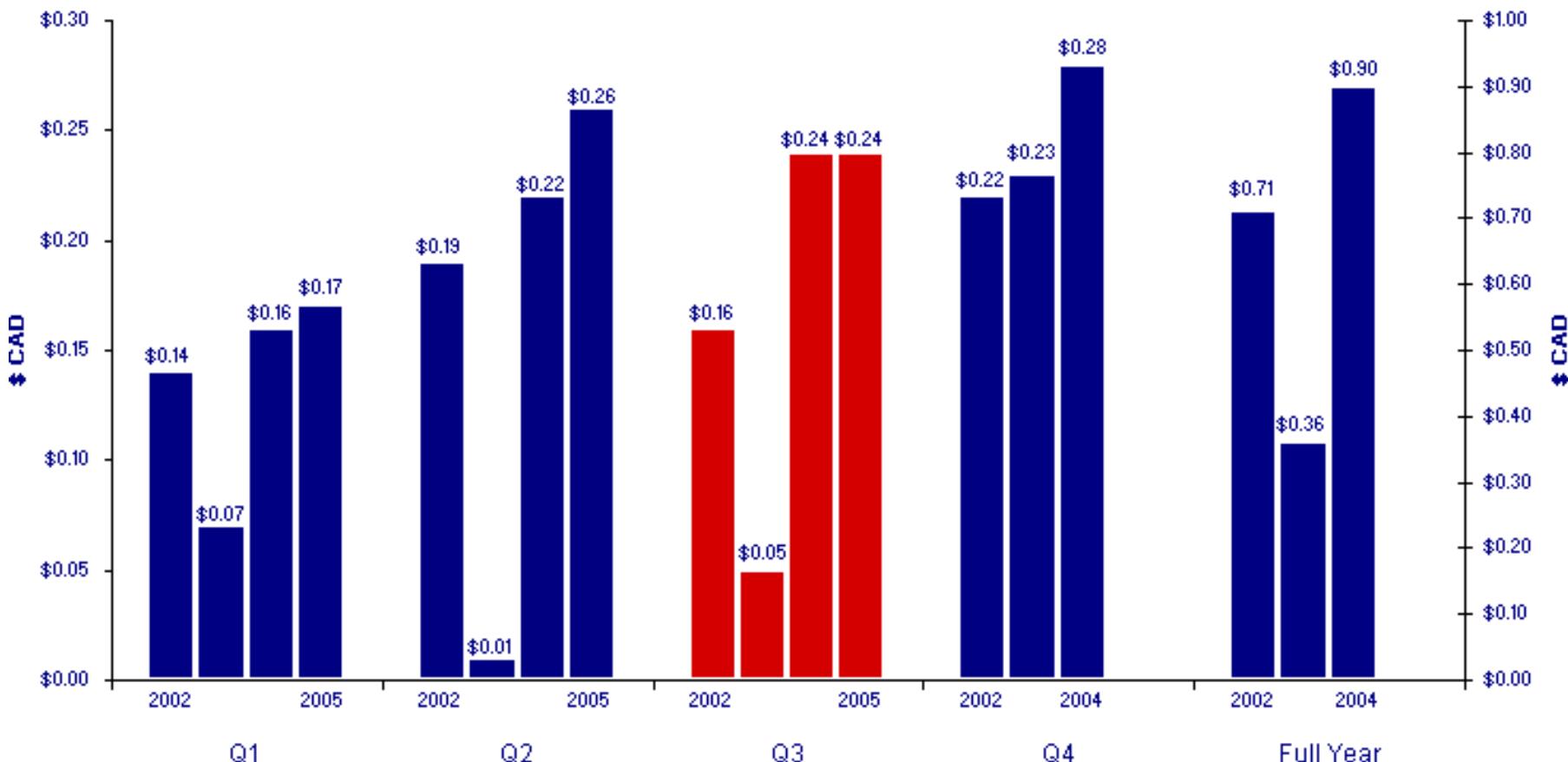
## Bakery Products Group Up 13%



Note: before restructuring costs



# Third Quarter EPS of \$0.24



Note: before restructuring costs



# Cash Flow

- ▶ **Debt balance declined to \$1.1 billion due to December '04 equity issue and positive cash flow from operations**
- ▶ **Strong operating cash flow in Q3 of \$104.4 million increased from \$44.6 million in Q3/04 as working capital was reduced**
- ▶ **Capital expenditures declined to \$31.1 million in Q3 compared to \$45.6 million last year; \$115.9 million year-to-date**
  - ▲ Major sources of capital included a new regional feed mill in Atlantic Canada, biodiesel plant in Quebec, and environmental upgrades at Rothsay



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# Bakery Products Group

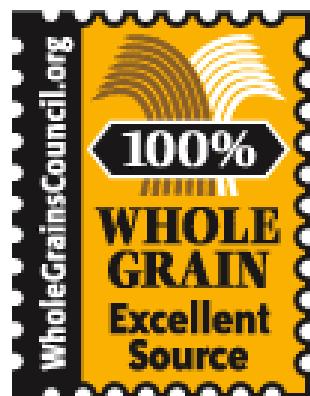
- ▶ **Sales up 4% to \$346 million**
  - ▲ Increased sales across fresh and frozen bakery operations
  - ▲ Growth in higher nutrition fresh and par-baked products and Foodservice sales
  - ▲ Lower bagel sales in North America
- ▶ **Operating earnings up 13% to \$31.5 million due to fresh bakery results**
  - ▲ Continued growth in higher margin whole wheat and wholegrain product mix
  - ▲ Price increases implemented to offset inflationary costs
  - ▲ Lower operating and administrative costs, supported by Six Sigma initiatives
- ▶ **Higher frozen bakery sales were more than offset by increased operating costs**
  - ▲ Short-term UK bagel plant start-up costs; higher advertising and promotion spend to support increased production
  - ▲ Higher distribution costs



# Bakery Products Group

## *Expansion in Higher Nutrition Product Mix*

- ▶ ***Wholesome Harvest*** par-baked products gaining traction in U.S. market
  - ▲ A complete line of branded, higher nutrition wheat, multigrain and whole grain par-baked products for in-store bakeries
  - ▲ Recently received US Whole Grain Council certification
  - ▲ Expanding into Canadian market in the fourth quarter





# Protein Value Chain

## *Meat Products Group Summary*

- ▶ **Sales decreased 6% to \$1.1 billion due to lower pork and poultry commodity prices**
  - ▲ Processed 1.83 million hogs compared to 1.80 million in Q3/04
- ▶ **Operating earnings down 13% to \$13.3 million**
  - ▲ Significant decline in Canadian commodity fresh poultry processor margins, due to increased supply of live poultry
  - ▲ Atypical seasonal strength in hog prices impacted primary processing margins
- ▶ **Excellent performance in consumer products operations, driven by improved product mix and lower costs**
  - ▲ Including strong sales of *Maple Leaf Ready Cooked Roasts* and *Schneiders Lunch Kits*
  - ▲ Benefited from lower poultry meat costs
  - ▲ SG&A reduction resulting from early synergies from Schneider Foods merger and improvements at Moncton plant in Eastern Canada



# Protein Value Chain

## New Product Innovation

- ▶ Emerging growth in Ready-to-cook category
  - ▲ *Maple Leaf Fresh Grill!* has established leading market share
- ▶ ***Maple Leaf Fresh Roast!* - launched in September in Ontario had excellent early market response**
  - ▲ Four varieties of seasoned and marinated pork and beef ready-for-the-oven “home cooked roast” products
- ▶ Launched higher nutrition **Schneiders SmartLunch** meals in September





# Protein Value Chain

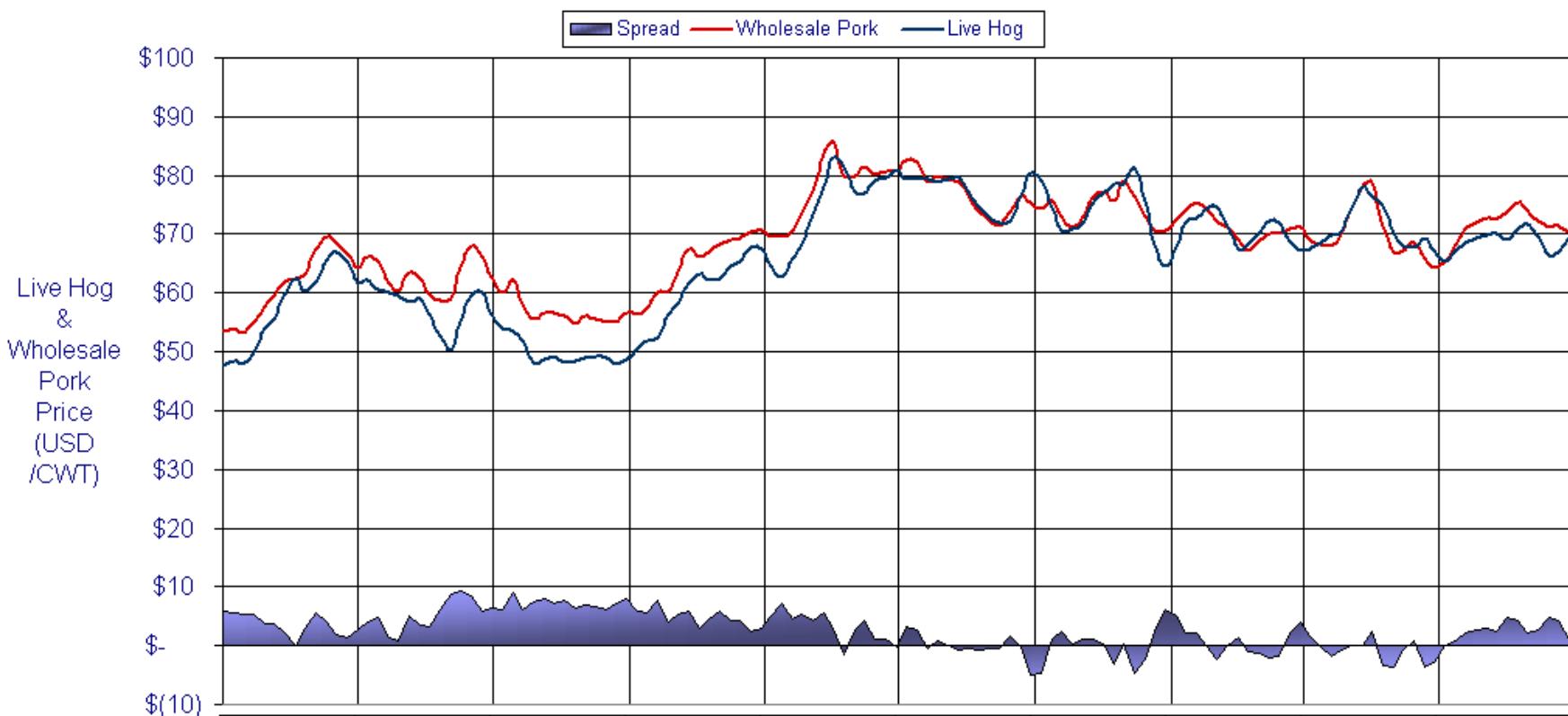
## *Agribusiness Group*

- ▶ **Sales down 12% to \$204 million due to lower commodity feed prices**
- ▶ **Operating earnings up 6% to \$26.8 million**
  - ▲ Although hog prices declined 11% from last year, the hog production operations benefited from lower feed costs
  - ▲ Average effective hog ownership was 20% in the quarter
- ▶ **Profits from rendering operations declined due to lower selling price for proteins and commodity pricing**
- ▶ **Commissioning of new Moncton feed mill underway**



# USDA Commodity Pork Processor Margins

Live Hog versus Wholesale Pork Price



	Q2-03	Q3-03	Q4-03	Q1-04	Q2-04	Q3-04	Q4-04	Q1-05	Q2-05	Q3-05
Wholesale Pork	\$ 60.98	\$ 63.07	\$ 57.28	\$ 64.51	\$ 77.16	\$ 77.45	\$ 74.40	\$ 71.29	\$ 70.05	\$ 71.53
Live Hog	\$ 57.33	\$ 58.14	\$ 50.26	\$ 59.35	\$ 73.68	\$ 77.08	\$ 74.75	\$ 70.67	\$ 70.99	\$ 68.79
Spread	\$ 3.65	\$ 4.93	\$ 7.02	\$ 5.16	\$ 3.48	\$ 0.37	\$ (0.35)	\$ 0.62	\$ (0.94)	\$ 2.74

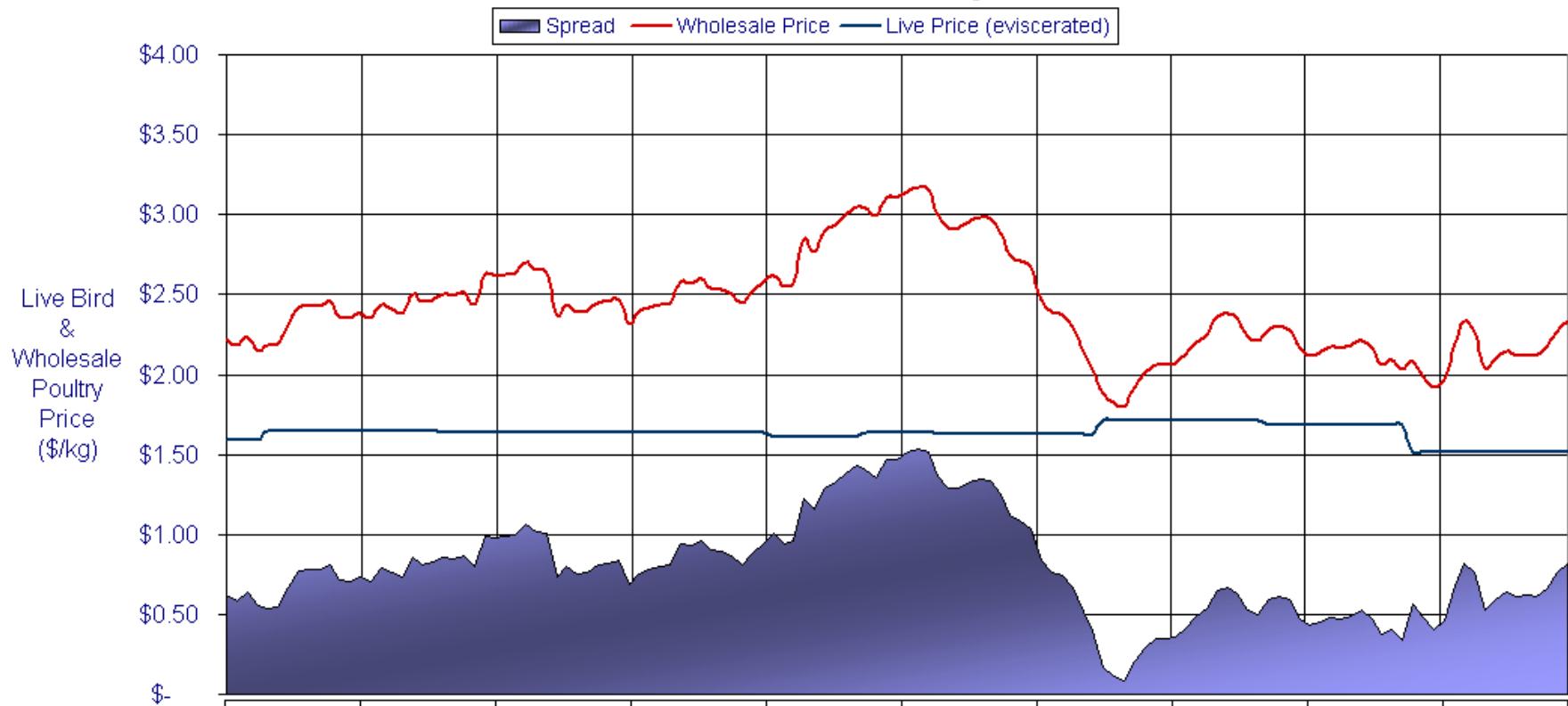
Source: USDA



# Poultry Processor Margins

**Spread declined 51% from Q3 last year**

Live Bird versus Wholesale Poultry Price



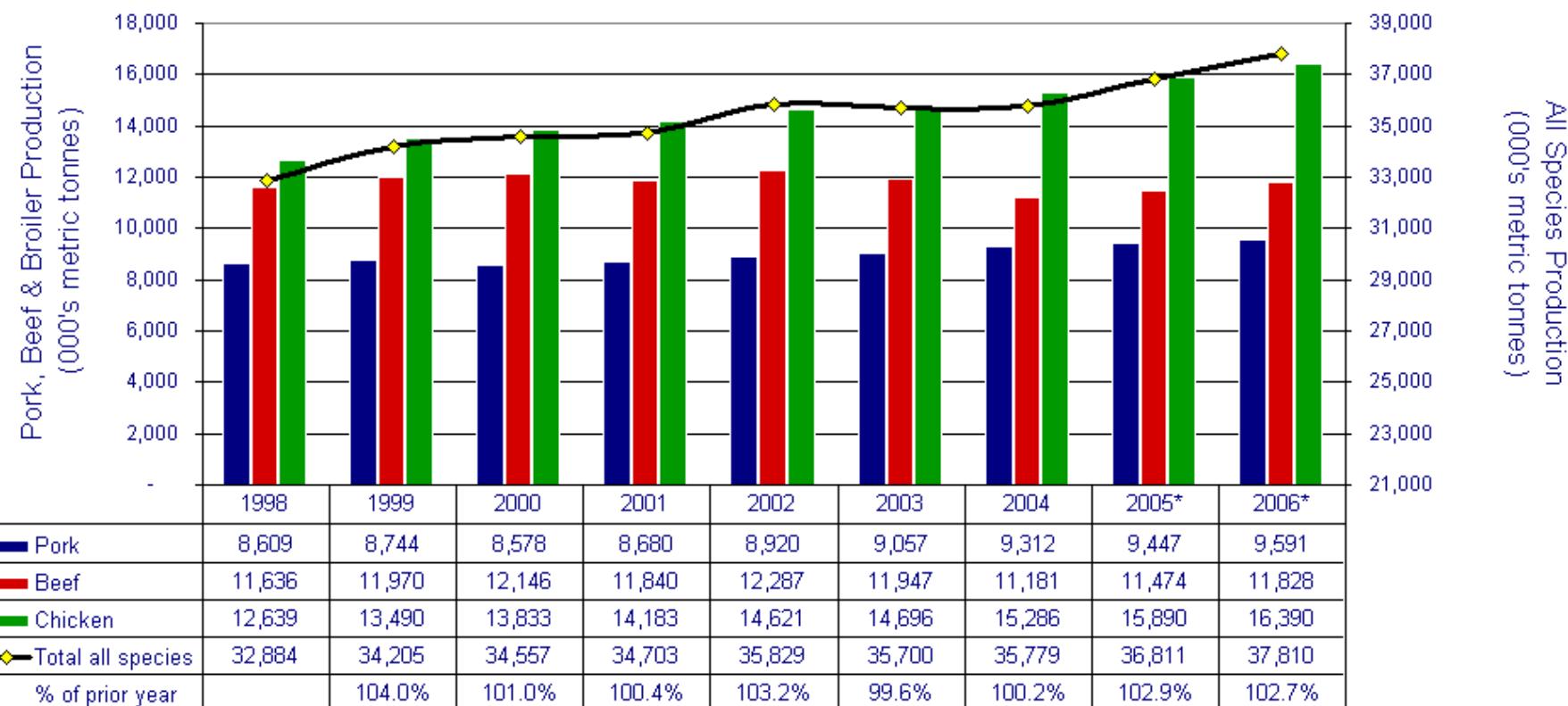
Source: AOCP Indicator (Shapiro Consulting)



# 2005 USDA Meat Production Forecast

*Rising pork, beef & chicken expected to increase total meat production by almost 3% in 2005*

Annual US Commercial Pork, Beef and Chicken Production  
(000's metric tonnes)



Source - WASDE / USDA



# Summary

- ▶ Achieved modest growth despite commodity challenges in our fresh protein businesses and energy price increases
- ▶ Excellent contribution from fresh bakery and consumer products operations, benefiting from improved mix of higher nutrition products and leadership in high growth categories
- ▶ Early merger synergies resulted in lower costs and improved category management strategies in consumer products business
- ▶ Poor commodity markets and rising energy costs expected to pressure earnings through balance of year
- ▶ Continuing energy reduction initiatives & price increases expected to offset costs in short to medium term
- ▶ Fundamentals are strong; Maple Leaf well positioned to achieve high growth targets over time



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