



passionate people;  
passionate about food

# Maple Leaf Foods

## Investor Presentation

### First Quarter Ended March 31, 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

- ▶ **Solid earnings growth in the first quarter**
  - ▲ Sales up 32% to \$1.6 billion (3% excluding Schneider Foods)
  - ▲ Operating earnings up 27% <sup>(1)</sup>
  - ▲ First quarter EPS of \$0.17 (versus \$0.16 last year) <sup>(1)</sup>
  
- ▶ **Portfolio balance supported 34% earnings growth in Protein Value Chain<sup>(2)</sup> operations**
  - ▲ Offset significant decline in fresh pork & poultry processor margins
  - ▲ Growth in value-added sales mix and manufacturing cost improvements
  
- ▶ **Bakery Group earnings rose 16% to \$20.6 million**
  - ▲ Continued growth in premium health and wellness categories
  - ▲ US frozen bakery earnings impacted by high distribution and input costs

(1) Before restructuring costs

(2) Protein Value Chain comprises the Company's Meat Products and Agribusiness Groups



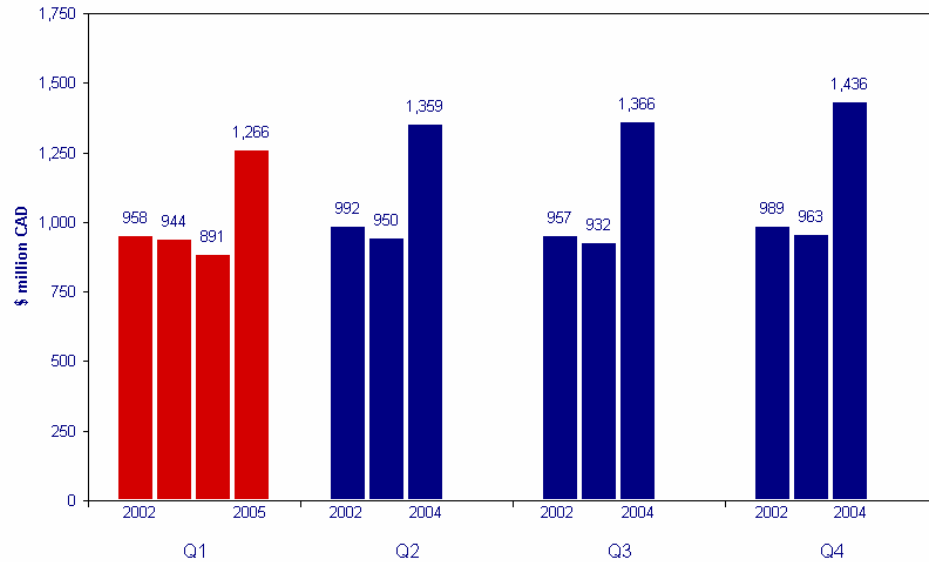
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- ▶ **Questions**

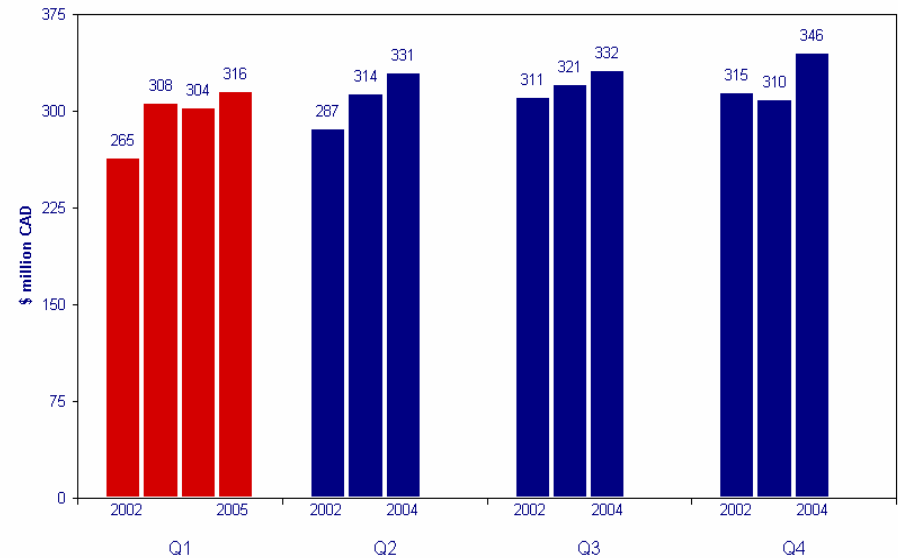


# First Quarter Sales of \$1.6 Billion

## Protein Value Chain up 42%



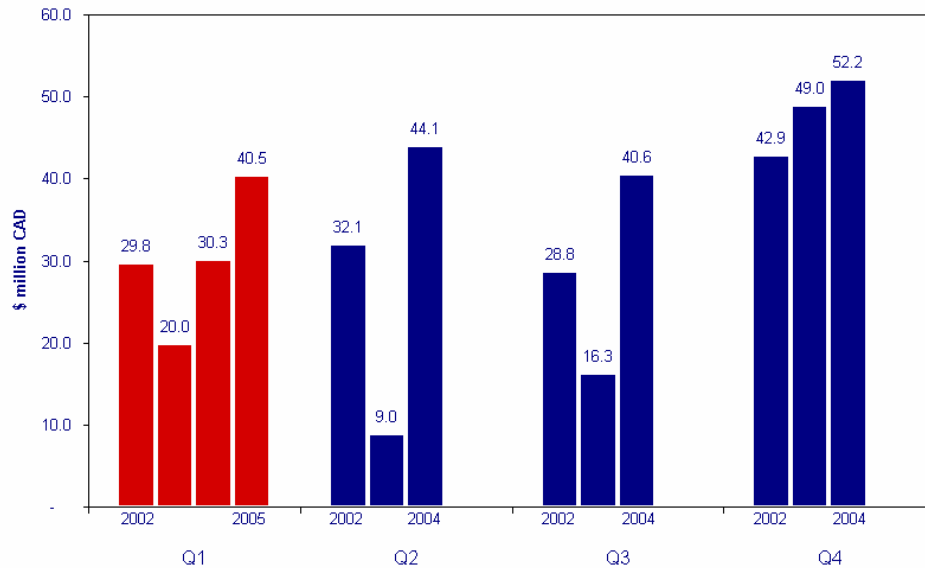
## Bakery Products Up 4%



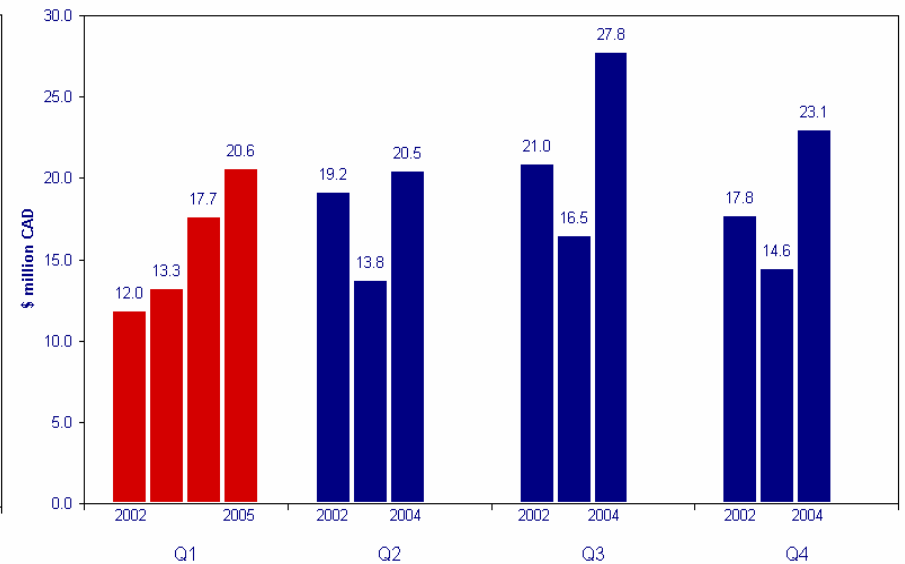


# Q1 Operating Earnings<sup>(1)</sup> of \$61.2 million

## Protein Value Chain Up 34%



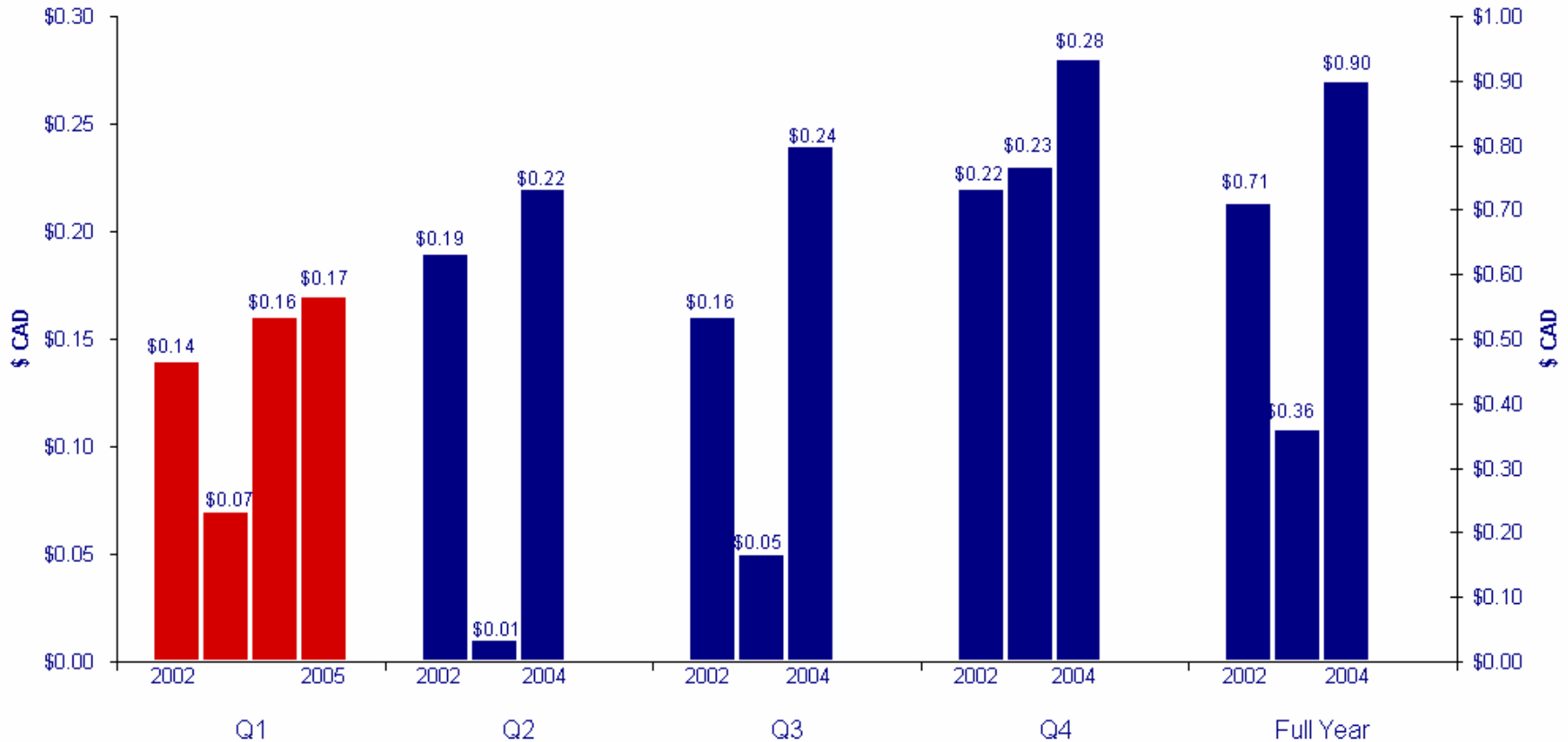
## Bakery Products Group Up 16%



(1) Before restructuring costs



# First Quarter EPS of \$0.17 (1)



(1) Before restructuring costs



# Capital Structure

- ▶ **Net debt increased to \$1.2 billion, up from \$783 million in March 2004**
- ▶ **Significant changes in the last year:**
  - ▲ Schneider acquisition - April 2004 \$500mm debt
  - ▲ Brandon lease now on balance sheet 98mm debt
  - ▲ Equity issue - December 2004 160mm equity
- ▶ **Interest expense of \$25 million for the quarter compared to \$17 million in Q1 last year**
  - ▲ Due to converting debt from short-term to long-term financing at competitively priced investment grade rates, and higher debt balances
- ▶ **Leverage ratio (Net debt/EBITDA) has improved to 3.05x, within management's target range**





# Cash Flow

- ▶ **Operating cash flow declined from positive \$23 million in Q1/04 to a use of cash of \$41 million in Q1/05**
  - ▲ Increased inventory levels (seasonal storage program)
    - Frozen pork ribs & loins for summer season
    - Increased hog inventories
    - Higher pork commodity prices
  - ▲ Lower grain prices that reduce accounts payable values
  
- ▶ **Capital expenditures rose to \$40 million in Q1, up from \$21 million last year:**
  - ▲ Expansion in the UK and US bakery operations
  - ▲ New Biodiesel plant in Quebec
  - ▲ New regional feed mill in Atlantic Canada
  - ▲ Addition of Schneider Foods CAPEX
  - ▲ Full year program estimated between \$160 and \$180 million, dependant on project timing



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# Bakery Products Group

- ▶ **Sales up 4% to \$316.2 million**
  - ▲ Increased sales of higher value whole grain and organic bakery products, as well as fresh pasta and sauces
  
- ▶ **Operating earnings up 16% to \$20.6 million, due mainly to Fresh Bakery results**
  - ▲ Strong growth of branded organic and whole grain products
  - ▲ Increased distribution of Olivieri pasta and sauces in U.S.
  - ▲ Increased volume as low-carb trend wanes
  - ▲ Price increases implemented to offset rising input costs
  
- ▶ **Strong sales at UK Bakery**
  - ▲ Rotherham bagel plant commissioned late in the first quarter



# Bakery Products Group (cont'd)

- ▶ **North American Frozen sales and volumes increased, but earnings declined from Q1 last year**
  - ▲ Increased Foodservice sales, driven by shift to healthier premium sandwich products
  - ▲ High distribution costs, including fuel and other costs, and challenges integrating the distribution networks, north and south, impacted profitability
  - ▲ Price increases are being implemented to offset rising costs
  
- ▶ **Expanding in-store bakery whole wheat and whole grain par-baked product offerings; shift from traditional white bread focus**
  
- ▶ **Developed new major national account for branded artisan bakery products which will support future growth in 2005**
  
- ▶ **Product innovation - FroBake®**
  - ▲ Sales of FroBake® in the U.S. commenced in late Q1
  - ▲ Very promising early customer response



# Bakery Products Group (cont'd)

## *New Product Innovation*

- ▶ **Dempster's Sandwich Pouches – launched in Ontario in March; expanding to other markets in the Fall**
  - ▲ Thicker and more bread-like than pitas, which are thin and tear easily
  - ▲ Offers an exciting, more convenient way to enjoy a sandwich
- ▶ **Dempster's Soft Slice – launched in Ontario market**
  - ▲ White and 100% Whole Wheat thick and regular sliced
  - ▲ New formula with a soft moist texture





# Protein Value Chain

## *Meat Products Group*

- ▶ **Sales up 59% to \$1.1 billion**
  - ▲ Organic growth of 7% (excluding Schneider Foods)
- ▶ **Operating earnings up 87% to \$18.7 million**
  - ▲ Increased value-added sales mix and manufacturing cost improvements more than offset 88% drop in commodity pork processor margins and 36% decline in commodity poultry margins
- ▶ **Strong sales of Schneider's Lunchmates, ham and wieners**
- ▶ **Sliced meats growth in Foodservice sandwich market**
- ▶ **Lighter version of Fully Cooked Roasts to expand sales through the summer season**
  - ▲ Six product offerings, which carry Canadian Heart and Stroke Foundation Health Check logo



# Protein Value Chain

## *Agribusiness Group*

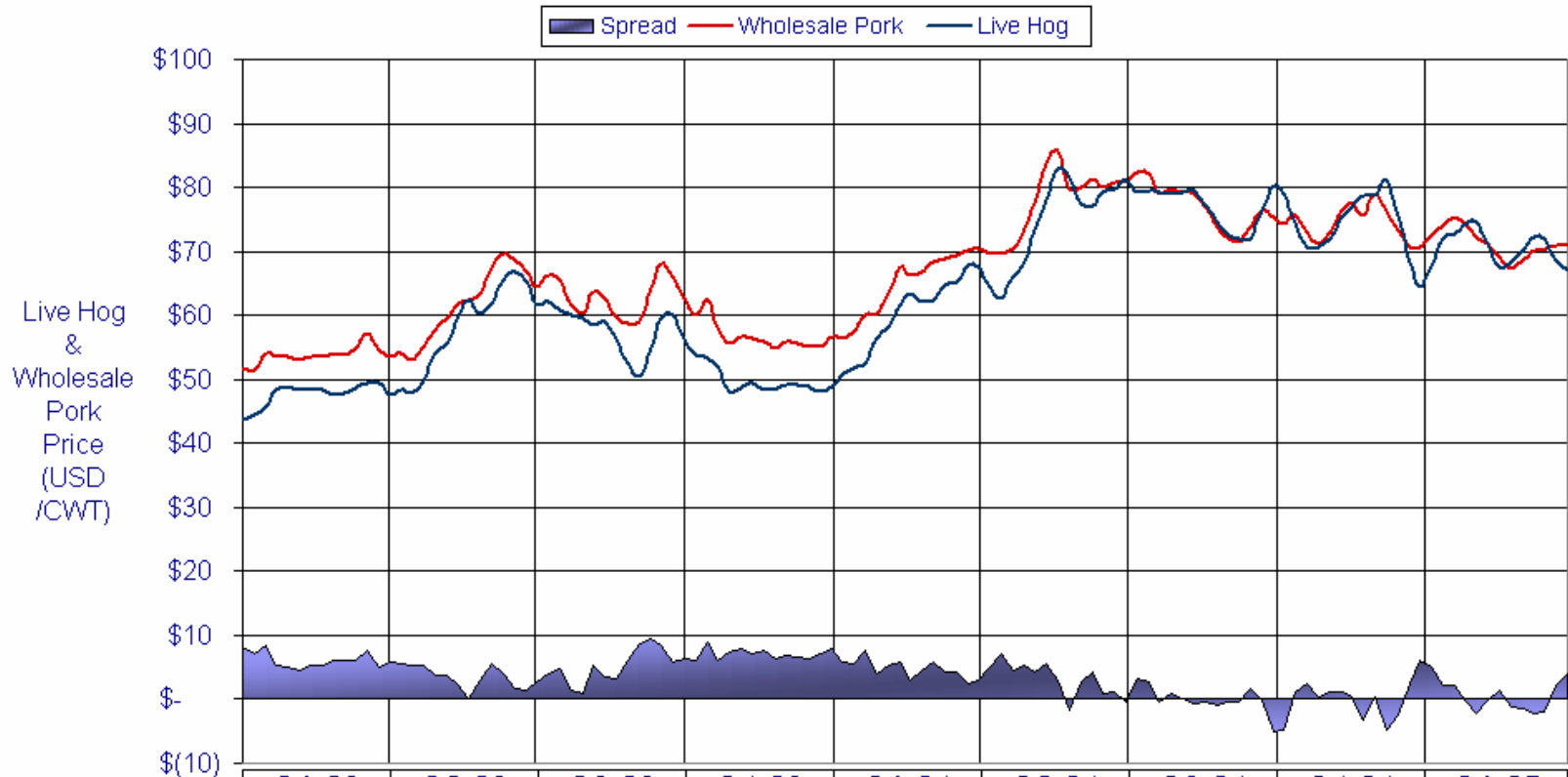
- ▶ **Sales down 11% to \$189.5 million**
  - ▲ Due to lower market-based feed prices
- ▶ **Operating earnings up 8% to \$21.9 million**
  - ▲ Largely due to 19% increase in hog prices compared to Q1/04
  - ▲ Maple Leaf's effective hog ownership was 21% at the end of Q1
- ▶ **Q1/04 results also included a \$4.1 million gain from the sale of poultry quota (Q1/05: \$0.2 million)**
- ▶ **Profits from rendering operations declined due to lower price of alternative feed ingredients**
- ▶ **A unanimous decision by the US Federal Trade Tribunal eliminated tariffs on Canadian hogs shipped into US**
  - ▲ No material impact on Maple Leaf Foods



# USDA Commodity Pork Processor Margins

**Spread declined 88% from Q1 last year**

**Live Hog versus Wholesale Pork Price**



	Q1-03	Q2-03	Q3-03	Q4-03	Q1-04	Q2-04	Q3-04	Q4-04	Q1-05
Wholesale Pork	\$ 53.75	\$ 60.98	\$ 63.07	\$ 57.28	\$ 64.51	\$ 77.16	\$ 77.45	\$ 74.40	\$ 71.29
Live Hog	\$ 47.59	\$ 57.33	\$ 58.14	\$ 50.26	\$ 59.35	\$ 73.68	\$ 77.08	\$ 74.75	\$ 70.67
Spread	\$ 6.16	\$ 3.65	\$ 4.93	\$ 7.02	\$ 5.16	\$ 3.48	\$ 0.37	\$ (0.35)	\$ 0.62

Source: USDA

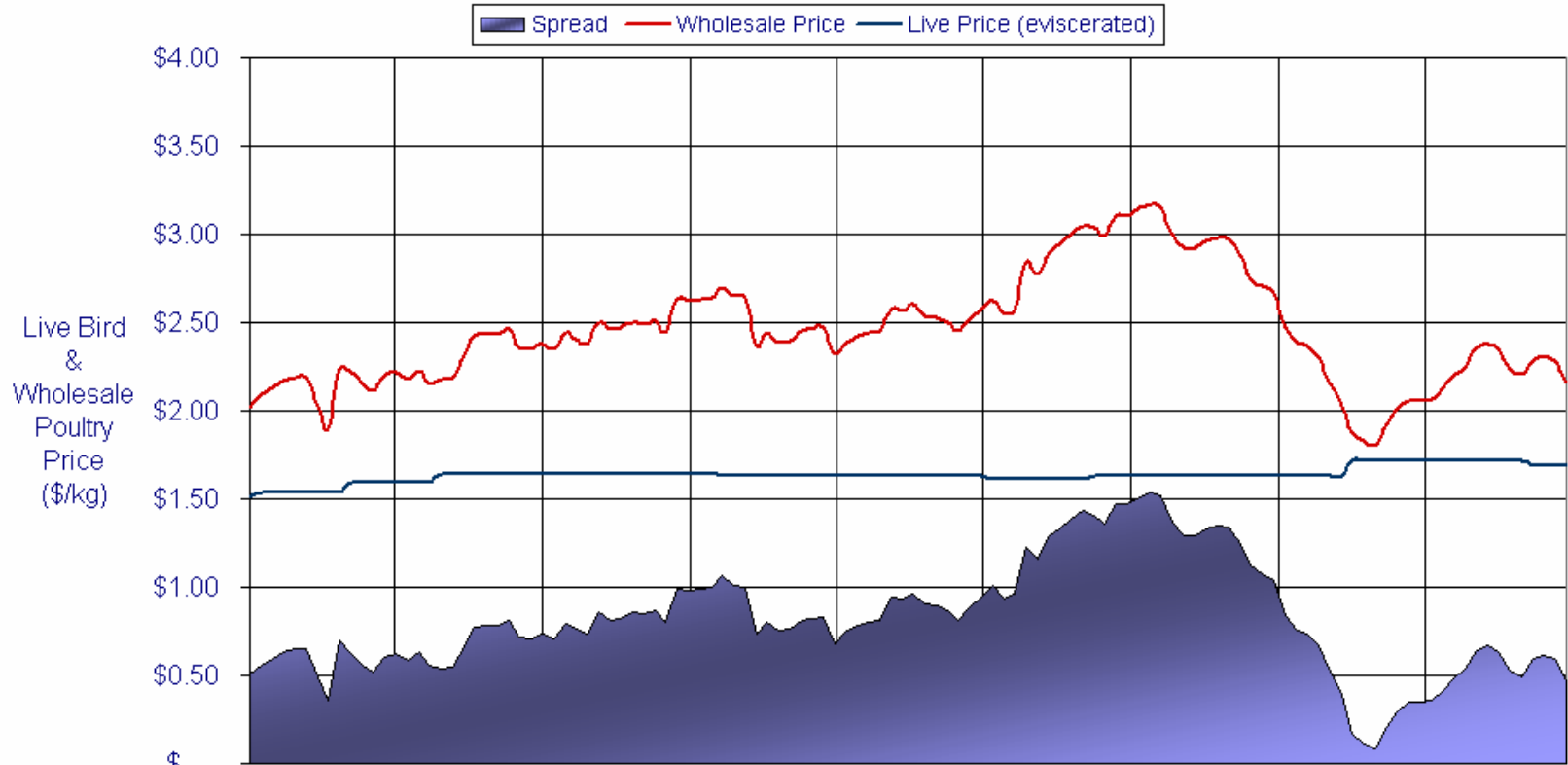




# Poultry Processor Margins

**Spread declined 36% from Q1 last year**

**Live Bird versus Wholesale Poultry Price**



	Q1-03	Q2-03	Q3-03	Q4-03	Q1-04	Q2-04	Q3-04	Q4-04	Q1-05
Wholesale Poultry	\$ 2.13	\$ 2.30	\$ 2.46	\$ 2.53	\$ 2.49	\$ 2.84	\$ 2.97	\$ 2.14	\$ 2.25
Live Bird (evisc.)	\$ 1.56	\$ 1.63	\$ 1.64	\$ 1.64	\$ 1.64	\$ 1.62	\$ 1.63	\$ 1.67	\$ 1.71
Spread	\$ 0.57	\$ 0.67	\$ 0.82	\$ 0.89	\$ 0.85	\$ 1.22	\$ 1.34	\$ 0.47	\$ 0.54

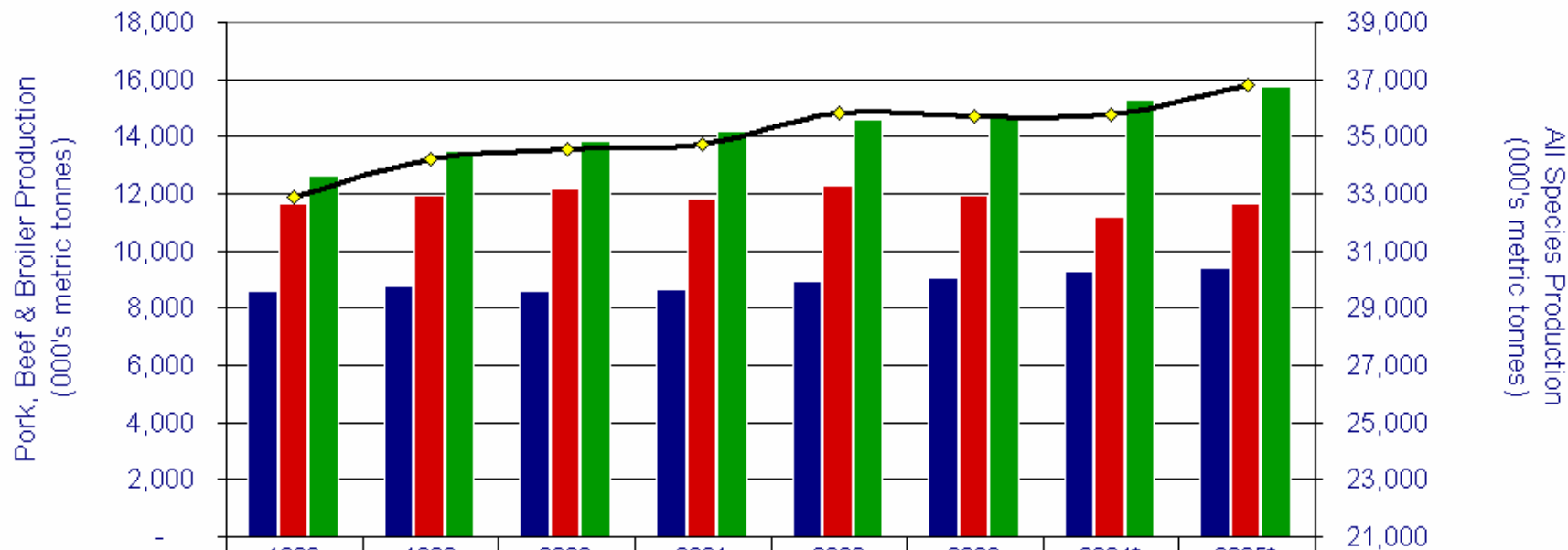
Source: AOCPI Indicator (Shapiro Consulting)



# 2005 USDA Meat Production Forecast

***Rising beef & chicken expected to result in 2.9% increase***

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



■ Pork	8,609	8,744	8,578	8,680	8,920	9,057	9,312	9,426
■ Beef	11,636	11,970	12,146	11,840	12,287	11,947	11,181	11,629
■ Chicken	12,639	13,490	13,833	14,183	14,621	14,696	15,286	15,762
◆ Total all species	32,884	34,205	34,557	34,703	35,829	35,700	35,779	36,817
% of PY		104.0%	101.0%	100.4%	103.2%	99.6%	100.2%	102.9%

\* USDA - April '05 Projection

Source - WASDE / USDA



# Protein Value Chain

## *Simplifying our Structure*

- ▶ **Organizational changes announced in Q1 to simplify our structure and customer interface, and expand our scale and scope**
- ▶ **Schneider Foods/Maple Leaf Consumer Foods merger proceeding extremely well; single leadership team in place managing the combined businesses**
- ▶ **Fresh Pork and Poultry operations now organized under *Maple Leaf Fresh Foods*, led by Randy Powell (former President of Maple Leaf Pork), creating Canada's largest multi-species protein company**
- ▶ **Shur-Gain (Eastern Canada) and Landmark Feeds (Western Canada) now organized under *Maple Leaf Animal Nutrition*, led by Jerry Vergeer (former President of Shur-Gain), creating Canada's leading national animal nutrition company**



# Summary

- ▶ **Strong sales and earnings in spite of commodity market headwinds in fresh pork and poultry**
- ▶ **Portfolio balance within Meats Group, across Protein Value Chain, and across Protein and Bakery supporting stable earnings growth**
- ▶ **Innovation pipeline continues to generate exciting new products that fuel market growth and margin improvement**
- ▶ **Focus remains on delivering superior value for our customers, growing value-added sales, brand and market leadership, innovation, and reducing our cost structure**



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