



think  
Maple Leaf Foods



Maple Leaf Foods Inc.  
Annual Report 2008

# think vision

Our vision is to become a globally admired meat, meals and bakery company.

With roots that trace back well over 100 years, we've built a company that has strong brands, leading market shares, and over 24,000 employees around the world who share our values, our vision and our passion for food.

In a turbulent economy how are we going to deliver value for shareholders? We are reducing our supply chain costs to increase profitability and competitiveness in the global food market. We are transforming our businesses and our products to provide fresh, nutritious and convenient food choices that deliver great value.

And most importantly, we are taking the lessons learned from last year's listeriosis tragedy and implementing food safety programs that are best practices globally as we seek to become a food safety leader.

Maple Leaf has a vision. And we're well on our way.

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Company Information

For years ended December 31

(In millions of Canadian dollars, except share information)

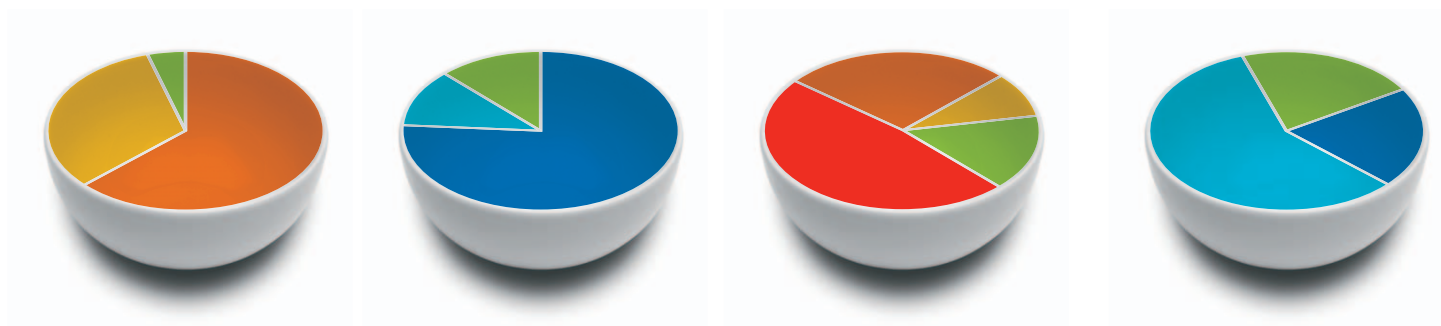
	2008	2007	2006	2005	2004
<b>CONSOLIDATED RESULTS</b>					
Sales	5,243	5,210	5,325	5,555	5,425
Adjusted operating earnings <sup>(i)</sup>	128	199	173	201	197
Net earnings (loss) from continuing operations	(37)	(23)	(20)	65	68
Net earnings (loss), as reported <sup>(ii)</sup>	(37)	195	5	94	102
Return on assets employed <sup>(iii)</sup>	3.4%	6.7%	5.6%	7.0%	7.7%
<b>FINANCIAL POSITION</b>					
Net assets employed <sup>(iv)</sup>	2,348	2,267	2,479	2,047	1,893
Shareholders' equity	1,143	1,149	994	999	906
Net borrowings	1,023	855	1,213	1,063	1,046
<b>PER SHARE</b>					
Net earnings (loss) from continuing operations	(0.29)	(0.18)	(0.16)	0.52	0.60
Adjusted net earnings from continuing operations <sup>(i)</sup>	0.29	0.51	0.38	0.59	0.60
Net earnings (loss), as reported <sup>(ii)</sup>	(0.29)	1.53	0.04	0.74	0.90
Dividends	0.16	0.16	0.16	0.16	0.16
Book value	8.84	8.87	7.82	7.82	7.24
<b>NUMBER OF SHARES (MILLIONS)</b>					
Weighted average	126.7	127.3	127.5	126.8	113.6
Outstanding at December 31	129.3	129.6	127.1	127.7	125.2

(i) Refer to page 2 of Management's Discussion &amp; Analysis for definition.

(ii) Includes results of discontinued operations.

(iii) After tax, but before interest, calculated on average month-end net assets employed. Excludes one-time direct product recall costs, restructuring and other related costs.

(iv) Total assets, less cash, future tax assets and non-interest bearing liabilities.


**SALES BY GROUP**

- 63.0% Meat Products
- 32.5% Bakery Products
- 4.5% Agribusiness

**DOMESTIC VS. INTERNATIONAL SALES**

- 76.2% Domestic
- 11.7% U.S.
- 12.1% Other International

**TOTAL ASSETS BY GROUP**

- 48.6% Meat Products
- 26.7% Bakery Products
- 9.2% Agribusiness
- 15.5% Non-allocated

**OPERATING EARNINGS BEFORE ONE TIME RECALL COSTS, RESTRUCTURING COSTS AND OTHER RELATED COSTS**

- 22.9% Meat Products
- 64.6% Bakery Products
- 23.5% Agribusiness
- (11.0%) Non-allocated Costs

## Segmented Operating Results

### Protein Group

(In millions of Canadian dollars)	2008	2007	% Change
<b>MEAT PRODUCTS GROUP</b>			
Sales	3,304	3,458	(5%)
Earnings from continuing operations before one-time direct product recall, restructuring and other related costs	30	94	(69%)
Total Assets	1,678	1,560	8%

The Meat Products Group comprises value-added packaged meats; chilled meal entrées and lunch kits; and value-added fresh pork, poultry and turkey products.

### AGRIBUSINESS GROUP

Sales	233	241	(3%)
Earnings from continuing operations before one-time direct product recall, restructuring and other related costs	30	(7)	555%
Total Assets	318	303	5%

The Agribusiness Group operations include hog production, and animal by-products recycling.

### TOTAL PROTEIN GROUP

(In millions of Canadian dollars)	2008	2007	% Change
Sales	3,537	3,699	(4%)
Earnings from continuing operations before one-time direct product recall, restructuring and other related costs	60	87	(32%)
Total Assets	1,996	1,863	7%

### Bakery Products Group

(In millions of Canadian dollars)	2008	2007	% Change
<b>TOTAL BAKERY PRODUCTS GROUP</b>			
Sales	1,706	1,511	13%
Earnings from continuing operations before one-time direct product recall, restructuring and other related costs	83	119	(30%)
Total Assets	922	823	12%

The Bakery Products Group is comprised of Maple Leaf's 89.8% ownership in Canada Bread Company, Limited ("Canada Bread") a producer of fresh and frozen value-added bakery products, sandwiches, and specialty pasta and sauces.

**Dear Fellow Shareholders:**

2008 was a year that demonstrated why it's important to have a highly engaged Board of Directors with a wide range of skills and experience.

High commodity prices, distressed financial markets and the largest food recall in Canada's history made 2008 as unpredictable a year as we've seen. It also created a very challenging environment for management as they continued with the complex strategic transformation they began in 2006.

As management navigated through the recall, the Board met evenings and weekends when necessary, and sometimes as often as three times in one week, reviewing the evolving situation and providing feedback on strategy. This support helped management take decisive action, putting consumers and public health first, and making the right decisions for shareholders. The Board also advised management on material strategic issues ranging from capital markets strategy, human resources, brand strategy, all the way through to contributing to our search for a world-class information systems platform. Our directors are engaged and have the experience to ask the right questions!

2009 will be a year of renewal at Maple Leaf, as we fully recover from the recall, focus on completing our transformation and continue our journey to food safety leadership. The Board will also go through renewal, as three of our long-standing directors retire, and four more join us.

We say goodbye to **Bob Hiller**, **Don Loadman** and **Ted Newall**, three very active and committed directors and thank them for their many years of support and guidance. Bob and Don have served on our Board for 14 years, and Ted for 12, and all three have served our shareholders well. Each of them have also chaired Board committees during their tenure.

We welcome four new board members. **John Bragg** is the CEO of a successful food products company he founded 40 years ago. Formerly on the board of Canada Bread, Mr. Bragg is already familiar with our Bakery Products Group, and will be an excellent addition. **Geoffrey Beattie**, is the CEO of The Woodbridge Company Limited and Deputy Chairman of Thomson Reuters Corporation, bringing considerable business and legal experience to our Board. **Wayne Kozun** and **Bill Royan** join us from our shareholder, the Ontario Teachers' Pension Plan. We welcome their wealth of experience, keen focus on shareholder returns and commitment to our ongoing success.

Finally, on behalf of all shareholders, I thank our employees for their unfailing support in 2008, which was a tough year by any measure. Despite a very difficult global economy, we look forward to a better year ahead.

Sincerely,



**G. Wallace F. McCain, C.C.**  
Chairman



## A review of 2008

### Dear fellow shareholder,

The past year was unquestionably the most difficult in our history. The good news for shareholders is that the strength of our businesses, our values and our people helped us to close the year in a much better place.

Several events this year created a host of financial and operational challenges, but the most significant was a major product recall at one of our packaged meat plants due to a listeria contamination. This was a tragic event, and we deeply regret the toll it has taken. Following our core values we put the interests of consumers and public health first by voluntarily closing the plant responsible, recalling all 191 products produced there even though only a few were affected, and communicating clearly and openly with consumers across the country. The decision wasn't a difficult one — it was simply the right thing to do, morally, ethically, and for our company long-term. We also successfully settled the class actions arising from this situation quickly, ensuring that fair compensation will get to people affected as soon as possible.

Maple Leaf has always taken food safety seriously. We invested heavily in equipment and protocols that exceeded regulatory standards and underwent rigorous external audits to ensure compliance to these standards.

But clearly our best efforts failed us, and since this event we have become even more diligent by enhancing our own protocols, and taking an active role in raising standards for the industry as a whole. Our goal is to establish Maple Leaf as a global leader in food safety. We said at the outset that sales volume recovery of a recall of this magnitude would take six to 12 months and we are on track to achieve this, although it could take longer to restore margins. This is a testament to our 24,000 employees who have worked so hard to help us come through this crisis. I thank them for their conviction and passion for this company and dedication to our success.

The surge in commodity prices in the first half of the year also had a significant impact on our business. Wheat tripled in price before it declined to end the year 62% higher than last year. Corn prices doubled in the same period, dropping again to end the year at 40%. And crude oil rose 41%, peaking in July before ending the year at US\$45 per barrel. This surge in commodity prices directly affected our core costs for raw materials, manufacturing and distribution. Our strategies for forward buying, pricing and increasing operational efficiency helped to control costs, but margins, particularly in our bakery businesses, were materially compressed in the first two quarters. By year end however, we had almost completely recovered as commodity prices fell to more normal levels.

### Business review

In our **Bakery Products Group**, sales increased by 13% over last year to \$1.7 billion, while operating earnings declined 30% to \$83 million. The steep rise in wheat prices in the first half of the year heavily impacted earnings, but the combined effect of price increases and a decline in the price of wheat and other grains restored margins closer to historical levels by year-end. Our U.K. bakery business continued to build a strong platform as one of the leading specialty bakeries in the U.K. While an oven fire at our Rotherham bagel plant in the U.K. slowed earnings and growth in this core business, the financial impact was largely offset by insurance proceeds. Earnings in our North American frozen bakery operations improved substantially, a combination of a lot of hard work by this team to improve operating efficiencies and pass through prices to manage commodity inflation. We are increasing our focus on partnerships with key customers and making ongoing improvements to our facilities, including a large warehouse expansion and introduction of a new bagel line at our bakery in Roanoke, Virginia to bring production closer to our U.S. customers. We also launched a number of new products in our Canadian fresh bakery business that extends our leadership in higher nutrition multi-grain, higher fiber and organic breads and broadened our portfolio of high growth ethnic products.

Our **Meat Products Group** sales for the year declined 5%, while operating earnings declined sharply to \$30 million compared to \$94 million in 2007. This earnings decline was predominantly due to the product recall, which is estimated to have cost us \$50 million to \$60 million in direct and indirect costs in 2008. The recall lowered sales, increased supply chain costs and significantly reduced margins, but by year end we had made significant progress in restoring our volumes, stabilized production and achieved substantial recovery of the Maple Leaf brand. In other areas of the meat business we had major successes. This group met and in some cases surpassed its transformation goals this year, completing the expansion of the Brandon, Manitoba pork processing plant to two full shifts, consolidating production from three other fresh pork plants and establishing Brandon as the primary source of our fresh pork supply. We also consolidated our ham-boning operations into a single mega-plant in Winnipeg. These changes contributed materially to earnings in the second half of the year and we expect benefits to grow as we complete the transformation to focus growth in higher margin, value-added meat and meals. Earnings from our fresh poultry business were materially lower because of the increasing cost for live birds, connected directly to higher corn costs, and the consequence of a strike in one of our facilities. This team is actively pursuing innovation and brand building to add new excitement to the category and grow branded value-added sales.

In our **Agribusiness Group**, sales decreased 3% to \$233 million, while operating earnings increased \$37 million, from a loss of \$7 million last year to positive earnings of \$30 million in 2008. Restructuring of our hog production operations, which included changing to a vertically integrated production model and reducing the number of hogs we produce was a very significant contributor to this major improvement. We successfully reduced the number of hogs we manage from over two million in late 2006 to approximately 820,000 annually today, supplying roughly 20% of our raw material requirements. We also reduced our production costs by closing or selling operations in Ontario and Alberta, and consolidating our hog production in Manitoba, closer to our Brandon facility. Our rendering business performed very well in 2008 as the selling price of rendering products rose on the tide of rising commodity prices. This business continues to provide a vital service to our meat operations, by converting inedible by-products into valuable raw materials. Our biodiesel business in Quebec, which converts used tallow and greases into commercial biofuel, also benefited from the spike in fuel prices earlier in the year.



**“The initiatives Maple Leaf has taken to strengthen its balance sheet and conserve cash have provided the Company with improved flexibility to manage its capital base and resources during this difficult and turbulent period of economic unrest.”**

**Michael Vels,  
Chief Financial Officer**

### Financial review

Overall, the product recall, combined with dramatic increase in commodity prices earlier in the year, had a material impact on our financial performance – all in an environment of economic turmoil and tightening credit. We track our balance sheet strength as a company using several ratios, but mainly by our ability to generate cash flow compared with debt, our funded debt to EBITDA ratio. At the end of September, that ratio was 3.7x – higher than our internal target of between 2.5x and 3.5x.

We took steps to reduce our expenditures by curtailing capital projects, reducing discretionary spending and improving working capital management. We also issued new share units, raising \$70 million from investors, which was structured to provide a significant amount of flexibility as Management has the option to return the proceeds in August 2009, or issue shares if we need the added liquidity. This innovative financing minimizes dilution to shareholders and provides the financial resources we need to meet our financial requirements through these difficult economic times. By the end of 2008, our funded debt leverage ratio had declined to less than 3.5x – a remarkable achievement given the challenges we faced during the year.

We continued to invest in streamlining and improving our operations in 2008, and invested \$206 million to:

- Complete upgrades in Brandon and add ham-boning operations in Winnipeg. Brandon now processes 4.3 million hogs annually, and the Winnipeg plant has expanded capacity to process the increased ham production from Brandon.
- Expand our U.K. bakery specialty bread and bagel capacity and warehousing at our Roanoke, Virginia frozen bakery plant;
- Construct a new world-class warehouse in Saskatoon, which, together with our expanded Vancouver warehouse, now efficiently handles almost all of our western distribution of meat and fresh pasta; and
- Begin construction of a new product innovation centre that will step-change our culinary knowledge and drive growth.

Our overall capital spending for 2008 was less than we had originally estimated, as we deferred some projects so we could better allocate resources to support our recovery from the recall and to help restore margins. This included some planned network optimization initiatives and product innovation that required significant dedication of resources. These projects will resume in 2009.

### Building a world-class consumer packaged goods company

Maple Leaf Foods can trace its roots back well over 100 years. In the past 10 years alone, we've made over 30 acquisitions to build the company we have today: an organization with strong brands, leading market shares, and clearly defined values that shape every decision we make.

The most secure aspect of about being in the food business is that there is always demand for food. The challenge is to grow with the changing needs of the people who consume our products and the customers who sell them, in a way that makes us profitable and creates value for our shareholders. We recognized in late 2006 that we would need to change from a business that was overly exposed to commodity and currency volatility to a more stable, more profitable consumer packaged food company. We are meeting our goals and have made steady progress toward our new business model based on world-class scale operations, strong brands and market shares, and innovation to drive growth and competitive advantage.



By the end of 2009 we expect to complete the internal restructuring of our protein, agribusiness and primary processing operations, creating an integrated supply chain that is focused on higher value products. There is a lot more value we can create for shareholders by improving our manufacturing efficiencies and overhead costs and ensuring we are highly competitive by global standards.

1

### Food Safety:

Building food safety leadership through implementing global best practices, and supporting improvements across the industry.

2

### Efficiency:

Establishing scale across our network, implementing a new world-class systems platform and achieving excellence across functions.

3

### Growth:

Launching exciting new products that combine taste, convenience and nutrition, and partnering with our customers to help them sell more effectively.

While our focus to date has largely been on internal changes to maximize profit potential in our businesses, we also can and will drive top line growth through a combination of higher levels of new product innovation and deeper customer relationships. And implementing enhanced food safety systems across our company is an imperative.

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## Highlights of 2008

(Adjusted operating earnings exclude one-time direct product recall, restructuring and other related costs)

- Sales were \$5.2 billion; consistent with last year
- Adjusted operating earnings decreased 36% to \$128 million
- Adjusted earnings per share from continuing operations decreased 43% to \$0.29
- Operating cash flow from continuing operations increased from \$123 million last year to \$195 million
- Capital expenditures of \$206 million decreased from \$237 million last year
- Return on net assets was 3.4% compared to 6.7% in 2007
- Share price at year-end was \$11.07. Share performance for the year under performed the S&P Food index by 8%

# think food safety

**“Maple Leaf has implemented best practices for listeria testing and control in North America. While this provides an excellent early detection system, the Company’s commitment to food safety will involve ongoing investment, training and adoption of global best practices.”**

**Dr. Randall Huffman,  
Chief Food Safety Officer**

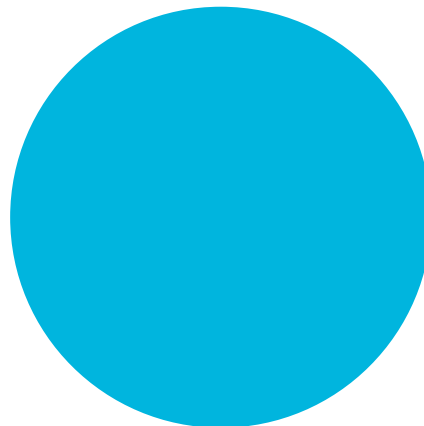
We have always taken food safety extremely seriously, and invested in training, technology, food safety protocols and independent audits that exceed regulatory requirements. Last year’s food safety tragedy is a consequence of when best efforts fail. But these events have translated into a resolve to make a terrible wrong, right – in a meaningful way. We are committed to earning our place as a leader in food safety not just here in Canada, but across the industry and the world.

We have researched best practices globally and are implementing enhanced food safety protocols based on leading standards for cleaning, sanitation and testing. We are the first company in Canada to create the position of a chief food safety officer, a top-level executive who reports directly to the CEO. Dr. Randall Huffman is responsible for leading the implementation of global best practices in food safety and quality assurance programs across our company. We are establishing the Maple Leaf Food Safety Advisory Council, a team of global experts who will increase our access to global knowledge and expertise in areas of food safety, microbiology, food health and public education. And we are building relationships with scientific and food safety institutions that allow us to draw on leading research in food health and safety. We will share our knowledge with industry and government so we can learn from them and they can learn from us, in pursuit of better performance across the industry.

All of this means we are not only meeting regulatory requirements; we are exceeding them and establishing our own, stricter standards. We are committed to:

- Producing high quality, safe food in a safe environment;
- Being at the leading edge of global food safety knowledge and practices;
- Applying aggressive testing programs that exceed government regulations to manage potential risk to its lowest level;
- Fostering transparent and fact-based communication with our consumers.

Food safety concerns all of us, and the people we care for. Maple Leaf Foods – as well as everyone in the food industry – has a responsibility to make sure we make foods that consumers can purchase with complete confidence.



# think innovation

ThinkFOOD! will provide a powerful catalyst to drive new product development. The result will be a focused and profitable stream of innovations that build on our strengths as a value-added meat, meals and bakery company.

Maple Leaf Foods has leading brands and market shares, but to maintain that lead and continue to grow, we must be the best at understanding our customers and consumers and finding ways to anticipate and meet their needs. Innovation is at the heart of our transformation to a globally admired consumer packaged food company and we are step-changing the role of innovation in driving our business results.

To sustain us over the long term, we need to find ways to make innovation systemic in our company. That means adjusting our internal strategy, structure and processes so we apply our collective knowledge, experience and ideas to:

- track the best innovations globally, and quickly adapt them to create exciting and profitable products that consumers want; and
- develop products and services for our customers that support their business strategies, create differentiation, and deepen our relationships.

A catalyst for this important change is our new ThinkFOOD! Centre. Opening in April 2009, this \$12 million facility will be the foremost culinary innovation centre in Canada.

## ThinkFOOD!

Designed as a forum to foster creative thinking and collaboration between our businesses, with our customers and our consumers, it will:

- accelerate the commercialization of successful new product and packaging concepts;
- create an exceptional venue to partner with our customers on innovation and new menu ideas;
- drive collaboration across our businesses, to share ideas and identify joint opportunities;
- provide a hub for consumer research, global food trends and new product innovation.

ThinkFOOD! includes culinary facilities, a foodservice kitchen, sensory and product development areas, teaching facilities and a global culinary insight and trend library. The centre will also be a central hands-on learning environment for sales, marketing and product development staff to develop and share new food concepts and recipe ideas, carry out consumer research and product testing, and evaluate preparation and display techniques.

New products typically deliver higher growth rates and higher margins. We critically assess 400 to 500 new product ideas in a year, and in 2008 launched more than 120 new products in the marketplace.



  
**ThinkFOOD!**  
 Inspire. Learn. Create.

# NO. 1

**Market Position in**  
 wieners, ham, bacon,  
 branded fresh chicken,  
 deli-sliced meats,  
 packaged sandwiches,  
 meal solutions,  
 commercial bread,  
 grains/whole wheat  
 bread, North American  
 retail, par-baked bread,  
 U.K. specialty bakery

“Redefining the way we work cooperatively with our customers will step change our business performance. By better aligning our strategies with theirs, we will ensure that we will GROW faster and win together in the market place.”

Richard Lan,  
 Chief Operating Officer,  
 Food Group

## Making products consumers want

Food is at the heart of the family. Meal times are often the only opportunity to bring families together and food is almost always at the centre of holidays and other family gatherings.

When people have fewer dollars to spend, this becomes even truer. They choose to entertain at home more often, think more about what they're spending, and care more about the value they're getting for their money.

Our product development strategy has two areas of focus:

- Expanding into new categories, like ready-to-eat meals and ethnic breads, to reach new consumers and broaden our base business;
- Revitalizing our existing products by introducing new flavours, product variations and innovations in packaging that deliver excellent value.

## Think customers

Our customers include the most recognized retailers, from large and small grocery chains to leading big box retailers. They are also quick service restaurants and distributors who sell to restaurant chains, seniors' homes, hospitals, universities and other institutions. They are the vital link between Maple Leaf and the people who purchase our products.

The global rise in food prices, fierce competition, food safety and nutrition issues, and rapid shifts in consumer interests puts enormous pressure on our customers. Part of what differentiates Maple Leaf Foods is how we partner with our customers to develop new product ideas, streamline their product offering and help them sell these products more effectively. This means plugging into their strategies and delivering products and services that drive their business goals and ours.

The breadth of our products and strength of our brands gives us the ability to deliver a complete category management solution for customers – including product and consumer research, floor layout design, merchandising strategies, and marketing initiatives like cross-promotions, education programs and point of sale campaigns – all of which help to increase purchasing, profits and add excitement and differentiation to their stores or their menus.

But there is lots of room for Maple Leaf to deliver more value to our customers. Growing through acquisition and being in the meat, meals and bakery categories inevitably means that different groups within our company have to find ways to collaborate, especially when they're dealing with the same customers. In January 2009, we launched an internal customer alignment program that will redefine how we work with customers, making sure we are consistent, effective, providing the guidance and service that is best for each. By enabling us to better understand our customers' strategies, it will help clarify what we need to deliver and when, and will be a critical component in driving top line growth.



## Brand Equity

With over 24,000 employees, Maple Leaf Foods is Canada's leading food processor. We are market leaders – third in Canada by branded retail sales, after Procter & Gamble and Kraft.

## Premium Fresh Chicken



## Maple Leaf Prime Naturally\*

Maple Leaf Prime Naturally\* is Canada's leading brand of fresh chicken. It is a brand that families can count on for consistency, quality, and above all, great taste.

At Maple Leaf, we made a choice to raise all Prime Naturally\* chickens on our proprietary vegetable grain feed – a wholesome blend of corn, wheat, soybean, canola and vitamins that contains no animal by-products. The result is a natural product that you can serve with confidence to your family. Prime Naturally\* is sold in our new Fresh Sure™ packaging. Fresh Sure™ is a special, airtight package that seals in the freshness, so products stay fresher, longer.

\* Canada's leading brand of chicken.

## Fresh Bakery



## Dempster's Smart line of breads

Dempster's is Canada's leading brand of healthier bread products and we are always looking at new ideas to broaden our premium nutrition offering. Two years ago, Dempster's introduced the Smart line of bread products, giving consumers the goodness of whole grains with the taste, texture and colour that families love. While we were developing new Dempster's Smart 100% Whole Grain Bread we had parents and kids across the country try it. The overwhelming response was that they loved the great taste and texture!

Smart breads are available in sliced breads, hot dog and hamburger buns, english muffins, bagels and tortillas. A source of fibre, calcium and essential nutrients, and no trans fats, the Smart line of breads is identified as a healthy choice by the Heart and Stroke Foundation.

## Fresh Pasta



## Olivieri® Gourmet™ Cannelloni

Finding time to enjoy a tasty, easy-to-prepare, microwavable meal has never been easier with Olivieri® Gourmet™ cannelloni. Bringing to life great taste in an easier to prepare microwavable format, Olivieri® Gourmet™ cannelloni is available in two delicious gourmet flavours: Asparagus and Cheese & Chicken and Prosciutto.

The Asparagus and Cheese cannelloni features a delicate blend of mozzarella and asparagus pieces with a hint of balsamic vinegar while the Chicken and Prosciutto cannelloni contains a mix of ricotta cheese, seasoned chicken, prosciutto and red peppers.

Simply heat and serve with your favourite Olivieri® sauce and a delicious, great tasting homemade meal is only moments away.

## Fully Cooked Entrées



## Maple Leaf Simply Savour™

Creating a weeknight dinner that is wholesome, tastes great and is quick to prepare can be a real challenge. That's why we created Maple Leaf Simply Savour™ Fully Cooked Meat Entrées. With Maple Leaf Simply Savour™, we take choice cuts of meat and slow cook them with delicious gravies and sauces. All you have to do is heat them up and add your favourite side dish for a balanced meal.

For people who are looking to get more fish into their diet, Maple Leaf has the answer. Introducing new Maple Leaf Simply Savour™ Fully Cooked Fish Entrées. We have taken salmon and tilapia fillets and cooked them with delicious sauces. None of our Simply Savour entrées have preservatives, and the salmon products are a source of Omega-3 polyunsaturates, so you can feel good about serving them.

# think efficiency

“Continuing investment to achieve scale across our operations and standardizing systems through the adoption of best practices will enable us to realize efficiencies that will deliver significant value.”

Scott McCain,  
President and Chief  
Operating Officer,  
Agribusiness Group

While we are creating innovative products and services to move us toward becoming a world-class consumer packaged goods company, we are also streamlining and adopting global best practices in our operations and business processes to achieve a cost structure that is highly competitive with large global food manufacturers. This involves investing capital to increase scale or upgrade technology, closing inefficient plants and driving costs out to gain as much value as possible, and attracting global talent to our company.

## Building scale operations

By concentrating our operations in regions and plants that make the most business sense, we can achieve scale in our operations, allowing us to add volume, maximize our operating efficiency and grow more cost-effectively – all important factors for developing a world-class supply chain.

The excellent progress we have made in the following areas is an example of how we can build – and benefit from – scale operations:

- Consolidated three primary pork processing plants into a single world-class facility in Brandon, Manitoba that operates a full double shift and is focused on producing high quality products.
- Constructed a new state-of-the-art distribution warehouse in Saskatoon and expanded our warehouse in Coquitlam to serve our entire meat distribution in Western Canada, eliminating a number of third party warehouse contracts and consolidating all business into two warehouses.
- Restructured and reduced our hog production operations across Canada, consolidating into a vertically integrated operation in Manitoba that has lower production costs.
- Increasing capacity utilization in our bakery businesses through closing three plants and investing in others, and relocating production closer to our customers.

We are increasing efficiency on three levels:

- building scale operations and implementing shared best practices
- streamlining our information systems
- increasing functional excellence



Due to volatile commodity markets earlier in 2008, followed by the packaged meat recall and its impact on our business, some strategic projects were delayed and will resume in 2009. There is much more we can and will do. We have significant opportunity to take costs out and create value through further integrating our plants and legacy information systems with the adoption of standardized best practices. While we have plants that meet the needs of today, we will have plants that are best in class from every perspective: cost, efficiency, scale, capacity, and food safety. We have 37 bakery facilities and 34 fresh and packaged meat plants, with opportunities to increase their efficiency and add capacity through consolidation, expansion or adoption of new technologies and practices. We will invest in improving our distribution network in eastern Canada to achieve the same capabilities and efficiency as we have in the West. The benefit will be a much stronger competitive position, best in class operations and significantly lower operating costs.

### Upgrading our information systems

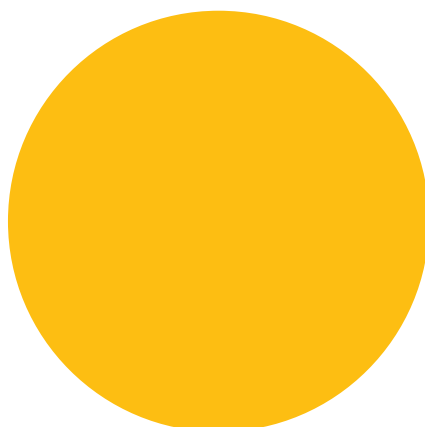
Moving to a common systems platform and a shared services model is another key component for increasing efficiency. Starting in early 2009, we began implementing a world-class enterprise resource program (ERP) platform company-wide that will house all our information, support more efficient standardized processes and provide consistent access to information in real time, so we can make the best decisions possible.

We selected SAP based on a comprehensive review of software solutions and the benefits they would deliver our company. We expect the SAP implementation to take three years and it will transform our systems and information management into a core competitive advantage.

### Establishing functional excellence

Our organizational structure is based on strong centralized corporate services that support operating companies, which are accountable for driving the business and delivering results. The goal is to balance the structure and discipline of a large public company while supporting an entrepreneurial culture that ensures responsiveness to changing business conditions at the operating level.

Across our operating divisions there are common functions, like manufacturing, food safety and human resources, to name a few, that can benefit from adopting best practices and standardizing these practices across the company. This will enhance our functional excellence and reduce the cost and complexity of multiple ways of doing the same thing. We are migrating towards this organizational model – the recent establishment of a chief food safety officer is an excellent example of how recruiting global talent will elevate how we approach food safety across our company. We are taking the same approach to many other functions – either through strengthening existing reporting relationships or bringing new talent to the organization.



# think responsibility

## Our Core Values

Maple Leaf's values, define our culture and drive the following aspects of leadership:

- Do what's right
- Have a bias for action
- Be performance driven
- Continuously improve
- Be externally focused
- Dare to be transparent

These values are the foundation for how we make decisions, run our businesses, recruit and develop people, and our performance review process. We take immense pride in living our values and how they define our character and spirit.

One of our core values is to "Do What's Right" and this has profound implications for how we balance business results with responsibility to our people and our communities. We have created a vibrant culture with a deep focus on attracting and developing people to their full potential.

## A culture where people learn and grow!

We want the Maple Leaf workplace to be focused, innovative, action-packed and non-political, where great people get challenged to perform and grow more than they could anywhere else. As a result, we place a heavy emphasis on training and development including direct personal leadership, leading innovation, manufacturing excellence, sales excellence, Six Sigma and project leadership. In 2008, we invested nearly 5,200 person days of learning and development in our people. We are acutely aware that our performance must produce tangible results for shareholders, and have performance-based compensation for leaders that is tied to the S&P Food Index.

Our employees are telling us this approach is working: this year's Maple Leaf Listens employee survey revealed an overall engagement score of 81% in the North American database, up significantly from 2007 and exceeding the norm for blue chip companies in almost every measure of engagement, despite a year of some dramatic organizational and business changes.

## Keeping our people safe

Safe plants are well run plants – no injury is acceptable. We have worked diligently to create a culture in the workplace where eliminating workplace injuries and keeping safe is embedded in everything we do. We track and communicate safety records across our 100+ facilities with the strong belief that transparency will drive better performance. 2008 marked our eighth consecutive year of continuous improvement in reportable injuries and an overall improvement of 18% across all Maple Leaf operations, an achievement that is among the best in industry and one that we are extremely proud of. While we take great pride in this achievement, we are constantly raising the bar and striving for excellence in Occupational Health & Safety. Every worker deserves a safe workplace and an expectation that they will return home at the end of each and every shift, without injury.

## Actively engaged

We participate in environmental initiatives that involve the food industry, the investment community and our own customers:

- This year our Rothsay facility in Dundas, Ontario and our plant in Brandon, Manitoba received Tier 1 environmental awards from American Meat Institute's (AMI) environmental recognition program
- We achieved recognition from the Ontario Ministry of Environment for achieving 67% water consumption reduction at our turkey processing operation during drought conditions in 2007
- We conducted an extensive greenhouse gas inventory and have participated in the Carbon Disclosure Project for the past two years
- Through our U.K. Bakery division, we participate in the National Association of Master Bakers Climate Change Levy discount process, which sets reduction targets for greenhouse gases.

For more information about our commitment to the environment, visit our website [www.mapleleaf.com](http://www.mapleleaf.com)





### Reducing our environmental impact

Whether it is reducing the waste we generate, the energy we use, or our water consumption, we are continually doing more to reduce our impact on the environment. This is not just an issue of compliance – our customers and suppliers expect it and our consumers demand it. The reality of global warming is profound and we must do more to reduce greenhouse gas emissions. And we recognize that sound environmental practices are integral to the successful growth of our business and a reflection of our values.

Since 2001, we've invested close to \$65 million in environmental infrastructure and spent more than \$110 million in managing environmental matters across the organization. We have completed environmental audits at 60 facilities, undertaken a rigorous compliance management program, managing almost 50 permits and submitting almost 70 reports annually to various regulatory authorities, and trained 600 managers and supervisors in environmental requirements and best practices. We've also completed almost 450 environmental projects in areas like air emissions, wastewater control and waste management and reduction, touching over 90% of our manufacturing facilities. In 2008, we launched our environmental excellence program, which is standardizing our environmental management system across the organization.

Last year, we began developing a comprehensive environmental strategy to strengthen our environmental initiatives and integrate environmental considerations in our business strategy and decisions. This program will see us reap the environmental and business rewards of sound environmental stewardship.

**Richard A. Lan**  
Chief Operating Officer,  
Food Group

**J. Scott McCain**  
President and Chief Operating  
Officer, Agribusiness Group

**Michael H. Vels**  
Executive Vice-President  
and Chief Financial Officer

**Michael H. McCain**  
President and Chief  
Executive Officer

### Giving back to our communities

Our charitable focus is to meet the nutritional needs of those most vulnerable and support long-term solutions that increase their access to nutritious, affordable food. To support this, our philanthropy activities harness our strengths as a large food company to direct our donations of time, talent and resources. This ranges from volunteering with non-profits to lend our expertise in finance, supply chain planning or communications, to financial or in-kind product donations. In 2008, we contributed roughly \$4 million of meat and bakery products that were distributed to people in need, concentrating on food banks and similar organizations in communities and countries where we operate. Last December alone we donated 8,500 kilograms of fresh pork products and over 1,800 turkeys. This included major projects in Brandon, Winnipeg and Montreal during the holiday season to stock food banks. But it also included shipments of food products to impoverished indigenous communities in Northern Canada, where the cost of food is up to four times higher. We are very proud of our strong community relationships and look forward to building on these programs as they are an important part of who we are as a company.

### Looking ahead to 2009

Maple Leaf is in the fortunate position of being in the food business, a sector that typically experiences more stability in tough economic times. Our opportunity is to adapt to these economic realities by targeting growth opportunities – particularly innovative new bakery and meal products for the home and quick service restaurants, where the market is strong. Our leading market positions and strong brands provide a very strong competitive platform to deliver greater earnings.



think  
brand family



# Corporate Information

## Capital Stock

The Company's authorized capital consists of an unlimited number of voting common and an unlimited number of non-voting common shares. At December 31, 2008, 107,258,681 voting shares and 22,000,000 non-voting shares were issued and outstanding, for a total of 129,258,681 outstanding shares. There were 794 shareholders of record of which 760 were registered in Canada, holding 98.6% of the issued voting shares. All of the issued non-voting shares are held by Ontario Teachers' Pension Plan Board. These non-voting shares may be converted into voting shares at any time.

## Ownership

The Company's major shareholders are McCain Capital Corporation holding 41,518,153 voting shares representing 32% of the total issued and outstanding shares and Ontario Teachers' Pension Plan Board holding 20,728,371 voting shares and 22,000,000 non-voting shares representing 33.1% of the total issued and outstanding shares. The remainder of the issued and outstanding shares are publicly held.

## Corporate Office

Maple Leaf Foods Inc.  
30 St. Clair Avenue West  
Suite 1500  
Toronto, Ontario, Canada M4V 3A2  
Tel: (416) 926-2000  
Fax: (416) 926-2018  
Website: [www.mapleleaf.com](http://www.mapleleaf.com)

## Annual Meeting

The annual meeting of shareholders of Maple Leaf Foods Inc. will be held on Wednesday, April 29, 2009 at 11:00 a.m. at ThinkFOOD! Centre, 6897 Financial Drive, Mississauga, Ontario, Canada.

## Dividends

The declaration and payment of quarterly dividends are made at the discretion of the Board of Directors. Anticipated payment dates in 2009: March 31, June 30, September 30 and December 31.

## Shareholder Inquiries

Inquiries regarding dividends, change of address, transfer requirements or lost certificates should be directed to the Company's transfer agent:

Computershare Investor Services Inc.  
100 University Avenue, 9th Floor  
Toronto, Ontario, Canada M5J 2Y1  
Tel: (514) 982-7555  
or 1-800-564-6253 (toll-free North America)  
or [service@computershare.com](mailto:service@computershare.com)

## Company Information

For investor relations inquiries, please contact our Senior Vice-President, Communications & Consumer Affairs at (416) 926-2000.

For copies of annual and quarterly reports, annual information form and other disclosure documents, please contact our Senior Vice-President, Transactions & Administration and Corporate Secretary at (416) 926-2000.

## Transfer Agent and Registrar

Computershare Investor Services Inc.  
100 University Avenue, 9th Floor  
Toronto, Ontario, Canada M5J 2Y1  
Tel: (514) 982-7555  
or 1-800-564-6253 (toll-free North America)  
or [service@computershare.com](mailto:service@computershare.com)

## Auditors

KPMG LLP  
Toronto, Ontario

## Stock Exchange Listings and Stock Symbol

The Company's voting common shares are listed on The Toronto Stock Exchange and trade under the symbol "MFI".

## Rapport annuel

Si vous désirez recevoir un exemplaire de la version française de ce rapport, veuillez écrire à l'adresse suivante : Secrétaire de la société, Les Aliments Maple Leaf Inc., 30 St. Clair Avenue West, Toronto, Ontario M4V 3A2.

**passionate people;**  
**passionate about food**



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[www.mapleleaf.com](http://www.mapleleaf.com)



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