



MAPLE LEAF FOODS INC.

INTERIM REPORT TO SHAREHOLDERS

For the first quarter ended March 31, 1999

TO OUR SHAREHOLDERS

We are pleased to report record first quarter earnings for the quarter ended March 31, 1999.

Financial Results

Sales for the quarter of \$869.4 increased by 18% from \$738.6 million last year, as all three operating groups reported increased sales. Earnings from operations of \$29.3 million increased by 165% from \$11.1 million, before unusual items, last year. The Meat Products Group and the Agribusiness Group both reported increased earnings while Bakery Products Group earnings declined from 1998. Net earnings of \$10.8 million (\$0.10 per share), compared to \$1.5 million (\$0.02 per share), before unusual items, in the prior year.

Meat Products Group

Meat Products Group sales of \$527.5 million increased by 23% from \$429.5 million last year. Earnings from operations increased to \$17.8 million compared to \$1.5 million last year as all operations within the Group recorded improved results reflecting some early benefits of the last several years of restructuring.

Maple Leaf Pork benefited from favourable commodity markets, and construction is proceeding on the Brandon, Manitoba hog processing plant with completion anticipated in the fall of this year.

Maple Leaf Consumer Foods earnings improved as a result of increased volumes. Several new products were launched during the quarter including *Ready Crisp* pre-cooked bacon and *Top Dogs* nutritionally superior wieners.

Maple Leaf Poultry recorded improved volumes and margins, principally due to continuing strong growth of *Maple Leaf Prime* branded chicken and improved operating efficiencies. The previously disclosed joint venture agreement to process turkey with Cold Springs Farm Limited was finalized on April 2, 1999, resulting in the closure of the Company's Walkerton turkey facility and transfer of production to the new joint venture.

Maple Leaf Foods International recorded strong results due to strong demand from global markets.

Bakery Products Group

Bakery Products Group sales of \$175.4 million increased 12% from \$157.2 million last year. However, earnings from operations declined to \$0.3 million from \$2.4 million last year.

Canada Bread Company, Limited recorded an increase in sales largely due to the new A&P supply contract, however, the start up costs of this contract are also reflected in the quarter. A new management team has been put in place at Canada Bread, and a six point strategy has been developed and is aggressively being implemented to restore profitability. In the United States, sales of core par-baked bread products were up significantly, offset by the loss of some contracted private label bagel business.

Agribusiness Group

Agribusiness Group sales of \$166.6 million increased by 10% from \$151.8 million last year, primarily due to increases in feed and pet food sales. Operating earnings of \$11.3 million increased by 57% from \$7.2 million last year as a result of the sales increases, partly offset by continued losses from the sale of live hogs in Quebec.

Construction on a new mill tower in St. Mary's Ontario that will significantly increase feed capacity in Shur-Gain's Ontario business has begun and will be completed late in 1999.

Other Information

The Company has reached an agreement to sell Country Style Food Services Inc., its Franchising Operations, to a group including CAI Capital Partners and Country Style management in a transaction valued at \$45 million. Closing is scheduled for May 28, 1999 and a gain on the transaction will be recorded in the second quarter. The transaction is consistent with the Company's Core 7 Strategy of focusing on core businesses and presents growth opportunities for Country Style that can be more fully realized on a stand-alone basis.

Other income for the quarter of \$0.4 million is lower than the \$3.7 million reported last year largely due to reduced earnings from associated companies and the gain on sale of the MTC Animal Health business recorded in January 1998.

The Company has in place a process designed to minimize the effects of the Year 2000 issue on the Company. As at March 31, 1999 the assessment and remediation phase related to the Company's internal computer systems was substantially complete, and over 95% of the Company's internal systems are considered to be Year 2000 ready or have contingency plans in place. A process to address the readiness of key third parties such as suppliers and customers is ongoing. It is however, not possible to be certain that all aspects of the Year 2000 issue affecting the Company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

The Company declared a dividend of \$0.04 per share payable on June 30, 1999 to shareholders of record on June 11, 1999.

We are very pleased with the results for the first quarter, and we are confident the Company will have a good year.

On behalf of the Board:



G.W.F. McCain
Chairman of the Board



M.H. McCain
President and Chief Executive Officer

May 3, 1999

CONSOLIDATED BALANCE SHEETS

In thousands of Canadian dollars
(Unaudited)

As at March 31,

	1999	1998
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 39,180	\$ 17,747
Accounts receivable	207,774	253,050
Inventories	183,190	203,679
Income and other taxes recoverable	–	10,687
Prepaid expenses	14,371	11,366
	444,515	496,529
Investments in associated companies	66,968	66,305
Property and equipment	585,601	559,822
Other assets	134,352	123,606
Goodwill	237,310	236,713
	\$ 1,468,746	\$ 1,482,975
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank indebtedness	\$ 10,758	\$ 40,793
Accounts payable and accrued charges	379,769	377,671
Income and other taxes payable	1,652	–
Current portion of long-term debt	439	505
	392,618	418,969
Long-term debt	554,575	664,804
Deferred income taxes	41,223	44,500
Minority interest	76,141	73,428
Shareholders' equity	404,189	281,274
	\$ 1,468,746	\$ 1,482,975

CONSOLIDATED STATEMENTS OF CASH FLOWS

*In thousands of Canadian dollars
(Unaudited)*

Quarter ended March 31,

	1999	1998
CASH PROVIDED BY (USED IN):		
Operating activities		
Net earnings (loss) for the period	\$ 10,759	\$ (53,896)
Add (deduct) items not affecting cash:		
Depreciation	16,113	14,017
Amortization	2,065	1,864
Minority interest	1,207	(1,866)
Deferred income taxes	(1,964)	2,149
Undistributed earnings of associated companies	826	(1,077)
Non-cash amounts included in unusual items	-	29,284
Other	(4,856)	647
Changes in non-cash operating working capital	(46,242)	(66,595)
	(22,092)	(75,473)
Financing activities		
Dividends paid	(3,767)	(3,728)
Dividends paid to minority interest	(559)	(533)
Increase in long-term debt	61,062	68,883
Convertible debenture interest paid	(1,696)	-
Increase in share capital	436	1,196
Other	501	309
	55,977	66,127
Investing activities		
Additions to property and equipment	(14,751)	(26,344)
Proceeds from sale of property and equipment	193	378
Acquisition of net assets of business	(5,113)	-
Net proceeds from divestiture of business	-	9,610
	(19,671)	(16,356)
Net increase (decrease) in cash for the period	14,214	(25,702)
Cash, net of bank indebtedness, beginning of period	14,208	2,656
Cash, net of bank indebtedness, end of period	\$ 28,422	\$ (23,046)



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