



MAPLE LEAF FOODS INC.



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PRELIMINARY REPORT TO SHAREHOLDERS

For the Year Ended December 31, 1999

TO OUR SHAREHOLDERS

We are pleased to report that the Company achieved strong fourth quarter earnings and record annual earnings for the year ended December 31, 1999. The combined financial results of the Meat Products Group and the Agribusiness Group benefited from our unique “vertical coordination” pork and poultry value chain business model, particularly in the fourth quarter. While Bakery Products Group earnings remain unsatisfactory, solid operational progress was made against the turnaround plan in the fourth quarter.

Financial Results

Sales for the fourth quarter of \$919 million were up by 4% from \$883 million last year. Sales for the year of \$3.6 billion were up 8% from \$3.3 billion last year.

Earnings from operations, before unusual items, for the fourth quarter of \$44.4 million compared to \$45.0 million (\$47.4 million including Franchise Operations, which were sold early in 1999) last year. Earnings from operations, before unusual items, for the year of \$146.5 million were up 42% from \$103.4 million last year.

Net earnings for the quarter of \$22.9 million (\$0.23 per share) were up by 19% from \$19.2 million (\$0.20 per share) last year. Net earnings for the year of \$77.2 million (\$0.77 per share), compared to a loss of \$23.3 million (\$0.25 per share) last year.

In the fourth quarter, the Company recorded a number of one-time gains and losses, as well as a special charge against operating earnings, the net effect of which was positive to earnings. The one-time gains and losses are discussed below under Other Information. The Company also recorded a one-time gain on the sale of a business in the second quarter. The special charge taken in the fourth quarter relates to centralization and streamlining of certain administration processes and manufacturing operations, all of which will be undertaken in 2000.

Net earnings for the year before one-time gains and losses and the special charge were \$68.8 million (\$0.68 per share) which compares to \$32.1 million (\$0.34 per share), before unusual items, in 1998. Earnings per share of \$0.68 in 1999 represents a compound annual growth rate of 23% over the last four years.

Meat Products Group

Meat Products Group sales for the fourth quarter of \$527 million compared to \$547 million last year. Earnings from operations, before unusual items, for the fourth quarter were \$17.6 million compared to \$21.9 million last year. Sales for the year of \$2.1 billion were up 9% from \$2.0 billion last year. Earnings from operations, before unusual items, for the year of \$66.5 million were up 124% from \$29.7 million last year.

Maple Leaf Pork had a very successful year, although year-over-year earnings were lower as a result of unseasonably high live hog prices relative to the record low prices experienced last year, and the adverse short-term impact of the closure of fresh pork operations in Winnipeg. The closure followed the commencement of operations at the Brandon fresh pork facility. The start-up has been tremendously successful to-date. The plant is currently processing at about 80% of its single shift capacity and is expected to be processing at full single shift capacity by the second quarter of 2000.

Maple Leaf Consumer Foods and Maple Leaf Poultry both recorded strong year-over-year earnings improvements as they continued to achieve excellent market success with their branded, value-added products, including *Maple Leaf Top Dogs* wieners, *Maple Leaf Ready Crisp* pre-cooked bacon and *Maple Leaf Prime* poultry. Maple Leaf processed meats products have fully recovered the market share losses experienced related to the 1997/98 labour-dispute. Sales of *Maple Leaf Prime* poultry continue to grow at a significant pace.

Maple Leaf Foods International had a highly successful year reporting strong year-over-year earning growth as it continued to capitalize on its substantial international marketing and distribution capabilities at the same time as many Asian economies began rebounding.

In February 2000, the Company announced it had reached an agreement to purchase Hub Meat Packers Limited of Moncton, New Brunswick and Larsen Packers Limited of Berwick, Nova Scotia. The two companies have combined sales of about \$270 million. Closing is subject to regulatory approvals.

Bakery Products Group

Bakery Products Group sales for the fourth quarter of \$158 million were down from \$170 million last year. Earnings from operations, before unusual items, for the fourth quarter of \$3.5 million compares to \$5.8 million (\$8.1 million including Franchise Operations) last year. Sales for the year of \$676 million compares to \$663 million last year. Earnings from operations, before

unusual items, for the year of \$9.7 million compares to \$16.4 million (\$20.5 million including Franchise Operations) last year.

Canada Bread achieved solid operational gains during the year. While year-over-year earnings were down slightly, earnings for the fourth quarter increased compared to last year. Stronger financial results are expected in 2000 following continued operating improvements. In the United States, Maple Leaf Bakery recorded a loss for the year principally due to the loss of some non-core contracted private label business. Sales of par-baked bread products increased significantly, up 18% for the year over last year. Based on continued sales growth and numerous cost reduction initiatives undertaken late in 1999 and early in 2000, Maple Leaf Bakery is expected to return to profitability early in 2000. In addition to aggressively implementing the turnaround plan, numerous transactional alternatives are being assessed in order to ensure the full value potential of the Bakery Products Group is achieved and properly reflected in the Company's share price.

Agribusiness Group

Agribusiness Group sales for the fourth quarter of \$234 million increased by 41% from \$166 million last year. Earnings from operations, before unusual items, for the fourth quarter of \$23.3 million were up 35% from \$17.3 million last year. Sales for the year of \$741 million were up 14% from \$653 million last year. Earnings from operations, before unusual items, for the year of \$70.3 million were up 32% from \$53.2 million last year.

The strong growth in sales and earnings were driven by several factors. The Shur-Gain animal feed and nutrition business continued to grow profitably by leveraging its world-class technology and the tremendous strength of the *Shur-Gain* brand name. Shur-Gain was successful in exiting the Quebec hog growing operations which adversely affected 1998 results. The purchase of Landmark Group, which was completed in October 1999, was accretive to earnings in the fourth quarter. Rothsay Rendering reported highly satisfactory earnings, which were comparable to last year in spite of difficult market conditions. Finally, the Agribusiness Group benefited from implementation of our "vertical coordination" pork and poultry value chain business model.

Other Information

Other income for the fourth quarter of \$18.6 million compares to \$0.7 million last year. In the fourth quarter the Company realized a gain on insurance proceeds related to a fire in a Chicago, Illinois bakery, realized a gain on the sale of the assets of its majority owned cat litter business, Canbrands International, and recorded a pre-tax expense related to the disposition of a business. These amounts are included in Other Income for the quarter. Other Income for the year also includes a gain on the sale of the Franchise Operations, which was completed in the second quarter.

The Company elected to retroactively change the method used to account for post-retirement benefits, other than pensions, from a cash basis to an accrual basis. As a result of this change in accounting policy, opening deficit at January 1, 1998 increased by \$4.0 million, and other long-term liabilities increased by \$6.5 million and deferred income taxes decreased by \$2.5 million as at December 31, 1998.

The Company has not experienced any significant difficulties associated with Year 2000 computer issues.

The Company declared a dividend of \$0.04 per share payable on March 31, 2000 to shareholders of record on March 17, 2000.

We are exceptionally pleased with the strategic, operational and financial progress achieved in 1999. With the strength of our branded products, our new product pipeline, the recent opening of our Brandon fresh pork facility, the Landmark Group acquisition, the economic potential of our vertical coordination business model, operational progress in the bakery turnaround and numerous other exciting initiatives that are underway, we look forward to strong and profitable growth in 2000 and beyond.

On behalf of the Board:



G.W.F. McCain
Chairman of the Board



M.H. McCain
President and Chief Executive Officer

February 18, 2000

CONSOLIDATED STATEMENTS OF EARNINGS

In thousands of Canadian dollars, except per share amounts (Unaudited)

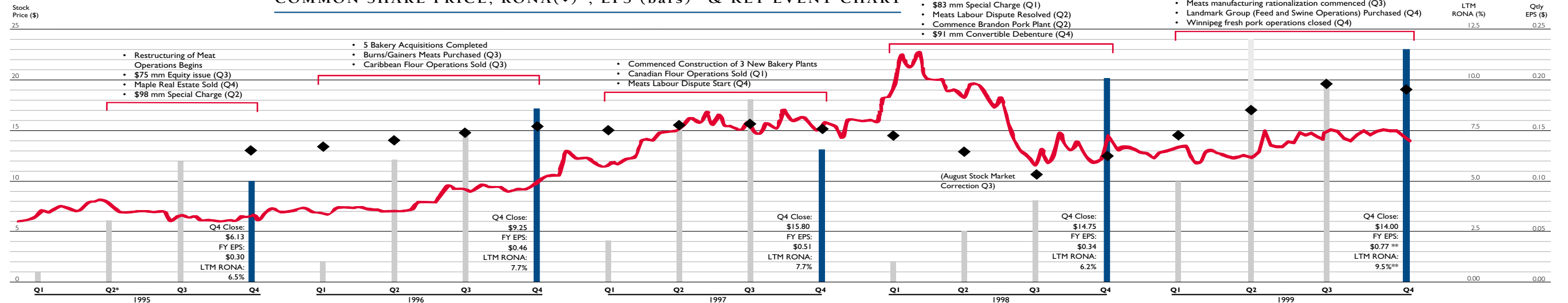
	Quarters ended December 31,		Years ended December 31,	
	1999	1998	1999	1998
Sales	\$ 919,361	\$ 882,829	\$ 3,551,109	\$ 3,281,464
Earnings from operations, before unusual items	44,355	47,371	146,488	103,389
Unusual items	(10,967)	–	(10,967)	(82,918)
Earnings from operations	33,388	47,371	135,521	20,471
Other income	18,608	738	39,958	7,505
Earnings before interest and taxes	51,996	48,109	175,479	27,976
Interest expense	12,068	13,553	43,968	49,148
Earnings (loss) before income taxes	39,928	34,556	131,511	(21,172)
Income taxes	12,863	13,606	46,364	(112)
Earnings (loss) before minority interest	27,065	20,950	85,147	(21,060)
Minority interest	4,211	1,707	7,949	2,197
Net earnings (loss) for the period	\$ 22,854	\$ 19,243	\$ 77,198	\$ (23,257)
Earnings (loss) per share	\$ 0.23	\$ 0.20	\$ 0.77	\$ (0.25)
Dividends per share declared	\$ 0.04	\$ 0.04	\$ 0.16	\$ 0.16
Weighted average number of shares (millions)	94.8	94.1	94.4	93.6

SEGMENTED FINANCIAL INFORMATION

In thousands of Canadian dollars (Unaudited)

	Quarters ended December 31,		Years ended December 31,	
	1999	1998	1999	1998
Sales				
Meat Products Group	\$ 527,284	\$ 546,589	\$ 2,134,141	\$ 1,965,485
Bakery Products Group	158,221	170,407	675,941	663,297
Agribusiness Group	233,856	165,833	741,027	652,682
\$ 919,361	\$ 882,829	\$ 3,551,109	\$ 3,281,464	
Earnings from Operations, before unusual items				
Meat Products Group	\$ 17,586	\$ 21,911	\$ 66,483	\$ 29,668
Bakery Products Group	3,479	8,144	9,711	20,496
Agribusiness Group	23,290	17,316	70,294	53,225
\$ 44,355	\$ 47,371	\$ 146,488	\$ 103,389	

COMMON SHARE PRICE, RONA(♦)*, EPS (bars)* & KEY EVENT CHART



CONSOLIDATED STATEMENTS OF CASH FLOWS

*In thousands of Canadian dollars
(Unaudited)*

Years ended December 31,
1999 1998

CASH PROVIDED BY (USED IN):

Operating activities

Net earnings (loss) for the period	\$ 77,198	\$ (23,257)
Add (deduct) items not affecting cash:		
Depreciation	62,723	55,945
Amortization	8,532	7,618
Minority interest	7,949	2,197
Deferred income taxes	1,147	(21,194)
Undistributed earnings of associated companies	(2,115)	(1,957)
Non-cash amounts included in unusual items	9,307	23,882
Gain on sale of property and equipment	(292)	(1,675)
Gain on sale of business	(21,430)	(1,332)
Other	2,881	4,053
Changes in non-cash operating working capital	(9,271)	76,549
	136,629	120,829

Financing activities

Dividends paid	(15,730)	(14,994)
Dividends paid to minority interest	(6,793)	(1,833)
Increase in (repayment of) long-term debt	53,520	(110,109)
Net proceeds from issuance of convertible debentures	-	89,990
Convertible debenture interest paid	(5,804)	-
Increase in share capital	2,103	7,652
Other	(1,475)	309
	25,821	(28,985)

Investing activities

Additions to property and equipment	(121,760)	(90,751)
Proceeds from sale of property and equipment	6,592	6,336
Acquisition of net assets of businesses	(107,114)	(6,188)
Net proceeds from divestiture of businesses	61,417	10,311
	(160,865)	(80,292)

Net increase (decrease) in cash for the period	1,585	11,552
Cash, net of bank indebtedness, beginning of period	14,208	2,656
Cash, net of bank indebtedness, end of period	\$ 15,793	\$ 14,208