



# NEWS RELEASE

TSX: MFI

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## **Maple Leaf Foods to Reorganize its Protein Operations Focus Growth in its Value Added Meats and Meals Businesses**

October 12, 2006; Toronto, Ontario: Maple Leaf Foods (MFI: TSX) today announced a comprehensive strategy to significantly increase the profitability of its Meat Products and Agribusiness operations (“the Protein Value Chain” or “Value Chain”) by focusing its growth in the value added fresh and processed meats and meals businesses, supported by a vertically integrated, balanced and optimized value chain.

As Canada’s leading food processor, Maple Leaf has strong assets, brands, and leading market shares across its businesses. In the last several years, however, the sharp rise in the Canadian dollar and challenging global protein markets have impacted the performance of the Company’s protein value chain operations, primarily in hog production and fresh pork processing, and offset strong results in its further processed meats business. In response, Maple Leaf has completed a comprehensive review of its value chain, with the objective to maximize the profitability of its meat businesses and recover what is estimated to be a \$100 million annualized loss in competitiveness due to adverse currency movements.

To achieve this objective, the Company will focus its strategy on growing its value added fresh and further processed meat and meals businesses. Through integrating its fresh and valued added further processed operations, the Company’s goal is to balance and optimize the value of all the meat that it processes through significantly increasing the raw materials it directs into further processing; step changing its new product innovation; establishing a low cost manufacturing base; and reducing the scope of its value chain as required to support its value added meat businesses.

The Company will align its value chain operations to support this strategy. All other components, including the feed, hog production and primary processing operations,

will be sized to support its value added fresh and further processed meat businesses. The Company will seek to divest of or discontinue operations and businesses that do not support this balanced, aligned and vertically integrated model. Management estimates that the Company will incur restructuring charges in the range of \$80 million to \$120 million over the next three years as it completes this reorganization.

“We have defined a strategy that goes well beyond addressing currency challenges and provides significant value creation opportunities for Maple Leaf and our shareholders,” said Michael McCain, President and CEO. “The result will be a simpler, more focused and profitable meat and bakery company, with significantly less exposure to foreign currency fluctuations and commodity markets. We will build off our considerable strengths in the higher margin, fresh and further processed meats and meals markets through innovation, investment, and acquisitions.”

“We are very supportive of the strategy and highly confident of management’s ability to execute this reorganization and to improve profitability,” said Brian Gibson, Senior Vice President, Public Equities at the Ontario Teachers’ Pension Plan, the Company’s largest shareholder.

Through the refocusing of its meat strategy and related restructuring, by the end of 2009 the Company expects to realize incremental annualized earnings in excess of \$100 million from its protein value chain operations, in addition to increased earnings from its bakery operations and synergies from the Schneider Foods acquisition. Maple Leaf will continue to pursue expansion in its value added meat and bakery businesses through strategic global acquisitions.

The reorganization will result in Maple Leaf reducing the number of hogs it produces or manages, while transitioning to 100% ownership of fewer barns. The new mandate of the fresh meat operations will be to focus on producing raw material products that meet the needs and specifications of the Company’s value added protein businesses. Maple Leaf will continue to develop profitable external sales channels for its value added fresh meat products, maintaining its important customer relations in North America, Japan and globally within a balanced, optimized value chain model. The Company will operate only the lowest cost, most efficient facilities in primary processing, and over the next three years will size these operations to meet the requirements of its value added and further processed meat businesses.

In its animal nutrition business, the largest in Canada, Maple Leaf will retain only those feed mills necessary to support its restructured hog production operations. Over the next several months, the Company will identify the best path to maximize the value of the remaining animal nutrition business. The rendering business is an integral component of primary pork and poultry processing and Maple Leaf has yet to define the scope of its future rendering operations.

This repositioning of the protein operations will simplify and focus the business in higher growth, higher margin categories. The six operating divisions in its Meat

Products and Agribusiness Group will ultimately be merged into a single protein company, resulting in greater organizational simplicity and efficiency. Supporting this new structure, Richard Lan has been appointed Chief Operating Officer of the Food Products Group (comprising the Company's Meat and Bakery Products operations). In this new role, Richard will guide organizational alignment to the new structure and assume overall operating leadership for the food businesses, including harvesting additional synergies between the meat and bakery businesses. Richard has 30 years experience in the global food industry and has been COO of the Company's Bakery Group since 1998, where he led the restructuring and strategic growth of this business to create significant shareholder value. Scott McCain will continue as Chief Operating Officer of the Agribusiness Group, and together with Richard will lead the alignment of their respective operations to the new structure. As a first step towards merging of the Protein Group companies, effective immediately, the Fresh Foods operations will report to Rick Young, President of Maple Leaf Consumer Foods, who will lead the merged organization.

Maple Leaf Foods Inc. is a leading Canadian food processing company committed to delivering quality food products to consumers around the world. Headquartered in Toronto, Canada, the Company employs approximately 24,000 people at its operations across Canada and in the United States, Europe and Asia. The Company had sales of \$6.1 billion in 2005.

#### **Forward-Looking Statements**

This document contains, and the Company's oral and written public communications often contain, forward-looking statements that are based on current expectations, estimates, forecasts and projections about the industries in which the Company operates and beliefs and assumptions made by the management of the Company. These statements are not guarantees of future performance and involve assumptions and risks and uncertainties that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed, implied or forecasted in such forward-looking statements. The Company does not intend, and the Company disclaims any obligation to update any forward-looking statements, whether written or oral, or whether as a result of new information, future events or otherwise. Refer to the Company's annual report, management proxy circular, annual information form and other filings with the Ontario Securities Commission and Toronto Stock Exchange for further information on risks and uncertainties that could cause actual results to differ materially from forward-looking statements.

An investor presentation related to this announcement is available at [www.mapleleaf.com](http://www.mapleleaf.com) and can be found under the Investor Relations section. A conference call for **investors and analysts** will be held at 1:00 p.m. EDT on October 12, 2006 to discuss this reorganization. To participate in the call, please dial 416-340-8010 or 866-540-8136. For those unable to participate, playback will be made available an hour after the event at 416-695-5800 // 800-408-3053 Passcode 3200672#

A **media call** will follow at 2:30 p.m. To participate in the call, please dial 416-641-6157

or 888-575-8232.

A webcast presentation will also be available at <http://investor.mapleleaf.ca> at 1:00 p.m. EDT via a link <http://events.startcast.com/events/91/B0011>. An archived replay of the webcast will be available following the call at each of the above links.