MAPLE LEAF FOODS INC.

Management's Discussion and Analysis
For the Year Ended
December 31, 2015

Management's Discussion and Analysis

All dollar amounts are presented in Canadian dollars unless otherwise noted.

February 29, 2016

THE BUSINESS

Maple Leaf Foods Inc. ("Maple Leaf Foods" or the "Company") is a leading Canadian consumer protein company, making high quality, innovative products under national brands including Maple Leaf®, Maple Leaf Prime®, Maple Leaf Natural Selections®, Schneiders®, Schneiders Country Naturals® and Mina™. The Company employs approximately 11,500 people across Canada and exports to global markets, including the U.S. and Asia. The Company is headquartered in Mississauga, Ontario and its shares trade on the Toronto Stock Exchange (MFI).

DIVESTITURE OF CANADA BREAD COMPANY, LIMITED

On May 23, 2014, Grupo Bimbo, S.A.B. de C.V. of Mexico ("Grupo Bimbo") acquired the 90.0% of issued and outstanding shares of Canada Bread Company, Limited ("Canada Bread") owned by the Company, by way of a statutory plan of arrangement under the Business Corporations Act (Ontario) (the "Arrangement"). The Company received gross proceeds of approximately $1,657.0 million (which includes its share of the dividend paid upon closing of the Arrangement) for its 90.0% interest in Canada Bread, resulting in a pre-tax gain of $997.0 million for the year ended December 31, 2014. Upon the sale of the business, the net assets of Canada Bread have been derecognized.

OPERATING SEGMENTS

The Company's results are organized into three segments: Meat Products Group, Agribusiness Group and Bakery Products Group.

The Meat Products Group includes value-added prepared meats, lunch kits and snacks, and fresh pork and poultry products sold under leading Canadian brands such as Maple Leaf®, Schneiders® and many leading regional brands.

The Agribusiness Group includes Canadian hog production operations that primarily supply the Meat Products Group with livestock as well as toll feed sales.

The combination of the Company's Meat Products Group and Agribusiness Group comprises the Protein Group.

The Bakery Products Group was comprised of the Company's 90.0% ownership in Canada Bread, which has been classified as discontinued operations following the announced sale of the Company's interest in Canada Bread in the first quarter of 2014. Refer to Note 22 of the Company's 2015 audited consolidated financial statements for further information.

FINANCIAL OVERVIEW

In 2015, sales from continuing operations increased 4.3% to $3,292.9 million from $3,157.2 million last year, or 2.4% after adjusting for the impact of foreign exchange, due to higher sales in the Meat Products Group and an additional week in the fourth quarter of 2015.

Adjusted Operating Earnings[(i)] for the year was $109.8 million compared to a loss of $75.5 million last year. Adjusted Earnings per Share[(ii)] was $0.58 compared to a loss of $0.56 last year. These improvements were largely a result of improved margins in the Meat Products Group.

Net earnings from continuing operations for the year was $41.6 million ($0.30 per basic share attributable to common shareholders[(iii)]) compared to a loss of $213.8 million (loss of $1.51 per share) last year. This included $33.8 million ($0.18 per share) of restructuring and other related costs (2014: $67.6 million, or $0.36 per share). The improvement was due primarily to improved margins in the Meat Products Group, non-recurring financing costs that were incurred last year in relation to the repayment of the Company's outstanding debt and lower restructuring and other related costs.

Several items are excluded from the discussions of underlying earnings performance as they are not representative of ongoing operational activities. Refer to the section entitled Non-IFRS Financial Measures of this Management Discussion and Analysis on page 27 for a description and reconciliation of all non-IFRS financial measures.

Notes:

(i) *Adjusted Operating Earnings, a non-IFRS measure, is used by Management to evaluate financial operating results. It is defined as earnings from continuing operations adjusted for items that are not considered representative of ongoing operational activities of the business, and items where the economic impact of the transactions will be reflected in earnings in future periods when the underlying asset is sold or transferred. Please refer to the section entitled Non-IFRS Financial Measures starting on page 27 of this document.*

(ii) *Adjusted Earnings per Share, a non-IFRS measure, is used by Management to evaluate financial operating results. It is defined as basic earnings per share from continuing operations attributable to common shareholders, and is adjusted on the same basis as Adjusted Operating Earnings. Please refer to the section entitled Non-IFRS Financial Measures starting on page 27 of this document.*

(iii) *Unless otherwise stated, all per share amounts are presented as per basic share attributable to common shareholders.*

SELECTED FINANCIAL INFORMATION

The following table summarizes selected financial information for the three years ended December 31:

($ millions except earnings per share)	**2015**	2014(i)	2013(ii)
Sales	**$ 3,292.9**	$ 3,157.2	$ 2,954.8
Adjusted Operating Earnings(iii)	**$ 109.8**	$ (75.5)	$ (136.5)
Adjusted EBITDA(iv)	**$ 219.8**	$ 14.8	$ (48.7)
Adjusted EBITDA %(iii)	**6.7%**	0.5%	(1.6%)
Net earnings (loss) from continuing operations	**$ 41.6**	$ (213.8)	$ (141.4)
Adjusted Earnings per Share(iii)	**$ 0.58**	$ (0.56)	$ (1.08)
Basic earnings per share from continuing operations	**$ 0.30**	$ (1.51)	$ (1.01)
Diluted earnings per share from continuing operations	**$ 0.29**	$ (1.51)	$ (1.01)
Total assets(v)	**$ 2,630.9**	$ 2,876.5	$ 3,599.1
Net Cash (Debt)(iii)(v)	**$ 281.6**	$ 485.8	$ (451.7)
Total long-term liabilities(v)	**$ 248.6**	$ 244.8	$ 990.6
Return on Net Assets ("RONA")(iii)(v)	**4.8%**	(3.7%)	(0.2%)
Cash provided (used) by operating activities(v)	**$ 159.4**	$ (362.2)	$ 260.1
Cash dividends per share	**$ 0.32**	$ 0.16	$ 0.16

(i) *2014 figures exclude the results of the Bakery Products Group, which are reported as discontinued operations. Refer to Note 22 of the Company's 2015 audited consolidated financial statements.*

(ii) *Unless otherwise noted, 2013 figures have been restated for the classification the Bakery Products Group as discontinued operations. Refer to Note 22 of the Company's 2015 audited consolidated financial statements.*

(iii) *Refer to the section entitled Non-IFRS Financial Measures starting on page 27 of this document.*

(iv) *Adjusted EBITDA is calculated as earnings from continuing operations before interest and income taxes plus depreciation and intangible asset amortization, adjusted for items that are not considered representative of ongoing operational activities of the business, and items where the economic impact of the transactions will be reflected in earnings in future periods when the underlying asset is sold or transferred. Please refer to the section entitled Non-IFRS Financial Measures starting on page 27 of this document.*

(v) *2013 balance sheet figures have not been restated for the classification of Rothsay By-Product Recycling ("Rothsay") and the Bakery Products Group as discontinued operations. Refer to Note 22 of the Company's 2015 audited consolidated financial statements.*

DISCUSSION OF FACTORS IMPACTING THE COMPANY'S OPERATIONS AND RESULTS

Value Creation Plan

In September 2010, the Board of Directors of Maple Leaf Foods approved a comprehensive Value Creation Plan ("the Plan") designed to significantly increase profitability and competitiveness through cost reduction and productivity enhancement. The Company has executed against the Plan over the last five years by reducing product complexity, closing less efficient manufacturing and distribution operations and consolidating production and distribution into a smaller number of efficient scale facilities. The Plan is substantially complete. The only remaining element is to optimize the operations and eliminate ramp-up inefficiencies, primarily at the new prepared meats facility in Hamilton, Ontario.

The Company successfully closed its two remaining legacy facilities in the first half of 2015. Since its inception, the Plan has included the construction of a new 400,000 square foot prepared meats processing facility, the consolidation of 17 distribution centres into two, the closure of eight legacy manufacturing plants, and expansion of three others.

The Company has standardized product formulations, sizes and specifications and eliminated lower volume, lower value product lines in its prepared meats business. It has largely converted its enterprise resource planning software to SAP, replacing a number of legacy systems into one platform that provides increased controls and capabilities.

The Company has begun to realize savings from multiple sources across the organization, including:

- Enhanced throughput and productivity from larger scale and new technologies,
- Lower total overhead and reduced direct labour,
- Improved product yield, reduced waste and better packaging, and
- Reduced distribution costs.

It is anticipated that the elimination of the ramp-up inefficiencies in 2016 will enable the Company to achieve its target of a run-rate Adjusted EBITDA margin of 10.0% sometime in the course of 2016.

Capital Investment Plan

During 2014, estimates of capital investments in the Plan were revised to be approximately $710.0 million in aggregate between 2010 and 2015. This estimate included $620.0 million supporting the Company's prepared meats network and $90.0 million to implement SAP, both of which are substantially completed as of December 31, 2015 and in line with this cost estimate.

Sustainability

In 2015, the Company launched a comprehensive sustainability strategy focused on advancement in four areas: nutrition and health, people and communities, animal care and environmental sustainability. The Company's goal is to deeply embed sustainability into how it operates and to create business value through addressing social and environmental issues. As people increasingly focus on what is in their food and how it is produced, there is significant opportunity in building leadership in sustainable protein by producing more natural, nutritious foods; lending our voice and resources to address the critical issue of food insecurity; implementing a strong animal care program; and reducing our environmental footprint. The Company reports on its progress against its sustainability goals using the Global Reporting Initiative (GRI) Standards for Sustainability Reporting and posts an annual report to its sustainability website (www.mapleleafsustainability.ca). This website is also regularly updated with other developments.

Maple Leaf Food’s Sustainability Priorities

The Company has defined four sustainability priorities and areas of focus:

Advance Nutrition and Health

There is significant commercial and social benefit to advancing the nutrition and health benefits of the Company’s products. Maple Leaf Foods continues to advance the use of simpler, natural ingredients, reducing or eliminating antibiotic use in animal production, and reducing sodium levels to meet Health Canada guidelines. A comprehensive analysis of product ingredients is underway in order to develop a comprehensive plan to advance nutrition across the portfolio.

Value its People and Communities

The Company values a strong culture that keeps people safe, rewards excellence and empowers employees to learn and contribute their best. This includes a robust workplace safety program, which has driven continuous material reductions in workplace accidents. The Company is committed to being a destination for top talent, supported by leadership and career development, training and developing a formalized diversity and inclusion strategy. The Company is also increasing its engagement in responding to the critical national and global issue of hunger, through a comprehensive community involvement program that will advance sustainable food security.

Treat Animals Well

In 2015, the Company launched a formal Animal Care Commitment that articulates the principles, goals and actions it will take to become a leader in animal care. This includes advancing a culture of animal care through communications, education and training; robust policies and procedures; regular reporting of performance and conducting frequent, rigorous internal and independent audits; advancing practices and technologies based on sound science; and providing clear, fact-based communication of goals, performance and progress.

Eliminate Waste

The Company is committed to reducing its environmental footprint by 50% by 2025, encompassing the three areas where the Company has the largest environmental impact: climate change, water usage and waste reduction. Utility, water and waste audits were initiated in 2015 and will be completed in 2016. The Company is identifying opportunities to advance environmental goals in these three areas. The Company will be implementing environmental sustainability action plans commencing in 2016.

Fluctuating Input Prices

The following table outlines the change in key commodity prices that affected the Company's business and financial results:

(Unaudited)	**As at December 31, 2015**	Annual Averages **2015**	2014	Change	2013
Pork cutout (US$ per cwt)[(i)(ii)]	**$ 69.51**	**$ 79.13**	$ 110.20	(28.2%)	$ 92.86
Hog market price per cwt (US$ per cwt)[(i)(ii)]	**$ 53.03**	**$ 70.59**	$ 105.14	(32.9%)	$ 89.64
Hog market price per cwt (CAD per cwt)[(i)(ii)]	**$ 73.39**	**$ 90.28**	$ 116.14	(22.3%)	$ 92.33
Poultry meat market price (CAD per kg)[(iii)]	**$ 3.61**	**$ 3.71**	$ 3.58	3.6%	$ 3.51
Poultry live bird cost (CAD per kg)[(iii)]	**$ 1.56**	**$ 1.56**	$ 1.61	(3.1%)	$ 1.69
Corn (US$ per bushel)[(iv)]	**$ 3.59**	**$ 3.81**	$ 4.18	(8.9%)	$ 5.80
Soybeans (US$ per bushel)[(iv)]	**$ 8.71**	**$ 9.44**	$ 12.46	(24.2%)	$ 14.06
Oil (US$ per barrel)[(iv)]	**$ 37.13**	**$ 48.66**	$ 93.26	(47.8%)	$ 97.91

(i) *As at December 31, 2015, rate based on spot prices for the week ended January 2, 2016 based on CME (Source: USDA).*

(ii) *Annual averages based on five-day average on CME (Source: USDA).*

(iii) *Market price (Source: Express Market Inc.) and Live Cost (Source: Chicken Farmers of Ontario).*

(iv) *Daily close prices (Sources: Bloomberg, CME, Thomson Reuters).*

In 2015, U.S. hog supplies rebounded from the impacts of the Porcine Epidemic Diarrhea ("PED") virus, resulting in an increase in hog production and a significant decline in hog market prices, which was offset by a weakening Canadian dollar. Feed grain prices declined slightly compared to last year, however the weakening Canadian dollar increased prices within Canada. Overall the negative impacts of decreased hog market prices and increased feed costs on earnings in the hog production business were largely offset by favourable impacts of commodity hedging programs.

Industry primary pork processing margins, the spread between pork cutout and hog market prices, improved significantly over last year, exceeding the five-year average margin of $5.80 USD per cwt. This increase was largely attributable to a material spike in pork belly prices during the second half of 2015. The benefit experienced in fresh pork was mostly offset by increased input costs in prepared meats.

The Company uses derivatives and other non-derivative financial instruments to manage its exposures to fluctuations in commodity prices.

Impact of Currency

The following table outlines the changes in currency rates that have affected the Company's business and financial results:

	As at December 31, 2015	Annual Averages **2015**	2014	Change	2013
U.S. dollar / Canadian dollar[(i)]	**$ 1.38**	**$ 1.28**	$ 1.10	16.4 %	$ 1.03
Canadian dollar / Japanese yen[(i)]	**¥ 86.88**	**¥ 94.66**	¥ 95.63	(1.0)%	¥ 94.64

(i) *Source: Bank of Canada daily noon rates*

The Canadian dollar weakened relative to the U.S. dollar by 16.4% in 2015. In the short-term, a weaker Canadian dollar expands export margins in the Company's primary pork processing and hog production operations. Conversely, a weaker Canadian dollar increases the cost of raw materials and ingredients in the domestic prepared meats business. The prepared meats business is able to react to changes in input costs through pricing, cost reduction or investment in value-added products. Over the longer-term, a weaker Canadian dollar increases the relative competitiveness of the domestic Canadian packaged goods operation, as imports of competing products from the U.S. become less competitive. Similarly, the Company also has a greater ability to export and expand into the U.S. market.

During 2015, the Japanese yen increased in value relative to the Canadian dollar by 1.0%, which did not have a material impact on earnings. In general, an increase in the Japanese yen strengthens export margins to Japan in the Company's fresh pork business. The Company ultimately seeks to manage pricing to offset the impact of currency fluctuations.

The Company uses derivatives and other non-derivative financial instruments to manage its exposures to fluctuations in foreign exchange rates.

OPERATING REVIEW

The following table summarizes sales by business segment for the two years ended December 31:

($ millions)	**2015**[(iii)]	2014[(iii)]	Change
Meat Products Group	**$ 3,277.0**	$ 3,135.4	4.5%
Agribusiness Group	**15.9**	21.9	(27.1%)
Total Sales[(i)]	**$ 3,292.9**	$ 3,157.2	4.3%

The following table summarizes Adjusted Operating Earnings by business segment for the two years ended December 31:

($ millions)	**2015**[(iii)]	2014[(iii)]	Change
Meat Products Group	**$ 108.4**	$ (80.4)	$ 188.8
Agribusiness Group	**1.4**	8.6	(7.3)
Protein Group	**$ 109.8**	$ (71.7)	$ 181.5
Non-Allocated Costs in Adjusted Operating Earnings[(ii)]	**—**	(3.7)	3.7
Adjusted Operating Earnings[(i)]	**$ 109.8**	$ (75.5)	$ 185.3

(i) *2014 figures exclude the results of the Bakery Products Group, which are reported as discontinued operations. Refer to Note 22 of the Company's 2015 audited consolidated financial statements.*

(ii) *Non-allocated costs are comprised of expenses not separately identifiable to business segment groups, and do not form part of the measures used by the Company when assessing the segments' operating results.*

(iii) *May not add due to rounding.*

Meat Products Group

Includes value-added prepared meats, lunch kits and snacks, and fresh pork and poultry products sold under leading Canadian brands such as Maple Leaf®, Schneiders® and many leading regional brands.

Sales in the Meat Products Group for 2015 increased 4.5% to $3,277.0 million, or 2.6% after adjusting for the weaker Canadian dollar. Higher sales resulted from increased volume in fresh pork and poultry, pricing in prepared meats that was implemented in the second quarter of 2014, a favourable sales mix in fresh poultry and an extra week in the fourth quarter of 2015. This increase was partially offset by lower selling prices for fresh pork and a slight decline in prepared meats volume.

Adjusted Operating Earnings for 2015 increased to $108.4 million compared to a loss of $80.4 million last year. Earnings in prepared meats benefited from pricing, an improved sales mix, lower overall raw material costs and lower operating costs in the new prepared meats plant network. The Company benefited from the flow through of pricing implemented in the second quarter of 2014 to offset the impact of higher raw material costs driven by the outbreak of the PED virus in U.S. hog production herds. Although on average raw material costs returned to more normalized levels, this decrease was largely offset by the impact of a lower Canadian dollar on the Company's prepared meats business. Lower operating costs resulted primarily from a reduction of duplicative overhead costs, as the Company closed its two remaining legacy plants in the first half of 2015, eliminating the final components of its duplicative supply chain. In addition, during the second half of 2015 the Company continued to make progress in reducing ramp-up inefficiencies in its plant network, primarily at the new prepared meats facility in Hamilton, Ontario.

Fresh pork earnings increased largely as a result of increased volume and improved Canadian retail and export margins. Industry pork processing margins improved significantly over the same period last year, when they were below the five year average, however the benefit of higher prices was partially offset by declining by-product values. Fresh poultry earnings increased as a result of higher volume, improved poultry processing margins, an improved sales mix resulting from increased retail branded volume and increased operating efficiencies.

Agribusiness Group

Includes Canadian hog production operations that primarily supply the Meat Products Group with livestock as well as toll feed sales.

Agribusiness Group sales in 2015 were $15.9 million compared to $21.9 million last year, due to lower external sales volume for feed.

Adjusted Operating Earnings in 2015 decreased to $1.4 million from $8.6 million last year, as a result of a substantial decline in hog prices in the second half of 2015, which was not fully offset by the Company's risk management program and the benefit of a lower Canadian dollar. Also negatively impacting earnings was an increase in feed grain prices as a result of the weaker Canadian dollar. Increased operating costs were incurred in relation to the ongoing conversion of existing sow barns to loose housing, supporting the Company's animal care program. This was offset by lower costs relating to the prevention of the PED virus.

Non-allocated Costs

Non-allocated amounts that are excluded from Adjusted Operating Earnings in 2015 comprise of a $12.8 million loss due to changes in the fair value of biological assets (2014: gain of $0.5 million) and a $3.9 million unrealized loss on futures contracts (2014: gain of $4.1 million). In 2014, an $8.7 million expense related to the modification of a long-term incentive compensation plan was excluded from Adjusted Operating Earnings, as described in Note 24 of the Company's 2015 audited consolidated financial statements.

There were no non-allocated costs included in Adjusted Operating Earnings in 2015. In 2014, expenses of $3.7 million were included in Adjusted Operating Earnings and related to corporate costs that were not allocated to any reportable segment.

The changes in the fair value of biological assets and unrealized (gains) losses on futures contracts have been excluded from Adjusted Operating Earnings, as the economic impact of these transactions will be reflected in earnings in future periods when the underlying asset is sold or transferred. The cost associated with the modification of the long-term incentive plan was excluded from Adjusted Operating Earnings, as this was a decision made as a result of the sale of the Company's interest in Canada Bread, and is not considered representative of ongoing operational activities of the business.

DISCONTINUED OPERATIONS

Sales from discontinued operations for the year ended December 31, 2014 were $567.9 million relating to Canada Bread. Net earnings from discontinued operations for the year ended December 31, 2014 was $925.7 million. This included $931.3 million in earnings from Canada Bread and residual expenses relating to the divestitures of the Olivieri Fresh Pasta and Sauce and Rothsay businesses.

For additional information on discontinued operations please see Note 22 of the Company's 2015 audited consolidated financial statements.

GROSS MARGIN

Gross margin in 2015 was $381.1 million (11.6% of sales) compared to $218.3 million (6.9% of sales) last year. The increase in gross margin as a percentage of sales is largely attributable to margin improvement in the Meat Products group. Prepared meats benefited from pricing, lower raw material costs and lower operating costs in its new plant network, which were partially offset by the impact of a lower Canadian dollar and a slight decline in volume. Fresh pork benefited from increased volume and higher margins for export and Canadian retail sales, partially offset by lower selling prices for fresh pork. Fresh poultry benefited from increased volume and a favourable sales mix, driven by increased retail branded volume. Also included in gross margin was a $13.3 million decrease in the fair value of biological assets and an $8.0 million decrease in the fair value of unrealized mark-to-market commodity contracts.

The changes in the fair value of biological assets and unrealized and realized (gains) losses on futures contracts have been excluded from Adjusted Operating Earnings, as the economic impact of the transactions will be reflected in earnings in future periods when the underlying asset is sold or transferred.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE

During the year, selling, general and administrative expense decreased by 3.3% to $288.1 million (8.7% of sales), compared to $297.9 million (9.4% of sales) last year. The decrease is largely due to a non-recurring $8.7 million expense related to the modification of a long-term incentive compensation plan recorded in 2014, as described in Note 24 of the of the Company's 2015 audited consolidated financial statements. The cost associated with the modification of the long-term incentive plan was excluded from Adjusted Operating Earnings as this was a decision made as a result of the then planned sale of the Company's interest in Canada Bread, and was therefore not considered representative of ongoing operational activities of the business.

In 2015, the Company enhanced its efforts in streamlining the organization and reducing non-strategic costs, which included the reduction of over 400 salaried positions, with a majority being completed late in the fourth quarter and the remainder continuing in 2016, along with other cost reductions. The Company expects to continue its focus on organizational efficiencies to maintain a highly competitive cost structure and support a renewed focus on growth. The Company's goal is to minimize the cost of running the business so it can focus its investments on growing the business.

OTHER INCOME (EXPENSE)

Other expense for 2015 was $1.9 million (2014: expense of $16.8 million) and primarily included a depreciation charge on assets servicing divested businesses, partially offset by a gain on sale of investment properties. Other expense in 2014 largely comprised of a depreciation charge on assets servicing divested businesses.

Certain items in other income (expense) are excluded from the calculation of Adjusted EBITDA and Adjusted Earnings per Share as they are not considered representative of ongoing operational activities of the business. Other income (expense) used in the calculation of Adjusted EBITDA and Adjusted Earnings per Share for 2015 is income of $1.2 million (2014: expense of $1.6 million).

RESTRUCTURING AND OTHER RELATED COSTS

Restructuring and other related costs for 2015 were $33.8 million compared to $67.6 million last year. The Meats Products Group incurred $15.3 million (2014: $37.2 million) in restructuring and other related costs. Of this amount, $8.7 million (2014: $21.4 million) related to asset impairment and accelerated depreciation, $2.4 million (2014: $12.8 million) related to severance and other employee costs and $4.2 million (2014: $3.0 million) related to site closing costs.

The balance of restructuring costs for 2015 and 2014 related primarily to severance and other employee costs that were incurred in connection with other ongoing management and organizational structure restructuring initiatives.

INTEREST EXPENSE AND OTHER FINANCING COSTS

Interest expense and other financing costs for 2015 were $4.7 million compared to $126.9 million last year. The decrease was mainly due to lower debt levels and nonrecurring financing costs of $98.6 million related to the repayment of the Company's outstanding debt in the second quarter of 2014.

INCOME TAXES

The Company’s income tax expense relating to continuing operations for 2015 resulted in an effective tax rate of 21.0% (2014: 25.9% tax recovery). The lower effective tax rate in 2015 is primarily the result of a favourable resolution of an income tax audit. The effective tax rate excluding this item is 26.6%. For 2015, the effective tax recovery rate on restructuring charges used in the computation of Adjusted Earnings per Share is 26.0% (2014: 25.2%). The effective tax recovery rate on items not considered representative of continuing operations in 2015 was 26.5% (2014: 27.0%).

TRANSACTIONS WITH RELATED PARTIES

The Company had a 90.0% controlling interest in Canada Bread, a publicly traded subsidiary that was consolidated into the Company's results and presented as a discontinued operation, until its sale in May 2014. Transactions between the Company and its consolidated entities have been eliminated in the Company's 2015 audited consolidated financial statements. Subsequent to the sale of this controlling interest, Canada Bread ceased to be a related party of the Company and the Company is no longer consolidating the results and the related balance sheet of Canada Bread, as discussed in Note 22 of the Company's 2015 audited consolidated financial statements.

The Company sponsors a number of defined benefit and defined contribution plans. During the year ended December 31, 2015, the Company received $0.0 million (2014: $0.7 million) from the defined benefit pension plans for reimbursement of expenses incurred by the Company to provide services to these plans. During the year ended December 31, 2015, the Company's contributions to these plans were $9.6 million (2014: $21.3 million, which includes $3.7 million made by Canada Bread, which has been presented as discontinued operations).

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company and/or its subsidiary, directly or indirectly, including any external director of the Company and/or its subsidiary.

Remuneration of key management personnel of the Company is comprised of the following expenses:

	2015	2014[(i)]
Short-term employee benefits		
Salaries, bonuses, and fees	**$ 7,052**	$ 12,350
Company car allowances	**274**	298
Other benefits	**256**	183
Total short-term employee benefits	**$ 7,582**	$ 12,831
Severance benefits[(ii)]	**476**	14,193
Post-employment benefits	**782**	946
Share-based compensation	**8,811**	25,076
Total remuneration	**$ 17,651**	$ 53,046

(i) *Includes remuneration of Canada Bread key management personnel until the sale of Canada Bread on May 23, 2014.*

(ii) *The 2014 balance includes $5.6 million of share-based compensation.*

During the year ended December 31, 2015, key management personnel of the Company exercised 0.1 million (2014: 1.3 million) share options granted under the Maple Leaf Foods Share Incentive Plan for an amount of $1.7 million (2014: $15.5 million).

The Company's largest shareholder is McCain Capital Inc. ("MCI") which is beneficially owned and controlled by Mr. Michael H. McCain, Chief Executive Officer and President of the Company. For the year ended December 31, 2015, the Company incurred expenses of $0.4 million, which represents the market value of the transactions with MCI. As at December 31, 2015, $0.0 million was owing to MCI relating to these transactions.

During the year ended December 31, 2015, the Company agreed to sublease office space to McCain Financial Advisory Services ("MFAS"), an entity jointly controlled by Mr. Michael H. McCain, for cost equal to the amount that the Company is obligated to pay under its lease. For the year ended December 31, 2015, the Company recorded $0.1 million of sublease income from MFAS and as at December 31, 2015, $0.1 million was owing from MFAS.

ACQUISITIONS AND DIVESTITURES

There were no acquisitions or divestitures relating to continuing operations during the years ended December 31, 2015 and 2014.

CAPITAL RESOURCES

The consumer packaged meats industry in which the Company operates is generally characterized by high sales volume and high turnover of inventories and accounts receivable. In general, accounts receivable and inventories are readily convertible into cash. Investment in working capital is affected by fluctuations in the price of raw materials, seasonal and other market-related fluctuations. The Company has in the past consistently generated a strong base level of operating cash flow, even in periods of higher commodity prices and restructuring of its operations. These operating cash flows provide a base of underlying liquidity that the Company supplements with credit facilities and cash on hand to provide longer-term funding and to finance fluctuations in working capital levels.

On February 3, 2015, the Company amended its existing $200.0 million committed credit facility by extending the maturity date of the facility to June 30, 2016 under similar terms and conditions using the same syndicate of Canadian, U.S., and international institutions. The committed facility is unsecured and bears interest based on short-term interest rates. The facility is intended to meet the Company's funding requirements for general corporate purposes and to provide appropriate levels of liquidity. As at December 31, 2015, the Company had drawn letters of credit of $60.3 million (2014: $21.6 million) on this facility.

On August 6, 2014, the Company entered a new uncommitted credit facility for issuing up to a maximum of $120.0 million of letters of credit. As at December 31, 2015, $79.4 million (2014: $82.3 million) of letters of credit had been issued thereon. These letters of credit have been collateralized with cash, as further described in Note 4 of the Company's 2015 audited consolidated financial statements.

The Company's cash balance as at December 31, 2015 is $292.3 million (2014: $496.3 million). The Company has invested in short-term deposits in Canadian financial institutions with long-term debt ratings of A or higher.

To access competitively priced financing and to further diversify its funding sources, the Company operates accounts receivable securitization facilities, under which it has sold certain accounts receivable, with very limited recourse, to an entity owned by an international financial institution with a long-term AA- debt rating. The receivables are sold at a discount to face value based on prevailing money market rates. At the end of 2015, the Company had $192.6 million (2014: $156.6 million) of trade accounts receivable serviced under these facilities. In return for the sale of these receivables, the Company will receive cash of $88.9 million (2014: $46.4 million) and notes receivable in the amount of $103.7 million (2014: $110.2 million). Due to the timing of receipts and disbursements, the Company may, from time to time, record a receivable or payable related to the securitization facility, and as at December 31, 2015, this net payable amounted to $2.9 million (2014: $30.4 million net payable). The maximum cash advance available to the Company under this program is $110.0 million. These facilities were accounted for as an off-balance sheet transaction in accordance with International Financial Reporting Standards ("IFRS") and will expire in September 2016.

The Company's securitization and other credit facilities are subject to certain restrictions, including the maintenance of covenants. The Company was in compliance with all of the requirements of these facilities during 2015. If the securitization was to be terminated, the Company would recognize the related amounts on the consolidated balance sheet and consider alternative financing if required.

CAPITAL EXPENDITURES

Capital expenditures for 2015 were $145.8 million compared to $233.8 million, or $216.0 million excluding discontinued operations, in 2014 and compared to the Company's estimate of $120.0 million at the beginning of the year. The increase over the Company's original estimate for 2015 was due to spending on a number of smaller scale incremental profit enhancement projects in the Meat Products Group. The reduction in spending from 2014 is related to lower investments in the meat processing facility in Hamilton, Ontario.

The Company currently estimates its capital expenditures for the full year of 2016 will be approximately $175.0 million. This estimate includes the Company's expectation that it will spend its depreciation rate on improving and maintaining its plant network. Included in the 2016 estimate is approximately $65.0 million relating to profit enhancement projects, primarily consisting of investments to optimize fresh pork packaging capabilities and the prepared meats bacon facility.

NORMAL COURSE ISSUER BID

On March 23, 2015 the Toronto Stock Exchange ("TSX") accepted the Company's notice of intention to commence a new Normal Course Issuer Bid ("NCIB"), which allowed the Company to repurchase, at its discretion, up to approximately 8.65 million common shares in the open market or as otherwise permitted by the TSX, subject to the normal terms and limitations of such bids. Common shares purchased by the Company are canceled. The program commenced on March 25, 2015 and was terminated subsequent to year end, on January 22, 2016, as the Company completed its purchase and cancellation of 8.65 million common shares for $194.5 million at a volume weighted average price paid of $22.48 per common share. During the year ended December 31, 2015, 8.14 million shares were purchased for cancellation for $182.5 million at a volume weighted average price paid of $22.44 per common share.

CASH FLOW AND FINANCING

Net cash, a non-IFRS measure as described on page 30, was $281.6 million at the end of 2015, compared to $485.8 million in 2014. The decrease in cash for the year ended December 31, 2015 is largely due to share repurchases under the NCIB program, investments in property and equipment and increased dividend payments, partially offset by increased cash flow from operations.

Cash Flow from Operating Activities

Cash provided by operations for 2015 was $159.4 million compared to cash used in operations of $362.2 million in 2014. The improvement in cash flow from operations was primarily due to higher earnings from operations, a lower investment in working capital and non-recurring one time payments related to the repayment of Company's senior notes in the second quarter of 2014.

Cash Flow from Financing Activities

Cash used in financing activities was $224.6 million for 2015 compared to $973.7 million in 2014. Cash used in 2015 primarily related to share repurchases under the NCIB program of $182.5 million and dividend payments of $44.7 million. The Company doubled its annual dividend to $0.32 per voting common share compared to $0.16 last year. Cash used in 2014 primarily related to the repayment of the Company's senior notes and outstanding balance on the credit facility and dividend payments, partially offset by exercised stock options.

Cash Flow from Investing Activities

Cash used in investing activities was $138.9 million for 2015 compared to cash provided of $1,330.0 million in 2014. Cash used in 2015 primarily related to capital expenditures. Cash provided in 2014 primarily related to proceeds received from the Canada Bread sale of $1,647.0 million, partially offset by associated transaction costs and capital expenditures relating mainly to the construction of the new prepared meats facility in Hamilton, Ontario.

CONTRACTUAL OBLIGATIONS

The following table provides information about certain of the Company's significant contractual obligations as at December 31, 2015. This table presents the undiscounted principal cash flows payable in respect of financial liabilities.

Payments due by fiscal year:

($ thousands)	**Due within 1 year**	**Due between 1 and 2 years**	**Due between 2 and 3 years**	**Due after 3 years**	**Total**
Financial liabilities					
Accounts payable and accruals	$ 256,473	$ —	$ —	$ —	**$ 256,473**
Long-term debt[(i)]	1,123	1,040	1,040	9,135	**12,338**
Foreign exchange contracts	4,661	—	—	—	**4,661**
Commodity futures contracts	2,683	—	—	—	**2,683**
Interest rate swaps[(i)]	6,318	6,480	—	—	**12,798**
Other liabilities	14,301	1,196	849	2,157	**18,503**
	$ 285,559	**$ 8,716**	**$ 1,889**	**$ 11,292**	**$ 307,456**
Commitments					
Contractual obligations including operating leases	63,957	43,957	33,721	128,674	270,309
Total	**$ 349,516**	**$ 52,673**	**$ 35,610**	**$ 139,966**	**$ 577,765**

[(i)] *Does not include contractual interest payments*

Management is of the opinion that its cash flow, cash on hand, and sources of financing provide the Company with sufficient resources to finance ongoing business requirements and its planned capital expenditure program for at least the next 12 months. Additional details concerning financing are set out in Note 13 and Note 18 of the Company's 2015 audited consolidated financial statements.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT ACTIVITIES

Through the normal course of business the Company is exposed to financial and market risks that have the potential to affect its operating results. In order to manage these risks, the Company operates under risk management policies and guidelines which govern the hedging of price and market risk in the foreign exchange, interest rate, and commodity markets, as well as funding and investing activities.

The Company engages in hedging to manage price and market risk associated with core operating exposures and does not engage in significant trading activity of a speculative nature.

The Company's Risk Management Committee meets frequently to discuss current market conditions, review current hedging programs and trading activity, and approve any new hedging or trading strategies.

Financial Instruments

The Company's financial assets and liabilities are classified into the following categories:

Cash and cash equivalents	Held for trading
Accounts receivable	Loans and receivables
Notes receivable	Loans and receivables
Bank indebtedness	Other financial liabilities
Accounts payable and accrued liabilities	Other financial liabilities
Long-term debt	Other financial liabilities
Derivative instruments[(i)]	Held for trading

[(i)] *These derivative instruments may be designated as cash flow hedges or as fair value hedges as appropriate.*

The Company applies hedge accounting and uses derivatives and other non-derivative financial instruments to manage its exposures to fluctuations in foreign exchange rates and commodity prices.

The fair values and notional amounts of derivative financial instruments as at December 31 are shown below:

	2015			2014		
	Notional	**Fair value**		Notional	Fair value	
($ thousands)	**amount[(i)]**	**Asset**	**Liability**	amount[(i)]	Asset	Liability
Cash flow hedges						
Foreign exchange contracts[(ii)]	**$ 101,768**	**$ 258**	**$ 3,740**	$ 159,032	$ 340	$ 2,964
Commodity contracts[(ii)]	**16,292**	**—**	**457**	10,879	1,339	—
Fair value hedges						
Commodity contracts[(ii)]	**$ 40,128**	**$ 1,746**	**$ —**	$ 7,990	$ 824	$ —
Derivatives not designated in a formal hedging relationship						
Interest rate swaps	**$ 520,000**	**$ 5,078**	**$ 12,798**	$ 1,180,000	$ —	$ 12,488
Foreign exchange contracts[(ii)]	**161,456**	**2,587**	**921**	147,489	439	5
Commodity contracts[(ii)]	**197,205**	**3,119**	**2,226**	414,948	11,687	6,223
Total fair value		**$ 12,788**	**$ 20,142**		$ 14,629	$ 21,680
Current[(iii)]		**$ 10,265**	**$ 13,662**		$ 14,629	$ 13,932
Non-current		**2,523**	**6,480**		—	7,748
Total fair value		**$ 12,788**	**$ 20,142**		$ 14,629	$ 21,680

[(i)] *Unless otherwise stated, notional amounts are stated at the contractual Canadian dollar equivalent.*

[(ii)] *Derivatives are short-term and will impact profit or loss at various dates within the next 12 months.*

[(iii)] *As at December 31, 2015, the above fair value of current assets has been reduced on the consolidated balance sheet by an amount of $1.6 million, which represents the excess of the fair market value of exchange traded commodities contracts over the initial margin requirements. The excess or deficit in maintenance margin requirements with the futures exchange is net settled in cash each day and is therefore presented as cash and cash equivalents.*

The fair value of financial assets and liabilities classified as loans and receivables and other financial liabilities (excluding long-term debt) approximate their carrying value due to their short-term nature.

The carrying value of long-term debt as at December 31, 2015 and 2014 approximates its fair value. The fair value of the Company's long-term debt has been classified as Level 2 in the fair value hierarchy and was estimated based on discounted future cash flows using current rates for similar financial instruments subject to similar risks and maturities.

Financial assets and liabilities classified as held-for-trading are recorded at fair value. The fair values of the Company's interest rate and foreign exchange derivative financial instruments were estimated using current market measures for interest rates and foreign exchange rates. Commodity futures and commodity options contracts are exchange-traded and over-the-counter. Fair value is determined based on exchange prices and other observable market data.

Derivatives not designated in a formal hedging relationship are classified as held-for-trading. Net gains and losses on financial instruments held-for-trading consist of realized and unrealized gains and losses on derivatives that were de-designated or were otherwise not in a formal hedging relationship.

For the year ended December 31, 2015, the Company recorded a gain of $32.4 million (2014: loss of $27.9 million) on financial instruments held for trading. The gain was mainly attributed to a gain in commodity exchange traded contracts which hedge and offset price risk volatility inherent in the hog operational business.

For the year ended December 31, 2015, the pre-tax amount of hedge ineffectiveness recognized in other income was a gain of $0.1 million (2014: loss of $0.2 million).

The table below sets out fair value measurements of financial instruments using the fair value hierarchy as at December 31, 2015:

($ thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Foreign exchange contracts	$ —	$ 2,845	$ —	$ 2,845
Commodity contracts	4,865	—	—	4,865
Interest rate swaps	—	5,078	—	5,078
	$ 4,865	**$ 7,923**	**$ —**	**$ 12,788**
Liabilities:				
Foreign exchange contracts	$ —	$ 4,661	$ —	$ 4,661
Commodity contracts	457	2,226	—	2,683
Interest rate swaps	—	12,798	—	12,798
	$ 457	**$ 19,685**	**$ —**	**$ 20,142**

There were no transfers between levels for the year ended December 31, 2015. Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

Capital

The Company's objective is to maintain a cost effective capital structure that supports its long-term growth strategy and maximizes operating flexibility. In allocating capital to investments to support its earnings goals, the Company establishes internal hurdle return rates for capital initiatives. Capital projects are generally financed with internal cash flows and senior debt where required.

The Company typically uses leverage in its capital structure to reduce the cost of capital. The Company's goal is to maintain its primary credit ratios and leverage at levels that are designed to provide continued access to investment-grade credit pricing and terms. The Company measures its credit profile using a number of metrics, some of which are non-IFRS measures, primarily Net Cash (Debt) to EBITDA, and interest coverage. Refer to the section entitled Non-IFRS Financial Measures starting on page 27 of this document for more information on the non-IFRS measures.

In addition to senior debt, credit facilities, and equity, the Company uses leases and very limited recourse accounts receivable securitization programs as additional sources of financing.

The Company has maintained a stable dividend distribution that is based on a long-term sustainable net earnings base. From time to time, the Company has purchased shares for cancellation pursuant to normal course issuer bids and to satisfy awards under its Share Incentive Plan.

Credit Risk

Credit risk refers to the risk of losses due to failure of the Company's customers and counterparties to meet their payment obligations.

In the normal course of business, the Company is exposed to credit risk from its customers, substantially all of which are in the retail, food service, industrial, and convenience channels. The Company performs ongoing credit evaluations of new and existing customers' financial condition, and reviews the collectability of its trade accounts receivable and other receivables in order to mitigate any possible credit losses. The Company has accounts receivable outstanding greater than 60 days past due and maintains an allowance for doubtful accounts relating to specific losses estimated on individual exposures as described in Note 5 of the Company's 2015 audited consolidated financial statements. Average accounts receivable days sales outstanding for the year is consistent with historic trends.

Management believes concentrations of credit risk with respect to accounts receivable is limited due to the generally high credit quality of the Company’s major customers, the large number and geographic dispersion of smaller customers, and the operation of the accounts receivable securitization as mentioned previously. The Company does, however, conduct a significant amount of business with a small number of large grocery retailers.

During the year ended December 31, 2015, the Company reported sales to one customer representing 14.0% of total sales. These revenues were reported in the Meat Products Group. No other sales were made to any one customer that represented in excess of 10% of total sales.

During the year ended December 31, 2014, the Company reported sales to two customers representing 15.5% and 11.1% of total sales from continuing operations. No other sales were made to any one customer that represented in excess of 10% of total sales.

The Company is exposed to credit risk on its notes receivable from a financial institution that holds an equity interest in an unconsolidated structured entity in respect of the accounts receivable securitization program as described in Note 25 of the Company's 2015 audited consolidated financial statements. Management believes that this credit risk is limited by the long-term AA- debt rating held by the counterparty. The Company is exposed to credit risk on its cash and cash equivalents (comprising primarily of deposits with Canadian chartered banks) and non-exchange-traded derivative contracts. The Company mitigates this credit risk by transacting primarily with counterparties that are major international financial institutions with long-term debt ratings of A or higher. The Company’s maximum exposure to credit risk at the balance sheet date consisted primarily of the carrying value of non-derivative financial assets and non-exchange-traded derivatives with positive fair values.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by monitoring forecasted and actual cash flows, minimizing reliance on any single source of credit, maintaining sufficient undrawn committed credit facilities and managing the maturity profiles of financial assets and financial liabilities to minimize re-financing risk.

As at December 31, 2015, the Company had available undrawn committed credit of $139.7 million (2014: $178.4 million) under the terms of its principal banking arrangements (refer to Note 13 of the Company's 2015 audited consolidated financial statements). These banking arrangements are subject to certain covenants and other restrictions.

Market Risk

Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates.

The Company’s interest rate risk arises from long-term borrowings issued at fixed rates that create fair value interest rate risk and variable rate borrowings that create cash flow interest rate risk. In addition, the Company’s cash balances are typically invested in short-term interest bearing assets.

The Company manages its interest rate risk exposure by using a mix of fixed and variable rate debt and periodically using interest rate derivatives to achieve the desired proportion of variable to fixed-rate debt.

At December 31, 2015 and 2014, the Company had no variable rate debt, however, the Company is exposed to floating interest rates on its accounts receivable securitization program. As at December 31, 2015, the amount serviced pursuant to this program was $91.5 million at a weighted average interest rate of 1.6% (2014: $76.6 million at a weighted average interest rate of 2.1%). The maximum amount available to the Company under these programs is $110.0 million (2014: $110.0 million).

As at December 31, 2015, 10.4% (2014: 12.0%) of the Company’s outstanding debt and revolving accounts receivable securitization program were not exposed to interest rate movements.

On March 14, 2014, the Company issued a notice of repayment of its notes payable, with a subsequent repayment on April 14, 2014 (refer to Note 13 of the Company's 2015 audited consolidated financial statements). On the original issuance of the U.S. denominated debt, and in order to hedge against the foreign exchange risk associated with the issuance of U.S. denominated debt, the Company entered into cross-currency interest rate swaps. The cross-currency swaps converted the U.S. denominated fixed-rate notes, into fixed-rate Canadian denominated notes, and were accounted for as cash flow hedges.

As a result of the decision to accelerate the repayment of all outstanding notes, hedge accounting on all of the cross-currency interest rate swaps has been discontinued. This resulted in a reclassification of $9.6 million from accumulated other comprehensive income (loss), to interest expense and other financing costs for the year ended December 31, 2014. During the same period, the Company terminated cross-currency interest rate swaps maturing in 2021 and the remaining cross-currency swaps matured in 2014.

As at December 31, 2015, the Company had fixed-rate debt of $10.7 million (2014: $10.5 million) with a weighted average notional interest rate of 4.4% (2014: 4.4%). Changes in market interest rates cause the fair value of long-term debt with fixed interest rates to fluctuate but do not affect net earnings, as the Company's debt is carried at amortized cost and the carrying value does not change as interest rates change.

Foreign Exchange Risk

Foreign exchange risk refers to the risk that the value of financial instruments or cash flows will fluctuate due to changes in foreign exchange rates.

The Company's foreign exchange risk arises primarily from transactions in currencies other than Canadian dollars, U.S. dollar-denominated borrowings, and investments in foreign operations.

The Company uses foreign exchange forward contracts to manage foreign exchange transaction exposures. The primary currencies to which the Company is exposed to are the U.S. dollar and the Japanese yen.

Commodity Price Risk

The Company is exposed to price risk related to commodities such as live hogs, fuel costs, and purchases of certain other agricultural commodities used as raw materials, including feed grains. The Company may use fixed price contracts with suppliers as well as exchange-traded and over-the-counter futures and options to manage its exposure to price fluctuations on operating results.

Derivatives designated as a hedge of an anticipated or forecasted transaction are accounted for either as cash flow or fair value hedges and are managed within the Company's hedge accounting portfolio.

The Company applies the "normal purchases" classification to certain contracts that are entered into for the purpose of procuring commodities to be used in production.

For a comprehensive discussion on the Company's risk management practices and derivative exposures, please refer to Note 18 of the Company's 2015 audited consolidated financial statements.

SHARE CAPITAL

As at December 31, 2015 there were 135,058,974 voting common shares issued and outstanding (2014: 142,943,520). As at February 19, 2016, there were 134,571,289 common shares issued and outstanding.

In each of the quarters of 2015, the Company declared and paid cash dividends of $0.08 per voting common share, representing a total annual dividend of $0.32 per voting common share and aggregate dividend payments of $44.7 million. In each of the quarters of 2014, the Company declared and paid cash dividends of $0.04 per voting common share, representing a total annual dividend of $0.16 per voting common share and aggregate dividend payments of $22.7 million.

OTHER MATTERS

On February 29, 2016, the Board of Directors approved an increase in the quarterly cash dividend to $0.09 per share, $0.36 per share on an annual basis, from $0.08 per share, payable March 31, 2016, to shareholders of record at the close of business on March 11, 2016. Unless indicated otherwise by the Company in writing at or before the time the dividend is paid, the dividend will be considered an Eligible Dividend for the purposes of the "Enhanced Dividend Tax Credit System".

EMPLOYEE BENEFIT PLANS

The cost of pensions and other post-retirement benefits earned by employees is actuarially determined using the projected unit credit method calculated on service and Management's best estimate of salary escalation, retirement ages of employees and expected health care costs. Management employs external experts to advise it when deciding upon the appropriate estimates to use to value employee benefit plan obligations and expenses. These estimates are determined at the beginning of each year and re-evaluated if changes in estimates and market conditions indicate that there may be a significant effect on the Company's financial statements.

During 2015, the Company recorded a pre-tax gain of $0.5 million through other comprehensive income (loss) related to the re-measurement of plan assets and liabilities. This includes $1.4 million of pre-tax returns on plan assets in excess of the discount rate, which was offset by a pre-tax loss of $0.8 million related to differences between plan experience compared to actuarial assumptions.

During 2014, the Company recorded a loss of $67.0 million through other comprehensive income (loss) related to the re-measurement of plan assets and liabilities. This includes a loss of $102.4 million related to changes in liability assumptions, primarily a change in the discount rate, and a further $21.5 million as a result of changes in other actuarial assumptions, primarily related to a change in mortality rate assumptions. This was partially offset by $57.9 million of returns on plan assets in excess of the discount rate. The above amounts exclude the results of discontinued operations.

The Company operates both defined contribution and defined benefit plans. The assets of the defined benefit plans are invested primarily in foreign and domestic fixed income and equity securities that are subject to fluctuations in market prices. Discount rates used to measure plan liabilities are based on long-term market interest rates. Fluctuations in these market prices and rates can impact pension expense and funding requirements. In 2015, the investment return before expenses on the Company's defined benefit pension plan assets was 3.9% compared to 10.1% in 2014.

The Company's contributions are funded through cash flows generated from operations. Management anticipates that future cash flows from operations will be sufficient to fund expected future cash contributions. Contributions to defined benefit plans during 2015 were $5.2 million (2014: $6.3 million excluding discontinued operations).

The Company expects to contribute $10.7 million to the pension plans in 2016, inclusive of defined contribution and multi-employer plans.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of unaudited quarterly financial information for each quarter in the last three fiscal years:

($ millions except earnings per share)		First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total[(iv)]
Sales[(i)]	**2015**	**$ 780.2**	**$ 820.8**	**$ 818.8**	**$ 873.1**	**$ 3,292.9**
	2014	711.3	831.8	820.1	794.0	3,157.2
	2013	689.4	759.3	757.8	748.3	2,954.8
Net earnings (loss) from continuing operations[(i)]	**2015**	**$ (2.9)**	**$ (7.5)**	**$ 18.7**	**$ 33.3**	**$ 41.6**
	2014	(124.6)	(39.5)	(26.7)	(23.0)	(213.8)
	2013	(30.6)	(38.4)	(24.5)	(47.9)	(141.4)
Net earnings (loss)	**2015**	**$ (2.9)**	**$ (7.5)**	**$ 18.7**	**$ 33.3**	**$ 41.6**
	2014	(132.0)	898.9	(26.8)	(28.2)	711.9
	2013	(14.7)	0.0	15.5	511.4	512.2
Earnings (loss) per share from continuing operations[(i)]						
Basic[(ii)]	**2015**	**$ (0.02)**	**$ (0.05)**	**$ 0.13**	**$ 0.24**	**$ 0.30**
	2014	(0.89)	(0.28)	(0.19)	(0.16)	(1.51)
	2013	(0.22)	(0.27)	(0.18)	(0.34)	(1.01)
Diluted[(ii)]	**2015**	**$ (0.02)**	**$ (0.05)**	**$ 0.13**	**$ 0.24**	**$ 0.29**
	2014	(0.89)	(0.28)	(0.19)	(0.16)	(1.51)
	2013	(0.22)	(0.27)	(0.18)	(0.34)	(1.01)
Adjusted EPS[(ii)(iii)]	**2015**	**$ 0.05**	**$ 0.13**	**$ 0.16**	**$ 0.25**	**$ 0.58**
	2014	(0.24)	(0.12)	(0.12)	(0.08)	(0.56)
	2013	(0.24)	(0.25)	(0.19)	(0.41)	(1.08)
Earnings (loss) per share[(ii)]						
Basic[(ii)]	**2015**	**$ (0.02)**	**$ (0.05)**	**$ 0.13**	**$ 0.24**	**$ 0.30**
	2014	(0.95)	6.38	(0.19)	(0.20)	5.03
	2013	(0.11)	(0.02)	0.09	3.58	3.55
Diluted[(ii)]	**2015**	**$ (0.02)**	**$ (0.05)**	**$ 0.13**	**$ 0.24**	**$ 0.29**
	2014	(0.95)	6.38	(0.19)	(0.20)	5.03
	2013	(0.11)	(0.02)	0.09	3.58	3.55

(i) *Figures exclude discontinued operations.*

(ii) *Basic and diluted earnings (loss) per share, earnings (loss) per share from continuing operations and Adjusted Earnings (loss) per Share from continuing operations are based on amounts attributable to common shareholders.*

(iii) *Refer to Non-IFRS Financial Measures starting on page 27 of this document.*

(iv) *May not add due to rounding.*

Quarterly sales in 2015 were affected by improved volume in fresh pork and poultry, increased pricing in prepared meats in 2014, a favourable sales mix in fresh poultry and an extra week in the fourth quarter of 2015. This was partially offset by lower market prices and a slight decline in prepared meats volume. Quarterly sales in 2014 were affected by higher market prices in fresh pork, increased pricing in prepared meats in 2013 and 2014, offset by lower volume in prepared meats.

Quarterly net earnings from continuing operations in 2015 were affected by price increases in prepared meats in 2014, lower transitional costs, improved pork and poultry processing margins, restructuring and other related costs, changes in fair value of non-designated interest rate swaps, (gains) losses from changes in market values of biological assets, and (gains) losses on futures contracts. Quarterly net earnings from continuing operations in 2014 were affected by transitional costs, lower volume and compressed margins due to increased raw material costs in prepared meats, higher market prices for hogs, early redemption financing costs, restructuring and other related costs, the expense related to a modification of a long-term incentive plan and changes in fair value of non-designated interest rate swaps, (gains) losses from changes in market values of biological assets, and (gains) losses on futures contracts.

For an explanation and analysis of quarterly results, please refer to the Company's Management's Discussion and Analysis for each of the respective quarterly periods which are filed on SEDAR and also available on the Company's website at www.mapleleaffoods.com.

SUMMARY OF 2015 FOURTH QUARTER RESULTS

The following is a summary of sales by business segment:

($ millions) *(Unaudited)*	Fourth Quarter		
	2015	2014	Change
Meat Products Group	**$ 868.5**	$ 789.7	10.0%
Agribusiness Group	**4.6**	4.3	7.0%
Total Sales(i)	**$ 873.1**	$ 794.0	10.0%

The following is a summary of Adjusted Operating Earnings by Business Segment:

($ millions) *(Unaudited)*	Fourth Quarter		
	2015(ii)	2014(ii)	Change(ii)
Meat Products Group	**$ 54.6**	$ (19.1)	$ 73.7
Agribusiness Group	**(6.9)**	5.4	(12.3)
Adjusted Operating Earnings(i)	**$ 47.8**	$ (13.7)	$ 61.4

(i) *2014 figures exclude the results of the Bakery Products Group, which are reported as discontinued operations. Refer to Note 22 of the Company's 2015 audited consolidated financial statements.*

(ii) *May not add due to rounding.*

Sales of $873.1 million for the fourth quarter increased 10.0% from last year, or 7.0% after adjusting for the impacts of foreign exchange. This improvement was due to increased volume in fresh pork and poultry, a favourable sales mix in fresh poultry and an extra week in the fourth quarter of 2015, which was partially offset by lower selling prices for fresh pork and a slight decline in prepared meats volume.

Adjusted Operating Earnings for the fourth quarter was $47.8 million compared to a loss of $13.7 million last year. Earnings in prepared meats increased as a result of lower operating costs in the Company's new prepared meats plant network, improved sales mix resulting from a higher proportion of retail branded volume, and pricing. This was partially offset by a sharp rise in pork belly prices, which compressed margins. Fresh pork earnings grew due to increased volume and improved export margins. While industry pork processing margins strengthened compared to last year, when they were below the five year average, the benefit to the Company was partially offset by declining by-product values and a sharp rise in belly prices, which affected prepared meats margins. Earnings in fresh poultry increased due to higher volume, stronger industry processing margins, an improved sales mix reflecting higher retail branded volume and increased operating efficiencies.

Earnings in the Agribusiness Group declined due to a substantial decline in hog prices, which was not fully offset by the Company's risk management program and the benefit of a lower Canadian dollar.

Adjusted Earnings per Share in the fourth quarter of 2015 was $0.25 compared to a loss of $0.08 last year. Net earnings from continuing operations for the fourth quarter was $33.3 million ($0.24 per share) compared to net loss from continuing operations of $23.0 million (loss of $0.16 per share) last year.

SEASONALITY

The Company is sufficiently large and diversified that seasonal factors within each operation and business tend to offset each other; therefore, in isolation, they do not have a material impact on the Company's consolidated earnings. For example, in general, pork processing margins tend to be higher in the last half of the year when hog prices historically decline and, as a result, earnings from hog production operations tend to be lower. Strong demand for grilled meat products positively affects the fresh and prepared meats operations in the summer, while back-to-school promotions support increased sales of sliced meats and lunch items in the fall. Higher demand for turkey and ham products occurs in the spring and fourth quarter holiday seasons.

ENVIRONMENT

Maple Leaf Foods is committed to maintaining high standards of environmental responsibility and positive relationships in the communities where it operates. It operates within the framework of an environmental policy entitled “Our Environmental Commitment” that is approved by the Board of Directors’ Environment, Health and Safety Committee ("Committee").

The Company’s environmental program is monitored on a regular basis by the Committee, including compliance with regulatory requirements and the use of internal environmental specialists and independent, external environmental experts. The Company continues to invest in environmental infrastructure related to water, waste, and air emissions to ensure that environmental standards continue to be met or exceeded, while implementing procedures to reduce the impact of operations on the environment. In 2015, the Company closed its two remaining legacy facilities as part of its network transition under the Plan. In each case, environmental assessments were done to ensure that environmental matters are appropriately addressed during decommissioning activities.

Expenditures related to current environmental requirements are not expected to have a material effect on the financial position or earnings of the Company. However, there can be no assurance that certain events will not occur that will cause expenditures related to the environment to be significant and have a material adverse effect on the Company’s financial condition or results of operations. Such events could include, but not be limited to, additional environmental regulation or the occurrence of an adverse event at one of the Company’s locations. The Company currently has a provision of $8.3 million related to expected environmental remediation costs, please refer to Note 12 of the Company's 2015 audited consolidated financial statements for additional information.

As a large food company there are health, environmental, and social issues that go beyond short-term profitability that Management believes must shape its business if the Company is to realize a sustainable future. Increasingly, sound environmental sustainability practices are becoming a key component of maintaining a competitive advantage. In 2015, the Company announced a long-term goal to reduce its environmental footprint by 50% by 2025 in three key areas: climate change, water usage and waste reduction. Performance will be communicated in the Company’s annual Sustainability Report.

RISK FACTORS

The Company operates in the food processing and agricultural businesses, and is therefore subject to risks and uncertainties related to this business that may have adverse effects on the Company’s results of operations and financial condition. The following risk factors should be considered carefully. These risk factors, along with other risks and uncertainties not currently known to the Company, or that the Company currently considers immaterial, could materially and adversely affect the Company’s future operating results and could cause actual events to differ materially from those described in forward-looking information, including any financial outlooks, relating to the Company.

Risks Related to the Business of Maple Leaf Foods

Focus on Protein Business

In 2013 and 2014, the Company sold its non-protein operations including potato products, rendering services and bakery operations. The Company is now primarily a protein business and as a result it is possible that earnings volatility may increase and synergies and economies of scale will be forgone. Each of these factors may have a material adverse effect on the Company’s financial condition and results of operations.

Risk of Returning or not Returning Capital to Shareholders

The Company has retained funds realized on the sales of its potato products, rendering services and bakery operations after the repayment of debt. In 2015, the Company initiated a normal course issuer bid for 8.65 million of its common shares, which was completed by the end of January 2016 for a total of $194.5 million. There can be no assurance that the Company will return any further funds to shareholders. In addition, if funds are returned to shareholders, there can be no assurance as to the exact mechanism by which such funds will be returned to shareholders. Furthermore, a return of funds or a failure to return funds to shareholders may have a material adverse effect on the Company’s share price.

Implementing the Value Creation Plan

The Plan announced in October 2010 is complex, lengthy, and transformational. Under the Plan, the Company constructed one large-scale manufacturing facility, closed eight plants and expanded three others. The Company also reconfigured its distribution systems into two large distribution centers. The Plan is substantially complete but work still remains to optimize the operations and eliminate ramp-up inefficiencies.

There can be no assurance that the Company will be successful in achieving the full expected benefits of the Plan. As with any complex project or plan, events will transpire outside the Company’s control that were not anticipated or expected when the Plan was launched.

As a result of these initiatives, the Company’s operations will be more concentrated in fewer facilities resulting in the risk that any unforeseen disruption in such facilities could have a greater effect on the operations of the Company as a whole.

Leverage and Availability of Capital

The ability of the Company to secure short-term and long-term financing on terms acceptable to the Company is critical to grow and fund business growth and manage its liquidity. The ability to secure such additional capital on commercially favourable and acceptable terms will, in part be determined by achieving the full financial objectives of the Plan. The failure or inability of the Company to secure short-term and long-term financing in the future on terms that are commercially reasonable and acceptable to the Company could have a significant impact on the Company's opportunity for growth. Even if the Company does successfully raise additional capital when needed, if it issues equity securities, investors will be diluted, and if it raises additional debt, it will be further leveraged and could be subject to restrictive covenants, such as restrictions on paying dividends or being required to pledge assets.

Systems Conversion, Standardization and Common Systems

The Company regularly implements process improvement initiatives to simplify and harmonize its systems and processes to optimize performance and reduce the risk of errors in financial reporting. There cannot be any guarantee that any such changes will improve current processes or operating results or reduce the risk of errors in financial reporting. Any of these failures could have a material adverse impact on the Company's financial condition and results of operations.

The Company continues to provide, among other things, information technology services to certain of its formerly owned operations under transitional arrangements with the purchasers on a cost recovery basis. The Company has developed a plan to reduce the size and costs of information technology systems to fit its remaining operations at the end of the transitional assistance period. There can be no assurance that the Company will be fully successful in eliminating these costs at the end of the transitional assistance period or that after the reduction the information systems will maintain their accuracy and reliability. Any of these failures could have a material adverse impact on the Company's financial condition and results of operations.

Food Safety and Consumer Health

The Company is subject to risks that affect the food industry in general, including risks posed by food spoilage, accidental contamination, product tampering, consumer product liability, and the potential costs and disruptions of a product recall. The Company's products are susceptible to contamination by disease-producing organisms, or pathogens, such as E. coli, salmonella and listeria. There is a risk that these pathogens could be present in the Company's products. The Company actively manages these risks by maintaining strict and rigorous controls and processes in its manufacturing facilities and distribution systems and by maintaining prudent levels of insurance. However, the Company cannot assure that such systems, even when working effectively, will eliminate the risks related to food safety. The Company could be required to recall certain of its products in the event of contamination or adverse test results or as precautionary measures, similar to other recalls initiated in the past. There is also a risk that not all of the product subject to the recall will be properly identified, or that the recall will not be successful or not be enacted in a timely manner. Any product contamination could subject the Company to product liability claims, adverse publicity and government scrutiny, investigation or intervention, resulting in increased costs and decreased sales. Many of these costs and losses are not covered by insurance. Any of these events could have a material adverse impact on the Company's financial condition and results of operations.

Business Acquisitions, Divestitures, and Capital Expansion Projects

While the Company's focus has been integration of existing operations and supply chain optimization, the Company continues to review opportunities for strategic growth through acquisitions. Any acquisitions may involve large transactions or realignment of existing investments, and present financial, managerial and operational challenges, which, if not successfully overcome, may reduce the Company's profitability. These risks include: the diversion of Management's attention from existing core businesses; difficulties integrating or separating personnel, financial, and other systems; adverse effects on existing business relationships with suppliers and customers; inaccurate estimates of the rate of return on acquisitions or investments; inaccurate estimates of fair value made in the accounting for acquisitions and amortization of acquired intangible assets, which could reduce future reported earnings; potential loss of customers or key employees of acquired businesses; and indemnities and potential disputes with the buyers or sellers. Any of these items could materially adversely affect the Company's financial condition and results of operations.

The Company may, from time to time, determine that certain aspects of its operations are not required to be owned to support its core business operations and may seek to sell an operation if it believes it can realize sufficient value from its sale. Such a sale may divert Management's attention from existing core businesses during the sale process, create difficulties in separating personnel, financial, and other systems, and cause adverse effects on existing business relationships with suppliers and customers. Any of these items could materially adversely affect the Company's financial condition and result in a reduction of earnings beyond the earnings of any operation to be sold.

Pension Plan Assets and Liabilities

In the normal course of business, the Company provides post-retirement pension benefits to its employees under both defined contribution and defined benefit pension plan arrangements. The funded status of the plans significantly affects the net periodic benefit costs of the Company's pension plans and the ongoing funding requirements of those plans. Among other factors, changes in interest rates, mortality rates, early retirement rates, and the market value of plan assets can affect the level of plan funding required, increase the Company's future funding requirements, and cause volatility in the net periodic pension cost as well as the Company's financial results. Furthermore, the Company has merged, and is in the process of merging, a number of its defined benefit pension plans. The funding status of the individual plans depends, in part, on whether the mergers are approved. Failure by the regulators to approve the mergers could also result in an increase to the Company's funding requirements. Any increase in pension expense or funding requirements could have a material adverse impact on the Company's financial condition and results of operations.

Hog and Pork Market Cyclicality and Supply

The Company's results of operations and financial condition are partially dependent upon the cost and supply of hogs as well as the selling prices for fresh meat products, both of which are influenced by constantly changing market forces of supply and demand over which the Company has little or no control. These prices, for the most part, are denominated in or related to U.S. dollars, which adds further variability due to fluctuations in exchange rates. The North American primary pork processing markets are highly competitive, with major and regional companies competing in each market. The market prices for pork products regularly experience periods of supply and demand imbalance and are sensitive to changes in industry processing capacity. Other factors that can influence the supply and market price of live hogs include: fluctuations in the size of herds maintained by North American hog suppliers; environmental and conservation regulations; economic conditions; the relative cost of feed for hogs; weather; livestock diseases; and changes to foreign jurisdiction restrictions on drugs, vitamin and feed additives used in hogs raised in Canada. There can be no assurance that all or part of any such increased costs experienced by the Company from time to time can be passed along to consumers of the Company's products directly or in a timely manner or that meat restricted from certain foreign markets can be sold at acceptable prices. The factors described above may also impact the supply of hogs available for processing at the Company's pork processing plants by negatively impacting the financial strength of the various independent farming operations upon which the Company relies to meet its requirements for hogs. Any of these could have a material adverse effect on the Company's financial condition and results of operations.

Livestock

The Company's operations and the demand for the Company's products can be significantly affected by outbreaks of disease among livestock, or attributed to livestock whether it occurs within the Company's production operations or in the operations of third parties.

The Company monitors herd health status and has strict bio-security procedures and employee training programs throughout its hog production system and ensures the animals receive veterinary medications as required. However, there is no guarantee these processes will not fail. In addition, not all livestock procured by the Company may be subject to these processes, as the majority of hog and poultry livestock processed by the Company is purchased from independent third parties. In addition to risks associated with maintaining the health of the Company's livestock, any outbreak of disease elsewhere in the world could reduce consumer confidence in the meat products affected by the particular disease and generate adverse publicity. Accordingly, there can be no assurance that an outbreak of animal disease in Canada or elsewhere will not have a material adverse effect on the Company's financial condition and results of operations.

The Company is increasing its committed sales of raised without antibiotic pork and meat products and in turn expanding the portion of its hog supply raised without antibiotics. Hogs raised without antibiotics have a significantly higher cost of production and command higher prices. If the Company fails to find markets or buyers willing to pay the premium price for all the raised without antibiotic meat produced, a portion of the higher cost meat will have to be sold in conventional channels at the lower price conventionally raised meat commands.

The Company has developed a comprehensive internal contingency plan for dealing with animal disease occurrences and/or a more broad-based pandemic. It has taken steps to support the Canadian government in enhancing both the country's prevention measures and preparedness plans. There can be no assurance, however, that these prevention measures or plans will be successful in minimizing or containing the impact of an outbreak of animal disease and that such outbreak will not have a material adverse effect on the Company's financial condition and results of operations. Furthermore, the Company's supply of raised without antibiotic meats may be at a greater risk supply disruption in the event of an animal disease outbreak.

Foreign Currencies

A portion of the Company's revenues and costs are either denominated in or directly linked to other currencies (primarily U.S. dollars and Japanese yen). In periods when the Canadian dollar has appreciated both rapidly and materially against these foreign currencies, revenues linked to U.S. dollars or Japanese yen are immediately reduced, while the Company's ability to change prices or realize natural hedges may lag the immediate currency change. The effect of such sudden changes in exchange rates can have a significant immediate impact on the Company's earnings. Due to the diversity of the Company's operations, normal fluctuations in other currencies do not generally have a material impact on the Company's profitability in the short term due to either natural hedges and offsetting currency exposures (for example, when revenues and costs are both linked to other currencies) or the ability in the near term to change prices of its products to offset adverse currency movements. However, as the Company competes in international markets, and faces competition in its domestic markets from U.S. competitors, significant changes in the Canadian to U.S. dollar exchange rate can have, and have had, significant effects on the Company's relative competitiveness in its domestic and international markets, which can have, and have had, significant effects on the Company's financial condition and results of operations.

Commodities

The Company is a purchaser of, and its business is dependent on, certain commodities in the course of normal operations, such as feed grains, livestock, and energy, such as oil-based fuel, natural gas, and electricity. Commodity prices are subject to fluctuation and such fluctuations are sometimes severe. The Company may use commodity futures and options for hedging purposes to reduce the effect of changing prices in the short term, but such hedges may not be successful in mitigating this commodity price risk and may, in some circumstances, subject the Company to loss. On a longer-term basis, the Company attempts to manage the risk of increases in commodities and other input costs by increasing the prices it charges to its customers; however, no assurance can be given that customers will continue to purchase the Company's products if prices rise. Any fluctuations in commodity prices that the Company is unable to properly hedge or mitigate could have a material adverse effect on the Company's financial condition and results of operations.

International Trade

The Company exports significant amounts of its products to customers outside of Canada and certain of its inputs are affected by global commodity prices. The Company's international operations are subject to inherent risks, including: change in the free flow of food products between countries; fluctuations in currency values; discriminatory fiscal policies; unexpected changes in local regulations and laws; and the uncertainty of enforcement of remedies in foreign jurisdictions. In addition, foreign jurisdictions could impose tariffs, quotas, trade barriers, and other similar restrictions on the Company's international sales, as well as subsidize competing agricultural products. All of these risks could result in increased costs or decreased revenues, either of which could have a material adverse effect on the Company's financial condition and results of operations.

Regulation

The Company's operations are subject to extensive regulation by government agencies in the countries in which it operates, including: the Canadian Food Inspection Agency; the Ministry of Agriculture in Canada; provincial Ministries of the Environment in Canada; and the United States Department of Agriculture. These agencies regulate the processing, packaging, storage, distribution, advertising, and labeling of the Company's products, including food safety standards. The Company's manufacturing facilities and products are subject to inspection by federal, provincial, and local authorities. The Company strives to maintain compliance with all laws and regulations and maintains all permits and licenses relating to its operations. Nevertheless, there can be no assurance that the Company is in compliance with such laws and regulations, has all necessary permits and licenses, and will be able to comply with such laws and regulations, permits and licenses in the future. Failure by the Company to comply with applicable laws and regulations and permits and licenses could subject the Company to civil remedies, including fines, injunctions, recalls or seizures, as well as potential criminal sanctions, which could have a material adverse effect on the Company's financial condition and results of operations. Various governments throughout the world are considering regulatory proposals relating to genetically modified organisms, drug residues in food ingredients, food safety, and market and environmental regulation that, if adopted, may increase the Company's costs. There can be no assurance that additional regulation will not be enacted. In fact, new regulations and standards were enacted to address the risks associated with certain pathogens in response to the Company's August 2008 recall of ready-to-eat meat products. If any of these or other proposals or regulations are enacted, the Company could experience a disruption in the supply or distribution of its products, increased operating costs, and significant additional cost for capital improvements. The Company may be unable to pass on the cost increases associated with such increased regulatory burden to its customers without incurring volume loss as a result of higher prices. Any of these events could have a material adverse effect on the Company's financial condition and results of operations.

Legal Matters

In the normal course of its operations, the Company becomes involved in various legal actions, either as plaintiff or defendant, relating to its commercial relationships, employment matters, product liabilities, in addition to other things. The Company generally believes that the resolution of these claims will not have a material effect on the Company based, in part, on the availability of insurance. However, the final outcome with respect to actions outstanding, pending or with respect to future claims cannot be predicted with certainty. Furthermore, even if any action is settled within insurance limits, this can result in increases to the Company's insurance premiums. Therefore there can be no assurance that their resolution will not have a material adverse effect on the Company's financial condition or results of operations.

Consumer Trends

Success of the Company depends in part on the Company's ability to respond to market trends and produce innovative products that anticipate and respond to the changing tastes and dietary habits of consumers. From time to time certain products are deemed more or less healthy and this can impact consumer buying patterns. The Company's failure to anticipate, identify, or react to these changes or to innovate could result in declining demand and prices for the Company's products, which in turn could have a material adverse effect on the Company's financial condition and results of operations.

Environmental Regulation

The Company's operations are subject to extensive environmental laws and regulations pertaining to the discharge of materials into the environment and the handling and disposition of wastes (including solid and hazardous wastes) or otherwise relating to protection of the environment. Failure to comply could have serious consequences, such as criminal as well as civil penalties, liability for damages, and negative publicity for the Company. No assurances can be given that additional environmental issues relating to presently known matters or identified sites or to other matters or sites will not require additional expenditures, or that requirements applicable to the Company will not be altered in ways that will require the Company to incur significant additional costs. In addition, certain facilities of the Company have been in operation for many years and, over time, the Company and other prior operators of such facilities may have generated and disposed of waste which is or may be considered to be hazardous. Future discovery of previously unknown contamination of property underlying or in the vicinity of the Company's present or former properties or manufacturing facilities and/or waste disposal sites could require the Company to incur material unforeseen expenses. Occurrences of any such events could have a material adverse effect on the Company's financial condition and results of operations.

Consolidating Customer Environment

As the retail grocery and foodservice trades continue to consolidate and customers grow larger and more sophisticated, the Company is required to adjust to changes in purchasing practices and changing customer requirements. Failure to do so could result in losing sales volumes and market share. The Company's net sales and profitability could also be affected by deterioration in the financial condition of, or other adverse developments in, the relationship with one or more of its major customers. Any of these events could have a material adverse effect on the Company's financial condition and results of operations.

Competitive Industry Environment

The food industry is intensely competitive. In many product categories in which the Company operates there are low barriers to entry. Competition is based on product availability, product quality, price, effective promotions, and the ability to target changing consumer preferences. The Company experiences price pressure from time to time as a result of competitors' promotional efforts and in product categories and markets characterized by low capacity utilization. Increased competition could result in reduced sales, margins, profits, and market share, all of which could have a material adverse effect on the Company's financial condition and results of operations.

Employment Matters

The Company and its subsidiaries have approximately 11,500 full-time and part-time employees, which include salaried and union employees, many of whom are covered by collective agreements. These employees are located in various jurisdictions, each such jurisdiction having differing employment laws. While the Company maintains systems and procedures to comply with the applicable requirements, there is a risk that failures or lapses by individual managers could result in a violation or cause of action that could have a material adverse effect on the Company's financial condition and results of operations. Furthermore, if a collective agreement covering a significant number of employees or involving certain key employees were to expire or otherwise cease to have effect leading to a work stoppage, there can be no assurance that such work stoppage would not have a material adverse effect on the Company's financial condition and results of operations. The Company's success is also dependent on its ability to recruit and retain qualified personnel. The loss of one or more key personnel could have a material adverse effect on the Company's financial condition and results of operations.

Product Pricing

The Company's profitability is dependent, in large part, on the Company's ability to make pricing decisions regarding its products that, on one hand encourage consumers to buy, yet on the other hand recoup development and other costs associated with those products. Products that are priced too high will not sell and products priced too low will not generate an adequate return. Accordingly, any failure by the Company to properly price its products could have a material adverse effect on the Company's financial condition and results of operations.

Supply Chain Management

Successful management of the Company's supply chain is critical to the Company's success. Insufficient supply of products threatens the Company's ability to meet customer demands while over capacity threatens the Company's ability to generate competitive profit margins. Accordingly, any failure by the Company to properly manage the Company's supply chain could have a material adverse effect on the Company's financial condition and results of operations.

Strategic Risk Management

Successful identification and management of the strategic risks facing the Company from time to time is critical to the Company's success. Among other things, these risks include changes in technology, the food industry, customers, consumers, and competitors. Failure to properly adapt to changes in strategic risks could have a material adverse effect on the Company's financial condition and results of operations.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements in accordance with IFRS requires Management to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual amounts may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Judgements included in the financial statements are decisions made by Management, based on analysis of relevant information available at the time the decision is made. Judgements relate to the application of accounting policies and decisions related to the measurement, recognition, and disclosure of financial amounts. Information about significant areas of critical judgements in applying accounting policies, that have the most significant effects on the amounts recognized in the consolidated financial statements, are included both below and in the statement notes relating to items subject to significant and critical judgements.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies, that have the most significant effects on the amounts recognized in the consolidated financial statements, are included both below and in the statement notes relating to items subject to significant estimate uncertainty and critical judgements.

Long-Lived Assets Valuation

The Company performs impairment testing annually for goodwill and indefinite life intangible assets and, when circumstances indicate that there may be impairment, for other long-lived assets. Management judgement is involved in determining if there are circumstances indicating that testing for impairment is required, and in identifying Cash Generating Units ("CGUs") for the purpose of impairment testing.

The Company assesses impairment by comparing the recoverable amount of a long-lived asset, CGU, or CGU group to its carrying value. The recoverable amount is defined as the higher of: (i) value in use; or (ii) fair value less cost to sell.

The determination of the recoverable amount involves significant estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates, and asset lives. These estimates and assumptions could affect the Company's future results if the current estimates of future performance and fair values change. These determinations will affect the amount of amortization expense on definite life intangible assets recognized in future periods.

Measurement of Fair Values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When the measurement of fair values cannot be determined based on quoted prices in active markets, fair value is measured using valuation techniques and models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Changes in assumptions about the inputs to these models could affect the reported fair value of the Company's financial and non-financial assets and liabilities.

When measuring fair value of an asset or liability, the Company uses market observable data to the extent that it is possible. To the extent that these estimates differ from those realized, the measured asset or liability, net earnings, and/or comprehensive income will be affected in future periods.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Notes 7, 9, 10, 11, and 18 of the Company's 2015 audited consolidated financial statements.

Nature of Interests in Other Entities

Management applies significant judgement in assessing the nature of its interest in an unconsolidated structured entity. The Company does not hold any equity interest in the structured entity and based on the terms of the agreements under which the entity is established, the Company does not receive the returns related to their operations and is exposed to limited recourse with respect to losses (refer to Note 25 of the Company's 2015 audited consolidated financial statements).

Valuation of Inventory

Management makes estimates of the future customer demand for products when establishing appropriate provisions for inventory. In making these estimates, Management considers the product life of inventory and the profitability of recent sales of inventory. In many cases, product sold by the Company turns quickly and inventory on-hand values are low, thus reducing the risk of inventory obsolescence. However, code or "best before" dates are very important in the determination of realizable value of inventory. Management ensures that systems are in place to highlight and properly value inventory that may be approaching code dates. To the extent that actual losses on inventory differ from those estimated, inventory, net earnings, and comprehensive income will be affected in future periods.

Biological Assets

Biological assets are measured at each reporting date, at fair value less costs to sell, except when fair value cannot be reliably measured. If fair value cannot be reliably measured, biological assets are measured at cost less depreciation and impairment losses. Although a reliable measure of fair value may not be available at the point of initial recognition, it may subsequently become available. In such circumstances, biological assets are measured at fair value less costs to sell from the point at which the reliable measure of fair value becomes available. Gains and losses that arise on measuring biological assets at fair value less costs to sell are recognized in the statement of net earnings in the period in which they arise. Costs to sell include all costs that would be necessary to sell the biological assets, including costs necessary to get the biological assets to market. Management uses estimates for some of the inputs into the determination of fair value. To the extent that actual values differ from estimates, biological assets, net earnings and comprehensive income will be affected in future periods.

Trade Merchandise Allowances and Other Trade Discounts

The Company provides for estimated payments to customers based on various trade programs and contracts that often include payments that are contingent upon attainment of specified sales volumes. Significant estimates used to determine these liabilities include: (i) the projected level of sales volume for the relevant period and (ii) customer contracted rates for allowances, discounts, and rebates. These arrangements are complex and there are a significant number of customers and products affected. Management has systems and processes in place to estimate and value these obligations. To the extent that payments on trade discounts differ from estimates of the related liability, accounts payable and accruals, net earnings, and comprehensive income will be affected in future periods.

Employee Benefit Plans

The cost of pensions and other post-retirement benefits earned by employees is actuarially determined using the projected unit credit method prorated on service, and Management's best estimate of salary escalation and mortality rates. Discount rates used in actuarial calculations are based on long-term interest rates and can have a material effect on the amount of plan liabilities and expenses. Management employs external experts to advise the Company when deciding upon the appropriate estimates to use to value employee benefit plan obligations and expenses. To the extent that these estimates differ from those realized, employee benefit plan assets and liabilities and comprehensive income will be affected in future periods.

Significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations and net benefit plan expenses are as follows:

	2015	2014
Weighted average discount rate used to calculate the net benefit plan expense	**3.75%**	4.50%
Weighted average discount rate used to calculate year end benefit obligation	**3.75%**	3.75%[(i)]
Rate of salary increase	**3.50%**	3.50%
Medical cost trend rates	**5.00%**	5.00%

[(i)] *4.25% was used for the plans related to Canada Bread as at February 12, 2014.*

Information about the sensitivity of the plan obligations to changes in assumptions is presented below:

			Increase (decrease) in defined benefit obligation		
Actuarial Assumption		**Sensitivity**	**Total pensions**	**Other post-retirement benefits**	**Total**
Period end discount rate	3.75%	0.25% decrease	$ 34,344	$ 1,655	$ 35,999
		0.25% increase	$ (33,312)	$ (1,496)	$ (34,808)
Rate of salary increase	3.50%	0.50% increase	$ 3,164	N/A	$ 3,164
Mortality	110% of 2014 Private Sector Canadian Pensioners' Mortality Table, projected generationally using Scale CPM-B	Increase of 1 year in expected lifetime of plan participants	$ 32,035	$ 1,924	$ 33,959

Income Taxes

Provisions for income taxes are based on domestic and international statutory income tax rates and the amount of income earned in the jurisdictions in which the Company operates. Significant judgement is required in determining income tax provisions and the recoverability of deferred tax assets. The calculation of current and deferred income tax balances requires Management to make estimates regarding the carrying values of assets and liabilities that include estimates of future cash flows and earnings related to such assets and liabilities, the interpretation of income tax legislation in the jurisdictions in which the Company operates, and the timing of reversal of temporary differences. The Company establishes additional provisions for income taxes when, despite Management's opinion that the Company's tax positions are fully supportable, there is sufficient complexity or uncertainty in the application of legislation that certain tax positions may be reassessed by tax authorities. The Company adjusts these additional accruals in light of changing facts and circumstances. To the extent that these adjustments differ from original estimates, deferred tax assets and liabilities, net earnings, and comprehensive income will be affected in future periods.

Provisions

The Company evaluates all provisions at each reporting date. These provisions can be significant and are prepared using estimates of the costs of future activities. In certain instances, Management may determine that these provisions are no longer required or that certain provisions are insufficient as new events occur or as additional information is obtained. Provisions are separately identified and disclosed in the Company's consolidated financial statements. Changes to these estimates may affect the value of provisions, net earnings, and comprehensive income in future periods.

Share-Based Compensation

The Company uses estimates including, but not limited to, estimates of forfeitures, share price volatility, dividends, expected life of the award, risk-free interest rates, and Company performance in the calculation of the liability and expenses for certain share-based incentive plans. These estimates are based on previous experience and may change throughout the life of an incentive plan. Such changes could impact the carrying value of contributed surplus, liabilities, net earnings, and comprehensive income in future periods.

Some of the Company's share-based payment plans are settleable in either cash or equity instruments at the option of the Company. Management uses judgement in determining the appropriate accounting treatment for these plans, based on expectations and historical settlement decisions. Changes to accounting treatment based on Management's judgement may impact contributed surplus, liabilities, net earnings, and comprehensive income in future periods.

Depreciation and Amortization

The Company's property and equipment and definite life intangible assets are depreciated and amortized on a straight-line basis, taking into account the estimated useful lives of the assets and residual values. Changes to these estimates may affect the carrying value of these assets, inventories, net earnings, and comprehensive income in future periods.

SIGNIFICANT ACCOUNTING POLICIES

Accounting Standards Adopted During the Period

For the first time beginning on January 1, 2015, the Company adopted certain standards and amendments. As required by IAS 8 Accounting Policies, Change in Accounting Estimates and Errors, the nature and the effect of these changes are disclosed below:

Employee Benefits

Beginning on January 1, 2015, the Company adopted the amendments to IAS 19 Employee Benefits retrospectively. The amendments to IAS 19 required contributions from employees or third parties that are linked to service to be attributed to periods of service as a negative benefit. The amendments to IAS 19 provide simplified accounting in certain situations. If the amount of contribution is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service costs in the period in which the service is rendered, instead of allocating the contributions to the period's service. The adoption of the amendments to IAS 19 did not have a material impact on the Company's consolidated financial statements.

Annual Improvements to IFRS (2010 – 2012) and (2011 – 2013) Cycles

Beginning on January 1, 2015, the Company adopted various amendments to a total of nine standards including disclosure on the aggregation of operating segments in IFRS 8 Operating Segments, measurement of short-term receivables and payables under IFRS 13 Fair Value Measurement, definition of related party in IAS 24 Related Party Disclosures, and other amendments. The adoption of these amendments did not have a material impact on the Company's consolidated financial statements.

Accounting Pronouncements Issued But Not Yet Effective

Annual Improvements to IFRS (2012-2014) Cycle

In September 2014, the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvement process. Amendments were made to clarify items including the consistent classification of assets if they are reclassified from held for sale to held for distribution in IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, clarification of interim financial statement disclosure requirements regarding offsetting financial assets and liabilities and clarification of whether a servicing contract constitutes continuing involvement for the purposes of disclosures of transferred financial assets that are derecognized under IFRS 7 Financial Instruments: Disclosures. The amendments also include clarification that the currency of the bonds used to estimate the discount rate for pension obligations must be the same as the currency in which the benefits will be paid under IAS 19 Employee Benefits and additional requirements under IAS 34 Interim Financial Reporting that cross-referenced information from the interim financial statements must be available at the same time and on the same terms as the interim financial statements. The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning January 1, 2016. The adoption of these amendments is not expected to have a material impact on the consolidated financial statements.

Joint Arrangements

In May 2014, IFRS 11 Joint Arrangements was amended to require an acquisition of a joint operation that constitutes a business to be accounted for using the principles of business combinations in IFRS 3 Business Combinations. This amendment applies to both initial and additional interest acquired in the joint operation. The Company intends to adopt the amendments to IFRS 11 in its consolidated financial statements for the annual period beginning January 1, 2016. The adoption of the amendments to IFRS 11 is not expected to have a material impact on the consolidated financial statements.

Consolidated Financial Statements and Investments in Associates and Joint Ventures

In September 2014, IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures were amended to clarify an inconsistency between the two standards relating to the sale or contribution of assets from an investor to its associate or joint venture. The amendment requires that a full gain or loss is recorded if the sold or contributed assets constitute a business and that a partial gain or loss is recognized when a sale or contribution of assets do not contribute a business. The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning January 1, 2016. The adoption of these amendments is not expected to have a material impact on the consolidated financial statements.

Revenue Recognition

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. IFRS 15 replaces the detailed guidance on revenue recognition requirements that currently exists under IFRS. IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers, unless the contracts are within the scope of other IFRSs. The standard also provides a model for the measurement and recognition of gains and losses on the sale of certain non-financial assets that are not an output of the Company's ordinary activities. Additional disclosure is required under the standard, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods, and key judgments and estimates. In July 2015, the effective date for IFRS 15 was deferred to apply to annual periods beginning on or after January 1, 2018; early application is permitted either following a full retrospective approach or a modified retrospective approach. The modified retrospective approach allows the standard to be applied to existing contracts beginning the initial period of adoption and restatements to the comparative periods are not required. The Company is required to disclose the impact by financial line item as a result of the adoption of the new standard. The Company intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning January 1, 2018. The extent of the impact of adoption of IFRS 15 has not yet been determined.

Financial Instruments – Recognition and Measurement

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments with a mandatory effective date of January 1, 2018. The new standard brings together the classification and measurement, impairment and hedge accounting phases of the IASB’s project to replace IAS 39 Financial Instruments: Recognition and Measurement. In addition to the new requirements for classification and measurement of financial assets, a new general hedge accounting model and other amendments issued in previous versions of IFRS 9, the standard also introduces new impairment requirements that are based on a forward-looking expected credit loss model. The Company intends to adopt IFRS 9 in its consolidated financial statements for the annual period beginning January 1, 2018. The extent of the impact of the adoption of IFRS 9 has not yet been determined.

The disclosure requirements in IFRS 7 Financial Instruments - Disclosure have also been amended to include the additional disclosure required under IFRS 9. The Company intends to adopt these amendments to IFRS 7 at the same time as adoption of IFRS 9. The extent of the impact of the adoption of the amendments to IFRS 7 has not yet been determined.

Leases

In January 2016, the IASB issued IFRS 16 Leases with a mandatory effective date of January 1, 2019. The new standard will replace IAS 17 Leases and will carry forward the accounting requirements for lessors. IFRS 16 provides a new framework for lessee accounting that requires substantially all assets obtained through operating leases to be capitalized and a related liability to be recorded. The new standard seeks to provide a more accurate picture of a Company's leased assets and related liabilities and create greater comparability between companies who lease assets and those who purchase assets. The Company intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning January 1, 2019. The extent of the impact of the adoption of IFRS 16 has not yet been determined.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company’s disclosure controls and procedures are designed to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is accumulated and communicated to Management in a timely manner so that information required to be disclosed by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified in applicable securities legislation. The Company’s Management, under the direction and supervision of the Company’s Chief Executive Officer and Chief Financial Officer, is also responsible for establishing and maintaining internal control over financial reporting. These controls are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company’s Chief Executive Officer and Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company’s internal control over financial reporting and disclosure controls and procedures as at December 31, 2015, and have concluded that such controls and procedures are effective. There have been no changes in the Company’s internal control over financial reporting that occurred during the period beginning on January 1, 2015, and ended on December 31, 2015, that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting. On January 1, 2014, the Company adopted the Committee of Sponsoring Organizations new internal control framework, which did not have a material impact on the Company’s internal controls over financial reporting and disclosure controls and procedures.

NON-IFRS FINANCIAL MEASURES

The Company uses the following non-IFRS measures: Adjusted Operating Earnings, Adjusted Earnings per Share, Adjusted EBITDA, Net Cash (Debt), and Return on Net Assets. Management believes that these non-IFRS measures provide useful information to investors in measuring the financial performance of the Company for the reasons outlined below. These measures do not have a standardized meaning prescribed by IFRS and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies and should not be construed as an alternative to other financial measures determined in accordance with IFRS.

Adjusted Operating Earnings

Adjusted Operating Earnings, a non-IFRS measure, is used by Management to evaluate financial operating results. It is defined as earnings before income taxes from continuing operations adjusted for items that are not considered representative of ongoing operational activities of the business and items where the economic impact of the transactions will be reflected in earnings in future periods when the underlying asset is sold or transferred. The table below provides a reconciliation of net earnings as reported under IFRS in the audited consolidated statements of earnings to Adjusted Operating Earnings for the years ended, as indicated below. Management believes that this basis is the most appropriate on which to evaluate operating results, as they are representative of the ongoing operations of the Company.

	December 31, 2015			
($ thousands)	**Meat Products Group**	**Agribusiness Group**	**Non-allocated costs**	**Consolidated**
Net earnings from continuing operations				**$ 41,580**
Income taxes				**11,071**
Earnings before income taxes from continuing operations				**$ 52,651**
Interest expense and other financing costs				**4,711**
Other (income) expense	**(884)**	**(275)**	**3,058**	**1,899**
Restructuring and other related costs	**15,321**	**—**	**18,504**	**33,825**
Earnings (loss) from continuing operations	**$ 108,440**	**$ 1,360**	**$ (16,714)**	**$ 93,086**
Decrease (increase) in fair value of biological assets[(i)]	**—**	**—**	**12,778**	**12,778**
Unrealized (gain) loss on futures contracts[(ii)]	**—**	**—**	**3,936**	**3,936**
Adjusted Operating Earnings	**$ 108,440**	**$ 1,360**	**$ —**	**$ 109,800**

[(i)] *Refer to Note 7 of the Company's 2015 audited consolidated financial statements for further details regarding biological assets.*

[(ii)] *Unrealized gains/losses on futures contracts are reported within cost of goods sold in the Company's 2015 audited consolidated financial statements.*

	December 31, 2014			
($ thousands)	Meat Products Group	Agribusiness Group	Non-allocated costs	Consolidated
Net loss from continuing operations				$ (213,813)
Income taxes				(74,556)
Loss before income taxes from continuing operations				$ (288,369)
Interest expense and other financing costs				126,874
Change in the fair value of non-designated interest rate swaps				(2,492)
Other (income) expense	4,462	(1,313)	13,642	16,791
Restructuring and other related costs	37,237	—	30,355	67,592
Earnings (loss) from continuing operations	$ (80,381)	$ 8,642	$ (7,865)	$ (79,604)
Decrease (increase) in fair value of biological assets[(i)]	—	—	(530)	(530)
Unrealized (gain) loss on futures contracts[(ii)]	—	—	(4,087)	(4,087)
Modification impact to long-term incentive plan[(iii)]	—	—	8,734	8,734
Adjusted Operating Earnings[(iv)]	$ (80,381)	$ 8,642	$ (3,748)	$ (75,487)

[(i)] *Refer to Note 7 of the Company's 2015 audited consolidated financial statements for further details regarding biological assets.*

[(ii)] *Unrealized gains/losses on futures contracts are reported within cost of goods sold in the Company's 2015 audited consolidated financial statements.*

[(iii)] *Modification of long-term incentive plan is reported within selling, general and administrative expenses on the Company's 2015 audited consolidated financial statements.*

[(iv)] *Figures exclude the results of the Bakery Products Group. The Bakery Products Group results are reported as discontinued operations as disclosed in Note 22 of the Company's 2015 audited consolidated financial statements.*

Adjusted Earnings per Share

Adjusted Earnings per Share, a non-IFRS measure, is used by Management to evaluate financial operating results. It is defined as basic earnings per share from continuing operations attributable to common shareholders, and is adjusted on the same basis as Adjusted Operating Earnings. The table below provides a reconciliation of basic earnings per share from continuing operations as reported under IFRS in the audited consolidated statements of earnings to Adjusted Earnings per Share for the years ended, as indicated below. Management believes this basis is the most appropriate on which to evaluate financial results as they are representative of the ongoing operations of the Company.

	December 31,	
($ per share)	**2015**	2014[(i)]
Basic earnings (loss) per share from continuing operations	**$ 0.30**	$ (1.51)
Restructuring and other related costs[(ii)]	**0.18**	0.36
Items included in other income not considered representative of ongoing operations[(iii)]	**0.02**	0.08
Change in the fair value of non-designated interest rate swaps[(iv)]	**—**	(0.01)
Change in the fair value of unrealized (gain) loss on futures contracts[(iv)]	**0.02**	(0.02)
Change in the fair value of biological assets[(iv)]	**0.07**	—
Other financing costs[(v)]	**—**	0.50
Modification impact to long-term incentive plan[(vi)]	**—**	0.05
Adjusted Earnings per Share[(vii)]	**$ 0.58**	$ (0.56)

(i) *2014 figures reflect the reclassification of the change in fair value of non-designated interest rate swaps to other income. Refer to Note 19 of the Company's 2015 audited consolidated financial statements.*

(ii) *Includes per share impact of restructuring and other related costs, net of tax.*

(iii) *Primarily includes a depreciation charge on assets servicing divested businesses, interest income and gains/losses associated with investment properties and assets held for sale, net of tax.*

(iv) *Includes per share impact of the change in fair value of non-designated interest rate swaps, unrealized (gains) losses on futures contracts and the change in fair value of biological assets, net of tax.*

(v) *Includes a $76.3 million early repayment premium to lenders, $8.9 million write-off of deferred financing fees, $3.8 million of financing fees associated with the new credit facility, and a $9.6 million loss transferred from accumulated other comprehensive income (loss) into earnings due to the settlement of interest rate swaps that are no longer designated as hedging instruments, net of tax.*

(vi) *Relates to an $8.7 million modification of long-term incentive compensation plan as a result of the costs being fixed and payments accelerated, which was a decision made conditional on the sale of Canada Bread, and is therefore not considered representative of ongoing operational activities of the business, net of tax.*

(vii) *May not add due to rounding.*

Adjusted Earnings Before Interest, Tax, Depreciation, and Amortization

Adjusted EBITDA is calculated as earnings from continuing operations before interest and income taxes plus depreciation and intangible asset amortization, adjusted for items that are not considered representative of ongoing operational activities of the business, and items where the economic impact of the transactions will be reflected in earnings in future periods when the underlying asset is sold or transferred. The following table provides a reconciliation of net earnings as reported under IFRS in the audited consolidated statements of earnings to Adjusted EBITDA for the years ended, as indicated below. Management believes Adjusted EBITDA is useful in assessing the performance of the Company’s ongoing operations and its ability to generate cash flows to fund its cash requirements, including the Company’s capital investment program.

	December 31,	
($ thousands)	**2015**	2014
Net earnings (loss) from continuing operations	**$ 41,580**	$ (213,813)
Income taxes	**11,071**	(74,556)
Earnings (loss) before income taxes from continuing operations	**$ 52,651**	$ (288,369)
Interest expense and other financing costs	**4,711**	126,874
Items included in other income not representative of on-going operations[(i)]	**3,058**	15,161
Restructuring and other related costs	**33,825**	67,592
Change in the fair value of non-designated interest rate swaps, biological assets and unrealized and realized (gains) losses on futures contracts	**16,714**	(7,109)
Modification impact to long-term incentive plan[(ii)]	**—**	8,734
Depreciation and amortization	**108,890**	91,955
Adjusted EBITDA	**$ 219,849**	$ 14,838

(i) *Primarily includes a depreciation charge on assets servicing divested businesses, interest income and gains/losses associated with investment properties and assets held for sale.*

(ii) *Relates to an $8.7 million modification of long-term incentive compensation plan as a result of the costs being fixed and payments accelerated, which was a decision made conditional on the sale of Canada Bread, and is therefore not considered representative of ongoing operational activities of the business.*

Net Cash (Debt)

The following table reconciles Net Cash (Debt) to amounts reported under IFRS in the Company's audited consolidated balance sheets for the years ended, as indicated below. The Company calculates Net Cash (Debt) as cash and cash equivalents, less long-term debt and bank indebtedness. Management believes this measure is useful in assessing the amount of financial leverage employed.

	December 31,	
($ thousands)	**2015**	2014
Current portion of long-term debt	**(813)**	(472)
Long-term debt	**(9,843)**	(10,017)
Total debt	**$ (10,656)**	$ (10,489)
Cash and cash equivalents	**292,269**	496,328
Net Cash (Debt)	**$ 281,613**	$ 485,839

Return on Net Assets

RONA is calculated by dividing tax effected earnings from operations (adjusted for items which are not considered representative of the underlying operations of the business) by average monthly net assets. Net assets are defined as total assets (excluding cash and deferred tax assets) less non-interest bearing liabilities (excluding deferred tax liabilities). Management believes that RONA is an appropriate basis upon which to evaluate long-term financial performance.

FORWARD-LOOKING STATEMENTS

This document contains, and the Company’s oral and written public communications often contain, “forward-looking information” within the meaning of applicable securities law. These statements are based on current expectations, estimates, forecasts, and projections about the industries in which the Company operates, as well as beliefs and assumptions made by the Management of the Company. Such statements include, but are not limited to, statements with respect to objectives and goals, in addition to statements with respect to beliefs, plans, objectives, expectations, anticipations, estimates, and intentions. Specific forward-looking information in this document includes, but is not limited to, statements with respect to: the anticipated benefits, timing, actions, costs, and investments associated with the Value Creation Plan; expectations regarding the use of derivatives, futures and options; expectations regarding improving efficiencies; the expected use of cash balances; source of funds for ongoing business requirements; capital investments and expectations regarding capital expenditures; expectations regarding the implementation of environmental sustainability initiatives; expectations regarding the adoption of new accounting standards and the impact of such adoption on financial position; expectations regarding pension plan performance and future pension plan liabilities and contributions; expectations regarding levels of credit risk; and expectations regarding outcomes of legal actions. Words such as “expect”, “anticipate”, “intend”, “may”, “will”, “plan”, “believe”, “seek”, “estimate”, and variations of such words and similar expressions are intended to identify such forward-looking information. These statements are not guarantees of future performance and involve assumptions and risks and uncertainties that are difficult to predict.

In addition, these statements and expectations concerning the performance of the Company’s business in general are based on a number of factors and assumptions including, but not limited to: the condition of the Canadian, U.S., and Japanese economies; the rate of exchange of the Canadian dollar to the U.S. dollar, and the Japanese yen; the availability and prices of raw materials, energy and supplies; product pricing; the availability of insurance; the competitive environment and related market conditions; improvement of operating efficiencies whether as a result of the Value Creation Plan or otherwise; continued access to capital; the cost of compliance with environmental and health standards; no adverse results from ongoing litigation; no unexpected actions of domestic and foreign governments; and the general assumption that none of the risks identified below or elsewhere in this document will materialize. All of these assumptions have been derived from information currently available to the Company, including information obtained by the Company from third-party sources. These assumptions may prove to be incorrect in whole or in part. In addition, actual results may differ materially from those expressed, implied, or forecasted in such forward-looking information, which reflect the Company’s expectations only as of the date hereof.

Factors that could cause actual results or outcomes to differ materially from the results expressed, implied, or forecasted by forward-looking information include, among other things:

- risks associated with the Company focusing solely on the protein business;
- risks related to the Company's decisions regarding any potential return of capital to shareholders;
- risks associated with completing the Value Creation Plan and the risk associated with the concentration of production in fewer facilities;
- risks associated with the availability of capital;
- risks associated with changes in the Company’s information systems and processes;
- risks posed by food contamination, consumer liability, and product recalls;
- risks associated with acquisitions, divestitures, and capital expansion projects;
- impact on pension expense and funding requirements of fluctuations in the market prices of fixed income and equity securities and changes in interest rates;
- cyclical nature of the cost and supply of hogs and the competitive nature of the pork market generally;
- risks related to the health status of livestock;
- impact of a pandemic on the Company’s operations;
- the Company’s exposure to currency exchange risks;
- ability of the Company to hedge against the effect of commodity price changes through the use of commodity futures and options;
- impact of changes in the market value of the biological assets and hedging instruments;
- impact of international events on commodity prices and the free flow of goods;
- risks posed by compliance with extensive government regulation;
- risks posed by litigation;
- impact of changes in consumer tastes and buying patterns;
- impact of extensive environmental regulation and potential environmental liabilities;
- risks associated with a consolidating retail environment;
- risks posed by competition;

- risks associated with complying with differing employment laws and practices, the potential for work stoppages due to non-renewal of collective agreements, and recruiting and retaining qualified personnel;
- risks associated with pricing the Company's products;
- risks associated with managing the Company's supply chain; and
- risks associated with failing to identify and manage the strategic risks facing the Company.

The Company cautions the reader that the foregoing list of factors is not exhaustive. These factors are discussed in more detail under the heading "Risk Factors" presented previously in this document. The reader should review such section in detail. Some of the forward-looking information may be considered to be financial outlooks for purposes of applicable securities legislation including, but not limited to, statements concerning future Adjusted EBITDA margins; capital expenditures; and cash costs. These financial outlooks are presented to allow the Company to benchmark the results of the Value Creation Plan. These financial outlooks may not be appropriate for other purposes and readers should not assume they will be achieved. The Company does not intend to, and the Company disclaims any obligation to, update any forward-looking information, whether written or oral, or whether as a result of new information, future events or otherwise, except as required by law. Additional information concerning the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.