MAPLE LEAF FOODS INC.

Management's Discussion and Analysis
For the Year Ended
December 31, 2016

Management’s Discussion and Analysis

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

February 21, 2017

THE BUSINESS

Maple Leaf Foods Inc. ("Maple Leaf Foods" or the "Company") is a leading 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 11,000 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).

OPERATING SEGMENTS

The Company’s results are organized into two segments: Meat Products Group and Agribusiness Group.

The Meat Products Group includes value-added prepared meats, lunch kits and snacks, and value-added fresh pork and poultry products sold under flagship Canadian brands such as Maple Leaf®, *Maple Leaf Prime®, Maple Leaf Natural Selections®, Schneiders®*, *Schneiders® Country Naturals®, Mina®* 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.

FINANCIAL OVERVIEW

In 2016, sales increased 1.2% to $3,331.8 million from $3,292.9 million in the prior year, or decreased 0.3% after adjusting for the impact of foreign exchange, due to higher sales in the Meat Products Group. Year over year comparisons are affected by an additional week included in 2015 fourth quarter results. Excluding only the contribution of the 53rd week in 2015, sales in 2016 increased approximately 3.0% from prior year.

Net earnings for the year increased to $181.7 million ($1.35 per basic share) from $41.6 million ($0.30 per basic share) in the prior year. The increase was primarily due to improved margins in the Meat Products Group.

Adjusted Operating Earnings[(i)] for the year increased to $239.3 million compared to $109.8 million in the prior year. Adjusted Earnings per Share[(ii)] increased to $1.23 from $0.58 in the prior year. The increase was primarily due to improved margins in the Meat Products Group.

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 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 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.*

SELECTED FINANCIAL INFORMATION

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

($ millions except earnings per share)	**2016**	2015	2014[(i)]
Sales	**$ 3,331.8**	$ 3,292.9	$ 3,157.2
Adjusted Operating Earnings	**$ 239.3**	$ 109.8	$ (75.5)
Adjusted EBITDA[(ii)]	**$ 343.4**	$ 219.8	$ 14.8
Adjusted EBITDA %[(iii)]	**10.3%**	6.7%	0.5%
Net earnings (loss)	**$ 181.7**	$ 41.6	$ (213.8)
Adjusted Earnings per Share	**$ 1.23**	$ 0.58	$ (0.56)
Basic earnings per share	**$ 1.35**	$ 0.30	$ (1.51)
Diluted earnings per share	**$ 1.32**	$ 0.29	$ (1.51)
Total assets[(iv)]	**$ 2,632.6**	$ 2,619.0	$ 2,864.7
Net Cash[(v)]	**$ 393.7**	$ 281.6	$ 485.8
Total long-term liabilities	**$ 169.4**	$ 248.6	$ 244.8
Return on Net Assets ("RONA")[(v)]	**9.8%**	4.8%	(3.7%)
Cash provided (used) by operating activities	**$ 357.2**	$ 159.4	$ (362.2)
Cash dividends per share	**$ 0.36**	$ 0.32	$ 0.16

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

(ii) *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.*

(iii) *Adjusted EBITDA % is calculated as Adjusted EBITDA divided by sales.*

(iv) *2014 and 2015 figures have been re-stated for the impact of adopting a 2016 IFRIC clarification of International Accounting Standard 12 Income taxes ("IAS 12"). Refer to Note 3(v) of the Company's 2016 audited consolidated financial statements for further information.*

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

DISCUSSION OF FACTORS IMPACTING THE COMPANY'S OPERATIONS AND RESULTS

Completion of Value Creation Plan

In 2010, the Company embarked upon a multi year Value Creation Plan (the "Plan") to modernize and consolidate the prepared meats supply chain. The goal of this transformation was to make Maple Leaf Foods a significantly leaner and more profitable company. The Company has executed against the Plan over the last six 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 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.

In conjunction with the Plan, a financial target was set to increase our Adjusted EBITDA margin to 10% through executing one of the largest transformations in the North American food industry. In 2016, the Company delivered the financial target by recording an Adjusted EBITDA margin of 10.3%.

Transformation accomplishments:

- Over $600 million was invested in capital to dramatically lower the cost structure and improve network efficiencies;
- Consolidation of 11 prepared meats plants into four scale facilities including a new 400,000 square foot prepared meats processing facility;
- Consolidation of 17 distribution centres into two;
- Approximately $90 million was invested to convert multiple legacy systems into one integrated SAP platform;
- Over 1,800 products were eliminated or reformulated to run on longer, faster lines with new technologies;
- Non-core businesses were sold which strengthened the balance sheet; and
- Organizational changes were made to streamline the business and improve cost structures.

The Company took a long-term approach, building one of the most modern and efficient prepared meats networks in the food industry, fundamentally shifting costs and migrating to a value-added portfolio. This has resulted in a structural Adjusted EBITDA margin shift from approximately 3.5% between the years 2005 - 2012 to overachieving the 10.0% target.

Sustainability

The Company has in place a comprehensive sustainability strategy focused on advancement in four areas: advancing nutrition and health, valuing our people and communities, treating animals well, and eliminating waste. The Company views this strategy as a competitive advantage. 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; continually enhancing a strong animal care program; and eliminating waste. In 2016, the Company made considerable progress in executing its sustainability priorities identified for each of its four pillars. The Company reports on its progress against its sustainability goals using the Global Reporting Initiative (GRI) Standards for Sustainability Reporting and produces an annual sustainability report on its sustainability website (www.mapleleafsustainability.ca). This website is also regularly updated with other related information and developments.

Maple Leaf Food's Sustainability Priorities

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

Advancing 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 other key initiatives including reducing sodium levels to meet Health Canada guidelines. An analysis of product ingredients and formulations across the Company's portfolio has been undertaken and a comprehensive plan is being implemented to advance nutrition across our categories.

Valuing our 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 food security through a comprehensive community involvement program. In 2016, the Company launched the not-for-profit Maple Leaf Centre for Action on Food Security, with a mission to working collaboratively with stakeholders to reduce food insecurity in Canada and globally by 50% by 2030. The Centre's website can be accessed at www.feedopportunity.com.

Treating Animals Well

This sustainability pillar is embodied in the Company's Animal Care Commitment, launched in 2015, that articulates the principles, goals and actions it is taking 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. In 2016, the Company made considerable progress in implementing programs to meet the Company's Animal Care Commitment and animal care strategy, which will be described in the 2016 sustainability report.

Eliminating Waste

The Company is committed to reducing its environmental footprint by 50% by 2025, encompassing the three areas where Maple Leaf Foods has the largest environmental impact: climate change (energy and emissions), water usage and waste. The Company has completed energy, water and waste audits to benchmark its current footprint and has developed action plans to deliver on its environmental goals. In 2016, the Company has made significant progress towards the implementation of these plans.

Market Influences for Pork Value Chain

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

(Unaudited)	**As at December 31, 2016**	Annual Averages **2016**	2015	Change	2014
Pork cutout (US$ per cwt)(i)(ii)	**$ 81.62**	**$ 78.66**	$ 79.13	(0.6%)	$ 110.20
Hog market price per cwt (US$ per cwt)(i)(ii)	**$ 58.06**	**$ 65.09**	$ 70.59	(7.8%)	$ 105.14
Hog market price per cwt (CAD per cwt)(i)(ii)	**$ 78.04**	**$ 86.23**	$ 90.28	(4.5%)	$ 116.14
Corn (US$ per bushel)(iii)	**$ 3.52**	**$ 3.58**	$ 3.81	(6.0%)	$ 4.18

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

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

(iii) *Daily close prices (Sources: Bloomberg and CME).*

In aggregate, the market influences for the entire pork value chain were consistent with the long term averages for the first three quarters of 2016 and were favourable in the fourth quarter of 2016. Pork industry processor margins were significantly positive compared to the five-year average; however, these, were partially offset by lower pork by-product values and hog production market influences which were below the five-year average in 2016.

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, 2016	Annual Averages **2016**	2015	Change	2014
U.S. dollar / Canadian dollar(i)	**$ 1.34**	**$ 1.32**	$ 1.28	3.1 %	$ 1.10
Canadian dollar / Japanese yen(i)	**¥ 87.01**	**¥ 82.10**	¥ 94.66	(13.3)%	¥ 95.63

(i) *Source: Bloomberg*

The Canadian dollar weakened relative to the U.S. dollar by 3.1% in 2016. 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 2016, the Japanese yen increased in value relative to the Canadian dollar by 13.3%. 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)	**2016**[i]	2015[i]	Change
Meat Products Group	**$ 3,316.5**	$ 3,277.0	1.2%
Agribusiness Group	**15.3**	15.9	(3.9%)
Total Sales	**$ 3,331.8**	$ 3,292.9	1.2%

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

($ millions)	**2016**[i]	2015[i]	Change
Meat Products Group	**$ 263.6**	$ 108.4	$ 155.2
Agribusiness Group	**(24.3)**	1.4	(25.7)
Adjusted Operating Earnings	**$ 239.3**	$ 109.8	$ 129.5

[i] *May not add due to rounding.*

Meat Products Group

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

Sales in the Meat Products Group for 2016 increased 1.2% to $3,316.5 million, or decreased 0.3% after adjusting for the weaker Canadian dollar. Excluding only the contribution of the 53rd week in 2015, sales increased by approximately 3.0%. Prepared meats sales declined slightly in response to a price increase in the first quarter but strengthened as the year progressed. Sales in fresh pork increased as the Company's focus on increasing its value-added pork business resulted in higher selling prices. Performance was also supported by favourable exchange rates and pork markets. Fresh poultry sales also increased due to stronger volume and an improved sales mix.

Adjusted Operating Earnings for 2016 increased to $263.6 million compared to $108.4 million in the prior year. Higher earnings in prepared meats resulted from lower operating costs across the network and pricing implemented in the first quarter. Higher fresh pork earnings resulted from increased contributions from value-added retail and value-added export sales, higher industry margins, and operating efficiency gains. Poultry results were consistent with the prior year as gains from higher retail branded sales and improved operating efficiencies were offset by lower industry margins.

In the fourth quarter of 2016, the Company announced that it had entered into a new turkey processing agreement with a third party that will move the Company’s fresh turkey processing from its plant in Thamesford, Ontario to a third party facility in Mitchell, Ontario in early 2018. This processing agreement provides Maple Leaf Foods with a cost effective supply of high quality fresh turkey for further processing. As a result of this agreement, the Company expects to close its turkey processing facility in Thamesford, Ontario in 2018. The costs associated with closing the facility are being recorded through restructuring.

Agribusiness Group

Includes Canadian hog production operations that primarily supply the Meat Products Group with livestock.

Agribusiness Group sales in 2016 declined slightly to $15.3 million compared to $15.9 million in the prior year, due to 2015 sales benefiting from a 53rd week.

Adjusted Operating Earnings in 2016 decreased to a loss of $24.3 million from earnings of $1.4 million in the prior year, reflecting the impact of lower hog prices and higher feed costs.

GROSS MARGIN

Gross margin in 2016 was $590.9 million (17.7% of sales) compared to $381.1 million (11.6% of sales) in the prior year. The increase in gross margin as a percentage of sales is largely attributable to margin improvement in the Meat Products Group, as outlined above. Included in gross margin was a $19.0 million increase in the fair value of biological assets and a $24.5 million increase in the fair value of unrealized mark-to-market commodity contracts.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

During the year, selling, general and administrative expenses increased by 12.8% to $324.8 million (9.7% of sales), compared to $288.1 million (8.7% of sales) in the prior year. The increase relates to investment in advertising and promotional expenses and differences in variable compensation programs linked to Company performance. At Maple Leaf Foods, variable compensation programs are linked to financial results. In 2015, targets were not achieved and accordingly the variable compensation was reduced, while the targets were exceeded in 2016, resulting in an increase in variable compensation. This was partially offset by a decrease in core selling, general and administrative expenses as a result of the Company's ongoing commitment to driving cost efficiencies.

OTHER INCOME (EXPENSE)

Other expense for 2016 was $3.6 million compared to $1.9 million in the prior year. The increase is primarily due to a higher loss on disposal of property and equipment and a lower gain on sale of investment properties, partially offset by a lower depreciation charge on assets servicing divested businesses as these assets are now fully depreciated.

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 2016 is an expense of $6.1 million (2015: expense of $1.2 million).

Non-allocated Costs

Non-allocated amounts that are excluded from Adjusted Operating Earnings in 2016 comprise of a $6.3 million gain due to changes in the fair value of biological assets (2015: loss of $12.8 million) and a $20.6 million unrealized gain on futures contracts (2015: loss of $3.9 million).

All non-allocated amounts have been excluded from the computation of 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.

RESTRUCTURING AND OTHER RELATED COSTS

Restructuring and other related costs for 2016 were $6.6 million compared to $33.8 million for 2015.

The Meat Products Group incurred $4.8 million (2015: $15.3 million) in restructuring and other related costs. Of this amount, $3.2 million (2015: $2.4 million) related to severance and other employee costs, $1.4 million (2015: $8.7 million) related to asset impairment and accelerated depreciation and $0.1 million (2015: $4.2 million) related to site closing costs. The 2016 costs were related primarily to the announced closure of the Thamesford turkey facility, while 2015 costs were related primarily to the Plan.

The balance of restructuring costs for 2016 and 2015 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 2016 were $6.4 million compared to $4.7 million in the prior year. The increase was mainly due to nonrecurring financing costs of $1.4 million related to the renewal of the Company's accounts receivable securitization facility in the third quarter of 2016.

INCOME TAXES

The Company’s income tax expense for 2016 resulted in an effective tax rate of 27.2% (2015: 21.0%). The lower effective tax rate in 2015 primarily resulted from the favourable resolution of an income tax audit. The effective tax rate excluding this item was 26.6%. For 2016, the effective tax recovery rate on restructuring charges used in the computation of Adjusted Earnings per Share is 26.1% (2015: 26.0%). The effective tax recovery rate on items not considered representative of continuing operations in 2016 was 27.2% (2015: 26.5%).

ACQUISITIONS AND DIVESTITURES

There were no acquisitions or divestitures during the years ended December 31, 2016 and 2015.

SUBSEQUENT EVENTS

On February 21, 2017, the Company signed a definitive agreement to acquire 100% of the outstanding shares of Lightlife Foods Holdings, Inc. (“Lightlife”) a privately held U.S. based corporation engaged in the production and distribution of refrigerated plant-based protein products. Lightlife has a leading market share in this segment, and will provide the Company with a strong position in this fast growing category. The anticipated purchase price is US$140.0 million prior to transaction fees, debt settlement, and working capital adjustments. The transaction is subject to customary US regulatory review, and will be accounted for as a business combination. The Company intends to settle the transaction in cash, with an expected closing date in March 2017.

On February 21, 2017, the Company entered into an amended and restated governance agreement with McCain Capital Inc. and Michael H. McCain. Pursuant to that agreement, the Company has agreed that it will not submit the rights plan for reconfirmation at the Company’s annual meeting in 2017, thereby allowing the rights plan to expire in accordance with its terms at the termination of that meeting. The determination to not submit the rights plan for reconfirmation at the annual shareholders’ meeting in 2017 arose, in part, as a result of the new provisions of the amended and restated governance agreement and the fact that recent changes in securities law make certain provisions of the rights plan redundant.

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 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, securitization facilities and cash on hand to provide longer-term funding and to finance fluctuations in working capital levels.

On June 24, 2016, the Company entered into a new three-year $400.0 million committed revolving credit facility with a syndicate of Canadian, U.S., and international institutions. The new credit facility replaced the Company's $200.0 million revolving credit facility that was due to mature on June 30, 2016. This unsecured facility can be drawn in Canadian or U.S. dollars and bears interest payable monthly, based on Banker's Acceptance and Prime rates for Canadian dollar loans and LIBOR for U.S. dollar loans. The facility is intended to meet the Company’s funding requirements for general purposes, and to provide appropriate levels of liquidity. As at December 31, 2016, the Company had drawn only letters of credit of $6.2 million on this facility (2015: $60.3 million on previous facility).

The Company has an additional uncommitted credit facility for issuing up to a maximum of $120.0 million letters of credit. As at December 31, 2016, $63.4 million (2015: $79.4 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 2016 audited consolidated financial statements.

The Company's cash balance as at December 31, 2016 is $403.6 million (2015: $292.3 million). The Company has invested in short-term deposits in Canadian financial institutions with long-term debt ratings of A or higher.

On August 26, 2016, the Company entered into a new three-year accounts receivable securitization facility. The maximum cash advance available to the Company under this program is $110.0 million. The new facility replaced the Company's existing facility that was due to mature on September 30, 2016. The new facility provides similar cash funding with a lower proportion of the Company's receivables being sold, and provides the Company with competitively priced financing and further diversifies its funding sources. Under the facility, the Company has sold certain accounts receivable, with very limited recourse, to a third party trust that is financed 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 2016, the Company had $116.2 million (2015: $192.6 million) of trade accounts receivable serviced under its facilities. In return for the sale of these receivables, the Company will receive cash of $83.7 million (2015: $88.9 million) and notes receivable in the amount of $32.5 million (2015: $103.7 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. As at December 31, 2016, the Company recorded a net payable amount of $0.9 million (2015: $2.9 million net payable). Both the previous and current facilities were accounted for as an off-balance sheet transaction in accordance with International Financial Reporting Standards (“IFRS”). The current facility will expire in August 2019.

The Company's credit and securitization 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 2016. If the securitization facility 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 2016 were $113.2 million compared to $145.8 million in 2015. The reduction in spending from 2015 is related to the completion of the Plan.

The Company currently estimates its capital expenditures for the full year of 2017 will be roughly $150.0 million. This estimate includes the Company's expectation that it will spend the amount equal to its depreciation rate on improving and maintaining its plant network. Included in the 2017 estimate is approximately $40.0 million in large projects, primarily consisting of investments to optimize fresh pork packaging capabilities and further investments in poultry operations to deliver upon our animal welfare strategy.

NORMAL COURSE ISSUER BID

On May 16, 2016, the Toronto Stock Exchange ("TSX") accepted the Company's notice of intention to commence a Normal Course Issuer Bid ("NCIB"), which allows the Company to repurchase, at its discretion, up to 8.70 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 cancelled. The program commenced on May 19, 2016 and will terminate on May 18, 2017, or on such earlier date as the Company completes its purchases pursuant to the notice of intention. Under this bid during the year ended December 31, 2016, 2.11 million shares were purchased for cancellation for $60.5 million at a volume weighted average price paid of $28.74 per common share.

On March 23, 2015, the TSX accepted the Company's notice of intention to commence a 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. The program commenced on March 25, 2015 and was terminated on January 22, 2016, as the Company completed its purchase and cancellation of 8.65 million common shares for $194.5 million at a weighted average price paid of $22.48 per common share. Under this bid during the year ended December 31, 2016, 0.51 million (2015: 8.14 million) shares were purchased for cancellation for $11.9 million (2015: $182.5 million) at a volume weighted average price paid of $23.23 (2015: $22.44) per common share.

CASH FLOW AND FINANCING

Cash was $403.6 million at the end of 2016, compared to $292.3 million in 2015. The increase in cash for the year ended December 31, 2016 is largely due to increased cash flow from operations, reduced share repurchases in 2016 under the NCIB programs, and lower investments in property and equipment. This was partially offset by increased dividend payments and higher treasury stock purchases related to long term incentive plans.

Cash Flow from Operating Activities

Cash provided by operations for 2016 was $357.2 million compared to $159.4 million in 2015. The improvement in cash flow from operations was primarily due to higher earnings from operations, reduced investment in working capital, lower income tax payments and lower cash settlement of restricted share units.

Cash Flow from Financing Activities

Cash used in financing activities was $139.3 million for 2016 compared to $229.8 million in 2015. The decrease was mainly due to fewer share repurchases under the NCIB programs partially offset by higher treasury stock purchases related to long term incentive plans and increased dividend payments.

Cash Flow from Investing Activities

Cash used in investing activities was $106.5 million for 2016 compared to $133.7 million in 2015. The decrease was mainly due to lower capital expenditures offset by lower proceeds from the disposal of long-term assets.

CONTRACTUAL OBLIGATIONS

The following table provides information about certain of the Company's significant contractual obligations as at December 31, 2016. 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	$ 256,163	$ —	$ —	$ —	**$ 256,163**
Long-term debt[(i)]	1,083	1,083	1,083	7,931	**11,180**
Foreign exchange contracts	1,689	—	—	—	**1,689**
Commodity futures contracts	848	—	—	—	**848**
Interest rate swaps[(i)]	5,893	—	—	—	**5,893**
Other liabilities	89,622	1,134	867	1,425	**93,048**
	$ 355,298	**$ 2,217**	**$ 1,950**	**$ 9,356**	**$ 368,821**
Commitments					
Contractual obligations including operating leases	51,195	36,414	30,809	113,045	231,463
Total	**$ 406,493**	**$ 38,631**	**$ 32,759**	**$ 122,401**	**$ 600,284**

(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 17 of the Company's 2016 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 as appropriate 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:

	2016			2015		
	Notional	**Fair value**		Notional	Fair value	
($ thousands)	**amount**[(i)]	**Asset**	**Liability**	amount[(i)]	Asset	Liability
Cash flow hedges						
Foreign exchange contracts[(ii)]	**$ 182,696**	**$ 348**	**$ 1,019**	$ 101,768	$ 258	$ 3,740
Commodity contracts[(ii)]	**—**	**—**	**—**	16,292	—	457
Fair value hedges						
Commodity contracts[(ii)]	**$ 44,738**	**$ —**	**$ 848**	$ 40,128	$ 1,746	$ —
Derivatives not designated in a formal hedging relationship						
Interest rate swaps	**$ 520,000**	**$ 2,128**	**$ 5,893**	$ 520,000	$ 5,078	$ 12,798
Foreign exchange contracts[(ii)]	**450,259**	**11,248**	**670**	161,456	2,587	921
Commodity contracts[(ii)]	**537,621**	**13,113**	**—**	197,205	3,119	2,226
Total fair value		**$ 26,837**	**$ 8,430**		$ 12,788	$ 20,142
Current[(iii)]		**$ 26,837**	**$ 8,430**		$ 10,265	$ 13,662
Non-current		**—**	**—**		2,523	6,480
Total fair value		**$ 26,837**	**$ 8,430**		$ 12,788	$ 20,142

(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, 2016, the above fair value of current assets has been reduced on the consolidated balance sheet by an amount of $3.4 million (2015: reduced by $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, 2016 and 2015 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, 2016, the Company recorded a gain of $43.7 million (2015: gain of $32.4 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, 2016, the pre-tax amount of hedge ineffectiveness recognized in other income (expense) was a loss of $0.0 million (2015: gain of $0.1 million).

The table below sets out fair value measurements of financial instruments using the fair value hierarchy as at December 31, 2016:

($ thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Foreign exchange contracts	$ —	$ 11,596	$ —	$ 11,596
Commodity contracts	12,341	772	—	13,113
Interest rate swaps	—	2,128	—	2,128
	$ 12,341	**$ 14,496**	**$ —**	**$ 26,837**
Liabilities:				
Foreign exchange contracts	$ —	$ 1,689	$ —	$ 1,689
Commodity contracts	848	—	—	848
Interest rate swaps	—	5,893	—	5,893
	$ 848	**$ 7,582**	**$ —**	**$ 8,430**

There were no transfers between levels for the year ended December 31, 2016. 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 collectibility 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 2016 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 facility 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, 2016, the Company reported sales to one customer representing 13.2% (2015: 14.0%) of total sales. 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 an unconsolidated structured entity in respect of the accounts receivable securitization program as described in Note 23 of the Company's 2016 audited consolidated financial statements. Management believes that this credit risk is limited by the long-term AA- debt rating held by the financial institution financing the third party trust. 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, 2016, the Company had available undrawn committed credit of $393.8 million (2015: $139.7 million) under the terms of its principal banking arrangements (refer to Note 13 of the Company's 2016 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, 2016 and 2015, 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, 2016, the amount serviced pursuant to this program was $84.5 million at a weighted average interest rate of 1.0% (2015: $91.5 million at a weighted average interest rate of 1.6%). The maximum amount available to the Company under these programs is $110.0 million (2015: $110.0 million).

As at December 31, 2016, 10.5% (2015: 10.4%) of the Company's outstanding debt and revolving accounts receivable securitization program were not exposed to interest rate movements.

As at December 31, 2016, the Company had fixed-rate debt of $9.9 million (2015: $10.7 million) with a weighted average notional interest rate of 4.3% (2015: 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, US 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 “own use exception” classification to certain contracts that are entered into for the purpose of procuring commodities to be used in production and are not recognized on the balance sheet until delivery.

For a comprehensive discussion on the Company's risk management practices and derivative exposures, please refer to Note 17 of the Company's 2016 audited consolidated financial statements.

SHARE CAPITAL

As at December 31, 2016 there were 132,625,089 voting common shares issued and outstanding (2015: 135,058,974). As at February 15, 2017, there were130,968,189 common shares issued and outstanding.

In each of the quarters of 2016, the Company declared and paid cash dividends of $0.09 per voting common share, representing a total annual dividend of $0.36 per voting common share and aggregate dividend payments of $48.3 million. 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.

OTHER MATTERS

On February 21, 2017, the Board of Directors approved an increase in the quarterly cash dividend to $0.11 per share, $0.44 per share on an annual basis, from $0.09 per share, payable March 31, 2017, to shareholders of record at the close of business on March 10, 2017. 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 consolidated financial statements.

During 2016, the Company recorded a pre-tax gain of $63.2 million through other comprehensive income (loss) related to the re-measurement of plan assets and liabilities. This included $55.7 million of pre-tax returns on plan assets in excess of the discount rate and a pre-tax gain of $12.5 million related to differences between plan experience compared to actuarial assumptions.

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.

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 2016, the investment return before expenses on the Company's defined benefit pension plan assets was 9.4% in 2016 compared to 3.9% in 2015.

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 2016 were $5.2 million (2015: $5.2 million).

The Company expects to contribute $31.1 million to the pension plans in 2017, inclusive of defined contribution and multi-employer plans.

TRANSACTIONS WITH RELATED PARTIES

Transactions between the Company and its consolidated entities have been eliminated in the Company's 2016 audited consolidated financial statements.

The Company sponsors a number of defined benefit and defined contribution plans. During the year ended December 31, 2016, the Company's contributions to these plans were $9.3 million (2015: $9.6 million).

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:

($ thousands)	**2016**	2015
Short-term employee benefits		
Salaries, bonuses, and fees	**$ 13,084**	$ 7,052
Company car allowances	**288**	274
Other benefits	**147**	256
Total short-term employee benefits	**$ 13,519**	$ 7,582
Severance benefits	**—**	476
Post-employment benefits	**840**	782
Share-based compensation	**12,596**	8,811
Total remuneration	**$ 26,955**	$ 17,651

During the year ended December 31, 2016, key management personnel of the Company exercised 0.1 million (2015: 0.1 million) share options granted under the Maple Leaf Foods Share Incentive Plan for an amount of $1.3 million (2015: $1.7 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, 2016, the Company received services from MCI in the amount of $0.6 million (2015: $0.4 million), which represented the market value of the transactions with MCI. As at December 31, 2016, $0.2 million (2015: $0.0 million) was owing to MCI relating to these transactions.

McCain Financial Advisory Services ("MFAS"), is an entity jointly controlled by individuals including Mr. Michael H. McCain. For the year ended December 31, 2016, the Company provided services to MFAS for a nominal amount which represented the market value of the transactions.

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)	**2016**	**$ 796.9**	**$ 854.6**	**$ 852.1**	**$ 828.2**	**$ 3,331.8**
	2015	780.2	820.8	818.8	873.1	3,292.9
	2014	711.3	831.8	820.1	794.0	3,157.2
Net earnings (loss) from continuing operations(i)	**2016**	**$ 42.3**	**$ 31.4**	**$ 31.8**	**$ 76.2**	**$ 181.7**
	2015	(2.9)	(7.5)	18.7	33.3	41.6
	2014	(124.6)	(39.5)	(26.7)	(23.0)	(213.8)
Net earnings (loss)	**2016**	**$ 42.3**	**$ 31.4**	**$ 31.8**	**$ 76.2**	**$ 181.7**
	2015	(2.9)	(7.5)	18.7	33.3	41.6
	2014	(132.0)	898.9	(26.8)	(28.2)	711.9
Earnings (loss) per share from continuing operations(i)						
Basic(ii)	**2016**	**$ 0.31**	**$ 0.23**	**$ 0.24**	**$ 0.57**	**$ 1.35**
	2015	(0.02)	(0.05)	0.13	0.24	0.30
	2014	(0.89)	(0.28)	(0.19)	(0.16)	(1.51)
Diluted(ii)	**2016**	**$ 0.31**	**$ 0.23**	**$ 0.23**	**$ 0.56**	**$ 1.32**
	2015	(0.02)	(0.05)	0.13	0.24	0.29
	2014	(0.89)	(0.28)	(0.19)	(0.16)	(1.51)
Adjusted EPS(ii)(iii)	**2016**	**$ 0.28**	**$ 0.32**	**$ 0.32**	**$ 0.31**	**$ 1.23**
	2015	0.05	0.13	0.16	0.25	0.58
	2014	(0.24)	(0.12)	(0.12)	(0.08)	(0.56)
Earnings (loss) per share(ii)						
Basic(ii)	**2016**	**$ 0.31**	**$ 0.23**	**$ 0.24**	**$ 0.57**	**$ 1.35**
	2015	(0.02)	(0.05)	0.13	0.24	0.30
	2014	(0.95)	6.38	(0.19)	(0.20)	5.03
Diluted(ii)	**2016**	**$ 0.31**	**$ 0.23**	**$ 0.23**	**$ 0.56**	**$ 1.32**
	2015	(0.02)	(0.05)	0.13	0.24	0.29
	2014	(0.95)	6.38	(0.19)	(0.20)	5.03

(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.*

Fluctuations in quarterly sales can be attributed to changes in pricing, volume, sales mix and foreign exchange rates.

Fluctuations in quarterly net earnings can be attributed to similar factors as noted above, pork and poultry industry processing margins, restructuring and other related costs, operating efficiencies, changes in the fair value of derivative and non-derivative financial instruments and biological assets, and transitional costs incurred prior to 2016.

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 2016 FOURTH QUARTER RESULTS

The following is a summary of sales by business segment:

($ millions) *(Unaudited)*	Fourth Quarter		
	2016[(i)]	2015[(i)]	Change
Meat Products Group	**$ 824.4**	$ 868.5	(5.1)%
Agribusiness Group	**3.7**	4.6	(18.2)%
Total Sales	**$ 828.2**	$ 873.1	(5.1)%

The following is a summary of Adjusted Operating Earnings by business segment:

($ millions) *(Unaudited)*	Fourth Quarter		
	2016[(i)]	2015[(i)]	Change[(i)]
Meat Products Group	**$ 73.5**	$ 54.6	$ 18.9
Agribusiness Group	**(9.8)**	(6.9)	(2.9)
Adjusted Operating Earnings	**$ 63.7**	$ 47.8	$ 16.0

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

Sales of $828.2 million for the fourth quarter of 2016 decreased 5.1% from prior year, or 5.8% after adjusting for the impacts of foreign exchange. Excluding only the contribution of the 53rd week in 2015, sales increased by approximately 2.0%.

Adjusted EBITDA margin was 10.4% in the fourth quarter of 2016 compared to 8.7% in 2015; and 11.6% in the current quarter before $9.9 million of additional variable compensation expenses. This related to the over-achievement of performance targets for incentive programs. Approximately 1,400 employees participate in these multi-year programs.

Adjusted Operating Earnings for the fourth quarter of 2016 were $63.7 million compared to $47.8 million in the prior year. Margins in prepared meats improved due to lower operating costs across the network. Fresh pork earnings were higher than the prior year due to stronger margins in the value-added retail and export channels, higher industry margins, and operating efficiency gains. Earnings in fresh poultry declined slightly as industry processor margins receded from record levels in the fourth quarter of 2015.

Earnings in the Agribusiness Group declined slightly due to lower hog prices, which was not fully offset by the Company's risk management program.

Selling, general and administrative expenses for the fourth quarter increased to $89.4 million (10.8% of sales), from $63.6 million (7.3% of sales) in the prior year. This increase largely reflects differences in variable compensation programs linked to Company performance. At Maple Leaf Foods, variable compensation programs are linked to financial results. In 2015, targets were not achieved and accordingly the variable compensation was reduced, while the targets were exceeded in 2016, resulting in an increase in variable compensation.

Adjusted Earnings per Share in the fourth quarter of 2016 was $0.31 compared to $0.25 in the prior year. Net earnings for the fourth quarter was $76.2 million ($0.57 per share) compared to $33.3 million ($0.24 per share) in the prior 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’ Safety and Sustainability 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 the fourth quarter of 2016, the Company announced the closure of its Thamesford, Ontario turkey facility. All environmental assessments required to ensure that potential environmental matters are appropriately addressed during decommissioning activities will be completed.

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 $8.2 million related to expected environmental remediation costs, please refer to Note 12 of the Company's 2016 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, moving beyond compliance to materially reducing the Company's environmental footprint is critical to addressing mounting environmental issues and realizing increased operating efficiencies and cost reductions. In 2015, the Company announced a goal to reduce its environmental footprint by 50% by 2025 in three key areas: climate change, water usage and waste reduction. Performance against the goal is communicated in the Company's annual Sustainability Report. The Company has completed energy, water and waste audits to benchmark its current footprint and has developed plans to deliver on its environmental goals.

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 lost. 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 and 2016, the Company initiated normal course issuer bids for 8.65 million and 8.70 million of its common shares, respectively. At the end of 2016 a total of 10.8 million shares have been repurchased at an aggregate cost of $255.0 million. There can be no assurance that the Company will continue share repurchases under the bid or 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.

Value Creation Plan

The Plan announced in October 2010 was 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 and although the Company has reached its projected level of profitability on an overall basis in 2016 work still remains to fully optimize the operations.

There can be no assurance that the Company will be successful in sustaining the full benefits of the Plan or achieving any further benefits.

As a result of these initiatives, the Company's operations are 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 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 sustaining 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.

Cyber Security

The Company relies on information technology systems in all areas of operations. These systems are subject to an increasing number of sophisticated cyber threats. The methods used to obtain unauthorized access, disable or degrade service or sabotage systems are constantly evolving. Should a cyber-attack be successful and a breach of sensitive information occur or its systems and services be disrupted, Maple Leaf Food's financial position, brand, and/or ability to achieve its strategic objectives may be negatively affected.

The Company maintains policies, processes, and procedures to address capabilities, performance, security, and availability including resiliency and disaster recovery for systems, infrastructure, and data. Security protocols, along with information technology security policies, address compliance with information technology security standards, including those relating to information belonging to the Company's customers, employees and suppliers. The Company actively monitors, manages, and continues to enhance its ability to mitigate cyber risk through its enterprise wide programs. There is no assurance that any of these measures will be successful however.

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. 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 sales of raised without antibiotic meat products and in turn expanding the portion of its hog supply raised without antibiotics. Animals raised without antibiotics have a 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 be sold through lower price conventional channels.

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.

Supply Management

Under Canada's system of supply management, the Company's poultry operations are required to source substantially all live poultry for processing from Canadian farms which are collectively subject to restrictions on production under a quota system. Furthermore, the price at which the live poultry is available is also controlled. The supply management system may limit the availability of live poultry for processing impeding the Company's growth in the market or could create a circumstance where excesses impact the price of poultry meat without a corresponding adjustment to the controlled live poultry price. Furthermore, any dismantling of the supply management system could have negative effect on individual producers and disrupt the availability of live poultry in Canada. In that event, the Company may not be able to find alternative source of live supply which could have a material adverse effect on the Company's financial condition and results of operations.

Reliance on Other Manufacturers

The company relies on contract manufacturers for production of some of it products for reasons such as, seasonal peak demand, unavailability of specialized equipment, or efficiency in the case of low volume product lines. Acceptable contract manufacturers may not always be available which could result in higher production costs, additional capital requirements or lost sales. While the Company maintains a strict quality and food safety protocol and monitoring regime, any deficiencies could result in product liability, recalls or other consequence that could negatively impact the Company's reputation and 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 11,000 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 consolidated 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 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 financial 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 17 of the Company's 2016 audited consolidated financial statements.

Nature of Interests in Other Entities

Management applies significant judgement in assessing the nature of its interest in unconsolidated structured entities relating to its accounts receivable securitization facilities. The Company does not hold any equity interest in the structured entities and based on the terms of the agreements under which the entities are 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 23 of the Company's 2016 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 produced 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 net 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 are as follows:

	2016	2015
Weighted average discount rate	**3.70%**	3.75%
Rate of salary increase	**3.00%**	3.50%
Medical cost trend rates	**5.00%**	5.00%

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

			Increase (decrease) in defined benefit obligation		
($ thousands) **Actuarial Assumption**		**Sensitivity**	**Total pensions**	**Other post-retirement benefits**	**Total**
Period end discount rate	3.70%	0.25% decrease	$ 32,514	$ 1,357	$ 33,871
		0.25% increase	$ (31,551)	$ (1,324)	$ (32,875)
Rate of salary increase	3.00%	0.50% increase	$ 3,051	N/A	$ 3,051
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	$ 30,282	$ 1,836	$ 32,118

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 may be settled 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

During the year ended December 31, 2016, the Company adopted certain standards and amendments. As required by IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the nature and the effect of these changes are disclosed below:

Annual Improvements to IFRS (2012-2014) Cycle

Beginning on January 1, 2016, the Company adopted various amendments to a total of four standards including the consistent classification of assets which are reclassified from held for sale to held for distribution in IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, and 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 that were adopted also included 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 adoption of these amendments did not have a material impact on the consolidated financial statements.

Joint Arrangements

Beginning on January 1, 2016, the Company adopted the amendments to IFRS 11 Joint Arrangements which require an acquisition of a joint operation that constitutes a business 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 adoption of the amendments to IFRS 11 did not have a material impact on the consolidated financial statements.

Income Taxes

On November 8, 2016, the IFRS Interpretations Committee provided clarification on the tax rate an entity should apply to its deferred tax assets and liabilities related to intangible assets with indefinite lives. The tax rate applied should be consistent with how an entity is expected to recover the carrying amount in the form of future economic benefits. As a result of this clarification, the Company has changed the effective tax rate applied on deferred tax liabilities on indefinite life intangible assets. This change has been retrospectively applied reducing deferred tax assets and retained earnings as at January 1, 2015 by $11.8 million. There was no impact to net income or comprehensive income (loss) for the years ended December 31, 2016 and 2015 as there were no movements in the temporary differences or changes in relevant statutory income tax rates during these periods. There was no material effect on the consolidated balance sheet as at January 1, 2015.

Accounting Pronouncements Issued But Not Yet Effective

Statement of Cash Flows

As part of their disclosure initiative, the IASB has issued amendments to IAS 7 Statement of Cash Flows requiring a reconciliation of liabilities arising from financing activities to enable users of the financial statements to evaluate both cash flow and non-cash changes in the net debt of a Company. The Company intends to adopt the amendments to IAS 7 prospectively in its consolidated financial statements for the annual period beginning January 1, 2017. The extent of the impact of adoption of the amendments is not expected to have a material impact on the consolidated financial statements.

Income Taxes

In January 2016, the IASB has issued amendments to IAS 12 Income Taxes to provide clarification on the requirements relating to the recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value. The Company intends to adopt the amendments to IAS 12 in its consolidated financial statements for the annual period beginning January 1, 2017. The adoption of the amendments to IAS 12 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.

Share-Based Payments

In June 2016, the IASB issued amendments to IFRS 2 Share-Based Payment with a mandatory effective date of January 1, 2018. The amendments provide clarification on how to account for certain types of share-based payment transactions. The Company intends to adopt the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning January 1, 2018. The extent of the impact of the adoption of the amendments has not yet been determined.

Disclosure of Interests in Other Entities

In December 2016, the IASB issued amendments to IFRS 12 Disclosure of interests in other entities to provide clarification that the required disclosures under IFRS 12 also applies to subsidiaries, joint ventures and associates that are classified as held for sale or discontinued operations under IFRS 5 with the exception that the disclosures for summarized financial information do not apply to subsidiaries, joint ventures and associates classified as held for sale or discontinued operations. The amendments are effective retrospectively for the annual period beginning January 1, 2017. The adoption of the amendments to IFRS 12 is not expected to have a material impact on the consolidated financial statements.

Foreign Currency Transactions and Advance Considerations

In December 2016, the IASB issued IFRIC 22 Foreign Currency Transactions and Advance Consideration with a mandatory effective date of January 1, 2018. When a foreign currency transaction where consideration is received or paid in advance of the recognition of the related asset, expense, or income, the exchange rate used should be based on the exchange rate as at the date when the pre-payment asset or deferred liability is recognized. IFRIC 22 can be applied on a full retrospective basis, retrospective from the comparative year or prospectively from January 1, 2018. The extent of the impact of the adoption of the standard has not yet been determined.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management, under the direction and supervision of the Company's Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining disclosure controls and procedures. These 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. 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 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

As required by National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings, 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, 2016, and have concluded that such controls and procedures are effective.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

There have been no changes in the Company's internal control over financial reporting that occurred during the period beginning on January 1, 2016, and ended on December 31, 2016, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

NON-IFRS FINANCIAL MEASURES

The Company uses the following non-IFRS measures: Adjusted Operating Earnings, Adjusted Earnings per Share, Adjusted EBITDA, Net Cash, Free Cash Flow 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 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, 2016			
($ thousands)	**Meat Products Group**	**Agribusiness Group**	**Non-allocated costs**	**Consolidated**
Net earnings				**$ 181,702**
Income taxes				**67,891**
Earnings before income taxes				**$ 249,593**
Interest expense and other financing costs				**6,367**
Other (income) expense	**7,008**	**(894)**	**(2,518)**	**3,596**
Restructuring and other related costs	**4,761**	**—**	**1,809**	**6,570**
Earnings (loss) from operations	**$ 263,605**	**$ (24,323)**	**$ 26,844**	**$ 266,126**
Decrease (increase) in fair value of biological assets[(i)]	**—**	**—**	**(6,263)**	**(6,263)**
Unrealized (gain) loss on futures contracts[(ii)]	**—**	**—**	**(20,581)**	**(20,581)**
Adjusted Operating Earnings	**$ 263,605**	**$ (24,323)**	**$ —**	**$ 239,282**

(i) *Refer to Note 7 of the Company's 2016 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 2016 audited consolidated financial statements.*

	December 31, 2015			
($ thousands)	Meat Products Group	Agribusiness Group	Non-allocated costs	Consolidated
Net earnings				$ 41,580
Income taxes				11,071
Earnings before income taxes				$ 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 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 2016 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 2016 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 and is adjusted on the same basis as Adjusted Operating Earnings. The table below provides a reconciliation of basic earnings per share 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)	**2016**	2015
Basic earnings per share	**$ 1.35**	$ 0.30
Restructuring and other related costs[(i)]	**0.04**	0.18
Items included in other income not considered representative of ongoing operations[(ii)]	**(0.02)**	0.02
Change in the fair value of unrealized (gain) loss on futures contracts[(iii)]	**(0.11)**	0.02
Change in the fair value of biological assets[(iii)]	**(0.03)**	0.07
Adjusted Earnings per Share[(iv)]	**$ 1.23**	$ 0.58

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

(ii) *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.*

(iii) *Includes per share impact of the change in unrealized (gain) loss on futures contracts and the change in fair value of biological assets, net of tax.*

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

Adjusted Earnings Before Interest, Tax, Depreciation, and Amortization

Adjusted EBITDA is calculated as earnings 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)	**2016**	2015
Net earnings	**$ 181,702**	$ 41,580
Income taxes	**67,891**	11,071
Earnings before income taxes	**$ 249,593**	$ 52,651
Interest expense and other financing costs	**6,367**	4,711
Items included in other income not considered representative of on-going operations[(i)]	**(2,518)**	3,058
Restructuring and other related costs	**6,570**	33,825
Change in the fair value of biological assets and unrealized (gain) loss on futures contracts	**(26,844)**	16,714
Depreciation and amortization	**110,276**	108,890
Adjusted EBITDA	**$ 343,444**	$ 219,849

[(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.*

Net Cash

The following table reconciles Net Cash 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 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)	**2016**	2015
Current portion of long-term debt	**(794)**	(813)
Long-term debt	**(9,119)**	(9,843)
Total debt	**$ (9,913)**	$ (10,656)
Cash and cash equivalents	**403,621**	292,269
Net Cash	**$ 393,708**	$ 281,613

Free Cash Flow

Free Cash Flow, a non-IFRS measure, is used by Management to evaluate cash flow after investing in the maintenance or expansion of the Company's asset base. It is defined as cash provided by operations, less additions to long-term assets. The following table calculates Free Cash Flow for the periods indicated below.

($ thousands)	**December 31,**	
(Unaudited)	**2016**	2015
Cash provided by operating activities	**$ 357,157**	$ 159,407
Additions to long-term assets	**(113,194)**	(147,699)
Free Cash Flow	**$ 243,963**	$ 11,708

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 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 increases in operating efficiencies and cost reductions; 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, 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; 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 the Plan and 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 associated with cyber threats;
- 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;
- risks associated with the supply management system for poultry in Canada;
- risks associated with the use of contract manufacturers;

- 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 capital expenditures. These financial outlooks are presented to evaluate anticipated future uses of cash flows, and 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.