



MAPLE LEAF FOODS INC.

2015 ANNUAL REPORT

Maple Leaf Foods is Canada's leading consumer packaged meats company, headquartered in Toronto, Ontario. We make high-quality, great tasting, nutritious and innovative food products under leading brands including Maple Leaf[®], Maple Leaf Prime[®], Maple Leaf Natural Selections[®], Schneiders[®], Schneiders Country Naturals[®] and Mina[™]. Our Company employs approximately 11,500 people in its operations across Canada and exports to many global markets including the U.S. and Asia.

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FINANCIAL HIGHLIGHTS

<i>For years ended December 31</i> <i>(In millions of Canadian dollars, except share information)</i>	2015	2014 ⁽ⁱ⁾	2013 ⁽ⁱ⁾	2012 ^{(i) (ii)}	2011 ^{(i) (ii)}
Consolidated results					
Sales	3,293	3,157	2,955	3,075	3,082
Adjusted Operating Earnings (Loss) ⁽ⁱⁱⁱ⁾	110	(75)	(136)	57	36
Net earnings (loss) from continuing operations	42	(214)	(141)	(31)	(47)
Net earnings ^(iv)	42	710	496	89	59
Return on Net Assets ^{(iii) (v)}	4.8%	(3.7)%	(0.2)%	9.4%	9.7%
Financial position					
Net Assets ^(v)	1,705	1,729	2,124	2,101	1,907
Shareholders' equity ^(v)	2,053	2,244	1,581	891	865
Net Cash (Debt) ⁽ⁱⁱⁱ⁾	282	486	(452)	(1,171)	(984)
Per share					
Adjusted Earnings (Loss) per Share ^{(iii) (iv)}	0.58	(0.56)	(1.08)	(0.05)	(0.14)
Net earnings (loss) from continuing operations ^(iv)	0.30	(1.51)	(1.01)	(0.23)	(0.34)
Net earnings ^(iv)	0.30	5.03	3.55	0.64	0.43
Dividends	0.32	0.16	0.16	0.16	0.16
Book value ^(v)	15.20	15.70	11.27	6.36	6.18
Number of shares (millions)					
Weighted average	140.2	141.2	139.9	139.4	138.7
Outstanding at December 31	135.1	142.9	140.3	140.0	140.0

⁽ⁱ⁾ Unless otherwise noted, figures exclude the results of the Bakery Products Group, which are reported as discontinued operations. Refer to Note 22 of the Company's 2015 audited consolidated financial statements for further information.

⁽ⁱⁱ⁾ 2012 and 2011 figures have been restated for the impact of adopting the revised International Accounting Standard 19 *Employee Benefits* ("IAS 19"). Refer to Note 32 of the Company's 2013 audited consolidated financial statements for further information.

⁽ⁱⁱⁱ⁾ Refer to Non-IFRS Financial Measures on page 27 of the Company's 2015 Management's Discussion and Analysis.

^(iv) Attributable to common shareholders.

^(v) 2011-2013 have not been restated for the classification of the Rothsay business and the Bakery Products Group as discontinued operations.

^(vi) Net Assets defined as total assets (excluding cash and deferred tax assets) less non-interest bearing liabilities (excluding deferred tax liabilities).

SEGMENTED OPERATING RESULTS

Protein Group

<i>(In millions of Canadian dollars)</i>	2015	2014	% Change
Meat Products Group			
Sales	3,277	3,135	4.5%
Adjusted Operating Earnings (Loss)	108	(80)	234.9%
Total assets	1,853	1,965	(5.7)%
Agribusiness Group			
Sales	16	22	(27.1)%
Adjusted Operating Earnings	1	9	(84.3)%
Total assets	189	212	(10.7)%
Protein Group			
Sales ⁽ⁱ⁾	3,293	3,157	4.3%
Adjusted Operating Earnings (Loss) ⁽ⁱ⁾	110	(71)	253.1%
Total assets ⁽ⁱ⁾	2,042	2,177	(6.2)%

Business Segments

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

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

⁽ⁱ⁾ Numbers may not add due to rounding.

MESSAGE TO SHAREHOLDERS

To my fellow shareholders:

It was five years ago that the Management and Board of Maple Leaf Foods initiated one of the most significant supply chain transformations in the North American food industry. The objective was to structurally expand our margins and secure the long-term value of our Company. The path lay in significantly reducing our manufacturing costs through investing in scale plants and technology to drive productivity gains.

Fast forward to 2015 and we are a fundamentally different company. Look at what we have accomplished:

- 100% of the over \$1 billion capital investment is behind us and has been achieved within expectations outlined in 2010
- We closed 12 sub-scale facilities, treating people affected with respect and fairness
- All our new plants are operational and delivering productivity gains as we complete commissioning
- We rationalized over 600 products and reformulated more than 1,200 others to leverage the capabilities of our new plants and scale technologies
- We smoothly implemented an integrated SAP platform and are realizing the benefits
- We divested of our non-core businesses to become a focused protein company

- We established a streamlined low cost structure
- Our EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) margin increased from an average of 3.5% (2005-2012) to 8.7% in the fourth quarter of 2015, with the remainder of the path to our strategic goal made up solely of reducing identifiable ramp-up inefficiencies
- We are generating positive cash flow after years of investment and change
- Since early 2016, the stock has been trading between \$22 and \$24, well above averages of \$18 a year ago and roughly \$11 when we began this last leg of the journey in 2010

2015 Recap

Completing our strategy resulted in a sizable improvement in profitability in 2015. Adjusted Operating Earnings were \$109.8 million (or \$0.58 of adjusted earnings per share), compared to a loss of \$75.5 million

(or an adjusted loss of \$0.56 per share) in 2014.

Throughout 2015, we built on a consecutive trend of quarter-over-quarter EBITDA margin growth, ending the year at 8.7%, up significantly from 1.5% at the end of 2014. This was delivered through a combination of improved operating efficiencies in our new prepared meats plant network, pricing to offset higher costs, an improved sales mix, and strong results in both our fresh pork and poultry businesses. Through eliminating the remaining ramp-up inefficiencies at our prepared meats facility in Hamilton, Ontario – the largest in our network and the last to be commissioned – we are confident we will soon achieve our strategic run-rate EBITDA margin target of 10%.

With the onus of managing significant change behind us, we are sharpening our focus on organizational efficiencies. Last year, we streamlined our structure, shedding over 400 positions, along with implementing other cost reductions. A low cost structure will enable us to increase our investment in growth, including increased marketing spend behind our brands, product innovation and other strategic initiatives, such as building a sustainable future.

Looking Ahead

Maple Leaf has Canada's leading brands and market shares in prepared meats, fresh pork and poultry products and a prepared meats network that is competitive on a North American scale. We are using these assets to deliver higher levels of profitable growth in our core categories. In 2016, we have the most robust platform of innovation

ever launched by our Company. We have materially increased our investment behind marketing, including strong campaigns behind our flagship Maple Leaf brand. We are re-launching Schneiders, an iconic Canadian brand, with a clear consumer proposition that reinforces quality, tradition and old world craftsmanship.

We are focusing our market expansion on three new high growth platforms: alternative proteins, snacking and sustainable meat.

While our exploration into alternative protein markets is in the early stages, it is an intriguing opportunity. The North American market for non-meat based protein is forecast to grow at 5%-8% annually, fuelled by health and environmental concerns. It is a natural extension for Maple Leaf Foods, as Canada's leading meat company, to branch out into alternative protein products. We are continuing our research into this emerging market to assess potential paths to growth.

Snacking now represents approximately 49% of our daily food and beverage consumption and is a dietary trend that is steadily growing. It is a category dominated by high sugar snacks, chips and other lower nutrition foods, with a dearth of healthy and good tasting meat-based options. We completed significant consumer and market research throughout 2015, leading to a launch this year of a new line of natural meat snacks that are moist and flavourful and provide a healthy snacking option packed with protein and essential minerals. We believe there is significant opportunity to leverage our strong brands to increase our penetration in this fast growing market.

Our most ambitious growth platform is in sustainable meat, where our progress is much further advanced. Broadly defined, sustainable meat focuses on how animals are raised and the associated nutritional, welfare and environmental impacts.

In 2015, Maple Leaf launched a comprehensive sustainability strategy focused on advancing nutrition and health, community involvement, animal care and environmental sustainability. Our goal is to deeply embed sustainability in how we operate, and 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 meat: producing more natural, nutritious foods; implementing a strong animal care program; lending our voice and resources to address the critical issue of food insecurity; and substantially reducing our environmental footprint.

Our product innovations all utilize simpler, natural ingredients and conform to 2016 Health Canada sodium guidelines. We are completing an extensive review of our products with a goal to advance nutrition and simplify ingredients across the portfolio. We have committed to being a leader in animal care and are launching a comprehensive strategy in 2016 aimed at further developing our culture, accountability, practices and communications. We are well along in meeting our commitment to transition all sows we manage from restrictive gestation crates to loose housing, with approximately

14,500 sows transitioned by the end of 2015. We are assessing ways to accelerate the pace of this important initiative with a goal to advance the conversion of our remaining barns, delivering significant benefits from both an animal welfare and a commercial perspective.

We are now the largest processor of "raised without antibiotics" pork in North America and the leader in the Canadian poultry industry. In 2016, we are also launching community involvement and environmental sustainability strategies, with ambitious plans and targets to accelerate our progress in becoming a sustainable meat company.

Our success is built on the strength of many – from the dedicated men and women who work at Maple Leaf, to our suppliers, loyal customers and consumers, to our community stakeholders – and I extend my very sincere thanks to all of you. Our leadership team and Board are energized and excited about the years ahead. We have successfully established a highly competitive cost structure and have the brands, market shares and growth strategies to deliver strong financial growth. We look forward to rewarding our shareholders with the benefits from many years of investment and change.

Sincerely,



Michael H. McCain
President and CEO
February 2016

MESSAGE FROM THE CHAIRMAN

The past year was pivotal for Maple Leaf Foods, as we completed the rebuild of our prepared meats manufacturing and distribution network. This massive undertaking required significant investment, rigorous management and careful oversight. Maple Leaf is now positioned with a more competitive cost base, high-quality products and powerful brands. In combination with our people, our values, and our commitment to customers and the communities we serve, this unlocks exciting potential for the future. Our 2015 financial results provide a glimpse into that future.

A key part of the strategy was the divestiture of several non-core businesses in order to strengthen the balance sheet. Overseeing this balance sheet restructuring was a significant part of our deliberations in 2015. Reflecting a strong cash position, early in 2015 the dividend per share was doubled to \$0.08 per quarter, reflecting the Board's confidence in our progress. This February, the Board approved an increase to \$0.09 per quarter. In 2015, we also entered into a Normal Course Issuer Bid to counter the dilutive effect of equity-based compensation plans. By the end of January 2016, \$194.5 million was expended to purchase the full 8.65 million shares authorized under the bid.

Anticipation of, and adaptation to, market changes never ends. Current shifts and trends include industry consolidation, accelerated cost reduction and the increasing role of lifestyle and social factors that are influencing food purchasing decisions. The management team views these trends as opportunities. Coupled with Maple Leaf Foods' commercial strengths, we have the most advanced supply chain in the Canadian prepared meats industry and we are cost competitive with our North American peers. We have also adopted a sustainability strategy focused on delivering social, environmental and commercial benefits.

I want to thank my colleagues on the Board for their many contributions. Like the culture of Maple Leaf Foods, our Board is highly engaged and we encourage different perspectives, points of view and open debate. We benefit from interaction with Management, which deepens our understanding of the business, challenges and opportunities. I offer a vote of thanks to our Management and all the people who define Maple Leaf Foods, what we do, how we do it and what we stand for.

To our shareholders, we thank you for your investment in Maple Leaf Foods. Your support has enabled the Company to reach high ground, with good visibility to alternative paths to prosperity. Your thoughts and perspectives are valued as we weigh options for ongoing deployment of capital to optimize future profitable growth.

Sincerely,



David L. Emerson
Chairman
February 2016

CORPORATE GOVERNANCE AND BOARD OF DIRECTORS

Corporate Governance

The Board of Directors and Management of the Company are committed to maintaining a high standard of corporate governance. The Board has responsibility for the overall stewardship of the Company and discharges such responsibility by reviewing, discussing and approving the Company's strategic planning and organizational structure and supervising Management with a view to preserving and enhancing the underlying value of the Company. Management of the business within this process and structure is the responsibility of the Chief Executive Officer and Senior Management.

The Board has adopted guidelines to assist it in meeting its corporate governance responsibilities. The roles of the Board, the Chief Executive Officer, the Chairman and the individual committees are clearly delineated. Together with the Chairman and the Corporate Governance Committee, the Board assesses its processes and practices regularly to ensure its governance objectives are met.

Composition of the Board of Directors

The Company's directors are very experienced, high-calibre business leaders with diverse relevant skills and competencies. The Board of Directors has assessed each of the Company's nine non-management directors to be independent.

A more comprehensive analysis of the Company's approach to corporate governance matters is included in the Management Proxy Circular for the May 4, 2016 annual meeting of shareholders.

Board of Directors

William E. Aziz, CPA, CA

President and Chief Executive Officer,
BlueTree Advisors II Inc.
(Private management advisory firm)

W. Geoffrey Beattie

Chief Executive Officer,
Generation Capital
(Investment management firm)

Gregory A. Boland

President and Chief Executive Officer,
West Face Capital Inc.
(Investment manager)

John L. Bragg, O.C., LL.D, F.ICD

Chairman, President and
Co-Chief Executive Officer,
Oxford Frozen Foods Limited
(Food manufacturing)

Ronald G. Close

Corporate Director

The Honourable David L. Emerson

Corporate Director

Jean M. Fraser

Retired Partner,
Osler, Hoskins & Harcourt

Claude R. Lamoureux, O.C., F.ICD, ICD.D

Corporate Director

Michael H. McCain

President and Chief Executive Officer,
Maple Leaf Foods Inc.

James P. Olson

Corporate Director

SENIOR MANAGEMENT AND OFFICERS

Committees of the Board of Directors

Standing Committees

Audit Committee

W. Aziz, Chairman

J. Bragg

R. Close

C. Lamoureux

J. Olson

Corporate Governance Committee

W. Beattie, Chairman

G. Boland

R. Close

D. Emerson

J. Fraser

Environment, Health and Safety Committee

J. Olson, Chairman

W. Beattie

J. Bragg

D. Emerson

Human Resources and Compensation Committee

J. Fraser, Chair

W. Aziz

G. Boland

C. Lamoureux

Senior Leadership Team

Michael H. McCain

President and Chief Executive Officer

Ben Brooks

Senior Vice-President and General Manager, Poultry

Rocco Cappuccitti

Senior Vice-President and Corporate Secretary

Chris Compton

Senior Vice-President, Foodservice Sales and Marketing

Curtis Frank

Senior Vice-President, Retail Sales

Adam Grogan

Senior Vice-President, Marketing and Innovation

Ian Henry

Senior Vice-President, People

Randall Huffman

Senior Vice-President, Operations and Chief Food Safety Officer

Lynda Kuhn

Senior Vice-President, Sustainability and Public Affairs

Andreas Liris

Chief Information Officer

Gary Maksymetz

Chief Operating Officer

Rory McAlpine

Senior Vice-President, Government and Industry Relations

Deborah Simpson

Chief Financial Officer

Iain Stewart

Senior Vice-President and General Manager, Fresh Pork

Richard Young

Senior Vice-President, Supply Chain and Purchasing

Other Corporate Officers

J. Nicholas Boland

Vice-President, Investor Relations

Stephen Elmer

Vice-President, Finance and Controller

Glen Gratton

Vice-President, Maple Leaf Agri-Farms

Michael Rawle

Vice-President, Finance and Treasurer

Dianne Singer

Assistant Corporate Secretary



2015 FINANCIAL REVIEW

Management's Discussion and Analysis

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

February 29, 2016

THE BUSINESS

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

DIVESTITURE OF CANADA BREAD COMPANY, LIMITED

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

OPERATING SEGMENTS

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

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

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

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

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

FINANCIAL OVERVIEW

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

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

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

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

Notes:

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

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

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

SELECTED FINANCIAL INFORMATION

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

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

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

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

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

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

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

DISCUSSION OF FACTORS IMPACTING THE COMPANY'S OPERATIONS AND RESULTS

Value Creation Plan

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

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

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

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

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

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

Capital Investment Plan

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

Sustainability

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

Maple Leaf Food's Sustainability Priorities

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

Advance Nutrition and Health

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

Value its People and Communities

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

Treat Animals Well

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

Eliminate Waste

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

Fluctuating Input Prices

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

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

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

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

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

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

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

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

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

Impact of Currency

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

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

⁽ⁱ⁾ Source: Bank of Canada daily noon rates

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

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

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

OPERATING REVIEW

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

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

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

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

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

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

⁽ⁱⁱⁱ⁾ May not add due to rounding.

Meat Products Group

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

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

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

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

Agribusiness Group

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

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

Adjusted Operating Earnings in 2015 decreased to \$1.4 million from \$8.6 million last year, as a result of a substantial decline in hog prices in the second half of 2015, which was not fully offset by the Company's risk management program and the benefit of a lower Canadian dollar. Also negatively impacting earnings was an increase in feed grain prices as a result of the

weaker Canadian dollar. Increased operating costs were incurred in relation to the ongoing conversion of existing sow barns to loose housing, supporting the Company's animal care program. This was offset by lower costs relating to the prevention of the PED virus.

Non-allocated Costs

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

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

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

DISCONTINUED OPERATIONS

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

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

GROSS MARGIN

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

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

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE

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

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

OTHER INCOME (EXPENSE)

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

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

RESTRUCTURING AND OTHER RELATED COSTS

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

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

INTEREST EXPENSE AND OTHER FINANCING COSTS

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

INCOME TAXES

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

TRANSACTIONS WITH RELATED PARTIES

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

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

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

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

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

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

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

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

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

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

ACQUISITIONS AND DIVESTITURES

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

CAPITAL RESOURCES

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

underlying liquidity that the Company supplements with credit facilities and cash on hand to provide longer-term funding and to finance fluctuations in working capital levels.

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

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

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

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

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

CAPITAL EXPENDITURES

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

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

NORMAL COURSE ISSUER BID

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

CASH FLOW AND FINANCING

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

Cash Flow from Operating Activities

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

Cash Flow from Financing Activities

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

Cash Flow from Investing Activities

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

CONTRACTUAL OBLIGATIONS

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

Payments due by fiscal year:

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

⁽ⁱ⁾ Does not include contractual interest payments

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

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT ACTIVITIES

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

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

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

Financial Instruments

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

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

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

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

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

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

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

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

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

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

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

Financial assets and liabilities classified as held-for-trading are recorded at fair value. The fair values of the Company's interest rate and foreign exchange derivative financial instruments were estimated using current market measures for interest

rates and foreign exchange rates. Commodity futures and commodity options contracts are exchange-traded and over-the-counter. Fair value is determined based on exchange prices and other observable market data.

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

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

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

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

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

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

Capital

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

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

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

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

Credit Risk

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

In the normal course of business, the Company is exposed to credit risk from its customers, substantially all of which are in the retail, food service, industrial, and convenience channels. The Company performs ongoing credit evaluations of new and existing customers' financial condition, and reviews the collectability of its trade accounts receivable and other receivables in order to mitigate any possible credit losses. The Company has accounts receivable outstanding greater than 60 days past

due and maintains an allowance for doubtful accounts relating to specific losses estimated on individual exposures as described in Note 5 of the Company's 2015 audited consolidated financial statements. Average accounts receivable days sales outstanding for the year is consistent with historic trends.

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

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

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

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

Liquidity Risk

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

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

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

Market Risk

Interest Rate Risk

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

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

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

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

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

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

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

the same period, the Company terminated cross-currency interest rate swaps maturing in 2021 and the remaining cross-currency swaps matured in 2014.

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

Foreign Exchange Risk

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

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

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

Commodity Price Risk

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

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

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

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

SHARE CAPITAL

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

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

OTHER MATTERS

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

EMPLOYEE BENEFIT PLANS

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

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

During 2014, the Company recorded a loss of \$67.0 million through other comprehensive income (loss) related to the re-measurement of plan assets and liabilities. This includes a loss of \$102.4 million related to changes in liability assumptions, primarily a change in the discount rate, and a further \$21.5 million as a result of changes in other actuarial assumptions,

primarily related to a change in mortality rate assumptions. This was partially offset by \$57.9 million of returns on plan assets in excess of the discount rate. The above amounts exclude the results of discontinued operations.

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

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

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

SUMMARY OF QUARTERLY RESULTS

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

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

⁽ⁱ⁾ Figures exclude discontinued operations.

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

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

^(iv) May not add due to rounding.

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

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

incentive plan and changes in fair value of non-designated interest rate swaps, (gains) losses from changes in market values of biological assets, and (gains) losses on futures contracts.

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

SUMMARY OF 2015 FOURTH QUARTER RESULTS

The following is a summary of sales by business segment:

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

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

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

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

⁽ⁱⁱ⁾ May not add due to rounding.

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

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

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

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

SEASONALITY

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

ENVIRONMENT

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

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

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

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

RISK FACTORS

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

Risks Related to the Business of Maple Leaf Foods

Focus on Protein Business

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

Risk of Returning or not Returning Capital to Shareholders

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

Implementing the Value Creation Plan

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

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

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

Leverage and Availability of Capital

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

Systems Conversion, Standardization and Common Systems

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

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

Food Safety and Consumer Health

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

Business Acquisitions, Divestitures, and Capital Expansion Projects

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

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

Pension Plan Assets and Liabilities

In the normal course of business, the Company provides post-retirement pension benefits to its employees under both defined contribution and defined benefit pension plan arrangements. The funded status of the plans significantly affects the net

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

Hog and Pork Market Cyclicalities and Supply

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

Livestock

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

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

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

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

Foreign Currencies

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

movements. However, as the Company competes in international markets, and faces competition in its domestic markets from U.S. competitors, significant changes in the Canadian to U.S. dollar exchange rate can have, and have had, significant effects on the Company's relative competitiveness in its domestic and international markets, which can have, and have had, significant effects on the Company's financial condition and results of operations.

Commodities

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

International Trade

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

Regulation

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

Legal Matters

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

Consumer Trends

Success of the Company depends in part on the Company's ability to respond to market trends and produce innovative products that anticipate and respond to the changing tastes and dietary habits of consumers. From time to time certain products are deemed more or less healthy and this can impact consumer buying patterns. The Company's failure to anticipate,

identify, or react to these changes or to innovate could result in declining demand and prices for the Company's products, which in turn could have a material adverse effect on the Company's financial condition and results of operations.

Environmental Regulation

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

Consolidating Customer Environment

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

Competitive Industry Environment

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

Employment Matters

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

Product Pricing

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

Supply Chain Management

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

Strategic Risk Management

Successful identification and management of the strategic risks facing the Company from time to time is critical to the Company's success. Among other things, these risks include changes in technology, the food industry, customers, consumers,

and competitors. Failure to properly adapt to changes in strategic risks could have a material adverse effect on the Company's financial condition and results of operations.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

Long-Lived Assets Valuation

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

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

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

Measurement of Fair Values

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

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

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

Nature of Interests in Other Entities

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

Valuation of Inventory

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

approaching code dates. To the extent that actual losses on inventory differ from those estimated, inventory, net earnings, and comprehensive income will be affected in future periods.

Biological Assets

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

Trade Merchandise Allowances and Other Trade Discounts

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

Employee Benefit Plans

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

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

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

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

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

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

Income Taxes

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

Provisions

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

Share-Based Compensation

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

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

Depreciation and Amortization

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

SIGNIFICANT ACCOUNTING POLICIES

Accounting Standards Adopted During the Period

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

Employee Benefits

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

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

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

Accounting Pronouncements Issued But Not Yet Effective

Annual Improvements to IFRS (2012-2014) Cycle

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

Joint Arrangements

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

Consolidated Financial Statements and Investments in Associates and Joint Ventures

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

Revenue Recognition

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

Financial Instruments – Recognition and Measurement

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

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

Leases

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

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

NON-IFRS FINANCIAL MEASURES

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

Adjusted Operating Earnings

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

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

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

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

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

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

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

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

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

Adjusted Earnings per Share

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

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

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

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

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

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

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

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

^(vii) May not add due to rounding.

Adjusted Earnings Before Interest, Tax, Depreciation, and Amortization

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

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

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

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

Net Cash (Debt)

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

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

Return on Net Assets

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

FORWARD-LOOKING STATEMENTS

This document contains, and the Company's oral and written public communications often contain, "forward-looking information" within the meaning of applicable securities law. These statements are based on current expectations, estimates, forecasts, and projections about the industries in which the Company operates, as well as beliefs and assumptions made by the Management of the Company. Such statements include, but are not limited to, statements with respect to objectives and

goals, in addition to statements with respect to beliefs, plans, objectives, expectations, anticipations, estimates, and intentions. Specific forward-looking information in this document includes, but is not limited to, statements with respect to: the anticipated benefits, timing, actions, costs, and investments associated with the Value Creation Plan; expectations regarding the use of derivatives, futures and options; expectations regarding improving efficiencies; the expected use of cash balances; source of funds for ongoing business requirements; capital investments and expectations regarding capital expenditures; expectations regarding the implementation of environmental sustainability initiatives; expectations regarding the adoption of new accounting standards and the impact of such adoption on financial position; expectations regarding pension plan performance and future pension plan liabilities and contributions; expectations regarding levels of credit risk; and expectations regarding outcomes of legal actions. Words such as “expect”, “anticipate”, “intend”, “may”, “will”, “plan”, “believe”, “seek”, “estimate”, and variations of such words and similar expressions are intended to identify such forward-looking information. These statements are not guarantees of future performance and involve assumptions and risks and uncertainties that are difficult to predict.

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

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

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

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

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

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Independent Auditors' Report

To the Shareholders of Maple Leaf Foods Inc.

We have audited the accompanying consolidated financial statements of Maple Leaf Foods Inc., which comprise the consolidated balance sheets as at December 31, 2015 and December 31, 2014, the consolidated statements of net earnings, other comprehensive income (loss), changes in total equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Maple Leaf Foods Inc. as at December 31, 2015 and December 31, 2014, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.



Chartered Professional Accountants, Licensed Public Accountants
February 29, 2016
Toronto, Canada

Consolidated Balance Sheets

<i>(In thousands of Canadian dollars)</i>	Notes	As at December 31, 2015	As at December 31, 2014
ASSETS			
Current assets			
Cash and cash equivalents	4	\$ 292,269	\$ 496,328
Accounts receivable	5	57,958	60,396
Notes receivable	25	103,706	110,209
Inventories	6	257,671	270,401
Biological assets	7	103,877	105,743
Prepaid expenses and other assets		14,946	20,157
Assets held for sale		130	1,107
		\$ 830,557	\$ 1,064,341
Property and equipment	8	1,082,360	1,042,506
Investment property		7,336	3,312
Employee benefits	9	66,519	88,162
Other long-term assets		10,791	9,881
Deferred tax asset	21	66,911	74,986
Goodwill	10	428,236	428,236
Intangible assets	11	138,155	165,066
Total assets		\$ 2,630,865	\$ 2,876,490
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accruals		\$ 256,473	\$ 275,249
Provisions	12	32,531	60,443
Current portion of long-term debt	13	813	472
Income taxes payable	21	9,670	26,614
Other current liabilities	14	29,637	24,383
		\$ 329,124	\$ 387,161
Long-term debt	13	9,843	10,017
Employee benefits	9	203,241	196,482
Provisions	12	14,622	17,435
Other long-term liabilities	15	20,901	20,899
Total liabilities		\$ 577,731	\$ 631,994
Shareholders' equity			
Share capital	17	\$ 882,770	\$ 936,479
Retained earnings		1,172,864	1,228,815
Contributed surplus		—	79,652
Accumulated other comprehensive income (loss) associated with continuing operations	16	(414)	(226)
Treasury stock	17	(2,086)	(224)
Total shareholders' equity		\$ 2,053,134	\$ 2,244,496
Total liabilities and equity		\$ 2,630,865	\$ 2,876,490

Commitments and contingencies (Note 26)

See accompanying Notes to the Consolidated Financial Statements.

On behalf of the Board:



MICHAEL H. MCCAIN
Director



WILLIAM E. AZIZ
Director

Consolidated Statements of Net Earnings

Years ended December 31, (In thousands of Canadian dollars, except share amounts)	Notes	2015	2014
Sales		\$ 3,292,932	\$ 3,157,241
Cost of goods sold		2,911,791	2,938,964
Gross margin		\$ 381,141	\$ 218,277
Selling, general and administrative expenses		288,055	297,881
Earnings (loss) from continuing operations before the following:		\$ 93,086	\$ (79,604)
Restructuring and other related costs	12	(33,825)	(67,592)
Change in fair value of non-designated interest rate swaps	19	—	2,492
Other income (expense)	19	(1,899)	(16,791)
Earnings (loss) before interest and income taxes from continuing operations		\$ 57,362	\$ (161,495)
Interest expense and other financing costs	20	4,711	126,874
Earnings (loss) before income taxes from continuing operations		\$ 52,651	\$ (288,369)
Income taxes expense (recovery)	21	11,071	(74,556)
Earnings (loss) from continuing operations		\$ 41,580	\$ (213,813)
Earnings (loss) from discontinued operations	22	—	925,719
Net earnings		\$ 41,580	\$ 711,906
Attributed to:			
Common shareholders		\$ 41,580	\$ 709,931
Non-controlling interest		—	1,975
		\$ 41,580	\$ 711,906
Earnings (loss) per share attributable to common shareholders:	23		
Basic earnings per share		\$ 0.30	\$ 5.03
Diluted earnings per share		\$ 0.29	\$ 5.03
Basic earnings (loss) per share from continuing operations		\$ 0.30	\$ (1.51)
Diluted earnings (loss) per share from continuing operations		\$ 0.29	\$ (1.51)
Weighted average number of shares (millions)	23		
Basic		140.2	141.2
Diluted		141.7	141.2

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Other Comprehensive Income (Loss)

Years ended December 31,

(In thousands of Canadian dollars)

	2015	2014
Net earnings	\$ 41,580	\$ 711,906
Other comprehensive income (loss)		
Actuarial gains and losses that will not be reclassified to profit or loss (Net of tax of \$0.2 million; 2014: \$17.0 million)	\$ 389	\$ (50,869)
Items that are or may be reclassified subsequently to profit or loss:		
Change in accumulated foreign currency translation adjustment (Net of tax of \$0.0 million; 2014: \$0.0 million)	\$ 1,769	\$ (557)
Change in unrealized gains and losses on cash flow hedges (Net of tax of \$0.7 million; 2014: \$1.5 million)	(1,957)	4,125
Total items that are or may be reclassified subsequently to profit or loss	\$ (188)	\$ 3,568
Other comprehensive income (loss) from continuing operations	\$ 201	\$ (47,301)
Other comprehensive income (loss) from discontinued operations ⁽ⁱ⁾ (Net of tax of \$0.0 million; 2014: \$1.3 million)	—	(569)
Total other comprehensive income (loss)	\$ 201	\$ (47,870)
Comprehensive income	\$ 41,781	\$ 664,036
Attributed to:		
Common shareholders	\$ 41,781	\$ 662,305
Non-controlling interest	\$ —	\$ 1,731

⁽ⁱ⁾ The above amount includes a loss of \$3.6 million, net of tax of \$1.2 million for the year ended December 31, 2014 relating to actuarial gains and losses that will not subsequently be re-classified to profit or loss.

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Changes in Total Equity

		Attributable to Common Shareholders								
		Share capital	Retained earnings	Contributed surplus	Total accumulated other comprehensive income (loss) associated with continuing operations	Total accumulated other comprehensive income (loss) associated with assets held for sale	Treasury stock	Non-controlling interest	Total equity	
(In thousands of Canadian dollars)	Notes									
Balance at December 31, 2014		\$ 936,479	\$ 1,228,815	\$ 79,652	\$ (226)	\$ —	\$ (224)	\$ —	\$2,244,496	
Net earnings		—	41,580	—	—	—	—	—	41,580	
Other comprehensive income (loss)	16	—	389	—	(188)	—	—	—	201	
Dividends declared (\$0.32 per share)		—	(44,668)	—	—	—	—	—	(44,668)	
Share-based compensation expense		—	—	12,870	—	—	—	—	12,870	
Obligation for repurchase of shares	17	(3,367)	(9,207)	—	—	—	—	—	(12,574)	
Repurchase of shares	17	(53,377)	(38,956)	(90,216)	—	—	—	—	(182,549)	
Issuance of treasury stock		—	(3,860)	(2,306)	—	—	3,326	—	(2,840)	
Exercise of stock options		3,035	—	—	—	—	—	—	3,035	
Cash settlement of share based payment		—	(1,229)	—	—	—	—	—	(1,229)	
Shares purchased by RSU trust		—	—	—	—	—	(5,188)	—	(5,188)	
Balance at December 31, 2015		\$ 882,770	\$ 1,172,864	\$ —	\$ (414)	\$ —	\$ (2,086)	\$ —	\$2,053,134	

		Attributable to Common Shareholders								
		Share capital	Retained earnings	Contributed surplus	Total accumulated other comprehensive income (loss) associated with continuing operations	Total accumulated other comprehensive income (loss) associated with assets held for sale	Treasury stock	Non-controlling interest	Total equity	
(In thousands of Canadian dollars)	Notes									
Balance at December 31, 2013		\$ 905,216	\$ 602,717	\$ 79,139	\$ (4,593)	\$ —	\$ (1,350)	\$ 60,863	\$1,641,992	
Net earnings		—	709,931	—	—	—	—	1,975	711,906	
Reclassification to assets held for sale	22	—	—	—	799	(799)	—	—	—	
Other comprehensive income (loss)	16	—	(54,083)	—	3,568	2,889	—	(244)	(47,870)	
Dividends declared (\$0.16 per share)		—	(22,656)	—	—	—	—	(3,017)	(25,673)	
Share-based compensation expense		—	—	27,501	—	—	—	—	27,501	
Disposal of business	22	—	—	—	—	(2,090)	—	(59,577)	(61,667)	
Issuance of treasury stock		—	(1,150)	(10,976)	—	—	12,126	—	—	
Exercise of stock options		31,263	—	—	—	—	—	—	31,263	
Shares purchased by RSU trust		—	—	—	—	—	(11,000)	—	(11,000)	
Modification of share-based compensation plan	24	—	(5,944)	(16,012)	—	—	—	—	(21,956)	
Balance at December 31, 2014		\$ 936,479	\$ 1,228,815	\$ 79,652	\$ (226)	\$ —	\$ (224)	\$ —	\$2,244,496	

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Years ended December 31,

(In thousands of Canadian dollars)

	Notes	2015	2014
CASH PROVIDED BY (USED IN) :			
Operating activities			
Net earnings		\$ 41,580	\$ 711,906
Add (deduct) items not affecting cash:			
Change in fair value of biological assets		12,778	(530)
Depreciation and amortization		123,480	111,375
Share-based compensation		12,870	27,501
Deferred income taxes		9,178	(26,533)
Income tax current		1,893	59,100
Interest expense and other financing costs		4,711	127,660
Loss (gain) on sale of long-term assets		(10,344)	(718)
Loss (gain) on sale of business	22	—	(1,000,968)
Change in fair value of non-designated derivative financial instruments		(1,429)	(10,983)
Impairment of assets (net of reversals)		1,907	2,466
Change in net pension liability		26,761	18,794
Net income taxes paid		(12,735)	(1,442)
Net settlement of financial instruments		—	(23,631)
Early repayment premium		—	(76,311)
Interest paid		(3,674)	(39,897)
Change in provision for restructuring and other related costs		(14,963)	30,409
Settlement of cash-settled restricted share units		(11,236)	(21,640)
Other		2,519	(5,741)
Change in non-cash operating working capital		(23,889)	(243,035)
Cash provided by (used in) operating activities		\$ 159,407	\$ (362,218)
Financing activities			
Dividends paid		\$ (44,668)	\$ (22,656)
Dividends paid to non-controlling interest		—	(24,621)
Net increase (decrease) in long-term debt		(125)	(698,889)
Net drawings (payments) on the credit facility		—	(255,000)
Exercise of stock options		3,035	31,263
Repurchase of shares		(182,549)	—
Payment of financing fees		(277)	(3,769)
Cash provided by (used in) financing activities		\$ (224,584)	\$ (973,672)
Investing activities			
Additions to long-term assets		\$ (147,699)	\$ (259,181)
Capitalization of interest expense		—	(5,504)
Adjustment to sale of business	22	—	(468)
Proceeds from sale of business		—	1,647,015
Transaction costs		(64)	(28,227)
Cash associated with divested business		—	(23,011)
Proceeds from sale of long-term assets		14,069	10,332
Purchase of treasury stock		(5,188)	(11,000)
Cash provided by (used in) investing activities		\$ (138,882)	\$ 1,329,956
Increase (decrease) in cash and cash equivalents		\$ (204,059)	\$ (5,934)
Net cash and cash equivalents, beginning of period		496,328	502,262
Net cash and cash equivalents, end of period	4	\$ 292,269	\$ 496,328

See accompanying Notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

(Tabular amounts in thousands of Canadian dollars unless otherwise indicated)

Years ended December 31, 2015 and 2014

1. THE COMPANY

Maple Leaf Foods Inc. ("Maple Leaf Foods" or the "Company") is a producer of food products under leading brands including Maple Leaf®, Maple Leaf Prime®, Maple Leaf Natural Selections®, Schneiders®, Schneiders Country Naturals® and Mina™. The Company's portfolio includes prepared meats, ready-to-cook and ready-to-serve meals and valued-added fresh pork and poultry. The address of the Company's registered office is 6985 Financial Dr. Mississauga, Ontario, L5N 0A1, Canada. The consolidated financial statements of the Company as at and for the year ended December 31, 2015, include the accounts of the Company and its subsidiaries. The principle activities and composition of the Company are further described in Note 25. The Company's results are organized into three segments: Meat Products Group, Agribusiness Group, and Bakery Products Group. During the year ended December 31, 2014, the operations of the Bakery Products Group were sold (Note 22).

2. BASIS OF PREPARATION

(a) Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies described herein.

The consolidated financial statements were authorized for issue by the Board of Directors on February 29, 2016.

(b) Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, biological assets, defined benefit plan assets, and liabilities associated with certain share-based compensation, which are stated at fair value. Liabilities associated with employee benefits are stated at actuarially determined present values.

(c) Functional and Presentation Currency

The consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

(d) Disposal of business

The consolidated financial statements have been prepared including the results of businesses that were disposed of during the prior years up to the date of disposal.

The prior year Consolidated Balance Sheet includes the assets of divested businesses up until the date of sale. From the point of time when Management determines that the carrying amount of a business will be recovered through a sale transaction rather than continuing use, the assets and liabilities of that business are presented as assets held for sale, and liabilities associated with assets held for sale. The Consolidated Statements of Cash Flows include the cash flows of divested business up to the date of sale. Comparative balance sheet and cash flow information has not been restated to reflect this.

The results of businesses sold have been presented in the Consolidated Statements of Net Earnings and Consolidated Statements of Other Comprehensive Income (Loss) separately, net of tax. A full statement of earnings for each divested business is included in Note 22.

(e) Use of Estimates and Judgements

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

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

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

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

Long-Lived Assets Valuation

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

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

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

Measurement of Fair Values

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

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

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Notes 7, 9, 10, 11, and 18.

Nature of Interests in Other Entities

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

Valuation of Inventory

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

Biological Assets

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

Trade Merchandise Allowances and Other Trade Discounts

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

Employee Benefit Plans

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

Income Taxes

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

Provisions

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

Share-Based Compensation

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

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

Depreciation and Amortization

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries from the date that control commences until the date that control ceases. Control exists when the Company is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Non-controlling interest represents the portion of a subsidiary's net earnings and net assets that are attributable to shares of such a subsidiary not held by the Company. Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders; therefore, no goodwill is recognized as a result of such transactions.

All intercompany accounts and transactions have been eliminated on consolidation.

(b) Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method at the acquisition date, which is the date that control is transferred to the Company. In assessing control, the Company takes into consideration potential voting rights that are currently exercisable.

Goodwill is measured as the excess of the sum of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Company's previously held equity interest in the acquiree (if any) over the net of the acquisition-date fair value of the identifiable assets acquired and the liabilities assumed. If the excess is negative, a purchase gain is recognized immediately in earnings. Transaction costs, other than those associated with the issue of debt or equity, are recognized in earnings as incurred.

Goodwill is not amortized and is tested for impairment annually in October and as required if events occur that indicate that its carrying amount may not be recoverable. Goodwill is tested for impairment at the CGU group level by comparing the carrying amount to its recoverable amount, consistent with the methodology outlined in Note 3(k).

Non-controlling interests that are present ownership interests at the acquisition date, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquired business' identifiable assets. The choice of measurement basis is made on a transaction-by-transaction basis depending on individual factors of the transaction. Other types of non-controlling interest are measured at fair value or, when applicable, on the basis specified in the applicable IFRS.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for in equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in earnings.

When the initial accounting for a business combination has not been finalized by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting has not been finalized. These provisional amounts are adjusted during the measurement period, which does not exceed one year from the acquisition date, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

(c) Fair Value Measurements

The Company measures certain financial and non-financial assets and liabilities at fair value at each balance sheet date. In addition, fair value measurements are disclosed for certain financial and non-financial assets and liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and disclosure purposes is determined on such a basis, except for share-based payment transactions, and measurements that have some similarities to fair value but are not fair value, such as net realizable value or value in use.

Assets and liabilities, for which fair value is measured or disclosed in the financial statements, are classified using a three-level fair value hierarchy that reflects the significance and transparency of the inputs used in making the fair value measurements. Each level is based on the following:

Level 1 - inputs are unadjusted quoted prices of identical assets or liabilities in active markets

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 - one or more significant inputs used in a valuation technique are unobservable in determining fair values of the asset or liability

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of an asset or liability in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

(d) Non-current Assets (or Disposal Groups) Held for Sale and Discontinued Operations

The Company classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. The criteria for held for sale classification is regarded as met when a sale is highly probable, the asset or disposal group is available for immediate sale in its present condition, and management is committed to the sale, which is expected to be completed within one year from the date of classification. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are not depreciated once classified as held for sale.

A discontinued operation is a component of the Company's business which can be clearly distinguished from the rest of the Company, both operationally and for financial reporting purposes. Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative statements of net earnings and other comprehensive income (loss) are re-presented as if the operation has been discontinued from the start of the comparative year. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount net of tax as net earnings (loss) from discontinued operations in the statements of net earnings.

(e) Translation of Foreign Currencies

The accounts of the Company are presented in Canadian dollars. Transactions in foreign currencies are translated at the actual rates of exchange. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the Canadian dollar at the exchange rate for that date. Foreign exchange differences arising on translation are recognized in net earnings, except for financial assets and liabilities designated as hedges of the net investment in foreign operations or qualifying cash flow hedges, which are recognized in other comprehensive income (loss). Non-monetary assets and liabilities that are measured at historical cost are translated using the exchange rate at the date of the transaction.

The financial statements of foreign subsidiaries whose unit of measure is not the Canadian dollar are translated into Canadian dollars using the exchange rate in effect at the period-end for assets and liabilities, and the average exchange rates for the period for revenue, expenses, and cash flows. Foreign exchange differences arising on translation are recognized in accumulated other comprehensive income (loss) in total equity.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Company disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to the non-controlling interest. When the Company disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to net earnings.

Foreign exchange gains and losses arising from a receivable or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operations, are recognized in other comprehensive income (loss) in the cumulative foreign currency translation differences.

(f) Financial Instruments

The Company's financial assets and financial liabilities, upon initial recognition, are measured at fair value and are classified as held for trading, loans and receivables, or other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired and their characteristics. Held for trading is the required classification for all derivative financial instruments unless they are specifically designated within an effective hedge relationship. Held for trading financial instruments not designated within an effective hedging relationship are measured at fair value with changes in fair value recognized in consolidated statements of net earnings in the period in which such changes arise. Loans and receivables and other financial liabilities are initially recorded at fair value and are subsequently measured at amortized cost.

Financial assets are assessed at each reporting date to determine whether there is any objective evidence of impairment. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset, with impairment losses recognized in the consolidated statements of net earnings. If, in a subsequent period, the impairment loss decreases, the previously recognized impairment is reversed to the extent of the impairment.

Transaction costs, other than those related to financial instruments classified as fair value through profit or loss, which are expensed as incurred, are capitalized to the carrying amount of the instrument and amortized using the effective interest method.

(g) Hedge Accounting

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

At the inception of a hedging relationship, the Company designates and formally documents the relationship between the hedging instrument and the hedged item, the risk management objective, and its strategy for undertaking the hedge. The documentation identifies the specific asset, liability, or anticipated cash flows being hedged, the risk that is being hedged, the type of hedging instrument used, and how effectiveness will be assessed.

The Company also formally assesses both at inception and at least quarterly thereafter, whether or not the derivatives that are used in hedging transactions are highly effective in offsetting the changes attributable to the hedged risks in the fair values or

cash flows of the hedged items. If a hedge relationship becomes ineffective, it no longer qualifies for hedge accounting and any subsequent change in the fair value of the hedging instrument is recognized in net earnings.

When hedge accounting is appropriate, the hedging relationship is designated as a cash flow hedge, a fair value hedge, or a hedge of foreign currency exposure of a net investment in a self-sustaining foreign operation. In a cash flow hedge, the change in fair value of the hedging instrument is recorded, to the extent it is effective, in other comprehensive income until the hedged item affects net earnings. In a fair value hedge, the change in fair value of the hedging derivative is offset in the consolidated statements of net earnings by the change in fair value of the hedged item relating to the hedged risk.

In a net investment hedge, the change in fair value of the hedging instrument is recorded, to the extent effective, directly in other comprehensive income (loss). These amounts are recognized in earnings when the corresponding accumulated other comprehensive income (loss) from self-sustaining foreign operations is recognized in net earnings. The Company had previously designated certain U.S. dollar-denominated notes payable as net investment hedges of U.S. operations that were disposed of during the year ended December 31, 2014.

Hedge ineffectiveness is measured and recorded in current period earnings in the consolidated statements of net earnings. When either a fair value hedge or cash flow hedge is discontinued, any cumulative adjustment to either the hedged item or other comprehensive income (loss) is recognized in net earnings, as the hedged item affects net earnings, or when the hedged item is derecognized. If a designated hedge is no longer effective, the associated derivative instrument is subsequently carried at fair value through net earnings without any offset from the hedged item.

Derivatives that do not qualify for hedge accounting are carried at fair value on the consolidated balance sheets, and subsequent changes in their fair value are recorded in the consolidated statements of net earnings.

(h) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash balances and demand deposits.

(i) Inventories

Inventories are valued at the lower of cost and net realizable value, with cost being determined substantially on a first-in, first-out basis. The cost of inventory includes direct product costs, direct labour, and an allocation of variable and fixed manufacturing overhead, including depreciation. When circumstances that previously caused inventories to have a write-down below cost no longer exist, or when there is clear evidence of an increase in the net realizable value, the amount of a write-down previously recorded is reversed through cost of goods sold.

(j) Biological Assets

Biological assets consist of live hogs, poultry, and eggs. For the purposes of valuation, these assets are categorized as either parent stock or commercial stock. Parent stock represents animals held and bred for the purpose of generating commercial stock and to replace parent stock nearing the end of its productive cycle. Commercial stock is held for the purposes of further processing or eventual sale, at which point it becomes inventory. The fair value of commercial stock is determined based on market prices of livestock of similar age, breed, and generic merit, less costs to sell the assets, including estimated costs necessary to transport the assets to market. Where reliable market prices of parent stock are not available, they are valued at cost less accumulated depreciation and any accumulated impairment losses. No active liquid market exists for parent stock as they are rarely sold. Hog parent stock is depreciated on a straight-line basis over two to three years after taking into account residual values, whereas poultry parent stock is depreciated on a straight-line basis over six to eight months.

Biological assets are transferred into inventory at fair value less costs to sell at the point of delivery.

(k) Impairment or Disposal of Long-Lived Assets

The Company reviews long-lived assets or asset groups held and used, including property and equipment and intangible assets subject to amortization, for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Asset groups referred to as CGUs include an allocation of corporate assets and are reviewed at their lowest level for which identifiable cash inflows are largely independent of cash inflows of other assets or groups of assets. The recoverable amount is the greater of its value in use and its fair value less cost to sell.

Value in use is based on estimates of discounted future cash flows expected to be recovered from a CGU through its use. Management develops its cash flow projections based on past performance and its expectations of future market and business developments. Once calculated, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Fair value less cost to sell is the amount obtainable from the sale of an asset or CGU in an arm's-length transaction between knowledgeable, willing parties, less the costs of disposal. Costs of disposal are incremental costs directly attributable to the disposal of an asset or CGU, excluding financing costs and income tax expense.

An impairment loss is recognized in the consolidated statements of net earnings when the carrying amount of any asset or its CGU exceeds its estimated recoverable amount. Impairment losses recognized in respect of CGUs are allocated, first to

reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the net carrying amount of the other assets in the CGU on a pro rata basis.

Impairment losses related to long-lived assets recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no previous impairment loss had been recognized.

(l) Property and Equipment

Property and equipment, with the exception of land, is recorded at cost less accumulated depreciation and any net accumulated impairment losses. Land is carried at cost and not depreciated. For qualifying assets, cost includes interest capitalized during the construction or development period. Construction-in-process assets are capitalized during construction and depreciation commences when the asset is available for use. Depreciation related to assets used in production is recorded in inventory and cost of goods sold. Depreciation related to non-production assets is recorded through selling, general, and administrative expense. Depreciation is calculated on a straight-line basis, after taking into account residual values, over the following expected useful lives of the assets:

Buildings, including other components	10-40 years
Machinery and equipment	3-20 years

When parts of an item of property and equipment have different useful lives, those components are accounted for as separate items of property and equipment.

(m) Investment Property

Investment property is comprised of properties owned by the Company that are held to either earn rental income or for capital appreciation, or both. The Company's investment properties include land and buildings.

Investment properties are recorded at cost less accumulated depreciation and any accumulated impairment losses, with the exception of land which is recorded at cost less any accumulated impairment losses. The depreciation policies for investment properties are consistent with those for buildings.

(n) Intangible Assets

Intangible assets include computer software, trademarks, customer relationships, poultry production quota, and delivery routes. Definite life intangible assets are measured at cost less accumulated amortization and any net accumulated impairment losses. Amortization is recognized in the consolidated statements of earnings on a straight-line basis over their estimated useful lives as follows:

Trademarks	10 years
Computer software	3-10 years
Customer relationships	20-25 years

Indefinite life intangibles including trademarks, poultry production quota, and delivery routes are tested for impairment annually in the fourth quarter and otherwise as required if events occur that indicate that the net carrying value may not be recoverable.

Upon recognition of an intangible asset, the Company determines if the asset has a definite or indefinite life. In making this determination, the Company considers the expected use, expiry of agreements, the nature of the asset, and whether the value of the asset decreases over time.

(o) Employee Benefit Plans

The Company provides post-employment benefits through defined benefit and defined contribution plans.

Defined Benefit Plans

The Company accrues obligations and costs in respect of employee defined benefit plans. The cost of pensions and other 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, retirement ages of employees, mortality rates, and expected health care costs. Changes in these assumptions could affect future pension expense. The fair value of plan assets and the present value of the obligation are used to calculate net interest cost or income. The discount rate used to value the defined benefit

obligation is based on high-quality corporate bonds in the same currency in which the benefits are expected to be paid and with terms to maturity that, on average, match the terms of the defined benefit obligations.

Actuarial gains and losses due to changes in defined benefit plan assets and obligations are recognized immediately in accumulated other comprehensive income (loss).

When the calculation results in a net benefit asset, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of future refunds from the plan or reductions in future contributions to the plan (the "asset ceiling"). In order to calculate the present value of economic benefits, consideration is given to minimum funding requirements that apply to the plan. Where it is anticipated that the Company will not be able to recover the value of the net defined benefit asset, after considering minimum funding requirements for future services, the net defined benefit asset is reduced to the amount of the asset ceiling. The impact of the asset ceiling is recognized in other comprehensive income (loss).

When future payment of minimum funding requirements related to past service would result in a net defined benefit asset "surplus" or an increase in a surplus, the minimum funding requirements are recognized as a liability, to the extent that the surplus would not be fully available as a refund or a reduction in future contributions. Re-measurement of this liability is recognized in other comprehensive income (loss) in the period in which the re-measurement occurs.

Defined Contribution Plans

The Company's obligations for contributions to employee defined contribution pension plans are recognized in the consolidated statement of net earnings in the periods during which services are rendered by employees.

Multi-Employer Plans

The Company participates in multi-employer pension plans which are accounted for as defined contribution plans. The Company does not administer these plans as the administration and the investment of these assets are controlled by a board of trustees consisting of union and employer representatives. The Company's responsibility to make contributions to these plans is established pursuant to collective bargaining agreements. The contributions made by the Company to the multi-employer plans are expensed when due.

(p) Share-Based Compensation

The Company applies the fair value method of accounting for share-based compensation. The fair value at grant date of stock options is estimated using the Black-Scholes option-pricing model. The fair value of restricted share units ("RSUs"), including performance share units ("PSUs"), is measured based on the fair value of the underlying shares on the grant date. Compensation cost is recognized on a straight-line basis over the expected vesting period of the share-based compensation. The Company estimates the number of units expected to vest at the grant date and revises the estimate as necessary if subsequent information indicates that the actual number of units vesting differs significantly from the original estimate. The fair value of deferred share units ("DSUs") is measured based on the fair value of the underlying shares at each reporting date.

The Company has share-based compensation plans which are able to be settled in either cash or equity instruments at the option of the Company. Each grant is accounted for based on the expected settlement method at the time of issue. The expectation is re-evaluated at the end of each reporting period.

(q) Provisions

Provisions are liabilities of the Company for which the amount and/or timing of settlement is uncertain. A provision is recognized in the consolidated financial statements when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

(r) Revenue Recognition

The majority of the Company's revenue is derived from the sale of product to retail and foodservice customers, as well as the sale of by-products to industrial and agricultural customers. The Company recognizes revenue from product sales at the fair value of the consideration received or receivable, net of estimated returns, and an estimate of sales incentives provided to customers. Revenue is recognized when the customer takes ownership of the product, title has transferred, all the risks and rewards of ownership have transferred to the customer, recovery of the consideration is probable, the Company has satisfied its performance obligations under the arrangement, and has no ongoing involvement with the sold product. The value of sales incentives provided to customers are estimated using historical trends and are recognized at the time of sale as a reduction of revenue. Sales incentives include rebate and promotional programs provided to the Company's customers. These rebates are based on achievement of specified volume or growth in volume levels and other agreed promotional activities. In subsequent periods, the Company monitors the performance of customers against agreed upon obligations related to sales incentive programs and makes any adjustments to both revenue and sales incentive accruals as required.

The Company generally does not accept returns of spoiled products from customers. For product that may not be returned, the Company, in certain cases, provides customers with allowances to cover any damage or spoilage, and such allowances are deducted from sales at the time of revenue recognition.

(s) Borrowing Costs

Borrowing costs are primarily comprised of interest on the Company's indebtedness. Borrowing costs are capitalized when they are attributable to the acquisition, construction, or production of a qualifying asset. The Company defines qualifying assets as any asset that requires more than six months to prepare for its intended use. Borrowing costs attributable to qualifying assets are calculated using the Company's average borrowing cost excluding the costs associated with the de-recognition of accounts receivables under securitization programs. Borrowing costs that are not attributable to a qualifying asset are expensed in the period in which they are incurred and reported within interest expense in the consolidated statement of net earnings.

(t) Government Incentives

Government incentives are not recognized until there is reasonable assurance that they will be received and that the Company will be in compliance with any conditions associated with the incentives. Incentives that compensate the Company for expenses or losses are recognized in earnings with the same classification as the related expense or loss in the same periods in which the expenses or losses are recognized.

Government incentives received with the primary condition that the Company should purchase, construct, or otherwise acquire non-current assets are recognized as a deduction from the associated asset on the consolidated balance sheet. The incentive is recognized in earnings over the useful life of the asset as a reduction of the related depreciation expense.

Government incentives that are receivable as compensation for expenses or losses already incurred, or for the purpose of giving immediate financial support to the Company with no future related costs, are recognized in earnings in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government incentive, and is measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

(u) Income Taxes

Income tax expense is comprised of current and deferred tax. Income tax is recognized in the consolidated statement of net earnings, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income (loss).

Current tax expense represents the amount of income taxes payable, in respect of the taxable profit for the period, based on tax law that is enacted or substantially enacted at the reporting date, and is adjusted for changes in estimates of tax expense recognized in prior periods. A current tax liability or asset is recognized for income tax payable, or paid but recoverable in respect of all periods to date.

The Company uses the asset and liability method of accounting for income taxes. Accordingly, deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. In addition, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in both net earnings and comprehensive income in the period in which the enactment or substantive enactment takes place.

A deferred tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences, to the extent that it is probable that future taxable income will be available to utilize such amounts. Deferred tax assets are reviewed at each reporting date and are adjusted to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

(v) Accounting Standards Adopted During the Period

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

Employee Benefits

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

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

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

(w) Accounting Pronouncements Issued But Not Yet Effective*Annual Improvements to IFRS (2012-2014) Cycle*

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

Joint Arrangements

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

Consolidated Financial Statements and Investments in Associates and Joint Ventures

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

Revenue Recognition

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. IFRS 15 replaces the detailed guidance on revenue recognition requirements that currently exists under IFRS. IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers, unless the contracts are within the scope of other IFRSs. The standard also provides a model for the measurement and recognition of gains and losses on the sale of certain non-financial assets that are not an output of the Company's ordinary activities. Additional disclosure is required under the standard, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods, and key judgments and estimates. In July 2015, the effective date for IFRS 15 was deferred to apply to annual

periods beginning on or after January 1, 2018; early application is permitted either following a full retrospective approach or a modified retrospective approach. The modified retrospective approach allows the standard to be applied to existing contracts beginning the initial period of adoption and restatements to the comparative periods are not required. The Company is required to disclose the impact by financial line item as a result of the adoption of the new standard. The Company intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning January 1, 2018. The extent of the impact of adoption of IFRS 15 has not yet been determined.

Financial Instruments – Recognition and Measurement

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

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

Leases

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

4. CASH AND CASH EQUIVALENTS

As at December 31, 2015, the Company had agreements to cash collateralize certain of its letters of credit up to an amount of \$120.0 million (2014: \$120.0 million), of which \$83.9 million (2014: \$85.8 million) was deposited with a major financial institution.

5. ACCOUNTS RECEIVABLE

	As at December 31,	
	2015	2014
Trade receivables	\$ 25,537	\$ 20,498
Less: Allowance for doubtful accounts	(5)	(4)
Net trade receivables	\$ 25,532	\$ 20,494
Other receivables:		
Commodity taxes receivable	8,972	9,539
Interest rate swap receivable	435	2,308
Government receivable	11,890	16,583
Other	11,129	11,472
	\$ 57,958	\$ 60,396

The aging of trade receivables is as follows:

	As at December 31,	
	2015	2014
Current	\$ 16,295	\$ 16,875
Past due 0-30 days	9,070	3,623
Past due 31-60 days	161	—
Past due > 60 days	11	—
	\$ 25,537	\$ 20,498

The Company maintains an allowance for doubtful accounts that represents its estimate of the uncollectible amounts based on specific losses estimated on individual exposures.

The Company has sold certain of its trade accounts receivables under securitization programs as described in Note 25. The Company's securitization programs require the sale of trade receivables to be treated as a sale from an accounting perspective and as a result, trade receivables sold under these programs are derecognized in the consolidated balance sheets as at December 31, 2015 and 2014.

6. INVENTORIES

	As at December 31,	
	2015	2014
Raw materials	\$ 28,237	\$ 31,345
Work in process	17,367	19,502
Finished goods	165,522	169,103
Packaging	15,856	22,083
Spare parts	30,689	28,368
	\$ 257,671	\$ 270,401

For the year ended December 31, 2015, inventory in the amount of \$2,567.0 million (2014: \$2,509.4 million) was expensed through cost of goods sold.

7. BIOLOGICAL ASSETS

	Hog stock		Poultry stock		Total
	Commercial	Parent	Commercial	Parent	
Balance at December 31, 2014	\$ 81,049	\$ 19,777	\$ 3,234	\$ 1,683	\$ 105,743
Additions and purchases	238,128	6,903	50,871	2,494	298,396
Depreciation	—	(4,030)	—	(2,404)	(6,434)
Change in fair value realized	(11,110)	—	—	—	(11,110)
Change in fair value unrealized	(1,668)	—	—	—	(1,668)
Further processing and sales	(230,684)	—	(50,366)	—	(281,050)
Balance at December 31, 2015	\$ 75,715	\$ 22,650	\$ 3,739	\$ 1,773	\$ 103,877

	Hog stock		Poultry stock		Total
	Commercial	Parent	Commercial	Parent	
Balance at December 31, 2013	\$ 73,345	\$ 17,748	\$ 3,112	\$ 1,535	\$ 95,740
Additions and purchases	254,382	5,980	47,286	2,356	310,004
Depreciation	—	(3,951)	—	(2,208)	(6,159)
Change in fair value realized	(10,580)	—	—	—	(10,580)
Change in fair value unrealized	11,110	—	—	—	11,110
Further processing and sales	(247,208)	—	(47,164)	—	(294,372)
Balance at December 31, 2014	\$ 81,049	\$ 19,777	\$ 3,234	\$ 1,683	\$ 105,743

Hog stock is comprised of approximately 0.8 million animals as at December 31, 2015 (2014: 0.8 million). During the years ended December 31, 2014 and 2015, substantially all hog stock was directly transferred to the Company's primary processing operations.

Poultry stock is comprised of approximately 7.6 million eggs and 0.2 million birds as at December 31, 2015 (2014: 6.7 million eggs and 0.2 million birds).

The change in fair value of commercial hog and poultry stock for the year was a loss of \$12.8 million for the year ended December 31, 2015 (2014: gain of \$0.5 million) recorded in cost of goods sold.

The fair value measures of commercial hog stock have been categorized as a Level 3 fair value based on inputs to the valuation techniques used. There were no transfers between levels for the year ended December 31, 2015.

The Company uses the market comparison approach to determine the fair value of its commercial hog stock. The valuation model is based on the market price of hog stock of similar age, weight, breed, and genetic make-up. The model is based on the U.S. dollar market price per cut weight and adjusted for foreign exchange, conversion from pounds to kilograms, and specific significant unobservable inputs, including a quality index adjustment and a market conversion factor, as defined below.

The quality index adjustment is a value adjustment based on the relative quality of a processed hog based on the lean yield (being the ratio between muscle and fat content) and total weight. Quality adjustments range from 6.7% to 7.7%. A higher (lower) quality adjustment percentage will result in an increase (decrease) to the fair market value of the commercial hog stock.

The market conversion factor is a market adjustment used to discount the formula from a U.S. market price to a Canadian pricing model. The market conversion factor experiences minimal fluctuation. A higher (lower) market conversion factor will result in an increase (decrease) to the fair market value of the commercial hog stock.

Commercial poultry stock are valued at cost as an indicator of fair value in the case where little biological transformation has taken place since initial cost occurrence or when the impact of the biological transformation on price is not expected to be material.

Where reliable market prices of parent stock are not available, they are valued at cost less accumulated depreciation and any accumulated impairment losses. No active liquid market exists for parent stock as they are rarely sold.

The Company has established environmental policies and procedures which comply with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

The Company's biological asset operations can be affected by outbreaks of disease among livestock. To mitigate this risk, the Company monitors herd health status and has strict bio-security procedures and employee training programs throughout its livestock production operation.

8. PROPERTY AND EQUIPMENT

Cost	Land	Buildings	Machinery and equipment	Under construction	Total
Balance at December 31, 2014	\$ 38,081	\$ 745,204	\$ 1,093,872	\$ 28,354	\$ 1,905,511
Additions	—	—	—	140,026	140,026
Disposal of property and equipment	(667)	(304)	(161,353)	—	(162,324)
Transfers from under construction	1,249	34,102	64,932	(100,283)	—
Transfers to investment properties	(4,772)	(20,552)	(97)	—	(25,421)
Foreign currency translation	—	42	63	—	105
Balance at December 31, 2015	\$ 33,891	\$ 758,492	\$ 997,417	\$ 68,097	\$ 1,857,897

Accumulated depreciation and impairment

Balance at December 31, 2014	\$ —	\$ 221,028	\$ 641,977	\$ —	\$ 863,005
Depreciation	—	24,611	66,126	—	90,737
Disposal of property and equipment	—	(156)	(159,894)	—	(160,050)
Impairment	—	—	1,907	—	1,907
Restructuring related write-downs	—	—	448	—	448
Transfers to investment properties	—	(20,527)	(48)	—	(20,575)
Foreign currency translation	—	11	54	—	65
Balance at December 31, 2015	\$ —	\$ 224,967	\$ 550,570	\$ —	\$ 775,537
Net at December 31, 2015	\$ 33,891	\$ 533,525	\$ 446,847	\$ 68,097	\$ 1,082,360

Cost	Land	Buildings	Machinery and equipment	Under construction	Total
Balance at December 31, 2013	\$ 67,653	\$ 819,480	\$ 1,501,697	\$ 308,598	\$ 2,697,428
Additions ⁽ⁱ⁾	—	—	—	208,155	208,155
Disposal of property and equipment	(16)	(24,013)	(119,543)	(1,347)	(144,919)
Transfers from under construction	187	179,431	274,021	(453,639)	—
Transfers to investment properties	(407)	(21,117)	(3,544)	—	(25,068)
Transfers to assets held for sale	(29,460)	(210,757)	(566,225)	(39,033)	(845,475)
Interest capitalized	—	—	—	5,252	5,252
Foreign currency translation	124	2,180	8,072	1,132	11,508
Other	—	—	(606)	(764)	(1,370)
Balance at December 31, 2014	\$ 38,081	\$ 745,204	\$ 1,093,872	\$ 28,354	\$ 1,905,511
Accumulated depreciation and impairment					
Balance at December 31, 2013	\$ —	\$ 311,326	\$ 1,062,784	\$ —	\$ 1,374,110
Depreciation	—	24,791	60,575	—	85,366
Disposal of property and equipment	—	(23,839)	(118,998)	—	(142,837)
Impairment	—	—	1,557	—	1,557
Reversal of impairment	—	(124)	—	—	(124)
Restructuring related write-downs	—	8,056	12,175	—	20,231
Transfers to investment properties	—	(21,111)	(3,353)	—	(24,464)
Transfers to assets held for sale	—	(78,794)	(377,506)	—	(456,300)
Foreign currency translation	—	723	5,349	—	6,072
Other	—	—	(606)	—	(606)
Balance at December 31, 2014	\$ —	\$ 221,028	\$ 641,977	\$ —	\$ 863,005
Net at December 31, 2014	\$ 38,081	\$ 524,176	\$ 451,895	\$ 28,354	\$ 1,042,506

⁽ⁱ⁾ Includes accruals of \$1.9 million.

Borrowing Costs

For the year ended December 31, 2015, there were no borrowing costs capitalized (2014: \$5.2 million, using an average capitalization rate of 6.7%).

9. EMPLOYEE BENEFITS

The Company sponsors several defined benefit pension plans for Canadian employees which are either final salary plans, career salary plans, service based plans, or a combination thereof. The Company also sponsors a final salary defined benefit pension plan in the U.K. in which membership is closed. These defined benefit plans require contributions to be made to separately administered funds. Certain retired employees are covered under a post-retirement benefit plan, which reimburses certain medical costs and provides life insurance coverage.

The Canadian plans are governed by the pension laws of the province in which the respective plan is registered. The U.K. plan is governed by the employment laws of the U.K.

The Company's pension funding policy is to contribute amounts sufficient, at a minimum, to meet local statutory funding requirements. For the Company's defined benefit pension plans, local regulatory bodies either define minimum funding requirements or approve funding plans submitted by the Company. From time to time the Company may make additional discretionary contributions taking into account actuarial assessments and other factors. The contributions that have been made to support ongoing plan obligations have been recorded in the respective asset or liability accounts on the consolidated balance sheet. Actuarial valuations for the Company's defined benefit pension plans are completed based on the regulations in place in the jurisdictions where the plans operate.

Information about the Company's defined benefit plans as at December 31, in aggregate, is as follows:

	Other post- retirement benefits		2015 Total	Other post- retirement benefits		2014 Total
	Pension			Pension		
Accrued benefit obligation:						
Balance, beginning of year	\$ 60,369	\$ 1,163,748	\$ 1,224,117	\$ 57,462	\$ 1,201,340	\$ 1,258,802
Current service cost	112	13,688	13,800	147	13,340	13,487
Interest cost	2,191	42,988	45,179	2,447	47,517	49,964
Benefits paid from plan assets	—	(71,376)	(71,376)	—	(69,165)	(69,165)
Benefits paid directly from the Company	(3,530)	(1,464)	(4,994)	(3,315)	(1,412)	(4,727)
Actuarial (gains) losses - experience	(603)	1,435	832	(675)	1,645	970
Actuarial (gains) losses - demographic experience	—	—	—	1,447	20,019	21,466
Actuarial (gains) losses - financial assumptions	—	—	—	4,354	103,012	107,366
Employee contributions	—	3,522	3,522	—	3,616	3,616
Plan amendments	—	—	—	—	540	540
Special termination benefits	—	1,131	1,131	—	590	590
Curtailments	—	(109)	(109)	—	(1,030)	(1,030)
Settlements	—	(7,231)	(7,231)	—	(296)	(296)
Transfer to assets held for sale	—	—	—	(1,498)	(155,968)	(157,466)
Balance, end of year	\$ 58,539	\$ 1,146,332	\$ 1,204,871	\$ 60,369	\$ 1,163,748	\$ 1,224,117
Unfunded	\$ 58,539	\$ 28,766	\$ 87,305	\$ 60,369	\$ 27,936	\$ 88,305
Funded ⁽ⁱ⁾	—	1,117,566	1,117,566	—	1,135,812	1,135,812
Total obligation	\$ 58,539	\$ 1,146,332	\$ 1,204,871	\$ 60,369	\$ 1,163,748	\$ 1,224,117

⁽ⁱ⁾ Includes wholly and partially funded plans

Plan Assets

Fair value, beginning of year	\$ —	\$ 1,117,224	\$ 1,117,224	\$ —	\$ 1,203,175	\$ 1,203,175
Interest income	—	40,473	40,473	—	48,057	48,057
Actuarial gains (losses) ⁽ⁱⁱ⁾	—	1,397	1,397	—	61,551	61,551
Employer contributions	—	3,781	3,781	—	6,992	6,992
Employee contributions	—	3,522	3,522	—	3,616	3,616
Benefits paid	—	(71,376)	(71,376)	—	(69,165)	(69,165)
Asset transfer to Company defined contribution plan	—	(14,351)	(14,351)	—	(9,580)	(9,580)
Administrative costs	—	(3,024)	(3,024)	—	(3,550)	(3,550)
Settlements	—	(8,386)	(8,386)	—	(351)	(351)
Transfer to assets held for sale	—	—	—	—	(123,521)	(123,521)
Fair value, end of year	\$ —	\$ 1,069,260	\$ 1,069,260	\$ —	\$ 1,117,224	\$ 1,117,224
Other	\$ —	\$ (1,111)	\$ (1,111)	\$ —	\$ (1,427)	\$ (1,427)
Accrued benefit asset (liability), end of year	\$ (58,539)	\$ (78,183)	\$ (136,722)	\$ (60,369)	\$ (47,951)	\$ (108,320)

⁽ⁱⁱ⁾ Return on plan assets greater (less) than discount rate

Amounts recognized in the consolidated balance sheet consist of:

	As at December 31,	
	2015	2014
Employee benefit assets	\$ 66,519	\$ 88,162
Employee benefit liabilities	203,241	196,482
	\$ (136,722)	\$ (108,320)

Pension benefit expense recognized in net earnings (loss) from continuing operations:

	2015	2014
Current service cost - defined benefit	\$ 13,688	\$ 12,822
Current service cost - defined contribution and multi-employer plans	16,038	16,781
Net interest cost (benefit)	2,515	(782)
Administrative costs	3,024	3,483
Curtailment (gain) ⁽ⁱ⁾	(109)	(1,030)
Special termination benefits ⁽ⁱ⁾	1,131	590
Plan amendments ⁽ⁱ⁾	—	540
Settlement loss ⁽ⁱ⁾	1,155	—
Net pension benefit expense	\$ 37,442	\$ 32,404

⁽ⁱ⁾ Included in restructuring and other related costs.

For the year ended December 31, 2015, the Company expensed salaries of \$708.5 million (2014: \$696.1 million from continuing operations), excluding pension and other post-retirement benefits.

Amounts recognized in other comprehensive income (loss) (before income taxes) from continuing operations:

	2015	2014
Actuarial gains (losses)	\$ 539	\$ (66,983)

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations and net benefit plan expense are as follows:

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

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

Plan assets comprise of:

	As at December 31,	
	2015	2014
Equity securities	59%	60%
Debt securities	40%	39%
Other investments and cash	1%	1%
	100%	100%

As at December 31, 2015, 28% of the equity securities are a Level 1 on the fair value hierarchy, with the remainder being Level 2. All of the debt securities are a Level 2 on the fair value hierarchy.

Other post-retirement benefits expense from continuing operations:

	2015	2014
Current service cost	\$ 112	\$ 147
Interest cost	2,191	2,437
	\$ 2,303	\$ 2,584

Impact of changes in major assumptions:

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

Measurement dates:

2015 expense	December 31, 2014
Balance sheet	December 31, 2015

The average expected maturity of the pension obligations is 12.9 years (2014: 12.7 years).

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

Governance and Risk Management

The Company administers its pension plans through its Board of Directors. The Company's Board of Directors has established a governance structure and delegated to the Audit Committee and the Pension Investment Advisory Committee all aspects of the investment of the funds. The Company's Board of Directors has delegated to the Pension Policy and Administration Committee the authority to make amendments to the documents that govern the pension plans of an administrative or compliance nature, that relate to collective bargaining agreements entered into by the Company or that have a minimal financial impact on the plans.

In fulfilling their responsibilities, the Audit Committee and the Pension Investment Advisory Committee may delegate functions or responsibilities to, or otherwise utilize employees of the Company where appropriate. The Audit Committee and the Pension Investment Advisory Committee may rely on independent experts for certain aspects of the funds' operations. The Audit Committee or the Pension Investment Advisory Committee, as appropriate, retain responsibility and utilize suitable personnel for such activities and monitor the activities undertaken by the selected personnel.

The Supplemental Retirement Plan for the Managers of Multi-Marques Inc. and its Participating Subsidiaries is registered in Québec, Canada, and therefore, operates under the regulations established by the Régis des rentes du Québec. As required by the regulations, the plan is administered by the Multi-Marques Pension Committee and is responsible for all aspects of the operations of the Multi-Marques Plan. The Multi-Marques Pension Committee has delegated certain aspects of its responsibilities and powers, regarding the operations of the Multi-Marques Plan, to the Company. After the sale of Canada Bread, as described in Note 22, the Multi-Marques Plan is no longer included in the consolidated financial position of the Company.

The plan assets are invested primarily in well-diversified pooled funds that meet the constraints set out in legislation of the jurisdictions in which the plans operate. Further diversification criteria set out in investment funds' governing documents require the division of investments between equities and fixed income. There are no significant concentrations of risks.

Multi-Employer Plans

The Company contributes to both the Canadian Commercial Workers Industry Pension Plan and until the sale of Canada Bread in 2014, contributed to the Bakery and Confectionery Union and Industry Canada Pension Fund, which are multi-employer defined benefit plans for employees who are members of the United Food and Commercial Workers union and the Canadian Bakery and Confectionery union, respectively. These are large-scale plans for union workers of multiple companies across Canada and the U.S. Adequate information to account for these contributions as a defined benefit plan in the Company's statements is not available due to the size and number of contributing employers in the plan. Included in pension benefit expense is \$0.8 million (2014: \$1.6 million) related to payments into these plans. The Company expects to contribute \$0.7 million into these plans for in 2016.

10. GOODWILL

The continuity of goodwill for the years ended December 31, 2015 and 2014 is as follows:

Cost	As at December 31,	
	2015	2014
Balance, beginning of year	\$ 428,236	\$ 826,040
Transfers to assets held for sale	—	(401,974)
Foreign currency translation	—	4,170
Balance, end of year	\$ 428,236	\$ 428,236
Impairment losses		
Balance, beginning of year	\$ —	\$ (105,242)
Transfers to assets held for sale	—	108,390
Foreign currency translation	—	(3,148)
Balance, end of year	\$ —	\$ —
Net carrying amounts	\$ 428,236	\$ 428,236

For the purposes of annual impairment testing, goodwill is allocated to the Meat Products CGU Group, being the group expected to benefit from the synergies of the business combinations in which the goodwill arose.

Annual impairment testing involves determining the recoverable amount of the CGU group to which goodwill is allocated, and comparing this to the carrying value of the CGU group. The measurement of the recoverable amount of the CGU group was calculated based on fair value less costs to sell. Where there was no market information available, fair value was determined by discounting the future cash flows generated from the continuing use of the group. The calculation of the fair value based on discounting the future cash flows was based on the following key assumptions:

- Cash flows were projected based on the Company's business plan. Cash flows for future periods were extrapolated using the growth rates listed below. These rates do not exceed the long term average growth rate for the countries in which the groups operate. Material differences in these estimates could have a significant impact on the determination of the recoverable amount.
- The business plan contains forecasts based on past experience of actual operating results in conjunction with anticipated future growth opportunities. While the forecast does assume some base business expansion, largely related to innovation, the primary engine of growth is strategic in nature and is consistent with the projects and expectations as articulated in the Company's strategic plan.
- Discount rates as shown in the table below were applied in determining the recoverable amount of the CGU group. The discount rate was estimated based on past experience and the weighted average cost of capital of the Company and other competitors in the industry.

CGU Group	Discount Rate		Growth Rate	
	2015	2014	2015	2014
Meat Products	8.6%	10.0%	2.2%	2.3%

The values assigned to the key assumptions represent Management's assessment of future trends in the industries in which the CGU group operates and are based on both external and internal sources and historical trend data.

11. INTANGIBLE ASSETS

	As at December 31,	
	2015	2014
Definite life	\$ 71,302	\$ 98,213
Indefinite life	66,853	66,853
Total intangible assets	\$ 138,155	\$ 165,066

Cost	Definite Life					Total
	Software in use	Software in process	Trademarks	Customer relationships		
Balance at December 31, 2014	\$ 149,285	\$ 979	\$ —	\$ —		\$ 150,264
Additions	—	5,724	—	—		5,724
Disposals	(782)	—	—	—		(782)
Transfers	2,375	(2,375)	—	—		—
Balance at December 31, 2015	\$ 150,878	\$ 4,328	\$ —	\$ —		\$ 155,206
Amortization and impairment losses						
Balance at December 31, 2014	\$ 52,051	\$ —	\$ —	\$ —		\$ 52,051
Amortization	32,635	—	—	—		32,635
Disposals	(782)	—	—	—		(782)
Balance at December 31, 2015	\$ 83,904	\$ —	\$ —	\$ —		\$ 83,904
Net at December 31, 2015	\$ 66,974	\$ 4,328	\$ —	\$ —		\$ 71,302

Cost	Definite Life				
	Software in use	Software in process	Trademarks	Customer relationships	Total
Balance at December 31, 2013	\$ 123,119	\$ 21,963	\$ 8,220	\$ 14,043	\$ 167,345
Additions	—	10,408	—	—	10,408
Capitalized Interest	—	252	—	—	252
Transfers to assets held for sale	(5,807)	(1,027)	(8,223)	(14,431)	(29,488)
Transfers	31,381	(31,381)	—	—	—
Other	592	764	—	—	1,356
Effect of movement in exchange rates	—	—	3	388	391
Balance at December 31, 2014	\$ 149,285	\$ 979	\$ —	\$ —	\$ 150,264
Amortization and impairment losses					
Balance at December 31, 2013	\$ 26,982	\$ —	\$ 8,035	\$ 5,426	\$ 40,443
Amortization	25,869	—	3	56	25,928
Transfers to assets held for sale	(1,392)	—	(8,041)	(5,558)	(14,991)
Other	592	—	—	—	592
Effect of movement in exchange rates	—	—	3	76	79
Balance at December 31, 2014	\$ 52,051	\$ —	\$ —	\$ —	\$ 52,051
Net at December 31, 2014	\$ 97,234	\$ 979	\$ —	\$ —	\$ 98,213
Indefinite Life					
Carrying Amount	Trademarks	Delivery routes	Quota	Total	
Balance at December 31, 2013	\$ 50,947	\$ 576	\$ 20,153	\$ 71,676	
Additions	—	2,172	—	2,172	
Transfer to assets held for sale	(4,247)	(574)	—	(4,821)	
Disposals	—	(2,174)	—	(2,174)	
Balance at December 31, 2014 and 2015⁽ⁱ⁾	\$ 46,700	\$ —	\$ 20,153	\$ 66,853	

⁽ⁱ⁾ There was no change in indefinite life intangibles in 2015.

Amortization

Amortization is recorded through cost of goods sold or selling, general, and administrative expenses depending on the nature of the asset.

Borrowing Costs

For the year ended December 31, 2015, there were no borrowing costs capitalized (2014: \$0.3 million, using an average capitalization rate of 6.7%).

Indefinite Life Intangibles

The indefinite life intangible assets are allocated to the Meat Products CGU Group.

The Company performs annual impairment testing on its indefinite life intangible assets. Annual impairment testing, consistent with the impairment testing for goodwill as described in Note 10, involves determining the recoverable amount of each indefinite life intangible asset and comparing it to the net carrying value.

Trademarks

The recoverable value of trademarks is calculated using the royalty savings approach, which involves present valuing the royalties earned by similar trademarks. The key assumptions used in this determination are:

	2015	2014
Royalty rate range	1.5 - 2.0%	0.5 - 2.0%
Growth rate	2.25%	1.65%
Discount rate	10.0%	10.0%

Quotas

The recoverable value of quotas is determined based on recent sales of similar quota, as this is an active market and reliable information is readily available.

Delivery Routes

All delivery routes were disposed of during the year ended December 31, 2014 as part of the Canada Bread sale (Note 22).

12. PROVISIONS

	Legal	Environ- mental	Restructuring and related provisions			Total
			Lease make- good	Severance and other employee related costs	Site closing and other cash costs	
Balance at December 31, 2014	\$ 2,250	\$ 11,030	\$ 4,457	\$ 47,817	\$ 12,324	\$ 77,878
Charges	—	—	250	19,874	5,038	25,162
Reversals	—	(2,240)	—	(1,844)	(82)	(4,166)
Cash payments	—	(490)	(1,350)	(40,324)	(8,464)	(50,628)
Non-cash items	—	—	(1,020)	(410)	337	(1,093)
Balance at December 31, 2015	\$ 2,250	\$ 8,300	\$ 2,337	\$ 25,113	\$ 9,153	\$ 47,153
Current						\$ 32,531
Non-current						14,622
Total at December 31, 2015						\$ 47,153

	Restructuring and related provisions					Total
	Legal	Environmental	Lease make-good	Severance and other employee related costs	Site closing and other cash costs	
Balance at December 31, 2013	\$ 561	\$ 12,603	\$ 4,736	\$ 44,432	\$ 12,124	\$ 74,456
Charges	2,191	—	2,134	48,361	4,306	56,992
Reversals	—	—	—	(7,684)	(67)	(7,751)
Cash payments	(502)	(177)	—	(27,751)	(4,723)	(33,153)
Non-cash items	—	—	—	(5,244)	3,153	(2,091)
Foreign currency translation	—	(80)	104	(29)	222	217
Transfer to liabilities associated with assets held for sale	—	(1,316)	(2,517)	(4,268)	(2,691)	(10,792)
Balance at December 31, 2014	\$ 2,250	\$ 11,030	\$ 4,457	\$ 47,817	\$ 12,324	\$ 77,878
Current						\$ 60,443
Non-current						17,435
Total at December 31, 2014						\$ 77,878

Restructuring and Other Related Costs

For the year ended December 31, 2015, the Company recorded restructuring and other related costs of \$33.8 million.

The Meat Products Group incurred \$15.3 million in restructuring and other related costs, of this amount, \$8.7 million related to asset impairment and accelerated depreciation, \$2.4 million related to severance and other employee costs and \$4.2 million related to site closing costs.

The balance of restructuring costs for the year ended December 31, 2015, relate primarily to severance and other employee costs that were incurred in connection with other ongoing management and organizational structure restructuring initiatives.

For the year ended December 31, 2014, the Company recorded restructuring and other related costs of \$67.6 million. The Meat Products Group incurred \$37.2 million in restructuring and other related costs primarily related to the implementation of the Value Creation Plan. Of this amount, \$21.4 million related to asset impairment and accelerated depreciation, \$12.8 million related to severance and other employee costs and \$3.0 million related to site closing costs.

The balance of restructuring costs for the year ended December 31, 2014, relate primarily to severance and other employee costs including share-based payments as described in Note 24, that were incurred in connection with other ongoing management and organizational structure restructuring initiatives.

13. LONG-TERM DEBT

	As at December 31,	
	2015	2014
Current portion of long-term debt	\$ 813	\$ 472
Long-term debt	9,843	10,017
Long-term debt	\$ 10,656	\$ 10,489

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

The revolving term facility requires the maintenance of certain covenants. As at December 31, 2015, the Company was in compliance with all of these covenants.

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

The Company has various government loans on specific projects, with interest rates ranging from non-interest bearing to 2.9% per annum. These facilities are repayable over various terms from 2022 to 2025. As at December 31, 2015, \$10.7 million (2014: \$10.5 million) was outstanding. All of these facilities are committed.

The Company's estimated average effective cost of borrowing for 2015 was approximately 4.5%, which excludes any impact of interest rate hedges (2014: 7.0% after taking into account the impact of interest rate hedges). Required repayments of long-term debt are as follows:

2016	\$ 1,123
2017	1,040
2018	1,040
2019	1,040
2020	1,040
Thereafter	7,055
Total long-term debt	\$ 12,338

In 2014, the Company repaid notes payable for an amount of US\$360.5 million (CDN\$395.5 million) and CDN\$400.0 million, comprising US\$318.0 million (CDN\$348.8 million) and CDN\$354.5 million of principal, US\$36.7 million (CDN\$38.7 million) and CDN\$37.6 million of early repayment premium, and US\$5.8 million (CDN\$6.4 million) and CDN\$7.9 million of accrued interest.

The notes were issued in various tranches in both U.S. and Canadian dollar-denominations, with maturity dates from 2014 to 2021 and bearing interest at fixed coupon rates between 4.9% and 6.2%.

In 2014, the Company amended its existing revolving credit facility to include additional shorter-term financing with a non-revolving component. Upon the closing of the sale of Canada Bread on May 23, 2014, the non-revolving component of the facility expired and the revolving component was reduced to \$200.0 million expiring on March 31, 2015 (Note 20). The facility was subsequently amended and extended to June 30, 2016 as described above.

14. OTHER CURRENT LIABILITIES

	<i>Notes</i>	As at December 31,	
		2015	2014
Derivative instruments	18	\$ 13,662	\$ 13,932
Liability for share-based compensation	24	—	6,469
Obligation for repurchase of shares	17	12,574	—
Other		3,401	3,982
		\$ 29,637	\$ 24,383

15. OTHER LONG-TERM LIABILITIES

	<i>Note</i>	As at December 31,	
		2015	2014
Derivative instruments	18	\$ 6,480	\$ 7,748
Step rent and lease inducements		9,545	8,521
Other		4,876	4,630
		\$ 20,901	\$ 20,899

16. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS

	Attributable to Common Shareholders			Total accumulated other comprehensive income (loss) associated with continuing operations
	Foreign currency translation adjustments ⁽ⁱ⁾	Unrealized gain (loss) on cash flow hedges ⁽ⁱ⁾	Change in actuarial gains and (losses) ⁽ⁱⁱ⁾	
Balance at December 31, 2014	\$ 737	\$ (963)	\$ —	\$ (226)
Other comprehensive income (loss)	1,769	(1,957)	389	201
Transfer to retained earnings	—	—	(389)	(389)
Balance at December 31, 2015	\$ 2,506	\$ (2,920)	\$ —	\$ (414)

	Attributable to Common Shareholders			Total accumulated other comprehensive income (loss) associated with continuing operations
	Foreign currency translation adjustments ⁽ⁱ⁾	Unrealized gain (loss) on cash flow hedges ⁽ⁱ⁾	Change in actuarial gains and (losses) ⁽ⁱⁱ⁾	
Balance at December 31, 2013	\$ 269	\$ (4,862)	\$ —	\$ (4,593)
Other comprehensive income (loss)	(557)	4,125	(50,869)	(47,301)
Transfer to retained earnings	—	—	50,869	50,869
Transfer to held for sale	1,025	(226)	—	799
Balance at December 31, 2014	\$ 737	\$ (963)	\$ —	\$ (226)

⁽ⁱ⁾ Items that are or may be subsequently reclassified to profit or loss.

⁽ⁱⁱ⁾ Items that will not be reclassified to profit or loss.

The Company estimates that \$2.9 million net of tax of \$1.0 million of the unrealized gain included in accumulated other comprehensive income (loss) will be reclassified into net earnings within the next 12 months. The actual amount of this reclassification will be impacted by future changes in the fair value of financial instruments designated as cash flow hedges. The actual amount reclassified could differ from this estimated amount.

For the year ended December 31, 2015, a loss of approximately \$11.1 million, net of tax of \$3.9 million, was released to earnings from accumulated other comprehensive income (loss) and included in the net change for the period (2014: loss of approximately \$12.5 million, net of tax of \$4.4 million. This loss is inclusive of \$7.1 million, net of tax of \$2.5 million, related to the terminated cross-currency interest rate swaps as disclosed in Note 18).

17. SHARE CAPITAL**Share Capital**

(thousands of shares)	Common Shares		Treasury Stock	
	2015	2014	2015	2014
Balance, beginning of year	142,943	140,142	12	114
Distributions under share-based compensation plans	148	642	(148)	(642)
Exercise of share options	262	2,699	—	—
Shares repurchased	(8,137)	—	—	—
Purchase of treasury stock	(229)	(540)	229	540
Balance, end of year	134,987	142,943	93	12

Common Shares

The authorized share capital consists of an unlimited number of common shares, an unlimited number of non-voting common shares, and an unlimited number of preference shares. These shares have no par value.

The holders of common shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

On May 1, 2014, shareholders of the Company reconfirmed the Shareholder Rights Plan (the "Rights Plan"). While the Rights Plan was entered into on December 5, 2011, it required reconfirmation by shareholders of the Company at the May 2014 annual meeting in order to remain in effect. The Rights Plan will expire if it is not reconfirmed by shareholders at the 2017 annual meeting, unless it is otherwise terminated pursuant to its terms before that time.

Treasury Stock

Treasury stock is comprised of shares purchased by a trust in order to satisfy the requirements of the Company's Share Incentive Plan, as described in Note 24.

Share Repurchase

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

During the year ended December 31, 2015, 8.14 million shares were purchased for cancellation for \$182.5 million at a volume weighted average price paid of \$22.44 per common share.

The Company entered into an Automatic Share Purchase Plan ("ASPP") with a broker that allows the purchase of common shares for cancellation under the NCIB at any time during predetermined trading blackout periods. During the year ended December 31, 2015, an obligation for the repurchase of shares of \$12.6 million was recognized under the ASPP.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT ACTIVITIES**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 cash and cash equivalents, less long-term debt and bank indebtedness ("net cash (debt)") to earnings before interest, income taxes, depreciation, amortization, restructuring and other related costs ("EBITDA"), and interest coverage.

The Company's various credit facilities are subject to certain financial covenants. As at December 31, 2015, the Company was in compliance with all of these covenants.

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.

There have been no material changes to the Company's risk management activities since December 31, 2014.

Financial Instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The risks associated with the Company's financial instruments and policies for managing these risks are detailed below.

Credit Risk

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

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

Management believes concentrations of credit risk with respect to accounts receivable is limited due to the generally high credit quality of the Company's major customers, the large number and geographic dispersion of smaller customers, and the operation of the accounts receivable securitization as mentioned previously. The Company does, however, conduct a significant amount of business with a small number of large grocery retailers. The Company's largest customer as at December 31, 2015 comprises approximately 14.0% (2014: 26.3% before adjustments for discontinued operations) of total sales.

The Company is exposed to credit risk on its notes receivable from a financial institution that holds an equity interest in an unconsolidated structured entity in respect of the accounts receivable securitization program as described in Note 25. Management believes that this credit risk is limited by the long-term AA- debt rating held by the counterparty. The Company is exposed to credit risk on its cash and cash equivalents (comprising primarily of deposits with Canadian chartered banks) and non-exchange-traded derivative contracts. The Company mitigates this credit risk by transacting primarily with counterparties

that are major international financial institutions with long-term debt ratings of A or higher. The Company's maximum exposure to credit risk at the balance sheet date consisted primarily of the carrying value of non-derivative financial assets and non-exchange-traded derivatives with positive fair values.

Liquidity risk

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

The contractual undiscounted principal cash flows payable in respect of financial liabilities as at the balance sheet date, were as follows:

	December 31, 2015				Total
	Due within 1 year	Due between 1 and 2 years	Due between 2 and 3 years	Due after 3 years	
Financial liabilities					
Accounts payable and accruals	\$ 256,473	\$ —	\$ —	\$ —	\$ 256,473
Long-term debt ⁽ⁱ⁾	1,123	1,040	1,040	9,135	12,338
Foreign exchange contracts	4,661	—	—	—	4,661
Commodity futures contracts	2,683	—	—	—	2,683
Interest rate swaps ⁽ⁱ⁾	6,318	6,480	—	—	12,798
Other liabilities	14,301	1,196	849	2,157	18,503
Total	\$ 285,559	\$ 8,716	\$ 1,889	\$ 11,292	\$ 307,456

⁽ⁱ⁾ Does not include contractual interest payments

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

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

Market Risk

Interest Rate Risk

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

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

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

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

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

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

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

the same period, the Company terminated cross-currency interest rate swaps maturing in 2021 and the remaining cross-currency swaps matured in 2014.

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

Foreign Exchange Risk

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

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

The Company uses foreign exchange forward contracts to manage foreign exchange transaction exposures. The primary currencies to which the Company is exposed to are the U.S. dollar and the Japanese yen. Qualifying foreign currency forward contracts are accounted for as cash flow hedges. As of December 31, 2015, \$101.8 million (2014: \$159.0 million) of anticipated foreign currency denominated sales and purchases have been hedged with underlying foreign exchange forward contracts settling at various dates beginning January 2016. The aggregate net fair value of these forward contracts was a loss of \$3.5 million as at December 31, 2015 (2014: loss of \$2.6 million) that was recorded in accumulated other comprehensive income (loss) with an offsetting amount recorded in other current assets and liabilities. The Company also holds foreign exchange contracts for \$161.5 million (2014: \$147.5 million) related to anticipated foreign currency denominated sales and purchases that are not held in a qualifying hedge relationship.

It is estimated that, all else constant, an adverse hypothetical 10% change in the value of the Canadian dollar against all relevant currencies would result in a change in the fair value of the Company's foreign exchange forward contracts of \$4.2 million, with a corresponding change in net earnings of \$5.5 million offset by a change in other comprehensive income (loss) of \$9.7 million.

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.

The Company uses futures to minimize the price risk assumed under forward priced contracts with suppliers. This includes futures contracts that are designated and accounted for as fair value hedges as well as non-designated instruments.

The Company also uses futures to minimize the price risk of anticipated or forecasted transactions which are accounted for as cash flow hedges as well as non-designated derivative instruments.

Changes in the fair value of the cash flow hedging derivatives are recorded in other comprehensive income (loss) to the extent the hedge is effective in mitigating the exposure to the related anticipated transaction, and subsequently reclassified to earnings to offset the impact of the hedged items when they affect earnings. The aggregate fair value of these futures contracts was a gain of \$0.5 million for the year ended December 31, 2015 (2014: gain of \$1.3 million) that was recorded in accumulated other comprehensive income (loss) with an offsetting amount recorded in other current liabilities.

It is estimated that, all else constant, an adverse hypothetical 10% change in market prices of the underlying commodities would result in a change in the fair value of underlying outstanding derivative contracts of \$7.5 million, with a change in net earnings of \$7.0 million and \$0.5 million in other comprehensive income (loss). These amounts exclude the offsetting impact of the commodity price risk inherent in the transactions being hedged.

19. OTHER INCOME (EXPENSE)

	2015	2014
Gain (loss) on disposal of property and equipment	\$ (753)	\$ (1,688)
Gain (loss) on sale of investment properties	11,097	350
Recovery from insurance claims	2,010	—
Net investment property loss	(3,578)	(1,268)
Impairment of assets ⁽ⁱ⁾	(1,907)	(2,287)
Depreciation of assets used to support divested businesses ⁽ⁱⁱ⁾	(14,482)	(11,508)
Interest income	3,393	3,344
Provision estimate changes	2,217	(4,220)
Net expense on non-designated interest rate swaps ⁽ⁱⁱⁱ⁾	(5,034)	(3,970)
Change in fair value of non-designated interest rate swaps ⁽ⁱⁱⁱ⁾	4,768	3,783
Other	370	673
	\$ (1,899)	\$ (16,791)

⁽ⁱ⁾ *Impairments of assets*

	2015	2014
Property and equipment	\$ 1,907	\$ 1,522
Other assets	—	765
Total impairments	\$ 1,907	\$ 2,287

⁽ⁱⁱ⁾ *Depreciation of assets used to support divested businesses*

Relates to assets used to provide ongoing information systems support to divested businesses during a transitional period. As a result of divestitures during the previous year, the Company revised the estimated useful life of these assets, resulting in a depreciation charge in excess of cost recoveries. During the year ended December 31, 2015, the Company further revised the estimated useful life of these assets, resulting in a reduction in the depreciation charge recorded during the period.

⁽ⁱⁱⁱ⁾ *Non-designated Interest Rate Swaps*

For the year ended December 31, 2015, the net expense on non-designated interest rate swaps is presented in other income, as this expense is no longer considered a financing cost as a result of the repayment of all of the Company's outstanding debt in the second quarter of 2014. The change in fair value of non-designated interest rate swaps has also been reclassified to other income to appropriately group the similar charges together.

For the year ended December 31, 2014, \$4.0 million of net expense on non-designated interest rate swaps, that was previously presented as interest expense and other financing charges, has been presented as other income. This amount represents the portion of the expense relating to the period after the outstanding debt was fully repaid. The portion of the change in fair value of non-designated interest rate swaps relating to the period after the debt was paid of \$3.8 million for the year ended December 31, 2014 has also been reclassified to other income.

20. INTEREST EXPENSE AND OTHER FINANCING COSTS

	2015	2014
Interest expense on long-term debt	\$ 377	\$ 13,237
Interest on bankers' acceptances and prime loans	—	9,143
Net interest expense on interest rate swaps	—	941
Net interest expense on non-designated interest rate swaps	—	2,714
Interest expense on securitized receivables	1,667	1,821
Deferred finance charges	337	3,113
Other interest charges	2,330	2,831
Interest capitalized	—	(5,504)
Other financing costs ⁽ⁱ⁾	—	98,578
	\$ 4,711	\$ 126,874

⁽ⁱ⁾ Other financing costs for the year ended December 31, 2014, included costs associated with the repayment of all of the Company's outstanding senior notes including an early repayment premium of \$76.3 million, write-off of deferred financing fees of \$8.9 million, financing costs associated with the new credit facility of \$3.8 million and a release from accumulated other comprehensive income (loss) on the de-designation of cross-currency interest rate swaps of \$9.6 million.

21. INCOME TAXES

The components of income tax expense from continuing operations were as follows:

	2015	2014
Current tax expense		
Current year	\$ 1,893	\$ 3,536
	\$ 1,893	\$ 3,536
Deferred tax expense		
Origination and reversal of temporary differences	\$ 13,225	\$ (75,494)
Adjustment for prior periods	(3,881)	(2,598)
Change in tax rates	(166)	—
	\$ 9,178	\$ (78,092)
Total income tax expense (recovery)	\$ 11,071	\$ (74,556)

Reconciliation of Effective Tax rate

Income tax expense varies from the amount that would be computed by applying the combined federal and provincial statutory income tax rates as a result of the following:

	2015	2014
Income tax expense (recovery) according to combined statutory rate of 26.6% (2014: 26.5%)	\$ 14,017	\$ (76,418)
Increase (decrease) in income tax resulting from:		
Deferred tax expense (recovery) relating to changes in tax rates	(166)	—
Tax rate differences in other jurisdictions	354	408
Manufacturing and processing credit	(314)	2,050
Share-based compensation	725	1,212
Non-taxable gains	—	(1,965)
Non-deductible expenses	289	1,140
Unrecognized income tax benefit of losses	67	411
Adjustment for favorable tax audit resolution	(2,950)	—
Other	(951)	(1,394)
	\$ 11,071	\$ (74,556)

Income Tax Recognized in Other Comprehensive Income (Loss)

	2015	2014
Derivative instruments ⁽ⁱ⁾	\$ (690)	\$ 1,549
Pension adjustments ⁽ⁱ⁾	150	(16,980)
	\$ (540)	\$ (15,431)

⁽ⁱ⁾ Derivative and pension adjustments exclude amounts related to discontinued operations of \$0.0 million (2014: \$0.1 million) and \$0.0 million (2014: \$1.3 million), respectively. Refer to Note 22 for further details.

Deferred Tax Assets and Liabilities*Recognized Deferred Tax Asset and Liabilities*

The Company has recognized deferred tax assets in the amount of approximately \$66.9 million (2014: \$75.0 million), relating primarily to tax losses carried forward and future tax deductions in Canada for employee benefits and restructuring expenses. These deferred tax assets are based on the Company's estimate that it will earn sufficient taxable profits to fully utilize these tax losses in the appropriate carry over periods.

	As at December 31,	
	2015	2014
Deferred tax assets:		
Tax losses carried forward	\$ 36,746	\$ 47,411
Accrued liabilities	16,955	39,376
Employee benefits	35,317	9,565
Other	4,985	734
	\$ 94,003	\$ 97,086
Deferred tax liabilities:		
Property and equipment	\$ 10,465	\$ 7,673
Cash basis farming	10,995	8,822
Goodwill and other intangible assets	5,632	5,605
	\$ 27,092	\$ 22,100
Classified in the consolidated financial statements as:		
Deferred tax asset	\$ 66,911	\$ 74,986

Unrecognized Deferred Tax Assets

The Company has no unrecognized deferred tax assets as at December 31, 2015 and 2014.

Unrecognized Deferred Tax Liabilities

There is no unrecognized temporary difference as at December 31, 2015 and 2014.

22. DISCONTINUED OPERATIONS**Canada Bread Company, Limited**

On May 23, 2014, Grupo Bimbo, S.A.B. de C.V. of Mexico ("Grupo Bimbo") acquired the 90.0% of issued and outstanding shares of Canada Bread owned by the Company, by way of a statutory plan of arrangement under the Business Corporations Act (Ontario) (the "Arrangement"). The Company received proceeds of \$1,647.0 million for its 90.0% interest in Canada Bread, resulting in a pre-tax gain of \$997.0 million for the year ended December 31, 2014. Upon the sale of the business, the net assets of Canada Bread have been de-recognized from assets held for sale. For the year ended December 31, 2014, the Canada Bread operations have been classified as discontinued operations on the Consolidated Statements of Net Earnings, and are presented as part of Bakery Products Group for segmented reporting.

Olivieri Fresh Pasta and Sauce Business

On November 25, 2013, the Company sold substantially all the net assets of its Olivieri fresh pasta and sauce business ("Olivieri"), a component of the Bakery Products Group, to Catelli Foods Corporation. The purchase price was finalized during March 2014. The final net proceeds were \$115.8 million, including a pre-tax adjustment in 2014 of \$1.9 million and the final gain on sale was \$77.6 million. The adjustment to the gain on disposal and its related tax impact is recognized as part of the results of discontinued operations for the year ended December 31, 2014.

Rothsay By-product Recycling Business

On October 28, 2013 the Company sold substantially all of the net assets of its Rothsay animal by-product recycling operations ("Rothsay"), a component of the Agribusiness Group, to Darling International Inc. for net proceeds of \$628.5 million, resulting in pre-tax gain of \$526.5 million recognized for the year ended December 31, 2013. For the year ended December 31, 2014, the Company recorded an adjustment to the gain on disposal of \$5.1 million relating to additional transaction costs incurred associated with the sale.

Following is a summary of earnings from discontinued operations:

Year ended December 31,	Note	2014			Total
		Canada Bread	Olivieri	Rothsay	
Sales		\$ 567,861	\$ —	\$ —	\$ 567,861
Cost of goods sold		439,710	—	—	439,710
Gross margin		\$ 128,151	\$ —	\$ —	\$ 128,151
Selling, general, and administrative expenses		80,322	—	—	80,322
Operating Earnings before the following:		\$ 47,829	\$ —	\$ —	\$ 47,829
Restructuring and other related costs		(2,612)	—	—	(2,612)
Gain on disposal of discontinued operations ⁽ⁱ⁾⁽ⁱⁱ⁾		996,994	—	—	996,994
Adjustment of prior gain on disposal of discontinued operations ⁽ⁱⁱⁱ⁾		—	(1,866)	(5,135)	(7,001)
Other income (expense)		(1,582)	—	—	(1,582)
Earnings (loss) before interest and income taxes from discontinued operations		\$ 1,040,629	\$ (1,866)	\$ (5,135)	\$ 1,033,628
Interest expense and other financing costs		786	—	—	786
Earnings (loss) before income taxes from discontinued operations		\$ 1,039,843	\$ (1,866)	\$ (5,135)	\$ 1,032,842
Income taxes		108,505	(140)	(1,242)	107,123
Net earnings (loss) from discontinued operations		\$ 931,338	\$ (1,726)	\$ (3,893)	\$ 925,719
Attributed to:					
Common shareholders		\$ 929,326	\$ (1,689)	\$ (3,893)	\$ 923,744
Non-controlling interest		2,012	(37)	—	1,975
		\$ 931,338	\$ (1,726)	\$ (3,893)	\$ 925,719
Earnings per share from discontinued operations attributable to common shareholders:	23				
Basic and diluted earnings per share from discontinued operations					\$ 6.54
Weighted average number of shares (millions)					141.2

⁽ⁱ⁾ Included in the gain on disposal of discontinued operations is \$8.5 million of share-based compensation expenses for the year ended December 31, 2014.

⁽ⁱⁱ⁾ Gain, net of tax, attributable to common shareholders \$894.5 million for the year ended December 31, 2014.

⁽ⁱⁱⁱ⁾ Adjustment of prior gain on disposal of discontinued operations includes \$2.5 million of share-based compensation granted for the year ended December 31, 2014.

In order to accurately represent the continuing and discontinuing operations sales and cost of goods sold, certain intercompany eliminations have been reversed in the amounts presented above and in the statement of net earnings for all periods presented.

Twelve months ended December 31,	2014		
	Canada Bread	Olivieri	Total ⁽ⁱ⁾
Operating cash flows	\$ (41,059)	\$ 160	\$ (40,899)
Financing cash flows ⁽ⁱⁱ⁾	(246,583)	—	(246,583)
Investing cash flows	1,584,833	(468)	1,584,365
Net cash flows	\$1,297,191	\$ (308)	\$ 1,296,883

⁽ⁱ⁾ The Rothsay operation was sold during the year ended December 31, 2013, and had no cash flows for the year ended December 31, 2014.

⁽ⁱⁱ⁾ Includes intercompany dividends that are eliminated on consolidation.

23. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share amounts are calculated by dividing the net earnings (loss) attributable to common shareholders of the Company by the weighted average number of shares outstanding during the year.

Diluted earnings (loss) per share amounts are calculated by dividing the net earnings (loss) attributable to common shareholders of the Company by the weighted average number of shares outstanding during the year, adjusted for the effects of potentially dilutive stock options.

The following table sets forth the calculation of basic and diluted earnings (loss) per share ("EPS"):

Years ended December 31,	Attributable to Common Shareholders					
	2015			2014		
	Net earnings (loss)	Weighted average number of shares ⁽ⁱⁱ⁾	EPS	Net earnings (loss)	Weighted average number of shares ⁽ⁱⁱ⁾	EPS
Basic						
Continuing operations	\$ 41,580	140.2	\$ 0.30	\$ (213,813)	141.2	\$ (1.51)
Gain on sale of business, net of tax	—	140.2	—	894,528	141.2	6.33
Discontinued operations before gain on sale of business	—	140.2	—	29,216	141.2	0.21
	\$ 41,580	140.2	\$ 0.30	\$ 709,931	141.2	\$ 5.03
Stock options ⁽ⁱ⁾		1.5			—	
Diluted						
Continuing operations	\$ 41,580	141.7	\$ 0.29	\$ (213,813)	141.2	\$ (1.51)
Gain on sale of business	—	141.7	—	894,528	141.2	6.33
Discontinued operations before gain on sale of business	—	141.7	—	29,216	141.2	0.21
	\$ 41,580	141.7	\$ 0.29	\$ 709,931	141.2	\$ 5.03

⁽ⁱ⁾ Excludes the effect of approximately 4.0 million options to purchase common shares and performance share units (2014: 4.8 million) that are anti-dilutive.

⁽ⁱⁱ⁾ In millions.

24. SHARE-BASED PAYMENT

Under the Maple Leaf Foods Share Incentive Plan in effect as at December 31, 2015, the Company may grant options to its employees and employees of its subsidiaries to purchase shares of common stock and may grant Restricted Share Units ("RSUs") and Performance Share Units ("PSUs") entitling employees to receive common shares or cash at the Company's option. Options, RSUs, and PSUs are granted from time to time by the Board of Directors on the recommendation of the Human Resources Compensation Committee. The vesting conditions are specified by the Board of Directors and may include

the continued service of the employee with the Company and/or other criteria based on measures of the Company's performance.

Under the Company's Share Purchase and Deferred Share Unit Plan ("DSU Plan"), eligible Directors may elect to receive their retainer and fees in the form of Deferred Share Units ("DSUs") or as common shares of the Company.

During March 2014, as a result of the planned sale of Canada Bread, the Company modified the terms of the plan to allow for RSUs and PSUs outstanding at that date, to be cash settled. The Company also made changes to the performance criteria and vesting period of all RSUs, PSUs, and stock options outstanding. This resulted in an additional expense of \$6.7 million at the date of modification and \$2.0 million on market value adjustment at the date of sale of Canada Bread. This additional expense was reflected in selling, general, and administrative expenses. Additionally, \$23.4 million was re-classified from equity to liabilities.

Stock Options

A summary of the status of the Company's outstanding stock options as at December 31, 2015 and 2014, and changes during these years are presented below:

	2015		2014	
	Options outstanding	Weighted average exercise price	Options outstanding	Weighted average exercise price
Outstanding, beginning of year	3,141,200	\$ 14.83	4,679,800	\$ 11.60
Granted	728,400	22.52	1,161,000	20.28
Exercised	(261,600)	11.60	(2,699,600)	11.58
Forfeited	—	—	—	—
Expired	—	—	—	—
Outstanding, end of year	3,608,000	\$ 16.61	3,141,200	\$ 14.83
Options currently exercisable	2,105,600	\$ 13.22	1,980,200	\$ 11.63

All outstanding stock options vest and become exercisable over a period not exceeding five years (time vesting) from the date of grant. The options have a term of seven years.

The number of options outstanding as at December 31, 2015, is as follows:

Range of exercise prices	Options Outstanding			Options currently exercisable		Options subject to timing vesting only	
	Number outstanding	Weighted average exercise price	Weighted average remaining term of options (in years)	Number exercisable	Weighted average exercise price	Number outstanding	Weighted average exercise price
\$11.36 to \$22.52	3,608,000	\$16.61	4.23	2,105,600	\$13.22	1,502,400	\$21.37

The number of options outstanding as at December 31, 2014, is as follows:

Range of exercise prices	Options outstanding			Options currently exercisable		Options subject to timing vesting only	
	Number outstanding	Weighted average exercise price	Weighted average remaining term of options (in years)	Number exercisable	Weighted average exercise price	Number outstanding	Weighted average exercise price
\$11.36 to \$20.28	3,141,200	\$14.83	5.28	1,980,200	\$11.63	1,161,000	\$20.28

At grant date, each option series is measured at fair value based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility. The inputs used in this model for the options granted during the years ended December 31, 2015 and 2014 are shown in the table below.

	2015	2014
Share price at grant date	\$21.86	\$19.87
Exercise price	\$22.52	\$20.28
Expected volatility ⁽ⁱ⁾	24.33%	24.78%
Option life (in years) ⁽ⁱⁱ⁾	4.5	4.5
Expected dividend yield	1.46%	0.81%
Risk-free interest rate ⁽ⁱⁱⁱ⁾	0.95%	1.69%

⁽ⁱ⁾ Weighted average based on number of units granted.

⁽ⁱⁱ⁾ Expected weighted average life.

⁽ⁱⁱⁱ⁾ Based on Government of Canada bonds.

There were 728,400 (2014: 1,161,000) stock options issued during the year ended December 31, 2015. The fair value of options granted during the year ended December 31, 2015 was \$2.6 million (2014: \$4.5 million, of this amount \$1.5 million was included in restructuring and other related costs as a non-cash item (Note 12)). Amortization charges relating to current and prior year options were \$2.8 million (2014: \$4.7 million).

Restricted Share Units and Performance Share Units

The Company has one plan under which RSUs and PSUs may be granted to employees. The awards granted under the Restricted Share Unit Plan (adopted in 2006) ("the 2006 Plan") are satisfied either by shares to be purchased on the open market by a trust established for that purpose, or cash at the option of the Company on the time of vesting.

Under the 2006 Plan, one common share of the Company may be distributed for each RSU, and these units vest strictly over time. The PSUs are subject to both time and performance vesting. The PSUs provide the holder with up to two RSUs based on the achievement of predetermined Company performance targets. All outstanding RSUs and PSUs under the 2006 Plan vest over a period of one to three years from the date of grant.

A summary of the status of the Company's RSU plans (including PSUs) as at December 31, 2015 and 2014 and changes during these periods is presented below:

	2015		2014	
	RSUs outstanding	Weighted average fair value at grant	RSUs outstanding	Weighted average fair value at grant
Outstanding, beginning of year	1,320,259	\$ 15.37	2,746,000	\$ 11.17
Granted	1,136,045	22.03	1,299,436	18.28
Exercised	(751,564)	14.04	(1,857,624)	13.20
Forfeited	(106,278)	17.40	(180,643)	11.22
Expired	—	—	(686,910)	10.99
Outstanding, end of year	1,598,462	\$ 20.61	1,320,259	\$ 15.37

Of the RSUs exercised, the Company settled 581,813 (2014: 1,215,394) units in cash rather than equity instruments. Commencing from the date of modification the Company has accounted for these as cash-settled awards. As a result of the terms of modification the amount of this liability is fixed as at the date of the sale of Canada Bread. The remainder of the Company's outstanding RSUs are accounted for as equity-settled awards.

The fair value of RSUs and PSUs granted in 2015 was \$22.5 million (2014: \$23.1 million). Expenses for the year ended December 31, 2015 relating to current and prior year RSUs and PSUs, were \$11.8 million (2014: \$28.7 million), of which \$2.8 million (2014: \$12.7 million) related to RSUs and PSUs that were cash settled. Of the 2014 amount the modification impacts and a mark-to-market adjustment on the related liability outlined above, of this amount \$11.0 million was included in discontinued operations (Note 22) and \$4.1 million was included in restructuring and other related costs as a non-cash item (Note 12).

The key assumptions used in the valuation of fair value of RSUs granted during the year are shown in the table below⁽ⁱ⁾.

	2015	2014
Expected RSU life (in years)	1.78	1.60
Forfeiture rate	10.3%	2.5%
Risk-free discount rate	0.5%	1.1%

⁽ⁱ⁾ Weighted average based on number of units granted.

Director Share Units

If an eligible Director elects to receive his or her retainer and fees as common shares of the Corporation, the Company purchases shares at market rates on behalf of the participating Directors.

Prior to 2013, if an eligible Director elected to receive his or her fees and retainer in the form of DSUs, each DSU had a value equal to the market value of one common share of the Company at the time the DSU is credited to the Director. DSUs attract dividends in the form of additional DSUs at the same rate as dividends on common shares of the Company. The value of each DSU is measured at each reporting date and is equivalent to the market value of a common share of the Company at the reporting date.

In 2013, the Company adopted a new Share Purchase and Deferred Share Unit Plan (the "2013 DSU Plan"), which replaced the Company's existing Share Purchase and Deferred Share Unit Plan (the "2002 DSU Plan"). The 2002 DSU Plan only allows for DSUs to be satisfied in cash, whereas the 2013 DSU Plan allows the Company, at its discretion, the flexibility to satisfy DSUs in common shares, either issued from treasury or purchased by the Company on the open market. DSUs outstanding under the 2002 DSU Plan will be governed by the terms of the 2002 DSU Plan, unless a participant elected in writing that his or her DSUs outstanding under the 2002 DSU Plan are to be governed by the 2013 DSU Plan.

The fair value of director share units expensed during the year ended December 31, 2015 was \$1.1 million (2014: \$1.3 million).

A summary of the status of the Company's outstanding DSUs as at December 31, 2015 and 2014, and changes during these years is presented below:

Units Outstanding	2015		2014	
	2013 DSU plan	2002 DSU plan	2013 DSU plan	2002 DSU plan
Outstanding, beginning of year	396,926	18,893	326,900	18,725
Additions: granted	48,327	—	66,757	—
Additions: dividends reinvested	5,033	276	3,269	168
Exercised	(157,052)	—	—	—
Outstanding, end of year	293,234	19,169	396,926	18,893
Value of liability at December 31⁽ⁱ⁾	\$ —	\$ 462	\$ —	\$ 373

⁽ⁱ⁾ Value of liability is only applicable to 2002 plan.

25. COMPOSITION OF THE COMPANY

Subsidiary

On May 23, 2014, Grupo Bimbo, S.A.B. de C.V. of Mexico ("Grupo Bimbo") acquired the 90.0% of issued and outstanding shares of Canada Bread owned by the Company, by way of a statutory plan of arrangement under the Business Corporations Act (Ontario) (the "Arrangement"). Upon the sale of the business, the net assets of Canada Bread were de-recognized. For the year ended December 31, 2014, the Canada Bread operations were classified as discontinued operations on the Consolidated Statements of Net Earnings (Note 22), and were presented as part of Bakery Products Group for segmented reporting (Note 29).

The financial information before inter-company eliminations of Canada Bread is provided below:

Year ended December 31,	2014
Sales from continuing operations	\$ 567,861
Net earnings from continuing operations	\$ 19,751
Net loss from discontinued operations	—
Net earnings	\$ 19,751
Other comprehensive income (loss)	(569)
Total comprehensive income	\$ 19,182
Attributed to non-controlling interest:	
Net earnings	\$ 1,975
Total comprehensive income	1,918

Year ended December 31,	2014
Operating activities	\$ (41,219)
Financing activities	(246,583)
Investing activities	(9,841)
Increase (decrease) in cash and equivalents	\$ (297,643)

The following is a continuity of non-controlling interests:

	Canada Bread and other minority interests
Balance at December 31, 2013	\$ 60,863
Net earnings	1,975
Other comprehensive income (loss)	(244)
Dividends declared	(3,017)
Disposal of business	(59,577)
Balance at December 31, 2014	\$ —

Unconsolidated Structured Entity

The Company has sold certain of its trade accounts receivable to an unconsolidated structured entity owned by a financial institution, under revolving securitization programs. The Company retains servicing responsibilities for these receivables. The structured entity finances the purchase of these receivables by issuing senior debt instruments to the financial institution, short-term mezzanine notes back to the Company, and an equity interest held by the financial institution.

As at December 31, 2015, trade accounts receivable being serviced under these programs amounted to \$192.6 million (2014: \$156.6 million). In return for the sale of its trade receivables, the Company will receive cash of \$88.9 million (2014: \$46.4 million) and notes receivable in the amount of \$103.7 million (2014: \$110.2 million). The notes receivable are non-interest bearing and are adjusted on the settlement dates of the securitized accounts receivable. Due to the timing of receipts and disbursements, the Company may, from time to time, also record a receivable or payable related to the securitization facility. As at December 31, 2015, the Company recorded a net payable amount of \$2.9 million (2014: \$30.4 million net payable) in accounts payable and accruals.

The Company's maximum exposure to loss due to its involvement with a structured entity is equal to the current carrying value of the interest in the notes receivable due from the structured entity. The maximum potential loss that could be borne by subordinated interests in the structured entity is a \$1.5 million equity interest. The Company has not recognized any income or losses with its interest in an unconsolidated structured entity for the year ended December 31, 2015 or 2014.

During the year ended December 31, 2014, the securitization agreements were renewed with substantially the same terms and conditions, with an expiry date of September 2016.

26. COMMITMENTS AND CONTINGENCIES

- (a) The Company has been named as a defendant in several legal actions and is subject to various risks and contingencies arising in the normal course of business. Management is of the opinion that the outcome of these uncertainties will not have a material adverse effect on the Company's financial position.

- (b) In the normal course of business, the Company and its subsidiaries enter into sales commitments with customers, and purchase commitments with suppliers. These commitments are for varying terms and can provide for fixed or variable prices. The Company believes that these contracts serve to reduce risk, and does not anticipate that losses will be incurred on these contracts.
- (c) The Company has entered into a number of construction contracts related to the construction of new and expansion of existing facilities. Contract commitments as at December 31, 2015 were \$9.1 million (2014: \$27.9 million).
- (d) The Company has lease, rent, and other commitments that require minimum annual payments as follows:

2016	\$ 65,330
2017	45,153
2018	34,570
2019	28,665
2020	20,810
Thereafter	80,430
	\$ 274,958

For the year ended December 31, 2015, an amount of \$35.7 million was recognized as an expense in earnings in respect of operating leases (2014: \$42.6 million including \$7.3 million in discontinued operations).

27. RELATED PARTY TRANSACTIONS

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

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

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

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

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

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

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

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

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

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

28. GOVERNMENT INCENTIVES

For the year ended December 31, 2015, the Company recorded government incentives as a reduction in the cost of related assets totalling \$0.4 million (2014: \$1.3 million). Additionally, the Company recorded other incentives in earnings totalling \$0.1 million (2014: \$0.2 million).

During the year ended December 31, 2014, the Company recorded a \$5.0 million interest-free loan from the Canadian government to support the upgrade of the Company's prepared meats manufacturing network and supply chain. The loan is repayable over a period of 10 years beginning in 2015.

29. SEGMENTED FINANCIAL INFORMATION

Reportable Segmented Information

The Company has three reportable segments, as described below, which are groupings of the Company's CGUs. These segments offer different products and have separate management structures. The Company's Management regularly reviews internal reports for these segments. The following describes the operations of each segment:

- (a) The Meat Products Group is comprised of value-added processed packaged meat, chilled meal entrées and lunch kits, and primary pork and poultry processing.
- (b) The Agribusiness Group is comprised of the Company's hog production operations that primarily supply the Meat Products Group with livestock as well as toll feed sales.
- (c) The Bakery Products Group was comprised of the Company's 90.0% ownership in Canada Bread Company, Limited; a producer of fresh and frozen par-baked bakery products including breads, rolls, bagels, and artisan goods. During the year ended December 31, 2014, the Company sold its 90.0% ownership interest in Canada Bread. As a result, the Bakery Products Group has been classified as discontinued operations as at and for the year ended December 31, 2014. Refer to Note 22 for further details on the disposal activity of the Bakery Products Group.
- (d) Non-allocated costs are comprised of expenses not separately identifiable to business segment groups and are not part of the measures used by the Company when assessing the segment's operating results. These costs include general expenses related to the bakery business, changes in fair value of biological assets, unrealized gains or losses on commodity contracts, and realized gains on commodity contracts that relate to delivery in future periods.

Non-allocated assets are comprised of corporate assets not separately identifiable to business segment groups. These include, but are not limited to, corporate property and equipment, software, investment properties, and tax balances.

	Notes	2015	2014
Sales			
Meat Products Group		\$ 3,276,994	\$3,135,376
Agribusiness Group		15,938	21,865
Bakery Products Group ⁽ⁱ⁾		—	567,861
Total sales		\$ 3,292,932	\$3,725,102
Sales from discontinued operations	22	—	(567,861)
Sales from continuing operations		\$ 3,292,932	\$3,157,241
Earnings (loss) before restructuring and other related costs and other income			
Meat Products Group		\$ 108,440	\$ (80,381)
Agribusiness Group		1,360	8,642
Bakery Products Group ⁽ⁱ⁾		—	47,829
Non-allocated costs		(16,714)	(7,865)
Total earnings (loss) before restructuring and other related costs and other income		\$ 93,086	\$ (31,775)
Earnings (loss) before restructuring and other related costs and other income from discontinued operations	22	—	(47,829)
Earnings (loss) before restructuring and other related costs and other income from continuing operations		\$ 93,086	\$ (79,604)
Capital expenditures			
Meat Products Group		\$ 123,455	\$ 206,958
Agribusiness Group		22,295	9,063
Bakery Products Group ⁽ⁱ⁾		—	17,789
		\$ 145,750	\$ 233,810
Depreciation and amortization			
Meat Products Group		\$ 102,302	\$ 86,027
Agribusiness Group		6,588	5,928
Non-allocated costs ⁽ⁱⁱ⁾		14,590	14,278
Bakery Products Group ⁽ⁱ⁾		—	5,142
		\$ 123,480	\$ 111,375

⁽ⁱ⁾ The prior year results of Canada Bread were included in the comparative results of the Bakery Products Group.

⁽ⁱⁱ⁾ Includes depreciation on assets used to service divested business.

	As at December 31,	
	2015	2014
Total assets		
Meat Products Group	\$ 1,853,146	\$ 1,965,280
Agribusiness Group	188,890	211,516
Non-allocated assets	588,829	699,694
	\$ 2,630,865	\$ 2,876,490
Goodwill		
Meat Products Group	\$ 428,236	\$ 428,236

Information About Geographic Areas

Property and equipment and investment property located outside of Canada was \$0.2 million as at December 31, 2015 (2014: \$0.2 million). No goodwill was attributed to operations outside of Canada.

Revenues earned outside of Canada for the year ended December 31, 2015, were \$672.7 million (2014: \$812.7 million, of which \$144.4 million has been reclassified to net earnings from discontinued operations). Of the total amount earned outside

of Canada, \$211.6 million (2014: \$324.6 million) was earned in the U.S., \$282.7 million (2014: \$275.5 million) was earned in Japan, and \$0.0 million (2014: \$56.4 million) was earned in the U.K. Revenue by geographic area is determined based on the shipping location.

Information About Major Customers

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

For the year ended December 31, 2014, the Company reported sales to two customers representing 13.9% and 12.4% of total sales before adjustments for discontinued operations. These revenues were reported in both the Meat Products Group and Bakery Products Group. The Company reported sales to two customers representing 15.5% and 11.1% of total sales from continuing operations. No other sales were made to any one customer that represented in excess of 10% of total sales.

CORPORATE INFORMATION

Capital Stock

The Company's authorized capital consists of an unlimited number of voting common shares, an unlimited number of non-voting common shares and an unlimited number of preferred shares issuable in series. At December 31, 2015, 135,120,789 voting common shares were issued and outstanding. There were 732 shareholders of record of which 696 were registered in Canada, holding 98.8% of the issued voting shares.

Ownership

As at December 31, 2015, the Company's largest shareholder is McCain Capital Inc., holding 46,788,658 voting shares representing 34.6% of the total issued and outstanding shares. Michael H. McCain beneficially owns and controls 100% of McCain Capital Inc. and has beneficial ownership or control of 46,788,658 common shares or 34.6% of the common shares. The remainder of the issued and outstanding shares are publicly held.

Corporate Office

Maple Leaf Foods Inc.
6985 Financial Drive
Mississauga, Ontario
L5N 0A1
Canada
Tel: (905) 285-5000
Fax: (905) 285-6000
www.mapleleaffoods.com

Annual Meeting

The annual meeting of shareholders of Maple Leaf Foods Inc. will be held on Wednesday, May 4, 2016, at 11:00 a.m. at Maple Leaf Foods ThinkFOOD! 6897 Financial Drive Mississauga, Ontario Canada

Dividends

The declaration and payment of quarterly dividends are made at the discretion of the Board of Directors. Anticipated payment dates in 2016: March 31, June 30, September 30 and December 30.

Shareholder Inquiries

Inquiries regarding dividends, change of address, transfer requirements or lost certificates should be directed to the Company's transfer agent:

Computershare Investor Services Inc.
100 University Avenue
8th Floor, North Tower
Toronto, Ontario
M5J 2Y1
Canada
Tel: (514) 982-7555
or 1-800-564-6253
(toll-free North America)
or service@computershare.com

Company Information

For Investor Relations, please call (905) 285-5898.

For copies of annual and quarterly reports, the annual information form and other disclosure documents, please contact our Senior Vice-President and Corporate Secretary at (905) 285-5000.

Transfer Agent and Registrar

Computershare Investor Services Inc.
100 University Avenue
8th Floor, North Tower
Toronto, Ontario
M5J 2Y1
Canada
Tel: (514) 982-7555
or 1-800-564-6253
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or service@computershare.com

Auditors

KPMG LLP
Toronto, Ontario, Canada

Stock Exchange Listings and Stock Symbol

The Company's voting common shares are listed on the Toronto Stock Exchange and trade under the symbol "MFI".



At Maple Leaf Foods, we want to be a force for positive change, creating economic value through addressing environmental and societal needs.

To learn more about our sustainability initiatives, please visit **mapleleafsustainability.ca**

For more investor information, please visit **mapleleaffoods.com/investors**

Maple Leaf Foods Inc.
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L5N 0A1 Canada
mapleleaffoods.com