MAPLE LEAF FOODS INC.

Management's Discussion and Analysis

For the Year Ended

December 31, 2014

Management's Discussion and Analysis

February 25, 2015

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 12,000 people across Canada and exports to global markets, including the U.S. and Asia. The Company is headquartered in Mississauga, Ontario and its shares trade on the Toronto Stock Exchange (MFI).

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. 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 25 in the Company's 2014 audited consolidated financial statements for further information.

FINANCIAL OVERVIEW

In 2014, sales from continuing operations[(i)] increased 6.9% to $3,157.2 million from $2,954.8 million last year, or 5.8% after adjusting for the impact of foreign exchange, due to higher pricing across the Meat Products Group, partially offset by lower volumes.

Adjusted Operating Earnings[(i)(ii)] for the year was a loss of $75.5 million compared to a loss of $136.5 million last year. The Meat Products Group benefited from price increases and improved processing margins, which were partially offset by transitional costs associated with the Value Creation Plan and lower volumes. The Agribusiness Group benefited from improved market conditions. Adjusted Earnings per Share[(i)(iii)] was a loss of $0.58 compared to a loss of $1.08 last year.

Net loss from continuing operations for the year was $213.8 million (loss of $1.51 per basic share attributable to common shareholders[(iv)]). Excluding one-time financing costs of $98.6 million ($71.2 million after tax) related to the repayment of the Company's long-term notes payable during the second quarter of 2014, net loss from continuing operations after restructuring was $142.6 million compared to a net loss of $141.4 million (loss of $1.01 per share) last year. This amount included $67.6 million ($0.36 per share) of pre-tax expenses related to restructuring and other related costs (2013: $75.2 million or $0.40 per share).

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 28 for a description and reconciliation of all non-IFRS financial measures.

Notes:

(i) *2013 figures have been restated for the classification of the Bakery Products Group as discontinued operations. Please refer to Note 25 of the Company's 2014 audited consolidated financial statements.*

(ii) *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 on page 28.*

(iii) *Adjusted Earnings per Share, a non-IFRS measure, is used by Management to evaluate ongoing 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 on page 28.*

(iv) *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)	**2014**	2013(ii)	2012(ii)
Sales	**$ 3,157.2**	$ 2,954.8	$ 3,075.1
Adjusted Operating Earnings(i)	**$ (75.5)**	$ (136.5)	$ 57.4
Adjusted EBITDA(i)	**$ 14.8**	$ (48.7)	$ 132.8
Adjusted EBITDA %(i)	**0.5%**	(1.6%)	4.3%
Net loss from continuing operations	**$ (213.8)**	$ (141.4)	$ (31.4)
Adjusted Earnings per Share(i)	**$ (0.58)**	$ (1.08)	$ (0.05)
Basic earnings (loss) per share from continuing operations	**$ (1.51)**	$ (1.01)	$ (0.23)
Diluted earnings (loss) per share from continuing operations	**$ (1.51)**	$ (1.01)	$ (0.23)
Total assets(iii)	**$ 2,876.5**	$ 3,599.1	$ 3,243.7
Net Cash (Debt)(i)(iii)	**$ 485.8**	$ (451.7)	$ (1,171.3)
Total long-term liabilities(iii)	**$ 244.8**	$ 990.6	$ 1,742.7
Return on Net Assets ("RONA")(i)(iii)	**(3.7%)**	(0.2%)	9.4%
Cash provided (used) provided by operating activities(iii)	**$ (362.2)**	$ 260.1	$ 218.1
Cash dividends per share	**$ 0.16**	$ 0.16	$ 0.16

(i) *Refer to the section entitled Non-IFRS Financial Measures starting on page 28 of this document.*

(ii) *Unless otherwise noted, 2013 and 2012 figures have been restated for the classification of the Bakery Products Group as discontinued operations. Refer to Note 25 in the Company's 2014 audited consolidated financial statements.*

(iii) *2013 and 2012 figures have not been restated for the classification of Rothsay and the Bakery Products Group as discontinued operations. Refer to Note 25 in the Company's 2014 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. Over the last four years, the Company has been executing against the Plan 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 called for the closure of eight of the Company's manufacturing plants, an expansion of three others, the construction of a new prepared meats processing facility and the consolidation of 17 distribution centres into two. By the end of 2014, the Company has closed six plants, completed expansions at facilities in Saskatoon, Saskatchewan, Winnipeg, Manitoba and Brampton, Ontario and commissioned its new 400,000 square foot prepared meats facility in Hamilton, Ontario.

During the year, the Company opened a new distribution centre to service Central and Eastern Canada. Its current distribution centre in Saskatoon continues to service Western Canada. All other third-party and Company-owned distribution facilities in its network have now been closed as planned.

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 provided increased controls and capabilities.

The Company expects to realize savings from multiple sources across the organization when the execution of the Plan has been completed in 2015. The majority of the savings are expected to come from:

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

The Company continues to incur transitional costs in executing the Plan, which principally consist of duplicative overhead and start-up costs. It is anticipated that these costs will be eliminated during 2015 as the Plan comes to completion. Successfully completing the network transition is expected to be an important contributor to the Company achieving its target of an Adjusted EBITDA[(i)] margin of 10.0% in 2015.

(i) *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 on page 28.*

Capital Investment Plan

Capital investments in the Plan were originally estimated to be approximately $820.0 million between 2010 and 2015. In the second quarter of 2014, the Company reduced its estimate to approximately $710.0 million subsequent to the sale of Canada Bread. This revised estimate includes $620.0 million supporting its prepared meats network and $90.0 million spent to implement SAP, both of which are substantially completed as of December 31, 2014.

Total capital expenditures in 2014 were originally estimated to be $255.0 million. In the second quarter of 2014, the Company reduced its estimate to approximately $215.0 million subsequent to the sale of Canada Bread. Actual capital expenditures excluding discontinued operations were $216.0 million as of December 2014.

During 2015, Management estimates that total capital expenditures will be approximately $120.0 million.

Sustainability

Maple Leaf Foods has adopted a sustainability strategy which is about creating sustainable value for the business by addressing social and environmental needs. In each of the past two years, the Company has published Sustainability Reports describing the milestones and priorities it established in the areas of animal welfare, nutrition, social responsibility and the environment. With the near-completion of its significant transformation in its prepared meats supply chains and a focus on growth in the protein sector, Maple Leaf Foods is embedding sustainability into how it does business.

Maple Leaf Food's Priorities

The Company has defined four priorities and areas of focus:

Advance Nutrition and Health

The Company's goal is to provide consumers with nutritious, sustainable and affordable food, made with more natural ingredients from humanely raised animals. This is achieved by the Company continuing to adhere to the highest standards of food safety, while advancing health and nutrition across its product portfolio and supporting healthy food choices.

Value its People and Communities

In valuing its people, the Company intends to create a culture of empowerment amongst plant and salaried workforces. It will also continue to implement a strategy to build an inclusive culture that encourages and embraces diversity and attracts and develops the best talent.

Food insecurity is a significant issue in Canada and globally. Nationally, one in every eight households experiences some level of food insecurity, affecting one in every six children. Globally, the leading risk to health is hunger and malnutrition. The strategic focus for the Company's Community Outreach program is to support community-based approaches to food insecurity that enable people to lead healthier lives. Maple Leaf Foods will support initiatives that promote dignity and build individual and community capacity and work with partners that seek to achieve sustainable solutions to food insecurity as part of more integrated and holistic interventions. The Company will focus most of its efforts in Canada, but will include global outreach.

Treat Animals Well

As the largest protein company in Canada, the Company believes it has a responsibility for animal care that goes beyond its own supply chain to advocate and share knowledge that elevates practices and regulations across the industry. The Company actively engages in public outreach with consumers, customers, animal rights groups and other stakeholders, so that change can be based on sound science, what is best for the animal and what society expects of Maple Leaf Foods.

Eliminate Waste

The Company will establish goals to reduce its environmental footprint by focusing on three areas:

- Reducing climate change impact through reducing our energy consumption, further fleet efficiencies, purchasing 'green' renewable power and implementing energy reduction technologies
- Reducing waste, including process waste and inefficiencies, packaging, and food waste
- Reducing non-ingredient water usage, including commercial/office use, plant processes and sanitation and implementation of water reduction technologies.

The Company will report on its progress annually through its Sustainability Report beginning in 2015 and through other updates based on progress against priorities.

Fluctuating Input Prices

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

(Unaudited)	**As at December 31, 2014**(i)	Annual Averages **2014**	2013	Change	2012
Pork cutout (US$ per cwt)(ii)(v)	**$ 87.26**	**$110.20**	$92.86	18.7%	$88.55
Hog market price per cwt (CAD per cwt)(ii)	**$ 94.80**	**$116.14**	$92.33	25.8%	$85.38
Hog market price per cwt (US$ per cwt)(ii)	**$ 81.58**	**$105.14**	$89.64	17.3%	$85.42
Poultry meat market price (CAD per kg)(iii)	**$ 3.37**	**$ 3.58**	$ 3.51	2.0%	$ 3.52
Poultry live bird cost (CAD per kg)(iii)	**$ 1.63**	**$ 1.61**	$ 1.69	(4.7%)	$ 1.66
Corn (US$ per bushel)(iv)	**$ 3.97**	**$ 4.18**	$ 5.80	(27.9%)	$ 6.95
Soybeans (US$ per bushel)(iv)	**$ 10.48**	**$ 12.46**	$14.06	(11.4%)	$14.68
Oil (US$ per barrel)(iv)	**$ 53.45**	**$ 93.26**	$97.91	(4.7%)	$94.11

(i) *Spot prices for the week ended December 31, 2014 based on CME (Ontario hogs) or WCB (Western Canada hogs) (Source: USDA).*

(ii) *Five-day average of CME or WCB (Source: USDA).*

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

(iv) *Daily close prices (Sources: Bloomberg, CBOT, Minneapolis Wheat Exchange).*

(v) *2012 figures re-stated to reflect the USDA changing to a mandatory reporting system.*

In 2014, U.S. hog herds were negatively impacted by the Porcine Epidemic Diarrhea ("PED") virus which reduced hog supplies and increased prices to record levels, resulting in higher input prices in the prepared meats business. Feed grain prices moderated from prior year levels due to a large corn crop in 2013 followed by a record large crop in 2014. Soymeal prices were at record highs in the third quarter of 2014, as U.S. soybean stocks declined to all-time low levels requiring imports from South America to maintain adequate supplies. Overall reduced feed costs in 2014 had a positive impact on earnings in the hog production business, although this benefit was partially offset by unfavourable impacts of commodity hedging programs.

During the year, industry primary pork processing margins in North America improved significantly over the prior year, however, remained below the five-year average margin of $5.79 USD per cwt. Additionally, earnings in the prepared meats business were compressed due to increases in raw material costs, particularly bellies, hams, and trims, which outpaced pricing in the first half of the year.

Impact of Currency

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

	As at December 31, 2014	Annual Averages 2014	2013	Change	2012
U.S. dollar / Canadian dollar[i]	**$ 1.16**	**$ 1.10**	$ 1.03	6.8%	$ 1.00
Canadian dollar / Japanese yen[i]	**¥ 103.33**	**¥ 95.63**	¥ 94.64	1.0%	¥ 79.89

[i] *Source: Bank of Canada daily noon rates*

During 2014, the Japanese yen declined in value relative to the Canadian dollar by 1.0%, which did not have a material impact on earnings. In general, a decline in the Japanese yen compresses export margins to Japan in the Company's primary pork processing business. The Company ultimately seeks to pass through price increases to offset the impact of currency fluctuations.

The Canadian dollar weakened relative to the U.S. dollar by 6.8% in 2014, which did not have a material impact on earnings. 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.

OPERATING REVIEW

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

($ millions)	**2014**[iii]	2013[iii]	Change
Meat Products Group	**$ 3,135.4**	$ 2,925.8	7.2%
Agribusiness Group	**21.9**	29.0	(24.6%)
Total Sales[i]	**$ 3,157.2**	$ 2,954.8	6.9%

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

($ millions)	**2014**[iii]	2013[iii]	Change
Meat Products Group	**$ (80.4)**	$ (86.2)	$ 5.8
Agribusiness Group	**8.6**	(38.3)	46.9
Protein Group	**$ (71.7)**	$ (124.5)	$ 52.7
Non-Allocated Costs in Adjusted Operating Earnings[ii]	**(3.7)**	(12.0)	8.3
Adjusted Operating Earnings[i]	**$ (75.5)**	$ (136.5)	$ 61.0

[i] *Figures exclude the results of the Bakery Products Group, which are reported as discontinued operations. Refer to Note 25 of the Company's 2014 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. Non-allocated costs for 2013 have been restated on a comparable basis.*

[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 2014 increased 7.2% to $3,135.4 million, or 6.1% after adjusting for the weaker Canadian dollar that benefited pork exports. The increase was driven by higher values for fresh pork as well as price increases implemented in the prepared meats business during the second quarter of 2014 in response to higher raw material costs. These factors were partially offset by lower volume in the fresh pork business due to lower hog supplies in Western Canada and an anticipated period of lower demand in the prepared meats business in response to the implemented price increases.

Adjusted Operating Earnings for 2014 improved to a loss of $80.4 million compared to a loss of $86.2 million last year, as higher earnings in the fresh pork business were partially offset by lower earnings in the prepared meats businesses.

The fresh pork business experienced higher earnings as the benefit from improved pork processing margins and declining hog input prices more than offset the impact of lower hog supplies in Western Canada. The pork business also benefited from increased yield and labour efficiencies that resulted from manufacturing process improvements.

During the second quarter of 2014, the Company implemented a price increase in its prepared meats business in response to rising raw material costs. This pricing action successfully addressed the increase in input costs by the fourth quarter, however partially offsetting this was an anticipated period of lower demand.

Earnings in the fresh poultry business declined slightly as improved poultry processing margins were offset by increased operational variances and an unfavourable sales mix.

The prepared meats business incurred transitional costs of approximately $97.0 million during the year, an increase from $49.8 million last year. These costs largely relate to duplicative overhead costs from legacy plants scheduled to be closed and commissioning activities at the new prepared meats facility in Hamilton, Ontario, the largest in the Company's network.

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 2014 were $21.9 million compared to $29.0 million last year, as feed sales were impacted by lower pricing in the North American market.

Adjusted Operating Earnings in 2014 increased to $8.6 million from a loss of $38.3 million last year, primarily due to higher market prices for hogs, net of hedging activities, and lower feed costs. These were partially offset by additional costs which were incurred for PED virus prevention.

Non-allocated Costs

In 2014, the expenses included in Adjusted Operating Earnings and not allocated to segmented operating earnings were $3.7 million compared to $12.0 million last year, which was a reflection of lower general and administrative costs as a result of the sale of Canada Bread in the second quarter of 2014 and lower consulting fees.

Non-allocated amounts that are excluded from the computation of Adjusted Operating Earnings in 2014 comprise a $0.5 million gain due to changes in the fair value of biological assets (2013: gain of $13.5 million), a $4.1 million unrealized gain on commodity futures contracts (2013: gain of $0.3 million) and an $8.7 million expense related to the modification of a long-term incentive compensation plan (2013: $0.0 million) as described in Note 27 of the 2014 audited consolidated financial statements.

The changes in the fair value of biological assets and unrealized and realized (gains) losses on commodity 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. The long-term incentive plan expense is excluded from Adjusted Operating Earnings, as this modification was a decision made as a result of the sale of the Company's interest in Canada Bread, and is therefore not considered representative of ongoing operational activities of the business.

DISCONTINUED OPERATIONS

Discontinued operations for the year ended December 31, 2014 pertain to the Bakery Products Group and transaction costs associated with previous divestitures. Discontinued operations in the year ended December 31, 2013 were restated to include Canada Bread, and also included the Rothsay and Olivieri businesses that were sold during the fourth quarter of 2013.

Sales from discontinued operations for the year ended December 31, 2014 were $567.9 million and related to Canada Bread. Sales from discontinued operations for the year ended December 31, 2013 were $1,738.2 million.

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, primarily due to a pre-tax gain on disposal of $997.0 million. These amounts were offset by residual expenses relating to the divestitures of Rothsay and Olivieri in the prior year. Net earnings from discontinued operations for the year ended December 31, 2013 was $653.6 million. This included $82.9 million in net earnings from Canada Bread, $500.7 million related to Rothsay, including a pre-tax gain on disposal of $526.5 million, and $70.1 million related to Olivieri, including a pre-tax gain on disposal of $79.4 million.

For additional information on discontinued operations please see Note 25 of the Company's 2014 audited consolidated financial statements.

EBITDA MARGIN TARGETS

Subsequent to the sale of the Company's interest in Canada Bread, the Company's Adjusted EBITDA margin target is to achieve 10.0% in 2015, consistent with the previously disclosed Protein Group target.

GROSS MARGIN

Gross margin in 2014 was $218.3 million (6.9% of sales) compared to $180.8 million (6.1% of sales) last year. The increase in gross margin as a percentage of sales is largely attributable to margin expansion in the Meat Products Group. This was driven primarily by a decline in hog input prices during the second half of 2014 in the fresh pork business and price increases implemented in the second quarter of 2014 in the prepared meats business in response to increased raw material and inflationary costs. Negatively impacting margins were transitional costs related to the network transformation initiatives in the prepared meats business. Also included in gross margin was a $13.0 million decrease in the fair value of biological assets, partially offset by a $3.8 million increase 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 commodity 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

Selling, general and administrative expense decreased by 1.8% to $297.9 million in 2014, compared to $303.4 million in 2013, representing 9.4% and 10.3% of sales, respectively. The decrease was primarily attributable to a focus on an overall reduction in general and administrative costs following the sale of Canada Bread.

OTHER INCOME (EXPENSE)

Other expense for 2014 was $16.6 million (2013: income of $71.7 million) and included an $11.5 million accelerated depreciation charge on assets that continue to be used to provide services to divested businesses based on revised estimates of useful life. Other income in 2013 primarily consisted of gains on sale of $45.4 million on the sale of the Company's potato processing business, $9.7 million on the sale of certain assets within the Company's turkey agricultural operations, a $4.0 million gain due to a pension curtailment, $4.8 million in recoveries from insurance claims and a $4.7 million gain related to the de-designation of interest rate swaps.

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 2014 is an expense of $1.6 million (2013: income of $7.2 million) and primarily consists of expenses from impairment of assets.

RESTRUCTURING AND OTHER RELATED COSTS

The following table summarizes restructuring and other related cost for the two years ended December 31:

($ thousands)	**2014**	2013[(ii)]
MEAT PRODUCTS GROUP		
Management and Organizational Structure Changes		
Severance	**$ 1,282**	$ 2,737
Site closing and other costs	**(32)**	344
Asset impairment and accelerated depreciation	**–**	154
	$ 1,250	$ 3,235
Strategic Value Creation Initiatives		
Severance	**$ (676)**	$ 23,484
Site closing and other costs	**3,043**	476
Asset impairment and accelerated depreciation	**21,446**	25,353
Retention	**12,237**	20,347
	$ 36,050	$ 69,660
Plant Closure		
Severance	**$ (63)**	$ 111
Pension	**–**	460
	$ (63)	$ 571
Total Meat Products Group	**$ 37,237**	$ 73,466

	2014	2013(ii)
NON-ALLOCATED		
Management and Organization Structure Changes		
Severance(i)	**$ 26,417**	$ 1,745
Site closing and other costs	**2,331**	–
Asset impairment and accelerated depreciation	**1,507**	–
Pension	**100**	–
Total Non-Allocated	**$ 30,355**	$ 1,745
Total restructuring and other related costs	**$ 67,592**	$ 75,211

(i) *Includes share based payments as described in Note 27 of the Company's 2014 audited consolidated financial statements.*

(ii) *2013 figures have been restated for the classification of the Bakery Products Group as discontinued operations. Please refer to Note 25 of the Company's 2014 audited consolidated financial statements.*

Amounts in the table above are net of reversals.

A brief description of the projects is as follows:

Management and Organizational Structure Changes

The Company has recorded restructuring and other related costs pertaining to organizational delayering and changes to its management structure, related to the sale of Canada Bread and to other initiatives.

Strategic Value Creation Initiatives

The Company's Meat Products Group has recorded restructuring costs related to changes in its manufacturing and distribution network as part of implementing the Value Creation Plan.

Plant Closure

The Company's Meat Products Group has recorded restructuring costs related to the closure of a plant located in Ayr, Ontario. This category only includes plant closures not related to the Company's Strategic Value Creation Initiatives described above.

INTEREST EXPENSE AND OTHER FINANCING COSTS

Interest expense and other financing costs for 2014 was $130.8 million compared to $68.9 million in 2013. The increase was due to financing costs of $98.6 million, which was comprised of a $76.3 million early repayment premium to lenders, a $12.7 million financing fee, and a $9.6 million loss transferred from accumulated other comprehensive income into earnings due to the settlement of interest rate swaps that are no longer designated as hedging instruments. These costs were offset by lower interest expense due to the repayment of the Company's outstanding debt in the second quarter of 2014.

INCOME TAXES

The Company's income taxes recoverable relating to continuing operations for 2014 results in an effective tax rate of 25.9% (2013: 26.7%). The lower effective rate of taxes recoverable in 2014 is the result of the lower rates of tax expense applicable to the gains in 2013 on the sales of the potato processing operations and Ontario turkey operations. For 2014, the effective tax rate used in the computation of Adjusted Earnings per Share is 25.2% (2013: 25.4%) on restructuring charges, and 27.0% (2013: 17.8%) on items not considered representative of ongoing operations. The higher effective tax rate in 2014 on items not considered representative of ongoing operations is due to the lower rates of tax expense applicable to the gains in 2013 on the sales of the potato processing operations and Ontario turkey operations.

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 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 25 of the Company's 2014 audited consolidated financial statements.

The Company sponsors a number of defined benefit and defined contribution plans. During the year ended December 31, 2014, the Company received $0.7 million (2013: $1.0 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, 2014, the Company's contributions to these plans were $7.0 million (2013: $40.9 million) which includes $3.7 million (2013: $10.2 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:

($ thousands)	**2014**(i)	2013(ii)
Short-term employee benefits		
Salaries, bonuses, and fees	**$ 12,350**	$ 12,779
Company car allowances	**298**	466
Other benefits	**183**	3,462
Total short-term employee benefits	**$ 12,831**	$ 16,707
Severance benefits(iii)	**14,193**	–
Post-employment benefits	**946**	1,560
Share-based benefits	**25,076**	10,983
Total remuneration	**$ 53,046**	$ 29,250

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

(ii) *Includes remuneration of Canada Bread key management personnel.*

(iii) *Includes $5.6 million of share-based compensation.*

During 2014, key management personnel of the Company exercised 1.3 million share options granted under the Maple Leaf Foods Share Incentive Plan for an amount of $15.5 million (2013: $1.8 million).

GOVERNMENT INCENTIVES

During the year ended December 31, 2014, the Company recorded government incentives as a reduction in the cost of related assets totalling $1.3 million. Of this amount, the Company recorded $0.8 million in incentives from the Government of Manitoba for a pilot project converting one of the Company's sow barns to loose housing and recorded other incentives totalling $0.5 million. Additionally, the Company recorded other incentives in earnings totalling $0.2 million.

During 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.

During the year ended December 31, 2013, the Company recorded government incentives in earnings totalling $7.5 million. Of this amount, the Company recorded $5.0 million in incentives from the Canadian government to support the development of renewable energies related to the Rothsay by-product recycling business, which has been presented in discontinued operations. Additionally, the Company received $2.0 million related to incentives from the Government of Manitoba supporting an employment and training program. The Company also recorded other incentives totalling $0.5 million.

During 2013, the Company recorded a $2.0 million interest-free loan from the Canadian government for the purchase of equipment for the bakery in Hamilton, Ontario, related to the Canada Bread operation. The loan was derecognized as part of the sale of Canada Bread.

ACQUISITIONS AND DIVESTITURES

Acquisitions and divestitures relating to continuing operations are as follows:

During the third quarter of 2013, the Company sold certain assets within its Ontario turkey agricultural operations for net proceeds of $46.3 million, resulting in a final pre-tax gain of $9.7 million.

During the third quarter of 2013, the Company sold the remaining assets of a poultry farm and related production quota in Brooks, Alberta, originally purchased on February 1, 2012, and immediately classified as assets held for sale. The Company purchased the operations and production quotas for a cash purchase price of $31.1 million. The acquisition was accounted for as a business combination. In 2012, the Company sold $8.0 million of the production quotas which resulted in a pre-tax gain of $0.5 million. In the second quarter of 2013, the Company sold assets for proceeds of $8.3 million which approximated the carrying value of the assets. In the third quarter of 2013, the Company sold the remaining assets for proceeds of $12.8 million, which resulted in a 2013 pre-tax loss of $0.0 million.

During the third quarter of 2013, the Company sold an investment property located in Aurora, Ontario, for $1.8 million, which resulted in a pre-tax gain of $1.0 million.

During the second quarter of 2013, the Company sold an investment property located in Ayr, Ontario, for $2.0 million, which resulted in a pre-tax gain of $0.2 million.

During the first quarter of 2013, the Company sold all the assets related to its Lethbridge, Alberta, potato processing facility to Cavendish Farms Corporation for net proceeds of $58.1 million resulting in a pre-tax gain of $45.4 million ($38.7 million after-tax) recorded in other income.

Acquisitions and divestitures relating to discontinued operations are as follows:

During the second quarter of 2014, the Company sold 90.0% of the issued and outstanding shares of Canada Bread, resulting in gross proceeds of $1,657.0 million (which includes its share of the dividend paid upon closing of the Arrangement) and a pre-tax gain of $997.0 million for the year ended December 31, 2014.

During the first quarter of 2014, the Company sold a bakery in Toronto, Ontario, for gross proceeds of $6.4 million, resulting in a pre-tax gain of $1.7 million.

During the fourth quarter of 2013, the Company sold all of the net assets of its Olivieri Fresh Pasta and Sauce business to Catelli Foods Corporation for net proceeds of $115.8 million, which resulted in a pre-tax gain of $79.4 million. During the year ended December 31, 2014, the Company recorded a pre-tax adjustment of $1.9 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.

During the fourth quarter of 2013, the Company sold substantially all of the net assets of its Rothsay By-product Recycling business to Darling International Inc. for net proceeds of $628.5 million, which resulted in a pre-tax gain of $526.5 million. During the year ended December 31, 2014, the Company recorded an adjustment to the gain on disposal of $5.1 million relating to additional non-cash transaction costs incurred in 2014 associated with the sale.

During the fourth quarter of 2013, the Company sold a bakery in Toronto, Ontario, for gross proceeds of $12.4 million, resulting in a pre-tax gain of $11.4 million.

CAPITAL RESOURCES

The protein consumer packaged good 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. For example, although an increase or decrease in pork or grain commodity prices may not affect margins, the pricing change can have a material effect on investment in working capital (primarily inventory and accounts receivable). 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.

During the year ended December 31, 2014, the Company amended its existing revolving credit facility to include additional shorter-term financing. This facility included a revolving component with an availability of $1,050.0 million and a non-revolving component of $330.0 million. Upon the closing of the Canada Bread sale on May 23, 2014, the non-revolving component of the credit facility was fully repaid and expired. In addition, the revolving component availability was reduced to $200.0 million and expires on March 31, 2015. This committed facility bears interest at rates based on Banker's acceptance and prime rates for Canadian dollar loans, and U.S. prime rate and LIBOR for U.S. dollar loans. As at December 31, 2014, the Company had not drawn any loans (2013: $255.0 million) and had letters of credit of $21.6 million (2013: $93.8 million) on this facility.

Subsequent to year end, the Company amended its existing $200.0 million committed credit facility by extending the maturity date of the facility to June 30, 2016 using the same syndicate of Canadian, U.S., and international institutions on similar terms and conditions to the pre-existing facility. 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.

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, 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 2014 audited consolidated financial statements.

Subsequent to the repayment of the outstanding balance of the committed credit facility from the proceeds from the Canada Bread sale, the Company's cash balance as at December 31, 2014, is $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 2014, the Company had $156.6 million (2013: $166.4 million) of trade accounts receivable serviced under these facilities. In return for the sale of these receivables, the Company will receive cash of $46.4 million (2013: $50.9 million) and notes receivable in the amount of $110.2 million (2013: $115.5 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, 2014, this net payable amounted to $30.4 million (2013: $105.5 million net payable). Excluding discontinued operations 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 under International Financial Reporting Standards ("IFRS").

The Company's securitization and other credit facilities are subject to certain restrictions, including the maintenance of certain covenants. The Company was in compliance with all of the requirements of these facilities during 2014. If these facilities were terminated, the Company would recognize the securitized amounts on the consolidated balance sheet and consider alternative financing if required.

CAPITAL EXPENDITURES

Capital expenditures for 2014 were $233.8 million compared to $385.4 million in 2013. Excluding discontinued operations, capital expenditures were $216.0 million in 2014 compared to $327.3 million in 2013. Spending on the prepared meats network transformation project, which was primarily related to construction of the new meat processing facility in Hamilton, Ontario, was lower than last year as the facility approaches completion.

The Company currently estimates its capital expenditures for the full year of 2015 will be approximately $120.0 million. The decrease compared to 2014 reflects lower spend on the prepared meats transformation as this project nears completion.

CASH FLOW AND FINANCING

Net cash, a non-IFRS measure as described on page 31, was $485.8 million at the end of 2014, compared to net debt of $451.7 million as at December 31, 2013. The increase in cash for the year ended December 31, 2014 is largely due to the proceeds from the Canada Bread sale, partially offset by the repayment of the Company's debt balances and changes in working capital.

Cash Flow from Operating Activities

Cash used in operations for 2014 was $362.2 million compared to cash provided by operations of $260.1 million in 2013. The decrease in cash flow from operations was primarily due to an increase in working capital, lower earnings from continuing operations, and one time payments of $76.3 million and $23.6 million related to the repayment of the Company's senior notes including an early repayment premium and the termination of related swaps respectively. Subsequent to the reduction in the Company's debt levels, Management has restored non-cash working capital in line with historic levels.

Cash Flow from Financing Activities

Cash used in financing activities was $973.7 million for 2014 compared to $320.1 million in 2013, as a result of the repayment of all of the Company's senior notes and outstanding balance on the credit facility.

Cash Flow from Investing Activities

Cash provided by investing activities was $1,330.0 million for 2014 compared to $520.0 million in 2013. The increase was mainly due to the proceeds on the Canada Bread sale of $1,647.0 million, and lower capital expenditures in the year. Cash provided by investing activities in 2013 included the proceeds from the sale of the Rothsay and Olivieri businesses and other non-core assets.

CONTRACTUAL OBLIGATIONS

The following table provides information about certain of the Company's significant contractual obligations as at December 31, 2014. This table presents the undiscounted principal cash flows payable in respect of financial liabilities.

Payments due by fiscal year:

($ thousand)	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	$ 275,249	$ –	$ –	$ –	**$ 275,249**
Long-term debt[i]	681	1,005	1,005	9,671	**12,362**
Foreign exchange contracts	2,969	–	–	–	**2,969**
Commodity futures contracts	6,223	–	–	–	**6,223**
Interest rate swaps[i]	4,740	–	7,748	–	**12,488**
Other liabilities	3,982	1,040	862	1,682	**7,566**
	$ 293,844	**$ 2,045**	**$ 9,615**	**$ 11,353**	**$ 316,857**
Commitments					
Contractual obligations including operating leases	83,636	49,138	36,226	136,147	**305,147**
Total	**$ 377,480**	**$ 51,183**	**$ 45,841**	**$ 147,500**	**$ 622,004**

[i] *Does not include contractual interest payments*

As at December 31, 2014, the Company had entered into construction contracts of $27.9 million relating to the prepared meats network transformation project (2013: $158.4 million).

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 15 and Note 21 of the Company's 2014 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 fair values and notional amounts of derivative financial instruments as at December 31 are shown below:

	2014			2013		
($ thousands)	**Notional amount(i)**	**Fair value Asset**	**Liability**	Notional amount(i)	Fair value Asset	Liability
Cash flow hedges						
Cross-currency interest rate swaps	**$ –**	**$ –**	**$ –**	US$ 313,000	$ 5,903	$ 31,643
Foreign exchange contracts(ii)	**159,032**	**340**	**2,964**	225,714	–	2,854
Commodity future contracts(ii)	**10,879**	**1,339**	**–**	16,509	–	240
Fair value hedges						
Commodity contracts(ii)	**$ 7,990**	**$ 824**	**$ –**	$ 38,747	$ 381	$ –
Derivatives not designated in a formal hedging relationship						
Interest rate swaps	**$ 1,180,000**	**$ –**	**$ 12,488**	$1,180,000	$ –	$ 18,764
Foreign exchange contracts(ii)	**147,489**	**439**	**5**	134,814	–	187
Commodity contracts(ii)	**414,948**	**11,687**	**6,223**	494,445	3,965	2,588
Total fair value		**$ 14,629**	**$ 21,680**		$ 10,249	$ 56,276
Current		**$ 14,629**	**$ 13,932**		$ 8,366	$ 43,548
Non-current		**–**	**7,748**		1,883	12,728
Total fair value		**$ 14,629**	**$ 21,680**		$ 10,249	$ 56,276

(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.*

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, 2014 approximates its fair value. The fair value of long-term debt as at December 31, 2013 was $1,035.2 million as compared to its carrying value of $954.0 million on the consolidated balance sheet (refer to Note 15 of the

Company's 2014 audited consolidated financial statements). 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 fair value is determined based on exchange prices.

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

For the year ended December 31, 2014, the Company recorded a loss of $27.9 million (2013: loss of $10.2 million) on financial instruments held for trading. During 2014, the held-for-trading loss was mainly attributed to a loss in commodity exchange traded contracts which hedge and offset price risk volatility inherent in the hog operational business.

For the year ended December 31, 2014, the pre-tax amount of hedge ineffectiveness recognized in earnings was a loss of $0.2 million (2013: gain of $3.2 million).

The table below sets out fair value measurements of financial instruments using the fair value hierarchy:

($ thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Foreign exchange forward contracts	$ –	$ 779	$ –	$ 779
Commodity future contracts	13,850	–	–	13,850
	$ 13,850	**$ 779**	**$ –**	**$ 14,629**
Liabilities:				
Foreign exchange forward contracts	$ –	$ 2,969	$ –	$ 2,969
Commodity future contracts	6,223	–	–	6,223
Interest rate swaps	–	12,488	–	12,488
	$ 6,223	**$ 15,457**	**$ –**	**$ 21,680**

There were no transfers between levels during the year ended December 31, 2014. 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 reassessing 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 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.

In addition to senior debt 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.

For the year ended December 31, 2014, total equity increased by $602.5 million to $2,244.5 million, largely due to higher net earnings as a result of the gain on sale attributable to Canada Bread. During the same period, total cash and cash equivalents net of debt increased by $937.5 million to a net cash position of $485.8 million.

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. As at December 31, 2014, the Company did not have any accounts receivable greater than 60 days past due (2013: $0.2 million). The Company maintains an allowance for doubtful accounts relating to specific losses estimated on individual exposures. As at December 31, 2014, the Company has recorded an allowance for doubtful accounts of $0.0 million (2013: $0.1 million). 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 two largest customers as at December 31, 2014 comprise approximately 26.3% (2013: 21.1%) of total sales before adjustments for discontinued operations.

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 28 of the Company's 2014 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 and short-term placements with Canadian chartered banks) and non-exchange-traded derivative contracts. The Company mitigates this credit risk by only dealing 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, 2014, the Company had available undrawn committed credit of $178.4 million (2013: $701.2 million) under the terms of its principal banking arrangements (refer to Note 15 of the 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, 2014, the Company had no variable rate debt (2013: $259.4 million with a weighted average interest rate of 3.5%). However, the Company is exposed to floating interest rates on its accounts receivable securitization program. As at December 31, 2014, the amount serviced pursuant to this program was $76.6 million at a weighted average interest rate of 2.1% (2013: $156.5 million at a weighted average interest rate of 2.1%). The maximum amount available to the Company under these programs is $110.0 million (2013: $170.0 million).

On March 14, 2014, the Company issued a notice of repayment of its notes payable, with a subsequent repayment on April 14, 2014 (Note 15 of the Company's 2014 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 has resulted in a reclassification of $9.6 million from accumulated other comprehensive income, to interest expense and other financing costs during 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.

At December 31, 2014, the Company had fixed-rate debt of $10.5 million (2013: $699.0 million) with a weighted average notional interest rate of 4.4% (2013: 5.7%). 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.

As at December 31, 2014, 12.0% (2013: 62.7%) of the Company's outstanding debt and revolving accounts receivable securitization program were not exposed to interest rate movements.

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 enters into currency derivative agreements to manage its current and anticipated exposures in the foreign exchange markets.

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 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 21 in the Company's 2014 audited consolidated financial statements.

CHANGE IN FAIR VALUE OF NON-DESIGNATED INTEREST RATE SWAPS

The change in fair value of non-designated interest rate swaps for the year ended December 31, 2014, was a gain of $6.3 million ($4.7 million after-tax) and was recorded in net earnings (2013: gain of $2.0 million ($1.5 million after-tax)).

SHARE CAPITAL

As at December 31, 2014, there were 142,955,989 voting common shares issued and outstanding (2013: 140,256,389). As at February 16, 2015, there were 142,955,989 common shares issued and outstanding.

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 (2013: $22.4 million).

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 2014, the Company recorded a loss of $67.0 million through other comprehensive income 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.

During 2013, the Company recorded a gain of $249.3 million through other comprehensive income related to the re-measurement of plan assets and liabilities. This included $103.2 million related to returns on plan assets in excess of the discount rate, $106.8 million related to changes in liability assumptions, primarily an increase in the discount rate, and a further $39.3 million in experience adjustments on the plan obligation. 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 2014, the investment return before expenses on the Company's defined benefit pension plan assets was 10.1% compared to 14.6% in 2013. Also in 2014, long-term market interest rates decreased, impacting the discount rate used to measure the plan liabilities.

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 2014 were $8.1 million, including $1.8 million from discontinued operations.

The Company expects to contribute $10.9 million to the pension plans in 2015, inclusive of defined contribution and multi-employer plans.

SUBSEQUENT EVENT

On February 3, 2015, the Company amended its existing $200.0 million credit facility by extending the maturity of the facility to June 30, 2016 using the same syndicate of Canadian, U.S., and international institutions. All other terms and conditions remain relatively the same. The 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.

SUMMARY OF QUARTERLY RESULTS

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

($ millions except earnings per share)		First Quarter(v)	Second Quarter(v)	Third Quarter(v)	Fourth Quarter(v)	Total(iv)(v)
Sales(i)	**2014**	**$ 711.3**	**$ 831.8**	**$ 820.1**	**$ 794.0**	**$ 3,157.2**
	2013	689.4	759.3	757.8	748.3	2,954.8
	2012	741.8	792.6	779.4	761.4	3,075.1
Net earnings (loss) from continuing operations(i)	**2014**	**$ (124.6)**	**$ (39.5)**	**$ (26.7)**	**$ (23.0)**	**$ (213.8)**
	2013	(30.6)	(38.4)	(24.5)	(47.9)	(141.4)
	2012(iii)	(19.8)	(16.7)	(12.2)	17.3	(31.4)
Net earnings (loss)	**2014**	**$ (132.0)**	**$ 898.9**	**$ (26.8)**	**$ (28.2)**	**$ 711.9**
	2013	(14.7)	0.0	15.5	511.4	512.2
	2012(iii)	(5.8)	26.0	26.0	50.3	96.6
Earnings (loss) per share from continuing operations(i)						
Basic(ii)	**2014**	**$ (0.89)**	**$ (0.28)**	**$ (0.19)**	**$ (0.16)**	**$ (1.51)**
	2013	(0.22)	(0.27)	(0.18)	(0.34)	(1.01)
	2012(iii)	(0.14)	(0.12)	(0.09)	0.12	(0.23)
Diluted(ii)	**2014**	**$ (0.89)**	**$ (0.28)**	**$ (0.19)**	**$ (0.16)**	**$ (1.51)**
	2013	(0.22)	(0.27)	(0.18)	(0.34)	(1.01)
	2012(iii)	(0.14)	(0.12)	(0.09)	0.12	(0.23)
Adjusted EPS(ii)(vi)	**2014**	**$ (0.24)**	**$ (0.13)**	**$ (0.13)**	**$ (0.08)**	**$ (0.58)**
	2013	(0.24)	(0.25)	(0.19)	(0.41)	(1.08)
	2012(iii)	(0.07)	(0.06)	(0.02)	0.10	(0.05)
Earnings (loss) per share(i)						
Basic(ii)	**2014**	**$ (0.95)**	**$ 6.38**	**$ (0.19)**	**$ (0.20)**	**$ 5.03**
	2013	(0.11)	(0.02)	0.09	3.58	3.55
	2012(iii)	(0.04)	0.17	0.17	0.35	0.64
Diluted(ii)	**2014**	**$ (0.95)**	**$ 6.38**	**$ (0.19)**	**$ (0.20)**	**$ 5.03**
	2013	(0.11)	(0.02)	0.09	3.58	3.55
	2012(iii)	(0.04)	0.17	0.17	0.34	0.64

(i) *2013 and 2012 figures have been restated for the classification of the Bakery Products Group as discontinued operations. Refer to Note 25 of the Company's 2014 audited consolidated financial statements.*

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

(iii) *2012 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 annual consolidated financial statements.*

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

(v) *Unless otherwise noted, all figures have been prepared in accordance with IFRS.*

(vi) *Refer to Non-IFRS Financial Measures starting on page 28.*

Quarterly sales in 2014 were affected by the following significant items:

- favourable commodity prices for fresh pork;
- price increases implemented in the prepared meats business during the second quarter of 2014 in response to higher raw material and inflationary costs;
- lower volume in the prepared meats, and fresh pork businesses;
- a higher value sales mix in the prepared meats business;
- a weaker Canadian dollar relative to the U.S. dollar, which benefited fresh pork exports;
- lower toll feed pricing and higher sales volume to external parties in the hog production business; and
- price increases implemented during 2013 in the prepared meats business.

Quarterly net earnings from continuing operations in 2014 were affected by the following significant items:

- transitional costs in the prepared meats business related to executing its network transformation strategy;
- margin expansion in the Meat Products Group due to a lag in pricing in the fresh pork business and price increases implemented in the prepared meats business in the second quarter of 2014;
- lower volume in the prepared meats business;
- improved primary pork processing margins and market values for pork by-products and increased labour and yield efficiencies in the fresh pork business;
- higher pork exports;
- higher market prices for hogs, partly offset by hedging positions in the hog production business;
- lower feed costs in the hog production business;
- changes in fair value of non-designated interest rate swaps, biological assets, and (gains) losses on commodity futures contracts;
- early redemption financing costs;
- restructuring and other related costs;
- the expense related to a modification of a long-term incentive plan, which was a decision made as a result of the then planned sale of Canada Bread;
- adjustments to gain on sale of divested businesses;
- recognition of legal and other professional fees associated with divestitures;
- accelerated depreciation of assets used to support divested businesses; and
- impairment of assets.

Quarterly sales in 2013 were affected by the following significant items:

- lower sales volume in the prepared meats business in the first quarter, that improved for the remainder of the year;
- lower sales volume in the fresh pork business;
- price increases implemented during 2013 at the prepared meats business;
- favourable sales mix in the prepared meats business;
- divestiture of the Company's potato processing facility in the first quarter of 2013;
- impact of a weaker Japanese yen on fresh pork export sales;
- higher market pricing for pork products; and
- divestiture of the Company's poultry agricultural operations in the third quarter of 2013.

Quarterly net earnings from continuing operations in 2013 were affected by the following significant items:

- adverse market conditions that reduced margins in primary pork and poultry processing, and hog production;
- price increases implemented during 2013 in the prepared meats business;
- higher raw material and inflationary costs in the prepared meats business;
- lower sales volume in the prepared meats business in the first quarter, that improved for the remainder of the year;
- lower sales volume in the fresh pork business;
- lower export margins, primarily to the Japanese market, in the fresh pork business;
- transitional costs associated with implementing the prepared meats strategy, including manufacturing and distribution inefficiencies associated with operating parallel legacy facilities;
- lower contributions from hedging programs in the hog production business;

- changes in fair value of non-designated interest rate swaps, biological assets, and gains/losses on commodity futures contracts;
- lower selling, general and administrative expenses;
- restructuring and other related costs;
- divestiture of the Company's potato processing facility during the first quarter of 2013;
- poultry quota assets that were sold in the second quarter of 2013, and subsequent sale in the third quarter of 2013;
- sale of the turkey agricultural operations in the third quarter of 2013;
- gain related to the de-designation of interest rate swaps from a hedge accounting relationship in the third quarter of 2013;
- gain due to a pension curtailment related to the discontinued operations of the Rothsay business in the third quarter of 2013;
- recoveries from insurance claims;
- sale of an investment property in Aurora, Ontario, in the third quarter of 2013; and
- recognition of legal and other professional fees associated with acquisitions and divestitures.

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 2014 FOURTH QUARTER RESULTS

The following is a summary of sales by business segment:

($ millions) (Unaudited)	Fourth Quarter 2014	2013	Change
Meat Products Group	**$ 789.7**	$ 743.7	6.2%
Agribusiness Group	**4.3**	4.6	(6.6)%
Total Sales(i)	**$ 794.0**	$ 748.3	6.1%

(i) *2013 figures have been restated for the classification of the Bakery Products Group as discontinued operations. Refer to Note 25 of the Company's 2014 audited consolidated financial statements.*

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

($ millions) (Unaudited)	Fourth Quarter 2014	2013	Change
Meat Products Group	**$ (19.1)**	$ (42.6)	$ 23.6
Agribusiness Group	**5.4**	(10.0)	15.4
Protein Group	**$ (13.7)**	$ (52.6)	$ 38.9
Non-Allocated Costs in Adjusted Operating Earnings(ii)	**–**	(3.4)	3.4
Adjusted Operating Earnings(i)	**$ (13.7)**	$ (56.0)	$ 42.3

(i) *2013 figures have been restated for the classification of the Bakery Products Group as discontinued operations. Refer to Note 25 of the Company's 2014 audited consolidated financial statements.*

(ii) *Non-allocated costs comprise 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.*

Sales of $794.0 million for the fourth quarter increased 6.1% from last year, or 5.1% after adjusting for the impacts of foreign exchange, due to higher pricing across the Meat Products Group, offset by lower volumes in the prepared meats business.

Adjusted Operating Earnings for the fourth quarter was a loss of $13.7 million compared to a loss of $56.0 million last year, due to the factors discussed below.

During the second quarter of 2014, the Company implemented a price increase in its prepared meats business in response to rising raw material costs. This pricing action addressed the increase in input costs, however volumes in the quarter continued to be negatively impacted.

The fresh pork business experienced higher earnings as the benefit from declining hog input prices more than offset the impact of lower hog supplies in Western Canada. Earnings in the fresh poultry business were slightly improved over the fourth quarter last year, as improved poultry processing margins more than offset operational variances.

The prepared meats business incurred transitional costs of approximately $24.3 million during the fourth quarter of 2014, in line with the third quarter of 2014 and an increase from $15.3 million in the fourth quarter last year. These costs largely relate to duplicative overhead costs from legacy plants scheduled to be closed and commissioning activities at the new prepared meats facility in Hamilton, the largest in the Company's network.

In the Agribusiness Group, earnings increased primarily due to higher market prices for hogs and lower feed costs.

Net loss from continuing operations for the fourth quarter was $23.0 million (loss of $0.16 per share) compared to net loss from continuing operations of $47.9 million ($0.34 per share) last year. Adjusted Earnings per Share in the fourth quarter of 2014 was a loss of $0.08 compared to a loss of $0.41 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.

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 2014, the Company closed a number of facilities as part of its network transition under the Plan. In each case, environmental assessments were done to ensure that environmental matters were 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.

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. The Company approved a set of metrics for measuring progress on sustainability for key focus areas such as climate change, water consumption reduction and waste reduction, including food waste and moving toward greater packaging sustainability. These metrics are supported by aggressive targets to reduce the Company's environmental footprint over the next 10 years.

As part of its sustainability initiatives, the Company is pursuing LEED® Gold certification for its new meat processing plant in Hamilton, Ontario. The LEED® verification process is expected to begin in 2015. LEED® stands for Leadership in Energy and Environmental Design and is widely recognized as a green building standard.

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 a majority of its non-protein operations including potato products, rendering services, pasta products and fresh and frozen bakery operations. The Company is 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, pasta products and fresh and frozen bakery operations after the repayment of debt. There can be no assurance that the Company will return any 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. In particular, the Plan entails the construction of one large-scale facility, and the closure of eight plants, and expansion of three others. The Company has also reconfigured its distribution systems into two large distribution centers. The Plan is close to reaching its completion but considerable work still remains including the transfer of production from two remaining plants to the new large scale plant and the closure of the remaining plant.

There can be no assurance that the Company will be successful in achieving its expected benefits. 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. These include: changes in the competitive landscape; changes in foreign exchange rates; and other unforeseen events. If the benefits of the plan are not fully achieved, it could have a material adverse effect on the Company's financial condition and results of operations.

Although the construction of the new plant and the plant expansions are complete, the ramp up of production is not and opportunity exists for increased startup costs; failure to achieve operating cost efficiencies; cost overruns in construction; delays in startup in portions of the project not yet completed; disruptions to service levels during the ramp up; loss of reputation with customers and adverse impacts on the quality of the Company's products; loss of volumes in realignment of product lines; duplicate costs associated with operating a parallel supply chain until legacy facilities are closed down; and competitive pressures resulting in loss of sales during transition periods. Any of these could have a material adverse effect on the Company's financial condition and results of operations.

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 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 pledge of 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. The Company has largely completed an initiative to replace its information systems with SAP, an integrated enterprise-wide computing system. However, there cannot be any guarantee that the implementation 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, as a result of food processing, 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. Any of these events could have a material adverse impact on the Company's financial condition and results of operations.

Business Acquisitions, Divestitures, and Capital Expansion Projects

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

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

Pension Plan Assets and Liabilities

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

Hog and Pork Market Cyclicality and Supply

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

Livestock

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

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

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

Maple Leaf Foods 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.

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 (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 customer; 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 12,000 full-time and part-time employees, which include salaried and union employees, many of whom are covered by collective agreements. These employees are located in various jurisdictions, each such jurisdiction having differing employment laws. While the Company maintains systems and procedures to comply with the applicable requirements, there is a risk that failures or lapses by individual managers could result in a violation or cause of action that could have a material adverse effect on the Company's financial condition and results of operations. Furthermore, if a collective agreement covering a significant number of employees or involving certain key employees were to expire or otherwise cease to have effect leading to a work stoppage, there can be no assurance that such work stoppage would not have a material adverse effect on the Company's financial condition and results of operations. The Company's success is also dependent on its ability to recruit and retain qualified personnel. The loss of one or more key personnel could have a material adverse effect on the Company's financial condition and results of operations.

Product Pricing

The Company's profitability is dependent, in large part, on the Company's ability to make pricing decisions regarding its products that, on one hand encourage consumers to buy, yet on the other hand recoup development and other costs associated with those products. Products that are priced too highly 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. Failure to properly adapt to changes in strategic risks (such as changes in technology, the food industry, customers, consumers, and competitors, among other things) 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 International Financial Reporting Standards ("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 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 Management judgement and estimation.

The values associated with intangible assets and goodwill involve 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 these 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 (loss) 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 10, 11, 12, 13 and 21 of the Company's 2014 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.

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 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 lower, 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 (loss) 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 (loss) 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, accrued liabilities, net earnings, and comprehensive income (loss) 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 liabilities and comprehensive income (loss) 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:

	2014	2013
Weighted average discount rate used to calculate the net benefit plan expense	**4.50%**	3.75%
Weighted average discount rate used to calculate year end benefit obligation	**3.75%**[i]	4.50%
Rate of salary increase	**3.50%**	3.50%
Medical cost trend rates	**5.00%**	5.50%

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

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

			Increase (decrease) in defined benefit obligation		
Actuarial Assumption *($ thousands)*		**Sensitivity**	**Total pensions**	**Other post-retirement benefits**	**Total**
Period end Discount rate	3.75%	0.25% decrease	$ 35,489	$ 1,706	$ 37,195
		0.25% increase	$ (34,422)	$ (1,542)	$ (35,964)
Rate of salary increase	3.50%	0.50% increase	$ 3,183	N/A	$ 3,183
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	$ 32,528	$ 1,979	$ 34,507

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, future deferred tax assets and liabilities, net earnings, and comprehensive income (loss) 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 (loss) in future periods.

Stock-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 stock-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 (loss) in future periods.

Some of the Company's stock-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 (loss) 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 (loss) in future periods.

SIGNIFICANT ACCOUNTING POLICIES

Accounting Standards Adopted During the Period

For the first time beginning on January 1, 2014, 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:

Financial Assets and Liabilities

Beginning on January 1, 2014, the Company adopted the amendments to IAS 32 Financial Instruments: Presentation on a retrospective basis with restatement. The amendments to IAS 32 clarify when an entity has a legally enforceable right to offset, as well as clarify, when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement. The adoption of the amendments to IAS 32 did not have a material impact on the Company's consolidated financial statements.

Levies

Beginning January 1, 2014, the Company adopted International Financial Reporting Interpretations Committee ("IFRIC") 21 Levies on a retrospective basis with restatement. This IFRIC is applicable to all levies other than outflows that are within the scope of other standards, fines, or penalties for breaches of legislation. The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payments, as identified by the relevant legislation, occurs. The adoption of IFRIC 21 did not have a material impact on the Company's consolidated financial statements.

Novation of Derivatives and Continuation of Hedge Accounting

Beginning January 1, 2014, the Company adopted IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39 Financial Instruments: Recognition and Measurement). The amendments added a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when novation that was not contemplated in the original hedging documentation meets specific criteria. The adoption of the amendments to IAS 39 did not have a material impact on the Company's consolidated financial statements.

Annual Improvements to IFRS (2010 - 2012)

Beginning on July 1, 2014, the Company adopted, on a prospective basis, the amendments to IFRS 2 Share-based Payments included in the annual improvements to IFRS (2010-2012). The amendment clarified the terms of vesting conditions. 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

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. The standard is effective for annual periods beginning on or after January 1, 2017; 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 at the date of initial application 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, 2017. The extent of the impact of adoption of IFRS 15 has not yet been determined.

Employee Benefits

In November 2013, the IASB published amendments to IAS 19 Employee Benefits. The effective date for these amendments is annual periods beginning on or after July 1, 2014. These amendments are to be applied retrospectively. IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. IAS 19 requires such contributions 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 Company intends to adopt the amendments to IAS 19 in its consolidated financial statements for the annual period beginning January 1, 2015. The Company does not expect the adoption of the amendments to IAS 19 to have a material impact on the Company's consolidated financial statements.

Annual Improvements to IFRS (2010 – 2012), (2011 – 2013), and (2012 – 2014) Cycles

In December 2013, the IASB issued narrow-scope amendments to a total of 12 standards as part of its annual improvements process. Amendments were made to clarify items 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. Special transitional requirements have been set for some of these amendments. Most amendments will apply prospectively for annual periods beginning on or after July 1, 2014; earlier application is permitted. The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning January 1, 2015 and 2016. The extent of the impact of the adoption of the amendments have 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 measurements, 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.

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, 2014, 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, 2014, and ended on December 31, 2014, 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 ("COSO 2013"), 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, and Net Cash (Debt). 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, 2014			
($ thousands)	**Meat Products Group**	**Agribusiness Group**	**Unallocated costs**	**Consolidated**
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				**130,844**
Change in the fair value of non-designated interest rate swaps				**(6,275)**
Other (income) expense	**4,462**	**(1,313)**	**13,455**	**16,604**
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 commodity 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 2014 audited consolidated financial statements for further details regarding biological assets.*

(ii) *Realized and unrealized gains/losses on commodity futures contracts are reported within cost of goods sold in the Company's 2014 audited consolidated financial statements.*

(iii) *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.*

(iv) *Figures exclude the results from the Bakery Products Group. The Bakery Products Group results are reported as discontinued operations as disclosed in Note 25 of the Company's 2014 audited consolidated financial statements.*

	December 31, 2013			
($ thousands)	Meat Products Group	Agribusiness Group	Unallocated costs	Consolidated
Loss from continuing operations				$ (141,425)
Income taxes				(51,500)
Loss before income taxes from continuing operations				$ (192,925)
Interest expense and other financing costs				68,872
Change in the fair value of non-designated interest rate swaps				(2,022)
Other (income) expense	(47,745)	(1,036)	(22,960)	(71,741)
Restructuring and other related costs	73,466	–	1,745	75,211
Earnings (loss) from Continuing Operations	$ (86,192)	$ (38,258)	$ 1,845	$ (122,605)
Decrease (increase) in fair value of biological assets[(i)]	–	–	(13,540)	(13,540)
Unrealized (gain) loss on commodity futures contracts[(ii)]	–	–	(315)	(315)
Adjusted Operating Earnings[(iii)]	$ (86,192)	$ (38,258)	$ (12,010)	$ (136,460)

(i) *Refer to Note 7 of the Company's 2014 audited consolidated financial statements for further details regarding biological assets.*

(ii) *Realized and unrealized gains/losses on commodity futures contracts are reported within cost of goods sold in the Company's 2014 audited consolidated financial statements.*

(iii) *Figures exclude the results from the Bakery Products Group. The Bakery Products Group results are reported as discontinued operations as disclosed in Note 25 of the Company's 2014 audited consolidated financial statements.*

Adjusted Earnings per Share

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

	December 31,	
($ per share)	**2014**	2013(i)
Basic earnings (loss) per share from continuing operations	**$ (1.51)**	$ (1.01)
Restructuring and other related costs(ii)	**0.36**	0.40
Items included in other income not considered representative of on-going operations(iii)	**0.08**	(0.39)
Change in the fair value of non-designated interest rate swaps(iv)	**(0.03)**	(0.01)
Change in the fair value of unrealized (gain) loss on commodity futures contracts(iv)	**(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)**	$ (1.08)

(i) *2013 figures have been restated for the classification of the Bakery Products Group as discontinued operations. Refer to Note 25 of the Company's 2014 audited consolidated financial statements.*

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

(iii) *Includes gains/losses associated with non-operational activities, including gains/losses related to restructuring activities, business combinations, discontinued operations, assets held for sale, and hedge ineffectiveness recognized in earnings, all net of tax.*

(iv) *Includes per share impact of the change in fair value of non-designated interest rate swaps, unrealized and realized (gains) losses on commodity 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, $12.7 million in financing costs, and a $9.6 million loss transferred from accumulated other comprehensive income into earnings related to the settlement of interest rate swaps that are no longer designated as hedging instruments.*

(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.*

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

Adjusted Earnings Before Interest, Tax, Depreciation, and Amortization

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

	December 31,	
($ thousands)	**2014**	2013(i)
Loss from continuing operations	**$ (213,813)**	$ (141,425)
Income taxes	**(74,556)**	(51,500)
Loss before income taxes from continuing operations	**$ (288,369)**	$ (192,925)
Interest expense and other financing costs	**130,844**	68,872
Items included in other income not representative of on-going operations(ii)	**14,974**	(64,547)
Restructuring and other related costs	**67,592**	75,211
Change in the fair value of non-designated interest rate swaps, biological assets and unrealized and realized (gains) losses on commodity futures contracts	**(10,892)**	(15,877)
Modification impact to long-term incentive plan(iii)	**8,734**	–
Depreciation and amortization	**91,955**	80,587
Adjusted EBITDA	**$ 14,838**	$ (48,679)

(i) *2013 figures have been restated for the classification of the Bakery Products Group as discontinued operations. Refer to Note 25 of the Company's 2014 audited consolidated financial statements.*

(ii) *Includes gains/losses associated with non-operational activities, including gains/losses related to restructuring activities, business combinations, discontinued operations, assets held for sale, and interest income.*

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

Net Cash (Debt)

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

	December 31,	
($ thousands)	**2014**	2013
Bank indebtedness	**$ –**	$ (4,408)
Current portion of long-term debt	**(472)**	(209,780)
Long-term debt	**(10,017)**	(744,212)
Sub total	**$ (10,489)**	$ (958,400)
Cash and cash equivalents	**496,328**	506,670
Net Cash (Debt)	**$ 485,839**	$ (451,730)

Return on Net Assets

Return on Net Assets 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 less cash, deferred tax assets and non-interest bearing 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 debt repayment; expectations regarding acquisitions and divestitures; the timing of old plant closures and job losses; LEED certification; expectations regarding the adoption of new accounting standards and the impact of such adoption on financial position; expectations regarding sufficiency of the allowance for uncollectible accounts; and expectations regarding pension plan performance and future pension plan liabilities and contributions. 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 implementing and executing the Value Creation Plan;
- 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 EBITDA margins; capital expenditures; cash costs; and non-cash restructuring charges. 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.