forward thinking 09

Maple Leaf Foods Inc.

ANNUAL REPORT 2009

financial review

This Management Discussion and Analysis ("MD&A") provides management's perspective on the results of operations and financial condition for Maple Leaf Foods Inc. This MD&A should be read in conjunction with the audited annual financial statements and notes presented in this report.

The Board of Directors, on the advice of its Audit Committee, approved the contents on this MD&A on February 23, 2010.

management's discussion and analysis

THE BUSINESS

Maple Leaf Foods Inc. ("Maple Leaf" or the "Company") is a leading Canadian value-added meats, meals and bakery company committed to delivering quality food products to consumers around the world. Headquartered in Toronto, Canada, the Company employs approximately 23,500 people at its operations across Canada and in the United States, Europe and Asia.

FINANCIAL OVERVIEW

In 2009, Adjusted Operating Earnings(i) increased to $196.1 million from $128.4 million in 2008, and Adjusted Earnings per Share(i) increased to $0.57 compared to $0.29 in the prior year. Basic earnings per share from continuing operations increased to $0.40 per share from a $0.29 loss per share in the prior year. All figures are reported in Canadian dollars except as otherwise specified.

The improvement in Adjusted Operating Earnings in 2009 was driven primarily by the following factors:

1. Substantial progress in the recovery of volumes and margins in the prepared meats and meals business in 2009 following a product recall in August 2008, which significantly impacted operations and results;
2. The normalization of margins in the bakery business due mostly to the combination of prior year price increases and the decline of commodity costs during 2009;
3. The benefits realized from the Company's restructuring of hog production and primary pork processing as the Company largely completed its three-year strategy to refocus its operations on value-added meat, meals and bakery businesses; and
4. Increased earnings in the Company's poultry operations due to better markets and lower operating costs.

Partially offsetting these improvements in Adjusted Operating Earnings was an increase in pension expense of $29 million.

SELECTED FINANCIAL INFORMATION

Following is a summary of audited financial information for the three years ended December 31:

(millions of dollars except Earnings Per Share ("EPS") information)	**2009**	2008	2007
Sales	**$ 5,221.6**	$ 5,242.6	$ 5,209.6
Adjusted Operating Earnings(i)	**$ 196.1**	$ 128.4	$ 199.1
Net earnings (loss) from continuing operations	**52.1**	(36.9)	(23.2)
Net earnings (loss)	**52.1**	(36.9)	195.0
Basic EPS	**$ 0.40**	$ (0.29)	$ 1.53
Diluted EPS	**0.39**	(0.29)	1.50
Basic EPS from continuing operations, as reported	**0.40**	(0.29)	(0.18)
Diluted EPS from continuing operations, as reported	**0.39**	(0.29)	(0.18)
Adjusted EPS from continuing operations(i)	**0.57**	0.29	0.51
Total Assets	**$ 3,057**	$ 3,452	$ 2,998
Net Debt(i)	**$ 1,016**	$ 1,023	$ 855
Return on net assets (RONA)(i)	**5.9%**	3.4%	6.7%
Cash flow from continuing operations	**$ 89.2**	$ 195.5	$ 122.8
Cash dividends per share	**$ 0.16**	$ 0.16	$ 0.16

(i) Refer to Non-GAAP measures on page 2.

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NON-GAAP MEASURES

The Company reports its financial results in accordance with Canadian GAAP. However, the Company has included certain non-GAAP financial measures and ratios in this analysis that Management believes will provide useful insight into the financial performance and condition of the Company. These measures do not have a standardized meaning prescribed by Canadian GAAP and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to other financial measures determined in accordance with Canadian GAAP. Non-GAAP measures referred to in this analysis include:

a) Adjusted Operating Earnings

Adjusted Operating Earnings is defined as earnings (loss) from continuing operations before one-time direct product recall, restructuring and other related costs and other income (expense). Management believes that this is the most appropriate basis on which to evaluate operating results, as one-time direct product recall, restructuring and other related costs are not representative of continuing operations.

b) Adjusted EPS

Adjusted EPS is defined as basic earnings (loss) per share from continuing operations adjusted for the impact of one-time direct product recall, restructuring and other related costs, net of taxes. Following is a reconciliation of EPS from continuing operations as reported in the Company's consolidated financial statements to Adjusted EPS. Management believes this is the most appropriate basis on which to evaluate financial results, as product recall, restructuring and other related costs are not representative of continuing operations.

Reconciliation of Basic EPS to Adjusted EPS:

(Per share)	**2009**	2008	2007
EPS from continuing operations	**$ 0.40**	$ (0.29)	$ (0.18)
One-time direct product recall	**–**	0.22	–
Restructuring and other related costs	**0.17**	0.36	0.81
Tax benefit from lower future tax rates(i)	**–**	–	(0.08)
Tax benefit related to animal nutrition business(ii)	**–**	–	(0.04)
Adjusted EPS from continuing operations	**$ 0.57**	$ 0.29	$ 0.51

(i) During 2007, the Company recorded a net tax benefit of $9.9 million related to the enactment of lower future tax rates.

(ii) In the second quarter of 2007, the Company recorded a non-recurring tax benefit of $5.1 million related to the sale of its animal nutrition business.

c) Return on Net Assets ("RONA")

RONA is calculated by dividing tax-effected earnings from continuing operations before product recall, restructuring and other related costs and before interest by average monthly net assets. Net assets are defined as total assets less cash, future tax assets and non-interest bearing liabilities. Management believes that RONA is an appropriate basis on which to evaluate long-term financial performance and the Company has established a long-term objective for RONA of 11.5%.

d) Earnings Before Interest, Tax, Depreciation and Amortization ("EBITDA")

EBITDA is calculated as earnings from continuing operations before product recall, restructuring and other related costs and before interest and income taxes plus depreciation and intangible asset amortization. The Company measures its credit quality using a number of ratios, primarily net debt to EBITDA and EBITDA to interest expense.

e) Net Debt

Net debt is calculated as long-term debt and bank indebtedness, less cash and cash equivalents.

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DISCUSSION OF FACTORS IMPACTING THE COMPANY'S OPERATIONS AND RESULTS

Fluctuating Input Prices

"Food for Fuel" initiatives sponsored by the U.S. Government have resulted in increased demand for grains, in particular corn that is used for ethanol production, and decreased land set aside for other crops such as wheat.

Combined with strong demand from export markets and shortfalls in world crops, this resulted in unprecedented increases during 2007 and early 2008 in the prices of commodities including wheat, corn, barley, soybeans, and crude oil. In the last months of 2008, commodity and fuel prices started to decline, and remained lower throughout 2009 compared to 2008. Crude oil prices progressively and steadily increased throughout 2009, although not to the extent of the mid-2008 increase, which reflected expectations of a global economic recovery and overall higher oil consumption.

As a result, overall input costs and freight and distribution costs were lower in 2009, which contributed to the restoration of the Company's cost structure and margins closer to historical expectations.

Market prices for hogs declined in 2009. Difficult markets and industry-wide losses for hog producers in North America were partially offset by reduced corn and barley prices which lowered feed costs. Hog producers also benefited from a weaker Canadian dollar compared to average rates in 2008, which increased the value of Canadian hogs.

The decline in commodity prices, particularly soybeans and soy oil, resulted in lower selling prices in the rendering by-products business.

Reduced fresh meat prices, and in particular reduced fresh pork values, lowered input costs of the Company's further processed meats and meals business. The extent of this decline was partially offset by a weaker Canadian dollar in the first nine months of 2009 as it increased the Canadian cost of ingredients priced in U.S. dollars.

The bakery business benefited from lower input costs in 2009, mostly due to a reduction in wheat, dairy and fuel prices, which constitute the main input costs in these businesses.

The following table outlines the change in key commodity indicators that have impacted the Company's business and financial results:

At December 31(i)		*Annual Averages*			
	2009	**2009**	2008	Change	2007
Market Price per hog (CAD per hog)(ii)	**$ 122.81**	**$ 119.58**	$ 123.51	(3.2)%	$ 125.76
Market Price per hog (USD per hog)(ii)	**$ 116.85**	**$ 104.42**	$ 116.17	(10.1)%	$ 116.94
Wheat (USD per bushel)(iii)	**$ 5.45**	**$ 6.06**	$ 10.37	(41.6)%	$ 6.41
Corn (USD per bushel)(iii)	**$ 4.15**	**$ 3.76**	$ 5.31	(29.2)%	$ 3.80
Soybeans (USD per bushel)(iii)	**$ 10.00**	**$ 10.20**	$ 12.35	(17.4)%	$ 8.72
Oil (USD per barrel)(iii)	**$ 79.39**	**$ 61.95**	$ 99.67	(37.8)%	$ 70.88

(i) Spot prices for the week ended January 1, 2010 based on CME (Ontario hogs) or WCB (Western Canada hogs) (Source: USDA)

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

(iii) Daily close prices (Sources: Bloomberg, CBOT, Minneapolis Wheat Exchange)

Impact of Currency

Following the trend that began in the fourth quarter of 2008, the Canadian dollar weakened in 2009 compared to the prior year. A weaker Canadian dollar improves the competitiveness of the Company's hog production and primary pork processing operations. Conversely, it increases the cost of input materials and ingredients in the domestic branded and private label prepared meats and meals, and fresh bakery businesses. Over time, these businesses have the ability to react to changes in relative competitiveness by price management, reducing costs or investing in value-added products.

Hog production operations are exposed to the U.S. dollar, as the sales value of hogs is pegged to the U.S. dollar. A weaker Canadian dollar in 2009 increased the selling price of Canadian hogs compared to the prior year; however, the benefits were realized on a reduced number of hogs in 2009.

The weaker Canadian dollar in 2009 contributed to higher earnings recorded in the Company's primary pork processing operations as the Company continues to export a significant amount of its fresh pork, pending the sale of two of its three remaining primary processing facilities, in Burlington, Ontario and Lethbridge, Alberta. The completion of these divestitures will materially reduce the Company's number of hogs processed, and the Company's exposure to currency-affected exports.

The incremental costs of U.S. dollar-based raw materials and ingredients due to a weaker Canadian dollar in 2009 were not fully recovered in the prepared meats and meals business as these operations were focused on recovering from operational disruptions following a product recall in 2008.

The following table outlines the change in key currency indicators that have affected the Company's business and financial results:

	Average rate change [(i)]	
Canadian dollar strengthened/(weakened) Against	**Between 2009 and 2008**	Between 2009 and 2002
the U.S. dollar by:	**(7)%**	38%
the Japanese yen by:	**(16)%**	3%

(i) % change in average rate calculated using daily closing rates (Source: Bank of Canada)

Economic Downturn

Management does not believe that the economic downturn had a material impact on the Company's operations and earnings in 2009. The Company did experience a decline in the sales of premium specialty items in its U.K. bakery operations. The Company is not able to predict whether the economic environment will change in 2010, and whether it will positively or negatively impact the Company's results in the coming periods.

Completion of the Protein Group Reorganization

In October 2006, the Company began the execution of a comprehensive strategy to significantly increase the profitability of its meat products portfolio by shifting focus to growth in its value-added meats and meals business and away from primary processing and agricultural-based businesses. This strategy, formulated in part as a response to material changes in the Company's competitive position as a result of the strengthening Canadian dollar, was materially complete by the end of 2009. The Company had initially estimated that the protein restructuring would deliver incremental annualized earnings of over $100 million. This incremental earnings target was achieved in 2009 as the majority of the restructuring initiatives had been completed.

The following initiatives were the key drivers of the transformational change and contribution to earnings:

- The consolidation of four primary pork processing plants into one state-of-the-art facility in Brandon, generating scale efficiencies and enabling the closure of three facilities.
- The expansion of a competitive ham-boning facility in Winnipeg close to the Brandon pork processing facility enabled consolidation of all ham-boning into a single facility, driving synergies and reduced costs.

- The commissioning of two new distribution centres in Western Canada reduced the Company's reliance on third-party storage and lowered transportation costs.
- The divestiture of hog production operations in Alberta and Ontario and the close proximity of remaining assets to the Brandon pork processing plant completed the vertical integration of hog production and pork primary processing operations, reducing costs in a focused, completely owned hog production system, and reducing earnings volatility as the number of hogs owned by the Company reduced from over 1,200,000 prior to the restructuring to 890,000 in 2009. As the hog production industry has remained unprofitable in North America in the last several years, the downsizing of these operations combined with operational improvements resulted in reduced losses in 2009. The Company also divested all of its hog genetics operations, which were considered non-core activities.
- The closure of a sub-scale poultry primary processing plant resulted in increased capacity utilization in the Company's other facilities and contributed to reduced operating costs.
- The wind down of commodity-based international selling operations reduced the overhead base. Specifically, in 2007, the Company wound down its export division which was primarily focused on commodity-based products as part of its strategy to focus on value-added meats and meals businesses. As a result, operating costs associated with the export division of the Company were eliminated.

The sales of both the Burlington and Lethbridge pork processing plants were originally part of the restructuring plan and have not yet been completed. These plants process over two million hogs annually and the sale of these facilities, once complete, will finalize the consolidation of all the Company's primary pork processing plants in the Brandon plant in Manitoba. The divestitures, once completed, will also materially reduce the number of hogs processed from 7.5 million in 2006 to approximately 4.3 million annually. As a result, the Company's exposure to pork commodity and export markets will be reduced, and the Company's remaining hog processing capacity will be aligned to the pork supply needs of the value-added prepared meats and meals business. In 2009, the Company processed approximately 6.8 million hogs. At the end of 2008, the Company had commenced marketing the sale of its pork processing facility in Burlington, Ontario. However, the sale process was suspended in the first quarter of 2009 due to difficult credit markets. The Company expects to resume the sale process during 2010.

Accelerate Growth and Build Scale: A New Agenda

As the Protein Group restructuring is largely complete and the recovery from the 2008 recall is progressing, Management is focusing on other strategic initiatives. Opportunities have been identified to drive organic growth, build food safety excellence and increase supply chain efficiencies. These initiatives are designed to leverage the Company's strengths in the higher margin, fresh and further processed meats, meals and bakery businesses and the reconfigured network of protein assets.

Drive organic growth through innovation and deeper relationships with strategic customers

The Company's goal is to deliver higher sustained levels of profitable growth by expanding its product offering into new categories while leveraging its market-leading brands.

In March 2009, the Company opened the ThinkFOOD! centre, a state-of-the-art food innovation centre located near Toronto, Ontario. ThinkFOOD! is designed to accelerate the marketing of new products by bringing together product developers, consumer researchers and culinary experts. ThinkFOOD! also provides a world-class facility to engage with customers in an environment that replicates their own merchandising and food preparation facilities.

In 2009, the Company launched a new customer alignment process, designed to further increase the Company's alignment with its customers' strategies and needs and identify opportunities for value-added solutions while aligning resources across all functions.

Continue to build on food safety excellence

In 2009, the Company performed an extensive review of its food safety procedures and of worldwide best practices. Following this review, the Company launched several initiatives:

- A new food safety organizational structure was established. This new structure is designed to build expertise, share knowledge and ensure a consistent approach across the Company.
- Increased testing and sanitation processes were implemented, primarily in the prepared meats operations. The Company also started to use food safety technologies such as ultra high pressure and introduced antimicrobial ingredients in its prepared meats products.

Other initiatives were identified, including complying with the Global Food Safety Initiative, a recognized food safety global standard, ensuring suppliers and co-packers adhere to the Company's standards, the promotion of regulations and practices that raise food safety standards across the industry and an increase in public education and outreach.

Increase efficiency and optimize supply chain

The value-added meats and meals and the fresh bakery businesses have largely grown due to acquisitions completed over the last decade. This has resulted in extensive plant networks across Canada which offer opportunities for consolidation. Over the next few years, the Company expects to reduce costs through investments that build scale, and drive higher operating efficiencies, while providing the capacity to support organic growth and the evolving needs of customers.

In January 2010, the Company announced its plan to build a new scale fresh bakery plant in southwestern Ontario, which will ultimately replace three existing older and smaller facilities located in Ontario. Management expects that the investments required to build the new plant will be approximately $100 million, with an additional $25 million of restructuring and other one-time costs for decommissioning and employee severance payments. The new plant is expected to start operations within a year of beginning construction while the closure of the existing older plants is expected to start towards the end of 2011.

Systems Conversion

The Company has embarked on an initiative to consolidate all of its information technology systems on to a single platform, in order to standardize processes, reduce costs and create a consolidated shared services platform. At the end of 2008, Management selected SAP software as its new platform and carefully designed an implementation plan to reduce risks and disruptions to the Company's operations during the conversion.

In 2009, the Company successfully completed the installation of three SAP modules and installed the software in its North American Frozen Bakery operations with no material operational disruptions. Further operational installations, which will involve larger and more complex operations in the prepared meats and meals, and fresh bakery businesses, are planned for 2010.

Management expects that the installation of the new systems will be substantially complete by the end of 2012.

OPERATING SEGMENTS

The Company reports in three segments: the Meat Products Group, the Agribusiness Group and the Bakery Products Group.

The Meat Products Group comprises value-added packaged meats; chilled meal entrees and lunch kits; and value-added fresh pork, poultry and turkey products.
The Agribusiness Group operations include hog production and animal by-products recycling.

The combination of the Company's Meat Products Group and the Agribusiness Group comprises the Protein Group, which reflects the results of producing and marketing animal protein-based products.

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The Bakery Products Group comprises Maple Leaf's 89.8% ownership in Canada Bread Company, Limited ("Canada Bread"), a producer of fresh and frozen value-added bakery products, and specialty pasta and sauces.

OPERATING REVIEW

Sales from continuing operations by business segment for the three years ended December 31 are as follows:

Sales *($ millions)*	**2009**	2008	Change	2007
Meat Products Group	**$ 3,310.4**	$ 3,303.7	0.2%	$ 3,458.0
Agribusiness Group(i)	**206.1**	233.0	(11.6)%	241.0
Protein Group	**$ 3,516.5**	3,536.7	(0.6)%	3,699.0
Bakery Products Group	**1,705.1**	1,705.9	0.0%	1,510.6
Total Sales	**$ 5,221.6**	$ 5,242.6	(0.4)%	$ 5,209.6

(i) Agribusiness Group excludes the sales of the animal nutrition business, which was sold in 2007 and is reported as discontinued operations in 2007.

Sales in 2009 declined to $5,221.6 million from $5,242.6 million in the prior year, driven by lower sales in the Agribusiness Group due to the strategic divestiture of hog production operations in 2008. Sales in the Meat and Bakery Products Groups were largely consistent with the prior year.

Adjusted Operating Earnings by business segment for the three years ended December 31 are as follows:

Adjusted Operating Earnings *($ millions)*	**2009**	2008	Change	2007
Meat Products Group	**$ 55.4**	$ 29.5	88.0%	$ 94.1
Agribusiness Group(i)	**48.0**	30.1	59.4%	(6.6)
Protein Group	**103.4**	59.6	73.5%	87.5
Bakery Products Group	**102.2**	83.0	23.1%	119.3
Non-allocated costs(ii)	**(9.5)**	(14.2)	(33.2)%	(7.7)
Total Adjusted Operating Earnings	**$ 196.1**	$ 128.4	52.7%	$ 199.1

(i) Agribusiness Group excludes the results of the animal nutrition business, which was sold in 2007 and is reported as discontinued operations in 2007.
(ii) Non-allocated costs comprise costs related to system conversion and consulting fees. Management believes that not allocating these costs provides a more comparable assessment of segmented operating results.

Meat Products Group

(value-added processed packaged meats; chilled meal entrees and lunch kits; value-added pork, poultry and turkey products)

Meat Products Group sales were $3,310.4 million in 2009, largely consistent with the prior year. Poultry sales increased in 2009 due to improved industry market values. Offsetting this was a decline in fresh pork sales due to lower market prices for fresh meat cuts that was only partly offset by a weaker Canadian dollar. Sales in the prepared meats and meals business were consistent with last year.

Adjusted Operating Earnings in the Meat Products Group were $55.4 million in 2009, compared to $29.5 million last year, due to substantial progress in the recovery of the prepared meats business from the 2008 recall and higher earnings in the Company's primary processing operations.

The 2008 recall significantly impacted the prepared meats business in the second half of the year, resulting in sales volume declines and supply chain disruptions. Additionally, the impact of rising input costs could not be passed through, while the Company was in the midst of business recovery. In 2009, significant focus and resources were committed to selling and operational initiatives to support the recovery of this business. Volumes recovered close to pre-recall levels in the first half of 2009, and have remained close to those levels in the second half. While featuring and promotional activities were increased at the start of 2009 to support volume recovery, the depth and frequency of these activities returned to normal levels by the third quarter of 2009, resulting in improved margins in the second half of 2009. In 2010, Management is focusing on growing volumes and expanding sustainable margins in prepared meats and the Maple Leaf brand. Significant progress is still required in meat products to achieve the full potential of the Protein Group.

The Company's primary pork processing operations realized a significant increase in earnings compared to 2008, mostly driven by the benefits of restructuring initiatives that were completed in 2007 and 2008. The fully double-shifted Brandon scale facility and the expansion of the Lagimodiere Road plant in Winnipeg significantly improved efficiencies and contributed to reduced operating costs. In addition, a weaker Canadian dollar partly offset poor industry market conditions in the first nine months of 2009.

Earnings in the Company's poultry operations also increased in 2009, mostly driven by improved market conditions, better yields and lower operating and feed costs.

In 2009, the Company delayed certain strategic initiatives to focus on the recovery of the prepared meats business. As substantial progress was made in the recovery of volumes and margins in this business, the Company has resumed its strategic agenda for 2010. Strategic initiatives in the coming years will focus on faster and stronger innovation, accelerated sales growth, and supply chain optimization.

Agribusiness Group
(hog production and animal by-products recycling)

Sales in the Agribusiness Group decreased 11.6% to $206.1 million in 2009 from $233.0 million last year due to the sale or exit of the Company's hog production operations in Alberta and Ontario, and its hog genetics business in 2008. Sales of rendered by-products also decreased due to reduced sales values as commodity prices declined from 2008 levels.

Adjusted Operating Earnings for the Agribusiness Group increased to $48.0 million from $30.1 million last year.

Despite poor market conditions, hog production results improved significantly over the prior year as 2009 operating earnings included the full annualized benefits from the strategic divestitures and exit of non-core activities completed in 2008. Hog production in North America continued to be unprofitable in 2009 due to depressed market prices. In this environment, the reduction in the number of hogs the Company produced resulted in lower operating losses. The annual number of hogs produced was approximately 890,000 compared to an annual run rate of 1,270,000 hogs prior to restructuring.

The decline in feed costs from peak levels reached in 2008, excellent results in herd health management and efficiencies in feed usage contributed to reduce operating costs. Concurrently, the Company's hog production operations benefited from a weaker Canadian dollar compared to the prior year, which increased the market value of hogs in Canadian dollars. Included in earnings are $9.2 million (2008: $11.8 million) related to government support to compensate hog producers for losses in prior periods.

Results in the rendering by-products and bio diesel business declined from their 2008 record levels as the normalization of commodity prices resulted in lower sales values in 2009. This was partially offset by lower operating and utility costs. Lower rendered by-product earnings were partially offset by increased bio-diesel earnings, which were supported by higher sales volumes and lower operating costs. Earnings during 2009 included $12.6 million of eco-energy credits received from the Canadian government as part of its policy to support the development of renewable energies (2008: $4.7 million). The year-over-year increase reflects a structural change in the value of such credits to renewable energy producers that should improve industry-wide economics.

Bakery Products Group

(fresh, frozen and branded value-added bakery products, including frozen par-baked bakery products, sandwiches and specialty pasta and sauces)

Sales in the Bakery Products Group were $1,705.1 million in 2009, largely consistent with the prior year. Sales increased in the fresh and frozen bakeries, and fresh pasta and sauces businesses due to price increases implemented in 2008 in response to escalating input costs; higher volumes in the fresh bakery, and fresh pasta and sauces businesses; and the favourable impact of a weaker Canadian dollar on the U.S. dollar-denominated sales. However, these increases were offset by the impact of a weaker British pound on the translation of British pound-denominated sales, lower sales volumes and an unfavourable mix shift that primarily impacted sales in the U.K. bakery operations, and lower sales volumes of fresh sandwiches. The U.K. operations were impacted by the economic downturn, more than other businesses in the Company's portfolio, as its product mix has traditionally been more focused towards premium and specialty bakery products.

Adjusted Operating Earnings in the Bakery Products Group were $102.2 million compared to $83.0 million in the prior year. Earnings in 2008 were affected by sharply higher commodity and energy prices that were not fully recovered by higher prices. In 2009, the combination of price increases implemented in the prior year and a decline in commodity costs to more usual levels helped to restore margins in the North American bakeries. The weaker Canadian dollar, which increases the cost of U.S. dollar priced flour and other ingredients, partially offset the impact of the decline in commodity input costs.

Earnings growth in the fresh bakery, and pasta and sauces businesses was also supported by increased sales volumes and capital investments. The fresh sandwich business did not meet expectations due to lower sales and higher operating costs. Management considers this business to be an important part of its growth strategy and is actively working on initiatives to improve profitability.

A reduced cost base and higher manufacturing efficiencies contributed to improved earnings in the North American frozen bakery business. These improvements resulted from the closure of a bagel facility in Toronto, Ontario, in late 2008, and the transfer of bagel production to Roanoke, Virginia, in 2009. The Roanoke bagel line was commissioned during the first quarter of 2009 and was operating at full capacity by the end of the year. Partially offsetting improved earnings in this business was the impact of sales volume softness and unfavorable product mix. Earnings in the U.K. bakery operations declined compared to 2008, driven by lower sales volumes, the related impact on manufacturing overheads and supply chain investments. In 2009, the Company received the final installments of insurance proceeds of $2.5 million (recorded in Other Income), compared to $14.7 million in 2008. These insurance proceeds covered business interruption losses and operating impacts resulting from an oven fire which occurred in 2008. A new oven was commissioned in the summer of 2008 and was operating at full capacity by the first half of 2009. Concurrently, bagel demand was restored to historical levels.

During the year, marketing and selling expenses increased mainly in support of innovation and volume growth. Several unique fresh bakery products were launched throughout 2009. The Healthy Way® with ProCardio Recipe™ line was launched in early 2009. It is the first line of fresh bakery products specifically targeting the heart health segment. Cadbury Snack Cakes were launched late in 2009, and target the premium snack category, while Oven Fresh™, an innovative line of white and multigrain fresh and par-baked breads aimed at capturing the under-developed dinner bread market was also introduced. Additionally, the focus on improving the results of the fresh sandwich business led to an increase in overall management costs compared to last year.

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GROSS MARGIN

Overall, gross margin increased to $734.2 million from $620.2 million in the prior year as a result of increased gross margins across all segments. As a percentage of sales, gross margin increased to 14.1% from 11.8% in 2008. Improved gross margin in the Protein Group reflected the continuing recovery in prepared meats, the restructuring benefits in the Company's pork primary processing and hog production operations, and improved operations and markets in the poultry operations. Gross margins in the Bakery Products Group were restored to historical levels primarily due to the combination of lower prices for commodities and prior year price increases.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses increased to $538.1 million in 2009 from $491.8 million in the prior year, primarily as a result of a $29.2 million increase in pension expense. Also contributing to the increase were selling and marketing expenses in the Bakery Products Group and increased other expenses. Partially offsetting higher costs was the impact of cost containment initiatives implemented in the Meat Products Group during the year. These initiatives included some staff reduction and the elimination of vacant positions that were made redundant by the restructuring and the reduction in administrative costs.

OTHER INCOME

Other income for the year decreased to $3.6 million from $24.9 million last year. Other income mostly comprised insurance proceeds of $2.5 million in 2009 (2008: $14.7 million) received for business interruption losses in the U.K. bakery business following an oven fire in early 2008. In 2008, other income also included insurance proceeds received for business interruption losses in the U.K. bakery business and net proceeds of $4.3 million related to a gain on disposal of a redundant warehouse facility located in Calgary, Alberta.

OTHER MATTERS

In July 2009, the Company was advised by its two largest shareholders, the Ontario Teachers Pension Plan Board ("Ontario Teachers") and McCain Capital Corporation ("MCC"), that Ontario Teachers had delivered notice to MCC to terminate, effective June 30, 2010, the shareholders agreement that has existed between them since 2001. The Company had been advised and previously reported that the agreement provides that the board of directors of the Company will consist of three nominees of MCC, two nominees of Ontario Teachers, the Chief Executive Officer of the Company and seven independent directors to be mutually agreed to by MCC and Ontario Teachers. Accordingly, absent earlier termination or amendment by the parties, the shareholders agreement will no longer be effective after June 30, 2010.

In March 2009, the courts approved a settlement agreement between the plaintiffs of class action lawsuits related to a product recall which occurred in August 2008 and the Company. The deadlines for plaintiffs to opt out of the class action settlement and pursue an independent action has passed as has the deadline for plaintiffs to file claims under the class action settlement. The settlement amount provided that the Company will pay between $25 million and $27 million, to the extent claims and costs may exceed $25 million, in full and final settlement of all claims, applicable taxes, class counsel fees and expenses, subrogation claims by provincial health insurers, trustee fees and expenses, arbitration fees and expenses and claim administration fee and expenses. The settlement amount was paid by the Company's liability insurers in 2009. The class counsel has appointed an independent administrator who is administering the compensation to be paid from the settlement amount under the supervision of the court.

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On February 23, 2010, Maple Leaf Foods Inc. declared a dividend of $0.04 per share payable March 31, 2010 to shareholders of record at the close of business on March 10, 2010. Unless indicated otherwise by the Company in writing at or before the time the dividend is paid, this dividend will not be considered an eligible dividend for the purposes of the "Enhanced Dividend Tax Credit System".

It is currently anticipated, that all dividends the Company will pay in 2010 will not be considered an eligible dividend for the purposes of the "Enhanced Dividend Tax Credit System".

PRODUCT RECALL, RESTRUCTURING AND OTHER RELATED COSTS

During 2009, the Company recorded restructuring and other related costs of $31.1 million ($22.8 million after-tax). Of these costs, $22.1 million related to severance and lease termination costs in the Company's further processed protein operations. The Company's bakery business announced the consolidation of its pasta and sandwich operations and recorded $3.5 million which included severances and a write-down of $1.2 million related to the discontinuance of the Martel brand name. The balance of the restructuring costs was on-going costs incurred in connection with previously announced restructuring initiatives of the Company.

During 2008, the Company recorded product recall, restructuring and other related costs of $102.8 million ($74.5 million after-tax). The Company recorded approximately $37.5 million ($27.4 million after-tax) in direct costs related to a voluntary recall in August 2008.

The 2008 restructuring and other related costs of $65.3 million ($47.1 million after-tax) resulted from the restructuring of the Company's hog production assets, the closure of a primary pork processing facility in Manitoba, the closure of a bagel facility in Toronto, Ontario, and the write-off of certain assets made redundant by the Company's decision to replace its computer systems with an enterprise-wide software system.

Details of these restructuring and other related costs are as follows:

$ millions	**2009**	2008	2007	**Total**
Protein group restructuring	**$ 22.3**	$ 25.1	$ 19.6	**$ 67.0**
Impairment/disposal of hog genetic business	**–**	5.0	–	**5.0**
Impairment/disposal of Ontario & Alberta hog production assets and impairment of long-lived hog production assets	**2.1**	6.8	63.1	**72.0**
Goodwill impairment related to retained operations of the animal nutrition business	**–**	–	20.7	**20.7**
Retention payments	**–**	2.7	8.7	**11.4**
Poultry plant closures	**–**	–	6.3	**6.3**
Bakery group restructuring and plant closures	**4.3**	10.5	3.9	**18.7**
Systems conversion	**2.4**	15.2	–	**17.6**
Total restructuring	**$ 31.1**	$ 65.3	$ 122.3	**$ 218.7**
Discontinued operations	**–**	–	2.7	**2.7**
Total restructuring including discontinued operations	**$ 31.1**	$ 65.3	$ 125.0	**$ 221.4**
Cash incurred and to be incurred	**$ 26.5**	$ 20.1	$ 23.2	**$ 69.8**
Non-cash	**4.6**	45.2	101.8	**151.6**
	$ 31.1	$ 65.3	$ 125.0	**$ 221.4**

management's discussion and analysis

INTEREST EXPENSE

Interest expense for the year decreased to $81.2 million compared to $88.7 million last year. The decrease is primarily due to lower short-term interest rates. The Company's average borrowing rate for 2009 was 5.1% (2008: 6.0%). As at December 31, 2009, 57.0% of indebtedness was fixed and not exposed to interest fluctuations (2008: 70.0%).

INCOME TAXES

Income tax expense for the year was $27.3 million versus a recovery of $8.5 million in 2008. A reconciliation between statutory tax rates and the Company's effective tax rate is provided in Note 18 of the Consolidated Financial Statements. The following is a discussion of certain reconciling amounts:

- During the year, the Company recorded restructuring and other related costs of $31.1 million (2008: $102.8 million) that had a tax effect of $8.3 million (2008: $28.4 million), for an effective tax rate of 26.8%. The lower tax rate was primarily driven by lower tax rates applied to deductions expected to be claimed in future years.
- During the third quarter of 2006, the Company recorded a tax expense of $21.2 million to write-down future tax assets related to its U.S. frozen bakery business. The total valuation allowance recorded on the losses related to the U.S. frozen bakery business is $24.1 million as of the end of 2009.
- The Company's income tax rate varies and could increase or decrease based on the amounts of taxable income derived and from which source, any amendments to tax laws and income tax rates and changes in assumptions and estimates used for tax assets or liabilities.

PENSION EXPENSE

Pension expense for the year was $17.8 million compared to pension income of $11.5 million in 2008. Components of pension expense are provided in Note 19 of the Consolidated Financial Statements.

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. During 2008, both equity and fixed income markets suffered significant losses worldwide. As a result, the asset return in the Company's defined benefit pension plans averaged a loss of approximately 14.5% for 2008. The effect of these investment losses began to be reflected in 2009 and was the principal driver of the $29.2 million increase in pension expense as compared to 2008.

During 2009, both equity and fixed income investments and markets experienced a recovery and the Company's defined benefit pension plans averaged a gain of approximately 17.4%. While the markets experienced a recovery, 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 contributions.

ACQUISITIONS AND DIVESTITURES

In December 2008, the Company sold its hog genetics business. The loss on disposal is included in restructuring and other related costs for 2008.

On January 29, 2008, the Company acquired the shares of Aliments Martel Inc. ("Martel"), a manufacturer and distributor of sandwiches, meals and sweet goods based in Quebec for an initial purchase price of $44.6 million plus contingent consi–deration of up to $22.6 million, based on financial performance over three years post-acquisition. During the first quarter of 2009, the Company finalized the purchase price allocation for this acquisition, allocating $15.4 million to the identifiable net tangible assets of Martel at the acquisition date and $29.2 million to goodwill and intangible assets. The acquired intangible assets include $1.5 million allocated to trademarks that are being amortized on a straight-line basis over ten years and $1.7 million allocated to customer relationships that are being amortized on a straight-line basis over 20 years. No amounts have been paid to the vendors in respect of contingent consideration.

On January 14, 2008, the Company purchased the assets of Central By-Products ("CBP"), a rendering business located near London, Ontario for $18.1 million. During the first quarter of 2009, the Company finalized the purchase price allocation for this acquisition and allocated $6.0 million to the net identifiable assets of CBP at the acquisition date and $12.1 million to goodwill.

In the first quarter of 2008, the Company sold its Ontario hog production operations and all of its wholly owned production investments in Alberta. The loss on these disposals had previously been recognized in the fourth quarter of 2007.

There were no acquisitions or divestitures in 2009.

INVESTMENTS IN CANADA BREAD COMPANY, LIMITED

On July 17, 2008, the Company purchased 458,000 additional shares in Canada Bread Company, Limited ("Canada Bread") for cash consideration of $32.6 million, increasing the Company's ownership interest in Canada Bread from 88.0% to 89.8%. During the second quarter of 2009, the Company finalized the purchase price allocation for these purchases, allocating $11.4 million of the purchase price to the net tangible assets of Canada Bread at the acquisition date, $1.1 million to intangible assets and $20.1 million to goodwill.

CAPITAL RESOURCES

The food industry segments in which the Company operates are generally characterized by high sales volume and rapid 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 prices 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, they can have a material effect on investment in working capital, primarily inventory and accounts receivable. Due to its diversity of operations, 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 to provide longer-term funding and to finance fluctuations in working capital levels.

Total debt, net of cash balances, as at December 31, 2009 was $1,015.6 million, compared to $1,022.8 million as at December 31, 2008. The decrease in debt for the year is due to cash flow from operations and the impact of changes in foreign exchange rates on the U.S. dollar-denominated debt, offset by investment in property and equipment.

Cash balances as at the end of the year were $29.3 million (2008: $365.5 million). Most of the 2008 cash balances were used to fund the Company's 2009 capital requirements and debt maturities.

Cash flow from continuing operations for the year was $89.2 million compared to $195.5 million last year. Cash generated from operating earnings was lower due to higher working capital levels. In 2008 the Company significantly reduced its working capital levels in response to the 2008 product recall, while working capital returned to more normalized levels during 2009.

CAPITAL EXPENDITURES

Capital expenditures for 2009 were $162.9 million compared to $206.2 million in 2008.

A large portion of the investment made by the Company in 2009 was related to the implementation of SAP, which will replace and harmonize the Company's systems across all its businesses. Additionally, the Company continued to invest in initiatives that were started in prior years to generate efficiencies in manufacturing, and which were fully completed in 2009. This included additional investment in the Company's double-shifted scale pork processing facility in Brandon, distribution and warehouse facilities in Western Canada, and the commissioning and ramp up of a new bagel production line in the Company's frozen bakery facility in Roanoke, Virginia. During the year, the Company completed the construction of a new state-of-the art food innovation centre, which is designed to support the Company's product development and consumer research. The construction of this new building also enabled the Company to locate all the support staff of the Company's protein operations in a single location.

As the Company focuses on internal growth and innovation, other investments were made to support the development and launch of new products. In some cases, such as new deli and sliced meat products sold in a resealable packaging, new technologies or investment in production lines were required. Other investments included capacity expansion in the Company's fresh pasta and sauce operations.

Overall, the Company's investment in capital assets in 2009 was curtailed as Management was focused on restoring earnings and cash flow in the Company's prepared meats and meals business following the product recall in August 2008. In 2009, the Company made substantial progress in the recovery of this business and also realized the targeted benefits from its protein restructuring. As earnings and cash flow generation continues to improve, capital investment will be targeted in the coming years to support the Company's new focus on supply chain optimization in its meats and meals, and fresh bakery operations.

DEBT FACILITIES

The Company is exposed to fluctuations in the prices of raw materials, seasonal and other market-related price changes. Due to the high sales volumes and rapid turnover of inventories, the impact of these price fluctuations is generally short-term. When commodity price increases are significant, it can increase the funding required for investments in working capital. These cash flow requirements are funded from current operating cash flow and existing credit facilities. Management is of the opinion that its operating cash flow and existing credit facilities provide the Company with sufficient resources to finance ongoing business requirements and its capital investment program for at least the next twelve months.

The Company's debt facilities are subject to certain restrictions and require the maintenance of certain debt and cash flow ratios. The Company was in compliance with all of the requirements of its lending agreements during 2009. At the end of the year, net debt to EBITDA was 2.9x (2008: 3.4x). Management has a long-term target range for this ratio between 2.5x and 3.5x.

The following table summarizes available and drawn debt facilities at December 31st:

($ millions)	**2009**	2008
Credit facilities		
Maple Leaf Foods Inc.	**$ 1,539.1**	$ 1,776.0
Subsidiaries	**85.6**	97.8
Total Available	**$ 1,624.7**	$ 1,873.8
Drawn amount		
Maple Leaf Foods Inc.	**$ 994.1**	$ 1,325.9
Subsidiaries	**50.9**	65.8
Letters of credit	**140.5**	128.3
Total Drawn	**$ 1,185.5**	$ 1,520.0
% drawn	**73.0%**	81.1%

To access competitively priced financing, and to further diversify its funding sources, the Company operates several accounts receivable financing facilities under which it sells certain accounts receivable to financial institutions. At year end, the Company had $174.8 million (2008: $181.3 million) of trade accounts receivable serviced under these facilities. These facilities are accounted for as an off-balance sheet transaction under Canadian GAAP. The Company's revolving securitization programs mature on June 30, 2010. The Company is currently looking at options to extend or replace these facilities. Where cost effective to do so, the Company may finance automobiles, manufacturing equipment, computers and office equipment with operating lease facilities.

CONTRACTUAL OBLIGATIONS

The following table provides information about certain of the Company's significant contractual obligations as at December 31, 2009:

Payments due by fiscal year:

($ millions)	**Total**	2010	2011	2012	2013	2014	After 2014
Long-term debt	**$ 1,040.7**	$ 206.1	$ 567.6	$ 5.6	$ 5.7	$ 213.9	$ 41.8
Cross-currency swaps related to long-term debt	**109.8**	31.9	45.0	–	–	32.2	0.7
	1,150.5	238.0	612.6	5.6	5.7	246.1	42.5
Contractual obligations including leases	**345.0**	64.6	51.9	44.1	37.2	30.0	117.2
	$ 1,495.5	$ 302.6	$ 664.5	$ 49.7	$ 42.9	$ 276.1	$ 159.7

Management is of the opinion that its cash flow 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. The Company has $238.0 million of debt, including related cross-currency swaps, maturing in 2010 and plans to use existing facilities and enter into new debt facilities in 2010 to retire debt obligations and maintain liquidity. Additional details concerning financing are set out in the Notes to the Consolidated Financial Statements.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT ACTIVITIES(i)

Through 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.

In order to limit the impact of market price fluctuations on operating results, all core hedging programs are designated as hedging relationships and managed as part of Company's hedging accounting portfolio.

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 senior debt and internal cash flows.

The Company 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, primarily net debt to EBITDA(ii) and EBITDA(ii) to interest expense.

In addition to senior debt and equity, the Company may use operating leases and limited recourse accounts receivable securitization programs as additional sources of financing.

The Company has maintained a stable dividend distribution that is based on the 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 Restricted Share Unit plan, an equity compensation program established in 2006.

For the year ended December 31, 2009, total equity increased by $46.1 million to $1,189.1 million. During the same period, total debt net of cash and cash equivalents decreased by $7.2 million to $1,015.6 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 grocery and foodservice markets. The Company performs ongoing credit evaluations of new and existing customers' financial condition and reviews the collectibility of its trade and other accounts receivable in order to mitigate any possible credit losses. The Company maintains an allowance for uncollectible accounts that represents its estimate of uncollectible amounts. The components of this allowance include a provision related to specific losses estimated on individually significant exposures and a provision based on historical trends of collections. As at December 31, 2009, the Company believes that the allowance for uncollectible accounts sufficiently covers any credit risk related to past due or impaired accounts receivable balances.

(i) For a comprehensive discussion on the Company's risk management practices and derivative exposures, please refer to the Financial Instruments note in the Financial Statements.

(ii) Refer to non-GAAP measures on page 2.

Management believes concentrations of credit risk with respect to accounts receivable is limited due to the credit quality of the Company's major customers, as well as the large number and geographic dispersion of smaller customers. The Company does, however, conduct a significant amount of business with a small number of large grocery retailers. The Company's five largest customers comprise approximately 43% of consolidated accounts receivable at December 31, 2009 (2008: 30%) and the two largest customers comprise approximately 23% (2008: 23%) of consolidated sales.

The Company is exposed to credit risk on its cash and cash equivalents (comprising primarily deposits and short-term placements with Canadian chartered banks) and non-exchange-traded derivatives contracts. The Company mitigates this credit risk by only dealing with counterparties that are major international financial institutions with long-term debt ratings of single A or better.

The Company's maximum exposure to credit risk at the balance sheet date consists 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, reducing 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, 2009, the Company had available undrawn committed credit of $393.4 million under the terms of its principal banking arrangements as well as $29.3 million in cash balances. These banking arrangements, which mature in May 2011, 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 does from time to time enter into interest rate swaps to manage its current and anticipated market exposure, and to achieve an overall desired borrowing rate.

The Company's interest rate risk arises from short and 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. The Company actively monitors the market to ensure that the desired overall funding rate, as well as the targeted proportionate fixed to variable debt mix is achieved.

As at December 31, 2009, 57% of the Company's outstanding debt was not exposed to interest rate movements (2008: 70%).

Foreign Exchange Risk

Foreign exchange risk refers to the risk that the value of financial instruments or cash flows associated with the instruments 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. The primary currencies that the Company is exposed to are the U.S. dollar through U.S.-denominated sales and borrowings, and the British pound and Japanese yen.

The Company uses cross-currency interest rate swaps to mitigate its exposure to changes in exchange rates related to U.S. dollar-denominated debt. These swaps are used primarily to effectively convert fixed rate U.S. dollar-denominated notes payable to fixed rate notes denominated in Canadian dollars, and are accounted for as cash flow hedges.

The Company uses foreign exchange forward contracts to manage exposures arising from product sales in the U.S. and Japan. All forward contracts in U.S. dollars and Japanese yen that are designated as hedges within the Company's hedge accounting portfolio and accounted for as cash flow hedges.

Commodity Price Risk

The Company is directly exposed to price fluctuations in commodities such as wheat, live hogs, fuel costs and the purchase of other agricultural commodities used as raw materials such as feed grains and wheat. In order to minimize the impact of these price fluctuations on the Company's operating results, the Company may use fixed price contracts with suppliers exchange-traded futures and options, and over-the-counter derivative products.

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

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

SEASONALITY

The Company is sufficiently large and diversified that seasonal factors within each operation and business tend to offset each other and in isolation do not have a material impact on the Company's consolidated earnings. For example, 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 processed meats operations in the summer, while back-to-school promotions support increased sales of bakery, sliced meats and lunch items in the fall. Higher demand for turkey and ham products occurs in the spring and fourth quarter holiday seasons.

SHARE CAPITAL AND DIVIDENDS

During the second quarter of 2009, the Company amended its articles to change its authorized capital by creating an unlimited number of preference shares issuable in one or more series. No preference shares have been issued.

During 2008, the Company repurchased for cancellation 1,023,000 common shares pursuant to a normal course issuer bid at an average purchase price of $11.55. The excess of the purchase cost over the book value of the shares was charged to retained earnings.

As at December 31, 2009, there were 114,774,802 voting common shares issued and outstanding (2008: 107,258,681) and 22,000,000 non-voting common shares issued and outstanding (2008: 22,000,000). The non-voting common shares carry rights identical to those of the voting common shares, except that they have no voting rights other than as specified in the Canada Business Corporations Act. Each non-voting common share is convertible at any time into one voting common share at the option of the holder. Holders of non-voting common shares have a separate class vote on any amendment to the articles of the Company, if the non-voting common shares would be affected by such amendment in a manner that is different from the holders of voting common shares.

In each of the quarters of 2009, the Company declared and paid cash dividends of $0.04 per common share (voting and non-voting). This represents a total dividend of $0.16 per common share (voting and non-voting) and aggregate dividend payments of $20.9 million (2008: $20.8 million).

PRIVATE PLACEMENT

On December 16, 2008 the Company completed the issuance, on a private placement basis, of 7,368,421 units at a price of $9.50 per unit for aggregate gross proceeds of $70 million. Each unit consisted of one subscription receipt for common shares and 0.4 common share purchase warrant. Each subscription receipt entitled the holder to receive one common share of the Company on August 4, 2009 or, at the election of the Company, the return in cash of $9.50 per subscription receipt. Each whole common share purchase warrant is exercisable into one common share of the Company until December 16, 2010 at a price of $9.50 per common share. The net proceeds after issuance costs were used for general corporate purposes.

On August 4, 2009, the Company issued 7,368,421 common shares in satisfaction of the subscription receipts that were issued on December 16, 2008. This decision, made by an independent committee of the board of directors, reflected the Company's approach to ensuring that it maintains an appropriate mix of equity and debt in its capital structure and that these levels are maintained over time.

ENVIRONMENT

Maple Leaf is committed to maintaining high standards of environmental responsibility and positive relationships in the communities where it operates. Each of its businesses 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, the use of internal environmental specialists and independent, external environmental experts. In 2009, the Company completed deployment of its Environmental Excellence program at more than 85% of its manufacturing facilities. This program establishes a standard environmental management system across the Company's various business interests. 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. 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. On the environmental front, the Company is undertaking multiple initiatives in conjunction with key customers to reduce packaging, track greenhouse gas emissions and the mileage it takes to produce and deliver food products. Increasingly sound environmental practices are becoming a key component of maintaining a competitive advantage. In 2009, the Company completed a comprehensive planning process to establish its environmental sustainability priorities and develop longer-term environmental objectives. While this process was briefly delayed due to product recall activities, priorities such as greenhouse gas and energy management, water conservation, waste reduction, packaging and supply chain environmental sustainability were established.

SUMMARY OF QUARTERLY RESULTS

Following is a summary of unaudited quarterly financial information (in thousands of dollars except per share information):

		First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Sales	**2009**	**$ 1,279,299**	**$ 1,320,803**	**$ 1,296,597**	**$ 1,324,903**	**$ 5,221,602**
	2008	1,203,263	1,355,301	1,344,334	1,339,704	5,242,602
	2007	1,316,135	1,318,773	1,301,099	1,273,633	5,209,640
Net earnings (loss) from continuing operations	**2009**	**$ 2,871**	**$ 4,899**	**$ 22,457**	**$ 21,920**	**$ 52,147**
	2008	(10)	(9,353)	(12,919)	(14,575)	(36,857)
	2007	5,266	(6,458)	1,698	(23,738)	(23,232)
Net earnings (loss)	**2009**	**$ 2,871**	**$ 4,899**	**$ 22,457**	**$ 21,920**	**$ 52,147**
	2008	(10)	(9,353)	(12,919)	(14,575)	(36,857)
	2007	10,463	(1,671)	208,244	(22,072)	194,964
Earnings per share:						
Basic from continuing operations(i)	**2009**	**$ 0.02**	**$ 0.04**	**$ 0.17**	**$ 0.16**	**$ 0.40**
	2008	0.00	(0.07)	(0.10)	(0.12)	(0.29)
	2007	0.04	(0.05)	0.01	(0.19)	(0.18)
Adjusted EPS from continuing operations(i)(ii)	**2009**	**$ 0.05**	**$ 0.12**	**$ 0.21**	**$ 0.19**	**$ 0.57**
	2008	0.04	(0.01)	0.13	0.12	0.29
	2007	0.12	0.13	0.06	0.20	0.51
Total Basic	**2009**	**$ 0.02**	**$ 0.04**	**$ 0.17**	**$ 0.16**	**$ 0.40**
	2008	0.00	(0.07)	(0.10)	(0.12)	(0.29)
	2007	0.08	(0.01)	1.62	(0.17)	1.53
Diluted from continuing operations	**2009**	**$ 0.02**	**$ 0.04**	**$ 0.17**	**$ 0.16**	**$ 0.39**
	2008	0.00	(0.07)	(0.10)	(0.12)	(0.29)
	2007	0.04	(0.05)	0.01	(0.19)	(0.18)
Total diluted	**2009**	**$ 0.02**	**$ 0.04**	**$ 0.17**	**$ 0.16**	**$ 0.39**
	2008	0.00	(0.07)	(0.10)	(0.12)	(0.29)
	2007	0.08	(0.01)	1.58	(0.17)	1.50

(i) Does not add due to rounding.
(ii) Refer to Non-GAAP Measures on Page 2.

For an explanation and analysis of quarterly results, refer to Management's Discussion & Analysis for each of the respective quarterly periods filed on SEDAR and also available on the Company's website at www.mapleleaf.ca.

RISK FACTORS

The Company operates in the food processing sector, and is therefore subject to risks and uncertainties related to these businesses that may have adverse effects on the Company's results of operations and financial position. Some of these risks and uncertainties are outlined below. Prospective investors should carefully review and evaluate the following risk factors together with all of the other information contained in this document. The risk factors described below are not the only risk factors facing the Company. The Company may be subject to risks and uncertainties not described below that the Company may currently deem insignificant.

Protein Business Strategic Transformation

The transformation of the Company's protein operations that commenced in 2006 is substantially complete. The remaining initiatives are the sales of the Burlington, Ontario and Lethbridge, Alberta primary pork processing facilities. While the Company started the process of divesting the Burlington pork processing plant in 2008, the process was suspended in April 2009 due to the economic conditions and deteriorating credit markets. In 2010 the process for the divestiture of the Burlington and Lethbridge pork processing plants may restart. While the Company has invested considerable effort in developing and executing these remaining elements of the strategy, there can be no guarantee that the Company will be successful or that its business will not be disrupted. If the strategy is unsuccessful or implemented or executed incorrectly or if the benefits of the transformation are not fully achieved, it could have a material adverse effect on the Company's financial condition and results of operations.

Systems Conversion and Standardization

The Company regularly implements process improvement initiatives to simplify and harmonize its systems and processes to optimize performance. The Company is currently undertaking an initiative to replace its information systems with SAP, an integrated ERP system. The Company has dedicated considerable resources to the implementation of SAP and carefully designed an implementation plan to reduce operational disruptions. However, there can be no guarantee that the implementation will not disrupt the Company's operations, or be completed within the identified period of time and budget. In addition, there cannot be any guarantee that the implementation will improve current processes or operating results. 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. Because these pathogens are generally found in the environment, there is a risk that they, 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, adverse test results or as precautionary measures. 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 operations and financial results.

Leverage and Availability of Capital

The Company's ability to raise financing has historically depended on its ability to access the debt capital and bank credit markets. The worldwide financial crisis that unfolded in 2008 has, in general, restricted access to the credit markets. As a result, the Company's ability to refinance credit facilities that mature in 2010, and the ability to secure additional short or long-term financing on terms acceptable to the Company, could negatively affect the Company's liquidity. In addition, a downgrade in the Company's credit quality would likely increase the Company's borrowing costs for both short-term and long-term debt, which could have a material adverse impact on the Company's operations and financial results.

Business Acquisitions and Capital Expansion Projects

While the Company's focus has shifted from acquisitions to integration of existing operations and supply chain optimization, the Company may continue to review opportunities for strategic growth through acquisitions in the future. These 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 attention from existing core businesses, difficulties integrating or separating personnel and financial and other systems, adverse effects on existing business relationships with suppliers and customers, inaccurate estimates of fair value made in the accounting for acquisitions and amortization of acquired intangible assets which would 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 activities could materially affect the Company's product sales, financial condition and results of operations.

In January 2010, the Company announced its intent to construct a new scale fresh bakery plant and close three older plants in Ontario. The start up of new plants presents a number of risks including: errors in the assessment of labour rates and other operating costs, cost overruns in construction, delays in completion of the project, disruptions to service levels during the construction period, loss of reputation with customers and adverse impacts on the quality of the Company's products. The closure of existing plants carries risks such as inaccurate assessments of the costs of decommissioning, disruptions in service during closure and errors in the estimates of residual value of the assets. Altogether, these risks could result in a material impact to the Company's sales, financial condition and results of operations.

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, investment returns and the market value of plan assets can affect the level of plan funding, cause volatility in the net periodic pension cost and increase the Company's future funding requirements. 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

The Company's results of operations and financial condition are partially dependent upon the cost and supply of hogs and 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 add 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 and livestock diseases.

There can be no assurance that all or part of 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. As a result, there is no assurance that the occurrence of these events will not 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 outside.

The Company monitors herd health status and has strict bio-security procedures and employee training programs throughout its hog production system. 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 will not have a material adverse effect on the Company's financial condition and results of operations.

Maple Leaf has developed a comprehensive internal contingency plan for dealing with animal disease occurrences or a more broad-based pandemic and 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 significant amount 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 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. The conversion of the Company's United Kingdom operations may also be affected in a similar manner, adversely or favourably, by changes in exchange rates between the Canadian dollar and the British pound.

Commodities

The Company is a purchaser of certain commodities, such as wheat, feed grains, livestock and energy (fuel, natural gas and electricity), in the course of normal operations. 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. On a longer-term basis, the Company manages the risk of increases in commodities and other input costs by increasing the prices it charges to its customers. 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 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 and subsidize competing agricultural products. All of these risks could result in increased costs or decreased revenues, either of which could adversely affect the Company's profitability in a material way.

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 and the Ministry of Agriculture in Canada. 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 material compliance with all laws and regulations and maintains all material permits and licenses relating to its operations. Nevertheless, there can be no assurance that the Company is in compliance with such laws and regulations or that it will be able to comply with such laws and regulations in the future. Failure by the Company to comply with applicable laws and regulations 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 or 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 not 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 relating to its commercial relationships, employment matters, and product liabilities. The Company 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. 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 healthy 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 for the Company's products, which in turn could cause 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 of the Company's facilities 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 may 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, the Company is required to adjust to changes in purchasing practices and changing customer requirements, as 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.

Employment Matters

The Company and its subsidiaries have approximately 23,500 full 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 around the world, each such jurisdiction having differing employment laws and practices and differing liabilities for employment violations, which may result in punitive or extraordinary damages. 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 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.

Direct Store Delivery Disruptions

A significant portion of the Company's fresh bakery products are distributed through direct store delivery systems using independent distributors. Although appropriate contractual arrangements are in place with these distributors, a negative change in the Company's relations with them, changes in regulations or an adverse ruling by regulatory agencies regarding the Company's independent distributorship program or claims against the Company for the actions of the independent distributors could materially affect the Company's results of operations and financial condition.

Competitive Industry Environment

The food industry is intensely competitive. 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 a competitor's promotional efforts. Increased competition could result in reduced sales, margins, profits and market share, all of which could have a material adverse affect on the Company's results of operation and financial condition.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's consolidated financial statements requires Management to make certain estimates and assumptions. The estimates and assumptions are based on the Company's experience combined with Management's understanding of facts and circumstances at the time. These estimates may differ from actual results, and certain estimates are considered critical as they are both important to reflect the Company's financial position and results of operations and require a significant or complex judgement on the part of Management. The following is a summary of certain accounting estimates or policies considered to be critical and that require significant or complex judgement by the Management of the Company.

Goodwill and Intangible Assets Valuation

Goodwill is tested for impairment annually in the second quarter and otherwise as required if events occur that indicate that it is more likely than not that the carrying value of a reporting unit has been impaired. Impairment of goodwill is tested at the reporting unit level by comparing the reporting unit's carrying amount to its fair value. The Company determines the fair value of its reporting units for accounting purposes based on a capitalization of earnings approach, corroborated by other techniques such as comparison to market values. The estimates of earnings used in the evaluation of goodwill are consistent with plans and estimates that are presented annually to the board of directors. Indefinite life intangibles are tested for impairment annually in the fourth quarter and, also as required, if events occur that indicate it is more likely than not the carrying value has been impaired. The fair value of indefinite life intangibles is determined based on a "royalty savings approach", that is a discounted cash flow method. The estimates of fair value include projected future sales, terminal growth rates, royalty rates and discount rates. The impairment tests for indefinite life intangible assets and goodwill were performed in 2009 and no impairment was identified.

Reserve for Bad Debts

The Company establishes an appropriate provision for uncollectible or doubtful accounts. Estimates of recoverable amounts are based on Management's best estimate of a customer's ability to settle its obligations, and actual amounts received may be affected by various factors, including industry conditions and changes in individual customer financial condition. To the extent that actual losses on uncollectible accounts differ from those estimated in the Company's provision, both accounts receivable and operating earnings will be affected.

Provisions for Inventory

Management makes estimates as to the future customer demand for our products when establishing the 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 values are lower, thus reducing the risk of material misstatement in realizable value. However, in the fresh and prepared meats businesses, code dates are very important in the determination of realizable value, and inventory values are significant. Management ensures that systems are in place to highlight and properly value inventory that may be approaching best before code dates. To the extent that actual losses on inventory differ from those estimated, both inventory and operating earnings will be affected.

Trade Merchandise Allowances and Other Trade Discounts

The Company provides for estimated payments to customers based on various trade programs and contracts that in many cases include payments that are contingent upon attainment of specified sales volumes. Significant estimates used to determine these liabilities include the projected level of volume sales for the relevant period and the historical promotional expenditure rate compared to contracted rates. As such 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 provisions incurred to value these contingent obligations. To the extent that payments on trade discounts differ from estimates of the related liability, both accrued liabilities and operating earnings will be affected.

Employee Benefit Plans

The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and Management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected heath care costs. 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. Management employs external experts to advise them when deciding upon the appropriate estimates to use to value employee benefit plan obligations and expenses. Significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations and benefit plan expenses are as follows:

	2009	2008
Discount rate used to calculate net benefit plan expense	**6.50%**	5.25%
Discount rate used to calculate year-end benefit obligation	**5.75%**	6.50%
Expected long-term rate of return on plan assets	**7.25%**	7.50%
Rate of compensation increase	**3.50%**	3.50%

The effect on the following items of a 1% increase and decrease in health care costs, assuming no change in benefit levels, is as follows:

($ million)	1% Increase	1% Decrease
End-of-year obligation	$ 3.2	$ (3.7)
Aggregate of 2009 current service cost and interest cost	$ 0.2	$ (0.2)

Taxes

Provisions for income taxes are based on domestic and international statutory income tax rates and tax planning opportunities available to the Company in the jurisdictions in which it operates. Significant judgement is required in determining income tax provisions and evaluating the need for valuation allowances, if applicable. The calculation of current and future income tax balances, as well as any related valuation allowances as applicable, 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 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.

Reserves for Restructuring and Other Related Costs

The Company evaluates accruals related to restructuring and other related costs at each reporting date to ensure these accruals are still appropriate. As the Company has been involved in a significant amount of transformation and restructuring of businesses and assets in the past several years, these provisions and accruals can be significant and are prepared using estimates of the costs of future activities. In certain instances, Management may determine that these accruals are no longer required because of efficiencies in carrying out restructuring and other related activities. In certain circumstances, Management may determine that certain accruals are insufficient as new events occur or as additional information is obtained. These costs and provisions are separately identified and disclosed in the Company's financial statements.

CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2009, the Company adopted Emerging Issues Committee Abstract 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities" ("EIC 173"). EIC 173 requires the Company to consider its own credit risk and the credit risk of the counterparty in determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of EIC 173, which was adopted on a retrospective basis without restatement of prior periods, did not have a material impact on the Company's financial statements.

In 2008, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Section 3064, "Goodwill and Intangible Assets" ("CICA 3064"). CICA 3064, which replaces Section 3062, "Goodwill and Other Intangible Assets", and Section 3450, "Research and Development Costs", establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The Company adopted this standard on a retrospective basis on January 1, 2009. The adoption of the new standard did not have a material impact on the Company's financial statements.

In June 2009, the CICA amended Section 3862, "Financial Instruments – Disclosures", to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

Level 1 – inputs are unadjusted quoted prices of identical instruments in active markets.
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 – one or more significant inputs used in a valuation technique are unobservable in determining fair values of the instruments.

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. The Company has complied with the new disclosure requirements beginning in 2009 and this disclosure is presented in Note 10.

RECENT ACCOUNTING PRONOUNCEMENTS

In January 2009, the CICA issued Handbook Section 1582, "Business Combinations" ("CICA 1582"). CICA 1582 requires that all assets and liabilities of an acquired business will be recorded at fair value at acquisition and is consistent with International Financial Reporting Standards ("IFRS"). Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period on or after January 1, 2011 with earlier adoption permitted.

In January 2009, the CICA issued Handbook Section 1601, "Consolidations" ("CICA 1601"), and Section 1602, "Non-controlling Interests" ("CICA 1602"). CICA 1601 establishes standards for the preparation of consolidated financial statements. CICA 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011 with earlier adoption permitted. The Company is currently assessing the impact of the new standard on its financial statements.

In February 2008, the CICA announced that Canadian public companies will be required to prepare their financial statements in accordance with IFRS for fiscal years beginning on or after January 1, 2011. The Company will issue its financial statements in the first quarter of 2011 in accordance with IFRS, including comparative data for 2010.

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 made known 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, are 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 Canadian GAAP.

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, 2009 and have concluded that such controls and procedures are effective.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

For fiscal years beginning on or after January 1, 2011, Canadian public companies will be required to prepare their financial statements in accordance with IFRS. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies that must be evaluated. IFRS will also require more disclosures than Canadian GAAP. The Company will issue its financial statements in the first quarter of 2011 in accordance with IFRS including comparative data for 2010.

In order to meet the requirement of transition to IFRS, in 2008 the Company established an enterprise-wide project team and project plan. The project philosophy is to align with current accounting practices and policies, where possible, to minimize the impact of any changes to the business. Regular reporting of the progress on the IFRS conversion project is provided to senior management and the Audit Committee of the Board of Directors.

The Company's IFRS conversion project plan is comprised of three main phases: initial diagnostic assessment, design, and implementation. The Company has completed the initial assessment phase of the plan and has identified and documented the key accounting and disclosure differences between Canadian GAAP and IFRS. The detailed assessment of the differences is substantially complete and the design and development of business process changes to meet the requirements of IFRS has commenced. The Company has reviewed policy alternatives under IFRS, including certain exemptions and elections available on transition under IFRS 1. Outlined below are the IFRS 1 elections the Company expects to make on transition to IFRS.

IFRS 1 Optional Exemptions

Business combinations

IFRS 1 provides an exemption that allows an entity to elect not to retrospectively restate business combinations prior to the Transition Date (January 1, 2010) in accordance with IFRS 3, Business Combinations. The Company will elect not to retrospectively restate those business combinations that occurred prior to the transition date.

Fair value as deemed cost

IFRS 1 allows an entity to elect to measure property, plant and equipment at fair value in the opening IFRS balance sheet. Fair value would then become the deemed cost of the item. Alternatively, an entity can retrospectively apply the historical cost model in International Accounting Standard ("IAS") 16, "Property, Plant and Equipment", to arrive at the carrying value of property, plant and equipment on the transition date. The Company expects to retroactively apply the cost model for property, plant and equipment for IFRS purposes on the transition date.

Employee Benefits

In accordance with IAS 19, "Employee Benefits", an entity may elect to use a "corridor" approach that leaves some actuarial gains and losses unrecognized. Retrospective application of this approach requires an entity to split the cumulative actuarial gains and losses from the inception of the plan until the date of transition to IFRS into a recognized portion and an unrecognized portion. Alternatively, an entity may elect to recognize all cumulative actuarial gains and losses at the date of transition to IFRS, even if it uses the corridor approach for later actuarial gains and losses, recognized after the transition date. The Company will elect to recognize all cumulative actuarial gains and losses that existed at the transition date in retained earnings for all of the Company's employee benefit plans.

Cumulative translation differences

Retrospective application of IFRS would require the Company to determine cumulative currency translation differences in accordance with IAS 21, "The Effects of Changes in Foreign Exchange Rates", from the date a foreign subsidiary or associate was formed or acquired. IFRS 1 allows an entity to elect not to calculate the translation difference retrospectively. Where this election is made, the cumulative translation balance for all foreign operations is set to zero at the transition date. The Company will elect not to retrospectively calculate the cumulative translation balances, so all of these balances will be reset to zero on the Transition Date.

Share-based payment transactions

IFRS 1 allows an entity to elect to be exempt from retrospectively applying the requirements of IFRS 2, "Share Based Payments" for awards that are vested or settled prior to the transition date. There are several differences between IFRS 2 and Canadian GAAP. For example, when a share-based award vests in installments over the vesting period (graded vesting), IFRS 2 requires each installment to be accounted for as a separate arrangement. Canadian GAAP allows an entity to treat the entire award as a pool, determine fair value using the average life of the instruments and then recognize the compensation expense on a straight-line basis over the vesting period. Since the Company recorded share-based payment transactions in this manner, retrospective application of IFRS 2 would require the Company to revalue all of its prior share-based payment transactions. Therefore, the Company will elect to apply this exemption.

Decommissioning liabilities included in the cost of property, plant and equipment

IFRS 1 allows an entity to elect not to retrospectively apply the requirements of IFRIC 1, "Changes in Existing Decommissioning, Restoration and Similar Liabilities". The Company will elect not to retrospectively recognize changes to these liabilities under IFRIC 1 that may have occurred prior to the transition date.

Borrowing costs

IAS 23, "Borrowing Costs", requires an entity to capitalize borrowing costs relating to qualifying assets. Under IFRS 1, an entity may elect to apply the transitional provisions of IAS 23, which allow an entity to choose the date to apply the capitalization of borrowing costs relating to all qualifying assets as either the transition date (January 1, 2010 for the Company) or an earlier date. The Company will elect to apply the transitional provisions of IAS 23 and will choose the Transition Date as the date to commence the capitalization of borrowing costs to all qualifying assets.

IFRS 1 Mandatory Exemptions

Hedge accounting

Hedge accounting may only be applied prospectively from the transition date to transactions that meet the hedge accounting criteria in IAS 39, Financial Instruments – Recognition and Measurement, at that date. Hedging relationships cannot be designated retrospectively and the supporting documentation cannot be created retrospectively.

Non-controlling interests

An entity must apply the requirements of IAS 27, Consolidated and Separate Financial Statements, which relate to non-controlling interests prospectively from the Transition Date.

Estimates

Estimates previously determined under Canadian GAAP cannot be revised due to the application of IFRS except where necessary to reflect differences in accounting policies.

Key Accounting Differences between Canadian GAAP and IFRS

Changes in accounting policies upon adoption of IFRS are likely, but at this time the Company cannot quantify the total or net impact that the future adoption of IFRS will have on its consolidated financial statements and operating performance measures. The International Accounting Standards Board has significant ongoing projects that could affect the ultimate differences between Canadian GAAP and IFRS and the impact on the Company's consolidated financial statements. Outlined below are the key areas where changes in accounting policy are expected that may affect the Company's consolidated financial statements.

Securitization programs

IFRS has different requirements than Canadian GAAP to allow off- balance sheet treatment of accounts receivable securitization programs. Absent restructuring of the agreements, the Company's current programs may not qualify for off-balance sheet treatment under IFRS.

Biological assets

Under Canadian GAAP, the Company's livestock assets are considered inventory and, in general, are recorded at cost. Under IFRS, livestock is considered a separate asset class called biological assets which must be carried at fair value less costs to sell. This change will result in periodic adjustments to the valuation of the Company's inventory which will create volatility in earnings. The Company is not able to estimate the periodic impact of this change on future earnings.

Employee benefits

IAS 19, Employee Benefits, requires past service costs of defined benefit pension plans to be expensed on an accelerated basis, with vested past service costs expensed immediately and unvested past service costs recognized on a straight-line basis until the benefits become vested. Under Canadian GAAP, past service costs are generally amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendment.

IAS 19 also requires an entity to make an accounting policy choice regarding the recognition of actuarial gains and losses. The three options that are available are as follows: delayed recognition using a "corridor" approach; immediate recognition through the income statement; and, immediate recognition through Other Comprehensive Income. The Company has not yet finalized this accounting policy choice.

Borrowing costs
IAS 23, Borrowing Costs, requires the capitalization of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Under Canadian GAAP, the Company's accounting policy is to expense these borrowing costs as incurred. The impact of this change will be a periodic reduction in interest expense during periods where significant capital projects are under way. The Company is not able to estimate the impact of this change on future financial results.

Business combinations
IFRS 3, Business Combinations, does not allow the accrual of restructuring provisions pursuant to an acquisition. On transition to IFRS, any existing restructuring accruals that were the result of an acquisition will be written off through Retained Earnings. There will be no change on transition as a result of the IFRS 1 elections taken by the Company. The Company is not able to estimate the impact of this change on future financial results.

Income Taxes
IAS 12, Income Taxes, requires a balance sheet liability approach in assessing future income taxes very similar to CICA HB Section 3465 with some noticeable differences. Under IAS 12, deferred tax assets or liabilities are recognized for the differences in tax bases on inter-company transfers. Deferred taxes are calculated using the purchaser's tax rate and any current taxes payable/recoverable of the seller are recognized and not deferred. The Company will likely be affected by this difference but is unable to quantify the impact at this time.

Impairment of assets
Canadian GAAP generally uses a two-step approach to impairment testing, first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists, and then measuring any impairment by comparing asset carrying values with their fair values. IAS 36, Impairment of Assets, uses a one-step approach to determine if impairment exists and for measuring that impairment, by comparing asset carrying values to the higher of fair value less costs to sell and value in use (determined using discounted future cash flows). This can potentially result in asset impairments, where the carrying values of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but would not be supported on a discounted cash flow basis. The Company cannot quantify the impact, if any, of this difference at this time.

Additionally, for the purposes of asset impairment testing, Canadian GAAP requires assets to be grouped at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. IFRS requires that assets be tested for impairment at the level of the cash generating unit, which is the lowest level of assets that generate largely independent cash inflows. In many cases, this requirement will result in a lower level grouping of assets, which could result in the identification of impairment under IFRS for assets that were not considered impaired under Canadian GAAP. The Company is not able to estimate the impact of this potential change in measurement criteria to its financial results at this time.

management's discussion and analysis

FORWARD-LOOKING STATEMENTS

This document contains, and the Company's oral and written public communications often contain, forward-looking statements that are based on current expectations, estimates, forecasts and projections about the industries in which the Company operates and beliefs and assumptions made by the Management of the Company. Such statements include, but are not limited to, statements with respect to expectations regarding the sale of the Company's facilities in Burlington, Ontario and Lethbridge, Alberta, the timing and costs of the Company's plans to build a new scale fresh bakery plan in Southwestern Ontario and the closure of three existing older and smaller facilities located in Ontario, the timing and effectiveness of the completion of the installation of the new SAP systems software, sources of funds for ongoing business requirements and capital investments, expectations regarding sufficiency of the allowance for uncollectible accounts, expectations regarding covenant compliance, impact of recently adopted accounting pronouncements and expectations, the decrease in pension expenses, the material reduction in the number of hogs produced and the reduced exposure to the pork commodity and export markets, the Company's expectations regarding the impact on the Company of the changeover from Canadian GAAP to IFRS, and the Company's objectives and goals, as well as statements with respect to the Company's beliefs, plans, objectives, expectations, anticipations, estimates and intentions. Words such as "expect", "anticipate", "intend", "attempt", "may", "will", "plan", "believe", "seek", "estimate", and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve assumptions and risks and uncertainties that are difficult to predict.

In particular, these forward-looking statements are based on a variety of factors and assumptions including, but not limited to: the condition of the Canadian, British, Japanese and United States economies; the rate of exchange of the Canadian dollar to the U.S. dollar, British pound and the Japanese yen; expected recovery of sales following the product recall; 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 protein business transformation 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. 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 statements, 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 or implied by forward-looking statements include, among other things:

- the risks associated with implementing and executing the protein business transformation;
- the risks associated with changes in the Company's shared systems and processes;
- the risks posed by food contamination, consumer liability and product recalls;
- the risks associated with the Company's outstanding indebtedness;
- the impact on pension expense and funding requirements of fluctuations in the market prices of fixed income and equity securities and changes in interest rates;
- the risks associated with acquisitions and capital expansion projects;

management's discussion and analysis

- the cyclical nature of the cost and supply of hogs and the competitive nature of the pork market generally;
- the risks related to the health status of livestock;
- the impact of a pandemic on the Company's operations;
- the Company's exposure to currency exchange risks;
- the ability of the Company to hedge against the effect of commodity price changes through the use of commodity futures and options;
- the impact of international events on commodity prices and the free flow of goods;
- the risks associated with a consolidating retail environment;
- the risks posed by compliance with extensive government regulation;
- the risks posed by litigation;
- the impact of changes in consumer tastes and buying patterns;
- the impact of extensive environmental regulation and potential environmental liabilities;
- the risks associated with complying with differing employment laws and practices globally and the potential for work stoppages due to non-renewal of collective agreements;
- the risks associated with the Company's independent distributors; and
- the risks posed by competition.

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. The Company does not intend, and the Company disclaims any obligation to update any forward-looking statements, whether written or oral, or whether as a result of new information, future events or otherwise 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

management's statement of responsibility

Management recognizes its responsibility for conducting the Company's affairs in the best interests of all its shareholders. The Consolidated Financial Statements and related information in the annual report are the responsibility of Management. The Consolidated Financial Statements have been prepared in accordance with Canadian generall accepted accounting principles, which involve the use of judgement and estimates in applying the accounting principles selected. Other financial information in the annual report is consistent with that in the Consolidated Financial Statements.

The Company maintains systems of internal controls, which are designed to provide reasonable assurance that accounting records are reliable, and to safeguard the Company's assets. The Company's independent auditors, KPMG llp, Chartered Accountants, have audited and reported on the Company's Consolidated Financial Statements. Their opinion is based upon audits conducted by them in accordance with Canadian generally accepted auditing standards to obtain reasonable assurance that the Consolidated Financial Statements are free of material misstatement.

The Audit Committee of the Board of Directors, all of whom are independent of the Company or any of its affiliates, meets periodically with the independent external auditors, the internal auditors and management representatives to review the internal accounting controls, the consolidated quarterly and annual financial statements and other financial reporting matters. Both the internal and independent external auditors have unrestricted access to the Audit Committee. The Audit Committee reports its findings and makes recommendations to the Board of Directors.

February 23, 2010

M. H. McCAIN
President and
Chief Executive Officer

M. H. VELS
Executive Vice-President and
Chief Financial Officer

auditors' report to the shareholders

We have audited the consolidated balance sheets of Maple Leaf Foods Inc. as at December 31, 2009 and 2008 and the consolidated statements of earnings, comprehensive income (loss), retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Canada
February 23, 2010

consolidated balance sheets

As at December 31

(In thousands of Canadian dollars)	**2009**	2008
ASSETS		
Current assets		
Cash and cash equivalents	**$ 29,316**	$ 365,518
Accounts receivable (Note 3)	**200,317**	139,144
Inventories (Note 4)	**349,909**	377,414
Income and other taxes recoverable	**18,067**	20,971
Future tax asset (Note 18)	**4,301**	19,787
Prepaid expenses and other assets	**15,328**	32,289
	$ 617,238	$ 955,123
Property and equipment (Note 5)	**1,135,056**	1,169,435
Other long-term assets (Note 6)	**328,063**	329,070
Future tax asset (Note 18)	**22,116**	24,854
Goodwill	**857,278**	876,261
Other intangible assets (Note 7)	**97,713**	97,358
	$ 3,057,464	$ 3,452,101
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank indebtedness	**$ 4,247**	$ 8,894
Accounts payable and accrued charges	**489,182**	600,924
Current portion of long-term debt (Note 8)	**206,147**	179,244
Other current liabilities	**37,837**	28,456
	$ 737,413	$ 817,518
Long-term debt (Note 8)	**834,557**	1,200,224
Future tax liability (Note 18)	**27,851**	37,903
Other long-term liabilities (Note 9)	**187,523**	179,039
Non-controlling interest	**81,070**	74,447
Shareholders' equity (Note 12)	**1,189,050**	1,142,970
	$ 3,057,464	$ 3,452,101

Contingencies and commitments (Note 21)

See accompanying Notes to the Consolidated Financial Statements

On behalf of the Board:

MICHAEL H. MCCAIN
Director

DIANE MCGARRY
Director

consolidated statements of earnings

Years ended December 31 *(In thousands of Canadian dollars, except share amounts)*	**2009**	2008
Sales	**$ 5,221,602**	$ 5,242,602
Cost of goods sold	**4,487,378**	4,622,409
Gross margin	**$ 734,224**	$ 620,193
Selling, general and administrative expenses	**538,113**	491,778
Earnings from operations before the following:	**$ 196,111**	$ 128,415
Product recall, restructuring and other related costs (Note 11)	**(31,145)**	(102,812)
Other income (Note 16)	**3,613**	24,864
Earnings from operations before interest and income taxes	**$ 168,579**	$ 50,467
Interest expense (Note 17)	**81,234**	88,651
Earnings (loss) from operations before income taxes	**$ 87,345**	$ (38,184)
Income taxes (Note 18)	**27,296**	(8,538)
Earnings (loss) from operations before non-controlling interest	**$ 60,049**	$ (29,646)
Non-controlling interest	**7,902**	7,211
Net earnings (loss)	**$ 52,147**	$ (36,857)
Basic earnings (loss) per share (Note 15)	**$ 0.40**	$ (0.29)
Diluted earnings (loss) per share (Note 15)	**$ 0.39**	$ (0.29)
Weighted average number of shares (millions)	**129.8**	126.7

See accompanying Notes to the Consolidated Financial Statements

consolidated statements of comprehensive income (loss)

Years ended December 31 *(In thousands of Canadian dollars)*	2009	2008
Net earnings (loss) for the year	**$ 52,147**	$ (36,857)
Other comprehensive loss (Note 13)		
Change in accumulated foreign currency translation adjustment	**(15,644)**	(6,579)
Change in unrealized loss on cash flow hedges	**12,871**	(10,329)
	$ (2,773)	$ (16,908)
Comprehensive income (loss)	**$ 49,374**	$ (53,765)

consolidated statements of retained earnings

Years ended December 31 *(In thousands of Canadian dollars)*	2009	2008
Retained earnings, beginning of year	**$ 314,649**	$ 378,604
Net earnings (loss) for the year	**52,147**	(36,857)
Adoption of new accounting standard (Note 2(p)(i))	**(207)**	–
Dividends declared ($0.16 per share; 2008: $0.16 per share)	**(20,913)**	(20,769)
Premium on shares repurchased for cancellation (Note 12)	**–**	(5,515)
Premium on shares issued from Restricted Share Unit Trust	**(837)**	(814)
Retained earnings, end of year	**$ 344,839**	$ 314,649

See accompanying Notes to the Consolidated Financial Statements

consolidated statements of cash flows

Years ended December 31 *(In thousands of Canadian dollars)*	**2009**	2008
CASH PROVIDED BY (USED IN)		
Operating activities		
Net earnings (loss)	**$ 52,147**	$ (36,857)
Add (deduct) items not affecting cash		
Depreciation and amortization	**149,489**	149,219
Stock-based compensation (Note 14)	**18,400**	17,160
Non-controlling interest	**7,902**	7,212
Future income taxes	**(7,390)**	(23,254)
Loss (gain) on sale of property and equipment	**1,137**	(4,724)
Gain on sale of investments	**(501)**	–
Amortization of terminated interest rate swaps	**2,106**	4,391
Change in fair value of derivative financial instruments	**(13,373)**	12,851
Change in other long-term receivables	**90**	893
Decrease (increase) in net pension asset	**962**	(27,489)
Change in provision for restructuring and other related costs	**15,046**	37,859
Other	**(7,828)**	6,066
Change in non-cash operating working capital	**(128,981)**	52,156
Cash provided by operating activities	**$ 89,206**	$ 195,483
Financing activities		
Dividends paid	**(20,913)**	(20,769)
Dividends paid to non-controlling interest	**(672)**	(755)
Increase in long-term debt	**–**	415,000
Decrease in long-term debt	**(262,795)**	(22,715)
Proceeds on issuance of share capital (Note 12)	**1,480**	5,143
Shares repurchased for cancellation (Note 12)	**–**	(11,814)
Issuance of equity units (Note 12)	**–**	69,106
Purchase of treasury stock (Note 12)	**(3,190)**	(11,341)
Other	**3,110**	1,994
Cash provided by (used in) financing activities	**$ (282,980)**	$ 423,849
Investing activities		
Additions to property and equipment	**(162,893)**	(206,220)
Proceeds from disposal of property and equipment	**23,717**	19,727
Acquisition of businesses – net of cash acquired (Note 20)	**–**	(62,962)
Proceeds on sale of investments	**1,540**	1,053
Purchase of Canada Bread shares (Note 20)	**–**	(32,643)
Other	**(145)**	(40)
Cash used in investing activities	**$ (137,781)**	$ (281,085)
Increase (decrease) in cash and cash equivalents	**(331,555)**	338,247
Cash and cash equivalents, beginning of year	**356,624**	18,377
Cash and cash equivalents, end of year	**$ 25,069**	$ 356,624

See accompanying Notes to the Consolidated Financial Statements

notes to the consolidated financial statements

(Tabular amounts in thousands of Canadian dollars, except share amounts)

Years ended December 31, 2009 and 2008

1. THE COMPANY

Maple Leaf Foods Inc. ("Maple Leaf Foods" or the "Company") is a leading Canadian-based value-added meat, meals and bakery company, serving wholesale, retail and foodservice customers across North America and internationally. The Company's results are organized into three segments: Meat Products Group, Agribusiness Group and Bakery Products Group.

2. SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies of the Company, which are in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. Investments in associated companies over which the Company exercises significant influence, are accounted for by the equity method. Variable Interest Entities ("VIEs"), as defined by Accounting Guideline 15 – "Consolidation of Variable Interest Entities" are consolidated by the Company when it is determined that the Company will, as the primary beneficiary, absorb the majority of the VIEs' expected losses and/or expected residual returns. Investments in equity securities of entities over which the Company does not exert significant influence are accounted for at cost or at fair value depending on whether such investments are publicly traded.

(b) Use of estimates

The preparation of periodic financial statements necessarily involves the use of estimates. Estimates are used when accounting for items and matters such as allowances for uncollectible accounts, sales of receivables, inventory obsolescence, depreciation and amortization, asset valuations, impairment assessments, employee benefits, pensions, taxes and any corresponding valuation allowances, restructuring and other related costs, stock-based compensation and contingencies. Should the underlying assumptions change, the actual amounts could differ from those estimates.

(c) Translation of foreign currencies

The accounts of the Company are presented in Canadian dollars. The financial statements of foreign subsidiaries whose unit of measure is not the Canadian dollar are translated into Canadian dollars using the exchange rate in effect at the year-end for assets and liabilities and the average exchange rates for the period for revenue, expenses and cash flows. Exchange gains or losses on translation of foreign subsidiaries are included in accumulated other comprehensive income, a component of shareholders' equity until realized.

(d) Revenue recognition

The Company recognizes revenues from product sales upon transfer of title to customers. Revenue is recorded at the invoice price for each product. An estimate of sales incentives provided to customers is also recognized at the time of sale and is classified as a reduction in reported sales. Sales incentives include various rebate and promotional programs provided to the Company's customers.

(e) Financial instruments

The Company's financial assets and financial liabilities are classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired and their characteristics. Held-for-trading is the required classification for all derivative financial instruments unless they are specifically designated within an effective hedge relationship. Held-for-trading financial instruments are measured at fair value with changes in fair value recognized in net earnings in the period in which they arise. Available-for-sale financial assets are measured at fair value with changes in fair value recognized in other comprehensive income in the period in which they arise. Held-to-maturity, loans and receivables and other financial liabilities are initially recorded at fair value and are subsequently measured at amortized cost.

(f) Hedge accounting

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

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

The Company also formally assesses, both at inception and at least quarterly thereafter, whether or not the derivatives that are used in hedging transactions are highly effective in offsetting the changes attributable to the hedged risks in the fair values or cash flows of the hedged items. If a hedge relationship becomes ineffective, it no longer qualifies for hedge accounting and any subsequent change in the fair value of the hedging instrument is recognized in earnings.

When hedge accounting is appropriate, the hedging relationship is designated as a cash flow hedge, a fair value hedge or a hedge of foreign currency exposure of a net investment in a self-sustaining foreign operation.

In a cash flow hedge, the change in fair value of the hedging instrument is recorded, to the extent it is effective, in other comprehensive income until the hedged item affects net earnings. The Company uses cash flow hedges primarily to convert fixed rate U.S. dollar-denominated notes payable to fixed rate notes denominated in Canadian dollars. The Company also uses cash flow hedges to mitigate the risk from variable cash flows associated with forecasted foreign currency denominated cash flows and forecasted purchases and sales of various commodities.

In a fair value hedge, the change in fair value of the hedging derivative is offset in the consolidated statement of earnings by the change in fair value of the hedged item relating to the hedged risk.

In a net investment hedge, the change in fair value of the hedging instruments recorded, to the extent effective, directly in other comprehensive income. These amounts are recognized in income when the corresponding cumulative translation adjustments from self-sustaining foreign operations are recognized in income. The Company has designated certain U.S. dollar-denominated notes payable as net investment hedges of U.S. operations.

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

Changes in the fair value of derivatives that do not qualify for hedge accounting are carried at fair value in the consolidated balance sheet, and subsequent changes in their fair value are recorded in the consolidated statement of earnings.

(g) Inventories

Inventories are valued at the lower of cost and net realizable value, with cost being determined substantially on a first-in, first-out basis. Included in the cost of inventory are direct product costs, direct labour and an allocation of variable and fixed manufacturing overhead including depreciation.

notes to the consolidated financial statements

(h) Impairment or disposal of long-lived assets

The Company reviews long-lived assets or asset groups held and used including property and equipment and intangible assets subject to amortization for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Recoverability of assets to be held and used is measured by comparing the carrying amount of the asset to the sum of the undiscounted cash flows expected to result from the use and eventual disposal of the asset or asset group. An impairment loss is recognized when the carrying amount is not recoverable and exceeds the fair value of the asset or asset group. Long-lived assets are classified as held for sale when certain criteria are met and the sale is expected to be completed within one year. The assets to be disposed of are separately presented in the balance sheet and reported at the lower of their carrying amount or fair value less costs to sell, and are no longer depreciated.

(i) Property and equipment

Property and equipment are recorded at cost including, where applicable, interest capitalized during the construction or development period. Construction in process assets are capitalized during construction and depreciation commences when the asset is available for use. Depreciation is calculated using the straight-line basis at the following rates, which are based on the expected useful lives of the assets:

Buildings	2.5% to 6%
Machinery and equipment	10% to 33%

(j) Financing costs

Costs incurred to obtain long-term debt financing are amortized over the term of such debt and the amount amortized is included in interest expense for the year.

(k) Goodwill and other intangible assets

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to identifiable assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated as of the date of the business combination to the Company's reporting units that are expected to benefit from the synergies of the business combination. The Company assigns value to certain acquired identifiable intangible assets, primarily brands, customer relationships, poultry production quota and delivery routes.

Definite life intangible assets are amortized on a straight-line basis over their estimated useful lives. Goodwill is not amortized and is tested for impairment annually in the second quarter and otherwise as required if events occur that indicate that it is more likely than not that the carrying value of a reporting unit has been impaired. Impairment of goodwill is tested at the reporting unit level by comparing the reporting unit's carrying amount to its fair value. Indefinite life intangibles are tested for impairment annually in the fourth quarter and, as required, if events occur that indicate it is more likely than not the carrying value has been impaired. The impairment tests for indefinite life intangible assets and goodwill were performed in 2009 and 2008 and no impairments were identified.

(l) Income taxes

The Company uses the asset and liability method of accounting for income taxes. Accordingly, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. In addition, the effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the enactment or substantive enactment date. A valuation allowance is recognized against future tax assets when it is more likely than not that all or some part of the asset will not be realized.

(m) Employee benefit plans

The Company accrues obligations and costs in respect of employee benefit plans. The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and Management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs. Changes in these assumptions could affect future pension expense. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. Past service costs arising from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

Actuarial gains and losses in excess of 10% of the greater of the actuarial liabilities and the fair value of assets at the beginning of the year and all gains and losses due to changes in plan provisions are amortized on a straight-line basis over the expected average remaining service period of the active plan members. When a restructuring of a benefit plan gives rise to both a curtailment and settlement of obligations, the curtailment is accounted for prior to the settlement.

(n) Stock-based compensation

The Company applies the fair value method of accounting for its stock-based compensation. The fair value at grant date of stock options ("options") is estimated using the Black-Scholes option-pricing model. The fair value of restricted stock units ("RSUs") is measured based on the fair value of the underlying shares on the grant date. Compensation cost is recognized on a straight-line basis over the expected vesting period of the stock-based compensation. The Company estimates forfeitures at the grant date and revises the estimate as necessary if subsequent information indicates that actual forfeitures differ significantly from the original estimate.

(o) Statement of cash flows

Cash and cash equivalents are defined as cash and short-term securities with maturities less than 90 days at the date of acquisition, less bank indebtedness.

(p) Accounting changes

(i) Effective January 1, 2009, the Company adopted Emerging Issues Committee Abstract 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities" ("EIC 173"). EIC 173 requires the Company to consider its own credit risk and the credit risk of the counterparty in determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of EIC 173, which was adopted on a retrospective basis without restatement of prior periods did not have a material impact on the Company's financial statements.

(ii) In 2008, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Section 3064, "Goodwill and Intangible Assets" ("CICA 3064"). CICA 3064, which replaces Section 3062, "Goodwill and Other Intangible Assets", and Section 3450, "Research and Development Costs", establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The Company adopted this standard on a retrospective basis on January 1, 2009. The adoption of the new standard did not have a material impact on the Company's financial statements.

(iii) In June 2009, the CICA amended Section 3862, "Financial Instruments – Disclosures", to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

Level 1 – inputs are unadjusted quoted prices of identical instruments in active markets.
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 – one or more significant inputs used in a valuation technique are unobservable in determining fair values of the instruments.

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. The Company has complied with the new disclosure requirements beginning in 2009 and this disclosure is presented in Note 10.

(q) Recent accounting pronouncements

In January 2009, the CICA issued Handbook Section 1582, "Business Combinations" ("CICA 1582"). CICA 1582 requires that all assets and liabilities of an acquired business will be recorded at fair value on the acquisition date and is consistent with International Financial Reporting Standards ("IFRS"). Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period on or after January 1, 2011 with earlier adoption permitted.

In January 2009, the CICA issued Handbook Section 1601, "Consolidations" ("CICA 1601"), and Section 1602, "Non-controlling Interests" ("CICA 1602"). CICA 1601 establishes standards for the preparation of consolidated financial statements. CICA 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011 with earlier adoption permitted. The Company is currently assessing the impact of the new standard on its financial statements.

In February 2008, the CICA announced that Canadian public companies will be required to prepare their financial statements in accordance with IFRS for fiscal years beginning on or after January 1, 2011. The Company will issue its financial statements in the first quarter of 2011 in accordance with IFRS including comparative data for 2010.

(r) Comparative figures

Certain 2008 comparative figures have been reclassified to conform with the financial statement presentation adopted in 2009.

3. ACCOUNTS RECEIVABLE

Under revolving securitization programs, the Company has sold certain of its trade accounts receivable to financial institutions. The Company retains servicing responsibilities and retains a limited recourse obligation for delinquent receivables. At December 31, 2009, trade accounts receivable being serviced under this program amounted to $174.8 million (2008: $181.3 million).

4. INVENTORIES

	2009	2008
Raw materials	$ 49,644	$ 62,014
Work in process	54,164	55,933
Finished goods	182,687	197,723
Packaging	25,697	27,208
Spare parts	37,717	34,536
	$ 349,909	$ 377,414

5. PROPERTY AND EQUIPMENT

	2009	2008
Land	$ 66,601	$ 62,485
Buildings	699,301	715,733
Machinery and equipment	1,612,595	1,606,725
Construction in progress	123,854	132,580
	2,502,351	2,517,523
Less: Accumulated depreciation	1,367,295	1,348,088
	$ 1,135,056	$ 1,169,435

6. OTHER LONG-TERM ASSETS

	2009	2008
Deferred pension asset (Note 19)	$ 322,656	$ 320,574
Other	5,407	8,496
	$ 328,063	$ 329,070

7. OTHER INTANGIBLE ASSETS

	2009	2008
Brands	$ 54,751	$ 53,672
Poultry production quota	28,567	28,567
Customer relationships	12,943	12,478
Other	1,452	2,641
	$ 97,713	$ 97,358

8. LONG-TERM DEBT

	2009	2008
Notes payable:		
– due 2009 (US$140.0 million) (a)	$ –	$ 169,912
– due 2010 (US$75.0 million and CAD$115.0 million) (b)	193,810	205,877
– due 2010 (CAD$2.6 million) (d)	2,704	4,941
– due 2010 to 2016 (CAD$39.3 million) (d)	43,078	48,270
– due 2011 (US$207.0 million) (c)	216,775	249,807
– due 2014 (US$98.0 million and CAD$105.0 million) (c)	206,610	222,157
– due 2016 (US$7.0 million and CAD$20.0 million) (c)	27,122	28,218
Revolving term facility (e)	345,000	440,000
Other (f)	5,605	10,286
	$ 1,040,704	$ 1,379,468
Less: Current portion	206,147	179,244
	$ 834,557	$ 1,200,224

(a) In December 2002, the Company issued US$140.0 million of notes payable, bearing interest at 6.3% per annum and due in 2009. Through the use of cross-currency interest rate swaps entered into in prior years (Note 10), the Company effectively converted US$15.0 million into Canadian dollar-denominated debt of $23.3 million bearing interest at floating interest rates being the three-month bankers' acceptance rate plus 2.6% per annum. In 2006, the Company entered into cross-currency interest rate swaps, which effectively converted the interest on the remaining US$125.0 million notes payable from U.S. dollar-denominated interest at 6.3% per annum into Canadian dollar-denominated interest at 6.2% per annum. In December 2009, the Company repaid the notes payable in full and settled the related cross-currency interest rate swaps. At December 31, 2008, the fair value of the swap liability was $4.3 million.

(b) In April 2000, the Company issued notes payable due April 2010. The notes payable include a Canadian dollar-denominated tranche for CAD$115.0 million, bearing interest at 7.7% per annum, and a U.S. dollar-denominated tranche for US$75.0 million, bearing interest at 8.5% per annum. Through the use of cross-currency interest rate swaps (Note 10), the Company hedged the U.S. dollar tranche into Canadian dollar-denominated debt, at an effective fixed interest rate of 7.7% per annum. At December 31, 2009, the Canadian dollar value of the U.S. debt was $78.8 million (2008: $90.9 million) and the fair value of the related swap liability was $32.4 million (2008: $21.1 million).

(c) In December 2004, the Company issued $500.0 million of notes payable. The notes were issued in tranches of U.S. and Canadian dollar-denominations, with maturity dates from seven to 12 years and bearing interest at fixed annual coupon rates.

Details of the five tranches are as follows:

Principal	Maturity Date	Annual Coupon
US$207.0 million	2011	5.2%
US$98.0 million	2014	5.6%
CAD$105.0 million	2014	6.1%
US$7.0 million	2016	5.8%
CAD$20.0 million	2016	6.2%

Interest is payable semi-annually. Through the use of cross-currency interest rate swaps (Note 10), the Company hedged: US$177.0 million of debt maturing in 2011 into Canadian dollar-denominated debt bearing interest at an annual fixed rate of 5.4%, US$98.0 million of debt maturing in 2014 into Canadian dollar-denominated debt bearing interest at an annual fixed rate of 6.0%, and US$2.0 million of debt maturing in 2016 into Canadian dollar-denominated debt bearing interest at an annual fixed rate of 6.1%. At December 31, 2009, the fair value of the swap liabilities were $86.7 million based on year end exchange rates (2008: $48.8 million).

(d) With the acquisition of Schneider Corporation in April 2004, the Company assumed the liabilities outstanding in respect of debentures previously issued by Schneider Corporation. In April 2004, the debentures provided for principal payments totalling $13.1 million and $60.0 million, bearing interest at fixed annual rates of 10.0% and 7.5%, respectively. The debentures require annual principal repayments over the term of the bonds that have final maturity dates of September 2010 and October 2016, respectively. These debentures were recorded at their fair value on the acquisition closing date. The difference between the acquisition date fair value and the face value of the bonds is amortized over the remaining life of the debentures on an effective yield basis. On December 31, 2009, the remaining book values were $2.7 million for the 2010 debentures (2008: $4.9 million) and $43.1 million for the 2016 debentures (2008: $48.3 million) and the remaining principal payments outstanding were $2.6 million and $39.3 million, respectively (2008: $4.6 million and $43.5 million).

(e) The Company has an unsecured revolving debt facility with a principal amount of $870.0 million. The maturity date is May 31, 2011. This facility can be drawn in Canadian dollars, U.S. dollars, or British pounds, and bears interest based on bankers' acceptance rates for Canadian dollar loans and LIBOR for U.S. dollar and British pound loans. As at December 31, 2009, $476.6 million of the revolving facility was utilized (2008: $559.8 million), of which $131.6 million was in respect of letters of credit and trade finance (2008: $119.8 million). The Company uses interest rate swaps to mitigate the risk from variable cash flows by effectively converting certain variable rate borrowings to fixed rate borrowings. In 2008, through the use of an interest rate swap (Note 10), the Company had effectively fixed the interest rate on $200.0 million of variable rate debt under this facility, at 3.1%. This swap had a negative fair value of $2.5 million as at December 31, 2008, which was recorded in other current liabilities. The notional amount of the swap was $200.0 million and it matured in August 2009. As at December 31, 2009, there were no outstanding interest rate swaps in respect of this revolving debt facility.

(f) The Company has other various lending facilities, with interest rates ranging from non-interest bearing to 7.1% per annum. These facilities are repayable over various terms from 2010 to 2016. As at December 31, 2009, $14.5 million (2008: $18.8 million) was outstanding of which $8.9 million (2008: $8.5 million) was in respect of letters of credit.

The Company's estimated blended average effective cost of borrowing for 2009 was approximately 5.1% (2008: 6.0%) after taking into account the impact of interest rate hedges.

Required repayments of long-term debt are as follows:

2010	$ 206,147
2011	567,538
2012	5,560
2013	5,747
2014	213,942
Thereafter	41,770
Total long-term debt	$ 1,040,704

9. OTHER LONG-TERM LIABILITIES

	2009	2008
Derivative instruments (Note 8 and 10)	**$ 77,328**	$ 70,329
Pension liabilities (Note 19)	**31,067**	29,448
Post-retirement benefits (Note 19)	**65,062**	63,703
Other	**14,066**	15,559
	$ 187,523	$ 179,039

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT ACTIVITIES

Capital

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

The Company 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, primarily net debt to earnings before interest, income taxes, depreciation, amortization, product recall, restructuring and other related costs. The Company's various credit facilities, all of which are unsecured, are subject to certain financial covenants. As at December 31, 2009, the Company was in compliance with all of these covenants.

In addition to senior debt and equity, the Company may use operating leases and limited recourse accounts receivable securitization programs as additional sources of financing.

The Company has maintained a stable dividend distribution that is based on a sustainable net earnings base. From time to time, the Company has purchased shares for cancellation pursuant to normal course issuer bids and to satisfy the awards under its Restricted Share Unit plan, an equity compensation program established in 2006.

For the year ended December 31, 2009, total equity increased by $46.1 million to $1,189.1 million. During the same period, total debt net of cash and cash equivalents decreased by $7.2 million to $1,015.6 million.

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 and mortgages 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 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. Financial assets and liabilities classified as held-for-trading and all derivative financial instruments are recorded at fair value. The fair value of long-term debt as at December 31, 2009 was $1,040.2 million as compared to its carrying value of $1,040.7 million on the consolidated balance sheet.

The fair value of the Company's long-term debt was estimated based on discounted future cash flows using current rates for similar financial instruments subject to similar risks and maturities. 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 options contracts are exchange-traded and fair value is determined based on exchange prices.

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

Credit Risk

Credit risk refers to the risk of losses due to failure of the Company's customers or other 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 grocery and foodservice markets. The Company performs ongoing credit evaluations of new and existing customers' financial condition and reviews the collectibility of its trade and other accounts receivable in order to mitigate any possible credit losses. The Company maintains an allowance for doubtful accounts that represents its estimate of uncollectible amounts. The components of this allowance include a provision related to specific losses estimated on individually significant exposures and a provision based on historical trends of collections. Average accounts receivable days sales outstanding for the year is consistent with historic trends. There are no impaired receivables that have not been provided for in the allowance for doubtful accounts. As at December 31, 2009, the Company believes that the allowance for doubtful accounts sufficiently covers any credit risk related to past due or impaired accounts receivable balances.

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, as well as the large number and geographic dispersion of smaller customers. The Company does, however, conduct a significant amount of business with a small number of large grocery retailers. The Company's five largest customers comprise approximately 43% (2008: 30%) of consolidated accounts receivable at December 31, 2009 and the two largest customers comprise approximately 23% (2008: 23%) of consolidated sales.

The Company is exposed to credit risk on its cash and cash equivalents (comprising primarily deposits and short-term placements with Canadian chartered banks) and non-exchange-traded derivatives contracts. The Company mitigates this credit risk by only dealing with counterparties that are major international financial institutions with long-term debt ratings of single A or better.

The Company's maximum exposure to credit risk at the balance sheet date consisted primarily of the carrying value of non-derivative financial assets and non-exchange-traded derivatives with positive fair values.

Liquidity Risk

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

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

As at December 31, 2009	Due within 1 year	Due between 1 and 2 years	Due between 2 and 3 years	Due after 3 years	**Total**
Financial liabilities					
Bank indebtedness	$ 4,247	$ –	$ –	$ –	**$ 4,247**
Accounts payable and accrued charges	489,182	–	–	–	**489,182**
Long-term debt	206,147	567,538	5,560	261,459	**1,040,704**
Cross-currency interest rate swaps	31,950	44,998	–	32,900	**109,848**
Total	$ 731,526	$ 612,536	$ 5,560	$ 294,359	**$ 1,643,981**

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, 2009, the Company had available undrawn committed credit of $393.4 million under the terms of its principal banking arrangements. These banking arrangements, which mature in 2011, are subject to certain covenants and other restrictions. The Company also had cash balances available of $29.3 million.

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.

At December 31, 2009, the Company had variable rate debt of $350.1 million with a weighted average interest rate of 1.5%. In addition, the Company is exposed to floating interest rates on its accounts receivable securitization programs. As at December 31, 2009, the amount sold pursuant to these programs was $174.8 million at a weighted average interest rate of 2.4%.

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.

As at December 31, 2009, 57% of the Company's outstanding debt and revolving accounts receivable securitization program were not exposed to interest rate movements (2008: 70%).

Foreign Exchange Risk

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

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

The Company uses cross-currency interest rate swaps to mitigate its exposure to changes in exchange rates related to U.S.

dollar-denominated debt. These swaps are used primarily to effectively convert fixed rate U.S. dollar-denominated notes payable to fixed rate notes denominated in Canadian dollars and are accounted for as cash flow hedges.

The following table summarizes the notional amounts and interest rates of the Company's interest rate swaps and cross-currency interest rate swaps, all of which are designated as a hedging instrument in a hedging relationship:

(In thousands of currency units)

Maturity	Notional amount	Receive rate[(i)]	Notional amount	Pay rate[(i)]
	US$		CAD$	
2010	75,000	8.5%	110,775	7.7%
2011	177,000	5.2%	231,025	5.4%
2014	100,000	5.6%	138,000	6.0%

(i) *The receive rate is the annualized rate that is applied to the notional amount of the derivative and paid by the counterparty to the Company. The pay rate is the annualized rate that is applied to the notional amount of the derivative and paid by the Company to the counterparty.*

A portion of the Company's U.S. dollar-denominated notes payable is not swapped into Canadian dollars and is designated as a net investment hedge of its U.S. operations. At December 31, 2009, this amount of notes payable designated as a hedge of the Company's net investment in U.S. operations was US$35.0 million (December 31, 2008: US$160.0 million). Foreign exchange gains and losses on the designated notes payable are recorded in shareholders' equity in the foreign currency translation component of accumulated other comprehensive income and offset translation adjustments on the underlying net assets of the U.S. operations, which are also recorded in accumulated other comprehensive income. The gain on the net investment hedge recorded in other comprehensive loss for the year ended December 31, 2009 was $24.8 million before taxes (December 31, 2008: loss of $37.4 million).

The Company uses foreign exchange forward contracts to manage foreign exchange transaction exposures. The primary currencies to which the Company is exposed to are the U.S. dollar and the Japanese yen. Qualifying foreign currency forward contracts are accounted for as cash flow hedges. As of December 31, 2009, $119.0 million of anticipated foreign currency-denominated sales have been hedged with underlying foreign exchange forward contracts settling at various dates beginning January 2010. The aggregate fair value of these forward contracts was a gain of $2.9 million at December 31, 2009 (2008: loss of $2.6 million) and was recorded in other current assets.

At December 31, 2009, the Company had fixed rate debt of $694.9 million with a weighted average interest rate of 6.2%. 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.

Similar to fixed rate debt, the fair value of the Company's fixed-pay cross-currency interest rate swaps fluctuates with changes in market interest rates but the associated cash flows do not change and earnings are not affected. The fair value of the Company's cross-currency interest rate swaps designated as cash flow hedges are primarily driven by changes in foreign exchange rates rather than changes in interest rates.

For cross-currency interest rate swaps designated as cash flow or fair value hedges of foreign exchange risk, changes in the fair values of the hedged item and the hedging instruments attributable to foreign exchange rate movements offset completely in the income statement in the same period. As a consequence, these financial instruments are not exposed to foreign exchange risks and do not affect net earnings.

It is estimated that, all else constant, a hypothetical 10% change in the value of the Canadian dollar against all relevant currencies would result in a change in the fair value of the Company's foreign exchange forward contracts of $10.5 million, an offsetting change in net earnings of $2.5 million and a corresponding change in other comprehensive income of $4.8 million.

Commodity Price Risk

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

Derivatives designated as a hedge of an anticipated or forecasted transaction are accounted for as cash flow hedges. Changes in the fair value of the hedging derivatives are recorded in other comprehensive income to the extent the hedge is effective in mitigating the exposure to the related anticipated transaction, and subsequently reclassified to earnings to offset the impact of the hedged items when they affect earnings.

The Company also uses futures to minimize the price risk assumed under forward priced contracts with suppliers. The futures contracts are designated and accounted for as fair value hedges.

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.

It is estimated that, all else constant, a hypothetical 10% change in market prices of the underlying commodities would result in a change in the fair value of underlying outstanding derivative contracts of $4.4 million, a corresponding change in net earnings of $0.2 million and a corresponding change in other comprehensive income of $2.9 million. These amounts exclude the offsetting impact of the commodity price risk inherent in the transactions being hedged.

The fair values and notional amounts of derivative financial instruments are shown below:

	2009			2008		
	Notional	**Fair Value**		Notional	Fair Value	
	Amount	**Asset**	**Liability**	Amount	Asset	Liability
Cash flow hedges						
Cross-currency interest rate swaps	**US$ 352,000**	**$ –**	**$ 114,012**	US$ 477,000	$ –	$ 69,327
Interest rate swaps	**–**	**–**	**–**	200,000	–	2,520
Foreign exchange forward contracts(i)	**119,033**	**2,905**	**–**	182,905	–	2,573
Commodity futures contracts(i)	**21,538**	**–**	**736**	40,537	1,142	–
Fair value hedges						
Cross-currency interest rate swaps	**$ –**	**$ –**	**$ –**	US$ 15,000	$ –	$ 4,805
Commodity futures contracts(i)	**18,903**	**–**	**417**	37,529	4,891	–
Derivatives not designated in a formal hedging relationship						
Foreign exchange forward contracts(i)	**$ 119,306**	**$ 845**	**$ –**	$ 323,255	$ –	$ 12,536
Commodity futures contracts(i)	**10,985**	**36**	**–**	16,185	769	–
Total		**$ 3,786**	**$ 115,165**		$ 6,802	$ 91,761
Current		**$ 3,786**	**$ 37,837**		$ 6,802	$ 21,432
Non-current		**–**	**77,328**		–	70,329
Total		**$ 3,786**	**$ 115,165**		$ 6,802	$ 91,761

(i) Notional amounts are stated at the contractual Canadian dollar equivalent.

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

For the years ended December 31, 2009 and 2008, the amount of hedge ineffectiveness recognized in earnings was not material.

Fair Value Hierarchy

Assets and liabilities carried at fair value must be classified using a three-level hierarchy that reflects the significance and transparency of the inputs used in making the fair value measurements. The table below sets out fair value measurements of financial instruments using the fair value hierarchy as described in Note 2(p)(iii):

	Level 1	Level 2	Level 3	**Total**
Assets:				
Commodity futures contracts	$ 36	$ –	$ –	**$ 36**
Foreign exchange forward contracts	–	3,750	–	**3,750**
	$ 36	$ 3,750	$ –	**$ 3,786**
Liabilities:				
Commodity futures contracts	1,153	–	–	**1,153**
Cross-currency interest rate swaps	–	114,012	–	**114,012**
	$ 1,153	$ 114,012	$ –	**$ 115,165**

There were no transfers between levels during the year ended December 31, 2009.

11. PRODUCT RECALL, RESTRUCTURING AND OTHER RELATED COSTS

During 2009, the Company recorded restructuring and other related costs of $31.1 million ($22.8 million after-tax). $22.1 million of these costs related to severance and lease termination costs in the Company's further processed protein operations. The Company's bakery business announced the consolidation of its pasta and sandwich operations and recorded $3.5 million which included severances and a write-down of $1.2 million related to the discontinuance of the Martel brand name. The balance of the restructuring costs was incurred in connection with the ongoing restructuring initiatives of the Company.

During 2008, the Company recorded product recall, restructuring and other related costs of $102.8 million ($74.5 million after-tax). The Company recorded approximately $37.5 million ($27.4 million after-tax) in direct costs related to a voluntary recall in August 2008.

The 2008 restructuring and other related costs of $65.3 million ($47.1 million after-tax) resulted from the restructuring of the Company's hog production assets, the closure of a primary pork processing facility in Manitoba, the closure of a bagel facility in Toronto, Ontario, and the write-off of certain assets made redundant by the Company's decision to replace its computer systems with an enterprise wide software system.

notes to the consolidated financial statements

The following table provides a summary of costs recognized and cash payments made in respect of the above-mentioned restructuring and other related costs and the corresponding liability as at December 31, 2009, all on a pre-tax basis:

	Severance	Site closing	Asset impairment and accelerated depreciation	Retention	Pension	**Total**
Balance at December 31, 2007	$ 9,711	$ 2,034	$ –	$ 5,529	$ –	**$ 17,274**
Charges	3,513	13,871	42,830	2,792	2,300	**65,306**
Cash payments	(8,487)	(10,653)	–	(8,096)	–	**(27,236)**
Non-cash items	–	–	(42,830)	–	(2,300)	**(45,130)**
Balance at December 31, 2008	$ 4,737	$ 5,252	$ –	$ 225	$ –	**$ 10,214**
Charges	15,399	11,098	4,648	–	–	**31,145**
Cash payments	(8,722)	(7,237)	–	(140)	–	**(16,099)**
Non-cash items	–	–	(4,648)	–	–	**(4,648)**
Balance at December 31, 2009	**$ 11,414**	**$ 9,113**	**$ –**	**$ 85**	**$ –**	**$ 20,612**

12. SHAREHOLDERS' EQUITY

Shareholders' equity consists of the following:

	2009	2008
Share capital(i)	**$ 869,485**	$ 800,734
Retained earnings	**344,839**	314,649
Contributed surplus(i)	**53,429**	48,117
Subscription receipts(i)	**–**	66,936
Accumulated other comprehensive loss (Note 13)	**(54,204)**	(52,331)
Treasury stock(ii)	**(24,499)**	(35,135)
	$ 1,189,050	$ 1,142,970

(i) *On December 16, 2008, the Company issued 7,368,421 units, each unit consisting of one subscription receipt and 0.4 of a common share purchase warrant for net proceeds of $69.1 million. Each whole warrant entitles the holder to purchase one common share at any time until December 16, 2010 at a price of $9.50 per common share. For each subscription receipt, the holder was entitled to receive one common share of the Company on August 4, 2009, or, at the Company's election, $9.50 in cash. $66.9 million of the proceeds was allocated to the subscription receipts and $2.2 million was recorded in contributed surplus related to the warrants.*

On August 4, 2009, the Company settled the subscription receipts issued on December 16, 2008 through the issuance of 7,368,421 shares of the Company. As a result, the $66,936 recorded as subscription receipts was added to share capital.

The 2,947,368 common share purchase warrants issued on December 16, 2008 are still outstanding at December 31, 2009.

(ii) *During 2009, the Company repurchased 358,000 common shares (2008: 919,100) through a trust for cash consideration of $3.2 million (2008: $11.3 million) for the purpose of funding grants under the Restricted Share Unit ("RSU") Plan (Note 14).*

During 2009, 1,063,810 common shares were issued from the trust established for the purpose of settling grants under the RSU Plan.

On June 2, 2009, the Company filed Articles of Amendment to increase its authorized capital by creating an unlimited number of preference shares issuable in one or more series. No preference shares have been issued.

The authorized share capital of Maple Leaf Foods consists of an unlimited number of common shares, an unlimited number of non-voting common shares and an unlimited number of preference shares. As at December 31, 2009, there were

114,774,802 voting common shares issued and outstanding (2008: 107,258,681) and 22,000,000 non-voting common shares issued and outstanding (2008: 22,000,000). The non-voting common shares carry rights identical to those of the common shares, except that they have no voting rights other than as specified in the Canada Business Corporations Act. Each non-voting common share is convertible at any time into one common share at the option of the holder. Holders of non-voting common shares have a separate class vote on any amendment to the articles of the Company, if the non-voting common shares would be affected by such amendment in a manner that is different from the holders of common shares.

Details of share transactions relating to both voting and non-voting shares during the years are as follows:

	Number of shares	Share capital
Balance, December 31, 2007	129,600,271	$ 797,658
Repurchased for cancellation[i]	(1,023,000)	(6,298)
Issued for settlement of RSUs and exercise of options (Note 14)	681,410	9,374
Balance, December 31, 2008	129,258,681	$ 800,734
Issued for settlement on exercise of subscription receipts	7,368,421	66,936
Issued for settlement of RSUs and exercise of options (Note 14)	147,700	1,815
Balance, December 31, 2009	**136,774,802**	**$ 869,485**

(i) During 2008, the Company repurchased for cancellation 1,023,000 common shares pursuant to a normal course issuer bid at an average exercise price of $11.55. The excess of the purchase cost over the book value of the shares of $5.5 million was charged to retained earnings.

13. ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss consists of the following:

Years ended December 31	**2009**	2008
Balance at the beginning of the year – net[i]	**$ (52,331)**	$ (35,423)
Adoption of new accounting standard *(Note 2(p)(i))*	**900**	–
Adjusted balance at the beginning of the year	**$ (51,431)**	$ (35,423)
Change in accumulated foreign currency translation adjustment – net[i]	**(15,644)**	(6,579)
Change in unrealized loss on cash flow hedges – net[ii]	**12,871**	(10,329)
Other comprehensive loss for the year	**$ (2,773)**	$ (16,908)
Balance at end of year	**$ (54,204)**	$ (52,331)

(i) Balance at the beginning of the current year is net of tax of $7.3 million. The change in accumulated foreign currency translation adjustment is net of tax of $6.5 million for 2009 (2008: $5.8 million).

(ii) Change in unrealized derivative loss on cash flow hedges is net of tax of $6.8 million for 2009 (2008: $4.3 million).

The Company estimates that $3.0 million of net unrealized derivative losses included in other comprehensive loss will be reclassified into net earnings within the next 12 months. The actual amount of this reclassification will be impacted by future changes in the fair value of financial instruments designated as cash flow hedges and the actual amount reclassified could differ from this estimated amount. During the year, a loss of approximately $0.3 million (net of tax of $0.1 million) was released to income from accumulated other comprehensive loss, which is included in the net change for the year.

The ending balance of accumulated other comprehensive loss comprises accumulated unrealized foreign currency translation losses of $48.1 million, net of tax of $0.8 million (2008: $32.4 million, net of tax of $7.3 million) and unrealized losses on cash flow hedges of $6.1 million, net of tax of $2.5 million (2008: $19.9 million, net of tax of $9.3 million).

14. STOCK-BASED COMPENSATION

Under the Maple Leaf Foods Share Incentive Plan as at December 31, 2009, the Company may grant options to its employees and employees of its subsidiaries to purchase up to 7,808,514 shares of common stock and may grant RSUs entitling employees to receive up to 1,598,900 in common shares. Options and RSUs are granted from time to time by the Board of Directors on the recommendation of the Human Resources and Compensation Committee. The vesting conditions are specified by the Board of Directors and may include continued service of the employee with the Company and/or other criteria based on measures of the Company's performance.

Stock options

A summary of the status of the Company's outstanding stock options as at December 31, 2009 and 2008, and changes during these years are presented below:

	2009		2008	
	Options outstanding	**Weighted average exercise price**	Options outstanding	Weighted average exercise price
Outstanding, beginning of year	**4,449,450**	**$ 13.29**	6,278,250	$ 12.84
Exercised	**(141,500)**	**10.46**	(481,610)	10.68
Expired and terminated	**(1,502,700)**	**14.06**	(1,347,190)	12.13
Outstanding, end of year	**2,805,250**	**$ 13.02**	4,449,450	$ 13.29
Options currently exercisable	**2,190,950**	**$ 12.12**	3,387,900	$ 12.63

All outstanding share options vest and become exercisable over a period not exceeding six years (time vesting) from the date of grant and/or upon the achievement of specified performance targets (based on return on net assets, earnings, share price or total stock return relative to an index). The options have a term of between seven and 10 years.

The number of options outstanding at December 31, 2009, with details on time and performance vesting conditions of the options, is as follows:

	Options outstanding			Options currently exercisable		Options subject to time vesting	
Range of exercise prices	Number outstanding	Weighted average exercise price	Weighted average remaining term (in years)	Number exercisable	Weighted average exercise price	Number outstanding	Weighted average exercise price
$10.30 to $10.93	1,210,800	$ 10.33	0.6	1,205,800	$ 10.32	5,000	$ 10.82
$11.64 to $13.50	612,200	13.05	1.7	605,500	13.05	6,700	13.04
$14.56 to $16.88	982,250	16.34	2.7	379,650	16.36	602,600	16.32
$10.30 to $16.88	2,805,250	$ 13.02	1.6	2,190,950	$ 12.12	614,300	$ 16.24

The fair value of options issued was determined using the Black-Scholes option-pricing model and is being amortized to income over the vesting period of the related options. As at December 31, 2009, the fair value of options has been fully amortized. In 2008, amortization of $0.4 million was charged to earnings.

Restricted stock units

The Company has two plans under which RSUs may be granted to employees. The awards under the Share Incentive Plan (adopted in 2004) are satisfied by the issuance of treasury shares on maturity, while the awards granted under the Restricted Share Unit Plan (adopted in 2006) are satisfied by shares to be purchased on the open market by a trust established for that purpose.

In both plans, RSUs are subject to time vesting and performance vesting based on the achievement of specified stock performance targets relative to a North American index of food stocks. Under the 2004 Plan, one common share in the capital of the Company will be issued to the holder on vesting. All outstanding RSUs under the 2004 Plan vest over a period of between three and five years from the date of grant. Under the 2006 Plan, between 0.5 and 1.5 common shares in the capital of the Company can be distributed for each RSU as a result of the performance of the Company against the target levels required for vesting. All outstanding RSUs under the 2006 Plan vest over a period between 18 months to three years from the date of grant.

A summary of the status of the Company's RSU plan as at December 31, 2009 and 2008 and changes during these years are presented below:

	2009		2008	
	RSUs outstanding	**Weighted average fair value at grant**	RSUs outstanding	Weighted average fair value at grant
Outstanding, beginning of year	**5,983,990**	**$ 11.51**	4,308,100	$ 13.81
Granted	**2,509,400**	**8.91**	2,509,520	8.22
Issued	**(1,070,010)**	**13.01**	(666,825)	13.39
Expired and terminated	**(1,065,950)**	**12.19**	(166,805)	14.14
Outstanding, end of year	**6,357,430**	**$ 10.11**	5,983,990	$ 11.51

The fair value of the RSUs granted in 2009 on the date of grant was $17.1 million (2008: $16.6 million), after taking account of forfeiture due to performance, which is amortized to income on a pro rata basis over the vesting periods of the related RSUs. The amortization of the fair value of the RSUs in 2009 is $18.4 million (2008: $16.7 million).

The fair value of the total RSUs granted in the year is based on the following weighted average assumptions:

	2009	2008
Expected RSU life (in years)	**3.0**	2.5
Forfeiture rate	**15.0%**	15.0%
Discount rate	**1.3%**	2.2%
Dividend yield	**1.6%**	1.4%

notes to the consolidated financial statements

15. EARNINGS PER SHARE

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

Years ended December 31	2009			2008		
	Net Earnings	Weighted Average Number of Shares[(ii)]	EPS	Net Earnings	Weighted Average Number of Shares[(ii)]	EPS
Basic	$ 52,147	129.8	$ 0.40	$ (36,857)	126.7	$ (0.29)
Stock options[(i)]	–	2.5	(0.01)	–	–	–
Diluted	52,147	132.3	0.39	(36,857)	126.7	(0.29)

(i) Excludes the effect of approximately 9.6 million options, restricted share units and warrants (2008: 20.7 million) to purchase common shares that are anti-dilutive.

(ii) In millions.

16. OTHER INCOME

	2009	2008
Recovery from insurance claims	$ 3,328	$ 19,396
Gain (loss) on sale of property and equipment	(1,137)	4,724
Other	1,422	744
	$ 3,613	$ 24,864

17. INTEREST EXPENSE

	2009	2008
Interest expense on long-term debt	$ 75,779	$ 79,169
Other interest expense, net	5,455	9,482
	$ 81,234	$ 88,651

18. INCOME TAXES

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

	2009	2008
Income tax recovery according to combined statutory rate of 31.4% (2008: 33.0%)	$ 27,423	$ (12,615)
Increase (decrease) in income taxes resulting from:		
Difference between current rates and future enacted rates	(2,025)	5,267
Rate differences in other jurisdictions	(930)	(3,463)
Manufacturing and processing credit	(450)	(96)
Non-taxable (gains) losses	(121)	(731)
Stock-based compensation	35	1,044
Dividends not taxable	(2)	(20)
Non-deductible expenses	1,384	106
Valuation allowance on U.S. tax losses	896	3,540
Other	1,086	(1,570)
	$ 27,296	$ (8,538)

The tax effects of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities at December 31 are presented below:

	2009	2008
Future tax assets:		
Losses carried forward	$ 122,892	$ 136,235
Accrued liabilities	20,970	34,231
Tax on intra-subsidiary asset transfer	19,552	22,409
Other	12,221	14,646
Valuation allowance	(32,537)	(38,827)
Cash basis farming	381	–
	$ 143,479	$ 168,694
Future tax liabilities:		
Property and equipment	$ 38,799	$ 40,970
Cash basis farming	–	1,929
Pension asset	68,737	79,657
Goodwill and other intangible assets	22,219	30,176
Unrealized foreign exchange gain on long-term debt	875	6,336
Other	14,283	2,888
	$ 144,913	$ 161,956
Classified in the consolidated financial statements as:		
Future tax asset – current	$ 4,301	$ 19,787
Future tax asset – non-current	22,116	24,854
Future tax liability – non-current	(27,851)	(37,903)
Net future tax liability	$ (1,434)	$ 6,738

In accordance with CICA Handbook Section 3465, "Accounting for Income Taxes", the Company reviews all available positive and negative evidence to evaluate the recoverability of future tax assets. This includes a review of the Company's cumulative losses in recent years, the carry forward period related to the tax losses, and the tax planning strategies available to the Company. Upon applying these accounting rules to the Company's accumulated tax losses in the U.S. frozen bakery business, there continues to be sufficient uncertainty surrounding the timing and amount of losses that will be utilized. Accordingly, the Company has recorded a valuation allowance of $24.1 million (US$23.0 million) as at December 31, 2009 (2008: $30.6 million (US$25.2 million)) with respect to accumulated tax losses in the U.S.

19. PENSIONS AND OTHER POST-RETIREMENT BENEFITS

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

	Other post-retirement benefits	Total pensions	**2009 Total**	Other post-retirement benefits	Total pensions	2008 Total
Accrued benefit obligation:						
Balance, beginning of year	$ 67,733	$ 933,863	**$ 1,001,596**	$ 77,533	$ 1,103,090	$ 1,180,623
Current service cost	533	12,412	**12,945**	676	17,033	17,709
Interest cost	4,328	59,200	**63,528**	4,019	56,861	60,880
Benefits paid	(3,176)	(79,357)	**(82,533)**	(2,925)	(68,220)	(71,145)
Actuarial (gains) losses	6,892	92,900	**99,792**	(11,570)	(165,606)	(177,176)
Employee contributions	–	4,050	**4,050**	–	4,261	4,261
Contractual termination benefits	–	–	**–**	–	1,300	1,300
Curtailments	–	–	**–**	–	362	362
Settlements	–	–	**–**	–	(15,218)	(15,218)
Balance, end of year	$ 76,310	$ 1,023,068	**$ 1,099,378**	$ 67,733	$ 933,863	$ 1,001,596
Plan assets:						
Fair value, beginning of year	$ –	$ 1,077,892	**$ 1,077,892**	$ –	$ 1,362,404	$ 1,362,404
Actual return on plan assets	–	167,443	**167,443**	–	(195,318)	(195,318)
Employer contributions	3,176	7,806	**10,982**	2,925	7,383	10,308
Employee contributions	–	4,050	**4,050**	–	4,261	4,261
Benefits paid	(3,176)	(79,357)	**(82,533)**	(2,925)	(68,220)	(71,145)
Asset transfer to Company defined contribution plan	–	(18,104)	**(18,104)**	–	(17,400)	(17,400)
Settlements	–	–	**–**	–	(15,218)	(15,218)
Fair value, end of year	$ –	$ 1,159,730	**$ 1,159,730**	$ –	$ 1,077,892	$ 1,077,892
Funded status – plan surplus (deficit)	$ (76,310)	$ 136,662	**$ 60,352**	$ (67,733)	$ 144,029	$ 76,296
Unamortized transition amount	–	(96,216)	**(96,216)**	–	(114,614)	(114,614)
Unamortized actuarial losses	8,072	237,408	**245,480**	1,105	247,350	248,455
Unamortized prior service costs	–	11,852	**11,852**	–	12,836	12,836
Other	–	(191)	**(191)**	–	(262)	(262)
Accrued benefit asset (liability), end of year	$ (68,238)	$ 289,515[i]	**$ 221,277**	$ (66,628)	$ 289,339[i]	$ 222,711

(i) Includes three defined benefit plans with accrued benefit liabilities of $21.5 million (2008: $20.9 million).

Amounts recognized in the consolidated balance sheet consist of:

	2009	2008
Other long-term assets	$ 322,656	$ 320,574
Accounts payable and accrued charges	5,250	4,712
Other long-term liabilities	96,129	93,151

Pension benefit expense (income):

	2009	2008
Current service cost – defined benefit	$ 12,412	$ 17,056
Current service cost – defined contribution	28,185	26,197
Interest cost	59,200	56,861
Actual return on plan assets	(167,443)	195,318
Difference between actual and expected return	92,175	(294,202)
Actuarial losses (gains) recognized	92,900	(165,606)
Difference between actual and recognized actuarial (gains) losses in the year	(82,233)	167,401
Amortization of transitional amount	(18,398)	(18,580)
Difference between amortization of prior service costs and actual plan amendments in the year	984	735
Plan amendments	–	249
Curtailment loss	–	512
Contractual termination benefits	–	1,300
Settlement loss	–	1,300
Net benefit plan expense (income)	$ 17,782	$ (11,459)

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

	2009	2008
Discount rate used to calculate net benefit plan expense	6.50%	5.25%
Discount rate used to calculate year end benefit obligation	5.75%	6.50%
Expected long-term rate of return on plan assets	7.25%	7.50%
Rate of compensation increase	3.50%	3.50%

Other post-retirement benefits expense:

	2009	2008
Current service cost	$ 533	$ 676
Interest cost	4,328	4,019
Actuarial losses (gains) recognized	6,892	(11,570)
Difference between actual and expected actuarial (gains) losses	(6,967)	12,184
	$ 4,786	$ 5,309

Impact of 1% change in health care cost trend:

	1% Increase	1% Decrease
Effect on end-of-year obligation	$ 3,233	$ (3,662)
Aggregate of 2009 current service cost and interest cost	212	(243)

Measurement dates:	
2009 expense	December 31, 2008
Balance sheet	December 31, 2009

The pension assets are invested in the following asset categories at December 31, 2009 and December 31, 2008:

Asset category:	2009	2008
Equity securities	56%	54%
Debt securities	44%	46%
	100%	100%

notes to the consolidated financial statements

20. ACQUISITIONS AND DIVESTITURES

(a) In December 2008, the Company disposed of its hog genetics business. The loss on this disposal is included in restructuring and other related costs (Note 11).

(b) On January 29, 2008, the Company acquired the shares of Aliments Martel Inc. ("Martel"), a manufacturer and distributor of sandwiches, meals and sweet goods based in Quebec for an initial purchase price of $44.6 million plus contingent consideration of up to $22.6 million, based on financial performance over three years post-acquisition. During the first quarter of 2009, the Company finalized the purchase equation, allocating $15.4 million to the identifiable net tangible assets of Martel at the acquisition date and $29.2 million to goodwill and intangible assets. The acquired intangible assets included $1.5 million allocated to trademarks that are being amortized on a straight-line basis over ten years and $1.7 million allocated to customer relationships that are being amortized on a straight-line basis over 20 years. No amounts have been paid to the vendors in respect of contingent consideration.

(c) On July 17, 2008, the Company purchased 458,000 additional shares in Canada Bread Company, Limited ("Canada Bread") for cash consideration of $32.6 million, increasing the Company's ownership interest in Canada Bread from 88.0% to 89.8%. During the second quarter of 2009, the Company finalized the purchase equation for these purchases, allocating $11.4 million of the purchase price to the net tangible assets of Canada Bread at the acquisition date, $1.1 million to intangible assets and $20.1 million to goodwill.

(d) On January 14, 2008, the Company purchased the assets of Central By-Products ("CBP"), a rendering business located near London, Ontario for $18.1 million. During the first quarter of 2009, the Company finalized the purchase price equation and allocated $6.0 million to the net identifiable assets of CBP at the acquisition date and $12.1 million to goodwill.

(e) In the first quarter of 2008, the Company sold its Ontario hog production operations and all of its wholly-owned production investments in Alberta. The loss on these disposals had previously been recognized in the fourth quarter of 2007.

Details of net assets acquired and purchase adjustments made in 2009 and 2008 are as follows:

	2009	2008
Net working capital	**$ (350)**	$ 2,999
Future tax assets – non-current	**(13)**	164
Property and equipment	**(2,445)**	21,128
Intangible assets	**3,200**	6,312
Goodwill	**(6)**	34,607
Future tax liability – non-current	**(63)**	(1,800)
Other long-term liabilities	**–**	(448)
Total purchase cost	**$ 323**	$ 62,962

21. CONTINGENCIES AND COMMITMENTS

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

(b) In the normal course of business, the Company and its subsidiaries enter into sales commitments with customers, and purchase commitments with suppliers. These commitments are for varying terms and can provide for fixed or variable prices. With respect to certain of its contracts, the Company has the right to acquire at fair value, and the suppliers have the right to sell back to the Company, certain assets which have an estimated fair value of $12.3 million (2008: $9.3 million). The Company believes that these contracts serve to reduce risk, and does not anticipate that losses will be incurred on these contracts.

(c) The Company has operating lease, rent and other commitments that require minimum annual payments as follows:

2010	$ 64,620
2011	51,897
2012	44,070
2013	37,225
2014	30,001
Thereafter	117,150
	$ 344,963

22. SUPPLEMENTAL CASH FLOW INFORMATION

	2009	2008
Net interest paid	**$ 76,841**	$ 92,079
Net income taxes paid	**28,037**	36,762

23. RELATED PARTY TRANSACTION

On December 16, 2008, the Company issued 7,368,421 equity units each consisting of one subscription receipt and 0.4 common share purchase warrants for net proceeds of $69.1 million. Ontario Teachers Pension Plan Board, a related shareholder, subscribed for 5,484,784 units and McCain Capital Corporation, a related shareholder, subscribed for 1,694,737 units. The subscription receipts were settled on August 4, 2009 (Note 12).

24. SUBSEQUENT EVENT

On February 23, 2010, the Company declared a dividend of $0.04 per share, payable on March 31, 2010 to shareholders of record as of March 10, 2010.

25. SEGMENTED FINANCIAL INFORMATION

The Company's operations are classified into the following three primary business segments, which have been used for the operating segment disclosures for all years presented:

(a) The Meat Products Group comprises value-added processed packaged meats; chilled meal entrees and lunch kits; value-added pork, poultry and turkey products.

(b) The Agribusiness Group includes the Company's swine production and animal by-products recycling operations.

(c) The Bakery Products Group comprises the Company's 89.8% ownership in Canada Bread, a producer of fresh and frozen par-baked bakery products including breads, rolls, bagels, artisan and sweet goods, sandwiches and fresh pasta and sauces.

notes to the consolidated financial statements

	2009	2008
Sales		
Meat Products Group	$ 3,310,393	$ 3,303,694
Agribusiness Group	206,064	232,999
Bakery Products Group	1,705,145	1,705,909
	$ 5,221,602	$ 5,242,602
Earnings from operations before product recall, restructuring and other related costs and other income		
Meat Products Group	$ 55,388	$ 29,455
Agribusiness Group	48,023	30,132
Bakery Products Group	102,155	82,979
Non-allocated costs	(9,455)	(14,151)
	$ 196,111	$ 128,415
Capital expenditures		
Meat Products Group	$ 86,770	$ 133,238
Agribusiness Group	13,048	11,577
Bakery Products Group	63,075	61,405
	$ 162,893	$ 206,220
Depreciation and amortization		
Meat Products Group	$ 76,077	$ 75,712
Agribusiness Group	16,508	16,221
Bakery Products Group	56,904	57,286
	$ 149,489	$ 149,219
Total assets		
Meat Products Group	$ 1,653,389	$ 1,675,048
Agribusiness Group	287,057	301,627
Bakery Products Group	955,469	1,003,739
Non-allocated assets	161,549	471,687
	$ 3,057,464	$ 3,452,101
Goodwill		
Meat Products Group	$ 442,943	$ 450,431
Agribusiness Group	14,136	14,445
Bakery Products Group	400,199	411,385
	$ 857,278	$ 876,261

During the year, total sales to customers outside of Canada were $1,317.4 million (2008: $1,350.4 million) of which $668.9 million (2008: $663.9 million) were sales to customers in the U.S.

corporate governance and board of directors

CORPORATE GOVERNANCE

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

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

COMPOSITION OF THE BOARD OF DIRECTORS

The Board is comprised of experienced directors with a diversity of relevant skills and competencies. The Board of Directors has assessed each of the Company's 11 non-management directors to be independent.

A more comprehensive analysis of the Company's approach to corporate governance matters is included in the Management Proxy Circular for the April 29, 2010 annual meeting of shareholders.

BOARD OF DIRECTORS

W. Geoffrey Beattie

President and CEO, The Woodbridge Company (Investment company)

Mr. Beattie, 50, is the Chief Executive Officer of The Woodbridge Company Limited (1998), the Thomson family's principal holding company, Deputy Chairman of Thomson Reuters and Chairman of CTVglobemedia Inc. Mr. Beattie is a director of The Royal Bank of Canada and General Electric Company. Mr. Beattie is also a trustee of the University Health Network.

DIRECTOR SINCE: 2008

John L. Bragg, O.C.

Chairman, President and Co-CEO, Oxford Frozen Foods (Food manufacturing)

Mr. Bragg, 69, founded Oxford Frozen Foods, an international frozen foods supplier, in 1968 and Bragg Communications, Canada's fifth largest cable television provider and a major Maritimes Internet and wireline telephone service provider, in 1970. Mr. Bragg is an Officer of the Order of Canada. Mr. Bragg was appointed a Canadian Business Hall of Fame Laureate in 2003, and was one of the original four members inducted into the Nova Scotia Business Hall of Fame in 1993.

DIRECTOR SINCE: 2008

Purdy Crawford, C.C.

Counsel, Osler, Hoskin & Harcourt (Law firm)

Mr. Crawford, 78, is a director of several Canadian companies. From 1986 to 1995 he was CEO of Imasco, and from 1995 to 2000 he was the non-Executive Chairman of Imasco Limited and CT Financial Services. Mr. Crawford is a Companion of the Order of Canada and a member of the Canadian Business Hall of Fame.

DIRECTOR SINCE: 1995

corporate governance and board of directors

Jeffrey Gandz
Professor, Managing Director – Program Design, Richard Ivey School of Business, University of Western Ontario
Dr. Gandz, 65, has been a consultant for many Canadian and multinational corporations and government ministries, and is the author of several books, many articles and government reports on a variety of subjects, including leadership and organizational effectiveness.

DIRECTOR SINCE: 1999

James F. Hankinson
Corporate Director
Mr. Hankinson, 66, is a director of several Canadian companies. Mr. Hankinson served as President and Chief Executive Officer of Ontario Power Generation from 2005 until his retirement in 2009. He was President and Chief Operating Officer of Canadian Pacific Limited until 1995, and President and Chief Executive Officer of New Brunswick Power Corporation until 2002.

DIRECTOR SINCE: 1995

Chaviva M. Hošek, O.C.
President and Chief Executive Officer, The Canadian Institute for Advanced Research (Research institute)
Dr. Hošek, 63, received her Ph.D. from Harvard University in 1973. She was Director of Policy and Research from 1993 to 2000 in the Prime Minister's Office. Her career has included a term as Minister of Housing for the Province of Ontario and a 13-year period as an academic at the University of Toronto. Dr. Hošek serves as a director of the Central European University and Great West Lifeco.

DIRECTOR SINCE: 2002

Wayne A. Kozun
Senior Vice-President, Public Equities, Ontario Teachers' Pension Plan (Public sector pension fund)
Mr. Kozun, 44, leads the team that oversees the Teachers' actively-managed public equities portfolios, including relationship investing, totalling more than $29 billion. Mr. Kozun joined Teachers' in 1995 and has risen steadily through positions of growing responsibility, most recently as Vice-President, Tactical Asset Allocation. Mr. Kozun has completed the Directors Education Program of the Institute of Corporate Directors and his ICD.D designation is pending.

DIRECTOR SINCE: 2009.

Claude R. Lamoureux, O.C.
Corporate Director
Mr. Lamoureux, 67, was Chief Executive Officer of the Ontario Teachers' Pension Plan until his retirement in 2007. He was appointed to the position in 1990, when the Ontario government established the new independent corporation to replace the Ontario Teachers' Superannuation Fund. An actuary by profession, Mr. Lamoureux joined Teachers' from Metropolitan Life, where he had a successful career in their New York and Ottawa offices. Mr. Lamoureux is an Officer of the Order of Canada.

DIRECTOR SINCE: 2008

G. Wallace F. McCain, C.C.
Chairman, Maple Leaf Foods Inc.
Mr. McCain, 79, was appointed Chairman following the acquisition of the Company in April 1995. Mr. McCain co-founded McCain Foods Limited in 1956 which has grown to become one of the largest frozen food companies in the world. Mr. McCain was President and Co-Chief Executive Officer of McCain Foods Limited until 1994 and is currently its Vice-Chairman and director of other associated companies within the McCain Foods Group. Mr. McCain is a Companion of the Order of Canada.

DIRECTOR SINCE: 1995

corporate governance and board of directors

J. Scott McCain
President and Chief Operating Officer, Agribusiness Group, Maple Leaf Foods Inc.
Before joining Maple Leaf Foods Inc. in April 1995, Mr. McCain was Vice-President for Production of McCain Foods Limited in Canada, a company he joined in 1978 and where he held progressively senior positions in manufacturing and operations. He is a director of Canada Bread Company, Limited and McCain Capital Corporation. Mr. McCain, 53, is a director of McCain Foods Group.
DIRECTOR SINCE: 1995

Michael H. McCain
President and Chief Executive Officer, Maple Leaf Foods Inc.
Mr. McCain, 51, joined Maple Leaf Foods Inc. in April 1995 as President and Chief Operating Officer and was appointed its Chief Executive Officer in 1999. Prior to joining Maple Leaf Foods, Mr. McCain spent 16 years with McCain Foods Limited in Canada and the United States. He is the Chairman and director of Canada Bread Company, Limited, a director of McCain Foods Group Ltd., the American Meat Institute, and Royal Bank of Canada. He is a past director of American Frozen Food Institute and Bombardier Inc.
DIRECTOR SINCE: 1995

Diane E. McGarry
Corporate Director
Ms. McGarry, 60, has over 30 years' experience with Xerox including five years in Canada as Chairman, President and Chief Executive Officer of Xerox Canada from 1993 to 1998. Prior to retiring in 2005, Ms. McGarry held the position of Chief Marketing Officer, Xerox Corporation.
DIRECTOR SINCE: 2005

Gordon Ritchie
Principal Advisor, Hill & Knowlton Canada (Government and public relations company)
Mr. Ritchie, 66, is also Chief Executive Officer of Strategico Inc. and has been a director of a number of leading Canadian corporations. Mr. Ritchie had 22 years of distinguished public service. As Ambassador for Trade Negotiations, Mr. Ritchie was one of the principal architects of the Canada/United States Free Trade Agreement.
DIRECTOR SINCE: 1995

William T. Royan
Vice President, Relationship Investing, Ontario Teachers' Pension Plan (Public sector pension fund)
Mr. Royan, 42, joined Ontario Teachers' in January 2008 as Vice President, Relationship Investing where he is responsible for making large-scale, long-term strategic investments in companies across the globe. He joined Ontario Teachers' from Lehman Brothers in New York, where he held senior roles in its mergers group and its equity strategies unit, Lehman's principal investing arm.
DIRECTOR SINCE: 2009

Note: Ages of the Board of Directors provided as at March 2010.

senior management and officers

COMMITTEES OF THE BOARD OF DIRECTORS

AUDIT COMMITTEE

D.E. McGarry, *Chair*
J.L. Bragg
J.F. Hankinson
C.R. Lamoureux
W.T. Royan

CORPORATE GOVERNANCE COMMITTEE

J.F. Hankinson, *Chairman*
W.G. Beattie
P. Crawford
C.M. Hošek
W.A. Kozun

ENVIRONMENT, HEALTH AND SAFETY COMMITTEE

J. Gandz, *Chairman*
J.L. Bragg
C.M. Hošek
W.A. Kozun
D.E. McGarry
G. Ritchie

HUMAN RESOURCES AND COMPENSATION COMMITTEE

G. Ritchie, *Chairman*
W.G. Beattie
P. Crawford
J. Gandz
C.R. Lamoureux
W.T. Royan

CORPORATE COUNCIL

G. Wallace F. McCain
Chairman

Michael H. McCain
President and Chief Executive Officer

J. Scott McCain
President and Chief Operating Officer, Agribusiness Group

Richard A. Lan
Chief Operating Officer, Food Group

Michael H. Vels
Executive Vice-President and Chief Financial Officer

Douglas W. Dodds
Chief Strategy Officer

Wayne Johnson
Senior Vice-President and Chief Human Resources Officer

Rocco Cappuccitti
Senior Vice-President, Transactions & Administration and Corporate Secretary

Lynda J. Kuhn
Senior Vice-President, Communications

EXECUTIVE COUNCIL

(Includes members of the Corporate Council and Senior Operating Management as follows)

Peter Baker
Managing Director, Maple Leaf Bakery U.K.

Kevin P. Golding
President, Rothsay and Maple Leaf Agri-Farms

Stephen Graham
Chief Marketing Officer

Randall D. Huffman
Chief Food Safety Officer

E. Jeffrey Hutchinson
Chief Information Officer

Bill Kaldis
Vice President, Logistics

Gary Maksymetz
President, Maple Leaf Consumer Foods

Rory A. McAlpine
Vice-President, Government and Industry Relations

C. Barry McLean
President, Canada Bread Fresh Bakery

Réal Menard
President, Canada Bread Frozen Bakery

Bruce Y. Miyashita
Vice-President, Six Sigma

Deborah K. Simpson
Vice-President, Finance

Peter C. Smith
Vice-President, Corporate Engineering

Simon Wookey
President, Fresh Prepared Foods

Richard Young
Executive Vice-President, Transformation, Maple Leaf Consumer Foods

OTHER CORPORATE OFFICERS

J. Nicholas Boland
Vice-President, Finance Projects

Catherine Brennan
Vice-President and Treasurer

Dianne Singer
Assistant Corporate Secretary

Jeff McDowell
Vice-President, Cold Springs Farm

Glen Gratton
Vice-President, Maple Leaf Agri Farms

corporate information

CAPITAL STOCK

The Company's authorized capital consists of an unlimited number of voting common shares, an unlimited number of non-voting common shares and an unlimited number of preferred shares issuable in series. At December 31, 2009, 114,774,802 voting shares and 22,000,000 non-voting shares were issued and outstanding, for a total of 136,774,802 outstanding shares. There were 785 shareholders of record of which 748 were registered in Canada, holding 98.7% of the issued voting shares. All of the issued non-voting shares are held by Ontario Teachers' Pension Plan. These non-voting shares may be converted into voting shares at any time.

OWNERSHIP

The Company's major shareholders are McCain Capital Corporation holding 43,212,890 voting shares representing 31.6% of the total issued and outstanding shares and Ontario Teachers' Pension Plan holding 26,213,155 voting shares and 22,000,000 non-voting shares representing 35.3% of the total issued and outstanding shares. The remainder of the issued and outstanding shares are publicly held.

CORPORATE OFFICE

Maple Leaf Foods Inc.
30 St. Clair Avenue West
Suite 1500
Toronto, Ontario, Canada M4V 3A2
Tel: 416.926.2000
Fax: 416.926.2018
Website: www.mapleleaf.com

ANNUAL MEETING

The annual meeting of shareholders of Maple Leaf Foods Inc. will be held on Thursday, April 29, 2010 at 11:00 a.m. at the Toronto Board of Trade, 1 First Canadian Place, 77 Adelaide Street West, Toronto, Ontario, Canada.

DIVIDENDS

The declaration and payment of quarterly dividends are made at the discretion of the Board of Directors. Anticipated payment dates in 2010: March 31, June 30, September 30 and December 31.

SHAREHOLDER INQUIRIES

Inquiries regarding dividends, change of address, transfer requirements or lost certificates should be directed to the Company's transfer agent:
Computershare Investor Services Inc.
100 University Avenue, 9th Floor
Toronto, Ontario, Canada M5J 2Y1
Tel: 514.982.7555
or 1.800.564.6253 (toll-free North America)
or service@computershare.com

COMPANY INFORMATION

For public and investment analysis inquiries, please contact our Senior Vice-President, Communications at 416.926.2000.

For copies of annual and quarterly reports, annual information form and other disclosure documents, please contact our Senior Vice-President, Transactions & Administration and Corporate Secretary at 416.926.2000.

TRANSFER AGENT AND REGISTRAR

Computershare Investor Services Inc.
100 University Avenue, 9th Floor
Toronto, Ontario, Canada M5J 2Y1
Tel: 514.982.7555
or 1.800.564.6253 (toll-free North America)
or service@computershare.com

AUDITORS

KPMG LLP
Toronto, Ontario

STOCK EXCHANGE LISTINGS AND STOCK SYMBOL

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

RAPPORT ANNUEL

Si vous désirez recevoir un exemplaire de la version française de ce rapport, veuillez écrire à l'adresse suivante : Secrétaire de la société, Les Aliments Maple Leaf Inc., 30 St. Clair Avenue West, Toronto, Ontario M4V 3A2.

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