

SunOpta Inc.  
Form 10-K  
March 09, 2016

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934**

For the fiscal year ended **January 2, 2016**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**Commission File No. 001-34198**

**SUNOPTA INC.**

(Exact Name of Registrant as Specified in Its Charter)

**CANADA**

(Jurisdiction of Incorporation)

**Not Applicable**

(I.R.S. Employer Identification No.)

**2233 Argentia Drive, Suite 401**

**Mississauga, Ontario L5N 2X7, Canada**

(Address of Principle Executive Offices)

**(905) 821-9669**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
<b>Common Shares, no par value</b>	<b>The NASDAQ Stock Market, Toronto Stock Exchange</b>

Securities registered pursuant Section to 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the

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Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Aggregate market value of the common equity held by non-affiliates of the registrant, computed using the closing price as reported on the NASDAQ Global Select Market for the registrant's common shares on July 4, 2015, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$710 million. The registrant's common shares trade on the NASDAQ Global Select Market under the symbol STKL and on the Toronto Stock Exchange under the symbol SOY.

The number of shares of the registrant's common stock outstanding as of March 4, 2016 was 85,420,182.

**Documents Incorporated by Reference:** Portions of the SunOpta Inc. Definitive Proxy Statement for the 2016 Annual Meeting of Shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

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**For the year ended January 2, 2016**  
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## Basis of Presentation

Except where the context otherwise requires, all references in this Annual Report on Form 10-K for the fiscal year ended January 2, 2016 ( Form 10-K ) to the Company , we , us , our or similar words and phrases are to SunOpta Inc. and its subsidiaries, taken together.

In this report, all currency amounts are expressed in United States ( U.S. ) dollars ( \$ ) unless otherwise stated. All tabular dollar amounts are expressed in thousands of U.S. dollars, except per share data, unless otherwise stated. Amounts expressed in Canadian dollars are preceded by the symbol C\$ . Amounts expressed in euros are preceded by the symbol € . The following table sets forth, for the periods indicated, the rate of exchange for the Canadian dollar and euro, expressed in U.S. dollars, based on Bank of Canada exchange rates. These rates are provided solely for convenience, and do not necessarily reflect the rates used by us in the preparation of our financial statements.

Year	Canadian Dollar		Euro	
	Closing	Average	Closing	Average
2015	0.7225	0.7820	1.0859	1.1091
2014	0.8502	0.9044	1.2004	1.3263
2013	0.9342	0.9706	1.3740	1.3282

## Forward-Looking Statements

This Form 10-K contains forward-looking statements which are based on our current expectations and assumptions and involve a number of risks and uncertainties. Generally, forward-looking statements do not relate strictly to historical or current facts and are typically accompanied by words such as anticipate , estimate , intend , project , potential , continue , believe , expect , could , would , should , might , plan , will , may , predict , and words and phrases of similar impact and include, but are not limited to references to our recent acquisition of Sunrise Holdings (Delaware) Inc. ( Sunrise ); business acquisition transaction values; future financial and operating results, plans, objectives, expectations and intentions, and other statements that are not historical facts; possible operational consolidation; reduction of non-core assets and operations; business strategies; plant and production capacities; revenue generation potential; anticipated construction costs; competitive strengths; goals; capital expenditure plans; business and operational growth and expansion plans; anticipated operating margins and operating income targets; gains or losses associated with business transactions; cost reductions; rationalization and improved efficiency initiatives; proposed new product offerings; and references to the future growth of our business and global markets for our products. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are based on certain assumptions, expectations and analyses we make in light of our experience and our interpretation of current conditions, historical trends and expected future developments, as well as other factors that we believe are appropriate in the circumstances.

Whether actual results and developments will agree with and meet our expectations and predictions is subject to many risks and uncertainties. Accordingly, there are or will be important factors that could cause our actual results to differ materially from our expectations and predictions. We believe these factors include, but are not limited to, the following:

- our ability to successfully integrate the operations of Sunrise (as well as other recent acquisitions) into our business and, once integrated, the effects of this acquisition on our future financial condition, operating results, strategy and plans, including the impact of the substantial additional debt incurred to finance this acquisition and our ability to achieve the estimated synergies from this acquisition;

- our ability to retain key management and employees of acquired businesses;

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our ability to renew our new five-year revolving asset-based credit facility (the Global Credit Facility ) when it becomes due on February 10, 2021;

restrictions in the Global Credit Facility on how we may operate our business;

our ability to meet the covenants of the Global Credit Facility or to obtain necessary waivers from our lenders;

our ability to obtain additional capital as required to maintain current growth rates;

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our ability to successfully consummate proposed divestitures;

our increased vulnerability to economic downturns and adverse industry conditions due to our level of indebtedness;

that our customers may choose not to buy products from us;

loss of one or more key customers;

changes and difficulty in predicting consumer preferences for natural and organic food products;

the highly competitive industry in which we operate;

an interruption at one or more of our manufacturing facilities;

technology failures that could disrupt our operations and negatively impact our business;

the loss of service of our key management;

labor shortages or increased labor costs;

the effective management of our supply chain;

volatility in the prices of raw materials and energy;

the availability of organic and non-genetically modified ingredients;

enactment of climate change laws;

unfavorable growing and operating conditions due to adverse weather conditions;

dilution in the value of our common shares through the exercise of stock options, participation in our employee stock purchase plan and issuance of additional securities;

impairment charges in goodwill or other intangible assets;

technological innovation by our competitors;

our ability to protect our intellectual property and proprietary rights;

substantial environmental regulation and policies to which we are subject;

significant food and health regulations to which we are subject;

agricultural policies that influence our operations;

product liability suits, recalls and threatened market withdrawals that may be brought against us;

food safety concerns and instances of food-borne illnesses caused by third parties that could harm of business;

litigation and regulatory enforcement concerning marketing and labeling of food products;

our exposure to our international operations;

that we do not currently intend to, and are restricted in our ability to, pay any cash dividends on our common shares in the foreseeable future;

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fluctuations in exchange rates, interest rates and the prices of certain commodities;

our ability to effectively manage our growth and integrate acquired companies; and

the volatility of our operating results and share price.

All forward-looking statements made herein are qualified by these cautionary statements, and our actual results or the developments we anticipate may not be realized. We do not undertake any obligation to update our forward-looking statements after the date of this report for any reason, even if new information becomes available or other events occur in the future, except as may be required under applicable securities laws. The foregoing factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report. For a more detailed discussion of the principal factors that could cause actual results to be materially different, you should read our risk factors in Item 1A, Risk Factors, included elsewhere in this report.

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## PART I

### **Item 1. Business**

#### **INTRODUCTION**

SunOpta, a corporation organized under the laws of Canada in 1973, is a leading global company operating businesses focused on a healthy products portfolio that promotes sustainable well-being. We are focused on both sourcing non-genetically modified ( non-GMO ) and organic ingredients and manufacturing healthy food and beverage products. We operate an integrated field-to-table business model leveraging our global ingredient sourcing platform to process and market non-GMO and organic ingredients for retailers, food manufacturers and foodservice operators and manufacture packaged products focused on the high growth healthy beverages, healthy fruit and healthy snacks categories for our retail, foodservice and branded food customers. We believe we are a North American market leader in non-dairy organic aseptic beverages, premium refrigerated private label orange juice, individually quick frozen ( IQF ) organic fruit, healthy premium fruit snacks, and the global sourcing and supply of non-GMO and organic raw materials and ingredients. Our scalable global sourcing platform makes us one of the leading suppliers of non-GMO and organic raw materials and ingredients in the food industry, and provides us leading insights into emerging food and beverage trends. Our product portfolio is strategically aligned with the fast-growing consumer demand for high quality, healthy non-GMO and organic food and beverage products.

Our vertically integrated business model makes us a preferred partner to our retail (e.g., grocery, mass, club, natural and specialty chains), foodservice and branded food customers. We deliver a diverse, innovative portfolio of high quality, food and beverage products supported by our global sourcing platform, scalable operating footprint, manufacturing expertise and commitment to innovation. This platform enables us to consistently supply our customers with a broad range of non-GMO and organic ingredients as well as high quality healthy food and beverage products that cater to the evolving demands of today's consumers. As a leading supplier of non-GMO and organic ingredients to the food industry, we leverage our insights into emerging consumer tastes and preferences to develop innovative new food and beverage products.

#### **Our Product Portfolio**

Our diverse product portfolio utilizes non-GMO and organic raw materials and ingredients that are sourced primarily by our vertically integrated global ingredients capabilities, and consists of three main commercial platforms:

*Healthy Beverages* We offer a full line of aseptic beverages, including non-dairy beverages (e.g., soy, almond, coconut, rice and others), nutritional beverages, dairy beverages, broths and teas. We also offer refrigerated premium juices, shelf-stable juices and functional waters. We believe we are the leading North American provider of non-dairy organic aseptic beverages as well as premium refrigerated private label organic orange juice following our acquisition of Citrusource.

*Healthy Fruit* We offer IQF fruit for retail (e.g., strawberries, blueberries, mango, pineapple, blends and other berries and fruit), IQF and bulk frozen fruit for foodservice (e.g., purées, fruit cups and smoothies) and fruit ingredients. We believe we are currently a leading North American provider of private label organic IQF fruit and, with the acquisition of Sunrise, we believe we are the North American market leader in both non-GMO and organic private label IQF fruit.

*Healthy Snacks* We offer fruit snacks (including bars, twists, rope and bite-sized varieties), roasted snacks, nutritional bars, and re-sealable pouch products (e.g., baby food, puddings, sauces and other healthy snacks). We believe we are a leading North American provider of premium healthy fruit snacks,

which was further strengthened with the acquisition of Niagara Natural.

Our global ingredients platform is focused on the procurement and sale of non-GMO and organic grains and seeds (including ancient grains and seeds), fruits, vegetables, sweeteners, coffees, nuts and other products as ingredients in both raw material and processed ingredient forms. In addition to supplying our own healthy food and beverage product portfolio, we are a leading supplier of raw materials and processed ingredients to a number of global food manufacturers and foodservice operators. Our vertically integrated model allows us to leverage our scalable and diverse supply of high quality non-GMO and organic ingredients, adding value to a product at multiple stages of the supply chain and delivering comprehensive non-GMO and organic food ingredients and packaged goods solutions to our customers evolving demands. This model allows us to provide our global ingredients customers with high quality healthy food and beverage products.

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Using our vertically integrated business model, we process non-GMO and organic food ingredients into consumer packaged products, primarily healthy beverages, healthy fruit and healthy snacks. Our food ingredients are converted from raw materials, and our raw materials are sourced from approximately 5,000 suppliers encompassing approximately 10,000 growers in over 65 countries. Our employees and assets, which include 27 processing and packaging facilities, are principally located in North America and Europe with smaller sourcing and processing operations in Africa and China. Our operations and capabilities provide the flexibility to modify our product portfolio to adapt to the changing consumer needs for non-GMO and organic food and beverage products. As a general principle, we do not own or operate our own farms, retail stores, or extensively market our own consumer brands.

Our commitment and proactive approach to new product development and innovation drives our ability to introduce new higher margin food and beverage products to the market. In June 2015, we expanded our research and development platform by opening an advanced innovation center in Edina, Minnesota. This facility supports our dedicated team of food scientists, engineers and technicians, expands our product development capabilities, increases our speed to market and enables us to proactively engage customers in creating and developing new products. Our innovation platform supports our leadership position in non-GMO and organic food and strengthens our relationships with our retail, foodservice and contract manufacturing customers.

### **Business Objectives, Goals and Strategies**

Our goal is to be a global leader in non-GMO and organic food products, driven by innovation, continuous improvement and category expertise. We have a focused strategic blueprint that outlines a disciplined approach to growth guided by these core strategies.

#### ***Focus where we have, or can gain, a competitive advantage***

Invest in capabilities for core food platforms of healthy beverages, healthy fruit and healthy snacks

Expand into adjacent food categories with complementary attributes

In the short to medium-term, rationalize non-core assets and business lines and redirect capital into core operations

#### ***Grow by delivering more value to our customers***

Expand consumer products portfolio by leveraging our global sourcing expertise and diverse production capabilities

Leverage commercial relationships to cross-sell products across our three main product platforms

Deliver comprehensive category solutions, including complete product offerings in organic and non-GMO varieties

Focus on proactive innovation and develop new proprietary products to maintain leadership positions and strengthen overall relationship with our core customers

#### ***Leverage our integrated food platform***

Leverage significant infrastructure investments, our management team and our centralized back office to improve margins

Deploy integrated operating expertise to maximize safety and quality while minimizing delivery times and cost

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Identify and execute continuous improvement and cost savings initiatives to drive profitability

Pursue strategic acquisitions that meet our disciplined criteria

Acquire non-GMO and organic food businesses that drive sustainable well-being

Capitalize on opportunities that afford us the ability to leverage our integrated business model by touching a product more than once, meaning:

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Continuing to build our packaged goods consumer products portfolio benefitting from our strength in organic and conventional raw material and ingredient sourcing

Identifying sourcing and ingredient opportunities that can supply our existing manufacturing capabilities or expand on our capabilities by allowing us to create new and innovative products and/or processes

Prioritize strong financial performance, focusing on cash generation, earnings per share accretion and improved operating margins

In summary, our intention is to continue to invest in and expand our healthy and organic foods business; growing the business through multiple touches as products move from raw materials through to consumer-packaged products; and leveraging our asset base to produce our products efficiently and effectively to increase profit margins.

## **Business Development**

### ***Definitive Agreement for Sale of Opta Minerals***

On February 12, 2016, Opta Minerals Inc. ( Opta Minerals ) entered into a definitive acquisition agreement, pursuant to which an affiliate of Speyside Equity Fund I LP, agreed to acquire substantially all the shares of Opta Minerals. We own approximately 66% of Opta Minerals, a company that produces, distributes and recycles industrial minerals, silica-free abrasives and specialty sands. The acquisition agreement has been approved by Opta Minerals' Boards of Directors, which has recommended that Opta Minerals' shareholders approve the transaction. The acquisition agreement represents the conclusion of a strategic review process conducted by Opta Minerals and its financial advisor under the supervision of a special committee of independent directors of Opta Minerals. We entered into a support agreement pursuant to which we have irrevocably agreed to vote all of our Opta Minerals' shares in favor of the transaction. We expect to receive aggregate proceeds of approximately \$4.5 million (C\$6.2 million), of which approximately \$3.0 million (C\$4.2 million) is cash, with the remainder in the form of a subordinated promissory note bearing interest at 2.0% that will mature 30 months following the close of the transaction. Subject to receipt of all necessary shareholder approvals and other customary conditions, closing of the transaction is anticipated to occur in April 2016. The sale of our equity interest in Opta Minerals is consistent with our objective of divesting our non-core assets in order to become a pure-play healthy and organic foods company. In addition, the sale of Opta Minerals allows our entire management team to focus solely on the growth and strategic priorities of our healthy and organic foods business.

### ***Five-Year Global Revolving Asset-Based Credit Facility***

On February 11, 2016, we entered into a five-year credit agreement for a senior secured asset-based revolving credit facility in the maximum aggregate principal amount of \$350 million, subject to borrowing base capacity. The Global Credit Facility replaced our previous North American credit facilities, which were comprised of a \$165 million facility and a C\$10 million facility, that were set to expire January 27, 2017, and our €92.5 million multipurpose European credit facilities that were due on demand with no set maturity date. The Global Credit Facility will be used to support the working capital and general corporate needs of our global operations, in addition to funding future strategic initiatives. In addition, subject to meeting certain conditions, we may request to increase the total lending commitments under the Global Credit Facility to a maximum aggregate principal amount not to exceed \$450 million.

### ***Sunrise Holdings (Delaware), Inc.***

On October 9, 2015, we completed the acquisition of 100% of the issued and outstanding common shares of Sunrise, pursuant to a Purchase and Sale Agreement (the PSA ) dated July 30, 2015 (the Sunrise Acquisition ), for total consideration of \$472.7 million in cash. We financed the Sunrise Acquisition through a combination of: (i) net

proceeds of approximately \$95.5 million from a registered offering of 16.7 million of our common shares that closed on September 30, 2015; (ii) net borrowings of approximately \$318.0 million under a second lien loan agreement (the Loan Agreement ); and (iii) borrowings of approximately \$59.2 million under our existing credit facilities.

Sunrise is the leading processor of conventional and organic IQF fruit in the U.S., and it offers a full variety of frozen fruit products and packaging formats to retail private label and foodservice customers. Sunrise's global sourcing network provides consistent year-round access to fruit, and we believe its highly scalable, strategically located operational footprint provides a low-cost operating position that will be accretive to our global platform. Sunrise is headquartered in California with approximately 300 full-time and over 2,000 seasonal employees and distributes its products from five manufacturing facilities located in California, Kansas and Mexico.

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We believe of the Sunrise Acquisition is transformative for our Company as it provides us with a leading market position in conventional non-GMO and organic private label IQF fruit in the U.S. We expect the Sunrise Acquisition to enhance our product mix, strengthen our revenue growth and margin profile, provide multiple synergy opportunities and leverage our strategic focus on integrated consumer food products. Key highlights of Sunrise include:

Leading processor of private label IQF fruit in the U.S.

Market leading position in high growth private label frozen fruit category

Strong financial profile, including robust margins and an attractive sales growth trajectory

Multi-year relationships with top retail and foodservice customers

Automated, strategically located processing facilities that help maintain a low-cost position

Loyal and long-term grower relationships

Diversified supply chain through strategic international sourcing initiatives

Experienced management team

In January 2016, we initiated the consolidation of our frozen fruit processing facilities following the Sunrise Acquisition. In particular, we are in the process of closing our Buena Park, California facility and transferring this volume into Sunrise's facilities located in Kansas and California. This consolidation is expected to be completed by the end of first quarter of 2016 and to provide a large part of our targeted cost synergies savings for 2016.

#### ***Niagara Natural Fruit Snack Company Inc.***

On August 11, 2015, we acquired the net operating assets of Niagara Natural Fruit Snack Company Inc. ( Niagara Natural ), a manufacturer of all-natural fruit snacks. Niagara Natural's operations are located in the Niagara Region of Ontario. We believe Niagara Natural is a strong strategic fit within our core consumer products strategy, aligning well with our focus on healthy and convenient snacking, as well as within our vertically integrated business model since the majority of ingredients can be sourced through our Global Ingredients segment. In addition, with this acquisition, we extend our market presence in fruit snacks with manufacturing operations in both the East and West Regions of North America, which is expected to generate operational and logistical synergies. The transaction included a cash purchase price of \$6.5 million, subject to certain post-closing adjustments, plus potential future payments of up to approximately \$2.8 million based on specific performance targets.

#### ***Selet Hulling PLC***

On May 2, 2015, we paid \$0.7 million in cash to increase our ownership position in Selet Hulling PLC ( Selet ) from 35% to 76%. Selet is a joint venture located in Ethiopia focused on the sourcing and supply of organic sesame. As a result of our increased ownership in Selet, we obtained full management control of the operation. Through our investment in Selet, we intend to continue the development of a key source of organic sesame and other organic raw materials from Ethiopia and the East-African Region.

#### ***Citrusource, LLC***

On March 2, 2015, we acquired Citrusource, LLC ( Citrusource ), a producer of premium not-from-concentrate private label organic and conventional orange juice and citrus products in the U.S. We paid \$13.3 million in cash at closing and we may pay additional consideration valued at \$33.8 million as at the acquisition date, based on the incremental growth in Citrusource's base business and the value of synergies created from combining the operations of Citrusource

with our premium juice facility located in San Bernardino, California.

## **Other Developments**

### *Succession of Chief Executive Officer*

On July 7, 2015, we announced the appointment of Hendrik Jacobs, our former President and Chief Operating Officer, to President and Chief Executive Officer ( CEO ), effective October 1, 2015. In conjunction with this appointment, Mr. Jacobs also became a member of our board of directors effective October 1, 2015. Mr. Jacobs succeeded former CEO, Steve Bromley, who served as Vice-Chair of the board of directors from October 1, 2015 until his resignation from SunOpta on December 31, 2015.

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**Corporate Social Responsibility Report**

On June 29, 2015, we released our 2014 Corporate Social Responsibility Report, which provides an update on progress towards our sustainability goals covering social, environmental and economic objectives, and further reinforces our commitment to becoming an increasingly sustainable organization. This report covers the operations of SunOpta, including wholly-owned subsidiaries and joint venture operations, and is available on our website.

The Corporate Social Responsibility Progress Report and the other information included on our website are not included in, or incorporated by reference into, this Form 10-K.

**ACQUISITION HISTORY**

SunOpta has been built through business acquisitions and significant internal growth. The following is a summary listing of business operations that we have acquired and retained since the inception of SunOpta. This summary does not include acquisitions that were subsequently divested.

<b>Date of Acquisition</b>	<b>Business Operations Acquired</b>	<b>Reportable Segment</b>
August 3, 1999	Sunrich Inc.	Global Ingredients
August 15, 2000	Certain assets of Hoffman Aseptic	Consumer Products
September 18, 2000	Northern Food and Dairy, Inc.	Consumer Products/ Global Ingredients
March 14, 2001	First Light Foods Inc.	Consumer Products
May 8, 2003	Kettle Valley Dried Fruit Ltd.	Consumer Products
November 1, 2003	SIGCO Sun Products, Inc.	Global Ingredients
December 1, 2003	Sonne Labs, Inc.	Global Ingredients
September 13, 2004	51% of the outstanding shares of Organic Ingredients, Inc. (remaining 49% of the outstanding shares were acquired on April 5, 2005)	Consumer Products
June 2, 2005	Earthwise Processors, LLC	Global Ingredients
June 20, 2005	Cleugh's Frozen Foods, Inc.	Consumer Products
July 13, 2005	Pacific Fruit Processors, Inc.	Consumer Products
November 7, 2006	Hess Food Group LLC	Consumer Products
August 7, 2007	Operating assets of a soymilk manufacturing facility in Heuvelton, New York	Consumer Products
April 2, 2008	The Organic Corporation	Global Ingredients
November 8, 2010	Dahlgren & Company, Inc.	Global Ingredients
December 14, 2010	Assets of Edner of Nevada, Inc.	Consumer Products
August 5, 2011	Assets of Lorton's Fresh Squeezed Juices, Inc.	Consumer Products
December 31, 2012	Organic Land Corporation OOD	Global Ingredients
March 2, 2015	Citrusource, LLC	Consumer Products
August 11, 2015		Consumer Products

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	Assets of Niagara Natural Fruit Snack Company Inc.	
October 9, 2015	Sunrise Holdings (Delaware), Inc.	Consumer Products

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## SEGMENT INFORMATION

In connection with the definitive agreement for the sale of Opta Minerals, we recognized Opta Minerals as a discontinued operation held for sale as at January 2, 2016. Accordingly, the results of operations of Opta Minerals for the current and prior fiscal periods have been reported in discontinued operations in our consolidated statements of operations. Prior to being recognized as a discontinued operation, Opta Minerals was reported as a standalone operating segment within SunOpta. With the recognition of Opta Minerals as a discontinued operation, the composition of our remaining reportable segments is as follows:

Global Ingredients aggregates our North American-based Raw Material Sourcing and Supply and European-based International Sourcing and Supply operating segments focused on the procurement and sale of specialty and organic grains and seeds, raw material ingredients, value-added grain- and cocoa-based ingredients, and organic commodities.

Consumer Products consists of three main commercial platforms: Healthy Beverages, Healthy Fruit and Healthy Snacks. Healthy Beverages include aseptic packaged products including non-dairy and dairy beverages, broths and teas; refrigerated premium juices; and shelf-stable juices and functional waters. Healthy Fruit includes IQF fruits for retail; IQF and bulk frozen fruit for foodservice; and fruit ingredients.

Healthy Snacks includes fruit snacks; nutritional and protein bars; and re-sealable pouch products.

In addition, Corporate Services provides a variety of management, financial, legal, information technology, treasury and administration services to each of our operating segments from our headquarters in Mississauga, Ontario and our administrative office Edina, Minnesota.

Financial information for each reportable segment describing revenues from external customers, a measure of profit or loss, and total assets for the last three fiscal years, as well as financial information about geographic areas for the last three fiscal years, is presented in note 21 of the Consolidated Financial Statements.

### Global Ingredients

#### *Operations and Product Offerings Global Ingredients*

Global Ingredients aggregates our North American and international raw material sourcing and supply operating segments focused on the procurement, processing and sale of specialty and organic grains, seeds, fruits, grain- and cocoa-based ingredients, and other commodities, which are used primarily in applications serving the natural and organic food industry. Its operations are centered in Amsterdam, the Netherlands, Edina, Minnesota, and Scotts Valley, California.

Global Ingredients sources products from approximately 65 countries around the world, which include:

Organic fruit- and vegetable-based raw materials and ingredients, sweeteners, cocoa, coffees, ancient grains, nuts, seeds and pulses and other organic food products.

Identity preserved ( IP ), non-GMO and organic seeds and grains including soy, corn and sunflower for food applications, with control maintained at every stage of production, from seed selection and growing through storage, processing and transportation.

Seed- and grain-based animal feed and pet food products that originate from select organic and non-GMO soy, corn, sunflower and other commodities.

Global Ingredients also engages in processing and contract manufacturing services that include:

Seed and grain conditioning services for soy, corn and sunflower.

Grain milling for corn, with various granulations and batch sizing.

Coffee and sesame seed processing.

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Dry and oil roasting and packaging, including in-shell sunflower and sunflower kernels, corn, soy- and legume- based snacks.

Liquid (concentrates and oil) and dried format seed, grain and cocoa based ingredients utilizing non-GMO and organic soy, corn, sunflower, rice, and cocoa.

Specialty organic functional ingredients, including maltodextrins, tack blends, flavor enhancing products, including snack coatings, cheese powders and flavor systems.

#### ***Competition Global Ingredients***

Food ingredients are considered unique niche items often sourced, developed or processed for specific customers or industry segments. Global Ingredients competes with large seed, grain, raw material and specialty ingredient suppliers for customers and competes with other companies active on the international commercial seed, grain and raw material procurement market for supply. Its non-GMO and organic specialty products compete in the smaller niche commercial non-GMO and organic seed, grain and raw material markets. Key to competing in these markets is access to transportation, supply and relationships with producers. Competitors include major food companies with food ingredient divisions, other food ingredient and sourcing companies, and consumer food companies that also engage in the development and sale of food ingredients. Many of these competitors have financial and technical resources, as well as production and marketing capabilities that are greater than our own.

The international organic food industry is very competitive due primarily to the limited worldwide supply of organic raw materials. Global Ingredients competes with worldwide brokers, traders and food processors for the limited supply of organic raw material ingredients. In many cases, it will enter into exclusive arrangements with growers and/or processors of key strategic commodities to control the reliability of its supply chain.

#### ***Distribution, Marketing, and Sales Global Ingredients***

As a leading provider of IP, non-GMO and organic, grains, seeds, grain- and cocoa-based ingredients, and other raw materials, Global Ingredients has well established sales and marketing capabilities, including technically oriented sales teams strategically located close to specific geographic sourcing and/or sales regions. Its specialty grains, seeds and other raw materials and ingredients are sold to food manufacturers and producers worldwide, including some of the largest U.S. consumer-packaged food companies. In addition, in our estimation, it maintains one of the largest organic raw material ingredient sourcing and supply networks in the world, working closely to develop and manage global organic supply and link these supplies with diverse customer needs. It also provides procurement and ingredient processing support to the Consumer Products operating segment.

#### ***Suppliers Global Ingredients***

Global Ingredients has an extensive established IP, organic soy, corn and sunflower grower network in North America, with many relationships existing for over 25 years. It also has a network of growers in Europe, South America, Africa and Asia. Because weather conditions and other factors can limit the availability of raw materials in a specific geography, it continues to focus on expanding production and sourcing capabilities to other parts of the world to ensure supply in years when local production is below normal levels. By diversifying supply, it also has the ability to divert available product based on market demand and customer requirements in order to maximize return.

Organic raw material ingredient suppliers include growers, processors and traders of organic fruit- and vegetable-based ingredients, sweeteners and other food products. The diversity of our supplier base helps to ensure continual supply by providing contra-seasonal solutions to mitigate crop and quality risks. Organic food suppliers are required to meet stringent organic certification requirements equivalent to the U.S. Department of Agriculture ( USDA ) National Organic Program, European Union ( EU ) standards, or others.



## Consumer Products

### *Operations and Product Offerings Consumer Products*

Consumer Products provides healthy and organic food products that are primarily consumer-packaged to retailers, foodservice distributors and major global food manufacturers with a variety of branded and private label products. Consumer Products packaged food products are categorized into the following three main commercial platforms:

#### Healthy Beverages

Aseptic beverages including soy, almond, rice, coconut, sunflower and other non-dairy and alternative beverages, as well as adjacent categories such as organic dairy and nutritional beverages, including milk, broths and teas. Specializing in aseptic product offerings, Consumer Products produces a variety of pack sizes, including multi-serve and single-serve formats, all shelf stable with long shelf lives.

Organic and conventional beverage products, including shelf stable and refrigerated juices; specialty beverages; vitamin and electrolyte waters; and energy drinks. Consumer Products partners with third-party fillers to provide extended shelf life refrigerated packaging formats to its customers.

Our Healthy Beverage platform operates from an east to west network of four facilities, as well as co-manufacturing relationships that allow us to minimize distribution costs for our customers, maintain redundant back-up plans, and offer reliable, year-round programs.

#### Healthy Fruit

IQF natural and organic frozen fruits and vegetables, including strawberries, blueberries, raspberries, peppers, broccoli, blends and many other items. Consumer Products produces a variety of packaging formats, including tubs, stand-up pouches, cups and polybags to address the needs of its retail and foodservice customers.

Specialty fruit toppings and bases, which are custom formulated to provide unique flavor and texture profiles for a wide range of specialized applications. Applications include fruit bases for yogurts, ice creams, cheeses, smoothies, shakes, frozen desserts, bakery fillings, health bars, various beverages, dressings, marinades, dips and sauces, and fruit toppings for foodservice applications.

Our healthy Fruit platform operates from six facilities that extend from the central Mexico through to California, as well as a production facility in Kansas. Strategically our north to south footprint on the west coast allows us to maximize access to supply of fruit over the course of the full growing season, while our operation in the Midwest serves as a lower-cost launching pad to deliver product to the east coast.

#### Healthy Snacks

Organic and conventional re-sealable pouch products, in a variety of pack sizes and shapes, containing a variety of products including baby food, puddings, sauces, and healthy fruit-, vegetable- and protein-based snacks serving the adult nutrition category.

Nutritious snacks including natural and organic fruit-based snacks in bar, twist, rope and bite size shapes, with the ability to add a variety of ingredients; and baked and extruded nutrition (i.e., protein, energy and meal replacement) bars using a wide variety of ingredients including grains,

proteins and other ingredients.

Our Healthy Snack platform operates from an east to west network of four facilities, as well as co-manufacturing relationships. In the case of fruit snacks and resealable pouches we maintain bi-coastal production which helps to minimize delivery costs to our customers.

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### ***Competition Consumer Products***

Consumer Products' healthy beverage and health snacks offerings compete with major food manufacturing companies, as well as a number of other regional manufacturers. Its healthy fruit offerings face competition from both branded and private label fruit providers. It faces competition when securing seed, grain, fruit, vegetable and dairy raw materials; however, due to the location of its processing facilities, it is able to source these raw materials from a number of growing regions and suppliers. Integrated sourcing through Global Ingredients, which supplies a number of core raw materials, combined with in-house processing and packaging capabilities, provides Consumer Products with a low-cost advantage over many of its competitors.

### ***Distribution, Marketing and Sales Consumer Products***

Consumer Products supplies the private-label retail market, including large retailers and club stores, branded food companies, food manufacturers, foodservice distributors, quick service and casual dining restaurants located principally in North America. In addition, it markets branded food products under SunOpta-controlled brands, including Sunrich® Naturals, Pure Nature and Nature's Finest. Consumer Products generally conducts its business with customers on the basis of purchase orders and price quotations, without other formal agreements related to minimum or maximum supplies or pricing.

Costco Wholesale (Costco) accounted for approximately 13% of revenues from our Consumer Products segment for the year ended January 2, 2016. No other customer accounted for more than 10% of revenues from our Consumer Products segment for the year ended January 2, 2016. After giving effect to the Sunrise Acquisition, on a pro forma basis, Costco would have accounted for approximately 17% of revenues from our Consumer Products segment, and approximately 10% of our consolidated revenues for the year ended January 2, 2016.

### ***Suppliers Consumer Products***

Consumer Products' raw materials are subject to the availability of seed, grain, fruit, vegetable and dairy supply, which is based on conditions that are beyond our control. Seeds and grains are sourced through Global Ingredients' established grower network. Fresh and frozen fruits, berries, and vegetables are sourced directly from a large number of suppliers throughout the U.S., Mexico and globally, or through Global Ingredients. We believe our scale and location close to growing areas makes Consumer Products an attractive customer for fruit growers. Organic dairy ingredients are sourced from independent distributors.

Consumer Products also relies on its packaging suppliers to ensure delivery of often unique, portable, and convenient consumer packaging formats. In our aseptic packaging facilities we specialize in the use of Tetra Pak equipment in a variety of pack sizes and also offer a variety of opening types and extended shelf life (ESL) options. Consumer Products also partners with third party fillers to provide ESL and refrigerated packaging formats to its customers.

### **Corporate Services**

Our corporate headquarters is located in Mississauga, Ontario. In addition, centralized information technology, human resources, operations, research and development, legal and financial shared services groups are located in Edina, Minnesota. Employees of Corporate Services provide support services across the organization including management, finance, legal, operations, business development, information technology, research and development, human resources and administrative functions.

### **REGULATION**

We are subject to a wide range of governmental regulations and policies in various countries and regions where we operate, including the U.S., Canada, Mexico, the Netherlands, throughout the rest of the EU, China and Ethiopia.

These laws, regulations and policies are implemented, as applicable in each jurisdiction, on the national, federal, state, provincial and local levels. For example, we are affected by laws and regulations related to: seed, fertilizer and pesticides; the purchasing, harvesting, transportation and warehousing of grain and other products; the processing, packaging and sale of food, including wholesale operations; and product labeling and marketing, food safety and food defense. We are also affected by government-sponsored price supports, acreage set aside programs and a number of environmental regulations.

## **U.S. Regulations**

We are required to comply with the regulations and policies promulgated by the Environmental Protection Agency ( EPA ) and corresponding state agencies, as well as the USDA, the Grain Inspection, Packers and Stockyard Administration, the Food and Drug Administration ( FDA ), the Federal Trade Commission ( FTC ), Occupational Safety and Health Administration ( OSHA ) and the Commodities and Futures Trading Commission.

### ***USDA National Organic Program and Similar Regulations***

We are involved in the sourcing, manufacturing, supplying, processing, marketing, selling and distribution of organic seed and food products and, as such, are subject to certain organic quality assurance standards. In 1990, Congress passed the *Organic Foods Production Act* mandating that the USDA develop national standards for organically produced agricultural products to assure consumers that those products marketed as organic meet consistent, uniform standards. The *Organic Foods Production Act* established the National Organic Program, a marketing program housed within the Agricultural Marketing Service of the USDA.

In December 2000, after considering recommendations from the National Organic Standards Board, as well as private, state, and foreign organic certification programs, USDA adopted regulations with respect to a national organic production, handling, labeling and certification program contained within 7 CFR 205. The regulations became fully effective in October 2002. These regulations, among other things, set forth the minimum standards producers must meet, and have reviewed by an accredited USDA-certifying agent, in order to label their products 100% organic , organic , or made with organic ingredients and display the USDA organic seal. The regulations impose strict standards on the production of organic food products and limit the use of non-organic or synthetic materials in the production of organic foods. Generally, organic food products are produced using:

agricultural management practices intended to promote and enhance ecosystem health;

no genetically engineered seeds or crops, sewage sludge, long-lasting pesticides, herbicides or fungicides; and

food processing practices intended to protect the integrity of the organic product and disallow irradiation, genetically modified organisms or synthetic preservatives.

After becoming certified, organic operations must retain records concerning the production, harvesting, and handling of agricultural products that are to be sold as organic for a period of five years. Any organic operation found to be in violation of the USDA organic regulations is subject to enforcement actions, which can include financial penalties or suspension or revocation of their organic certificate.

Additionally, our organic products may be subject to various state regulations. Many states have adopted their own organic programs making the state agency responsible for enforcing USDA regulations for organic operations. However, state organic programs may also add more restrictive requirements due to specific environmental conditions or the necessity of production and handling practices in the state. Applicable regulatory agencies in the U.S. include the USDA, which monitors and ensures the integrity of both the organic process and agricultural grain business, and the FDA and Department of Homeland Security ( DHS ), which oversee the safety, security and efficacy of the food supply in the U.S.

We currently manufacture and distribute a number of organic products that are subject to the standards set forth in the *Organic Foods Production Act* and the regulations adopted thereunder by the National Organic Standards Board. We believe that we are in material compliance with the organic regulations applicable to our business.

### ***Food-Related Regulations***

As a manufacturer and distributor of food products, we are also subject to a number of federal, state and local food-related regulations, including, but not limited to, the *Federal Food, Drug and Cosmetic Act of 1938* (the FDCA ) and regulations promulgated thereunder by the FDA. This comprehensive regulatory framework governs the manufacture (including composition and ingredients), labeling, packaging and safety of food in the U.S. The FDA:

regulates manufacturing practices for foods through its current good manufacturing practices regulations;

specifies the standards of identity for certain foods, including many of the products we sell; and

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prescribes the format and content of certain information required to appear on food product labels. Some of the key food safety and food labeling regulations in the U.S. include, but are not limited to, the following:

1. Food Safety Regulations

The FDA Food Safety Modernization Act ( FSMA ), signed into law on January 4, 2011, enables FDA to better protect public health by strengthening the food safety system. The goal of FSMA is to shift the focus of the current food safety scheme away from one that is reactive to one that is preventative. The law provides FDA with new enforcement authorities and tools designed to achieve higher rates of compliance with prevention- and risk-based food safety standards and to better respond to and contain problems when they do occur. Since 2011, FDA has been in the process of implementing FSMA through regulations.

In the last year, FDA has finalized several rules in connections with FSMA including: (1) Accredited Third-Party Certification, (2) Standards for the Growing, Harvesting, Packing, and Holding of Produce for Human Consumption, (3) Foreign Supplier Verification Programs for Importers of Food for Humans and Animals, (4) Current Good Manufacturing Practice, Hazard Analysis, and Risk-Based Preventive Controls for Human Food, and (5) Current Good Manufacturing Practice and Hazard Analysis and Risk-Based Preventive Controls for Food for Animals. The final rules on good manufacturing practices and preventive controls relating to food for human consumption apply to us as we manufacture, process, pack and hold food for human consumption. We will be required to comply with this rule starting in September 2016, one year after publication of the final rule. The final rule contains certain key requirements:

*a. Food Safety Plan*

Covered facilities must establish and implement a written food safety system that includes an analysis of hazards and risk-based preventive controls. The hazard analysis must consider known or reasonably foreseeable biological, chemical, and physical hazards. The preventive control measures are required to ensure that hazards requiring a preventive control will be minimized or prevented. They include process, food allergen, and sanitation controls, as well as supply-chain controls and a recall plan. In addition to establishing preventive controls, we must continuously ensure that the controls are effective through monitoring and verification activities. If a control fails, prompt corrective actions must be taken to identify a problem with preventive control implementation, to reduce the likelihood the problem will recur, evaluate affected food for safety, and prevent it from entering commerce. All corrective actions must be documented in writing.

*b. Supply Chain Management*

The final rule mandates that a manufacturing facility have a risk-based supply chain program for those raw materials and other ingredients that have an identified hazard requiring a supply-chain applied control. Accordingly, we are responsible for ensuring that foods are received only from approved suppliers, or on a temporary basis from unapproved suppliers whose materials are subject to verification activities before being accepted for use.

*c. Current Good Manufacturing Practices*

The final rule updated and clarified current good manufacturing practices. Specifically, some of the previously nonbinding regulatory provisions, such as education and training, are now binding. Management is required to ensure that all employees who manufacture, process, pack or hold food are qualified and properly educated to perform their assigned duties.

Now that this rule has become final, we are in the process of developing regulatory compliance programs to ensure that all requirements of the rules applicable to us are met by the effective date.

In addition, we are subject to the Public Health Security and *Bioterrorism Preparedness and Response Act of 2002* (the Bioterrorism Act ) and regulations issued thereunder. The Bioterrorism Act authorizes the FDA to take the regulatory action necessary to protect the nation's food supply against the threat of intentional or accidental

contamination. The major components of the Bioterrorism Act include registration of food facilities with the FDA; prior notice of virtually all imported food shipments under FDA authority; recordkeeping requirements for food facilities; FDA authority to administratively detain food; FDA authority to institute debarment of food importers for various violations related to food importation; and creation of a clear way to re-import previously refused foods if certain criteria are met.

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Lastly, we are subject to numerous other federal, state and local regulations involving such matters as the licensing and registration of manufacturing facilities, enforcement by government health agencies of standards for our products, inspection of our facilities and regulation of our trade practices in connection with the sale of food products.

## 2. Food Labeling Regulations

The Company is subject to certain requirements relating to food labeling under the FDCA and corresponding FDA regulations as well as the *Fair Packaging and Labeling Act* enacted in 1967 and corresponding FTC regulations. Although the FTC, FDA, and USDA share jurisdiction over claims made by manufacturers of food products, the FDA retains primary jurisdiction over the labeling of food products whereas the FTC regulates advertising.

The FDA and FTC require that all food products be labeled to disclose the net contents, the identity of commodity, nutrition information, and the name and place of business of the product's manufacturer, packer, or distributor in order to prevent consumer deception. Both agencies also require that any claim on the product be truthful and not misleading.

Other state and local statutes and regulations may impose additional food labeling requirements. For instance, the *California Safe Drinking Water and Toxic Enforcement Act of 1986* (commonly referred to as Proposition 65) requires, with a few exceptions, that a specific warning appear on any consumer product sold in California that contains a substance, above certain levels, listed by that state as having been found to cause cancer or birth defects. This law exposes all food and beverage producers to the possibility of having to provide warnings on their products.

### ***FDA Generally Regarded as Safe Regulations***

Food ingredients can be classified into four groups including: food additives; color additives; prior sanctioned substances, and Generally Regarded as Safe (GRAS) substances. In particular, a food additive is a substance, the intended use of which results or may reasonably be expected to result, directly or indirectly, either in their becoming a component of food or otherwise affecting the characteristics of food. Food additives require premarket approval under the 1958 Food Additive Amendments to the FDCA as administered by FDA. However, in enacting those amendments, Congress recognized that many substances intentionally used in a manner whereby they are added to food would not require a formal premarket review by FDA to assure their safety, either because their safety had been established by a long history of use in food or by virtue of the nature of the substances, their customary or projected conditions of use, and the information generally available to scientists about the substances. Congress thus excluded from the definition of food additive substances that are generally recognized, among qualified experts, as having been adequately shown through scientific procedures to be safe under the conditions of their intended use, or GRAS.

Companies may establish GRAS status through self-affirmation whereby the producer determines on its own that the ingredient is GRAS, normally with the assistance of a panel of qualified experts. The producer may also voluntarily submit a GRAS Notification to the FDA that includes the products description, conditions of use, and the basis for GRAS determination, among other information. The FDA response to a GRAS notice, typically issued within 180 days, is not an approval and the product may be marketed while the FDA is reviewing the information.

A food ingredient is eligible for GRAS classification based on the views of experts qualified by scientific training and experience to evaluate the safety of the product. The expert's views are either based on scientific procedures or through experience based on common use of the material prior to 1958. If based on scientific procedures they must use the same quantity and quality of scientific evidence as would be required for the FDA to issue a premarket approval of the sale of a food additive. If a food ingredient is not entitled to GRAS status, premarket approval must be sought through the filing of a Food Additive Petition.

A number of our products are being marketed pursuant to GRAS self-affirmation. We believe that a majority of products for which we have commercial rights are GRAS. However, such status cannot be determined until actual formulations and uses are finalized. Thereafter, we decide whether self-affirmation procedures and a GRAS

notification will be appropriate. For those components that do not qualify for GRAS, we may be required to file a Food Additive Petition. In the event that a petition is required, we may elect to sell or license our rights to manufacture, market, and distribute the component to another party.

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### ***Environmental Regulations***

The Company is also subject to various U.S. federal, state and local environmental regulations. Some of the key environmental regulations in the U.S. include, but are not limited to, the following:

**Air quality regulations** air quality is regulated by the EPA and certain city/state air pollution control groups. Emission reports are filed annually.

**Waste treatment/disposal regulations** solid waste is either disposed of by a third-party or, in some cases, we have a permit to haul and apply the sludge to land. Agreements exist with local city sewer districts to treat waste at specified levels of Biological Oxygen Demand ( BOD ), Total Suspended Solids ( TSS ) and other constituents. This can require weekly/monthly reporting as well as annual inspection.

**Sewer regulations** we have agreements with the local city sewer districts to treat waste at specified limits of BOD and TSS. This requires weekly/monthly reporting as well as annual inspection.

**Hazardous chemicals regulations** Various reports are filed with local city/state emergency response agencies to identify potential hazardous chemicals being used in our facilities.

**Storm water** all facilities are inspected annually and must comply with an approved storm water plan to protect water supplies.

### ***Employee Safety Regulations***

We are subject to certain safety regulations, including OSHA regulations. These regulations require us to comply with certain manufacturing safety standards to protect our employees from accidents. We believe that we are in material compliance with all employee safety regulations applicable to our business.

### **Canadian and Other Non-U.S. Regulations**

Outside of the U.S., regulations concerning the sale or characterization of food ingredients vary substantially from country to country, and we take appropriate steps to comply with such regulations.

In Canada, the sale of food is regulated under various federal and provincial laws, principally the federal *Food and Drugs Act* ( FADA ), *Canada Agricultural Products Act* ( CAPA ), and the *Canadian Environmental Protection Act, 1999* ( CEPA ), along with their supporting regulations. Some of the key Canadian regulatory instruments include but are not limited to the following:

***Food and Drug Regulations*** (under the FADA) food and drugs are subject to specific regulatory requirements, including composition (such as food additives, fortification, and food standards), packaging, labeling, advertising and marketing, and licensing requirements.

***Organic Products Regulations, 2009*** ( OPR ) (under the CAPA) the OPR require mandatory certification to the revised national organic standard for agricultural products that are to be represented as organic in international and inter-provincial trade, or that bear the federal organic agricultural product legend (or federal logo). Except for certain exceptions and conditions, a U.S.-Canada Organic Equivalence Arrangement is currently in place whereby agricultural products produced and processed in conformity with the U.S. *Organic Foods Production Act* and the Canadian OPR are deemed to have been produced and processed in accordance with the OPR and may be sold, labelled or represented in Canada as organic.

***Canada Consumer Product Safety Act*** ( CCPSA ) the CCPSA provides oversight and regulation of consumer products with respect to manufacturers, importers, and retailers. It includes, without limitation,

the ability to require product recalls, mandatory incident reporting, document retention requirements, increased fines and penalties, and packaging and labeling requirements. While the CCPSA does not apply to food, it does apply to its packaging with respect to safety. It is possible that there will be amendments introduced to the FADA, to capture the essence of the regulatory oversight found in the CCPSA. We have no way of anticipating if and when that may occur.

*Consumer Packaging and Labeling Act ( CPLA )* the CPLA and its supporting regulations outline requirements for packaging and labeling of products, including food products. The CPLA sets out labeling requirements relating to the description of the product, net quantity and dealer information, as well as packaging standards. The CPLA also includes a prohibition against false or misleading labeling.

*Canada Food Inspection Agency Act* ( CFIAA ) the CFIAA grants power to the Canadian Food Inspection Agency (the CFIA ), which is tasked with the administration and enforcement of certain Canadian food legislation. Under the CFIAA, the CFIAA has the power to recall certain products if the Minister believes that such product poses a risk to the public, animal or plant health.

*Processed Products Regulations* ( PPR ) (under the CAPA) the PPR regulates the grading, packing and marking of processed products that are produced in Canada for inter-provincial or export trade or imported into Canada. Under the PPR, processed food products are those that are prepared to assure preservation of the food product in transport, distribution and storage. The PPR establishes requirements with respect to the content, preparation, packing and marking of processed food products.

We are subject to Dutch and European Commission ( EC ) regulations and policies. Our European subsidiary, The Organic Corporation ( TOC ), is involved in the sourcing, supplying, processing, marketing, selling and distribution of organic food products and, as such, is subject to standards for production, labeling and inspection of organic products contained in EC Regulation 2092/91 (and its subsequent amendments). TOC is certified by Skal, the inspection body for the production of organic products in the Netherlands. Products certified as organic by an EU-recognized inspection body, such as Skal, can be marketed within the entire EU. In addition, under the terms of an equivalency arrangement between the U.S. and the EU, organic operations certified to the USDA organic or EU organic standards may be labeled and sold as organic in both the U.S. and EU.

TOC is also affected by general food legislation both at EU and Dutch level relating to product safety and hygiene, among others. TOC is Hazard Analysis and Critical Control Point certified in the Netherlands and manages a fully computerized system that manages the traceability of each product. In addition, TOC also considers and abides by EU and local legislation with regard to packaging and packaging waste. TOC is also subject to the regulations and policies of the countries outside of the EU in which it operates, including China and Ethiopia.

Following the Sunrise Acquisition, we operate a processing facility in Mexico and are subject to Mexican regulations, including regulations regarding processing, packaging and sales of food products, labor relations and profit-sharing with employees.

## **RESEARCH AND DEVELOPMENT**

Research and development and new product, process and packaging innovation are key priorities of our Company and initiatives are focused on continuous improvement of our existing product portfolios and continuing efforts to improve production process to reduce costs and improve efficiencies, as well as the development of innovative new products. Innovation is a key pillar for us and a necessity in the natural and organic foods categories. We believe our commitment and proactive approach to new product development and innovation is important to our ability to introduce new higher-margin food and beverage products to the market.

In June 2015, we expanded our research and development platform by opening an advanced innovation center in Edina, Minnesota. This facility supports our dedicated team of food scientists, engineers and technicians, expands our product development capabilities, increases our speed to market and enables us to proactively engage customers in creating and developing new products. We believe our innovation platform supports our leadership position in non-GMO and organic food and strengthens our relationships with our retail, foodservice and contract manufacturing customers.

Our product development team includes highly trained and experienced food scientists and technologists that are dedicated to both the development of unique new product offerings plus addressing product development opportunities for our customers including new and custom formulations, innovations in packaging formats, and new production processes and applications. Applications and technical support provided to our customers include all aspects of product development from concept to commercial launch, as well as ongoing manufacturing and processing

support.

We continue to develop new products to maximize the capabilities of our aseptic packaging facilities, including the development of non-dairy based beverages that address the growing consumer demand for beverages that satisfy allergy concerns and provide a unique nutritional profile, as well as teas, organic dairy and nutritional beverages. In addition, we continue to develop new fruit-based beverages, fruit- and grain-based snacks, nutrition bars and fruit-based re-sealable pouch products, as well as innovative fruit ingredient systems for the dairy, foodservice and beverage industries. We are also continually looking to develop new value-added products for our customers that leverage our global sourcing platform.

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## **INTELLECTUAL PROPERTY**

The nature of a number of our products and processes requires that we create and maintain patents, trade secrets and trademarks. Our policy is to protect our technology, brands and trade names by, among other things, filing patent applications for technology relating to the development of our business in the U.S. and in selected foreign jurisdictions, registering trademarks in the U.S., Canada and selected foreign jurisdictions where we sell products, and maintenance of confidentiality agreements with outside parties and employees.

Our success will depend, in part, on our ability to protect our products, trade names and technology under U.S. and international patent laws and other intellectual property laws. We believe that we own or have sufficient rights to use all of the proprietary technology, information and trademarks necessary to manufacture and market our products; however, there is always a risk that patent applications relating to our products or technologies will not result in patents being issued, or, if issued, will be later challenged by a third party, or that current or additional patents will not afford protection against competitors with similar technology.

We also rely on trade secrets and proprietary know-how and confidentiality agreements to protect certain technologies and processes. Even with these steps taken, our outside partners and contract manufacturers could gain access to our proprietary technology and confidential information. All employees are required to adhere to internal policies which are intended to further protect our technologies, processes and trade secrets.

## **PROPERTIES**

As at January 2, 2016, we operated 27 processing facilities in 9 U.S. states, as well as Canada, Mexico, the Netherlands, Bulgaria and Ethiopia. In addition, we also own and lease a number of office and distribution locations in the U.S., Canada, Mexico, the Netherlands, Ethiopia and China, and lease and utilize public warehouses to satisfy our storage needs. We also lease farmland that we sublease to fruit growers. For more details see Item 2. Properties elsewhere in this report.

## **ENVIRONMENTAL HAZARDS**

We believe that, with respect to both our operations and real property, we are in material compliance with environmental laws at all of our locations.

## **EMPLOYEES**

As at January 2, 2016, we had a total of approximately 2,100 (January 3, 2015 – 1,750) full-time employees, which included 270 employed at Opta Minerals (January 3, 2015 – 338). We also employ up to 2,000 seasonal employees in the U.S. and Mexico during peak fruit seasons each year. We consider our relations with our employees to be good and have not experienced any work stoppages, slowdowns or other serious labor problems that have materially impeded our business operations.

## **AVAILABLE INFORMATION**

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the *Securities Exchange Act of 1934* (the Exchange Act ), are available free of charge on our website at [www.sunopta.com](http://www.sunopta.com) as soon as reasonably practicable after we file such information electronically with, or furnish it to, the U.S. Securities and Exchange Commission (the SEC ) and applicable Canadian Securities Administrators (the CSA ).

### **Item 1A. Risk Factors**

Our business, operations and financial condition are subject to various risks and uncertainties, including those described below and elsewhere in this report. We believe the most significant of these risks and uncertainties are described below, any of which could adversely affect our business, financial condition and results of operations and could cause actual results to differ materially from the results contemplated by the forward-looking statements contained in this report. In such case, the trading price of our common stock could decline, and you may lose all or part of your investment. There may be additional risks and uncertainties not presently known to us or that we currently consider immaterial. Consequently, you should not consider the following to be a complete discussion of all possible risks or uncertainties applicable to our business. These risk factors should be read in conjunction with the other information in this report and in the other documents that we file from time to time with the SEC and the CSA.

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## **Risks Related to Our Business**

### ***We operate in a highly competitive industry***

We operate businesses in highly competitive product and geographic markets in the U.S., Canada, Europe and various other international markets. We compete with various U.S. and international commercial grain procurement marketers, major companies with food ingredient divisions, other food ingredient companies, trading companies, and consumer-packaged food companies that also engage in the development and sale of food ingredients and other food companies involved in natural and organic foods. These competitors may have financial resources and staff larger than ours and may be able to benefit from economies of scale, pricing advantages and greater resources to launch new products that compete with our offerings. We have little control over and cannot otherwise affect these competitive factors. If we are unable to effectively respond to these competitive factors or if the competition in any of our product markets results in price reductions or decreased demand for our products, our business, financial condition or results of operations may be materially and adversely affected.

### ***Our customers generally are not obligated to continue purchasing products from us***

Many of our customers buy from us under purchase orders, and we generally do not have long-term agreements with or commitments from these customers for the purchase of products. We cannot provide assurance that our customers will maintain or increase their sales volumes or orders for the products supplied by us or that we will be able to maintain or add to our existing customer base. Decreases in our customers' sales volumes or orders for products supplied by us may have a material adverse effect on our business, financial condition or results of operations.

### ***Loss of a key customer could materially reduce revenues and earnings***

Our relationships with our key customers are critical to the success of our business and our results of operations. After giving effect to the Sunrise Acquisition, on a pro forma basis, one of our customers would have accounted for nearly 10% of revenues for the year ended January 2, 2016. The loss or cancellation of business with any of our larger customers could materially and adversely affect our business, financial condition or results of operations.

### ***Consumer preferences for natural and organic food products are difficult to predict and may change***

Our success depends, in part, on our ability and our customers' ability to offer products that anticipate the tastes and dietary habits of consumers and appeal to their preferences on a timely and affordable basis. A significant shift in consumer demand away from our products or products that utilize our integrated foods platform, or our failure to maintain our current market position, could reduce our sales and harm our business. Consumer trends change based on a number of possible factors, including nutritional values, a change in consumer preferences or general economic conditions. Additionally, there is a growing focus among some consumers to buy local food products in an attempt to reduce the carbon footprint associated with transporting food products from longer distances, which could result in a decrease in the demand for food products and ingredients that we import from other countries or transport from remote processing locations or growing regions. Further, failures by us or our competitors to deliver quality products could erode consumer trust in the organic certification of foods. These changes could lead to, among other things, reduced demand and price decreases, which could have a material and adverse effect on our business, financial condition or results of operations.

### ***If we do not manage our supply chain effectively, our operating results may be adversely affected***

Our supply chain is complex. We rely on suppliers for our raw materials and for the manufacturing, processing, packaging and distribution of many of our products. The inability of any of these suppliers to deliver or perform for us in a timely or cost-effective manner could cause our operating costs to rise and our margins to fall. Many of our products are perishable and require timely processing and transportation to our customers. Many of our products can

only be stored for a limited amount of time before they spoil and cannot be sold. We must continuously monitor our inventory and product mix against forecasted demand or risk having inadequate supplies to meet consumer demand as well as having too much inventory that may reach its expiration date. If we are unable to manage our supply chain efficiently and ensure that our products are available to meet consumer demand, our operating costs could increase and our margins could fall, which could have a material and adverse effect on our business, financial condition or results of operations.

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Some of our operations are subject to seasonal supply fluctuations. For example, we purchase strawberries and other fruit from farmers during the peak California growing season, which occurs during the first two quarters of the year. As a result, our costs may be higher during these periods. We may not be successful in counteracting or smoothing out the effects of seasonality, and we expect that certain parts of our operations will continue to remain subject to significant seasonality.

Part of our supply source also depends in part on a seasonal temporary workforce comprised primarily of migrant workers. Changes in immigration laws that discourage migration to the U.S. and political or other events (such as war, terrorism or health emergencies) that make it more difficult for individuals to immigrate to or migrate throughout the U.S. could adversely affect the migrant worker population and reduce the workforce available for farms and production facilities in the U.S. Additionally, increased competition from other industries for migrant workers could increase our costs and adversely affect our business, financial condition or results of operations.

***Volatility in the prices of raw materials and energy could increase our cost of sales and reduce our gross margins***

Raw materials represent a significant portion of our cost of sales. Our cost to purchase services and materials, such as grains, fruits and other commodities, processing aids, and natural gas, can fluctuate depending on many factors, including weather patterns, economic and political conditions and pricing volatility. In addition, we must compete for limited supplies of these raw materials and services with competitors having greater resources than us. If our cost of materials and services increases due to any of the above factors, we may not be able to pass along the increased costs to our customers.

We enter into a number of exchange-traded commodity futures and options contracts to partially hedge our exposure to price fluctuations on transactions to the extent considered practicable for minimizing risk from market price fluctuations. Futures contracts used for hedging purposes are purchased and sold through regulated commodity exchanges. Our inventories, however, may not be completely hedged, due in part to our assessment of exposure from expected price fluctuations and an inability to hedge a number of raw materials.

Exchange purchase and sales contracts may expose us to risks that a counterparty to a transaction is unable to fulfill its contractual obligation. We may be unable to hedge 100% of the price risk of each transaction due to timing and availability of hedge contracts and third party credit risk. In addition, we have a risk of loss from hedge activity if a grower does not deliver the commodity as scheduled. We also monitor the prices of natural gas and from time to time lock in a percentage of our natural gas needs based on current prices and expected trends.

An increase in our cost of sales resulting from an increase in the price of raw materials and energy could have a material and adverse effect on our business, financial condition or results of operations.

***We may require additional capital to maintain current growth rates, which may not be available on favorable terms or at all***

We have grown via a combination of internal growth and acquisitions requiring available financial resources. Our ability to raise capital, through equity or debt financing, is directly related to our ability to both continue to grow and improve returns from our operations. Debt or equity financing may not be available to us on favorable terms or at all. In addition, any future equity financing would dilute our current shareholders and may result in a decrease in our share price if we are unable to realize returns equal to or above our current rate of return. We will not be able to maintain our growth rate and acquire complementary businesses within the natural and organic food industries without continued access to capital resources.

***We may not be able to successfully consummate proposed divestitures***

The successful consummation of the proposed sale of our interest in Opta Minerals is subject to receipt of all necessary shareholder approvals, receipt of regulatory and third party consents and other customary conditions, which may not be obtained or satisfied, and the actual timing of the closing of the transaction may be affected by delays in obtaining those required shareholder, regulatory and third party consents and approvals. In addition, the proceeds we expect to receive may be impacted by an inability or failure of the purchaser to satisfy the cash component of the purchase price payable on closing of the transaction or the amount owing under the subordinated promissory note upon maturity. We may be required to record additional asset impairment charges to the extent actual proceeds are less than anticipated. In addition, we have agreed to indemnify the purchaser for certain matters. An indemnification claim by the purchaser may effectively reduce the purchase price payable to us.

In addition, we may, from time to time, divest other businesses that are no longer a strategic fit or no longer meet our growth or profitability targets. Our profitability may be impacted by gains or losses on the sales of such businesses, or lost operating income or cash flows from such businesses. Additionally, we may be required to record asset impairment or restructuring charges related to divested businesses, or indemnify buyers for liabilities, which may reduce our profitability and cash flows. We may also not be able to negotiate such divestitures on terms acceptable to us. Such potential divestitures will require management resources and may divert management's attention from our day-to-day operations. If we are not successful in divesting such businesses, our business could be harmed.

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***Our future results of operations may be adversely affected by the availability of organic and non-GMO ingredients***

Our ability to ensure a continuing supply of organic and non-GMO ingredients at competitive prices depends on many factors beyond our control, such as the number and size of farms that grow organic and non-GMO crops, climate conditions, changes in national and world economic conditions, currency fluctuations and forecasting adequate need of seasonal ingredients.

The organic and non-GMO ingredients that we use in the production of our products (including, among others, fruits, vegetables, nuts and grains) are vulnerable to adverse weather conditions and natural disasters, such as floods, droughts, water scarcity, temperature extremes, frosts, earthquakes and pestilences. Natural disasters and adverse weather conditions (including the potential effects of climate change) can lower crop yields and reduce crop size and crop quality, which in turn could reduce our supplies of organic or non-GMO ingredients or increase the prices of organic or non-GMO ingredients. If our supplies of organic or non-GMO ingredients are reduced, we may not be able to find enough supplemental supply sources on favorable terms, if at all, which could impact our ability to supply product to our customers and adversely affect our business, financial condition and results of operations.

***Adverse weather conditions and natural disasters could impose costs on our business***

Our various food products, from seeds and grains to ingredients, fruits, vegetables and other inputs, are vulnerable to adverse weather conditions and natural disasters, including windstorms, hurricanes, floods, droughts, fires, temperature extremes and earthquakes, some of which are common but difficult to predict, as well as crop disease and infestation. Severe weather conditions may occur with higher frequency or may be less predictable in the future due to the effects of climate change. Unfavorable growing conditions could reduce both crop size and crop quality. In extreme cases, entire harvests may be lost in some geographic areas. Adverse weather conditions or natural disasters may adversely affect our supply of one or more food products or prevent or impair our ability to ship products as planned. These factors can increase costs, decrease our sales volumes and revenues and lead to additional charges to earnings, which may have a material adverse effect on our business, financial condition and results of operations.

A significant portion of our fruit supply is sourced from California, which continued to experience severe drought conditions for the fourth straight year in 2015 due to extremely low levels of rainfall. Such conditions have resulted in lost crops as well as increased water costs for growers in California. In particular, we depend on growers in California for strawberries. Governor Edmund Gerald Jerry Brown Jr. declared a drought state of emergency in California and, among other actions, passed legislation requiring monitoring of groundwater pumping, which limits the amount of groundwater for which farmers can drill. Strawberry growers are largely dependent on well water, and diminishing groundwater resources could lead to a reduced strawberry supply. In April 2015, Governor Brown imposed statewide mandatory water conservation measures, including increased water use reporting by agricultural water users, enhancing the state's ability to enforce against diversions and unreasonable use of water in an effort to curtail wasteful water practices in agricultural fields. While farms have been largely exempted from the strict water conservation measures imposed statewide, which have mostly targeted urban water use, continuing drought conditions could lead to more restrictive measures aimed at the agricultural industry. Recurring drought conditions and existing and future water conservation laws could negatively impact the agricultural industry in California and have a material adverse effect on our business, financial condition or results of operations.

***An interruption at one or more of our manufacturing facilities could negatively affect our business, and our business continuity plan may prove inadequate***

We own or lease, manage and operate a number of manufacturing, processing, packaging, storage and office facilities. We could be rendered unable to accept and fulfill customer orders as a result of disasters, epidemics, business interruptions or other similar events. Some of our inventory and manufacturing facilities are located in areas that are susceptible to harsh weather, and the production of certain of our products is concentrated in a few geographic areas. In addition, we store chemicals used in the equipment for quick freezing of fruit or used for cooling processes during

ingredient processing, and our storage of these chemicals could lead to risk of leaks, explosions or other events. Although we have a business continuity plan, we cannot provide assurance that our business continuity plan will address all of the issues we may encounter in the event of a disaster or other unanticipated issue. Our business interruption insurance may not adequately compensate us for losses that may occur from any of the foregoing. In the event that a natural disaster, or other catastrophic event were to destroy any part of any of our facilities or interrupt our operations for any extended period of time, or if harsh weather or epidemics prevent us from delivering products in a timely manner, our business, financial condition and results of operations could be materially and adversely affected. In addition, if we fail to maintain our labor force at one or more of our facilities, we could experience delays in production or delivery of our products, which could also have a material adverse effect on our business, financial condition and results of operations.

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***Technology failures could disrupt our operations and negatively impact our business***

In the normal course of business, we rely on information technology systems to process, transmit, and store electronic information. For example, our production and distribution facilities and inventory management utilize information technology to increase efficiencies and limit costs. Information technology systems are also integral to the reporting of our results of operations. Furthermore, a significant portion of the communications between, and storage of personal data of, our personnel, customers, consumers and suppliers depends on information technology. Our information technology systems may be vulnerable to a variety of interruptions, as a result of updating our enterprise platform or due to events beyond our control, including, but not limited to, natural disasters, terrorist attacks, telecommunications failures, computer viruses, hackers, and other security issues. These events could compromise our confidential information, impede or interrupt our business operations, and may result in other negative consequences, including remediation costs, loss of revenue, litigation and reputational damage. Furthermore, if a breach or other breakdown results in disclosure of confidential or personal information, we may suffer reputational, competitive and/or business harm. To date, we have not experienced a material breach of cyber security. While we have implemented administrative and technical controls and taken other preventive actions to reduce the risk of cyber incidents and protect our information technology, they may be insufficient to prevent physical and electronic break-ins, cyber-attacks or other security breaches to our computer systems, which could have a material adverse effect on our business, financial condition or results of operations.

***If we lose the services of our key management, our business could suffer***

Our prospects depend to a significant extent on the continued service of our key executives, and our continued growth depends on our ability to identify, recruit and retain key management personnel. We are also dependent on our ability to continue to attract, retain and motivate our personnel. We do not typically carry key person life insurance on our executive officers. If we lose the services of our key management or fail to identify, recruit and retain key personnel, our business, financial condition or results of operations may be materially and adversely impacted.

***If we face labor shortages or increased labor costs, our results of operations and our growth could be adversely affected***

Labor is a significant component of the cost of operating our business. Our ability to meet our labor needs while controlling labor costs is subject to external factors, such as employment levels, prevailing wage rates, minimum wage legislation, changing demographics, health and other insurance costs and governmental labor and employment requirements. In the event of increasing wage rates, if we fail to increase our wages competitively, the quality of our workforce could decline, while increasing our wages could cause our earnings to decrease. If we face labor shortages or increased labor costs because of increased competition for employees from our competitors and other industries, higher employee-turnover rates, unionization of farm workers or increases in the federal- or state-mandated minimum wage, change in exempt and non-exempt status, or other employee benefits costs (including costs associated with health insurance coverage or workers' compensation insurance), our operating expenses could increase and our business, financial condition and results of operations could be materially and adversely affected.

***Climate change laws could have an impact on our financial condition and results of operations***

Legislative and regulatory authorities in the U.S., Canada and internationally will likely continue to consider numerous measures related to climate change and greenhouse gas emissions. In order to produce, manufacture and distribute our products, we and our suppliers, use fuels, electricity and various other inputs that result in the release of greenhouse gas emissions. Concerns about the environmental impacts of greenhouse gas emissions and global climate change may result in environmental taxes, charges, regulatory schemes, assessments or penalties, which could restrict or negatively impact our operations, as well as those of our suppliers, who would likely pass all or a portion of their costs along to us. We may not be able to pass any resulting cost increases along to our customers. Any enactment of laws or passage of regulations regarding greenhouse gas emissions or other climate change laws by the U.S., Canada

or any other international jurisdiction where we conduct business could materially and adversely affect our business, financial condition and results of operations.

***Impairment charges in goodwill or other intangible assets could adversely impact our financial condition and results of operations***

As a result of business acquisitions, a significant portion of our total assets is comprised of intangible assets and goodwill.

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We are required to perform impairment tests of our goodwill and other intangible assets annually, or at any time when events occur that could affect the value of these assets. We expect to engage in additional acquisitions, which may result in our recognition of additional intangible assets and goodwill. If the financial performance of the acquired businesses is not as strong as we anticipate, we could be required to record significant impairments to intangible assets and/or goodwill, which could materially and adversely impact our business, financial condition and results of operations.

***Technological innovation by our competitors could make our food products less competitive***

Our competitors include major food ingredient and consumer-packaged food companies that also engage in the development and sale of food and food ingredients. Many of these companies are engaged in the development of food ingredients and other packaged food products and frequently introduce new products into the market. Existing products or products under development by our competitors could prove to be more effective or less costly than our products, which could have a material adverse effect on the competitiveness of our products and our business.

***We rely on protection of our intellectual property and proprietary rights***

Our success depends in part on our ability to protect our intellectual property rights. We rely primarily on patent, copyright, trademark and trade secret laws to protect our proprietary technologies. Our policy is to protect our technology by, among other things, filing patent applications for technology relating to the development of our business in the U.S. and in selected foreign jurisdictions.

Our trademarks and brand names are registered in the U.S., Canada and other jurisdictions. We intend to keep these filings current and seek protection for new trademarks to the extent consistent with business needs. We also rely on trade secrets and proprietary know-how and confidentiality agreements to protect certain of the technologies and processes that we use.

The failure of any patents, trademarks, trade secrets or other intellectual property rights to provide protection to our technologies would make it easier for our competitors to offer similar products, which could result in lower sales or gross margins.

***We are subject to substantial environmental regulation and policies***

We are, and expect to continue to be, subject to substantial federal, state, provincial and local environmental regulation. Some of the key environmental regulations to which we are subject include air quality regulations of the EPA and certain city/state/provincial air pollution control groups, waste treatment/disposal regulations, including but not limited to specific regulations of the Ontario Ministry of Environment and Energy, sewer regulations under agreements with local city sewer districts, regulations governing hazardous substances, storm water regulations and bioterrorism regulations. For a more detailed summary of the environmental regulations and policies to which we are subject, see Item 1. Business Regulation of this report. Our business also requires that we have certain permits from various state, provincial and local authorities related to air quality, storm water discharge, solid waste, land spreading and hazardous waste.

In the event that our safety procedures for handling and disposing of potentially hazardous materials in certain of our businesses were to fail, we could be held liable for any damages that result, and any such liability could exceed our resources. We may be required to incur significant costs to comply with environmental laws and regulations in the future. In addition, changes to environmental regulations may require us to modify our existing plant and processing facilities and could significantly increase the cost of those operations.

The foregoing environmental regulations, as well as others common to the industries in which we participate, can present delays and costs that can adversely affect business development and growth. If we fail to comply with

applicable laws and regulations, we may be subject to civil remedies, including fines, injunctions, recalls or seizures, as well as potential criminal sanctions, which could have a material adverse effect on our business, financial condition and results of operations. In addition, any changes to current regulations may impact the development, manufacturing and marketing of our products, and may have a negative impact on our future results.

***We are subject to significant food and health regulations***

We are affected by a wide range of governmental regulations in Canada, the U.S., Mexico and several countries in Europe, among others. These laws and regulations are implemented at the national level (including, among others, federal laws and regulation in Canada and the U.S.) and by local subdivisions (including, among others, state laws in the U.S. and provincial laws in Canada). We are also subject to regulations of the EU and the regulatory authority of regulatory agencies in several different countries. Examples of regulatory agencies influencing our operations include: the USDA, the FDA, the DHS, the EPA, the Canadian Food Inspection Agency, and Skal, among others.



Examples of laws and regulations that affect us include laws and regulations applicable to:

the use of seed, fertilizer and pesticides;

the purchasing, harvesting, transportation and warehousing of seeds, grain and other products;

the processing and sale of food, including wholesale operations; and

the product labeling and marketing of food and food products, food safety and food defense.

These laws and regulations affect various aspects of our business. For example, as described in more detail under Item 1. Business Regulation of this report, certain food ingredient products manufactured by SunOpta are regulated under the FDCA, as administered by the FDA. Under the FDCA, pre-marketing approval by the FDA is required for the sale of a food ingredient which is a food additive unless the substance is GRAS, under the conditions of its intended use by qualified experts in food safety. We believe that most food ingredients for which we have commercial rights are GRAS. However, this status cannot be determined until actual formulations and uses are finalized. As a result, we may be adversely impacted if the FDA determines that our food ingredient products do not meet the criteria for GRAS.

In addition, certain USDA regulations set forth the minimum standards producers must meet in order to have their products labeled as certified organic, and we currently manufacture a number of organic products that are covered by these regulations. While we believe our products and our supply chain are in compliance with these regulations, changes to food regulations may increase our costs to remain in compliance. We could lose our organic certification if a facility becomes contaminated with non-organic materials or if we do not use raw materials that are certified organic. The loss of our organic certifications could materially and adversely affect our business, financial condition or results of operations.

Our business is subject to the Perishable Agricultural Commodities Act (PACA). PACA regulates fair trade standards in the fresh produce industry and governs our purchases of fresh produce and sales of frozen produce. We source fresh produce under licenses issued by the USDA, as required by PACA. Our failure to comply with the PACA requirements could, among other things, result in civil penalties, suspension or revocation of our licenses to sell produce and in certain cases, criminal prosecution, which could have a material and adverse effect on our business, financial condition or results of operations.

Changes in any government laws and regulations applicable to our operations could increase our compliance costs, negatively affect our ability to sell certain products or otherwise adversely affect our results of operations. In addition, while we believe we are in material compliance with all laws and regulations applicable to our operations, we cannot assure you that we have been, or will at all times be, in compliance with all food production and health requirements, or that we will not incur material costs or liabilities in connection with these requirements. Our failure to comply with any laws, regulations or policies applicable to our business could result in fines, lawsuits, enforcement actions, penalties or loss in the ability to sell certain products, any of which could materially and adversely affect our business, financial condition or results of operations.

***Our operations are influenced by agricultural policies***

We are affected by governmental agricultural policies such as price supports and acreage set aside programs and these types of policies may affect our business. The production levels, markets and prices of the grains and other raw products that we use in our business are materially affected by government programs, which include acreage control and price support programs of the USDA. Revisions in these and other comparable programs, in the U.S. and elsewhere, could have a material and adverse effect on our business, financial condition or results of our operations.

***Product liability suits, recalls and threatened market withdrawals, could have a material adverse effect on our business***

Many of our products are susceptible to harmful bacteria, and the sale of food products for human consumption involves the risk of injury or illness to consumers. Such injuries may result from inadvertent mislabeling, tampering by unauthorized third parties, faulty packaging materials, product contamination or spoilage. Under certain circumstances, we or our customers may be required to recall or withdraw products, which may lead to a material and adverse effect on our business, financial condition or result of operations. Our customers may also voluntarily recall or withdraw a product we manufactured or packaged, even without consulting us, which could increase our potential liability, costs or and result in lost sales. A product recall or withdrawal could result in significant losses due to the costs of the recall, the destruction of product inventory, and lost sales due to the unavailability of product for a period of time. In addition, we could be forced to temporarily close one or more production facilities. Even if a situation does not necessitate a recall or market withdrawal, product liability claims might be asserted against us. If a product recall or withdrawal were to lead to a decline in sales of a similar or related product sold by a customer or other third party, that party could also initiate litigation against us. While we are subject to governmental inspection and regulations and believe our facilities and those of our co-packers comply in all material respects with all applicable laws and regulations, if the consumption of any of our products causes, or is alleged to have caused, a health-related illness in the future, we may become subject to claims or lawsuits relating to such matters. Even if a product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertion that our products caused illness or physical harm could adversely affect our reputation with existing and potential customers and consumers, and our corporate and brand image.

For example, in November 2013, one of our customers initiated a voluntary recall of certain products manufactured by one of our wholly-owned subsidiaries, stating that it initiated the recall in response to consumer complaints of bloated packaging and premature spoilage of certain products, which it alleges resulted from a post-processing issue at our subsidiary's Allentown, Pennsylvania facility. Although we dispute the allegations, we are involved in litigation regarding these claims and have incurred related costs. See Item 3. Legal Proceedings of this report.

Moreover, claims or liabilities of this sort might not be covered by our insurance or by any rights of indemnity or contribution that we may have against others. We maintain product liability insurance in an amount that we believe to be adequate. However, we cannot be sure that we will not incur claims or liabilities for which we are not insured or that exceed the amount of our insurance coverage. A product liability judgment against us or a product recall could have a material and adverse effect on our business, financial condition or results of operations.

***Food safety concerns and instances of food-borne illnesses caused by third parties could harm our business***

Our internal processes and training may not be fully effective in preventing contamination of food products that could lead to food-borne illnesses. We rely on third-party suppliers and distributors, which increases the risk that food-borne illness incidents (such as e. coli, salmonella or listeria) could occur outside of our control and at multiple locations. If consumers lose confidence in the safety and quality of our products or organic products generally, even in the absence of a recall or a product liability case, our business, financial condition or results of operations could be materially and adversely affected. Instances of food-borne illnesses, whether real or perceived, and whether or not traceable to our operations or a result of our actions or omissions, could cause negative publicity about us or the products we serve, which could adversely affect sales. Food safety concerns and instances of food-borne illnesses and injuries caused by contaminated products sold by third parties could cause customers to shift their preferences, even if no food-borne illnesses or injuries are traced to our products. As a result, our sales may decline. Loss of customers as a result of these health concerns or negative publicity could harm our business.

***Litigation and regulatory enforcement concerning marketing and labeling of food products could adversely affect our business and reputation***

The marketing and labeling of any food product in recent years has brought increased risk that consumers will bring class action lawsuits and that the FTC and/or state attorneys general will bring legal action concerning the truth and accuracy of the marketing and labeling of the product. Examples of causes of action that may be asserted in a consumer class action lawsuit include fraud, unfair trade practices, and breach of state consumer protection statutes (such as Proposition 65 in California). FTC and/or state attorneys general may bring legal action that seeks removal of a product from the marketplace, and impose fines and penalties. Even when not merited, class claims, action by the FTC or state attorneys general enforcement actions can be expensive to defend and adversely affect our reputation with existing and potential customers and consumers and our corporate and brand image, which could have a material and adverse effect on our business, financial condition or results of operations.

***Fluctuations in exchange rates, interest rates and commodity prices could adversely affect our business, financial condition, results of operations or liquidity***

We are exposed to foreign exchange rate fluctuations as our non-U.S.-based operations are translated into U.S. dollars for financial reporting purposes and we also sell product in currencies that are different from the current used to purchase materials, or process finished goods. We are exposed to changes in interest rates as a significant portion of our debt bears interest at variable rates. We are exposed to price fluctuations on a number of commodities as we hold inventory and enter into transactions to buy and sell products in a number of markets. Additional qualitative and quantitative disclosures about these risks can be found in Item 7A. Quantitative and Qualitative Disclosures About Market Risk of this report. As a result of these exposures, fluctuations in exchange rates, interest rates and certain commodities could adversely affect our business, financial condition, results of operations or liquidity.



***Our international operations expose us to additional risks***

We source our products from numerous suppliers and growers from around the world. Outside of North America, we have processing, packaging and warehousing facilities in Europe, Africa and Asia. Our international operations and customers expose us to certain risks inherent in doing business abroad, including:

exposure to local economic conditions, expropriation and nationalization, foreign exchange rate fluctuations and currency controls;

withholding and other taxes on remittances and other payments by subsidiaries;

investment restrictions or requirements;

export and import restrictions;

compliance with anti-corruption and anti-bribery laws, including the U.S. Foreign Corrupt Practices Act;

compliance with export controls and economic sanctions laws;

increases in working capital requirements related to long supply chains; and

disruptions in our supply chain from unforeseen events, such as natural disasters, terrorism and political and civil unrest.

For example, through the Sunrise Acquisition, we have acquired significant operations in Mexico, including a facility in the State of Michoacán, near areas where there have been incidents of unrest, which may heighten the risks of our international operations described above.

As we continue to expand our business globally, we may have difficulty anticipating and effectively managing these and other risks that our international operations may face, which may adversely impact our business, financial condition and results of operations. In addition, any acquisition of businesses with operations outside of North America may exacerbate this risk.

***A substantial portion of our assets and certain of our executive officers and directors are located outside of the U.S.; it may be difficult to effect service of process and enforce legal judgments upon us and certain of our executive officers and directors***

A substantial portion of our assets and certain of our executive officers and directors are located outside of the U.S. As a result, it may be difficult to effect service of process within the U.S. and enforce judgment of a U.S. court obtained against us or our executive officers and directors. Particularly, our stockholders may not be able to:

effect service of process within the U.S. on us or certain of our executive officers and directors;

enforce judgments obtained in U.S. courts against us or certain of our executive officers and directors based upon the civil liability provisions of the U.S. federal securities laws;

enforce, in a court outside of the U.S., judgments of U.S. courts based on the civil liability provisions of the U.S. federal securities laws; or

bring an original action in a court outside of the U.S. to enforce liabilities against us or any of our executive officers and directors based upon the U.S. federal securities laws.



## **Risks Related to Business Acquisitions**

### ***We may not be able to effectively manage our growth and integrate acquired companies***

From time to time we may pursue acquisition opportunities that are consistent with our overall growth strategy. We completed three acquisitions during 2015, including the Sunrise Acquisition, which was the largest acquisition in the history of our company. Our ability to effectively integrate acquisitions, including our ability to realize potentially available marketing opportunities and cost savings in a timely and efficient manner will have a direct impact on our future results. We may encounter problems in connection with the integration of any new businesses, such as challenges relating to the following:

integration of an acquired company's products into our product mix;

the amount of cost savings that may be realized as a result of our integration of an acquired product or business;

unanticipated quality and production issues with acquired products;

adverse effects on business relationships with suppliers and customers;

diversion of management attention;

integrating acquired operations that have management teams and company cultures that differ from our own;

difficulty with personnel and loss of key employees;

implementation of an integrated enterprise-wide accounting and information system and consolidation of back office accounting;

compatibility of financial control and information systems;

exchange rate risk with respect to acquisitions outside the U.S.;

potential for patent and trademark claims or other litigation against or involving the acquired company;

integration of businesses that operate in new geographic areas, including difficulties in identifying and gaining access to customers in new markets; and

in the case of foreign acquisitions, uncertainty regarding foreign laws and regulations and difficulty integrating operations and systems as a result of cultural, systems and operational differences.

If we experience any of these problems in the integration of acquisitions, they could have a material and adverse effect on our business, financial condition or results of operations.

### ***We may not have accurately estimated the benefits or synergies to be realized from business acquisitions***

Our expected benefits and synergies from acquired businesses may not be realized if our cash flow estimates associated with the assets of those businesses are materially inaccurate or if we fail to identify operating problems or liabilities prior to acquisition. We perform inspections of the assets to be acquired, which we believe to be generally consistent with industry practices. However, the accuracy of our assessments of the assets and our estimates are inherently uncertain. There could also be environmental or other problems that were not discovered in the course of

our due diligence and inspections. If problems or risks are identified after the closing of an acquisition, there may be limited recourse against the former owners.

***Business acquisitions may expose us to unknown liabilities***

We will be subject to all of the liabilities of acquired businesses, including legal and administrative proceedings. If there are unknown liabilities or other obligations, including contingent liabilities, our business could be materially affected. Moreover, to the extent there is indemnification against losses and liabilities in these businesses acquisition agreements, the amount of indemnification available could be limited and may not be sufficient to cover the actual losses we may suffer.

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***Business acquisitions could result in unexpected disruptions on our business***

In response to an acquisition, the acquired business's customers may cease or reduce their business with the acquired business or some of our customers may cease or reduce their business with us, which could negatively affect our combined operations. Similarly, current or prospective employees of us or of the acquired businesses may experience uncertainty about their future roles with the combined entity. This may adversely affect our ability to attract and retain key management, marketing and technical personnel. In addition, the diversion of the attention of our respective management teams away from day-to-day operations during the pendency of the business acquisition could have an adverse effect on our financial condition and operating results.

**Risks Related to Our Indebtedness**

***Our level of indebtedness could adversely affect our financial condition and prevent us from fulfilling our debt obligations***

We incurred significant indebtedness on October 9, 2015 to fund a portion of the purchase price of the Sunrise Acquisition, including an aggregate principal amount of \$330.0 million under the Loan Agreement and an additional \$59.2 million of borrowings under our credit facilities. Our level of indebtedness could adversely affect our business, financial condition or results of operations, including, without limitation, impairing our ability to obtain additional financing for working capital, capital expenditures, debt service requirements or other general corporate purposes. In addition, we will have to use a substantial portion of our cash flow to pay principal, premium (if any) and interest on our indebtedness which will reduce the funds available to us for other purposes. We may be required under the terms of the financing commitments that we received in connection with the Sunrise Acquisition to incur long-term financing to replace the term loans made under the Loan Agreement, at an interest rate of up to 9.5% per annum at any time prior to October 9, 2016, which could cause our interest expense to increase. Our level of indebtedness will also make us more vulnerable to economic downturns and adverse industry conditions, and may compromise our ability to capitalize on business opportunities and to react to competitive pressures as compared to our competitors.

***Our business may be materially and adversely affected if we are unable to renew the Global Credit Facility when it becomes due on February 10, 2021***

The Global Credit Facility matures on February 10, 2021. We may not be able to renew this facility to the same level or size, or on terms as favorable as at present. A reduced facility may impact our ability to finance our business, requiring us to scale back our operations and our use of working capital. Alternatively, obtaining credit on less favorable terms would have a direct impact on our profitability and operating flexibility.

***The Global Credit Facility agreement restricts how we may operate our business, and our business may be materially and adversely affected if these restrictions prevent us from implementing our business plan***

The Global Credit Facility agreement contains covenants that limit the discretion of our management with respect to certain business matters. These covenants place restrictions on, among other things, our ability to incur additional indebtedness, to create other liens, to complete a merger, amalgamation or consolidation, to make certain distributions or make certain payments, investments and guarantees and to sell or otherwise dispose of certain assets. These restrictions may hinder our ability to execute on our growth strategy or prevent us from implementing parts of our business plan.

***Our business could be materially and adversely affected if we are unable to meet the covenants of the Global Credit Facility***

Our ability to comply with the financial covenants under the Global Credit Facility agreement will depend on the success of our businesses, our operating results, and our ability to achieve our financial forecasts. Various risks

uncertainties and events beyond our control could affect our ability to comply with the financial covenants and terms of the Global Credit Facility agreement. Failure to comply with our financial covenants and other terms could result in an event of default and the acceleration of amounts owing under this agreement, unless we were able to negotiate a waiver. The lenders could condition any such waiver on an amendment to the agreement on terms (including, but not limited to, the payment of consent fees) that may be unfavorable to us. If we are unable to negotiate a covenant waiver or replace or refinance the Global Credit Facility agreement on favorable terms or at all, our business, financial condition or results of operations will be materially and adversely impacted.

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## **Risks Related to Ownership of our Common Shares**

### ***Our operating results and share price are subject to significant volatility***

Our net sales and operating results may vary significantly from period to period due to:

changes in our customers and/or their demand;

changes in our operating expenses;

management's ability to execute our business strategies focused on improved operating earnings;

organizational and personnel changes;

interruption in operations at our facilities;

product recalls or market withdrawals;

legal and administrative cases (whether civil, such as environmental or product related, or criminal), settlements, judgments and investigations;

foreign currency fluctuations;

supply shortages or commodity price fluctuations; and

general economic conditions.

In addition, our share price may be highly volatile compared to larger public companies. Certain announcements could have a significant effect on our share price, including announcements regarding:

fluctuations in financial performance from period to period;

mergers, acquisitions and/or divestitures, either by us or key competitors;

changes in key personnel;

strategic partnerships or arrangements;

litigation and governmental inquiries;

changes in governmental regulation and policy;

patents or proprietary rights;

changes in consumer preferences and demand;

new financings; and

general market conditions.

Higher volatility increases the chance of larger than normal price swings which reduces predictability in the price of our common shares and could impair investment decisions. In addition, price and volume trading volatility in the stock markets can have a substantial effect on our share price, frequently for reasons other than our operating

performance. These broad market fluctuations could adversely affect the market price of our common shares.

In the past few years, stock markets have experienced extreme price and volume fluctuations. In the past, following periods of volatility in the overall market and the market price of a company's securities, securities class action litigation has often been instituted against these companies. Such litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

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***Our debt instruments restrict, and our future debt instruments may restrict, our ability to pay dividends to our shareholders, and we do not currently intend to pay any cash dividends on our common shares in the foreseeable future; therefore, our shareholders may not be able to receive a return on their common shares until their shares are sold***

We have never paid or declared any cash dividends on our common shares. We do not anticipate paying any cash dividends on our common shares in the foreseeable future because, among other reasons, we currently intend to retain any future earnings to finance the growth of our business. In addition, the covenants included in our Global Credit Facility agreement and Loan Agreement, and the covenants to be included in our future debt instruments may restrict, our ability to receive cash from its subsidiaries and pay dividends on our common shares. The future payment of dividends will be dependent on factors such as these covenant restrictions, cash on hand, or achieving and maintaining profitability, the financial requirements to fund growth, our general financial condition and other factors our board of directors may consider appropriate in the circumstances. Until we pay dividends, which we may never do, our shareholders will not receive a return on their common shares until their shares are sold.

***The exercise of stock-based awards, participation in our employee stock purchase plan and issuance of additional securities could dilute the value of our common shares***

The exercise of stock-based awards, participation in our employee stock purchase plan, and issuance of additional securities could result in dilution in the value of our common shares and the voting power represented thereby. Furthermore, to the extent common shares are issued pursuant to the exercise of stock-based awards, participation in our employee stock purchase plan and issuance of additional securities, our share price may decrease due to the additional amount of common shares available in the market. The subsequent sales of these shares could encourage short sales by our shareholders and others, which could place further downward pressure on our share price. Moreover, the holders of our stock options may hedge their positions in our common shares by short selling our common shares, which could further adversely affect our stock price.

***The future issuance of additional common shares in connection with our incentive plans, acquisitions or otherwise could dilute the value of our common shares***

We have unlimited common shares authorized but unissued. Our articles of amalgamation authorize us to issue these common shares, and we may also issue options, rights, warrants and appreciation rights relating to common shares for consideration and on terms and conditions established by our board of directors in its sole discretion. We may need to raise significant additional equity capital in connection with acquisitions or otherwise.

As at January 2, 2016, we had outstanding stock-based awards granted under our 2013 Stock Incentive Plan to purchase or receive an aggregate of 3.8 million common shares. We also maintain an Employee Stock Purchase Plan (the ESPP), which allows our employees to purchase an aggregate of 3.0 million common shares through payroll deductions. As at January 2, 2016, there was a balance of 1.3 million common shares remaining to be granted under the ESPP. Any common shares that we issue, including under our 2013 Stock Incentive Plan or other equity incentive plans that we may adopt in the future, or upon exercise of outstanding option, restricted stock units or performance share units, could result in dilution in the value of our common shares and the voting power represented thereby.

***If securities or industry research analysts do not publish or cease publishing research or reports about our business or if they issue unfavorable commentary or downgrade our common shares, our share price and trading volume could decline***

The trading market for our common shares relies in part on the research and reports that securities and industry research analysts publish about us, our industry, our competitors and our business. We do not have any control over these analysts. Our share price and trading volumes could decline if one or more securities or industry analysts downgrade our common shares, issue unfavorable commentary about us, our industry or our business, cease to cover

our Company or fail to regularly publish reports about us, our industry or our business.

**Item 1B. Unresolved Staff Comments**

None.

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**Item 2. Properties**

The following table lists the location, description, ownership and segment of our principal properties:

<b>Location</b>	<b>Facility Description</b>	<b>Owned/ Leased</b>	<b>Lease Expiry Date</b>
Mississauga, Ontario(1)	Corporate head office	Leased	January 2021
Edina, Minnesota(1)	Corporate administrative office and Consumer Products head office	Leased	September 2022
Hope, Minnesota(2)	Grain processing and Raw Material Sourcing and Supply head office	Owned	
Breckenridge, Minnesota(2)	Grain processing and distribution	Owned	
Moorhead, Minnesota(2)	Grain processing and distribution	Owned	
Crookston, Minnesota(2)	Grain processing, warehouse and distribution	Owned	
Grace City, North Dakota(2)	Grain processing, warehouse and distribution	Owned	
Wahpeton, North Dakota(2)	Grain processing, warehouse and distribution	Owned	
Wahpeton, North Dakota(2)	Grain storage	Owned	
Blooming Prairie, Minnesota(2)	Grain storage	Owned	
Ellendale, Minnesota(2)	Grain storage	Owned	
Scotts Valley, California(2),(3)	Sales and administrative office	Leased	February 2021
Amsterdam, The Netherlands(2)	Sales and International Sourcing and Supply head office	Leased	October 2022
Middenmeer, The Netherlands(2)	Cocoa processing	Leased	December 2017
Dalian, China(2)	Storage	Leased	November 2016
Dalian, China(2)	Sales office	Leased	December 2016
Addis Ababa, Ethiopia(2)	Coffee processing and warehouse	Leased	March 2018
Humera, Ethiopia(2)	Grain processing, warehouse and storage	Leased	June 2016
Silistra, Bulgaria(2)	Grain processing	Owned	
Sofia, Bulgaria(2)	Sales and administrative office	Leased	March 2017
Heuvelton, New York(2)	Ingredient processing	Owned	
Cresco, Iowa(2)	Grain milling	Owned	
South Gate, California(3)	Fruit ingredient processing, warehouse and distribution	Leased	June 2020
Alexandria, Minnesota(3)	Aseptic processing and packaging	Owned	
Alexandria, Minnesota(3)	Ingredient processing	Owned	

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Alexandria, Minnesota(3)	Storage	Owned	
Modesto, California(3)	Aseptic processing and packaging	Leased	May 2019
San Bernardino, California(3)	Beverage processing, warehouse and distribution	Leased	February 2020
Allentown, Pennsylvania(3)	Flexible re-sealable pouch and aseptic beverage processing, packaging and distribution	Leased	April 2027
Allentown, Pennsylvania(3)	Warehouse	Leased	November 2025
Omak, Washington(3)	Fruit snack processing, warehouse and distribution	Leased	May 2017
Carson City, Nevada(3)	Nutrition bar processing, warehouse and distribution	Leased	December 2020
Summerland, British Columbia(3)	Administrative office	Leased	September 2016
Buena Park, California(3)	Frozen fruit processing, warehouse and distribution	Leased	June 2020
Cerritos, California(3)	Sales and administration office	Leased	August 2020
St. David s, Ontario(3)	Fruit snack processing, warehouse and distribution	Leased	August 2016
Edwardsville, Kansas(3)	Frozen fruit processing, warehouse and distribution	Owned	
Oxnard, California(3)	Frozen fruit processing, warehouse and distribution	Owned	
Oxnard, California(3)	Frozen fruit processing, warehouse and distribution	Leased	September 2016
Santa Maria, California(3)	Frozen fruit processing, warehouse and distribution	Leased	December 2017
Placentia, California(3)	Sales and administration office	Leased	January 2019
Jacona, Mexico(3)	Frozen fruit processing, warehouse and distribution	Owned	

(1) Included in Corporate Services.

(2) Included in Global Ingredients.

(3) Included in Consumer Products.



**Executive Offices**

Our executive head office is located at 2233 Argentia Drive, Suite 401, Mississauga, Ontario.

**Item 3. Legal Proceedings****Plum Dispute**

Plum, PBC, a Delaware public benefit corporation ( Plum ), and SunOpta Global Organic Ingredients, Inc., a wholly-owned subsidiary of the Company ( SGOI ), are parties to a manufacturing and packaging agreement dated September 21, 2011 (the Plum Manufacturing Agreement ). Pursuant to the Plum Manufacturing Agreement, SGOI agreed to manufacture and package certain food items for Plum at SGOI s Allentown, Pennsylvania facility in accordance with Plum s specifications regarding, among other things, product ingredients and packaging, manufacturing processes, and quality control standards. On November 8, 2013, Plum initiated a voluntary recall of certain products manufactured by SGOI at its Allentown facility. On February 3, 2015, Plum filed a complaint against SGOI in the Lehigh County Court of Common Pleas in Allentown, Pennsylvania. On April 13, 2015, Plum filed an amended complaint adding packaging manufacturer and supplier Cheer Pack North America ( CPNA ) as a Defendant. SGOI has asserted counterclaims against Plum, cross-claims against CPNA and third-party claims against Gualapack S.p.A, Hosokawa Yoko, Co., Secure HY Packaging Co., Ltd. and CDF Corporation. CPNA has asserted cross-claims against SGOI. Plum alleges it initiated the recall in response to consumer complaints of bloated packaging and premature spoilage of certain products, which could lead to gastrointestinal symptoms and discomfort if consumed. Plum alleges that the spoilage of its products resulted from a post-processing issue at SGOI s Allentown facility. Plum is seeking unspecified damages equal to the direct costs of the recall and handling of undistributed product, incidental and consequential damages, lost profits and attorneys fees. The Company disputes the allegations made by Plum against SGOI and intends to vigorously defend itself against these claims; however, the Company cannot reasonably predict the outcome of this claim, nor can it estimate the amount of loss, or range of loss, if any, that may result from this claim.

**Employment Matter**

In April 2013, a class-action complaint, in the case titled *De Jesus, et al. v. Frozsun, Inc. d/b/a Frozsun Foods*, alleging various wage and hour violations was filed against Sunrise Growers, Inc. (then named Frozsun, Inc.) in California Superior Court, Santa Barbara County seeking damages, equitable relief and reasonable attorneys fees. This case includes claims for failure to pay all hours worked, failure to pay overtime wages, meal and rest period violations, waiting-time penalties, improper wage statements and unfair business practices. The putative class includes approximately 4,000 to 4,500 non-exempt hourly employees from Sunrise s production facilities in Santa Maria and Oxnard, California. The parties are currently engaged in pre-class certification discovery. The Company is unable to estimate any potential liabilities relating to this proceeding, and any such liabilities could be material.

From time to time, we are involved in litigation incident to the ordinary conduct of our business. For a discussion of certain legal proceedings, see note 20 of the Consolidated Financial Statements included elsewhere in this report.

**Item 4. Mine Safety Disclosures**

None.

## PART II

**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

Our common shares trade in U.S. dollars on The NASDAQ Global Select Market under the symbol **STKL**, and in Canadian dollars on the TSX under the symbol **SOY**.

The following table indicates the high and low sales prices for our common shares for each quarterly period during the past two fiscal years on the NASDAQ and TSX. The prices shown are representative inter-dealer prices, do not include retail mark-ups, markdowns or commissions and do not necessarily reflect actual transactions.

	NASDAQ		TSX	
	High \$	Low \$	High C\$	Low C\$
<b>Fiscal 2015</b>				
First quarter	12.04	9.34	15.05	11.67
Second quarter	11.61	9.69	14.25	11.78
Third quarter	11.39	4.50	14.91	5.98
Fourth quarter	7.40	4.61	9.88	6.04
<b>Fiscal 2014</b>				
First quarter	12.24	8.04	13.49	8.88
Second quarter	14.20	10.77	15.16	11.69
Third quarter	14.09	11.78	15.20	13.17
Fourth quarter	14.25	10.69	16.22	12.11

As at January 2, 2016, we had approximately 470 shareholders of record. We have never paid cash dividends on our common stock and do not anticipate paying dividends in the foreseeable future. Our future dividend policy will depend on our earnings, capital requirements and financial condition, requirements of the financial agreements to which we are then a party and other factors considered relevant by our board of directors. Additionally, the terms of our new and existing credit facilities restrict our ability to pay dividends to shareholders. The receipt of cash dividends by U.S. shareholders from a Canadian corporation, such as we are, may be subject to Canadian withholding tax.

**Equity Compensation Plan Information**

The following table provides information as at January 2, 2016 with respect to our common shares that may be issued under existing equity compensation plans.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders:			
Stock incentive plans	3,482,392	\$ 7.42	1,162,664
Employee share purchase plan	N/A	N/A	1,256,801

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Total	3,482,392	\$	7.42	2,419,465
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**Shareholder Return Performance Graph**

This performance graph shall not be deemed filed for purposes of Section 18 of the Exchange Act or incorporated by reference into any filing of SunOpta under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

The following graph compares the five-year cumulative shareholder return on our common shares to the cumulative total return of the S&P/TSX Composite and the NASDAQ Industrial Indices for the period which commenced December 31, 2010.

	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
SunOpta Inc.	100.00	61.64	71.99	128.01	151.53	87.47
Nasdaq Industrial Index	100.00	99.28	118.84	170.11	173.49	187.78
S&P/TSX Composite Index	100.00	88.93	92.49	101.33	108.85	96.78

Assumes that \$100.00 was invested in our common shares and in each index on December 31, 2010.

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**Item 6. Selected Financial Data**

The following information has been derived from financial statements prepared in accordance with U.S. generally accepted accounting principles ( GAAP ). The information set forth below is not necessarily indicative of results of future operations, and should be read in conjunction with the consolidated financial statements and related notes thereto prepared in accordance with U.S. GAAP contained in Item 8 of this report, as well as the discussion in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations .

	2015 <sup>(1), (2)</sup>	2014 <sup>(1)</sup>	2013 <sup>(1), (3)</sup>	2012 <sup>(1)</sup>	2011 <sup>(1), (4)</sup>
	\$	\$	\$	\$	\$
Revenues	1,145,134	1,102,745	998,660	916,892	870,395
Earnings (loss) from continuing operations attributable to SunOpta Inc.	(2,996)	19,295 <sup>(5)</sup>	(8,396) <sup>(6)</sup>	17,118	10,107 <sup>(7)</sup>
Basic earnings (loss) per share from continuing operations	(0.04)	0.29	(0.13)	0.26	0.15
Diluted earnings (loss) per share from continuing operations	(0.04)	0.28	(0.13)	0.26	0.15
Total assets	1,219,203	640,950	705,935	707,310	631,503
Bank indebtedness	159,773	78,454	126,274	120,312	101,953
Long-term debt (including current portion)	322,995	4,581	6,139	7,066	32,477
Long-term liabilities (including current portion)	23,052	1,086	3,205	5,457	5,813

- (1) Reflects the reclassification of the revenues and expenses of Opta Minerals, Inc. to discontinued operations (held for sale as at January 2, 2016).
- (2) Includes the results of operations of Sunrise Holdings (Delaware), Inc. (acquired October 9, 2015), Niagara Natural Fruit Snack Company Inc. (acquired August 11, 2015) and Citrusource, LLC (acquired March 2, 2015) from the respective dates of acquisition.
- (3) Includes the results of operations of Organic Land Corporation OOD (acquired December 31, 2012) from the date of acquisition.
- (4) Includes the results of operations of Lorton s Fresh Squeezed Juices, Inc. (acquired August 5, 2011) from the date of acquisition.
- (5) Includes a charge for the impairment of investment of \$8.4 million, as well as a gain on disposal on assets of \$1.3 million.
- (6) Includes a charge for the impairment of investment of \$21.5 million.
- (7) Includes a charge for the impairment of long-lived assets of \$0.4 million and a gain on sale of assets of \$2.9 million.

## **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **Forward-Looking Financial Information**

This Management's Discussion and Analysis of Financial Condition and Results of Operations ( MD&A ) section provides analysis of our operations and financial position for the fiscal year ended January 2, 2016 and includes information available to March 9, 2016, unless otherwise indicated herein. It is supplementary information and should be read in conjunction with the Consolidated Financial Statements included elsewhere in this report.

Certain statements contained in this MD&A may constitute forward-looking statements as defined under securities laws. Forward-looking statements may relate to our future outlook and anticipated events or results and may include statements regarding our future financial position, business strategy, budgets, litigation, projected costs, capital expenditures, financial results, taxes, plans and objectives. In some cases, forward-looking statements can be identified by terms such as anticipate , estimate , intend , project , potential , continue , believe , expect , should , might , plan , will , may , predict , or other similar expressions concerning matters that are not historical. To the extent any forward-looking statements contain future-oriented financial information or financial outlooks, such information is being provided to enable a reader to assess our financial condition, material changes in our financial condition, our results of operations, and our liquidity and capital resources. Readers are cautioned that this information may not be appropriate for any other purpose, including investment decisions.

Forward-looking statements contained in this MD&A are based on certain factors and assumptions regarding expected growth, results of operations, performance, and business prospects and opportunities. While we consider these assumptions to be reasonable, based on information currently available, they may prove to be incorrect. Forward-looking statements are also subject to certain factors, including risks and uncertainties that could cause actual results to differ materially from what we currently expect. These factors are more fully described in the Risk Factors section at Item 1A of this Form 10-K.

Forward-looking statements contained in this commentary are based on our current estimates, expectations and projections, which we believe are reasonable as of the current date. You should not place undue importance on forward-looking statements and should not rely upon this information as of any other date. Other than as required under securities laws, we do not undertake to update any forward-looking information at any particular time.

Unless otherwise noted herein, all currency amounts in this MD&A are expressed in U.S. dollars. All tabular dollar amounts are expressed in thousands of U.S. dollars, except per share amounts.

### **Overview**

In connection with the definitive agreement for the sale of Opta Minerals Inc. ( Opta Minerals ) (as described below under Business Development ), we have recognized Opta Minerals as a discontinued operation held for sale as at January 2, 2016. Accordingly, the results of operations of Opta Minerals for the current and prior fiscal periods have been reported in discontinued operations in our consolidated statements of operations. Prior to being recognized as a discontinued operation, Opta Minerals was reported as a standalone operating segment within SunOpta. With the recognition of Opta Minerals as a discontinued operation, the composition of our remaining reportable segments is as follows:

Global Ingredients aggregates our North American-based Raw Material Sourcing and Supply and European-based International Sourcing and Supply operating segments focused on the procurement and sale of specialty and organic grains and seeds, raw material ingredients, value-added grain- and cocoa-based ingredients, and organic commodities.

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Consumer Products consists of three main commercial platforms: Healthy Beverages, Healthy Fruit and Healthy Snacks. Healthy Beverages include aseptic packaged products including non-dairy and dairy beverages, broths and teas; refrigerated premium juices; and shelf-stable juices and functional waters. Healthy Fruit includes IQF fruits for retail; IQF and bulk frozen fruit for foodservice; and fruit ingredients. Healthy Snacks includes fruit snacks; nutritional and protein bars; and re-sealable pouch products.

For a more detailed description of our operating groups and their businesses, please see the Business section at Item 1 of this Form 10-K.

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## **Calendar Year**

We operate on a fiscal calendar that results in a given fiscal year consisting of a 52- or 53-week period ending on the Saturday closest to December 31. Fiscal year 2015 was a 52-week period ending on January 2, 2016, whereas fiscal year 2014 was a 53-week period ending on January 3, 2015 and fiscal year 2013 was a 52-week period ending on December 28, 2013. Except as otherwise noted in this MD&A, the impact of the additional week on our results of operations for fiscal year 2014 was insignificant relative to the fiscal years 2015 or 2013.

## **Succession of Chief Executive Officer**

On July 7, 2015, we announced the appointment of Hendrik Jacobs, our former President and Chief Operating Officer, to President and Chief Executive Officer ( CEO ), effective October 1, 2015. In conjunction with this appointment, Mr. Jacobs also became a member of our board of directors effective October 1, 2015. Mr. Jacobs succeeded former CEO, Steve Bromley, who served as Vice-Chair of the board of directors from October 1, 2015 until his resignation from SunOpta on December 31, 2015.

## **Business Development**

### ***Definitive Agreement for Sale of Opta Minerals***

On February 12, 2016, Opta Minerals entered into a definitive acquisition agreement, pursuant to which an affiliate of Speyside Equity Fund I LP, agreed to acquire substantially all the shares of Opta Minerals. We own approximately 66% of Opta Minerals, a company that produces, distributes and recycles industrial minerals, silica-free abrasives and specialty sands. The acquisition agreement has been approved by Opta Minerals' Boards of Directors, which has recommended that Opta Minerals' shareholders approve the transaction. The acquisition agreement represents the conclusion of a strategic review process conducted by Opta Minerals and its financial advisor under the supervision of a special committee of independent directors of Opta Minerals. We have entered into a support agreement pursuant to which we have irrevocably agreed to vote all of our Opta Minerals' shares in favor of the transaction. We expect to receive aggregate proceeds of approximately \$4.5 million (C\$6.2 million), of which approximately \$3.0 million (C\$4.2 million) is cash, with the remainder in the form of a subordinated promissory note bearing interest at 2.0% that will mature 30 months following the close of the transaction. Subject to receipt of all necessary shareholder approvals and other customary conditions, closing of the transaction is anticipated to occur in April 2016. The sale of our equity interest in Opta Minerals is consistent with our objective of divesting our non-core assets in order to become a pure-play healthy and organic foods company. In addition, the sale of Opta Minerals allows our entire management team to focus solely on the growth and strategic priorities of our healthy and organic foods business.

As at January 2, 2016, we determined that Opta Minerals qualified for reporting as a discontinued operation held for sale. In the fourth quarter of 2015, we recognized a non-cash loss on classification as held for sale of \$10.5 million, or \$7.7 million net of non-controlling interest, to write down of our share of the net assets of Opta Minerals to fair value less cost to sell based on the expected proceeds on sale of approximately \$4.5 million. For more information regarding the proposed sale of Opta Minerals, see note 4 to the consolidated financial statements in Item 15 of this Form 10-K.

### ***Five-Year Global Revolving Asset-Based Credit Facility***

On February 11, 2016, we entered into a new five-year credit agreement for a senior secured asset-based revolving credit facility in the maximum aggregate principal amount of \$350 million, subject to borrowing base capacity (the Global Credit Facility ), as described below under Liquidity and Capital Resources .

### ***Sunrise Holdings (Delaware), Inc.***



On October 9, 2015, we completed the acquisition of 100% of the issued and outstanding common shares of Sunrise Holding (Delaware), Inc. ( Sunrise ), pursuant to a Purchase and Sale Agreement (the PSA ) dated July 30, 2015 (the Sunrise Acquisition ), for total consideration of approximately \$472.7 million in cash. We financed the Sunrise Acquisition through a combination of: (i) net proceeds of approximately \$95.5 million from a registered offering of 16.7 million of our common shares that closed on September 30, 2015; (ii) net borrowings of approximately \$318.0 million under a second lien loan agreement (the Loan Agreement ), as described below under Liquidity and Capital Resources ; and (iii) borrowings of approximately \$59.2 million under our existing credit facilities. Sunrise is a processor of conventional and organic individually quick frozen fruit in the U.S. The acquisition of Sunrise is aligned with our strategic focus on healthy foods, and is expected to provide us with a leadership position in frozen fruit, both leveraging and complementing our integrated field-to-table business model, as well as provide multiple synergy opportunities. Sunrise has been included in the Consumer Products operating segment since the date of acquisition. For more information regarding the Sunrise Acquisition, see note 2 to the consolidated financial statements in Item 15 of this Form 10-K.

In January 2016, we initiated the consolidation of our frozen fruit processing facilities following the Sunrise Acquisition. In particular, we are in the process of closing our Buena Park, California facility and consolidating this volume into Sunrise s facilities located in Kansas and California. This consolidation is expected to be completed by the end of first quarter of 2016 and to provide a large part of our targeted cost synergies savings for 2016.

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### ***Addition of East Coast Aseptic Processing and Packaging Operations***

In the fourth quarter of 2015, we completed the expansion of our dual purpose consumer products facility in Allentown, Pennsylvania. The expansion added aseptic processing and packaging capabilities to the facility, which also produces resealable pouch products. The addition of aseptic capabilities in Allentown provides us a crucial competitive advantage in our growing aseptic beverage business, giving us a strategically-located aseptic processing facility on the U.S. east coast. The expansion, valued at approximately \$23 million, is one of our largest capital expansion projects to date. Commercial production commenced in November 2015 and it is expected that volumes will ramp-up over the next 12 months. The Allentown addition complements an expansion of aseptic processing and filling capabilities at our Modesto, California facility that was completed earlier in 2015, as well as the processing and filling capabilities in our Alexandria, Minnesota facility. Because of our expertise and competitive landed cost throughout North America, we have been able to sign extended contracts with some key customers.

### ***Niagara Natural Fruit Snack Company Inc.***

On August 11, 2015, we acquired the net operating assets of Niagara Natural Fruit Snack Company Inc. ( Niagara Natural ), a manufacturer of all-natural fruit snacks. Niagara Natural's operations are located in the Niagara Region of Ontario. The transaction included a cash purchase price of \$6.5 million, subject to certain post-closing adjustments, plus potential future payments of up to approximately \$2.8 million based on specific performance targets. The fair value of the total consideration transferred to acquire Niagara Natural of \$9.0 million as at the acquisition date. We believe Niagara Natural is a strong strategic fit within our core consumer products strategy, aligning well with our focus on healthy and convenient snacking, as well as within our vertically integrated business model since the majority of ingredients can be sourced through our Global Ingredients segment. In addition, with this acquisition, we extend our market presence in fruit snacks with manufacturing operations in both the east and west regions of North America, which is expected to generate operational and logistical synergies. Niagara Natural has been included in the Consumer Products operating segment since the date of acquisition. For more information regarding the acquisition of Niagara Natural, see note 2 to the consolidated financial statements in Item 15 of this Form 10-K.

### ***Selet Hulling PLC***

On May 2, 2015, we paid \$0.7 million in cash to increase our ownership position in Selet Hulling PLC ( Selet ) from 35% to 76%. Selet is a joint venture located in Ethiopia focused on the sourcing and supply of organic sesame. As a result of our increased ownership in Selet, we obtained full management control of the operation. Through our investment in Selet, we intend to continue the development of a key source of organic sesame and other organic raw materials from Ethiopia and the East-African Region.

### ***Citrusource, LLC***

On March 2, 2015, we acquired Citrusource, LLC ( Citrusource ), a producer of premium not-from-concentrate private label organic and conventional orange juice and citrus products in the U.S. We paid \$13.3 million in cash at closing and we may pay additional consideration based on the incremental growth in Citrusource's base business and the value of synergies created from combining the operations of Citrusource with our premium juice facility. The fair value of the total consideration transferred to acquire Citrusource was \$33.8 million as at the acquisition date. The acquisition of Citrusource aligns with our strategy of growing our value-added consumer products portfolio and leveraging our integrated operating platform. Citrusource has been included in the Consumer Products operating segment since the date of acquisition. For more information regarding the acquisition of Citrusource, see note 2 to the consolidated financial statements in Item 15 of this Form 10-K.

### ***Sale of Fiber and Starch Business***

On December 22, 2014, we completed the sale of our fiber and starch business (the Fiber Business ) for \$37.5 million, subject to certain closing adjustments. The Fiber Business included five facilities located in Louisville, Kentucky, Cedar Rapids, Iowa, Cambridge, Minnesota, Fosston, Minnesota, and Galesburg, Illinois, and was formerly part of the former Value Added Ingredients operating segment. We continue to operate both our integrated grain- and fruit-based ingredient businesses, which were not part of the sale, and which previously formed the remainder of the former Value Added Ingredients operating segment. For more information regarding the sale of the Fiber Business, see note 4 to the consolidated financial statements in Item 15 of this Form 10-K.

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### ***Bulgarian Processing Operation***

On December 31, 2012, we acquired a grains handling and processing facility located in Silistra, Bulgaria and operated as the Organic Land Corporation OOD ( OLC ), for cash consideration of \$3.9 million. The facility is located near a protected and chemical-free agricultural area, which produces organic products including sunflower, flax seed, corn, barley and soybeans. We had been sourcing non-GMO sunflower kernel from OLC since late 2011. This acquisition diversified our non-GMO and organic sunflower processing operations and should allow us to expand our capabilities into the other organic products grown in the region. OLC s operations are included in the Global Ingredients reportable segment. For more information regarding the acquisition of OLC, see note 2 to the consolidated financial statements in Item 15 of this Form 10-K.

### **Critical Accounting Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ( U.S. GAAP ) requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, related revenues and expenses, and disclosure of gain and loss contingencies at the date of the financial statements. The estimates and assumptions made require us to exercise our judgment and are based on historical experience and various other factors that we believe to be reasonable under the circumstances. We continually evaluate the information that forms the basis of our estimates and assumptions as our business and the business environment generally changes. The use of estimates is pervasive throughout our financial statements. The following are the accounting estimates which we believe to be most important to our business.

#### ***Revenue Recognition***

We recognize revenue at the time of delivery of the product and when all of the following have occurred: a sales agreement is in place; price is fixed or determinable; and collection is reasonably assured. Consideration given to customers such as value incentives, rebates, early payment discounts and other discounts are recorded as reductions to revenues at the time of sale.

#### ***Accounts Receivable***

Our accounts receivable primarily includes amounts due from our customers. The carrying value of each account is carefully monitored with a view to assessing the likelihood of collection. An allowance for doubtful accounts is provided for as an estimate of losses that could result from customers defaulting on their obligation to us. In assessing the amount of reserve required, a number of factors are considered including the age of the account, the credit-worthiness of the customer, payment terms, the customer s historical payment history and general economic conditions. Because the amount of the reserve is an estimate, the actual amount collected could differ from the carrying value of the amount receivable. Note 6 of the consolidated financial statements in Item 15 of this Form 10-K provides an analysis of the changes in the allowance for doubtful accounts.

#### ***Inventory***

Inventory is our largest current asset and consists primarily of raw materials and finished goods held for sale. Inventories are valued at the lower of cost, measured on a weighted-average cost basis, or estimated net realizable value except for certain grain inventories that are carried at market value. In order to determine the value of inventory at the balance sheet date, we evaluate a number of factors to determine the adequacy of provisions for inventory. These factors include the age of inventory, the amount of inventory held by type, future demand for products, and the expected future selling price we expect to realize by selling the inventory. Our estimates are judgmental in nature and are made at a point in time, using available information, expected business plans, and expected market conditions. As a result, the actual amount received on sale could differ from our estimated value of inventory. We perform a review of our inventory by reporting unit and product line on a quarterly basis. Note 7 of the consolidated financial

statements in Item 15 of this Form 10-K provides an analysis of the movements in the inventory reserve.

***Intangible Assets***

We evaluate amortizable intangible assets acquired through business combinations for impairment if events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable. Our evaluation is based on an assessment of potential indicators of impairment, such as an adverse change in the business climate that could affect the value of an asset, such as the loss of a significant customer; current or forecasted operating or cash flow losses that demonstrate continuing losses associated with the use of an asset, such as the introduction of a competing product that results in a significant loss of market share; and a current expectation that, more likely than not, an intangible asset will be disposed of before the end of its previously estimated useful life, such as a plan to exit a product line or business in the near term.

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Impairment exists when the carrying amount of an amortizable intangible asset is not recoverable through undiscounted future cash flows and its carrying value exceeds its estimated fair value. A discounted cash flow analysis is typically used to determine fair value using estimates and assumptions that market participants would apply. Some of the estimates and assumptions inherent in a discounted cash flow model include the amount and timing of the projected future cash flows, and the discount rate used to reflect the risks inherent in the future cash flows. A change in any of these estimates and assumptions could produce a different fair value, which could have a material impact on our results of operations. In addition, an intangible asset's expected useful life can increase estimation risk, as longer-lived assets necessarily require longer-term cash flow forecasts, which for some of our intangible assets can be in excess of 20 years. In connection with an impairment evaluation, we also reassess the remaining useful life of the intangible asset and modify it, as appropriate.

### ***Goodwill***

Goodwill represents the excess of the purchase price of acquired businesses over the estimated fair value of the identifiable net assets acquired. Goodwill is not amortized but is tested at least annually for impairment at the reporting unit level. Reporting units are operating segments or components of operating segments for which discrete financial information is available. To evaluate goodwill, the fair value of each reporting unit is compared to its carrying value. Where the carrying value is greater than the fair value, the implied fair value of the reporting unit goodwill is determined by allocating the fair value of the reporting unit to all the assets and liabilities of the reporting unit with any remainder being allocated to goodwill. The implied fair value of the reporting unit goodwill is then compared to the carrying value of that goodwill to determine whether an impairment loss exists. Any impairment loss is recognized in earnings.

We typically measure the fair value of each reporting unit using a discounted cash flow analysis (income approach). Because the business is assumed to continue in perpetuity, the discounted cash flows include a terminal value. Cash flows to perpetuity are forecasted based on projected revenue growth and our planned business strategies in future periods. Examples of planned strategies would include a plant or line expansion at an existing facility; a reduction of working capital at a specific location; and price increases or cost reductions within a reporting unit. The discount rate is based on a reporting unit's targeted weighted-average cost of capital, which is not necessarily the same as our weighted-average cost of capital. These assumptions are subject to change and are impacted by our ability to achieve our forecasts and by economic conditions that may impact future results and result in projections not being attained. Each year we re-evaluate the assumptions used to reflect changes in the business environment.

We perform our annual quantitative test for goodwill impairment in the fourth quarter of each fiscal year. Based on the quantitative testing performed during 2015, 2014 and 2013, we determined that none of the goodwill associated with our reporting units was impaired in any of those years. In addition, a hypothetical 10% decrease in the fair value of each reporting unit would still not have triggered additional impairment testing.

### ***Acquisitions***

Business acquisitions are accounted for by the acquisition method of accounting. Under this method, the purchase price is allocated to the assets acquired and the liabilities assumed based on the fair value at the time of the acquisition. Any excess purchase price over the fair value of identifiable assets acquired and liabilities assumed is recorded as goodwill. We believe the fair values assigned to the assets acquired and liabilities assumed are based on reasonable assumptions; however, these assumptions may be incomplete or inaccurate, and unanticipated events and circumstances may occur.

The assumptions and estimates with respect to determining the fair value of customer relationship intangible assets acquired are among the most significant in our acquisition accounting and generally require the most judgment. Key variables in determining the fair value of customer relationships are the estimated customer attrition rate and the percentage of revenue growth attributable to existing customers. Changes to either or both of these variables could

have a significant impact on the customer relationships intangible assets values, and changes to the estimated customer attrition rate could have a significant impact on the estimated useful lives of these assets. The expected customer attrition rate assumed in the estimate of fair value for the customer relationships intangible assets is generally supported by an analysis of historical attrition of the acquired business's customers and consideration of its amortization policy of previously acquired customer relationships, amortization policies adopted for acquired customer relationships by other companies in similar transactions, and the contractual terms between the acquired business and its customers. The percentage of revenue growth attributable to existing customers assumed in the estimate of fair value for the customer relationships intangible assets is typically supported by an analysis of the acquired business's historical and forecasted revenue growth rates by customer. Changes in any of the assumptions or estimates used in determining the fair value of the customer relationship intangible assets could have a significant impact on the amounts assigned to goodwill in the purchase price allocation. Future net earnings can be affected as a result of changes in these estimates resulting in an increase or decrease in amortization expense, or impairment of the intangible assets and/or goodwill. Note 2 of the consolidated financial statements in Item 15 of this Form 10-K provide information with respect to businesses acquired and note 9 outlines annual amortization expense relating to these intangibles.

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Some acquisitions involve contingent consideration to be potentially paid based on the achievement of specified future financial targets by the acquired business. Acquisition-related contingent consideration is initially recognized as a liability at estimated fair value and re-measured each reporting period with changes in the estimated fair value recognized in earnings. These estimates of fair value involve uncertainties as they include assumptions about the likelihood of achieving the specified financial targets, projections of future financial performance, and assumed discount rates. A change in any of these assumptions could produce a different fair value, which could impact the amounts assigned to assets and liabilities in the purchase price allocation, or the amounts recognized in earnings to reflect subsequent changes in the carrying value of the liability. Note 5 of the consolidated financial statements in Item 15 of this Form 10-K includes disclosures regarding the estimated fair value of contingent consideration.

### *Contingencies*

We make estimates for payments that are contingent on the outcome of uncertain future events. These contingencies include accrued but unpaid bonuses; tax-related matters; and claims or litigation. In establishing our estimates, we consider historical experience with similar contingencies and the progress of each contingency, as well as the recommendations of internal and external advisors and legal counsel. We re-evaluate all contingencies as additional information becomes available; however, given the inherent uncertainties, the ultimate amount paid could differ from our estimates.

### *Income Taxes*

We are liable for income taxes in the U.S., Canada, and other jurisdictions where we operate. Our effective tax rate differs from the statutory tax rate and will vary from year to year primarily as a result of numerous permanent differences, investment and other tax credits, the provision for income taxes at different rates in foreign and other provincial jurisdictions, enacted statutory tax rate increases or reductions in the year, the benefit of cross-jurisdictional financing structures, changes due to foreign exchange, changes in valuation allowance based on our recoverability assessments of deferred tax assets, and favorable or unfavorable resolution of various tax examinations.

In making an estimate of our income tax liability, we first assess which items of income and expense are taxable in a particular jurisdiction. This process involves a determination of the amount of taxes currently payable as well as the assessment of the effect of temporary timing differences resulting from different treatment of items for accounting and tax purposes. These differences in the timing of the recognition of income or the deductibility of expenses result in deferred income tax balances that are recorded as assets or liabilities as the case may be on our balance sheet. We also estimate the amount of valuation allowance to maintain relating to loss carry forwards and other balances that can be used to reduce future taxes payable. This judgment is based on forecasted results in the jurisdiction and certain tax planning strategies and as a result actual results may differ from forecasts. We assess the likelihood of the ultimate realization of these tax assets by looking at the relative size of the tax assets in relation to the profitability of the businesses and the jurisdiction to which they can be applied, the number of years based on management's estimate it will take to use the tax assets and any other special circumstances. If different judgments had been used, our income tax liability could have been different from the amount recorded. In addition, the taxing authorities of those jurisdictions upon audit may not agree with our assessment. Note 16 of the consolidated financial statements in Item 15 of this Form 10-K provides an analysis of the changes in the valuation allowance and the components of our deferred tax assets.

While we believe we have adequately provided for all tax positions, amounts asserted by taxing authorities could differ from our accrued position. Accordingly, additional provisions on federal, provincial, state and foreign tax-related matters could be recorded in the future as revised estimates are made or the underlying matters are settled or otherwise resolved.





***Stock-Based Compensation***

We maintain a stock incentive plan under which stock options and other stock-based awards may be granted to selected employees and directors. For grants of stock options, we are required to estimate a number of inputs at each grant date, such as the estimated life of the option, future stock price volatility, and the forfeiture rate used in the Black-Scholes option-pricing model to determine a fair value for the options granted to employees or non-employee directors. Commencing in 2012, expected life of a stock option was determined using the simplified method, as we changed the term of our stock option grants from six years to 10 years and, as a result, our historical exercise data no longer provided a reasonable basis upon which to estimate expected life. Future stock price volatility is based on historical volatility of our common shares over the expected life of the stock option. Once determined at the grant date, the fair value of the stock option award is recorded over the vesting period of the options granted. Refer to note 13 of the consolidated financial statements in Item 15 of this Form 10-K for disclosure of the inputs used to determine the fair value of stock-based compensation.

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## Consolidated Results of Operations for Fiscal Years 2015 and 2014

	January 2, 2016 \$	January 3, 2015 \$	Change \$	Change %
<b>Revenues</b>				
Global Ingredients	610,890	619,066	(8,176)	-1.3%
Consumer Products	534,244	483,679	50,565	10.5%
<b>Total revenues</b>	<b>1,145,134</b>	<b>1,102,745</b>	<b>42,389</b>	<b>3.8%</b>
<b>Gross Profit</b>				
Global Ingredients	66,461	63,591	2,870	4.5%
Consumer Products	43,901	58,514	(14,613)	-25.0%
<b>Total gross profit</b>	<b>110,362</b>	<b>122,105</b>	<b>(11,743)</b>	<b>-9.6%</b>
<b>Segment operating income (loss)<sup>(1)</sup></b>				
Global Ingredients	28,184	26,274	1,910	7.3%
Consumer Products	3,208	27,872	(24,664)	-88.5%
Corporate Services	(10,094)	(12,449)	2,355	18.9%
<b>Total segment operating income</b>	<b>21,298</b>	<b>41,697</b>	<b>(20,399)</b>	<b>-48.9%</b>
Other expense (income), net	12,151	(2,220)	14,371	647.3%
<b>Earnings from continuing operations before the following</b>	<b>9,147</b>	<b>43,917</b>	<b>(34,770)</b>	<b>-79.2%</b>
Interest expense, net	15,669	3,943	11,726	297.4%
Impairment loss on investment	-	8,441	(8,441)	-100.0%
Provision for (recovery of) income taxes	(3,390)	12,043	(15,433)	-128.1%
Earnings (loss) from continuing operations	(3,132)	19,490	(22,622)	-116.1%
Earnings (loss) attributable to non-controlling interests	(136)	195	(331)	-169.7%
Loss from discontinued operations attributable to SunOpta Inc.	(19,475)	(6,194)	(13,281)	-214.4%
<b>Earnings (loss) attributable to SunOpta Inc.<sup>(2)</sup></b>	<b>(22,471)</b>	<b>13,101</b>	<b>(35,572)</b>	<b>-271.5%</b>

- (1) When assessing the financial performance of our operating segments, we use an internal measure of operating income that excludes other income/expense items determined in accordance with U.S. GAAP. This measure is the basis on which management, including the Chief Executive Officer, assesses the underlying performance of our operating segments. We believe that disclosing this non-GAAP measure assists investors in comparing financial performance across reporting periods on a consistent basis by excluding items that are not indicative of our core operating performance. However, the non-GAAP measure of operating income should not be considered in isolation or as a substitute for performance measures calculated in accordance with U.S. GAAP. The following table presents a reconciliation of segment operating income (loss) to earnings from continuing operations before the following, which we consider to be the most directly comparable U.S. GAAP financial measure.

	Global Ingredients \$	Consumer Products \$	Corporate Services \$	Consolidated \$
<b>January 2, 2016</b>				
Segment operating income (loss)	28,184	3,208	(10,094)	21,298
Other expense, net	(1,317)	(939)	(9,895)	(12,151)

Earnings (loss) from continuing operations before the following	26,867	2,269	(19,989)	9,147
<b>January 3, 2015</b>				
Segment operating income (loss)	26,274	27,872	(12,449)	41,697
Other income (expense), net	1,052	1,294	(126)	2,220
Earnings (loss) from continuing operations before the following	27,326	29,166	(12,575)	43,917

We believe that investors' understanding of our financial performance is enhanced by disclosing the specific items that we exclude from segment operating income. However, any measure of operating income excluding any or all of these items is not, and should not be viewed as, a substitute for operating income prepared under U.S. GAAP. These items are presented solely to allow investors to more fully understand how we assess financial performance.

- (2) When assessing our financial performance, we use an internal measure that excludes the following items from earnings attributable to SunOpta Inc. determined in accordance with U.S. GAAP: (i) results of discontinued operations; (ii) specific items recognized in other income/expense, including severance and other rationalization costs, business development costs, changes in the fair value of contingent consideration, and gains/losses on the disposal of assets; (iii) impairment losses on long-lived assets, investments, and goodwill; and (iv) other unusual items that are identified and evaluated on an individual basis, which due to their nature or size, we would not expect to occur as part of our normal business on a regular basis. We believe that the identification of these items enhances an analysis of our financial performance of our core business when comparing those operating results between periods, as we do not consider these items to be reflective of normal core business operations. The following table presents a reconciliation of adjusted earnings from loss attributable to SunOpta Inc., which we consider to be the most directly comparable U.S. GAAP financial measure.

	\$	Per Diluted Share \$
<b>January 2, 2016</b>		
Earnings attributable to SunOpta Inc.	(22,471)	(0.31)
Loss from discontinued operations attributable to SunOpta Inc.	(19,475)	(0.27)
Loss from continuing operations attributable to SunOpta Inc.	(2,996)	(0.04)
Adjusted for:		
Plant expansion and start-up costs <sup>(a)</sup>	4,081	
Inventory reserves and liquidation sales to de-risk positions <sup>(a)</sup>	2,367	
Downtime, spoilage, and other costs due to equipment failure <sup>(a)</sup>	2,219	
Demurrage, detention and other related expenses <sup>(a)</sup>	2,038	
Professional fees related to ongoing litigation and other activities <sup>(b)</sup>	1,709	
Reversal of stock-based compensation expense <sup>(b)</sup>	(579)	
Costs related to business acquisitions <sup>(c)</sup>	17,192	
Other expense <sup>(d)</sup>	4,384	
Net income tax effect of preceding adjustments	(10,598)	
Change in unrecognized tax benefits	(855)	
Adjusted earnings	18,962	0.26
<b>January 3, 2015</b>		
Earnings attributable to SunOpta Inc.	13,101	0.19
Loss from discontinued operations attributable to SunOpta Inc.	(6,194)	(0.09)
Earnings from continuing operations attributable to SunOpta Inc.	19,295	0.28
Adjusted for:		
Impairment loss on investment	8,441	
Other income <sup>(d)</sup>	(2,220)	
Net income tax effect of preceding adjustments	901	
Adjusted earnings	26,417	0.38

- (a) Included in cost of goods sold.
- (b) Included in selling, general and administrative expenses.
- (c) Costs related to business combinations represent costs incurred in connection with the acquisitions of Sunrise, Citrusource and Niagara Natural, of which \$4.0 million is included in cost of goods sold, \$7.8 million is included in other expense and \$5.4 million is included in interest expense.
- (d) Other expense includes severance and rationalization costs, fair value adjustments related to contingent consideration arrangements, and gain/loss on disposal of assets.

We believe that investors' understanding of our financial performance is enhanced by disclosing the specific items that we exclude from earnings/loss attributable to SunOpta Inc. to compute adjusted earnings. However, adjusted earnings is not, and should not be viewed as, a substitute for earnings prepared under U.S. GAAP. Adjusted earnings is presented solely to allow investors to more fully understand how we assess our financial performance.

Revenues for the year ended January 2, 2016 increased by 3.8% to \$1,145.1 million from \$1,102.7 million for the year ended January 3, 2015. Business acquisitions, product rationalizations and other changes caused a net increase in revenue of approximately \$57.4 million; and changes in foreign exchange rates and commodity-related pricing caused declines in revenue of approximately \$31.9 million and \$7.1 million, respectively. In addition, the additional week of sales in fiscal 2014 contributed to a decline of approximately \$21.3 million in year-over-year revenues. Excluding the impact of these changes, revenues increased 4.1% in 2015, compared with 2014. Revenues for the fourth quarter of 2015 were \$316.4 million, an increase of \$65.8 million, or 26.3%, compared with revenues of \$250.6 million for the fourth quarter of 2014. Excluding the impact on revenues for the fourth quarter of 2015 of business acquisitions, product rationalizations and other changes (an increase of \$55.8 million); changes in foreign exchange rates (a decrease of \$6.4 million); and changes in commodity-related pricing (an increase of \$2.4 million), revenues in the fourth quarter of 2015 increased by 5.5%, compared with the fourth quarter of 2014. The increases in revenue for the full year and fourth quarter of 2015, compared with the corresponding periods of 2014, reflected stronger demand for organic ingredients in the U.S. and Europe, offset by lower sunflower and grain-based ingredient volumes and lower volumes for consumer-based aseptic beverage and frozen food retail products.

Gross profit decreased \$11.7 million, or 9.6%, to \$110.4 million for the year ended January 2, 2016, compared with \$122.1 million for the year ended January 3, 2015. As a percentage of revenues, gross profit for the year ended January 2, 2016 was 9.6% compared to 11.1% for the year ended January 3, 2015, a decrease of 1.4% . The gross profit percentage for 2015 would have been approximately 10.9%, excluding the impact of costs related to the retrofit and ramp-up of production of our premium juice facility and completion of expansion of our Allentown, Pennsylvania facility to add aseptic beverage processing and filling capabilities (\$4.1 million); acquisition accounting adjustment related to the Sunrise s inventory sold subsequent to the acquisition date (\$4.0 million); aging reserves and low margin sales to reduce inventory exposures on certain organic raw materials (\$2.4 million); downtime and spoilage caused by equipment failures at the Allentown pouch facility (\$2.2 million); and additional logistics costs stemming from transloading capacity constraints on imports and exports of organic raw materials within Global Ingredients (\$2.0 million). The 0.2% decline in gross profit percentage year-over-year on an adjusted basis mainly reflected lower capacity utilization and a higher cost base within consumer-based product categories due to recent expansion activities, partially offset by improved performance in our rationalized sunflower operations and increased margin contribution from higher volumes of organic ingredients.

Total segment operating income for the year ended January 2, 2016 decreased by \$20.4 million, or 48.9%, to \$21.3 million, compared with \$41.7 million for the year ended January 3, 2015. As a percentage of revenue, segment operating income was 1.9% for the year ended January 2, 2016, compared with 3.8% for the year ended January 3, 2015. The decrease in segment operating income reflected lower overall gross profit as described above; a \$5.4 million increase in selling, general and administrative ( SG&A ) expenses, reflecting incremental expenses from acquired businesses; and higher litigation-related legal costs mainly related to the Plum dispute (see note 20 to the consolidated financial statements included in Item 15 of this Form 10-K). Those factors were partially offset by lower employee short-term and long-term incentives tied to operating performance, controlled discretionary spending, and the favorable impact of a stronger U.S. dollar on SG&A expenses denominated in Canadian dollars and euros. As a percentage of revenues, SG&A expenses were 7.5% in 2015 and, excluding the impact of higher litigation costs of \$2.0 million, and lower stock-based compensation expense of \$0.6 million, SG&A expenses would have been approximately 7.4%, which is in-line with our intention of maintaining SG&A below 8% of revenues.

Intangible asset amortization increased \$2.9 million year-over-year in 2015, related to the identified intangible assets of acquired businesses.

We recognized foreign exchange gains of \$1.6 million and \$2.0 million for the year ended January 2, 2016 and January 3, 2015, respectively, mainly related to the positive impact of a strengthening of the U.S. dollar relative to the euro on open foreign exchange contracts within our international sourcing and supply operations.

Further details on revenue, gross margin and segment operating income variances are provided below under Segmented Operations Information .

Other expense for the year ended January 2, 2016 of \$12.2 million included business development costs of \$7.8 million, primarily reflecting acquisition- and integration-related costs incurred in connection with the Sunrise Acquisition; as well as severance and other rationalization costs of \$2.9 million mainly related to our CEO succession. Other income for the year ended January 3, 2015 of \$2.2 million included a net gain on sale of assets of \$1.4 million primarily related to the disposal of certain of our sunflower production and storage facilities in order to reduce the cost structure and improve the production capacity utilization within our North American sunflower operations, partially offset by severance costs for employees affected by the closure and sale of the sunflower facilities; and a gain of \$1.4 million on the settlement of the earn-out related to the acquisition of Edner of Nevada, Inc. ( Edner ), which we acquired in December 2010.

The increase in interest expense of \$11.7 million to \$15.7 million for the year ended January 2, 2016, compared with \$3.9 million for the year ended January 3, 2015, primarily reflected increased costs associated with borrowings under the Loan Agreement and our credit facilities in order to finance the Sunrise Acquisition, which included \$3.4 million

of non-cash amortization of debt issuance costs associated with the Loan Agreement and the write-off of \$2.0 million of loan commitment fees associated with bridge financing for the Sunrise Acquisition that was not utilized. For 2016, we estimate our cash interest costs will be in the range of \$31 million to \$33 million. In addition, interest expense in 2016 will reflect the non-cash amortization of the remaining debt issuance costs related to the Loan Agreement of \$7.8 million.

In 2014, we recognized an impairment loss of \$8.4 million related to our non-core investment in Enchi Corporation ( Enchi ), a developer of advanced bioconversion products for the renewable fuels industry.

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The recovery of income tax for the year ended January 2, 2016 was \$3.4 million, or 52.0% of loss before taxes, compared with a provision for income taxes \$12.0 million, or 30.1% of earnings before taxes, for the year ended January 3, 2015 (excluding the non-deductible impairment loss on investment in 2014, for which the related deferred tax asset is considered more likely than not to be unrealized). The increase in the effective tax rate in 2015, compared with 2014, reflected the impact of pre-tax losses in the U.S., due to a combination of acquisition-related costs primarily related to the Sunrise Acquisition and lower pre-tax earnings within our U.S.-based consumer products operations, which more than offset taxable income in our European and Canadian operations. For fiscal 2016, we expect our effective tax rate to be in the range of 32% to 34%, excluding discrete items.

Loss from continuing operations attributable to SunOpta Inc. for the year ended January 2, 2016 was \$3.0 million, compared with earnings of \$19.3 million for the year ended January 3, 2015, a decrease of \$22.3 million. Diluted loss per share from continuing operations was \$0.04 for the year ended January 2, 2016, compared with diluted earnings per share from continuing operations of \$0.28 for the year ended January 3, 2015.

Loss from discontinued operations of \$19.5 million for the year ended January 2, 2016 primarily reflected the results of Opta Minerals, including an asset impairment charge of \$12.4 million and loss on classification as held for sale of \$10.5 million, net of non-controlling interest of \$8.8 million. Loss from discontinued operations of \$8.1 million for the year ended January 3, 2015 primarily reflected the results of Opta Minerals, including asset impairment and plant closure costs of \$4.2 million and a goodwill impairment loss of \$11.0 million, net of non-controlling interest of \$5.2 million. In addition, we recognized a gain on the sale of the Fiber Business, net of income taxes, of \$1.9 million in the fourth quarter of 2014.

On a consolidated basis, we realized a loss of \$22.5 million (diluted loss per share of \$0.31) for the year ended January 2, 2016, compared with earnings of \$13.1 million (diluted earnings per share of \$0.19) for the year ended January 3, 2015.

For the year ended January 2, 2016, adjusted earnings were \$17.9 million or \$0.25 per diluted share, compared with adjusted earnings of \$26.4 million or \$0.38 per diluted share for the year ended January 3, 2015. Adjusted earnings is a non-GAAP financial measure. See footnote (2) to the table above for a reconciliation of adjusted earnings from earnings attributable to SunOpta Inc. , which we consider to be the most directly comparable U.S. GAAP financial measure.

### **Segmented Operations Information**

<b>Global Ingredients</b>	<b>January 2, 2016</b>	<b>January 3, 2015</b>	<b>Change</b>	<b>% Change</b>
Revenue	610,890	619,066	(8,176)	-1.3%
Gross Margin	66,461	63,591	2,870	4.5%
Gross Margin %	10.9%	10.3%		0.6%
Operating Income	28,184	26,274	1,910	7.3%
Operating Income %	4.6%	4.2%		0.4%

Global Ingredients contributed \$610.9 million in revenues for the year ended January 2, 2016, compared to \$619.1 million for the year ended January 3, 2015, a decrease of \$8.2 million or 1.3% . Excluding the impact of changes including foreign exchange rates, commodity-related pricing and the additional week of sales in the first quarter of 2014, Global Ingredients revenues increased approximately 8.8% . The table below explains the decrease in revenue:

<b>Global Ingredients Revenue Changes</b>	
Revenues for the year ended January 3, 2015	\$619,066
Unfavorable foreign exchange impact on euro denominated sales due to the stronger U.S. dollar	(31,897)
Lower volumes of sunflower and grain ingredient products, partially offset by higher volumes for non-GMO corn and soy	(31,038)
Impact on revenues of the additional week in fiscal 2014	(11,673)
Decreased pricing of non-GMO corn, soy, organic feed and sunflower, partially offset by increased pricing of organic feed and agronomy products	(10,792)
Higher international sales volumes of organic fruits and vegetables, seeds, nuts, cocoa, and oils, partially offset by lower volumes of sugar, sweeteners, and organic feed	44,884
Higher U.S. domestic sales volumes on oils, organic fruits and vegetables, and nuts, offset partially by lower pricing for organic oranges, chia seeds, sugar, rice and cocoa	32,340
Revenues for the year ended January 2, 2016	<b>\$610,890</b>

Gross margin in Global Ingredients increased by \$2.9 million to \$66.5 million for the year ended January 2, 2016 compared to \$63.6 million for the year ended January 3, 2015, and the gross margin percentage increased by 0.6% to 10.9% . The increase in gross margin as a percentage of revenue was primarily due to favorable sales mix of organic raw materials and improved sunflower processing yields, partially offset by lower pricing spreads on non-GMO and specialty soy and corn. The table below explains the increase in gross margin:

<b>Global Ingredients Gross Margin Changes</b>	
Gross margin for the year ended January 3, 2015	\$63,591
Margin impact of increased volumes and favorable product mix of organic raw ingredients, as well as improved plant efficiencies at our cocoa processing facility	10,220
Improved sunflower processing yields and operating efficiencies offset by lower volumes	1,051
Demurrage, detention and other related costs resulting from transloading capacity constraints experienced primarily in the third quarter as well as costs associated with inventory reserves and liquidation sales made to decrease inventory exposures in certain organic commodities	(4,405)
Unfavorable impact on gross margins due to weaker euro relative to U.S. dollar, as well as mark to market losses related to commodity futures contracts for cocoa and other commodities	(3,352)
Margin impact of lower pricing spread on non-GMO soy and grain ingredients, partially offset by higher prices on grain snacks	(644)
Gross margin for the year ended January 2, 2016	<b>\$66,461</b>

Operating income in Global Ingredients increased by \$1.9 million, or 7.3%, to \$28.2 million for the year ended January 2, 2016, compared to \$26.3 million for the year ended January 3, 2015. The table below explains the increase in operating income:

<b>Global Ingredients Operating Income Changes</b>	
Operating income for the year ended January 3, 2015	\$26,274
Increase in gross margin, as explained above	2,870
Favorable impact on expenses due to the stronger U.S. dollar relative to the euro	2,176
Increased foreign exchange gains on forward derivative contracts and decreased SG&A expenses due to lower discretionary spending and lower short-term incentive accruals	402
Increase in corporate cost allocations, due in part to centralization of services	(3,538)
Operating income for the year ended January 2, 2016	<b>\$28,184</b>

Looking forward, we believe Global Ingredients is well positioned in growing non-GMO and organic food categories. We intend to focus our efforts on (i) growing our identity preserved, non-GMO and organic sourcing and supply capabilities; (ii) leveraging our international sourcing and supply capabilities internally, and forward and backward integrating where opportunities exist; (iii) expanding our processing expertise and increasing our value-added capabilities; and (iv) expanding our international sales base via strategic relationships for procurement of product to drive incremental sales volume. The statements in this paragraph are forward-looking statements. See **Forward-Looking Statements** above. Increased supply pressure in the commodity-based markets in which we operate, increased competition, volume decreases or loss of customers, unexpected delays in our expansion plans, or our inability to secure quality inputs or achieve our product mix or cost reduction goals, along with the other factors described above under **Forward-Looking Statements**, could adversely impact our ability to meet these forward-looking expectations.

<b>Consumer Products</b>	<b>January 2, 2016</b>	<b>January 3, 2015</b>	<b>Change</b>	<b>% Change</b>
Revenue	534,244	483,679	50,565	10.5%
Gross Margin	43,901	58,514	(14,613)	-25.0%
Gross Margin %	8.2%	12.1%		-3.9%
Operating Income	3,208	27,872	(24,664)	-88.5%
Operating Income %	0.6%	5.8%		-5.2%

Consumer Products contributed \$534.2 million in revenues for the year ended January 2, 2016, compared to \$483.7 million for the year ended January 3, 2015, an increase of \$50.6 million or 10.5%. Excluding the impact of changes including accretive acquisitions in the year, and the additional week of sales in the first quarter of 2014, Consumer Products revenues decreased approximately 1.5%. The table below explains the increase in revenue:

<b>Consumer Products Revenue Changes</b>	
Revenues for the year ended January 3, 2015	\$483,679
Incremental revenues as a result of the Sunrise Acquisition on October 9, 2015	52,848
Incremental revenues as a result of the acquisitions of Citrusource on March 2, 2015, and Niagara Natural on August 12, 2015	30,797
Lower volumes of aseptic beverages due to a change in mix and lower sales to the retail channel, in particular almond-based beverage sales, as well as lower volumes of contract manufactured shelf stable and refrigerated fruit-based beverages, partially offset by increased sales of coconut based aseptic non-dairy into the food service channel	(15,141)
Impact on revenues of additional week in fiscal 2014	(9,608)
Decreased volumes of private label retail frozen food offerings, partially offset by increased revenues of fruit toppings and bases	(4,592)
Decreased volumes of protein based snacks and fruit snacks, partially offset by increased sales of re-sealable pouch products	(3,739)
Revenues for the year ended January 2, 2016	<b>\$534,244</b>

Gross margin in Consumer Products decreased by \$14.6 million to \$43.9 million for the year ended January 2, 2016 compared to \$58.5 million for the year ended January 3, 2015, and the gross margin percentage decreased by 3.9% to 8.2%. The decrease in gross margin as a percentage of revenue was due to lower production volumes leading to lower plant efficiency, as well as increased costs associated with the retrofit of our premium juice facility and expansion activities at our Allentown facility. The table below explains the decrease in gross margin:

<b>Consumer Products Gross Margin Changes</b>	
Gross margin for the year ended January 3, 2015	\$58,514
Decreased contribution from sales of aseptic and non-aseptic private label beverages, as fixed costs have increased from capacity expansion projects, leading to decreased operational efficiencies in advance of volume build	(8,648)
Increased raw material costs and delayed price increases which were not fully implemented until the second half of 2015, as well as lower volumes for frozen food offerings as well as fruit bases and toppings	(6,948)
Costs associated with the expansion of our Allentown facility for aseptic beverage production and costs associated with ramp-up activities at our premium juice facility in anticipation of increased extraction and bottling volume	(4,081)
Costs associated with equipment failures and other mechanical issues at the Allentown, PA pouch and Alexandria, MN beverage facilities in the fourth quarter which led to downtime, yield loss, spoilage, and price concessions to customers	(2,219)
Incremental margin as a result of the Sunrise acquisition, including the effect of acquisition accounting adjustments related to the fair value of inventory sold subsequent to the acquisition date	4,737
Incremental margin as a result of Citrusource acquisition, partially offset by increased costs associated with the retrofit of our premium juice facility	2,109
Higher volumes of fruit-based snacks, incremental margin from the acquisition of Niagara Natural, partially offset by decreased contribution from sales of protein-based snacks, as well as lower plant	437

efficiencies due to decreased production volumes	
Gross margin for the year ended January 2, 2016	<b>\$43,901</b>

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Operating income in Consumer Products decreased by \$24.7 million, or 88.5%, to \$3.2 million for the year ended January 2, 2016, compared to \$27.9 million for the year ended January 3, 2015. The table below explains the decrease in operating income:

<b>Consumer Products Operating Income Changes</b>	
Operating income for the year ended January 3, 2015	\$27,872
Decrease in gross margin, as explained above	(14,613)
Increase in corporate cost allocations, due in part to centralization of services	(6,939)
Increase in SG&A costs associated with the acquisitions of Sunrise, Niagara Natural and Citrusource including amortization of intangible assets	(5,260)
Lower compensation costs and professional fees driven by the benefit of centralization of services and lower short-term incentive accruals	2,148
Operating income for the year ended January 2, 2016	<b>\$3,208</b>

During 2015 we completed three strategic acquisitions in each of our primary consumer product commercial platforms; healthy beverage, healthy fruit, and healthy snacks. In addition, we completed a significant capacity expansion at our west coast aseptic beverage facility, and in the fourth quarter opened a new east coast aseptic beverage facility. All of these acquisitions and investments are designed to expand our ability to address fast growing markets, provide a strategic east-west footprint, strengthen our revenue growth, and drive improvements in our margin profile and operating income. Looking forward we intend to leverage these new assets, as well as our innovation capabilities to bring new value-added packaged products and processes to market, and increase our capacity utilization across the Consumer Products segment. In addition, we believe the acquisition of Sunrise will allow us to further leverage our global sourcing expertise, as it provides us with a leading market position in conventional and organic private label IQF fruit. The statements in this paragraph are forward-looking statements. See [Forward-Looking Statements](#) above. Unfavorable shifts in consumer preferences, increased competition, volume decreases or loss of customers, unexpected delays in our expansion and integration plans, inefficiencies in our manufacturing processes, lack of consumer product acceptance, or our inability to successfully implement the particular goals and strategies indicated above, along with the other factors described above under [Forward-Looking](#)

<b>Corporate Services</b>	<b>January 2, 2016</b>	<b>January 3, 2015</b>	<b>Change</b>	<b>% Change</b>
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Operating Loss	(10,094)	(12,449)	2,355	18.9%
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Operating loss at Corporate Services decreased by \$2.4 million to \$10.1 million for the year ended January 2, 2016, from a loss of \$12.4 million for the year ended January 3, 2015. The table below explains the decrease in operating loss:

<b>Corporate Services Operating Loss Changes</b>	
Operating loss for the year ended January 3, 2015	\$(12,449)
Increase in corporate management fees that are allocated to SunOpta operating groups due in part to the centralization of services	10,477
Higher compensation-related costs due to increased headcount, health and workers compensation benefits, partially offset by lower short-term incentives	(3,410)
Increased information technology consulting, professional fees and other general office spending, partially offset by favorable impact on expenses due to the stronger U.S. dollar relative to the Canadian dollar	(2,503)

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Increased professional fees associated with ongoing litigation	(1,959)
Increase in foreign exchange losses	(250)
Operating loss for the year ended January 2, 2016	<b>\$(10,094)</b>

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**Consolidated Results of Operations for Fiscal Years 2014 and 2013**

	2015 \$	2013 \$	Change \$	Change %
<b>Revenues</b>				
Global Ingredients	619,066	571,347	47,719	8.4%
Consumer Products	483,679	427,313	56,366	13.2%
<b>Total revenues</b>	<b>1,102,745</b>	<b>998,660</b>	<b>104,085</b>	<b>10.4%</b>
<b>Gross Profits</b>				
Global Ingredients	63,591	44,479	19,112	43.0%
Consumer Products	58,514	57,319	1,195	2.1%
<b>Total gross profit</b>	<b>122,105</b>	<b>101,798</b>	<b>20,307</b>	<b>19.9%</b>
<b>Segment operating income (loss)<sup>(1)</sup></b>				
Global Ingredients	26,274	10,882	15,392	141.4%
Consumer Products	27,872	29,582	(1,710)	-5.8%
Corporate Services	(12,449)	(9,458)	(2,991)	-31.6%
<b>Total segment operating income</b>	<b>41,697</b>	<b>31,006</b>	<b>10,691</b>	<b>34.5%</b>
Other expense (income), net	(2,220)	5,455	(7,675)	-140.7%
<b>Earnings from continuing operations before the following</b>	<b>43,917</b>	<b>25,551</b>	<b>18,366</b>	<b>71.9%</b>
Interest expense, net	3,943	4,216	(273)	-6.5%
Impairment loss on investment	8,441	21,495	(13,054)	-60.7%
Provision for income taxes	12,043	8,423	3,620	43.0%
Earnings (loss) from continuing operations	19,490	(8,583)	28,073	327.1%
Earnings (loss) attributable to non-controlling interests	195	(187)	382	204.3%
Loss from discontinued operations attributable to SunOpta Inc.	(6,194)	(128)	(6,066)	-4739.1%
<b>Earnings (loss) attributable to SunOpta Inc.<sup>(2)</sup></b>	<b>13,101</b>	<b>(8,524)</b>	<b>21,625</b>	<b>253.7%</b>

(1) The following table presents a reconciliation of segment operating income (loss) to earnings from continuing operations before the following, which we consider to be the most directly comparable U.S. GAAP financial measure (refer to footnote (1) to the Consolidated Results of Operations for Fiscal Years 2015 and 2014 table regarding the use of non-GAAP measures).

	Global Ingredients \$	Consumer Products \$	Corporate Services \$	Consolidated \$
<b>January 3, 2015</b>				
Segment operating income (loss)	26,274	27,872	(12,449)	41,697
Other income (expense), net	1,052	1,294	(126)	2,220
Earnings (loss) from continuing operations before the following	27,326	29,166	(12,575)	43,917
<b>December 28, 2013</b>				
Segment operating income (loss)	10,882	29,582	(9,458)	31,006
Other expense, net	(281)	(5,164)	(10)	(5,455)
	10,601	24,418	(9,468)	25,551



Earnings (loss) from continuing operations before the following

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- (2) The following table presents a reconciliation of adjusted earnings from earnings/loss attributable to SunOpta Inc. , which we consider to be the most directly comparable U.S. GAAP financial measure (refer to footnote (2) to the Consolidated Results of Operations for Fiscal Years 2015 and 2014 table regarding the use of non-GAAP measures).

	\$	Per Diluted Share \$
<b>January 3, 2015</b>		
Earnings attributable to SunOpta Inc.	13,101	0.19
Loss from discontinued operations attributable to SunOpta Inc.	(6,194)	(0.09)
Earnings from continuing operations attributable to SunOpta Inc.	19,295	0.28
Adjusted for:		
Impairment loss on investment	8,441	
Other income <sup>(a)</sup>	(2,220)	
Net income tax effect of preceding adjustments	901	
Adjusted earnings	26,417	0.38
<b>December 28, 2013</b>		
Loss attributable to SunOpta Inc.	(8,524)	(0.13)
Loss from discontinued operations attributable to SunOpta Inc.	(128)	-
Loss from continuing operations attributable to SunOpta Inc.	(8,396)	(0.12)
Adjusted for:		
Impairment loss on investment	21,495	
Other expense <sup>(a)</sup>	5,455	
Net income tax effect of preceding adjustments	(2,199)	
Adjusted earnings	16,355	0.24

- (a) Other income/expense includes severance and rationalization costs, fair value adjustments related to contingent consideration arrangements, gain/loss on disposal of assets, and product recall costs.

Revenues for the year ended January 3, 2015 increased by 10.4% to \$1,102.7 million from \$998.7 million for the year ended December 28, 2013. Excluding the impact of changes including foreign exchange rates and commodity-related pricing, as well as the impact of the additional week of sales in fiscal 2014, revenues increased 11.8% . Contributing to the increase in revenues was stronger demand for organic ingredients in the U.S. and Europe and growth in consumer-packaged categories including aseptic beverage products and retail frozen foods as well as fruit bases and toppings. These positive factors were partially offset by lower volumes and pricing for non-GMO corn.

Gross profit increased \$20.3 million, or 19.9%, to \$122.1 million for the year ended January 3, 2015, compared with \$101.8 million for the year ended December 28, 2013. As a percentage of revenues, gross profit for the year ended January 3, 2015 was 11.1% compared to 10.2% for the year ended December 28, 2013, an increase of 0.9%, which reflected the effect of higher margins on organic ingredient sales in the U.S. and Europe; improved performance in our sunflower operations; and an increased contribution from higher margin aseptic beverage products. These positive factors were offset by higher operating costs related to the expansion of our aseptic operations, and production inefficiencies experienced in the second half of 2014, due to downtime for equipment maintenance and training of new personnel. Also negatively impacting the gross profit percentage was increased competitive pressures in the re-sealable pouch market; lower plant utilization in our premium juice operation during the retrofit of this facility; and higher operating costs in the first quarter of 2014, due in part to adverse weather conditions in North America.

Total segment operating income for the year ended January 3, 2015 increased by \$10.7 million, or 34.5%, to \$41.7 million, compared with \$31.0 million for the year ended December 28, 2013. As a percentage of revenue, segment operating income was 3.8% for the year ended January 3, 2015, compared with 3.1% for the year ended December 28, 2013. The increase in segment operating income reflected higher overall gross profit as described above, partially offset by a \$11.3 million increase in SG&A expenses, primarily due to increased headcount to support the growth of our international sourcing and supply operations; higher short-term incentive accruals reflecting the improved year-over-year operating performance; and the addition of a number of senior leadership resources in the second half of 2013. Foreign exchange gains of \$2.0 million and \$0.4 million were recorded for the years ended January 3, 2015 and December 28, 2013, respectively, mainly related to the positive impact of a strengthening of the U.S. dollar relative to the euro on open foreign exchange contracts within our international sourcing and supply operations.

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Further details on revenue, gross margin and segment operating income variances are provided below under Segmented Operations Information .

Other income for the year ended January 3, 2015 of \$2.2 million included a gain on sale of assets of \$1.4 million, mainly related to the disposal of certain sunflower production and storage facilities in order to reduce the cost structure and improve the production capacity utilization within our North American sunflower operations, partially offset by severance costs for employees affected by the closure and sale of these facilities; and a gain of \$1.4 million on the settlement of the earn-out related to the acquisition of Edner. Other expense for the year ended December 28, 2013 of \$5.5 million mainly reflected a provision for expected costs associated with a voluntary recall of re-sealable pouch products initiated by a customer in November 2013.

The decrease in interest expense of \$0.3 million to \$3.9 million for the year ended January 3, 2015, compared with \$4.2 million for the year ended December 28, 2013, primarily reflected lower overall borrowings.

For the years ended January 3, 2015 and December 28, 2013, we recognized impairment losses of \$8.4 million and \$21.5 million, respectively, on our non-core investment in Enchi.

The provision for income tax for the year ended January 3, 2015 was \$12.0 million or 30.1% of earnings before taxes, compared with \$8.4 million, or 39.5% of earnings before taxes, for the year ended December 28, 2013 (excluding the non-deductible impairment losses on investment in both years, for which the related deferred tax asset is considered more likely than not to be unrealized). The decrease in the effective tax rate reflected a change in the jurisdictional mix of earnings, as a result of growth in the profitability of our international sourcing and supply operations; and the application of available tax losses and credits.

Earnings from continuing operations attributable to SunOpta Inc. for the year ended January 3, 2015 were \$19.3 million, compared with a loss of \$8.4 million for the year ended December 28, 2013, an increase in earnings of \$27.7 million. Diluted earnings per share from continuing operations were \$0.29 for the year ended January 3, 2015, compared with a diluted loss per share from continuing operations of \$0.13 for the year ended December 28, 2013.

Loss from discontinued operations of \$6.2 million for the year ended January 3, 2015 primarily reflected the results of Opta Minerals, including asset impairment and plant closure costs of \$4.2 million and a goodwill impairment loss of \$11.0 million, net of non-controlling interest of \$5.2 million. In addition, we recognized a gain on sale of the Fiber Business, net of income taxes, of \$1.9 million in the fourth quarter of 2014. Loss from discontinued operations of \$0.1 million for the year ended December 28, 2013 primarily reflected the results of Opta Minerals, which included an asset impairment charge of \$0.3 million and a goodwill impairment loss of \$3.6 million, net of income taxes and non-controlling interest of \$2.1 million.

On a consolidated basis, we realized earnings of \$13.1 million (diluted earnings per share of \$0.19) for the year ended January 3, 2015, compared with a loss of \$8.5 million (diluted loss per share of \$0.13) for the year ended December 28, 2013.

For the year ended January 3, 2014, adjusted earnings were \$26.4 million or \$0.38 per diluted share, compared with \$16.4 million or \$0.24 per diluted share for the year ended December 28, 2013. Adjusted earnings is a non-GAAP financial measure. See footnote (2) to the table above for a reconciliation of adjusted earnings from earnings/loss attributable to SunOpta Inc. , which we consider to be the most directly comparable U.S. GAAP financial measure.

**Segmented Operations Information**

<b>Global Ingredients</b>	<b>January 3, 2015</b>	<b>December 28, 2013</b>	<b>Change</b>	<b>% Change</b>
Revenue	619,066	571,347	47,719	8.4%
Gross Margin	63,591	44,479	19,112	43.0%
Gross Margin %	10.3%	7.8%		2.5%
Operating Income	26,274	10,882	15,392	141.4%
Operating Income %	4.2%	1.9%		2.3%

Global Ingredients contributed \$619,066 in revenues for the year ended January 3, 2015, compared to \$571,347 for the year ended December 28, 2013, an increase of \$47,719 or 8.4% . Excluding the impact of changes including foreign exchange rates, commodity-related pricing and the additional week of sales in the first quarter of 2014, Global Ingredients revenues increased approximately 11.4% . The table below explains the increase in revenue:

<b>Global Ingredients Revenue Changes</b>	
Revenues for the year ended December 28, 2013	\$571,347
Higher volumes of organic raw materials including alternative sweeteners, chia, quinoa, agave, fruits, vegetables and feed products	103,883
Reduced pricing for organic food ingredients including sunflower, coffee beans, cane sugar, orange juice as well as organic feed products	(21,337)
Lower volumes of non-GMO corn and soy	(19,203)
Reduced pricing for non-GMO corn and soy	(11,593)
Lower in-shell sunflower sales due to reduced exports, and lower by-product values, partially offset by higher volumes of planting seeds and agronomy products	(3,738)
Unfavorable impact on euro denominated sales due to the stronger U.S. dollar relative to the euro	(293)
Revenues for the year ended January 3, 2015	<b>\$619,066</b>

Gross margin in Global Ingredients increased by \$19,112 to \$63,591 for the year ended January 3, 2015 compared to \$44,479 for the year ended December 28, 2013, and the gross margin percentage increased by 2.5% to 10.3% . The increase in gross margin as a percentage of revenue was primarily due to favorable sales mix of organic raw materials and improved sunflower processing yields, partially offset by lower pricing spreads on non-GMO and specialty soy and corn. The table below explains the increase in gross margin:

<b>Global Ingredients Gross Margin Changes</b>	
Gross margin for the year ended December 28, 2013	\$44,479
Margin impact of increased volumes and favorable product mix of organic raw ingredients including coffee, nuts, seeds, ancient grains and alternative sweeteners	15,365
Improved sunflower processing yields and operating efficiencies, offset by lower contribution from planting seeds	5,347
Decreased losses on commodity futures contracts for cocoa and other commodities	1,520
Lower volumes and pricing spread on non-GMO corn products, partially offset by improved pricing spread on specialty soy products	(3,120)
Gross margin for the year ended January 3, 2015	<b>\$63,591</b>

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Operating income in Global Ingredients increased by \$15,392, or 141.4%, to \$26,274 for the year ended January 3, 2015, compared to \$10,882 for the year ended December 28, 2013. The table below explains the increase in operating income:

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<b>Global Ingredients Operating Income Changes</b>	
Operating income for the year ended December 28, 2013	\$10,882
Increase in gross margin, as explained above	19,112
Increased foreign exchange gains on forward contracts	1,901
Increase in corporate cost allocations due in part to a centralization of services	(3,404)
Increased SG&A, due primarily to higher compensation costs from increased headcount and short-term incentives, as well as increased professional fees, bad debts, travel, and general office spending, offset in part by the centralization of services to corporate	(2,217)
Operating income for the year ended January 3, 2015	<b>\$26,274</b>

<b>Consumer Products</b>	<b>January 3, 2015</b>	<b>December 28, 2013</b>	<b>Change</b>	<b>% Change</b>
Revenue	483,679	427,313	56,366	13.2%
Gross Margin	58,514	57,319	1,195	2.1%
Gross Margin %	12.1%	13.4%		-1.3%
Operating Income	27,872	29,582	(1,710)	-5.8%
Operating Income %	5.8%	6.9%		-1.1%

Consumer Products contributed \$483,679 in revenues for the year ended January 3, 2015, compared to \$427,313 for the year ended December 28, 2013, an increase of \$56,366 or 13.2% . Excluding the additional week of sales in the first quarter of 2014, revenues increased approximately 12.2% in Consumer Products. The table below explains the increase in revenue:

<b>Consumer Products Revenue Changes</b>	
Revenues for the year ended December 28, 2013	\$427,313
Increased volume of aseptically packaged beverages, in particular almond beverage, private label and foodservice soymilk, dairy, as well as teas and broths	35,391
Higher volumes of private label retail frozen food offerings and private label beverages	10,625
Increased volume of fruit bases and toppings	8,263
Increased sales of re-sealable pouch products	3,504
Lower sales of fruit and protein snack products	(1,417)
Revenues for the year ended January 3, 2015	<b>\$483,679</b>

Gross margin in Consumer Products increased by \$1,195 to \$58,514 for the year ended January 3, 2015 compared to \$57,319 for the year ended December 28, 2013, and the gross margin percentage decreased by 1.3% to 12.1% . The decrease in gross margin as a percentage of revenue was due to additional plant and operating costs associated with the significant growth and expansion of our aseptic business, increased operating costs and lower production volumes in our re-sealable pouch facility, as well as increased costs associated with the retrofit of our premium juice facility. The table below explains the increase in gross margin:

<b>Consumer Products Gross Margin Changes</b>	
Gross margin for the year ended December 28, 2013	\$57,319

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Higher volume of aseptically packaged beverages and protein snacks as a result of new product lines partially offset by costs from plant expansions and lower volumes and pricing in fruit snacks	3,625
Increased volumes and production efficiencies of fruit bases and toppings, partially offset by decreased IQF fruit and private label beverage margins	649
Margin impact of outsourcing extraction activities and low production volume during the retrofit of our premium juice facility	(1,921)
Increased operating costs and decreased contribution from re-sealable pouch products	(1,158)
Gross margin for the year ended January 3, 2015	<b>\$58,514</b>

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Operating income in Consumer Products decreased by \$1,710, or 5.8%, to \$27,872 for the year ended January 3, 2015, compared to \$29,582 for the year ended December 28, 2013. The table below explains the decrease in operating income:

<b>Consumer Products Operating Income Changes</b>	
Operating income for the year ended December 28, 2013	\$29,582
Increase in gross margin, as explained above	1,195
Increase in corporate cost allocations due in part to a centralization of services	(3,423)
Lower SG&A due in part to the centralization of services to corporate, partially offset by higher compensation costs from increased headcount and short-term incentives	518
Operating income for the year ended January 3, 2015	<b>\$27,872</b>

<b>Corporate Services</b>	<b>January 3, 2015</b>	<b>December 28, 2013</b>	<b>Change</b>	<b>% Change</b>
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Operating Loss	(12,449)	(9,458)	(2,991)	-31.6%
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Operating loss at Corporate Services increased by \$2,991 to \$12,449 for the year ended January 3, 2015, from a loss of \$9,458 for the year ended December 28, 2013. The table below explains the increase in operating loss:

<b>Corporate Services Operating Loss Changes</b>	
Operating loss for the year ended December 28, 2013	(\$9,458)
Higher compensation-related costs due to increased headcount, short-term incentives, stock-based compensation and health benefits	(7,790)
Increased information technology consulting, professional fees and other general office spending, including rent, utilities, supplies and travel	(1,711)
Decrease in foreign exchange gains	(317)
Increase in corporate management fees that are allocated to SunOpta operating groups due in part to the centralization of services	6,827
Operating loss for the year ended January 3, 2015	<b>(\$12,449)</b>

### **Liquidity and Capital Resources**

We have the following sources from which we can fund our operating cash requirements:

existing cash and cash equivalents;

available operating lines of credit;

cash flows generated from operating activities;

cash flows generated from the exercise, if any, of stock options during the year;

potential additional long-term financing, including the offer and sale of debt and/or equity securities; and

potential sales of non-core divisions, or assets.

On February 11, 2016, we entered into a new five-year, \$350 million Global Credit Facility, which replaced our previous North American credit facilities, which were comprised of a \$165 million facility and a C\$10 million facility, that were set to expire January 27, 2017, and our €92.5 million multipurpose European credit facilities that were due on

demand with no set maturity date. The Global Credit Facility will be used to support the working capital and general corporate needs of our global operations, in addition to funding future strategic initiatives. In addition, subject to meeting certain conditions, we may request to increase the total lending commitments under this facility to a maximum aggregate principal amount not to exceed \$450 million. Borrowings under the Global Credit Facility will bear interest based on various reference rates including London Interbank Offered Rate ( LIBOR ) plus an applicable margin. The applicable margin in the new facility ranges from 1.25% to 1.75% for loans bearing interest based on LIBOR. The applicable margin is set quarterly based on average borrowing availability and will be initially set at 1.50% for loans bearing interest based on LIBOR. As at February 11, 2016, our outstanding borrowings under the Global Credit Facility totaled \$208.5 million. For more information on the Global Credit Facility, see note 22 to the consolidated financial statements in Item 15 of this Form 10-K.

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On October 9, 2015, SunOpta Foods Inc. and certain of our other subsidiaries entered into the Loan Agreement with a group of lenders, pursuant to which we borrowed an aggregate principal amount of \$330 million of term loans. The net proceeds of the Loan Agreement were used to partially fund the Sunrise Acquisition, as described above under Business Development Sunrise Holdings (Delaware), Inc. . The term loans made under the Loan Agreement on October 9, 2015 (the Initial Loans ) mature on October 9, 2016. If any Initial Loans remain outstanding on maturity and no bankruptcy or event of default then exists, all Initial Loans then outstanding will automatically convert into term loans that would mature on October 9, 2022. We intend to explore alternative long-term financing arrangements to replace the Initial Loans prior to maturity. However, we cannot be certain whether such financing will be available to us on acceptable terms or at all. In addition, under the terms of the financing commitments that we received in connection with the Sunrise Acquisition, our lenders may demand that we enter into alternative long-term financing to replace the Initial Loans at an interest rate of up to 9.5% per annum at any time prior to October 9, 2016. For more information on the Second Lien Loan Agreement, see note 11 to the consolidated financial statements in Item 15 of this Form 10-K.

We have an effective registration statement on file with the U.S. Securities and Exchange Commission, pursuant to which we may offer up to \$200 million of debt, equity and other securities. We also have a prospectus on file with Canadian securities regulators covering the offer and sale of up to \$200 million of debt, equity and other securities. As described above under Business Development Sunrise Holdings (Delaware), Inc. , we issued 16.7 million of our common shares for gross proceeds of \$100.0 million under the U.S. registration statement and the Canadian prospectus. The remaining amount of \$100.0 million available under U.S. registration statement and the Canadian prospectus could be used by us for a public offering of debt, equity or other securities to raise additional capital. Our ability to conduct any such future offerings will be subject to market conditions.

On February 27, 2015, our board of directors approved a share repurchase program, pursuant to which we could make purchases, from time to time, of up to \$30 million of our common shares. We did not repurchase any common shares under this program, which terminated after 12 months. In light of restrictive covenants contained in the Loan Agreement, this program has not been renewed.

In order to finance significant acquisitions that may arise in the future, we may need additional sources of cash that we could attempt to obtain through a combination of additional bank or subordinated financing, a private or public offering of debt or equity securities, or the issuance of common stock as consideration in an acquisition. There can be no assurance that these types of financing would be available or, if so, on terms that are acceptable to us.

In the event that we require additional liquidity due to market conditions, unexpected actions by our lenders, changes to our growth strategy, or other factors, our ability to obtain any additional financing on favourable terms, if at all, could be limited.

## **Cash Flows**

### ***Fiscal 2015 Compared to Fiscal 2014***

Net cash and cash equivalents related to continuing operations decreased \$5.5 million to \$2.3 million as at January 2, 2016, compared with \$7.8 million at January 3, 2015, which primarily reflected the following uses of cash:

cash paid in connection with business acquisitions of \$490.7 million in the aggregate;

capital expenditures of \$31.2 million, which included \$11.5 million of maintenance capital expenditures, as well as strategic spending related to the retrofit of our premium juice facility and expansion of our Allentown facility;

financing costs incurred primarily in connection with the Loan Agreement of \$16.0 million; and

repayments of long-term debt of \$11.0 million, primarily related to the repayment of \$10.0 million of borrowings under the Loan Agreement.

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These uses of cash were mostly offset by the following sources of cash:

borrowings of \$330.0 million under the Loan Agreement in connection with the Sunrise Acquisition;

net proceeds from the issuance of common shares of \$94.1 million in connection with the Sunrise Acquisition;

net borrowings under our credit facilities of \$86.0 million, mainly in connection with business acquisitions;

cash provided by continuing operating activities of \$26.4 million; and

proceeds from the exercise of stock options and warrants of \$7.8 million in the aggregate.

Cash provided by operating activities of continuing operations was \$26.4 million for the year ended January 2, 2016, compared with \$17.5 million for the year ended January 3, 2015, an increase of \$8.9 million, reflecting strong working capital cash inflows and incremental cash flows from acquired businesses, partially offset by a decline in the year-over-year operating performance within our existing consumer products operations. Cash provided by operating activities of discontinued operations of \$4.8 million and \$7.3 million in 2015 and 2014, respectively, reflected the operations of Opta Minerals and the Fiber Business.

Cash used in investing activities of continuing operations increased by \$509.3 million to \$521.8 million for the year ended January 2, 2016, compared with \$12.5 million for the year ended January 3, 2015, mainly due to the total cash paid of \$490.7 million in connection with the Sunrise Acquisition, as well as the upfront payments for Niagara Natural and Citrusource. In addition, capital expenditures increased \$13.5 million year-over-year, primarily reflecting the addition of aseptic processing and packaging capabilities at our Allentown facility. In 2014, we received cash proceeds of \$5.8 million from the sale of the sunflower facilities. Cash provided by investing activities of discontinued operations of \$34.5 million in 2014 primarily reflected the net proceeds from the sale of the Fiber Business of \$36.9 million.

Cash provided by financing activities of continuing operations was \$490.2 million for the year ended January 2, 2016, compared with cash used of \$38.6 million for the year ended January 3, 2015, an increase in cash provided of \$528.8 million, which mainly reflected the debt and equity issuances in connection with the Sunrise Acquisition for proceeds of \$408.1 million in the aggregate, net of issuance costs. In addition, borrowings under our credit facilities increased \$126.9 million year-over-year, including \$59.2 million to finance a portion of the Sunrise Acquisition and \$20.0 million to fund the Niagara Natural and Citrusource upfront payments. In addition, the year-over-year increase in credit facility borrowings reflected the higher capital spending in 2015, compared with 2014; repayment of \$10.0 million of borrowings under the Loan Agreement; and proceeds from the sale of the Fiber Business in 2014, which did not similarly occur in 2015, partially offset by increased operating cash flows and higher proceeds from the exercise of options and warrants in 2015, compared with 2014.

#### ***Fiscal 2014 Compared to Fiscal 2013***

Net cash and cash equivalents related to continuing operations increased \$3.3 million to \$7.8 million as at January 3, 2015, compared with \$4.5 million at December 28, 2013, which primarily reflected the following sources of cash:

net proceeds from the sale of the Fiber Business of \$36.9 million;

cash provided by continuing operating activities of \$17.5 million;

cash proceeds on the disposal of assets of \$5.8 million; and

cash proceeds on the exercise of stock options of \$3.1 million.

These sources of cash were mostly offset by the following uses of cash:

net repayments under our credit facilities of \$41.0 million; and

capital expenditures of \$17.7 million, which included \$8.2 million of maintenance capital expenditures, as well as strategic spending related to the expansion of our premium juice and aseptic production facilities, expansion of storage capacity at our Bulgarian grains handling and processing facility and completion of the construction of our cocoa processing facility in the Netherlands.

Cash provided by operating activities of continuing operations was \$17.5 million for the year ended January 3, 2015, compared with \$29.1 million for the year ended December 28, 2013, a decrease of \$11.6 million, reflecting increased working capital requirements to support the operating growth, partially offset by the improved year-over-year operating performance. In addition, in 2014 we reduced our inventories of commodity grains in favor of lower-volume, higher-margin non-GMO varieties, and we are carrying lower inventories of seeds following the rationalization of our sunflower operations. Cash flows used in operating activities of discontinued operations of \$7.3 million and \$1.0 million in 2014 and 2013, respectively, reflected the operations of Opta Minerals and the Fiber Business, partially offset by \$4.4 million of cash paid in 2013 in connection with arbitration proceedings involving a former joint venture operation.

Cash used in investing activities of continuing operations declined by \$15.0 million to \$12.5 million for the year ended January 3, 2015, compared with \$27.5 million for the year ended December 28, 2013, mainly due to a decrease in capital expenditures of \$11.3 million, reflecting higher spending in 2013 related to an expansion of our aseptic processing and packaging operations; expansion of our Bulgarian grains facility; and construction of our cocoa processing facility. In addition, we generated proceeds of \$5.8 million on the disposal of assets in 2014, mainly related to the sale of the sunflower facilities. Also contributing to the year-over-year decline in cash used in investing activities was net cash paid of \$3.8 million to acquire OLC in 2013, offset by a decrease in restricted cash of \$6.5 million, which was applied to the repayment of a credit facility used to pre-finance construction of equipment for the Dutch cocoa facility. Cash provided by investing activities of discontinued operations of \$34.5 million, primarily reflected the net proceeds from the sale of the Fiber Business of \$36.9 million.

Cash used in financing activities of continuing operations was \$38.6 million for the year ended January 3, 2015, compared with cash provided of \$4.4 million for the year ended December 28, 2013, an increase in cash used of \$43.0 million, which mainly reflected net repayments under our credit facilities of \$41.0 million in 2014, compared with net borrowings under these facilities of \$3.6 million in 2013, reflecting proceeds from the sales of the Fiber Business and sunflower facilities, as well as reduced capital and business acquisition spending in 2014, compared with 2013.

## **Business and Financial Outlook**

The purpose of this Business and Financial Outlook section is to provide shareholders, prospective investors and other readers of this Form 10-K with information regarding management's current plans and expectations including expectations regarding future revenues and earnings. This Outlook has been prepared for this purpose only and readers are cautioned that it may not be appropriate for any other purpose. Readers are also cautioned that this Outlook is subject to the assumptions, risks and uncertainties discussed below and elsewhere in this Form 10-K, that actual results may vary from those presented and therefore they should not place undue reliance on it. This Outlook reflects our current expectations and judgments based on circumstances existing as of March 9, 2016. We disclaim any intention or obligation to update or revise this Business and Financial Outlook, whether as a result of new information, future events or otherwise, except as required by law. The statements in this Outlook are forward-looking statements. See Forward-Looking Statements .

Management believes that consumer demand for high quality natural, organic and specialty foods has grown rapidly over the past decade as global awareness of the benefits of healthy eating continues to proliferate and SunOpta has built a leading position in this fast growing market. We believe it is reasonable to expect growth of approximately 8-10% in the end-markets where we participate. This growth is underpinned by persistent and powerful shifts in buying trends that center around consumers focus on what's inside, or in many cases what's specifically not inside, the food they eat. Concerns about food additives, artificial ingredients, flavors, colors, allergens, genetic modification, pesticides, herbicides, fertilizers, as well as an intense focus on nutritional profile are all driving greater awareness and demand for healthier food. In addition, management believes there is a dual demographic shift powering growth in the market as the buying power of the millennials, a generation that is very food and health conscious, continues to grow all while the baby boomers continue to age and pay greater attention to healthy eating as a means of longevity. While a large number of companies compete within specific segments of the market, we believe that our integrated

field-to-table business model built over the past 16 years has positioned SunOpta as a global leader in the natural and organic food market.

2015 was a transformational year for SunOpta. During the year we acquired three companies, Sunrise, Niagara Natural, and Citrusource, and announced the definitive agreement to sell our equity interest in Opta Minerals. As a result of these announcements, we have acquired approximately \$350 million in annual food-based revenue, all in platforms that leverage our unique two-touch business model, and we expect to dispose of approximately \$115 million in annual revenue related to Opta Minerals non-food business. As a result of these structural changes, we believe that we have enhanced our positioning in the growing markets we operate in, all while simplifying our business by setting the stage to become a pure-play healthy and organic foods company.

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For 2016, we believe we will realize revenue and unit growth in line with the market, as we continue to fill incremental capacity created by our investments into our beverage, snack and fruit platforms, as well as capitalize on our global efforts over the past 5 years to create new projects and sources of organic ingredients. In addition, in June 2015 we announced the opening of our new innovation center, which we believe will drive incremental revenue growth via new product introductions to the market. For 2016, we expect that part of our growth will be new product sales as a result of our focus on bringing valued innovative products to our customers.

Generating positive cash flow to drive reduced debt levels and improving profitability are key focus areas for 2016. As at January 2, 2016, we had \$479.1 million in total debt, net of cash. Under our Global Credit Facility, we currently have approximately \$55 million to \$60 million of available borrowing capacity. Our remaining cash and unused lines plus cash generated from operations are expected to be sufficient to finance 2016 capital spending estimated to be \$20 million to \$25 million, and cash interest costs estimated to be \$31 million to \$33 million. We believe additional sources of cash could be obtained through a combination of additional bank or subordinated financing, a private or public offering, the issuance of shares or through a divestiture. However, there can be no assurance that such financing or transactions would be available or, if so, on terms that are acceptable to us.

Our goal is to be a global leader in non-GMO and organic food products, driven by innovation, continuous improvement and category expertise. We have a focused strategic blueprint that outlines a disciplined approach to growth guided by these core strategies.

***Focus where we have, or can gain, a competitive advantage***

Invest in capabilities for core food platforms of healthy beverages, healthy fruit and healthy snacks

Expand into adjacent food categories with complementary attributes

In the short to medium-term, rationalize non-core assets and business lines and redirect capital into core operations

***Grow by delivering more value to our customers***

Expand consumer products portfolio by leveraging our global sourcing expertise and diverse production capabilities

Leverage commercial relationships to cross-sell products across our three main product platforms

Deliver comprehensive category solutions, including complete product offerings in organic and non-GMO varieties

Focus on proactive innovation and develop new proprietary products to maintain leadership positions and strengthen overall relationship with our core customers

***Leverage our integrated food platform***

Leverage significant infrastructure investments, our management team and our centralized back office to improve margins

Deploy integrated operating expertise to maximize safety and quality while minimizing delivery times and cost

Identify and execute continuous improvement and cost savings initiatives to drive profitability

Pursue strategic acquisitions that meet our disciplined criteria

Acquire non-GMO and organic food businesses that drive sustainable well-being

Capitalize on opportunities that afford us the ability to leverage our integrated business model by touching a product more than once, meaning:

Continuing to build our packaged goods consumer products portfolio benefitting from our strength in organic and conventional raw material and ingredient sourcing

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Identifying sourcing and ingredient opportunities that can supply our existing manufacturing capabilities or expand on our capabilities by allowing us to create new and innovative products and/or processes

Prioritize strong financial performance, focusing on cash generation, earnings per share accretion and improved operating margins

In summary, our intention is to continue to invest in and expand our healthy and organic foods business; growing the business through multiple touches from raw materials through to consumer-packaged products; and leveraging our asset base to produce our products efficiently and effectively to increase profit margins.

## Off Balance Sheet Arrangements

There are currently no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition.

## Contractual Obligations

The table below sets out our contractual obligations as at January 2, 2016:

	Total	2016	Payments due by Period		Thereafter
			2017-2018	2019-2020	
	\$	\$	\$	\$	\$
Bank indebtedness	159,773	159,773	-	-	-
Long-term debt	330,752	1,773	6,253	2,726	320,000
Interest on bank indebtedness and long-term debt <sup>(1)</sup>	207,283	30,966	61,884	61,233	53,200
Purchase commitments	228,236	228,236	-	-	-
Operating leases	122,663	26,595	46,925	30,694	18,449
Long-term liabilities	23,052	5,243	17,809	-	-
Commodity and foreign exchange contracts	1,142	1,106	36	-	-
	1,072,901	453,692	132,907	94,653	391,649

- (1) Interest is calculated based on scheduled repayments over the periods as indicated, using existing interest rates at January 2, 2016, as disclosed in note 11 to the consolidated financial statements included in Item 15 of this Form 10-K.

The preceding table excludes a liability for uncertain tax benefits totalling \$1.7 million, as we cannot currently make a reliable estimate of the period in which the liability will be payable, if ever.

## Item 7A. Quantitative and Qualitative Disclosures About Market Risk

### Interest rate risk

Variable and fixed rate borrowings carry different types of interest rate risk. Variable rate debt gives less predictability to earnings and cash flows as interest rates change, while the fair value of fixed rate debt is affected by changes in interest rates. As at January 2, 2016, we had \$159.8 million and \$330.8 million principal amount of variable and fixed rate debt, respectively, with weighted-average interest rates of 2.26% and 7.63%, respectively. A 100 basis-point change in interest rates would have an after-tax effect of \$1.0 million on our earnings and cash flows, based on current outstanding borrowings and effective interest rates on our variable rate debt, taking into account interest rate hedging

activities.

Outstanding borrowings of \$320.0 million under the Loan Agreement comprise most of our fixed rate debt as at January 2, 2016. At our election, interest on the Initial Loans made under the Loan Agreement is initially determined by reference to either: (i) LIBOR (subject to a 1.0% per annum floor) plus an applicable margin of 6.0% per annum; or (ii) an alternate base rate specified in the Loan Agreement plus an applicable margin of 5.0% . The applicable margin increases by 0.50% at the end of each three-month period after October 9, 2015 and before October 9, 2016. In each case, the Initial Loans carry a maximum interest rate of 9.5% per annum. A 100 basis-point increase in interest rates, based on LIBOR, would have an annualized pre-tax effect of approximately \$3.2 million on interest expense in our consolidated statements of operations, based on current principal outstanding of \$320.0 million; however, an increase in LIBOR would only impact interest expense to the extent that the increase exceeds the 1.0% per annum floor and to the extent that LIBOR plus the applicable margin on the Initial Loans does not exceed the maximum interest rate.

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**Foreign currency risk**

All of our U.S. subsidiaries use the U.S. dollar as their functional currency, and the U.S. dollar is also our reporting currency. In addition, the functional currency of our Canadian operations is the U.S. dollar. The functional currency of our operations located in Europe and Mexico are principally the euro and peso, respectively. For these operations, gains (losses) on translation of net assets to U.S. dollars on consolidation are recorded in accumulated other comprehensive income within shareholders' equity. We are exposed to foreign exchange rate fluctuations as the financial results of our European and Mexican subsidiaries are translated into U.S. dollars on consolidation. A 10% change in the exchange rates for the euro would affect the fair value of our net assets by approximately \$5.0 million, with a corresponding impact to accumulated other comprehensive income.

The euro depreciated against the U.S. dollar during 2015, with closing rates moving from \$1.3740 at January 3, 2015 to \$1.2004 at January 2, 2016. The Canadian dollar depreciated relative to the U.S. dollar in 2015, with closing rates moving from \$0.9342 at January 3, 2015 to \$0.8502 at January 2, 2016 for each U.S. dollar.

Our operations based in the U.S. have limited exposure to other currencies since almost all sales and purchases are made in U.S. dollars. The European operations are exposed to various currencies as they purchase product from a wide variety of countries in several currencies and primarily sell into the European market. It is our intention to hold excess funds in the currency in which the funds are likely to be used, which will from time to time potentially expose us to exchange rate fluctuations when converted into U.S. dollars. In addition, we enter into forward foreign exchange contracts to reduce exposure to fluctuations in foreign currency exchange rates. Open forward foreign exchange contracts were marked-to-market at January 2, 2016, resulting in a loss of \$0.7 million (January 3, 2015 - gain of \$1.4 million), which is included in foreign exchange on the consolidated statements of operations.

**Commodity risk**

We enter into exchange-traded commodity futures and options contracts to hedge its exposure to price fluctuations on grain and certain other commodity transactions to the extent considered practicable for minimizing risk from market price fluctuations. Futures contracts used for hedging purposes are purchased and sold through regulated commodity exchanges. Inventories, however, may not be completely hedged, due in part to our assessment of our exposure from expected price fluctuations. Exchange purchase and sales contracts may expose us to risk in the event that the counterparty to a transaction is unable to fulfill its contractual obligation. We manage our risk by entering into purchase contracts with pre-approved growers.

We have a risk of loss from hedging activities if a grower does not deliver as scheduled. Sales contracts are entered into with organizations of acceptable creditworthiness, as internally evaluated. All futures transactions are marked to market. Gains and losses on futures transactions related to grain inventories are included in cost of goods sold. As at January 2, 2016, we owned 216,180 (January 3, 2015 - 278,821) bushels of corn with a weighted-average price of \$3.39 (January 3, 2015 - \$3.86) and 399,985 (January 3, 2015 - 401,082) bushels of soybeans with a weighted-average price of \$9.93 (January 3, 2015 - \$10.97). As at January 2, 2016, we had a net short position on corn of 12,357 (January 3, 2015 - long position of 14,965) bushels and a net short position on soybeans of 30,760 (January 3, 2015 - long position of 2,539). An increase or decrease in commodity prices of either soy or corn of 10% would not result in a material change in the carrying value of these commodities.

In addition, we enter into forward contracts to hedge our cocoa and coffee positions in an effort to minimize price fluctuations. As at January 2, 2016, we had net open forward contracts to sell 144 lots of cocoa (January 3, 2015 - 67 lots) and 13 lots of coffee (January 3, 2015 - 39 lots). A 10% change in the commodity price of cocoa and coffee would impact the fair value of these derivative instruments by \$0.4 million (January 3, 2015 - \$0.2 million) and \$0.1 million (January 3, 2015 - \$0.2 million), respectively.



**Item 8. Financial Statements and Supplementary Data**

Our Consolidated Financial Statements required by this item are set forth immediately following the signature page to this Form 10-K beginning on page F-1 and are incorporated herein by reference.

**Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure**

None.

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## **Item 9A - Controls and Procedures**

### **Evaluation of Disclosure Controls and Procedures**

Our management has established disclosure controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934, as amended (the Exchange Act) is recorded, processed, summarized and reported within time periods specified in the Securities and Exchange Commission's rules and forms. Such disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to its management to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures (as such term is defined under Rule 13a-15(e) promulgated under the Exchange Act) as of the end of the period covered by this annual report. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of January 2, 2016.

### **Management's Annual Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act.

Our internal control framework and processes are designed to provide reasonable assurance to management and our board of directors regarding the reliability of financial reporting and the preparation of our Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States of America.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of January 2, 2016. In making this assessment, management used the criteria set forth by the Committee on Sponsoring Organizations of the Treadway Commission in Internal Control - Integrated Framework (2013).

Based on its assessment, our management concluded that, as of January 2, 2016, our internal control over financial reporting is effective based on those criteria.

The scope of management's assessment of the effectiveness of internal control over financial reporting includes all of our consolidated operations except for the operations of Sunrise. Total assets of approximately \$580 million related to the Sunrise business were included in the consolidated balance sheet as at January 2, 2016, and total revenues of approximately \$53 million were included in the consolidated statement of operations for the year ended January 2, 2016 (representing operations of the Sunrise business from the acquisition date of October 9, 2015).

The effectiveness of our internal control over financial reporting as of January 2, 2016 has been audited by Deloitte LLP, Independent Registered Public Accounting Firm that also audited our consolidated financial statements for the year ended January 2, 2016, as stated in their report which appears herein.

### **Changes in Internal Control Over Financial Reporting**



There were no changes in our internal control over financial reporting during the quarter ended January 2, 2016 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**SUNOPTA INC.**

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**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of SunOpta Inc.:

We have audited the internal control over financial reporting of SunOpta Inc. and subsidiaries (the Company) as of January 2, 2016, based on criteria established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management's Annual Report on Internal Control over Financial Reporting, management has excluded Sunrise Holdings (Delaware), Inc. (Sunrise), a company acquired in a business combination on October 9, 2015. Total assets of approximately \$580 million related to the Sunrise business were included in SunOpta Inc.'s consolidated balance sheet at January 2, 2016, and total revenues of approximately \$53 million were included in the consolidated statement of operations for the year ended January 2, 2016 (representing operations of the Sunrise business from the acquisition date of October 9, 2015). Accordingly, our audit did not include the internal control over financial reporting at Sunrise. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 2, 2016, based on the criteria established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Consolidated Financial Statements as of and for the year ended January 2, 2016 of the Company and our

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report dated March 9, 2016 expressed an unqualified opinion on those financial statements.

*/s/ Deloitte LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
Toronto, Canada  
March 9, 2016

**SUNOPTA INC.**

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**Item 9B. Other Information**

None.

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### PART III

#### **Item 10. Directors, Executive Officers and Corporate Governance**

The information required under this item is incorporated herein by reference to our Definitive Proxy Statement for the Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission not later than 120 days after January 2, 2016 (the 2016 Proxy Statement ).

#### **Item 11. Executive Compensation**

The information required under this item is incorporated herein by reference from the 2016 Proxy Statement.

#### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information required under this item is incorporated herein by reference from the 2016 Proxy Statement.

#### **Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information required under this item is incorporated herein by reference from the 2016 Proxy Statement.

#### **Item 14. Principal Accounting Fees and Services**

The information required under this item is incorporated herein by reference from the 2016 Proxy Statement.

### PART IV

#### **Item 15. Exhibits and Financial Statement Schedules**

The following documents are being filed as part of this annual report.

1. Financial Statements. See Index to Consolidated Financial Statements set forth on page F1.
2. Financial Statement Schedules. All schedules for which provision is made in the applicable accounting requirements of the Securities and Exchange Commission are not required or the required information has been included within the financial statements or the notes thereto.
3. Exhibits. The list of exhibits in the Exhibit Index included in this annual report is incorporated herein by reference.

#### **EXHIBIT INDEX**

##### **Exhibits Description**

2.1+	Asset Purchase Agreement, dated August 11, 2015, among SunOpta Inc., Niagara Natural Fruit Snack Company Inc., John Boot and Guy Armstrong (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on August 17, 2015).
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3.1	Amalgamation of Stake Technology Ltd. and 3754481 Canada Ltd. (formerly George F. Pettinos (Canada) Limited) (incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2000).
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3.2	
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Certificate of Amendment, dated October 31, 2003, to change the Company's name from Stake Technology Ltd. to SunOpta Inc. (incorporated by reference to Exhibit 3i(b) to the Company's Annual Report on Form 10-K for the year ended December 31, 2003).

3.3 Articles of Amalgamation of SunOpta Inc. and Sunrich Valley Inc., Integrated Drying Systems Inc., Kettle Valley Dried Fruits Ltd., Pro Organics Marketing Inc., Pro Organics Marketing (East) Inc., 4157648 Canada Inc. and 4198000 Canada Ltd., dated January 1, 2004 (incorporated by reference to Exhibit 3i(c) to the Company's Annual Report on Form 10-K for the year ended December 31, 2003).

**SUNOPTA INC.**

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**Exhibits** **Description**

3.4	Articles of Amalgamation of SunOpta Inc. and 6319734 Canada Inc., 4157656 Canada Inc. Kofman-Barenholtz Foods Limited, dated January 1, 2005 (incorporated by reference to Exhibit 3i(d) to the Company's Annual Report on Form 10-K for the year ended December 31, 2004).
3.5	Articles of Amalgamation of SunOpta Inc. and 4307623 Canada Inc., dated January 1, 2006 (incorporated by reference to Exhibit 3i(e) to the Company's Annual Report on Form 10-K for the year ended December 31, 2005).
3.6	Articles of Amalgamation of SunOpta Inc., 4208862 SunOpta Food Ingredients Canada Ltd., 4406150 Canada Inc. and 4406168 Canada Inc., dated January 1, 2007 (incorporated by reference to Exhibit 3i(f) to the Company's Annual Report on Form 10-K for the year ended December 31, 2007).
3.7	Articles of Amalgamation of SunOpta Inc. and 4460596 Canada Inc., dated January 1, 2008 (incorporated by reference to Exhibit 3i(g) to the Company's Annual Report on Form 10-K for the year ended December 31, 2007).
3.8	Amended and Restated By-law No. 14, dated May 27, 2010 (incorporated by reference to Exhibit 4 to the Company's Registration Statement on Form S-3 filed on July 3, 2014).
3.9	Certificate of Amendment, dated July 10, 2013, to authorize the directors to fix the number of directors to be elected by the shareholders and to appoint one or more directors (incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-3 filed on July 3, 2014).
3.10	By-Law Number 15 of SunOpta Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on November 13, 2015).
4.1	Form of Certificate representing Common Shares, no par value (incorporated by reference to Exhibit 4.9 to the Company's Registration Statement on Form S-8 filed on September 2, 2011).
4.2	Shareholder Rights Plan Agreement, dated November 10, 2015, between SunOpta Inc. and American Stock Transfer & Trust Company LLC, as rights agent (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on November 13, 2015).
10.1	Employee Stock Purchase Plan amended March 4, 2013 (incorporated by reference to Exhibit 10.1 to the Company's Annual Report on Form 10-K for the year ended December 29, 2012).
10.2	Retiring Allowance Agreement, dated March 8, 2011, between the Company and Jeremy Kendall which terminates and supercedes the Employment Agreement dated October 1, 2001 between the Company and Mr. Jeremy Kendall, as amended (incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 2010).
10.3	SunOpta Inc. 2002 Stock Option Plan, Amended and Restated May 2011 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 24, 2011).
10.4	Letter Agreement, dated October 10, 2011, by and between SunOpta Inc. and Robert McKeracher (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 1, 2011).





**Exhibits** **Description**

10.5	Amendment to Employment Agreement, dated May 6, 2012, between SunOpta Inc. and Steven R. Bromley (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 11, 2012).
10.6	Letter Agreement, dated January 10, 2013, by and between SunOpta Inc. and John Dietrich (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 15, 2013).
10.7	Retirement and Consulting Agreement, dated January 10, 2014, between SunOpta Grains and Foods, Inc. and Allan G. Routh (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 13, 2014).
10.8	Stock Deferral Plan for Non-Employee Directors dated August 12, 2014 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 5, 2014).
10.9	Letter Agreement re Terms of Employment, dated October 10, 2011, by and between SunOpta Inc. and John Ruelle (incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K for the year ended January 3, 2015).
10.10	Letter Agreement re Amendment of Terms of Employment, dated April 5, 2013, by and between SunOpta Inc. and John Ruelle (incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K for the year ended January 3, 2015).
10.11	Letter Agreement re Amendment of Terms of Employment, dated December 30, 2014, by and between SunOpta Inc. and John Ruelle (incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K for the year ended January 3, 2015).
10.12	Employment Agreement, dated April 2012, by and between The Organic Corporation B.V. and G.J.M. Versteegh (incorporated by reference to Exhibit 10.16 to the Company's Annual Report on Form 10-K for the year ended January 3, 2015).
10.13	Employment Agreement, dated July 6, 2015, between SunOpta Inc. and Hendrik Jacobs (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 7, 2015).
10.14	Separation Agreement, dated July 6, 2015, between SunOpta Inc. and Steven Bromley (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on July 7, 2015).
10.15	Commitment Letter dated July 30, 2015, among SunOpta Inc., SunOpta Foods Inc., Bank of Montreal and BMO Capital Corp. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 3, 2015).
10.16+	Second Lien Loan Agreement, dated October 9, 2015, among SunOpta Inc., as Holdings, SunOpta Foods Inc., as the Borrower, Certain Subsidiaries of SunOpta Inc., as Subsidiary Guarantors and Loan Parties, the Several Lenders from Time to Time Parties Hereto, Bank of Montreal, as Administrative Agent and Collateral Agent, BMO Capital Markets Corp. and CoÖperatieve Centrale Raiffeisen-Boerenleenbank B.A., Rabobank Nederland, New York Branch, as Joint Lead Arrangers and Joint Bookrunners (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 3, 2015).

Credit Agreement, dated as of February 11, 2016, among SunOpta Inc., SunOpta Foods Inc., The Organic Corporation B.V., the other borrowers and guarantors party thereto, the lenders party thereto, Bank of America, N.A., as U.S. Administrative Agent, Bank of America, N.A. (acting through its Canada Branch), as Canadian Administrative Agent, Bank of America, N.A. (acting through its London Branch), as Dutch Administrative Agent, and Bank of America, N.A., as Collateral Agent (incorporated by reference to 10.17+ Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 17, 2016).

**SUNOPTA INC.**

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**Exhibits Description**

10.18	Support Agreement dated February 12, 2016, among SunOpta Inc., Wedge Acquisition Inc. and Wedge Acquisition Holdings Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 18, 2016).
10.19*	<u>Second Amending Agreement, dated October 9, 2015, amending the Seventh Amended and Restated Credit Agreement, among SunOpta Inc. and SunOpta Foods, as Borrowers, Each of the Financial Institutions and Other Entities from Time to Time Parties Thereto, as Lenders, Certain Affiliates of the Borrowers, as Obligors, and Bank of Montreal, as Agent.</u>
10.20 *	<u>Employment Agreement, dated July 6, 2015, between SunOpta Inc. and Edward Haft.</u>
21*	<u>List of subsidiaries.</u>
23.1*	<u>Consent of Deloitte LLP, Independent Registered Public Accounting Firm.</u>
31.1*	<u>Certification by Hendrik Jacobs, President and Chief Executive Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.</u>
31.2*	<u>Certification by Robert McKeracher, Vice President and Chief Financial Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.</u>
32*	<u>Certifications by Hendrik Jacobs, President and Chief Executive Officer, and Robert McKeracher, Vice President and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350</u>
101.INS*	<u>XBRL Instance Document</u>
101.SCH*	<u>XBRL Taxonomy Extension Schema Document</u>
101.CAL*	<u>XBRL Taxonomy Extension Calculation Linkbase Document</u>
101.DEF*	<u>XBRL Taxonomy Extension Definition Linkbase Document</u>
101.LAB*	<u>XBRL Taxonomy Extension Label Linkbase Document</u>
101.PRE*	<u>XBRL Taxonomy Extension Presentation Linkbase Document</u>

+ Exhibits and schedules to this exhibit have been omitted pursuant to Item 601(b)(2) of Regulation S-K. SunOpta will furnish copies of the omitted exhibits and schedules to the Securities and Exchange Commission upon its request.

Indicates management contract or compensatory plan or arrangement.

\* Filed herewith.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**SUNOPTA INC.**

/s/ Robert McKeracher

Robert McKeracher

Vice President and Chief Financial Officer

Date: March 9, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<b>Signature</b>	<b>Title</b>	<b>Date</b>
<u>/s/ Hendrik Jacobs</u> Hendrik Jacobs	President, Chief Executive Officer and Director (Principal Executive Officer)	March 9, 2016
<u>/s/ Robert McKeracher</u> Robert McKeracher	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 9, 2016
<u>/s/ Alan Murray</u> Alan Murray	Chair of the Board and Director	March 9, 2016
<u>/s/ Jay Amato</u> Jay Amato	Director	March 9, 2016
<u>/s/ Margaret Shan Atkins</u> Margaret Shan Atkins	Director	March 9, 2016
<u>/s/ Michael Detlefsen</u> Michael Detlefsen	Director	March 9, 2016
<u>/s/ Douglas Greene</u> Douglas Greene	Director	March 9, 2016
<u>/s/ Katrina Houde</u> Katrina Houde	Director	March 9, 2016
<u>/s/ Jeremy Kendall</u> Jeremy Kendall	Director	March 9, 2016

**SUNOPTA INC.**

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**SUNOPTA INC.**

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**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of SunOpta Inc.:

We have audited the accompanying consolidated balance sheets of SunOpta Inc. and subsidiaries (the Company) as of January 2, 2016 and January 3, 2015, and the related consolidated statements of operations, comprehensive earnings, shareholders' equity, and cash flows for each of the years in the three year period ended January 2, 2016. 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of SunOpta Inc. and subsidiaries as of January 2, 2016 and January 3, 2015, and the results of their operations and their cash flows for each of the years in the three year period ended January 2, 2016, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of January 2, 2016, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 9, 2016 expressed an unqualified opinion on the Company's internal control over financial reporting.

*/s/ Deloitte LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
Toronto, Canada  
March 9, 2016

**SUNOPTA INC.**

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**SunOpta Inc.**

## Consolidated Statements of Operations

For the years ended January 2, 2016, January 3, 2015 and December 28, 2013

(All dollar amounts expressed in thousands of U.S. dollars, except per share amounts)

	January 2, 2016 \$  (note 1)	January 3, 2015 \$  (note 1)	December 28, 2013 \$  (note 1)
<b>Revenues</b>	1,145,134	1,102,745	998,660
<b>Cost of goods sold</b>	1,034,772	980,640	896,862
<b>Gross profit</b>	110,362	122,105	101,798
Selling, general and administrative expenses	85,754	80,365	69,033
Intangible asset amortization	4,951	2,036	2,182
Other expense (income), net (note 14)	12,151	(2,220)	5,455
Foreign exchange gain	(1,641)	(1,993)	(423)
<b>Earnings from continuing operations before the following</b>	9,147	43,917	25,551
Interest expense, net (note 11)	15,669	3,943	4,216
Impairment loss on investment (note 15)	-	8,441	21,495
<b>Earnings (loss) from continuing operations before income taxes</b>	(6,522)	31,533	(160)
Provision for (recovery of) income taxes (note 16)	(3,390)	12,043	8,423
<b>Earnings (loss) from continuing operations</b>	(3,132)	19,490	(8,583)
<b>Discontinued operations</b> (note 4)			
Loss from discontinued operations	(17,377)	(15,993)	(1,284)
Loss on classification as held for sale	(10,515)	-	-
Gain on sale of discontinued operation	-	2,888	-
Recovery of (provision for) income taxes	(402)	2,000	853
Loss from discontinued operations attributable to non-controlling interests	8,819	4,911	303
Loss from discontinued operations attributable to SunOpta Inc.	(19,475)	(6,194)	(128)
<b>Earnings (loss)</b>	(22,607)	13,296	(8,711)
Earnings (loss) attributable to non-controlling interests	(136)	195	(187)

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<b>Earnings (loss) attributable to SunOpta Inc.</b>	(22,471)	13,101	(8,524)
<b>Earnings (loss) per share basic</b> (note 17)			
-from continuing operations	(0.04)	0.29	(0.13)
-from discontinued operations	(0.27)	(0.09)	-
	(0.31)	0.20	(0.13)
<b>Earnings (loss) per share diluted</b> (note 17)			
-from continuing operations	(0.04)	0.28	(0.13)
-from discontinued operations	(0.27)	(0.09)	-
	(0.31)	0.19	(0.13)

(See accompanying notes to consolidated financial statements)

SUNOPTA INC.

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**SunOpta Inc.**

## Consolidated Statements of Comprehensive Earnings

For the years ended January 2, 2016, January 3, 2015 and December 28, 2013

(All dollar amounts expressed in thousands of U.S. dollars)

	January 2, 2016	January 3, 2015	December 28, 2013
	\$	\$	\$
	(note 1)	(note 1)	(note 1)
<b>Earnings (loss) from continuing operations</b>	(3,132)	19,490	(8,583)
Loss from discontinued operations, net of income taxes	(19,475)	(6,194)	(128)
<b>Earnings (loss)</b>	(22,607)	13,296	(8,711)
Change in fair value of interest rate swaps, net of income taxes	(129)	20	65
Reclassification adjustment for loss included in earnings	339	-	-
Unrealized gain on interest rate swap, net	210	20	65
Currency translation adjustment	(5,155)	(5,148)	2,209
<b>Other comprehensive earnings (loss), net of income taxes</b>	(4,945)	(5,128)	2,274
<b>Comprehensive earnings (loss)</b>	(27,552)	8,168	(6,437)
Comprehensive loss attributable to non-controlling interests	(9,565)	(4,669)	(76)
<b>Comprehensive earnings (loss) attributable to SunOpta Inc.</b>	(17,987)	12,837	(6,361)

(See accompanying notes to consolidated financial statements)

SUNOPTA INC.

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**SunOpta Inc.**

Consolidated Balance Sheets

As at January 2, 2016 and January 3, 2015

(All dollar amounts expressed in thousands of U.S. dollars)

	January 2, 2016	January 3, 2015
	\$	\$
	(note 1)	(note 1)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,274	7,768
Accounts receivable (note 6)	117,412	106,970
Inventories (note 7)	371,223	229,770
Prepaid expenses and other current assets (note 5)	20,088	17,027
Current income taxes recoverable	21,728	1,373
Current assets held for sale (notes 1 and 4)	64,330	60,688
<b>Total current assets</b>	<b>597,055</b>	<b>423,596</b>
<b>Property, plant and equipment</b> (note 8)	<b>176,513</b>	<b>112,492</b>
<b>Goodwill</b> (note 9)	<b>241,690</b>	<b>29,082</b>
<b>Intangible assets</b> (note 9)	<b>195,008</b>	<b>13,755</b>
<b>Deferred income taxes</b> (note 16)	<b>958</b>	<b>7,830</b>
<b>Other assets</b> (note 5)	<b>7,979</b>	<b>4,878</b>
<b>Long-term assets held for sale</b> (notes 1 and 4)	<b>-</b>	<b>49,317</b>