



**MAPLE LEAF FOODS INC.**

**Interim Report to Shareholders**

For the Second Quarter Ended

June 30, 2015

# Management's Discussion and Analysis

For the second quarter ended June 30, 2015

July 30, 2015

## FINANCIAL OVERVIEW

Maple Leaf Foods Inc. ("the Company") recorded sales from continuing operations of \$820.8 million for the second quarter of 2015, a decrease of 1.3% from last year, or 2.6% after adjusting for the impact of foreign exchange. The decrease was primarily a result of lower selling prices due to lower market values within the Meat Products Group, partially offset by improved volume. Sales from continuing operations for the first six months was \$1,601.0 million, an increase of 3.8%, or 2.5% after adjusting for the impact of foreign exchange, due to improved volume and a favourable sales mix, partially offset by lower selling prices due to lower market values within the Meat Products Group.

Adjusted Operating Earnings<sup>(i)</sup> for the second quarter increased to \$21.8 million compared to a loss of \$12.1 million last year. The Meat Products Group benefited from improved margins and reduced duplicative overhead in prepared meats and improved margins in fresh poultry, partially offset by lower margins in fresh pork. For the first six months, Adjusted Operating Earnings improved to \$32.2 million compared to a loss of \$42.0 million last year, due to factors similar to those noted above for the quarter and improved earnings in fresh pork.

Adjusted Earnings per Share<sup>(ii)</sup> was \$0.13 for the second quarter of 2015 compared to a loss of \$0.12 last year. For the first six months, Adjusted Earnings per Share was \$0.18 compared to a loss of \$0.36 last year.

Net loss from continuing operations for the second quarter was \$7.5 million (loss of \$0.05 per share<sup>(iii)</sup>) compared to a loss of \$39.5 million (loss of \$0.28 per share) last year. This included \$7.3 million (\$0.04 per share) of restructuring and other related costs (2014: \$20.0 million, or \$0.11 per share). The improvement in the quarter was due primarily to similar factors as noted above, lower restructuring and other related costs and interest expenses. For the first six months, net loss from continuing operations was \$10.3 million (loss of \$0.07 per share) compared to a loss of \$164.2 million (loss of \$1.17 per share) last year. This included \$18.1 million (\$0.10 per share) of restructuring and other related costs (2014: \$41.8 million, or \$0.22 per share). The year-to-date decrease was primarily due to non-recurring financing costs that were incurred last year in relation to the repayment of the Company's outstanding debt, lower selling, general and administrative costs, and similar factors discussed above.

Several items are excluded from the discussions of underlying earnings performance as they are not representative of ongoing operational activities. Refer to the section entitled Reconciliation of Non-IFRS Financial Measures at the end of this Management Discussion and Analysis on page 10 for a description and reconciliation of all non-IFRS financial measures.

Notes:

- <sup>(i)</sup> Adjusted Operating Earnings, a non-IFRS measure, is used by Management to evaluate financial operating results. It is defined as earnings from continuing operations adjusted for items that are not considered representative of ongoing operational activities of the business, and items where the economic impact of the transactions will be reflected in earnings in future periods when the underlying asset is sold or transferred. Please refer to the section entitled Non-IFRS Financial Measures on page 10.
- <sup>(ii)</sup> Adjusted Earnings per Share, a non-IFRS measure, is used by Management to evaluate ongoing financial operating results. It is defined as basic earnings per share from continuing operations attributable to common shareholders, and is adjusted on the same basis as Adjusted Operating Earnings. Please refer to the section entitled Non-IFRS Financial Measures on page 10.
- <sup>(iii)</sup> Unless otherwise stated, all per share amounts are basic attributable to common shareholders.

## OPERATING REVIEW

The following table summarizes sales by business segment:

(\$ thousands) (Unaudited)	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Meat Products Group	\$ 817,223	\$ 825,553	\$ 1,593,632	\$ 1,530,952
Agribusiness Group	3,553	6,237	7,392	12,185
<b>Total Sales<sup>(i)</sup></b>	<b>\$ 820,776</b>	<b>\$ 831,790</b>	<b>\$ 1,601,024</b>	<b>\$ 1,543,137</b>

The following table summarizes Adjusted Operating Earnings by business segment:

(\$ thousands) (Unaudited)	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Meat Products Group	\$ 17,680	\$ (15,644)	\$ 25,558	\$ (43,091)
Agribusiness Group	4,109	5,208	6,641	4,862
<b>Protein Group</b>	<b>\$ 21,789</b>	<b>\$ (10,436)</b>	<b>\$ 32,199</b>	<b>\$ (38,229)</b>
<b>Non-Allocated Costs in Adjusted Operating Earnings<sup>(ii)</sup></b>	<b>—</b>	<b>(1,614)</b>	<b>—</b>	<b>(3,749)</b>
<b>Adjusted Operating Earnings<sup>(i)</sup></b>	<b>\$ 21,789</b>	<b>\$ (12,050)</b>	<b>\$ 32,199</b>	<b>\$ (41,978)</b>

<sup>(i)</sup> 2014 figures exclude the results of the Bakery Products Group, which are reported as discontinued operations. Refer to Note 22 of the Company's 2015 second quarter unaudited condensed consolidated interim financial statements.

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

**Meat Products Group**

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

Sales in the Meat Products Group for the second quarter decreased 1.0% to \$817.2 million, or 2.3% after adjusting for the weaker Canadian dollar. The decrease was a result of lower market prices in fresh pork partially offset by a favourable sales mix in fresh poultry, primarily driven by growth in branded poultry, and improved volume in prepared meats. The volume decline experienced in response to a price increase that was implemented in the second quarter of 2014 has now been largely restored.

For the first six months, sales increased 4.1% to \$1,593.6 million, or 2.8% after adjusting for the weaker Canadian dollar, due primarily to a price increase implemented in prepared meats in the second quarter of 2014, increased volume in fresh pork and a favourable sales mix in fresh poultry.

Adjusted Operating Earnings for the second quarter increased to \$17.7 million compared to a loss of \$15.6 million last year, as a result of improved earnings in prepared meats, which benefited from normalized market conditions and lower operating costs compared to last year. This included a reduction in duplicative overhead, as the Company closed its eighth and final legacy plant, eliminating the last component of its duplicative supply chain. Earnings in fresh poultry increased as a result of improvements in margins driven by a favourable sales mix and operating efficiencies, which was partially offset by lower earnings in fresh pork as a result of reduced margins.

For the first six months, Adjusted Operating Earnings increased to \$25.6 million compared to a loss of \$43.1 million last year, due to similar factors noted above and improved earnings in the fresh pork business year-to-date, as a result of increased margins.

**Agribusiness Group**

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

Sales in the Agribusiness Group for the second quarter declined to \$3.6 million compared to \$6.2 million last year, due to lower external sales volume for feed. Sales in the first six months declined to \$7.4 million compared to \$12.2 million last year due to the same reason.

Adjusted Operating Earnings in the second quarter decreased to \$4.1 million compared to \$5.2 million last year as increased operating overhead relating to the conversion of existing farms to loose sow housing was partially offset by the benefit of hog prices, net of hedging activities. For the first six months, Adjusted Operating Earnings increased to \$6.6 million compared to \$4.9 million last year, as the benefit from hog prices, net of hedging activities, more than offset increased operating overhead.

**Non-allocated Costs**

Non-allocated amounts that are excluded from Adjusted Operating Earnings in the second quarter comprise of a \$24.2 million loss due to changes in the fair value of biological assets (2014: loss of \$18.9 million) and a \$2.4 million unrealized loss on futures contracts (2014: gain of \$26.7 million). In 2014, a realized loss of \$16.1 million on commodity futures contracts was excluded from Adjusted Operating Earnings.

For the first six months, non-allocated costs that are excluded from Adjusted Operating Earnings comprise of a \$31.4 million loss due to changes in the fair value of biological assets (2014: gain of \$21.4 million) and an \$8.7 million unrealized gain on futures contracts (2014: loss of \$9.8 million). In 2014, a realized loss of \$16.1 million on commodity futures contracts and an \$8.7 million expense related to the modification of a long-term incentive compensation plan were excluded from Adjusted Operating Earnings, as described in Note 24 of the 2015 second quarter unaudited condensed consolidated interim financial statements.

There were no non-allocated costs included in Adjusted Operating Earnings for the three and six months ended June 30, 2015. In 2014 expenses of \$1.6 million and \$3.7 million for the three and six months, respectively, were included in Adjusted Operating Earnings and related to corporate costs that were not allocated to any reportable segment.

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

**DIVESTITURE OF CANADA BREAD AND DISCONTINUED OPERATIONS**

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

The discontinued operations loss for the three and six months of 2015 pertains to additional transaction costs associated with the disposal of the Bakery Products Group in the prior year and incurred in the current year.

There were no sales from discontinued operations for the three and six months of 2015. Sales from discontinued operations for the three and six months of 2014 were \$225.0 million and \$567.9 million, respectively, relating to Canada Bread.

Net earnings from discontinued operations for the second quarter of 2014 was \$938.4 million. This included \$940.2 million in earnings from Canada Bread and residual expenses relating to the divestiture of the Rothsay business.

Net earnings from discontinued operations for the first six months of 2014 was \$931.0 million. This included \$933.5 million in earnings from Canada Bread and residual expenses relating to the divestiture of the Olivieri and Rothsay businesses.

For additional information on discontinued operations please see Note 22 of the Company's 2015 second quarter unaudited condensed consolidated interim financial statements.

**GROSS MARGIN**

Gross margin in the second quarter increased to \$75.7 million (9.2% of sales) compared to \$59.3 million (7.1% of sales) last year, largely due to margin improvement in the Meat Products Group. Prepared meats benefited from normalized market conditions and lower operating costs, including a

reduction in duplicative overhead, as the Company closed its eighth and final legacy plant, eliminating the last component of its duplicative supply chain. Fresh poultry benefited from a favourable sales mix, partially offset by reduced margins in fresh pork. Also included in gross margin was a \$5.3 million decrease in the fair value of biological assets and a \$13.0 million decrease in the fair value of realized and unrealized mark-to-market contracts compared to last year.

For the first six months of 2015, gross margin was \$165.0 million (10.3% of sales) compared to \$107.3 million (7.0% of sales) last year. The increase in gross margin was a result of similar factors noted above. Included in gross margin was a \$52.8 million decrease in the fair value of biological assets and a \$34.6 million increase in the fair value of realized and unrealized mark-to-market contracts compared to last year.

#### **SELLING, GENERAL AND ADMINISTRATIVE EXPENSE**

In the second quarter of 2015, selling, general and administrative expense increased by 0.9% to \$80.5 million (9.8% of sales) compared to \$79.8 million (9.6% of sales) last year.

In the first six months of 2015, selling, general and administrative expense decreased by 4.3% to \$155.5 million (9.7% of sales) compared to \$162.4 million (10.5% of sales) last year. The decrease was largely driven by an \$8.7 million expense related to the modification of a long-term incentive compensation plan recorded in the first quarter of 2014, as described in Note 24 of the 2015 second quarter unaudited condensed consolidated interim financial statements. The long-term incentive plan expense was excluded from Adjusted Operating Earnings as this modification was a decision made as a result of the then planned sale of the Company's interest in Canada Bread, and was therefore not considered representative of ongoing operational activities of the business.

#### **OTHER INCOME (EXPENSE)**

Other expense for the second quarter of 2015 was \$0.8 million (2014: expense of \$4.7 million) and included a depreciation charge on assets servicing divested businesses and a net loss on investment properties, partially offset by a gain on assets held for sale. Other expense in the second quarter of 2014 included a \$1.8 million depreciation charge on assets servicing divested businesses.

For the first six months of 2015, other expense was \$6.7 million (2014: expense of \$3.4 million) and included a depreciation charge on assets servicing divested businesses and a net loss on investment properties, partially offset by a gain on assets held for sale. Other expense in the first six months of 2014 included a \$1.8 million depreciation charge on assets servicing divested businesses.

Certain items in other income (expense) are excluded from the calculation of Adjusted EBITDA<sup>(i)</sup> and Adjusted Earnings per Share as they are not considered representative of ongoing operational activities of the business. Other income (expense) used in the calculation of Adjusted Earnings per Share for the second quarter of 2015 is an expense of \$0.1 million (2014: expense of \$1.1 million), and an expense of \$0.3 million (2014: expense of \$0.3 million) for the first six months.

<sup>(i)</sup> *Adjusted EBITDA is calculated as earnings from continuing operations before interest and income taxes plus depreciation and intangible asset amortization, adjusted for items that are not considered representative of ongoing operational activities of the business, and items where the economic impact of the transactions will be reflected in earnings in future periods when the underlying asset is sold or transferred. Please refer to the section entitled Non-IFRS Financial Measures on page 10.*

**RESTRUCTURING AND OTHER RELATED COSTS**

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
<b>MEAT PRODUCTS GROUP</b>				
<b>Management and organizational structure changes</b>				
Severance	\$ —	\$ 85	\$ 131	\$ 440
Site closing and other costs	—	—	—	(32)
	\$ —	\$ 85	\$ 131	\$ 408
<b>Strategic value creation initiatives</b>				
Severance	\$ 86	\$ (217)	\$ 176	\$ (1,601)
Site closing and other costs	2,874	(521)	5,838	(525)
Asset impairment and accelerated depreciation	2,977	7,241	7,214	13,263
Retention	(314)	4,549	790	11,064
	\$ 5,623	\$ 11,052	\$ 14,018	\$ 22,201
<b>Plant closure</b>				
Severance	\$ —	\$ (63)	\$ 4	\$ (63)
	\$ —	\$ (63)	\$ 4	\$ (63)
<b>Total Meat Products Group</b>	<b>\$ 5,623</b>	<b>\$ 11,074</b>	<b>\$ 14,153</b>	<b>\$ 22,546</b>
<b>NON-ALLOCATED</b>				
<b>Management and organizational structure changes</b>				
Severance <sup>(i)</sup>	\$ 989	\$ 8,822	\$ 2,545	\$ 19,116
Site closing and other costs	677	—	632	—
Pension	—	100	804	100
<b>Total Non-Allocated</b>	<b>\$ 1,666</b>	<b>\$ 8,922</b>	<b>\$ 3,981</b>	<b>\$ 19,216</b>
<b>Total restructuring and other related costs</b>	<b>\$ 7,289</b>	<b>\$ 19,996</b>	<b>\$ 18,134</b>	<b>\$ 41,762</b>

<sup>(i)</sup> 2014 amount includes share based payments as described in Note 24 of the 2015 second quarter unaudited condensed consolidated interim financial statements.

Amounts in the table above are net of reversals.

A brief description of the projects is as follows:

**Management and Organizational Structure Changes**

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

**Strategic Value Creation Initiatives**

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

**Plant Closure**

This category includes plant closures not related to the Company's Strategic Value Creation Initiatives described above. There were no such plant closures in the second quarter and first six months of 2015. During the second quarter and first six months of 2014, the Company's Meat Products Group recorded restructuring costs related to the closure of a plant located in Ayr, Ontario.

**Impairment**

During the second quarter and first six months of 2015 and 2014, the Company did not record any impairments or reversals of impairments of fixed assets through restructuring and other related costs.

Restructuring and other related costs were originally estimated to be \$13.0 million for 2015. The Company's current estimate has been updated to a range between \$25.0 million and \$30.0 million for the year.

**INTEREST EXPENSE AND OTHER FINANCING COSTS**

Interest expense and other financing costs for the second quarter of 2015 were \$1.1 million compared to \$9.7 million last year, primarily due to lower debt levels. For the first six months, interest expense and other financing costs were \$2.3 million compared to \$124.4 million last year. The decrease

was mainly due to nonrecurring financing costs of \$98.6 million related to the repayment of the Company's outstanding debt in the second quarter of 2014. The financing costs were comprised of a \$76.3 million early repayment premium to lenders, \$12.7 million of financing fees, and a \$9.6 million loss transferred from accumulated other comprehensive income into earnings due to the settlement of interest rate swaps.

#### INCOME TAXES

The Company's income tax recoverable relating to continuing operations for the second quarter of 2015 resulted in an effective tax rate of 46.0% (2014: 25.9%). The higher effective rate of taxes recoverable in 2015 is primarily the result of the favourable resolution of an income tax audit, the effective tax rate excluding this item is 24.8%. For 2015, the effective tax rate used in the computation of Adjusted Earnings per Share is 26.3% (2014: 25.7%) on restructuring charges and 26.0% (2014: 33.0%) on items not considered representative of ongoing operations. The higher tax rate in 2014 on items not considered representative of ongoing operations was primarily due to an adjustment in the income tax recovery recorded on the repayment of U.S. denominated notes and the termination of cross currency interest rate swaps.

The Company's income taxes recoverable relating to continuing operations for the six months ended June 30, 2015 resulted in an effective tax rate of 41.6% (2014: 26.1%). The higher effective rate of taxes recoverable for the first six months of 2015 is for reasons stated above, the effective tax rate excluding this item is 24.9%. For the first six months of 2015, the effective tax rate used in the computation of Adjusted Earnings per Share is 26.0% (2014: 25.7%) on restructuring charges and 26.0% (2014: 27.5%) on items not considered representative of ongoing operations. The higher tax rate for the first six months of 2014 on items not considered representative of ongoing operations was due to similar factors, as stated above.

#### ACQUISITIONS AND DIVESTITURES

There were no acquisitions or divestitures relating to continuing operations during the three and six months ended June 30, 2015 and 2014.

#### CAPITAL RESOURCES

The consumer packaged meats industry in which the Company operates is generally characterized by high sales volume and high turnover of inventories and accounts receivable. In general, accounts receivable and inventories are readily convertible into cash. Investment in working capital is affected by fluctuations in the price of raw materials, seasonal and other market-related fluctuations. For example, although an increase or decrease in pork commodity prices may not affect margins, the pricing change can have a material effect on investments in working capital (primarily inventory and accounts receivable). The Company has in the past consistently generated a strong base level of operating cash flow, even in periods of higher commodity prices and restructuring of its operations. These operating cash flows provide a base of underlying liquidity that the Company supplements with credit facilities and cash on hand to provide longer-term funding and to finance fluctuations in working capital levels.

On February 3, 2015, the Company amended its existing \$200.0 million committed credit facility by extending the maturity date of the facility to June 30, 2016 under similar terms and conditions using the same syndicate of Canadian, U.S., and international institutions. The committed facility is unsecured and bears interest based on short-term interest rates. The facility is intended to meet the Company's funding requirements for general corporate purposes and to provide appropriate levels of liquidity. As at June 30, 2015, the Company had drawn letters of credit of \$59.3 million (2014: \$87.8 million) on this facility.

On August 6, 2014, the Company entered a new uncommitted credit facility for issuing up to a maximum of \$120.0 million of letters of credit. As at June 30, 2015, \$69.5 million of letters of credit had been issued thereon. These letters of credit have been collateralized with cash, as further described in Note 4 of the Company's 2015 second quarter unaudited condensed consolidated interim financial statements.

The Company's cash balance as at June 30, 2015, is \$409.9 million. The Company has invested in short-term deposits in Canadian financial institutions with long-term debt ratings of A or higher.

To access competitively priced financing and to further diversify its funding sources, the Company operates accounts receivable securitization facilities, under which it has sold certain accounts receivable, with very limited recourse, to an entity owned by an international financial institution with a long-term AA- debt rating. The receivables are sold at a discount to face value based on prevailing money market rates. As at June 30, 2015, the Company had \$208.7 million (2014: \$214.9 million) of trade accounts receivable serviced under these facilities. In return for the sale of these receivables, the Company will receive cash of \$98.8 million (2014: \$94.9 million) and notes receivable in the amount of \$109.9 million (2014: \$120 million). Due to the timing of receipts and disbursements, the Company may, from time to time, record a receivable or payable related to the securitization facility, and as at June 30, 2015, the Company recorded a net payable of \$6.4 million in accounts payable and accruals (2014: \$1.4 million net receivable). The maximum cash advance available to the Company under this program is \$110.0 million. These facilities were accounted for as an off-balance sheet transaction in accordance with International Financial Reporting Standards ("IFRS").

The Company's securitization and other credit facilities are subject to certain restrictions, including the maintenance of covenants. The Company was in compliance with all of the requirements of these facilities as at June 30, 2015. If the securitization was to be terminated, the Company would recognize the related amounts on the consolidated balance sheet and consider alternative financing if required.

#### CAPITAL EXPENDITURES

Capital expenditures for the second quarter of 2015 were \$43.3 million compared to \$81.5 million, or \$74.0 million excluding discontinued operations, in 2014. Expenditures in the second quarter of 2015 primarily related to profit maintenance and enhancement projects in prepared meats. The decrease is attributable to higher spend on the prepared meats processing facility in Hamilton, Ontario in 2014.

Capital expenditures for the first six months of 2015 were \$69.1 million compared to \$160.4 million, or \$142.6 million excluding discontinued operations, in 2014, due to the same factors noted above.

#### NORMAL COURSE ISSUER BID

On March 23, 2015, the Company announced that the Toronto Stock Exchange ("TSX") accepted a notice filed by the Company to establish a normal course issuer bid ("NCIB") program. The NCIB program commenced on March 25, 2015 and will terminate on March 24, 2016, or on such earlier date as the Company may complete its purchases pursuant to a Notice of Intention filed with the TSX. Under the NCIB program, the Company is authorized to purchase up to 8.65 million of its common shares by way of normal course purchases effected through the facilities of the TSX and/or alternative

Canadian trading platforms. Common shares purchased by the Company will be canceled. During the three and six months ended June 30, 2015, 1,786,400 shares were purchased for cancellation for \$41.9 million.

## **CASH FLOW AND FINANCING**

Net Cash, a non-IFRS measure as described on page 10, was \$399.2 million at the end of the second quarter of 2015, compared to \$529.3 million in 2014, and net cash of \$485.8 million as at December 31, 2014. The decrease in cash for the six months ended June 30, 2015 was largely due to share repurchases, investment in property and equipment and a higher quarterly dividend payment offset by higher earnings from operations.

### **Cash Flow from Operating Activities**

Cash provided by operations for the quarter was \$74.5 million compared to cash used of \$340.9 million in the second quarter of 2014. The improvement was primarily due to higher earnings from continuing operations, a lower investment in working capital and the one time payments of \$76.3 million and \$23.6 million related to the repayment of Company's senior notes including an early repayment premium and the termination of related swaps, respectively, in the second quarter of 2014.

### **Cash Flow from Financing Activities**

Cash used in financing activities was \$52.5 million for the quarter compared to \$1,249.4 million in the second quarter of 2014. Cash used in the second quarter of 2015 primarily related to share repurchases under the NCIB program of \$41.9 million and a higher quarterly dividend payment of \$11.4 million compared to \$5.7 million last year. Cash used in the second quarter of 2014 primarily related to the repayment of all the Company's senior notes and outstanding balance on the credit facility.

### **Cash Flow from Investing Activities**

Cash used in investing activities was \$39.2 million for the quarter compared to cash provided of \$1,515.0 million in the second quarter of 2014. Cash used in the second quarter of 2015 primarily related to capital expenditures. Cash provided in the second quarter of 2014 primarily related to proceeds received from the Canada Bread sale of \$1,647.0 million, partially offset by associated transaction costs and capital expenditures relating mainly to the construction of the new prepared meats facility in Hamilton, Ontario.

## **Credit Risk**

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

In the normal course of business, the Company is exposed to credit risk from its customers, substantially all of which are in the retail, foodservice, industrial, and convenience channels. The Company performs ongoing credit evaluations of new and existing customers' financial conditions and reviews the collectability of its trade accounts receivable and other receivables in order to mitigate any possible credit losses. As at June 30, 2015, an insignificant amount of the Company's accounts receivable were greater than 60 days past due. The Company maintains an allowance for doubtful accounts relating to specific losses estimated on individual exposures. As at June 30, 2015, the Company has recorded an allowance for doubtful accounts of \$0.0 million (2014: \$0.0 million).

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

During the second quarter of 2015, the Company reported sales to one customer representing 14.6% of total sales. During the second quarter of 2014, the Company reported sales to two customers representing 12.8% and 12.6% of total sales. No other sales were made to any one customer that represented in excess of 10% of total sales.

During the first six months of 2015, the Company reported sales to one customer representing 14.6% of total sales. During the first six months of 2014, the Company reported sales to two customers representing 13.3% and 12.3% of total sales. No other sales were made to any one customer that represented in excess of 10% of total sales.

The Company is exposed to credit risk on its notes receivable from a financial institution that holds an equity interest in an unconsolidated structured entity as described in Note 28 of the 2014 annual consolidated financial statements. Management believes that this credit risk is limited by the long-term AA- debt rating held by the counterparty. The Company is exposed to credit risk on its cash and cash equivalents (comprising primarily of deposits and short-term placements with Canadian chartered banks) and non-exchange-traded derivative contracts. The Company mitigates this credit risk by only dealing with counterparties that are major international financial institutions with long-term debt ratings of A or higher. The Company's maximum exposure to credit risk at the balance sheet date consisted primarily of the carrying value of non-derivative financial assets and non-exchange-traded derivatives with positive fair values.

## **CHANGE IN FAIR VALUE OF NON-DESIGNATED INTEREST RATE SWAPS**

In the second quarter of 2015, the Company recorded a gain of \$1.2 million, compared to a gain of \$2.0 million last year, due to changes in the fair value of interest rate swaps. For the first six months of 2015, the Company recorded a gain of \$2.8 million, compared to a gain of \$3.1 million last year, due to changes in the fair value of interest rate swaps.

## **SHARE CAPITAL**

As at July 22, 2015, there were 140,789,189 common shares issued and outstanding.

**OTHER MATTERS**

On July 30, 2015, the Company declared a dividend of \$0.08 per share payable September 30, 2015, to shareholders of record at the close of business on September 4, 2015. Unless indicated otherwise by the Company in writing on or before the time the dividend is paid, the dividend will be considered an Eligible Dividend for the purposes of the "Enhanced Dividend Tax Credit System".

**RELATED PARTY TRANSACTIONS**

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

The Company sponsors a number of defined benefit and defined contribution plans. During the three months ended June 30, 2015, the Company received \$0.0 million (2014: \$0.2 million) from the defined benefit pension plans for the reimbursement of expenses incurred by the Company to provide services to these plans. During the three months ended June 30, 2015, the Company's contributions to these plans were \$2.2 million (2014: \$6.9 million), which includes \$0.0 million (2014: \$1.5 million) made by Canada Bread, which has been presented as discontinued operations.

During the six months ended June 30, 2015, the Company received \$0.0 million (2014: \$0.4 million) from the defined benefit pension plans for the reimbursement of expenses incurred by the Company to provide services to these plans. During the six months ended June 30, 2015, the Company's contributions to these plans were \$4.8 million (2014: \$17.0 million), which includes \$0.0 million (2014: \$3.7 million) made by Canada Bread, which has been presented as discontinued operations.

The Company's largest shareholder is McCain Capital Inc. ("MCI") which is beneficially owned and controlled by Mr. Michael H. McCain, Chief Executive Officer and President of the Company. During the three and six months ended June 30, 2015, the Company incurred expenses of \$0.1 million and \$0.2 million respectively, which represents the market value of the transactions with MCI.

During the three and six months ended June 30, 2015, the Company agreed to sublease office space to McCain Financial Advisory Services, an entity jointly controlled by Mr. Michael H. McCain, for cost equal to the amount that the Company is obligated to pay under its lease.

**SUMMARY OF QUARTERLY RESULTS**

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

			First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total <sup>(iii)</sup>
<b>Sales<sup>(i)</sup></b>	<b>2015</b>	<b>\$</b>	<b>780,248</b>	<b>\$ 820,776</b>	<b>\$ —</b>	<b>\$ —</b>	<b>—</b>
	2014		711,347	831,790	820,097	794,007	3,157,241
	2013		689,353	759,265	757,848	748,311	2,954,777
<b>Net earnings (loss) from continuing operations<sup>(i)</sup></b>	<b>2015</b>	<b>\$</b>	<b>(2,802)</b>	<b>\$ (7,519)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>—</b>
	2014		(124,606)	(39,544)	(26,671)	(22,992)	(213,813)
	2013		(30,644)	(38,366)	(24,474)	(47,941)	(141,425)
<b>Net earnings (loss)</b>	<b>2015</b>	<b>\$</b>	<b>(2,861)</b>	<b>\$ (7,524)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>—</b>
	2014		(131,994)	898,855	(26,767)	(28,188)	711,906
	2013		(14,742)	9	15,521	511,375	512,163
<b>Earnings (loss) per share from continuing operations<sup>(i)</sup></b>							
Basic <sup>(ii)</sup>	<b>2015</b>	<b>\$</b>	<b>(0.02)</b>	<b>\$ (0.05)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>—</b>
	2014		(0.89)	(0.28)	(0.19)	(0.16)	(1.51)
	2013		(0.22)	(0.27)	(0.18)	(0.34)	(1.01)
Diluted <sup>(ii)</sup>	<b>2015</b>	<b>\$</b>	<b>(0.02)</b>	<b>\$ (0.05)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>—</b>
	2014		(0.89)	(0.28)	(0.19)	(0.16)	(1.51)
	2013		(0.22)	(0.27)	(0.18)	(0.34)	(1.01)
Adjusted EPS <sup>(ii)(iv)</sup>	<b>2015</b>	<b>\$</b>	<b>0.05</b>	<b>\$ 0.13</b>	<b>\$ —</b>	<b>\$ —</b>	<b>—</b>
	2014		(0.24)	(0.12)	(0.12)	(0.08)	(0.56)
	2013		(0.24)	(0.25)	(0.19)	(0.41)	(1.08)
<b>Earnings (loss) per share<sup>(ii)</sup></b>							
Basic <sup>(ii)</sup>	<b>2015</b>	<b>\$</b>	<b>(0.02)</b>	<b>\$ (0.05)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>—</b>
	2014		(0.95)	6.38	(0.19)	(0.20)	5.03
	2013		(0.11)	(0.02)	0.09	3.58	3.55
Diluted <sup>(ii)</sup>	<b>2015</b>	<b>\$</b>	<b>(0.02)</b>	<b>\$ (0.05)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>—</b>
	2014		(0.95)	6.38	(0.19)	(0.20)	5.03
	2013		(0.11)	(0.02)	0.09	3.58	3.55

<sup>(i)</sup> Figures exclude discontinued operations.

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

<sup>(iii)</sup> May not add due to rounding.

<sup>(iv)</sup> Refer to Non-IFRS Financial Measures starting on page 10.

Quarterly sales in 2015 were affected by lower market prices in fresh pork offset by improved volume and increased pricing in 2014 in prepared meats, and a favourable sales mix in fresh poultry. Quarterly sales in 2014 were affected by higher market prices in fresh pork, increased pricing in prepared meats in 2013 and 2014, offset by lower volume in prepared meats.

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

For an explanation and analysis of quarterly results, please refer to the Company's Management's Discussion and Analysis for each of the respective quarterly periods which is filed on SEDAR and also available on the Company's website at [www.mapleleaffoods.com](http://www.mapleleaffoods.com).

**SIGNIFICANT ACCOUNTING POLICIES****Accounting Standards Adopted During the Period**

For the first time beginning on January 1, 2015, the Company adopted certain standards and amendments. As required by IAS 34 Interim Financial

Reporting and IAS 8 Accounting Policies, Change in Accounting Estimates and Errors, the nature and the effect of these changes are disclosed below:

#### *Employee Benefits*

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

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

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

#### **Accounting Pronouncements Issued But Not Yet Effective**

##### *Annual Improvements to IFRS (2012-2014) Cycle*

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

##### *Joint Arrangements*

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

##### *Consolidated Financial Statements and Investments in Associates and Joint Ventures*

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

##### *Revenue Recognition*

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

##### *Financial Instruments – Recognition and Measurement*

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

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

#### **DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

There have been no changes in the Company's internal controls over financial reporting during the period beginning on January 1, 2015, and ended on June 30, 2015, that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

**NON-IFRS FINANCIAL MEASURES**

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

**Adjusted Operating Earnings**

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

(\$ thousands) (Unaudited)	Three months ended June 30, 2015			
	Meat Products Group	Agribusiness Group	Non-allocated costs	Consolidated
Net earnings (loss) from continuing operations				\$ (7,519)
Income taxes				(6,410)
<b>Earnings (loss) before income taxes from continuing operations</b>				<b>\$ (13,929)</b>
Interest expense and other financing costs				1,062
Other (income) expense	170	(66)	744	848
Restructuring and other related costs	5,623	—	1,666	7,289
<b>Earnings (loss) from continuing operations</b>	<b>\$ 17,680</b>	<b>\$ 4,109</b>	<b>\$ (26,519)</b>	<b>\$ (4,730)</b>
Decrease (increase) in fair value of biological assets <sup>(i)</sup>	—	—	24,160	24,160
Unrealized (gains) loss on futures contracts <sup>(ii)</sup>	—	—	2,359	2,359
<b>Adjusted Operating Earnings</b>	<b>\$ 17,680</b>	<b>\$ 4,109</b>	<b>\$ —</b>	<b>\$ 21,789</b>

<sup>(i)</sup> Refer to Note 7 of the Company's 2015 second quarter unaudited condensed consolidated interim financial statements for further details regarding biological assets.

<sup>(ii)</sup> Realized and unrealized gains/losses on futures contracts are reported within cost of goods sold in the Company's 2015 second quarter unaudited condensed consolidated interim financial statements.

(\$ thousands) (Unaudited)	Three months ended June 30, 2014			
	Meat Products Group	Agribusiness Group	Non-allocated costs	Consolidated
Net earnings (loss) from continuing operations				\$ (39,544)
Income taxes				(13,863)
<b>Earnings (loss) before income taxes from continuing operations</b>				<b>\$ (53,407)</b>
Interest expense and other financing costs				9,652
Change in the fair value of non-designated interest rate swaps				(1,382)
Other (income) expense	1,053	(163)	3,810	4,700
Restructuring and other related costs	11,074	—	8,922	19,996
<b>Earnings (loss) from continuing operations</b>	<b>\$ (15,644)</b>	<b>\$ 5,208</b>	<b>\$ (10,005)</b>	<b>\$ (20,441)</b>
Decrease (increase) in fair value of biological assets <sup>(i)</sup>	—	—	18,884	18,884
Realized (gains) loss on futures contracts <sup>(ii)</sup>	—	—	16,100	16,100
Unrealized (gains) loss on futures contracts <sup>(ii)</sup>	—	—	(26,727)	(26,727)
Modification of long-term incentive plan <sup>(iii)</sup>	—	—	134	134
<b>Adjusted Operating Earnings<sup>(iv)</sup></b>	<b>\$ (15,644)</b>	<b>\$ 5,208</b>	<b>\$ (1,614)</b>	<b>\$ (12,050)</b>

<sup>(i)</sup> Refer to Note 7 of the Company's 2015 second quarter unaudited condensed consolidated interim financial statements for further details regarding biological assets.

<sup>(ii)</sup> Realized and unrealized gains/losses on futures contracts are reported within cost of goods sold in the Company's 2015 second quarter unaudited condensed consolidated interim financial statements.

- (iii) Modification of long-term incentive plan is reported within selling, general and administrative expenses on the Company's 2015 second quarter unaudited condensed consolidated interim financial statements.
- (iv) Figures exclude the results of the Bakery Products Group. The Bakery Products Group results are reported as discontinued operations as disclosed in Note 22 of the Company's 2015 second quarter unaudited condensed consolidated interim financial statements.

Six months ended June 30, 2015				
(\$ thousands) (Unaudited)	Meat Products Group	Agribusiness Group	Non-allocated costs	Consolidated
Net earnings (loss) from continuing operations				\$ (10,321)
Income taxes				(7,341)
<b>Earnings (loss) before income taxes from continuing operations</b>				<b>\$ (17,662)</b>
Interest expense and other financing costs				2,286
Other (income) expense	363	(63)	6,385	6,685
Restructuring and other related costs	14,153	—	3,981	18,134
<b>Earnings (loss) from continuing operations</b>	<b>\$ 25,558</b>	<b>\$ 6,641</b>	<b>\$ (22,756)</b>	<b>\$ 9,443</b>
Decrease (increase) in fair value of biological assets <sup>(i)</sup>	—	—	31,443	31,443
Unrealized (gains) loss on futures contracts <sup>(ii)</sup>	—	—	(8,687)	(8,687)
<b>Adjusted Operating Earnings</b>	<b>\$ 25,558</b>	<b>\$ 6,641</b>	<b>\$ —</b>	<b>\$ 32,199</b>

(i) Refer to Note 7 of the Company's 2015 second quarter unaudited condensed consolidated interim financial statements for further details regarding biological assets.

(ii) Realized and unrealized gains/losses on futures contracts are reported within cost of goods sold in the Company's 2015 second quarter unaudited condensed consolidated interim financial statements.

Six months ended June 30, 2014				
(\$ thousands) (Unaudited)	Meat Products Group	Agribusiness Group	Non-allocated costs	Consolidated
Net earnings (loss) from continuing operations				\$ (164,150)
Income taxes				(58,056)
<b>Earnings (loss) before income taxes from continuing operations</b>				<b>\$ (222,206)</b>
Interest expense and other financing costs				124,363
Change in the fair value of non-designated interest rate swaps				(2,492)
Other (income) expense	527	(454)	3,334	3,407
Restructuring and other related costs	22,546	—	19,216	41,762
<b>Earnings (loss) from continuing operations</b>	<b>\$ (43,091)</b>	<b>\$ 4,862</b>	<b>\$ (16,937)</b>	<b>\$ (55,166)</b>
Decrease (increase) in fair value of biological assets <sup>(i)</sup>	—	—	(21,422)	(21,422)
Realized (gains) loss on futures contracts <sup>(ii)</sup>	—	—	16,100	16,100
Unrealized (gains) loss on futures contracts <sup>(ii)</sup>	—	—	9,776	9,776
Modification of long-term incentive plan <sup>(iii)</sup>	—	—	8,734	8,734
<b>Adjusted Operating Earnings<sup>(iv)</sup></b>	<b>\$ (43,091)</b>	<b>\$ 4,862</b>	<b>\$ (3,749)</b>	<b>\$ (41,978)</b>

(i) Refer to Note 7 of the Company's 2015 second quarter unaudited condensed consolidated interim financial statements for further details regarding biological assets.

(ii) Realized and unrealized gains/losses on futures contracts are reported within cost of goods sold in the Company's 2015 second quarter unaudited condensed consolidated interim financial statements.

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

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

#### Adjusted Earnings per Share

Adjusted Earnings per Share, a non-IFRS measure, is used by Management to evaluate ongoing financial operating results. It is defined as basic earnings (loss) per share from continuing operations attributable to common shareholders, and is adjusted on the same basis as Adjusted Operating Earnings. The table below provides a reconciliation of basic earnings (loss) per share from continuing operations as reported under IFRS in the

unaudited consolidated interim statements of earnings (loss) to Adjusted Earnings per Share for the three and six months ended, as indicated below. Management believes this basis is the most appropriate on which to evaluate financial results as they are representative of the ongoing operations of the Company.

(\$ per Share) (Unaudited)	Three months ended June 30,		Six months ended June 30,	
	2015	2014 <sup>(i)</sup>	2015	2014 <sup>(i)</sup>
Basic earnings (loss) per share from continuing operations	\$ (0.05)	\$ (0.28)	\$ (0.07)	\$ (1.17)
Restructuring and other related costs <sup>(ii)</sup>	0.04	0.11	0.10	0.22
Items included in other income not considered representative of ongoing operations <sup>(iii)</sup>	—	0.02	0.03	0.02
Change in the fair value of non-designated interest rate swaps <sup>(iv)</sup>	—	—	—	(0.01)
Change in the fair value of unrealized (gain) loss on futures contracts <sup>(iv)</sup>	0.01	(0.14)	(0.05)	0.05
Change in the fair value of realized (gain) loss on futures contracts <sup>(iv)</sup>	—	0.08	—	0.09
Change in the fair value of biological assets <sup>(iv)</sup>	0.13	0.10	0.17	(0.11)
Other financing costs <sup>(v)</sup>	—	(0.01)	—	0.51
Modification impact to long-term incentive plan <sup>(vi)</sup>	—	—	—	0.05
<b>Adjusted Earnings per Share<sup>(vii)</sup></b>	<b>\$ 0.13</b>	<b>\$ (0.12)</b>	<b>\$ 0.18</b>	<b>\$ (0.36)</b>

<sup>(i)</sup> 2014 figures reflect the reclassification of the change in fair value of non-designated interest rate swaps to other income. Refer to Note 20 of the Company's 2015 second quarter unaudited condensed consolidated interim financial statements for further details.

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

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

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

<sup>(v)</sup> Includes a \$76.3 million early repayment premium to lenders, \$12.7 million in financing costs, and a \$9.6 million loss transferred from accumulated other comprehensive income into earnings related to the settlement of interest rate swaps that are no longer designated as hedging instruments.

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

<sup>(vii)</sup> May not add due to rounding.

#### Adjusted Earnings Before Interest, Tax, Depreciation, and Amortization

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

(\$ thousands) (Unaudited)	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Net earnings (loss) from continuing operations	\$ (7,519)	\$ (39,544)	\$ (10,321)	\$ (164,150)
Income taxes	(6,410)	(13,863)	(7,341)	(58,056)
Earnings (loss) before income taxes from continuing operations	\$ (13,929)	\$ (53,407)	\$ (17,662)	\$ (222,206)
Interest expense and other financing costs	1,062	9,652	2,286	124,363
Items included in other income not representative of ongoing operations <sup>(i)</sup>	744	3,604	6,385	3,061
Restructuring and other related costs	7,289	19,996	18,134	41,762
Change in the fair value of non-designated interest rate swaps, biological assets and unrealized and realized (gains) losses on futures contracts	26,519	6,875	22,756	1,962
Modification impact to long-term incentive plan <sup>(ii)</sup>	—	134	—	8,734
Depreciation and amortization	27,310	19,110	53,951	40,611
<b>Adjusted EBITDA</b>	<b>\$ 48,995</b>	<b>\$ 5,964</b>	<b>\$ 85,850</b>	<b>\$ (1,713)</b>

<sup>(i)</sup> Includes gains/losses associated with non-operational activities, including gains/losses related to discontinued operations, assets held for sale, and interest income.

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

### Net Cash (Debt)

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

(\$ thousands) (Unaudited)	As at June 30, 2015	As at June 30, 2014	As at March 31, 2015	As at December 31, 2014
Current portion of long-term debt	\$ (729)	\$ (407)	\$ (592)	\$ (472)
Long-term debt	(9,990)	(9,911)	(10,012)	(10,017)
<b>Sub total</b>	<b>\$ (10,719)</b>	<b>\$ (10,318)</b>	<b>\$ (10,604)</b>	<b>\$ (10,489)</b>
Cash and cash equivalents	409,923	539,610	427,100	496,328
<b>Net Cash (Debt)</b>	<b>\$ 399,204</b>	<b>\$ 529,292</b>	<b>\$ 416,496</b>	<b>\$ 485,839</b>

### FORWARD-LOOKING STATEMENTS

This document contains, and the Company's oral and written public communications often contain, "forward-looking information" within the meaning of applicable securities law. These statements are based on current expectations, estimates, forecasts, and projections about the industries in which the Company operates, as well as beliefs and assumptions made by the Management of the Company. Such statements include, but are not limited to, statements with respect to objectives and goals, in addition to statements with respect to beliefs, plans, objectives, expectations, anticipations, estimates, and intentions. Specific forward-looking information in this document includes, but is not limited to, statements with respect to: the anticipated benefits, timing, actions, costs, and investments associated with the Value Creation Plan; expectations regarding the use of derivatives, futures and options; expectations regarding improving efficiencies; the expected use of cash balances; source of funds for ongoing business requirements; capital investments; expectations regarding acquisitions and divestitures; LEED certification; expectations regarding the adoption of new accounting standards and the impact of such adoption on financial position; expectations regarding sufficiency of the allowance for uncollectible accounts; and expectations regarding pension plan performance and future pension plan liabilities and contributions. Words such as "expect", "anticipate", "intend", "may", "will", "plan", "believe", "seek", "estimate", and variations of such words and similar expressions are intended to identify such forward-looking information. These statements are not guarantees of future performance and involve assumptions and risks and uncertainties that are difficult to predict.

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

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

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

- risks posed by litigation;
- impact of changes in consumer tastes and buying patterns;
- impact of extensive environmental regulation and potential environmental liabilities;
- risks associated with a consolidating retail environment;
- risks posed by competition;
- risks associated with complying with differing employment laws and practices, the potential for work stoppages due to non-renewal of collective agreements, and recruiting and retaining qualified personnel;
- risks associated with pricing the Company's products;
- risks associated with managing the Company's supply chain; and
- risks associated with failing to identify and manage the strategic risks facing the Company.

The Company cautions the reader that the foregoing list of factors is not exhaustive. These factors are discussed in more detail under the heading "Risk Factors" in the Company's Management Discussion and Analysis for the fiscal year ended December 31, 2014, which is available on SEDAR at [www.sedar.com](http://www.sedar.com). The reader should review such section in detail. Some of the forward-looking information may be considered to be financial outlooks for purposes of applicable securities legislation including, but not limited to, statements concerning future Adjusted EBITDA margins; capital expenditures; cash costs; and non-cash restructuring charges. These financial outlooks are presented to allow the Company to benchmark the results of the Value Creation Plan. These financial outlooks may not be appropriate for other purposes and readers should not assume they will be achieved. The Company does not intend to, and the Company disclaims any obligation to, update any forward-looking information, whether written or oral, or whether as a result of new information, future events or otherwise, except as required by law. Additional information concerning the Company, including the Company's Annual Information Form and Management's Discussion and Analysis for the fiscal year ended December 31, 2014 is available on SEDAR at [www.sedar.com](http://www.sedar.com). Maple Leaf Foods Inc. is a leading Canadian consumer protein company. Headquartered in Mississauga, Canada, the Company employs approximately 12,000 people at its operations in Canada and Asia.

# Consolidated Balance Sheets

<i>(In thousands of Canadian dollars)</i>	<i>Notes</i>	<b>As at June 30, 2015</b>	<b>As at June 30, 2014</b>	<b>As at December 31, 2014</b>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>	
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	4	\$ 409,923	\$ 539,610	\$ 496,328
Accounts receivable	5	55,419	51,981	60,396
Notes receivable	5	109,862	119,963	110,209
Inventories	6	280,082	275,101	270,401
Biological assets	7	79,912	126,096	105,743
Income and other taxes recoverable		—	36,273	—
Prepaid expenses and other assets		23,359	27,769	20,157
Assets held for sale	8	484	634	1,107
		<b>\$ 959,041</b>	<b>\$ 1,177,427</b>	<b>\$ 1,064,341</b>
Property and equipment		1,057,526	1,031,767	1,042,506
Investment property		7,493	3,204	3,312
Employee benefits	9	73,744	110,872	88,162
Other long-term assets		11,740	9,061	9,881
Deferred tax asset		76,738	700	74,986
Goodwill	10	428,236	428,236	428,236
Intangible assets	11	147,145	182,335	165,066
<b>Total assets</b>		<b>\$ 2,761,663</b>	<b>\$ 2,943,602</b>	<b>\$ 2,876,490</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Accounts payable and accruals		\$ 277,806	\$ 278,907	\$ 275,249
Provisions	12	36,037	52,576	60,443
Current portion of long-term debt	13	729	407	472
Income taxes payable		17,319	—	26,614
Other current liabilities	14	38,737	35,992	24,383
		<b>\$ 370,628</b>	<b>\$ 367,882</b>	<b>\$ 387,161</b>
Long-term debt	13	9,990	9,911	10,017
Employee benefits	9	170,670	142,622	196,482
Provisions	12	16,370	27,499	17,435
Other long-term liabilities	15	21,849	23,193	20,899
Deferred tax liability		—	19,393	—
<b>Total liabilities</b>		<b>\$ 589,507</b>	<b>\$ 590,500</b>	<b>\$ 631,994</b>
<b>Shareholders' equity</b>				
Share capital	17	\$ 921,438	\$ 922,888	\$ 936,479
Retained earnings		1,214,585	1,344,343	1,228,815
Contributed surplus	17	36,300	82,994	79,652
Accumulated other comprehensive income (loss) associated with continuing operations	16	105	4,227	(226)
Treasury stock		(272)	(1,350)	(224)
<b>Total shareholders' equity</b>		<b>\$ 2,172,156</b>	<b>\$ 2,353,102</b>	<b>\$ 2,244,496</b>
<b>Total liabilities and equity</b>		<b>\$ 2,761,663</b>	<b>\$ 2,943,602</b>	<b>\$ 2,876,490</b>

See accompanying Notes to the Unaudited Condensed Consolidated Interim Financial Statements.

# Consolidated Statements of Net Earnings (Loss)

<i>(In thousands of Canadian dollars, except share amounts)</i> <i>(Unaudited)</i>	Notes	Three months ended June 30,		Six months ended June 30,	
		2015	2014	2015	2014
Sales		\$ 820,776	\$ 831,790	\$ 1,601,024	\$ 1,543,137
Cost of goods sold		745,038	772,466	1,436,064	1,435,878
Gross margin		\$ 75,738	\$ 59,324	\$ 164,960	\$ 107,259
Selling, general and administrative expenses		80,468	79,765	155,517	162,425
Earnings (loss) from continuing operations before the following:		\$ (4,730)	\$ (20,441)	\$ 9,443	\$ (55,166)
Restructuring and other related costs	18	(7,289)	(19,996)	(18,134)	(41,762)
Change in fair value of non-designated interest rate swaps	19, 20	—	1,382	—	2,492
Other income (expense)	20	(848)	(4,700)	(6,685)	(3,407)
Earnings (loss) before interest and income taxes from continuing operations		\$ (12,867)	\$ (43,755)	\$ (15,376)	\$ (97,843)
Interest expense and other financing costs	21	1,062	9,652	2,286	124,363
Earnings (loss) before income taxes from continuing operations		\$ (13,929)	\$ (53,407)	\$ (17,662)	\$ (222,206)
Income taxes		(6,410)	(13,863)	(7,341)	(58,056)
Earnings (loss) from continuing operations		\$ (7,519)	\$ (39,544)	\$ (10,321)	\$ (164,150)
Earnings (loss) from discontinued operations	22	(5)	938,399	(64)	931,011
Net earnings (loss)		\$ (7,524)	\$ 898,855	\$ (10,385)	\$ 766,861
Attributed to:					
Common shareholders		\$ (7,524)	\$ 897,797	\$ (10,385)	\$ 764,886
Non-controlling interest		—	1,058	—	1,975
		\$ (7,524)	\$ 898,855	\$ (10,385)	\$ 766,861
Earnings (loss) per share attributable to common shareholders:	23				
Basic and diluted earnings (loss) per share		\$ (0.05)	\$ 6.38	\$ (0.07)	\$ 5.45
Basic and diluted earnings (loss) per share from continuing operations		\$ (0.05)	\$ (0.28)	\$ (0.07)	\$ (1.17)
Weighted average number of shares (millions)		142.6	140.7	142.7	140.4

See accompanying Notes to the Unaudited Condensed Consolidated Interim Financial Statements.

# Consolidated Statements of Other Comprehensive Income (Loss)

(In thousands of Canadian dollars) (Unaudited)	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Net earnings (loss)	\$ (7,524)	\$ 898,855	\$ (10,385)	\$ 766,861
Other comprehensive income (loss)				
Items that will not be reclassified to profit or loss:				
Actuarial gains and losses (Net of tax of \$1.5 million and \$6.6 million; 2014: \$1.2 million and \$1.0 million)	\$ 4,252	\$ (3,545)	\$ 18,959	\$ (2,831)
Total items that will not be reclassified to profit or loss	\$ 4,252	\$ (3,545)	\$ 18,959	\$ (2,831)
Items that are or may be reclassified subsequently to profit or loss:				
Change in accumulated foreign currency translation adjustment (Net of tax of \$0.0 million; 2014: \$0.0 million)	\$ (515)	\$ (560)	\$ 567	\$ (215)
Change in unrealized gains and losses on cash flow hedges (Net of tax of \$1.6 million and \$0.1 million; 2014: \$2.2 million and \$3.0 million)	4,666	6,017	(236)	8,236
Total items that are or may be reclassified subsequently to profit or loss	\$ 4,151	\$ 5,457	\$ 331	\$ 8,021
Other comprehensive income (loss) from continuing operations	\$ 8,403	\$ 1,912	\$ 19,290	\$ 5,190
Other comprehensive income (loss) from discontinued operations <sup>(i)</sup> (Net of tax of \$0.0 million; 2014: \$1.2 million and \$1.3 million)	—	(5,429)	—	(569)
Total other comprehensive income (loss)	\$ 8,403	\$ (3,517)	\$ 19,290	\$ 4,621
Comprehensive income (loss)	\$ 879	\$ 895,338	\$ 8,905	\$ 771,482
Attributed to:				
Common shareholders	\$ 879	\$ 895,187	\$ 8,905	\$ 769,751
Non-controlling interest	\$ —	\$ 151	\$ —	\$ 1,731

<sup>(i)</sup> The above amount includes \$0.0 million for the three and six months ended June 30, 2015 (2014: \$3.6 million and \$4.4 million) relating to actuarial gains and losses that will not subsequently be re-classified to profit or loss.

See accompanying Notes to the Unaudited Condensed Consolidated Interim Financial Statements.

# Consolidated Statements of Changes in Total Equity

		Attributable to Common Shareholders								
<i>(In thousands of Canadian dollars)</i> <i>(Unaudited)</i>					Total accumulated other comprehensive income (loss) associated with continuing operations	Total accumulated other comprehensive income (loss) associated with assets held for sale	Treasury stock	Non- controlling interest	Total equity	
	Notes	Share capital	Retained earnings	Contributed surplus						
<b>Balance at December 31, 2014</b>		\$ 936,479	\$ 1,228,815	\$ 79,652	\$ (226)	\$ —	\$ (224)	\$ —	\$ 2,244,496	
Net earnings (loss)		—	(10,385)	—	—	—	—	—	(10,385)	
Other comprehensive income (loss)	16	—	18,959	—	331	—	—	—	19,290	
Dividends declared (\$0.16 per share)		—	(22,804)	—	—	—	—	—	(22,804)	
Stock-based compensation expense		—	—	4,215	—	—	—	—	4,215	
Obligation for repurchase of shares	17	(5,510)	—	(15,070)	—	—	—	—	(20,580)	
Repurchase of shares	17	(11,719)	—	(30,191)	—	—	—	—	(41,910)	
Issuance of treasury stock		—	—	(2,306)	—	—	1,140	—	(1,166)	
Exercise of stock options		2,188	—	—	—	—	—	—	2,188	
Shares purchased by RSU trust		—	—	—	—	—	(1,188)	—	(1,188)	
<b>Balance at June 30, 2015</b>		\$ 921,438	\$ 1,214,585	\$ 36,300	\$ 105	\$ —	\$ (272)	\$ —	\$ 2,172,156	

		Attributable to Common Shareholders								
<i>(In thousands of Canadian dollars)</i> <i>(Unaudited)</i>					Total accumulated other comprehensive income (loss) associated with continuing operations	Total accumulated other comprehensive income (loss) associated with assets held for sale	Treasury stock	Non- controlling interest	Total equity	
	Notes	Share capital	Retained earnings	Contributed surplus						
<b>Balance at December 31, 2013</b>		\$ 905,216	\$ 602,717	\$ 79,139	\$ (4,593)	\$ —	\$ (1,350)	\$ 60,863	\$ 1,641,992	
Net earnings (loss)		—	764,886	—	—	—	—	1,975	766,861	
Transfer to held for sale	8	—	—	—	799	(799)	—	—	—	
Other comprehensive income (loss)	16	—	(6,045)	—	8,021	2,889	—	(244)	4,621	
Dividends declared (\$0.08 per share)		—	(11,271)	—	—	—	—	(3,017)	(14,288)	
Stock-based compensation expense		—	—	19,867	—	—	—	—	19,867	
Disposal of business	22	—	—	—	—	(2,090)	—	(59,577)	(61,667)	
Exercise of stock options		17,672	—	—	—	—	—	—	17,672	
Modification of stock compensation plan	24	—	(5,944)	(16,012)	—	—	—	—	(21,956)	
<b>Balance at June 30, 2014</b>		\$ 922,888	\$ 1,344,343	\$ 82,994	\$ 4,227	\$ —	\$ (1,350)	\$ —	\$ 2,353,102	

See accompanying Notes to the Unaudited Condensed Consolidated Interim Financial Statements.

# Consolidated Statements of Cash Flow

<i>(In thousands of Canadian dollars)</i> <i>(Unaudited)</i>		Three months ended June 30,		Six months ended June 30,	
	Notes	2015	2014	2015	2014
<b>CASH PROVIDED BY (USED IN):</b>					
<b>Operating activities</b>					
Net earnings (loss)		\$ (7,524)	\$ 898,855	\$ (10,385)	\$ 766,861
Add (deduct) items not affecting cash:					
Change in fair value of biological assets		24,160	18,884	31,443	(21,422)
Depreciation and amortization		32,449	23,650	64,215	50,293
Stock-based compensation		2,535	11,175	4,215	19,867
Deferred income taxes		(7,305)	84,453	(8,284)	40,439
Income tax current		895	7,512	943	9,943
Interest expense and other financing costs		1,062	10,264	2,286	125,149
Loss (gain) on sale of long-term assets		656	398	63	162
Loss (gain) on sale of business	22	—	(1,008,044)	—	(1,007,576)
Loss (gain) on sale of assets held for sale		(5,262)	—	(5,262)	(1,736)
Change in fair value of non-designated interest rate swaps		(1,214)	(1,994)	(2,783)	(3,104)
Change in fair value of derivative financial instruments		1,853	(26,025)	(9,518)	10,609
Impairment of assets (net of reversals)		—	785	979	785
Increase in pension liability		6,731	2,988	13,371	6,381
Net income taxes paid		(54)	(1,762)	(10,895)	(8,615)
Net settlement of financial instruments		—	(23,631)	—	(23,631)
Early repayment premium		—	(76,311)	—	(76,311)
Interest paid		(816)	(19,258)	(1,671)	(37,583)
Change in provision for restructuring and other related costs		(10,286)	16,597	(15,589)	30,257
Settlement of cash-settled restricted share units		(5,332)	—	(5,332)	—
Other		12,597	(33,520)	12,784	(27,970)
Change in non-cash operating working capital		29,393	(225,927)	(20,598)	(262,010)
Cash provided by (used in) operating activities		\$ 74,538	\$ (340,911)	\$ 39,982	\$ (409,212)
<b>Financing activities</b>					
Dividends paid		\$ (11,365)	\$ (5,658)	\$ (22,804)	\$ (11,271)
Dividends paid to non-controlling interest		—	(3,017)	—	(24,621)
Net increase (decrease) in long-term debt		—	(698,664)	—	(699,014)
Net drawings (payments) on the credit facility		—	(555,000)	—	(255,000)
Exercise of stock options		784	16,722	2,188	17,672
Repurchase of shares	17	(41,910)	—	(41,910)	—
Payment of financing fees		(50)	(3,769)	(277)	(3,769)
Cash provided by (used in) financing activities		\$ (52,541)	\$ (1,249,386)	\$ (62,803)	\$ (976,003)
<b>Investing activities</b>					
Additions to long-term assets		\$ (44,019)	\$ (78,259)	\$ (70,452)	\$ (175,931)
Capitalization of interest expense		—	(2,721)	—	(5,504)
Adjustment to sale of business	22	—	—	—	(468)
Proceeds from sale of business		—	1,647,015	—	1,647,015
Transaction costs		—	(28,901)	—	(28,901)
Cash associated with divested business		—	(23,011)	—	(23,011)
Proceeds from sale of long-term assets		137	905	2,160	3,255
Proceeds from sale of assets held for sale		5,896	—	5,896	6,108
Purchase of treasury stock		(1,188)	—	(1,188)	—
Cash provided by (used in) investing activities		\$ (39,174)	\$ 1,515,028	\$ (63,584)	\$ 1,422,563
<b>Increase (decrease) in cash and cash equivalents</b>		<b>\$ (17,177)</b>	<b>\$ (75,269)</b>	<b>\$ (86,405)</b>	<b>\$ 37,348</b>
Net cash and cash equivalents, beginning of period		427,100	470,783	496,328	502,262
Net cash and cash equivalent in held for sale, beginning of period		—	144,096	—	—
Net cash and cash equivalents, end of period	4	\$ 409,923	\$ 539,610	\$ 409,923	\$ 539,610

See accompanying Notes to the Unaudited Condensed Consolidated Interim Financial Statements.

# Notes to the Unaudited Condensed Consolidated Interim Financial Statements

## 1. THE COMPANY

Maple Leaf Foods Inc. (“Maple Leaf Foods” or the “Company”) is a producer of food products under leading brands including Maple Leaf®, Maple Leaf Prime®, Maple Leaf Natural Selections®, Schneiders®, Schneiders Country Naturals® and Mina™. The Company’s portfolio includes prepared meats, ready-to-cook and ready-to-serve meals and valued-added fresh pork and poultry. The address of the Company’s registered office is 6985 Financial Dr. Mississauga, Ontario, L5N 0A1, Canada. The unaudited condensed consolidated interim financial statements of the Company as at and for the three and six months ended June 30, 2015, include the accounts of the Company and its subsidiaries. The Company’s results are organized into three segments: Meat Products Group, Agribusiness Group, and Bakery Products Group. During the year ended December 31, 2014, the operations of the Bakery Products Group were sold (Note 22).

## 2. BASIS OF PREPARATION

### (a) Statement of Compliance

The unaudited condensed consolidated interim financial statements (or “consolidated financial statements”) have been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”) and using the accounting policies described herein, consistent with the Company’s 2014 annual audited consolidated financial statements, except for new standards adopted during the period as described in Note 3(a).

The consolidated financial statements were authorized for issue by the Board of Directors on July 30, 2015.

### (b) Basis of Measurement

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

### (c) Functional and Presentation Currency

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

### (d) Disposal of business

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

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

The Consolidated Balance Sheets include the assets of divested businesses up until the date of sale. From the point of time when Management determines that the carrying amount of a business will be recovered through a sale transaction rather than continuing use, the assets and liabilities of that business are presented as assets held for sale, and liabilities associated with assets held for sale. The Consolidated Statements of Cash Flow include the cash flows of divested business up to the date of sale.

### (e) Use of Estimates and Judgements

The preparation of unaudited condensed consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) requires Management to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual amounts may differ from these estimates.

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

Judgements included in the consolidated financial statements are decisions made by Management, based on analysis of relevant information available at the time the decision is made. Judgements relate to the application of accounting policies and decisions related to the measurement, recognition, and disclosure of financial amounts.

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

#### *Long-lived Assets Valuation*

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

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

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

*Measurement of Fair Values*

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

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

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in the Company's 2014 annual audited consolidated financial statements.

*Nature of Interests in Other Entities*

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

*Valuation of Inventory*

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

*Biological Assets*

Biological assets are measured at each reporting date, at fair value less costs to sell, except when fair value cannot be reliably measured. If fair value cannot be reliably measured, biological assets are measured at cost less depreciation and impairment losses. Although a reliable measure of fair value may not be available at the point of initial recognition, it may subsequently become available. In such circumstances, biological assets are measured at fair value less costs to sell from the point at which the reliable measure of fair value becomes available. Gains and losses that arise on measuring biological assets at fair value less costs to sell are recognized in the statement of net earnings (loss) in the period in which they arise. Costs to sell include all costs that would be necessary to sell the biological assets, including costs necessary to get the biological assets to market.

*Trade Merchandise Allowances and Other Trade Discounts*

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

*Employee Benefit Plans*

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

*Income Taxes*

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

*Provisions*

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

*Stock-based Compensation*

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

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

#### *Depreciation and Amortization*

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

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements should be read in conjunction with the Company's 2014 annual audited consolidated financial statements. These consolidated financial statements have been prepared in accordance with IFRS using the same accounting policies as were applied in the 2014 annual consolidated financial statements, except for new accounting standards adopted during the six months ended June 30, 2015, as described below:

#### **(a) Accounting Standards Adopted During the Period**

For the first time beginning on January 1, 2015, the Company adopted certain standards and amendments. As required by IAS 34 Interim Financial Reporting and IAS 8 Accounting Policies, Change in Accounting Estimates and Errors, the nature and the effect of these changes are disclosed below:

##### *Employee Benefits*

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

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

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

#### **(b) Accounting Pronouncements Issued But Not Yet Effective**

##### *Annual Improvements to IFRS (2012-2014) Cycle*

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

##### *Joint Arrangements*

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

##### *Consolidated Financial Statements and Investments in Associates and Joint Ventures*

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

##### *Revenue Recognition*

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

standard. The Company intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning January 1, 2018. The extent of the impact of adoption of IFRS 15 has not yet been determined.

#### *Financial Instruments – Recognition and Measurement*

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

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

#### **4. CASH AND CASH EQUIVALENTS**

As at June 30, 2015, the Company had agreements to cash collateralize certain of its letters of credit up to an amount of \$120.0 million (2014: \$0.0 million), of which \$77.3 million (2014: \$0.0 million) was deposited with a major financial institution.

#### **5. ACCOUNTS AND NOTES RECEIVABLE**

Components of Accounts Receivable are as follows:

	As at June 30, 2015	As at June 30, 2014	As at December 31, 2014
Trade receivables	\$ 19,011	\$ 13,974	\$ 20,498
Less: Allowance for doubtful accounts	(4)	(4)	(4)
Net trade receivables	\$ 19,007	\$ 13,970	\$ 20,494
Other receivables:			
Commodity taxes receivable	9,855	11,651	9,539
Interest rate swap receivable	359	3,928	2,308
Government receivable	15,393	14,120	16,583
Other	10,805	8,312	11,472
	\$ 55,419	\$ 51,981	\$ 60,396

The aging of trade receivables is as follows:

	As at June 30, 2015	As at June 30, 2014	As at December 31, 2014
Current	\$ 17,417	\$ 11,959	\$ 16,875
Past due 0-30 days	1,189	1,901	3,623
Past due 31-60 days	374	103	—
Past due 61-90 days	29	11	—
Past due > 90 days	2	—	—
	\$ 19,011	\$ 13,974	\$ 20,498

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

Under revolving securitization programs, the Company has sold certain of its trade receivables to an entity owned by a financial institution. The Company retains servicing responsibilities for these receivables. As at June 30, 2015, trade receivables being serviced under these programs amounted to \$208.7 million (2014: \$214.9 million). In return for the sale of its trade receivables, the Company will receive cash of \$98.8 million (2014: \$94.9 million) and notes receivable in the amount of \$109.9 million (2014: \$120.0 million). The notes receivable are non-interest bearing and are adjusted on the settlement dates of the securitized accounts receivable. Due to the timing of receipts and disbursements, the Company may, from time to time, also record a receivable or payable related to the securitization facility. As at June 30, 2015, the Company recorded a net payable amount of \$6.4 million (2014: \$1.4 million net receivable) in accounts payable and accruals.

The Company's securitization programs require the sale of trade receivables to be treated as a sale from an accounting perspective and as a result, trade receivables sold under these programs are derecognized in the consolidated balance sheets as at June 30, 2015, June 30, 2014 and December 31, 2014.

**6. INVENTORIES**

	As at June 30, 2015	As at June 30, 2014	As at December 31, 2014
Raw materials	\$ 30,270	\$ 37,097	\$ 31,345
Work in process	21,283	23,786	19,502
Finished goods	184,348	171,136	169,103
Packaging	16,679	16,903	22,083
Spare parts	27,502	26,179	28,368
	<b>\$ 280,082</b>	<b>\$ 275,101</b>	<b>\$ 270,401</b>

During the three months ended June 30, 2015, inventory in the amount of \$643.0 million (2014: \$677.5 million) was expensed through cost of goods sold. There were no reversals of previous write-downs recognized.

During the six months ended June 30, 2015, inventory in the amount of \$1,259.1 million (2014: \$1,247.0 million) was expensed through cost of goods sold. There were no reversals of previous write-downs recognized.

**7. BIOLOGICAL ASSETS**

The change in fair value of commercial hog and poultry stock for the three months ended June 30, 2015, was a loss of \$24.2 million (2014: loss of \$18.9 million) and was recorded in cost of goods sold.

The change in fair value of commercial hog and poultry stock for the six months ended June 30, 2015, was a loss of \$31.4 million (2014: gain of \$21.4 million) and was recorded in cost of goods sold.

The fair value measures of commercial hog stock have been categorized as Level 3 fair value based on inputs to the valuation techniques used. There were no transfers between levels during the three and six months ended June 30, 2015.

**8. ASSETS AND LIABILITIES HELD FOR SALE**

A brief description of the assets and liabilities held for sale is as follows:

**Investment Properties**

As at June 30, 2015, the Company intends to dispose of \$0.5 million (2014: \$0.6 million) of various investment properties it no longer utilizes. Investment properties are included in non-allocated assets for segmented reporting.

**Canada Bread Company, Limited**

On February 12, 2014, the Company announced that Grupo Bimbo, S.A.B. de C.V. of Mexico ("Grupo Bimbo") agreed to acquire all of the issued and outstanding common shares of Canada Bread Company, Limited ("Canada Bread"), a subsidiary in which the Company had a 90.0% controlling interest. The assets of Canada Bread were included in the Bakery Products Group for segmented reporting. As at March 31, 2014, Canada Bread was classified as a disposal group held for sale and was de-recognized upon the closing date of the sale on May 23, 2014. The results of Canada Bread are presented as a discontinued operation as disclosed in Note 22.

**9. EMPLOYEE BENEFITS**

For the three months ended June 30, 2015, the Company recorded expenses of \$9.6 million (2014: \$11.2 million) related to pension and other post-retirement benefits, of which \$0.0 million is related to discontinued operations (2014: \$2.1 million).

For the six months ended June 30, 2015, the Company recorded expenses of \$19.9 million (2014: \$23.8 million) related to pension and other post-retirement benefits, of which \$0.0 million is related to discontinued operations (2014: \$5.6 million).

**10. GOODWILL**

The continuity of goodwill for the six months ended June 30, 2015 and 2014 is as follows:

<b>Cost</b>	<b>June 30, 2015</b>	June 30, 2014
Opening balance January 1	\$ 428,236	\$ 826,040
Transfer to assets held for sale	—	(401,617)
Foreign currency translation	—	4,170
<b>Balance</b>	<b>\$ 428,236</b>	<b>\$ 428,593</b>
<b>Impairment losses</b>		
Opening balance January 1	\$ —	\$ (105,242)
Transfer to assets held for sale	—	108,033
Foreign currency translation	—	(3,148)
<b>Balance</b>	<b>\$ —</b>	<b>\$ (357)</b>
<b>Net carrying amounts</b>	<b>\$ 428,236</b>	<b>\$ 428,236</b>

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

**11. INTANGIBLE ASSETS**

Intangible assets include trademarks, customer relationships, quota and software.

	<b>As at June 30, 2015</b>	As at June 30, 2014	As at December 31, 2014
Indefinite life	\$ 66,853	\$ 66,853	\$ 66,853
Definite life	80,292	115,482	98,213
<b>Total intangible assets</b>	<b>\$ 147,145</b>	<b>\$ 182,335</b>	<b>\$ 165,066</b>

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

## 12. PROVISIONS

	Note	Legal	Environ- mental	Lease make- good	Restructuring and other related costs <sup>(i)</sup>	Total
<b>Balance at December 31, 2014<sup>(ii)</sup></b>		\$ 2,250	\$ 11,030	\$ 4,457	\$ 60,141	\$ 77,878
Charges		—	—	250	6,150	6,400
Reversals		—	—	—	(240)	(240)
Cash payments		—	(34)	(1,350)	(16,148)	(17,532)
Non-cash items		—	—	(1,020)	120	(900)
<b>Balance at March 31, 2015</b>		\$ 2,250	\$ 10,996	\$ 2,337	\$ 50,023	\$ 65,606
Charges		—	—	—	4,967	4,967
Reversals		—	—	—	(655)	(655)
Cash payments		—	(124)	—	(17,575)	(17,699)
Non-cash items		—	—	—	188	188
<b>Balance at June 30, 2015</b>		\$ 2,250	\$ 10,872	\$ 2,337	\$ 36,948	\$ 52,407
Current					\$	36,037
Non-current						16,370
<b>Total at June 30, 2015</b>					\$	52,407
		Legal	Environ- mental	Lease make- good	Restructuring and other related costs <sup>(i)</sup>	Total
Balance at December 31, 2013		\$ 561	\$ 12,603	\$ 4,736	\$ 56,556	\$ 74,456
Charges		91	—	16	18,998	19,105
Reversals		—	—	—	(1,573)	(1,573)
Cash payments		(413)	(3)	—	(9,983)	(10,399)
Foreign currency translation		—	—	104	193	297
Transfer to liabilities associated with assets held for sale	8	—	(1,316)	(2,517)	(6,959)	(10,792)
<b>Balance at March 31, 2014</b>		\$ 239	\$ 11,284	\$ 2,339	\$ 57,232	\$ 71,094
Charges		—	—	—	13,512	13,512
Reversals		—	—	—	(280)	(280)
Cash payments		—	(117)	—	(4,134)	(4,251)
<b>Balance at June 30, 2014</b>		\$ 239	\$ 11,167	\$ 2,339	\$ 66,330	\$ 80,075
Current					\$	52,576
Non-current						27,499
<b>Total at June 30, 2014</b>					\$	80,075

<sup>(i)</sup> For additional information on restructuring and other related costs, see the table below.

<sup>(ii)</sup> Balance at December 31, 2014, includes current portion of \$60.4 million and non-current portion of \$17.4 million.

The following tables provide a summary of provisions recorded in respect of restructuring and other related costs as at June 30, 2015, and June 30, 2014, all on a pre-tax basis.

	Severance	Site closing and other cash costs	Retention	Total restructuring and other related costs
<b>Balance at December 31, 2014</b>	\$ 34,773	\$ 12,324	\$ 13,044	\$ 60,141
Charges	1,781	3,047	1,322	6,150
Reversals	—	(22)	(218)	(240)
Cash payments	(4,932)	(3,756)	(7,460)	(16,148)
Non-cash items	—	120	—	120
<b>Balance at March 31, 2015</b>	\$ 31,622	\$ 11,713	\$ 6,688	\$ 50,023
Charges	1,075	3,755	137	4,967
Reversals	—	(204)	(451)	(655)
Cash payments	(5,085)	(6,138)	(6,352)	(17,575)
Non-cash items	—	188	—	188
<b>Balance at June 30, 2015</b>	\$ 27,612	\$ 9,314	\$ 22	\$ 36,948

	Severance	Site closing and other cash costs	Retention	Total restructuring and other related costs
Balance at December 31, 2013	\$ 27,824	\$ 12,124	\$ 16,608	\$ 56,556
Charges	10,801	216	7,981	18,998
Reversals	(1,536)	(37)	—	(1,573)
Cash payments	(3,573)	(3,130)	(3,280)	(9,983)
Foreign currency translation	(29)	222	—	193
Transfer to liabilities associated with assets held for sale	(2,765)	(2,691)	(1,503)	(6,959)
Balance at March 31, 2014	\$ 30,722	\$ 6,704	\$ 19,806	\$ 57,232
Charges	8,907	56	4,549	13,512
Reversals	(280)	—	—	(280)
Cash payments	(1,916)	(347)	(1,871)	(4,134)
Balance at June 30, 2014	\$ 37,433	\$ 6,413	\$ 22,484	\$ 66,330

### 13. LONG-TERM DEBT

On February 3, 2015, the Company amended its existing \$200.0 million credit facility by extending the maturity of the facility to June 30, 2016 under similar terms and conditions using the same syndicate of Canadian, U.S., and international institutions. The facility is unsecured and bears interest based on short-term interest rates. The facility is intended to meet the Company's funding requirements for general corporate purposes, and to provide appropriate levels of liquidity. As at June 30, 2015, the Company had drawn letters of credit of \$59.3 million (2014: \$87.8 million) on this facility.

During the three months ended March 31, 2014, the Company amended its existing revolving credit facility to include additional shorter-term financing. This facility included a revolving component with an availability of \$1,050.0 million and a non-revolving component of \$330.0 million. Upon closing of the Canada Bread sale on May 23, 2014, the facility was reduced to a revolving \$200.0 million.

On April 14, 2014, the Company repaid notes payable for an amount of US\$360.5 million (CDN\$395.5 million) and CDN\$400.0 million, comprising US\$318.0 million (CDN\$348.8 million) and CDN\$354.5 million of principal, US\$36.7 million (CDN\$38.7 million) and CDN\$37.6 million of early repayment premium, and US\$5.8 million (CDN\$6.4 million) and CDN\$7.9 million of accrued interest.

**14. OTHER CURRENT LIABILITIES**

	Notes	As at June 30, 2015	As at June 30, 2014	As at December 31, 2014
Derivative instruments	19	\$ 9,890	\$ 27,116	\$ 13,932
Liability for stock-based compensation	24	3,515	6,505	6,469
Obligation for repurchase of shares	17	20,580	—	—
Other		4,752	2,371	3,982
		\$ 38,737	\$ 35,992	\$ 24,383

**15. OTHER LONG-TERM LIABILITIES**

	Note	As at June 30, 2015	As at June 30, 2014	As at December 31, 2014
Derivative instruments	19	\$ 8,502	\$ 9,626	\$ 7,748
Other		13,347	13,567	13,151
		\$ 21,849	\$ 23,193	\$ 20,899

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

	Attributable to Common Shareholders				Total accumulated other comprehensive income (loss) associated with continuing operations
	Foreign currency translation adjustments <sup>(i)</sup>	Unrealized gain (loss) on cash flow hedges <sup>(ii)</sup>	Actuarial gains and (losses) <sup>(ii)</sup>		
<b>Balance at December 31, 2014</b>	\$ 737	\$ (963)	\$ —	\$ —	(226)
Other comprehensive income (loss)	1,082	(4,902)	14,707		10,887
Transfer to retained earnings	—	—	(14,707)		(14,707)
<b>Balance at March 31, 2015</b>	\$ 1,819	\$ (5,865)	\$ —	\$ —	(4,046)
Other comprehensive income (loss)	(515)	4,666	4,252		8,403
Transfer to retained earnings	—	—	(4,252)		(4,252)
<b>Balance at June 30, 2015</b>	\$ 1,304	\$ (1,199)	\$ —	\$ —	105
	Attributable to Common Shareholders				Total accumulated other comprehensive income (loss) associated with continuing operations
	Foreign currency translation adjustments <sup>(i)</sup>	Unrealized gain (loss) on cash flow hedges <sup>(ii)</sup>	Actuarial gains and (losses) <sup>(ii)</sup>		
Balance at December 31, 2013	\$ 269	\$ (4,862)	\$ —	\$ —	(4,593)
Other comprehensive income (loss)	345	2,219	714		3,278
Transfer to retained earnings	—	—	(714)		(714)
Transfer to held for sale	1,025	(226)	—		799
Balance at March 31, 2014	\$ 1,639	\$ (2,869)	\$ —	\$ —	(1,230)
Other comprehensive income (loss)	(560)	6,017	(3,545)		1,912
Transfer to retained earnings	—	—	3,545		3,545
Balance at June 30, 2014	\$ 1,079	\$ 3,148	\$ —	\$ —	4,227

<sup>(i)</sup> Items that are or may be subsequently reclassified to profit or loss.

<sup>(ii)</sup> Items that will not be reclassified to profit or loss.

The Company estimates that \$1.2 million net of tax of \$0.4 million of the unrealized gain included in accumulated other comprehensive income (loss) will be reclassified into net earnings (loss) within the next 12 months. The actual amount of this reclassification will be impacted by future changes in the

fair value of financial instruments designated as cash flow hedges. During the three months ended June 30, 2015, a loss of approximately \$5.0 million, net of tax of \$1.7 million was released to earnings from accumulated other comprehensive loss and is included in the net change for the period (2014: loss of approximately \$2.8 million, net of tax of \$1.0 million).

During the six months ended June 30, 2015, a loss of approximately \$6.0 million, net of tax of \$2.1 million was released to earnings from accumulated other comprehensive loss and is included in the net change for the period (2014: loss of approximately \$11.7 million, net of tax of \$4.1 million, inclusive of \$7.1 million net of tax of \$2.5 million related to the terminated cross-currency interest rate swaps as disclosed in Note 19).

## 17. SHARE CAPITAL

On March 23, 2015 the Toronto Stock Exchange ("TSX") accepted the Company's notice to launch a new normal course issuer bid, which allows the Company to repurchase, at its discretion, up to approximately 8.65 million common shares in the open market or as otherwise permitted, subject to the normal terms and limitations of such bids. Common shares purchased by the Company will be canceled. The program commenced on March 25, 2015 and will terminate on March 24, 2016, or on such earlier date as the Company completes its purchases pursuant to the notice of intention. During the three and six months ended June 30, 2015, 1,786,400 shares were purchased for cancellation for \$41.9 million.

The Company entered into an Automatic Share Purchase Plan ("ASPP") with a broker that allows the purchase of common shares for cancellation under the NCIB at any time during predetermined trading blackout periods. As at June 30, 2015, an obligation for the repurchase of shares of \$20.6 million, was recognized under the ASPP.

### Contributed Surplus

Of the total cost of \$41.9 million for the share cancellation, \$11.7 million represents a reduction of share capital and \$30.2 million represents a reduction of contributed surplus.

Of the total obligation for repurchase of shares of \$20.6 million, \$5.5 million represents a reduction of share capital and \$15.1 million represents a reduction of contributed surplus.

## 18. RESTRUCTURING AND OTHER RELATED COSTS

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
<b>MEAT PRODUCTS GROUP</b>				
<b>Management and organizational structure changes</b>				
Severance	\$ —	\$ 85	\$ 131	\$ 440
Site closing and other costs	—	—	—	(32)
	\$ —	\$ 85	\$ 131	\$ 408
<b>Strategic value creation initiatives</b>				
Severance	\$ 86	\$ (217)	\$ 176	\$ (1,601)
Site closing and other costs	2,874	(521)	5,838	(525)
Asset impairment and accelerated depreciation	2,977	7,241	7,214	13,263
Retention	(314)	4,549	790	11,064
	\$ 5,623	\$ 11,052	\$ 14,018	\$ 22,201
<b>Plant closure</b>				
Severance	\$ —	\$ (63)	\$ 4	\$ (63)
	\$ —	\$ (63)	\$ 4	\$ (63)
<b>Total Meat Products Group</b>	<b>\$ 5,623</b>	<b>\$ 11,074</b>	<b>\$ 14,153</b>	<b>\$ 22,546</b>
<b>NON-ALLOCATED</b>				
<b>Management and organizational structure changes</b>				
Severance <sup>(i)</sup>	\$ 989	\$ 8,822	\$ 2,545	\$ 19,116
Site closing and other costs	677	—	632	—
Pension	—	100	804	100
<b>Total Non-Allocated</b>	<b>\$ 1,666</b>	<b>\$ 8,922</b>	<b>\$ 3,981</b>	<b>\$ 19,216</b>
<b>Total restructuring and other related costs</b>	<b>\$ 7,289</b>	<b>\$ 19,996</b>	<b>\$ 18,134</b>	<b>\$ 41,762</b>

<sup>(i)</sup> 2014 amount includes share based payments as described in Note 24.

Amounts in the table above are net of reversals.

A brief description of the projects is as follows:

#### Management and Organizational Structure Changes

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

#### Strategic Value Creation Initiatives

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

#### Plant Closure

This category includes plant closures not related to the Company's Strategic Value Creation Initiatives described above. There were no such plant closures in the three and six months ended June 30, 2015. During the three and six months ended June 30, 2014, the Company's Meat Products Group recorded restructuring costs related to the closure of a plant located in Ayr, Ontario.

#### Impairment

During the three and six months ended June 30, 2015 and 2014, the Company did not record any impairments or reversals of impairments of fixed assets through restructuring and other related costs.

### 19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT ACTIVITIES

The Company is exposed to credit risk, interest rate risk, liquidity risk, foreign exchange risk, and commodity price risk. The Company has policies for managing these risks that are aligned with its overall objective to maintain a simple cost-effective capital structure that supports a long-term growth strategy and maximizes operating flexibility.

On March 14, 2014, the Company issued a notice of repayment of its notes payable, with a subsequent repayment on April 14, 2014.

On the original issuance of the U.S. denominated debt, and in order to hedge against the foreign exchange risk associated with the issuance of U.S. denominated debt, the Company entered into cross-currency interest rate swaps. The cross-currency swaps converted the U.S. denominated fixed-rate notes, into fixed-rate Canadian denominated notes, and were accounted for as cash flow hedges.

As a result of the decision to accelerate the repayment of all outstanding notes, hedge accounting on all of the cross-currency interest rate swaps was discontinued. This resulted in a reclassification of \$9.6 million from accumulated other comprehensive income, to interest expense and other financing costs, during the six months ended June 30, 2014. During the same period, the Company terminated cross-currency interest rate swaps maturing in 2021, and the remaining cross-currency swaps maturing in 2014.

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

#### Financial Instruments

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

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

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

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

The fair values and notional amounts of derivative financial instruments at June 30 are shown below:

	2015			2014		
	Notional amount <sup>(i)</sup>	Fair value		Notional amount <sup>(i)</sup>	Fair value	
		Asset	Liability		Asset	Liability
<b>Cash flow hedges</b>						
Foreign exchange contracts <sup>(ii)</sup>	\$ 165,648	\$ 807	\$ 2,303	\$ 222,212	\$ 4,290	\$ —
Commodity contracts <sup>(ii)</sup>	22,538	—	81	27,066	91	—
<b>Fair value hedges</b>						
Commodity contracts <sup>(ii)</sup>	\$ 21,473	\$ 2,408	\$ —	\$ 52,742	\$ —	\$ 8,684
<b>Derivatives not designated in a formal hedging relationship</b>						
Interest rate swaps	\$ 520,000	\$ 4,814	\$ 14,519	\$ 1,180,000	\$ —	\$ 15,658
Foreign exchange contracts <sup>(ii)</sup>	190,212	853	1,489	206,803	214	1,233
Commodity contracts <sup>(ii)</sup>	298,147	16,053	—	695,135	2,768	11,167
<b>Total fair value</b>	\$	\$ 24,935	\$ 18,392	\$	\$ 7,363	\$ 36,742
Current <sup>(iii)</sup>	\$	\$ 22,322	\$ 9,890	\$	\$ 7,363	\$ 27,116
Non-current		2,613	8,502		—	9,626
<b>Total fair value</b>	\$	\$ 24,935	\$ 18,392	\$	\$ 7,363	\$ 36,742

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

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

<sup>(iii)</sup> At June 30, 2015, the above fair value of current assets has been reduced on the consolidated balance sheet by an amount of \$11.5 million, which represents the excess of the fair market value of exchange traded commodities contracts over the initial margin requirements. The excess or deficit in maintenance margin requirements with the futures exchange is net settled in cash each day and is therefore presented as cash and cash equivalents.

The fair value of financial assets and liabilities classified as loans and receivables and other financial liabilities as at June 30, 2015, approximate their carrying value due to their short-term nature.

The fair value of the long term-debt as at June 30, 2015 approximates its carrying value.

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

Derivatives not designated in a formal hedging relationship are classified as held for trading. Net gains (losses) on financial instruments held for trading consist of realized and unrealized gains (losses) on derivatives that were de-designated or were otherwise not in a formal hedging relationship. During the three months ended June 30, 2015, the Company recorded a pre-tax gain of \$8.8 million (2014: gain of \$3.5 million) on financial instruments held for trading. During the three months ended June 30, 2014 and 2015, the held-for-trading gain was mainly attributed to trading in commodity exchange traded contracts which hedge and off-set price risk volatility inherent in the hog operational business.

During the six months ended June 30, 2015, the Company recorded a pre-tax gain of \$21.9 million (2014: loss of \$36.6 million) on financial instruments held-for-trading.

During the three months ended June 30, 2015, the pre-tax amount of hedge ineffectiveness recognized in earnings was a gain of \$0.0 million (2014: loss of \$0.2 million).

During the six months ended June 30, 2015, the pre-tax amount of hedge ineffectiveness recognized in earnings was a loss of \$0.1 million (2014: gain of \$0.1 million)

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

	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Foreign exchange contracts	\$ —	\$ 1,660	\$ —	1,660
Commodity contracts	17,542	919	—	18,461
Interest rate swaps	—	4,814	—	4,814
	<b>\$ 17,542</b>	<b>\$ 7,393</b>	<b>\$ —</b>	<b>24,935</b>
<b>Liabilities:</b>				
Foreign exchange contracts	\$ —	\$ 3,792	\$ —	3,792
Commodity contracts	81	—	—	81
Interest rate swaps	—	14,519	—	14,519
	<b>\$ 81</b>	<b>\$ 18,311</b>	<b>\$ —</b>	<b>18,392</b>

There were no transfers between levels during the six months ended June 30, 2015 and June 30, 2014. Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

#### Non-designated Interest Rate Swaps

The change in fair value of non-designated interest rate swaps for the three months ended June 30, 2015, was a gain of \$1.2 million (Note 20) (\$0.9 million after-tax) and was recorded in net earnings (loss) (2014: gain of \$2.0 million (\$1.2 million after-tax)).

The change in fair value of non-designated interest rate swaps for the six months ended June 30, 2015, was a gain of \$2.8 million (Note 20) (\$2.1 million after-tax) and was recorded in net earnings (loss) (2014: gain of \$3.1 million (\$2.3 million after-tax)).

**20. OTHER INCOME (EXPENSE)**

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Gain (loss) on sale of property and equipment	\$ (656)	\$ (515)	\$ (361)	(832)
Gain (loss) on sale of investment properties	—	—	298	350
Gain (loss) on sale of assets held for sale <sup>(i)</sup>	5,262	—	5,262	—
Net investment property loss	(1,499)	(403)	(2,562)	(449)
Hedge ineffectiveness	—	(163)	—	68
Impairment of assets <sup>(ii)</sup>	—	(785)	(979)	(785)
Legal settlements	—	17	—	170
Depreciation of assets used to support divested businesses <sup>(iii)</sup>	(5,108)	(1,770)	(10,195)	(1,770)
Interest income	975	—	2,079	—
Net expense on non-designated interest rate swaps <sup>(iv)</sup>	(1,242)	(646)	(2,959)	(646)
Change in fair value of non-designated interest rate swaps <sup>(iv)</sup>	1,214	613	2,783	613
Other	206	(1,048)	(51)	(126)
	\$ (848)	\$ (4,700)	\$ (6,685)	(3,407)

<sup>(i)</sup> *Gain (loss) on sale of assets held for sale*

During the three and six months ended June 30, 2015, Investment properties held for sale were disposed of for net proceeds of \$5.9 million (2014: \$0.0 million), resulting in a pre-tax gain of \$5.3 million (2014: \$0.0 million).

<sup>(ii)</sup> *Impairments of assets*

Impairments recorded by the Company related to the following:	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Property and equipment	\$ —	\$ 570	\$ 979	\$ 570
Other Assets	—	215	—	215
<b>Total impairments</b>	<b>\$ —</b>	<b>\$ 785</b>	<b>\$ 979</b>	<b>\$ 785</b>

<sup>(iii)</sup> *Depreciation of assets used to support divested businesses*

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

<sup>(iv)</sup> *Non-designated Interest Rate Swaps*

For the three and six months ended June 30, 2015, the net expense on non-designated interest rate swaps is presented in other income, as this expense is no longer considered a financing cost as a result of the repayment of all of the Company's outstanding debt in the second quarter of 2014. The change in fair value of non-designated interest rate swaps has also been reclassified to other income to appropriately group the similar charges together. For the three and six months ended June 30, 2014, \$0.6 million of net expense on non-designated interest rate swaps, that was previously presented as interest expense and other financing charges, has been presented as other income. This amount represents the portion of the expense relating to the period after the outstanding debt was fully repaid. The portion of the change in fair value of non-designated interest rate swaps relating to the period after the debt was paid of \$0.6 million for the three and six months ended June 30, 2014 has also been reclassified to other income.

**21. INTEREST EXPENSE AND OTHER FINANCING COSTS**

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Interest expense on long-term debt	\$ 114	\$ 2,116	\$ 228	\$ 13,104
Interest on bankers' acceptances and prime loans	—	6,481	—	9,143
Interest expense on interest rate swaps	—	590	—	5,985
Interest income on interest rate swaps	—	(429)	—	(5,044)
Net interest expense on non-designated interest rate swaps	—	1,034	—	2,714
Interest expense on securitized receivables	434	457	829	876
Deferred finance charges	90	1,819	152	3,016
Other interest charges	424	113	1,077	1,495
Interest capitalized	—	(2,721)	—	(5,504)
Other financing costs <sup>(i)</sup>	—	192	—	98,578
	\$ 1,062	\$ 9,652	\$ 2,286	\$ 124,363

<sup>(i)</sup> Other financing costs for the six months ended June 30, 2014, included costs associated with the repayment of all of the Company's outstanding senior notes including an early repayment premium of \$76.3 million, write-off of deferred financing fees of \$8.9 million, financing costs associated with the new credit facility of \$3.8 million and a release from accumulated other comprehensive income on the de-designation of cross-currency interest rate swaps of \$9.6 million.

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

On May 23, 2014, Grupo Bimbo, S.A.B. de C.V. of Mexico ("Grupo Bimbo") acquired the 90.0% of issued and outstanding shares of Canada Bread owned by the Company, by way of a statutory plan of arrangement under the Business Corporations Act (Ontario) (the "Arrangement"). The Company received proceeds of \$1,647.0 million for its 90.0% interest in Canada Bread, resulting in a pre-tax gain of \$1,030.5 million for the three months ended June 30, 2014 and \$999.6 million for six months ended June 30, 2014. Upon the sale of the business, the net assets of Canada Bread have been de-recognized from assets held for sale. For the three and six months ended June 30, 2014, the Canada Bread operations have been classified as discontinued operations on the Consolidated Statements of Net Earnings (Loss), and are presented as part of Bakery Products Group for segmented reporting. Additional transaction costs associated with the sale but incurred in 2015 are also recorded as discontinued operations as an adjustment to the gain on disposal.

**Olivieri Fresh Pasta and Sauce Business**

On November 25, 2013, the Company sold substantially all the net assets of its Olivieri fresh pasta and sauce business ("Olivieri"), a component of the Bakery Products Group, to Catelli Foods Corporation. The purchase price was finalized during March 2014. The final net proceeds were \$115.8 million, including a pre-tax adjustment during March 2014 of \$0.5 million. The adjustment to the gain on disposal and its related tax impact is recognized as part of the results of discontinued operations for the six months ended June 30, 2014.

**Rothsay By-product Recycling Business**

On October 28, 2013 the Company sold substantially all of the net assets of its Rothsay animal by-product recycling operations ("Rothsay"), a component of the Agribusiness Group, to Darling International Inc. for net proceeds of \$628.5 million, resulting in a pre-tax gain of \$526.5 million recognized for the year ended December 31, 2013. During the three months ended June 30, 2014, the Company recorded an adjustment to the gain on disposal of \$2.5 million relating to additional non-cash transaction costs incurred associated with the sale.

Following is a summary of earnings (loss) from discontinued operations:

Three Months Ended June 30,	Note	2015		2014			
		Canada Bread	Total	Canada Bread	Olivieri	Rothsay	Total
Sales		\$ —	\$ —	\$ 225,024	\$ —	\$ —	\$ 225,024
Cost of goods sold		—	—	173,138	—	—	173,138
Gross margin		\$ —	\$ —	\$ 51,886	\$ —	\$ —	\$ 51,886
Selling, general, and administrative expenses		—	—	30,929	—	—	30,929
Operating Earnings before the following:		\$ —	\$ —	\$ 20,957	\$ —	\$ —	\$ 20,957
Restructuring and other related costs		—	—	(735)	—	—	(735)
Gain on disposal of discontinued operations <sup>(i)(ii)</sup>		—	—	1,030,532	—	—	1,030,532
Adjustment of prior gain on disposal of discontinued operations <sup>(iii)</sup>		(5)	(5)	—	—	(2,488)	(2,488)
Other income (expense)		—	—	(3,427)	—	—	(3,427)
Earnings (loss) before interest and income taxes from discontinued operations		\$ (5)	\$ (5)	\$ 1,047,327	\$ —	\$ (2,488)	\$ 1,044,839
Interest expense and other financing costs		—	—	612	—	—	612
Earnings (loss) before income taxes from discontinued operations		\$ (5)	\$ (5)	\$ 1,046,715	\$ —	\$ (2,488)	\$ 1,044,227
Income taxes		—	—	106,470	—	(642)	105,828
Net earnings (loss) from discontinued operations		\$ (5)	\$ (5)	\$ 940,245	\$ —	\$ (1,846)	\$ 938,399
Attributed to:							
Common shareholders		\$ (5)	\$ (5)	\$ 939,187	\$ —	\$ (1,846)	\$ 937,341
Non-controlling interest		—	—	1,058	—	—	1,058
		\$ (5)	\$ (5)	\$ 940,245	\$ —	\$ (1,846)	\$ 938,399
Earnings (loss) per share from discontinued operations attributable to common shareholders:	23						
Basic and diluted earnings (loss) per share from discontinued operations		\$	(0.00)			\$	6.66
Weighted average number of shares (millions)			142.6				140.7

Six months ended June 30,	Note	2015		2014			
		Canada Bread	Total	Canada Bread	Olivieri	Rothsay	Total
Sales		\$ —	\$ —	\$ 567,861	\$ —	\$ —	\$ 567,861
Cost of goods sold		—	—	439,710	—	—	439,710
Gross margin		\$ —	\$ —	\$ 128,151	\$ —	\$ —	\$ 128,151
Selling, general, and administrative expenses		—	—	80,322	—	—	80,322
Operating Earnings before the following:		\$ —	\$ —	\$ 47,829	\$ —	\$ —	\$ 47,829
Restructuring and other related costs		—	—	(2,612)	—	—	(2,612)
Gain on disposal of discontinued operations <sup>(i)(ii)</sup>		—	—	999,556	—	—	999,556
Adjustment of prior gain on disposal of discontinued operations <sup>(iii)</sup>		(64)	(64)	—	(468)	(2,488)	(2,956)
Other income (expense)		—	—	(1,582)	—	—	(1,582)
Earnings (loss) before interest and income taxes from discontinued operations		\$ (64)	\$ (64)	\$ 1,043,191	\$ (468)	\$ (2,488)	\$ 1,040,235
Interest expense and other financing costs		—	—	786	—	—	786
Earnings (loss) before income taxes from discontinued operations		\$ (64)	\$ (64)	\$ 1,042,405	\$ (468)	\$ (2,488)	\$ 1,039,449
Income taxes		—	—	108,920	160	(642)	108,438
Net earnings (loss) from discontinued operations		\$ (64)	\$ (64)	\$ 933,485	\$ (628)	\$ (1,846)	\$ 931,011
Attributed to:							
Common shareholders		\$ (64)	\$ (64)	\$ 931,473	\$ (591)	\$ (1,846)	\$ 929,036
Non-controlling interest		—	—	2,012	(37)	—	1,975
		\$ (64)	\$ (64)	\$ 933,485	\$ (628)	\$ (1,846)	\$ 931,011
Earnings (loss) per share from discontinued operations attributable to common shareholders:	23						
Basic and diluted earnings (loss) per share from discontinued operations		\$	(0.00)				\$ 6.62
Weighted average number of shares (millions)			142.7				140.4

<sup>(i)</sup> Included in the gain on disposal of discontinued operations is \$8.5 million of stock compensation expenses for the three months and six months ended June 30, 2014.

<sup>(ii)</sup> Gain, net of tax, attributable to common shareholders is \$0.0 million (2014: \$926.8 million) for the three months ended June 30, 2015 and \$0.0 million (2014: \$899.8 million) for the six months ended June 30, 2015.

<sup>(iii)</sup> Adjustment of prior gain on disposal of discontinued operations includes \$0.0 million (2014: \$2.5 million) of stock-based compensation paid to Management as a result of the successful completion of the transaction.

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

The net cash flows provided by (used in) the discontinued operations are as follows:

Three months ended June 30,	2015		2014		
	Canada Bread	Total	Canada Bread	Olivieri	Total
Operating cash flows	\$ —	\$ —	\$ (83,584)	—	\$ (83,584)
Financing cash flows	—	—	(30,192)	—	(30,192)
Investing cash flows	(5)	(5)	1,587,794	—	1,587,794
Net cash flows	\$ (5)	\$ (5)	\$ 1,474,018	\$ —	\$ 1,474,018

Six months ended June 30,	2015		2014		
	Canada Bread	Total	Canada Bread	Olivieri	Total
Operating cash flows	\$ —	\$ —	\$ (41,059)	\$ (160)	\$ (41,219)
Financing cash flows	—	—	(246,583)	—	(246,583)
Investing cash flows	(64)	(64)	1,585,730	(468)	1,585,262
Net cash flows	\$ (64)	\$ (64)	\$ 1,298,088	\$ (628)	\$ 1,297,460

### 23. EARNINGS (LOSS) PER SHARE

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

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

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

Three months ended June 30,	Attributable to Common Shareholders					
	2015			2014		
	Net earnings (loss)	Weighted average number of shares <sup>(ii)</sup>	EPS	Net earnings (loss)	Weighted average number of shares <sup>(ii)</sup>	EPS
Basic						
Continuing operations	\$ (7,519)	142.6	\$ (0.05)	\$ (39,544)	140.7	\$ (0.28)
Gain on sale of business, net of tax	—	142.6	—	926,783	140.7	6.58
Discontinued operations before gain on sale of business	(5)	142.6	(0.00)	10,558	140.7	0.08
	\$ (7,524)	142.6	\$ (0.05)	897,797	140.7	\$ 6.38
Stock options <sup>(i)</sup>	—	—	—	—	—	—
Diluted						
Continuing operations	\$ (7,519)	142.6	\$ (0.05)	\$ (39,544)	140.7	\$ (0.28)
Gain on sale of business	—	142.6	—	926,783	140.7	6.58
Discontinued operations before gain on sale of business	(5)	142.6	(0.00)	10,558	140.7	0.08
	\$ (7,524)	142.6	\$ (0.05)	897,797	140.7	\$ 6.38

<sup>(i)</sup> Excludes the effect of approximately 5.4 million options and restricted share units (2014: 4.8 million) to purchase common shares that are anti-dilutive.

<sup>(ii)</sup> In millions.

Six months ended June 30,	Attributable to Common Shareholders					
	2015			2014		
	Net earnings (loss)	Weighted average number of shares <sup>(ii)</sup>	EPS	Net earnings (loss)	Weighted average number of shares <sup>(ii)</sup>	EPS
<b>Basic</b>						
Continuing operations	\$ (10,321)	142.7	\$ (0.07)	\$ (164,150)	140.4	\$ (1.17)
Gain on sale of business, net of tax	—	142.7	—	899,820	140.4	6.41
Discontinued operations before gain on sale of business	(64)	142.7	(0.00)	29,216	140.4	0.21
	<b>\$ (10,385)</b>	<b>142.7</b>	<b>\$ (0.07)</b>	<b>\$ 764,886</b>	<b>140.4</b>	<b>\$ 5.45</b>
Stock options <sup>(i)</sup>	—	—	—	—	—	—
<b>Diluted</b>						
Continuing operations	\$ (10,321)	142.7	\$ (0.07)	\$ (164,150)	140.4	\$ (1.17)
Gain on sale of business	—	142.7	—	899,820	140.4	6.41
Discontinued operations before gain on sale of business	(64)	142.7	(0.00)	29,216	140.4	0.21
	<b>\$ (10,385)</b>	<b>142.7</b>	<b>\$ (0.07)</b>	<b>\$ 764,886</b>	<b>140.4</b>	<b>\$ 5.45</b>

<sup>(i)</sup> Excludes the effect of approximately 5.4 million options and restricted share units (2014: 4.8 million) to purchase common shares that are anti-dilutive.

<sup>(ii)</sup> In millions.

#### 24. SHARE-BASED PAYMENT

Under the Maple Leaf Foods Share Incentive Plan in effect as at June 30, 2015, the Company may grant options to its employees and employees of its subsidiaries to purchase shares of common stock and may grant Restricted Share Units ("RSUs") and Performance Share Units ("PSUs") entitling employees to receive common shares or cash at the Company's option. Options, RSUs, and PSUs are granted from time to time by the Board of Directors on the recommendation of the Human Resources Compensation Committee. The vesting conditions are specified by the Board of Directors and may include the continued service of the employee with the Company and/or other criteria based on measures of the Company's performance.

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

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

**Stock Options**

A summary of the status of the Company's outstanding stock options and changes during the six months ended June 30 are presented below:

	2015		2014	
	Options outstanding	Weighted average exercise price	Options outstanding	Weighted average exercise price
Outstanding at January 1	3,141,200	\$ 14.83	4,679,800	\$ 11.60
Granted	728,400	22.52	—	—
Exercised	(120,600)	11.64	(82,800)	11.48
Forfeited	—	—	—	—
Expired	—	—	—	—
Outstanding at March 31	3,749,000	\$ 16.42	4,597,000	\$ 11.60
Granted	—	—	—	—
Exercised	(69,000)	11.36	(1,440,900)	11.61
Forfeited	—	—	—	—
Expired	—	—	—	—
Outstanding at June 30	3,680,000	\$ 16.52	3,156,100	\$ 11.60
Options currently exercisable	1,790,600	\$ 11.64	3,156,100	\$ 11.60

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

At grant date, each option series is measured for fair value based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility. The inputs used in this model for the options granted during the six months ended June 30, 2015, are shown in the table below<sup>(i)</sup>.

	2015
Share price at grant date	\$ 21.86
Exercise price	\$ 22.52
Expected volatility <sup>(i)</sup>	24.33%
Option life (in years) <sup>(ii)</sup>	4.5
Expected dividend yield	1.46%
Risk-free interest rate <sup>(iii)</sup>	0.95%

<sup>(i)</sup> Weighted average based on number of units granted.

<sup>(ii)</sup> Expected weighted average life.

<sup>(iii)</sup> Based on Government of Canada bonds.

There were 728,400 stock options issued during the six months ended June 30, 2015. The fair value of options granted during the six months ended June 30, 2015, was \$2.6 million. Amortization charges relating to current and prior year options during the three and six months ended June 30, 2015, were \$0.9 million and \$1.4 million respectively.

There were no options granted during the three and six months ended June 30, 2014. Amortization charges relating to current and prior year options for the three and six months ended June 30, 2014, were \$1.6 million and \$2.6 million respectively.

**Restricted Share Units**

A summary of the status of the Company's RSU plans (including PSUs) as at June 30, 2015 and 2014 and changes during these periods is presented below:

	2015		2014	
	RSUs outstanding	Weighted average fair value at grant	RSUs outstanding	Weighted average fair value at grant
<b>Outstanding at January 1</b>	<b>1,320,259</b>	<b>\$ 15.37</b>	2,746,000	\$ 11.17
Granted	441,540	20.60	—	—
Exercised	—	—	—	—
Forfeited	(26,100)	15.95	(23,800)	11.17
Expired	—	—	—	—
<b>Outstanding at March 31</b>	<b>1,735,699</b>	<b>\$ 16.70</b>	2,722,200	\$ 11.17
Granted	—	—	642,230	17.17
Exercised	(307,253)	11.35	(1,215,394)	11.15
Forfeited	(36,844)	15.25	(156,843)	11.23
Expired	—	—	(686,910)	10.99
<b>Outstanding at June 30</b>	<b>1,391,602</b>	<b>\$ 17.86</b>	1,305,283	\$ 14.21

There were no RSUs and PSUs granted during the three months ended June 30, 2015 (2014: \$11.0 million). Expenses for the three months ended June 30, 2015, relating to current and prior year RSUs and PSUs were \$2.4 million (2014: expense of \$12.2 million includes the modification impacts and a mark-to-market adjustment on the related liability outlined above, of this amount \$11.0 million was included in discontinued operations (Note 22)).

The fair value of RSUs and PSUs granted during the six months ended June 30, 2015, was \$7.9 million (2014: \$11.0 million). Expenses for the six months ended June 30, 2015, relating to current and prior year RSUs and PSUs were \$4.4 million (2014: expense of \$21.6 million includes the modification impacts and a mark-to-market adjustment on the related liability outlined above of this amount \$11.0 million was included in discontinued operations (Note 22)).

The key assumptions used in the valuation of fair value of RSUs granted during the six months ended June 30, 2015 and 2014 are shown in the table below<sup>(i)</sup>.

	2015	2014
Expected RSU life (in years)	3.19	0.50
Forfeiture rate	13.7%	0.0%
Risk-free discount rate	0.6%	1.0%

<sup>(i)</sup> Weighted average based on number of units granted.

**Director Share Units**

The fair value of director share units expensed during the three and six months ended June 30, 2015, were \$0.3 million and \$0.6 million respectively (2014: \$0.3 million and \$0.5 million respectively).

**25. RELATED PARTY TRANSACTIONS**

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

The Company sponsors a number of defined benefit and defined contribution plans. During the three months ended June 30, 2015, the Company received \$0.0 million (2014: \$0.2 million) from the defined benefit pension plans for the reimbursement of expenses incurred by the Company to provide services to these plans. During the three months ended June 30, 2015, the Company's contributions to these plans were \$2.2 million (2014: \$6.9 million), which includes \$0.0 million (2014: \$1.5 million) made by Canada Bread, which has been presented as discontinued operations.

During the six months ended June 30, 2015, the Company received \$0.0 million (2014: \$0.4 million) from the defined benefit pension plans for the reimbursement of expenses incurred by the Company to provide services to these plans. During the six months ended June 30, 2015, the Company's contributions to these plans were \$4.8 million (2014: \$17.0 million), which includes \$0.0 million (2014: \$3.7 million) made by Canada Bread, which has been presented as discontinued operations.

The Company's largest shareholder is McCain Capital Inc. ("MCI") which is beneficially owned and controlled by Mr. Michael H. McCain, Chief Executive Officer and President of the Company. During the three and six months ended June 30, 2015, the Company incurred expenses of \$0.1 million and \$0.2 million respectively, which represents the market value of the transactions with MCI.

During the three and six months ended June 30, 2015, the Company agreed to sublease office space to McCain Financial Advisory Services, an entity jointly controlled by Mr. Michael H. McCain, for cost equal to the amount that the Company is obligated to pay under its lease.

**26. GOVERNMENT INCENTIVES**

During the three months ended June 30, 2015, the Company recorded government incentives as a reduction in the cost of related assets totalling \$0.1 million. Additionally, the Company recorded other incentives in earnings totalling \$0.0 million.

During the six months ended June 30, 2015, the Company recorded government incentives as a reduction in the cost of related assets totalling \$0.2 million. Additionally, the Company recorded other incentives in earnings totalling \$0.1 million.

During the three months ended June 30, 2014, the Company recorded government incentives as a reduction in the cost of related assets totalling \$0.9 million. Of this amount, the Company recorded \$0.8 million in incentives from the Government of Manitoba for a pilot project converting one of the Company's sow barns to loose housing. Additionally, the Company recorded other incentives in earnings totalling \$0.1 million.

During the six months ended June 30, 2014, the Company recorded government incentives as a reduction in the cost of related assets totalling \$1.0 million. Of this amount, the Company recorded \$0.8 million in incentives from the Government of Manitoba for a pilot project converting one of the Company's sow barns to loose housing. Additionally, the Company recorded other incentives in earnings totalling \$0.1 million.

Also during the three and six months ended June 30, 2014, the Company recorded a \$4.8 million interest free loan from the Canadian government to support the upgrade of the Company's prepared meats manufacturing network and supply chain. The loan is repayable over a period of 10 years beginning in August 2015.

**27. SEGMENTED FINANCIAL INFORMATION****Reportable Segmented Information**

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

- (a) The Meat Products Group is comprised of value-added processed packaged meat, chilled meal entrées and lunch kits, and primary pork and poultry processing.
- (b) The Agribusiness Group is comprised of Canadian hog production operations that primarily supply the Meat Products Group with livestock as well as toll feed sales.
- (c) The Bakery Products Group was comprised of the Company's 90.0% ownership in Canada Bread Company, Limited; a producer of fresh and frozen par-baked bakery products including breads, rolls, bagels, and artisan goods. During the first quarter of 2014, the Company reached an agreement to sell its 90.0% ownership interest in Canada Bread, which was disposed of during the three months ended June 30, 2014. As a result, the Bakery Products Group has been classified as discontinued operations. Refer to Note 8 and Note 22 for further details on the disposal activity of the Bakery Products Group.
- (d) Non-allocated costs are comprised of expenses not separately identifiable to business segments and are not part of the measures used by the Company when assessing the segment's operating results. These costs include general expenses related to the bakery business, changes in fair value of biological assets, unrealized gains or losses on commodity contracts, and realized gains on commodity contracts that relate to delivery in future periods.

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

	Notes	Three months ended June 30,		Six months ended June 30,	
		2015	2014	2015	2014
<b>Sales</b>					
Meat Products Group		\$ 817,223	\$ 825,553	\$ 1,593,632	\$ 1,530,952
Agribusiness Group		3,553	6,237	7,392	12,185
Bakery Products Group <sup>(i)</sup>		—	225,024	—	567,861
Total sales		\$ 820,776	\$ 1,056,814	\$ 1,601,024	\$ 2,110,998
Sales from discontinued operations	22	—	(225,024)	—	(567,861)
<b>Sales from continuing operations</b>		<b>\$ 820,776</b>	<b>\$ 831,790</b>	<b>\$ 1,601,024</b>	<b>\$ 1,543,137</b>
<b>Earnings (loss) before restructuring and other related costs and other income</b>					
Meat Products Group		\$ 17,680	\$ (15,644)	\$ 25,558	\$ (43,091)
Agribusiness Group		4,109	5,208	6,641	4,862
Bakery Products Group <sup>(i)</sup>		—	20,957	—	47,829
Non-allocated costs		(26,519)	(10,005)	(22,756)	(16,937)
Total earnings (loss) before restructuring and other related costs and other income		\$ (4,730)	\$ 516	\$ 9,443	\$ (7,337)
Earnings (loss) before restructuring and other related costs and other income from discontinued operations	22	—	(20,957)	—	(47,829)
<b>Earnings (loss) before restructuring and other related costs and other income from continuing operations</b>		<b>\$ (4,730)</b>	<b>\$ (20,441)</b>	<b>\$ 9,443</b>	<b>\$ (55,166)</b>
<b>Capital expenditures</b>					
Meat Products Group		\$ 36,635	\$ 72,809	\$ 60,508	\$ 140,623
Agribusiness Group		6,642	1,146	8,636	1,969
Bakery Products Group <sup>(i)</sup>		—	7,589	—	17,789
		\$ 43,277	\$ 81,544	\$ 69,144	\$ 160,381
<b>Depreciation and amortization</b>					
Meat Products Group		\$ 25,665	\$ 18,206	\$ 50,854	\$ 38,187
Agribusiness Group		1,645	904	3,097	2,424
Non-allocated costs <sup>(ii)</sup>		5,139	4,540	10,264	4,540
Bakery Products Group <sup>(i)</sup>		—	—	—	5,142
		\$ 32,449	\$ 23,650	\$ 64,215	\$ 50,293

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

<sup>(ii)</sup> Includes depreciation on assets used to service divested business.

	As at June 30, 2015	As at June 30, 2014	As at December 31, 2014
<b>Total assets</b>			
Meat Products Group	\$ 1,862,511	\$ 1,989,717	\$ 1,965,280
Agribusiness Group	172,191	219,558	211,516
Non-allocated assets	726,961	734,327	699,694
	\$ 2,761,663	\$ 2,943,602	\$ 2,876,490
<b>Goodwill</b>			
Meat Products Group	\$ 428,236	\$ 428,236	\$ 428,236
	\$ 428,236	\$ 428,236	\$ 428,236

#### Information About Geographic Areas

Property and equipment and investment property located outside of Canada was \$0.2 million at June 30, 2015 (2014: \$0.3 million). No goodwill was attributed to operations outside of Canada.

Revenues earned outside of Canada for the three months ended June 30, 2015, were \$154.5 million (2014: \$249.9 million), of which \$0.0 million (2014: \$54.8 million) has been reclassified to net earnings from discontinued operations. Of the total amount earned outside of Canada, \$70.8 million (2014:

\$79.1 million) was earned in Japan, \$41.9 million (2014: \$102.4 million) was earned in the U.S., and \$0.0 million (2014: \$21.2 million) was earned in the U.K. Revenue by geographic area is determined based on the shipping location.

Revenues earned outside of Canada for the six months ended June 30, 2015, were \$312.8 million (2014: \$480.9 million), of which \$0.0 million (2014: \$144.4 million) has been reclassified to net earnings from discontinued operations. Of the total amount earned outside of Canada, \$147.0 million (2014: \$136.0 million) was earned in Japan, \$86.2 million (2014: \$210.7 million) was earned in the U.S., and \$0.0 million (2014: \$56.4 million) was earned in the U.K. Revenue by geographic area is determined based on the shipping location.

#### **Information About Major Customers**

During the three months ended June 30, 2015, the Company reported sales to one customer representing 14.6% of total sales. These revenues were reported in the Meat Products Group. No other sales were made to any one customer that represented in excess of 10% of total sales.

During the three months ended June 30, 2014, the Company reported sales to two customer representing 12.8% and 12.6% of total sales before adjustments for discontinued operations. These revenues were reported in both the Meat Products Group and Bakery Products Group. The Company reported sales to two customers representing 14.5% and 10.6% of total sales from continuing operations. No other sales were made to any one customer that represented in excess of 10% of total sales.

During the six months ended June 30, 2015, the Company reported sales to one customer representing 14.6% of total sales. These revenues were reported in the Meat Products Group. No other sales were made to any one customer that represented in excess of 10% of total sales.

During the six months ended June 30, 2014, the Company reported sales to two customer representing 13.3% and 12.3% of total sales before adjustments for discontinued operations. These revenues were reported in both the Meat Products Group and Bakery Products Group. The Company reported sales to two customers representing 14.8% and 11.0% of total sales from continuing operations. No other sales were made to any one customer that represented in excess of 10% of total sales.



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