MAPLE LEAF FOODS INC.

Management's Discussion and Analysis
For the Second Quarter Ended
June 30, 2016

Management's Discussion and Analysis

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

July 27, 2016

FINANCIAL OVERVIEW

Sales for the second quarter of 2016 were $854.6 million compared to $820.8 million last year, an increase of 4.1%, or 2.9% after adjusting for the impact of foreign exchange. Sales for the first six months were $1,651.5 million compared to $1,601.0 million last year, an increase of 3.2%, or 1.1% after adjusting for the impact of foreign exchange. The increases for both the three and six month periods were due to higher sales in the Meat Products Group.

Adjusted Operating Earnings[(i)] for the second quarter increased to $60.5 million compared to $21.8 million last year, and Adjusted Earnings per Share[(ii)] increased to $0.32 from $0.13 last year. For the first six months, Adjusted Operating Earnings increased to $114.0 million from $32.2 million, and Adjusted Earnings per Share increased to $0.60 from $0.18 last year. The increases for both the three and six month periods reflect improved margins in the Meat Products Group.

Net earnings for the second quarter increased to $31.4 million ($0.23 per basic share) compared to a loss of $7.5 million (loss of $0.05 per share) last year. For the first six months, net earnings increased to $73.7 million ($0.55 per basic share) compared to a loss of $10.4 million (loss of $0.07 per share) last year. The increases for both the three and six month periods were due primarily to improved margins in the Meat Products Group and lower restructuring and other related costs.

Several items are excluded from the discussions of underlying earnings performance as they are not representative of ongoing operational activities. Refer to the section entitled Non-IFRS Financial Measures of this Management Discussion and Analysis on page 8 for a description and reconciliation of all non-IFRS financial measures.

Notes:

(i) *Adjusted Operating Earnings, a non-IFRS measure, is used by Management to evaluate financial operating results. It is defined as earnings adjusted for items that are not considered representative of ongoing operational activities of the business, and items where the economic impact of the transactions will be reflected in earnings in future periods when the underlying asset is sold or transferred. Please refer to the section entitled Non-IFRS Financial Measures starting on page 8 of this document.*

(ii) *Adjusted Earnings per Share, a non-IFRS measure, is used by Management to evaluate financial operating results. It is defined as basic earnings per share and is adjusted on the same basis as Adjusted Operating Earnings. Please refer to the section entitled Non-IFRS Financial Measures starting on page 8 of this document.*

OPERATING REVIEW

The following table summarizes sales by business segment:

($ thousands) *(Unaudited)*	**Three Months Ended June 30,**		**Six Months Ended June 30,**	
	2016	2015	**2016**	2015
Meat Products Group	**$ 850,988**	$ 817,223	**$ 1,643,965**	$ 1,593,632
Agribusiness Group	**3,658**	3,553	**7,570**	7,392
Total Sales	**$ 854,646**	$ 820,776	**$ 1,651,535**	$ 1,601,024

The following table summarizes Adjusted Operating Earnings by business segment:

($ thousands) *(Unaudited)*	**Three Months Ended June 30,**		**Six Months Ended June 30,**	
	2016	2015	**2016**	2015
Meat Products Group	**$ 62,887**	$ 17,680	**$ 124,161**	$ 25,558
Agribusiness Group	**(2,421)**	4,109	**(10,113)**	6,641
Adjusted Operating Earnings	**$ 60,466**	$ 21,789	**$ 114,048**	$ 32,199

Meat Products Group

Includes value-added prepared meats, lunch kits and snacks, and value-added fresh pork and poultry products sold under flagship Canadian brands such as Maple Leaf®, Maple Leaf Prime®, Maple Leaf Natural Selections®, Schneiders®, Schneiders Country Naturals®, Mina™, and many leading regional brands.

Sales in the second quarter increased 4.1% to $851.0 million, or 2.9% after adjusting for the impact of foreign exchange. Prepared meats sales declined slightly, as the benefit of price increases implemented during the first quarter, to mitigate inflationary and currency impacts, was more than offset by a short-term volume decline in response to the price increase and the exit of some lower margin business. Sales in fresh pork increased as the Company's focus on increasing its value-added pork business resulted in improved selling prices and volume. Performance was also supported by favourable exchange rates. Fresh poultry sales increased due to stronger volume and an increased higher value sales mix.

Sales in the first six months increased 3.2% to $1,644.0 million, or 1.1% after adjusting for the impact of foreign exchange. The increase was due to similar reasons noted above.

Adjusted Operating Earnings in the second quarter increased to $62.9 million compared to $17.7 million last year. Higher earnings in prepared meats resulted from lower operating costs, an improved sales mix, and pricing implemented in the first quarter, partially offset by lower volume. The Company made continued progress in increasing operating efficiencies across its new prepared meats plant network, primarily at its largest facility in Hamilton, Ontario. Higher fresh pork earnings resulted from increased contributions from value-added Canadian retail and value-added export sales, higher industry margins, and operating efficiency gains. Earnings in fresh poultry increased due to higher branded sales volume and operating efficiency gains.

For the first six months, Adjusted Operating Earnings increased to $124.2 million compared to $25.6 million last year, due to similar factors as noted above. During 2015 the Company incurred duplicative overhead costs as the Company operated legacy plants that were slated for closure.

Agribusiness Group

Includes Canadian hog production operations that primarily supply the Meat Products Group with livestock.

Adjusted Operating Earnings in the second quarter decreased to a loss of $2.4 million compared to earnings of $4.1 million last year. In the second quarter of 2015, the Company benefited from gains in its risk management program, which were not repeated in the second quarter of 2016. For the first six months, Adjusted Operating Earnings decreased to a loss of $10.1 million from earnings of $6.6 million last year, due to similar factors.

Non-allocated Costs

Non-allocated costs in the second quarter are comprised of a $17.1 million loss due to changes in the fair value of biological assets (2015: loss of $24.2 million) and a $4.1 million unrealized gain on futures contracts (2015: loss of $2.4 million). For the first six months, non-allocated amounts are comprised of a $0.3 million loss due to changes in the fair value of biological assets (2015: loss of $31.4 million) and a $5.4 million unrealized loss on futures contracts (2015: gain of $8.7 million).

All non-allocated amounts have been excluded from the computation of 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.

GROSS MARGIN

Gross margin in the second quarter was $126.9 million (14.8% of sales) compared to $75.7 million (9.2% of sales) last year. Included in gross margin was a $7.0 million increase in the fair value of biological assets and a $6.4 million increase in the fair value of unrealized mark-to-market commodity contracts.

For the first six months, gross margin was $265.1 million (16.1% of sales) compared to $165.0 million (10.3% of sales) last year. Included in gross margin was a $31.2 million increase in the fair value of biological assets and a $14.0 million decrease in the fair value of unrealized mark-to-market commodity contracts.

The increases in gross margin as a percentage of sales are largely attributable to margin improvement in the Meat Products Group, as outlined above.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE

Selling, general and administrative expenses for the second quarter decreased by 1.2% to $79.5 million (9.3% of sales), compared to $80.5 million (9.8% of sales) last year. Core selling, general and administrative expenses have decreased significantly as a result of the Company's ongoing commitment to driving cost efficiencies, offset by increased investments in foundational advertising and promotional activities, as the Company seeks to support its renewed focus on growth.

For the first six months of 2016, selling, general and administrative expenses increased by 0.8% to $156.7 million (9.5% of sales), compared to $155.5 million (9.7% of sales) last year, due to similar factors as noted above, however the increased investment in foundational advertising and promotional activities more than offset the decrease in core selling, general and administrative expenses.

OTHER INCOME (EXPENSE)

Other expense for the second quarter was $2.6 million compared to $0.9 million last year. The increase is primarily due to an impairment loss in the current quarter and a non-recurring gain on sale of investment property in 2015, partially offset by a lower depreciation charge on assets servicing divested businesses. This charge was revised in late 2015 due to a change in the estimated useful life of the assets, which were fully depreciated in May 2016.

For the first six months of 2016, other expense was $3.2 million compared to $6.7 million last year, due a lower depreciation charge on assets servicing divested businesses, partially offset by a non-recurring gain on sale of investment property in 2015.

Certain items in other income (expense) are excluded from the calculation of Adjusted EBITDA and Adjusted Earnings per Share as they are not considered representative of ongoing operational activities of the business. Other income (expense) used in the calculation of Adjusted EBITDA and Adjusted Earnings per Share for the second quarter is an expense of $0.2 million (2015: expense of $0.1 million) and an expense of $0.4 million (2015: expense of $0.3 million) for the first six months.

RESTRUCTURING AND OTHER RELATED COSTS

Restructuring and other related costs for the second quarter were $0.6 million compared to $7.3 million last year. The costs in 2016 primarily related to severance and other employee costs incurred in connection with ongoing management and organizational restructuring initiatives. The costs in 2015 related to similar factors, asset impairment and accelerated depreciation, and site closing costs.

For the first six months, restructuring and other related costs were $1.8 million compared to $18.1 million last year, and related to similar factors as noted above.

INCOME TAXES

The Company's income tax expense for the second quarter resulted in an effective tax rate of 27.1% (2015: 46.0% tax recovery). The higher effective tax rate in 2015 primarily resulted from the favourable resolution of an income tax audit. The effective tax rate excluding this item was 24.8%. For 2016, the effective tax recovery rate on restructuring charges used in the computation of Adjusted Earnings per Share is 26.1% (2015: 26.3%). The effective tax recovery rate on items not considered representative of continuing operations in 2016 was 25.4% (2015 26.0%).

The Company's income tax expense for the six months resulted in an effective tax rate of 27.1% (2015: 41.4% tax recovery). The higher effective tax rate in 2015 primarily resulted from the favourable resolution of an income tax audit. The effective tax rate excluding this item was 24.8%. For 2016, the effective tax recovery rate on restructuring charges used in the computation of Adjusted Earnings per Share is 26.1% (2015: 26.0%). The effective tax recovery rate on items not considered representative of continuing operations in 2016 was 24.7% (2015 26.0%).

CAPITAL RESOURCES

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

On June 24, 2016, the Company entered into a new three-year $400.0 million committed revolving credit facility with a syndicate of Canadian, U.S. and international financial institutions. The new credit facility replaced the Company's $200.0 million revolving credit facility that was due to mature on June 30, 2016. This unsecured facility can be drawn in Canadian or U.S. dollars and bears interest payable monthly, based on Banker's Acceptance and Prime rates for Canadian dollar loans and LIBOR for U.S. dollar loans. The facility is intended to meet the Company's funding requirements for general purposes, and to provide appropriate levels of liquidity. As at June 30, 2016, the Company had drawn letters of credit of $68.8 million on this facility (2015: $59.3 million on the previous facility).

This revolving term facility requires the maintenance of certain covenants. As at June 30, 2016, the Company was in compliance with all of these covenants.

The Company has an additional uncommitted credit facility for issuing up to a maximum of $120.0 million letters of credit. As at June 30, 2016, $85.5 million (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 3 of the Company's 2016 second quarter unaudited condensed consolidated interim financial statements.

The Company's cash balance as at June 30, 2016 is $312.8 million (2015: $409.9 million). The Company has invested in short-term deposits with Canadian financial institutions having long-term debt ratings of A or higher.

To access competitively priced financing and to further diversify its funding sources, the Company operates an accounts receivable securitization facility, 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, 2016, the Company had $214.5 million (2015: $208.7 million) of trade accounts receivable serviced under this facility. In return for the sale of these receivables, the Company will receive cash of $111.4 million (2015: $98.8 million) and notes receivable in the amount of $103.1 million (2015: $109.9 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, 2016, this net receivable amounted to $10.6 million (2015: $27.8 million net payable). The facility was accounted for as an off-balance sheet transaction in accordance with International Financial Reporting Standards (“IFRS”) and will expire in September 2016.

The Company's securitization and other credit facilities are subject to certain restrictions, including the maintenance of covenants. The Company was in compliance with all of the requirements of these facilities as at June 30, 2016. 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 were $27.2 million compared to $43.3 million in 2015, and for the first six months were $47.5 million compared to $69.1 million in 2015. Expenditures primarily related to ongoing profit enhancement and maintenance projects.

NORMAL COURSE ISSUER BID

On May 17, 2016 the Toronto Stock Exchange ("TSX") accepted the Company's notice of intention to commence a Normal Course Issuer Bid ("NCIB"), which allows the Company to repurchase, at its discretion, up to 8.70 million common shares in the open market or as otherwise permitted by the TSX, subject to the normal terms and limitations of such bids. Common shares purchased by the Company will be cancelled. The program commenced on May 19, 2016 and will terminate on May 18, 2017, 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, 2016 there were no transactions recorded in relation to this bid.

On March 23, 2015, the TSX accepted the Company's notice of intention to commence a NCIB, which allowed the Company to purchase at its discretion, up to 8.65 million common shares in the open market or as otherwise permitted by the TSX, subject to the normal terms and limitations of such bids. The program commenced on March 25, 2015 and was terminated on January 22, 2016, as the Company completed its purchase and cancellation of 8.65 million common shares for $194.5 million at a volume weighted average price paid of $22.48 per common share. During the six months ended June 30, 2016, 0.51 million shares were purchased for $11.9 million at a volume weighted average price paid of $23.23 per common share. During the three and six months ended June 30, 2015, 1,786,400 shares were purchased for cancellation for $41.9 million.

CASH FLOWS

Net cash, a non-IFRS measure as described on page 12, was $302.3 million at the end of the second quarter of 2016, compared to $399.2 million last year, and $281.6 million as at December 31, 2015. In the first six months of 2016, the increase in cash was largely due to cash flow from operations in excess of investments in property and equipment, quarterly dividend payments and share repurchases under the NCIB program announced in 2015.

Cash Flow from Operating Activities

Cash provided by operations for the quarter was $63.4 million compared to $74.5 million in the second quarter of 2015. The decrease was primarily due to a higher investment in working capital offset by higher earnings from operations.

For the first six months of 2016, cash provided by operations was $108.8 million compared to $40.0 million last year. The improvement was primarily due to higher earnings from operations offset by a higher investment in working capital.

Cash Flow from Financing Activities

Cash used in financing activities for the quarter was $14.6 million compared to $53.7 million in the second quarter of 2015. The decrease is primarily related to share repurchases under the NCIB program of $41.9 million in the second quarter of 2015.

For the first six months of 2016, cash used in financing activities was $41.5 million compared to $64.0 million last year. The decrease is primarily due to fewer share repurchases under the NCIB program offset by higher dividend payments and treasury stock purchases.

Cash Flow from Investing Activities

Cash used in investing activities for the quarter was $27.0 million compared to $38.0 million in the second quarter of 2015. The decrease is mainly due to lower capital expenditures and lower proceeds from the sale of long-term assets.

For the first six months of 2016, cash used in investing activities was $46.9 million compared to $62.4 million last year. The decrease is mainly due to the same factor noted above.

SHARE CAPITAL

As at July 21, 2016, there were 134,673,089 common shares issued and outstanding.

OTHER MATTERS

On July 27, 2016, the Company declared a dividend of $0.09 per share payable September 30, 2016, to shareholders of record at the close of business on September 9, 2016. 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”.

TRANSACTIONS WITH RELATED PARTIES

The Company sponsors a number of defined benefit and defined contribution plans. During the three and six months ended June 30, 2016, the Company's contributions to these plans were $2.3 million and $4.6 million (2015: $2.2 million and $4.8 million).

The Company’s largest shareholder is McCain Capital Inc. (“MCI”) which is beneficially owned and controlled by Mr. Michael H. McCain, Chief Executive Officer and President of the Company. For the three and six months ended June 30, 2016, the Company received services from MCI in the amount of $0.1 million and $0.3 million respectively (2015: $0.1 million and $0.2 million), which represents the market value of the transactions with MCI. As at June 30, 2016, $0.0 million was owing to MCI relating to these transactions.

McCain Financial Advisory Services ("MFAS") is an entity jointly controlled by individuals including Mr. Michael H. McCain. For the three and six months ended June 30, 2016, the Company provided services to MFAS for a nominal amount, which represents the market value of the transactions.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of unaudited quarterly financial information:

($ thousands except earnings per share)		First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total[iv]
Sales[i]	**2016**	**$ 796,889**	**$ 854,646**	**$ —**	**$ —**	**$ —**
	2015	780,248	820,776	818,785	873,123	3,292,932
	2014	711,347	831,790	820,097	794,007	3,157,241
Net earnings (loss) from continuing operations	**2016**	**$ 42,269**	**$ 31,381**	**$ —**	**$ —**	**$ —**
	2015	(2,861)	(7,524)	18,680	33,285	41,580
	2014	(124,606)	(39,544)	(26,671)	(22,992)	(213,813)
Net earnings (loss)	**2016**	**$ 42,269**	**$ 31,381**	**$ —**	**$ —**	**$ —**
	2015	(2,861)	(7,524)	18,680	33,285	41,580
	2014	(131,994)	898,855	(26,767)	(28,188)	711,906
Earnings (loss) per share from continuing operations[ii]						
Basic[ii]	**2016**	**$ 0.31**	**$ 0.23**	**$ —**	**$ —**	**$ —**
	2015	(0.02)	(0.05)	0.13	0.24	0.30
	2014	(0.89)	(0.28)	(0.19)	(0.16)	(1.51)
Diluted[ii]	**2016**	**$ 0.31**	**$ 0.23**	**$ —**	**$ —**	**$ —**
	2015	(0.02)	(0.05)	0.13	0.24	0.29
	2014	(0.89)	(0.28)	(0.19)	(0.16)	(1.51)
Adjusted EPS[ii][iii]	**2016**	**$ 0.28**	**$ 0.32**	**$ —**	**$ —**	**$ —**
	2015	0.05	0.13	0.16	0.25	0.58
	2014	(0.24)	(0.12)	(0.12)	(0.08)	(0.56)
Earnings (loss) per share[ii]						
Basic[ii]	**2016**	**$ 0.31**	**$ 0.23**	**$ —**	**$ —**	**$ —**
	2015	(0.02)	(0.05)	0.13	0.24	0.30
	2014	(0.95)	6.38	(0.19)	(0.20)	5.03
Diluted[ii]	**2016**	**$ 0.31**	**$ 0.23**	**$ —**	**$ —**	**$ —**
	2015	(0.02)	(0.05)	0.13	0.24	0.29
	2014	(0.95)	6.38	(0.19)	(0.20)	5.03

(i) *Figures exclude discontinued operations*

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

(iii) *Refer to Non-IFRS Financial Measures starting on page 8 of this document.*

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

Fluctuations in quarterly sales can be attributed to changes in pricing, volume, sales mix and foreign exchange rates.

Fluctuations in quarterly net earnings can be attributed to similar factors as noted above, pork and poultry industry processing margins, restructuring and other related costs, changes in the fair value of derivative and non-derivative financial instruments and biological assets, and transitional costs incurred prior to 2016.

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

SIGNIFICANT ACCOUNTING POLICIES

Accounting Standards Adopted During the Period

For the first time beginning on January 1, 2016, the Company adopted certain standards and amendments. As required by IAS 34 Interim Financial Reporting and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the nature and the effect of these changes are disclosed below:

Annual Improvements to IFRS (2012-2014) Cycle

Beginning on January 1, 2016, the Company adopted various amendments to a total of four standards including the consistent classification of assets which 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 that were adopted also included 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 adoption of these amendments did not have a material impact on the consolidated financial statements.

Joint Arrangements

Beginning on January 1, 2016, the Company adopted the amendments to IFRS 11 Joint Arrangements which require an acquisition of a joint operation that constitutes a business 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 adoption of the amendments to IFRS 11 did not have a material impact on the consolidated financial statements.

Accounting Pronouncements Issued But Not Yet Effective

Consolidated Financial Statements and Investments in Associates and Joint Ventures

In September 2014, IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures were amended to clarify an inconsistency between the two standards relating to the sale or contribution of assets from an investor to its associate or joint venture. The amendment requires that a full gain or loss is recorded if the sold or contributed assets constitute a business, or a partial gain or loss is recognized when a sale or contribution of assets do not constitute a business. The effective date for these amendments has been deferred indefinitely. The impact of adoption of these amendments has not yet been determined.

Statement of Cash Flows

As part of their disclosure initiative, the IASB has issued amendments to IAS 7 Statement of Cash Flows requiring a reconciliation of liabilities arising from financing activities to enable users of the financial statements to evaluate both cash flow and non-cash changes in the net debt of a Company. The Company intends to adopt the amendments to IAS 7 in its consolidated financial statements for the annual period beginning January 1, 2017. The extent of the impact of adoption of the amendments has not yet been determined.

Income Taxes

In January 2016, the IASB has issued amendments to IAS 12 Income Taxes to provide clarification on the requirements relating to the recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value. The Company intends to adopt the amendments to IAS 12 in its consolidated financial statements for the annual period beginning January 1, 2017. The extent of the impact of adoption of the amendments has 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 measurement, impairment, and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. In addition to the new requirements for classification and measurement of financial assets, a new general hedge accounting model and other amendments issued in previous versions of IFRS 9, the standard also introduces new impairment requirements that are based on a forward-looking expected credit loss model. The Company intends to adopt IFRS 9 in its consolidated financial statements for the annual period beginning January 1, 2018. The extent of the impact of the adoption of IFRS 9 has not yet been determined.

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

Leases

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

Share-Based Payments

In June 2016, the IASB issued amendments to IFRS 2 Share-Based Payment. The amendments provide clarification on how to account for certain types of share-based payment transactions. The Company intends to adopt the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning January 1, 2018. The extent of the impact of the adoption of the amendments has not yet been determined.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There has been no change in the Company's internal control over financial reporting during the period beginning on April 1, 2016, and ended on June 30, 2016, that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting

NON-IFRS FINANCIAL MEASURES

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

Adjusted Operating Earnings

Adjusted Operating Earnings, a non-IFRS measure, is used by Management to evaluate financial operating results. It is defined as earnings before income taxes adjusted for items that are not considered representative of ongoing operational activities of the business and items where the economic impact of the transactions will be reflected in earnings in future periods when the underlying asset is sold or transferred. The table below provides a reconciliation of net earnings as reported under IFRS in the unaudited consolidated interim statements of earnings 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, 2016** **Meat Products Group**	**Agribusiness Group**	**Non-allocated costs**	**Consolidated**
Net earnings				**$ 31,381**
Income taxes				**11,639**
Earnings before income taxes				**$ 43,020**
Interest expense and other financing costs				**1,211**
Other (income) expense	**620**	**(421)**	**2,402**	**2,601**
Restructuring and other related costs	**(468)**	**—**	**1,053**	**585**
Earnings (loss) from operations	**$ 62,887**	**$ (2,421)**	**$ (13,049)**	**$ 47,417**
Decrease (increase) in fair value of biological assets(i)	**—**	**—**	**17,133**	**17,133**
Unrealized (gain) loss on futures contracts(ii)	**—**	**—**	**(4,084)**	**(4,084)**
Adjusted Operating Earnings	**$ 62,887**	**$ (2,421)**	**$ —**	**$ 60,466**

(i) *Refer to Note 6 of the Company's 2016 second quarter unaudited condensed consolidated interim financial statements for further details regarding biological assets.*

(ii) *Unrealized gains/losses on futures contracts are reported within cost of goods sold in the Company's 2016 second quarter unaudited condensed consolidated interim financial statements.*

($ thousands) *(Unaudited)*	Three months ended June 30, 2015 Meat Products Group	Agribusiness Group	Non-allocated costs	Consolidated
Net loss				$ (7,524)
Income taxes				(6,410)
Loss before income taxes				$ (13,934)
Interest expense and other financing costs				1,062
Other (income) expense	170	(66)	749	853
Restructuring and other related costs	5,623	—	1,666	7,289
Earnings (loss) from operations	$ 17,680	$ 4,109	$ (26,519)	$ (4,730)
Decrease (increase) in fair value of biological assets(i)	—	—	24,160	24,160
Unrealized (gain) loss on futures contracts(ii)	—	—	2,359	2,359
Adjusted Operating Earnings	$ 17,680	$ 4,109	$ —	$ 21,789

(i) *Refer to Note 6 of the Company's 2016 second quarter unaudited condensed consolidated interim financial statements for further details regarding biological assets.*

(ii) *Unrealized gains/losses on futures contracts are reported within cost of goods sold in the Company's 2016 second quarter unaudited condensed consolidated interim financial statements.*

($ thousands) *(Unaudited)*	**Six months ended June 30, 2016** **Meat Products Group**	**Agribusiness Group**	**Non-allocated costs**	**Consolidated**
Net earnings				**$ 73,650**
Income taxes				**27,433**
Earnings before income taxes				**$ 101,083**
Interest expense and other financing costs				**2,317**
Other (income) expense	**795**	**(443)**	**2,840**	**3,192**
Restructuring and other related costs	**(355)**	**—**	**2,157**	**1,802**
Earnings (loss) from operations	**$ 124,161**	**$(10,113)**	**$ (5,654)**	**$ 108,394**
Decrease (increase) in fair value of biological assets[(i)]	**—**	**—**	**292**	**292**
Unrealized (gain) loss on futures contracts[(ii)]	**—**	**—**	**5,362**	**5,362**
Adjusted Operating Earnings	**$ 124,161**	**$(10,113)**	**$ —**	**$ 114,048**

(i) *Refer to Note 6 of the Company's 2016 second quarter unaudited condensed consolidated interim financial statements for further details regarding biological assets.*

(ii) *Unrealized gains/losses on futures contracts are reported within cost of goods sold in the Company's 2016 second quarter unaudited condensed consolidated interim financial statements.*

($ thousands) *(Unaudited)*	Six months ended June 30, 2015 Meat Products Group	Agribusiness Group	Non-allocated costs	Consolidated
Net loss				$ (10,385)
Income taxes				(7,341)
Loss before income taxes				$ (17,726)
Interest expense and other financing costs				2,286
Other (income) expense	363	(63)	6,449	6,749
Restructuring and other related costs	14,153	—	3,981	18,134
Earnings (loss) from operations	$ 25,558	$ 6,641	$ (22,756)	$ 9,443
Decrease (increase) in fair value of biological assets[(i)]	—	—	31,443	31,443
Unrealized (gain) loss on futures contracts[(ii)]	—	—	(8,687)	(8,687)
Adjusted Operating Earnings	$ 25,558	$ 6,641	$ —	$ 32,199

(i) *Refer to Note 6 of the Company's 2016 second quarter unaudited condensed consolidated interim financial statements for further details regarding biological assets.*

(ii) *Unrealized gains/losses on futures contracts are reported within cost of goods sold in the Company's 2016 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 financial operating results. It is defined as basic earnings per share and is adjusted on the same basis as Adjusted Operating Earnings. The table below provides a reconciliation of basic earnings per share as reported under IFRS in the unaudited consolidated interim statements of earnings 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,**	
	2016	2015	**2016**	2015
Basic earnings (loss) per share	**$ 0.23**	$ (0.05)	**$ 0.55**	$ (0.07)
Restructuring and other related costs[(i)]	**—**	0.04	**0.01**	0.10
Items included in other income not considered representative of ongoing operations[(ii)]	**0.01**	—	**0.02**	0.03
Change in the fair value of unrealized (gain) loss on futures contracts[(iii)]	**(0.02)**	0.01	**0.03**	(0.05)
Change in the fair value of biological assets[(iii)]	**0.09**	0.13	**—**	0.17
Adjusted Earnings per Share[(iv)]	**$ 0.32**	$ 0.13	**$ 0.60**	$ 0.18

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

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

(iii) *Includes per share impact of the change in unrealized (gains) losses on futures contracts and the change in fair value of biological assets, net of tax.*

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

Adjusted Earnings Before Interest, Tax, Depreciation, and Amortization

Adjusted EBITDA is calculated as earnings before interest and income taxes plus depreciation and intangible asset amortization, adjusted for items that are not considered representative of ongoing operational activities of the business, and items where the economic impact of the transactions will be reflected in earnings in future periods when the underlying asset is sold or transferred. The following table provides a reconciliation of net earnings as reported under IFRS in the unaudited consolidated interim statements of earnings 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,**	
	2016	2015	**2016**	2015
Net earnings (loss)	**$ 31,381**	$ (7,524)	**$ 73,650**	$ (10,385)
Income taxes	**11,639**	(6,410)	**27,433**	(7,341)
Earnings (loss) before income taxes	**$ 43,020**	$ (13,934)	**$ 101,083**	$ (17,726)
Interest expense and other financing costs	**1,211**	1,062	**2,317**	2,286
Items included in other income not considered representative of ongoing operations[(i)]	**2,402**	749	**2,840**	6,449
Restructuring and other related costs	**585**	7,289	**1,802**	18,134
Change in the fair value of biological assets and unrealized (gains) losses on futures contracts	**13,049**	26,519	**5,654**	22,756
Depreciation and amortization	**27,610**	27,310	**55,641**	53,951
Adjusted EBITDA	**$ 87,877**	$ 48,995	**$ 169,337**	$ 85,850

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

Net Cash

The following table reconciles Net Cash to amounts reported under IFRS in the Company's unaudited consolidated interim balance sheets as at the periods indicated below. The Company calculates Net Cash 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, 2016**	As at June 30, 2015	As at December 31, 2015
Current portion of long-term debt	**$ (729)**	$ (729)	$ (813)
Long-term debt	**(9,766)**	(9,990)	(9,843)
Total debt	**$ (10,495)**	$ (10,719)	$ (10,656)
Cash and cash equivalents	**312,757**	409,923	292,269
Net Cash	**$ 302,262**	$ 399,204	$ 281,613

Free Cash Flow

Free Cash Flow, a non-IFRS measure, is used by Management to evaluate cash flow after investing in the maintenance or expansion of the Company's asset base. It is defined as cash provided by (used in) operations, less additions to long-term assets. The following table calculates Free Cash Flow for the periods indicated below.

($ thousands)	**Three months ended June 30,**		**Six months ended June 30,**	
(Unaudited)	**2016**	2015	**2016**	2015
Cash provided by operating activities	**$ 63,406**	$ 74,538	**$ 108,843**	$ 39,982
Additions to long-term assets	**(27,178)**	(44,019)	**(47,453)**	(70,452)
Free Cash Flow	**$ 36,228**	$ 30,519	**$ 61,390**	$ (30,470)

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 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 increases in operating efficiencies and cost reductions; expectations regarding the use of derivatives, futures and options; expectations regarding improving efficiencies; the expected use of cash balances; source of funds for ongoing business requirements; capital investments and expectations regarding capital expenditures; expectations regarding the implementation of environmental sustainability initiatives; expectations regarding the adoption of new accounting standards and the impact of such adoption on financial position; expectations regarding pension plan performance and future pension plan liabilities and contributions; expectations regarding levels of credit risk; and expectations regarding outcomes of legal actions. Words such as "expect", "anticipate", "intend", "may", "will", "plan", "believe", "seek", "estimate", and variations of such words and similar expressions are intended to identify such forward-looking information. These statements are not guarantees of future performance and involve assumptions, 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; 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 the concentration of production in fewer facilities;
- risks associated with the availability of capital;
- risks associated with changes in the Company’s information systems and processes;
- risks posed by food contamination, consumer liability, and product recalls;
- risks associated with acquisitions, divestitures, and capital expansion projects;
- impact on pension expense and funding requirements of fluctuations in the market prices of fixed income and equity securities and changes in interest rates;
- cyclical nature of the cost and supply of hogs and the competitive nature of the pork market generally;
- risks related to the health status of livestock;
- impact of a pandemic on the Company’s operations;
- the Company’s exposure to currency exchange risks;
- ability of the Company to hedge against the effect of commodity price changes through the use of commodity futures and options;
- impact of changes in the market value of the biological assets and hedging instruments;
- impact of international events on commodity prices and the free flow of goods;
- risks posed by compliance with extensive government regulation;
- risks posed by litigation;
- impact of changes in consumer tastes and buying patterns;
- impact of extensive environmental regulation and potential environmental liabilities;
- risks associated with a consolidating retail environment;
- risks posed by competition;
- risks associated with complying with differing employment laws and practices, the potential for work stoppages due to non-renewal of collective agreements, and recruiting and retaining qualified personnel;
- risks associated with pricing the Company’s products;
- risks associated with managing the Company’s supply chain; and
- risks associated with failing to identify and manage the strategic risks facing the Company.

The Company cautions the reader that the foregoing list of factors is not exhaustive. These factors are discussed in more detail under the heading “Risk Factors” in the Company's Management's Discussion and Analysis for the fiscal year ended December 31, 2015, which is available on SEDAR at 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 capital expenditures. These financial outlooks are presented to evaluate anticipated future uses of cash flows, and 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 audited financial statements for the fiscal year ended December 31, 2015, is available on SEDAR at www.sedar.com. Maple Leaf Foods Inc. is a leading Canadian consumer protein company, making high quality, innovative meat products. Headquartered in Mississauga, Canada, the Company employs approximately 11,000 people in its operations in Canada and Asia.