MAPLE LEAF FOODS INC.

Financial Statements
For the First Quarter Ended
March 31, 2016

Consolidated Interim Balance Sheets

(In thousands of Canadian dollars)	**Notes**	**As at March 31, 2016**	As at March 31, 2015	As at December 31, 2015
		(Unaudited)	*(Unaudited)*	
ASSETS				
Current assets				
Cash and cash equivalents	***3***	**$ 290,916**	$ 427,100	$ 292,269
Accounts receivable	***4***	**72,603**	65,953	57,958
Notes receivable	***4***	**91,299**	108,833	103,706
Inventories	***5***	**293,542**	293,868	257,671
Biological assets	***6***	**123,472**	101,894	103,877
Prepaid expenses and other assets		**35,729**	32,368	14,946
Assets held for sale		**130**	1,107	130
		$ 907,691	$ 1,031,123	$ 830,557
Property and equipment		**1,077,991**	1,039,147	1,082,360
Investment property		**6,754**	7,388	7,336
Employee benefits		**59,637**	81,243	66,519
Other long-term assets		**6,141**	13,567	10,791
Deferred tax asset		**48,392**	72,531	66,911
Goodwill		**428,236**	428,236	428,236
Intangible assets		**133,609**	155,613	138,155
Total assets		**$ 2,668,451**	$ 2,828,848	$ 2,630,865
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accruals		**$ 271,728**	$ 261,298	$ 256,473
Provisions	***7***	**26,129**	46,010	32,531
Current portion of long-term debt	***8***	**681**	592	813
Income taxes payable		**8,075**	16,986	9,670
Other current liabilities		**18,543**	28,949	29,637
		$ 325,156	$ 353,835	$ 329,124
Long-term debt	***8***	**9,826**	10,012	9,843
Employee benefits		**196,812**	177,184	203,241
Provisions	***7***	**14,009**	19,596	14,622
Other long-term liabilities		**19,196**	24,054	20,901
Total liabilities		**$ 564,999**	$ 584,681	$ 577,731
Shareholders' equity				
Share capital	***9***	**$ 882,812**	$ 937,883	$ 882,770
Retained earnings		**1,209,182**	1,229,222	1,172,864
Contributed surplus		**5,067**	81,332	—
Accumulated other comprehensive income (loss)		**11,178**	(4,046)	(414)
Treasury stock		**(4,787)**	(224)	(2,086)
Total shareholders' equity		**$ 2,103,452**	$ 2,244,167	$ 2,053,134
Total liabilities and equity		**$ 2,668,451**	$ 2,828,848	$ 2,630,865

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

Consolidated Interim Statements of Net Earnings (Loss)

(In thousands of Canadian dollars, except share amounts) *(Unaudited)*	***Notes***	**Three months ended March 31,** **2016**	 2015
Sales		**$ 796,889**	$ 780,248
Cost of goods sold		**658,632**	691,026
Gross margin		**$ 138,257**	$ 89,222
Selling, general and administrative expenses		**77,280**	75,049
Earnings (loss) before the following:		**$ 60,977**	$ 14,173
Restructuring and other related costs	***7***	**(1,217)**	(10,845)
Other income (expense)	***11***	**(591)**	(5,896)
Earnings (loss) before interest and income taxes		**$ 59,169**	$ (2,568)
Interest expense and other financing costs	***12***	**1,106**	1,224
Earnings (loss) before income taxes		**$ 58,063**	$ (3,792)
Income taxes expense (recovery)		**15,794**	(931)
Net earnings (loss)		**$ 42,269**	$ (2,861)
Earnings (loss) per share:	***13***		
Basic earnings (loss) per share		**$ 0.31**	$ (0.02)
Diluted earnings (loss) per share		**$ 0.31**	$ (0.02)
Weighted average number of shares (millions)	***13***		
Basic		**134.7**	143.0
Diluted		**137.5**	143.0

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

Consolidated Interim Statements of Other Comprehensive Income (Loss)

(In thousands of Canadian dollars) *(Unaudited)*	**Three months ended March 31,**			
		2016		2015
Net earnings (loss)	**$**	**42,269**	$	(2,861)
Other comprehensive income (loss)				
Actuarial gains and losses that will not be reclassified to profit or loss				
(Net of tax of $1.4 million; 2015: $5.1 million)	**$**	**3,860**	$	14,707
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; 2015: $0.0 million)	**$**	**(156)**	$	1,082
Change in unrealized gains and losses on cash flow hedges				
(Net of tax of $4.1 million; 2015: $1.7 million)		**11,748**		(4,902)
Total items that are or may be reclassified subsequently to profit or loss	**$**	**11,592**	$	(3,820)
Total other comprehensive income (loss)	**$**	**15,452**	$	10,887
Comprehensive income	**$**	**57,721**	$	8,026

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

Consolidated Interim Statements of Changes in Total Equity

(In thousands of Canadian dollars) (Unaudited)	*Note*	Share capital	Retained earnings	Contributed surplus	Accumulated other comprehensive income (loss): Foreign currency translation adjustment[(i)]	Accumulated other comprehensive income (loss): Unrealized gains and losses on cash flow hedges[(i)]	Treasury stock	Total equity
Balance at December 31, 2015		**$ 882,770**	**$ 1,172,864**	**$ —**	**$ 2,506**	**$ (2,920)**	**$ (2,086)**	**$ 2,053,134**
Net earnings (loss)		**—**	**42,269**	**—**	**—**	**—**	**—**	**42,269**
Other comprehensive income (loss)[(ii)]		**—**	**3,860**	**—**	**(156)**	**11,748**	**—**	**15,452**
Dividends declared ($0.09 per share)		**—**	**(12,111)**	**—**	**—**	**—**	**—**	**(12,111)**
Share-based compensation expense		**—**	**—**	**5,498**	**—**	**—**	**—**	**5,498**
Deferred taxes on share-based compensation		**—**	**—**	**1,500**	**—**	**—**	**—**	**1,500**
Repurchase of shares	***9***	**—**	**2,300**	**(1,648)**	**—**	**—**	**—**	**652**
Settlement of share-based compensation		**—**	**—**	**(283)**	**—**	**—**	**—**	**(283)**
Exercise of stock options		**42**	**—**	**—**	**—**	**—**	**—**	**42**
Shares purchased by RSU trust		**—**	**—**	**—**	**—**	**—**	**(2,701)**	**(2,701)**
Balance at March 31, 2016		**$ 882,812**	**$ 1,209,182**	**$ 5,067**	**$ 2,350**	**$ 8,828**	**$ (4,787)**	**$ 2,103,452**

(In thousands of Canadian dollars) (Unaudited)	Share capital	Retained earnings	Contributed surplus	Accumulated other comprehensive income (loss): Foreign currency translation adjustment[(i)]	Accumulated other comprehensive income (loss): Unrealized gains and losses on cash flow hedges[(i)]	Treasury stock	Total equity
Balance at December 31, 2014	$ 936,479	$ 1,228,815	$ 79,652	$ 737	$ (963)	$ (224)	$ 2,244,496
Net earnings (loss)	—	(2,861)	—	—	—	—	(2,861)
Other comprehensive income (loss)[(ii)]	—	14,707	—	1,082	(4,902)	—	10,887
Dividends declared ($0.08 per share)	—	(11,439)	—	—	—	—	(11,439)
Share-based compensation expense	—	—	1,680	—	—	—	1,680
Exercise of stock options	1,404	—	—	—	—	—	1,404
Balance at March 31, 2015	$ 937,883	$ 1,229,222	$ 81,332	$ 1,819	$ (5,865)	$ (224)	$ 2,244,167

(i) *Items that are or may be subsequently reclassified to profit or loss.*

(ii) *Included in other comprehensive income (loss) is the change in actuarial gains and losses that will not be reclassified to profit or loss and has been reclassified to retained earnings.*

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

Consolidated Interim Statements of Cash Flows

(In thousands of Canadian dollars) *(Unaudited)*	**Three months ended March 31, 2016**	2015
CASH PROVIDED BY (USED IN) :		
Operating activities		
Net earnings (loss)	**$ 42,269**	$ (2,861)
Add (deduct) items not affecting cash:		
Change in fair value of biological assets	**(16,841)**	7,283
Depreciation and amortization	**28,871**	31,766
Share-based compensation	**5,498**	1,680
Deferred income taxes	**14,579**	(979)
Income tax current	**1,215**	48
Interest expense and other financing costs	**1,106**	1,224
Loss (gain) on sale of long-term assets	**497**	(593)
Change in fair value of non-designated derivative financial instruments	**7,228**	(12,940)
Impairment of assets (net of reversals)	**—**	979
Change in net pension liability	**5,676**	6,640
Net income taxes paid	**(2,913)**	(10,841)
Interest paid	**(1,086)**	(855)
Change in provision for restructuring and other related costs	**(6,913)**	(5,303)
Other	**(3,662)**	187
Change in non-cash working capital	**(30,087)**	(49,991)
Cash provided by (used in) operating activities	**$ 45,437**	$ (34,556)
Financing activities		
Dividends paid	**$ (12,111)**	$ (11,439)
Net increase (decrease) in long-term debt	**(167)**	—
Exercise of stock options	**42**	1,404
Repurchase of shares	**(11,922)**	—
Payment of financing fees	**—**	(227)
Purchase of treasury stock	**(2,701)**	—
Cash provided by (used in) financing activities	**$ (26,859)**	$ (10,262)
Investing activities		
Additions to long-term assets	**$ (20,275)**	$ (26,433)
Proceeds from sale of long-term assets	**344**	2,023
Cash provided by (used in) investing activities	**$ (19,931)**	$ (24,410)
Increase (decrease) in cash and cash equivalents	**$ (1,353)**	$ (69,228)
Net cash and cash equivalents, beginning of period	**292,269**	496,328
Net cash and cash equivalents, end of period	**$ 290,916**	$ 427,100

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

Notes to the Condensed Consolidated Interim Financial Statements

(Tabular amounts in thousands of Canadian dollars unless otherwise indicated)
Three months ended March 31, 2016 and 2015

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 months ended March 31, 2016 include the accounts of the Company and its subsidiaries. The Company's results are organized into two segments: Meat Products Group and Agribusiness Group.

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's 2015 annual audited consolidated financial statements.

(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, determination of significant estimates and judgments, and corresponding accounting treatments consistent with the Company's 2015 annual audited consolidated financial statements, except for new standards adopted during the three months ended March 31, 2016 as described below.

The consolidated financial statements were authorized for issue by the Board of Directors on May 3, 2016.

(b) 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.

(c) 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.

3. CASH AND CASH EQUIVALENTS

As at March 31, 2016 the Company had agreements to cash collateralize certain of its letters of credit up to an amount of $120.0 million (2015: $120.0 million), of which $85.5 million (2015: $116.8 million) was deposited with a major financial institution.

4. ACCOUNTS AND NOTES RECEIVABLE

	As at March 31, 2016	As at March 31, 2015	As at December 31, 2015
Trade receivables	**$ 23,814**	$ 26,656	$ 25,537
Less: Allowance for doubtful accounts	**(4)**	(5)	(5)
Net trade receivables	**$ 23,810**	$ 26,651	$ 25,532
Other receivables:			
Commodity taxes receivable	**9,897**	11,092	8,972
Interest rate swap receivable	**458**	2,213	435
Government receivable	**12,676**	15,644	11,890
Other	**25,762**	10,353	11,129
	$ 72,603	$ 65,953	$ 57,958

The aging of trade receivables is as follows:

	As at March 31, 2016	As at March 31, 2015	As at December 31, 2015
Current	**$ 21,984**	$ 23,939	$ 16,295
Past due 0-30 days	**1,706**	2,683	9,070
Past due 31-60 days	**103**	—	161
Past due > 60 days	**21**	34	11
	$ 23,814	$ 26,656	$ 25,537

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

The Company has sold certain of its trade accounts receivable to an unconsolidated structured entity owned by a financial institution, under revolving securitization programs. The Company retains servicing responsibilities for these receivables. As at March 31, 2016, trade accounts receivable being serviced under these programs amounted to $196.3 million (2015: $201.9 million). In return for the sale of its trade receivables, the Company will receive cash of $105.0 million (2015: $93.1 million) and notes receivable in the amount of $91.3 million (2015: $108.8 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 March 31, 2016, the Company recorded a net receivable amount of $15.4 million (2015: $10.9 million net payable) in accounts receivable.

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 interim balance sheets as at March 31, 2016 and 2015.

5. INVENTORIES

	As at March 31, 2016	As at March 31, 2015	As at December 31, 2015
Raw materials	**$ 27,581**	$ 35,315	$ 28,237
Work in process	**19,681**	20,591	17,367
Finished goods	**199,136**	192,588	165,522
Packaging	**15,125**	18,066	15,856
Spare parts	**32,019**	27,308	30,689
	$ 293,542	$ 293,868	$ 257,671

For the three months ended March 31, 2016, inventory in the amount of $612.9 million (2015: $616.1 million) was expensed through cost of goods sold.

6. BIOLOGICAL ASSETS

The change in fair value of commercial hog and poultry stock for the three months ended March 31, 2016 was a gain of $16.8 million (2015: loss of $7.3 million) and was recorded in cost of goods sold.

The fair value measures of commercial hog stock have been categorized as a Level 3 fair value based on inputs to the valuation techniques used. There were no transfers between levels during the three months ended March 31, 2016.

7. PROVISIONS

				Restructuring and related provisions		
	Legal	**Environ-mental**	**Lease make-good**	**Severance and other employee related costs**	**Site closing and other cash costs**	**Total**
Balance at December 31, 2015[i]	**$ 2,250**	**$ 8,300**	**$ 2,337**	**$ 25,113**	**$ 9,153**	**$ 47,153**
Charges	**—**	**35**	**—**	**1,987**	**251**	**2,273**
Reversals	**—**	**—**	**(101)**	**(1,069)**	**(24)**	**(1,194)**
Cash payments	**—**	**(27)**	**—**	**(7,392)**	**(738)**	**(8,157)**
Non-cash items	**—**	**—**	**—**	**(28)**	**91**	**63**
Balance at March 31, 2016	**$ 2,250**	**$ 8,308**	**$ 2,236**	**$ 18,611**	**$ 8,733**	**$ 40,138**
Current						**$ 26,129**
Non-current						**14,009**
Total at March 31, 2016						**$ 40,138**

				Restructuring and related provisions		
	Legal	Environ-mental	Lease make-good	Severance and other employee related costs	Site closing and other cash costs	Total
Balance at December 31, 2014	$ 2,250	$ 11,030	$ 4,457	$ 47,817	$ 12,324	$ 77,878
Charges	—	—	250	3,103	3,047	6,400
Reversals	—	—	—	(218)	(22)	(240)
Cash payments	—	(34)	(1,350)	(12,392)	(3,756)	(17,532)
Non-cash items	—	—	(1,020)	—	120	(900)
Balance at March 31, 2015	$ 2,250	$ 10,996	$ 2,337	$ 38,310	$ 11,713	$ 65,606
Current						$ 46,010
Non-current						19,596
Total at March 31, 2015						$ 65,606

(i) *Balance at December 31, 2015, includes current portion of $32.5 million and non-current portion of $14.6 million.*

Restructuring and Other Related Costs

During the three months ended March 31, 2016, the Company recorded restructuring and other related costs of $1.2 million (2015: $10.8 million).

Ongoing management and organizational restructuring initiatives resulted in $1.1 million (2015: $2.3 million) of restructuring and other related costs primarily related to severance and other employee related costs.

The Meat Products Group incurred $0.1 million in restructuring and other related costs (2015: $8.5 million, of this amount, $4.2 million related to asset impairment and accelerated depreciation, $1.3 million related to severance and other employee costs and $3.0 million related to site closing costs).

8. LONG-TERM DEBT

On February 3, 2015, the Company amended its existing $200.0 million revolving 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 purposes, and to provide appropriate levels of liquidity. As at March 31, 2016, the Company had drawn letters of credit of $67.0 million (2015: $10.5 million) on this facility.

The Company has an uncommitted credit facility for issuing up to a maximum of $120.0 million letters of credit. As at March 31, 2016, $83.9 million of letters of credit had been issued thereon (2015: $101.6 million). These letters of credit have been collateralized with cash, as further described in Note 3 of the consolidated financial statements.

The Company has various government loans on specific projects, with interest rates ranging from non-interest bearing to 2.9% per annum. These facilities are repayable over various terms from 2022 to 2025. As at March 31, 2016, $10.5 million (2015: $10.6 million) was outstanding. All of these facilities are committed.

9. SHARE CAPITAL

Share Repurchase

On March 23, 2015 the Toronto Stock Exchange ("TSX") accepted the Company's notice of intention to commence a Normal Course Issuer Bid ("NCIB"), which allowed the Company to repurchase, at its discretion, up to approximately 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. Common shares purchased by the Company were canceled. 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 three months ended March 31, 2016, 0.51 million shares were purchased for cancellation for $11.9 million at a volume weighted average price paid of $23.23 per common share.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT ACTIVITIES

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

The fair values and notional amounts of derivative financial instruments as at March 31 are shown below:

	2016			2015		
	Notional amount[i]	**Fair value Asset**	**Fair value Liability**	Notional amount[i]	Fair value Asset	Fair value Liability
Cash flow hedges						
Foreign exchange contracts[ii]	**$ 222,106**	**$ 12,631**	**$ 192**	$ 139,227	$ 37	$ 8,845
Commodity contracts[ii]	**16,014**	**—**	**523**	14,378	941	—
Fair value hedges						
Commodity contracts[ii]	**$ 77,797**	**$ —**	**$ 287**	$ 13,249	$ 1,763	$ —
Derivatives not designated in a formal hedging relationship						
Interest rate swaps	**$ 520,000**	**$ 4,208**	**$ 10,929**	$ 1,180,000	$ 6,844	$ 17,762
Foreign exchange contracts[ii]	**175,256**	**615**	**7,348**	148,602	1,584	1,066
Commodity contracts[ii]	**509,075**	**3,569**	**2,504**	428,362	16,753	—
Total fair value		**$ 21,023**	**$ 21,783**		$ 27,922	$ 27,673
Current[iii]		**$ 19,138**	**$ 16,916**		$ 23,912	$ 16,787
Non-current		**1,885**	**4,867**		4,010	10,886
Total fair value		**$ 21,023**	**$ 21,783**		$ 27,922	$ 27,673

(i) *Unless otherwise stated, notional amounts are stated at the contractual Canadian dollar equivalent.*

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

(iii) *As at March 31, 2016, the above fair value of current assets has been increased on the consolidated balance sheet by an amount of $5.7 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.*

During the three months ended March 31, 2016, the Company recorded a loss of $2.5 million (2015: gain of $13.1 million) on non-designated financial instruments held for trading. The loss was mainly attributed to a loss in commodity exchange traded contracts which hedge and offset price risk volatility inherent in the hog operational business.

During the three months ended March 31, 2016, the pre-tax amount of hedge ineffectiveness recognized in other income was a gain of $0.1 million (2015: loss 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
Assets:				
Foreign exchange contracts	$ —	$ 13,246	$ —	$ 13,246
Commodity contracts	3,569	—	—	3,569
Interest rate swaps	—	4,208	—	4,208
	$ 3,569	**$ 17,454**	**$ —**	**$ 21,023**
Liabilities:				
Foreign exchange contracts	$ —	$ 7,540	$ —	$ 7,540
Commodity contracts	810	2,504	—	3,314
Interest rate swaps	—	10,929	—	10,929
	$ 810	**$ 20,973**	**$ —**	**$ 21,783**

There were no transfers between levels during the three months ended March 31, 2016. Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available and is consistent with the methodology used in the 2015 annual audited consolidated financial statements. 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.

Accumulated other comprehensive income (loss)

The Company estimates that $8.8 million, net of tax of $3.1 million, of the unrealized gain included in accumulated other comprehensive income (loss) will be reclassified into net earnings within the next 12 months. The actual amount of this reclassification will be impacted by future changes in the fair value of financial instruments designated as cash flow hedges. The actual amount reclassified could differ from this estimated amount.

During the three months ended March 31, 2016, a loss of approximately $0.9 million, net of tax of $0.3 million, was released to earnings from accumulated other comprehensive income (loss) and included in the net change for the period (2015: loss of approximately $1.0 million, net of tax of $0.4 million).

11. OTHER INCOME (EXPENSE)

	Three months ended March 31,	
	2016	2015
Gain (loss) on disposal of property and equipment	**$ (247)**	$ 295
Gain (loss) on sale of investment properties	**(250)**	298
Net investment property loss	**(660)**	(1,063)
Impairment of assets	**—**	(979)
Depreciation of assets used to support divested businesses[(i)]	**(826)**	(5,087)
Interest income	**566**	1,104
Net expense on non-designated interest rate swaps	**(1,015)**	(1,717)
Change in fair value of non-designated interest rate swaps	**999**	1,569
Other	**842**	(316)
	$ (591)	$ (5,896)

(i) *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 2014, the Company revised the estimated useful life of these assets, resulting in a depreciation charge in excess of cost recoveries. During the year ended December 31, 2015, the Company further revised the estimated useful life of these assets, resulting in a reduction in the depreciation charge recorded during the period.

12. INTEREST EXPENSE AND OTHER FINANCING COSTS

	Three Months Ended March 31,	
	2016	2015
Interest expense on long-term debt	**$ 114**	$ 114
Interest expense on securitized receivables	**368**	395
Deferred finance charges	**92**	62
Other interest charges	**532**	653
	$ 1,106	$ 1,224

13. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share amounts are calculated by dividing the net earnings (loss) 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) 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"):

	2016			2015		
Three months ended March 31,	**Net earnings (loss)**	**Weighted average number of shares**[(ii)]	**EPS**	Net earnings (loss)	Weighted average number of shares[(ii)]	EPS
Basic	**$ 42,269**	**134.7**	**$ 0.31**	$ (2,861)	143.0	$ (0.02)
Stock options[(i)]		**2.8**			—	
Diluted	**$ 42,269**	**137.5**	**$ 0.31**	$ (2,861)	143.0	$ (0.02)

(i) *Excludes the effect of approximately 3.9 million options and performance share units (2015: 5.9 million) that are anti-dilutive.*

(ii) *In millions.*

14. SHARE-BASED PAYMENT

Stock Options

A summary of the status of the Company's outstanding stock options and changes during the three months ended March 31, 2016 and 2015, are presented below:

	2016		2015	
	Options outstanding	**Weighted average exercise price**	Options outstanding	Weighted average exercise price
Outstanding at January 1	**3,608,000**	**$ 16.61**	3,141,200	$ 14.83
Granted	**841,300**	**22.53**	728,400	22.52
Exercised	**(3,700)**	**11.36**	(120,600)	11.64
Forfeited	**(26,800)**	**20.28**	—	—
Outstanding at March 31	**4,418,800**	**$ 17.72**	3,749,000	$ 16.42
Options currently exercisable	**2,344,700**	**$ 14.19**	1,859,600	$ 11.63

All outstanding stock options vest and become exercisable over a period not exceeding five years (time vesting) from the date of grant. 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 three months ended March 31, 2016 and 2015 are shown in the table below.

	Three months ended March 31,	
	2016	2015
Share price at grant date	**$23.14**	$21.86
Exercise price	**$22.53**	$22.52
Expected volatility[(i)]	**23.71%**	24.33%
Option life (in years)[(ii)]	**4.5**	4.5
Expected dividend yield	**1.56%**	1.46%
Risk-free interest rate[(iii)]	**0.67%**	0.95%

(i) *Weighted average based on number of units granted.*

(ii) *Expected weighted average life.*

(iii) *Based on Government of Canada bonds.*

There were 841,300 (2015: 728,400) stock options issued during the three months ended March 31, 2016. The fair value of options granted during the three months ended March 31, 2016 was $3.4 million (2015: $2.6 million). Amortization charges relating to current and prior year options during the three months ended March 31, 2016 were $0.9 million (2015: $0.5 million).

Restricted Share Units and Performance Share Units

A summary of the status of the Company's Restricted Share Units ("RSU") plans (including Performance Share Units ("PSUs")) as at March 31, 2016 and 2015 and changes during these periods is presented below:

	2016		2015	
	RSUs outstanding	**Weighted average fair value at grant**	RSUs outstanding	Weighted average fair value at grant
Outstanding at January 1	**1,598,462**	**$ 20.61**	1,320,259	$ 15.37
Granted	**386,980**	**21.98**	441,540	20.60
Forfeited	**(39,214)**	**12.65**	(26,100)	15.95
Outstanding at March 31	**1,946,228**	**$ 21.04**	1,735,699	$ 16.70

The fair value of RSUs and PSUs granted during the three months ended March 31, 2016 was $7.0 million (2015: $7.9 million). Expenses for the three months ended March 31, 2016 relating to current and prior year RSUs and PSUs, were $4.3 million (2015: $2.1 million).

The key assumptions used in the valuation of fair value of RSUs granted during the three months ended March 31, 2016 and 2015 are shown in the table below[(i)].

	2016	2015
Expected RSU life (in years)	**3.25**	3.19
Forfeiture rate	**17.5%**	13.7%
Risk-free discount rate	**0.4%**	0.6%

(i) *Weighted average based on number of units granted.*

Director Share Units

The fair value of director share units expensed during the three months ended March 31, 2016 was $0.3 million (2015: $0.3 million).

15. RELATED PARTY TRANSACTIONS

The Company sponsors a number of defined benefit and defined contribution plans. During the three months ended March 31, 2016, the Company's contributions to these plans were $2.3 million (2015: $2.6 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 months ended March 31, 2016, the Company received services from MCI in the amount of $0.2 million, which represents the market value of the transactions with MCI. As at March 31, 2016, $0.1 million was owing to MCI relating to these transactions.

During the year ended December 31, 2015, the Company agreed to sublease office space to McCain Financial Advisory Services ("MFAS"), an entity jointly controlled by individuals including Mr. Michael H. McCain, for cost equal to the amount that the Company is obligated to pay under its lease. For the three months ended March 31, 2016, the Company recorded a nominal amount of sublease income from MFAS.

16. SEGMENTED FINANCIAL INFORMATION

Reportable Segmented Information

The Company has two reportable segments, as described below, which are groupings of the Company’s CGUs. These segments offer different products and have separate management structures. 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 prepared meats, lunch kits and snacks, and value-added fresh pork and poultry products.

(b) The Agribusiness Group is comprised of the Company’s hog production operations that primarily supply the Meat Products Group with livestock as well as toll feed sales.

(c) Non-allocated costs are comprised of expenses not separately identifiable to business segment groups and are not part of the measures used by the Company when assessing the segment’s operating results. These costs include changes in fair value of biological assets and unrealized gains or losses on commodity contracts.

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.

	Three months ended March 31,	
	2016	2015
Sales		
Meat Products Group	**$ 792,977**	$ 776,409
Agribusiness Group	**3,912**	3,839
Total sales	**$ 796,889**	$ 780,248
Earnings (loss) before restructuring and other related costs and other income		
Meat Products Group	**$ 61,274**	$ 7,878
Agribusiness Group	**(7,692)**	2,532
Non-allocated costs	**7,395**	3,763
Total earnings (loss) before restructuring and other related costs and other income	**$ 60,977**	$ 14,173
Capital expenditures		
Meat Products Group	**$ 18,549**	$ 23,873
Agribusiness Group	**1,726**	1,994
	$ 20,275	$ 25,867
Depreciation and amortization		
Meat Products Group	**$ 26,214**	$ 25,189
Agribusiness Group	**1,817**	1,452
Non-allocated costs[(i)]	**840**	5,125
	$ 28,871	$ 31,766

(i) *Includes depreciation on assets used to service divested business.*

	As at March 31, 2016	As at March 31, 2015	As at December 31, 2015
Total assets			
Meat Products Group	**$ 1,908,878**	$ 1,863,932	$ 1,853,146
Agribusiness Group	**204,713**	193,028	188,890
Non-allocated assets	**554,860**	771,888	588,829
	$ 2,668,451	$ 2,828,848	$ 2,630,865
Goodwill			
Meat Products Group	**$ 428,236**	$ 428,236	$ 428,236

Information About Geographic Areas

Property and equipment and investment property located outside of Canada was $0.2 million as at March 31, 2016 (2015: $0.2 million). No goodwill was attributed to operations outside of Canada.

Revenues earned outside of Canada for the three months ended March 31, 2016, were $189.1 million (2015: $158.3 million). Of the total amount earned outside of Canada, $72.5 million (2015: $76.2 million) was earned in Japan and $64.9 million (2015: $44.3 million) was earned in the U.S. Revenue by geographic area is determined based on the shipping location.

Information About Major Customers

For the three months ended March 31, 2016, the Company reported sales to one customer representing 13.0% (2015: 14.5%) 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.