



**MAPLE LEAF FOODS INC.**

**Interim Report to Shareholders**

For the First Quarter Ended

March 31, 2016

# Management's Discussion and Analysis

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

May 3, 2016

## FINANCIAL OVERVIEW

Sales for the first quarter of 2016 were \$796.9 million compared to \$780.2 million last year, an increase of 2.1%, due to higher Meat Products Group sales. After adjusting for the impact of foreign exchange, sales declined by 0.9% from the prior year.

Adjusted Operating Earnings<sup>(i)</sup> for the first quarter increased to \$53.6 million compared to \$10.4 million last year. Adjusted Earnings per Share<sup>(ii)</sup> increased to \$0.28 from \$0.05 last year. The increase was largely a result of improved margins in the Meat Products Group.

Net earnings increased to \$42.3 million (\$0.31 per basic share) compared to a loss of \$2.9 million (loss of \$0.02 per share) last year. The increase was 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 7 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 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 7 of this document.
- <sup>(ii)</sup> 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 7 of this document.

## OPERATING REVIEW

The following table summarizes sales by business segment:

(\$ thousands) (Unaudited)	Three Months Ended March 31,	
	2016	2015
Meat Products Group	\$ 792,977	\$ 776,409
Agribusiness Group	3,912	3,839
<b>Total Sales</b>	<b>\$ 796,889</b>	<b>\$ 780,248</b>

The following table summarizes Adjusted Operating Earnings by business segment:

(\$ thousands) (Unaudited)	Three Months Ended March 31,	
	2016	2015
Meat Products Group	\$ 61,274	\$ 7,878
Agribusiness Group	(7,692)	2,532
<b>Adjusted Operating Earnings</b>	<b>\$ 53,582</b>	<b>\$ 10,410</b>

### 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 increased 2.1% to \$793.0 million, after adjusting for the impact of foreign exchange, sales decreased by 0.9%. Prepared meats sales decreased as the benefit from price increases implemented during the first quarter, to manage a declining Canadian dollar and other inflationary costs, was offset by a short-term volume decline from anticipated responses to the price increase and the exit of some lower margin business. Fresh pork sales increased primarily due to foreign exchange rates, while fresh poultry sales benefited from stronger volume and an improved sales mix.

Adjusted Operating Earnings in the first quarter of 2016 increased to \$61.3 million compared to \$7.9 million last year. Higher earnings in prepared meats resulted from lower operating costs, an improved sales mix and pricing actions in the first quarter, partially offset by the impact of lower volume. The Company made continued progress in increasing operating efficiencies in the new prepared meats plant network, primarily at its largest scale facility in Hamilton, Ontario. Lower operating costs also resulted from the elimination of duplicative overhead costs that were incurred last year when the Company continued to operate legacy plants slated for closure.

Fresh pork earnings increased as a result of the increased contribution from value-added Canadian retail sales, and higher industry and export margins. Earnings from fresh poultry grew due to higher retail branded sales, operating efficiency gains, and favourable industry margins.

#### **Agribusiness Group**

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

Adjusted Operating Earnings decreased to a loss of \$7.7 million from earnings of \$2.5 million last year, reflecting the impact of lower hog prices. In the first quarter of 2015, the Company benefited from gains realized through its risk management program during a period of decline in hog market prices.

#### **Non-allocated Costs**

Non-allocated amounts in the first quarter comprise of a \$16.8 million gain due to changes in the fair value of biological assets (2015: loss of \$7.3 million) and a \$9.4 million unrealized loss on futures contracts (2015: gain of \$11.0 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 first quarter was \$138.3 million (17.3% of sales) compared to \$89.2 million (11.4% of sales) last year. The increase in gross margin as a percentage of sales is largely attributable to margin improvement in the Meat Products Group, as outlined above. In addition, gross margin also included a \$24.1 million increase in the fair value of biological assets and a \$20.5 million decrease in the fair value of unrealized mark-to-market commodity contracts.

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

Selling, general and administrative expenses for the first quarter increased by 3.0% to \$77.3 million (9.7% of sales), compared to \$75.0 million (9.6% of sales) last year. Core selling, general and administrative expenses have decreased significantly as a result of cost efficiencies, offset by increased investments in advertising and promotional activities, as the Company seeks to support its renewed focus on growth.

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

Other expense for the first quarter was \$0.6 million compared to \$5.9 million last year. The decrease is primarily due to a lower depreciation charge on assets servicing divested businesses as a result of a revised estimate for the useful life 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 first quarter is an expense of \$0.2 million (2015: expense of \$0.2 million).

#### **RESTRUCTURING AND OTHER RELATED COSTS**

Restructuring and other related costs for the first quarter were \$1.2 million compared to \$10.8 million last year. The costs in 2016 primarily related to severance and other employee costs that were incurred in connection with ongoing management and organizational restructuring initiatives. The costs in 2015 primarily related to similar factors, asset impairment and accelerated depreciation, and site closing costs.

#### **INCOME TAXES**

The Company's income tax expense for the first quarter of 2016 resulted in an effective tax rate of 27.2% (2015: 24.6% tax recovery). The lower effective tax rate in 2015 was primarily the result of the mix of income and loss in different jurisdictions and a higher proportion of non-deductible expenses relative to earnings, or loss, before taxes. For 2016, the effective tax recovery rate on restructuring charges used in the computation of Adjusted Earnings per Share is 26.1% (2015: 25.8%). The effective tax rate on items not considered representative of continuing operations in 2016 was 26.1% (2015 25.8% tax recovery).

## 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 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 (2015: \$101.6 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 first quarter unaudited condensed consolidated interim financial statements.

The Company's cash balance as at March 31, 2016 is \$290.9 million (2015: \$427.1 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 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 March 31, 2016, the Company had \$196.3 million (2015: \$201.9 million) of trade accounts receivable serviced under this facility. In return for the sale of these 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). 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 March 31, 2016, this net receivable amounted to \$15.4 million (2015: \$10.9 million net payable). The maximum cash advance available to the Company under this program is \$110.0 million. 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 March 31, 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 first quarter of 2016 were \$20.3 million compared to \$25.9 million in 2015. Expenditures primarily related to ongoing profit maintenance and enhancement projects.

## NORMAL COURSE ISSUER BID

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.

## CASH FLOW AND FINANCING

Net cash, a non-IFRS measure as described on page 10, was \$280.4 million at the end of the first quarter of 2016, compared to \$416.5 million last year, and \$281.6 million as at December 31, 2015. The Company made investments in the period in property and equipment and share repurchases under the NCIB program, funded largely by cash flow from operations.

**Cash Flow from Operating Activities**

Cash provided by operations for the first quarter was \$45.4 million compared to cash used in operations of \$34.6 million in the first quarter of 2015. The improvement was primarily due to higher earnings from operations, a lower investment in working capital and lower income tax payments.

**Cash Flow from Financing Activities**

Cash used in financing activities for the quarter was \$26.9 million compared to \$10.3 million in the first quarter of 2015. The increase is primarily due to increased dividend payments, share repurchases under the NCIB program, and treasury stock purchases in the current quarter.

**Cash Flow from Investing Activities**

Cash used in investing activities for the quarter was \$19.9 million compared to \$24.4 million in the first quarter of 2015. The decrease is mainly due to lower capital expenditures.

**SHARE CAPITAL**

As at April 26, 2016, there were 134,571,289 common shares issued and outstanding.

**OTHER MATTERS**

On May 3, 2016, the Company declared a dividend of \$0.09 per share payable June 30, 2016, to shareholders of record at the close of business on June 6, 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 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.

**SUMMARY OF QUARTERLY RESULTS**

The following is a summary of unaudited quarterly financial information:

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

<sup>(i)</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>(ii)</sup> Refer to Non-IFRS Financial Measures starting on page 7 of this document.

<sup>(iii)</sup> 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](http://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.

**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, 2016, and ended on March 31, 2016, 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. 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 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.



## Three months ended March 31, 2016

(\$ thousands) (Unaudited)	Meat Products Group	Agribusiness Group	Non-allocated costs	Consolidated
Net earnings				\$ 42,269
Income taxes				15,794
<b>Earnings before income taxes</b>				<b>\$ 58,063</b>
Interest expense and other financing costs				1,106
Other (income) expense	175	(22)	438	591
Restructuring and other related costs	113	—	1,104	1,217
<b>Earnings (loss) from operations</b>	<b>\$ 61,274</b>	<b>\$ (7,692)</b>	<b>\$ 7,395</b>	<b>\$ 60,977</b>
Decrease (increase) in fair value of biological assets <sup>(i)</sup>	—	—	(16,841)	(16,841)
Unrealized (gain) loss on futures contracts <sup>(ii)</sup>	—	—	9,446	9,446
<b>Adjusted Operating Earnings</b>	<b>\$ 61,274</b>	<b>\$ (7,692)</b>	<b>\$ —</b>	<b>\$ 53,582</b>

<sup>(i)</sup> Refer to Note 6 of the Company's 2016 first quarter unaudited condensed consolidated interim financial statements for further details regarding biological assets.

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

## Three months ended March 31, 2015

(\$ thousands) (Unaudited)	Meat Products Group	Agribusiness Group	Non-allocated costs	Consolidated
Net loss				\$ (2,861)
Income taxes				(931)
<b>Loss before income taxes</b>				<b>\$ (3,792)</b>
Interest expense and other financing costs				1,224
Other (income) expense	193	3	5,700	5,896
Restructuring and other related costs	8,530	—	2,315	10,845
<b>Earnings from operations</b>	<b>\$ 7,878</b>	<b>\$ 2,532</b>	<b>\$ 3,763</b>	<b>\$ 14,173</b>
Decrease (increase) in fair value of biological assets <sup>(i)</sup>	—	—	7,283	7,283
Unrealized (gain) loss on futures contracts <sup>(ii)</sup>	—	—	(11,046)	(11,046)
<b>Adjusted Operating Earnings</b>	<b>\$ 7,878</b>	<b>\$ 2,532</b>	<b>\$ —</b>	<b>\$ 10,410</b>

<sup>(i)</sup> Refer to Note 6 of the Company's 2016 first quarter unaudited condensed consolidated interim financial statements for further details regarding biological assets.

<sup>(ii)</sup> Unrealized gains/losses on futures contracts are reported within cost of goods sold in the Company's 2016 first 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 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 March 31,	
	2016	2015
Basic earnings (loss) per share	\$ 0.31	\$ (0.02)
Restructuring and other related costs <sup>(i)</sup>	0.01	0.06
Items included in other income not considered representative of ongoing operations <sup>(ii)</sup>	—	0.03
Change in the fair value of unrealized (gain) loss on futures contracts <sup>(iii)</sup>	0.05	(0.06)
Change in the fair value of biological assets <sup>(iii)</sup>	(0.09)	0.04
<b>Adjusted Earnings per Share</b>	<b>\$ 0.28</b>	<b>\$ 0.05</b>

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

<sup>(ii)</sup> 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.

<sup>(iii)</sup> 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.

### 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 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 March 31,	
	2016	2015
Net earnings (loss)	\$ 42,269	\$ (2,861)
Income taxes	15,794	(931)
Earnings (loss) before income taxes	\$ 58,063	\$ (3,792)
Interest expense and other financing costs	1,106	1,224
Items included in other income not considered representative of ongoing operations <sup>(i)</sup>	438	5,700
Restructuring and other related costs	1,217	10,845
Change in the fair value of biological assets and unrealized (gains) losses on futures contracts	(7,395)	(3,763)
Depreciation and amortization	28,031	26,641
<b>Adjusted EBITDA</b>	<b>\$ 81,460</b>	<b>\$ 36,855</b>

<sup>(i)</sup> 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)	Three months ended March 31,	
	2016	2015
Current portion of long-term debt	(681)	(592)
Long-term debt	(9,826)	(10,012)
<b>Total debt</b>	<b>\$ (10,507)</b>	<b>\$ (10,604)</b>
Cash and cash equivalents	290,916	427,100
<b>Net Cash</b>	<b>\$ 280,409</b>	<b>\$ 416,496</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, and costs 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 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 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 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 Discussion and Analysis for the fiscal year ended December 31, 2015, 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; and cash costs. 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, 2015 is available on SEDAR at [www.sedar.com](http://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.

# Consolidated Interim Balance Sheets

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

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

	\$	42,269	\$	(2,861)
Net earnings (loss)				
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)		Treasury stock	Total equity
					Foreign translation adjustment <sup>(i)</sup>	Unrealized gains and losses on cash flow hedges <sup>(i)</sup>		
<b>Balance at December 31, 2015</b>		\$ 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) <sup>(ii)</sup>		—	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)
<b>Balance at March 31, 2016</b>		\$ 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)		Treasury stock	Total equity
				Foreign translation adjustment <sup>(i)</sup>	Unrealized gains and losses on cash flow hedges <sup>(i)</sup>		
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) <sup>(ii)</sup>	—	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
<b>Balance at March 31, 2015</b>	\$ 937,883	\$ 1,229,222	\$ 81,332	\$ 1,819	\$ (5,865)	\$ (224)	\$ 2,244,167

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

<sup>(ii)</sup> 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
<b>CASH PROVIDED BY (USED IN) :</b>		
<b>Operating activities</b>		
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)
<b>Financing activities</b>		
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)
<b>Investing activities</b>		
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)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>\$ (1,353)</b>	<b>\$ (69,228)</b>
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**

	<b>As at March 31, 2016</b>	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:

	<b>As at March 31, 2016</b>	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**

	<b>As at March 31, 2016</b>	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

	Legal	Environ- mental	Lease make- good	Restructuring and related provisions		Total
				Severance and other employee related costs	Site closing and other cash costs	
<b>Balance at December 31, 2015<sup>(i)</sup></b>	<b>\$ 2,250</b>	<b>\$ 8,300</b>	<b>\$ 2,337</b>	<b>\$ 25,113</b>	<b>\$ 9,153</b>	<b>\$ 47,153</b>
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
<b>Balance at March 31, 2016</b>	<b>\$ 2,250</b>	<b>\$ 8,308</b>	<b>\$ 2,236</b>	<b>\$ 18,611</b>	<b>\$ 8,733</b>	<b>\$ 40,138</b>
Current						<b>\$ 26,129</b>
Non-current						<b>14,009</b>
<b>Total at March 31, 2016</b>						<b>\$ 40,138</b>

	Legal	Environ- mental	Lease make- good	Restructuring and related provisions		Total
				Severance and other employee related costs	Site closing and other cash costs	
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

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

<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> 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
<b>Assets:</b>				
Foreign exchange contracts	\$ —	\$ 13,246	\$ —	\$ 13,246
Commodity contracts	3,569	—	—	3,569
Interest rate swaps	—	4,208	—	4,208
	<b>\$ 3,569</b>	<b>\$ 17,454</b>	<b>\$ —</b>	<b>\$ 21,023</b>
<b>Liabilities:</b>				
Foreign exchange contracts	\$ —	\$ 7,540	\$ —	\$ 7,540
Commodity contracts	810	2,504	—	3,314
Interest rate swaps	—	10,929	—	10,929
	<b>\$ 810</b>	<b>\$ 20,973</b>	<b>\$ —</b>	<b>\$ 21,783</b>

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)**

	<b>Three months ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
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 <sup>(i)</sup>	(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)
	<b>\$ (591)</b>	<b>\$ (5,896)</b>

<sup>(i)</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 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**

	<b>Three Months Ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
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
	<b>\$ 1,106</b>	<b>\$ 1,224</b>

### 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		
	Net earnings (loss)	Weighted average number of shares <sup>(ii)</sup>	EPS	Net earnings (loss)	Weighted average number of shares <sup>(ii)</sup>	EPS
<i>Three months ended March 31,</i>						
Basic	\$ 42,269	134.7	\$ 0.31	\$ (2,861)	143.0	\$ (0.02)
Stock options <sup>(i)</sup>		2.8			—	
Diluted	\$ 42,269	137.5	\$ 0.31	\$ (2,861)	143.0	\$ (0.02)

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

<sup>(ii)</sup> 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
<b>Outstanding at January 1</b>	<b>3,608,000</b>	<b>\$ 16.61</b>	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	—	—
<b>Outstanding at March 31</b>	<b>4,418,800</b>	<b>\$ 17.72</b>	3,749,000	\$ 16.42
<b>Options currently exercisable</b>	<b>2,344,700</b>	<b>\$ 14.19</b>	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	<b>\$23.14</b>	\$21.86
Exercise price	<b>\$22.53</b>	\$22.52
Expected volatility <sup>(i)</sup>	<b>23.71%</b>	24.33%
Option life (in years) <sup>(ii)</sup>	<b>4.5</b>	4.5
Expected dividend yield	<b>1.56%</b>	1.46%
Risk-free interest rate <sup>(iii)</sup>	<b>0.67%</b>	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 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
<b>Outstanding at January 1</b>	<b>1,598,462</b>	<b>\$ 20.61</b>	1,320,259	\$ 15.37
Granted	<b>386,980</b>	<b>21.98</b>	441,540	20.60
Forfeited	<b>(39,214)</b>	<b>12.65</b>	(26,100)	15.95
<b>Outstanding at March 31</b>	<b>1,946,228</b>	<b>\$ 21.04</b>	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<sup>(i)</sup>.

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

<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 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.

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

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

	<b>As at March 31,</b>	<b>As at March 31,</b>	<b>As at December 31,</b>
	<b>2016</b>	<b>2015</b>	<b>2015</b>
<b>Total assets</b>			
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
	<b>\$ 2,668,451</b>	<b>\$ 2,828,848</b>	<b>\$ 2,630,865</b>
<b>Goodwill</b>			
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.