



MAPLE LEAF FOODS INC.

Financial Statements
For the Second Quarter Ended
June 30, 2017

Consolidated Interim Balance Sheets

<i>(In thousands of Canadian dollars)</i>	Notes	As at June 30, 2017	As at June 30, 2016	As at December 31, 2016
		<i>(Unaudited)</i>	<i>(Unaudited)</i>	
			<i>(Restated)</i>	
			<i>(Note 2(d))</i>	
ASSETS				
Current assets				
Cash and cash equivalents	3	\$ 104,820	\$ 312,757	\$ 403,621
Accounts receivable	4	140,474	70,014	127,749
Notes receivable	4	42,410	103,115	32,485
Inventories	5	305,942	282,258	261,719
Biological assets	6	107,958	105,568	111,445
Prepaid expenses and other assets		54,225	36,599	30,372
Assets held for sale		5,251	4,842	4,837
		\$ 761,080	\$ 915,153	\$ 972,228
Property and equipment		1,097,249	1,078,100	1,085,275
Investment property		1,910	2,073	1,929
Employee benefits		1,357	52,359	10,311
Other long-term assets		5,452	6,796	6,557
Deferred tax asset		—	37,982	—
Goodwill	17	557,219	428,236	428,236
Intangible assets	17	160,221	131,021	128,085
Total assets		\$ 2,584,488	\$ 2,651,720	\$ 2,632,621
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accruals		\$ 272,865	\$ 248,173	\$ 256,163
Provisions	7	13,906	19,517	11,889
Current portion of long-term debt	8	881	729	794
Income taxes payable		6,540	8,127	9,544
Other current liabilities		45,707	14,375	96,857
		\$ 339,899	\$ 290,921	\$ 375,247
Long-term debt	8	8,969	9,766	9,119
Employee benefits		118,978	237,892	108,730
Provisions	7	14,710	13,755	16,555
Other long-term liabilities		13,084	16,959	12,654
Deferred tax liability		40,756	—	22,293
Total liabilities		\$ 536,396	\$ 569,293	\$ 544,598
Shareholders' equity				
Share capital	9	\$ 847,326	\$ 884,431	\$ 853,633
Retained earnings		1,213,935	1,185,999	1,247,737
Contributed surplus		—	12,314	—
Accumulated other comprehensive income		1,792	7,332	1,619
Treasury stock		(14,961)	(7,649)	(14,966)
Total shareholders' equity		\$ 2,048,092	\$ 2,082,427	\$ 2,088,023
Total liabilities and equity		\$ 2,584,488	\$ 2,651,720	\$ 2,632,621

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

Consolidated Interim Statements of Net Earnings

<i>(In thousands of Canadian dollars, except share amounts)</i> <i>(Unaudited)</i>	<i>Notes</i>	Three months ended June 30,		Six months ended June 30,	
		2017	2016	2017	2016
Sales		\$ 925,873	\$ 854,646	\$ 1,737,058	\$ 1,651,535
Cost of goods sold		778,195	727,762	1,455,684	1,386,394
Gross margin		\$ 147,678	\$ 126,884	\$ 281,374	\$ 265,141
Selling, general and administrative expenses		88,753	79,467	169,943	156,747
Earnings before the following:		\$ 58,925	\$ 47,417	\$ 111,431	\$ 108,394
Restructuring and other related costs	7	(4,986)	(585)	(11,476)	(1,802)
Other income (expense)	11	(1,132)	(2,601)	(3,836)	(3,192)
Earnings before interest and income taxes		\$ 52,807	\$ 44,231	\$ 96,119	\$ 103,400
Interest expense and other financing costs	12	1,345	1,211	2,572	2,317
Earnings before income taxes		\$ 51,462	\$ 43,020	\$ 93,547	\$ 101,083
Income taxes		14,120	11,639	26,100	27,433
Net earnings		\$ 37,342	\$ 31,381	\$ 67,447	\$ 73,650
Earnings per share:	13				
Basic earnings per share		\$ 0.29	\$ 0.23	\$ 0.52	\$ 0.55
Diluted earnings per share		\$ 0.28	\$ 0.23	\$ 0.51	\$ 0.53
Weighted average number of shares (millions)	13				
Basic		129.1	134.4	129.8	134.5
Diluted		132.9	137.4	133.1	137.8

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

Consolidated Interim Statements of Other Comprehensive Income (Loss)

<i>(In thousands of Canadian dollars)</i> <i>(Unaudited)</i>	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Net earnings	\$ 37,342	\$ 31,381	\$ 67,447	\$ 73,650
Other comprehensive (loss) income				
Actuarial losses that will not be reclassified to profit or loss (Net of tax of \$5.2 million and \$6.2 million; 2016: \$10.8 million and \$9.5 million)	\$ (14,721)	\$ (30,628)	\$ (17,561)	\$ (26,768)
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; 2016: \$0.0 million)	\$ (5,109)	\$ 569	\$ (7,185)	\$ 413
Change in unrealized gains (losses) on cash flow hedges (Net of tax of \$2.2 million and \$2.6 million; 2016: \$1.5 million and \$2.6 million)	6,195	(4,415)	7,358	7,333
Total items that are or may be reclassified subsequently to profit or loss	\$ 1,086	\$ (3,846)	\$ 173	\$ 7,746
Total other comprehensive loss	\$ (13,635)	\$ (34,474)	\$ (17,388)	\$ (19,022)
Comprehensive income (loss)	\$ 23,707	\$ (3,093)	\$ 50,059	\$ 54,628

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) ⁽ⁱ⁾		Treasury stock	Total equity
					Foreign currency translation adjustment	Unrealized gains and losses on cash flow hedges		
Balance as at December 31, 2016		\$ 853,633	\$ 1,247,737	\$ —	\$ 2,116	\$ (497)	\$ (14,966)	\$ 2,088,023
Net earnings		—	67,447	—	—	—	—	67,447
Other comprehensive income (loss) ⁽ⁱⁱ⁾		—	(17,561)	—	(7,185)	7,358	—	(17,388)
Dividends declared (\$0.22 per share)		—	(28,530)	—	—	—	—	(28,530)
Share-based compensation expense		—	—	11,842	—	—	—	11,842
Deferred taxes on share-based compensation		—	—	2,750	—	—	—	2,750
Repurchase of shares	9	(11,819)	(26,340)	(14,592)	—	—	—	(52,751)
Exercise of stock options		5,512	—	—	—	—	—	5,512
Settlement of share-based compensation		—	(28,818)	—	—	—	16,005	(12,813)
Shares purchased by RSU trust		—	—	—	—	—	(16,000)	(16,000)
Balance as at June 30, 2017		\$ 847,326	\$ 1,213,935	\$ —	\$ (5,069)	\$ 6,861	\$ (14,961)	\$ 2,048,092

(In thousands of Canadian dollars) (Unaudited)	Note	Share capital	Retained earnings	Contributed surplus	Accumulated other comprehensive income (loss) ⁽ⁱ⁾		Treasury stock	Total equity
					Foreign currency translation adjustment	Unrealized gains and losses on cash flow hedges		
Balance as at December 31, 2015⁽ⁱⁱⁱ⁾		\$ 882,770	\$ 1,161,047	\$ —	\$ 2,506	\$ (2,920)	\$ (2,086)	\$ 2,041,317
Net earnings		—	73,650	—	—	—	—	73,650
Other comprehensive income (loss) ⁽ⁱⁱ⁾		—	(26,768)	—	413	7,333	—	(19,022)
Dividends declared (\$0.18 per share)		—	(24,230)	—	—	—	—	(24,230)
Share-based compensation expense		—	—	12,818	—	—	—	12,818
Deferred taxes on share-based compensation		—	—	1,500	—	—	—	1,500
Repurchase of shares	9	—	2,300	(1,648)	—	—	—	652
Exercise of stock options		1,661	—	—	—	—	—	1,661
Settlement of share-based compensation		—	—	(356)	—	—	38	(318)
Shares purchased by RSU trust		—	—	—	—	—	(5,601)	(5,601)
Balance at June 30, 2016⁽ⁱⁱⁱ⁾		\$ 884,431	\$ 1,185,999	\$ 12,314	\$ 2,919	\$ 4,413	\$ (7,649)	\$ 2,082,427

⁽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.

⁽ⁱⁱⁱ⁾ Restated, see Note 2(d).

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

Consolidated Interim Statements of Cash Flows

<i>(In thousands of Canadian dollars)</i> <i>(Unaudited)</i>	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
CASH PROVIDED BY (USED IN):				
Operating activities				
Net earnings	\$ 37,342	\$ 31,381	\$ 67,447	\$ 73,650
Add (deduct) items not affecting cash:				
Change in fair value of biological assets	8,514	17,133	5,717	292
Depreciation and amortization	29,079	28,126	57,150	56,997
Share-based compensation	4,629	7,320	11,842	12,818
Deferred income taxes	12,003	10,801	22,481	25,380
Income tax current	2,117	838	3,619	2,053
Interest expense and other financing costs	1,345	1,211	2,572	2,317
(Gain) loss on sale of long-term assets	(831)	265	(510)	762
Change in fair value of non-designated derivative financial instruments	5,634	(4,189)	13,817	3,039
Impairment of assets (net of reversals)	—	1,022	—	1,022
Change in net pension liability	(5,625)	6,913	(4,561)	12,589
Net income taxes paid	(3,707)	(628)	(6,365)	(3,541)
Interest paid	(832)	(1,187)	(1,650)	(2,273)
Change in provision for restructuring and other related costs	2,330	(6,849)	4,944	(13,762)
Change in derivatives margin	(11,694)	(5,683)	(14,124)	(12,949)
Other	996	(684)	83	2,920
Change in non-cash working capital	(39,168)	(22,384)	(65,322)	(52,471)
Cash provided by operating activities	\$ 42,132	\$ 63,406	\$ 97,140	\$ 108,843
Financing activities				
Dividends paid	\$ (14,205)	\$ (12,119)	\$ (28,530)	\$ (24,230)
Net decrease in long-term debt	(93)	(125)	(278)	(292)
Exercise of stock options	3,905	1,619	5,512	1,661
Repurchase of shares	(29,432)	—	(111,412)	(11,922)
Payment of deferred financing fees	(78)	(1,090)	(142)	(1,090)
Purchase of treasury stock	(6,000)	(2,900)	(16,000)	(5,601)
Cash used in financing activities	\$ (45,903)	\$ (14,615)	\$ (150,850)	\$ (41,474)
Investing activities				
Additions to long-term assets	\$ (26,982)	\$ (27,178)	\$ (47,237)	\$ (47,453)
Acquisition of business, net of cash acquired	(9,523)	—	(199,440)	—
Proceeds from sale of long-term assets	1,500	228	1,586	572
Cash used in investing activities	\$ (35,005)	\$ (26,950)	\$ (245,091)	\$ (46,881)
(Decrease) increase in cash and cash equivalents	\$ (38,776)	\$ 21,841	\$ (298,801)	\$ 20,488
Cash and cash equivalents, beginning of period	143,596	290,916	403,621	292,269
Cash and cash equivalents, end of period	\$ 104,820	\$ 312,757	\$ 104,820	\$ 312,757

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

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Tabular amounts in thousands of Canadian dollars unless otherwise indicated)
Three and six months ended June 30, 2017 and 2016

1. THE COMPANY

Maple Leaf Foods Inc. ("Maple Leaf Foods" or the "Company") is a producer of food products under leading national brands including Maple Leaf®, Maple Leaf Prime®, Maple Leaf Natural Selections®, Schneiders®, Schneiders® Country Naturals®, Mina® and Lightlife®. The Company's portfolio includes prepared meats, ready-to-cook and ready-to-serve meals, value-added fresh pork and poultry and refrigerated plant protein products. The address of the Company's registered office is 6985 Financial Dr. Mississauga, Ontario, L5N 0A1, Canada. The unaudited condensed consolidated interim financial statements of the Company as at and for the three and six months ended June 30, 2017 include the accounts of the Company and its subsidiaries.

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's 2016 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 2016 annual audited consolidated financial statements, except for new standards adopted during the six months ended June 30, 2017 as described below.

The consolidated financial statements were authorized for issue by the Board of Directors on July 26, 2017.

(b) Accounting Standards Adopted During the Period

Beginning on January 1, 2017, 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:

Statement of Cash Flows

Beginning on January 1, 2017, the Company adopted the amendments to IAS 7 Statement of Cash Flows which require 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 adoption of the amendments to IAS 7 did not have a material impact on the consolidated financial statements.

Income Taxes

Beginning on January 1, 2017, the Company adopted the amendments to IAS 12 Income Taxes which provide clarification on the requirements relating to the recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value. The adoption of the amendments to IAS 12 did not have a material impact on the consolidated financial statements.

Disclosure of Interests in Other Entities

Beginning on January 1, 2017, the Company adopted the amendments to IFRS 12 Disclosure of Interests in Other Entities which provide clarification that the required disclosures under IFRS 12 also apply to subsidiaries, joint ventures and associates that are classified as held for sale or discontinued operations under IFRS 5 with the exception that the disclosures for summarized financial information do not apply to subsidiaries, joint ventures and associates classified as held for sale or discontinued operations. The adoption of the amendments to IFRS 12 did not have a material impact on the consolidated financial statements.

(c) Accounting Pronouncements Issued But Not Yet Effective

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. A preliminary analysis has been completed and the Company is currently reviewing the relevant sales contracts. The extent of the impact of the 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. A preliminary analysis has been completed and the Company is reviewing relevant contracts and documentation. The extent of the impact of the adoption of IFRS 9 has not yet been determined.

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

Leases

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

Share-Based Payments

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

Foreign Currency Transactions and Advance Considerations

In December 2016, the IASB issued IFRIC 22 Foreign Currency Transactions and Advance Consideration with a mandatory effective date of January 1, 2018. When a foreign currency transaction where consideration is received or paid in advance of the recognition of the related asset, expense, or income, the exchange rate used should be based on the exchange rate as at the date when the pre-payment asset or deferred liability is recognized. IFRIC 22 can be applied on a full retrospective basis, retrospective from the comparative year or prospectively from January 1, 2018. The extent of the impact of the adoption of IFRIC 22 has not yet been determined.

Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23 Uncertainty over Income Tax Treatments with a mandatory effective date of January 1, 2019. The interpretations provide guidance on how to value uncertain income tax positions based on the probability of whether the relevant tax authorities will accept the company's tax treatments. A company is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. IFRIC 23 is to be applied by recognizing the cumulative effect of initially applying these guidelines in opening retained earnings without adjusting comparative information. The extent of the impact of the adoption of IFRIC 23 has not yet been determined.

(d) Restatement of Comparative Periods for Previously Adopted Accounting Standards

Income taxes

On November 8, 2016, the IFRS Interpretations Committee provided clarification on the tax rate an entity should apply to its deferred tax assets and liabilities related to intangible assets with indefinite lives. The tax rate applied should be consistent with how an entity is expected to recover the carrying amount in the form of future economic benefits. As a result of this clarification, the Company has changed the effective tax rate applied on deferred tax liabilities on indefinite life intangible assets. This change has been retrospectively applied reducing deferred tax assets and retained earnings as at January 1, 2015 by \$11.8 million, with the same impact applied to the consolidated balance sheet as at June 30, 2016. There was no impact to net income or comprehensive income (loss) for the years ended December 31, 2016 and 2015 as there were no movements in the temporary differences or changes in relevant statutory income tax rates during these periods. There was no material effect on the consolidated balance sheet as at January 1, 2015.

3. CASH AND CASH EQUIVALENTS

As at June 30, 2017, the Company had agreements to cash collateralize certain of its letters of credit up to an amount of \$120.0 million (2016: \$120.0 million), of which \$15.6 million (2016: \$87.2 million) was deposited with a major financial institution.

4. ACCOUNTS AND NOTES RECEIVABLE

	As at June 30, 2017	As at June 30, 2016	As at December 31, 2016
Trade receivables	\$ 99,871	\$ 25,975	\$ 90,463
Less: Allowance for doubtful accounts	(5)	(4)	(5)
Net trade receivables	\$ 99,866	\$ 25,971	\$ 90,458
Other receivables:			
Commodity taxes receivable	7,866	7,982	11,004
Interest rate swap receivable	416	425	422
Government receivable	14,344	14,443	17,347
Other	17,982	21,193	8,518
	\$ 140,474	\$ 70,014	\$ 127,749

The aging of trade receivables is as follows:

	As at June 30, 2017	As at June 30, 2016	As at December 31, 2016
Current	\$ 80,360	\$ 22,705	\$ 64,176
Past due 0-30 days	14,785	2,748	19,057
Past due 31-60 days	2,601	522	2,702
Past due > 60 days	2,125	—	4,528
	\$ 99,871	\$ 25,975	\$ 90,463

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 operates an accounts receivable securitization facility. The maximum cash advance available to the Company under this program is \$110.0 million. Under this facility, the Company has sold certain of its trade accounts receivable, with very limited recourse, to an unconsolidated third-party trust financed by an international financial institution with a long-term AA- debt rating, for cash and short-term notes back to the Company. The receivables are sold at a discount to face value based on prevailing money market rates. The Company retains servicing responsibilities for these receivables.

As at June 30, 2017, trade accounts receivable being serviced under this program amounted to \$152.4 million (2016: \$214.5 million). In return for the sale of its trade receivables, the Company will receive cash of \$110.0 million (2016: \$111.4 million) and notes receivable in the amount of \$42.4 million (2016: \$103.1 million). The notes receivable are non-interest bearing and are settled on the settlement dates of the securitized accounts receivable. Due to the timing of receipts and disbursements, the Company may, from time to time, also record a receivable or payable related to the securitization facility. As at June 30, 2017, the Company recorded a net receivable amount of \$7.6 million (2016: \$10.6 million net receivable) in accounts receivable.

The Company's securitization program requires the sale of trade receivables to be treated as a sale from an accounting perspective and as a result, trade receivables sold under this program are derecognized in the consolidated interim balance sheets as at June 30, 2017, June 30, 2016 and December 31, 2016.

5. INVENTORIES

	As at June 30, 2017	As at June 30, 2016	As at December 31, 2016
Raw materials	\$ 28,802	\$ 29,300	\$ 23,229
Work in process	21,111	20,559	16,309
Finished goods	205,661	186,089	175,452
Packaging	14,205	13,748	13,997
Spare parts	36,163	32,562	32,732
	\$ 305,942	\$ 282,258	\$ 261,719

For the three months ended June 30, 2017, inventory in the amount of \$720.5 million (2016: \$666.3 million) was expensed through cost of goods sold.

For the six months ended June 30, 2017, inventory in the amount of \$1,352.0 million (2016: \$1,279.2 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 June 30, 2017 was a loss of \$8.5 million (2016: loss of \$17.1 million) and was recorded in cost of goods sold.

The change in fair value of commercial hog and poultry stock for the six months ended June 30, 2017 was a loss of \$5.7 million (2016: loss of \$0.3 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 and six months ended June 30, 2017 and June 30, 2016.

7. PROVISIONS

	Legal	Environ- mental	Lease make- good	Restructuring and related provisions		Total
				Severance and other employee related costs	Site closing and other costs	
Balance as at December 31, 2016⁽ⁱ⁾	\$ 2,250	\$ 8,233	\$ 2,228	\$ 8,656	\$ 7,077	\$ 28,444
Charges	—	—	—	2,341	9	2,350
Reversals	—	—	—	(219)	(242)	(461)
Cash payments	—	(18)	—	(1,960)	(25)	(2,003)
Non-cash items	—	—	—	—	32	32
Balance as at March 31, 2017	\$ 2,250	\$ 8,215	\$ 2,228	\$ 8,818	\$ 6,851	\$ 28,362
Charges	288	510	—	2,505	36	3,339
Reversals	—	—	—	(424)	—	(424)
Cash payments	—	(35)	—	(2,487)	(170)	(2,692)
Non-cash items	—	—	—	—	31	31
Balance as at June 30, 2017	\$ 2,538	\$ 8,690	\$ 2,228	\$ 8,412	\$ 6,748	\$ 28,616
Current						\$ 13,906
Non-current						14,710
Total as at June 30, 2017						\$ 28,616

⁽ⁱ⁾ Balance as at December 31, 2016, includes current portion of \$11.9 million and non-current portion of \$16.6 million.

	Legal	Environ- mental	Lease make- good	Restructuring and related provisions		Total
				Severance and other employee related costs	Site closing and other costs	
Balance as at December 31, 2015	\$ 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 as at March 31, 2016	\$ 2,250	\$ 8,308	\$ 2,236	\$ 18,611	\$ 8,733	\$ 40,138
Charges	—	—	—	2,538	277	2,815
Reversals	—	—	—	(1,914)	(323)	(2,237)
Cash payments	—	(39)	(8)	(7,137)	(297)	(7,481)
Non-cash items	—	—	—	21	16	37
Balance at June 30, 2016	\$ 2,250	\$ 8,269	\$ 2,228	\$ 12,119	\$ 8,406	\$ 33,272
Current						\$ 19,517
Non-current						13,755
Total as at June 30, 2016						\$ 33,272

Restructuring and Other Related Costs

During the three months ended June 30, 2017, the Company recorded restructuring and other related costs of \$5.0 million (2016: \$0.6 million). Of this amount, \$4.8 million related to accelerated depreciation and severance and other employee costs as a result of the announced closure of the Thamesford turkey processing plant. The remaining \$0.2 million related to ongoing management and organizational restructuring initiatives.

During the six months ended June 30, 2017, the Company recorded restructuring and the other related costs of \$11.5 million (2016: \$1.8 million). Of this amount, \$9.0 million related to accelerated depreciation and severance and other employee costs as a result of the announced closure of the Thamesford turkey processing plant. In addition, \$1.9 million related to adjustments to share-based compensation for terminated employees pertaining to changes to the Company's management structure associated with previously divested businesses. The remaining \$0.6 million related to ongoing management and organizational restructuring initiatives.

8. LONG-TERM DEBT

On June 24, 2016, the Company entered into a three-year \$400.0 million committed revolving credit facility with a syndicate of Canadian, U.S. and international financial institutions. This unsecured facility can be drawn in Canadian or U.S. dollars and bears interest payable monthly, based on Banker's Acceptance and Prime rates for Canadian dollar loans and LIBOR for U.S. dollar loans. The facility is intended to meet the Company's funding requirements for general purposes, and to provide appropriate levels of liquidity. As at June 30, 2017, the Company had drawn letters of credit of \$6.3 million on this facility (2016: \$68.8 million).

This revolving term facility requires the maintenance of certain covenants. As at June 30, 2017, the Company was in compliance with all of these covenants.

The Company has an additional uncommitted credit facility for issuing up to a maximum of \$120.0 million letters of credit. As at June 30, 2017, \$66.8 million of letters of credit had been issued thereon (2016: \$85.5 million). One letter of credit has been collateralized with cash, as further described in Note 3.

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 2024. As at June 30, 2017, \$9.9 million (2016: \$10.5 million) was outstanding. All of these facilities are committed.

9. SHARE CAPITAL

Share Repurchase

On May 17, 2017, the Toronto Stock Exchange ("TSX") accepted the Company's notice of intention to commence a Normal Course Issuer Bid ("NCIB"), which allows the Company to repurchase, at its discretion, up to 8.20 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 are cancelled. The program commenced on May 23, 2017 and will terminate on May 22, 2018, or on such earlier date as the Company completes its purchases pursuant to the notice of intention. Under this bid during the three and six months ended June 30, 2017, 0.3 million shares (2016: 0.0 million) were purchased for cancellation for \$8.8 million at a volume weighted average price paid of \$32.93 per common share.

On May 16, 2016, the TSX accepted the Company's notice of intention to commence a NCIB, which allowed the Company to repurchase, at its discretion, up to 8.70 million common shares in the open market or as otherwise permitted by the TSX, subject to the normal terms and limitations of such bids. The program commenced on May 19, 2016 and was terminated on May 18, 2017, as the Company completed its purchase and cancellation of 5.52 million common shares for \$163.1 million at a volume weighted average price of \$29.57 per common share. Under this bid during the three months ended June 30, 2017, 0.6 million shares (2016: 0.0 million) were purchased for cancellation for \$20.7 million at a volume weighted average price paid of \$32.57 per common share. During the six months ended June 30, 2017, 3.4 million shares (2016: 0.0 million) were purchased for cancellation for \$102.6 million at a volume weighted average price paid of \$30.09 per common share.

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

The Company entered into an Automatic Share Purchase Plan ("ASPP") with a broker that allows the purchase of common shares for cancellation under the NCIB at any time during predetermined trading blackout periods. As at June 30, 2017, an obligation for the repurchase of shares of \$29.7 million (2016: \$0.0 million) was recognized under the ASPP.

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 June 30 are shown below:

	2017			2016		
	Notional amount ⁽ⁱ⁾	Fair value		Notional amount ⁽ⁱ⁾	Fair value	
		Asset	Liability		Asset	Liability
Cash flow hedges						
Foreign exchange contracts ⁽ⁱⁱ⁾	\$ 257,973	\$ 9,512	\$ 99	\$ 268,497	\$ 7,082	\$ 1,107
Commodity contracts ⁽ⁱⁱ⁾	5,221	—	137	7,278	—	94
Fair value hedges						
Commodity contracts ⁽ⁱⁱ⁾	\$ 89,995	\$ —	\$ 5,455	\$ 71,106	\$ —	\$ 1,994
Derivatives not designated in a formal hedging relationship						
Interest rate swaps	\$ 520,000	\$ 822	\$ 2,593	\$ 520,000	\$ 3,599	\$ 9,351
Foreign exchange contracts ⁽ⁱⁱ⁾	437,494	10,225	6,135	129,836	709	3,684
Commodity contracts ⁽ⁱⁱ⁾	603,126	4,170	381	512,663	793	265
Total fair value		\$ 24,729	\$ 14,800		\$ 12,183	\$ 16,495
Current ⁽ⁱⁱⁱ⁾		\$ 24,729	\$ 14,800		\$ 10,915	\$ 13,237
Non-current		—	—		1,268	3,258
Total fair value		\$ 24,729	\$ 14,800		\$ 12,183	\$ 16,495

⁽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 June 30, 2017, the above fair value of current assets has been increased on the consolidated balance sheet by an amount of \$10.8 million (2016: increase of \$11.4 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 June 30, 2017, the Company recorded a gain of \$8.0 million (2016: gain of \$1.8 million) on non-designated financial instruments held for trading.

During the six months ended June 30, 2017, the Company recorded a gain of \$11.1 million (2016: loss of \$0.8 million) on non-designated financial instruments held for trading.

During the three months ended June 30, 2017, the pre-tax amount of hedge ineffectiveness recognized in other income was a gain of \$0.1 million (2016: loss of \$0.0 million).

During the six months ended June 30, 2017, the pre-tax amount of hedge ineffectiveness recognized in other income was gain of \$0.2 million (2016: gain of \$0.0 million).

The table below sets out fair value measurements of financial instruments using the fair value hierarchy as at June 30, 2017:

	Level 1	Level 2	Level 3	Total
Assets:				
Foreign exchange contracts	\$ —	\$ 19,737	\$ —	\$ 19,737
Commodity contracts	4,170	—	—	4,170
Interest rate swaps	—	822	—	822
	\$ 4,170	\$ 20,559	\$ —	\$ 24,729
Liabilities:				
Foreign exchange contracts	\$ —	\$ 6,234	\$ —	\$ 6,234
Commodity contracts	5,592	381	—	5,973
Interest rate swaps	—	2,593	—	2,593
	\$ 5,592	\$ 9,208	\$ —	\$ 14,800

There were no transfers between levels during the six months ended June 30, 2017 and June 30, 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 2016 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 \$6.9 million, net of tax of \$2.4 million, of unrealized gains 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 June 30, 2017, a gain of approximately \$0.2 million, net of tax of \$0.1 million, was released to earnings from accumulated other comprehensive income (loss) and included in the net change for the period (2016: gain of approximately \$3.8 million, net of tax of \$1.3 million).

During the six months ended June 30, 2017, a loss of approximately \$0.1 million, net of tax of \$0.0 million, was released to earnings from accumulated other comprehensive income (loss) and included in the net change for the period (2016: gain of approximately \$2.8 million, net of tax of \$1.0 million).

11. OTHER INCOME (EXPENSE)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Loss on disposal of property and equipment	\$ (522)	\$ (265)	\$ (843)	\$ (512)
Gain (loss) on sale of investment properties	1,353	—	1,353	(250)
Net investment property expense	(425)	(481)	(749)	(1,141)
Impairment of assets ⁽ⁱ⁾	—	(1,022)	—	(1,022)
Interest income	98	572	778	1,138
Net expense on non-designated interest rate swaps	(1,005)	(994)	(2,009)	(2,009)
Change in fair value of non-designated interest rate swaps	997	969	1,994	1,968
Legal and other fees on acquisition	(664)	—	(4,959)	—
Other	(964)	(1,380)	599	(1,364)
	\$ (1,132)	\$ (2,601)	\$ (3,836)	\$ (3,192)

⁽ⁱ⁾ Relates to impairment of property and equipment not in use.

12. INTEREST EXPENSE AND OTHER FINANCING COSTS

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Interest expense on long-term debt	\$ 108	\$ 113	\$ 216	\$ 227
Interest expense on securitized receivables	352	398	658	766
Amortization of deferred finance charges	313	92	615	184
Other interest charges	572	608	1,083	1,140
	\$ 1,345	\$ 1,211	\$ 2,572	\$ 2,317

13. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the net earnings of the Company by the weighted average number of shares outstanding during the quarter.

Diluted earnings per share amounts are calculated by dividing the net earnings of the Company by the weighted average number of shares outstanding during the quarter, adjusted for the effects of potentially dilutive instruments.

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

	2017			2016		
	Net earnings	Weighted average number of shares ⁽ⁱⁱ⁾	EPS	Net earnings	Weighted average number of shares ⁽ⁱⁱ⁾	EPS
<i>Three months ended June 30,</i>						
Basic	\$ 37,342	129.1	\$ 0.29	\$ 31,381	134.4	\$ 0.23
Share-based compensation ⁽ⁱ⁾		3.8			3.0	
Diluted	\$ 37,342	132.9	\$ 0.28	\$ 31,381	137.4	\$ 0.23
<i>Six months ended June 30,</i>						
Basic	\$ 67,447	129.8	0.52	\$ 73,650	134.5	\$ 0.55
Share-based compensation ⁽ⁱ⁾		3.3			3.3	
Diluted	\$ 67,447	133.1	\$ 0.51	\$ 73,650	137.8	\$ 0.53

⁽ⁱ⁾ Excludes the effect of approximately 2.7 million (2016: 3.9 million) options and performance shares for the three months ended June 30, 2017 and 3.2 million (2016: 3.6 million) for the six months ended June 30, 2017 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 six months ended June 30 are presented below:

	2017		2016	
	Options outstanding	Weighted average exercise price	Options outstanding	Weighted average exercise price
Outstanding at January 1	4,260,000	\$ 17.73	3,608,000	\$ 16.61
Granted	732,200	30.86	841,300	22.53
Exercised	(137,700)	11.67	(3,700)	11.36
Forfeited	—	—	(26,800)	20.28
Outstanding at March 31	4,854,500	\$ 19.88	4,418,800	\$ 17.72
Exercised	(271,000)	14.41	(101,800)	15.90
Outstanding at June 30	4,583,500	\$ 20.21	4,317,000	\$ 17.77
Options currently exercisable	2,668,100	\$ 16.57	2,216,100	\$ 14.04

All outstanding stock options vest and become exercisable over a period not exceeding five years (time vesting) from the date of grant. The outstanding options have a term of seven years.

At grant date, each option series is measured for fair value based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility. The inputs used in this model for the options granted during the six months ended June 30, 2017 and 2016 are shown in the table below:

	Six months ended June 30,	
	2017	2016
Share price at grant date	\$31.41	\$23.14
Exercise price	\$30.86	\$22.53
Expected volatility ⁽ⁱ⁾	23.36%	23.71%
Option life (in years) ⁽ⁱⁱ⁾	4.5	4.5
Expected dividend yield	1.40%	1.56%
Risk-free interest rate ⁽ⁱⁱⁱ⁾	1.15%	0.67%

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

⁽ⁱⁱ⁾ Expected weighted average life.

⁽ⁱⁱⁱ⁾ Based on Government of Canada bonds.

There were 732,200 (2016: 841,300) stock options granted during the six months ended June 30, 2017, and no options were granted during the three months ended June 30, 2017 and 2016. The fair value of options granted during the six months ended June 30, 2017 was \$4.2 million (2016: \$3.4 million). Amortization charges relating to current and prior year options during the three months ended June 30, 2017 were \$1.0 million (2016: \$0.9 million), and during the six months ended June 30, 2017 were \$1.8 million (2016: \$1.8 million).

Restricted Share Units and Performance Share Units

A summary of the status of the Company's Restricted Share Units ("RSUs") plans (including Performance Share Units ("PSUs")) as at June 30, 2017 and 2016 and changes during these periods are presented below:

	2017		2016	
	RSUs outstanding	Weighted average fair value at grant	RSUs outstanding	Weighted average fair value at grant
Outstanding at January 1	1,570,669	\$ 20.79	1,598,462	\$ 20.61
Granted	328,650	30.03	386,980	21.98
Exercised	(69,537)	22.81	—	—
Forfeited	(4,000)	21.18	(39,214)	12.65
Outstanding at March 31	1,825,782	\$ 22.36	1,946,228	\$ 21.04
Granted	355,663	31.13	—	—
Exercised	(597,184)	19.45	(15,298)	13.46
Forfeited	(44,142)	23.89	(2,372)	11.30
Outstanding at June 30	1,540,119	\$ 25.47	1,928,558	\$ 21.11

On April 1, 2016, the Company communicated to its employees the intent to issue RSUs at which time the service period commenced. During the three months ended June 30, 2017, the RSUs were formally granted. These units have a further two year service period.

The fair value of RSUs and PSUs granted during the three months ended June 30, 2017 was \$10.1 million (2016: \$0.0 million). Amortization charges for the three months ended June 30, 2017 relating to current and prior year RSUs and PSUs were \$3.3 million (2016: \$6.0 million).

The fair value of RSUs and PSUs granted during the six months ended June 30, 2017 was \$18.0 million (2016: \$7.0 million). Amortization charges for the six months ended June 30, 2017 relating to current and prior year RSUs and PSUs, were \$9.3 million (2016: \$10.3 million). Of this amount \$1.9 million was included in restructuring and other related costs as a non-cash item (Note 7).

The key assumptions used in the valuation of RSUs granted during the six months ended June 30, 2017 and 2016 are shown in the table below⁽ⁱ⁾:

	2017	2016
Expected RSU life (in years)	2.56	3.25
Forfeiture rate	14.2%	17.5%
Risk-free discount rate	0.9%	0.4%

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

Director Share Units

The fair value of director share units expensed during the three and six months ended June 30, 2017 were \$0.4 million and \$0.7 million (2016: \$0.4 million and \$0.7 million) respectively.

15. RELATED PARTY TRANSACTIONS

The Company sponsors a number of defined benefit and defined contribution plans. During the three and six months ended June 30, 2017, the Company's contributions to these plans were \$16.2 million and \$21.4 million (2016: \$2.3 million and \$4.6 million) respectively.

The Company's largest shareholder is McCain Capital Inc. ("MCI") which is beneficially owned and controlled by Mr. Michael H. McCain, Chief Executive Officer and President of the Company. For the three and six months ended June 30, 2017, the Company received services from MCI in the amount of \$0.1 million and \$0.3 million (2016: \$0.1 million and \$0.3 million) respectively, which represent the market value of the transactions with MCI. As at June 30, 2017, \$0.3 million (2016: \$0.0 million) was owing to MCI relating to these transactions.

McCain Financial Advisory Services ("MFAS") is an entity jointly controlled by individuals including Mr. Michael H. McCain. For the three and six months ended June 30, 2017 and 2016, the Company provided services to MFAS for a nominal amount, which represented the market value of the transactions.

16. GEOGRAPHIC AND CUSTOMER PROFILE

Following the sale of Canada Bread Company, Limited, the Company undertook significant reorganization of the internal leadership and reporting structure, as previously disclosed. The reorganization is now largely complete and the Company is arranged as a single, focused protein company. As such, the Company has transitioned to a single operating and reporting segment.

Information About Geographic Areas

Property and equipment and investment property located outside of Canada was \$13.8 million as at June 30, 2017 (2016: \$0.2 million). Of this amount, \$0.2 million (2016: \$0.2 million) was located in Japan and \$13.6 million (2016: \$0.0 million) was located in the U.S. Goodwill of \$129.0 million (2016: \$0.0 million) was attributed to operations outside of Canada.

Revenues earned outside of Canada for the three months ended June 30, 2017, were \$227.1 million (2016: \$180.8 million). Of the total amount earned outside of Canada, \$85.5 million (2016: \$74.7 million) was earned in Japan and \$79.9 million (2016: \$55.4 million) was earned in the U.S. Revenue by geographic area is determined based on the shipping location.

Revenues earned outside of Canada for the six months ended June 30, 2017, were \$425.0 million (2016: \$369.8 million). Of the total amount earned outside of Canada, \$168.1 million (2016: \$147.1 million) was earned in Japan and \$137.4 million (2016: \$120.3 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 June 30, 2017, the Company reported sales to one customer representing 12.8% (2016: one customer representing 14.4%) of total sales. No other sales were made to any one customer that represented in excess of 10% of total sales.

For the six months ended June 30, 2017, the Company reported sales to two customers representing 12.5% and 10.1% (2016: one customer representing 13.7%) of total sales. No other sales were made to any one customer that represented in excess of 10% of total sales.

17. BUSINESS COMBINATION

On May 1, 2017, the Company acquired specific assets, liabilities and assembled workforce from a privately-held hog production operation for total consideration of \$10.3 million. The acquisition has been accounted for as a business combination and no goodwill was recognized.

On March 10, 2017, the Company acquired 100% of the outstanding shares of Lightlife Foods Holdings, Inc. ("Lightlife"), a privately held U.S. based corporation engaged in the production and distribution of refrigerated plant protein products.

Recognized goodwill is attributable to the skills, talent and artisanal expertise of Lightlife's work force and the Company's leadership position in the fast growing alternative protein market. The amount of goodwill expected to be deductible for tax purposes is \$6.1 million.

During the three months ended June 30, 2017, the Company recorded transaction costs of \$0.7 million that have been excluded from the consideration paid and have been recognized as an expense in other income (expense).

During the six months ended June 30, 2017, the Company recorded transaction costs of \$5.0 million that have been excluded from the consideration paid and have been recognized as an expense in other income (expense).

The Company has not yet finalized the amounts recorded in the business combination.

The preliminary fair value of consideration transferred for the acquisition consists of the following:

	Preliminary fair value	
	March 10, 2017	March 10, 2017
	US\$	CDN\$
Agreed-upon purchase price	\$ 140,000	\$ 188,566
Working capital adjustments ⁽ⁱ⁾	1,572	2,117
Total consideration paid in cash	\$ 141,572	\$ 190,683

⁽ⁱ⁾ Subject to change until the net assets acquired are finalized.

The preliminary fair values of the assets acquired and liabilities recognized at the date of acquisition are as follows:

	Preliminary fair value	
	March 10, 2017	March 10, 2017
	US\$	CDN\$
Current assets		
Cash	\$ 569	\$ 766
Accounts receivable ⁽ⁱ⁾	2,946	3,968
Inventories	3,370	4,539
Prepaid expenses and other assets	465	626
Income taxes receivable	37	50
Non-current assets		
Property and equipment	10,792	14,536
Goodwill	99,379	133,854
Intangible assets	27,997	37,709
Current liabilities		
Accounts payable and accruals	(2,259)	(3,043)
Non-current liabilities		
Deferred tax liability	(1,724)	(2,322)
Total net assets acquired	\$ 141,572	\$ 190,683

⁽ⁱ⁾ Contractual cash flows not expected to be collected are not significant.