



MAPLE LEAF FOODS INC.

Interim Report to Shareholders

For the First Quarter Ended

March 31, 2017

Management's Discussion and Analysis

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

April 26, 2017

FINANCIAL OVERVIEW

Sales for the first quarter of 2017 were \$811.2 million compared to \$796.9 million last year, an increase of 1.8%, or 2.1% after adjusting for the impact of foreign exchange and acquisitions.

Net earnings for the first quarter decreased to \$30.1 million (\$0.23 per basic share) compared to \$42.3 million (\$0.31 per basic share) last year. The underlying progress in the business reflected in positive revenue and margin growth was more than offset by factors excluded in calculating Adjusted Operating Earnings⁽ⁱ⁾, such as the change in fair value of biological assets and higher restructuring costs.

Adjusted Operating Earnings for the first quarter were \$59.0 million compared to \$53.6 million last year, and Adjusted Earnings per Share⁽ⁱⁱ⁾ increased to \$0.33 from \$0.28 last year. The increase was primarily due to improved margins from operations.

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:

⁽ⁱ⁾ Adjusted Operating Earnings, a non-IFRS measure, is used by Management to evaluate financial operating results. It is defined as earnings adjusted for items that are not considered representative of ongoing operational activities of the business, and items where the economic impact of the transactions will be reflected in earnings in future periods when the underlying asset is sold or transferred. Please refer to the section entitled Non-IFRS Financial Measures starting on page 7 of this document.

⁽ⁱⁱ⁾ Adjusted Earnings per Share, a non-IFRS measure, is used by Management to evaluate financial operating results. It is defined as basic earnings per share and is adjusted on the same basis as Adjusted Operating Earnings. Please refer to the section entitled Non-IFRS Financial Measures starting on page 7 of this document.

OPERATING REVIEW

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.

The following table summarizes the Company's total sales and Adjusted Operating Earnings for the quarter.

(\$ thousands) (Unaudited)	Three months ended March 31,	
	2017	2016
Total Sales	\$ 811,185	\$ 796,889
Adjusted Operating Earnings	\$ 59,030	\$ 53,582

SALES AND ADJUSTED OPERATING EARNINGS

Sales in the first quarter increased 1.8% to \$811.2 million, or 2.1% after adjusting for the impact of foreign exchange and acquisitions. Stronger volume and higher value-added fresh pork export sales to Japan contributed to the increase.

Adjusted Operating Earnings increased to \$59.0 million compared to \$53.6 million last year, benefiting from stronger prepared meats volume and improved operational performance in our supply chain. Adjusted Operating earnings also increased as a result of the contribution from value-added fresh pork, including higher Canadian retail and export sales. These improvements were partially offset by lower poultry performance and margin compression in packaged bacon.

GROSS MARGIN

Gross margin in the first quarter was \$133.7 million (16.5% of sales) compared to \$138.3 million (17.3% of sales) last year. Gross margin increased in line with underlying business performance driven by improved sales and operational efficiencies, offset by a \$14.0 million decrease in the fair value of biological assets.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE

Selling, general and administrative expenses for the first quarter was \$81.2 million (10.0% of sales), compared to \$77.3 million (9.7% of sales) last year.

OTHER INCOME (EXPENSE)

Other expense for the first quarter was \$2.7 million compared to \$0.6 million last year. The increase is primarily due to transaction costs related to the acquisition. Refer to Note 17 of the unaudited condensed consolidated interim financial statements (or "consolidated financial statements") for information on the acquisition.

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 income of \$0.8 million (2016: expense of \$0.2 million).

RESTRUCTURING AND OTHER RELATED COSTS

During the three months ended March 31, 2017, the Company recorded restructuring and other related costs of \$6.5 million (2016: \$1.2 million). Of this amount, \$4.2 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 \$0.4 million related to ongoing management and organizational restructuring initiatives.

INCOME TAXES

The Company's income tax expense for the first quarter resulted in an effective tax rate of 28.5% (2016: 27.2%). The higher effective tax rate in 2017 primarily resulted from non-deductible acquisition-related transaction costs. For 2017, the effective tax recovery rate on restructuring charges used in the computation of Adjusted Earnings per Share is 26.1% (2016: 26.1%). The effective tax recovery rate on items not considered representative of ongoing operations in 2017 is 22.3% (2016: 26.1%). The lower rate of recovery in 2017 is primarily due to non-deductible acquisition-related transaction costs. The effective tax rate in 2017 used in determining Adjusted Earnings per Share is 27.1% (2016: 27.3%).

ACQUISITIONS AND DIVESTITURES

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-based protein products for \$190.7 million. The transaction was funded from cash on hand.

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. Lightlife has a leading market share, and will provide the Company with a strong foothold in this expanding category.

Transaction costs of \$4.3 million associated with the acquisition have been excluded from the consideration paid and have been recognized as an expense in other income (expense) in the current period.

The Company has not yet finalized the amounts recorded in the business combination. Refer to Note 17 of the consolidated financial statements.

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 consistently generated a strong base level of operating cash flow, even in periods of higher commodity prices and restructuring of its operations. These operating cash flows provide a base of underlying liquidity that the Company supplements with credit facilities and cash on hand to provide longer-term funding and to finance fluctuations in working capital levels.

On June 24, 2016, the Company entered into a 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 March 31, 2017, the Company had drawn letters of credit of \$59.4 million on this facility (2016: \$67.0 million on the previous facility).

This revolving term facility requires the maintenance of certain covenants. As at March 31, 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 March 31, 2017, \$12.4 million (2016: \$83.9 million) of a letter of credit had been issued thereon. This letter of credit has been collateralized with cash, as further described in Note 3 of the consolidated financial statements.

The Company's cash balance as at March 31, 2017 is \$143.6 million (2016: \$290.9 million). The Company has invested in short-term deposits with Canadian financial institutions having long-term debt ratings of A or higher.

The Company operates an accounts receivable securitization facility. The maximum cash advance available to the Company under this program is \$110.0 million. The facility provides cash funding with a proportion of the Company's receivables being sold, and provides the Company with competitively priced financing and further diversifies its funding sources. Under the facility, the Company has sold certain accounts receivable, with very limited recourse, to a third party trust that is funded 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, 2017, the Company had \$124.7 million (2016: \$196.3 million) of trade accounts receivable serviced under this facility. In return for the sale of these receivables, the Company will receive cash of \$92.8 million (2016: \$105.0 million) and notes receivable in the amount of \$31.9 million (2016: \$91.3 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, 2017, this net receivable amounted to \$1.8 million (2016: \$15.4 million net receivable). The facility is accounted for as an off-balance sheet transaction in accordance with International Financial Reporting Standards ("IFRS") and will expire in August 2019.

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, 2017. If the securitization facility 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 were \$20.3 million, a similar level to that in the first quarter of 2016. Expenditures primarily related to ongoing profit enhancement and maintenance projects.

NORMAL COURSE ISSUER BID

On May 16, 2016, the Toronto Stock Exchange ("TSX") accepted the Company's notice of intention to commence a Normal Course Issuer Bid ("NCIB"), which allows the Company to repurchase, at its discretion, up to 8.70 million common shares in the open market or as otherwise permitted by the TSX, subject to the normal terms and limitations of such bids. Common shares purchased by the Company are cancelled. The program commenced on May 19, 2016 and will terminate on May 18, 2017, or on such earlier date as the Company completes its purchases pursuant to the notice of intention. Under this bid during the three months ended March 31, 2017, 2.78 million shares were purchased for cancellation for \$82.0 million at a volume weighted average price paid of \$29.52 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 purchase, 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. 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 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 FLOWS

Cash was \$143.6 million at the end of the first quarter of 2017, compared to \$290.9 million last year, and \$403.6 million as at December 31, 2016. In the first three months of 2017, the decrease in cash was largely due to the acquisition of a business, share repurchases under the NCIB program announced in 2016, investment in property and equipment, and the quarterly dividend payment.

Cash Flow from Operating Activities

Cash provided by operations for the quarter was \$55.0 million compared to \$45.4 million in the first quarter of 2016. The increase was primarily due to higher earnings from operations and lower investment in working capital, partially offset by lower margin received by the Company against its derivatives for its commodity hedging program.

Cash Flow from Financing Activities

Cash used in financing activities for the quarter was \$104.9 million compared to \$26.9 million in the first quarter of 2016. The increase of cash outflow was primarily related to share repurchases under the NCIB program, purchase of treasury stock and increased dividend payment.

Cash Flow from Investing Activities

Cash used in investing activities for the quarter was \$210.1 million compared to \$19.9 million in the first quarter of 2016. The increase was due to an acquisition of a business on March 10, 2017. The purchase was fully funded by cash on hand. Refer to Note 17 of the consolidated financial statements.

SHARE CAPITAL

As at April 20, 2017, there were 129,792,789 common shares issued and outstanding.

OTHER MATTERS

On April 26, 2017, the Board of Directors approved a dividend of \$0.11 per share payable June 30, 2017, to shareholders of record at the close of business on June 9, 2017. 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, 2017, the Company's contributions to these plans were \$5.2 million (2016: \$2.3 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, 2017, the Company received services from MCI in the amount of \$0.2 million (2016: \$0.2 million), which represented the market value of the transactions with MCI. As at March 31, 2017, \$0.2 million (2016: \$0.1 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 months ended March 31, 2017 and 2016, the Company provided services to MFAS for a nominal amount, which represented the market value of the transactions.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of unaudited quarterly financial information:

<i>(\$ thousands except earnings per share)</i>		First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total⁽ⁱⁱⁱ⁾
Sales	2017	\$ 811,185	\$ —	\$ —	\$ —	\$ —
	2016	796,889	854,646	852,099	828,178	3,331,812
	2015	780,248	820,776	818,785	873,123	3,292,932
Net earnings (loss)	2017	\$ 30,105	\$ —	\$ —	\$ —	\$ —
	2016	42,269	31,381	31,828	76,224	181,702
	2015	(2,861)	(7,524)	18,680	33,285	41,580
Earnings (loss) per share ⁽ⁱ⁾						
Basic ⁽ⁱ⁾	2017	\$ 0.23	\$ —	\$ —	\$ —	\$ —
	2016	0.31	0.23	0.24	0.57	1.35
	2015	(0.02)	(0.05)	0.13	0.24	0.30
Diluted ⁽ⁱ⁾	2017	\$ 0.22	\$ —	\$ —	\$ —	\$ —
	2016	0.31	0.23	0.23	0.56	1.32
	2015	(0.02)	(0.05)	0.13	0.24	0.29
Adjusted EPS ⁽ⁱ⁾⁽ⁱⁱ⁾	2017	\$ 0.33	\$ —	\$ —	\$ —	\$ —
	2016	0.28	0.32	0.32	0.31	1.23
	2015	0.05	0.13	0.16	0.25	0.58

⁽ⁱ⁾ Basic and diluted earnings (loss) per share and Adjusted Earnings (loss) per Share are based on amounts attributable to common shareholders.

⁽ⁱⁱ⁾ Refer to Non-IFRS Financial Measures starting on page 7 of this document.

⁽ⁱⁱⁱ⁾ 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, operating efficiencies, changes in the fair value of derivative and non-derivative financial instruments and biological assets, acquisition and transitional costs incurred.

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

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

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.

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. 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. 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.

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 March 31, 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There has been no change in the Company's internal control over financial reporting during the period beginning on January 1, 2017, and ended on March 31, 2017, that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

NON-IFRS FINANCIAL MEASURES

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

Adjusted Operating Earnings

Adjusted Operating Earnings, a non-IFRS measure, is used by Management to evaluate financial operating results. It is defined as earnings before income taxes adjusted for items that are not considered representative of ongoing operational activities of the business and items where the economic impact of the transactions will be reflected in earnings in future periods when the underlying asset is sold or transferred. The table below provides a reconciliation of net earnings as reported under IFRS in the unaudited condensed 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.

(\$ thousands) (Unaudited)	Three months ended March 31,	
	2017	2016
Net earnings	\$ 30,105	\$ 42,269
Income taxes	11,980	15,794
Earnings before income taxes	\$ 42,085	\$ 58,063
Interest expense and other financing costs	1,227	1,106
Other expense (income)	2,704	591
Restructuring and other related costs	6,490	1,217
Earnings from operations	\$ 52,506	\$ 60,977
Increase in fair value of biological assets ⁽ⁱ⁾	(2,797)	(16,841)
Unrealized loss on futures contracts ⁽ⁱⁱ⁾	9,321	9,446
Adjusted Operating Earnings	\$ 59,030	\$ 53,582

⁽ⁱ⁾ Refer to Note 6 of the Company's 2017 first quarter consolidated financial statements for further details regarding biological assets.

⁽ⁱⁱ⁾ Unrealized gains/losses on futures contracts are reported within cost of goods sold in the Company's 2017 first quarter consolidated 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 condensed 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,	
	2017	2016
Basic earnings per share	\$ 0.23	\$ 0.31
Restructuring and other related costs ⁽ⁱ⁾	0.04	0.01
Items included in other expense (income) not considered representative of ongoing operations ⁽ⁱⁱ⁾	0.02	—
Change in the fair value of unrealized loss on futures contracts ⁽ⁱⁱⁱ⁾	0.05	0.05
Change in the fair value of biological assets ⁽ⁱⁱⁱ⁾	(0.02)	(0.09)
Adjusted Earnings per Share^(iv)	\$ 0.33	\$ 0.28

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

⁽ⁱⁱ⁾ Primarily includes acquisition related costs, interest income and gains/losses associated with investment properties and assets held for sale, net of tax.

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

^(iv) May not add due to rounding.

Adjusted Earnings Before Interest, Income Taxes, 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 condensed 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,	
	2017	2016
Net earnings	\$ 30,105	\$ 42,269
Income taxes	11,980	15,794
Earnings before income taxes	\$ 42,085	\$ 58,063
Interest expense and other financing costs	1,227	1,106
Items included in other expense (income) not considered representative of ongoing operations	3,479	438
Restructuring and other related costs	6,490	1,217
Change in the fair value of biological assets and unrealized loss on futures contracts	6,524	(7,395)
Depreciation and amortization	28,062	28,031
Adjusted EBITDA	\$ 87,867	\$ 81,460

Free Cash Flow

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

(\$ thousands) (Unaudited)	Three months ended March 31,	
	2017	2016
Cash provided by operating activities	\$ 55,008	\$ 45,437
Additions to long-term assets	(20,255)	(20,275)
Free Cash Flow	\$ 34,753	\$ 25,162

FORWARD-LOOKING STATEMENTS

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

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

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

- risks associated with the Company focusing solely on the protein business;
- risks related to the Company's decisions regarding any potential return of capital to shareholders;
- risks associated with the concentration of production in fewer facilities;
- risks associated with the availability of capital;
- risks associated with changes in the Company's information systems and processes;
- risks associated with cyber threats;
- 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;
- risks associated with the supply management system for poultry in Canada;
- risks associated with the use of contract manufacturers;
- impact of international events on commodity prices and the free flow of goods;
- risks posed by compliance with extensive government regulation;
- risks posed by litigation;
- impact of changes in consumer tastes and buying patterns;
- impact of extensive environmental regulation and potential environmental liabilities;
- risks associated with a consolidating retail environment;
- risks posed by competition;
- risks associated with complying with differing employment laws and practices, the potential for work stoppages due to non-renewal of collective agreements, and recruiting and retaining qualified personnel;
- risks associated with pricing the Company's products;
- risks associated with managing the Company's supply chain; and
- risks associated with failing to identify and manage the strategic risks facing the Company.

The Company cautions the reader that the foregoing list of factors is not exhaustive. These factors are discussed in more detail under the heading "Risk Factors" in the Company's Management's Discussion and Analysis for the fiscal year ended December 31, 2016 that is available on SEDAR at www.sedar.com. The reader should review such section in detail. Some of the forward-looking information may be considered to be financial outlooks for purposes of applicable securities legislation including, but not limited to, statements concerning future capital expenditures. These financial outlooks are presented to evaluate anticipated future uses of cash flows, and may not be appropriate for other purposes and readers should not assume they will be achieved. The Company does not intend to, and the Company disclaims any obligation to, update any forward-looking information, whether written or oral, or whether as a result of new information, future events or otherwise, except as required by law. Additional information concerning the Company, including the Company's Annual Information Form is available on SEDAR at www.sedar.com.

About Maple Leaf Foods Inc.

Maple Leaf Foods Inc. is a leading consumer protein company, making high quality, innovative products under national brands including Maple Leaf®, Maple Leaf Prime®, Maple Leaf Natural Selections®, Schneiders®, Schneiders® Country Naturals®, Mina® and Lightlife®. Maple Leaf employs approximately 11,500 people and does business in Canada, the U.S. and Asia. The Company is headquartered in Mississauga, Ontario and its shares trade on the Toronto Stock Exchange (MFI).

Consolidated Interim Balance Sheets

<i>(In thousands of Canadian dollars)</i>	Notes	As at March 31, 2017	As at March 31, 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	\$ 143,596	\$ 290,916	\$ 403,621
Accounts receivable	4	128,066	72,603	127,749
Notes receivable	4	31,886	91,299	32,485
Inventories	5	312,569	293,542	261,719
Biological assets	6	116,884	123,472	111,445
Prepaid expenses and other assets		27,393	35,729	30,372
Assets held for sale		4,837	130	4,837
		\$ 765,231	\$ 907,691	\$ 972,228
Property and equipment		1,090,942	1,077,991	1,085,275
Investment property		1,920	6,754	1,929
Employee benefits		8,104	59,637	10,311
Other long-term assets		6,311	6,141	6,557
Deferred tax asset		—	36,575	—
Goodwill	17	560,285	428,236	428,236
Intangible assets	17	163,041	133,609	128,085
Total assets		\$ 2,595,834	\$ 2,656,634	\$ 2,632,621
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accruals		\$ 280,438	\$ 271,728	\$ 256,163
Provisions	7	12,607	26,129	11,889
Current portion of long-term debt	8	837	681	794
Income taxes payable		8,410	8,075	9,544
Other current liabilities		50,721	18,543	96,857
		\$ 353,013	\$ 325,156	\$ 375,247
Long-term debt	8	8,998	9,826	9,119
Employee benefits		111,430	196,812	108,730
Provisions	7	15,755	14,009	16,555
Other long-term liabilities		12,146	19,196	12,654
Deferred tax liability		31,648	—	22,293
Total liabilities		\$ 532,990	\$ 564,999	\$ 544,598
Shareholders' equity				
Share capital	9	\$ 846,066	\$ 882,812	\$ 853,633
Retained earnings		1,239,713	1,197,365	1,247,737
Contributed surplus		—	5,067	—
Accumulated other comprehensive income		706	11,178	1,619
Treasury stock		(23,641)	(4,787)	(14,966)
Total shareholders' equity		\$ 2,062,844	\$ 2,091,635	\$ 2,088,023
Total liabilities and equity		\$ 2,595,834	\$ 2,656,634	\$ 2,632,621

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

Consolidated Interim Statements of Net Earnings

(In thousands of Canadian dollars, except share amounts)
(Unaudited)

	Notes	Three months ended March 31,	
		2017	2016
Sales		\$ 811,185	\$ 796,889
Cost of goods sold		677,489	658,632
Gross margin		\$ 133,696	\$ 138,257
Selling, general and administrative expenses		81,190	77,280
Earnings before the following:		\$ 52,506	\$ 60,977
Restructuring and other related costs	7	(6,490)	(1,217)
Other income (expense)	11	(2,704)	(591)
Earnings before interest and income taxes		\$ 43,312	\$ 59,169
Interest expense and other financing costs	12	1,227	1,106
Earnings before income taxes		\$ 42,085	\$ 58,063
Income taxes		11,980	15,794
Net earnings		\$ 30,105	\$ 42,269
Earnings per share:	13		
Basic earnings per share		\$ 0.23	\$ 0.31
Diluted earnings per share		\$ 0.22	\$ 0.31
Weighted average number of shares (millions)	13		
Basic		130.5	134.7
Diluted		134.3	137.5

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>	<u>Three months ended March 31,</u>	
	2017	2016
Net earnings	\$ 30,105	\$ 42,269
Other comprehensive (loss) income		
Actuarial (losses) gains that will not be reclassified to profit or loss (Net of tax of \$1.0 million; 2016: \$1.4 million)	\$ (2,840)	\$ 3,860
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)	\$ (2,076)	\$ (156)
Change in unrealized gains on cash flow hedges (Net of tax of \$0.4 million; 2016: \$4.1 million)	1,163	11,748
Total items that are or may be reclassified subsequently to profit or loss	\$ (913)	\$ 11,592
Total other comprehensive (loss) income	\$ (3,753)	\$ 15,452
Comprehensive income	\$ 26,352	\$ 57,721

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		—	30,105	—	—	—	—	30,105
Other comprehensive income (loss) ⁽ⁱⁱ⁾		—	(2,840)	—	(2,076)	1,163	—	(3,753)
Dividends declared (\$0.11 per share)		—	(14,325)	—	—	—	—	(14,325)
Share-based compensation expense		—	—	7,213	—	—	—	7,213
Deferred taxes on share-based compensation		—	—	2,750	—	—	—	2,750
Repurchase of shares	9	(9,174)	(18,681)	(9,963)	—	—	—	(37,818)
Exercise of stock options		1,607	—	—	—	—	—	1,607
Settlement of share-based compensation		—	(2,283)	—	—	—	1,325	(958)
Shares purchased by RSU trust		—	—	—	—	—	(10,000)	(10,000)
Balance as at March 31, 2017		\$ 846,066	\$ 1,239,713	\$ —	\$ 40	\$ 666	\$ (23,641)	\$ 2,062,844

(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		—	42,269	—	—	—	—	42,269
Other comprehensive income (loss) ⁽ⁱⁱ⁾		—	3,860	—	(156)	11,748	—	15,452
Dividends declared (\$0.09 per share)		—	(12,111)	—	—	—	—	(12,111)
Share-based compensation expense		—	—	5,498	—	—	—	5,498
Deferred taxes on share-based compensation		—	—	1,500	—	—	—	1,500
Repurchase of shares	9	—	2,300	(1,648)	—	—	—	652
Exercise of stock options		42	—	—	—	—	—	42
Settlement of share-based compensation		—	—	(283)	—	—	—	(283)
Shares purchased by RSU trust		—	—	—	—	—	(2,701)	(2,701)
Balance at March 31, 2016⁽ⁱⁱⁱ⁾		\$ 882,812	\$ 1,197,365	\$ 5,067	\$ 2,350	\$ 8,828	\$ (4,787)	\$ 2,091,635

⁽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

(In thousands of Canadian dollars)
(Unaudited)

Three months ended March 31,

	2017	2016
CASH PROVIDED BY (USED IN) :		
Operating activities		
Net earnings	\$ 30,105	\$ 42,269
Add (deduct) items not affecting cash:		
Change in fair value of biological assets	(2,797)	(16,841)
Depreciation and amortization	28,071	28,871
Share-based compensation	7,213	5,498
Deferred income taxes	10,478	14,579
Income tax current	1,502	1,215
Interest expense and other financing costs	1,227	1,106
Loss on sale of long-term assets	321	497
Change in fair value of non-designated derivative financial instruments	8,183	7,228
Change in net pension liability	1,064	5,676
Net income taxes paid	(2,658)	(2,913)
Interest paid	(818)	(1,086)
Change in provision for restructuring and other related costs	2,614	(6,913)
Change in derivatives margin	(2,430)	(7,266)
Other	(913)	3,604
Change in non-cash working capital	(26,154)	(30,087)
Cash provided by operating activities	\$ 55,008	\$ 45,437
Financing activities		
Dividends paid	\$ (14,325)	\$ (12,111)
Net decrease in long-term debt	(185)	(167)
Exercise of stock options	1,607	42
Repurchase of shares	(81,980)	(11,922)
Payment of deferred financing fees	(64)	—
Purchase of treasury stock	(10,000)	(2,701)
Cash used in financing activities	\$ (104,947)	\$ (26,859)
Investing activities		
Additions to long-term assets	\$ (20,255)	\$ (20,275)
Acquisition of business, net of cash acquired	(189,917)	—
Proceeds from sale of long-term assets	86	344
Cash used in investing activities	\$ (210,086)	\$ (19,931)
Decrease in cash and cash equivalents	\$ (260,025)	\$ (1,353)
Cash and cash equivalents, beginning of period	403,621	292,269
Cash and cash equivalents, end of period	\$ 143,596	\$ 290,916

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 months ended March 31, 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 months ended March 31, 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 three months ended March 31, 2017 as described below.

The consolidated financial statements were authorized for issue by the Board of Directors on April 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. 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. 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.

(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 March 31, 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 March 31, 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: \$85.5 million) was deposited with a major financial institution.

4. ACCOUNTS AND NOTES RECEIVABLE

	As at March 31, 2017		As at March 31, 2016		As at December 31, 2016
Trade receivables	\$ 92,597	\$	23,814	\$	90,463
Less: Allowance for doubtful accounts	(5)		(4)		(5)
Net trade receivables	\$ 92,592	\$	23,810	\$	90,458
Other receivables:					
Commodity taxes receivable	9,081		9,897		11,004
Interest rate swap receivable	444		458		422
Government receivable	15,038		12,676		17,347
Other	10,911		25,762		8,518
	\$ 128,066	\$	72,603	\$	127,749

The aging of trade receivables is as follows:

	As at March 31, 2017		As at March 31, 2016		As at December 31, 2016
Current	\$ 71,099	\$	21,984	\$	64,176
Past due 0-30 days	16,111		1,706		19,057
Past due 31-60 days	2,887		103		2,702
Past due > 60 days	2,500		21		4,528
	\$ 92,597	\$	23,814	\$	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 March 31, 2017, trade accounts receivable being serviced under this program amounted to \$124.7 million (2016: \$196.3 million). In return for the sale of its trade receivables, the Company will receive cash of \$92.8 million (2016: \$105.0 million) and notes receivable in the amount of \$31.9 million (2016: \$91.3 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 March 31, 2017, the Company recorded a net receivable amount of \$1.8 million (2016: \$15.4 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 March 31, 2017 and 2016.

5. INVENTORIES

	As at March 31, 2017		As at March 31, 2016		As at December 31, 2016
Raw materials	\$ 26,445	\$	27,581	\$	23,229
Work in process	19,104		19,681		16,309
Finished goods	217,544		199,136		175,452
Packaging	14,319		15,125		13,997
Spare parts	35,157		32,019		32,732
	\$ 312,569	\$	293,542	\$	261,719

For the three months ended March 31, 2017, inventory in the amount of \$631.5 million (2016: \$612.9 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, 2017 was a gain of \$2.8 million (2016: gain of \$16.8 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, 2017 and 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 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
Current						\$ 12,607
Non-current						15,755
Total as at March 31, 2017						\$ 28,362

⁽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
Current						\$ 26,129
Non-current						14,009
Total as at March 31, 2016						\$ 40,138

Restructuring and Other Related Costs

During the three months ended March 31, 2017, the Company recorded restructuring and other related costs of \$6.5 million (2016: \$1.2 million). Of this amount, \$4.2 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 \$0.4 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 March 31, 2017, the Company had drawn letters of credit of \$59.4 million on this facility (2016: \$67.0 million on the previous facility).

This revolving term facility requires the maintenance of certain covenants. As at March 31, 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 March 31, 2017, \$12.4 million of a letter of credit had been issued thereon (2016: \$83.9 million). This 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 March 31, 2017, \$9.8 million (2016: \$10.5 million) was outstanding. All of these facilities are committed.

9. SHARE CAPITAL

Share Repurchase

On May 16, 2016, the Toronto Stock Exchange ("TSX") accepted the Company's notice of intention to commence a Normal Course Issuer Bid ("NCIB"), which allows the Company to repurchase, at its discretion, up to 8.70 million common shares in the open market or as otherwise permitted by the TSX, subject to the normal terms and limitations of such bids. Common shares purchased by the Company are cancelled. The program commenced on May 19, 2016 and will terminate on May 18, 2017, or on such earlier date as the Company completes its purchases pursuant to the notice of intention. Under this bid during the three months ended March 31, 2017, 2.78 million shares were purchased for cancellation for \$82.0 million at a volume weighted average price paid of \$29.52 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 purchase, 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. 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 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.

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 March 31, 2017, an obligation for the repurchase of shares of \$44.2 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 March 31 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⁾	\$ 210,192	\$ 1,381	\$ 478	\$ 222,106	\$ 12,631	\$ 192
Commodity contracts ⁽ⁱⁱ⁾	—	—	—	16,014	—	523
Fair value hedges						
Commodity contracts ⁽ⁱⁱ⁾	\$ 68,964	\$ 2,457	\$ —	\$ 77,797	\$ —	\$ 287
Derivatives not designated in a formal hedging relationship						
Interest rate swaps	\$ 520,000	\$ 1,568	\$ 4,336	\$ 520,000	\$ 4,208	\$ 10,929
Foreign exchange contracts ⁽ⁱⁱ⁾	386,321	8,763	722	175,256	615	7,348
Commodity contracts ⁽ⁱⁱ⁾	759,800	6,531	61	509,075	3,569	2,504
Total fair value		\$ 20,700	\$ 5,597		\$ 21,023	\$ 21,783
Current ⁽ⁱⁱⁱ⁾		\$ 20,700	\$ 5,597		\$ 19,138	\$ 16,916
Non-current		—	—		1,885	4,867
Total fair value		\$ 20,700	\$ 5,597		\$ 21,023	\$ 21,783

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

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

⁽ⁱⁱⁱ⁾ As at March 31, 2017, the above fair value of current assets has been reduced on the consolidated balance sheet by an amount of \$0.9 million (2016: increase 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, 2017, the Company recorded a gain of \$3.1 million (2016: loss of \$2.5 million) on non-designated financial instruments held for trading.

During the three months ended March 31, 2017, the pre-tax amount of hedge ineffectiveness recognized in other income was a gain of \$0.1 million (2016: gain of \$0.1 million).

The table below sets out fair value measurements of financial instruments using the fair value hierarchy as at March 31, 2017:

	Level 1	Level 2	Level 3	Total
Assets:				
Foreign exchange contracts	\$ —	\$ 10,144	\$ —	\$ 10,144
Commodity contracts	8,988	—	—	8,988
Interest rate swaps	—	1,568	—	1,568
	\$ 8,988	\$ 11,712	\$ —	\$ 20,700
Liabilities:				
Foreign exchange contracts	\$ —	\$ 1,200	\$ —	\$ 1,200
Commodity contracts	—	61	—	61
Interest rate swaps	—	4,336	—	4,336
	\$ —	\$ 5,597	\$ —	\$ 5,597

There were no transfers between levels during the three months ended March 31, 2017 and 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 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 \$0.7 million, net of tax of \$0.2 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 March 31, 2017, a loss of approximately \$0.3 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: loss of approximately \$0.9 million, net of tax of \$0.3 million).

11. OTHER INCOME (EXPENSE)

	Three months ended March 31,	
	2017	2016
Loss on disposal of property and equipment	\$ (321)	\$ (247)
Loss on sale of investment properties	—	(250)
Net investment property expense	(324)	(660)
Depreciation of assets used to support divested businesses ⁽ⁱ⁾	—	(826)
Interest income	680	566
Net expense on non-designated interest rate swaps	(1,004)	(1,015)
Change in fair value of non-designated interest rate swaps	997	999
Legal and other fees on acquisition	(4,295)	—
Other	1,563	842
	\$ (2,704)	\$ (591)

⁽ⁱ⁾ 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, 2016, the Company further revised the estimated useful life of these assets, resulting in a reduction in the depreciation charge recorded during the period.

12. INTEREST EXPENSE AND OTHER FINANCING COSTS

	Three months ended March 31,	
	2017	2016
Interest expense on long-term debt	\$ 108	\$ 114
Interest expense on securitized receivables	306	368
Deferred finance charges	302	92
Other interest charges	511	532
	\$ 1,227	\$ 1,106

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"):

Three months ended March 31,	2017			2016		
	Net earnings	Weighted average number of shares ⁽ⁱⁱ⁾	EPS	Net earnings	Weighted average number of shares ⁽ⁱⁱ⁾	EPS
Basic	\$ 30,105	130.5	\$ 0.23	\$ 42,269	134.7	\$ 0.31
Share-based compensation ⁽ⁱ⁾		3.8			2.8	
Diluted	\$ 30,105	134.3	\$ 0.22	\$ 42,269	137.5	\$ 0.31

⁽ⁱ⁾ Excludes the effect of approximately 3.7 million (2016: 3.9 million) options and performance shares that are anti-dilutive.

⁽ⁱⁱ⁾ In millions.

14. SHARE-BASED PAYMENT**Stock Options**

A summary of the status of the Company's outstanding stock options and changes during the three months ended March 31 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
Options currently exercisable	2,939,100	\$ 16.37	2,344,700	\$ 14.19

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 three months ended March 31, 2017 and 2016 are shown in the table below:

	Three months ended March 31,	
	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 issued during the three months ended March 31, 2017. The fair value of options granted during the three months ended March 31, 2017 was \$4.2 million (2016: \$3.4 million). Amortization charges relating to current and prior year options during the three months ended March 31, 2017 were \$0.8 million (2016: \$0.9 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 March 31, 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

On April 1, 2016, the Company communicated to its employees the intent to issue RSUs in early 2017. These units have a three year service period. The fair value of RSUs and PSUs granted during the three months ended March 31, 2017 was \$7.9 million (2016: \$7.0 million). Expenses for the three months ended March 31, 2017 relating to current and prior year RSUs and PSUs, were \$6.0 million (2016: \$4.3 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 three months ended March 31, 2017 and 2016 are shown in the table below⁽ⁱ⁾:

	2017	2016
Expected RSU life (in years)	3.17	3.25
Forfeiture rate	19.9%	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 months ended March 31, 2017 was \$0.4 million (2016: \$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, 2017, the Company's contributions to these plans were \$5.2 million (2016: \$2.3 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, 2017, the Company received services from MCI in the amount of \$0.2 million (2016: \$0.2 million), which represented the market value of the transactions with MCI. As at March 31, 2017, \$0.2 million (2016: \$0.1 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 months ended March 31, 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, equipment and investment property located outside of Canada was \$14.4 million as at March 31, 2017 (2016: \$0.2 million). Of this amount, \$0.2 million (2016: \$0.2 million) was located in Japan and \$14.2 million (2016: \$0.0 million) was located in the U.S. Goodwill of \$116.9 million (2016: \$0.0 million) was attributed to operations outside of Canada.

Revenues earned outside of Canada for the three months ended March 31, 2017, were \$197.9 million (2016: \$189.1 million). Of the total amount earned outside of Canada, \$82.6 million (2016: \$72.5 million) was earned in Japan and \$57.5 million (2016: \$64.9 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, 2017, the Company reported sales to two customers representing 12.3% and 10.6% (2016: one customer representing 13.0%) 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 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.

Transaction costs of \$4.3 million associated with the acquisition have been excluded from the consideration paid and have been recognized as an expense in other income (expense) in the current period.

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.