MAPLE LEAF FOODS INC.

Financial Statements
For the First Quarter Ended
March 31, 2018

Consolidated Interim Balance Sheets

(In thousands of Canadian dollars)	***Notes***	**As at March 31, 2018**	As at March 31, 2017	As at December 31, 2017
		(Unaudited)	*(Unaudited)*[i]	
ASSETS				
Current assets				
Cash and cash equivalents	*3*	**$ 67,697**	$ 143,596	$ 203,425
Accounts receivable	*4*	**128,457**	128,066	123,968
Notes receivable	*4*	**27,727**	31,886	28,918
Inventories	*5*	**325,618**	313,620	273,365
Biological assets	*6*	**109,419**	116,884	111,735
Prepaid expenses and other assets		**18,862**	27,393	24,393
Assets held for sale		**—**	4,837	—
		$ 677,780	$ 766,282	$ 765,804
Property and equipment		**1,127,381**	1,086,182	1,116,309
Investment property		**1,883**	1,920	1,892
Employee benefits		**21,751**	8,104	9,856
Other long-term assets		**8,135**	6,311	6,125
Goodwill	*17*	**665,615**	522,584	517,387
Intangible assets	*17*	**213,153**	225,413	215,197
Total assets		**$ 2,715,698**	$ 2,616,796	$ 2,632,570
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accruals		**$ 312,577**	$ 280,438	$ 300,659
Provisions	*7*	**8,687**	12,607	9,335
Current portion of long-term debt	*8*	**816**	837	805
Income taxes payable		**10,584**	8,410	7,855
Other current liabilities		**17,773**	50,721	31,597
		$ 350,437	$ 353,013	$ 350,251
Long-term debt	*8*	**59,938**	8,998	8,443
Employee benefits		**115,474**	111,430	117,808
Provisions	*7*	**9,891**	15,755	11,273
Other long-term liabilities		**14,183**	12,146	12,689
Deferred tax liability		**89,510**	52,610	80,498
Total liabilities		**$ 639,433**	$ 553,952	$ 580,962
Shareholders' equity				
Share capital	*9*	**$ 835,701**	$ 846,066	$ 835,154
Retained earnings		**1,275,377**	1,239,713	1,253,035
Accumulated other comprehensive (loss) income		**(4,448)**	706	(9,620)
Treasury stock		**(30,365)**	(23,641)	(26,961)
Total shareholders' equity		**$ 2,076,265**	$ 2,062,844	$ 2,051,608
Total liabilities and equity		**$ 2,715,698**	$ 2,616,796	$ 2,632,570

[i] *Restated, see Note 17(b)*

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, 2018**	**2017**
Sales	***2(b)***	**$ 817,509**	$ 811,185
Cost of goods sold		**685,340**	677,489
Gross margin		**$ 132,169**	$ 133,696
Selling, general and administrative expenses		**86,182**	81,190
Earnings before the following:		**$ 45,987**	$ 52,506
Restructuring and other related costs	***7***	**(2,055)**	(6,490)
Other income (expense)	***11***	**(2,854)**	(2,704)
Earnings before interest and income taxes		**$ 41,078**	$ 43,312
Interest expense and other financing costs	***12***	**1,653**	1,227
Earnings before income taxes		**$ 39,425**	$ 42,085
Income tax expense		**11,507**	11,980
Net earnings		**$ 27,918**	$ 30,105
Earnings per share:	***13***		
Basic earnings per share		**$ 0.22**	$ 0.23
Diluted earnings per share		**$ 0.22**	$ 0.22
Weighted average number of shares (millions)	***13***		
Basic		**126.2**	130.5
Diluted		**129.3**	134.3

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

Consolidated Interim Statements of Other Comprehensive Income (Loss)

(In thousands of Canadian dollars) *(Unaudited)*	**Three months ended March 31,**			
		2018		2017
Net earnings	**$**	**27,918**	$	30,105
Other comprehensive (loss) income				
Actuarial gains (losses) that will not be reclassified to profit or loss				
(Net of tax of $4.2 million; 2017: $1.0 million)	**$**	**11,775**	$	(2,840)
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; 2017: $0.0 million)	**$**	**11,829**	$	(2,076)
Change in foreign exchange losses on long-term debt designated as a net investment				
hedge (Net of tax of $0.5 million; 2017: $0.0 million)		**(1,497)**		—
Change in unrealized (losses) gains on cash flow hedges				
(Net of tax of $1.1 million; 2017: $0.4 million)		**(5,160)**		1,163
Total items that are or may be reclassified subsequently to profit or loss	**$**	**5,172**	$	(913)
Total other comprehensive income (loss)	**$**	**16,947**	$	(3,753)
Comprehensive income	**$**	**44,865**	$	26,352

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

Consolidated Interim Statements of Changes in Total Equity

					Accumulated other comprehensive income (loss)[i]			
(In thousands of Canadian dollars) (Unaudited)	***Notes***	**Share capital**	**Retained earnings**	**Contributed surplus**	**Foreign currency translation adjustment**	**Unrealized gains and losses on cash flow hedges**	**Treasury stock**	**Total equity**
Balance as at December 31, 2017		**$ 835,154**	**$ 1,253,035**	**$ —**	**$ (11,420)**	**$ 1,800**	**$ (26,961)**	**$ 2,051,608**
Impact of new IFRS standards	***2(b)***	**—**	**(3,695)**	**—**	**—**	**—**	**—**	**(3,695)**
Net earnings		**—**	**27,918**	**—**	**—**	**—**	**—**	**27,918**
Other comprehensive income (loss)[ii]		**—**	**11,775**	**—**	**10,332**	**(5,160)**	**—**	**16,947**
Dividends declared ($0.13 per share)		**—**	**(16,475)**	**—**	**—**	**—**	**—**	**(16,475)**
Share-based compensation expense	***14***	**—**	**—**	**4,870**	**—**	**—**	**—**	**4,870**
Deferred taxes on share-based compensation		**—**	**—**	**(1,500)**	**—**	**—**	**—**	**(1,500)**
Repurchase of shares	***9***	**333**	**5,477**	**(3,370)**	**—**	**—**	**—**	**2,440**
Exercise of stock options		**214**	**—**	**—**	**—**	**—**	**—**	**214**
Settlement of share-based compensation		**—**	**(2,658)**	**—**	**—**	**—**	**1,596**	**(1,062)**
Shares purchased by RSU trust		**—**	**—**	**—**	**—**	**—**	**(5,000)**	**(5,000)**
Balance as at March 31, 2018		**$ 835,701**	**$ 1,275,377**	**$ —**	**$ (1,088)**	**$ (3,360)**	**$ (30,365)**	**$ 2,076,265**

					Accumulated other comprehensive income (loss)[i]			
(In thousands of Canadian dollars) (Unaudited)	*Notes*	Share capital	Retained earnings	Contributed surplus	Foreign currency translation adjustment	Unrealized gains and losses on cash flow hedges	Treasury stock	Total equity
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	*14*	—	—	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 at March 31, 2017		$ 846,066	$ 1,239,713	$ —	$ 40	$ 666	$ (23,641)	$ 2,062,844

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

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

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

Consolidated Interim Statements of Cash Flows

(In thousands of Canadian dollars)	**Three months ended March 31,**	
(Unaudited)	**2018**	2017
CASH PROVIDED BY (USED IN):		
Operating activities		
Net earnings	**$ 27,918**	$ 30,105
Add (deduct) items not affecting cash:		
Change in fair value of biological assets	**7,097**	(2,797)
Depreciation and amortization	**29,884**	28,071
Share-based compensation	**4,870**	7,213
Deferred income taxes	**6,106**	10,478
Income tax current	**5,401**	1,502
Interest expense and other financing costs	**1,653**	1,227
Loss on sale of long-term assets	**385**	321
Change in fair value of non-designated derivative financial instruments	**185**	8,183
Change in net pension liability	**1,705**	1,064
Net income taxes paid	**(2,468)**	(2,658)
Interest paid	**(1,174)**	(818)
Change in provision for restructuring and other related costs	**(585)**	2,614
Change in derivatives margin	**6,530**	(2,430)
Other	**(6,443)**	(913)
Change in non-cash working capital	**(49,009)**	(26,154)
Cash provided by operating activities	**$ 32,055**	$ 55,008
Financing activities		
Dividends paid	**$ (16,475)**	$ (14,325)
Net increase (decrease) in long-term debt	**49,337**	(185)
Exercise of stock options	**214**	1,607
Repurchase of shares	**(22,090)**	(81,980)
Payment of deferred financing fees	**(29)**	(64)
Purchase of treasury stock	**(5,000)**	(10,000)
Cash provided by (used in) financing activities	**$ 5,957**	$ (104,947)
Investing activities		
Additions to long-term assets	**$ (35,360)**	$ (20,255)
Acquisition of business, net of cash acquired	**(138,380)**	(189,917)
Proceeds from sale of long-term assets	**—**	86
Cash used in investing activities	**$ (173,740)**	$ (210,086)
Decrease in cash and cash equivalents	**$ (135,728)**	$ (260,025)
Cash and cash equivalents, beginning of period	**203,425**	403,621
Cash and cash equivalents, end of period	**$ 67,697**	$ 143,596

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, 2018 and 2017

1. THE COMPANY

Maple Leaf Foods Inc. ("Maple Leaf Foods" or the "Company") is a producer of food products under leading brands including Maple Leaf®, Maple Leaf Prime®, Maple Leaf Natural Selections®, Schneiders®, Schneiders® Country Naturals®, Mina®, Lightlife™ and Field Roast Grain Meat Co.™. The Company's portfolio includes prepared meats, ready-to-cook and ready-to-serve meals, value-added fresh pork and poultry and 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, 2018 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 2017 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 2017 annual audited consolidated financial statements, except for new standards adopted during the three months ended March 31, 2018 as described below.

The consolidated financial statements were authorized for issue by the Board of Directors on May 1, 2018.

(b) Accounting Standards Adopted During the Period

Beginning on January 1, 2018, the Company adopted certain IFRS 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:

Revenue Recognition

Beginning on January 1, 2018, the Company adopted IFRS 15 Revenue from Contracts with Customers using the modified retrospective approach where prior periods are not restated. IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers, unless the contracts are within the scope of other IFRS standards.

The impact of adopting IFRS 15 on the opening consolidated balance sheet is as follows:

		As at January 1, 2018
Inventories	$	**8,015**
Deferred tax asset		**780**
Other current liabilities		**11,070**
Retained earnings		**(2,275)**

IFRS 15 supersedes previous revenue recognition guidance including IAS 18 Revenue and related interpretations. This standard establishes a single comprehensive framework for revenue recognition based on a five-step model where the Company would identify the contract with a customer, identify the performance obligation in the contract, determine the transaction price, allocate the transaction price to the performance obligation in the contract, and recognize revenue when the Company satisfies the performance obligation. IFRS 15 also provides specific guidance around revenue-related items such as consideration payable to a customer and repurchase agreements.

The impact of IFRS 15 affected the classifications of certain amounts paid to customers in the statement of earnings, where payments to the customer for distinct goods or services have been classified as selling, general and administrative expenses and payments not for distinct goods or services have been classified as a component of sales.

Certain arrangements met the definition of repurchase agreements under IFRS 15. Repurchase agreements represent sales to third parties where the Company is required to buy-back the asset sold or a good containing that asset as a component. As such, revenue and cost of goods sold were both reduced by $30.3 million for the three months ended March 31, 2018. The recognition of revenue and cost of goods sold has been deferred, with corresponding increases to inventories and other current liabilities.

The impact of adopting IFRS 15 on the consolidated statement of earnings for the three months ended March 31, 2018 is as follows:

	Three months ended March 31, 2018		
	Amounts without adoption of IFRS 15	**Impact of adopting IFRS 15**	**As reported on the consolidated financial statements**
Sales	$ 847,116	$ (29,607)	$ 817,509
Cost of goods sold	715,613	(30,273)	685,340
Gross margin	131,503	666	132,169
Selling, general and administrative expenses	85,478	704	86,182
Net earnings	27,956	(38)	27,918

The impact of adopting IFRS 15 on the consolidated balance sheet as at March 31, 2018 is as follows:

	March 31, 2018		
	Amounts without adoption of IFRS 15	**Impact of adopting IFRS 15**	**As reported on the consolidated financial statements**
Inventories	$ 317,658	$ 7,960	$ 325,618
Deferred tax asset	—	780	780
Other current liabilities	6,720	11,053	17,773
Retained earnings	1,277,690	(2,313)	1,275,377

IFRS 15 did not have a material impact on the consolidated statements of comprehensive income, the consolidated statements of changes in total equity, and the consolidated statements of cash flows.

Revenue recognized during the three months ended March 31, 2018 that was included in other current liabilities as at January 1, 2018 was $11.1 million.

Financial Instruments – Recognition and Measurement

Beginning on January 1, 2018, the Company adopted IFRS 9 Financial Instruments which replaces IAS 39 Financial Instruments: Recognition and Measurement and provides detailed guidance on classification and measurement of financial assets and liabilities, impairment of financial assets, and hedge accounting.

There was no material impact to the Company's consolidated financial statements with regards to the changes in IFRS 9 on the classification and measurement of financial assets and liabilities and hedge accounting.

For impairment, IFRS 9 applies an expected credit loss model where forward-looking information should be taken into account when estimating credit losses. Compared to IAS 39 where a credit loss is only recorded upon the occurrence of a loss event, such as customer bankruptcy or restructuring, IFRS 9 will generate a provision for credit losses upon the recording of the receivables. The Company recognized an allowance for credit losses of $1.9 million as a reduction to accounts receivable as at January 1, 2018. Retained earnings and deferred tax liabilities as at January 1, 2018 also decreased by $1.4 million and $0.5 million, respectively. Comparative periods were not restated.

Share-Based Payments

Beginning on January 1, 2018, the Company adopted amendments to IFRS 2 Share-Based Payments which provides clarification on how to account for certain types of share-based payment transactions. The adoption of the amendments to IFRS 2 did not have a material impact on the consolidated financial statements.

Foreign Currency Transactions and Advance Considerations

Beginning on January 1, 2018, the Company adopted IFRIC 22 Foreign Currency Transactions and Advance Consideration which requires that 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. The adoption of IFRIC 22 did not have a material impact on the consolidated financial statements.

(c) Accounting Pronouncements Issued But Not Yet Effective

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.

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.

Long-term Interests in Associates and Joint Ventures

In October 2017, the IASB issued Long-term interests in Associates and Joint Ventures (Amendments to IAS 28) with a mandatory effective date of January 1, 2019. The amendments clarify that a company applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture. The Company intends to adopt the amendments to IAS 28 retrospectively in its consolidated financial statements for the annual period beginning January 1, 2019. The adoption of the amendments to IAS 28 is not expected to have a material impact on the consolidated financial statements.

Annual Improvements to IFRS (2015-2017) Cycle

In December 2017, the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvement process. Amendments were made to clarify that a company must remeasure its previously held interest in a joint operation when it obtains control of the business in accordance with IFRS 3 Business Combinations but does not remeasure when it obtains joint control of the business under IFRS 11 Joint Arrangements. The amendments also include clarification that, all income tax consequences of dividend payments should be recognized consistently with the transactions that generated the distributable profits, under IAS 12 Income Taxes and that under IAS 23 Borrowing Costs, any specific borrowing that remains outstanding after the related asset is ready for its intended use or sale becomes part of general borrowings. The Company intends to adopt these amendments prospectively in its consolidated financial statements for the annual period beginning January 1, 2019. The extent of the impact of the adoption of these standards has not yet been determined.

Employee benefits (amendment)

In February 2018, the IASB issued amendments to IAS 19 Employee Benefits with a mandatory effective date of January 1, 2019. The amendment clarifies the effect of a plan amendment, curtailment and settlement on the requirements regarding the asset ceiling. In addition, if a plan amendment, curtailment or settlement occurs, it is mandatory under the amended standard that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. This amendment is to be applied prospectively. The Company intends to adopt the amendments to IAS 19 in its consolidated financial statements for the annual period beginning January 1, 2019. The extent of the adoption of the amendments to IAS 19 has not yet been determined.

Conceptual Framework

On March 29, 2018, the IASB issued its revised Conceptual Framework for Financial Reporting. The revised Conceptual Framework does not constitute a substantial revision from the previously effective guidance, but does provide additional guidance on topics not previously covered such as presentation and disclosure. This amendment is effective on January 1, 2020. The Company intends to adopt this amendment in its consolidated financial statements for the annual period beginning January 1, 2020. The extent of the adoption of this amendment has not yet been determined.

3. CASH AND CASH EQUIVALENTS

As at March 31, 2018, the Company did not post any cash to collateralize its letters of credit (2017: $15.6 million).

4. ACCOUNTS AND NOTES RECEIVABLE

		As at March 31, 2018		As at March 31, 2017		As at December 31, 2017
Trade receivables	**$**	**99,425**	$	92,597	$	90,862
Less: Allowance for doubtful accounts		**(1,449)**		(5)		(5)
Net trade receivables	**$**	**97,976**	$	92,592	$	90,857
Other receivables:						
Commodity taxes receivable		**9,018**		9,081		8,723
Interest rate swap receivable		**—**		444		—
Government receivable		**11,759**		15,038		13,341
Other		**9,704**		10,911		11,047
	$	**128,457**	$	128,066	$	123,968

The aging of trade receivables is as follows:

		As at March 31, 2018		As at March 31, 2017		As at December 31, 2017
Current	**$**	**80,799**	$	71,099	$	70,054
Past due 0-30 days		**14,931**		16,111		16,683
Past due 31-60 days		**1,610**		2,887		1,694
Past due > 60 days		**2,085**		2,500		2,431
	$	**99,425**	$	92,597	$	90,862

Trade receivables are impaired when there is objective evidence that the estimated future cash flows of the trade receivables are less than their contractual cash flows. The amount of impairment takes into account the financial condition of the customers, delinquencies in payments, collaterals and credit insurance coverage on the trade receivables.

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, 2018, trade accounts receivable being serviced under this program amounted to $132.6 million (2017: $124.7 million). In return for the sale of its trade receivables, the Company will receive cash of $104.9 million (2017: $92.8 million) and notes receivable in the amount of $27.7 million (2017: $31.9 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, 2018, the Company recorded a net payable amount of $1.2 million (2017: $1.8 million net receivable) in accounts payable and accruals.

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, 2018 and 2017 and consolidated annual balance sheet as at December 31, 2017.

5. INVENTORIES

	As at March 31, 2018	As at March 31, 2017[(i)]	As at December 31, 2017
Raw materials	**$ 30,852**	$ 26,445	$ 23,369
Work in process	**26,529**	19,104	18,517
Finished goods	**213,556**	218,595	180,843
Packaging	**15,429**	14,319	13,193
Spare parts	**39,252**	35,157	37,443
	$ 325,618	$ 313,620	$ 273,365

(i) *Restated, see Note 17(b)*

For the three months ended March 31, 2018, inventory in the amount of $624.1 million (2017: $631.5 million) was expensed through cost of goods sold.

6. BIOLOGICAL ASSETS

The change in fair value of commercial hog for the three months ended March 31, 2018 was a loss of $7.1 million (2017: gain of $2.8 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, 2018 and March 31, 2017.

7. PROVISIONS

				Restructuring and related provisions		
	Legal	**Environ-mental**	**Lease make-good**	**Severance and other employee related costs**	**Site closing and other costs**	**Total**
Balance as at December 31, 2017[(i)]	**$ 289**	**$ 4,833**	**$ 2,228**	**$ 10,379**	**$ 2,879**	**$ 20,608**
Charges	**—**	**—**	**—**	**2,106**	**416**	**2,522**
Reversals	**—**	**—**	**(372)**	**(1,562)**	**—**	**(1,934)**
Cash payments	**—**	**(8)**	**—**	**(2,233)**	**(407)**	**(2,648)**
Non-cash items	**—**	**—**	**—**	**—**	**30**	**30**
Balance as at March 31, 2018	**$ 289**	**$ 4,825**	**$ 1,856**	**$ 8,690**	**$ 2,918**	**$ 18,578**
Current						**$ 8,687**
Non-current						**9,891**
Total as at March 31, 2018						**$ 18,578**

(i) *Balance as at December 31, 2017, includes current portion of $9.3 million and non-current portion of $11.3 million.*

				Restructuring and related provisions		
	Legal	Environ-mental	Lease make-good	Severance and other employee related costs	Site closing and other costs	Total
Balance as at December 31, 2016	$ 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

Restructuring and Other Related Costs

During the three months ended March 31, 2018, the Company recorded restructuring and other related costs of $2.1 million (2017: $6.5 million). Of this amount, $2.0 million related to restructuring costs as a result of the previously announced closures of the Thamesford turkey processing and St. Anselme plants. The remaining $0.1 million related to ongoing management and organizational restructuring initiatives.

8. LONG-TERM DEBT

On October 19, 2017, the Company amended its existing $400.0 million unsecured committed revolving credit facility by extending the maturity of the facility to October 19, 2021 under similar terms and conditions using the same 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, corporate development activities, and to provide appropriate levels of liquidity. As at March 31, 2018, the Company had drawn a loan of US$40.0 million (CDN$51.5 million) to fund its acquisition of the Field Roast Grain Meat Company, SPC ("Field Roast Grain Meat Co."), as further described in Note 17, and letters of credit of $6.5 million on this facility (2017: only letters of credit of $59.4 million).

This revolving term facility requires the maintenance of certain covenants. As at March 31, 2018, the Company was in compliance with all of these covenants.

The Company has additional uncommitted credit facilities for issuing up to a maximum of $125.0 million (2017: $120.0 million) letters of credit. As at March 31, 2018, $71.2 million of letters of credit had been issued thereon (2017: $12.4 million).

The Company has various government loans on specific projects, with interest rates ranging from non-interest bearing to 2.9% per annum (2017: 2.9%). These facilities are repayable over various terms from 2022 to 2024. As at March 31, 2018, $9.3 million (2017: $9.8 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 months ended March 31, 2018, 0.67 million shares were purchased for cancellation for $22.1 million at a volume weighted average price paid of $32.91 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 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.

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, 2018, an obligation for the repurchase of shares of $0.0 million (2017: $44.2 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:

	2018			2017		
	Notional amount(i)	**Fair value**		Notional amount(i)	Fair value	
		Asset	**Liability**		Asset	Liability
Cash flow hedges						
Foreign exchange contracts(ii)	**$ 102,327**	**$ 230**	**$ 498**	$ 210,192	$ 1,381	$ 478
Commodity contracts(ii)	**$ 21,071**	**$ 341**	**$ —**	$ —	$ —	$ —
Fair value hedges						
Foreign exchange contracts(ii)	**$ 24,170**	**$ 145**	**$ 184**	$ —	$ —	$ —
Commodity contracts(ii)	**$ 24,686**	**$ 2,804**	**$ —**	$ 68,964	$ 2,457	$ —
Derivatives not designated in a formal hedging relationship						
Interest rate swaps	**$ —**	**$ —**	**$ —**	$ 520,000	$ 1,568	$ 4,336
Foreign exchange contracts(ii)	**$ 260,367**	**2,542**	**1,574**	$ 386,321	8,763	722
Commodity contracts(ii)	**$ 600,339**	**—**	**3,105**	$ 759,800	6,531	61
Total fair value		**$ 6,062**	**$ 5,361**		$ 20,700	$ 5,597
Current(iii)		**$ 6,062**	**$ 5,361**		$ 20,700	$ 5,597
Non-current		**—**	**—**		—	—
Total fair value		**$ 6,062**	**$ 5,361**		$ 20,700	$ 5,597

(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, 2018, the above fair value of current assets has been increased on the consolidated balance sheet by an amount of $3.3 million (2017: decrease of $0.9 million), which represents the excess or deficit 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, 2018, the Company recorded a loss of $1.3 million (2017: gain of $3.1 million) on non-designated financial instruments held for trading.

During the three months ended March 31, 2018, the pre-tax amount of hedge ineffectiveness recognized in cost of goods sold was a gain of $0.2 million (2017: 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, 2018:

	Level 1	Level 2	Level 3	Total
Assets:				
Foreign exchange contracts	$ —	$ 2,917	$ —	$ 2,917
Commodity contracts	3,145	—	—	3,145
	$ 3,145	**$ 2,917**	**$ —**	**$ 6,062**
Liabilities:				
Foreign exchange contracts	$ —	$ 2,256	$ —	$ 2,256
Commodity contracts	3,105	—	—	3,105
	$ 3,105	**$ 2,256**	**$ —**	**$ 5,361**

There were no transfers between levels during the three months ended March 31, 2018 and March 31, 2017. 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 2017 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 $0.1 million, net of tax of $0.0 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, 2018, a gain of approximately $0.4 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 (2017: loss of approximately $0.3 million, net of tax of $0.1 million).

As at March 31, 2018, the Company had US$40.0 million (2017: US$0.0 million) drawn on its revolving credit facility (see Note 8). These drawings are designated as a net investment hedge of the Company's U.S. operations. Foreign exchange gains and losses on the designated drawings are recorded in shareholders' equity in the foreign currency translation adjustment component of accumulated other comprehensive income and offset translation adjustments on the underlying net assets of the U.S. operations, which are also recorded in accumulated other comprehensive income (loss). The income (loss) on the net investment hedge recorded in other comprehensive income (loss) for the three months ended March 31, 2018, was a loss of $1.5 million, net of tax of $0.5 million (2017: $0.0 million, net of tax of $0.0 million).

11. OTHER INCOME (EXPENSE)

	Three months ended March 31,	
	2018	2017
Loss on disposal of property and equipment	**$ (597)**	$ (321)
Net investment property income (expense)	**13**	(324)
Interest income	**138**	680
Net expense on non-designated interest rate swaps	**—**	(1,004)
Change in fair value of non-designated interest rate swaps	**—**	997
Legal and other fees on acquisition	**(2,399)**	(4,295)
Other (expense) income	**(9)**	1,563
	$ (2,854)	$ (2,704)

12. INTEREST EXPENSE AND OTHER FINANCING COSTS

	Three months ended March 31,	
	2018	2017
Interest expense on long-term debt	**$ 426**	$ 108
Interest expense on securitized receivables	**451**	306
Deferred finance charges	**288**	302
Other interest charges	**488**	511
	$ 1,653	$ 1,227

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”):

	2018			2017		
Three months ended March 31,	**Net earnings**	**Weighted average number of shares**[(i)]	**EPS**	Net earnings	Weighted average number of shares[(i)]	EPS
Basic	**$ 27,918**	**126.2**	**$ 0.22**	$ 30,105	130.5	$ 0.23
Stock options		**3.1**			3.8	
Diluted	**$ 27,918**	**129.3**	**$ 0.22**	$ 30,105	134.3	$ 0.22

[(i)] *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:

	2018		2017	
	Options outstanding	**Weighted average exercise price**	Options outstanding	Weighted average exercise price
Outstanding at January 1	**4,556,400**	**$ 20.23**	4,260,000	$ 17.73
Granted	**717,300**	**32.50**	732,200	30.86
Exercised	**(10,200)**	**20.95**	(137,700)	11.67
Forfeited	**—**	**—**	—	—
Outstanding at March 31	**5,263,500**	**$ 21.90**	4,854,500	$ 19.88
Options currently exercisable	**3,777,700**	**$ 18.69**	2,939,100	$ 16.37

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 at 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, 2018 and 2017 are shown in the table below(i):

	Three months ended March 31,	
	2018	2017
Share price at grant date	**$32.20**	$31.41
Exercise price	**$32.50**	$30.86
Expected volatility	**21.43%**	23.36%
Option life (in years)(ii)	**4.5**	4.5
Expected dividend yield	**1.61%**	1.40%
Risk-free interest rate(iii)	**1.96%**	1.15%

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

(ii) *Expected weighted average life.*

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

There were 717,300 (2017: 732,200) stock options issued during the three months ended March 31, 2018. The fair value of options granted during the three months ended March 31, 2018 was $3.9 million (2017: $4.2 million). Amortization charges relating to current and prior year options during the three months ended March 31, 2018 were $0.9 million (2017: $0.8 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 March 31, 2018 and 2017 and changes during these periods are presented below:

	2018		2017	
	RSUs outstanding	**Weighted average fair value at grant**	RSUs outstanding	Weighted average fair value at grant
Outstanding at January 1	**1,561,695**	**$ 25.61**	1,570,669	$ 20.79
Granted	**355,770**	**30.65**	328,650	30.03
Exercised	**(69,537)**	**22.45**	(69,537)	22.81
Forfeited	**(3,290)**	**25.86**	(4,000)	21.18
Outstanding at March 31	**1,844,638**	**$ 26.70**	1,825,782	$ 22.36

The fair value of RSUs and PSUs granted during the three months ended March 31, 2018 was $9.1 million (2017: $7.9 million). Expenses for the three months ended March 31, 2018 relating to current and prior year RSUs and PSUs, were $3.6 million (2017: $6.0 million).

The key assumptions used in the valuation of RSUs granted during the three months ended March 31, 2018 and 2017 are shown in the table below(i):

	2018	2017
Expected RSU life (in years)	**3.17**	3.17
Forfeiture rate	**16.3%**	19.9%
Risk-free discount rate	**1.9%**	0.9%

(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, 2018 was $0.4 million (2017: $0.4 million).

15. RELATED PARTY TRANSACTIONS

The Company sponsors a number of defined benefit and defined contribution plans. During the three months ended March 31, 2018, the Company's contributions to these plans were $7.5 million (2017: $5.2 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, 2018, the Company received services from MCI in the amount of $0.1 million (2017: $0.2 million), which represented the market value of the transactions with MCI. As at March 31, 2018, $0.1 million (2017: $0.2 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, 2018 and 2017, the Company provided services to MFAS for a nominal amount, which represented the market value of the transactions.

16. GEOGRAPHIC AND CUSTOMER PROFILE

Information About Geographic Areas

Property, equipment and investment property located outside of Canada was $16.1 million as at March 31, 2018 (2017: $14.4 million). Of this amount, $0.2 million (2017: $0.2 million) was located in Japan and $15.9 million (2017: $14.2 million) was located in the U.S. Goodwill of $237.3 million (2017: $116.9 million) was attributed to operations outside of Canada.

Revenues earned outside of Canada for the three months ended March 31, 2018, were $215.0 million (2017: $197.9 million). Of the total amount earned outside of Canada, $78.9 million (2017: $82.6 million) was earned in Japan and $81.5 million (2017: $57.5 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, 2018, the Company reported sales to two customers representing 12.1% and 11.6% (2017: 12.3% and 10.6%) of total sales. No other sales were made to any one customer that represented in excess of 10% of total sales.

17. BUSINESS COMBINATION

(a) 2018 Acquisition

On January 29, 2018, the Company acquired 100% of the outstanding shares of Field Roast Grain Meat Co., a privately held U.S. based corporation engaged in the production and distribution of premium grain-based protein and vegan cheese products. The Company financed the transaction through a combination of $89.5 million (US$72.6 million) of cash-on-hand, $49.3 million (US$40.0 million) of drawings under its unsecured revolving credit facility, and $1.4 million (US$1.1 million) of contingent consideration payable to the seller.

Recognized goodwill is attributable to Field Roast Grain Meat Co.'s leadership position in the fast growing plant protein market combined with its considerable expertise, product development knowledge and skills. There is no goodwill expected to be deductible for tax purposes.

The Company has not yet finalized the amounts recorded for the Field Roast Grain Meat Co. acquisition.

The preliminary fair value of consideration transferred for the acquisition of Field Roast Grain Meat Co. consists of the following:

		Preliminary fair value		
		January 29, 2018		**January 29, 2018**
		US$		*CDN$*
Agreed-upon purchase price	$	120,000	$	147,906
Working capital adjustments[(i)]		(1,450)		(1,787)
Reduction for liabilities assumed		(4,827)		(5,949)
Total consideration	**$**	**113,723**	**$**	**140,170**
Consideration paid in cash	$	112,575	$	138,755
Contingent consideration	$	1,148	$	1,415

[(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	
	January 29, 2018	**January 29, 2018**
	US$	*CDN$*
Current Assets		
Cash	$ 304	$ 375
Accounts receivable[(i)]	2,679	3,302
Inventories	5,137	6,332
Income and other taxes recoverable	273	336
Prepaid expenses and other assets	287	354
Non-current assets		
Property and equipment	4,122	5,080
Goodwill	111,782	137,777
Current liabilities		
Accounts payable and accruals	(7,816)	(9,634)
Other current liabilities	(518)	(638)
Non-current liabilities		
Other long-term liabilities	(1,795)	(2,212)
Deferred tax liability	(732)	(902)
Total net assets acquired	**$ 113,723**	**$ 140,170**

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

(b) 2017 Acquisition

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 plant protein market. The amount of goodwill expected to be deductible for tax purposes is $6.1 million.

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

	Purchase price
	March 10, 2017
Agreed-upon purchase price	$ 188,566
Working capital adjustments	2,117
Total consideration paid in cash	**$ 190,683**

During the fourth quarter of 2017, the Company finalized the amounts recorded in the business combination which resulted in the following adjustments to the preliminary purchase price allocation:

	March 10, 2017		
	Preliminary Amounts	**Adjustments**	**Final Amounts**
Current assets			
Cash	$ 766	$ —	$ 766
Accounts receivable[(i)]	3,968	—	3,968
Inventories	4,539	1,065	5,604
Income and other taxes recoverable	50	—	50
Prepaid expenses and other assets	626	—	626
Non-current assets			
Property and equipment	14,536	(4,825)	9,711
Goodwill	133,854	(38,215)	100,933
Intangible assets	37,709	63,224	95,639
Current liabilities			
Accounts payable and accruals	(3,043)	—	(3,043)
Non-current liabilities			
Deferred tax liability	(2,322)	(21,249)	(23,571)
Total net assets acquired	**$ 190,683**	**$ —**	**$ 190,683**

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

The consolidated interim balance sheet as at March 31, 2017 has been re-stated to reflect the adjustments to the purchase price allocation above.

(c) Transaction Costs

During the three months ended March 31, 2018, the Company recorded transaction costs of $2.4 million (2017: $4.3 million) related to acquisition activities that have been excluded from the consideration paid and have been recognized as an expense in other income (expense). Refer to Note 11 Other Income (Expense).