MAPLE LEAF FOODS INC.

Interim Report to Shareholders

For the First Quarter Ended

March 31, 2014

Management's Discussion and Analysis

For the first quarter ended March 31, 2014

April 30, 2014

FINANCIAL OVERVIEW

Maple Leaf Foods Inc. ("the Company") sales from continuing operations[(i)] of $711.3 million for the first quarter was an increase of 3.2% from last year, or 2.1% after adjusting for the impacts of foreign exchange, primarily due to higher pricing and a higher value sales mix.

Adjusted Operating Earnings[(i)(ii)] for the first quarter was a loss of $29.9 million compared to a loss of $27.9 million last year, as higher costs related to the network transformation and margin compression in the prepared meats business were largely offset by improved market conditions in primary pork processing and hog production.

Net loss from continuing operations[(i)] for the first quarter was $124.6 million (a loss of $0.89 per basic share attributable to common shareholders) compared to a loss of $30.6 million (a loss of $0.22 per basic share attributable to common shareholders) last year. Net loss from continuing operations included $114.7 million ($0.54 per basic share attributable to common shareholders) of pre-tax interest and other financing costs compared to $16.1 million ($0.07 per basic share attributable to common shareholders) last year. The increase was due to additional financing costs of $98.4 million related to the repayment of the Company's long-term notes payable in April 2014, including a $78.7 million early repayment premium to lenders, $10.1 million in financing costs, and a $9.6 million loss transferred from accumulated other comprehensive income into earnings related to the settlement of interest rate swaps that are no longer designated as hedging instruments. Net loss from continuing operations also included $8.6 million ($0.05 per basic share attributable to common shareholders) of pre-tax expenses related to the modification of a long-term incentive compensation plan (2013: $nil), which was a decision made as a result of the planned sale of Canada Bread Company, Limited ("Canada Bread"), recorded in selling, general and administrative costs. Net loss from continuing operations also included $21.8 million ($0.12 per basic share attributable to common shareholders) of pre-tax expenses related to restructuring and other related costs (2013: $37.0 million, or $0.20 per basic share attributable to common shareholders).

Adjusted Earnings per Share[(i)(iii)] in the first quarter of 2014 and 2013 was a loss of $0.24.

Several items are excluded from the discussions of underlying earnings performance as they are not representative of ongoing operational activities. Please refer to the section entitled Reconciliation of Non-IFRS Financial Measures at the end of this Management Discussion and Analysis on page 14 for a description and reconciliation of all non-IFRS financial measures.

Notes:

(i) *2013 figures have been restated for the classification of the animal by-products recycling operations ("Rothsay") and the Bakery Products Group as discontinued operations. Please refer to Note 20 of the Company's 2014 first quarter unaudited condensed consolidated interim financial statements.*

(ii) *Adjusted Operating Earnings, a non-IFRS measure, is used by Management to evaluate financial operating results. It is defined as earnings from continuing operations 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 on page 14.*

(iii) *Adjusted Earnings per Share, a non-IFRS measure, is used by Management to evaluate ongoing financial operating results. It is defined as basic earnings per share from continuing operations attributable to common shareholders, and is adjusted for all 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 on page 14.*

OPERATING REVIEW

The following table summarizes sales by business segment:

($ thousands) *(Unaudited)*	First Quarter **2014**	2013
Meat Products Group	**$ 705,399**	$ 678,066
Agribusiness Group[(i)]	**5,948**	11,287
Total Sales[(ii)]	**$ 711,347**	$ 689,353

(i) 2013 Agribusiness Group figures exclude the results of the Rothsay business, which is reported as discontinued operations. Refer to Note 20 of the Company's 2014 first quarter unaudited condensed consolidated interim financial statements.

(ii) Figures exclude the results from the Bakery Products Group. The Bakery Products Group results are reported as discontinued operations as disclosed in Note 20 of the Company's 2014 first quarter unaudited condensed consolidated interim financial statements.

The following table summarizes Adjusted Operating Earnings by business segment:

($ thousands) *(Unaudited)*	First Quarter **2014**	2013
Meat Products Group	**$ (27,447)**	$ (10,452)
Agribusiness Group[(i)]	**(346)**	(12,926)
Protein Group	**$ (27,793)**	$ (23,378)
Non-Allocated Costs in Adjusted Operating Earnings[(ii)]	**(2,135)**	(4,474)
Adjusted Operating Earnings[(iii)]	**$ (29,928)**	$ (27,852)

(i) 2013 Agribusiness Group figures exclude the results of the Rothsay business, which is reported as discontinued operations. Refer to Note 20 of the Company's 2014 first quarter unaudited condensed consolidated interim financial statements.

(ii) Non-allocated costs comprise expenses not separately identifiable to business segment groups, and do not form part of the measures used by the Company when assessing the segments' operating results. Non-allocated costs for 2013 have been re-stated on a comparable basis.

(iii) Figures exclude the results from the Bakery Products Group. The Bakery Products Group results are reported as discontinued operations as disclosed in Note 20 of the Company's 2014 first quarter unaudited condensed consolidated interim financial statements.

Meat Products Group

Includes value-added prepared meats, lunch kits; and fresh pork, poultry and turkey products sold to retail, foodservice, industrial, and convenience channels. Includes leading Canadian brands such as Maple Leaf®, Schneiders® and many leading sub-brands.

Meat Products Group sales for the first quarter increased 4.0% to $705.4 million, or 3.0% after adjusting for the impact of foreign exchange. Prepared meats sales increased due to higher volumes, the benefit of price increases implemented during the third quarter of 2013, and a higher-value sales mix. In primary processing, higher pricing for fresh pork and increased volumes in fresh poultry more than offset lower fresh pork volumes.

Adjusted Operating Earnings for the first quarter declined to a loss of $27.4 million compared to a loss of $10.5 million last year, as lower earnings in the prepared meats business were only partly offset by improved results in primary processing.

The prepared meats business continued to execute its strategy to establish a low cost supply chain by consolidating its manufacturing network, including commissioning activities at its plant in Saskatoon, Saskatchewan and the new Heritage plant in Hamilton, Ontario. As a result, transitional costs of approximately $23 million were incurred during the first quarter. Last year, transitional costs were approximately $8 million during the same period, and largely related to incremental resources to support the transformation project. Transitional costs increased significantly year-over-year as start-up activities ramped up and duplicative overhead costs were added to the network. During April 2014, the Company closed its legacy Hamilton, Ontario wiener facility and transferred production to the new Heritage facility. The closures of the remaining four legacy facilities are expected to take place during the fourth quarter of 2014.

Margins in the prepared meats business were compressed by sharply higher raw material and inflationary costs that were not fully offset by pricing. Pork input prices increased significantly from last year due to outbreaks of disease in hog production herds in the U.S. that has significantly increased the price of live hogs in response to a decline in hog supply. The weakening Canadian dollar also contributed to higher input costs. To manage these higher costs, the Company is implementing price increases in the second quarter of 2014.

Growth in branded retail packaged meats volumes compared to last year partly offset the factors described above.

Earnings in the fresh pork business increased due to higher primary pork processing margins and increased labour and yield efficiencies. These benefits were partly offset by lower export margins, primarily in the Japanese market, and lower volumes. Earnings in fresh poultry were relatively consistent with the prior year, as higher volumes and lower selling, general and administrative costs were offset by unfavourable operational variances, in part caused by the unusually cold winter in Ontario, Canada.

Agribusiness Group

Includes Canadian hog production operations.

Agribusiness Group sales for the first quarter declined by 47.3% to $5.9 million compared to $11.3 million last year, due to lower hog volumes sold to third parties and reduced pricing on toll feed sales.

Adjusted Operating Earnings in the first quarter improved to a loss of $0.3 million compared to a loss of $12.9 million last year, primarily due to higher market prices for hogs, net of hedging activities, and lower feed costs.

Non-allocated Costs

The amount included in Adjusted Operating Earnings and not allocated to segmented operating earnings is an expense of $2.1 million for the first quarter of 2014 (2013: expense of $4.5 million). The 2014 amount and a portion of the 2013 amount ($3.0 million) are related to corporate costs that are not allocated to any reportable segment. Non-allocated amounts that are excluded from the computation of Adjusted Operating Earnings are comprised of a $40.3 million gain due to changes in the fair value of biological assets (2013: loss of $5.3 million), a $36.5 million unrealized loss on commodity futures contracts (2013: loss of $5.0 million), and a $8.6 million expense related to the modification of a long-term incentive compensation plan (2013: $nil) as described in Note 22 of the 2014 first quarter unaudited condensed consolidated interim financial statements.

The changes in the fair value of biological assets and unrealized (gains) losses on commodity futures contracts have been excluded from Adjusted Operating Earnings as the economic impact of the transactions will be reflected in earnings in future periods when the underlying asset is sold or transferred. The long-term incentive plan expense is excluded from Adjusted Operating Earnings as this modification was a decision made as a result of the planned sale of the Company's interest in Canada Bread, and is therefore not considered representative of ongoing operational activities of the business.

DISCONTINUED OPERATIONS

Discontinued operations in the first quarter of 2014 pertain to the Company's 90.0% interest in Canada Bread Company, Limited, which forms the Bakery Products Group. Discontinued operations in the first quarter of 2013 were restated to include the Bakery Products Group, as well as the Rothsay and Olivieri businesses that were sold during the fourth quarter of 2013.

Sales from discontinued operations for the first quarter declined $84.2 million to $342.8 million from $427.0 million, of which $80.2 million relates to the divestitures of the Rothsay and Olivieri businesses in the fourth quarter of 2013. Excluding these divestitures, Bakery Product Group sales decreased by 1.1%, or 2.4% after adjusting for discontinued categories in the U.K. and the impact of currency translation on sales in the U.S. and U.K.

Net earnings from discontinued operations decreased $23.3 million to a loss of $7.4 million from earnings of $15.9 million last year, of which $14.8 million relates to the Rothsay and Olivieri businesses, which were sold during the fourth quarter of 2013. Excluding these divestitures, net earnings from discontinued operations in the Bakery Products Group decreased $8.5 million to a loss of $6.8 million from earnings of $1.7 million last year. On a pre-tax basis, $31.0 million of the decline relates to transaction costs incurred in 2014 associated with the planned sale of Canada Bread. This decline was partly offset by a benefit of $8.5 million due to lower restructuring costs as the Ontario bakery consolidation was largely completed during 2013, and $6.5 million of lower depreciation, as no depreciation was taken after the assets were classified as held-for-sale following the announcement of the planned sale. Improvements in operations contributed a further $4.2 million, as lower overhead costs in the fresh bakery business, driven by the closure of a bakery in Toronto, Ontario during the second quarter of 2013, were only partly offset by higher selling, general and administrative costs. Lower input prices for wheat were offset by the impact of a weaker Canadian dollar on U.S. dollar denominated raw material costs, and higher inflationary costs. Higher other income contributed an additional $4.4 million, due to a legal settlement and gains on sale of investment properties in 2014, compared to an impairment loss on assets held for sale in the U.K. bakery business last year. Higher income taxes accounted for $1.2 million of the decrease. Although the Bakery Products Group reported a pre-tax loss, it reported an income tax expense, as the transaction costs associated with the planned sale of Canada Bread were subject to a lower rate of tax recovery than the tax rate applicable to its operating income.

PROPOSED SALE OF CANADA BREAD

On February 12, 2014, the Company announced that Grupo Bimbo, S.A.B. de C.V. of Mexico ("Grupo Bimbo") had agreed to acquire all of the issued and outstanding common shares of Canada Bread, a 90.0% owned subsidiary, by way of a statutory arrangement under the Business Corporations Act (Ontario) (the "Arrangement"). Under the terms of the Arrangement, Grupo Bimbo has agreed to acquire each common share of Canada Bread for $72.00 per share in cash. The Company expects to receive net proceeds of approximately $1.65 billion for its 90.0% interest in Canada Bread. The Company is not able to estimate the ultimate gain on disposition given the uncertainty surrounding the timing of the close of this proposed transaction.

On March 17, 2014, the proposed transaction received approval from the Canadian Competition Bureau to proceed. On March 24, 2014, the proposed transaction received clearance from the U.S. Department of Justice under the Hart-Scott-Rodino Act to proceed.

The arrangement was approved by the shareholders of Canada Bread at a special meeting held in April 2014. Subject to Investment Canada approval, the proposed transaction is expected to close in the second quarter of 2014.

GROSS MARGIN

Gross margin in the first quarter was $47.9 million (6.7% of sales) compared to $39.5 million (5.7% of sales) last year. The increase in gross margin as a percentage of sales is largely attributable to increased margins in the hog production business, due to higher market prices for hogs and lower feed costs. Also contributing to improved margins were higher primary pork processing margins, and a $45.6 million increase in the fair value of biological assets, driven entirely by the increase in market value of hog production livestock. Partly offsetting these improvements were lower margins in the prepared meats business, largely attributable to higher transitional costs related to the network transformation projects, and higher raw material and inflationary costs not offset by pricing. Also partly offsetting margin improvement was a $31.5 million decrease in the fair value of unrealized mark-to-market commodity contracts, due largely to forward sales of hogs at prices lower than the current market.

The changes in the fair value of biological assets and unrealized gains or losses on commodity futures contracts have been excluded from Adjusted Operating Earnings as the economic impact of the transactions will be reflected in earnings in future periods when the underlying asset is sold or transferred.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

In the first quarter of 2014, selling, general and administrative expenses increased by 6.5% to $82.7 million (11.6% of sales) compared to $77.6 million (11.3% of sales) last year. The increase was driven by a $8.6 million expense related to the modification of a long-term incentive compensation plan, as described in Note 22 of the 2014 first quarter unaudited condensed consolidated interim financial statements. The long-term incentive plan expense is excluded from Adjusted Operating Earnings as this modification was a decision made as a result of the planned sale of the Company's interest in Canada Bread, and is therefore not considered representative of ongoing operational activities of the business. Excluding this amount, selling, general and administrative expenses represented 10.4% of sales. The decrease as a percentage of sales from last year was driven by lower defined benefit pension expense, as a result of lower net interest expense from higher funding levels.

OTHER INCOME (EXPENSE)

Other income for the first quarter of 2014 was $1.3 million (2013: income of $43.3 million) and primarily consisted of a $0.8 million property tax rebate and a gain on the sale of an investment property of $0.4 million. Other income in 2013 primarily consisted of a gain on sale of the Company's potato processing business of $45.4 million. Certain items in other income are excluded from the calculation of Adjusted EBITDA[(i)] and Adjusted Earnings per Share as they are not considered representative of ongoing operational activities of the business. Other income used in the calculation of Adjusted Earnings per Share for the first quarter of 2014 is $0.8 million (2013: loss of $0.3 million) which largely consists of a property tax rebate.

RESTRUCTURING AND OTHER RELATED COSTS

	Three months ended March 31,	
	2014	2013
		(Restated)
MEAT PRODUCTS GROUP		
Management structure changes		
Severance	**$ 355**	$ 912
Site closing and other costs	**(32)**	–
	$ 323	$ 912
Strategic value creation initiatives		
Severance	**$ (1,384)**	$ 25,365
Site closing and other costs	**(4)**	658
Asset impairment and accelerated depreciation	**6,022**	7,892
Retention	**6,515**	–
	$ 11,149	$ 33,915
Plant closure		
Severance	**$ –**	$ 103
Pension	**–**	283
	$ –	$ 386
Total Meat Products Group	**$ 11,472**	$ 35,213
NON-ALLOCATED		
Management structure changes		
Severance	**$ 421**	$ 1,745
	$ 421	$ 1,745
Organizational structure changes		
Severance	**$ 9,873**	$ –
	$ 9,873	$ –
Total non-allocated	**$ 10,294**	$ 1,745
Total restructuring and other related costs	**$ 21,766**	$ 36,958

Amounts in the table above are net of reversals.

A brief description of the projects is as follows:

Management Structure Changes

The Company has recorded restructuring and other related costs pertaining to organizational delayering and changes to its management structure.

Strategic Value Creation Initiatives

The Company's Meat Products Group has recorded restructuring costs related to changes in its manufacturing and distribution network as part of implementing the Value Creation Plan. During the first quarter of 2013, the Company recorded a significant amount of severance expense, as it determined that there was a sufficient level of planning and execution related to the Value Creation Plan to recognize these charges. Retention costs are also being recognized each period until the related plant closures occur.

(i) *Adjusted EBITDA is calculated as earnings from operations 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. Please refer to the section entitled Non-IFRS Financial Measures on page 14.*

Plant Closure

The Company's Meat Products Group has recorded restructuring costs related to the closure of a plant located in Ayr, Ontario.

Organizational Structure Changes

The Company has recorded restructuring and other related costs related to expected changes in corporate and management structure that will be required following the sale of Canada Bread, as further described in Note 20 of the 2014 first quarter unaudited condensed consolidated interim financial statements.

Impairment

There were no impairments or reversals of impairments recorded through restructuring and other related costs for the three months ended March 31, 2014 or March 31, 2013.

INTEREST EXPENSE AND OTHER FINANCING COSTS

Interest expense and other financing costs for the first quarter of 2014 was $114.7 million compared to $16.1 million last year. The increase was due to financing costs of $98.4 million, which was comprised of a $78.7 million early repayment premium to lenders, $10.1 million in financing fees, and a $9.6 million loss transferred from accumulated other comprehensive income into earnings related to the settlement of interest rate swaps that are no longer designated as hedging instruments. As at March 31, 2014, 52.7% of indebtedness was fixed and not exposed to fluctuations in market interest rates, compared to 68.3% in the previous year. The decrease in the percentage of fixed indebtedness is due to the Company entering into variable interest rate swaps with a notional amount of $260.0 million in the fourth quarter of 2013.

INCOME TAXES

The Company's income tax expense relating to continuing operations for the first quarter of 2014 resulted in an effective tax rate of 26.2%, (2013: 35.2%). The lower effective tax rate in 2014 is primarily the result of the lower rates of tax applicable to the gains on the sales of the potato processing operations in 2013, and the proportion of earnings and losses in different tax jurisdictions. For 2014, the effective tax rates used in the computation of Adjusted Earnings per Share are 25.8% (2013: 25.8%) on restructuring charges and 26.9% (2013: 10.8%) on items not considered representative of ongoing operations. The higher tax rate on items not considered representative of ongoing operations is due to similar reasons as stated above.

ACQUISITIONS AND DIVESTITURES

Acquisitions and divestitures relating to continuing operations are as follows:

In the third quarter of 2013, the Company sold certain assets within its Ontario turkey agricultural operations for net proceeds of $47.1 million, resulting in a pre-tax gain of $9.7 million.

During the third quarter of 2013, the Company sold the final assets of a poultry farm and related production quota in Brooks, Alberta, originally purchased on February 1, 2012, and immediately classified it as assets held for sale. The Company purchased the operations and production quotas for a cash purchase price of $31.1 million. The acquisition was accounted for as a business combination. In 2012, the Company sold $8.0 million of the production quotas which resulted in a pre-tax gain of $0.5 million. In the second quarter of 2013, the Company sold assets for proceeds of $8.3 million. In the third quarter of 2013, the Company sold the remaining assets for proceeds of $12.9 million, which resulted in a 2013 pre-tax loss of $nil.

During the third quarter of 2013, the Company sold an investment property located in Aurora, Ontario, for $1.8 million, which resulted in a pre-tax gain of $1.0 million.

During the second quarter of 2013, the Company sold an investment property located in Ayr, Ontario, for $2.0 million, which resulted in a pre-tax gain of $0.2 million.

On January 4, 2013, the Company sold all the assets related to its Lethbridge, Alberta, potato processing facility to Cavendish Farms Corporation for net proceeds of $58.1 million resulting in a pre-tax gain of $45.4 million ($38.7 million after-tax) recorded in other income.

Acquisitions and divestitures relating to discontinued operations are as follows:

During the first quarter of 2014, the Company sold a fresh bakery in Toronto, Ontario that was closed in June 2013 for gross proceeds of $6.4 million, resulting in a pre-tax gain of $1.7 million.

During the fourth quarter of 2013, the Company sold substantially all of the net assets of its Olivieri fresh pasta business to Catelli Foods Corporation for net proceeds of $115.8 million, which resulted in a pre-tax gain of $78.9 million.

During the fourth quarter of 2013, the Company sold substantially all of the net assets of its Rothsay business to Darling International Inc. for net proceeds of $628.5 million, which resulted in a pre-tax gain of $526.5 million.

During the fourth quarter of 2013, the Company sold a fresh bakery in Toronto, Ontario that was closed in the first quarter of 2012 for gross proceeds of $12.4 million, resulting in a pre-tax gain of $11.4 million.

CAPITAL RESOURCES

The food industry segments in which the Company operates are generally characterized by high sales volume and rapid 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 prices of raw materials and seasonal and other market-related fluctuations. For example, although an increase or decrease in pork or grain commodity prices may not affect margins, the pricing change can have a material effect on investment in working capital (primarily inventory and accounts receivable). The Company has in the past consistently generated a strong base level of operating cash flow, even in periods of higher commodity prices and restructuring of its operations. These operating cash flows provide a base of underlying liquidity that the Company supplements with credit facilities to provide longer-term funding and to finance fluctuations in working capital levels.

During the three months ended March 31, 2014, the Company amended its existing revolving credit facility to include additional shorter term financing. This facility now includes a revolving component with an availability of $1,050.0 million and a non-revolving component of $330.0 million. The non-revolving component expires on the earlier of March 31, 2015 and the closing of the Canada Bread sale. The revolving component will be reduced to $200.0 million upon closing of the Canada Bread sale and will expire on March 31, 2015. This facility bears interest at rates based on Banker's acceptance and prime rates for Canadian dollar loans, and U.S. prime rate and LIBOR for U.S. dollar loans. As at March 31, 2014, the Company had drawn $673.9 million on this facility, including letters of credit of $118.9 million. The facility is intended to meet the Company's funding requirements for general corporate purposes, and to provide appropriate levels of liquidity.

The following table summarizes the Company's debt and available and drawn credit facilities as at March 31:

($ millions)	**2014**	2013
Credit facilities, including AR securitization		
Maple Leaf Foods Inc.	**$ 1,491.2**	$ 1,174.8
Subsidiaries	**121.2**	110.5
Total available	**$ 1,612.4**	$ 1,285.3
Drawn amount		
Maple Leaf Foods Inc.	**$ 646.2**	$ 712.5
Subsidiaries	**60.9**	57.2
Letters of credit	**132.9**	124.2
Total drawn	**$ 840.0**	$ 893.9
% drawn	**52.1%**	69.5%

($ millions)	**2014**	2013
Other Debt		
Maple Leaf Foods Inc.	**$ 789.6**	$ 712.6
Subsidiaries	**2.9**	3.5
Total	**$ 792.5**	$ 716.1

On March 14, 2014, Maple Leaf gave notice of redemption on $706.0 million of senior notes ("the Notes"). In connection therewith, the Company recognized an early repayment premium of $78.7 million and expensed deferred financing charges of $2.5 million. Subsequent to the notice, it was determined that the Company's leverage ratio at March 31, 2014 would have exceeded the maximum level prescribed by the terms of the Notes; however, as described in Note 27 of the 2014 first quarter unaudited condensed consolidated interim financial statements, the Company issued a notice of redemption prior to the end of the quarter. As a result of the notice, all debt has been categorized as current on the balance sheet. These notes were subsequently repaid on April 14, 2014. As at March 31, 2014, the Company's Net Debt[(i)] to Adjusted EBITDA[(ii)] ratio was 5.5x.

To access competitively priced financing, and to further diversify its funding sources, the Company operates accounts receivable securitization facilities, under which it has sold certain accounts receivable, with very limited recourse, to an entity owned by an international financial institution with a long-term AA- debt rating. The receivables are sold at a discount to face value based on prevailing money market rates. At the end of the first quarter of 2014, the Company had $168.9 million (2013: $274.4 million) of trade accounts receivable excluding discontinued operations serviced under these facilities. In return for the sale of these receivables, the Company received cash of $59.7 million (2013: $155.1 million) and notes receivable in the amount of $109.2 million (2013: $119.2 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, 2014, this net payable amounted to $31.5 million (2013: $0.4 million net receivable). Excluding discontinued operations the maximum cash advance available to the Company under this program is $110.0 million.

These securitization facilities are subject to certain restrictions, including the maintenance of certain covenants. The Company was in compliance with all of the requirements of these securitization facilities during the first quarter of 2014. These facilities were accounted for as an off-balance sheet transaction under International Financial Reporting Standards ("IFRS"). If these facilities were terminated, the Company would recognize the securitized amounts on the consolidated balance sheet and consider alternative financing if required.

The weighted average term of the Company's debt is 1.1 years. Where cost effective to do so, the Company may finance automobiles, manufacturing equipment, computers and office equipment with operating or other lease facilities.

CAPITAL EXPENDITURES

Capital expenditures for the first quarter were $78.8 million compared to $76.1 million in 2013. Excluding discontinued operations, capital expenditures were $68.6 million in 2014 compared to $67.2 million last year. Spending on the prepared meats network transformation project, which was related to construction of the new Heritage facility in Hamilton, Ontario, was slightly higher than last year and was partly offset by lower base capital spending.

CASH FLOW AND FINANCING

Net Debt was $728.9 million at the end of the first quarter of 2014, compared to $451.7 million as at December 31, 2013, and $1,204.6 million at the end of the first quarter of 2013. The increase in debt for the quarter is largely due to a higher investment in working capital, the recognition of an early repayment premium as a result of the redemption of the Company's notes payable, and the investment in property and equipment during the quarter.

Cash Flow from Operating Activities

Cash required by operations for the quarter was $68.3 million compared to a $2.4 million in the first quarter of 2013, primarily due to a higher investment in working capital.

Cash Flow from Financing Activities

Cash provided by financing activities was $273.4 million for the quarter compared to $36.8 million in the first quarter of 2013, driven by increased borrowings.

Cash Flow from Investing Activities

Cash used in investing activities was $92.5 million for the quarter compared to $17.7 million in the first quarter of 2013, as lower proceeds from assets held for sale were only partly offset by lower cash spending on capital expenditures.

(i) *Net Debt, a non-IFRS measure, is calculated as long-term debt and bank indebtedness, less cash and cash equivalents. Management believes this measure is useful in assessing the amount of financial leverage employed. Please refer to the section entitled Non-IFRS Financial Measures on page 14.*

(ii) *The 12-month trailing Adjusted EBITDA figure used in the Net Debt to EBITDA calculation includes results from the Bakery Products Group, as the transaction to sell this business had not been completed as at March 31, 2014.*

Credit Risk

Credit risk refers to the risk of losses due to failure of the Company's customers and counterparties to meet their payment obligations.

In the normal course of business, the Company is exposed to credit risk from its customers, substantially all of which are in the retail, foodservice, industrial, and convenience channels. The Company performs ongoing credit evaluations of new and existing customers' financial conditions and reviews the collectibility of its trade accounts receivable and other receivables in order to mitigate any possible credit losses. As at March 31, 2014, approximately $nil million (2013: $0.2 million) of the Company's accounts receivable were greater than 60 days past due. The Company maintains an allowance for doubtful accounts relating to specific losses estimated on individual exposures. As at March 31, 2014, the Company has recorded an allowance for doubtful accounts of $0.1 million (2013: $nil). There are no significant impaired accounts receivable that have not been provided for in the allowance for doubtful accounts. The Company believes that the allowance for doubtful accounts sufficiently covers any credit risk related to past due or impaired accounts receivable balances.

Management believes concentrations of credit risk with respect to accounts receivable is limited due to the generally high credit quality of the Company's major customers, the large number and geographic dispersion of smaller customers, and the operation of the accounts receivable securitization facility as mentioned previously. The Company does, however, conduct a significant amount of business with a small number of large grocery retailers. The Company's two largest customers comprised approximately 21.0% (2013: 10.8% to one customer) of consolidated sales.

The Company is exposed to credit risk on its notes receivable from a financial institution that holds an equity interest in an unconsolidated structured entity as described in Note 26 of the 2013 annual consolidated financial statements. Management believes that this credit risk is limited by the long-term AA- debt rating held by the counterparty. The Company is exposed to credit risk on its cash and cash equivalents (comprising primarily of deposits and short-term placements with Canadian chartered banks) and non-exchange-traded derivative contracts. The Company mitigates this credit risk by only dealing with counterparties that are major international financial institutions with long-term debt ratings of A or higher. The Company's maximum exposure to credit risk at the balance sheet date consisted primarily of the carrying value of non-derivative financial assets and non-exchange-traded derivatives with positive fair values.

CHANGE IN FAIR VALUE OF NON-DESIGNATED INTEREST RATE SWAPS

In the first quarter of 2014, the Company recorded a gain of $1.1 million due to changes in the fair value of interest rate swaps. In the first quarter of 2013, the Company recorded a gain of $0.6 million due to changes in the fair value of interest rate swaps.

On March 14, 2014, the Company issued a notice of repayment for all outstanding U.S. and Canadian denominated notes payable, with a repayment date of April 14, 2014. On the original issuance of the U.S. denominated debt, and in order to hedge against the foreign exchange risk associated with the issuance of U.S. denominated debt, the Company entered into cross-currency interest rate swaps. The cross-currency swaps converted the U.S. denominated fixed-rate notes, into a fixed-rate Canadian denominated notes, and were accounted for as cash flow hedges.

As a result of the decision to accelerate the repayment of all outstanding notes the Company has terminated the cross-currency swaps maturing in 2021, hedge accounting on all of the cross-currency interest rate swaps have been discontinued. This has resulted in a reclassification of $9.6 million from accumulated other comprehensive income, to interest expense and other financing costs, during the three months ended March 31, 2014. The remaining cross-currency swaps due to expire in 2014 were terminated in April 2014 for a payment of $29.6 million.

SUBSEQUENT EVENTS

On April 7, 2014, the Company terminated its cross-currency interest rate swaps maturing in December 2014 for a payment made of $29.6 million.

On April 14, 2014, the Company repaid notes payable for an amount of US$360.5 million (CAD$395.2 million) and CAD$400.0 million, including US$318.0 million (CAD$348.6 million) and CAD$354.5 million of principal, US$36.7 million (CAD$40.2 million) and CAD$37.6 million of early repayment premium, and US$5.8 million (CAD$6.4 million) and CAD$7.9 million of accrued interest.

SHARE CAPITAL

As at April 22, 2014, there were 140,339,189 common shares issued and outstanding.

OTHER MATTERS

On April 30, 2014, the Company declared a dividend of $0.04 per share payable June 30, 2014 to shareholders of record at the close of business on June 6, 2014. 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".

SUMMARY OF QUARTERLY RESULTS

The following is a summary of unaudited quarterly financial information (in thousands of dollars except per share information):

		First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Sales[(ii)]	**2014**	**$ 711,347**	**$ –**	**$ –**	**$ –**	**$ –**
	2013	689,353	759,265	757,848	748,311	2,954,777
	2012	741,760	792,553	779,356	761,391	3,075,060
Net earnings (loss) from continuing operations[(ii)]	**2014**	**$(124,606)**	**$ –**	**$ –**	**$ –**	**$ –**
	2013	(30,644)	(38,366)	(24,474)	(47,942)	(141,425)
	2012[(iii)]	(19,793)	(16,738)	(12,183)	17,300	(31,414)
Net earnings (loss)[(i)]	**2014**	**$ (131,994)**	**$ –**	**$ –**	**$ –**	**$ –**
	2013	(14,742)	9	15,521	511,375	512,163
	2012[(iii)]	(5,775)	25,988	26,043	50,306	96,562
Earnings (loss) per share from continuing operations[(ii)]						
Basic[(i)(iv)]	**2014**	**$ (0.89)**	**$ –**	**$ –**	**$ –**	**$ –**
	2013	(0.22)	(0.27)	(0.18)	(0.34)	(1.01)
	2012[(iii)]	(0.14)	(0.12)	(0.09)	0.12	(0.23)
Diluted[(i)(iv)]	**2014**	**$ (0.89)**	**$ –**	**$ –**	**$ –**	**$ –**
	2013	(0.22)	(0.27)	(0.18)	(0.34)	(1.01)
	2012[(iii)]	(0.14)	(0.12)	(0.09)	0.12	(0.23)
Adjusted EPS[(i)(iv)(v)]	**2014**	**$ (0.24)**	**$ –**	**$ –**	**$ –**	**$ –**
	2013	(0.24)	(0.25)	(0.19)	(0.41)	(1.08)
	2012[(iii)]	(0.07)	(0.06)	(0.02)	0.10	(0.05)
Earnings (loss) per share[(ii)]						
Basic[(i)(iv)]	**2014**	**$ (0.95)**	**$ –**	**$ –**	**$ –**	**$ –**
	2013	(0.11)	(0.02)	0.09	3.58	3.55
	2012[(iii)]	(0.04)	0.17	0.17	0.35	0.64
Diluted[(i)(iv)]	**2014**	**$ (0.95)**	**$ –**	**$ –**	**$ –**	**$ –**
	2013	(0.11)	(0.02)	0.09	3.58	3.55
	2012[(iii)]	(0.04)	0.17	0.17	0.34	0.64

(i) *Net earnings, earnings per share and Adjusted Earnings per Share are based on amounts attributable to common shareholders.*

(ii) *2013 and 2012 figures have been restated for the classification of the Rothsay business and The Bakery Products Group as discontinued operations. Refer to Note 20 of the Company's 2014 first quarter unaudited condensed consolidated interim financial statements.*

(iii) *2012 figures have been restated for the impact of adopting the revised International Accounting Standard 19 Employee Benefits ("IAS 19"). Refer to Note 32 of the Company's 2013 audited annual consolidated financial statements.*

(iv) *May not add due to rounding.*

(v) *Refer to Non-IFRS Financial Measures starting on page 14.*

Quarterly sales in 2014 were affected by the following significant items:

- results from discontinued operations;
- higher volumes in the prepared meats, fresh poultry, and hog production businesses;

- lower volumes in the fresh pork business;
- the benefit of a price increase implemented in prepared meats during the third quarter of 2013;
- a higher value sales mix in the prepared meats business;
- favourable commodity prices for fresh pork;
- a weaker Canadian dollar relative to the U.S. dollar, which benefited fresh pork exports;
- lower hog volumes to external parties in the hog production business; and
- lower pricing on toll feed sales in the hog production business.

Quarterly net earnings in 2014 were affected by the following significant items:

- results from discontinued operations;
- transitional costs at the prepared meats business related to executing its network transformation strategy;
- margin compression at the prepared meats business due to higher raw material, other input, and inflationary costs that were not offset by pricing;
- higher volumes in the prepared meats business;
- improved primary pork processing margins and increased labour and yield efficiencies in the fresh pork business;
- lower export margins, primarily to the Japanese market, in the fresh pork business;
- higher market prices for hogs, partly offset by hedging positions in the hog production business;
- lower feed costs in the hog production business;
- changes in fair value of non-designated interest rate swaps, biological assets, and (gains) losses on commodity futures contracts;
- other financing costs;
- restructuring and other related costs;
- a $8.6 million modification of a long-term incentive plan, which was a decision made as a result of the planned sale of Canada Bread; and
- recognition of legal and other professional fees associated with acquisitions and divestitures.

Quarterly sales in 2013 were affected by the following significant items:

- results from discontinued operations;
- lower sales volume in the prepared meats business in the first quarter, that improved for the remainder of the year;
- lower sales volumes in the fresh pork business;
- price increases implemented during 2013 at the prepared meats business;
- favourable sales mix in the prepared meats business;
- divestiture of the Company's potato processing facility in the first quarter of 2013;
- impact of a weaker Japanese yen on fresh pork export sales;
- higher market pricing for pork products; and divestiture of the Company's poultry agricultural operations in the third quarter of 2013.

Quarterly net earnings in 2013 were affected by the following significant items:

- results from discontinued operations;
- gains on sales of the Company's Rothsay and Olivieri businesses in the fourth quarter of 2013;
- adverse market conditions that reduced margins in primary pork and poultry processing, and hog production;

- price increases implemented during 2013 at the prepared meats business;
- higher raw material and inflationary costs in the prepared meats business;
- lower sales volume in the prepared meats business in the first quarter, that improved for the remainder of the year;
- lower sales volumes in the fresh pork business;
- lower export margins, primarily to the Japanese market, in the fresh pork business;
- transitional costs associated with implementing the prepared meats strategy, including manufacturing and distribution inefficiencies associated with operating parallel legacy facilities scheduled to close in 2014;
- lower contributions from hedging programs in the hog production business;
- changes in fair value of non-designated interest rate swaps, biological assets and gains/losses on commodity futures contracts;
- lower selling, general and administrative expenses;
- restructuring and other related costs;
- divestiture of the Company's potato processing facility during the first quarter of 2013;
- divestiture of the Company's Rothsay business during the fourth quarter of 2013;
- impairment on poultry quota assets that were sold in the second quarter of 2013;
- sale of a poultry farm and related production quotas in the third quarter of 2013;
- sale of the turkey agricultural operations in the third quarter of 2013;
- gain related to the de-designation of interest rate swaps from a hedge accounting relationship in the third quarter of 2013;
- gain due to a pension curtailment related to the discontinued operations of the Rothsay business in the third quarter of 2013;
- recoveries from insurance claims;
- sale of an investment property in Aurora, Ontario in the third quarter of 2013;
- recognition of legal and other professional fees associated with acquisitions and divestitures.

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

SIGNIFICANT ACCOUNTING POLICIES

Accounting Standards Adopted During the Period

The Company applied, for the first time beginning on January 1, 2014, certain standards and amendments. As required by IAS 34 *Interim Financial Reporting* and IAS 8 *Accounting Policies, Change in Accounting Estimates and Errors*, the nature and the effect of these changes are disclosed below:

Financial Assets and Liabilities

Beginning on January 1, 2014, the Company adopted the amendments to IAS 32 *Financial Instruments: Presentation* on a retrospective basis with restatement. The amendments to IAS 32 clarify when an entity has a legally enforceable right to offset, as well as clarify, when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement. The impact of the adoption of the amendments to IAS 32 did not have a material impact on the Company's condensed consolidated financial statements.

Levies

Beginning January 1, 2014, the Company adopted International Financial Reporting Interpretations Committee ("IFRIC") 21 *Levies* on a retrospective basis with restatement. This IFRIC is applicable to all levies other than outflows, that are within the scope of other standards, fines, or penalties for breaches of legislation. The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payments, as identified by the relevant legislation, occurs. The impact of the adoption of IFRIC 21 did not have a material impact on the Company's condensed consolidated financial statements.

Novation of Derivatives and Continuation of Hedge Accounting

Beginning January 1, 2014, the Company adopted IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting* (Amendments to IAS 39 *Financial Instruments: Recognition and Measurement*). The amendments added a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when novation that was not contemplated in the original hedging documentation meets specific criteria. The impact of the adoption of the amendments to IAS 39 did not have a material impact on the Company's condensed consolidated financial statements.

Recent Accounting Pronouncements

Employee Benefits

In November 2013, the IASB published amendments to IAS 19 *Employee Benefits*. The effective date for these amendments is annual periods beginning on or after July 1, 2014. These amendments are to be applied retrospectively. IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. IAS 19 requires such contributions that are linked to service to be attributed to periods of service as a negative benefit. The amendments to IAS 19 provide a practical expedient for simplifying the accounting in certain situations. If the amount of contribution is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service costs in the period in which the service is rendered, instead of allocating the contributions to the period's service. The Company intends to adopt the amendments to IAS 19 in its consolidated financial statements for the annual period beginning January 1, 2015. The extent of the impact of the adoption of amendments to IAS 19 has not yet been determined.

Annual Improvements to IFRS (2010 – 2012) and (2011 – 2013) Cycles

In December 2013, the IASB issued narrow-scope amendments to a total of nine standards as part of its annual improvements process. Amendments were made to clarify items including the definition of vesting conditions in IFRS 2 *Share-Based Payment*, disclosure on the aggregation of *operating segments* in IFRS 8 *Operating Segments*, measurement of short-term receivables and payables under IFRS 13 *Fair Value Measurement*, definition of related party in IAS 24 *Related Party Disclosures*, and other amendments. Special transitional requirements have been set for certain of these amendments. Most amendments will apply prospectively for annual periods beginning on or after July 1, 2014, earlier application is permitted. The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning January 1, 2015. The extent of the impact of adoption of the amendments has not yet been determined.

Financial Instruments – Recognition and Measurement

In November 2009, the IASB issued IFRS 9 *Financial Instruments* (IFRS 9 (2009)) and in October 2010, the IASB published amendments to IFRS 9 (IFRS 9 (2010)). IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additional changes relating to financial liabilities. In November 2013, the IASB published amendments to IFRS 9 *Financial Instruments*, IFRS 7 *Financial Instruments*: Disclosures, and IAS 39 Financial Instruments: *Disclosures* (collectively, IFRS 9 (2013)) to include a new general hedge accounting model and allow the adoption of the treatment of fair value changes due to a Company's own credit risk on financial liabilities designated at fair value through profit or loss. Special transitional requirements have been set for the application of the new general hedging model. This amendment removes the January 1, 2015, effective date. In February 2014, the IASB tentatively decided that the mandatory effective date for these amendments to be January 1, 2018. The Company intends to adopt IFRS 9 in its consolidated financial statements for the annual periods beginning January 1, 2018. The extent of the impact of the adoption of IFRS 9 has not yet been determined.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

There have been no changes in the Company's internal control over financial reporting during the period beginning on January 1, 2014 and ended on March 31, 2014 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

On January 1, 2014, the Company adopted the Committee of Sponsoring Organizations new internal control framework ("COSO 2013"), which did not have a material impact on the Company's internal controls over financial reporting and disclosure controls and procedures.

NON-IFRS FINANCIAL MEASURES

The Company uses the following non-IFRS measures: Adjusted Operating Earnings, Adjusted Earnings per Share, Adjusted EBITDA, and Net Debt. 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 from continuing operations adjusted for items that are not considered representative of ongoing operational activities of the business and items where the economic impact of the transactions will be reflected in earnings in future periods when the underlying asset is sold or transferred. The table below provides a reconciliation of net earnings as reported under IFRS in the unaudited consolidated interim statements of earnings to Adjusted Operating Income for the three and nine months ended, as indicated below. Management believes that this basis is the most appropriate on which to evaluate operating results, as they are representative of the ongoing operations of the Company.

	Three months ended March 31, 2014			
($ thousands) *(Unaudited)*	**Meat Products Group**	**Agribusiness Group**[(i)]	**Unallocated costs**	**Consolidated**
Net earnings (loss) from continuing operations				**$ (124,606)**
Income taxes				**(44,193)**
Earnings (loss) before income taxes from continuing operations				**$ (168,799)**
Interest expense and other financing costs				**114,711**
Change in the fair value of non-designated interest rate swaps				**(1,110)**
Other (income) expense	**(526)**	**(291)**	**(476)**	**(1,293)**
Restructuring and other related costs	**11,472**	**–**	**10,294**	**21,766**
Earnings (loss) from Continuing Operations	**$ (27,447)**	**$ (346)**	**$ (6,932)**	**$ (34,725)**
Decrease (increase) in fair value of biological assets[(ii)]	**–**	**–**	**(40,306)**	**(40,306)**
Unrealized (gains) / loss on commodity futures contracts[(iii)]	**–**	**–**	**36,503**	**36,503**
Modification of long-term incentive plan[(iv)]	**–**	**–**	**8,600**	**8,600**
Adjusted Operating Earnings[(v)]	**$ (27,447)**	**$ (346)**	**$ (2,135)**	**$ (29,928)**

(i) *Figures exclude the results of the Rothsay business, which is reported as discontinued operations. Refer to Note 20 of the Company's 2014 first quarter unaudited condensed consolidated interim financial statements.*

(ii) *Refer to Note 6 of the Company's 2014 first quarter unaudited condensed consolidated interim financial statements for further details regarding biological assets*

(iii) *Unrealized gains/losses on commodity futures contracts are reported within cost of goods sold on the Company's 2014 first quarter unaudited condensed consolidated interim financial statements*

(iv) *Modification of long-term incentive plan are reported within selling, general and administrative expenses on the Company's 2014 first quarter unaudited condensed consolidated interim financial statements*

(v) *Figures exclude the results from The Bakery Products Group. The Bakery Products Group results are reported as discontinued operations as disclosed in Note 20 of the Company's 2014 first quarter unaudited condensed consolidated interim financial statements.*

($ thousands) (Unaudited)	Three months ended March 31, 2013 Meat Products Group	Agribusiness Group(i)	Unallocated costs	Consolidated
Net earnings (loss) from continuing operations				$ (30,644)
Income taxes				(16,674)
Earnings (loss) before income taxes from continuing operations				$ (47,318)
Interest expense				16,103
Change in the fair value of non-designated interest rate swaps				(617)
Other (income) expense	(43,393)	889	(793)	(43,297)
Restructuring and other related costs	35,213	–	1,745	36,958
Earnings (loss) from Continuing Operations	$ (10,452)	$ (12,926)	$ (14,793)	$ (38,171)
Decrease (increase) in fair value of biological assets(ii)	–	–	5,278	5,278
Unrealized (gains) / losses on commodity futures contracts(iii)	–	–	5,041	5,041
Adjusted Operating Earnings(iv)	$ (10,452)	$ (12,926)	$ (4,474)	$ (27,852)

(i) *Figures exclude the results of the Rothsay business, which is reported as discontinued operations. Refer to Note 20 of the Company's 2014 first quarter unaudited condensed consolidated interim financial statements.*

(ii) *Refer to Note 6 of the Company's 2014 first quarter unaudited condensed consolidated interim financial statements for further details regarding biological assets*

(iii) *Unrealized gains/losses on commodity futures contracts are reported within cost of goods sold on the Company's 2014 first quarter unaudited condensed consolidated interim financial statements*

(iv) *Figures exclude the results from The Bakery Products Group. The Bakery Products Group results are reported as discontinued operations as disclosed in Note 20 of the Company's 2014 first quarter unaudited condensed consolidated interim financial statements.*

ADJUSTED EARNINGS PER SHARE

Adjusted Earnings per Share, a non-IFRS measure, is used by Management to evaluate ongoing financial operating results. It is defined as basic earnings per share from continuing operations attributable to common shareholders, and is 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 basic earnings per share from continuing operations as reported under IFRS in the unaudited consolidated interim statements of earnings to Adjusted Earnings per Share for the three and nine 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, **2014**	2013(i)
Basic earnings (loss) per share from continuing operations	**$ (0.89)**	$ (0.22)
Restructuring and other related costs(ii)	**0.12**	0.20
Items included in other income not considered representative of on-going operations(iii)	**–**	(0.27)
Change in the fair value of non-designated interest rate swaps(iv)	**(0.01)**	–
Change in the fair value of unrealized losses on commodity futures contracts(iv)	**0.19**	0.03
Change in the fair value of biological assets(iv)	**(0.21)**	0.03
Other financing costs(v)	**0.51**	–
Modification of long-term incentive plan(vi)	**0.05**	–
Adjusted Earnings per Share(vii)	**$ (0.24)**	$ (0.24)

(i) *2013 figures have been restated for the classification of the Rothsay business and the Bakery group as discontinued operations. Refer to Note 20 of the Company's 2014 first quarter unaudited condensed consolidated interim financial statements.*

(ii) *Includes per share impact of restructuring and other related costs, net of tax and non-controlling interest.*

(iii) *Includes gains/losses associated with non-operational activities, including gains/losses related to restructuring activities, business combinations, discontinued operations, assets held for sale, and hedge ineffectiveness recognized in earnings, all net of tax.*

(iv) *Includes per share impact of the change in fair value of non-designated interest rate swaps, unrealized (gains) losses on commodity futures contracts and the change in fair value of biological assets, net of tax.*

(v) *Includes a $78.7 million early repayment premium to lenders, $10.1 million in financing costs, and a $9.6 million loss transferred from accumulated other comprehensive income into earnings related to the settlement of interest rate swaps that are no longer designated as hedging instruments*

(vi) *Relates to a $8.6 million modification of a long-term incentive compensation plan, which was a decision made as a result of the planned sale of Canada Bread, and is therefore not considered representative of ongoing operational activities of the business.*

(vii) *May not add due to rounding.*

Adjusted Earnings Before Interest, Tax, Depreciation, and Amortization

Adjusted EBITDA is calculated as earnings from operations before interest and income taxes plus depreciation and intangible asset amortization, adjusted for items that are not considered representative of ongoing operational activities of the business, and items where the economic impact of the transactions will be reflected in earnings in future periods when the underlying asset is sold or transferred. The following table provides a reconciliation of net earnings as reported under IFRS in the unaudited consolidated interim statements of earnings to Adjusted EBITDA for the three months ended, as indicated below. Management believes Adjusted EBITDA is useful in assessing the performance of the Company's ongoing operations and its ability to generate cash flows to fund its cash requirements, including the Company's capital investment program.

	Three months ended March 31,	
($ thousands)	**2014**	2013(i)
Net earnings (loss) from continuing operations	**$ (124,606)**	$ (30,644)
Income taxes	**(44,193)**	(16,674)
Earnings (loss) before income taxes from continuing operations	**$ (168,799)**	$ (47,318)
Interest expense and other financing costs	**114,711**	16,103
Items included in other income not representative of on-going operations(ii)	**(543)**	(43,606)
Restructuring and other related costs	**21,766**	36,958
Change in the fair value of non-designated interest rate swaps, biological assets and unrealized (gains) losses on commodity futures contracts	**(4,913)**	9,701
Modification of long-term incentive plan(iii)	**8,600**	
Depreciation and amortization	**21,501**	18,348
Adjusted EBITDA	**$ (7,677)**	$ (9,814)

(i) *2013 figures have been restated for the classification of the Rothsay business and the Bakery Group as discontinued operations. Refer to Note 20 of the Company's 2014 first quarter unaudited condensed consolidated interim financial statements.*

(ii) *Includes gains/losses associated with non-operational activities, including gains/losses related to restructuring activities, business combinations, discontinued operations, and assets held for sale.*

(iii) *Relates to a $8.6 million modification of a long-term incentive compensation plan, which was a decision made as a result of the planned sale of Canada Bread, and is therefore not considered representative of ongoing operational activities of the business.*

Net Debt

The following table reconciles Net Debt used in net debt to EBITDA ratios reflected on page 8 to amounts reported under IFRS in the 2014 first quarter unaudited consolidated interim balance sheets as at the periods indicated below. The Company calculates Net Debt as long-term debt and bank indebtedness, less cash and cash equivalents. Management believes this measure is useful in assessing the amount of financial leverage employed.

($ thousands) *(Unaudited)*	**As at March 31, 2014**	As at December 31, 2013	As at March 31, 2013
Bank indebtedness	**$ –**	$ 4,408	$ 33,491
Current portion of long-term debt(i)	**1,334,965**	209,780	6,823
Current portion of long-term debt included in liabilities associated with assets held for sale(ii)	**554**	–	–
Long-term debt	**6,232**	744,212	1,256,708
Long-term debt included in liabilities associated with assets held for sale(ii)	**2,051**	–	–
Sub total	**$ 1,343,802**	$ 958,400	$ 1,297,022
Cash and cash equivalents	**(470,783)**	(506,670)	(92,438)
Cash and cash equivalents included in assets held for sale(ii)	**(144,096)**	–	–
Net Debt	**$ 728,923**	$ 451,730	$ 1,204,584

(i) *Includes $76.1 million of the $78.7 million early repayment premium paid in April 2014; the remaining $2.6 million is reflected in accounts payable and accruals on the March 31, 2014 consolidated balance sheet*

(ii) *Refer to Note 7 of the 2014 first quarter unaudited condensed consolidated interim financial statements.*

FORWARD-LOOKING STATEMENTS

This document contains, and the Company's oral and written public communications often contain, "forward-looking information" within the meaning of applicable securities law. These statements are based on current expectations, estimates, forecasts, and projections about the industries in which the Company operates, as well as beliefs and assumptions made by the Management of the Company. Such statements include, but are not limited to, statements with respect to objectives and goals, in addition to statements with respect to beliefs, plans, objectives, expectations, anticipations, estimates, and intentions. Specific forward-looking information in this document includes, but is not limited to, statements with respect to: the expected timing of the completion of the sale of shares of Canada Bread to Grupo Bimbo (there can be no assurances that any transaction will be completed); the anticipated benefits, timing, actions, costs, and investments associated with the Plan; expectations regarding Net Debt to EBITDA ratios during the implementation of the Plan; expectations regarding the use of derivatives, futures and options; expectations regarding improving efficiencies; the expected use of cash balances; source of funds for ongoing business requirements; capital investments and debt repayment; expectations regarding acquisitions and divestitures; the timing of new plant openings and old plant closures, job losses and LEED® certification; expectations regarding the impact of new accounting standards; expectations regarding sufficiency of the allowance for uncollectible accounts; and expectations regarding pension plan performance and future pension plan liabilities and contributions. Words such as "expect", "anticipate", "intend", "may", "will", "plan", "believe", "seek", "estimate", and variations of such words and similar expressions are intended to identify such forward-looking information. These statements are not guarantees of future performance and involve assumptions and risks and uncertainties that are difficult to predict.

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

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

- risks associated with the pending acquisition of Canada Bread by Grupo Bimbo;
- risks associated with implementing and executing the Plan;
- risks associated with the availability of capital and the Company's outstanding indebtedness;
- risks associated with changes in the Company's systems and processes;
- risks posed by food contamination, consumer liability, and product recalls;
- risks associated with acquisitions, divestitures, and capital expansion projects;
- impact on pension expense and funding requirements of fluctuations in the market prices of fixed income and equity securities and changes in interest rates;
- cyclical nature of the cost and supply of hogs and the competitive nature of the pork market generally;
- risks related to the health status of livestock;
- impact of a pandemic on the Company's operations;
- the Company's exposure to currency exchange risks;

- ability of the Company to hedge against the effect of commodity price changes through the use of commodity futures and options;
- impact of changes in the market value of the biological assets and hedging instruments;
- impact of international events on commodity prices and the free flow of goods;
- risks posed by compliance with extensive government regulation;
- risks posed by litigation;
- impact of changes in consumer tastes and buying patterns;
- impact of extensive environmental regulation and potential environmental liabilities;
- risks associated with a consolidating retail environment;
- risks posed by competition;
- risks associated with complying with differing employment laws and practices globally, the potential for work stoppages due to non-renewal of collective agreements, and recruiting and retaining qualified personnel;
- risks associated with the Company's independent distributors;
- 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" presented previously in this document. 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 EBITDA margins; capital expenditures; cash costs; and non-cash restructuring charges. These financial outlooks are presented to allow the Company to benchmark the results of the Plan. These financial outlooks may not be appropriate for other purposes and readers should not assume they will be achieved. The Company does not intend to, and the Company disclaims any obligation to, update any forward-looking information, whether written or oral, or whether as a result of new information, future events or otherwise, except as required by law. Additional information concerning the Company, including the Company's Annual Information Form, will be available on SEDAR at www.sedar.com. Maple Leaf Foods Inc. is a leading Canadian value added meat, meals, and bakery company, committed to delivering quality food products to consumers around the world. Headquartered in Toronto, Canada, the Company employs approximately 18,000 people at its operations in Canada, the U.S., Europe, and Asia.

Consolidated Balance Sheets

(In thousands of Canadian dollars)	**As at March 31, 2014**	As at March 31, 2013	As at December 31, 2013
	(Unaudited)	*(Unaudited)*	
ASSETS			
Current assets			
Cash and cash equivalents	**$ 470,783**	$ 92,438	$ 506,670
Accounts receivable *(Note 4)*	**69,594**	109,186	111,034
Notes receivable *(Note 4)*	**109,154**	119,145	115,514
Inventories *(Note 5)*	**283,273**	325,363	287,786
Biological assets *(Note 6)*	**140,428**	79,934	95,740
Income and other taxes recoverable	**36,376**	39,731	43,300
Prepaid expenses and other assets	**41,818**	21,362	17,921
Assets held for sale *(Note 7)*	**1,000,946**	22,847	5,206
	$ 2,152,372	$ 810,006	$ 1,183,171
Property and equipment	**994,268**	1,243,101	1,323,318
Investment property	**3,221**	12,019	12,865
Employee benefits *(Note 8)*	**114,793**	133,152	117,615
Other long-term assets	**8,273**	12,731	16,628
Deferred tax asset	**66,399**	127,288	26,119
Goodwill *(Note 9)*	**428,236**	754,746	720,798
Intangible assets *(Note 10)*	**185,263**	208,033	198,578
Total assets	**$ 3,952,825**	$ 3,301,076	$ 3,599,092
LIABILITIES AND EQUITY			
Current liabilities			
Bank indebtedness	**$ –**	$ 33,491	$ 4,408
Accounts payable and accruals	**435,628**	447,589	649,554
Provisions *(Note 11)*	**40,100**	41,720	54,853
Current portion of long-term debt *(Note 12)*	**1,334,965**	6,823	209,780
Other current liabilities *(Note 13)*	**128,399**	17,842	47,927
Liabilities associated with assets held for sale *(Note 7)*	**311,400**	–	–
	$ 2,250,492	$ 547,465	$ 966,522
Long-term debt *(Note 12)*	**6,232**	1,256,708	744,212
Employee benefits *(Note 8)*	**140,051**	371,344	174,503
Provisions *(Note 11)*	**30,994**	34,921	19,603
Other long-term liabilities *(Note 14)*	**26,753**	75,647	28,744
Deferred tax liability	**–**	9,449	23,516
Total liabilities	**$ 2,454,522**	$ 2,295,534	$ 1,957,100
Shareholders' equity			
Share capital	**$ 906,166**	$ 902,986	$ 905,216
Retained earnings (deficit)	**458,202**	(31,151)	602,717
Contributed surplus	**71,819**	82,673	79,139
Accumulated other comprehensive loss associated with continuing operations *(Note 15)*	**(1,230)**	(13,958)	(4,593)
Accumulated other comprehensive income associated with discontinued operations *(Note 7)*	**4,159**	–	–
Treasury stock	**(1,350)**	(1,845)	(1,350)
Total shareholders' equity	**$ 1,437,766**	$ 938,705	$ 1,581,129
Non-controlling interest	**60,537**	66,837	60,863
Total equity	**$ 1,498,303**	$ 1,005,542	$ 1,641,992
Total liabilities and equity	**$ 3,952,825**	$ 3,301,076	$ 3,599,092

Subsequent events (Note 27)

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

Consolidated Statements of Earnings (Loss)

(In thousands of Canadian dollars, except share amounts) *(Unaudited)*	Three months ended March 31, **2014**	2013 *(Restated)* *(Note 20)*
Sales	**$ 711,347**	$ 689,353
Cost of goods sold	**663,412**	649,886
Gross margin	**$ 47,935**	$ 39,467
Selling, general and administrative expenses	**82,660**	77,638
Loss from continuing operations before the following:	**$ (34,725)**	$ (38,171)
Restructuring and other related costs *(Note 16)*	**(21,766)**	(36,958)
Change in fair value of non-designated interest rate swaps *(Note 17)*	**1,110**	617
Other income *(Note 18)*	**1,293**	43,297
Loss before interest and income taxes from continuing operations	**$ (54,088)**	$ (31,215)
Interest expense and other financing costs *(Note 19)*	**114,711**	16,103
Loss before income taxes from continuing operations	**$ (168,799)**	$ (47,318)
Income taxes	**(44,193)**	(16,674)
Net loss from continuing operations	**$ (124,606)**	$ (30,644)
Net earnings (loss) from discontinued operations *(Note 20)*	**(7,388)**	15,902
Net loss	**$ (131,994)**	$ (14,742)
Attributed to:		
Common shareholders	**$ (132,911)**	$ (14,938)
Non-controlling interest	**917**	196
	$ (131,994)	$ (14,742)
Loss per share attributable to common shareholders *(Note 21)*		
Basic and diluted loss per share	**$ (0.95)**	$ (0.11)
Basic and diluted loss per share from continuing operations	**$ (0.89)**	$ (0.22)
Weighted average number of shares (millions)	**140.2**	139.9

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

Consolidated Statements of Comprehensive Income (Loss)

(In thousands of Canadian dollars) *(Unaudited)*	Three months ended March 31, **2014**	2013
Net loss	**$ (131,994)**	$ (14,742)
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss:		
Change in actuarial gains and losses		
(Net of tax of $0.2 million; 2013: $19.4 million)	**$ 714**	$ 56,231
Total items that will not be reclassified to profit or loss	**$ 714**	$ 56,231
Items that are or may be reclassified subsequently to profit or loss:		
Change in accumulated foreign currency translation adjustment		
(Net of tax of $nil million; 2013: $nil million)	**$ 345**	$ (239)
Change in unrealized gains and losses on cash flow hedges		
(Net of tax of $0.8 million; 2013: ($0.7 million))	**2,219**	(2,115)
Total items that are or may be reclassified subsequently to profit or loss	**$ 2,564**	$ (2,354)
Other comprehensive income from continuing operations	**$ 3,278**	$ 53,877
Other comprehensive income from discontinued operations[(i)]		
(Net of tax of $0.1 million; 2013: $2.6 million)	**$ 4,860**	$ 8,339
Total other comprehensive income	**$ 8,138**	$ 62,216
Comprehensive income (loss)	**$ (123,856)**	$ 47,474
Attributed to:		
Common shareholders	**$ (125,436)**	$ 46,451
Non-controlling interest	**$ 1,580**	$ 1,023

[(i)] *The above amount includes ($0.8 million) (2013: $6.5 million) relating to actuarial gains and losses that will not subsequently be re-classified to profit or loss.*

See accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

Consolidated Statements of Changes in Total Equity

	Attributable to Common Shareholders							
(In thousands of Canadian dollars) *(Unaudited)*	**Share capital**	**Retained earnings**	**Contributed surplus**	**Total accumulated other comprehensive loss associated with continuing operations**	**Total accumulated other comprehensive income associated with assets held for sale**	**Treasury stock**	**Non-controlling interest**	**Total equity**
				(Note 15)	*(Note 7)*			
Balance at December 31, 2013	**$905,216**	**$ 602,717**	**$79,139**	**$ (4,593)**	**$ –**	**$(1,350)**	**$60,863**	**$ 1,641,992**
Net earnings (loss)	**–**	**(132,911)**	**–**	**–**	**–**	**–**	**917**	**(131,994)**
Transfer to held for sale	**–**	**–**	**–**	**799**	**(799)**	**–**	**–**	**–**
Other comprehensive income (loss)	**–**	**(47)**	**–**	**2,564**	**4,958**	**–**	**663**	**8,138**
Dividends declared ($0.04 per share)	**–**	**(5,613)**	**–**	**–**	**–**	**–**	**(1,906)**	**(7,519)**
Stock-based compensation expense	**–**	**–**	**8,692**	**–**	**–**	**–**	**–**	**8,692**
Exercise of stock options	**950**	**–**	**–**	**–**	**–**	**–**	**–**	**950**
Modification of stock compensation plan *(Note 22)*	**–**	**(5,944)**	**(16,012)**	**–**	**–**	**–**	**–**	**(21,956)**
Balance at March 31, 2014	**$906,166**	**$458,202**	**$ 71,819**	**$ (1,230)**	**$4,159**	**$(1,350)**	**$60,537**	**$1,498,303**

	Attributable to Common Shareholders							
(In thousands of Canadian dollars) *(Unaudited)*	**Share capital**	**Retained deficit**	**Contributed surplus**	**Total accumulated other comprehensive loss associated with continuing operations**	**Total accumulated other comprehensive income associated with assets held for sale**	**Treasury stock**	**Non-controlling interest**	**Total equity**
Balance at December 31, 2012	$ 902,810	$ (72,701)	$ 75,913	$(13,263)	$ –	$ (1,845)	$ 67,085	$ 957,999
Net earnings	–	(14,938)	–	–	–	–	196	(14,742)
Other comprehensive income (loss) *(Note 15)*	–	62,084	–	(695)	–	–	827	62,216
Dividends declared ($0.04 per share)	–	(5,596)	–	–	–	–	(1,271)	(6,867)
Stock-based compensation expense	–	–	5,560	–	–	–	–	5,560
Exercise of stock options	176	–	–	–	–	–	–	176
Other	–	–	1,200	–	–	–	–	1,200
Balance at March 31, 2013	$902,986	$ (31,151)	$82,673	$(13,958)	$ -	$ (1,845)	$ 66,837	$ 1,005,542

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

Consolidated Statements of Cash Flows

(In thousands of Canadian dollars) *(Unaudited)*	Three months ended March 31, 2014	2013
CASH (USED IN) PROVIDED BY:		
Operating activities		
Net loss	**$ (131,994)**	$ (14,742)
Add (deduct) items not affecting cash:		
Change in fair value of biological assets	**(40,306)**	5,278
Depreciation and amortization	**26,643**	33,852
Stock-based compensation	**8,692**	5,560
Deferred income taxes	**(44,014)**	(14,738)
Income tax current	**2,431**	4,275
Interest expense and other financing costs	**114,885**	16,500
(Gain) loss on sale of property and equipment	**441**	(956)
(Gain) loss on sale of business *(Note 20)*	**468**	–
(Gain) loss on sale of assets held for sale	**(1,736)**	(45,388)
(Gain) loss on sale of investment property	**(313)**	–
(Gain) loss on acquisition *(Note 26)*	**–**	985
(Gain) loss on disposal of intangible assets	**(364)**	–
Change in fair value of non-designated interest rate swaps	**(1,110)**	(617)
Change in fair value of derivative financial instruments	**36,634**	4,967
Impairment of assets (net of reversals)	**–**	5,134
Increase in pension liability	**3,393**	7,748
Net income taxes paid	**(6,853)**	(7,074)
Interest paid	**(18,325)**	(15,431)
Change in provision for restructuring and other related costs	**13,660**	38,105
Other	**5,550**	(4,990)
Change in non-cash operating working capital	**(36,083)**	(20,857)
Cash used by operating activities	**$ (68,301)**	$ (2,389)
Financing activities		
Dividends paid	**$ (5,613)**	$ (5,596)
Dividends paid to non-controlling interest	**(21,604)**	(1,271)
Net increase in long-term debt	**299,650**	43,525
Exercise of stock options	**950**	176
Cash provided by financing activities	**$ 273,383**	$ 36,834
Investing activities		
Additions to long-term assets	**$ (97,672)**	$ (76,055)
Acquisition of business *(Note 26)*	**–**	(922)
Capitalization of interest expense	**(2,783)**	(3,250)
Adjustment to sale of business *(Note 20)*	**(468)**	–
Proceeds from sale of long-term assets	**2,350**	4,491
Proceeds from sale of assets held for sale	**6,108**	58,067
Cash used in investing activities	**$ (92,465)**	$ (17,669)
Increase in cash and cash equivalents	**$ 112,617**	$ 16,776
Net cash and cash equivalents, beginning of period	**502,262**	42,171
Net cash and cash equivalents, end of period	**$ 614,879**	$ 58,947
Net cash and cash equivalents is comprised of:		
Attributed to continuing operations		
Cash and cash equivalents	**$ 470,783**	$ 92,438
Bank indebtedness	**–**	(33,491)
Net cash and cash equivalents from continued operations, end of period	**$ 470,783**	$ 58,947
Attributed to held for sale ***(Note 7)***		
Cash and cash equivalents	**$ 144,096**	$ –
Bank indebtedness	**–**	–
Net cash and cash equivalents held for sale, end of period	**$ 144,096**	$ –
Net cash and cash equivalents, end of period	**$ 614,879**	$ 58,947

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

Notes to the Condensed Consolidated Interim Financial Statements

1. THE COMPANY

Maple Leaf Foods Inc. ("Maple Leaf Foods" or the "Company") is a leading Canadian-based value-added meat, meals, and bakery company, serving wholesale, retail, and foodservice customers across North America and internationally. The address of the Company's registered office is Suite 1500, 30 St. Clair Avenue West, Toronto, Ontario, M4V 3A2, Canada. The condensed consolidated interim financial statements of the Company as at and for the three months ended March 31, 2014, include the accounts of the Company and its subsidiaries. The Company's results are organized into three segments: Meat Products Group, Agribusiness Group, and Bakery Products Group.

2. BASIS OF PREPARATION

(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 described herein, consistent with the Company's 2013 annual audited consolidated financial statements, except for new standards adopted during the period as described in Note 3(a).

The consolidated financial statements were authorized for issue by the Board of Directors on April 30, 2014.

(b) Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, biological assets, defined benefit plan assets, and liabilities associated with certain stock-based compensation, which are stated at fair value. Liabilities associated with employee benefits are stated at actuarially determined present values.

(c) Functional and Presentation Currency

The consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

(d) Use of Estimates and Judgements

The preparation of consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") requires Management to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual amounts may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Judgements included in the financial statements are decisions made by Management, based on analysis of relevant information available at the time the decision is made. Judgements relate to the application of accounting policies, and decisions related to the measurement, recognition and disclosure of financial amounts.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies, that have the most significant effects on the amounts recognized in the consolidated financial statements, are included both below and in the statement notes relating to items subject to significant estimate uncertainty and critical judgements.

Long-lived Assets Valuation

The Company performs impairment testing annually for goodwill and intangible assets and, when circumstances indicate that there may be impairment, for other long-lived assets. Management judgement is involved in determining if there are circumstances indicating that testing for impairment is required, and in identifying their Cash Generating Units ("CGUs") for the purpose of impairment testing.

The Company assesses impairment by comparing the recoverable amount of a long-lived asset, CGU, or CGU group to its carrying value. The recoverable amount is defined as the higher of: (i) value in use; or (ii) fair value less cost to sell. The determination of the recoverable amount involves Management judgement and estimation.

The values associated with intangible assets and goodwill involve significant estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates, and asset lives. These estimates and assumptions could affect the Company's future results if the current estimates of future performance and fair values change. These determinations will affect the amount of amortization expense on definite life intangible assets recognized in future periods.

Measurement of Fair Values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When the measurement of fair values cannot be determined, based on quoted prices in active markets, fair value is measured using valuation techniques and models. The inputs to these models are taken from observable markets where possible but, where this is not feasible, a degree of judgement is required in establishing fair values. Changes in assumptions about these inputs to these models could affect the reported fair value of the Company's financial and non-financial assets and liabilities.

When measuring fair value of an asset or liability, the Company uses market observable data as far as possible. To the extent that these estimates differ from those realized, the measured asset or liability, net earnings, and/or comprehensive income (loss) will be affected in future periods.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in the Company's 2013 annual audited consolidated financial statements.

Nature of Interests in Other Entities

Management applies significant judgement in assessing the nature of its interest in an unconsolidated structured entity. The Company does not hold any equity interest in the structured entity and based on the terms of the agreements under which the entity is established, the Company receives none of the returns related to their operations and is exposed to limited recourse with respect to losses.

Valuation of Inventory

Management makes estimates of the future customer demand for products when establishing appropriate provisions for inventory. In making these estimates, Management considers product life of inventory and the profitability of recent sales of inventory. In many cases, product sold by the Company turns quickly and inventory on-hand values are lower, thus reducing the risk of inventory obsolescence. However, code or "best before" dates are very important in the determination of realizable value of inventory. Management ensures that systems are in place to highlight and properly value inventory that may be approaching code dates. To the extent that actual losses on inventory differ from those estimated, inventory, net earnings (loss), and comprehensive income (loss) will be affected in future periods.

Biological Assets

Biological assets are measured at each reporting date, at fair value less costs to sell, except when fair value cannot be reliably measured. If fair value cannot be reliably measured, biological assets are measured at cost less depreciation and impairment losses. Although a reliable measure of fair value may not be available at the point of initial recognition, it may subsequently become available. In such circumstances, biological assets are measured at fair value less costs to sell from the point at which the reliable measure of fair value becomes available. Gains and losses that arise on measuring biological assets at fair value less costs to sell are recognized in the statement of earnings in the period in which they arise. Costs to sell include all costs that would be necessary to sell the biological assets, including costs necessary to get the biological assets to market.

Trade Merchandise Allowances and Other Trade Discounts

The Company provides for estimated payments to customers based on various trade programs and contracts that often include payments that are contingent upon attainment of specified sales volumes. Significant estimates used to determine these liabilities include the projected level of sales volume for the relevant period and customer contracted rates for allowances, discounts, and rebates. These arrangements are complex and there are a significant number of customers and products affected. Management has systems and processes in place to estimate and value these obligations. To the extent that payments on trade discounts differ from estimates of the related liability, accrued liabilities, net earnings, and comprehensive income (loss) will be affected in future periods.

Employee Benefit Plans

The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected unit credit method prorated on service, and Management's best estimate of salary escalation and mortality rates. Discount rates used in actuarial calculations are based on long-term interest rates and can have a material effect on the amount of plan liabilities and expenses. Management employs external experts to advise the Company when deciding upon the appropriate estimates to use to value employee benefit plan obligations and expenses. To the extent that these estimates differ from those realized, employee benefit plan liabilities and comprehensive income (loss) will be affected in future periods.

Income Taxes

Provisions for income taxes are based on domestic and international statutory income tax rates and the amount of income earned in the jurisdictions in which the Company operates. Significant judgement is required in determining income tax provisions and the recoverability of deferred tax assets. The calculation of current and deferred income tax balances requires Management to make estimates regarding the carrying values of assets and liabilities that include estimates of future cash flows and earnings related to such assets and liabilities, the interpretation of income tax legislation in the jurisdictions in which the Company operates, and the timing of reversal of temporary differences. The Company establishes additional provisions for income taxes when, despite Management's opinion that the Company's tax positions are fully supportable, there is sufficient complexity or uncertainty in the application of legislation that certain tax positions may be reassessed by tax authorities. The Company adjusts these additional accruals in light of changing facts and circumstances. To the extent that these adjustments differ from original estimates, future deferred tax assets and liabilities, net earnings, and comprehensive income (loss) will be affected in future periods.

Provisions

The Company evaluates all provisions at each reporting date. These provisions can be significant and are prepared using estimates of the costs of future activities. In certain instances, Management may determine that these provisions are no longer required or that certain provisions are insufficient as new events occur or as additional information is obtained. Provisions are separately identified and disclosed in the Company's consolidated financial statements. Changes to these estimates may affect the value of provisions, net earnings, and comprehensive income (loss) in future periods.

Stock-based Compensation

The Company uses estimates including, but not limited to, estimates of forfeitures, share price volatility, dividends, expected life of the award, risk-free interest rates, and Company performance in the calculation of the liability and expenses for certain stock-based incentive plans. These estimates are based on previous experience and may change throughout the life of an incentive plan. Such changes could impact the carrying value of contributed surplus, liabilities, net earnings, and comprehensive income (loss) in future periods.

Some of the Company's stock-based payment plans are settable in either cash or equity instruments at the option of the Company. Management uses judgement in determining the appropriate accounting treatment for these plans, based on expectations and historical settlement decisions. Changes to accounting treatment based on Management's judgement may impact contributed surplus, liabilities and net earnings and comprehensive income (loss) in future periods.

Depreciation and Amortization

The Company's property and equipment and definite life intangible assets are depreciated and amortized on a straight-line basis, taking into account the estimated useful lives of the assets and residual values. Changes to these estimates may affect the carrying value of these assets, inventories, net earnings and comprehensive income (loss) in future periods.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements should be read in conjunction with the Company's 2013 annual audited consolidated financial statements. These consolidated financial statements have been prepared in accordance with IFRS using the same accounting policies as were applied in the 2013 annual consolidated financial statements, except for new accounting standards adopted during the period, as described below:

(a) Accounting Standards Adopted During the Period

The Company applied, for the first time beginning on January 1, 2014, certain standards and amendments. As required by IAS 34 *Interim Financial Reporting* and IAS 8 *Accounting Policies, Change in Accounting Estimates and Errors*, the nature and the effect of these changes are disclosed below:

Financial Assets and Liabilities

Beginning on January 1, 2014, the Company adopted the amendments to IAS 32 *Financial Instruments: Presentation* on a retrospective basis with restatement. The amendments to IAS 32 clarify when an entity has a legally enforceable right to offset, as well as clarify, when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement. The impact of the adoption of the amendments to IAS 32 did not have a material impact on the Company's consolidated financial statements.

Levies

Beginning January 1, 2014, the Company adopted International Financial Reporting Interpretations Committee ("IFRIC") 21 *Levies* on a retrospective basis with restatement. This IFRIC is applicable to all levies other than outflows that are within the scope of other standards, fines, or penalties for breaches of legislation. The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payments, as identified by the relevant legislation, occurs. The impact of the adoption of IFRIC 21 did not have a material impact on the Company's consolidated financial statements.

Novation of Derivatives and Continuation of Hedge Accounting

Beginning January 1, 2014, the Company adopted IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting* (Amendments to IAS 39 *Financial Instruments: Recognition and Measurement)*. The amendments added a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when novation that was not contemplated in the original hedging documentation meets specific criteria. The impact of the adoption of the amendments to IAS 39 did not have a material impact on the Company's consolidated financial statements.

(b) Recent Accounting Pronouncements

Employee Benefits

In November 2013, the IASB published amendments to IAS 19 *Employee Benefits*. The effective date for these amendments is annual periods beginning on or after July 1, 2014. These amendments are to be applied retrospectively. IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. IAS 19 requires such contributions that are linked to service to be attributed to periods of service as a negative benefit. The amendments to IAS 19 provide a practical expedient for simplifying the accounting in certain situations. If the amount of contribution is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service costs in the period in which the service is rendered, instead of allocating the contributions to the period's service. The Company intends to adopt the amendments to IAS 19 in its consolidated financial statements for the annual period beginning January 1, 2015. The extent of the impact of the adoption of amendments to IAS 19 has not yet been determined.

Annual Improvements to IFRS (2010 – 2012) and (2011 – 2013) Cycles

In December 2013, the IASB issued narrow-scope amendments to a total of nine standards as part of its annual improvements process. Amendments were made to clarify items including the definition of vesting conditions in IFRS 2 *Share-Based Payment*, disclosure on the aggregation of operating segments in IFRS 8 *Operating Segments*, measurement of short-term receivables and payables under IFRS 13 *Fair Value Measurement*, definition of related party in IAS 24 *Related Party Disclosures,* and other amendments. Special transitional requirements have been set for certain of these amendments. Most amendments will apply prospectively for annual periods beginning on or after July 1, 2014, earlier application is permitted. The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning January 1, 2015. The extent of the impact of the adoption of the amendments have not yet been determined.

Financial Instruments – Recognition and Measurement

In November 2009, the IASB issued IFRS 9 *Financial Instruments* (IFRS 9 (2009)) and in October 2010, the IASB published amendments to IFRS 9 (IFRS 9 (2010)). IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additional changes relating to financial liabilities. In November 2013, the IASB published amendments to IFRS 9 *Financial Instruments*, IFRS 7 *Financial Instruments: Disclosures*, and IAS 39 *Financial Instruments: Disclosures* (collectively, IFRS 9 (2013)) to include a new general hedge accounting model and allow the adoption of the treatment of fair value changes due to a Company's own credit risk on financial liabilities designated at fair value through profit or loss. Special transitional requirements have been set for the application of the new general hedging model. This amendment removes the January 1, 2015, effective date. In February 2014, the IASB tentatively decided that the mandatory effective date for these amendments to be January 1, 2018. The Company intends to adopt IFRS 9 in its consolidated financial statements for the annual periods beginning January 1, 2018. The extent of the impact of the adoption of IFRS 9 has not yet been determined.

4. ACCOUNTS AND NOTES RECEIVABLE

Components of Accounts Receivable are as follows:

	As at March 31, 2014	As at March 31, 2013	As at December 31, 2013
Trade receivables	**$ 21,304**	$ 56,424	$ 37,173
Less: Allowance for doubtful accounts	**(80)**	(4)	(80)
Net trade receivables	**$ 21,224**	$ 56,420	$ 37,093
Other receivables:			
Commodity taxes receivable	**14,064**	18,691	27,727
Interest rate swap receivable	**5,805**	6,550	8,446
Receivables from divested business	**–**	2,280	–
Government receivable	**14,856**	8,670	14,727
Insurance receivable	**4,413**	2,294	1,664
Other	**9,232**	14,281	21,377
	$ 69,594	$ 109,186	$ 111,034

The aging of trade receivables is as follows:

	As at March 31, 2014	As at March 31, 2013	As at December 31, 2013
Current	**$ 17,096**	$ 53,764	$ 31,273
Past due 0-30 days	**4,177**	2,376	5,600
Past due 31-60 days	**–**	75	84
Past due 61-90 days	**–**	17	–
Past due > 90 days	**31**	192	216
	$ 21,304	$ 56,424	$ 37,173

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

Under revolving securitization programs, the Company has sold certain of its trade accounts receivable to an entity owned by a financial institution. The Company retains servicing responsibilities for these receivables. As at March 31, 2014, trade accounts receivable being serviced under these programs amounted to $168.9 million (2013: $274.4 million). In return for the sale of its trade receivables, the Company will receive cash of $59.7 million (2013: $155.1 million) and notes receivable in the amount of $109.2 million (2013: $119.2 million). The notes receivable are non-interest bearing and are adjusted on the settlement dates of the securitized accounts receivable. Due to the timing of receipts and disbursements, the Company may, from time to time, also record a receivable or payable related to the securitization facility. As at March 31, 2014, the Company recorded a net payable amount to $31.5 million (2013: $0.4 million net receivable) in accounts payable and accruals. The above amounts do not reflect the securitization arrangement of the Company's Canada Bread subsidiary that has been presented as held for sale.

The Company's securitization programs require the sale of trade receivable to be treated as a sale from an accounting perspective and as a result, trade receivables sold under these programs are derecognized in the consolidated balance sheets as March 31, 2014 and 2013.

5. INVENTORIES

	As at March 31, 2014	As at March 31, 2013	As at December 31, 2013
Raw materials	**$ 34,767**	$ 40,276	$ 39,302
Work in process	**22,981**	21,966	18,662
Finished goods	**185,883**	197,956	166,407
Packaging	**15,616**	21,960	22,582
Spare parts	**24,026**	43,205	40,833
	$ 283,273	$ 325,363	$ 287,786

During the three months ended March 31, 2014, inventory in the amount of $569.2 million (2013: $603.2 million) was expensed through cost of goods sold.

6. BIOLOGICAL ASSETS

The change in fair value of commercial hog and poultry stock for the three months ended March 31, 2014, was a gain of $40.3 million (March 31, 2013: loss of $5.3 million) and was recorded in cost of goods sold. The fair value measures of commercial hog stock have been categorized as level 3 fair value based on inputs to the valuation techniques used. There were no transfers between levels during the quarter ended March 31, 2014.

7. ASSETS AND LIABILITIES HELD FOR SALE

A brief description of the assets and liabilities held for sale is as follows:

Canada Bread Company, Limited

On February 12, 2014, the Company announced that Grupo Bimbo, S.A.B. de C.V. of Mexico ("Grupo Bimbo") agreed to acquire all of the issued and outstanding common shares of Canada Bread Company, Limited ("Canada Bread"), a subsidiary in which the Company has a 90.0% controlling interest. The assets of Canada Bread were included in the Bakery Products Group for segmented reporting. At March 31, 2014, Canada Bread was classified as a disposal group held for sale and as a discontinued operation as disclosed in Note 20.

Investment Properties

The Company intends to dispose of various investment properties it no longer utilises. Investment properties are included in non-allocated assets for segmented reporting.

Poultry Farm

These assets relate to a poultry farm and related production quotas in Brooks, Alberta, originally purchased on February 1, 2012 and immediately classified as assets held for sale. The poultry farm assets were included in the Meat Products Group for segmented reporting.

Further details on the gain on disposal of assets held for sale is described in Note 18.

	As at March 31, 2014			As at March 31, 2013			As at December 31, 2013	
	Canada Bread	**Investment Properties**	**Total**	Poultry Farm	Investment Properties	Total	Investment Properties	Total
ASSETS HELD FOR SALE								
Current assets								
Cash and cash equivalents	**$ 144,096**	**$ –**	**$ 144,096**	$ –	$ –	$ –	$ –	$ –
Accounts receivable	**14,872**	**–**	**14,872**	–	–	–	–	–
Notes receivable	**46,321**	**–**	**46,321**	–	–	–	–	–
Inventories	**53,717**	**–**	**53,717**	–	–	–	–	–
Income and other taxes recoverable	**6,213**	**–**	**6,213**	–	–	–	–	–
Prepaid expenses and other assets[(i)]	**6,362**	**–**	**6,362**	–	–	–	–	–
	$ 271,581	**$ –**	**$ 271,581**	$ –	$ –	$ –	$ –	$ –
Property and equipment	**379,779**	**–**	**379,779**	2,560	–	2,560	–	–
Investment property	**9,857**	**834**	**10,691**	–	1,419	1,419	5,206	5,206
Employee benefits	**1,758**	**–**	**1,758**	–	–	–	–	–
Other long-term assets	**4,794**	**–**	**4,794**	–	–	–	–	–
Deferred tax asset	**25,198**	**–**	**25,198**	–	–	–	–	–
Goodwill	**293,250**	**–**	**293,250**	–	–	–	–	–
Intangible assets	**13,895**	**–**	**13,895**	18,868	–	18,868	–	–
Total assets held for sale	**$ 1,000,112**	**$ 834**	**$ 1,000,946**	$ 21,428	$ 1,419	$ 22,847	$ 5,206	$ 5,206
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE								
Current Liabilities								
Accounts payable and accruals	**$ 217,506**	**$ –**	**$ 217,506**	$ –	$ –	$ –	$ –	$ –
Provisions	**5,304**	**–**	**5,304**	–	–	–	–	–
Income taxes payable	**–**	**–**	**–**	–	–	–	–	–
Current portion of long-term debt	**554**	**–**	**554**	–	–	–	–	–
Other current liabilities[(ii)]	**100**	**–**	**100**	–	–	–	–	–
	$ 223,464	**$ –**	**$ 223,464**	$ –	$ –	$ –	$ –	$ –
Long-term debt	**2,051**	**–**	**2,051**	–	–	–	–	–
Employee benefits	**36,960**	**–**	**36,960**	–	–	–	–	–
Provisions	**5,488**	**–**	**5,488**	–	–	–	–	–
Other long-term liabilities	**4,562**	**–**	**4,562**	–	–	–	–	–
Deferred tax liability	**38,875**	**–**	**38,875**	–	–	–	–	–
Total liabilities associated with assets held for sale	**$ 311,400**	**$ –**	**$ 311,400**	$ –	$ –	$ –	$ –	$ –
Net assets associated with assets held for sale	**$ 688,712**	**$ 834**	**$ 689,546**	$ 21,428	$ 1,419	$ 22,847	$ 5,206	$ 5,206
Included in Accumulated Other Comprehensive Income associated with assets held for sale								
Foreign currency translation adjustments	**$ 3,425**	**$ –**	**$ 3,425**	$ –	$ –	$ –	$ –	$ –
Unrealized gain on cash flow hedges	**734**	**–**	**734**	–	–	–	–	–
Accumulated Other Comprehensive Income associated with assets held for sale	**$ 4,159**	**$ –**	**$ 4,159**	$ –	$ –	$ –	$ –	$ –

(i) *Other current assets of Canada Bread include foreign exchange forward contracts that were designated as cash flow hedges as at March 31, 2014 and have been valued at fair value in accordance with the measurement requirements of IFRS 13 Fair Value Measurement. Information about the valuation techniques and inputs used in determining the fair value of these assets is disclosed in Note 17.*

(ii) *Other current liabilities of Canada Bread include foreign exchange forward contracts that were not designated in a formal hedging relationship as at March 31, 2014 and have been valued at fair value in accordance with the measurement requirements of IFRS 13 Fair Value Measurement. Information about the valuation techniques and inputs used in determining the fair value of these liabilities is disclosed in Note 17.*

8. EMPLOYEE BENEFITS

During the three months ended March 31, 2014, the Company recorded expenses of $12.6 million (2013: $16.6 million) related to pension and other post-retirement benefits, of which $3.5 million is related to discontinued operations (2013: $4.2 million).

9. GOODWILL

The continuity of goodwill for the three months ended March 31, 2014 and 2013 is as follows:

Cost	**March 31, 2014**	March 31, 2013
Opening balance	**$ 826,040**	$ 851,659
Foreign currency translation	**4,170**	(1,068)
Transfer to assets held for sale *(Note 7)*	**$ (401,617)**	$ –
Balance	**$ 428,593**	$ 850,591
Impairment losses		
Opening balance	**$ (105,242)**	$ (98,503)
Transfer to assets held for sale *(Note 7)*	**108,033**	–
Foreign currency translation	**(3,148)**	2,658
Balance	**$ (357)**	$ (95,845)
Net carrying amounts	**$ 428,236**	$ 754,746

For the purposes of annual impairment testing, goodwill is allocated to the following groups of Cash Generating Units ("CGUs"); being the groups expected to benefit from the synergies of the business combinations in which the goodwill arose:

	As at March 31, 2014	As at March 31, 2013	As at December 31, 2013
CGU Groups			
Meat products	**$ 428,236**	$ 442,925	$ 428,236
By-product recycling[(i)]	**–**	13,845	–
Canadian Fresh Bakery[(ii)]	**–**	173,839	173,839
North American Frozen Bakery[(ii)]	**–**	118,667	118,723
Fresh Pasta[(i)]	**–**	5,470	–
	$ 428,236	$ 754,746	$ 720,798

(i) *The goodwill related to the by-product recycling operations ("Rothsay") and fresh pasta ("Olivieri") were disposed of during the year ended December 31, 2013. Refer to Note 20 for further details.*

(ii) *Reclassified to assets held for sale, refer to Note 7.*

10. INTANGIBLE ASSETS

	As at March 31, 2014	As at March 31, 2013	As at December 31, 2013
Indefinite life	**$ 66,853**	$ 81,346	$ 71,676
Definite life	**118,410**	126,687	126,902
Total intangible assets	**$ 185,263**	$ 208,033	$ 198,578

During the quarter, $13.9 million of intangibles were re-classified as assets held for sale.

Indefinite Life Intangibles

The following table summarizes the indefinite life intangible assets by CGU groups:

	As at March 31, 2014	As at March 31, 2013	As at December 31, 2013
CGU Groups			
Meat products	**$ 66,853**	$ 74,908	$ 66,853
Canadian Fresh Bakery(i)	**–**	6,438	4,823
	$ 66,853	$ 81,346	$ 71,676

(i) *Reclassified to assets held for sale, refer to Note 7.*

11. PROVISIONS

	Legal	**Environ-mental**	**Lease make-good**	**Restructuring and other related costs(i)**	**Total**
Balance at December 31, 2013(ii)	**$ 561**	**$ 12,603**	**$ 4,736**	**$ 56,556**	**$ 74,456**
Charges	**91**	**–**	**16**	**18,998**	**19,105**
Reversals	**–**	**–**	**–**	**(1,573)**	**(1,573)**
Cash payments	**(413)**	**(3)**	**–**	**(9,983)**	**(10,399)**
Foreign currency translation	**–**	**–**	**104**	**193**	**297**
Transfer to liabilities associated with assets held for sale *(Note 7)*	**–**	**(1,316)**	**(2,517)**	**(6,959)**	**(10,792)**
Balance at March 31, 2014	**$ 239**	**$ 11,284**	**$ 2,339**	**$ 57,232**	**$ 71,094**
Current					**$ 40,100**
Non-current					**30,994**
Total at March 31, 2014					**$ 71,094**

	Legal	Environ-mental	Lease make-good	Restructuring and other related costs(i)	Total
Balance at December 31, 2012	$ 741	$ 16,071	$ 6,098	$ 29,225	$ 52,135
Charges	–	–	–	39,003	39,003
Reversals	–	(3,114)	–	(161)	(3,275)
Cash payments	(23)	(15)	–	(9,264)	(9,302)
Non-cash items	–	–	(109)	(1,811)	(1,920)
Balance at March 31, 2013	$ 718	$ 12,942	$ 5,989	$ 56,992	$ 76,641
Current					$ 41,720
Non-current					34,921
Total at March 31, 2013					$ 76,641

(i) *For additional information on restructuring and other related costs, see the table below.*

(ii) *Balance at December 31, 2013 includes current portion of $54.9 million and non-current portion of $19.6 million.*

The following tables provide a summary of provisions recorded in respect of restructuring and other related costs as at March 31, 2014 and March 31, 2013, all on a pre-tax basis.

	Severance	**Site closing and other cash costs**	**Retention**	**Restructuring and other related costs**
Balance at December 31, 2013	**$ 27,824**	**$ 12,124**	**$ 16,608**	**$ 56,556**
Charges	**10,801**	**216**	**7,981**	**18,998**
Reversals	**(1,536)**	**(37)**	**–**	**(1,573)**
Cash payments	**(3,573)**	**(3,130)**	**(3,280)**	**(9,983)**
Foreign currency translation	**(29)**	**222**	**–**	**193**
Transfer to liabilities associated with assets held for sale	**(2,765)**	**(2,691)**	**(1,503)**	**(6,959)**
Balance at March 31, 2014	**$ 30,722**	**$ 6,704**	**$ 19,806**	**$ 57,232**

	Severance	Site closing and other cash costs	Retention	Pension	Restructuring and other related costs
Balance at December 31, 2012	$ 14,996	$ 11,490	$ 561	$ 2,178	$ 29,225
Charges	37,876	1,281	213	(367)	39,003
Reversals	(161)	–	–	–	(161)
Cash payments	(7,972)	(1,129)	(163)	–	(9,264)
Non-cash items	(116)	228	(112)	(1,811)	(1,811)
Balance at March 31, 2013	$ 44,623	$ 11,870	$ 499	$ –	$ 56,992

12. LONG-TERM DEBT

On March 14, 2014, Maple Leaf gave notice of redemption on $706.0 million senior notes (the "Notes"). In connection therewith, the Company recognized an early repayment premium of $78.7 million and expensed deferred financing charges of $2.5 million. Subsequent to the notice, it was determined that the Company's leverage ratio at March 31, 2014, would have exceeded the maximum level prescribed by the terms of the Notes; however, the Company issued a notice of redemption prior to the end of the quarter.

During the three months ended March 31, 2014, the Company amended its existing revolving credit facility to include additional shorter term financing. This facility now includes a revolving component with an availability of $1,050.0 million and a non-revolving component of $330.0 million. The non-revolving component expires on the earlier of March 31, 2015, and the closing of the Canada Bread sale. The revolving component will be reduced to $200.0 million upon closing of the Canada Bread sale and will expire on March 31, 2015. This facility can be drawn in Canadian or U.S. dollars, and bears interest at rates based on Banker's acceptance of prime rates for Canadian dollar loans, and U.S. prime rate and LIBOR for U.S. dollar loans. As at March 31, 2014, the Company had drawn $673.9 million on the revolving component of this facility, including letters of credit of $118.9 million.

13. OTHER CURRENT LIABILITIES

	As at March 31, 2014	As at March 31, 2013	As at December 31, 2013
Derivative instruments *(Note 17)*	**$ 102,262**	$ 14,848	$ 43,548
Liability for stock-based compensation *(Note 22)*	**25,396**	–	–
Other	**741**	2,994	4,379
	$ 128,399	$ 17,842	$ 47,927

14. OTHER LONG-TERM LIABILITIES

	As at March 31, 2014	As at March 31, 2013	As at December 31, 2013
Derivative instruments *(Note 17)*	**$ 11,220**	$ 58,484	$ 12,728
Other	**15,533**	17,163	16,016
	$ 26,753	$ 75,647	$ 28,744

15. ACCUMULATED OTHER COMPREHENSIVE LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS

	Attributable to Common Shareholders			
	Foreign currency translation adjustments(i)	**Unrealized gain (loss) on cash flow hedges(i)**	**Change in actuarial gains and (losses)(ii)**	**Total accumulated other comprehensive income (loss) associated with continuing operations**
Balance at December 31, 2013	**$ 269**	**$ (4,862)**	**$ –**	**$ (4,593)**
Other comprehensive income	**345**	**2,219**	**714**	**3,278**
Transfer to retained earnings (deficit)	**–**	**–**	**(714)**	**(714)**
Transfer to held for sale	**1,025**	**(226)**	**–**	**799**
Balance at March 31, 2014	**$ 1,639**	**$ (2,869)**	**$ –**	**$ (1,230)**

	Attributable to Common Shareholders			
	Foreign currency translation adjustments(i)	Unrealized gain (loss) on cash flow hedges(i)	Change in actuarial gains and (losses)(ii)	Total accumulated other comprehensive income (loss) associated with continuing operations
Balance at December 31, 2012	$ (8,976)	$ (4,287)	$ –	$ (13,263)
Other comprehensive income (loss)	656	(1,351)	62,084	61,389
Transfer to retained earnings (deficit)	–	–	(62,084)	(62,084)
Balance at March 31, 2013	$ (8,320)	$ (5,638)	$ –	$ (13,958)

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

(ii) *Items that will not be reclassified to profit or loss.*

The change in accumulated foreign currency translation adjustments attributable from continuing operations to common shareholders includes income tax of $nil for the three months ended March 31, 2014 (2013: $nil).

The change in unrealized gain (loss) on cash flow hedges from continuing operations attributable to common shareholders includes income tax expense of $0.8 million for the three months ended March 31, 2014 (2013: recovery of $0.7 million).

The change in actuarial gains and losses from continuing operations attributable to common shareholders includes income tax expenses of $0.2 million for the three months ended March 31, 2014 (2013: tax expense of $19.4 million).

The Company estimates that $3.2 million net of tax of $1.1 million of the unrealized loss included in accumulated other comprehensive income (loss) will be reclassified into net earnings (loss) 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 and the actual amount reclassified could differ from this estimated amount. During the three months ended March 31, 2014, a loss of approximately $1.7 million, net of tax of $0.6 million was released to earnings from accumulated other comprehensive loss and is included in the net change for the period (2013: loss of approximately $0.1 million, net of tax recovery of $nil).

16. RESTRUCTURING AND OTHER RELATED COSTS

	Three months ended March 31, 2014	2013
		(Restated) (Note 20)
MEAT PRODUCTS GROUP		
Management structure changes		
Severance	**$ 355**	$ 912
Site closing and other costs	**(32)**	–
	$ 323	$ 912
Strategic value creation initiatives		
Severance	**$ (1,384)**	$ 25,365
Site closing and other costs	**(4)**	658
Asset impairment and accelerated depreciation	**6,022**	7,892
Retention	**6,515**	–
	$ 11,149	$ 33,915
Plant closure		
Severance	**$ –**	$ 103
Pension	**–**	283
	$ –	$ 386
Total Meat Products Group	**$ 11,472**	$ 35,213
NON-ALLOCATED		
Management structure changes		
Severance	**$ 421**	$ 1,745
	$ 421	$ 1,745
Organizational structure changes		
Severance	**$ 9,873**	$ –
	$ 9,873	$ –
Total non-allocated	**$ 10,294**	$ 1,745
Total restructuring and other related costs	**$ 21,766**	$ 36,958

Amounts in the table above are net of reversals.

A brief description of the projects is as follows:

Management Structure Changes

The Company has recorded restructuring and other related costs pertaining to organizational delayering and changes to its management structure.

Strategic Value Creation Initiatives

The Company's Meat Products Group has recorded restructuring costs related to changes in its manufacturing and distribution network as part of implementing the Value Creation Plan.

Plant Closure

The Company's Meat Products Group has recorded restructuring costs related to the closure of a plant located in Ayr, Ontario.

Organizational Structure Changes

The Company has recorded restructuring and other related costs related to expected changes in corporate and management structure that will be required following the sale of Canada Bread, as further described in Note 20.

Impairment

There were no impairments or reversals of impairments recorded through restructuring and other related costs for the three months ended March 31, 2014 or March 31, 2013.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT ACTIVITIES

The Company is exposed to credit risk, interest rate risk, liquidity risk, foreign exchange risk and commodity price risk. The Company has policies for managing these risks that are aligned with its overall objective to maintain a simple cost-effective capital structure that supports a long-term growth strategy and maximizes operating flexibility.

On March 14, 2014, the Company issued a notice of repayment of its notes payable, with a repayment date of April 14, 2014 (Note 12).

On the original issuance of the U.S. denominated debt, and in order to hedge against the foreign exchange risk associated with the issuance of U.S. denominated debt, the Company entered into cross-currency interest rate swaps. The cross-currency swaps converted the U.S. denominated fixed-rate notes, into fixed-rate Canadian denominated notes, and were accounted for as cash flow hedges.

As a result of the decision to accelerate the repayment of all outstanding notes, hedge accounting on all of the cross-currency interest rate swaps have been discontinued. This has resulted in a reclassification of $9.6 million from accumulated other comprehensive income, to interest expense and other financing costs, during the three months ended March 31, 2014. During the three months ended March 31, 2014, the Company terminated cross-currency interest rate swaps maturing in 2021, and the remaining cross-currency swaps maturing in 2014 were terminated in April 2014.

There have been no other material changes to the Company's risk and risk management activities since December 31, 2013.

Financial Instruments

The Company's financial assets and liabilities are classified into the following categories:

Cash and cash equivalents	Held for trading
Accounts receivable	Loans and receivables
Notes receivable	Loans and receivables
Bank indebtedness	Other financial liabilities
Accounts payable and accrued liabilities	Other financial liabilities
Long-term debt	Other financial liabilities
Derivative instruments[i]	Held for trading

[i] *These derivative instruments may be designated as cash flow hedges or as fair value hedges as appropriate.*

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

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

	2014			2013		
		Fair value			Fair value	
	Notional amount[(i)]	**Asset**	**Liability**	Notional amount[(i)]	Asset	Liability
Cash flow hedges						
Cross-currency interest rate swaps	**US$ –**	**$ –**	**$ –**	US$ 313,000	$ –	$42,404
Foreign exchange contracts[(ii)]	**226,755**	**1,101**	**4,942**	70,500	788	–
Commodity future contracts[(ii)]	**27,489**	**775**	**–**	260,000	–	21,417
Fair value hedges						
Commodity contracts[(ii)]	**$ 85,489**	**$ –**	**$ 17,365**	$ 20,420	$ 1,455	$ –
Derivatives not designated in a formal hedging relationship						
Interest rate swaps	**$ 1,180,000**	**$ –**	**$ 17,267**	$ 660,000	$ –	$ 5,533
Cross-currency interest rate swaps	**100,000**	**–**	**27,920**	–	–	–
Foreign exchange contracts[(ii)]	**516,033**	**304**	**622**	115,057	319	–
Commodity contracts[(ii)]	**714,167**	**10,241**	**45,366**	465,750	–	3,978
Total fair value	**$ 2,849,933**	**$ 12,421**	**$ 113,482**		$2,562	$ 73,332
Current[(iii)]		**$ 12,421**	**$102,262**		$2,562	$ 14,848
Non-current		**–**	**11,220**		–	58,484
Total fair value		**$ 12,421**	**$ 113,482**		$2,562	$ 73,332

(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) *Included in the current portion above are assets of $1.1 million included in assets held for sale and $0.3 million included in liabilities associated with assets held for sale.*

The fair value of financial assets and liabilities classified as loans and receivables and other financial liabilities (excluding long-term debt) approximate their carrying value due to their short-term nature.

The fair value of long-term debt as at March 31, 2014 was $1,353.7 million (2013: $1,343.2 million) as compared to its carrying value of $1,341.2 million (2013: $1,263.5 million) on the consolidated balance sheets. Of this amount, $2.6 million (2013: $nil) has been reclassified to liabilities associated with assets held for sale. The fair value of the Company's long-term debt has been classified as Level 2 in the fair value hierarchy and was estimated based on discounted future cash flows using current rates for similar financial instruments subject to similar risks and maturities.

Financial assets and liabilities classified as held-for-trading are recorded at fair value. The fair values of the Company's interest rate and foreign exchange derivative financial instruments were estimated using current market measures for interest rates and foreign exchange rates. Commodity futures and options contracts are exchange-traded and fair value is determined based on exchange prices.

Derivatives not designated in a formal hedging relationship are classified as held-for-trading. Net gains (losses) on financial instruments held-for-trading consist of realized and unrealized gains (losses) on derivatives that were de-designated or were otherwise not in a formal hedging relationship. During the three months ended March 30, 2014, the Company recorded an after-tax loss of $29.7 million (2013: after-tax loss of $4.6 million) on financial instruments held-for-trading.

For the quarter ended March 31, 2014, the pre-tax amount of hedge ineffectiveness recognized in earnings was a gain of $0.2 million (2013: gain of $0.8 million), primarily related to the Company's designated interest rate swaps.

The table below sets out fair value measurements of financial instruments using the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Assets:				
Foreign exchange forward contracts	$ –	$ 1,405	$ –	**$ 1,405**
Commodity future contracts	11,016	–	–	**11,016**
	$ 11,016	**$ 1,405**	**$ –**	**$ 12,421**
Liabilities:				
Foreign exchange forward contracts	$ –	$ 5,564	$ –	**$ 5,564**
Commodity future contracts	62,731	–	–	**62,731**
Interest rate swaps	–	45,187	–	**45,187**
	$ 62,731	**$ 50,751**	**$ –**	**$ 113,482**

There were no transfers between levels during the three months ended March 31, 2014. Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. 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.

Non-designated Interest Rate Swaps

The change in fair value of non-designated interest rate swaps for the quarter ended March 31, 2014, was a gain of $1.1 million and was recorded in net earnings (loss).

The change in fair value of non-designated interest rate swaps for the quarter ended March 31, 2013, was a gain of $0.6 million and was recorded in net earnings (loss).

18. OTHER INCOME

	Three months ended March 31,	
	2014	2013
		(Restated) *(Note 20)*
Loss on sale of property and equipment	**$ (317)**	$ (360)
Gain on sale of investment properties	**350**	–
Gain on sale of assets and liabilities held for sale[(i)]	**–**	45,388
Adjustment of prior gain on acquisition *(Note 26)*	**–**	(985)
Net investment property (expenses) income	**(46)**	83
Hedge ineffectiveness	**231**	834
Impairment of assets[(ii)]	**–**	(1,563)
Legal settlements	**154**	–
Other	**921**	(100)
	$ 1,293	$ 43,297

(i) Gain on sale of assets and liabilities held for sale

	Three months ended March 31, 2013	
	Net proceeds	Gain
Potato processing facility[(a)]	$ 58,067	$ 45,388
Total	$ 58,067	$ 45,388

(a) *The assets related to the Company's potato processing facility in Lethbridge, Alberta, were classified as held for sale on December 31, 2012, and the sale of these assets to Cavendish Farm Corporation was completed during the first quarter of 2013. Prior to its disposal, the assets of the potato processing facility were included in the Meats Products Group for segmented reporting.*

(ii) Impairments of assets

Impairments and reversals recorded by the Company related to the following:

	Three months ended March 31, 2014	2013 *(Restated) (Note 20)*
Impairments:		
Assets held for sale	**$ –**	$ 1,563
Total impairments	**$ –**	$ 1,563

19. INTEREST EXPENSE AND OTHER FINANCING COSTS

	Three months ended March 31, 2014	2013 *(Restated) (Note 20)*
Interest expense on long-term debt	**$ 10,988**	$ 9,898
Interest on bankers' acceptances and prime loans	**2,662**	4,122
Interest expense on interest rate swaps	**5,395**	5,271
Interest income on interest rate swaps	**(4,615)**	(4,239)
Net interest expense on non-designated interest rate swaps	**1,680**	2,043
Interest expense on securitized receivables	**419**	543
Deferred finance charges	**1,197**	762
Other interest charges	**1,382**	953
Interest capitalized	**(2,783)**	(3,250)
Other financing costs[(i)]	**98,386**	–
	$ 114,711	$ 16,103

(i) Included in other financing costs are the following:

	Three months ended March 31, 2014
Early repayment premium accrued *(Note 12)*	**$ 78,689**
Write-off of deferred financing fees on note repayment *(Note 12)*	**2,476**
Write-off of deferred financing fees on terminated swaps	**757**
Write-off of deferred financing fees on revolving facility termination	**3,125**
Financing costs associated with new debt	**3,769**
Release from accumulated other comprehensive income on swap de-designation *(Note 17)*	**9,570**
Total other financing costs	**$ 98,386**

20. DISCONTINUED OPERATIONS

Canada Bread Company, Limited

On February 12, 2014, the Company announced that Grupo Bimbo, S.A.B. de C.V. of Mexico ("Grupo Bimbo") had agreed to acquire all of the issued and outstanding common shares of Canada Bread, a 90.0% owned subsidiary, by way of a statutory arrangement under the *Business Corporations Act* (Ontario) (the "Arrangement"). Under the terms of the Arrangement, Grupo Bimbo has agreed to acquire each common share of Canada Bread for $72.00 per share in cash. The Company expects to receive net proceeds of approximately $1.65 billion for its 90.0% interest in Canada Bread. The Company is not able to estimate the ultimate gain on disposition given the uncertainty surrounding the timing of the close of this proposed transaction.

On March 17, 2014, the proposed transaction received approval from the Canadian Competition Bureau to proceed. On March 24, 2014, the proposed transaction received clearance from the U.S. Department of Justice under the Hart-Scott-Radino Act to proceed. Subject to Investment Canada approval, the proposed transaction is expected to close in the second quarter of 2014.

As at March 31, 2014, the net assets of Canada Bread have been classified as held for sale as disclosed in Note 7 and as discontinued operations on the Consolidated Statements of Earnings (Loss), and are presented as part of Bakery Products Group for segmented reporting.

Olivieri Fresh Pasta and Sauce Business

On November 25, 2013, the Company sold substantially all the net assets of its Olivieri fresh pasta and sauce business ("Olivieri"), a component of the Bakery Products Group, to Catelli Foods Corporation. The purchase price was finalized during March 2014. The final net proceeds were $115.8 million, including a pre-tax adjustment in 2014 of $0.5 million. The adjustment to the gain on disposal and its related tax impact is recognized as part of the results of discontinued operations for the three months ended March 31, 2014.

Rothsay By-product Recycling Business

On October 28, 2013 the Company sold substantially all of the net assets of its Rothsay animal by-product recycling operations ("Rothsay"), a component of the Agribusiness group, to Darling International Inc. for net proceeds of $628.5 million, resulting in pre-tax gain of $526.5 million recognized for the year ended December 31, 2013.

The below represents the detailed results of discontinued operations:

	2014			2013			
Three months ended March 31,	**Canada Bread**	**Olivieri**	**Total**[i]	Canada Bread	Olivieri	Rothsay	Total
Sales	**$ 342,837**	**$ –**	**$ 342,837**	$ 346,867	$ 22,046	$ 58,135	$ 427,048
Cost of goods sold	**266,572**	**–**	**266,572**	282,995	18,010	38,195	339,200
Gross margin	**$ 76,265**	**$ –**	**76,265**	$ 63,872	$ 4,036	$19,940	87,848
Selling, general, and administrative expenses	**49,393**	**–**	**49,393**	47,553	3,254	1,634	52,441
Operating Earnings before the following:	**$ 26,872**	**$ –**	**$ 26,872**	$ 16,319	$ 782	$18,306	$ 35,407
Restructuring and other related costs	**(1,877)**	**–**	**(1,877)**	(10,411)	–	–	(10,411)
Transaction costs associated with the disposal of business	**(30,976)**	**–**	**(30,976)**	–	–	–	–
Adjustment of prior gain on disposal of discontinued operations	**–**	**(468)**	**(468)**	–	–	–	–
Other income (expense)	**1,845**	**–**	**1,845**	(2,513)	–	27	(2,486)
Earnings (loss) before interest and income taxes from discontinued operations	**$ (4,136)**	**$(468)**	**(4,604)**	$ 3,395	$ 782	$ 18,333	$ 22,510
Interest expense and other financing costs	**174**	**–**	**174**	397	–	–	397
Earnings (loss) before income taxes from discontinued operations	**$ (4,310)**	**$(468)**	**$ (4,778)**	$ 2,998	$ 782	$ 18,333	$ 22,113
Income taxes	**2,450**	**160**	**2,610**	1,298	201	4,712	6,211
Net earnings (loss) from discontinued operations	**$ (6,760)**	**$(628)**	**$ (7,388)**	$ 1,700	$ 581	$ 13,621	$ 15,902
Attributed to:							
Common shareholders	**$ (7,718)**	**$ (591)**	**$ (8,309)**	$ 1,471	$ 582	$ 13,621	$ 15,674
Non-controlling interest	**958**	**(37)**	**921**	229	(1)	–	228
	$ (6,760)	**$(628)**	**$ (7,388)**	$ 1,700	$ 581	$ 13,621	$ 15,902
Earnings per share from discontinued operations attributable to common shareholders *(Note 21)*							
Basic and diluted earnings per share from discontinued operations			**$ (0.06)**				$ 0.11
Weighted average number of shares (millions)			**140.2**				139.9

[i] *The Rothsay and Olivieri operations were ceased upon the closing of their respective sale transactions during 2013.*

In order to accurately represent the continuing and discontinuing operations sales and cost of goods sold, certain intercompany eliminations have been reversed in the amounts presented above and in the statement of earnings (loss) for all periods presented.

The net cash flows provided by (used in) the discontinued operations for the three months ended March 31 are as follows:

	2014			2013			
Three months ended March 31,	**Canada Bread**	**Olivieri**	**Total**[(i)]	Canada Bread	Olivieri	Rothsay	Total
Operating	**$ 42,525**	**$ (160)**	**$ 42,365**	$ 17,283	$ (270)	$ 9,419	$ 26,432
Financing	**(216,391)**	**–**	**(216,391)**	(11,437)	379	–	$ (11,058)
Investing	**(2,064)**	**(468)**	**(2,532)**	(2,750)	(1,182)	(1,347)	$ (5,279)
Net cash flows	**$ (175,930)**	**$ (628)**	**$ (176,558)**	$ 3,096	$ (1,073)	$ 8,072	$ 10,095

(i) *The Rothsay operation was ceased upon the closing of the transaction during 2013. As such, no results to report for 2014.*

21. LOSS PER SHARE

Basic earnings (loss) per share amounts are calculated by dividing the net earnings (loss) attributable to common shareholders of the Company by the weighted average number of shares outstanding during the quarter.

Diluted earnings (loss) per share amounts are calculated by dividing the net earnings (loss) attributable to common shareholders of the Company by the weighted average number of shares outstanding during the quarter, adjusted for the effects of potentially dilutive stock options.

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

	2014			2013[(iii)]		
	Attributable to Common Shareholders					
Three months ended March 31,	**Net earnings (loss)**	**Weighted average number of shares**[(ii)]	**EPS**	Net earnings	Weighted average number of shares[(ii)]	EPS
Basic						
Continuing operations	**$ (124,602)**	**140.2**	**$ (0.89)**	$ (30,612)	139.9	$ (0.22)
Discontinued operations	**(8,309)**	**140.2**	**(0.06)**	15,674	139.9	0.11
	$ (132,911)	**140.2**	**$ (0.95)**	$ (14,938)	139.9	$ (0.11)
Stock options[(i)]					–	
Diluted						
Continuing operations	**$ (124,602)**	**140.2**	**$ (0.89)**	$ (30,612)	139.9	$ (0.22)
Discontinued operations	**(8,309)**	**140.2**	**(0.06)**	15,674	139.9	0.11
	$ (132,911)	**140.2**	**$ (0.95)**	$ (14,938)	139.9	$ (0.11)

(i) *Excludes the effect of approximately 6.6 million options and restricted share units (2013: 9.7 million) to purchase common shares that are anti-dilutive.*

(ii) *In millions.*

(iii) *Restated, see Note 20.*

22. SHARE-BASED PAYMENT

Under the Maple Leaf Foods Share Incentive Plan in effect as at March 31, 2014, the Company may grant options to its employees and employees of its subsidiaries to purchase shares of common stock and may grant Restricted Share Units ("RSUs") and Performance Share Units ("PSUs") entitling employees to receive common shares or cash at the Company's option. Options, RSUs, and PSUs are granted from time to time by the Board of Directors on the recommendation of the Human Resources Compensation Committee. The vesting conditions are specified by the Board of Directors and may include the continued service of the employee with the Company and/or other criteria based on measures of the Company's performance.

Under the Company's Share Purchase and Deferred Share Unit Plan ("DSU Plan"), eligible Directors may elect to receive their retainer and fees in the form of Deferred Share Units ("DSUs") or as common shares of the Company.

During the three months ended March 31, 2014, as a result the proposed sale of Canada Bread, the Company modified the terms of the plan to allow for all currently outstanding RSUs and PSUs, to be cash settled. The Company also made changes to the performance criteria and vesting period of all RSUs, PSUs, and stock options outstanding. This resulted in an additional expense of $6.7 million on vesting date and $1.9 million on market value adjustment to current share price. This additional expense was reflected in selling, general, and administrative expenses. Additionally, $23.4 million was re-classified from equity to liabilities.

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:

	2014		2013	
	Options outstanding	**Weighted average exercise price**	Options outstanding	Weighted average exercise price
Outstanding, March 31	**4,679,800**	**$ 11.60**	2,601,000	$ 11.36
Granted			2,345,500	11.85
Exercised	**(82,800)**	**11.48**	(15,700)	11.36
Forfeited	**–**	**–**	–	–
Expired	**–**	**–**	–	–
Outstanding, March 31	**4,597,000**	**$ 11.60**	4,930,800	$ 11.59
Options currently exercisable	**2,368,900**	**$ 11.52**	854,000	$ 11.37

All outstanding share options vest and become exercisable over a period not exceeding five years (time vesting) from the date of grant and/or upon the achievement of specified performance targets (based on return on net assets, earnings, share price or total stock return relative to an index). The options have a term of seven years.

At grant date, each option series is measured for fair value based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility. The inputs used in this model for the options granted during the period ended March 31, 2013 are shown in the table below. No options were granted during the quarter ended March 31, 2014.

	2013
Share price at grant date	$ 11.82
Exercise price	$ 11.85
Expected volatility[(i)]	26.53%
Option life[(ii)]	4.5 years
Expected dividends	1.35%
Risk-free interest rate[(iii)]	1.42%

(i) *Weighted average volatility.*

(ii) *Expected weighted average life.*

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

The fair value of options granted during the three months ended March 31, 2013, was $5.1 million and is amortized to income on a graded basis over the vesting periods of the related options. Amortization charges relating to current and prior year options were $1.0 million (2013: $1.2 million).

Restricted Share Units

A summary of the status of the Company's RSU plans (including PSUs) as at March 31, 2014 and 2013 and changes during these periods is presented below:

	2014		2013	
	RSUs outstanding	**Weighted average fair value at grant**	RSUs outstanding	Weighted average fair value at grant
Outstanding, March 31	**2,746,000**	**$ 11.17**	3,587,172	$ 11.23
Granted	**–**	**–**	1,303,500	11.32
Exercised	**–**	**–**	–	–
Forfeited	**(23,800)**	**11.17**	–	–
Expired	**–**	**–**	(83,250)	10.18
Outstanding, March 31	**2,722,200**	**$ 11.17**	4,807,422	$ 11.27

The fair value of RSUs and PSUs granted during the three months ended March 31, 2014, was $nil (2013: $13.3 million). Expenses during the quarter, relating to current and prior year RSUs and PSUs, including the modification impacts and a mark-to-market adjustment on the related liability outlined above, were $9.4 million (2013: $4.4 million).

The key assumptions used in the valuation of fair value of RSUs granted during 2013 include the following*:

	2013
Expected RSU life (in years)	3.31
Forfeiture rate	8.6%
Risk-free discount rate	1.2%

* *Weighted average based on number of units granted.*

Director Share Units

The fair value of director share units expensed during the period was $0.3 million.

23. RELATED PARTY TRANSACTIONS

The Company has a 90.0% controlling interest in Canada Bread, a publicly traded subsidiary that is consolidated into the Company's results and presented as a discontinued operation. Transactions between the Company and its consolidated entities have been eliminated in these consolidated financial statements. Subsequent to the sale of this controlling interest, as discussed in Note 20, the Company will no longer be consolidating the results and the related balance sheet of Canada Bread.

The Company sponsors a number of defined benefit and defined contribution plans. During the three months ended March 31, 2014, the Company received $0.2 million (2013: $0.2 million) from the defined benefit pension plans for the reimbursement of expenses incurred by the Company to provide services to these plans. In the three months ended March 31, 2014, the Company's contributions to these plans were $10.1 million (2013: $9.3 million), which includes $2.2 million (2013: $2.4 million) made by Canada Bread, which has been presented as discontinued operations.

24. GOVERNMENT INCENTIVES

During the three months ended, March 31, 2014, the Company recorded government incentives totalling $0.2 million.

During the three months ended March 31, 2013, the Company recorded government incentives totalling $3.9 million. Of this amount, the Company recorded $2.0 million in incentives from the Canadian government to support the development of renewable energies related to the Rothsay by-product recycling business, which has been presented in discontinued operations. Additionally, the Company received $1.6 million related to incentives from the Government of Manitoba supporting an employment and training program. The Company also recorded other incentives totalling $0.3 million.

Also during the three months ended March 31, 2013, the Company recorded a $2.0 million interest free loan from the Canadian government for the purchase of equipment for the bakery in Hamilton, Ontario, related to the Canada Bread operation. The loan is repayable over a period of eight years beginning in 2013 and is classified as liabilities associated with assets held for sale as at March 31, 2014.

25. SEGMENTED FINANCIAL INFORMATION

Reportable Segmented Information

The Company has three reportable segments, as described below, which are groupings of the Company's CGUs. These segments offer different products, have separate management structures and have their own marketing strategies and brands. The Company's Management regularly reviews internal reports for these segments. The following describes the operations of each segment:

(a) The Meat Products Group is comprised of value-added processed packaged meat, chilled meal entrees and lunch kits, and primary pork and poultry processing.

(b) The Agribusiness Group is comprised of the Company's hog production. In prior year, the Agribusiness Group also comprised of the animal by-product recycling operations which were sold during the fourth quarter of 2013. The Company has presented the animal by-product recycling operations as a discontinued operation for the comparative periods. Refer to Note 20 for further details.

(c) The Bakery Products Group is comprised of the Company's 90.0% (2013: 90.0%) ownership in Canada Bread Company, Limited; a producer of fresh and frozen par-baked bakery products including breads, rolls, bagels, and artisan goods. In prior year, the Bakery Products Group also included the fresh pasta and sauces business, which was sold during the fourth quarter of 2013. Additionally, during the first quarter of 2014, the Company reached an agreement to sell its 90.0% ownership interest in Canada Bread. As a result, the Bakery Products Group has been classified as held for sale and as discontinued operations as at and for the three months ended March 31, 2014. Refer to Note 7 and Note 20 for further details on the disposal activity of the Bakery Products Group. The Bakery segment information for comparative periods has also been re-stated to show allocations of corporate costs outside of Canada Bread as non-allocated costs.

(d) Non-allocated costs are comprised of expenses not separately identifiable to business segment groups and are not part of the measures used by the Company when assessing the segment's operating results. These costs include general expenses related to the bakery business, changes in fair value of biological assets, and unrealized gains or losses on commodity contracts. As a result of the Company's decision to sell its 90% interest in Canada Bread, prior year segments have been restated to show costs associated with the Bakery group that are not charged to Canada Bread as non-allocated costs.

Non-allocated assets are comprised of corporate assets not separately identifiable to business segment groups. These include, but are not limited to, corporate property and equipment, software, investment properties, and tax balances.

	Three months ended March 31,	
	2014	2013
		(Restated) *(Note 20)*
Sales		
Meat Products Group	**$ 705,399**	$ 678,066
Agribusiness Group[(i)]	**5,948**	69,422
Bakery Products Group[(i)]	**342,837**	368,913
Total sales	**$ 1,054,184**	$ 1,116,401
Sales from discontinued operations *(Note 20)*	**(342,837)**	(427,048)
Sales from continuing operations	**$ 711,347**	$ 689,353
Earnings before restructuring and other related costs and other income		
Meat Products Group	**$ (27,447)**	$ (10,452)
Agribusiness Group[(i)]	**(346)**	5,380
Bakery Products Group[(i)]	**26,872**	17,101
Non-allocated costs	**(6,932)**	(14,793)
Total earnings before restructuring and other related costs and other income	**$ (7,853)**	$ (2,764)
Earnings before restructuring and other related costs and other income from discontinued operations *(Note 20)*	**(26,872)**	(35,407)
Earnings before restructuring and other related costs and other income from continuing operations	**$ (34,725)**	$ (38,171)
Capital expenditures		
Meat Products Group	**$ 67,814**	$ 66,144
Agribusiness Group[(i)]	**823**	2,444
Bakery Products Group[(i)]	**10,200**	7,467
	$ 78,837	$ 76,055
Depreciation and amortization		
Meat Products Group	**$ 19,981**	$ 15,568
Agribusiness Group[(i)]	**1,520**	4,156
Bakery Products Group[(i)]	**5,142**	14,128
	$ 26,643	$ 33,852

[(i)] *The prior year results of the animal by-product recycling operations, Fresh pasta and Sauces businesses and Canada Bread were included in the comparative results of the Agribusiness Group and Bakery Products respectively.*

	As at March 31, 2014	As at March 31, 2013[(i)]	As at December 31, 2013
Total assets			
Meat Products Group	**$ 1,953,203**	$ 1,695,950	$ 1,823,866
Agribusiness Group[(i)]	**237,537**	274,205	195,537
Bakery Products Group[(i)]	**1,000,112**	992,721	1,169,669
Non-allocated assets	**761,973**	338,200	410,020
	$ 3,952,825	$ 3,301,076	$ 3,599,092
Goodwill			
Meat Products Group	**$ 428,236**	$ 442,925	$ 428,236
Agribusiness Group[(i)]	**–**	13,845	–
Bakery Products Group[(i)]	**–**	297,976	292,562
	$ 428,236	$ 754,746	$ 720,798

[(i)] *The prior year results as at March 31, 2013 of the Agribusiness Group and Bakery Products Group include assets and goodwill from the animal by-product recycling operations, Fresh Pasta and sauces, and Canada Bread businesses, respectively.*

Information About Geographic Areas

Property and equipment and investment property located outside of Canada was $116.7 million at March 31, 2014 (2013: $95.1 million), of which $116.4 million (2013: $nil) has been reclassified to assets held for sale. Of the total amount located outside of Canada, $58.3 million (March 31, 2013: $39.8 million) was located in the U.K. and $58.1 million (March 31, 2013: $55.0 million) was located in the U.S. Goodwill attributed to operations located outside of Canada was $63.4 million (March 31, 2013: $57.8 million) all of which is attributed to operations in the U.S. All goodwill attributed to operations located outside of Canada as of March 31, 2014, has been reclassified to assets held for sale (2013: $nil).

Revenues earned outside of Canada for the three months ended March 31, 2014, were $231.0 million (2013: $245.3 million), of which $89.6 million (2013: $101.2) has been reclassified to net earnings (loss) from discontinued operations. Of the total amount earned outside of Canada, $108.3 million (2013: $114.6 million) was earned in the U.S., $56.9 million (2013: $54.9 million) was earned in Japan, and $35.2 million (2013: $36.4 million) was earned in the U.K. Revenue by geographic area is determined based on the shipping location.

Information About Major Customers

During the three months ended March 31, 2014, the Company reported sales to two customers, representing 10.6% and 10.4% of total sales respectively. During the three months ended March 31, 2013, the Company reported sales to one customer, representing 10.8% of total sales. These revenues were reported in both the Meat Products Group and Bakery Products Group. No other sales were made to any one customer that represented in excess of 10% of total sales.

26. BUSINESS COMBINATION

On December 14, 2012, the Company acquired specific assets and liabilities held by The Puratone Corporation, Pembina Valley Pigs Ltd., and Niverville Swine Breeders Ltd., (collectively "Puratone"), privately held entities engaged in hog production. The net assets recognised in the December 31, 2012 financial statements were based on a provisional assessment of the fair value while the Company negotiated the final purchase price and finalized the valuation of the assets and liabilities acquired. The valuation was completed in March 2013 and the Company agreed on a final acquisition purchase price of $45.4 million, an increase of $0.9 million from the provisional amount of $44.5 million recorded for the year ended December 31, 2012. The Company settled the transaction in cash. The acquisition date fair value of the net identifiable assets remains consistent with the provisional value.

27. SUBSEQUENT EVENTS

On April 7, 2014, the Company terminated its cross-currency interest rate swaps maturing in December 2014 for a payment made of $29.6 million.

On April 14, 2014, the Company repaid notes payable for an amount of US$360.5 million (CAD$395.2 million) and CAD$400.0 million, including US$318.0 million (CAD$348.6 million) and CAD$354.5 million of principal, US$36.7 million (CAD$40.2 million) and CAD$37.6 million of early repayment premium, and US$5.8 million (CAD$6.4 million) and CAD$7.9 million of accrued interest.

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