



MAPLE LEAF FOODS INC.

Management's Discussion and Analysis

For the Third Quarter Ended
September 30, 2021

Management's Discussion and Analysis

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

November 3, 2021

1. FINANCIAL OVERVIEW

(\$ millions except earnings per share) (Unaudited)	Three months ended September 30,			As at or for the nine months ended September 30,		
	2021	2020	% Change	2021	2020	% Change
Sales	\$ 1,188.6	\$ 1,057.2	12.4 %	\$ 3,400.6	\$ 3,174.5	7.1 %
Net Earnings	\$ 44.5	\$ 66.0	(32.6)%	\$ 100.9	\$ 87.9	14.8 %
Basic Earnings per Share	\$ 0.36	\$ 0.54	(33.3)%	\$ 0.82	\$ 0.72	13.9 %
Adjusted Operating Earnings ⁽ⁱ⁾	\$ 68.0	\$ 36.9	84.3 %	\$ 174.7	\$ 148.7	17.5 %
Adjusted Earnings per Share ⁽ⁱ⁾	\$ 0.36	\$ 0.17	111.8 %	\$ 0.90	\$ 0.73	23.3 %
Adjusted EBITDA - Meat Protein Group ⁽ⁱ⁾	\$ 149.3	\$ 122.6	21.8 %	\$ 402.3	\$ 371.9	8.2 %
Sales - Plant Protein Group	\$ 48.0	\$ 51.4	(6.6)%	\$ 138.6	\$ 158.3	(12.4)%
Free Cash Flow ⁽ⁱ⁾	\$ (5.5)	\$ 57.8	(109.5)%	\$ (336.6)	\$ (21.8)	(1,444.0)%
Construction Capital ⁽ⁱ⁾				\$ 844.1	\$ 303.0	178.6 %
Net Debt ⁽ⁱ⁾				\$ (1,089.5)	\$ (534.9)	103.7 %

⁽ⁱ⁾ Refer to section 20. Non-IFRS Financial Measures of this document for the definition of these non-IFRS measures.

Sales for the third quarter of 2021 were \$1,188.6 million compared to \$1,057.2 million last year, an increase of 12.4%, driven by higher sales in the Meat Protein Group, partially offset by lower sales in the Plant Protein Group. For more details on sales performance by operating segment, please refer to section 3. Operating Review.

Year-to-date sales for 2021 were \$3,400.6 million compared to \$3,174.5 million last year, an increase of 7.1%, due to similar factors as noted above.

Net earnings for the third quarter of 2021 were \$44.5 million (\$0.36 per basic share) compared to \$66.0 million (\$0.54 per basic share) last year. Strong commercial performance and effective commodity hedges were more than offset by a reduction in net gains from non-cash fair value changes in biological assets and derivative contracts (2021: net loss of \$0.1 million; 2020: net gain of \$64.0 million), both of which are excluded in the calculation of Adjusted Operating Earnings.

Year-to-date net earnings for 2021 were \$100.9 million (\$0.82 per basic share) compared to \$87.9 million (\$0.72 per basic share) last year. Strong commercial performance and effective commodity hedges were more than offset by an increase in non-cash fair value changes in biological assets and derivative contracts (2021: net gain of \$5.0 million; 2020: net loss of \$10.2 million), both of which are excluded in the calculation of Adjusted Operating Earnings.

Adjusted Operating Earnings for the third quarter of 2021 were \$68.0 million compared to \$36.9 million last year, and Adjusted Earnings per Share for the third quarter of 2021 were \$0.36 compared to \$0.17 last year due to similar factors as noted above.

Year-to-date Adjusted Operating Earnings for 2021 were \$174.7 million compared to \$148.7 million last year, and Adjusted Earnings per Share for 2021 were \$0.90 compared to \$0.73 last year due to similar factors as noted above.

For further discussion on key metrics and a discussion of results by operating segment, refer to section 3. Operating Review below.

2. RESPONSE TO COVID-19

As an essential service, Maple Leaf Foods Inc. ("Maple Leaf Foods" or the "Company") is focused on protecting the health and well-being of its people, maintaining business continuity, and broadening its social outreach. To manage through this unprecedented environment, the Company has taken a number of measures in its business and operating practices that include heightened safety policies and procedures, and close communication and collaboration with public health authorities including on-site vaccination clinics. The measures enacted to protect the health and safety of employees have increased the Company's cost structure due to higher labour, personal protective equipment, sanitation and other expenses associated with the pandemic. Continuing COVID-19 structural costs have been incorporated in the Company's 2021 operating plan.

Overall, the Company believes its proactive and comprehensive efforts have, and should continue to mitigate adverse operational impacts. As the COVID-19 situation evolves, Maple Leaf Foods will continue to adapt and adopt best practices that prioritize the health and safety of its employees and the stability of the food supply. As part of Maple Leaf Foods' broader social responsibility since the

pandemic began, the Company has provided extensive support to front-line staff, emergency food relief efforts and health care providers.

COVID-19 continues to have an impact on the global economy, leading to increased inflation, labour shortages and disruptions in the global supply chain. To date, the Company's leading brands, revenue management capabilities and robust supply chain have enabled it to manage these impacts. Maple Leaf Foods continues to monitor the ongoing environment and believes it is well positioned to face these headwinds.

3. OPERATING REVIEW

Maple Leaf Foods has two reportable segments. These segments offer different products, with separate organizational structures, brands, financial, and marketing strategies. The Company's chief operating decision makers regularly review internal reports for these businesses: performance of the Meat Protein Group is based on revenue growth, Adjusted Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), while the performance of the Plant Protein Group is based predominantly on revenue growth rates, gross margin optimization and controlling selling, general and administrative ("SG&A") investment levels, which generate high revenue growth rates.

The following table summarizes the Company's sales, gross profit, SG&A expenses, Adjusted Operating Earnings, Adjusted EBITDA, and Adjusted EBITDA Margin by operating segment for the three months ended September 30, 2021 and September 30, 2020.

	Three months ended September 30, 2021				Three months ended September 30, 2020			
(\$ millions) ⁽ⁱ⁾ (Unaudited)	Meat Protein Group	Plant Protein Group	Non-Allocated ⁽ⁱⁱ⁾	Total	Meat Protein Group	Plant Protein Group	Non-Allocated ⁽ⁱⁱ⁾	Total
Sales	\$ 1,150.3	48.0	(9.7)	\$ 1,188.6	\$ 1,014.4	51.4	(8.6)	\$ 1,057.2
Gross profit	\$ 191.5	(3.3)	(0.1)	\$ 188.2	\$ 160.6	3.4	64.1	\$ 228.1
Selling, general and administrative expenses	\$ 85.9	34.4	—	\$ 120.3	\$ 80.7	46.5	—	\$ 127.2
Adjusted Operating Earnings⁽ⁱⁱⁱ⁾	\$ 105.6	(37.7)	—	\$ 68.0	\$ 80.0	(43.1)	—	\$ 36.9
Adjusted EBITDA⁽ⁱⁱⁱ⁾	\$ 149.3	(33.9)	—	\$ 115.4	\$ 122.6	(39.6)	(0.5)	\$ 82.6
Adjusted EBITDA Margin⁽ⁱⁱⁱ⁾	13.0 %	(70.8)%	n/a	9.7 %	12.1 %	(77.0)%	n/a	7.8 %

⁽ⁱ⁾ Totals may not add due to rounding.

⁽ⁱⁱ⁾ Non-allocated includes eliminations of inter-segment sales and associated cost of goods sold, changes in the fair value of biological assets and derivatives, and non-allocated costs which are comprised of expenses not separately identifiable to reportable segments and are not part of the measures used by the Company when assessing a segment's operating results.

⁽ⁱⁱⁱ⁾ Refer to section 20. Non-IFRS Financial Measures of this document for the definition of these non-IFRS measures.

The following table summarizes the Company's sales, gross profit, SG&A expenses, Adjusted Operating Earnings, Adjusted EBITDA, and Adjusted EBITDA Margin by operating segment for the nine months ended September 30, 2021 and September 30, 2020.

	Nine months ended September 30, 2021				Nine months ended September 30, 2020			
(\$ millions) ⁽ⁱ⁾ (Unaudited)	Meat Protein Group	Plant Protein Group	Non-Allocated ⁽ⁱⁱ⁾	Total	Meat Protein Group	Plant Protein Group	Non-Allocated ⁽ⁱⁱ⁾	Total
Sales	\$ 3,281.5	138.6	(19.6)	\$ 3,400.6	\$ 3,036.2	158.3	(20.0)	\$ 3,174.5
Gross profit	\$ 524.6	(2.9)	(5.0)	\$ 516.8	\$ 494.5	18.0	10.2	\$ 522.8
Selling, general and administrative expenses	\$ 254.1	93.0	—	\$ 347.1	\$ 252.4	111.5	—	\$ 363.9
Adjusted Operating Earnings⁽ⁱⁱⁱ⁾	\$ 270.5	(95.8)	—	\$ 174.7	\$ 242.1	(93.5)	—	\$ 148.7
Adjusted EBITDA⁽ⁱⁱⁱ⁾	\$ 402.3	(84.8)	—	\$ 317.5	\$ 371.9	(82.7)	(0.5)	\$ 288.8
Adjusted EBITDA Margin⁽ⁱⁱⁱ⁾	12.3%	(61.2)%	n/a	9.3%	12.2%	(52.2)%	n/a	9.1%

⁽ⁱ⁾ Totals may not add due to rounding.

⁽ⁱⁱ⁾ Non-allocated includes eliminations of inter-segment sales and associated cost of goods sold, changes in the fair value of biological assets and derivatives, and non-allocated costs which are comprised of expenses not separately identifiable to reportable segments and are not part of the measures used by the Company when assessing a segment's operating results.

⁽ⁱⁱⁱ⁾ Refer to section 20. Non-IFRS Financial Measures of this document for the definition of these non-IFRS measures.

Meat Protein Group

The Meat Protein Group is comprised of prepared meats, ready-to-cook and ready-to-serve meals, value-added fresh pork and poultry products that are sold to retail, foodservice and industrial channels, and agricultural operations in pork and poultry. The Meat Protein Group includes leading brands such as Maple Leaf®, Maple Leaf Prime®, Schneiders®, Mina®, Greenfield Natural Meat Co.® and many leading regional brands.

Sales for the third quarter of 2021 increased 13.4% to \$1,150.3 million compared to \$1,014.4 million last year. Growth in sales is driven by pricing action implemented in the third quarter of 2021 to mitigate meat inflation, growth in fresh volumes from an increase in hogs and birds processed, and a favourable mix-shift towards sustainable meats and branded products. These factors more than offset an unfavourable impact from lower prepared meats volumes, foreign exchange, and lower sales to China.

Year-to-date sales for 2021 increased 8.1% to \$3,281.5 million compared to \$3,036.2 million last year. Sales growth was driven by pricing actions taken in the fourth quarter of 2020 and the third quarter of 2021 to mitigate inflation and structural cost increases, favourable mix-shift towards sustainable meats and branded products, and growth in fresh volumes from an increase in hogs and birds processed. These factors more than offset an unfavourable impact from foreign exchange, lower prepared meats volumes, and lower sales to China.

Gross profit for the third quarter of 2021 was \$191.5 million (gross margin of 16.6%) compared to \$160.6 million (gross margin of 15.8%) last year. Gross profit benefited from strong commercial performance and effective commodity hedges including a favourable product and channel mix attributed to expansion of sustainable meats and other branded products, more than offsetting cost pressure in the supply chain primarily due to labour challenges and \$2.0 million in start-up costs associated with Construction Capital projects. The third quarter of 2020 was also impacted by heightened operating costs in response to COVID-19 to safeguard the Company's employees.

Year-to-date gross profit for 2021 was \$524.6 million (gross margin of 16.0%) compared to \$494.5 million (gross margin of 16.3%) last year. This increase is attributable to strong performance in branded products and value added sustainable meats, and effective hedges more than offsetting lower profits in China, higher structural costs and \$4.1 million in start-up costs associated with Construction Capital projects. Gross profit in the first three quarters of 2020 was also impacted by significant operational and one-off costs in response to COVID-19.

SG&A expenses for the third quarter of 2021 were \$85.9 million compared to \$80.7 million last year. The increase in SG&A expenses was driven by the timing of advertising and promotional expenses and a gradual normalization of discretionary spending as COVID-19 restrictions relaxed.

Year-to-date SG&A expenses for 2021 were \$254.1 million compared to \$252.4 million last year. The increase in SG&A was driven by timing of advertising and promotional spend, partially offset by the lapping of donations made in March 2020 to support front-line health care workers at the outset of the COVID-19 pandemic.

Adjusted Operating Earnings for the third quarter of 2021 were \$105.6 million compared to \$80.0 million last year, consistent with factors noted above.

Year-to-date Adjusted Operating Earnings for 2021 were \$270.5 million compared to \$242.1 million last year, consistent with factors noted above.

Adjusted EBITDA for the third quarter of 2021 were \$149.3 million compared to \$122.6 million last year, driven by factors consistent with those noted above. Adjusted EBITDA Margin for the third quarter was 13.0% compared to 12.1% last year, also driven by factors consistent with those noted above.

Year-to-date Adjusted EBITDA for 2021 were \$402.3 million compared to \$371.9 million last year, driven by factors consistent with those noted above. Year-to-date Adjusted EBITDA Margin for 2021 was 12.3% compared to 12.2% last year, also driven by factors consistent with those noted above.

Plant Protein Group

The Plant Protein Group is comprised of refrigerated plant protein products, premium grain-based protein, and vegan cheese products sold to retail, foodservice and industrial channels. The Plant Protein Group includes the leading brands Lightlife® and Field Roast™.

Sales for the third quarter of 2021 decreased 6.6% to \$48.0 million compared to \$51.4 million last year. Excluding the impact of foreign exchange, sales decreased 1.2%, driven by lower volumes in fresh and core retail products. This more than offset growth in foodservice volumes and pricing action implemented at the end of the third quarter of 2020 to mitigate inflation and structural cost increases.

Year-to-date sales for 2021 decreased 12.4% to \$138.6 million compared to \$158.3 million last year. Excluding the impact of foreign exchange, sales decreased 5.0%, driven by lower volumes in retail products. This more than offset growth in foodservice volumes and pricing action implemented at the end of the third quarter of 2020 to mitigate inflation and structural cost increases.

Gross profit for the third quarter of 2021 was a loss of \$3.3 million (gross margin loss of 6.8%) compared to income of \$3.4 million (gross margin of 6.6%) last year. The decrease in gross profit was attributed to lower sales volumes and strategic investments in capacity to build for anticipated demand which has resulted in increased overhead and transitory costs, as well as inflationary pressure on labour and other input costs. The third quarter of 2020 was also impacted by heightened operating costs in response to COVID-19 to safeguard the Company's employees.

Year-to-date gross profit for 2021 was a loss of \$2.9 million (gross margin loss of 2.1%) compared to income of \$18.0 million (gross margin of 11.4%) last year. The decrease in gross profit was primarily attributed to lower sales volumes and strategic investments in capacity to build for anticipated demand which has resulted in increased overhead and transitory costs, as well as inflationary pressure on labour and other input costs. Gross profit in the first three quarters of 2020 was also impacted by significant operational and one-off costs in response to COVID-19.

SG&A expenses for the third quarter of 2021 were \$34.4 million (71.7% of sales) compared to \$46.5 million (90.5% of sales) last year. The decrease in SG&A expenses was primarily driven by the timing of advertising and promotional expenses.

Year-to-date SG&A expenses for 2021 were \$93.0 million (67.0% of sales) compared to \$111.5 million (70.4% of sales) last year. The decrease in SG&A was driven by the timing of advertising and promotional expenses.

Adjusted Operating Earnings for the third quarter of 2021 were a loss of \$37.7 million compared to a loss of \$43.1 million last year. The increase in Adjusted Operating Earnings is consistent with the factors noted above.

Year-to-date Adjusted Operating Earnings for 2021 were a loss of \$95.8 million compared to a loss of \$93.5 million last year. The decrease in Adjusted Operating Earnings is consistent with the factors noted above.

4. RESTRUCTURING AND OTHER RELATED COSTS

During the three months ended September 30, 2021, the Company recorded restructuring and other related costs of \$0.8 million (2020: \$1.7 million). This amount related to accelerated depreciation as a result of the previously announced future closures of the Brampton, Toronto and St. Mary's poultry plants. During the three months ended September 30, 2020, the amount consisted of accelerated depreciation of \$1.0 million, and severance and other employee costs of \$0.6 million as a result of the same announced closures. The remaining amount of \$0.1 million in 2020 was related to employee related costs for other organizational restructuring initiatives.

During the nine months ended September 30, 2021, the Company recorded restructuring and other related costs of \$3.7 million (2020: \$3.1 million). Of this amount, \$2.6 million (2020: \$3.3 million) related to accelerated depreciation and \$0.7 million (2020: reversals of \$0.3 million) related to severance and other employee costs as a result of the previously announced future closures of the Brampton, Toronto and St. Mary's poultry plants. The remaining \$0.4 million (2020: \$0.1 million) related to employee related costs for other organizational restructuring initiatives.

5. INCOME TAXES

The Company's income tax expense for the third quarter resulted in an effective tax rate of 28.6% (2020: 27.0%). The higher effective rate of tax expense in the third quarter of 2021 primarily resulted from the geographic mix of earnings and the non-taxable portion of a gain realized in 2020. The effective tax rate in the third quarter of 2021 used in determining Adjusted Earnings per Share is 28.2% (2020: 29.5%). For the third quarter of 2021, the effective tax recovery rate on restructuring charges used in the computation of Adjusted Earnings per Share is 25.6% (2020: 25.6%).

The Company's income tax expense for the nine months ended September 30, 2021 resulted in an effective tax rate of 29.1% (2020: 29.4%). The effective tax rate for the nine months ended September 30, 2021 used in determining Adjusted Earnings per Share is 28.2% (2020: 28.2%). For the nine months ended September 30, 2021, the effective tax recovery rate on restructuring charges used in the computation of Adjusted Earnings per Share is 25.6% (2020: 25.6%).

6. ACQUISITIONS AND DIVESTITURES

On June 25, 2021, the Company completed the acquisition of a poultry processing facility and associated supply from Certm Inc. (formerly Cericola Farms Inc.), a privately held Canadian company for total consideration of \$60.2 million (cash due at closing: \$40.0 million; 2018 deposit \$20.2 million) prior to any working capital adjustments. This acquisition concludes the purchase and sale agreement dated June 27, 2018 pursuant to which the Company previously acquired two poultry plants and associated supply, with a put/call option to purchase a third processing facility. The Company has financed the transaction using a combination of cash on hand and drawings on existing credit facilities. The acquisition has been accounted for as a business combination.

No goodwill is expected to be recorded on the transaction.

The Company has not yet finalized the amounts recorded for the acquisition.

During the three and nine months ended September 30, 2021, the Company recorded transaction costs pertaining to acquisitions of \$0.1 million that have been excluded from the consideration paid and have been recognized as an expense in other (income) expense.

For full details on the acquisition, refer to Note 15 of the unaudited condensed consolidated interim financial statements ("Consolidated Interim Financial Statements").

7. CAPITAL RESOURCES

The consumer foods industry in which the Company operates is generally characterized by high sales volume and high turnover of inventories and accounts receivable. In general, accounts receivable and inventories are readily convertible into cash. Investment in working capital is affected by fluctuations in the price of raw materials, seasonal and other market-related fluctuations. The Company has consistently generated a strong base level of operating cash flow, even in periods of higher commodity prices and during restructuring of its operations. These operating cash flows provide a base of underlying liquidity that the Company supplements with credit facilities and cash on hand to provide longer-term funding and to finance fluctuations in working capital levels.

The Company's cash balance as at September 30, 2021 was \$73.5 million (September 30, 2020: \$178.2 million; December 31, 2020: \$100.8 million). Cash is held in demand and short-term investment deposits with Canadian financial institutions having long-term debt ratings of A or higher.

The composition of long-term debt is shown below:

(\$ thousands) (Unaudited)	As at September 30, 2021	As at September 30, 2020	As at December 31, 2020
Revolving line of credit	\$ 470,000	\$ —	\$ 50,000
U.S. term credit	335,318	354,623	337,544
Canadian term credit	350,000	350,000	350,000
Government loans	7,697	8,461	8,404
Total long-term debt	\$ 1,163,015	\$ 713,084	\$ 745,948
Current	\$ 5,279	\$ 937	\$ 900
Non-current	1,157,736	712,147	745,048
Total long-term debt	\$ 1,163,015	\$ 713,084	\$ 745,948
Construction Capital⁽ⁱ⁾ included in total long-term debt	\$ 821,110	\$ 296,980	\$ 440,590

⁽ⁱ⁾ Refer to section 20. Non-IFRS Financial Measures of this document for the definition of this non-IFRS measure.

The Company has a syndicated credit facility (the "Credit Facility") consisting of a \$1,300.0 million unsecured committed revolving line of credit maturing April 30, 2024 and two unsecured committed term credit facilities for US\$265.0 million and \$350.0 million maturing April 30, 2024 and April 30, 2023, respectively. The Credit Facility can be drawn in Canadian or U.S. dollars and bears interest payable monthly, based on Banker's Acceptance and Prime rates for Canadian dollar loans and the London Inter-bank Offered Rate ("Libor") for U.S. dollar loans. The Credit Facility is intended to meet the Company's funding requirements for capital investments in addition to providing appropriate levels of liquidity for general corporate purposes. On December 11, 2019, the Company amended the Credit Facility to reduce interest paid upon achievement of certain sustainability targets. Subsequent to the issuance of the Company's 2020 Sustainability Report, the Company successfully achieved these sustainability targets. This reduction will take effect in the fourth quarter of 2021. There is no penalty for not achieving the targets. In addition to term credit, as at September 30, 2021 the Company had drawn letters of credit of \$8.1 million on the Credit Facility (September 30, 2020: \$6.7 million; December 31, 2020: \$6.4 million).

The Credit Facility requires the maintenance of certain covenants. As at September 30, 2021, the Company was in compliance with all of these covenants.

The Company has additional uncommitted credit facilities for issuing letters of credit up to a maximum of \$125.0 million (September 30, 2020: \$125.0 million; December 31, 2020: \$125.0 million). As at September 30, 2021, \$66.8 million in letters of credit had been issued thereon (September 30, 2020: \$78.5 million; December 31, 2020: \$67.0 million).

The Company has various government loans on specific projects, with contractual interest rates ranging from non-interest bearing to 2.9% per annum (September 30, 2020: 0.0% to 2.9%; December 31, 2020: 0.0% to 2.9%). These specific facilities are repayable over various terms and are maturing from 2022 to 2032. As at September 30, 2021, \$7.7 million (September 30, 2020: \$8.5 million; December 31, 2020: \$8.4 million) was outstanding. All of these facilities are committed.

The Company has a three-year accounts receivable securitization facility (the "Securitization Facility") maturing July 19, 2022. The maximum cash advance available to the Company under the Securitization Facility is \$120.0 million (September 30, 2020: \$120.0 million; December 31, 2020: \$120.0 million). The Securitization Facility provides cash funding with a proportion of the Company's receivables being sold, and provides the Company with competitively priced financing and further diversifies its funding sources. Under the Securitization Facility, the Company has sold certain of its trade accounts receivable, with very limited recourse, to an unconsolidated third-party trust financed by an international financial institution with a long-term AA- debt rating, for cash and short-term

notes back to the Company. The receivables are sold at a discount to face value based on prevailing money market rates. The Company retains servicing responsibilities for these receivables.

As at September 30, 2021, the Company had \$168.7 million (September 30, 2020: \$150.5 million; December 31, 2020: \$134.8 million) of trade accounts receivable serviced under the Securitization Facility. In return for the sale of its trade receivables, the Company will receive cash of \$120.0 million (September 30, 2020: \$118.4 million; December 31, 2020: \$103.2 million) and notes receivable in the amount of \$48.7 million (September 30, 2020: \$32.1 million; December 31, 2020: \$31.6 million). The notes receivable are non-interest bearing and are settled on the settlement dates of the securitized accounts receivable. Due to the timing of receipts and disbursements, the Company may, from time to time, also record a receivable or payable related to the Securitization Facility. As at September 30, 2021, the Company recorded a net receivable in the amount of \$20.8 million (September 30, 2020: \$24.1 million net payable; December 31, 2020: \$16.8 million net payable) in notes receivables (September 30, 2020 and December 31, 2020: accounts payable and accruals). The facility is accounted for as an off-balance sheet transaction in accordance with International Financial Reporting Standards ("IFRS").

The Securitization Facility is subject to certain restrictions, including the maintenance of covenants. The Company was in compliance with all of the requirements of this facility as at September 30, 2021. If the Securitization Facility were to be terminated, the Company would recognize the related amounts on the unaudited condensed consolidated interim balance sheets ("Consolidated Interim Balance Sheets") and consider alternative financing if required.

8. CAPITAL EXPENDITURES

Capital expenditures for the third quarter of 2021 were \$152.9 million compared to \$103.0 million last year and year-to-date capital expenditures for 2021 were \$504.4 million compared to \$304.2 million last year. The increase in capital expenditures was primarily attributable to the construction of the London, Ontario poultry facility, the build-out of the Indianapolis, Indiana plant protein facility and the expansion of the Bacon Centre of Excellence in Winnipeg, Manitoba.

The Company's capital expenditure estimate for the full year of 2021 remains unchanged and at the high end of the range of \$550 million to \$650 million, with approximately 75% to be comprised of Construction Capital. A significant portion of the Construction Capital is related to the London, Ontario poultry facility, the plant protein facility in Indianapolis, Indiana and the expansion of the Bacon Centre of Excellence in Winnipeg, Manitoba.

The Company recently completed an assessment on the cost and timing of completion of its London, Ontario poultry facility. The revised cost estimate is now expected to be approximately \$772 million. The increased cost is attributed to inflationary pressures on both goods and services coupled with productivity challenges attributable to COVID-19, including the impact of supply chain and on-site protocols. The expected project completion and start-up timing remain largely unchanged.

9. NORMAL COURSE ISSUER BID

On May 20, 2021 the Toronto Stock Exchange ("TSX") accepted the Company's notice of intention to commence a Normal Course Issuer Bid ("NCIB"), allowing the Company to repurchase, at its discretion, up to 7.5 million common shares in the open market or as otherwise permitted by the TSX, subject to the normal terms and limitations of such bids. Common shares purchased by the Company are cancelled. The program commenced on May 25, 2021 and will terminate on May 24, 2022, or on such earlier date as the Company completes its purchases pursuant to the notice of intention. Under this bid, during the three and nine months ended September 30, 2021, no shares were repurchased for cancellation.

On May 21, 2020 the TSX accepted the Company's notice of intention to commence an NCIB, allowing the Company to repurchase, at its discretion, up to 7.5 million common shares in the open market or as otherwise permitted by the TSX, subject to the normal terms and limitations of such bids. Common shares purchased by the Company are cancelled. The program commenced on May 25, 2020 and was terminated on May 24, 2021. Under this bid, during the nine months ended September 30, 2021, no shares were purchased for cancellation. During the three and nine months ended September 30, 2020, no shares were purchased for cancellation.

On May 17, 2019, the TSX accepted the Company's notice of intention to commence an NCIB, allowing the Company to repurchase, at its discretion, up to 7.5 million common shares in the open market or as otherwise permitted by the TSX, subject to the normal terms and limitations of such bids. Common shares purchased by the Company were cancelled. The program commenced on May 24, 2019 and was terminated on May 23, 2020. Under this bid, during the three and nine months ended September 30, 2020, no shares were purchased for cancellation.

10. CASH FLOWS

Cash and cash equivalents were \$73.5 million at the end of the third quarter of 2021, compared to \$178.2 million at the end of the third quarter of 2020, and \$100.8 million as at December 31, 2020. The decrease in cash and cash equivalents for the nine months ended September 30, 2021 was primarily due to investment in long-term assets, investment in working capital, dividend payments, income tax payments and an acquisition of business, partially offset by earnings and loans drawn on the Credit Facility.

Cash Flow from Operating Activities

Cash provided by operating activities for the third quarter of 2021 was \$136.8 million compared to \$135.2 million in 2020. The increase was mainly due to higher earnings, partially offset by lower investment in working capital and a smaller reduction in derivative margins.

Cash from operating activities for the first nine months of 2021 was \$136.5 million compared to \$236.5 million in 2020. The decrease was mainly due to larger investment in working capital and higher income tax payments, partially offset by higher earnings.

Cash Flow from Investing Activities

Cash used in investing activities for the third quarter of 2021 was \$126.4 million compared to \$40.7 million in 2020. The increase was mainly due to higher investment in long-term assets and fewer proceeds from sale of long-term assets.

For the first nine months of 2021, cash used in investing activities was \$496.6 million compared to \$235.5 million in 2020. The increase was mainly due to higher increased additions to in long-term assets, the acquisition of a business in the second quarter of 2021 and fewer proceeds from sale of long-term assets, partially offset by proceeds from a legal settlement in the third quarter of 2021.

Cash Flow from Financing Activities

Cash from financing activities for the third quarter of 2021 was an inflow of \$4.2 million compared to an outflow of \$27.6 million in 2020. The increase was primarily due to larger drawings on the Credit Facility and additional proceeds from the exercise of stock options, partially offset by higher dividend payments.

For the first nine months of 2021, cash provided by financing activities was \$332.8 million compared to \$79.9 million in 2020. The increase was primarily due to larger drawings on the Credit Facility and additional proceeds from the exercise of stock options.

11. FINANCIAL INSTRUMENTS

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

During the three months ended September 30, 2021, the Company recorded a pre-tax gain of \$0.3 million (2020: gain of \$11.2 million) on non-designated financial instruments held for trading.

During the nine months ended September 30, 2021, the Company recorded a pre-tax loss of \$9.2 million (2020: loss of \$29.1 million) on non-designated financial instruments held for trading.

During the three months ended September 30, 2021, the pre-tax amount of hedge ineffectiveness recognized in cost of goods sold was a gain of \$0.1 million (2020: gain of \$0.0 million).

During the nine months ended September 30, 2021, the pre-tax amount of hedge ineffectiveness recognized in cost of goods sold was a gain of \$0.1 million (2020: gain of \$0.1 million).

The table below sets out fair value measurements of derivative financial instruments as at September 30, 2021 using the fair value hierarchy:

(\$ thousands) (Unaudited)	Level 1	Level 2	Level 3	Total
Assets:				
Foreign exchange contracts	\$ —	2,204	—	\$ 2,204
Commodity contracts ⁽ⁱ⁾	—	1,167	—	1,167
	\$ —	3,371	—	\$ 3,371
Liabilities:				
Foreign exchange contracts	\$ —	2,039	—	\$ 2,039
Commodity contracts ⁽ⁱ⁾	2,552	—	—	2,552
Interest rate swaps	—	11,023	—	11,023
	\$ 2,552	13,062	—	\$ 15,614

⁽ⁱ⁾ Level 1 commodity contracts are net settled and recorded as a net asset or liability on the Consolidated Interim Balance Sheets.

There were no transfers between levels for the three and nine months ended September 30, 2021 and September 30, 2020.

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available and is consistent with the methodology used in the Company's 2020 annual audited Consolidated Financial Statements. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

Accumulated other comprehensive income (loss)

During the three months ended September 30, 2021, a gain of \$1.8 million, net of tax of \$0.6 million, was released to earnings from accumulated other comprehensive income (loss) and included in the net change for the year (2020: loss of \$1.2 million, net of tax of \$0.4 million).

During the nine months ended September 30, 2021, a gain of \$0.6 million, net of tax of \$0.2 million, was released to earnings from accumulated other comprehensive income (loss) and included in the net change for the year (2020: loss of \$2.3 million, net of tax of \$0.8 million).

During the three months ended September 30, 2021, the loss on the net investment hedge recorded in other comprehensive income (loss) was \$5.5 million, net of tax of \$1.1 million (2020: gain of \$4.4 million, net of tax of \$0.8 million).

During the nine months ended September 30, 2021, the gain on the net investment hedge recorded in other comprehensive income (loss) was \$1.8 million, net of tax of \$0.4 million (2020: loss of \$6.9 million, net of tax of \$1.2 million).

12. TRANSACTIONS WITH RELATED PARTIES

The Company sponsors a number of defined benefit, defined contribution and post-retirement benefit plans. During the three and nine months ended September 30, 2021, the Company contributed \$7.6 million and \$28.6 million (2020: \$7.5 million and \$22.3 million) to these plans.

The Company's largest shareholder is McCain Capital Inc. ("MCI"). The Company has been informed that Mr. Michael H. McCain, Chief Executive Officer and President of the Company, is the controlling shareholder of MCI. For the three and nine months ended September 30, 2021, the Company received services from MCI in the amount of \$0.0 million and \$0.0 million (2020: \$0.0 million and \$0.1 million), which represented the market value of the transactions with MCI. As at September 30, 2021, September 30, 2020, and December 31, 2020, a nominal amount was owed to MCI relating to these transactions.

McCain Financial Advisory Services ("MFAS"), is an entity jointly controlled by individuals including Mr. Michael H. McCain. For the three and nine months ended September 30, 2021 and 2020, the Company provided services to and received from, MFAS for a nominal amount which represented the market value of the transactions.

13. SHARE CAPITAL

As at October 28, 2021, there were 124,358,576 common shares issued and outstanding.

14. OTHER MATTERS

On November 3, 2021, the Board of Directors approved a quarterly dividend of \$0.18 per share, \$0.72 per share on an annual basis, payable December 31, 2021 to shareholders of record at the close of business December 8, 2021. Unless indicated otherwise by the Company at 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".

15. MAPLE LEAF CENTRE FOR ACTION ON FOOD SECURITY

The Maple Leaf Centre for Action on Food Security (the "Centre") is the primary expression of the Company's sustainability strategy pillar of better communities. The Centre is a registered charity working to reduce food insecurity through collaboration with other organizations and individuals, through advocating for critical policies and investing in programs required to make sustainable improvements in food security. Additional information regarding the Centre is available on its website at:

<https://www.feedopportunity.com>.

16. SUMMARY OF QUARTERLY RESULTS

The following is a summary of unaudited quarterly financial information for each quarter in the last two fiscal years:

	Third Quarter		Second Quarter		First Quarter		Fourth Quarter	
(\$ millions) ⁽ⁱ⁾	2021	2020	2021	2020	2021	2020	2020	2019
Sales								
Meat Protein Group	\$1,150.3	\$1,014.4	\$1,117.5	\$1,040.4	\$1,013.7	\$ 981.4	\$1,080.3	\$ 970.3
Plant Protein Group	48.0	51.4	48.1	60.6	42.6	46.3	52.5	49.7
Non-allocated ⁽ⁱⁱ⁾	(9.7)	(8.6)	(6.7)	(6.4)	(3.2)	(5.0)	(3.6)	(4.0)
Total Sales	\$1,188.6	\$1,057.2	\$1,158.9	\$1,094.6	\$1,053.1	\$1,022.8	\$1,129.2	\$1,016.0
Gross profit								
Meat Protein Group	\$ 191.5	\$ 160.6	\$ 167.0	\$ 176.6	\$ 166.1	\$ 157.3	\$ 185.7	\$ 150.5
Plant Protein Group	(3.3)	3.4	0.3	7.9	0.1	6.8	0.3	7.2
Non-allocated ⁽ⁱⁱ⁾	(0.1)	64.1	(31.7)	(17.2)	26.7	(36.7)	(5.7)	3.0
Total Gross profit	\$ 188.2	\$ 228.1	\$ 135.7	\$ 167.3	\$ 193.0	\$ 127.4	\$ 180.3	\$ 160.8
SG&A								
Meat Protein Group	\$ 85.9	\$ 80.7	\$ 81.2	\$ 83.7	\$ 87.1	\$ 88.0	\$ 94.2	\$ 84.0
Plant Protein Group	34.4	46.5	29.8	34.1	28.8	30.9	32.5	45.3
Total SG&A	\$ 120.3	\$ 127.2	\$ 110.9	\$ 117.8	\$ 115.9	\$ 118.9	\$ 126.8	\$ 129.3
Net Earnings (loss)	\$ 44.5	\$ 66.0	\$ 8.8	\$ 25.7	\$ 47.7	\$ (3.7)	\$ 25.4	\$ 17.5
Earnings (Loss) Per Share⁽ⁱⁱⁱ⁾								
Basic	\$ 0.36	\$ 0.54	\$ 0.07	\$ 0.21	\$ 0.39	\$ (0.03)	\$ 0.20	\$ 0.14
Diluted	\$ 0.35	\$ 0.53	\$ 0.07	\$ 0.21	\$ 0.38	\$ (0.03)	\$ 0.20	\$ 0.14
Adjusted EPS ^(iv)	\$ 0.36	\$ 0.17	\$ 0.28	\$ 0.35	\$ 0.26	\$ 0.21	\$ 0.30	\$ 0.12
Adjusted Operating Earnings^(iv)								
Meat Protein Group	\$ 105.6	\$ 80.0	\$ 85.9	\$ 92.9	\$ 79.0	\$ 69.2	\$ 91.5	\$ 66.5
Plant Protein Group	(37.7)	(43.1)	(29.5)	(26.3)	(28.7)	(24.1)	(32.3)	(38.1)
Total Adjusted Operating Earnings	\$ 68.0	\$ 36.9	\$ 56.4	\$ 66.7	\$ 50.4	\$ 45.1	\$ 59.2	\$ 28.4
Adjusted EBITDA^(iv)								
Meat Protein Group	\$ 149.3	\$ 122.6	\$ 129.7	\$ 138.2	\$ 123.3	\$ 111.1	\$ 136.5	\$ 110.2
Plant Protein Group	(33.9)	(39.6)	(25.9)	(22.6)	(25.0)	(20.5)	(28.7)	(34.9)
Non-allocated ⁽ⁱⁱ⁾	—	(0.5)	—	—	—	—	1.3	—
Total Adjusted EBITDA	\$ 115.4	\$ 82.6	\$ 103.8	\$ 115.7	\$ 98.3	\$ 90.5	\$ 109.1	\$ 75.3
Adjusted EBITDA Margin^(iv)								
Meat Protein Group	13.0 %	12.1 %	11.6 %	13.3 %	12.2 %	11.3 %	12.6 %	11.4 %
Plant Protein Group	(70.8)%	(77.0)%	(53.9)%	(37.2)%	(58.6)%	(44.3)%	(54.7)%	(70.3)%
Total Adjusted EBITDA Margin	9.7 %	7.8 %	9.0 %	10.6 %	9.3 %	8.9 %	9.7 %	7.4 %

⁽ⁱ⁾ Totals may not add due to rounding.

⁽ⁱⁱ⁾ Non-Allocated includes eliminations of inter-segment sales and associated cost of goods sold, and non-allocated costs which are comprised of income and expenses not separately identifiable to reportable segments and are not part of the measures used by the Company when assessing a segment's operating results.

⁽ⁱⁱⁱ⁾ Per share information is based on amounts attributable to common shareholders.

^(iv) Refer to section 20. Non-IFRS Financial Measures of this document.

Fluctuations in quarterly sales can be attributed to changes in pricing, volume, sales mix, acquisitions and the impact of foreign exchange translation.

Fluctuations in quarterly net earnings can be attributed to similar factors as noted above, pork and poultry industry processing margins, restructuring and other related costs, operating efficiencies, changes in the fair value of derivative and non-derivative financial instruments and biological assets, acquisitions, transitional costs incurred, provision adjustments, gains/losses on disposal of assets and changes in tax regulations.

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 which are filed on SEDAR and also available on the Company's website at www.mapleleaffoods.com.

17. SIGNIFICANT ACCOUNTING POLICIES

Accounting Standards Adopted During the Period

Beginning on January 1, 2021, the Company adopted certain IFRS standards and amendments. As required by International Accounting Standard ("IAS") 34 *Interim Financial Reporting* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, the nature and the effect of these changes are disclosed below:

Interest Rate Benchmark Reform - Phase 2

Beginning January 1, 2021, the Company adopted the amendments to IFRS 9 *Financial Instruments* ("IFRS 9"), IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"), IFRS 7 *Financial Instruments: Disclosures* ("IFRS 7"), IFRS 4 *Insurance Contracts* ("IFRS 4") and IFRS 16 *Leases* ("IFRS 16") to address issues that affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments relate to modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements in applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting. The adoption of the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 did not have a material impact on the Company's Consolidated Financial Statements.

Accounting Pronouncements Issued But Not Yet Effective

Onerous Contracts - Cost of Fulfilling a Contract

On May 14, 2020, the International Accounting Standards Board ("IASB") issued an amendment to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The amendment specifies that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to the contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling that contract. The amendment is effective on January 1, 2022 and is to be applied prospectively. The extent of the impact of the adoption of the amendment has not yet been determined.

Annual Improvements to IFRS (2018-2020) Cycle

On May 14, 2020, the IASB issued narrow-scope amendments to three standards as part of its annual improvement process. Amendments were made to clarify which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognize a financial liability in accordance with IFRS 9. The amendments also remove the requirement in IAS 41 *Agriculture* for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. Lastly, an amendment was made to IFRS 1 *First-time Adoption of International Financial Reporting Standards* for subsidiaries as a first-time adopter. These amendments are effective on January 1, 2022 and are to be applied prospectively. The extent of the impact of the adoption of these standards has not yet been determined.

Classification of Liabilities as Current or Non-current

On January 23, 2020, an amendment was issued to IAS 1 *Presentation of Financial Statements* to address inconsistencies with how entities classify current and non-current liabilities. The amendment serves to address whether debt and other liabilities with an uncertain settlement date should be classified as current or non-current in the balance sheets. This amendment is effective on January 1, 2023. The Company intends to adopt this amendment in its Consolidated Financial Statements for the annual period beginning January 1, 2023. The extent of the impact of the adoption of this amendment has not yet been determined.

Definition of Accounting Estimates (Amendments to IAS 8)

On February 12, 2021, the IASB issued *Definition of Accounting Estimates (Amendments to IAS 8)*. The amendments will require the disclosure of material accounting policy information rather than disclosing significant accounting policies and clarifies how to distinguish changes in accounting policies from changes in accounting estimates. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company intends to adopt this amendment in its Consolidated Financial Statements for the annual period beginning January 1, 2023. The extent of the impact of the adoption of this amendment has not yet been determined.

Disclosure Initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

On February 12, 2021, the IASB issued *Disclosure Initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements)*. The amendments help companies provide useful accounting policy disclosures. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company intends to adopt this amendment in its

Consolidated Financial Statements for the annual period beginning January 1, 2023. The extent of the impact of the adoption of this amendment has not yet been determined.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

On May 7, 2021 the IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*. The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 *Income Taxes* (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company intends to adopt this amendment in its Consolidated Financial Statements for the annual period beginning January 1, 2023. The extent of the impact of the adoption of this amendment has not yet been determined.

All other IFRSs and amendments issued but not yet effective have been assessed by the Company and are not expected to have a material impact on the Consolidated Financial Statements.

18. INTERNAL CONTROLS OVER FINANCIAL REPORTING

There has been no change in the Company's internal control over financial reporting during the period beginning on July 1, 2021 and ended on September 30, 2021, that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

19. OUTLOOK AND LONG-TERM TARGETS

Maple Leaf Foods is a leading consumer protein company, supported by an iconic portfolio of brands, a solid balance sheet and capital structure that provide financial flexibility. Over the last several years, the Company has developed a foundation to pursue compelling growth vectors across its business and to create value for all stakeholders.

In Plant Protein, the Company's strategy has been to invest for growth in this market. In 2019, Maple Leaf Foods articulated its ambitious goal to achieve approximately \$3 billion in sales in the Plant Protein Group by 2029, assuming a market size of approximately \$25 billion. In that environment the Company would aspire to generate approximately 30% gross margin and SG&A expense (as a % of sales) in the low double-digit range. Long-term, achieving these targets is expected to result in Adjusted EBITDA Margins that exceed those in the Meat Protein Group. This will be driven by capitalizing on the high growth plant protein market, predominantly in the refrigerated space, leveraging Maple Leaf Foods' established expertise in brand development and effective marketing, delivering on a pipeline of new product innovation to broaden and deepen its product portfolio and executing on a multi-tiered supply capacity strategy focused on capital stewardship. This includes leveraging its existing Plant Protein assets, utilizing footprint in the rest of its network, opportunistic partnerships with co-packing services, and development of new capacity, which includes the planned Indianapolis, Indiana tempeh processing facility.

Recent dynamics indicate that the plant protein category overall may be slowing down, prompting the Company to begin re-assessing its outlook for the category. The Company will be evaluating its investment thesis and strategy in the category and the long-term outlook of its Plant Protein group, based on the outcome of this analysis.

In Meat Protein, the Company's strategy is to drive profitable growth. In 2017, Maple Leaf Foods articulated its target to reach an Adjusted EBITDA margin of 14% - 16% in 2022, while driving low single-digit organic revenue growth. This will be driven by:

- Growth in sustainable meats, including further establishing the business as a leading provider of Raised Without Antibiotics ("RWA") pork and poultry into Canadian and U.S. markets.
- Continued benefits from brand renovation strategies to accelerate volume growth and product mix-shift in branded prepared meats products.
- Focus on cost control through operational efficiencies.

2021 Outlook

Throughout the COVID-19 pandemic, Maple Leaf Foods has remained focused on protecting its employees and ensuring continuity of its supply chain. As a result, the current environment does increase certain operating costs and potential for short-term processing disruptions to protect the health and safety of plant personnel. Continuing COVID-19 structural costs have been incorporated in the Company's 2021 operating plan.

Based on year-to-date performance and the Company's outlook for the balance of the year, Maple Leaf Foods expects to achieve the following in 2021:

Meat Protein Group - Driving Profitable Growth

- Mid-to-high single digit sales growth on a 52-week comparable basis, driven by continued momentum in sustainable meats, leveraging brand renovation, and growth into the U.S. market.
- Adjusted EBITDA margin expansion, progressing towards the 2022 target of 14% - 16%, driven by mix-shift benefits in prepared meats resulting from growth in sustainable meats and brand renovation, as well as operational efficiencies, while assuming pork complex conditions in-line with the 5-year average.

Plant Protein Group - Investing for Growth

- Gross margin is expected to be volatile in the near-term, as benefits from structural improvements in the supply chain may be impacted by investment opportunities to drive sales growth in a rapidly evolving market, as well as ongoing effects of COVID-19.
- SG&A expenses broadly in-line with 2020 levels, excluding any impact from fluctuations in foreign exchange, while declining as a percentage of sales as the Company leverages investments in advertising, promotion and marketing to elevate the Lightlife® and Field Roast™ brand renovations, drive innovation and build scale in the business.
- Driven largely by the lower than expected growth in the plant protein category, the Company does not expect to meet its sales growth target for the second half of 2021 and will not likely have a further view on near term sales growth targets until it has completed its reassessment of the category.

Capital

- The Company's capital expenditure estimate for the full year of 2021 remains unchanged and at the high end of the range of \$550 million to \$650 million, with approximately 75% to be comprised of Construction Capital. A significant portion of the Construction Capital is related to the London, Ontario poultry facility, the plant protein facility in Indianapolis, Indiana and the expansion of the Bacon Centre of Excellence in Winnipeg, Manitoba.

Factors that could have an impact on the business, which cannot be estimated or controlled due to the COVID-19 pandemic, include:

- Volatility in the pork and poultry commodity and foreign exchange markets.
- Inflationary cost pressures.
- Disruptions in the global supply chain.
- Availability of labour.
- The balance between retail and foodservice demand.
- Potential future production disruptions or shutdowns.
- The duration of government measures, including social distancing.

In addition to financial and operational priorities, Maple Leaf Foods believes that shared value and operating its business for the benefit of all stakeholders is crucial. The Company's guiding pillars to be the "Most Sustainable Protein Company on Earth" include Better Food, Better Care, Better Communities, Better Planet and are core to how Maple Leaf Foods conducts itself. To that end, the Company's priorities include:

- *Better Food* - leading the real food movement and transitioning key brands to 100% "raised without antibiotics".
- *Better Care* - further advancement of animal care, including progress towards transitioning all sows under management to open housing systems by 2022.
- *Better Communities* - investing approximately 1% of pre-tax profit to advance sustainable food security.
- *Better Planet* - continuing to amplify its commitment to carbon neutrality, while focusing on eliminating waste in any resources it consumes, including food, energy, water, packaging, and time.

20. NON-IFRS FINANCIAL MEASURES

The Company uses the following non-IFRS measures: Adjusted Operating Earnings, Adjusted Earnings per Share, Adjusted EBITDA, Adjusted EBITDA Margin, Construction Capital, Net Debt, Free Cash Flow and Return on Net Assets. 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 EBITDA and Adjusted EBITDA Margin

Adjusted Operating Earnings, Adjusted EBITDA and Adjusted EBITDA Margin are non-IFRS measures used by Management to evaluate financial operating results. Adjusted Operating Earnings is defined as earnings before income taxes and interest expense 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. Adjusted EBITDA is defined as Adjusted Operating Earnings plus depreciation and intangible asset amortization, adjusted for items included in other expense that are considered representative of ongoing operational activities of the business. Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by sales.

The tables below provide a reconciliation of earnings (loss) before income taxes as reported under IFRS in the Consolidated Interim Financial Statements to Adjusted Operating Earnings and Adjusted EBITDA for the three and nine months ended September 30, 2021 as indicated below. Management believes that these non-IFRS measures are 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.

(\$ millions) ⁽ⁱ⁾ (Unaudited)	Three months ended September 30, 2021				Three months ended September 30, 2020			
	Meat Protein Group	Plant Protein Group	Non-Allocated ⁽ⁱⁱ⁾	Total	Meat Protein Group	Plant Protein Group	Non-Allocated ⁽ⁱⁱ⁾	Total
Earnings (loss) before income taxes	\$ 105.3	(37.9)	(5.2)	\$ 62.3	\$ 79.8	(43.2)	53.7	\$ 90.4
Interest expense and other financing costs	—	—	5.7	5.7	—	—	7.5	7.5
Other (income) expense	(0.6)	0.2	(0.6)	(1.0)	(1.6)	0.0	2.9	1.4
Restructuring and other related costs	0.8	—	—	0.8	1.7	—	—	1.7
Earnings (loss) from operations	\$ 105.6	(37.7)	(0.1)	\$ 67.9	\$ 80.0	(43.1)	64.1	\$ 100.9
Change in fair value of biological assets	—	—	(6.6)	(6.6)	—	—	(40.2)	(40.2)
Unrealized loss (gain) on derivative contracts	—	—	6.7	6.7	—	—	(23.9)	(23.9)
Adjusted Operating Earnings	\$ 105.6	(37.7)	—	\$ 68.0	\$ 80.0	(43.1)	—	\$ 36.9
Depreciation and amortization	43.1	3.9	—	47.0	44.1	3.6	—	47.7
Items included in other income (expense) representative of ongoing operations ⁽ⁱⁱⁱ⁾	0.6	(0.2)	—	0.4	(1.5)	0.0	(0.5)	(2.0)
Adjusted EBITDA	\$ 149.3	(33.9)	—	\$ 115.4	\$ 122.6	(39.6)	(0.5)	\$ 82.6
Adjusted EBITDA Margin	13.0 %	(70.8)%	n/a	9.7 %	12.1 %	(77.0)%	n/a	7.8 %

⁽ⁱ⁾ Totals may not add due to rounding.

⁽ⁱⁱ⁾ Non-allocated includes eliminations of inter-segment sales and associated cost of goods sold, and non-allocated costs which are comprised of income and expenses not separately identifiable to reportable segments and are not part of the measures used by the Company when assessing a segment's operating results.

⁽ⁱⁱⁱ⁾ 2021 primarily includes legal settlements, gains and losses on the sale of long-term assets, and other miscellaneous expenses. 2020 primarily includes gains and losses on sale of long-term assets and gains and losses on equity investments.

	Nine months ended September 30, 2021				Nine months ended September 30, 2020			
(\$ millions) ⁽ⁱ⁾ (Unaudited)	Meat Protein Group	Plant Protein Group	Non- Allocated ⁽ⁱⁱ⁾	Total	Meat Protein Group	Plant Protein Group	Non- Allocated ⁽ⁱⁱ⁾	Total
Earnings (loss) before income taxes	\$ 268.3	(96.2)	(29.6)	\$ 142.4	\$ 240.8	(93.5)	(22.8)	\$ 124.5
Interest expense and other financing costs	—	—	16.4	16.4	—	—	23.4	23.4
Other (income) expense	(1.4)	0.4	8.3	7.2	(1.8)	0.1	9.6	7.9
Restructuring and other related costs	3.7	—	—	3.7	3.1	—	—	3.1
Earnings (loss) from operations	\$ 270.5	(95.8)	(5.0)	\$ 169.7	\$ 242.1	(93.5)	10.2	\$ 158.9
Change in fair value of biological assets	—	—	6.8	6.8	—	—	1.2	1.2
Unrealized gain on derivative contracts	—	—	(1.8)	(1.8)	—	—	(11.4)	(11.4)
Adjusted Operating Earnings	\$ 270.5	(95.8)	—	\$ 174.7	\$ 242.1	(93.5)	—	\$ 148.7
Depreciation and amortization	134.4	11.3	—	145.7	131.1	10.9	—	141.9
Items included in other income (expense) representative of ongoing operations ⁽ⁱⁱⁱ⁾	(2.6)	(0.4)	—	(2.9)	(1.3)	(0.1)	(0.5)	(1.8)
Adjusted EBITDA	\$ 402.3	(84.8)	—	\$ 317.5	\$ 371.9	(82.7)	(0.5)	\$ 288.8
Adjusted EBITDA Margin	12.3%	(61.2)%	n/a	9.3%	12.2%	(52.2)%	n/a	9.1%

⁽ⁱ⁾ Totals may not add due to rounding.

⁽ⁱⁱ⁾ Non-allocated includes eliminations of inter-segment sales and associated cost of goods sold, and non-allocated costs which are comprised of income and expenses not separately identifiable to reportable segments and are not part of the measures used by the Company when assessing a segment's operating results.

⁽ⁱⁱⁱ⁾ 2021 primarily includes legal settlements, gains and losses on the sale of long-term assets, and other miscellaneous expenses. 2020 primarily includes insurance settlements, gains and losses on sale of long-term assets and gains and losses on equity investments.

Adjusted Earnings per Share

Adjusted Earnings per Share, a non-IFRS measure, is used by Management to evaluate financial operating results. It is defined as basic earnings per share and is adjusted on the same basis as Adjusted Operating Earnings. The table below provides a reconciliation of basic earnings per share as reported under IFRS in the Consolidated Interim Financial Statements to Adjusted Earnings per Share for the three and nine months ended September 30, 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.

	Three months ended September 30,		Nine months ended September 30,	
(\$ per share) (Unaudited)	2021	2020	2021	2020
Basic earnings per share	\$ 0.36	\$ 0.54	\$ 0.82	\$ 0.72
Restructuring and other related costs ⁽ⁱ⁾	0.01	0.01	0.02	0.02
Items included in other expense not considered representative of ongoing operations ⁽ⁱⁱ⁾	—	—	0.03	0.05
Change in fair value of biological assets	(0.04)	(0.24)	0.04	0.01
Change in unrealized fair value on derivatives	0.04	(0.14)	(0.01)	(0.07)
Adjusted Earnings per Share⁽ⁱⁱⁱ⁾	\$ 0.36	\$ 0.17	\$ 0.90	\$ 0.73

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

⁽ⁱⁱ⁾ Primarily includes legal fees and provisions and transaction related costs, net of tax.

⁽ⁱⁱⁱ⁾ Totals may not add due to rounding.

Construction Capital

Construction Capital, a non-IFRS measure, is used by Management to evaluate the amount of capital resources invested in specific strategic development projects that are not yet operational. It is defined as investments and related financing charges in projects over \$50.0 million that are related to longer-term strategic initiatives, with no returns expected for at least 12 months from commencement of construction and the asset will be re-categorized from Construction Capital once operational. Current strategic initiatives primarily include investments in the London, Ontario poultry production facility, the expansion of the Bacon Centre of Excellence in Winnipeg, Manitoba, investments in plant protein capacity at the Walker Drive facility in Brampton, Ontario, and the plant protein production facilities in Indiana. The following table is a summary of Construction Capital activity and debt financing for the periods indicated below.

(\$ thousands) (Unaudited)	2021	2020
Total property, plant, and equipment and intangibles at January 1	\$ 2,062,683	\$ 1,739,195
Other capital and intangible assets at January 1 ⁽ⁱ⁾	1,622,094	1,632,365
Construction Capital at January 1	\$ 440,589	\$ 106,830
Additions ⁽ⁱⁱ⁾	152,342	57,797
Construction Capital at March 31	\$ 592,931	\$ 164,627
Additions ⁽ⁱⁱ⁾	127,822	64,357
Construction Capital at June 30	\$ 720,753	\$ 228,984
Additions ⁽ⁱⁱ⁾	123,321	74,036
Construction Capital at September 30⁽ⁱⁱⁱ⁾	\$ 844,074	\$ 303,020
Other capital and intangible assets at September 30 ⁽ⁱ⁾	1,640,047	1,625,220
Total property, plant, and equipment and Intangibles at September 30	\$ 2,484,121	\$ 1,928,240
Construction Capital debt financing^(iv)	\$ 821,110	\$ 296,980

⁽ⁱ⁾ Other capital and intangible assets consists of property and equipment and intangibles that do not meet the definition of Construction Capital.

⁽ⁱⁱ⁾ Certain comparatives figures have been restated to conform with current year presentation.

⁽ⁱⁱⁱ⁾ As at September 30, 2021, the net book value of construction capital includes \$3.2 million related to intangible assets (September 30, 2020: \$0.6 million; December 31, 2020: \$1.2 million).

^(iv) Assumed to be fully funded by debt to the extent that the Company has Net Debt outstanding. Construction Capital debt financing excludes interest paid and capitalized.

Net Debt

The following table reconciles Net Debt to amounts reported under IFRS in the Company's Consolidated Interim Financial Statements as at September 30, as indicated below. The Company calculates Net Debt as cash and cash equivalents, less long-term debt and bank indebtedness. Management believes this measure is useful in assessing the amount of financial leverage employed.

(\$ thousands) (Unaudited)	As at September 30,	
	2021	2020
Cash and cash equivalents	\$ 73,468	\$ 178,190
Current portion of long-term debt	\$ (5,279)	\$ (937)
Long-term debt	(1,157,736)	(712,147)
Total debt	\$(1,163,015)	\$ (713,084)
Net Debt	\$(1,089,547)	\$ (534,894)

Free Cash Flow

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

(\$ thousands) (Unaudited)	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Cash provided by operating activities	\$ 136,764	\$ 135,202	\$ 136,501	\$ 236,544
Additions to long-term assets	(136,346)	(75,167)	(458,586)	(253,085)
Interest paid and capitalized ⁽ⁱ⁾	(5,916)	(2,235)	(14,525)	(5,246)
Free Cash Flow	\$ (5,498)	\$ 57,800	\$ (336,610)	\$ (21,787)

⁽ⁱ⁾ Certain comparatives figures have been restated to conform with current year presentations.

Return on Net Assets

Return on Net Assets ("RONA") is calculated by dividing tax effected earnings from operations (adjusted for items which are not considered representative of the underlying operations of the business) by average monthly net assets. Net assets are defined as total assets (excluding cash and deferred tax assets) less non-interest bearing liabilities (excluding deferred tax liabilities). Management believes that RONA is an appropriate basis upon which to evaluate long-term financial performance.

21. 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, projections, beliefs, judgments and assumptions based on information available at the time the applicable forward-looking statement was made and in light of the Company's experience combined with its perception of historical trends. Such statements include, but are not limited to, statements with respect to objectives and goals, in addition to statements with respect to beliefs, plans, targets, goals, objectives, expectations, anticipations, estimates, and intentions. Forward-looking statements are typically identified by words such as "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "could", "would", "believe", "plan", "intend", "design", "target", "undertake", "view", "indicate", "maintain", "explore", "entail", "schedule", "objective", "strategy", "likely", "potential", "outlook", "aim", "propose", "goal", and similar expressions suggesting future events or future performance. These statements are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes the expectations reflected in the forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon.

Specific forward-looking information in this document may include, but is not limited to, statements with respect to:

- implications of COVID-19, including implications for supply chain, workforce availability and consumption patterns;
- future performance, including future financial objectives, goals and targets, expected capital spend and expected SG&A expenditures for the Company and each of its operating segments;
- the execution of the Company's business strategy, including the development and expected timing of business initiatives, brand expansion and repositioning, and other growth opportunities, as well as the impact thereof;
- the impact of international trade conditions on the Company's business, including access to markets, implications associated with the spread of foreign animal disease (such as African Swine Fever ("ASF")), and other social, economic and political factors that affect trade;
- competitive conditions and the Company's ability to position itself competitively in the markets in which it competes;
- capital projects, including planning, construction, estimated expenditures, schedules, approvals, expected capacity, in-service dates and anticipated benefits of construction of new facilities and expansions of existing facilities;
- the Company's dividend policy, including future levels and sustainability of cash dividends, the tax treatment thereof and future dividend payment dates;
- the impact of commodity prices on the Company's operations and financial performance, including the use and effectiveness of hedging instruments;
- expected future cash flows and the sufficiency thereof, sources of capital at attractive rates, future contractual obligations, future financing options, renewal of credit facilities, and availability of capital to fund growth plans, operating obligations and dividends;

- operating risks, including the execution, monitoring and continuous improvement of the Company's food safety programs, animal health initiatives and cost reduction initiatives;
- the implementation, cost and impact of environmental sustainability initiatives, as well as the anticipated future cost of remediating environmental liabilities;
- the adoption of new accounting standards and the impact of such adoption on the financial position of the Company;
- expectations regarding pension plan performance, including future pension plan assets, liabilities and contributions; and
- developments and implications of actual or potential legal actions.

Various factors or assumptions are typically applied by the Company in drawing conclusions or making the forecasts, projections, predictions or estimations set out in the forward-looking statements. These factors and assumptions are based on information currently available to the Company, including information obtained by the Company from third-party sources and include but are not limited to the following:

- expectations regarding the impact and future implications of COVID-19 and adaptations in operations, customer and consumer behaviour, economic patterns and international trade;
- the competitive environment, associated market conditions and market share metrics, category growth or contraction, the expected behaviour of competitors and customers and trends in consumer preferences;
- the success of the Company's business strategy, including execution of the strategy in each of the Meat Protein and Plant Protein Groups;
- prevailing commodity prices, interest rates, tax rates and exchange rates;
- the economic condition of and the socio-political dynamics between Canada, the U.S., Japan and China, and the ability of the Company to access markets in these countries;
- the spread of foreign animal disease (including ASF), preparedness strategies to manage such spread, and implications for all protein markets;
- the availability of capital to fund future capital requirements associated with existing operations, assets and projects;
- expectations regarding participation in and funding of the Company's pension plans;
- the availability of insurance coverage to manage certain liability exposures;
- the extent of future liabilities and recoveries related to legal claims;
- prevailing regulatory, tax and environmental laws; and
- future operating costs and performance, including the Company's ability to achieve operating efficiencies and maintain high sales volumes, high turnover of inventories and high turnover of accounts receivable.

Readers are cautioned that these assumptions may prove to be incorrect in whole or in part. The Company's actual results may differ materially from those anticipated in any forward-looking statements.

Factors that could cause actual results or outcomes to differ materially from the results expressed, implied, or projected in the forward-looking statements contained in this document include, among other things, risks associated with the following:

- implications of COVID-19 on the operations and financial performance of the Company, as well the implications for macro socio-economic trends;
- competition, market conditions and the activities of competitors and customers, including the expansion or contraction of key categories (including plant protein);
- the health status of livestock, including the impact of potential pandemics;
- international trade and access to markets, as well as social, political and economic dynamics affecting same;
- availability of and access to capital;
- decision respecting the return of capital to shareholders;
- the execution of capital projects, including cost, schedule and regulatory variables;
- food safety, consumer liability and product recalls;
- cyber security and the maintenance and operation of the Company's information systems and processes;
- acquisitions and divestitures;
- climate change;
- fluctuations in the debt and equity markets;

- fluctuations in interest rates and currency exchange rates;
- pension assets and liabilities;
- cyclical nature of the cost and supply of hogs and the competitive nature of the pork market generally;
- the effectiveness of commodity and interest rate hedging strategies;
- impact of changes in the market value of the biological assets and hedging instruments;
- the supply management system for poultry in Canada;
- availability of plant protein ingredients;
- intellectual property, including product innovation, product development, brand strategy and trademark protection;
- consolidation of operations and focus on protein;
- the use of contract manufacturers;
- reputation;
- weather;
- compliance with government regulation and adapting to changes in laws;
- actual and threatened legal claims;
- consumer trends and changes in consumer tastes and buying patterns;
- environmental regulation and potential environmental liabilities;
- consolidation in the retail environment;
- employment matters, including complying with employment laws across multiple jurisdictions, the potential for work stoppages due to non-renewal of collective agreements, recruiting and retaining qualified personnel, reliance on key personnel and succession planning;
- pricing of products;
- managing the Company's supply chain;
- changes in International Financial Reporting Standards and other accounting standards that the Company is required to adhere to for regulatory purposes; and
- other factors as set out under the heading "Risk Factors" in the Company's Management Discussion and Analysis for the year ended December 31, 2020.

The Company cautions readers that the foregoing list of factors is not exhaustive.

Readers are further cautioned that some of the forward-looking information, such as statements concerning future capital expenditures, Adjusted EBITDA Margin growth in the Meat Protein Group, expected sales and growth margin targets in the Plant Protein Group and SG&A spend, may be considered to be financial outlooks for purposes of applicable securities legislation. These financial outlooks are presented to evaluate potential future earnings and anticipated future uses of cash flows and may not be appropriate for other purposes. Readers should not assume these financial outlooks will be achieved.

More information about risk factors can be found under the heading "Risk Factors" in the Company's Annual Management's Discussion and Analysis for the year ended December 31, 2020, that is available on SEDAR at www.sedar.com. The reader should review such section in detail. Additional information concerning the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.

All forward-looking statements included herein speak only as of the date hereof. Unless required by law, the Company does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. All forward-looking statements contained herein are expressly qualified by this cautionary statement.

22. ABOUT MAPLE LEAF FOODS INC.

Maple Leaf Foods is a carbon neutral company with a vision to be the most sustainable protein company on earth, responsibly producing food products under leading brands including Maple Leaf®, Maple Leaf Prime®, Maple Leaf Natural Selections®, Schneiders®, Schneiders® Country Naturals®, Mina®, Greenfield Natural Meat Co.®, Lightlife® and Field Roast™. The Company employs approximately 13,500 people and does business primarily in Canada, the U.S. and Asia. The Company is headquartered in Mississauga, Ontario and its shares trade on the Toronto Stock Exchange (MFI).