



MAPLE LEAF FOODS INC.

Financial Statements

For the Quarter Ended

March 31, 2024

Consolidated Interim Financial Statements

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Consolidated Interim Balance Sheets

<i>(In thousands of Canadian dollars)</i> <i>(Unaudited)</i>	<i>Notes</i>	As at March 31, 2024	As at March 31, 2023	As at December 31, 2023
ASSETS				
Cash and cash equivalents		\$ 206,393	\$ 79,433	\$ 203,363
Accounts receivable	3	168,994	160,290	183,798
Notes receivable	3	32,564	35,506	33,220
Inventories	4	584,134	576,183	542,392
Biological assets	5	180,281	140,100	114,917
Income taxes recoverable		83,365	66,977	88,896
Prepaid expenses and other assets		43,620	47,004	44,865
Assets held for sale	6	—	11,204	—
Total current assets		\$ 1,299,351	\$ 1,116,697	\$ 1,211,451
Property and equipment		2,224,502	2,297,130	2,251,710
Right-of-use assets		169,145	155,140	154,610
Investments		16,029	23,656	15,749
Investment property	7	57,144	5,289	57,144
Employee benefits		32,557	16,599	26,785
Other long-term assets		22,303	9,223	22,336
Deferred tax asset		41,980	42,525	40,854
Goodwill		477,353	477,353	477,353
Intangible assets		344,938	356,297	345,129
Total long-term assets		\$ 3,385,951	\$ 3,383,212	\$ 3,391,670
Total assets		\$ 4,685,302	\$ 4,499,909	\$ 4,603,121
LIABILITIES AND EQUITY				
Accounts payable and accruals		\$ 590,696	\$ 605,777	\$ 548,444
Current portion of provisions	8	6,586	36,114	9,846
Current portion of long-term debt	9	401,538	1,130	400,735
Current portion of lease obligations		39,928	37,349	38,031
Income taxes payable		1,788	1,100	2,382
Other current liabilities		25,518	42,533	32,974
Total current liabilities		\$ 1,066,054	\$ 724,003	\$ 1,032,412
Long-term debt	9	1,527,665	1,755,560	1,550,080
Lease obligations		154,863	140,304	142,286
Employee benefits		62,230	65,966	64,196
Provisions	8	2,037	3,631	2,041
Other long-term liabilities		1,202	2,197	1,124
Deferred tax liability		317,978	218,903	296,203
Total long-term liabilities		\$ 2,065,975	\$ 2,186,561	\$ 2,055,930
Total liabilities		\$ 3,132,029	\$ 2,910,564	\$ 3,088,342
Shareholders' equity				
Share capital	10	\$ 878,852	\$ 850,616	\$ 873,477
Retained earnings		628,549	728,477	597,429
Contributed surplus		7,750	3,047	3,227
Accumulated other comprehensive income		45,305	33,121	47,829
Treasury shares		(7,183)	(25,916)	(7,183)
Total shareholders' equity		\$ 1,553,273	\$ 1,589,345	\$ 1,514,779
Total liabilities and equity		\$ 4,685,302	\$ 4,499,909	\$ 4,603,121

See accompanying Notes to the Consolidated Interim Financial Statements.

Consolidated Interim Statements of Net Earnings (Loss)

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

	Notes	Three months ended March 31,	
		2024	2023 ⁽ⁱ⁾
Sales		\$ 1,153,225	\$ 1,171,067
Cost of goods sold		926,885	1,094,620
Gross profit		\$ 226,340	\$ 76,447
Selling, general and administrative expenses		110,033	102,713
Earnings (loss) before the following:		\$ 116,307	\$ (26,266)
Restructuring and other related (reversals) costs	8	(725)	7,749
Other expense		1,157	4,295
Earnings (loss) before interest and income taxes		\$ 115,875	\$ (38,310)
Interest expense and other financing costs	12	42,083	31,603
Earnings (loss) before income taxes		\$ 73,792	\$ (69,913)
Income tax expense (recovery)		22,241	(12,209)
Net earnings (loss)		\$ 51,551	\$ (57,704)
Earnings (loss) per share attributable to common shareholders:	13		
Basic earnings (loss) per share		\$ 0.42	\$ (0.48)
Diluted earnings (loss) per share		\$ 0.42	\$ (0.48)
Weighted average number of shares (millions):	13		
Basic		122.5	121.3
Diluted		123.6	121.3

⁽ⁱ⁾ Adjusted, see Note 17.

See accompanying Notes to the Consolidated Interim Financial Statements.

Consolidated Interim Statements of Other Comprehensive Income (Loss)

<i>(In thousands of Canadian dollars)</i> <i>(Unaudited)</i>	Three months ended March 31,	
	2024	2023
Net earnings (loss)	\$ 51,551	\$ (57,704)
Other comprehensive income		
Actuarial gains (losses) that will not be reclassified to profit or loss (Net of tax of \$2.2 million; 2023: \$0.7 million)	\$ 6,605	\$ 2,124
Change in revaluation surplus (Net of tax of \$0.0 million; 2023: \$1.7 million)	—	6,993
Total items that will not be reclassified to profit or loss	\$ 6,605	\$ 9,117
Items that are or may be reclassified subsequently to profit or loss:		
Change in accumulated foreign currency translation adjustment (Net of tax of \$0.0 million; 2023: \$0.0 million)	7,710	(433)
Change in foreign exchange on long-term debt designated as a net investment hedge (Net of tax of \$1.2 million; 2023: \$0.0 million)	(6,612)	119
Change in cash flow hedges (Net of tax of \$0.2 million; 2023: \$1.1 million)	(3,622)	(3,105)
Total items that are or may be reclassified subsequently to profit or loss	\$ (2,524)	\$ (3,419)
Total other comprehensive income	\$ 4,081	\$ 5,698
Comprehensive income (loss)	\$ 55,632	\$ (52,006)

See accompanying Notes to the Consolidated Interim Financial Statements.

Consolidated Statements of Changes in Total Equity

(In thousands of Canadian dollars) (Unaudited)	Notes	Accumulated other comprehensive income (loss)								Total equity
		Share capital	Retained earnings	Contributed surplus	Foreign currency translation adjustment ⁽ⁱ⁾	Unrealized gains (losses) on cash flow hedges ⁽ⁱ⁾	Unrealized gains (losses) on fair value of investments ⁽ⁱ⁾	Revaluation surplus	Treasury stock	
Balance at December 31, 2023		\$873,477	597,429	3,227	8,625	4,416	(2,559)	37,347	(7,183)	\$1,514,779
Net earnings		—	51,551	—	—	—	—	—	—	51,551
Other comprehensive income (loss) ⁽ⁱⁱ⁾		—	6,605	—	1,098	(3,622)	—	—	—	4,081
Dividends declared (\$0.22 per share)		5,375	(27,036)	—	—	—	—	—	—	(21,661)
Share-based compensation expense	14	—	—	5,298	—	—	—	—	—	5,298
Deferred taxes on share-based compensation		—	—	(775)	—	—	—	—	—	(775)
Balance at March 31, 2024		\$878,852	628,549	7,750	9,723	794	(2,559)	37,347	(7,183)	\$1,553,273

(In thousands of Canadian dollars) (Unaudited)	Notes	Accumulated other comprehensive income (loss)								Total equity
		Share capital	Retained earnings	Contributed surplus	Foreign currency translation adjustment ⁽ⁱ⁾	Unrealized gains (losses) on cash flow hedges ⁽ⁱ⁾	Unrealized gains (losses) on fair value of investments ⁽ⁱ⁾	Revaluation surplus	Treasury stock	
Balance at December 31, 2022		\$850,086	809,616	—	10,972	12,885	2,945	2,745	(25,916)	\$1,663,333
Net loss		—	(57,704)	—	—	—	—	—	—	(57,704)
Other comprehensive income (loss) ⁽ⁱⁱ⁾		—	2,124	—	(314)	(3,105)	—	6,993	—	5,698
Dividends declared (\$0.21 per share)		—	(25,559)	—	—	—	—	—	—	(25,559)
Share-based compensation expense	14	—	—	2,012	—	—	—	—	—	2,012
Deferred taxes on share-based compensation		—	—	800	—	—	—	—	—	800
Exercise of stock options		769	—	—	—	—	—	—	—	769
Shares re-purchased	10	(2,931)	—	(7,838)	—	—	—	—	—	(10,769)
Change in obligation for repurchase of shares		2,692	—	8,073	—	—	—	—	—	10,765
Balance at March 31, 2023		\$850,616	728,477	3,047	10,658	9,780	2,945	9,738	(25,916)	\$1,589,345

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

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

See accompanying Notes to the Consolidated Interim Financial Statements.

Consolidated Interim Statements of Cash Flows

(In thousands of Canadian dollars) (Unaudited)	Notes	Three months ended March 31,	
		2024	2023
CASH PROVIDED BY (USED IN):			
Operating activities			
Net earnings (loss)		\$ 51,551	\$ (57,704)
Add (deduct) items not affecting cash:			
Change in fair value of biological assets	5	(69,143)	1,127
Depreciation and amortization		65,853	67,425
Share-based compensation	14	5,298	2,012
Deferred income tax (recovery) expense		19,936	(2,874)
Current income tax (recovery) expense		2,305	(9,335)
Interest expense and other financing costs	12	42,083	31,603
(Gain) loss on sale of long-term assets		(311)	234
Change in fair value of non-designated derivatives		(4,665)	3,109
Change in net pension obligation		1,067	467
Net income taxes refunded (paid)		2,982	(1,777)
Interest paid, net of capitalized interest	12	(40,477)	(33,790)
Change in provision for restructuring and other related costs	8	(3,260)	(6,006)
Change in derivatives margin		2,316	(13,740)
Cash settlement of derivatives		(2,150)	11,009
Other		3,093	217
Change in non-cash operating working capital		10,847	43,737
Cash provided by operating activities		\$ 87,325	\$ 35,714
Investing activities			
Additions to long-term assets		\$ (23,813)	\$ (49,252)
Interest paid and capitalized	12	(355)	(481)
Proceeds from sale of long-term assets		865	64
Cash used in investing activities		\$ (23,303)	\$ (49,669)
Financing activities			
Dividends paid		\$ (21,661)	\$ (25,559)
Net (decrease) increase in long-term debt	9	(30,885)	48,800
Payment of lease obligation		(8,446)	(9,918)
Exercise of stock options		—	769
Repurchase of shares		—	(10,769)
Payment of financing fees	9	—	(1,011)
Cash (used in) provided by financing activities		\$ (60,992)	\$ 2,312
Increase (decrease) in cash and cash equivalents		\$ 3,030	\$ (11,643)
Cash and cash equivalents, beginning of period		203,363	91,076
Cash and cash equivalents, end of period		\$ 206,393	\$ 79,433

See accompanying Notes to the Consolidated Interim Financial Statements.

Notes to the Consolidated Interim Financial Statements

(Tabular amounts in thousands of Canadian dollars unless otherwise indicated)
Three months ended March 31, 2024 and 2023

1. THE COMPANY

Maple Leaf Foods Inc. ("Maple Leaf Foods" or the "Company") is a carbon neutral⁽ⁱ⁾ 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's portfolio includes prepared meats, ready-to-cook and ready-to-serve meals, snacks kits, value-added fresh pork and poultry, and plant protein products. The address of the Company's registered office is 6985 Financial Dr., Mississauga, Ontario, L5N 0A1, Canada. The unaudited condensed consolidated interim financial statements ("Consolidated Interim Financial Statements") of the Company as at and for the three months ended March 31, 2024 include the accounts of the Company and its subsidiaries.

⁽ⁱ⁾ See the Company's 2023 Integrated Report that is available on the Maple Leaf Foods website at https://www.mapleleaffoods.com/wp-content/uploads/sites/6/2024/04/MLF_2023_Integrated-Report.pdf

2. MATERIAL ACCOUNTING POLICIES

The Consolidated Interim Financial Statements should be read in conjunction with the Company's 2023 Annual Audited Consolidated Financial Statements ("2023 Consolidated Financial Statements").

(a) Statement of Compliance

The Consolidated Interim Financial Statements have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies, determination of significant estimates and judgments, and corresponding accounting treatments consistent with the Company's 2023 Consolidated Financial Statements.

The Consolidated Interim Financial Statements were authorized for issue by the Board of Directors on May 1, 2024.

(b) Accounting Pronouncements Issued But Not Yet Effective

Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

On May 23, 2023, the IASB issued *Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)*. The amendments require an entity to provide additional disclosures about its supplier finance arrangements. The amendments are effective for annual periods beginning on or after January 1, 2024. The Company intends to adopt this amendment in its Consolidated Financial Statements for the annual period ending December 31, 2024. The adoption of this amendment is not expected to have a material impact on the Consolidated Financial Statements.

Presentation and Disclosure in Financial Statements – IFRS 18

On April 9, 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements* to improve reporting of financial performance. IFRS 18 replaces IAS 1 *Presentation of Financial Statements*. It carries forward many requirements from IAS 1 unchanged and introduces significant changes to the structure of a company's income statement, more discipline and transparency in presentation of management's own performance measures (commonly referred to as 'non-GAAP measures') and less aggregation of items into large, single numbers. IFRS 18 applies for annual reporting periods beginning on or after January 1, 2027 with the requirement of retrospective restatement. Earlier application is permitted. The Company intends to adopt this amendment in its Consolidated Interim Financial Statements for the period beginning January 1, 2027. The Company has yet to assess the impact of adoption on the Consolidated Interim Financial Statements

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 Interim Financial Statements.

3. ACCOUNTS RECEIVABLE

	As at March 31, 2024	As at March 31, 2023	As at December 31, 2023
Trade receivables	\$ 135,383	\$ 130,385	\$ 144,676
Less: Allowance for doubtful accounts	(1,644)	(1,959)	(1,900)
Net trade receivables	\$ 133,739	\$ 128,426	\$ 142,776
Other receivables:			
Commodity taxes receivable	12,438	14,569	13,520
Government receivable	3,704	2,593	2,840
Other	19,113	14,702	24,662
	\$ 168,994	\$ 160,290	\$ 183,798

The aging of trade receivables is as follows:

	As at March 31, 2024	As at March 31, 2023	As at December 31, 2023
Current	\$ 111,630	\$ 108,561	\$ 113,679
Past due 0-30 days	15,755	16,234	21,273
Past due 31-60 days	4,207	2,362	2,915
Past due > 60 days	3,791	3,228	6,809
	\$ 135,383	\$ 130,385	\$ 144,676

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

The Company has an accounts receivable securitization facility (the "Securitization Facility") maturing June 24, 2024. The Company expects to secure an extension of this facility on commercially reasonable terms. The maximum cash advance available to the Company under the Securitization Facility is \$135.0 million (March 31, 2023: \$135.0 million; December 31, 2023: \$135.0 million). The Securitization Facility provides cash funding with a proportion of the Company's receivables being sold, 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 March 31, 2024, trade accounts receivable being serviced under this program amounted to \$101.1 million (March 31, 2023: \$117.8 million; December 31, 2023: \$112.7 million). As consideration for the sale of its trade receivables, the Company will receive cash of \$68.5 million (March 31, 2023: \$82.3 million; December 31, 2023: \$79.4 million) and notes receivable in the amount of \$32.6 million (March 31, 2023: \$35.5 million; December 31, 2023: \$33.3 million). The notes receivable are non-interest bearing and are settled on the settlement dates of the securitized accounts receivable. Due to the timing of receipts and disbursements, the Company may, from time to time, also record a receivable or payable related to the Securitization Facility. As at March 31, 2024, the Company recorded a net payable in the amount of \$66.5 million (March 31, 2023: \$49.6 million net payable; December 31, 2023: \$55.6 million net payable) in accounts payable and accruals (March 31, 2023: accounts payable and accruals; December 31, 2023: accounts payable and accruals).

The sale of trade receivables under the Securitization Facility are treated as a sale from an accounting perspective and as a result, trade receivables sold under this facility are derecognized from the unaudited condensed consolidated interim balance sheets ("Consolidated Interim Balance Sheets") as at March 31, 2024 and 2023 and the 2023 annual audited consolidated balance sheet as at December 31, 2023.

4. INVENTORIES

	As at March 31, 2024	As at March 31, 2023	As at December 31, 2023
Raw materials	\$ 73,140	\$ 79,040	\$ 75,513
Work in process	42,025	43,648	40,358
Finished goods	351,139	346,317	311,885
Packaging	29,270	25,343	27,280
Spare parts	88,560	81,835	87,356
	\$ 584,134	\$ 576,183	\$ 542,392

For the three months ended March 31, 2024, inventory in the amount of \$915.7 million (2023: \$982.2 million) was expensed through cost of goods sold.

As at March 31, 2024, inventories have been reduced by \$12.5 million (March 31, 2023: \$19.7 million; December 31, 2023: \$14.1 million) as a result of write-downs to net realizable value. The write-downs are included in the amount expensed through cost of goods sold.

5. BIOLOGICAL ASSETS

The change in fair value of commercial hog stock for the three months ended March 31, 2024 was a gain of \$69.1 million (2023: loss of \$1.1 million) and was recorded in cost of goods sold.

The fair value measures of commercial hog stock have been categorized as a Level 3 fair value based on inputs to the valuation techniques used. There were no transfers between levels for the three months ended March 31, 2024 and March 31, 2023.

6. ASSETS HELD FOR SALE

As at March 31, 2024, there are no assets held for sale. As at March 31, 2023, assets held for sale consisted of the land and building of the St. Mary's, Ontario poultry facility as well as a parking lot located in Toronto, Ontario for a total of \$11.2 million. The land and building in St. Mary's was subsequently sold, and the parking lot sale was not completed and the land was transferred to investment property during the year ended December 31, 2023.

7. INVESTMENT PROPERTY

	As at March 31, 2024
Net balance, December 31, 2023	\$ 57,144
Transfers from Property and equipment	—
Transfer to assets held for sale / Disposition	—
Net balance, March 31, 2024	\$ 57,144
	As at March 31, 2023
Restated net balance, December 31, 2022	\$ 5,289
Transfers from Property and equipment	10,600
Transfer to assets held for sale / Disposition	(10,600)
Net balance, March 31, 2023	\$ 5,289

The fair value measurement of investment properties have been categorized as a Level 3 fair value based on inputs to the valuation techniques used. There have been no changes to the valuation techniques and there have not been any transfers between levels for the three months ended March 31, 2024 and March 31, 2023.

The Company's investment properties did not earn a material amount of rental income, nor did they incur a material amount of expenses in either of the current or the prior year.

8. PROVISIONS

	Restructuring and related provisions					Total
	Legal	Environ- mental	Severance and other employee related costs	Site closing and other cash costs		
Balance at December 31, 2023⁽ⁱ⁾	\$ —	2,041	9,846	—		\$ 11,887
Charges	—	—	283	501		784
Reversals	—	—	(1,501)	—		(1,501)
Cash payments	—	(4)	(2,048)	(501)		(2,553)
Foreign currency translation	—	—	6	—		6
Balance at March 31, 2024	\$ —	2,037	6,586	—		\$ 8,623
Current						\$ 6,586
Non-current						2,037
Total at March 31, 2024						\$ 8,623

⁽ⁱ⁾ Balance as at December 31, 2023, includes current portion of \$9.8 million and non-current portion of \$2.0 million.

	Restructuring and related provisions					Total
	Legal	Environ- mental	Severance and other employee related costs	Site closing and other cash costs		
Balance at December 31, 2022	\$ 630	2,370	43,388	—		\$ 46,388
Charges	—	—	1,785	503		2,288
Reversals	(200)	—	(455)	—		(655)
Cash payments	(430)	(7)	(7,473)	(369)		(8,279)
Foreign currency translation	—	—	3	—		3
Balance at March 31, 2023	\$ —	2,363	37,248	134		\$ 39,745
Current						\$ 36,114
Non-current						3,631
Total at March 31, 2023						\$ 39,745

Restructuring and Other Related Costs

During the three months ended March 31, 2024, restructuring and other related costs were a net provision reversal of \$0.7 million (2023: costs of \$7.7 million). Of the \$0.7 million, reversals of \$1.3 million (2023: costs of \$0.3 million) related to severance and other employee costs from the closures of the Brampton, Toronto, St. Mary's, and Schomberg poultry plants, \$0.5 million of costs (2023: \$1.1 million) related to decommissioning, reversals of \$0.1 million (2023: \$0.0 million) related to asset impairments, and \$0.0 million (2023: \$1.4 million) related to accelerated depreciation due to the closures. In addition, \$0.1 million (2023: \$3.9 million) related to inventory impairment, \$0.0 million (2023: \$0.4 million) of severance and other employee related costs, and \$0.0 million (2023: \$0.1 million) is related to other cash costs, as a result of organizational changes in the Plant Protein business. The remaining amount of \$0.1 million (2023: \$0.5 million) was related to employee related costs for other organizational restructuring initiatives.

9. LONG-TERM DEBT

	As at March 31, 2024	As at March 31, 2023	As at December 31, 2023
Revolving line of credit	\$ 813,400	\$ 1,046,603	\$ 843,400
U.S. term credit Tranche 1	358,943	358,545	350,873
Canadian term credit Tranche 2	350,000	350,000	350,000
Canadian term credit Tranche 3	400,000	—	400,000
Government loans	7,046	6,949	7,147
Supplier financing	3,570	—	4,202
Deferred financing charges	(3,756)	(5,407)	(4,807)
Total long-term debt	\$ 1,929,203	\$ 1,756,690	\$ 1,950,815
Current	\$ 401,538	\$ 1,130	\$ 400,735
Non-current	1,527,665	1,755,560	1,550,080
Total long-term debt	\$ 1,929,203	\$ 1,756,690	\$ 1,950,815

The Company has a syndicated sustainability-linked credit facility (the "Credit Facility") consisting of a \$1,300.0 million unsecured committed revolving line of credit maturing June 29, 2027, and two unsecured committed term facilities for US\$265.0 million and \$350.0 million maturing June 29, 2027 and June 29, 2026, respectively. In February 2023, the Company amended its covenants to reflect the extended effect of the post-pandemic economy. On June 20, 2023, the Credit Facility was further amended by adding an additional \$400.0 million unsecured committed term credit tranche maturing June 20, 2024, and adjusting the financial covenants to facilitate access to the new tranche. On April 30, 2024 the Company amended its Credit Facility downsizing Tranche 3 of the Term Facility to \$300 million, and extending the maturity date to June 20, 2025.

The Credit Facility may 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 based on the Secured Overnight Financing Rate ("SOFR") 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. The interest rate on the Credit Facility may be adjusted up or down by a maximum of 5 basis points based on the Company's performance compared to specified sustainability targets.

In addition to the drawings on the revolving facility and the term credit, as at March 31, 2024 the Company had drawn letters of credit of \$9.1 million on the Credit Facility (March 31, 2023: \$9.2 million; December 31, 2023: \$9.4 million).

The Credit Facility requires the maintenance of certain covenants. As at March 31, 2024, the Company was in compliance with all of these covenants. The primary financial covenant requires that the Company maintain a net debt to capitalization ratio below a specified threshold.

The Company has additional uncommitted credit facilities for issuing letters of credit up to a maximum of \$105.0 million (March 31, 2023: \$125.0 million; December 31, 2023: \$105.0 million). As at March 31, 2024, \$46.7 million in letters of credit had been issued thereon (March 31, 2023: \$49.6 million; December 31, 2023: \$46.7 million).

The Company has various government loans to finance specific projects. As at March 31, 2024 and 2023, these loans are non-interest bearing facilities. These loans are repayable over various terms and mature from 2024 to 2033. As at March 31, 2024, \$7.0 million (March 31, 2023: \$6.9 million; December 31, 2023: \$7.1 million) was outstanding. All of these facilities are committed.

The following table reconciles the changes in cash flows from financing activities for long-term debt for the period in the respective years:

	Three months ended March 31,	
	2024	2023
Total long-term debt, beginning of period	\$ 1,950,815	\$ 1,710,414
Revolving and term credit facilities - net drawings (repayments)	(30,000)	48,940
Government loans - net drawings (repayments)	(167)	(140)
Supplier financing	(718)	—
Payment of financing fees	—	(1,011)
Total cash (outflow) inflow from long-term debt financing activities	(30,885)	47,789
Foreign exchange revaluation	8,156	(1,978)
Other non-cash changes	1,117	465
Total non-cash changes	9,273	(1,513)
Total long-term debt, end of period	\$ 1,929,203	\$ 1,756,690

10. SHARE CAPITAL

Share Repurchase

On May 20, 2023 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 7.2 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, 2023 and will terminate on May 24, 2024, or on such earlier date as the Company completes its purchases pursuant to the notice of intention. Under this bid, during the three months ended March 31, 2024, no shares were repurchased for cancellation.

On May 20, 2022 the TSX accepted the Company's notice of intention to commence a 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, 2022 and terminated on May 24, 2023. Under this bid, during the three months ended March 31, 2023, 0.4 million shares at an average price of \$25.64 per share were repurchased for cancellation.

The Company did not adopt an Automatic Share Purchase Plan ("ASPP") in connection with the NCIB that it put in place on May 20, 2023. As at March 31, 2024, there was no obligation for the repurchase of shares (March 31, 2023: \$19.2 million, December 31, 2023: \$0.0 million) recognized under an ASPP.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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.

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

	2024			2023		
	Notional amount ⁽ⁱ⁾	Fair value		Notional amount ⁽ⁱ⁾	Fair value	
		Asset ⁽ⁱⁱ⁾	Liability ⁽ⁱⁱ⁾		Asset ⁽ⁱⁱ⁾	Liability ⁽ⁱⁱ⁾
Cash flow hedges						
Foreign exchange contracts	\$ 18,748	\$ 19	\$ 22	\$ 43,248	\$ 821	\$ —
Interest rate swaps	\$ 358,943	333	—	\$ 493,545	1,488	180
		\$ 352	\$ 22		\$ 2,309	\$ 180
Fair value hedges⁽ⁱⁱⁱ⁾						
Foreign exchange contracts	\$ 30,446	\$ 14	\$ 95	\$ 1,166	\$ 5	\$ 21
Commodity contracts	\$ 28,146	—	714	\$ 1,120	182	—
		\$ 14	\$ 809		\$ 187	\$ 21
Derivatives not designated in a formal hedging relationship						
Interest rate swaps	\$ —	\$ —	\$ —	\$ 339,981	\$ —	\$ 387
Foreign exchange contracts	\$ 81,532	494	68	\$ 109,652	1,482	105
Commodity contracts	\$ 113,344	1,636	—	\$ 92,360	—	7,962
		\$ 2,130	\$ 68		\$ 1,482	\$ 8,454
Total fair value		\$ 2,496	\$ 899		\$ 3,978	\$ 8,655
Current ^{(ii)(iv)}		\$ 2,496	\$ 899		\$ 3,978	\$ 8,524
Non-current ⁽ⁱⁱ⁾		—	—		—	131
Total fair value		\$ 2,496	\$ 899		\$ 3,978	\$ 8,655

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

⁽ⁱⁱ⁾ The current portion of derivative assets and liabilities are recorded in prepaid expenses and other assets and other current liabilities, respectively, in the Consolidated Interim Balance Sheets and will impact profit or loss at various dates within the next 12 months. The non-current portion of derivative assets and liabilities are recorded in other long-term assets and other long-term liabilities, respectively, in the Consolidated Interim Balance Sheets.

⁽ⁱⁱⁱ⁾ The carrying amount of the hedged items in the Consolidated Interim Balance Sheets are recorded at the inverse of the associated hedging instruments and are equal to the accumulated fair value hedge adjustments less hedge ineffectiveness.

^(iv) As at March 31, 2024, the above fair value of current assets has been increased by \$0.6 million (March 31, 2023: increased by \$2.9 million; December 31, 2023: increased by \$2.3 million), and the above fair value of current liabilities has been decreased by \$0.7 million (March 31, 2023: decreased by \$8.0 million; December 31, 2023: decreased by \$1.7 million) on the Consolidated Interim Balance Sheets, representing the difference in the fair market value of exchange traded commodity contracts and the initial margin requirements. The difference in margin requirements and fair market value is net settled in cash each day with the futures exchange and is recorded within cash and cash equivalents.

During the three months ended March 31, 2024, the Company recorded a pre-tax gain of \$6.0 million (2023: loss of \$10.7 million) on non-designated financial instruments held for trading.

During the three months ended March 31, 2024, the pre-tax amount of hedge ineffectiveness recognized in cost of goods sold was a gain of \$0.0 million (2023: gain of \$0.0 million).

The table below sets out fair value measurements of derivative financial instruments as at March 31, 2024 using the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Assets:				
Foreign exchange contracts	\$ —	527	—	\$ 527
Commodity contracts ⁽ⁱ⁾	922	—	—	922
Interest rate swaps	—	333	—	333
	\$ 922	860	—	\$ 1,782
Liabilities:				
Foreign exchange contracts	\$ —	185	—	\$ 185
	\$ —	185	—	\$ 185

⁽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 months ended March 31, 2024 and March 31, 2023.

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 2023 Consolidated Financial Statements. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

Accumulated other comprehensive income (loss)

The Company estimates that \$0.8 million, net of tax of \$0.3 million, of the unrealized gain 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. The actual amount reclassified could differ from this estimated amount.

During the three months ended March 31, 2024, a gain of \$3.6 million, net of tax of \$0.2 million, was released to net earnings from accumulated other comprehensive income (loss) and included in the net change for the year (2023: gain of \$3.1 million, net of tax of \$1.1 million).

As at March 31, 2024, the Company had US\$265.0 million (March 31, 2023: US\$265.0 million; December 31, 2023: US\$265.0 million) drawn on the Credit Facility of which US\$256.5 million (March 31, 2023: US\$265.0 million; December 31, 2023: US\$265.0 million) is designated as a net investment hedge of the Company's U.S. operations. Foreign exchange gains and losses on the designated drawings are recorded in accumulated other comprehensive income (loss) and offset translation adjustments on the underlying net assets of the U.S. operations, which are also recorded in accumulated other comprehensive income (loss).

During the three months ended March 31, 2024, the loss on the net investment hedge recorded in other comprehensive income (loss) was \$6.6 million, net of tax of \$1.2 million (2023: gain of \$0.1 million, net of tax of \$0.0 million).

12. INTEREST EXPENSE AND OTHER FINANCING COSTS

	Three months ended March 31,	
	2024	2023
Interest on borrowings from credit facility	\$ 36,922	\$ 28,021
Interest on lease obligations	1,858	1,502
Interest on securitized receivables	1,646	1,737
Interest on government loans	66	62
Amortization of deferred financing charges	1,051	404
Credit facility standby fees and other interest	895	358
	\$ 42,438	\$ 32,084
Interest paid and capitalized	(355)	(481)
	\$ 42,083	\$ 31,603

Interest paid during the three months ended March 31, 2024 was \$40.8 million (2023: \$34.3 million).

13. EARNINGS (LOSS) PER SHARE

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

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

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

<i>Three months ended March 31,</i>	2024			2023		
	Net earnings	Weighted average number of shares⁽ⁱ⁾	EPS	Net loss	Weighted average number of shares⁽ⁱ⁾	EPS
Basic	\$ 51,551	122.5	\$ 0.42	\$ (57,704)	121.3	\$ (0.48)
Effect of dilutive securities ⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾	\$ (196)	1.1			—	
Diluted	\$ 51,355	123.6	\$ 0.42	\$ (57,704)	121.3	\$ (0.48)

⁽ⁱ⁾ In millions.

⁽ⁱⁱ⁾ Excludes the effect of approximately 5.2 million (2023: 4.9 million) options and performance shares that are anti-dilutive.

⁽ⁱⁱⁱ⁾ Employee stock options and restricted share units.

14. SHARE-BASED PAYMENT

Stock Options

A summary of the status of the Company's outstanding stock options three months ended March 31 are presented below:

	2024		2023	
	Options outstanding	Weighted average exercise price	Options outstanding	Weighted average exercise price
Outstanding at January 1	6,537,050	\$ 26.83	6,099,680	\$ 26.82
Granted	1,793,850	\$ 22.95	831,600	\$ 24.15
Exercised	—	\$ —	(33,630)	\$ 22.88
Forfeited	(107,850)	\$ 25.57	—	\$ —
Expired	(677,100)	\$ 30.86	—	\$ —
Outstanding at March 31	7,545,950	\$ 25.56	6,897,650	\$ 26.52
Options currently exercisable	4,987,500	\$ 26.53	5,205,200	\$ 26.86

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

At grant date, each option series is measured at fair value based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility. The inputs used in this model for the options granted during the three months ended March 31, 2024 and 2023 are shown in the table below⁽ⁱ⁾:

	Three months ended March 31,	
	2024	2023
Share price at grant date	\$22.99	\$24.33
Exercise price	\$22.95	\$24.15
Expected volatility	32.1%	31.6%
Option life (in years) ⁽ⁱⁱ⁾	4.5	4.5
Expected dividend yield	4.6%	4.2%
Risk-free interest rate ⁽ⁱⁱⁱ⁾	3.6%	3.0%

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

⁽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, 2024 was \$8.0 million (2023: \$4.0 million). Expenses relating to current and prior year options were \$1.9 million (2023: \$1.1 million).

Restricted Share Units and Performance Share Units

A summary of the status of the Company's Restricted Share Units ("RSUs") and Performance Share Units ("PSUs") plans as at and for the three months ended March 31 are presented below:

	2024		2023	
	Units outstanding	Weighted average fair value at grant	Units outstanding	Weighted average fair value at grant
Outstanding at January 1	2,018,396	\$ 23.87	1,881,158	\$ 23.93
Granted	1,818,035	\$ 20.67	852,950	\$ 21.53
Forfeited	(34,260)	\$ 23.04	(42,143)	\$ 24.11
Outstanding at March 31	3,802,171	\$ 22.35	2,691,965	\$ 23.17

The fair value of RSUs and PSUs granted during the three months ended March 31, 2024, was \$31.7 million (2023: \$16.0 million). Expenses for the three months ended March 31, 2024 relating to current and prior year RSUs and PSUs were \$2.9 million (2023: \$0.7 million), of which \$0.1 million (2023: \$0.2 million) will be paid in cash and the remainder settled in shares.

A portion of the outstanding RSUs and PSUs will be settled in cash. The total liability recorded for units that will be cash settled as at March 31, 2024 is \$1.2 million (March 31, 2023: \$2.1 million; December 31, 2023: \$1.1 million).

The key assumptions used in the valuation of fair value of RSUs and PSUs granted during the three months ended March 31, 2024 and 2023 are shown in the table below⁽ⁱ⁾:

	2024	2023
Expected Units life (in years)	2.6	3.1
Forfeiture rate	12.6%	13.5%
Risk-free interest rate ⁽ⁱⁱ⁾	3.9%	3.3%

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

⁽ⁱⁱ⁾ Based on Government of Canada bonds.

Deferred Share Units

Expenses for the three months ended March 31, 2024 relating to director share units were \$0.4 million (2023: \$0.4 million).

15. GEOGRAPHIC AND CUSTOMER PROFILE

Information About Geographic Areas

The following summarizes sales by country of origin:

	Three months ended March 31,	
	2024	2023 ⁽ⁱ⁾
Canada	\$ 854,846	\$ 859,795
U.S.	122,731	137,129
Japan	93,560	97,788
China	13,528	3,762
Other	68,560	72,593
Sales	\$ 1,153,225	\$ 1,171,067

⁽ⁱ⁾ Quarterly amounts for 2023 have been adjusted see Note 17.

The following summarizes the location of non-current assets by country:

	As at March 31, 2024	As at March 31, 2023	As at December 31, 2023
Canada	\$ 3,008,183	\$ 3,001,201	\$ 3,023,577
U.S.	287,635	301,261	285,085
Other	357	585	451
Total non-current assets⁽ⁱ⁾	\$ 3,296,175	\$ 3,303,047	\$ 3,309,113

⁽ⁱ⁾ Excludes financial instruments, investments designated as financial instruments, employee benefits, and deferred tax assets.

Information About Major Customers

For the three months ended March 31, 2024, the Company reported sales to two customers representing 12.6% and 12.5% (2023: 12.2% and 11.6%) of total sales. No other sales were made to any one customer that represented in excess of 10.0% of total sales.

16. RELATED PARTY TRANSACTIONS

The Company sponsors a number of defined benefit, defined contribution and post-retirement benefit plans. During the three months ended March 31, 2024, the Company contributed \$7.4 million (2023: \$7.8 million) to these plans.

The Company's largest shareholder is McCain Capital Inc. ("MCI"). The Company has been informed that Mr. Michael H. McCain, Executive Chairman of the Board, is the controlling shareholder of MCI. For the three months ended March 31, 2024, the Company received services from MCI and companies directly or indirectly owned by MCI in the amount of \$0.1 million (2023: \$0.3 million), which represented the market value of these transactions. As at March 31, 2024, \$0.1 million (March 31, 2023: \$0.2 million; December 31, 2023: \$0.5 million) was owed to MCI and companies directly or indirectly owned by MCI relating to these transactions.

McCain Financial Advisory Services ("MFAS"), is an entity jointly controlled by individuals including Mr. Michael H. McCain. For the three months ended March 31, 2024 and 2023, the Company provided services to and received services from MFAS for a nominal amount which represented the market value of the transactions.

17. ADJUSTMENT OF COMPARATIVE INFORMATION

Prior year sales and cost of goods sold have both been adjusted by \$3.8 million from the originally published amounts in order to eliminate new sales agreements entered into during that period that contained an expectation of repurchase and had previously been reported as external sales and cost of goods sold.