MAPLE LEAF FOODS INC.

Management's Discussion and Analysis
For the Year Ended
December 31, 2018

Management’s Discussion and Analysis

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

February 27, 2019

THE BUSINESS

Maple Leaf Foods Inc. ("Maple Leaf Foods") is a leading consumer protein company making high quality, innovative products under national brands including Maple Leaf®, Maple Leaf Prime®, Maple Leaf Natural Selections®, Schneiders®, Schneiders® Country Naturals®, Mina®, Greenfield Natural Meat Co.®, Lightlife™, Field Roast Grain Meat Co.™ and Swift®. The Company's portfolio includes prepared meats, ready-to-cook and ready-to-serve meals, valued-added fresh pork and poultry and plant protein products. The Company employs approximately 12,000 people and does business in Canada, the U.S. and Asia. The Company is headquartered in Mississauga, Ontario and its shares trade on the Toronto Stock Exchange (MFI).

FINANCIAL OVERVIEW

In 2018, sales[(i)] were $3,495.5 million compared to $3,522.2 million in the prior year, a decrease of 0.8%, or a decrease of 0.5% after adjusting for IFRS 15 and acquisitions. Sales growth in prepared meats, plant protein and sustainable meats was more than offset by declines in fresh market prices.

Net Earnings for the year were $101.3 million ($0.81 per basic share) compared to $164.1 million ($1.28 per basic share) in the prior year. Improved commercial performance in prepared meats, driven by favourable sales mix, pricing actions and lower input costs, and in the fresh value-added portfolio were more than offset by adverse fresh market conditions and strategic investments to complete the launch of food renovation for the Company's flagship brands. Results also benefited from a lower level of variable compensation costs compared to the prior year. In addition, Net Earnings were impacted by restructuring costs of $46.2 million, primarily related to the Company's previously announced strategic investment in poultry, the change in the fair value of biological assets, unrealized gains on derivative contracts and acquisition costs, which are excluded in calculating Adjusted Operating Earnings.

Adjusted Operating Earnings[(ii)] for the year were $215.6 million compared to $263.8 million in the prior year. Adjusted Earnings per Share[(iii)] were $1.22 compared to $1.54 in the prior year.

Adjusted earnings before interest, income taxes, depreciation, amortization, restructuring and other related costs ("EBITDA") margin[(iv)] for the year was 9.9% compared to 10.8% in the prior year.

Several items are excluded from the discussions of underlying earnings performance as they are not representative of ongoing operational activities. Refer to the section entitled Non-IFRS Financial Measures of this Management Discussion and Analysis on page 27 for a description and reconciliation of all non-IFRS financial measures.

Notes:

(i) *2018 sales include the impact of the adoption of new accounting standard International Financial Reporting Standards ("IFRS") 15 - Revenue from Contracts with Customers ("IFRS 15"). Refer to note 3(v) of the 2018 annual audited consolidated financial statements for further details on the impact of the adoption of new accounting standards.*

(ii) *Adjusted Operating Earnings, a non-IFRS measure, is used by Management to evaluate financial operating results. It is defined as earnings before income taxes adjusted for items that are not considered representative of ongoing operational activities of the business, and items where the economic impact of the transactions will be reflected in earnings in future periods when the underlying asset is sold or transferred. Please refer to the section entitled Non-IFRS Financial Measures starting on page 27 of this document.*

(iii) *Adjusted Earnings per Share, a non-IFRS measure, is used by Management to evaluate financial operating results. It is defined as basic earnings per share and is adjusted on the same basis as Adjusted Operating Earnings. Please refer to the section entitled Non-IFRS Financial Measures starting on page 27 of this document.*

(iv) *Adjusted EBITDA is calculated as earnings before interest and income taxes plus depreciation and intangible asset amortization, adjusted for items that are not considered representative of ongoing operational activities of the business, and items where the economic impact of the transactions will be reflected in earnings in future periods when the underlying asset is sold or transferred. Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by sales. Please refer to the section entitled Non-IFRS Financial Measures starting on page 27 of this document.*

SELECTED FINANCIAL INFORMATION

The following table summarizes selected financial information for the three years ended December 31:

($ millions except earnings per share)	**2018**	2017	2016
Sales[(i)]	**$ 3,495.5**	$ 3,522.2	$ 3,331.8
Adjusted Operating Earnings	**$ 215.6**	$ 263.8	$ 239.3
Adjusted EBITDA[(ii)]	**$ 344.3**	$ 381.1	$ 343.4
Adjusted EBITDA margin	**9.9%**	10.8%	10.3%
Net earnings	**$ 101.3**	$ 164.1	$ 181.7
Adjusted Earnings per Share[(ii)]	**$ 1.22**	$ 1.54	$ 1.23
Basic earnings per share	**$ 0.81**	$ 1.28	$ 1.35
Diluted earnings per share	**$ 0.79**	$ 1.24	$ 1.32
Total assets	**$ 3,127.8**	$ 2,632.6	$ 2,632.6
Net (Debt) Cash[(ii)]	**$ (310.8)**	$ 194.2	$ 393.7
Total long-term liabilities	**$ 626.0**	$ 230.7	$ 169.4
Return on Net Assets ("RONA")[(ii)]	**7.3%**	10.5%	9.8%
Cash provided by operating activities	**$ 299.7**	$ 386.7	$ 357.2
Cash dividends per share	**$ 0.52**	$ 0.44	$ 0.36

[(i)] *2018 sales include the impact of the adoption of new accounting standard IFRS 15. Refer to note 3(v) of the 2018 annual audited consolidated financial statements for further details on the impact of the adoption of new accounting standards.*

[(ii)] *Please refer to the section entitled Non-IFRS Financial Measures starting on page 27 of this document.*

COMPANY VISION AND STRATEGIC PLAN

Maple Leaf Foods' vision is to be the most sustainable protein company on earth by pursuing the purpose to Raise the Good in Food. The Company's vision is based on a strong conviction that furthering its leadership in sustainability is a point of differentiation that will not only contribute to social good but also provide the benefit of competitive advantages to unlock significant sales and growth in profitability.

Maple Leaf Foods is committed to making better food for consumers, reducing its environmental impact, caring for animals responsibly and strengthening communities while achieving business targets, delivering operational and financial performance and long-term value creation.

In pursuit of its vision, the Company has established a blueprint that encompasses goals and actions to create shared value. Six core strategies underpin this plan:

- *Leverage leadership in sustainability*
- *Relentlessly eliminate waste and improve efficiency*
- *Broaden reach into new geographies, channels and protein alternatives*
- *Embrace a digital future across the business*
- *Invest in brands to build demand and consumer loyalty*
- *Invest in people so talent thrives*

In 2016, Maple Leaf Foods achieved a step-change in profitability with its structural Adjusted EBITDA margin reaching the 10% range. Having reached this milestone, the Company turned towards its next phase of profitability and value creation. In 2017, through a deep understanding of market dynamics, expertise in the food industry, strong relationships with customers and extensive consumer insights, the Company established an Adjusted EBITDA margin target ranging between 14% and 16% within five years. The Company maintains a steadfast focus on meeting this target through five strategic growth initiatives:

- *Sustainable Meat* - Sustainable meat is the most advanced of the growth initiatives and includes the Company's portfolio of products that combine raised without antibiotics ("RWA"), leadership in animal care and environmental sustainability. Maple Leaf Foods' sustainable meat program aligns with, and addresses consumers' increasing desire to know how their food is raised, what's in it and how it's made. This provides the Company a means to address important social and environmental issues, differentiate its offering and monetize its investments in sustainable meat. And, as a leading provider of RWA pork and poultry products, Maple Leaf Foods has operational and competitive advantages to meet the growing demand for RWA products. Market growth of the Company's sustainable meat portfolio is a key driver of Adjusted EBITDA margin accretion.

- *Poultry Network* - Chicken is the fastest growing segment in the meat protein market. Maple Leaf Foods is investing in its fresh poultry network to secure its leadership position, expand its capacity to offer value-added poultry and drive efficiencies through leading-edge processing technologies and production consolidation. The Company is investing $605.5 million to build a state-of-the art poultry facility to replace its aging legacy plants in Ontario. With detailed plans in place and production start-up anticipated in the second quarter of 2021, this facility is expected to be a significant contributor to achieving the Company's Adjusted EBITDA margin target in 2022.
- *Food Renovation* - Maple Leaf Foods' brands are at the core of the Company's market leadership. In 2018, the Company completed an extensive food renovation program providing its flagship brands with defined brand attributes that meet the most salient consumer needs. The Company's brand portfolio addresses the spectrum of consumer demands, including: natural and simple foods with nothing artificial; artisanal and indulgent with exceptional flavours; and quick-fix and convenient that focus on value. With clear differentiation and delineation, Maple Leaf Foods' brands are well-positioned to accelerate growth in prepared meats and drive Adjusted EBITDA margin expansion.
- *Plant protein* - Plant protein is an attractive and rapidly-growing market that is a natural extension to Maple Leaf Foods' portfolio and aligns well with its vision to lead in sustainable protein. The acquisition of the two leading brands in the fast-growing refrigerated plant protein segment, Lightlife™ and Field Roast Grain Meat Co.™, has provided the Company an established foothold in this innovative and expanding market. With a leadership position, a pipeline of new product innovation and a North American supply chain network, plant protein is an important growth and margin expansion platform for the Company.
- *Cost culture* - A core competitive advantage is Maple Leaf Foods' cost culture which continually seeks out opportunities to improve efficiencies and eliminate waste to reduce cost and fuel future growth. The Company targets elimination of waste and improved efficiencies through rigorous business processes of continuous improvement including, operations excellence systems, digital technologies for real-time solutions and efficiencies, zero-based budgeting and strategic sourcing.

OPERATING REVIEW

The following table summarizes sales, Adjusted Operating Earnings and Adjusted EBITDA margin for the two years ended December 31:

($ millions)	**2018**	2017	Change
Sales	**$ 3,495.5**	$ 3,522.2	(0.8)%
Adjusted Operating Earnings	**$ 215.6**	$ 263.8	(18.3)%
Adjusted EBITDA Margin	**9.9%**	10.8%	(90) bps

Sales for 2018 were $3,495.5 million compared to $3,522.2 million, a decrease of 0.8%, or a decrease of 0.5% after adjusting for the impact of IFRS 15 and acquisitions. For the year, the core business experienced sales growth in prepared meats, sustainable meats and plant protein, which was more than offset by declines in fresh market prices. Improvements in sales were primarily driven by pricing actions taken to mitigate inflationary pressures, favourable sales mix supported by food renovation and growth in the U.S. for both sustainable meat and plant protein.

Adjusted Operating Earnings for 2018 were $215.6 million compared to $263.8 million in 2017. Improved commercial performance in prepared meats, driven by favourable sales mix and lower input costs, and expansion in value-added fresh pork and poultry were more than offset by adverse fresh market conditions and strategic investments to complete food renovation.

Adjusted EBITDA margin for the year decreased to 9.9% from 10.8% in the prior year, consistent with factors noted above.

GROSS MARGIN

Gross margin in 2018 was $551.8 million (15.8% of sales) compared to $587.5 million (16.7% of sales) in the prior year. The decrease in gross margin as a percentage of sales is largely attributable to adverse fresh market conditions.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

During the year, selling, general and administrative expenses were $341.5 million (9.8% of sales), compared to $348.6 million (9.9% of sales) in the prior year. The decrease is primarily related to variable compensation dependent on business performance and a shift in spend from selling, general and administrative costs to strategic areas of the business, which were partially offset by increased headcount due to acquisitions.

OTHER INCOME (EXPENSE)

Other expense was $13.0 million compared to income of $3.6 million in the prior year. The change is primarily related to income realized in 2017 that was not repeated in 2018, including a gain on the sale of investment properties, and changes in environmental provisions, as well as higher transactional costs related to acquisitions incurred in 2018.

Certain items in other income (expense) are excluded from the calculation of Adjusted EBITDA and Adjusted Earnings per Share as they are not considered representative of ongoing operational activities of the business. Other income (expense) used in the calculation of Adjusted EBITDA and Adjusted Earnings per Share for 2018 is income of $2.7 million (2017: income of $0.0 million).

RESTRUCTURING AND OTHER RELATED COSTS

For the year ended December 31, 2018, the Company recorded restructuring and other related costs of $46.2 million. Of this amount, $40.7 million related to accelerated depreciation and severance and other employee costs as a result of the announced closure of the poultry plants in St. Marys, Brampton, and Toronto, $2.4 million related to costs as a result of the St. Anselme plant closure, and $2.4 million related to costs as a result of the Thamesford turkey processing plant closure. The remaining $0.7 million related to other previously announced organizational restructuring initiatives.

For the year ended December 31, 2017, the Company recorded restructuring and other related costs of $23.0 million. These costs were related primarily to the announced closure of the Thamesford turkey facility and the St. Anselme pastry facility.

INTEREST EXPENSE AND OTHER FINANCING COSTS

Interest expense and other financing costs for 2018 were $10.0 million compared to $5.2 million in the prior year. The increase was mainly due to higher borrowing levels from the Company's revolving credit facilities related to acquisitions in the fourth quarter of 2018.

INCOME TAXES

The Company’s income tax expense for 2018 resulted in an effective tax rate of 28.2% (2017: 23.4%). The lower effective tax rate in 2017 resulted from the deferred income tax recovery of $6.8 million recorded on the re-measurement of its U.S. deferred tax liabilities at the lower U.S. corporate tax rate that was enacted in December 2017. The effective tax rate in 2017 excluding this item was 26.6%. Additionally in 2018, non-deductible acquisition-related transaction costs increased the effective tax rate.

The effective tax rate in 2018 in determining Adjusted Earnings per Share is 26.5% (2017: 23.4%). The lower effective rate in 2017 was due to the deferred income tax recovery of $6.8 million recorded on the re-measurement of the Company's U.S. deferred tax liability described above. The effective tax rate in 2017 excluding this item was 26.0%. For 2018, the effective tax recovery rate on restructuring charges used in the computation of Adjusted Earnings per Share was 26.1% (2017: 26.1%). The effective tax recovery rate on items not considered representative of continuing operations in 2018 was 16.5% (2017: 20.1%). Additionally in 2018, non-deductible acquisition-related transaction costs increased the effective tax rate.

ACQUISITIONS AND DIVESTITURES

On November 13, 2018, the Company acquired 100% of the outstanding shares of VIAU Food Products Inc. ("VIAU"), a privately held Canadian market leader in premium Italian cooked, dry-cured and charcuterie meats, for a purchase price of $215.0 million. The Company financed the transaction using a combination of drawings on existing credit facilities and equity.

Recognized goodwill is attributable to VIAU's assembled workforce combined with its considerable expertise, product development knowledge and skills. The amount of goodwill expected to be deductible for tax purposes is $17.6 million.

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

On October 22, 2018, the Company acquired two poultry plants and associated supply from Cericola Farms Inc. ("Cericola"), a privately held Canadian company. The purchase price of the assets was $80.0 million, with a put/call option to purchase a third processing facility for a purchase price of $40.0 million, exercisable within three years. The Company financed the transaction using existing credit facilities. The acquisition has been accounted for as a business combination.

The amount of goodwill expected to be deductible for tax purposes is $6.7 million.

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

On January 29, 2018, the Company acquired 100% of the outstanding shares of The Field Roast Grain Meat Company, SPC ("Field Roast Grain Meat Co."), a privately held U.S. based corporation engaged in the production and distribution of premium grain-based protein and vegan cheese products, for a purchase price of $140.2 million. The Company financed the transaction using a combination of $89.5 million of cash-on-hand, $49.3 million of drawings on existing credit facilities, and $1.4 million of contingent consideration payable to the seller.

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

The Company finalized the amounts recorded in the Field Roast Grain Meat Co.'s business combination during the fourth quarter of 2018. Refer to Note 27 of the Company's 2018 audited consolidated financial statements for further details.

On May 1, 2017, the Company acquired specific assets, liabilities and assembled workforce from a privately-held hog production operation for total consideration of $10.3 million. The acquisition has been accounted for as a business combination and no goodwill was recognized.

On March 10, 2017, the Company acquired 100% of the outstanding shares of Lightlife Foods Holdings, Inc. ("Lightlife"), a privately held U.S. based corporation engaged in the production and distribution of refrigerated plant protein products, for a purchase price of $190.7 million.

Recognized goodwill is attributable to the skills, talent and artisanal expertise of Lightlife's workforce and leadership position in the fast-growing plant protein market. The amount of goodwill deductible for tax purposes is $6.1 million.

The Company has finalized the amounts recorded in the Lightlife business combination during 2017. Refer to Note 27 of the Company's 2018 audited consolidated financial statements for further details.

During the year ended December 31, 2018, the Company recorded transaction costs of $13.6 million (2017: $7.6 million) related to acquisition activities, that have been excluded from the consideration paid and have been recognized as an expense in other income (expense).

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 and acquisitions.

On November 7, 2018, the Company entered into a new one year $250.0 million unsecured committed revolving credit facility with a Canadian institution. This unsecured facility can be drawn in Canadian or U.S. dollars and bears interest payable monthly, based on Banker's Acceptance and Prime rates for Canadian dollar loans and LIBOR for U.S. dollar loans. The facility, together with the $400.0 million facility below, is intended to meet the Company's funding requirements for general purposes, corporate development activities, and to provide appropriate levels of liquidity. As at December 31, 2018, the Company had drawn $80.0 million on this new facility.

On October 19, 2017, the Company amended its existing $400.0 million unsecured committed revolving credit facility by extending the maturity of the facility to October 19, 2021, under similar terms and conditions using the same syndicate of Canadian, U.S., and international institutions. This unsecured facility can be drawn in Canadian or U.S. dollars and bears interest payable monthly, based on Banker's Acceptance and Prime rates for Canadian dollar loans and LIBOR for U.S. dollar loans. The facility, together with the $250.0 million facility above, is intended to meet the Company's funding requirements for general purposes, corporate development activities, and to provide appropriate levels of liquidity. As at December 31, 2018, the Company had drawn $216.0 million in U.S. dollars (CDN$294.8 million) and letters of credit of $6.3 million (2017: $6.4 million) on this existing facility.

The revolving credit facilities require the maintenance of certain covenants. As at December 31, 2018, the Company was in compliance with all of these covenants.

The Company has additional uncommitted credit facilities for issuing up to a maximum of $125.0 million (2017: $120.0 million) letters of credit. As at December 31, 2018, $72.2 million of letters of credit had been issued thereon (2017: $67.8 million). These letters of credit have not been collateralized with cash.

The Company's cash balance as at December 31, 2018 is $72.6 million (2017: $203.4 million). The cash is held in deposit accounts at financial institutions with long-term debt ratings of A or higher.

The Company operates an accounts receivable securitization facility. The maximum cash advance available to the Company under this program is $110.0 million. The facility provides cash funding with a proportion of the Company's receivables being sold and provides the Company with competitively priced financing and further diversifies its funding sources. Under the facility, the Company has sold certain accounts receivable, with very limited recourse, to an unconsolidated third-party trust that is funded by an international financial institution with a long-term AA- debt rating. The receivables are sold at a discount to face value based on prevailing money market rates.

As at December 31, 2018, trade accounts receivable being serviced under this program amounted to $127.4 million (2017: $124.9 million). In return for the sale of its trade receivables, the Company will receive cash of $96.9 million (2017: $96.0 million) and notes receivable of $30.5 million (2017: $28.9 million). The notes receivable are non-interest bearing and are settled on the settlement dates of the securitized accounts receivable. Due to the timing of receipts and disbursements, the Company may, from time to time, also record a receivable or payable related to the securitization facility. As at December 31, 2018, the Company recorded a net payable amount of $32.5 million (2017: $14.0 million net payable) in accounts payable and accruals. The facility is accounted for as an off-balance sheet transaction in accordance with IFRS and will expire in August 2019.

The Company was in compliance with all of the requirements of this facility during 2018. If the securitization facility were to be terminated, the Company would recognize the related amounts on the consolidated balance sheet and consider alternative financing if required.

CAPITAL EXPENDITURES

Capital expenditures for 2018 were $179.9 million compared to $142.2 million in 2017. The increase in spending from 2017 relates to enhancement projects in plant protein and sustainability projects which support the Company's animal welfare and environmental strategies.

The Company currently estimates its capital expenditures for the full year of 2019 to be approximately $400 million, based on its existing approved projects. Included in the 2019 estimate is approximately $250 million, inclusive of expected government assistance for the Company's investment in the construction of a value-added poultry processing facility in London, Ontario and the balance for continued profit enhancement, sustainability and maintenance projects.

NORMAL COURSE ISSUER BID

On May 22, 2018, the Toronto Stock Exchange ("TSX") accepted the Company's notice of intention to commence a Normal Course Issuer Bid ("NCIB"), which allows the Company to repurchase, at its discretion, up to 7.8 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 24, 2018 and will terminate on May 23, 2019, or on such earlier date as the Company completes its purchases pursuant to the notice of intention. Under this bid, during the year ended December 31, 2018, 4.0 million shares were purchased for cancellation for $126.6 million at a volume weighted average price paid of $31.82 per common share.

On May 17, 2017, the TSX accepted the Company's notice of intention to commence a NCIB, which allowed the Company to repurchase, at its discretion, up to 8.2 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 were cancelled. The program commenced on May 23, 2017 and was terminated on May 22, 2018 as the Company completed its purchase and cancellation of 3.6 million common shares for $117.3 million at a volume weighted average price of $32.51 per common share. Under this bid, during the year ended December 31, 2018, 1.3 million shares (2017: 2.3 million) were purchased for cancellation for $39.9 million (2017: $77.4 million) at a volume weighted average price paid of $31.17 (2017: $33.25) per common share.

On May 16, 2016, the TSX accepted the Company's notice of intention to commence a NCIB, which allowed the Company to repurchase, at its discretion, up to 8.7 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 19, 2016 and was terminated on May 18, 2017 as the Company completed its purchase and cancellation of 5.5 million common shares for $163.1 million at a volume weighted average price of $29.57 per common share. Under this bid, during the year ended December 31, 2017, 3.4 million shares were purchased for cancellation for $102.6 million at a volume weighted average price paid of $30.09 per common share.

CASH FLOW AND FINANCING

Cash was $72.6 million at the end of 2018, compared to $203.4 million in 2017. The decrease in cash for the year ended December 31, 2018 is primarily due to cash flow generated from operations was more than offset by investments in acquisitions, capital expenditures, and share repurchases under the NCIB.

Cash Flow from Operating Activities

Cash provided by operations for 2018 was $299.7 million compared to $386.7 million in 2017. The decrease in cash flow from operations was primarily due to lower earnings, and larger investment in inventory and other working capital items. This was partially offset by higher margin received by the Company against its derivatives for its commodity hedging programs.

Cash Flow from Financing Activities

Cash from financing activities for 2018 was an inflow of $128.5 million compared to an outflow of $261.2 million in 2017. The improvement was primarily due to cash drawings against the revolving credit facilities, fewer share repurchases under the NCIB programs, and fewer treasury share purchases.

Cash Flow from Investing Activities

Cash used in investing activities was $559.0 million for 2018 compared to $325.7 million in 2017. The increase was due to acquisitions and higher investment in property and equipment.

CONTRACTUAL OBLIGATIONS

The following table provides information about certain of the Company's significant contractual obligations as at December 31, 2018. This table presents the undiscounted cash flows payable in respect of financial liabilities.

Payments due by fiscal year:

($ thousands)	**Due within 1 year**	**Due between 1 and 3 years**	**Due between 4 and 5 years**	**Due after 5 years**	**Total**
Financial liabilities					
Accounts payable and accruals	$ 343,872	$ —	$ —	$ —	$ 343,872
Long-term debt	81,130	296,941	5,647	370	384,088
Foreign exchange contracts	4,591	—	—	—	4,591
Commodity futures contracts	3,070	—	—	—	3,070
Other liabilities	15,000	5,409	1,676	1,200	23,285
	$ 447,663	**$ 302,350**	**$ 7,323**	**$ 1,570**	**$ 758,906**
Commitments					
Contractual obligations including operating leases	38,996	57,317	39,715	23,893	159,921
Total	**$ 486,659**	**$ 359,667**	**$ 47,038**	**$ 25,463**	**$ 918,827**

Management believes its cash flow, cash on hand, and available sources of financing provide the Company with resources to finance ongoing business requirements and its planned capital expenditure program for at least the next 12 months. Additional details concerning financing are set out in Note 13 and Note 17 of the Company's 2018 audited consolidated financial statements.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT ACTIVITIES

Through the normal course of business, the Company is exposed to financial and market risks that have the potential to affect its operating results. In order to manage these risks, the Company operates under risk management policies and guidelines which govern the hedging of price and market risk in the foreign exchange, interest rate, and commodity markets, as well as funding and investing activities.

The Company engages in hedging to manage price and market risk associated with core operating exposures and does not engage in significant trading activity of a speculative nature.

The Company’s Risk Management Committee meets frequently to discuss current market conditions, review current hedging programs and trading activity, and approve any new hedging or trading strategies.

Financial Instruments

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

Cash and cash equivalents	Fair value through profit or loss
Accounts receivable	Amortized cost
Notes receivable	Amortized cost
Accounts payable and accruals	Amortized cost
Long-term debt	Amortized cost
Derivative instruments*(i)*	Fair value through profit or loss

(i) *These derivative instruments may be designated as cash flow hedges, fair value hedges or net investments in foreign operations hedge as appropriate.*

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 December 31 are shown below:

	2018			2017		
	Notional	**Fair value**		Notional	Fair value	
($ thousands)	**amount*(i)***	**Asset(ii)**	**Liability(ii)**	amount*(i)*	Asset(ii)	Liability(ii)
Cash flow hedges						
Foreign exchange contracts*(iii)*	**$ 63,204**	**$ 130**	**$ 2,271**	$ 340,505	$ 4,281	$ 1,813
Fair value hedges*(iv)*						
Foreign exchange contracts*(iii)*	**$ 58,156**	**$ —**	**$ 1,837**	$ —	$ —	$ —
Commodity contracts*(iii)*	**$ 59,570**	**2,148**	**—**	$ 44,822	—	1,589
Derivatives not designated in a formal hedging relationship						
Foreign exchange contracts*(iii)*	**$ 126,719**	**$ 3,472**	**$ 483**	$ 136,546	$ 654	$ 989
Commodity contracts*(iii)*	**$ 135,941**	**2,805**	**3,070**	$ 371,157	—	1,648
Total fair value		**$ 8,555**	**$ 7,661**		$ 4,935	$ 6,039
Current*(ii), (v)*		**$ 8,555**	**$ 7,661**		$ 4,935	$ 6,039
Non-current(ii)		**—**	**—**		—	—
Total fair value		**$ 8,555**	**$ 7,661**		$ 4,935	$ 6,039

(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 other current assets and other current liabilities, respectively, in the consolidated balance sheets. The long-term portion of derivative assets and liabilities are recorded in other long-term assets and other long-term liabilities, respectively, in the consolidated balance sheets.*

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

(iv) *The carrying amount of the hedged items in the consolidated 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.*

(v) *As at December 31, 2018, the above fair value of current assets has been decreased on the consolidated balance sheet by an amount of $1.1 million (2017: increased by $9.8 million), which represents the excess or deficit of the fair market value of exchange traded commodities contracts over the initial margin requirements. The excess or deficit in maintenance margin requirements with the futures exchange is net settled in cash each day and is therefore presented as cash and cash equivalents.*

The Company's financial assets and liabilities include accounts receivable, notes receivable, and accounts payable and accruals for which fair value approximates the carrying value due to their short-term nature.

The carrying value of long-term debt as at December 31, 2018 and 2017 approximates its fair value. The fair value of the Company's long-term debt has been classified as Level 2 in the fair value hierarchy and was estimated based on discounted future cash flows using current rates for similar financial instruments subject to similar risks and maturities.

The Company's cash and cash equivalents and derivative instruments are recorded at fair value. The fair value of cash and cash equivalents approximates carrying value due to the short-term nature of the assets and has been classified as Level 1 in the fair value hierarchy. The fair values of the Company's interest rate and foreign exchange derivative instruments were estimated using current market measures for interest rates and foreign exchange rates. Commodity futures and commodity options contracts are exchange-traded and over-the-counter. Fair value is determined based on exchange prices and other observable market data.

Net gains and losses on financial instruments recognized at fair value through profit or loss consist of realized and unrealized gains and losses on derivatives that were de-designated or were otherwise not in a formal hedging relationship.

For the year ended December 31, 2018, the Company recorded a gain of $10.6 million (2017: gain of $18.6 million) on financial instruments recognized at fair value through profit or loss. The gain was mainly attributed to a gain in commodity exchange traded contracts which economically hedge and offset price risk volatility inherent in the hog operational business.

The table below sets out fair value measurements of certain financial instruments using the fair value hierarchy as at December 31, 2018:

($ thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Foreign exchange contracts	$ —	$ 3,602	$ —	$ 3,602
Commodity contracts	4,953	—	—	4,953
	$ 4,953	**$ 3,602**	**$ —**	**$ 8,555**
Liabilities:				
Foreign exchange contracts	$ —	$ 4,591	$ —	$ 4,591
Commodity contracts	—	3,070	—	3,070
	$ —	**$ 7,661**	**$ —**	**$ 7,661**

There were no transfers between levels for the year ended December 31, 2018. Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

Capital

The Company's objective is to maintain a robust, cost-effective capital structure that ensure resilience, supports its long-term growth strategy, and maximizes operating flexibility. In allocating capital to investments to support its earnings goals, the Company establishes internal hurdle return rates for capital initiatives. Capital projects are generally financed with internal cash flows and senior debt where required.

The Company uses leverage in its capital structure to reduce the cost of capital. The Company's goal is to maintain its primary credit ratios at levels that are designed to provide continued access to investment-grade credit pricing and terms. The Company measures its credit profile using a number of metrics, some of which are non-IFRS measures, primarily Net Cash (Debt) to EBITDA. Refer to the section entitled Non-IFRS Financial Measures starting on page 27 of this document for more information on the non-IFRS measures.

In addition to credit facilities and equity, the Company uses leases and very limited recourse accounts receivable securitization programs as additional sources of financing.

The Company has maintained a stable dividend distribution that is based on a long-term sustainable net earnings base. From time to time, the Company has purchased shares for cancellation pursuant to normal course issuer bids and to satisfy awards under its Restricted Share Unit Plan described in Note 22 of the Company's 2018 audited consolidated financial statements.

Credit Risk

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

In the normal course of business, the Company is exposed to credit risk from its customers, substantially all of which are in the retail, food service, industrial, and convenience channels. The Company performs ongoing credit evaluations of new and existing customers' financial condition and reviews the collectability of its trade accounts receivable and other receivables in order to mitigate any possible credit losses. The Company records a loss allowance of expected credit losses for financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance at an amount equal to the lifetime expected credit losses if the credit risk on its financial assets has increased significantly since initial recognition. If credit risk has not significantly increased since initial recognition, the Company measures the loss allowance at an amount equal to the 12-month expected credit losses. Average accounts receivable days sales outstanding for the year is consistent with historic trends.

Management believes concentrations of credit risk with respect to accounts receivable is limited due to the generally high credit quality of the Company's major customers, the large number and geographic dispersion of smaller customers, and the operation of the accounts receivable securitization facility as described in Note 23 of the Company's 2018 audited consolidated financial statements. The Company does, however, conduct a significant amount of business with a small number of large grocery retailers.

For the year ended December 31, 2018, the Company reported sales to two customers representing 11.9% and 10.9% (2017: 12.0% and 10.3%) of total sales. No other sales were made to any one customer that represented in excess of 10% of total sales.

The Company is also exposed to credit risk on its notes receivable from an unconsolidated structured entity in respect of the accounts receivable securitization program as described in Note 23 of the Company's 2018 audited consolidated financial statements. Management believes that this credit risk is limited by the long-term AA- debt rating held by the financial institution financing the third-party trust. The Company is exposed to credit risk on its cash and cash equivalents (comprising primarily of deposits with Canadian chartered banks) and non-exchange-traded derivative contracts. The Company mitigates this credit risk by transacting primarily with counterparties that are major international financial institutions with long-term debt ratings of A or higher. The Company's maximum exposure to credit risk at the balance sheet date consisted primarily of the carrying value of non-derivative financial assets and non-exchange-traded derivatives with positive fair values.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by monitoring forecasted and actual cash flows, minimizing reliance on any single source of credit, maintaining sufficient undrawn committed credit facilities and managing the maturity profiles of financial assets and financial liabilities to minimize re-financing risk.

As at December 31, 2018, the Company had available undrawn committed credit of $268.9 million (2017: $393.6 million) under the terms of its principal banking arrangements (refer to Note 13 of the Company's 2018 audited consolidated financial statements). These banking arrangements are subject to certain covenants and other restrictions.

Market Risk

Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates.

The Company's interest rate risk arises from long-term borrowings issued at fixed rates that create fair value interest rate risk and variable-rate borrowings that create cash flow interest rate risk. In addition, the Company's cash balances are typically invested in short-term interest-bearing assets.

The Company manages its interest rate risk exposure by using a mix of fixed and variable-rate debt and periodically using interest rate derivatives to achieve the desired proportion of variable to fixed-rate debt.

As at December 31, 2018 and 2017 the Company was exposed to floating interest rates on its accounts receivable securitization program. As at December 31, 2018, the amount serviced pursuant to this program was $110.0 million at a weighted average interest rate of 2.0% (2017: $110.0 million at a weighted average interest rate of 1.4%). The maximum amount available to the Company under these programs is $110.0 million (2017: $110.0 million).

As at December 31, 2018, 1.8% (2017: 7.8%) of the Company's outstanding debt and revolving accounts receivable securitization program were not exposed to interest rate movements.

As at December 31, 2018, the Company had fixed-rate debt of $8.6 million (2017: $9.2 million) with a weighted average effective interest rate of 4.7% (2017: 4.4%). Changes in market interest rates cause the fair value of long-term debt with fixed interest rates to fluctuate but do not affect net earnings, as the Company's debt is carried at amortized cost and the carrying value does not change as interest rates change.

Foreign Exchange Risk

Foreign exchange risk refers to the risk that the value of financial instruments or cash flows will fluctuate due to changes in foreign exchange rates.

The Company's foreign exchange risk arises primarily from transactions in currencies other than Canadian dollars, U.S. dollar-denominated borrowings, and investments in foreign operations.

The Company uses foreign exchange forward contracts to manage foreign exchange transaction exposures. The primary currencies to which the Company is exposed to are the U.S. dollar and the Japanese yen.

Commodity Price Risk

The Company is exposed to price risk related to commodities such as live hogs, fuel costs, and purchases of certain other agricultural commodities used as raw materials, including feed grains. The Company uses fixed price contracts with suppliers as well as exchange-traded and over-the-counter futures and options to manage its exposure to price fluctuations on operating results.

Derivatives designated as a hedge of an anticipated or forecasted transaction are accounted for either as cash flow or fair value hedges and are managed within the Company’s hedge accounting portfolio.

The Company applies the “own use exception” classification to certain contracts that are entered into for the purpose of procuring commodities to be used in production and are not recognized on the balance sheet until delivery.

For a comprehensive discussion on the Company’s risk management practices and derivative exposures, please refer to Note 17 of the Company's 2018 audited consolidated financial statements.

EMPLOYEE BENEFIT PLANS

The cost of pensions and other post-retirement benefits earned by employees is actuarially determined using the projected unit credit method calculated on service and Management’s best estimate of salary escalation, retirement ages of employees and expected health care costs. Management employs external experts to advise it when deciding upon the appropriate estimates to use to value employee benefit plan obligations and expenses. These estimates are determined at the beginning of each year and re-evaluated if changes in estimates and market conditions indicate that there may be a significant effect on the Company’s consolidated financial statements.

During 2018, the Company recorded a pre-tax gain of $15.6 million through other comprehensive income (loss) related to the re-measurement of plan assets and liabilities. This included a pre-tax gain of $51.3 million related to differences between plan experience compared to actuarial assumptions and a pre-tax loss of $36.7 million related to differences between plan assets compared to the discount rate.

During 2017, the Company recorded a pre-tax loss of $4.2 million through other comprehensive income (loss) related to the re-measurement of plan assets and liabilities. This includes a pre-tax loss of $61.3 million related to differences between plan experience compared to actuarial assumptions, offset by $56.1 million of pre-tax returns on plan assets in excess of the discount rate.

The Company operates both defined contribution and defined benefit plans. The assets of the defined benefit plans are invested primarily in foreign and domestic fixed income and equity securities that are subject to fluctuations in market prices. Discount rates used to measure plan liabilities are based on long-term market interest rates. Fluctuations in these market prices and rates can impact pension expense and funding requirements. The investment return before expenses on the Company's defined benefit pension plan assets was a loss of 0.1% in 2018 compared to a gain of 9.0% in 2017.

The Company's contributions are funded through cash flows generated from operations. Management anticipates that future cash flows from operations will be sufficient to fund expected future cash contributions. Contributions to defined benefit plans during 2018 were $11.1 million (2017: $10.3 million).

The Company expects to contribute $33.2 million to the pension plans in 2019, inclusive of defined contribution and multi-employer plans.

TRANSACTIONS WITH RELATED PARTIES

Transactions between the Company and its consolidated entities have been eliminated in the Company's 2018 audited consolidated financial statements.

The Company sponsors a number of defined benefit and defined contribution plans. During the year ended December 31, 2018, the Company's contributions to these plans were $28.8 million (2017: $26.4 million).

Key Management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company and/or its subsidiary, directly or indirectly, including any external director of the Company and/or its subsidiary.

Remuneration of key Management personnel of the Company is comprised of the following expenses:

($ thousands)	**2018**	2017
Short-term employee benefits		
Salaries, bonuses, and fees	**$ 9,304**	$ 13,448
Company car allowances	**291**	316
Other benefits	**111**	139
Total short-term employee benefits	**$ 9,706**	$ 13,903
Post-employment benefits	**732**	902
Share-based compensation	**10,636**	12,753
Total remuneration	**$ 21,074**	$ 27,558

During the year ended December 31, 2018, key Management personnel of the Company exercised 1.3 million share options (2017: 0.4 million share options) granted under the Maple Leaf Foods share option plans for an amount of $15.4 million (2017: $5.9 million).

The Company's largest shareholder is McCain Capital Inc. ("MCI") which is beneficially owned or controlled by Mr. Michael H. McCain, Chief Executive Officer and President of the Company. For the year ended December 31, 2018, the Company received services from MCI in the amount of $0.6 million (2017: $0.5 million), which represented the market value of the transactions with MCI. As at December 31, 2018, $0.4 million (2017: $0.1 million) was owing to MCI relating to these transactions.

McCain Financial Advisory Services ("MFAS"), is an entity jointly controlled by individuals including Mr. Michael H. McCain. For the year ended December 31, 2018, the Company provided services to, and received from, MFAS for a nominal amount which represented the market value of the transactions.

SHARE CAPITAL

As at December 31, 2018, there were 124,371,726 voting common shares issued and outstanding (2017:127,321,089). As at February 21, 2019, there were 124,371,726 common shares issued and outstanding.

In each of the quarters of 2018, the Company declared and paid cash dividends of $0.13 per voting common share, representing a total annual dividend of $0.52 per voting common share and aggregate dividend payments of $65.1 million. In each of the quarters of 2017, the Company declared and paid cash dividends of $0.11 per voting common share, representing a total annual dividend of $0.44 per voting common share and aggregate dividend payments of $56.6 million.

OTHER MATTERS

On February 27, 2019, the Board of Directors approved a quarterly dividend of $0.145 per share (up from $0.13 per share in each quarter of 2018), $0.58 per share on an annual basis, payable March 29, 2019 to shareholders of record at the close of business March 15, 2019. 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".

On May 1, 2014, shareholders of the Company reconfirmed the Shareholder Rights Plan (the "Rights Plan"). While the Rights Plan was entered into on December 5, 2011, it required reconfirmation by shareholders of the Company at the May 2014 and 2017 annual meetings in order to remain in effect. On February 21, 2017, the Company entered into an amended and restated governance agreement with McCain Capital Inc. and Michael H. McCain. Pursuant to that agreement, the Company did not submit the Rights Plan for reconfirmation at the Company's annual meeting in 2017, thereby allowing it to expire in accordance with its terms at the termination of that meeting. The determination to not submit the Rights Plan for reconfirmation at the annual shareholders' meeting in 2017 arose, in part, as a result of the new provisions of the amended and restated governance agreement and the fact that changes in securities law made certain provisions of the Rights Plan redundant.

SUMMARY OF QUARTERLY RESULTS

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

($ millions except earnings per share)		First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total[(iv)]
Sales[(i)]	**2018**	**$ 817.5**	**$ 909.2**	**$ 874.8**	**$ 893.9**	**$ 3,495.5**
	2017	$ 811.2	$ 925.9	$ 908.4	$ 876.8	$ 3,522.2
	2016	$ 796.9	$ 854.6	$ 852.1	$ 828.2	$ 3,331.8
Net earnings	**2018**	**$ 27.9**	**$ 34.9**	**$ 26.6**	**$ 11.9**	**$ 101.3**
	2017	$ 30.1	$ 37.3	$ 37.6	$ 59.1	$ 164.1
	2016	$ 42.3	$ 31.4	$ 31.8	$ 76.2	$ 181.7
Earnings per share ("EPS") [(ii)]						
Basic[(ii)]	**2018**	**$ 0.22**	**$ 0.28**	**$ 0.21**	**$ 0.10**	**$ 0.81**
	2017	$ 0.23	$ 0.29	$ 0.29	$ 0.47	$ 1.28
	2016	$ 0.31	$ 0.23	$ 0.24	$ 0.57	$ 1.35
Diluted(ii)	**2018**	**$ 0.22**	**$ 0.27**	**$ 0.21**	**$ 0.10**	**$ 0.79**
	2017	$ 0.22	$ 0.28	$ 0.29	$ 0.45	$ 1.24
	2016	$ 0.31	$ 0.23	$ 0.23	$ 0.56	$ 1.32
Adjusted EPS[(ii)(iii)]	**2018**	**$ 0.29**	**$ 0.34**	**$ 0.29**	**$ 0.29**	**$ 1.22**
	2017	$ 0.33	$ 0.41	$ 0.39	$ 0.41	$ 1.54
	2016	$ 0.28	$ 0.32	$ 0.32	$ 0.31	$ 1.23

(i) *2018 sales include the impact of the adoption of new accounting standard IFRS 15. Refer to note 3(v) of the 2018 annual audited consolidated financial statements for further details on the impact of the adoption of new accounting standards.*

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

(iii) *Refer to Non-IFRS Financial Measures starting on page 27 of this document.*

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

Fluctuations in quarterly sales can be attributed to changes in pricing, volume, sales mix, acquisitions, foreign exchange and adoption of new accounting standards.

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 estimate adjustments, gains/ losses on disposal of assets and changes in tax regulations.

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

SUMMARY OF 2018 FOURTH QUARTER RESULTS

The following table summarizes sales, Adjusted Operating Earnings and Adjusted EBITDA margin for the fourth quarter:

	Fourth Quarter		
($ millions)	2018	2017	Change
Sales	**$ 893.9**	$ 876.8	2.0 %
Adjusted Operating Earnings[(i)]	**$ 54.0**	$ 64.7	(16.5)%
Adjusted EBITDA Margin[(i)]	**10.0%**	10.7%	(70) bps

(i) *Please refer to the section entitled Non-IFRS Financial Measures starting on page 27 of this document.*

Sales for the fourth quarter increased 2.0% to $893.9 million, or decreased 1.9% after adjusting for the impact of IFRS 15 and acquisitions. Sales growth in prepared meats, driven by favourable sales mix supported by food renovation and pricing actions taken early in the quarter to mitigate inflationary pressures, plant protein and sustainable meats was more than offset by declines in fresh market prices.

Adjusted Operating Earnings for the fourth quarter of 2018 were $54.0 million compared to $64.7 million in the fourth quarter of 2017. Strong commercial performance in prepared meats, driven by favourable sales mix, pricing actions and lower input costs, and continued growth in sustainable meats was more than offset by the impact of adverse fresh market conditions . Results also benefited from a lower level of variable compensation costs compared to the prior year.

Selling, general and administrative expenses for the fourth quarter of 2018 were $88.7 million (9.9% of sales), compared to $92.1 million (10.5% of sales) in the fourth quarter of 2017. The decrease is primarily related to decreased variable compensation, tied to business performance.

Net Earnings for the quarter were $11.9 million ($0.10 per basic share) compared to $59.1 million ($0.47 per basic share) in the same period last year. The decrease is attributable to the same factors as noted above and higher restructuring and acquisition costs, which are excluded in calculating Adjusted Operating Earnings.

Basic Earnings per Share was $0.10 for the fourth quarter of 2018 compared to $0.47 in the fourth quarter of 2017 due to the factors described above.

Adjusted Earnings per Share in the fourth quarter of 2018 was $0.29 compared to $0.41 in the fourth quarter of 2017.

Adjusted EBITDA margin for the fourth quarter decreased to 10.0% from 10.7% in the fourth quarter of 2017 consistent with the factors noted above.

DISCUSSION OF FACTORS IMPACTING THE COMPANY'S OPERATIONS AND RESULTS

Impact of Currency

The following table outlines the changes in currency rates that have affected the Company’s business and financial results:

(Unaudited)	**As at December 31, 2018**	Annual Averages **2018**	2017	Change	2016
U.S. dollar / Canadian dollar[(i)]	**$ 1.36**	**$ 1.30**	$ 1.30	(0.1)%	$ 1.32
Canadian dollar / Japanese yen[(i)]	**¥ 80.41**	**¥ 85.23**	¥ 86.48	(1.4)%	¥ 82.10

[(i)] *Source: Bloomberg*

The Canadian dollar, on average strengthened relative to the U.S. dollar by 0.1% in 2018. In the short term, a stronger Canadian dollar compresses export margins in the Company’s primary pork processing and hog production operations. Conversely, a stronger Canadian dollar decreases the cost of raw materials and ingredients in the domestic prepared meats business. The prepared meats business is able to react to changes in input costs over time through pricing, cost reduction, or investment in value-added products. However, over the longer-term, a stronger Canadian dollar reduces the relative competitiveness of the domestic Canadian packaged goods operation, as imports of competing products from the U.S. become more competitive. Similarly, the Company also has a greater ability to export and expand into the U.S. market.

During 2018, the Japanese yen, on average increased in value relative to the Canadian dollar by 1.4%. In general, a stronger Japanese yen expands export margins to Japan in the Company’s fresh pork business. The Company ultimately seeks to manage pricing to offset the impact of currency fluctuations.

The Company uses derivatives and other non-derivative financial instruments to manage its exposures to fluctuations in foreign exchange rates.

Market Influences for Pork Value Chain

The following table outlines the change in key commodity prices that affected the Company's business and financial results:

(Unaudited)	**As at December 31, 2018**	Annual Averages **2018**	2017	Change	2016
Pork cutout (US$ per cwt)[(i)(ii)]	**$ 70.19**	**$ 75.18**	$ 84.13	(10.6%)	$ 78.66
Hog market price per cwt (US$ per cwt)[(i)(ii)]	**$ 52.81**	**$ 65.12**	$ 71.42	(8.8%)	$ 65.09
Hog market price per cwt (CAD per cwt)[(i)(ii)]	**$ 72.02**	**$ 84.42**	$ 92.72	(9.0%)	$ 86.23
Corn (US$ per bushel)[(iii)]	**$ 3.75**	**$ 3.68**	$ 3.59	2.5%	$ 3.58

(i) *As at December 31, 2018, rate based on spot prices for the week ended December 31, 2018 based on CME (Source: USDA).*

(ii) *Annual averages based on five-day average on CME (Source: USDA).*

(iii) *Daily close prices (Sources: Bloomberg and CME).*

In aggregate for 2018, the market influences for the entire pork value chain were lower than the five year average. However, market volatility within the year was very high due to the emergence of trade disputes between major pork importing and exporting countries. Pork industry processor margins were quite positive compared to the five year average, though below the past two years. Producer margins were negative in 2018 and well below the five year average.

The Company uses derivatives and other non-derivative financial instruments to manage its exposures to fluctuations in commodity prices.

Seasonality

The Company is sufficiently large and diversified, with a balanced portfolio, that seasonal factors within various parts of its operations tend to offset each other; therefore, in isolation, they do not have a material impact on the Company's consolidated earnings. For example, in general, margins on fresh pork products tend to be higher in the last half of the year when hog prices historically decline which in turn depresses earnings from raising hogs, maintaining balance within the Company's pork complex. Strong demand for grilled meat products positively affects categories such as wieners and fresh sausages in the summer, while back-to-school promotions support increased sales of sliced meats and lunch items in the fall. Higher demand for turkey and ham products occurs in the spring and fourth quarter holiday seasons.

ENVIRONMENT

Maple Leaf Foods is committed to maintaining high standards of environmental responsibility and positive relationships in the communities where it operates. It operates within the framework of an environmental policy entitled "Our Environmental Sustainability Commitment" that is approved by the Board of Directors' Safety and Sustainability Committee (the "Committee").

The Company's environmental program is monitored on a regular basis by the Committee, including compliance with regulatory requirements and the use of internal environmental specialists and independent, external environmental experts. The Company continues to invest in environmental infrastructure related to water, waste, and air emissions to ensure that environmental standards continue to be met or exceeded, while implementing procedures to reduce the impact of operations on the environment. In the fourth quarter of 2018, the Company announced the closure of its St. Marys, Brampton and Toronto poultry plants. All environmental assessments required to ensure that potential matters are appropriately addressed during decommissioning will be completed.

Expenditures related to current environmental requirements are not expected to have a material effect on the financial position or earnings of the Company. However, it is possible that events could occur causing environmental expenditure to be significant and have a material adverse effect on the Company's financial condition or results of operations. Such events could include, but not be limited to, additional environmental regulation or the occurrence of an adverse event at one of the Company's locations. The Company currently has a provision of $4.8 million related to expected environmental remediation costs. Please refer to Note 12 of the Company's 2018 audited consolidated financial statements for additional information.

As a large food company there are health, environmental, and social issues that go beyond short-term profitability that Management believes must shape its business if the Company is to realize a sustainable future. Increasingly, moving beyond compliance to materially reducing the Company's environmental footprint is critical to addressing mounting environmental issues and realizing increased operating efficiencies and cost reductions. The Company is committed to reducing its environmental footprint by 50% by 2025, encompassing the three areas where Maple Leaf Foods has the largest environmental impact: climate change (energy usage and emissions), water usage and waste.

The Company has developed environmental sustainability action plans at every operation to deliver on its environmental goals. In 2018, the Company has made significant progress towards the implementation of these plans and reducing the Company's environmental footprint. Details on this environmental performance can be found in the annual sustainability report available on the Company's website (www.mapleleaffoods.com).

RISK FACTORS

The Company operates in the food processing and agricultural businesses and is therefore subject to risks and uncertainties related to this business that may have adverse effects on the Company's results of operations and financial condition. The following risk factors should be considered carefully. These risk factors, along with other risks and uncertainties not currently known to the Company, or that the Company currently considers immaterial, could materially and adversely affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking information, including any financial outlooks, relating to the Company.

Risks Related to the Business of Maple Leaf Foods

Focus on Protein Business

Maple Leaf Foods is a food protein company. As a result, the Company may be susceptible to earnings volatility. This factor may have a material adverse effect on the Company's financial condition and results of operations.

Leverage and Availability of Capital

The ability of the Company to secure short-term and long-term financing on terms acceptable to the Company is critical to fund business growth and manage its liquidity. As a result of acquisitions and return of capital to shareholders through dividend increases and share buybacks, the Company is in a net debt position. Furthermore, the Company is embarking on a period of elevated capital expenditures as it invests in large scale and efficient processing capacity. The failure or inability of the Company to secure short-term and long-term financing in the future on terms that are commercially reasonable and acceptable to the Company could have a significant impact on the Company's opportunity for growth. Even if the Company does successfully raise additional capital when needed, if it issues equity securities, investors will be diluted, and if it raises additional debt, it will be further leveraged and could be subject to restrictive covenants, such as restrictions on paying dividends or being required to pledge assets.

Livestock

The Company's operations and the demand for the Company's products can be significantly affected by outbreaks of disease among hogs and poultry (collectively "livestock") or attributed to livestock whether it occurs within the Company's production operations or in the operations of third parties. The meat industry across the world is integrated by a significant level of government regulated international trade regulations. Governments combat the spread of disease during outbreaks with measures that include among other things restrictions on the movement of meat and livestock between jurisdictions which results in supply excesses and shortages and price volatility which in some cases reaches extreme levels. In 2018 there was an outbreak of African Swine Fever in China which has since spread to other countries. While restrictions have been put in place by the foreign jurisdictions to contain the spread of the disease in hog populations there can be no assurance the outbreak will be contained, or that the outbreak will not spread to areas that supply the Company with live hogs or that additional restrictions will be put in place that will impede the Company's access to other markets or create volatile market conditions. These could have a material adverse impact on the Company's operations and financial condition. In the longer term, the availability of livestock in the relative proximity of the Company's processing facilities may be impacted by climate change if the availability of feed grains in the relative proximity of its processing facilities is altered.

The Company monitors herd and flock health status and has strict bio-security procedures and employee training programs throughout its hog production system and ensures the animals receive veterinary medications as required. However, there is no guarantee these processes will not fail. In addition, not all livestock procured by the Company may be subject to these processes, as the majority of livestock processed by the Company is purchased from independent third parties. In addition to risks associated with maintaining the health of the Company's livestock, any outbreak of disease elsewhere in the world could reduce consumer confidence in the meat products affected by the particular disease and generate adverse publicity. Accordingly, there can be no assurance that an outbreak of animal disease in Canada or elsewhere will not have a material adverse effect on the Company's financial condition and results of operations.

Supply Chain Consolidation

In 2015, the Company completed its consolidation and upgrade of its prepared meats manufacturing network. The Company also reconfigured its distribution systems for prepared meats into two large distribution centers. In 2018, the Company also announced the construction of a new large-scale poultry processing plant to replace three older smaller scale plants which will be closed. As a result of these initiatives, the Company's operations are more concentrated in fewer facilities resulting in the risk that any unforeseen disruption in such facilities could have a greater effect on the operations of the Company as a whole.

Food Safety and Consumer Health

The Company is subject to risks that affect the food industry in general, including risks posed by food spoilage, accidental contamination, product tampering, consumer product liability, and the potential costs and disruptions of a product recall. The Company's products are susceptible to contamination by organisms that can cause illness, or pathogens, such as certain strains of *Escherichia coli* (E. coli), *Salmonella* and *Listeria*. There is a risk that these pathogens could be present in certain products produced by the Company. The Company actively manages these risks by maintaining strict and rigorous controls and processes in its manufacturing facilities and distribution systems and by maintaining prudent levels of insurance. However, the Company cannot assure that such systems, even when working effectively, will eliminate the risks related to food safety. The Company could be required to recall certain of its products in the event of contamination or adverse test results or as a precautionary measure, similar to other recalls initiated in the past. There is also a risk that not all of the product subject to the recall will be properly identified, or that the recall will not be successful or not be enacted in a timely manner. Any product contamination could subject the Company to product liability claims, adverse publicity and government scrutiny, investigation or intervention, resulting in increased costs and decreased sales. Many of these costs and losses are not covered by insurance. Any of these events could have a material adverse impact on the Company's financial condition and results of operations.

Cyber Security

The Company relies on information technology systems in all areas of operations. These systems are subject to an increasing number of sophisticated cyber threats. The methods used to obtain unauthorized access, disable or degrade service or sabotage systems are constantly evolving. Should a cyber-attack be successful and a breach of sensitive information occur or its systems and services be disrupted, Maple Leaf Foods' financial position, brand, and/or ability to achieve its strategic objectives may be negatively affected.

The Company maintains policies, processes, and procedures to address capabilities, performance, security, and system availability including resiliency and disaster recovery for systems, infrastructure, and data. Security protocols, along with information technology security policies, address compliance with information technology security standards, including those relating to information belonging to the Company's customers, employees and suppliers. The Company actively monitors, manages, and continues to enhance its ability to mitigate cyber risk through its enterprise wide programs. However, there is no assurance that any of these measures will be successful.

Risk of Returning or not Returning Capital to Shareholders

In each of 2015 through 2018 the Company entered into normal course issuer bids and purchased during those periods a total of 21.8 million common shares at a cost of $601.5 million. These purchases included 5.3 million common shares in 2018 at a cost of $166.5 million. The Company also raised its dividend rate in each of those years. There can be no assurance that the Company will continue with share repurchases. The payment of dividends is at the discretion of the Board of Directors and there can be no assurance that the Company will maintain or increase its dividends. Failure to continue with share repurchases and/or failure to pay dividends or increase the rate at which dividends are paid may have a material adverse effect on the Company's share price.

Business Acquisitions, Divestitures, and Capital Expansion Projects

The Company has made acquisitions over the last two years and continues to review opportunities for strategic growth through acquisitions. Any acquisitions may involve large transactions or realignment of existing investments, and present financial, managerial and operational challenges, which, if not successfully overcome, may reduce the Company's profitability. These risks include: the diversion of Management's attention from existing core businesses; difficulties integrating or separating personnel, financial, and other systems; adverse effects on existing business relationships with suppliers and customers; inaccurate estimates of the rate of return on acquisitions or investments; inaccurate estimates of fair value made in the accounting for acquisitions and amortization of acquired intangible assets, which could reduce future reported earnings; potential loss of customers or key employees of acquired businesses; and indemnities and potential disputes with the buyers or sellers. Any of these items could materially adversely affect the Company's financial condition and results of operations.

The Company may, from time to time, determine that certain aspects of its operations are not required to be owned to support its core business operations and may seek to sell an operation if it believes it can realize sufficient value from its sale. Such a sale may divert Management's attention from existing core businesses during the sale process, create difficulties in separating personnel, financial, and other systems, and cause adverse effects on existing business relationships with suppliers and customers. Any of these items could materially adversely affect the Company's financial condition and result in a reduction of earnings beyond the earnings of any operation to be sold.

Climate Change

Maple Leaf Foods' commitment to its purpose to Raise the Good in Food drives the Company to achieve its aspirational vision: To Become the Most Sustainable Protein Company on Earth. Reducing its environmental impact to sustainable levels is a core strategy supporting the Company's vision. The potential effects of climate change could have a material impact on the Company and its operations. The Company has set environmental footprint reduction targets and has executed certain energy efficiency and greenhouse gas emission reduction projects which were at the time of implementation commercially economic. There can be no assurance the ongoing operating costs of those initiatives will continue to be financially beneficial. Over the long term, the Company's products, processes and facilities may require significant restructuring to comply with laws and regulations enacted to combat climate change or to meet competitive industry standards for costs and efficiency. These costs may be material. In the short term, new laws or taxes may be imposed by governments, the cost of which may not be able to be passed on in the price of the Company's products. To maintain its reputation with consumers and to support its sustainability strategy, the Company may consider it necessary to voluntarily adopt more aggressive greenhouse gas and carbon emission reduction initiatives, the cost of which may not be recovered in the selling price of its products.

Pension Plan Assets and Liabilities

In the normal course of business, the Company provides post-retirement pension benefits to its employees under both defined contribution and defined benefit pension plan arrangements. The funded status of the plans significantly affects the net periodic benefit costs of the Company's pension plans and the ongoing funding requirements of those plans. Among other factors, changes in interest rates, mortality rates, early retirement rates, and the market value of plan assets can affect the level of plan funding required, increase the Company's future funding requirements, and cause volatility in the net periodic pension cost as well as the Company's financial results. Any increase in pension expense or funding requirements could have a material adverse impact on the Company's financial condition and results of operations.

Hog and Pork Market Cyclicality and Supply

The Company's results of operations and financial condition are partially dependent upon the cost and supply of hogs as well as the selling prices for fresh meat products, both of which are influenced by constantly changing market forces of supply and demand over which the Company has little or no control. These prices, for the most part, are denominated in or related to U.S. dollars, which adds further variability due to fluctuations in exchange rates. The North American primary pork processing markets are highly competitive, with major and regional companies competing in each market. The market prices for pork products regularly experience periods of supply and demand imbalance and are sensitive to changes in industry processing capacity. Other factors that can influence the supply and market price of live hogs include: fluctuations in the size of herds maintained by North American hog suppliers; environmental and conservation regulations; economic conditions; the relative cost of feed for hogs; weather; livestock diseases; and changes to foreign jurisdiction restrictions on drugs, vitamin and feed additives used in hogs raised in Canada. There can be no assurance that all or part of any such increased costs experienced by the Company from time to time can be passed along to consumers of the Company's products directly or in a timely manner or that meat restricted from certain foreign markets can be sold at acceptable prices. The factors described above may also impact the supply of hogs available for processing at the Company's pork processing plants by negatively impacting the financial strength of the various independent farming operations upon which the Company relies to meet its requirements for hogs. Any of these could have a material adverse effect on the Company's financial condition and results of operations.

Over the long term, a reduction in the availability of livestock at the Company's processing plant may result in higher transportation costs if livestock is sourced from more distant growing areas or result in higher capital costs if the Company is required to relocate processing facilities. There can be no assurance that those extra operating costs or capital costs can be passed on to customers which may have a material adverse effect on the Company's financial condition and results of operations.

The Company is increasing its sales of raised without antibiotic meat products and in turn expanding the portion of its hog supply raised without antibiotics. Animals raised without antibiotics have a higher cost of production and command higher prices. If the Company fails to find markets or buyers willing to pay the premium price for all the raised without antibiotic meat produced, a portion of the higher cost meat will be sold through lower price conventional channels.

The Company has developed a comprehensive internal contingency plan for dealing with animal disease occurrences and/or a more broad-based pandemic. It has taken steps to support the Canadian government in enhancing both the country's prevention measures and preparedness plans. There can be no assurance, however, that these prevention measures or plans will be successful in minimizing or containing the impact of an outbreak of animal disease and that such outbreak will not have a material adverse effect on the Company's financial condition and results of operations. Furthermore, the Company's supply of raised without antibiotic meats may be at a greater risk supply disruption in the event of an animal disease outbreak.

Commodities

The Company is a purchaser of, and its business is dependent on, certain commodities in the course of normal operations, such as feed grains, livestock, and energy, such as oil-based fuel, natural gas, and electricity. Commodity prices are subject to fluctuation and such fluctuations are sometimes severe. Furthermore, changes in climate and other long-term trends may have a material effect on the availability and prices of the commodities the Company uses.

The Company may use commodity futures and options for hedging purposes to reduce the effect of changing prices in the short term, but such hedges may not be successful in mitigating this commodity price risk and may, in some circumstances, subject the Company to loss. On a longer-term basis, the Company attempts to manage the risk of increases in commodities and other input costs by increasing the prices it charges to its customers or switching to alternatives; however, no assurance can be given that customers will continue to purchase the Company's products if prices rise or that alternatives may be available or less costly. Any fluctuations in commodity prices that the Company is unable to properly hedge or mitigate could have a material adverse effect on the Company's financial condition and results of operations.

Supply Management

Under Canada's system of supply management, the Company's poultry operations are required to source substantially all live poultry for processing from Canadian farms which are collectively subject to restrictions on production under a quota system. Furthermore, the price at which the live poultry is available is also controlled. The supply management system may limit the availability of live poultry for processing impeding the Company's growth in the market or could create a circumstance where excesses impact the price of poultry meat without a corresponding adjustment to the controlled live poultry price. Furthermore, any dismantling of the supply management system could have negative effect on individual producers and disrupt the availability of live poultry in Canada. In that event, the Company may not be able to find alternative source of live supply which could have a material adverse effect on the Company's financial condition and results of operations.

Legal Matters

In the normal course of its operations, the Company becomes involved in various legal actions including class actions, either as plaintiff or defendant, relating to its commercial activities and relationships, employment matters, product liabilities, in addition to other things. This includes a class action that was launched in respect of pricing practices at packaged bread manufacturers and retailers that are the subject of an ongoing investigation by the Competition Bureau. Maple Leaf Foods is not the subject of the investigation, but it believes that it was added as a defendant to the class action as a result of the share ownership position it previously held in Canada Bread. The Company generally believes that the resolution of these various types of claims will not have a material effect on the Company based, in part, on the availability of insurance. However, the final outcome with respect to actions outstanding, pending or with respect to future claims cannot be predicted with certainty. Furthermore, even if any action is settled within insurance limits, this can result in increases to the Company's insurance premiums. Therefore, there can be no assurance that their resolution will not have a material adverse effect on the Company's financial condition or results of operations.

Systems Conversion, Standardization and Common Systems

The Company regularly implements process improvement initiatives to simplify and harmonize its systems and processes to optimize performance and reduce the risk of errors in financial reporting. There cannot be any guarantee that any such changes will improve current processes or operating results or reduce the risk of errors in financial reporting. Any of these failures could have a material adverse impact on the Company's financial condition and results of operations.

Reliance on Other Manufacturers

The Company relies on contract manufacturers for production of some of it products for reasons such as, seasonal peak demand, unavailability of specialized equipment, or efficiency in the case of low volume product lines. Acceptable contract manufacturers may not always be available which could result in higher production costs, additional capital requirements or lost sales. While the Company maintains a strict quality and food safety protocol and monitoring regime, any deficiencies could result in product liability, recalls or other consequence that could negatively impact the Company's reputation and could have a material adverse effect on the Company's financial condition and results of operations.

International Trade

The Company exports significant amounts of its products to customers outside of Canada and certain of its inputs are affected by global commodity prices. The Company's international operations are subject to inherent risks, including: change in the free flow of food products between countries; fluctuations in currency values; discriminatory fiscal policies; unexpected changes in local regulations and laws; and the uncertainty of enforcement of remedies in foreign jurisdictions. In addition, trade agreements between Canada and foreign jurisdictions could change and foreign jurisdictions could impose tariffs, quotas, trade barriers, and other similar restrictions on the Company's international sales, as well as subsidize competing agricultural products. All of these risks could result in increased costs or decreased revenues, either of which could have a material adverse effect on the Company's financial condition and results of operations.

Regulation

The Company's operations are subject to extensive regulation by government agencies in the countries in which it operates, including: the Canadian Food Inspection Agency; the Ministry of Agriculture in Canada; provincial Ministries of the Environment in Canada; and the United States Department of Agriculture. These agencies regulate the processing, packaging, storage, distribution, advertising, and labeling of the Company's products, including food safety standards. The Company's manufacturing facilities and products are subject to inspection by federal, provincial, and local authorities. The Company strives to maintain compliance with all laws and regulations and maintains all permits and licenses relating to its operations. Nevertheless, there can be no assurance that the Company is in compliance with all such laws and regulations, has all necessary permits and licenses, and will be able to comply with such laws and regulations, permits and licenses in the future. Failure by the Company to comply with applicable laws and regulations and permits and licenses could subject the Company to civil remedies, including fines, injunctions, recalls or seizures, as well as potential criminal sanctions, which could have a material adverse effect on the Company's financial condition and results of operations. Various governments throughout the world are considering regulatory proposals relating to genetically modified organisms, drug residues in food ingredients, food safety, and market and environmental regulation that, if adopted, may increase the Company's costs. There can be no assurance that additional regulation will not be enacted. In fact, new regulations and standards were enacted to address the risks associated with certain pathogens in response to the Company's August 2008 recall of ready-to-eat meat products. If any of these or other proposals or regulations are enacted, the Company could experience a disruption in the supply or distribution of its products, increased operating costs, and significant additional cost for capital improvements. The Company may be unable to pass on the cost increases associated with such increased regulatory burden to its customers without incurring volume loss as a result of higher prices. Any of these events could have a material adverse effect on the Company's financial condition and results of operations.

Foreign Currencies

A portion of the Company's revenues and costs are either denominated in or directly linked to other currencies (primarily U.S. dollars and Japanese yen). In periods when the Canadian dollar has appreciated both rapidly and materially against these foreign currencies, revenues linked to U.S. dollars or Japanese yen are immediately reduced, while the Company's ability to change prices or realize natural hedges may lag the immediate currency change. The effect of such sudden changes in exchange rates can have a significant immediate impact on the Company's earnings. Due to the diversity of the Company's operations, normal fluctuations in other currencies do not generally have a material impact on the Company's profitability in the short term due to either natural hedges and offsetting currency exposures (for example, when revenues and costs are both linked to other currencies) or the ability in the near term to change prices of its products to offset adverse currency movements. However, as the Company competes in international markets, and faces competition in its domestic markets from U.S. competitors, significant changes in the Canadian to U.S. dollar exchange rate can have, and have had, significant effects on the Company's relative competitiveness in its domestic and international markets, which can have, and have had, significant effects on the Company's financial condition and results of operations.

Consumer Trends

Success of the Company depends in part on the Company's ability to respond to market trends and produce innovative products that anticipate and respond to the changing tastes and dietary habits of consumers. From time to time certain products can be deemed to be more or less healthy and this can impact consumer buying patterns. The Company's failure to anticipate, identify, or react to these changes or to innovate could result in declining demand and prices for the Company's products, which in turn could have a material adverse effect on the Company's financial condition and results of operations.

Environmental Regulation and Risks

The Company's operations are subject to extensive environmental laws and regulations pertaining to the discharge of materials into the environment (including greenhouse gases) and the handling and disposition of wastes (including solid and hazardous wastes) or otherwise relating to protection of the environment. Failure to comply could have serious consequences, such as criminal as well as civil penalties, liability for damages, and negative publicity for the Company. No assurances can be given that additional environmental issues relating to presently known matters or identified sites or to other matters or sites will not require additional expenditures, or that requirements applicable to the Company or levies or taxes assessed against the Company will not be altered in ways that will require the Company to incur significant additional costs. In addition, certain facilities of the Company have been in operation for many years and, over time, the Company and other prior operators of such facilities may have generated and disposed of waste which is or may be considered to be hazardous. Future discovery of previously unknown contamination of property underlying or in the vicinity of the Company's present or former properties or manufacturing facilities and/or waste disposal sites could require the Company to incur material unforeseen expenses. Occurrences of any such events could have a material adverse effect on the Company's financial condition and results of operations.

Consolidating Customer Environment

As the retail grocery and foodservice trades continue to consolidate and customers grow larger and more sophisticated, the Company is required to adjust to changes in purchasing practices and changing customer requirements. Failure to do so could result in losing sales volumes and market share. The Company's sales and profitability could also be affected by deterioration in the financial condition of, or other adverse developments in, the relationship with one or more of its major customers. Any of these events could have a material adverse effect on the Company's financial condition and results of operations.

Competitive Industry Environment

The food industry is intensely competitive. In many product categories in which the Company operates there are low barriers to entry. Competition is based on product availability, product quality, price, effective promotions, and the ability to target changing consumer preferences. The Company experiences price pressure from time to time as a result of competitors' promotional efforts and in product categories and markets characterized by low capacity utilization. Increased competition could result in reduced sales, margins, profits, and market share, all of which could have a material adverse effect on the Company's financial condition and results of operations.

Employment Matters

The Company and its subsidiaries have approximately 12,000 full-time and part-time employees, which include salaried and union employees, many of whom are covered by collective agreements. These employees are located in various jurisdictions, each such jurisdiction having differing employment laws. While the Company maintains systems and procedures to comply with the applicable requirements, there is a risk that failures or lapses by individual managers could result in a violation or cause of action that could have a material adverse effect on the Company's financial condition and results of operations. Furthermore, if a collective agreement covering a significant number of employees or involving certain key employees were to expire or otherwise cease to have effect leading to a work stoppage, there can be no assurance that such work stoppage would not have a material adverse effect on the Company's financial condition and results of operations. The Company's success is also dependent on its ability to recruit and retain qualified personnel. The loss of one or more key personnel could have a material adverse effect on the Company's financial condition and results of operations.

Product Pricing

The Company's profitability is dependent, in large part, on the Company's ability to make pricing decisions regarding its products that, on one hand encourage consumers to buy, yet on the other hand recoup development and other costs associated with those products. Products that are priced too high will not sell and products priced too low will not generate an adequate return. Accordingly, any failure by the Company to properly price its products could have a material adverse effect on the Company's financial condition and results of operations.

Supply Chain Management

Successful management of the Company's supply chain is critical to the Company's success. Insufficient supply of products threatens the Company's ability to meet customer demands while over capacity threatens the Company's ability to generate competitive profit margins. Accordingly, any failure by the Company to properly manage the Company's supply chain could have a material adverse effect on the Company's financial condition and results of operations.

Strategic Risk Management

Successful identification and management of the strategic risks facing the Company from time to time is critical to the Company's success. Among other things, these risks include changes in technology, the food industry, customers, consumers, and competitors. Failure to properly adapt to changes in strategic risks could have a material adverse effect on the Company's financial condition and results of operations.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

Long-Lived Assets Valuation

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

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

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

Measurement of Fair Values

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

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

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Notes 7, 9, 10, 11, 17, 22, and 27 of the Company's 2018 audited consolidated financial statements.

Nature of Interests in Other Entities

Management applies significant judgement in assessing the nature of its interest in unconsolidated structured entities relating to its accounts receivable securitization facilities. The Company does not hold any equity interest in the structured entities and based on the terms of the agreements under which the entities are established, the Company does not receive the returns related to their operations and is exposed to limited recourse with respect to losses (refer to Note 23 of the Company's 2018 audited consolidated financial statements).

Valuation of Inventory

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

Biological Assets

Biological assets are measured at each reporting date, at fair value less costs to sell, except when fair value cannot be reliably measured. If fair value cannot be reliably measured, biological assets are measured at cost less depreciation and impairment losses. Although a reliable measure of fair value may not be available at the point of initial recognition, it may subsequently become available. In such circumstances, biological assets are measured at fair value less costs to sell from the point at which the reliable measure of fair value becomes available. Gains and losses that arise on measuring biological assets at fair value less costs to sell are recognized in the statement of net earnings in the period in which they arise. Costs to sell include all costs that would be necessary to sell the biological assets, including costs necessary to get the biological assets to market. Management uses estimates for some of the inputs into the determination of fair value. To the extent that actual values differ from estimates, biological assets, net earnings and comprehensive income will be affected in future periods.

Trade Merchandise Allowances and Other Trade Discounts

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

Employee Benefit Plans

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

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows:

	2018	2017
Weighted average discount rate	**3.80%**	3.40%
Rate of salary increase	**2.75%**	3.00%
Medical cost trend rates	**5.00%**	5.00%

Information about the sensitivity of the plan obligations to changes in assumptions is presented below:

				Increase (decrease) in defined benefit obligation		
($ thousands) **Actuarial Assumption**			**Sensitivity**	**Total pensions**	**Other post-retirement benefits**	**Total**
Period end discount rate	3.80%	0.25%	decrease	$ 33,572	$ 1,255	$ 34,827
		0.25%	increase	$ (32,523)	$ (1,224)	$ (33,747)
Rate of salary increase	2.75%	0.50%	increase	$ 2,052	N/A	$ 2,052
Mortality	110% of 2014 Private Sector Canadian Pensioners' Mortality Table, projected generationally using scale MI-2017		Increase of 1 year in expected lifetime of plan participants	$ 33,556	$ 1,712	$ 35,268

Income Taxes

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

Provisions

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

Share-Based Compensation

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

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

Depreciation and Amortization

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

SIGNIFICANT ACCOUNTING POLICIES

Accounting Standards Adopted During the Period

During the year ended December 31, 2018, the Company adopted certain standards and amendments. As required by IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the nature and the effect of these changes are disclosed below:

Revenue Recognition

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

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

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

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

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

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

	Twelve months ended December 31, 2018		
	Amounts without adoption of IFRS 15	**Impact of adopting IFRS 15**	**As reported on the consolidated financial statements**
Sales	$ 3,631,826	$ (136,307)	$ 3,495,519
Cost of goods sold	$ 3,077,289	$ (133,567)	$ 2,943,722
Gross margin	$ 554,537	$ (2,740)	$ 551,797
Selling, general and administrative expenses	$ 344,256	$ (2,764)	$ 341,492
Net earnings	$ 101,324	$ 24	$ 101,348

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

	December 31, 2018		
	Amounts without adoption of IFRS 15	**Impact of adopting IFRS 15**	**As reported on the consolidated financial statements**
Inventories	$ 341,105	$ 7,796	$ 348,901
Deferred tax liability	$ 127,145	$ (780)	$ 126,365
Other current liabilities	$ 13,204	$ 10,827	$ 24,031
Retained earnings	$ 1,172,440	$ (2,251)	$ 1,170,189

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

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

Financial Instruments – Recognition and Measurement

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

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

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

Share-Based Payments

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

Foreign Currency Transactions and Advance Considerations

Beginning on January 1, 2018, the Company adopted IFRIC 22 Foreign Currency Transactions and Advance Consideration which requires that when a foreign currency transaction occurs, where consideration is received or paid in advance of the recognition of the related asset, expense, or income, the exchange rate used should be based on the exchange rate as at the date when the pre-payment asset or deferred liability is recognized. The adoption of IFRIC 22 did not have a material impact on the consolidated financial statements.

Accounting Pronouncements Issued But Not Yet Effective

Leases

In January 2016, the IASB issued IFRS 16 Leases with a mandatory effective date of January 1, 2019. The new standard will replace IAS 17 Leases and will substantially carry forward the accounting requirements for lessors. IFRS 16 provides a new framework for lessee accounting that requires substantially all right of use assets obtained through operating leases to be capitalized and a related liability to be recorded. The new standard seeks to provide a more accurate picture of a company's leased assets and related liabilities and create greater comparability between companies who lease assets and those who purchase assets. The Company will adopt IFRS 16 in its consolidated financial statements for the annual period beginning January 1, 2019 and intends to transition using the modified retrospective approach.

The adoption of IFRS 16 will result in changes to property, equipment and vehicle lease contracts which were previously classified as operating leases under IAS 17. Upon adoption, lease obligations equal to the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate will be recognized. A right of use asset, representing the Company's right to use the underlying leased asset, will generally be equal to the lease obligation at adoption and subsequently depreciated. Operating lease expenses recognized in the consolidated statement of net earnings under IAS 17 will be replaced by depreciation of the right of use asset and interest expense on the lease obligation.

The Company has performed a review of its current leases, business processes and information systems and has implemented a lease management system to perform its day to day management and lease calculations. For the period beginning January 1, 2019, the implementation of IFRS 16 is expected to increase total assets by approximately $201.0 million, increase total liabilities by approximately $197.0 million, and increase opening retained earnings by approximately $4.0 million.

Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23 Uncertainty over Income Tax Treatments with a mandatory effective date of January 1, 2019. The interpretations provide guidance on how to value uncertain income tax positions based on the probability of whether the relevant tax authorities will accept a company's tax treatments. A company is to assume that a taxation authority, with the right to examine any amounts reported to it, will examine those amounts and will have full knowledge of all relevant information when doing so. IFRIC 23 is to be applied by recognizing the cumulative effect of initially applying these guidelines in opening retained earnings without adjusting comparative information. For the period beginning January 1, 2019, the implementation of IFRIC 23 is expected to decrease opening retained earnings by approximately $1.0 million and increase total liabilities by approximately $1.0 million.

Long-term Interests in Associates and Joint Ventures

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

Annual Improvements to IFRS (2015-2017) Cycle

In December 2017, the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvement process. Amendments were made to clarify that a company must remeasure its previously held interest in a joint operation when it obtains control of the business in accordance with IFRS 3 Business Combinations but does not remeasure when it obtains joint control of the business under IFRS 11 Joint Arrangements. The amendments also include clarification that, all income tax consequences of dividend payments should be recognized consistently with the transactions that generated the distributable profits, under IAS 12 Income Taxes and that under IAS 23 Borrowing Costs, any specific borrowing that remains outstanding after the related asset is ready for its intended use or sale becomes part of general borrowings. The Company intends to adopt these amendments prospectively in its consolidated financial statements for the annual period beginning January 1, 2019. The impact of the Annual Improvements to IFRS (2015-2017) Cycle is not expected to have a material impact on the consolidated financial statements.

Employee benefits (amendment)

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

Conceptual Framework

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

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management, under the direction and supervision of the Company’s Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining disclosure controls and procedures. These controls and procedures are designed to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is accumulated and communicated to Management in a timely manner so that information required to be disclosed by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified in applicable securities legislation. Management, under the direction and supervision of the Company’s Chief Executive Officer and Chief Financial Officer, is also responsible for establishing and maintaining internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

As required by National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings, the Company's Chief Executive Officer and Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's internal control over financial reporting and disclosure controls and procedures as at December 31, 2018 and have concluded that such controls and procedures are effective.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

There have been no changes in the Company's internal control over financial reporting that occurred during the period beginning on January 1, 2018, and ended on December 31, 2018, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

OUTLOOK

Maple Leaf Foods is committed to creating shared value with a focus on driving commercial and financial results and creating competitive advantage through addressing some of society's most pressing issues. The Company is a leading consumer protein company, with the competitive advantages of a portfolio of leading brands, a robust pipeline of opportunities in attractive expanding markets and a proven-track record of execution. Combined with its solid balance sheet and capital structure that provide the financial flexibility to invest in future growth, Maple Leaf Foods is well-positioned to drive sustainable growth and create shareholder value.

Ongoing uncertainty in fresh pork markets are expected with continued global trade negotiations, potential for increased supply and the confirmation of African Swine Fever in China. Within this environment, management remains focused on existing opportunities to grow its core business and profitability through improved commercial performance, operational efficiencies and progress against strategic initiatives for longer-term value creation.

In 2017, Maple Leaf Foods set a profitability target to achieve Adjusted EBITDA margin between 14% - 16% within five years. The Company maintains a steadfast focus on meeting this target as planned with ongoing progress and advancement of five key growth initiatives: (i) sustainable meat; (ii) poultry network; (iii) food renovation; (iv) plant protein; and (v) cost culture delivering operational savings and efficiencies to fuel growth.

For 2019 the Company expects to:

- Invest approximately $400 million in capital expenditures, including approximately $250 million related to the construction of the new value-added poultry facility in London, Ontario;
- Continue to build its leadership in sustainable meat with further advancement in animal care including progress towards transitioning all sows under management to open housing systems by 2021, and ongoing retail and food service growth of the RWA category in Canada and the U.S.;
- Initiate construction of its London Poultry facility;
- Gain further momentum in prepared meats sales volume as the Company benefits from the food renovation and brand repositioning of its Maple Leaf®, Schneiders® and Swift® brands;
- Continue to accelerate its leadership in the North American refrigerated plant-based protein market under its flagship Lightlife and Field Roast brands, targeting consistent double digit-growth in sales supported by new product innovations and investment in capacity to meet demand; and
- Continue to pay shareholder dividends commensurate with the growth of the business.

NON-IFRS FINANCIAL MEASURES

The Company uses the following non-IFRS measures: Adjusted Operating Earnings, Adjusted Earnings per Share, Adjusted EBITDA, Net (Debt) Cash, 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 Operating Earnings, a non-IFRS measure, is used by Management to evaluate financial operating results. It is defined as earnings before income taxes adjusted for items that are not considered representative of ongoing operational activities of the business and items where the economic impact of the transactions will be reflected in earnings in future periods when the underlying asset is sold or transferred.

The table below provides a reconciliation of net earnings as reported under IFRS in the audited consolidated statement of earnings to Adjusted Operating Earnings for the years ended, as indicated below. Management believes that this basis is the most appropriate on which to evaluate operating results, as they are representative of the ongoing operations of the Company.

	December 31,	
($ thousands)	**2018**	**2017**
Net earnings	**$ 101,348**	$ 164,089
Income taxes	**39,755**	50,192
Earnings before income taxes	**$ 141,103**	$ 214,281
Interest expense and other financing costs	**10,040**	5,168
Other expense (income)	**12,974**	(3,609)
Restructuring and other related costs	**46,188**	23,024
Earnings from operations	**$ 210,305**	$ 238,864
Decrease (Increase) in fair value of biological assets*(i)*	**10,905**	(1,267)
Unrealized (gain) loss on derivative contracts*(ii)*	**(5,584)**	26,243
Adjusted Operating Earnings	**$ 215,626**	$ 263,840

(i) *Refer to Note 7 of the Company's 2018 audited consolidated financial statements for further details regarding biological assets.*

(ii) *Unrealized losses (gains) on derivative contracts are reported within cost of goods sold in the Company's 2018 audited consolidated financial statements.*

Adjusted Earnings per Share

Adjusted Earnings per Share, a non-IFRS measure, is used by Management to evaluate financial operating results. It is defined as basic earnings per share and is adjusted on the same basis as Adjusted Operating Earnings. The table below provides a reconciliation of basic earnings per share as reported under IFRS in the audited consolidated statements of earnings to Adjusted Earnings per Share for the years ended, as indicated below. Management believes this basis is the most appropriate on which to evaluate financial results as they are representative of the ongoing operations of the Company.

	December 31,	
($ per share)	**2018**	2017
Basic earnings per share	**$ 0.81**	$ 1.28
Restructuring and other related costs*(i)*	**0.27**	0.13
Items included in other expense (income) not considered representative of ongoing operations*(ii)*	**0.11**	(0.01)
Change in fair value of biological assets*(iii)*	**0.06**	(0.01)
Unrealized (gain) loss on derivative contracts*(iii)*	**(0.03)**	0.15
Adjusted Earnings per Share*(iv)*	**$ 1.22**	$ 1.54

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

(ii) *Primarily includes (gains) and losses on disposal of investment properties, acquisition related costs and interest income, net of tax.*

(iii) *Includes per share impact of the change in unrealized loss (gain) on derivative contracts and the change in fair value of biological assets, net of tax.*

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

Adjusted Earnings Before Interest, Income Taxes, Depreciation, and Amortization

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

	December 31,	
($ thousands)	**2018**	2017
Net earnings	**$ 101,348**	$ 164,089
Income taxes	**39,755**	50,192
Earnings before income taxes	**$ 141,103**	$ 214,281
Interest expense and other financing costs	**10,040**	5,168
Items included in other expense (income) not considered representative of on-going operations[(i)]	**15,630**	(3,582)
Restructuring and other related costs	**46,188**	23,024
Increase in fair value of biological assets and unrealized loss (gain) on derivative contracts	**5,321**	24,976
Depreciation and amortization[(ii)]	**126,035**	117,190
Adjusted EBITDA	**$ 344,317**	$ 381,057

[(i)] *Primarily includes (gains) and losses on disposal of investment properties, acquisition related costs and interest income, net of tax.*

[(ii)] *Depreciation and amortization excludes depreciation related to investment properties*

Net (Debt) Cash

The Company calculates Net (Debt) Cash 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. The following table reconciles Net (Debt) Cash to amounts reported under IFRS in the Company's audited consolidated balance sheets for the years ended, as indicated below:

	December 31,	
($ thousands)	**2018**	2017
Current portion of long-term debt	**$ (80,897)**	$ (805)
Long-term debt	**(302,524)**	(8,443)
Total debt	**$ (383,421)**	$ (9,248)
Cash and cash equivalents	**72,578**	203,425
Net (Debt) Cash	**$ (310,843)**	$ 194,177

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 additions to long-term assets. The following table calculates Free Cash Flow for the periods indicated below:

($ thousands)	December 31,	
(Unaudited)	**2018**	2017
Cash provided by operating activities	**$ 299,685**	$ 386,695
Additions to long-term assets	**(179,865)**	(142,245)
Free Cash Flow	**$ 119,820**	$ 244,450

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.

FORWARD-LOOKING STATEMENTS

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

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

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

- risks associated with the Company focusing solely on the protein business;
- risks associated with the availability of capital;
- risks related to the health status of livestock;
- risks associated with concentration of production in fewer facilities;
- risks posed by food contamination, consumer liability, and product recalls;
- risks associated with cyber threats;
- risks related to the Company's decisions regarding any potential return of capital to shareholders;
- risks associated with acquisitions, divestitures, capital expansion projects and integration of new businesses;
- risk associated with climate change;
- impact on pension expense and funding requirements of fluctuations in the market prices of fixed income and equity securities and changes in interest rates;
- cyclical nature of the cost and supply of hogs and the competitive nature of the pork market generally;
- ability of the Company to hedge against the effect of commodity price changes through the use of commodity futures and options;
- impact of changes in the market value of commodities and hedging instruments;
- risks associated with the supply management system for poultry in Canada;
- risks posed by litigation;

- risks associated with changes in the Company's information systems and processes;
- risks associated with the use of contract manufacturers;
- impact of international events on commodity prices and the free flow of goods;
- risks posed by compliance with extensive government regulation;
- the Company's exposure to currency exchange risks;
- impact of changes in consumer tastes and buying patterns;
- impact of extensive environmental regulation and potential environmental liabilities;
- risks associated with a consolidating retail environment;
- risks posed by competition;
- risks associated with complying with differing employment laws and practices, the potential for work stoppages due to non-renewal of collective agreements, and recruiting and retaining qualified personnel;
- risks associated with pricing the Company's products;
- risks associated with managing the Company's supply chain;
- risks associated with failing to identify and manage the strategic risks facing the Company; and
- impact of changes in IFRS in respect of or as they may affect the availability of capital

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

About Maple Leaf Foods Inc.

Maple Leaf Foods Inc. ("Maple Leaf Foods") is a producer of 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™, Field Roast Grain Meat Co.™ and Swift®. Maple Leaf Foods employs approximately 12,000 people and does business in Canada, the U.S. and Asia. The Company is headquartered in Mississauga, Ontario and its shares trade on the Toronto Stock Exchange (MFI).