TSX: MFI
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Maple Leaf Foods Reports Second Quarter 2019 Financial Results

Mississauga, Ontario, August 1, 2019 - Maple Leaf Foods Inc. ("Maple Leaf Foods" or "the Company") (TSX: MFI) today reported its financial results for the second quarter ending June 30, 2019.

Quarterly Highlights

- Sales increased by 12.5%, driven by acquisitions, our value-added product portfolio and continued double-digit growth in plant-based protein
- Recorded a net loss of $6.3 million or $0.05 per share due to $60.7 million of non-cash fair value changes on balance sheet items, not reflective of the commercial performance of the Company, and excluded from Adjusted EBITDA[(1)]
- Adjusted EBITDA Margin[(1)] of 11.3% in meat protein and 10.6% for the Company, driven by strong commercial performance
- Net Debt[(10)] of $403.4 million, of which $63.6 million is Construction Capital[(11)]
- Pursuing aggressive new growth goals in plant-based protein, leveraging our market leadership

"We finished the quarter with strong top line growth and expanded our adjusted EBITDA margin," said Michael H. McCain, President and CEO. "Our meat protein business delivered excellent profit growth even with difficult market conditions, and we have materially stepped up our game as a leader in the plant-based protein market, positioning us to win in this high-growth business. Combined with our growth capital investments, we are pursuing compelling strategies to deliver outstanding shareholder return. Our vision to be the most sustainable protein company on earth will redefine Maple Leaf in the next decade."

Financial Highlights

Second quarter sales increased 12.5% to $1,022.7 million and Adjusted Earnings per Share[(3)] decreased 2.9% to $0.33 compared to the same quarter last year. Adjusted EBITDA Margin for the quarter was 11.3% for meat protein, and 10.6% for the Company.

For the six months ended June 30, 2019, sales increased 11.8% and Adjusted Earnings per Share decreased 17.2%. Adjusted EBITDA Margin was 10.0% for the Company.

Measure[(a)]	**Three months ended June 30,**			**Six months ended June 30,**		
(Unaudited)	**2019**	2018	Change	**2019**	2018	Change
Sales	**$ 1,022.7**	$ 909.2	12.5 %	**$ 1,929.8**	$ 1,726.8	11.8 %
Net Earnings (Loss)	**$ (6.3)**	$ 34.9	(118.2)%	**$ 43.8**	$ 62.8	(30.4)%
Basic Earnings (Loss) per Share	**$ (0.05)**	$ 0.28	(117.9)%	**$ 0.35**	$ 0.50	(30.0)%
Adjusted EBITDA Margin	**10.6%**	10.1%	50 bps	**10.0%**	10.1%	(10) bps
Adjusted Operating Earnings[(2)]	**$ 65.2**	$ 57.8	12.8 %	**$ 107.3**	$ 110.6	(3.0)%
Adjusted Earnings per Share	**$ 0.33**	$ 0.34	(2.9)%	**$ 0.53**	$ 0.64	(17.2)%

[(a)] *All financial measures in millions except Adjusted EBITDA Margin and Basic and Adjusted Earnings per Share.*

Note: 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 Reconciliation of Non-IFRS Financial Measures at the end of this news release for a description and reconciliation of all non-IFRS financial measures.

Operating Review

($ thousands) (Unaudited)	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Total Sales	**$ 1,022,699**	$ 909,244	**$ 1,929,789**	$1,726,753
Adjusted Operating Earnings	**$ 65,227**	$ 57,833	**$ 107,301**	$ 110,605
Adjusted EBITDA Margin	**10.6%**	10.1%	**10.0%**	10.1%

Sales for the second quarter increased 12.5% to $1,022.7 million. Excluding acquisitions, sales grew 3.5% driven by favourable mix due to food renovation supporting major brand strategies, fresh market values, and pricing actions taken in 2018 to mitigate inflationary pressures. Continued expansion of sustainable meats and plant-based protein also contributed to growth in sales.

Sales for the first six months increased 11.8% to $1,929.8 million. Excluding acquisitions, sales grew 2.5% consistent with the factors noted above.

Adjusted Operating Earnings were $65.2 million compared to $57.8 million in the second quarter of 2018. The gains in Adjusted Operating Earnings reflect positive commercial performance across the business driven by higher fresh market values, favorable mix attributed to food renovation, sustainable meats and growing footprint into the U.S., partially offset by higher input costs and continued investments in plant-based protein and branded products.

Adjusted Operating Earnings in the first six months was $107.3 million compared to $110.6 million last year. The change in Adjusted Operating Earnings is consistent with factors noted above, which were more than offset by investments in growth initiatives in plant-based protein, protein kits and meat pies.

Net loss for the second quarter was $6.3 million (loss of $0.05 per basic share) compared to net earnings of $34.9 million ($0.28 per basic share) in the second quarter of 2018. Second quarter net earnings were negatively impacted by $60.7 million due to non-cash fair value changes in biological assets and unrealized losses on derivative contracts, and higher interest costs as the Company continues to invest in the business. This was partially offset by margin expansion in prepared meats and growth in sustainable meats and plant-based protein, net of higher input costs and continued investments in plant-based protein and branded products.

For the first six months, net earnings were $43.8 million ($0.35 per basic share) compared to $62.8 million ($0.50 per basic share) last year. The decrease in net earnings for year to date is consistent with the factors noted above.

Adjusted EBITDA Margin for the second quarter was 11.3% for meat protein and 10.6% for the Company, compared to 10.1% for the Company in the second quarter of 2018. For the first six months, Adjusted EBITDA Margin decreased to 10.0% from 10.1% consistent with the factors noted above. Adjusted EBITDA Margin was also impacted by the adoption of IFRS 16 - Leases (“IFRS 16”). Upon the adoption of IFRS 16, leases previously classified as operating leases were capitalized on the Company’s consolidated interim balance sheet. For the second quarter an incremental $7.9 million in depreciation and $1.8 million in interest was recorded on the Company's consolidated interim statement of earnings, not included in Adjusted EBITDA. Incremental increases in depreciation and interest for the first six months were $16.0 million and $3.6 million, respectively.

The Company's consolidated interim balance sheet included $403.4 million (2018: $21.1 million) of Net Debt, of which $63.6 million (2018: $18.5 million) was Construction Capital.

Subsequent Events

On July 19, 2019, the Company amended the accounts receivable securitization facility by extending the maturity to July 19, 2022 under similar terms and using the same financial institution with a long-term debt rating of AA-. The maximum cash advance available to the Company under the amended facility has increased from $110.0 million to $120.0 million.

Other Matters

On July 31, 2019, the Board of Directors approved a dividend of $0.145 per share payable September 30, 2019 to shareholders of record at the close of business on September 6, 2019. Unless indicated otherwise by the Company at or before the time the dividend is paid, this dividend will be considered an eligible dividend for the purposes of the “Enhanced Dividend Tax Credit System”.

Conference Call

An investor presentation related to the Company’s second quarter financial results is available at www.mapleleaffoods.com and can be found under *Presentations and Webcasts* on the *Investors* page. A conference call will be held at 2:30 p.m. EDT on August 1, 2019, to review Maple Leaf Foods’ second quarter financial results. To participate in the call, please dial 416-764-8609 or 1-888-390-0605. For those unable to participate, playback will be made available an hour after the event at 416-764-8677 or 1-888-390-0541 (Passcode:718822#).

A webcast presentation of the second quarter financial results will also be available at:
https://event.on24.com/wcc/r/2045496/AA233556501E3B619AD3CE8FDB4FAD10

The Company’s full unaudited condensed consolidated interim financial statements and related Management’s Discussion and Analysis are available on the Company’s website.

Outlook

Maple Leaf Foods is committed to creating shared value with a focus on driving commercial and financial results and enhancing 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 is expected with continued global trade negotiations, the confirmation of African Swine Fever ("ASF") in China and China's temporary suspension of Canadian pork imports. ASF is leading to a shortage of pork protein in China, which is expected to increase worldwide market pricing of lean hogs as well as processed pork. Maple Leaf Foods intends to mitigate the impact of the Chinese import suspension of pork with exports to other countries and inventory management strategies. Within this environment, management remains focused on existing opportunities to grow the core business by improving commercial performance, operational efficiencies and progressing against strategic initiatives for longer-term value creation.

In 2017, Maple Leaf Foods set a profitability target to achieve an Adjusted EBITDA margin between 14% - 16% within five years. The Company remains focused on meeting this target through its profitable meat protein operations with ongoing progress in key structural margin expansion initiatives, including its sustainable meat strategy, poultry network strategy, its food renovation strategy supporting Maple Leaf's flagship brands and its cost culture to deliver operational savings and efficiencies to fuel growth. Distinct from the more mature meat protein market, plant-based protein is rapidly expanding and presents a dynamic marketplace with vast growth opportunities. Leveraging its market leadership, Maple Leaf is changing its plant-based strategy and pursuing aggressive new growth goals focused on expanding sales. Continued investments in its plant-based protein brands' strength, product innovation, people and supply chain excellence serve to secure Maple Leaf Foods' leading position in this burgeoning market.

For 2019 the Company expects to:

- Invest approximately $460.0 million in capital expenditures, including approximately $200.0 million related to the construction of the new value-added poultry facility in London, Ontario and the new plant-based protein facility in Shelbyville, Indiana. This includes continuing construction of its London Poultry facility and advancing its Shelbyville plant-based protein facility;
- 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.;
- 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; and
- Pursue aggressive new growth goals focused on expanding sales and accelerating its leadership in the refrigerated plant-based protein market under its flagship Lightlife™ and Field Roast Grain Meat Co.™ brands, targeting 2020 sales to exceed $280.0 million with an opportunity of greater than $3.0 billion in sales on a 10 year horizon, based on the plant-based protein market's growth potential and the Company's anticipated share of the market.

Reconciliation of Non-IFRS Financial Measures

The Company uses the following non-IFRS measures: Adjusted Operating Earnings, Adjusted Earnings per Share, Adjusted EBITDA, Adjusted EBITDA Margin, Construction Capital and Net Debt. Management believes that these non-IFRS measures provide useful information to investors in measuring the financial performance of the Company for the reasons outlined below. These measures do not have a standardized meaning prescribed by IFRS and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies and should not be construed as an alternative to other financial measures determined in accordance with IFRS.

Adjusted Operating Earnings

Adjusted Operating Earnings, a non-IFRS measure, is used by Management to evaluate financial operating results. It is defined as earnings before income taxes 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 consolidated financial statements to Adjusted Operating Earnings for the three and six months ended June 30, 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.

($ thousands) *(Unaudited)*	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Net (loss) earnings	**$ (6,342)**	$ 34,925	**$ 43,762**	$ 62,843
Income tax (recovery) expense	**(1,033)**	13,085	**17,800**	24,592
(Loss) earnings before income taxes	**$ (7,375)**	$ 48,010	**$ 61,562**	$ 87,435
Interest expense and other financing costs	**9,078**	1,866	**16,511**	3,519
Other expense (income)	**4,281**	(1,769)	**6,358**	1,085
Restructuring and other related (reversals) costs	**(1,429)**	1,916	**1,391**	3,971
Earnings from operations	**$ 4,555**	$ 50,023	**$ 85,822**	$ 96,010
Decrease in fair value of biological assets[(4)]	**38,290**	20,256	**12,027**	27,353
Unrealized loss (gain) on derivative contracts[(4)]	**22,382**	(12,446)	**9,452**	(12,758)
Adjusted Operating Earnings	**$ 65,227**	$ 57,833	**$ 107,301**	$ 110,605

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 Company's consolidated financial statements to Adjusted Earnings per Share for the three and six months ended June 30, as indicated below. Management believes this basis is the most appropriate on which to evaluate financial results as they are representative of the ongoing operations of the Company.

($ per share) *(Unaudited)*	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Basic (loss) earnings per share	**$ (0.05)**	$ 0.28	**$ 0.35**	$ 0.50
Restructuring and other related (reversals) costs[(5)]	**(0.01)**	0.01	**0.01**	0.02
Items included in other expense (income) not considered representative of ongoing operations[(6)]	**0.03**	0.01	**0.04**	0.03
Change in the fair value of biological assets[(7)]	**0.23**	0.12	**0.07**	0.16
Change in the fair value of unrealized loss (gain) on derivative contracts[(7)]	**0.13**	(0.07)	**0.06**	(0.07)
Adjusted Earnings per Share [(8)]	**$ 0.33**	$ 0.34	**$ 0.53**	$ 0.64

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 consolidated financial statements to Adjusted EBITDA for the three and six months ended June 30, 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.

($ thousands) (Unaudited)	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Net (loss) earnings	**$ (6,342)**	$ 34,925	**$ 43,762**	$ 62,843
Income tax (recovery) expense	**(1,033)**	13,085	**17,800**	24,592
(Loss) earnings before income taxes	**$ (7,375)**	$ 48,010	**$ 61,562**	$ 87,435
Interest expense and other financing costs	**9,078**	1,866	**16,511**	3,519
Items included in other expense (income) not representative of ongoing operations	**3,877**	1,602	**5,701**	4,292
Restructuring and other related (reversals) costs	**(1,429)**	1,916	**1,391**	3,971
Change in the fair value of biological assets and unrealized loss on derivative contracts	**60,672**	7,810	**21,479**	14,595
Depreciation and amortization	**43,205**	30,404	**85,825**	60,278
Adjusted EBITDA	**$ 108,028**	$ 91,608	**$ 192,469**	$ 174,090
Adjusted EBITDA Margin	**10.6%**	10.1%	**10.0%**	10.1%

Construction Capital

Construction Capital, a non-IFRS measure, is used by Management to evaluate the amount of capital resources invested in specific strategic development projects that have not yet entered commercial production. It is defined as investments in projects over $50.0 million that are related to longer-term strategic initiatives, with no returns expected for at least 12 months in the future and the asset will be re-categorized from Construction Capital once operational. Current strategic initiatives primarily include the investments in the London, Ontario poultry production facility, and the plant-based protein production facility in Shelbyville, Indiana. The following table is a summary of Construction Capital activity and debt financing for the periods indicated below.

($ thousands) (Unaudited)	**2019**	2018
Opening balance at January 1	**$ 22,422**	$ 12,950
Additions	**18,100**	1,925
Balance at March 31	**$ 40,522**	$ 14,875
Additions	**23,127**	3,693
Balance at June 30	**$ 63,649**	$ 18,568
Construction Capital Debt Financing[(9)]	**$ 63,649**	$ 18,568

Net Debt

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

($ thousands) (Unaudited)	As at June 30,	
	2019	2018
Cash and cash equivalents	**$ 66,927**	$ 36,497
Current portion of long-term debt	**(874)**	(827)
Long-term debt	**(469,421)**	(56,803)
Total (debt)	**$(470,295)**	$ (57,630)
Net (Debt)	**$(403,368)**	$ (21,133)

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: future performance; expectations regarding the use of derivatives, futures and options; the expected use of cash balances; source of funds for ongoing business requirements; expectations regarding capital projects, investments and expenditures; 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. All statements in this document, other than statements of historical fact, are forward looking statements. 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., Japanese, and Chinese economies; the rate of exchange of the Canadian dollar to the U.S. dollar, the Japanese yen, and the Euro; 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 related to the Company's decisions regarding any potential return of capital to shareholders;
- risks associated with the execution of capital projects, including cost, schedule and regulatory variables;
- risks associated with international trade and access to markets;
- risks associated with concentration of production in fewer facilities;
- risks associated with the availability of capital;
- risks associated with changes in the Company’s information systems and processes;
- risks associated with cyber threats;
- risks posed by food contamination, consumer liability, and product recalls;
- risks associated with acquisitions, divestitures, and capital expansion projects;
- impact on pension expense and funding requirements of fluctuations in the market prices of fixed income and equity securities and changes in interest rates;
- cyclical nature of the cost and supply of hogs and the competitive nature of the pork market generally;
- risks related to the health status of livestock;
- impact of a pandemic on the Company’s operations;
- the Company’s exposure to currency exchange risks;
- ability of the Company to hedge against the effect of commodity price changes through the use of commodity futures and options;
- impact of changes in the market value of the biological assets and hedging instruments;
- risks associated with the supply management system for poultry in Canada;
- 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;
- risks posed by litigation;
- impact of changes in consumer tastes and buying patterns;
- impact of extensive environmental regulation and potential environmental liabilities;
- risks associated with a consolidating retail environment;
- risks posed by competition;
- risks associated with complying with differing employment laws and practices, 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 International Financial Reporting Standards and other accounting standards that the Company is required to adhere to for regulatory purposes.

In addition to the factors referenced above, the Company's expectations with respect to future sales associated with the anticipated growth of its plant-based protein business as of the date hereof are based on a number of assumptions, estimates and projections that have been developed based on experience and anticipated trends, including but not limited to: market growth assumptions, market share assumptions, new product innovation, foreign exchange rates and competition.

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" in the Company's Annual Management's Discussion and Analysis for the year ended December 31, 2018, that is available on SEDAR at www.sedar.com. 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 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 employs approximately 12,500 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).

Footnote Legend

1. *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 Reconciliation of Non-IFRS Financial Measures in this news release.*
2. *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 Reconciliation of Non-IFRS Financial Measures in this news release.*
3. *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 Reconciliation of Non-IFRS Financial Measures in this news release.*
4. *Unrealized gains/losses on derivative contracts is reported within cost of goods sold in the Company's 2019 second quarter unaudited condensed consolidated interim financial statements. For biological assets information, please refer to Note 5 of the Company's 2019 second quarter unaudited condensed consolidated interim financial statements.*
5. *Includes per share impact of restructuring and other related costs, net of tax.*
6. *Primarily includes vacancy costs, acquisition related costs, interest income, and litigation costs, net of tax.*
7. *Includes per share impact of the change in unrealized losses on derivative contracts and the change in fair value of biological assets, net of tax.*
8. *May not add due to rounding.*
9. *Assumed to be fully funded by debt to the extent that the Company has Net Debt outstanding.*
10. *The Company calculates Net Debt as cash and cash equivalents, less long-term debt and bank indebtedness. Please refer to the section entitled Reconciliation of Non-IFRS Financial Measures in this news release.*
11. *Construction Capital, a non-IFRS measure, is used by Management to evaluate the amount of capital resources invested in specific strategic development projects that have not yet entered commercial production. It is defined as investments in projects over $50.0 million that are related to longer-term strategic initiatives, with no returns expected for at least 12 months in the future and the asset will be re-categorized from Construction Capital once operational. Please refer to the section entitled Reconciliation of Non-IFRS Financial Measures in this news release.*

Consolidated Interim Balance Sheets

(In thousands of Canadian dollars) *(Unaudited)*	**As at June 30, 2019**	As at June 30, 2018[(i)]	As at December 31, 2018[(i)]
ASSETS			
Current assets			
Cash and cash equivalents	**$ 66,927**	$ 36,497	$ 72,578
Accounts receivable	**161,979**	143,515	146,283
Notes receivable	**40,049**	36,452	30,504
Inventories	**396,800**	326,303	348,901
Biological assets	**107,565**	87,001	111,493
Prepaid expenses and other assets	**47,265**	22,327	38,222
Assets held for sale	**33,798**	—	—
	$ 854,383	$ 652,095	$ 747,981
Property and equipment	**1,321,425**	1,138,860	1,283,950
Right of use assets	**233,629**	—	—
Investment property	**5,109**	4,398	5,109
Employee benefits	**—**	36,733	5,389
Other long-term assets	**12,932**	7,952	8,074
Goodwill	**657,358**	616,353	664,879
Intangible assets	**350,545**	285,722	424,616
Total assets	**$ 3,435,381**	$ 2,742,113	$ 3,139,998
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accruals	**$ 384,002**	$ 310,040	$ 344,460
Current portion of provisions	**1,853**	6,021	3,457
Current portion of long-term debt	**874**	827	80,897
Current portion of lease obligations	**39,796**	—	—
Income taxes payable	**13,751**	11,440	42,884
Other current liabilities	**45,984**	46,642	24,031
	$ 486,260	$ 374,970	$ 495,729
Long-term debt	**469,421**	56,803	302,524
Lease obligations	**208,782**	—	—
Employee benefits	**160,436**	112,229	103,982
Provisions	**44,483**	9,291	49,895
Other long-term liabilities	**2,015**	15,267	53,564
Deferred tax liability	**117,596**	122,057	127,465
Total liabilities	**$ 1,488,993**	$ 690,617	$ 1,133,159
Shareholders' equity			
Share capital	**$ 845,735**	$ 834,814	$ 849,655
Retained earnings	**1,119,678**	1,237,712	1,178,389
Contributed surplus	**—**	—	4,649
Accumulated other comprehensive income	**1,375**	356	3,532
Treasury stock	**(20,400)**	(21,386)	(29,386)
Total shareholders' equity	**$ 1,946,388**	$ 2,051,496	$ 2,006,839
Total liabilities and equity	**$ 3,435,381**	$ 2,742,113	$ 3,139,998

(i) *Restated, see Note 17(a) of the Company's 2019 second quarter unaudited condensed consolidated interim financial statements.*

Consolidated Interim Statements of Net Earnings (Loss)

(In thousands of Canadian dollars, except share amounts) *(Unaudited)*	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Sales	**$ 1,022,699**	$ 909,244	**$ 1,929,789**	$ 1,726,753
Cost of goods sold	**911,723**	769,986	**1,639,292**	1,455,326
Gross margin	**$ 110,976**	$ 139,258	**$ 290,497**	$ 271,427
Selling, general and administrative expenses	**106,421**	89,235	**204,675**	175,417
Earnings before the following:	**$ 4,555**	$ 50,023	**$ 85,822**	$ 96,010
Restructuring and other related reversals (costs)	**1,429**	(1,916)	**(1,391)**	(3,971)
Other income (expense)	**(4,281)**	1,769	**(6,358)**	(1,085)
Earnings before interest and income taxes	**$ 1,703**	$ 49,876	**$ 78,073**	$ 90,954
Interest expense and other financing costs	**9,078**	1,866	**16,511**	3,519
(Loss) earnings before income taxes	**$ (7,375)**	$ 48,010	**$ 61,562**	$ 87,435
Income tax (recovery) expense	**(1,033)**	13,085	**17,800**	24,592
Net (loss) earnings	**$ (6,342)**	$ 34,925	**$ 43,762**	$ 62,843
(Loss) earnings per share:				
Basic (loss) earnings per share	**$ (0.05)**	$ 0.28	**$ 0.35**	$ 0.50
Diluted (loss) earnings per share	**$ (0.05)**	$ 0.27	**$ 0.35**	$ 0.49
Weighted average number of shares (millions)				
Basic	**123.7**	126.0	**123.6**	126.1
Diluted	**123.7**	128.3	**125.4**	128.5

Consolidated Interim Statements of Other Comprehensive Income (Loss)

(In thousands of Canadian dollars) *(Unaudited)*	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Net (loss) earnings	**$ (6,342)**	$ 34,925	**$ 43,762**	$ 62,843
Other comprehensive (loss) income				
Actuarial (losses) gains that will not be reclassified to profit or loss				
(Net of tax of $6.6 million and $15.9 million; 2018: $5.3 million and $9.4 million)	**$ (18,618)**	$ 14,874	**$ (45,000)**	$ 26,649
Items that are or may be reclassified subsequently to profit or loss:				
Change in accumulated foreign currency translation adjustment				
(Net of tax of $0.0 million and $0.0 million; 2018: $0.0 million and $0.0 million)	**$ (7,557)**	$ 7,369	**$ (15,717)**	$ 19,198
Change in foreign exchange gains (losses) on long-term debt designated as a net investment hedge				
(Net of tax of $1.1 million and $2.1 million; 2018: $0.1 million and $0.4 million)	**6,277**	(1,358)	**11,461**	(2,855)
Change in unrealized gains (losses) on cash flow hedges				
(Net of tax of $0.4 million and $0.7 million; 2018: $0.4 million and $0.9 million)	**1,307**	(1,207)	**2,099**	(6,367)
Total items that are or may be reclassified subsequently to profit or loss	**$ 27**	$ 4,804	**$ (2,157)**	$ 9,976
Total other comprehensive (loss) income	**$ (18,591)**	$ 19,678	**$ (47,157)**	$ 36,625
Comprehensive (loss) income	**$ (24,933)**	$ 54,603	**$ (3,395)**	$ 99,468

Consolidated Interim Statements of Changes in Total Equity

(In thousands of Canadian dollars) *(Unaudited)*	**Share capital**	**Retained earnings**	**Contributed surplus**	**Accumulated other comprehensive income (loss)[i]** Foreign currency translation adjustment	**Accumulated other comprehensive income (loss)[i]** Unrealized gains and losses on cash flow hedges	**Treasury stock**	**Total equity**
Balance as at December 31, 2018	**$ 849,655**	**$ 1,178,389**	**$ 4,649**	**$ 8,518**	**$ (4,986)**	**$ (29,386)**	**$ 2,006,839**
Impact of new IFRS standards[iii]	**—**	**(1,100)**	**—**	**—**	**—**	**—**	**(1,100)**
Net earnings	**—**	**43,762**	**—**	**—**	**—**	**—**	**43,762**
Other comprehensive (loss) income[ii]	**—**	**(45,000)**	**—**	**(4,256)**	**2,099**	**—**	**(47,157)**
Dividends declared ($0.29 per share)	**—**	**(35,910)**	**—**	**—**	**—**	**—**	**(35,910)**
Share-based compensation expense	**—**	**—**	**9,404**	**—**	**—**	**—**	**9,404**
Deferred taxes on share-based compensation	**—**	**—**	**1,160**	**—**	**—**	**—**	**1,160**
Obligation for repurchase of shares	**(6,891)**	**—**	**(8,221)**	**—**	**—**	**—**	**(15,112)**
Exercise of stock options	**2,971**	**—**	**—**	**—**	**—**	**—**	**2,971**
Settlement of share-based compensation	**—**	**(20,463)**	**(6,992)**	**—**	**—**	**13,986**	**(13,469)**
Shares purchased by RSU trust	**—**	**—**	**—**	**—**	**—**	**(5,000)**	**(5,000)**
Balance as at June 30, 2019	**$ 845,735**	**$ 1,119,678**	**$ —**	**$ 4,262**	**$ (2,887)**	**$ (20,400)**	**$ 1,946,388**

(In thousands of Canadian dollars) (Unaudited)	Share capital	Retained earnings	Contributed surplus	Accumulated other comprehensive income (loss)[i] Foreign currency translation adjustment	Accumulated other comprehensive income (loss)[i] Unrealized gain (loss) on cash flow hedges	Treasury stock	Total equity
Balance as at December 31, 2017	$ 835,154	$ 1,253,035	$ —	$ (11,420)	$ 1,800	$ (26,961)	$ 2,051,608
Impact of new IFRS standards	—	(3,695)	—	—	—	—	(3,695)
Net earnings	—	62,843	—			—	62,843
Other comprehensive income (loss)[ii]	—	26,649	—	16,343	(6,367)	—	36,625
Dividends declared ($0.26 per share)	—	(32,844)	—	—	—	—	(32,844)
Share-based compensation expense	—	—	9,238	—	—	—	9,238
Deferred taxes on share-based compensation	—	—	(500)	—	—	—	(500)
Repurchase of shares	(16,180)	(51,401)	(8,738)	—	—	—	(76,319)
Exercise of stock options	15,840	—	—	—	—	—	15,840
Settlement of share-based compensation	—	(16,875)	—	—	—	10,575	(6,300)
Shares purchased by RSU trust	—	—	—	—	—	(5,000)	(5,000)
Balance as at June 30, 2018	$ 834,814	$ 1,237,712	$ —	$ 4,923	$ (4,567)	$ (21,386)	$ 2,051,496

[i] *Items that are or may be subsequently reclassified to profit or loss.*

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

[iii] *See Note 2(b) of the Company's 2019 second quarter unaudited condensed consolidated interim financial statements.*

Consolidated Interim Statements of Cash Flows

(In thousands of Canadian dollars) *(Unaudited)*	Three months ended June 30, **2019**	Three months ended June 30, 2018	Six months ended June 30, **2019**	Six months ended June 30, 2018
CASH PROVIDED BY (USED IN)				
Operating activities				
Net (loss) earnings	**$ (6,342)**	$ 34,925	**$ 43,762**	$ 62,843
Add (deduct) items not affecting cash:				
Change in fair value of biological assets	**38,290**	20,256	**12,027**	27,353
Depreciation and amortization	**43,205**	30,413	**85,825**	60,297
Share-based compensation	**4,254**	4,368	**9,404**	9,238
Deferred income taxes	**(206)**	9,554	**5,700**	15,660
Income tax current	**(827)**	3,531	**12,100**	8,932
Interest expense and other financing costs	**9,078**	1,866	**16,511**	3,519
Loss on sale of long-term assets	**523**	3,447	**717**	3,832
Change in fair value of non-designated derivative financial instruments	**21,693**	(12,485)	**7,073**	(12,300)
Change in net pension liability	**421**	1,900	**950**	3,605
Net income taxes paid	**(4,915)**	(1,802)	**(30,784)**	(4,270)
Interest paid	**(7,009)**	(1,465)	**(13,742)**	(2,639)
Change in provision for restructuring and other related costs	**(2,030)**	(3,702)	**146**	(4,287)
Change in derivatives margin	**(5,063)**	9,755	**2,525**	16,285
Other	**(308)**	1,579	**(64)**	(4,864)
Change in non-cash working capital	**(18,078)**	(31,669)	**(60,888)**	(80,678)
Cash provided by operating activities	**$ 72,686**	$ 70,471	**$ 91,262**	$ 102,526
Financing activities				
Dividends paid	**$ (17,941)**	$ (16,369)	**$ (35,910)**	$ (32,844)
Net increase (decrease) in long-term debt	**10,436**	(4,483)	**100,297**	44,854
Payment of lease obligation	**(8,530)**	—	**(16,871)**	—
Exercise of stock options	**2,971**	15,626	**2,971**	15,840
Repurchase of shares	**—**	(48,854)	**—**	(70,944)
Payment of deferred financing fees	**(4,785)**	(50)	**(4,828)**	(79)
Purchase of treasury stock	**(5,000)**	—	**(5,000)**	(5,000)
Cash (used in) provided by financing activities	**$ (22,849)**	$ (54,130)	**$ 40,659**	$ (48,173)
Investing activities				
Additions to long-term assets	**$ (65,280)**	$ (47,541)	**$ (125,415)**	$ (82,901)
Acquisition of business, net of cash acquired	**—**	—	**(847)**	(138,380)
Proceeds from sale of long-term assets	**75**	—	**75**	—
Payment of income tax liabilities assumed on acquisition	—	—	**(11,385)**	—
Cash used in investing activities	**$ (65,205)**	$ (47,541)	**$ (137,572)**	$ (221,281)
Decrease in cash and cash equivalents	**$ (15,368)**	$ (31,200)	**$ (5,651)**	$ (166,928)
Cash and cash equivalents, beginning of period	**82,295**	67,697	**72,578**	203,425
Cash and cash equivalents, end of period	**$ 66,927**	$ 36,497	**$ 66,927**	$ 36,497