MAPLE LEAF FOODS INC.

Management's Discussion and Analysis
For the Year Ended
December 31, 2019

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

February 26, 2020

1. THE BUSINESS

Maple Leaf Foods Inc. ("Maple Leaf Foods" or the "Company") is a producer of food products under leading brands including Maple Leaf®, Maple Leaf Prime®, Schneiders®, Mina®, Greenfield Natural Meat Co.®, Swift®, Lightlife®, and Field Roast Grain Meat Co.™ 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 address of the Company's registered office is 6985 Financial Dr. Mississauga, Ontario, L5N 0A1, Canada. The Company employs approximately 13,000 people and does business primarily in Canada, the U.S. and Asia. The Company's shares trade on the Toronto Stock Exchange (MFI).

2. FINANCIAL OVERVIEW

	Twelve months ended December 31,		
($ millions except earnings per share)	**2019**	2018	% Change
Sales	**$ 3,941.5**	$ 3,495.5	12.8 %
Net Earnings	**$ 74.6**	$ 101.3	(26.4)%
Basic Earnings per Share	**$ 0.60**	$ 0.81	(25.9)%
Adjusted Operating Earnings[(i)]	**$ 145.4**	$ 215.6	(32.6)%
Adjusted Earnings per Share[(i)]	**$ 0.68**	$ 1.22	(44.3)%

[(i)] *Refer to the section titled Non-IFRS Financial Measures starting on page 33 of this document for the definition of these non-IFRS measures.*

Sales for 2019 were $3,941.5 million compared to $3,495.5 million last year, an increase of 12.8%. Excluding acquisitions, sales increased 5.2%, driven by favourable pricing, mix and volume in meat protein and accelerated growth in plant protein of 23.6%.

Net earnings for 2019 were $74.6 million ($0.60 per basic share) compared to $101.3 million ($0.81 per basic share) last year. Strong commercial performance and favourable resolution of income tax audits were more than offset by strategic investments in plant protein to drive top line growth and heightened volatility in hog prices. Net earnings were negatively impacted by $12.1 million due to non-cash fair value changes in biological assets and derivative contracts, which are excluded in the calculation of Adjusted Operating Earnings below.

Adjusted Operating Earnings for 2019 were $145.4 million compared to $215.6 million last year, and Adjusted Earnings per Share for 2019 were $0.68 compared to $1.22 last year due to similar factors as noted above.

For further discussion on key metrics and a discussion of results by operating segment, refer to the section titled Operating Review starting on page 3 of this document.

3. SELECTED FINANCIAL INFORMATION

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

($ millions except earnings per share and RONA)	**2019**	2018	2017
Sales[(i)]	**$ 3,941.5**	$ 3,495.5	$ 3,522.2
Adjusted Operating Earnings[(ii)]	**$ 145.4**	$ 215.6	$ 263.8
Adjusted EBITDA[(ii)]	**$ 321.2**	$ 344.3	$ 381.1
Adjusted EBITDA margin[(ii)]	**8.1%**	9.9%	10.8%
Net earnings	**$ 74.6**	$ 101.3	$ 164.1
Adjusted Earnings per Share[(ii)]	**$ 0.68**	$ 1.22	$ 1.54
Basic earnings per share	**$ 0.60**	$ 0.81	$ 1.28
Diluted earnings per share	**$ 0.60**	$ 0.79	$ 1.24
Total assets[(iii)]	**$ 3,514.0**	$ 3,140.0	$ 2,632.6
Construction Capital[(ii)]	**$ 105.2**	$ 22.4	$ 13.0
Net (Debt) Cash[(ii)]	**$ (442.0)**	$ (310.8)	$ 194.2
Total long-term liabilities[(iii)]	**$ 1,029.1**	$ 637.4	$ 230.7
Return on Net Assets ("RONA")[(ii)]	**3.9%**	7.3%	10.5%
Cash provided by operating activities	**$ 270.2**	$ 299.7	$ 386.7
Cash dividends per share	**$ 0.58**	$ 0.52	$ 0.44

(i) *2019 and 2018 sales include the impact of the adoption of new accounting standard IFRS 15 Revenue from Contracts with Customers.*

(ii) *Please refer to the section entitled Non-IFRS Financial Measures starting on page 33 of this document.*

(iii) *2018 figures restated, see Note 29(a) of the Company's 2019 audited consolidated financial statements.*

4. COMPANY VISION AND STRATEGIC PLAN

With a vision to become the most sustainable protein Company on earth, Maple Leaf Foods is committed to creating shared value by driving commercial and financial results and enhancing competitive advantage through addressing some of society's most pressing issues. The Company believes that the pursuit of its purpose to 'Raise the Good in Food' is a significant differentiator that will build trust and confidence among stakeholders.

The Company has created a blueprint to guide its drive for long-term value creation based on the following foundational strategies:

- *Leveraging leadership in sustainability -* This year, in a milestone achievement, Maple Leaf Foods became the world's first major carbon neutral food company. As part of its commitment to greenhouse gas ("GHG") emissions reductions, the Company also adopted globally recognized Science-Based Targets ("SBTs").
- *Eliminating waste and improving efficiency -* Maple Leaf Foods has a history of executing initiatives designed to improve efficiencies and contribute to profitability. In 2019, the Company continued to pursue operating efficiencies in its plants and supply chain, and with construction starting on its new poultry plant in London, Ontario, it took another step forward in executing its plans to create more efficiencies in its poultry network.
- *Broadening reach into new geographies, channels and protein alternatives -* Throughout 2019, the Company continued to expand its plant protein business, by accelerating its investment in this hyper-growth space. By maximizing capacity in its existing network, investing in innovation and product development and ramping up marketing efforts throughout the year, the Company expanded its penetration in retail and foodservice. The Company also announced plans to construct a plant protein facility in Shelbyville, Indiana and continued to advance its design plans to align with anticipated trends in product demand and mix. Maple Leaf Foods also delivered growth in its sustainable meats business in the U.S. and Canada which contributed to both the Company's earnings and its sustainability goals.
- *Embracing a digital future across the business -* Maple Leaf Foods continues to deploy digital solutions throughout the Company that improve access to data and information capture. After a successful mobility solution pilot in 2018, the Company deployed a similar solution for Food Safety and Quality Assurance teams in the field, with more deployments planned. These mobile solutions provide ready access to critical information and enable plant associates to perform most of their tasks from the shop floor.
- *Investing in brands to build demand and consumer loyalty -* With a suite of newly-renovated brands, the Company has focused on executing its strategy to connect with consumers through authentic messaging that speaks to consumer needs and to deliver the quality products they desire.

- *Investing in people so talent thrives* - Developing people and enabling them to maximize their contributions continued over the course of the year as the Company leveraged relationships with universities and offered important courses to rising leaders. The Company also advanced multiple initiatives to foster a diverse and progressive workforce, including hiring its first Director of Diversity and Inclusion.

Having set ambitious growth targets for both the Meat Protein Group and the Plant Protein Group, Maple Leaf Foods progressed towards these goals by leveraging initiatives aimed at delivering shareholder value.

- *Sustainable Meat* - Maple Leaf Food's sustainable meat products deliver the key attributes many consumers are seeking: meat and poultry raised humanely and without antibiotics ("RWA") and produced and processed in ways that minimize environmental impact. Sustainable meat portfolio growth is expected to continue to be a key contributor as Maple Leaf Foods continues to execute its strategy.
- *Poultry Network* - Maple Leaf Foods' world class poultry plant is under construction in London, Ontario. Upon completion of construction and commissioning of the plant, the Company expects to be able to gain efficiencies in its poultry production network, further enhancing its ability to meet growing consumer demand for chicken.
- *Food Renovation* - With its sweeping brand renovation completed in 2018, Maple Leaf Foods shifted its focus in 2019 to executing campaigns to connect with people. The results of the brand renovation, contributed to margin expansion in 2019, and the Company expects this trend to continue.
- *Plant Protein* - In 2019 Maple Leaf Foods ramped up its investment in its plant protein business and its leading brands, Lightlife® and Field Roast Grain Meat Co.™ In addition to significantly investing in advertising, promotion and marketing, the Company is positioning itself for growth through the expansion of supply chain, organizational structure, talent and product innovation.
- *Cost Culture* - The Company's focus on cost and efficiency continues with zero-based budgeting as a foundational element of that culture. Maple Leaf Foods targets continuous improvement throughout the Company as a means of sustaining ongoing efficiencies.

5. OPERATING REVIEW

During the year ended December 31, 2019, the Company completed a comprehensive analysis of the role of its rapidly expanding plant protein business in the Company's meat and plant protein portfolio, their respective financial profiles and long-term value creation opportunities. Based on the importance of these two distinct businesses and differing strategic and financial requirements to maximize their market leadership and long-term shareholder value, the Company has disaggregated its business into two operating segments. These segments offer different products, with separate organizational structures, brands, financial and marketing strategies. The Company's chief operating decision makers regularly review internal reports for these businesses; performance of the Meat Protein Group is based on revenue growth, Adjusted Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), while the performance of the Plant Protein Group is based predominantly on revenue growth rates, managing gross margins and controlling investment levels which generate high revenue growth rates.

The following table summarizes the Company's sales, gross profit, selling, general and administrative expenses ("SG&A"), Adjusted Operating Earnings, Adjusted EBITDA, and Adjusted EBITDA margin by operating segment for the year ended December 31, 2019 and December 31, 2018.

	2019				2018[i]			
($ millions)	**Meat Protein Group**	**Plant Protein Group**	**Non-Allocated[ii]**	**Total**	Meat Protein Group	Plant Protein Group	Non-Allocated[ii]	Total
Sales	**$ 3,778.0**	**176.4**	**(12.9)**	**$ 3,941.5**	$ 3,357.0	138.6	—	$ 3,495.5
Gross profit	**$ 568.0**	**35.0**	**(12.1)**	**$ 591.0**	$ 518.3	38.8	(5.3)	$ 551.8
Selling, general and administrative expenses	**$ 338.7**	**119.0**	**—**	**$ 457.7**	$ 305.5	36.0	—	$ 341.5
Adjusted Operating Earnings[iii]	**$ 229.3**	**(84.0)**	**—**	**$ 145.4**	$ 212.8	2.8	—	$ 215.6
Adjusted EBITDA[iii]	**$ 393.2**	**(71.6)**	**(0.4)**	**$ 321.2**	$ 331.6	12.7	—	$ 344.3
Adjusted EBITDA margin[iii]	**10.4%**	**(40.6)%**	**N/A**	**8.1%**	9.9%	9.2%	N/A	9.9%

(i) *Comparative figures have been presented to align with current reportable segments.*

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

(iii) *Refer to the section titled Non-IFRS Financial Measures starting on page 33 of this document for the definition of these non-IFRS measures.*

Meat Protein Group

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

Sales for 2019 increased 12.5% to $3,778.0 million compared to $3,357.0 million last year. Excluding acquisitions, sales grew 4.9%, driven by favourable mix tied to food renovation supporting major brand strategies and pricing actions implemented during the third quarter and in late 2018 to mitigate higher raw material input costs. Continued expansion of sustainable meats, including double-digit growth in the U.S., also contributed to strong sales.

Gross profit for 2019 was $568.0 million (gross margin of 15.0%) compared to $518.3 million (gross margin of 15.4%) last year. Stronger commercial performance, including favourable mix attributed to food renovation, expansion of sustainable meats and pricing actions taken to mitigate higher raw material costs, contributed to higher gross profit. Improvement in commercial performance was partially offset by the temporary import suspension of Canadian pork into China for the third quarter and part of the fourth quarter and capacity expansion costs in the lunch kits and pastry categories.

SG&A expenses for 2019 were $338.7 million (9.0% of sales), compared to $305.5 million (9.1% of sales) last year. The increase in SG&A expenses is primarily related to increases in headcount due to acquisitions, variable compensation dependent on business performance and investments tied to growth in the U.S. and Asia.

Adjusted Operating Earnings for 2019 were $229.3 million compared to $212.8 million last year. Improved commercial and operational performance was driven by favourable mix attributed to food renovation, higher sustainable meats sales and pricing action taken to mitigate higher raw material costs. This was partially offset by increased bio-security costs in the Company's hog barns, capacity expansion costs in protein kits and meat pies and increases in SG&A as noted above.

Adjusted EBITDA margin was 10.4% compared to 9.9% last year, the increase is consistent with the factors noted above. Adjusted EBITDA margin was impacted by the adoption of International Financial Reporting Standards ("IFRS") 16 *Leases*. Upon the adoption of IFRS 16, leases previously classified as operating leases were capitalized on the Company's consolidated balance sheet. For 2019, an incremental increase of $34.1 million in depreciation and $8.3 million in interest were recorded on the Company's consolidated statement of earnings, not included in Adjusted EBITDA.

Plant Protein Group

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

Sales for 2019 increased 27.3% to $176.4 million compared to $138.6 million last year. Excluding acquisitions, sales increased 23.6% driven by expanded distribution of new products and continued volume increases in its existing portfolio.

Gross profit for 2019 was $35.0 million (gross margin of 19.8%) compared to $38.8 million (gross margin of 28.0%) last year. The decrease in gross profit was attributed to inefficiencies associated with start-up production and other costs related to supporting high growth.

SG&A expenses for 2019 were $119.0 million (67.4% of sales), compared to $36.0 million (26.0% of sales) last year. The increase in SG&A expenses reflects the evolution of the Company's plant protein strategy to drive sales growth and secure market share in a rapidly growing market. Supporting this strategy, significant investment in advertising, promotion and marketing was incurred during the year to enhance brand awareness and support new product launches and expand distribution. In addition, the Company invested to broaden organizational capacity and its pipeline of new product innovation.

Adjusted Operating Earnings for 2019 were a loss of $84.0 million compared to earnings of $2.8 million last year. The decline in Adjusted Operating Earnings is consistent with the factors noted above.

6. OTHER EXPENSE

For the year ended December 31, 2019, other expense was $3.3 million compared to $13.0 million last year. The change is primarily due to higher expenses incurred in 2018 related to legal and other fees on transactions, loss on sale of property and equipment that were not repeated in 2019, and a higher gain on sale of investment properties in 2019. This was offset by income incurred in 2018 relating to recovery from insurance proceeds that were not repeated in 2019.

Certain items in other 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 expense used in the calculation of Adjusted EBITDA and Adjusted Earnings per Share for 2019 was an expense of $1.0 million compared to income of $2.7 million last year.

7. RESTRUCTURING AND OTHER RELATED COSTS

For the year ended December 31, 2019, the Company recorded restructuring and other related costs of $11.0 million. Of this amount, $5.9 million related to accelerated depreciation and other asset write-offs, and $0.2 million related to severance and other employee related costs as a result of the announced closure of the poultry plants in St. Mary's, Brampton, and Toronto. The remaining $4.9 million related to employee related costs for other organizational restructuring initiatives.

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. Mary's, 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.

8. INTEREST EXPENSE AND OTHER FINANCING COSTS

Interest expense and other financing costs for 2019 were $32.0 million compared to $10.0 million in the prior year. The increase was mainly due to full year impact of higher borrowing levels from the Company's Credit Facility and reclassification of the interest portion of the lease payments driven by the adoption of IFRS 16.

9. INCOME TAXES

The Company’s income tax expense for 2019 resulted in an effective tax rate of 14.2%. The effective tax rate in 2019 differs from the Canadian statutory tax rate of 26.7% primarily due to (i) the manufacturing and processing credit; (ii) a deferred income tax recovery recorded on the remeasurement of deferred tax liabilities at a lower tax rate; (iii) an adjustment to tax expense for prior periods; and (iv) the favourable resolution of an income tax audit. The effective tax rate in 2019 used in determining Adjusted Earnings per Share is 25.0%. The effective tax rate in determining the Adjusted Earnings per Share in 2019 differs from the Canadian statutory tax rate primarily due to non-deductible expenditures, the deferred income tax recovery, and an adjustment to tax expense for prior periods.

In 2018, the Company's income tax expense resulted in an effective tax rate of 28.2%. The effective tax rate differs from the Canadian statutory tax rate of 26.8% primarily due to non-deductible acquisition-related transaction costs. The effective tax rate in determining Adjusted Earnings per Share in 2018 is 26.5%.

10. 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 Company finalized the amounts recorded in the VIAU business combination during the second quarter of 2019.

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 Company finalized the amounts recorded in the Cericola business combination during the second quarter of 2019.

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 cash-on-hand and drawings on existing credit facilities.

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.

The Company finalized the amounts recorded in the Field Roast Grain Meat Co. business combination during the fourth quarter of 2018.

During the year ended December 31, 2019, the Company recorded legal and other transaction costs of $0.0 million (2018: $13.6 million) related to acquisition activities that have been recognized in other expense.

For full details on all acquisitions refer to Note 29 of the Company's 2019 audited consolidated financial statements ("consolidated financial statements").

11. CAPITAL RESOURCES

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

The Company's cash balance as at December 31, 2019 was $97.3 million (2018: $72.6 million). The cash is held in demand and short-term investment deposits with Canadian financial institutions having long-term debt ratings of A or higher.

The composition of long-term debt as of the dates indicated are shown below:

($ thousands)		**As at December 31, 2019**		As at December 31, 2018
Revolving line of credit	**$**	**—**	$	374,775
U.S. term credit		**346,461**		—
Canadian term credit		**185,000**		—
Government loans		**7,867**		8,646
Total long-term debt	**$**	**539,328**	$	383,421
Current	**$**	**899**	$	80,897
Non-current		**538,429**		302,524
Total long-term debt	**$**	**539,328**	$	383,421
Construction Capital[(i)] included in total long-term debt	**$**	**105,211**	$	22,422

(i) *Refer to the section titled Non-IFRS Financial Measures starting on page 33 of this document for the definition of this non-IFRS measure.*

On April 30, 2019, the Company entered into a new syndicated credit facility (the "Credit Facility") consisting of a $1,300.0 million unsecured committed revolving line of credit maturing April 30, 2024 and two unsecured committed term credit facilities for US$265.0 million and $350.0 million maturing April 30, 2024 and April 30, 2023, respectively. The Credit Facility refinanced and replaced the Company's previous $250.0 million and $400.0 million unsecured committed revolving credit facilities, which were due to mature on November 7, 2019 and October 19, 2021, respectively. The Credit Facility can be drawn in Canadian or U.S. dollars and bears interest payable monthly, based on Banker's Acceptance and Prime rates for Canadian dollar loans and the London Inter-bank Offered Rate ("Libor") for U.S. dollar loans. The Credit Facility is intended to meet the Company's funding requirements for capital investments, including the construction of its two new manufacturing facilities in London, Ontario and Shelbyville, Indiana, in addition to providing appropriate levels of liquidity and for general corporate purposes. On December 11, 2019, the Company amended the Credit Facility to reduce interest paid upon achievement of certain sustainability targets. This reduction will not materialize until at least 2021, and there is no penalty for not achieving the targets. In addition to loans, as at December 31, 2019 the Company had drawn letters of credit of $6.2 million on the Credit Facility (2018: $6.3 million on the previous facility).

The Credit Facility requires the maintenance of certain covenants. As at December 31, 2019, the Company was in compliance with all of these covenants.

The Company has additional uncommitted credit facilities for issuing letters of credit up to a maximum of $125.0 million (2018: $125.0 million). As at December 31, 2019, $79.5 million of letters of credit had been issued thereon (2018: $72.2 million).

The Company has various government loans on specific projects, with contractual interest rates ranging from non-interest bearing to 2.9% per annum (2018: 2.9%). These facilities are repayable over various terms from 2022 to 2024. As at December 31, 2019, $7.9 million (2018: $8.6 million) was outstanding. All of these facilities are committed.

On July 19, 2019, the Company amended its three-year accounts receivable securitization facility (the "Securitization Facility") by extending the maturity to July 19, 2022 and increasing the maximum cash advance available to the Company under the Securitization Facility to $120.0 million (2018: $110.0 million). The Securitization Facility provides cash funding with a proportion of the Company's receivables being sold, and provides the Company with competitively priced financing and further diversifies its funding sources. Under the Securitization Facility, the Company has sold certain of its trade accounts receivable, with very limited recourse, to an unconsolidated third-party trust financed by an international financial institution with a long-term AA- debt rating, for cash and short-term notes back to the Company. The receivables are sold at a discount to face value based on prevailing money market rates. The Company retains servicing responsibilities for these receivables.

As at December 31, 2019, the Company had $133.3 million (2018: $127.4 million) of trade accounts receivable serviced under this facility. In return for the sale of its trade receivables, the Company will receive cash of $101.6 million (2018: $96.9 million) and notes receivable in the amount of $31.7 million (2018: $30.5 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, 2019, the Company recorded a net payable in the amount of $10.1 million (2018: $32.5 million net payable) in accounts payable and accruals. The facility is accounted for as an off-balance sheet transaction in accordance with IFRS.

The Securitization Facility is subject to certain restrictions, including the maintenance of covenants. The Company was in compliance with all of the requirements of this facility during 2019. 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.

12. CAPITAL EXPENDITURES

Capital expenditures for 2019 were $270.7 million compared to $179.9 million in 2018. The increase in spending from 2018 is primarily driven by the construction of two new facilities in London, Ontario and Shelbyville, Indiana as well as investments in support of the Company's commitment to animal care. The expenditures are lower than previously forecast due to weather and other delays due to timing, and an intentional delay to assess near term plant protein demands compared to available capacity in the existing Maple Leaf network.

The Company currently estimates its capital expenditures for the full year of 2020 will be in the range of $650 million to $700 million. Approximately 70% of this will be Construction Capital, which is mainly related to ongoing construction of the London, Ontario poultry facility; further capacity and efficiency improvements in our prepared meats business; and investments in plant protein capacity at an existing facility, as well as further design, engineering, and site work at the Shelbyville, Indiana location. The remaining balance is for continued profit enhancement, maintenance and sustainability projects.

Construction is underway at our London, Ontario poultry processing facility. However, due to poor weather conditions last spring, along with a robust economy and highly competitive environment, some construction components have taken longer to source. As a result, construction completion is expected to be delayed and start-up of this new poultry facility is now planned for the second quarter of 2022.

Maple Leaf Foods is continuing to advance engineering and design work on the Shelbyville, Indiana facility. Adapting its plans to provide the flexibility necessary to meet the demands of the rapidly evolving plant protein market, the Company is focused on ensuring that the new facility is designed to provide the right scalability to meet current and future consumer demand. While this additional engineering and design work means that completion of the Shelbyville, Indiana facility will be delayed until the end of 2022, the Company is able to expand capacity within its existing network to allow it to meet immediate demand.

13. NORMAL COURSE ISSUER BID

On May 17, 2019, the Toronto Stock Exchange ("TSX") accepted the Company's notice of intention to commence a Normal Course Issuer Bid ("NCIB"), allowing the Company to repurchase, at its discretion, up to 7.5 million common shares in the open market or as otherwise permitted by the TSX, subject to the normal terms and limitations of such bids. Common shares purchased by the Company are cancelled. The program commenced on May 24, 2019 and will terminate on May 23, 2020, 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, 2019, 0.8 million shares were purchased for cancellation for $20.3 million at a volume weighted average price paid of $24.21 per common share.

On May 22, 2018, the TSX accepted the Company's notice of intention to commence an 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 were cancelled. The program commenced on May 24, 2018 and was terminated on May 23, 2019 as the Company completed its purchase and cancellation of 4.0 million common shares for $126.6 million at a volume weighted average price of $31.82 per common share. Under this bid, during the year ended December 31, 2019, no shares were purchased for cancellation. Under this bid, during the year ended December 31, 2018, 4.0 million common shares were purchased for cancellation for $126.6 million at a volume weighted average price of $31.82 per common share.

On May 17, 2017, the TSX accepted the Company's notice of intention to commence an 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 were purchased for cancellation for $39.9 million at a volume weighted average price paid of $31.17 per common share.

14. CASH FLOW AND FINANCING

Cash and cash equivalents were $97.3 million at the end of 2019, compared to $72.6 million in 2018. The increase in cash and cash equivalents for the year ended December 31, 2019 is primarily due to cash flow generated from operations and loans drawn on the Credit Facility, partially offset by investments in property and equipment, quarterly dividend payments, interest payments, payments of lease obligations, payments of income taxes and share repurchases under the NCIB.

Cash Flow from Operating Activities

Cash provided by operations for 2019 was $270.2 million compared to $299.7 million in 2018. The decrease was primarily due to lower earnings, higher income taxes payments, higher interest payments, and lower margin received by the Company against its derivatives for its commodity hedging programs, partially offset by lower investment in working capital.

Cash Flow from Financing Activities

Cash provided by financing activities for 2019 was $29.8 million compared to $128.5 million in 2018. The decrease was primarily due to lower cash drawings against the Credit Facility, partially offset by fewer share repurchases under the NCIB programs.

Cash Flow from Investing Activities

Cash used in investing activities was $275.3 million for 2019 compared to $559.0 million in 2018. The reduction was primarily due to cash used for acquisitions in the prior year, partially offset by higher investment in property and equipment.

15. CONTRACTUAL OBLIGATIONS

The following table provides information about certain of the Company's significant contractual obligations as at December 31, 2019. This table presents the undiscounted cash flows payable in respect of financial liabilities and commitments.

Payments due by fiscal year:

($ thousands)	**Due within 1 year**	**Due between 1 and 3 years**	**Due between 3 and 5 years**	**Due after 5 years**	**Total**
Financial liabilities					
Accounts payable and accruals	$ 445,774	$ —	$ —	$ —	$ 445,774
Long-term debt	1,083	6,292	532,387	—	539,762
Foreign exchange contracts	3,043	—	—	—	3,043
Commodity futures contracts	991	—	—	—	991
Lease obligations	40,769	102,368	36,556	105,843	285,536
Other liabilities	36,515	135	—	—	36,650
	$ 528,175	**$ 108,795**	**$ 568,943**	**$ 105,843**	**$ 1,311,756**

The Company entered into a number of contracts related to the construction of new and expanded facilities. As at December 31, 2019 these contract commitments were approximately $634.0 million (2018: $0.0 million).

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 14 and Note 19 of the consolidated financial statements.

16. 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 hedges 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:

	2019			2018		
		Fair value			Fair value	
	Notional amount(i)	**Asset**(ii)	**Liability**(ii)	Notional amount(i)	Asset(ii)	Liability(ii)
Cash flow hedges						
Foreign exchange contracts	**$ 29,273**	**$ 497**	**$ 40**	$ 63,204	$ 130	$ 2,271
Interest rate swaps	**$ 479,129**	**2,160**	**—**	$ —	—	—
		$ 2,657	**$ 40**		$ 130	$ 2,271
Fair value hedges(iii)						
Foreign exchange contracts	**$ 50,718**	**$ 904**	**$ —**	$ 58,156	$ —	$ 1,837
Commodity contracts	**$ 54,725**	**3,184**	**—**	$ 59,570	2,148	—
		$ 4,088	**$ —**		$ 2,148	$ 1,837
Derivatives not designated in a formal hedging relationship						
Foreign exchange contracts	**$ 251,868**	**$ 842**	**$ 3,003**	$ 126,719	$ 3,472	$ 483
Commodity contracts	**$ 242,711**	**91**	**991**	$ 135,941	2,805	3,070
		$ 933	**$ 3,994**		$ 6,277	$ 3,553
Total fair value		**$ 7,678**	**$ 4,034**		$ 8,555	$ 7,661
Current(ii)(iv)(v)		**$ 6,197**	**$ 4,034**		$ 8,555	$ 7,661
Non-current(ii)		**1,481**	**—**		—	—
Total fair value		**$ 7,678**	**$ 4,034**		$ 8,555	$ 7,661

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

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

(iii) *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.*

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

(v) *As at December 31, 2019, the above fair value of current assets has been increased on the consolidated balance sheets by an amount of $1.1 million (2018: decreased by $1.1 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, 2019 and 2018 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, 2019, the Company recorded a gain of $5.4 million (2018: gain of $10.6 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, 2019:

($ thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Foreign exchange contracts	$ —	$ 2,243	$ —	$ 2,243
Commodity contracts	3,184	91	—	3,275
Interest rate swaps	—	2,160	—	2,160
	$ 3,184	**$ 4,494**	**$ —**	**$ 7,678**
Liabilities:				
Foreign exchange contracts	$ —	$ 3,043	$ —	$ 3,043
Commodity contracts	991	—	—	991
	$ 991	**$ 3,043**	**$ —**	**$ 4,034**

There were no transfers between levels for the year ended December 31, 2019. 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 ensures 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 Debt to EBITDA. Refer to the section entitled Non-IFRS Financial Measures starting on page 33 of this document for more information on the non-IFRS measures.

In addition to credit facilities and equity, the Company uses leases and a very limited recourse accounts receivable securitization program 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 24 of the 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 collectibility 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 27 of the consolidated financial statements. The Company does, however, conduct a significant amount of business with a small number of large grocery retailers. The Company's two largest customers as at December 31, 2019 comprise approximately 21.6% (2018: two largest customers representing 22.8%) 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 27 of the 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, 2019, the Company had available undrawn committed credit of $1,465.0 million (2018: $268.9 million) under the terms of its principal banking arrangements as described in Note 14 of the 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, 2019, the Company had variable-rate debt of $531.5 million with a weighted average interest rate of 3.3% (2018: $374.8 million at a weighted average interest rate of 3.8%). The Company has converted $479.1 million of the variable-rate debt to fixed-rate debt using interest rate swaps with a weighted average interest rate of 3.0%. In addition, the Company was exposed to floating interest rates on its accounts receivable securitization program. As at December 31, 2019, the amount serviced pursuant to this program was $101.6 million at a weighted average interest rate of 1.6% (2018: $110.0 million at a weighted average interest rate of 2.0%). The maximum amount available to the Company under these programs is $120.0 million (2018: $110.0 million).

As at December 31, 2019, 75.2% (2018: 1.8%) of the Company's outstanding debt and revolving accounts receivable securitization program were not exposed to interest rate movements, after including the effect of interest rate swaps.

As at December 31, 2019, the Company had fixed-rate debt of $7.9 million (2018: $8.6 million) with a weighted average effective interest rate of 4.5% (2018: 4.7%). 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 19 of the Company's 2019 audited consolidated financial statements.

17. 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 2019, the Company recorded a pre-tax loss of $13.4 million through other comprehensive income (loss) related to the re-measurement of plan assets and liabilities. This included a pre-tax loss of $97.3 million related to differences between plan experience compared to actuarial assumptions and a pre-tax gain of $84.8 million related to differences between plan assets compared to the discount rate.

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 includes 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 rates.

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 gain of 13.3% in 2019 compared to a loss of 0.1% in 2018.

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 2019 were $12.0 million (2018: $11.1 million).

The Company expects to contribute $32.4 million to the pension plans in 2020, inclusive of defined benefit, defined contribution and multi-employer plans.

18. TRANSACTIONS WITH RELATED PARTIES

Transactions between the Company and its consolidated entities have been eliminated in the Company's 2019 audited consolidated financial statements.

The Company sponsors a number of defined benefit and defined contribution plans. During the year ended December 31, 2019, the Company's contributions to these plans were $30.1 million (2018: $28.8 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)	**2019**	2018
Short-term employee benefits		
Salaries, bonuses, and fees	**$ 13,640**	$ 9,304
Company car allowances	**326**	291
Other benefits	**137**	111
Total short-term employee benefits	**$ 14,103**	$ 9,706
Severance benefits	**110**	—
Post-employment benefits	**805**	732
Share-based compensation	**7,700**	10,636
Total remuneration	**$ 22,718**	$ 21,074

During the year ended December 31, 2019, key Management personnel of the Company exercised 0.4 million share options (2018: 1.3 million share options) granted under the Maple Leaf Foods share option plans for an amount of $7.8 million (2018: $15.4 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, 2019, the Company received services from MCI in the amount of $0.4 million (2018: $0.6 million), which represented the market value of the transactions with MCI. As at December 31, 2019, $0.0 million (2018: $0.4 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, 2019, the Company provided services to, and received from, MFAS for a nominal amount which represented the market value of the transactions.

19. SHARE CAPITAL

As at December 31, 2019, there were 123,890,126 voting common shares issued and outstanding (December 31, 2018: 124,371,726). As at February 20, 2020, there were 123,890,126 common shares issued and outstanding.

In each of the quarters of 2019, the Company declared and paid cash dividends of $0.145 (2018: $0.13) per voting common share, representing a total annual dividend of $0.58 (2018: $0.52) per voting common share and aggregate dividend payments of $71.8 million (2018: $65.1 million).

20. OTHER MATTERS

On February 26, 2020, the Board of Directors approved a quarterly dividend of $0.16 per share (up from $0.145 per share in each quarter of 2019), $0.64 per share on an annual basis, payable March 31, 2020 to shareholders of record at the close of business March 13, 2020. 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”.

21. MAPLE LEAF CENTRE FOR ACTION ON FOOD SECURITY

The Maple Leaf Centre for Action on Food Security (the “Centre”) is the primary expression of the Company's Sustainability strategy pillar of Better Communities. The Centre is a registered charity working to advance food security through collaboration with other organizations and individuals, through advocating for critical policies and investing in programs required to make sustainable improvements in food security. Additional information regarding the Centre is available on its website at: https://www.feedopportunity.com

22. SUMMARY OF QUARTERLY RESULTS

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

	2019				2018			
($ millions)	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Sales								
Meat Protein Group	**$ 871.1**	**$ 983.3**	**$ 953.3**	**$ 970.3**	$ 789.3	$ 872.8	$ 838.7	$ 856.1
Plant Protein Group	**36.8**	**42.9**	**47.0**	**49.7**	28.2	36.4	36.1	37.8
Unallocated[(i)]	**(0.8)**	**(3.5)**	**(4.5)**	**(4.1)**	—	—	—	—
Total Sales	**$ 907.1**	**$ 1,022.7**	**$ 995.8**	**$ 1,016.0**	$ 817.5	$ 909.2	$ 874.8	$ 893.9
Gross profit								
Meat Protein Group	**$ 131.8**	**$ 162.4**	**$ 123.4**	**$ 150.5**	$ 129.9	$ 135.7	$ 119.3	$ 133.2
Plant Protein Group	**8.5**	**9.3**	**10.0**	**7.2**	9.0	11.3	9.1	9.5
Unallocated[(i)]	**39.2**	**(60.7)**	**6.4**	**3.0**	(6.7)	(7.7)	(9.8)	19.1
Total Gross profit	**$ 179.5**	**$ 111.0**	**$ 139.8**	**$ 160.8**	$ 132.2	$ 139.3	$ 118.6	$ 161.8
Selling, general and administrative expenses								
Meat Protein Group	**$ 86.4**	**$ 89.5**	**$ 78.8**	**$ 84.0**	$ 78.5	$ 80.8	$ 68.8	$ 77.4
Plant Protein Group	**11.9**	**16.9**	**44.9**	**45.3**	7.7	8.4	8.6	11.3
Unallocated[(i)]	**—**	**—**	**—**	**—**	—	—	—	—
Total Selling, general and administrative expenses	**$ 98.3**	**$ 106.4**	**$ 123.7**	**$ 129.3**	$ 86.2	$ 89.2	$ 77.4	$ 88.7
Net Earnings								
Meat Protein Group	**$ 42.3**	**$ 74.0**	**$ 39.6**	**$ 62.1**	$ 49.2	$ 56.6	$ 50.3	$ 13.3
Plant Protein Group	**(3.3)**	**(7.7)**	**(34.9)**	**(38.2)**	1.3	2.7	0.4	(1.7)
Unallocated[(i)]	**11.1**	**(72.6)**	**8.7**	**(6.4)**	(22.6)	(24.4)	(24.1)	0.3
Total Net Earnings	**$ 50.1**	**$ (6.3)**	**$ 13.4**	**$ 17.5**	$ 27.9	$ 34.9	$ 26.6	$ 11.9
Adjusted Operating Earnings[(ii)]								
Meat Protein Group	**$ 45.4**	**$ 72.9**	**$ 44.6**	**$ 66.5**	$ 51.5	$ 54.9	$ 50.6	$ 55.8
Plant Protein Group	**(3.3)**	**(7.7)**	**(34.9)**	**(38.1)**	1.3	2.9	0.4	(1.8)
Unallocated[(i)]	**—**	**—**	**—**	**—**	—	—	—	—
Total Adjusted Operating Earnings	**$ 42.1**	**$ 65.2**	**$ 9.7**	**$ 28.4**	$ 52.8	$ 57.8	$ 51.0	$ 54.0
Adjusted EBITDA[(ii)]								
Meat Protein Group	**$ 84.8**	**$ 112.7**	**$ 85.4**	**$ 110.2**	$ 79.5	$ 87.0	$ 79.1	$ 86.1
Plant Protein Group	**(0.4)**	**(4.7)**	**(31.6)**	**(34.9)**	3.0	4.6	2.0	3.0
Unallocated[(i)]	**—**	**—**	**(0.4)**	**—**	—	—	—	—
Total Adjusted EBITDA	**$ 84.4**	**$ 108.0**	**$ 53.4**	**$ 75.3**	$ 82.5	$ 91.6	$ 81.1	$ 89.1

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

(ii) *Refer to Non-IFRS Financial Measures starting on page 33 of this document.*

(iii) *Totals 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.

23. SUMMARY OF 2019 FOURTH QUARTER RESULTS

The following table summarizes the Company's sales, gross profit, SG&A expenses, Adjusted Operating Earnings, Adjusted EBITDA, and Adjusted EBITDA margin by operating segment for the fourth quarter ended December 31, 2019 and December 31, 2018:

	Three months ended December 31, 2019				Three months ended December 31, 2018[(i)]			
($ millions)	**Meat Protein Group**	**Plant Protein Group**	**Non-Allocated[(ii)]**	**Total**	Meat Protein Group	Plant Protein Group	Non-Allocated[(ii)]	Total
Sales	**$ 970.3**	**49.7**	**(4.1)**	**$ 1,016.0**	$ 856.1	37.8	—	$ 893.9
Gross profit	**$ 150.5**	**7.2**	**3.0**	**$ 160.8**	$ 133.2	9.5	19.1	$ 161.8
Selling, general and administrative expenses	**$ 84.0**	**45.3**	**—**	**$ 129.3**	$ 77.4	11.3	—	$ 88.7
Adjusted Operating Earnings[(iii)]	**$ 66.5**	**(38.1)**	**—**	**$ 28.4**	$ 55.8	(1.8)	—	$ 54.0
Adjusted EBITDA[(iii)]	**$ 110.2**	**(34.9)**	**—**	**$ 75.3**	$ 86.1	3.0	—	$ 89.1
Adjusted EBITDA margin[(iii)]	**11.4%**	**(70.3)%**	**N/A**	**7.4%**	10.1%	8.0%	N/A	10.0%

(i) *Comparative figures have been presented to align with current reportable segments.*

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

(iii) *Refer to the section titled Non-IFRS Financial Measures starting on page 33 of this document for the definition of these non-IFRS measures.*

Sales for the fourth quarter increased 13.7% to $1,016.0 million compared to $893.9 million last year, or increased 10.4% after adjusting for acquisitions. Sales growth was driven by meat protein, tied to higher meat values, favourable mix and volume supported by food renovation and growth in sustainable meats, coupled with accelerated growth in plant protein.

SG&A expenses for the fourth quarter of 2019 were $129.3 million (12.7% of sales), compared to $88.7 million (9.9% of sales) last year. The increase is primarily related to investments in plant protein, acquisitions and variable compensation, tied to business performance.

Adjusted Operating Earnings for the fourth quarter of 2019 were $28.4 million compared to $54.0 million last year. The decrease in Adjusted Operating Earnings reflects strategic investments in plant protein and the short term dilutive impact of acquisitions which more than offset strong commercial performance in meat protein, driven by favourable sales mix, pricing actions taken to mitigate impact of higher input costs, and continued growth in sustainable meats. Results also benefited from stronger pork markets compared to a year ago.

Adjusted EBITDA margin for the fourth quarter decreased to 7.4% from 10.0% last year, consistent with the factors noted above.

Net Earnings for the fourth quarter of 2019 were $17.5 million ($0.14 per basic share) compared to $11.9 million ($0.10 per basic share) last year.The increase is attributable to the same factors as noted above and lower restructuring and acquisition costs, which are excluded in calculating Adjusted Operating Earnings.

Basic Earnings per Share was $0.14 for the fourth quarter of 2019 compared to $0.10 last year, due to the factors described above.

Adjusted Earnings per Share in the fourth quarter of 2019 was $0.12 compared to $0.29 last year.

Meat Protein Group

Sales for the fourth quarter increased 13.3% to $970.3 million compared to $856.1 million last year, or increased 9.9% after adjusting for acquisitions. Sales growth was driven by stronger pork market prices, pricing actions implemented in the third quarter and in late 2018 to mitigate higher input costs and mix tied to food renovation supporting major brand strategies. Continued expansion of sustainable meats, including double-digit growth in the U.S., also contributed to strong sales.

Gross profit for the fourth quarter of 2019 was $150.5 million (gross margin of 15.5%) compared to $133.2 million (gross margin of 15.6%) last year. Strong commercial and operational performance, including favourable mix attributed to food renovation, continued expansion of sustainable meats and pricing action taken to mitigate higher input costs, contributed to higher gross profit in the quarter. This improved performance was partially offset by bio-security costs in our hog growing operations and a temporary import suspension of Canadian pork into China.

SG&A expenses for the fourth quarter of 2019 were $84.0 million (8.7% of sales), compared to $77.4 million (9.0% of sales) last year. The increase in SG&A expenses is primarily related to variable compensation dependent on business performance. On a percentage of sales basis, SG&A expenses for meat protein were 0.3% lower than last year.

Adjusted Operating Earnings for the fourth quarter of 2019 were $66.5 million compared to $55.8 million last year. Improved commercial and operational performance was driven by favourable mix attributed to food renovation, higher sustainable meats sales and pricing action taken to mitigate higher input costs. This was partially offset by increased bio-security costs in our hog barns and a temporary import suspension of Canadian pork into China. Increases in SG&A expenses, as noted above, also impacted earnings in the quarter.

Adjusted EBITDA Margin for the fourth quarter was 11.4% compared to 10.1% last year. The increase is consistent with the factors noted above. Adjusted EBITDA Margin was impacted by the adoption of IFRS 16. Upon the adoption of IFRS 16, leases previously classified as operating leases were capitalized on the Company's consolidated balance sheet. For the fourth quarter an incremental $8.8 million in depreciation and $2.1 million in interest was recorded on the Company's consolidated statement of earnings, not included in Adjusted EBITDA.

Plant Protein Group

Sales for the fourth quarter increased 31.5% to $49.7 million compared to $37.8 million last year. Sales growth was driven by expanded distribution of new products and continued volume increases in its existing portfolio.

Gross profit for the fourth quarter of 2019 was $7.2 million (gross margin of 14.4%) compared to $9.5 million (gross margin of 25.0%) last year. The decrease in gross profit was attributed to inefficiencies associated with start-up production and other costs related to supporting high growth.

SG&A expenses for the fourth quarter of 2019 were $45.3 million (91.1% of sales), compared to $11.3 million (29.8% of sales) last year. The increase in SG&A expenses reflects the evolution of the Company's plant protein strategy to drive sales growth and secure market share in a rapidly growing market. Supporting this strategy, significant investment in advertising, promotion and marketing was incurred during the quarter to enhance brand awareness and support new product launches and expanded distribution. In addition, the Company invested to broaden organizational capacity and its innovation pipeline.

Adjusted Operating Earnings for the fourth quarter of 2019 were a loss of $38.1 million compared to a loss of $1.8 million last year. The decline in Adjusted Operating Earnings reflects a deliberate focus on accelerating sales growth through increased investments in advertising, promotion and marketing, organizational capacity, product development and operational efficiency.

24. 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:

	As at December 31, 2019	Annual Averages					
(Unaudited)		**2019**	2018	2017	2016	2015	2014
U.S. dollar / Canadian dollar[i]	**$ 1.30**	**$ 1.33**	$ 1.30	$ 1.30	$ 1.32	$ 1.28	$ 1.10
Canadian dollar / Japanese yen[i]	**¥ 83.63**	**¥ 82.18**	¥ 85.23	¥ 86.48	¥ 82.10	¥ 94.66	¥ 95.63

[i] *Source: Bloomberg.*

The Canadian dollar, on average weakened relative to the U.S. dollar by 2.4% in 2019. 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. Conversely, a weaker Canadian dollar increases the Company's ability to export and expand into the U.S. market.

During 2019, the Japanese yen, on average increased in value relative to the Canadian dollar by 3.6%. 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, 2019**	Annual Averages **2019**	2018	2017	2016	2015	2014
Pork cutout (US$ per cwt)[(i)(ii)]	**$ 73.02**	**$ 77.04**	$ 75.18	$ 84.13	$ 78.66	$ 79.13	$ 110.20
Hog market price per cwt (US$ per cwt)[(i)(ii)]	**$ 57.93**	**$ 67.33**	$ 65.12	$ 71.42	$ 65.09	$ 70.59	$ 105.14
Hog market price per cwt (CAD per cwt)[(i)(ii)]	**$ 75.26**	**$ 89.38**	$ 84.42	$ 92.72	$ 86.23	$ 90.28	$ 116.14
Corn (US$ per bushel)[(iii)]	**$ 3.88**	**$ 3.83**	$ 3.68	$ 3.59	$ 3.58	$ 3.81	$ 4.18

(i) *As at December 31, 2019, rate based on spot prices for the week ended December 31, 2019 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 2019, the market influences for the entire pork value chain were lower than the five year average. Market volatility within the year was very high due to the continuation of trade disputes between the U.S. and their major trade partners. Producer margins were well below the five-year average due to the continued large increase in the U.S. domestic pork supply. Pork industry processor margins were slightly below the five year average and 2018 levels.

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.

25. 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.

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 $2.7 million related to expected environmental remediation costs. Please refer to Note 13 of the 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 50.0% by 2025, encompassing the three areas where Maple Leaf Foods has the largest environmental impact: climate change (energy usage and emissions), water usage and solid waste.

The Company has developed environmental sustainability action plans at every operation to deliver on its environmental goals. In 2019, the Company has made progress towards the implementation of these plans and reducing the Company's environmental footprint. In the fourth quarter of 2019, the Company publicly announced the development of a comprehensive carbon management strategy that includes the setting and approval of SBTs for GHG emissions reduction, and the achievement of becoming a carbon neutral company.

26. CARBON MANAGEMENT STRATEGY

In 2019, Maple Leaf Foods completed a comprehensive carbon management strategy that includes two key components: SBTs for GHG emissions reduction, and carbon neutrality.

Science-Based Targets

SBTs provide companies with a clearly defined pathway to future-proof growth by specifying how much and how quickly companies need to reduce GHG emissions to meet the requirements of the global Paris Climate Accord. On September 9, 2019, the Science-Based Target Initiative ("SBTi") approved Maple Leaf Foods' SBTs for GHG emissions reduction. As part of this approval, the SBTi verified Maple Leaf Foods' comprehensive carbon inventory that was developed in accordance with the internationally accepted Greenhouse Gas Protocol - developed by the World Resources Institute and World Business Council for Sustainable Development.

Carbon Neutral

Maple Leaf Foods became carbon neutral by aggressively reducing GHG emissions and investing in high-impact third party environmental projects to neutralize remaining and currently unavoidable emissions. Using the carbon inventory that was validated by SBTi, Maple Leaf Foods sourced certified Renewable Energy Credits ("RECs") and Verified Emissions Reductions ("VERs") to offset the GHGs that the Company has currently not been able to avoid, reduce or otherwise eliminate. Maple Leaf Foods purchased RECs to offset the GHG emissions associated with the Company's electricity consumption from wind energy projects that have certified by the credible standard - Green-e. Maple Leaf Foods purchased VERs to offset the GHG emissions associated with all other operations from projects that have been certified by the following credible standards: Verified Carbon Standard; CSA Group5; American Carbon Registry; and the Gold Standard. Through the Company's partner, Schneider Electric, a world leader in renewable energy and carbon offset procurement, Maple Leaf Foods has purchased the equivalent amount of RECs and VERs equal to the Company's Scope 1, 2 and a portion of the Scope 3 GHG emissions to bring the Company’s net GHG emissions to zero.

Maple Leaf Foods announced on November 7, 2019 it has become the first food company in Canada to set SBTs, and the first major food company in the world to be carbon neutral.

27. RISK FACTORS

In carrying out its business and operations, the Company faces many risks. Many of these risks are described below, including those risks that the Company currently considers to be most material. 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 performance, operating results and ability to pay dividends or return capital to shareholders. Such risks could cause actual events to differ materially from those described in any forward-looking statements, including any financial outlooks, targets or goals. Many of the risks are beyond the Company's control and, in spite of any efforts the Company may make to manage or mitigate its risk exposure, there is no guarantee that such risk management or mitigation activities will be successful. Readers should carefully consider the risk factors set out below, along with the other information contained in this document and the Company's other public filings before making an investment decision.

Competition, Market Conditions and the Activities of Competitors and Customers

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 factors such as product availability, product quality and taste, price, brand recognition, product variety, product packaging and design, shelf space, reputation, nutritional and other claims, effective promotions, and the ability to target changing consumer preferences. The Company may experience price pressure as a result of, among other things, competitors’ promotional effort and strategies to grab market share, as well as in product categories characterized by low capacity utilization.

Competitive pressures from existing competitors as well as new entrants into various markets 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. The Company has seen intense competitive pressure in the plant protein space, as new entrants and more traditional food companies vie for market share in this rapidly evolving market. Given the rapidly evolving nature of the plant protein business there is inherent volatility. If the Company's assumptions about the potential growth of the plant protein sector do not materialize, or if its assumptions about its ability to maintain and gain market share are incorrect, it is unlikely that the Company will be able to reach its 2029 sales and gross margin growth targets. There is no guarantee that the investment that Company is making in marketing, advertising, and innovation will be successful in attracting market share or that it will deliver the anticipated long-term financial benefits underpinning the growth targets.

The Company's ability to increase revenue and execute its business strategy depends in part on its ability to cost-effectively attract new customers and consumers and retain existing customers and consumers. If the Company is unable to do this, its business, financial condition and operating results may be materially adversely affected. Further, if customers or consumers do not perceive the Company's product offerings to be of sufficient value and quality, or if it fails to offer new and relevant product offerings, it may not be able to attract or retain customers or engage existing customers so that they continue to purchase products. For example, if growth in demand for sustainable meat does not materialize or if the expected benefits associated with brand renovation are not realized, the Company may not reach its Adjusted EBITDA targets in the Meat Protein Group or its consolidated growth targets.

The Company competes with other companies who may have greater financial and other resources, lower operating costs and lower cost of capital. In some instances, this could force the Company to lower prices, resulting in lower profitability or, in the alternative, cause it to lose market share if it fails to lower prices. In addition, some competitors may be more innovative, have more resources and/or be able to bring new products to market faster. This could put the Company at a disadvantage in keeping up with the pace of innovation and ability to introduce new products that appeal to evolving consumer trends. Innovation, speed to market and brand identification have been particularly important drivers in the plant protein market over the past year.

Overall, these competitive pressures could cause the Company to lose market share, which may require it to lower prices, increase marketing and advertising expenditures, and/or increase the use of discounting or promotional campaigns, each of which could adversely affect its margins, could result in a decrease in its operating results and profitability and cause it to miss the growth targets it has set.

Availability and Access to 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 Health and Risks Associated with Animal Disease

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. 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 continued to spread. 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. 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 . 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.

International Trade

The Company exports significant amounts of its products to customers outside of Canada. In addition, the Company imports various inputs and ingredients from other jurisdiction. To the extent that the Company is dependent on imports or export for its business, it is subject to inherent risks associated with international trade, 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. International trade and the associated access to markets can be influenced by geopolitical events beyond the Company's control. As discussed under the subheading "Livestock Health and Risks Associated with Animal Disease," the threat of the spread of animal disease could result in significant disruption of international trade in the meat protein business, as governments use international trade barriers as a tool to help manage the spread of such diseases.

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. For example, for a period of approximately four months in 2019, China imposed a ban on all imports of pork to China which had an adverse effect on the Company's pork sales and as a result the Company's overall operating results.

Food Safety, Customer and Consumer Liability and Product Recalls

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, claims for economic losses by customers and others in the supply chain, 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.

Execution of Capital Projects

The Company has multiple capital projects in development and underway. The successful completion of these projects is dependent on a number of factors, many of which are outside the Company's control. The timing for completion and capital costs of these projects may change depending on many factors some of which include the availability and cost of labour, materials and equipment, contractor non-performance and weather conditions and cost of engineering, construction and other consulting services. The Company may incur financing costs during the planning and construction phases of its growth projects, but the expected cash flows from the projects will not materialize until after they are completed. To the extent projects are completed significantly behind schedule or over budget, its business operations and results may be adversely affected. Currently, the Company anticipates that completion of its new poultry plant in London, Ontario will be delayed until the second quarter of 2022. This delay will affect the timing of cash flows which could have an impact on the Company reaching the Adjusted EBITDA margin target that it set for its Meat Protein Group, plus it could impact the availability of previously secured government concessions for the project. In the Plant Protein Group, there is a delay in the construction of the new Shelbyville, Indiana facility. This delay could affect the Company's growth plans for this business, as well as its ability to access previously secured concessions for the project.

Cyber Security and Overall Management of the Company's Information Systems

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.

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.

Return of Capital to Shareholders is Not Guaranteed

In each of the years 2015 through 2019 the Company entered into normal course issuer bids and purchased during those periods a total of 22.6 million common shares at a cost of $621.8 million. These purchases included 0.8 million common shares in 2019 at a cost of $20.3 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 and Divestitures

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 GHG 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 GHG 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.

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. Refer to the subheading "Livestock Health and Risks Associated with Animal Disease."

Availability of Plant Protein Ingredients

The Company's ability to secure a continuing supply of ingredients at competitive prices depends on many factors beyond its control, such as the number and size of farms that grow the source crops, the risks associated with farming businesses (including poor harvests impacting the quality of the crops), changes in national and world economic conditions and the Company's ability to forecast its ingredient requirements. The ingredients used in the Company's plant protein products are vulnerable to adverse weather conditions and natural disasters, such as floods, droughts, frosts, earthquakes, hurricanes and pestilence. Adverse weather conditions and natural disasters can lower crop yields and reduce crop size and quality, which in turn could reduce the available supply of, or increase the price of, quality ingredients. In addition, the Company may purchase some ingredients outside of the U.S. or Canada, and the availability of such ingredients may be affected by events in other countries. The Company also competes with other food producers in the procurement of ingredients, and this competition may increase in the future if consumer demand for plant protein products increases. If supplies of quality ingredients are reduced or there is greater demand for such ingredients from the Company and others, it may not be able to obtain sufficient supply that meets the Company's quality standards on favorable terms, or at all, which could impact the Company's ability to supply products to distributors and retailers and may adversely affect its business, growth plans, results of operations and financial condition.

Commodities and Hedging Strategies

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, plant protein ingredients, and energy, such as oil-based fuel, natural gas, and electricity. Commodity prices are subject to fluctuation and such fluctuations are sometimes severe.

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 sources 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 has been advised that it is not the subject of the investigation. 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. However, the final outcome with respect to any outstanding or actions or with respect to future claims cannot be predicted with certainty.

The Company maintains typical insurance coverages for a company of its size and nature. As a result, insurance coverage may be available for some claims. In some circumstances, legal claims may not be covered by insurance or the insurance coverage may not be sufficient to cover the claimed losses. Further, 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.

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.

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.

Reputation

The Company is committed to its vision of becoming the most sustainable protein company on earth and by making meaningful progress on its sustainability commitments. The Company strongly values it's reputation as a credible, responsible corporate citizen with a track record of creating shareholder value. Maintaining a positive reputation in the eyes of its customers, consumers, communities, governments, regulatory bodies and the general public is important to its continued success.

The potential for deterioration of the Company's reputation may arise in many contexts and for many different reasons. As a result reputational risk cannot be managed in isolation from other forms of risk. For example, any real or perceived quality or safety concerns, whether or not ultimately based on fact and whether or not involving the Company (such as incidents involving competitors, or the way in which products are handled by customers, consumers or others in the distribution chain after they leave the control of the Company), could cause negative publicity and reduced confidence in the Company, its brand or its products, which could in turn harm its reputation and operating results. Any loss of confidence on the part of consumers in the Company's products, brands, the ingredients it uses or in the safety and quality of it's products would be difficult and costly to overcome.

The growing use of social and digital media by the Company, its consumers and third parties increases the speed and extent that information or misinformation and opinions can be shared. Negative publicity about the Company, its brands or its products on social or digital media could seriously damage it's reputation. If the Company does not maintain the favorable perception of its brands, the Company's sales and profits could be negatively impacted.

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 GHGs) 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.

Consolidation of Operations and Focus on Protein

Over the last several years, the Company has increasingly consolidated its operations into fewer facilities. For example, it completed a consolidation and upgrade of its prepared meats manufacturing network in 2015 and has reconfigured its prepared meats distribution systems into two large distribution centers. Currently, the Company is advancing 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 consolidation initiatives, there is a risk that unforeseen disruption in such facilities could have a greater effect on the operations of the Company as a whole.

In addition, the Company made the decision several years ago to focus on being a protein company and divested the Company's non-protein related business. As a result, the Company is less diversified than it would be if it was engaged in other food businesses, making it susceptible to the trends in protein markets.

Weather

Weather conditions and changes in climate and other long-term trends may have a material effect on the availability and prices of the commodities the Company uses. Adverse weather conditions can also impact crop health which has implications for the quality, cost for the inputs for the Company's plant protein products, as well as animal feed in its meat business. Weather conditions, including extreme heat and extreme cold, can also pose safety concerns for workers and animals which can affect the Company's operations. In addition, weather conditions may also influence the Company's ability to complete capital projects on time, potentially resulting in delays and increasing costs of such capital projects.

Employees, Contractors and Labour Relations

The Company and its subsidiaries have approximately 13,000 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.

28. CRITICAL ACCOUNTING ESTIMATES

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 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 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 6, 10, 11, 12, 19, 24, and 29 of the 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 27 of the 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: the projected level of sales volume for the relevant period, and customer contracted rates for allowances, discounts, and rebates. These arrangements are complex and there are a significant number of customers and products affected. Management has systems and processes in place to estimate and value these obligations. To the extent that payments on trade discounts differ from estimates of the related liability, 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 were as follows:

	2019	2018
Weighted average discount rate	**3.10%**	3.80%
Rate of salary increase	**2.75%**	2.75%
Medical cost trend rates	**5.00%**	5.00%

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

($ thousands) **Actuarial Assumption**		**Sensitivity**	**Increase (decrease) in defined benefit obligations** **Total pensions**	**Other post-retirement benefits**	**Total**
Period end discount rate	3.10%	0.25% decrease	$ 35,958	$ 1,310	$ 37,268
		0.25% increase	$ (34,838)	$ (1,191)	$ (36,029)
Rate of salary increase	2.75%	0.50% increase	$ 2,171	N/A	$ 2,171
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	$ 35,714	$ 743	$ 36,457

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 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 in the calculation of the liability and expenses for certain share-based incentive plans including, but not limited to, estimates of forfeitures, share price volatility, dividends, expected life of the award, risk-free interest rates, and Company performance. 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. Right-of-use ("ROU") assets are depreciated on a straight-line basis, considering the shorter of the useful life of the underlying asset or the lease term. If it is reasonably certain at the commencement of the lease arrangement that the Company will exercise its purchase option or otherwise obtain ownership of the underlying asset at the end of the lease term, the ROU asset is depreciated over the useful life of the underlying asset. Changes to these estimates may affect the carrying value of these assets, inventories, net earnings, and comprehensive income in future periods.

Leases

The Company applies significant judgement in assessing whether a contract is or contains a lease. Such judgements include the determination of whether an asset or assets are specifically or implicitly identified in the contract, if the Company has the right to obtain substantially all the economic benefits from use of the asset or assets and whether the Company has the right to direct the use of the asset or assets. These judgements are made at the inception of a contract and may change if there are material changes to the agreement.

Estimates are used to determine the incremental borrowing rate of a lease when the interest rate implicit to the lease is not readily available. The Company's incremental borrowing rate is determined using a model which incorporates the Company's credit worthiness, the nature and quality of the underlying asset, geographic environments and the duration of the lease. The inputs used in determining the incremental borrowing rate are reviewed and updated quarterly.

The Company also applies significant judgement in determining whether it is reasonably certain to exercise lease extension options or purchase options in a contract by considering all relevant factors and circumstances that may create an economic incentive for the Company to exercise the option considering such factors as past experience, the terms and conditions of the contract, and the importance of the underlying assets to the Company’s operations.

29. SIGNIFICANT ACCOUNTING POLICIES

Accounting Standards Adopted During the Period

During the year ended December 31, 2019, the Company adopted certain IFRS and amendments. As required by International Accounting Standard ("IAS") 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, the nature and the effect of these changes are disclosed below:

Leases

Beginning on January 1, 2019, the Company adopted IFRS 16 *Leases* using the modified retrospective approach where prior periods are not restated. The new standard replaces IAS 17 *Leases* and provides a new framework for lessee accounting that requires most ROU assets obtained through operating leases to be capitalized and a related liability to be recorded. IFRS 16 substantially carries forward the accounting requirements for lessors. The adoption of IFRS 16 results 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 are recognized. An ROU 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 on a straight-line basis.

Payments previously recognized in the consolidated statements of net earnings are replaced by a combination of depreciation on the ROU asset and interest expense on the lease obligations. Depreciation is classified as either SG&A expenses or cost of goods sold, depending on the leased asset’s intended use. Interest expense is classified as interest expense and other financing costs.

On transition to IFRS 16, the Company elected to apply the following practical expedients:

- The practical expedient to not include initial direct costs from the measurement of the ROU asset on transition;
- The practical expedient to rely on the Company's assessment of whether leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review. ROU assets as at January 1, 2019 have been adjusted by the amount of any provisions for onerous leases recognized on the balance sheet as at December 31, 2018; and
- The practical expedient to not reassess whether a contract is, or contains, a lease at the date of initial application. Existing contracts that were not identified as leases under IAS 17 or International Financial Reporting Interpretations Committee ("IFRIC") 4 *Determining Whether an Arrangement Contains a Lease*, were not reassessed under IFRS 16 to determine if a lease exists. The definition of a lease under IFRS 16 has only been applied to contracts entered into or changed on or after January 1, 2019.

The increase (decrease) to opening balances from adopting IFRS 16 on the opening consolidated balance sheet is as follows:

		As at January 1, 2019
Prepaid expenses and other assets	$	720
Property and equipment		(19,880)
Right-of-use assets		240,815
Other long-term assets		1,548
Intangible assets		(28,830)
Total assets	**$**	**194,373**
Current portion of lease obligations[(i)(ii)]	$	39,164
Current portion of provisions		(557)
Other current liabilities		(3,783)
Lease obligations[(i)(ii)]		215,362
Provisions		(3,653)
Other long-term liabilities		(52,160)
Total liabilities	**$**	**194,373**

(i) *The difference between the net present value of the commitments disclosed in Note 24 of the Company's 2018 annual audited consolidated financial statements discounted using the weighted average incremental borrowing rate and the opening lease obligation as at January 1, 2019 is a result of the impact of lease extensions assumed in the calculation of the opening lease obligation and the effect of lease make good costs previously recorded in other liabilities.*

(ii) *The weighted average incremental borrowing rate applied to the Company's portfolio of leases as at January 1, 2019 was 3.7%.*

Uncertainty over Income Tax Treatments

Beginning January 1, 2019, the Company adopted IFRIC 23 *Uncertainty over Income Tax Treatments*. 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. Current tax liabilities increased by $1.1 million as a result of the implementation of IFRIC 23, with a corresponding decrease of $1.1 million to opening retained earnings.

Long-term Interests in Associates and Joint Ventures

Beginning January 1, 2019, the Company adopted amendments to IAS 28 *Investments in Associates and Joint Ventures*. The amendments clarify that a company applies IFRS 9 *Financial Instruments* 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 adopted 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 did not have a material impact on the consolidated financial statements.

Annual Improvements to IFRS (2015-2017) Cycle

Beginning January 1, 2019, the Company adopted 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 adopted these amendments prospectively in its consolidated financial statements for the annual period beginning January 1, 2019. The adoption of these standards did not have a material impact on the consolidated financial statements.

Employee benefits (amendment)

Beginning January 1, 2019, the Company adopted an amendment to IAS 19 *Employee Benefits*. 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. The Company adopted the amendment to IAS 19 prospectively in its consolidated financial statements for the annual period beginning January 1, 2019. The amendment to IAS 19 did not have a material impact on the consolidated financial statements.

Accounting Pronouncements Issued But Not Yet Effective

Conceptual Framework

On March 29, 2018, the International Accounting Standards Board ("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 adoption of the revised Conceptual Framework for Financial Reporting is not expected to have a material impact on the consolidated financial statements.

Definition of a Business

On October 22, 2018, the IASB issued a narrow scope amendment to IFRS 3. This amendment narrowed and clarified the definition of a business, as well as permitted a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. This amendment is effective on January 1, 2020 and is to be applied prospectively. The Company intends to adopt the amendment to IFRS 3 in its consolidated financial statements for the annual period beginning January 1, 2020. The adoption of the amendment to IFRS 3 is not expected to have a material impact on the consolidated financial statements.

Definition of Material

On October 31, 2018, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8. These amendments clarify and align the definition of material and provide guidance to help improve consistency in the application of materiality when used in other IFRS standards. These amendments are effective on January 1, 2020 and are to be applied prospectively. The Company intends to adopt the amendments to IAS 1 and IAS 8 in its consolidated financial statements for the annual period beginning January 1, 2020. The adoption of the amendments to IAS 1 and IAS 8 are not expected to have a material impact on the consolidated financial statements.

Interest Rate Benchmark Reform - Phase 1

On September 26, 2019, the IASB issued amendments to IFRS 9, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments Disclosures* to address the potential effects Interbank Offered Rates ("IBOR") reform could have on financial reporting. The amendments modify specific hedge accounting requirements to allow entities to assume that the interest rate benchmark on which the hedged cash flows and the cash flows of which the hedging instrument are based on, are not altered as a result of IBOR reform. The Company intends to adopt the amendments to IFRS 9, IAS 39 and IFRS 7 in its consolidated financial statements for the annual period beginning January 1, 2020. The adoption of the amendments to IFRS 9, IAS 39 and IFRS 7 are not expected to have a material impact on the consolidated financial statements.

30. 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, 2019 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, 2019, and ended on December 31, 2019, that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

31. 2020 OUTLOOK AND LONG-TERM TARGETS

Maple Leaf 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.

A key part of Maple Leaf's long-term growth includes its Plant Protein Group. In 2019, the Company articulated its ambitious goal, to achieve $3.0 billion in sales in the Plant Protein Group by 2029. This would assume a market size of approximately $25 billion. In that environment the Company would aspire to generate approximately 30.0% gross margin and SG&A expense (as a % of sales) in the low double-digit range. Long-term, achieving these targets is expected to result in Adjusted EBITDA margins that exceed those in the Meat Protein Group.

This will be driven by:

- Capitalizing on the high growth plant protein market, predominantly in the refrigerated space.
- Leveraging Maple Leaf Foods' established expertise in brand development and effective marketing.
- Delivering on a pipeline of new product innovation to broaden and deepen its product portfolio.
- Executing on a multi-tier supply capacity strategy including leverage of existing meat protein footprint, opportunistic utilization of co-packing services and development of new capacity starting with the highly modularized Shelbyville plant processing facility.

In 2017, the Company established an Adjusted EBITDA margin target of 14.0-16.0% to be achieved in 2022. This target remains unchanged for the Meat Protein Group, and includes:

- Low single-digit organic revenue growth and achieve an Adjusted EBITDA margin in the Meat Protein Group between 14.0-16.0% in 2022.

  This will be driven by:

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

In 2018, the Company announced the construction of a London, Ontario poultry processing facility. Construction is underway, however, due to poor weather conditions last spring, along with a robust economy and highly competitive environment, some construction components have taken longer to source. As a result, construction completion is expected to be delayed and start-up of this new poultry facility is now planned for the second quarter of 2022.

In 2019, the Company announced the construction of a Shelbyville, Indiana facility. Maple Leaf Foods is continuing to advance engineering and design work, adapting its plans to provide the flexibility necessary to meet the demands of the rapidly evolving plant protein market. The Company is focused on ensuring that the new facility is designed to provide the right scalability to meet current and future consumer demand. While this additional engineering and design work means that completion of the Shelbyville, Indiana facility will be delayed until the end of 2022, the Company is able to expand capacity within its existing network to allow it to meet immediate demand.

2020 Outlook

For 2020, the Company expects to achieve the following:

Meat Protein Group - Profitable Growth

- Mid-to-high single digit revenue growth driven by sustainable meats and higher sales to Asian markets.
- Gross margin expansion due to the continued mix-shift benefits in prepared meats resulting from growth in sustainable meats and brand renovation, coupled with pork complex conditions more in-line with the 5-year average, as well as contributions from higher sales to Asian markets.
- Expand Adjusted EBITDA margin, making significant progress towards the 2022 Adjusted EBITDA margin target of 14.0-16.0%, based on the factors noted above as well cost efficiencies.

Plant Protein Group - Investing for Growth

- Revenue growth of approximately 30% from 2019 levels, which is in line with long-term strategic targets. This growth is driven by continued product innovation, brand awareness resulting in further demand generation, increased distribution points, and strong growth in the underlying market.
- Gross margin expansion relative to 2019 levels, as product margins are expected to increase materially, while being impacted by the inherent inefficiencies of a rapidly growing business.
- SG&A expense is expected to be approximately $150.0 million. The Company will continue to invest in advertising, promotion and marketing to establish brand, while scaling up talent and operations to develop the organizational structure required for this growing business.

Capital

- The Company currently estimates its capital expenditures for the full year of 2020 will be in a range of approximately $650.0 million to $700.0 million.
- Approximately 70% of this will be Construction Capital, which is mainly related to ongoing construction of the London, Ontario poultry facility; further capacity and efficiency improvements in our prepared meats business; and investments in plant protein capacity at an existing facility, as well as further design, engineering, and site work at the Shelbyville, Indiana location.
- The balance of capital is slated for continued profit enhancement, maintenance and sustainability projects.

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

- Commitment to carbon neutrality.
- Better Food: leading the real food movement and transitioning key brands to 100.0% "raised without antibiotics".
- Better Care: further advancement of animal care, including progress towards transitioning all sows under management to open housing systems by 2021.
- Better Communities: Investing approximately 1.0% of pre-tax profit to advance sustainable food security.
- Better Planet: Focus on eliminating waste in any resources the Company consumes, including food, energy, water, packaging and time.

32. NON-IFRS FINANCIAL MEASURES

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

Adjusted Operating Earnings, Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted Operating Earnings, Adjusted EBITDA and Adjusted EBITDA Margin are non-IFRS measures used by Management to evaluate financial operating results. Adjusted Operating Earnings is defined as earnings before income taxes adjusted for items that are not considered representative of ongoing operational activities of the business and items where the economic impact of the transactions will be reflected in earnings in future periods when the underlying asset is sold or transferred. Adjusted EBITDA is defined as Adjusted Operating Earnings plus depreciation and intangible asset amortization, adjusted for items included in other expense that are not considered representative of ongoing operational activities of the business. Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by sales.

The table below provides a reconciliation of earnings (loss) before income taxes as reported under IFRS in the consolidated financial statements to Adjusted Operating Earnings and Adjusted EBITDA for the years ended, as indicated below. Management believes that these non-IFRS measures are useful in assessing the performance of the Company's ongoing operations and its ability to generate cash flows to fund its cash requirements, including the Company's capital investment program.

	2019				2018[(i)]			
($ millions)	**Meat Protein Group**	**Plant Protein Group**	**Non-Allocated[(ii)]**	**Total**	Meat Protein Group	Plant Protein Group	Non-Allocated[(ii)]	Total
Earnings (loss) before income taxes	**$ 218.0**	**(84.2)**	**(46.8)**	**$ 87.0**	$ 169.3	2.7	(31.0)	$ 141.1
Interest expense and other financing costs	**—**	**—**	**32.0**	**32.0**	—	—	10.0	10.0
Other expense (income)	**0.3**	**0.2**	**2.7**	**3.3**	(2.8)	0.1	15.6	13.0
Restructuring and other related costs	**11.0**	**—**	**—**	**11.0**	46.2	—	—	46.2
Earnings (loss) from operations	**$ 229.3**	**(84.0)**	**(12.1)**	**$ 133.3**	$ 212.8	2.8	(5.3)	$ 210.3
Decrease in fair value of biological assets[(iii)]	**—**	**—**	**5.5**	**5.5**	—	—	10.9	10.9
Unrealized loss (gain) on derivative contracts[(iv)]	**—**	**—**	**6.5**	**6.5**	—	—	(5.6)	(5.6)
Adjusted Operating Earnings	**$ 229.3**	**(84.0)**	**—**	**$ 145.4**	$ 212.8	2.8	—	$ 215.6
Depreciation and amortization	**164.2**	**12.6**	**—**	**176.8**	116.1	9.9	—	126.0
Items included in other (expense) income representative of ongoing operations	**(0.3)**	**(0.2)**	**(0.4)**	**(1.0)**	2.8	(0.1)	—	2.7
Adjusted EBITDA	**$ 393.2**	**(71.6)**	**(0.4)**	**$ 321.2**	$ 331.6	12.7	—	$ 344.3
Adjusted EBITDA margin	**10.4%**	**(40.6)%**	**N/A**	**8.1%**	9.9%	9.2%	N/A	9.9%

(i) *Comparative figures have been presented to align with current reportable segments.*

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

(iii) *Refer to Note 6 of the Company's 2019 consolidated financial statements for further details regarding biological assets.*

(iv) *Unrealized gains/losses on derivative contracts are reported within cost of goods sold in the Company's 2019 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.

($ per share)	**2019**	2018
Basic earnings per share	**$ 0.60**	$ 0.81
Restructuring and other related costs[(i)]	**0.07**	0.27
Income tax recovery not considered representative of ongoing operations	**(0.08)**	—
Items included in other expense not considered representative of ongoing operations[(ii)]	**0.02**	0.11
Change in fair value of biological assets[(iii)]	**0.03**	0.06
Unrealized loss (gain) on derivative contracts[(iii)]	**0.04**	(0.03)
Adjusted Earnings per Share[(iv)]	**$ 0.68**	$ 1.22

(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.*

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 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)	**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
Additions	**15,832**	2,014
Balance at September 30	**$ 79,481**	$ 20,582
Additions	**25,730**	1,840
Balance at December 31[(i)]	**$ 105,211**	$ 22,422
Construction Capital debt financing[(ii)]	**$ 105,211**	$ 22,422

(i) *Total Construction Capital additions in 2019 were $82.8 million (2018: $9.5 million).*

(ii) *Assumed to be fully funded by debt to the extent that the Company has Net Debt outstanding.*

Net Debt

The following table reconciles Net Debt to amounts reported under IFRS in the Company's consolidated financial statements as at December 31, 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.

	As at December 31,	
($ thousands)	**2019**	2018
Cash and cash equivalents	**$ 97,285**	$ 72,578
Current portion of long-term debt	**$ (899)**	$ (80,897)
Long-term debt	**(538,429)**	(302,524)
Total debt	**$ (539,328)**	$ (383,421)
Net Debt	**$ (442,043)**	$ (310,843)

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) *(Unaudited)*	**2019**	2018
Cash provided by operating activities	**$ 270,180**	$ 299,685
Additions to long-term assets	**(270,745)**	(179,865)
Free Cash Flow	**$ (565)**	$ 119,820

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.

33. FORWARD-LOOKING STATEMENTS

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

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

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

- future performance, including future financial objectives, goals and targets, expected capital spend and expected SG&A expenditures for the Company and each of its operating segments;
- the execution of the Company's business strategy, including the development and expected timing of business initiatives, brand expansion and repositioning, and other growth opportunities, as well as the impact thereof;
- the impact of international trade conditions on the Company's business, including access to markets, implications associated with the spread of foreign animal disease (such as ASF), and other social, economic and political factors that affect trade;
- competitive conditions and the Company's ability to position itself competitively in the markets in which it competes;
- capital projects, including planning, construction, estimated expenditures, schedules, approvals, expected capacity, in-service dates and anticipated benefits of construction of new facilities and expansions of existing facilities;
- the Company's dividend policy, including future levels and sustainability of cash dividends, the tax treatment thereof and future dividend payment dates;
- the impact of commodity prices on the Company's operations and financial performance, including the use and effectiveness of hedging instruments;
- expected future cash flows and the sufficiency thereof, sources of capital at attractive rates, future contractual obligations, future financing options, renewal of credit facilities, and availability of capital to fund growth plans, operating obligations and dividends;
- operating risks, including the execution, monitoring and continuous improvement of the Company's food safety programs, animal health initiatives and cost reduction initiatives;
- the implementation, cost and impact of environmental sustainability initiatives, as well as the anticipated future cost of remediating environmental liabilities;
- the adoption of new accounting standards and the impact of such adoption on the financial position of the Company;
- expectations regarding pension plan performance, including future pension plan assets, liabilities and contributions; and
- developments and implications of actual or potential legal actions.

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

- the competitive environment, associated market conditions and market share metrics, the expected behaviour of competitors and customers and trends in consumer preferences;
- the success of the Company's business strategy, including execution of the strategy in each of the Meat Protein and Plant Protein Groups;
- prevailing commodity prices, interest rates, tax rates and exchange rates;

- the economic condition of and the socio-political dynamics between Canada, the U.S., Japan and China, and the ability of the Company to access markets in these countries;
- the spread of foreign animal disease (including ASF), preparedness strategies to manage such spread, and implications for all protein markets;
- the availability of capital to fund future capital requirements associated with existing operations, assets and projects;
- expectations regarding participation in and funding of the Company's pension plans;
- the availability of insurance coverage to manage certain liability exposures;
- the extent of future liabilities and recoveries related to legal claims;
- prevailing regulatory, tax and environmental laws; and
- future operating costs and performance, including the Company's ability to achieve operating efficiencies and maintain high sales volumes, high turnover of inventories and high turnover of accounts receivable.

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

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

- competition, market conditions and the activities of competitors and customers;
- food safety, consumer liability and product recalls;
- the health status of livestock, including the impact of potential pandemics;
- international trade and access to markets, as well as social, political and economic dynamics affecting same;
- availability of and access to capital;
- decision respecting the return of capital to shareholders;
- the execution of capital projects, including cost, schedule and regulatory variables;
- food safety, consumer liability and product recalls;
- cyber security and the maintenance and operation of the Company's information systems and processes;
- acquisitions and divestitures;
- climate change;
- fluctuations in the debt and equity markets;
- fluctuations in interest rates and currency exchange rates;
- pension assets and liabilities;
- cyclical nature of the cost and supply of hogs and the competitive nature of the pork market generally;
- the effectiveness of commodity and interest rate hedging strategies;
- impact of changes in the market value of the biological assets and hedging instruments;
- the supply management system for poultry in Canada;
- availability of plant protein ingredients;
- intellectual property, including product innovation, product development, brand strategy and trademark protection;
- consolidation of operations and focus on protein;
- the use of contract manufacturers;
- reputation;
- weather;
- compliance with government regulation and adapting to changes in laws;
- actual and threatened legal claims;
- consumer trends and changes in consumer tastes and buying patterns;
- environmental regulation and potential environmental liabilities;

- consolidation in the retail environment;
- employment matters, including complying with employment laws across multiple jurisdictions, the potential for work stoppages due to non-renewal of collective agreements, recruiting and retaining qualified personnel, reliance on key personnel and succession planning;
- pricing of products;
- managing the Company’s supply chain;
- changes in International Financial Reporting Standards and other accounting standards that the Company is required to adhere to for regulatory purposes;
- other factors as set out in this document under the heading "Risk Factors".

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

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

More information about risk factors can be found under the heading “Risk Factors” in the Company's Annual Management's Discussion and Analysis for the year ended December 31, 2019, that is available on SEDAR at www.sedar.com. The reader should review such section in detail. Additional information concerning the Company, including the Company’s Annual Information Form, is available on SEDAR at www.sedar.com.

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