



TSX: MFI

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Maple Leaf Foods Reports First Quarter 2020 Financial Results

Company continues to execute against its strategy, and remains steadfastly focused on the health and safety of its people, business continuity, elevating community outreach and maintaining a secure food supply

Mississauga, Ontario, April 29, 2020 - Maple Leaf Foods Inc. ("Maple Leaf Foods" or "the Company") (TSX: MFI) today reported its financial results for the first quarter ending March 31, 2020.

"During the COVID-19 crisis, Maple Leaf's commitment to social purpose has taken on new meaning and increased importance," stated Michael H. McCain, the Company's President and CEO. "In keeping with this commitment, we have made significant contributions to support our communities and extraordinary healthcare professionals. We have also taken additional steps to protect our employees, who have maintained our critical infrastructure throughout this pandemic. Finally, we have embraced our responsibility as an essential service, to ensure the security and stability of our domestic and international supply chains. I am humbled by the dedication demonstrated by our entire team throughout this global challenge.

"Despite the unprecedented environment, Maple Leaf remains focused upon its strategic, financial, and operational targets, and continues to make steady progress in this regard. We are encouraged by the growth trajectory of our plant protein business, and continue to witness the benefits of our investments in brands and sustainable meats," concluded Mr. McCain.

First Quarter 2020 Highlights

- Total Company sales growth of 12.8% and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA")⁽ⁱ⁾ margin of 8.9% of sales.
- Meat Protein Group sales growth of 12.7% driven primarily by strong Retail volumes, higher sales to Asian markets and a favourable mix-shift towards sustainable meats. Adjusted EBITDA margin at 11.3% compared to 9.7% last year.
- Plant Protein Group sales growth of 25.9%, consistent with expectations, with selling, general and administrative expenses ("SG&A") of \$30.9 million. Adjusted EBITDA in the Plant Protein Group was a loss of \$20.5 million.
- Net loss for the quarter of \$3.7 million, compared to net earnings of \$50.1 million for the first quarter of 2019, driven by unrealized losses on biological assets and derivatives.
- The net impact on Adjusted Operating Earnings⁽ⁱ⁾ from COVID-19 was not material in the quarter. While it did slightly amplify revenues, margins were slightly compressed due to increased production costs, and increased selling, general and administrative expenses including the \$2.5 million donation to support the Canadian Frontline Healthcare Professionals Protection Fund.
- Capital Expenditures were \$99.2 million including Construction Capital⁽ⁱ⁾ of \$56.9 million primarily related to construction costs for the London Poultry facility.
- Strong Balance Sheet with Net Debt⁽ⁱ⁾ of \$640.6 million and undrawn committed credit of \$1,300.0 million.
- For 2020, Maple Leaf continues to focus on profitable growth in the Meat Protein Group and investing for growth in the Plant Protein Group. The immediate term impact of the COVID-19 pandemic continues to evolve, and the Company is closely monitoring this.

⁽ⁱ⁾ Refer to the section titled *Non-IFRS Financial Measures* in this news release.

Financial Highlights

Measure ⁽ⁱ⁾ (Unaudited)	Three months ended March 31,		
	2020	2019	Change
Sales	\$ 1,022.8	\$ 907.1	12.8 %
Net (Loss) Earnings	\$ (3.7)	\$ 50.1	(107.4)%
Basic Earnings per Share	\$ (0.03)	\$ 0.41	(107.3)%
Adjusted Operating Earnings ⁽ⁱⁱ⁾	\$ 45.1	\$ 42.1	7.3 %
Adjusted Earnings per Share ⁽ⁱⁱ⁾	\$ 0.21	\$ 0.20	5.0 %
Free Cash Flow ⁽ⁱⁱⁱ⁾	\$ (132.1)	\$ (41.4)	219.1 %

⁽ⁱ⁾ All financial measures in millions of dollars except Basic and Adjusted Earnings per Share.

⁽ⁱⁱ⁾ Refer to the section titled Non-IFRS Financial Measures in this news release.

Sales for the first quarter of 2020 were \$1,022.8 million compared to \$907.1 million last year, an increase of 12.8%, driven by strong retail volume in the Meat Protein Group, favourable mix from growth in sustainable meats and pork exports to Asia, and from pricing action taken in the third quarter of 2019. Double-digit growth in the Plant Protein Group of 25.9% also contributed to the strong sales performance in the quarter.

Net loss for the first quarter of 2020 was \$3.7 million (\$0.03 per basic share) compared to earnings of \$50.1 million (\$0.41 per basic share) last year. Strong commercial performance in both the Meat and Plant Protein Groups was more than offset by strategic investments in plant protein to drive top line growth and a \$36.7 million impact to earnings from non-cash fair value changes in biological assets and derivative contracts driven by depressed market prices for hogs, which are excluded in the calculation of Adjusted Operating Earnings below.

Adjusted Operating Earnings for the first quarter of 2020 were \$45.1 million compared to \$42.1 million last year, and Adjusted Earnings per Share for the first quarter of 2020 were \$0.21 compared to \$0.20 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.

Note: Several items are excluded from the discussions of underlying earnings performance as they are not representative of ongoing operational activities. Refer to the section entitled Non-IFRS Financial Measures at the end of this news release for a description and reconciliation of all non-IFRS financial measures.

Operating Review

The Company has two reportable segments. These segments offer different products, with separate organizational structures, brands, financial and marketing strategies. The Company's chief operating decision makers regularly review internal reports for these businesses; performance of the Meat Protein Group is based on revenue growth, Adjusted Operating Earnings and Adjusted EBITDA, while the performance of the Plant Protein Group is based predominantly on revenue growth rates, managing gross margins and controlling selling, general and administrative expenses ("SG&A"), which generate high revenue growth rates.

The following table summarizes the Company's sales, gross profit, SG&A, Adjusted Operating Earnings, Adjusted EBITDA, and Adjusted EBITDA margin by operating segment for the three months ended March 31, 2020 and March 31, 2019.

(\$ millions) ⁽ⁱ⁾ (Unaudited)	Three months ended March 31, 2020				Three months ended March 31, 2019 ⁽ⁱⁱ⁾			
	Meat Protein Group	Plant Protein Group	Non-Allocated ⁽ⁱⁱⁱ⁾	Total	Meat Protein Group	Plant Protein Group	Non-Allocated ⁽ⁱⁱⁱ⁾	Total
Sales	\$ 981.4	46.3	(5.0)	\$ 1,022.8	\$ 871.1	36.8	(0.8)	\$ 907.1
Gross profit	\$ 157.3	6.8	(36.7)	\$ 127.4	\$ 131.8	8.5	39.2	\$ 179.5
Selling, general and administrative expenses	\$ 88.0	30.9	—	\$ 118.9	\$ 86.4	11.9	—	\$ 98.3
Adjusted Operating Earnings	\$ 69.2	(24.1)	—	\$ 45.1	\$ 45.4	(3.3)	—	\$ 42.1
Adjusted EBITDA	\$ 111.1	(20.5)	—	\$ 90.5	\$ 84.8	(0.4)	—	\$ 84.4
Adjusted EBITDA margin ^(iv)	11.3%	(44.3)%	N/A	8.9%	9.7%	(1.1)%	N/A	9.3%

⁽ⁱ⁾ Totals may not add due to rounding.

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

⁽ⁱⁱⁱ⁾ 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.

^(iv) Refer to the section titled Non-IFRS Financial Measures in this news release.

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 the first quarter of 2020 increased 12.7% to \$981.4 million compared to \$871.1 million last year, driven by a favourable mix-shift towards sustainable meats and branded products, increased exports to China and Japan, and strong volumes in the retail channel following a surge in demand in late March tied to COVID-19. Pricing actions implemented during the third quarter of 2019 to mitigate higher input costs also contributed to the strong sales performance.

Gross profit for the first quarter of 2020 was \$157.3 million (gross margin of 16.0%) compared to \$131.8 million (gross margin of 15.1%) last year. Gross profit performance benefited from a favourable mix attributed to expansion of sustainable meats and other branded products, in addition to growth in exports to Asian markets. Increased costs in hog production and fresh poultry as well as expenses associated with COVID-19 including labour bonus payments, personal protective equipment, and incremental sanitation negatively impacted gross profit. This partially offset strong commercial performance.

SG&A expenses for the first quarter of 2020 were \$88.0 million (9.0% of sales), compared to \$86.4 million (9.9% of sales) last year. The increase was primarily driven by COVID-19 donations to support front-line health care workers, partially offset by cost efficiencies across the meat portfolio.

Adjusted Operating Earnings for the first quarter of 2020 were \$69.2 million compared to \$45.4 million last year, driven by factors noted above.

Adjusted EBITDA margin was 11.3% compared to 9.7% last year, consistent with the factors noted above.

Plant Protein Group

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

Sales for the first quarter of 2020 increased 25.9% to \$46.3 million compared to \$36.8 million last year, driven by expanded distribution of new products and continued volume increases in its existing portfolio.

Gross profit for the first quarter of 2020 was \$6.8 million (gross margin of 14.6%) compared to \$8.5 million (gross margin of 23.2%) last year. The decrease in gross profit was attributed to increased trade expenditures and higher supply chain costs.

SG&A expenses for the first quarter of 2020 were \$30.9 million (66.6% of sales), compared to \$11.9 million (32.3% 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 expand distribution. In addition, the Company invested to broaden organizational capacity and its pipeline of new product innovation.

Adjusted Operating Earnings for the first quarter of 2020 were a loss of \$24.1 million compared to a loss of \$3.3 million last year. The decline in Adjusted Operating Earnings is consistent with the factors noted above.

Other Matters

On April 28, 2020, the Board of Directors approved a quarterly dividend of \$0.16 per share, \$0.64 per share on an annual basis, payable June 30, 2020 to shareholders of record at the close of business June 9, 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".

Conference Call

An investor presentation related to the Company's first quarter financial results is available at www.mapleleaffoods.com and can be found under *Presentations and Webcasts* on the *Investors* page. A conference call will be held at 8:00 a.m. EST on April 29, 2020, to review Maple Leaf Foods' first quarter financial results. To participate in the call, please dial 416-764-8650 or 1-888-664-6383. For those unable to participate, playback will be made available an hour after the event at 416-764-8677 or 1-888-390-0541 (Passcode: 692371#).

A webcast of the first quarter conference call will also be available at:

<https://www.mapleleaffoods.com/investors/events/>

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

2020 Outlook

Maple Leaf Foods provided its expectations for 2020 prior to COVID-19 being declared a global pandemic, and the resulting responses from health officials and governments globally. By providing nutrition to people nationally and internationally, the Company has been designated an essential service. This responsibility does mitigate some of the more dramatic financial and operational

impacts experienced in many other industries, however the current environment does increase operating costs, and creates the potential for short-term processing shut downs required to protect the health and safety of plant personnel.

In the second quarter of 2020, Maple Leaf Foods expects:

- Strong demand from the retail channel and lower sales in the foodservice channel.
- Strong pork demand from Asian markets.
- Continued traction in plant protein, benefiting from growth in both innovation and legacy products.
- Incremental COVID-19 costs of up to \$20.0 million due to increased labour, personal protective equipment, sanitation, and other expenses associated with the pandemic. The Company will work to partially mitigate these expenses through SG&A savings.

Maple Leaf's expectations for the financial performance of its business in 2020 remain largely unchanged, but there are several factors that could have an impact on its business, which it cannot estimate or control due to the COVID-19 pandemic, including:

- Volatility in the pork and poultry commodity and foreign exchange markets.
- The balance between retail and foodservice demand.
- Potential future production disruptions or shutdowns.
- Incremental costs associated with COVID-19 extending beyond the second quarter.
- The duration of government measures, including social distancing.

Notwithstanding the potential unknown impacts of COVID-19, including incremental operating costs or disruption in the commodity markets, 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 as 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 awareness, while scaling up talent and operations to develop the organizational structure required for this growing business.

Capital

- The Company now estimates its capital expenditures for 2020 will be at least \$50.0 million below the previously stated range of \$650.0 million to \$700.0 million. This reduction is attributable to construction delays related to COVID-19, which may introduce further uncertainty to capital outlays depending on the duration of social distancing measures. This includes an assumed two month suspension of construction at the London, Ontario poultry site. At this point, the Company believes this temporary suspension is unlikely to have a material impact on the completion date for the facility.
- 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 the Walker Drive facility in Brampton, 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 and 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.

COVID-19 Update

As an essential service, Maple Leaf Foods is focused on protecting the health and well-being of its people, maintaining business continuity, and broadening its social outreach. To manage through this unprecedented environment, the Company has taken a number of measures in its business and operating practices that include heightened safety policies and procedures, and close communication and collaboration with public health authorities. These measures have the effect of increasing the Company's cost structure in the short-term due to higher labour, personal protective equipment, sanitation and other expenses associated with the pandemic.

The health and safety of our people is paramount while ensuring the security of our food supply. To date, Maple Leaf Foods has seen some short-term interruption to a small portion of its overall production, and expects some operational disruptions will continue to occur. Overall, the Company believes its proactive and comprehensive efforts should mitigate operational impacts. As the COVID-19 situation evolves, Maple Leaf Foods will continue to adapt and adopt best practices that prioritize the health and safety of its employees and the stability of the food supply.

As part of Maple Leaf Foods' broader social responsibility, the Company has provided extensive support to front-line staff, emergency food relief efforts and health care providers. This includes a weekly bonus for its front-line team members, an incremental investment of over \$1.0 million to support emergency food relief efforts, and a \$2.5 million donation to launch a new fund to provide personal support to front line health care providers during the pandemic.

While the short-term impact of COVID-19 may be dynamic, Maple Leaf Foods' purpose and long-term strategy remain unchanged.

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 three months ended March 31, as indicated below. Management believes that these non-IFRS measures are useful in assessing the performance of the Company's ongoing operations and its ability to generate cash flows to fund its cash requirements, including the Company's capital investment program.

(\$ millions) ⁽ⁱ⁾ (Unaudited)	Three months ended March 31, 2020				Three months ended March 31, 2019 ⁽ⁱⁱ⁾			
	Meat Protein Group	Plant Protein Group	Non-Allocated ⁽ⁱⁱⁱ⁾	Total	Meat Protein Group	Plant Protein Group	Non-Allocated ⁽ⁱⁱⁱ⁾	Total
Earnings (loss) before income taxes	\$ 68.2	(24.1)	(47.2)	\$ (3.0)	\$ 42.3	(3.3)	29.9	\$ 68.8
Interest expense and other financing costs	—	—	7.9	7.9	—	—	7.4	7.4
Other expense	1.2	—	2.6	3.8	0.3	—	1.8	2.2
Restructuring and other related costs	(0.2)	—	—	(0.2)	2.8	—	—	2.8
Earnings (loss) from operations	\$ 69.2	(24.1)	(36.7)	\$ 8.5	\$ 45.4	(3.3)	39.2	\$ 81.3
Decrease (increase) in fair value of biological assets ^(iv)	—	—	14.7	14.7	—	—	(26.3)	(26.3)
Unrealized loss (gain) on derivative contracts ^(v)	—	—	22.0	22.0	—	—	(12.9)	(12.9)
Adjusted Operating Earnings	\$ 69.2	(24.1)	—	\$ 45.1	\$ 45.4	(3.3)	—	\$ 42.1
Depreciation and amortization	43.0	3.5	—	46.6	39.7	2.9	—	42.6
Items included in other expense representative of ongoing operations	(1.2)	—	—	(1.2)	(0.3)	—	—	(0.3)
Adjusted EBITDA	\$ 111.1	(20.5)	—	\$ 90.5	\$ 84.8	(0.4)	—	\$ 84.4
Adjusted EBITDA margin	11.3%	(44.3)%	N/A	8.9%	9.7%	(1.1)%	N/A	9.3%

⁽ⁱ⁾ Totals may not add due to rounding.

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

⁽ⁱⁱⁱ⁾ 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.

^(iv) Refer to Note 5 of the Company's 2020 first quarter consolidated financial statements for further details regarding biological assets.

^(v) Unrealized gains/losses on derivative contracts are reported within cost of goods sold in the Company's 2020 first quarter 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 consolidated financial statements to Adjusted Earnings per Share for the three months ended March 31, as indicated below. Management believes this basis is the most appropriate on which to evaluate financial results as they are representative of the ongoing operations of the Company.

(\$ per share) (Unaudited)	Three months ended March 31,	
	2020	2019
Basic (loss) earnings per share	\$ (0.03)	\$ 0.41
Restructuring and other related costs ⁽ⁱ⁾	—	0.02
Items included in other expense not considered representative of ongoing operations ⁽ⁱⁱ⁾	0.02	0.01
Change in fair value of biological assets ⁽ⁱⁱⁱ⁾	0.09	(0.16)
Unrealized loss (gain) on derivative contracts ⁽ⁱⁱⁱ⁾	0.13	(0.08)
Adjusted Earnings per Share	\$ 0.21	\$ 0.20

⁽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.

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) (Unaudited)	Three months ended March 31,	
	2020	2019
Opening balance at January 1	\$ 105,211	\$ 22,422
Additions	56,926	18,100
Balance at March 31	\$ 162,137	\$ 40,522
Construction Capital debt financing⁽ⁱ⁾	\$ 162,137	\$ 40,522

⁽ⁱ⁾ 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 March 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.

(\$ thousands) (Unaudited)	As at March 31,	
	2020	2019
Cash and cash equivalents	\$ 86,298	\$ 82,295
Current portion of long-term debt	\$ (912)	\$ (170,408)
Long-term debt	(726,002)	(296,262)
Total debt	\$ (726,914)	\$ (466,670)
Net Debt	\$ (640,616)	\$ (384,375)

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)	Three months ended March 31,	
	2020	2019
Cash (used in) provided by operating activities	\$ (45,797)	\$ 18,576
Additions to long-term assets	(86,292)	(59,997)
Free Cash Flow	\$ (132,089)	\$ (41,421)

Return on Net Assets

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

Forward-Looking Statements

This document contains, and the Company's oral and written public communications often contain, "forward-looking information" within the meaning of applicable securities law. These statements are based on current expectations, estimates, 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;
- developments and implications of actual or potential legal actions; and
- implications of COVID-19.

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;
- 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; and
- expectations regarding the impact and future implications of COVID-19 and adaptations in operations, customer and consumer behaviour and economic patterns.

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;
- implications of COVID-19 on the operations and financial performance of the Company, as well macro socio-economic trends; and
- 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.

About Maple Leaf Foods Inc.

Maple Leaf Foods 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 employs approximately 13,000 people and does business primarily in Canada, the U.S. and Asia. The Company is headquartered in Mississauga, Ontario and its shares trade on the Toronto Stock Exchange (MFI).

Consolidated Interim Balance Sheets

<i>(In thousands of Canadian dollars)</i> <i>(Unaudited)</i>	As at March 31, 2020	As at March 31, 2019 ⁽ⁱ⁾	As at December 31, 2019 ⁽ⁱ⁾
ASSETS			
Current assets			
Cash and cash equivalents	\$ 86,298	\$ 82,295	\$ 97,285
Accounts receivable	173,064	155,321	154,969
Notes receivable	52,463	30,950	31,699
Inventories	414,095	388,800	385,534
Biological assets	104,866	139,103	119,016
Prepaid expenses and other assets	58,068	49,698	51,494
Assets held for sale	31,036	—	34,293
	\$ 919,890	\$ 846,167	\$ 874,290
Property and equipment	1,451,025	1,294,949	1,386,482
Right-of-use assets	245,509	232,971	227,426
Investments	17,300	3,101	3,448
Other long-term assets	10,564	11,205	12,497
Goodwill	669,442	661,435	657,179
Intangible assets	361,334	385,569	352,713
Total assets	\$ 3,675,064	\$ 3,435,397	\$ 3,514,035
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accruals	\$ 419,314	\$ 356,049	\$ 445,774
Current portion of provisions	4,413	2,403	3,973
Current portion of long-term debt	912	170,408	899
Current portion of lease obligations	42,717	38,980	39,505
Income taxes payable	—	19,225	205
Other current liabilities	52,980	20,082	44,698
	\$ 520,336	\$ 607,147	\$ 535,054
Long-term debt	726,002	296,262	538,429
Lease obligations	219,880	208,321	204,013
Employee benefits	128,676	134,821	116,742
Provisions	42,674	47,452	44,929
Other long-term liabilities	18,153	2,056	3,026
Deferred tax liability	102,987	123,600	121,972
Total liabilities	\$ 1,758,708	\$ 1,419,659	\$ 1,564,165
Shareholders' equity			
Share capital	\$ 844,161	\$ 849,655	\$ 840,005
Retained earnings	1,106,952	1,183,042	1,137,450
Contributed surplus	8,778	11,079	—
Accumulated other comprehensive (loss) income	(13,157)	1,348	2,793
Treasury stock	(30,378)	(29,386)	(30,378)
Total shareholders' equity	\$ 1,916,356	\$ 2,015,738	\$ 1,949,870
Total liabilities and equity	\$ 3,675,064	\$ 3,435,397	\$ 3,514,035

⁽ⁱ⁾ Certain comparative figures have been restated to conform with current year presentation.

Consolidated Interim Statements of Net Earnings

<i>(In thousands of Canadian dollars, except share amounts)</i> <i>(Unaudited)</i>	Three months ended March 31,	
	2020	2019
Sales	\$ 1,022,767	\$ 907,090
Cost of goods sold	895,408	727,569
Gross profit	\$ 127,359	\$ 179,521
Selling, general and administrative expenses	118,901	98,254
Earnings before the following:	\$ 8,458	\$ 81,267
Restructuring and other related (reversals) costs	(169)	2,820
Other expense	3,769	2,077
Earnings before interest and income taxes	\$ 4,858	\$ 76,370
Interest expense and other financing costs	7,892	7,433
(Loss) earnings before income taxes	\$ (3,034)	\$ 68,937
Income tax expense	678	18,833
Net (loss) earnings	\$ (3,712)	\$ 50,104
 (Loss) earnings per share attributable to common shareholders:		
Basic (loss) earnings per share	\$ (0.03)	\$ 0.41
Diluted (loss) earnings per share	\$ (0.03)	\$ 0.40
 Weighted average number of shares (millions)		
Basic	123.0	123.5
Diluted	123.0	125.4

Consolidated Interim Statements of Other Comprehensive Income (Loss)

(In thousands of Canadian dollars)
(Unaudited)

	Three months ended March 31,	
	2020	2019
Net (loss) earnings	\$ (3,712)	\$ 50,104
Other comprehensive loss		
Actuarial losses that will not be reclassified to profit or loss (Net of tax of \$2.5 million; 2019: \$9.3 million)	\$ (7,220)	\$ (26,382)
Items that are or may be reclassified subsequently to profit or loss:		
Change in accumulated foreign currency translation adjustment (Net of tax of \$0.0 million; 2019: \$0.0 million)	\$ 21,600	\$ (8,160)
Change in foreign exchange on long-term debt designated as a net investment hedge (Net of tax of \$3.5 million; 2019: \$1.0 million)	(19,119)	5,184
Change in unrealized (losses) and gains on cash flow hedges (Net of tax of \$6.5 million; 2019: \$0.3 million)	(18,431)	792
Total items that are or may be reclassified subsequently to profit or loss	\$ (15,950)	\$ (2,184)
Total other comprehensive loss	\$ (23,170)	\$ (28,566)
Comprehensive (loss) income	\$ (26,882)	\$ 21,538

Consolidated Interim Statements of Changes in Total Equity

<i>(In thousands of Canadian dollars)</i> <i>(Unaudited)</i>	Share capital	Retained earnings	Contributed surplus	Accumulated other comprehensive income (loss) ⁽ⁱ⁾		Treasury stock	Total equity
				Foreign currency translation adjustment	Unrealized gains and losses on cash flow hedges		
Balance at December 31, 2019	\$ 840,005	1,137,450	—	4,274	(1,481)	(30,378)	\$1,949,870
Net loss	—	(3,712)	—	—	—	—	(3,712)
Other comprehensive income (loss) ⁽ⁱⁱ⁾	—	(7,220)	—	2,481	(18,431)	—	(23,170)
Dividends declared (\$0.16 per share)	—	(19,566)	—	—	—	—	(19,566)
Share-based compensation expense	—	—	3,866	—	—	—	3,866
Repurchase of shares	4,156	—	4,912	—	—	—	9,068
Balance at March 31, 2020	\$ 844,161	1,106,952	8,778	6,755	(19,912)	(30,378)	\$1,916,356

<i>(In thousands of Canadian dollars)</i> <i>(Unaudited)</i>	Share capital	Retained earnings	Contributed surplus	Accumulated other comprehensive income (loss) ⁽ⁱ⁾		Treasury stock	Total equity
				Foreign currency translation adjustment	Unrealized gains and losses on cash flow hedges		
Balance at December 31, 2018	\$ 849,655	1,178,389	4,649	8,518	(4,986)	(29,386)	\$2,006,839
Impact of new IFRS standards	—	(1,100)	—	—	—	—	(1,100)
Net earnings	—	50,104	—	—	—	—	50,104
Other comprehensive income (loss) ⁽ⁱⁱ⁾	—	(26,382)	—	(2,976)	792	—	(28,566)
Dividends declared (\$0.145 per share)	—	(17,969)	—	—	—	—	(17,969)
Share-based compensation expense	—	—	5,150	—	—	—	5,150
Deferred taxes on share-based compensation	—	—	1,300	—	—	—	1,300
Settlement of share-based compensation	—	—	(20)	—	—	—	(20)
Balance at March 31, 2019	\$ 849,655	1,183,042	11,079	5,542	(4,194)	(29,386)	\$2,015,738

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

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

Consolidated Interim Statements of Cash Flows

(In thousands of Canadian dollars) (Unaudited)	Three months ended March 31,	
	2020	2019 ⁽ⁱ⁾
CASH PROVIDED BY (USED IN):		
Operating activities		
Net (loss) earnings	\$ (3,712)	\$ 50,104
Add (deduct) items not affecting cash:		
Change in fair value of biological assets	14,659	(26,263)
Depreciation and amortization	46,557	42,620
Share-based compensation	3,866	5,150
Deferred income taxes	(7,517)	5,906
Income tax current	8,195	12,927
Interest expense and other financing costs	7,892	7,433
Loss on sale of long-term assets	336	194
Change in fair value of non-designated derivatives	22,740	(14,620)
Interest on lease liability	2,143	2,235
Change in net pension liability	2,244	529
Net income taxes paid	(8,344)	(25,869)
Interest paid	(9,699)	(8,968)
Change in provision for restructuring and other related costs	(1,130)	2,176
Change in derivatives margin	(23,957)	7,588
Other	1,150	244
Change in non-cash operating working capital	(101,220)	(42,810)
Cash (used in) provided by operating activities	\$ (45,797)	\$ 18,576
Financing activities		
Dividends paid	\$ (19,566)	\$ (17,969)
Net increase in long-term debt	164,861	89,861
Payment of lease obligation	(9,109)	(8,341)
Payment of financing fees	(37)	(43)
Cash provided by financing activities	\$ 136,149	\$ 63,508
Investing activities		
Additions to long-term assets	\$ (86,292)	\$ (59,997)
Acquisition of business, net of cash acquired	—	(847)
Capitalization of interest expense	(1,195)	(138)
Purchase of investments	(13,852)	—
Payment of income tax liabilities assumed on acquisition	—	(11,385)
Cash used in investing activities	\$ (101,339)	\$ (72,367)
(Decrease) increase in cash and cash equivalents	\$ (10,987)	\$ 9,717
Cash and cash equivalents, beginning of period	97,285	72,578
Cash and cash equivalents, end of period	\$ 86,298	\$ 82,295

⁽ⁱ⁾ Certain comparative figures have been restated to conform with current year presentation.