



**MAPLE LEAF FOODS INC.**

**Financial Statements**  
For the Third Quarter Ended  
September 30, 2020

# Consolidated Interim Financial Statements

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# Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Tabular amounts in thousands of Canadian dollars unless otherwise indicated)  
Three and Nine Months Ended September 30, 2020 and 2019

## 1. THE COMPANY

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 unaudited condensed consolidated interim financial statements ("consolidated financial statements") of the Company as at and for the three and nine months ended September 30, 2020, include the accounts of the Company and its subsidiaries. The Company's results are organized into two segments: the Meat Protein Group and the Plant Protein Group.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements should be read in conjunction with the Company's 2019 annual audited consolidated financial statements ("2019 consolidated financial statements").

### (a) Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") and using the accounting policies, determination of significant estimates and judgments, and corresponding accounting treatments consistent with the Company's 2019 consolidated financial statements, except for new standards adopted during the nine months ended September 30, 2020 as described below.

The consolidated financial statements were authorized for issue by the Board of Directors on October 26, 2020.

### (b) Accounting Standards Adopted During the Period

Beginning on January 1, 2020, the Company adopted certain International Financial Reporting Standards ("IFRS") and amendments. As required by IAS 34 *Interim Financial Reporting* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, the nature and the effect of these changes are disclosed below:

#### *Conceptual Framework*

Beginning January 1, 2020, the Company adopted the revised *Conceptual Framework for Financial Reporting* ("revised conceptual framework"). 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. The adoption of the revised conceptual framework did not have a material impact on the consolidated financial statements.

#### *Definition of a Business*

Beginning January 1, 2020, the Company adopted the IASB amendment regarding the definition of a business under IFRS 3 *Business Combinations*. 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. The adoption of the amendment to IFRS 3 did not have a material impact on the consolidated financial statements.

#### *Definition of Material*

Beginning January 1, 2020, the Company adopted the 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. The adoption of the amendments to IAS 1 and IAS 8 did not have a material impact on the consolidated financial statements.

#### *Interest Rate Benchmark Reform - Phase 1*

Beginning January 1, 2020, the Company adopted the amendments to IFRS 9 *Financial Instruments*, 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 adoption of the amendments to IFRS 9, IAS 39 and IFRS 7 did not have a material impact on the consolidated financial statements.

**(c) Accounting Pronouncements Issued But Not Yet Effective***Annual Improvements to IFRS (2018-2020) Cycle*

On May 14, 2020, the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvement process. Amendments were made to clarify which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognize a financial liability in accordance with IFRS 9. The amendments also remove the requirement in IAS 41 *Agriculture* for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. There is also an amendment to IFRS 16 *Leases* to remove from an example the illustration of the reimbursement of leasehold improvements by the lessor. Lastly, an amendment was made to IFRS 1 *First-time Adoption of International Financial Reporting Standards* for subsidiaries as a first-time adopter. The Company intends to adopt these amendments prospectively in its consolidated financial statements for the annual period beginning January 1, 2022. The extent of the impact of the adoption of these standards has not yet been determined.

*Interest Rate Benchmark Reform - Phase 2*

On August 27, 2020 the IASB issued amendments to IFRS 9, IAS 39, and IFRS 7 to address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments relate to modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting. The Company intends to adopt the amendments in its consolidated financial statements for the annual period beginning January 1, 2021. The extent of the impact of the adoption of these standards has not yet been determined.

All other IFRSs and amendments issued but not yet effective have been assessed by the Company and are not expected to have a material impact on the consolidated financial statements.

**3. ACCOUNTS RECEIVABLE**

	<b>As at September 30, 2020</b>	As at September 30, 2019	As at December 31, 2019
Trade receivables	\$ 104,874	\$ 117,769	\$ 123,617
Less: Allowance for doubtful accounts	<b>(2,293)</b>	(2,773)	(3,107)
Net trade receivables	<b>\$ 102,581</b>	\$ 114,996	\$ 120,510
Other receivables:			
Commodity taxes receivable	<b>13,552</b>	11,400	12,082
Government receivable	<b>9,762</b>	13,750	8,484
Other	<b>10,932</b>	11,333	13,893
	<b>\$ 136,827</b>	\$ 151,479	\$ 154,969

The aging of trade receivables is as follows:

	<b>As at September 30, 2020</b>	As at September 30, 2019	As at December 31, 2019
Current	\$ 78,030	\$ 81,430	\$ 79,284
Past due 0-30 days	<b>18,138</b>	24,888	30,990
Past due 31-60 days	<b>2,058</b>	4,230	4,559
Past due > 60 days	<b>6,648</b>	7,221	8,784
	<b>\$ 104,874</b>	\$ 117,769	\$ 123,617

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

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 (September 30, 2019: \$120.0 million; December 31, 2019: \$120.0 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 September 30, 2020, trade accounts receivable being serviced under this program amounted to \$150.5 million (September 30, 2019: \$139.6 million; December 31, 2019: \$133.3 million). In return for the sale of its trade receivables, the Company will receive cash of \$118.4 million (September 30, 2019: \$107.2 million; December 31, 2019: \$101.6 million) and notes receivable in the amount of \$32.1 million (September 30, 2019: \$32.4 million; December 31, 2019: \$31.7 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 September 30, 2020, the Company recorded a net payable in the amount of \$24.1 million (September 30, 2019: \$21.0 million net payable; December 31, 2019: \$29.4 million net payable) in accounts payable and accruals.

The sale of trade receivables under the Securitization Facility are treated as a sale from an accounting perspective and as a result, trade receivables sold under this facility are derecognized from the unaudited consolidated interim balance sheets ("consolidated balance sheets") as at September 30, 2020 and 2019 and the consolidated annual balance sheets as at December 31, 2019.

#### 4. INVENTORIES

	<b>As at September 30, 2020</b>	As at September 30, 2019	As at December 31, 2019
Raw materials	\$ 66,021	\$ 56,934	\$ 60,190
Work in process	37,745	35,370	33,297
Finished goods	217,161	222,986	223,877
Packaging	24,246	19,395	16,940
Spare parts	56,166	49,430	51,230
	<b>\$ 401,339</b>	<b>\$ 384,115</b>	<b>\$ 385,534</b>

For the three months ended September 30, 2020, inventory in the amount of \$781.2 million (2019: \$784.9 million) was expensed through cost of goods sold.

For the nine months ended September 30, 2020, inventory in the amount of \$2,363.7 million (2019: \$2,292.7 million) was expensed through cost of goods sold.

#### 5. BIOLOGICAL ASSETS

The change in fair value of commercial hog stock for the three months ended September 30, 2020 was a gain of \$40.2 million (2019: loss of \$1.3 million) and was recorded in cost of goods sold.

The change in fair value of commercial hog stock for the nine months ended September 30, 2020 was a loss of \$1.2 million (2019: loss of \$13.3 million) and was recorded in cost of goods sold.

The fair value measures of commercial hog stock have been categorized as a Level 3 fair value based on inputs to the valuation techniques used. There were no transfers between levels for the three and nine months ended September 30, 2020 and September 30, 2019.

## 6. PROVISIONS

	Restructuring and related provisions					Total
	Legal	Environ- mental	Lease make- good	Severance and other employee related costs	Site closing and other cash costs	
<b>Balance at December 31, 2019<sup>(i)</sup></b>	\$ 289	2,705	—	45,799	109	\$ 48,902
Charges	850	—	—	504	—	1,354
Reversals	—	—	—	(2,197)	—	(2,197)
Cash payments	—	(11)	—	(961)	—	(972)
<b>Balance at March 31, 2020</b>	\$ 1,139	2,694	—	43,145	109	\$ 47,087
Charges	—	—	—	1,276	—	1,276
Reversals	—	—	—	(657)	(33)	(690)
Cash payments	(400)	(61)	—	(763)	—	(1,224)
<b>Balance at June 30, 2020</b>	\$ 739	2,633	—	43,001	76	\$ 46,449
Charges	—	—	—	793	84	877
Reversals	—	—	—	(104)	—	(104)
Cash payments	—	(1)	—	(654)	(84)	(739)
<b>Balance at September 30, 2020</b>	\$ 739	2,632	—	43,036	76	\$ 46,483
Current						\$ 2,710
Non-current						43,773
<b>Total at September 30, 2020</b>						\$ 46,483

<sup>(i)</sup> Balance as at December 31, 2019, includes current portion of \$4.0 million and non-current portion of \$44.9 million.

	Legal	Environ- mental	Lease make- good	Restructuring and related provisions		Total
				Severance and other employee related costs	Site closing and other cash costs	
Balance at December 31, 2018	\$ 289	4,762	1,810	43,820	2,671	\$ 53,352
Impact of new IFRS standards	—	—	(1,810)	—	(2,400)	(4,210)
Charges	—	—	—	1,385	2	1,387
Cash payments	—	(25)	—	(582)	(62)	(669)
Non-cash items	—	—	—	—	(5)	(5)
Balance at March 31, 2019	\$ 289	4,737	—	44,623	206	\$ 49,855
Charges	—	—	—	624	30	654
Reversals	—	—	—	(3,470)	—	(3,470)
Cash payments	—	(4)	—	(571)	(30)	(605)
Non-cash items	—	—	—	—	(98)	(98)
Balance at June 30, 2019	\$ 289	4,733	—	41,206	108	\$ 46,336
Charges	—	—	—	3,635	8	3,643
Reversals	—	—	—	(467)	—	(467)
Cash payments	—	(21)	—	(763)	(7)	(791)
Balance at September 30, 2019	\$ 289	4,712	—	43,611	109	\$ 48,721
Current						\$ 2,701
Non-current						46,020
Total at September 30, 2019						\$ 48,721

### Restructuring and Other Related Costs

During the three months ended September 30, 2020, the Company recorded restructuring and other related costs of \$1.7 million (2019: \$4.6 million). Of this amount, \$1.0 million related to accelerated depreciation and \$0.6 million related to severance and other employee costs as a result of the previously announced future closures of the Brampton, Toronto and St. Mary's poultry plants. The remaining \$0.1 million related to employee related costs for other organizational restructuring initiatives.

During the nine months ended September 30, 2020, the Company recorded restructuring and other related costs of \$3.1 million (2019: \$6.0 million). Of this amount, \$3.3 million related to accelerated depreciation, offset by \$0.3 million related to severance and other employee reversals as a result of the previously announced future closures of the Brampton, Toronto and St. Mary's poultry plants. The remaining \$0.1 million related to employee related costs for other organizational restructuring initiatives.

### 7. LONG-TERM DEBT

	As at September 30, 2020	As at September 30, 2019	As at December 31, 2019
U.S. term credit	\$ 354,623	\$ 350,953	\$ 346,461
Canadian term credit	350,000	115,000	185,000
Government loans	8,461	7,924	7,867
<b>Total long-term debt</b>	<b>\$ 713,084</b>	<b>\$ 473,877</b>	<b>\$ 539,328</b>
Current	\$ 937	\$ 887	\$ 899
Non-current	712,147	472,990	538,429
<b>Total long-term debt</b>	<b>\$ 713,084</b>	<b>\$ 473,877</b>	<b>\$ 539,328</b>

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 September 30, 2020 the Company had drawn letters of credit of \$6.7 million on the Credit Facility (September 30, 2019: \$6.4 million; December 31, 2019: \$6.2 million).

The Credit Facility requires the maintenance of certain covenants. As at September 30, 2020, 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 (September 30, 2019 \$125.0 million; December 31, 2019: \$125.0 million). As at September 30, 2020, \$78.5 million of letters of credit had been issued thereon (September 30, 2019: \$79.4 million; December 31, 2019: \$79.5 million).

The Company has various government loans on specific projects, with contractual interest rates ranging from non-interest bearing to 2.9% per annum (September 30, 2019: 2.9%; December 31, 2019: 2.9%). These facilities are repayable over various terms from 2022 to 2032. As at September 30, 2020, \$8.5 million (September 30, 2019: \$7.9 million; December 31, 2019: \$7.9 million) was outstanding. All of these facilities are committed.

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
<b>Total long-term debt, beginning of period</b>	\$ 717,910	\$ 470,295	\$ 539,328	\$ 383,421
Revolving and term credit facilities - net drawings	\$ —	\$ —	\$ 165,000	\$ 100,621
Government loans - new issuance	1,684	—	1,684	—
Government loans - repayments	(666)	(667)	(944)	(991)
<b>Total cash flow from long-term debt financing activities</b>	\$ 1,018	\$ (667)	\$ 165,740	\$ 99,630
Foreign exchange revaluation	\$ (5,539)	\$ 4,161	\$ 8,162	\$ (9,443)
Other non-cash changes	(305)	88	(146)	269
<b>Total non-cash changes</b>	\$ (5,844)	\$ 4,249	\$ 8,016	\$ (9,174)
<b>Total long-term debt, end of period</b>	\$ 713,084	\$ 473,877	\$ 713,084	\$ 473,877

## 8. SHARE CAPITAL

### Share Repurchase

On May 21, 2020 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 limitation of such bids. Common shares purchased by the Company are cancelled. The program commenced on May 25, 2020 and will terminate on May 24, 2021, or on such earlier date as the Company completes its purchases pursuant to the notice of intention. Under this bid, during the three and nine months ended September 30, 2020, no shares were purchased for cancellation.

On May 17, 2019, the TSX accepted the Company's notice of intention to commence an 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 was terminated on May 23, 2020, as the Company completed its purchase and cancellation of 0.8 million common shares for \$20.3 million at a volume weighted average price of \$24.21. Under this bid during the three and nine months ended September 30, 2020 and September 30, 2019 no shares were purchased for cancellation.

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 three and nine months ended September 30, 2019, no shares were purchased for cancellation.

The Company entered into an Automatic Share Purchase Plan ("ASPP") with a broker that allows the purchase of common shares for cancellation under the NCIB at any time during predetermined trading blackout periods. As at September 30, 2020, an obligation for the repurchase of shares of \$14.5 million (September 30, 2019: \$13.9 million; December 31, 2019: \$25.4 million) was recognized under the ASPP.

### Dividends

On October 26, 2020, the Board of Directors approved a quarterly dividend of \$0.16 per share, \$0.64 per share on an annual basis, payable December 31, 2020 to shareholders of record at the close of business December 7, 2020.

## 9. FINANCIAL INSTRUMENTS

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 September 30 are shown below:

	2020			2019		
	Notional amount <sup>(i)</sup>	Fair value		Notional amount <sup>(i)</sup>	Fair value	
		Asset <sup>(ii)</sup>	Liability <sup>(ii)</sup>		Asset <sup>(ii)</sup>	Liability <sup>(ii)</sup>
<b>Cash flow hedges</b>						
Foreign exchange contracts	\$ —	\$ —	\$ —	\$ 36,413	\$ 187	\$ 95
Interest rate swaps	\$ 488,020	—	20,948	\$ —	—	—
		\$ —	\$ 20,948		\$ 187	\$ 95
<b>Fair value hedges<sup>(iii)</sup></b>						
Foreign exchange contracts	\$ 44,631	\$ 162	\$ 191	\$ 84,905	\$ 294	\$ 107
Commodity contracts	\$ 44,654	—	1,086	\$ 87,138	4,024	—
		\$ 162	\$ 1,277		\$ 4,318	\$ 107
<b>Derivatives not designated in a formal hedging relationship</b>						
Foreign exchange contracts	\$ 103,745	\$ 219	\$ 655	\$ 174,811	\$ 621	\$ 154
Commodity contracts	\$ 139,330	9,567	1,165	\$ 183,427	2,005	372
		\$ 9,786	\$ 1,820		\$ 2,626	\$ 526
<b>Total fair value</b>		\$ 9,948	\$ 24,045		\$ 7,131	\$ 728
Current <sup>(ii)(iv)(v)</sup>		\$ 9,948	\$ 9,659		\$ 7,131	\$ 728
Non-current <sup>(ii)</sup>		—	14,386		—	—
<b>Total fair value</b>		\$ 9,948	\$ 24,045		\$ 7,131	\$ 728

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

<sup>(ii)</sup> 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.

<sup>(iii)</sup> The carrying amount of the hedged items in the consolidated interim balance sheets are recorded at the inverse of the associated hedging instruments and are equal to the accumulated fair value hedge adjustments less hedge ineffectiveness.

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

<sup>(v)</sup> As at September 30, 2020, the above fair value of current assets has been decreased by \$7.4 million (September 30, 2019: decreased by \$3.0 million; December 31, 2019: increased by \$1.1 million), and the above fair value of current liabilities has been decreased by \$1.1 million (September 30, 2019: \$0.0 million; December 31, 2019: \$0.0 million) on the consolidated balance sheets, representing the difference in the fair market value of exchange traded commodity contracts and the initial margin requirements. The difference in margin requirements and fair market value is net settled in cash each day with the futures exchange and is recorded within cash and cash equivalents.

During the three months ended September 30, 2020, the Company recorded a gain of \$11.2 million (2019: loss of \$1.3 million) on non-designated financial instruments held for trading.

During the nine months ended September 30, 2020, the Company recorded a loss of \$29.1 million (2019: gain of \$11.8 million) on non-designated financial instruments held for trading.

During the three months ended September 30, 2020, the pre-tax amount of hedge ineffectiveness recognized in cost of goods sold was a gain of \$0.0 million (2019: gain of \$0.1 million).

During the nine months ended September 30, 2020, the pre-tax amount of hedge ineffectiveness recognized in cost of goods sold was a gain of \$0.1 million (2019: loss of \$0.1 million).

The table below sets out fair value measurements of financial instruments as at September 30, 2020 using the fair value hierarchy:

(\$ thousands) (Unaudited)	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Foreign exchange contracts	\$ —	381	—	\$ 381
Commodity contracts <sup>(i)</sup>	8,481	—	—	8,481
	<b>\$ 8,481</b>	<b>381</b>	<b>—</b>	<b>\$ 8,862</b>
<b>Liabilities:</b>				
Foreign exchange contracts	\$ —	846	—	\$ 846
Commodity contracts <sup>(i)</sup>	—	1,165	—	1,165
Interest rate swaps	—	20,948	—	20,948
	<b>\$ —</b>	<b>22,959</b>	<b>—</b>	<b>\$ 22,959</b>

<sup>(i)</sup> Level 1 commodity contracts are net settled and recorded as a net asset or liability on the consolidated balance sheets.

There were no transfers between levels for the three and nine months ended September 30, 2020 and September 30, 2019.

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available and is consistent with the methodology used in the 2019 consolidated financial statements. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

#### Accumulated other comprehensive income (loss)

The Company estimates that \$4.9 million, net of tax of \$1.7 million, of the unrealized loss included in accumulated other comprehensive (loss) income will be reclassified into net earnings within the next 12 months. The actual amount of this reclassification will be impacted by future changes in the fair value of financial instruments designated as cash flow hedges. The actual amount reclassified could differ from this estimated amount.

During the three months ended September 30, 2020, a loss of \$1.2 million, net of tax of \$0.4 million, was released to earnings from accumulated other comprehensive (loss) income and included in the net change for the year (2019: gain of \$0.2 million, net of tax of \$0.1 million).

During the nine months ended September 30, 2020, a loss of \$2.3 million, net of tax of \$0.8 million, was released to earnings from accumulated other comprehensive (loss) income and included in the net change for the year (2019: loss of \$1.9 million, net of tax of \$0.7 million).

As at September 30, 2020, the Company had US\$265.0 million (September 30, 2019: US\$265.0 million; December 31, 2019: US\$265.0 million) drawn on the Credit Facility (see Note 7) that is designated as a net investment hedge of the Company's U.S. operations. Foreign exchange gains and losses on the designated drawings are recorded in shareholders' equity in the foreign currency translation adjustment component of accumulated other comprehensive income and offset translation adjustments on the underlying net assets of the U.S. operations, which are also recorded in accumulated other comprehensive (loss) income.

During the three months ended September 30, 2020, the gain on the net investment hedge recorded in other comprehensive (loss) income was \$4.4 million, net of tax of \$0.9 million (2019: loss of \$3.5 million, net of tax of \$0.6 million).

During the nine months ended September 30, 2020, the loss on the net investment hedge recorded in other comprehensive (loss) income was \$6.9 million, net of tax of \$1.3 million (2019: gain of \$8.0 million, net of tax of \$1.5 million).

**10. INTEREST EXPENSE AND OTHER FINANCING COSTS**

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Interest on borrowings from credit facility	\$ 5,064	\$ 4,298	\$ 14,952	\$ 12,779
Interest on lease obligations	2,100	2,255	6,467	6,780
Interest on securitized receivables	674	736	2,127	2,082
Interest on government loans	60	88	236	269
Deferred finance charges	459	410	1,263	1,092
Credit facility standby fees and other interest	1,352	1,120	3,635	2,029
Interest capitalized	(2,235)	(770)	(5,246)	(1,339)
Write-off of deferred finance charges	—	—	—	956
	\$ 7,474	\$ 8,137	\$ 23,434	\$ 24,648

**11. EARNINGS PER SHARE**

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

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

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

	2020			2019		
	Net earnings	Weighted average number of shares <sup>(i)</sup>	EPS	Net earnings	Weighted average number of shares <sup>(i)</sup>	EPS
<i>Three months ended September 30,</i>						
Basic	\$ 65,976	123.2	\$ 0.54	\$ 13,409	123.8	\$ 0.11
Stock options <sup>(ii)</sup>		1.4			1.4	
Diluted	\$ 65,976	124.6	\$ 0.53	\$ 13,409	125.2	\$ 0.11
<i>Nine months ended September 30,</i>						
Basic	\$ 87,923	123.2	\$ 0.72	\$ 57,171	123.7	\$ 0.46
Stock options <sup>(ii)</sup>		1.1			1.7	
Diluted	\$ 87,923	124.3	\$ 0.71	\$ 57,171	125.4	\$ 0.46

<sup>(i)</sup> In millions.

<sup>(ii)</sup> Excludes the effect of approximately \$2.4 million (2019: \$1.1 million) options and performance shares for the three months ended September 30, 2020 and \$2.4 million (2019: \$2.0 million) for the nine months ended September 30, 2020 that are anti-dilutive.

## 12. SHARE-BASED PAYMENT

### Stock Options

A summary of the status of the Company's outstanding stock options and changes during the nine months ended September 30 are presented below:

	2020		2019	
	Options outstanding	Weighted average exercise price	Options outstanding	Weighted average exercise price
<b>Outstanding at January 1</b>	<b>4,558,250</b>	<b>\$ 26.26</b>	3,976,300	\$ 25.38
Granted	1,408,950	\$ 23.08	1,039,200	\$ 28.38
Forfeited	(54,200)	\$ 31.39	—	\$ —
<b>Outstanding at March 31</b>	<b>5,913,000</b>	<b>\$ 25.46</b>	5,015,500	\$ 26.01
Exercised	(34,300)	\$ 22.53	(137,400)	\$ 21.62
Forfeited	(150)	\$ 23.08	—	\$ —
<b>Outstanding at June 30</b>	<b>5,878,550</b>	<b>\$ 25.47</b>	4,878,100	\$ 26.13
Exercised	(11,800)	\$ 20.28	(221,000)	\$ 21.67
<b>Outstanding at September 30</b>	<b>5,866,750</b>	<b>\$ 25.49</b>	4,657,100	\$ 26.34
<b>Options currently exercisable</b>	<b>3,539,875</b>	<b>\$ 25.40</b>	2,868,900	\$ 24.14

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

At grant date, each option series is measured at fair value based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility. The inputs used in this model for the options granted during the nine months ended September 30, 2020 and 2019 are shown in the table below<sup>(i)</sup>:

	Nine months ended September 30,	
	2020	2019
Share price at grant date	\$22.80	\$28.05
Exercise price	\$23.08	\$28.38
Expected volatility	23.3%	21.3%
Option life (in years) <sup>(ii)</sup>	4.5	4.5
Expected dividend yield	2.8%	2.1%
Risk-free interest rate <sup>(iii)</sup>	1.1%	1.8%

<sup>(i)</sup> Weighted average based on number of units granted.

<sup>(ii)</sup> Expected weighted average life.

<sup>(iii)</sup> Based on Government of Canada bonds.

There were no stock options granted during the three months ended September 30, 2020 and 2019. Expenses relating to current and prior year options were \$1.1 million (2019: \$1.1 million).

The fair value of options granted during the nine months ended September 30, 2020 was \$4.4 million (2019: \$4.4 million). Expenses relating to current and prior year options were \$3.4 million (2019: \$3.2 million).

### Restricted Share Units and Performance Share Units

A summary of the status of the Company's Restricted Share Units ("RSUs") plans (including Performance Share Units ("PSUs")) and changes during the nine months ended September 30 are presented below:

	2020		2019	
	RSUs outstanding	Weighted average fair value at grant	RSUs outstanding	Weighted average fair value at grant
<b>Outstanding at January 1</b>	<b>1,245,915</b>	<b>\$ 28.80</b>	1,471,662	\$ 28.48
Granted	<b>672,360</b>	<b>\$ 20.80</b>	460,450	\$ 26.26
<b>Outstanding at March 31</b>	<b>1,918,275</b>	<b>\$ 25.99</b>	1,932,112	\$ 27.95
Granted	—	\$ —	6,240	\$ 34.03
Distributed	<b>(329,381)</b>	<b>\$ 30.26</b>	(671,658)	\$ 26.33
Forfeited	<b>(60,922)</b>	<b>\$ 28.97</b>	(63,609)	\$ 28.38
<b>Outstanding at June 30</b>	<b>1,527,972</b>	<b>\$ 24.96</b>	1,203,085	\$ 28.86
Granted	<b>14,220</b>	<b>\$ 26.73</b>	70,330	\$ 27.53
Forfeited	<b>(2,630)</b>	<b>\$ 23.23</b>	(5,820)	\$ 27.35
<b>Outstanding September 30</b>	<b>1,539,562</b>	<b>\$ 24.95</b>	1,267,595	\$ 28.79

The fair value of RSUs and PSUs granted during the three months ended September 30, 2020 was \$0.3 million (2019: \$1.7 million). Expenses for the three months ended September 30, 2020 relating to current and prior year RSUs and PSUs, were \$2.8 million (2019: \$2.5 million).

The fair value of RSUs and PSUs granted during the nine months ended September 30, 2020 was \$12.4 million (2019: \$12.4 million). Expenses for the nine months ended September 30, 2020 relating to current and prior year RSUs and PSUs, were \$7.7 million (2019: \$9.1 million).

The key assumptions used in the valuation of fair value of RSUs granted during the nine months ended September 30, 2020 and 2019 are shown in the table below<sup>(i)</sup>:

	2020	2019
Expected RSU life (in years)	<b>3.2</b>	3.1
Forfeiture rate	<b>13.7%</b>	12.6%
Risk-free interest rate <sup>(ii)</sup>	<b>1.1%</b>	1.7%

<sup>(i)</sup> Weighted average based on number of units granted.

<sup>(ii)</sup> Based on Government of Canada bonds.

### Director Share Units

The fair value of director share units expensed during the three and nine months ended September 30, 2020 was \$0.4 million and \$1.1 million (2019: \$0.3 million and \$1.0 million) respectively.

### 13. SEGMENTED FINANCIAL INFORMATION

The Company has two reportable segments, as described below, 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, while managing gross margins and controlling investment levels which generate high revenue growth rates. Refer to the section, Non-IFRS Financial Measures, of the Company's Management's Discussion and Analysis for the three and nine months ended September 30, 2020, for the definitions of these non-IFRS financial measures. The operations of each segment are described as follows:

- (a) The Meat Protein Group is comprised of prepared meats, ready-to-cook and ready-to-serve meals, hog production and value-added fresh pork and poultry products that are sold to retail, foodservice and industrial channels. The Meat Protein Group includes brands such as Maple Leaf®, Maple Leaf Prime®, Schneiders®, Mina®, Greenfield Natural Meat Co.®, Swift® and many sub-brands.
- (b) 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 brands Lightlife® and Field Roast Grain Meat Co.™

	Three months ended September 30, 2020				Three months ended September 30, 2019			
	Meat Protein Group	Plant Protein Group	Non-Allocated <sup>(i)</sup>	Total <sup>(ii)</sup>	Meat Protein Group	Plant Protein Group	Non-Allocated <sup>(i)</sup>	Total <sup>(ii)</sup>
<b>Sales</b>	\$ 1,014,423	51,369	(8,624)	\$ 1,057,169	\$ 953,306	46,998	(4,517)	\$ 995,787
<b>Gross profit</b>	\$ 160,649	3,391	64,073	\$ 228,114	\$ 123,351	9,995	6,371	\$ 139,717
<b>Selling, general and administrative expenses</b>	\$ 80,655	46,509	—	\$ 127,165	\$ 78,783	44,867	—	\$ 123,650
<b>Earnings (loss) before income taxes</b>	\$ 79,829	(43,165)	53,701	\$ 90,365	\$ 39,617	(34,925)	(2,884)	\$ 1,808
Interest expense and other financing costs	—	—	7,474	7,474	—	—	8,137	8,137
Other (income) expense	(1,567)	47	2,898	1,378	363	53	1,118	1,534
Restructuring and other related costs	1,732	—	—	1,732	4,588	—	—	4,588
<b>Earnings (loss) from operations</b>	\$ 79,994	(43,118)	64,073	\$ 100,949	\$ 44,568	(34,872)	6,371	\$ 16,067
(Increase) decrease in fair value of biological assets	—	—	(40,176)	(40,176)	—	—	1,289	1,289
Unrealized gain on derivative contracts	—	—	(23,896)	(23,896)	—	—	(7,660)	(7,660)
<b>Adjusted Operating Earnings</b>	\$ 79,994	(43,118)	—	\$ 36,876	\$ 44,568	(34,872)	—	\$ 9,696
Depreciation and amortization	44,099	3,599	—	47,699	41,225	3,309	—	44,534
Items included in other income representative of ongoing operations	(1,490)	(47)	(469)	(2,007)	(363)	(53)	(392)	(808)
<b>Adjusted EBITDA</b>	\$ 122,603	(39,565)	(469)	\$ 82,568	\$ 85,430	(31,616)	(392)	\$ 53,422

<sup>(i)</sup> 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.

<sup>(ii)</sup> Totals may not add due to rounding.

	Nine months ended September 30, 2020				Nine months ended September 30, 2019			
	Meat Protein Group	Plant Protein Group	Non-Allocated <sup>(i)</sup>	Total <sup>(ii)</sup>	Meat Protein Group	Plant Protein Group	Non-Allocated <sup>(i)</sup>	Total <sup>(ii)</sup>
<b>Sales</b>	\$ 3,036,160	158,337	(19,988)	\$ 3,174,510	\$ 2,807,699	126,673	(8,796)	\$ 2,925,576
<b>Gross profit</b>	\$ 494,535	18,033	10,218	\$ 522,787	\$ 417,507	27,815	(15,108)	\$ 430,214
<b>Selling, general and administrative expenses</b>	\$ 252,407	111,491	—	\$ 363,899	\$ 254,679	73,646	—	\$ 328,325
<b>Earnings (loss) before income taxes</b>	\$ 240,818	(93,528)	(22,772)	\$ 124,518	\$ 155,923	(45,979)	(46,574)	\$ 63,370
Interest expense and other financing costs	—	—	23,434	23,434	—	—	24,648	24,648
Other (income) expense	(1,760)	70	9,556	7,866	926	148	6,818	7,892
Restructuring and other related costs	3,070	—	—	3,070	5,979	—	—	5,979
<b>Earnings (loss) from operations</b>	\$ 242,128	(93,458)	10,218	\$ 158,888	\$ 162,828	(45,831)	(15,108)	\$ 101,889
Decrease in fair value of biological assets	—	—	1,159	1,159	—	—	13,316	13,316
Unrealized (gain) loss on derivative contracts	—	—	(11,377)	(11,377)	—	—	1,792	1,792
<b>Adjusted Operating Earnings</b>	\$ 242,128	(93,458)	—	\$ 148,670	\$ 162,828	(45,831)	—	\$ 116,997
Depreciation and amortization	131,089	10,853	—	141,942	121,054	9,305	—	130,359
Items included in other income representative of ongoing operations	(1,297)	(70)	(469)	(1,836)	(926)	(148)	(392)	(1,466)
<b>Adjusted EBITDA</b>	\$ 371,920	(82,675)	(469)	\$ 288,776	\$ 282,956	(36,674)	(392)	\$ 245,890

<sup>(i)</sup> 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.

<sup>(ii)</sup> Totals may not add due to rounding.

The following summarizes capital expenditures by segments:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
<b>Capital expenditures</b>				
Meat Protein Group	\$ 92,699	\$ 48,319	\$ 273,030	\$ 153,018
Plant Protein Group	5,776	7,168	13,355	19,951
Non-allocated capital expenditures	4,520	5,057	17,799	12,991
	\$ 102,995	\$ 60,544	\$ 304,184	\$ 185,960

### Information About Geographic Areas

The following summarizes sales by country of origin:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019 <sup>(i)</sup>	2020	2019 <sup>(i)</sup>
Canada	\$ 789,439	\$ 748,708	\$ 2,287,324	\$ 2,185,002
U.S.	113,887	106,442	359,629	297,832
Japan	100,130	95,783	315,186	274,865
China	24,533	2,113	121,537	49,901
Other	29,180	42,741	90,834	117,976
<b>Sales</b>	\$ 1,057,169	\$ 995,787	\$ 3,174,510	\$ 2,925,576

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

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

	As at September 30, 2020	As at September 30, 2019	As at December 31, 2019
Canada	\$ 2,424,814	\$ 2,207,716	\$ 2,246,146
U.S.	408,642	393,354	393,146
Other	292	562	453
<b>Total non-current assets<sup>(i)</sup></b>	<b>\$ 2,833,748</b>	<b>\$ 2,601,632</b>	<b>\$ 2,639,745</b>

<sup>(i)</sup> Excludes financial instruments, employee benefits and deferred tax assets.

#### Information About Major Customers

For the three months ended September 30, 2020, the Company reported Meat and Plant Protein sales to two customers representing 13.2% and 11.5% (2019: 11.5% and 10.7%) of total sales. No other sales were made to any one customer that represented in excess of 10.0% of total sales.

For the nine months ended September 30, 2020, the Company reported Meat and Plant Protein sales to two customers representing 12.7% and 11.1% (2019: 11.1% and 10.5%) of total sales. No other sales were made to any one customer that represented in excess of 10.0% of total sales.

#### 14. COMMITMENTS AND CONTINGENCIES

In the normal course of its operations, the Company becomes involved in various legal and regulatory actions relating to its commercial activities and relationships, employment matters, product liabilities, and other matters. This includes a class action against packaged bread manufacturers and retailers in respect of which Maple Leaf Foods believes it was added as a defendant as a result of its previous ownership of Canada Bread Company, Limited ("Canada Bread"). There is an ongoing investigation by the Competition Bureau into the Canadian bread industry, including alleged price fixing and related securities disclosure issues. The time horizon covered by the Competition Bureau's investigation includes a period of when the Company was a majority shareholder of Canada Bread, which was a stand-alone public company, and extends through 2014 when the Company sold its shares in Canada Bread. With the expansion of Competition Bureau's investigation over the years, Maple Leaf Foods has recently been advised that the Competition Bureau has formed the view that it should be considered a subject of the investigation. This expansion does not change the Company's assessment of the matter. The final outcome of the investigation, any outstanding actions or any future claims cannot be predicted with certainty.

#### 15. RELATED PARTY TRANSACTIONS

The Company sponsors a number of defined benefit, defined contribution and post-retirement benefit plans. During the three and nine months ended September 30, 2020, the Company's contributions to these plans were \$7.5 million and \$22.3 million (2019: \$7.2 million and \$22.5 million).

The Company's largest shareholder is McCain Capital Inc. ("MCI"). The Company understands that Mr. Michael H. McCain, Chief Executive Officer and President of the Company, is the controlling shareholder of MCI. For the three and nine months ended September 30, 2020, the Company received services from MCI in the amount of \$0.0 million and \$0.1 million (2019: \$0.1 million and \$0.4 million), which represented the market value of the transactions with MCI. As at September 30, 2020, \$0.0 million (September 30, 2019: \$0.1 million; December 31, 2019: \$0.0 million) was owed 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 three and nine months ended September 30, 2020 and 2019, the Company provided services to and received from, MFAS for a nominal amount which represented the market value of the transactions.