



MAPLE LEAF FOODS INC.

Management's Discussion and Analysis
For the Year Ended
December 31, 2020

Management's Discussion and Analysis

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Management's Discussion and Analysis

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

February 24, 2021

1. THE BUSINESS

Maple Leaf Foods Inc. ("Maple Leaf Foods" or the "Company") is a producer of food products under leading brands including Maple Leaf®, Maple Leaf Prime®, Schneiders®, Mina®, Greenfield Natural Meat Co.®, Swift®, Lightlife®, and Field Roast™. The Company's portfolio includes prepared meats, ready-to-cook and ready-to-serve meals, snacks kits, valued-added fresh pork and poultry, and plant protein products. The address of the Company's registered office is 6985 Financial Dr. Mississauga, Ontario, L5N 0A1, Canada. The Company employs approximately 13,500 people and does business primarily in Canada, the U.S. and Asia. The Company's shares trade on the Toronto Stock Exchange (MFI).

2. FINANCIAL OVERVIEW

(\$ millions except earnings per share)	Twelve months ended December 31,		
	2020	2019	% Change
Sales	\$ 4,303.7	\$ 3,941.5	9.2 %
Net Earnings	\$ 113.3	\$ 74.6	51.8 %
Basic Earnings per Share	\$ 0.92	\$ 0.60	53.3 %
Adjusted Operating Earnings ⁽ⁱ⁾	\$ 207.9	\$ 145.4	43.0 %
Adjusted Earnings per Share ⁽ⁱ⁾	\$ 1.02	\$ 0.68	50.0 %

⁽ⁱ⁾ Refer to the section titled Non-IFRS Financial Measures starting on page 31 of this document for the definition of these non-IFRS measures.

Sales for 2020 were \$4,303.7 million compared to \$3,941.5 million last year, an increase of 9.2%, driven by strong growth in both the Meat and Plant Protein Groups. An extra week in the fourth quarter of 2020 also contributed to sales growth.

Net earnings for 2020 were \$113.3 million (\$0.92 per basic share) compared to \$74.6 million (\$0.60 per basic share) last year. Strong commercial performance in the Meat Protein Group more than offset incremental costs related to COVID-19, strategic investments in the Plant Protein Group, as well as a non-recurring favourable resolution of an income tax audit last year. Results were also positively impacted by a higher gain from non-cash fair value changes in biological assets and derivative contracts and higher non-recurring other expenses, which are excluded in the calculation of Adjusted Operating Earnings below.

Adjusted Operating Earnings for 2020 were \$207.9 million compared to \$145.4 million last year, and Adjusted Earnings per Share for 2020 were \$1.02 compared to \$0.68 last year.

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

3. SELECTED FINANCIAL INFORMATION

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

(\$ millions except earnings per share and RONA)	2020	2019	2018
Sales	\$ 4,303.7	\$ 3,941.5	\$ 3,495.5
Adjusted Operating Earnings ⁽ⁱ⁾	\$ 207.9	\$ 145.4	\$ 215.6
Adjusted EBITDA ⁽ⁱⁱ⁾	\$ 397.9	\$ 321.2	\$ 344.3
Adjusted EBITDA Margin ⁽ⁱ⁾	9.2%	8.1%	9.9%
Net earnings	\$ 113.3	\$ 74.6	\$ 101.3
Adjusted Earnings per Share ⁽ⁱ⁾	\$ 1.02	\$ 0.68	\$ 1.22
Basic earnings per share	\$ 0.92	\$ 0.60	\$ 0.81
Diluted earnings per share	\$ 0.91	\$ 0.60	\$ 0.79
Total assets ⁽ⁱⁱ⁾	\$ 3,860.2	\$ 3,514.0	\$ 3,140.0
Construction Capital ⁽ⁱ⁾	\$ 440.6	\$ 106.8	\$ 22.4
Net Debt ⁽ⁱ⁾	\$ (645.1)	\$ (442.0)	\$ (310.8)
Total long-term liabilities ⁽ⁱⁱ⁾	\$ 1,260.7	\$ 1,029.1	\$ 637.4
Return on Net Assets ("RONA") ⁽ⁱ⁾	5.3%	3.9%	7.3%
Free Cash Flow	\$ (119.3)	\$ (0.6)	\$ 119.8
Cash provided by operating activities ⁽ⁱⁱⁱ⁾	\$ 321.4	\$ 270.2	\$ 299.7
Cash dividends per share	\$ 0.64	\$ 0.58	\$ 0.52

⁽ⁱ⁾ Please refer to the section entitled *Non-IFRS Financial Measures* starting on page 31 of this document.

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

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

4. COMPANY VISION AND STRATEGIC PLAN

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

Maple Leaf Foods has constructed a multi-faceted blueprint to articulate its purpose and guide the journey to achieving its vision.

The Company measures its progress towards becoming the most sustainable protein company on earth across four pillars:

- **Better Food** - Maple Leaf Foods is actively addressing the most pressing diet-related health issues faced by society, including reducing artificial ingredients, antibiotics use and sodium levels, and continually advancing leadership in food safety.
- **Better Planet** - The Company embraces a culture that focuses on reducing its environmental impact to sustainable levels by eliminating waste in any resource it consumes, including food, energy, water, packaging and time.
- **Better Care** - Maple Leaf Foods extends its strong values-based culture to how it treats animals, both those raised and sourced, and strives to be a leader in animal welfare.
- **Better Communities** - Through the Maple Leaf Centre for Action on Food Security, the Company works collaboratively with external organizations to reduce food insecurity, while fostering a work environment that keeps people safe, rewards excellence and empowers everyone to contribute their best.

In order to drive long-term shared value creation, Maple Leaf Foods has developed the following foundational strategies:

- **Leveraging leadership in sustainability** - Building off its milestone achievement in late 2019 of becoming the world's first major carbon neutral food company, Maple Leaf Foods amplified this commitment in 2020 through its brand marketing and packaging. These efforts, coupled with its ongoing advancements in animal welfare and minimizing use of antibiotics, helped drive strong double-digit sales growth in sustainable meats in 2020.
- **Eliminating waste and improving efficiency** - Maple Leaf Foods has a history of executing initiatives designed to improve efficiencies and contribute to profitability, backed by zero-based budgeting as a foundational element of its culture. In 2020, the Company improved operating efficiencies across its existing supply chain, after excluding the costs associated with mitigating

COVID-19 risks. Maple Leaf Foods is also advancing construction of its new poultry plant in London, Ontario, which will help optimize its poultry processing network while meeting the growing consumer demand for chicken.

- *Broadening reach into new geographies, channels and protein alternatives* - In 2020, the Company continued to grow its presence in foreign markets. The Meat Protein Group saw sustained sales momentum into the U.S. market, led by strong double-digit growth of its Greenfield Natural Meat Co. brand, and continued exports into Asian markets. The Plant Protein Group achieved 19.5% sales growth in 2020, supported by increased consumer adoption and strategic investments in advertising, promotion and marketing to grow brand awareness and secure market share.
- *Embracing a digital future across the business* - Maple Leaf Foods continues to deploy digital solutions throughout the Company that improve access to data and information capture. In 2020, the Company converted its company-wide SAP technology platform to the latest state-of-the-art in-memory solution (SAP S/4HANA) that will provide best-in-class data analytics and scalability.
- *Investing in brands to build demand and consumer loyalty* - Leveraging Meat Protein Group brand renovation work completed in 2018, Maple Leaf Foods saw notable sales growth and market share expansion in 2020 across its Maple Leaf® and Schneiders® brands. The Company also deployed this playbook to its Plant Protein Group brands, repositioning its Lightlife® brand to focus on delivering simple and recognizable ingredients and reinforcing the commitment of its Field Roast™ brands to deliver bold and adventurous taste.
- *Investing in people so talent thrives* - In 2020, Maple Leaf Foods refreshed its guiding leadership values to better acknowledge and reflect the organizations evolution over the last decade. The Company remains committed to developing people and enabling them to maximize their contributions.

5. RESPONSE TO COVID-19

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 increased the Company's cost structure 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.

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.

Maple Leaf Foods' purpose and long-term strategy remain unchanged. In 2020 gross costs associated with COVID-19 were approximately \$58 million, primarily related to labour bonus payments, personal protective equipment, incremental sanitation, screening and testing protocols, support for the Company's hog producers, donations to support front-line healthcare workers, emergency food relief efforts and other preventative measures. This was partially offset by reductions in discretionary spend, resulting in a net impact of approximately \$42 million to total Company Adjusted EBITDA.

Continuing COVID-19 structural costs have been incorporated in the Company's 2021 operating plan.

6. OPERATING REVIEW

During the year ended December 31, 2020, the Company had 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 Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), while the performance of the Plant Protein Group is based predominantly on revenue growth rates, gross margin optimization and controlling investment levels, which generate high revenue growth rates.

The following table summarizes the Company's sales, gross profit, selling, general and administrative expenses ("SG&A"), Adjusted Operating Earnings, Adjusted EBITDA, and Adjusted EBITDA Margin by operating segment for the years ended December 31, 2020 and December 31, 2019.

(\$ millions) ⁽ⁱ⁾	2020				2019			
	Meat Protein Group	Plant Protein Group	Non-Allocated ⁽ⁱⁱ⁾	Total	Meat Protein Group	Plant Protein Group	Non-Allocated ⁽ⁱⁱ⁾	Total
Sales	\$ 4,116.5	210.8	(23.6)	\$ 4,303.7	\$ 3,778.0	176.4	(12.9)	\$ 3,941.5
Gross profit	\$ 680.3	18.3	4.5	\$ 703.1	\$ 568.0	35.0	(12.1)	\$ 591.0
Selling, general and administrative expenses	\$ 346.6	144.0	—	\$ 490.7	\$ 338.7	119.0	—	\$ 457.7
Adjusted Operating Earnings⁽ⁱⁱⁱ⁾	\$ 333.6	(125.7)	—	\$ 207.9	\$ 229.3	(84.0)	—	\$ 145.4
Adjusted EBITDA⁽ⁱⁱⁱ⁾	\$ 508.5	(111.4)	0.8	\$ 397.9	\$ 393.2	(71.6)	(0.4)	\$ 321.2
Adjusted EBITDA Margin⁽ⁱⁱⁱ⁾	12.4%	(52.8%)	n/a	9.2%	10.4%	(40.6%)	n/a	8.1%

⁽ⁱ⁾ Totals may not add due to rounding.

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

⁽ⁱⁱⁱ⁾ Refer to the section titled Non-IFRS Financial Measures starting on page 31 of this document for the definition of these non-IFRS measures.

Meat Protein Group

The Meat Protein Group is comprised of prepared meats, ready-to-cook and ready-to-serve meals, snack kits, 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 other leading regional brands.

Sales for 2020 increased 9.0% to \$4,116.5 million compared to \$3,778.0 million last year. Sales growth was driven by a favourable mix-shift towards sustainable meats and branded products, growth in exports to Asian markets, and pricing actions implemented to mitigate inflation and other structural cost increases. Strong demand in the retail channel was offset by lower volume in foodservice as a result of COVID-19. An extra week in the fourth quarter of 2020 also contributed to sales growth.

Gross profit for 2020 was \$680.3 million (gross margin of 16.5%) compared to \$568.0 million (gross margin of 15.0%) last year. Gross profit performance benefited from a favourable product and channel mix attributed to expansion of sustainable meats and other branded products, in addition to growth in exports to Asian markets. Partially offsetting strong commercial and plant operating performance were increased costs in response to COVID-19 to safeguard the Company's employees and maintain production. Costs associated with COVID-19 consisted of labour bonus payments, personal protective equipment, incremental sanitation, screening and testing protocols and other preventative measures.

SG&A expenses for 2020 were \$346.6 million (8.4% of sales) compared to \$338.7 million (9.0% of sales) last year. Reductions in discretionary spend such as travel, conferences and training, as well as advertising and promotions, were more than offset by an increase in variable compensation.

Adjusted Operating Earnings for 2020 were \$333.6 million compared to \$229.3 million last year, driven by factors noted above.

Adjusted EBITDA Margin was 12.4% compared to 10.4% 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™.

Sales for 2020 were \$210.8 million compared to \$176.4 million last year, representing growth of 19.5%, or 18.1% after excluding the impacts of foreign exchange. Growth was driven by expanded distribution of new products, continued volume increases in its existing portfolio, and pricing actions implemented to mitigate inflation and other structural cost increases. An extra week in the fourth quarter of 2020 also contributed to sales growth.

Gross profit for 2020 was \$18.3 million (gross margin of 8.7%) compared to \$35.0 million (gross margin of 19.8%) last year. The decrease in gross profit was attributed to higher supply chain costs, expenses associated with the Company's response to COVID-19 to safeguard its employees and maintain production, and increased trade expenditures. Costs associated with COVID-19 consisted of increased labour expenses, personal protective equipment, screening and testing, and other preventative measures.

SG&A expenses for 2020 were \$144.0 million (68.3% of sales) compared to \$119.0 million (67.4% of sales) last year. The increase in SG&A expenses reflected the evolution of the Company's plant protein strategy to drive sales growth and secure market share in a rapidly growing market. Supporting this strategy, significant investment in advertising, promotion and marketing was incurred during the year to enhance awareness, renovate and relaunch brands, introduce new products and expand distribution. In addition, the Company invested to broaden organizational capacity and its pipeline of new product innovation.

Adjusted Operating Earnings for 2020 were a loss of \$125.7 million compared to a loss of \$84.0 million last year. The decline in Adjusted Operating Earnings is consistent with the factors noted above.

7. RESTRUCTURING AND OTHER RELATED COSTS

For the year ended December 31, 2020, the Company recorded restructuring and other related costs of \$4.3 million. Of this amount, \$4.4 million related to accelerated depreciation and \$0.1 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 \$0.2 million reversal related to other organizational restructuring initiatives.

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

8. INTEREST EXPENSE AND OTHER FINANCING COSTS

Interest expense and other financing costs for 2020 were \$31.5 million compared to \$32.0 million in the prior year. The decrease was mainly due to lower cost of borrowing and higher capitalized interest, partially offset by higher borrowing levels from the Company's Credit Facility.

9. INCOME TAXES

The Company's income tax expense for 2020 resulted in an effective tax rate of 29.1%. The effective tax rate in 2020 differs from the Canadian statutory tax rate of 26.3% primarily due to (i) the geographic mix of earnings; and (ii) non-deductible expenditures and transaction costs. The effective tax rate in 2020 used in determining Adjusted Earnings per Share is 27.7%. The effective tax rate in determining the Adjusted Earnings per Share in 2020 differs from the Canadian statutory tax rate primarily due to the geographic mix of earnings.

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

10. SUBSEQUENT EVENT

On February 23, 2021, Certm Inc. and certain related companies exercised their put option to sell a poultry processing facility in Schomberg, Ontario and associated poultry supply to Maple Leaf Foods for a purchase price of \$40.0 million. The put option was part of a purchase and sale agreement dated June 27, 2018 pursuant to which Maple Leaf Foods previously acquired two poultry plants and associated poultry supply. The closing of the acquisition is expected to occur within 120 days subject to typical closing conditions. The transaction will be financed from a combination of cash on hand and drawings under the existing credit facilities.

11. CAPITAL RESOURCES

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

The Company's cash balance as at December 31, 2020 was \$100.8 million (2019: \$97.3 million). Cash is held in demand and short-term investment deposits with Canadian financial institutions having long-term debt ratings of A or higher.

The composition of long-term debt is shown below:

(\$ thousands)	As at December 31,	
	2020	2019
Revolving line of credit	\$ 50,000	\$ —
U.S. term credit	337,544	346,461
Canadian term credit	350,000	185,000
Government loans	8,404	7,867
Total long-term debt	\$ 745,948	\$ 539,328
Current	\$ 900	\$ 899
Non-current	745,048	538,429
Total long-term debt	\$ 745,948	\$ 539,328
Construction Capital⁽ⁱ⁾ included in total long-term debt	\$ 431,707	\$ 105,211

⁽ⁱ⁾ Refer to the section titled *Non-IFRS Financial Measures* starting on page 31 of this document for the definition of this non-IFRS measure.

On April 30, 2019, the Company entered into a new syndicated credit facility (the "Credit Facility") consisting of a \$1,300.0 million unsecured committed revolving line of credit maturing April 30, 2024 and two unsecured committed term credit facilities for US\$265.0 million and \$350.0 million maturing April 30, 2024 and April 30, 2023, respectively. The Credit Facility refinanced and replaced the Company's previous \$250.0 million and \$400.0 million unsecured committed revolving credit facilities, which were due to mature on November 7, 2019 and October 19, 2021, respectively. The Credit Facility can be drawn in Canadian or U.S. dollars and bears interest payable monthly, based on Banker's Acceptance and Prime rates for Canadian dollar loans and the London Inter-bank Offered Rate ("Libor") for U.S. dollar loans. The Credit Facility is intended to meet the Company's funding requirements for capital investments in addition to providing appropriate levels of liquidity and for general corporate purposes. On December 11, 2019, the Company amended the Credit Facility to reduce interest paid upon achievement of certain sustainability targets. This reduction will not materialize until at least 2021, and there is no penalty for not achieving the targets. In addition to loans, as at December 31, 2020 the Company had drawn letters of credit of \$6.4 million on the Credit Facility (2019: \$6.2 million).

The Credit Facility requires the maintenance of certain covenants. As at December 31, 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 (2019: \$125.0 million). As at December 31, 2020, \$67.0 million of letters of credit had been issued thereon (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 (2019: 2.9%). These facilities are repayable over various terms from 2022 to 2032. As at December 31, 2020, \$8.4 million (2019: \$7.9 million) was outstanding. All of these facilities are committed.

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

As at December 31, 2020, trade accounts receivable being serviced under this program amounted to \$134.7 million (2019: \$133.3 million). In return for the sale of its trade receivables, the Company will receive cash of \$103.2 million (2019: \$101.6 million) and notes receivable in the amount of \$31.5 million (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 December 31, 2020, the Company recorded a net payable in the amount of \$16.8 million (2019: \$10.1 million net payable) in accounts payable and accruals.

The Securitization Facility is subject to certain restrictions, including the maintenance of covenants. The Company was in compliance with all of the requirements of this facility as at December 31, 2020. If the Securitization Facility were to be terminated, the Company would recognize the related amounts on the consolidated balance sheets and consider alternative financing if required.

12. CAPITAL EXPENDITURES

Capital expenditures for 2020 were \$490.7 million compared to \$270.7 million last year. The increase in capital expenditures was primarily attributable to the construction of the London, Ontario poultry facility and modifications to the Company's existing network in order to create additional plant protein capacity.

The Company currently estimates its capital expenditures for the full year of 2021 will be in the range of \$550 million to \$650 million, approximately 75% of which to be comprised of Construction Capital. A significant portion of the Construction Capital is related to the London, Ontario poultry facility and other projects to add capacity and improve efficiency in our prepared meats business.

Construction Capital also includes the intended acquisition and build-out of a plant protein facility in Indianapolis, Indiana, as announced on January 11, 2021. This 118,000 square foot facility will enable the Company to meet the growing demand for tempeh in a capital efficient manner.

13. NORMAL COURSE ISSUER BID

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 limitations 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 year ended December 31, 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 were cancelled. The program commenced on May 24, 2019 and was terminated on May 23, 2020. Under this bid during the year ended December 31, 2020, no shares were purchased for cancellation. Under this bid, during the year ended December 31, 2019, 0.8 million shares were purchased for cancellation for \$20.3 million at a volume weighted average price paid of \$24.21 per common share.

On May 22, 2018, the TSX accepted the Company's notice of intention to commence an NCIB, which allows the Company to repurchase, at its discretion, up to 7.8 million common shares in the open market or as otherwise permitted by the TSX, subject to the normal terms and limitations of such bids. Common shares purchased by the Company were cancelled. The program commenced on May 24, 2018 and was terminated on May 23, 2019 as the Company completed its purchase and cancellation of 4.0 million common shares for \$126.6 million at a volume weighted average price of \$31.82 per common share. Under this bid, during year ended December 31, 2019, no shares were purchased for cancellation.

14. CASH FLOW AND FINANCING

Cash and cash equivalents were \$100.8 million at the end of 2020, compared to \$97.3 million in 2019. The increase in cash and cash equivalents for the year ended December 31, 2020 was primarily due to earnings, loans drawn on the Credit Facility, proceeds from sale of long-term assets, partially offset by investment in property and equipment, higher quarterly dividend payments, and investment in working capital.

Cash Flow from Operating Activities

Cash provided by operating activities for 2020 was \$321.4 million compared to \$270.2 million in 2019. The improvement was primarily due to higher earnings, and lower income tax payments, partially offset by higher investment in working capital.

Cash Flow from Financing Activities

Cash provided by financing activities for 2020 was \$99.5 million compared to \$29.8 million in 2019. The increase was mainly due to larger loans drawn on the Credit Facility and no share repurchases under the NCIB program in the current year, partially offset by higher dividend payments.

Cash Flow from Investing Activities

Cash used in investing activities for \$417.4 million for 2020 compared to \$275.3 million in 2019. The increase was primarily due to higher investment in property and equipment and the purchase of investments, partially offset by higher proceeds from sale of long-term assets and last year's payment of income tax liabilities assumed on a prior year acquisition, which did not recur.

15. CONTRACTUAL OBLIGATIONS

The following table provides information about certain of the Company's significant contractual obligations as at December 31, 2020. This table presents the undiscounted cash flows payable in respect of financial liabilities and commitments.

Undiscounted payments due by fiscal year:

(\$ thousands)	Due within 1 year	Due between 1 and 3 years	Due between 3 and 5 years	Due after 5 years	Total
Financial liabilities					
Accounts payable and accruals	\$ 501,529	—	—	—	\$ 501,529
Long-term debt	1,083	406,026	339,458	—	746,567
Foreign exchange contracts	555	—	—	—	555
Commodity futures contracts	1,769	—	—	—	1,769
Interest rate swaps	6,454	10,707	1,211	—	18,372
Lease obligations	81,144	58,368	33,549	106,501	279,562
Other liabilities	4,278	—	—	—	4,278
	\$ 596,812	475,101	374,218	106,501	\$1,552,632

The Company entered into a number of contracts related to the construction of new and expanded facilities. As at December 31, 2020 these contract commitments were approximately \$465.0 million (2019: \$634.0 million).

Management believes its cash flow, cash on hand, and available sources of financing provide the Company with resources to finance ongoing business requirements and its planned capital expenditure program for at least the next 12 months. Additional details concerning financing are set out in Note 14 and Note 19 of the Company's 2020 audited consolidated financial statements ("consolidated financial statements").

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT ACTIVITIES

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

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

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

Financial Instruments

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

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

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

The Company applies hedge accounting as appropriate and uses derivatives and other non-derivative financial instruments to manage its exposures to fluctuations in foreign exchange rates, interest rates, and commodity prices.

The fair values and notional amounts of derivative financial instruments as at December 31, are shown below:

	2020			2019		
	Notional amount ⁽ⁱ⁾	Fair value		Notional amount ⁽ⁱ⁾	Fair value	
		Asset ⁽ⁱⁱ⁾	Liability ⁽ⁱⁱ⁾		Asset ⁽ⁱⁱ⁾	Liability ⁽ⁱⁱ⁾
Cash flow hedges						
Foreign exchange contracts	\$ 28,139	\$ 135	\$ 11	\$ 29,273	\$ 497	\$ 40
Commodity contracts	\$ 16,245	695	—	—	—	—
Interest rate swaps	\$ 472,544	—	18,372	\$ 479,129	2,160	—
		\$ 830	\$ 18,383		\$ 2,657	\$ 40
Fair value hedges⁽ⁱⁱⁱ⁾						
Foreign exchange contracts	\$ 83,793	\$ 2,970	\$ —	\$ 50,718	\$ 904	\$ —
Commodity contracts	\$ 76,957	—	1,769	\$ 54,725	3,184	—
		\$ 2,970	\$ 1,769		\$ 4,088	\$ —
Derivatives not designated in a formal hedging relationship						
Foreign exchange contracts	\$ 71,520	\$ 255	\$ 544	\$ 251,868	\$ 842	\$ 3,003
Commodity contracts	\$ 115,855	1,175	—	\$ 242,711	91	991
		\$ 1,430	\$ 544		\$ 933	\$ 3,994
Total fair value		\$ 5,230	\$ 20,696		\$ 7,678	\$ 4,034
Current ^{(ii)(iv)(v)}		\$ 5,230	\$ 8,779		\$ 6,197	\$ 4,034
Non-current ⁽ⁱⁱ⁾		—	11,917		1,481	—
Total fair value		\$ 5,230	\$ 20,696		\$ 7,678	\$ 4,034

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

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

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

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

^(v) As at December 31, 2020, the above fair value of current assets has been increased by \$7.4 million (December 31, 2019: increased by \$1.1 million), and the above fair value of current liabilities has been decreased by \$1.8 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.

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

The carrying value of long-term debt as at December 31, 2020 and 2019 approximates its fair value. The fair value of the Company's long-term debt has been classified as Level 2 in the fair value hierarchy and was estimated based on discounted future cash flows using current rates for similar financial instruments subject to similar risks and maturities.

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

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

For the year ended December 31, 2020, the Company recorded a loss of \$23.6 million (2019: gain of \$5.4 million) on financial instruments recognized at fair value through profit or loss. The loss was mainly attributed to losses on exchange traded commodity contracts which are used to economically hedge and offset price risk volatility inherent in the business.

The table below sets out fair value measurements of derivative financial instruments as at December 31, 2020 using the fair value hierarchy:

(\$ thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Foreign exchange contracts	\$ —	3,360	—	\$ 3,360
Commodity contracts ⁽ⁱ⁾	—	145	—	145
	\$ —	3,505	—	\$ 3,505
Liabilities:				
Foreign exchange contracts	\$ —	555	—	\$ 555
Commodity contracts ⁽ⁱ⁾	44	—	—	44
Interest rate swaps	—	18,372	—	18,372
	\$ 44	18,927	—	\$ 18,971

⁽ⁱ⁾ 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 year ended December 31, 2020. Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

Capital

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

The Company uses leverage in its capital structure to reduce the cost of capital. The Company's goal is to maintain its primary credit ratios at levels that are designed to provide continued access to investment-grade credit pricing and terms. The Company measures its credit profile using a number of metrics, some of which are non-IFRS measures, primarily cash and cash equivalents, less long-term debt and bank indebtedness ("Net Debt") and earnings before interest, taxes, depreciation and amortization ("EBITDA").

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

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

There have been no material changes to the Company's risk management activities during the year ended December 31, 2020.

Credit Risk

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

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

Management believes concentrations of credit risk with respect to accounts receivable are limited due to the generally high credit quality of the Company's major customers, the large number and geographic dispersion of smaller customers, and the operation of the accounts receivable securitization facility as described in Note 25 of the consolidated financial statements. The Company does, however, conduct a significant amount of business with a small number of large grocery retailers. The Company's two largest customers as at December 31, 2020 comprise approximately 23.8% (2019: two largest customers representing 21.6%) of total sales.

The Company is also exposed to credit risk on its notes receivable from an unconsolidated structured entity in respect of the accounts receivable securitization program as described in Note 25 of the consolidated financial statements. Management believes that this credit risk is limited by the long-term AA- debt rating held by the financial institution financing the third-party trust. The Company is

exposed to credit risk on its cash and cash equivalents (comprising primarily of deposits with Canadian chartered banks) and non-exchange-traded derivative contracts. The Company mitigates this credit risk by transacting primarily with counterparties that are major international financial institutions with long-term debt ratings of A or higher. The Company's maximum exposure to credit risk at the balance sheet date consisted primarily of the carrying value of non-derivative financial assets and non-exchange-traded derivatives with positive fair values.

Liquidity risk

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

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

As at December 31, 2020, the Company had available undrawn committed credit of \$1,243.6 million (2019: \$1,458.8 million) under the terms of its principal banking arrangements as described in Note 14 of the consolidated financial statements. These banking arrangements are subject to certain covenants and other restrictions.

Market Risk

Interest Rate Risk

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

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

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

As at December 31, 2020, the Company had variable-rate debt of \$737.5 million with a weighted average interest rate of 2.0% (2019: \$531.5 million at a weighted average interest rate of 3.3%). The Company has converted \$472.5 million of the variable-rate debt to fixed-rate debt using interest rate swaps with a weighted average interest rate of 3.3% (2019: \$479.1 million at a weighted average interest rate of 3.0%). In addition, the Company was exposed to floating interest rates on its accounts receivable securitization program. As at December 31, 2020, the cash advance received pursuant to this program was \$120.0 million at a weighted average interest rate of 0.4% (2019: \$111.7 million at a weighted average interest rate of 2.4%). The maximum amount available to the Company under these programs is \$120.0 million (2019: \$120.0 million).

As at December 31, 2020, the Company had fixed-rate debt of \$8.4 million (2019: \$7.9 million) with a weighted average effective interest rate of 4.2% (2019: 4.5%). Changes in market interest rates cause the fair value of long-term debt with fixed interest rates to fluctuate but do not affect net earnings, as the Company's debt is carried at amortized cost and the carrying value does not change as interest rates change.

Foreign Exchange Risk

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

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

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

Commodity Price Risk

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

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

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

For a comprehensive discussion on the Company's risk management practices and derivative exposures, please refer to Note 19 of the consolidated financial statements.

17. EMPLOYEE BENEFIT PLANS

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

During 2020, the Company recorded a pre-tax loss of \$62.9 million through other comprehensive income (loss) related to the re-measurement of plan assets and liabilities. This included a pre-tax loss of \$127.9 million related to differences between plan experience compared to actuarial assumptions and a pre-tax gain of \$66.1 million related to differences between plan assets compared to the discount rate.

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

The Company operates both defined contribution and defined benefit plans. The assets of the defined benefit plans are invested primarily in pooled funds that are subject to fluctuations in market prices. Discount rates used to measure plan liabilities are based on long-term market interest rates. Fluctuations in these market prices and rates can impact pension expense and funding requirements. The investment return before expenses on the Company's defined benefit pension plan assets was a gain of 9.4% in 2020 compared to a gain of 13.3% in 2019.

The Company's contributions are funded through cash flows generated from operations. Management anticipates that future cash flows from operations will be sufficient to fund expected future cash contributions. The Company's contributions to defined benefit plans during 2020 were \$11.7 million (2019: \$12.0 million).

The Company expects to contribute \$34.7 million to the pension plans in 2021, inclusive of defined benefit, defined contribution and multi-employer plans.

18. TRANSACTIONS WITH RELATED PARTIES

Transactions between the Company and its consolidated entities have been eliminated in the Company's 2020 audited consolidated financial statements.

The Company sponsors a number of defined benefit, defined contribution and post-retirement benefit plans. During the year ended December 31, 2020, the Company's contributions to these plans were \$30.3 million (2019: \$30.1 million).

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

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

<i>(\$ thousands)</i>	2020	2019
Short-term employee benefits		
Salaries, bonuses, and fees	\$ 15,575	\$ 13,640
Company car allowances	316	326
Other benefits	128	137
Total short-term employee benefits	\$ 16,019	\$ 14,103
Severance benefits	—	110
Post-employment benefits	716	805
Share-based compensation	11,230	11,326
Total remuneration	\$ 27,965	\$ 26,344

During the year ended December 31, 2020, key Management personnel of the Company exercised 0.6 million share options (2019: 0.4 million share options) granted under the Maple Leaf Foods share option plans for an amount of \$13.4 million (2019: \$7.8 million).

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

19. GOVERNMENT INCENTIVES

During the year ended December 31, 2020, the Company recorded government incentives totaling \$20.5 million (2019: \$3.8 million).

During the year ended December 31, 2020, the Company recognized \$10.4 million (2019: \$2.0 million) of government incentives as a reduction in the cost of related assets. Of this amount, \$6.9 million was received from the Government of Ontario and \$2.4 million from the Government of Canada to assist with the design, development and construction of the London, Ontario poultry facility. In addition, the Company received \$1.1 million in other incentives.

During the year ended December 31, 2020, the Company recognized \$10.1 million (2019: \$1.9 million) of government incentives in net earnings. Of this amount, \$6.9 million were received as grants from the Federal Government's Canada Emergency Wage Subsidy ("CEWS"). The CEWS enabled Maple Leaf Foods to prevent job losses and helped to ensure a stable and secure supply chain. Maple Leaf Foods qualified for the subsidy and the decision to participate in the program was carefully considered, taking into account a number of business imperatives including protecting staff and consideration of all stakeholders. An additional \$3.0 million of ongoing incentives was received from the Government of Canada to support agricultural business and \$0.2 million in other incentives.

The Company currently recognizes \$8.4 million of government debt on the consolidated balance sheets as described in Note 14 of the consolidated financial statements. Of this amount, \$4.2 million of debt is recognized from the Government of Canada to assist in innovation within the agricultural sector in Canada. In addition, \$4.2 million of debt relates to the development of the Company's facility located in Hamilton, Ontario.

20. SHARE CAPITAL

As at December 31, 2020, there were 123,936,226 voting common shares issued and outstanding (2019: 123,890,126). As at February 18, 2021, there were 123,936,226 common shares issued and outstanding.

In each of the quarters of 2020, the Company declared and paid cash dividends of \$0.16 (2019: \$0.145) per voting common share, representing a total annual dividend of \$0.64 (2019: \$0.58) per voting common share and aggregate dividend payments of \$78.9 million (2019: \$71.8 million).

21. OTHER MATTERS

On February 24, 2021, the Board of Directors approved a quarterly dividend of \$0.18 per share (up from \$0.16 per share in each quarter of 2020), \$0.72 per share on an annual basis, payable March 31, 2021 to shareholders of record at the close of business March 8, 2021. 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".

22. MAPLE LEAF CENTRE FOR ACTION ON FOOD SECURITY

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

23. SUMMARY OF QUARTERLY RESULTS

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

(\$ millions) ⁽ⁱ⁾	2020				2019			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Sales								
Meat Protein Group	\$ 981.4	\$ 1,040.4	\$ 1,014.4	\$ 1,080.3	\$ 871.1	\$ 983.3	\$ 953.3	\$ 970.3
Plant Protein Group	46.3	60.6	51.4	52.5	36.8	42.9	47.0	49.7
Non-allocated ⁽ⁱⁱ⁾	(5.0)	(6.4)	(8.6)	(3.6)	(0.8)	(3.5)	(4.5)	(4.0)
Total Sales	\$ 1,022.8	\$ 1,094.6	\$ 1,057.2	\$ 1,129.2	\$ 907.1	\$ 1,022.7	\$ 995.8	\$ 1,016.0
Gross profit								
Meat Protein Group	\$ 157.3	\$ 176.6	\$ 160.6	\$ 185.7	\$ 131.8	\$ 162.4	\$ 123.4	\$ 150.5
Plant Protein Group	6.8	7.9	3.4	0.3	8.5	9.3	10.0	7.2
Non-allocated ⁽ⁱⁱ⁾	(36.7)	(17.2)	64.1	(5.7)	39.2	(60.7)	6.4	3.0
Total Gross profit	\$ 127.4	\$ 167.3	\$ 228.1	\$ 180.3	\$ 179.5	\$ 111.0	\$ 139.8	\$ 160.8
SG&A								
Meat Protein Group	\$ 88.0	\$ 83.7	\$ 80.7	\$ 94.2	\$ 86.4	\$ 89.5	\$ 78.8	\$ 84.0
Plant Protein Group	30.9	34.1	46.5	32.5	11.9	16.9	44.9	45.3
Non-allocated ⁽ⁱⁱ⁾	—	—	—	—	—	—	—	—
Total SG&A	\$ 118.9	\$ 117.8	\$ 127.2	\$ 126.8	\$ 98.3	\$ 106.4	\$ 123.7	\$ 129.3
Net Earnings (loss)								
Meat Protein Group	\$ 68.2	\$ 92.8	\$ 79.9	\$ 89.4	\$ 42.3	\$ 74.0	\$ 39.6	\$ 62.1
Plant Protein Group	(24.1)	(26.3)	(43.2)	(32.3)	(3.3)	(7.7)	(34.9)	(38.2)
Non-allocated ⁽ⁱⁱ⁾	(47.8)	(40.8)	29.3	(31.7)	11.1	(72.6)	8.7	(6.4)
Total Net Earnings (loss)	\$ (3.7)	\$ 25.7	\$ 66.0	\$ 25.4	\$ 50.1	\$ (6.3)	\$ 13.4	\$ 17.5
Adjusted Operating Earnings⁽ⁱⁱⁱ⁾								
Meat Protein Group	\$ 69.2	\$ 92.9	\$ 80.0	\$ 91.5	\$ 45.4	\$ 72.9	\$ 44.6	\$ 66.5
Plant Protein Group	(24.1)	(26.3)	(43.1)	(32.3)	(3.3)	(7.7)	(34.9)	(38.1)
Non-allocated ⁽ⁱⁱ⁾	—	—	—	—	—	—	—	—
Total Adjusted Operating Earnings	\$ 45.1	\$ 66.7	\$ 36.9	\$ 59.2	\$ 42.1	\$ 65.2	\$ 9.7	\$ 28.4
Adjusted EBITDA⁽ⁱⁱⁱ⁾								
Meat Protein Group	\$ 111.1	\$ 138.2	\$ 122.6	\$ 136.5	\$ 84.8	\$ 112.7	\$ 85.4	\$ 110.2
Plant Protein Group	(20.5)	(22.6)	(39.6)	(28.7)	(0.4)	(4.7)	(31.6)	(34.9)
Non-allocated ⁽ⁱⁱ⁾	—	—	(0.5)	1.3	—	—	(0.4)	—
Total Adjusted EBITDA	\$ 90.5	\$ 115.7	\$ 82.6	\$ 109.1	\$ 84.4	\$ 108.0	\$ 53.4	\$ 75.3
Adjusted EBITDA Margin⁽ⁱⁱⁱ⁾								
Meat Protein Group	11.3 %	13.3 %	12.1 %	12.6 %	9.7 %	11.5 %	9.0 %	11.4 %
Plant Protein Group	(44.3)%	(37.2)%	(77.0)%	(54.7)%	(1.1)%	(10.9)%	(67.3)%	(70.3)%
Non-allocated ⁽ⁱⁱ⁾	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total Adjusted EBITDA Margin	8.9 %	10.6 %	7.8 %	9.7 %	9.3 %	10.6 %	5.4 %	7.4 %

⁽ⁱ⁾ Totals may not add due to rounding.

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

⁽ⁱⁱⁱ⁾ Refer to Non-IFRS Financial Measures starting on page 31 of this document.

24. SUMMARY OF 2020 FOURTH QUARTER RESULTS

The following table summarizes the Company's sales, gross profit, SG&A expenses, Adjusted Operating Earnings, Adjusted EBITDA, and Adjusted EBITDA Margin by operating segment for the fourth quarter ended December 31, 2020 and December 31, 2019:

(\$ millions) ⁽ⁱ⁾	Three months ended December 31, 2020				Three months ended December 31, 2019			
	Meat Protein Group	Plant Protein Group	Non-Allocated ⁽ⁱⁱ⁾	Total	Meat Protein Group	Plant Protein Group	Non-Allocated ⁽ⁱⁱ⁾	Total
Sales	\$ 1,080.3	52.5	(3.6)	\$ 1,129.2	\$ 970.3	49.7	(4.1)	\$ 1,016.0
Gross profit	\$ 185.7	0.3	(5.7)	\$ 180.3	\$ 150.5	7.2	3.0	\$ 160.8
Selling, general and administrative expenses	\$ 94.2	32.5	—	\$ 126.8	\$ 84.0	45.3	—	\$ 129.3
Adjusted Operating Earnings⁽ⁱⁱⁱ⁾	\$ 91.5	(32.3)	—	\$ 59.2	\$ 66.5	(38.1)	—	\$ 28.4
Adjusted EBITDA⁽ⁱⁱⁱ⁾	\$ 136.5	(28.7)	1.3	\$ 109.1	\$ 110.2	(34.9)	—	\$ 75.3
Adjusted EBITDA Margin⁽ⁱⁱⁱ⁾	12.6%	(54.7)%	n/a	9.7%	11.4 %	(70.3)%	n/a	7.4%

⁽ⁱ⁾ Totals may not add due to rounding.

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

⁽ⁱⁱⁱ⁾ Refer to the section titled Non-IFRS Financial Measures starting on page 31 of this document for the definition of these non-IFRS measures.

Sales for the fourth quarter increased 11.1% to \$1,129.2 million compared to \$1,016.0 million last year. Sales growth was driven by strong growth in both the Meat and Plant Protein Groups. An extra week in the fourth quarter of 2020 also contributed to sales growth.

Net Earnings for the fourth quarter of 2020 were \$25.4 million (\$0.20 per basic share) compared to \$17.5 million (\$0.14 per basic share) last year. Strong commercial performance in the Meat Protein Group more than offset incremental costs related to COVID-19 and an increase in variable compensation. Results were also impacted by a higher loss from non-cash fair value changes in biological assets and derivative contracts and non-recurring other expenses, which are excluded from the calculation of Adjusted Operating Earnings.

Adjusted Operating Earnings for the fourth quarter of 2020 were \$59.2 million compared to \$28.4 million. The increase in Adjusted Operating Earnings reflects strong commercial performance in meat protein, driven by favourable sales mix, continued growth in sustainable meats and pricing actions taken to mitigate inflation and other structural cost increases. Results also benefited from lower SG&A investments in Plant Protein.

Adjusted EBITDA Margin for the fourth quarter increased to 9.7% from 7.4% last year, consistent with the factors noted above.

Basic Earnings per Share was \$0.20 for the fourth quarter of 2020 compared to \$0.14 last year, consistent with the factors described above.

Adjusted Earnings per Share in the fourth quarter of 2020 was \$0.30 compared to \$0.12 last year.

Meat Protein Group

Sales for the fourth quarter increased 11.3% to \$1,080.3 million compared to \$970.3 million last year. Sales growth was driven by a favourable mix-shift towards sustainable meats and branded products in Canada, strong double-digit growth in sustainable meats in the U.S., pricing actions implemented to mitigate inflation and other structural cost increases and an extra week in the fourth quarter of 2020. Stronger demand in the retail channel as a result of COVID-19 was offset by lower volume in foodservice.

Gross profit for the fourth quarter of 2020 was \$185.7 million (gross margin of 17.2%) compared to \$150.5 million (gross margin of 15.5%) last year. Strong commercial and operational performance, including favourable mix, continued expansion of sustainable meats and pricing action implemented during the quarter to mitigate inflation and other structural cost increases all contributed to higher gross profit in the quarter. This performance was partially offset by increased costs in response to COVID-19 to safeguard the Company's employees and maintain production. Costs associated with COVID-19 consisted of personal protective equipment, incremental sanitation, screening and testing protocols and other preventative measures.

SG&A expenses for the fourth quarter of 2020 were \$94.2 million (8.7% of sales), compared to \$84.0 million (8.7% of sales) last year. The increase in SG&A expenses is primarily related to an increase in variable compensation. As a percentage of sales, SG&A expenses were flat compared to last year.

Adjusted Operating Earnings for the fourth quarter of 2020 were \$91.5 million compared to \$66.5 million last year, driven by factors noted above.

Adjusted EBITDA Margin for the fourth quarter was 12.6% compared to 11.4% last year, consistent with factors noted above.

Plant Protein Group

Sales for the fourth quarter were \$52.5 million compared to \$49.7 million last year, representing growth of 5.5% or 6.7% after excluding the impact of foreign exchange. Sales growth was driven by an extra week in the fourth quarter of 2020 as well as pricing actions implemented to mitigate inflation and structural cost increases.

Gross profit for the fourth quarter of 2020 was \$0.3 million (gross margin of 0.5%) compared to \$7.2 million (gross margin of 14.4%) last year. The decrease in gross profit was attributed to inefficiencies associated with start-up production and other costs related to support high growth, as well as expenses associated with COVID-19, including increased labour expenses, personal protective equipment, screening and testing, and other preventative measures.

SG&A expenses for the fourth quarter of 2020 were \$32.5 million (61.9% of sales), compared to \$45.3 million (91.1% of sales) last year. The decrease in SG&A expenses was driven by lapping of heightened investment in advertising and promotional expenses incurred in the fourth quarter of 2019, partially offset by increased expenses related to organizational capacity.

Adjusted Operating Earnings for the fourth quarter of 2020 were a loss of \$32.3 million compared to a loss of \$38.1 million last year. The increase in Adjusted Operating Earnings is mainly driven by a decrease in SG&A expenses as noted above.

25. DISCUSSION OF FACTORS IMPACTING THE COMPANY'S OPERATIONS AND RESULTS

Impact of Currency

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

(Unaudited)	As at	Annual Averages					
	December 31, 2020	2020	2019	2018	2017	2016	2015
U.S. dollar / Canadian dollar ⁽ⁱ⁾	\$ 1.27	\$ 1.34	\$ 1.33	\$ 1.30	\$ 1.30	\$ 1.32	\$ 1.28
Canadian dollar / Japanese yen ⁽ⁱ⁾	¥ 81.13	¥ 79.68	¥ 82.18	¥ 85.23	¥ 86.48	¥ 82.10	¥ 94.66

⁽ⁱ⁾ Source: Bloomberg.

During 2020, the Canadian dollar, on average weakened relative to the U.S. dollar by 1.1%. In the short term, a weaker Canadian dollar expands export margins in the Company's primary pork processing and hog production operations but increases the cost of raw materials and ingredients in the domestic prepared meats business. The prepared meats business is able to react to changes in input costs through pricing, cost reduction or investment in value-added products. Over the longer-term, a weaker Canadian dollar increases the relative competitiveness of the domestic Canadian packaged goods operation, as imports of competing products from the U.S. become less competitive while the Company's ability to export and expand into the U.S. market increases.

During 2020, the Japanese yen, on average increased in value relative to the Canadian dollar by 3.0%. In general, a stronger Japanese yen expands export margins to Japan in the Company's fresh pork business. The Company ultimately seeks to manage pricing to offset the impact of currency fluctuations.

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

Market Influences for Pork Value Chain

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

(Unaudited)	As at	Annual Averages					
	December 31, 2020	2020	2019	2018	2017	2016	2015
Pork cutout (US\$ per cwt) ⁽ⁱ⁾⁽ⁱⁱ⁾	\$ 78.58	\$ 77.02	\$ 77.04	\$ 75.18	\$ 84.13	\$ 78.66	\$ 79.13
Hog market price per cwt (US\$ per cwt) ⁽ⁱ⁾⁽ⁱⁱ⁾	\$ 59.98	\$ 60.22	\$ 67.33	\$ 65.12	\$ 71.42	\$ 65.09	\$ 70.59
Hog market price per cwt (CAD per cwt) ⁽ⁱ⁾⁽ⁱⁱ⁾	\$ 76.32	\$ 80.75	\$ 89.38	\$ 84.42	\$ 92.72	\$ 86.23	\$ 90.28
Corn (US\$ per bushel) ⁽ⁱⁱⁱ⁾	\$ 4.84	\$ 3.65	\$ 3.83	\$ 3.68	\$ 3.59	\$ 3.58	\$ 3.81

⁽ⁱ⁾ As at December 31, 2020, rate based on spot prices for the week ended December 31, 2020 (Sources: CME and USDA).

⁽ⁱⁱ⁾ Annual averages based on five-day averages (Sources: CME and USDA).

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

In aggregate for 2020, the impact of hog and pork prices were favourable to the five-year average as a result of stronger pork processing margins offsetting weaker hog production margins. Market volatility within the year was high due to the impact of COVID-19 on the hog and pork industries.

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

Seasonality

The Company is sufficiently large and diversified, with a balanced portfolio, that seasonal factors within various parts of its operations tend to offset each other; therefore, in isolation, they do not have a material impact on the Company's consolidated earnings. For example, in general, margins on fresh pork products tend to be higher in the last half of the year when hog prices historically decline which in turn depresses earnings from raising hogs, maintaining balance within the Company's pork complex. Strong demand for grilled meat products positively affects categories such as wieners and fresh sausages in the summer, while back-to-school promotions support increased sales of sliced meats and lunch items in the fall. Higher demand for turkey and ham products occurs in the spring and fourth quarter holiday seasons. In 2020, seasonality was impacted by COVID-19 as demand shifted from foodservice to retail and normal consumption patterns were disrupted by lockdowns.

26. ENVIRONMENT

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

The Company's environmental program is monitored on a regular basis by the Committee, including compliance with regulatory requirements and the use of internal environmental specialists and independent, external environmental experts. The Company continues to invest in environmental infrastructure related to water, waste, and air emissions to ensure that environmental standards continue to be met or exceeded, while implementing procedures to reduce the impact of operations on the environment.

In 2019, the Company amended its Credit Facility to become part of the first Sustainability-Linked Loan in Canada – a partnership with nine global banks to encourage maintenance of carbon neutrality and reductions in Green House Gas ("GHG") emissions. The Sustainability-Linked Loan consists 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. This Sustainability-Linked Loan is intended to meet the Company's funding requirements for capital investments and for general corporate purposes. Under the terms of the Sustainability-Linked Loan, the Company can benefit from lower interest rates upon achievement of certain sustainability targets and maintaining carbon neutrality. This reduction will not materialize until at least 2021, and there is no penalty for not achieving the targets.

Expenditures related to current environmental requirements are not expected to have a material effect on the financial position or earnings of the Company. However, it is possible that events could occur causing environmental expenditure to be significant and have a material adverse effect on the Company's financial condition or results of operations. Such events could include, but not be limited to, additional environmental regulation or the occurrence of an adverse event at one of the Company's locations. The Company currently has a provision of \$2.6 million related to expected environmental remediation costs. Please refer to Note 13 of the consolidated financial statements for additional information. As a large food company there are health, environmental, and social issues that go beyond short-term profitability that Management believes must shape its business if the Company is to realize a sustainable future. Increasingly, moving beyond compliance to materially reducing the Company's environmental footprint is critical to addressing mounting environmental issues and realizing increased operating efficiencies and cost reductions. The Company is committed to reducing its environmental footprint by 50.0% by 2025 (2014 baseline), encompassing the three areas where Maple Leaf Foods has the largest environmental impact: climate change (energy usage and emissions), water usage and solid waste.

The Company has developed environmental sustainability action plans at every operation to deliver on its environmental goals. In 2020, the Company has made progress towards the implementation of these plans and reducing the Company's environmental footprint. In the fourth quarter of 2019, the Company publicly announced the development of a comprehensive carbon management strategy that included the setting and approval of Science-Based Targets ("SBTs") for GHG emissions reduction, and the achievement of becoming a carbon neutral company.

Science-Based Target

SBTs provide companies with a clearly defined pathway to future-proof growth by specifying how much and how quickly companies need to reduce GHG emissions to meet the requirements of the global Paris Climate Accord. On September 9, 2019, the Science-Based Target Initiative ("SBTi") approved Maple Leaf Foods' SBTs for GHG emissions reduction. As part of this approval, the SBTi verified Maple Leaf Foods' comprehensive carbon inventory that was developed in accordance with the internationally accepted Greenhouse Gas Protocol - developed by the World Resources Institute and World Business Council for Sustainable Development. Maple Leaf Foods committed to reduce its absolute Scope 1 & 2 GHG emissions by 30% and its Scope 3 GHG emissions by 30% (per 1,000kg of production) by 2030 (2018 baseline).

Carbon Neutral

Maple Leaf Foods achieved carbon neutrality by avoiding intensive emissions activities, reducing emissions by implementing energy efficiency projects and replacing carbon intensive energy with lower carbon or renewable sources. Lastly, for all remaining emissions that cannot be reduced or are currently unavoidable, the Company has invested in certified offset projects to bring its net GHG emissions to zero. Using the carbon inventory that was validated by the SBTi, Maple Leaf Foods reviewed every aspect of its business and identified opportunities to avoid and reduce emissions associated with its operations. The Company's utility audit program identifies energy, water and waste reduction opportunities that have a high return on investment and positive impact on reducing its environmental footprint. The Company has implemented key projects across its facilities including a national LED lighting retrofit program, heat recovery projects, water conservation/reuse opportunities, and organics diversion and recycling programs. Most of these projects drive capital investment at each facility to sustain the Company's environmental performance into the future.

Details on the Company's environmental performance and carbon strategy can be found in the Company's sustainability reports which can be found at www.mapleleaffoods.com/sustainability.

27. RISK FACTORS

In carrying out its business and operations, the Company faces many risks. Many of these risks are described below, including those risks that the Company currently considers to be most material. These risk factors, along with other risks and uncertainties not currently known to the Company, or that the Company currently considers immaterial, could materially and adversely affect the Company's performance, operating results and ability to pay dividends or return capital to shareholders. Such risks could cause actual events to differ materially from those described in any forward-looking statements, including any financial outlooks, targets or goals. Many of the risks are beyond the Company's control and, in spite of any efforts the Company may make to manage or mitigate its risk exposure, there is no guarantee that such risk management or mitigation activities will be successful. Readers should carefully consider the risk factors set out below, along with the other information contained in this document and the Company's other public filings before making an investment decision.

COVID-19

The Company's business operations and financial condition may be materially adversely affected by public health emergencies, including the COVID-19 pandemic, as well as related government responses and consumer and customer behaviour. The risk of COVID-19 to the Company includes the physical and mental health and safety of its employees and contractors; the temporary suspension of operations in geographic locations in which the Company operates; disruptions in international trade and access to markets; operational restrictions and restrictions on gatherings of individuals; delays in the completion of capital projects; counterparty credit risk; volatility in financial and commodity markets; shifts in customer and consumer demand; and supply chain disruptions; all or any of which could materially adversely affect the Company's business operations and financial results. As the spread (and risk of spreading) of COVID-19 continues, governments may increase or extend restrictions, directives, orders or regulations that could adversely affect the Company's operations, suppliers, customers, counterparties, employee health, workforce productivity, insurance premiums and coverage, and ability to advance its business strategy. Among the specific impacts that have been experienced since the onset of the pandemic include: increased costs to implement additional health and safety measures; restrictions on pork exports to China; decreased sales in foodservice channels; a shift in the sales mix; supply chain challenges; reduced ability to execute product innovation initiatives; temporary stoppages of work at certain capital projects; and periodic operational slow-downs at some plants.

The Company is following recommendations from applicable government agencies, public health authorities and leading international health organizations in order to maintain the continued safe operation of its business operations. It has implemented pandemic plans at all of its locations and is continuing to review and audit the effectiveness of these efforts to protect the ongoing health of its workforce. It is possible however, that such measures may not be effective. The full extent, effect and duration of the COVID-19 pandemic is unknown at this time and the degree to which it may continue to affect the Company's business operations and financial results will depend on future developments, which are uncertain and cannot be predicted with certainty. Depending on the duration and severity of the COVID-19 pandemic, such events may increase the effect of the other risks described in this Management Discussion and Analysis.

Competition, Market Conditions and the Activities of Competitors and Customers

The food industry is intensely competitive. In many product categories in which the Company operates there are low barriers to entry. Competition is based on factors such as product availability, product quality and taste, price, brand recognition, product variety, product packaging and design, shelf space, reputation, nutritional and other claims, effective promotions, and the ability to target changing consumer preferences. The Company may experience price pressure as a result of, among other things, competitors' promotional effort and strategies to grab market share, as well as in product categories characterized by low capacity utilization.

Competitive pressures from existing competitors, as well as, new entrants into various markets could result in reduced sales, margins, profits, and market share, all of which could have a material adverse effect on the Company's financial condition and results of operations. The Company has seen intense competitive pressure in the plant protein space, as new entrants and more traditional food companies vie for market share in this rapidly evolving market. The rapidly evolving nature of the plant protein business creates some volatility and unpredictability. If the Company's assumptions about the potential growth of the plant protein sector do not materialize, or if its assumptions about its ability to maintain and gain market share are incorrect, it is unlikely that the Company will be able to reach its

2029 sales and gross margin growth targets. There is no guarantee that the investment that the Company is making in marketing, advertising, and innovation will be successful in attracting market share or that it will deliver the anticipated long-term financial benefits underpinning the growth targets.

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

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

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

Availability and Access to Capital

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

Livestock Health and Risks Associated with Animal Disease

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

The Company monitors herd and flock health status and has strict bio-security procedures and employee training programs throughout its hog production system and ensures the animals receive veterinary medications as required. However, there is no guarantee these processes will not fail. In addition, not all livestock procured by the Company may be subject to these processes, as the majority of livestock processed by the Company is purchased from independent third parties. In addition to risks associated with maintaining the health of the Company's livestock, any outbreak of disease elsewhere in the world could reduce consumer confidence in the meat products affected by the particular disease and generate adverse publicity. The Company has developed an internal contingency plan for dealing with animal disease occurrences and/or a more broad-based pandemic. It has taken steps to support the Canadian government in enhancing both the country's prevention measures and preparedness plans. There can be no assurance, however, that these prevention measures or plans will be successful in minimizing or containing the impact of an outbreak of animal disease. Accordingly, there can be no assurance that an outbreak of animal disease in Canada or elsewhere will not have a material adverse effect on the Company's financial condition and results of operations.

International Trade

The Company exports significant amounts of its products to customers outside of Canada. In addition, the Company imports various inputs and ingredients from other jurisdiction. To the extent that the Company is dependent on imports or export for its business, it is subject to inherent risks associated with international trade, including: change in the free flow of food products between countries;

fluctuations in currency values; discriminatory fiscal policies; unexpected changes in local regulations and laws; and the uncertainty of enforcement of remedies in foreign jurisdictions. In addition, trade agreements between Canada and foreign jurisdictions could change and foreign jurisdictions could impose tariffs, quotas, trade barriers, and other similar restrictions on the Company's international sales, as well as subsidize competing agricultural products. International trade and the associated access to markets can be influenced by geopolitical events and disputes between Canada and other countries beyond the Company's control. As discussed under the subheading "Livestock Health and Risks Associated with Animal Disease," the threat of the spread of animal disease could result in significant disruption of international trade in the meat protein business, as governments use international trade barriers as a tool to help manage the spread of such diseases.

All of these risks could result in increased costs or decreased revenues, either of which could have a material adverse effect on the Company's financial condition and results of operations. For example, the Company has been affected by export restrictions on pork imposed by China, including restrictions on exports from the Company's primary pork processing plant in Brandon, Manitoba that were imposed in 2020 which had an adverse effect on the Company's pork sales and as a result the Company's overall operating results.

Food Safety, Customer and Consumer Liability and Product Recalls

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

Execution of Capital Projects

The Company has multiple capital projects in development and underway. The successful completion of these projects is dependent on a number of factors, many of which are outside the Company's control. The timing for completion and capital costs of these projects may change depending on many factors some of which include the availability and cost of labour, materials and equipment, contractor non-performance, weather conditions and cost of engineering, construction and other consulting services. The Company may incur financing costs during the planning and construction phases of its growth projects, but the expected cash flows from the projects will not materialize until after they are completed. To the extent projects are completed significantly behind schedule or over budget, its business operations and results may be adversely affected. Project delays affect the timing of cash flows from such projects, which could have an impact on the Company's ability to reach its financial targets, meet conditions associated with grants or concessions previously secured for the projects and to fully execute its business strategy.

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

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

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

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

Return of Capital to Shareholders is Not Guaranteed

The Company has a history of maintaining a normal course issuer bid in place which it may use to re-purchase its shares for cancellation. There can be no assurance that the Company will continue with share repurchases. The Company also pays dividends and reviews its dividend policy at least annually. The payment of dividends is at the discretion of the Board of Directors and there can

be no assurance that the Company will maintain or increase its dividends in the future. Failure to continue with share repurchases and/or failure to pay or increase dividends may have a material adverse effect on the Company's share price.

Business Acquisitions and Divestitures

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

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

Climate Change

The potential effects of climate change could have a material impact on the Company and its operations, such risks include a range of physical, financial, compliance and reputational risks. As part of its sustainability strategy and vision to be the most sustainable protein company on earth, the Company has set environmental footprint reduction targets and has executed certain energy efficiency and GHG emission reduction projects. While the Company takes steps to assess the commercial viability of these initiatives, there is no assurance that the ongoing costs of these initiatives will continue to be economic. As new laws, regulations and industry standards related to emission reductions continue to evolve, it is possible that the Company's practices, processes and facilities will require significant modifications in order to comply. Further, it is possible that the changes necessary to reduce emissions will not be feasible or that the costs will be material, either of which could have a material adverse effect on the Company's operations and financial position.

Climate change considerations, including emissions associated with the Company's meat protein business, may also create reputational risk for the Company and challenge its ability to maintain market share for its meat protein products if consumers seek alternative, lower-carbon protein alternatives. The Company's mitigation strategies include its expansion into the growing plant protein business and its ambitious, voluntarily emission reduction strategy which has allowed it to be carbon neutral since 2019.

In 2020, Maple Leaf Foods conducted a physical climate risk assessment and climate scenario analysis, working with an independent third-party consultant, to better understand the climate-related risks and potential impacts to its livestock, assets, supply chain, and operations. This assessment focused on extreme temperatures, freeze-thaw (i.e., number of ice days), water stress and extreme wind and rainfall. These hazards were identified as most relevant to the business based on historical impacts, industry and academic reports and internal consultation with various internal functions, including operations, commodities management, sustainability, finance and risk management. Using global climate models, the Company identified the exposure of its assets, operations and supply chain to these hazards. Based on the results of this assessment, the main potential physical risks to the Company's business include:

- Extreme temperature days (over 30°C) are projected to increase across the Company's Canadian locations, particularly in Manitoba and Ontario, which have implications for processing and livestock health
- All regions in which the Company operates have medium to high risk of water stress due to temperature rise and increased drought risk, which can impact the availability of feed and water resources for sanitation
- All Canadian regions will experience a medium / high risk of extreme rain by 2030 under a 4°C scenario, which increases the risk of asset damage or operational disruptions
- The risk of freeze-thaw cycles impacting MLF operations reduces over time in all Canadian regions due to overall temperature increase

Using this information, the Company has prioritized where it should focus its physical risk mitigation efforts. Current efforts to mitigate these risks include: diversifying its sourcing regions, maintaining temperature-controlled barns, maintaining contingency plans and protocols for extreme weather and transportation of livestock, insurance of assets and reducing water consumption as part of the Company's environmental footprint reduction goals. There is no guarantee that these risk mitigation efforts will be effective.

Pension Plan Assets and Liabilities

In the normal course of business, the Company provides post-retirement pension benefits to its employees under both defined contribution and defined benefit pension plan arrangements. The funded status of the plans significantly affects the net periodic benefit costs of the Company's pension plans and the ongoing funding requirements of those plans. Among other factors, changes in interest

rates, mortality rates, early retirement rates, and the market value of plan assets can affect the level of plan funding required, increase the Company's future funding requirements, and cause volatility in the net periodic pension cost as well as the Company's financial results. Any increase in pension expense or funding requirements could have a material adverse impact on the Company's financial condition and results of operations.

Hog and Pork Market Cyclicalities and Supply

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

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

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

Furthermore, the Company's supply of raised without antibiotic meats may be at a greater risk supply disruption in the event of an animal disease outbreak. Refer to the subheading "Livestock Health and Risks Associated with Animal Disease."

Availability of Plant Protein Ingredients

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

Commodities and Hedging Strategies

The Company is a purchaser of, and its business is dependent on, certain commodities in the course of normal operations, such as feed grains, livestock, plant protein ingredients, and energy, such as oil-based fuel, natural gas, and electricity. Commodity prices are subject to fluctuation and such fluctuations are sometimes severe.

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

Supply Management

Under Canada's system of supply management, the Company's poultry operations are required to source substantially all live poultry for processing from Canadian farms which are collectively subject to restrictions on production under a quota system. Furthermore, the price at which the live poultry is available is also controlled. Any lack of balance between the supply management quotas, available processing capacity (particularly in light of COVID-19) and the demand for meat, may adversely impact the performance of the Company's poultry business and as a consequence the Company's overall performance. It is also possible that the supply management system could limit the future availability of live poultry for processing impeding the Company's growth in the market or could create a circumstance where excesses impact the price of poultry meat without a corresponding adjustment to the controlled live poultry price. Furthermore, any dismantling of the supply management system could have negative effect on individual producers and disrupt the availability of live poultry in Canada. In that event, the Company may not be able to find alternative sources of live supply which could have a material adverse effect on the Company's financial condition and results of operations.

Legal Matters

In the normal course of its operations, the Company becomes involved in various legal and regulatory actions relating to its commercial activities and relationships, construction activities, employment matters, product liabilities, and other matters. Even if the Company is not found liable for these claims, the cost of defending these actions may be material.

Among the legal matters in which the Company is involved include a class action against packaged bread manufacturers and retailers and an ongoing investigation by the Competition Bureau into the Canadian bread industry, including alleged price fixing and related securities disclosure issues. Both the class action and the investigation cover a time horizon that includes the period when the Company was a majority shareholder of Canada Bread Company, Limited ("Canada Bread"). The Company is a named defendant in the class action and is a subject in the investigation. The Company sold its interest in Canada Bread, which was a stand-alone public company, in 2014. The final outcome of the investigation, the class action and any other actions or any future claims cannot be predicted with certainty or reliably estimated. Unfavourable resolution of these or other legal matters could have a material adverse effect on the Company, its financial condition and its reputation.

The Company maintains typical insurance coverages for a company of its size and nature. As a result, insurance coverage may be available for some claims. However, in some circumstances, legal claims may not be covered by insurance or the insurance coverage may not be sufficient to cover the claimed losses. Further, even if an action is settled within insurance limits, this can result in increases to the Company's insurance premiums or adversely affect its ability to secure insurance coverage.

Legal liability risks may also increase depending on the jurisdiction. For example, the United States tends to be a more litigious environment and more unpredictable in terms of damages awards compared to Canada. As the Company looks to expand its sales in the United States, it may be exposed to increased litigation risk. Further, there is an increasing trend for customers to try to impose broad contractual indemnification obligations on suppliers like the Company. The Company seeks to mitigate this risk by negotiating more reasonable contractual terms, including limitations on liability. However, it is not always successful in negotiating such commercially reasonable terms, in which case it is faced with a decision to accept the increased liability exposure or to lose the business, either of which could materially adversely effect the Company's financial condition and results of operations.

Reliance on Other Manufacturers

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

Regulation

The Company's operations are subject to extensive regulation by government agencies in the countries in which it operates, including: the Canadian Food Inspection Agency; the Ministry of Agriculture in Canada; provincial Ministries of the Environment in Canada; and the United States Department of Agriculture. These agencies regulate the processing, packaging, storage, distribution, advertising, and labeling of the Company's products, including food safety standards. The Company's manufacturing facilities and products are subject to inspection by federal, provincial, and local authorities. The Company strives to maintain compliance with all laws and regulations and maintains all permits and licenses relating to its operations. Nevertheless, there can be no assurance that the Company is in compliance with all such laws and regulations, has all necessary permits and licenses, and will be able to comply with such laws and regulations, permits and licenses in the future. Failure by the Company to comply with applicable laws and regulations and permits and licenses could subject the Company to civil remedies, including fines, injunctions, recalls or seizures, as well as potential criminal sanctions, which could have a material adverse effect on the Company's reputation, financial condition and results of operations. Various governments throughout the world are considering regulatory proposals relating to genetically modified organisms, drug residues in food ingredients, food safety, and market and environmental regulation that, if adopted, may increase the Company's costs. There can be no assurance that additional regulation will not be enacted. If any new regulations are enacted, the Company could experience a disruption in the supply or distribution of its products, increased operating costs, and significant additional cost for capital

improvements. The Company may be unable to pass on the cost increases associated with such increased regulatory burden to its customers without incurring volume loss as a result of higher prices. Any of these events could have a material adverse effect on the Company's financial condition and results of operations.

Foreign Currencies

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

Reputation and Public Opinion

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

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

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

The Company is also subject to the activities of animal activists. Activist activities may spread information and misinformation about the Company and its operations in a variety of ways, including through protests and attempts to disrupt operations, as well as through various communication strategies, including the use of media and social media. These activities could adversely impact the reputation of the Company. Further, activist activities and protests may at times create health and safety risks to animals, the people working at the Company's plants, and to the protesters themselves.

Overall, negative public opinions or shifts in opinion whether about the Company, its brands, its industry or the overall environment in which it operates could materially adversely affect its reputation, business, strategy and operations, as well its financial condition and results of operations.

Consumer Trends

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

Environmental Regulation and Risks

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

former properties or manufacturing facilities and/or waste disposal sites could require the Company to incur material unforeseen expenses. Occurrences of any such events could have a material adverse effect on the Company's financial condition and results of operations.

Consolidating Customer Environment

As the retail grocery and foodservice trades continue to consolidate and customers grow larger and more sophisticated, the Company is required to adjust to changes in purchasing practices and changing customer requirements. Failure to do so could result in losing sales volumes and market share. The Company's sales and profitability could also be affected by deterioration in the financial condition of, or other adverse developments in, the relationship with one or more of its major customers. Foodservice channels in particular have been under strain during the COVID-19 pandemic, requiring the Company to adapt. Any of these events could have a material adverse effect on the Company's financial condition and results of operations.

Consolidation of Operations and Focus on Protein

Over the last several years, the Company has increasingly consolidated its operations into fewer facilities. For example, it completed a consolidation and upgrade of its prepared meats manufacturing network in 2015 and has reconfigured its prepared meats distribution systems into two large distribution centers. Currently, the Company is advancing construction of a new large-scale poultry processing plant to replace three older smaller scale plants which will be closed. As a result of these consolidation initiatives, there is a risk that unforeseen disruption in such facilities could have a greater effect on the operations of the Company as a whole.

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

Weather

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

Employees, Contractors and Labour Relations

The Company and its subsidiaries have approximately 13,000 full-time and part-time employees, which include salaried and union employees, many of whom are covered by collective agreements. These employees are located in various jurisdictions, each such jurisdiction having differing employment laws. While the Company maintains systems and procedures to comply with the applicable requirements, there is a risk that failures or lapses by individual managers could result in a violation or cause of action that could have a material adverse effect on the Company's financial condition and results of operations. Furthermore, if a collective agreement covering a significant number of employees or involving certain key employees were to expire or otherwise cease to have effect leading to a work stoppage, there can be no assurance that such work stoppage would not have a material adverse effect on the Company's financial condition and results of operations. The Company's success is also dependent on its ability to recruit and retain qualified personnel. The loss of one or more key personnel could have a material adverse effect on the Company's financial condition and results of operations.

Product Pricing

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

Supply Chain Management

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

Strategic Risk Management

Successful identification and management of the strategic risks facing the Company from time to time is critical to the Company's success. Among other things, these risks include changes in technology, the food industry, customers, consumers, and competitors. As the Company invests in its branding advertising, and marketing strategies, there is no guarantee that such investments will be

successful in generating the anticipated return on investment. Failure to properly adapt to changes in strategic risks could have a material adverse effect on the Company's financial condition and results of operations.

28. CRITICAL ACCOUNTING ESTIMATES

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

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

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

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

Long-Lived Assets Valuation

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

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

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

Measurement of Fair Values

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

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

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Notes 6, 11, 12, 19, and 22 of the consolidated financial statements.

Nature of Interests in Other Entities

Management applies significant judgement in assessing the nature of its interest in unconsolidated structured entities relating to its accounts receivable securitization facilities. The Company does not hold any equity interest in the structured entities and based on the terms of the agreements under which the entities are established, the Company does not receive the returns related to their operations and is exposed to limited recourse with respect to losses (refer to Note 25 of the consolidated financial statements).

Valuation of Inventory

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

Biological Assets

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

Trade Merchandise Allowances and Other Trade Discounts

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

Employee Benefit Plans

The cost of pensions and other post-retirement benefits earned by employees is actuarially determined using the projected unit credit method prorated on service, and Management's best estimate of salary escalation and mortality rates. Discount rates used in actuarial calculations are based on long-term interest rates and can have a material effect on the amount of plan liabilities and expenses. Management employs external experts to advise the Company when deciding upon the appropriate estimates to use to value employee benefit plan obligations and expenses. The Company's plans invest in pooled funds which hold underlying equity, debt and other securities that are not quoted in an active market. Management relies on external experts to value these pooled funds. To the extent that these estimates differ from those realized, employee benefit plan assets and liabilities and comprehensive income will be affected in future periods.

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

	2020	2019
Period end discount rate	2.40 %	3.10 %
Rate of salary increase	2.75 %	2.75 %

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

(\$ thousands)	Actuarial Assumption	Increase (decrease) in defined benefit obligations				
		Sensitivity	Total pensions	Other post-retirement benefits	Total	
Period end discount rate	2.40 %	0.25 % decrease	\$ 41,226	\$ 1,354	\$ 42,580	
		0.25 % increase	\$ (39,903)	\$ (1,231)	\$ (41,134)	
Rate of salary increase	2.75 %	0.50 % increase	\$ 3,114	N/A	\$ 3,114	
Mortality	110% of 2014 Private Sector Canadian Pensioners' Mortality Table, projected generationally using scale MI-2017	Increase of 1 year in expected lifetime of plan participants	\$ 41,735	\$ 779	\$ 42,514	

Income Taxes

Provisions for income taxes are based on domestic and international statutory income tax rates and the amount of income earned in the jurisdictions in which the Company operates. Significant judgement is required in determining income tax provisions and the recoverability of deferred tax assets. The calculation of current and deferred income tax balances requires Management to make judgements regarding the carrying values of assets and liabilities that include estimates of future cash flows and earnings related to such assets and liabilities, the interpretation of income tax legislation in the jurisdictions in which the Company operates, and the timing of reversal of temporary differences. The Company establishes additional provisions for income taxes when, despite Management's

opinion that the Company's tax positions are fully supportable, there is sufficient complexity or uncertainty in the application of legislation that certain tax positions may be reassessed by tax authorities. The Company adjusts these additional accruals in light of changing facts and circumstances. To the extent that these adjustments differ from original estimates, deferred tax assets and liabilities, net earnings, and comprehensive income will be affected in future periods.

Provisions

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

Share-Based Compensation

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

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

Depreciation and Amortization

The Company's property and equipment and definite life intangible assets are depreciated and amortized on a straight-line basis, considering the estimated useful lives of the assets and residual values. Right-of-use ("ROU") assets are depreciated on a straight-line basis, considering the shorter of the useful life of the underlying asset or the lease term. If it is reasonably certain at the commencement of the lease arrangement that the Company will exercise its purchase option or otherwise obtain ownership of the underlying asset at the end of the lease term, the ROU asset is depreciated over the useful life of the underlying asset. Changes to these estimates may affect the carrying value of these assets, inventories, net earnings, and comprehensive income in future periods.

Leases

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

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

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

29. SIGNIFICANT ACCOUNTING POLICIES

Accounting Standards Adopted During the Period

During the year ended December 31, 2020, the Company adopted certain IFRS and amendments. As required by International Accounting Standard ("IAS") 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, the nature and the effect of these changes are disclosed below:

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.

Accounting Pronouncements Issued But Not Yet Effective*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. The Company intends to adopt the amendments in its consolidated financial statements for the annual period beginning January 1, 2021. The adoption of amendments to IFRS 9, IAS 39, and IFRS 7 are not expected to have a material impact on the consolidated financial statements.

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. 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.

Onerous Contracts – Cost of Fulfilling a Contract

On May 14, 2020, the IASB issued amendments to IAS 37 to specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. This amendment is effective on January 1, 2022. The Company intends to adopt this amendment in its consolidated financial statement for the annual period beginning January 1, 2022. The extent of the impact of the adoption of this amendment has not yet been determined.

Classification of Liabilities as Current or Non-current

On January 23, 2020, an amendment was issued to IAS 1 to address inconsistencies with how entities apply the standards over classification of current and non-current liabilities. The amendment serves to address whether, in the statement of financial position, debt and other liabilities with an uncertain settlement should be classified as current or non-current. This amendment is effective on January 1, 2023. The Company intends to adopt this amendment in its consolidated financial statement for the annual period beginning January 1, 2023. The extent of the impact of the adoption of this amendment 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.

30. DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management, under the direction and supervision of the Company's Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining disclosure controls and procedures. These controls and procedures are designed to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is accumulated and communicated to Management in a timely manner so that information required to be disclosed by the Company under securities

legislation is recorded, processed, summarized and reported within the time periods specified in applicable securities legislation. Management, under the direction and supervision of the Company's Chief Executive Officer and Chief Financial Officer, is also responsible for establishing and maintaining internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

As required by National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings, the Company's Chief Executive Officer and Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's internal control over financial reporting and disclosure controls and procedures as at December 31, 2020 and have concluded that such controls and procedures are effective.

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

There have been no changes in the Company's internal control over financial reporting that occurred during the period beginning on January 1, 2020, and ended on December 31, 2020, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

31. 2021 OUTLOOK AND LONG-TERM TARGETS

Maple Leaf Foods is a leading consumer protein company, supported by an iconic portfolio of brands, a solid balance sheet and capital structure that provide financial flexibility. Over the last several years, the Company has developed a foundation to pursue compelling growth vectors across its business and to create value for all stakeholders.

In Plant Protein, the Company's strategy is to invest for growth in this high potential market. In 2019, Maple Leaf Foods articulated its ambitious goal to achieve approximately \$3 billion in sales in the Plant Protein Group by 2029, assuming a market size of approximately \$25 billion. In that environment the Company would aspire to generate approximately 30% gross margin and SG&A expense (as a % of sales) in the low double-digit range. Long-term, achieving these targets is expected to result in Adjusted EBITDA Margins that exceed those in the Meat Protein Group. This will be driven by:

- Capitalizing on the high growth plant protein market, predominantly in the refrigerated space.
- Leveraging Maple Leaf Foods' established expertise in brand development and effective marketing.
- Delivering on a pipeline of new product innovation to broaden and deepen its product portfolio.
- Executing on a multi-tiered supply capacity strategy focused on capital stewardship. This includes leverage of its existing Plant Protein assets, utilizing footprint in the rest of its network, opportunistic partnerships with co-packing services, and development of new capacity, which includes the planned Indianapolis, Indiana tempeh processing facility.

In Meat Protein, the Company's strategy is to drive profitable growth. In 2017, Maple Leaf Foods articulated its target to reach an Adjusted EBITDA margin of 14% - 16% in 2022, while driving low single-digit organic revenue growth. This will be driven by:

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

2021 Outlook

Throughout the COVID-19 pandemic, Maple Leaf Foods has remained focused on protecting its employees and ensuring continuity of its supply chain. As a result, the current environment does increase certain operating costs and potential for short-term processing disruptions to protect the health and safety of plant personnel. Continuing COVID-19 structural costs have been incorporated in the Company's 2021 operating plan.

Maple Leaf Foods expects to achieve the following in 2021:

Meat Protein Group - Driving Profitable Growth

- Mid-to-high single digit sales growth on a 52-week comparable basis, driven by continued momentum in sustainable meats, leveraging brand renovation, and growth into the U.S. market.
- Adjusted EBITDA margin expansion, progressing towards the 2022 target of 14% -16%, driven by mix-shift benefits in prepared meats resulting from growth in sustainable meats and brand renovation, as well as operational efficiencies, while assuming pork complex conditions in-line with the 5-year average.

Plant Protein Group - Investing for Growth

- Sales growth for the year to be broadly in-line with the strategic target of 30%, excluding any impact from fluctuations in foreign exchange. Growth is expected to be driven by continued momentum in the core product line, improved velocities and distribution in the fresh line and resurgence in foodservice activity following the abatement of COVID-19 restrictions.
- Gross margin is expected to be volatile in the near-term, as benefits from structural improvements in the supply chain may be impacted by investment opportunities to drive sales growth in a rapidly evolving market, as well as ongoing effects of COVID-19.
- SG&A expenses broadly in-line with 2020 levels, excluding any impact from fluctuations in foreign exchange, while declining as a percentage of sales as the Company leverages investments in advertising, promotion and marketing to elevate the Lightlife® and Field Roast™ brand renovations, drive innovation and build scale in the business.

Capital

- The Company currently estimates its capital expenditures for the full year of 2021 will be in the range of \$550 million to \$650 million, approximately 75% of which to be comprised of Construction Capital. A significant portion of the Construction Capital is related to the London, Ontario poultry facility and other projects to add capacity and improve efficiency in our prepared meats business.
- Construction Capital also includes the intended acquisition and build-out of a plant protein facility in Indianapolis, Indiana, as announced on January 11, 2021. This 118,000 square foot facility will enable the Company to meet the growing demand for tempeh in a capital efficient manner.

Factors that could have an impact on our business, which we cannot estimate or control due to the COVID-19 pandemic, include:

- Volatility in the pork and poultry commodity and foreign exchange markets.
- The balance between retail and foodservice demand.
- Potential future production disruptions or shutdowns.
- The duration of government measures, including social distancing.

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:

- *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% of pre-tax profit to advance sustainable food security.
- *Better Planet* - continuing to amplify its commitment to carbon neutrality, while focusing on eliminating waste in any resources it consumes, including food, energy, water, packaging, and time.

32. NON-IFRS FINANCIAL MEASURES

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

Adjusted Operating Earnings, Adjusted EBITDA and Adjusted EBITDA Margin

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

The tables below provide a reconciliation of earnings (loss) before income taxes as reported under IFRS in the consolidated financial statements to Adjusted Operating Earnings and Adjusted EBITDA for the years ended December 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⁾	2020				2019			
	Meat Protein Group	Plant Protein Group	Non-Allocated ⁽ⁱⁱ⁾	Total	Meat Protein Group	Plant Protein Group	Non-Allocated ⁽ⁱⁱ⁾	Total
Earnings (loss) before income taxes	\$ 330.2	(125.8)	(44.5)	\$ 159.9	\$ 218.0	(84.2)	(46.8)	\$ 87.0
Interest expense and other financing costs	—	—	31.5	31.5	—	—	32.0	32.0
Other (income) expense	(0.9)	0.1	17.5	16.8	0.3	0.2	2.7	3.3
Restructuring and other related costs	4.3	—	—	4.3	11.0	—	—	11.0
Earnings (loss) from operations	\$ 333.6	(125.7)	4.5	\$ 212.4	\$ 229.3	(84.0)	(12.1)	\$ 133.3
(Increase) decrease in fair value of biological assets	—	—	(0.7)	(0.7)	—	—	5.5	5.5
Unrealized (gain) loss on derivative contracts	—	—	(3.8)	(3.8)	—	—	6.5	6.5
Adjusted Operating Earnings	\$ 333.6	(125.7)	—	\$ 207.9	\$ 229.3	(84.0)	—	\$ 145.4
Depreciation and amortization	177.6	14.4	—	192.0	164.2	12.6	—	176.8
Items included in other income representative of ongoing operations ⁽ⁱⁱⁱ⁾	(2.7)	(0.1)	0.8	(2.0)	(0.3)	(0.2)	(0.4)	(1.0)
Adjusted EBITDA	\$ 508.5	(111.4)	0.8	\$ 397.9	\$ 393.2	(71.6)	(0.4)	\$ 321.2
Adjusted EBITDA Margin	12.4%	(52.8)%	N/A	9.2%	10.4%	(40.6)%	N/A	8.1%

⁽ⁱ⁾ Totals may not add due to rounding.

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

⁽ⁱⁱⁱ⁾ Primarily includes insurance settlements, gain/loss on sale of long-term assets and asset impairment.

Adjusted Earnings per Share

Adjusted Earnings per Share, a non-IFRS measure, is used by Management to evaluate financial operating results. It is defined as basic earnings per share and is adjusted on the same basis as Adjusted Operating Earnings. The table below provides a reconciliation of basic earnings per share as reported under IFRS in the audited consolidated statements of net earnings to Adjusted Earnings per Share for the years ended December 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)	2020	2019
Basic earnings per share	\$ 0.92	\$ 0.60
Restructuring and other related costs ⁽ⁱ⁾	0.03	0.07
Income tax recovery not considered representative of ongoing operations	—	(0.08)
Items included in other expense not considered representative of ongoing operations ⁽ⁱⁱ⁾	0.11	0.02
Change in fair value of biological assets	—	0.03
Unrealized (gain) loss on derivative contracts	(0.02)	0.04
Adjusted Earnings per Share⁽ⁱⁱⁱ⁾	\$ 1.02	\$ 0.68

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

⁽ⁱⁱ⁾ Primarily includes legal fees and provisions and transaction related costs, net of tax.

⁽ⁱⁱⁱ⁾ Totals may not add due to rounding.

Construction Capital

Construction Capital, a non-IFRS measure, is used by Management to evaluate the amount of capital resources invested in specific strategic development projects that have not yet entered commercial production. It is defined as investments and related financing charges 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, further capacity and efficiency improvements in the prepared

meats business, investments in plant protein capacity at the Walker Drive facility in Brampton, Ontario, and the plant protein production facilities in Indiana. The following table is a summary of Construction Capital activity and debt financing for the periods indicated below.

(\$ thousands)	2020	2019
Opening balance at January 1	\$ 106,831	\$ 22,422
Additions	326,496	82,789
Interest paid and capitalized ⁽ⁱ⁾	7,263	1,620
Balance at December 31	\$ 440,590	\$ 106,831
Construction Capital debt financing⁽ⁱⁱ⁾	\$ 431,707	\$ 105,211

⁽ⁱ⁾ Certain comparatives figures have been restated to conform with current year presentations.

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

Net Debt

The following table reconciles Net Debt to amounts reported under IFRS in the Company's consolidated financial statements as at December 31, as indicated below. The Company calculates Net Debt as cash and cash equivalents, less long-term debt and bank indebtedness. Management believes this measure is useful in assessing the amount of financial leverage employed.

(\$ thousands)	As at December 31,	
	2020	2019
Cash and cash equivalents	\$ 100,828	\$ 97,285
Current portion of long-term debt	\$ (900)	\$ (899)
Long-term debt	(745,048)	(538,429)
Total debt	\$ (745,948)	\$ (539,328)
Net Debt	\$ (645,120)	\$ (442,043)

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

(\$ thousands)	As at December 31,	
	2020	2019
Cash provided by operating activities	\$ 321,449	\$ 270,180
Additions to long-term assets	(432,540)	(268,095)
Interest paid and capitalized ⁽ⁱ⁾	(8,214)	(2,650)
Free Cash Flow	\$ (119,305)	\$ (565)

⁽ⁱ⁾ Certain comparatives figures have been restated to conform with current year presentations.

Return on Net Assets

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

33. FORWARD-LOOKING STATEMENTS

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

"propose", "goal", and similar expressions suggesting future events or future performance. These statements are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict.

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

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

- implications of COVID-19;
- 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 African Swine Fever ("ASF")), and other social, economic and political factors that affect trade;
- competitive conditions and the Company's ability to position itself competitively in the markets in which it competes;
- capital projects, including planning, construction, estimated expenditures, schedules, approvals, expected capacity, in-service dates and anticipated benefits of construction of new facilities and expansions of existing facilities;
- the Company's dividend policy, including future levels and sustainability of cash dividends, the tax treatment thereof and future dividend payment dates;
- the impact of commodity prices on the Company's operations and financial performance, including the use and effectiveness of hedging instruments;
- expected future cash flows and the sufficiency thereof, sources of capital at attractive rates, future contractual obligations, future financing options, renewal of credit facilities, and availability of capital to fund growth plans, operating obligations and dividends;
- operating risks, including the execution, monitoring and continuous improvement of the Company's food safety programs, animal health initiatives and cost reduction initiatives;
- the implementation, cost and impact of environmental sustainability initiatives, as well as the anticipated future cost of remediating environmental liabilities;
- the adoption of new accounting standards and the impact of such adoption on the financial position of the Company;
- expectations regarding pension plan performance, including future pension plan assets, liabilities and contributions; and
- developments and implications of actual or potential legal actions.

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

- expectations regarding the impact and future implications of COVID-19 and adaptations in operations, customer and consumer behaviour, economic patterns and international trade;
- the competitive environment, associated market conditions and market share metrics, the expected behaviour of competitors and customers and trends in consumer preferences;
- the success of the Company's business strategy, including execution of the strategy in each of the Meat Protein and Plant Protein Groups;
- prevailing commodity prices, interest rates, tax rates and exchange rates;
- the economic condition of and the socio-political dynamics between Canada, the U.S., Japan and China, and the ability of the Company to access markets in these countries;
- the spread of foreign animal disease (including ASF), preparedness strategies to manage such spread, and implications for all protein markets;
- the availability of capital to fund future capital requirements associated with existing operations, assets and projects;
- expectations regarding participation in and funding of the Company's pension plans;
- the availability of insurance coverage to manage certain liability exposures;

- the extent of future liabilities and recoveries related to legal claims;
- prevailing regulatory, tax and environmental laws; and
- future operating costs and performance, including the Company's ability to achieve operating efficiencies and maintain high sales volumes, high turnover of inventories and high turnover of accounts receivable.

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

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

- implications of COVID-19 on the operations and financial performance of the Company, as well the implications for macro socio-economic trends;
- 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; and
- other factors as set out under the heading "Risk Factors" in the Company's Management Discussion and Analysis for the year ended December 31, 2020.

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 Risk Factors section of this Management Discussion and Analysis on page 18. 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.