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Maple Leaf Foods Reports Fourth Quarter and Full Year 2019 Financial Results

Fourth quarter delivers strong sales and margin momentum in the Meat Protein Group while consistent disciplined brand building activities drive over 30.0% sales growth in the Plant Protein Group

Mississauga, Ontario, February 27, 2020 - Maple Leaf Foods Inc. ("Maple Leaf Foods" or "the Company") (TSX: MFI) today reported its financial results for the fourth quarter and full year ended December 31, 2019. The Company also announced it will increase its quarterly dividend by $0.015 per share or 10.3% to $0.16 per share, effective the first quarter of 2020.

“Our teams delivered on our strategic, operational and financial priorities in the fourth quarter,” said Michael H. McCain, President and CEO. “In meat protein, we continue to see the results of our brand renovation strategy and focus on sustainable meats. Despite an extremely challenging and volatile year in meat protein due to global trade issues and the impact of African swine fever, we delivered Adjusted EBITDA margin expansion in the quarter and year in this segment.

“We are seeing our disciplined investments in advertising and marketing take hold in plant protein, which combined with continued product innovation and broader distribution points, resulted in strong growth in the fourth quarter. We expect this momentum to continue as these strategies unfold,” continued Mr. McCain.

Fourth Quarter 2019 Highlights

- Total Company sales growth of 13.7% and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA")[(i)] margin of 7.4% of sales was fueled by strong performance in the Meat Protein Group.
- Meat Protein Group sales grew 13.3% (9.9% excluding the impact of acquisitions) driven predominantly by favourable pork market prices and consistent execution of the Company’s brand renovation strategy. Adjusted EBITDA margin was 11.4%, expanding 130 basis points ("bps"), in line with expectations.
- Continued solid Plant Protein Group sales growth of 31.5% was the second consecutive quarter of growth exceeding 30.0%. Focused and disciplined investment in marketing and brand, as well as building sales support and supply chain infrastructure, resulted in selling, general and administrative expenses ("SG&A") of $45.3 million. Adjusted EBITDA in the Plant Protein Group was a loss of $34.9 million.
- Net earnings for the quarter of $17.5 million increased 46.1% over prior year.

2019 Highlights and 2020 Outlook

- First major food company globally to become carbon neutral.
- Sales growth of 12.8% was supported by strong performance in the Meat Protein Group and double-digit growth in the Plant Protein Group.
- Total Company's Adjusted EBITDA margin was 8.1%. The Meat Protein Group’s Adjusted EBITDA margin of 10.4% grew 50 bps year-over-year, despite volatility in the meat protein market and the four-month pork embargo by China. Strategic investments in the Plant Protein Group impacted both the plant protein, and the total Company Adjusted EBITDA margin.
- Capital expenditures of $270.7 million included Construction Capital[(i)] of $82.8 million, the majority of which was related to long-term investments in the London poultry facility.
- Balance sheet remains strong, with Net Debt[(i)] of $442.0 million and undrawn committed credit of $1,465.0 million.
- **Outlook for 2020**: Focus on profitable growth in the Meat Protein Group, expecting higher sales and expanding gross margin, with a continued focus on cost control. In the Plant Protein Group, the Company expects 30.0% top-line growth, improvement in IFRS gross margin, and SG&A spend of approximately $150.0 million.

“We are very excited about where we are headed as a Company. Our investments in our meat protein business are paying off. In plant protein, we are continuing on a purposeful yet disciplined path as we build our brands and solidify our strong market position,” Mr. McCain concluded.

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

Financial Highlights

Measure[i] *(Unaudited)*	Three months ended December 31,			Twelve months ended December 31,		
	2019	2018	Change	**2019**	2018	Change
Sales	**$ 1,016.0**	$ 893.9	13.7 %	**$ 3,941.5**	$ 3,495.5	12.8 %
Net Earnings	**$ 17.5**	$ 11.9	46.1 %	**$ 74.6**	$ 101.3	(26.4)%
Basic Earnings per Share	**$ 0.14**	$ 0.10	40.0 %	**$ 0.60**	$ 0.81	(25.9)%
Adjusted Operating Earnings[ii]	**$ 28.4**	$ 54.0	(47.4)%	**$ 145.4**	$ 215.6	(32.6)%
Adjusted Earnings per Share[ii]	**$ 0.12**	$ 0.29	(58.6)%	**$ 0.68**	$ 1.22	(44.3)%
Free Cash Flow[ii]	**$ (3.6)**	$ 55.1	(106.5)%	**$ (0.6)**	$ 119.8	(100.5)%

[i] *All financial measures in millions of dollars except Basic and Adjusted Earnings per Share.*

[ii] *Refer to the section titled Non-IFRS Financial Measures in this news release.*

Fourth Quarter 2019

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

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

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

Full Year 2019

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

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

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

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

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

Operating Review

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

Fourth Quarter 2019

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 three months ended December 31, 2019 and December 31, 2018:

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

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

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

Meat Protein Group

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

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

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

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

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

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

Plant Protein Group

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

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

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

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

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

Full Year 2019

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 year ended December 31, 2019 and December 31, 2018.

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

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

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

Meat Protein Group

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

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

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

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

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

Plant Protein Group

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

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

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

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

Other Matters

On February 26, 2020, the Board of Directors approved a quarterly dividend of $0.16 per share (up from $0.145 per share in each quarter of 2019), $0.64 per share on an annual basis, payable March 31, 2020 to shareholders of record at the close of business March 13, 2020. Unless indicated otherwise by the Company at or before the time the dividend is paid, the dividend will be considered an Eligible Dividend for the purposes of the "Enhanced Dividend Tax Credit System".

Conference Call

An investor presentation related to the Company's fourth quarter financial results is available at www.mapleleaffoods.com and can be found under *Presentations and Webcasts* on the *Investors* page. A conference call will be held at 8:00 a.m. EST on February 27, 2020, to review Maple Leaf Foods' fourth quarter financial results. To participate in the call, please dial 416-764-8609 or 1-888-390-0605. For those unable to participate, playback will be made available an hour after the event at 416-764-8677 or 1-888-390-0541 (Passcode: 076661#).

A webcast presentation of the fourth quarter financial results will also be available at:

https://event.on24.com/wcc/r/2166266/4360E85DBC3ECDCA56BCD824C81237DB

The Company's full Audited Financial Statements and related Management's Discussion and Analysis are available on the Company's website.

2020 Outlook and Long-term Targets

Maple Leaf is a leading consumer protein company, with the competitive advantages of a portfolio of leading brands, a robust pipeline of opportunities in attractive expanding markets and a proven-track record of execution. Combined with its solid balance sheet and capital structure that provide the financial flexibility to invest in future growth, Maple Leaf Foods is well-positioned to drive sustainable growth and create shareholder value.

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

This will be driven by:

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

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

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

  This will be driven by:

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

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

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

2020 Outlook

For 2020, the Company expects to achieve the following:

Meat Protein Group - Profitable Growth

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

Plant Protein Group - Investing for Growth

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

Capital

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

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

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

Non-IFRS Financial Measures

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

Adjusted Operating Earnings, Adjusted EBITDA and Adjusted EBITDA Margin

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

The table below provides a reconciliation of earnings (loss) before income taxes under IFRS to Adjusted Operating Earnings and Adjusted EBITDA for the three and twelve months ended December 31. 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.

	Three months ended December 31, 2019				Three months ended December 31, 2018[i]			
($ millions) *(Unaudited)*	**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	**$ 62.1**	**(38.2)**	**(0.2)**	**$ 23.6**	$ 13.3	(1.7)	6.5	$ 18.1
Interest expense and other financing costs	**—**	**—**	**7.4**	**7.4**	—	—	4.2	4.2
Other expense (income)	**(0.6)**	**0.1**	**(4.1)**	**(4.6)**	0.3	(0.1)	8.3	8.5
Restructuring and other related costs	**5.0**	**—**	**—**	**5.0**	42.2	—	—	42.2
Earnings (loss) from operations	**$ 66.5**	**(38.1)**	**3.0**	**$ 31.4**	$ 55.8	(1.8)	19.1	$ 73.1
Decrease in fair value of biological assets[iii]	**—**	**—**	**(7.8)**	**(7.8)**	—	—	(22.2)	(22.2)
Unrealized loss (gain) on derivative contracts[iii]	**—**	**—**	**4.7**	**4.7**	—	—	3.1	3.1
Adjusted Operating Earnings	**$ 66.5**	**(38.1)**	**—**	**$ 28.4**	$ 55.8	(1.8)	—	$ 54.0
Depreciation and amortization	**43.1**	**3.3**	**—**	**46.4**	30.6	4.7	—	35.3
Items included in other expense representative of ongoing operations[iv]	**0.6**	**(0.1)**	**—**	**0.5**	(0.3)	0.1	—	(0.2)
Adjusted EBITDA	**$ 110.2**	**(34.9)**	**—**	**$ 75.3**	$ 86.1	3.0	—	$ 89.1
Adjusted EBITDA margin	**11.4%**	**(70.3)%**	**N/A**	**7.4%**	10.1%	8.0%	N/A	10.0%

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

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

(iii) *Unrealized gains/losses on derivative contracts is reported within cost of sales in the Company's 2019 annual audited consolidated financial statements. For biological assets information, please refer to Note 6 of the Company's 2019 annual audited consolidated financial statements*

(iv) *Primarily includes (gains) and losses on disposal of investment properties, acquisition related costs and interest income, net of tax.*

($ millions)	Twelve months ended December 31, 2019 Meat Protein Group	Plant Protein Group	Non-Allocated(ii)	Total	Twelve months ended December 31, 2018(i) Meat Protein Group	Plant Protein Group	Non-Allocated(ii)	Total
Earnings (loss) before income taxes	**$ 218.0**	**(84.2)**	**(46.8)**	**$ 87.0**	$ 169.3	2.7	(31.0)	$ 141.1
Interest expense and other financing costs	**—**	**—**	**32.0**	**32.0**	—	—	10.0	10.0
Other expense (income)	**0.3**	**0.2**	**2.7**	**3.3**	(2.8)	0.1	15.6	13.0
Restructuring and other related costs	**11.0**	**—**	**—**	**11.0**	46.2	—	—	46.2
Earnings (loss) from operations	**$ 229.3**	**(84.0)**	**(12.1)**	**$ 133.3**	$ 212.8	2.8	(5.3)	$ 210.3
Decrease in fair value of biological assets(iii)	**—**	**—**	**5.5**	**5.5**	—	—	10.9	10.9
Unrealized loss (gain) on derivative contracts(iii)	**—**	**—**	**6.5**	**6.5**	—	—	(5.6)	(5.6)
Adjusted Operating Earnings	**$ 229.3**	**(84.0)**	**—**	**$ 145.4**	$ 212.8	2.8	—	$ 215.6
Depreciation and amortization	**164.2**	**12.6**	**—**	**176.8**	116.1	9.9	—	126.0
Items included in other expense representative of ongoing operations(iv)	**(0.3)**	**(0.2)**	**(0.4)**	**(1.0)**	2.8	(0.1)	—	2.7
Adjusted EBITDA	**$ 393.2**	**(71.6)**	**(0.4)**	**$ 321.2**	$ 331.6	12.7	—	$ 344.3
Adjusted EBITDA margin	**10.4%**	**(40.6)%**	**N/A**	**8.1%**	9.9%	9.2%	N/A	9.9%

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

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

(iii) *Unrealized gains/losses on derivative contracts is reported within cost of sales in the Company's 2019 annual audited consolidated financial statements. For biological assets information, please refer to Note 6 of the Company's 2019 annual audited consolidated financial statements*

(iv) *Primarily includes (gains) and losses on disposal of investment properties, acquisition related costs and interest income, net of tax.*

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 under IFRS to Adjusted Earnings per Share for the three and twelve months 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) *(Unaudited)*	Three months ended December 31, **2019**	2018	Twelve months ended December 31, **2019**	2018
Basic earnings per share	**$ 0.14**	$ 0.10	**$ 0.60**	$ 0.81
Restructuring and other related costs(ii)	**0.03**	0.25	**0.07**	0.27
Income tax recovery not considered representative of ongoing operations	**—**	—	**(0.08)**	—
Items included in other (income) expense not considered representative of ongoing operations(ii)	**(0.03)**	0.06	**0.02**	0.11
Change in the fair value of biological assets(iii)	**(0.05)**	(0.13)	**0.03**	0.06
Unrealized loss (gain) on derivative contracts(iii)	**0.03**	0.02	**0.04**	(0.03)
Adjusted Earnings per Share(i)	**$ 0.12**	$ 0.29	**$ 0.68**	$ 1.22

(i) *May not add due to rounding.*

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

(iii) *Includes per share impact of the change in unrealized loss (gain) on derivative contracts and the change in fair value of biological assets, net of tax.*

Construction Capital

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

($ thousands)		**2019**		2018
Opening balance at January 1	**$**	**22,422**	$	12,950
Additions		**18,100**		1,925
Balance at March 31	**$**	**40,522**	$	14,875
Additions		**23,127**		3,693
Balance at June 30	**$**	**63,649**	$	18,568
Additions		**15,832**		2,014
Balance at September 30	**$**	**79,481**	$	20,582
Additions		**25,730**		1,840
Balance at December 31(i)	**$**	**105,211**	$	22,422
Construction Capital debt financing(ii)	**$**	**105,211**	$	22,422

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

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

Net Debt

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

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

Free Cash Flow

Free Cash Flow, a non-IFRS measure, is used by Management to evaluate cash flow after investing in the maintenance or expansion of the Company's asset base. It is defined as cash provided by operations, less additions to long-term assets. The following table calculates Free Cash Flow for the periods indicated below:

($ thousands)	**Three months ended December 31,**				**Twelve months ended December 31,**			
(Unaudited)		**2019**		2018		**2019**		2018
Cash provided by operating activities	**$**	**81,145**	$	106,961	**$**	**270,180**	$	299,685
Additions to long-term assets		**(84,785)**		(51,894)		**(270,745)**		(179,865)
Free Cash Flow	**$**	**(3,640)**	$	55,067	**$**	**(565)**	$	119,820

Return on Net Assets

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

Forward-Looking Statements

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

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

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

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

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

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

- expectations regarding participation in and funding of the Company's pension plans;
- the availability of insurance coverage to manage certain liability exposures;
- the extent of future liabilities and recoveries related to legal claims;
- prevailing regulatory, tax and environmental laws; and
- future operating costs and performance, including the Company's ability to achieve operating efficiencies and maintain high sales volumes, high turnover of inventories and high turnover of accounts receivable.

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

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

- competition, market conditions and the activities of competitors and customers;
- food safety, consumer liability and product recalls;
- the health status of livestock, including the impact of potential pandemics;
- international trade and access to markets, as well as social, political and economic dynamics affecting same;
- availability of and access to capital;
- decision respecting the return of capital to shareholders;
- the execution of capital projects, including cost, schedule and regulatory variables;
- food safety, consumer liability and product recalls;
- cyber security and the maintenance and operation of the Company’s information systems and processes;
- acquisitions and divestitures;
- climate change;
- fluctuations in the debt and equity markets;
- fluctuations in interest rates and currency exchange rates;
- pension assets and liabilities;
- cyclical nature of the cost and supply of hogs and the competitive nature of the pork market generally;
- the effectiveness of commodity and interest rate hedging strategies;
- impact of changes in the market value of the biological assets and hedging instruments;
- the supply management system for poultry in Canada;
- availability of plant protein ingredients;
- intellectual property, including product innovation, product development, brand strategy and trademark protection;
- consolidation of operations and focus on protein;
- the use of contract manufacturers;
- reputation;
- weather;
- compliance with government regulation and adapting to changes in laws;
- actual and threatened legal claims;
- consumer trends and changes in consumer tastes and buying patterns;
- environmental regulation and potential environmental liabilities;
- consolidation in the retail environment;
- employment matters, including complying with employment laws across multiple jurisdictions, the potential for work stoppages due to non-renewal of collective agreements, recruiting and retaining qualified personnel, reliance on key personnel and succession planning;
- pricing of products;
- managing the Company’s supply chain;
- changes in International Financial Reporting Standards and other accounting standards that the Company is required to adhere to for regulatory purposes;
- other factors as set out in this document under the heading "Risk Factors".

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

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

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

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

About Maple Leaf Foods Inc.

Maple Leaf Foods Inc. is a producer of food products under leading brands including Maple Leaf®, Maple Leaf Prime®, Schneiders®, Mina®, Greenfield Natural Meat Co.®, Swift®, Lightlife®, and Field Roast Grain Meat Co.™ The Company's portfolio includes prepared meats, ready-to-cook and ready-to-serve meals, valued-added fresh pork and poultry and plant protein products. The address of the Company's registered office is 6985 Financial Dr. Mississauga, Ontario, L5N 0A1, Canada. The Company employs approximately 13,000 people and does business primarily in Canada, the U.S. and Asia. The Company's shares trade on the Toronto Stock Exchange (MFI).

Consolidated Balance Sheets

(In thousands of Canadian dollars) *(Audited)*	**As at December 31, 2019**	As at December 31, 2018[(i)]
ASSETS		
Current assets		
Cash and cash equivalents	**$ 97,285**	$ 72,578
Accounts receivable	**154,969**	146,283
Notes receivable	**31,699**	30,504
Inventories	**385,534**	348,901
Biological assets	**119,016**	111,493
Prepaid expenses and other assets	**51,494**	38,222
Assets held for sale	**34,293**	—
	$ 874,290	$ 747,981
Property and equipment	**1,386,482**	1,283,950
Right-of-use assets	**227,426**	—
Investment property	**1,864**	5,109
Employee benefits	**—**	5,389
Other long-term assets	**14,081**	8,074
Goodwill	**657,179**	664,879
Intangible assets	**352,713**	424,616
Total assets	**$ 3,514,035**	$ 3,139,998
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accruals	**$ 445,774**	$ 344,460
Current portion of provisions	**3,973**	3,457
Current portion of long-term debt	**899**	80,897
Current portion of lease obligations	**39,505**	—
Income taxes payable	**205**	42,884
Other current liabilities	**44,698**	24,031
	$ 535,054	$ 495,729
Long-term debt	**538,429**	302,524
Lease obligations	**204,013**	—
Employee benefits	**116,742**	103,982
Provisions	**44,929**	49,895
Other long-term liabilities	**3,026**	53,564
Deferred tax liability	**121,972**	127,465
Total liabilities	**$ 1,564,165**	$ 1,133,159
Shareholders' equity		
Share capital	**$ 840,005**	$ 849,655
Retained earnings	**1,137,450**	1,178,389
Contributed surplus	**—**	4,649
Accumulated other comprehensive income (loss)	**2,793**	3,532
Treasury stock	**(30,378)**	(29,386)
Total shareholders' equity	**$ 1,949,870**	$ 2,006,839
Total liabilities and equity	**$ 3,514,035**	$ 3,139,998

[(i)] *Restated, see Note 29(a) of the Company's 2019 audited consolidated financial statements.*

Consolidated Statements of Net Earnings

(In thousands of Canadian dollars, except share amounts)	Three months ended December 31, 2019	Three months ended December 31, 2018	Twelve months ended December 31, 2019	Twelve months ended December 31, 2018
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Sales	**$ 1,015,969**	$ 893,939	**$ 3,941,545**	$ 3,495,519
Cost of goods sold	**855,204**	732,151	**3,350,566**	2,943,722
Gross profit	**$ 160,765**	$ 161,788	**$ 590,979**	$ 551,797
Selling, general and administrative expenses	**129,356**	88,698	**457,681**	341,492
Earnings before the following:	**$ 31,409**	$ 73,090	**$ 133,298**	$ 210,305
Restructuring and other related costs	**5,025**	42,217	**11,004**	46,188
Other expense (income)	**(4,624)**	8,543	**3,268**	12,974
Earnings before interest and income taxes	**$ 31,008**	$ 22,330	**$ 119,026**	$ 151,143
Interest expense and other financing costs	**7,383**	4,247	**32,031**	10,040
Earnings before income taxes	**$ 23,625**	$ 18,083	**$ 86,995**	$ 141,103
Income tax expense	**6,168**	6,134	**12,367**	39,755
Net earnings	**$ 17,457**	$ 11,949	**$ 74,628**	$ 101,348
Earnings per share attributable to common shareholders:				
Basic earnings per share	**$ 0.14**	$ 0.10	**$ 0.60**	$ 0.81
Diluted earnings per share	**$ 0.14**	$ 0.10	**$ 0.60**	$ 0.79
Weighted average number of shares (millions)				
Basic	**123.5**	123.2	**123.6**	125.0
Diluted	**124.4**	123.7	**125.2**	127.5

Consolidated Statements of Other Comprehensive Income (Loss)

(In thousands of Canadian dollars)	Three months ended December 31, 2019	Three months ended December 31, 2018	Twelve months ended December 31, 2019	Twelve months ended December 31, 2018
	(Unaudited)	*(Unaudited)*	*(Audited)*	*(Audited)*
Net earnings	**$ 17,457**	$ 11,949	**$ 74,628**	$ 101,348
Other comprehensive income (loss)				
Actuarial gains and losses that will not be reclassified to profit or loss (Net of tax of $10.6 million and $3.6 million; 2018: $9.7 million and $3.7 million)	**$ 29,938**	$ (26,312)	**$ (9,870)**	$ 11,879
Items that are or may be reclassified subsequently to profit or loss:				
Change in accumulated foreign currency translation adjustment (Net of tax of $0.0 million and $0.0 million, 2018: $0.0 million and $0.0 million)	**$ (4,429)**	$ 20,405	**$ (15,992)**	$ 33,273
Change in foreign exchange on long-term debt designated as a net investment hedge (Net of tax of $0.7 million and $2.2 million; 2018 $2.2 million and $2.5 million)	**3,792**	(11,084)	**11,748**	(13,335)
Change in unrealized gains and losses on cash flow hedges (Net of tax of $0.6 million and $1.2 million; 2018: $0.3 million and $1.7 million)	**1,866**	(898)	**3,505**	(6,786)
Total items that are or may be reclassified subsequently to profit or loss	**$ 1,229**	$ 8,423	**$ (739)**	$ 13,152
Total other comprehensive (loss) income	**$ 31,167**	$ (17,889)	**$ (10,609)**	$ 25,031
Comprehensive income	**$ 48,624**	$ (5,940)	**$ 64,019**	$ 126,379

Consolidated Statements of Changes in Total Equity

				Accumulated other comprehensive income (loss)[i]			
(In thousands of Canadian dollars) *(Audited)*	**Share capital**	**Retained earnings**	**Contributed surplus**	**Foreign currency translation adjustment**	**Unrealized gains and losses on cash flow hedges**	**Treasury stock**	**Total equity**
Balance at December 31, 2018	**$ 849,655**	**1,178,389**	**4,649**	**8,518**	**(4,986)**	**(29,386)**	**$ 2,006,839**
Impact of new IFRS standards	**—**	**(1,100)**	**—**	**—**	**—**	**—**	**(1,100)**
Net earnings	**—**	**74,628**	**—**	**—**	**—**	**—**	**74,628**
Other comprehensive income (loss)[ii]	**—**	**(9,870)**	**—**	**(4,244)**	**3,505**	**—**	**(10,609)**
Dividends declared ($0.58 per share)	**—**	**(71,824)**	**—**	**—**	**—**	**—**	**(71,824)**
Share-based compensation expense	**—**	**—**	**17,935**	**—**	**—**	**—**	**17,935**
Deferred taxes on share-based compensation	**—**	**—**	**460**	**—**	**—**	**—**	**460**
Repurchase of shares	**(17,410)**	**(12,310)**	**(16,016)**	**—**	**—**	**—**	**(45,736)**
Exercise of stock options	**7,760**	**—**	**—**	**—**	**—**	**—**	**7,760**
Shares purchased by RSU trust	**—**	**—**	**—**	**—**	**—**	**(14,978)**	**(14,978)**
Settlement of share-based compensation	**—**	**(20,463)**	**(7,028)**	**—**	**—**	**13,986**	**(13,505)**
Balance at December 31, 2019	**$ 840,005**	**1,137,450**	**—**	**4,274**	**(1,481)**	**(30,378)**	**$ 1,949,870**

				Accumulated other comprehensive income (loss)[i]			
(In thousands of Canadian dollars) *(Audited)*	Share capital	Retained earnings	Contributed surplus	Foreign currency translation adjustment	Unrealized gains and losses on cash flow hedges	Treasury stock	Total equity
Balance at December 31, 2017	$ 835,154	1,253,035	—	(11,420)	1,800	(26,961)	$ 2,051,608
Impact of new IFRS standards	—	(3,695)	—	—	—	—	(3,695)
Net earnings	—	101,348	—	—	—	—	101,348
Issuance of shares for acquisition	28,801	—	—	—	—	—	28,801
Other comprehensive income (loss)[ii]	—	11,879	—	19,938	(6,786)	—	25,031
Dividends declared ($0.52 per share)	—	(65,119)	—	—	—	—	(65,119)
Share-based compensation expense	—	—	18,366	—	—	—	18,366
Deferred taxes on share-based compensation	—	—	(2,400)	—	—	—	(2,400)
Repurchase of shares	(30,140)	(101,495)	(10,360)	—	—	—	(141,995)
Exercise of stock options	15,840	—	—	—	—	—	15,840
Shares purchased by RSU trust	—	—	—	—	—	(13,000)	(13,000)
Settlement of share-based compensation	—	(17,564)	(957)	—	—	10,575	(7,946)
Balance at December 31, 2018	$ 849,655	1,178,389	4,649	8,518	(4,986)	(29,386)	$ 2,006,839

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

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

Consolidated Statements of Cash Flows

	Three months ended December 31,		Twelve months ended December 31,	
(In thousands of Canadian dollars)	**2019**	2018	**2019**	2018
CASH PROVIDED BY (USED IN):	*(Unaudited)*	*(Unaudited)*	*(Audited)*	*(Audited)*
Operating activities				
Net earnings	**$ 17,457**	$ 11,949	**$ 74,628**	$ 101,348
Add (deduct) items not affecting cash:				
Change in fair value of biological assets	**(7,771)**	(22,229)	**5,545**	10,905
Depreciation and amortization	**46,437**	35,302	**176,796**	126,066
Share-based compensation	**4,583**	4,581	**17,935**	18,366
Deferred income taxes	**(4,126)**	(13,195)	**(1,323)**	10,055
Income tax current	**10,294**	19,329	**13,690**	29,700
Interest expense and other financing costs	**7,383**	4,247	**32,031**	10,040
(Gain) loss on sale of long-term assets	**(5,256)**	985	**(4,164)**	5,623
Change in fair value of non-designated derivatives	**5,161**	3,825	**5,785**	(4,657)
Change in net pension liability	**2,926**	1,858	**4,730**	7,378
Net income taxes paid	**(2,726)**	(396)	**(40,682)**	(6,820)
Interest paid	**(7,131)**	(3,662)	**(28,137)**	(7,996)
Change in provision for restructuring and other related costs	**4,179**	40,403	**8,144**	33,760
Change in derivatives margin	**(4,014)**	(3,585)	**(2,210)**	10,998
Other	**(412)**	1,349	**1,779**	(5,529)
Change in non-cash operating working capital	**14,161**	26,200	**5,633**	(39,552)
Cash provided by operating activities	**$ 81,145**	$ 106,961	**$ 270,180**	$ 299,685
Financing activities				
Dividends paid	**$ (17,921)**	$ (16,096)	**$ (71,824)**	$ (65,119)
Net increase in long-term debt	**69,861**	194,977	**169,491**	357,941
Payment of lease obligation	**(8,971)**	—	**(34,690)**	—
Exercise of stock options	**—**	—	**7,760**	15,840
Repurchase of shares	**(20,347)**	(27,110)	**(20,347)**	(166,526)
Payment of financing fees	**(38)**	(96)	**(5,635)**	(650)
Purchase of treasury stock	**—**	(3,000)	**(14,978)**	(13,000)
Cash provided by financing activities	**$ 22,584**	$ 148,675	**$ 29,777**	$ 128,486
Investing activities				
Additions to long-term assets	**$ (84,785)**	$ (51,894)	**$ (270,745)**	$ (179,865)
Acquisition of business, net of cash acquired	**—**	(241,176)	**(847)**	(379,556)
Proceeds from sale of long-term assets	**7,581**	369	**7,727**	403
Payment of income tax liabilities assumed on acquisition	**—**	—	**(11,385)**	—
Cash used in investing activities	**$ (77,204)**	$ (292,701)	**$ (275,250)**	$ (559,018)
Increase (decrease) in cash and cash equivalents	**$ 26,525**	$ (37,065)	**$ 24,707**	$ (130,847)
Cash and cash equivalents, beginning of period	**70,760**	109,643	**72,578**	203,425
Cash and cash equivalents, end of period	**$ 97,285**	$ 72,578	**$ 97,285**	$ 72,578