MAPLE LEAF

MAPLE LEAF FOODS INC.

Financial Statements
For the First Quarter Ended
March 31, 2020

Consolidated Interim Balance Sheets

(In thousands of Canadian dollars) *(Unaudited)*	***Notes***		**As at March 31, 2020**		As at March 31, 2019(i)		As at December 31, 2019(i)
ASSETS							
Current assets							
Cash and cash equivalents		**$**	**86,298**	$	82,295	$	97,285
Accounts receivable	***3***		**173,064**		155,321		154,969
Notes receivable	***3***		**52,463**		30,950		31,699
Inventories	***4***		**414,095**		388,800		385,534
Biological assets	***5***		**104,866**		139,103		119,016
Prepaid expenses and other assets			**58,068**		49,698		51,494
Assets held for sale	***6***		**31,036**		—		34,293
		$	**919,890**	$	846,167	$	874,290
Property and equipment			**1,451,025**		1,294,949		1,386,482
Right-of-use assets			**245,509**		232,971		227,426
Investments			**17,300**		3,101		3,448
Other long-term assets			**10,564**		11,205		12,497
Goodwill			**669,442**		661,435		657,179
Intangible assets			**361,334**		385,569		352,713
Total assets		**$**	**3,675,064**	$	3,435,397	$	3,514,035
LIABILITIES AND EQUITY							
Current liabilities							
Accounts payable and accruals		**$**	**419,314**	$	356,049	$	445,774
Current portion of provisions	***7***		**4,413**		2,403		3,973
Current portion of long-term debt	***8***		**912**		170,408		899
Current portion of lease obligations			**42,717**		38,980		39,505
Income taxes payable			**—**		19,225		205
Other current liabilities			**52,980**		20,082		44,698
		$	**520,336**	$	607,147	$	535,054
Long-term debt	***8***		**726,002**		296,262		538,429
Lease obligations			**219,880**		208,321		204,013
Employee benefits			**128,676**		134,821		116,742
Provisions	***7***		**42,674**		47,452		44,929
Other long-term liabilities			**18,153**		2,056		3,026
Deferred tax liability			**102,987**		123,600		121,972
Total liabilities		**$**	**1,758,708**	$	1,419,659	$	1,564,165
Shareholders' equity							
Share capital	***9***	**$**	**844,161**	$	849,655	$	840,005
Retained earnings			**1,106,952**		1,183,042		1,137,450
Contributed surplus			**8,778**		11,079		—
Accumulated other comprehensive (loss) income			**(13,157)**		1,348		2,793
Treasury stock			**(30,378)**		(29,386)		(30,378)
Total shareholders' equity		**$**	**1,916,356**	$	2,015,738	$	1,949,870
Total liabilities and equity		**$**	**3,675,064**	$	3,435,397	$	3,514,035

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

See accompanying Notes to the Unaudited Condensed Consolidated Interim Financial Statements.

Consolidated Interim Statements of Net Earnings

(In thousands of Canadian dollars, except share amounts) *(Unaudited)*	***Notes***	**Three months ended March 31,** **2020**	2019
Sales		**$ 1,022,767**	$ 907,090
Cost of goods sold		**895,408**	727,569
Gross profit		**$ 127,359**	$ 179,521
Selling, general and administrative expenses		**118,901**	98,254
Earnings before the following:		**$ 8,458**	$ 81,267
Restructuring and other related (reversals) costs	***7***	**(169)**	2,820
Other expense	***11***	**3,769**	2,077
Earnings before interest and income taxes		**$ 4,858**	$ 76,370
Interest expense and other financing costs	***12***	**7,892**	7,433
(Loss) earnings before income taxes		**$ (3,034)**	$ 68,937
Income tax expense		**678**	18,833
Net (loss) earnings		**$ (3,712)**	$ 50,104
(Loss) earnings per share attributable to common shareholders:	***13***		
Basic (loss) earnings per share		**$ (0.03)**	$ 0.41
Diluted (loss) earnings per share		**$ (0.03)**	$ 0.40
Weighted average number of shares (millions)	***13***		
Basic		**123.0**	123.5
Diluted		**123.0**	125.4

See accompanying Notes to the Unaudited Condensed Consolidated Interim Financial Statements.

Consolidated Interim Statements of Other Comprehensive Income (Loss)

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

See accompanying Notes to the Unaudited Condensed Consolidated Interim Financial Statements.

Consolidated Interim Statements of Changes in Total Equity

					Accumulated other comprehensive income (loss)(i)			
(In thousands of Canadian dollars) (Unaudited)	***Notes***	**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, 2019		**$ 840,005**	**1,137,450**	**—**	**4,274**	**(1,481)**	**(30,378)**	**$ 1,949,870**
Net loss		**—**	**(3,712)**	**—**	**—**	**—**	**—**	**(3,712)**
Other comprehensive income (loss)(ii)		**—**	**(7,220)**	**—**	**2,481**	**(18,431)**	**—**	**(23,170)**
Dividends declared ($0.16 per share)		**—**	**(19,566)**	**—**	**—**	**—**	**—**	**(19,566)**
Share-based compensation expense	***14***	**—**	**—**	**3,866**	**—**	**—**	**—**	**3,866**
Repurchase of shares		**4,156**	**—**	**4,912**	**—**	**—**	**—**	**9,068**
Balance at March 31, 2020		**$ 844,161**	**1,106,952**	**8,778**	**6,755**	**(19,912)**	**(30,378)**	**$ 1,916,356**

					Accumulated other comprehensive income (loss)(i)			
(In thousands of Canadian dollars) (Unaudited)	*Notes*	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		—	50,104	—	—	—	—	50,104
Other comprehensive income (loss)(ii)		—	(26,382)	—	(2,976)	792	—	(28,566)
Dividends declared ($0.145 per share)		—	(17,969)	—	—	—	—	(17,969)
Share-based compensation expense	*14*	—	—	5,150	—	—	—	5,150
Deferred taxes on share-based compensation		—	—	1,300	—	—	—	1,300
Settlement of share-based compensation		—	—	(20)	—	—	—	(20)
Balance at March 31, 2019		$ 849,655	1,183,042	11,079	5,542	(4,194)	(29,386)	$ 2,015,738

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

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

See accompanying Notes to the Unaudited Condensed Consolidated Interim Financial Statements.

Consolidated Interim Statements of Cash Flows

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

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

See accompanying Notes to the Unaudited Condensed Consolidated Interim Financial Statements.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Tabular amounts in thousands of Canadian dollars unless otherwise indicated)
Three Months Ended March 31, 2020 and 2019

1. THE COMPANY

Maple Leaf Foods Inc. (“Maple Leaf Foods” or the "Company") is a producer of food products under leading brands including Maple Leaf®, Maple Leaf Prime®, Schneiders®, Mina®, Greenfield Natural Meat Co.®, Swift®, Lightlife®, and Field Roast Grain Meat Co.™ The Company's portfolio includes prepared meats, ready-to-cook and ready-to-serve meals, valued-added fresh pork and poultry and plant protein products. The address of the Company's registered office is 6985 Financial Dr. Mississauga, Ontario, L5N 0A1, Canada. The unaudited condensed consolidated interim financial statements (“consolidated financial statements”) of the Company as at and for the three months ended March 31, 2020, include the accounts of the Company and its subsidiaries. The Company's results are organized into two segments: the Meat Protein Group and the Plant Protein Group.

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”) and using the accounting policies, determination of significant estimates and judgments, and corresponding accounting treatments consistent with the Company’s 2019 annual audited consolidated financial statements, except for new standards adopted during the three months ended March 31, 2020 as described below.

The consolidated financial statements were authorized for issue by the Board of Directors on April 28, 2020.

(b) Accounting Standards Adopted During the Period

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

Conceptual Framework

Beginning January 1, 2020, the Company adopted the revised Conceptual Framework for Financial Reporting ("revised conceptual framework"). The revised conceptual framework does not constitute a substantial revision from the previously effective guidance, but does provide additional guidance on topics not previously covered such as presentation and disclosure. The adoption of the revised conceptual framework did not have a material impact on the consolidated financial statements.

Definition of a Business

Beginning January 1, 2020, the Company adopted the IASB amendment regarding the definition of a business under IFRS 3 *Business Combinations*. This amendment narrowed and clarified the definition of a business, as well as permitted a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The adoption of the amendment to IFRS 3 did not have a material impact on the consolidated financial statements.

Definition of Material

Beginning January 1, 2020, the Company adopted the amendments to IAS 1 *Presentation of Financial Statements* and IAS 8. These amendments clarify and align the definition of material and provide guidance to help improve consistency in the application of materiality when used in other IFRS standards. The adoption of the amendments to IAS 1 and IAS 8 did not have a material impact on the consolidated financial statements.

Interest Rate Benchmark Reform - Phase 1

Beginning January 1, 2020, the Company adopted the amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures* to address the potential effects Interbank Offered Rates ("IBOR") reform could have on financial reporting. The amendments modify specific hedge accounting requirements to allow entities to assume that the interest rate benchmark on which the hedged cash flows and the cash flows of which the hedging instrument are based on, are not altered as a result of IBOR reform. The adoption of the amendments to IFRS 9, IAS 39 and IFRS 7 did not have a material impact on the consolidated financial statements.

(c) Accounting Pronouncements Issued But Not Yet Effective

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, 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.

3. ACCOUNTS RECEIVABLE

	As at March 31, 2020	As at March 31, 2019	As at December 31, 2019
Trade receivables	**$ 138,008**	$ 122,234	$ 123,617
Less: Allowance for doubtful accounts	**(2,318)**	(2,414)	(3,107)
Net trade receivables	**$ 135,690**	$ 119,820	$ 120,510
Other receivables:			
Commodity taxes receivable	**14,364**	12,031	12,082
Government receivable	**7,190**	14,055	8,484
Other	**15,820**	9,415	13,893
	$ 173,064	$ 155,321	$ 154,969

The aging of trade receivables is as follows:

	As at March 31, 2020	As at March 31, 2019	As at December 31, 2019
Current	**$ 103,989**	$ 93,804	$ 79,284
Past due 0-30 days	**20,877**	20,647	30,990
Past due 31-60 days	**3,591**	2,797	4,559
Past due > 60 days	**9,551**	4,986	8,784
	$ 138,008	$ 122,234	$ 123,617

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

On July 19, 2019, the Company amended its three-year accounts receivable securitization facility (the "Securitization Facility") by extending the maturity to July 19, 2022 and increasing the maximum cash advance available to the Company under the Securitization Facility to $120.0 million (March 31, 2019: $110.0 million; December 31, 2019: $120.0 million). The Securitization Facility provides cash funding with a proportion of the Company's receivables being sold, and provides the Company with competitively priced financing and further diversifies its funding sources. Under the Securitization Facility, the Company has sold certain of its trade accounts receivable, with very limited recourse, to an unconsolidated third-party trust financed by an international financial institution with a long-term AA- debt rating, for cash and short-term notes back to the Company. The receivables are sold at a discount to face value based on prevailing money market rates. The Company retains servicing responsibilities for these receivables.

As at March 31, 2020, trade accounts receivable being serviced under this program amounted to $172.5 million (March 31, 2019: $134.5 million; December 31, 2019: $133.3 million). In return for the sale of its trade receivables, the Company will receive cash of $120.0 million (March 31, 2019: $103.5 million; December 31, 2019: $101.6 million) and notes receivable in the amount of $52.5 million (March 31, 2019: $31.0 million; December 31, 2019: $31.7 million). The notes receivable are non-interest bearing and are settled on the settlement dates of the securitized accounts receivable. Due to the timing of receipts and disbursements, the Company may, from time to time, also record a receivable or payable related to the Securitization Facility. As at March 31, 2020, the Company recorded a net payable amount of $3.6 million (March 31, 2019: $4.9 million net payable; December 31, 2019: $29.4 million net payable) in accounts payable and accruals.

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

4. INVENTORIES

	As at March 31, 2020	As at March 31, 2019	As at December 31, 2019
Raw materials	**$ 66,992**	$ 46,496	$ 60,190
Work in process	**38,078**	31,768	33,297
Finished goods	**236,187**	244,360	223,877
Packaging	**20,054**	18,730	16,940
Spare parts	**52,784**	47,446	51,230
	$ 414,095	$ 388,800	$ 385,534

For the three months ended March 31, 2020, inventory in the amount of $764.7 million (2019: $706.2 million) was expensed through cost of goods sold.

5. BIOLOGICAL ASSETS

The change in fair value of commercial hog stock for the three months ended March 31, 2020 was a loss of $14.7 million (2019: gain of $26.3 million) and was recorded in cost of goods sold.

The fair value measures of commercial hog stock have been categorized as a Level 3 fair value based on inputs to the valuation techniques used. There were no transfers between levels for the three months ended March 31, 2020 and March 31, 2019.

6. ASSETS HELD FOR SALE

Assets held for sale are those relating to a poultry plant and associated quota in Drummondville, Québec and a vacant plant located in St. Anselme, Québec.

7. PROVISIONS

				Restructuring and related provisions		
	Legal	**Environ-mental**	**Lease make-good**	**Severance and other employee related costs**	**Site closing and other cash costs**	**Total**
Balance at December 31, 2019[i]	**$ 289**	**2,705**	**—**	**45,799**	**109**	**$ 48,902**
Charges	**850**	**—**	**—**	**504**	**—**	**1,354**
Reversals	**—**	**—**	**—**	**(2,197)**	**—**	**(2,197)**
Cash payments	**—**	**(11)**	**—**	**(961)**	**—**	**(972)**
Balance at March 31, 2020	**$ 1,139**	**2,694**	**—**	**43,145**	**109**	**$ 47,087**
Current						**$ 4,413**
Non-current						**42,674**
Total at March 31, 2020						**$ 47,087**

[i] *Balance as at December 31, 2019, includes current portion of $4.0 million and non-current portion of $44.9 million.*

		Legal	Environ-mental	Lease make-good	Restructuring and related provisions: Severance and other employee related costs	Restructuring and related provisions: Site closing and other cash costs		Total
Balance at December 31, 2018	$	289	4,762	1,810	43,820	2,671	$	53,352
Impact of new IFRS standards		—	—	(1,810)	—	(2,400)		(4,210)
Charges		—	—	—	1,385	2		1,387
Cash payments		—	(25)	—	(582)	(62)		(669)
Non-cash items		—	—	—	—	(5)		(5)
Balance at March 31, 2019	$	289	4,737	—	44,623	206	$	49,855
Current							$	2,403
Non-current								47,452
Total at March 31, 2019							$	49,855

Restructuring and Other Related (Reversals) Costs

During the three months ended March 31, 2020, the Company recorded restructuring and other related reversals of $0.2 million (2019: costs of $2.8 million). Of this amount, $1.7 million resulted from net reversals of employee related costs, offset by accelerated depreciation and other asset write-offs of $1.4 million as a result of the previously announced future closures of the Brampton, Toronto and St. Mary's poultry plants. The remaining $0.1 million related to employee related costs for other organizational restructuring initiatives in the quarter.

8. LONG-TERM DEBT

		As at March 31, 2020		As at March 31, 2019		As at December 31, 2019
Revolving line of credit	**$**	**—**	$	458,072	$	—
U.S. term credit		**369,105**		—		346,461
Canadian term credit		**350,000**		—		185,000
Government loans		**7,809**		8,598		7,867
Total long-term debt	**$**	**726,914**	$	466,670	$	539,328
Current	**$**	**912**	$	170,408	$	899
Non-current		**726,002**		296,262		538,429
Total long-term debt	**$**	**726,914**	$	466,670	$	539,328

On April 30, 2019, the Company entered into a new syndicated credit facility (the "Credit Facility") consisting of a $1,300.0 million unsecured committed revolving line of credit maturing April 30, 2024 and two unsecured committed term credit facilities for US$265.0 million and $350.0 million maturing April 30, 2024 and April 30, 2023, respectively. The Credit Facility refinanced and replaced the Company's previous $250.0 million and $400.0 million unsecured committed revolving credit facilities, which were due to mature on November 7, 2019 and October 19, 2021, respectively. The Credit Facility can be drawn in Canadian or U.S. dollars and bears interest payable monthly, based on Banker's Acceptance and Prime rates for Canadian dollar loans and the London Inter-bank Offered Rate ("Libor") for U.S. dollar loans. The Credit Facility is intended to meet the Company's funding requirements for capital investments, including the construction of its two new manufacturing facilities in London, Ontario and Shelbyville, Indiana, in addition to providing appropriate levels of liquidity and for general corporate purposes. On December 11, 2019, the Company amended the Credit Facility to reduce interest paid upon achievement of certain sustainability targets. This reduction will not materialize until at least 2021, and there is no penalty for not achieving the targets. In addition to loans, as at March 31, 2020 the Company had drawn letters of credit of $6.4 million on the Credit Facility (March 31, 2019: $6.3 million on the previous facility; December 31, 2019: $6.2 million).

The Credit Facility requires the maintenance of certain covenants. As at March 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 (March 31, 2019 $125.0 million; December 31, 2019: $125.0 million). As at March 31, 2020, $79.7 million of letters of credit had been issued thereon (March 31, 2019: $75.7 million; December 31, 2019: $79.5 million).

The Company has various government loans on specific projects, with contractual interest rates ranging from non-interest bearing to 2.9% per annum (March 31, 2019: 2.9%; December 31, 2019: 2.9%). These facilities are repayable over various terms from 2022 to 2024. As at March 31, 2020, $7.8 million (March 31, 2019: $8.6 million; December 31, 2019: $7.9 million) was outstanding. All of these facilities are committed.

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

	Three months ended March 31,	
	2020	2019
Total long-term debt, beginning of period	**$ 539,328**	$ 383,421
Revolving and term credit facilities - net drawings	**$ 165,000**	$ 90,000
Government loans - repayments	**(139)**	(139)
Total cash flow from long-term debt financing activities	**$ 164,861**	$ 89,861
Foreign exchange revaluation	**$ 22,644**	$ (6,703)
Other non-cash changes	**81**	91
Total non-cash changes	**$ 22,725**	$ (6,612)
Total long-term debt, end of period	**$ 726,914**	$ 466,670

9. SHARE CAPITAL

Share Repurchase

On May 17, 2019, the Toronto Stock Exchange ("TSX") accepted the Company's notice of intention to commence a Normal Course Issuer Bid ("NCIB"), allowing the Company to repurchase, at its discretion, up to 7.5 million common shares in the open market or as otherwise permitted by the TSX, subject to the normal terms and limitations of such bids. Common shares purchased by the Company are cancelled. The program commenced on May 24, 2019 and will terminate on May 23, 2020, or on such earlier date as the Company completes its purchases pursuant to the notice of intention. Under this bid, the Company has purchased for cancellation 0.8 million common shares for $20.3 million at a volume weighted average price paid of $24.21 per common share. During the three months ended March 31, 2020, no shares were purchased for cancellation.

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

The Company entered into an Automatic Share Purchase Plan ("ASPP") with a broker that allows the purchase of common shares for cancellation under the NCIB at any time during predetermined trading blackout periods. As at March 31, 2020, an obligation for the repurchase of shares of $16.3 million (March 31, 2019: $0.0 million; December 31, 2019: $25.4 million) was recognized under the ASPP.

10. FINANCIAL INSTRUMENTS

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

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

	2020			2019		
	Notional amount[(i)]	**Fair value Asset[(ii)]**	**Fair value Liability[(ii)]**	Notional amount[(i)]	Fair value Asset[(ii)]	Fair value Liability[(ii)]
Cash flow hedges						
Foreign exchange contracts	**$ 36,687**	**$ 177**	**$ 1,879**	$ 71,616	$ 48	$ 1,098
Interest rate swaps	**$ 508,915**	**—**	**20,590**	$ —	—	—
		$ 177	**$ 22,469**		$ 48	$ 1,098
Fair value hedges[(iii)]						
Foreign exchange contracts	**$ 28,561**	**$ 10**	**$ 1,796**	$ 133,119	$ 182	$ 636
Commodity contracts	**$ 31,781**	**9,137**	**—**	$ 138,812	—	5,226
		$ 9,147	**$ 1,796**		$ 182	$ 5,862
Derivatives not designated in a formal hedging relationship						
Interest rate swaps	**$ —**	**$ —**	**$ —**	$ 115,000	$ —	$ 543
Foreign exchange contracts	**$ 203,317**	**7,126**	**1,522**	$ 234,225	420	271
Commodity contracts	**$ 295,453**	**—**	**31,405**	$ 264,520	17,979	241
		$ 7,126	**$ 32,927**		$ 18,399	$ 1,055
Total fair value		**$ 16,450**	**$ 57,192**		$ 18,629	$ 8,015
Current[(ii)(iv)(v)]		**$ 16,450**	**$ 42,361**		$ 18,629	$ 8,015
Non-current[(ii)]		**—**	**14,831**		—	—
Total fair value		**$ 16,450**	**$ 57,192**		$ 18,629	$ 8,015

(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 interim balance sheets are recorded at the inverse of the associated hedging instruments and are equal to the accumulated fair value hedge adjustments less hedge ineffectiveness.*

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

(v) *As at March 31, 2020, the above fair value of current assets has been decreased by $3.1 million (March 31, 2019: decreased by $8.7 million; December 31, 2019: increased by $1.1 million), and the above fair value of current liabilities has been decreased by $28.1 million (March 31, 2019: $0.0 million; December 31, 2019: $0.0 million) on the consolidated balance sheets, representing the difference in the fair market value of exchange traded commodity contracts and the initial margin requirements. The difference in margin requirements and fair market value is net settled in cash each day with the futures exchange and is recorded within cash and cash equivalents.*

During the three months ended March 31, 2020, the Company recorded a loss of $35.7 million (2019: gain of $13.8 million) on non-designated financial instruments held for trading.

During the three months ended March 31, 2020, the pre-tax amount of hedge ineffectiveness recognized in cost of goods sold was a gain of $0.1 million (2019: loss of $0.0 million).

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

	Level 1	Level 2	Level 3	Total
Assets:				
Foreign exchange contracts	$ —	7,313	—	$ 7,313
	$ —	**7,313**	**—**	**$ 7,313**
Liabilities:				
Foreign exchange contracts	$ —	5,197	—	$ 5,197
Commodity contracts(i)	19,140	3,128	—	22,268
Interest rate swaps	—	20,590	—	20,590
	$ 19,140	**28,915**	**—**	**$ 48,055**

(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 three months ended March 31, 2020 and March 31, 2019. Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available and is consistent with the methodology used in the 2019 consolidated financial statements. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

Accumulated other comprehensive (loss) income

The Company estimates that $5.5 million, net of tax of $1.9 million, of the unrealized loss included in accumulated other comprehensive (loss) income will be reclassified into net earnings within the next 12 months. The actual amount of this reclassification will be impacted by future changes in the fair value of financial instruments designated as cash flow hedges. The actual amount reclassified could differ from this estimated amount.

During the three months ended March 31, 2020, a gain of $0.5 million, net of tax of $0.2 million, was released to earnings from accumulated other comprehensive (loss) income and included in the net change for the year (2019: loss of $1.6 million, net of tax of $0.6 million).

As at March 31, 2020, the Company had US$265.0 million (March 31, 2019: US$216.0 million; December 31, 2019: US$265.0 million) drawn on the Credit Facility (see Note 8) that is designated as a net investment hedge of the Company's U.S. operations. Foreign exchange gains and losses on the designated drawings are recorded in shareholders' equity in the foreign currency translation adjustment component of accumulated other comprehensive income and offset translation adjustments on the underlying net assets of the U.S. operations, which are also recorded in accumulated other comprehensive (loss) income.

During the three months ended March 31, 2020, the loss on the net investment hedge recorded in other comprehensive (loss) income was $19.1 million, net of tax of $3.5 million (2019: gain of $5.2 million, net of tax of $1.0 million).

11. OTHER EXPENSE

	Three months ended March 31,	
	2020	2019
Loss on disposal of property and equipment	**$ 336**	$ 194
Vacancy costs	**101**	291
Legal and other fees on transactions	**1,287**	789
Other legal expense and settlements	**1,175**	408
Other	**870**	395
	$ 3,769	$ 2,077

12. INTEREST EXPENSE AND OTHER FINANCING COSTS

	Three months ended March 31,	
	2020	2019
Interest on borrowings from credit facility	**$ 4,677**	$ 4,102
Interest on lease obligations	**2,143**	2,235
Interest expense on securitized receivables	**669**	690
Interest expense on government loans	**80**	91
Deferred finance charges	**404**	287
Credit facility standby fees and other interest	**1,114**	166
Interest capitalized	**(1,195)**	(138)
	$ 7,892	$ 7,433

13. (LOSS) EARNINGS PER SHARE

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

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

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

	2020			2019		
Three months ended March 31,	**Net (loss)**	**Weighted average number of shares**[(ii)]	**EPS**	Net earnings	Weighted average number of shares[(ii)]	EPS
Basic	**$ (3,712)**	**123.0**	**$ (0.03)**	$ 50,104	123.5	$ 0.41
Stock options[(i)]		**—**			1.9	
Diluted	**$ (3,712)**	**123.0**	**$ (0.03)**	$ 50,104	125.4	$ 0.40

(i) *Excludes the effect of approximately 3.7 million (2019: 1.8 million) options and performance shares that are anti-dilutive.*

(ii) *In millions.*

14. SHARE-BASED PAYMENT

Stock Options

A summary of the status of the Company’s outstanding stock options as at March 31, 2020 and 2019, and changes during these quarters are presented below:

	2020		2019	
	Options outstanding	**Weighted average exercise price**	Options outstanding	Weighted average exercise price
Outstanding at January 1	**4,558,250**	**$ 26.26**	3,976,300	$ 25.38
Granted	**1,408,950**	**$ 23.08**	1,039,200	$ 28.38
Forfeited	**(54,200)**	**$ 31.39**	—	$ —
Outstanding at March 31	**5,913,000**	**$ 25.46**	5,015,500	$ 26.01
Options currently exercisable	**3,586,125**	**$ 25.35**	3,213,900	$ 23.83

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

At grant date, each option series is measured at fair value based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility. The inputs used in this model for the options granted during the three months ended March 31, 2020 and 2019 are shown in the table below[(i)]:

	Three months ended March	
	2020	2019
Share price at grant date	**$22.80**	$28.05
Exercise price	**$23.08**	$28.38
Expected volatility	**23.3%**	21.3%
Option life (in years)[(ii)]	**4.5**	4.5
Expected dividend yield	**2.8%**	2.1%
Risk-free interest rate[(iii)]	**1.1%**	1.8%

(i) *Weighted average based on number of units granted.*

(ii) *Expected weighted average life.*

(iii) *Based on Government of Canada bonds.*

The fair value of options granted during the three months ended March 31, 2020 was $4.4 million (2019: $4.4 million). Expenses relating to current and prior year options were $1.1 million (2019: $1.0 million).

Restricted Share Units and Performance Share Units

A summary of the status of the Company's RSU plans (including PSUs) as at March 31, 2020 and 2019 and changes during these periods is presented below:

	2020		2019	
	RSUs outstanding	**Weighted average fair value at grant**	RSUs outstanding	Weighted average fair value at grant
Outstanding, beginning of year	**1,245,915**	**$ 28.80**	1,471,662	$ 28.48
Granted	**672,360**	**$ 20.80**	460,450	$ 26.26
Outstanding, end of year	**1,918,275**	**$ 25.99**	1,932,112	$ 27.95

The fair value of RSUs and PSUs granted in 2020 was $12.1 million (2019: $10.5 million). Expenses for the three months ended March 31, 2020 relating to current and prior year RSUs and PSUs, were $2.4 million (2019: $3.8 million).

The key assumptions used in the valuation of fair value of RSUs granted during the three months ended March 31, 2020 and 2019 are shown in the table below[(i)]:

	2020	2019
Expected RSU life (in years)	**3.2**	3.2
Forfeiture rate	**13.7%**	12.8%
Risk-free interest rate[(ii)]	**1.1%**	1.8%

(i) *Weighted average based on number of units granted.*

(ii) *Based on Government of Canada bonds.*

Director Share Units

The fair value of director share units expensed during the three months ended March 31, 2020 was $0.4 million (2019: $0.4 million).

15. SEGMENTED FINANCIAL INFORMATION

The Company has two reportable segments, as described below, these segments offer different products, with separate organizational structures, brands, financial, and marketing strategies. The Company's chief operating decision makers regularly review internal reports for these businesses; performance of the Meat Protein Group is based on revenue growth, Adjusted Operating Earnings and Adjusted EBITDA, while the performance of the Plant Protein Group is based predominantly on revenue growth rates, while managing gross margins and controlling investment levels which generate high revenue growth rates. Refer to the section, Non-IFRS Financial

Measures, of the Company's Management's Discussion and Analysis for the three months ended March 31, 2020, for the definitions of these non-IFRS financial measures. The operations of each segment are described as follows:

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

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

	Three months ended March 31, 2020				Three months ended March 31, 2019[i]			
	Meat Protein Group	**Plant Protein Group**	**Non-Allocated[ii]**	**Total**	Meat Protein Group	Plant Protein Group	Non-Allocated[ii]	Total
Sales	**$ 981,382**	**46,343**	**(4,958)**	**$1,022,767**	$ 871,057	36,798	(765)	$ 907,090
Gross profit	**$ 157,257**	**6,787**	**(36,685)**	**$ 127,359**	$ 131,787	8,541	39,193	$ 179,521
Selling, general and administrative expenses	**$ 88,041**	**30,860**	**—**	**$ 118,901**	$ 86,384	11,870	—	$ 98,254
Earnings (loss) before income taxes	**$ 68,217**	**(24,080)**	**(47,171)**	**$ (3,034)**	$ 42,329	(3,329)	29,937	$ 68,937
Interest expense and other financing costs	**—**	**—**	**7,892**	**7,892**	—	—	7,433	7,433
Other expense	**1,168**	**7**	**2,594**	**3,769**	254	—	1,823	2,077
Restructuring and other related costs	**(169)**	**—**	**—**	**(169)**	2,820	—	—	2,820
Earnings (loss) from operations	**$ 69,216**	**(24,073)**	**(36,685)**	**$ 8,458**	$ 45,403	(3,329)	39,193	$ 81,267
Decrease (increase) in fair value of biological assets[iii]	**—**	**—**	**14,659**	**14,659**	—	—	(26,263)	(26,263)
Unrealized loss (gain) on derivative contracts[iv]	**—**	**—**	**22,026**	**22,026**	—	—	(12,930)	(12,930)
Adjusted Operating Earnings	**$ 69,216**	**(24,073)**	**—**	**$ 45,143**	$ 45,403	(3,329)	—	$ 42,074
Depreciation and amortization	**43,021**	**3,536**	**—**	**46,557**	39,694	2,926	—	42,620
Items included in other expense representative of ongoing operations	**(1,168)**	**(7)**	**—**	**(1,175)**	(253)	—	—	(253)
Adjusted EBITDA	**$ 111,069**	**(20,544)**	**—**	**$ 90,525**	$ 84,844	(403)	—	$ 84,441

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

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

(iii) *Refer to Note 5 for further details regarding biological assets.*

(iv) *Unrealized gains/losses on derivative contracts are reported within cost of goods sold.*

The following summarizes capital expenditures by segments:

	Three months ended March 31,	
	2020	2019
Capital expenditures		
Meat Protein Group	**$ 89,475**	$ 52,218
Plant Protein Group	**3,244**	4,444
Non-allocated capital expenditures	**6,446**	3,473
	$ 99,165	$ 60,135

Information About Geographic Areas

The following summarizes sales by country of origin:

	Three months ended March 31,	
	2020	2019
Canada	**$ 740,019**	$ 670,370
U.S.	**113,443**	93,189
Japan	**96,450**	86,649
China	**43,170**	20,377
Other	**29,685**	36,505
Sales	**$ 1,022,767**	$ 907,090

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

	As at March 31, 2020	As at March 31, 2019	As at December 31, 2019
Canada	**$ 2,319,015**	$ 2,201,230	$ 2,246,146
U.S.	**435,767**	387,258	393,146
Other	**392**	742	453
Total non-current assets(i)	**$ 2,755,174**	$ 2,589,230	$ 2,639,745

(i) *Excludes financial instruments, employee benefits and deferred tax assets.*

Information About Major Customers

For the three months ended March 31, 2020, the Company reported sales to two customers representing 12.4% and 11.3% (2019: 10.7% and 10.7%) of total sales. No other sales were made to any one customer that represented in excess of 10.0% of total sales.

16. RELATED PARTY TRANSACTIONS

The Company sponsors a number of defined benefit and defined contribution plans. During the three months ended March 31, 2020, the Company's contributions to these plans were $7.2 million (2019: $7.6 million).

The Company's largest shareholder is McCain Capital Inc. ("MCI"). The Company understands that Mr. Michael H. McCain, Chief Executive Officer and President of the Company, is the controlling shareholder of MCI. For the three months ended March 31, 2020, the Company received services from MCI in the amount of $0.0 million (2019: $0.1 million), which represented the market value of the transactions with MCI. As at March 31, 2020, $0.0 million (March 31, 2019: $0.5 million; December 31, 2019: $0.0 million) was owed to MCI relating to these transactions.

McCain Financial Advisory Services ("MFAS"), is an entity jointly controlled by individuals including Mr. Michael H. McCain. For the three months ended March 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.