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Maple Leaf Foods Reports Second Quarter 2023 Financial Results

Meat Protein delivers strong top-line growth of 6.6% and Adjusted EBITDA Margin of 9.3% in the quarter

Plant Protein progressing toward Adjusted EBITDA target of neutral or better in the latter half of 2023

Mississauga, Ontario, August 3, 2023 - Maple Leaf Foods Inc. ("Maple Leaf Foods" or the "Company") (TSX: MFI) today reported its financial results for the second quarter ended June 30, 2023.

"In our second quarter, we successfully executed our playbook, improving the financial performance of our business and marking a significant step toward the next inflection point in our journey. With our supply chain stabilized and pricing now in place to mitigate current levels of inflation, we are well positioned to meet our Adjusted EBITDA margin target of 14-16% once pork markets normalize," said Curtis Frank, CEO of Maple Leaf Foods.

"In the quarter, we delivered over 6% revenue growth driven by our portfolio of leading brands, we sequentially improved our Adjusted EBITDA margins in the Meat Protein business, and we advanced our strategic plan to achieve Adjusted EBITDA neutral or better in our Plant Protein business in the second half of 2023."

"Looking forward to 2024 and beyond, we can't help but be optimistic," continued Mr. Frank. "We are on track to realize the benefits of the major capital investments we've made at our London Poultry and Bacon Centre of Excellence facilities as we continue to advance our vision of becoming The Most Sustainable Protein Company on Earth."

Second Quarter 2023 Highlights

- Total Company sales grew 6.2% to $1,269.7 million, with an Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA")[(i)] Margin of 8.1%.
- Meat Protein Group sales grew to $1,236.7 million, an increase of 6.6% year over year. Adjusted EBITDA was $115.3 million, and Adjusted EBITDA Margin was 9.3% an improvement of 30 basis points from a year ago and 170 basis points from last quarter.
- Plant Protein Group sales were $36.7 million. Plant Protein Group Adjusted EBITDA improved by 61.3% year over year to a loss of $11.6 million, en route to an Adjusted EBITDA target of neutral or better in the latter half of 2023.
- Capital expenditures were $52.7 million.
- The London Poultry facility transition is progressing on schedule. Two legacy facilities have fully transitioned their production volumes, and the transition from the third facility has begun. The Company expects London Poultry to be fully ramped up by the end of 2023.

Outlook Remains Unchanged

- **Meat Protein:** Expect mid-to-high single digit sales growth in 2023, and Adjusted EBITDA Margin expansion to achieve a target range of 14% - 16% when markets normalize.
- **Plant Protein:** Targeting to deliver Adjusted EBITDA neutral or better in the latter half of 2023.
- **Capital expenditure:** For 2023 is expected to be less than $250 million with up to $120 million attributable to Maintenance Capital[(i)] and the balance attributable to Growth Capital[(i)].

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

Financial Highlights

Measure[i] (Unaudited)	As at or for the Three months ended June 30,			As at or for the Six months ended June 30,		
	2023	2022	Change	**2023**	2022	Change
Sales	**$ 1,269.7**	$ 1,195.1	6.2 %	**$ 2,444.6**	$ 2,321.7	5.3 %
Net (Loss)	**$ (53.7)**	$ (54.6)	1.7 %	**$ (111.4)**	$ (40.9)	(172.2)%
Basic Loss per Share	**$ (0.44)**	$ (0.44)	— %	**$ (0.92)**	$ (0.33)	(178.8)%
Adjusted Operating Earnings[ii]	**$ 45.9**	$ 23.6	94.3 %	**$ 65.2**	$ 39.7	64.0 %
Adjusted (Loss) Earnings per Share[ii]	**$ 0.00**	$ 0.00	nm[iv]	**$ (0.12)**	$ 0.03	nm[iv]
Adjusted EBITDA - Meat Protein Group[ii]	**$ 115.3**	$ 104.1	10.8 %	**$ 202.6**	$ 201.6	0.5 %
Adjusted EBITDA - Plant Protein Group[ii]	**$ (11.6)**	$ (30.0)	61.3 %	**$ (23.6)**	$ (60.7)	61.1 %
Free Cash Flow[ii][iii]	**$ (76.3)**	$ 0.2	nm[iv]	**$ (64.0)**	$ (99.5)	35.7 %
Construction Capital[ii]				**$ 37.3**	$ 665.8	(94.4)%
Net Debt[ii]				**$ (1,807.4)**	$ (1,421.2)	(27.2)%
Adjusted EBT[ii]	**$ 6.7**	$ 10.9	(38.5)%	**$ (7.3)**	$ 17.8	nm[iv]

[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.*

[iii] *Certain comparative figures have been restated to conform with current year presentation.*

[iv] *Not meaningful.*

Sales for the second quarter of 2023 were $1,269.7 million compared to $1,195.1 million last year, an increase of 6.2%, driven by higher sales in the Meat Protein Group more than offsetting a decrease in the Plant Protein Group. For more details on sales performance by operating segment, please refer to Operating Review.

Year-to-date sales for 2023 were $2,444.6 million compared to $2,321.7 million last year, an increase of 5.3%, due to similar factors as noted above.

Net loss for the second quarter of 2023 was $53.7 million ($0.44 loss per basic share) compared to loss of $54.6 million ($0.44 loss per basic share) last year. The Meat Protein Group showed improved commercial and operational results partly offset by market headwinds and cost inflation, along with increased start up costs. The Plant Protein Group delivered improved margins along with lower Selling, General, and Administrative ("SG&A") spending as the segment continues to reduce costs as part of its short term strategy. In addition, results were negatively impacted by higher interest expense with increased rates and higher debt largely to fund strategic capital expenditures, partly offset by changes in unrealized mark to market valuation adjustments on biological assets driven by changes in feed and hog markets, and income tax recoveries.

Year-to-date net loss for 2023 was $111.4 million ($0.92 loss per basic share) compared to loss of $40.9 million ($0.33 loss per basic share) last year due to similar factors as noted above.

Adjusted Operating Earnings for the second quarter of 2023 were $45.9 million compared to $23.6 million last year, and Adjusted Earnings per Share for the second quarter of 2023 was $0.00 compared to $0.00 last year. The increase was a result of commercial and operational improvements partly offset by market headwinds and cost inflation.

Year-to-date Adjusted Operating Earnings for 2023 were $65.2 million compared to $39.7 million last year, and Adjusted Earnings per Share for 2023 were a loss of $0.12 compared to earnings of $0.03 last year due to similar factors as noted above.

Adjusted Earnings Before Taxes ("Adjusted EBT") for the second quarter of 2023 were $6.7 million compared to $10.9 million last year. Adjusted EBT was negatively impacted by pork market headwinds and cost inflation, partly offset by improved margins and lower SG&A spending in the Plant Protein Group. Adjusted EBT was also negatively impacted by higher interest expense.

Year-to-date Adjusted EBT for 2023 were loss of $7.3 million compared to earnings of $17.8 million last year due to similar factors as noted above.

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

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

Operating Review

The Company has two reportable segments. These segments offer different products, with separate organizational structures, brands, and 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 profitable revenue growth, Adjusted Operating Earnings, Adjusted EBITDA, and Adjusted EBT while the performance of the Plant Protein Group in the short term is focused on obtaining Adjusted EBITDA neutral or better results.

The following table summarizes the Company's sales, gross profit (loss), SG&A, Adjusted Operating Earnings, Adjusted EBITDA, Adjusted EBITDA Margin, and Adjusted EBT by operating segment for the three months ended June 30, 2023 and June 30, 2022.

	Three months ended June 30, 2023				Three months ended June 30, 2022			
($ millions)(i) *(Unaudited)*	**Meat Protein Group**	**Plant Protein Group**	**Non-Allocated(ii)**	**Total**	Meat Protein Group	Plant Protein Group	Non-Allocated(ii)	Total
Sales	**$ 1,236.7**	**36.7**	**(3.7)**	**$ 1,269.7**	$ 1,160.2	40.8	(5.9)	$ 1,195.1
Gross profit (loss)	**$ 120.2**	**(1.8)**	**(24.7)**	**$ 93.6**	$ 136.0	(10.1)	(38.7)	$ 87.2
Selling, general and administrative expenses	**$ 91.7**	**14.4**	**—**	**$ 106.2**	$ 87.3	26.3	—	$ 113.6
Adjusted Operating Earnings(iii)	**$ 62.2**	**(16.3)**	**—**	**$ 45.9**	$ 57.7	(34.0)	—	$ 23.6
Adjusted EBITDA(iii)	**$ 115.3**	**(11.6)**	**(0.6)**	**$ 103.1**	$ 104.1	(30.0)	—	$ 74.1
Adjusted EBITDA Margin(iii)	**9.3 %**	**(31.7)%**	**n/a**	**8.1 %**	9.0 %	(73.6)%	n/a	6.2 %
Adjusted EBT(iii)	**$ 23.8**	**(16.5)**	**(0.6)**	**$ 6.7**	$ 47.5	(36.6)	—	$ 10.9

(i) *Totals may not add due to rounding.*

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

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

The following table summarizes the Company's sales, gross profit (loss), SG&A, Adjusted Operating Earnings, Adjusted EBITDA, Adjusted EBITDA Margin, and Adjusted EBT by operating segment for the six months ended June 30, 2023 and June 30, 2022.

	Six months ended June 30, 2023				Six months ended June 30, 2022			
($ millions)(i) *(Unaudited)*	**Meat Protein Group**	**Plant Protein Group**	**Non-Allocated(ii)**	**Total**	Meat Protein Group	Plant Protein Group	Non-Allocated(ii)	Total
Sales	**$ 2,380.5**	**74.1**	**(10.0)**	**$ 2,444.6**	$ 2,249.6	85.7	(13.6)	$ 2,321.7
Gross profit (loss)	**$ 210.7**	**(5.1)**	**(35.5)**	**$ 170.0**	$ 266.9	(16.3)	(9.5)	$ 241.1
Selling, general and administrative expenses	**$ 181.0**	**27.9**	**—**	**$ 208.9**	$ 176.0	57.1	—	$ 233.1
Adjusted Operating Earnings(iii)	**$ 98.2**	**(33.0)**	**—**	**$ 65.2**	$ 108.7	(68.9)	—	$ 39.7
Adjusted EBITDA(iii)	**$ 202.6**	**(23.6)**	**(0.6)**	**$ 178.4**	$ 201.6	(60.7)	—	$ 140.9
Adjusted EBITDA Margin(iii)	**8.5 %**	**(31.9)%**	**n/a**	**7.3 %**	9.0 %	(70.8)%	n/a	6.1 %
Adjusted EBT(iii)	**$ 26.8**	**(33.5)**	**(0.6)**	**$ (7.3)**	$ 91.8	(74.0)	—	$ 17.8

(i) *Totals may not add due to rounding.*

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

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

Meat Protein Group

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

Sales for the second quarter of 2023 increased 6.6% to $1,236.7 million compared to $1,160.2 million last year. Sales growth was driven by an increase in volumes, pricing actions taken to mitigate inflation, favourable foreign exchange rate impacts, and a favourable mix-shift in product sales.

Year-to-date sales for 2023 increased 5.8% to $2,380.5 million compared to $2,249.6 million last year. Sales growth was driven by factors consistent with those mentioned above.

Gross profit for the second quarter of 2023 was $120.2 million (gross margin[i] of 9.7%) compared to $136.0 million (gross margin[i] of 11.7%) last year. Gross profit was negatively impacted by pork market headwinds, cost inflation, and startup expenses, partially offset by pricing action to address inflation and improved product mix. Gross profit for the second quarter included start-up expenses of $33.8 million (2022: $9.0 million) associated with Construction Capital projects, which are excluded in the calculation of Adjusted Operating Earnings.

Year-to-date gross profit for 2023 was $210.7 million (gross margin[i] of 8.8%) compared to $266.9 million (gross margin[i] of 11.9%) last year. Gross profit was negatively impacted by factors consistent with those mentioned above. Gross profit year-to-date included start-up expenses of $68.5 million (2022: $17.7 million) associated with Construction Capital projects, which are excluded in the calculation of Adjusted Operating Earnings.

SG&A expenses for the second quarter of 2023 were $91.7 million compared to $87.3 million last year. The increase in SG&A expenses was driven by higher people costs from stabilizing staffing levels and discretionary spend, partially offset by lower advertising and promotional expenses.

Year-to-date SG&A expenses for 2023 were $181.0 million compared to $176.0 million last year. The increase in SG&A expenses was also driven by factors consistent with those noted above.

Adjusted Operating Earnings for the second quarter of 2023 were $62.2 million compared to $57.7 million last year, driven by factors noted above.

Year-to-date Adjusted Operating Earnings for 2023 were $98.2 million compared to $108.7 million last year, consistent with factors noted above.

Adjusted EBITDA for the second quarter of 2023 were $115.3 million compared to $104.1 million last year, driven by factors consistent with those noted above. Adjusted EBITDA Margin for the second quarter was 9.3% compared to 9.0% last year, driven by factors consistent with those noted above.

Year-to-date Adjusted EBITDA for 2023 were $202.6 million compared to $201.6 million last year, driven by factors consistent with those noted above. Year-to-date Adjusted EBITDA Margin for 2023 was 8.5% compared to 9.0% last year, also driven by factors consistent with those noted above.

During the second quarter of 2023 the Meat Protein Group Adjusted EBT were $23.8 million compared to $47.5 million last year, driven by factors consistent with those noted above, as well as a $29.2 million increase in interest expense as a result of increased interest rates and higher debt, and increased depreciation expense related to continued capital investment.

Year-to-date Adjusted EBT were $26.8 million compared to $91.8 million last year, driven by factors consistent with those noted above, as well as a $55.6 million increase in interest expense as a result of increased interest rates and higher debt, and increased depreciation expense related to continued capital investment.

Plant Protein Group

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

Sales for the second quarter of 2023 decreased 10.2% to $36.7 million compared to $40.8 million last year. Excluding the impact of foreign exchange, sales decreased 14.5%, driven by lower volumes across all channels, partially offset by pricing action implemented in prior quarters to mitigate inflation.

Year-to-date sales for 2023 decreased 13.6% to $74.1 million compared to $85.7 million last year. Excluding the impact of foreign exchange, sales decreased 18.5%, consistent with factors noted above.

Gross profit for the second quarter of 2023 was a loss of $1.8 million (gross margin loss[i] of 5.0%) compared to a loss of $10.1 million (gross margin loss[i] of 24.7%) last year. The improvement in gross margin was driven by operational improvements, reduction in start-up expenses, and price increases, partially offset by lower volumes. Gross profit for the second quarter of 2022 included start-up expenses of $2.3 million associated with Construction Capital projects which are excluded in the calculation of Adjusted Operating Earnings that were not repeated in the second quarter of 2023.

Year-to-date gross profit for 2023 was a loss of $5.1 million (gross margin loss[i] of 6.9%) compared to a loss of $16.3 million (gross margin loss[i] of 19.1%) last year. The increase in gross profit was also driven by factors consistent with those noted above. Year-to-date gross profit for 2022 included start-up expenses of $4.5 million associated with Construction Capital projects which are excluded in the calculation of Adjusted Operating Earnings, that were not repeated in 2023.

SG&A expenses for the second quarter of 2023 were $14.4 million (39.4% of sales) compared to $26.3 million (64.4% of sales) last year. The decrease in SG&A was largely driven by lower advertising and promotional expenses, as well as decreased consulting and headcount expenses.

Year-to-date SG&A expenses for 2023 were $27.9 million (37.7% of sales) compared to $57.1 million (66.6% of sales) last year. The decrease in SG&A was driven by factors consistent with those noted above.

Adjusted Operating Earnings for the second quarter of 2023 were a loss of $16.3 million compared to a loss of $34.0 million last year. The improvement in Adjusted Operating Earnings is consistent with the factors noted above.

Year-to-date Adjusted Operating Earnings for 2023 were a loss of $33.0 million compared to a loss of $68.9 million last year. The improvement in Adjusted Operating Earnings is consistent with the factors noted above.

Adjusted EBITDA for the second quarter of 2023 were a loss of $11.6 million compared to a loss of $30.0 million last year, driven by factors consistent with those noted above. Adjusted EBITDA Margin for the second quarter was a loss of 31.7% compared to a loss of 73.6% last year, also driven by factors consistent with those noted above.

Year-to-date Adjusted EBITDA for the second quarter of 2023 were a loss of $23.6 million compared to a loss of $60.7 million last year, driven by factors consistent with those noted above. Year-to-date Adjusted EBITDA Margin for the second quarter was a loss of 31.9% compared to a loss of 70.8% last year, also driven by factors consistent with those noted above.

[(i)] *Gross margin is defined as gross profit (loss) divided by sales.*

Other Matters

On August 2, 2023, the Board of Directors approved a quarterly dividend of $0.21 per share, $0.84 per share on an annual basis, payable September 28, 2023 to shareholders of record at the close of business September 8, 2023. 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". The Board of Directors has also approved the issuance of common shares from treasury at a two percent discount under the Company's Dividend Reinvestment Plan ("DRIP"). Under the DRIP, investors holding the Company's common shares can receive common shares instead of cash dividend payments. Further details, including how to enroll in the program, are available at https://www.mapleleaffoods.com/investors/stock-information/.

Conference Call

A conference call will be held at 8:00 a.m. ET on August 3, 2023, to review Maple Leaf Foods’ second quarter financial results. To participate in the call, please dial 416-764-8650 or 1-888-664-6383. For those unable to participate, playback will be made available an hour after the event at 416-764-8677 or 1-888-390-0541 (Passcode: 102212 #).

A webcast of the second quarter conference call will also be available at: https://www.mapleleaffoods.com

The Company’s full consolidated interim financial statements ("Consolidated Interim Financial Statements") and related Management’s Discussion and Analysis are available on the Company’s website.

An investor presentation related to the Company’s second quarter financial results is available at www.mapleleaffoods.com and can be found under Presentations and Webcasts on the Investors page.

Outlook Remains Unchanged

Maple Leaf Foods is a leading consumer protein company, supported by a portfolio of market leading brands. Over the last several years, the Company has developed a foundation to pursue compelling growth vectors across its business and to create value for all stakeholders.

Meat Protein Group

In Meat Protein, the Company’s strategy is to drive profitable growth. Given the unprecedented market dynamics, marked by a challenging post-pandemic economy, the conflict in Europe, high inflation and significant market disruption, Maple Leaf Foods expects that its Meat Protein Group will achieve the following:

- Mid-to-high single digit sales growth in 2023, supported by brand leadership, and growth in the U.S. market and sustainable meats.
- Adjusted EBITDA Margin expansion to a 14% - 16% target range once markets normalize, including a pork complex in-line with the five year average.

Plant Protein Group

- In late 2021, the Company announced that it was re-evaluating its outlook for the Plant Protein Group and launching a comprehensive review of the overall plant protein category. This decision was driven by a pronounced slowdown in growth rates in the category, particularly in the second half of the year, which fueled the Company’s imperative to identify and thoroughly assess the causes, near and long-term trends, and overall implications. The Company's analysis to date confirms that the very high category growth rates previously predicted by many industry experts are unlikely to be achieved given current customer feedback, experience, buy rates and household penetration. Based on this information, the Company believes that the category will continue to grow at more modest, but still attractive rates. Current estimates suggest that the category will grow at an average annual rate of 10% to 15%, making it a $6 billion to $10 billion market by 2030. Accordingly, the Company has pivoted its strategy and investment thesis for the Plant Protein Group and has set a new goal to deliver neutral or better Adjusted EBITDA in the latter half of 2023. Work is ongoing to implement this pivot. The Company expects steady Adjusted EBITDA improvement to continue throughout the year.

Capital

- The Company's capital expenditures estimate for the full year 2023 remains unchanged at less than $250 million. Up to $120 million will be Maintenance Capital with the remainder being Growth Capital. The Growth Capital will mainly consist of an increase in further processed poultry capacity at the Prepared Meats facility in Brampton, Ontario, residual expenditures for the London Poultry facility, and expanded capacity in the snacking kits category.
- The Company expects the London, Ontario poultry facility to start to deliver approximately $100 million annually of additional Adjusted EBITDA once fully ramped up which is expected to be by the end of 2023. Additionally, the Company expects the Bacon Centre of Excellence in Winnipeg, Manitoba to contribute approximately $30 million annually of additional Adjusted EBITDA once fully ramped up which is expected to be in the second half of 2023.

The ongoing effects of the post-pandemic economy induced supply chain disruptions and the war in Ukraine are unpredictable and may impact a number of factors that drive growth in the business, including:

- Agricultural commodity and foreign exchange markets;
- Inflationary cost pressures;
- Disruptions in the global supply chain;
- Availability of labour; and
- Demand for products and changes in product mix.

The execution of the Company's financial and operational priorities are embedded in a commitment to deliver shared value for the benefit of all stakeholders. The Company’s guiding pillars to be the “Most Sustainable Protein Company on Earth” include Better Food, Better Care, Better Communities, Better Planet and are core to how Maple Leaf Foods conducts itself. To that end, the Company’s priorities include:

- *Better Food* - leading the real food movement and transitioning key brands to 100% “raised without antibiotics”.
- *Better Care* - further advancement of animal care, after achieving our transition of all sows under management to open housing systems in 2021, we have an ongoing program to convert any new sow barns that we acquire.
- *Better Communities* - investing a minimum of approximately 1% of pre-tax profit to advance sustainable food security.
- *Better Planet* - continuing to amplify its commitment to carbon neutrality, while focusing on eliminating waste in any resources it consumes, including food, energy, water, packaging, and time.

Non-IFRS Financial Measures

The Company uses the following non-IFRS measures: Adjusted Operating Earnings, Adjusted Earnings per Share, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted EBT, 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, Adjusted EBITDA Margin and Adjusted EBT

Adjusted Operating Earnings, Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted EBT are non-IFRS measures used by Management to evaluate financial operating results. Adjusted Operating Earnings is defined as earnings before other income, income taxes and interest expense adjusted for items that are not considered representative of ongoing operational activities of the business and certain items where the economic impact of the transactions will be reflected in earnings in future periods when the underlying or related 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 considered representative of ongoing operational activities of the business. Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by sales. Adjusted EBT is used annually by the Company to evaluate its performance and is a component of calculating the bonus entitlements under the Company's short term incentive plan. It is defined as Adjusted EBITDA, less depreciation and amortization, and interest expense. Interest expense is allocated to the operating segments for this metric on a legal entity basis.

The table below provides a reconciliation of earnings (loss) before income taxes as reported under IFRS in the Consolidated Interim Financial Statements to Adjusted Operating Earnings, Adjusted EBITDA and Adjusted EBT for the three and six months ended June 30, 2023 as indicated below. Management believes that these non-IFRS measures are useful in assessing the performance of the Company's ongoing operations and its ability to generate cash flows to fund its cash requirements, including the Company's capital investment program.

	Three months ended June 30, 2023				Three months ended June 30, 2022			
($ millions)[i] *(Unaudited)*	**Meat Protein Group**	**Plant Protein Group**	**Non-Allocated**[ii]	**Total**	Meat Protein Group	Plant Protein Group	Non-Allocated[ii]	Total
(Loss) earnings before income taxes	**$ 22.5**	**(23.2)**	**(63.0)**	**$ (63.7)**	$ 46.4	(55.1)	(50.0)	$ (58.6)
Interest expense and other financing costs	**—**	**—**	**37.6**	**37.6**	—	—	10.8	10.8
Other expense	**1.7**	**0.2**	**0.7**	**2.6**	1.9	0.1	0.5	2.5
Restructuring and other related costs	**4.3**	**6.8**	**—**	**11.0**	0.4	18.7	—	19.0
Earnings (loss) from operations	**$ 28.4**	**(16.3)**	**(24.7)**	**$ (12.6)**	$ 48.6	(36.4)	(38.7)	$ (26.4)
Start-up expenses from Construction Capital[iii]	**33.8**	**—**	**—**	**33.8**	9.0	2.3	—	11.3
Change in fair value of biological assets	**—**	**—**	**27.5**	**27.5**	—	—	50.0	50.0
Unrealized and deferred loss (gain) on derivative contracts	**—**	**—**	**(2.8)**	**(2.8)**	—	—	(11.3)	(11.3)
Adjusted Operating Earnings	**$ 62.2**	**(16.3)**	**—**	**$ 45.9**	$ 57.7	(34.0)	—	$ 23.6
Depreciation and amortization	**54.8**	**4.9**	**—**	**59.7**	48.3	4.1	—	52.4
Items included in other income (expense) representative of ongoing operations[iv]	**(1.7)**	**(0.2)**	**(0.6)**	**(2.5)**	(1.9)	(0.1)	—	(1.9)
Adjusted EBITDA	**$ 115.3**	**(11.6)**	**(0.6)**	**$ 103.1**	$ 104.1	(30.0)	—	$ 74.1
Adjusted EBITDA Margin	**9.3%**	**(31.7)%**	**n/a**	**8.1%**	9.0%	(73.6)%	n/a	6.2%
Interest expense and other financing costs	**(37.5)**	**(0.1)**	**—**	**(37.6)**	(8.3)	(2.5)	—	(10.8)
Interest income	**0.8**	**—**	**—**	**0.8**	—	—	—	—
Depreciation and amortization	**(54.8)**	**(4.9)**	**—**	**(59.7)**	(48.3)	(4.1)	—	(52.4)
Adjusted EBT	**$ 23.8**	**(16.5)**	**(0.6)**	**$ 6.7**	$ 47.5	(36.6)	—	$ 10.9

(i) *Totals may not add due to rounding.*

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

(iii) *Start-up expenses are temporary costs as a result of operating new facilities that are or have been classified as Construction Capital. These costs can include training, product testing, yield and labour efficiency variances, duplicative overheads and other temporary expenses required to ramp-up production.*

(iv) *Primarily includes certain costs associated with sustainability projects, gains and losses on the sale of long-term assets, gains and losses on investments, and other miscellaneous expenses.*

($ millions)[i] (Unaudited)	Six months ended June 30, 2023 Meat Protein Group	Plant Protein Group	Non-Allocated[ii]	Total	Six months ended June 30, 2022 Meat Protein Group	Plant Protein Group	Non-Allocated[ii]	Total
(Loss) earnings before income taxes	**$ 18.9**	**(44.6)**	**(108.0)**	**$ (133.7)**	$ 84.2	(92.2)	(29.6)	$ (37.6)
Interest expense and other financing costs	**—**	**—**	**69.2**	**69.2**	—	—	18.5	18.5
Other expense	**3.2**	**0.4**	**3.3**	**6.9**	3.4	0.1	1.6	5.1
Restructuring and other related costs	**7.6**	**11.2**	**—**	**18.8**	3.4	18.7	—	22.1
Earnings (loss) from operations	**$ 29.7**	**(33.0)**	**(35.5)**	**$ (38.9)**	$ 91.0	(73.5)	(9.5)	$ 8.0
Start-up expenses from Construction Capital[iii]	**68.5**	**—**	**—**	**68.5**	17.7	4.5	—	22.2
Change in fair value of biological assets	**—**	**—**	**28.7**	**28.7**	—	—	10.7	10.7
Unrealized and deferred loss (gain) on derivative contracts	**—**	**—**	**6.8**	**6.8**	—	—	(1.2)	(1.2)
Adjusted Operating Earnings	**$ 98.2**	**(33.0)**	**—**	**$ 65.2**	$ 108.7	(68.9)	—	$ 39.7
Depreciation and amortization	**107.6**	**9.8**	**—**	**117.4**	96.3	8.3	—	104.6
Items included in other income (expense) representative of ongoing operations[iv]	**(3.2)**	**(0.4)**	**(0.6)**	**(4.1)**	(3.4)	(0.1)	—	(3.5)
Adjusted EBITDA	**$ 202.6**	**(23.6)**	**(0.6)**	**$ 178.4**	$ 201.6	(60.7)	—	$ 140.9
Adjusted EBITDA Margin	**8.5%**	**(31.9)%**	**n/a**	**7.3%**	9.0%	(70.8)%	n/a	6.1%
Interest expense and other financing costs	**(69.0)**	**(0.1)**	**—**	**(69.2)**	(13.5)	(5.0)	—	(18.5)
Interest income	**0.8**	**—**	**—**	**0.8**	—	—	—	—
Depreciation and amortization	**(107.6)**	**(9.8)**	**—**	**(117.4)**	(96.3)	(8.3)	—	(104.6)
Adjusted EBT	**$ 26.8**	**(33.5)**	**(0.6)**	**$ (7.3)**	$ 91.8	(74.0)	—	$ 17.8

(i) *Totals may not add due to rounding.*

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

(iii) *Start-up expenses are temporary costs as a result of operating new facilities that are or have been classified as Construction Capital. These costs can include training, product testing, yield and labour efficiency variances, duplicative overheads and other temporary expenses required to ramp-up production.*

(iv) *Primarily includes certain costs associated with sustainability projects, gains and losses on the sale of long-term assets, gains and losses on investments, and other miscellaneous expenses.*

Adjusted Earnings per Share

Adjusted Earnings per Share, a non-IFRS measure, is used by Management to evaluate financial operating results. It is defined as basic earnings per share and is adjusted on the same basis as Adjusted Operating Earnings. The table below provides a reconciliation of basic earnings per share as reported under IFRS in the Consolidated Interim Financial Statements to Adjusted Earnings per Share for the three and six months ended June 30 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 June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Basic loss per share	**$ (0.44)**	$ (0.44)	**$ (0.92)**	$ (0.33)
Restructuring and other related costs[(i)]	**0.08**	0.13	**0.14**	0.15
Items included in other expense not considered representative of ongoing operations[(ii)]	**0.01**	—	**0.02**	0.01
Start-up expenses from Construction Capital[(iii)]	**0.21**	0.07	**0.42**	0.14
Change in fair value of biological assets	**0.17**	0.30	**0.18**	0.06
Change in unrealized and deferred fair value on derivatives	**(0.02)**	(0.07)	**0.04**	(0.01)
Adjusted Earnings per Share[(iv)]	**$ 0.00**	$ 0.00	**$ (0.12)**	$ 0.03

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

(ii) *Primarily includes legal fees, gains or losses on investment property, and transaction related costs, net of tax.*

(iii) *Start-up expenses are temporary costs as a result of operating new facilities that are or have been classified as Construction Capital. These costs can include training, product testing, yield and labour efficiency variances, duplicative overheads and other temporary expenses required to ramp-up production, net of tax.*

(iv) *Totals may not add due to rounding.*

Construction Capital

Construction Capital, a non-IFRS measure, is used by Management to evaluate the amount of capital resources invested in specific strategic development projects that are not yet operational. It is defined as investments and related financing charges in projects over $50.0 million that are related to longer-term strategic initiatives, with no returns expected for at least 12 months from commencement of construction and the asset is re-categorized from Construction Capital once operational. The current balance of Construction Capital includes investment in increased further processed poultry capacity in the Prepared Meats facility in Brampton, Ontario. Investments in capacity at the Walker Drive facility in Brampton, Ontario, and the plant protein facility in Indianapolis, Indiana were moved out of construction capital upon completion during the first quarter of 2022, and the London Poultry facility was moved out of construction capital during the fourth quarter of 2022 when commercial production began. The following table is a summary of Construction Capital activity and debt financing for the periods indicated below.

($ thousands) (Unaudited)	2023	2022
Property and equipment and intangibles at January 1	**$ 2,663,985**	$ 2,554,483
Other capital and intangible assets at January 1[(i)]	**2,654,419**	1,811,164
Construction Capital at January 1	**$ 9,566**	$ 743,319
Additions	**8,822**	54,776
Transfers from Construction Capital	**—**	(182,210)
Construction Capital at March 31	**$ 18,388**	$ 615,885
Additions	**18,896**	49,903
Construction Capital at June 30[(ii)]	**$ 37,284**	$ 665,788
Other capital and intangible assets at June 30[(i)]	**2,598,055**	1,957,586
Property and equipment and Intangibles at June 30	**$ 2,635,339**	$ 2,623,374
Construction Capital debt financing[(iii)(iv)]	**$ 36,589**	$ 637,795

(i) *Other capital and intangible assets consists of property and equipment and intangibles that do not meet the definition of Construction Capital.*

(ii) *As at June 30, 2023, the net book value of Construction Capital includes $0.5 million related to intangible assets (June 30, 2022: $2.6 million; December 31, 2022: $0.0 million).*

(iii) *Does not include $1,011.3 million in capital that has been transferred out but is still in the start-up stage (2022: $260.8 million).*

(iv) *Assumed to be fully funded by debt to the extent that the Company has Net Debt outstanding. Construction Capital debt financing excludes interest paid and capitalized.*

Net Debt

The following table reconciles Net Debt to amounts reported under IFRS in the Company's Consolidated Interim Financial Statements as at June 30 as indicated below. The Company calculates Net Debt as cash and cash equivalents, less long-term debt and bank indebtedness. Management believes this measure is useful in assessing the amount of financial leverage employed.

($ thousands) *(Unaudited)*	**As at June 30,**	
	2023	2022
Cash and cash equivalents	**$ 156,859**	$ 92,971
Current portion of long-term debt	**$ (398,394)**	$ (1,029)
Long-term debt	**(1,565,822)**	(1,513,124)
Total debt	**$(1,964,216)**	$(1,514,153)
Net Debt	**$(1,807,357)**	$(1,421,182)

Free Cash Flow

Free Cash Flow, a non-IFRS measure, is used by Management to evaluate cash flow after investing in the maintenance of the Company's asset base. It is defined as cash provided by operations, less Maintenance Capital[(i)] and associated interest paid and capitalized. The following table calculates Free Cash Flow for the periods indicated below:

($ thousands) *(Unaudited)*	**Three months ended June 30,**		**Six months ended June 30,**	
	2023	2022	**2023**	2022
Cash (used in) provided by operating activities	**$ (57,004)**	$ 16,492	**$ (21,290)**	$ (68,501)
Maintenance Capital[(i)]	**(19,070)**	(16,336)	**(42,178)**	(30,870)
Interest paid and capitalized related to Maintenance Capital	**(252)**	(1)	**(486)**	(172)
Free Cash Flow[(ii)]	**$ (76,326)**	$ 155	**$ (63,954)**	$ (99,543)

(i) *Maintenance Capital is defined as non-discretionary investment required to maintain the Company's existing operations and competitive position. For the three and six months ended June 30, 2023, total capital spending of $55.9 million and $105.1 million (2022: $81.9 million and $179.2 million) shown on the Consolidated Statements of Cash Flows is made up of Maintenance Capital of $19.1 million and $42.2 million (2022: $16.3 million and $30.9 million), and Growth Capital of $36.8 million and $62.9 million (2022: $65.6 million and $148.4 million).Growth Capital is defined as discretionary investment meant to create stakeholder value through initiatives that for example, expand margins, increase capacities or create further competitive advantage.*

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

Return on Net Assets ("RONA")

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.

<u>Forward-Looking Statements</u>

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, judgements 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:

- post-COVID-19 pandemic recovery, including implications for supply chain, workforce availability, global pork markets and consumption patterns;

- expected future cash flows and the sufficiency thereof, sources of capital at attractive rates, future contractual obligations, future financing options, renewal of credit facilities, compliance with credit facility covenants, and availability of capital to fund growth plans, operating obligations and dividends;
- future performance, including future financial objectives, goals and targets, category growth analysis, expected capital spend and expected SG&A expenditures, global pork market dynamics, Japan export market margin outlook, labour markets, inflationary pressures (including the ability to price for inflation);
- ongoing impacts or potential for a recurrence of a cybersecurity incident on the Company's systems, business and operations, as well as the ability to mitigate the financial and operational impacts, the success of remediation and recovery efforts, the implications of data exfiltration, and other ongoing risks associated with cybersecurity;
- the execution of the Company's business strategy, including the development and expected timing of business initiatives, brand expansion and repositioning, plant protein category investment and performance, market access in China and Japan, capital allocation decisions (including investment in share repurchases under the NCIB) and investment in potential growth opportunities and the expected returns associated therewith;
- the impact of international trade conditions and markets on the Company's business, including access to markets, implications associated with the spread of foreign animal disease (such as African Swine Fever ("ASF")) and other animal diseases such as Avian Influenza, as well as other social, economic and political factors that affect trade, including the war in Ukraine;
- 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 and foreign exchange impacts on the Company's operations and financial performance, including the use and effectiveness of hedging instruments;
- operating risks, including the execution, monitoring and continuous improvement of the Company's food safety programs, animal health initiatives, cost reduction initiatives, and service levels (including service level penalties);
- the implementation, cost and impact of environmental sustainability initiatives, the ability of the Company to achieve its sustainability objectives, changing climate and sustainability laws and regulation, changes in customer and consumer expectations related to sustainability matters, as well as the anticipated future cost of remediating environmental liabilities;
- the adoption of new accounting standards and the impact of such adoption on the financial position of the Company;
- expectations regarding pension plan performance, including future pension plan assets, liabilities and contributions; and
- developments and implications of actual or potential legal actions.

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

- expectations regarding the ongoing impact and future implications of post-COVID-19 pandemic recovery, including adaptations in operations, supply chain, customer and consumer behaviour, economic patterns (including but not limited to global pork markets), foreign exchange rates, international trade dynamics and access to capital;
- the competitive environment, associated market conditions and market share metrics, category growth or contraction, 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 the Meat Protein Group, the execution of the Adjusted EBITDA neutral strategy for the Plant Protein Group and the relationship between pricing, inflation, volume and sales of the Company's products;
- prevailing commodity prices (especially in pork and feed markets), interest rates, tax rates and exchange rates;
- potential ongoing impacts of the cybersecurity incident, the potential for a future incident, the risks associated with data exfiltration, the availability of insurance, the effectiveness of remediation and prevention activities, third party activities, ongoing impacts, customer, consumer and supplier responses and regulatory considerations;
- the economic condition of and the sociopolitical dynamics between Canada, the U.S., Japan and China, and the ability of the Company to access markets and source ingredients and other inputs in light of global sociopolitical disruption, and the ongoing impact of the war in Ukraine on international relations, trade and markets;
- the spread of foreign animal disease (including ASF and Avian Influenza), preparedness strategies to manage such spread, and implications for all protein markets;
- the availability of and access to capital to fund future capital requirements and ongoing operations;
- 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 sales volumes, turnover of inventories and turnover of accounts receivable.

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

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

- implications of the post-COVID-19 pandemic recovery on the operations and financial performance of the Company, as well the ongoing implications for macro socio-economic trends;
- macro economic trends, including inflation, recessionary indicators, labour availability and labour market dynamics and international trade trends (including global pork markets);
- the results of the Company's execution of its business plans, the degree to which benefits are realized or not, and the timing associated realizing those benefits, including the implications on cash flow;
- competition, market conditions, and the activities of competitors and customers, including the expansion or contraction of key categories. pork market dynamics and Japan export margins;
- cybersecurity and maintenance and operation of the Company's information systems, processes and data, recovery, restoration and long term impacts of the cybersecurity event, the risk of future cybersecurity events, actions of third parties, risks of data exfiltration, effectiveness of business continuity planning and execution, and availability of insurance;
- the health status of livestock, including the impact of potential pandemics;
- international trade and access to markets and supplies, as well as social, political and economic dynamics, including the war in Ukraine;
- operating performance, including manufacturing operating levels, fill rates and penalties;
- availability of and access to capital, and compliance with credit facility covenants;
- decision respecting the return of capital to shareholders;
- the execution of capital projects, including cost, schedule and regulatory variables, all of which impact expected returns on investment;
- food safety, consumer liability and product recalls;
- climate change, climate regulation and the Company's sustainability performance;
- strategic risk management, including execution of the Adjusted EBITDA neutral strategy in the plant protein segment;
- acquisitions and divestitures;
- fluctuations in the debt and equity markets;
- fluctuations in interest rates and currency exchange rates;
- pension assets and liabilities;
- cyclical nature of the cost and supply of hogs and the competitive nature of the pork market generally;
- the effectiveness of commodity and interest rate hedging strategies;
- impact of changes in the market value of the biological assets and hedging instruments;
- the supply management system for poultry in Canada;
- availability of plant protein ingredients;
- intellectual property, including product innovation, product development, brand strategy and trademark protection;
- consolidation of operations and focus on protein;
- the use of contract manufacturers;
- reputation;
- weather;
- compliance with government regulation and adapting to changes in laws;
- actual and threatened legal claims;
- consumer trends and changes in consumer tastes and buying patterns;
- environmental regulation and potential environmental liabilities;

- consolidation in the retail environment;
- employment matters, including complying with employment laws across multiple jurisdictions, the potential for work stoppages due to non-renewal of collective agreements, recruiting and retaining qualified personnel, reliance on key personnel and succession planning;
- pricing of products;
- managing the Company’s supply chain;
- changes in International Financial Reporting Standards and other accounting standards that the Company is required to adhere to for regulatory purposes; and
- other factors as set out under the heading "Risk Factors" in the Company's Management Discussion and Analysis for the year ended December 31, 2022.

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, and Adjusted EBITDA target in the Plant Protein Group (including the timing, pace and impact of restructuring activities), 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, 2022, that is available on SEDAR at www.sedar.com. The reader should review such section in detail. Additional information concerning the Company, including the Company’s Annual Information Form, is available on SEDAR at www.sedar.com.

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

About Maple Leaf Foods Inc.

Maple Leaf Foods is a carbon neutral company with a vision to be the most sustainable protein company on earth, responsibly producing food products under leading brands including Maple Leaf®, Maple Leaf Prime®, Maple Leaf Natural Selections®, Schneiders®, Schneiders® Country Naturals®, Mina®, Greenfield Natural Meat Co.®, Lightlife® and Field Roast™. The Company employs approximately 14,000 people and does business primarily in Canada, the U.S. and Asia. The Company is headquartered in Mississauga, Ontario and its shares trade on the Toronto Stock Exchange (MFI).

Consolidated Interim Balance Sheets

(In thousands of Canadian dollars) (Unaudited)	**As at June 30, 2023**	As at June 30, 2022[i]	As at December 31, 2022[i]	As at January 1, 2022[i]
ASSETS				
Cash and cash equivalents	**$ 156,859**	$ 92,971	$ 91,076	$ 162,031
Accounts receivable	**205,930**	191,199	167,611	167,082
Notes receivable	**48,159**	62,609	48,556	33,294
Inventories	**523,377**	507,489	485,979	409,677
Biological assets	**111,796**	129,181	144,169	138,209
Income taxes recoverable	**69,521**	6,297	57,497	1,830
Prepaid expenses and other assets	**36,786**	50,774	50,266	24,988
Assets held for sale	**11,204**	604	604	—
Total current assets	**$ 1,163,632**	$ 1,041,124	$ 1,045,758	$ 937,111
Property and equipment	**2,285,314**	2,262,609	2,303,424	2,189,165
Right-of-use assets	**150,211**	158,328	159,199	161,662
Investments	**22,869**	22,667	23,712	22,326
Investment property	**5,289**	7,244	5,289	5,289
Employee benefits	**49,699**	15,873	12,531	—
Other long-term assets	**9,601**	18,928	12,493	9,780
Deferred tax asset	**41,450**	48,725	42,541	39,907
Goodwill	**477,353**	662,261	477,353	658,673
Intangible assets	**350,025**	360,765	360,561	365,318
Total long-term assets	**$ 3,391,811**	$ 3,557,400	$ 3,397,103	$ 3,452,120
Total assets	**$ 4,555,443**	$ 4,598,524	$ 4,442,861	$ 4,389,231
LIABILITIES AND EQUITY				
Accounts payable and accruals	**$ 528,481**	$ 545,432	$ 485,114	$ 526,189
Current portion of provisions	**23,837**	32,680	42,589	842
Current portion of long-term debt	**398,394**	1,029	921	5,176
Current portion of lease obligations	**37,749**	37,522	38,321	31,375
Income taxes payable	**1,600**	—	2,311	23,853
Other current liabilities	**17,998**	43,106	64,684	81,265
Total current liabilities	**$ 1,008,059**	$ 659,769	$ 633,940	$ 668,700
Long-term debt	**1,565,822**	1,513,124	1,709,493	1,247,073
Lease obligations	**137,029**	142,462	144,569	144,391
Employee benefits	**64,251**	64,964	64,280	97,629
Provisions	**2,281**	16,197	3,799	44,650
Other long-term liabilities	**928**	2,232	1,841	1,057
Deferred tax liability	**223,190**	177,360	221,606	147,060
Total long-term liabilities	**$ 1,993,501**	$ 1,916,339	$ 2,145,588	$ 1,681,860
Total liabilities	**$ 3,001,560**	$ 2,576,108	$ 2,779,528	$ 2,350,560
Shareholders' equity				
Share capital	**$ 859,046**	$ 862,688	$ 850,086	$ 847,016
Retained earnings	**671,870**	1,160,951	809,616	1,212,244
Contributed surplus	**—**	9,969	—	5,371
Accumulated other comprehensive income	**30,150**	14,724	29,547	286
Treasury shares	**(7,183)**	(25,916)	(25,916)	(26,246)
Total shareholders' equity	**$ 1,553,883**	$ 2,022,416	$ 1,663,333	$ 2,038,671
Total liabilities and equity	**$ 4,555,443**	$ 4,598,524	$ 4,442,861	$ 4,389,231

[i] *Restated, refer to Note 3 of the Consolidated Interim Financial Statements.*

Consolidated Interim Statements of Net Loss

(In thousands of Canadian dollars, except share amounts) *(Unaudited)*	**Three months ended June 30,**		**Six months ended June 30,**	
	2023	2022	**2023**	2022
Sales	**$ 1,269,664**	$ 1,195,133	**$ 2,444,553**	$ 2,321,686
Cost of goods sold	**1,176,069**	1,107,894	**2,274,511**	2,080,584
Gross profit	**$ 93,595**	$ 87,239	**$ 170,042**	$ 241,102
Selling, general and administrative expenses	**106,184**	113,608	**208,897**	233,065
(Loss) earnings before the following:	**$ (12,589)**	$ (26,369)	**$ (38,855)**	$ 8,037
Restructuring and other related costs	**11,026**	19,039	**18,775**	22,057
Other expense	**2,579**	2,452	**6,874**	5,076
(Loss) before interest and income taxes	**$ (26,194)**	$ (47,860)	**$ (64,504)**	$ (19,096)
Interest expense and other financing costs	**37,554**	10,786	**69,157**	18,502
(Loss) before income taxes	**$ (63,748)**	$ (58,646)	**$ (133,661)**	$ (37,598)
Income tax (recovery) expense	**(10,070)**	(4,034)	**(22,279)**	3,327
Net loss	**$ (53,678)**	$ (54,612)	**$ (111,382)**	$ (40,925)
(Loss) earnings per share attributable to common shareholders:				
Basic loss per share	**$ (0.44)**	$ (0.44)	**$ (0.92)**	$ (0.33)
Diluted loss per share	**$ (0.44)**	$ (0.44)	**$ (0.92)**	$ (0.33)
Weighted average number of shares (millions):				
Basic	**121.5**	124.1	**121.5**	124.0
Diluted	**121.5**	124.1	**121.5**	124.0

Consolidated Interim Statements of Other Comprehensive Income (Loss)

(In thousands of Canadian dollars) *(Unaudited)*	Three months ended June 30, **2023**	Three months ended June 30, 2022	Six months ended June 30, **2023**	Six months ended June 30, 2022
Net loss	**$ (53,678)**	$ (54,612)	**$ (111,382)**	$ (40,925)
Other comprehensive income				
Actuarial (losses) gains that will not be reclassified to profit or loss (Net of tax of $8.9 million and $9.6 million; 2022: $0.2 million and $13.6 million)	**$ 25,779**	$ 505	**$ 27,903**	$ 39,406
Change in revaluation surplus (Net of tax of $0.0 million and $1.7 million; 2022: $0.0 million and $0.0 million)	**—**	—	**6,993**	—
Total items that will not be reclassified to profit or loss	**$ 25,779**	$ 505	**$ 34,896**	$ 39,406
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; 2022: $0.0 million and $0.0 million)	**(8,686)**	15,063	**(9,119)**	8,092
Change in foreign exchange on long-term debt designated as a net investment hedge (Net of tax of $1.2 million and $1.2 million; 2022: $1.7 million and $1.1 million)	**6,498**	(9,085)	**6,618**	(5,525)
Change in cash flow hedges (Net of tax of $0.8 million and $1.8 million; 2022: $0.7 million and $4.1 million)	**(782)**	1,907	**(3,889)**	11,871
Total items that are or may be reclassified subsequently to profit or loss	**$ (2,970)**	$ 7,885	**$ (6,390)**	$ 14,438
Total other comprehensive income	**$ 22,809**	$ 8,390	**$ 28,506**	$ 53,844
Comprehensive (loss) income	**$ (30,869)**	$ (46,222)	**$ (82,876)**	$ 12,919

Consolidated Interim Statements of Changes in Total Equity

(In thousands of Canadian dollars) (Unaudited)	Share capital	Retained earnings	Contributed surplus	Accumulated other comprehensive income (loss): Foreign currency translation adjustment(i)	Unrealized gains and losses on cash flow hedges(i)	Unrealized gains on fair value of investments(i)	Revaluation Surplus(iii)	Treasury shares	Total equity
Balance at December 31, 2022(iii)	**$850,086**	**809,616**	**—**	**10,972**	**12,885**	**2,945**	**2,745**	**(25,916)**	**$ 1,663,333**
Net loss	**—**	**(111,382)**	**—**	**—**	**—**	**—**	**—**	**—**	**(111,382)**
Other comprehensive income (loss)(ii)	**—**	**27,903**	**—**	**(2,501)**	**(3,889)**	**—**	**6,993**	**—**	**28,506**
Dividends declared ($0.42 per share)	**—**	**(51,252)**	**—**	**—**	**—**	**—**	**—**	**—**	**(51,252)**
Share-based compensation expense	**—**	**—**	**6,062**	**—**	**—**	**—**	**—**	**—**	**6,062**
Deferred taxes on share-based compensation	**—**	**—**	**1,100**	**—**	**—**	**—**	**—**	**—**	**1,100**
Exercise of stock options	**4,447**	**—**	**(1,363)**	**—**	**—**	**—**	**—**	**—**	**3,084**
Shares re-purchased	**(4,498)**	**—**	**(11,595)**	**—**	**—**	**—**	**—**	**—**	**(16,093)**
Shares sold by RSU trust	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**9,841**	**9,841**
Settlement of share-based compensation	**—**	**(3,015)**	**(15,192)**	**—**	**—**	**—**	**—**	**8,892**	**(9,315)**
Change in obligation for repurchase of shares	**9,011**	**—**	**20,988**	**—**	**—**	**—**	**—**	**—**	**29,999**
Balance at June 30, 2023	**$859,046**	**671,870**	**—**	**8,471**	**8,996**	**2,945**	**9,738**	**(7,183)**	**$ 1,553,883**

(In thousands of Canadian dollars) (Unaudited)	Share capital	Retained earnings	Contributed surplus	Accumulated other comprehensive income (loss)(i): Foreign currency translation adjustment(i)	Unrealized gains and losses on cash flow hedges(i)	Unrealized gains on fair value of investments(i)	Revaluation Surplus(iii)	Treasury shares	Total equity
Balance at January 1, 2022(iii)	$847,016	1,212,244	5,371	2,037	(7,441)	2,945	2,745	(26,246)	$ 2,038,671
Net loss	—	(40,925)	—	—	—	—	—	—	(40,925)
Other comprehensive income (loss)(ii)	—	39,406	—	2,567	11,871	—	—	—	53,844
Dividends declared ($0.40 per share)	—	(49,774)	—	—	—	—	—	—	(49,774)
Share-based compensation expense	—	—	13,758	—	—	—	—	—	13,758
Modification of stock compensation plan	—	—	(3,594)	—	—	—	—	—	(3,594)
Deferred taxes on share-based compensation	—	—	(800)	—	—	—	—	—	(800)
Exercise of stock options	5,888	—	(1,289)	—	—	—	—	—	4,599
Shares purchased by RSU trust	—	—	—	—	—		—	(7,500)	(7,500)
Settlement of share-based compensation	—	—	(15,560)	—	—	—	—	7,830	(7,730)
Change in obligation for repurchase of shares	9,784	—	12,083	—	—	—	—	—	21,867
Balance at June 30, 2022	$862,688	1,160,951	9,969	4,604	4,430	2,945	2,745	(25,916)	$ 2,022,416

(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.*

(iii) *Restated, refer to Note 3 of the Consolidated Interim Financial Statements.*

Consolidated Interim Statements of Cash Flows

(In thousands of Canadian dollars) *(Unaudited)*	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
CASH PROVIDED BY (USED IN):				
Operating activities				
Net loss	**$ (53,678)**	$ (54,612)	**$ (111,382)**	$ (40,925)
Add (deduct) items not affecting cash:				
Change in fair value of biological assets	**27,547**	49,963	**28,674**	10,652
Depreciation and amortization	**66,371**	57,239	**133,796**	114,430
Share-based compensation	**4,050**	9,362	**6,062**	13,758
Deferred income taxes	**(5,144)**	(3,160)	**(8,018)**	4,812
Income tax current	**(4,926)**	(874)	**(14,261)**	(1,485)
Interest expense and other financing costs	**37,554**	10,786	**69,157**	18,502
Loss on sale of long-term assets	**741**	1,124	**975**	1,582
Impairment of property and equipment and ROU assets	**6,530**	16,056	**6,530**	16,056
Change in fair value of non-designated derivatives	**(8,635)**	(14,109)	**(5,526)**	(12,535)
Change in net pension obligation	**(136)**	1,944	**331**	4,442
Net income taxes paid	**3,143**	(2,875)	**1,366**	(26,487)
Interest paid, net of capitalized interest	**(33,838)**	(22,712)	**(67,628)**	(30,388)
Change in provision for restructuring and other related costs	**(13,545)**	1,743	**(19,551)**	3,456
Change in derivatives margin	**8,454**	24,784	**(5,286)**	(319)
Cash settlement of derivatives	**(2,735)**	—	**8,274**	—
Other	**(3,913)**	(6,559)	**(3,696)**	(7,810)
Change in non-cash operating working capital	**(84,844)**	(51,608)	**(41,107)**	(136,242)
Cash (used in) provided by operating activities	**$ (57,004)**	$ 16,492	**$ (21,290)**	$ (68,501)
Investing activities				
Additions to long-term assets	**$ (55,869)**	$ (81,935)	**$ (105,121)**	$ (179,240)
Interest paid and capitalized	**(757)**	(5,123)	**(1,238)**	(9,620)
Proceeds from sale of long-term assets	**206**	23	**270**	117
Purchase of investments	**(100)**	—	**(100)**	—
Cash used in investing activities	**$ (56,520)**	$ (87,035)	**$ (106,189)**	$ (188,743)
Financing activities				
Dividends paid	**$ (25,693)**	$ (24,901)	**$ (51,252)**	$ (49,774)
Net increase in long-term debt	**219,554**	141,085	**268,354**	255,947
Payment of lease obligation	**(7,462)**	(8,682)	**(17,380)**	(18,090)
Receipt of lease inducement	**—**	—	**—**	6,847
Exercise of stock options	**2,315**	881	**3,084**	4,599
Repurchase of shares	**(5,324)**	—	**(16,093)**	—
Sale (purchase) of treasury shares	**9,841**	(7,500)	**9,841**	(7,500)
Payment of financing fees	**(2,281)**	(3,845)	**(3,292)**	(3,845)
Cash provided by financing activities	**$ 190,950**	$ 97,038	**$ 193,262**	$ 188,184
Increase (decrease) in cash and cash equivalents	**$ 77,426**	$ 26,495	**$ 65,783**	$ (69,060)
Cash and cash equivalents, beginning of period	**79,433**	66,476	**91,076**	162,031
Cash and cash equivalents, end of period	**$ 156,859**	$ 92,971	**$ 156,859**	$ 92,971