



MAPLE LEAF FOODS INC.

Management's Discussion and Analysis
For the Third Quarter Ended
September 30, 2017

Management's Discussion and Analysis

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

October 25, 2017

FINANCIAL OVERVIEW

Sales for the third quarter of 2017 were \$908.4 million compared to \$852.1 million last year, an increase of 6.6%, or 5.8% after adjusting for the impact of foreign exchange and acquisitions.

Sales for the first nine months were \$2,645.4 million compared to \$2,503.6 million last year, an increase of 5.7%, or 4.6% after adjusting for the impact of foreign exchange and acquisitions.

Net earnings for the third quarter increased to \$37.6 million (\$0.29 per basic share) compared to \$31.8 million (\$0.24 per basic share) last year. Sales growth across the business contributed to earnings in the quarter. Robust performance in the value-added fresh portfolio was partially offset by margin compression in prepared meats related to high raw material costs. The Company implemented pricing action during the latter part of the third quarter to address the impact of higher input costs. Net earnings were also impacted by a one-time gain on the sale of a legacy plant, higher restructuring costs and a change in the fair value of biological assets. For the first nine months, net earnings were \$105.0 million (\$0.81 per basic share) compared to \$105.5 million (\$0.78 per basic share) last year for similar reasons to the above. Year to date results were also impacted by non-routine items in other income, which are excluded in calculating Adjusted Operating Earnings⁽ⁱ⁾ below.

Adjusted Operating Earnings for the third quarter were \$65.2 million compared to \$61.5 million last year, and Adjusted Earnings per Share⁽ⁱⁱ⁾ increased to \$0.39 from \$0.32 last year. For the first nine months, Adjusted Operating Earnings increased to \$199.2 million from \$175.6 million, and Adjusted Earnings per Share increased to \$1.13 from \$0.92 last year.

Adjusted EBITDA Margin⁽ⁱⁱⁱ⁾ for the third quarter was 10.6% compared to 10.3% last year. For the first nine months, Adjusted EBITDA Margin increased to 10.9% from 10.3%.

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 of this Management Discussion and Analysis on page 8 for a description and reconciliation of all non-IFRS financial measures.

Notes:

- ⁽ⁱ⁾ *Adjusted Operating Earnings, a non-IFRS measure, is used by Management to evaluate financial operating results. It is defined as earnings before income taxes adjusted for items that are not considered representative of ongoing operational activities of the business, and items where the economic impact of the transactions will be reflected in earnings in future periods when the underlying asset is sold or transferred. Please refer to the section entitled Non-IFRS Financial Measures starting on page 8 of this document.*
- ⁽ⁱⁱ⁾ *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. Please refer to the section entitled Non-IFRS Financial Measures starting on page 8 of this document.*
- ⁽ⁱⁱⁱ⁾ *Adjusted EBITDA, a non-IFRS measure, is calculated as earnings before interest and income taxes plus depreciation and intangible asset amortization, adjusted for items that are not considered representative of ongoing operational activities of the business, and items where the economic impact of the transactions will be reflected in earnings in future periods when the underlying asset is sold or transferred. Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by sales. Please refer to the section entitled Non-IFRS Financial Measures starting on page 8 of this document.*

OPERATING REVIEW

Following the sale of Canada Bread Company, Limited, the Company undertook significant reorganization of the internal leadership and reporting structure, as previously disclosed. The reorganization is now largely complete and the Company is arranged as a single, focused protein company. As such, the Company has transitioned to a single operating and reporting segment.

The following table summarizes the Company's total sales and Adjusted Operating Earnings for the quarter.

(\$ thousands) (Unaudited)	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Total Sales	\$ 908,359	\$ 852,099	\$ 2,645,417	\$ 2,503,634
Adjusted Operating Earnings	\$ 65,152	\$ 61,516	\$ 199,188	\$ 175,564

SALES AND ADJUSTED OPERATING EARNINGS

Sales for the third quarter increased 6.6% to \$908.4 million or 5.8% after adjusting for the impact of foreign exchange and acquisitions compared to last year. Higher sales across the portfolio benefited from improved volumes, as well as the addition of Lightlife Foods Holdings, Inc. ("Lightlife").

Sales for the first nine months increased 5.7% to \$2,645.4 million or 4.6% after adjusting for the impact of foreign exchange and acquisitions.

Adjusted Operating Earnings increased to \$65.2 million compared to \$61.5 million last year. Increased sales across the business contributed to earnings growth in the quarter. Earnings performance in the value-added fresh portfolio was partially offset by margin compression in prepared meats related to high raw material costs in the period. The one-time gain on the sale of a legacy plant, higher restructuring costs and a change in the fair value of biological assets have been excluded in arriving at Adjusted Operating Earnings.

Adjusted Operating Earnings in the first nine months was \$199.2 million compared to \$175.6 million last year.

GROSS MARGIN

Gross margin in the third quarter was \$130.2 million (14.3% of sales) compared to \$121.0 million (14.2% of sales) last year. Gross margin increased in line with underlying business performance driven by improved sales and volumes in the current year, which were partially offset by changes in the fair value of biological assets and derivatives.

For the first nine months, gross margin was \$411.6 million (15.6% of sales) compared to \$386.1 million (15.4% of sales) last year.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the third quarter were \$86.5 million (9.5% of sales), compared to \$78.6 million (9.2% of sales) last year. In line with our targeted range, the moderate increase includes Lightlife expenses which were not part of the comparable period.

For the first nine months of 2017, selling, general and administrative expenses were \$256.5 million (9.7% of sales), compared to \$235.4 million (9.4% of sales) last year.

OTHER INCOME (EXPENSE)

Other income for the third quarter was \$12.8 million compared to \$4.6 million last year. This increase is primarily due to gain on sale of investment properties, an insurance recovery offset by an asset impairment related to the insurance recovery, and changes in environmental provisions related to either investment properties no longer held by the Company, or plants announced for closure.

For the first nine months of 2017, other income was \$8.9 million compared to \$1.4 million last year, primarily due to similar reasons as the above, but partially offset by transaction costs related to the acquisition of Lightlife. Refer to Note 17 of the unaudited condensed consolidated interim financial statements (or "consolidated financial statements") for information on the acquisition.

Certain items in other income (expense) are excluded from the calculation of Adjusted EBITDA and Adjusted Earnings per Share as they are not considered representative of ongoing operational activities of the business. Other income (expense) used in the calculation of Adjusted EBITDA and Adjusted Earnings per Share for the third quarter is income of \$2.4 million (2016: expense of \$0.8 million) and income of \$2.4 million (2016: expense of \$1.2 million) for the first nine months.

RESTRUCTURING AND OTHER RELATED COSTS

During the three months ended September 30, 2017, the Company recorded restructuring and other related costs of \$5.6 million (2016: \$0.5 million). Of this amount, \$4.5 million related to accelerated depreciation and severance and other employee costs as a result of the announced closure of the Thamesford turkey processing plant. In addition, \$1.0 million related to an onerous lease for vacated space in the Company's office facilities.

During the nine months ended September 30, 2017, the Company recorded restructuring and the other related costs of \$17.1 million (2016: \$2.3 million). Of this amount, \$13.5 million related to accelerated depreciation and severance and other employee costs as a result of the announced closure of the Thamesford turkey processing plant. In addition, \$1.9 million related to adjustments to share-based compensation for terminated employees pertaining to changes to the Company's management structure associated with previously divested businesses, and \$1.0 million related to an onerous lease for vacated space in the Company's office facilities.

INCOME TAXES

The Company's income tax expense for the third quarter resulted in an effective tax rate of 24.1% (2016: 27.0%). The lower effective tax rate in 2017 primarily resulted from adjustments to income tax expense relating to prior periods and the favourable resolution of an income tax audit in the quarter. The effective tax rate excluding these items was 27.1%. For 2017, the effective tax recovery rate on restructuring charges used in the computation of Adjusted Earnings per Share is 26.1% (2016: 26.1%). The effective tax recovery rate

on items not considered representative of ongoing operations in 2017 is 22.8% (2016: 25.3%). The effective tax rate in 2017 in determining Adjusted Earnings per Share is 24.1% (2016: 26.6%).

The Company's income tax expense for the nine months resulted in an effective tax rate of 26.6% (2016: 27.1%). For 2017, the effective tax recovery rate on restructuring charges used in the computation of Adjusted Earnings per Share is 26.1% (2016: 26.1 %). The effective tax recovery rate on items not considered representative of ongoing operations in 2017 is 23.6% (2016: 25.1%). The lower effective rate of recovery in 2017 primarily resulted from non-deductible acquisition-related transaction costs. The effective tax rate in 2017 in determining Adjusted Earnings per Share is 26.0% (2016: 26.8%).

ACQUISITIONS AND DIVESTITURES

On May 1, 2017, the Company acquired specific assets, liabilities and assembled workforce from a privately-held hog production operation for total consideration of \$10.3 million. The acquisition has been accounted for as a business combination and no goodwill was recognized.

On March 10, 2017, the Company acquired 100% of the outstanding shares of Lightlife, a privately held U.S. based corporation engaged in the production and distribution of refrigerated plant protein products.

Recognized goodwill is attributable to the skills, talent and artisanal expertise of Lightlife's work force and the Company's leadership position in the fast growing alternative protein market. The amount of goodwill expected to be deductible for tax purposes is \$6.1 million. Lightlife has a leading market share, and will provide the Company with a strong foothold in this expanding category.

During the three months ended September 30, 2017, the Company recorded transaction costs of \$0.0 million that have been excluded from the consideration paid and have been recognized as an expense in other income (expense).

During the nine months ended September 30, 2017, the Company recorded transaction costs of \$5.0 million that have been excluded from the consideration paid and have been recognized as an expense in other income (expense).

The Company has not yet finalized the amounts recorded in the Lightlife business combination. Refer to Note 17 of the consolidated financial statements.

CAPITAL RESOURCES

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

On June 24, 2016, the Company entered into a three-year \$400.0 million committed revolving credit facility with a syndicate of Canadian, U.S. and international financial institutions. This unsecured 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 LIBOR for U.S. dollar loans. The facility is intended to meet the Company's funding requirements for general purposes, and to provide appropriate levels of liquidity. As at September 30, 2017, the Company had drawn letters of credit of \$6.4 million on this facility (2016: \$17.9 million).

This revolving term facility requires the maintenance of certain covenants. As at September 30, 2017, the Company was in compliance with all of these covenants.

On October 19, 2017, the Company amended its existing \$400.0 million committed revolving credit facility by extending the maturity of the facility to October 19, 2021 using the same syndicate of Canadian, U.S. and international financial institutions. All other terms and conditions remain relatively the same. The facility is unsecured and bears interest based on short-term interest rates. The facility is intended to meet the Company's funding requirements for general corporate purposes, and to provide appropriate levels of liquidity.

The Company has an additional uncommitted credit facility for issuing up to a maximum of \$120.0 million letters of credit. As at September 30, 2017, \$68.2 million of letters of credit had been issued thereon (2016: \$52.5 million). One letter of credit has been collateralized with cash, as further described in Note 3 of the consolidated financial statements.

The Company's cash balance as at September 30, 2017 is \$209.9 million (2016: \$444.3 million). The Company has invested in short-term deposits with Canadian financial institutions having long-term debt ratings of A or higher.

The Company operates an accounts receivable securitization facility. The maximum cash advance available to the Company under this program is \$110.0 million. The 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 facility, the Company has sold certain accounts receivable, with very limited recourse, to an unconsolidated third party trust that is funded by an international financial institution with a long-term AA debt rating. The receivables are sold at a discount to face value based on prevailing money market rates.

As at September 30, 2017, the Company had \$135.2 million (2016: \$119.6 million) of trade accounts receivable serviced under this facility. In return for the sale of these receivables, the Company will receive cash of \$106.2 million (2016: \$85.8 million) and notes receivable in the amount of \$29.0 million (2016: \$33.8 million). Due to the timing of receipts and disbursements, the Company may, from time to time, record a receivable or payable related to the securitization facility, and as at September 30, 2017, this net payable amounted to \$3.8 million (2016: \$9.3 million net payable). The facility is accounted for as an off-balance sheet transaction in accordance with International Financial Reporting Standards ("IFRS") and will expire in August 2019.

The Company's securitization and other credit facilities are subject to certain restrictions, including the maintenance of covenants. The Company was in compliance with all of the requirements of these facilities as at September 30, 2017. If the securitization facility was to be terminated, the Company would recognize the related amounts on the consolidated balance sheet and consider alternative financing if required.

CAPITAL EXPENDITURES

Capital expenditures for the third quarter were \$31.8 million, compared to \$29.5 million in the third quarter of 2016, and for the first nine months of 2017 were \$79.1 million compared to \$77.0 million in 2016. Expenditures primarily relate to ongoing profit enhancement and maintenance projects and a continued investment in our animal welfare strategy. The Company has updated its capital expenditures estimate for the full year of 2017 to be in the range of \$125 million to \$150 million.

NORMAL COURSE ISSUER BID

On May 17, 2017, the Toronto Stock Exchange ("TSX") accepted the Company's notice of intention to commence a Normal Course Issuer Bid ("NCIB"), which allows the Company to repurchase, at its discretion, up to 8.20 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 23, 2017 and will terminate on May 22, 2018, or on such earlier date as the Company completes its purchases pursuant to the notice of intention. Under this bid during the three months ended September 30, 2017, 1.3 million shares (2016: 0.0 million) were purchased for cancellation for \$42.4 million at a volume weighted average price paid of \$33.22 per common share. During the nine months ended September 30, 2017, 1.5 million shares (2016: 0.0 million) were purchased for cancellation for \$51.2 million at a volume weighted average price paid of \$33.17 per common share.

On May 16, 2016, the TSX accepted the Company's notice of intention to commence a NCIB, which allowed the Company to repurchase, at its discretion, up to 8.70 million common shares in the open market or as otherwise permitted by the TSX, subject to the normal terms and limitations of such bids. The program commenced on May 19, 2016 and was terminated on May 18, 2017, as the Company completed its purchase and cancellation of 5.52 million common shares for \$163.1 million at a volume weighted average price of \$29.57 per common share. Under this bid during the nine months ended September 30, 2017, 3.4 million shares (2016: 0.0 million) were purchased for cancellation for \$102.6 million at a volume weighted average price paid of \$30.09 per common share.

On March 23, 2015, the TSX accepted the Company's notice of intention to commence a NCIB, which allowed the Company to repurchase, at its discretion, up to 8.65 million common shares in the open market or as otherwise permitted by the TSX, subject to the normal terms and limitations of such bids. The program commenced on March 25, 2015 and was terminated on January 22, 2016, as the Company completed its purchase and cancellation of 8.65 million common shares for \$194.5 million at a volume weighted average price paid of \$22.48 per common share. Under this bid during the nine months ended September 30, 2016, 0.51 million shares were purchased for \$11.9 million at a volume weighted average price paid of \$23.23 per common share.

CASH FLOWS

Cash was \$209.9 million at the end of the third quarter of 2017, compared to \$444.3 million last year, and \$403.6 million as at December 31, 2016. In the first nine months of 2017, the decrease in cash was largely due to acquisitions of businesses, share repurchases under the NCIB programs, investment in property and equipment, quarterly dividend payments and the purchase of treasury stock, offset by net earnings and proceeds from sale of long-term assets.

Cash Flow from Operating Activities

Cash provided by operations for the quarter was \$186.1 million compared to \$176.2 million in the third quarter of 2016. The increase was primarily due to higher net earnings, and lower investment in working capital, offset by lower margin received by the Company against its derivatives for its commodity hedging program.

For the first nine months of 2017, cash provided by operations was \$283.2 million compared to \$285.0 million last year for the same reasons as described above.

Cash Flow from Financing Activities

Cash used in financing activities for the quarter was \$63.3 million compared to \$20.9 million in the third quarter of 2016. The increased use of cash was primarily due to higher share repurchases under the NCIB programs, and an increased dividend payment rate offset by decreased treasury stock purchases.

For the first nine months of 2017, cash used in financing activities was \$214.1 million compared to \$62.4 million last year. The increased use of cash was primarily due to higher share repurchases under the NCIB programs, increased treasury stock purchases and an increased dividend payment rate.

Cash Flow from Investing Activities

Cash used in investing activities for the quarter was \$17.8 million compared to \$23.7 million in the third quarter of 2016. The decrease was driven by additions to long-term assets, offset by the proceeds from sale of long-term assets.

For the first nine months of 2017, cash used in investing activities was \$262.9 million compared to \$70.6 million last year. The increase was due to acquisitions offset by higher proceeds from sale of long-term assets. The purchases were fully funded by cash on hand. Refer to Note 17 of the consolidated financial statements.

SHARE CAPITAL

As at October 19, 2017, there were 128,046,789 common shares issued and outstanding.

OTHER MATTERS

On October 25, 2017, the Board of Directors approved a dividend of \$0.11 per share payable December 29, 2017 to shareholders of record at the close of business December 8, 2017. Based on the current number of shares outstanding, it is estimated that \$0.094 per share of the total dividend to be paid will be considered an Eligible Dividend for the "Enhanced Dividend Tax Credit System". The final amount of the dividend that is considered an Eligible Dividend will be confirmed on the Company's website on or before December 29, 2017.

TRANSACTIONS WITH RELATED PARTIES

The Company sponsors a number of defined benefit and defined contribution plans. During the three and nine months ended September 30, 2017, the Company's contributions to these plans were \$2.7 million and \$24.1 million (2016: \$2.4 million and \$7.0 million) respectively.

The Company's largest shareholder is McCain Capital Inc. ("MCI") which is beneficially owned and controlled by Mr. Michael H. McCain, Chief Executive Officer and President of the Company. For the three and nine months ended September 30, 2017, the Company received services from MCI in the amount of \$0.0 million and \$0.3 million respectively (2016: \$0.1 million and \$0.4 million), which represent the market value of the transactions with MCI. As at September 30, 2017, \$0.0 million (2016: \$0.1 million) was owing to MCI relating to these transactions.

McCain Financial Advisory Services ("MFAS") is an entity jointly controlled by individuals including Mr. Michael H. McCain. For the three and nine months ended September 30, 2017 and 2016, the Company provided services to MFAS for a nominal amount, which represented the market value of the transactions.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of unaudited quarterly financial information:

(\$ thousands except earnings per share)		First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total ⁽ⁱⁱⁱ⁾
Sales	2017	\$ 811,185	\$ 925,873	\$ 908,359	\$ —	\$ —
	2016	796,889	854,646	852,099	828,178	3,331,812
	2015	780,248	820,776	818,785	873,123	3,292,932
Net earnings (loss)	2017	\$ 30,105	\$ 37,342	\$ 37,578	\$ —	\$ —
	2016	42,269	31,381	31,828	76,224	181,702
	2015	(2,861)	(7,524)	18,680	33,285	41,580
Earnings (loss) per share ⁽ⁱ⁾						
Basic ⁽ⁱ⁾	2017	\$ 0.23	\$ 0.29	\$ 0.29	\$ —	\$ —
	2016	0.31	0.23	0.24	0.57	1.35
	2015	(0.02)	(0.05)	0.13	0.24	0.30
Diluted ⁽ⁱ⁾	2017	\$ 0.22	\$ 0.28	\$ 0.29	\$ —	\$ —
	2016	0.31	0.23	0.23	0.56	1.32
	2015	(0.02)	(0.05)	0.13	0.24	0.29
Adjusted EPS ⁽ⁱ⁾⁽ⁱⁱ⁾	2017	\$ 0.33	\$ 0.41	\$ 0.39	\$ —	\$ —
	2016	0.28	0.32	0.32	0.31	1.23
	2015	0.05	0.13	0.16	0.25	0.58

⁽ⁱ⁾ Basic and diluted earnings (loss) per share and Adjusted Earnings (loss) per Share are based on amounts attributable to common shareholders.

⁽ⁱⁱ⁾ Refer to Non-IFRS Financial Measures starting on page 8 of this document.

⁽ⁱⁱⁱ⁾ May not add due to rounding.

Fluctuations in quarterly sales can be attributed to changes in pricing, volume, sales mix, foreign exchange rates and acquisitions.

Fluctuations in quarterly net earnings can be attributed to similar factors as noted above, pork and poultry industry processing margins, restructuring and other related costs, operating efficiencies, changes in the fair value of derivative and non-derivative financial instruments and biological assets, acquisitions, transitional costs incurred and gains/losses on disposal of assets.

For an explanation and analysis of quarterly results, please refer to the Company's Management's Discussion and Analysis for each of the respective quarterly periods which are filed on SEDAR and also available on the Company's website at www.mapleleaffoods.com.

SIGNIFICANT ACCOUNTING POLICIES

Accounting Standards Adopted During the Period

Beginning on January 1, 2017, the Company adopted certain standards 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:

Statement of Cash Flows

Beginning on January 1, 2017, the Company adopted the amendments to IAS 7 Statement of Cash Flows which require a reconciliation of liabilities arising from financing activities to enable users of the financial statements to evaluate both cash flow and non-cash changes in the net debt of a Company. The adoption of the amendments to IAS 7 did not have a material impact on the consolidated financial statements.

Income Taxes

Beginning on January 1, 2017, the Company adopted the amendments to IAS 12 Income Taxes which provide clarification on the requirements relating to the recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value. The adoption of the amendments to IAS 12 did not have a material impact on the consolidated financial statements.

Disclosure of Interests in Other Entities

Beginning on January 1, 2017, the Company adopted the amendments to IFRS 12 Disclosure of Interests in Other Entities which provide clarification that the required disclosures under IFRS 12 also apply to subsidiaries, joint ventures and associates that are classified as held for sale or discontinued operations under IFRS 5 with the exception that the disclosures for summarized financial information do not apply to subsidiaries, joint ventures and associates classified as held for sale or discontinued operations. The adoption of the amendments to IFRS 12 did not have a material impact on the consolidated financial statements.

Accounting Pronouncements Issued But Not Yet Effective

Revenue Recognition

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. IFRS 15 replaces the detailed guidance on revenue recognition requirements that currently exists under IFRS. IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers, unless the contracts are within the scope of other IFRSs. The standard also provides a model for the measurement and recognition of gains and losses on the sale of certain non-financial assets that are not an output of a company's ordinary activities. Additional disclosure is required under the standard including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods, and key judgments and estimates. In July 2015, the effective date for IFRS 15 was deferred to apply to annual periods beginning on or after January 1, 2018; early application is permitted either following a full retrospective approach or a modified retrospective approach. The modified retrospective approach allows the standard to be applied to existing contracts beginning the initial period of adoption and restatements to the comparative periods are not required. The Company is required to disclose the impact by financial line item as a result of the adoption of the new standard and intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning January 1, 2018, but has not yet determined the application approach. The Company has reviewed significant agreements and contracts with customers. Based on this review, the adoption of IFRS 15 is expected to result in changes in classification between sales and cost of goods sold, as well as increases to inventories and other current liabilities on the consolidated financial statements. The financial impact on the consolidated financial statements for the year ended December 31, 2018 has not yet been quantified.

Financial Instruments – Recognition and Measurement

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments with a mandatory effective date of January 1, 2018. The new standard brings together the classification and measurement, impairment, and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. In addition to the new requirements for classification and measurement of financial assets, a new general hedge accounting model and other amendments issued in previous versions of IFRS 9, the standard also introduces new impairment requirements that are based on a forward-looking expected credit loss model. The Company intends to adopt IFRS 9 in its consolidated financial statements for the annual period beginning January 1, 2018. The adoption of IFRS 9 is not expected to have a material impact on the consolidated financial statements.

The disclosure requirements in IFRS 7 Financial Instruments - Disclosure have also been amended to include the additional disclosure required under IFRS 9. The Company intends to adopt these amendments to IFRS 7 at the same time as adoption of IFRS 9. The adoption of the amendments to IFRS 7 is not expected to have a material impact on the consolidated financial statements.

Leases

In January 2016, the IASB issued IFRS 16 Leases with a mandatory effective date of January 1, 2019. The new standard will replace IAS 17 Leases and will carry forward the accounting requirements for lessors. IFRS 16 provides a new framework for lessee accounting that requires substantially all assets obtained through operating leases to be capitalized and a related liability to be recorded. The new

standard seeks to provide a more accurate picture of a company's leased assets and related liabilities and create greater comparability between companies who lease assets and those who purchase assets. The Company intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning January 1, 2019. The extent of the impact of the adoption of IFRS 16 has not yet been determined.

Share-Based Payments

In June 2016, the IASB issued amendments to IFRS 2 Share-Based Payment with a mandatory effective date of January 1, 2018. The amendments provide clarification on how to account for certain types of share-based payment transactions. The Company intends to adopt the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning January 1, 2018. The adoption of the amendments to IFRS 2 is not expected to have a material impact on the consolidated financial statements.

Foreign Currency Transactions and Advance Considerations

In December 2016, the IASB issued IFRIC 22 Foreign Currency Transactions and Advance Consideration with a mandatory effective date of January 1, 2018. When a foreign currency transaction where consideration is received or paid in advance of the recognition of the related asset, expense, or income, the exchange rate used should be based on the exchange rate as at the date when the pre-payment asset or deferred liability is recognized. IFRIC 22 can be applied on a full retrospective basis, retrospective from the comparative year or prospectively from January 1, 2018. The Company intends to adopt IFRIC 22 prospectively in its consolidated financial statements for the annual period beginning January 1, 2018. The adoption of IFRIC 22 is not expected to have a material impact on the consolidated financial statements.

Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23 Uncertainty over Income Tax Treatments with a mandatory effective date of January 1, 2019. The interpretations provide guidance on how to value uncertain income tax positions based on the probability of whether the relevant tax authorities will accept the company's tax treatments. A company is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. IFRIC 23 is to be applied by recognizing the cumulative effect of initially applying these guidelines in opening retained earnings without adjusting comparative information. The extent of the impact of the adoption of IFRIC 23 has not yet been determined.

Restatement of Comparative Periods for Previously Adopted Accounting Standards

Income taxes

On November 8, 2016, the IFRS Interpretations Committee provided clarification on the tax rate an entity should apply to its deferred tax assets and liabilities related to intangible assets with indefinite lives. The tax rate applied should be consistent with how an entity is expected to recover the carrying amount in the form of future economic benefits. As a result of this clarification, the Company has changed the effective tax rate applied on deferred tax liabilities on indefinite life intangible assets. This change has been retrospectively applied reducing deferred tax assets and retained earnings as at January 1, 2015 by \$11.8 million, with the same impact applied to the consolidated balance sheet as at September 30, 2016. There was no impact to net income or comprehensive income (loss) for the years ended December 31, 2016 and 2015 as there were no movements in the temporary differences or changes in relevant statutory income tax rates during these periods.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There has been no change in the Company's internal control over financial reporting during the period beginning on July 1, 2017, and ended on September 30, 2017, that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

NON-IFRS FINANCIAL MEASURES

The Company uses the following non-IFRS measures: Adjusted Operating Earnings, Adjusted Earnings per Share, Adjusted EBITDA and Free Cash Flow. 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 Operating Earnings, a non-IFRS measure, is used by Management to evaluate financial operating results. It is defined as earnings before income taxes adjusted for items that are not considered representative of ongoing operational activities of the business and items where the economic impact of the transactions will be reflected in earnings in future periods when the underlying asset is sold or transferred. The table below provides a reconciliation of net earnings as reported under IFRS in the unaudited condensed consolidated interim statements of earnings to Adjusted Operating Earnings for the three and nine months ended, as indicated below. Management believes that this basis is the most appropriate on which to evaluate operating results, as they are representative of the ongoing operations of the Company.

(\$ thousands) (Unaudited)	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Net earnings	\$ 37,578	\$ 31,828	\$ 105,025	\$ 105,478
Income taxes	11,939	11,777	38,039	39,210
Earnings before income taxes	\$ 49,517	\$ 43,605	\$ 143,064	\$ 144,688
Interest expense and other financing costs	1,320	2,819	3,892	5,136
Other expense (income)	(12,764)	(4,621)	(8,928)	(1,429)
Restructuring and other related costs	5,627	542	17,103	2,344
Earnings from operations	\$ 43,700	\$ 42,345	\$ 155,131	\$ 150,739
Decrease in the fair value of biological assets ⁽ⁱ⁾	20,645	41,617	26,362	41,909
Unrealized loss (gain) on derivative contracts ⁽ⁱⁱ⁾	807	(22,446)	17,695	(17,084)
Adjusted Operating Earnings	\$ 65,152	\$ 61,516	\$ 199,188	\$ 175,564

⁽ⁱ⁾ Refer to Note 6 of the Company's 2017 third quarter consolidated financial statements for further details regarding biological assets.

⁽ⁱⁱ⁾ Unrealized gains/losses on derivative contracts are reported within cost of goods sold in the Company's 2017 third quarter unaudited condensed consolidated interim statements of earnings.

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 unaudited condensed consolidated interim statements of earnings to Adjusted Earnings per Share for the three and nine months ended, 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 September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Basic earnings per share	\$ 0.29	\$ 0.24	\$ 0.81	\$ 0.78
Restructuring and other related costs ⁽ⁱ⁾	0.03	—	0.10	0.01
Items included in other expense (income) not considered representative of ongoing operations ⁽ⁱⁱ⁾	(0.06)	(0.03)	(0.03)	(0.01)
Unrealized loss (gain) on derivative contracts ⁽ⁱⁱⁱ⁾	—	(0.12)	0.10	(0.09)
Change in the fair value of biological assets ⁽ⁱⁱⁱ⁾	0.12	0.23	0.15	0.23
Adjusted Earnings per Share^(iv)	\$ 0.39	\$ 0.32	\$ 1.13	\$ 0.92

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

⁽ⁱⁱ⁾ Primarily includes acquisition related costs, interest income and gains/losses associated with investment properties and assets held for sale, net of tax.

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

^(iv) May not add due to rounding.

Adjusted Earnings Before Interest, Income Taxes, Depreciation, and Amortization

Adjusted EBITDA is calculated as earnings before interest and income taxes plus depreciation and intangible asset amortization, adjusted for items that are not considered representative of ongoing operational activities of the business, and items where the economic impact of the transactions will be reflected in earnings in future periods when the underlying asset is sold or transferred. The following table provides a reconciliation of net earnings as reported under IFRS in the unaudited condensed consolidated interim statements of earnings to Adjusted EBITDA for the three and nine months ended, as indicated below. Management believes Adjusted EBITDA is 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.

(\$ thousands) (Unaudited)	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Net earnings	\$ 37,578	\$ 31,828	\$ 105,025	\$ 105,478
Income taxes	11,939	11,777	38,039	39,210
Earnings before income taxes	\$ 49,517	\$ 43,605	\$ 143,064	\$ 144,688
Interest expense and other financing costs	1,320	2,819	3,892	5,136
Items included in other expense (income) not considered representative of ongoing operations	(10,412)	(5,454)	(6,573)	(2,614)
Restructuring and other related costs	5,627	542	17,103	2,344
Change in the fair value of biological assets and unrealized loss on derivative contracts	21,452	19,171	44,057	24,825
Depreciation and amortization	28,907	27,068	86,038	82,709
Adjusted EBITDA	\$ 96,411	\$ 87,751	\$ 287,581	\$ 257,088

Free Cash Flow

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

(\$ thousands) (Unaudited)	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Cash provided by operating activities	\$ 186,107	\$ 176,200	\$ 283,247	\$ 285,043
Additions to long-term assets	(31,816)	(29,522)	(79,053)	(76,975)
Free Cash Flow	\$ 154,291	\$ 146,678	\$ 204,194	\$ 208,068

FORWARD-LOOKING STATEMENTS

This document contains, and the Company's oral and written public communications often contain, "forward-looking information" within the meaning of applicable securities law. These statements are based on current expectations, estimates, forecasts, and projections about the industries in which the Company operates, as well as beliefs and assumptions made by Management of the Company. Such statements include, but are not limited to, statements with respect to objectives and goals, in addition to statements with respect to beliefs, plans, objectives, expectations, anticipations, estimates, and intentions. Specific forward-looking information in this document includes, but is not limited to, statements with respect to: the increases in operating efficiencies and cost reductions; expectations regarding the use of derivatives, futures and options; expectations regarding improving efficiencies; the expected use of cash balances; source of funds for ongoing business requirements; capital investments and expectations regarding capital expenditures; expectations regarding the implementation of environmental sustainability initiatives; expectations regarding the adoption of new accounting standards and the impact of such adoption on financial position; expectations regarding pension plan performance and future pension plan liabilities and contributions; expectations regarding levels of credit risk; and expectations regarding outcomes of legal actions. Words such as "expect", "anticipate", "intend", "may", "will", "plan", "believe", "seek", "estimate", and variations of such words and similar expressions are intended to identify such forward-looking information. These statements are not guarantees of future performance and involve assumptions, risks, and uncertainties that are difficult to predict.

In addition, these statements and expectations concerning the performance of the Company's business in general are based on a number of factors and assumptions including, but not limited to: the condition of the Canadian, U.S., and Japanese economies; the rate of exchange of the Canadian dollar to the U.S. dollar, and the Japanese yen; the availability and prices of raw materials, energy and supplies; product pricing; the availability of insurance; the competitive environment and related market conditions; improvement of

operating efficiencies; continued access to capital; the cost of compliance with environmental and health standards; no adverse results from ongoing litigation; no unexpected actions of domestic and foreign governments; and the general assumption that none of the risks identified below or elsewhere in this document will materialize. All of these assumptions have been derived from information currently available to the Company, including information obtained by the Company from third-party sources. These assumptions may prove to be incorrect in whole or in part. In addition, actual results may differ materially from those expressed, implied, or forecasted in such forward-looking information, which reflect the Company's expectations only as of the date hereof.

Factors that could cause actual results or outcomes to differ materially from the results expressed, implied, or forecasted by forward-looking information include, among other things:

- risks associated with the Company focusing solely on the protein business;
- risks related to the Company's decisions regarding any potential return of capital to shareholders;
- risks associated with the concentration of production in fewer facilities;
- risks associated with the availability of capital;
- risks associated with changes in the Company's information systems and processes;
- risks associated with cyber threats;
- risks posed by food contamination, consumer liability, and product recalls;
- risks associated with acquisitions, divestitures, and capital expansion projects;
- impact on pension expense and funding requirements of fluctuations in the market prices of fixed income and equity securities and changes in interest rates;
- cyclical nature of the cost and supply of hogs and the competitive nature of the pork market generally;
- risks related to the health status of livestock;
- impact of a pandemic on the Company's operations;
- the Company's exposure to currency exchange risks;
- ability of the Company to hedge against the effect of commodity price changes through the use of commodity futures and options;
- impact of changes in the market value of the biological assets and hedging instruments;
- risks associated with the supply management system for poultry in Canada;
- risks associated with the use of contract manufacturers;
- impact of international events on commodity prices and the free flow of goods;
- risks posed by compliance with extensive government regulation;
- risks posed by litigation;
- impact of changes in consumer tastes and buying patterns;
- impact of extensive environmental regulation and potential environmental liabilities;
- risks associated with a consolidating retail environment;
- risks posed by competition;
- risks associated with complying with differing employment laws and practices, the potential for work stoppages due to non-renewal of collective agreements, and recruiting and retaining qualified personnel;
- risks associated with pricing the Company's products;
- risks associated with managing the Company's supply chain; and
- risks associated with failing to identify and manage the strategic risks facing the Company.

The Company cautions the reader that the foregoing list of factors is not exhaustive. These factors are discussed in more detail under the heading "Risk Factors" in the Company's Management's Discussion and Analysis for the fiscal year ended December 31, 2016 that is available on SEDAR at www.sedar.com. The reader should review such section in detail. Some of the forward-looking information may be considered to be financial outlooks for purposes of applicable securities legislation including, but not limited to, statements concerning future capital expenditures. These financial outlooks are presented to evaluate anticipated future uses of cash flows, and may not be appropriate for other purposes and readers should not assume they will be achieved. The Company does not intend to, and

the Company disclaims any obligation to, update any forward-looking information, whether written or oral, or whether as a result of new information, future events or otherwise, except as required by law. Additional information concerning the Company, including the Company's Annual Information Form is available on SEDAR at www.sedar.com.

About Maple Leaf Foods Inc.

Maple Leaf Foods Inc. is a leading consumer protein company, making high quality, innovative products under national brands including Maple Leaf®, Maple Leaf Prime®, Maple Leaf Natural Selections®, Schneiders®, Schneiders® Country Naturals®, Mina® and Lightlife®. Maple Leaf employs approximately 11,500 people and does business in Canada, the U.S. and Asia. The Company is headquartered in Mississauga, Ontario and its shares trade on the Toronto Stock Exchange (MFI).