



HIGH LINER FOODS

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**As at and for the thirteen and thirty-nine weeks ended September 30, 2023
With comparative figures as at and for the thirteen and thirty-nine weeks ended October 1, 2022**

HIGH LINER FOODS INCORPORATED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(unaudited, in thousands of United States dollars)

	Notes	September 30, 2023	December 31, 2022
ASSETS			
Current assets			
Cash		\$ 183	\$ 155
Accounts receivable		114,820	96,531
Income taxes receivable		6,585	5,146
Other financial assets	9	4,283	5,662
Inventories		303,776	472,311
Prepaid expenses		6,299	6,254
Total current assets		435,946	586,059
Non-current assets			
Property, plant and equipment		121,408	120,036
Right-of-use assets		11,764	7,190
Other receivables and assets	9	2,873	3,993
Intangible assets		125,710	129,074
Goodwill		157,132	157,134
Total non-current assets		418,887	417,427
Total assets	3, 4	\$ 854,833	\$ 1,003,486
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Bank loans	3	\$ 47,307	\$ 127,554
Accounts payable and accrued liabilities		115,382	187,967
Contract liability		3,090	2,952
Provisions		292	189
Other current financial liabilities	9	250	447
Other current liabilities	6	889	4,957
Income taxes payable		95	163
Current portion of long-term debt	4	7,500	7,500
Current portion of lease liabilities		4,791	4,622
Total current liabilities		179,596	336,351
Non-current liabilities			
Long-term debt	4	233,490	238,200
Other long-term financial liabilities	9	101	38
Other long-term liabilities	6	4,976	5,703
Long-term lease liabilities		7,893	2,813
Deferred income taxes	7	35,228	38,112
Future employee benefits		8,462	8,852
Total non-current liabilities		290,150	293,718
Total liabilities		469,746	630,069
Shareholders' equity			
Common shares	5	114,006	113,096
Contributed surplus		15,133	17,491
Retained earnings		280,389	265,294
Accumulated other comprehensive loss		(24,441)	(22,464)
Total shareholders' equity		385,087	373,417
Total liabilities and shareholders' equity		\$ 854,833	\$ 1,003,486

See accompanying notes to the Unaudited Condensed Interim Consolidated Financial Statements

HIGH LINER FOODS INCORPORATED
CONSOLIDATED STATEMENTS OF INCOME
(unaudited, in thousands of United States dollars, except per share amounts)

	Notes	Thirteen weeks ended		Thirty-nine weeks ended	
		September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Sales	8	\$ 259,699	\$ 271,181	\$ 843,212	\$ 819,368
Cost of sales		210,055	214,434	673,180	644,278
Gross profit		49,644	56,747	170,032	175,090
Distribution expenses		13,861	14,707	45,194	45,921
Selling, general and administrative expenses		20,707	24,877	70,788	70,423
Impairment of property, plant and equipment		—	117	—	168
Business acquisition, integration and other expense (income)		1,044	648	6,660	(8,118)
Results from operating activities		14,032	16,398	47,390	66,696
Finance costs		6,502	4,710	20,361	12,310
Income before income taxes		7,530	11,688	27,029	54,386
Income taxes					
Income tax expense	7	2,044	1,711	1,768	10,787
Net income		\$ 5,486	\$ 9,977	\$ 25,261	\$ 43,599
Earnings per common share					
Basic		\$ 0.16	\$ 0.30	\$ 0.75	\$ 1.29
Diluted		\$ 0.16	\$ 0.28	\$ 0.73	\$ 1.24
Weighted average number of shares outstanding					
Basic		33,771,564	33,727,858	33,734,229	33,766,947
Diluted		34,001,038	35,102,009	34,092,486	35,141,098

See accompanying notes to the Unaudited Condensed Interim Consolidated Financial Statements

HIGH LINER FOODS INCORPORATED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited, in thousands of United States dollars)

	Thirteen weeks ended		Thirty-nine weeks ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Net income	\$ 5,486	\$ 9,977	\$ 25,261	\$ 43,599
Other comprehensive income (loss), net of income tax				
Other comprehensive income (loss) to be reclassified to net income:				
(Loss) gain on hedge of net investment in foreign operations	(6,270)	(16,986)	181	(22,424)
Gain on translation of net investment in foreign operations	10,041	27,883	23	36,763
Translation impact on Canadian dollar denominated non-AOCI items	(7,473)	(20,436)	(515)	(27,105)
Translation impact on Canadian dollar denominated AOCI items	424	1,140	35	1,640
Total exchange losses on translation of foreign operations and Canadian dollar denominated items	(3,278)	(8,399)	(276)	(11,126)
Effective portion of changes in fair value of cash flow hedges	1,141	4,481	1,185	7,896
Net change in fair value of cash flow hedges transferred to carrying amount of hedged item	90	(237)	(680)	(193)
Net change in fair value of cash flow hedges transferred to income	(645)	(212)	(2,195)	(113)
Translation impact on Canadian dollar denominated AOCI items	(306)	(878)	(11)	(1,113)
Total exchange gains (losses) on cash flow hedges	280	3,154	(1,701)	6,477
Net other comprehensive loss to be reclassified to net income	(2,998)	(5,245)	(1,977)	(4,649)
Other comprehensive income (loss) not to be reclassified to net income				
Defined benefit plan actuarial gains (losses)	702	(947)	60	2,567
Other comprehensive loss, net of tax	(2,296)	(6,192)	(1,917)	(2,082)
Total comprehensive income	\$ 3,190	\$ 3,785	\$ 23,344	\$ 41,518

CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE LOSS
(unaudited, in thousands of United States dollars)

	Foreign currency translation differences	Net exchange differences on cash flow hedges	Total accumulated other comprehensive (loss) income
Balance at December 31, 2022	\$ (28,527)	\$ 6,063	\$ (22,464)
Total exchange gains on translation of foreign operations and Canadian dollar denominated items	(276)	—	(276)
Total exchange losses on cash flow hedges	—	(1,701)	(1,701)
Balance at September 30, 2023	\$ (28,803)	\$ 4,362	\$ (24,441)
Balance at January 1, 2022	\$ (19,524)	\$ 1,148	\$ (18,376)
Total exchange losses on translation of foreign operations and Canadian dollar denominated items	(11,126)	—	(11,126)
Total exchange gains on cash flow hedges	—	6,477	6,477
Balance at October 1, 2022	\$ (30,650)	\$ 7,625	\$ (23,025)

See accompanying notes to the Unaudited Condensed Interim Consolidated Financial Statements

HIGH LINER FOODS INCORPORATED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited, in thousands of United States dollars)

	Common shares	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total
Balance at December 31, 2022	\$ 113,096	\$ 17,491	\$ 265,294	\$ (22,464)	\$373,417
Other comprehensive income (loss)	—	—	60	(1,977)	(1,917)
Net income	—	—	25,261	—	25,261
Common share dividends	—	—	(9,608)	—	(9,608)
Share-based compensation (Note 5, 6)	1,165	(2,358)	—	—	(1,193)
Common shares repurchased for cancellation (Note 5)	(255)	—	(618)	—	(873)
Balance at September 30, 2023	\$ 114,006	\$ 15,133	\$ 280,389	\$ (24,441)	\$385,087
Balance at January 1, 2022	\$ 113,458	\$ 17,477	\$ 219,965	\$ (18,376)	\$332,524
Other comprehensive loss	—	—	2,567	(4,649)	(2,082)
Net income	—	—	43,599	—	43,599
Common share dividends	—	—	(7,666)	—	(7,666)
Share-based compensation (Note 5, 6)	42	388	—	—	430
Common shares repurchased for cancellation (Note 5)	(442)	—	(1,135)	—	(1,577)
Balance at October 1, 2022	\$ 113,058	\$ 17,865	\$ 257,330	\$ (23,025)	\$365,228

See accompanying notes to the Unaudited Condensed Interim Consolidated Financial Statements

HIGH LINER FOODS INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands of United States dollars)

	Notes	Thirteen weeks ended		Thirty-nine weeks ended	
		September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Cash flows provided by (used in):					
Operating activities					
Net income		\$ 5,486	\$ 9,977	\$ 25,261	\$ 43,599
Adjustments to net income not involving cash from operations:					
Depreciation and amortization		6,367	6,045	18,396	17,408
Share-based compensation (recovery) expense	6	(1,602)	1,482	801	2,195
Loss on asset disposals and impairment		172	308	190	481
Future employee benefits contribution, net of expense		73	(77)	(306)	(330)
Finance costs		6,502	4,710	20,361	12,310
Income tax expense	7	2,044	1,711	1,768	10,787
Unrealized foreign exchange loss		142	1,279	1,116	459
Cash flows provided by operations before changes in non-cash working capital, interest and income taxes paid		19,184	25,435	67,587	86,909
Changes in non-cash working capital balances:					
Accounts receivable		(4,003)	(13,670)	(18,243)	(14,875)
Inventories		53,567	(81,292)	168,955	(106,645)
Prepaid expenses		1	2,231	(129)	(11,375)
Accounts payable and accrued liabilities		(6,280)	62,474	(80,398)	40,079
Provisions		48	202	104	1,078
Net change in non-cash working capital balances		43,333	(30,055)	70,289	(91,738)
Interest paid		(6,131)	(3,446)	(19,077)	(9,856)
Income taxes paid		(2,338)	(1,853)	(6,426)	(5,628)
Net cash flows provided by (used in) operating activities		54,048	(9,919)	112,373	(20,313)
Financing activities					
(Decrease) increase in bank loans		(43,024)	29,032	(80,188)	55,892
Repayment of lease liabilities		(814)	(1,279)	(3,406)	(3,844)
Repayment of long-term debt	4	(1,875)	(1,925)	(5,625)	(3,809)
Deferred finance costs		—	(191)	—	(563)
Common share dividends paid		(3,206)	(2,495)	(9,608)	(7,666)
Common shares repurchased for cancellation	5	(873)	(546)	(873)	(1,577)
Net cash flows (used in) provided by financing activities		(49,792)	22,596	(99,700)	38,433
Investing activities					
Purchase of property, plant and equipment, net of investment tax credits, and intangible assets		(4,047)	(6,746)	(13,110)	(11,840)
Net proceeds on disposal of assets		—	—	248	—
Net cash flows (used in) provided by investing activities		(4,047)	(6,746)	(12,862)	(11,840)
Foreign exchange (decrease) increase on cash		(113)	(2,878)	217	(3,384)
Net change in cash during the period		96	3,053	28	2,896
Cash, beginning of period		87	286	155	443
Cash, end of period		\$ 183	\$ 3,339	\$ 183	\$ 3,339

See accompanying notes to the Unaudited Condensed Interim Consolidated Financial Statements

HIGH LINER FOODS INCORPORATED

Notes to the Consolidated Financial Statements

In United States dollars, unless otherwise noted

1. Corporate information

High Liner Foods Incorporated (the "Company" or "High Liner Foods") is a company incorporated and domiciled in Canada. The address of the Company's registered office is 100 Battery Point, P.O. Box 910, Lunenburg, Nova Scotia, B0J 2C0. The Unaudited Condensed Interim Consolidated Financial Statements ("Consolidated Financial Statements") of the Company as at and for the thirty-nine weeks ended September 30, 2023, comprise High Liner Foods' Canadian company (the "Parent") and its subsidiaries (herein together referred to as the "Company" or "High Liner Foods"). The Company is primarily involved in the processing and marketing of prepared and packaged frozen seafood products.

These Consolidated Financial Statements were authorized for issue in accordance with a resolution of the Company's Board of Directors on November 8, 2023.

2. Basis of preparation

(a) Statement of compliance

These Consolidated Financial Statements are in compliance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Accordingly, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. These Consolidated Financial Statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2022, available at www.highlinerfoods.com.

(b) Functional and presentation currency

The Company determines its functional currency based on the currency of the primary economic environment in which it operates. The Parent's functional currency is the Canadian dollar ("CAD"), while the functional currencies of its subsidiaries is the CAD and the United States dollar ("U.S. dollar" or "USD"). The Company has chosen a USD presentation currency for its financial statements because the USD better reflects the Company's overall business activities and improves investors' ability to compare the Company's consolidated financial results with other publicly traded businesses in the packaged foods industry (most of which are based in the United States ("U.S.") and report in USD) and should result in less volatility in reported sales and income on the conversion to the presentation currency.

(c) Seasonality of operations

The Company's operating results are affected by the timing of holidays. Inventory levels fluctuate throughout the year, and are at their highest in the first quarter to support strong sales during the Lenten period. In addition, the timing of ordering raw materials is earlier than typically required in order to have adequate quantities available during the seasonal closure of plants in Asia during the Lunar New Year period. In the normal course of operations, these events typically result in significantly higher inventories in December, January, February and March than during the rest of the year.

(d) New standards, interpretations and amendments thereof, adopted by the Company

The accounting policies used in the preparation of the Consolidated Financial Statements are consistent with those followed in the preparation of the Company's audited consolidated financial statements for the year ended December 31, 2022, except for the adoption of the following new amendment that was effective for annual periods beginning on January 1, 2023 and that the Company has adopted on January 1, 2023:

IAS 1, *Disclosure of Accounting Policies*

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statements 2 Making Materiality Judgements, to help entities provide accounting policy disclosures that are more useful by replacing the requirement to disclose "significant" accounting policies with a requirement to disclose "material" accounting policies.

The amendments are effective for annual periods beginning on or after January 1, 2023. The Company has adopted these amendments which are not material to its Consolidated Financial Statements. As a result the changes related to the amendments will be presented in its annual consolidated financial statements for the year ended December 30, 2023.

HIGH LINER FOODS INCORPORATED

Notes to the Consolidated Financial Statements

In United States dollars, unless otherwise noted

IAS 12, *Deferred tax related to Assets and Liabilities arising from a Single Transaction*

In May 2021, the IASB issued amendments to IAS 12, *Income Taxes* to require entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

These amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company has adopted these amendments which had no impact on its Consolidated Financial Statements.

3. Bank loans

<i>(Amounts in \$000s)</i>	September 30, 2023	December 31, 2022
Bank loans, denominated in CAD (average variable rate of 7.2%; December 31, 2022: 6.45%)	\$ 2,167	\$ 157
Bank loans, denominated in USD (average variable rate of 6.74%; December 31, 2022: 5.80%)	45,615	127,971
	47,782	128,128
Less: deferred finance costs	(475)	(574)
	\$ 47,307	\$ 127,554

The Company has a \$200.0 million working capital facility (the "Facility"), with the Royal Bank of Canada as Administrative Agent, which expires in April 2027. The Facility is asset-based and collateralized by the Company's inventories, accounts receivable and other personal property in North America, subject to a first charge on brands, trade names and related intangibles under the Company's term loan facility (see Note 4). A second charge over the Company's property, plant and equipment is also in place. Taking into account the current borrowing base and letters of credit as at September 30, 2023, the Company had \$140.4 million of borrowing availability (December 31, 2022: \$61.0 million).

As at September 30, 2023 and December 31, 2022, the Facility allowed the Company to borrow:

Canadian Prime Rate revolving loans, Canadian Base Rate revolving and U.S. Prime Rate revolving loans, at their respective rates	plus 0.00% to 0.25%
Bankers' Acceptances ("BA") revolving loans, at BA rates	plus 1.25% to 1.50%
SOFR revolving loans at SOFR rates	plus 1.25% to 1.50%
Letters of credit, with fees of	1.25% to 1.50%
Standby fees, required to be paid on the unutilized facility, of	0.25%

4. Long-term debt

<i>(Amounts in \$000s)</i>	September 30, 2023	December 31, 2022
Term loan	\$ 244,935	\$ 250,672
Less: current portion	(7,500)	(7,500)
	237,435	243,172
Less: deferred finance costs	(3,945)	(4,972)
	\$ 233,490	\$ 238,200

As at September 30, 2023, the Company had a \$300.0 million term facility with an interest rate of SOFR plus 3.75% (0.75% SOFR floor), (as at December 31, 2022: \$300.0 million term facility with an interest rate of SOFR plus 3.75% (0.75% SOFR floor)), maturing in October 2026.

HIGH LINER FOODS INCORPORATED

Notes to the Consolidated Financial Statements

In United States dollars, unless otherwise noted

Quarterly principal repayments of \$1.9 million are required on the term loan as regularly scheduled repayments. During the thirty-nine weeks ended September 30, 2023, regularly scheduled repayments of \$5.7 million were made. There are regularly scheduled repayments of \$7.5 million to be paid in the next 12 months. There are no mandatory prepayments related to excess cash flows from 2022 to be paid in 2023.

Substantially all tangible and intangible assets (excluding working capital) of the Company are pledged as collateral for the term loan facility.

5. Share capital

Purchase of shares for cancellation

In June 2023, the Company announced that the Toronto Stock Exchange approved a Normal Course Issued Bid to repurchase up to 200,000 common shares. Purchases could commence on on June 7, 2023 and will terminate no later than June 6, 2024. During the thirty-nine weeks ended September 30, 2023, the Company repurchased 100,000 common shares under this plan at an average price of \$8.73 (CAD \$11.48) per share for total cash consideration of \$0.9 million (CAD \$1.2 million). The excess of the purchase price over the book value of the shares in the amount of \$0.6 million was charged to retained earnings.

In June 2022, the Company announced that the Toronto Stock Exchange approved a Normal Course Issued Bid to repurchase up to 200,000 common shares. Purchases commenced on June 7, 2022 and were terminated on June 6, 2023. During the thirty-nine weeks ended September 30, 2023, the Company did not purchase any common shares under this plan. During the fifty-two weeks ended December 31, 2022, the Company purchased 135,568 common shares under this plan at an average price of \$9.51 (CAD\$12.32) per share for total cash consideration of \$1.3 million (CAD\$1.7 million). The excess of the purchase price over the book value of the shares in the amount of \$0.9 million was charged to retained earnings.

In June 2021, the Company announced that the Toronto Stock Exchange approved a Normal Course Issued Bid to repurchase up to 150,000 common shares. Purchases commenced on June 23, 2021 and were terminated early on June 7, 2022. During the thirty-nine weeks ended October 1, 2022, the Company purchased the remaining 27,900 common shares under this plan at an average price of \$10.04 (CAD\$12.71) per share for total cash consideration of \$0.3 million (CAD\$0.4 million). The excess of the purchase price over the book value of the shares in the amount of \$0.2 million was charged to retained earnings.

A summary of the Company's common share transactions is as follows:

	Thirty-nine weeks ended September 30, 2023		Thirty-nine weeks ended October 1, 2022	
	Shares	(\$000s)	Shares	(\$000s)
Balance, beginning of period	33,179,282	\$ 113,096	33,329,710	\$ 113,458
Options exercised for shares via cashless exercise method (Note 6) ¹	253,236	1,165	10,904	42
Shares repurchased for cancellation	(100,000)	(255)	(163,468)	(442)
Balance, end of period	33,332,518	\$ 114,006	33,177,146	\$ 113,058

⁽¹⁾ For the thirty-nine weeks ended September 30, 2023, 253,236 shares were issued related to options exercised via the cashless method.

During the thirteen and thirty-nine weeks ended September 30, 2023, the Company distributed dividends per share of CAD\$0.13 and CAD\$0.39, respectively (thirteen and thirty-nine weeks ended October 1, 2022: CAD\$0.10 and CAD\$0.30, respectively).

On November 8, 2023, the Company's Board of Directors approved a quarterly dividend of CAD\$0.15 per share on the Company's common shares, payable on December 15, 2023 to holders of record as of December 1, 2023. The quarterly dividend of CAD\$0.15 per share represents a CAD \$0.02 per share increase from the CAD\$0.13 per share quarterly dividend paid during the third quarter of 2023 and reflects the Board's continued confidence in the Company's operations.

HIGH LINER FOODS INCORPORATED

Notes to the Consolidated Financial Statements

In United States dollars, unless otherwise noted

6. Share-based compensation

The Company has a Share Option Plan (the "Option Plan") for designated directors, officers and certain managers of the Company, a Performance Share Unit ("PSU") Plan for eligible employees which includes the potential issuances of restricted share units ("RSU"), and a Deferred Share Unit ("DSU") Plan for directors of the Company.

Issuances of options, RSUs and PSUs may not result in the following limitations being exceeded: (a) the aggregate number of shares issuable to insiders pursuant to the PSU Plan, the Option Plan or any other share-based compensation arrangement of the Company exceeding 10% of the aggregate of the issued and outstanding shares at any time; and (b) the issuance from treasury to insiders, within a twelve-month period, of an aggregate number of shares under the PSU Plan, the Option Plan and any other share-based compensation arrangement of the Company exceeding 10% of the aggregate of the issued and outstanding shares.

The carrying amount of cash-settled share-based compensation arrangements recognized in other current liabilities and other long-term liabilities on the consolidated statements of financial position was \$0.9 million and \$5.0 million, respectively, as at September 30, 2023 (December 31, 2022: \$5.0 million and \$5.7 million, respectively).

Share-based compensation (recovery) expense is recognized in the consolidated statements of income as follows:

<i>(Amounts in \$000s)</i>	Thirteen weeks ended		Thirty-nine weeks ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Cost of sales resulting from:				
Equity-settled awards ⁽¹⁾	\$ —	\$ 6	\$ —	\$ 19
Selling, general and administrative expenses resulting from:				
Cash-settled awards ⁽¹⁾	(1,478)	1,406	725	1,896
Equity-settled awards ⁽¹⁾	(124)	70	76	280
Share-based compensation (recovery) expense	\$ (1,602)	\$ 1,482	\$ 801	\$ 2,195

⁽¹⁾ Cash-settled awards may include PSUs, RSUs and DSUs. Equity-settled awards include options.

The following table illustrates the number ("No.") and weighted average exercise prices ("WAEP") of, and movements in, options during the period:

	Thirteen weeks ended				Thirty-nine weeks ended			
	September 30, 2023		October 1, 2022		September 30, 2023		October 1, 2022	
	No.	WAEP (CAD)	No.	WAEP (CAD)	No.	WAEP (CAD)	No.	WAEP (CAD)
Outstanding, beginning of period	918,820	\$ 10.22	1,536,320	\$ 10.24	1,479,833	\$ 10.19	1,447,096	\$ 10.18
Granted	—	—	—	—	119,860	15.14	151,325	12.70
Exercised for shares via cashless method ⁽¹⁾	(345,300)	7.48	—	—	(1,026,173)	9.84	(26,618)	7.49
Cancelled or forfeited	(164,336)	13.81	(6,637)	7.51	(164,336)	13.81	(6,637)	7.51
Expired	—	—	—	—	—	—	(35,483)	20.61
Outstanding, end of period	409,184	\$ 11.09	1,529,683	\$ —	409,184	\$ 11.09	1,529,683	\$ —
Exercisable, end of period	267,610	\$ 9.68	1,199,732	\$ 9.83	267,610	\$ 9.68	1,199,732	\$ 9.83

⁽¹⁾ For the thirty-nine weeks ended September 30, 2023, 253,236 shares were issued related to options exercised via the cashless method (thirty-nine weeks ended October 1, 2022: 10,904). The weighted average share price at the date of exercise for these options was CAD\$13.79 for the thirty-nine weeks ended September 30, 2023 (thirty-nine weeks ended October 1, 2022: CAD\$12.68).

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Notes to the Consolidated Financial Statements

In United States dollars, unless otherwise noted

Set forth below is a summary of the outstanding options to purchase common shares as at September 30, 2023:

Option price (CAD)	Options outstanding			Options exercisable	
	Number outstanding	Weighted average exercise price	Average life (years)	Number exercisable	Weighted average exercise price
\$ 7.25–10.00	168,943	\$ 7.48	0.92	168,943	\$ 7.48
\$ 10.01–15.00	189,314	13.21	4.90	98,667	13.45
\$ 15.01–20.00	50,927	15.14	6.50	—	—
	409,184			267,610	

The fair value of options granted during the thirty-nine weeks ended September 30, 2023 and thirty-nine weeks ended October 1, 2022 was estimated on the date of grant using the Black-Scholes pricing model with the following weighted average inputs and assumptions:

	September 30, 2023	October 1, 2022
Dividend yield (%)	3.43	3.15
Expected volatility (%)	40.23	41.58
Risk-free interest rate (%)	3.44	1.43
Expected life (years)	7.00	7.00
Weighted average share price (CAD)	\$ 15.14	\$ 12.70
Weighted average fair value (CAD)	\$ 4.80	\$ 3.93

The expected life of the options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

The following table illustrates the movements in the number of PSUs during the period:

	Thirteen weeks ended		Thirty-nine weeks ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Outstanding, beginning of period	528,990	593,693	566,363	628,844
Granted	7,339	3,499	204,225	185,224
Reinvested dividends	6,165	4,264	15,641	13,651
Released and paid in cash	—	—	(242,011)	(217,015)
Forfeited	(181,228)	(953)	(182,952)	(10,201)
Outstanding, end of period	361,266	600,503	361,266	600,503

The expected performance multiplier used in determining the fair value of the liability and related share-based compensation expense for PSUs for the thirty-nine weeks ended September 30, 2023 was 50% (thirty-nine weeks ended October 1, 2022: 85%).

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The following table illustrates the movements in the number of RSUs during the period:

	Thirteen weeks ended		Thirty-nine weeks ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Outstanding, beginning of period	448,140	466,670	452,978	479,880
Granted	7,339	3,499	166,224	138,400
Reinvested dividends	4,769	3,374	12,796	10,736
Released and paid in cash	—	—	(170,026)	(148,533)
Forfeited	(111,635)	(953)	(113,359)	(7,893)
Outstanding, end of period	348,613	472,590	348,613	472,590

The share price at the reporting date was CAD\$11.00 (October 1, 2022: CAD\$13.01). PSUs will vest at the end of a three-year period, if agreed-upon performance measures are met, and the RSUs will vest in accordance with the terms of the agreement.

The following table illustrates the movements in the number of DSUs during the period:

	Thirteen weeks ended		Thirty-nine weeks ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Outstanding, beginning of period	457,309	384,477	400,444	317,103
Granted	4,061	4,889	53,191	66,626
Reinvested dividends	5,271	2,844	13,006	8,481
Outstanding, end of period	466,641	392,210	466,641	392,210

7. Income tax expense

The Company's statutory tax rate for the thirteen and thirty-nine weeks ended September 30, 2023 was 27.9% (thirteen and thirty-nine weeks ended October 1, 2022: 27.9%). The Company's effective income tax rate for the thirteen and thirty-nine weeks ended September 30, 2023 was an expense of 27.1% and 6.50%, respectively (thirteen and thirty-nine weeks ended October 1, 2022: an expense of 14.6% and 19.8%, respectively). The lower effective tax rate for the thirty-nine weeks ended September 30, 2023, was primarily attributable to the Company's tax-efficient financing structure and the recognition of previously unrecorded tax assets recognized during the thirty-nine weeks ended October 1, 2022.

8. Geographic information

Sales earned outside of Canada for the thirteen and thirty-nine weeks ended September 30, 2023 were \$197.5 million and \$653.6 million, respectively (October 1, 2022: \$201.6 million and \$620.9 million, respectively). Sales by geographic area are determined based on the shipping location. The Company disaggregates revenue from contracts with customers based on its single operating segment, North America.

The non-current assets outside of Canada are as follows:

(Amounts in \$000s)	September 30, 2023	December 31, 2022
Property, plant and equipment	\$ 91,702	\$ 90,976
Right-of-use assets	9,585	4,948
Intangible assets	110,155	115,057
Goodwill	147,916	147,916
	\$ 359,358	\$ 358,897

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9. Fair value measurement

Fair value of financial instruments

The Company uses a fair value hierarchy, based on the relative objectivity of the inputs used to measure the fair value of financial instruments, with Level 1 representing inputs with the highest level of objectivity and Level 3 representing inputs with the lowest level of objectivity. The following table sets out the Company's financial assets and liabilities by level within the fair value hierarchy:

<i>(Amounts in \$000s)</i>	September 30, 2023		December 31, 2022	
	Level 2	Level 3	Level 2	Level 3
Fair value of financial assets				
Interest rate swaps	\$ 6,515	\$ —	\$ 7,553	\$ —
Foreign exchange contracts	641	—	2,102	—
Fair value of financial liabilities				
Interest rate swaps	70	—	—	—
Foreign exchange contracts	281	—	485	—
Long-term debt	—	245,889	—	245,379

The Company's Level 2 derivatives are valued using valuation techniques such as forward pricing and swap models. These models incorporate various market-observable inputs including foreign exchange spot and forward rates, and interest rate curves.

The fair values of long-term debt instruments, classified as Level 3 in the fair value hierarchy, are estimated based on unobservable inputs, including discounted cash flows using current rates for similar financial instruments subject to similar risks and maturities, adjusted to reflect the Company's credit risk.

The Company uses the date of the event or change in circumstances to recognize transfers between Level 1, Level 2 and Level 3 fair value measurements. During the thirty-nine weeks ended September 30, 2023, no such transfers occurred.

The financial liabilities not measured at fair value on the consolidated statements of financial position consist of long-term debt (including current portion). The carrying amount of these instruments was \$241.0 million as at September 30, 2023 (December 31, 2022: \$245.7 million).

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Hedging activities

Interest rate swaps

During the thirty-nine weeks ended September 30, 2023, the Company had the following interest rate swaps outstanding to hedge interest rate risk resulting from the term loan facility (see Note 4):

Effective date	Maturity date	Receive floating rate	Pay fixed rate	Notional amount (millions)
Designated in a formal hedging relationship:				
July 7, 2023	July 7, 2025	3-month SOFR (floor 0.75%)	4.9076 %	\$ 40.0
January 6, 2023	July 6, 2026	3-month SOFR (floor 0.75%)	1.1500 %	\$ 35.0
January 6, 2023	July 7, 2023	3-month SOFR (floor 0.75%)	0.4650 %	\$ 25.0
January 6, 2023	July 8, 2024	3-month SOFR (floor 0.75%)	0.6840 %	\$ 25.0
December 30, 2022	December 31, 2025	3-month SOFR (floor 0.75%)	1.0910 %	\$ 20.0

The cash flow hedge of interest expense variability was assessed to be effective for the thirteen and thirty-nine weeks ended September 30, 2023, and therefore the change in fair value for those interest rate swaps designated in a hedging relationship was included in OCI as after-tax net gains of \$0.5 million and \$1.2 million, respectively (thirteen and thirty-nine weeks ended October 1, 2022: after-tax net gains of \$2.2 million and \$5.3 million, respectively).

The Company did not hold any interest rate swaps that were not designated in a formal hedging relationship during the thirty-nine weeks ended September 30, 2023 and October 1, 2022. There were \$nil amounts recognized in the consolidated statements of income resulting from hedge ineffectiveness during the thirteen and thirty-nine weeks ended September 30, 2023 (thirteen and thirty-nine weeks ended October 1, 2022: \$nil).

Foreign currency contracts

Foreign currency forward contracts are used to hedge foreign currency risk resulting from expected future purchases denominated in USD, which the Company has qualified as highly probable forecasted transactions, and to hedge foreign currency risk resulting from USD monetary assets and liabilities, which are not covered by natural hedges.

As at September 30, 2023, the Company had outstanding notional amounts of \$31.5 million (October 1, 2022: \$48.1 million) in foreign currency average-rate forward contracts that were formally designated as a hedge and \$0.6 million in foreign currency single-rate forward contracts that were formally designated as a hedge (October 1, 2022: \$nil). With the exception of \$1.4 million (October 1, 2022: \$1.0 million) average-rate forward contracts with maturities ranging from October 2024 to March 2025, all foreign currency forward contracts have maturities that are less than one year.

The cash flow hedges of the expected future purchases were assessed to be effective for the thirteen and thirty-nine weeks ended September 30, 2023, and therefore the change in fair value was recorded in OCI as after-tax net gains of \$0.6 million and after-tax net losses of \$0.1 million, respectively (thirteen and thirty-nine weeks ended October 1, 2022: after-tax net gains of \$2.2 million and \$2.6 million, respectively). There were net gains of \$nil and \$0.1 million, respectively, recognized in the consolidated statements of income resulting from hedge ineffectiveness during the thirteen and thirty-nine weeks ended September 30, 2023 (thirteen and thirty-nine weeks ended October 1, 2022: nominal amounts).

As at September 30, 2023, the Company had \$5.0 million (October 1, 2022: \$61.0 million) of foreign currency single-rate forward contracts to hedge foreign currency exchange risk on USD monetary assets and liabilities that were not formally designated as a hedge. The change in fair value related to hedging foreign currency exchange risk on USD monetary assets and liabilities, recognized in the consolidated statements of income for the thirteen and thirty-nine weeks ended September 30, 2023 was \$nil and net loss of \$0.1 million, respectively (thirteen and thirty-nine weeks ended October 1, 2022: net gains of \$4.1 million and \$4.5 million, respectively).

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Hedge of net investment in foreign operations

As at September 30, 2023, a total borrowing of \$260.5 million (\$19.5 million included in bank loans, \$7.5 million included in the current portion of long-term debt and \$233.5 million included in long-term debt (December 31, 2022: a total borrowing of \$295.1 million (\$20.0 million included in accounts payable, \$29.4 million included in bank loans, \$7.5 million included in the current portion of long-term debt and \$238.2 million included in long-term debt)) has been designated as a hedge of the net investment in the U.S. subsidiary and is being used to hedge the Company's exposure to foreign exchange risk on this net investment. Gains or losses on the re-translation of this borrowing are transferred to OCI to offset any gains or losses on translation of the net investment in the U.S. subsidiary. There was no hedge ineffectiveness recognized during the thirteen and thirty-nine weeks ended September 30, 2023 and October 1, 2022.

10. Litigation Update

As reported in 2020, High Liner Foods instituted legal proceedings in California against Mr. Brian Wynn in connection with the sale of Rubicon Resources, LLC to the Company. Following a two-week arbitration hearing ending September 28, 2023, an Interim Award of approximately \$15.5 million, plus attorney fees and costs, was awarded in favor of High Liner Foods. The arbitration proceedings remain ongoing and the Interim Amounts are subject to change in the final arbitration award. It is not possible at this time to determine the final impact of these proceedings or the timing of that impact, as such the amount is considered a contingent asset and is not recorded.
