



HIGH LINER FOODS

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**As at and for the thirteen and thirty-nine weeks ended September 28, 2024
With comparative figures as at and for the thirteen and thirty-nine weeks ended September 30, 2023**

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

| | Notes | September 28, 2024 | December 30, 2023 |
|---|-------------|-----------------------|----------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash | | \$ 9,629 | \$ 7,300 |
| Accounts receivable | | 100,932 | 100,634 |
| Income taxes receivable | | 6,101 | 3,164 |
| Other financial assets | 10 | 1,733 | 3,196 |
| Inventories | | 271,189 | 295,624 |
| Deferred finance costs | 4 | 134 | — |
| Prepaid expenses | | 5,711 | 7,390 |
| Total current assets | | 395,429 | 417,308 |
| Non-current assets | | | |
| Property, plant and equipment | | 132,960 | 124,878 |
| Right-of-use assets | 3 | 10,475 | 11,181 |
| Deferred finance costs | 4 | 208 | — |
| Other receivables and assets | 10 | 18,534 | 1,770 |
| Intangible assets | | 115,706 | 121,899 |
| Goodwill | | 157,154 | 157,363 |
| Total non-current assets | | 435,037 | 417,091 |
| Total assets | 4, 5 | \$ 830,466 | \$ 834,399 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities | | | |
| Bank loans | 4 | \$ — | \$ 2,559 |
| Accounts payable and accrued liabilities | | 133,309 | 145,530 |
| Contract liability | | 2,804 | 2,813 |
| Provisions | | 327 | 154 |
| Other current financial liabilities | 10 | 663 | 997 |
| Other current liabilities | 7 | 1,124 | 998 |
| Income taxes payable | | 447 | 100 |
| Current portion of long-term debt | 5 | 6,000 | 5,625 |
| Current portion of lease liabilities | | 4,072 | 4,589 |
| Total current liabilities | | 148,746 | 163,365 |
| Non-current liabilities | | | |
| Income taxes payable | | 867 | — |
| Long-term debt | 5 | 212,013 | 233,791 |
| Other long-term financial liabilities | 10 | 194 | 362 |
| Other long-term liabilities | 7 | 7,547 | 5,629 |
| Long-term lease liabilities | | 6,690 | 6,997 |
| Deferred income taxes | | 34,691 | 28,476 |
| Future employee benefits | | 9,920 | 9,923 |
| Total non-current liabilities | | 271,922 | 285,178 |
| Total liabilities | | 420,668 | 448,543 |
| Shareholders' equity | | | |
| Common shares | 6 | 85,789 | 113,203 |
| Contributed surplus | | 15,385 | 15,414 |
| Retained earnings | | 334,229 | 280,615 |
| Accumulated other comprehensive loss | | (25,605) | (23,376) |
| Total shareholders' equity | | 409,798 | 385,856 |
| Total liabilities and shareholders' equity | | \$ 830,466 | \$ 834,399 |

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 share and per share amounts)

| | Notes | Thirteen weeks ended | | Thirty-nine weeks ended | |
|--|-----------|-----------------------|-----------------------|-------------------------|-----------------------|
| | | September 28, 2024 | September 30, 2023 | September 28, 2024 | September 30, 2023 |
| Sales | 9 | \$ 228,884 | \$ 259,699 | \$ 724,179 | \$ 843,212 |
| Cost of sales | | 180,538 | 210,055 | 557,873 | 673,180 |
| Gross profit | | 48,346 | 49,644 | 166,306 | 170,032 |
| Distribution expenses | | 11,136 | 13,861 | 33,899 | 45,194 |
| Selling, general and administrative expenses | | 21,824 | 20,707 | 73,972 | 70,788 |
| Business acquisition, integration and other expense (income) | 11 | 232 | 1,044 | (8,760) | 6,660 |
| Results from operating activities | | 15,154 | 14,032 | 67,195 | 47,390 |
| Finance costs (income) | 5 | (7,997) | 6,502 | 3,032 | 20,361 |
| Income before income taxes | | 23,151 | 7,530 | 64,163 | 27,029 |
| Income taxes | | | | | |
| Income tax expense | 8 | 4,804 | 2,044 | 9,927 | 1,768 |
| Net income | | \$ 18,347 | \$ 5,486 | \$ 54,236 | \$ 25,261 |
| Earnings per common share | | | | | |
| Basic | | \$ 0.61 | \$ 0.16 | \$ 1.69 | \$ 0.75 |
| Diluted | | \$ 0.61 | \$ 0.16 | \$ 1.69 | \$ 0.73 |
| Weighted average number of shares outstanding | | | | | |
| Basic | | 30,486,279 | 33,771,564 | 32,145,299 | 33,734,229 |
| Diluted | | 30,509,473 | 34,001,038 | 32,179,854 | 34,092,486 |

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 28, 2024 | September 30, 2023 | September 28, 2024 | September 30, 2023 |
| Net income | \$ 18,347 | \$ 5,486 | \$ 54,236 | \$ 25,261 |
| Other comprehensive income (loss), net of income tax | | | | |
| Other comprehensive income (loss) to be reclassified to net income: | | | | |
| Gain (loss) on hedge of net investment in foreign operations | 2,765 | (6,270) | (5,770) | 181 |
| (Loss) gain on translation of net investment in foreign operations | (6,326) | 10,041 | 10,170 | 23 |
| Net unrealized gain (loss) on equity investments | 777 | — | 2,373 | — |
| Translation impact on Canadian dollar denominated non-AOCI items | 4,526 | (7,473) | (8,008) | (515) |
| Translation impact on Canadian dollar denominated AOCI items | (234) | 424 | 427 | 35 |
| Total exchange gains (losses) on translation of foreign operations and Canadian dollar denominated items | 1,508 | (3,278) | (808) | (276) |
| Effective portion of changes in fair value of cash flow hedges | (1,051) | 1,141 | 674 | 1,185 |
| Net change in fair value of cash flow hedges transferred to carrying amount of hedged item | (130) | 90 | (58) | (680) |
| Net change in fair value of cash flow hedges transferred to income | (461) | (645) | (1,759) | (2,195) |
| Translation impact on Canadian dollar denominated AOCI items | 164 | (306) | (278) | (11) |
| Total exchange (losses) gains on cash flow hedges | (1,478) | 280 | (1,421) | (1,701) |
| Net other comprehensive gain (loss) to be reclassified to net income | 30 | (2,998) | (2,229) | (1,977) |
| Other comprehensive (loss) income not to be reclassified to net income | | | | |
| Defined benefit plan actuarial (losses) gains | (1,085) | 702 | (538) | 60 |
| Other comprehensive loss, net of tax | (1,055) | (2,296) | (2,767) | (1,917) |
| Total comprehensive income | \$ 17,292 | \$ 3,190 | \$ 51,469 | \$ 23,344 |

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 30, 2023 | \$ (25,890) | \$ 2,514 | \$ (23,376) |
| Total exchange gains on translation of foreign operations and Canadian dollar denominated items | (808) | — | (808) |
| Total exchange losses on cash flow hedges | — | (1,421) | (1,421) |
| Balance at September 28, 2024 | \$ (26,698) | \$ 1,093 | \$ (25,605) |
| Balance at December 31, 2022 | \$ (28,527) | \$ 6,063 | \$ (22,464) |
| Total exchange losses 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) |

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 30, 2023 | \$ 113,203 | \$ 15,414 | \$ 280,615 | \$ (23,376) | \$385,856 |
| Other comprehensive loss | — | — | (538) | (2,229) | (2,767) |
| Net income | — | — | 54,236 | — | 54,236 |
| Common share dividends | — | — | (9,992) | — | (9,992) |
| Share-based compensation (Note 6, 7) | 336 | (29) | — | — | 307 |
| Common shares repurchased for cancellation (Note 6) | (1,992) | — | (6,002) | — | (7,994) |
| Cancellation of treasury shares (Note 11) | (25,758) | — | 15,910 | — | (9,848) |
| Balance at September 28, 2024 | \$ 85,789 | \$ 15,385 | \$ 334,229 | \$ (25,605) | \$409,798 |
| Balance at December 31, 2022 | \$ 113,096 | \$ 17,491 | \$ 265,294 | \$ (22,464) | \$373,417 |
| Other comprehensive loss | — | — | 60 | (1,977) | (1,917) |
| Net income | — | — | 25,261 | — | 25,261 |
| Common share dividends | — | — | (9,608) | — | (9,608) |
| Share-based compensation (Note 6, 7) | 1,165 | (2,358) | — | — | (1,193) |
| Common shares repurchased for cancellation (Note 6) | (255) | — | (618) | — | (873) |
| Balance at September 30, 2023 | \$ 114,006 | \$ 15,133 | \$ 280,389 | \$ (24,441) | \$385,087 |

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 September 28, 2024 | September 30, 2023 | Thirty-nine weeks ended September 28, 2024 | September 30, 2023 |
|--|-------|---|-----------------------|--|-----------------------|
| Cash flows provided by (used in): | | | | | |
| Operating activities | | | | | |
| Net income | | \$ 18,347 | \$ 5,486 | \$ 54,236 | \$ 25,261 |
| Adjustments to net income not involving cash from operations: | | | | | |
| Depreciation and amortization | | 5,917 | 6,367 | 17,191 | 18,396 |
| Share-based compensation expense (recovery) | 7 | 55 | (1,602) | 3,582 | 801 |
| Loss on asset disposals and impairment | | 130 | 172 | 366 | 190 |
| Future employee benefits contribution, net of expense | | (172) | 73 | (686) | (306) |
| Finance costs (income) | | (7,997) | 6,502 | 3,032 | 20,361 |
| Income tax expense | 8 | 4,804 | 2,044 | 9,927 | 1,768 |
| Gain on legal settlement | 11 | — | — | (9,839) | — |
| Unrealized foreign exchange (gain) loss | | (119) | 142 | 775 | 1,116 |
| Cash flows provided by operations before changes in non-cash working capital, interest and income taxes paid | | 20,965 | 19,184 | 78,584 | 67,587 |
| Changes in non-cash working capital balances: | | | | | |
| Accounts receivable | | (8,588) | (4,003) | (1,158) | (18,243) |
| Inventories | | (18,293) | 53,567 | 22,370 | 168,955 |
| Prepaid expenses | | 1,401 | 1 | 1,570 | (129) |
| Accounts payable and accrued liabilities | | 23,364 | (6,280) | (10,805) | (80,398) |
| Provisions | | 44 | 48 | 177 | 104 |
| Net change in non-cash working capital balances | | (2,072) | 43,333 | 12,154 | 70,289 |
| Interest paid | | (5,652) | (6,131) | (16,160) | (19,077) |
| Income taxes refunded (paid) | | 182 | (2,338) | (4,616) | (6,426) |
| Net cash flows provided by operating activities | | 13,423 | 54,048 | 69,962 | 112,373 |
| Financing activities | | | | | |
| Decrease in bank loans | | (20) | (43,024) | (2,962) | (80,188) |
| Repayment of lease liabilities | | (1,277) | (814) | (4,101) | (3,406) |
| Repayment of long-term debt, net of proceeds from refinancing | 5 | (374) | (1,875) | (4,124) | (5,625) |
| Deferred finance costs | 5 | (5,800) | — | (5,800) | — |
| Common share dividends paid | | (3,312) | (3,206) | (9,992) | (9,608) |
| Common shares repurchased for cancellation | 6 | (1,487) | (873) | (7,994) | (873) |
| Options exercised for shares | 7 | — | — | 280 | — |
| Net cash flows used in financing activities | | (12,270) | (49,792) | (34,693) | (99,700) |
| Investing activities | | | | | |
| Purchase of property, plant and equipment, net of investment tax credits, and intangible assets | | (7,066) | (4,047) | (17,163) | (13,110) |
| Net proceeds on disposal of assets | | — | — | — | 248 |
| Purchase of investments | | — | — | (15,000) | — |
| Net cash flows used in investing activities | | (7,066) | (4,047) | (32,163) | (12,862) |
| Foreign exchange (decrease) increase on cash | | (44) | (113) | (777) | 217 |
| Net change in cash during the period | | (5,957) | 96 | 2,329 | 28 |
| Cash, beginning of period | | 15,586 | 87 | 7,300 | 155 |
| Cash, end of period | | \$ 9,629 | \$ 183 | \$ 9,629 | \$ 183 |

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 thirteen and thirty-nine weeks ended September 28, 2024, 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, 2024.

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 30, 2023, 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 30, 2023, except for the adoption of the following new amendments that were effective for annual periods beginning on January 1, 2024 and that the Company has adopted on December 31, 2023:

IAS 1, *Presentation of Financial Statements*

In January 2020 and October 2022, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* to clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and is unaffected by expectations about whether or not an entity will exercise their right to defer settlement of a liability. The amendments further clarify that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are effective for annual periods beginning on or after January 1, 2024 and must be applied prospectively. The Company has adopted these amendments which had no impact on its Consolidated Financial Statements.

HIGH LINER FOODS INCORPORATED

Notes to the Consolidated Financial Statements

In United States dollars, unless otherwise noted

IAS 7 & IFRS 7, *Supplier Finance Arrangements*

In May 2023, the IASB issued the final amendments to IAS 7 and IFRS 7 which addresses the disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied prospectively. The Company has adopted these amendments which had no impact on its Consolidated Financial Statements.

IAS 12, *Income Taxes*

In May 2023, the IASB issued International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12 (the Amendments). IAS 12 was amended to add the temporary exception to recognizing and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development (the “Pillar Two legislation”).

The Amendments require that entities shall apply the Amendments immediately upon issuance. The Amendments also require that entities shall disclose separately its current tax expense/ income related to Pillar Two income taxes, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

On June 20, 2023, the Pillar Two legislation was enacted in Canada and is effective for the Company's fiscal year that commenced on December 30, 2023. The Company has applied the temporary exception during the current interim period. The Company will disclose known or reasonably estimable information that helps users of financial statements to understand the Company's exposure to Pillar Two income taxes in the Company's annual consolidated financial statements in which the Pillar Two legislation has been enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect. Please see Note 8 for additional details.

3. Right-of-use assets

During the thirteen weeks ended September 28, 2024, the Company entered into a modification of an existing lease agreement for one of its office space locations. This modification, which extended the lease term by an additional 10 years and reduced the total square footage leased by the Company, did not significantly change the scope of the lease or the consideration for the lease separate from the original contract terms. Consequently, the modification did not result in a separate lease for accounting purposes under IFRS 16, and the modification has been accounted for as a continuation of the existing lease. The right-of-use asset and lease liability were remeasured to account for the revised lease payments and extended term. In remeasuring the asset and liability, the Company has considered an additional 5-year extension option, which is present in the modified lease agreement, as the Company is reasonably certain the option will be exercised. This remeasurement led to an adjustment in the carrying amount of the right-of-use asset by \$2.4 million, using the incremental borrowing rate at the date of modification to discount the new lease payments. The lease modification did not result in any immediate gain or loss recognized in the profit or loss for the interim period. Depreciation of the right-of-use asset and interest on the lease liability continue to be recognized in the consolidated statement of income over the lease term.

HIGH LINER FOODS INCORPORATED

Notes to the Consolidated Financial Statements

In United States dollars, unless otherwise noted

4. Bank loans

| <i>(Amounts in \$000s)</i> | September 28, 2024 | December 30, 2023 |
|---|-----------------------|----------------------|
| Bank loans, denominated in CAD (average variable rate of 6.45%; December 30, 2023: 7.20%) | \$ — | \$ — |
| Bank loans, denominated in USD (average variable rate of 8.50%; December 30, 2023: 6.71%) | — | 3,000 |
| | — | 3,000 |
| Less: deferred finance costs ⁽¹⁾ | — | (441) |
| | \$ — | \$ 2,559 |

⁽¹⁾ As at September 28, 2024 there are deferred financing costs classified as current assets and non-current assets on the consolidated statements of financial position of \$0.1 million and \$0.2 million, respectively.

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 5). 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 28, 2024, the Company had \$169.3 million of borrowing availability (December 30, 2023: \$181.4 million).

As at September 28, 2024 and December 30, 2023, 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% |

5. Long-term debt

| <i>(Amounts in \$000s)</i> | September 28, 2024 | December 30, 2023 |
|------------------------------|-----------------------|----------------------|
| Term loan | \$ 226,395 | \$ 243,023 |
| Less: current portion | (6,000) | (5,625) |
| | 220,395 | 237,398 |
| Less: deferred finance costs | (8,382) | (3,607) |
| | \$ 212,013 | \$ 233,791 |

In July 2024, the Company amended the \$300 million term loan facility to reduce the amount available under the facility to \$240.0 million, extend the term from October 2026 to July 2031, and decrease the applicable interest rates for loans under the facility from SOFR plus 3.75% (0.75% SOFR floor) to SOFR plus 3.25% (0.50% SOFR floor). The amendments to the facility were determined to be a non-substantial modification and, as a result, the deferred financing costs related to the original facility continue to be amortized over the remaining term. The Company incurred additional deferred financing costs on the amended facility of \$5.8 million. As the net present value of the cash flows of the modified debt are less than the carrying value of the original facility before the amendments, a modification gain of \$12.7 million was recorded in finance costs on the consolidated statements of income during the thirteen weeks ended September 28, 2024. Excluding the impact of the modification gain on the carrying value, the principal balance outstanding of term loan debt was \$238.5 million on September 28, 2024.

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In United States dollars, unless otherwise noted

Prior to the July 2024 refinancing, quarterly principal repayments of \$1.9 million were required on the term loan as regularly scheduled repayments. Under the new refinanced term loan agreement, quarterly principal repayments of \$1.5 million are required on the term loan as regularly scheduled repayments. Any mandatory and voluntary repayments after the time of refinancing are applied to future regularly scheduled principal repayments. During the thirteen and thirty-nine weeks ended September 28, 2024, regularly scheduled repayments of \$1.5 million and \$5.3 million, respectively were made. There are regularly scheduled repayments of \$6.0 million to be paid in the next 12 months. There are no mandatory prepayments related to excess cash flows from 2023 to be paid in 2024.

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

6. Share capital

Purchase of shares for cancellation

In June 2024, the Company announced that the Toronto Stock Exchange approved a Normal Course Issuer Bid to repurchase up to 700,000 common shares. The Company's ability to repurchase the common shares commenced on June 7, 2024 and will terminate no later than June 6, 2025. During the thirty-nine weeks ended September 28, 2024, the Company repurchased 586,469 common shares under this plan at an average price of \$9.75 (CAD \$13.31) per share for total cash consideration of \$5.7 million (CAD \$7.8 million). The excess of the purchase price over the book value of the shares in the amount of \$4.3 million was charged to retained earnings.

In June 2023, the Company announced that the Toronto Stock Exchange approved a Normal Course Issuer Bid to repurchase up to 200,000 common shares. The Company's ability to repurchase the common shares commenced on June 7, 2023 and terminated on June 6, 2024. In December 2023, the Company announced that the Toronto Stock Exchange approved an amendment to increase the size of the Normal Course Issuer Bid. The amendment increased the number of common shares of the Company by 500,000. During the fifty-two weeks ended December 30, 2023, the Company purchased 413,200 common shares under this plan at an average price of \$8.39 (CAD \$11.37) per share for total cash consideration of \$3.4 million (CAD \$4.6 million). During the thirty-nine weeks ended September 28, 2024, the Company repurchased 246,700 common shares under this plan at an average price of \$9.31 (CAD \$12.64) per share for total cash consideration of \$2.3 million (CAD \$3.1 million). The excess of the purchase price over the book value of the shares in the amount of \$1.7 million was charged to retained earnings. 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 Issuer Bid to repurchase up to 200,000 common shares. Purchases commenced on June 7, 2022 and subsequently 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.

HIGH LINER FOODS INCORPORATED

Notes to the Consolidated Financial Statements

In United States dollars, unless otherwise noted

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

| | Thirty-nine weeks ended | | Thirty-nine weeks ended | |
|---|-------------------------|------------------|-------------------------|-------------------|
| | September 28, 2024 | | September 30, 2023 | |
| | Shares | (\$000s) | Shares | (\$000s) |
| Balance, beginning of period | 33,019,318 | \$ 113,203 | 33,179,282 | \$ 113,096 |
| Options exercised for shares | 50,597 | 333 | — | — |
| Options exercised for shares via cashless exercise method (Note 7) | 20,499 | 3 | 253,236 | 1,165 |
| Shares repurchased for cancellation | (833,169) | (1,992) | (100,000) | (255) |
| Cancellation of treasury shares (Note 11) | (2,429,014) | (25,758) | — | — |
| Balance, end of period | 29,828,231 | \$ 85,789 | 33,332,518 | \$ 114,006 |

During the thirteen and thirty-nine weeks ended September 28, 2024, the Company distributed dividends per share of CAD\$0.15 and CAD\$0.45, respectively (thirteen and thirty-nine weeks ended September 30, 2023: CAD\$0.13 and CAD\$0.39, respectively).

On November 8, 2024, the Company's Board of Directors approved a quarterly dividend of CAD\$0.17 per share on the Company's common shares, payable on December 15, 2024 to holders of record as of December 1, 2024.

7. 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 \$1.1 million and \$7.5 million, respectively, as at September 28, 2024 (December 30, 2023: \$1.0 million and \$5.6 million, respectively).

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

| | Thirteen weeks ended | | Thirty-nine weeks ended | |
|---|-----------------------|-----------------------|-------------------------|-----------------------|
| | September 28, 2024 | September 30, 2023 | September 28, 2024 | September 30, 2023 |
| <i>(Amounts in \$000s)</i> | | | | |
| Selling, general and administrative expenses resulting from: | | | | |
| Cash-settled awards ⁽¹⁾ | (6) | (1,478) | 3,288 | 725 |
| Equity-settled awards ⁽¹⁾ | 61 | (124) | 294 | 76 |
| Share-based compensation expense (recovery) | \$ 55 | \$ (1,602) | \$ 3,582 | \$ 801 |

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

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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 28, 2024 | | September 30, 2023 | | September 28, 2024 | | September 30, 2023 | |
| | No. | WAEP (CAD) | No. | WAEP (CAD) | No. | WAEP (CAD) | No. | WAEP (CAD) |
| Outstanding, beginning of period | 343,034 | \$ 12.41 | 918,820 | \$ 10.22 | 370,750 | \$ 10.84 | 1,479,833 | \$ 10.19 |
| Granted | 19,341 | 13.28 | — | — | 131,238 | 12.71 | 119,860 | 15.14 |
| Exercised for shares via cashless method ⁽¹⁾ | — | — | (345,300) | 7.48 | (68,541) | 7.46 | (1,026,173) | 9.84 |
| Exercised for shares ⁽¹⁾ | — | — | — | — | (50,597) | 7.48 | — | — |
| Cancelled or forfeited | — | — | (164,336) | 13.81 | (20,475) | 13.97 | (164,336) | 13.81 |
| Outstanding, end of period | 362,375 | \$ 12.46 | 409,184 | \$ 11.09 | 362,375 | \$ 12.46 | 409,184 | \$ 11.09 |
| Exercisable, end of period | 187,482 | \$ 11.79 | 267,610 | \$ 9.68 | 187,482 | \$ 11.79 | 267,610 | \$ 9.68 |

⁽¹⁾ For the thirty-nine weeks ended September 28, 2024, 71,096 shares were issued related to options exercised (thirty-nine weeks ended September 30, 2023: 253,236). The weighted average share price at the date of exercise for these options was CAD\$12.50 for the thirty-nine weeks ended September 28, 2024 (thirty-nine weeks ended September 30, 2023: CAD\$13.79).

Set forth below is a summary of the outstanding options to purchase common shares as at September 28, 2024:

| 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 | 49,805 | \$ 7.51 | 0.50 | 49,805 | \$ 7.51 |
| \$ 10.01–15.00 | 271,472 | 12.91 | 5.11 | 123,977 | 13.14 |
| \$ 15.01–20.00 | 41,098 | 15.14 | 5.50 | 13,700 | 15.14 |
| | 362,375 | | | 187,482 | |

The fair value of options granted during the thirty-nine weeks ended September 28, 2024 and thirty-nine weeks ended September 30, 2023 was estimated on the date of grant using the Black-Scholes pricing model with the following weighted average inputs and assumptions:

| | September 28, 2024 | September 30, 2023 |
|--|-----------------------|-----------------------|
| Dividend yield (%) | 4.72 | 3.43 |
| Expected volatility (%) | 39.32 | 40.23 |
| Risk-free interest rate (%) | 3.53 | 3.44 |
| Expected life (years) | 7.00 | 7.00 |
| Weighted average share price (CAD) | \$ 12.71 | \$ 15.14 |
| Weighted average fair value (CAD) | \$ 3.40 | \$ 4.80 |

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.

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

| | Thirteen weeks ended | | Thirty-nine weeks ended | |
|-----------------------------------|-------------------------------|-----------------------|-------------------------------|-----------------------|
| | September 28, 2024 | September 30, 2023 | September 28, 2024 | September 30, 2023 |
| Outstanding, beginning of period | 334,452 | 528,990 | 362,704 | 566,363 |
| Granted | 12,670 | 7,339 | 87,874 | 204,225 |
| Reinvested dividends | 3,978 | 6,165 | 11,662 | 15,641 |
| Released and paid in cash | — | — | (96,318) | (242,011) |
| Forfeited | (5,933) | (181,228) | (20,755) | (182,952) |
| Outstanding, end of period | 345,167 | 361,266 | 345,167 | 361,266 |

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 28, 2024 was 58% (thirty-nine weeks ended September 30, 2023: 50%).

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

| | Thirteen weeks ended | | Thirty-nine weeks ended | |
|-----------------------------------|-------------------------------|-----------------------|-------------------------------|-----------------------|
| | September 28, 2024 | September 30, 2023 | September 28, 2024 | September 30, 2023 |
| Outstanding, beginning of period | 567,485 | 448,140 | 349,331 | 452,978 |
| Granted | 22,211 | 7,339 | 373,460 | 166,224 |
| Reinvested dividends | 6,616 | 4,769 | 19,577 | 12,796 |
| Released and paid in cash | — | — | (121,025) | (170,026) |
| Forfeited | (26,232) | (111,635) | (51,263) | (113,359) |
| Outstanding, end of period | 570,080 | 348,613 | 570,080 | 348,613 |

The share price at the reporting date was CAD\$12.52 (September 30, 2023: CAD\$11.00). 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 28, 2024 | September 30, 2023 | September 28, 2024 | September 30, 2023 |
| Outstanding, beginning of period | 571,622 | 457,309 | 486,155 | 400,444 |
| Granted | 3,507 | 4,061 | 76,933 | 53,191 |
| Reinvested dividends | 6,550 | 5,271 | 18,591 | 13,006 |
| Outstanding, end of period | 581,679 | 466,641 | 581,679 | 466,641 |

8. Income tax expense

The Company's statutory tax rate for the thirteen and thirty-nine weeks ended September 28, 2024 was 28.1% (thirteen and thirty-nine weeks ended September 30, 2023: 27.9%). The Company's effective income tax rate for the thirteen and thirty-nine weeks ended September 28, 2024 was 20.7% and 15.5% respectively (thirteen and thirty-nine weeks ended September 30, 2023: 27.1% and 6.5% respectively). The higher effective tax rate for the thirty-nine weeks ended September 28, 2024, reflects the Company's tax efficient financing structure on a higher amount of income, as well as implications of Global Minimum Tax, described below in more detail, offset with the income tax effects resulting from the Rubicon settlement.

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On June 20, 2024, the Global Minimum Tax Act was enacted by the Government of Canada. The Global Minimum Tax Act is the Canadian implementation of the Pillar Two model rules published by the Organization for Economic Co-operation and Development. The Company intends to rely on certain transitional safe harbours for certain jurisdictions in which it operates. A provision of \$0.9 million was recorded, of which \$0.3 million was a non-recurring item with respect to the tax efficient financing structure.

9. Geographic information

Sales earned outside of Canada for the thirteen and thirty-nine weeks ended September 28, 2024 were \$169.6 million and \$551.1 million, respectively (thirteen and thirty-nine weeks ended September 30, 2023: \$197.5 million and \$653.6 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 28, 2024 | December 30, 2023 |
|-------------------------------|-----------------------|----------------------|
| Property, plant and equipment | \$ 102,303 | \$ 94,291 |
| Right-of-use assets | 8,621 | 8,948 |
| Intangible assets | 103,793 | 108,522 |
| Goodwill | 147,916 | 147,916 |
| | \$ 362,633 | \$ 359,677 |

10. 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:

| (Amounts in \$000s) | September 28, 2024 | | | December 30, 2023 | | |
|--|--------------------|--------------|----------------|-------------------|--------------|----------------|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| Fair value of financial assets | | | | | | |
| Interest rate swaps | \$ — | \$ 2,366 | \$ — | \$ — | \$ 4,744 | \$ — |
| Foreign exchange contracts | — | 395 | — | — | 222 | — |
| Investments | 17,506 | — | — | — | — | — |
| | 17,506 | 2,761 | — | — | 4,966 | — |
| Fair value of financial liabilities | | | | | | |
| Interest rate swaps | — | 286 | — | — | 324 | — |
| Foreign exchange contracts | — | 571 | — | — | 1,035 | — |
| Long-term debt | — | — | 227,000 | — | — | 246,422 |
| | — | 857 | 227,000 | — | 1,359 | 246,422 |

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The Company's Level 1 financial instrument comprises of multiple publicly traded equity investments listed on a recognized stock exchange. The fair value adjustment accurately reflects the prevailing quoted prices observed in the active market, accessible as at the reporting date.

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 28, 2024, 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 \$218.0 million as at September 28, 2024 (December 30, 2023: \$239.4 million).

Hedging activities

Interest rate swaps

During the thirty-nine weeks ended September 28, 2024, the Company had the following interest rate swaps outstanding to hedge interest rate risk resulting from the term loan facility (see Note 5):

| 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 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 28, 2024, 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 losses of \$0.9 million and after-tax net gains \$0.2 million, respectively (thirteen and thirty-nine weeks ended September 30, 2023: after-tax net gains of \$0.5 million and \$1.2 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 28, 2024 and September 30, 2023. There were \$nil amounts recognized in the consolidated statements of income resulting from hedge ineffectiveness during the thirteen and thirty-nine weeks ended September 28, 2024 (thirteen and thirty-nine weeks ended September 30, 2023: \$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 28, 2024, the Company had outstanding notional amounts of \$30.0 million (September 30, 2023: \$31.5 million) in foreign currency average-rate forward contracts that were formally designated as a hedge and \$1.9 million in foreign currency single-rate forward contracts that were formally designated as a hedge (September 30, 2023: \$0.6 million). With the exception of \$2.1 million (September 30, 2023: \$1.4 million) average-rate forward contracts with maturities ranging from September 2025 to April 2026, 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 28, 2024 and September 30, 2023, and therefore the change in fair value was recorded in OCI as after-tax net

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losses of \$0.1 million and after-tax net gains of \$0.4 million, respectively (thirteen and thirty-nine weeks ended September 30, 2023: after-tax net gains of \$0.6 million and after-tax net losses of \$0.1 million, respectively). There were after-tax net gains of \$nil recognized in the consolidated statements of income resulting from hedge ineffectiveness during the thirteen and thirty-nine weeks ended September 28, 2024 (thirteen and thirty-nine weeks ended September 30, 2023 net gains of \$nil and \$0.1 million, respectively).

As at September 28, 2024, the Company had \$43.0 million (September 30, 2023: \$5.0 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 28, 2024 were net losses of \$0.4 million and net gains of \$0.4 million, respectively (thirteen and thirty-nine weeks ended September 30, 2023: \$nil and a net loss of \$0.1 million, respectively).

Hedge of net investment in foreign operations

As at September 28, 2024, a total borrowing of \$217.7 million (\$6.0 million included in the current portion of long-term debt and \$212.0 million included in long-term debt, net of \$0.3 million in deferred financing costs related to bank loans (December 30, 2023: a total borrowing of \$242.0 million (\$2.6 million included in bank loans, \$5.6 million included in the current portion of long-term debt and \$233.8 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 28, 2024 and September 30, 2023.

11. Litigation Update

As previously reported, High Liner Foods instituted legal proceedings in California against Mr. Brian Wynn in connection with the sale of Rubicon Resources, LLC ("Rubicon") to the Company. On March 5, 2024, a settlement agreement ("Settlement Agreement") was reached between the Company and the previous shareholders of Rubicon, including Mr. Wynn. On June 6, 2024, the Settlement Agreement was completed and has been reflected in the financial results for the thirty-nine weeks ended September 28, 2024. In accordance with the terms of the Agreement, 2,429,014 common shares of the Company issued in connection with the acquisition of Rubicon were surrendered and subsequently cancelled, resulting in a \$9.8M gain in the Company's statement of income under *Business acquisition, integration and other (income) expense*. The difference between the value attributed to the shares upon issuance and the value of the settlement, in the amount of \$15.9 million, was allocated to retained earnings. In addition, \$5.7M was paid directly to the insurance company to reimburse funds received from a previous insurance claim settlement on Representation and Warranties Insurance the Company procured to provide coverage of breaches of representation by Rubicon and Mr. Wynn.

From time to time, the Company is involved in and potentially subject to litigation, investigations, disputes, proceedings or other similar matters related to claims arising out of its operations in the ordinary course of business, performance under its contracts, and the completion of acquisitions or divestitures. The Company believes that all claims and lawsuits in the aggregate, when settled, are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

There are a number of uncertainties involved in such matters, individually or in aggregate, and as such, to the extent that the Company's assessment of its exposure in respect of such matters is either incorrect or changes, there is a possibility that the ultimate resolution of these matters may result in a material adverse effect on the Company's reputation, operations, financial condition or performance in future periods. The Company regularly assesses the adequacy of accruals or provisions related to such matters and makes adjustments as necessary.
