HIGH LINER FOODS

THIRD QUARTER
REPORT TO SHAREHOLDERS

Thirty-nine weeks ended October 1, 2022

HIGH LINER FOODS

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the thirteen and thirty-nine weeks ended October 1, 2022

(All amounts are in United States dollars unless otherwise stated)

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INTRODUCTION

This Management's Discussion and Analysis ("MD&A"), dated November 9, 2022, relates to the financial condition and results of operations of High Liner Foods Incorporated for the thirteen and thirty-nine weeks ended October 1, 2022, compared to the thirteen and thirty-nine weeks ended October 2, 2021. Throughout this discussion, "We", "Us", "Our", "Company" and "High Liner Foods" refer to High Liner Foods Incorporated and its businesses and subsidiaries.

This document should be read in conjunction with the Company's 2021 Annual Report and Unaudited Condensed Interim Consolidated Financial Statements as at and for the thirty-nine weeks ended October 1, 2022 ("Consolidated Financial Statements"), prepared in accordance with International Financial Reporting Standards ("IFRS"). The information contained in this document, including forward-looking statements, is based on information available to Management as of November 9, 2022, except as otherwise noted.

Currency

All amounts in this MD&A are in United States dollars ("USD"), unless otherwise noted. Although the functional currency of High Liner Foods' Canadian company (the "Parent") is the Canadian dollar ("CAD"), management believes the USD presentation 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 into the presentation currency.

For the purpose of presenting the Consolidated Financial Statements in USD, CAD-denominated assets and liabilities in the Parent's operations are converted using the exchange rate at the reporting date, and revenue and expenses are converted at the average exchange rate of the month in which the transaction occurs. As such, foreign currency fluctuations affect the reported values of individual lines on our balance sheet and income statement. When the USD strengthens (weakening CAD), the reported USD values of the Parent's CAD-denominated items decrease in the Consolidated Financial Statements, and the opposite occurs when the USD weakens (strengthening CAD).

In some parts of this document, balance sheet and operating items of the Parent are discussed in the CAD functional currency (the "domestic currency" of the Parent) to eliminate the effect of fluctuating foreign exchange rates used to translate the Parent's operations to the USD presentation currency.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements within the meaning of securities laws. In particular, these forward-looking statements are based on a variety of factors and assumptions that are discussed throughout this document. In addition, these statements and expectations concerning the performance of the business in general are based on a number of factors and assumptions including, but not limited to: availability, demand and prices of raw materials, energy and supplies; the condition of the Canadian and American economies; product pricing; foreign exchange rates, especially the rate of exchange of the CAD to the USD; the ability to attract and retain customers; operating costs and improvement to operating efficiencies; interest rates; continued access to capital; the competitive environment and related market conditions; and the general assumption that none of the risks identified below or elsewhere in this document will materialize.

Specific forward-looking statements in this document include, but are not limited to: statements with respect to: future growth strategies and their impact on the Company's market share and shareholder value; anticipated financial performance, including earnings trends and growth; achievement, and timing of achievement, of strategic goals and publicly stated financial targets, including to increase our market share, acquire and integrate other businesses and reduce operating and supply chain costs; the ability to develop new and innovative products that result in increased sales and market share; increased demand for the Company's products whether due to the recognition of the health benefits of seafood or otherwise; changes in costs for seafood and other raw materials; any proposed disposal of assets and/or operations; increases or decreases in processing costs; the USD/CAD exchange rate; percentage of sales from the Company's brands; expectations with regards to sales volume, earnings, product margins, product innovations, brand development and anticipated financial performance; competitor reaction to Company strategies and actions; impact of price increases or decreases on future profitability; sufficiency of working capital facilities; future income tax rates; the expected amount and timing of integration activities related to acquisitions; expected leverage levels and expected Net Debt to Adjusted EBITDA; statements under the "outlook" heading including expected demand, sales of new product, the efficiency of plant production and U.S. tariffs on certain seafood products imported from China; expected amount and timing of cost savings related to the optimization of the Company's structure; decreased leverage in the future; estimated capital spending; future inventory trends and seasonality; market forces and the maintenance of existing customer and supplier relationships; availability of credit facilities; the projection of excess cash flow and minimum repayments under the Company's long-term loan facility; expected decreases in debt-to-capitalization ratio; dividend payments; the amount and timing of the capital expenditures in excess of normal requirements to allow the movement of production between plants; and expectations regarding the potential future impact of the 2019 coronavirus ("COVID-19") pandemic on the Company's operations and performance, customer and consumer behavior and economic patterns.

Forward-looking statements can generally be identified by the use of the conditional tense, the words "may", "should", "would", "could", "believe", "plan", "expect", "intend", "anticipate", "estimate", "foresee", "objective", "goal", "remain" or "continue" or the negative of these terms or variations of them or words and expressions of similar nature. Actual results could differ materially from the conclusion, forecast or projection stated in such forward-looking information. As a result, we cannot guarantee that any forward-looking statements will materialize. Assumptions, expectations and estimates made in the preparation of forward-looking statements and risks that could cause our actual results to differ materially from our current expectations are discussed in detail in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including the *Risk Factors* section of our 2021 Annual Report and the *Risk Factors* section of our 2021 Annual Information Form. The risks and uncertainties that may affect the operations, performance, development and results of High Liner Foods' business include, but are not limited to, the following factors: compliance with food safety laws and regulations; timely identification of and response to events that could lead to a product recall; volatility in the CAD/USD exchange rate; competitive developments including increases in overseas seafood production and industry consolidation; availability and price of seafood raw materials and finished goods and the impact of geopolitical events (and related economic sanctions) on the same; the impact of the U.S. Trade Representative's tariffs on certain seafood products; costs of commodity products, freight, storage and other production inputs, and the ability to pass cost increases on to customers; successful integration of acquired operations; potential increases in maintenance and operating costs; shifts in market demands for seafood; performance of new products launched and existing products in the market place; changes in laws and regulations, including environmental, taxation and regulatory requirements; technology changes with respect to production and other equipment and software programs; enterprise resource planning system risk; adverse impacts of cybersecurity attacks or breach of sensitive information; supplier fulfillment of contractual agreements and obligations; competitor reactions; completion and/or advancement of sustainability initiatives, including, without limitation, initiatives relating to the carbon workplan, waste reduction and/or seafood sustainability and traceability initiatives; High Liner Foods' ability to generate adequate cash flow or to finance its future business requirements through outside sources; credit risk associated with receivables from customers; volatility associated with the funding status of the Company's post-retirement pension benefits; adverse weather conditions and natural disasters; the availability of adequate levels of insurance; management retention and development; economic and geopolitical conditions such as Russia's invasion of Ukraine and the implementation and/or expansion of related sanctions policies; and the potential impact of a pandemic outbreak of a contagious illness, such as COVID-19 pandemic, on general economic and business conditions and therefore the Company's operations and financial performance.

Forward-looking information is based on management's current estimates, expectations and assumptions, which we believe are reasonable as of the current date. You should not place undue importance on forward-looking information and should not rely upon this information as of any other date. Except as required under applicable securities laws, we do not undertake to update these forward-looking statements, whether written or oral, that may be made from time to time by us or on our behalf, whether as a result of new information, future events or otherwise.

COMPANY OVERVIEW

High Liner Foods, through its predecessor companies, has been in business since 1899 and has been a publicly traded Canadian company since 1967, trading under the symbol 'HLF' on the Toronto Stock Exchange ("TSX"). We are a leading North American processor and marketer of value-added (i.e. processed) frozen seafood, producing a wide range of products from breaded and battered items to seafood entrées, that are sold to North American food retailers and foodservice distributors. In addition, we are a major supplier of commodity products in the North American market. The retail channel includes grocery and club stores and our products are sold throughout the U.S. and Canada under the ***High Liner***, ***Fisher Boy***, ***Mirabel***, ***Sea Cuisine*** and ***Catch of the Day*** labels. The foodservice channel includes sales of seafood that is usually eaten outside the home and our branded products are sold through distributors to restaurants and institutions under the ***High Liner***, ***Mirabel***, ***Icelandic Seafood***[1] and ***FPI*** labels. The Company is also a major supplier of private-label value-added frozen premium seafood products to North American food retailers and foodservice distributors.

We own and operate three food-processing plants located in Lunenburg, Nova Scotia ("N.S."), Portsmouth, New Hampshire, and Newport News, Virginia.

Although our roots are in the Atlantic Canadian fishery, we purchase all our seafood raw material and some finished goods from around the world. From our headquarters in Lunenburg, N.S., we have transformed our long and proud heritage into global seafood expertise. We deliver on the expectations of consumers by selling seafood products that respond to their demands for sustainable, convenient, tasty and nutritious seafood, at good value.

Additional information relating to High Liner Foods, including our most recent Annual Information Form ("AIF"), is available on SEDAR at www.sedar.com and in the Investor Center section of the Company's website at www.highlinerfoods.com.

OUTLOOK

Demand for the Company's products remains strong, however, like others in the industry, the Company continues to navigate a hyper-inflationary environment and remnants of the global supply challenges. The Company’s diversification of product and procurement, and investment in strong customer and supplier relationships, has enabled High Liner Foods to mitigate these supply and economic challenges and position itself for continued growth.

With a strong balance sheet and liquidity, the Company is well equipped to navigate current market conditions and invest in the business. The Company continues to invest in working capital and has increased liquidity to support its branded, value-added leadership strategy through its recent expansion of its Asset Backed Loan facility. High Liner Foods expects the Net Debt to Rolling Twelve-Month Adjusted EBITDA ratio to be slightly above the Company's long-term target of 3.0x at the end of Fiscal 2022.

The Company’s capital expenditures remain in line with the previously disclosed amount of approximately $25.0 million for Fiscal 2022. The Company is working to modernize its asset base, explore automation opportunities and maintain and upgrade facilities.

[1] *In December 2011, as part of the acquisition of the U.S. subsidiary of Icelandic Group h.f, the Company acquired several brands and agreed to a seven year royalty-free licensing agreement with Icelandic Group for the use of the Icelandic Seafood brand in the U.S., Canada and Mexico. In April 2018, the Company executed a seven-year brand license agreement for the continued use of the Icelandic Seafood brand in the U.S. and Canada with royalty payments effective January 2019 (1.5% on net sales of products sold under the Icelandic Seafood brand).*

RECENT DEVELOPMENTS

Global Supply Chain and Economic Conditions

Global supply chain continued to be challenged and general economic conditions have been impacted due to the continued COVID-19 pandemic, as well as the geopolitical impact relating to the evolving military conflict in the Ukraine.

While global supply chain challenges are improving, the Company continued to experience shipping delays and raw material supply issues due to global labour shortages, port congestion and shutdowns and implemented sanction policies relating to Russia's invasion of the Ukraine. The Company's foodservice business continues to rebound and demand continues to increase. High Liner Foods is taking all available steps to satisfy customer demand while complying with sanction policies but is constrained by the continuing global supply chain challenges, which once again impacted the Company's sales volumes by approximately 4.0 million pounds, or 6.6%, in the third quarter, similar to the impact in the first and second quarters of Fiscal 2022. By taking various steps to mitigate these supply challenges, the Company has reduced the impact on its performance and customers.

The Company continues to experience inflationary pressure on its input costs, including raw material, ingredients and packaging costs. The Company continued to take appropriate pricing actions during the quarter to offset the additional costs incurred and to manage this inflationary environment.

See the Risk Factors section beginning on page 23 of this MD&A for further discussion of the impact of the geopolitical environment and COVID-19 on the Company's risk assessment.

U.S. Tariffs

In September 2018, the U.S. Trade Representative ("USTR") commenced trade discussions with China that resulted in various actions impacting the Company related to additional tariffs on goods imported to the U.S. During December 2019, the Company received notice of approval of an exclusion request submitted to the USTR regarding tariffs on certain goods imported to the U.S. from China that expired on August 7, 2020, and which was subsequently extended until December 31, 2020. The tariffs were reinstated following the expiry of the exclusion on December 31, 2020 and continued throughout 2021.

During March 2022, the Company received notice of approval of an exclusion extension request submitted to the USTR regarding tariffs on certain goods imported to the U.S. from China. The extension applied to tariffs already incurred, or that would otherwise have been incurred, on specific goods from October 12, 2021 to December 31, 2022.

The estimated annual run-rate exposure of the 25% tariff is approximately $5.5 million based on current volume and raw material costs; however, the Company has implemented plans, including pricing actions and other supply chain initiatives, to mitigate the impact of these tariffs and reduce the estimated impact to the Company and its customers.

The Company will continue to monitor these developments closely, particularly if further information becomes available regarding potential additional tariffs or exclusions, or how the previously announced tariffs and exclusions will impact the Company.

Working Capital Facility Amendment

Subsequent to October 1, 2022, the Company amended its working capital facility to increase the revolving limit on its secured asset-based credit facility from $150.0 million to $200.0 million (refer to Note 13 "Events after the reporting period" to the Consolidated Financial Statements).

Insurance Proceeds

During Fiscal 2020, High Liner Foods filed a lawsuit in California Superior Court against Mr. Brian Wynn relating to misrepresentations the Company alleges Mr. Wynn made during the due diligence process for the acquisition of

Rubicon Resources LLC ("Rubicon"). The Company is claiming a number of remedies, including rescission, disgorgement and damages. After filing the claim against Mr. Wynn, High Liner Foods also filed a claim under the Representations and Warranty insurance policy (the "Insurance Policy") that was procured by High Liner Foods to provide coverage for breaches of the representations made by Rubicon and Mr. Wynn when it acquired Rubicon. During Fiscal 2021, the Company filed its arbitration demand and the arbitration is proceeding. The Company cannot predict the outcome of the legal proceedings against Mr. Wynn, nor the amount of likely recovery from Mr. Wynn, however the insurer, under the Insurance Policy, has agreed that there were breaches of the representations made by Mr. Wynn resulting in damages in excess of the policy limit. Accordingly, during the thirty-nine weeks ended October 1, 2022, the Company received the total available amount under the Insurance Policy of $10.0 million.

PERFORMANCE

This discussion and analysis of the Company's financial results focuses on the performance of the consolidated North American operations, the Company's single operating and reporting segment.

Seasonality

Overall, the first quarter of the year is historically the strongest for both sales and profit, and the second quarter is the weakest. Both our retail and foodservice businesses traditionally experience a strong first quarter due to retailers and restaurants promoting seafood during the Lenten period. As such, the timing of Lent can impact our quarterly results.

A significant percentage of advertising and promotional activity is typically done in the first quarter. Customer-specific promotional expenditures such as trade spending, listing allowances and couponing are deducted from "Sales" and non-customer-specific consumer marketing expenditures are included in selling, general and administrative expenses.

Inventory levels fluctuate throughout the year, most notably increasing to support strong sales periods such as 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. These events typically result in significantly higher inventories in December, January, February and March than during the rest of the year.

Consolidated Performance

The table below summarizes key consolidated financial information for the relevant periods.

(in $000s, except sales volume, per share amounts, percentage amounts, and exchange rates)	Thirteen weeks ended October 1, 2022	Thirteen weeks ended October 2, 2021	Change	Thirty-nine weeks ended October 1, 2022	Thirty-nine weeks ended October 2, 2021	Change
Sales volume (millions of lbs)	**60.4**	54.8	**5.6**	**192.5**	175.0	**17.5**
Average foreign exchange rate (USD/CAD)	**$ 1.3063**	$ 1.2604	**$ 0.0459**	**$ 1.2833**	$ 1.2512	**$ 0.0321**
Sales	**$ 271,181**	$ 214,302	**$ 56,879**	**$ 819,368**	$ 647,526	**$ 171,842**
Gross profit	**$ 56,747**	$ 47,901	**$ 8,846**	**$ 175,090**	$ 149,939	**$ 25,151**
Gross profit as a percentage of sales	**20.9%**	22.4%	**(1.5%)**	**21.4%**	23.2%	**(1.8%)**
Distribution expenses	**$ 14,707**	$ 12,068	**$ 2,639**	**$ 45,921**	$ 36,688	**$ 9,233**
Selling, general and administrative expenses	**$ 24,877**	$ 19,970	**$ 4,907**	**$ 70,423**	$ 66,523	**$ 3,900**
Adjusted EBITDA (1)	**$ 24,809**	$ 22,444	**$ 2,365**	**$ 78,484**	$ 69,822	**$ 8,662**
Adjusted EBITDA as a percentage of sales	**9.1%**	10.5%	**(1.4%)**	**9.6%**	10.8%	**(1.2%)**
Net income	**$ 9,977**	$ 9,177	**$ 800**	**$ 43,599**	$ 35,026	**$ 8,573**
Basic Earnings per Share ("EPS")	**$ 0.30**	$ 0.27	**$ 0.03**	**$ 1.29**	$ 1.03	**$ 0.26**
Diluted EPS	**$ 0.28**	$ 0.26	**$ 0.02**	**$ 1.24**	$ 1.00	**$ 0.24**
Adjusted Net Income (1)	**$ 14,292**	$ 11,281	**$ 3,011**	**$ 39,395**	$ 35,719	**$ 3,676**
Adjusted Basic EPS	**$ 0.42**	$ 0.33	**$ 0.09**	**$ 1.17**	$ 1.05	**$ 0.12**
Adjusted Diluted EPS (1)	**$ 0.41**	$ 0.32	**$ 0.09**	**$ 1.12**	$ 1.02	**$ 0.10**
Total assets				**$ 947,805**	$ 787,276	**$ 160,529**
Total long-term financial liabilities				**$ 252,822**	$ 267,111	**$ (14,289)**
Dividends paid per common share (in CAD)	**$ 0.10**	$ 0.07	**$ 0.03**	**$ 0.30**	$ 0.21	**$ 0.09**

(1) See the *Non-IFRS Financial Measures* section starting on page 17 for further explanation of Adjusted EBITDA, Adjusted Net Income and Adjusted Diluted EPS.

COVID-19 Pandemic

The performance of the Company's consolidated North American operations, as discussed in the following sections, has been significantly impacted by COVID-19, and may continue to be impacted in future periods. See the *Risk Factors* section beginning on page 23 of this MD&A for further discussion of the impact of COVID-19 on the Company's risk assessment

Sales

Thirteen weeks

Sales volume for the thirteen weeks ended October 1, 2022, or the third quarter of 2022, increased by 5.6 million pounds, or 10.2%, to 60.4 million pounds compared to 54.8 million pounds in the thirteen weeks ended October 2, 2021, or the third quarter of 2021. In our foodservice business, sales volume was higher due to the significantly reduced COVID-19 restrictions on the Company's foodservice customers in the third quarter of 2022 as compared to the third quarter of 2021, leading to increased demand. The increase in sales volume was also due to growth in our retail business due to marketing efforts and increased sales in newer product lines and new business in both foodservice and retail. This was partially offset by the impact of global supply chain challenges on raw material supply to North America, that impacted the Company's sales volumes by an estimated 4.0 million pounds or 6.6% in the third quarter, similar to the impact in the first and second quarters of Fiscal 2022.

Sales in the third quarter of 2022 increased by $56.9 million, or 26.6%, to $271.2 million compared to $214.3 million in the same period last year, reflecting higher sales volumes mentioned above as well as pricing actions related to inflationary increases in input costs. In addition, the weaker Canadian dollar in the third quarter of 2022 compared to the same quarter of 2021 decreased the value of USD sales from our CAD-denominated operations by approximately $2.5 million relative to the conversion impact last year.

Thirty-nine weeks

Sales volume in the first three quarters of 2022 increased by 17.5 million pounds, or 10.0%, to 192.5 million pounds compared to 175.0 million pounds in the same period in the prior year. In our foodservice business, sales volume was higher due to the impact of fewer COVID-19 restrictions on the Company's foodservice customers in 2022 as compared to 2021. In addition, sales volume also increased due to growth in our retail business and increased sales in newer product lines and new business in both foodservice and retail. As noted above, this was partially offset by the impact of global supply chain challenges on raw material supply to North America.

Sales in the first three quarters of 2022 increased by $171.9 million, or 26.5%, to $819.4 million compared to $647.5 million in the same period in the prior year. The increase in sales reflects the higher sales volumes mentioned above, pricing actions implemented to mitigate inflationary increases on input costs and favorable changes in sales mix. In addition, the weaker Canadian dollar in the first three quarters of 2022 compared to the first three quarters of 2021 decreased the value of reported USD sales from our CAD-denominated operations by approximately $5.0 million relative to the conversion impact last year.

Gross Profit

Thirteen weeks

Gross profit increased in the third quarter of 2022 by $8.8 million, or 18.4%, to $56.7 million compared to $47.9 million in the same period in 2021, while gross profit as a percentage of sales decreased to 20.9% compared to 22.4%. The increase in gross profit reflects the higher sales volume and pricing actions as discussed previously, despite inflationary increases in input costs, offset by a change in product mix.

In addition, the weaker Canadian dollar decreased the value of reported USD gross profit from our Canadian operations in 2022 by approximately $0.6 million relative to the conversion impact last year.

Thirty-nine weeks

Gross profit increased in the first three quarters of 2022 by $25.2 million, or 16.8%, to $175.1 million compared to $149.9 million in the same period in the prior year, while gross profit as a percentage of sales decreased to 21.4% compared to 23.2%. The increase in gross profit reflects the higher sales volume and pricing actions discussed previously, despite inflationary increases in input costs, offset by a change in product mix.

In addition, the weaker Canadian dollar decreased the value of reported USD gross profit from our Canadian operations in 2022 by approximately $1.2 million relative to the conversion impact last year.

Distribution Expenses

Thirteen weeks

Distribution expenses, consisting of freight and storage, increased in the third quarter of 2022 by $2.6 million to $14.7 million compared to $12.1 million in the same period in 2021, as a result of the higher sales volume mentioned previously, as well as increased freight costs and storage costs. The Company continued to manage transportation barriers related to global supply challenges as discussed in the *Recent Developments* section on page 4 of this MD&A. As a percentage of sales, distribution expenses decreased favorably to 5.4% in the third quarter of 2022 compared to 5.6% in the same period in 2021.

Thirty-nine weeks

Distribution expenses, consisting of freight and storage, increased in the first three quarters of 2022 by $9.2 million to $45.9 million compared to $36.7 million in the same period in the prior year, reflecting the higher sales volume mentioned previously, increased freight costs related to global supply chain challenges as discussed in the *Recent Developments* section on page 4 of this MD&A, and increased storage costs. As a percentage of sales, distribution expenses decreased favorably to 5.6% in the first three quarters of 2022 compared to 5.7% in the same period in 2021.

Selling, General and Administrative ("SG&A") Expenses

	Thirteen weeks ended		Thirty-nine weeks ended	
(Amounts in $000s)	**October 1, 2022**	**October 2, 2021**	**October 1, 2022**	**October 2, 2021**
SG&A expenses, as reported	**$ 24,877**	$ 19,970	**$ 70,423**	$ 66,523
Less:				
Share-based compensation expense (1)	**1,476**	768	**2,176**	5,747
Depreciation and amortization expense (1)	**2,693**	2,560	**7,745**	7,749
SG&A expenses, net	**$ 20,708**	$ 16,642	**$ 60,502**	$ 53,027
SG&A expenses, net as a percentage of sales	**7.6%**	7.8 %	**7.4%**	8.2%

(1) Represents share-based compensation expense and depreciation and amortization expense that is allocated to SG&A only. The remaining expense is allocated to cost of sales and distribution expenses.

SG&A Expenses

Thirteen weeks

SG&A expenses increased in the third quarter of 2022 by $4.9 million to $24.9 million compared to $20.0 million in the same period last year. SG&A expenses included share-based compensation expense of $1.5 million in the third quarter of 2022 compared to $0.8 million for the same period in 2021, primarily due to higher units outstanding in the current year as compared to the same period in the prior year, partially offset by a lower expected performance multiplier for performance-based awards. SG&A expenses also included depreciation and amortization expense of $2.7 million in the third quarter of 2022 and $2.6 million in the same period of 2021.

Excluding share-based compensation and depreciation and amortization expenses, SG&A expenses increased in the third quarter of 2022 by $4.1 million to $20.7 million compared to $16.6 million in the same period last year, due to higher administrative expenses including higher salaries and benefits and higher variable selling costs, as well as higher consumer marketing expenses related to supporting our brands in the U.S retail business as compared to the same period in the prior year. As a percentage of sales, SG&A excluding share-based compensation and depreciation and amortization expense decreased favorably to 7.6% in the third quarter of 2022 compared to 7.8% in the same period last year.

Thirty-nine weeks

SG&A expenses increased by $3.9 million to $70.4 million in the first three quarters of 2022 as compared to $66.5 million in the same period in the prior year. SG&A expenses included share-based compensation expense of $2.2 million in the first three quarters of 2022 compared to $5.7 million in the same period in the prior year, primarily due to a lower expected performance multiplier for performance-based awards and a decrease in share price performance in the first quarter of 2022 compared to the same period in 2021, when unit holders exercised their units. This decrease was partially offset by higher units outstanding in the current year as compared to the same period in the prior year. SG&A expenses also included depreciation and amortization expense of $7.7 million in the first three quarters of 2022 compared to $7.7 million in the same period in the prior year.

Excluding share-based compensation and depreciation and amortization expenses, SG&A expenses increased in the first three quarters of 2022 by $7.5 million to $60.5 million compared to $53.0 million in 2021, due to higher consulting fees, administrative expenses including higher salaries and benefits, variable selling costs and higher consumer marketing expenses related to supporting our brands in both the U.S and Canada retail businesses as compared to the same period in the prior year. As a percentage of sales, SG&A excluding share-based compensation and depreciation and amortization expense decreased favorably to 7.4% in the first three quarters of 2022 compared to 8.2% in 2021.

Adjusted EBITDA

We refer to Adjusted EBITDA throughout this MD&A in discussing our results for the thirteen and thirty-nine weeks ended October 1, 2022. See the *Non-IFRS Financial Measures* section on page 17 for further explanation of this non-IFRS measure.

Thirteen weeks

Adjusted EBITDA increased in the third quarter of 2022 by $2.4 million, or 10.7%, to $24.8 million compared to $22.4 million in the same period in the prior year, while as a percentage of sales, Adjusted EBITDA decreased to 9.1% compared to 10.5%. The increase in Adjusted EBITDA reflects the increase in gross profit, partially offset by the increase in net SG&A expenses and in distribution expenses, all discussed previously.

In addition, the weaker Canadian dollar decreased the value of reported Adjusted EBITDA in USD from our Canadian operations in 2022 by approximately $0.2 million relative to the conversion impact last year.

Thirty-nine weeks

Adjusted EBITDA increased in the first three quarters of 2022 by $8.7 million, or 12.5%, to $78.5 million compared to $69.8 million in the same period in the prior year, while as a percentage of sales, Adjusted EBITDA decreased to 9.6% compared to 10.8%. The increase in Adjusted EBITDA is a result of the increase in gross profit partially offset by the increase in net SG&A expenses and in distribution expenses, all discussed previously.

In addition, the weaker Canadian dollar decreased the value of reported Adjusted EBITDA in USD from our Canadian operations in 2022 by approximately $0.5 million relative to the conversion impact last year.

Net Income

We refer to Adjusted Net Income and Adjusted Diluted EPS throughout this MD&A. See the *Non-IFRS Financial Measures* section starting on page 17 for further explanation of these non-IFRS measures.

Thirteen weeks

Net income increased in the third quarter of 2022 by $0.8 million, or 8.7%, to net income of $10.0 million ($0.28 per diluted share) compared to net income of $9.2 million ($0.26 per diluted share) in the same period in the prior year.

The increase in net income was due to the increase in Adjusted EBITDA discussed previously and a decrease in business acquisition, integration and other expense (income) as discussed below in the *Business Acquisition, Integration and Other Expense (Income)* section on page 11 on this MD&A. The increase in net income was partially offset by an increase in finance costs discussed below in the *Finance Costs* section on page 12 on this MD&A and the increase in share-based compensation expense discussed previously.

In the third quarter of 2022 and 2021, net income included "business acquisition, integration and other expense (income)" (as explained in the *Business Acquisition, Integration and Other Expense (Income)* section on page 11 of this MD&A) related to certain non-routine expenses. Excluding the impact of these non-routine items or other non-cash expenses and share-based compensation, Adjusted Net Income in the third quarter of 2022 increased by $3.0 million or 26.5% to $14.3 million compared to $11.3 million in the same period in the prior year.

Correspondingly, Adjusted Diluted EPS increased by $0.09 to $0.41 compared to $0.32 in the same period in the prior year.

Thirty-nine weeks

Net income increased in the first three quarters of 2022 by $8.6 million, or 24.6%, to $43.6 million ($1.24 per diluted share) compared to $35.0 million ($1.00 per diluted share) in the same period in the prior year. The increase in net income reflects the insurance proceeds received during the second quarter of 2022, as well as an increase in Adjusted EBITDA and lower share-based compensation expense, discussed previously. The increase in net income was partially offset by an increase in finance costs primarily due to a $7.8 million gain on modification of debt related to the debt refinancing completed in March 2021 that did not repeat in the current year and an increase in income tax expense.

In the first three quarters of 2022 and the same period in the prior year, net income included "business acquisition, integration and other expense (income)" (as explained in the *Business Acquisition, Integration and Other Expense (Income)* section on page 11 of this MD&A) related to certain non-routine expenses. Excluding the impact of these non-routine items, other non-cash expenses, share-based compensation, insurance proceeds, and the gain on modification of debt in 2021, Adjusted Net Income in the first three quarters of 2022 increased by $3.7 million, or 10.4%, to $39.4 million compared to $35.7 million in the same period in the prior year.

Adjusted Diluted EPS increased $0.10 in the first three quarters of 2022 to $1.12 compared to $1.02 in the same period in the prior year.

RESULTS BY QUARTER

The following table provides summarized financial information for the last nine quarters:

(Amounts in $000s, except per share amounts)	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Sales	**$271,181**	$253,452	$294,735	$227,879	$214,302	$189,811	$243,413	$198,415	$194,621
Adjusted EBITDA (1)	**$ 24,809**	$ 25,333	$ 28,340	$ 20,600	$ 22,444	$ 19,575	$ 27,803	$ 21,185	$ 19,068
Net Income	**$ 9,977**	$ 18,977	$ 14,645	$ 7,223	$ 9,177	$ 8,021	$ 17,828	$ 7,372	$ 3,821
Adjusted Net Income (1)	**$ 14,292**	$ 10,034	$ 15,068	$ 9,079	$ 11,281	$ 10,378	$ 14,060	$ 10,315	$ 5,948
EPS, based on Net Income									
Basic	**$ 0.30**	$ 0.56	$ 0.43	$ 0.22	$ 0.27	$ 0.23	$ 0.53	$ 0.22	$ 0.11
Diluted	**$ 0.28**	$ 0.54	$ 0.41	$ 0.20	$ 0.26	$ 0.23	$ 0.51	$ 0.21	$ 0.11
EPS, based on Adjusted Net Income (1)									
Basic	**$ 0.42**	$ 0.30	$ 0.44	$ 0.27	$ 0.33	$ 0.31	$ 0.41	$ 0.30	$ 0.18
Diluted (1)	**$ 0.41**	$ 0.29	$ 0.43	$ 0.26	$ 0.32	$ 0.30	$ 0.40	$ 0.29	$ 0.18
Dividends paid per common share (CAD)									
	$ 0.10	$ 0.10	$ 0.10	$ 0.10	$ 0.07	$ 0.07	$ 0.07	$ 0.07	$ 0.05
Net non-cash working capital (2)									
	$309,660	$287,974	$272,482	$232,832	$207,582	$194,410	$188,063	$193,960	$199,569

(1) See the *Non-IFRS Financial Measures* section starting on page 17 for further explanation of Adjusted EBITDA, Adjusted Net Income and Adjusted Diluted EPS.
(2) Net non-cash working capital is comprised of accounts receivable, inventories and prepaid expenses, less accounts payable and accrued liabilities, and provisions.

BUSINESS ACQUISITION, INTEGRATION AND OTHER (INCOME) EXPENSE

The Company reports expenses associated with business acquisition and integration activities, and certain other non-routine costs separately in its consolidated statements of income as follows:

	Thirteen weeks ended		Thirty-nine weeks ended	
(Amounts in $000s)	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Business acquisition, integration and other expense (income)	**$ 648**	$ 1,230	**$ (8,118)**	$ 2,370

Business acquisition, integration and other expense (income) for the thirty-nine weeks ended October 1, 2022 and October 2, 2021 also included certain non-routine expenses, consulting fees, and insurance proceeds, as discussed in the *Recent Developments* section on page 4 of this MD&A, that are not representative of the Company's ongoing operational activities.

FINANCE COSTS

The following table shows the various components of the Company's finance costs:

	Thirteen weeks ended		Thirty-nine weeks ended	
(Amounts in $000s)	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
Interest paid in cash during the period	**$ 3,446**	$ 3,025	**$ 9,856**	$ 11,275
Change in cash interest accrued during the period	**832**	46	**1,122**	(1,045)
Total interest to be paid in cash	**4,278**	3,071	**10,978**	10,230
Modification gain related to debt refinancing activities[1]	**—**	—	**—**	(7,901)
Interest expense on lease liabilities	**133**	223	**420**	474
Deferred financing cost & net modification loss amortization	**299**	323	**912**	987
Total finance costs	**$ 4,710**	$ 3,617	**$ 12,310**	$ 3,790

[1]The thirty-nine weeks ended October 2, 2021 includes a gain on the modification of debt related to the debt refinancing completed in March 2021.

Finance costs were $1.1 million higher in the third quarter of 2022 and $8.5 million higher in the thirty-nine weeks ended October 1, 2022 compared to the same periods last year. The increase during the thirty-nine weeks ended October 1, 2022 was due to the gain on the modification of debt related to the debt refinancing completed in March 2021 that did not repeat in the current year, as previously discussed, and increased interest expense on short-term borrowings due to higher balances outstanding and higher interest rates.

INCOME TAXES

The Company's statutory tax rate for the thirteen and thirty-nine weeks ended October 1, 2022 was 27.9% (thirteen and thirty-nine weeks ended October 2, 2021: 27.8%). The Company's effective income tax rate for the thirteen and thirty-nine weeks ended October 1, 2022 was an expense of 14.6% and 19.8%, respectively (thirteen and thirty-nine weeks ended October 2, 2021: an expense of 16.4% and 13.6%, respectively). The higher effective tax rate for the thirty-nine weeks ended October 1, 2022, was primarily attributable to the recognition of previously unrecorded tax assets during the thirty-nine weeks October 2, 2021, partially offset by the Company's tax efficient financing structure.

CONTINGENCIES

The Company has no material outstanding contingencies.

LIQUIDITY AND CAPITAL RESOURCES

The Company's balance sheet is affected by foreign currency fluctuations, the effect of which is discussed in the *Introduction* section on page 1 of this MD&A (under the heading *"Currency"*) and in the Foreign Currency risk discussion on page 25 (in the *Risk Factors* section).

Our capital management practices are described in Note 26 *"Capital management"* in the 2021 annual consolidated financial statements.

Working Capital Credit Facility

The Company entered into an amended $150.0 million asset-based working capital credit facility (the "Facility") in October 2019 with the Royal Bank of Canada as Administrative and Collateral agent. On April 28, 2022, the Company amended its working capital facility to extend the term from April 2023 to April 2027. The amendment also included a necessary update from LIBOR to Secured Overnight Financing Rate ("SOFR") based loans. Subsequent to October 1, 2022, the Company amended its working capital facility to increase the revolving limit on the Facility from $150.0 million to $200.0 million, as discussed in the *Recent Developments* section on page 4 of this MD&A.

The rates provided by the working capital credit facility after the April 28, 2022 amendment are noted in the following table, based on the "Average Adjusted Aggregate Availability" as defined in the credit agreement. The Company's borrowing rates as of October 1, 2022 are also noted in the following table.

Per Credit Agreement		As at October 1, 2022
Canadian Prime Rate revolving loans, Canadian Prime Rate revolving and U.S. Prime Rate revolving loans, at their respective rates	plus 0.00% to 0.25%	plus 0.00%
Bankers' Acceptances ("BA") revolving loans, at BA rates	plus 1.25% to 1.50%	plus 1.25%
SOFR revolving loans at, Adjusted Term SOFR rates	plus 1.25% to 1.50%	plus 1.25%
Letters of credit, with fees of	1.25% to 1.50%	1.25%
Standby fees, required to be paid on the unutilized facility, of	0.25%	0.25%

Average short-term borrowings outstanding during the first three quarters of 2022 were $40.7 million compared to $nil in the same period in the prior year. The $40.7 million increase in average short-term borrowings primarily reflects higher working capital requirements during the first three quarters of 2022 as compared to the same period in the prior year, partially driven by the impact of inflation on raw material and mitigation efforts taken to offset the global supply chain challenges.

Taking into account the current borrowing base and letters of credit as at October 1, 2022, the Company had $45.8 million of borrowing availability (January 1, 2022: $117.1 million). Taking into account the amendment on October 6, 2022 (see the *Recent Developments* section on page 4 of this MD&A) and the current borrowing base and letters of credit as at October 1, 2022, the Company had $95.8 million of borrowing availability. On October 1, 2022, letters of credit and standby letters of credit were outstanding in the amount of $44.6 million (October 2, 2021: $37.8 million) to support raw material purchases and to secure certain contractual obligations, including those related to the Company's Supplemental Executive Retirement Plan ("SERP").

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. A second charge over the Company's property, plant and equipment is also in place. Additional details regarding the Company's working capital credit facility are provided in Note 5 *"Bank loans"* to the Consolidated Financial Statements.

Due to increased working capital requirements, we expect average short-term borrowings in 2022 to be higher than 2021. We believe the amended asset-based working capital credit facility should be sufficient to fund all of the Company's anticipated cash requirements.

Term Loan Facility

As at October 1, 2022, the Company had a $300.0 million term loan facility with an interest rate of LIBOR plus 3.75% (LIBOR floor of 0.75%), maturing in October 2026. The term loan facility interest rate was amended subsequent to October 1, 2022 from LIBOR to Secured Overnight Financing Rate ("SOFR"). All other material terms remain unchanged (see Note 13 *Events after the reporting period)*.

Quarterly repayments of $1.9 million are required on the term loan as regularly scheduled repayments. On an annual basis, based on a leverage test, additional prepayments could be required of up to 50% of the previous year's defined excess cash flow ("mandatory prepayments"). Per the loan agreement, mandatory prepayments and voluntary repayments will be applied to future regularly scheduled principal repayments. During the thirty-nine weeks ended October 1, 2022, regularly scheduled repayments of $3.8 million were made. A voluntary repayment of $7.5 million was made during the fifty-two weeks ended January 1, 2022 that was applied against scheduled principal repayments in the last three quarters of 2021 and the first quarter of 2022. There are regularly scheduled repayments of $7.5 million to be paid in the next 12 months.

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

During the thirty-nine weeks ended October 1, 2022, the Company had the following interest rate swaps outstanding to hedge interest rate risk resulting from the term loan facility:

Effective date	Maturity date	Receive floating rate	Pay fixed rate		Notional amount (millions)
Designated in a formal hedging relationship:					
April 26, 2021	July 7, 2023	3-month LIBOR (floor 0.75%)	0.8250%	$	25.0
April 26, 2021	July 8, 2024	3-month LIBOR (floor 0.75%)	0.9700%	$	25.0
April 26, 2021	July 6, 2026	3-month LIBOR (floor 0.75%)	1.3385%	$	35.0
June 30, 2021	December 31, 2025	3-month LIBOR (floor 0.75%)	1.3610%	$	20.0

As of October 1, 2022, the combined impact of the outstanding interest rate swaps listed above effectively fix the interest rate on $105.0 million of the $300.0 million face value of the term loan and the remaining portion of the debt continues to be at variable interest rates. As such, we expect that there will be fluctuations in interest expense due to changes in interest rates when LIBOR is higher than the embedded floor of 0.75%.

Additional details regarding the Company's term loan are provided in Note 6 *"Long-term debt"* to the Consolidated Financial Statements.

Net Debt

The Company's Net Debt (as calculated in the *Non-IFRS Financial Measures* section on page 22 of this MD&A) is comprised of the working capital credit and term loan facilities (excluding deferred finance costs and modification gains / losses) and lease liabilities, less cash. Net Debt increased by $64.5 million to $317.1 million at October 1, 2022 compared to $252.6 million at October 2, 2021, reflecting higher bank loans and lower cash balances as at October 1, 2022 as compared to October 2, 2021, partially offset by lower long-term debt and lower lease liabilities at the end of the first three quarters of 2022 as compared to the first three quarters of 2021.

Net Debt to Rolling Twelve-Month Adjusted EBITDA (see the *Non-IFRS Financial Measures* section on page 17 of this MD&A) was 3.2x at October 1, 2022 compared to 3.0x at January 1, 2022, due to the increase in Net Debt as a result of increased investment in seasonal working capital and inflation in raw materials. In the absence of any major acquisitions or unplanned capital expenditures in 2022, we expect this ratio to be slightly above the Company's long-term target of 3.0x at the end of Fiscal 2022.

		Twelve months ended		
(Amounts in $000s, except as otherwise noted)		**October 1, 2022**		**January 1, 2022**
Net Debt	**$**	**317,074**	$	271,041
Adjusted EBITDA	**$**	**99,082**	$	90,422
Net Debt to Adjusted EBITDA ratio (times)		**3.2x**		3.0x

Capital Structure

At October 1, 2022, Net Debt was 47.0% of total capitalization compared to 43.6% at October 2, 2021.

(Amounts in $000s)		October 1, 2022		January 1, 2022		October 2, 2021
Net Debt	**$**	**317,074**	$	271,041	$	252,584
Shareholders' equity		**365,228**		332,524		326,563
Unrealized gains on derivative financial instruments included in AOCI		**(7,625)**		(1,148)		(452)
Total capitalization	**$**	**674,677**	$	602,417	$	578,695
Net Debt as percentage of total capitalization		**47.0%**		45.0%		43.6%

Using our October 1, 2022 market capitalization of $313.9 million, based on a share price of CAD$13.01 (USD$9.46 equivalent), instead of the book value of equity, Net Debt as a percentage of total capitalization increases to 50.3%.

Cash Flow

	Thirteen weeks ended			Thirty-nine weeks ended		
(Amounts in $000s)	October 1, 2022	October 2, 2021	Change	October 1, 2022	October 2, 2021	Change
Net cash flows (used in) provided by operating activities	**$ (9,919)**	$ 4,238	$(14,157)	**$ (20,313)**	$ 36,729	$(57,042)
Net cash flows provided by (used in) financing activities	**22,596**	(3,957)	26,553	**38,433**	(41,161)	79,594
Net cash flows used in investing activities	**(6,746)**	(4,621)	(2,125)	**(11,840)**	(13,387)	1,547
Foreign exchange decrease on cash	**(2,878)**	(1,089)	(1,789)	**(3,384)**	712	(4,096)
Net change in cash during the period	**$ 3,053**	$ (5,429)	$ 8,482	**$ 2,896**	$ (17,107)	$ 20,003

Cash Flows from Operating Activities

Cash flows from operating activities were $57.0 million lower in the first three quarters of 2022 compared to the same period in the prior year. The decrease in cash flows in the first three quarters of 2022 was due to unfavorable changes in non-cash working capital balances partially offset by higher cash flows provided by operations. The unfavorable changes in non-cash working capital are due to unfavorable changes in inventories and prepaid expenses, partially offset by favorable changes in accounts receivable, accounts payable and accrued liabilities and provisions.

Cash Flows from Financing Activities

Cash flows from financing activities were $79.6 million higher in the first three quarters of 2022 compared to the same period in the prior year. The increase in cash flows in the first three quarters of 2022 was due to the higher short-term borrowings during the first three quarters of 2022 as discussed previously (see the *Liquidity and Capital Resources* on page 12 of this MD&A), as well as lower repayments of long-term debt in the the first three quarters of 2022 compared to the repayments made in the same period in 2021.

Cash Flows from Investing Activities

Cash outflows from investing activities were $1.5 million lower in the first three quarters of 2022 compared to the same period last year due to lower capital expenditures (see the *Capital Expenditures* section beginning on page 16 of this MD&A).

Standardized Free Cash Flow

Standardized Free Cash Flow (see the *Non-IFRS Financial Measures* section on page 21 for further explanation of Standardized Free Cash Flow) for the twelve months ended October 1, 2022 decreased by $90.3 million to an outflow of $47.1 million compared to an inflow of $43.2 million for the twelve months ended October 2, 2021. This decrease reflects unfavorable changes in non-cash working capital during the last twelve months, partially offset by higher cash flows provided by operations, and lower income taxes and interest paid during the twelve months ended October 1, 2022 as compared to the twelve months ended October 2, 2021.

Net Non-Cash Working Capital

(Amounts in $000s)		October 1, 2022		January 1, 2022		Change
Accounts receivable	**$**	**100,289**	$	87,122	**$**	**13,167**
Inventories		**402,497**		308,183		**94,314**
Prepaid expenses		**14,299**		3,419		**10,880**
Accounts payable and accrued liabilities		**(206,189)**		(165,720)		**(40,469)**
Provisions		**(1,236)**		(172)		**(1,064)**
Net non-cash working capital	**$**	**309,660**	$	232,832	**$**	**76,828**

Net non-cash working capital consists of accounts receivable, inventories and prepaid expenses, less accounts payable and accrued liabilities, and provisions. Net non-cash working capital increased by $76.9 million to $309.7 million at October 1, 2022 as compared to $232.8 million at January 1, 2022, primarily reflecting higher accounts receivable, inventories and prepaid expenses related to prepaid inventory, partially offset by higher accounts payable and accrued liabilities and provisions.

Our working capital requirements fluctuate during the year, usually peaking between December and March as our inventory is the highest at that time, as described in the *"Seasonality"* section on page 5 of this MD&A. Due to the ongoing global supply chain issues, the Company has been proactive in securing supply in the first three quarters of 2022 as reflected in the higher inventories balance and the increase in prepaid expenses, which include prepaid inventory. Even with the increased investment in inventory supply, we believe with the expansion of the working capital credit facility in October 2022, as discussed in the *Recent Developments* section on page 4 of this MD&A, we have sufficient availability on our working capital credit facility to finance our working capital requirements throughout the remainder of 2022.

Capital Expenditures

Gross capital expenditures (including computer software) were $6.7 million and $11.8 million during the thirteen and thirty-nine weeks ended October 1, 2022, respectively, as compared to capital expenditures of $4.6 million and $13.4 million during the thirteen and thirty-nine weeks ended October 2, 2021, respectively.

Excluding strategic initiatives that may arise, management expects that capital expenditures in 2022 will be approximately $25.0 million and funded by cash generated from operations and short-term borrowings.

Dividends

The Company paid a CAD$0.10 per share quarterly dividend on September 15, 2022 to common shareholders of record on September 1, 2022.

On November 9, 2022, the Company's Board of Directors declared a quarterly dividend of CAD$0.13 per share, payable on December 15, 2022 to shareholders of record as of December 1, 2022. The quarterly dividend of CAD$0.13 per share represents a CAD$0.03 per share increase from the CAD$0.10 per share quarterly dividend paid during the third quarter of fiscal 2022 and reflects the Board's recognition of the Company's strong performance and continued confidence in the Company's operations. These dividends are considered "eligible dividends" for Canadian income tax purposes.

Dividends and Normal Course Issuer Bids ("NCIB"), if applicable, are subject to the following restrictions in our credit agreements:

- Under the working capital credit facility, Average Adjusted Aggregate Availability, as defined in the credit agreement, needs to be $18.8 million or higher and was $76.1 million on October 1, 2022, and NCIBs are subject to an annual limit of $10.0 million with a provision to carry forward unused amounts subject to a maximum of $20.0 million per annum; and
- Under the term loan facility, dividends cannot exceed $17.5 million per year. This amount increases to the greater of $25.0 million per year or 32.5% of EBITDA as defined in the loan agreement when the defined total leverage ratio is below 4.0x. The defined total leverage ratio was 3.2x on October 1, 2022. NCIBs are subject to an annual limit of $10.0 million under the term loan facility with a provision to carry forward unused amounts subject to a maximum of $20.0 million per annum.

Contractual Obligations

Contractual obligations relating to our bank loans, long-term debt, lease liabilities, and purchase obligations as at October 1, 2022 were as follows:

(Amounts in $000s)		Total		Less than 1 year		1–5 Years		Thereafter
Bank loans	**$**	**60,000**	$	60,000	$	—	$	—
Long-term debt		**332,073**		30,025		302,048		—
Lease liabilities		**9,165**		5,026		4,139		—
Purchase obligations		**233,504**		211,150		22,355		—
Total contractual obligations	**$**	**634,742**	$	306,201	$	328,542	$	—

Purchase obligations are for the purchase of seafood and other non-seafood inputs, including flour, paper products and frying oils. See the *Procurement* risk section in the 2021 Annual Report and the *Foreign Currency* section on page 25 of this MD&A for further details.

Financial Instruments and Risk Management

The Company has exposure to the following risks as a result of its use of financial instruments: foreign currency risk, interest rate risk, credit risk and liquidity risk. The Company enters into interest rate swaps, foreign currency contracts, and insurance contracts to manage these risks that arise from the Company's operations and its sources of financing, in accordance with a written policy that is reviewed and approved by the Audit Committee of the Board of Directors. The policy prohibits the use of derivative financial instruments for trading or speculative purposes.

Readers are directed to Note 12 *"Fair value measurement"* of the Consolidated Financial Statements for a complete description of the Company's use of derivative financial instruments and their impact on the financial results, and to Note 27 *"Financial risk management objectives and policies"* of the 2021 annual consolidated financial statements for further discussion of the Company's financial risks and policies.

Disclosure of Outstanding Share Data

On November 9, 2022, 33,177,146 common shares and 1,529,683 options were outstanding. The options are exercisable on a one-for-one basis for common shares of the Company.

RELATED PARTY TRANSACTIONS

The Company had no related party transactions, excluding key management personnel compensation, for the thirteen and thirty-nine weeks ended October 1, 2022 and October 2, 2021.

Refer to Note 23 *"Related party disclosures"* to the 2021 annual consolidated financial statements for a further description of the Company's related party transactions, which are substantially unchanged in 2022.

NON-IFRS FINANCIAL MEASURES

The Company uses the following non-IFRS financial measures and ratios (together, "measures") in this MD&A: Adjusted Earnings before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA"); Adjusted EBITDA as a Percentage of Sales; Adjusted Net Income; Adjusted Diluted Earnings per Share ("Adjusted Diluted EPS"); Standardized Free Cash Flow; Net Debt; and Net Debt to Rolling Twelve-Month Adjusted EBITDA. The Company believes these non-IFRS financial measures provide useful information to both management and investors in measuring the financial performance and financial condition of the Company for the reasons outlined below. These measures do not have any standardized meaning as prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to other financial measures determined in accordance with IFRS.

Adjusted EBITDA and Adjusted EBITDA as Percentage of Sales

Adjusted EBITDA is defined as earnings before interest, taxes, depreciation and amortization adjusted for items that are not considered representative of ongoing operational activities of the business. The related margin, Adjusted EBITDA as a Percentage of Sales, is defined as Adjusted EBITDA divided by net sales, where net sales is defined as "Sales" on the consolidated statements of income.

We use Adjusted EBITDA (and Adjusted EBITDA as a percentage of sales) as a performance measure as it approximates cash generated from operations before capital expenditures and changes in working capital, and it excludes the impact of expenses and recoveries associated with certain non-routine items that are not considered representative of the ongoing operational activities, as discussed above, and share-based compensation expense related to the Company's share price. For the thirty-nine weeks ended October 1, 2022, Adjusted EBITDA also excludes the $10.0 million in insurance proceeds as described previously in the *Recent Developments* section on page 4 of this MD&A. We believe investors and analysts also use Adjusted EBITDA (and Adjusted EBITDA as a percentage of sales) to evaluate the performance of our business. The most directly comparable IFRS measure to Adjusted EBITDA is "Net income" on the consolidated statements of income. Adjusted EBITDA is also useful when comparing to other companies, as it eliminates the differences in earnings that are due to how a company is financed. Also, for the purpose of certain covenants on our credit facilities, "EBITDA" is based on Adjusted EBITDA, with further adjustments as defined in the Company's credit agreements.

The following table reconciles Adjusted EBITDA with measures that are found in our Consolidated Financial Statements, and calculates Adjusted EBITDA as a Percentage of Sales.

(Amounts in $000s)		Thirteen weeks ended October 1, 2022		Thirteen weeks ended October 2, 2021
Net income	**$**	**9,977**	$	9,177
Add back (deduct):				
Depreciation and amortization expense		**6,045**		5,827
Finance costs		**4,710**		3,617
Income tax expense		**1,711**		1,797
Standardized EBITDA		**22,443**		20,418
Add back (deduct):				
Business acquisition, integration and other (income) expenses		**648**		1,223
Impairment of property, plant and equipment		**117**		42
Loss (gain) on disposal of assets		**119**		(15)
Share-based compensation expense		**1,482**		776
Adjusted EBITDA	**$**	**24,809**	$	22,444
Net Sales	**$**	**271,181**	$	214,302
Adjusted EBITDA as Percentage of Sales		**9.1%**		**10.5%**

(Amounts in $000s)		Thirty-nine weeks ended October 1, 2022		Thirty-nine weeks ended October 2, 2021
Net income	**$**	**43,599**	$	35,026
Add back (deduct):				
Depreciation and amortization expense		**17,408**		17,311
Finance costs		**12,310**		3,790
Income tax expense		**10,787**		5,500
Standardized EBITDA		**84,104**		61,627
Add back (deduct):				
Business acquisition, integration and other (income) expenses(1)		**(8,118)**		2,329
Impairment of property, plant and equipment		**168**		42
Loss on disposal of assets		**135**		55
Share-based compensation expense		**2,195**		5,769
Adjusted EBITDA	**$**	**78,484**	$	69,822
Net Sales	**$**	**819,368**	$	647,526
Adjusted EBITDA as a Percentage of Sales		**9.6%**		**10.8%**

(1) The business acquisition, integration and other (income) expenses for the thirty-nine weeks ended October 1, 2022, includes insurance proceeds of $10.0 million described previously in the *Recent Developments* section on page 4 of this MD&A which is excluded in Adjusted EBITDA.

Rolling Twelve-Month Adjusted EBITDA

	Rolling twelve months ended		
(Amounts in $000s)	**October 1, 2022**	**January 1, 2022**	**October 2, 2021**
Net income	**$ 50,822**	$ 42,249	$ 42,398
Add back (deduct):			
Depreciation and amortization expense	**23,178**	23,081	23,355
Finance costs	**16,014**	7,494	8,461
Income tax expense	**12,120**	6,833	4,616
Standardized EBITDA	**102,134**	79,657	78,830
Add back (deduct):			
Business acquisition, integration and other (income) expenses[(1)]	**(7,597)**	2,850	3,297
Impairment of property, plant and equipment	**168**	42	42
Loss on disposal of assets	**200**	122	115
Share-based compensation expense	**4,177**	7,751	8,723
Rolling Twelve-Month Adjusted EBITDA	**$ 99,082**	**$ 90,422**	**$ 91,007**

[(1)] The business acquisition, integration and other (income) expenses for the thirty-nine weeks ended October 1, 2022, includes insurance proceeds of $10.0 million described previously in the *Recent Developments* section on page 4 of this MD&A which is excluded in Adjusted EBITDA.

Adjusted Net Income and Adjusted Diluted EPS

Adjusted Net Income is net income adjusted for the after-tax impact of items which are not representative of ongoing operational activities of the business and certain non-cash expenses or income. Adjusted Diluted EPS is Adjusted Net Income divided by the average diluted number of shares outstanding.

We use Adjusted Net Income and Adjusted Diluted EPS to assess the performance of our business without the effects of the above-mentioned items, and we believe our investors and analysts also use these measures. We exclude these items because they affect the comparability of our financial results and could potentially distort the analysis of trends in business performance. For the thirty-nine weeks ended ended October 1, 2022, Adjusted Net Income also excludes the $10.0 million in insurance proceeds as described previously in the *Recent Developments* section on page 4 of this MD&A. The most comparable IFRS financial measures are net income and EPS.

The table below reconciles our Adjusted Net Income with measures that are found in our Consolidated Financial Statements and calculates Adjusted Diluted EPS.

	Thirteen weeks ended October 1, 2022				Thirteen weeks ended October 2, 2021			
		$000s		**Adjusted Diluted EPS**		**$000s**		**Adjusted Diluted EPS**
Net income	**$**	**9,977**	**$**	**0.28**	$	9,177	$	0.26
Add back (deduct):								
Business acquisition, integration and other (income) expenses		**648**		**0.02**		1,223		0.04
Impairment of property, plant and equipment		**117**		**—**		42		—
Share-based compensation expense		**1,482**		**0.05**		776		0.02
Tax impact of reconciling items [(1)]		**2,068**		**0.06**		63		—
Adjusted Net Income	**$**	**14,292**	**$**	**0.41**	$	11,281	$	0.32
Average shares for the period (000s)				**35,102**				35,015

(1) The tax impact of reconciling items includes the tax impact of the insurance proceeds of $10.0 million received during the second quarter of fiscal 2022 as described previously in the *Recent Developments* section on page 4 of this MD&A which is excluded in Adjusted Net Income.

	Thirty-nine weeks ended October 1, 2022				Thirty-nine weeks ended October 2, 2021			
		$000s		**Adjusted Diluted EPS**		**$000s**		**Adjusted Diluted EPS**
Net income	**$**	**43,599**	**$**	**1.24**	$	35,026	$	1.00
Add back (deduct):								
Business acquisition, integration and other (income) expenses [(1)]		**(8,118)**		**(0.23)**		2,329		0.07
Gain on modification of debt [(2)]		**—**		**—**		(7,901)		(0.22)
Impairment of property, plant and equipment		**168**		**—**		42		—
Share-based compensation expense		**2,195**		**0.06**		5,769		0.16
Tax impact of reconciling items [(3)]		**1,551**		**0.05**		454		0.01
Adjusted Net Income	**$**	**39,395**	**$**	**1.12**	$	35,719	$	1.02
Average shares for the period (000s)				**35,141**				35,139

(1) The business acquisition, integration and other (income) expenses for the thirty-nine weeks ended October 1, 2022, includes insurance proceeds of $10.0 million described previously in the *Recent Developments* section on page 4 of this MD&A which is excluded in Adjusted Net Income.
(2) The thirty-nine weeks ended October 2, 2021, includes a $7.8 million gain on the modification of debt related to the debt refinancing completed in March 2021.
(3) The tax impact of reconciling items includes the tax impact on the insurance proceeds of $10.0 million received during thirty-nine weeks ended October 1, 2022, as described previously in the *Recent Developments* section on page 4 of this MD&A which is excluded in Adjusted Net Income.

Standardized Free Cash Flow

Standardized Free Cash Flow is cash flow provided by operating activities less capital expenditures (net of investment tax credits) as reported in the consolidated statements of cash flows. The capital expenditures related to business acquisitions are not deducted from Standardized Free Cash Flow.

We believe Standardized Free Cash Flow is an important indicator of financial strength and performance of our business because it shows how much cash is available to pay dividends, repay debt (including lease liabilities) and reinvest in the Company. We believe investors and analysts use Standardized Free Cash Flow to value our business and its underlying assets. The most comparable IFRS financial measure is "cash flows provided by operating activities" in the consolidated statements of cash flows.

The table below reconciles our Standardized Free Cash Flow calculated on a rolling twelve-month basis, with measures that are in accordance with IFRS and as reported in the consolidated statements of cash flows.

	Twelve months ended		
(Amounts in $000s)	**October 1, 2022**	**October 2, 2021**	**Change**
Cash flows provided by operations before changes in non-cash working capital, interest and income taxes paid	**$ 108,840**	$ 88,187	**$ 20,653**
Net change in non-cash working capital balances	**(117,551)**	(6,134)	**(111,417)**
Interest paid	**(12,902)**	(16,181)	**3,279**
Income taxes paid	**(6,744)**	(6,839)	**95**
Cash flows provided by operating activities	**(28,357)**	59,033	**(87,390)**
Less:			
Purchase of property, plant and equipment, net of investment tax credits, and intangible assets	**(18,772)**	(15,863)	**(2,909)**
Standardized Free Cash Flow	**$ (47,129)**	$ 43,170	**$ (90,299)**

Net Debt and Net Debt to Rolling Twelve-Month Adjusted EBITDA

Net Debt is calculated as the sum of bank loans, long-term debt (excluding deferred finance costs and modification gains/losses) and lease liabilities, less cash.

We consider Net Debt to be an important indicator of our Company's financial leverage because it represents the amount of debt that is not covered by available cash. We believe investors and analysts use Net Debt to determine the Company's financial leverage. Net Debt has no comparable IFRS financial measure, but rather is calculated using several asset and liability items in the consolidated statements of financial position.

Net Debt to Rolling Twelve-Month Adjusted EBITDA is calculated as Net Debt divided by Rolling Twelve-Month Adjusted EBITDA (see page 17). We consider Net Debt to Rolling Twelve-Month Adjusted EBITDA to be an important indicator of our ability to generate earnings sufficient to service our debt, that enhances understanding of our financial performance and highlights operational trends. This measure is widely used by investors and rating agencies in the valuation, comparison, rating and investment recommendations of companies; however, the calculations of Adjusted EBITDA may not be comparable to those of other companies, which limits their usefulness as comparative measures.

The following table reconciles Net Debt to IFRS measures reported as at the end of the indicated periods in the consolidated statements of financial position and calculates Net Debt to Rolling Twelve-Month Adjusted EBITDA.

(Amounts in $000s)	October 1, 2022	January 1, 2022	October 2, 2021
Bank loans	**$ 59,358**	$ 4,388	$ —
Add-back: Deferred finance costs included in bank loans [1]	**642**	163	—
Total bank loans	**60,000**	4,551	—
Long-term debt	**240,109**	244,994	246,611
Current portion of long-term debt	**7,500**	5,625	3,750
Add-back: Deferred finance costs included in long-term debt [2]	**4,974**	5,810	6,102
Less: Net loss on modification of debt [3]	**(577)**	(674)	(708)
Total term loan debt	**252,006**	255,755	255,755
Long-term portion of lease liabilities	**3,859**	6,851	7,823
Current portion of lease liabilities	**4,548**	4,327	4,834
Total lease liabilities	**8,407**	11,178	12,657
Less: Cash	**(3,339)**	(443)	(15,828)
Net Debt	**$ 317,074**	$ 271,041	$ 252,584
Rolling Twelve-Month Adjusted EBITDA	**$ 99,082**	$ 90,422	$ 91,007
Net Debt to Rolling Twelve-Month Adjusted EBITDA	**3.2x**	**3.0x**	**2.8x**

[1] Represents deferred finance costs that are included in "Bank loans" in the consolidated statements of financial position. See Note 5 to the Consolidated Financial Statements.
[2] Represents deferred finance costs that are included in "Long-term debt" in the consolidated statements of financial position. See Note 6 to the Consolidated Financial Statements.
[3] A gain on modification of debt related to the refinancing completed in March 2021, net of a loss on the modification of debt related to debt refinancing completed in October 2019, has been excluded from the calculation of Net Debt as it does not represent the expected cash outflows from the term loan facility. See Note 6 to the Consolidated Financial Statements.

GOVERNANCE

In accordance with National Instrument 52-109 *"Certification of Disclosure in Issuers' Annual and Interim Filings"*, our certifying officers have evaluated the design effectiveness of Disclosure Controls and Procedures ("DC&P"), and our Company's Internal Control over Financial Reporting ("ICFR"). There were no changes in the Company's ICFR during the period beginning on July 3, 2022 and ending on October 1, 2022 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

ACCOUNTING ESTIMATES AND STANDARDS

Critical Accounting Estimates

Critical accounting judgments and estimates used in preparing our Consolidated Financial Statements are described in the Company's 2021 Annual Report. The preparation of the Company's Consolidated Financial Statements requires management to make critical judgments, estimates and assumptions that affect the reported amounts of sales, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. On an ongoing basis, management evaluates its judgments, estimates and assumptions using historical experience and various other factors it believes to be reasonable under the given circumstances. Actual outcomes may differ from these estimates under different assumptions and conditions that could require a material adjustment to the reported carrying amounts in the future.

Accounting Standards

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 January 1, 2022, except for the adoption of the following new amendment that was effective for annual periods beginning on January 1, 2022 and that the Company adopted on January 2, 2022:

IFRS 3, Business Combinations

In May 2020, the IASB issued amendments to IFRS 3, *Business Combinations - Reference to the Conceptual Framework* to add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

In addition, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments will promote consistency within financial reporting and will avoid potential confusion from having more than one version of the *Conceptual Framework* in use.

The amendments are effective for annual periods beginning on or after January 1, 2022 and must be applied prospectively. The Company has adopted the amendments to IFRS 3, which had no impact on the Consolidated Financial Statements.

RISK FACTORS

High Liner Foods is exposed to a number of risks in the normal course of business that have the potential to affect operating performance. The Company takes a strategic approach to risk management. To achieve a superior return on investment, we have designed an enterprise-wide approach, overseen by the senior management of the Company and reported to the Board, to identify, prioritize and manage risk effectively and consistently across the organization.

Readers should refer to the 2021 Annual Report and AIF for a more detailed description of risk factors applicable to the Company, which are available at www.sedar.com and at www.highlinerfoods.com. We have updated certain risk factors below for the first three quarters of 2022.

Geopolitical Risk

Although the Company's operations are principally in North America, it sources seafood globally and, as such, the Company's operations are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties vary for each country and include, but are not limited to: international armed conflict and terrorism, including Russia's invasion of Ukraine; fluctuations in currency exchange rates; inflation rates; labour unrest; civil commotion and unrest; global pandemic (including COVID-19 (see Risk Factor below)); changes in taxation policies; restrictions on foreign exchange and repatriation; changing political conditions and social unrest; changes in trade agreements; economic sanctions, import/export restrictions, tariffs and other trade barriers.

The global economy has been negatively impacted by Russia's invasion of Ukraine. In connection with this conflict, governments throughout the world, including Canada and the U.S., have imposed trade restrictions on certain products and financial and economic sanctions on certain industry sectors and parties in Russia. Although the Company has no direct operations in Russia or Ukraine, the global seafood supply chain does include a significant volume of whitefish, such as pacific cod and pollock, that are sourced from Russian waters. As some of the processed seafood purchased by the Company was made from seafood originally harvested in Russian waters, we have experienced shortages in materials and increased costs for transportation, energy, and raw material due in part to the negative impact of the Russia-Ukraine conflict on the global economy. Further escalation of geopolitical tensions related to the conflict, including new sanction policies, increased trade barriers or restrictions on global trade, could result in, among other things, supply disruptions, cyberattacks, lower consumer demand, and changes to foreign exchange rates and financial markets, any of which may adversely affect our business and supply chain, and these impacts could be material. In addition, the effects of the ongoing conflict could heighten many of our known risks described in the Risk Factors section of our 2021 Annual Report.

Changes, if any, in trade agreements and/or policies, the imposition of sectoral and economic sanctions, or shifts in political and/or consumer attitude, could adversely and materially affect the Company's operations or profitability. Operations may be affected in varying degrees by government regulations including, but not limited to, trade restrictions, income taxes, foreign investment, and environmental legislation.

In 2018, the USTR commenced certain trade actions, including imposing tariffs on certain goods imported from China, including some of the species the Company imports from China. The Company has implemented plans, including pricing actions and other supply chain initiatives, to mitigate the impact of these tariffs and reduce the estimated impact to the Company's operations. However, the Company cannot control the duration or depth of such actions, which may increase product costs and reduce profitability, and potentially decrease the competitiveness of its products.

COVID-19 Pandemic

The Company's business operations and financial condition may be materially adversely affected by public health emergencies, including the COVID-19 pandemic, as well as the related government responses and consumer and customer behaviour. The COVID-19 pandemic has resulted in governmental authorities implementing various measures including, but not limited to: travel bans and restrictions; social distancing measures; quarantines; increased border and port controls and closures and shutdowns; all or any of which may adversely impact the Company's operations, suppliers, customers, consumers, counterparties, employee health, workforce productivity, insurance premiums and coverage, and ability to advance its business strategy. There is significant uncertainty regarding these measures and potential future measures, all of which could reduce customer and consumer demand, and/or impact the Company's ability to meet that demand.

The full extent and impact of the COVID-19 pandemic on the Company's operations is unknown. Potential material adverse impacts of the COVID-19 pandemic include, but are not limited to:

- An increased risk of supply chain disruption, including:
  - suspension of plant operations, as a result of positive COVID-19 tests or government orders or other externally imposed restrictions on suppliers, third-party seafood processing facilities, or at the Company's facilities; or
  - freight delays and rising costs due to the impact of COVID-19 on global shipping;
- An increased risk of availability and price volatility of seafood and non-seafood goods used in the Company's production of seafood products;
- An increased risk of a material reduction in demand for the Company's products, particularly related to the Company's foodservice business that has been the most impacted by social distancing regulations;
- An increased risk of delays in the completion of capital projects;
- An increase in geopolitical risk related to governmental restrictions and market responses to COVID-19, including the impacts on operations of social distancing regulations, fluctuating currency exchange rates, and volatile market conditions;
- An increased risk of disruptions in international trade and access to markets;
- An increase in risk related to employment matters and the Company's workforce including, but not limited to, increased employee absences related to the COVID-19 pandemic and temporary or permanent layoffs as a result of reduction in product demand;

- An increase in credit risk due to impact of COVID-19 on the liquidity of the Company's customers;
- An increase in liquidity risk for the Company associated with any negative impact of COVID-19 on cash flows from operations due to declines in sales volume; and,
- An increased risk related to the Company's financial estimates and judgments that rely on microeconomic and/or macroeconomic factors due to the uncertain impact of COVID-19 on various inputs.

Due to the uncertainty surrounding the duration and potential outcomes of the COVID-19 pandemic, including the results of measures taken to slow the spread and the broader impact COVID-19 may have on the North American and global economies or financial markets, we are unable at this time to accurately predict the overall impact of COVID-19 on our operations, liquidity, financial condition, or results. Any future epidemic, pandemic, or other public health crisis that occurs in the future may pose similar risks to the Company.

Foreign Currency

High Liner Foods reports its results in USD to reduce volatility caused by changes in the USD to CAD exchange rate. The Company's income statement and balance sheet are both affected by foreign currency fluctuations in a number of ways. The Company's shares are traded in CAD and reports its results in USD, therefore, investors are reminded to take this into consideration for purposes of calculating financial ratios, including dividend payout and share price-to-earnings ratios.

The Canadian dollar weakened relative to the U.S. dollar by approximately 8.6% as of October 1, 2022 compared to October 2, 2021. On our balance sheet, this decreases the USD carrying value of both CAD-denominated assets and liabilities and increases the foreign exchange translation impact of our Canadian company included in accumulated other comprehensive income ("AOCI") in shareholders' equity. As our Canadian operations are a net importer of seafood and other products purchased in USD, a stronger CAD reduces its costs and a weaker CAD increases its costs in its CAD functional currency.

In order to minimize foreign exchange risk, we undertake hedging activities using various derivative products in accordance with the Company's "Price Risk Management Policy", which is approved and monitored by the Board of Director's Audit Committee. We hedge the USD costs of a portion of our raw material requirements and retail commodity products as sales price increases on these products take more time to implement. We generally do not hedge certain commodity foodservice products as the sale prices to our customers change frequently enough to capture foreign exchange fluctuations, but may do so from time to time. During the third quarter of 2022, our hedging activities resulted in an effective USD/CAD exchange rate of 1.2965 for inventory purchased in USD by our Canadian operations, compared to 1.2666 for the third quarter of 2021.

Our risk management strategy with respect to exposure to the Canadian dollar is fully explained in the MD&A in our 2021 Annual Report.

The occurrence and the extent of these various factors and uncertainties cannot be accurately predicted and could have a material adverse effect on the Company's operations and profitability.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates, which relates to the Company's debt obligations with floating interest rates. The Company's policy is to manage interest rate risk by having a mix of fixed and variable rate debt. The Company's objective is to keep between 35% and 55% of its borrowings at fixed rates of interest. To manage this, the Company enters into fixed rate debt facilities or interest rate swaps, in which the Company agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional amount. These swaps are designated to hedge the underlying debt obligations. Interest rate options that effectively fix the maximum rate of interest that the Company will pay may also be used to manage this exposure. At October 1, 2022, 35.4% of the Company's borrowings, including the long-term debt and the working capital facility, were either hedged or at a fixed rate of interest (January 1, 2022: 42.8%).

Interest rate sensitivity

The Company's income before income taxes is sensitive to the impact of a change in interest rates on that portion of debt obligations with floating interest rates, with all other variables held constant. As at October 1, 2022, the Company's current bank loans were $60.0 million (January 1, 2022: $4.6 million) and long-term debt was $252.6 million (January 1, 2022: $256.4 million). An increase of 25 basis points on the bank loans would have reduced income before income taxes by $0.2 million (January 1, 2022: nominal amount). An increase of 25 basis points above the LIBOR floor on the long-term debt would have reduced income before income taxes by $0.4 million (January 1, 2022: $0.4 million). A corresponding decrease in respective interest rates would have an approximately equal and opposite effect. There is no impact on the Company's equity except through changes in income.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the thirteen and thirty-nine weeks ended October 1, 2022
With comparative figures as at and for the thirteen and thirty-nine weeks ended October 2, 2021

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

	Notes		October 1, 2022		January 1, 2022
ASSETS					
Current assets					
Cash		**$**	**3,339**	$	443
Accounts receivable			**100,289**		87,122
Income taxes receivable			**2,983**		5,870
Other financial assets	**12**		**8,896**		540
Inventories			**402,497**		308,183
Prepaid expenses	**4**		**14,299**		3,419
Total current assets			**532,303**		405,577
Non-current assets					
Property, plant and equipment			**114,457**		115,852
Right-of-use assets			**8,109**		11,041
Deferred income taxes	**9**		**692**		24
Other receivables and assets	**12**		**4,736**		1,008
Intangible assets			**130,520**		135,195
Goodwill			**156,988**		157,772
Total non-current assets			**415,502**		420,892
Total assets	**5, 6**	**$**	**947,805**	$	826,469
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Bank loans	**5**	**$**	**59,358**	$	4,388
Accounts payable and accrued liabilities			**203,019**		164,135
Contract liability			**3,170**		1,585
Provisions			**1,236**		172
Other current financial liabilities	**12**		**91**		1,269
Other current liabilities	**8**		**4,720**		5,499
Income taxes payable			**498**		35
Current portion of long-term debt	**6**		**7,500**		5,625
Current portion of lease liabilities			**4,548**		4,327
Total current liabilities			**284,140**		187,035
Non-current liabilities					
Long-term debt	**6**		**240,109**		244,994
Other long-term financial liabilities	**12**		**27**		23
Other long-term liabilities	**8**		**5,193**		7,874
Long-term lease liabilities			**3,859**		6,851
Deferred income taxes	**9**		**40,422**		34,179
Future employee benefits			**8,827**		12,989
Total non-current liabilities			**298,437**		306,910
Total liabilities			**582,577**		493,945
Shareholders' equity					
Common shares	**7**		**113,058**		113,458
Contributed surplus			**17,865**		17,477
Retained earnings			**257,330**		219,965
Accumulated other comprehensive loss			**(23,025)**		(18,376)
Total shareholders' equity			**365,228**		332,524
Total liabilities and shareholders' equity		**$**	**947,805**	$	826,469

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 **October 1, 2022**	Thirteen weeks ended October 2, 2021	Thirty-nine weeks ended **October 1, 2022**	Thirty-nine weeks ended October 2, 2021
Sales	**11**	**$ 271,181**	$ 214,302	**$ 819,368**	$ 647,526
Cost of sales		**214,434**	166,401	**644,278**	497,587
Gross profit		**56,747**	47,901	**175,090**	149,939
Distribution expenses		**14,707**	12,068	**45,921**	36,688
Selling, general and administrative expenses		**24,877**	19,970	**70,423**	66,523
Impairment of property, plant and equipment		**117**	42	**168**	42
Business acquisition, integration and other expense (income)	**3**	**648**	1,230	**(8,118)**	2,370
Results from operating activities		**16,398**	14,591	**66,696**	44,316
Finance costs	**6**	**4,710**	3,617	**12,310**	3,790
Income before income taxes		**11,688**	10,974	**54,386**	40,526
Income taxes					
Income tax expense	**9**	**1,711**	1,797	**10,787**	5,500
Net income		**$ 9,977**	$ 9,177	**$ 43,599**	$ 35,026
Earnings per common share					
Basic		**$ 0.30**	$ 0.27	**$ 1.29**	$ 1.03
Diluted		**$ 0.28**	$ 0.26	**$ 1.24**	$ 1.00
Weighted average number of shares outstanding					
Basic		**33,727,858**	33,758,911	**33,766,947**	33,883,108
Diluted		**35,102,009**	35,014,993	**35,141,098**	35,139,190

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	
	October 1, 2022	October 2, 2021	**October 1, 2022**	October 2, 2021
Net income	**$ 9,977**	$ 9,177	**$ 43,599**	$ 35,026
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	**(16,986)**	(6,276)	**(22,424)**	2,443
Gain (loss) on translation of net investment in foreign operations	**27,883**	10,404	**36,763**	(2,854)
Translation impact on Canadian dollar denominated non-AOCI items	**(20,436)**	(7,618)	**(27,105)**	1,710
Translation impact on Canadian dollar denominated AOCI items	**1,140**	778	**1,640**	(172)
Total exchange (losses) gains on translation of foreign operations and Canadian dollar denominated items	**(8,399)**	(2,712)	**(11,126)**	1,127
Effective portion of changes in fair value of cash flow hedges	**4,481**	318	**7,896**	(339)
Net change in fair value of cash flow hedges transferred to carrying amount of hedged item	**(237)**	512	**(193)**	1,550
Net change in fair value of cash flow hedges transferred to income	**(212)**	81	**(113)**	454
Translation impact on Canadian dollar denominated AOCI items	**(878)**	(197)	**(1,113)**	76
Total exchange gains on cash flow hedges	**3,154**	714	**6,477**	1,741
Net other comprehensive (loss) gain to be reclassified to net income	**(5,245)**	(1,998)	**(4,649)**	2,868
Other comprehensive (loss) income not to be reclassified to net income				
Defined benefit plan actuarial (losses) gains	**(947)**	45	**2,567**	2,522
Other comprehensive (loss) income, net of income tax	**(6,192)**	(1,953)	**(2,082)**	5,390
Total comprehensive income	**$ 3,785**	$ 7,224	**$ 41,518**	$ 40,416

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 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)**
Balance at January 2, 2021	$ (20,648)	$ (1,289)	$ (21,937)
Total exchange gains on translation of foreign operations and Canadian dollar denominated items	1,127	—	1,127
Total exchange gains on cash flow hedges	—	1,741	1,741
Balance at October 2, 2021	$ (19,521)	$ 452	$ (19,069)

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 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 7, 8)	**42**	**388**	**—**	**—**	**430**
Common shares repurchased for cancellation (Note 7)	**(442)**	**—**	**(1,135)**	**—**	**(1,577)**
Balance at October 1, 2022	**$ 113,058**	**$ 17,865**	**$ 257,330**	**$ (23,025)**	**$ 365,228**
Balance at January 2, 2021	$ 112,739	$ 16,551	$ 183,649	$ (21,937)	$ 291,002
Other comprehensive income	—	—	2,522	2,868	5,390
Net income	—	—	35,026	—	35,026
Common share dividends	—	—	(5,624)	—	(5,624)
Share-based compensation (Note 7, 8)	1,059	753	—	—	1,812
Common shares repurchased for cancellation (Note 7)	(271)	—	(772)	—	(1,043)
Balance at October 2, 2021	$ 113,527	$ 17,304	$ 214,801	$ (19,069)	$ 326,563

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 **October 1, 2022**	Thirteen weeks ended October 2, 2021	Thirty-nine weeks ended **October 1, 2022**	Thirty-nine weeks ended October 2, 2021
Cash flows provided by (used in):					
Operating activities					
Net income		**$ 9,977**	$ 9,177	**$ 43,599**	$ 35,026
Adjustments to net income not involving cash from operations:					
Depreciation and amortization		**6,045**	5,827	**17,408**	17,311
Share-based compensation expense	8	**1,482**	776	**2,195**	5,769
Loss on asset disposals and impairment		**308**	110	**481**	261
Future employee benefits contribution, net of expense		**(77)**	(83)	**(330)**	(246)
Finance costs		**4,710**	3,617	**12,310**	3,790
Income tax expense	9	**1,711**	1,797	**10,787**	5,500
Unrealized foreign exchange loss (gain)		**1,279**	(666)	**459**	(2)
Cash flows provided by operations before changes in non-cash working capital, interest and income taxes paid		**25,435**	20,555	**86,909**	67,409
Changes in non-cash working capital balances:					
Accounts receivable		**(13,670)**	(14,705)	**(14,875)**	(25,285)
Inventories		**(81,292)**	(23,605)	**(106,645)**	(6,781)
Prepaid expenses		**2,231**	1,154	**(11,375)**	115
Accounts payable and accrued liabilities		**62,474**	23,673	**40,079**	18,489
Provisions		**202**	36	**1,078**	(1,410)
Net change in non-cash working capital balances		**(30,055)**	(13,447)	**(91,738)**	(14,872)
Interest paid		**(3,446)**	(3,025)	**(9,856)**	(11,275)
Income taxes (paid) refunded		**(1,853)**	155	**(5,628)**	(4,533)
Net cash flows (used in) provided by operating activities		**(9,919)**	4,238	**(20,313)**	36,729
Financing activities					
Increase in bank loans		**29,032**	—	**55,892**	—
Repayment of lease liabilities		**(1,279)**	(1,242)	**(3,844)**	(3,919)
Repayment of long-term debt	6	**(1,925)**	—	**(3,809)**	(29,560)
Deferred finance costs		**(191)**	—	**(563)**	(1,017)
Common share dividends paid		**(2,495)**	(1,842)	**(7,666)**	(5,624)
Common shares repurchased for cancellation	7	**(546)**	(873)	**(1,577)**	(1,041)
Net cash flows provided by (used in) financing activities		**22,596**	(3,957)	**38,433**	(41,161)
Investing activities					
Purchase of property, plant and equipment, net of investment tax credits, and intangible assets		**(6,746)**	(4,621)	**(11,840)**	(13,387)
Net cash flows (used in) provided by investing activities		**(6,746)**	(4,621)	**(11,840)**	(13,387)
Foreign exchange (decrease) increase on cash		**(2,878)**	(1,089)	**(3,384)**	712
Net change in cash during the period		**3,053**	(5,429)	**2,896**	(17,107)
Cash, beginning of period		**286**	21,257	**443**	32,935
Cash, end of period		**$ 3,339**	$ 15,828	**$ 3,339**	$ 15,828

See accompanying notes to the Unaudited Condensed Interim Consolidated Financial Statements

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 October 1, 2022, 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 9, 2022.

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 January 1, 2022, as set out in the 2021 Annual Report, 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. 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 January 1, 2022, except for the adoption of the following new amendment that was effective for annual periods beginning on January 1, 2022 and that the Company has adopted on January 2, 2022:

IFRS 3, Business Combinations

In May 2020, the IASB issued amendments to IFRS 3, *Business Combinations - Reference to the Conceptual Framework* to add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

In addition, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments will promote consistency within financial reporting and will avoid potential confusion from having more than one version of the *Conceptual Framework* in use.

The amendments are effective for annual periods beginning on or after January 1, 2022 and must be applied prospectively. The Company has adopted the amendments to IFRS 3, which had no impact on the Consolidated Financial Statements.

3. Insurance proceeds

During Fiscal 2020, High Liner Foods filed a lawsuit in California Superior Court against Mr. Brian Wynn relating to misrepresentations the Company alleges Mr. Wynn made during the due diligence process for the acquisition of Rubicon Resources LLC ("Rubicon"). The Company is claiming a number of remedies, including rescission, disgorgement and damages. After filing the claim against Mr. Wynn, High Liner Foods also filed a claim under the Representations and Warranty insurance policy (the "Insurance Policy") that was procured by High Liner Foods to provide coverage for breaches of the representations made by Rubicon and Mr. Wynn when it acquired Rubicon. During Fiscal 2021, the Company filed its arbitration demand and the arbitration is proceeding. The Company cannot predict the outcome of the legal proceedings against Mr. Wynn, nor the amount of likely recovery from Mr. Wynn, however the insurer, under the Insurance Policy, has agreed that there were breaches of the representations made by Mr. Wynn resulting in damages in excess of the policy limit. Accordingly, during the thirty-nine weeks ended October 1, 2022, the Company received the total available amount under the Insurance Policy of $10.0 million.

4. Prepaid expenses

(Amounts in $000s)		**October 1, 2022**		January 1, 2022
Inventory prepayments	**$**	**10,014**	$	—
Other prepaid expenses		**4,285**		3,419
	$	**14,299**	$	3,419

As at October 1, 2022 (October 2, 2021: $nil), prepaid expenses included $10.0 million of inventory prepayments the Company made for finished goods inventory.

5. Bank loans

(Amounts in $000s)		**October 1, 2022**		January 1, 2022
Bank loans, denominated in CAD (average variable rate of 5.45%; January 1, 2022: 2.45%)	**$**	**—**	$	2,038
Bank loans, denominated in USD (average variable rate of 4.51%; January 1, 2022: 3.32%)		**60,000**		2,513
		60,000		4,551
Less: deferred finance costs		**(642)**		(163)
	$	**59,358**	$	4,388

The Company has a $150.0 million working capital facility (the "Facility"), with the Royal Bank of Canada as Administrative Agent, which was amended on April 28, 2022 to extend the term expiry from April 2023 to April 2027. The amendment also included a necessary update from LIBOR to Secured Overnight Financing Rate ("SOFR") based loans. The Facility was amended again subsequent October 1, 2022 to increase the borrowing limit from $150.0 million to $200.0 million (see Note 13 *Events after the reporting period* for further information on the amendment to the Facility). 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 6). 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 October 1, 2022, the Company had $45.8 million of borrowing availability (January 1, 2022: $117.1 million). Taking into account the amendment on October 6, 2022 and the current borrowing base and letters of credit as at October 1, 2022, the Company had $95.8 million of borrowing availability.

As at October 1, 2022 and January 1, 2022, the Facility allowed the Company to borrow:

Canadian Prime Rate revolving loans, Canadian Prime 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, Adjusted Term 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%

6. Long-term debt

Long-term debt

(Amounts in $000s)		**October 1, 2022**		January 1, 2022
Term loan	**$**	**252,583**	$	256,429
Less: current portion		**(7,500)**		(5,625)
		245,083		250,804
Less: deferred finance costs		**(4,974)**		(5,810)
	$	**240,109**	$	244,994

As at October 1, 2022, the Company had a $300.0 million term facility with an interest rate of LIBOR plus 3.75% (0.75% LIBOR floor), maturing in October 2026. As part of the amendments to the term loan facility completed in March 2021, a modification gain of $7.8 million decreased the carrying value of the term loan facility and was recorded in finance costs on the consolidated statements of income during the fifty-two weeks ended January 1, 2022 due to the net present value of the cash flows of the modified debt being lower than the carrying value of the original facility before amendments. Excluding the impact of the net modification gain on the carrying value, the principal balance outstanding of term loan debt was $252.0 million at October 1, 2022. The term loan facility interest rate was amended subsequent to October 1, 2022 from LIBOR to Secured Overnight Financing Rate ("SOFR"). All other material terms remain unchanged (see Note 13 *Events after the reporting period)*.

Quarterly principal repayments of $1.9 million are required on the term loan as regularly scheduled repayments. During the thirty-nine weeks ended October 1, 2022, regularly scheduled repayments of $3.8 million were made. A voluntary repayment of $7.5 million was made during the fifty-two weeks ended January 1, 2022 that was applied against scheduled principal repayments in the last three quarters of 2021 and the first quarter of 2022. There are regularly scheduled repayments of $7.5 million to be paid in the next 12 months.

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

7. Share capital

Purchase of shares for cancellation

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 could commence on on June 7, 2022 and will terminate no later than June 6, 2023. During the thirty-nine weeks ended October 1, 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 Issuer 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 fifty-two weeks ended January 1, 2022, the Company purchased 122,100 common shares under this plan. During the twenty-six weeks ended July 2, 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.

In March 2020, the Company announced that the Toronto Stock Exchange approved a Normal Course Issuer Bid to repurchase up to 200,000 common shares. Purchases could commence on March 10, 2020 and terminated on March 9, 2021. During the thirty-nine weeks ended October 2, 2021, the Company did not purchase common shares under this plan.

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

	Thirty-nine weeks ended October 1, 2022		Thirty-nine weeks ended October 2, 2021	
	Shares	**($000s)**	Shares	($000s)
Common shares:				
Balance, beginning of period	**33,329,710**	**$ 113,458**	33,323,481	$ 112,739
Options exercised for shares via cashless exercise method (Note 8)	**10,904**	**42**	44,924	173
Shares issued on redemption of PSU/RSUs (Note 8)	**—**	**—**	83,405	886
Shares repurchased for cancellation	**(163,468)**	**(442)**	(97,100)	(271)
Balance, end of period	**33,177,146**	**$ 113,058**	33,354,710	$ 113,527

During the thirteen and thirty-nine weeks ended October 1, 2022, the Company distributed dividends per share of CAD$0.10 and CAD$0.30 respectively (thirteen and thirty-nine weeks ended October 2, 2021: CAD$0.07 and CAD$0.21 respectively).

On November 9, 2022, the Company's Board of Directors declared a quarterly dividend of CAD$0.13 per share, payable on December 15, 2022 to shareholders of record as of December 1, 2022. The quarterly dividend of CAD$0.13 per share represents a CAD$0.03 per share increase from the CAD$0.10 per share quarterly dividend paid during the third quarter of fiscal 2022 and reflects the Board's recognition of the Company's strong performance and continued confidence in the Company's operations.

8. 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 $4.7 million and $5.2 million, respectively, as at October 1, 2022 (January 1, 2022: $5.5 million and $7.9 million, respectively).

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

	Thirteen weeks ended		Thirty-nine weeks ended	
(Amounts in $000s)	**October 1, 2022**	October 2, 2021	**October 1, 2022**	October 2, 2021
Cost of sales resulting from:				
Equity-settled awards (1)	**$ 6**	$ 8	**$ 19**	$ 22
Selling, general and administrative expenses resulting from:				
Cash-settled awards (1)	**1,406**	659	**1,896**	5,453
Equity-settled awards (1)	**70**	109	**280**	294
Share-based compensation expense	**$ 1,482**	$ 776	**$ 2,195**	$ 5,769

(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			
	October 1, 2022		October 2, 2021		**October 1, 2022**		October 2, 2021	
	No.	**WAEP (CAD)**	No.	WAEP (CAD)	**No.**	**WAEP (CAD)**	No.	WAEP (CAD)
Outstanding, beginning of period	**1,536,320**	**$ 10.24**	1,386,259	$ 10.04	**1,447,096**	**$ 10.18**	1,748,843	$ 10.65
Granted	**—**	**—**	60,837	13.50	**151,325**	**12.70**	155,532	13.45
Exercised for shares via cashless method (1)	**—**	**—**	—	—	**(26,618)**	**7.49**	(122,497)	8.02
Cancelled or forfeited	**(6,637)**	**7.51**	—	—	**(6,637)**	**7.51**	—	—
Expired	**—**	**—**	—	—	**(35,483)**	**20.61**	(334,782)	14.93
Outstanding, end of period	**1,529,683**	**$ —**	1,447,096	$ 10.18	**1,529,683**	**$ —**	1,447,096	$ 10.18
Exercisable, end of period	**1,199,732**	**$ 9.83**	1,011,955	$ 10.43	**1,199,732**	**$ 9.83**	1,011,955	$ 10.43

(1) For the thirty-nine weeks ended October 1, 2022, 10,904 shares were issued related to options exercised via the cashless method (thirty-nine weeks ended October 2, 2021: 44,924). The weighted average share price at the date of exercise for these options was CAD$12.68 for the thirty-nine weeks ended October 1, 2022 (thirty-nine weeks ended October 2, 2021: CAD$12.64).

Set forth below is a summary of the outstanding options to purchase common shares as at October 1, 2022:

	Options outstanding			Options exercisable	
Option price (CAD)	**Number outstanding**	**Weighted average exercise price**	**Average life (years)**	**Number exercisable**	**Weighted average exercise price**
$ 7.25–10.00	522,604	$ 7.48	1.90	447,666	$ 7.47
$ 10.01–15.00	1,007,079	11.69	2.29	752,066	11.24
	1,529,683			**1,199,732**	

In United States dollars, unless otherwise noted

The fair value of options granted during the thirty-nine weeks ended October 1, 2022 and thirty-nine weeks ended October 2, 2021 was estimated on the date of grant using the Black-Scholes pricing model with the following weighted average inputs and assumptions:

	October 1, 2022	October 2, 2021
Dividend yield (%)	**3.15**	2.09
Expected volatility (%)	**41.58**	41.75
Risk-free interest rate (%)	**1.43**	1.32
Expected life (years)	**7.00**	7.00
Weighted average share price (CAD)	**$ 12.70**	$ 13.41
Weighted average fair value (CAD)	**$ 3.93**	$ 4.70

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	
	October 1, 2022	October 2, 2021	**October 1, 2022**	October 2, 2021
Outstanding, beginning of period	**593,693**	613,701	**628,844**	604,940
Granted	**3,499**	13,089	**185,224**	156,038
Reinvested dividends	**4,264**	3,135	**13,651**	9,085
Released and paid in cash	**—**	—	**(217,015)**	(92,178)
Released and paid in shares	**—**	—	**—**	(38,312)
Forfeited	**(953)**	(2,261)	**(10,201)**	(11,909)
Outstanding, end of period	**600,503**	627,664	**600,503**	627,664

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 October 1, 2022 was 85% (thirty-nine weeks ended October 2, 2021: 123%).

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

	Thirteen weeks ended		Thirty-nine weeks ended	
	October 1, 2022	October 2, 2021	**October 1, 2022**	October 2, 2021
Outstanding, beginning of period	**466,670**	431,688	**479,880**	512,740
Granted	**3,499**	46,164	**138,400**	155,924
Reinvested dividends	**3,374**	2,395	**10,736**	6,642
Released and paid in cash	**—**	—	**(148,533)**	(100,693)
Released and paid in shares	**—**	—	**—**	(87,355)
Forfeited	**(953)**	(585)	**(7,893)**	(7,596)
Outstanding, end of period	**472,590**	479,662	**472,590**	479,662

The share price at the reporting date was CAD$13.01 (October 2, 2021: CAD$13.00). 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	
	October 1, 2022	October 2, 2021	**October 1, 2022**	October 2, 2021
Outstanding, beginning of period	**384,477**	307,692	**317,103**	267,559
Granted	**4,889**	—	**66,626**	37,184
Reinvested dividends	**2,844**	1,626	**8,481**	4,575
Outstanding, end of period	**392,210**	309,318	**392,210**	309,318

9. Income tax expense

The Company's statutory tax rate for the thirteen and thirty-nine weeks ended October 1, 2022 was 27.9% (thirteen and thirty-nine weeks ended October 2, 2021: 27.8%). The Company's effective income tax rate for the thirteen and thirty-nine weeks ended October 1, 2022 was 14.6% and 19.8%, respectfully (thirteen and thirty-nine weeks ended October 2, 2021: 16.4% and 13.6%, respectfully). The higher effective tax rate for the thirty-nine weeks ended October 1, 2022, was primarily attributable to the recognition of previously unrecorded tax assets during the thirty-nine weeks October 2, 2021, partially offset by the Company's tax efficient financing structure.

10. Related party transactions

The Company had no related party transactions, excluding key management personnel compensation, for the thirteen and thirty-nine weeks ended October 1, 2022 and October 2, 2021.

11. Geographic information

Sales earned outside of Canada for the thirteen and thirty-nine weeks ended October 1, 2022 were $201.6 million and $620.9 million, respectively (October 2, 2021: $155.7 million and $482.2 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 $000s)		**October 1, 2022**		January 1, 2022
Property, plant and equipment	**$**	**87,265**	$	86,104
Right-of-use assets		**5,778**		8,126
Intangible assets		**116,691**		121,584
Goodwill		**147,916**		147,916
	$	**357,650**	$	363,730

12. 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:

	October 1, 2022		January 1, 2022	
(Amounts in $000s)	**Level 2**	**Level 3**	Level 2	Level 3
Fair value of financial assets				
Cash	**$ —**	**$ —**	$ —	$ —
Interest rate swaps	**$ 7,666**	**$ —**	$ 988	$ —
Foreign exchange contracts	**5,966**	**—**	560	—
Fair value of financial liabilities				
Interest rate swaps	**—**	**—**	443	—
Foreign exchange contracts	**118**	**—**	849	—
Long-term debt	**—**	**230,037**	—	249,533

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 October 1, 2022, 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 $247.6 million as at October 1, 2022 (January 1, 2022: $250.6 million).

Hedging activities

Interest rate swaps

During the thirty-nine weeks ended October 1, 2022, the Company had the following interest rate swaps outstanding to hedge interest rate risk resulting from the term loan facility (see Note 6):

Effective date	**Maturity date**	**Receive floating rate**	**Pay fixed rate**	**Notional amount (millions)**
Designated in a formal hedging relationship:				
April 26, 2021	July 7, 2023	3-month LIBOR (floor 0.75%)	0.8250 %	$ 25.0
April 26, 2021	July 8, 2024	3-month LIBOR (floor 0.75%)	0.9700 %	$ 25.0
April 26, 2021	July 6, 2026	3-month LIBOR (floor 0.75%)	1.3385 %	$ 35.0
June 30, 2021	December 31, 2025	3-month LIBOR (floor 0.75%)	1.3610 %	$ 20.0

The cash flow hedge of interest expense variability was assessed to be effective for the thirteen and thirty-nine weeks ended October 1, 2022 and October 2, 2021, 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 $2.2 million and $5.3 million, respectively (thirteen and thirty-nine weeks ended October 2, 2021: after-tax net losses of $0.1 million and and nominal after-tax net losses, 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 October 1, 2022 and October 2, 2021. There were nominal amounts recognized in the consolidated statements of income resulting from hedge ineffectiveness during the thirteen and thirty-nine weeks ended October 1, 2022 (thirteen and thirty-nine weeks ended October 2, 2021: $nil and $0.1 million, respectively).

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 October 1, 2022, the Company had outstanding notional amounts of $48.1 million (October 2, 2021: $31.4 million) in foreign currency average-rate forward contracts that were formally designated as a hedge and no outstanding notional amounts in foreign currency single-rate forward contracts that were formally designated as a hedge (October 2, 2021: $3.7 million). With the exception of $1.0 million (October 2, 2021: $2.8 million) average-rate forward contracts with maturities ranging from October 2023 to March 2024, 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 October 1, 2022 and October 2, 2021, and therefore the change in fair value was recorded in OCI as after-tax net gains of $2.2 million and $2.6 million, respectively (thirteen and thirty-nine weeks ended October 2, 2021: after-tax net gains $0.4 million and after-tax net losses $0.3 million, respectively). There were nominal amounts recognized in the consolidated statements of income resulting from hedge ineffectiveness during the thirteen and thirty-nine weeks ended October 1, 2022 and October 2, 2021.

As at October 1, 2022, the Company had $61.0 million (October 2, 2021: $23.0 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 October 1, 2022 were net gains of $4.1 million and $4.5 million, respectively (thirteen and thirty-nine weeks ended October 2, 2021: net gains of $0.4 million, respectively).

Hedge of net investment in foreign operations

As at October 1, 2022, a total borrowing of $270.0 million ($20.0 million included in accounts payable, $2.4 million included in bank loans, $7.5 million included in the current portion of long-term debt and $240.1 million included in long-term debt (January 1, 2022: a total borrowing of $255.6 million ($5.0 million included in accounts payable, $5.6 million included in the current portion of long-term debt and $245.0 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 October 1, 2022 and October 2, 2021.

13. Events after the reporting period

Amendment of working capital facility and term loan facility

On October 6, 2022, the Company amended its working capital facility (see Note 5) to increase the revolving limit on its secured asset-based credit facility from $150.0 million to $200.0 million. The term loan facility interest rate (see Note 6) was amended from LIBOR to Secured Overnight Financing Rate ("SOFR"). All other material terms of the working capital facility and term loan facility remain unchanged.