HIGH LINER FOODS

SECOND QUARTER
REPORT TO SHAREHOLDERS

Twenty-six weeks ended June 29, 2024

HIGH LINER FOODS

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the thirteen and twenty-six weeks ended June 29, 2024

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

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INTRODUCTION

This Management's Discussion and Analysis ("MD&A"), dated August 7, 2024, relates to the consolidated financial condition and results of operations of High Liner Foods Incorporated for the thirteen and twenty-six weeks ended June 29, 2024, compared to the thirteen and twenty-six weeks ended July 1, 2023. 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 2023 Annual Consolidated Financial Statements, 2023 Annual MD&A and Unaudited Condensed Interim Consolidated Financial Statements as at and for the thirteen and twenty-six weeks ended June 29, 2024 ("Consolidated Financial Statements"), prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. The information contained in this document, including forward-looking statements, is based on information available to Management as of August 7, 2024, 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 applicable securities laws. In particular, these forward-looking statements and expectations concerning the performance of the business in general are based on a number of factors and assumptions that are discussed throughout this document and include but are 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 achievement and timing 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; return of capital to shareholders; 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; inflation, 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 results from litigation and/or arbitration, including the net amounts and benefits that may be received by the Company; 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; economic and geopolitical conditions such as Russia's invasion of Ukraine and the implementation and/or expansion of related sanctions; impact of the inflationary environment, 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; diversification of its supply chain; 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, including those in excess of normal requirements to allow the movement of production between plants; and expectations regarding the potential future impact of a global 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. Forward-looking statements in this MD&A include, but are not limited to, statements regarding the business strategies and operational activities of High Liner Foods, the markets in which High Liner Foods operates, potential M&A and other investment opportunities and the return of capital to shareholders, anticipated operating conditions and the geopolitical and economic environment, and the future financial and operating performance of High Liner Foods, including the Company's leverage and anticipated growth in Adjusted EBITDA. 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 2023 Annual MD&A and the *Risk Factors* section of our 2023 Annual Information Form ("AIF"). 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; ability to import seafood into North America while adhering to updated government sanctions; ability to adapt to regulatory changes and increase flexibility on seafood substitutions in certain products with customers; 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 work plan, 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, 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.sedarplus.ca and in the Investors section of the Company's website at www.highlinerfoods.com.

[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).*

OUTLOOK

The Company's performance in the second quarter reaffirms confidence in the outlook for our business. High Liner Foods' strong start to the year on the bottom-line positions the Company to navigate ongoing market challenges which will continue to impact the Company's performance in the second half of the year. With a strong balance sheet, low debt ratio and strong free cash flow generation, the Company believes that it can withstand short-term pressures and deliver year-over-year Adjusted EBITDA growth, while continuing to invest in the business, return capital to shareholders, and support long-term value creation.

The Company is focused on executing against its branded and value-added strategy and ongoing supply chain diversification and innovation within the frozen seafood category as the means to reinforce its competitive positioning in a dynamic global seafood market. In addition, High Liner Foods continues to explore opportunities across the value-chain to position the Company for long-term growth, through potential M&A activities, as illustrated by High Liner Foods’ recent investments in aquaculture leaders, Norcod and Andfjord.

The Company cautions that additional challenges in the geopolitical and economic environment may impact the timeline for improvements to its financial performance and growth agenda.

RECENT DEVELOPMENTS

Economic Conditions

The Company continues to navigate the impact of the prolonged inflationary environment and other macroeconomic factors including high interest rates which are increasingly impacting consumer confidence and discretionary spending. The frozen seafood category in retail continued to experience a decline in demand for the first half of 2024, as compared to the prior year, prompting high levels of promotional activity. The Company is also experiencing a slow-down in its foodservice businesses as a result of shifting consumer sentiment and dining habits. The primary driver of the year over year volume decline is related to lower demand from the Company’s contract manufacturing business. See *Outlook* section above for the Company's response to these current economic conditions.

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 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. Since December 16, 2022 the USTR has extended this exclusion multiple times, including most recently on May 25, 2024, which further extended the exclusion to May 31, 2025, which will allow for further consideration under the statutory four-year review.

The estimated annual run-rate exposure of the 25% tariff would have been approximately $6.0 million in 2024 before the extended exclusion 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 in 2024, particularly as further information becomes available regarding potential additional tariffs or exclusions, or how the previously announced tariffs and exclusions will impact the Company.

Litigation Update

As reported in 2020, High Liner Foods instituted legal proceedings in California against Mr. Brian Wynn in connection with the sale of Rubicon Resources, LLC ("Rubicon") to the Company. On March 5, 2024, a settlement agreement (the "Agreement") was reached between the Company and the previous shareholders of Rubicon, including Mr. Wynn. In accordance with the terms of the Agreement, 2,429,014 common shares of the Company issued in connection with the acquisition of Rubicon were surrendered and subsequently cancelled. In addition, $5.7M was paid directly to the insurance company to reimburse funds received from a previous insurance claim settlement on Representation and Warranties Insurance the Company procured to provide coverage of breaches of representation by Rubicon and Mr. Wynn. As at June 29, 2024, the terms of the Agreement have been fulfilled and are reflected in the financial results for the thirteen weeks ended June 29, 2024.

Russian Sourced Seafood Sanctions

On December 22, 2023, the US Government issued an executive order prohibiting the import of certain species of seafood into the United States. The determination updated the previous prohibition on Russian seafood imports of salmon, pollock, cod, and crab products harvested in waters under the jurisdiction of the Russian Federation or by Russian flagged vessels outside of Russian waters, to now include seafood that has been reprocessed and substantially transformed outside of Russia. All orders of product that include Russian country of harvest raw material had to cease immediately and only products ordered before December 22, 2023 and received on or before February 21, 2024, were permitted into the United States. This date was extended to May 31, 2024, however continued to only include raw material ordered before December 22, 2023.

High Liner Foods immediately implemented these new regulations and developed a plan to limit the impact of these new regulations on its business.

Investment in Andfjord Salmon AS

On May 22, 2024, High Liner Foods invested $10.0 million in exchange for 3,234,970 common shares of Andjford Salmon AL ("Andfjord"), a market leader in sustainable salmon aquaculture based in Dverberg, Norway. The Company believes this investment aligns with the Company's long-term growth strategy, including gaining exposure to salmon aquaculture.

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 June 29, 2024	Thirteen weeks ended July 1, 2023	Change	Twenty-six weeks ended June 29, 2024	Twenty-six weeks ended July 1, 2023	Change
Sales volume (millions of lbs)	**51.7**	59.4	**(7.7)**	**118.6**	136.4	**(17.8)**
Average foreign exchange rate (USD/CAD)	**1.3682**	**1.3429**	**$0.0253**	**1.3586**	1.3478	**$0.0108**
Sales	**$218,323**	$254,349	**$(36,026)**	**$495,295**	$ 583,513	**$(88,218)**
Gross profit	**$ 52,505**	$ 51,983	**$ 522**	**$117,960**	$ 120,388	**$(2,428)**
Gross profit as a percentage of sales	**24.0%**	20.4%	**3.6%**	**23.8%**	20.6%	**3.2%**
Distribution expenses	**$ 10,487**	$ 14,055	**$(3,568)**	**$ 22,763**	$ 31,333	**$(8,570)**
Selling, general and administrative expenses	**$ 25,754**	$ 22,249	**$ 3,505**	**$ 52,148**	$ 50,081	**$ 2,067**
Adjusted EBITDA [(1)]	**23,824**	$ 22,032	**$ 1,792**	**58,064**	$ 53,231	**$ 4,833**
Adjusted EBITDA as a percentage of sales	**10.9%**	8.7%	**2.2%**	**11.7%**	9.1%	**2.6%**
Net income	**$ 19,291**	$ 5,887	**$13,404**	**$ 35,889**	$ 19,775	**$16,114**
Basic Earnings per Share ("EPS")	**$ 0.59**	$ 0.18	**$ 0.41**	**$ 1.08**	$ 0.59	**$ 0.49**
Diluted EPS	**$ 0.59**	$ 0.17	**$ 0.42**	**$ 1.08**	$ 0.57	**$ 0.51**
Adjusted Net Income [(1)]	**11,237**	$ 10,044	**$ 1,193**	**29,828**	$ 26,480	**$ 3,348**
Adjusted Basic EPS	**0.35**	$ 0.30	**$ 0.05**	**0.90**	$ 0.79	**$ 0.11**
Adjusted Diluted EPS [(1)]	**0.35**	$ 0.29	**$ 0.06**	**0.90**	$ 0.77	**$ 0.13**
Total assets				**$801,584**	$ 907,009	**$(105,425)**
Total long-term financial liabilities				**$242,624**	$ 246,556	**$(3,932)**
Dividends paid per common share (in CAD)	$ 0.15	$ 0.13	**$ 0.02**	$ 0.30	$ 0.26	**$ 0.04**

[(1)] See the *Non-IFRS Financial Measures* section starting on page 19 for further explanation of Adjusted EBITDA, Adjusted Net Income and Adjusted Diluted EPS.

Sales

Thirteen weeks

During the quarter, the Company continued to operate in challenging market conditions driven by consumer pull back and increased competitive pressures. Sales volume for the thirteen weeks ended June 29, 2024, or the second quarter of 2024, decreased by 7.7 million pounds, or 13.0%, to 51.7 million pounds compared to 59.4 million pounds in the thirteen weeks ended July 1, 2023, primarily driven by the decline of the same contract manufacturing business and the exiting of low margin business disclosed in Q1 2024 and lower sales volume in our retail and foodservice business. In the Company's retail business, while High Liner Foods experienced year over year decline in volumes, the Company expanded distribution in strategic areas including club, value and premium offerings. In the Company's foodservice business, High Liner Foods saw continued success of new value-added innovations in terms of volume and expanded distribution, and saw continued growth in alternative species despite the overall year over year decline in volume.

Sales in the second quarter of 2024 decreased by $36.0 million, or 14.2%, to $218.3 million compared to $254.3 million in the same period last year, driven by volume declines and reduced pricing reflecting deflationary markets. Given the highly promotional and price sensitive retail and foodservice markets, the Company continues to take actions on price, innovation and distribution to strengthen its competitive positioning and to mitigate the impact of external pressures while preserving profitability.

The weaker Canadian dollar in the second quarter of 2024 compared to the same period in 2023 decreased the value of USD sales from our CAD-denominated operations by approximately $1.1 million relative to the conversion impact last year.

Twenty-six weeks

Sales volume in the first half of 2024 decreased by 17.8 million pounds, or 13.0%, to 118.6 million pounds compared to 136.4 million pounds in the same period in the prior year. High Liner Foods' foodservice business was impacted by both a decline in contract manufacturing business, the exit of some unprofitable business, and some overall market softness. The Company continues to benefit from diversification of its foodservice customer base across non-commercial and commercial customers as well as its strategic focus on high growth channels and species. The decrease was also driven by lower sales volume in our retail business, including during the Lenten period, as the retail market continued to experience challenges as a result of consumer price sensitivity and competitive pressure in a highly promotional environment.

Sales in the first half of 2024 decreased by $88.2 million, or 15.1%, to $495.3 million compared to $583.5 million in the same period in the prior year. The decrease in sales is mainly driven by reduced volumes previously mentioned and reduced pricing reflecting deflationary markets, partially offset by favourable sales mix.

The weaker Canadian dollar in the first half of 2024 compared to the first half of 2023 decreased the value of reported USD sales from our CAD-denominated operations by approximately $0.9 million relative to the conversion impact last year.

Gross Profit

Thirteen weeks

Gross profit increased in the second quarter of 2024 by $0.5 million, or 1.0%, to $52.5 million compared to $52.0 million in the same period in 2023, and gross profit as a percentage of sales increased to 24.0% compared to 20.4%. The increase in gross profit reflects lower raw material costs, normalized inventory levels, a more profitable mix and a balanced approach to pricing focused on supporting both bottom and top line of the business. High Liner Foods continues to drive continuous improvements across operations to ensure prudent cost management.

In addition, the weaker Canadian dollar decreased the value of reported USD gross profit from our Canadian operations in 2024 by $0.3 million relative to the conversion impact last year.

Twenty-six weeks

Gross profit decreased in the first half of 2024 by $2.4 million, or 2.0%, to $118.0 million compared to $120.4 million in the same period in the prior year, however, gross profit as a percentage of sales increased to 23.8%, compared to 20.6%. The decrease in gross profit reflects the decline in sales volume previously mentioned. This was partially mitigated by the benefit of lower inventory levels, lower raw material costs and the favourable changes in product mix reflected in the improved gross profit as a percentage of sales.

The weaker Canadian dollar decreased the value of reported USD gross profit from our Canadian operations in 2024 by $0.2 million relative to the conversion impact last year.

Distribution Expenses

Thirteen weeks

Distribution expenses, consisting of freight and storage decreased in the second quarter of 2024 by $3.6 million or 25.5% to $10.5 million compared to $14.1 million in the same period in the prior year reflecting lower freight costs as a result of the lower sales volumes, mentioned previously, and lower storage costs due to the benefit of lower inventory levels and decreased reliance on external warehouses as compared to the same period in the prior year. As a percentage of sales, distribution expenses decreased favourably to 4.8% in the second quarter of 2024 compared to 5.5% in the same period in 2023.

Twenty-six weeks

Distribution expenses decreased in the first half of 2024 by $8.5 million, or 27.2%, to $22.8 million compared to $31.3 million in the same period in the prior year. This decline reflects lower storage and freight costs in the first half of 2024 compared to the same period in 2023. This reduction is attributed to the decreased reliance on external warehouses compared to the same period last year, as inventory levels have since stabilized. In addition, the lower sales volume, mentioned previously, contributed to overall lower freight costs during the first half of 2024 as compared to the same period in the prior year. As a percentage of sales, distribution expenses decreased favourably to 4.6% in the first half of 2024 compared to 5.4% in the same period in 2023.

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

	Thirteen weeks ended		Twenty-six weeks ended	
(Amounts in $000s)	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
SG&A expenses, as reported	**$ 25,754**	$ 22,249	**$ 52,148**	$ 50,081
Less:				
Share-based compensation expense (1)	**1,688**	496	**3,527**	2,403
Depreciation and amortization expense (1)	**2,368**	2,616	**4,714**	5,247
SG&A expenses, net	**$ 21,698**	$ 19,137	**$ 43,907**	$ 42,431
SG&A expenses, net as a percentage of sales	**9.9%**	7.5 %	**8.9%**	7.3%

(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 second quarter of 2024 by $3.6 million to $25.8 million compared to $22.2 million in the same period last year. SG&A expenses included share-based compensation expense of $1.7 million in the second quarter of 2024, compared with an expense of $0.5 million in the second quarter of 2023, primarily due to a higher expected performance multiplier for performance-based awards partially offset by a decrease in share price performance. SG&A expenses also included depreciation and amortization expense of $2.4 million in the second quarter of 2024 compared to $2.6 million in the same period in 2023.

Excluding share-based compensation and depreciation and amortization expenses, SG&A expenses increased in the second quarter of 2024 by $2.6 million to $21.7 million compared to $19.1 million in the same period last year, due to higher consumer marketing and administrative expenses including salaries, benefits and incentives, consulting and professional fees, information technology expenses and recruitment costs. This was partially offset by a reduction in variable selling expenses, particularly in our U.S. retail and foodservice businesses, as well as increased absorption of overhead costs 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 was 9.9% in the second quarter of 2024 compared to 7.5% in the same period last year.

Twenty-six weeks

SG&A expenses increased by $2.0 million, or 4.0%, to $52.1 million in the first half of 2024 as compared to $50.1 million in the same period in the prior year. SG&A expenses included share-based compensation expense of $3.5 million in the first half of 2024 compared to $2.4 million in the same period in the prior year, primarily due to a higher expected performance multiplier for performance-based awards partially offset by a decrease in share price performance in the first half of 2024 compared to the same period last year. SG&A expenses also included depreciation and amortization expense of $4.7 million in the first half of 2024 compared to $5.2 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 half of 2024 by $1.5 million, or 3.5%, to $43.9 million compared to $42.4 million in 2023, due to increased administrative expenses including salary, benefits and incentives, information technology expenses, and recruitment expenses, partially offset by a reduction in consumer marketing, variable selling costs and increased absorption of overhead costs, compared to the same period in prior year.

As a percentage of sales, SG&A excluding share-based compensation and depreciation and amortization expense increased to 8.9% in the first half of 2024 compared to 7.3% for the same period in 2023.

Adjusted EBITDA

We refer to Adjusted EBITDA throughout this MD&A in discussing our results for the thirteen and twenty-six weeks ended June 29, 2024. See the *Non-IFRS Financial Measures* section starting on page 19 for further explanation of this non-IFRS measure.

Thirteen weeks

Adjusted EBITDA increased in the second quarter of 2024 by $1.8 million, or 8.2%, to $23.8 million compared to $22.0 million in the same period in the prior year, and as a percentage of sales, Adjusted EBITDA increased favourably to 10.9% compared to 8.7%. The increase in Adjusted EBITDA reflects the increase in gross profit and favourable distribution expenses, offset by an increase in net SG&A expenses, all discussed previously.

The weaker Canadian dollar decreased the value of reported Adjusted EBITDA in USD from our Canadian operations in 2024 by $0.1 million relative to the conversion impact last year.

Twenty-six weeks

Adjusted EBITDA increased in the first half of 2024 by $4.9 million, or 9.2%, to $58.1 million compared to $53.2 million in the same period in the prior year, and as a percentage of sales, Adjusted EBITDA increased favourably to 11.7% compared to 9.1%. The increase in Adjusted EBITDA is a result of decreased distribution expenses, partially offset by the decrease in gross profit and the increase in net SG&A expenses.

In addition, the weaker Canadian dollar decreased the value of reported Adjusted EBITDA in USD from our Canadian operations in 2024 by $0.2 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 19 for further explanation of these non-IFRS measures.

Thirteen weeks

Net income increased in the second quarter of 2024 by $13.4 million, or 227.1%, to net income of $19.3 million ($0.59 per diluted share) compared to net income of $5.9 million ($0.17 per diluted share) in the same period in the prior year. The cancellation of 2.4 million shares in the second quarter of 2024 related to the Rubicon settlement also supported the growth in the EPS.

The increase in net income reflects the increase in Adjusted EBITDA, discussed previously, a decrease in finance costs, discussed in the *Finance Costs* section below, lower depreciation and amortization costs and an increase in business acquisition, integration and other (income) expense, discussed on page 12 below, partially offset by higher income taxes discussed on page 13 of this MD&A.

In the second quarter of 2024, net income included "business acquisition, integration and other (income) expense" (as explained in the *Business Acquisition, Integration and Other (Income) Expense* section on page 12 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 second quarter of 2024 increased by $1.2 million, or 12.0%, to $11.2 million compared to $10.0 million in the same period in the prior year.

Correspondingly, Adjusted Diluted EPS increased to $0.35 from $0.29 in 2023.

Twenty-six weeks

Net income increased in the first half of 2024 by $16.1 million, or 81.3%, to $35.9 million ($1.08 per diluted share) compared to $19.8 million ($0.57 per diluted share) in the same period in the prior year. The increase in net income is due to the increase in Adjusted EBITDA, a decrease in finance costs, a decrease in depreciation and amortization expense and an increase in business acquisition, integration and other (income) expense, partially offset by an increase in income tax expense.

In the first half of 2024, net income included "business acquisition, integration and other (income) expense" (as explained in the *Business Acquisition, Integration and Other (Income) Expense* section on page 12 of this MD&A) related to certain non-routine expenses. Excluding the impact of these non-routine items, other non-cash expenses, and share-based compensation, Adjusted Net Income in the first half of 2024 increased by $3.3 million, or 12.5%, to $29.8 million compared to $26.5 million in the same period in the prior year.

Adjusted Diluted EPS increased $0.13 in the first half of 2024 to $0.90 compared to $0.77 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)	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Sales	**$218,323**	$276,972	$237,126	$259,699	$254,349	$329,164	$250,346	$271,181	$253,452
Adjusted EBITDA (1)	**$ 23,824**	$ 34,240	$ 21,887	$ 19,974	$ 22,032	$ 31,199	$ 25,385	$ 24,809	$ 25,333
Net Income	**$ 19,291**	$ 16,598	$ 6,416	$ 5,486	$ 5,887	$ 13,888	$ 11,131	$ 9,977	$ 18,977
Adjusted Net Income (1)	**$ 11,237**	$ 18,590	$ 7,293	$ 4,906	$ 10,044	$ 16,437	$ 12,318	$ 14,292	$ 10,034
EPS, based on Net Income									
Basic	**$ 0.59**	$ 0.49	$ 0.19	$ 0.16	$ 0.18	$ 0.41	$ 0.33	$ 0.30	$ 0.56
Diluted	**$ 0.59**	$ 0.49	$ 0.20	$ 0.16	$ 0.17	$ 0.40	$ 0.32	$ 0.28	$ 0.54
EPS, based on Adjusted Net Income (1)									
Basic	**$ 0.35**	$ 0.55	$ 0.21	$ 0.15	$ 0.30	$ 0.49	$ 0.37	$ 0.42	$ 0.30
Diluted (1)	**$ 0.35**	$ 0.55	$ 0.23	$ 0.14	$ 0.29	$ 0.48	$ 0.35	$ 0.41	$ 0.29
Dividends paid per common share (CAD)									
	$ 0.15	$ 0.15	$ 0.15	$ 0.13	$ 0.13	$ 0.13	$ 0.13	$ 0.10	$ 0.10
Net non-cash working capital (2)									
	$237,221	$262,840	$255,151	$306,131	$352,189	$388,476	$383,988	$309,660	$287,974

(1) See the *Non-IFRS Financial Measures* section starting on page 19 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, contract liabilities and provisions.

As discussed in the *Performance* section on page 5 of this MD&A, the first quarter of the year historically emerges as the peak period for both sales and profit. This pattern holds true for both our retail and foodservice businesses, strengthened by heightened seafood promotion during the Lenten period.

During the second quarter of 2022, the Company received insurance proceeds of $10.0 million in relation to the lawsuit against Mr. Brian Wynn (see *Recent developments* section on page 4 for an update on this litigation). This amount is reflected in net income for the second quarter of 2022.

During the second quarter of 2024, the Company recorded $9.8M in business acquisition & other (income) expense relating to the shares that were surrendered, and subsequently cancelled, in connection with the litigation settlement reached with the former shareholders of Rubicon. This amount is reflected in net income and earnings per share for the second quarter of 2024.

Throughout fiscal 2022, net non-cash working capital experienced sequential growth, largely stemming from increased inventory investments aimed at mitigating global supply chain disruptions. Subsequently, as supply chain challenges eased, the Company progressively reduced inflated inventory levels throughout fiscal 2023, resulting in a corresponding decrease in net non-cash working capital each consecutive quarter.

BUSINESS ACQUISITION, INTEGRATION AND OTHER EXPENSE (INCOME)

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		Twenty-six weeks ended	
(Amounts in $000s)	**June 29, 2024**	**July 1, 2023**	**June 29, 2024**	**July 1, 2023**
Business acquisition, integration and other (income) expense	**$ (9,684)**	$ 3,849	**$ (8,992)**	$ 5,616

Business acquisition, integration and other (income) expense for the twenty-six weeks ended June 29, 2024 and July 1, 2023 also included certain non-routine expenses, such as legal and consulting fees, that are not representative of the Company's ongoing operational activities. During the thirteen and twenty-six weeks ended June 29, 2024 and July 1, 2023, the Company incurred legal and consulting fees relating to the lawsuit High Liner Foods filed against Mr. Brian Wynn, as well as other legal and consulting costs associated with the Company's business acquisition activities. During the thirteen and twenty-six weeks ended June 29, 2024 the Company recognized a gain of $9.8M relating to the shares reacquired in result of the litigation settlement reached between High Liner Foods and the former shareholders of Rubicon.

FINANCE COSTS

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

	Thirteen weeks ended		Twenty-six weeks ended	
(Amounts in $000s)	**June 29, 2024**	**July 1, 2023**	**June 29, 2024**	**July 1, 2023**
Interest paid in cash during the period	**$ 4,553**	$ 6,957	**$ 10,508**	$ 12,946
Change in cash interest accrued during the period	**123**	(633)	**(625)**	(77)
Total interest to be paid in cash	**4,676**	6,324	**9,883**	12,869
Interest expense on lease liabilities	**110**	115	**413**	227
Deferred financing cost & net modification loss amortization	**329**	376	**733**	763
Total finance costs	**$ 5,115**	$ 6,815	**$ 11,029**	$ 13,859

Finance costs were $1.7 million lower in the second quarter of 2024 and $2.9 million lower in the twenty-six weeks ended June 29, 2024 compared to the same periods last year. The decrease during the thirteen and twenty-six weeks ended June 29, 2024 was due to lower interest expense on short-term and long-term borrowings due to lower interest rates and lower average short-term borrowings outstanding during fiscal the first half of 2024 compared to the same period last year.

INCOME TAXES

The Company's statutory tax rate for the thirteen and twenty-six weeks ended June 29, 2024 was 28.1% (thirteen and twenty-six weeks ended July 1, 2023: 27.9%). The Company's effective income tax rate for the thirteen and twenty-six weeks ended June 29, 2024 was an expense of 7.4% and 12.5%, respectively (thirteen and twenty-six weeks ended July 1, 2023: a recovery of 17.4% and 1.4% , respectively). The lower effective tax rate for the twenty-six weeks ended June 29, 2024, reflects the Company's tax efficient financing structure as well as implications of Global Minimum Tax, described below in more detail, and the income tax effects resulting from the Rubicon settlement.

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

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 section in the Annual 2023 MD&A.

Our capital management practices are described in Note 26 *"Capital management"* in the 2023 Annual Consolidated Financial Statements.

Working Capital Credit Facility

The Company has a $200.0 million asset-based working capital credit facility (the "Facility"), with the Royal Bank of Canada as Administrative and Collateral agent, which was amended on October 6, 2022 to increase the borrowing limit from $150.0 million to $200.0 million. Additionally, on April 28, 2022 the Facility was amended 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 rates provided by the working capital credit facility 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 June 29, 2024 are also noted in the following table:

Per Credit Agreement		As at June 29, 2024
Canadian Prime Rate revolving loans, Canadian Base Rate revolving and U.S. Prime Rate revolving loans, at their respective rates	plus 0.00% to 0.25%	plus 0.00%
Bankers' Acceptances ("BA") revolving loans, at BA rates	plus 1.25% to 1.50%	plus 1.25%
SOFR revolving loans at 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 half of 2024 were $5.5 million compared to $123.1 million in the same period in the prior year. The $117.6 million decrease in average short-term borrowings reflects the continuation of reduced working capital requirements, which peaked during the latter part of Fiscal 2022 and into the first quarter of 2023, influenced by inflation's effect on raw materials and heightened investments in inventory, aimed at mitigating the global supply chain disruptions. Inventory levels have since stabilized from 2023 to 2024, with a corresponding decrease in overall short-term borrowings.

As at June 29, 2024, the Company had $161.2 million of unused borrowing availability (July 1, 2023: $101.0 million), taking into account the current borrowing base and letters of credit, which reduce the availability under the working capital facility. On June 29, 2024, letters of credit and standby letters of credit were outstanding in the amount of $7.2 million (July 1, 2023: $7.6 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 3 *"Bank loans"* to the Consolidated Financial Statements.

We expect average short-term borrowings in Fiscal 2024 to be lower than Fiscal 2023, and we believe the asset-based working capital credit facility should be sufficient to fund all of the Company's anticipated cash requirements.

Term Loan Facility

As at June 29, 2024, the Company had a $300.0 million term loan facility with an interest rate of SOFR plus 3.75% (0.75% SOFR floor), maturing in October, 2026. On July 31, 2024, the Company completed the early refinancing of its term loan facility. The term loan facility was refinanced for $240.0 million with an extended term from October 2026 to July 2031, and the applicable interest rate for loans under the facility was decreased from SOFR plus 3.75% (0.75% SOFR floor) to SOFR plus 3.25% (0.50% SOFR floor) (see Events After the Reporting Period section on page 19 of this MD&A).

Prior to the July 2024 refinancing, quarterly repayments of $1.9 million were 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 twenty-six weeks ended June 29, 2024, regularly scheduled repayments of $3.8 million were made. There are regularly scheduled repayments of $7.5 million to be paid in the next 12 months. There are no mandatory prepayments to be paid in 2024 related to excess cash flows from 2023. Substantially all tangible and intangible assets (excluding working capital) of the Company are pledged as collateral for the term loan.

During the twenty-six weeks ended June 29, 2024, 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:					
July 7, 2023	July 7, 2025	3-month SOFR (floor 0.75%)	4.9076 %	*$*	*40.0*
January 6, 2023	July 6, 2026	3-month SOFR (floor 0.75%)	1.1500 %	*$*	*35.0*
January 6, 2023	July 8, 2024	3-month SOFR (floor 0.75%)	0.6840 %	*$*	*25.0*
December 30, 2022	December 31, 2025	3-month SOFR (floor 0.75%)	1.0910 %	*$*	*20.0*

As of June 29, 2024, the combined impact of the outstanding interest rate swaps listed above effectively fix the interest rate on $120.0 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 SOFR is higher than the embedded floor of 0.75%.

Additional details regarding the Company's term loan are provided in Note 4 *"Long-term debt"* to the Consolidated Financial Statements.

Net Debt

The Company's Net Debt (as calculated in the *Non-IFRS Financial Measures* section starting 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 decreased by $17.2 million to $232.7 million at June 29, 2024 compared to $249.9 million at December 30, 2023, reflecting lower bank loans, long-term debt, lease liabilities, and a higher cash balance as at June 29, 2024, as compared to December 30, 2023.

Net Debt to Rolling Twelve-Month Adjusted EBITDA (see the *Non-IFRS Financial Measures* section starting on page 22 of this MD&A) improved to 2.3x at June 29, 2024 compared to 2.6x at December 30, 2023 and 3.3x at July 1, 2023. The ratio has continued to improve into the first half of 2024 due to lower net debt, mentioned previously, and higher Rolling Twelve-Month Adjusted EBITDA compared to Fiscal 2023. In the absence of any major acquisitions or unplanned capital expenditures in 2024, we expect this ratio to continue to be lower than the Company's long-term target of 3.0x at the end of Fiscal 2024.

	Twelve months ended	
(Amounts in $000s, except as otherwise noted)	**June 29, 2024**	**December 30, 2023**
Net Debt	**232,652**	249,916
Adjusted EBITDA	99,925	95,092
Net Debt to Adjusted EBITDA ratio (times)	2.3	2.6

Capital Structure

At June 29, 2024, Net Debt was 37.1% of total capitalization compared to 39.5% at December 30, 2023 and 47.3% at July 1, 2023.

(Amounts in $000s)		June 29, 2024		December 30, 2023		July 1, 2023
Net Debt	**$**	**232,652**	$	249,916	$	344,148
Shareholders' equity		**397,441**		385,856		387,352
Unrealized gains on derivative financial instruments included in AOCI		**(2,571)**		(2,514)		(4,082)
Total capitalization	**$**	**627,522**	$	633,258	$	727,418
Net Debt as percentage of total capitalization		**37.1%**		39.5%		47.3%

Using our June 29, 2024 market capitalization of $293.2 million, based on a share price of CAD$13.39 (USD$9.78 equivalent), instead of the book value of equity, Net Debt as a percentage of total capitalization decreased to 44.2% (July 1, 2023: 49.5%).

Cash Flow

	Thirteen weeks ended			Twenty-six weeks ended		
(Amounts in $000s)	June 29, 2024	July 1, 2023	Change	June 29, 2024	July 1, 2023	Change
Net cash flows provided by operating activities	**$ 39,040**	$ 45,393	$ (6,353)	**$ 56,539**	$ 58,325	$ (1,786)
Net cash flows used in financing activities	**(19,382)**	(39,769)	20,387	**(22,423)**	(49,908)	27,485
Net cash flows used in investing activities	**(17,715)**	(6,078)	(11,637)	**(25,097)**	(8,815)	(16,282)
Foreign exchange (decrease) increase on cash	**(228)**	541	(769)	**(733)**	330	(1,063)
Net change in cash during the period	**$ 1,715**	$ 87	$ 1,628	**$ 8,286**	$ (68)	$ 8,354

Cash Flows from Operating Activities

Cash flows from operating activities were $1.8 million lower in the first half of 2024 compared to the same period in the prior year. The decrease in cash flows in the first half of 2024 was due to lower cash flows provided by operations, including lower positive changes in non-cash working capital balances in comparison to the first half of the previous year, non-cash gain on shares reacquired in a legal settlement, lower depreciation and amortization and higher income taxes paid. This was partially offset by higher net income, higher share-based compensation expense and lower interest paid. The lower positive changes in non-cash working capital are due to unfavourable changes in inventories, partially offset by favourable changes in accounts receivables and accounts payables and accrued liabilities.

Cash Flows from Financing Activities

Cash outflows from financing activities were $27.5 million lower in the first half of 2024 compared to the same period in the prior year mainly due to decreased repayments of short-term borrowings in the first half of 2024 as compared to the first half of 2023 (see the *Liquidity and Capital Resources* on page 13 of this MD&A), partially offset by costs relating to common shares repurchased for cancellation in the current year that did not occur in the same period in the prior year.

Cash Flows from Investing Activities

Cash outflows from investing activities were $16.3 million higher in the first half of 2024 compared to the same period last year primarily due to the investment in Norcod AS and Andfjord in the first half of 2024, as discussed in the Recent Developments section of this MD&A, and higher capital expenditures (see the *Capital Expenditures* section on page 17 of this MD&A).

Standardized Free Cash Flow

Standardized Free Cash Flow (see the *Non-IFRS Financial Measures* section on page 22 for further explanation of Standardized Free Cash Flow) for the twelve months ended June 29, 2024 increased by $189.5 million to an inflow of $157.4 million compared to an outflow of $32.1 million for the twelve months ended July 1, 2023. This increase reflects favourable changes in non-cash working capital and higher cash flows provided by operations and lower capital expenditures during the twelve months ended June 29, 2024 as compared to the twelve months ended July 1, 2023, partially offset by higher interest and income tax paid during the last twelve months.

Net Non-Cash Working Capital

(Amounts in $000s)		June 29, 2024		December 30, 2023		Change
Accounts receivable	**$**	**91,995**	$	100,634	**$**	**(8,639)**
Inventories		**251,721**		295,624		**(43,903)**
Prepaid expenses		**7,071**		7,390		**(319)**
Accounts payable and accrued liabilities		**(113,284)**		(148,343)		**35,059**
Provisions		**(282)**		(154)		**(128)**
Net non-cash working capital	**$**	**237,221**	$	255,151	**$**	**(17,930)**

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 decreased by $18.0 million to $237.2 million at June 29, 2024 as compared to $255.2 million at December 30, 2023, primarily reflecting lower inventories and lower accounts receivable, partially offset by lower accounts payable and accrued liabilities, partially offset by lower inventories.

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. Going forward we do expect the trend of inventory peaking between December and March to continue, and we believe we have sufficient availability on our working capital credit facility to finance our working capital requirements throughout the remainder of 2024.

Capital Expenditures

Gross capital expenditures (including computer software) were $7.7 million and $10.1 million during the thirteen and twenty-six weeks ended June 29, 2024, respectively, as compared to capital expenditures of $6.1 million and $9.1 million during the thirteen and twenty-six weeks ended July 1, 2023, respectively. Capital expenditures in the first half of 2024 are higher than the prior year reflecting the Company's continued investment in the modernization of capital assets.

Excluding strategic initiatives that may arise, management expects that capital expenditures in 2024 will be between $20.0 million to $24.0 million and funded by cash generated from operations and short-term borrowings.

Dividends

The Company paid a CAD$0.15 per share quarterly dividend on June 15, 2024 to common shareholders of record on June 1, 2024.

On August 7, 2024, the Company's Board of Directors approved a quarterly dividend of CAD$0.15 per share on the Company's common shares, payable on September 15, 2024 to holders of record as of September 1, 2024. 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 $25.0 million or higher and was $158.9 million on June 29, 2024, 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 2.3x on June 29, 2024. 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 June 29, 2024 were as follows:

(Amounts in $000s)	Total	Less than 1 year	1–5 Years	Thereafter
Bank loans	**$ —**	$ —	$ —	$ —
Long-term debt	**284,137**	25,343	258,794	—
Lease liabilities	**10,356**	4,816	5,540	—
Purchase obligations	**159,915**	123,026	36,889	—
Total contractual obligations	**$ 454,408**	$ 153,185	$ 301,223	$ —

Purchase obligations are for the purchase of seafood and other non-seafood inputs, including flour, paper products and frying oils. See the *Procurement* and *Foreign Currency* risk section in the 2023 Annual MD&A for further details. Refer to *Events after the Reporting Period* on page 19 of this MD&A for details relating to our lease liabilities.

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 9 *"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 2023 Annual Consolidated Financial Statements for further discussion of the Company's financial risks and policies.

Disclosure of Outstanding Share Data

On August 7, 2024, 29,931,167 common shares and 343,034 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 twenty-six weeks ended June 29, 2024 and July 1, 2023. Refer to Note 23 *"Related party disclosures"* to the 2023 Annual Consolidated Financial Statements for a further description of the Company's related party transactions, which are substantially unchanged in 2024.

EVENTS AFTER THE REPORTING PERIOD

Refinancing of term loan facility

On July 31, 2024, the Company completed the early refinancing of its term loan facility. The term loan facility was refinanced for $240.0 million with an extended term from October 2026 to July 2031, and the applicable interest rate for loans under the facility was decreased from SOFR plus 3.75% (0.75% SOFR floor) to SOFR plus 3.25% (0.50% SOFR floor).

Lease Modification

On July 12, 2024 the Company extended the lease of 185 International Drive, Portsmouth, New Hampshire to April 30, 2035. As part of the extension agreement, the Company has lowered the overall leased space from 38,000 to 15,407 square feet. The Company's previous lease of the 38,000 square feet will continue until the earlier of the original lease expiration date of April 14, 2025, or the date a new tenants lease of the surrendered space begins. Once the original lease term has expired, the new terms of the retained premises will begin. Under the new terms the Company will pay a annual rent of $247,000 until April 2030, with the annual rent increasing to $262,000 until April 2035.

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. 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 $000s)		Thirteen weeks ended June 29, 2024		Thirteen weeks ended July 1, 2023
Net income	**$**	**19,291**	$	5,887
Add back (deduct):				
Depreciation and amortization expense		**5,650**		5,961
Finance costs		**5,115**		6,815
Income tax expense (recovery)		**1,542**		(872)
Standardized EBITDA		**31,598**		17,791
Add back (deduct):				
Business acquisition, integration and other expenses (income) [1]		**(9,684)**		3,849
Loss (gain) on disposal of assets		**222**		(104)
Share-based compensation expense		**1,688**		496
Adjusted EBITDA	**$**	**23,824**	$	22,032
Net Sales	**$**	**218,323**	$	254,349
Adjusted EBITDA as Percentage of Sales		**10.9%**		**8.7%**

(Amounts in $000s)		Twenty-six weeks ended June 29, 2024		Twenty-six weeks ended July 1, 2023
Net income	**$**	**35,889**	$	19,775
Add back (deduct):				
Depreciation and amortization expense		**11,274**		12,029
Finance costs		**11,029**		13,859
Income tax expense (recovery)		**5,123**		(276)
Standardized EBITDA		**63,315**		45,387
Add back (deduct):				
Business acquisition, integration and other expenses (income)[1]		**(8,992)**		5,616
Loss (gain) on disposal of assets		**214**		(175)
Share-based compensation expense		**3,527**		2,403
Adjusted EBITDA	**$**	**58,064**	$	53,231
Net Sales	**$**	**495,295**	$	583,513
Adjusted EBITDA as a Percentage of Sales		**11.7%**		**9.1%**

[1] The business acquisition, integration and other expenses (income) for the thirteen and twenty-six weeks ended June 29, 2024 and July 1, 2023, include legal and consulting fees relating to the lawsuit High Liner Foods filed against Mr. Brian Wynn. For the thirteen and twenty-six weeks ended June 29, 2024, this amount also includes a gain of $9.8M relating to the shares reacquired in result of the litigation settlement reached between High Liner Foods and the former shareholders of Rubicon, which was excluded in Adjusted EBITDA.

Rolling Twelve-Month Adjusted EBITDA

	Rolling twelve months ended		
(Amounts in $000s)	June 29, 2024	December 30, 2023	July 1, 2023
Net income	47,791	31,677	40,883
Add back (deduct):			
Depreciation and amortization expense	25,618	26,373	24,244
Finance costs	23,348	26,178	24,520
Income tax expense	7,833	2,434	1,742
Standardized EBITDA	**104,590**	86,662	91,389
Add back (deduct):			
Business acquisition, integration and other expenses (income)(1)	(7,538)	7,070	7,209
Impairment of property, plant and equipment	—	—	281
Loss on disposal of assets	280	(109)	(26)
Share-based compensation expense	2,593	1,469	4,572
Rolling Twelve-Month Adjusted EBITDA	**99,925**	95,092	103,425

(1) The business acquisition, integration and other (income) expenses for the rolling twelve months ended June 29, 2024, December 31, 2023 and July 1, 2023, include legal and consulting fees relating to the lawsuit High Liner Foods filed against Mr. Brian Wynn. The rolling twelve months ended June 29, 2024 also includes a gain of $9.8M relating to the shares reacquired in result of the litigation settlement reached between High Liner Foods and the former shareholders of Rubicon, which was 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. 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 June 29, 2024		Thirteen weeks ended July 1, 2023	
	$000s	Adjusted Diluted EPS	$000s	Adjusted Diluted EPS
Net income	**$ 19,291**	**$ 0.59**	$ 5,887	$ 0.17
Add back (deduct):				
Business acquisition, integration and other expenses (income)	**(9,684)**	**(0.30)**	3,849	0.11
Impairment of property, plant and equipment	**—**	**—**	—	—
Share-based compensation expense	**1,688**	**0.05**	496	0.02
Tax impact of reconciling items	**(58)**	**—**	(188)	(0.01)
Adjusted Net Income	**$ 11,237**	**$ 0.35**	$ 10,044	$ 0.29
Average shares for the period (000s)		**32,770**		34,604

		Twenty-six weeks ended June 29, 2024			Twenty-six weeks ended July 1, 2023		
		$000s		Adjusted Diluted EPS		$000s		Adjusted Diluted EPS
Net income	**$**	**35,889**	**$**	**1.08**	$	19,775	$	0.57
Add back (deduct):								
Business acquisition, integration and other expenses (income) [(1)]		**(8,992)**		**(0.27)**		5,616		0.16
Impairment of property, plant and equipment		**—**		**—**		—		—
Share-based compensation expense		**3,527**		**0.11**		2,403		0.07
Tax impact of reconciling items		**(596)**		**(0.03)**		(1,314)		(0.03)
Adjusted Net Income	**$**	**29,828**	**$**	**0.90**	$	26,480	$	0.77
Average shares for the period (000s)				**33,171**				34,514

[(1)]The business acquisition, integration and other expenses (income) for the thirteen and twenty-six weeks ended June 29, 2024 and July 1, 2023, include legal and consulting fees relating to the lawsuit High Liner Foods filed against Mr. Brian Wynn. For the thirteen and twenty-six weeks ended June 29, 2024 this amount also includes a gain of $9.8M relating to the shares reacquired in result of the litigation settlement reached between High Liner Foods and the former shareholders of Rubicon, 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 $000s)		**June 29, 2024**		**July 1, 2023**		**Change**
Cash flows provided by operations before changes in non-cash working capital, interest and income taxes paid	**$**	**97,922**	$	95,560	**$**	**2,362**
Net change in non-cash working capital balances		**111,733**		(72,364)		**184,097**
Interest paid		**(22,464)**		(21,277)		**(1,187)**
Income taxes paid		**(9,663)**		(9,358)		**(305)**
Cash flows provided by operating activities		**177,528**		(7,439)		**184,967**
Less:						
Purchase of property, plant and equipment, net of investment tax credits, and intangible assets		**(20,083)**		(24,639)		**4,556**
Standardized Free Cash Flow	**$**	**157,445**	$	(32,078)	**$**	**189,523**

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 22). We consider Net Debt to Rolling Twelve-Month Adjusted EBITDA to be an important indicator of our ability to generate sufficient earnings 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 $000s)		**June 29, 2024**		**December 30, 2023**		**July 1, 2023**
Bank loans	**$**	—	$	2,559	$	90,476
Add-back: Deferred finance costs included in bank loans (1)		—		441		507
Total bank loans		—		3,000		90,983
Long-term debt		**228,760**		233,791		235,062
Current portion of long-term debt		**7,500**		5,625		7,500
Add-back: Deferred finance costs included in long-term debt (2)		**2,940**		3,607		4,285
Less: Net loss on modification of debt (3)		**(320)**		(393)		(467)
Total term loan debt		**238,880**		242,630		246,380
Long-term portion of lease liabilities		**5,236**		6,997		2,005
Current portion of lease liabilities		**4,122**		4,589		4,867
Total lease liabilities		**9,358**		11,586		6,872
Less: Cash		**(15,586)**		(7,300)		(87)
Net Debt	**$**	**232,652**	$	249,916	$	344,148
Rolling Twelve-Month Adjusted EBITDA	**$**	**99,925**		95,092	$	103,425
Net Debt to Rolling Twelve-Month Adjusted EBITDA		**2.3x**		2.6x		3.3x

(1) Represents deferred finance costs that are included in "Bank loans" in the consolidated statements of financial position. See Note 3 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 4 to the Consolidated Financial Statements.

(3) The net gain/loss on modification of debt 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 4 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 March 31, 2024 and ending on June 29, 2024 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 2023 Annual Consolidated Financial Statements. 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 December 30, 2023, except for the adoption of the following new amendments that were effective for annual periods beginning on January 1, 2024 and that the Company adopted on December 31, 2023:

IAS 1, *Presentation of Financial Statements*

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

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

IAS 7 & IFRS 7*, Supplier Finance Arrangements*

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

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

IAS 12, *Income Taxes*

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

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

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

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 2023 Annual Consolidated Financial Statements, MD&A and AIF for a more detailed description of risk factors applicable to the Company, which are available at www.sedarplus.ca and at www.highlinerfoods.com.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the thirteen and twenty-six weeks ended June 29, 2024
With comparative figures as at and for the thirteen and twenty-six weeks ended July 1, 2023

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

	Notes		**June 29, 2024**		December 30, 2023
ASSETS					
Current assets					
Cash		**$**	**15,586**	$	7,300
Accounts receivable			**91,995**		100,634
Income taxes receivable			**1,434**		3,164
Other financial assets	**9**		**3,066**		3,196
Inventories			**251,721**		295,624
Prepaid expenses			**7,071**		7,390
Total current assets			**370,873**		417,308
Non-current assets					
Property, plant and equipment			**128,778**		124,878
Right-of-use assets			**9,137**		11,181
Deferred finance costs	**3**		**375**		—
Other receivables and assets	**9**		**18,216**		1,770
Intangible assets			**117,176**		121,899
Goodwill			**157,029**		157,363
Total non-current assets			**430,711**		417,091
Total assets	**3, 4**	**$**	**801,584**	$	834,399
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Bank loans	**3**	**$**	**—**	$	2,559
Accounts payable and accrued liabilities			**111,188**		145,530
Contract liability			**2,096**		2,813
Provisions			**282**		154
Other current financial liabilities	**9**		**321**		997
Other current liabilities	**6**		**887**		998
Income taxes payable			**2,271**		100
Current portion of long-term debt	**4**		**7,500**		5,625
Current portion of lease liabilities			**4,122**		4,589
Total current liabilities			**128,667**		163,365
Non-current liabilities					
Income taxes payable			**293**		—
Long-term debt	**4**		**228,760**		233,791
Other long-term financial liabilities	**9**		**73**		362
Other long-term liabilities	**6**		**7,688**		5,629
Long-term lease liabilities			**5,236**		6,997
Deferred income taxes			**24,871**		28,476
Future employee benefits			**8,555**		9,923
Total non-current liabilities			**275,476**		285,178
Total liabilities			**404,143**		448,543
Shareholders' equity					
Common shares	**5**		**86,074**		113,203
Contributed surplus			**15,521**		15,414
Retained earnings			**321,481**		280,615
Accumulated other comprehensive loss			**(25,635)**		(23,376)
Total shareholders' equity			**397,441**		385,856
Total liabilities and shareholders' equity		**$**	**801,584**	$	834,399

Events after the reporting period (Note 11)

See accompanying notes to the Unaudited Condensed Interim Consolidated Financial Statements

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

	Notes	Thirteen weeks ended June 29, 2024	Thirteen weeks ended July 1, 2023	Twenty-six weeks ended June 29, 2024	Twenty-six weeks ended July 1, 2023
Sales	**8**	**$ 218,323**	$ 254,349	**$ 495,295**	$ 583,513
Cost of sales		**165,818**	202,366	**377,335**	463,125
Gross profit		**52,505**	51,983	**117,960**	120,388
Distribution expenses		**10,487**	14,055	**22,763**	31,333
Selling, general and administrative expenses		**25,754**	22,249	**52,148**	50,081
Business acquisition, integration and other (income) expense	**10**	**(9,684)**	3,849	**(8,992)**	5,616
Results from operating activities		**25,948**	11,830	**52,041**	33,358
Finance costs		**5,115**	6,815	**11,029**	13,859
Income before income taxes		**20,833**	5,015	**41,012**	19,499
Income taxes					
Income tax expense (recovery)	**7**	**1,542**	(872)	**5,123**	(276)
Net income		**$ 19,291**	$ 5,887	**$ 35,889**	$ 19,775
Earnings per common share					
Basic		**$ 0.59**	$ 0.18	**$ 1.08**	$ 0.59
Diluted		**$ 0.59**	$ 0.17	**$ 1.08**	$ 0.57
Weighted average number of shares outstanding					
Basic		**32,729,710**	33,805,112	**33,130,551**	33,715,363
Diluted		**32,769,920**	34,604,072	**33,170,760**	34,514,323

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		Twenty-six weeks ended	
	June 29, 2024	July 1, 2023	**June 29, 2024**	July 1, 2023
Net income	**$ 19,291**	$ 5,887	**$ 35,889**	$ 19,775
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	**(2,656)**	6,402	**(8,535)**	6,451
Gain (loss) on translation of net investment in foreign operations	**5,173**	(9,889)	**16,394**	(10,018)
Net unrealized gain (loss) on equity investments	**1,729**	—	**1,596**	—
Translation impact on Canadian dollar denominated non-AOCI items	**(3,888)**	6,777	**(12,432)**	6,958
Translation impact on Canadian dollar denominated AOCI items	**173**	(368)	**661**	(389)
Total exchange gains (losses) on translation of foreign operations and Canadian dollar denominated items	**531**	2,922	**(2,316)**	3,002
Effective portion of changes in fair value of cash flow hedges	**480**	353	**1,725**	44
Net change in fair value of cash flow hedges transferred to carrying amount of hedged item	**(65)**	(358)	**72**	(770)
Net change in fair value of cash flow hedges transferred to income	**(646)**	(725)	**(1,298)**	(1,550)
Translation impact on Canadian dollar denominated AOCI items	**(142)**	302	**(442)**	295
Total exchange (losses) gains on cash flow hedges	**(373)**	(428)	**57**	(1,981)
Net other comprehensive gain (loss) to be reclassified to net income	**158**	2,494	**(2,259)**	1,021
Other comprehensive income (loss) not to be reclassified to net income				
Defined benefit plan actuarial gains (losses)	**1,078**	(536)	**547**	(642)
Other comprehensive income (loss), net of income tax	**1,236**	1,958	**(1,712)**	379
Total comprehensive income	**$ 20,527**	$ 7,845	**$ 34,177**	$ 20,154

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

	Foreign currency translation differences	**Net exchange differences on cash flow hedges**	**Total accumulated other comprehensive (loss) income**
Balance at December 30, 2023	**$ (25,890)**	**$ 2,514**	**$ (23,376)**
Total exchange gains on translation of foreign operations and Canadian dollar denominated items	**(2,316)**	—	**(2,316)**
Total exchange gains on cash flow hedges	—	**57**	**57**
Balance at June 29, 2024	**$ (28,206)**	**$ 2,571**	**$ (25,635)**
Balance at December 31, 2022	$ (28,527)	$ 6,063	$ (22,464)
Total exchange losses on translation of foreign operations and Canadian dollar denominated items	3,002	—	3,002
Total exchange losses on cash flow hedges	—	(1,981)	(1,981)
Balance at July 1, 2023	$ (25,525)	$ 4,082	$ (21,443)

See accompanying notes to the Unaudited Condensed Interim Consolidated Financial Statements

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

	Common shares	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total
Balance at December 30, 2023	**$ 113,203**	**$ 15,414**	**$ 280,615**	**$ (23,376)**	**$385,856**
Other comprehensive loss	**—**	**—**	**547**	**(2,259)**	**(1,712)**
Net income	**—**	**—**	**35,889**	**—**	**35,889**
Common share dividends	**—**	**—**	**(6,680)**	**—**	**(6,680)**
Share-based compensation (Note 5, 6)	**336**	**107**	**—**	**—**	**443**
Common shares repurchased for cancellation (Note 5)	**(1,707)**	**—**	**(4,800)**	**—**	**(6,507)**
Cancellation of treasury shares (Note 10)	**(25,758)**	**—**	**15,910**	**—**	**(9,848)**
Balance at June 29, 2024	**$ 86,074**	**$ 15,521**	**$ 321,481**	**$ (25,635)**	**$397,441**
Balance at December 31, 2022	$ 113,096	$ 17,491	$ 265,294	$ (22,464)	$373,417
Other comprehensive income	—	—	(642)	1,021	379
Net income	—	—	19,775	—	19,775
Common share dividends	—	—	(6,402)	—	(6,402)
Share-based compensation (Note 5, 6)	1,133	(950)	—	—	183
Balance at July 1, 2023	$ 114,229	$ 16,541	$ 278,025	$ (21,443)	$387,352

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 **June 29, 2024**	Thirteen weeks ended July 1, 2023	Twenty-six weeks ended **June 29, 2024**	Twenty-six weeks ended July 1, 2023
Cash flows provided by (used in):					
Operating activities					
Net income		**$ 19,291**	$ 5,887	**$ 35,889**	$ 19,775
Adjustments to net income not involving cash from operations:					
Depreciation and amortization		**5,650**	5,961	**11,274**	12,029
Share-based compensation expense	**6**	**1,688**	496	**3,527**	2,403
Loss on asset disposals and impairment		**244**	17	**236**	18
Future employee benefits contribution, net of expense		**(327)**	(300)	**(514)**	(379)
Finance costs		**5,115**	6,815	**11,029**	13,859
Income tax expense (recovery)	**7**	**1,542**	(872)	**5,123**	(276)
Gain on legal settlement	**10**	**(9,839)**	—	**(9,839)**	—
Unrealized foreign exchange (gain) loss		**(233)**	(201)	**894**	974
Cash flows provided by operations before changes in non-cash working capital, interest and income taxes paid		**23,131**	17,803	**57,619**	48,403
Changes in non-cash working capital balances:					
Accounts receivable		**22,626**	15,661	**7,430**	(14,240)
Inventories		**6,501**	45,868	**40,663**	115,388
Prepaid expenses		**24**	(797)	**169**	(130)
Accounts payable and accrued liabilities		**(3,957)**	(22,101)	**(34,169)**	(74,118)
Provisions		**(51)**	9	**133**	56
Net change in non-cash working capital balances		**25,143**	38,640	**14,226**	26,956
Interest paid		**(4,553)**	(6,957)	**(10,508)**	(12,946)
Income taxes paid		**(4,681)**	(4,093)	**(4,798)**	(4,088)
Net cash flows provided by operating activities		**39,040**	45,393	**56,539**	58,325
Financing activities					
Decrease in bank loans		**(7,349)**	(33,414)	**(2,942)**	(37,164)
Repayment of lease liabilities		**(1,399)**	(1,204)	**(2,824)**	(2,592)
Repayment of long-term debt	**4**	**(1,875)**	(1,875)	**(3,750)**	(3,750)
Common share dividends paid		**(3,297)**	(3,276)	**(6,680)**	(6,402)
Common shares repurchased for cancellation	**5**	**(5,462)**	—	**(6,507)**	—
Options exercised for shares	**6**	**—**	—	**280**	—
Net cash flows used in financing activities		**(19,382)**	(39,769)	**(22,423)**	(49,908)
Investing activities					
Purchase of property, plant and equipment, net of investment tax credits, and intangible assets		**(7,715)**	(6,084)	**(10,097)**	(9,063)
Net proceeds on disposal of assets		**—**	6	**—**	248
Purchase of investments		**(10,000)**	—	**(15,000)**	—
Net cash flows used in investing activities		**(17,715)**	(6,078)	**(25,097)**	(8,815)
Foreign exchange (decrease) increase on cash		**(228)**	541	**(733)**	330
Net change in cash during the period		**1,715**	87	**8,286**	(68)
Cash, beginning of period		**13,871**	—	**7,300**	155
Cash, end of period		**$ 15,586**	$ 87	**$ 15,586**	$ 87

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 thirteen and twenty-six weeks ended June 29, 2024, comprise High Liner Foods' Canadian company (the "Parent") and its subsidiaries (herein together referred to as the "Company" or "High Liner Foods"). The Company is primarily involved in the processing and marketing of prepared and packaged frozen seafood products.

These Consolidated Financial Statements were authorized for issue in accordance with a resolution of the Company's Board of Directors on August 7, 2024.

2. Basis of preparation

(a) Statement of compliance
These Consolidated Financial Statements are in compliance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Accordingly, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. These Consolidated Financial Statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 30, 2023, available at www.highlinerfoods.com.

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

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

(d) New standards, interpretations and amendments thereof, adopted by the Company
The accounting policies used in the preparation of the Consolidated Financial Statements are consistent with those followed in the preparation of the Company's audited consolidated financial statements for the year ended December 30, 2023, except for the adoption of the following new amendments that were effective for annual periods beginning on January 1, 2024 and that the Company has adopted on December 31, 2023:

IAS 1, *Presentation of Financial Statements*

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

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

IAS 7 & IFRS 7*, Supplier Finance Arrangements*

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

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

IAS 12, *Income Taxes*

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

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

On June 20, 2023, the Pillar Two legislation was enacted in Canada and is effective for the Company's fiscal year that commenced on December 30, 2023. The Company has applied the temporary exception during the current interim period. The Company will disclose known or reasonably estimable information that helps users of financial statements to understand the Company’s exposure to Pillar Two income taxes in the Company’s annual consolidated financial statements in which the Pillar Two legislation has been enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect. Please see Note 7 for additional details.

3. Bank loans

(Amounts in $000s)		**June 29, 2024**		December 30, 2023
Bank loans, denominated in CAD (average variable rate of 6.950%; December 30, 2023: 7.20%)	**$**	**—**	$	—
Bank loans, denominated in USD (average variable rate of 9.00%; December 30, 2023: 6.71%)		**—**		3,000
		—		3,000
Less: deferred finance costs [(1)]		**—**		(441)
	$	**—**	$	2,559

[(1)] Total deferred finance costs as at June 29, 2024 are $0.4 million and are classified as non-current assets on the consolidated statements of financial position.

The Company has a $200.0 million working capital facility (the "Facility"), with the Royal Bank of Canada as Administrative Agent, which expires in April 2027. The Facility is asset-based and collateralized by the Company's inventories, accounts receivable and other personal property in North America, subject to a first charge on brands, trade names and related intangibles under the Company's term loan facility (see Note 4). A second charge over the Company's property, plant and equipment is also in place. Taking into account the current borrowing base and letters of credit as at June 29, 2024, the Company had $161.2 million of borrowing availability (December 30, 2023: $181.4 million).

As at June 29, 2024 and December 30, 2023, the Facility allowed the Company to borrow:

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

4. Long-term debt

(Amounts in $000s)		**June 29, 2024**		December 30, 2023
Term loan	**$**	**239,200**	$	243,023
Less: current portion		**(7,500)**		(5,625)
		231,700		237,398
Less: deferred finance costs		**(2,940)**		(3,607)
	$	**228,760**	$	233,791

As at June 29, 2024, the Company had a $300.0 million term facility with an interest rate of SOFR plus 3.75% (0.75% SOFR floor), (as at December 30, 2023: $300.0 million term facility with an interest rate of SOFR plus 3.75% (0.75% SOFR floor)) maturing in October 2026 (see Note 11 *Events after the reporting period* for further information on the refinancing of the term loan facility that was completed subsequent to June 29, 2024).

Quarterly principal repayments of $1.9 million are required on the term loan as regularly scheduled repayments. During the thirteen and twenty-six weeks ended June 29, 2024, regularly scheduled repayments of $1.9 million and $3.8 million, respectively were made. There are regularly scheduled repayments of $7.5 million to be paid in the next 12 months. There are no mandatory prepayments related to excess cash flows from 2023 to be paid in 2024.

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

5. Share capital

Purchase of shares for cancellation

In June 2024, the Company announced that the Toronto Stock Exchange approved a Normal Course Issued Bid to repurchase up to 700,000 common shares. The Company's ability to repurchase the common shares commenced on June 7, 2024 and will terminate no later than June 6, 2025. During the thirteen and twenty-six weeks ended June 29, 2024, the Company repurchased 433,000 common shares under this plan at an average price of $9.68 (CAD $13.27) per share for total cash consideration of $4.2 million (CAD $5.8 million). The excess of the purchase price over the book value of the shares in the amount of $3.1 million was charged to retained earnings.

In June 2023, the Company announced that the Toronto Stock Exchange approved a Normal Course Issued Bid to repurchase up to 200,000 common shares. The Company's ability to repurchase the common shares commenced on June 7, 2023 and terminated on June 6, 2024. In December 2023, the Company announced that the Toronto Stock Exchange approved an amendment to increase the size of the Normal Course Issuer Bid. The amendment increased the number of common shares of the Company by 500,000. During the fifty-two weeks ended December 30, 2023, the Company purchased 413,200 common shares under this plan at an average price of $8.39 (CAD $11.37) per share for total cash consideration of $3.4 million (CAD $4.6 million). During the twenty-six weeks ended June 29, 2024, the Company repurchased 246,700 common shares under this plan at an average price of $9.31 (CAD $12.64) per share for total cash consideration of $2.3 million (CAD $3.1 million). The excess of the purchase price over the book value of the shares in the amount of $1.7 million was charged to retained earnings. During the twenty-six weeks ended July 1, 2023, the Company did not purchase any common shares under this plan.

In June 2022, the Company announced that the Toronto Stock Exchange approved a Normal Course Issued Bid to repurchase up to 200,000 common shares. Purchases commenced on June 7, 2022 until it subsequently terminated on June 6, 2023. During the twenty-six weeks ended July 1, 2023, the Company did not purchase any common shares under this plan.

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

	Twenty-six weeks ended June 29, 2024		Twenty-six weeks ended July 1, 2023	
	Shares	**($000s)**	Shares	($000s)
Balance, beginning of period	**33,019,318**	**$ 113,203**	33,179,282	$ 113,096
Options exercised for shares	**50,597**	**333**	—	—
Options exercised for shares via cashless exercise method (Note 6)	**20,499**	**3**	181,417	1,133
Shares repurchased for cancellation	**(679,700)**	**(1,707)**	—	—
Cancellation of treasury shares (Note 10)	**(2,429,014)**	**(25,758)**	—	—
Balance, end of period	**29,981,700**	**$ 86,074**	33,360,699	$ 114,229

During the thirteen and twenty-six weeks ended June 29, 2024, the Company distributed dividends per share of CAD$0.15 and CAD$0.30, respectively (thirteen and twenty-six weeks ended July 1, 2023: CAD$0.13 and CAD$0.26, respectively).

On August 7, 2024, the Company's Board of Directors approved a quarterly dividend of CAD$0.15 per share on the Company's common shares, payable on September 15, 2024 to holders of record as of September 1, 2024.

6. Share-based compensation

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

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

The carrying amount of cash-settled share-based compensation arrangements recognized in other current liabilities and other long-term liabilities on the consolidated statements of financial position was $0.9 million and $7.7 million, respectively, as at June 29, 2024 (December 30, 2023: $1.0 million and $5.6 million, respectively).

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

	Thirteen weeks ended		Twenty-six weeks ended	
(Amounts in $000s)	**June 29, 2024**	July 1, 2023	**June 29, 2024**	July 1, 2023
Selling, general and administrative expenses resulting from:				
Cash-settled awards [1]	**1,628**	384	**3,294**	2,203
Equity-settled awards [1]	**60**	112	**233**	200
Share-based compensation expense	**$ 1,688**	$ 496	**$ 3,527**	$ 2,403

[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				Twenty-six weeks ended			
	June 29, 2024		July 1, 2023		**June 29, 2024**		July 1, 2023	
	No.	**WAEP (CAD)**	No.	WAEP (CAD)	**No.**	**WAEP (CAD)**	No.	WAEP (CAD)
Outstanding, beginning of period	**343,034**	**$ 12.41**	918,820	$ 10.22	**370,750**	**$ 10.84**	1,479,833	$ 10.19
Granted	**—**	**—**	—	—	**111,897**	**12.61**	119,860	15.14
Exercised for shares via cashless method [1]	**—**	**—**	—	—	**(68,541)**	**7.46**	(680,873)	11.03
Exercised for shares [1]	**—**	**—**	—	—	**(50,597)**	**7.48**	—	—
Cancelled or forfeited	**—**	**—**	—	—	**(20,475)**	**13.97**	—	—
Outstanding, end of period	**343,034**	**$ 12.41**	918,820	$ 10.22	**343,034**	**$ 12.41**	918,820	$ 10.22
Exercisable, end of period	**171,815**	**$ 11.71**	597,244	$ 8.31	**171,815**	**$ 11.71**	597,244	$ 8.31

[1] For the twenty-six weeks ended June 29, 2024, 71,096 shares were issued related to options exercised (twenty-six weeks ended July 1, 2023: 181,417). The weighted average share price at the date of exercise for these options was CAD$12.50 for the twenty-six weeks ended June 29, 2024 (twenty-six weeks ended July 1, 2023: CAD$14.85).

Set forth below is a summary of the outstanding options to purchase common shares as at June 29, 2024:

	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	49,805	$ 7.51	0.75	49,805	$ 7.51
$ 10.01–15.00	252,131	12.93	5.22	108,310	13.21
$ 15.01–20.00	41,098	15.14	5.75	13,700	15.14
	343,034			**171,815**	

In United States dollars, unless otherwise noted

The fair value of options granted during the twenty-six weeks ended June 29, 2024 and twenty-six weeks ended July 1, 2023 was estimated on the date of grant using the Black-Scholes pricing model with the following weighted average inputs and assumptions:

		June 29, 2024		July 1, 2023
Dividend yield (%)		**4.76**		3.43
Expected volatility (%)		**39.21**		40.23
Risk-free interest rate (%)		**3.54**		3.44
Expected life (years)		**7.00**		7.00
Weighted average share price (CAD)	**$**	**12.61**	$	15.14
Weighted average fair value (CAD)	**$**	**3.38**	$	4.80

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

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

	Thirteen weeks ended		Twenty-six weeks ended	
	June 29, 2024	July 1, 2023	**June 29, 2024**	July 1, 2023
Outstanding, beginning of period	**337,691**	524,156	**362,704**	566,363
Granted	**—**	—	**75,204**	196,886
Reinvested dividends	**3,855**	4,834	**7,684**	9,476
Released and paid in cash	**—**	—	**(96,318)**	(242,011)
Forfeited	**(7,094)**	—	**(14,822)**	(1,724)
Outstanding, end of period	**334,452**	528,990	**334,452**	528,990

The expected performance multiplier used in determining the fair value of the liability and related share-based compensation expense for PSUs for the twenty-six weeks ended June 29, 2024 was 78% (twenty-six weeks ended July 1, 2023: 47%).

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

	Thirteen weeks ended		Twenty-six weeks ended	
	June 29, 2024	July 1, 2023	**June 29, 2024**	July 1, 2023
Outstanding, beginning of period	**562,777**	444,046	**349,331**	452,978
Granted	**16,649**	—	**351,249**	158,885
Reinvested dividends	**5,557**	4,094	**12,961**	8,027
Released and paid in cash	**—**	—	**(121,025)**	(170,026)
Forfeited	**(17,498)**	—	**(25,031)**	(1,724)
Outstanding, end of period	**567,485**	448,140	**567,485**	448,140

The share price at the reporting date was CAD$13.39 (July 1, 2023: CAD$13.91). 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		Twenty-six weeks ended	
	June 29, 2024	July 1, 2023	**June 29, 2024**	July 1, 2023
Outstanding, beginning of period	**491,769**	406,956	**486,155**	400,444
Granted	**73,426**	46,193	**73,426**	49,130
Reinvested dividends	**6,427**	4,160	**12,041**	7,735
Outstanding, end of period	**571,622**	457,309	**571,622**	457,309

7. Income tax expense

The Company's statutory tax rate for the thirteen and twenty-six weeks ended June 29, 2024 was 28.1% (thirteen and twenty-six weeks ended July 1, 2023: 27.9%). The Company's effective income tax rate for the thirteen and twenty-six weeks ended June 29, 2024 was an expense of 7.4% and 12.5% respectively. (thirteen and twenty-six weeks ended July 1, 2023: a recovery of 17.4% and 1.4% respectively). The lower effective tax rate for the twenty-six weeks ended June 29, 2024, reflects the Company’s tax efficient financing structure as well as implications of Global Minimum Tax, described below in more detail, and the income tax effects resulting from the Rubicon settlement.

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

8. Geographic information

Sales earned outside of Canada for the thirteen and twenty-six weeks ended June 29, 2024 were $160.8 million and $381.4 million, respectively (thirteen and twenty-six weeks ended July 1, 2023: $191.0 million and $456.1 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 $000s)		**June 29, 2024**		**December 30, 2023**
Property, plant and equipment	**$**	**98,637**	$	94,291
Right-of-use assets		**7,096**		8,948
Intangible assets		**105,395**		108,522
Goodwill		**147,916**		147,916
	$	**359,044**	$	359,677

9. Fair value measurement

Fair value of financial instruments

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

			June 29, 2024			**December 30, 2023**
(Amounts in $000s)	**Level 1**	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Fair value of financial assets						
Interest rate swaps	**$ —**	**$ 4,077**	**$ —**	$ —	$ 4,744	$ —
Foreign exchange contracts	**—**	**704**	**—**	—	222	—
Investments	**16,501**	**—**	**—**	—	—	—
	16,501	**4,781**	**—**	—	4,966	—
Fair value of financial liabilities						
Interest rate swaps	**—**	**40**	**—**	—	324	—
Foreign exchange contracts	**—**	**354**	**—**	—	1,035	—
Long-term debt	**—**	**—**	**243,639**	—	—	246,422
	—	**394**	**243,639**	—	1,359	246,422

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

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

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

The Company uses the date of the event or change in circumstances to recognize transfers between Level 1, Level 2 and Level 3 fair value measurements. During the twenty-six weeks ended June 29, 2024, no such transfers occurred.

The financial liabilities not measured at fair value on the consolidated statements of financial position consist of long-term debt (including current portion). The carrying amount of these instruments was $236.3 million as at June 29, 2024 (December 30, 2023: $239.4 million).

Hedging activities

Interest rate swaps

During the twenty-six weeks ended June 29, 2024, the Company had the following interest rate swaps outstanding to hedge interest rate risk resulting from the term loan facility (see Note 4):

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

The cash flow hedge of interest expense variability was assessed to be effective for the thirteen and twenty-six weeks ended June 29, 2024, and therefore the change in fair value for those interest rate swaps designated in a hedging relationship was included in OCI as after-tax net gains of $0.3 million and $1.2 million, respectively (thirteen and twenty-six weeks ended July 1, 2023: after-tax net gains of $0.9 million and $0.7 million, respectively).

The Company did not hold any interest rate swaps that were not designated in a formal hedging relationship during the twenty-six weeks ended June 29, 2024 and July 1, 2023. There were $nil amounts recognized in the consolidated statements of income resulting from hedge ineffectiveness during the thirteen and twenty-six weeks ended June 29, 2024 (thirteen and twenty-six weeks ended July 1, 2023: $nil).

Foreign currency contracts

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

As at June 29, 2024, the Company had outstanding notional amounts of $26.2 million (July 1, 2023: $42.5 million) in foreign currency average-rate forward contracts that were formally designated as a hedge and $0.7 million in foreign currency single-rate forward contracts that were formally designated as a hedge (July 1, 2023: $1.1 million). With the exception of $1.4 million (July 1, 2023: $1.5 million) average-rate forward contracts with maturities ranging from July 2025 to December 2025, all foreign currency forward contracts have maturities that are less than one year.

The cash flow hedges of the expected future purchases were assessed to be effective for the thirteen and twenty-six weeks ended June 29, 2024 and July 1, 2023, and therefore the change in fair value was recorded in OCI as after-tax net gains of $$0.2 million and $0.6 million, respectively (thirteen and twenty-six weeks ended July 1, 2023: after-tax net losses of $0.6 million and $0.7 million, respectively). There were after-tax net gains of $nil recognized in the consolidated statements of income resulting from hedge ineffectiveness during the thirteen and twenty-six weeks ended June 29, 2024 (thirteen and twenty-six weeks ended July 1, 2023 net gains of $nil and $0.2 million, respectively).

As at June 29, 2024, the Company had $37.0 million (July 1, 2023: $5.0 million) of foreign currency single-rate forward contracts to hedge foreign currency exchange risk on USD monetary assets and liabilities that were not formally designated as a hedge. The change in fair value related to hedging foreign currency exchange risk on USD monetary assets and liabilities, recognized in the consolidated statements of income for the thirteen and twenty-six weeks ended June 29, 2024 was a net gain of $0.3 million and $0.7 million, respectively (thirteen and twenty-six weeks ended July 1, 2023: net losses of $nil and $0.2 million, respectively).

Hedge of net investment in foreign operations

As at June 29, 2024, a total borrowing of $235.9 million ($7.5 million included in the current portion of long-term debt and $228.4 million included in long-term debt (December 30, 2023: a total borrowing of $242.0 million ($2.6 million included in bank loans, $5.6 million included in the current portion of long-term debt and $233.8 million included in long-term debt)) has been designated as a hedge of the net investment in the U.S. subsidiary and is being used to hedge the Company's exposure to foreign exchange risk on this net investment. Gains or losses on the re-translation of this borrowing are transferred to OCI to offset any gains or losses on translation of the net investment in the U.S. subsidiary. There was no hedge ineffectiveness recognized during the thirteen and twenty-six weeks ended June 29, 2024 and July 1, 2023.

10. Litigation Update

As previously reported, High Liner Foods instituted legal proceedings in California against Mr. Brian Wynn in connection with the sale of Rubicon Resources, LLC ("Rubicon") to the Company. On March 5, 2024, a settlement agreement (“Settlement Agreement”) was reached between the Company and the previous shareholders of Rubicon, including Mr. Wynn. As at June 29, 2024, the terms of the Settlement Agreement had been fulfilled and were reflected in the financial results for the thirteen weeks ended June 29, 2024. In accordance with the terms of the Agreement, 2,429,014 common shares of the Company issued in connection with the acquisition of Rubicon were surrendered and subsequently cancelled, resulting in a $9.8M gain in the Company's statement of income under *Business acquisition, integration and other (income) expense*. The difference between the value attributed to the shares upon issuance and the value of the settlement, in the amount of $15.9 million, was allocated to retained earnings. In addition, $5.7M was paid directly to the insurance company to reimburse funds received from a previous insurance claim settlement on Representation and Warranties Insurance the Company procured to provide coverage of breaches of representation by Rubicon and Mr. Wynn.

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

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

11. Events after the reporting period

Refinancing of term loan facility

On July 31, 2024, the Company completed the early refinancing of its term loan facility (Note 4). The term loan facility was refinanced for $240.0 million with an extended term from October 2026 to July 2031, and the applicable interest rate for loans under the facility was decreased from SOFR plus 3.75% (0.75% SOFR floor) to SOFR plus 3.25% (0.50% SOFR floor).

Lease Modification

On July 12, 2024 the Company extended the lease of 185 International Drive, Portsmouth, New Hampshire to April 30, 2035. As part of the extension agreement, the Company has lowered the overall leased space from 38,000 to 15,407 square feet. The Company's previous lease of the 38,000 square feet will continue until the earlier of the original lease expiration date of April 14, 2025, or the date a new tenants lease of the surrendered space begins. Once the original lease term has expired, the new terms of the retained premises will begin. Under the new terms the Company will pay a annual rent of $247,000 until April 2030, with the annual rent increasing to $262,000 until April 2035.