Management's Discussion and Analysis

For the fifty-two weeks ended January 1, 2022
(All amounts are in United States dollars unless otherwise stated)

Introduction

This Management's Discussion and Analysis ("MD&A"), dated February 23, 2022, relates to the financial condition and results of operations of High Liner Foods Incorporated for the fifty-two weeks ended January 1, 2022 ("Fiscal 2021") compared to the fourteen and fifty-three weeks ended January 2, 2021 ("Fiscal 2020"). 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 our 2021 Annual Report and our Annual Audited Consolidated Financial Statements ("Consolidated Financial Statements") as at and for the fifty-two weeks ended January 1, 2022, prepared in accordance with International Financial Reporting Standards ("IFRS"). The information contained in this document, including forward-looking statements, is based on information available to management as of February 23, 2022, except as otherwise noted.

Comparability of Periods

The Company's fiscal year-end floats, and ends on the Saturday closest to December 31. The Company follows a fifty-two week reporting cycle, which periodically necessitates a fiscal year of fifty-three weeks. Fiscal year 2021 was fifty-two weeks, fiscal year 2020 was fifty-three weeks and 2019 was fifty-two weeks. When a fiscal year contains fifty-three weeks, the reporting cycle is divided into four quarters of thirteen weeks each except for the fourth quarter, which is fourteen weeks in duration. Therefore, amounts presented may not be entirely comparable.

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 certain sections 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 includes statements that are forward looking. Our actual results may be substantially different because of the risks and uncertainties associated with our business and the general economic environment. We discuss the principal risks of our business in the *Risk Factors* section on page 39 of this MD&A. We cannot provide any assurance that forecasted financial or operational performance will actually be achieved, and if it is achieved, we cannot provide assurance that it will result in an increase in the Company's share price. See the *Forward-Looking Information* section on page 49 of this MD&A.

Company Overview

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

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

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

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

[1] *In December 2011, as part of the acquisition of the U.S. subsidiary of Icelandic Group hf., 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).*

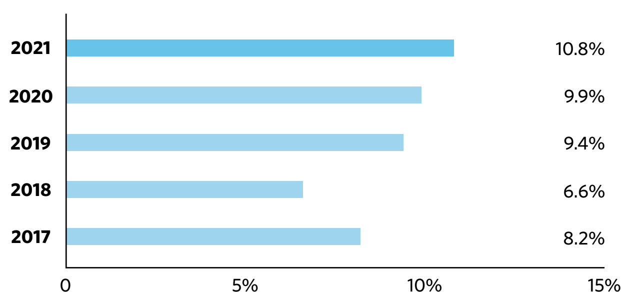
Financial Objectives

Our strategy is designed with the expectation of increasing shareholder value. To help us focus on meeting investor expectations, we use three key financial measures to gauge our financial performance:

	Fiscal 2021	Fiscal 2020
Return		
On assets managed	**10.8%**	9.9%
On equity	**12.2%**	11.1%
Profitability		
Adjusted EBITDA as a Percentage of Sales	**10.3%**	10.6%
Financial strength		
Net Debt to Rolling Twelve-Month Adjusted EBITDA (times)	**3.0x**	3.0x

Each of these financial measures is further discussed below. See also the *Non-IFRS Financial Measures* section starting on page 31 for further explanation of these measures.

Return on Assets Managed ("ROAM")

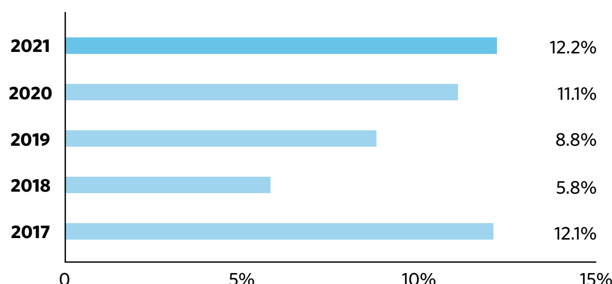


In 2021, Adjusted EBIT (as defined in the *Non-IFRS Financial Measures* section on page 31 of this MD&A) increased by $2.5 million, or 3.9%, compared to 2020 and the thirteen-month rolling average net assets managed decreased by $27.9 million, or 4.3%. The combined impact of these changes was an increase in ROAM from 9.9% at the end of Fiscal 2020 to 10.8% at the end of Fiscal 2021.

The increase in Adjusted EBIT in 2021 is a result of the same factors causing the $2.4 million increase in Adjusted EBITDA in 2021 compared to 2020, as discussed in the *Consolidated Performance* section on page 19 of this MD&A.

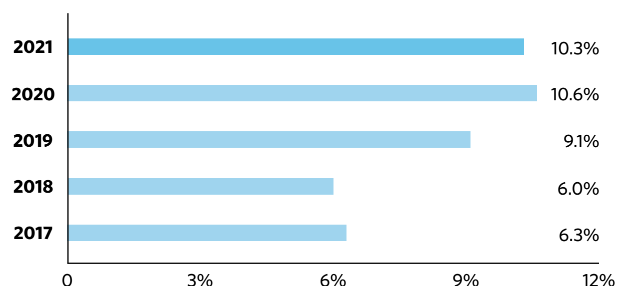
The decrease in the average net assets managed in 2021 compared to 2020 is primarily due to a decrease in average inventories, intangible assets and right of use assets, and an increase in average accounts payable balances. The decrease in average net assets managed was partially offset by an increase in average accounts receivable and property, plant and equipment balances.

Return on Equity ("ROE")



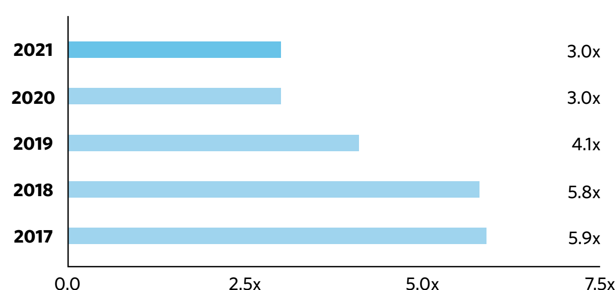
In 2021, Adjusted Net Income (as defined in the *Non-IFRS Financial Measures* section on page 31 of this MD&A) less share-based compensation expense increased by $7.8 million, or 25.2%, compared to 2020, and the thirteen-month rolling average common equity increased by $38.1 million, or 13.7%. The combined impact of these changes resulted in an increase in ROE from 11.1% at the end of Fiscal 2020 to 12.2% at the end of Fiscal 2021. The increase in Adjusted Net Income in 2021 compared to 2020 is discussed in the *Consolidated Performance* section on page 19 of this MD&A.

Adjusted EBITDA as a Percentage of Sales



In 2021, Adjusted EBITDA (as defined in the *Non-IFRS Financial Measures* section on page 31 of this MD&A) increased by $2.4 million, or 2.7%, compared to 2020 and sales increased by $48.0 million, or 5.8%. The combined impact of these changes resulted in a decrease in Adjusted EBITDA as a Percentage of Sales from 10.6% in 2020 compared to 10.3% in 2021 (see the *Non-IFRS Financial Measures* section on page 31 of this MD&A). The increase in sales and increase in Adjusted EBITDA are discussed in the *Consolidated Performance* section on pages 19–21 of this MD&A, respectively.

Net Debt to Rolling Twelve-Month Adjusted EBITDA



During 2021, Net Debt (as defined in the *Non-IFRS Financial Measures* section on page 31 of this MD&A) increased by $3.1 million and Adjusted EBITDA increased by $2.4 million. As a result, Net Debt to Rolling Twelve-Month Adjusted EBITDA remained consistent with the prior year at 3.0x (see the *Non-IFRS Financial Measures* section on page 31 of this MD&A). The change in Net Debt is discussed on page 34 of this MD&A and the change in Adjusted EBITDA is discussed in the *Consolidated Performance* section on page 21 of this MD&A. In the absence of any major acquisitions or unplanned capital expenditures in 2022, we expect this ratio to be below the Company's long-term target of 3.0x at the end of Fiscal 2022.

Outlook

Demand for the Company's products remains strong, however, like others in the retail and foodservice space, the Company continues to navigate global supply challenges, inflationary pressures on raw material and ongoing uncertainty related to the COVID-19 pandemic. High Liner Foods is taking all necessary steps to mitigate ongoing supply challenges by drawing on the scale of its global supply chain and the diversification of species, product, procurement and strong customer and supplier relationships to support its position. The Company's performance may be impacted by ongoing global supply chain challenges, inflationary pressures on raw material and other inputs, its ability to successfully implement related pricing actions, and consumer response to inflation-driven price increases.

With a strong balance sheet and cash flow, the Company is well equipped to navigate current market conditions and invest in the business, with anticipated capital expenditures of approximately $25.0 million in Fiscal 2022, as we modernize our asset base, explore automation opportunities and maintain and upgrade our facilities.

The Company does not have any impending debt maturities and will continue to utilize its $150.0 million working capital credit facility, if required, and remains confident in its liquidity position. High Liner Foods expects its Net Debt to Rolling Twelve-Month Adjusted EBITDA ratio to be below the Company's long-term target of 3.0x at the end of Fiscal 2022.

Recent Developments

COVID-19 Pandemic

In March 2020, COVID-19 was recognized as a pandemic by the World Health Organization ("WHO"). COVID-19 has continued to spread globally, including in the markets in which the Company operates, and is having a significant impact on general economic conditions on a global scale. In response to the WHO declaration and the continuing spread of COVID-19, several social distancing measures have been undertaken by the Company and third parties, including governments, regulatory authorities, businesses and the Company's customers and suppliers, that could negatively impact the Company's operations and financial results in future periods.

Starting mid-March 2020, High Liner Foods experienced a surge in demand from its retail customers tied to COVID-19 due to consumer trends shifting toward eating at home as a result of social distancing restrictions. As restrictions began to be lifted, the surge in demand eased, but the overall impact of COVID-19 on the Company's retail business continued to be positive throughout Fiscal 2020. The Company was able to meet the increased demand and satisfy its customers by redirecting resources, inventory and production capacity across its integrated North American operations. Over the same time period, the Company experienced a significant decline in its foodservice business, which represented approximately 65% of the total business in 2019, as a result of foodservice industry closures that included restaurants and schools across North America. Though the overall impact of COVID-19 on the Company's foodservice business was negative, demand from the Company's institutional customers, such as long-term and health care facilities, remained relatively stable. Since the initial impact of COVID-19 in March and April 2020, foodservice demand has steadily improved and continues to improve as restrictions are lifted and the Company's foodservice customers return to pre-COVID business levels. At the same time, the positive impact of COVID-19 on the Company's retail business has lessened as consumers return to eating at foodservice establishments.

Throughout the first nine months of the pandemic, the Company experienced limited issues with the procurement of raw materials and ingredients and limited interruptions in transportation and warehousing activities. However, starting in the first quarter of 2021, the Company began to experience supply challenges and rising freight costs due to global shipping container availability largely related to higher than normal demand as the economy recovers from COVID-19. These challenges have continued throughout 2021 with a competitive labour market, material supply issues, port congestion and shutdowns, and inflationary cost pressures resulting in supply chain delays and incremental costs.

During the thirteen weeks ended April 3, 2021, the Company participated in the Canada Emergency Wage Subsidy government grant program ("wage subsidy"), which in general provides wage subsidies to eligible employers as a means of limiting job losses in Canada. During the thirteen weeks ended April 3, 2021, the Company recognized $0.9 million in income-related wage subsidies as a reduction of salaries and benefits expense recognized in cost of sales, distribution expenses and selling, general and administrative expenses in the consolidated statements of income. During the thirty-nine weeks ended January 1, 2022, the Company did not participate in this program. In addition, the Company has not participated in any pandemic-related government assistance programs in the United States during Fiscal 2020 and 2021. The Company does not have any unfulfilled conditions or contingencies related to the government assistance received.

High Liner Foods takes the matter of employee health, safety and well-being very seriously. The Company's priority during the COVID-19 pandemic has been protecting the health of its employees, their families and communities. Throughout the pandemic, the Company made certain modifications designed to ensure the health and safety of employees, and will continue to implement measures to protect employees and prevent disruption to the Company's supply chain and operations.

See the *Risk Factors* section beginning on page 39 of this MD&A for further discussion of the impact of COVID-19 on the Company's risk assessment.

U.S. Tariffs

In September 2018, the U.S. Trade Representative ("USTR") commenced trade discussions with China that resulted in the following actions impacting the Company related to additional tariffs on goods imported to the U.S.:

- Initial 10% tariff on certain Chinese imports effective September 24, 2018 ("first action") impacting most notably haddock (excluding block), tilapia and sole/flounder; and
- Increase to a 25% tariff on Chinese imports covered by the first action effective May 10, 2019 for items entering the U.S. on or after June 10, 2019.

During December 2019, the Company received notice of approval of an exclusion request submitted to the USTR regarding tariffs on certain goods imported to the U.S. from China. The exclusion applied to tariffs already incurred, or that would otherwise have been incurred, on specific goods from September 24, 2018 to August 7, 2020.

During August 2020, 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 that would otherwise have been incurred on specific goods from August 8, 2020 to December 31, 2020. The tariffs have since been reinstated following the expiry of the exclusion on December 31, 2020 and have continued throughout 2021.

The estimated annual run-rate exposure of the 25% tariff is approximately $5.0 million based on current volume and raw material costs; however, the Company has implemented plans, including pricing actions and other supply chain initiatives, to mitigate the impact of these tariffs and reduce the estimated impact to the Company and its customers.

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

Refinancing of Term Loan Facility

During March 2021, the Company announced the refinancing of its term loan facility (see Note 14 "*Long-term debt*" to the Consolidated Financial Statements for further information). The term loan facility was amended to decrease the applicable interest rates for loans under the facility from LIBOR plus 4.25% (1.00% LIBOR floor) to LIBOR plus 3.75% (0.75% LIBOR floor). All other material terms of the facility remained unchanged, including the maturity date of October 2026.

The amendments to the facility were not assessed as a substantial modification, and as a result, the deferred finance costs related to the original facility continue to be amortized over the remaining term. In addition, the Company incurred finance costs of $0.9 million. As the net present value of the cash flows of the modified debt was lower than the carrying value of the original facility before the amendments, a modification gain of $7.8 million was recorded in finance costs on the consolidated statements of income during the fifty-two weeks ended January 1, 2022.

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 $000s, except sales volume, per share amounts, percentage amounts, and exchange rates)	**Fifty-two weeks ended January 1, 2022**	Fifty-three weeks ended January 2, 2021	**Change**	Fifty-two weeks ended December 28, 2019
Sales volume (millions of lbs)	**233.7**	240.9	**(7.2)**	258.8
Average foreign exchange rate (USD/CAD)	**$ 1.2535**	$ 1.3409	**$ (0.0874)**	$ 1.3273
Sales	**$ 875,405**	$ 827,453	**$ 47,952**	$ 942,224
Gross profit	**$ 198,544**	$ 177,924	**$ 20,620**	$ 185,860
Gross profit as a percentage of sales	**22.7%**	21.5%	**1.2%**	19.7%
Distribution expenses	**$ 50,807**	$ 45,076	**$ 5,731**	$ 45,759
Selling, general and administrative expenses	**$ 88,269**	$ 73,926	**$ 14,343**	$ 90,019
Adjusted EBITDA[1]	**$ 90,422**	$ 88,045	**$ 2,377**	$ 85,324
Adjusted EBITDA as a percentage of sales	**10.3%**	10.6%	**(0.3%)**	9.1%
Net income	**$ 42,249**	$ 28,802	**$ 13,447**	$ 10,289
Basic Earnings per Share ("EPS")	**$ 1.25**	$ 0.85	**$ 0.40**	$ 0.31
Diluted EPS	**$ 1.20**	$ 0.83	**$ 0.37**	$ 0.30
Adjusted Net Income[1]	**$ 44,798**	$ 35,211	**$ 9,587**	$ 29,137
Adjusted Basic EPS	**$ 1.32**	$ 1.04	**$ 0.28**	$ 0.86
Adjusted Diluted EPS[1]	**$ 1.28**	$ 1.02	**$ 0.26**	$ 0.85
Total assets	**$ 826,469**	$ 776,558	**$ 49,911**	$ 820,494
Total long-term financial liabilities	**$ 264,857**	$ 295,413	**$ (30,556)**	$ 309,480
Dividends paid per common share (in CAD)	**$ 0.310**	$ 0.220	**$ 0.09**	$ 0.295

[1] *See the* Non-IFRS Financial Measures *section starting on page 31 for further explanation of Adjusted EBITDA, Adjusted Net Income and Adjusted Diluted EPS.*

COVID-19 PANDEMIC

The performance of the Company's consolidated North American operations, as discussed in the following sections, has been significantly impacted by COVID-19, and may continue to be impacted in future periods. See the *Recent Developments* section on page 17 of this MD&A for further information regarding the current and anticipated impacts of the COVID-19 pandemic and the Company's response.

SALES

Sales volume in 2021 decreased by 7.2 million pounds, or 3.0%, to 233.7 million pounds compared to 240.9 million pounds in 2020. In our foodservice business, sales volume was higher due to the significantly reduced COVID-19 restrictions on the Company's foodservice customers in 2021 as compared to 2020, partially offset by the impact of global supply chain challenges on raw material supply to North America. In our retail business, sales volume was lower primarily due to lapping the significant surge in demand at the onset of the COVID-19 pandemic that did not repeat during 2021 and evolving consumer behaviour during the COVID-19 pandemic. The decline in sales volume in 2021 was partially offset by new business and new product sales.

Sales in 2021 increased by $47.9 million, or 5.8%, to $875.4 million compared to $827.5 million in 2020. The increase in sales reflects the lower sales volumes mentioned above being more than offset by favourable changes in sales mix, lower promotional activity and pricing actions related to inflationary increases on input costs. In addition, the stronger Canadian dollar in 2021 compared to 2020 increased the value of reported USD sales from our CAD-denominated operations by approximately $14.3 million relative to the conversion impact last year.

GROSS PROFIT

Gross profit increased in 2021 by $20.6 million, or 11.6%, to $198.5 million compared to $177.9 million in 2020 and gross profit as a percentage of sales increased to 22.7% compared to 21.5% in 2020. The increase in gross profit reflects the favourable changes in the product mix reflected in the improved gross profit as a percentage of sales, offset by the decrease in sales volume previously discussed.

In addition, the stronger Canadian dollar increased the value of reported USD gross profit from our Canadian operations in 2021 by approximately $3.6 million relative to the conversion impact last year.

DISTRIBUTION EXPENSES

Distribution expenses increased in 2021 by $5.7 million to $50.8 million compared to $45.1 million in 2020 primarily reflecting the higher freight costs related to global supply chain challenges, partially offset by the lower sales volumes mentioned previously and lower storage costs. As a percentage of sales, distribution expenses increased to 5.8% in 2021 compared to 5.4% in the same period in 2020.

SELLING, GENERAL AND ADMINISTRATIVE ("SG&A") EXPENSES

(Amounts in $000s)	**Fifty-two weeks ended January 1, 2022**	Fifty-three weeks ended January 2, 2021
SG&A expenses, as reported	**$ 88,269**	$ 73,926
Less:		
Share-based compensation expense[(1)]	**7,722**	5,766
Depreciation and amortization expense[(1)]	**10,317**	10,701
SG&A expenses, net	**$ 70,230**	$ 57,459
SG&A expenses, net as a percentage of sales	**8.0%**	6.9%

[(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 increased by $14.4 million to $88.3 million in 2021 as compared to $73.9 million in 2020. SG&A expenses included share-based compensation expense of $7.7 million in 2021 compared to $5.8 million in 2020, primarily due to improved share price performance in 2021 compared to 2020. SG&A expenses also included depreciation and amortization expense of $10.3 million in 2021 compared to $10.7 million in 2020.

Excluding share-based compensation and depreciation and amortization expenses, SG&A expenses increased in 2021 by $12.7 million to $70.2 million compared to $57.5 million in 2020, due to the higher consumer marketing expenditures in the current year primarily related to supporting our brands in both the U.S. and Canada retail businesses. In addition, the Company experienced higher administrative expenses in 2021 primarily due to the non-repeat of pandemic-related cost reductions and wage subsidies received in 2020. As a percentage of sales, SG&A excluding share-based compensation and depreciation and amortization expense increased to 8.0% in 2021 compared to 6.9% in 2020.

ADJUSTED EBITDA

We refer to Adjusted EBITDA throughout this MD&A in discussing our results for the thirteen and fifty-two weeks ended January 1, 2022. See the *Non-IFRS Financial Measures* section on page 31 for further explanation of this non-IFRS measure.

Adjusted EBITDA increased in 2021 by $2.4 million, or 2.7%, to $90.4 million compared to $88.0 million in 2020 and as a percentage of sales, Adjusted EBITDA decreased to 10.3% compared to 10.6%. The increase in Adjusted EBITDA is a result of the increase in gross profit partially offset by the increase in distribution and net SG&A expenses, all discussed previously.

In addition, the stronger Canadian dollar increased the value of reported Adjusted EBITDA in USD from our Canadian operations in 2021 by approximately $2.0 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 31 for further explanation of these non-IFRS measures.

Net income increased in 2021 by $13.4 million, or 46.5%, to $42.2 million ($1.20 per diluted share) compared to $28.8 million ($0.83 per diluted share) in 2020. The increase in net income reflects a decrease in finance costs primarily reflecting the gain on modification of debt related to the debt refinancing completed in March 2021 (see the *Recent Developments* section on page 17 and the *Finance Costs* section on page 25 of this MD&A). The increase in net income was also a result of the increase in Adjusted EBITDA, partially offset by the increase in share-based compensation expense, both discussed previously.

In 2021 and 2020, net income included "business acquisition, integration and other expense" (as explained in the *Business Acquisition, Integration and Other Expense* section on page 25 of this MD&A) related to certain non-routine expenses. Excluding the impact of these non-routine items, other non-cash expenses, share-based compensation and the gain on modification of debt in the first quarter of 2021, Adjusted Net Income in 2021 increased by $9.6 million, or 27.3%, to $44.8 million compared to $35.2 million in 2020.

Adjusted Diluted EPS increased $0.26 in 2021 to $1.28 compared to $1.02 in 2020.

Results by Quarter

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

FISCAL 2021

(Amounts in $000s, except per share amounts)	First quarter	Second quarter	Third quarter	Fourth quarter	Full year
Sales	**$ 243,413**	**$ 189,811**	**$ 214,302**	**$ 227,879**	**$ 875,405**
Adjusted EBITDA[1]	**$ 27,803**	**$ 19,575**	**$ 22,444**	**$ 20,600**	**$ 90,422**
Net income	**$ 17,828**	**$ 8,021**	**$ 9,177**	**$ 7,223**	**$ 42,249**
Basic EPS	**$ 0.53**	**$ 0.23**	**$ 0.27**	**$ 0.22**	**$ 1.25**
Diluted EPS	**$ 0.51**	**$ 0.23**	**$ 0.26**	**$ 0.20**	**$ 1.20**
Adjusted Net Income[1]	**$ 14,060**	**$ 10,378**	**$ 11,281**	**$ 9,079**	**$ 44,798**
Adjusted Basic EPS	**$ 0.41**	**$ 0.31**	**$ 0.33**	**$ 0.27**	**$ 1.32**
Adjusted Diluted EPS[1]	**$ 0.40**	**$ 0.30**	**$ 0.32**	**$ 0.26**	**$ 1.28**
Dividends paid per common share (in CAD)	**$ 0.07**	**$ 0.07**	**$ 0.07**	**$ 0.10**	**$ 0.31**
Net non-cash working capital[2]	**$ 188,063**	**$ 194,410**	**$ 207,582**	**$ 232,832**	**$ 232,832**

FISCAL 2020

(Amounts in $000s, except per share amounts)	First quarter	Second quarter	Third quarter	Fourth quarter	Full year
Sales	$ 268,588	$ 165,829	$ 194,621	$ 198,415	$ 827,453
Adjusted EBITDA[1]	$ 30,705	$ 17,087	$ 19,068	$ 21,185	$ 88,045
Net income	$ 14,227	$ 3,382	$ 3,821	$ 7,372	$ 28,802
Basic EPS	$ 0.42	$ 0.10	$ 0.11	$ 0.22	$ 0.85
Diluted EPS	$ 0.41	$ 0.10	$ 0.11	$ 0.21	$ 0.83
Adjusted Net Income[1]	$ 14,288	$ 4,660	$ 5,948	$ 10,315	$ 35,211
Adjusted Basic EPS	$ 0.42	$ 0.14	$ 0.18	$ 0.30	$ 1.04
Adjusted Diluted EPS[1]	$ 0.41	$ 0.14	$ 0.18	$ 0.29	$ 1.02
Dividends paid per common share (in CAD)	$ 0.05	$ 0.05	$ 0.05	$ 0.07	$ 0.22
Net non-cash working capital[2]	$ 252,323	$ 234,348	$ 199,569	$ 193,960	$ 193,960

[1] *See the* Non-IFRS Financial Measures *section starting on page 31 for further explanation of Adjusted EBITDA, Adjusted Net Income and Adjusted Diluted EPS.*

[2] *Net non-cash working capital comprises accounts receivable, inventories and prepaid expenses, less accounts payable and accrued liabilities, contract liability and provisions. Represents the amount as at the end of the period.*

Fourth Quarter

Consolidated Performance

(in $000s, except sales volume, per share amounts, percentage amounts and exchange rates)	**Thirteen weeks ended January 1, 2022**	Fourteen weeks ended January 2, 2021	**Change**	Thirteen weeks ended December 28, 2019
Sales volume (millions of lbs)	**58.7**	59.6	**(0.9)**	59.7
Average foreign exchange rate (USD/CAD)	**$ 1.2606**	$ 1.3045	**$ (0.0439)**	$ 1.3206
Sales	**$ 227,879**	$ 198,415	**$ 29,464**	$ 221,625
Gross profit	**$ 48,605**	$ 43,520	**$ 5,085**	$ 44,502
Gross profit as a percentage of sales	**21.3%**	21.9%	**(0.6)%**	20.1%
Distribution expenses	**$ 14,119**	$ 11,365	**$ 2,754**	$ 11,384
Selling, general and administrative expenses	**$ 21,746**	$ 20,029	**$ 1,717**	$ 18,577
Adjusted EBITDA[1]	**$ 20,600**	$ 21,185	**$ (585)**	$ 18,771
Adjusted EBITDA as a percentage of sales	**9.0%**	10.7%	**(1.7)%**	8.5%
Net income (loss)	**$ 7,223**	$ 7,372	**$ (149)**	$ (3,019)
Basic EPS	**$ 0.22**	$ 0.22	**$ —**	$ (0.09)
Diluted EPS	**$ 0.20**	$ 0.21	**$ (0.01)**	$ (0.09)
Adjusted Net Income[1]	**$ 9,079**	$ 10,315	**$ (1,236)**	$ 5,675
Adjusted EPS	**$ 0.27**	$ 0.30	**$ 0.03**	$ 0.17
Adjusted Diluted EPS[1]	**$ 0.26**	$ 0.29	**$ 0.03**	$ 0.17

[1] *See the* Non-IFRS Financial Measures *section starting on page 31 for further explanation of Adjusted EBITDA, Adjusted Net Income and Adjusted Diluted EPS.*

SALES

Sales volume for the thirteen weeks ended January 1, 2022, or the fourth quarter of 2021, decreased by 0.9 million pounds, or 1.5%, to 58.7 million pounds compared to 59.6 million pounds in the fourteen weeks ended January 2, 2021, or the fourth quarter of 2020. In our foodservice business, sales volume was lower due to the impact of global supply chain challenges on raw material supply to North America. In our retail business, sales volume was consistent with the same period last year due to evolving consumer behaviour during the COVID-19 pandemic. Sales volume was favourably impacted by new business and new product sales.

Sales in the fourth quarter of 2021 increased by $29.5 million, or 14.9%, to $227.9 million compared to $198.4 million in the same period last year, reflecting pricing actions related to inflationary increases on input costs and favourable changes in sales mix, partially offset by the lower sales volumes discussed above. In addition, the stronger Canadian dollar in the fourth quarter of 2021 compared to the same quarter of 2020 increased the value of USD sales from our CAD-denominated operations by approximately $1.9 million relative to the conversion impact last year.

GROSS PROFIT

Gross profit increased in the fourth quarter of 2021 by $5.1 million, or 11.7%, to $48.6 million compared to $43.5 million in the same period in 2020 and gross profit as a percentage of sales decreased to 21.3% compared to 21.9%. The increase in gross profit reflects favorable changes in product mix, offset by higher than expected inflation and the lower sales volume discussed above.

In addition, the stronger Canadian dollar increased the value of reported USD gross profit from our Canadian operations in 2021 by approximately $0.4 million relative to the conversion impact last year.

DISTRIBUTION EXPENSES

Distribution expenses, consisting of freight and storage, increased in the fourth quarter of 2021 by $2.7 million to $14.1 million compared to $11.4 million in the same period in 2020, reflecting increased freight costs related to global supply challenges as discussed in the *Recent Developments* section on page 17 of this MD&A. As a percentage of sales, distribution expenses increased to 6.2% in the fourth quarter of 2021 compared to 5.7% in the same period in 2020.

SG&A EXPENSES

SG&A expenses increased in the fourth quarter of 2021 by $1.7 million to $21.7 million compared to $20.0 million in the same period last year. SG&A expenses included share-based compensation expense of $2.0 million in the fourth quarter of 2021 compared to $2.9 million for the same period in 2020, primarily due to a lower expected performance multiplier for performance-based awards and a smaller improvement in share price performance during the current year as compared to the same period in the prior year, slightly offset by higher units outstanding in the current year as compared to the same period in the prior year. SG&A expenses also included depreciation and amortization expense of $2.6 million in the fourth quarter of 2021 and $2.8 million in the same period of 2020.

Excluding share-based compensation and depreciation and amortization expenses, SG&A expenses increased in the fourth quarter of 2021 by $2.9 million to $17.2 million compared to $14.3 million in the same period last year, due to higher consumer marketing expenditures in the current year as mentioned previously and higher administrative expenses due to the non-repeat of pandemic-related cost reductions and wage subsidies received in the fourth quarter of 2020. As a percentage of sales, SG&A excluding share-based compensation and depreciation and amortization expense increased to 7.5% in the fourth quarter of 2021 compared to 7.2% in the same period last year.

ADJUSTED EBITDA

Adjusted EBITDA decreased in the fourth quarter of 2021 by $0.6 million, or 2.8%, to $20.6 million compared to $21.2 million in 2020 and as a percentage of sales, Adjusted EBITDA decreased to 9.0% compared to 10.7%. The decrease in Adjusted EBITDA reflects the increase in gross profit, partially offset by the increase in distribution expenses and net SG&A expenses, all discussed previously.

In addition, the stronger Canadian dollar increased the value of reported Adjusted EBITDA in USD from our Canadian operations in 2021 by approximately $0.3 million relative to the conversion impact last year.

NET INCOME

Net income decreased in the fourth quarter of 2021 by $0.2 million, or 2.7%, to net income of $7.2 million ($0.20 per diluted share) compared to net income of $7.4 million ($0.21 per diluted share) in 2020. The decrease in net income was due to the decrease in Adjusted EBITDA and decrease in share-based compensation expense, both discussed previously, and a decrease in finance costs as discussed below in the *Finance Costs* section on page 25 of this MD&A. The increase in net income was partially offset by an increase in income tax expense as discussed in the *Income Taxes* section on page 25 on this MD&A.

In the fourth quarter of 2021 and 2020, net income included "business acquisition, integration and other expense" (as explained in the *Business Acquisition, Integration and Other Expense* section on page 25 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 fourth quarter of 2021 decreased by $1.2 million or 11.7% to $9.1 million compared to $10.3 million in 2020.

Correspondingly, Adjusted Diluted EPS decreased by $0.03 to $0.26 compared to $0.29 in 2020.

Business Acquisition, Integration and Other Expense

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

(Amounts in $000s)	**Thirteen weeks ended January 1, 2022**	Fourteen weeks ended January 2, 2021	**Fifty-two weeks ended January 1, 2022**	Fifty-three weeks ended January 2, 2021
Business acquisition, integration and other expense	**$ 480**	$ 967	**$ 2,850**	$ 2,767

Business acquisition, integration and other expense for the fifty-two weeks ended January 1, 2022 and fifty-three weeks ended January 2, 2021 included certain non-routine expenses and consulting fees that are not representative of the Company's ongoing operational activities.

Finance Costs

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

(Amounts in $000s)	**Thirteen weeks ended January 1, 2022**	Fourteen weeks ended January 2, 2021	**Fifty-two weeks ended January 1, 2022**	Fifty-three weeks ended January 2, 2021
Interest paid in cash during the period	**$ 3,046**	$ 4,906	**$ 14,321**	$ 19,271
Change in cash interest accrued during the period	**185**	(850)	**(860)**	(2,251)
Total interest to be paid in cash	**3,231**	4,056	**13,461**	17,020
Modification gain related to debt refinancing activities[1]	**—**	—	**(7,901)**	—
Interest expense on lease liabilities	**150**	288	**624**	1,192
Deferred financing cost & net modification loss amortization	**323**	327	**1,310**	1,271
Total finance costs	**$ 3,704**	$ 4,671	**$ 7,494**	$ 19,483

[1] *The fifty-two weeks ended January 1, 2022 includes a gain on the modification of debt related to the debt refinancing completed in March 2021 (see the* Recent Developments *section on page 17 of this MD&A).*

Finance costs were $1.0 million lower in the fourth quarter of 2021 and $12.0 million lower in the fifty-two weeks ended January 1, 2022 compared to the same periods last year. The decrease during the fifty-two weeks ended January 1, 2022 was due to the gain on the modification of debt related to the debt refinancing completed in March 2021 (see the *Recent Developments* section on page 17 of this MD&A), and decreased interest expense on both long- and short-term debt, due to lower balances outstanding and lower rates.

Income Taxes

High Liner Foods' effective income tax rate for the year ended January 1, 2022 was 13.9% compared to 21.5% in 2020. In the fourth quarter of 2021, the effective tax rate was an expense of 15.6% compared to a recovery of 13.6% in the fourth quarter of 2020. The lower effective tax rate for the year and quarter ended January 1, 2022 compared to the same period last year was attributable to the Company's tax-efficient financing structure, lower statutory rates in the United States, and adjustments in respect of prior years. The applicable statutory rates in Canada and the U.S. were 27.9% and 25.9%, respectively.

See Note 18 "*Income tax*" to the Consolidated Financial Statements for full information with respect to income taxes.

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 14 of this MD&A (under the heading "*Currency*") and in the Foreign Currency risk discussion on page 47 (in the *Risk Factors* section).

Our capital management practices are described in Note 26 "*Capital management*" to the 2021 Consolidated Financial Statements.

Working Capital Credit Facility

The Company entered into an amended $150.0 million asset-based working capital credit facility (the "Facility") in October 2019 with the Royal Bank of Canada as Administrative and Collateral agent, which expires by its amended terms in April 2023. There were no changes to the terms during 2021.

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 January 1, 2022 are also noted in the following table.

Per credit agreement		As at January 1, 2022
Canadian Prime Rate revolving loans, Canadian Prime Rate revolving and U.S. Prime Rate revolving loans, at their respective rates	plus 0.00% to 0.25%	plus 0.00%
Bankers' Acceptances ("BA") revolving loans, at BA rates	plus 1.25% to 1.75%	plus 1.25%
LIBOR revolving loans at LIBOR, at their respective rates	plus 1.25% to 1.75%	plus 1.25%
Letters of credit, with fees of	1.25% to 1.75%	1.25%
Standby fees, required to be paid on the unutilized facility, of	0.25%	0.25%

Average short-term borrowings outstanding during 2021 were $0.6 million compared to $40.5 million in 2020. The $39.9 million decrease in average short-term borrowings primarily reflects lower working capital requirements during 2021 as compared to 2020 and increased short-term borrowings during 2020 to support operations as a result of COVID-19 (see the *Recent Developments* section on page 17 of this MD&A).

At the end of the fourth quarter of 2021, the Company had $117.1 million (January 2, 2021: $132.2 million) of unused borrowing availability, taking into account both current borrowing base and letters of credit, which reduce the availability under the working capital credit facility. On January 1, 2022, letters of credit and standby letters of credit were outstanding in the amount of $27.0 million (January 2, 2021: $12.9 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 11 "*Bank loans*" to the Consolidated Financial Statements.

In the absence of any major acquisitions or unplanned capital expenditures, we expect average short-term borrowings in 2022 to be higher than 2021. 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 January 1, 2022, the Company had a $300.0 million term loan facility with an interest rate of LIBOR plus 3.75% (LIBOR floor of 0.75%), maturing in October 2026. During 2021 the Company repriced this Term Loan B facility to bear interest at LIBOR plus 3.75% and a LIBOR floor of 0.75% (previously 4.25% and 1.00%, respectively) (see the *Recent Developments* section on page 17 of this MD&A). All other material terms of the loan remain unchanged, including the maturity date previously noted. The Company expects to save approximately $2.0 million of annual cash interest expense based on the borrowings and LIBOR rates at the time of refinancing as a result of this amendment.

Quarterly repayments of $1.9 million are required on the term loan as regularly scheduled repayments. On an annual basis, based on a leverage test, additional prepayments could be required of up to 50% of the previous year's defined excess cash flow ("mandatory prepayments"). Per the loan agreement, mandatory prepayments and voluntary repayments will be applied to future regularly scheduled principal repayments. During the fifty-two weeks ended January 1, 2022, a regularly scheduled repayment of $1.9 million and a voluntary repayment of $7.5 million were made. A mandatory prepayment of $20.2 million was also made due to excess cash flows in 2020. Under the March 2021 refinanced term loan agreement, any mandatory and voluntary repayments made prior to the time of refinancing were not applied to future regularly scheduled principal repayments.

However, the $7.5 million voluntary repayment made during the second quarter of 2021 was applied against future scheduled principal repayments in the last three quarters of 2021 and the first quarter of 2022, leaving $5.6 million in regularly scheduled repayments remaining in the next 12 months. There are no mandatory prepayments related to excess cash flows in 2021 scheduled in 2022.

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

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

Effective date	Maturity date	Receive floating rate	Pay fixed rate	Notional amount (millions)
Designated in a formal hedging relationship:				
April 4, 2016	April 24, 2021	3-month LIBOR (floor 1.0%)	1.6700%	$ 40.0
January 4, 2018	April 24, 2021	3-month LIBOR (floor 1.0%)	2.2200%	$ 80.0
March 4, 2020	June 30, 2021	3-month LIBOR (floor 1.0%)	1.4950%	$ 20.0
April 26, 2021	July 7, 2023	3-month LIBOR (floor 0.75%)	0.8250%	$ 25.0
April 26, 2021	July 8, 2024	3-month LIBOR (floor 0.75%)	0.9700%	$ 25.0
April 26, 2021	July 6, 2026	3-month LIBOR (floor 0.75%)	1.3385%	$ 35.0
June 30, 2021	December 31, 2025	3-month LIBOR (floor 0.75%)	1.3610%	$ 20.0

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

Additional details regarding the Company's term loan are provided in Note 14 "*Long-term debt*" to the Consolidated Financial Statements.

Net Debt

The Company's Net Debt (as calculated in the *Non-IFRS Financial Measures* section on page 31 of this MD&A) is comprised of the working capital credit and term loan facilities (excluding deferred finance costs and modification gains / losses) and lease liabilities, less cash. Net Debt increased by $3.0 million to $271.0 million at January 1, 2022 compared to $268.0 million at January 2, 2021, reflecting higher bank loans and lower cash balances as at January 1, 2022 as compared to the balances at January 2, 2021, partially offset by lower long-term debt reflecting repayments of long-term debt during 2021, and lower lease liabilities at the end of Fiscal 2021 as compared to the end of Fiscal 2020.

Net Debt to Rolling Twelve-Month Adjusted EBITDA (see the *Non-IFRS Financial Measures* section on page 31 of this MD&A) was 3.0x at January 1, 2022 compared to 2.8x at October 2, 2021 and 3.0x at the end of Fiscal 2020. In the absence of any major acquisitions or unplanned capital expenditures in 2022, we expect this ratio to be below the Company's long-term target of 3.0x at the end of Fiscal 2022.

Capital Structure

At January 1, 2022, Net Debt was 45.0% of total capitalization compared to 47.8% at January 2, 2021.

(Amounts in $000s)	**January 1, 2022**	January 2, 2021
Net Debt	**$ 271,041**	$ 267,968
Shareholders' equity	**332,524**	291,002
Unrealized (gains) losses on derivative financial instruments included in AOCI	**(1,148)**	1,289
Total capitalization	**$ 602,417**	$ 560,259
Net debt as percentage of total capitalization	**45.0%**	47.8%

Using our January 1, 2022 market capitalization of $392.6 million, based on a share price of CAD$14.91 (USD$11.78 equivalent), instead of the book value of equity, Net Debt as a percentage of total capitalization decreases to 40.8%.

Normal Course Issuer Bid

In June 2021, the Company announced that the Toronto Stock Exchange approved a Normal Course Issuer Bid to repurchase up to 150,000 common shares. The price the Company will pay for any common shares acquired will be the market price at the time of acquisition. Purchases could commence on June 23, 2021 and will terminate no later than June 22, 2022. During the fifty-two weeks ended January 1, 2022 the Company purchased 122,100 common shares under this plan at an average price of CAD$13.37 per share for total cash consideration of CAD$1.6 million. The excess of the purchase price over the book value of the shares in the amount of $1.0 million was charged to retained earnings.

In March 2020, the Company announced that the Toronto Stock Exchange approved a Normal Course Issuer Bid to repurchase up to 200,000 common shares. The price the Company will pay for any common shares acquired will be the market price at the time of acquisition. Purchases could commence on March 10, 2020 and terminated on March 9, 2021. During the fifty-three weeks ended January 2, 2021 there were 60,000 shares purchased under this plan at an average price of CAD$6.65 per share for total cash consideration of CAD$0.4 million. The excess of the purchase price over the book value of the shares in the amount of $0.1 million was charged to retained earnings.

The Company established an automatic securities purchase plan for the common shares of the Company for all the bids listed above with a termination date coinciding with the NCIB termination date. The preceding plan also constitutes an "automatic plan" for purposes of applicable Canadian Securities Legislation and has been approved by the TSX.

Dividends

In November 2021, the Board approved a quarterly dividend of CAD$0.10 per common share, which represents a 3.0 cents increase from the CAD$0.07 per common share paid during the first three quarters of 2021, commencing with the Company's Q4 2021 quarterly dividend. The increase reflects the Board's continued confidence in the Company's operations.

As shown in the following table, the quarterly dividend on the Company's common shares has changed two times during the last two fiscal years. The quarterly dividends paid in the last two years were as follows:

Dividend record date	Quarterly dividend (CAD)
December 1, 2021	$ 0.10
September 1, 2021	$ 0.07
June 1, 2021	$ 0.07
March 3, 2021	$ 0.07
December 1, 2020	$ 0.07
September 1, 2020	$ 0.05
June 1, 2020	$ 0.05
March 1, 2020	$ 0.05

Dividends and NCIBs are subject to restrictions as follows:

- Under the working capital credit facility, Average Adjusted Aggregate Availability, as defined in the credit agreement, must be $18.8 million or higher, and was $121.3 million on January 1, 2022, and NCIBs are subject to an annual limit of $10.0 million with a provision to carry forward unused amounts subject to a maximum of $20.0 million per annum; and
- Under the term loan facility, dividends cannot exceed $17.5 million per year. This amount increases to the greater of $25.0 million per year or 32.5% of EBITDA as defined in the loan agreement when the defined total leverage ratio is below 4.0x. The defined total leverage ratio was 3.0x on January 1, 2022. 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 under the term loan facility.

On February 23, 2022, the Directors approved a quarterly dividend of CAD$0.10 per share on the Company's common shares payable on March 15, 2022 to holders of record on March 2, 2022. These dividends are "eligible dividends" for Canadian income tax purposes.

Disclosure of Outstanding Share Data

On February 23, 2022, 33,329,710 common shares and 1,447,096 options were outstanding. The options are exercisable on a one-for-one basis for common shares of the Company.

Cash Flow

(Amounts in $000s)		**Thirteen weeks ended January 1, 2022**		Fourteen weeks ended January 2, 2021		Change		**Fifty-two weeks ended January 1, 2022**		Fifty-three weeks ended January 2, 2021		Change
Net cash flows (used in) provided by operating activities	**$**	**(8,044)**	$	22,304	$	(30,348)	**$**	**28,685**	$	102,997	$	(74,312)
Net cash flows used in financing activities		**(260)**		(33,209)		32,949		**(41,421)**		(63,859)		22,438
Net cash flows used in investing activities		**(6,932)**		(2,476)		(4,456)		**(20,319)**		(8,952)		(11,367)
Foreign exchange (decrease) increase on cash		**(149)**		1,109		(1,258)		**563**		(395)		958
Net change in cash during the period	**$**	**(15,385)**	$	(12,272)	$	(3,113)	**$**	**(32,492)**	$	29,791	$	(62,283)

CASH FLOWS FROM OPERATING ACTIVITIES

Cash inflows from operating activities were $74.3 million lower in 2021 compared to 2020. The decrease in cash inflows in 2021 was due to unfavourable changes in non-cash working capital balances including an increase in accounts receivable and inventories and partially offset by an increase in accounts payable and accrued liabilities. The decrease in cash inflows related to non-cash working capital balances was offset by lower income taxes paid, lower interest paid and higher cash flows provided by operations.

CASH FLOWS FROM FINANCING ACTIVITIES

Cash outflows from financing activities were $22.4 million lower in 2021 compared to 2020. The decrease in cash outflows in 2021 was due to the cash inflows related to short-term borrowings in 2021 as compared to cash outflows from repayment of short-term debt in 2020 (see the *Liquidity and Capital Resources* section beginning on page 26 of this MD&A) and was offset by repayments of long-term debt in the current year and higher common share dividends paid in the current year as compared to 2020.

CASH FLOWS FROM INVESTING ACTIVITIES

Cash outflows from investing activities were $11.4 million higher in 2021 compared to the same period last year due to increased capital expenditures (see the *Capital Expenditures* section beginning on page 30 of this MD&A).

Standardized Free Cash Flow

Standardized Free Cash Flow (see the *Non-IFRS Financial Measures* section on page 31 for further explanation of Standardized Free Cash Flow) for the twelve months ended January 1, 2022 decreased by $85.6 million to an inflow of $8.4 million compared to an inflow of $94.0 million for the twelve months ended January 2, 2021. This decrease reflects unfavourable changes in non-cash working capital and increased capital expenditures, offset by higher cash flows from operating activities during the twelve months ended January 1, 2022 as compared to the twelve months ended January 2, 2021.

Net Non-Cash Working Capital

(Amounts in $000s)		**January 1, 2022**		January 2, 2021		**Change**
Accounts receivable	**$**	**87,122**	$	60,927	**$**	**26,195**
Inventories		**308,183**		250,861		**57,322**
Prepaid expenses		**3,419**		4,176		**(757)**
Accounts payable and accrued liabilities		**(165,720)**		(118,677)		**(47,043)**
Provisions		**(172)**		(3,327)		**3,155**
Net non-cash working capital	**$**	**232,832**	$	193,960	**$**	**38,872**

Net non-cash working capital consists of accounts receivable, inventories and prepaid expenses, less accounts payable and accrued liabilities, and provisions. Net non-cash working capital increased by $38.8 million to $232.8 million at January 1, 2022 as compared to $194.0 million at January 2, 2021, primarily reflecting higher accounts receivable and inventories balances and lower provisions, offset by higher accounts payable and accrued liabilities.

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 19 of this MD&A. Going forward, we expect the trend of inventory peaking between December and March to continue, and believe we have enough availability on our working capital credit facility to finance our working capital requirements throughout 2022.

Capital Expenditures

Capital expenditures (including computer software) were $6.9 million and $20.3 million during the fourth quarter and thirteen and fifty-two weeks ended January 1, 2022, respectively, as compared to capital expenditures of $2.5 million and $9.0 million during the fourth quarter and fifty-three weeks ended January 2, 2021, respectively. Capital expenditures have increased versus the prior year as a result of deferring capital expenditures that had been planned for Fiscal 2020 into Fiscal 2021 due to the impact of the uncertainty related to the COVID-19 pandemic on the feasibility of completing capital projects. In addition, the Company is investing in capital expenditures to support growth and profitability.

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

Other Liquidity Items

SHARE-BASED COMPENSATION AWARDS

Share-based compensation expense increased to $7.8 million in 2021 compared to $5.9 million in 2020 and is non-cash until unit holders exercise the awards. The change in share-based compensation is discussed on page 20 of this MD&A. Additional details regarding the Company's share-based compensation are provided in Note 17 "*Share-based compensation*" to the Consolidated Financial Statements.

During 2021, unit holders exercised Performance Share Units ("PSUs") and Restricted Share Units ("RSUs") and received cash in the amount of $2.1 million (2020: $4.1 million). The liability for share-based compensation awards at the end of Fiscal 2021 was $13.4 million compared to $9.2 million at the end of Fiscal 2020.

Any options exercised in shares are cash positive or cash neutral if the holder elects to use the cashless exercise method under the plan. Cash received from options exercised for shares during 2021 was $nil (2020: $nil).

DEFINED BENEFIT PENSION PLANS

The Company's defined benefit pension plans can impact the Company's cash flow requirements and liquidity. In 2021, the defined benefit pension expense for accounting purposes was $2.6 million (2020: $1.9 million) and the annual cash contributions were $1.2 million higher than the 2021 accounting expense (2020: $0.4 million higher). For 2022, we expect cash contributions to be approximately CAD$1.8 million and the defined benefit pension expense to be approximately CAD$1.1 million. We have more than adequate availability under our working capital credit facility to make the required future cash contributions to our defined benefit pension plans. As well, we have a SERP liability for accounting purposes of $6.8 million that is secured by a letter of credit in the amount of $8.5 million.

Contractual Obligations

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

	Payments due by period			
(Amounts in $000s)	**Total**	Less than 1 year	1–5 years	Thereafter
Bank loans	**$ 4,551**	$ 4,551	$ —	$ —
Long-term debt	**318,124**	19,596	298,528	—
Lease liabilities	**12,397**	4,963	7,373	61
Purchase obligations	**189,482**	179,326	10,155	—
Total contractual obligations	**$ 524,554**	$ 208,436	$ 316,056	$ 61

Purchase obligations are for the purchase of seafood and other non-seafood inputs, including flour, paper products and frying oils. See the *Procurement Risk* section on page 41 and the *Foreign Currency* section on page 47 of this MD&A for further details.

Financial Instruments and Risk Management

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

Readers are directed to Note 25 "Fair value measurement" of the Consolidated Financial Statements for a complete description of the Company's use of derivative financial instruments and their impact on the financial results, and to Note 27 "Financial risk management objectives and policies" of the 2021 Consolidated Financial Statements for further discussion of the Company's financial risks and policies.

Related Party Transactions

The Company's business is carried on through the Parent company, High Liner Foods Incorporated, and wholly owned operating subsidiary, High Liner Foods (USA) Incorporated. High Liner Foods (USA) Incorporated's wholly owned subsidiaries include: ISF (USA), LLC; and Rubicon Resources, LLC. These companies purchase and/or sell inventory between them, and do so in the normal course of operations. The companies lend and borrow money between them, and periodically, capital assets are transferred between companies. High Liner Foods Incorporated buys the seafood for all of the subsidiaries, and also provides management, procurement and information technology services to the subsidiaries. On consolidation, revenue, costs, gains or losses, and all intercompany balances are eliminated.

In addition to transactions between the Parent and subsidiaries, High Liner Foods may enter into certain transactions and agreements in the normal course of business with certain other related parties (see Note 23 "*Related party disclosures*" to the Consolidated Financial Statements). Transactions with these parties are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Company had no related party transactions, excluding key management personnel compensation, for the fifty-two weeks ended January 1, 2022 and fifty-three weeks ended January 2, 2021.

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; Return on Assets Managed; and Return on Equity. 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 $000s)	**Thirteen weeks ended January 1, 2022**	Fourteen weeks ended January 2, 2021
Net income	**$ 7,223**	$ 7,372
Add back (deduct):		
Depreciation and amortization expense	**5,770**	6,044
Finance costs	**3,704**	4,671
Income tax expense (recovery)	**1,333**	(884)
Standardized EBITDA	**18,030**	17,203
Add back (deduct):		
Business acquisition, integration and other expenses	**521**	968
Loss on disposal of assets	**67**	60
Share-based compensation expense	**1,982**	2,954
Adjusted EBITDA	**$ 20,600**	$ 21,185
Net Sales	**$ 227,879**	$ 198,415
Adjusted EBITDA as Percentage of Sales	**9.0%**	**10.7%**

(Amounts in $000s)	**Fifty-two weeks ended January 1, 2022**	Fifty-three weeks ended January 2, 2021
Net income	**$ 42,249**	$ 28,802
Add back (deduct):		
Depreciation and amortization expense	**23,081**	23,228
Finance costs	**7,494**	19,483
Income tax expense	**6,833**	7,870
Standardized EBITDA	**79,657**	79,383
Add back (deduct):		
Business acquisition, integration and other expenses	**2,850**	2,767
Impairment of property, plant and equipment	**42**	—
Loss on disposal of assets	**122**	34
Share-based compensation expense	**7,751**	5,861
Adjusted EBITDA	**$ 90,422**	$ 88,045
Net Sales	**$ 875,405**	$ 827,453
Adjusted EBITDA as a Percentage of Sales	**10.3%**	**10.6%**

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 January 1, 2022		Fourteen weeks ended January 2, 2021	
	$000s	**Adjusted Diluted EPS**	$000s	Adjusted Diluted EPS
Net income	**$ 7,223**	**$ 0.20**	$ 7,372	$ 0.21
Add back (deduct):				
Business acquisition, integration and other expenses	**521**	**0.01**	968	0.03
Share-based compensation expense	**1,982**	**0.06**	2,954	0.08
Tax impact of reconciling items	**(647)**	**(0.02)**	(979)	(0.03)
Adjusted Net Income	**$ 9,079**	**$ 0.26**	$ 10,315	$ 0.29
Average shares for the period (000s)		**35,171**		34,375

	Fifty-two weeks ended January 1, 2022		Fifty-three weeks ended January 2, 2021	
	$000s	**Adjusted Diluted EPS**	$000s	Adjusted Diluted EPS
Net income	**$ 42,249**	**$ 1.20**	$ 28,802	$ 0.83
Add back (deduct):				
Business acquisition, integration and other expenses	**2,850**	**0.08**	2,767	0.08
Gain on modification of debt[1]	**(7,901)**	**(0.22)**	—	—
Impairment of property, plant and equipment	**42**	**—**	—	—
Share-based compensation expense	**7,751**	**0.23**	5,861	0.17
Tax impact of reconciling items	**(193)**	**(0.01)**	(2,219)	(0.06)
Adjusted Net Income	**$ 44,798**	**$ 1.28**	$ 35,211	$ 1.02
Average shares for the period (000s)		**35,121**		34,519

[1] *Included in the "Finance costs" line in the consolidated statements of income for the fifty-two weeks ended January 1, 2022 and represents a gain on the modification of debt related to the debt refinancing completed in March 2021 (see the* Recent Developments *section on page 17 of this MD&A and Note 14 to the Consolidated Financial Statements).*

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 $000s)	**January 1, 2022**	January 2, 2021	**Change**
Cash flow provided by operations before changes in non-cash working capital, interest and income taxes paid	**$ 89,340**	86,976	**$ 2,364**
Net change in non-cash working capital balances	**(40,685)**	42,476	**(83,161)**
Interest paid	**(14,321)**	(19,271)	**4,950**
Income taxes paid	**(5,649)**	(7,184)	**1,535**
Cash flows provided by operating activities	**28,685**	102,997	**(74,312)**
Less: Purchase of property, plant and equipment, net of investment tax credits, and intangible assets	**(20,319)**	(8,952)	**(11,367)**
Standardized Free Cash Flow	**$ 8,366**	$ 94,045	**$ (85,679)**

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 Adjusted EBITDA (see page 31). We consider Net Debt to Rolling Twelve-Month Adjusted EBITDA to be an important indicator of our ability to generate earnings sufficient to service our debt, that enhances understanding of our financial performance and highlights operational trends. This measure is widely used by investors and rating agencies in the valuation, comparison, rating and investment recommendations of companies; however, the calculations of Adjusted EBITDA may not be comparable to those of other companies, which limits their usefulness as comparative measures.

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

(Amounts in $000s)	**January 1, 2022**	January 2, 2021
Bank loans	**$ 4,388**	$ —
Add back: Deferred finance costs included in bank loans[(1)]	**163**	—
Total bank loans	**4,551**	—
Long-term debt	**244,994**	268,048
Current portion of long-term debt	**5,625**	20,185
Add back: Deferred finance costs included in long-term debt[(2)]	**5,810**	5,979
Less: Net loss on modification of debt[(3)]	**(674)**	(8,897)
Total term loan debt	**255,755**	285,315
Long-term portion of lease liabilities	**6,851**	10,722
Current portion of lease liabilities	**4,327**	4,866
Total lease liabilities	**11,178**	15,588
Less: Cash	**(443)**	(32,935)
Net Debt	**$ 271,041**	$ 267,968
Adjusted EBITDA	**$ 90,422**	$ 88,045
Net Debt to Rolling Twelve-Month Adjusted EBITDA	**3.0x**	3.0x

(1) *Represents deferred finance costs that are included in "Bank loans" in the consolidated statements of financial position. See Note 11 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 14 to the Consolidated Financial Statements.*

(3) *A gain on modification of debt related to the refinancing completed in March 2021 (see the* Recent Developments *section on page 17 of this MD&A), net of a loss on the modification of debt related to debt refinancing completed in October 2019, has been excluded from the calculation of Net Debt as it does not represent the expected cash outflows from the term loan facility. See Note 14 to the Consolidated Financial Statements.*

Return on Assets Managed

ROAM is Adjusted EBIT divided by average assets managed (calculated using the average net assets month-end balance for each of the preceding thirteen months, where "net assets managed" includes all assets, except for future employee benefits, deferred income taxes and other certain financial assets, less accounts payable and accrued liabilities, and provisions). Adjusted EBIT is Adjusted EBITDA less depreciation and amortization expense.

We believe investors and analysts use ROAM as an indicator of how efficiently the Company is using its assets to generate earnings.

The table below reconciles Adjusted EBIT to the non-IFRS measure, Adjusted EBITDA (see page 31 of this MD&A), and calculates ROAM using our average net assets, calculated on a rolling thirteen-month basis, and Adjusted EBIT.

(Amounts in $000s)	**January 1, 2022**	January 2, 2021
Adjusted EBITDA	**$ 90,422**	$ 88,045
Less:		
Depreciation and amortization expense	**23,081**	23,228
Adjusted EBIT	**$ 67,341**	$ 64,817
Thirteen-month rolling average net assets managed	**625,132**	652,998
ROAM	**10.8%**	9.9%

Return on Equity

ROE is calculated as Adjusted Net Income, less share-based compensation expense, divided by average common equity (calculated using the common equity month-end balance for each of the preceding thirteen months, comprised of common shares, contributed surplus, retained earnings, and accumulated other comprehensive income).

We believe investors and analysts use ROE as an indicator of how efficiently the Company is managing the equity provided by shareholders.

The table below calculates ROE using our average common equity calculated on a rolling thirteen-month basis, and Adjusted Net Income (see page 32 of this MD&A).

(Amounts in $000s)	**January 1, 2022**	January 2, 2021
Adjusted Net Income	**$ 44,798**	$ 35,211
Less:		
Share-based compensation expense	**7,751**	5,861
Tax impact of reconciling items	**(1,581)**	(1,505)
	38,628	30,855
Thirteen-month rolling average common equity	**316,812**	278,728
ROE	**12.2%**	11.1%

Governance

Our 2021 Management Information Circular, to be filed in connection with our Annual General Meeting of Shareholders on May 11, 2022, includes full details of our governance structures and processes.

We maintain a set of disclosure controls and procedures ("DC&P") designed to ensure that information required to be disclosed in filings made pursuant to National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*, is recorded, processed, summarized and reported within the time periods specified in the Canadian Securities Administrators' rules and forms.

Our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have evaluated the design and effectiveness of our DC&P as of January 1, 2022. They have concluded that our current DC&P are designed to provide, and do operate to provide, reasonable assurance that: (a) information required to be disclosed by the Company in its annual filings or other reports filed or submitted by it under applicable securities legislation is recorded, processed, summarized and reported within the prescribed time periods; and (b) material information regarding the Company is accumulated and communicated to the Company's management, including its CEO and CFO, to allow timely decisions regarding required disclosure.

In addition, our CEO and CFO have designed or caused to be designed under their supervision, Internal Control over Financial Reporting ("ICFR"), to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. Furthermore, our CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the design and operation of ICFR at the fiscal year-end and have concluded that our current ICFR was effective at the fiscal year-end based on that evaluation.

There has been no change in the Company's ICFR during 2021 that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

Accounting Estimates and Standards

Critical Accounting Estimates

The preparation of the Company's Consolidated Financial Statements requires management to make critical judgments, estimates and assumptions that affect the reported amounts of revenues, 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.

The most significant estimates made by management include the following:

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Company's estimate of the recoverable amount for the purpose of impairment testing requires management to make assumptions regarding future cash flows before taxes. Future cash flows are estimated based on multi-year extrapolation of the most recent historical actual results and/or budgets, and a terminal value calculated by discounting the final year in perpetuity. The future cash flows are then discounted to their present value using an appropriate discount rate that incorporates a risk premium specific to the North American business. Further details, including the manner in which the Company identifies its CGU, and the key assumptions used in determining the recoverable amount, are disclosed in Note 10 "*Goodwill and intangible assets*" to the Consolidated Financial Statements.

FUTURE EMPLOYEE BENEFITS

The cost of the defined benefit pension plan and other post-employment benefits and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions, including the discount rate, future salary increases, mortality rates and future pension increases. In determining the appropriate discount rate, management considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Interest income on plan assets is a component of the return on plan assets and is determined by multiplying the fair value of the plan assets by the discount rate. See Note 15 "*Future employee benefits*" to the Consolidated Financial Statements for certain assumptions made with respect to future employee benefits.

INCOME TAXES

The Company is subject to income tax in various jurisdictions. Significant judgment is required to determine the consolidated tax provision. The tax rates and tax laws used to compute income tax are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. The Company maintains provisions for uncertain tax positions that are believed to appropriately reflect the risk with respect to tax matters under active discussion, audit, dispute or appeal with tax authorities, or which are otherwise considered to involve uncertainty. These provisions for uncertain tax positions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at each reporting date; however, it is possible that at some future date, an additional liability could result from audits by taxing authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Where the fair value of financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of estimation is required in establishing fair values. The estimates include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in these inputs could affect the reported fair value of financial instruments.

SALES AND MARKETING ACCRUALS

The Company estimates variable consideration to determine the costs associated with the sale of product to be allocated to certain variable sales and marketing expenses, including volume rebates and other sales volume discounts, coupon redemption costs, costs incurred related to damages and other trade marketing programs. The Company's estimates include consideration of historical data and trends, combined with future expectations of sales volume, with estimates being reviewed on a frequent basis for reasonability.

Accounting Standards

High Liner Foods reports its financial results using IFRS. Our detailed accounting policies are included in the Notes to the Consolidated Financial Statements.

As disclosed in Note 3 "*Significant accounting policies*" to the Consolidated Financial Statements for the period ended January 1, 2022, we adopted the following standards, interpretations and amendments to existing standards that were effective for annual periods beginning on January 1, 2021 and that the Company has adopted on January 3, 2021:

IFRS 9*, Financial Instruments,* IAS 39*, Financial Instruments: Recognition and Measurement* and IFRS 7*, Financial Instruments: Disclosures, Interest Rate Benchmark Reform*

On August 27, 2020, the IASB issued *Interest Rate Benchmark Reform – Phase 2* which includes amendments to IFRS 9, Financial Instruments, IAS 39, *Financial Instruments: Recognition and Measurement*, IFRS 7, *Financial Instruments: Disclosures*, IFRS 4, *Insurance Contracts*, and IFRS 16, *Leases*, and concludes phase two of its work to respond to the effects of IBOR reform on financial reporting. The amendments address the issues that affect financial reporting at the time that an existing interest rate benchmark is replaced with a risk-free rate ("RFR"). The amendments are effective for annual periods beginning on or after January 1, 2021 and must be applied retrospectively, with early adoption permitted.

The Company holds interest rate swaps (see Note 25 to the Consolidated Financial Statements) to hedge the interest rate risk resulting from the term loan facility (see Note 14). The term loan facility has an applicable interest rate for loans under the facility of LIBOR plus 3.75% (0.75% LIBOR floor). The Company is actively managing the process to transition existing contracts using LIBOR to an alternative RFR and to ensure that upon transition, hedge effectiveness will be maintained. The Company has not applied significant judgment in applying these amendments as the impact of the IBOR reform on the Company's hedge accounting is assessed as low.

The Company has assessed interest rate swaps with a maturity date subsequent to December 31, 2021 as being directly impacted by the IBOR reform and therefore subject to the amendments. As at January 1, 2022 there are four interest rate swap contracts with a maturity date subsequent to December 31, 2021. The terms of these contracts are disclosed in Note 25 to the Consolidated Financial Statements.

The amendments also introduce specific disclosure requirements for hedging relationships to which the reliefs are applied. The Company has adopted the amendments to IFRS 9, IAS 39 and IFRS 7 on a retrospective basis, which had no impact on the Consolidated Financial Statements.

IFRS 16*, Leases*
On May 28, 2020, the IASB issued an amendment to IFRS 16, *Leases* intended to provide practical relief to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic. The amendments to IFRS 16 for COVID-19 related rent concessions are to:

- Provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification;
- Require lessees that apply the exemption to account for COVID-19 related rent concessions as if they were not lease modifications;
- Require lessees that apply the exemption to disclose the fact; and
- Require lessees to apply the exemption retrospectively in accordance with IAS 8, but not require restatement of prior periods.

The amendment is effective annual periods beginning on or after June 1, 2020 with early application permitted. The Company has adopted the amendments to IFRS 16, which had no impact on the Consolidated Financial Statements.

IFRS 9*, Financial Instruments*
In May 2020, the IASB issued annual improvements to IFRS Standards 2018-2020, which included amendments to IFRS 9 to clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

The amendment is effective for annual periods beginning on or after January 1, 2022 with early application permitted. The Company has adopted the amendments to IFRS 9, in relation to the March 2021 debt repricing (see Note 14 to the Consolidated Financial Statements).

Interpretations Committee Agenda Decision, *Attributing Benefit to Periods of Service*
In April 2021, the IASB issued Interpretations Committee agenda decision, *Attributing Benefit to Periods of Service,* to address the periods of service to which an entity attributes benefit for a particular defined benefit plan that affects the application of IAS 19, *Employee Benefits*. The agenda decision specifically addresses the following:

- Employees are entitled to a lump sum benefit payment when they reach a specified retirement age provided they are employed by the entity when they reach that retirement age; and
- The amount of the retirement benefit to which an employee is entitled depends on the length of employee service with the entity before the retirement age and is capped at a specified number of consecutive years of service.

It was concluded that the principles and requirements in IFRS standards provide an adequate basis for an entity to determine the periods to which the retirement benefit is attributed.

The Company has adopted the agenda decision related to IAS 19, which had no impact on the Consolidated Financial Statements.

Interpretations Committee Agenda Decision, *Costs Necessary to Sell Inventories*
In June 2021, the IASB issued Interpretations Committee agenda decision, *Costs Necessary to Sell Inventories,* to address the necessary costs to sell when determining the net realizable value of inventories that affects the application of IAS 2, *Inventories*.

It was concluded that, when determining the net realizable value of inventories, an entity estimates the costs necessary to make the sale in the ordinary course of business. An entity uses its judgment to determine which costs are necessary to make the sale considering its specific facts and circumstances, including the nature of the inventories.

The Company has adopted the agenda decision related to IAS 2, which had no impact on the Consolidated Financial Statements.

IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*
In May 2020, the IASB issued amendments to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a 'direct related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfill the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual periods beginning on or after January 1, 2022 and must be applied prospectively to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed. The Company has adopted the amendments to IAS 37, which had no impact on the Consolidated Financial Statements.

IAS 16, *Property, Plant and Equipment*
The IASB issued amendments to IAS 16, *Property, Plant and Equipment,* to prohibit entities from deducting the proceeds of the sale of items of property, plant and equipment produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management from the cost of an item. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The Company has adopted the amendments to IAS 16, which had no impact on the Consolidated Financial Statements.

ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE
The standards, amendments and interpretations that have been issued, but are not yet effective, up to the date of issuance of these financial statements are disclosed below. The Company intends to adopt these standards when they become effective.

IAS 1, *Presentation of Financial Statements*
In January 2020, 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 reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Company is currently evaluating the impact of these amendments on its Consolidated Financial Statements and will apply the amendments from the effective date.

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

The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The Company is currently evaluating the impact of these amendments on its Consolidated Financial Statements and will apply the amendments from the effective date.

IAS 8, *Definition of Accounting Estimates*
In February 2021, the IASB issued amendments to IAS 8 which introduces a new definition of "accounting estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.

The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The Company is currently evaluating the impact of these amendments on its Consolidated Financial Statements and will apply the amendments from the effective date.

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. Many of these risk factors are described below, including those the Company considers to be the most material. These risk factors, along with other risks and uncertainties not currently known to the Company or that the Company currently considers immaterial, could materially and adversely affect the Company's performance, operating results and ability to pay dividends or return capital to shareholders.

The Company takes a strategic approach to risk management. To achieve a 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. While risk management is part of the Company's transactional, operational and strategic decisions, as well as the Company's overall management approach, many of the risks are beyond the Company's control and therefore despite the Company's efforts to manage or mitigate its risk exposure, risk management does not guarantee that events or circumstances will not occur which could have a material adverse impact on the Company's financial condition and performance. Readers should carefully consider the risk factors set out below, along with the other information contained in this document and the Company's other public filings before making an investment decision.

COVID-19 Pandemic

The Company's business operations and financial condition may be materially adversely affected by public health emergencies, including the COVID-19 pandemic, as well as the related government responses and consumer and customer behaviour. The COVID-19 pandemic has resulted in governmental authorities implementing various measures

including, but not limited to: travel bans and restrictions; social distancing measures; quarantines; increased border and port controls and closures and shutdowns; all or any of which may adversely impact the Company's operations, suppliers, customers, consumers, counterparties, employee health, workforce productivity, insurance premiums and coverage, and ability to advance its business strategy. There is significant uncertainty regarding these measures and potential future measures, all of which could reduce customer and consumer demand, and/or impact the Company's ability to meet that demand.

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

- An increased risk of supply chain disruption, including:
    - suspension of plant operations, as a result of positive COVID-19 tests or government orders or other externally imposed restrictions on suppliers, third-party seafood processing facilities, or at the Company's facilities; or
    - freight delays and rising costs due to the impact of COVID-19 on global shipping;
- An increased risk of availability and price volatility of seafood and non-seafood goods used in the Company's production of seafood products;
- An increased risk of a material reduction in demand for the Company's products, particularly related to the Company's foodservice business that has been the most impacted by social distancing regulations;
- An increased risk of delays in the completion of capital projects;
- An increase in geopolitical risk related to governmental restrictions and market responses to COVID-19, including the impacts on operations of social distancing regulations, fluctuating currency exchange rates, and volatile market conditions;
- An increased risk of disruptions in international trade and access to markets;
- An increase in risk related to employment matters and the Company's workforce including, but not limited to, increased employee absences related to the COVID-19 pandemic and temporary or permanent layoffs as a result of reduction in product demand;
- An increase in credit risk due to impact of COVID-19 on the liquidity of the Company's customers;
- An increase in liquidity risk for the Company associated with any negative impact of COVID-19 on cash flows from operations due to declines in sales volume; and,
- An increased risk related to the Company's financial estimates and judgments that rely on microeconomic and/or macroeconomic factors due to the uncertain impact of COVID-19 on various inputs (see Note 5, "*COVID-19 pandemic*" to the Consolidated Financial Statements).

During the COVID-19 pandemic, the Company has experienced periods of reduced demand for products in the foodservice business, changes in sales mix, increased costs to implement health and safety measures, and freight delays and rising costs associated with global shipping challenges.

The current economic, operating and capital market environment has led to an increased emphasis on liquidity and capital management. Management remains focused on ensuring sufficient liquidity exists, and due to the Company's strengthened balance sheet, the Company has significant excess liquidity at January 1, 2022.

The Company's priority during the COVID-19 pandemic has been protecting the health of its employees, their families and communities. Therefore, the Company is following recommendations from government and public health authorities in order to maintain the continued safe operation of its business operations. However, due to the uncertainty surrounding the duration and potential outcomes of the COVID-19 pandemic, including the results of measures taken to slow the spread and the broader impact COVID-19 may have on the North American and global economies or financial markets, we are unable at this time to accurately predict the overall impact of COVID-19 on our operations, liquidity, financial condition, or results. Any future epidemic, pandemic, or other public health crisis that occurs in the future may pose similar risks to the Company.

Food Safety

At High Liner Foods, food safety is our top priority. Our brand equity and reputation are inextricably linked to the quality and safety of our food products, and we must be vigilant in ensuring our products are safe and comply with all applicable laws and regulations. Customers expect consistently safe, quality products and their expectations are unwavering regardless of the commodity or complexity of the supply chain. Consumers are increasingly better informed about conscientious food choices.

The Company's processing plants have all the required State, Provincial and/or Federal licenses to operate and are certified to the Global Food Safety Initiatives ("GFSI") and Safe Quality Foods ("SQF") standards, meaning our processing plants have

passed a rigorous quality and food safety system audit that is internationally recognized and globally benchmarked. The GSFI certification enables the Company to supply our wide range of products to some of the industry's most discerning customers. This annual certification process helps drive improvement across the organization, critical for maintaining customer and consumer confidence.

In Canada, certain food businesses, including seafood-processing plants, are required to adopt a Preventative Control Plan ("PCP") under the Safe Food for Canadians Act and Regulations. These requirements cover the regulatory and safety aspects of food processing and importing in Canada and have been developed by the Canadian Food Inspection Agency ("CFIA") based on global best practices. This plan must also include a hazard analysis that describes how hazards will be controlled and/or eliminated. High Liner Foods' PCP and processing facilities are regularly inspected and audited by the CFIA and remain in good standing.

In the United States, the Company's plants produce product in accordance with standards set forth by the U.S. Food and Drug Administration's ("FDA") and the U.S. Department of Agriculture ("USDA"). The regulatory requirements for seafood processing (and importing) in the United States are very specific for fish and fishery products and all plants are required to operate with current seafood Hazard Analysis Critical Control Point ("HACCP") programs. Our plants are regularly inspected and audited by our regulatory partners in the U.S. and remain in good standing.

In addition, our suppliers' plants outside of North America must demonstrate compliance for imported products in accordance with the guidelines set forth in the FDA seafood HACCP. All of the Company's non-North American suppliers operate with HACCP approved plans and are required to adhere to newly strengthened FDA and Canadian CFIA importation requirements focusing on food safety and traceability. In addition, all purchases are subject to risk-based quality review and verification by the Company's food safety and quality professionals. We have strict specifications for suppliers of both raw material and finished goods to ensure that procured goods are of the same quality and consistency as products processed in our own plants. High Liner Foods has offices in Qingdao, China; Bangkok, Thailand; and Reykjavik, Iceland and employs full-time procurement and food safety and quality experts to oversee procurement activities around the world. This oversight includes production monitoring and finished product inspection at the source before shipment to North America.

In order to maintain compliance with the various and ever changing regulatory, industry and customer requirements and expectations, we employ a Food Safety and Quality Assurance team comprised of highly qualified, trained and experienced personnel including food scientists, quality technicians, quality and food safety auditors, and labelling and nutritional professionals. High Liner Foods has retained independent auditors to add an additional level of scrutiny to our food safety programs and has robust audit policies and processes that are consistently applied throughout the Company. We are continuously evaluating and updating our internal operating standards to keep pace with the industry expectations and to support improved performance and greater success. However, the Company cannot assure that these operating standards, even when working effectively, will eliminate the risks related to food safety, which could have a material adverse impact on the Company's financial condition and results of operations.

Product Liability and Recall

The Company is subject to risks that affect the food industry in general, including risks posed by food spoilage, accidental contamination, product tampering, consumer product liability, and the potential costs and disruptions of a product recall. The Company actively manages these risks by maintaining strict and rigorous controls and processes in its manufacturing facilities and distribution systems and by maintaining prudent levels of insurance. However, the Company cannot assure that such controls and processes, even when working effectively, will eliminate the risks related to food safety. The Company could be required to recall certain of its products in the event of contamination or adverse test results or as precautionary measures. There is also a risk that not all of the product subject to the recall will be properly identified, or that the recall will not be successful or not be enacted in a timely manner. Any product contamination could subject the Company to product liability claims, adverse publicity and government scrutiny, investigation or intervention, resulting in increased costs and decreased sales. Many of these costs and losses are not covered by insurance. Any of these events could have a material adverse impact on the Company's financial condition and results of operations.

Procurement and Availability of Seafood

Our business depends upon the procurement of frozen raw seafood materials and finished goods on world markets. In 2021, the Company purchased approximately 157 million pounds of seafood, with an approximate value of $449.6 million. Seafood markets are global with values expressed in USD. In 2021, we bought approximately 24 species of seafood from 23 countries around the world. There are no formal hedging mechanisms in the seafood market. Prices can fluctuate due to changes in the balance between supply and demand over which the Company has little or no control. Weather, quota changes, disease,

geopolitical issues, including economic sanctions, tariffs and trade barriers, and other environmental impacts in key fisheries can affect supply.

Historically, North American markets have consumed less seafood per capita than certain Asian and European markets. If increased global seafood demand results in materially higher prices, North American consumers may be less likely to consume amounts historically consistent with their share of the global seafood market, which may adversely affect the financial results of High Liner Foods due to its North American focus.

The Company expects demand for seafood to grow from current levels as the global economy, and particularly the BRIC and Southeast Asian economies, improve. In general, we expect the supply of wild-caught seafood in our core species to be stable over the long term. We anticipate new seafood demand will be supplied primarily from aquaculture. Currently, four of the top seven species consumed in North America (shrimp, salmon, tilapia and pangasius) are partly or totally supplied by aquaculture and approximately 41% of the Company's procurement by value is related to aquaculture products. To the extent there are unexpected declines in our core products of wild-caught seafood, or aquaculture is unable to supply future demand, prices may increase materially, which may have a negative impact on the Company's results. Changes in the relative values of currency can change the demand from a particular country whose currency has risen or fallen as compared to the U.S. dollar. The increasing middle class and government policies in emerging economies, as well as demand from health-conscious consumers, can affect demand as well.

Our broad product line and customer base, along with geographically diverse procurement operations, help us mitigate changes in the cost of our raw materials. We purchase frozen raw material and finished goods originating from many different areas of the world and ensure, to the extent possible, that our supplier base is diverse to ensure no over-reliance on any source. Our strategy is to always have at least two suppliers of seafood products where possible. In addition, product formulation changes, long-term relationships with suppliers, and price changes to customers are all important factors in our ability to manage supply of necessary products.

The Company has made the strategic decision not to be vertically integrated for several reasons, including the large amount of capital that would be involved and expected returns on such capital. However, in the event supply shortages of certain seafood, or trade barriers to acquiring seafood as a result of economic sanctions or otherwise, results in difficulty procuring species, the financial results of High Liner Foods may be adversely affected.

There can be no assurance that disruptions in supply will not occur, nor can there be any assurance that all or part of any increased costs experienced by the Company from time to time can be passed along to consumers of the Company's products directly or in a timely manner.

Seafood Production from Asia

Many seafood companies, including High Liner Foods, divert production of certain primary produced products to Asia, and China in particular. Asian processing plants are able to produce many high-quality seafood products at a lower cost than is possible in North America and in other more developed countries. These plants are also able to achieve a better yield on raw material due to the use of more manual processes. We work closely with selected Asian suppliers and have made it possible for these suppliers to meet our exacting quality and manufacturing standards. By diversifying our supply chain, we have access to the variety and volume of seafood products, including a significant amount of wild-caught product from the Atlantic and Pacific Oceans, that we need to fulfil our brand strategy, while continuing to require seafood suppliers to adhere to the Company's Supplier Code of Conduct ("SCOC"). These suppliers are central to our supply chain operating efficiently, and thus, any adverse changes in the operations of such suppliers, including the effects of a pandemic (including COVID-19) or any other serious health concern, or our commercial relationships with such suppliers, may adversely affect the Company's results. In particular, if the current COVID-19 pandemic continues and results in a prolonged period of travel, commercial, and other similar restrictions, High Liner Foods could experience global supply disruptions, increasing freight costs or shipping container shortages. To mitigate the risk of supply disruptions to the business resulting from trade challenges, the impact of COVID-19, freight delays or other issues, the Company has been shifting a portion of its seafood production in China to other countries, primarily in South East Asia (Vietnam, Indonesia and Thailand). However, the Company may not be able to develop alternate sourcing quickly enough to offset any supply disruptions that may occur elsewhere, which may adversely affect the Company's results.

Availability of Non-Seafood Goods

The Company purchases non-seafood goods and ingredients from a limited number of suppliers as a result of consolidation within the industries in which these suppliers operate in North America and other major markets. Furthermore, issues with suppliers regarding pricing or performance of the goods they supply or the inability of suppliers to supply the required volumes of such goods and services in a timely manner could

impact the Company's financial condition and performance. Any such impact will depend on the effectiveness of the Company's contingency plan.

Non-Seafood Commodities

The Company's operating costs are affected by price changes in commodities such as crude oil, wheat, corn, paper products and frying oils. To minimize our risk, the Company's "*Price Risk Management Policy*" dictates the use of fixed pricing with suppliers whenever possible but allows the use of hedging with derivative instruments if deemed prudent. Throughout 2021 and 2020, the Company has managed this risk through contracts with suppliers.

Crude oil prices, which influence fuel surcharges from freight suppliers, increased during 2021 compared to 2020. World commodity prices for flour, soy and canola oils, imported ingredients in many of the Company's products, increased throughout 2021 compared to 2020. The price of corrugated and folded carton, which is used in packaging, increased in 2021. It is the practice of High Liner Foods to contract with suppliers to fix prices related to commodity purchase requirements for the items mentioned above. The Company has contracts fixing prices for a portion of these items in 2022 and is in negotiations to fix the remaining amounts expected to be purchased.

Any fluctuations in commodity prices that the Company is unable to properly hedge or mitigate through fixed pricing could have a material adverse effect on the Company's financial condition and results of operations.

Competition Risk

High Liner Foods competes with a number of food manufacturers and distributors and its competition varies by distribution method, product category and geographic market. Competition is based on factors such as product availability, product quality and taste, price, brand recognition, product variety, product packaging and design, shelf space, reputation, nutritional and other claims, effective promotions, and the ability to target changing consumer preferences. The Company may experience price pressure as a result of, among other things, competitors' promotional effort and strategies to increase market share. Competitive pressures from new and existing competitors could result in reduced sales, margins, profits, and market share, all of which could have a material adverse effect on the Company's financial condition and results of operations.

The Company's ability to increase revenue and execute its business strategy depends in part on its ability to cost-effectively attract new customers and consumers and retain existing customers and consumers. If the Company is unable to do this, its business, financial condition and operating results may be materially adversely affected. Further, if customers or consumers do not perceive the Company's product offerings to be of sufficient value and quality, or if it fails to offer new and relevant product offerings, it may not be able to attract or retain customers or engage existing customers so that they continue to purchase products. There is no guarantee that the investment that the Company is making in marketing, advertising, and innovation will be successful in attracting or retaining market share or that it will deliver the anticipated long-term financial benefits underpinning growth targets.

Some of High Liner Foods' competitors have greater financial and other resources and/or may have access to labour or products that are not available to High Liner Foods. In addition, High Liner Foods' competitors may be able to better withstand market volatility. In some instances, this could force the Company to lower prices, resulting in lower profitability or, in the alternative, cause it to lose market share if it fails to lower prices. In addition, some competitors may be more innovative, have more resources and/or be able to bring new products to market faster. This could put the Company at a disadvantage in keeping up with the pace of innovation and ability to introduce new products that appeal to evolving consumer trends. There can be no assurance that High Liner Foods' principal competitors will not be successful in capturing, or that new competitors will not emerge and capture, a share of the Company's present or potential customer base and/or market share.

In addition, High Liner Foods and its financial results may be significantly adversely affected if High Liner Foods' suppliers become competitors, if its customers decide to source their own food products, or if one or more of High Liner Foods' competitors were to merge with another of its competitors. Competitors may also establish or strengthen relationships with parties with whom High Liner Foods has relationships, thereby limiting its ability to sell certain products. Disruptions in High Liner Foods' business caused by such events could have a material adverse effect on its results of operations and financial condition.

Customer Consolidation

We sell the majority of our products to food distributors and large food retailers, including supercentres and club stores, in North America. As the retail grocery and foodservice trades continue to consolidate and grow more sophisticated, the Company is required to adjust to changes in purchasing practices and changing customer requirements to remain competitive. Failure to do so could result in losing sales volumes and market share. The Company's net sales and

profitability could also be affected by deterioration in the financial condition of, or other adverse developments in, the relationship with one or more of its major customers. Any of these events could have a material adverse effect on the Company's financial condition and results of operations.

Consolidation of customers is expected to result in some consolidation of suppliers in the U.S. seafood industry. The supply of seafood, especially in the U.S. foodservice market, is highly fragmented. Consolidation is needed to reduce costs and increase service levels to keep pace with the expectation of customers.

We are focusing efforts on brand strength, new products, procurement activities and customer service to ensure we outperform competitors. Consolidation makes it more important to achieve and maintain a brand leadership position, as consolidators move towards centralized buying and streamlined procurement. We are in a good position to meet these demands, since we offer quality, popular products under leading brands and have the ability to meet the customer service expectations of the major retailers.

Consumer Trends

The success of the Company depends in part on the Company's ability to respond to market trends and develop innovative products that anticipate and respond to the changing tastes and dietary habits of consumers. From time to time, certain products are deemed more or less healthy and this can impact consumer buying patterns. The Company's failure to anticipate, identify, or react to these changes or to innovate could result in declining demand and prices for the Company's products, which in turn could have a material adverse effect on the Company's financial condition and results of operations.

Reputation and Public Opinion

The potential for deterioration of the Company's reputation may arise in many contexts and for many different reasons. As a result, reputational risk cannot be managed in isolation from other forms of risk. For example, any real or perceived quality or safety concerns, whether or not ultimately based on fact and whether or not involving the Company (such as incidents involving competitors, or the way in which products are handled by customers, consumers or others in the distribution chain after they leave the control of the Company), could cause negative publicity and reduced confidence in the Company, its brand or its products, which could in turn harm its reputation and operating results. Any loss of confidence on the part of consumers in the Company's products, brands, the ingredients it uses or in the safety and quality of its products would be difficult and costly to overcome.

The growing use of social and digital media by the Company, its consumers and third parties increases the speed and extent that information or misinformation and opinions can be shared. Negative publicity about the Company, its brands or its products on social or digital media could seriously damage its reputation. If the Company does not maintain the favourable perception of its brands, the Company's sales and profits could be negatively impacted.

Overall, negative public opinions or shifts in opinion whether about the Company, its brands, its industry or the overall environment in which it operates could materially adversely affect its reputation, business, strategy and operations, as well its financial condition and results of operations.

Sustainability and Corporate Social Responsibility

The success and growth of our business relies heavily upon our ability to use our position in the marketplace to protect, preserve and manage the natural resources essential for our business in a sustainable manner. Sustainability is a core value that supports all sectors of our business and has positioned the Company for organic growth into the future, and is reflected in the Company's purpose statement, "Reimagining Seafood to Nourish Life".

High Liner Foods made a public sustainability commitment in late 2010 to source its seafood from "certified sustainable or responsible" fisheries and aquaculture by the end of 2013. The Company was substantially successful in fulfilling this commitment and is now recognized as a global leader in driving best practice improvements in wild fisheries and aquaculture. Customers will continue to demand product solutions that are innovative, high quality and responsibly sourced. To the extent we fail to meet these customer expectations, or customer expectations in this regard change, operational results and brand equity may be adversely affected. Credible sustainability certifications – such as Marine Stewardship Council ("MSC") certified and Global Sustainable Initiative ("GSSI") recognition – have become a required tool to validate industry-driven wild fishery and aquaculture improvements. Environmental advocacy groups will continue to expect use of credible certification schemes to define sustainable wild fisheries and aquaculture.

In 2015, the Company implemented a social compliance program with seafood suppliers that outlines acceptable standards for the treatment of all suppliers' employees, and their suppliers' employees, involved in the production of seafood product for our Company.

Corporate Social Responsibility ("CSR") is a term used to refer to the set of voluntary actions companies take to mitigate the social and environmental impacts of their operations on society. CSR is significant in the seafood industry as

seen through the multiplication of private initiatives such as certification programs, sourcing commitments and improvement projects. Many of the issues addressed through CSR in seafood occur in the upstream end of seafood supply chains and include sustainable fish stocks, social aspects such as working conditions and fair wages, and transparency. High Liner Foods has continued its leadership position with the preparation of CSR reports since 2016 that disclose many of the improvement efforts underway.

In the short term, enhanced policies related to sustainability, environmental and social compliance both within High Liner Foods and its supply chain may add to the Company's operating costs. The long-term benefit of this investment is now being realized through the stabilization of most global wild fishery stocks and continued increase in aquaculture growth that now supplies more than 50% of the global seafood demand. Operating costs are beginning to decrease through more efficient use of energy, water, reduction of waste, and through a rigorous continuous improvement process.

The Board of Directors and management believe that high environmental, social and governance ("ESG") standards support the Company's profitability and valuation and align with the values of our Shareholders. Given the importance and pervasiveness of ESG to the Company's risk management and business strategies, the oversight function has been assigned across various committees of the Board, where deemed most appropriate. The Governance Committee oversees the Company's ESG framework as well as management's integration of ESG into the overall governance structure, business strategy and risk management practices of High Liner Foods. The Audit Committee oversees environmental compliance matters and the Human Resources Committee reviews the health and safety performance of the Company. Beginning in 2021, the Human Resources Committee also began overseeing the implementation of new performance metrics and weightings regarding safety and ESG in executive compensation. To address carbon emissions, the Company has also developed a 2022 work plan that will identify and refine greenhouse gas emissions as part of the implementation of a carbon reduction program.

Environmental Risk and Regulation

High Liner Foods' business and operations are subject to environmental laws and regulations, including those relating to permitting requirements, wastewater discharges, air emissions (greenhouse gases and other), releases of hazardous substances and remediation of contaminated sites. The Company believes that its operations are in compliance, in all material respects, with environmental laws and regulations, however, failure to comply could have serious consequences, such as criminal as well as civil penalties, liability for damages, and negative publicity for the Company. Compliance with these environmental laws and regulations requires that the Company continue to incur operating and maintenance costs and capital expenditures, including to control potential impacts of its operations on local communities. Future events such as changes in environmental laws and regulations or more vigorous regulatory enforcement policies could have a material adverse effect on the Company's financial position and could require additional expenditures to achieve or maintain compliance.

Climate Change

The potential effects of climate change could have a material impact on the Company and its operations, due to associated physical, financial, compliance and reputational risks. Physical risks resulting from climate change can be event-driven (acute) or long-term (chronic) shifts in climate patterns that may have financial implications for the Company, including direct damage to the Company's assets and indirect impact to the Company's supply chain.

Various seafood species and non-seafood products are vulnerable to adverse weather conditions and natural disasters, including windstorms, hurricanes, floods, droughts, fires, temperature extremes and earthquakes, some of which are common but difficult to predict. Severe weather conditions may occur with higher frequency or may be less predictable in the future due to the effects of climate change. Such adverse weather conditions could impact both the availability and the quality of seafood and non-seafood products procured by the Company and prevent or impair the Company's ability to procure and sell products as planned. These factors can increase cost, decrease our sales, and lead to additional expenditures, which may have a material adverse effect on the Company's business, financial condition and results from operations.

In an effort to address both climate change and reputational risks associated with the need to address the issue, the Company has also developed a 2022 work plan focused on identifying and refining its greenhouse gas emission inventories to implement a carbon reduction program.

Growth (Other than by Acquisition)

A key component of High Liner Foods' growth strategy is organic or internal growth by delivering profitable and sustainable revenue growth through the sale of existing higher margin products; eliminating under-performing products to maximize our portfolio; expanding into new markets and higher margin products; and investing in continuous improvement in our plants and our organization to improve efficiencies and simplify the business.

There can be no assurance that the Company will be successful in growing its business or in managing its growth in a manner consistent with this strategy. Furthermore, successful expansion may place a significant strain on key personnel of High Liner Foods, from a retention perspective, as well as on its operations, financial resources and other resources. The Company's ability to manage growth will also depend in part on its ability to continue to grow and enhance its information systems in a timely fashion and manage succession planning for personnel across the organization to support such growth. Any inability to properly manage growth could result in cancellation of customer orders, as well as increased operating costs, and correspondingly, could have an adverse effect on High Liner Foods' financial results.

Acquisition and Integration Risk

A component of the Company's strategy is to pursue acquisition opportunities to support sales and earnings growth and further species diversification. While management intends to be careful in selecting businesses to acquire, acquisitions inherently involve a number of risks, including, but not limited to, the possibility that the Company pays more than the acquired assets are worth; the additional expense associated with completing an acquisition; the potential loss of customers of the particular business; the difficulty of assimilating the operations and personnel of the acquired business; the challenge of implementing uniform standards, controls procedures and policies throughout the acquired business; the inability to integrate, train, retain and motivate key personnel of the acquired business; the potential disruption to the Company's ongoing business and the distraction of management from the Company's day-to-day operations; the inability to incorporate acquired businesses successfully into the Company's existing operations; inaccurate estimates of the rate of return on acquisitions or investments; inaccurate estimates of fair value made in the accounting for acquisitions and amortization of acquired intangible assets, which could reduce future reported earnings; indemnities and potential disputes with the buyers or sellers; and the potential impairment of relationships with the Company's employees, suppliers and customers. If any one or more of such risks materialize, they could have a material adverse effect on the Company's business, financial condition, liquidity and operating results.

In addition, the Company may not be able to maintain the levels of operating efficiency that the acquired company had achieved or might have achieved had it not been acquired by the Company. Successful integration of the acquired company's operations would depend upon the Company's ability to manage those operations and to eliminate redundant and excess costs. As a result of difficulties associated with combining operations, the Company may not be able to achieve the cost savings and other benefits that it expected to achieve with the acquisition. Any difficulties in this process could disrupt the Company's ongoing business, distract its management, result in the loss of key personnel or customers, increase its expenses and otherwise materially adversely affect the Company's business, financial condition, liquidity and operating results. Further, inherent in any acquisition, there is risk of liabilities and contingencies that the Company may not discover in its due diligence prior to the consummation of a particular acquisition, and the Company may not be indemnified for some or all of these liabilities and contingencies. The discovery of any material liabilities or contingencies in any acquisition could also have a material adverse effect on the Company's business, financial condition, liquidity and operating results.

Employment Matters

The Company and its subsidiaries have approximately 1,100 full-time and part-time employees, which include salaried and union employees, some of whom are covered by collective agreements. These employees are located in various jurisdictions, each such jurisdiction having differing employment laws. While the Company maintains systems and procedures to comply with the applicable requirements, there is a risk that failures or lapses by individual managers could result in a violation or cause of action that could have a material adverse effect on the Company's financial condition and results of operations. Furthermore, if a collective agreement covering a significant number of employees or involving certain key employees were to expire or otherwise cease to have effect leading to a work stoppage, there can be no assurance that such work stoppage would not have a material adverse effect on the Company's financial condition and results of operations. The Company's success is also dependent on its ability to recruit and retain qualified personnel. The loss of one or more key personnel could have a material adverse effect on the Company's financial condition and results of operations. The Company's operations are also subject to health and safety risks, as well as laws and regulations in this regard. The Board takes the safety of employees very seriously and the Human Resources Committee reviews the Company's health and safety performance on a quarterly basis. Notwithstanding the Company's existing health and safety systems, serious injury or death of an employee could have a serious impact on High Liner Foods' reputation, and result in litigation and incurring additional costs, which may be significant.

Geopolitical Risk

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

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

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

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

Credit Risk

The Company grants credit to its customers in the normal course of business. Credit valuations are performed on a regular basis and the financial statements take into account an allowance for expected credit losses. The Company believes it has low exposure to concentration of credit risk with respect to accounts receivable from customers due to its large and diverse customer base. Although the Company insures its accounts receivable risk, impairment losses related to receivables have historically been insignificant. As of the date of filing this report, we are not aware of any customer that is in financial trouble that would result in a material loss to the Company and our receivables are substantially current at year-end.

Foreign Currency

High Liner Foods reports its results in USD to reduce volatility caused by changes in the USD to CAD exchange rate. The Parent has a CAD functional currency, meaning that all transactions are recorded in CAD. However, as we report in USD, the results of the Parent are converted into USD for external reporting purposes. As such, fluctuations in exchange rates impact the translated value of the Parent's sales, costs and expenses when translated to USD.

The Company's results of operations and financial condition are both also affected by foreign currency fluctuations in a number of ways. The table below summarizes the effects of foreign exchange on our operations:

Currency	Strength	Impact on High Liner Foods
CAD	Strong	Results in a reduction in the cost of inputs for the Canadian operations in CAD. Competitive activity may result in some selling price declines on unprocessed product.
CAD	Weak	Results in an increase in the cost of inputs for the Canadian operations in CAD. Justified cost increases are usually accepted by customers. If prices rise too sharply there may be a volume decline until consumers become accustomed to the new level of pricing.
Euro	Strong	Results in increased demand from Europe for seafood supplies and may increase prices in USD.
Euro	Weak	Results in decreased demand from Europe for seafood supplies and may decrease prices in USD.
Asian currencies	Strong	Results in higher cost for seafood related to Asian-domestic inputs such as labour and overheads of primary producers. As well, increased demand may result from domestic Asian markets and increase USD prices. Justified cost increases are usually accepted by customers. If prices rise too sharply, there may be a volume decline until consumers become accustomed to the new level of pricing.
Asian currencies	Weak	Results in lower cost for seafood related to Asian-domestic inputs such as labour and overheads of primary producers. As well, decreased demand may result from domestic Asian markets and decrease USD prices. Competitive activity may result in some selling price declines on unprocessed product.
USD	Strong	As in most commodities, a strong USD usually decreases input costs in USD, as suppliers in countries not using the USD need less USD to receive the same amount in domestic currency. In Canadian operations, it increases input costs in CAD.
USD	Weak	As in most commodities, a weak USD usually increases input costs in USD, as suppliers in countries not using the USD need more USD to receive the same amount in domestic currency. In Canadian operations, it decreases input costs in CAD.

The value of the USD compared to other world currencies has an impact on many commodities, including seafood, packaging, flour-based products, cooking oil and transportation costs that are either sold in USD or have USD-input costs. This is because many producing countries do not use the USD as their functional currency and, therefore, changes in the value of the USD means that producers in other countries need less or more USD to obtain the same amount in their domestic currency. Changes in the value of the CAD by itself against the USD simply result in an increase or decrease in the CAD cost of inputs.

For products sold in Canada, most raw material is purchased in USD and flour-based ingredients, cooking oils and transportation costs all have significant commodity components that are traded in USD. A weakening CAD increases the cost of these inputs in the Canadian operation's domestic currency and usually results in higher selling prices to Canadian customers.

Although High Liner Foods reports in USD, our Canadian operations continue to be managed in CAD. Therefore, we enter into annual supply contracts, where possible, and engage in hedging activities in accordance with the Company's "*Price Risk Management Policy*" (the "Policy"), buying USD forwards and using various derivative products. To reduce our exposure to the USD on the more price inelastic items, the Policy allows us to hedge forward a maximum of 15 months of purchases; at 70–90% of exposure for the first three months, 55–85% for the next three months, 30–75% for the next three months, 10–60% for the next three months, and 0–60% for the last three months. The lower end of these ranges is required to be hedged by the Policy, with the upper ranges allowed if management believes the situation warrants a higher level of purchases to be hedged. Variations from the Policy require the approval of the Audit Committee.

The Policy excludes certain products where the price in the marketplace moves up or down with changes in the CAD cost of the product. Approximately $50.0–$75.0 million of the USD purchases of the Parent are part of the hedging program annually and are usually hedged between 40–75% of the next twelve months of forecasted purchases. We are currently forecasting purchases of $71.0 million to be hedged in 2022 and of this amount, 56.0% was hedged as of January 1, 2022. Details on the hedges in place as at January 1, 2022 are included in Note 25 "*Fair value measurement*" to the Consolidated Financial Statements.

However, the Company cannot assure that these hedging activities will eliminate the risks related to foreign currency, which could have a material adverse impact on the Company's financial condition and results of operations.

Liquidity Risk

The ability of the Company to secure short-term and long-term financing on terms acceptable to the Company is critical to fund business growth and manage its liquidity.

Our primary sources of working capital are cash flows from operations and borrowings under our credit facilities. We actively manage our relationships with our lenders and have adequate credit facilities in place until April 2023, when the working capital credit facility expires. The failure or inability of the Company to secure short-term and long-term financing in the future on terms that are commercially reasonable and acceptable to the Company could have a significant adverse impact on the Company's financial position and opportunities for growth. Even if the Company does successfully raise additional capital when needed, if it issues equity securities, investors will be diluted, and if it raises additional debt, it will be further leveraged and could be subject to restrictive covenants, such as restrictions on paying dividends or being required to pledge assets.

The Company monitors its risk to a shortage of funds using a detailed budgeting process that identifies financing needs for the next twelve months as well as models that look out five years. Working capital and cash balances are monitored daily and a procurement system provides information on commitments. This process projects cash flows from operations. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, letters of credit, bank loans, notes payable and lease liabilities. The Company's objective is that not more than 50% of borrowings should mature in the next twelve-month period.

At January 1, 2022, less than 6% of our debt will mature in the next twelve-month period based on the carrying value of borrowings reflected in the Consolidated Financial Statements. Our long-term debt is described in Note 14 "*Long-term debt*" to the Consolidated Financial Statements. At January 1, 2022 and at the date of this document, we are in compliance with all covenants and terms of our banking facilities.

Uncertainty of Return of Capital

The payment of dividends may be impacted by factors that can have a material adverse effect on High Liner Foods' business, results of operations, cash flows, financial position or prospects and which could impact its liquidity and ability to declare and pay dividends (whether at current levels, revised levels or at all). Payment of dividends is also dependent on, among other things, the ability of the Company to generate sufficient cash flows, the financial requirements of High Liner Foods, and applicable solvency tests and contractual restrictions (whether

under credit agreements or other contracts). As the payment of dividends is subject to the discretion of the Company's Board of Directors, the Company's dividend policy could change at any time if the Board determines that a change is in the best interests of the Company. There can be no assurance that the Company will maintain or increase its dividends in the future, which may have a material adverse effect on the Company's share price.

The Company also has a history of maintaining a normal course issuer bid in place that it may use to repurchase its shares for cancellation. There can be no assurance that the Company will continue with share repurchases.

Pension Plan Assets and Liabilities

In the normal course of business, the Company provides post-retirement pension benefits to its employees under both defined contribution and defined benefit pension plan arrangements. The funded status of the plans significantly affects the net periodic benefit costs of the Company's pension plans and the ongoing funding requirements of those plans. Among other factors, changes in interest rates, mortality rates, early retirement rates, and the market value of plan assets can affect the level of plan funding required, increase the Company's future funding requirements, and cause volatility in the net periodic pension cost as well as the Company's financial results. Any increase in pension expense or funding requirements could have a material adverse impact on the Company's financial condition and results of operations.

The asset mix of our defined benefit pension plans was established with the objective of reducing the volatility of the plan's anticipated funded position. This has resulted in investing part of the portfolio in fixed income assets with a duration similar to that of the pension obligations. The latest actuarial valuations of these two plans were performed during Fiscal 2020 and Fiscal 2019 and showed: a going concern excess of CAD$0.3 million and an unfunded liability of CAD$6.1 million, respectively, and a solvency deficiency of CAD$1.2 million and CAD$1.3 million, respectively.

Information Technology and Cybersecurity Risk

High Liner Foods relies on information technology systems and network infrastructure in all areas of operations and is therefore exposed to an increasing number of sophisticated cybersecurity threats. The methods used to obtain unauthorized access, disable or degrade service or sabotage systems are constantly evolving. A cybersecurity attack and a breach of sensitive information could disrupt systems and services and compromise the Company's financial position or brands, and/or otherwise adversely affect the Company's ability to achieve its strategic objectives.

The Company maintains policies, processes and procedures to address capabilities, performance, security and availability including resiliency and disaster recovery for systems, infrastructure and data. Security protocols, along with corporate information security policies, address compliance with information security standards, including those relating to information belonging to the Company's customers, suppliers and employees. The Company actively monitors, manages and continues to enhance its ability to mitigate cyber risk through its enterprise-wide programs, however, there is no assurance that any of these measures will be successful.

The implementation of major information technology projects carries with it various risks, including the risk of realization of benefits, that must be mitigated by disciplined change management and governance processes. The Company has a business process optimization team staffed with knowledgeable internal resources (supplemented by external resources as needed) that is responsible for implementing the various initiatives.

The Company also regularly implements process improvement initiatives to simplify and harmonize its systems and processes to optimize performance and reduce the risk of errors in financial reporting. There cannot be any guarantee that any such changes will improve current processes or operating results or reduce the risk of errors in financial reporting. Any of these failures could have a material adverse impact on the Company's financial condition and results of operations.

Forward-Looking Information

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

Specific forward-looking statements in this document include, but are not limited to: statements with respect to: future growth strategies and their impact on the Company's

market share and shareholder value; anticipated financial performance, including earnings trends and growth; achievement, and timing of achievement, of strategic goals and publicly stated financial targets, including to increase our market share, acquire and integrate other businesses and reduce operating and supply chain costs; the ability to develop new and innovative products that result in increased sales and market share; increased demand for the Company's products whether due to the recognition of the health benefits of seafood or otherwise; changes in costs for seafood and other raw materials; any proposed disposal of assets and/or operations; increases or decreases in processing costs; the USD/CAD exchange rate; percentage of sales from the Company's brands; expectations with regards to sales volume, earnings, product margins, product innovations, brand development and anticipated financial performance; competitor reaction to Company strategies and actions; impact of price increases or decreases on future profitability; sufficiency of working capital facilities; future income tax rates; the expected amount and timing of integration activities related to acquisitions; expected leverage levels and expected Net Debt to Adjusted EBITDA; statements under the "outlook" heading including expected demand, sales of new product, the efficiency of our plant production and U.S. tariffs on certain seafood products imported from China; expected amount and timing of cost savings related to the optimization of the Company's structure; decreased leverage in the future; estimated capital spending; future inventory trends and seasonality; market forces and the maintenance of existing customer and supplier relationships; availability of credit facilities; the projection of excess cash flow and minimum repayments under the Company's long-term loan facility; expected decreases in debt-to-capitalization ratio; dividend payments; the amount and timing of the capital expenditures in excess of normal requirements to allow the movement of production between plants; and expectations regarding the potential future impact of the 2019 coronavirus pandemic on the Company's operations and performance, customer and consumer behaviour and economic patterns.

Forward-looking statements can generally be identified by the use of the conditional tense, the words "may", "should", "would", "could", "believe", "plan", "expect", "intend", "anticipate", "estimate", "foresee", "objective", "goal", "remain" or "continue" or the negative of these terms or variations of them or words and expressions of similar nature. Actual results could differ materially from the conclusion, forecast or projection stated in such forward-looking information. As a result, we cannot guarantee that any forward-looking statements will materialize. Assumptions, expectations and estimates made in the preparation of forward-looking statements and risks that could cause our actual results to differ materially from our current expectations are discussed in detail in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including the *Risk Factors* section of this MD&A and the *Risk Factors* section of our most recent 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; 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; 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; and the potential impact of a pandemic outbreak of a contagious illness, such as the 2019 coronavirus/COVID-19 pandemic, on general economic and business conditions and therefore the Company's operations and financial performance.

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