HIGH LINER FOODS

FIRST QUARTER
REPORT TO SHAREHOLDERS

Thirteen weeks ended March 31, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the thirteen weeks ended March 31, 2018

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

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INTRODUCTION

This Management's Discussion and Analysis ("MD&A"), dated May 9, 2018, relates to the financial condition and results of operations of High Liner Foods Incorporated for the thirteen weeks ended March 31, 2018, compared to the thirteen weeks ended April 1, 2017. 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 2017 Annual Report along with our Unaudited Condensed Interim Consolidated Financial Statements as at and for the thirteen weeks ended March 31, 2018 ("Consolidated Financial Statements"), prepared in accordance with International Financial Reporting Standards ("IFRS"). The information contained in this document, including forward-looking statements, is based on information available to Management as of May 9, 2018, except as otherwise noted.

Non-IFRS Financial Measures

This document includes certain non-IFRS financial measures which we use as supplemental indicators of our operating performance and financial position, as well as for internal planning purposes. These non-IFRS 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. Non-IFRS financial measures are defined and reconciled to the most directly comparable IFRS measures in the *Non-IFRS Financial Measures* section starting on page 18 of this MD&A.

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 Canadian dollars ("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 the balance sheet and income statement. When the USD strengthens (weakening CAD), the reported USD values of the Parent's CAD-denominated items decrease in the Consolidated Financial Statements, and the opposite occurs when the USD weakens (strengthening CAD).

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

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements within the meaning of securities laws. In particular, these forward-looking statements are based on a variety of factors and assumptions that are discussed throughout this document. In addition, these statements and expectations concerning the performance of our 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; our ability to attract and retain customers; our 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 our operating and supply chain costs; and our ability to develop new and innovative products that result in increased sales and market share; increased demand for our 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 our 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 timing and the amount of the recovery associated with product recall costs; our ability to successfully integrate the acquisition of Rubicon Resources, LLC; levels of accretion and synergy and earnings growth relating to Rubicon; the expected amount and timing of integration activities related to acquisitions; expected leverage levels and expected net interest-bearing debt to Adjusted EBITDA; statements under the "outlook" heading including expected demand, sales of new product, and plant production; 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; our 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; and amount and timing of the capital expenditures in excess of normal requirements to allow the movement of production between plants.

Forward-looking statements can generally be identified by the use of the conditional tense, the words “may”, “should”, “would”, “could”, “believe”, “plan”, “expect”, “intend”, “anticipate”, “estimate”, “foresee”, “objective”, “goal”, “remain” or “continue” or the negative of these terms or variations of them or words and expressions of similar nature. Actual results could differ materially from the conclusion, forecast or projection stated in such forward-looking information. As a result, we cannot guarantee that any forward-looking statements will materialize. Assumptions, expectations and estimates made in the preparation of forward-looking statements and risks that could cause our actual results to differ materially from our current expectations are discussed in detail in the Company’s materials filed with the Canadian securities regulatory authorities from time to time, including the *Risk Factors* section of our 2017 Annual Report and the *Risk Factors* section of our 2017 Annual Information Form. The risks and uncertainties that may affect the operations, performance, development and results of High Liner Foods’ business include, but are not limited to, the following factors: volatility in the CAD/USD exchange rate; the interpretation of the U.S. Tax Reform by tax authorities; 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 same; costs of commodity products 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; 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; compliance with debt covenants; the availability of adequate levels of insurance; and management retention and development.

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

COMPANY OVERVIEW

High Liner Foods, through its predecessor companies, has been in business since 1899 and has been a publicly traded Canadian company since 1967, trading under the symbol 'HLF' on the Toronto Stock Exchange ("TSX"). We are the 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. The retail channel includes grocery and club stores and our products are sold throughout the U.S., Canada and Mexico under the ***High Liner***, ***Fisher Boy***, ***Mirabel***, ***Sea Cuisine*** and ***C. Wirthy & Co.*** labels. The foodservice channel includes sales of seafood that are usually eaten outside the home and our branded products are sold through distributors to restaurants and institutions under the ***High Liner***, ***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 ("NS"), Portsmouth, New Hampshire ("NH"), and Newport News, Virginia ("VA").

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, NS, we have transformed our long and proud heritage into global seafood expertise. We deliver on the expectations of consumers by selling seafood products that respond to their demands for sustainable, convenient, tasty and nutritious seafood, at good value.

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

OUTLOOK

Areas of increased focus in 2018 to improve financial performance continue to include improving pricing methodologies, lowering fixed costs, further increasing the effectiveness of our supply chain and product innovation, and simplifying our business. The Company will work to mitigate the impact of higher raw material costs on certain key species and higher supply chain expenses through these initiatives.

[1] In December 2011, as part of our acquisition of the U.S. subsidiary of Icelandic Group h.f., we 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.

RECENT DEVELOPMENTS

Appointment of New President and Chief Executive Officer

Effective May 1, 2018, High Liner Foods' Board of Directors appointed Rod Hepponstall as President and Chief Executive Officer. Mr. Hepponstall assumes this position from Henry Demone, Chairman of the Board of Directors. Mr. Hepponstall has extensive experience working in the food industry in the United States and Canada, in both retail and foodservice, and most recently, held the position of Senior Vice President, General Manager Retail & Foodservice Business Units at Lamb-Weston Inc., one of the world's leading suppliers of frozen potato products. In connection with Mr. Hepponstall's appointment, he will also join the Company's Board of Directors.

Product Recall

In 2017, the Company announced a voluntary recall of certain brands of breaded fish and seafood products sold in Canada and the U.S. that may contain a milk allergen that was not declared on the ingredient label and allergen statement. The Company identified that the allergen had originated from ingredients supplied by one of the Company's U.S. based ingredient suppliers. As a result, during the fifty-two weeks ended December 30, 2017, the Company recognized $13.5 million in net losses associated with the product recall related to consumer refunds, customer fines, the return of product to be re-worked or destroyed, and direct incremental costs. These losses did not include any reduction in earnings as a result of lost sales opportunities due to limited product availability and customer shortages, or increased production costs related to the interruption of production at the Company's facilities.

The Company expects to recover substantially all of the losses associated with the recall from the ingredient supplier, and will record these recoveries in the period in which they occur or are virtually certain to occur, in accordance with IFRS.

Amendments to the working capital credit facility

In April 2018, the Company amended the $180.0 million working capital credit facility (see Note 4 "*Bank loans*" to the Consolidated Financial Statements) to extend the term from April 2019 to April 2021. There were no other significant changes to the existing terms, other than an amendment to the standby fees paid on the unutilized facility to 0.25%.

PERFORMANCE

The discussion and analysis of the Company's financial results focuses on the performance of the consolidated operations, and the performance of the two reportable segments described in Note 13 *"Operating segment information"* to the Consolidated Financial Statements: Canada Operations and U.S. Operations. Information is also provided for the "Corporate" category, which includes expenses for corporate functions, share-based compensation costs and business acquisition, integration and other expenses.

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 "Revenues" 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.

	Thirteen weeks ended		
(in $000s, except sales volume, per share amounts, percentage amounts, and exchange rates)	**March 31, 2018**	**April 1, 2017**	**Change**
Sales volume (millions of lbs)	**88.1**	83.2	**4.9**
Average foreign exchange rate (USD/CAD)	**$ 1.2650**	$ 1.3238	**$ (0.0588)**
Sales			
Sales in domestic currency	**$ 336,882**	$ 296,107	**$ 40,775**
Foreign exchange impact	**(17,698)**	(20,372)	**2,674**
Sales in USD	**$ 319,184**	$ 275,735	**$ 43,449**
Gross profit	**$ 60,561**	$ 55,508	**$ 5,053**
Gross profit as a percentage of sales	**19.0%**	20.1%	**(1.1)%**
Distribution expenses	**$ 15,308**	$ 12,025	**$ 3,283**
Selling, general and administrative expenses	**$ 25,303**	$ 24,990	**$ 313**
Adjusted EBITDA(1)			
Adjusted EBITDA in domestic currency	**$ 25,368**	$ 23,062	**$ 2,306**
Foreign exchange impact	**(1,147)**	(725)	**(422)**
Adjusted EBITDA in USD	**$ 24,221**	$ 22,337	**$ 1,884**
Adjusted EBITDA as a percentage of sales	**7.6%**	8.1%	**(0.5)%**
Net income	**$ 10,251**	$ 10,742	**$ (491)**
Basic Earnings per Share ("EPS")	**$ 0.31**	$ 0.35	**$ (0.04)**
Diluted EPS	**$ 0.31**	$ 0.34	**$ (0.03)**
Adjusted Net Income(1)	**$ 10,703**	$ 10,815	**$ (112)**
Adjusted Basic EPS	**$ 0.32**	$ 0.35	**$ (0.03)**
Adjusted Diluted EPS(1),(2)	**$ 0.32**	$ 0.35	**$ (0.03)**
Total assets	**$ 863,049**	$ 664,382	**$ 198,667**
Total long-term financial liabilities	**$ 347,862**	$ 276,356	**$ 71,506**
Dividends paid per common share (CAD)	**$ 0.145**	$ 0.140	**$ 0.005**

(1) See the *Non-IFRS Financial Measures* section starting on page 18 for further explanation of Adjusted EBITDA, Adjusted Net Income, and Adjusted Diluted EPS.

(2) CAD-Equivalent Adjusted Diluted EPS was $0.40 and $0.46 for the thirteen weeks ended March 31, 2018 and April 1, 2017, respectively. See the *Non-IFRS Financial Measures* section on page 20 for further explanation of CAD-Equivalent Adjusted Diluted EPS.

The acquisition of Rubicon Resources, LLC ("Rubicon") on May 30, 2017 had the impact of increasing sales volume by 7.9 million pounds, sales by $42.1 million, gross profit by $5.0 million and Adjusted EBITDA by $1.1 million in the first quarter of 2018 compared to the same period last year. Additional information relating to the Rubicon acquisition is available in the Company's consolidated financial statements for the year ended December 30, 2017.

Sales

Sales volume in the first quarter of 2018 increased by 4.9 million pounds, or 5.9%, to 88.1 million pounds compared to 83.2 million pounds in the same period last year, due to higher sales volume in our U.S. business reflecting the addition of sales volume from Rubicon (7.9 million pounds). Excluding the impact of Rubicon, sales volume for the first quarter of 2018 decreased by 3.0 million pounds, or 3.6%, primarily due to lower sales volume in our U.S. retail and foodservice businesses.

Sales in the first quarter of 2018 were $319.2 million, representing an increase of $43.5 million, or 15.8%, compared to $275.7 million in the same period last year. The stronger Canadian dollar in the first quarter of 2018 compared to the first quarter of 2017 increased the value of reported USD sales from our CAD-denominated operations by approximately $2.9 million relative to the conversion impact last year.

Sales in domestic currency increased by $40.8 million, or 13.8%, to $336.9 million in the first quarter of 2018 compared to $296.1 million in the same period last year. Excluding the addition of sales from Rubicon ($42.1 million), sales decreased by $1.3 million, or 0.4%, mainly due to product mix and the lower sales volume mentioned above, partially offset by price increases related to raw material cost increases.

Sales by reportable segment are discussed in more detail in the *Performance by Segment* section on page 9.

Gross Profit

Gross profit increased in the first quarter of 2018 by $5.1 million, or 9.1%, to $60.6 million compared to $55.5 million in the same period last year, primarily due to the acquisition of Rubicon, which contributed $5.0 million to gross profit in the first quarter of 2018. Gross profit as a percentage of sales decreased to 19.0% compared to 20.1%, due to the impact of the Rubicon acquisition.

Excluding Rubicon, gross profit increased by $0.1 million to $55.6 million (20.1% as a percentage of sales) compared to $55.5 million (20.1% as a percentage of sales), due to higher sales prices, partially offset by plant inefficiencies in our U.S. business and the decrease in sales volume previously mentioned. In addition, the stronger Canadian dollar had the effect of increasing the value of reported USD gross profit from our Canadian operations in 2018 by approximately $0.6 million relative to the conversion impact last year.

Gross profit by reportable segment is discussed in more detail in the *Performance by Segment* section on page 9.

Distribution Expenses

Distribution expenses, consisting of freight and storage, increased in the first quarter of 2018 by $3.3 million to $15.3 million compared to $12.0 million in the same period last year, primarily due to higher volumes associated with Rubicon and higher fuel, line-haul and storage costs. As a percentage of sales, distribution expenses increased to 4.8% in the first quarter of 2018 compared to 4.4% in the same period in 2017.

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

	Thirteen weeks ended	
(Amounts in $000s)	**March 31, 2018**	**April 1, 2017**
SG&A expenses, as reported	**$ 25,303**	$ 24,990
Less:		
Share-based compensation (recovery) expense[1]	**(116)**	196
Depreciation and amortization expense[1]	**2,198**	1,668
SG&A expenses, net	**$ 23,221**	$ 23,126
SG&A expenses, net as a percentage of sales	**7.3%**	8.4%

[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 $0.3 million to $25.3 million in the first quarter of 2018 as compared to $25.0 million in the same period last year. SG&A expenses included share-based compensation recovery of $0.1 million in the first quarter of 2018 compared to an expense of $0.2 million in the same period last year, primarily reflecting a lower share price and a lower percentage achievement for performance-based awards. SG&A expenses also included depreciation and amortization expense of $2.2 million in the first quarter of 2018 compared to $1.7 million in the same period last year. The increase in depreciation and amortization expense primarily related to the amortization of intangible assets acquired as part of the Rubicon acquisition in May 2017.

Excluding share-based compensation and depreciation and amortization expenses, SG&A expenses increased in the first quarter of 2018 by $0.1 million to $23.2 million compared to $23.1 million in the same period last year, due to expenses associated with Rubicon, largely offset by lower corporate administrative expenses and U.S. sales and marketing expenses. As a percentage of sales, SG&A excluding share-based compensation and depreciation and amortization expenses decreased to 7.3% in the first quarter of 2018 compared to 8.4% in the same period last year.

Adjusted EBITDA

We refer to Adjusted EBITDA throughout this MD&A, including in the *Performance by Segment* section on page 9, where Adjusted EBITDA is discussed for both our Canadian and U.S. operations. See the *Non-IFRS Financial Measures* section on page 18 for further explanation of this non-IFRS measure.

Consolidated Adjusted EBITDA increased in the first quarter of 2018 by $1.9 million, or 8.4%, to $24.2 million compared to $22.3 million in the same period last year. The impact of converting our CAD-denominated operations and corporate activities to our USD presentation currency decreased the value of reported Adjusted EBITDA in USD by $1.1 million in the first quarter of 2018 compared to $0.7 million in the same period last year.

In domestic currency, Adjusted EBITDA increased in the first quarter of 2018 by $2.3 million, or 10.0%, to $25.4 million (7.5% of sales) compared to $23.1 million (7.8% of sales) in the same period last year. The increase in Adjusted EBITDA reflects the higher gross profit explained previously, partially offset by the increases in distribution and SG&A expenses. Adjusted EBITDA was positively affected by the acquisition of Rubicon, which contributed $1.1 million in the first quarter of 2018. Excluding Rubicon, Adjusted EBITDA was $24.3 million, or 8.2% as a percentage of sales.

The following table shows the impact in the first quarter of 2018 and 2017 of converting our CAD-denominated operations and corporate activities to our USD presentation currency.

	Thirteen weeks ended			Thirteen weeks ended		
(Amounts in $000s)	March 31, 2018 USD	April 1, 2017 USD	% Change USD	March 31, 2018 Domestic $	April 1, 2017 Domestic $	% Change Domestic $
External Sales						
Canada	**$ 66,421**	$ 62,882	**5.6 %**	**$ 84,119**	$ 83,254	**1.0 %**
USA	**252,763**	212,853	**18.8 %**	**252,763**	212,853	**18.8 %**
	319,184	275,735	**15.8 %**	**336,882**	296,107	**13.8 %**
Conversion	**—**	—		**(17,698)**	(20,372)	
	$ 319,184	$ 275,735	**15.8 %**	**$ 319,184**	$ 275,735	**15.8 %**
Adjusted EBITDA						
Canada	**$ 4,640**	$ 3,494	**32.8 %**	**$ 5,895**	$ 4,622	**27.5 %**
USA	**19,523**	19,434	**0.5 %**	**19,523**	19,434	**0.5 %**
Corporate	**58**	(591)	**(109.8)%**	**(50)**	(994)	**(95.0)%**
	24,221	22,337	**8.4 %**	**25,368**	23,062	**10.0 %**
Conversion	**—**	—		**(1,147)**	(725)	
	$ 24,221	$ 22,337	**8.4 %**	**$ 24,221**	$ 22,337	**8.4 %**
Adjusted EBITDA as percentage of sales						
In USD	**7.6%**	8.1%				
In Domestic $				**7.5%**	7.8%	

Net Income

We refer to Adjusted Net Income, Adjusted Diluted EPS and CAD-Equivalent Adjusted Diluted EPS throughout this MD&A. See the *Non-IFRS Financial Measures* section starting on page 18 for further explanation of these non-IFRS measures.

Net income decreased in the first quarter of 2018 by $0.4 million, or 4.6%, to $10.3 million ($0.31 per diluted share) compared to $10.7 million ($0.34 per diluted share) in the same period last year. The decrease in net income reflects an increase in depreciation and amortization expenses and finance costs, partially offset by the increase in Adjusted EBITDA mentioned previously.

In the first quarter of 2018 and 2017, net income included other non-cash expenses and "business acquisition, integration and other expenses" (as explained in the *Business Acquisition, Integration and Other Expenses* section on page 11 of this MD&A) related to termination benefits as a result of restructuring activities in 2018 and business acquisition costs related to the acquisition of Rubicon in 2017. Excluding the impact of these non-routine expenses and other non-cash expenses, Adjusted Net Income in the first quarter of 2018 decreased by $0.1 million, or 1.0%, to $10.7 million compared to $10.8 million in the same period last year.

Adjusted Diluted EPS decreased by $0.03 to $0.32 in the first quarter of 2018 compared to $0.35 in the same period last year and when converted to CAD using the average USD/CAD exchange rate for the first quarter of 2018 of 1.2650 (the first quarter of 2017: 1.3238), CAD-Equivalent Adjusted Diluted EPS decreased by CAD$0.06 to CAD$0.40 in the first quarter of 2018 compared to CAD$0.46 in the same period last year primarily due to the increase in the weighted average number of shares outstanding associated with the acquisition of Rubicon.

Performance by Segment

Canadian Operations

(All currency amounts in this section are in CAD)

	Thirteen weeks ended		
(in $000s, except sales volume and percentage amounts)	March 31, 2018	April 1, 2017	Change
Sales volume (millions of lbs)	**17.6**	17.7	**(0.1)**
Sales	**$ 84,119**	$ 83,254	**$ 865**
Gross profit	**$ 17,019**	$ 16,584	**$ 435**
Gross profit as a percentage of sales	**20.2%**	19.9%	**0.3%**
Adjusted EBITDA(1)	**$ 5,895**	$ 4,622	**$ 1,273**
Adjusted EBITDA as a percentage of sales	**7.0%**	5.6%	**1.4%**

(1) See the *Non-IFRS Financial Measures* section on page 18 for further explanation of Adjusted EBITDA.

Sales volume for our Canadian operations decreased by 0.1 million pounds during the first quarter of 2018 to 17.6 million pounds compared to 17.7 million pounds in 2017, reflecting lower sales volume in the retail business.

Sales in the first quarter of 2018 increased by $0.9 million, or 1.0%, to $84.1 million compared to $83.2 million in the same period last year, due to product mix and price increases related to raw material cost increases, partially offset by decreased sales volume.

Gross profit increased in the first quarter of 2018 by $0.4 million to $17.0 million (20.2% of sales) compared to $16.6 million (19.9% of sales) in the same period last year, reflecting improvements in plant efficiency, price increases and Q1 2017 product recall costs that did not reoccur in the first quarter of 2018, partially offset by unfavourable product mix related to lower demand for traditional breaded and battered frozen seafood products.

Adjusted EBITDA for our Canadian operations increased in the first quarter of 2018 by $1.3 million, or 27.5%, to $5.9 million (7.0% of sales) compared to $4.6 million (5.6% of sales) in the same period last year, primarily reflecting the increase in gross profit mentioned above and lower administrative and consumer marketing expenses, partially offset by increased distribution expenses.

U.S. Operations

(All currency amounts in this section are in USD)

	Thirteen weeks ended		
(in $000s, except sales volume and percentage amounts)	March 31, 2018	April 1, 2017	Change
Sales volume (millions of lbs)	**70.5**	65.6	**4.9**
Sales	**$ 252,763**	$ 212,853	**$ 39,910**
Gross profit	**$ 46,620**	$ 42,650	**$ 3,970**
Gross profit as a percentage of sales	**18.4%**	20.0%	**(1.6)%**
Adjusted EBITDA(1)	**$ 19,523**	$ 19,434	**$ 89**
Adjusted EBITDA as a percentage of sales	**7.7%**	9.1%	**(1.4)%**

(1) See the *Non-IFRS Financial Measures* section on page 18 for further explanation of Adjusted EBITDA.

Sales volume for our U.S. operations increased by 4.9 million pounds, or 7.5%, in the first quarter of 2018 to 70.5 million pounds compared to 65.6 million pounds in the same period last year, reflecting the addition of sales volume from Rubicon of 7.9 million pounds. Excluding the impact of the acquisition of Rubicon, sales volume for the first quarter of 2018 decreased by 2.9 million pounds, or 4.5%, primarily reflecting lower volume in both the retail and foodservice businesses.

Sales in the first quarter of 2018 increased by $39.9 million, or 18.8%, to $252.8 million compared to $212.9 million in the same period last year reflecting the acquisition of Rubicon ($42.1 million). Excluding the impact of the Rubicon acquisition, sales decreased by $2.2 million, or 1.0%, primarily due to the decreased volume explained above, partially offset by price increases related to raw material cost increases.

Gross profit increased in the first quarter of 2018 by $3.9 million to $46.6 million (18.4% of sales) compared to $42.7 million (20.0% of sales) in the same period last year, reflecting the gross profit from Rubicon ($5.0 million). Excluding the impact of the acquisition of Rubicon, gross profit decreased by $1.1 million to $41.6 million (19.8% as a percentage of sales) compared to $42.7 million (20.0% as a percentage of sales) in the same period last year, primarily due to plant inefficiencies and lower sales volume, partially offset by price increases.

Adjusted EBITDA for our U.S. operations increased in the first quarter of 2018 by $0.1 million, or 0.5%, to $19.5 million (7.7% of sales) compared to $19.4 million (9.1% of sales) in the same period last year, reflecting the higher gross profit explained above, partially offset by the increases in distribution and SG&A expenses that were primarily related to Rubicon. Adjusted EBITDA was positively affected by the acquisition of Rubicon, which contributed $1.1 million in Adjusted EBITDA. Excluding Rubicon, Adjusted EBITDA was $18.4 million, or 8.8% as a percentage of sales.

RESULTS BY QUARTER

The following contains certain corrections of errors identified in previously reported amounts for the periods in Fiscal 2016. See Note 6 *"Revision of previously reported consolidated financial statements"* to the 2017 annual consolidated financial statements for further discussion.

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

(Amounts in 000s, except per share amounts)	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Sales	**$319,184**	$263,022	$282,704	$232,385	$275,735	$208,793	$230,366	$224,388	$291,439
Adjusted EBITDA(1)	**$ 24,221**	$ 13,060	$ 17,298	$ 13,417	$ 22,337	$ 16,117	$ 17,510	$ 17,448	$ 30,308
Net Income	**$ 10,251**	$ 14,227	$ 6,040	$ 644	$ 10,742	$ 6,660	$ 6,316	$ 5,129	$ 14,180
Adjusted Net Income(1)	**$ 10,703**	$ 4,849	$ 8,424	$ 6,054	$ 10,815	$ 6,969	$ 8,959	$ 8,524	$ 15,831
EPS, based on Net Income									
Basic	**$ 0.31**	$ 0.43	$ 0.18	$ 0.02	$ 0.35	$ 0.22	$ 0.20	$ 0.17	$ 0.46
Diluted	**$ 0.31**	$ 0.43	$ 0.18	$ 0.02	$ 0.34	$ 0.21	$ 0.20	$ 0.16	$ 0.45
EPS, based on Adjusted Net Income(1)									
Basic	**$ 0.32**	$ 0.14	$ 0.25	$ 0.19	$ 0.35	$ 0.23	$ 0.29	$ 0.28	$ 0.51
Diluted(1)	**$ 0.32**	$ 0.15	$ 0.25	$ 0.19	$ 0.35	$ 0.22	$ 0.29	$ 0.27	$ 0.51
Dividends paid per common share (CAD)									
	$ 0.145	$ 0.145	$ 0.140	$ 0.140	$ 0.140	$ 0.140	$ 0.130	$ 0.130	$ 0.120
Net non-cash working capital(2)									
	$244,764	$239,102	$208,507	$206,094	$218,832	$190,825	$192,879	$202,031	$214,327

(1) See the *Non-IFRS Financial Measures* section starting on page 18 for further explanation of Adjusted EBITDA, Adjusted Net Income and Adjusted Diluted EPS.

(2) Net non-cash working capital is comprised of accounts receivable, inventories and prepaid expenses, less accounts payable and accrued liabilities, and provisions.

BUSINESS ACQUISITION, INTEGRATION AND OTHER EXPENSES

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

		Thirteen weeks ended		
(Amounts in $000s)		**March 31, 2018**		**April 1, 2017**
Business acquisition, integration and other expenses	**$**	**656**	$	276

Business acquisition, integration and other expenses primarily included costs related to termination benefits as a result of restructuring activities in the first quarter of 2018.

In the first quarter of 2017, business acquisition, integration and other expenses primarily included costs related to the acquisition of Rubicon.

FINANCE COSTS

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

		Thirteen weeks ended		
(Amounts in $000s)		**March 31, 2018**		**April 1, 2017**
Interest paid in cash during the period	**$**	**4,835**	$	3,393
Change in cash interest accrued during the period		**296**		24
Total interest to be paid in cash		**5,131**		3,417
Deferred financing cost amortization		**224**		131
Total finance costs	**$**	**5,355**	$	3,548

Finance costs were $1.8 million higher in the first quarter of 2018 compared to the same period last year due to increased net interest-bearing debt, primarily reflecting the acquisition of Rubicon and lower cash flow provided by operating activities during Fiscal 2017.

INCOME TAXES

The Company's statutory tax rate for the thirteen weeks ended March 31, 2018 was 29.3% (thirteen weeks ended April 1, 2017: 29.2%). The Company's effective income tax rate for the thirteen weeks ended March 31, 2018 was 26.5% (thirteen weeks ended April 1, 2017: 26.8%). The lower effective tax rate for the thirteen weeks ended March 31, 2018 compared to the prior year is attributable to the Tax Cuts and Jobs Act that was signed into law on December 22, 2017 ("U.S. Tax Reform"), including a reduction in the U.S. federal corporate income tax rate from 35% to 21%, partially offset by non-deductible acquisition financing deductions.

The U.S. Tax Reform introduced other important changes in the U.S. corporate income tax laws that have been reflected during the thirteen weeks ended March 31, 2018, including the creation of a new Base Erosion Anti-Abuse Tax that subjects certain payments from U.S. corporations to foreign related parties to additional taxes, and limitations to certain deductions for net interest expense incurred by U.S. corporations. The U.S. Tax Reform also included an increase in bonus depreciation from 50% to 100% for qualified property placed in service after September 27, 2017 and before 2023. Future regulations and interpretations to be issued by U.S. authorities may also impact the Company's estimates and assumptions used in calculating its income tax provisions.

CONTINGENCIES

The Company has no material outstanding contingencies.

LIQUIDITY AND CAPITAL RESOURCES

The Company's balance sheet is affected by foreign currency fluctuations, the effect of which is discussed in the *Introduction* section on page 1 of this MD&A (under the heading *"Currency"*) and in the Foreign Currency risk discussion on page 23 (in the *Risk Factors* section).

Our capital management practices are described in Note 27 *"Capital management"* to the 2017 annual consolidated financial statements.

Working Capital Credit Facility

The Company entered into an asset-based working capital credit facility in November 2010 with the Royal Bank of Canada as Administrative and Collateral agent, which would expire by its terms in April 2019. There have been several amendments made to this facility, with the most substantial amendment occurring in April 2014 when it was amended concurrently with the term loan, and increased from $120.0 million to $180.0 million. In April 2018, the Company amended the working capital credit facility to extend the term from April 2019 to April 2021. There were no other significant changes to the existing terms, other than an amendment to the standby fees paid on the unutilized facility to 0.25%.

The working capital credit facility provides for the rates 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 March 31, 2018 are also noted in the following table.

Per Credit Agreement		As at March 31, 2018
Canadian Prime Rate revolving loans, Canadian Base Rate revolving and U.S. Prime Rate revolving loans, at their respective rates	plus 0.00% to 0.25%	plus 0.00%
Bankers' Acceptances ("BA") revolving loans, at BA rates	plus 1.25% to 1.75%	plus 1.50%
LIBOR revolving loans at LIBOR, at their respective rates	plus 1.25% to 1.75%	plus 1.50%
Letters of credit, with fees of	1.25% to 1.75%	1.50%
Standby fees, required to be paid on the unutilized facility, of	0.25% to 0.375%	0.375%

Average short-term borrowings outstanding during the first quarter of 2018 were $74.0 million compared to $18.8 million in the same period last year. This $55.2 million increase primarily reflects increased borrowing due to the acquisition of Rubicon, reduced cash flow provided by operations in the latter half of Fiscal 2017 and increased working capital requirements during the first quarter of 2018.

At the end of the first quarter of 2018, the Company had $111.3 million (April 1, 2017: $150.4 million) of unused borrowing capacity taking into account both margin calculations and the total line availability. On March 31, 2018, letters of credit and standby letters of credit were outstanding in the amount of $16.4 million (April 1, 2017: $21.2 million) to support raw material purchases and to secure certain contractual obligations, including those related to the Company’s Supplemental Executive Retirement Plan ("SERP"). Letters of credit reduce the availability under our working capital credit facility and are accounted for in the $111.3 million of unused borrowing capacity noted above.

The facility is asset-based and collateralized by the Company’s inventories, accounts receivable and other personal property in Canada and the U.S., subject to a first charge on brands, trade names and related intangibles under the Company's term loan facility, and excluding the assets acquired as part of the Rubicon acquisition. 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 4 *"Bank loans"* to the Consolidated Financial Statements.

In the absence of any major acquisitions or capital expenditures, we expect short-term borrowings by the end of 2018 to be lower than the first quarter of 2018, and we believe the asset-based working capital credit facility should be sufficient to fund all of the Company's anticipated cash requirements.

Term Loan Facility

The Company entered into a term loan in December 2011. There have been several amendments made to the term loan with the most recent being in April 2014, when it was amended concurrently with the working capital credit facility and increased to $300.0 million. In June 2017, the term loan facility was increased from $300.0 million to $370.0 million to facilitate the Rubicon acquisition. The $70.0 million addition to the term loan was made in accordance with the term loan credit agreement, which provides for incremental increases that meet stated provisions, at consistent terms.

Minimum repayments on the term loan are required on an annual basis, plus, based on a leverage test, additional payments could be required of up to 50% of the previous year's defined excess cash flow. There were excess cash flows in 2015, due largely to decreased working capital and capital expenditures in 2015 as compared to 2014, and as a result, an excess cash flow payment of $11.8 million was made in March 2016. In addition, the Company made a voluntary repayment of $15.0 million during the second quarter of 2016 to reduce excess cash balances. Quarterly principal repayments of $0.9 million are required on the term loan; however, as per the loan agreement, the mandatory excess cash flow payment and the voluntary repayment will be applied to future regularly scheduled principal repayments. As such, no regularly scheduled principal repayments were paid in 2017 and no repayments are required in 2018.

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

During the thirteen weeks ended March 31, 2018, 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:					
December 31, 2014	December 31, 2019	3-month LIBOR (floor 1.0%)	2.1700%	$	20.0
March 4, 2015	March 4, 2020	3-month LIBOR (floor 1.0%)	1.9150%	$	25.0
April 4, 2016	April 4, 2018	3-month LIBOR (floor 1.0%)	1.2325%	$	35.0
April 4, 2016	April 24, 2021	3-month LIBOR (floor 1.0%)	1.6700%	$	40.0
December 28, 2017	April 24, 2021	3-month LIBOR (floor 1.0%)	2.2200%	$	80.0

As of March 31, 2018, the combined impact of the interest rate swaps listed above effectively fix the interest rate on $200.0 million of the $370.0 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 1.0%.

Additional details regarding the Company's term loan are provided in Note 5 *"Long-term debt"* to the Consolidated Financial Statements.

Net Interest-Bearing Debt

The Company's net interest-bearing debt (as calculated in the *Non-IFRS Financial Measures* section on page 20 of this MD&A) is comprised of the working capital credit and term loan facilities (excluding deferred finance costs) and finance leases, less cash. Net interest-bearing debt increased by $113.6 million to $386.1 million at March 31, 2018 compared to $272.5 million at April 1, 2017, primarily reflecting the acquisition of Rubicon in May 2017, lower cash flow from operating activities in the latter half of 2017 and higher capital expenditures during 2017.

Including trailing twelve-month Adjusted EBITDA for Rubicon, net interest-bearing debt to rolling twelve-month Adjusted EBITDA (see the *Non-IFRS Financial Measures* section on page 18 of this MD&A for further discussion of Adjusted EBITDA) was 5.6x at March 31, 2018, consistent with the end of Fiscal 2017. Including Adjusted EBITDA for Rubicon since acquisition only, net interest-bearing debt to rolling twelve-month Adjusted EBITDA was 5.7x at March 31, 2018, compared to 5.9x at the end of Fiscal 2017 as shown in the table below. In the absence of any major acquisitions or strategic initiatives requiring capital expenditures in 2018, we expect this ratio to continue to improve throughout the remainder of 2018.

(Amounts in $000s, except as otherwise noted)	Twelve months ended March 31, 2018	December 30, 2017
Net interest-bearing debt	**$ 386,118**	$ 387,869
Adjusted EBITDA	**$ 67,996**	$ 66,112
Net interest-bearing debt to Adjusted EBITDA ratio (times)	**5.7x**	5.9x

Capital Structure

At March 31, 2018, net interest-bearing debt was 58.7% of total capitalization, as compared to 54.5% at April 1, 2017.

(Amounts in $000s)	March 31, 2018	December 30, 2017	April 1, 2017
Net interest-bearing debt	**$ 386,118**	$ 387,869	$ 272,499
Shareholders' equity	**274,308**	268,867	228,151
Unrealized gains on derivative financial instruments included in AOCI	**(2,346)**	(220)	(501)
Total capitalization	**$ 658,080**	$ 656,516	$ 500,149
Net interest-bearing debt as percentage of total capitalization	**58.7%**	59.1%	54.5%

Using our March 31, 2018 market capitalization of $288.4 million, based on a share price of CAD$11.15 (USD$8.64 equivalent), instead of the book value of equity, net interest-bearing debt as a percentage of total capitalization decreases to 57.2%.

Cash Flow

(Amounts in $000s)		Thirteen weeks ended March 31, 2018		Thirteen weeks ended April 1, 2017		Change
Cash flows provided by operations before changes in non-cash working capital, interest and income taxes paid	$	**23,555**	$	21,915	$	**1,640**
Interest paid		**(4,835)**		(3,393)		**(1,442)**
Income taxes refunded (paid)		**77**		(2,424)		**2,501**
Cash flows provided by operations, including interest and income taxes, and before changes in non-cash working capital balances		**18,797**		16,098		**2,699**
Net change in non-cash working capital balances		**(9,830)**		(28,383)		**18,553**
Net cash flows provided by (used in) operating activities		**8,967**		(12,285)		**21,252**
Net cash flows (used in) provided by financing activities		**(4,919)**		4,040		**(8,959)**
Net cash flows used in investing activities		**(3,963)**		(5,395)		**1,432**
Foreign exchange increase on cash		**321**		494		**(173)**
Net change in cash during the period	$	**406**	$	(13,146)	$	**13,552**

Net cash flows provided by (used in) operating activities increased by $21.3 million in the first quarter of 2018 to an inflow of $9.0 million compared to an outflow of $12.3 million in the first quarter of the prior year reflecting the following:

- Cash flows from operating activities, including interest and income taxes, and before the change in non-cash working capital balances, increased $2.7 million in the first quarter of 2018 to $18.8 million compared to $16.1 million in the same period last year. This increase reflects more favourable results from operations and a tax refund, partially offset by higher interest payments.
- Cash flows from changes in net non-cash working capital increased by $18.6 million in the first quarter of 2018 to an outflow of $9.8 million compared to an outflow of $28.4 million in the same period last year. This increase primarily reflects more favourable changes in inventories and accounts receivable, partially offset by a less favourable change in accounts payable and accrued liabilities during the first quarter of 2018 compared to the same period last year.

Standardized Free Cash Flow (see the *Non-IFRS Financial Measures* section on page 20 for further explanation of Standardized Free Cash Flow) for the rolling twelve months ended March 31, 2018 decreased by $42.1 million to an outflow of $25.3 million compared to an inflow of $16.8 million for the twelve months ended April 1, 2017. This decrease reflects a less favourable change in non-cash working capital, lower cash flow from operating activities and higher capital expenditures during the twelve months ended March 31, 2018 as compared to the twelve months ended April 1, 2017.

Net Non-Cash Working Capital

(Amounts in $000s)		March 31, 2018		December 30, 2017		Change
Accounts receivable	$	**109,169**	$	92,395	$	**16,774**
Inventories		**294,421**		353,433		**(59,012)**
Prepaid expenses		**3,362**		3,462		**(100)**
Accounts payable and accrued liabilities		**(161,801)**		(209,910)		**48,109**
Provisions		**(387)**		(278)		**(109)**
Net non-cash working capital	**$**	**244,764**	$	239,102	**$**	**5,662**

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 $5.7 million to $244.8 million at the end of March 31, 2018 as compared to $239.1 million at the end of December 30, 2017, primarily reflecting lower accounts payable and accrued liabilities and increased accounts receivable mainly attributable to the Lenten period, partially offset by lower inventories.

Our working capital requirements fluctuate during the year, usually peaking between December and March as our inventory is the highest at that time. 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 the remainder of 2018.

Capital Expenditures

Gross capital expenditures (including finance leases and computer software) were $4.4 million for the first quarter of 2018, or $1.2 million lower than capital expenditures of $5.6 million during the same quarter last year, due to the timing of expenditures.

Excluding strategic initiatives that may arise, management expects capital expenditures in 2018 will be approximately $21.0 million and funded by cash generated from operations and short-term borrowings.

Dividends

The Company paid a CAD$0.145 per share quarterly dividend on March 15, 2018 to common shareholders of record on March 1, 2018.

On May 9, 2018, the Company's Board of Directors approved a quarterly dividend of CAD$0.145 per share on the Company's common shares, payable on June 15, 2018 to holders of record on June 1, 2018. These dividends are considered "eligible dividends" for Canadian income tax purposes.

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

- Under the working capital credit facility, Average Adjusted Aggregate Availability, as defined in the credit agreement, needs to be $22.5 million or higher and was $139.3 million on March 31, 2018, and NCIBs are subject to an annual limit of $10.0 million; 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 the defined available amount based on excess cash flow accumulated over the term of the loan when the defined total leverage ratio is below 4.5x and becomes unlimited when the defined total leverage ratio is below 3.75x. The defined total leverage ratio was 5.5x on March 31, 2018. NCIBs are subject to an annual limit of $10.0 million under the term loan facility.

Contractual Obligations

Contractual obligations relating to our long-term debt, finance lease obligations, operating leases, purchase obligations and other long-term liabilities as at March 31, 2018 were as follows:

	Payments Due by Period			
(Amounts in $000s)	Total	Less than 1 year	1-5 Years	Thereafter
Long-term debt	**$ 337,926**	$ —	$ 337,926	$ —
Finance lease obligations	**1,087**	550	537	—
Other current and long-term liabilities	**1,353**	264	1,089	—
Operating leases	**22,526**	3,902	16,181	2,443
Purchase obligations	**244,612**	242,232	2,380	—
Total contractual obligations	**$ 607,504**	$ 246,948	$ 358,113	$ 2,443

Purchase obligations are for the purchase of seafood and other non-seafood inputs, including flour, paper products and frying oils. See the *Procurement* risk section in the 2017 Annual Report and the *Foreign Currency* section on page 23 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 14 "*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 28 "*Financial risk management objectives and policies*" of the 2017 annual consolidated financial statements for further discussion of the Company's financial risks and policies.

Disclosure of Outstanding Share Data

On May 9, 2018, 33,379,815 common shares and 1,943,098 options were outstanding. The options are exercisable on a one-for-one basis for common shares of the Company.

RELATED PARTY TRANSACTIONS

As a result of the Rubicon acquisition in May 2017, the Company has right of first refusal on certain commodity seafood sales from a company controlled by Brian Wynn, who is now a member of the Company's management. Total sales to related parties for the thirteen weeks ended March 31, 2018 were $0.1 million (thirteen weeks ended April 1, 2017: $nil) and as at March 31, 2018 there was $0.2 million due from the related parties (April 1, 2017: $nil).

Refer to Note 20 *"Related party disclosures"* to the 2017 annual consolidated financial statements for a further description of the Company's related party transactions which are substantially unchanged in 2018.

EVENTS AFTER THE REPORTING PERIOD

Amendments to the working capital credit facility

As described in the *Recent Developments* section on page 4 of this MD&A, in April 2018, the Company amended the $180.0 million working capital credit facility (see Note 4 "*Bank loans*" to the Consolidated Financial Statements) to extend the term from April 2019 to April 2021. There were no other significant changes to the existing terms, other than an amendment to the standby fees paid on the unutilized facility to 0.25%.

NON-IFRS FINANCIAL MEASURES

The Company uses the following non-IFRS financial measures in this MD&A to explain the following financial results: Adjusted Earnings before Interest, Taxes, Depreciation and Amortization (“Adjusted EBITDA”); Adjusted Net Income; Adjusted Diluted Earnings per Share (“Adjusted Diluted EPS”); CAD-Equivalent Adjusted Diluted EPS; Standardized Free Cash Flow; and Net Interest-Bearing Debt.

Adjusted EBITDA

Adjusted EBITDA follows the October 2008 “General Principles and Guidance for Reporting EBITDA and Free Cash Flow” issued by the Chartered Professional Accountants of Canada ("CPA Canada") and is earnings before interest, taxes, depreciation and amortization, excluding: business acquisition, integration and other expenses including those related to the cessation of plant operations; gains or losses on disposal of assets; termination benefits; and share-based compensation expense. The related margin is defined as Adjusted EBITDA divided by net sales ("Adjusted EBITDA as a percentage of sales"), where net sales is defined as "Revenues" 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 associated with business acquisition, integration activities, certain non-routine costs 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 performance of our business. The most directly comparable IFRS measure to Adjusted EBTIDA is "Results from operating activities" on the consolidated statements of income. Adjusted EBITDA is also useful when comparing 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 our Adjusted EBITDA with measures that are found in our Consolidated Financial Statements, including the operating segment information disclosed in Note 13 *"Operating segment information"*.

	Thirteen weeks ended March 31, 2018				Thirteen weeks ended April 1, 2017			
(Amounts in $000s)	Canada	U.S.	Corporate	Total	Canada	U.S.	Corporate	Total
Net income (loss)	**$ 4,089**	**$ 16,029**	**$ (9,867)**	**$ 10,251**	$ 3,062	$ 16,514	$ (8,834)	$ 10,742
Add back:								
Depreciation and amortization	**550**	**3,420**	**342**	**4,312**	445	2,890	280	3,615
Finance costs	**—**	**—**	**5,355**	**5,355**	—	—	3,548	3,548
Income tax expense	**—**	**—**	**3,688**	**3,688**	—	—	3,927	3,927
Standardized EBITDA	**4,639**	**19,449**	**(482)**	**23,606**	3,507	19,404	(1,079)	21,832
Add back (deduct):								
Business acquisition, integration and other expenses	**—**	**—**	**656**	**656**	—	—	276	276
Loss (gain) on disposal of assets	**1**	**74**	**(13)**	**62**	(13)	30	—	17
Share-based compensation (recovery) expense	**—**	**—**	**(103)**	**(103)**	—	—	212	212
Adjusted EBITDA	**$ 4,640**	**$ 19,523**	**$ 58**	**$ 24,221**	$ 3,494	$ 19,434	$ (591)	$ 22,337

Adjusted Net Income and Adjusted Diluted EPS

Adjusted Net Income is net income excluding the after-tax impact of: business acquisition, integration and certain other non-routine costs including those related to the cessation of plant operations; the non-cash expense or income related to marking-to-market an interest rate swap not designated for hedge accounting; termination benefits; the U.S. Tax Reform and share-based compensation expense. 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 aforementioned 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:

	Thirteen weeks ended March 31, 2018		Thirteen weeks ended April 1, 2017	
	$000s	Diluted EPS	$000s	Diluted EPS
Net income	**$ 10,251**	**$ 0.31**	$ 10,742	$ 0.34
Add back:				
Business acquisition, integration and other expenses	**656**	**0.01**	276	0.01
Share-based compensation (recovery) expense	**(103)**	**—**	212	0.01
Tax impact of reconciling items	**$ (101)**	**$ —**	$ (415)	$ (0.01)
Adjusted Net Income	**$ 10,703**	**$ 0.32**	$ 10,815	$ 0.35
Average shares for the period (000s)		**33,498**		31,138

CAD-Equivalent Adjusted Diluted EPS

CAD-Equivalent Adjusted Diluted EPS is Adjusted Diluted EPS, as defined above, converted to CAD using the average USD/CAD exchange rate for the period. High Liner Foods' common shares trade on the TSX and are quoted in CAD. The CAD-Equivalent Adjusted Diluted EPS is provided for the purpose of calculating financial ratios, like share price-to-earnings ratio, where investors should take into consideration that the Company's share price and dividend rate are reported in CAD and its earnings and financial position are reported in USD. This measure is included for illustrative purposes only, and would not equal the Adjusted Diluted EPS in CAD that would result if the Company's Consolidated Financial Statements were presented in CAD.

		Thirteen weeks ended		
		March 31, 2018		**April 1, 2017**
Adjusted Diluted EPS	**$**	**0.32**	$	0.35
Average foreign exchange rate for the period		**1.2650**		1.3238
CAD-Equivalent Adjusted Diluted EPS	**$**	**0.40**	$	0.46

Standardized Free Cash Flow

Standardized Free Cash Flow follows the October 2008 "General Principles and Guidance for Reporting EBITDA and Free Cash Flow" issued by CPA Canada and is cash flow from 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 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 from 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 $000s)		**March 31, 2018**		**April 1, 2017**		**Change**
Net change in non-cash working capital items	**$**	**(30,356)**	$	(11,875)	**$**	**(18,481)**
Cash flow from operating activities, including interest and income taxes		**30,119**		49,839		**(19,720)**
Cash flow from operating activities		**(237)**		37,964		**(38,201)**
Less: total capital expenditures, net of investment tax credits		**(25,082)**		(21,181)		**(3,901)**
Standardized Free Cash Flow	**$**	**(25,319)**	$	16,783	**$**	**(42,102)**

Net Interest-Bearing Debt

Net Interest-Bearing Debt is calculated as the sum of bank loans, long-term debt, and finance lease obligations, less cash.

We consider Net Interest-Bearing 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 Interest-Bearing Debt to determine the Company's financial leverage. Net Interest-Bearing Debt has no comparable IFRS financial measure, but rather is calculated using several asset and liability items in the consolidated statements of financial position.

The following table reconciles Net Interest-Bearing Debt to IFRS measures reported as at the end of the indicated periods.

(Amounts in $000s)	March 31, 2018	December 30, 2017	April 1, 2017
Current bank loans	**$ 51,989**	$ 53,352	$ 8,060
Add-back: deferred finance costs on current bank loans	**260**	208	305
Total current bank loans	**52,249**	53,560	8,365
Long-term debt	**335,696**	335,441	266,407
Add-back: deferred finance costs on long-term debt	**2,230**	2,485	1,519
Total term loan debt	**337,926**	337,926	267,926
Long-term portion of finance lease obligations	**537**	407	685
Current portion of finance lease obligations	**550**	714	629
Total finance lease obligation	**1,087**	1,121	1,314
Less: cash	**(5,144)**	(4,738)	(5,106)
Net interest-bearing debt	**$ 386,118**	$ 387,869	$ 272,499

GOVERNANCE

In accordance with National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, our certifying officers have limited the scope of their design of disclosure controls and procedures, and our Company's internal control over financial reporting ("ICFR") to exclude controls, policies and procedures relating to the acquisition of Rubicon in Fiscal 2017 and they have not performed sufficient procedures to include Rubicon in the Company's certifications. National Instrument 52-109 permits a business that an issuer acquires not more than 365 days before the end of the financial period to which the certificate relates to be excluded from the scope of the certifications to allow for sufficient time to perform adequate procedures to ensure controls, policies and procedures are effective. Rubicon contributed $42.1 million to sales and $5.0 million to gross profit in the first quarter of 2018. Information concerning assets and liabilities acquired as part of the acquisition of Rubicon is provided in Note 5 "*Business combinations*" to the 2017 annual consolidated financial statements.

There has been no change in the Company's ICFR, during the period beginning on December 31, 2017 and ending March 31, 2018 that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

ACCOUNTING ESTIMATES AND STANDARDS

Critical Accounting Estimates

Critical accounting judgments and estimates used in preparing our Consolidated Financial Statements are described in the Company's 2017 Annual Report. The preparation of the Company's Consolidated Financial Statements requires management to make critical judgments, estimates and assumptions that affect the reported amounts of 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. There have been no material changes to our critical accounting estimates and judgments during the thirteen weeks ended March 31, 2018.

Accounting Standards

The accounting policies used in the preparation of the Consolidated Financial Statements are consistent with those followed in the preparation of the Company's audited consolidated financial statements for the year ended December 30, 2017, except for the adoption of the following new standards and amendments that were effective for annual periods beginning on January 1, 2018 and that the Company has adopted on December 31, 2017:

IFRS 2, *Share-based Payment*

In June 2016, the IASB issued final amendments to IFRS 2, *Share-based Payment* ("IFRS 2"), clarifying how to account for certain types of share-based payment transactions. The amendments, which were developed through the IFRS Interpretations Committee, provide requirements on the accounting for: (i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and (iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Company has adopted the amendments to IFRS 2; however they did not have a material impact on the Consolidated Financial Statements.

IFRS 9, *Financial Instruments: Classification and Measurement*

In 2015, the IASB issued the final version of the amendments to IFRS 9, *Financial Instruments* ("IFRS 9"), issued in 2010, which replaced IAS 39. The replacement of IAS 39 is a three-phase project with the objective of improving and simplifying the reporting for financial instruments. The issuance of IFRS 9 provides guidance on the classification and measurement of financial assets and financial liabilities, and a new hedge accounting model with corresponding disclosures about risk management activity. The Company performed a detailed impact assessment of all three aspects of IFRS 9; however, as discussed below, they did not have a material impact on the Consolidated Financial Statements:

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), which replaces IAS 18, *Revenue*, IAS 11, *Construction Contracts* and various revenue-related interpretations. IFRS 15 establishes a new control-based revenue recognition model where revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard is applicable to all contracts the Company has with customers. The Company has elected to adopt the standard using the full retrospective method and applied the completed contract practical expedients, which allows the Company to exclude completed contracts that began and ended in the same annual reporting period and those contracts that were complete at the beginning of the earliest period presented. For completed contracts with variable consideration, the Company applied the practical expedient and has used the transaction price at the date when the contract was completed rather than estimating the variable consideration amounts in the comparative reporting periods because the Company has concluded that the difference was immaterial.

The Company has completed the assessment of the impact of the application of the new standard and reached conclusions on key accounting policies upon transitioning to IFRS 15. The Company has not identified any material impacts on the consolidated statements of financial position or income upon initial application. Specifically, the Company has concluded that the adoption of IFRS 15 will not result in any material refinements to the current estimation methodologies or the timing of the recognition of estimates in relation to the Company’s trade marketing programs.

See Note 2 *"Significant accounting policies* to the Consolidated Financial Statements for further details on the transition to IFRS 15 and the Company's revenue recognition accounting policies.

Accounting Standards and Interpretations Issued but not yet Effective

The standards, amendments and interpretations that have been issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee ("IFRIC"), but that are not yet effective, up to the date of issuance of this MD&A are consistent with those disclosed in Note 2 *"Significant accounting policies* to the Consolidated Financial Statements.

RISK FACTORS

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

Readers should refer to the 2017 Annual Report and AIF for a more detailed description of risk factors applicable to the Company, which are available at www.sedar.com and at www.highlinerfoods.com. We have updated certain risk factors below for the first quarter of 2018.

Foreign Currency

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

The Canadian dollar strengthened relative to the U.S. dollar approximately 3.2% as of March 31, 2018 compared to April 1, 2017. On our balance sheet, this increases the USD carrying value of both CAD-denominated assets and liabilities and decreases the foreign exchange translation impact of our Canadian company included in accumulated other comprehensive income ("AOCI") in shareholders' equity. As our Canadian operations are a net importer of seafood and other products purchased in USD, a stronger CAD reduces its costs and a weaker CAD increases its costs in its CAD functional currency.

In order to minimize foreign exchange risk, we undertake hedging activities using various derivative products in accordance with the Company's "Price Risk Management Policy", which is approved and monitored by the Audit Committee. We hedge the USD costs of a portion of our raw material requirements and retail commodity products as sales price increases on these products take more time to implement. We generally do not hedge certain commodity foodservice products as the sales prices to our customers change frequently enough to capture foreign exchange fluctuations, but may do so from time to time. During the first quarter of 2018, our hedging activities resulted in an effective USD/CAD exchange rate of 1.2722 for inventory purchased in USD by our Canadian operations, compared to 1.3271 for the first quarter of 2017.

Our risk management strategy with respect to exposure to the Canadian dollar is fully explained in the MD&A in our 2017 Annual Report.

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; terrorism; civil commotion and unrest; changes in taxation policies; restrictions on foreign exchange and repatriation; changing political conditions and social unrest; changes in trade agreements; economic sanctions and 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, export controls, income taxes, foreign investment, and environmental legislation.

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

The U.S. Tax Reform resulted in significant changes to tax legislation in the United States, and required a one-time remeasurement of the deferred income tax assets and liabilities of the Company's U.S. subsidiaries as described in the *Income Taxes* section on page 11. Certain aspects of the U.S. Tax Reform are still subject to interpretation and therefore, there may be further impacts on the results of operations, financial condition and cash flows of the Company.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the thirteen weeks ended March 31, 2018
With comparative figures as at and for the thirteen weeks ended April 1, 2017

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

	Notes		March 31, 2018		December 30, 2017
ASSETS					
Current assets					
Cash		**$**	**5,144**	$	4,738
Accounts receivable	**10**		**109,169**		92,395
Income taxes receivable			**12,732**		13,533
Other financial assets	**14**		**1,446**		570
Inventories			**294,421**		353,433
Prepaid expenses			**3,362**		3,462
Total current assets			**426,274**		468,131
Non-current assets					
Property, plant and equipment			**118,003**		120,289
Deferred income taxes	**9**		**—**		2,787
Other receivables and miscellaneous assets	**14**		**2,090**		837
Intangible assets			**159,097**		158,044
Goodwill			**157,585**		157,881
Total non-current assets			**436,775**		439,838
Total assets	**4,5**	**$**	**863,049**	$	907,969
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Bank loans	**4**	**$**	**51,989**	$	53,352
Accounts payable and accrued liabilities			**158,497**		205,855
Contract liability	**10**		**3,304**		4,055
Provisions			**387**		278
Other current financial liabilities	**14**		**670**		1,965
Other current liabilities			**264**		166
Income taxes payable			**27**		—
Current portion of finance lease obligations			**550**		714
Total current liabilities			**215,688**		266,385
Non-current liabilities					
Long-term debt	**5**		**335,696**		335,441
Other long-term financial liabilities	**14**		**38**		62
Other long-term liabilities			**1,089**		1,641
Long-term finance lease obligations			**537**		407
Deferred income taxes	**9**		**25,191**		23,943
Future employee benefits			**10,502**		11,223
Total non-current liabilities			**373,053**		372,717
Total liabilities			**588,741**		639,102
Shareholders' equity					
Common shares	**7**		**112,835**		112,835
Contributed surplus			**14,509**		14,354
Retained earnings			**166,137**		159,157
Accumulated other comprehensive loss			**(19,173)**		(17,479)
Total shareholders' equity			**274,308**		268,867
Total liabilities and shareholders' equity		**$**	**863,049**	$	907,969

See accompanying notes to the Unaudited Condensed Interim Consolidated Financial Statements

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

	Notes	Thirteen weeks ended March 31, 2018	April 1, 2017
Revenues	**10**	**$ 319,184**	$ 275,735
Cost of sales		**258,623**	220,227
Gross profit		**60,561**	55,508
Distribution expenses		**15,308**	12,025
Selling, general and administrative expenses		**25,303**	24,990
Business acquisition, integration and other expenses		**656**	276
Results from operating activities		**19,294**	18,217
Finance costs		**5,355**	3,548
Income before income taxes		**13,939**	14,669
Income taxes			
Current	**9**	**754**	2,908
Deferred	**9**	**2,934**	1,019
Total income tax expense		**3,688**	3,927
Net income		**$ 10,251**	$ 10,742
Earnings per common share			
Basic		**$ 0.31**	$ 0.35
Diluted		**$ 0.31**	$ 0.34
Weighted average number of shares outstanding			
Basic		**33,493,273**	30,934,611
Diluted		**33,498,272**	31,138,090

See accompanying notes to the Unaudited Condensed Interim Consolidated Financial Statements

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

	Thirteen weeks ended	
	March 31, 2018	April 1, 2017
Net income	**$ 10,251**	$ 10,742
Other comprehensive income (loss), net of income tax (Note 9)		
Other comprehensive income (loss) to be reclassified to net income:		
(Loss) gain on hedge of net investment in foreign operations	**(8,819)**	1,802
Gain (loss) on translation of net investment in foreign operations	**12,682**	(2,665)
Translation impact on Canadian dollar denominated non-AOCI items	**(8,297)**	1,485
Translation impact on Canadian dollar denominated AOCI items	**614**	(100)
Total exchange (losses) gains on translation of foreign operations and Canadian dollar denominated items	**(3,820)**	522
Effective portion of changes in fair value of cash flow hedges	**1,575**	(185)
Net change in fair value of cash flow hedges transferred to carrying amount of hedged item	**695**	(117)
Net change in fair value of cash flow hedges transferred to income	**84**	175
Translation impact on Canadian dollar denominated AOCI items	**(228)**	67
Total exchange gains (losses) on cash flow hedges	**2,126**	(60)
Net other comprehensive (loss) gain to be reclassified to net income	**(1,694)**	462
Other comprehensive income (loss) not to be reclassified to net income		
Defined benefit plan actuarial gains (losses)	**436**	(268)
Other comprehensive (loss) income, net of income tax	**(1,258)**	194
Total comprehensive income	**$ 8,993**	$ 10,936

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

	Foreign currency translation differences	**Net exchange differences on cash flow hedges**	**Total AOCI**
Balance at December 30, 2017	**$ (17,699)**	**$ 220**	**$ (17,479)**
Total exchange losses on translation of foreign operations and Canadian dollar denominated items	**(3,820)**	**—**	**(3,820)**
Total exchange gains on cash flow hedges	**—**	**2,126**	**2,126**
Balance at March 31, 2018	**$ (21,519)**	**$ 2,346**	**$ (19,173)**
Balance at December 31, 2016	$ (24,887)	$ 561	$ (24,326)
Total exchange gains on translation of foreign operations and Canadian dollar denominated items	522	—	522
Total exchange losses on cash flow hedges	—	(60)	(60)
Balance at April 1, 2017	$ (24,365)	$ 501	$ (23,864)

See accompanying notes to the Unaudited Condensed Interim Consolidated Financial Statements

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

	Common shares	Contributed surplus	Retained earnings	AOCI	Total
Balance at December 30, 2017	**$ 112,835**	**$ 14,354**	**$ 159,157**	**$ (17,479)**	**$ 268,867**
Other comprehensive loss	**—**	**—**	**436**	**(1,694)**	**(1,258)**
Net income	**—**	**—**	**10,251**	**—**	**10,251**
Common share dividends	**—**	**—**	**(3,707)**	**—**	**(3,707)**
Share-based compensation	**—**	**155**	**—**	**—**	**155**
Balance at March 31, 2018	**$ 112,835**	**$ 14,509**	**$ 166,137**	**$ (19,173)**	**$ 274,308**
Balance at December 31, 2016	$ 86,094	$ 14,654	$ 143,782	$ (24,326)	$ 220,204
Other comprehensive income	—	—	(268)	462	194
Net income	—	—	10,742	—	10,742
Common share dividends	—	—	(3,212)	—	(3,212)
Share-based compensation	8	215	—	—	223
Balance at April 1, 2017	$ 86,102	$ 14,869	$ 151,044	$ (23,864)	$ 228,151

See accompanying notes to the Unaudited Condensed Interim Consolidated Financial Statements

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

	Notes	Thirteen weeks ended March 31, 2018	Thirteen weeks ended April 1, 2017
Cash flows provided by (used in):			
Operating activities			
Net income		**$ 10,251**	$ 10,742
Adjustments to net income not involving cash from operations:			
Depreciation and amortization	**13**	**4,312**	3,615
Share-based compensation (recovery) expense	**8**	**(103)**	212
Loss on asset disposals and impairment		**98**	47
Future employee benefits contribution, net of expense		**(34)**	96
Finance costs		**5,355**	3,548
Income tax expense	**9**	**3,688**	3,927
Unrealized foreign exchange gain		**(12)**	(272)
Cash flows provided by operations before changes in non-cash working capital, interest and income taxes paid		**23,555**	21,915
Changes in non-cash working capital balances:			
Accounts receivable		**(17,362)**	(27,716)
Inventories		**55,971**	34,639
Prepaid expenses		**53**	1,178
Accounts payable and accrued liabilities		**(48,618)**	(39,039)
Provisions		**126**	2,555
Net change in non-cash working capital balances		**(9,830)**	(28,383)
Interest paid		**(4,835)**	(3,393)
Income taxes refunded (paid)		**77**	(2,424)
Net cash flows provided by (used in) operating activities		**8,967**	(12,285)
Financing activities			
(Decrease) increase in bank loans		**(877)**	7,495
Repayment of finance lease obligations		**(238)**	(243)
Deferred finance costs		**(97)**	—
Common share dividends paid		**(3,707)**	(3,212)
Net cash flows (used in) provided by financing activities		**(4,919)**	4,040
Investing activities			
Purchase of property, plant and equipment, net of investment tax credits, and intangible assets		**(4,079)**	(5,485)
Net proceeds on disposal of assets		**116**	90
Net cash flows used in investing activities		**(3,963)**	(5,395)
Foreign exchange increase on cash		**321**	494
Net change in cash during the period		**406**	(13,146)
Cash, beginning of period		**4,738**	18,252
Cash, end of period		**$ 5,144**	$ 5,106

See accompanying notes to the Unaudited Condensed Interim Consolidated Financial Statements

1. Corporate information

High Liner Foods Incorporated (the "Company" or "High Liner Foods") is a company incorporated and domiciled in Canada. The address of the Company's registered office is 100 Battery Point, P.O. Box 910, Lunenburg, Nova Scotia, B0J 2C0. The Unaudited Condensed Interim Consolidated Financial Statements ("Consolidated Financial Statements") of the Company as at and for the thirteen weeks ended March 31, 2018, comprise High Liner Foods' Canadian company (the "Parent") and its subsidiaries (herein together referred to as the "Company" or "High Liner Foods"). The Company is primarily involved in the processing and marketing of prepared and packaged frozen seafood products.

These Consolidated Financial Statements were authorized for issue in accordance with a resolution of the Company's Board of Directors on May 9, 2018.

2. Basis of preparation

(a) Statement of compliance

These Consolidated Financial Statements are in compliance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Accordingly, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. These Consolidated Financial Statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 30, 2017, as set out in the 2017 Annual Report, available at www.highlinerfoods.com.

(b) Functional and presentation currency

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

(c) Seasonality of operations

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

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

The accounting policies used in the preparation of the Consolidated Financial Statements are consistent with those followed in the preparation of the Company's audited consolidated financial statements for the year ended December 30, 2017, except for the adoption of the following new standards and amendments that were effective for annual periods beginning on January 1, 2018 and that the Company has adopted on December 31, 2017:

IFRS 2, *Share-based Payment*

In June 2016, the IASB issued final amendments to IFRS 2, *Share-based Payment* ("IFRS 2"), clarifying how to account for certain types of share-based payment transactions. The amendments, which were developed through the IFRS Interpretations Committee, provide requirements on the accounting for: (i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and (iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Company has adopted the amendments to IFRS 2; however they did not have a material impact on the Consolidated Financial Statements.

IFRS 9, *Financial Instruments: Classification and Measurement*

In 2015, the IASB issued the final version of the amendments to IFRS 9, *Financial Instruments* ("IFRS 9"), issued in 2010, which replaced IAS 39. The replacement of IAS 39 is a three-phase project with the objective of improving and simplifying the reporting for financial instruments. The issuance of IFRS 9 provides guidance on the classification and measurement of financial assets and financial liabilities, and a new hedge accounting model with corresponding disclosures about risk management activity. The Company performed a detailed impact assessment of all three aspects of IFRS 9; however, as discussed below, they did not have a material impact on the Consolidated Financial Statements:

- The Company did not identify any changes to the classification and measurement of the existing financial instruments upon applying IFRS 9, other than a change in the classification of cash and accounts receivable from loans and receivables to assets at amortized cost, which had no impact on measurement of these financial instruments.
- IFRS 9 requires the Company to record expected credit losses ("ECL") on the entire accounts receivable balance. The Company has applied the simplified approach and has calculated the lifetime ECLs based on an established provision matrix that considers the Company's historical credit loss experience, adjusted for forward-looking factors specific to the Company's customers and the economic environment. The adoption of the ECL requirements of IFRS 9 had an immaterial impact on the Consolidated Financial Statements (See Note 10).
- The Company has concluded that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of IFRS 9 does not have an impact on the Company's Consolidated Financial Statements.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), which replaces IAS 18, *Revenue*, IAS 11, *Construction Contracts* and various revenue-related interpretations. IFRS 15 establishes a new control-based revenue recognition model where revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard is applicable to all contracts the Company has with customers. The Company has elected to adopt the standard using the full retrospective method and applied the completed contract practical expedients, which allows the Company to exclude completed contracts that began and ended in the same annual reporting period and those contracts that were complete at the beginning of the earliest period presented. For completed contracts with variable consideration, the Company applied the practical expedient and has used the transaction price at the date when the contract was completed rather than estimating the variable consideration amounts in the comparative reporting periods because the Company has concluded that the difference was immaterial.

The Company has completed the assessment of the impact of the application of the new standard and reached conclusions on key accounting policies upon transitioning to IFRS 15. The Company has not identified any material impacts on the consolidated statements of financial position or income upon initial application. Specifically, the Company has concluded that the adoption of IFRS 15 will not result in any material refinements to the current estimation methodologies or the timing of the recognition of estimates in relation to the Company’s trade marketing programs. However, the following two presentation differences on the consolidated statements of income have been identified:

- The Company receives donated product at no cost from the United States Department of Agriculture for the purpose of processing the product for distribution to eligible recipient agencies. IFRS 15 requires the Company to include the fair value of the donated product in the transaction price recognized on the sale of the finished products. This will increase both the revenue recorded upon distribution to the eligible agencies and the related cost of sales (by an equivalent amount), as compared to the Company’s historical accounting treatment.

- The Company has identified payments made to a customer that will be accounted for as a reduction of revenue under IFRS 15. This will decrease revenue and the related cost of sales by an equivalent amount, as compared to the Company’s historical accounting treatment.

If the Company did not elect to use the completed contract practical expedient, revenue and cost of sales in the comparative period would require adjustments with no resulting impact on net income as follows:

- The Company would have recognized $1.2 million and $4.7 million of incremental revenue and cost of sales on the sale of donated finished products for the thirteen weeks ended April 1, 2017 and fifty-two weeks ended December 30, 2017, respectively.
- The Company would have decreased revenue and cost of sales recorded by $nil and $0.6 million for the thirteen weeks ended April 1, 2017 and fifty-two weeks ended December 30, 2017, respectively for identified payments made to a customer that would be accounted for as a reduction of revenue under IFRS 15.

Accounting policy

Revenue from the sale of products is recognized when the terms of a contract with a customer has been satisfied, which occurs when control has been transferred to customers, either upon delivery to or pick-up by the customer. Revenue is measured as the amount of consideration the Company expects to receive, and varies with changes in marketing programs provided to customers, including volume rebates, cooperative advertising and other trade marketing programs which promote the Company's products. Revenue from customer contracts is recognized based on the price specified in the contract, net of the estimated trade marketing programs. Accumulated historical experience is used to estimate and accrue for the trade marketing programs, using the expected value method or most likely method, depending on the program. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

A receivable is recognized when the goods are delivered or picked up by the customer as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. The Company has determined that no significant financing components exist with respect to contracts with customers, as account receivables bear normal commercial credit terms and are non-interest bearing.

The Company has elected to apply the practical expedient and will recognize the incremental costs of obtaining a contract as an expense when incurred because the amortization period of the asset that the Company otherwise would have recognized is less than one year. See Note 10 for further details on the transition to IFRS 15.

(e) 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.

IFRS 16, *Leases*

In January 2016, the IASB issued IFRS 16, *Leases*, which replaces IAS 17, *Leases*, and its associated interpretive guidance. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if entities have also applied IFRS 15, *Revenue from Contracts with Customers*. The Company is currently evaluating the impact of this new standard on its consolidated financial statements.

IAS 19, *Employee Benefits*

In February 2018, the IASB issued amendments to IAS 19, *Employee Benefits* ("IAS 19"), which addresses the accounting when a plan amendment, curtailment or settlement occurs during the reporting period. The current service cost and net interest for the remainder of the period after the plan amendment, curtailment or settlement should reflect the updated actuarial assumptions after such an event. The amendments apply to plan amendments, curtailments, or settlements that occur on or after January 1, 2019, with early adoption permitted. The Company is currently evaluating the impact of this new standard on its consolidated financial statements.

3. Product recall

In April 2017, the Company announced a voluntary recall of certain brands of breaded fish and seafood products sold in Canada that may contain a milk allergen that was not declared on the ingredient label and allergen statement. The Company identified that the allergen had originated from ingredients supplied by one of the Company's U.S.-based ingredient suppliers. As a result, during the thirteen weeks ended April 1, 2017 the Company recognized $0.7 million in estimated net losses associated with the product recall related to consumer refunds, customer fines, the return of product to be re-worked or destroyed, and direct incremental costs.

Subsequently, during the second quarter of fiscal 2017, the Company was notified by the ingredient supplier that several additional ingredients were being recalled due to the potential presence of undeclared milk allergens, which necessitated the expansion of the Company's initial recall to include additional value-added seafood products sold in the U.S. and Canada. As a result, the Company recognized further net losses associated with the product recall throughout the remainder of 2017 (fifty-two weeks ended December 30, 2017: $13.5 million). These losses did not include any reduction in earnings as a result of lost sales opportunities due to limited product availability and customer shortages, or increased production costs related to the interruption of production at the Company's facilities. Additional information relating to the product recall is available in the Company's consolidated financial statements for the year ended December 30, 2017.

4. Bank loans

(Amounts in $000s)		**March 31, 2018**		December 30, 2017
Bank loans, denominated in CAD (average variable rate of 3.06%; December 30, 2017: 3.04%)	**$**	**12,656**	$	9,435
Bank loans, denominated in USD (average variable rate of 3.45%; December 30, 2017: 3.64%)		**39,593**		44,125
		52,249		53,560
Less: deferred finance costs		**(260)**		(208)
	$	**51,989**	$	53,352

The Company has a five-year $180.0 million working capital facility (the "Facility"), with the Royal Bank of Canada as Administrative and Collateral Agent, which expires in April 2019 (see Note 15). The Facility is asset-based and collateralized by the Company's inventories, accounts receivable and other personal property in Canada and the U.S., subject to a first charge on brands, trade names and related intangibles under the Company's term loan facility (see Note 5), and excluding the assets acquired as part of the Rubicon Resources, LLC ("Rubicon") acquisition which was closed on May 30, 2017. Additional information relating to the Rubicon acquisition is available in the Company's consolidated financial statements for the year ended December 30, 2017. A second charge over the Company's property, plant and equipment is also in place. As at March 31, 2018, the Company had $111.3 million of undrawn borrowing facility (December 30, 2017: $111.8 million).

As at March 31, 2018 and December 30, 2017, the Facility allowed the Company to borrow:

Canadian Prime Rate revolving loans, Canadian Base Rate revolving and U.S. Prime Rate revolving loans, at their respective rates	plus 0.00% to 0.25%
Bankers' Acceptances ("BA") revolving loans, at BA rates	plus 1.25% to 1.75%
LIBOR revolving loans at LIBOR, at their respective rates	plus 1.25% to 1.75%
Letters of credit, with fees of	1.25% to 1.75%
Standby fees, required to be paid on the unutilized facility, of	0.25% to 0.375%

5. Long-term debt

(Amounts in $000s)		**March 31, 2018**		December 30, 2017
Term loan	**$**	**337,926**	$	337,926
Less: deferred finance costs		**(2,230)**		(2,485)
	$	**335,696**	$	335,441

As at March 31, 2018, the Company had a $370.0 million term loan facility with an interest rate of 3.25% plus LIBOR (LIBOR floor of 1.00%), maturing on April 24, 2021. The term loan facility was increased from $300.0 million to $370.0 million on June

6, 2017 to facilitate the Rubicon acquisition, in accordance with the term loan credit agreement, which provides for incremental increases that meet stated provisions, at consistent terms.

Quarterly principal repayments of $0.9 million are required on the term loan. During the fifty-two weeks ended December 31, 2016, a mandatory prepayment of $11.8 million was made due to excess cash flows in 2015, and a voluntary repayment of $15.0 million was made to reduce excess cash balances. The prepayments are applied to future regularly scheduled principal repayments, and as such, no regularly scheduled principal repayments were paid in 2017 and no repayments are required for 2018.

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

6. Employee benefits

Employee benefits relating to the termination of employees ("termination benefits") are expensed during the period and are recorded as of the date a committed plan is in place and communication to employees has occurred. Termination benefits relate to severance which is not based on a future service requirement. Severance and retention benefits that are dependent upon the continuing provision of services through to certain predefined dates, are recognized as short-term employee benefits. Employee benefits are included on the following line items in the consolidated statements of income:

	Thirteen weeks ended	
(Amounts in $000s)	**March 31, 2018**	April 1, 2017
Termination benefits		
Cost of sales	**$ 14**	$ 26
Business acquisition, integration and other expenses	**656**	—
Selling, general and administrative expenses	**23**	450
	$ 693	$ 476
Short-term benefits		
Selling, general and administrative expenses	**21**	27
	$ 21	$ 27

7. Share capital

Purchase of shares for cancellation

In January 2018, the Company announced that the Toronto Stock Exchange approved the renewal of the Company's Normal Course Issuer Bid ("NCIB") to repurchase for cancellation 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 February 2, 2018 and will terminate no later than February 1, 2019. During the thirteen weeks ended March 31, 2018 there were no purchases under this plan.

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

	Thirteen weeks ended March 31, 2018			Thirteen weeks ended April 1, 2017		
	Shares		**($000s)**	Shares		($000s)
Balance, beginning of period	**33,379,815**	**$**	**112,835**	30,889,078	$	86,094
Options exercised for shares via cashless exercise method (Note 8)	**—**		**—**	459		—
Fair value of share-based compensation on options exercised	**—**		**—**	—		8
Balance, end of period	**33,379,815**	**$**	**112,835**	30,889,537	$	86,102

During the thirteen weeks ended March 31, 2018, the Company distributed dividends per share of CAD$0.145 (thirteen weeks ended April 1, 2017: CAD$0.140).

On May 9, 2018, the Company's Board of Directors declared a quarterly dividend of CAD$0.145 per share, payable on June 15, 2018 to shareholders of record as of June 1, 2018.

8. Share-based compensation

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

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

The carrying amount of cash-settled share-based compensation arrangements recognized in other current liabilities and other long-term liabilities on the consolidated statements of financial position was $0.3 million and $1.1 million, respectively, as at March 31, 2018 (December 30, 2017: $0.2 million and $1.6 million, respectively).

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

		Thirteen weeks ended		
(Amounts in $000s)		**March 31, 2018**		April 1, 2017
Cost of sales resulting from:				
Equity-settled awards [(1)]	**$**	**13**	$	16
Selling, general and administrative expenses resulting from:				
Cash-settled awards [(1)]		**(258)**		(7)
Equity-settled awards [(1)]		**142**		203
Share-based compensation (recovery) expense	**$**	**(103)**	$	212

[(1)] Cash-settled awards may include options with share appreciation rights ("SAR"), RSUs, PSUs, and DSUs. Equity-settled awards include options.

In United States dollars, unless otherwise noted

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

	Thirteen weeks ended March 31, 2018		Thirteen weeks ended April 1, 2017	
	No.	**WAEP (CAD)**	No.	WAEP (CAD)
Outstanding, beginning of period	**1,340,449**	**$ 18.99**	1,607,350	$ 18.21
Granted	**170,403**	**12.57**	123,614	20.61
Exercised for shares via cashless method [(1),(2)]	**—**	**—**	(3,000)	15.30
Exercised for cash [(2)]	**(2,000)**	**8.25**	(3,000)	9.39
Cancelled or forfeited	**—**	**—**	(3,200)	15.30
Expired	**(199,663)**	**22.83**	(3,000)	23.21
Outstanding, end of period	**1,309,189**	**$ 17.58**	1,718,764	$ 18.40
Exercisable, end of period	**804,647**	**$ 19.11**	1,090,500	$ 18.79

(1) For the thirteen weeks ended March 31, 2018, nil shares were issued via the cashless exercise method (thirteen weeks ended April 1, 2017: 459 shares).
(2) The weighted average share price at the date of exercise for these options was CAD$11.20 for the thirteen weeks ended March 31, 2018 (thirteen weeks ended April 1, 2017: CAD$18.06).

Set forth below is a summary of the outstanding options to purchase common shares as at March 31, 2018:

	Options outstanding			**Options exercisable**	
Option price (CAD)	**Number outstanding**	**Weighted average exercise price**	**Average life (years)**	**Number exercisable**	**Weighted average exercise price**
$ 8.25-10.00	12,332	$ 8.25	0.70	12,332	$ 8.25
$ 10.01-15.00	258,253	12.96	6.23	13,000	13.87
$ 15.01-20.00	563,199	15.60	2.43	385,077	15.73
$ 20.01-25.00	475,405	22.69	1.85	394,238	22.92
	1,309,189			**804,647**	

The fair value of options granted during the thirteen weeks ended March 31, 2018 and April 1, 2017 was estimated on the date of grant using the Black-Scholes pricing model with the following weighted average inputs and assumptions:

	March 31, 2018	April 1, 2017
Dividend yield (%)	**4.61**	2.72
Expected volatility (%)	**35.06**	33.87
Risk-free interest rate (%)	**2.21**	1.55
Expected life (years)	**5.00**	5.00
Weighted average share price (CAD)	**$ 12.57**	$ 20.61
Weighted average fair value (CAD)	**$ 2.67**	$ 4.99

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

In United States dollars, unless otherwise noted

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

	Thirteen weeks ended	
	March 31, 2018	April 1, 2017
Outstanding, beginning of period	**263,556**	216,070
Granted	**120,139**	86,194
Reinvested dividends	**3,976**	1,987
Released and paid in cash	**(14,096)**	(25,873)
Forfeited and expired	**(64,960)**	(30,165)
Outstanding, end of period	**308,615**	248,213

The expected performance multiplier used in determining the fair value of the liability and related share-based compensation expense for PSUs for the thirteen weeks ended March 31, 2018 was 60% (April 1, 2017: 61%).

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

	Thirteen weeks ended	
	March 31, 2018	April 1, 2017
Outstanding, beginning of period	**72,529**	—
Granted	**83,944**	56,264
Reinvested dividends	**2,036**	454
Forfeited	**(534)**	—
Outstanding, end of period	**157,975**	56,718

The share price at the reporting date was CAD$11.15 (April 1, 2017: CAD$18.05). The PSUs and RSUs will vest at the end of a three-year period, if agreed-upon performance measures are met (if applicable).

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

	Thirteen weeks ended	
	March 31, 2018	April 1, 2017
Outstanding, beginning of period	**77,934**	34,337
Granted	**4,603**	1,743
Reinvested dividends	**1,045**	277
Outstanding, end of period	**83,582**	36,357

9. Income tax expense

The Company's statutory tax rate for the thirteen weeks ended March 31, 2018 was 29.3% (thirteen weeks ended April 1, 2017: 29.2%). The Company's effective income tax rate for the thirteen weeks ended March 31, 2018 was 26.5% (thirteen weeks ended April 1, 2017: 26.8%). The lower effective tax rate for the thirteen weeks ended March 31, 2018 compared to the prior year is attributable to the Tax Cuts and Jobs Act that was signed into law on December 22, 2017 ("U.S. Tax Reform"), including a reduction in the U.S. federal corporate income tax rate from 35% to 21%, offset by non-deductible acquisition financing deductions.
The U.S. Tax Reform introduced other important changes in the U.S. corporate income tax laws that have been reflected during the thirteen weeks ended March 31, 2018, including the creation of a new Base Erosion Anti-Abuse Tax that subjects certain payments from U.S. corporations to foreign related parties to additional taxes, and limitations to certain deductions for net interest expense incurred by U.S. corporations. The U.S. Tax Reform also included an increase in bonus depreciation from 50% to 100% for qualified property placed in service after September 27, 2017 and before 2023. Future regulations and interpretations to be issued by U.S. authorities may also impact the Company's estimates and assumptions used in calculating its income tax provisions.

The major components of income tax expense (recovery) in the consolidated statements of comprehensive income for the thirteen weeks ended March 31, 2018 and April 1, 2017 were as follows:

	Thirteen weeks ended	
(Amounts in $000s)	**March 31, 2018**	April 1, 2017
Income tax expense (recovery) related to items recognized in other comprehensive income (loss):		
(Loss) gain on hedge of net investment in foreign operations	**$ (772)**	$ 256
Gain (loss) on translation of net investment in foreign operations	**655**	(222)
Effective portion of changes in fair value of cash flow hedges	**653**	(76)
Net change in fair value of cash flow hedges transferred to carrying amount of hedged item	**288**	(48)
Net change in fair value of cash flow hedges transferred to income	**35**	72
Defined benefit plan actuarial gain (loss)	**107**	(96)
Income tax expense (recovery) directly to other comprehensive income (loss)	**$ 966**	$ (114)

10. Revenue from contracts with customers

Disaggregation of revenue
The Company disaggregates revenue from contracts with customers using existing operating segments, which are based on geographical locations, the U.S. and Canada (see Note 13). The Company has determined that a disaggregation of revenue using existing segments best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Accounts receivable

(Amounts in $000s)	**March 31, 2018**	December 30, 2017
Trade accounts receivable	**$ 108,423**	$ 90,148
Other accounts receivable	**746**	2,247
	$ 109,169	$ 92,395

Trade accounts receivable includes revenues from contracts with customers that bear normal commercial credit terms and are non-interest bearing. For the thirteen weeks ended March 31, 2018 and April 1, 2017, the Company recognized a nominal impairment loss related to receivables arising from contracts with customers.

Contract liability

The Company's contract liability consists of donated product received from the United States Department of Agriculture for the purpose of processing the product for distribution to eligible recipient agencies. The donated inventory is non-cash consideration that is recorded at the fair value of the product received. The Company has an obligation to sell the product to the eligible agencies at the reduced price, with the donated product being included in the transaction price recognized on the sale of the finished products. The Company has changed the presentation of this obligation on the consolidated statements of financial position and has reclassified \$4.1 million as at December 30, 2017 from accounts payable and accrued liabilities to contract liability to reflect the terminology and the presentation requirements of IFRS 15. The contract liability continues to be classified as current because the Company expects to settle the obligation within twelve months from the reporting date. During the thirteen weeks ended March 31, 2018, the Company recognized \$2.1 million (thirteen weeks ended April 1, 2017: \$1.9 million) in revenue that was included in the contract liability balance at the beginning of the period.

11. Commitments

Guarantee of Supplier Financing Arrangement

As part of the Rubicon acquisition, the Company assumed financing arrangement guarantees for certain suppliers that finance their exports of seafood products to Rubicon. As part of this financing arrangement, the Company has granted a security interest in substantially all of the inventory and proceeds thereon arising from purchases from these suppliers and has guaranteed the suppliers' borrowings, to the extent that such borrowings were used in connection with the exportation of seafood products to Rubicon. The Company has deemed the amount of the guarantee to be the open accounts payable to these suppliers. As of March 31, 2018, the Company's open accounts payable to these suppliers was \$38.8 million.

12. Related party transactions

The Company has related party transactions with a company controlled by certain key management of Rubicon. Total sales to related parties for the thirteen weeks ended March 31, 2018 were \$0.1 million (thirteen weeks ended April 1, 2017: \$nil) and as at March 31, 2018 there was \$0.2 million due from the related parties (April 1, 2017: \$nil).

13. Operating segment information

The operating results and identifiable assets and liabilities by reportable segment are as follows:

				Thirteen weeks ended March 31, 2018				Thirteen weeks ended April 1, 2017
(Amounts in $000s)	**Canada**	**U.S.**	**Corporate**	**Total**	Canada	U.S.	Corporate	Total
Revenues (excluding intercompany sales)	**$ 66,421**	**$ 252,763**	**$ —**	**$ 319,184**	$ 62,882	$ 212,853	$ —	$ 275,735
Cost of sales (excluding intercompany sales)	**52,979**	**206,143**	**(499)**	**258,623**	50,350	170,203	(326)	220,227
Gross profit	**$ 13,442**	**$ 46,620**	**$ 499**	**$ 60,561**	$ 12,532	$ 42,650	$ 326	$ 55,508
Income (loss) before income taxes	**$ 4,089**	**$ 16,029**	**$ (6,179)**	**$ 13,939**	$ 3,062	$ 16,514	$ (4,907)	$ 14,669
Add back:								
Depreciation and amortization included in:								
Cost of sales	**365**	**1,316**	**63**	**1,744**	319	1,250	14	1,583
Distribution expenses	**39**	**331**	**—**	**370**	37	327	—	364
Selling, general and administrative expenses	**146**	**1,773**	**279**	**2,198**	89	1,313	266	1,668
Total depreciation and amortization	**550**	**3,420**	**342**	**4,312**	445	2,890	280	3,615
Finance costs	**—**	**—**	**5,355**	**5,355**	—	—	3,548	3,548
Income (loss) before depreciation, amortization, finance costs and income taxes	**$ 4,639**	**$ 19,449**	**$ (482)**	**$ 23,606**	$ 3,507	$ 19,404	$ (1,079)	$ 21,832

				As at March 31, 2018				As at December 30, 2017
(Amounts in $000s)	**Canada**	**U.S.**	**Corporate**	**Total**	Canada	U.S.	Corporate	Total
Total assets	**$171,708**	**$673,192**	**$ 18,149**	**$863,049**	$ 172,180	$ 713,729	$ 22,060	$ 907,969
Total liabilities	**$110,306**	**$ 48,929**	**$ 429,506**	**$588,741**	$ 51,894	$ 156,821	$ 430,387	$ 639,102

14. Fair value measurement

Fair value of financial instruments

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

	March 31, 2018		December 30, 2017	
(Amounts in $000s)	**Level 2**	**Level 3**	Level 2	Level 3
Fair value of financial assets				
Foreign exchange contracts	**$ 1,001**	**$ —**	$ 501	$ —
Interest rate swaps	**2,535**	**—**	906	—
Fair value of financial liabilities				
Interest rate swaps	**100**	**—**	367	—
Foreign exchange contracts	**608**	**—**	1,660	—
Long-term debt	**—**	**336,488**	—	335,711
Finance lease obligations	**—**	**1,096**	—	1,129

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

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

The Company uses the date of the event or change in circumstances to recognize transfers between Level 1, Level 2 and Level 3 fair value measurements. During the thirteen weeks ended March 31, 2018, no such transfers occurred.

The financial liabilities that are not measured at fair value on the consolidated statements of financial position consist of long-term debt (including current portion) and finance lease obligations. The carrying amounts for these instruments are $335.7 million and $1.1 million, respectively, as at March 31, 2018 (December 30, 2017: $335.4 million and $1.1 million, respectively).

Hedging activities

Interest rate swaps

During the thirteen weeks ended March 31, 2018, the Company had the following interest rate swaps outstanding to hedge interest rate risk resulting from the term loan facility (see Note 5):

Effective date	Maturity date	Receive floating rate	Pay fixed rate		Notional amount (millions)
Designated in a formal hedging relationship:					
December 31, 2014	December 31, 2019	3-month LIBOR (floor 1.0%)	2.1700%	$	20.0
March 4, 2015	March 4, 2020	3-month LIBOR (floor 1.0%)	1.9150%	$	25.0
April 4, 2016	April 4, 2018	3-month LIBOR (floor 1.0%)	1.2325%	$	35.0
April 4, 2016	April 24, 2021	3-month LIBOR (floor 1.0%)	1.6700%	$	40.0
December 28, 2017	April 24, 2021	3-month LIBOR (floor 1.0%)	2.2200%	$	80.0

The cash flow hedge of interest expense variability was assessed to be highly effective for the thirteen weeks ended March 31, 2018 and April 1, 2017, and therefore, the change in fair value for those interest rate swaps designated in a hedging relationship was included in OCI as an after-tax net gain of $1.3 million and nominal, respectively.

The Company did not hold any interest rate swaps that were not designated in a formal hedging relationship during the thirteen weeks ended March 31, 2018 and April 1, 2017.

Foreign currency contracts

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

As at March 31, 2018, the Company had outstanding notional amounts of $36.2 million (April 1, 2017: $44.4 million) in foreign currency average-rate forward contracts and $0.8 million (April 1, 2017: $2.0 million) in foreign currency single-rate forward contracts that were formally designated as a hedge. With the exception of $1.5 million (April 1, 2017: $2.1 million) average-rate forward contracts with maturities ranging from April 2019 to September 2019, all foreign currency forward contracts have maturities that are less than one year.

The cash flow hedges of the expected future purchases were assessed to be highly effective for the thirteen weeks ended March 31, 2018 and April 1, 2017, and therefore, the change in fair value was recorded in OCI as an after-tax net gain of $0.3 million and after-tax net loss $0.2 million, respectively. The amount recognized in the consolidated statements of income resulting from hedge ineffectiveness during the thirteen weeks ended March 31, 2018 was net loss of $0.1 million (thirteen weeks ended April 1, 2017: net loss of $0.1 million).

As at March 31, 2018, the Company had outstanding notional amounts of $nil (April 1, 2017: $14.0 million) of foreign currency single-rate forward contracts outstanding to hedge foreign currency exchange risk on USD monetary assets and liabilities that were not formally designated as a hedge. The change in fair value for the thirteen weeks ended March 31, 2018 and April 1, 2017 was a nominal net gain and a net loss of $0.1 million, respectively, which was recorded in the consolidated statements of income.

Hedge of net investment in foreign operations
As at March 31, 2018, a total borrowing of $307.3 million included in long-term debt (December 30, 2017: a total borrowing of $312.3 million ($5.0 million included in bank loans and $307.3 million included in long-term debt)) has been designated as a hedge of the net investment in the U.S. subsidiary and is being used to hedge the Company's exposure to foreign exchange risk on this net investment. Gains or losses on the re-translation of this borrowing are transferred to OCI to offset any gains or losses on translation of the net investment in the U.S. subsidiary. There was no hedge ineffectiveness recognized during the thirteen weeks ended March 31, 2018 and April 1, 2017.

15. Events after the reporting period

Amendments to the working capital facility
In April 2018, the Company amended the $180.0 million working capital facility (see Note 4) to extend the term from April 2019 to April 2021. There were no other significant changes to the existing terms, other than an amendment to the standby fees paid on the unutilized facility to 0.25%.