HIGH LINER FOODS

SECOND QUARTER
REPORT TO SHAREHOLDERS

Twenty-six weeks ended July 1, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the thirteen and twenty-six weeks ended July 1, 2023

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

TABLE OF CONTENTS

INTRODUCTION

This Management's Discussion and Analysis ("MD&A"), dated August 9, 2023, relates to the financial condition and results of operations of High Liner Foods Incorporated for the thirteen and twenty-six weeks ended July 1, 2023, compared to the thirteen and twenty-six weeks ended July 2, 2022. Throughout this discussion, "We", "Us", "Our", "Company" and "High Liner Foods" refer to High Liner Foods Incorporated and its businesses and subsidiaries.

This document should be read in conjunction with the Company's 2022 Annual Consolidated Financial Statements, 2022 Annual MD&A and Unaudited Condensed Interim Consolidated Financial Statements as at and for the twenty-six weeks ended July 1, 2023 ("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 August 9, 2023, except as otherwise noted.

Currency

All amounts in this MD&A are in United States dollars ("USD"), unless otherwise noted. Although the functional currency of High Liner Foods' Canadian company (the "Parent") is the Canadian dollar ("CAD"), management believes the USD presentation better reflects the Company's overall business activities and improves investors' ability to compare the Company's consolidated financial results with other publicly traded businesses in the packaged foods industry (most of which are based in the United States ("U.S.") and report in USD) and should result in less volatility in reported sales and income on the conversion into the presentation currency.

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

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

FORWARD-LOOKING STATEMENTS

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

Specific forward-looking statements in this document include, but are not limited to: statements with respect to: future growth strategies and their impact on the Company's market share and shareholder value; anticipated financial performance, including earnings trends and growth; achievement, and timing of achievement, of strategic goals and publicly stated financial targets, including to increase our market share, acquire and integrate other businesses and reduce operating and supply chain costs; the ability to develop new and innovative products that result in increased sales and market share; increased demand for the Company's products whether due to the recognition of the health benefits of seafood or otherwise; inflation, changes in costs for seafood and other raw materials; any proposed disposal of assets and/or operations; increases or decreases in processing costs; the USD/CAD exchange rate; percentage of sales from the Company's brands; expectations with regards to sales volume, earnings, product margins, product innovations, brand development and anticipated financial performance; competitor reaction to Company strategies and actions; impact of price increases or decreases on future profitability; sufficiency of working capital facilities; future income tax rates; the expected amount and timing of integration activities related to acquisitions; expected leverage levels and expected Net Debt to Adjusted EBITDA; statements under the "outlook" heading including expected demand, sales of new product, the efficiency of plant production and U.S. tariffs on certain seafood products imported from China; economic and geopolitical conditions such as Russia's invasion of Ukraine and the implementation and/or expansion of related sanctions; impact of the inflationary environment, expected amount and timing of cost savings related to the optimization of the Company's structure; decreased leverage in the future; estimated capital spending; future inventory trends, valuation and seasonality; market forces and the maintenance of existing customer and supplier relationships; availability of credit facilities; the projection of excess cash flow and minimum repayments under the Company's long-term loan facility; expected decreases in debt-to-capitalization ratio; dividend payments; and the 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 2022 MD&A and the *Risk Factors* section of our 2022 Annual Information Form ("AIF"). The risks and uncertainties that may affect the operations, performance, development and results of High Liner Foods' business include, but are not limited to, the following factors: compliance with food safety laws and regulations; timely identification of and response to events that could lead to a product recall; volatility in the CAD/USD exchange rate; competitive developments including increases in overseas seafood production and industry consolidation; availability and price of seafood raw materials and finished goods and the impact of geopolitical events (and related economic sanctions) on the same; the impact of the U.S. Trade Representative's tariffs on certain seafood products; costs of commodity products, freight, storage and other production inputs, and the ability to pass cost increases on to customers; successful integration of acquired operations; potential increases in maintenance and operating costs; shifts in market demands for seafood; performance of new products launched and existing products in the market place; changes in laws and regulations, including environmental, taxation and regulatory requirements; technology changes with respect to production and other equipment and software programs; enterprise resource planning system risk; adverse impacts of cybersecurity attacks or breach of sensitive information; supplier fulfillment of contractual agreements and obligations; competitor reactions; completion and/or advancement of sustainability initiatives, including, without limitation, initiatives relating to the carbon work plan, waste reduction and/or seafood sustainability and traceability initiatives; High Liner Foods' ability to generate adequate cash flow or to finance its future business requirements through outside sources; credit risk associated with receivables from customers; volatility associated with the funding status of the Company's post-retirement pension benefits; adverse weather conditions and natural disasters; the availability of adequate levels of insurance; management retention and development; economic and geopolitical conditions such as Russia's invasion of Ukraine and the implementation and/or expansion of related sanctions policies; and the potential impact of a pandemic outbreak of a contagious illness, such as COVID-19 pandemic, on general economic and business conditions and therefore the Company's operations and financial performance.

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

COMPANY OVERVIEW

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

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

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

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

OUTLOOK

High Liner Foods remains confident in the outlook of the business. The Company expects the current headwinds will put pressure on the business through the second half of the year. High Liner Foods continues to believe that the Company will end the year with year over year Adjusted EBITDA growth, while generating significant cash flow from operations and improving the leverage ratio to our long-term target of 3.0x.

The Company has a strong balance sheet and is well equipped to invest in organic growth, explore opportunities for transformative growth through potential M&A activities to build shareholder value and continue to grow the dividend over time.

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

RECENT DEVELOPMENTS

Global Supply Chain and Economic Conditions

During Fiscal 2022 the Company was challenged by global supply chain disruptions and experienced shipping delays and raw material supply challenges, port congestion and shutdowns. These challenges improved during the fourth quarter of Fiscal 2022 and into the first quarter of Fiscal 2023, and have largely normalized to pre-pandemic levels during the second quarter of Fiscal 2023. To mitigate the impact on its performance and customers, the Company increased their investment in working capital in the second half of Fiscal 2022 which has carried over into the first half of Fiscal 2023 and supported the strong service levels we deliver to our customers. These higher inventory levels have led to higher carrying costs during the first half of 2023, including costs related to raw material inventory and storage costs. This has led to unfavorable impact on gross profit and gross profit as a percentage of sales, most notably during the second quarter of 2023.

The Company continues to navigate the inflationary environment and other macroeconomic factors including rising interest rates which are increasingly impacting consumer confidence and discretionary spending. The Company continued to take inflation-justified pricing actions on select products as needed during the quarter to manage the inflationary operating environment. While the Company's foodservice business continued to remain strong aided by the contract manufacturing business, the inflationary pressures have resulted in the retail business experiencing declines due to softer demand for protein, including seafood product as consumers switch to lower cost meal solutions.

See the risk sections in the 2022 MD&A for further discussion of the impact of the geopolitical environment on the Company's risk assessment.

U.S. Tariffs

In September 2018, the U.S. Trade Representative ("USTR") commenced trade discussions with China that resulted in various actions impacting the Company related to additional tariffs on goods imported to the U.S. During March 2022, the Company received notice of approval of an exclusion extension request submitted to the USTR regarding tariffs on certain goods imported to the U.S. from China. The extension applied to tariffs already incurred, or that would otherwise have been incurred, on specific goods from October 12, 2021 to December 31, 2022. On December 16, 2022 the USTR announced that it will further extend this exclusion which will be applicable from January 1, 2023 to September 30, 2023.

The estimated annual run-rate exposure of the 25% tariff would have been approximately $8.0 million before the extended exclusion based on current volume and raw material costs; however, the Company has implemented plans, including pricing actions and other supply chain initiatives, to mitigate the impact of these tariffs and reduce the estimated impact to the Company and its customers.

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

PERFORMANCE

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

Seasonality

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

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

Inventory levels fluctuate throughout the year, most notably increasing to support strong sales periods such as the Lenten period. In addition, the timing of ordering raw materials is earlier than typically required in order to have adequate quantities available during the seasonal closure of plants in Asia during the Lunar New Year period. These events typically result in significantly higher inventories in December, January, February and March than during the rest of the year.

Consolidated Performance

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

(in $000s, except sales volume, per share amounts, percentage amounts, and exchange rates)	Thirteen weeks ended July 1, 2023	Thirteen weeks ended July 2, 2022	Change	Twenty-six weeks ended July 1, 2023	Twenty-six weeks ended July 2, 2022	Change
Sales volume (millions of lbs)	**59.4**	58.8	**0.6**	**136.4**	132.1	**4.3**
Average foreign exchange rate (USD/CAD)	**$ 1.3429**	$ 1.2775	**$ 0.0654**	**$ 1.3478**	$ 1.2718	**$ 0.0760**
Sales	**$ 254,349**	$ 253,452	**$ 897**	**$ 583,513**	$ 548,187	**$ 35,326**
Gross profit	**$ 51,983**	$ 56,329	**$ (4,346)**	**$ 120,388**	$ 118,343	**$ 2,045**
Gross profit as a percentage of sales	**20.4%**	22.2%	**(1.8%)**	**20.6%**	21.6%	**(1.0%)**
Distribution expenses	**$ 14,055**	$ 14,103	**$ (48)**	**$ 31,333**	$ 31,214	**$ 119**
Selling, general and administrative expenses	**$ 22,249**	$ 23,105	**$ (856)**	**$ 50,081**	$ 45,546	**$ 4,535**
Adjusted EBITDA (1)	**$ 22,032**	$ 25,333	**$ (3,301)**	**$ 53,231**	$ 53,673	**$ (442)**
Adjusted EBITDA as a percentage of sales	**8.7%**	10.0%	**(1.3%)**	**9.1%**	9.8%	**(0.7%)**
Net income	**$ 5,887**	$ 18,977	**$ (13,090)**	**$ 19,775**	$ 33,622	**$ (13,847)**
Basic Earnings per Share ("EPS")	**$ 0.18**	$ 0.56	**$ (0.38)**	**$ 0.59**	$ 0.99	**$ (0.40)**
Diluted EPS	**$ 0.17**	$ 0.54	**$ (0.37)**	**$ 0.57**	$ 0.96	**$ (0.39)**
Adjusted Net Income (1)	**$ 10,044**	$ 10,034	**$ 10**	**$ 26,480**	$ 25,102	**$ 1,378**
Adjusted Basic EPS	**$ 0.30**	$ 0.30	**$ —**	**$ 0.79**	$ 0.74	**$ 0.05**
Adjusted Diluted EPS (1)	**$ 0.29**	$ 0.29	**$ —**	**$ 0.77**	$ 0.72	**$ 0.05**
Total assets				**$ 907,009**	$ 857,518	**$ 49,491**
Total long-term financial liabilities				**$ 246,556**	$ 254,430	**$ (7,874)**
Dividends paid per common share (in CAD)	**$ 0.13**	$ 0.10	**$ 0.03**	**$ 0.13**	$ 0.20	**$ (0.07)**

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

Sales

Thirteen weeks

Sales volume for the thirteen weeks ended July 1, 2023, or the second quarter of 2023, increased by 0.6 million pounds, or 1.0%, to 59.4 million pounds compared to 58.8 million pounds in the thirteen weeks ended July 2, 2022, or the second quarter of 2022 due to higher volume in our foodservice business, partially offset by lower volume in our retail business. In our foodservice business, sales volume was higher due to increased contract manufacturing business, increased sales in newer product lines, and improved customer service levels. The Company achieved strong service levels during the second quarter of 2023, as compared to the second quarter of 2022 due to the increased investment in working capital in the latter part of Fiscal 2022 to mitigate the impact of the global supply chain challenges. This was partially offset by lower sales volume in our retail business due to the impact of inflation. This resulted from softer demand for protein, including seafood product as consumers switch to lower cost alternatives. In addition, Easter occurring 8 days earlier in 2023 compared to 2022 resulted in lower sales volume in the second quarter of 2023 compared to the same period last year.

Sales in the second quarter of 2023 increased by $0.8 million, or 0.3%, to $254.3 million compared to $253.5 million in the same period last year, due to higher sales volumes mentioned previously and pricing actions implemented during Fiscal 2022 and the first quarter of 2023 to mitigate inflationary increases on input costs, partially offset by changes in sales mix.

The weaker Canadian dollar in the second quarter of 2023 compared to the same quarter of 2022 decreased the value of USD sales from our CAD-denominated operations by approximately $3.2 million relative to the conversion impact last year.

Twenty-six weeks

Sales volume in the first half of 2023 increased by 4.3 million pounds, or 3.3%, to 136.4 million pounds compared to 132.1 million pounds in the same period in the prior year. In our foodservice business, sales volume was higher due to increased contract manufacturing business, increased sales in newer product lines, new business, and improved customer service levels. The Company achieved strong service levels during the first half of 2023, as compared to the first half of 2022 due to the increased investment in working capital in the latter part of Fiscal 2022 to mitigate the impact of the global supply chain challenges. This was partially offset by lower sales volume in our retail business during the Lenten period primarily due to consumers becoming more price-conscious, resulting in softer demand for protein, including seafood product as consumers switch to lower cost alternatives.

Sales in the first half of 2023 increased by $35.3 million, or 6.4%, to $583.5 million compared to $548.2 million in the same period in the prior year. The increase in sales reflects the higher sales volumes mentioned previously and pricing actions implemented during Fiscal 2022 and the first quarter of 2023 to mitigate inflationary increases on input costs, partially offset by changes in sales mix.

The weaker Canadian dollar in the first half of 2023 compared to the first half of 2022 however, decreased the value of reported USD sales from our CAD-denominated operations by approximately $7.6 million relative to the conversion impact last year.

Gross Profit

Thirteen weeks

Gross profit decreased in the second quarter of 2023 by $4.3 million, or 7.6%, to $52.0 million compared to $56.3 million in the same period in 2022, and gross profit as a percentage of sales decreased to 20.4% compared to 22.2%. The decrease in gross profit reflects changes in product mix, higher carrying costs associated with higher inventory and some inefficiencies at our plants as a result of the Company slowing down production due to higher inventory levels and softer consumer demand, discussed previously. The decrease in gross profit was partially offset by the inflationary-pricing actions and the increase in sales volume, both discussed previously.

In addition, the weaker Canadian dollar decreased the value of reported USD gross profit from our Canadian operations in 2023 by approximately $0.7 million relative to the conversion impact last year.

Twenty-six weeks

Gross profit increased in the first half of 2023 by $2.1 million, or 1.8%, to $120.4 million compared to $118.3 million in the same period in the prior year, while gross profit as a percentage of sales decreased by 100 basis points to 20.6%, compared to 21.6%. The increase in gross profit reflects the increase in sales volume and the inflationary-pricing actions both discussed previously and some improvement in the operating efficiencies at our plants. The increase in gross profit was partially offset by change in product mix and higher carrying costs associated with higher raw material inventory which had an unfavorable impact on gross profit as a percentage of sales in the first half of 2023 compared to 2022.

The weaker Canadian dollar decreased the value of reported USD gross profit from our Canadian operations in 2023 by approximately $1.5 million relative to the conversion impact last year.

Distribution Expenses

Thirteen weeks

Distribution expenses, consisting of freight and storage was $14.1 million in the second quarter of 2023 and 2022 reflecting higher sales volume and storage costs as a result of higher inventory levels in the second quarter of 2023. This was offset by lower freight costs in the second quarter of 2023 as compared to the second quarter of 2022 during which time, freight costs peaked as a result of the global supply chain challenges. As a percentage of sales, distribution expenses decreased favorably to 5.5% in the second quarter of 2023 compared to 5.6% in the same period in 2022.

Twenty-six weeks

Distribution expenses, consisting of freight and storage of finished goods, increased in the first half of 2023 by $0.1 million to $31.3 million compared to $31.2 million in the same period in the prior year reflecting higher sales volume and storage costs as a result of higher inventory levels. This increase was partially offset by lower freight costs in the first half of 2023 as compared to the first half of 2022 during which time, freight costs peaked as a result of the global supply chain challenges. As a percentage of sales, distribution expenses decreased favourably to 5.4% in the first half of 2023 compared to 5.7% in the same period in 2022.

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

	Thirteen weeks ended		Twenty-six weeks ended	
(Amounts in $000s)	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
SG&A expenses, as reported	**$ 22,249**	$ 23,105	**$ 50,081**	$ 45,546
Less:				
Share-based compensation expense (1)	**496**	541	**2,403**	700
Depreciation and amortization expense (1)	**2,616**	2,519	**5,247**	5,052
SG&A expenses, net	**$ 19,137**	$ 20,045	**$ 42,431**	$ 39,794
SG&A expenses, net as a percentage of sales	**7.5%**	7.9 %	**7.3%**	7.3%

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

SG&A Expenses

Thirteen weeks

SG&A expenses decreased in the second quarter of 2023 by $0.9 million to $22.2 million compared to $23.1 million in the same period last year. SG&A expenses included share-based compensation expense of $0.5 million in the second quarter of 2023, consistent with the second quarter of 2022. SG&A expenses also included depreciation and amortization expense of $2.6 million in the second quarter of 2023, compared to $2.5 million in the same period in the prior year.

Excluding share-based compensation and depreciation and amortization expenses, SG&A expenses decreased in the second quarter of 2023 by $0.9 million to $19.1 million compared to $20.0 million in the same period last year, due to lower consumer marketing expenses in our retail business in both U.S. and Canada and lower consulting costs. The decrease was partially offset by higher administrative expenses reflecting higher salaries and benefits, information technology expenses, travel costs and under absorption of overhead costs relating to reduction in raw material purchases compared to the same period in the prior year. As a percentage of sales, SG&A excluding share-based compensation and depreciation and amortization expense decreased to 7.5% in the second quarter of 2023 compared to 7.9% in the same period last year.

Twenty-six weeks

SG&A expenses increased by $4.6 million to $50.1 million in the first half of 2023 as compared to $45.5 million in the same period in the prior year. SG&A expenses included share-based compensation expense of $2.4 million in the first half of 2023 compared to $0.7 million in the same period in the prior year, primarily due to an increase in the share price performance of units exercised during the first quarter of 2023 compared to the same period last year. SG&A expenses also included depreciation and amortization expense of $5.2 million in the first half of 2023 compared to $5.1 million in the same period in the prior year.

Excluding share-based compensation and depreciation and amortization expenses, SG&A expenses increased in the first half of 2023 by $2.6 million to $42.4 million compared to $39.8 million in 2022, due to higher consumer marketing expenses related to supporting our U.S retail brands and higher administrative expenses including higher salaries and benefits, information technology expenses, travel costs, under absorption of overhead costs relating to reduction in raw material purchases, partially offset by lower consulting costs as compared to the same period in the prior year. As a percentage of sales, SG&A excluding share-based compensation and depreciation and amortization expense was 7.3% in the first half of 2023 and 2022.

Adjusted EBITDA

We refer to Adjusted EBITDA throughout this MD&A in discussing our results for the thirteen and twenty-six weeks ended July 1, 2023. See the *Non-IFRS Financial Measures* section on page 17 for further explanation of this non-IFRS measure.

Thirteen weeks

Adjusted EBITDA decreased in the second quarter of 2023 by $3.3 million, or 13.0%, to $22.0 million compared to $25.3 million in the same period in the prior year, and as a percentage of sales, Adjusted EBITDA decreased to 8.7% compared to 10.0%. The decrease in Adjusted EBITDA reflects the decrease in gross profit, partially offset by the decrease in net SG&A expenses, all discussed previously.

The weaker Canadian dollar decreased the value of reported Adjusted EBITDA in USD from our Canadian operations in 2023 by approximately $0.2 million relative to the conversion impact last year.

Twenty-six weeks

Adjusted EBITDA decreased in the first half of 2023 by $0.5 million, or 0.9%, to $53.2 million compared to $53.7 million in the same period in the prior year, while as a percentage of sales, Adjusted EBITDA decreased to 9.1% compared to 9.8%. The decrease in Adjusted EBITDA is a result of the increase in net SG&A expenses and the increase in distribution, partially offset by the increase in gross profit, all discussed previously.

In addition, the weaker Canadian dollar decreased the value of reported Adjusted EBITDA in USD from our Canadian operations in 2023 by approximately $0.4 million relative to the conversion impact last year.

Net Income

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

Thirteen weeks

Net income decreased in the second quarter of 2023 by $13.1 million, or 68.9%, to net income of $5.9 million ($0.17 per diluted share) compared to net income of $19.0 million ($0.54 per diluted share) in the same period in the prior year.

The decrease in net income reflects the inclusion of $10.0 million of insurance proceeds in business acquisition, integration and other expense (income) received during the second quarter of 2022, as discussed in the *Business Acquisition, Integration and Other (Income) Expense* section on page 11 on this MD&A. The decrease in net income was also due to the decrease in Adjusted EBITDA, discussed previously and an increase in finance costs discussed in the *Finance Costs* section on page 11 on this MD&A, partially offset by lower income taxes, discussed below.

In the second quarter of 2023, net income included "business acquisition, integration and other expense (income)" (as explained in the *Business Acquisition, Integration and Other Expense (Income)* section on page 11 of this MD&A) related to certain non-routine expenses. In the second quarter of 2022, net income included insurance proceeds of $10.0 million classified as "business acquisition, integration and other expense (income)" and other certain non-routine expenses. Excluding the impact of these non-routine items or other non-cash expenses and share-based compensation, Adjusted Net Income in the second quarter of 2023 and 2022 was $10.0 million.

Correspondingly, Adjusted Diluted EPS was $0.29 and remained consistent with the the same period in the prior year.

Twenty-six weeks

Net income decreased in the first half of 2023 by $13.8 million, or 41.1%, to $19.8 million ($0.57 per diluted share) compared to $33.6 million ($0.96 per diluted share) in the same period in the prior year. The decrease in net income reflects the $10.0 million in insurance proceeds received during the second quarter of 2022 classified as "business acquisition, integration and other expense (income)", as well as higher finance costs, higher share-based compensation expense, and lower Adjusted EBITDA during the the first half of 2023 compared to the same period in the prior year. The decrease in Net income was partially offset by lower income taxes, discussed below.

In the first half of 2023 net income included "business acquisition, integration and other expense (income)" (as explained in the *Business Acquisition, Integration and Other Expense (Income)* section on page 11 of this MD&A) related to certain non-routine expenses. In the first half of 2022 net income included $10.0 million of insurance proceeds classified as "business acquisition, integration and other expense (income)" and other non-routine expenses. Excluding the impact of these non-routine items, other non-cash expenses, and share-based compensation, Adjusted Net Income in the first half of 2023 increased by $1.4 million, or 5.6%, to $26.5 million compared to $25.1 million in the same period in the prior year.

Adjusted Diluted EPS increased $0.05 in the first half of 2023 to $0.77 compared to $0.72 in the same period in the prior year.

RESULTS BY QUARTER

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

(Amounts in $000s, except per share amounts)	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Sales	**$254,349**	$329,164	$250,346	$271,181	$253,452	$294,735	$227,879	$214,302	$189,811
Adjusted EBITDA [1]	**$ 22,032**	$ 31,199	$ 25,385	$ 24,809	$ 25,333	$ 28,340	$ 20,600	$ 22,444	$ 19,575
Net Income	**$ 5,887**	$ 13,888	$ 11,131	$ 9,977	$ 18,977	$ 14,645	$ 7,223	$ 9,177	$ 8,021
Adjusted Net Income [1]	**$ 10,044**	$ 16,437	$ 12,318	$ 14,292	$ 10,034	$ 15,068	$ 9,079	$ 11,281	$ 10,378
EPS, based on Net Income									
Basic	**$ 0.18**	$ 0.41	$ 0.33	$ 0.30	$ 0.56	$ 0.43	$ 0.22	$ 0.27	$ 0.23
Diluted	**$ 0.17**	$ 0.40	$ 0.32	$ 0.28	$ 0.54	$ 0.42	$ 0.20	$ 0.26	$ 0.23
EPS, based on Adjusted Net Income [1]									
Basic	**$ 0.30**	$ 0.49	$ 0.37	$ 0.42	$ 0.30	$ 0.44	$ 0.27	$ 0.33	$ 0.31
Diluted [1]	**$ 0.29**	$ 0.48	$ 0.35	$ 0.41	$ 0.29	$ 0.43	$ 0.26	$ 0.32	$ 0.30
Dividends paid per common share (CAD)	**$ 0.13**	$ 0.13	$ 0.13	$ 0.10	$ 0.10	$ 0.10	$ 0.10	$ 0.07	$ 0.07
Net non-cash working capital [2]	**$352,189**	$383,476	$383,988	$309,660	$287,974	$272,482	$232,832	$207,582	$194,410

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

BUSINESS ACQUISITION, INTEGRATION AND OTHER EXPENSE (INCOME)

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

	Thirteen weeks ended		Twenty-six weeks ended	
(Amounts in $000s)	**July 1, 2023**	**July 2, 2022**	**July 1, 2023**	**July 2, 2022**
Business acquisition, integration and other expense (income)	**$ 3,849**	$ (9,034)	**$ 5,616**	$ (8,766)

Business acquisition, integration and other expense (income) for the twenty-six weeks ended July 1, 2023 and July 2, 2022 also included certain non-routine expenses, legal, and consulting fees, that are not representative of the Company's ongoing operational activities. During the twenty-six weeks ended July 2, 2022 the Company received insurance proceeds of $10.0 million in relation to the lawsuit High Liner Foods filed during Fiscal 2020 against Mr. Brian Wynn.

FINANCE COSTS

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

	Thirteen weeks ended		Twenty-six weeks ended	
(Amounts in $000s)	**July 1, 2023**	**July 2, 2022**	**July 1, 2023**	**July 2, 2022**
Interest paid in cash during the period	**$ 6,957**	$ 3,007	**$ 12,946**	$ 6,410
Change in cash interest accrued during the period	**(633)**	382	**(77)**	290
Total interest to be paid in cash	**6,324**	3,389	**12,869**	6,700
Interest expense on lease liabilities	**115**	118	**227**	287
Deferred financing cost & net modification loss amortization	**376**	301	**763**	613
Total finance costs	**$ 6,815**	$ 3,808	**$ 13,859**	$ 7,600

Finance costs were $3.0 million higher in the second quarter of 2023 and $6.3 million higher in the twenty-six weeks ended July 1, 2023 compared to the same periods last year. The increase during the twenty-six weeks ended July 1, 2023 was due to increased interest expense on short-term borrowings due to higher balance outstanding and higher interest rates.

INCOME TAXES

The Company's statutory tax rate for the thirteen and twenty-six weeks ended July 1, 2023 was 27.9% (thirteen and twenty-six weeks ended July 2, 2022: 27.9%). The Company's effective income tax rate for the thirteen and twenty-six weeks ended July 1, 2023 was a recovery of 17.4% and a recovery of 1.4%, respectively (thirteen and twenty-six weeks ended July 2, 2022: an expense of 21.9% and an expense of 21.3%, respectively). The lower effective tax rate for the twenty-six weeks ended July 1, 2023, was primarily attributable to the Company's tax-efficient financing structure.

CONTINGENCIES

The Company has no material outstanding contingencies.

LIQUIDITY AND CAPITAL RESOURCES

The Company's balance sheet is affected by foreign currency fluctuations, the effect of which is discussed in the *Introduction* section on page 1 of this MD&A (under the heading *"Currency"*) and in the *Foreign Currency* risk section in the 2022 MD&A.

Our capital management practices are described in Note 27 *"Capital management"* in the 2022 annual consolidated financial statements.

Working Capital Credit Facility

The Company has a $200.0 million asset-based working capital credit facility (the "Facility"), with the Royal Bank of Canada as Administrative and Collateral agent, which was amended on October 6, 2022 to increase the borrowing limit from $150.0 million to $200.0 million. Additionally, on April 28, 2022 the Facility was amended to extend the term expiry from April 2023 to April 2027. The amendment also included a necessary update from LIBOR to Secured Overnight Financing Rate ("SOFR") based loans.

The rates provided by the working capital credit facility are noted in the following table, based on the "Average Adjusted Aggregate Availability" as defined in the credit agreement. The Company's borrowing rates as of July 1, 2023 are also noted in the following table.

Per Credit Agreement		As at July 1, 2023
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 0.25%
Bankers' Acceptances ("BA") revolving loans, at BA rates	plus 1.25% to 1.50%	plus 1.50%
SOFR revolving loans at SOFR rates	plus 1.25% to 1.50%	plus 1.50%
Letters of credit, with fees of	1.25% to 1.50%	1.50%
Standby fees, required to be paid on the unutilized facility, of	0.25%	0.25%

Average short-term borrowings outstanding during the first half of 2023 were $123.1 million compared to $31.8 million in the same period in the prior year. The $91.3 million increase in average short-term borrowings reflects higher working capital requirements during the second half of Fiscal 2022 which has carried over into the first half of 2023, as compared to the same period in the prior years. This increase is primarily driven by the impact of inflation on raw material and an increased investment in inventory most notably during the second half of Fiscal 2022 to offset the impact of the global supply chain challenges.

As at July 1, 2023, the Company had 101.0 million of unused borrowing availability (July 2, 2022: 93.9 million), taking into account the current borrowing base and letters of credit, which reduce the availability under the working capital facility. On July 1, 2023, letters of credit and standby letters of credit were outstanding in the amount of $7.6 million (July 2, 2022: $23.9 million) to support raw material purchases and to secure certain contractual obligations, including those related to the Company's Supplemental Executive Retirement Plan ("SERP").

The facility is asset-based and collateralized by the Company's inventories, accounts receivable and other personal property in North America, subject to a first charge on brands, trade names and related intangibles under the Company's term loan facility. A second charge over the Company's property, plant and equipment is also in place. Additional details regarding the Company's working capital credit facility are provided in Note 3 *"Bank loans"* to the Consolidated Financial Statements.

We expect average short-term borrowings in Fiscal 2023 to be higher than Fiscal 2022, and we believe the asset-based working capital credit facility should be sufficient to fund all of the Company's anticipated cash requirements.

Term Loan Facility

As at July 1, 2023, the Company had a $300.0 million term loan facility with an interest rate of SOFR plus 3.75% (0.75% SOFR floor), maturing in October 2026.

Quarterly repayments of $1.9 million are required on the term loan as regularly scheduled repayments. On an annual basis, based on a leverage test, additional prepayments could be required of up to 50% of the previous year's defined excess cash flow ("mandatory prepayments"). Per the loan agreement, mandatory prepayments and voluntary repayments will be applied to future regularly scheduled principal repayments. During the twenty-six weeks ended July 1, 2023, regularly scheduled repayments of $3.8 million were made. There are regularly scheduled repayments of $7.5 million to be paid in the next 12 months. There are no mandatory prepayments expected in 2023 related to excess cash flows in 2022.

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

During the twenty-six weeks ended July 1, 2023, 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:					
January 6, 2023	July 7, 2023	3-month SOFR (floor 0.75%)	0.4650%	$	25.0
January 6, 2023	July 8, 2024	3-month SOFR (floor 0.75%)	0.6840%	$	25.0
January 6, 2023	July 6, 2026	3-month SOFR (floor 0.75%)	1.1500%	$	35.0
December 30, 2022	December 31, 2025	3-month SOFR (floor 0.75%)	1.0910%	$	20.0

As of July 1, 2023, the combined impact of the outstanding interest rate swaps listed above effectively fix the interest rate on $105.0 million of the $300.0 million face value of the term loan and the remaining portion of the debt continues to be at variable interest rates. As such, we expect that there will be fluctuations in interest expense due to changes in interest rates when SOFR is higher than the embedded floor of 0.75%.

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

Net Debt

The Company's Net Debt (as calculated in the *Non-IFRS Financial Measures* section on page 21 of this MD&A) is comprised of the working capital credit and term loan facilities (excluding deferred finance costs and modification gains/losses) and lease liabilities, less cash. Net Debt decreased by $41.4 million to $344.1 million at July 1, 2023 compared to $385.5 million at December 31, 2022, reflecting lower bank loans, lower long-term debt and lower lease liabilities as at July 1, 2023, as compared to December 31, 2022.

Net Debt to Rolling Twelve-Month Adjusted EBITDA (see the *Non-IFRS Financial Measures* section on page 21 of this MD&A) was 3.3x at July 1, 2023 compared to 3.7x at December 31, 2022 and 3.0x at July 2, 2022. Net Debt to Rolling Twelve-Months Adjusted EBITDA increased during the second half of Fiscal 2022 primarily as a result of increased investment in seasonal working capital in Fiscal 2022 and inflation in raw materials. In the absence of any major acquisitions or unplanned capital expenditures in 2023, we expect this ratio to be in line with the Company's long-term target of 3.0x at the end of Fiscal 2023.

	Twelve months ended	
(Amounts in $000s, except as otherwise noted)	July 1, 2023	December 31, 2022
Net Debt	**$ 344,148**	$ 385,538
Adjusted EBITDA	**$ 103,425**	$ 103,867
Net Debt to Adjusted EBITDA ratio (times)	**3.3x**	3.7x

Capital Structure

At July 1, 2023, Net Debt was 47.3% of total capitalization compared to 45.0% at July 2, 2022.

(Amounts in $000s)	July 1, 2023	December 31, 2022	July 2, 2022
Net Debt	**$ 344,148**	$ 385,538	$ 294,206
Shareholders' equity	**387,352**	373,417	364,613
Unrealized gains on derivative financial instruments included in AOCI	**(4,082)**	(6,063)	(4,471)
Total capitalization	**$ 727,418**	$ 752,892	$ 654,348
Net Debt as percentage of total capitalization	**47.3%**	51.2%	45.0%

Using our July 1, 2023 market capitalization of $350.6 million, based on a share price of CAD$13.91 (USD$10.51 equivalent), instead of the book value of equity, Net Debt as a percentage of total capitalization increased slightly to 49.5% (July 2, 2022: 49.4%).

Cash Flow

	Thirteen weeks ended			Twenty-six weeks ended		
(Amounts in $000s)	July 1, 2023	July 2, 2022	Change	July 1, 2023	July 2, 2022	Change
Net cash flows provided by operating activities	**$ 45,393**	$ 9,335	$36,058	**$ 58,325**	$(10,394)	$ 68,719
Net cash flows used in financing activities	**(39,769)**	(4,845)	(34,924)	**(49,908)**	15,837	(65,745)
Net cash flows used in investing activities	**(6,078)**	(3,257)	(2,821)	**(8,815)**	(5,094)	(3,721)
Foreign exchange increase (decrease) on cash	**541**	(1,115)	1,656	**330**	(506)	836
Net change in cash during the period	**$ 87**	$ 118	$ (31)	**$ (68)**	$ (157)	$ 89

Cash Flows from Operating Activities

Cash flows from operating activities were $68.7 million higher in the first half of 2023 compared to the same period in the prior year. The increase in cash flows in the first half of 2023 was due to favourable changes in non-cash working capital balances, partially offset by lower cash flows from operations primarily due to the $10.0 million of insurance proceeds received in the first half of 2022, and higher interest paid. The favourable changes in non-cash working capital are due to favourable changes in inventories and prepaid expenses, partially offset by unfavorable changes in accounts receivable and accounts payable and accrued liabilities.

Cash Flows from Financing Activities

Cash flows from financing activities were $65.7 million lower in the first half of 2023 compared to the same period in the prior year due to repayments of short-term borrowings in the first half of 2023 as compared to increased short-term borrowings during the first half of 2022 (see the *Liquidity and Capital Resources* on page 12 of this MD&A), higher repayments of long-term debt and higher common share dividends paid in the current year as compared to the same period in the prior year.

Cash Flows from Investing Activities

Cash outflows from investing activities were $3.7 million higher in the first half of 2023 compared to the same period last year due to higher capital expenditures (see the *Capital Expenditures* section beginning on page 15 of this MD&A).

Standardized Free Cash Flow

Standardized Free Cash Flow (see the *Non-IFRS Financial Measures* section on page 20 for further explanation of Standardized Free Cash Flow) for the twelve months ended July 1, 2023 decreased by $1.3 million to an outflow of $32.1 million compared to an outflow of $30.8 million for the twelve months ended July 2, 2022. This decrease reflects lower cash flows provided by operations during the twelve months ended July 1, 2023 as compared to the twelve months ended July 2, 2022, higher income taxes and interest paid during the last twelve months, as well as higher capital expenditures. The decrease was partially offset by favorable changes in non-cash working capital during the twelve months ended July 1, 2023 as compared to the twelve months ended July 2, 2022.

Net Non-Cash Working Capital

(Amounts in $000s)	July 1, 2023	December 31, 2022	Change
Accounts receivable	**$ 111,434**	$ 96,531	**$ 14,903**
Inventories	**359,652**	472,311	**(112,659)**
Prepaid expenses	**6,410**	6,254	**156**
Accounts payable and accrued liabilities	**(125,058)**	(190,919)	**65,861**
Provisions	**(249)**	(189)	**(60)**
Net non-cash working capital	**$ 352,189**	$ 383,988	**$ (31,799)**

Net non-cash working capital consists of accounts receivable, inventories and prepaid expenses, less accounts payable and accrued liabilities, and provisions. Net non-cash working capital decreased by $31.8 million to $352.2 million at July 1, 2023 as compared to $384.0 million at December 31, 2022, primarily reflecting lower inventories, partially offset by higher accounts receivable and lower accounts payable and accrued liabilities,.

Our working capital requirements fluctuate during the year, usually peaking between December and March as our inventory is the highest at that time, as described in the *"Seasonality"* section on page 4 of this MD&A. Due to the global supply chain challenges in Fiscal 2022, the Company was proactive in securing inventory supply, most notably in the second half of Fiscal 2022 which has carried over into the first half of 2023 as reflected in the higher inventories balances when compared to fiscal years prior to Fiscal 2022. As global supply chain challenges have normalized, we expect a decreased investment in inventory compared to Fiscal 2022. However, going forward we do expect the trend of inventory peaking between December and March to continue, and we believe we have sufficient availability on our working capital credit facility to finance our working capital requirements throughout the remainder of 2023.

Capital Expenditures

Gross capital expenditures (including computer software) were $6.1 million and $9.1 million during the thirteen and twenty-six weeks ended July 1, 2023, respectively, as compared to capital expenditures of $3.3 million and $5.1 million during the thirteen and twenty-six weeks ended July 2, 2022, respectively. Capital expenditures are higher than the prior year reflecting the continued investment to modernize our asset base and maintain and upgrade our facilities.

Excluding strategic initiatives that may arise, management expects that capital expenditures in 2023 will be approximately $25.0 million and funded by cash generated from operations and short-term borrowings.

Dividends

The Company paid a CAD$0.13 per share quarterly dividend on June 15, 2023 to common shareholders of record on June 1, 2023.

On August 9, 2023, the Company's Board of Directors declared a quarterly dividend of CAD$0.13 per share, payable on September 15, 2023 to shareholders of record as of September 1, 2023. These dividends are considered "eligible dividends" for Canadian income tax purposes.

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

- Under the working capital credit facility, Average Adjusted Aggregate Availability, as defined in the credit agreement, needs to be $25.0 million or higher and was $115.0 million on July 1, 2023, and NCIBs are subject to an annual limit of $10.0 million with a provision to carry forward unused amounts subject to a maximum of $20.0 million per annum; and
- Under the term loan facility, dividends cannot exceed $17.5 million per year. This amount increases to the greater of $25.0 million per year or 32.5% of EBITDA as defined in the loan agreement when the defined total leverage ratio is below 4.0x. The defined total leverage ratio was 3.3x on July 1, 2023. NCIBs are subject to an annual limit of $10.0 million under the term loan facility with a provision to carry forward unused amounts subject to a maximum of $20.0 million per annum.

Contractual Obligations

Contractual obligations relating to our bank loans, long-term debt, lease liabilities, and purchase obligations as at July 1, 2023 were as follows:

(Amounts in $000s)	Total	Less than 1 year	1–5 Years	Thereafter
Bank loans	**$ 90,983**	$ 90,983	$ —	$ —
Long-term debt	**314,381**	34,420	279,961	—
Lease liabilities	**7,335**	5,185	2,150	—
Purchase obligations	**118,576**	97,422	21,154	—
Total contractual obligations	**$ 531,275**	$ 228,010	$ 303,265	$ —

Purchase obligations are for the purchase of seafood and other non-seafood inputs, including flour, paper products and frying oils. See the *Procurement* and *Foreign Currency* risk sections in the 2022 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 9 *"Fair value measurement"* of the Consolidated Financial Statements for a complete description of the Company's use of derivative financial instruments and their impact on the financial results, and to Note 28 *"Financial risk management objectives and policies"* of the 2022 annual consolidated financial statements for further discussion of the Company's financial risks and policies.

Disclosure of Outstanding Share Data

On August 9, 2023, 33,360,699 common shares and 918,820 options were outstanding. The options are exercisable on a one-for-one basis for common shares of the Company.

RELATED PARTY TRANSACTIONS

The Company had no related party transactions, excluding key management personnel compensation, for the thirteen and twenty-six weeks ended July 1, 2023 and July 2, 2022.

Refer to Note 24 *"Related party disclosures"* to the 2022 annual consolidated financial statements for a further description of the Company's related party transactions, which are substantially unchanged in 2023.

NON-IFRS FINANCIAL MEASURES

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

Adjusted EBITDA and Adjusted EBITDA as Percentage of Sales

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

We use Adjusted EBITDA (and Adjusted EBITDA as a percentage of sales) as a performance measure as it approximates cash generated from operations before capital expenditures and changes in working capital, and it excludes the impact of expenses and recoveries associated with certain non-routine items that are not considered representative of the ongoing operational activities, as discussed above, and share-based compensation expense related to the Company's share price. For the thirteen and twenty-six weeks ended ended July 2, 2022, Adjusted EBITDA also excludes the $10.0 million in insurance proceeds. We believe investors and analysts also use Adjusted EBITDA (and Adjusted EBITDA as a percentage of sales) to evaluate the performance of our business. The most directly comparable IFRS measure to Adjusted EBITDA is "Net income" on the consolidated statements of income. Adjusted EBITDA is also useful when comparing to other companies, as it eliminates the differences in earnings that are due to how a company is financed. Also, for the purpose of certain covenants on our credit facilities, "EBITDA" is based on Adjusted EBITDA, with further adjustments as defined in the Company's credit agreements.

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

(Amounts in $000s)		July 1, 2023		Thirteen weeks ended July 2, 2022
Net income	**$**	**5,887**	$	18,977
Add back (deduct):				
Depreciation and amortization expense		**5,961**		5,692
Finance costs		**6,815**		3,808
Income tax (recovery) expense		**(872)**		5,319
Standardized EBITDA		**17,791**		33,796
Add back (deduct):				
Business acquisition, integration and other expenses (income)(1)		**3,849**		(9,034)
Impairment of property, plant and equipment		**—**		51
Gain on disposal of assets		**(104)**		(27)
Share-based compensation expense		**496**		547
Adjusted EBITDA	**$**	**22,032**	$	25,333
Net Sales	**$**	**254,349**	$	253,452
Adjusted EBITDA as Percentage of Sales		**8.7%**		**10.0%**

(1) The business acquisition, integration and other expenses (income) for the thirteen weeks ended July 2, 2022, includes insurance proceeds of $10.0 million which is excluded in Adjusted EBITDA.

(Amounts in $000s)		July 1, 2023		Twenty-six weeks ended July 2, 2022
Net income	**$**	**19,775**	$	33,622
Add back (deduct):				
Depreciation and amortization expense		**12,029**		11,363
Finance costs		**13,859**		7,600
Income tax (recovery) expense		**(276)**		9,076
Standardized EBITDA		**45,387**		61,661
Add back (deduct):				
Business acquisition, integration and other expenses (income)(1)		**5,616**		(8,766)
Impairment of property, plant and equipment		**—**		51
(Gain) loss on disposal of assets		**(175)**		14
Share-based compensation expense		**2,403**		713
Adjusted EBITDA	**$**	**53,231**	$	53,673
Net Sales	**$**	**583,513**	$	548,187
Adjusted EBITDA as a Percentage of Sales		**9.1%**		**9.8%**

(1) The business acquisition, integration and other expenses (income) for the twenty-six weeks ended July 2, 2022, includes insurance proceeds of $10.0 million which is excluded in Adjusted EBITDA.

Rolling Twelve-Month Adjusted EBITDA

	Rolling twelve months ended		
(Amounts in $000s)	**July 1, 2023**	**December 31, 2022**	**July 2, 2022**
Net income	**$ 40,883**	$ 54,730	$ 50,022
Add back (deduct):			
Depreciation and amortization expense	**24,244**	23,578	22,960
Finance costs	**24,520**	18,261	14,921
Income tax expense	**1,742**	11,094	12,206
Standardized EBITDA	**91,389**	107,663	100,109
Add back (deduct):			
Business acquisition, integration and other expenses (income)[1]	**7,209**	(7,173)	(7,022)
Impairment of property, plant and equipment	**281**	332	93
(Gain) loss on disposal of assets	**(26)**	163	66
Share-based compensation expense	**4,572**	2,882	3,471
Rolling Twelve-Month Adjusted EBITDA	**$ 103,425**	**$ 103,867**	**$ 96,717**

[1] The business acquisition, integration and other expenses (income) for the rolling twelve months ended December 31, 2022 and July 2, 2022, included insurance proceeds of $10.0 million which was excluded in Adjusted EBITDA

Adjusted Net Income and Adjusted Diluted EPS

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

We use Adjusted Net Income and Adjusted Diluted EPS to assess the performance of our business without the effects of the above-mentioned items, and we believe our investors and analysts also use these measures. We exclude these items because they affect the comparability of our financial results and could potentially distort the analysis of trends in business performance. For the thirteen and twenty-six weeks ended July 2, 2022, Adjusted Net Income also excludes the $10.0 million in insurance proceeds. The most comparable IFRS financial measures are net income and EPS.

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

								Thirteen weeks ended
				July 1, 2023				July 2, 2022
		$000s		Adjusted Diluted EPS		$000s		Adjusted Diluted EPS
Net income	**$**	**5,887**	**$**	**0.17**	$	18,977	$	0.54
Add back (deduct):								
Business acquisition, integration and other expenses (income) [1]		**3,849**		**0.11**		(9,034)		(0.26)
Impairment of property, plant and equipment		**—**		**—**		51		—
Share-based compensation expense		**496**		**0.02**		547		0.02
Tax impact of reconciling items		**(188)**		**(0.01)**		(507)		(0.01)
Adjusted Net Income	**$**	**10,044**	**$**	**0.29**	$	10,034	$	0.29
Average shares for the period (000s)				**34,604**				35,048

								Twenty-six weeks ended
				July 1, 2023				July 2, 2022
		$000s		Adjusted Diluted EPS		$000s		Adjusted Diluted EPS
Net income	**$**	**19,775**	**$**	**0.57**	$	33,622	$	0.96
Add back (deduct):								
Business acquisition, integration and other expenses (income) [1]		**5,616**		**0.16**		(8,766)		(0.25)
Impairment of property, plant and equipment		**—**		**—**		51		—
Share-based compensation expense		**2,403**		**0.07**		713		0.02
Tax impact of reconciling items		**(1,314)**		**(0.03)**		(518)		(0.01)
Adjusted Net Income	**$**	**26,480**	**$**	**0.77**	$	25,102	$	0.72
Average shares for the period (000s)				**34,514**				35,212

[1]The business acquisition, integration and other expenses (income) for the thirteen and twenty-six weeks ended July 2, 2022, includes insurance proceeds of $10.0 million which is excluded in Adjusted Net Income.

Standardized Free Cash Flow

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

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

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

						Twelve months ended
(Amounts in $000s)		**July 1, 2023**		**July 2, 2022**		**Change**
Cash flows provided by operations before changes in non-cash working capital, interest and income taxes paid	**$**	**95,560**	$	103,960	**$**	**(8,400)**
Net change in non-cash working capital balances		**(72,364)**		(100,943)		**28,579**
Interest paid		**(21,277)**		(12,481)		**(8,796)**
Income taxes paid		**(9,358)**		(4,736)		**(4,622)**
Cash flows provided by operating activities		**(7,439)**		(14,200)		**6,761**
Less:						
Purchase of property, plant and equipment, net of investment tax credits, and intangible assets		**(24,639)**		(16,647)		**(7,992)**
Standardized Free Cash Flow	**$**	**(32,078)**	$	(30,847)	**$**	**(1,231)**

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

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

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

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

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

(Amounts in $000s)		July 1, 2023		December 31, 2022		July 2, 2022
Bank loans	**$**	**90,476**	$	127,554	$	30,594
Add-back: Deferred finance costs included in bank loans (1)		**507**		574		481
Total bank loans		**90,983**		128,128		31,075
Long-term debt		**235,062**		238,200		241,741
Current portion of long-term debt		**7,500**		7,500		7,500
Add-back: Deferred finance costs included in long-term debt (2)		**4,285**		4,972		5,248
Less: Net loss on modification of debt (3)		**(467)**		(542)		(609)
Total term loan debt		**246,380**		250,130		253,880
Long-term portion of lease liabilities		**2,005**		2,813		4,960
Current portion of lease liabilities		**4,867**		4,622		4,577
Total lease liabilities		**6,872**		7,435		9,537
Less: Cash		**(87)**		(155)		(286)
Net Debt	**$**	**344,148**	$	385,538	$	294,206
Rolling Twelve-Month Adjusted EBITDA	**$**	**103,425**	$	103,867	$	96,717
Net Debt to Rolling Twelve-Month Adjusted EBITDA		**3.3x**		**3.7x**		**3.0x**

(1) Represents deferred finance costs that are included in "Bank loans" in the consolidated statements of financial position. See Note 3 to the Consolidated Financial Statements.
(2) Represents deferred finance costs that are included in "Long-term debt" in the consolidated statements of financial position. See Note 4 to the Consolidated Financial Statements.
(3) The net gain/loss on modification of debt related to the refinancing completed in March 2021 and October 2019, has been excluded from the calculation of Net Debt as it does not represent the expected cash outflows from the term loan facility. See Note 4 to the Consolidated Financial Statements.

GOVERNANCE

In accordance with National Instrument 52-109 *"Certification of Disclosure in Issuers' Annual and Interim Filings"*, our certifying officers have evaluated the design effectiveness of Disclosure Controls and Procedures ("DC&P"), and our Company's Internal Control over Financial Reporting ("ICFR"). There were no changes in the Company's ICFR during the period beginning on April 2, 2023 and ending on July 1, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

ACCOUNTING ESTIMATES AND STANDARDS

Critical Accounting Estimates

Critical accounting judgments and estimates used in preparing our Consolidated Financial Statements are described in the Company's 2022 Annual Consolidated Financial Statements. The preparation of the Company's Consolidated Financial Statements requires management to make critical judgments, estimates and assumptions that affect the reported amounts of sales, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. On an ongoing basis, management evaluates its judgments, estimates and assumptions using historical experience and various other factors it believes to be reasonable under the given circumstances. Actual outcomes may differ from these estimates under different assumptions and conditions that could require a material adjustment to the reported carrying amounts in the future.

Accounting Standards

The accounting policies used in the preparation of the Consolidated Financial Statements are consistent with those followed in the preparation of the Company's audited consolidated financial statements for the year ended December 31, 2022, except for the adoption of the following new amendment that was effective for annual periods beginning on January 1, 2023 and that the Company adopted on January 1, 2023:

IAS 1, *Disclosure of Accounting Policies*

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

The amendments are effective for annual periods beginning on or after January 1, 2023. The Company has adopted these amendments which are not material to its Consolidated Financial Statements. As a result the changes related to the amendments will be presented in its annual consolidated financial statements for the year ended December 30, 2023.

IAS 12, *Deferred tax related to Assets and Liabilities arising from a Single Transaction*

In May 2021, the IASB issued amendments to IAS 12, *Income Taxes* to require entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

These amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company has adopted these amendments which had no impact on its 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 2022 Annual Consolidated Financial Statements, MD&A and AIF for a more detailed description of risk factors applicable to the Company, which are available at www.sedarplus.ca and at www.highlinerfoods.com.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the thirteen and twenty-six weeks ended July 1, 2023
With comparative figures as at and for the thirteen and twenty-six weeks ended July 2, 2022

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

	Notes		July 1, 2023		December 31, 2022
ASSETS					
Current assets					
Cash		**$**	**87**	$	155
Accounts receivable			**111,434**		96,531
Income taxes receivable			**8,099**		5,146
Other financial assets	**9**		**4,297**		5,662
Inventories			**359,652**		472,311
Prepaid expenses			**6,410**		6,254
Total current assets			**489,979**		586,059
Non-current assets					
Property, plant and equipment			**121,410**		120,036
Right-of-use assets			**6,756**		7,190
Deferred income taxes	**7**		**881**		—
Other receivables and assets	**9**		**2,951**		3,993
Intangible assets			**127,692**		129,074
Goodwill			**157,340**		157,134
Total non-current assets			**417,030**		417,427
Total assets	**3, 4**	**$**	**907,009**	$	1,003,486
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Bank loans	**3**	**$**	**90,476**	$	127,554
Accounts payable and accrued liabilities			**122,875**		187,967
Contract liability			**2,183**		2,952
Provisions			**249**		189
Other current financial liabilities	**9**		**908**		447
Other current liabilities	**6**		**1,276**		4,957
Income taxes payable			**87**		163
Current portion of long-term debt	**4**		**7,500**		7,500
Current portion of lease liabilities			**4,867**		4,622
Total current liabilities			**230,421**		336,351
Non-current liabilities					
Long-term debt	**4**		**235,062**		238,200
Other long-term financial liabilities	**9**		**64**		38
Other long-term liabilities	**6**		**6,208**		5,703
Long-term lease liabilities			**2,005**		2,813
Deferred income taxes	**7**		**36,472**		38,112
Future employee benefits			**9,425**		8,852
Total non-current liabilities			**289,236**		293,718
Total liabilities			**519,657**		630,069
Shareholders' equity					
Common shares	**5**		**114,229**		113,096
Contributed surplus			**16,541**		17,491
Retained earnings			**278,025**		265,294
Accumulated other comprehensive loss			**(21,443)**		(22,464)
Total shareholders' equity			**387,352**		373,417
Total liabilities and shareholders' equity		**$**	**907,009**	$	1,003,486

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		Twenty-six weeks ended	
		July 1, 2023	July 2, 2022	**July 1, 2023**	July 2, 2022
Sales	**8**	**$ 254,349**	$ 253,452	**$ 583,513**	$ 548,187
Cost of sales		**202,366**	197,123	**463,125**	429,844
Gross profit		**51,983**	56,329	**120,388**	118,343
Distribution expenses		**14,055**	14,103	**31,333**	31,214
Selling, general and administrative expenses		**22,249**	23,105	**50,081**	45,546
Impairment of property, plant and equipment		**—**	51	**—**	51
Business acquisition, integration and other expense (income)		**3,849**	(9,034)	**5,616**	(8,766)
Results from operating activities		**11,830**	28,104	**33,358**	50,298
Finance costs		**6,815**	3,808	**13,859**	7,600
Income before income taxes		**5,015**	24,296	**19,499**	42,698
Income taxes					
Income tax (recovery) expense	**7**	**(872)**	5,319	**(276)**	9,076
Net income		**$ 5,887**	$ 18,977	**$ 19,775**	$ 33,622
Earnings per common share					
Basic		**$ 0.18**	$ 0.56	**$ 0.59**	$ 0.99
Diluted		**$ 0.17**	$ 0.54	**$ 0.57**	$ 0.96
Weighted average number of shares outstanding					
Basic		**33,805,112**	33,884,676	**33,715,363**	33,830,995
Diluted		**34,604,072**	35,047,827	**34,514,323**	35,211,783

See accompanying notes to the Unaudited Condensed Interim Consolidated Financial Statements

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

	Thirteen weeks ended		Twenty-six weeks ended	
	July 1, 2023	July 2, 2022	**July 1, 2023**	July 2, 2022
Net income	**$ 5,887**	$ 18,977	**$ 19,775**	$ 33,622
Other comprehensive income (loss), net of income tax				
Other comprehensive income (loss) to be reclassified to net income:				
Gain (loss) on hedge of net investment in foreign operations	**6,402**	(8,543)	**6,451**	(5,438)
(Loss) gain on translation of net investment in foreign operations	**(9,889)**	13,908	**(10,018)**	8,880
Translation impact on Canadian dollar denominated non-AOCI items	**6,777**	(10,389)	**6,958**	(6,669)
Translation impact on Canadian dollar denominated AOCI items	**(368)**	860	**(389)**	500
Total exchange gains (losses) on translation of foreign operations and Canadian dollar denominated items	**2,922**	(4,164)	**3,002**	(2,727)
Effective portion of changes in fair value of cash flow hedges	**353**	1,224	**44**	3,415
Net change in fair value of cash flow hedges transferred to carrying amount of hedged item	**(358)**	56	**(770)**	44
Net change in fair value of cash flow hedges transferred to income	**(725)**	30	**(1,550)**	99
Translation impact on Canadian dollar denominated AOCI items	**302**	(367)	**295**	(235)
Total exchange (losses) gains on cash flow hedges	**(428)**	943	**(1,981)**	3,323
Net other comprehensive gain (loss) to be reclassified to net income	**2,494**	(3,221)	**1,021**	596
Other comprehensive (loss) income not to be reclassified to net income				
Defined benefit plan actuarial (losses) gains	**(536)**	1,577	**(642)**	3,514
Other comprehensive income (loss), net of income tax	**1,958**	(1,644)	**379**	4,110
Total comprehensive income	**$ 7,845**	$ 17,333	**$ 20,154**	$ 37,732

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

	Foreign currency translation differences	**Net exchange differences on cash flow hedges**	**Total accumulated other comprehensive (loss) income**
Balance at December 31, 2022	**$ (28,527)**	**$ 6,063**	**$ (22,464)**
Total exchange gains on translation of foreign operations and Canadian dollar denominated items	**3,002**	**—**	**3,002**
Total exchange losses on cash flow hedges	**—**	**(1,981)**	**(1,981)**
Balance at July 1, 2023	**$ (25,525)**	**$ 4,082**	**$ (21,443)**
Balance at January 1, 2022	$ (19,524)	$ 1,148	$ (18,376)
Total exchange losses on translation of foreign operations and Canadian dollar denominated items	(2,727)	—	(2,727)
Total exchange gains on cash flow hedges	—	3,323	3,323
Balance at July 2, 2022	$ (22,251)	$ 4,471	$ (17,780)

See accompanying notes to the Unaudited Condensed Interim Consolidated Financial Statements

HIGH LINER FOODS INCORPORATED

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited, in thousands of United States dollars)

	Common shares	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total
Balance at December 31, 2022	**$ 113,096**	**$ 17,491**	**$ 265,294**	**$ (22,464)**	**$ 373,417**
Other comprehensive income	**—**	**—**	**(642)**	**1,021**	**379**
Net income	**—**	**—**	**19,775**	**—**	**19,775**
Common share dividends	**—**		**(6,402)**	**—**	**(6,402)**
Share-based compensation (Note 5, 6)	**1,133**	**(950)**	**—**	**—**	**183**
Balance at July 1, 2023	**$ 114,229**	**$ 16,541**	**$ 278,025**	**$ (21,443)**	**$ 387,352**
Balance at January 1, 2022	$ 113,458	$ 17,477	$ 219,965	$ (18,376)	$ 332,524
Other comprehensive income	—	—	3,514	596	4,110
Net income	—	—	33,622	—	33,622
Common share dividends	—	—	(5,171)	—	(5,171)
Share-based compensation (Note 5, 6)	41	519	—	—	560
Common shares repurchased for cancellation (Note 5)	(286)	—	(746)	—	(1,032)
Balance at July 2, 2022	$ 113,213	$ 17,996	$ 251,184	$ (17,780)	$ 364,613

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 **July 1, 2023**	Thirteen weeks ended July 2, 2022	Twenty-six weeks ended **July 1, 2023**	Twenty-six weeks ended July 2, 2022
Cash flows provided by (used in):					
Operating activities					
Net income		**$ 5,887**	$ 18,977	**$ 19,775**	$ 33,622
Adjustments to net income not involving cash from operations:					
Depreciation and amortization		**5,961**	5,692	**12,029**	11,363
Share-based compensation expense	**6**	**496**	547	**2,403**	713
Loss on asset disposals and impairment		**17**	126	**18**	173
Future employee benefits contribution, net of expense		**(300)**	(208)	**(379)**	(253)
Finance costs		**6,815**	3,808	**13,859**	7,600
Income tax (recovery) expense	**7**	**(872)**	5,319	**(276)**	9,076
Unrealized foreign exchange (gain) loss		**(201)**	125	**974**	(820)
Cash flows provided by operations before changes in non-cash working capital, interest and income taxes paid		**17,803**	34,386	**48,403**	61,474
Changes in non-cash working capital balances:					
Accounts receivable		**15,661**	32,742	**(14,240)**	(1,205)
Inventories		**45,868**	(46,866)	**115,388**	(25,353)
Prepaid expenses		**(797)**	(12,898)	**(130)**	(13,606)
Accounts payable and accrued liabilities		**(22,101)**	7,462	**(74,118)**	(22,395)
Provisions		**9**	868	**56**	876
Net change in non-cash working capital balances		**38,640**	(18,692)	**26,956**	(61,683)
Interest paid		**(6,957)**	(3,007)	**(12,946)**	(6,410)
Income taxes paid		**(4,093)**	(3,352)	**(4,088)**	(3,775)
Net cash flows provided by (used in) operating activities		**45,393**	9,335	**58,325**	(10,394)
Financing activities					
(Decrease) increase in bank loans		**(33,414)**	2,008	**(37,164)**	26,860
Repayment of lease liabilities		**(1,204)**	(1,278)	**(2,592)**	(2,565)
Repayment of long-term debt	**4**	**(1,875)**	(1,884)	**(3,750)**	(1,884)
Deferred finance costs		**—**	(372)	**—**	(372)
Common share dividends paid		**(3,276)**	(2,568)	**(6,402)**	(5,171)
Common shares repurchased for cancellation	**5**	**—**	(751)	**—**	(1,031)
Net cash flows (used in) provided by financing activities		**(39,769)**	(4,845)	**(49,908)**	15,837
Investing activities					
Purchase of property, plant and equipment, net of investment tax credits, and intangible assets		**(6,084)**	(3,257)	**(9,063)**	(5,094)
Net proceeds on disposal of assets		**6**	—	**248**	—
Net cash flows (used in) provided by investing activities		**(6,078)**	(3,257)	**(8,815)**	(5,094)
Foreign exchange increase (decrease) on cash		**541**	(1,115)	**330**	(506)
Net change in cash during the period		**87**	118	**(68)**	(157)
Cash, beginning of period		**—**	168	**155**	443
Cash, end of period		**$ 87**	$ 286	**$ 87**	$ 286

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 twenty-six weeks ended July 1, 2023, comprise High Liner Foods' Canadian company (the "Parent") and its subsidiaries (herein together referred to as the "Company" or "High Liner Foods"). The Company is primarily involved in the processing and marketing of prepared and packaged frozen seafood products.

These Consolidated Financial Statements were authorized for issue in accordance with a resolution of the Company's Board of Directors on August 9, 2023.

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 31, 2022, available at www.highlinerfoods.com.

(b) Functional and presentation currency

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

(c) Seasonality of operations

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

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

The accounting policies used in the preparation of the Consolidated Financial Statements are consistent with those followed in the preparation of the Company's audited consolidated financial statements for the year ended December 31, 2022, except for the adoption of the following new amendment that was effective for annual periods beginning on January 1, 2023 and that the Company has adopted on January 1, 2023:

IAS 1, *Disclosure of Accounting Policies*

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

The amendments are effective for annual periods beginning on or after January 1, 2023. The Company has adopted these amendments which are not material to its Consolidated Financial Statements. As a result the changes related to the amendments will be presented in its annual consolidated financial statements for the year ended December 30, 2023.

IAS 12, *Deferred tax related to Assets and Liabilities arising from a Single Transaction*

In May 2021, the IASB issued amendments to IAS 12, *Income Taxes* to require entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

These amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company has adopted these amendments which had no impact on its Consolidated Financial Statements.

3. Bank loans

(Amounts in $000s)		**July 1, 2023**		December 31, 2022
Bank loans, denominated in CAD (average variable rate of 6.95%; December 31, 2022: 6.45%)	**$**	**2,141**	$	157
Bank loans, denominated in USD (average variable rate of 6.72%; December 31, 2022: 5.80%)		**88,842**		127,971
		90,983		128,128
Less: deferred finance costs		**(507)**		(574)
	$	**90,476**	$	127,554

The Company has a $200.0 million working capital facility (the "Facility"), with the Royal Bank of Canada as Administrative Agent, which expires on April 2027. The Facility is asset-based and collateralized by the Company's inventories, accounts receivable and other personal property in North America, subject to a first charge on brands, trade names and related intangibles under the Company's term loan facility (see Note 4). A second charge over the Company's property, plant and equipment is also in place. Taking into account the current borrowing base and letters of credit as at July 1, 2023, the Company had $101.0 million of borrowing availability (December 31, 2022: $61.0 million).

As at July 1, 2023 and December 31, 2022, the Facility allowed the Company to borrow:

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

4. Long-term debt

(Amounts in $000s)		**July 1, 2023**		December 31, 2022
Term loan	**$**	**246,847**	$	250,672
Less: current portion		**(7,500)**		(7,500)
		239,347		243,172
Less: deferred finance costs		**(4,285)**		(4,972)
	$	**235,062**	$	238,200

As at July 1, 2023, the Company had a $300.0 million term facility with an interest rate of SOFR plus 3.75% (0.75% SOFR floor), (as at December 31, 2022: $300.0 million term facility with an interest rate of SOFR plus 3.75% (0.75% SOFR floor)), maturing in October 2026.

Quarterly principal repayments of $1.9 million are required on the term loan as regularly scheduled repayments. During the twenty-six weeks ended July 1, 2023, regularly scheduled repayments of $3.8 million were made. There are regularly scheduled repayments of $7.5 million to be paid in the next 12 months. There are no mandatory prepayments related to excess cash flows in 2022 expected for 2023.

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

5. Share capital

Purchase of shares for cancellation

In June 2023, the Company announced that the Toronto Stock Exchange approved a Normal Course Issued Bid to repurchase up to 200,000 common shares. Purchases could commence on on June 7, 2023 and will terminate no later than June 6, 2024. During the twenty-six weeks ended July 1, 2023, the Company did not purchase any common shares under this plan.

In June 2022, the Company announced that the Toronto Stock Exchange approved a Normal Course Issued Bid to repurchase up to 200,000 common shares. Purchases commenced on on June 7, 2022 and were terminated on June 6, 2023. During the twenty-six weeks ended July 1, 2023, the Company did not purchase any common shares under this plan. During the fifty-two weeks ended December 31, 2022, the Company purchased 135,568 common shares under this plan at an average price of $9.51 (CAD$12.32) per share for total cash consideration of $1.3 million (CAD$1.7 million). The excess of the purchase price over the book value of the shares in the amount of $0.9 million was charged to retained earnings.

In June 2021, the Company announced that the Toronto Stock Exchange approved a Normal Course Issuer Bid to repurchase up to 150,000 common shares. Purchases commenced on June 23, 2021 and were terminated early on June 7, 2022. During the twenty-six weeks ended July 2, 2022, the Company purchased the remaining 27,900 common shares under this plan at an average price of $10.04 (CAD$12.71) per share for total cash consideration of $0.3 million (CAD$0.4 million). The excess of the purchase price over the book value of the shares in the amount of $0.2 million was charged to retained earnings.

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

	Twenty-six weeks ended July 1, 2023		Twenty-six weeks ended July 2, 2022	
	Shares	**($000s)**	Shares	($000s)
Balance, beginning of period	**33,179,282**	**$ 113,096**	33,329,710	$ 113,458
Options exercised for shares via cashless exercise method (Note 6)[1]	**181,417**	**1,133**	10,904	41
Shares repurchased for cancellation	**—**	**—**	(105,174)	(286)
Balance, end of period	**33,360,699**	**$ 114,229**	33,235,440	$ 113,213

(1) For the twenty-six weeks ended July 1, 2023, 181,417 shares were issued related to options exercised via the cashless method. The issuance of shares was authorized on March 31, 2023 and settled on April 4, 2023.

During the thirteen and twenty-six weeks ended July 1, 2023, the Company distributed dividends per share of CAD$0.13 and CAD$0.26, respectively (thirteen and twenty-six weeks ended July 2, 2022: CAD$0.10 and CAD$0.20, respectively).

On August 9, 2023, the Company's Board of Directors declared a quarterly dividend of CAD$0.13 per share, payable on September 15, 2023 to shareholders of record as of September 1, 2023.

6. Share-based compensation

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

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

The carrying amount of cash-settled share-based compensation arrangements recognized in other current liabilities and other long-term liabilities on the consolidated statements of financial position was $1.3 million and $6.2 million, respectively, as at July 1, 2023 (December 31, 2022: $5.0 million and $5.7 million, respectively).

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

	Thirteen weeks ended		Twenty-six weeks ended	
(Amounts in $000s)	**July 1, 2023**	July 2, 2022	**July 1, 2023**	July 2, 2022
Cost of sales resulting from:				
Equity-settled awards [(1)]	**$ —**	$ 6	**$ —**	$ 13
Selling, general and administrative expenses resulting from:				
Cash-settled awards [(1)]	**384**	448	**2,203**	490
Equity-settled awards [(1)]	**112**	93	**200**	210
Share-based compensation expense	**$ 496**	$ 547	**$ 2,403**	$ 713

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

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

	Thirteen weeks ended				Twenty-six weeks ended			
	July 1, 2023		July 2, 2022		**July 1, 2023**		July 2, 2022	
	No.	**WAEP (CAD)**	No.	WAEP (CAD)	**No.**	**WAEP (CAD)**	No.	WAEP (CAD)
Outstanding, beginning of period	**918,820**	**$ 10.22**	1,536,320	$ 10.24	**1,479,833**	**$ 10.19**	1,447,096	$ 10.18
Granted	**—**	**—**	—	—	**119,860**	**15.14**	151,325	12.70
Exercised for shares via cashless method [(1)]	**—**	**—**	—	—	**(680,873)**	**11.03**	(26,618)	7.49
Expired	**—**	**—**	—	—	**—**	**—**	(35,483)	20.61
Outstanding, end of period	**918,820**	**$ 10.22**	1,536,320	$ 10.24	**918,820**	**$ 10.22**	1,536,320	$ 10.24
Exercisable, end of period	**597,244**	**$ 8.31**	1,184,066	$ 9.79	**597,244**	**$ 8.31**	1,184,066	$ 9.79

[(1)] For the twenty-six weeks ended July 1, 2023, 181,417 shares were issued related to options exercised via the cashless method (twenty-six weeks ended July 2, 2022: 10,904). The weighted average share price at the date of exercise for these options was CAD$14.85 for the twenty-six weeks ended July 1, 2023 (twenty-six weeks ended July 2, 2022: CAD$12.68).

In United States dollars, unless otherwise noted

Set forth below is a summary of the outstanding options to purchase common shares as at July 1, 2023:

	Options outstanding			Options exercisable	
Option price (CAD)	**Number outstanding**	**Weighted average exercise price**	**Average life (years)**	**Number exercisable**	**Weighted average exercise price**
$ 7.25–10.00	514,243	$ 7.48	1.14	514,243	$ 7.48
$ 10.01–15.00	284,717	13.09	5.29	83,001	13.44
$ 15.01–20.00	119,860	15.14	6.75	—	—
	918,820			**597,244**	

The fair value of options granted during the twenty-six weeks ended July 1, 2023 and twenty-six weeks ended July 2, 2022 was estimated on the date of grant using the Black-Scholes pricing model with the following weighted average inputs and assumptions:

	July 1, 2023	July 2, 2022
Dividend yield (%)	**3.43**	3.15
Expected volatility (%)	**40.23**	41.58
Risk-free interest rate (%)	**3.44**	1.43
Expected life (years)	**7.00**	7.00
Weighted average share price (CAD)	**$ 15.14**	$ 12.70
Weighted average fair value (CAD)	**$ 4.80**	$ 3.93

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

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

	Thirteen weeks ended		Twenty-six weeks ended	
	July 1, 2023	July 2, 2022	**July 1, 2023**	July 2, 2022
Outstanding, beginning of period	**524,156**	592,131	**566,363**	628,844
Granted	**—**	—	**196,886**	181,725
Reinvested dividends	**4,834**	4,668	**9,476**	9,387
Released and paid in cash	**—**	—	**(242,011)**	(217,015)
Forfeited	**—**	(3,106)	**(1,724)**	(9,248)
Outstanding, end of period	**528,990**	593,693	**528,990**	593,693

The expected performance multiplier used in determining the fair value of the liability and related share-based compensation expense for PSUs for the twenty-six weeks ended July 1, 2023 was 47% (twenty-six weeks ended July 2, 2022: 94%).

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

	Thirteen weeks ended		Twenty-six weeks ended	
	July 1, 2023	July 2, 2022	**July 1, 2023**	July 2, 2022
Outstanding, beginning of period	**444,046**	466,117	**452,978**	479,880
Granted	**—**	—	**158,885**	134,901
Reinvested dividends	**4,094**	3,658	**8,027**	7,362
Released and paid in cash	**—**	—	**(170,026)**	(148,533)
Forfeited	**—**	(3,105)	**(1,724)**	(6,940)
Outstanding, end of period	**448,140**	466,670	**448,140**	466,670

The share price at the reporting date was CAD$13.91 (July 2, 2022: CAD$11.73). PSUs will vest at the end of a three-year period, if agreed-upon performance measures are met, and the RSUs will vest in accordance with the terms of the agreement.

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

	Thirteen weeks ended		Twenty-six weeks ended	
	July 1, 2023	July 2, 2022	**July 1, 2023**	July 2, 2022
Outstanding, beginning of period	**406,956**	324,335	**400,444**	317,103
Granted	**46,193**	57,087	**49,130**	61,737
Reinvested dividends	**4,160**	3,055	**7,735**	5,637
Outstanding, end of period	**457,309**	384,477	**457,309**	384,477

7. Income tax expense

The Company's statutory tax rate for the thirteen and twenty-six weeks ended July 1, 2023 was 27.9% (thirteen and twenty-six weeks ended July 2, 2022: 27.9%). The Company's effective income tax rate for the thirteen and twenty-six weeks ended July 1, 2023 was a recovery of 17.4% and a recovery of 1.4%, respectively (thirteen and twenty-six weeks ended July 2, 2022: an expense of 21.9% and an expense of 21.3%, respectively). The lower effective tax rate for the twenty-six weeks ended July 1, 2023, was primarily attributable to the Company's tax-efficient financing structure.

8. Geographic information

Sales earned outside of Canada for the thirteen and twenty-six weeks ended July 1, 2023 were $191.0 million and $456.1 million, respectively (July 2, 2022: $188.5 million and $419.4 million, respectively). Sales by geographic area are determined based on the shipping location. The Company disaggregates revenue from contracts with customers based on its single operating segment, North America.

The non-current assets outside of Canada are as follows:

(Amounts in $000s)		**July 1, 2023**		**December 31, 2022**
Property, plant and equipment	**$**	**91,782**	$	90,976
Right-of-use assets		**4,394**		4,948
Intangible assets		**111,789**		115,057
Goodwill		**147,916**		147,916
	$	**355,881**	$	358,897

9. Fair value measurement

Fair value of financial instruments

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

	July 1, 2023		December 31, 2022	
(Amounts in $000s)	**Level 2**	**Level 3**	Level 2	Level 3
Fair value of financial assets				
Interest rate swaps	**$ 6,843**	**$ —**	$ 7,553	$ —
Foreign exchange contracts	**405**	**—**	2,102	—
Fair value of financial liabilities				
Foreign exchange contracts	**972**	**—**	485	—
Long-term debt	**—**	**248,222**	—	245,379

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

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

The Company uses the date of the event or change in circumstances to recognize transfers between Level 1, Level 2 and Level 3 fair value measurements. During the twenty-six weeks ended July 1, 2023, no such transfers occurred.

The financial liabilities not measured at fair value on the consolidated statements of financial position consist of long-term debt (including current portion). The carrying amount of these instruments was $242.6 million as at July 1, 2023 (December 31, 2022: $245.7 million).

Hedging activities

Interest rate swaps

During the twenty-six weeks ended July 1, 2023, the Company had the following interest rate swaps outstanding to hedge interest rate risk resulting from the term loan facility (see Note 4):

Effective date	Maturity date	Receive floating rate	Pay fixed rate		Notional amount (millions)
Designated in a formal hedging relationship:					
January 6, 2023	July 7, 2023	3-month SOFR (floor 0.75%)	0.4650 %	$	25.0
January 6, 2023	July 8, 2024	3-month SOFR (floor 0.75%)	0.6840 %	$	25.0
January 6, 2023	July 6, 2026	3-month SOFR (floor 0.75%)	1.1500 %	$	35.0
December 30, 2022	December 31, 2025	3-month SOFR (floor 0.75%)	1.0910 %	$	20.0

The cash flow hedge of interest expense variability was assessed to be effective for the thirteen and twenty-six weeks ended July 1, 2023, and therefore the change in fair value for those interest rate swaps designated in a hedging relationship was included in OCI as after-tax net gains of $0.9 million and $0.7 million, respectively (thirteen and twenty-six weeks ended July 2, 2022: after-tax net gains of $0.4 million and $3.0 million, respectively).

The Company did not hold any interest rate swaps that were not designated in a formal hedging relationship during the twenty-six weeks ended July 1, 2023 and July 2, 2022. There were $nil amounts recognized in the consolidated statements of income resulting from hedge ineffectiveness during the thirteen and twenty-six weeks ended July 1, 2023 (thirteen and twenty-six weeks ended July 2, 2022: $nil).

Foreign currency contracts

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

As at July 1, 2023, the Company had outstanding notional amounts of $42.5 million (July 2, 2022: $42.9 million) in foreign currency average-rate forward contracts that were formally designated as a hedge and $1.1 million in foreign currency single-rate forward contracts that were formally designated as a hedge (July 2, 2022: $0.8 million). With the exception of $1.5 million (July 2, 2022: $0.9 million) average-rate forward contracts with maturities ranging from July 2024 to December 2024, all foreign currency forward contracts have maturities that are less than one year.

The cash flow hedges of the expected future purchases were assessed to be effective for the thirteen and twenty-six weeks ended July 1, 2023, and therefore the change in fair value was recorded in OCI as after-tax net losses of $0.6 million and $0.7 million, respectively (thirteen and twenty-six weeks ended July 2, 2022: after-tax net gains of $0.8 million and $0.4 million, respectively). There were net gains of $nil and $0.2 million, respectively, recognized in the consolidated statements of income resulting from hedge ineffectiveness during the thirteen and twenty-six weeks ended July 1, 2023 (thirteen and twenty-six weeks ended July 2, 2022: nominal amounts).

As at July 1, 2023, the Company had $5.0 million (July 2, 2022: $35.0 million) of foreign currency single-rate forward contracts to hedge foreign currency exchange risk on USD monetary assets and liabilities that were not formally designated as a hedge. The change in fair value related to hedging foreign currency exchange risk on USD monetary assets and liabilities, recognized in the consolidated statements of income for the thirteen and twenty-six weeks ended July 1, 2023 were net losses of $nil and $0.2 million, respectively (thirteen and twenty-six weeks ended July 2, 2022: net gains of $0.7 million and $0.3 million, respectively).

Hedge of net investment in foreign operations

As at July 1, 2023, a total borrowing of $277.1 million ($34.5 million included in bank loans, $7.5 million included in the current portion of long-term debt and $235.1 million included in long-term debt (December 31, 2022: a total borrowing of $295.1 million ($20.0 million included in accounts payable, $29.4 million included in bank loans, $7.5 million included in the current portion of long-term debt and $238.2 million included in long-term debt)) has been designated as a hedge of the net investment in the U.S. subsidiary and is being used to hedge the Company's exposure to foreign exchange risk on this net investment. Gains or losses on the re-translation of this borrowing are transferred to OCI to offset any gains or losses on translation of the net investment in the U.S. subsidiary. There was no hedge ineffectiveness recognized during the thirteen and twenty-six weeks ended July 1, 2023 and July 2, 2022.