HIGH LINER FOODS
INCORPORATED

ANNUAL INFORMATION FORM
FOR 2001

(All amounts are in Canadian Dollars unless otherwise expressed)

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Unless the context otherwise requires, references in this Annual Information Form to the "Company" or "High Liner Foods" include High Liner Foods Incorporated and its subsidiaries. Certain terms used in this Annual Information Form are defined in the Glossary.

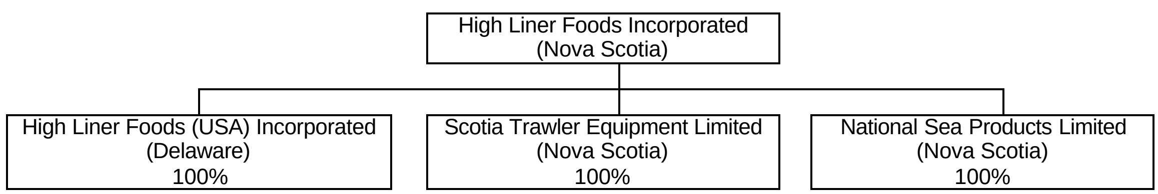
1. CORPORATE STRUCTURE

1.1 Name and Incorporation

High Liner Foods Incorporated is a Nova Scotia company, amalgamated under the Companies Act of Nova Scotia. Its 102-year history began in 1899 with the founding of W.C. Smith & Company Limited, a ships' chandlery and salt fish operation located in Lunenburg, Nova Scotia. In 1926, Lunenburg Sea Products Limited was formed by the same group of shareholders to diversify into fresh fish and cold storage. In 1938, these two companies merged, and in 1945 the merged companies, along with Maritime National Fish Company Limited of Halifax, and other related companies, were brought together under the ownership of National Sea Products Limited. The present company was formed by amalgamation of the related companies in 1967. On December 31, 1998, the Company changed its name to High Liner Foods Incorporated. High Liner Foods' registered and principal office is at 100 Battery Point, Lunenburg County, Nova Scotia, B0J 2C0.

1.2 Intercorporate Relationships

The Company's business is carried on through the parent company, High Liner Foods Incorporated, and three principal operating subsidiaries.



High Liner Foods (USA) Incorporated manufactures and distributes retail frozen seafood and pasta products throughout the United States and Mexico. The Company's scallop and groundfish harvesting businesses operate as divisions of High Liner Foods Incorporated, but are known by the names Scotia Trawler Equipment Limited and National Sea Products Limited, respectively.

2. GENERAL DEVELOPMENT OF THE BUSINESS

2.1 Three Year History

High Liner Foods' growth strategy and business plans are aimed at leveraging the Company's core strengths in food processing, marketing, procurement and logistics.

In 1998 the Company acquired the assets of Italian Village Ravioli & Pasta Products, Inc., ("Italian Village") a frozen pasta processing company in New Jersey. This was the Company's first major acquisition as an element of its current growth strategy (see section 2.3 - Growth Strategy, below).

Italian Village's major New York customers purchased unusually high quantities of pasta products from the previous owners between mid-August, 1998, and September 18, 1998, just prior to closing. These sales were conducted on unusual terms, favorable to the retail chains, and constitute what is known as "channel stuffing." These sales, along with already high inventories owned by wholesalers and retailers in the New York area, resulted in substantially reduced sales by High Liner Foods to New York customers during most of 1999. In addition, to help move this inventory through to consumers, the Company spent additional promotional monies to promote the sale of inventory which High Liner had not sold and on which it had received no profit. The Company has instituted legal action against the previous owners of Italian Village as a result of channel stuffing. See the Company's 2001 Management Discussion and Analysis for more details.

The frozen pasta category in the USA, which had been growing for many years, contracted in 1999 and 2000. This was due to a variety of reasons such as a significant customer and a competitor of Italian Village in the New York area both filed for Chapter 11 protection under US bankruptcy laws, the market leader of the frozen pasta category outside of New York stopped investing and promoting their brand and fad "low carbohydrate" diets popular in 1999 and 2000 did not promote the pasta category. In 2000, this category contraction stopped and High Liner is focused on growing the category now that these issues are behind us.

Late in 1998, raw material seafood prices increased by as much as 60%, which reduced margins on the Company's seafood products significantly during 1999. Market prices of raw materials declined somewhat during 1999. At the end of 1999, prices were on average 7 to 20% lower than they had been at the end of 1998. During 2000 and 2001, market prices for the company's principal raw materials stablized at 1999 levels, and for some species or products were lower. The Company is of the view that prices in 2002 will continue to be relatively stable consistent with 2001. During 1998, H&G haddock was not available to the Company in sufficient quantities, which forced the Company in that year to purchase haddock that was not up to the Company's normal specifications. Processing this haddock in 1999 resulted in increased production costs and higher by-product production. This reduced the margin on certain products in 1999, and overall the Company incurred a loss. Higher seafood raw material costs, lower groundfish landings from the Company's own fleet, low fresh fish prices, and the challenges associated with the acquisition of Italian Village, already discussed, added up to a disappointing year.

Analysis of the impact of seafood raw material supply and price issues is difficult, due to the variability of possible assumptions. It may seem contradictory to discuss high raw material costs in the same context as the challenge of having to sell the Company's fresh fish catches at lower market prices. It is important to keep in mind that seafood raw material is not a homogeneous product, and prices and trends vary by both species and form of product. The fresh fish market does not necessarily move in synchronization with the market for other products, such as frozen minced blocks of Alaskan pollock.

The Company's 2000 strategic plan resulted in significant improved operations in 2000 and the Company returned to profitability. The Company's Canadian retail business increased prices in 2000 by as much as 10%, contributing to an increase in profitability. Scallop landings increased by more than 60% in 2000 over 1999, which also contributed additional income. Seafood raw material prices were also slightly lower than in 1999, improving profitability. In addition, operating costs in 2000 were reduced by lower labour costs and depreciation as a result of a reorganization in late 1999. At that time Management elected to reduce its workforce and write down a surplus processing plant, resulting in ongoing annual savings of $2.5 million in operating costs and $1 million in depreciation.

Recognizing that strategic management of seafood raw material supply is crucial to profitability, a Vice President Procurement was assigned in 2000 to manage all purchasing activities of the Company. He collaborates with the Company's sales and marketing personnel to identify customer needs, and he nurtures the Company's extensive and enduring supplier relationships around the globe to ensure that procurement is aligned with sales objectives. He is also developing a logistics network for procurement to provide the best customer service and allow suppliers and the Company to seamlessly minimize supply chain costs.

To ensure the US subsidiary could continue to post improved earnings and growth in both seafood and pasta under focussed leadership, a Chief Operating Officer (COO) of the US subsidiary was hired in July 2000. In 2001, under the leadership of the new US COO, the Fisher Boy®, the Gina Italian Village®, and Floresta®, brands increased sales, market shares and profits. This is expected to continue in 2002 due to a new marketing strategy (see Section 3.1 commencing on page 9).

In 2001, an abundance of scallops in the US market and the downturn in the economy meant that lower selling prices were received for fresh scallops in 2001. This increase in scallop landings comes principally from an increase in US based landings of scallops from areas that were opened to fishing for the first time in many years. US landings have increased by at least 100% in 2001 over 1999. This increase in landings has reduced the price for fresh scallops by as much as 40% relative to prior years. This over supply situation is expected to continue for the next few years and the Company is committed to find new markets and consumers for its scallops. To alleviate the full impact of these lower fresh prices on the Company's profit, the Company deferred some landings from the first half of 2001 to the second half of the year and changed its marketing strategy for these products. In the past, the Company has sold significant quantities of commodity products, such as fresh seafood (including scallops) and other frozen raw seafood products, on which pricing can be volatile. The Company changed its marketing strategy on a portion of these commodities to create premium quality frozen branded retail products that are sold to traditional grocery stores and to club stores.

In late 2001, the Company announced its intention to dispose of its Arnold's Cove, Newfoundland processing plant. This plant's production is primarily sold in the U.S. food service market - a market that is not a strategic focus for the Company. The impact of the potential sale of this plant on the Company will be minimal, decreasing sales by approximately 10%.

The weakened economy reduced the Company's food service sales in the fourth quarter of 2001, but for the entire year, food service sales were approximately equal to 2000. During an economic slowdown, consumers often spend less money at restaurants and more money on groceries. The Company's retail products should continue to do well in 2002. The Company's food service and commodity divisions are expected to be negatively affected more than other divisions, as they may experience the converse effect of the tendency of people to eat at home.

During the past few years, the Company has had tremendous success with its new Canadian premium quality products such as "High Liner Salmon in Creamy Dill Sauce". In addition, new products were launched in 2001 within the seafood department of Canadian grocery stores. This increases sales and profit with little or no reduction in sales of other High Liner products sold in the frozen grocery aisles.

In 2002, the Company will be continuing its successful US market development and new product launches in both US and Canada for its three principal brands, including continued expansion into US club stores. It has also begun marketing Italian Village frozen pasta in Canada.

During the past three years the Company has consistently focussed on increasing the sales, profits and market share of its primary food brands, High Liner®, Fisher Boy® and Gina Italian Village®, and it has posted several achievements consistent with these goals (see Section 4 – Selected Consolidated Financial Information commencing on page 24). For example, consolidated sales have increased year over year in each of 1999, 2000 and 2001. Fisher Boy® has steadily increased its market shares in key markets. High Liner® continues to dominant the Canadian retail frozen seafood category, and the Company's frozen pasta products are the number two brand nationally in the United States and the number one brand in their core markets.

The Company's decision to increase leveraging its frozen food expertise into brand leadership in its selected food categories lead to divestiture of non-core and non-strategic assets and investments in 1999 and earlier years. Proceeds from these sales were used to reduce the Company's debt, which has resulted in lower short term interest expense. In addition, the Company has reduced operating costs. Procurement (in the place of harvesting) of headed and gutted raw seafood material for processing in active plants has increased utilization of facilities. The reduced operating costs, increased utilization of facilities, and recent higher market prices at which the Company's commodity products have been sold, have increased margins. The Company has also increased sales and profits by marketing new products sourced from around the world, such as Salmon loins from China and Patagonian Silver Hake from Uruguay. The strengthened procurement efforts has made the Company less reliant on what it has traditionally harvested and allows the Company to find what its customers want from around the world.

2.2 Business Strategy

High Liner Foods' vision is to be the supplier of choice in its target markets by providing innovative, quality products and superior customer service; and, to develop outstanding employees in a safe workplace and build shareholder value through operational excellence and brand leadership.

High Liner Foods' goal is to develop the number one or number two brand position either nationally or, in the case of the United States, regionally, in the product categories in which it operates. High Liner Foods has identified products, such as its current seafood and pasta lines, that meet its product criteria: good value, high quality, nutritious and convenient for North American consumers. In the retail sector, products must be ready to eat from the freezer to the table in less than twenty minutes to be appealing to the consumer. An important part of the Company's strategy is its focus on quality. The Company consistently strives to improve its products to maintain and improve its market leadership positions. Quality of the Company's customer service, including setting objectives for continuity of supply and on-time delivery, are also key elements in its strategy.

The Company's focus in the future is to find out what customers want and either manufacture it in Company value-added plants or procure it from others.

2.3 Growth Strategy

High Liner Foods has adopted a strategy to pursue growth in three areas:

a) ***Growth in Core Markets*:** The continued growth of the Company's core seafood and pasta businesses in both Canada and the United States in retail and food service markets. New product introductions as well as the Company's strategy to become the supplier of choice for consolidating customers are an integral part of this strategy. Gaining additional volume of sales through "club stores", such as Costco, Sam's and B.J.'s, is also key to achieving growth targets.

b) ***Expansion into New Markets*:** Demographics of Latin America, showing a high percentage of population under 16, growing incomes and modernization of supermarket distribution channels, provide an opportunity for High Liner Foods to market its mature North American products, such as fish sticks and fish portions, to urban areas in Latin America. High Liner Foods markets its seafood products in Mexico under the Fisher Boy® brand, and is currently the number one seafood supplier to the retail market in Mexico City. High Liner Foods is working to expand its presence in Mexico.

c) ***Acquisition of Frozen Food Businesses*:** The Company's strength in the retail frozen food business in North America is an opportunity for the Company to move into other frozen food categories through acquisition. The Company's strengths in management, customer relations, its United States' experience, its new product development expertise, state of the art business systems, and marketing and frozen food logistics expertise, all provide the necessary infrastructure and skills to market, sell and distribute frozen food products throughout North America.

The Company has specific business acquisition criteria. Management will consider acquisitions only if the products of the business to be acquired can be sold through the retail frozen food channel, specifically supermarkets and club stores. Targeted frozen food businesses are those in categories with less than US$300 million in annual retail sales for the North American market that would enable High Liner Foods to build a significant market position through growth or consolidation. A strong regional brand is also an important criterion.

2.4 Significant Acquisitions and Significant Dispositions during 2001

By 1999, Company had disposed of most of its non-core, non-strategic assets, including idle and surplus trawlers, a subsidiary company involved in scallop aquaculture, its interest in International Aqua Foods Ltd. (a company involved in salmon aquaculture), surplus land, and its investment in Seabay Clam Company Inc. (a joint venture harvesting and marketing deep-sea clams). As well, the reorganization in that year resulted in the write down of a surplus production facility that is leased to a tenant and a reduction in the Company's workforce.

At the end of 2001, the Company owns one surplus plant (Louisbourg), which is leased to a third party and one surplus ground fish trawler. The terms of the lease for the Louisbourg plant includes a buy-out option that can be exercised by the lessee at the termination of the lease in 2003. The option price is $2.5 million which is equal to the plant's net book value.

As mentioned in section 2.1, the Company intends to dispose of its Arnold's Cove, Newfoundland processing plant, although there is no agreement to do so. The selling price will exceed book value.

No other significant transactions took place during 2000 and 2001.

2.5 Trends

There is no trend, commitment, event or uncertainty that is both presently known to Management and reasonably expected to have a material effect on the Company's business, financial condition or results of operations in 2001 or later years. However, there are a number of factors that might impact Company operations, either positively or negatively, depending on the Company's execution of its business and growth strategies. These factors are: customer consolidation, changing ownership of competitors, increase in seafood production from China, the inherent uncertainty of future global groundfish supply and costs selling prices for commodity products, the Company's groundfish and scallop quotas, aquaculture, and rapid technological change.

With respect to customer consolidation, grocery retailers and wholesalers in North America have consolidated and continue to consolidate. Arising out of these consolidations, particularly in Canada, the Company has experienced demands from retailers for increased listing and promotional incentives. However, as a supplier of Canada's clear number one frozen seafood brand, the Company expects to remain an important supplier to Canadian grocery retailers. The U.S. company, too, is focussing its efforts on brand strength and superior customer service to ensure the Company grows in step with the consolidators.

In terms of rapid technological change, the Company's leading edge enterprise wide computer software systems (principally JDEdwards® and Lotus Notes), and its investment in Internet enabling and connectivity, means that it is prepared and able to communicate with customers as the customer's choices. As customers grow, they are centralizing and reducing costs to achieve merger synergies. The Company is well positioned to be a supplier of choice due to its ability to meet customer requirements.

During 2001, in Canada and elsewhere in the world, various seafood companies saw ownership changes. Some of these seafood companies are either the Company's customers, suppliers or both. It is difficult to generalize the exact impact of this on the Company as it varies on a case by case basis.

Since 1999, various seafood companies, including High Liner, have diverted production of certain products to China. Chinese processing plants are able to produce many seafood products at a lower cost than is possible in North America and in other more developed countries. These plants are also able to achieve a better yield on the raw material due to the use of more manual processes. High quality standards are also in place, with Chinese plants being HACCP approved. As a result, these Chinese seafood processing plants are emerging as strong competitors, or in the case of High Liner, important suppliers. This is expected to continue into 2002.

With respect to seafood raw material availability and cost, the Company anticipates that raw material will not decrease in cost and the global supply of groundfish will not increase over the next few years. Recent predictions delivered at the Groundfish Forum (an annual industry convention of global seafood companies), as illustrated in the chart on page 17, indicate a slight decline in aggregate landings of the ten most important groundfish species. The Company views the increasing effort on a global basis to observe sustainable management practices as a factor in the decrease. On a global basis, there is increased government response to the need to responsibly husband groundfish resources. These responses are driven by international legislation originating from the Food & Agriculture Organization of the United Nations ("FAO"). On a local level, the Company has endorsed the Canadian Code for Responsible Harvesting by incorporating the Code into its internal Fisheries Compliance Policy. This Code and the Company's Fisheries Compliance Policy are premised on the principle of sustainability.

Generally, the most important species to the Company continue to decline, but overall, seafood available for human consumption continues to increase because of significant increases in aquaculture. The Company can manage the uncertainties of seafood supply and cost to some degree by adjusting product lines, and substituting species in certain products. The Company is launching its first food service product based on aquaculture in 2002 and continues to investigate the feasibility of using aquaculture raw materials for other products.

With respect to the Company's fishing division, recent government and industry consultations allow the Company to be reasonably optimistic that overall groundfish allocations to the Company will be relatively stable in the next one to five years. Haddock stocks from the Scotian Shelf and George's Bank, two of the division's prime fishing areas appear healthy, recruitment is excellent and the stocks are increasing. Flatfish stocks on the Grand Banks are rebuilding and cod stocks in the same area are stable. On the other hand, a general decline in available perch and pollock is expected. Overall, the improvements in haddock and flatfish will offset the less positive news on perch and pollock stocks and the Company's present expectation is that overall landings of the Company will be stable or conservatively increased over the next few years.

The increase in aquaculture, and resulting lower production costs, has generally reduced the selling price for products from aquaculture. As such, there has been a reduction in selling prices for fresh fish from wild harvests due to the competition from aquaculture products.

Raw material and quota issues, and trends expected with respect to scallops, are discussed in more detail in Section 3.3 of this document and under the section entitled “Risk” in the Management Discussion & Analysis in the Company’s 2001 Annual Report.

As mentioned in Section 2.1, the economic downturn which commenced in 2001 is not expected to have significant unfavourable impacts on the Company in 2002.

3. NARRATIVE DESCRIPTION OF THE BUSINESS

3.1 General

High Liner Foods is one of North America’s largest marketers of prepared, frozen, fresh and packaged seafood and frozen pasta.

Marketing

The Company sells its products, both directly and through distributors, to North American retail stores, club stores, hotels, restaurants and institutions, and to the fresh fish market. In Canada, High Liner Foods markets the majority of its seafood products under its High Liner® trademark, in the United States under the Fisher Boy® and High Liner® trademarks, and in Mexico under its Fisher Boy® trademark. The Company exports outside of North America, principally to Europe, typically under the High Liner® brand. High Liner Foods sells its frozen Italian-style pasta products to retail stores throughout 35% of United States supermarkets under the Gina Italian Village® and Floresta® trademarks. Italian Village pasta was launched in Canada early in 2002.High Liner Foods produces private label seafood products for retailers throughout North America.

High Liner Foods markets a diverse range of products under a variety of trademarks, as illustrated in the following chart:

	Canada	United States	Mexico
Products:	Fresh and frozen groundfish fillets Scallops Shrimp Fresh fish Prepared seafoods Entrées Other pelagic species	Frozen groundfish fillets Shrimp Prepared seafoods Unsauced frozen stuffed pasta products	Prepared seafoods

Processed chicken

	Canada	**United States**	**Mexico**
Trademarks and Brand Names:	Captain High Liner®	Seafresh®	Fisher Boy®
	High Liner®	Fisher Boy®	RapiBarritas®
	Fisher Boy®	QWIK BAKE™	RapiCocinados®
	Light Tonight®	QWIK STIX®	PescAritos™
	Healthy Bake®	Gina Italian Village®	
	Bake and Broil®	Floresta®	
	Captain's Table®	FisheRings™	
	Healthy Catch®		
	Homestyle Baked Fillets®		
	Captain's Catch®		
	La Prise du Capitaine®		
	RingOs®		
	Captain's Fish 'n Fries®		
	Seafresh®		
	Captain's Chicken®		
	Captain Burger®		
	Poulet du Capitaine®		
	Italian Village™		

High Liner Foods sells to most major grocery store chains in the United States and Canada, and to food service and fresh fish distributors in Canada and the United States. Sales are also made to club stores, and customers or distributors in Mexico, Europe and Asia.

As mentioned, there has been a trend in the North American grocery business toward increased consolidation of grocery retailers and wholesalers. In Canada, four major food retailers control in the aggregate more than 70% (according to the Competition Bureau) of the retail food sales market. Grocery retailers typically charge suppliers "slotting fees" for shelf space on a per product basis, and also require money to support product advertising and special promotions. Arising out of consolidations, the Company has experienced demands for increased levels of these expenditures. Consolidation has resulted in the Company now having one customer in Canada that accounts for approximately 10% of the Company's annual sales. Consolidation also makes it more important to achieve and maintain a brand leadership position, as consolidators move towards centralized buying and streamlined procurement. The Company is in a good position to meet these demands, since it offers quality, popular products and deliver these products according to customer requirements.

In the US, retailers are also consolidating. Approximately 60% of retail grocery sales are now controlled by ten retailers. High Liner (USA) is focussed on delivering the same quality and distribution expertise to the US consolidators. Given the Company's brand strategy, customer consolidation is an opportunity for the Company to grow in step with customer growth.

Approximately 16% of the Company's 2001 sales were private label products produced for a variety of retail grocery chains throughout North America. Although relationships with these private label customers have been substantially long term in nature, the loss of a significant private label customer would adversely affect the Company's results of operations. Management is not now aware of any fact or circumstance that would lead to an imminent loss of significant private label business.

Sales revenues from operating segments that accounted for 15% or more of total consolidated sales revenues in either of the last two fiscal years were:

	2001	2000
High Liner Canada		
Domestic	45%	45%
Sales to the US	12%	15%
High Liner USA		
Domestic	39%	36%

See Note 12 - Segmented Information, in the Company's 2001 Financial Statements contained in its 2001 Annual Report for further details on operating segments.

Canadian Sales and Marketing – Domestic and Export

The Canadian retail frozen food market had consumer sales of $3.54 billion in 2001, an increase of 10% over 2000 according to ACNielsen®. Frozen seafood, the 3rd largest category (up from the 4th in 2000), had consumer sales of $328.3 million in 2001, an increase of 13% over 2000. Frozen fish & chips, a $6.0 million category, decreased by 4% in 2001 compared to 2000. The frozen pasta market is not tracked separately in Canada but is estimated by management to be less than $8 million in annual retail sales. Frozen pasta is included in the largest frozen food category, dinners/entrées, with 2001 consumer sales of $941.9 million. This category grew by 13% in 2001 over 2000. High Liner Foods has recently launched frozen stuffed pasta under the Italian Village brand in the key Ontario market.

The Company's Canadian sales and marketing group includes the retail and food service businesses headquartered in Toronto, with regional sales offices in Calgary, Montreal and Halifax. As well, the commodity sales division, located in Lunenburg, Nova Scotia, sells fresh and frozen fish, principally to the United States. Canadian sales are managed by an in-house sales team, selling directly to customers. Logistics and distribution are managed from Lunenburg, Nova Scotia.

United States Sales and Marketing – Domestic and Export (High Liner Foods (USA))

The United States' retail frozen food market had consumer sales of US$28.9 billion in 2001 according to ACNielsen®. Sales of frozen seafood were US$1.4 billion in 2001, an increase of 17.4% over the previous year, according to ACNielsen®. The total frozen pasta market represented sales of US$194 million for 2000, a decrease of 0.5% over the previous year, according to ACNielsen®.

High Liner Foods (USA), headquartered in Portsmouth, New Hampshire, markets a full range of frozen fish fillets, breaded and battered fish sticks and frozen shrimp under the Fisher Boy® brand. High Liner Foods (USA) also produces a wide variety of seafood products which are sold as retail private label brands in United States' supermarkets. In 2001, approximately 60% of it's the Company's United States' dollar seafood sales to the retail frozen food market were private label products.

High Liner Foods (USA) is a leading seafood supplier to Mexico, where it markets products under the Fisher Boy® brand and co-packs for other distributors.

High Liner Foods (USA) also produces and markets frozen unsauced pasta products, such as ravioli, tortellini, stuffed shells, manicotti, gnocchi and cavatelli, to the United States' retail market under the trademarks Gina Italian Village® and Floresta®.

In 2001, the Company repositioned both the FisherBoy® and Italian Village® brands. The Fisher Boy® brand is now being promoted as a reliable seafood brand for busy families. Children love Fisher Boy® because of its mild flavours and is always crunchy. It is also value-priced. Similarly, the Gina Italian Village® brand is promoted based on traditional recipes to give consistently high quality, delicious and innovative products, made with the best ingredients and fresh from the freezer. In conjunction with this, Italian Village has developed four new pasta products aimed to differentiate itself from the competition. These products are premium quality products, packaged in a stand-up zipper bag, and include: Quattro Formaggio Ravioli; Quattro Formaggio Tortellini; Bambino Formaggio Ravioli; and, Ravioli di Carne.

There is still much room for growth in the frozen pasta/noodles category, as just 15% of consumer pasta dollar sales are spent on frozen pasta, with dry pasta accounting for 75% and refrigerated pasta making up the balance. Only about 32% of all households in the United States are consuming frozen pasta. Italian Village products are marketed in the United States to the same retail chains as are currently buying other products from High Liner.

Export Sales

High Liner Foods, on a consolidated basis, sells less than $11. 0 million annually of seafood products into other international markets such as Great Britain, France, Denmark, Bermuda, Iceland, Sweden, Spain, Germany and Asia.

Production

High Liner Foods owns and operates two primary seafood processing plants and one secondary processing plant in Canada, and one secondary processing plant in the United States. The Company operates a leased pasta processing plant in the United States.

The following chart describes High Liner's major production facilities:

Location (2)	Type of Production	Annual Capacity (1) Metric Tonnes	Capacity Utilization
Nova Scotia			
Lunenburg	Primary	11,800	35%
	Prepared foods	18,150	70%
Louisbourg (3)	Leased	n/a	n/a
Newfoundland			
Arnold's Cove (4)	Primary	6,350	100%
United States			
Portsmouth NH(5)	Prepared foods	29,500	70%
Secaucus NJ	Prepared foods	18,150	25%

(1) Based on the production of finished pounds, on two shifts for 5 days per week.
(2) Total insured value of the properties is $181.7 million.
(3) In April 1998, High Liner Foods leased its Louisbourg plant for five years at an annual rental of $100,000 per year with an irrevocable option for the lessee to buy the plant at the end of the five-year period for $2.5 million.
(4) In December, 2001, the Company announced its intention to sell this plant. See Section 2.1 of this document.
(5) Building is leased by the Company subject to a 5-year lease expiring in 2005 with a 5-year renewal option.

All food processing plants conducting business throughout North America require a combination of State or Provincial and Federal licenses to operate. The requirement to obtain and maintain a food processing licence principally relates to food safety and quality, transportation of food and labeling. High Liner Foods possesses all necessary licenses and approvals to operate.

In Canada all seafood processing plants are required to adopt a QMP covering the regulatory and safety aspects of food processing. High Liner's QMP has been approved and in good standing since inception of this requirement.

The United States requires its seafood processing plants to adopt a quality management plan known as HACCP. High Liner Foods seafood processing plant in Portsmouth, New Hampshire was one of the first plants to have an approved Seafood HACCP plan in the USA and to pass a HACCP audit. Canada's QMP is an accepted standard under the US HACCP system.

Plants outside of North America must also pass HACCP audits to be able to export products to the US. All of the Company's non-North American suppliers are HACCP approved plants.

The Company's food processing plants and its trawlers are subject to Canadian Federal, Provincial and United States Federal and State legislation with respect to safety and environmental matters. In the United States, state labour laws and the Federal Occupational Safety & Health Act (OSHA) regulate how work must be conducted in the Company's plants. In Canada, provincial Departments of Labour and Worker's Compensation Boards play an active role in monitoring health and safety in the workplace. The Canadian Department of Transport regulates safety on the Company's vessels. All vessels are required to undergo regular Canadian Steamship Inspection. The Company's Environment and Safety Committee of the Board of Directors receives quarterly reports on the Company's safety and environmental management, and oversees efforts of the Company to maintain safe and environmentally compliant workplaces.

High Liner Foods owns a fleet of 10 fishing vessels (see section 3.3, page 19 for more details). These vessels are operated in the Atlantic Canadian offshore sector, and the catches from these vessels account for less than 15% of the Company's sales.

3.2 Competitive Conditions

High Liner Foods faces competition from other frozen food processors, including those which have larger sales and marketing organizations and greater financial resources than the Company. In North America, High Liner Foods competes in many markets, each with diverse and unique characteristics.

The Company's major competitors in the retail seafood market are national and regional producers of brand name and generic products, including Nippon Suisan (Gorton's® (U.S.) and BlueWater® (Canada) brands), Aurora Foods Inc. (Mrs. Paul's® and Van de Kamp's® brands (both US)), Jane's Family Foods Ltd. (Canada), National Fish and Seafood Incorporated (US), and Fishery Products International Limited (Canada and US). US Competitors in frozen unsauced pasta are Heinz (Rosetto® brand), Celentano™ and many other smaller brands. Private label products also compete with the Company's brands. Retail competition in North America is very intense. In the retail market, price, convenience, nutritional value and consumer brand recognition and loyalty, are the primary competitive factors. High Liner® in Canada enjoys extremely high consumer brand recognition, and Fisher Boy® and Gina Italian Village® have increased brand awareness in the U.S., particularly in core markets.

The Company's major competitors in the food service market consist of vertically integrated fishing companies, regional food processing companies and seafood traders. Competitors include Fishery Products International Limited and Clearwater Fine Foods Inc. and many smaller trading companies. In the food service market, continuity of supply, customer service, and price are the major aspects of competition. The fresh seafood market in the United States is characterized by many small local distributors with no single dominant company. The international export market is characterized by worldwide competition from a large variety of fishing and trading companies.

In the Canadian retail frozen seafood market, products sold under the High Liner® trademark enjoy a dominant market share position. According to ACNielsen®, High Liner held 45.6% of the frozen packaged seafood market, as measured in tonnage, for the 52 weeks ended December 29, 2001. This represents an increase of 1.4 share points from the comparable period in 2000. The Company's food service division enjoys a leading market position in the processed seafood category in Canada and enjoys the second largest share of the raw seafood category according to DirectLink, for the species the Company sells. High Liner Foods carries on advertising and related activities to create, maintain and enhance brand loyalty. "Captain High Liner" is one of the most recognizable brand icons in Canada.

According to a 2001 frozen food study by ACNielsen®, High Liner Foods is the 8th largest frozen food company in Canada, after Nestle Canada Inc., McCain Foods Ltd., Good Humor - Breyers Company, J.M. Schneider, the Pillsbury Company, Coca-Cola Foods and Kraft.

In the US, Fisher Boy's® sales were principally fish sticks and, according to ACNielsen® for the 52 weeks ended December 29, 2001, Fisher Boy® enjoyed 21.9% of the United States' national market for fish sticks, an increase of 0.7 share points over the previous year. Fisher Boy's® market share of the total frozen seafood category in the United States is 5.1% for the same 52-week period and down slightly from 2000. Currently, Fisher Boy® is the leading brand in Mexico City, with a market share of 51.4% for the 52 weeks ended December 29, 2001, as measured by ACNielsen®, excluding supercenters. For the 32-week period ended December 29, 2001, Fisher Boy® was the number one selling fish stick in the United States, and this was achieved with distribution in only 50% of US grocery stores.

High Liner Foods (USA)'s pasta products enjoy a dominant market position in many US cities, most notably New York City and Chicago. Gina Italian Village® is the number two brand nationally in the US. Gina Italian Village® and Floresta® together account for 15.5% of the United States' market for frozen unsauced pasta for the 52 weeks ended December 29, 2001, according to ACNielsen®, an increase of 0.9 share points from the prior year. This share rises to 31.4%, and the leadership position, of the New York market for the same period, an increase of 3.4 points from 2000.

3.3 Procurement of Raw Material

Seafood raw material for primary processing is supplied by the inshore, offshore and foreign sectors, and, on a species by species basis, can be seasonal. Frozen fish is procured primarily from the Barents Sea and the Bering Sea for the primary processing plants to meet demand requirements.

In its prepared seafoods processing plants at Portsmouth, New Hampshire and Lunenburg, Nova Scotia, High Liner Foods processes seafood raw material, obtained from Canadian, European, Asian and Alaskan suppliers, into a wide variety of retail and food service processed products.

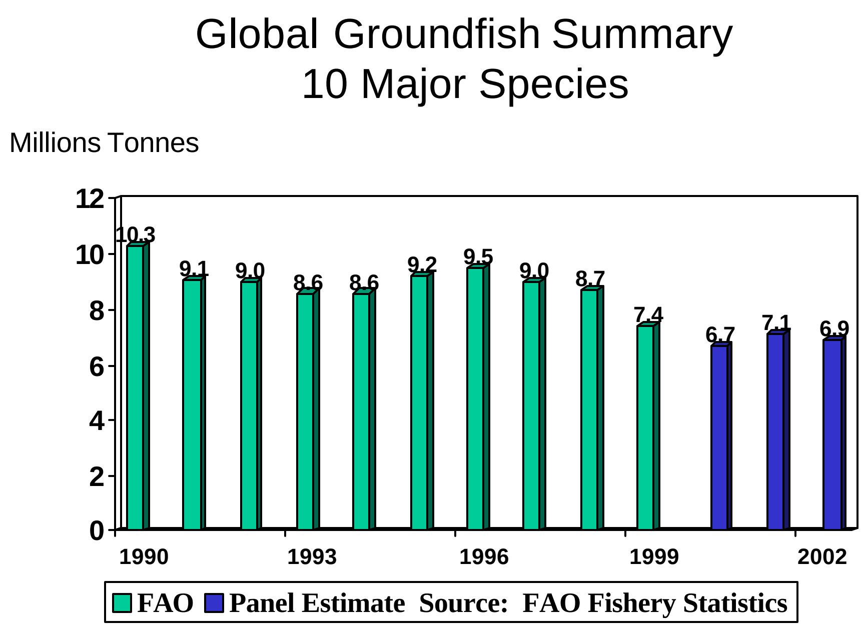
The Company has become more dependent on its seafood procurement activities, rather than harvesting, as a result of significant quota reductions in the early '90's imposed by DFO to conserve Atlantic Canadian fish stocks. The Company purchases a significant quantity of frozen raw material and finished goods, originating from Russia, China and other Asian countries, Norway, the United States, the United Kingdom and Uruguay. The Company, with some constraints, can use different species in its processed products and can promote different species in the marketplace depending upon current market costs and supply. The Company procures as much as $90 million of commodity seafood products, either as raw material or finished goods, each year. The Company has a Vice President Procurement to lead its raw material procurement strategy.

The Company does not have significant long-term contracts to purchase raw seafood. There are no futures markets for seafood where forward purchases can be hedged. The Company's strategy for procurement of raw seafood is to build long term relationships with suppliers in the United States, Europe and Asia and to enter into agreements of up to one year in duration with these suppliers. These agreements can cover both price and quantity, but often provide for quantities only, with price being determined by the market at the time of shipment or on a quarterly basis. Most purchases are in US dollars and are subject to quality inspection by both the CFIA and the Company. From time to time, depending upon market conditions, the Company takes inventory positions to ensure that it has sufficient raw materials at acceptable cost for its requirements.

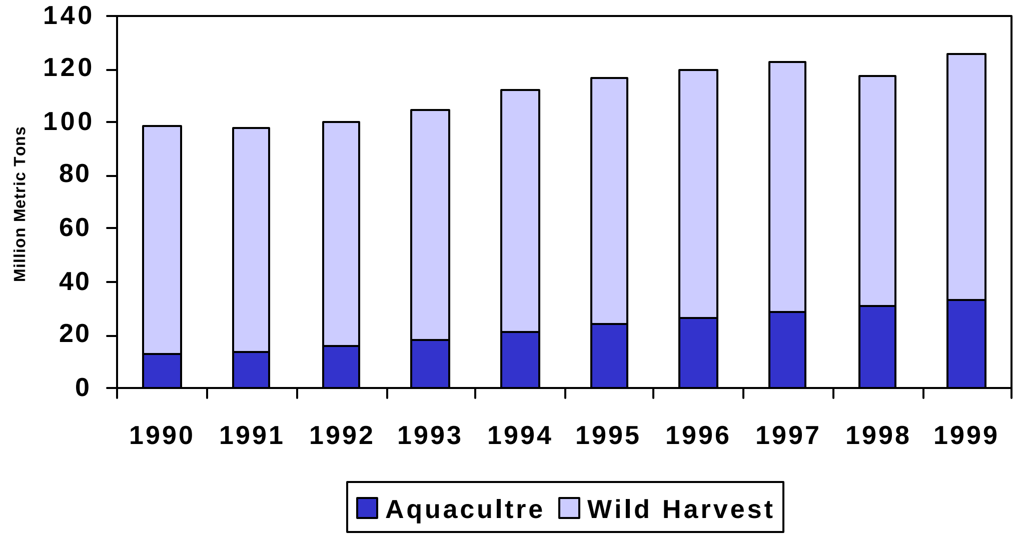
Global demand for fish and seafood is expected to grow steadily. However, wild fishery catches have declined after peaking at 100 million tonnes per year in 1990. Canada has been particularly affected by this downturn. The following chart indicates catches of the 10 most important wild groundfish species, as reported by the FAO in 2000, along with estimates of panelists delivered at the

2001 Groundfish Forum, an industry group that meets once a year to discuss the world situation with regards to seafood. It should be noted that sustainability is now an important aspect of fisheries management for most developed countries, and some of the catch reduction is attributable to increased regulation and industry conservation measures aimed at protecting fish stocks for the long term. The decrease in fish available to seafood companies worldwide has increased the cost for High Liner's processed products, which are manufactured principally from procured raw material. This also affects our competitors.

Despite a reduction in the 10 major species, seafood available for human consumption continues to increase because of significant increases in aquaculture. Globally, there has been considerable development of the aquaculture industry. This trend is expected to continue. The Company is launching its first product from aquaculture sources in its Canadian food service business in 2002, and continues to investigate the feasibility of this source for other products and raw materials.



World Commercial Seafood Supply 1990-1999



High Liner Foods also procures Round Fish from inshore fishermen to augment production at its primary processing plants. There are no long term agreements with these inshore fishermen and the Company pays market prices at the time of purchase. Most of the Company's inshore purchases are from Newfoundland. Inshore fishermen in Newfoundland are unionized and prices are set on a seasonal basis between the union and the Fisheries Association of Newfoundland and Labrador, the processors organization. During 2001, the Company procured 4,676 metric tonnes of inshore fish from fishermen in Newfoundland, which it pays for in Canadian currency. This compares with the 4,314 metric tonnes of inshore fish purchased from fishermen in Newfoundland in 2000.

The two active primary seafood processing plants in Lunenburg and Arnold's Cove procure up to 60% of their raw material in a frozen headed and gutted form. Market prices and quality of raw material for these facilities are significant factors in determining at what level profitable production can be achieved. The Company's two secondary seafood processing plants currently procure up to 85% of their raw material requirements, equal to 13,500 metric tonnes from procurement efforts.

The New Jersey pasta plant purchases agricultural products, such as cheese, flour and eggs, from local suppliers in the United States. These ingredients are commodities and prices fluctuate from time to time. The Company has a co-pack supply agreement for the purchase of up to 2.7 million pounds finished pasta product in 2002 at agreed prices. The agreement is renewable.

The Company purchases most of its shrimp products from an independent processor in the United States. The remainder of its shrimp are procured from Thailand with prices based in US currency. Shrimp prices are subject to significant, not altogether predictable, price fluctuations. The Company procures processed chicken products that are purchased in Atlantic Canada with prices that are more stable.

For a detailed description of the risk associated with currency and interest rate fluctuations in relation to procurement of raw materials, refer to the Management Discussion & Analysis in the Company's 2001 Annual Report.

High Liner's fleet of vessels continues to harvest raw material and fresh fish products. The Company's fleet of vessels consist of four wetfish stern trawlers which were active in year-round harvesting of High Liner's groundfish EA's in 2001, and four offshore scallop vessels that were active in 2001 harvesting High Liner's scallop quota. As well, the Company has one surplus groundfish trawler that is held for sale and one additional offshore scallop vessel that is available for use in 2002, if necessary, to catch the Company's scallop quota. The Cape Blomidon, one of the Company's scallop trawlers, is capable of freezing at sea, and continued as the sole provider in Atlantic Canada of frozen-at-sea scallops during 2001. Two competitors have announced that they will be commissioning freezer trawlers within the next few months, with others expected in the next few years. The Company is continuing to build markets and customer relationships for its high quality frozen-at-sea scallop products and plans to successfully compete with the new entrants in the frozen-at-sea scallop market.

In addition to its own fleet, High Liner Foods from time to time contracts with owners of smaller, privately owned vessels to harvest its groundfish EAs. During 2001, 7 independent vessels fished under the Company's licenses for at least part of the year.

The Atlantic Canadian fishing industry is managed by the Canadian Federal Government under DFO. The DFO establishes and enforces quotas for various countries, including Canada, and limits conditions under which Canadian and foreign vessels can fish within the Two Hundred Mile Economic Zone. The Zone includes within its boundaries all major fishing areas off the east coast of Canada, with the notable exception of areas called the Nose and Tail of the Grand Banks of Newfoundland. These areas are under the jurisdiction of NAFO, which manages quotas of the fish stock in these areas for its member countries.

The Atlantic Canadian fishery is divided into the inshore and offshore sectors. The offshore sector has approximately 16 competitors of which the Company is one of the largest. Off shore operations are conducted year round. The inshore fishing operations in Atlantic Canada are conducted primarily by self-employed fishermen, from whom the Company, from time to time, purchases raw material, particularly in Newfoundland.

Based on scientific data and stakeholder consultation, DFO allocates on an annual basis the total allowable catch (TAC) for each species in each fishing area. For most stocks, the TAC is further allocated between the inshore and offshore sectors. The Fisheries Resource Conservation Council of Canada is an important stakeholder and participant in this process. The Council includes representatives from all sectors of the Atlantic Canadian fishing industry.

The Canadian offshore quota increased in 1997, 1998, 1999, 2000 (annualized for 12 months, since 2000 was a 15 month quota year) and 2001, as shown in the Table below. Perch quotas increased in 1997, remained the same in 1998 and increased in 1999 by 1,000 metric tonnes. Perch quotas decreased in 2000 and remained at relatively the same levels in 2001. Pollock quotas decreased by 8,000 metric tonnes for 1999, and dropped in 2000 and 2001 as well. The decrease in pollock quota had no impact on the amount of fish caught by the Company, as historic landings are still less than quotas. Flounder quota increased in 2000 and 2001 and is expected to remain at the 2001 level for 2002. Haddock quota has also increased by almost 1,000 metric tonnes from 1999 to 2001, and is expected to increase in 2002 by approximately 15%. Catches of groundfish in 2001 were lower than in 2000, due to lower landings of pollock that were uneconomical to catch.

Scallop quotas were reduced in 1996 but increased in 1997 and 1998. They then remained at the same level in 1999 and increased substantially in 2000, as new Year Classes supported a higher level of fishing. Quotas also increased in 2001. The current level of scallop quotas is expected to continue for the next several years.

High Liner Foods is one of the most significant participants in the Canadian offshore sector, holding an average of approximately 30% of the Canadian offshore groundfish quota.

GROUNDFISH	Canadian Offshore Quota (metric tonnes)	Company's Enterprise Allocation	Company's % of Canadian Offshore Quota (3)
2002-2003 (1)(2)	43,872	12,957	29.5%
2001-2002 (2)	42,730	12,877	30.1%
2000-2001 (2)	39,856	12,171	30.5%
1999-2000 (3) (4)	46,319	16,506	35.6%
1998	37,720	15,335	40.7%
1997	32,739	14,782	45.2%

(1) Projected
(2) Quota year is for the twelve months from April to March.
(3) In 1999, quota was for 15 months from January 1999 to March 2000.
(4) Quota changes affect some areas more than others resulting in the effect of varying the Company's overall percentage

Although the Company's Enterprise Allocations are expected to be reduced in 2002-2003 from 2001 levels, based primarily on DFO's reduction of TAC for pollock and perch, this will not materially affect landings, as some pollock and perch quotas have not been economical to catch in the past. The reduction in pollock and perch quotas affects High Liner Foods more than other companies in the offshore sector since the Company utilizes the species to a greater degree. In addition, the increases in flounder quotas affect other offshore companies more than High Liner. These factors are the reasons for the decrease in the overall percent allocated to the Company.

The major areas for offshore scallop fishing activity include Browns Bank, German Bank, Western Bank, St. Pierre Bank, and Banquereau, with Georges Bank providing more than 75% of the volume. Over the past several years the Offshore Scallop Industry has continued to see increases in their scallop TAC as a result of very strong incoming year classes, 1996 and 1998, on Georges Bank. (Scallops are typically four years old when they reach a size appropriate for harvesting.) These strong year classes have provided a biomass that has led to the highest TAC recorded in the past 20 years. The fishery on the secondary banks is continuing to be maintained at sustainable levels due to responsible fishing by the industry and is expected to continue to show modest improvements.

Scallop landings in 2001 were 1,441 metric tonnes, compared to landings of 1,419 metric tonnes in 2000. The Company's Enterprise Allocation for 2002 is forecasted to be 1,460 metric tonnes.

SCALLOPS	Canadian Offshore Quota (metric tonnes)	Company's Enterprise Allocation	Company's % of Canadian Offshore Quota
2002 (1)	8,950	1,460	16.3%
2001	8,900	1,441	16.3%
2000	8,750	1,419	16.3%
1999	5,350	873	16.3%
1998	5,350	869	16.3%
1997	5,075	828	16.3%

(1) Projected

The future of the offshore scallop resource looks promising, as recruitment of juvenile scallops continues. Industry participants and DFO share common goals of developing sustainable fisheries for the long term and are continuing to develop improved management plans to achieve these goals. Recruitment on these banks, and therefore quotas, is expected to continue at these unprecedented high levels for the next several years.

Similar to the increase in scallop landings experienced in Canada, US landings have also increased in recent years. In 2001, US landings are expected to exceed 20,000 metric tonnes, up from 14,500 metric tonnes in 2000, 10,000 metric tonnes in 1999 and 5,500 metric tonnes in 1998. The 2001 level is expected to continue into 2002. As a result, the Company will continue to face the challenge of developing new products and new markets for its scallops that can provide acceptable returns.

DFO has the authority to change the TACs and the share between the inshore and offshore sectors from time to time in consultation with the industry. The TAC for the offshore sector is allocated amongst eligible companies as Enterprise Allocations (EA) for each species and fishing area. EAs also apply to the scallop fishery

Although DFO's method of allocating groundfish and scallop quotas, and the Company's annual share, has been largely stable since its introduction in 1983 and 1987 respectively, the Minister of Fisheries and Oceans has the right to make changes in either the TAC or the Enterprise Allocations, after consultations with industry participants and stakeholders. Since the introduction of the above-mentioned moratorium in the early 1990's, successive fisheries ministers have reaffirmed that historic fleet sector shares will be respected.

Regulations applicable to the Company provide for the registration of fishing vessels and fishers and for the issuance of licenses to catch specified species of fish. The Company's licenses that expired in 2001 have been renewed for 2002 and the Company expects that these licenses will continue to be renewed annually.

In 1996, the Federal Government put in place yearly access fees for the harvesting of various species. These are calculated on a per pound basis and must be paid prior to fishing. The total access fees paid by the Company in 2001 for groundfish and scallops was approximately $1.1 million and is estimated to be the same in 2002.

3.4 Employee Relations

The operations of High Liner Foods involve 1,359 active full-time employees. Approximately 316 of these employees are employed on a salaried basis, 943 on an hourly basis; 100 are vessel captains and crew.

High Liner Foods has 926 unionized employees in Canada who are represented under the following collective agreements:

Province	Union	Number of Employees	Contract Expiry Date
Newfoundland Plant	Fisherman Food & Allied Workers	377	Dec. 31, 2003
Nova Scotia Plants	Canadian Auto Workers	402	Dec. 31, 2001
Trawler Fleet	Canadian Auto Workers	60	Dec. 31, 2002
Scallop Fleet	Canadian Auto Workers	56	Dec. 31, 2001
Cape Blomidon	Canadian Auto Workers	31	Dec. 31, 2001

Management of High Liner Foods believes it has reasonably good relationships with its employees and does not anticipate any major disruptions in operations caused by labour disputes. The Canadian operations employ 804 hourly employees, 100 vessel captains and crew, and 240 salaried employees. The Company's Portsmouth, New Hampshire, and Secaucus, New Jersey, plants are not unionized and employ 76 salaried people and 139 non-unionized hourly people. Subsequent to year end, a dispute between the Company and the scallop fleet crew regarding compensation arose during contract negotiations and interrupted fishing operations. The Company's freezer trawler recommenced fishing in the first quarter. The wetfish trawlers remain tied up during contract negotiation, but this has allowed the Company to reduce high inventories resulting from 2001 events.

3.5 Environmental Management

The Company, its operations and properties are subject to extensive federal, provincial, state, municipal and local environmental laws and requirements in both Canada and the United States. These laws and requirements relate to, among other things, air emissions, the management of contaminants including hazardous material (including the generation, handling, storage, transportation and disposal of such contaminants), discharges and the remediation of environmental impacts (such as the contamination of soil and water, including ground water), just as is any manufacturing operation. A risk of environmental liabilities is inherent in food processing operations, activities associated with such operations, and the ownership, management or control of real estate.

All of High Liner Foods' plants contain substantial freezing equipment, most of which utilize ammonia systems. Any release of ammonia in the operation of this equipment would result in environmental hazards and remediation requirements, and therefore maintenance of the freezers is a priority, the Company has a comprehensive emergency response plan in all facilities, and personnel are well-trained and, where required, certified in hazardous materials handling. During 2001, two of the Company's Lunenburg ammonia freezers were replaced as part of an ongoing commitment to reduce the risk of ammonia leaks from this equipment.

Certain of the Company's wharf operations provide full maintenance service and fuel facilities for vessels. Each wharf has a series of operational systems that have been implemented to control environmental impacts relating to the operation of that wharf. The fuel facilities are registered and licensed by provincial authorities. Each facility has a preventative maintenance program which is monitored and upgraded as required.

As part of financing initiatives in 1997, phase one environmental assessments of the Company's Canadian and United States' processing facilities indicated that there are no significant environmental issues to be addressed by the Company.

The Company has an employee environment committee and an Environment & Safety Committee of its Board of Directors. The mandate of the Environment & Safety Committee is as follows:

a) to review and report to the Board on the Company's compliance with all environmental and safety regulations and laws in the areas where it carries on business;
b) to assist management in developing action plans to deal with environmental and safety issues; and
c) to monitor management's progress at rectifying any situations identified as potential risks.

The Company's environmental protection requirements are integrated into its overall enterprise-wide risk management programs. In 2002, and in the near future years, management anticipates no material impact of such requirements on capital expenditures, earnings and competitive position.

3.6 Reorganization and Write-Downs

In November and December of 1999 the Company reorganized its Canadian sales forces and its Lunenburg processing facility. This resulted in a pre-tax charge to income of $1.7 million, representing severance, early retirement and other costs. As well, the carrying value of property, plant and equipment in Louisbourg was written down by $3.0 million due to lower future cash flows expected from this property.

This reorganization, which resulted in reduced staffing levels in Canada, reduced ongoing annual operating costs by $2.5 million.The asset write-down reduced depreciation expense for each of 2001 to 2003 by $1.0 million.

4. SELECTED CONSOLIDATED FINANCIAL INFORMATION

4.1 Annual Information

Reference should be made to the Eight Year Financial Data and Quarterly Financial Data tables in the Company's 2001 Annual Report, which include sales, income from operations, net income, total assets, long term financial liabilities, dividends and other items for 1999 to 2001.

With respect to the most recent fiscal year ended December 29, 2001, reference should be made to the Company's Management's Discussion and Analysis of Financial Condition and results of operations and the Company's consolidated financial statements and notes thereto included in that same Annual Report to Shareholders.

The following selected financial information for the fiscal years ended 2000 and 1999, has been derived from the Company's audited consolidated financial statements and the notes thereto and from the Management Discussion and Analysis included in the annual reports of those years. See the Company's Management Discussion and Analysis and consolidated financial statements in the 2001 Annual Report for a comparison of 2001 with 2000.

4.2 Factors Affecting Comparability

Fiscal 1999 Compared to Fiscal 2000

Sales increased 3.5% in fiscal 2000 over fiscal 1999 due primarily to the sales of pasta products, which increased by 9.5%, and sales of seafood by the US operations that grew by 6.5%. In Canada, sales increased slightly in 2000. Gross profit was 20.3% in 2000 versus 15.7% in 1999. This increase was due to higher scallop landings in 2000; reduced operating costs in 2000 of $2.5 million due to a reorganization of the Canadian operations in late 1999; avoiding significant costs incurred in 1999 as a result of processing seafood raw material that was not of optimal specification; slightly lower seafood raw material prices in 2000; a price increase in 2000 in Canadian retail operations; and, lower promotional dollars spent in 2000 to promote Italian Village products.

Interest expense in 2000 decreased $0.5 million. This was due to lower short-term debt as lower inventory levels were outstanding in 2000. This was offset, in part, by higher interest expense on long-term debt due to higher average balances outstanding during the year which resulted from the paying the Italian Village earn-out sum part way in 1999.

In 1999, the Company recorded a $5.9 million pre-tax gain on the sale of non-strategic assets and a $4.7 million pre-tax cost of reorganization of the Company's Canadian operations. During 2000, the Company did not have unusual transactions.

The Company recorded income taxes on its operations for fiscal 2000 of 40.3% compared to 22.8% in 1999. The 40.3% approximates the statutory rate. The 22.8% in fiscal 1999 is a tax expense which results in a loss before income tax due to a capital transaction which was not deductible for tax.

Working capital requirements decreased in 2000 as a result of a decrease in inventory. Cash flow improved in 2000 due primarily to improved earnings. In 1999, the Company paid the Italian Village earn-out sum which was financed principally by debt, and received cash from the disposal of non-strategic assets which was used to pay down bank debt.

Fiscal 1998 compared to Fiscal 1999

Sales increased in fiscal 1999 over fiscal 1998 by 3.7% due primarily to the inclusion of Italian Village sales for a full year, compared to only 107 days in 1998. As well, sales increased in fiscal 1999 in the food service division due to an increase in sales prices and volume. These sales increases were partially offset by the sale of the Company's joint venture, Seabay Clam Company Inc., and declines in groundfish landings. Gross profit was 15.7% in fiscal 1999, 4.9 percentage points lower than fiscal 1998. The decrease was due primarily to higher seafood raw material prices, lower groundfish landings and volume reductions in the Company's prepared foods plants. Other selling, general and administrative expenses increased by $0.4 million due to the inclusion of the Company's Italian Village division for a full year in fiscal 1999.

Interest expense increased $2.7 million due primarily to the inclusion of the operating results of the Company's Italian Village division for a full year in fiscal 1999 compared to only 107 days in 1998. As well, interest expense was increased due to the conversion of a Convertible Income Debenture in 1999 to long term debt. Short-term interest increased due to higher inventories and higher interest rates than fiscal 1998.

The financial results for fiscal 1999 include an unusual item of $4.7 million, which is the cost of severance and other related costs as well as write-down of production assets as a result of a reorganization which occurred during the year. Also included in the results for fiscal 1999 is a pre-tax gain of $5.9 million on the sale of non-strategic assets, principally the sale of the assets of Seabay Clam Company Inc.

The effective income tax rate for fiscal 1999 was 22.8% versus 44.0% in fiscal 1998. The 22.8% in fiscal 1999 is a tax expense which results in a loss before income tax due to a capital transaction which was not deductible for tax.

Working capital requirements decreased throughout 1999 due to a conscious effort during the year to reduce inventory. Capital expenditures were lower than the previous year by $2.0 million.

4.3 Dividend Policy

Dividends on the Company's Class C & D Preference Shares of $0.1 million were paid in full in 2001 and 2000. Dividends on the Second Preference Shares were also paid in full in the amount of $1.2 million for 2001 and $1.3 million for 2000. As well, dividends on the Second Preference Shares in the amount of $0.8 million were paid in 2001 on the dividends in arrears for the periods commencing June 30, 1991 and ending on December 30, 1991. After this payment, dividends on the Second Preference Shares are in arrears at December 29, 2001 in the cumulative amount of $7.4 million, representing accrued dividends for the period

December 31, 1991 to December 31, 1997. These arrears must be paid before any dividends can be declared on the Common Shares. Subject to cash flow, it is the Company's intention to pay current dividends in 2001 on all Preference Shares. There are at present no definitive plans to pay dividends in arrears on Second Preference Shares or on Common Shares.

5. MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of financial conditions and results of operations is contained on pages 15 to 22 of the 2001 Annual Report and is incorporated by reference herein.

6. MARKET FOR SECURITIES

The Company's Common Shares are listed for trading on The Toronto Stock Exchange under the symbol "HLF". The Company's Convertible Subordinated Debentures trade on The Toronto Stock Exchange under the symbol HLF.DB.

7. DIRECTORS AND OFFICERS

Information concerning directors and officers is contained under the heading "Election of Directors" in the Company's Information Circular accompanying the Notice of the Annual Meeting of Shareholders to be held on May 1, 2002. All proposed for nomination in 2002 were directors at the Company's fiscal year end on December 29, 2001. Directors and executive officers as a group own 428,809 common shares of the Company, representing 4% of the total issued and outstanding voting shares of the Company.

The Board Committees and appointments to those committees are set out in the above referenced Information Circular.

8. ADDITIONAL INFORMATION

Additional information, including additional copies of this Annual Information Form, the 2001 Annual Report containing the comparative consolidated financial statements and accompanying report of the auditor, the most recent interim financial statements and the 2001 Management Information Circular for the Company's Annual General Meeting to be held on May 1, 2002, may be obtained upon request from the Corporate Secretary of the Company at investor@highlinerfoods.com, or on the Company's Internet website at www.highlinerfoods.com, or by writing to the Corporate Secretary at High Liner Foods Incorporated, PO Box 910, Lunenburg, Nova Scotia B0J 2C0.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and options to purchase securities, is contained in the Company's 2001 Management Information Circular, and additional financial information is provided in the Company's consolidated financial statements for 2001, contained in the Company's 2001 Annual Report.

GLOSSARY

CFIA: The Canadian Food Inspection Agency, a department of the Canadian Federal Government.

DFO: Canadian Federal Department of Fisheries and Oceans.

ENTERPRISE ALLOCATION (EA): A percentage share of the offshore quota of a fish stock allocated to a fishing enterprise by DFO.

FISH BLOCK: A 7.5 kilogram block of frozen fish fillets, 6 centimetres thick, 25 centimetres wide and 48 centimetres long. The blocks are further processed by cutting into portions, and either breaded or battered, and packaged as fish portions, sticks or nuggets.

FREEZER TRAWLER: An offshore fishing vessel with facilities for freezing scallops or headed and gutted fish, with the capability of remaining at sea for extended periods.

GROUNDFISH: The species of fish which feed near the ocean bottom. The main species of groundfish harvested in Atlantic Canadian waters are cod, haddock, pollock, turbot, ocean perch (redfish) and a variety of flatfish such as American plaice, yellowtail, witch and sole.

HACCP: Hazard Analysis Critical Control Point, the underlying concept of the quality assurance program of the United States Government affecting food processing facilities.

HEADED AND GUTTED (H&G): Groundfish that has the head and entrails removed. It is often frozen and transported to other locations for further processing.

INSHORE SECTOR: The sector of the Atlantic Canadian fishing industry relating to the harvest of fish in waters 19 kilometres (12 miles) or less from the coast by vessels less than 30 metres (100 feet) in length.

NAFO: Northwest Atlantic Fisheries Organization.

OFFSHORE SECTOR: The sector of the Atlantic Canadian fishing industry relating to the harvest of fish in waters more than 19 kilometres (12 miles) from the coast, usually by vessels over 30 metres (100 feet) in length.

PELAGIC: The species of fish which feed near the surface of the ocean. The main pelagic species harvested in Atlantic Canadian waters are capelin, herring and mackerel.

PRIMARY PROCESSING: The processing of fish (filleting and skinning) into marketable seafood products without the addition of non-seafood ingredients.

PRIVATE LABEL: The in-store or "house" brands of grocery retailers.

QMP: Quality Management Program, a quality program of the Canadian Federal Government equivalent to HACCP.

QUOTA: An allocation of the total allowable catch to various fishing sectors, such as each of the offshore, inshore and foreign sectors.

RECRUITMENT: The age at which fish are old enough to be harvested.

ROUND FISH: A loose term in fisheries statistics meaning either the weight of the fish when caught, when referring to total allowable catch, or to the gutted weight when used in plant yield calculations (the latter is also called landed weight).

SECONDARY PROCESSING: The adding of value to primary seafood and other food products through the addition of batter, breading and other non-seafood ingredients, such as vegetables and cheeses. (Also called Prepared Foods Processing.)

TOTAL ALLOWABLE CATCH (TAC): The annual determination of the total catch level made by DFO for each species of fish based upon the advice of scientists according to management criteria that seek to ensure the size and stability of the fish population.

TWO HUNDRED MILE ECONOMIC ZONE: The area of exclusive jurisdiction exercised by Canada over the fisheries resources of its coastal waters, as recognized by the United Nations Law of the Sea Convention since January 1, 1977.

WETFISH TRAWLER: An offshore fishing vessel that preserves its catch for up to two weeks by storage in ice.

YEAR CLASS: Identifies fish and scallops by year in which they were spawned.

For more information about seafood, including many definitions, please refer to www.aboutseafood.com.