



**ANNUAL INFORMATION FORM
FOR 1999**

(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.

GLOSSARY

CFIA - The Canadian Food Inspection Agency, a department of the Canadian federal government.

CO-PACKING - Producing products for other companies to be distributed under their brand names.

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, clams or headed and gutted fish, with the capability of remaining at sea for extended periods.

GROUND FISH - 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 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 12 miles or less from the coast by vessels less than 100 feet in length.

LANDED WEIGHT - The gutted weight when used in plant processing and yield calculations.

MOBILE GEAR - Fishing gear used by inshore and offshore vessels such as otter trawls and/or seines.

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 12 miles from the coast, usually by vessels over 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.

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

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.

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

YEAR CLASS - Identifies fish by year in which they were spawned.

I. INCORPORATION

The Company

High Liner Foods Incorporated's corporate 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 were 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 under the laws of Nova Scotia (Companies Act). 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.

High Liner Foods is one of North America's largest marketers of prepared, frozen, fresh and packaged seafood and frozen pasta. The company is vertically integrated in all aspects of seafood harvesting, procuring, food processing and marketing.

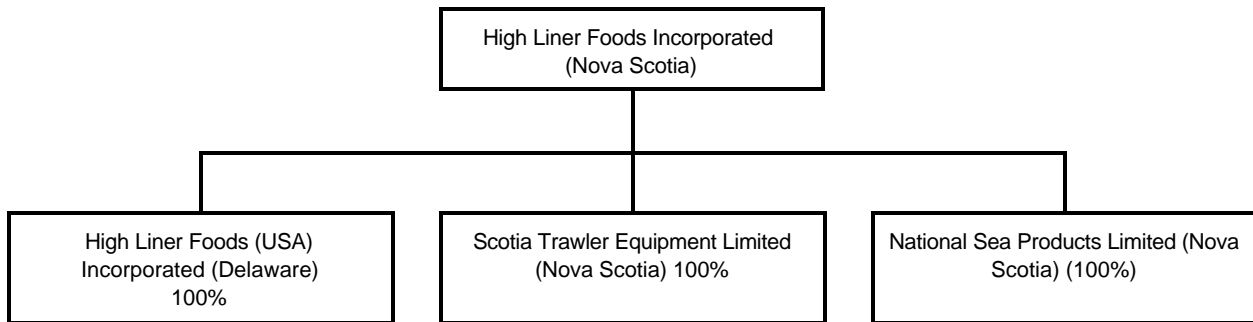
High Liner Foods markets the majority of its seafood products under its High Liner[®] trademark in Canada, under the Fisher Boy[®] and High Liner[®] trademarks in the United States and under its Fisher Boy[®] trademark in Mexico. High Liner Foods exports seafood outside of North America, principally to Europe, Japan, Hong Kong and China, mostly under the High Liner[®] trademark. Pasta products are sold throughout the United States under the Gina Italian Village[®] and Floresta[®] brands. High Liner Foods also supplies private label seafood products for retailers throughout North America.

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 also operates a leased pasta processing plant in the United States. (See III. Business of the Company - Properties.) High Liner Foods also has a fleet consisting of 11 fishing vessels, of which 5 groundfish trawlers and 4 scallop draggers are currently active. (See III. Business of the Company - Fleet Operations.) These vessels are operated in the Atlantic Canadian offshore sector, and the catches from these vessels account for approximately 15% of the Company's sales. In addition, until February 1999, High Liner's joint venture, Seabay Clam Company, Inc., operated a freezer trawler to harvest offshore clams. In February of 1999, Seabay Clam Company, Inc. sold its assets and business. (See III. Business of the Company - Seabay Clam Company, Inc. Disposition.)

On September 18, 1998, the Company acquired the operating assets and business of Italian Village Ravioli & Pasta Products, Inc. and Floresta Pasta Products, Inc. (together "Italian Village"). Italian Village produces and distributes frozen unsauced pasta products such as ravioli, tortellini and stuffed shells to the United States' retail market under its trademarks, Gina Italian Village® and Floresta®. The manufacturing operations of Italian Village, located in Secaucus, New Jersey, consist of a leased plant with Company-owned modern pasta processing equipment.

Corporate Structure

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 carries on the business of manufacture and distribution of 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.

During the year the Company sold the operating assets of its joint venture, Seabay Clam Company Inc. The joint venture is in the process of being wound up. The Company also sold its investment in International Aqua Foods Ltd. and its labour relations company, Nautilus Industrial Relations Services Inc.

II. GENERAL DEVELOPMENT OF THE BUSINESS 1995-1999

Overview

After significant losses resulting from the "Atlantic Groundfish crisis" in the early 90's, the Company returned to profitability in 1994 and was profitable to the end of 1998. This turnaround was principally a result of rationalization efforts and the focus by management

on the Company's strengths in frozen food processing and its brand identities. The Company leveraged its strengths in 1998 by acquiring the assets of Italian Village Ravioli & Pasta Products, Inc., a frozen pasta processing company in Secaucus, New Jersey. (See IV. Acquisition of Italian Village.) In 1999, the Company incurred a loss due to significant increased seafood raw material prices, reduced groundfish landings and problems with the acquisition of Italian Village discussed later in this document.

Quotas

There were reductions in quotas in 1995 and 1996, but they have stabilized in 1997 to 1999. (See III: Business of High Liner Foods Incorporated - Atlantic Canadian Fishing Industry - Groundfish Quotas.) The reductions have resulted in over-capacity in the Company's plants and fleet. The Company's rationalization program was designed to reduce dependence on the harvesting and processing side of the business, which is subject not only to major supply fluctuations, but also to commodity price fluctuations. At the same time, the Company placed more emphasis on the procurement and marketing side of its business.

Write Down and Sale of Assets

The write down and sale of assets necessitated by the reduction in groundfish quotas is summarized below.

In 1995, idle plants in LaScie, Newfoundland and North Sydney, Nova Scotia, and an idle trawler were sold for proceeds of \$1.7 million. These sales, along with better than anticipated efforts to rationalize the groundfish processing business, allowed the Company to recover \$6.4 million of a 1993 restructuring reserve.

In 1996, two idle trawlers were sold for proceeds of \$2.0 million. These sales, along with better than anticipated efforts to rationalize the groundfish processing business, allowed the company to recover a further \$2.2 million of a 1993 restructuring reserve. The Company also wrote off its \$2.1 million investment in a subsidiary company engaged in scallop aquaculture. The Company had determined that it could not continue to invest in scallop aquaculture and the write off consisted of the Company's total investment in the project.

In 1997, the Company completed its rationalization program, having disposed of all its assets of discontinued operations, except its 26% non-controlling interest in International Aqua Foods Ltd., and all of its non-productive assets of continuing operations, except 3 trawlers and the Louisbourg plant. In 1998, the Company continued to try to sell the three remaining surplus trawlers, and leased the Louisbourg plant to an arm's length seafood

processor for five years with an option to purchase at the end of the lease which expires in 2003.

In 1998, the Company sold land in Portsmouth, New Hampshire that was surplus to its operations at a pre-tax gain of \$1.1 million.

In 1999, three surplus trawlers, the Company's 26% interest in International Aqua Foods Ltd. and the operating assets of Seabay Clam Company Inc., the Company's joint venture, was sold during the year resulting in a net pre-tax gain of \$5.9 million. The net proceeds from these sales reduced the Company's long-term indebtedness and current bank indebtedness. The Louisbourg plant, which is leased to a tenant was written down by approximately \$3.0 million to \$2.5 million, which is the value at which the lessee can purchase the plant at the end of the lease. This will reduce depreciation by \$1.0 million for the next three years. A reorganization at the end of 1999 reduced the workforce and resulted in a pre-tax charge to income of \$1.7 million, representing severances, early retirements and other costs. This will reduce expenses by approximately \$2.5 million annually commencing in 2000.

Operations 1995 - 1999

All proceeds from the sale of assets and investments described above were used to reduce the Company's debt which resulted in lower interest costs in each year from 1995 to 1999. In addition, removing assets from the Company's core business reduced operating costs. Procurement of headless and gutted raw material for processing in its active plants has increased utilization of facilities. The reduced operating costs, increased utilization of facilities and higher market prices for commodity products increased margins.

The Company's movement beyond the groundfish crisis allowed for focus on growth in 1997 and 1998. At the end of 1997, the Company refinanced its operating lines and long term debt. In 1998, the Company actively sought an acquisition and on September 18, 1998, purchased the assets of Italian Village, a producer of frozen stuffed pasta in Secaucus, New Jersey. (See IV: Acquisition of Italian Village.) Adding frozen pasta and the Gina Italian Village® and Floresta® brands to the Company's product line is one step towards the Company's aim of becoming a major producer of the highest quality frozen food products in select categories in the North American marketplace.

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 have declined somewhat since they peaked in 1998, but the Company expects market prices to continue at levels experienced during the latter part of 1999, which were 7 to 20% lower than at the end of 1998. Higher raw material prices, and the

inability to buy H&G haddock as required, forced the Company to purchase haddock raw material that was not up to its normal specifications. The processing of this haddock resulted in increased production costs and higher by-product production, which further reduced the margin on these products.

Disappointing fishing results in 1999 were due to lower market prices for fresh fish, which made some quotas caught in 1998 uneconomical to catch in 1999. A reduction in private label sales in the United States also resulted in unabsorbed overheads in the Portsmouth production facility. (See the Company's Management Discussion & Analysis included as part of its 1999 Annual Report for further discussion of results for 1999.)

III. BUSINESS OF THE COMPANY

Overview

High Liner Foods is one of North America's largest marketers of prepared, frozen, fresh and packaged seafood and frozen pasta. The Company is vertically integrated in all aspects of seafood harvesting, procuring, food processing and marketing.

High Liner Foods sells its products, both directly and through distributors, to North American retail 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. High Liner Foods sells its frozen Italian-style pasta products to retail stores throughout the United States under the Gina Italian Village[®] and Floresta[®] trademarks. High Liner Foods produces private label seafood products for retailers throughout North America.

Risk

The risk factors relevant to the business of High Liner Foods include competition from other frozen food processors, including those which have larger sales and marketing organizations and greater financial resources than the Company, environmental matters, exchange rate fluctuations, raw material prices and supply, regulation of the fisheries including the continuance of Enterprise Allocations awarded by DFO, and risks normally inherent in the fishing and frozen food processing industries.

Risk factors are discussed throughout this Annual Information Form in their relevant context and under the heading "Risk" in the Management Discussion & Analysis in the Company's 1999 Annual Report.

Business Strategy

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 it believes are good value and which provide tasty, nutritious and convenient eating for North American consumers, who are spending less time in the kitchen. 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, and the Company consistently strives to improve its products to maintain and improve its market leadership position. 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.

Growth Strategy

High Liner Foods has adopted a growth strategy which includes pursuing growth in three areas as follows:

- 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 expansion of Fisher Boy® and Gina Italian Village® to markets adjacent to their core markets in the southwest of the United States and the greater New York City area, respectively, are an integral part of this strategy.
- 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 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 strengths in the retail frozen food business in North America present opportunities for the Company to build on its experience in the frozen food business and 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 (for example, PriceCostco). Frozen food businesses targeted would be 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 would also be an important criterion.

The Company may not be able to carry out its strategy of acquisition of other frozen food companies, since the strategy depends in part on the availability of suitable candidates. In addition, the Company may face competition for the acquisition of attractive processors from other companies with similar strategies in the frozen food industry who may be larger or better financed than the Company. Furthermore, there can be no assurance that, if the Company acquires what it considers to be a suitable candidate in accordance with its growth strategy, the Company will be able to successfully integrate the operations of the acquired company into the Company's operations.

Products and Trademarks

High Liner Foods markets a diverse range of products under a variety of trademarks and brand names in Canada, the United States and Mexico, as illustrated in the following chart:

	<u>Canada</u>	<u>United States</u>	<u>Mexico</u>
Products:	Fresh and frozen groundfish fillets and scallops Shrimp Fresh Fish Prepared seafoods Entrées Other pelagic species Processed chicken	Groundfish Shrimp Prepared seafoods Unsauced frozen pasta products	Prepared seafoods

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

Until February 1999, High Liner Foods also sold frozen clams in Hong Kong, China and Japan. (See III. Business of the Company - Seabay Clam Company Inc. Disposition.) The Company also sells other seafood commodity products in other foreign markets.

Canadian Sales and Marketing

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 49.7% of the frozen packaged seafood market, as measured in tonnage, for the 52 weeks ended January 1, 2000. Management estimates that the Company's food service division enjoys a leading market position in the processed seafood category in Canada. The category is not independently measured by market researchers. High Liner Foods markets a full range of frozen fish fillets, breaded and battered fish sticks and portions, fish and chips, processed chicken, processed shrimp, seafood entrées, appetizers and prepared fillets. High Liner Foods carries on advertising and related activities to create, maintain and enhance brand loyalty. High Liner Foods also sells fresh groundfish fillets in the Canadian marketplace.

The Canadian retail frozen food market had consumer sales of \$2.97 billion in 1999, an increase of 6% over 1998 according to ACNielsen. Frozen seafood, the 4th largest category, had consumer sales of \$257 million in 1999, an increase of 3% over 1998. Frozen fish & chips, a \$6.6 million category, decreased by 5% in 1999 compared to 1998. 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 1999 consumer sales of \$750 million. This category grew by 12% in 1999 over 1998.

According to a 1999 frozen food study by ACNielsen, High Liner Foods is the 7th largest frozen food company in Canada, after Nestle Canada Inc., McCain Foods Ltd., Good Humor - Breyers Company, the Pillsbury Company, Coca-Cola Foods and J.M. Schneider, representing \$77 million of the total retail frozen food market based on consumer sales revenue.

Market information on frozen food sales to the Canadian food service industry -- hotels, restaurants and institutions -- is not available.

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.

United States and Mexico Sales and Marketing

The United States' retail frozen food market had consumer sales of US\$25.7 billion for the 52 weeks ended December 26, 1998, and had grown 3.8% over the previous year, according to Information Resources Inc. Sales of frozen seafood were US\$1.1 billion for the 52 weeks ended December 25, 1999, an increase of 10.9% over the previous year. The frozen pasta market represented sales of US\$189.0 million for the 52 weeks ended December 25, 1999, a decrease of 2.9% over the previous year.

High Liner Foods' United States' subsidiary, 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 also produces a wide variety of seafood products which are sold as retail private label brands in United States' supermarkets. In 1999, approximately 52% of High Liner Foods' United States' dollar seafood sales to the retail frozen food market were private label products. Fisher Boy's® sales were principally fish sticks and, according to ACNielsen for the 52 weeks ended December 25, 1999, Fisher Boy® enjoyed 18.9% of the United States' national market, an increase of 1.9 share points over the previous year. In its core markets, principally the south-west of the United States plus New York, Fisher Boy's® market share for fish sticks was 39.1%, up 2.1 share points.

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

leading brand in Mexico City, with a market share of 48.1% for the 52 weeks ended November 28, 1999, as measured by ACNielsen.

High Liner Foods 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®. High Liner Foods enjoys a dominant market position in many cities, most notably New York City and Chicago. High Liner Foods owns the number two brand nationally. Gina Italian Village® and Floresta® together account for 15.6% of the United States' market for frozen unsauced pasta for the 52 weeks ended December 25, 1999, according to ACNielsen. This share rises to 27.1% of the New York market for the same period.

High Liner Foods also imports directly to customers both frozen and fresh fish into the United States from its Canadian locations.

International Sales

Prior to the sale of its assets in February of 1999, the Company's joint venture, Seabay Clam Company, Inc., sold clams into Asian markets, principally Japan, Hong Kong and China. This business was sold at the beginning of 1999. (See III. Business of the Company - Seabay Clam Company, Inc. Disposition.)

High Liner Foods also sells less than \$9.0 million annually of seafood products into other international markets such as Great Britain, Denmark, Bermuda, Iceland, Sweden, Spain and Germany.

Markets in the United States and other countries may be affected from time to time by the imposition of customs duties and other tariffs. With High Liner Foods' current strategy, these duties have had no significant effect.

Competition

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 segment are national and regional producers of brand name and generic products, including Unilever Inc. (Gorton's® and BlueWater® brands), Aurora Foods Inc. (Mrs. Paul's® and Van de Kamp's® brands), Jane's Family Foods Ltd., National Fish and Seafood Incorporated, and Fishery Products International Limited. 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 segment, price, convenience, nutritional value and consumer brand recognition and loyalty, are the primary competitive factors.

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

Customers

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. Club stores, Mexican distributors and customers in Europe and Asia also account for a portion of sales.

There has been a trend in the North American grocery business toward increased consolidation of grocery retailers and wholesalers. Grocery retailers typically charge suppliers slotting fees for shelf space on a per product basis, and also typically expect promotional money to support product advertising and special promotions. Arising out of consolidations, the Company has experienced demands for increased levels of these expenditures to keep its products on store shelves. Consolidation has resulted in the Company now having one customer in Canada that accounts for slightly more than 11% of the Company's annual sales.

Approximately 20% of the Company's 1999 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.

Properties

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

High Liner Foods Incorporated - 1999 Annual Information Form

Location ⁽⁴⁾	Type of Production	Annual Capacity ⁽¹⁾ Metric Tonnes	Capacity Utilization
Nova Scotia			
Lunenburg ⁽²⁾	Primary	11800	40%
	Prepared foods	18150	70%
Louisbourg ⁽³⁾	Leased	n/a	n/a
Newfoundland			
Arnold's Cove ⁽²⁾	Primary	6350	100%
United States			
Portsmouth NH ⁽²⁾	Prepared foods	29500	55%
Secaucus N.J. ⁽⁵⁾	Prepared foods	18150	25%

- (1) Based on the production of finished pounds, on two shifts for 5 days per week.
 (2) Property and equipment subject to mortgages as security for payment of \$48.6 million of term notes.
 (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) Total insured value of the properties is \$236.5 million.
 (5) Building is subject to a 5-year lease expiring in 2005 with a 5-year renewal option. Equipment is secured under a term loan in the amount of \$32.0 million at year end.

Seafood raw material for primary processing is supplied by the offshore and foreign sectors and is seasonal. Capacity utilization can vary significantly depending on the time of year. The Company's primary processing facility in Lunenburg, Nova Scotia, is operating significantly below capacity. Frozen fish is procured primarily from Russia for the primary processing plants to more fully utilize their capacity. Market prices and quality of raw material for these facilities is a significant factor in determining at what level profitable production can be achieved. Recent increases in H&G raw material prices have resulted in reduced production volumes for the Lunenburg processing facility.

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

Regulation of Food Processing

As described above, the Company has processing plants in New Jersey and New Hampshire in the United States, and in Nova Scotia and Newfoundland in Canada. 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. In Canada, the CFIA ensures that food processing plants meet numerous health and safety standards, and other commercial standards such as labeling requirements. The CFIA, a department of the Canadian Federal Government, resulted from the merger in 1997 of food inspection departments of DFO, Agriculture and

Agri-Food Canada, Health Canada and Industry Canada. The CFIA is responsible for deploying the inspection and programs that regulate food safety, economic fraud, trade related requirements and animal and plant health. Health Canada scrutinizes CFIA's activities at arms' length and, through it's risk assessment, research and audit functions, develops national food safety standards and policy.

The Government of Canada requires all seafood processing plants to adopt a QMP (Quality Management Program) covering the food regulatory and safety aspects of food processing. Recently, Canada has harmonized the Canadian QMP program to meet the requirements of the United States' seafood HACCP program. The new program, known as the Quality Management Program Re-Engineered, or simply QMP_r, meets all world standards for HACCP. The Canadian plants are subject to QMP_r audits twice a year by CFIA and High Liner's plants have the highest rating obtainable. High Liner's plants in Arnold's Cove and Lunenburg were among the first plants to be approved under this program in the Atlantic Canadian fishery.

CFIA is in the process of establishing a similar QMP_r for agricultural food products called the Food Safety Enhancement Program (FSEP). High Liner Foods currently does not have any plants in Canada that fall under the FSEP, but does purchase chicken products packed by a processing plant in Nova Scotia that is approved under current regulations.

In the United States, the US Food and Drug Agency (FDA) sets standards on food health, safety, labelling and standardization issues. The inspection of seafood plants is carried out by the United States Department of Commerce (USDC) and agriculture inspections are carried out by the United States Department of Agriculture (USDA). The United States requires its seafood processing plants to adopt a quality management plan known as HACCP. HACCP is an intensive quality assurance program originally developed to protect astronauts from food poisoning. The basis of the program is to build in sanitation and quality control measures during the entire production process, rather than to inspect quality and safety at the finished goods state. The United States FDA conducts HACCP system audits of seafood plants. 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 USFDA HACCP audit.

HACCP is the operational component of other programs such as Canada's QMP_r. All seafood imports into the United States must be from HACCP approved plants. High Liner's Canadian plants, by being approved under the QMP_r, are HACCP approved. High Liner Foods has a USDC inspector on site at its New Hampshire plant, which permits it to display on its packaging confirmation of USDC inspection or a USDC grade seal.

Meat-based plants in the United States must be approved by the USDA. At the present time, none of the Company's United States plants manufacture meat products. Meat products sold by Italian Village are produced under co-packing agreements in USDA 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 reports on the Company's safety records quarterly and oversees efforts of the Company to improve safety throughout its operations.

In the United States, the Federal Environmental Protection Act (EPA), and state and municipal legislation and bylaws govern all aspects of hazardous products, discharges and other environmental issues. In Canada, the Departments of Environment of the various provinces regulate environmental matters. In addition, certain environmental matters, such as those with respect to protection of the ocean, are governed under Federal legislation in Canada, including the Fisheries Act.

Should any of the Company's plants, production or operation facilities be found to be in noncompliance with any law or regulation in any material respect, there could be a material adverse effect on the Company's business, financial condition or results of operations.

Procurement

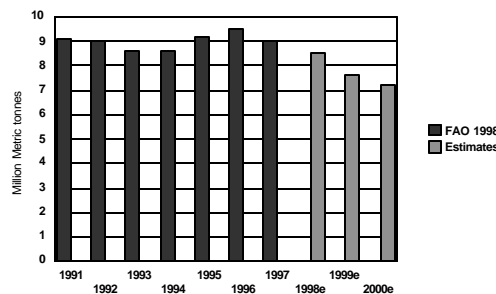
High Liner Foods has become more dependent on its seafood procurement activities as a result of significant reductions in its quotas imposed by DFO to conserve Atlantic Canadian fish stocks. The Company has for many years purchased a significant quantity of frozen raw material and finished goods, mostly from Russia, China, Norway, the United States, the United Kingdom and Uruguay, to replace the raw material lost as a result of the quota reductions. 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 does not have 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. 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 for its requirements.

Global demand for fish and seafood is expected to grow steadily, to reach 120 million tonnes per year by the beginning of the 21st century. However, wild fishery catches have begun to decline after peaking at 100 million tonnes per year. Canada has been particularly hard hit by this downturn. At the same time, there has been considerable development of the aquaculture industry. The following chart indicates catches of the 10 most important wild groundfish species as reported by the Food & Agriculture Organization of the United Nations (FAO) in 1998 along with estimates of panelists at the 1999 Groundfish Forum. On a positive note, some of the reduction is attributed to increased government regulation and industry conservation measures aimed at protecting the stock 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 has affected our competitors as well. The reduction in availability of seafood on global markets, combined with the increase in global demand, should ensure that, if the Company's Atlantic Canadian quotas increase in the future, its fishing business will have considerable positive economic impact.

World Groundfish Catches 10 Major Species



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.

The two active primary seafood processing plants procure up to 70% of their raw material in a frozen headed and gutted form.

Headed & Gutted Purchases (metric tonnes)	
2000 ^(P)	6550
1999	6987
1998	13214
1997	10500
1996	10546
1995	10228
1994	9662
1993	1935
(P) Projected	

The Company's two secondary seafood processing plants currently procure up to 90% of their raw material requirements equal to 14,000 metric tonnes.

The Secaucus, New Jersey, 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. In 1999, the Company entered into a contract to purchase 7 million pounds of bulk durum flour at a price of \$12.12 per cwt which will cover the Company's requirements until early 2001. The Company also has a co-pack supply agreement for the purchase of 20 million pounds of finished pasta product over a 5 year period which commenced April 15, 1997.

The Company purchases all of its shrimp products from an independent processor in the United States. Shrimp prices are subject to significant price fluctuations. Processed chicken products are purchased in Atlantic Canada and prices are more stable than for seafood products.

The Company procures as much as \$70 million of commodity seafood products, either as raw material or finished goods each year.

For a detailed description of the risk associated with currency and interest rate fluctuations in relation to procurement, refer to the Management Discussion & Analysis in the Company's 1999 Annual Report.

Fleet Operations

High Liner's fleet consists of 11 vessels. Five of the vessels are wetfish stern trawlers ranging in length from 150 feet to 165 feet which were active in harvesting High Liner's groundfish enterprise allocations in 1999. The majority of the groundfish stern trawlers are ice-strengthened to Lloyd's Ice Class 1A Super, enabling them to operate in Canadian waters from George's Bank to Labrador at any time during the year. The remaining six are offshore scallop draggers, of which four were active in 1999 harvesting High Liner's scallop allocation. Two are leased to other Atlantic Canadian companies. High Liner's joint venture, Seabay Clam Company, Inc., operated a freezer trawler harvesting offshore clams. Seabay Clam Company, Inc. sold its assets and business in February, 1999. See "III. Business of the Company - Seabay Clam Company, Inc. Disposition". High Liner's fleet is described below.

Fleet ⁽¹⁾	Number of Vessels	Type of Fishing
Groundfish Fleet:		
Fame Class ⁽²⁾	2	Wetfish Trawler
Ritcey Class ⁽³⁾	2	Wetfish Trawler
Argos Class ⁽⁴⁾	1	Wetfish Trawler
Scallop Fleet:		
Conventional Draggers ⁽³⁾⁽⁴⁾	5	Scallop Draggers
Cape Blomidon ⁽³⁾	1	Scallop Freezer Dragger
Total Fleet	11	

- (1) Total insured value of the fleet is \$32.5 million.
 (2) These vessels are subject to mortgages as security for payment of a \$9.3 million note payable.
 (3) These vessels are subject to mortgages as security for payment of \$48.6 million of term notes.
 (4) One groundfish and two scallop vessels presently leased to third parties.

In addition to its own fleet, High Liner Foods from time to time contracts with owners of smaller, privately owned vessels to harvest its EAs. During 1999, seven independent vessels fished under the Company's licenses for at least part of the year.

The Atlantic Canadian Fishing Industry

The Atlantic Canadian fishing industry is managed by the Canadian Federal Government under the DFO. The following is a description of how the fishery is managed.

Two Hundred Mile Economic Zone

On January 1, 1977, as recognized by the United Nations Law of the Sea Convention, Canada assumed jurisdiction over a fishing zone extending 200 miles from the Canadian

coastline. The Canadian Federal Government now establishes and enforces quotas for various countries, including Canada, and limits conditions under which Canadian and foreign vessels can fish within this two hundred mile zone. The two hundred mile 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.

Inshore and Offshore Sectors

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. Canadian offshore companies usually use vessels of at least 100 feet in length which make extended fishing trips of about 10 days each throughout the year. The inshore fishing operations in Atlantic Canada are conducted primarily by self-employed fishermen. These operations use approximately 25,000 fishing vessels of less than 100 feet in length, the majority of which are less than 45 feet in length. They make trips varying from one to several days in duration. The inshore sector is highly seasonal in most of the Atlantic Canadian fishing areas, being dependent upon weather conditions and limited to open seasons for certain species.

Total Allowable Catch and Canadian Offshore Quota

The 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 Canadian Offshore Quota has decreased over the years 1993 to 1996, but increased in 1997, 1998, and 1999, as shown in the table below. Reductions prior to 1995 were the result of moratoriums in several cod stocks and Gulf of St. Lawrence redfish. Further reductions in perch quotas were made in 1996. Perch quotas increased in 1997, remained the same in 1998 and increased in 1999 by 1,000 metric tonnes. Pollock quotas were decreased by 8,000 metric tonnes for 1999, but the decrease had no impact on the amount of fish caught by the Company, as historic landings are still less than quotas. Scallop quotas were also reduced in 1995 and 1996 but increased in 1997 and 1998 as new Year Classes supported a higher level of fishing and remained at the same level in 1999 as 1998. Catches of groundfish in 1999 were 23% lower than in 1998 due almost exclusively to lower landings of perch in certain fishing areas. Scallop catches in 1999 were slightly lower than in 1998.

The 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.

Registration and Licensing

The harvesting of fish in the waters off Atlantic Canada is primarily regulated through the Fisheries Act (Canada) and the Atlantic Fishery Regulations (1985). These regulations provide for the registration of vessels and fishermen and for the issuance of licenses to catch specified species of fish. The licenses set out conditions for fishing, which may include the species and quantity which may be caught, the type and quantity of gear to be used, the waters in which fishing is permitted, the period during which fishing is permitted, the vessel which may be used and the persons permitted to operate the vessel. Unless otherwise specified in the license, a license expires on December 31 of the year for which it is issued unless renewed by DFO. The Company's licenses have been renewed for 2000 and the Company expects that its 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 paid by the Company in 1999 for groundfish and scallops was approximately \$1.0 million and is estimated to be the same in 2000.

Fisheries Resource Conservation Council

The Fisheries Resource Conservation Council (FRCC) is made up of appointees of industry representatives, DFO officials and scientists as appointed by DFO. The purpose of the Council is to bring together fisheries and scientific expertise in making annual recommendations to the Minister on total allowable catches and conservation measures for the Atlantic groundfish fishery. The Council also has the mandate to advise the Minister on scientific research and assessment priorities and methodologies.

Enterprise Allocations and ITQ's

Each offshore company is allocated an Enterprise Allocation (EA) for each species and fishing area. EAs are also in place for the northern shrimp, scallop and clam fisheries. In 1991, an individual transferable quota system (ITQs) permitting the transfer of quota between inshore fishermen, was introduced in several areas. This system is designed to promote orderly fishing by the inshore mobile gear fleet.

Groundfish Quotas

The Company is one of the most significant participants in the Canadian offshore sector with an average of approximately 1/3 of the Canadian offshore groundfish quota.

GROUND FISH	Canadian Offshore Quota (metric tonnes)	Company's Enterprise Allocation	Company's % of Canadian Offshore Quota ⁽³⁾
2000-2001 ⁽¹⁾⁽²⁾	39,856	12,171	30.5%
1999-2000 ⁽²⁾	46,319	16,506	35.6%
1998	37,720	15,335	40.7%
1997	32,739	14,782	45.2%
1996	25,130	11,609	46.2%
1995	34,647	14,377	41.5%

(1) Projected

(2) In 1999, quota was for 15 months from January 1999 to March 2000. Quota for 2000-2001 is for 12 months from April 2000 to March 2001.

(3) 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 2000/01, this will not materially affect landings, as some pollock quotas have not been catchable in the past. This reduction in pollock quotas, which affects High Liner Foods more than other companies in the offshore sector, has the effect of reducing the overall percent allocated to the Company.

Harvesting Issues

C Foreign Overfishing

The Canadian Government and the Canadian fishing industry recognize the importance of controlling foreign fishing activity on the Nose and Tail of the Grand Banks off Newfoundland and areas of the Continental Shelf just outside the Two Hundred Mile Economic Zone. All vessels fishing in the NAFO regulatory zone are required to carry NAFO authorized at-sea observers to ensure NAFO regulations are respected. Canada is continuing to promote a strong commitment to conservation and sustainable fisheries in NAFO and with governments worldwide.

C Scotian Shelf And Gulf Of St. Lawrence

Since 1994, quotas in the Scotian Shelf and Gulf of St. Lawrence areas have experienced significant reductions. A fishing moratorium was implemented for cod

on the Scotian Shelf in certain NAFO areas, which continued in 1996. In 1997, limited fisheries for cod were permitted in two NAFO areas. In 1998, an open commercial fishery was underway for cod in a NAFO area known as 3PS and limited fisheries were allowed in two other NAFO areas. A moratorium remains in place for cod in one NAFO area. As well, further reductions in perch quotas were implemented for 1996, reducing the Company's quota by approximately 1,000 metric tonnes from 1995. The Company's quotas for pollock increased by approximately 1,000 metric tonnes in 1997 from 1996 and increased in 1998 by a further 1,000 metric tonnes before decreasing in 1999 by 3,300 metric tonnes. As well the Company's perch quota in one NAFO area increased by approximately 1,600 metric tonnes for 1997 from 1996 and stayed at that level for 1998 and 1999.

Scallop Quotas

Due to reductions in the recruitment of scallops to the fishery in 1995, as a result of a poor year class in 1991, DFO reduced the total allowable catch, and therefore the Company's harvest, from George's Bank in 1995 and 1996, by almost one-half. George's Bank is the Company's prime scallop fishing area.

The healthy scallop fishery which has evolved on Brown's Bank supplemented the Company's annual harvest in 1995 and 1996. The fishery on Brown's Bank has developed as a result of responsible fishing over the past several years by industry, as well as the intent by industry and DFO to develop this into a sustainable fishing area. The net result of the decline in George's Bank landings and increased landings from other banks was a decrease in Company landings of 14% in 1996 over 1995. Landings in 1999 were 847 metric tonnes as compared to landings of 860 metric tonnes in 1998. Landings for 2000 are forecasted to be above the 1999 landings at 1,200 metric tonnes due to increases in quotas.

SCALLOPS	Canadian Offshore Quota (metric tonnes)	Company's Enterprise Allocation	Company's % of Canadian Offshore Quota
2000 ⁽¹⁾	7,350	1,200	16.3%
1999	5,350	873	16.3%
1998	5,350	869	16.3%
1997	5,075	828	16.3%
1996	4,075	665	16.3%
1995	4,700	767	16.3%

⁽¹⁾ Projected

The future of George's Bank and the Company's other scallop fishing areas 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, and therefore quotas, is expected to continue to improve beyond the year 2000.

Fish Landings

The Company's fishing operations are dependent on groundfish and scallop quotas that are set annually as determined by DFO. Although this system of allocating quotas and the Company's annual share has been largely stable since their 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 moratorium in the early 1990's, successive fisheries ministers have reaffirmed that historic fleet sector shares will be respected.

Any reduction in quotas or adverse changes to the Company's Enterprise Allocation percentages would have an adverse effect on the Company's financial condition and results of operations. Fish landings are also affected by weather and other natural phenomena.

Employee Relations

The operations of High Liner Foods involve 1,435 active full-time employees. Approximately 311 of these employees are employed on a salaried basis, 976 on an hourly basis and 148 are vessel captains and crewmen.

High Liner Foods has 1,038 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	412	Dec. 31, 2000
Nova Scotia Plants	Canadian Auto Workers	481	Dec. 31, 2000
Trawler Fleet	Canadian Auto Workers	54	Dec. 31, 1999 *
Scallop Fleet	Canadian Auto Workers	60	Dec. 31, 2001
Cape Blomidon	Canadian Auto Workers	31	Dec. 31, 2001
* Negotiations have commenced on a new contract. Management expects contracts to be negotiated without labour disruption.			

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.

Environmental Matters

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 relating 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). 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.

Certain of the Company's wharf operations provide full maintenance service and fuel facilities. 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 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 the 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.

Insurance

The Company carries a wide variety of insurance and surety coverage for its operations. Among these coverages are product liability insurance for liability arising out of the use or consumption of its food products, hull insurance, all risks cargo insurance, property and business interruption insurance, commercial general liability insurance, and umbrella coverage for claims in excess of the Company's primary insurance policies. The Company also carries director and officer liability insurance. In order to protect against liability claims from the Company's employees, the Company is covered under provincial worker compensation plans and carries workers compensation insurance for its United States' operations.

Seabay Clam Company, Inc. Disposition

High Liner Foods has a 50% economic joint venture interest in Seabay Clam Company, Inc. Until the sale of its assets in February, 1999, the joint venture company held an offshore clam harvesting license and operated a clam harvesting vessel fishing in Atlantic Canadian waters.

In February, 1999, Seabay Clam Company, Inc. sold its assets and business, including a factory freezer trawler, onboard equipment, fishing license, inventory and certain other assets. The Company determined to dispose of its interest in the business of Seabay Clam Company, Inc. as the offshore clam business no longer fits into High Liner Foods' strategy of concentrating on its core business as a marketer in North America of prepared, frozen, fresh and packaged seafood and unsauced frozen pasta products.

IV. ACQUISITION OF ITALIAN VILLAGE

On July 18, 1998, the Company entered into an Asset Purchase Agreement to purchase substantially all the assets of Italian Village Ravioli & Pasta Products, Inc. and its sister company, Floresta Pasta Products, Inc. (collectively "Italian Village"), for a purchase price of \$59.8 million (US\$38.6 million). The transaction closed on September 18, 1998. The Asset Purchase Agreement provided that, in any year from 1999 to 2003, the Company had the option (the "Call Option") to pay an Earn Out Sum. In 1999, the Earn Out Sum was calculated as 2.8 times of audited EBITDA (earnings before interest, taxes, depreciation and amortization) for the six month period ending June 30, 1998. In March, 1999, the Company exercised the Call Option and paid the Earn Out Sum of \$15.0 million.

Gina Italian Village® and Floresta® have together a 15.6% share of the frozen unsauced pasta retail market in the United States, according to ACNielsen for the 52 weeks ended December 25, 1999, as measured by tonnage. Italian Village produces mainly cheese-filled ravioli and tortellini in this category. Other products sold by Italian Village include manicotti, gnocchi, cavatelli and stuffed shells. Of these frozen pasta products, Italian Village has the second largest national market share behind Rosetto®, the leading and only truly national brand which is owned by Heinz. Italian Village is the leader in market share in three of the top seven frozen pasta markets in the United States and is number one in New York City, Philadelphia and Chicago, some of the highest consumption markets for these products. 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 30% of all households in the United States are consuming frozen pasta. Currently, Italian Village products are marketed only in the United States to the same retail chains as are currently buying other products from High Liner.

Italian Village's three major New York customers purchased significant quantities of pasta products from the previous owners between mid-August, 1998, and September 18, 1998, the acquisition closing date. These sales were conducted on unusual terms, favorable to the retail chains, and Management believes these sales were conducted in contravention of the purchase and sale agreement dated July 18, 1998, constituting 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 these three 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 sued the vendors of the Italian Village business and the two key principals of the business. The grounds include breach of contract, including breach of representations and warranties, breach of implied covenants of good faith and fair dealing, breach of the personal consulting, and employment agreements entered into by the vendors' principals, breach of fiduciary duty, and tortious interference with the Company's business relations. In response, the defendants filed a counter-claim against the Company, alleging misrepresentation, breach of contract, and breach of the consulting and employment agreements.

The Company has retained legal and financial consultants to assist in the prosecution of its claims and defense of the counter claims against it. Based on the advice of consultants received to date, the Company is confident that its law suit is well-founded and that the counter claims against it are without merit. To date, a limited amount of discovery has

taken place, and the Court has referred the dispute to mandatory mediation, a court-supervised process which should commence in March, 2000.

See the section entitled "Italian Village" in the Management Discussion & Analysis in the Company's 1999 Annual Report.

V. SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected financial information for the fiscal years ended 1999, 1998, 1997, 1996, 1995, and 1994 has been derived from the Company's audited consolidated financial statements and the notes thereto as restated to reflect the retroactive application of the new Canadian Institute of Chartered Accountants (CICA) handbook section 3465 on Income Taxes. With respect to the most recent fiscal year ended January 1, 2000, 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 the Company's 1999 Annual Report to Shareholders. In particular, reference should be made to the Six Year Financial Data and Quarterly Financial Data tables in that report.

Operating Results

52 Weeks Ended January 2, 1999 Compared to 53 Weeks Ended January 3, 1998

Sales increased 5.0% in fiscal 1998 over fiscal 1997 due primarily to the sales of pasta products as a result of the purchase of the assets of Italian Village in September, 1998. As well, sales increased due to higher sales of commodity products. Gross profit was 20.6% in 1998 versus 19.5% in 1997. This increase was due to good selling prices in commodity markets, lower production costs in our United States' facility and the addition of pasta products in the United States. Other selling, general and administrative expenses increased by \$2.1 million due primarily to increased marketing in the Canadian retail business as well as the addition of the pasta business.

Interest expense increased by \$1.3 million due to higher levels of short-term borrowing to finance increased inventory, higher interest payments on debt denominated in United States dollars and interest on long-term borrowings to finance the purchase of Italian Village, expensed for 107 days in 1998.

After the retroactive adoption of Section 3465, as mentioned above, the Company recorded income taxes on its operations. In total, the income tax rate for fiscal 1998 of 44.0% compares to 41.5% in 1997.

Working capital requirements increased throughout 1998 as a result of increases in both accounts receivables and inventory, partly due to the purchase of Italian Village and partly due to inventory positions taken on seafood raw material. Capital expenditures were higher than the previous year by \$0.8 million.

53 Weeks Ended January 3, 1998 Compared to 52 Weeks Ended December 28, 1996

Sales increased by 9.9% in fiscal 1997 over 1996 due to new product introductions and additional sales of clams through the Company's joint venture. Gross profit was 19.5% in fiscal 1997 compared to 18.3% in 1996. This increase was due to cost reductions in the Company's production facilities, good selling prices in commodity markets and lower raw material costs for the Company's prepared food operation. Other selling, general and administrative expenses increased by \$3.8 million due mainly to increased fixed sales and marketing expenses for launching new products and expanding markets for existing products.

Interest expense decreased by \$0.9 million as a result of lower borrowings due to lower levels of inventory and lower interest rates in 1997 than in 1996.

After the retroactive adoption of Section 3465, the Company recorded income taxes on its operations. In total, the income tax rate for fiscal 1997 of 41.5% compares to 61.0% in 1996. (See comments in 1996 taxes below.)

Working capital requirements decreased throughout 1997 as a result of decreases in inventory. Capital expenditures were higher than the previous year by \$4.0 million.

52 Weeks Ended December 28, 1996 Compared to 52 Weeks ended December 30, 1995

Sales declined by 0.6% in 1996 over 1995, due mostly to reductions in High Liner's joint venture's clam sales of \$2.5 million offset by higher sales of retail seafood products. Gross profit was 18.3% in 1996 compared to 19.0% in 1995. The reduction in gross profit as a percentage of sales was due to lower profits in the Company's fresh fish division along with increased raw material prices in its secondary processing operations. Other selling, general and administrative expenses declined by \$2.7 million, largely attributed to lower listing allowances in both Canada and the United States related to new product launches, as well as reduced general administrative expenses.

Interest expense reduced by \$1.8 million due to lower interest rates and lower loan balances outstanding during the year.

The financial results for 1996 include unusual items of \$0.1 million which is the net result of income of \$2.2 million on the reversal of restructuring costs and a loss on the write-off of the Company's investment in scallop aquaculture of \$2.1 million. In 1995, the Company recovered \$6.4 million on the reversal of restructuring costs.

After the retroactive adoption of Section 3465, the Company recorded income taxes on its operations. In total, the income tax rate for fiscal 1996 of 61.0% compares to 55.1% in 1995. The increase in rate in 1996 is primarily due to items that are deductible for accounting purposes but not for tax purposes, including the \$2.1 million discussed in the previous paragraph.

Working capital requirements increased throughout 1996 as a result of increases in inventory reflecting seasonal buying patterns. Capital expenditures were lower than the previous year by \$2.6 million.

52 Weeks Ended December 30, 1995 Compared to 52 Weeks Ended December 31, 1994

Sales increased by 0.8% in 1995 over 1994. Growth in the Company's secondary processing operations and clam joint venture was offset by significant cuts in the Company's scallop and perch quotas. Gross profit in 1995 was 19.0% compared to 21.9% in 1994. Increased packaging costs, and reduced profits on perch and scallops as a result of quota cuts and higher raw material costs were the major reason for this decrease. Other selling, general and administrative expenses increased only \$0.3 million in 1995.

The Company recovered \$6.4 million of the restructuring reserve that was booked in 1993 related to the downturn in the Atlantic Canadian Fishery. These costs were recovered as assets were disposed of at higher values and in a shorter period of time than originally estimated.

After the adoption of Section 3465, the Company recorded income taxes on its operations. In total, the actual income tax rate for fiscal 1995 of 55.1% compares to 47.1% in 1994.

Dividend Policy

Dividends on the Company's Class C & D Preference Shares of \$0.1 million paid in full in 1999 and 1998. Dividends on the Second Preference Shares were also paid in full in 1999 in the amount of \$1.2 million and in 1998 in the amount of \$1.3 million. Dividends on the Second Preference Shares are in arrears at January 1, 2000 in the cumulative amount of \$8.2 million, representing accrued dividends for the period June 30, 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 2000 on all Preference Shares. There are currently no plans to pay dividends in arrears on Second Preference Shares or on common shares.

VI. 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 12 to 17 of the 1999 Annual Report and is incorporated by reference herein.

VII. 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.

VIII. 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 April 28, 2000. All directors proposed for nomination in 2000, except for Mr. Karl Larsen, were directors at the Company's fiscal year end on January 1, 2000.

IX. ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's shares, options to purchase shares and interests of insiders in material transactions, where applicable, is contained in the Company's Information Circular accompanying the Notice of the Annual Meeting of Shareholders to be held on April 28, 2000 and additional financial information is provided in the Company's financial statements for its 1999 fiscal year which ended January 1, 2000.

Copies of the Information Circular, this Annual Information Form, the 1999 Annual Report containing the comparative consolidated financial statements and accompanying report of the auditor, and the most recent interim financial statements may be obtained upon request from the Corporate Secretary of the Company, or on the Company's Internet website at www.highlinerfoods.com.