First Quarter Report to Shareholders

Thirteen Weeks Ended March 30, 2013

Fellow Shareholders:

The first quarter of 2013 was the first with full comparables with the Icelandic USA acquisition. Although we are pleased with the completion of the integration of Icelandic USA earlier than anticipated, it was a challenging quarter, particularly in the U.S., as we faced a number of issues specific to the quarter and a very strong first quarter last year as the comparable period.

We successfully closed our Danvers production facility, as planned, and moved production and food service distribution to the Newport News facility. However, profitability was negatively impacted by production challenges and higher distribution costs in Newport News, related principally to delays in hiring and training additional staff, equipment relocation challenges, and lower throughputs on the increased production, all of which resulted in higher costs during the quarter. Also, we incurred additional logistics expenses during the period to minimize any disruptions to customers related to these challenges. These increased costs more than offset the benefits of the expected synergies in the quarter arising from the integration of Icelandic USA. When combined with an earlier Lent this year compared with last year, these factors resulted in lower sales and Adjusted EBITDA versus the same period last year. Nonetheless, we remain on track to achieve annual projected synergies of at least $18 million, the high end of our original estimate, although synergies in 2013 will be offset by the additional costs incurred in the first quarter. We are also pleased to benefit from reduced interest expenses resulting from our recent term loan amendments. Our strong free cash flow[1] also enabled us to reduce leverage to 3.7x Adjusted EBITDA (trailing twelve months) at the end of the quarter.

Sales for the first quarter were $275.2 million, a decrease of 4.3% from $287.6 million for the same period a year ago. Approximately 85% of the decline was attributable to U.S. sales. Selling prices for commodity products in the quarter declined more rapidly than applicable raw material costs resulting in reduced sales. High Liner's U.S. food service sales also decreased during the quarter, consistent with reports published in the U.S. financial press[2], which indicated that U.S. restaurants experienced one of the weakest sales performances in many years. Furthermore, private label seafood sales also declined in both Canada and the U.S., consistent with declines in

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[1] The definition of Free cash flow follows the general principles and guidance for Standardized Cash Flow issued by the Canadian Institute of Chartered Accountants, which is cash flow from operating activities less purchase of property, plant and equipment (net of investment tax credits), as reported on the Consolidated Statement of Cash Flows.
[2] See, for example, "Americans Cut Restaurant Spending as Tax Bite: Eco Pulse," Bloomberg.com, March 20, 2013.

the overall private label seafood market. High Liner's total sales volume decreased by 2.5% to 84.6 million pounds with the decline all in the U.S. food service market.

Adjusted EBITDA was $21.3 million, or 7.7% of sales, a decrease from $31.5 million, or 11.0% of sales, for the same period in 2012. The decrease in Adjusted EBITDA resulted from lower sales volume, higher distribution and production expenses, lower margins on some commodity products as declines in commodity selling prices outpaced input cost declines, and increased marketing costs. During the quarter, we increased promotional spending on *Sea Cuisine* products, which resulted in higher sales but also reduced profitability in the short term due to higher promotional costs.

Net income was $5.3 million (diluted EPS of $0.34), compared with net income of $1.7 million (diluted EPS of $0.11) for the first quarter of 2012. Net income during the quarter was negatively impacted by expenses related to the favourable amendments to the term loan (to reduce future interest costs) and the revaluation of embedded derivative on debt, offset by lower amortization expense. In addition, the significant increase in the value of High Liner's stock increased stock-based compensation expense in the quarter to $3.2 million from $1.5 million for the same period last year.

Net income for the first quarter of 2012 was negatively impacted by one-time integration costs related to the Icelandic USA acquisition expensed during the quarter, and higher stock-based compensation expense. Excluding the term loan amendment expenses, the revaluation of embedded derivative, impairment charges, one-time integration costs, stock-based compensation expense, and other non-recurring expenses, Adjusted net income[3] was $9.8 million (Adjusted diluted EPS of $0.63) compared with $14.0 million (Adjusted diluted EPS of $0.91) for the same quarter in 2012.

While we expect the challenging first quarter to have an unfavourable effect on full-year 2013 sales and Adjusted EBITDA, we are working to minimize the impact of these headwinds on our profitability going forward. The operating challenges experienced in the first quarter are not expected to continue. We have taken steps to rectify our labour, production, and distribution issues. As expected, seafood costs have stabilized and our cost of sales has decreased as we sell more less-expensive inventory. We have increased promotional spending on the *Sea Cuisine* line of products in the U.S. We will continue to focus on operating efficiencies that leverage our scale as the leader in value-added frozen seafood in North America. We will continue to identify and evaluate opportunities for growth.

For 2013, we have defined our three strategic objectives as follows. The first continues to be *profitable growth*, a goal that has guided us successfully over the past few years, and which we intend to achieve through a combination of organic sales growth, smaller-scale acquisitions, and operating efficiencies. Our second objective is to achieve *supply chain excellence* by unlocking the benefits from fully integrated infrastructure, services, and processes. Our third strategic

[3] Adjusted net income is net income excluding the after-tax impairment of property, plant and equipment, business acquisition and integration expenses, stock compensation expense, the increase in cost of goods sold relating to inventory acquired from business acquisitions over its book value, non-cash expense from revaluing an embedded derivative associated with the long-term debt LIBOR floor, marking to market an interest rate swap related to the embedded derivative, the write-off of deferred financing charges on the re-pricing of the Term Loan and withholding tax related inter-company dividends.

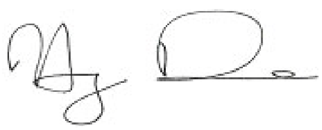
objective remains *sustainable sourcing* – we continue to be committed to sourcing all our seafood from certified sustainable or responsible fisheries or aquaculture farms by the end of the 2013.

Previously, High Liner's vision was to be the *North American leader in value-added frozen seafood products*. We are very pleased that, with determination, diligence, and commitment, we have achieved that vision. We now take our vision one step further by aspiring to be *the leading supplier of frozen seafood in North America*, as we continue to create value for our shareholders.

We are pleased to note that our Board of Directors approved a quarterly dividend in the amount of CAD $0.18 per common share payable on June 15, 2013 to shareholders of record on June 1, 2013. This represents a 20% increase from the $0.15 per share quarterly dividend paid on March 15, 2013, reflecting the Board's continued confidence in the Company's operations, and the fifth dividend increase over the last 11 quarters.

I look forward to reporting on our performance as the year progresses.

On behalf of the Board,



Henry E. Demone
President and Chief Executive Officer

Financial Results and
Management Discussion & Analysis (MD&A)
Thirteen Weeks Ended March 30, 2013

Introduction

This MD&A includes the operating and financial results of High Liner Foods Incorporated for the first quarter of 2013. It provides management's perspective on our performance and strategy for the future. This document should be read in conjunction with our Unaudited Condensed Interim Consolidated Financial Statements for the period ended March 30, 2013, as well as our 2012 Annual Report, which is available on High Liner's website at www.highlinerfoods.com, and SEDAR's website at www.sedar.com. This MD&A provides an update from the annual MD&A included in the 2012 Annual Report and since many factors described in that document remain substantially unchanged, readers should refer to it as well.

Important Notes

We, us, our, Company, High Liner

In this MD&A, these terms all refer to High Liner Foods Incorporated, and its businesses and subsidiaries.

Review and approval by the Board of Directors

The Board of Directors, on recommendation of the Audit Committee, approved the content of this MD&A on May 7, 2013. Disclosure contained in this document is current to this date, unless otherwise stated.

Quarterly comparisons in this MD&A

Unless otherwise indicated, all comparisons of results for the first quarter of 2013 are against results for the first quarter of 2012.

Currency

At the end of fiscal 2012, the Company changed its presentation currency from Canadian dollars to U.S. dollars (USD), effective retrospectively to January 3, 2010, and unless otherwise noted, all amounts in this document are in U.S. dollars. Although the functional currency of the Canadian parent Company is Canadian dollars, the U.S. presentation currency better reflects the total Company's business activities and improves investors' ability to compare the total Company's financial results with other publicly-traded businesses in the packaged foods industry (most of which are based in the U.S. and report in U.S. dollars) and should result in more stability in sales, earnings and on the balance sheet, as a large part of our financial statement items are functional U.S. dollars.

Approximately two-thirds of our operations and assets are denominated in U.S. dollars; most of our debt is denominated in U.S. dollars; our bank covenants are measured in U.S. dollars; and some of the Canadian company's input costs are denominated in U.S. dollars. As such, foreign currency fluctuations affect the reported values of individual lines on our balance sheet and income statement. Reporting in U.S. dollars reduces the volatility of currency changes. However, when the U.S. dollar strengthens (weakening Canadian currency), the reported values decrease and the opposite occurs when the U.S. dollar weakens. Canadian dollar denominated items in the Canadian operations are converted to U.S. dollars at the balance sheet date for balance sheet items and at the average exchange rate of the month the transaction occurs for income statement items.

In some parts of this document, we discuss balance sheet and operating items in domestic currency. This effectively means that the Company's Canadian operations are discussed in Canadian dollars, which is the functional currency of that Company. We have done this to show the results in Canadian dollars, eliminating the effect of fluctuating foreign exchange rates on the translation of the Canadian company to the U.S. dollar reporting currency.

Other important documents

High Liner also publishes year-end documents that include additional information of interest to investors, such as our 2012 annual MD&A and Annual Information Form. These documents are available on SEDAR's website at www.sedar.com, and in the Investor Information section of High Liner's website at www.highlinerfoods.com.

Non-IFRS financial measures

The Company reports its financial results in accordance with International Financial Reporting Standards ("IFRS"). We have included in our Quarterly and Annual Reports certain non-IFRS financial measures and ratios. These non-IFRS financial measures are Adjusted EBITDA, Adjusted EBIT, Standardized Free Cash Flow, Net Debt, Adjusted Net Income, and Adjusted Earnings per Share. Our definition of Standardized Free Cash Flow and Adjusted EBITDA follows the October 2008 "General Principles and Guidance for Reporting EBITDA and Free Cash Flow" issued by the Canadian Institute of Chartered Accountants. The definition of EBITDA for our leverage tests for our debt covenants is based on Adjusted EBITDA, corporate incentives and management analysis of the business are based on Adjusted EBIT and Adjusted Earnings per Share affects what we target to pay out in dividends. These measures are defined in more detail later in this document.

The Company believes these non-IFRS financial measures provide useful information to both management and investors in measuring the financial performance and financial condition of the Company. These measures do not have a standardized meaning prescribed by IFRS and, therefore, may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to other financial measures determined in accordance with IFRS.

Forward-looking statements

This MD&A contains forward-looking statements within the meaning of securities laws. In particular, these forward-looking statements are based on a variety of factors and assumptions that are discussed throughout this document. Specific forward-looking statements in this document include, but are not limited to: statements with respect to future growth strategies and impact on shareholder value; increased demand for our products due to the recognition of the health benefits of seafood, increases in the disposable incomes of consumers, and economic recovery in both Canada and the U.S. markets; changes in costs for seafood and other raw materials; increases or decreases in processing costs; the exchange rate for the Canadian dollar relative to the U.S. dollar; percentage of sales from our brands; operating cost savings expected in 2013; expectations with regards to sales volumes, product innovations, brand development and anticipated financial performance; competitor reaction to Company strategies and actions; impact of price increases or decreases on future profitability; sufficiency of working capital facilities; future income tax rates; the anticipated additional synergies from the integration of the operations of Icelandic USA with High Liner operations and the timing thereof; decreased leverage in the future; estimated capital spending; future inventory trends and seasonality; market forces and the maintenance of existing customer relationships; availability of credit facilities; our projection of excess cash flow and minimum repayments under the Term Loan; expected synergies from acquisitions; expected decreases in debt to capitalization ratio; dividend payments; amount and timing of the annual ongoing reduction in operating costs resulting from the plant consolidation; integration issues encountered in the first quarter of 2013 not recurring; and amount and timing of the capital expenditures in excess of normal requirements to allow the movement of production between plants.

Forward-looking statements can generally be identified by the use of the conditional tense, the words “may”, “should”, “would”, “believe”, “plan”, “expect”, “intend”, “anticipate”, “estimate”, “foresee”, “objective” or “continue” or the negative of these terms or variations of them or words and expressions of similar nature. Actual results could differ materially from the conclusion, forecast or projection stated in such forward-looking information. As a result, we cannot guarantee that any forward-looking statements will materialize. Assumptions, expectations and estimates made in the preparation of forward-looking statements and risks that could cause our actual results to differ materially from our current expectations are discussed in detail in the Company’s materials filed with the Canadian securities regulatory authorities from time to time, including the “Risk Management” section of our 2012 MD&A and the “Risk Factors” section of our 2012 Annual Information Form. The risks and uncertainties that may affect the operations, performance, development and results of High Liner Foods’ business include, but are not limited to, the following factors: volatility in the U.S. / Canadian exchange rate; competitive developments including increases in overseas seafood production and industry consolidation; availability and price of seafood raw materials and finished goods; costs of commodity products and other production inputs; successful integration of the operations of Icelandic with High Liner Foods’ operations; potential increases in maintenance and operating costs; shifts in market demands for seafood; performance of new products launched and existing products in the market place; changes in laws and regulations, including environmental, taxation and regulatory requirements; technology changes with respect to production and other equipment and software programs; supplier fulfillment of contractual agreements and obligations; competitor reactions; High Liner Foods’ ability to generate adequate cash flow or to finance its future business requirements through outside sources; compliance with debt covenants; the availability of adequate levels of insurance; management retention and development; and successful resolution of issues experienced in the first quarter of 2013, including production challenges and higher distribution costs in Newport News, equipment relocation challenges, and lower throughputs on the increased production.

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

Overview of the Company

High Liner has been in business since 1899. Our name has been a fixture in Canadian grocery retailing for more than eighty years and today *Captain High Liner* is one of the most highly-recognized consumer brand icons in Canada. We are leveraging our Canadian strength to build upon our established retail presence in the United States by introducing more of North America to the *High Liner* brand.

In late 2007, High Liner acquired the North American manufacturing and marketing business of FPI Limited, including FPI's prominent food service business headquartered in Danvers, Massachusetts. At the end of 2010, High Liner acquired the business of Viking Seafoods, Inc. (the "Viking Acquisition" or "Viking"). Viking is a value-added business serving the U.S. food service seafood market from Malden, Massachusetts. At the end of 2012, High Liner acquired the U.S. subsidiary and Asian procurement operations of Icelandic Group h.f., one of the largest suppliers of value-added seafood to the U.S. food service market. See the Business Acquisition Report filed on SEDAR on March 16, 2012 for more details on this important acquisition (the "Icelandic USA Acquisition" or the "Acquisition").

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

Vision, Core Business, Strategic Measures

At High Liner, our reputation for delivering outstanding seafood products is an advantage in the competitive North American market. Our business is to provide frozen packaged seafood that satisfies the preferences of North American consumers. We believe that focusing on global procurement, product development, value-added processing, distribution and marketing will increase the likelihood of achieving our strategy.

As a consumer-driven sales and marketing company, we focus on matching supply to demand. Buying seafood on global markets allows us to provide products based on consumer preferences at reasonable cost. The eating preferences of North Americans are based on taste, value, quality, health and convenience. They also want a variety of premium, restaurant quality food that can be prepared at home.

Our strategic advantage comes from existing strengths in each of the following aspects of our business model.

- **Broadest reach in the industry**
  High Liner is the only seafood company in North America with a strong presence in all market segments in both Canada and the USA, as well as a retail presence in Mexico.
- **Market leading brands**
  The *High Liner* brand is the leading seafood brand in Canada and *FPI*, *Viking* and *Icelandic Seafood* are leading brands to restaurants and institutions in the USA. *Fisher Boy* and *Sea Cuisine* are important brands in the USA retail and club channels.
- **Diversified global procurement**
  High Liner's state of the art procurement systems and long standing supplier relationships help us buy approximately 30 species from 20 countries around the world at reasonable cost.
- **Frozen food logistics expertise**
  Due to our broad industry reach we have trucks calling on all majors customers throughout North America on regular schedules which reduces logistics costs and makes it convenient for our customers to buy from us.
- **Innovative product development**
  From product development kitchens in Canada and the U.S., our chefs and food technologists continually develop differentiated seafood products in demand by consumers and operators, such as the recently introduced "Flame Savours" and "FireRoasters".

See the MD&A in our 2012 Annual Report for more details on our vision, core businesses and strategy.

The following are some of the highlights, achievements and other developments during the first quarter compared to the same period in the previous year:

- Sales were $275.2 million, compared with $287.6 million;
- Reported net income of $5.3 million (diluted earnings per share ("EPS") of $0.34), compared with net income of $1.7 million (diluted EPS of $0.11);
- Adjusted EBITDA of $21.3 million, compared with $31.5 million;
- Adjusted Net Income of $9.8 million (Adjusted diluted EPS of $0.63), compared with $14.0 million (Adjusted diluted EPS of $0.91);
- Successful closing of Danvers production facility and moved production and food service distribution to Newport News facility;

- Completed favourable amendments on the Company's Term Loan B and asset-based working capital loan facility.

Capability: Resources and Core Competencies

High Liner has both the financial and operational resources to achieve our objectives.

Liquidity and Capital Resources

Our balance sheet is affected by foreign currency fluctuations. The affect of foreign currency is discussed in this section and under the heading "Risk Factors" of this report.

Net Working Capital

Net working capital balances, consisting of accounts receivable, inventory, prepaid expenses less accounts payable and provisions, are lower at March 30, 2013 than they were on March 31, 2012.

During the first quarter of 2013, accounts receivable and inventories decreased from their balances one year earlier by $55.8 million in aggregate, and accounts payable, including provisions, decreased by $1.3 million. The reduction in net working capital allowed us to reduce our bank loans by $58.7 million since March of 2012, in spite of long-term debt payments totaling $15.7 over that 12 month period.

Our inventories decreased at the end of the first quarter of 2013 relative to both the end of March and December of 2012. The Company had 67.0 million pounds of product inventory at the end of the first quarter of 2013, compared with 86.4 million pounds at the end of the first quarter of 2012, and 79.9 million at the end of December 2012.

Accounts payable and provisions balances at the end of the first quarter of 2013 are $1.3 million lower than they were at the end of March 2012 due to a lower accrual for employee incentives and other items. Accounts payable and provisions also decreased from December 29, 2012 by $16.4 million, due to the payment of fiscal 2012 employee incentives, a lower accrual for employee incentives for 2013, the payment of severance costs and the reclassification of an option liability related to stock appreciation rights, as explained in the following section, with the liability transferred to contributed surplus.

Equity

We filed a normal course issuer bid in January 2013 to purchase up to 250,000 common shares. During the current quarter, we did not repurchase any shares under this normal course issuer bid.

In recent years, all stock options issued by the Company contained a tandem stock appreciation right ("Tandem SAR") which allowed the option holder, upon exercise, to receive cash instead of shares equal to the 'appreciated' value of such shares. Under IFRS, these stock options are accounted for as a liability and marked-to-market at each reporting period based on the value of the Company's stock price. The liability increases when stock prices rise with a corresponding expense and conversely the liability decreases with income recorded when the stock declines in value. The liability on March 28, 2013, immediately prior to the extinguishment of a portion of the SARs as discussed below was $11.8 million, compared to $10.8 million at the end of fiscal 2012. In comparison, stock options without Tandem SARs are valued once when granted using a trinomial model or similar method and are expensed once with no additional expense recorded based on changes in the market price of the stock in future periods. Due to the appreciation in the High Liner stock price over the past year, we have recorded a substantial stock compensation expense, which at this time, is non-cash until holders exercise. Any options exercised in shares would continue to be non-cash.

Recognizing the volatility of Tandem SARs on the Company's profit and loss and the potential cash outflow if many of them were exercised for cash in a particular year, the stock options granted in the third quarter of 2012 and the first quarter of 2013 did not contain a Tandem SAR. As well, effective March 29, 2013 amendments were made to the stock options granted in early 2012 and prior years for certain of the Company's directors and senior management to eliminate the Tandem SAR. Effective at that time, the liability for these individuals on the Tandem SARs ($7.6 million) was fixed and no future profit and loss impact will be necessary going forward for the options that were vested at that time. Instead of a risk that the Company might be called upon for a cash payment equal to the value of the SARs, future exercises of these options for these individuals will see the issuance of common stock to the holder of the options who will then decide to sell in the market to crystallize his employment income or hold the stock. Following the voluntary extinguishment of the obligation under the SARs by certain Directors and officers, the remaining liability for the Tandem SARs was $4.2 million at March 30, 2013.

Debt

Our net cash position (cash less current bank loans, excluding deferred financing charges) on March 30, 2013 was a liability of $69.3 million, compared with a liability of $127.3 million on March 31, 2012. The net cash position improved by $58 million due to cash flow generated from operations that allowed us to reduce bank loans over this one year period.

During the first quarter of 2013, bank loans increased from their balance at the end of fiscal 2012 due to a seasonal increase in working capital requirements.

Of our working capital credit facility of $180.0 million, $55 million is allocated to our Canadian operations and $125 million is allocated to our U.S. operations. At quarter end, the Company had approximately $95 million of unused borrowing capacity taking into account both margin calculations and the total line availability.

This facility was amended in February 2013 with reductions to interest rates and increased flexibility around acquisitions being the major changes. This working capital facility expires in 2016 and provides for the following based on Average Adjusted Aggregate Availability:

- Canadian Prime Rate loans denominated in Canadian dollars and Canadian Base Rate and U.S. Prime Rate loans denominated in U.S. dollars at Prime or Base Rate plus 0.00% to 0.75%;
- Bankers' Acceptances (BA) loans at BA rates plus 1.75% to 2.25% (2.50% to February 8, 2013);

- LIBOR advances at LIBOR plus 1.75% to 2.25 (2.50% to February 8, 2013); and
- Unused line fees of 0.25% to 0.375%.

At the end of the first quarter of 2013, we were borrowing at the following rates:

- Canadian Prime Rate loans denominated in Canadian dollars and Canadian Base Rate and U.S. Prime Rate loans denominated in U.S. dollars at Prime or Base Rate plus 0.50%;
- Bankers' Acceptances (BA) loans at BA rates plus 2.00%;
- LIBOR advances at LIBOR plus 2.00%; and
- Unused line fees of 0.375%.

Excluding any additional new acquisitions, we believe the existing credit facility will be sufficient to fund all of the Company's current cash requirements for the next 12 months or more.

At the end of the quarter, letters of credit were outstanding in the amount of $0.9 million (March 31, 2012; $0.8 million) to support raw material purchases. There were also standby letters of credit in the amount of $11.3 million (March 31, 2012; $9.6 million) to secure obligations under the Company's supplemental executive retirement plan and certain contractual obligations.

We obtained a $250.0 million senior secured term loan facility ("Term Loan") in December 2011. This facility was amended in February 2013 which decreased interest rates to LIBOR plus 3.5% and decreased the LIBOR floor to 1.25%. Also, the available amount (i.e. "basket") for dividends and normal course issuer bid (NCIB) payments was increased to $15.5 million from the previous limit of $8.0 million. Dividends and NCIB payments are allowed beyond the basket as defined free cash flow is generated and not required for debt repayment. A prepayment penalty of 1% is in place until February 2014. Leverage ratios were also amended and step down leverage requirements removed so that the debt to EBITDA ratio limit is now 4.5x for the term of the loan. The interest coverage covenant was removed. Other minor items related to relaxing requirements around investments and acquisition were also changed. The amortization and maturity date are unchanged meaning the full amount of the remaining debt is due to be paid in December 2017.

Minimum repayments of $0.9 million are required per quarter in 2013, increasing to $1.9 million per quarter in 2014. In addition, an annual mandatory prepayment up to 50% of defined excess cash flow may be required, depending on a leverage test. In March 2013 we paid 25% of our excess cash flow for 2012 which was $13.8 million. This, plus the regularly scheduled payments, is expected to result in a repayment of $17.3 million in 2013.

In 2012 we entered into interest rate hedges to fix a portion of the rates on both the term loan and working capital facility as more fully described in our 2012 annual financial statements.

Cash Flow

Cash flow from operating activities, excluding the change in non-cash working capital balances, improved from the first quarter of last year mainly due to improved results from operations and a reduction in inventories.

Standardized Free Cash Flow[4] was $83.6 million for the rolling four quarters ended March 30, 2013, up from $18.3 million in the same period the previous year. Cash flow from operations before changes in working capital increased by $3.3 million and non-cash working capital decreased by $66 million relative to the previous rolling four quarters, increasing free cash flow by approximately $70 million. After accounting for higher capital expenditures, standard free cash flow increased $65 million over the prior period.

The table below reconciles our Standardized Free Cash Flow for the rolling four quarters with measures that are in accordance with IFRS.

	Rolling fifty-two weeks ended	
	Mar. 30 2013	Mar. 31 2012
Amounts in ($000's)		
Net change in non-cash working capital	**$ 53,376**	$ (13,387)
Cash flows from operations, including interest and income taxes	**43,017**	39,715
Cash flow from operating activities (see Statement of Consolidated Cash Flows)	**96,393**	26,328
Less: total capital expenditures, net of investment tax credits	**(12,751)**	(8,001)
Standardized Free Cash Flow	**$ 83,642**	$ 18,327

Non-Current Assets and Liabilities, and Capital Expenditures

Gross capital additions were $2.0 million for the quarter. Estimated capital spending for all of 2013 will be approximately $17 million to $20 million compared to $13.5 million in 2012. We expect cash generated from operations and short-term borrowings will fund capital additions in 2013.

Capital Structure

Net interest bearing debt at March 30, 2013 is 65% of total capitalization, down two percentage points from the end of fiscal 2012. This compares to 70% at March 31, 2012. The decrease of debt to capitalization ratio is due to cash flow generated from operations that allowed us to repay our current bank loans. As we continue to achieve synergies from the Icelandic USA acquisition, the net interest bearing debt to capitalization ratio should decrease even more. We define capitalization as interest bearing debt plus shareholders' equity, excluding foreign currency hedging gains and losses included in Accumulated Other Comprehensive Loss (AOCI), less cash balances, and excludes deferred financing charges, as they are not interest bearing.

[4] *See "Important Notes – Non-IFRS Financial Measures".*

Amounts in ($000s)		**March 30, 2013**		March 31, 2012		December 29, 2012
Current bank loans per financial statements	**$**	**68,987**	$	127,654	$	59,704
Add back deferred charges on current bank loans		**923**		939		826
Long-term debt per financial statements		**222,876**		207,871		213,359
Current portion of long-term debt per financial statements		**2,812**		21,999		34,237
Add back deferred charges on long-term debt		**1,178**		13,581		370
Add back bifurcated embedded derivative		**5,844**		5,923		159
Current portion of finance lease obligation		**1,071**		1,072		1,039
Long-term portion of finance lease obligation		**2,017**		2,579		2,181
Less: cash		**(584)**		(1,310)		(65)
Total funded debt		**305,124**		380,308		311,810
Shareholders' equity		**164,957**		160,893		153,354
Unrealized (gains) losses on derivative financial instruments included in accumulated other comprehensive income		**(22)**		185		329
Total capitalization	**$**	**470,059**	$	541,386	$	465,493
Debt as % of capitalization		**65%**		70%		67%

Using our March 30, 2013 market capitalization of $539 million instead of the book value of equity, funded debt as a percentage of capitalization reduces to 56.6%.

Funded debt to Adjusted EBITDA at the end of the first quarter using a rolling-four quarter basis and adding the purchased EBITDA of the Icelandic USA acquisition, was 3.7 times compared to 3.4 times at fiscal 2012 year end. Although funded debt decreased since December 2012, Adjusted EBITDA also decreased, resulting in the higher funded debt to Adjusted EBITDA ratio. We expect this ratio will be reduced with the repayment of debt from free cash flow.

We have met all of our financial covenants under our debt facilities as expected.

Dividends

The Company paid a CAD$0.15 per share quarterly dividend on March 15, 2013 to common shareholders of record on March 1, 2013. This represents a 36% increase from the CAD$0.11-per-share quarterly dividend paid on December 15, 2012, reflecting the Board's continued confidence in the Company's operations, and the fourth dividend increase over the last ten quarters.

Today, the Board of Directors of the Company approved a quarterly dividend of CAD$0.18 per Common Share payable on June 15, 2013 to shareholders of record on June 1, 2013. This represents a 20% increase from the $0.15-per-share quarterly dividend paid on March 15, 2013, reflecting the Board's continued confidence in the Company's operations, and the fifth dividend increase over the last 11 quarters.

Dividends are subject to restrictions in our credit agreements. Availability under the working capital facilities needs to be $22.5 million or higher (actual at quarter end $84.0 million). Under the term loan, capital distributions including both normal course issuer bids and dividends cannot exceed the greater of $15.5 million per year or defined excess cash flow accumulated less required debt repayments over the term of the loan.

Governance

In accordance with Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, there has been no change in the Company's internal control over financial reporting during the period beginning on December 30, 2012 and ended March 30, 2013 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Other Items Important to Understanding our Results

Accounting Standards

During the first quarter of 2013 we adopted new accounting standards as disclosed in note 2 (d) to the Condensed Interim Consolidated Financial Statements for the period ended March 30, 2013.

New Accounting Standards and Interpretations Issued But Not Yet Effective

Our current evaluation is that the effect, if any, that new proposed standards and amendments will have on our financial results is minimal, as the changes applicable to the Company primarily relate to disclosure requirements, or were previously anticipated and options were chosen on transition to IFRS in 2011 to minimize their impact on future reporting periods.

Business Acquisition, Integration and Other Expenses

The table that follows shows the various items that are related to integration efforts and related impairments due to Icelandic USA acquisition.

	Thirteen weeks ended	
In $000s	**March 30, 2013**	**March 31, 2012**
	Pre tax	
Impairment of property, plant and equipment	**-**	13,452
Business acquisition, integration and other expenses	**56**	2,345
	56	15,797
	After tax	
Impairment of property, plant and equipment	**-**	8,793
Business acquisition, integration and other expenses	**157**	1,461
	157	10,254

During the first quarter of 2012 we incurred substantial cost relating to the write-down of our Danvers and Burin plants that we announced we would be closing. As well, we incurred costs in integrating the Icelandic USA acquisition.

During the first quarter of 2013, we recorded some additional integration expenses, and a small loss relating to the sale of a primary processing plant in China that we acquired as part of the

Icelandic USA acquisition. The facility in China produces raw material and finished goods for our U.S. operations and was sold to the minority shareholder. However, we continue to procure the same volume of products from this facility as we did prior to the sale, at the same or similar prices. These items were partially offset by the reversal of accrued severance no longer required.

Amortization of Intangible Assets

This category consists of amortization of intangible assets, brands, and customer relationships over their estimated useful lives. Amortization was $1.2 million in the first quarter of 2013 compared to $1.9 million in the comparative period. The decrease is due to the finalization of the Icelandic USA purchase price allocation for accounting purposes in the last quarter of 2012. This resulted in lower amortization than had originally been anticipated and recorded in the first quarter of 2012. Amortization of intangible assets is recorded on the income statement in "Selling, general and administrative expenses".

Finance Costs

Interest expense in 2013 is lower than for the same period in 2012 as a result of lower average short-term and long-term debt levels, lower interest rates due to the debt amendments made in February of 2013, and lower amortization of deferred financing costs as the majority of the deferred financing costs associated with the long-term debt obtained in late 2011 were expensed in 2012.

The table below shows the breakdown of the various components of finance costs.

	Thirteen weeks ended	
In $000	**March 30, 2013**	**March 31, 2012**
Interest paid in cash during period	**8,855**	5,378
Change in cash interest accrued during the period	**(4,678)**	3 51
Total Interest to be paid in cash	**4,177**	5,729
Deferred financing cost amortization	**557**	720
Amendment fees expensed	**1,088**	-
Valuation of embedded derivitive	**492**	216
Mark-to-market on interest rate swap	**15**	-
Total finance costs	**6,329**	6,665

Income Taxes

Our effective income tax rate for the first quarter of 2013 was 34.6% compared to the applicable statutory rate in Canada of approximately 27% and the statutory rate in the U.S. of 39%. The higher effective income tax rate in the first quarter of 2013, relative to the Canadian statutory rate, is due to non-deductible stock-based compensation expense and proportionately more income being earned in the U.S. where the statutory tax rate is higher. During the first quarter of 2012, we recorded a recovery of income taxes due primarily to benefits associated with acquisition financing deductions.

Performance

Overview

The table below summarizes key financial information.

Selected Consolidated Financial Information
(All amounts in thousand, except per share amounts)

	Thirteen Weeks Ended March 30, 2013	March 31, 2012
Sales		
Canada in CAD	**$ 76,317**	$ 77,609
Conversion of Canada to USD	**(676)**	(38)
United States	**199,521**	210,009
Total	**275,162**	287,580
Net income:		
Total	**$ 5,264**	$ 1,728
Diluted earnings per common share	**$ 0.34**	$ 0.11
Adjusted Net income *		
Total	**$ 9,786**	$ 14,009
Diluted earnings per common share	**$ 0.63**	$ 0.91
Total assets	**$ 616,217**	$ 678,483
Total long-term financial liabilites	**$ 236,176**	$ 221,704
Cash dividends per share:		
Common shares - in Canadian Dollars	**$ 0.15**	$ 0.10
Non-voting equity shares - in Canadian Dollars	**N/A**	$ 0.10
Total capital expenditures financed by operations	**$ 1,767**	$ 1,725
Average foreign exchange spot rate (USD/CAD)	**1.0081**	1.0011

* Adjusted net income is net income excluding the after-tax impairment of property, plant and equipment, business acquisition and integration expenses, stock compensation expense, the increase in cost of goods sold relating to inventory acquired from the Icelandic USA and Viking acquisitions, non-cash expense from revaluing an embedded derivative associated with the long-term debt, and withholding tax related inter-company dividends. See page 22 for calculation.

Seasonality

The first quarter of the year is historically stronger than the other three quarters for both sales and profits, depending on the timing of Lent (later Lents generally contribute to stronger financial results than earlier Lents), and correspondingly the second quarter is the weakest. The Lenten period was earlier in 2013 than in 2012 with Good Friday falling on March 29, 2013 compared to April 6, 2012. Our U.S. retail and food service businesses traditionally experience a strong first quarter as retailers and restaurants promote seafood during the Lenten period. For retail sales, the second and third quarters are more challenging during the warmer months as consumers spend more time outdoors, travel, and use ovens less often, resulting in a decreased demand for our products. However, for the food service business, activities are usually elevated in the third quarter as consumers are on vacation and travel more than during other times of the year. The fourth quarter includes several festive occasions that increase demand for our products in both retail and food service.

In our retail businesses, we spend significant amounts on consumer advertising and listing allowances for new product launches. Although the related activities benefit more than one period, the related costs must be expensed when the initial promotional activity takes place or when new products are first shipped. The accounting periods during which we choose to incur these expenditures may change from year to year. Therefore, there may be fluctuations in income relating to these activities. A significant percentage of advertising is typically done in either the first or fourth quarters. Investment in promoting our *Sea Cuisine* brand in the U.S. resulted in increased trade spending, listing allowance and couponing, all deducted from sales, as well as increased consumer marketing expense included in selling, general and administration expense during the first quarter of 2013 over 2012.

Inventory levels fluctuate throughout the year, being higher to support strong sales periods such as for the Lenten period. In addition to the sales demands, we must take early delivery of a quantity of seafood prior to the seasonal closure of plants in Asia during the Lunar New Year period. These events typically result in significantly higher inventories in December, January, February and March than during the rest of the year.

The following table provides summarized information for our nine most recently completed quarters.

(in thousands of United States dollars, except per share amounts)	2013 Q1	2012 Q4	2012 Q3	2012 Q2	2012 Q1	2011 Q4	2011 Q3	2011 Q2	2011 Q1
Sales	**$ 275,162**	$ 218,280	$ 219,940	$ 216,831	$ 287,580	$ 172,475	$ 164,727	$ 158,399	$ 179,938
Adjusted EBITDA	**$ 21,298**	$ 22,072	$ 21,753	$ 16,372	$ 31,529	$ 14,308	$ 12,299	$ 11,227	$ 18,624
Net income	**$ 5,264**	$ (2,683)	$ 2,169	$ 989	$ 1,728	$ (2,941)	$ 6,784	$ 4,929	$ 9,888
Adjusted Net Income*	**$ 9,786**	$ 10,636	$ 7,976	$ 5,450	$ 14,009	$ 6,738	$ 6,341	$ 5,637	$ 10,138
Earnings Per Common Share Based on Net Income									
Basic	**$ 0.35**	$ (0.18)	$ 0.14	$ 0.07	$ 0.11	$ (0.19)	$ 0.45	$ 0.33	$ 0.65
Diluted	**$ 0.34**	$ (0.18)	$ 0.14	$ 0.06	$ 0.11	$ (0.19)	$ 0.44	$ 0.32	$ 0.64
Earnings Per Common Share Based on Adjusted Net Income									
Basic	**$ 0.65**	$ 0.70	$ 0.53	$ 0.36	$ 0.93	$ 0.45	$ 0.42	$ 0.37	$ 0.67
Diluted	**$ 0.63**	$ 0.68	$ 0.52	$ 0.35	$ 0.91	$ 0.44	$ 0.41	$ 0.37	$ 0.66
Dividend per common and non-voting equity share in $CAD	**$ 0.15**	$ 0.11	$ 0.11	$ 0.10	$ 0.10	$ 0.10	$ 0.10	$ 0.10	$ 0.09
Net Working Capital *(Accounts receivable and inventory, less accounts payables and provisions)*									
	$ 202,403	$ 193,205	$ 208,410	$ 215,641	$ 256,905	$ 232,045	$ 135,074	$ 149,804	$ 164,291

* Adjusted net income is net income excluding the after-tax impairment of property, plant and equipment, business acquisition and integration expenses, stock compensation expense, the increase in cost of goods sold relating to inventory acquired from the Icelandic USA and Viking acquisitions, non-cash expense from revaluing an embedded derivative associated with the long-term debt, and withholding tax related inter-company dividends. See page 22 for calculation.

Sales

Sales for the first quarter of fiscal 2013 decreased 4.3% to $275.2 million from $287.6 million for the same quarter in fiscal 2012. Sales volume measured in pounds decreased by 2.5% to 84.6 million compared to 86.8 million the previous year. Approximately 85% of the decline was attributable to U.S. sales. High Liner's U.S. food service sales decreased in the quarter, consistent with reports published in the U.S. financial press[5], which indicated U.S. restaurants experienced one of the weakest sales performances in many years. In addition, our busiest selling period in the U.S. is the period between the Super Bowl and Good Friday, as seafood is promoted during this period. A longer period between Super Bowl and Good Friday is typically favourable to sales. An earlier Lent in 2013 resulted in a shorter period this year between Super Bowl and Good Friday (8% fewer selling days from this year compared to last year) which had an adverse affect on our first quarter sales.

In addition, the decrease in commodity seafood costs, as described in previous quarters, led to a reduction in selling prices on some products which has reduced sales in both Canadian and U.S. food service channels. Challenges in developing and refining efficient production and logistics processes related to the Icelandic integration, and supply constraints on haddock and sole products, also resulted in reduced sales in the U.S. food service business.

[5] *See for example, "Americans Cut Restaurant Spending as Tax Bite: Eco Pulse", Bloomberg.com, March 20, 2013.*

Sales in domestic currency were $275.8 million compared to $287.6 million for the same period in the previous year, representing decrease of 4.1%. Approximately one-third of the Company's sales are denominated in Canadian dollars. The effect of translating our Canadian company sales to U.S. dollars decreased the value of reported sales relative to the comparable period in 2012 by approximately $0.6 million.

More detail on specific changes in sales is found in the section called "Performance by Segment" later in this document.

Gross profit

Consolidated gross profit in the first quarter of 2013 was $61.3 million compared to $66.2 million in 2012. Gross profit as a percentage of sales was 22.3% compared to 23.0% the prior year. Gross profit decreased relative to the same period in the previous year due to a decrease in sales volume, temporary operating inefficiencies related to the Icelandic integration during Lent and competitive pressures reducing commodity selling prices more rapidly than the applicable decline in cost for such products.

In particular, as a result of the closing of the Danvers production facility and related production increases in Newport News, as well as the relocation of food service distribution to the Newport News facility, production challenges and higher distribution costs in Newport News were incurred. These additional costs related principally to delays in hiring and training additional staff, equipment relocation challenges, and lower throughputs on the increased production, all of which resulted in reduced deliveries to customers and higher costs during the quarter. Included in the first quarter of 2012 is a charge of $1.2 million relating to an increase in the cost of the finished goods inventory on the Icelandic USA acquisition above its historical cost, as part of the fair value requirements of purchase price accounting. There was no similar amount in 2013.

Distribution expenses

Distribution expenses, consisting of freight and storage, for the first quarter of 2013 increased by $2.0 million to $15.5 million compared to $13.5 million for the prior year. Distribution expenses were 5.6% of sales, up from the 4.7% in the prior year.

As noted above, the expedited integration of the Icelandic USA business into High Liner in 2012 resulted in some unexpected challenges in our U.S. supply chain as it took us longer than expected to fully staff and train employees in our expanded food service distribution center in Newport News, and we incurred more overtime and some freight and handling operating inefficiencies during the busy Lenten period as we focused on keeping our customers satisfied. The additional one-time distribution costs incurred in the quarter were approximately $2 million and had the effect of deferring some of the expected synergies. These issues are not expected to be recurring. Excluding these additional costs, distribution expense would have been 4.9% of sales.

Selling, general and administrative expense (SG&A)

In $000s	Thirteen weeks ended March 30, 2013	March 31, 2012
Selling, general and administrative expenses as reported	**31,441**	28,709
Less:		
Amortization expense	**(1,206)**	(1,857)
Stock compensation expense (recovery)	**(2,994)**	(1,459)
Net SGA	**27,241**	25,393
Net SGA As a % of sales	**9.9%**	8.8%

During the current quarter, we recorded a stock-based compensation expense that was expensed in SG&A (described below) of $3.0 million versus $1.5 million during the same quarter last year. The increase in the 2013 stock-based compensation expense was due to an increase in our stock price. On the other hand, amortization expense decreased as we finalized the Icelandic USA purchase price late in 2012 which resulted in lower amortization. Excluding stock-based compensation and amortization expenses, SG&A in the first quarter of 2013 was 9.9% of sales, compared to 8.8% for the comparative period in 2012. The increase was mainly due to higher U.S. consumer advertising and other promotional costs spent in the first quarter of 2013 as we invested in increasing the distribution and sales for our *Sea Cuisine* brand in the USA.

Adjusted EBITDA[6]

Consolidated Adjusted EBITDA in the first quarter of 2013 was $22.0 million compared to $31.5 million in 2012. Adjusted EBITDA is lower than the same period in the previous year due to lower sales which reduced EBITDA by an estimated $2.0 million, higher distribution expense of approximately $2.0 million, higher product cost of approximately $2.0 million, lower margins on certain food service commodity products as selling price declines were passed on to customers in advance of experiencing lower average costs, and higher *Sea Cuisine* marketing costs of $1.4 million. Adjusted EBITDA as a percentage of sales for the first quarter of 2013 is 7.7% compared to 11% in same period in the previous year.

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6 *See "Important Notes – Non-IFRS Financial Measures".* Note we changed our definition of Adjusted EBITDA in 2013 to exclude the non-cash stock-based compensation expense, and the increase in cost of goods sold relating to inventory acquired from the Icelandic USA and Viking acquisitions, above its historical cost, as part of the fair value requirements of purchase price accounting. Adjusted EBITDA for prior periods was restated to conform to the changes made in 2013.

Amounts in ($000s)	Thirteen weeks ended March 30, 2013 Canada	U.S.	Total	Thirteen weeks ended March 31, 2012 Canada	U.S.	Total
Net income	**1,321**	**3,943**	**5,264**	(138)	1,866	1,728
Add back:						
Depreciation	**854**	**1,590**	**2,444**	945	1,893	2,838
Amortization	**28**	**1,178**	**1,206**	54	1,803	1,857
Financing costs	**295**	**6,034**	**6,329**	463	6,202	6,665
Income taxes	**1,709**	**1,073**	**2,782**	215	(310)	(95)
Standardized EBITDA	**4,207**	**13,818**	**18,025**	1,539	11,454	12,993
Add back (deduct):						
Business acquisition, integration and other expenses	**17**	**39**	**56**	178	2,169	2,347
Impairment of property, plant and equipment	**-**	**-**	**-**	4,629	8,823	13,452
Increase in cost of sales due to purchase price allocation to inventory	**-**	**-**	**-**	-	1,149	1,149
Gain (loss) on disposal of assets	**(43)**	**7**	**(36)**	(105)	113	8
Adjusted EBITDA, including stock compensation expense	**4,181**	**13,864**	**18,045**	6,241	23,708	29,949
Non-cash stock comp expense	**2,742**	**511**	**3,253**	1,365	215	1,580
Adjusted EBITDA	**6,923**	**14,375**	**21,298**	7,606	23,923	31,529
Asset disposals	**43**	**(7)**	**36**	105	(113)	(8)
Less depreciation & amortization	**(882)**	**(2,768)**	**(3,650)**	(999)	(3,696)	(4,695)
Adjusted EBIT	**6,084**	**11,600**	**17,684**	6,712	20,114	26,826

* The increase in cost of goods sold relating to inventory acquired from the Icelandic USA and Viking acquisitions, above its historical cost, as part of the fair value requirements of purchase price accounting.

Adjusted EBIT (Earnings before interest and taxes)

Adjusted earnings before interest and taxes as reconciled to Net Income in the above table, was 6.4% of sales for the quarter compared to the same quarter last year at 9.3%.

Net income and earnings per share

Net income for the first quarter of 2013 was $5.3 million ($0.35 per share) compared to $1.7 million ($0.11 per share) for the same quarter last year.

The table below shows the reconciliation of Adjusted Net Income and Adjusted Diluted Earnings per share to reported Net Income.

	Q1 2013		Q1 2012	
	$000	Diluted Earnings Per Share Based on Average Shares Outstanding	$000	Diluted Earnings Per Share Based on Average Shares Outstanding
Net Income	**$ 5,264**	**$ 0.34**	$ 1,728	$ 0.11
Add back (deduct)				
Business acquisition, integration, and other costs	**157**	**0.01**	1,461	0.09
Impairment of property, plant and equipment	-	-	8,793	-
Revaluation of embedded derivative on debt	**405**	**0.03**	157	-
Interest rate swap on embedded derivative	**11**	**0.00**	-	-
Debt amendment fees expensed	**794**	**0.05**		
Increase in cost of sales due to purchase price allocation to inventory	-	-	761	0.05
Intercompany dividend withholding tax	-	-	(403)	(0.03)
	6,631	**0.42**	12,497	0.81
Stock compensation expense	**3,155**	**0.20**	1,512	0.10
Adjusted Net Income	**$ 9,786**	**$ 0.63**	$ 14,009	$ 0.91
Weighted average shares outstanding (000)		**15,611**		15,389

As can be seen, Adjusted Net Income for the quarter decreased by $4.2 million to $9.8 million in 2013 or $0.63 diluted EPS compared to $0.91 from the first quarter of 2012.

Performance by segment

Canadian Operations

(All currency amounts in this section are in Canadian dollars)

For the quarter, our Canadian operations had external sales of $76.3 million, compared to $77.6 million for the first quarter of last year. Sales volume increased 0.2% to 18.9 million pounds compared to the first quarter of last year.

Our Canadian retail sales volume increased by 0.3% in the first quarter relative to the same period last year, despite the fact that the total frozen fish market decreased by 1% in volume, according to ACNielsen, which measured sales for the 12-weeks ended March 9, 2013 compared to the previous year. In addition, 2012 included the 'pipe line fill' of *Flame Savours* that was not repeated in 2013. Private label sales in the quarter were down more than branded, and excluding private label sales, our Canadian Retail division was up 2.1%.

Food service sales pounds for the first quarter increased 0.2% relative to the same period last year. Sales dollars also declined from last year by $1.8 million due to reductions in the selling prices to customers on certain food service commodity products as a result of related cost declines.

Adjusted EBITDA for our Canadian operations for the first quarter of 2013 was $6.9 million compared to $7.6 million for the same period last year. Competitive activity on commodity products reduced selling prices faster than our average cost declined, reducing Adjusted EBITDA.

U.S. Operations

With the closure of Danvers and the movement of logistics to Newport News in January 2013, the integration has been substantially completed. Further integration activities continued in 2013, including the conversion of certain products from one brand to another as we solidify our brand positioning. This means, however, that we can no longer report sales and operating results for the pre-Icelandic USA business separate from the post-Icelandic USA results.

For the first quarter of 2013, our U.S. operations had external sales of $199.5 million, compared to $210.0 million for the first quarter of 2012, a decrease of 5.0%. Sales in volume decreased 3.3% to 65.7 million pounds. As previously mentioned, an early Lent, among other factors decreased our sales in the quarter. Additional explanation of such factors follows below.

U.S. retail operations experienced a 0.9% increase in sales volume in the first quarter of 2013 compared to the first quarter of 2012, principally due to lower private label sales. Sales to traditional grocery stores increased 0.7% arising from a 20% increase in sales volume of *Sea Cuisine* products, the result of additional advertising and other promotions. These promotions increased sales, but reduced income as the investment in the brand was expensed in the period. This was partially offset by lower *Fisher Boy* brand sales of 2.3%, due to reduced sales in Mexico that were negatively impacted by exchange rates, and decreases in non-core items. *Icelandic Seafood* brand sales decreased 24%, but mainly because many of these items were transitioned to the *Sea Cuisine* brand. In total, *Sea Cuisine* and *Icelandic Seafood* sales increased 6.5%. Sales volume for our private label products was down 9.8% in volume from the first quarter of 2012, reflecting the trend of decreased private label seafood sales overall in the market place. Sales to club stores increased 14.2% in volume as a result of an increase in value-added sales at all U.S. club customers, due to new product launches, increased distribution for existing products, and strong sales for seasonal products.

U.S. food service sales in pounds decreased 5.1% in the first quarter of 2013 compared to the same period in the prior year. This decrease is the result of the loss of 8% fewer selling days in Lent, plus the following items:

- According to reports published in the U.S. financial press (noted above), U.S. restaurants experienced one of the weakest sales performances in many years during the first quarter of 2013. Our distributor street business was particularly affected by this trend;
- Business that we eliminated late in 2012 due to low profitability on commodity lobster and shrimp has not been replaced by new business;
- A shortage of haddock and large sole fillets affected our ability to meet customers' demands and resulted in lower sales of these products in the U.S. market in the first quarter of 2013;

- The market price for certain species weakened during the quarter as expected, which reduced sales and as selling prices declined faster than cost reductions were realized, margins were also negatively impacted; and,
- Challenges in developing and refining efficient production and logistics processes associated with the closure of Danvers and the movement of production and distribution of food service products to Newport News, which increased our costs and hindered the delivery of products to our customers.

Adjusted EBITDA for our U.S. operations in the first quarter decreased to $14.4 million from $25.1 million for the same period in 2012. Profitability decreased as a result of lower sales volume; higher expenses due to more overtime, freight and handling and production operating inefficiencies; and higher promotional costs for *Sea Cuisine*.

Outlook

While we expect the challenging first quarter to have an unfavourable effect on full-year 2013 sales and Adjusted EBITDA, we are working to minimize the impact of these headwinds on our profitability going forward. The operating challenges experienced in the first quarter are not expected to continue. We have taken steps to rectify our labour, production, and distribution issues. As expected, seafood costs have stabilized and our cost of sales has decreased as we sell more less-expensive inventory. We have increased promotional spending on the *Sea Cuisine* line of products in the U.S. We will continue to focus on operating efficiencies that leverage our scale as the leader in value-added frozen seafood in North America. We will continue to identify and evaluate opportunities for growth.

In this regard, we define our three strategic objectives for 2013. The first continues to be profitable growth, a goal that had guided us successfully over recent years, which we intend to achieve through a combination of organic sales growth, smaller-scale acquisitions, and operating efficiencies. Our second objective is to achieve supply chain excellence by unlocking the benefits from a fully integrated infrastructure, services, and processes. Our third strategic objective is sustainable sourcing; we remain committed to sourcing all our seafood from certified sustainable or responsible fisheries or aquaculture farms by the end of the 2013.

Risk Factors

While risk factors are described in detail in the MD&A found in our 2012 Annual Report and in our 2012 Annual Information Form, we have updated certain risk factors below for the first quarter of 2013. Readers should refer to the 2012 Annual Report and Annual Information Form for a more detailed description of risk factors applicable to the Company.

Foreign Currency

Foreign currency values affect our operations in a number of ways. As we translate the results of our U.S. subsidiary to Canadian dollars, a fluctuating exchange rate affects the individual line items on our balance sheet and income statement. We have discussed the impact of foreign currency fluctuations on sales and earnings for the quarter in various sections of this document.

The Canadian dollar weakened approximately 1.5% as at March 30, 2013, compared to March 31, 2012 relative to the U.S. dollar. On our balance sheet, this decreases the carrying value of both assets and liabilities and increases the foreign exchange translation of our Canadian company included in accumulated other comprehensive income (AOCI) in shareholders' equity. As our Canadian operations are a net importer of seafood and other products, a stronger Canadian dollar reduces costs, and a weaker Canadian dollar increases costs.

In order to minimize foreign exchange risk, we undertake hedging activities using various derivative products in accordance with an internal policy on managing derivative usage and risk. We hedge a portion of our raw material requirements and retail commodity products as price increases on these products take more time to implement. We do not hedge commodity food service products as the prices to our customers change frequently enough so that we can take these changes into account. The policy is approved and monitored by the Audit Committee of the Board. During the quarter, our hedging activities resulted in an effective Canadian/U.S. exchange rate for inventory purchased in U.S. dollars by our Canadian Operations of approximately $1.0042, compared to 1.0022 for the first quarter of 2012.

Our risk management strategy with respect to exposure to the Canadian dollar is fully explained in our Management Discussion and Analysis, available in our 2012 Annual Report. These documents are available at www.sedar.com and at www.highlinerfoods.com.

Product Costs

We buy as much as $600 million of seafood, packaging, flour or corn based coatings, and cooking oils. Seafood and other food inputs markets are global with values expressed in U.S. dollars. We buy 30 species of seafood from 20 countries around the world. There are no formal hedging mechanisms in the seafood market. Prices can change due to changes in the balance between supply and demand. Weather, quota changes, disease and other environmental impacts can affect supply. Changes in the relative values of currency can change the demand from a particular country whose currency has risen or fallen as compared to the U.S. dollar. The increasing middle class and government policies in emerging economies, as well as demand from health conscious consumers, affect the demand side as well. Costs in Canada are also affected by the Canadian / U.S. exchange rates.

Our broad product line and customer base and geographically diverse procurement operations help us mitigate changes in the cost of our raw materials. In addition species substitution, product formulation changes, long term relationship with suppliers, and price changes to customers, are all important factors in our ability to manage margins to target.

Availability of Seafood

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

The Company expects demand for seafood to grow from current levels as the global economy, and particularly European economy, improves. We expect the supply of wild caught seafood to be stable over the long term, notwithstanding recent increases in quota in certain fisheries, in part due to sustainability efforts. We anticipate new demand will be supplied primarily from aquaculture. Currently 4 of the top 7 species consumed in the USA (shrimp, salmon, tilapia, and pangasius) are partly or totally supplied by aquaculture. To the extent aquaculture is unable to supply future demand, prices may increase materially which may have a negative impact on the Company's results.

We have made the strategic decision not to be vertically integrated for a number of reasons, including the large amount of capital that would be involved and expected returns on such capital. As well, for us to become a vertically integrated company to protect our North American business, we could end up subsidizing our North American operations with output from fishing efforts that could be sold in global markets at higher prices, reducing overall returns to shareholders. Instead, we remain committed to our strategy to develop the North American market by differentiating ourselves based on product offerings and service levels, building our brands and customer relationships, as well as being the lowest cost, largest scale manufacturer of seafood products and to leverage such position to buy seafood at reasonable prices and be the supplier of choice for North American customers and consumers. However, in the event scarcity of certain seafood results in difficulty procuring species, the financial results of High Liner may be adversely affected.

Related Party Transactions

We refer to note 21 to our 2012 audited financial statements contained in our 2012 Annual Report.

Disclosure of Outstanding Share Data

On May 7, 2013 15,150,244 common shares and 777,700 stock options were outstanding. The stock options are exercisable on a one-for-one basis for common shares of the Company.

Dated: May 7, 2013.

HIGH LINER FOODS
INCORPORATED

Q1 2013 Unaudited Condensed Interim Consolidated Financial Statements

As at and for the thirteen weeks ended March 30, 2013
With comparative figures as at and for the thirteen weeks ended March 31, 2012

HIGH LINER FOODS INCORPORATED

(Incorporated under the laws of the Province of Nova Scotia)

UNAUDITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of U.S. dollars)

	Notes	March 30, 2013	March 31, 2012	December 29, 2012
ASSETS			*(Restated (note 14))*	*(note 14)*
Current:				
Cash		**$ 584**	$ 1,310	$ 65
Accounts receivable		**95,911**	102,636	73,947
Income taxes receivable		**3,492**	4,307	5,145
Other financial assets	12	**912**	787	533
Inventories		**193,105**	242,228	222,313
Prepaid expenses		**3,445**	3,360	2,991
Total current assets		**297,449**	354,628	304,994
Non-current:				
Property, plant and equipment		**83,810**	91,863	89,268
Deferred income taxes	10	**6,492**	2,805	7,207
Other receivables and miscellaneous assets		**1,842**	1,199	1,847
Other long-term assets		**94**	389	188
Intangible assets		**109,387**	114,775	110,631
Goodwill		**112,620**	112,824	112,873
Total non-current assets		**314,245**	323,855	322,014
Assets classified as held for sale	3	**4,523**	-	4,819
Total assets		**$ 616,217**	$ 678,483	$ 631,827
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current:				
Bank loans		**$ 68,987**	$ 127,654	$ 59,704
Accounts payable and accrued liabilities		**84,417**	85,037	101,441
Provisions	4	**2,196**	2,922	1,614
Other current financial liabilities	12	**557**	1,092	550
Income taxes payable		**182**	1,654	1,165
Current portion of long-term debt	5	**2,812**	21,999	34,237
Current portion of finance lease obligations		**1,071**	1,072	1,039
Total current liabilities		**160,222**	241,430	199,750
Non-current:				
Long-term debt	5	**222,876**	207,871	213,359
Other long-term financial liabilities	12	**8,152**	6,661	2,662
Long-term finance lease obligations		**2,017**	2,579	2,181
Deferred income taxes	10	**46,710**	47,795	45,126
Employee future benefits	6	**11,283**	11,254	13,791
Total non-current liabilities		**291,038**	276,160	277,119
Liabilities directly associated with the assets held for sale	3	**-**	-	1,604
Total liabilities		**451,260**	517,590	478,473
Shareholders' equity				
Common shares	7	**75,711**	74,789	75,169
Contributed surplus		**15,396**	7,969	7,719
Retained earnings		**70,918**	74,094	66,373
Accumulated other comprehensive income		**2,932**	4,041	4,093
Total shareholders' equity		**164,957**	160,893	153,354
Total liabilities and shareholders' equity		**$ 616,217**	$ 678,483	$ 631,827

See accompanying notes

HIGH LINER FOODS INCORPORATED

For the thirteen weeks ended March 30, 2013

(with comparative figures for the thirteen weeks ended March 31, 2012)

UNAUDITED

CONSOLIDATED STATEMENT OF INCOME

(in thousands of U.S. dollars, except per share information)

	Notes		March 30, 2013		March 31, 2012
					(Restated (note 14))
Revenues		**$**	**275,162**	$	287,580
Cost of sales			**213,883**		221,362
Gross profit			**61,279**		66,218
Distribution expenses			**15,492**		13,499
Selling, general and administrative expenses			**31,441**		28,709
Impairment of property, plant and equipment			**-**		13,452
Business acquisition, integration and other expenses			**56**		2,345
Results from operating activities			**14,290**		8,213
Finance costs			**6,329**		6,665
Income from equity accounted investee, net of income tax			**(85)**		(85)
Income before income taxes			**8,046**		1,633
Income taxes					
Current	10		**1,092**		988
Deferred	10		**1,690**		(1,083)
Total income tax expense (recovery)			**2,782**		(95)
Net income		**$**	**5,264**	$	1,728
PER SHARE EARNINGS					
Earnings per common share					
Basic		**$**	**0.35**	$	0.11
Diluted		**$**	**0.34**	$	0.11
Weighted average number of shares outstanding					
Basic			**15,138,827**		15,104,110
Diluted			**15,610,626**		15,388,829

See accompanying notes

HIGH LINER FOODS INCORPORATED

For the thirteen weeks ended March 30, 2013

(with comparative figures for the thirteen weeks ended March 31, 2012)

UNAUDITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of U.S. dollars)

		March 30, 2013		March 31, 2012
				(Restated (note 14))
Net income for the period	**$**	**5,264**	$	1,728
Other comprehensive (loss) income, net of income tax (*note 10*)				
(Loss) gain on hedge of net investment in foreign operations		**(3,506)**		3,199
Gain (loss) on translation of net investment in foreign operations		**1,994**		(1,674)
		(1,512)		1,525
Effective portion of changes in fair value of cash flow hedges		**252**		(254)
Net change in fair value of cash flow hedges transferred to income		**119**		(303)
		371		(557)
Translation impact on Canadian dollar denominated AOCI items		**(20)**		74
Defined benefit plan actuarial gains (losses)		**1,510**		(48)
Other comprehensive (loss) income, net of income tax		**349**		994
Total comprehensive income	**$**	**5,613**	$	2,722

UNAUDITED

CONSOLIDATED STATEMENT OF ACCUMULATED OTHER COMPREHENSIVE INCOME

(in thousands of U.S. dollars)

		Foreign currency translation adjustments		**Net exchange gains/(losses) on cash flow hedges**		**Total accumulated other comprehensive income**
Balance as at December 29, 2012	**$**	**4,422**	**$**	**(329)**	**$**	**4,093**
Exchange differences on translation of foreign operations		**(1,512)**		**-**		**(1,512)**
Cash flow hedges		**-**		**351**		**351**
Balance as at March 30, 2013	**$**	**2,910**	**$**	**22**	**$**	**2,932**
Balance as at December 31, 2011	$	2,701	$	298	$	2,999
Exchange differences on translation of foreign operations		1,525		-		1,525
Cash flow hedges		-		(483)		(483)
Balance as at March 31, 2012 *(Restated (note 14))*	$	4,226	$	(185)	$	4,041

See accompanying notes

HIGH LINER FOODS INCORPORATED

For the thirteen weeks ended March 30, 2013

(with comparative figures for the thirteen weeks ended March 31, 2012)

UNAUDITED

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of U.S. dollars)

	Non-voting equity	Common shares	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total
Balance as at December 29, 2012	**$ -**	**$ 75,169**	**$ 7,719**	**$ 66,373**	**$ 4,093**	**$ 153,354**
Other comprehensive income (loss)	**-**	**-**	**-**	**1,510**	**(1,161)**	**349**
Net income for the period	**-**	**-**	**-**	**5,264**	**-**	**5,264**
Common share dividends	**-**	**-**	**-**	**(2,229)**	**-**	**(2,229)**
Share-based payments	**-**	**542**	**97**	**-**	**-**	**639**
Conversion of SARs (*note 8*)	**-**	**-**	**7,580**	**-**	**-**	**7,580**
Balance as at March 30, 2013	**$ -**	**$ 75,711**	**$ 15,396**	**$ 70,918**	**$ 2,932**	**$ 164,957**

Balance as at December 31, 2011	$ 12,973	$ 60,958	$ 7,969	$ 73,928	$ 2,999	$ 158,827
Other comprehensive (loss) income	-	-	-	(48)	1,042	994
Net income for the period	-	-	-	1,728	-	1,728
Common share dividends	-	-	-	(1,514)	-	(1,514)
Share-based payments	-	858	-	-	-	858
Balance as at March 31, 2012 (*Restated* (*note 14*))	$ 12,973	$ 61,816	$ 7,969	$ 74,094	$ 4,041	$ 160,893

See accompanying notes

HIGH LINER FOODS INCORPORATED

For the thirteen weeks ended March 30, 2013

(with comparative figures for the thirteen weeks ended March 31, 2012)

UNAUDITED

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of U.S. dollars)

	March 30, 2013	March 31, 2012
		(Restated (note 14))
Cash provided by (used in) operations:		
Net income for the period	**$ 5,264**	$ 1,728
Charges (credits) to income not involving cash from operations:		
Depreciation and amortization	**3,650**	4,695
Share-based payment expense	**3,253**	1,580
(Gain) loss on disposal of assets, and impairment	**(412)**	13,614
Payments of employee future benefits in excess of expense	**(339)**	(20)
Finance costs	**6,329**	6,665
Income tax expense (recovery)	**2,782**	(95)
Income from equity accounted investee, net of income taxes	**(85)**	(85)
Movement in provisions	**846**	1,903
Unrealized foreign exchange loss	**185**	75
Cash flow provided by operations before changes in non-cash working capital	**21,473**	30,060
Net change in non-cash working capital balances:		
Accounts receivable	**(15,869)**	(21,524)
Inventories	**26,470**	15,733
Prepaids	**(463)**	(364)
Accounts payable and accrued liabilities	**(11,593)**	(23,457)
Net change in non-cash working capital balances	**(1,455)**	(29,612)
Interest paid	**(8,757)**	(5,378)
Income taxes paid	**(509)**	(1,728)
Net cash flows provided by (used in) operating activities	**10,752**	(6,658)
Cash provided by (used in) financing activities:		
Increase in current working capital facilities	**9,553**	8,286
Repayment of finance lease obligations	**(251)**	(252)
Repayment of long-term debt	**(15,405)**	(625)
Finance costs	**(1,412)**	-
Common share dividends paid	**(2,229)**	(1,514)
Stock options exercised	**263**	420
Net cash flows (used in) provided by financing activities	**(9,481)**	6,315
Cash provided by (used in) investing activities:		
Purchase of property, plant and equipment, net of investment tax credits	**(1,767)**	(1,725)
Net proceeds on disposal of assets	**489**	148
Change in other receivables and miscellaneous assets	**(13)**	-
Net cash flows used in investing activities	**(1,291)**	(1,577)
Foreign exchange (decrease) increase on cash and cash equivalents	**(166)**	25
Change in cash during the period	**(186)**	(1,895)
Addback: cash directly associated with assets held for sale at December 29, 2012	**705**	-
Cash, beginning of period	**65**	3,205
Cash, end of period	**$ 584**	$ 1,310

See accompanying notes

1. Reporting entity

High Liner Foods Incorporated (the "Company" or "High Liner") is a company incorporated and domiciled in Canada. The address of the Company's registered office is 100 Battery Point Road, P.O. Box 910, Lunenburg, Nova Scotia, B0J 2C0. The unaudited condensed interim consolidated financial statements of the Company as at and for the thirteen weeks ended March 30, 2013 comprise the Parent and its subsidiaries (herein together referred to as the "Company" and individually as "Company subsidiaries") and the Company's interest in associates and jointly controlled entities. The Company is primarily involved in the manufacturing and marketing of prepared and packaged frozen seafood products.

2. Basis of preparation

(a) Statement of compliance
These unaudited condensed interim consolidated financial statements are in compliance with IAS 34 – Interim Financial Reporting. Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the fifty-two weeks ended December 29, 2012 as set out in the 2012 Annual Report, available at www.highlinerfoods.com.

These financial statements were authorized for issue in accordance with a resolution of the directors on May 7, 2013.

(b) Functional and presentation currency
The Company conducts its business in Canadian and U.S. dollars, and unless otherwise noted, all amounts in these unaudited condensed interim consolidated financial statements are in U.S. dollars. Each of the Company's subsidiaries determines its own functional currency. The Parent Company's functional currency is Canadian dollars. The U.S. dollar presentation currency has been chosen because it better reflects the Company's business activities and improves investors' ability to compare the Company's financial results with other publicly traded businesses in the packaged foods industry. The average Canadian to U.S. dollar exchange rate throughout the thirteen weeks ended March 30, 2013 was $0.9919 (March 31, 2012: $0.9989). The March 30, 2013 period end exchange rate was $0.9846 (March 31, 2012: $1.0009; December 29, 2012: $1.0048). All financial information presented in U.S. dollars has been rounded to the nearest thousand.

(c) Seasonality of operations
Inventory levels fluctuate throughout the year, being higher to support strong sales periods such as for the Lenten period. In addition to the sales demands, the timing of ordering is earlier than typically required in order to have adequate quantities available during the seasonal closure of plants in Asia during the Lunar New Year period. This results in significantly higher inventories in December, January, February and March than during the rest of the year.

(d) New standards, interpretations and amendments thereof, adopted by the Company
The accounting policies adopted in the preparation of the interim unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 29, 2012, except for the adoption of new standards and interpretations as of January 1, 2013, which had an impact on the accounting policies, financial position or performance of the Company, noted below:

IAS 19 *Employee Benefits (Revised)*
On January 1, 2013, the Company adopted the amendments to IAS 19 with retrospective application. These range from fundamental changes in the standard such as removing the corridor mechanism and the concept

of expected returns on plan assets to simple clarifications and re-wording. The impact this amendment had on the Company is described in *note 6*.

IFRS 13 *Fair Value Measurement*
On January 1, 2013, the Company adopted IFRS 13 on a prospective basis. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The impact this amendment had on the Company is described in *note 13*.

3. Assets held for sale and disposals

On March 15, 2013, the Company sold its subsidiary, Dalian Three Star Seafood Co. Ltd., for $3.2 million dollars, resulting in a pre-tax net loss of $0.1 million. The net assets directly related to the disposal group were classified as held for sale at December 29, 2012.

As of March 30, 2013, the Company determined that its plant and equipment in Danvers, Massachusetts, met the criteria to be classified as held for sale. Accordingly, $4.5 million of the Danvers plant's property, plant and equipment has been re-classified as current assets.

4. Provisions

(Amounts in $000s)		
Carrying amount, December 31, 2011	$	1,013
New provisions added		1,622
Provisions utilized		(671)
Provisions held for sale		(350)
Carrying amount, December 29, 2012		1,614
New provisions added		2,409
Provisions utilized		(1,827)
Carrying amount, March 30, 2013	**$**	**2,196**

5. Long-term debt

Long-term debt *(Amounts in $000s)*		**March 30, 2013**		December 29, 2012
Term loan at 3.5% plus LIBOR (floor at 1.25%); (December 29, 2012: 5.5% plus LIBOR (floor at 1.5%))	**$**	**232,710**	$	248,125
Less: financing charges		**(7,022)**		(529)
		225,688		247,596
Less: current portion		**(2,812)**		(34,237)
	$	**222,876**	$	213,359

Financing charges, as shown in table above, include a bifurcated embedded derivative with a value of $6.0 million upon initial recognition (*note 12*).

In February 2013 the Company amended its term loan. This amendment was treated as an extinguishment of the debt as the terms are considered substantially different. The principal amendments to the term loan include: a reduction in applicable interest rates from 5.5% plus a 1.5% LIBOR floor, to 3.5% plus a 1.25% LIBOR floor; increased capacity for capital expenditures, distributions and repurchases; and increased flexibility and capacity for permitted investments and acquisitions by the Company. The principal amount, maturity and amortization terms of the term loan were not changed by the amendments, with the exception of amounts required to be paid with defined excess cash flow.

6. Future employee benefits

For the thirteen weeks ended March 30, 2013 and March 31, 2012, the expected return on plan assets was calculated using the same interest rate as applied for the purpose of discounting the benefit obligation. The amended standard increased the estimated fiscal 2013 net benefit expense to be $1.7 million, of which $0.4 million was recorded in the thirteen weeks ended March 30, 2013. The adjustment required for the thirteen weeks ended March 31, 2012 was nominal.

Termination benefits
The Company has recognized severance and retention benefits that were dependent upon the continuing provision of services through to certain pre-defined dates, which for the thirteen weeks ended March 31, 2013 was a recovery of $0.3 million (March 31, 2012: $1.3 million expense) in business acquisition, integration and other expenses on the income statement.

The Company has also expensed termination benefits during the period, which are recorded as of the date the committed plan is in place and communication is made. These termination benefits relate to severance which is not based on a future service requirement and are included in the following line items in the consolidated statement of income:

(Amounts in $000s)		**March 30, 2013**		March 31, 2012 *(Restated (note 14))*
Cost of sales	**$**	**20**	$	(4)
Distribution expenses		**-**		34
Business acquisition, integration and other expenses		**-**		197
Selling, general and administrative		**(7)**		40
	$	**13**	$	267

7. Share capital

	Thirteen weeks ended March 30, 2013			Fifty-two weeks ended December 29, 2012		
	Shares		**($000s)**	Shares		($000s)
Common shares:						
Balance, beginning of period	**15,128,769**	**$**	**75,169**	13,298,784	$	60,958
Stock options exercised	**16,475**		**542**	71,023		1,464
Share redemption (non-voting to common)	-		-	1,758,962		12,747
Balance, end of period	**15,145,244**	**$**	**75,711**	15,128,769	$	75,169
Non-voting equity shares:						
Balance, beginning of period	-	**$**	-	1,788,062	$	12,973
Shares repurchased	-		-	(29,100)		(226)
Share redemption (non-voting to common)	-		-	(1,758,962)		(12,747)
Balance, end of period	-	**$**	-	-	$	-

The following dividends were declared and paid by the Company:

Amounts:		**March 30, 2013** **Per share**		**($000s)**		Thirteen weeks ended March 31, 2012 Per share		($000s)
						(Restated (note 14))		
Dividends on common and non-voting shares declared and paid during the period:	**$**	**0.15**	**$**	**2,229**	$	0.10	$	1,514
Dividends on common and non-voting shares proposed for approval after the respective reporting period (not recognized as a liability during the period):		**0.18**		**2,726**		0.10		1,515

8. Share-based payments

Effective March 29, 2013, amendments were made to eliminate the Tandem Stock Appreciation Rights ("SARs") on certain stock options granted in early 2012 and prior for certain directors and officers of the Company. On a voluntary basis, these directors and officers relinquished the entitlement under the SARs, resulting in 409,649 options with Tandem SARs being extinguished, then reinvested as options that do not have Tandem SARs. On the amendment date, the liability of $7.6 million for these individuals on the Tandem SARs was fixed, resulting in no future impact on profit or loss for the options that were vested at that time, and was reclassified to contributed surplus.

The carrying amount of the liability recognized relating to the options were as follows:

(Amounts in $000s)		**March 30, 2013**		March 31, 2012		December 29, 2012
				(Restated (note 14))		
Fair value included in accounts payable and accrued liabilities	**$**	**4,073**	$	4,829	$	9,730
Fair value included in other long-term financial liabilities		**106**		137		1,059
Total liability	**$**	**4,179**	$	4,966	$	10,789

The continuity of the total liability is as follows:

(Amounts in $000s)		**Total fair value of liability**
Balance, March 31, 2012 *(Restated (note 14))*	$	4,966
Expense		8,093
Equity settled exercises		(377)
Redeemed in cash		(1,867)
Translation adjustment		(26)
Balance, December 29, 2012		10,789
Expense		2,814
Equity settled exercises		(279)
Redeemed in cash		(1,276)
Reclassified to contributed surplus		(7,580)
Translation adjustment		(289)
Balance, March 30, 2013	**$**	**4,179**

Share-based payment expense is recognized in the following line items in the consolidated statement of income:

(Amounts in $000s)		Thirteen weeks ended **March 30, 2013**		Thirteen weeks ended March 31, 2012
				(Restated (note 14))
Cost of sales resulting from:				
Cash-settled options	**$**	**24**	$	-
Equity-settled options		**-**		15
Changes in the the fair value of the liability		**235**		106
Selling, general and administrative expenses resulting from:				
Cash-settled options		**1,252**		307
Equity-settled options		**279**		422
Changes in the the fair value of the liability		**1,121**		651
Share-based payment expense	**$**	**2,911**	$	1,501

The following range of inputs and assumptions were used in the trinomial option pricing model in calculating the fair value of each grant of options as follows:

Options granted between Dec 2007 and February 2013	**March 30, 2013**	March 31, 2012
Dividend yield (%)	**1.25 - 2.02**	2.13
Expected volatility (%)	**25.65 - 37.53**	27.75 - 39.49
Risk-free interest rate (%)	**1.00 - 1.47**	1.20 - 1.56
Expected life (years)	**0.73 - 6.00**	1.73 - 7.00
Weighted average fair value (CAD$)	**5.31 - 28.60**	5.66 - 11.74

Options granted between Dec 2007 and August 2012	December 29, 2012
Dividend yield (%)	1.36 - 1.42
Expected volatility (%)	22.97 - 36.32
Risk-free interest rate (%)	1.13 - 1.38
Expected life (years)	0.98 - 5.25
Weighted average fair value (CAD$)	5.32 - 24.00

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

				Thirteen weeks ended	
	March 30, 2013			March 31, 2012	
	No.		**WAEP (CAD$)**	No.	WAEP (CAD$)
Options with Tandem SARs:					
Outstanding, beginning of period	**702,643**	**$**	**14.14**	675,250	$ 11.10
Granted	**-**		**-**	233,792	18.78
Exercised for shares	**(16,475)**		**16.02**	(45,722)	9.14
Exercised for cash	**(59,716)**		**12.67**	(32,278)	9.03
Reinvested as options without Tandem SARs	**(409,649)**		**14.20**	-	-
Outstanding, end of period	**216,803**		**14.30**	831,042	13.45
Excercisable, end of period	**167,394**		**13.30**	507,590	10.47
Options without Tandem SARs:					
Outstanding, beginning of period	**15,750**	**$**	**19.68**	-	$ -
Granted	**161,496**		**34.77**	-	-
Options reinvested without Tandem SARs	**409,649**		**14.20**	-	-
Outstanding, end of period	**586,895**		**20.01**	-	-
Excercisable, end of period	**289,858**		**12.50**	-	-
Total options:					
Outstanding, beginning of period	**718,393**	**$**	**14.27**	675,250	$ 11.10
Granted	**161,496**		**34.77**	233,792	18.78
Exercised for shares	**(16,475)**		**16.02**	(45,722)	9.14
Exercised for cash	**(59,716)**		**12.67**	(32,278)	9.03
Outstanding, end of period	**803,698**		**18.47**	831,042	13.45
Excercisable, end of period	**457,252**		**12.79**	507,590	10.47

The weighted average fair value of options granted during the period was CAD$9.93 (March 31, 2012: CAD$5.70).

The range of exercise prices for options outstanding at the end of the period was CAD$6.90 – CAD$34.77 (March 31, 2012: CAD$6.90 – CAD$18.88).

Performance share units

During the thirteen weeks ended March 30, 2013, the Company issued 21,638 performance share units (March 31, 2012: 38,040) to certain executive officers with the performance measures being a combination of performance criteria and time to vest criteria. During the thirteen weeks ended March 31, 2012, the Company also issued 15,975 performance share units with the sole measure being a time to vest criteria. Respectively per above, the total performance share units outstanding, including re-invested dividends, at March 30, 2013, were 77,866 (March 31, 2012: 55,144) and 16,351 (March 31, 2012: 16,064).

The carrying amount of the liability relating to the performance share units is as follows:

(Amounts in $000s)	**March 30, 2013**	March 31, 2012 *(Restated (note 14))*	December 29, 2012
Fair value included in accounts payable and accrued liabilities	**$ 357**	$ -	$ 275
Fair value included in other long-term financial liabilities	**720**	186	473
Total liability	**$ 1,077**	$ 186	$ 748

The share-based payment expense recognized in the thirteen weeks ended March 30, 2013 was $0.3 million (March 31, 2012: $0.08 million).

The assumptions used in determining the fair value of the liability and related share-based payment expense for the performance share units were as follows:

	Thirteen weeks ended	
Options granted between March 2011 and February 2013	**March 30, 2013**	March 31, 2012
Dividend yield (%)	**1.7**	2.1
Expected life of the PSU (years)	**0.75 - 2.75**	1.75 - 2.75
Expected life of the PSU (years) single criteria	**1.75**	2.75
Expected vesting (%)	**81 -100**	100 - 110
Forefeiture rate (%)	**0**	0
Share price at reporting date (CAD$)	**35.61**	18.77

Deferred share units

In the first quarter of 2012, a new long-term incentive arrangement, Deferred Share Unit (DSU) Plan, was adopted by the Board of Directors. A director may elect to receive all or any portion of their annual retainer, additional fees and equity value ("Elected Amount") in deferred share units ("DSUs") in lieu of cash or options. DSUs cannot be redeemed for cash until the holder is no longer a director of the Company. At March 30, 2013 there were 1,300 DSUs outstanding (March 31, 2012: nil). During the 13 weeks ended March 30, 2013, the share-based payment expense was nominal.

9. Operating segment information

Operations and identifiable assets and liabilities by reporting segment are as follows:

	Thirteen weeks ended March 30, 2013			Thirteen weeks ended March 31, 2012 (Restated (note 14))		
(Amounts in $000s)	**Canada**	**U.S.**	**Total**	Canada	U.S.	Total
Revenues within geographic region*	**$ 75,640**	**$ 199,278**	**$ 274,918**	$ 77,571	$ 209,513	$ 287,084
Revenues outside of geographic region*	**417**	**3,072**	**3,489**	1,969	3,515	5,484
	76,057	**202,350**	**278,407**	79,540	213,028	292,568
Intercompany revenues outside of geographic region	**(417)**	**(2,828)**	**(3,245)**	(1,969)	(3,019)	(4,988)
Revenue, excluding intercompany revenues	**75,640**	**199,522**	**275,162**	77,571	210,009	287,580
Cost of sales, excluding intercompany revenues	**(57,739)**	**(156,144)**	**(213,883)**	(59,378)	(161,984)	(221,362)
Gross profit	**17,901**	**43,378**	**61,279**	18,193	48,025	66,218
Distribution expenses	**(3,678)**	**(11,814)**	**(15,492)**	(3,828)	(9,671)	(13,499)
Selling, general and administrative expenses	**(10,924)**	**(20,517)**	**(31,441)**	(9,060)	(19,649)	(28,709)
Impairment of property, plant and equipment	-	-	-	(4,629)	(8,823)	(13,452)
Business acquisition, integration and other expenses	**(17)**	**(39)**	**(56)**	(178)	(2,167)	(2,345)
Financing costs	**(295)**	**(6,034)**	**(6,329)**	(463)	(6,202)	(6,665)
Income from equity accounted investee	**43**	**42**	**85**	43	42	85
Income before income tax	**3,030**	**5,016**	**8,046**	78	1,555	1,633
Income tax (expense) recovery	**(1,709)**	**(1,073)**	**(2,782)**	(215)	310	95
Net income (loss)	**$ 1,321**	**$ 3,943**	**$ 5,264**	$ (137)	$ 1,865	$ 1,728
Add back:						
Depreciation included in:						
Cost of sales	**459**	**1,230**	**1,689**	584	1,430	2,014
Distribution	**42**	**302**	**344**	45	382	427
Selling, general and administrative expenses	**353**	**58**	**411**	316	81	397
Total depreciation	**854**	**1,590**	**2,444**	945	1,893	2,838
Amortization included in:						
Selling, general and administrative expenses	**28**	**1,178**	**1,206**	54	1,803	1,857
Total depreciation and amortization	**882**	**2,768**	**3,650**	999	3,696	4,695
Financing costs	**295**	**6,034**	**6,329**	463	6,202	6,665
Income tax expense (recovery)	**1,709**	**1,073**	**2,782**	215	(310)	(95)
Income before depreciation, amortization, financing and income taxes	**$ 4,207**	**$ 13,818**	**$ 18,025**	$ 1,540	$ 11,453	$ 12,993

	Thirteen weeks ended March 30, 2013			Thirteen weeks ended March 31, 2012 *(Restated (note 14))*		
(Amounts in $000s)	**Canada**	**U.S.**	**Total**	Canada	U.S.	Total
Capital Expenditures						
Financed by operations	**1,015**	**752**	**1,767**	923	802	1,725
Financed by finance leases	**187**	**-**	**187**	316	-	316
Total capital expenditures	**$ 1,202**	**$ 752**	**$ 1,954**	$ 1,239	$ 802	$ 2,041

	As at March 30, 2013			As at March 31, 2012 *(Restated (note 14))*		
	Canada	**U.S.**	**Total**	Canada	U.S.	Total
Total assets	**$ 137,988**	**$ 478,229**	**$ 616,217**	$ 158,504	$ 519,979	$ 678,483
Goodwill	**$ 12,282**	**$ 100,338**	**$ 112,620**	$ 12,486	$ 100,338	$ 112,824
Liabilities	**$ 277,176**	**$ 174,084**	**$ 451,260**	$ 313,340	$ 204,250	$ 517,590

	As at December 29, 2012 *(note 14)*		
	Canada	U.S.	Total
Total assets	$ 147,286	$ 484,541	$ 631,827
Goodwill	$ 12,535	$ 100,338	$ 112,873
Liabilities	$ 307,721	$ 170,752	$ 478,473

10. Income tax expense

The Company's statutory tax rate for the thirteen weeks ended March 30, 2013 is 27.3% (March 31, 2012: 27.1%).

The Company's effective tax rate of 34.6% was higher than its Canadian statutory rate, due to a higher statutory tax rate of 38.9% (2012: 38.6%) applicable to the Company's U.S. operations, non-deductible stock-based compensation expense and was partially offset by the benefit of acquisition financing deductions.

The major components of income tax expense (recovery) in the unaudited interim consolidated statement of other comprehensive income for the thirteen weeks ended March 30, 2013 and March 31, 2012 were as follows:

		Thirteen weeks ended		
		March 30,		March 31,
(Amounts in $000s)		**2013**		2012
Income tax recovery related to items charged or credited directly to other comprehensive income and retained earnings during the period:				*(Restated (note 14))*
(Loss) gain on hedge of net investment in foreign operations	**$**	**(473)**	$	406
Gain (loss) on translation of net investment in foreign operations		**270**		(268)
Effective portion of changes in fair value of cash flow hedges		**104**		(172)
Net change in fair value of cash flow hedges transferred to income		**42**		(118)
Defined benefit plan actuarial recovery		**520**		-
Income tax recovery directly to other comprehensive income and retained earnings during the period:	**$**	**463**	$	(152)

11. Related party transactions

The aggregate value of transactions and outstanding balances with related parties were as follows:

		Thirteen weeks ended		
		March 30,		March 31,
(Amounts in $000s)		**2013**		2012
Other Related Parties:				*(Restated (note 14))*
Crystal Cold Storage & Warehousing Inc.				
Services from related party	**$**	**228**	$	16
Amounts owed to related party*		**-**		107
Pier 17 Realty Trust Inc.				
Rent paid to related party		**100**		100
Joint venture in which the Company is a venturer:				
Qingdao Dencan Seafoods Ltd. [(1)]				
Purchases from related party		**1,980**		5,502
Total purchases from related parties	**$**	**2,308**	$	5,618
Total amounts owed to related parties*		**-**		107

* Amounts are classified as accounts receivable / accounts payable respectively

[(1)] In February 2013 the Company sold its 50% ownership in High Kan Holdings; transactions reflected in 2013 are up to the point of sale.

12. Financial instruments

Hedging activities

Foreign currency hedge

At March 30, 2013, the Company held foreign currency forward contracts designated as hedges of expected future purchases from suppliers transacting in U.S. dollars, which the Company has qualified as highly probable forecasted transactions. The foreign currency forward contracts are being used to hedge the foreign currency risk of the highly probable forecasted transactions.

At the end of the thirteen week period ended March 30, 2013, the cash flow hedges of the expected future purchases were assessed to be highly effective and were therefore included in other comprehensive income in respect of these contracts as follows:

(Amounts in $000s)	**March 30, 2013**	March 31, 2012 *(Restated (note 14))*
Unrealized gain (loss)	**315**	(442)
Deferred tax (expense) recovery	**(85)**	124

The amount removed from other comprehensive loss, net of tax, during the thirteen week period ended March 30, 2013, and included in the carrying amount of the hedging items, was nominal (March 31, 2012: $0.3 million).

Hedge of net investment in foreign operations
As at March 30, 2013, there was a borrowing of $170.0 million included in long-term debt (December 29, 2012: $170.0 million), which has been designated as a hedge of the net investment in the U.S. subsidiary and is being used to hedge the Company's exposure to foreign exchange risk on this investment. Gains or losses on the translation of this borrowing are transferred to OCI to offset any gains or losses on translation of the net investments in the subsidiary. There is no ineffectiveness recognized in the periods ended March 30, 2013 nor March 31, 2012.

Embedded derivatives
As described in *note 5*, the Company's long-term loan bears interest at LIBOR plus 3.5%, with a LIBOR floor of 1.25%. This interest rate floor represents an embedded interest rate derivative that requires bifurcation. The value of the embedded derivative upon initial recognition in February 2013 was $6.0 million.

This embedded interest rate derivative has been bifurcated and carried at fair value, with changes going though profit or loss. The fair value of the embedded derivative at March 30, 2013, was $6.2 million with changes recorded in finance costs.

Forward exchange contracts
The Company systematically enters into foreign exchange contracts, with maturities of 15 months or less, to hedge future cash outflows for the purchase of raw materials. The Company uses hedge accounting to account for these foreign exchange contracts.

At period end, the Company had the following total foreign exchange forward single rate contracts outstanding:

	March 30, 2013	
	Sell	**Receive**
(Amounts in $000s)	**CAD$**	**US$**
Forward rate	**$3,375**	**$3,397**

The forward single rate contracts at March 30, 2013, have a rate of $0.9937 with maturities ranging from April 2013 to October 2013.

For the thirteen week period ended March 30, 2013, the Company had the following foreign exchange "average rate" purchase contracts outstanding:

						March 30, 2013
Average rate forwards		**Weighted Average Put Rate**		**Weighted Average Call Rate**		**Total value ($000s)**
Average rate	$	**1.0135**	$	**1.0135**	$	**42,636**

With the exception of $2.3 million average rate forward contracts with maturities ranging from April 2014 to June 2015, all foreign exchange purchase contracts have maturities that are less than one year.

13. Fair value measurement

The Company is required to determine the fair value of all derivatives, and uses a market approach to do so. The Level 2 derivatives are valued using valuation techniques such as forward pricing, and swap models. These models incorporate various market-observable inputs including foreign exchange spot and forward rates, and interest rate curves. Fair value is a market-based measurement, not an entity-specific measurement. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are required to reflect the assumptions that market participants would use in pricing an asset or liability based on the best available information including the risks inherent in a particular valuation technique, such as a pricing model, and the risks inherent in the inputs to the model.

The Company uses a fair value hierarchy, based on the relative objectivity of the inputs used to measure fair value, with Level 1 representing the highest. The following tables set out the classification of the methodology used by the Company to fair value its derivatives:

(Amounts in $000s)		**March 30, 2013 Level 2**		December 29, 2012 Level 2
Assets measured at fair value				
Foreign exchange contracts; hedged	**$**	**912**	$	533
Liabilities measured at fair value				
Foreign exchange contracts; hedged		**557**		550
Interest rate swaps		**1,085**		1,130
Embedded derivative		**6,241**		-

The Company uses the date of the event or change in circumstances to recognize a transfer between Level 1 and Level 2 fair value measurements, and transfers into or out of Level 3 fair value measurements. During the thirteen week period ended March 30, 2013, and March 31, 2012 no such transfers have occurred.

Management is responsible for valuation policies, processes and the measurement of fair value within the Company. The adjustment required upon adopting IFRS 13 – Fair Value Measurement was nominal for the thirteen weeks ended March 30, 2013.

The financial assets and liabilities included on the Statement of Financial Position that are not measured at fair value consisted of the following:

	March 30, 2013		December 29, 2012	
(Amounts in $000s)	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Long-term debt (including current portion)	**$ 225,688**	**$ 245,212**	$ 247,596	$ 275,744

The fair values of long-term debt instruments, classified as level 2 in the fair value hierarchy, are estimated based on the quoted market price for the same or similar issues, or on the current rates offered to the Company for debt of the same remaining maturity, without considering the effect of third party credit enhancements.

14. Comparative figures

Comparative information for the thirteen weeks ended March 31, 2012 in the unaudited condensed consolidated interim financial statements has been restated to reflect adjustments made upon finalization of the purchase price allocation related to the acquisition of Icelandic USA Inc. during the fourth quarter of 2012. The March 31, 2012 information has also been restated to reflect the retrospective change in presentation currency from Canadian dollars to U.S. dollars implemented by the Company in its December 29, 2012 annual financial statements.

Additionally, $1.8 million was reclassified to goodwill from accounts receivable and accounts payable in the Company's December 29, 2012 comparative balances.