Third Quarter Report to Shareholders

Thirteen and Thirty-Nine Weeks Ended September 28, 2013

Financial Results and
Management Discussion & Analysis
Thirteen and Thirty-Nine Weeks Ended September 28, 2013

Introduction

This Management Discussion and Analysis ("MD&A") includes the operating and financial results of High Liner Foods Incorporated ("High Liner Foods") for the third quarter of 2013. It provides management's perspective on our performance and operations. This document should be read in conjunction with our Unaudited Condensed Interim Consolidated Financial Statements for the period ended September 28, 2013, as well as our 2012 Annual Report, which is available on High Liner Foods' 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 from the MD&A for the first quarter ended March 30, 2013 and for the second quarter ended June 29, 2013; since many factors described in those documents remain substantially unchanged, readers should refer to them as well.

Important Notes

We, us, our, Company, High Liner, High Liner Foods

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 of High Liner Foods, on recommendation of the Audit Committee, approved the content of this MD&A on November 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 third quarter of 2013 are against results for the third quarter of 2012. Likewise, all comparisons of results for the first thirty-nine weeks, or first three quarters, of 2013 are against results for the first thirty-nine weeks, or first three quarters, of 2012.

Presentation currency

At the end of fiscal 2012, the Company changed its presentation currency from Canadian dollars ("CAD") to U.S. dollars ("USD"), effective retrospectively to January 3, 2010, and unless otherwise noted, all amounts in this document are in USD. Although the functional currency of the Canadian parent company is CAD, the USD presentation 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 USD) 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 USD.

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

In some parts of this document, the balance sheet and operating items, like sales, of the Canadian parent company are discussed in its CAD functional currency. We do this to eliminate the effect of fluctuating foreign exchange rates used to translate the Company's Canadian operations to the USD presentation 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, Annual Information Form and Management Information Circular. These documents are available on SEDAR's website at www.sedar.com, and in the Investor Information section of High Liner Foods' 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. 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.

These non-IFRS financial measures are defined below and include: Adjusted Net Income; Adjusted Diluted Earnings per Share ("EPS"); Adjusted Earnings before Interest, Depreciation and Amortization ("EBITDA"); Adjusted Earnings before Interest and Taxes ("EBIT"); and Standardized Free Cash Flow.

Adjusted Net Income

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 our term loan and withholding tax related to inter-company dividends.

Adjusted Diluted EPS

Adjusted Diluted EPS is Adjusted Net Income, as defined above, divided by the average diluted number of shares.

Adjusted EBITDA

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 and is earnings before interest, taxes, depreciation and amortization, excluding impairment of property, plant and equipment, business acquisition and integration expenses, stock compensation expense, gains or losses on disposal of assets, and the increase in cost of goods sold relating to inventory acquired from business acquisitions, above its book value, as part of the fair value requirements of purchase price accounting. For purposes of the leverage tests calculated under the Company's debt covenants, "EBITDA" is based on Adjusted EBITDA.

In our 2012 annual report, we changed our definition of Adjusted EBITDA 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 has been restated to conform to these changes.

Adjusted EBIT

Adjusted EBIT is Adjusted EBITDA less depreciation and amortization expenses. Corporate incentives and management analysis of the business are based on Adjusted EBIT.

Standardized Free Cash Flow

Standardized Free Cash Flow follows the October 2008 "General Principles and Guidance for Reporting EBITDA and Free Cash Flow" issued by the Canadian Institute of Chartered Accountants and 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.

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 whether due to the recognition of the health benefits of seafood or otherwise; 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 CAD/USD exchange rate; 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 expected amount and timing of synergies related to the acquisitions of Icelandic USA and American Pride Seafoods (described below under the heading "American Pride Seafoods Acquisition"); changes to the operations of American Pride Seafoods; 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 Company's term loan facility; expected decreases in debt to capitalization ratio; dividend payments; amount and timing of the annual ongoing reduction in operating costs; non-recurrence and successful resolution of plant throughput declines and related production and distribution cost increases experienced in the first three quarters of 2013, associated with closing our plant in Danvers, Massachusetts ("MA"), in the first quarter of 2013; and amount and timing of the capital expenditures in excess of normal requirements to allow the movement of production between plants.

Forward-looking statements can generally be identified by the use of the conditional tense, the words "may", "should", "would", "could", "believe", "plan", "expect", "intend", "anticipate", "estimate", "foresee", "objective", "goal", "remain" or "continue" or the negative of these terms or variations of them or words and expressions of similar nature. Actual results could differ materially from the conclusion, forecast or projection stated in such forward-looking information. As a result, we cannot guarantee that any forward-looking statements will materialize. Assumptions, expectations and estimates made in the preparation of forward-looking statements and risks that could cause our actual results to differ materially from our current expectations are discussed in detail in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including the "Risk 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 CAD/USD exchange rate; competitive developments including increases in overseas seafood production and industry consolidation; availability and price of seafood raw materials and finished goods; costs of commodity products and other production inputs; successful integration of the operations of Icelandic USA; potential increases in maintenance and operating costs; shifts in market demands for seafood; performance of new products launched and existing products in the market place; changes in laws and regulations, including environmental, taxation and regulatory requirements; technology changes with respect to production and other equipment and software programs; supplier fulfillment of contractual agreements and obligations; competitor reactions; High Liner Foods' ability to generate adequate cash flow or to finance its future business requirements through outside sources; compliance with debt covenants; the availability of adequate levels of insurance; and management retention and development.

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

Company Overview

High Liner has been in business since 1899. Its name has been a fixture in Canadian grocery retailing for more than eighty years and *Captain High Liner* is one of the most highly-recognized consumer brand icons in Canada. Today, High Liner Foods is the leading North American processor and marketer of value-added frozen seafood.

In recent years, High Liner Foods has made a number of strategic acquisitions, including:

- In late 2007, we acquired the North American manufacturing and marketing business of FPI Limited, including FPI's prominent food service business headquartered in Danvers, MA.
- At the end of 2010, we 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, MA.
- At the end of 2011, we 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.

Subsequent to the end of the third quarter of 2013, we purchased the American Pride Seafood business from American Seafoods Group LLC (described below under the heading "American Pride Seafoods Acquisition").

High Liner Foods' retail branded products are sold throughout the United States, Canada and Mexico under the *High Liner*, *Fisher Boy*, *Mirabel* and *Sea Cuisine* labels, and are available in most grocery and club stores. The Company also sells branded products to restaurants and institutions under the *High Liner*, *Icelandic Seafood*, *FPI*, *Viking*, *Mirabel*, *Samband of Iceland* and effective October 1, 2013, *American Pride Seafoods* labels, and is the major supplier of private label value-added seafood products to North American food retailers and food service distributors.

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.

Performance Highlights

Financial and operational highlights for the third quarter of 2013 include (all comparisons are relative to the third quarter and first thirty-nine weeks of 2012, unless otherwise noted):

- Sales for the third quarter were $216.5 million, compared with $219.9 million;
- Reported net income increased in the third quarter to $7.4 million (diluted earnings per share ("EPS") of $0.48), compared with $2.2 million (diluted EPS of $0.14). Reported net income was $22.6 million (or diluted EPS of $1.45) for the first thirty-nine weeks of 2013, compared to $4.9 million ($0.32 diluted EPS);
- Adjusted Net Income increased in the third quarter to $10.4 million (Adjusted Diluted EPS of $0.66), compared with $8.0 million (Adjusted Diluted EPS of $0.52). Adjusted Net Income for the first thirty-nine weeks of 2013 was $29.3 million (Adjusted Diluted EPS of $1.88), compared to $27.4 million (Adjusted Diluted EPS of $1.78);
- Adjusted EBITDA for the third quarter was $22.1 million, compared with $21.8 million;
- Standardized Free Cash Flow was $64.7 million for the rolling fifty-two weeks ended September 28, 2013, compared with $41.1 million for the same period ended September 29, 2012; and
- Net interest-bearing debt to Adjusted EBITDA, calculated on a rolling fifty-two week basis, decreased to 3.16x at the end of the third quarter, compared to 3.40x at the end of fiscal 2012.

Events After the Reporting Period

American Pride Seafoods Acquisition

On October 1, 2013, High Liner Foods announced it had acquired the net assets and operations of American Pride Seafoods from Seattle-based American Seafoods Group LLC ("American Pride Acquisition").

American Pride Seafoods ("American Pride") is primarily a value-added frozen seafood food service and scallop processing business based in New Bedford, MA. The acquisition is expected to bolster High Liner Foods' market leadership position in the food service segment of the U.S. value-added frozen seafood industry, and also results in the Company adding significant U.S.-based scallop processing operations to its business portfolio.

High Liner Foods paid $34.5 million in cash proceeds, subject to closing working capital adjustments, to acquire American Pride's net assets, which principally include inventory, plant and equipment located in New Bedford, and excludes accounts receivable of approximately $15.5 million, for a total enterprise value of approximately $50 million. As part of the transaction, we assumed certain operating leases related to the acquired businesses.

American Pride's branded and private label products are primarily distributed in the U.S. to foodservice customers in the commercial and independent restaurant, health care and education markets, as well as to some export and U.S. retail markets.

American Pride's revenues were approximately $190 million in 2012. High Liner Foods expects the acquisition to be modestly accretive to earnings in 2014, after considering the impact of incremental interest costs related to financing the acquisition, and excluding the impact of any integration costs. One-time costs associated with the acquisition will be expensed in the third and fourth quarter of 2013 and the acquisition was financed within existing credit facilities.

High Liner Foods plans to delay the integration of this acquisition into its business and will operate American Pride without any substantial changes to its existing operations until post-Lent 2014. This will allow High Liner Foods to continue its current efforts focused on fully realizing the synergies related to the closure of our plant in Danvers, MA, in the first quarter of 2013. As a result, realization of the full synergies expected from integrating this acquisition will be delayed until 2015. While the operating margins of American Pride have traditionally been lower than those of High Liner Foods, the Company expects these margins will improve to levels closer to High Liner Foods' existing operating margins once American Pride is fully integrated and expected synergies from the transaction are realized.

As of September 29, 2013, the amounts recorded in the Company's Unaudited Condensed Interim Consolidated Financial Statements for the period ended September

28, 2013 relating to the acquisition include $34.5 million in bank loans, as the Company used its existing asset-based facility to finance the acquisition. This loan was offset by a cash balance as the transaction did not close until October 1, 2013. The initial accounting for this business combination was incomplete at the time the financial statements for the thirteen and thirty-nine weeks ended September 28, 2013 were authorized for issue; therefore, certain disclosures cannot be determined at this time, including the amounts to be recognized as of the acquisition date for assets acquired and liabilities assumed, as well as additional goodwill or intangible assets to arise from the transaction.

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 headings “Presentation Currency” and “Foreign Currency” under the Introduction and Risk Factors sections, respectively, of this report.

Net Working Capital

Net working capital balance, consisting of accounts receivable, inventories and prepaid expenses, less accounts payable and provisions, was lower by $27.5 million at September 29, 2013 compared to September 29, 2012 and by $11.4 million compared to December 29, 2012.

The balance of accounts receivable, inventories and prepaid expenses, in aggregate, decreased by $44.0 million at the end of the third quarter of 2013 compared to one year earlier and by $40.0 million compared to December 29, 2012. The balance of accounts payable and provisions, in aggregate, decreased by $16.5 million at the end of the third quarter of 2013 compared to one year earlier and by $28.5 million compared to the balance at December 29, 2012. The reduction in net working capital contributed towards the reduction in our net interest-bearing debt, which has decreased by $57.2 million since the end of the third quarter of 2012.

Inventories decreased at the end of the third quarter of 2013 relative to both the end of the third quarter of 2012 and at December 29, 2012. The Company had 62.0 million pounds of product inventory at the end of the third quarter of 2013, compared with 74.5 million pounds at the end of the third quarter of 2012, and 78.2 million at December 29, 2012. The decrease in inventories is due to a decision by management to reduce inventories during our busiest period, which begins in the fall of one year and ends on Easter of the next year.

Accounts payable and provisions balances at the end of the third quarter of 2013 were lower than they were at the end of the third quarter of 2012 and at December 29, 2012 due to reduced inventories; a lower accrual for employee incentives; the payment of severance costs accrued related to the Icelandic USA Acquisition and a decrease in the estimate of the severance accrual; a portion of the stock option liability related to stock appreciation rights (“SARs”), as explained in the following section, was transferred to

contributed surplus; and lower accrued interest due to lower interest rates and lower debt balances.

Equity

We filed a normal course issuer bid in January 2013 to purchase up to 250,000 common shares. To date in 2013, we have not repurchased any shares under this normal course issuer bid.

In recent years, all stock options issued by the Company contained a 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 the stock price increases with a corresponding expense and conversely, the liability decreases when the stock price decreases with a corresponding income recovery.

As explained in our MD&A for the thirteen weeks ended March 30, 2013, recognizing the volatility of tandem SARs on the Company's profit and loss and the potential cash outflow if a significant number 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, voluntary 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 SARs. Effective at that time, the liability for these individuals related to the tandem SARs was fixed and there will be no future profit or loss going forward related to 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 will result in the issuance of common stock to the option holders who will then decide either to hold the stock or crystallize the value from the options by selling the stock in the market.

Net Interest-Bearing Debt

Our net interest-bearing debt is comprised of working capital credit and term loan facilities, and finance leases, less cash. Our net interest-bearing debt position decreased to a liability of $267.6 million at September 28, 2013 compared to a liability of $324.8 million at September 29, 2012. This $57.2 million reduction reflects the use of positive cash flow generated from operations, including reductions in net working capital, used to reduce our debt over this one year period.

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

Working capital credit facility

Of our working capital credit facility of $180 million, $55 million is allocated to our Canadian operations and $125 million is allocated to our U.S. operations. At the end of the third quarter of 2013, the Company had $73.1 million of unused borrowing capacity taking into account both margin calculations and the total line availability. This availability amount was calculated subsequent to the Company borrowing $34.5 million related to, and in advance of, the American Pride Acquisition (described under the heading "American Pride Seafoods Acquisition") which closed on October 1, 2013. At the end of the third quarter, the $34.5 million was shown as cash on the Company's Consolidated Statement of Financial Position. Including the inventory purchased as part of the American Pride Acquisition in the calculation of unused borrowing capacity will increase the availability under our working capital facility, but the value of the inventory acquired is first subject to a bank audit, which is expected to be completed in November 2013.

The working capital credit facility was also 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. At the end of the third quarter of 2013, we were borrowing at the following rates:

- Canadian Prime Rate loans denominated in CAD and Canadian Base Rate and U.S. Prime Rate loans denominated in USD 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 major acquisitions, we believe the existing credit facility will be sufficient to fund the Company's cash requirements for at least the next 12 months.

At the end of the third quarter of 2013, letters of credit were outstanding in the amount of $1.0 million (September 29, 2012; $1.2 million) to support raw material purchases. There were also standby letters of credit in the amount of $11.2 million (September 29, 2012; $9.8 million) to secure obligations under the Company's supplemental executive retirement plan and certain contractual obligations. Letters of credit reduce the availability under our working capital facility and are accounted for in the $73.1 million of unused borrowing capacity disclosed above.

Term loan facility

We obtained a $250.0 million senior secured term loan facility (“Term Loan”) in December 2011. This facility was amended in February 2013 resulting in the following changes:

- Interest rates decreased to LIBOR plus 3.5%, with a LIBOR floor of 1.25% from LIBOR plus 5.5% and a floor of 1.5%;
- The available amount or “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 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; and
- Other minor changes relating to relaxing the requirements around investments and acquisitions.

The amortization and maturity date are unchanged meaning the full amount of the remaining debt is due to be paid in December 2017.

The Term Loan includes an annual mandatory prepayment of up to 50% of defined excess cash flow, depending on a leverage test. In March 2013, we paid 25% of our excess cash flow for 2012 which was $13.8 million. Due to this excess cash flow payment, which in accordance with the terms of the debt agreement is applied against the principal payments otherwise due in the year, there are no additional repayments expected for the remainder of this year.

Cash Flow

Cash flow from operating activities, excluding the change in non-cash working capital balances, increased in the third quarter of 2013 compared to the third quarter of 2012 due to improved results from operations.

Standardized Free Cash Flow was $64.7 million for the rolling fifty-two weeks ended September 28, 2013 compared to $41.1 million for the same period in 2012. Cash flow from operations, before the net change in non-cash working capital, increased by $10.0 million, and non-cash working capital decreased by $20.2 million, increasing free cash flow by approximately $30.1 million. After accounting for higher capital expenditures, Standardized Free Cash Flow increased $23.6 million over the comparable period.

The table below reconciles our Standardized Free Cash Flow for the rolling fifty-two weeks with measures that are in accordance with IFRS.

Amounts in ($000s)	Rolling fifty-two weeks ended **September 28, 2013**	September 29, 2012
Net change in non-cash working capital	**$ 28,446**	$ 8,280
Cash flows from operations, including interest and income taxes	**51,243**	41,284
Cash flow from operating activities	**79,689**	49,564
Less: total capital expenditures, net of investment tax credits	**(15,033)**	(8,460)
Standardized Free Cash Flow	**$ 64,656**	$ 41,104

Capital Expenditures

Capital additions, net of investment tax credits, and including finance leases, were $4.6 million in the third quarter of 2013 ($9.6 million year-to-date). The estimated capital spending for all of 2013 is $17 million to $20 million compared to $13.5 million in fiscal 2012 and $15.0 million in the rolling fifty-two week period ended September 28, 2013. The increase is primarily due to additional capital expenditures required to complete the integration of the Icelandic USA Acquisition and to upgrade existing facilities to High Liner's new standards. We expect cash generated from operations and short-term borrowings will fund capital additions in 2013.

In Q2 2013, we entered into an agreement to purchase a previously leased cold storage distribution facility in Peabody, MA, for $8 million in March 2014. This will increase capital expenditures in 2014 and replace an operating lease payment with depreciation and interest expense in 2014 onward. Capital expenditures will also increase in 2014 as a related to the New Bedford manufacturing facility acquired as part of the American Pride Acquisition.

Capital Structure

Net interest-bearing debt at September 28, 2013 is 60% of total capitalization, reflecting a reduction of seven percentage points from the balance at December 29, 2012 and at September 29, 2012. The decrease in the net interest-bearing debt-to-total 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 related to the Icelandic USA Acquisition, the net interest bearing debt-to-total capitalization ratio is expected to decrease further, however borrowings for the American Pride Acquisition will increase the ratio, in the short-term. We define total 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 excluding deferred financing charges as they are not interest bearing.

Amounts in ($000s)	**September 28, 2013**	September 29, 2012	December 29, 2012
Current bank loans per financial statements*	**$ 72,744**	$ 73,846	$ 59,704
Add back: deferred charges on current bank loans	**766**	909	826
Total current bank debt	**73,510**	74,755	60,530
Long-term debt per financial statements	**226,514**	214,685	213,359
Current portion of long-term debt per financial statements	**-**	15,438	34,237
Add back: deferred charges on long-term debt	**1,034**	12,634	370
Add back: bifurcated embedded derivative	**5,172**	5,368	159
Total term loan debt	**232,720**	248,125	248,125
Current portion of finance lease obligation	**1,014**	998	1,039
Long-term portion of finance lease obligation	**1,726**	2,344	2,181
Total finance lease obligation	**2,740**	3,342	3,220
Less: cash*	**(41,399)**	(1,463)	(65)
Net interest-bearing debt	**267,571**	324,759	311,810
Shareholders' equity	**180,229**	158,107	153,354
Unrealized losses on derivative financial instruments included in AOCI	**16**	807	329
Total capitalization	**$ 447,816**	$ 483,673	$ 465,493
Net interest-bearing debt as a percentage of total capitalization	**60%**	67%	67%

* Current bank loans and cash balances as of September 28, 2013 reflect $34.5 million in borrowings related to the American Pride Acquisition made on October 1, 2013.

Using our September 28, 2013 market capitalization of $538.0 million, based on a share price of CAD$36.44 ($35.38 USD equivalent) and shares outstanding of 15,207,021, instead of the book value of equity, net interest-bearing debt as a percentage of capitalization reduces to 33%.

Our net interest-bearing debt to Adjusted EBITDA ratio, calculated on a rolling fifty-two week basis, was 3.16 times at September 28, 2013 compared to 3.40 times at the end of fiscal 2012. We expect this ratio will be reduced further with the repayment of debt from free cash flow, but will increase in the short-term due to borrowings related to the American Pride Acquisition.

Amounts in ($000s)		Rolling fifty-two weeks ended September 28, 2013		December 29, 2012
Net interest bearing debt, as above	**$**	**267,571**	$	311,810
Adjusted EBITDA, January 2012 to September 2012	**$**	**-**	$	69,654
Adjusted EBITDA, October 2012 to December 2012		**22,072**		22,072
Rolling 12 month Adjusted EBITDA	**$**	**84,756**	$	91,726
Net interest-bearing debt to Adjusted EBITDA ratio		**3.16x**		3.40x

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

Dividends

The Company paid a CAD$0.18 per share quarterly dividend on September 16, 2013 to common shareholders of record on September 3, 2013.

Today, the Board of Directors of High Liner Foods approved a quarterly dividend of CAD$0.19 per share payable on December 16, 2013 to shareholders of record on December 2, 2013. This represents a 6% increase from the CAD$0.18-per-share quarterly dividend paid on September 16, 2013, reflecting the fourth dividend increase over the last five quarters and the Board's continued confidence in the Company's operations.

Dividends are subject to restrictions in our credit agreements. Availability under the working capital facility needs to be $22.5 million or higher (actual availability on September 28, 2013 was $73.1 million). Under the Term Loan facility, capital distributions, including both normal course issuer bids and dividends, cannot exceed the greater of $15.5 million per year or the defined available amount based on excess cash flow accumulated 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 ending September 28, 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 Unaudited Condensed Interim Consolidated Financial Statements for the period ended September 28, 2013.

New Accounting Standards and Interpretations Issued But Not Yet Effective

We are evaluating the effect, if any, that new proposed standards and amendments will have on our financial results. We will determine and disclose the impact that these standards and amendments have on the Company closer to their effective dates.

Business Acquisition, Integration and Other Expenses

The following table shows the financial impact of various items related to integration efforts and related impairments associated with the Icelandic USA Acquisition and acquisition costs associated with the American Pride Acquisition.

	Thirteen weeks ended		Thirty-nine weeks ended	
Amounts in ($000s)	**September 28, 2013**	September 29, 2012	**September 28, 2013**	September 29, 2012
Pre-tax basis:				
Business acquisition, integration and other expenses	**$ 532**	$ 2,101	**$ 1,291**	$ 7,332
Impairment of property, plant and	**-**	-	**-**	13,723
Cost of sales:				
Additional depreciation for impairment of property, plant & equipment	**-**	627	**-**	1,253
	$ 532	$ 2,728	**$ 1,291**	$ 22,308
After-tax basis:				
Business acquisition, integration and other expenses	**$ 321**	$ 1,375	**$ 852**	$ 4,680
Impairment of property, plant and	**-**	-	**-**	8,967
Cost of sales:				
Additional depreciation for impairment of property, plant & equipment	**-**	384	**-**	793
	$ 321	$ 1,759	**$ 852**	$ 14,440

During the first quarter of 2012, we incurred substantial costs relating to the write-down of our Danvers and Burin plants that we had previously disclosed we would be closing. As well, during the first three quarters of 2012, we incurred costs associated with integrating the Icelandic USA Acquisition.

During the first three quarters of 2013, we recorded additional expenses related to the integration of the Icelandic USA Acquisition and an insignificant loss relating to the sale of a primary processing plant in China that was 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. The impact of the additional integration-related expenses and the insignificant loss related to the sale of the facility in China, were partially offset by reversal of a portion of the estimated accrued severance costs deemed to no longer be required.

Amortization of Intangible Assets

This category consists of amortization of intangible assets, brands and customer relationships over their estimated useful lives. Amortization was $1.6 million in the third quarter of 2013 compared to $1.8 million in third quarter of 2012 and was $4.1 million for the first three quarters of 2013 compared to $5.3 million for the same period in the prior year. The decrease is due to the finalization of the Icelandic USA Acquisition purchase price allocation for accounting purposes in the fourth quarter of 2012. Adjustments to the original purchase price allocation for this acquisition resulted in lower amortization than what was recorded in the first three quarters of 2012. Amortization of intangible assets is recorded on the income statement in “Selling, general and administrative expenses”. During the third quarter of 2013, we recorded an impairment charge of $0.4 million on a brand acquired in 2007, due to a reduction of sales under that brand.

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 amortization of the majority of the deferred financing costs associated with the long-term debt obtained in late 2011 was accelerated in 2012.

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

Amounts in ($000s)	Thirteen weeks ended **September 28, 2013**	 September 29, 2012	Thirty-nine weeks ended **September 28, 2013**	 September 29, 2012
Interest paid in cash during the period	**$ 3,251**	$ 5,710	**$ 13,361**	$ 13,781
Change in cash interest accrued during the period	**48**	(478)	**(2,463)**	2,587
Total interest to be paid in cash	**3,299**	5,232	**10,898**	16,368
Deferred financing cost amortization	**148**	701	**758**	2,068
Amendment fees expensed	**-**	-	**1,063**	-
Valuation of embedded derivitive	**740**	1,383	**35**	3,124
Mark-to-market on interest rate swap	**181**	715	**7**	715
Total finance costs	**$ 4,368**	$ 8,031	**$ 12,761**	$ 22,275

Income Taxes

Our effective income tax rate for the third quarter of 2013 was 37.0% (30.9% for the first three quarters of 2013) 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 third quarter and first three quarters of 2013 relative to the Canadian statutory rate is due to a proposed distribution in the third quarter of 2013 from our U.S. subsidiary to its Canada parent related to financing the American Pride Acquisition. The proposed distribution was declared subsequent to the end of the third quarter of 2013. The lower effective income tax rate is impacted by the proportionate income in its Canadian and U.S. operations and benefits associated with acquisition financing deductions.

Performance

Overview

The table below summarizes key financial information for the relevant period.

Selected Consolidated Financial Information

All amounts in ($000s), except sales volume and per share amounts

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 28, 2013	September 29, 2012	**September 28, 2013**	September 29, 2012
Sales				
Canadian operations in CAD	**$ 78,696**	$ 74,241	**$ 232,988**	$ 233,254
Conversion of Canadian sales to USD	**(2,928)**	443	**(5,324)**	(429)
United States	**140,718**	145,256	**468,891**	491,520
Total	**$ 216,486**	$ 219,940	**$ 696,555**	$ 724,345
Sales volume (millions of lbs)	**63.5**	64.3	**206.9**	212.4
Net income:				
Total	**$ 7,444**	$ 2,169	**$ 22,589**	$ 4,886
Diluted earnings per common share	**$ 0.48**	$ 0.14	**$ 1.45**	$ 0.32
Adjusted Net Income				
Total	**$ 10,367**	$ 7,976	**$ 29,337**	$ 27,435
Diluted earnings per common share	**$ 0.66**	$ 0.52	**$ 1.88**	$ 1.78
Total assets	**$ 620,150**	$ 629,157	**$ 620,150**	$ 629,157
Total long-term financial liabilites	**$ 288,166**	$ 287,343	**$ 288,166**	$ 287,343
Cash dividends per share	**$ 0.18**	$ 0.11	**$ 0.51**	$ 0.31
Total capital expenditures, net of investment tax credits, financed by operations	**$ 4,578**	$ 2,525	**$ 9,181**	$ 6,857
Average foreign exchange spot rate (USD/CAD)	**1.0387**	0.9953	**1.0233**	1.0023

Seasonality

Overall, the first quarter of the year is historically stronger than the other three quarters for both sales and profits, and correspondingly, the second quarter is the weakest. Both our retail and food service businesses traditionally experience a strong first quarter as retailers and restaurants promote seafood during the Lenten period. As such, the timing of Lent can impact our first quarter results, with later Lents generally contributing to stronger financial results than earlier Lents. The Lenten period was earlier in 2013 than in 2012 with Good Friday falling on March 29, 2013 compared to April 6, 2012. The Lenten period will be later next year as Good Friday falls on April 18, 2014.

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 second and third quarters 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 in the period when the initial promotional activity takes place or when new products are first shipped. A significant percentage of advertising is typically done in either the first or fourth quarters, however the accounting periods during which we incur these expenditures may change from year to year and therefore, there may be fluctuations in income relating to these activities. Investment in promoting our *Sea Cuisine* brand in the U.S. in 2013 resulted in increased trade spending, listing allowances and couponing, all deducted from Revenues, as well as increased consumer marketing expense, which is included in Selling, general and administration expense during the first three quarters 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.

Selected Consolidated Finanical Information
All amounts in ($000s), except per share amounts

	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011
Sales	**$ 216,486**	$ 204,908	$ 275,161	$ 218,280	$ 219,940	$ 216,831	$ 287,573	$ 172,475	$ 164,726
Adjusted EBITDA	**$ 22,093**	$ 19,293	$ 21,298	$ 22,072	$ 21,753	$ 16,372	$ 31,529	$ 14,308	$ 12,299
Net income	**$ 7,444**	$ 9,881	$ 5,264	$ (2,683)	$ 2,169	$ 989	$ 1,728	$ (2,941)	$ 6,784
Adjusted Net Income	**$ 10,367**	$ 9,184	$ 9,786	$ 10,636	$ 7,976	$ 5,450	$ 14,009	$ 6,738	$ 6,341
EPS, based on Net income									
Basic	**$ 0.49**	$ 0.65	$ 0.35	$ (0.18)	$ 0.14	$ 0.07	$ 0.11	$ (0.19)	$ 0.45
Diluted	**$ 0.48**	$ 0.63	$ 0.34	$ (0.18)	$ 0.14	$ 0.06	$ 0.11	$ (0.19)	$ 0.44
EPS, based on Adjusted Net Income									
Basic	**$ 0.68**	$ 0.61	$ 0.65	$ 0.70	$ 0.53	$ 0.36	$ 0.93	$ 0.45	$ 0.42
Diluted	**$ 0.66**	$ 0.59	$ 0.63	$ 0.68	$ 0.52	$ 0.35	$ 0.91	$ 0.44	$ 0.41
Dividend per common and non-voting equity share in $CAD									
	$ 0.18	$ 0.18	$ 0.15	$ 0.11	$ 0.11	$ 0.10	$ 0.10	$ 0.10	$ 0.10
Net working capital (accounts receivable, inventories and prepaid expenses, less accounts payable and provisions)									
	$ 184,815	$ 173,649	$ 205,848	$ 196,196	$ 212,270	$ 218,776	$ 260,265	$ 235,014	$ 137,435

Sales

Thirteen weeks

Sales for the third quarter of 2013 decreased by $3.4 million, or 1.5%, to $216.5 million compared to $219.9 million for the same quarter in 2012. Sales volume measured in pounds decreased by 1.2% to 63.5 million compared to 64.3 million for the same periods.

Sales in domestic currency were $219.4 million in the third quarter of 2013, consistent with $219.5 million for the same period in the previous year. Approximately one-third of the High Liner Foods' sales are denominated in CAD and the effect of translating our Canadian parent company's CAD denominated sales to USD decreased the value of reported sales relative to the comparable period in 2012 by approximately $3.4 million.

The decrease in sales volumes in the third quarter of 2013 compared to the third quarter of 2012 reflects lower food service sales in the U.S. and lower retail private label sales in Canada and the U.S., partially offset by and higher branded retail sales in Canada and the U.S. and higher food service sales in Canada. The decline in U.S. food service sales reflects weak sales being experienced by the U.S. restaurant industry as a whole in 2013, and the decrease in retail private label sales reflects a trend being experienced in the seafood marketplace overall of decreased demand for retail private label seafood products. More detail on specific changes in sales is provided below in the "Performance by Segment" section.

Thirty-nine weeks

Sales for the first three quarters of 2013 decreased by $27.7 million, or 4.8%, to $696.6 million compared to $724.3 million for the same period in 2012. Sales volume measured in pounds decreased by 2.6% to 206.9 million compared to 212.4 million for the same periods.

Sales in domestic currency decreased by $22.9 million, or 3.2%, to $701.9 million in the first three quarters of 2013 compared to $724.8 million for the same period in the previous year. Approximately one-third of the High Liner Foods' sales are denominated in CAD. The effect of translating our Canadian parent company's CAD denominated sales to USD decreased the value of reported sales relative to the comparable period in 2012 by approximately $5.0 million.

The vast majority of the decrease in sales for the first three quarters of 2013 compared to the same period in 2012 is attributable to lower food service sales in the U.S. and lower retail private label sales in Canada and the U.S., partially offset by branded retail sales in the U.S. and higher food service sales in Canada. The declines in U.S. food service sales and retail private label sales in Canada and the U.S. are due to the same factors described above for sales in the third quarter of 2013. In addition, sales in 2013 were negatively impacted by the following items compared to 2012:

- Decreases in certain commodity seafood costs in 2013 led to a reduction in the selling prices for some products in 2013;
- An earlier Lent resulted in a shorter selling period this year between Super Bowl and Good Friday, a period when seafood is typically heavily promoted; and
- In the first quarter of 2013, we expedited the closure of our plant in Danvers, MA, and relocated food service distribution to Newport News which resulted in production and logistical challenges and hindered the delivery of product to our customers.

More detail on specific changes in sales is provided below in the "Performance by Segment" section.

Gross Profit

Thirteen weeks

Consolidated gross profit in the third quarter of 2013 increased by $2.7 million to $52.1 million compared to $49.4 million in 2012. Gross profit as a percentage of sales was 24.1% compared to 22.5% in the prior year. Despite a 1.2% decrease in sales volume, gross profit in dollars increased in the third quarter of 2013 compared to the same period last year reflecting an overall decrease in input costs and synergies realized from integrating Icelandic USA. Partially offsetting these items were increased operating expenses related to our U.S. manufacturing facilities and the impact of an unfavourable

change in the CAD/USD exchange rate used to translate our CAD denominated operations to USD.

In the first quarter of 2013, we expedited the closure of our plant in Danvers, MA, increased production at our manufacturing facilities in Newport News, Virginia, and Portsmouth, New Hampshire, and relocated U.S. food service distribution to Newport News. During this transition, we incurred incremental operating costs associated with decreased plant throughput rates as our manufacturing facilities integrated new products into their respective production facilities. While we have been successful in increasing plant throughput rates from those experienced in the first quarter, these rates have not been fully restored to optimal levels and as a result, we continued to incur additional operating costs in the third quarter related to the reduced throughput rates.

Thirty-nine weeks

Consolidated gross profit in the first three quarters of 2013 increased by $1.0 million to $160.9 million compared to $159.9 million in 2012. Gross profit as a percentage of sales was 23.1% compared to 22.1% in the prior year. Despite a 2.5% decrease in sales volume, gross profit in dollars increased relative to the same period in the previous year due to an overall decrease in input costs and synergies realized from integrating Icelandic USA.

Gross profit in 2012 reflects a charge of $1.2 million relating to an increase in the cost of the finished goods inventory purchased as part of the Icelandic USA Acquisition, above its historical cost, as part of the fair value reporting requirements of purchase price accounting. There was no similar amount in 2013.

Partially offsetting the favourable impact of the items described above, gross profit in the first three quarters of 2013 was reduced by the incremental operating costs incurred in 2013 related to the closure of our Danvers plant and relocation of food service distribution to Newport News, as described above for gross profit in the third quarter of 2013. Specifically, lower plant throughput rates at our manufacturing facilities in Newport News and Portsmouth have increased operating costs, and related to the plant closure, in the first quarter of 2013 additional costs were incurred to relocate equipment. In addition, there was an unfavourable change in the CAD/USD exchange rate used to translate our CAD denominated operations to USD for the first three quarters of 2013 compared to 2012, and gross profit in the first quarter of 2013 was negatively impacted by competitive pressures that reduced commodity selling prices more rapidly than the applicable decline in cost for these products.

Distribution Expenses

Thirteen weeks

Distribution expenses, consisting of freight and storage, in the third quarter of 2013, increased by $2.6 million to $13.7 million compared to $11.1 million in 2012.

Distribution expenses increased as a percentage of sales to 6.3% compared to 5.0% in the prior year reflecting the production challenges experienced in 2013 related to reduced plant throughput rates at our Newport News and Portsmouth facilities since the closure of our Danvers plant in the first quarter of 2013. Incremental freight costs were incurred in the third quarter of 2013 as a result of moving more product between our U.S. facilities compared to 2012, as we balanced the productivity issues and plant capacities.

Thirty-nine weeks

Distribution expenses for the first three quarters of 2013 increased by $5.9 million to $40.5 million compared to $34.6 million in 2012. Distribution expenses increased as a percentage of sales to 5.8% compared to 4.8% in the prior year due to the same factors described above for distribution costs in the third quarter, namely the production issues encountered after the closure of our Danvers plant in the first quarter of 2013 associated with reduced plant throughput rates and increased movement of product between our U.S. facilities to balance the productivity issues and plant capacities. In addition, related to relocating U.S. food service distribution to Newport News in the first quarter of 2013, additional distribution costs were incurred as a result of challenges encountered related to hiring and training additional staff for our cold storage facility.

The additional distribution costs incurred in the first three quarters of the year were approximately $6.2 million and had the effect of deferring the full impact of the expected synergies related to closing the Danvers plant. Excluding these additional costs, distribution expense would have been 4.9% of sales for the first three quarters of 2013 as compared to 4.8% for the same period in 2012.

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

	Thirteen weeks ended		Thirty-nine weeks ended	
Amounts in ($000s)	**September 28, 2013**	September 29, 2012	**September 28, 2013**	September 29, 2012
SG&A, as reported	**$ 21,659**	$ 24,416	**$ 73,810**	$ 76,998
Less:				
Amortization expense	**1,646**	1,781	**4,055**	5,349
Stock-based compensation expense	**1,057**	2,329	**4,416**	4,679
Net SG&A	**$ 18,956**	$ 20,306	**$ 65,339**	$ 66,970
Net SG&A as a % of sales	**8.8%**	9.2%	**9.4%**	9.2%

Thirteen weeks

SG&A expense for the third quarter of 2013 decreased by $2.7 million to $21.7 million, compared to $24.4 million for the same period in 2012. Amortization expense recorded in SG&A decreased by $0.1 million to $1.6 million in the third quarter of 2013, compared to $1.8 million in the same quarter last year, and reflects a decrease in

amortization related to the finalization of the Icelandic USA Acquisition purchase price allocation late in 2012, which resulted in lower amortization than originally estimated, partially offset by a $0.4 million impairment in the value of a brand acquired in 2007. Stock-based compensation expense recorded in SG&A decreased by $1.2 million in the third quarter of 2013 to $1.1 million, compared to $2.3 million in the same quarter last year. The change in stock-based compensation reflects an increase in the Company's stock price since the end of the second quarter, offset by the fact that a significant portion of the stock appreciation rights were extinguished.

Excluding stock-based compensation and amortization expenses, SG&A decreased by $1.3 million to $19.0 million in the third quarter of 2013 and was 8.8% of sales, compared to 9.2% for the same period last year, reflecting synergies realized in 2013 from integrating Icelandic USA.

Thirty-nine weeks

SG&A expense for the first three quarters of 2013 decreased by $3.2 million to $73.8 million, compared to $77.0 million for the same period in 2012. The amortization expense recorded in SG&A in the first three quarters of 2013 decreased by $1.2 million to $4.1 million compared to $5.3 million in the same period last year. Amortization recorded in SG&A decreased in 2013 due to finalization of the Icelandic USA Acquisition purchase price late in 2012 which resulted in lower amortization than originally estimated, partially offset by a $0.4 million impairment in the value of a brand acquired in 2007. Also contributing to the decrease in SG&A, the stock-based compensation expense recorded in SG&A for the first three quarters of 2013 decreased by $0.3 million to $4.4 million, compared to $4.7 million for the same period last year.

Excluding stock-based compensation and amortization expenses, SG&A in the first three quarters of 2013 decreased by $1.6 million and was 9.4% of sales, compared to 9.2% for the same period in 2012. The increase in S&GA as a percentage of sales is due to lower sales achieved in 2013. In terms of dollars spent, the decrease in SG&A reflects synergies realized in 2013 from integrating Icelandic USA, however, the benefit of these was partially offset by an increase in U.S. consumer advertising and other promotional costs spent in the first three quarters of 2013 as we invested in increasing the distribution and sales for our retail *Sea Cuisine* brand sold in the U.S.

Adjusted EBITDA

Thirteen weeks

Consolidated Adjusted EBITDA in the third quarter of 2013 increased slightly to $22.1 million compared to $21.8 million for the same period in 2012 and was 10.2% of sales in the third quarter of 2013 compared to 9.9% in the same period in 2012. Lower overall raw material costs compared to last year, along with synergies realized in 2013 from integrating Icelandic USA, increased Adjusted EBITDA in the third quarter of 2013 compared to the same period in 2012, but this increase was partially offset by the impact

of lower sales and higher production and distribution costs associated with reduced plant thoughput rates experienced at our U.S. manufacturing facilities since our Danvers plant was closed in the first quarter of 2013.

	Thirteen weeks ended **September 28, 2013**			Thirteen weeks ended September 29, 2012		
Amounts in ($000s)	**Canada**	**U.S.**	**Total**	Canada	U.S.	Total
Net income	**$ 3,851**	**$ 3,593**	**$ 7,444**	$ 636	$ 1,533	$ 2,169
Add back:						
Depreciation	**817**	**1,526**	**2,343**	986	2,560	3,546
Amortization	**470**	**1,176**	**1,646**	54	1,727	1,781
Financing costs	**185**	**4,183**	**4,368**	193	7,838	8,031
Income taxes	**2,250**	**2,119**	**4,369**	1,151	399	1,550
Standardized EBITDA	**7,573**	**12,597**	**20,170**	3,020	14,057	17,077
Add back (deduct):						
Business acquisition, integration and other expenses	**(35)**	**567**	**532**	703	1,398	2,101
Loss (gain) on disposal of assets	**23**	**98**	**121**	3	(5)	(2)
Adjusted EBITDA, including stock compensation expense	**7,561**	**13,262**	**20,823**	3,726	15,450	19,176
Add back:						
Non-cash stock comp expense	**963**	**307**	**1,270**	2,145	432	2,577
Adjusted EBITDA	**8,524**	**13,569**	**22,093**	5,871	15,882	21,753
Asset disposals	**(23)**	**(98)**	**(121)**	(3)	5	2
Less: depreciation & amortization	**(1,287)**	**(2,702)**	**(3,989)**	(1,040)	(4,287)	(5,327)
Adjusted EBIT	**$ 7,214**	**$ 10,769**	**$ 17,983**	$ 4,828	$ 11,600	$ 16,428

Thirty-nine weeks

Consolidated Adjusted EBITDA in the first three quarters of 2013 decreased by $7.0 million to $62.7 million compared to $69.7 million for the same period in 2012 and was 9.0% of sales for the first three quarters of 2013 compared to 9.6% for the same period in 2012. Adjusted EBITDA decreased in 2013 due primarily to: lower sales; increased production and distribution costs associated with reduced plant thoughput rates experienced at our U.S. manufacturing facilities since our Danvers plant was closed and relocation of U.S. food service distribution to Newport News in the first quarter of 2013; higher *Sea Cuisine* marketing costs; and lower margins in the first quarter of 2013 on certain food service commodity products as selling price declines were passed on to customers in advance of experiencing lower average costs. The negative impact of these items on Adjusted EBITDA was partially offset by lower overall raw material costs in 2013 and realization of synergies resulting from integrating Icelandic USA.

Amounts in ($000s)	Thirty-nine weeks ended **September 28, 2013** **Canada**	**U.S.**	**Total**	Thirty-nine weeks ended September 29, 2012 Canada	U.S.	Total
Net income	**$ 10,277**	**$ 12,312**	**$ 22,589**	$ 2,856	$ 2,030	$ 4,886
Add back:						
Depreciation	**2,515**	**4,625**	**7,140**	2,846	7,069	9,915
Amortization	**526**	**3,529**	**4,055**	162	5,187	5,349
Financing costs	**988**	**11,773**	**12,761**	964	21,311	22,275
Income taxes	**6,097**	**3,983**	**10,080**	2,334	(2,320)	14
Standardized EBITDA	**20,403**	**36,222**	**56,625**	9,162	33,277	42,439
Add back (deduct):						
Business acquisition, integration and other expenses	**(64)**	**1,355**	**1,291**	1,214	6,118	7,332
Impairment of property, plant and equipment	**-**	**-**	**-**	4,900	8,823	13,723
Increase in cost of sales due to purchase price allocation to inventory *	**-**	**-**	**-**	-	1,149	1,149
Loss (gain) on disposal of assets	**37**	**142**	**178**	(150)	48	(102)
Adjusted EBITDA, including stock compensation expense	**20,376**	**37,719**	**58,095**	15,126	49,415	64,541
Add back:						
Non-cash stock comp expense	**3,965**	**624**	**4,589**	4,344	769	5,113
Adjusted EBITDA	**24,341**	**38,343**	**62,684**	19,470	50,184	69,654
Asset disposals	**(37)**	**(142)**	**(179)**	150	(48)	102
Less: depreciation & amortization	**(3,041)**	**(8,154)**	**(11,195)**	(3,008)	(12,256)	(15,264)
Adjusted EBIT	**$ 21,263**	**$ 30,047**	**$ 51,310**	$ 16,612	$ 37,880	$ 54,492

* 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 reporting requirements of purchase price

Adjusted EBIT (Earnings before Interest and Taxes)

Adjusted EBIT as reconciled to net income in the above tables, was 8.3% of sales for the third quarter of 2013 (7.4% for the first three quarters of 2013) compared to 7.5% for the same quarter last year (7.5% for the first three quarters of 2012).

Net Income, Adjusted Net Income, EPS and Adjusted EPS

Net income for the third quarter of 2013 was $7.4 million ($0.48 per diluted share); $22.6 million ($1.45 per diluted share) for the first three quarters of 2013; compared to $2.2 million ($0.14 per diluted share) for the same quarter last year; $4.9 million ($0.32 per diluted share) for the first three quarters of 2012.

The tables below show the reconciliation of Adjusted Net Income and Adjusted Diluted EPS to reported net income.

Adjusted Net Income for the third quarter of 2013 increased by $2.4 million to $10.4 million compared to the same quarter in 2012, and Adjusted Diluted EPS was $0.66 in the third quarter of 2013 compared to $0.52 in 2012.

	Thirteen weeks ended **September 28, 2013**		Thirteen weeks ended September 29, 2012	
	($000s)	**Diluted EPS**	($000s)	Diluted EPS
Net income	**$ 7,444**	**$ 0.48**	$ 2,169	$ 0.14
Add back (deduct):				
Business acquisition, integration, and other costs	**321**	**0.02**	1,375	0.09
Impairment of property, plant and equipment	**-**	**-**	384	-
Revaluation of embedded derivative on debt	**541**	**0.03**	1,012	-
Interest rate swap on embedded derivative	**132**	**0.01**	521	-
Debt amendment fees expensed	**-**	**-**	-	0.03
Increase in cost of sales due to purchase price allocation to inventory	**-**	**-**	-	-
Tax on proposed inter-company distribution	**694**	**0.04**	-	-
	9,132	**0.59**	5,461	0.35
Stock compensation expense	**1,235**	**0.08**	2,515	0.16
Adjusted Net Income	**$ 10,367**	**$ 0.66**	$ 7,976	$ 0.52

For the first three quarters of 2013, Adjusted Net Income increased by $1.9 million to $29.3 million compared to the same period in 2012, and Adjusted Diluted EPS was $1.88 in the first three quarters of 2013 compared to $1.78 in 2012.

	Thirty-nine weeks ended **September 28, 2013**		Thirty-nine weeks ended September 29, 2012	
	($000s)	**Diluted EPS**	($000s)	Diluted EPS
Net income	**$ 22,589**	**$ 1.45**	$ 4,886	$ 0.32
Add back (deduct):				
Business acquisition, integration, and other costs	**852**	**0.05**	4,680	0.30
Impairment of property, plant and equipment	**-**	**-**	9,760	-
Revaluation of embedded derivative on debt	**24**	**0.00**	2,276	-
Interest rate swap on embedded derivative	**5**	**0.00**	521	0.03
Debt amendment fees expensed	**776**	**0.05**	-	-
Increase in cost of sales due to purchase price allocation to inventory	**-**	**-**	761	0.05
Tax on proposed inter-company distribution	**694**	**0.04**	(402)	(0.03)
	24,940	**1.60**	22,482	1.46
Stock compensation expense	**4,397**	**0.28**	4,953	0.32
Adjusted Net Income	**$ 29,337**	**$ 1.88**	$ 27,435	$ 1.78
Diluted weighted average shares outstanding (000s)		**15,593**		15,426

Performance by Segment

Canadian Operations

(All currency amounts in this section are in CAD)

Thirteen weeks

External sales from our Canadian operations increased by $4.5 million to $78.7 million for the third quarter of 2013, compared to $74.2 million for same period in 2012, and sales volume increased 3.5% to 18.0 million pounds.

Canadian retail sales volume increased by 1.6% in the third quarter of 2013 compared to the third quarter of 2012, reflecting increased retail branded product sales and sales to club stores, partially offset by decreased retail private label sales. The decreased retail private label sales reflect an overall trend being experienced in the seafood market place.

Canadian food service sales volumes increased by 5.2% in the third quarter of 2013 compared to the third quarter of 2012.

Adjusted EBITDA for our Canadian operations increased by $3.0 million to $8.8 million for the third quarter of 2013 compared to $5.8 million for the same period last year. This increase primarily reflects the overall increase in sales volume and lower overall raw material costs in 2013 compared to 2012, partially offset by an impairment in the value of a brand acquired in 2007 recorded in the third quarter of 2013.

Thirty-nine weeks

External sales from our Canadian operations were $233.0 million for the first three quarters of 2013, consistent with $233.3 million for the same period last year and sales volume increased by 0.7% to 55.1 million pounds.

Canadian retail sales volume decreased by 1.1% in the first three quarters of 2013 compared to the first three quarters of 2012, reflecting decreased retail private label sales, partially offset by increased sales to club stores and an increase in our retail branded product sales. 2012 retail branded product sales included initial stocking sales of the new product *Flame Savours* that were not repeated in 2013.

Canadian food service sales volumes increased by 2.6% in the first three quarters of 2013 compared to the first three quarters of 2012.

Adjusted EBITDA for our Canadian operations increased by $5.4 million to $24.9 million for the first three quarters of 2013 compared to $19.5 million for the same period last year. This increase primarily reflects the overall increase in sales volume and overall lower raw material costs in 2013 compared to 2012.

U.S. Operations

In the first quarter of 2013, in connection with the integration of Icelandic USA, we expedited the closure of our plant in Danvers MA, increased production at our Newport News and Portsmouth production facilities and relocated U.S food service distribution to Newport News. During this transition, we incurred incremental operating costs associated with decreased plant throughput rates as our manufacturing facilities integrated new products into their respective production facilities. While we have been successful in increasing plant throughput rates from those experienced in the first quarter, these rates have not been fully restored to optimal levels and as a result, we continued to incur additional operating costs in the third quarter related to the reduced throughput rates and increased distribution expenses associated with moving more product between our U.S. facilities than in the past to balance the productivity issue and plant capacities. Maximizing throughput rates and reducing operating costs associated with our U.S. manufacturing facilities is currently a top priority for the organization.

As part of the integration of Icelandic USA into our business, certain products have been converted from one brand to another as we solidify our brand positioning and as a result, we can no longer report sales and operating results for High Liner's pre-Icelandic USA business separate from the post-Icelandic USA results.

Thirteen weeks

External sales from our U.S. operations decreased by $4.6 million to $140.7 million for the third quarter of 2013, compared to $145.3 million for the same period in 2012, and sales volume decreased by 3.0% to 45.5 million pounds. The decrease is attributable to lower food service and retail private label sales, partially offset by increased retail branded sales.

U.S. retail sales volume decreased by 4.0% in the third quarter of 2013 compared to the third quarter of 2012, reflecting decreased retail private label sales, partially offset by increased sales to club stores and an increase in our retail branded product sales. As previously explained, the decrease in retail private label sales reflects an overall trend being experienced in the seafood market place.

U.S. food service sales volumes decreased 2.4% in the third quarter of 2013 compared to the same period in the prior year. Similar to the decreases in U.S. food service sales experienced in the first half of 2013, the decrease is due to continued soft restaurant sales related to a sluggish economic recovery in the U.S.

Adjusted EBITDA for our U.S. operations decreased by $2.3 million to $13.6 million in the third quarter of 2013 compared to $15.9 million for the same period last year. This decrease primarily reflects the overall decrease in sales volume and the continued lower plant throughput rates and increased distribution costs incurred since the expedited closure of our Danvers plant in the first quarter of 2013. Partially offsetting the

unfavourable impact of these items on Adjusted EBITDA are synergies realized from integrating Icelandic USA.

<u>Thirty-nine weeks</u>

External sales from our U.S. operations decreased by $22.6 million for the first three quarters of 2013 to $468.9 million compared to $491.5 million for the same period in 2012, and sales volume decreased 3.7% to 151.9 million pounds. The decrease is attributable to lower food service and retail private label sales, partially offset by increased retail branded sales.

U.S. retail sales volume decreased by 1.2% in the first three quarters of 2013 compared to the same period last year, reflecting decreased retail private label sales, partially offset by increased sales to club stores and an increase in our retail branded product sales. As previously explained, the decrease in retail private label sales reflects an overall trend being experienced in the seafood market place.

Our U.S. food service sales volumes decreased 4.7% in the first three quarters of 2013 compared to the same period last year, reflecting:

- Lower sales to food distributors and restaurants in 2013 related to soft restaurant sales resulting from a sluggish economic recovery in the U.S.;
- An earlier Lent in the first quarter of 2013 compared to 2012, which is when seafood products are heavily promoted by restaurants; and
- Lower food service sales to schools in the first half of 2013 as schools chose to reduce seafood items from their menus due to uncertainties created from the introduction of new nutritional requirements for these products.

Adjusted EBITDA for our U.S. operations decreased by $11.8 million to $38.4 for the first three quarters of 2013, compared to $50.2 million for the same period in 2012. This decrease primarily reflects: the overall decrease in sales volume; the impact of lower plant throughput rates and increased distribution costs associated with the expedited closure of our Danvers plant and relocation of U.S. food service distribution to Newport News in the first quarter of 2013; and higher marketing costs in 2013 related to increased promotional activities for our U.S. retail brand *Sea Cuisine*. Partially offsetting the unfavourable impact of these items on Adjusted EBITDA are synergies realized from integrating Icelandic USA.

Outlook

The first quarter of this year was challenging for several reasons, however, with the exception of the lingering plant throughput issues associated with the Icelandic USA integration, and despite continued headwinds on food service sales in the U.S. and retail private label sales across the board, results have improved on a year-to-date basis. Adjusted Net Income for the first three quarters of 2013 increased by $1.9 million to $29.3 million, compared to $27.4 million for the same period last year. In addition, we

are making progress on our strategic goals, including profitable growth, and were pleased to announce our acquisition of American Pride on October 1, 2013. Its business compliments ours and will strengthen our leadership position in the seafood industry.

We plan to delay the integration of this acquisition and to operate American Pride without any substantial changes to its existing operations until post-Lent 2014. This will delay realization of the full synergies expected from this acquisition until 2015, but will allow us to remain focused on our current efforts aimed at increasing plant throughputs in the U.S. to fully realize the synergies related to closing the Danvers plant.

Looking forward, continued cost increases for shrimp and haddock may adversely affect volumes as well as margins for certain products during the balance of 2013 and into next year. The decline in our U.S. food service sales compared to 2012 continues to be disappointing, but to the extent there are improvements in this sector of the U.S. economy, we believe the Company is well positioned for its sales volumes to improve.

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 three quarters 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 the Canadian parent to USD, 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 3% as at September 28, 2013, compared to September 29, 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 of 1.0181 for inventory purchased in USD by our Canadian Operations, compared to 1.0047 for the third quarter of 2012 (exchange rate of 1.0111 for the first thirty-nine weeks of 2013, compared to 1.0034 in 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

High Liner buys approximately $600 million of seafood, packaging, flour or corn based coatings, and cooking oils annually. Seafood and other food inputs markets are global with values expressed in USD. 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 Canadian / U.S. exchange rates.

While higher raw material prices can adversely affect profitability, 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 U.S. (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. In addition, sustained and/or dramatic raw material price changes in key species offered by the Company 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 investments. 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. These are substantially unchanged in 2013.

Disclosure of Outstanding Share Data

On November 7, 2013, 15,207,021 common shares and 713,171 stock options were outstanding. The stock options are, upon vesting, exercisable on a one-for-one basis for common shares of the Company.

Dated: November 7, 2013

Q3 2013 Unaudited Condensed Interim Consolidated Financial Statements

As at and for the thirteen and thirty-nine weeks ended September 28, 2013
With comparative figures as at and for the thirteen and thirty-nine weeks ended September 29, 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	**September 28, 2013**	September 29, 2012	December 29, 2012
			(Restated (note 15))	*(note 15)*
ASSETS				
Current:				
Cash		**$ 41,399**	$ 1,463	$ 65
Accounts receivable		**79,411**	79,324	73,947
Income taxes receivable		**1,977**	2,126	5,145
Other financial assets	13	**845**	667	533
Inventories		**178,006**	220,161	222,313
Prepaid expenses		**1,965**	3,860	2,991
Total current assets		**303,603**	307,601	304,994
Non-current:				
Property, plant and equipment		**86,019**	90,479	89,268
Deferred income taxes	11	**5,230**	5,028	7,207
Other receivables and miscellaneous assets		**1,994**	1,716	2,035
Intangible assets		**106,508**	111,314	110,631
Goodwill		**112,449**	113,019	112,873
Total non-current assets		**312,200**	321,556	322,014
Assets classified as held for sale	3	**4,347**	-	4,819
Total assets		**$ 620,150**	$ 629,157	$ 631,827
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current:				
Bank loans		**$ 72,744**	$ 73,846	$ 59,704
Accounts payable and accrued liabilities		**71,076**	82,214	101,441
Provisions	4	**3,491**	8,861	1,614
Other current financial liabilities	13	**669**	1,401	550
Income taxes payable		**2,761**	949	1,165
Current portion of long-term debt	5	**-**	15,438	34,237
Current portion of finance lease obligations		**1,014**	998	1,039
Total current liabilities		**151,755**	183,707	199,750
Non-current:				
Long-term debt	6	**226,514**	214,685	213,359
Other long-term financial liabilities	13	**6,119**	9,693	1,130
Other long-term liabilities		**1,418**	1,002	1,532
Long-term finance lease obligations		**1,726**	2,344	2,181
Deferred income taxes	11	**44,166**	44,961	45,126
Employee future benefits	7	**8,223**	14,658	13,791
Total non-current liabilities		**288,166**	287,343	277,119
Liabilities directly associated with the assets held for sale	3	**-**	-	1,604
Total liabilities		**439,921**	471,050	478,473
Shareholders' equity				
Common shares	8	**77,784**	74,864	75,169
Contributed surplus		**15,611**	7,698	7,719
Retained earnings		**84,668**	70,478	66,373
Accumulated other comprehensive income		**2,166**	5,067	4,093
Total shareholders' equity		**180,229**	158,107	153,354
Total liabilities and shareholders' equity		**$ 620,150**	$ 629,157	$ 631,827

See accompanying notes

HIGH LINER FOODS INCORPORATED

UNAUDITED
CONSOLIDATED STATEMENT OF INCOME
(in thousands of U.S. dollars, except per share information)

	Notes	Thirteen weeks ended **September 28, 2013**	Thirteen weeks ended September 29, 2012 *(Restated (note 15))*	Thirty-nine weeks ended **September 28, 2013**	Thirty-nine weeks ended September 29, 2012 *(Restated (note 15))*
Revenues		**$ 216,486**	$ 219,940	**$ 696,555**	$ 724,345
Cost of sales		**164,422**	170,501	**535,615**	564,492
Gross profit		**52,064**	49,439	**160,940**	159,853
Distribution expenses		**13,692**	11,096	**40,495**	34,574
Selling, general and administrative expenses		**21,659**	24,416	**73,810**	76,998
Impairment of property, plant and equipment		**-**	-	**-**	13,723
Business acquisition, integration and other expenses		**532**	2,101	**1,291**	7,332
Results from operating activities		**16,181**	11,826	**45,344**	27,226
Finance costs		**4,368**	8,031	**12,761**	22,275
Loss (income) from equity accounted investee, net of income tax		**-**	76	**(86)**	51
Income before income taxes		**11,813**	3,719	**32,669**	4,900
Income taxes					
Current	11	**5,409**	4,042	**10,147**	4,534
Deferred	11	**(1,040)**	(2,492)	**(67)**	(4,520)
Total income tax expense		**4,369**	1,550	**10,080**	14
Net income		**$ 7,444**	$ 2,169	**$ 22,589**	$ 4,886
PER SHARE EARNINGS					
Earnings per common share					
Basic		**$ 0.49**	$ 0.14	**$ 1.49**	$ 0.32
Diluted		**$ 0.48**	$ 0.14	**$ 1.45**	$ 0.32
Weighted average number of shares outstanding					
Basic		**15,200,639**	15,118,968	**15,166,217**	15,118,055
Diluted		**15,594,201**	15,441,186	**15,593,203**	15,426,457

See accompanying notes

HIGH LINER FOODS INCORPORATED

UNAUDITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(in thousands of U.S. dollars)

	Thirteen weeks ended		Thirty-nine weeks ended	
	September 28, 2013	September 29, 2012 *(Restated (note 15))*	**September 28, 2013**	September 29, 2012 *(Restated (note 15))*
Net income for the period	**$ 7,444**	$ 2,169	**$ 22,589**	$ 4,886
Other comprehensive income (loss), net of income tax ***(note 11)***				
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:				
Gain (loss) on hedge of net investment in foreign operations	**2,984**	6,437	**(5,161)**	6,037
(Loss) gain on translation of net investment in foreign operations	**(1,138)**	(3,326)	**2,936**	(3,063)
Translation impact on Canadian dollar denominated AOCI items	**3**	133	**(15)**	199
	1,849	3,244	**(2,240)**	3,173
Effective portion of changes in fair value of cash flow hedges	**(504)**	(409)	**577**	(927)
Net change in fair value of cash flow hedges transferred to income	**(296)**	(55)	**(261)**	(210)
Translation impact on Canadian dollar denominated AOCI items	**15**	10	**(3)**	32
	(785)	(454)	**313**	(1,105)
Net other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods	**1,064**	2,790	**(1,927)**	2,068
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:				
Defined benefit plan actuarial (losses) gains	**(135)**	4,601	**3,270**	(3,644)
Other comprehensive income (loss), net of income tax	**929**	7,391	**1,343**	(1,576)
Total comprehensive income	**$ 8,373**	$ 9,560	**$ 23,932**	$ 3,310

UNAUDITED
CONSOLIDATED STATEMENT OF ACCUMULATED OTHER COMPREHENSIVE INCOME ("AOCI")
(in thousands of U.S. dollars)

	Foreign currency translation adjustments	**Net exchange (losses)/gains 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	**(2,240)**	**-**	**(2,240)**
Cash flow hedges	**-**	**313**	**313**
Balance as at September 28, 2013	**$ 2,182**	**$ (16)**	**$ 2,166**
Balance as at December 31, 2011	$ 2,701	$ 298	$ 2,999
Exchange differences on translation of foreign operations	3,173	-	3,173
Cash flow hedges	-	(1,105)	(1,105)
Balance as at September 29, 2012 *(Restated (note 15))*	$ 5,874	$ (807)	$ 5,067

See accompanying notes

HIGH LINER FOODS INCORPORATED

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)	**-**	**-**	**-**	**3,270**	**(1,927)**	**1,343**
Net income for the period	**-**	**-**	**-**	**22,589**	**-**	**22,589**
Common share dividends	**-**	**-**	**-**	**(7,564)**	**-**	**(7,564)**
Share-based payments	**-**	**2,615**	**312**	**-**	**-**	**2,927**
Conversion of SARs ***(note 9)***	**-**	**-**	**7,580**	**-**	**-**	**7,580**
Balance as at September 28, 2013	**$ -**	**$ 77,784**	**$ 15,611**	**$ 84,668**	**$ 2,166**	**$ 180,229**
Balance as at December 31, 2011	$ 12,973	$ 60,958	$ 7,969	$ 73,928	$ 2,999	$ 158,827
Other comprehensive (loss) income	-	-	-	(3,644)	2,068	(1,576)
Net income for the period	-	-	-	4,886	-	4,886
Common share dividends	-	-	-	(4,692)	-	(4,692)
Share-based payments	-	1,159	-	-	-	1,159
Shares repurchased	(226)	-	(271)	-	-	(497)
Balance as at September 29, 2012 *(Restated (note 15))*	$ 12,747	$ 62,117	$ 7,698	$ 70,478	$ 5,067	$ 158,107

See accompanying notes

HIGH LINER FOODS INCORPORATED

UNAUDITED
CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands of U.S. dollars)

	Thirteen weeks ended		Thirty-nine weeks ended	
	September 28, 2013	September 29, 2012 *(Restated (note 15))*	**September 28, 2013**	September 29, 2012 *(Restated (note 15))*
Cash provided by (used in) operations:				
Net income for the period	**$ 7,444**	$ 2,169	**$ 22,589**	$ 4,886
Charges (credits) to income not involving cash from operations:				
Depreciation and amortization	**3,989**	5,327	**11,195**	15,264
Share-based payment expense	**1,270**	2,577	**4,589**	5,113
Loss on disposal of assets, and impairment	**122**	13	**(193)**	13,646
Payments of employee future benefits in excess of expense	**(220)**	(429)	**(996)**	(1,294)
Finance costs	**4,368**	8,031	**12,761**	22,275
Income tax expense	**4,369**	1,550	**10,080**	14
Loss (income) from equity accounted investee, net of income taxes	**-**	76	**(86)**	51
Unrealized foreign exchange loss (gain)	**71**	83	**49**	(5)
Cash flow provided by operations before changes in non-cash working capital	**21,413**	19,397	**59,988**	59,950
Net change in non-cash working capital balances:				
Accounts receivable	**(8,747)**	325	**(4,513)**	4,219
Inventories	**(4,026)**	6,789	**42,364**	38,797
Prepaids	**1,602**	(662)	**987**	(841)
Provisions	**888**	2,209	**1,482**	7,777
Accounts payable and accrued liabilities	**1,119**	(122)	**(21,118)**	(33,073)
Net change in non-cash working capital balances	**(9,164)**	8,539	**19,202**	16,879
Interest paid	**(3,251)**	(5,710)	**(13,361)**	(13,781)
Income taxes paid	**(3,806)**	(1,413)	**(7,264)**	(5,188)
Net cash flows provided by operating activities	**5,192**	20,813	**58,565**	57,860
Cash provided by (used in) financing activities:				
Increase (decrease) in current working capital facilities	**41,298**	(14,924)	**13,020**	(45,468)
Repayment of finance lease obligations	**(245)**	(268)	**(778)**	(757)
Repayment of long-term debt	**-**	(625)	**(15,406)**	(1,875)
Finance costs	**-**	-	**(1,423)**	-
Common share dividends paid	**(2,653)**	(1,702)	**(7,564)**	(4,692)
Shares repurchase	**-**	-	**-**	(497)
Stock options exercised	**276**	-	**1,177**	551
Net cash flows provided by (used in) financing activities	**38,676**	(17,519)	**(10,974)**	(52,738)
Cash provided by (used in) investing activities:				
Purchase of property, plant and equipment, net of investment tax credits	**(4,578)**	(2,525)	**(9,181)**	(6,857)
Net proceeds on disposal of assets	**422**	11	**1,950**	220
Change in other receivables and miscellaneous assets	**248**	(260)	**439**	(260)
Net cash flows used in investing activities	**(3,908)**	(2,774)	**(6,792)**	(6,897)
Foreign exchange (decrease) increase on cash and cash equivalents	**(2)**	7	**(170)**	33
Change in cash during the period	**39,958**	527	**40,629**	(1,742)
Add-back: cash directly associated with assets held for sale at December 29, 2012	**-**	-	**705**	-
Cash, beginning of period	**1,441**	936	**65**	3,205
Cash, end of period	**$ 41,399**	$ 1,463	**$ 41,399**	$ 1,463

See accompanying notes

1. Reporting entity

High Liner Foods Incorporated (the "Company") 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 and thirty-nine weeks ended September 28, 2013 comprise the Parent and its subsidiaries (herein together referred to as the "Company") 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 Company's Board of Directors on November 7, 2013.

(b) Functional and presentation currency
The Company conducts its business in Canadian and U.S. dollars ("USD"), and unless otherwise noted, all amounts in these unaudited condensed interim consolidated financial statements are in USD. Each of the Company's subsidiaries determines its own functional currency. The Parent Company's functional currency is Canadian dollars ("CAD"). The USD presentation currency has been chosen because it better reflects the Company's consolidated business activities and improves investors' ability to compare the Company's financial results with other publicly traded businesses in the packaged foods industry, which are primarily based in the U.S. and report in USD.

(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 raw materials is earlier than typically required in order to have adequate quantities available during the seasonal closure of plants in Asia during the Lunar New Year period. This results in 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 December 30, 2012, which had an impact on the accounting policies, financial position or performance of the Company, noted below:

IAS 19 *Employee Benefits (Revised)*
On December 30, 2012, 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 7*.

IFRS 13 *Fair Value Measurement*
On December 30, 2012, 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 was nominal.

3. Assets held for sale and impairment

In the first quarter of 2013, the Company determined that its plant and equipment in Danvers, Massachusetts, met the criteria to be classified as assets held for sale. Accordingly, $4.3 million of the plant's property, plant and equipment is classified as assets held for sale, which was reduced in the current quarter by $0.2 million due to the sale of certain assets. As of September 28, 2013, the sale is still assessed as highly probable and the assets are still classified as current.

During the third quarter of 2013, the Company recorded an impairment loss of $0.4 million on a brand acquired in 2007, due to discontinuation of sales under that brand.

4. Provisions

(Amounts in $000s)		
Carrying amount, December 29, 2012	$	1,614
New provisions added		3,624
Provisions utilized		(1,234)
Unused amounts reversed		(513)
Carrying amount, September 28, 2013	**$**	**3,491**

5. Bank loans

(Amounts in $000s)		**September 28, 2013**		December 29, 2012
Bank loans, denominated in Canadian dollars, interest rates not exceeding Canadian prime rate plus 75 basis points or BA Equivalent plus 225 basis points (as at December 29, 2012 not exceeding Canadian prime rate plus 75 basis points).	**$**	**-**	$	1,745
Bank loans, denominated in USD, interest rates not exceeding Canadian base rate plus 75 basis points, U.S. prime rate plus 75 basis points, or LIBOR plus 225 basis points (as at December 29, 2012 not exceeding Canadian base rate plus 75 basis points).		**73,510**		58,785
		73,510		60,530
Less: financing costs		**(766)**		(826)
	$	**72,744**	$	59,704

Subsequent to quarter-end, the Company acquired the assets of American Pride Seafoods *(note 16)*. The acquisition was financed during the current quarter using its existing asset-based facility, which increased the drawings by $34.5 million as at September 28, 2013.

6. Long-term debt

Long-term debt *(Amounts in $000s)*	**September 28, 2013**	December 29, 2012
Term loan at 3.5% plus LIBOR (floor at 1.25%); (December 29, 2012: 5.5% plus LIBOR (floor at 1.5%))	**$ 232,720**	$ 248,125
Less: current portion	**-**	(34,237)
	232,720	213,888
Less: bifurcated embedded derivative at initial recognition of $6.0 million (December 29, 2012: $6.2 million) less accretion	**(5,172)**	(159)
	227,548	213,729
Less: financing charges	**(1,034)**	(370)
	$ 226,514	$ 213,359

The LIBOR floor of 1.25% represents an embedded interest rate derivative that requires bifurcation, where the bifurcated amount is carried at fair value *(note 13)*.

Under the term loan facility, the Company is required to make a mandatory prepayment of its excess cash flow, as defined under the agreement. The Company made such a prepayment in the first quarter of 2013. The agreement requires the prepayment to be applied in the direct order of maturity of the remaining repayments due for the twenty-four months following the relevant mandatory prepayment event, and thereafter, ratably to the remaining repayments. Accordingly, there is no current portion of the term debt due as no payments are expected to be required in the next twelve months.

7. Employee future benefits

For the thirteen and thirty-nine weeks ended September 28, 2013 and September 29, 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 *(note 2(d))* increased the estimated fiscal 2013 net benefit expense to $1.7 million, of which $0.4 million and $1.3 million was recorded in the thirteen and thirty-nine weeks ended September 28, 2013, respectively. The adjustment required for the thirteen and thirty-nine weeks ended September 29, 2012 was nominal.

Short-term employee 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 and thirty-nine weeks ended September 28, 2013 was a nominal recovery and $0.3 million recovery, respectively (September 29, 2012: an expense of $1.3 million and $4.2 million, respectively) in business acquisition, integration and other expenses on the income statement.

Termination benefits
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 $000s)	Thirteen weeks ended **September 28, 2013**	Thirteen weeks ended September 29, 2012 *(Restated (note 15))*	Thirty-nine weeks ended **September 28, 2013**	Thirty-nine weeks ended September 29, 2012 *(Restated (note 15))*
Business acquisition, integration and other expenses	**$ 100**	$ -	**$ 161**	$ 617
Selling, general and administrative	**145**	15	**164**	171
Cost of sales	**132**	-	**152**	-
Distribution expenses	**-**	-	**-**	30
	$ 377	$ 15	**$ 477**	$ 818

8. Share capital

	Thirteen weeks ended September 28, 2013		Thirteen weeks ended September 29, 2012 *(Restated (note 15))*		**Thirty-nine weeks ended September 28, 2013**		Thirty-nine weeks ended September 29, 2012 *(Restated (note 15))*	
	Shares	**($000s)**	Shares	($000s)	**Shares**	**($000s)**	Shares	($000s)
Common shares:								
Balance, beginning of period	**15,195,406**	**$ 77,351**	13,360,006	$ 62,117	**15,128,769**	**$ 75,169**	13,298,784	$ 60,958
Stock options exercised	**11,615**	**433**	-	-	**78,252**	**2,615**	61,222	1,159
Balance, end of period	**15,207,021**	**$ 77,784**	13,360,006	$ 62,117	**15,207,021**	**$ 77,784**	13,360,006	$ 62,117
Non-voting equity shares:								
Balance, beginning of period	**-**	**$ -**	1,758,962	$ 12,747	**-**	**$ -**	1,788,062	$ 12,973
Shares repurchased	**-**	**-**	-	-	**-**	**-**	(29,100)	(226)
Balance, end of period	**-**	**$ -**	1,758,962	$ 12,747	**-**	**$ -**	1,758,962	$ 12,747
Total	**15,207,021**	**$ 77,784**	15,118,968	$ 74,864	**15,207,021**	**$ 77,784**	15,118,968	$ 74,864

The following dividends were declared and paid by the Company:

Amounts:	**September 28, 2013** Per share ($)	**($000s)**	September 29, 2012 Per share ($) *(Restated (note 15))*	($000s)
Dividends on common and non-voting shares declared and paid during the period:				
Thirteen weeks ended	**$ 0.18**	**$ 2,653**	$ 0.11	$ 1,702
Thirty-nine weeks ended	**0.51**	**7,564**	0.31	4,692
Dividends on common and non-voting shares proposed for approval after the respective reporting period (not recognized as a liability during the period):	**0.19**	**2,805**	0.11	1,687

9. 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 $000s)		**September 28, 2013**		December 29, 2012
Fair value included in accounts payable and accrued liabilities	**$**	**3,104**	$	9,730
Fair value included in other long-term financial liabilities		**79**		1,059
Total liability	**$**	**3,183**	$	10,789

The continuity of the total liability related to the options is as follows:

(Amounts in $000s)		**Total fair value of liability**
Balance, September 29, 2012 *(Restated (note 15))*	$	7,814
Expense		4,894
Equity settled exercises		(189)
Redeemed in cash		(1,622)
Translation adjustment		(108)
Balance, December 29, 2012		10,789
Expense		2,905
Equity settled exercises		(750)
Redeemed in cash		(1,917)
Reclassified to contributed surplus		(7,580)
Translation adjustment		(264)
Balance, September 28, 2013	**$**	**3,183**

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

	Thirteen weeks ended				Thirty-nine weeks ended			
(Amounts in $000s)		**September 28, 2013**		September 29, 2012 *(Restated (note 15))*		**September 28, 2013**		September 29, 2012 *(Restated (note 15))*
Cost of sales resulting from:								
Cash-settled options	**$**	**-**	$	-	**$**	**24**	$	37
Equity-settled options		**-**		-		**-**		35
Changes in the fair value of the liability and contributed surplus		**213**		248		**149**		362
Selling, general and administrative expenses resulting from:								
Cash-settled options		**-**		151		**1,893**		518
Equity-settled options		**116**		20		**1,438**		574
Changes in the fair value of the liability and contributed surplus		**405**		1,945		**(599)**		3,196
Share-based payment expense	**$**	**734**	$	2,364	**$**	**2,905**	$	4,722

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	**September 28, 2013**	September 29, 2012
Dividend yield (%)	**1.25 - 2.02**	1.86 - 2.02
Expected volatility (%)	**21.23 - 37.53**	25.97 - 37.26
Risk-free interest rate (%)	**1.00 - 1.94**	1.07 - 1.36
Expected life (years)	**0.23 - 6.00**	1.23 - 5.50
Weighted average fair value (CAD$)	**5.31 - 29.44**	5.32 - 16.66

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 September 28, 2013			Thirteen weeks ended September 29, 2012			**Thirty-nine weeks ended September 28, 2013**			Thirty-nine weeks ended September 29, 2012		
	No.		**WAEP (CAD$)**	No.		WAEP (CAD$)	**No.**		**WAEP (CAD$)**	No.		WAEP (CAD$)
Options with Tandem SARs:												
Outstanding, beginning of period	**164,678**	**$**	**14.57**	804,543	$	13.56	**702,643**	**$**	**14.14**	675,250	$	11.10
Granted	**-**		**-**	15,750		19.68	**-**		**-**	249,543		18.84
Exercised for shares	**(7,088)**		**18.19**	-		-	**(46,938)**		**16.54**	(61,222)		9.06
Exercised for cash	**-**		**-**	(12,500)		9.11	**(88,466)**		**12.14**	(55,778)		9.67
Reinvested as options without Tandem SARs	**-**		**-**	-		-	**(409,649)**		**14.20**	-		-
Outstanding, end of period	**157,590**	**$**	**14.41**	807,793	$	13.80	**157,590**	**$**	**14.41**	807,793	$	13.80
Excercisable, end of period	**124,190**	**$**	**13.53**	481,965	$	10.72	**124,190**	**$**	**13.53**	481,965	$	10.72
Options without Tandem SARs:												
Outstanding, beginning of period	**560,108**	**$**	**20.46**	-	$	-	**15,750**	**$**	**19.68**	-	$	-
Granted	**-**			-		-	**161,496**		**34.77**	-		-
Exercised for shares	**(4,527)**		**34.77**			-	**(31,314)**		**13.99**			
Options reinvested without Tandem SARs	**-**		**-**	-		-	**409,649**		**14.20**	-		-
Outstanding, end of period	**555,581**	**$**	**20.35**	-	$	-	**555,581**	**$**	**20.35**	-	$	-
Excercisable, end of period	**267,598**	**$**	**13.08**	-	$	-	**267,598**	**$**	**13.08**	-	$	-
Total options:												
Outstanding, beginning of period	**724,786**	**$**	**19.12**	804,543	$	13.56	**718,393**	**$**	**14.27**	675,250	$	11.10
Granted	**-**		**-**	15,750		19.68	**161,496**		**34.77**	249,543		18.84
Exercised for shares	**(11,615)**		**24.65**	-		-	**(78,252)**		**15.64**	(61,222)		9.06
Exercised for cash	**-**		**-**	(12,500)		9.11	**(88,466)**		**12.14**	(55,778)		9.67
Outstanding, end of period	**713,171**	**$**	**19.03**	807,793	$	13.80	**713,171**	**$**	**19.03**	807,793	$	13.80
Excercisable, end of period	**391,788**	**$**	**13.23**	481,965	$	10.72	**391,788**	**$**	**13.23**	481,965	$	10.72

The weighted average fair value of options granted during the thirty-nine weeks ended September 28, 2013, was CAD$34.77 (thirty-nine weeks ended September 29, 2012: CAD$18.84).

The range of exercise prices for options outstanding at the end of the period was CAD$6.90 – CAD$34.77 (September 29, 2012: CAD$6.90 – CAD$19.68).

Performance share units (PSUs)

	Thirteen weeks ended		Thirty-nine weeks ended	
	September 28, 2013	September 29, 2012	**September 28, 2013**	September 29, 2012
PSU, multiple criteria				
Outstanding, beginning of period	**78,330**	55,415	**55,892**	16,798
Granted	**-**	-	**21,639**	38,040
Re-invested dividends	**401**	280	**1,200**	856
Outstanding, end of period	**78,731**	55,695	**78,731**	55,694
PSU, single criteria				
Outstanding, beginning of period	**16,450**	16,143	**16,282**	-
Granted	**-**	-	**-**	15,975
Re-invested dividends	**84**	81	**252**	249
Outstanding, end of period	**16,534**	16,224	**16,534**	16,224

The carrying amount of the liability relating to the PSUs is as follows:

(Amounts in $000s)	**September 28, 2013**	December 29, 2012
Fair value included in accounts payable and accrued liabilities	**$ 314**	$ 275
Fair value included in other long-term financial liabilities	**1,089**	473
Total liability	**$ 1,403**	$ 748

The share-based payment expense recognized in the thirteen and thirty-nine weeks ended September 28, 2013 was $0.1 million and $0.7 million respectively (thirteen and thirty-nine weeks ended September 29, 2012: $0.2 million and $0.4 million, respectively).

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

PSUs granted between March 2011 and February 2013	**September 28, 2013**	September 29, 2012
Dividend yield (%)	**1.9**	1.9
Expected life of the PSU (years) multiple criteria	**0.25 - 2.25**	1.25 - 2.25
Expected life of the PSU (years) single criteria	**1.3**	2.3
Expected vesting (%)	**56 - 100**	100 - 110
Forefeiture rate (%)	**0.0**	0.0
Share price at reporting date (CAD$)	**36.44**	23.70

Deferred share units (DSUs)

In the first quarter of 2012, a new long-term incentive arrangement, Deferred Share Unit 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 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 September 28, 2013 there were 1,314 DSUs outstanding (September 29, 2012: nil). During the thirty-nine weeks ended September 28, 2013, the share-based payment expense was nominal.

10. Operating segment information

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

	Thirteen weeks ended September 28, 2013			Thirteen weeks ended September 29, 2012 *(Restated (note 15))*			**Thirty-nine weeks ended September 28, 2013**			Thirty-nine weeks ended September 29, 2012 *(Restated (note 15))*		
(Amounts in $000s)	**Canada**	**U.S.**	**Total**	Canada	U.S.	Total	**Canada**	**U.S.**	**Total**	Canada	U.S.	Total
Revenues within geographic region*	**$ 75,768**	**$ 140,537**	**$ 216,305**	$ 74,684	$ 144,357	$219,041	**$227,664**	**$ 468,236**	**$ 695,900**	$ 232,825	$ 489,161	$721,986
Revenues outside of geographic region*	**234**	**3,193**	**3,427**	1,298	3,634	4,932	**726**	**9,829**	**10,555**	4,687	11,437	16,124
	76,002	**143,730**	**219,732**	75,982	147,991	223,973	**228,390**	**478,065**	**706,455**	237,512	500,598	738,110
Intercompany revenues outside of geographic region*	**(234)**	**(3,012)**	**(3,246)**	(1,298)	(2,735)	(4,033)	**(726)**	**(9,174)**	**(9,900)**	(4,687)	(9,078)	(13,765)
Revenue, excluding intercompany revenues	**75,768**	**140,718**	**216,486**	74,684	145,256	219,940	**227,664**	**468,891**	**696,555**	232,825	491,520	724,345
Cost of sales, excluding intercompany revenues	**(58,209)**	**(106,213)**	**(164,422)**	(59,232)	(111,269)	(170,501)	**(173,401)**	**(362,214)**	**(535,615)**	(182,388)	(382,104)	(564,492)
Gross profit	**17,559**	**34,505**	**52,064**	15,452	33,987	49,439	**54,263**	**106,677**	**160,940**	50,437	109,416	159,853
Distribution expenses	**(3,577)**	**(10,115)**	**(13,692)**	(3,432)	(7,664)	(11,096)	**(10,886)**	**(29,609)**	**(40,495)**	(10,898)	(23,676)	(34,574)
Selling, general and administrative expenses	**(7,731)**	**(13,928)**	**(21,659)**	(9,299)	(15,117)	(24,416)	**(26,122)**	**(47,688)**	**(73,810)**	(27,245)	(49,753)	(76,998)
Impairment of property, plant and equipment	**-**	**-**	**-**	-	-	-	**-**	**-**	**-**	(4,900)	(8,823)	(13,723)
Business acquisition, integration and other expenses	**35**	**(567)**	**(532)**	(703)	(1,398)	(2,101)	**64**	**(1,355)**	**(1,291)**	(1,214)	(6,118)	(7,332)
Financing costs	**(185)**	**(4,183)**	**(4,368)**	(193)	(7,838)	(8,031)	**(988)**	**(11,773)**	**(12,761)**	(964)	(21,311)	(22,275)
(Loss) income from equity accounted investee	**-**	**-**	**-**	(38)	(38)	(76)	**43**	**43**	**86**	(26)	(25)	(51)
Income (loss) before income tax	**6,101**	**5,712**	**11,813**	1,787	1,932	3,719	**16,374**	**16,295**	**32,669**	5,190	(290)	4,900
Income tax (expense) recovery	**(2,250)**	**(2,119)**	**(4,369)**	(1,151)	(399)	(1,550)	**(6,097)**	**(3,983)**	**(10,080)**	(2,334)	2,320	(14)
Net income	**$ 3,851**	**$ 3,593**	**$ 7,444**	$ 636	1,533	$ 2,169	**$ 10,277**	**$ 12,312**	**$ 22,589**	$ 2,856	$ 2,030	$ 4,886
Add back:												
Depreciation included in:												
Cost of sales	**430**	**1,219**	**1,649**	616	2,140	2,756	**1,338**	**3,553**	**4,891**	1,780	5,735	7,515
Distribution	**41**	**253**	**294**	40	339	379	**123**	**901**	**1,024**	122	1,096	1,218
Selling, general and administrative expenses	**346**	**54**	**400**	330	81	411	**1,054**	**171**	**1,225**	944	238	1,182
Total depreciation	**817**	**1,526**	**2,343**	986	2,560	3,546	**2,515**	**4,625**	**7,140**	2,846	7,069	9,915
Amortization included in:												
Selling, general and administrative expenses	**470**	**1,176**	**1,646**	54	1,727	1,781	**526**	**3,529**	**4,055**	162	5,187	5,349
Total depreciation and amortization	**1,287**	**2,702**	**3,989**	1,040	4,287	5,327	**3,041**	**8,154**	**11,195**	3,008	12,256	15,264
Financing costs	**185**	**4,183**	**4,368**	193	7,838	8,031	**988**	**11,773**	**12,761**	964	21,311	22,275
Income tax expense (recovery)	**2,250**	**2,119**	**4,369**	1,151	399	1,550	**6,097**	**3,983**	**10,080**	2,334	(2,320)	14
Income before depreciation, amortization, financing and income taxes	**$ 7,573**	**$ 12,597**	**$ 20,170**	$ 3,020	$ 14,057	$ 17,077	**$ 20,403**	**$ 36,222**	**$ 56,625**	$ 9,162	$ 33,277	$ 42,439

*Geographic regions include Canada, U.S. and Mexico, where Mexico is presented as part of the U.S. segment.

	Thirteen weeks ended September 28, 2013			Thirteen weeks ended September 29, 2012 (Restated (note 15))			Thirty-nine weeks ended September 28, 2013			Thirty-nine weeks ended September 29, 2012 (Restated (note 15))		
(Amounts in $000s)	**Canada**	**U.S.**	**Total**	Canada	U.S.	Total	**Canada**	**U.S.**	**Total**	Canada	U.S.	Total
Capital Expenditures												
Financed by:												
Operations	**$ 1,381**	**$ 3,197**	**$ 4,578**	$ 908	$ 1,617	$ 2,525	**$ 3,646**	**$ 5,535**	**$ 9,181**	$ 3,082	$ 3,775	$ 6,857
Finance leases	**-**	**-**	**-**	-	-	-	**421**	**-**	**421**	585	-	585
Total capital expenditures	**$ 1,381**	**$ 3,197**	**$ 4,578**	$ 908	$ 1,617	$ 2,525	**$ 4,067**	**$ 5,535**	**$ 9,602**	$ 3,667	$ 3,775	$ 7,442

	As at September 28, 2013			As at December 29, 2012 (note 15)		
	Canada	**U.S.**	**Total**	Canada	U.S.	Total
Total assets	**$ 137,843**	**$ 482,307**	**$ 620,150**	$ 147,286	$ 484,541	$ 631,827
Goodwill	**12,111**	**100,338**	**112,449**	12,535	100,338	112,873
Liabilities	**293,475**	**146,446**	**439,921**	307,721	170,752	478,473

11. Income tax expense

The Company's statutory tax rate for the thirteen and thirty-nine weeks ended September 28, 2013 is 27.3% (September 29, 2012: 27.3%).

The major components of income tax (recovery) expense in the unaudited interim consolidated statement of other comprehensive income for the thirteen and thirty-nine weeks ended September 28, 2013 and September 29, 2012 were as follows:

	Thirteen weeks ended		Thirty-nine weeks ended	
(Amounts in $000s)	**September 28, 2013**	September 29, 2012	**September 28, 2013**	September 29, 2012
Income tax (recovery) expense related to items charged or credited directly to other comprehensive income and retained earnings during the period:		*(Restated (note 15))*		*(Restated (note 15))*
Gain (loss) on hedge of net investment in foreign operations	**$ 466**	$ 791	**$ (805)**	$ 783
(Loss) gain on translation of net investment in foreign operations	**(467)**	(524)	**435**	(535)
Effective portion of changes in fair value of cash flow hedges	**(185)**	(222)	**228**	(452)
Net change in fair value of cash flow hedges transferred to income	**(103)**	(20)	**(104)**	(83)
Defined benefit plan actuarial recovery (loss)	**61**	(979)	**1,060**	(1,334)
Income tax (recovery) expense directly to other comprehensive income and retained earnings during the period:	**$ (228)**	$ (954)	**$ 814**	$ (1,621)

12. Related party transactions

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

(Amounts in $000s)	Thirteen weeks ended **September 28, 2013**	Thirteen weeks ended September 29, 2012 *(Restated (note 15))*	Thirty-nine weeks ended **September 28, 2013**	Thirty-nine weeks ended September 29, 2012 *(Restated (note 15))*
Other Related Parties:				
Crystal Cold Storage & Warehousing Inc.				
Services from related party	**$ -**	$ 195	**$ 224**	$ 287
Amounts owed to related party	**-**	6	**-**	219
Pier 17 Realty Trust Inc.				
Rent paid to related party	**100**	100	**300**	300
Joint venture in which the Company is a venturer:				
Dencan Seafoods Ltd. [1]				
Purchases from related party	**-**	4,150	**1,980**	14,853
Total purchases from related parties	**$ 100**	$ 4,445	**$ 2,504**	$ 15,440
Total amounts owed to related parties	**-**	6	**-**	219

[1] In February 2013 the Company sold its 50% ownership in High Kan Holdings, that owned 80% of Dencan Seafoods Ltd.; therefore, transactions reflected in 2013 are up to the point of sale.

13. Financial instruments

Hedging activities

Cash flow hedges

At September 28, 2013, the Company held foreign currency forward contracts designated as hedges of expected future purchases from suppliers transacting in USD, 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.

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 $000s)	Thirteen weeks ended **September 28, 2013**	Thirteen weeks ended September 29, 2012 *(Restated (note 15))*	Thirty-nine weeks ended **September 28, 2013**	Thirty-nine weeks ended September 29, 2012 *(Restated (note 15))*
Unrealized (loss) gain	**$ (689)**	$ (1,090)	**$ 706**	$ (1,030)
Deferred tax recovery (expense)	**186**	294	**(191)**	282

Amounts recognized in income resulting from hedge ineffectiveness during the thirteen and thirty-nine weeks ended September 28, 2013 and September 29, 2012 was nominal.

The amount removed from other comprehensive income, net of tax, during the thirteen and thirty-nine weeks ended September 28, 2013, and included in the carrying amount of the hedging items, was a loss of $0.3 million and a loss of $0.4 million, respectively (September 29, 2012: a nominal loss and a loss of $0.2 million, respectively).

Hedge of net investment in foreign operations

As at September 28, 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 U.S. subsidiary. There is no ineffectiveness recognized in the periods ended September 28, 2013 nor September 29, 2012.

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:

	September 28, 2013	
	Sell	**Receive**
(Amounts in $000s)	**CAD**	**USD**
Forward rate	**$1,883**	**$1,835**

The forward single rate contracts at September 28, 2013, have a rate of $1.0263 with maturities ranging from September 2013 to November 2013.

For the thirteen week period ended September 28, 2013, the Company had the following foreign exchange "average rate" purchase contracts outstanding:

		September 28, 2013	
Average rate forwards	**Weighted Average Put Rate**	**Weighted Average Call Rate**	**Total value ($000s)**
Average rate	**$ 1.0300**	**$ 1.0300**	**$ 43,319**

With the exception of $2.4 million average rate forward contracts with maturities ranging from October 2014 to June 2015, all foreign exchange purchase contracts have maturities that are less than one year.

Embedded derivatives

As described in *note 6*, 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, where the bifurcated amount is carried at fair value with changes going though profit or loss. The fair value of the embedded derivative at September 28, 2013, was $5.1 million (December 29, 2012: nil) with the change in value recorded in finance costs.

14. Fair value measurement

The Company is required to determine the fair value of all derivatives, and uses a market approach to do so. 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 inputs with the highest level of objectivity and Level 3 representing inputs with the lowest level of objectivity. The following tables set out the classification of the methodology used by the Company to fair value its derivatives:

(Amounts in $000s)	**September 28, 2013** **Level 2**	December 29, 2012 Level 2
Assets measured at fair value		
Foreign exchange contracts; hedged	**$ 845**	$ 533
Liabilities measured at fair value		
Interest rate swaps	**1,044**	1,130
Embedded derivative	**5,075**	-
Total interest rate swaps and embedded derivative	**6,119**	1,130
Foreign exchange contracts; hedged	**669**	550

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

The Company uses the date of the event or change in circumstances to recognize transfers between Level 1, Level 2, and Level 3 fair value measurements. During the thirteen week period ended September 28, 2013, and September 29, 2012 no such transfers have occurred.

Management is responsible for valuation policies, processes and the measurement of fair value within the Company.

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

	September 28, 2013		December 29, 2012	
(Amounts in $000s)	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Long-term debt (including current portion)	**$ 226,514**	**$ 224,218**	$ 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 discounted cash flows using current rates for similar financial instruments subject to similar risks and maturities.

15. Comparative figures

Comparative information for the thirteen and thirty-nine weeks ended September 29, 2012 in the unaudited condensed interim consolidated financial statements has been restated to reflect adjustments made upon finalization of the purchase price allocation during the fourth quarter of 2012, relating to the acquisition of Icelandic USA Inc. in 2011. The September 29, 2012 information has also been restated to reflect the retrospective change in presentation currency from Canadian dollars to USD 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.

Certain other comparative figures have also been reclassified to conform to the current year's presentation.

16. Events after the reporting period

American Pride Seafoods acquisition
On October 1, 2013, the Company acquired the net assets, excluding accounts receivable, and operations of American Pride Seafoods ("American Pride"), from Seattle-based American Seafoods Group LLC.

The primary reason for the business combination was to bolster the Company's market leadership position in the food service segment of the U.S. value-added frozen seafood industry, and to add significant U.S.-based scallop processing operations to its business portfolio.

The Company paid $34.5 million in cash consideration, subject to closing working capital adjustments, to acquire American Pride's net assets, which principally include inventory and plant and equipment located in New Bedford, MA. The net assets acquired exclude accounts receivable of approximately $15.5 million, for a total enterprise value of approximately $50.0 million. As part of the transaction, the Company assumed certain operating leases related to the acquired businesses.

The initial accounting for the business combination was incomplete at the time these financial statements were authorized for issue; therefore, certain disclosures cannot be determined at this time, including the amounts to be recognized as of the acquisition date for assets acquired and liabilities assumed as well as additional goodwill or intangible assets to arise from the transaction.

Hedge of net investment in foreign operation
On October 4, 2013, the Company designated borrowings of $15.0 million 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.