

## Management's Responsibility

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### To the Shareholders of High Liner Foods Incorporated

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The management of High Liner Foods Incorporated includes corporate executives, operating and financial managers and other personnel working full-time on Company business. The statements have been prepared in accordance with generally accepted accounting principles consistently applied, using management's best estimates and judgments, where appropriate. The financial information elsewhere in this report is consistent with the statements.

Management has established a system of internal control that it believes provides a reasonable assurance that, in all material respects, assets are maintained and accounted for in accordance with management's authorization and transactions are recorded accurately on the Company's books and records. The Company's internal audit program is designed for constant evaluation of the adequacy and effectiveness of the internal controls. Audits measure adherence to established policies and procedures.

The Audit Committee of the Board of Directors is composed of four outside directors. The Committee meets periodically with management, the internal auditor and independent chartered accountants to review the work of each and to satisfy itself that the respective parties are properly discharging their responsibilities. The independent chartered accountants and the internal auditor have full and free access to the Audit Committee at any time. In addition, the Audit Committee reports its findings to the Board of Directors, which reviews and approves the consolidated financial statements.

Dated February 22, 2017



**P.A. Jewer, FCA**

Executive Vice President and Chief Financial Officer

# Independent Auditors' Report

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## To the Shareholders of High Liner Foods Incorporated

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We have audited the accompanying consolidated financial statements of High Liner Foods Incorporated, which comprise the consolidated statements of financial position as at December 31, 2016 and January 2, 2016, and the consolidated statements of income, comprehensive income, accumulated other comprehensive income (loss), changes in shareholders' equity and cash flows for the fifty-two weeks ended December 31, 2016 and January 2, 2016, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' responsibility

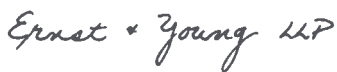
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of High Liner Foods Incorporated as at December 31, 2016 and January 2, 2016, and its financial performance and its cash flows for the fifty-two week periods then ended in accordance with International Financial Reporting Standards.



Chartered Professional Accountants  
Licensed Public Accountants  
Halifax, Canada  
February 22, 2017

## Consolidated Statement of Financial Position

(in thousands of United States dollars)	Notes	December 31, 2016	January 2, 2016
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 18,252	\$ 1,043
Accounts receivable	6	75,190	76,335
Income taxes receivable		3,783	5,218
Other financial assets	22	1,705	6,453
Inventories	7	252,118	261,771
Prepaid expenses		3,340	2,051
<b>Total current assets</b>		<b>354,388</b>	<b>352,871</b>
<b>Non-current</b>			
Property, plant and equipment	8	111,322	115,879
Deferred income taxes	17	2,290	2,495
Other receivables and miscellaneous assets	22	864	1,683
Intangible assets	9	97,176	102,315
Goodwill	9	118,101	117,824
<b>Total non-current assets</b>		<b>329,753</b>	<b>340,196</b>
<b>Total assets</b>		<b>\$ 684,141</b>	<b>\$ 693,067</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Bank loans	10	\$ 621	\$ 17,158
Accounts payable and accrued liabilities	11	135,272	120,336
Provisions	12	386	263
Other current financial liabilities	22	1,626	817
Other current liabilities		416	—
Income taxes payable		851	2,242
Current portion of long-term debt	13	—	11,816
Current portion of finance lease obligations	13	721	1,015
<b>Total current liabilities</b>		<b>139,893</b>	<b>153,647</b>
<b>Non-current liabilities</b>			
Long-term debt	13	266,327	281,017
Other long-term financial liabilities	22	196	89
Other long-term liabilities		888	483
Long-term finance lease obligations	13	702	715
Deferred income taxes	17	45,183	46,966
Future employee benefits	14	8,190	9,631
<b>Total non-current liabilities</b>		<b>321,486</b>	<b>338,901</b>
<b>Total liabilities</b>		<b>461,379</b>	<b>492,548</b>
<b>Shareholders' equity</b>			
Common shares	15	86,094	85,282
Contributed surplus		14,654	13,999
Retained earnings		146,340	125,843
Accumulated other comprehensive loss		(24,326)	(24,605)
<b>Total shareholders' equity</b>		<b>222,762</b>	<b>200,519</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 684,141</b>	<b>\$ 693,067</b>

See accompanying notes to the consolidated financial statements

## Consolidated Statement of Income

(in thousands of United States dollars, except per share amounts)	Notes	Fifty-two weeks ended December 31, 2016	Fifty-two weeks ended January 2, 2016
<b>Revenues</b>		<b>\$ 956,016</b>	\$ 1,001,507
Cost of sales		<b>753,179</b>	799,843
<b>Gross profit</b>		<b>202,837</b>	201,664
Distribution expenses		<b>43,610</b>	48,037
Selling, general and administrative expenses		<b>96,978</b>	93,597
Impairment of property, plant and equipment	5	<b>2,327</b>	–
Business acquisition, integration and other expenses		<b>4,787</b>	7,473
<b>Results from operating activities</b>		<b>55,135</b>	52,557
Finance costs	25	<b>14,296</b>	16,247
<b>Income before income taxes</b>		<b>40,839</b>	36,310
Income taxes			
Current	17	<b>8,737</b>	5,707
Deferred	17	<b>(848)</b>	1,022
Total income tax expense		<b>7,889</b>	6,729
Net income		<b>\$ 32,950</b>	\$ 29,581
<b>Earnings per common share</b>			
Basic	18	<b>\$ 1.07</b>	\$ 0.96
Diluted	18	<b>\$ 1.06</b>	\$ 0.95
<b>Weighted average number of shares outstanding</b>			
Basic	18	<b>30,917,412</b>	30,818,804
Diluted	18	<b>31,174,788</b>	31,264,671

See accompanying notes to the consolidated financial statements

## Consolidated Statement of Comprehensive Income

(in thousands of United States dollars)	Fifty-two weeks ended December 31, 2016	Fifty-two weeks ended January 2, 2016
<b>Net income</b>	<b>\$ 32,950</b>	<b>\$ 29,581</b>
<b>Other comprehensive income (loss), net of income tax (Note 17)</b>		
Other comprehensive income (loss) to be reclassified to net income:		
Gain (loss) on hedge of net investment in foreign operations	6,372	(37,517)
(Loss) gain on translation of net investment in foreign operations	(9,113)	50,316
Translation impact on Canadian dollar denominated non-AOCI items	5,808	(32,294)
Translation impact on Canadian dollar denominated AOCI items	(372)	1,736
Total exchange gains (losses) on translation of foreign operations and Canadian dollar denominated items	2,695	(17,759)
Effective portion of changes in fair value of cash flow hedges	(1,914)	6,915
Net change in fair value of cash flow hedges transferred to carrying amount of hedged item	(1,345)	(5,398)
Net change in fair value of cash flow hedges transferred to income	502	(314)
Translation impact on Canadian dollar denominated AOCI items	341	(401)
Total exchange (losses) gains on cash flow hedges	(2,416)	802
<b>Net other comprehensive gain (loss) to be reclassified to net income</b>	<b>279</b>	<b>(16,957)</b>
Other comprehensive income (loss) not to be reclassified to net income:		
Defined benefit plan actuarial gains (losses)	323	(75)
<b>Other comprehensive income (loss), net of income tax</b>	<b>602</b>	<b>(17,032)</b>
<b>Total comprehensive income</b>	<b>\$ 33,552</b>	<b>\$ 12,549</b>

## Consolidated Statement of Accumulated Other Comprehensive Income (Loss) ("AOCI")

(in thousands of United States dollars)	Foreign currency translation differences	Net exchange differences on cash flow hedges	Total AOCI
Balance at January 2, 2016	\$ (27,582)	\$ 2,977	\$ (24,605)
Total exchange gains on translation of foreign operations and Canadian dollar denominated items	2,695	—	2,695
Total exchange losses on cash flow hedges	—	(2,416)	(2,416)
<b>Balance at December 31, 2016</b>	<b>\$ (24,887)</b>	<b>\$ 561</b>	<b>\$ (24,326)</b>
Balance at January 3, 2015	\$ (9,823)	\$ 2,175	\$ (7,648)
Total exchange losses on translation of foreign operations and Canadian dollar denominated items	(17,759)	—	(17,759)
Total exchange gains on cash flow hedges	—	802	802
Balance at January 2, 2016	\$ (27,582)	\$ 2,977	\$ (24,605)

See accompanying notes to the consolidated financial statements

## Consolidated Statement of Changes in Shareholders' Equity

(in thousands of United States dollars)	Common shares	Contributed surplus	Retained earnings	AOCI	Total
Balance at January 2, 2016	\$ 85,282	\$ 13,999	\$ 125,843	\$ (24,605)	\$ 200,519
Other comprehensive income	—	—	323	279	602
Net income	—	—	32,950	—	32,950
Common share dividends	—	—	(12,145)	—	(12,145)
Share-based compensation	909	655	—	—	1,564
Common shares repurchased for cancellation (Note 15)	(97)	—	(631)	—	(728)
<b>Balance at December 31, 2016</b>	<b>\$ 86,094</b>	<b>\$ 14,654</b>	<b>\$ 146,340</b>	<b>\$ (24,326)</b>	<b>\$ 222,762</b>
Balance at January 3, 2015	\$ 82,658	\$ 14,056	\$ 107,908	\$ (7,648)	\$ 196,974
Other comprehensive loss	—	—	(75)	(16,957)	(17,032)
Net income	—	—	29,581	—	29,581
Common share dividends	—	—	(11,023)	—	(11,023)
Share-based compensation	2,713	(57)	—	—	2,656
Common shares repurchased for cancellation (Note 15)	(89)	—	(548)	—	(637)
Balance at January 2, 2016	\$ 85,282	\$ 13,999	\$ 125,843	\$ (24,605)	\$ 200,519

See accompanying notes to the consolidated financial statements

## Consolidated Statement of Cash Flows

(in thousands of United States dollars)	Notes	Fifty-two weeks ended December 31, 2016	Fifty-two weeks ended January 2, 2016
<b>Cash flows provided by (used in):</b>			
<b>Operating activities</b>			
Net income		\$ 32,950	\$ 29,581
Adjustments to net income not involving cash from operations:			
Depreciation and amortization	21	17,114	16,740
Share-based compensation expense	16	3,229	1,119
Loss on asset disposals and impairment		2,645	647
Future employee benefits contribution, net of expense		97	1,096
Finance costs		14,296	16,247
Income tax expense	17	7,889	6,729
Unrealized foreign exchange gain		(571)	(3,124)
Cash flows provided by operations before changes in non-cash working capital, interest and income taxes paid		77,649	69,035
Changes in non-cash working capital balances:			
Accounts receivable		2,089	1,833
Inventories		4,609	(14,620)
Prepaid expenses		(633)	101
Accounts payable and accrued liabilities		18,714	42,979
Provisions		139	(29)
Net change in non-cash working capital balances		24,918	30,264
Interest paid		(14,361)	(16,102)
Income taxes paid		(8,190)	(740)
<b>Net cash flows provided by operating activities</b>		<b>80,016</b>	<b>82,457</b>
<b>Financing activities</b>			
Decrease in bank loans		(17,148)	(47,480)
Repayment of finance lease obligations		(980)	(778)
Repayment of long-term debt	13	(26,824)	(3,000)
Common share dividends paid		(12,145)	(11,023)
Common share repurchase for cancellation		(728)	(637)
Options exercised for shares		94	664
<b>Net cash flows used in financing activities</b>		<b>(57,731)</b>	<b>(62,254)</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment, net of investment tax credits		(16,734)	(17,947)
Net proceeds on disposal of assets	5	15,461	242
Net proceeds on replacement of assets		—	1,647
Payment of contingent consideration		(2,816)	(2,300)
Change in other receivables and miscellaneous assets		—	(97)
<b>Net cash flows used in investing activities</b>		<b>(4,089)</b>	<b>(18,455)</b>
Foreign exchange decrease on cash		(987)	(1,749)
Net change in cash during the period		17,209	(1)
Cash, beginning of period		1,043	1,044
<b>Cash, end of period</b>		<b>\$ 18,252</b>	<b>\$ 1,043</b>

See accompanying notes to the consolidated financial statements