

# LETTER TO SHAREHOLDERS



High Liner Foods achieved record net sales and Adjusted Net Income in 2013, aided by the acquisition of American Pride Seafoods. However, we did not achieve the level of Sales, Adjusted EBITDA, and Adjusted Net Income we expected due to a number of challenges, including weak consumer spending in the U.S. casual dining market and complexities associated with the consolidation of our U.S. production and distribution facilities. Nevertheless, the value of our common shares increased 48.5 percent during 2013 and closed the year at \$46.03 CAD. We were also pleased to be added to the S&P/TSX Canadian Dividend Aristocrats® Index on December 20, 2013, following several years of strong growth, rising liquidity and increasing dividends.

## FINANCIAL RESULTS<sup>1</sup>

Sales in domestic currency increased for the fifth consecutive year, but at a slower pace, reaching \$956.3 million compared to \$942.3 million in 2012. Adjusted Net Income increased by \$3.2 million to \$41.3 million and diluted EPS based on Adjusted Net Income rose 7.7 percent to \$2.65 per share.

Increased sales reflect the acquisition of American Pride Seafoods, strong club store sales, higher branded retail sales in the U.S., and higher food service sales in Canada, partially offset by a decline in U.S. food service sales and retail private label sales in both countries. While the U.S. economy experienced a modest recovery in 2013, U.S. restaurant sales remained soft, particularly in the casual dining segment, which is a key driver for our business.

Adjusted EBITDA decreased from \$91.7 million to \$85.3 million, due in large part to what was, in retrospect, an overly ambitious schedule for the consolidation of our U.S. production facilities, and to a lesser extent, a shorter Lent-promotion season, which limited sales during the most important period of the year.