

until, with the Icelandic USA Acquisition (described below) in late 2011, this vision was effectively achieved. Following the substantial completion of activities to integrate this acquisition into High Liner Foods' business, the Company announced in early 2013 an updated and expanded vision, *"to be the leading frozen seafood supplier in North America"*.

The "value-added" modifier was dropped, recognizing that in our pursuit to be the leading supplier of frozen seafood in North America, we will continue to focus on growing our value-added products, from breaded and battered items to seafood entrees, but we will also focus on growing our raw (i.e. unprocessed) frozen seafood product offerings, which in 2013 represented approximately 32% of our product sales. This change is not a mandate to become a commodity trader. We have high standards for margins, return on assets managed and return on equity and will ensure these are maintained by continuing to differentiate our raw frozen products by virtue of a combination of branding, marketing, quality and service.

We are focused on frozen seafood, because we are experts in this category and on North America because we continue to see opportunities for growth in the North American markets, by building on our position as a leader in frozen seafood in both Canada and the U.S., particularly in the food service channel.

1.2 Core Businesses

High Liner Foods operates in the North American packaged foods industry. We process and market frozen seafood, and distribute products to retail and food service customers. We sell our own brands, including **High Liner**, **Fisher Boy**, **FPI**, **Sea Cuisine**, **Mirabel**, and **Viking** and we manufacture private labels. In late 2011, the Icelandic USA Acquisition added the **Samband of Iceland** brand to our list of offerings. In addition, the **Icelandic Seafood** brand is licensed to High Liner Foods by the Icelandic Group. In 2013, the **American Pride Seafood** brand was acquired.

As at the end of 2013 we own and operate four food-processing plants located in: Lunenburg, Nova Scotia; Portsmouth, New Hampshire; Newport News, Virginia; and New Bedford, MA. The plants in Newport News and New Bedford were acquired as part of the Icelandic USA and American Pride Acquisitions, in 2011 and 2013, respectively. We also operate a leased food-processing facility in Malden, MA, which was obtained as part of the Viking Acquisition.

At the end of 2012 and in early 2013, we permanently closed our two processing facilities located in Burin, Newfoundland and Danvers, MA, respectively, as they were surplus to our capacity needs. These two plants were our higher-cost facilities and closing them makes High Liner Foods a stronger, more competitive company.

In the first quarter of 2013, we sold the processing facility acquired in Dalian, China as part of the Icelandic USA Acquisition, to the minority shareholder. In the first quarter of 2013, we also sold our joint venture interest in HighKan Holdings Limited ("HighKan") to our former joint venture partner. HighKan owns 80% of Dencan Seafood Limited ("Dencan"), a Chinese company operating a leased primary fish processing facility in China. Upon selling our interests in these facilities, we entered into purchase arrangements with both to continue purchasing product, at the same or similar volumes.

High Liner Foods consists of two main business units, geographically based, being the U.S. and Canada:

United States Operations

Retail

Our U.S. subsidiary produces and sells value-added seafood products under the **Fisher Boy**, **High Liner**, and **Sea Cuisine** brands. The business distributes products throughout the U.S. and in Mexico through traditional grocery stores and club stores, among others. The club store channel is important to our growth strategy for the U.S. retail business, and we sell to all major U.S. club store chains. We have built business in this channel by introducing innovative premium products under the **High Liner** and **Sea Cuisine** brands. Our U.S. subsidiary also is the largest supplier of retail private label processed seafood in the U.S. We produce over 50 different labels for U.S. grocery retailers, primarily breaded and battered fish sticks and portions.

Food Service

Customer channels in this business include food service operators in multiple restaurant segments, broad line food service distributors, specialty seafood distributors, and food processing companies. High Liner Foods is one of the largest seafood suppliers to this market especially in value-added products. We are particularly recognized for our innovative product development expertise. The acquisitions have added new products and brands to our food service offerings and have substantially increased High Liner Foods' share of the market for value-added seafood products in the U.S. food service industry. This division also sells a full line of raw and cooked uncoated seafood to the food service channel. Products are sold under the **Icelandic Seafood**, **FPI**, **Viking** and **American Pride Seafood** brands.

Canadian Operations

Retail

From our sales and marketing headquarters in the Greater Toronto Area ("GTA"), the flagship brand of our business, **High Liner**, is sold to every major Canadian grocery retailer and club store. It is Canada's leading seafood name. The brand includes 100 individual products, from our traditional battered and breaded fish portions to innovative and highly popular premium products that offer a variety of seafood species responding to modern tastes as well as raw uncoated seafood products for consumers to prepare themselves at home. We also sell a significant portion of the value-added products that our customers resell under their own private labels.

Food Service

Our Canadian food service business, also headquartered in the GTA, is growing due to our ability, through worldwide procurement, to provide food service customers with innovative products and new species. Food Service specializes in delivering seafood and menu expertise to restaurant chains and Canada's leading food service distributors. Food service products are sold under the **High Liner**, **FPI** and **Mirabel** brands and include both value-added and raw, or cooked and unprocessed products. High Liner Foods is the largest frozen seafood supplier in the Canadian food service channel. Private labels are also produced for some of our larger customers.