

Management's Responsibility

To the Shareholders of High Liner Foods Incorporated

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 five 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 17, 2016



P.A. Jewer, FCA
Executive Vice President and Chief Financial Officer

Independent Auditors' Report

To the Shareholders of High Liner Foods Incorporated

We have audited the accompanying consolidated financial statements of High Liner Foods Incorporated, which comprise the consolidated statements of financial position as at January 2, 2016 and January 3, 2015, 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 January 2, 2016 and fifty-three weeks ended January 3, 2015, 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 January 2, 2016 and January 3, 2015, and its financial performance and its cash flows for the fifty-two week and fifty-three week periods then ended in accordance with International Financial Reporting Standards.

Ernst + Young LLP

Chartered Accountants

Halifax, Canada

February 17, 2016

Consolidated Statement of Financial Position

(in thousands of U.S. dollars)	Notes	January 2, 2016	January 3, 2015
ASSETS			
(Note 25)			
Current			
Cash		\$ 1,043	\$ 1,044
Accounts receivable	8	76,335	81,772
Income taxes receivable		5,218	7,381
Other financial assets	21	6,453	4,139
Inventories	7	261,771	261,987
Prepaid expenses		2,051	2,481
Total current assets		352,871	358,804
Non-current			
Property, plant and equipment	6	115,879	114,231
Deferred income taxes	19	2,495	3,372
Other receivables and miscellaneous assets	21	1,683	1,678
Intangible assets	5	102,315	107,704
Goodwill	5	117,824	119,270
Total non-current assets		340,196	346,255
Assets classified as held for sale		—	515
Total assets		\$ 693,067	\$ 705,574
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Bank loans	11	\$ 17,158	\$ 65,130
Accounts payable and accrued liabilities	9	120,336	85,854
Provisions	10	263	437
Other current financial liabilities	21	817	580
Income taxes payable		2,242	20
Current portion of long-term debt	12	11,816	3,000
Current portion of finance lease obligations	12	1,015	994
Total current liabilities		153,647	156,015
Non-current			
Long-term debt	12	281,017	292,033
Other long-term financial liabilities	21	89	951
Other long-term liabilities		483	2,800
Long-term finance lease obligations	12	715	1,212
Deferred income taxes	19	46,966	46,722
Future employee benefits	13	9,631	8,867
Total non-current liabilities		338,901	352,585
Total liabilities		492,548	508,600
Shareholders' equity			
Common shares	15	85,282	82,658
Contributed surplus		13,999	14,056
Retained earnings		125,843	107,908
Accumulated other comprehensive loss		(24,605)	(7,648)
Total shareholders' equity		200,519	196,974
Total liabilities and shareholders' equity		\$ 693,067	\$ 705,574

See accompanying notes

Consolidated Statement of Income

(in thousands of U.S. dollars, except per share amounts)	Notes	Fifty-two weeks ended January 2, 2016	Fifty-three weeks ended January 3, 2015
Revenues		\$ 1,001,507	\$ 1,051,613
Cost of sales		799,843	831,208
Gross profit		201,664	220,405
Distribution expenses		48,037	52,558
Selling, general and administrative expenses		93,597	105,313
Impairment of property, plant and equipment	6	—	852
Business acquisition, integration and other expenses		7,473	6,582
Results from operating activities		52,557	55,100
Finance costs	24	16,247	17,569
Income before income taxes		36,310	37,531
Income taxes			
Current	19	5,707	3,906
Deferred	19	1,022	3,325
Total income tax expense		6,729	7,231
Net income		\$ 29,581	\$ 30,300
PER SHARE EARNINGS			
Earnings per common share			
Basic	16	\$ 0.96	\$ 0.99
Diluted	16	\$ 0.95	\$ 0.97
Weighted average number of shares outstanding			
Basic	16	30,818,804	30,665,183
Diluted	16	31,264,671	31,316,842

See accompanying notes

Consolidated Statement of Comprehensive Income

(in thousands of U.S. dollars)	Fifty-two weeks ended January 2, 2016	Fifty-three weeks ended January 3, 2015
Net income for the period	\$ 29,581	\$ 30,300
Other comprehensive income (loss), net of income tax <i>(Note 19)</i>		
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:		
Loss on hedge of net investment in foreign operations	(37,517)	(18,761)
Gain on translation of net investment in foreign operations	50,316	26,223
Translation impact on Canadian dollar denominated non-AOCI items	(32,294)	(16,965)
Translation impact on Canadian dollar denominated AOCI items	1,736	315
Total exchange losses on translation of foreign operations	(17,759)	(9,188)
Effective portion of changes in fair value of cash flow hedges	6,915	3,164
Net change in fair value of cash flow hedges transferred to carrying amount of hedged item	(5,398)	(1,321)
Net change in fair value of cash flow hedges transferred to income	(314)	(23)
Translation impact on Canadian dollar denominated AOCI items	(401)	(96)
Total exchange gains on cash flow hedges	802	1,724
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	(16,957)	(7,464)
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:		
Defined benefit plan actuarial losses	(75)	(1,554)
Other comprehensive loss, net of income tax	(17,032)	(9,018)
Total comprehensive income	\$ 12,549	\$ 21,282

Consolidated Statement of Accumulated Other Comprehensive Income (Loss) (“AOCI”)

(in thousands of U.S. dollars)	Foreign currency translation differences	Net exchange differences on cash flow hedges	Total AOCI
Balance at January 3, 2015	\$ (9,823)	\$ 2,175	\$ (7,648)
Exchange losses on translation of foreign operations and Canadian dollar denominated items	(17,759)	—	(17,759)
Exchange gains on cash flow hedges	—	802	802
Balance at January 2, 2016	\$ (27,582)	\$ 2,977	\$ (24,605)
Balance at December 28, 2013	\$ (635)	\$ 451	\$ (184)
Exchange losses on translation of foreign operations and Canadian dollar denominated items	(9,188)	—	(9,188)
Exchange gains on cash flow hedges	—	1,724	1,724
Balance at January 3, 2015	\$ (9,823)	\$ 2,175	\$ (7,648)

See accompanying notes

Consolidated Statement of Changes in Shareholders' Equity

(in thousands of U.S. dollars)	Common shares	Contributed surplus	Retained earnings	AOCI	Total
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
Balance at December 28, 2013	\$ 80,260	\$ 13,781	\$ 90,792	\$ (184)	\$ 184,649
Other comprehensive loss	—	—	(1,554)	(7,464)	(9,018)
Net income	—	—	30,300	—	30,300
Common share dividends	—	—	(11,285)	—	(11,285)
Share-based compensation	2,438	275	—	—	2,713
Common shares repurchased for cancellation (Note 15)	(40)	—	(345)	—	(385)
Balance at January 3, 2015	\$ 82,658	\$ 14,056	\$ 107,908	\$ (7,648)	\$ 196,974

See accompanying notes

Consolidated Statement of Cash Flows

(in thousands of U.S. dollars)	Notes	Fifty-two weeks ended January 2, 2016	Fifty-three weeks ended January 3, 2015
Cash provided by (used in) operations:			
Net income		\$ 29,581	\$ 30,300
Charges (credits) to income not involving cash from operations:			
Depreciation and amortization		16,740	16,797
Share-based compensation expense	17	1,119	3,329
Loss on asset disposals and impairment		647	1,484
Payments of future employee benefits lower (higher) than expense		1,096	(1,007)
Finance costs		16,247	17,569
Income tax expense	19	6,729	7,231
Unrealized foreign exchange (gain) loss		(3,124)	884
Cash flows provided by operations before changes in non-cash working capital, interest and income taxes paid		69,035	76,587
Net change in non-cash working capital balances:			
Accounts receivable		1,833	10,217
Inventories		(14,620)	(15,519)
Prepaid expenses		101	(244)
Accounts payable and accrued liabilities		42,979	(24,480)
Provisions		(29)	838
Net change in non-cash working capital balances		30,264	(29,188)
Interest paid		(16,102)	(15,112)
Income taxes paid		(740)	(10,074)
Net cash flows provided by operating activities		82,457	22,213
Cash provided by (used in) financing activities:			
Decrease in current working capital facilities		(47,480)	(30,971)
Repayment of finance lease obligations		(778)	(939)
Proceeds of long-term debt		—	300,000
Repayment of long-term debt		(3,000)	(234,970)
Deferred finance costs		—	(3,517)
Common share dividends paid		(11,023)	(11,285)
Share repurchase	15	(637)	(385)
Options exercised for shares		664	291
Net cash flows (used in) provided by financing activities		(62,254)	18,224
Cash provided by (used in) investing activities:			
Purchase of property, plant and equipment, net of investment tax credits	6	(17,947)	(27,296)
Net proceeds on disposal of assets		242	368
Net proceeds on replacement of assets	4	1,647	—
Acquisition of business, net		—	(13,699)
Payment of contingent consideration	4	(2,300)	—
Change in other receivables and miscellaneous assets		(97)	337
Net cash flows used in investing activities		(18,455)	(40,290)
Foreign exchange decrease on cash		(1,749)	(309)
Change in cash during the period		(1)	(162)
Cash, beginning of period		1,044	1,206
Cash, end of period		\$ 1,043	\$ 1,044

See accompanying notes