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Management's Discussion & Analysis

Introduction

Management's Discussion and Analysis ("MD&A") provides management's perspective on High Liner Foods, our performance and our strategy for the future. This MD&A includes High Liner Foods' operating and financial results for Fiscal 2015 and Fiscal 2014, and should be read in conjunction with our Annual Audited Consolidated Financial Statements ("Consolidated Financial Statements") for the fifty-two weeks ended January 2, 2016, with comparative figures as at and for the fifty-three weeks ended January 3, 2015.

We, Us, Our, Company, 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 (the "Board"), on recommendation of the Audit Committee, approved the content of this MD&A on February 17, 2016. Disclosure contained in this document is current to this date, unless otherwise stated.

International Financial Reporting Standards

We adopted International Financial Reporting Standards ("IFRS") for our Fiscal 2011 year, with restatement of 2010 comparatives. Our transition date under IFRS was January 3, 2010, which was the beginning of our Fiscal 2010 year.

Financial information contained in this MD&A for Fiscal 2015, 2014 and 2013 are comparative as they are in accordance with IFRS.

Other Important Documents

Additional information relating to High Liner Foods, including our most recent Annual Information Form ("AIF"), is available on SEDAR's website at www.sedar.com, and in the Investor Information section of High Liner Foods' website at www.highlinerfoods.com.

Comparability of Periods

The Company's fiscal year end floats, and ends on the Saturday closest to December 31. Most of our fiscal years have fifty-two weeks, but from time to time, fiscal years, including Fiscal 2014, have fifty-three weeks and the additional week falls into the fourth quarter. Therefore, amounts presented may not be entirely comparable.

Comparisons in this MD&A

Unless otherwise indicated, all comparisons of results to the fourth quarter of 2015 are against results for the fourth quarter of 2014, and all comparisons of results for Fiscal 2015 are against results for Fiscal 2014. Reference to "Fiscal 2015" is to the fifty-two weeks ended January 2, 2016 and "Fiscal 2014" is to the fifty-three weeks ended January 3, 2015.

Accounting Estimates and Assumptions

The preparation of consolidated financial statements under IFRS requires management to make critical judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities as at the date of the Consolidated Financial Statements and the reported amounts of revenue and expenses during the reporting period. We base our judgments, estimates and assumptions on historical experience and various other factors believed to be reasonable under the given circumstances. If final amounts differ from estimates, it is expected to have little or no impact on our financial condition. In our judgment, none of the estimates discussed under the heading "Use of estimates and critical judgments" in *Note 2* to the Consolidated Financial Statements requires High Liner Foods to make assumptions about matters that are highly uncertain. None of the estimates are considered critical accounting estimates, except as noted in Section 8.1 "Critical Accounting Estimates" of this MD&A.

Presentation Currency

The Company's Consolidated Financial Statements are presented in United States dollars ("USD"), and accordingly, financial information in the MD&A is also presented in USD, unless otherwise noted.

At the end of 2012, the Company changed its presentation currency from Canadian dollars ("CAD") to USD, effective retrospectively to January 3, 2010 (comparative information provided for 2011 was therefore restated for this change in presentation currency). Although the functional currency of High Liner Foods' Canadian company (the "Parent") is CAD, management believes 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 less volatility in reported sales on the conversion into the reporting currency.

Approximately 69% of our sales and related operations are denominated in USD; most of our debt is denominated in USD; our bank covenants are measured in USD; and some of the 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 CAD-denominated items of the Parent decrease in the consolidated statements and the opposite occurs when the U.S. dollar weakens. CAD-denominated items in the Parent'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, balance sheet and operating items of the 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 Parent's operations to the USD presentation currency.

Non-IFRS Financial Measures

The Company reports its financial results in accordance with IFRS. We include certain non-IFRS financial measures and ratios in our Quarterly and Annual Reports as management believes these non-IFRS financial measures provide useful information to both management and investors in measuring the financial performance and 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 Earnings before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA"); Adjusted Earnings Before Interest and Taxes ("Adjusted EBIT"); Adjusted Net Income; Adjusted Diluted Earnings per Share ("Adjusted Diluted EPS"); CAD-Equivalent Adjusted Diluted EPS; and Standardized Free Cash Flow.

Adjusted EBITDA

Adjusted EBITDA follows the October 2008 "General Principles and Guidance for Reporting EBITDA and Free Cash Flow" issued by the Chartered Professional Accountants of Canada ("CPA Canada") and is earnings before interest, taxes, depreciation and amortization, excluding: business acquisition, integration and other non-routine costs; gains or losses on disposal of assets; and share-based compensation expense.

Management believes that Adjusted EBITDA is a useful performance measure as it approximates cash generated from operations before capital expenditures and changes in working capital, and it excludes: non-operating items associated with business acquisition and integration activities; other non-routine or one-time costs; and the impact of share-based compensation expense related to the Company's stock price. Adjusted EBITDA is also useful when comparing companies as it eliminates the differences in earnings that are due to how a company is financed. Also, for the purpose of our credit facilities, "EBITDA" is based on Adjusted EBITDA, with further adjustments as defined in the Company's credit agreements.

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.

Adjusted Net Income
Adjusted Net Income is net income excluding the after-tax impact of: business acquisition, integration and other non-routine costs; accelerated depreciation on equipment as part of the cessation of operations; accelerated amortization of deferred financing costs and other items resulting from debt refinancing and amendment activities; non-cash expense (income) related to marking-to-market an embedded derivative associated with the LIBOR floor included in long-term debt; non-cash expense (income) related to marking-to-market interest rate swaps not designated for hedge accounting; and share-based compensation expense.

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

CAD-Equivalent Adjusted Diluted EPS
CAD-Equivalent Adjusted Diluted EPS is Adjusted Diluted EPS, as defined above, converted to CAD using the average USD/CAD exchange rate for the period. High Liner Foods' common shares trade on the Toronto Stock Exchange and are quoted in CAD. The CAD-Equivalent Adjusted Diluted EPS is provided for the purpose of calculating financial ratios, like share price-to-earnings ratio, where investors should take into consideration that the Company's share price and dividend rate are reported in CAD and its earnings and financial position are reported in USD. This measure is included for illustrative purposes only. This measure would not equal the same Adjusted Diluted EPS in CAD that would result if the Company's Consolidated Financial Statements were presented in CAD.

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 CPA Canada and is cash flow from operating activities less purchase of property, plant and equipment (net of investment tax credits) as reported in the Consolidated Statement of Cash Flows. The purchase of property, plant and equipment related to a business acquisition is not deducted from free cash flow.

Forward-Looking Statements

This MD&A includes statements that are forward looking. Our actual results may be substantially different because of the risks and uncertainties associated with our business and the general economic environment. We discuss the principal risks of our business in Section 10 "Risk Factors and Risk Management" of this MD&A. We cannot provide any assurance that forecasted financial or operational performance will actually be achieved. If it is achieved, we cannot provide assurance that it will result in an increase in our share price. See Section 11 "Forward-Looking Information" of this MD&A.

1. Vision, Core Businesses and Strategy

1.1 Company Overview

High Liner Foods, through its predecessor companies, has been in business since 1899 and has been a publicly traded Canadian company since 1967, trading under the symbol 'HLF' on the Toronto Stock Exchange. High Liner Foods operates in the North American packaged foods industry and our expertise is frozen seafood. We are the leading North American processor and marketer of value-added (i.e. processed) frozen seafood, producing a wide range of products from breaded and battered items to seafood entrées. We produce and market seafood for the retail and foodservice channels. The retail channel includes club stores and the foodservice channel includes sales of seafood that are usually eaten outside the home and consists of sales through distributors to restaurant and institutional customers.

We own strong brands and we are also an important supplier of private-label frozen seafood products for many North American food retailers, club stores, and foodservice distributors. High Liner Foods' retail branded products are sold throughout the U.S., Canada and Mexico under the ***High Liner***, ***Fisher Boy***, ***Mirabel***, ***Sea Cuisine*** and ***C. Wirthy & Co.*** 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***[1] and ***FPI*** labels, and is a major supplier of private-label, value-added, frozen premium seafood products to North American food retailers and foodservice distributors.

In 2015, we owned and operated four food-processing plants located in: Lunenburg, Nova Scotia ("NS"); Portsmouth, New Hampshire ("NH"); Newport News, Virginia ("VA"); and New Bedford, Massachusetts ("MA"). Until early April 2015, we also operated a leased food-processing facility in Malden, MA (this closure is explained in Section 3.2 "Developments" of this MD&A) and we plan to cease value-added fish operations at our plant in New Bedford by the end of the third quarter of 2016 (as explained in Section 3.3 "Events After the Reporting Period" of this MD&A).

Finished product in North America is held in our modern cold storage facilities, located in: Lunenburg, NS; Peabody and New Bedford, MA; Portsmouth, NH; Newport News, VA; and at third party cold storage centers. From these centers, our products are distributed throughout North America.

High Liner Foods has made a number of strategic acquisitions since 2007:

- On October 7, 2014, we acquired the business of Atlantic Trading Company, LLC ("Atlantic Trading"), a large importer of frozen Atlantic salmon into the U.S. serving the U.S. retail and club store market. This acquisition (the "Atlantic Trading Acquisition") is described in detail in Section 5.1 "Atlantic Trading Acquisition" of this MD&A.

1 As part of the Company's purchase of Icelandic USA in 2011, the Company acquired several brands and agreed to a seven year royalty-free licensing agreement with Icelandic Group for the use of the *Icelandic Seafood* brand in the U.S., Canada and Mexico.

- On October 1, 2013, we purchased the American Pride Seafoods business (the "American Pride Acquisition") from American Seafoods Group LLC, a value-added frozen seafood and scallop processing business serving the U.S. foodservice seafood market from New Bedford, MA.
- In December 2011, we acquired the U.S. subsidiary and Asian procurement operations of Icelandic Group h.f., (the "Icelandic USA Acquisition" or "Icelandic USA") one of the largest suppliers of value-added seafood to the U.S. foodservice market, serving the market from Newport News, VA.
- In December 2010, we acquired the business of Viking Seafoods, Inc. (the "Viking Acquisition" or "Viking"), a value-added business serving the U.S. foodservice seafood market from Malden, MA.
- In December 2007, we acquired the North American manufacturing and marketing business of FPI Limited ("FPI"), including FPI's prominent foodservice business headquartered in Danvers, MA.

Although our roots are in the Atlantic Canadian fishery, we purchase all our seafood raw material and some finished goods from around the world. From our headquarters in Lunenburg, NS, we have transformed our long and proud heritage into global seafood expertise. We deliver on the expectations of consumers by selling seafood products that respond to their demands for sustainable, convenient, tasty and nutritious seafood, at good value.

1.2 Strategy

Overview

Our overall business strategy is a simple one: we satisfy the seafood preferences of North American consumers. We need to be, and are, seafood experts. Our focus is on creating and marketing top quality frozen seafood. Our reputation for delivering outstanding seafood products is an advantage in the competitive North American market.

We are committed to developing, producing and delivering high-quality and innovative seafood products for our retail, club store and foodservice customers, and to providing all customers with superior levels of service. We strive to maintain and improve our market leadership positions through continuous product improvement, product innovation, and consistently providing high levels of customer service, including ensuring continuity of supply and on-time product delivery.

It is through partnering with customers and suppliers, further developing our brands, achieving operational excellence, maintaining our superior procurement expertise and providing leadership in the frozen seafood category, that we expect to achieve our vision and increase shareholder value in the long term.

The Corporate vision, mission statement and values support the business strategy. The vision sets our overall direction and is:

To be the leading supplier of frozen seafood in North America.

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

The seafood category is complex for both businesses and customers. Procuring seafood is complex due to the global supply chain and the existence of more than a hundred commercial species, and many people believe preparing seafood is difficult. Our corporate mission statement focuses on removing this complexity for our customers and is:

"To radically simplify selecting, preparing and enjoying seafood at its best."

We are committed to simplifying the seafood category for our customers, from procurement through to preparation, enabling them to leverage our seafood expertise so they can be confident in serving quality seafood products, with superior taste and at good value.

The Company and its employees are committed to conducting business in a manner that reflects the following values:

- *Customer focused:* We are focused on meeting the current and future needs of our customers and believe that our success depends on understanding our customers, building strong relationships and delivering quality products on time.
- *Innovative:* We are committed to providing differentiated and innovative products and services to grow our business and meet the needs of a changing marketplace. We are also committed to innovation in how we work, to make the business more efficient.
- *Responsible:* We take responsibility for our actions. In a competitive industry, we operate with integrity with our customers, suppliers and each other. We respect our environment and are committed to sustainability in all our operations.

In combination with our growth strategy described below, we believe this business strategy will help to achieve our vision and increase shareholder value in the long term.

Growth Strategy

Our growth strategy is focused on growth in two areas:

Organic Growth in Core Markets

We plan to continue growing our seafood business in North America, in traditional retail, club and foodservice channels. New product introductions, as well as the introduction of new species, are an integral part of this strategy, as is gaining additional sales volume with existing customers by providing them with a wider range of seafood products.

We are focused on increasing the sales, profits and market share of our major brands. Our market share in Canada is much higher than in the U.S. due to our long-standing leadership position. High Liner Foods is the leader in the Canadian frozen seafood category and is a key participant in the U.S. market.

We support our brands by conducting consumer research to determine what food products and formats appeal to consumers. We then focus product development to deliver on these expectations. North Americans want good taste, excellent value and high-quality products. They are looking for sustainable, healthier and more convenient foods and they want a variety of premium, restaurant quality food at home.

Our Canadian retail business has built its business developing a line of premium quality products and in recent years, has introduced new uncoated products into the frozen section of fresh seafood departments of Canadian grocery stores. Having our branded products in both the frozen food aisles and the fresh seafood department increases our brand presence in grocery stores.

New product development in our U.S. retail business is focused on premium quality seafood products that are sold in the frozen, refrigerated, and fresh sections of seafood departments under the ***Sea Cuisine*** brand. In the club store channel, our innovation in value-added frozen seafood under the ***Sea Cuisine*** and ***High Liner*** brands has grown our share of the value-added frozen seafood business with all major club stores in the U.S.

In our U.S. foodservice business, we have successfully launched several innovative product platforms in the past – ***Upper Crust*** in 2004, ***Pan Sear*** in 2006 and ***Fire Roasters*** in 2010. The ***Fire Roasters*** products, which are not available from our competitors, are restaurant-inspired, high-quality, ready-to-cook entrées that are popular with restaurant operators that do not want to have to prepare the seafood in their own kitchens. The ***Fire Roasters*** products, marketed in Canada as ***Flame Savours***, have also been successful in Canada's foodservice and retail businesses. ***Icelandic Seafood***'s differentiated beer-battered line of products has also contributed to our product offerings in retail and foodservice.

Acquisition of Frozen Seafood Businesses

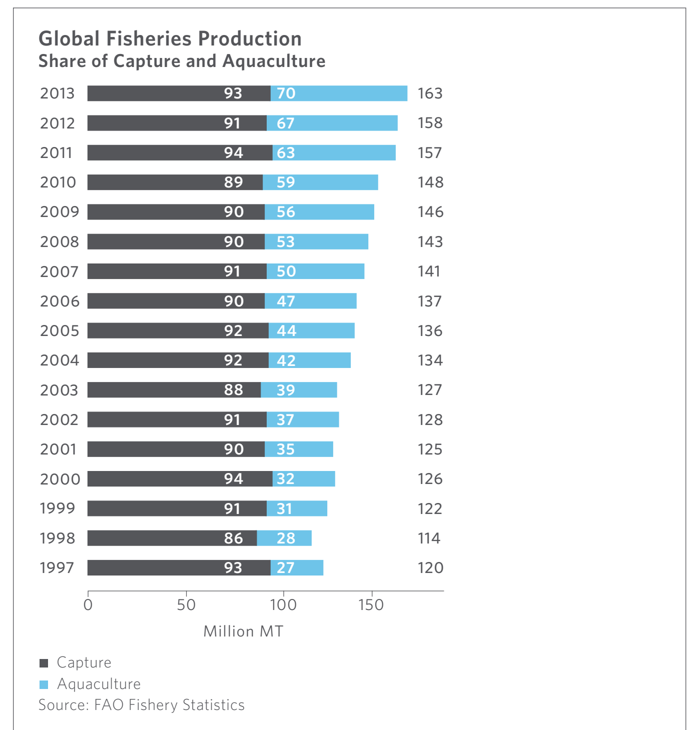
Although organic growth is our primary focus, our strength in the value-added frozen seafood business in North America creates a strategic opportunity for us to acquire businesses operating in the same markets. Our acquisition criteria are strict. Target businesses must be principally selling frozen seafood in North America. We must be able to achieve synergies upon integrating these businesses into ours as a result of the acquisitions leveraging some combination of our existing leading brands, customer relationships, procurement relationships, robust business systems and our expertise in marketing, frozen food logistics and product development.

The acquisitions made since 2007 were aligned with the above criteria and have positioned High Liner Foods as:

- The North American leader in value-added frozen seafood;
- The clear market leader in both retail and foodservice channels in Canada; and
- A leading supplier of value-added (including private-label) frozen seafood products in retail and foodservice in the U.S.

Global Seafood Supply and Demand

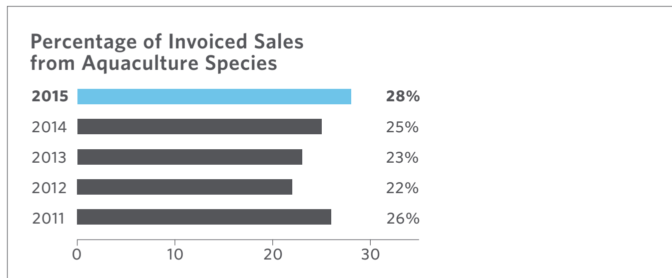
As a consumer-driven sales and marketing company, we focus on matching supply to demand. Procuring seafood on global markets allows us to provide products based on consumer preferences. The global supply of seafood is expanding, and global consumer demand is increasing due to the recognized health benefits and taste of seafood and increased demand from emerging economies. The catch of wild fish has stabilized at around 90 million tonnes annually, which represents between 55% and 60% of the total supply, while aquaculture production continues to increase as illustrated in the following chart reported by the Food & Agriculture Organization of the United Nations ("FAO") in 2015:



Source: FAO Fishery Statistics

Globally, there has been considerable development in the aquaculture industry both in finfish and shellfish species. This trend is expected to continue. We currently procure aquaculture products, including warm water shrimp, tilapia, pangasius (basa), mussels, scallops and Atlantic salmon.

Our strategy is to increase the procurement of aquaculture products in the future as we continue to align with this trend. Despite procuring aquaculture products, the vast majority of our seafood product sales are from wild-caught fish. As illustrated in the following chart, aquaculture accounted for 28.3% of our sales in 2015.



Globally, demand over time is expected to increase faster than supply, resulting in increases in seafood costs. These increases in demand come about as a result of increasing disposable incomes in the countries of Brazil, Russia, India and China ("BRIC"), and increased demand in Southeast Asia. The trend of increasing demand was affected, at least temporarily, as a result of the global financial crisis and the changed relationship between currencies of producing and consuming countries. Demand from Europe, especially Southern European countries, decreased significantly due to the financial uncertainty surrounding the European Union. However, in the longer term, we expect demand to continue to increase, resulting in increases in seafood costs.

Strategic Goals

High Liner Foods uses a system of strategic goals to establish corporate priorities and align employee efforts with those initiatives it believes are most critical to the Company's overall success in the near term and also in creating shareholder value in the longer term ultimately bringing the Company closer to achieving its vision.

2015 Strategic Goals

Our strategic goals for 2015, along with commentary thereon, were:

1. Supply Chain Optimization

This multi-year goal was first communicated in 2013 following a series of acquisitions that quadrupled the Company's sales. In addition to achieving the synergies expected from integrating these acquisitions, we believed further efficiencies and cost savings could be achieved across our supply chain by leveraging the much larger scale of business we had built. Outside expertise was engaged to assist with certain aspects of our supply chain optimization project (the "Project"), which was officially kicked off in the third quarter of 2014.

The scope of the Project has been significant, focusing on optimization at both the individual plant level and the consolidated entity level. Plant level activities have targeted areas like labour productivity and yield improvement with consolidated entity level activities focusing on standardizing and consolidating ingredients and packaging, and optimizing our global supply chain and procurement activities.

Project activities were executed as planned, for the most part, during 2015 and by the end of the year, most of the activities for which we were utilizing outside expertise were completed. We believe we have achieved most of the cost savings expected related to completed activities, however, their impact on profit margins in 2015 was delayed as a result of being mostly offset by increased production costs associated with lower volumes being produced at our plants. In the second half of 2015, we started to realize more significant benefit related to certain Project activities, particularly those focused on lowering distribution costs and selling, general and administration expenses ("SG&A").

Adjusted EBITDA for the fourth quarter of 2015 reflected approximately $3.0 million of net benefit.

2. Profitable Growth

This goal was also a multi-year goal, focused on achieving profitable growth through a combination of internal growth and acquisitions. Over the last several years we have had success in growing the business through acquisitions, with our most recent acquisition being the Atlantic Trading Acquisition in October 2014, which was successfully integrated in 2015 and is performing in line with our expectations.

Internal growth, however, has become increasingly challenging as evidenced by year-over-year sales volume declines in 2015 in both our U.S. and Canadian businesses.

While a number of external and internal factors contributed to this (as explained in the Performance section of this MD&A), it has heightened the organizational focus on growing our base business. In the second half of 2015, management undertook certain activities, including restructuring and recruitment of new talent to certain key sales positions, to address certain internal sales execution and promotional challenges. It believes these changes will result in a more solid foundation upon which the Company can grow its base business.

3. Succession Planning

While succession planning is an ongoing activity at High Liner Foods, it has been a strategic goal for the last two years to elevate its importance as management planned for a large number of impending retirements, several of which were occurring in key leadership and senior positions. The Company made very good progress on this goal in 2014, naming successors to three members of its senior management team and in 2015, completed its succession activities at the senior-most level of the organization when it announced the following in May:

- Mr. Keith Decker became President and Chief Executive Officer ("CEO"). Mr. Decker had been President and Chief Operating Officer ("COO") of High Liner Foods since September 2013 and prior to this, President and COO U.S. Operations. Before joining High Liner Foods in 2007 as part of the FPI Acquisition, Mr. Decker served as FPI's Director of Commodity Sales and Vice President ("VP") of Sales, its Executive VP of Sales and Marketing, and immediately prior to the acquisition, was FPI's President and COO.

- Mr. Henry Demone, who prior to this announcement was the Company's President and COO, assumed the role of Chairman of the Company's Board of Directors. Mr. Demone had been the Company's President and CEO since 1992, and before that, the Company's President since 1989.
- In connection with these changes, Mr. David Hennigar stepped down as Chairman of the Company's Board and continues to serve on the Board in the position of Lead Director and Vice Chairman.

Mr. Decker's appointment to President and CEO marked a major milestone in the implementation of the Company's succession plans and the risk in senior leadership turnover that it faced a couple of years ago has been addressed. New people have been appointed or successors designated in all key executive positions in the Company to ensure continued strong leadership.

2016 Strategic Goals

The Corporate strategic goals for 2016 are essentially the same as last year, but have been broadened to reflect 2015's accomplishments and challenges, yet still set the same strategic direction focused on growing our business, operating it as efficiently as possible and ensuring that we have the right talent.

1. Organic Sales Growth

As recognized above, internal growth has become increasingly challenging and growing our base business will be the Company's primary focus in 2016. Going forward, we need to strive for commercial excellence, ensuring our sales and marketing teams are structured and equipped with the information and market intelligence needed to provide customers with products that meet their needs and to make effective pricing and promotional decisions. This also means staying true to our core value of being "customer focused", recognizing that our success depends on understanding our customers, building stronger relationships with them and delivering on their expectations. Another one of our core values is "innovative" and we continue to believe that developing product offerings which make it easy for customers to prepare and enjoy seafood are an important driver behind organic growth, not only to grow our market share but to increase the overall demand for frozen seafood products in North America.

2. Operating Efficiency and Cost Management

In 2016, we will complete outstanding Project activities and believe that by the end of 2016 we can achieve a minimum total annual cost savings of $20 million, with the full benefit to be realized in 2017. Continued improvement of sales volume trends will help with the realization of this full benefit. Also, the Company plans to cease value-added fish operations at its New Bedford production facility by the end of the third quarter of 2016 (see Section 3.3 "Events After the Reporting Period" of this MD&A). This will reduce excess capacity across its North American production network, improve manufacturing efficiency and help to achieve the Company's supply chain optimization objectives.

Beyond the savings expected from the Project completed in 2015, these activities created a "High Liner Foods operating system" – a set of rules and procedures that provide for a consistent way of doing things. Going forward, these rules and procedures must become how we do things at High Liner Foods and a part of our culture. In 2016, we need to continue using and honing this operating system, which we believe should result in a highly efficient operating environment, lower costs and a competitive advantage.

Cost management in 2016 will also include ensuring that across the business we are leveraging our size to get the best possible prices from our suppliers and service providers. And, as always, we will carefully manage discretionary spending, looking for ways to reduce, avoid or defer spending without compromising our business objectives.

3. Talent Management

Acquiring, developing and retaining the best talent are critical to the success of the organization. This means ensuring we have the right people, with the right skills, in the right roles, to successfully run the business today. We are actively developing our future leaders to ensure continued success and have adopted a formal talent identification process to assist with this. A new performance management system will be introduced in 2016 aimed at improving the exchange between employees and managers by encouraging a more collaborative approach to performance management and development.

1.3 Core Businesses

High Liner Foods is the leading North American processor and marketer of value-added frozen seafood. We own strong brands, and we are also an important supplier of private-label frozen seafood products for many North American food retailers, club stores and foodservice distributors.

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 frozen seafood products under the ***Fisher Boy***, ***High Liner***, ***Sea Cuisine*** and ***C. Wirthy & Co.*** 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 is also one of the leading suppliers in the U.S. of retail private-label value-added frozen seafood. We produce more than 45 different labels for U.S. grocery retailers, primarily breaded and battered fish sticks and portions.

Foodservice
Customer channels in this business include foodservice operators in multiple restaurant segments, broad line foodservice 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. In recent years, acquisitions have added new products and brands to our foodservice offerings and have substantially increased High Liner Foods' share of the market for value-added seafood products in the U.S. foodservice industry. This division also sells a full line of raw (unprocessed) and cooked uncoated seafood to the foodservice channel. Products in this channel are sold under the ***High Liner***, ***Icelandic Seafood*** and ***FPI*** 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 more than 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.

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

1.4 Core Competencies

Our core operational competencies are:

Brand Equity

High Liner is the leading Canadian seafood brand, with a leading retail market share. The retail market share that we are using to measure ourselves against includes mass merchandisers, general merchandisers, club stores and distributors, in addition to the grocery channel. The strength of our brand reputation can be leveraged into growth with new species, in new channels, and to new customers. The brand also has a positive impact on our foodservice business where we are well known for our innovative, quality products and superior service.

High Liner is currently building brand awareness in the U.S., particularly in the retail sector. Known in U.S. club stores for the launch of premium products under the ***High Liner*** brand, the umbrella branding of ***Fisher Boy*** and ***Sea Cuisine*** brands further strengthens our market position in traditional grocery outlets. Moreover, ***Fisher Boy*** already has independent brand recognition in certain regions of the U.S. and Mexico, and ***Sea Cuisine*** is expanding its all commodity volume ("ACV"). The ACV measure is discussed further in Section 2.1 "Our Brands" of this MD&A.

In the U.S. foodservice market, the ***FPI*** and ***Icelandic Seafood*** brands are the most recognizable brands and, like the ***High Liner*** brand, are also well known for product innovation and quality, and we are a leading supplier of value-added frozen seafood products to the U.S. foodservice market.

Procurement Expertise

We are seafood experts, and procure seafood on world markets from a position of strength. We have no harvesting or farming operations, so we procure many species from around the world, accessing product from various fisheries in different parts of the globe. This provides us with a continuity of supply, without the investment in capital necessary for fishing or farming operations, and allows us to focus on what the customer wants rather than trying to sell what is caught. Our procurement group's proprietary Internet-based procurement and inventory management system enables the purchase of approximately 30 species of seafood from geographically diverse suppliers in approximately 20 different countries. The results are lower raw material costs, better predictability of raw material supply and pricing, higher quality product, reduced risk and better inventory management. Our expertise has also allowed us to competitively outsource low value-added, labour-intensive products to other processors, freeing capacity in our own plants for more specialized, and higher value-added products. Lastly, our procurement knowledge has provided us with the freedom to develop products based on changing consumer tastes. We can be flexible, which allows us to respond quickly to trends and tastes as they emerge. In 2013, the American Pride Acquisition added a shore-based scallop processing operation that made us one of the leading scallop processing companies in the U.S. and in 2014, the Atlantic Trading Acquisition added a significant source of premium quality, sustainably sourced Atlantic salmon fillets from Chile and Norway.

Customer Relationships

We have been supplying food products to major grocery retailers and foodservice distributors for decades. We have developed strong relationships with our customers through excellent customer service and brand recognition. We sell to most of the retail chains, the major club stores, and foodservice distributors in North America. We have ensured that our infrastructure is capable of meeting the exacting demands of these customers, for both excellent products and delivery service as well as meeting their ever-increasing technological requirements.

Differentiated Innovative Products

Innovation is one of our core values and we exhibit this especially in our product line. We strive to develop and launch new products that are differentiated from others in the market. Our ***Pan Sear, Fire Roasters***, ***Flame Savours***, ***Upper Crust*** and ***Icelandic Seafood***'s beer-battered product lines are the most differentiated in the industry and are experiencing continued success across both retail and foodservice product lines, including our successful ***Sea Cuisine*** line in the U.S. In Canada, our ***Catch of the Day*** fillets, and a new product line named ***Captain's Crew*** that was launched in 2013 are very successful, as is the ***Flame Savours*** line, which won the *Best New Product Award*[2] in the "frozen fish" category in January 2013. In January 2014, High Liner Foods' ***Pan-Sear Traditional*** product won this award again, which was the fifth year in a row that one of our products won this award. Our premium products in the U.S. and Canada have been an excellent example of our innovation in seafood products. Increasing the depth of our product line by adding new species from aquaculture has allowed us to develop even more innovative products.

Low Break-Even Point, Scalable Operations

Our business model has a low break-even point relative to vertically integrated seafood companies. We are no longer in the capital-intensive fishing operations, but instead rely on our procurement expertise. Our business has relatively low fixed costs and proportionately more variable costs, which lowers our break-even point. Our sales more than tripled since 2007; however, our SG&A costs, that are primarily fixed costs, increased at a much slower pace. Specifically, our SG&A costs, excluding share-based compensation and amortization expense, as a percentage of sales in 2007 were 14.3%, compared with 8.7% in 2015. The success in the attainment of the planned synergies has contributed significantly to this achievement. We are well positioned to continue to increase sales and profitability without significant increases in fixed costs.

2 The Best New Product Awards is an annual awards program focusing on everyday consumer packaged good products in the food, personal care and household care categories. Winners are selected based on voting by over 90,000 Canadian consumers from coast-to-coast who participate in the annual independent market research survey conducted by BrandSpark International.

1.5 Operational Resources

Our organic growth plans can be achieved without significant operational expansion. Our existing operational resources include:

Plant Capacity

As explained in Section 3.2 "Developments" of this MD&A, the Company ceased operations at its leased production facility in Malden, MA in the second quarter of 2015 to reduce excess capacity across its manufacturing facilities in the U.S. In addition, subsequent to the reporting period (see Section 3.3 "Events After the Reporting Period" of this MD&A), the Company announced it will further reduce excess capacity across its manufacturing facilities by ceasing value-added fish operations at its production facility in New Bedford, MA by the end of the third quarter of 2016. Following this closure, the Company's manufacturing footprint in North America will consist of three owned and operated plants, Portsmouth and Newport News in the U.S. and Lunenburg in Canada, and combined, these facilities can absorb the production from the New Bedford facility and still provide sufficient capacity to meet our growth objectives. We also have plans that could be implemented with minimal additional capital expenditures to increase the capacity of our plants through shift changes should further production capacity be required. Our ability to source new products is not limited to our own production. We purchase significant quantities of frozen fillets as finished goods, and some of our value-added products are purchased as finished goods.

Distribution Centers

Our Lunenburg, Portsmouth, Newport News and New Bedford facilities include large distribution centers. In March 2014, we purchased a previously leased distribution center in Peabody, MA. We also utilize third-party cold storage/distribution center to supplement our facilities when needed. We have Directors of Logistics in Canada and the U.S. to ensure that the warehousing and transportation of our products is handled in a cost-effective and customer service-oriented manner.

Technology

Technology supports our growth strategy and our centralized computer systems enable us to make timely decisions. Our business is simplified through an enterprise-wide business management system and specifications management system, both by Oracle. We have also developed a proprietary Internet-enabled procurement system that allows us to manage world-wide procurement in real time. Business intelligence software allows us to manage our information on a real-time basis to help us make business decisions quickly, manage inventory and accounts receivable and provide more informative financial disclosure. We are equipped to respond to customer demands for electronic transmission of business documents, including invoices, purchase orders and payment confirmations. Our video and collaboration systems allow our geographically diverse business team to interact in real-time, thereby supporting more timely decision-making.

We use High Availability technology to ensure our systems are always available to service our customers. We continue to budget significant capital dollars to ensure we have state-of-the-art systems to manage our Company, respond to customer requests and support growth into the future.

2. Performance Measures

Our performance against key metrics will tell us whether we are achieving our strategic objectives. We made considerable progress in 2015 by focusing on these metrics.

2.1 Our Brands

Market Share

The market shares of our retail brands are significant, particularly in Canada. Foodservice market shares are hard to measure, as there is no independent source that tracks foodservice sales in a manner comparable to the retail channel. However, based on our information and knowledge of the market, we are clearly the market leader in Canada and, including private-label products, are the largest value-added frozen seafood supplier in the U.S.

We track retail market share information by purchasing syndicated data. We measure share on a rolling four-week, twelve- or thirteen-week, and fifty-two week basis, and have good insight as to whether consumers are responding to our new product ideas and promotions. In Canada, we are the leader in the retail channel with a market share more than four times the size of our nearest competitor. In the U.S., our ***Fisher Boy*** brand has a strong presence in certain regions and ***Sea Cuisine*** has a growing importance in the "prepared seafood" category.

Retail Availability

An important measure for retail availability is ACV. This is a measure of the volume of the traditional grocery stores as a percentage of total stores in a market (Canada or the U.S.) in which our products are sold. An increase in ACV generally means that our products are in more stores, and therefore, available to more consumers in more markets, which should translate into increased sales.

- In Canada, our ACV approaches 100% as our branded products can be found in virtually all stores where frozen seafood is sold.
- In the U.S., our brands, which include ***Fisher Boy***, ***High Liner*** and ***Sea Cuisine***, have a smaller share of the "total frozen seafood" category than in Canada. ACV for all our branded products was 81% at the end of 2015 compared to 84% at the end of 2014. This decrease primarily reflects that one of our sizable customers replaced ***Sea Cuisine*** product that is included in Information Resources Inc.'s ("IRI") ACV measure with one of our products that is not. Increasing distribution for our products, especially ***Sea Cuisine***, continues to be a focus of the Company. In some regions in the U.S., the ACV is substantially higher than 81%.
- In Mexico, although we do not track ACV, we are confident in our position as a leading breaded and battered seafood supplier in major centers.

In Canada, we use Nielsen® to track market share and ACV of our retail brands in grocery, mass merchandising, general merchandising, club stores and distributors. In the U.S., we use IRI to track market share and ACV of our retail brands, where it tracks all grocery stores, supercenters (including Walmart) and club stores (excluding Costco). Since we are well represented at Costco, we believe our actual ACV is higher than that presented by IRI.

Percentage of Overall Sales from Our Brands

Our brands are one of our core strengths. Consequently, most of our sales are from our branded products. The percentage of sales from branded products increased in 2015 to 77.4% compared to 76.1% in 2014, reflecting a full year of Atlantic Trading's operations.

2.2 Our Organization

Productivity

At the end of 2015, the Company's manufacturing footprint consisted of four manufacturing plants, which are all owned by the Company. Subsequent to the reporting period (see Section 3.3 of this MD&A), the Company announced it will cease value-added fish operations at its production facility in New Bedford, MA, by the end of the third quarter of 2016 to reduce excess capacity across its manufacturing facilities. This processing operation is the most underutilized facility with annual production of approximately 40.0 million pounds that will be transitioned to the Company's other facilities. These facilities can absorb the production from the New Bedford facility and still provide sufficient capacity to meet our growth objectives going forward.

In late 2012 and early 2013, as part of achieving synergies related to the Icelandic USA Acquisition, the Company permanently closed two of its processing facilities located in Burin, Newfoundland (Canada) and Danvers, MA. However, subsequent to these closures, in the fourth quarter of 2013, the Company acquired manufacturing facilities as part of the American Pride Acquisition that were not operating at, and continue to not operate at, optimal capacity. In April 2015, to reduce excess capacity across its U.S. manufacturing facilities, the Company ceased production at its leased Malden facility and as explained above, it will cease value-added fish operations at its New Bedford facility in 2016 to further reduce excess capacity across its manufacturing network.

The Company's strategy to grow through acquisitions necessitates a continuous assessment of its manufacturing capabilities against its current and future production requirements to ensure its operations are being carried out in an efficient and cost-effective manner. Following the cessation of value-added fish operations at the New Bedford facility, we will continue to have adequate capacity for growth and will continue to invest in our manufacturing infrastructure.

To assess productivity across the Company's manufacturing facilities, we measure plant throughput, pounds produced per working hour and pounds of production on a rolling twelve-month basis. We are continually looking for opportunities to invest in projects at our manufacturing facilities that have a quick financial payback on capital invested with the goal of improving efficiency and reducing operating costs. The Company's supply chain optimization goal was undertaken to improve productivity measures across all manufacturing facilities.

Customer Service

Our strong customer relationships are a competitive strength. To preserve them, we must consistently strive to exceed customer expectations. To that end, we measure case-fill rates and strive to achieve at least 98.5% purchase order fulfillment, which is at the top of the industry. For 2015, our purchase order fulfillment, measured by the number of cases of products shipped compared to what was ordered, was 97.5% and relatively unchanged from 97.6% in 2014. This measure was below our target, primarily reflecting shortages of procured finished goods as a result of sales exceeding forecasts or where we were unable to source certain products or sizes from our suppliers due to quota cuts or other supply issues. Looking for opportunities to streamline operations at all of our facilities is a component of our supply chain optimization goal and with the exception of any issues with supply, we would expect to hit our target in 2016.

People

We believe our greatest asset is our team of talented and passionate people and that investing in our people will help build a high-performance organization. We are focused on developing future leaders from within and on increasing individual capacity for leadership. We have learning and development plans for all employees that will continue to be a priority in 2016 and beyond, reflecting our ongoing commitment to employee development.

High Liner Foods was selected as one of Nova Scotia's and Atlantic Canada's Top Employers for 2011, 2012, 2013, 2015 and 2016. These awards are annual regional competitions organized by the editors of the national "Canada's Top 100 Employers" competition to recognize employers that lead their industries in offering exceptional places to work. In 2012, High Liner Foods was also selected as one of Canada's Top 100 Employers.

2.3 Grow Through Innovation

Overall Sales Increases

Innovation efforts in 2015 focused increasingly on the changing dynamics of the U.S. foodservice industry, where more consumer dollars are migrating from full-service casual dining to fast-casual restaurants that feature fast, high-quality food with a compelling value proposition. We expect to introduce products to the marketplace throughout 2016 that will work in fast-casual environments, which if successful, should help to improve the year-over-year sales increase in 2016 and bring it closer to our target.

Overall, there is little growth in the U.S. per capita consumption of seafood and to counteract this, we are targeting differentiated products and creative promotions to grow consumption and increase market share.

Sales from New Products

Maintaining our benchmark sales from new products tells us that we are renewing our product line in a sustainable way. We measure annual sales and profits from new products to provide us with information as to our success in reaching consumers with new and consistently reliable food choices.

2.4 Financial Objectives

Our strategy was designed with the expectation to increase shareholder value. To help us focus on meeting investor expectations, we use four key financial measures to gauge our financial performance:

	Fiscal 2015	Fiscal 2014
Return		
On assets managed	**10.3%**	11.3%
On equity	**17.2%**	18.4%
Profitability		
Rolling twelve-month Adjusted EBIT as a percentage of sales	**6.1%**	6.3%
Financial strength		
Net interest-bearing debt to Adjusted EBITDA ratio (times)	**4.0x**	4.4x
Inventory management		
Inventory turns (times)	**3.8x**	4.0x

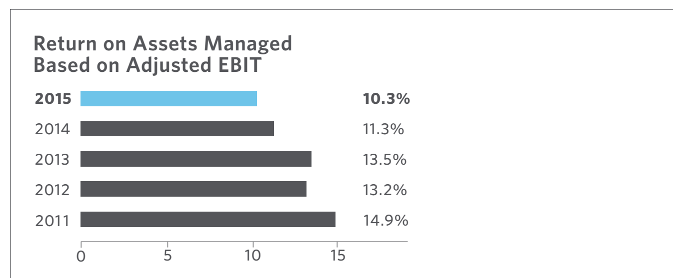
Each of these financial measures is discussed below.

Return on Assets Managed ("ROAM")

ROAM is calculated as follows:

Adjusted EBIT as defined under the heading "Non-IFRS Financial Measures" in the Introduction section of this MD&A, ***divided by:***

Average assets managed (calculated using the average net assets month-end balance for each of the preceding 13 months, where "net assets managed" includes all assets, except for employee future benefits, deferred income taxes and other certain financial assets, less accounts payable and provisions)



ROAM was 10.3% at the end of Fiscal 2015 compared to 11.3% at the end of Fiscal 2014. In 2015, Adjusted EBIT decreased by $5.1 million, or 7.6%, compared to 2014 and the 13-month average net assets managed increased by $7.4 million, or 1.3%. The combined impact of these changes was a decrease in ROAM for 2015 compared to 2014.

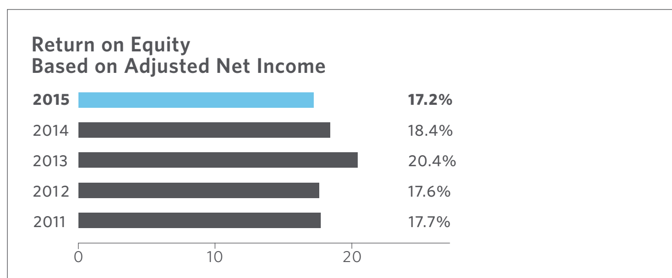
The decrease in Adjusted EBIT in 2015 compared to 2014 is a result of the same factors reflected in the $5.1 million decrease in Adjusted EBITDA in 2015 compared to 2014 discussed in Section 5.2 "Consolidated Results" of this MD&A. The increase in the net assets managed in 2015 compared to 2014 is primarily due to goodwill associated with the Atlantic Trading Acquisition and capital expenditures in 2014 that were higher than normal (as explained under the heading "Capital Expenditure" in Section 5.4 "Liquidity and Capital Resources" of this MD&A), thereby increasing the carrying cost of capital assets in 2015.

Return on Equity ("ROE")

ROE is calculated as follows:

Adjusted Net Income as defined under the heading "Non-IFRS Financial Measures" in the Introduction section of this MD&A, except including stock-based compensation expense, ***divided by:***

Average common equity (calculated using the common equity month-end balance for each of the preceding 13 months)



ROE was 17.2% at the end of Fiscal 2015 compared to 18.4% at the end of Fiscal 2014. In 2015, Adjusted Net Income decreased by $3.2 million, or 8.2%, compared to 2014 and the average common equity increased by $5.7 million, or 3.0%. The combined impact of these changes resulted in a decrease in ROE for 2015 compared to 2014. The decrease in Adjusted Net Income in 2015 compared to 2014 is discussed in Section 5.2 "Consolidated Results" of this MD&A.

Rolling Twelve-Month Adjusted EBIT as a Percentage of Sales

Rolling twelve-month Adjusted EBIT as a percentage of sales is calculated as follows:

Adjusted EBIT as defined under the heading "Non-IFRS Financial Measures" in the Introduction section of this MD&A, ***divided by:***

Sales as disclosed on the consolidated statement of income

Rolling twelve-month Adjusted EBIT as a percentage of sales was 6.1% at the end of Fiscal 2015 compared to 6.3% at the end of Fiscal 2014. In 2015, Adjusted EBIT decreased by $5.1 million, or 7.6%, compared to 2014 and sales decreased by $50.1 million, or 4.8%. The combined impact of these changes was a decrease in rolling twelve-month Adjusted EBIT as a percentage of sales for 2015 compared to 2014. The decrease in Adjusted EBIT as a percentage of sales for 2015 compared to 2014 reflects lower gross profits as a percentage of sales in 2015 as discussed in Section 5.2 "Consolidated Results" of this MD&A.

Net Interest-Bearing Debt to Rolling Twelve-Month Adjusted EBITDA

Net interest-bearing debt to rolling twelve-month Adjusted EBITDA is calculated as follows:

Net interest-bearing debt [calculated as bank loans, plus current and long-term portions of long-term debt and capital lease obligations (but excluding all deferred charges or adjustments for the embedded derivative), net of cash] ***divided by:***

Adjusted EBITDA as defined under the heading "Non-IFRS Financial Measures" in the Introduction section of this MD&A

Net interest-bearing debt to rolling twelve-month Adjusted EBITDA was 4.0x at the end of Fiscal 2015 compared to 4.4x at the end of Fiscal 2014. These ratios were calculated using the measures shown in the following table:

(Amounts in $000s, except as otherwise noted)	Twelve months ended **January 2, 2016**	January 3, 2015
Net interest-bearing debt	**$ 313,065**	$ 364,763
Rolling twelve-month Adjusted EBITDA	**$ 78,218**	$ 83,341
Net interest-bearing debt to Adjusted EBITDA ratio (times)	**4.0x**	4.4x

During 2015, net interest-bearing debt (calculated in Section 5.4) decreased by $51.7 million and Adjusted EBITDA decreased by $5.1 million. The combined impact of these changes was a decrease in net interest-bearing debt to rolling twelve-month Adjusted EBITDA for 2015 compared to 2014. The changes from 2015 compared to 2014 in net interest-bearing debt and Adjusted EBITDA are discussed in Sections 5.4 "Liquidity and Capital Resources" and 5.2 "Consolidated Results" of this MD&A, respectively. We expect this ratio to improve in 2016 as Adjusted EBITDA is expected to increase and free cash flow will be used to reduce debt.

Inventory Turns

Inventory turns is calculated using domestic currency as follows:

Cost of inventory sold during the year, ***divided by:***

Average inventory available for sale or use as of the end of each month of the year (calculation includes raw material, finished goods, packaging and ingredients, but excludes supplies and in-transit or in-inspection inventory)

Average inventory turns in 2015 were 3.8x compared to 4.0x in 2014. In 2015, cost of sales decreased by $21.3 million in domestic currency compared to 2014 and average inventory cost increased by $7.0 million also in domestic currency. The increase in inventory cost reflects higher cost raw materials in 2015 and the impact of inventories being built up in early 2015 to minimize the risk of product shortages during the high-volume Lenten period combined with lower than expected sales volume in 2015. The combined impact of these changes was a decrease in average inventory turns in 2015 compared to 2014.

3. Performance Highlights

3.1 Overall Performance

Financial and operational highlights for Fiscal 2015, include (unless otherwise noted, all comparisons are relative to Fiscal 2014 which had fifty-three weeks compared to fifty-two weeks in Fiscal 2015):

- Sales as reported decreased by $50.1 million, or 4.8%, to $1,001.5 million compared to $1,051.6 million;
- Sales in domestic currency decreased by $9.7 million, or 0.9%, to $1,073.8 million compared to $1,083.5 million;
- Adjusted EBITDA decreased by $5.1 million, or 6.1%, to $78.2 million compared to $83.3 million;
- Adjusted EBITDA in domestic currency decreased by $1.5 million, or 1.8%, to $83.9 million compared to $85.4 million;
- Reported net income decreased by $0.7 million, or 2.3%, to $29.6 million compared to $30.3 million and diluted earnings per share ("EPS") decreased by $0.02 to $0.95 compared to $0.97;
- Adjusted Net Income decreased by $3.2 million, or 8.2%, to $35.6 million compared to $38.8 million; Adjusted Diluted EPS decreased by $0.10 to $1.14 compared to $1.24; and also CAD-Equivalent Adjusted Diluted EPS increased by CAD$0.09 to CAD$1.46 compared to CAD$1.37; and
- Net interest-bearing debt to Adjusted EBITDA, calculated on a rolling twelve-month basis, improved to 4.0x at the end of Fiscal 2015 compared to 4.4x at the end of Fiscal 2014.

The Company's reported sales in 2015 exceeded a billion dollars for the second time in its history, but were lower than 2014, as was the Company's reported Adjusted EBITDA and Adjusted Net Income. Below is a summary of the events, trends and circumstances that impacted performance in 2015.

The financial results for 2015 reflect one less week of operations in the fourth quarter than in 2014. The Company estimates the benefit associated with the additional week of operations in 2014 was 5.5 million pounds of sales volume, $20.0 million of sales in domestic currency and $1.6 million of Adjusted EBITDA in domestic currency.

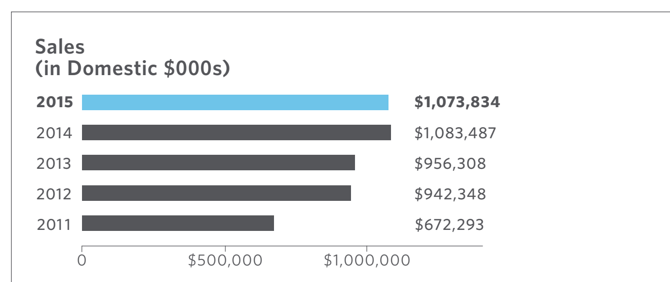
The average USD/CAD exchange rate declined significantly in 2015 which had a negative impact on the financial results reported by the Parent, both in terms of its impact on the translation of the Parent's operations from CAD to the Company's USD presentation currency and on the cost of raw seafood materials, which are largely purchased in USD.

2015 was the first fiscal year to reflect a full year of sales from Atlantic Trading, which was acquired in October 2014, however the additional sales related to this acquisition were more than offset by sales volume declines in the rest of the business. Significant price increases were passed on to customers in 2015 to help recover increased raw material costs, which management believes had an adverse impact on sales volume and was the primary driver behind year-over-year sales volume declines. Due to the magnitude of cost increases on certain products, price increases to customers did not always fully recover the Company's increased costs, resulting in lower margins being achieved on certain products. Increased production costs associated with lower volumes being produced at the Company's manufacturing facilities in 2015 also had a negative impact on gross profit and served to delay the realization of the cost savings associated with certain supply chain activities completed in 2015. The benefit associated with certain other supply chain optimization activities was realized during the year, resulting in lower distribution costs and SG&A expenses in 2015 compared to 2014, primarily in the U.S. business. The combined impact of the factors listed above was a year-over-year decrease in Adjusted EBITDA of $5.1 million.

Our net interest-bearing debt position decreased by $51.7 million reflecting the repayment of debt in 2015 with cash flows provided by operating activities. This decrease in debt, combined with the impact of the $5.1 million decrease in Adjusted EBITDA, improved the Company's net interest-bearing debt to rolling twelve-month Adjusted EBITDA to 4.0x at the end of Fiscal 2015 compared to 4.4x at the end of Fiscal 2014.

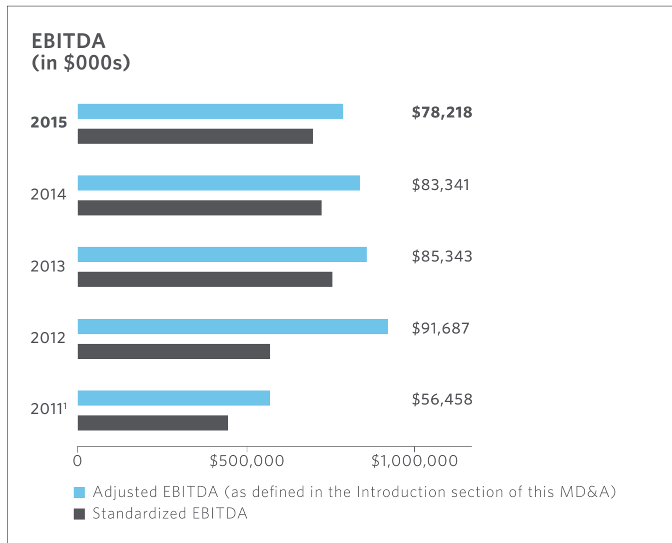
The remainder of this section provides comparative information for a five-year period for key financial measures. These measures are discussed further in the context of the Company's financial performance in 2015 in Section 5 "Performance" of this MD&A.

Sales in domestic dollars decreased $9.7 million, or (0.9)%, in 2015:



- The Atlantic Trading Acquisition increased sales in domestic currency in 2015 by $47.4 million compared to 2014 and excluding their impact, sales in domestic currency decreased in 2015 by $57.1 million.

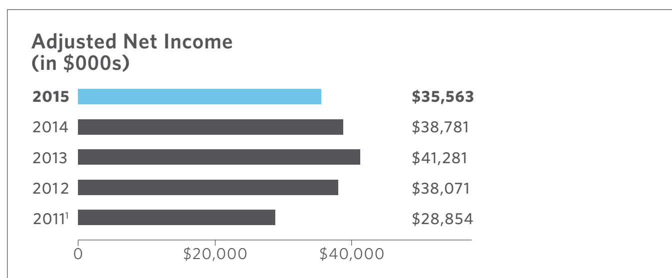
Adjusted EBITDA decreased by $5.1 million, or 6.1%, in 2015:

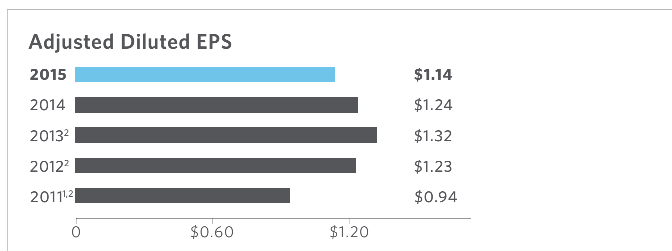


1 Restated as explained under the heading "Presentation Currency" in the Introduction section of this MD&A.

- The impact of converting the Parent's CAD-denominated operations to our USD presentation currency reduced Adjusted EBITDA by $5.7 million in 2015 and $2.1 million in 2014, primarily reflecting a weaker Canadian dollar in 2015.

Adjusted Net Income decreased by $3.2 million, or 8.2%, and Adjusted Diluted EPS decreased by $0.10 in 2015:





1 Restated as explained under the heading "Presentation Currency" in the Introduction section of this MD&A.

2 Amounts reflect the retrospective application of May 30, 2014 stock split (see *Note 15* to the Consolidated Financial Statements).

3.2 Developments in 2015

On January 9, 2015, the Company announced that it would cease production at its leased manufacturing facility in Malden, MA in the second quarter of 2015 to reduce excess capacity across its manufacturing facilities in the U.S. The lease of this facility expires in December 2015. This plant was the Company's most underutilized facility with annual production of approximately 11.5 million pounds. This production was transitioned to the Company's New Bedford and Portsmouth facilities prior to operations ceasing in Malden in early April 2015.

A pre-tax impairment loss of $0.9 million was recorded in the Company's Consolidated Financial Statements for the fourth quarter of 2014 to write-down equipment it owns at the Malden facility to its estimated net realizable value. In the first quarter of 2015, the following items were recognized in the Company's statement of income related to the cessation of operations at the Malden facility:

- $0.4 million pre-tax of accelerated depreciation was recorded in cost of sales to write-down the assets at the Malden facility to their estimated fair market value;
- a $0.6 million pre-tax provision for the lease and operating costs was recorded in business acquisition, integration and other expenses for the remaining term of the lease which expires in December 2015; and
- $0.3 million after-tax of costs related to the cessation of production activities was recorded in business acquisition, integration and other expenses.

The annual ongoing pre-tax reduction in operating costs, which represents an increase in EBITDA, resulting from this consolidation is estimated to be approximately $3.0 million.

3.3 Events After the Reporting Period

On February 17, 2016, the Company announced it will cease value-added fish operations at its production facility in New Bedford, MA, to reduce excess capacity across its North American production network, thereby improving manufacturing efficiency and helping the Company achieve its supply chain optimization objectives. This change does not impact the Company's scallop-processing operations which are also located at the New Bedford facility.

The New Bedford plant is currently the Company's most underutilized manufacturing facility with annual production of approximately 40 million pounds. This production will be transferred to the Company's remaining facilities by the end of the third quarter of 2016 and will require that we increase our workforce at those facilities. The value-added operation at New Bedford currently employs 35 salaried employees and 167 hourly workers. There are 25 additional employees working at the New Bedford facility in the Company's scallop business, which will not be affected by this consolidation. The Company is assessing the opportunities associated with this line of its business.

The annual ongoing pre-tax reduction in operating costs (which represents an increase in earnings before interest, taxes, depreciation and amortization, or EBITDA) resulting from this consolidation is estimated to be approximately $7.0 million, with a nominal amount of this to be realized in the last quarter of 2016. The Company expects to incur approximately $5.0 million in pre-tax one-time costs relating to the transfer of assets, cessation of employment at the New Bedford plant, write-down of inventories and other costs, but is unable to estimate the full impact this transaction will have on its Consolidated Financial Statements given the uncertainty regarding the long-term plan for the scallop business. As at January 2, 2016, the net book value of equipment associated with the value-added fish operations at the New Bedford facility was approximately $6.1 million.

4. Important Items to Understanding Our Results

4.1 Business Acquisition, Integration and Other Non-Routine Costs

In 2015 and 2014, business acquisition, integration and other costs were incurred related to acquisitions. Also included in this category in 2015 are other non-routine costs related to:

- fees paid for the engagement of external consultants to assist with supply chain optimization activities;
- plant closures, including cessation of operations at the leased Malden facility in April 2015 (as explained in Section 3 "Performance Highlights" of this MD&A under the heading "Developments in 2015");
- insurance deductible costs and other related expenses, net of insurance proceeds, relating to a partial roof collapse at our New Bedford facility due to extreme winter weather; and
- employee benefits costs related to the termination of employees as part of restructuring activities.

As previously mentioned, production ceased at our leased facility in Malden, MA in the second quarter of 2015 and, as a result, the equipment at this facility was written down in 2014 to its net realizable value with the majority of the impairment loss being recorded in the fourth quarter of 2014. This impairment charge is recorded in the income statement in "Impairment of property, plant and equipment."

The impact of these items on net income is shown in the following table:

(Amounts in $000s)	**Fifty-two weeks ended January 2, 2016**	Fifty-three weeks ended January 3, 2015
Pre-tax basis:		
Business acquisition, integration and other expenses	**$ 7,473**	$ 6,582
Impairment of property, plant and equipment	**—**	852
	$ 7,473	$ 7,434
After-tax basis:		
Business acquisition, integration and other expenses	**$ 4,985**	$ 4,290
Impairment of property, plant and equipment	**—**	520
	$ 4,985	$ 4,810

4.2 Amortization of Intangible Assets

This category consists of amortization of intangible assets, brands and customer relationships over their estimated useful lives. Amortization expense was $5.2 million for 2015 compared to $4.9 million in 2014. The increase in amortization in 2015 compared to the prior year reflects amortization of intangible assets acquired as part of the Atlantic Trading Acquisition on October 7, 2014 (this acquisition is described in detail in Section 5.1 "Atlantic Trading Acquisition" of this MD&A).

Amortization of intangible assets is reported in the income statement in "Selling, general and administrative expenses."

As required by accounting pronouncements we performed goodwill and indefinite life intangible asset impairment tests in both 2015 and 2014, which supported that goodwill and indefinite life intangible assets are not impaired.

4.3 Finance Costs

Finance costs were $1.3 million lower in 2015 compared to 2014 due to costs recognized in the first quarter of 2014 including accelerated amortization of financing costs and other items resulting from debt refinancing and amendment activities, along with a mark-to-market loss on an embedded derivative (both of these items are discussed below). The impact of these items was partially offset by the impact of an extra week of operations in 2014 and a higher mark-to-market gain on interest rate swaps in 2015 compared to the same period last year. The overall average debt level for 2015 was relatively flat compared to 2014.

The following table shows the breakdown of the various components of the Company's finance costs:

(Amounts in $000s)	**Fifty-two weeks ended January 2, 2016**	Fifty-three weeks ended January 3, 2015
Interest paid in cash during period	**$ 16,102**	$ 15,112
Change in cash interest accrued during the period	**58**	883
Total interest to be paid in cash	**16,160**	15,995
Accelerated amortization of financing costs and other items resulting from debt refinancing and amendment activities	**—**	851
Mark-to-market loss on embedded derivative and related accretion	**—**	259
Mark-to-market gain on interest rate swaps	**(475)**	(113)
Deferred financing cost amortization	**562**	577
Total finance costs	**$ 16,247**	$ 17,569

The Company's long-term debt, or "Term Loan", was refinanced in April 2014 ("April 2014 Term Loan"). A portion of the proceeds of the April 2014 Term Loan were used to repay the Term Loan as previously amended in February 2013 ("February 2013 Term Loan") and in accordance with IFRS, the February 2013 Term Loan was derecognized in the first quarter of 2014. This "derecognition" resulted in $0.9 million of accelerated amortization of net deferred financing costs and other items related to the February 2013 Term Loan being recognized in the Company's "Finance costs" in the first quarter of 2014. This $0.9 million was comprised of $5.3 million in deferred finance costs and accelerated accretion of a bifurcated embedded derivative (discussed below), partially offset by a $4.4 million mark-to-market gain related to the change in fair market value of the embedded derivative recognized in other long-term financial liabilities (also discussed below).

Finance costs in the first quarter of 2014 included the net impact of mark-to-market adjustments and accretion expense related to an embedded derivative that was included in the February 2013 Term Loan. The embedded derivative related to the 1.25% LIBOR floor that, under IFRS Financial Instruments, had to be separated, or bifurcated, from long-term debt at inception and included in "other long-term financial liabilities" on the balance sheet, and then marked-to-market at each subsequent reporting date. At the time the debt was obtained, the 1.25% LIBOR floor was greater than the prevailing interest rates, resulting in the existence of an embedded derivative that required bifurcation. The LIBOR floor of 1.00% included in the April 2014 Term Loan is an embedded derivative but did not require bifurcation as it is closely related to the host instrument.

Also included in finance costs are charges for marking-to-market an interest rate swap that is not designated for hedge accounting.

The diluted earnings per share implications of the following items for 2015 and 2014 are disclosed in the table under the heading "Net Income" in Section 5.2 Consolidated Results of this MD&A: accelerated amortization of financing costs and other items resulting from debt refinancing and amendment activities; non-cash expense (income) related to the embedded derivative; and marking-to-market interest rate swaps.

4.4 Income Taxes

High Liner Foods' effective income tax rate was 18.5% in 2015 compared to 19.3% in 2014. The lower effective tax rate for the year ended January 2, 2016 compared to the prior year is primarily attributable to higher financing deductions.

The applicable statutory rates in Canada and the U.S. were 29.1% and 39.6%, respectively. The effective tax rate was lower compared to the applicable statutory rates due primarily to the benefit of acquisition financing deductions.

See *Note 19* to the Consolidated Financial Statements for full information with respect to income taxes.

4.5 Contingencies

We have no material contingencies that are outstanding.

5. Performance

5.1 Atlantic Trading Acquisition

On October 7, 2014, High Liner Foods acquired the business of Atlantic Trading. Atlantic Trading is a large importer of frozen Atlantic salmon into the U.S. and sells its products into the U.S. retail and club store market. Its premium quality Atlantic salmon fillets and portions are sustainably sourced from Chile and Norway and sold in frozen raw (unprocessed) and value-added formats.

Acquiring profitable and complementary businesses like Atlantic Trading is a key component of our growth strategy towards our vision to be the leading frozen seafood supplier in North America. The primary reason for the business combination was to enhance the Company's product offerings to its customers to include Atlantic Trading's high-quality Atlantic salmon products.

High Liner Foods recorded a net purchase consideration of $17.9 million ($18.5 million estimated on the acquisition date, plus $0.9 million in post-closing working capital adjustments, less $1.5 million of cash acquired). This amount included working capital and contingent consideration to be paid in each of the two years from closing of the acquisition based on achieving certain EBITDA thresholds. The first of these two annual installments was paid in the amount of $2.3 million in the fourth quarter of 2015. The acquisition was financed within existing credit facilities.

Additional information on the fair value of the identifiable assets and liabilities acquired and the contingent consideration to be paid is provided in *Note 4* to the Consolidated Financial Statements. The net assets recognized in the January 3, 2015 statement of financial position were based on a provisional assessment of fair

value as the Company sought an independent valuation to assist with the purchase price allocation and this had not been finalized at the date on which the Fiscal 2014 Consolidated Financial Statements were approved for issue by management. The independent valuation was subsequently completed, the fair value of the net assets purchased was finalized in the second quarter of 2015 and the Company has retroactively restated the statement of financial position as at January 3, 2015 to record the adjustments to the provisional assessment of fair value.

5.2 Consolidated Results

The discussion and analysis of the Company's financial results focuses on the performance of its two reportable segments as described in *Note 18* to the Consolidated Financial Statements: Canada Operations and U.S. Operations. Information is also provided on a "Corporate" category, which includes items that neither qualify as a component of another reportable segment nor as a separate reportable segment. Corporate includes expenses for corporate functions, share-based compensation expenses and one-time business acquisition, integration and other non-routine costs.

Selected Annual Information

The table below summarizes key financial information for our last three fiscal years. Please note that Fiscal 2015 and Fiscal 2013 had fifty-two weeks, while Fiscal 2014 had fifty-three weeks as explained in the Introduction section of this MD&A.

(Amounts in $000s, except sales volume, per share amounts and exchange rates)		**Fifty-two weeks ended January 2, 2016**		Fifty-three weeks ended January 3, 2015[1]		Fifty-two weeks ended December 28, 2013[2,3]
Sales						
Canada	**$**	**259,600**	$	304,829	$	303,587
United States		**741,907**		746,784		643,117
Corporate		**—**		—		597
Total sales	**$**	**1,001,507**	$	1,051,613	$	947,301
Sales volume (millions of lbs)		**284.4**		307.6		281.3
Adjusted EBITDA	**$**	**78,218**	$	83,341	$	85,343
Net income						
Total	**$**	**29,581**	$	30,300	$	31,356
EPS Basic	**$**	**0.96**	$	0.99	$	1.03
EPS Diluted	**$**	**0.95**	$	0.97	$	1.01
Adjusted Net Income						
Total	**$**	**35,563**	$	38,781	$	41,281
EPS Basic	**$**	**1.15**	$	1.26	$	1.36
EPS Diluted	**$**	**1.14**	$	1.24	$	1.32
Total assets	**$**	**693,067**	$	705,574	$	677,499
Total long-term liabilities	**$**	**291,935**	$	305,863	$	243,146
Dividends paid per common share (in CAD)	**$**	**0.465**	$	0.410	$	0.350
Total capital expenditures, net of investment tax credits, financed by operations	**$**	**17,947**	$	27,296	$	14,734
Average foreign exchange rate (USD/CAD)	**$**	**1.2791**	$	1.1044	$	1.0295

1 This was the first fiscal period to include the results of Atlantic Trading which was acquired October 7, 2014.
2 This was the first fiscal period to include the results of American Pride which was acquired October 1, 2013.
3 Per share amounts reflect retrospective application of May 30, 2014 stock split (see *Note 15* to the Consolidated Financial Statements).

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 foodservice businesses traditionally experience a strong first quarter due to retailers and restaurants promoting seafood during the Lenten period. As such, the timing of Lent can impact our quarterly results.

In our retail business, 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 quarter, however the accounting periods during which we incur these expenditures may vary from year to

year, and therefore, there may be fluctuations in income relating to these activities. Promotional expenditures such as trade spending, listing allowances and couponing are deducted from "Revenues" and consumer marketing expenditures are included in SG&A.

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.

Going forward, we expect seasonality trends in 2016 to be similar to 2015.

Quarterly operating results fluctuate throughout the year. Summary information for each of the eight most recently completed quarters is presented below.

Fiscal 2015

(Amounts in $000s, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Sales	$ 310,222	$ 226,339	$ 240,081	$ 224,865	$ 1,001,507
Adjusted EBITDA	$ 30,672	$ 12,734	$ 17,055	$ 17,757	$ 78,218
Net income	$ 12,533	$ 3,956	$ 6,073	$ 7,019	$ 29,581
Adjusted Net Income	$ 15,628	$ 4,721	$ 7,074	$ 8,140	$ 35,563
EPS, based on Net Income					
EPS Basic	$ 0.41	$ 0.13	$ 0.19	$ 0.23	$ 0.96
EPS Diluted	$ 0.40	$ 0.13	$ 0.19	$ 0.23	$ 0.95
EPS, based on Adjusted Net Income					
EPS Basic	$ 0.51	$ 0.15	$ 0.23	$ 0.26	$ 1.15
EPS Diluted	$ 0.50	$ 0.15	$ 0.23	$ 0.26	$ 1.14
Dividends paid per common share (in CAD)	$ 0.105	$ 0.120	$ 0.120	$ 0.120	$ 0.465
Net working capital[1]	$ 258,892	$ 257,028	$ 227,234	$ 219,558	$ 219,558

Fiscal 2014

(Amounts in $000s, except per share amounts)	First Quarter[2]	Second Quarter	Third Quarter	Fourth Quarter[3]	Full Year
Sales	$ 302,645	$ 235,520	$ 246,553	$ 266,895	$ 1,051,613
Adjusted EBITDA	$ 27,234	$ 16,692	$ 18,978	$ 20,437	$ 83,341
Net income	$ 11,901	$ 5,188	$ 7,572	$ 5,639	$ 30,300
Adjusted Net Income	$ 13,784	$ 7,538	$ 8,386	$ 9,073	$ 38,781
EPS, based on Net Income					
EPS Basic	$ 0.39	$ 0.17	$ 0.25	$ 0.18	$ 0.99
EPS Diluted	$ 0.38	$ 0.17	$ 0.24	$ 0.18	$ 0.97
EPS, based on Adjusted Net Income					
EPS Basic	$ 0.45	$ 0.25	$ 0.27	$ 0.29	$ 1.26
EPS Diluted	$ 0.44	$ 0.24	$ 0.27	$ 0.29	$ 1.24
Dividends paid per common share (in CAD)	$ 0.095	$ 0.105	$ 0.105	$ 0.105	$ 0.410
Net working capital[1]	$ 257,060	$ 243,552	$ 257,482	$ 259,949	$ 259,949

1 Net working capital is comprised of accounts receivable, inventories and prepaid expenses, less accounts payable and provisions.
2 Per share amounts reflect retrospective application of May 30, 2014 stock split (see *Note 15* to the Consolidated Financial Statements).
3 This was the first quarter to include the results of Atlantic Trading which was acquired October 7, 2014.

Sales

Sales volume for 2015 decreased overall by 23.2 million pounds, or 7.5%, to 284.4 million pounds compared to 307.6 million pounds in 2014. The addition of sales volume from the Atlantic Trading Acquisition was offset by lower volumes from both our U.S. and Canadian operations. Lower sales volume reflects an additional week of sales in Fiscal 2014 (as explained in the Introduction section of this MD&A) and the impact of significant price increases passed on to customers over the past year to recover increased costs, due in part to the weak Canadian dollar, which management believes has adversely impacted sales volume. Management also believes certain internal sales execution and promotional challenges have been a contributing factor and has taken action to address this, including restructuring activities and the recruitment of new talent to certain key positions.

Sales for 2015 were $1,001.5 million compared to $1,051.6 million in 2014. The weaker Canadian dollar in 2015 compared to 2014 decreased the value of reported USD sales from our CAD-denominated operations by approximately $40.9 million relative to the conversion impact last year.

Sales in domestic currency decreased by $9.7 million to $1,073.8 million in 2015, compared to $1,083.5 million in 2014 reflecting lower sales volume, partially offset by the impact of price increases, net of increased promotional spending. Promotional spending was higher in 2015 compared to 2014 in an effort to improve sales volume trends.

Sales by segment are discussed in more detail below in Section 5.3 "Performance by Segment".

Gross Profit

Gross profit for 2015 was $201.7 million compared to $220.4 million in the same period in 2014 and gross profit as a percentage of sales was 20.1% compared to 21.0%.

Gross profit decreased by $18.7 million in 2015 relative to 2014 reflecting lower sales volume, a decrease in gross profit as a percentage of sales and an unfavourable change in the USD/CAD exchange rate used to translate our CAD-denominated operations to our USD presentation currency. The weaker Canadian dollar had the effect of decreasing the value of reported USD gross profit from our Canadian operations in 2015 by approximately $8.7 million relative to last year.

Gross profit as a percentage of sales was lower in 2015 primarily reflecting cost increases not fully recovered through price increases, increased promotional spending (particularly in the second half of 2015, as explained above), an unfavourable change in product mix in the U.S. and lower gross margins on Atlantic Trading sales compared to the overall average margin on the remainder of the Company's sales. The impact of these unfavourable items was partially offset by increased foreign exchange gains related to favourable hedging activities in 2015.

Distribution Expenses

Distribution expenses, consisting of freight and storage, for 2015 decreased by $4.6 million to $48.0 million compared to $52.6 million in 2014 due to lower sales volume, supply chain optimization savings and lower fuel costs. As a percentage of sales, these expenses decreased to 4.8% in 2015 compared to 5.0% in 2014.

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

(Amounts in $000s)	**Fifty-two weeks ended January 2, 2016**	Fifty-three weeks ended January 3, 2015
SG&A expenses as reported	**$ 93,597**	$ 105,313
Less:		
Share-based compensation expense[1]	**1,156**	3,289
Amortization expense	**5,225**	4,923
Net SG&A expenses	**$ 87,216**	$ 97,101
Net SG&A expenses as a % of sales	**8.7%**	9.2%

1 This is the share-based compensation expense that is allocated to SG&A only. The remaining portion of share-based compensation expense is allocated to cost of sales.

SG&A expenses as reported decreased in 2015 by $11.7 million to $93.6 million compared to $105.3 million for the same period in 2014.

SG&A expenses included a share-based compensation expense of $1.2 million for 2015 compared to $3.3 million in 2014 reflecting the decrease in the Company's stock price during 2015.

SG&A expenses included an amortization expense of $5.2 million for 2015 compared to $4.9 million in 2014 (see the "Amortization of Intangible Assets" section of this document).

Excluding share-based compensation and amortization expenses, SG&A expenses decreased in 2015 by $9.9 million to $87.2 million compared to $97.1 million in 2014 primarily reflecting lower sales commission and incentive expenses, and other savings, including those related to restructuring activities. As a percentage of sales, these expenses decreased to 8.7% in 2015 compared to 9.2% last year.

Adjusted EBITDA

Consolidated Adjusted EBITDA decreased in 2015 by $5.1 million, or 6.1%, to $78.2 million compared to $83.3 million in 2014. The impact of converting our CAD-denominated operations and Corporate to our USD presentation currency decreased the value of reported Adjusted EBITDA in USD by $5.7 million in 2015 compared to $2.1 million in 2014 reflecting the weaker Canadian dollar in 2015.

In domestic currency, Adjusted EBITDA decreased in 2015 by $1.5 million, or 1.8%, to $83.9 million (7.8% of sales) compared to $85.4 million (7.9% of sales) in 2014 due to lower sales volume and lower gross profit margin as a percentage of sales, partially offset by lower distribution and SG&A expenses.

The table below reconciles our Adjusted EBITDA with measures that are found in our Consolidated Financial Statements.

	Fifty-two weeks ended January 2, 2016				Fifty-three weeks ended January 3, 2015			
(Amounts in $000s)	**Canada**	**U.S.**	**Corporate**	**Total**	Canada	U.S.	Corporate	Total
Net income (loss)	**$ 20,232**	**$ 42,057**	**$ (32,708)**	**$ 29,581**	$ 27,209	$ 43,514	$ (40,423)	$ 30,300
Add back:								
Depreciation and amortization	**1,938**	**13,492**	**1,310**	**16,740**	2,304	13,409	1,084	16,797
Financing costs	**—**	**—**	**16,247**	**16,247**	—	—	17,569	17,569
Income tax expense	**—**	**—**	**6,729**	**6,729**	—	—	7,231	7,231
Standardized EBITDA	**22,170**	**55,549**	**(8,422)**	**69,297**	29,513	56,923	(14,539)	71,897
Add back (deduct):								
Business acquisition, integration and other expenses	**—**	**—**	**7,473**	**7,473**	—	—	6,582	6,582
Impairment of property, plant and equipment	**—**	**—**	**—**	**—**	—	852	—	852
(Gain) loss on disposal of assets	**(127)**	**499**	**(43)**	**329**	90	599	(8)	681
Adjusted EBITDA, including share-based compensation expense	**22,043**	**56,048**	**(992)**	**77,099**	29,603	58,374	(7,965)	80,012
Share-based compensation expense	**—**	**—**	**1,119**	**1,119**	—	—	3,329	3,329
Adjusted EBITDA	**$ 22,043**	**$ 56,048**	**$ 127**	**$ 78,218**	$ 29,603	$ 58,374	$ (4,636)	$ 83,341

The following table shows the impact in 2015 and 2014 of converting our CAD-denominated operations and Corporate to our USD presentation currency.

(Amounts in $000s)	**Fifty-two weeks ended January 2, 2016 USD**	Fifty-three weeks ended January 3, 2015 USD	**Fifty-two weeks ended January 2, 2016 Domestic $**	Fifty-three weeks ended January 3, 2015 Domestic $	**% Change Domestic $**
External Sales					
Canada	**$ 259,600**	$ 304,829	**$ 331,927**	$ 336,703	**(1.4)%**
USA	**741,907**	746,784	**741,907**	746,784	**(0.7)%**
	1,001,507	1,051,613	**1,073,834**	1,083,487	**(0.9)%**
Conversion	**—**	—	**(72,327)**	(31,874)	
	$ 1,001,507	$ 1,051,613	**$ 1,001,507**	$ 1,051,613	**(4.8)%**
Adjusted EBITDA					
Canada	**$ 22,043**	$ 29,603	**$ 28,312**	$ 32,705	**(13.4)%**
USA	**56,048**	58,374	**56,048**	58,374	**(4.0)%**
Corporate	**127**	(4,636)	**(448)**	(5,624)	**(92.0)%**
	78,218	83,341	**83,912**	85,455	**(1.8)%**
Conversion	**—**	—	**(5,694)**	(2,114)	
	$ 78,218	$ 83,341	**$ 78,218**	$ 83,341	**(6.1)%**
Adjusted EBITDA as % of sales					
In USD	**7.8%**	7.9%			
In Domestic $			**7.8%**	7.9%	

We refer to Adjusted EBITDA throughout this MD&A, including in Section 5.3 "Performance by Segment" of this MD&A where Adjusted EBITDA is discussed for both our Canadian and U.S. operations. These are calculated in the same fashion as described above and can be reconciled to our operating segment information disclosed in *Note 18* to the Consolidated Financial Statements.

Net Income

Net income as reported decreased in 2015 by $0.7 million, or 2.3%, to $29.6 million ($0.95 per diluted share) compared to $30.3 million ($0.97 per diluted share) in 2014.

The results for both 2015 and 2014 included non-routine costs, including one-time acquisition, integration and other expenses, items relating to debt refinancing and amendment activities, and certain other non-recurring expenses. The impact of these items, along with non-cash expense related to marking-to-market interest rate swaps not designated for hedge accounting and share-based compensation expense, on net income and diluted EPS in 2015 and 2014 are shown in the following table:

	Fifty-two weeks ended January 2, 2016		Fifty-three weeks ended January 3, 2015	
	$000s	**Diluted EPS**	$000s	Diluted EPS
Net income	**$ 29,581**	**$ 0.95**	$ 30,300	$ 0.97
Add back, after-tax:				
Business acquisition, integration and other expenses	**4,985**	**0.16**	4,290	0.14
Impairment of property, plant and equipment	**—**	**—**	520	0.02
Accelerated depreciation on equipment as part of the cessation of operations at the Malden facility	**216**	**—**	—	—
Accelerated amortization of financing costs and other items resulting from debt refinancing and amendment activities	**—**	**—**	605	0.02
Mark-to-market loss on embedded derivative and related accretion	**—**	**—**	188	—
Mark-to-market gain on interest rate swaps	**(426)**	**(0.01)**	(80)	—
	34,356	**1.10**	35,823	1.15
Share-based compensation expense	**1,207**	**0.04**	2,958	0.09
Adjusted Net Income	**$ 35,563**	**$ 1.14**	$ 38,781	$ 1.24
Average shares for the period (000s)		**31,265**		31,317

The table above shows that excluding the impact of non-routine, one-time costs and other items as identified above, Adjusted Net Income for 2015 decreased by $3.2 million, or 8.2%, to $35.6 million compared to $38.8 million in 2014. Correspondingly, Adjusted Diluted EPS decreased by $0.10 to $1.14 compared to $1.24 in 2014 and when converted to CAD using the average USD/CAD exchange rate for the period of 1.2791 (2014: 1.1044), the CAD-Equivalent Adjusted Diluted EPS increased by CAD$0.09 to CAD$1.46 in 2015 compared to CAD$1.37 in 2014.

5.3 Performance by Segment

Canadian Operations

(All currency amounts in this section are in CAD)

Sales volume for our Canadian operations decreased during 2015 by 6.3% to 68.2 million pounds compared to 72.8 million pounds in 2014 reflecting lower sales volume in both the Canadian foodservice and retail businesses due in part to an additional week of sales in Fiscal 2014. In addition, significant price increases have been passed on to Canadian customers over the past year to recover increased costs, including the impact of the weak Canadian dollar, which management believes has had an adverse effect on sales volume.

External sales during 2015 decreased by $4.8 million, or 1.4%, to $331.9 million compared to $336.7 million in 2014 reflecting lower sales volume, partially offset by the impact of price increases, net of increased promotional spending (particularly in the second half of 2015) in an effort to improve sales volume trends.

Gross profit decreased in 2015 by $4.6 million to $69.2 million compared to $73.8 million in 2014 reflecting lower sales volume and lower gross profit margins as a percentage of sales. Gross profit as a percentage of sales was 20.9% compared to 21.9% reflecting cost increases not fully recovered through price increases, net of increased promotional spending.

Adjusted EBITDA for our Canadian operations decreased in 2015 by $4.4 million, or 13.4%, to $28.3 million compared to $32.7 million in 2014. This decrease was due to lower sales volume and lower gross profit margins as a percentage of sales, partially offset by lower distribution costs and lower SG&A expenses reflecting lower incentive expense. As a percentage of sales, Adjusted EBITDA was 8.5% in 2015 compared to 9.7% in 2014.

U.S. Operations

(All currency amounts in this section are in USD)

Sales volume for our U.S. operations decreased during 2015 by 7.9% to 216.2 million pounds compared to 234.8 million pounds in 2014. The addition of sales volume from the Atlantic Trading Acquisition was offset by lower sales volume in both the U.S. foodservice and retail businesses due in part to an additional week of sales in Fiscal 2014. In addition, significant price increases have been passed on to U.S. customers over the past year to

recover increased costs, which management believes has adversely impacted sales volume. Management also believes certain internal sales execution and promotional challenges have been a contributing factor and has taken action to address this, including restructuring activities and the recruitment of new talent to certain key positions.

External sales in 2015 decreased by $4.9 million, or 0.7%, to $741.9 million compared to $746.8 million in 2014 reflecting lower sales volume, partially offset by the impact of price increases, net of increased promotional spending in an effort to improve sales volume trends.

Gross profit decreased in 2015 by $10.6 million to $143.0 million compared to $153.6 million in 2014 reflecting lower sales volume and a decrease in gross profit as a percentage of sales. Gross profit as a percentage of sales was 19.3% compared to 20.6% in 2014 reflecting cost increases not fully recovered through price increases, increased promotional spending, unfavourable change in product mix and lower gross margins on Atlantic Trading sales compared to the overall average margin on the remainder of the Company's sales. While certain cost savings related to supply chain optimization activities have been achieved in 2015, their impact on product margins were largely offset by increased product costs associated with lower production levels or throughputs at our production facilities in 2015.

Adjusted EBITDA for our U.S. operations decreased during 2015 by $2.4 million, or 4.1%, to $56.0 million compared to $58.4 million in 2014. This decrease was primarily due to lower sales volume and lower gross profit margins as a percentage of sales, partially offset by: lower distribution costs reflecting lower sales volume, supply chain optimization savings and lower fuel costs; and lower SG&A expenses, reflecting lower sales commission, incentive expenses, and savings related to restructuring activities. As a percentage of sales, Adjusted EBITDA was 7.5% in 2015 compared to 7.8% in 2014.

Outlook

In 2016, our primary focus will continue to be on increasing sales volume and managing costs to improve earnings. We do not, however, expect to see volume growth on a year-over-year comparative basis until after the first quarter, due in part to a shortened promotional period associated with Lent in 2016 compared to 2015. Efforts to increase volume will continue to be supported by lower seafood raw material prices.

We will complete outstanding supply chain optimization activities in 2016, including the transfer of New Bedford's value-added fish production to our other facilities, to achieve the full benefit associated with these activities which we continue to believe will be a minimum of $20 million in annual costs savings on a run-rate basis, to be achieved by the end of 2016.

5.4 Liquidity and Capital Resources

Our balance sheet is affected by foreign currency fluctuations. The effect of foreign currency is discussed in this section and under the headings "Presentation Currency" and "Foreign Currency" in the Introduction and Risk Factors sections of this MD&A.

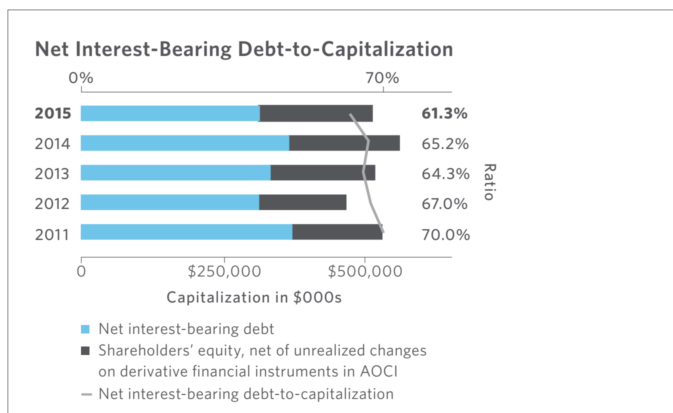
Our capital management practices are described in *Note 22* to the Consolidated Financial Statements.

Capital Structure

Net interest-bearing debt at January 2, 2016 was 61.3% of total capitalization compared to 65.2% at January 3, 2015. "Total capitalization" is defined as shown in the following table:

(Amounts in $000s)	**January 2, 2016**	January 3, 2015
Current bank loans	**$ 17,158**	$ 65,130
Add-back: deferred charges on current bank loans	**470**	721
Total current bank loans	**17,628**	65,851
Long-term debt	**281,017**	292,033
Current portion of long-term debt	**11,816**	3,000
Add-back: deferred charges on long-term debt	**1,917**	2,717
Total term loan debt	**294,750**	297,750
Long-term portion of finance lease obligations	**715**	1,212
Current portion of finance lease obligations	**1,015**	994
Total finance lease obligation	**1,730**	2,206
Less: cash	**(1,043)**	(1,044)
Net interest-bearing debt	**313,065**	364,763
Shareholders' equity	**200,519**	196,974
Unrealized gains on derivative financial instruments included in AOCI	**(2,977)**	(2,175)
Total capitalization	**$ 510,607**	$ 559,562
Net interest-bearing debt as % of total capitalization	**61.3%**	65.2%

Using our January 2, 2016 market capitalization of $346.7 million, based on a share price of CAD$15.55 ($11.23 USD equivalent) and shares outstanding of 30,874,164, instead of the book value of equity, net interest-bearing debt as a percentage of capitalization decreases to 47.4%.



Net Interest-Bearing Debt

Net interest-bearing debt is comprised of our term loan and working capital credit facilities and finance leases, less cash. Our net interest-bearing debt position decreased to a liability of $313.1 million at January 2, 2016 compared to a liability of $364.8 million at January 3, 2015. This $51.7 million decrease reflects the repayment of debt with cash flow provided by operating activities.

Term Loan Facility

High Liner Foods entered into a $250.0 million Term Loan in December 2011. This Term Loan was subsequently amended in February 2013 to reduce interest rates and, as disclosed in the Finance Costs section of this MD&A, was refinanced in April 2014. These most recent amendments resulted in the following changes:

- The facility was increased from $250.0 million to $300.0 million;
- The term was extended from December 2017 to April 2021;
- Interest rates decreased from LIBOR plus 3.5% with a LIBOR floor of 1.25% to LIBOR plus 3.25% with a LIBOR floor of 1.00%;
- The leverage ratio financial covenant was removed; and
- Increased flexibility and capacity for acquisitions, investments, distributions and operational matters.

Substantially, all tangible and intangible assets (excluding working capital) of the Company are pledged as collateral for the Term Loan.

Minimum repayments on the Term Loan are required on an annual basis plus based on a leverage test, additional payments could be required of up to 50% of the previous year's defined cash flow. There were no excess cash flow payments in 2015 because the defined excess cash flow was negative in 2014 due primarily to the American Pride Acquisition, increased capital expenditures and increased working capital. We do expect to make a payment in 2016 as there were excess cash flows in 2015, due largely to decreased working capital and capital expenditures. Quarterly principal repayments of $750,000 are required on the April 2014 Term Loan which began in June of 2014, and the mandatory excess cash flow payment will be applied to future regularly scheduled principal repayments per the agreement.

The original terms of the Term Loan required us to hedge 50% of the variable interest rate until December 2013. A derivative financial instrument was therefore purchased in the second quarter of 2012 which resulted in the LIBOR rate on $125.0 million of the Term Loan being capped at 1.5% until April 2014. Also, on May 3, 2012, we entered into an interest rate swap to receive floating three-month LIBOR for a fixed rate of 1.997% (with an embedded floor of 1.5%) on a notional amount of $100.0 million for the period April 4, 2014 until April 4, 2016.

On December 29, 2014, the Company entered into an interest rate swap to receive floating three-month LIBOR for a fixed rate of 2.17% (with an embedded floor of 1.0%) on a notional amount of $20.0 million for the period December 31, 2014 until December 31, 2019.

On January 14, 2015, the Company entered into an interest rate swap to receive floating three-month LIBOR for a fixed rate of 1.915% (with an embedded floor of 1.0%) on a notional amount of $25.0 million for the period March 4, 2015 until March 4, 2020.

The combined impact of the interest rate swaps listed above effectively fix the interest rate on $145.0 million of the $300.0 million face value of the Term Loan and the other portion of the debt continues to be at variable interest rates. As such, we expect that there will be fluctuations in interest expense due to changes in interest rates if LIBOR is higher than the amended floor of 1.0%. The implication of these swaps on our financial results is discussed under the heading "Finance Costs" in this MD&A.

Working Capital Credit Facility

We entered into a $120.0 million asset-based working capital credit facility in November 2010 with the Royal Bank of Canada as the collateral and administrative agent. There have been several amendments made to this facility:

- In December 2011, the facility was increased to $180.0 million;
- In February 2013, the facility was amended concurrently with the Term Loan, with the major changes being to interest rates and increased flexibility around acquisitions; and
- In April 2014 (as disclosed in Section 4.3 "Finance Costs" of this MD&A), the term of the facility was extended from December 2016 to April 2019, with reduced interest rates and changes that increase flexibility and capacity for distributions, operational matters, acquisitions and investments.

After the April 2014 amendments, the working capital credit facility provides for the following based on the "Average Adjusted Aggregate Availability" as defined in the credit agreement:

- 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 0.00% to 0.25%;

- Bankers' Acceptances ("BA") loans at BA rates plus 1.25% to 1.75%;
- LIBOR advances at LIBOR plus 1.25% to 1.75%; and
- Un-utilized line fees of 0.25% to 0.375%.

At the end of the fourth quarter of 2015 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 0.00%;
- Bankers' Acceptances ("BA") loans at BA rates plus 1.25%;
- LIBOR advances at LIBOR plus 1.25%; and
- Un-utilized line fees of 0.375%.

Full details of the Company's financing arrangements are provided in *Notes 11* and *12* to the Consolidated Financial Statements.

Average short-term borrowings were $51.6 million in 2015 compared to $69.4 million in 2014. This $17.8 million decrease primarily reflects the repayment of debt with cash flow provided by operating activities.

At the end of the fourth quarter of 2015, the Company had $148.9 million (January 3, 2015: $100.9 million) of unused borrowing capacity taking into account both margin calculations and the total line availability. On January 2, 2016, letters of credit and standby letters of credit were outstanding in the amount of $11.2 million (January 3, 2015: $13.1 million) to support raw material purchases and to secure certain contractual obligations, including those related to the Company's Supplemental Executive Retirement Plan ("SERP"). Letters of credit reduce the availability under our working capital credit facility and are accounted for in the $148.9 million of unused borrowing capacity noted above.

In the absence of any major acquisitions or capital expenditures in 2016, we expect average short-term borrowings will be lower than in 2015 due to the repayment of debt from free cash flow and believe the asset-based working capital credit facility should be sufficient to fund all of the Company's anticipated cash requirements.

Equity

The Company's common shares outstanding at January 2, 2016 were 30,874,164 compared to 30,706,290 at January 3, 2015.

The book value of our equity at the end of Fiscal 2015 was $6.49 per share compared with $6.41 per share at the end of Fiscal 2014. The increase in equity was substantially as a result of operating profits.

Normal Course Issuer Bid

The Company has established an automatic securities purchase plan for the common shares of the Company for all the plans listed below with a termination date coinciding with the Normal Course Issuer Bid ("NCIB") termination date. The following plans also all constitute for an "automatic plan" for purposes of applicable Canadian Securities Legislation and have been reviewed by the TSX.

In January 2014, we filed a new NCIB ("2014 NCIB") to purchase up to 250,000 common shares. The 2014 NCIB terminated on January 30, 2015. When the 2014 NCIB expired in January 2015, the Company had purchased 32,200 common shares for aggregate consideration of CAD$0.7 million, at an average price of CAD$21.69 per share. The shares that were repurchased were cancelled.

In January 2015, we filed a new NCIB ("2015 NCIB") to purchase up to 150,000 common shares. The 2015 NCIB terminated on January 30, 2016. When the 2015 NCIB expired in January 2016, the Company had purchased 30,000 common shares for aggregate consideration of CAD$0.5 million, at an average price of CAD$17.62 per share. The shares that were repurchased were cancelled.

In January 2016, we filed a new NCIB ("2016 NCIB") to purchase up to 150,000 common shares. The 2016 NCIB terminates on January 30, 2017.

Dividends

As shown in the following table, the quarterly dividend on the Company's common shares increased two times during the last two fiscal years, reflecting the Company's confidence in its growth strategy. The quarterly dividends paid in the last two years were as follows:

Dividend Record Date	Quarterly Dividend $CAD
December 1, 2015	$ 0.120
September 1, 2015	$ 0.120
June 1, 2015	$ 0.120
February 27, 2015	$ 0.105
December 1, 2014	$ 0.105
September 2, 2014	$ 0.105
June 2, 2014	$ 0.105
March 3, 2014[1]	$ 0.095

1 Amounts reflect retrospective application of May 30, 2014 stock split (see *Note 15* to the Consolidated Financial Statements).

Dividends and NCIBs are subject to restrictions in our credit agreements and following the debt amendments completed in April 2014:

- Under the working capital credit facility, Adjusted Aggregate Availability, as defined in the credit agreement, needs to be $22.5 million or higher and was $134.1 million on January 2, 2016; and

- Under the Term Loan facility, dividends cannot exceed $17.5 million per year. This amount increases to the greater of $25.0 million per year or the defined available amount based on excess cash flow accumulated over the term of the loan when the defined total leverage ratio is below 4.5x and becomes unlimited when the defined total leverage ratio is below 3.75x. The defined total leverage ratio was 4.00x on January 2, 2016. NCIBs are subject to an annual limit of $10.0 million under the Term Loan facility with a provision to carry forward unused amounts subject to a maximum of $20.0 million per annum.

On February 17, 2016, the Directors approved a quarterly dividend of CAD$0.12 per share on the Company's common shares payable on March 15, 2016 to holders of record on March 1, 2016.

These dividends are "eligible dividends" for Canadian income tax purposes.

Disclosure of Outstanding Share Data

On February 17, 2016, 30,874,164 common shares and 1,974,488 options were outstanding. The options are exercisable on a one-for-one basis for common shares of the Company.

Net Non-Cash Working Capital

Net non-cash working capital balance, consisting of accounts receivable, inventories and prepaid expenses, less accounts payable and provisions, was $219.6 million at the end of the fourth quarter of 2015 compared to $259.9 million a year ago. This $40.3 million decrease is due to higher payables and lower receivables.

Our working capital requirements fluctuate during the year, usually peaking between December and April as our inventory is the highest at that time. Going forward, we expect the trend of inventory peaking between December and April to continue, and believe we have enough availability on our working capital credit facility to finance our working capital requirements throughout 2016.

Cash Flow

Net cash flows provided by operating activities increased by $60.3 million in 2015 to $82.5 million compared to $22.2 million in 2014 reflecting the following:

- Cash flows from operating activities, including interest and income taxes, and before the change in non-cash working capital balances, increased $0.8 million in 2015 to $52.2 million, compared to $51.4 million in 2014, reflecting less favourable results from operations in 2015 and higher interest payments, partially offset by lower income tax payments.
- Cash flows from changes in net non-cash working capital increased by $59.5 million in 2015 to $30.3 million compared to $(29.2) million in 2014. This improvement reflects a favourable change in accounts payable during 2015 compared to an unfavourable change during 2014.

Standardized Free Cash Flow ("FCF")

Standardized FCF for the rolling twelve months ended January 2, 2016 increased by $69.6 million to $64.5 million compared to $(5.1) million for the twelve months ended January 3, 2015. This increase primarily reflects a favourable change in working capital items during the twelve months ended January 2, 2016 compared to an unfavourable change during the twelve months ended January 3, 2015, and lower capital expenditures in the twelve months ended January 2, 2016 compared to the twelve months ended January 3, 2015.

The table below reconciles our Standardized FCF calculated on a rolling twelve-month basis, with measures that are in accordance with IFRS and as reported in the Consolidated Statement of Cash Flows.

	Twelve months ended		
(Amounts in $000s)	**January 2, 2016**	January 3, 2015	$ Change
Net change in non-cash working capital items	**$ 30,264**	$ (29,188)	$ 59,452
Cash flow from operating activities, including interest and income taxes	**52,193**	51,401	792
Cash flow from operating activities	**82,457**	22,213	60,244
Less: total capital expenditures, net of investment tax credits	**(17,947)**	(27,296)	9,349
Standardized FCF	**$ 64,510**	$ (5,083)	$ 69,593

Capital Expenditures

Gross capital expenditures (including finance leases) for 2015 were $18.5 million compared with $28.1 million for 2014. Capital expenditures were lower in 2015 compared to 2014 reflecting that in March 2014, the Company purchased a previously leased cold storage distribution facility in Peabody, MA, for $8.6 million.

Excluding strategic initiatives that may arise, management expects that capital expenditures in 2016 will be between $15 million and $20 million and funded by cash generated from operations and short-term borrowings.

Other Liquidity Items

Share-based compensation awards

From 2000 to 2011 all options issued contained a tandem stock appreciation right ("SAR") which allowed the option holder, upon exercise, to receive cash instead of shares. Under IFRS, these 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 stock prices rise with a corresponding expense and conversely, the liability decreases with income recorded when the stock declines in value. In comparison,

options without SARs are valued once when granted using the Black-Scholes pricing model, and are expensed over the vesting period with no additional expense recorded based on changes in the market price of the stock in future periods.

Share-based compensation expense of $1.1 million was recorded in 2015 compared to $3.3 million in 2014, based on: the change in the Company's stock price for outstanding awards and the issuance of options during the year valued using a Black-Scholes model. Share-based compensation expense is non-cash until option holders exercise and was lower in 2015 compared to 2014 primarily reflecting the decrease in the Company's stock price during 2015.

During 2015, holders exercised SARs and Performance Share Units ("PSUs") for cash in the amount of $0.9 million (2014: $1.1 million). The liability for share-based compensation awards at the end of Fiscal 2015 was $1.0 million compared to $2.9 million at the end of Fiscal 2014.

Any options exercised in shares are cash positive or cash neutral if the holder elects to use the cashless exercise method under the plan. Cash received from options exercised for shares during 2015 was $0.7 million (2014: $0.3 million).

Recognizing the volatility of SARs on the Company's profit and loss and the potential cash outflow if many of them were exercised for cash in a particular year, the options granted since the third quarter of 2011 have not contained a SAR. As well, in March 2013, amendments were made to eliminate the SAR on substantially all of the options previously granted to the Company's directors and senior management in prior years. Effective at that time, the liability for these individuals on the SARs ($7.6 million) was fixed and the liability was reclassified as contributed surplus and no future profit and loss impact is necessary going forward.

Defined Benefit Pension Plans

The Company's defined benefits pension plans can impact the Company's cash flow requirements and affect its liquidity. In 2015, the defined benefit pension expense for accounting purposes was $1.9 million (2014: $1.3 million) and the annual cash contributions were $1.1 million lower than the 2015 accounting expense (2014: $1.0 million higher). For 2016, we expect cash contributions to decrease to approximately CAD$1.1 million and for the defined benefit expense to be $1.4 million. We have more than adequate availability under our working capital credit facility to make the required future cash contributions for our defined benefit pension plans. As well, we have a SERP liability for accounting purposes of $6.7 million that is secured by a letter of credit in the amount of $10.2 million.

Contractual Obligations

Contractual obligations relating to our long-term debt, finance lease obligations, operating leases, purchase obligations and other long-term liabilities are disclosed in the table below.

		Payments Due by Period		
(Amounts in $000s)	**Total**	**Less than 1 year**	**1–5 Years**	**Thereafter**
Long-term debt	$ 294,750	$ 11,816	$ 3,152	$ 279,782
Finance lease obligations	1,730	1,015	715	—
Other long-term liabilities	483	—	483	—
Operating leases	30,329	5,344	18,144	6,841
Purchase obligations[1]	158,433	129,416	29,017	—
Total contractual obligations	**$ 485,725**	**$ 147,591**	**$ 51,511**	**$ 286,623**

1 Purchase obligations are for the purchase of seafood and other non-seafood inputs, including flour, paper products and frying oils. See Sections 10.2 "Procurement" and 10.5 "Foreign Currency" of this MD&A for more details.

Financial Instruments

Classification of Financial Instruments

We utilize derivative financial instruments in accordance with a written policy to manage foreign currency, commodity and interest rate exposures. The policy prohibits the use of derivative financial instruments for trading or speculative purposes.

We formally document all relationships between hedging instruments and hedged items, as well as risk management objectives and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. We also formally assess, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of hedged items. Any portion of hedge ineffectiveness has been recognized in the income statement as it has occurred.

Readers are directed to *Note 21* to the Consolidated Financial Statements for a complete description of the use of derivative financial instruments by the Company.

6. Summary of Results for the Fourth Quarter ended January 2, 2016

Highlights

Financial and operational highlights for the **fourth quarter of 2015**, include (all comparisons are relative to the fourth quarter of 2014 which had fourteen weeks compared to thirteen weeks in 2015):

- Sales as reported decreased by $42.0 million, or 15.7%, to $224.9 million compared to $266.9 million;
- Sales in domestic currency decreased by $32.6 million, or 11.7%, to $244.9 million compared to $277.5 million;
- Adjusted EBITDA decreased by $2.6 million, or 12.7%, to $17.8 million compared to $20.4 million;
- Adjusted EBITDA in domestic currency decreased by $2.0 million, or 9.5%, to $19.1 million compared to $21.1 million;
- Reported net income increased by $1.4 million, or 25.0%, to $7.0 million compared to $5.6 million and diluted EPS increased $0.05 to $0.23 compared to $0.18; and
- Adjusted Net Income decreased by $1.0 million, or 11.0%, to $8.1 million compared to $9.1 million; Adjusted Diluted EPS decreased by $0.03 to $0.26 compared to $0.29; and also, CAD-Equivalent Adjusted Diluted EPS increased by CAD$0.02 to CAD$0.35 compared to CAD$0.33.

The Company estimates the benefit associated with an additional week of operations in the fourth quarter of 2014 was 5.5 million pounds of sales volume, $20.0 million of sales in domestic currency and $1.6 million of Adjusted EBITDA in domestic currency.

Consolidated Results

The table below summarizes key financial information for the fourth quarter of the last three fiscal years. Please note that the fourth quarters of Fiscal 2015 and Fiscal 2013 had thirteen weeks, while the fourth quarter of Fiscal 2014 had fourteen weeks as explained in the Introduction section of this MD&A.

(Amounts in $000s, except sales volume, per share amounts)		**Thirteen weeks ended January 2, 2016**		Fourteen weeks ended January 3, 2015[1]		Thirteen weeks ended December 28, 2013[2,3]
Sales						
Canada	**$**	**59,413**	$	78,250	$	75,922
United States		**165,452**		188,645		174,823
Total sales	**$**	**224,865**	$	266,895	$	250,745
Sales volume (millions of lbs)		**66.2**		76.6		74.4
Adjusted EBITDA	**$**	**17,757**	$	20,437	$	22,683
Net income						
Total	**$**	**7,019**	$	5,639	$	8,767
EPS Basic	**$**	**0.23**	$	0.18	$	0.29
EPS Diluted	**$**	**0.23**	$	0.18	$	0.28
Adjusted Net Income						
Total	**$**	**8,140**	$	9,073	$	11,944
EPS Basic	**$**	**0.26**	$	0.29	$	0.40
EPS Diluted	**$**	**0.26**	$	0.29	$	0.38
Average foreign exchange rate (USD/CAD)	**$**	**1.3358**	$	1.1356	$	1.0436

1 This was the first quarter to include the results of Atlantic Trading which was acquired October 7, 2014.
2 This was the first quarter to include the results of American Pride which was acquired October 1, 2013.
3 Per share amounts reflect retrospective application of May 30, 2014 stock split (see *Note 15* to the Consolidated Financial Statements).

Sales

Sales volume for the fourth quarter of 2015 decreased overall by 10.4 million pounds, or 13.6%, to 66.2 million pounds compared to 76.6 million pounds in the same period in 2014 reflecting lower volumes from both our U.S. and Canadian operations due in part to an additional week of sales in the fourth quarter of 2014 (as explained in the Introduction section of this MD&A). Also, significant price increases have been passed on to customers over the past year to recover increased costs, due in part to the weak Canadian dollar, which management believes has had an adverse effect on sales volume.

Sales for the fourth quarter of 2015 were $224.9 million compared to $266.9 million in the same period last year. The weaker Canadian dollar in the fourth quarter of 2015 compared to the same period in 2014 decreased the value of reported USD sales from our CAD-denominated operations by approximately $10.5 million relative to the conversion impact last year.

Sales in domestic currency decreased by $32.6 million to $244.9 million in the fourth quarter of 2015 compared to $277.5 million in 2014 reflecting lower sales volume, partially offset by the impact of price increases, net of increased promotional spending in Canada. Promotional spending was higher in the fourth quarter of 2015 compared to the same period last year in an effort to improve sales volume trends.

Sales by segment are discussed in more detail in the "Performance by Segment" section below.

Adjusted EBITDA

Consolidated Adjusted EBITDA decreased in the fourth quarter of 2015 by $2.6 million, or 12.7%, to $17.8 million compared to $20.4 million in 2014. The impact of converting our CAD-denominated operations and Corporate to our USD presentation currency decreased the value of reported Adjusted EBITDA in USD by $1.4 million in the fourth quarter of 2015 compared to $0.6 million in 2014, reflecting the weaker Canadian dollar in 2015.

In domestic currency, Adjusted EBITDA decreased in the fourth quarter of 2015 by $2.0 million, or 9.5%, to $19.1 million (7.9% of sales) compared to $21.1 million (7.7% of sales) in 2014. The decrease in Adjusted EBITDA reflects lower overall sales volume, partially offset by higher Adjusted EBITDA as a percentage of sales. Adjusted EBITDA as a percentage of sales was higher mainly due to: higher overall gross profit as a percentage of sales reflecting the impact of price increases; supply chain optimization savings; lower fuel costs; and lower SG&A expenses, including lower sales commission and incentive expenses, along with savings related to restructuring activities. Adjusted EBITDA for the fourth quarter of 2015 reflected approximately $3.0 million of net benefit associated with supply chain optimization, primarily in our U.S. operations.

The table below reconciles our Adjusted EBITDA with measures that are found in our Consolidated Financial Statements.

				Thirteen weeks ended January 2, 2016				Fourteen weeks ended January 3, 2015
(Amounts in $000s)	**Canada**	**U.S.**	**Corporate**	**Total**	Canada	U.S.	Corporate	Total
Net income (loss)	**$ 5,250**	**$ 9,411**	**$ (7,642)**	**$ 7,019**	$ 6,877	$ 9,184	$ (10,422)	$ 5,639
Add back:								
Depreciation and amortization	**459**	**3,448**	**240**	**4,147**	570	3,598	292	4,460
Financing costs	**—**	**—**	**3,914**	**3,914**	—	—	4,549	4,549
Income tax expense	**—**	**—**	**1,303**	**1,303**	—	—	378	378
Standardized EBITDA	**5,709**	**12,859**	**(2,185)**	**16,383**	7,447	12,782	(5,203)	15,026
Add back (deduct)								
Business acquisition, integration and other expenses	**—**	**—**	**478**	**478**	—	—	3,200	3,200
Impairment of property, plant and equipment	**—**	**—**	**—**	**—**	—	852	—	852
(Gain) loss on disposal of assets	**(67)**	**56**	**—**	**(11)**	84	295	20	399
Adjusted EBITDA, including share-based compensation expense	**5,642**	**12,915**	**(1,707)**	**16,850**	7,531	13,929	(1,983)	19,477
Share-based compensation expense	**—**	**—**	**907**	**907**	—	—	960	960
Adjusted EBITDA	**$ 5,642**	**$ 12,915**	**$ (800)**	**$ 17,757**	$ 7,531	$ 13,929	$ (1,023)	$ 20,437

The following table shows the impact in the fourth quarter of 2015 and 2014 of converting our CAD-denominated operations and Corporate to our USD presentation currency:

(Amounts in $000s)		**January 2, 2016 USD**		January 3, 2015 USD		**January 2, 2016 Domestic $**		January 3, 2015 Domestic $	**% Change Domestic $**
External Sales									
Canada	**$**	**59,413**	$	78,250	**$**	**79,437**	$	88,888	**(10.6)%**
USA		**165,452**		188,645		**165,452**		188,645	**(12.3)%**
		224,865		266,895		**244,889**		277,533	**(11.8)%**
Conversion		**—**		—		**(20,024)**		(10,638)	
	$	**224,865**	$	266,895	**$**	**224,865**	$	266,895	**(15.7)%**
Adjusted EBITDA									
Canada	**$**	**5,642**	$	7,531	**$**	**7,560**	$	8,551	**(11.6)%**
USA		**12,915**		13,929		**12,915**		13,929	**(7.3)%**
Corporate		**(800)**		(1,023)		**(1,352)**		(1,397)	**(3.2)%**
		17,757		20,437		**19,123**		21,083	**(9.3)%**
Conversion		**—**		—		**(1,366)**		(646)	
	$	**17,757**	$	20,437	**$**	**17,757**	$	20,437	**(13.1)%**
Adjusted EBITDA as % of sales									
In USD		**7.9%**		7.7%					
In Domestic $						**7.9%**		7.7%	

Net Income

Net income as reported increased in the fourth quarter of 2015 by $1.4 million, or 25.0%, to $7.0 million ($0.23 per diluted share) compared to $5.6 million ($0.18 per diluted share) in the fourth quarter last year.

The results for both the fourth quarter of 2015 and 2014 included non-routine and one-time costs, including one-time acquisition, integration and other expenses, items relating to debt-refinancing and amendment activities, and certain other non-recurring expenses. The impact of these items, along with non-cash expense related to marking-to-market interest rate swaps not designated for hedge accounting and share-based compensation expense, on net income and diluted EPS in the fourth quarter of 2015 and 2014 are shown in the following table:

	Thirteen weeks ended January 2, 2016				Fourteen weeks ended January 3, 2015			
		$000s		**Diluted EPS**		$000s		Diluted EPS
Net income	**$**	**7,019**	**$**	**0.23**	$	5,639	$	0.18
Add back, after-tax:								
Business acquisition, integration and other expenses		**369**		**0.01**		2,131		0.07
Impairment of property, plant and equipment		**—**		**—**		520		0.02
Mark-to-market gain on interest rate swaps		**(178)**		**(0.01)**		(63)		—
		7,210		**0.23**		8,227		0.27
Share-based compensation expense		**930**		**0.03**		846		0.02
Adjusted Net Income	**$**	**8,140**	**$**	**0.26**	$	9,073	$	0.29
Average shares for the period (000s)				**31,220**				30,805

The table above shows that excluding the impact of non-routine, one-time costs and other items as identified above, Adjusted Net Income for the fourth quarter of 2015 decreased by $1.0 million, or 11.0%, to $8.1 million compared to $9.1 million in the same period last year. Correspondingly, Adjusted Diluted EPS decreased by $0.03 to $0.26 compared to $0.29 the fourth quarter of 2014 and when converted to CAD using the average USD/CAD exchange rate for the period of 1.3358 (2014: 1.1356), the CAD-Equivalent Adjusted Diluted EPS increased by CAD$0.02 to CAD$0.35 compared to CAD$0.33 in the fourth quarter of 2014.

Income Taxes

High Liner Foods' effective income tax rate was 15.7% in the fourth quarter of 2015 compared to 6.3% in the fourth quarter of 2014. The higher effective tax rate in the fourth quarter of 2015

compared to the same period in the prior year is attributable to an increase in income subject to higher foreign tax rates and the impact the higher income in the quarter had on the benefit of acquisition financing deductions.

Performance by Segment

Canadian Operations

(All currency amounts in this section are in CAD)

Sales volume for our Canadian operations decreased during the fourth quarter of 2015 by 12.2% to 16.5 million pounds compared to 18.8 million pounds in 2014 reflecting lower sales volume in both the Canadian retail and foodservice businesses due in part to an additional week of sales in the fourth quarter of 2014. Also, significant price increases have been passed on to Canadian customers over the past year to recover increased costs, including the impact of the weak Canadian dollar, which management believes has had an adverse effect on sales volume.

External sales during the fourth quarter decreased by $9.5 million, or 10.6%, to $79.4 million compared to $88.9 million in 2014 reflecting lower sales volume, partially offset by the impact of price increases, net of increased promotional spending. Promotional spending was higher in the fourth quarter of 2015 compared to last year in an effort to improve sales volume trends.

Gross profit decreased in the fourth quarter of 2015 by $2.4 million to $16.6 million compared to $19.0 million in 2014 due to lower sales volume and a decrease in gross profit as a percentage of sales. Gross profit as a percentage of sales was 20.9% compared to 21.4% reflecting cost increases not fully recovered through price increases, net of promotional spending.

Adjusted EBITDA for our Canadian operations decreased during the fourth quarter of 2015 by $1.0 million, or 11.6%, to $7.6 million compared to $8.6 million in 2014 primarily reflecting lower sales volume and lower gross profit margins as a percentage of sales, partially offset by supply chain optimization savings and lower SG&A expenses reflecting lower incentive expenses. As a percentage of sales, Adjusted EBITDA for the quarter was 9.6% in 2015 compared to 9.7% in 2014.

U.S. Operations

(All currency amounts in this section are in USD)

Sales volume for our U.S. operations decreased during the fourth quarter of 2015 by 14.0% to 49.7 million pounds compared to 57.8 million pounds in 2014 reflecting lower sales volume in both the U.S. retail and foodservice businesses due in part to an additional week of sales in the fourth quarter of 2014. Also, significant price increases have been passed on to U.S. customers over the past year to recover increased costs, which management believes has had an adverse effect on sales volume.

External sales during the fourth quarter decreased by $23.1 million, or 12.2%, to $165.5 million compared to $188.6 million in 2014 reflecting lower sales volume, partially offset by the impact of price increases.

Gross profit decreased in the fourth quarter of 2015 by $4.2 million to $31.5 million compared to $35.7 million in the same period last year reflecting lower sales volume, partially offset by an increase in gross profit as a percentage of sales. Gross profit as a percentage of sales was 19.1% compared to 18.9% reflecting increased pricing and supply chain optimization savings, partially offset by an unfavourable change in product mix.

Adjusted EBITDA for our U.S. operations decreased during the fourth quarter of 2015 by $1.0 million, or 7.2%, to $12.9 million compared to $13.9 million in 2014. This decrease was due primarily to lower sales volume, partially offset by: higher gross profit margins as a percentage of sales; lower distribution costs reflecting lower sales volume, supply chain optimization savings and lower fuel costs; and lower SG&A expenses, including lower sales commission and incentive expenses, and savings related to restructuring activities. As a percentage of sales, Adjusted EBITDA for the quarter was 7.8% in 2015 compared to 7.4% in 2014.

7. Governance

Our 2016 Management Information Circular, to be filed in connection with our Annual and Special General Meeting of Shareholders on May 11, 2016, includes full details of our governance structures and processes.

We maintain a set of disclosure controls and procedures ("DC&P") designed to ensure that information required to be disclosed in filings made pursuant to National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*, is recorded, processed, summarized and reported within the time periods specified in the Canadian Securities Administrators' rules and forms. For the first three quarters of 2015, in accordance with National Instrument 52-109, our certifying officers had limited the scope of their DC&P, and our Company's internal control over financial reporting ("ICFR") to exclude controls, policies and procedures relating to the Atlantic Trading Acquisition which occurred in October 2014, as they had not performed sufficient procedures to include it in our certifications. National Instrument 52-109 permits a business that an issuer acquires not more than 365 days before the issuer's financial year-end be excluded from the scope of the certifications to allow it sufficient time to perform adequate procedures to ensure controls, policies and procedures are effective. The Atlantic Trading operation was integrated with High Liner Foods' systems by the end of 2015 and the scope limitation related to it was removed for the Fiscal 2015 year-end certificates.

Our CEO and Chief Financial Officer ("CFO") have evaluated the design and effectiveness of our DC&P as of January 2, 2016. They have concluded that our current DC&P are designed to provide, and do operate to provide, reasonable assurance that: (a) information required to be disclosed by the Company in its annual filings or other reports filed or submitted by it under applicable securities legislation is recorded, processed, summarized and

reported within the prescribed time periods; and (b) material information regarding the Company is accumulated and communicated to the Company's management, including its CEO and CFO to allow timely decisions regarding required disclosure.

In addition, our CEO and CFO have designed or caused to be designed under their supervision, ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. Furthermore, our CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the design and operation of ICFR at the fiscal year end and have concluded that our current ICFR was effective at the fiscal year end based on that evaluation.

There has been no change in the Company's ICFR during 2015 that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

8. Accounting Estimates and Policies

8.1 Critical Accounting Estimates

The preparation of the Company's Consolidated Financial Statements requires management to make critical judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. On an ongoing basis, management evaluates its judgments, estimates and assumptions using historical experience and various other factors it believes to be reasonable under the given circumstances. Actual outcomes may differ from these estimates under different assumptions and conditions that could require a material adjustment to the reported carrying amounts in the future.

The most significant estimates made by management include the following:

Impairment of Non-Financial Assets

The Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets are impaired. Individual assets are grouped together as a cash generating unit ("CGU") for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are independent from other Company assets. The carrying amounts of CGUs, including goodwill, are tested for impairment annually and at other times when indicators of impairment arise. Management calculates the recoverable amount of each CGU based on the expected future cash flows from the individual asset or CGU and chooses a suitable discount rate in order to calculate the present value of those cash flows. Further details, including the manner in which the Company identifies its CGUs and key assumptions used in determining the recoverable amounts are disclosed in *Note 5* to the Consolidated Financial Statements.

Future Employee Benefits

The cost of the defined benefit pension plan and other post-employment benefits and the present value of the defined benefit obligation ("DBO") is determined using actuarial valuations. An actuarial valuation involves making various assumptions, including the discount rate, future salary increases, mortality rates and future pension increases. In determining the appropriate discount rate, management considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Interest income on plan assets is a component of the return on plan assets and is determined by multiplying the fair value of the plan assets by the discount rate. Actual results will differ from results which are estimated based on assumptions. See *Note 13* to the Consolidated Financial Statements for certain assumptions made with respect to future employee benefits.

Income Taxes

Income taxes are accrued based on current taxes expected to be paid or recovered for the period, and deferred taxes applicable in respect of the temporary differences that will reverse in subsequent periods. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income before they expire. The Company's assessment is based upon existing tax laws and estimates of future taxable income. If the assessment of the Company's ability to utilize the underlying future tax deductions changes, the Company would be required to recognize more or fewer of the tax deductions as assets, which would decrease or increase the income tax expense in the period in which this is determined.

Significant judgment is required in determining the global provision for taxation. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. The Company maintains provisions for uncertain tax positions that it believes appropriately reflect its risk with respect to tax matters under active discussion, audit, dispute or appeal with tax authorities, or which are otherwise considered to involve uncertainty. These provisions for uncertain tax positions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at each balance sheet date. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Fair Value of Financial Instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of estimation is required in establishing fair values. The estimates include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Sales and Marketing Accruals

The Company makes estimates to determine the costs associated with the sale of product to be allocated to certain of its variable sales and marketing expenses, including volume rebates and other sales volume discounts, coupon redemption costs and costs incurred related to damages. The Company's estimates include consideration of empirical data and trends combined with future expectations of sales volume, with estimates being reviewed on a monthly basis for reasonability.

8.2 Accounting Standards

High Liner Foods reports its financial results using IFRS. Our detailed accounting policies are included in the Notes to the Consolidated Financial Statements.

As disclosed in *Note 3* to the Consolidated Financial Statements for the period ended January 2, 2016, no new accounting standards have been adopted in Fiscal 2015.

New Accounting Standards and Interpretations Issued but not yet Effective

In addition to the existing IFRS standards adopted by the Company, the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee ("IFRIC") have issued additional standards and interpretations with an effective date subsequent to Fiscal 2015. As disclosed in *Note 3* to the Consolidated Financial Statements, we are currently evaluating the effect, if any, that the new proposed standards, interpretations 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.

9. Transactions with Related Parties

The Company's business is carried on through the Parent company, High Liner Foods Incorporated, and wholly-owned operating subsidiaries, High Liner Foods (USA) Incorporated and Sjovik, h.f. High Liner Foods (USA) Incorporated whose wholly-owned subsidiaries include: ISF (USA), LLC; APS, LLC; and Atlantic Trading Company LLC. Sjovik, h.f. has a subsidiary in Thailand. These companies purchase and/or sell inventory between them, and do so in the normal course of operations. As well, the Parent company provides management, procurement and IT services to the subsidiaries. The companies lend and borrow money between them. Periodically, capital assets are transferred between companies. High Liner Foods Incorporated buys all of the seafood for all of the subsidiaries. On consolidation, revenue, costs, IT services, gains or losses, and all inter-company balances are eliminated.

In addition to transactions between the Parent and subsidiaries, High Liner Foods has entered into certain transactions and agreements in the normal course of business with certain other related parties, as disclosed in *Note 20* to the Consolidated Financial Statements. Transactions with these parties are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

10. Risk Factors and Risk Management

High Liner Foods is exposed to a number of risks in the normal course of business that have the potential to affect operating performance. The Company takes a strategic approach to risk management. To achieve a superior return on investment, we have designed an enterprise-wide approach, overseen by the senior management of the Company and reported to the Board, to identify, prioritize and manage risk effectively and consistently across the organization.

10.1 Food Safety

Senior management accountability: Keith Decker, President and CEO, Jeff O'Neill, President and COO, Canadian Operations; Peter Brown, President and COO, U.S. Operations
Board oversight accountability: Audit Committee

At High Liner Foods, food safety is our top priority. Our brand equity and reputation are inextricably linked to the quality and safety of our food products. We must be vigilant in ensuring our products are safe and comply with all applicable laws and regulations. Consumers are also increasingly better informed about conscientious food choices.

All of our processing plants have the required State or Provincial and Federal licenses to operate. The U.S. requires its seafood processing plants to adopt a quality management system based on Hazard Analysis Critical Control Points ("HACCP") principles. Our plants in Portsmouth, New Bedford and Newport News are regularly inspected and meet or exceed all HACCP requirements.

In Canada, all seafood-processing plants are required to adopt a Quality Management Plan ("QMP") covering the regulatory and safety aspects of food processing. High Liner Foods' QMP has been approved by the Canadian Food Inspection Agency ("CFIA") and has been in good standing since inception of this requirement. Canada's QMP is an accepted standard under the U.S. HACCP system. Our Lunenburg facility falls under this regulation and meets or exceeds the related regulations.

Plants outside of North America must also pass HACCP audits to be able to export products to the U.S. All of the Company's non-North American suppliers operate HACCP approved plants. The CFIA must inspect food that is procured outside of Canada. The Food and Drug Administration ("FDA") inspects food that enters the U.S. In addition, all purchases are subject to quality inspection by the Company's own quality inspectors. We have strict specifications for suppliers of both raw material and finished goods to ensure that procured goods are of the same quality as products made in our own plants, as indicated in our "*Supplier Standards and Audit Manual*".

All of our plants in the U.S. and Canada are certified to Global Food Safety Initiative ("GFSI") standards, and we are recommending our global suppliers work to achieve this standard too. The Lunenburg, Portsmouth and New Bedford plants have Safe Quality Foods ("SQF") certifications and the Newport News plant is certified to British Retail Consortium ("BRC") standards.

We employ several experts in this area, including food scientists, quality technicians, raw material inspectors, and labeling and nutritional consultants. We also have a supplier code of conduct and retain independent auditors to monitor compliance.

The Company has a Quality Steering Council comprised of all senior quality and regulatory personnel in the Company. Their mission is to ensure that High Liner Foods has the best policies, consistently applied throughout the Company as well as implementing audit processes and ensuring all personnel are adequately trained. Quality and food safety activities also include state-of-the-art product specification and traceability systems.

10.2 Procurement

Senior management accountability: Paul Snow, Executive VP Procurement
Board oversight accountability: Audit Committee

We are dependent upon the procurement of frozen raw seafood materials and finished goods on world markets. In 2015, the Company purchased approximately 195 million pounds of seafood, with an approximate value of $536 million. Seafood and other food input markets are global with values expressed in USD. We buy approximately 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, geopolitical issues including economic sanctions, 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 the Canadian and U.S. exchange rates. A strong Canadian dollar offsets increases in the U.S. dollar cost of raw materials for our Canadian operations, and conversely when the Canadian dollar weakens, it increases our costs. We hedge exposures to currency changes and enter into annual supply contracts when possible. All foreign currency hedging activities are carried out in accordance with the Company's formal *Price Risk Management Policy*, under the oversight of the Audit Committee.

Our broad product line and customer base, along with geographically diverse procurement operations, help us mitigate changes in the cost of our raw materials. In addition, species substitution, product formulation changes, long-term relationships with suppliers, and price changes to customers, are all important factors in our ability to manage margins to target.

As we purchase all the seafood that we sell, we have developed close relationships with key suppliers. We currently purchase significant quantities of frozen raw material and finished goods originating from all over the world. Our supplier base is diverse to ensure no over-reliance on any source. Our strategy is to always have at least two suppliers of seafood products when we can. A very small percentage of our supply is single sourced. We also maintain strict *Supplier Approval and Audit Standards*. Through audit procedures, all food suppliers are required to meet our quality control and safety standards, which, in many instances, are higher than regulatory standards. All product is inspected, to assure consumers that High Liner Foods quality is consistent, regardless of source or origin.

We sometimes pay for finished goods upon shipment from Asia or we acquire unprocessed seafood raw material and negotiate processing arrangements with suppliers to convert that raw material into our finished goods or raw material for our North American plants. In some instances, this means the outlay of cash for inventory is 90 days or more. We are doing this to ensure we receive the high-quality seafood we require and are receiving better prices from suppliers as a result. Although this increases inventory on our balance sheet, it results in higher income and profitability due to the negotiated lower cost product.

10.3 Availability of Seafood

Senior management accountability: Keith Decker, President & CEO
Board oversight accountability: Audit Committee

Historically, North American markets have consumed less seafood per capita than certain Asian and European markets. If increased global seafood demand results 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 Foods due to its North American focus.

The Company expects demand for seafood to grow from current levels as the global economy, and particularly the BRIC and Southeast Asia economies, improve. 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, four of the top seven species consumed in the U.S. (shrimp, salmon, tilapia and pangasius) are partly or totally supplied by aquaculture and approximately 30% of the Company's procurement by value is related to aquaculture products. 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.

The Company has 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. As well, as a vertically integrated company, overall reduced returns to shareholders would likely result from subsidizing our North American operations with output from fishing efforts that could be sold in global markets at higher prices. 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 a low cost, large scale manufacturer of seafood products, and leveraging such position to buy seafood at reasonable prices and be the supplier of choice for North American customers and consumers. However, in the event supply shortages of certain seafood, or trade barriers to acquiring seafood as a result of economic sanctions or otherwise, results in difficulty procuring species, the financial results of High Liner Foods may be adversely affected.

10.4 Loss of Customer and Credit Risk

Senior management accountability: Paul Jewer, Executive VP & CFO; Jeff O'Neill, President & COO, Canadian Operations; Peter Brown, President & COO, U.S. Operations
Board oversight accountability: Audit Committee

We sell the vast majority of our products to large food retailers, including supercenters and club stores, and foodservice distributors in North America. The food distribution industry is consolidating. Our customers are getting larger, more sophisticated and want to conduct business with experienced, reliable suppliers. We are an important supplier to our customers because we can transact business on their terms and provide them a significant portion of their seafood requirements. We must continue to grow and stay ahead of customer expectations in order to continue to be important to them. We have one customer that represents approximately 16% (2014: 16%) of our sales and our top ten customers represent approximately 61% (2014: 58%) of our total sales. The increase in top ten customer concentration compared to a year ago represents the impact of the Atlantic Trading Acquisition which increased sales to a customer that already ranked as one of our top ten customers. Industry consolidation further emphasizes the importance we place on ensuring that our supply chain management and technology infrastructure keep pace with the service delivery expectations of our customers.

Although we insure our accounts receivable risk, our bad debt expense has historically been nominal. As of the filing of this report, we are not aware of any customer that is in financial trouble that would result in a material loss to the Company and our receivables are substantially current at year-end.

10.5 Foreign Currency

Senior management accountability: Paul Jewer, Executive VP & CFO
Board oversight accountability: Audit Committee

Overview
High Liner Foods reports its results in USD to reduce volatility caused by changes in the USD to CAD exchange rate. The Company's income statement and balance sheet are both affected by foreign currency fluctuations in a number of ways. Generally, a stronger CAD is beneficial to earnings and shareholder's equity as discussed below. Conversely, a weakening CAD can decrease earnings.

Income Statement Effects of Foreign Currency
The Parent has a CAD functional currency, meaning that all transactions are recorded in CAD. However, as we report in USD, the results of the Parent are converted into USD for external reporting purposes. Therefore, the Canadian and U.S. exchange rates impact the results we report. Also, other currencies have an indirect effect on High Liner Foods' operations.

The table below summarizes the effects of foreign exchange on our operations in their functional currency.

Currency	Strength	Impact on High Liner Foods
CAD	Strong	Results in a reduction in the cost of inputs for the Canadian operations in CAD. Competitive activity may result in some selling price declines on unprocessed product.
CAD	Weak	Results in an increase in the cost of inputs for the Canadian operations in CAD. Justified cost increases are usually accepted by customers. If prices rise too sharply there may be a volume decline until consumers become accustomed to the new level of pricing.
Euro	Strong	Results in increased demand from Europe for seafood supplies and may increase prices in USD.
Euro	Weak	Results in decreased demand from Europe for seafood supplies and may decrease prices in USD.
Asian currencies	Strong	Results in higher cost for seafood related to Asian-domestic inputs such as labour and overheads of primary producers. As well, increased demand may result from domestic Asian markets increasing USD prices. Justified cost increases are usually accepted by customers. If prices rise too sharply, there may be a volume decline until consumers become accustomed to the new level of pricing.
Asian currencies	Weak	Results in lower cost for seafood related to Asian-domestic inputs such as labour and overheads of primary producers. As well, decreased demand may result from domestic Asian markets, decreasing USD prices. Competitive activity may result in some selling price declines on unprocessed product.
USD	Strong	As in most commodities, a strong USD usually decreases input costs in USD, as suppliers in countries not using the USD need less USD to receive the same amount in domestic currency. In Canadian operations, it increases input costs in CAD.
USD	Weak	As in most commodities a weak USD usually increases input costs in USD as suppliers in countries not using the USD need more USD to receive the same amount in domestic currency. In Canadian operations, it decreases input costs in CAD.

The value of the USD compared to other world currencies has an impact on many commodities, including seafood, packaging, flour-based products, cooking oil and transportation costs that are either sold in USD or have USD-input costs. This is because many producing countries do not use the USD as their functional currency, and therefore, changes in the value of the USD means that producers in other countries need less or more USD to obtain the same amount in their domestic currency. Changes in the value of the CAD by itself against the USD simply result in an increase or decrease in the CAD cost of inputs.

For products sold in Canada, raw material is purchased in USD and flour-based ingredients, cooking oils and transportation costs all have significant commodity components that are traded in USD. However, labour, packaging and ingredient conversion costs, overheads and SG&A costs are incurred in CAD. A strengthening CAD decreases the cost of these inputs and vice versa in the Canadian operation's domestic currency. When the value of the CAD changes, competitive factors on commodity products, primarily raw frozen shellfish and groundfish, especially in our Canadian foodservice business, force us to react when competitors use a lower CAD cost of imported products to decrease prices and, therefore, pass on the cost decrease to customers. An increasing CAD cost usually results in higher selling prices to Canadian customers.

The operations of the Parent are translated to USD for external reporting. Approximately 30% of the Company's consolidated sales and a portion of its expenses are denominated in CAD. As such, fluctuations in exchange rates impact the translated value of the Parent's sales, costs and expenses when translated to USD.

The average Canadian dollar in 2015 (at a USD/CAD exchange rate of 1.2791) has weakened approximately 15.8% over the average of 2014. Because we report our financial results in USD, a weakening CAD has the immediate effect of decreasing the USD value of CAD-denominated sales, costs and expenses. In 2015, CAD-denominated sales comprised approximately 31% of our total sales in domestic currency and we expect this to be relatively consistent in 2016.

For 2016, approximately CAD$317 million of the Parent's external sales are expected to be in CAD. This exposure is estimated to decrease to $240 million after taking into account the CAD cost in labour, packaging, supplies and overheads. Holding all other factors constant, the net effect of a one-cent change in the USD/CAD, prior to hedging activities and price changes, is a change in after-tax income of approximately $1.8 million.

As mentioned, although High Liner Foods reports in USD, our Canadian operations continue to be managed in CAD, which is the functional currency of the Parent. Therefore, in accordance with the Company's "*Price Risk Management Policy*" (the "Policy"), we undertake hedging activities, buying USD forward, using various derivative products. To reduce our exposure to the USD on the more price inelastic items, the Policy allows us to hedge forward a maximum of 15 months of purchases; at 70-90% of exposure for the first three months, 55-85% for the next three months, 30-75% for the next three, 10-60% for the next three, and 0-60% for the last three months. The lower end of these ranges are required to be hedged by the Policy with the upper ranges allowed if management believes the situation warrants a higher level of purchases to be hedged. Variations from the Policy require the approval of the Audit Committee.

The Policy excludes certain products where the price in the marketplace moves up or down with changes in the CAD cost of the product. Approximately $70 million to $90 million of the USD purchases of the Parent are part of the hedging program annually and are usually hedged between 40-75% of the next 12 months of forecasted purchases. We are currently forecasting $74 million in items to be hedged in 2016 and of this amount, 67% are currently hedged.

Details on the hedges in place as at January 2, 2016 are included in *Note 21* to the Consolidated Financial Statements.

Balance Sheet Effects of Foreign Currency
As we have operations in Canada, and some monetary assets and liabilities in the U.S. that are denominated in CAD, assets and liabilities of the consolidated Company change as exchange rates fluctuate. At January 2, 2016, the CAD or USD/CAD exchange rate weakened by approximately 18.0% from its value at January 3, 2015. As such, the weakened CAD has decreased the carrying value of items such as accounts receivable, inventory, fixed assets and accounts payable of the Parent in our USD balance sheet. The net offset of those changes flow through accumulated other comprehensive income ("AOCI") in shareholders' equity on the balance sheet. Changes in monetary assets and liabilities in the U.S. that are denominated in CAD flow through the income statement, unless they are hedged.

10.6 Growth (Other than by Acquisition)

Senior management accountability: Jeff O'Neill, President & COO, Canadian Operations; Peter Brown, President & COO, U.S. Operations
Board oversight accountability: Board of Directors

A key component of High Liner Foods' growth strategy is organic or internal growth by (a) increasing sales and earnings in existing markets with existing products; and (b) expanding into new markets and products. There can be no assurance that the Company will be successful in growing its business or in managing its growth in a manner consistent with this strategy.

Furthermore, successful expansion may place a significant strain on key personnel of High Liner Foods, from a retention perspective, as well as on its operations, financial resources and other resources. The Company's ability to manage growth will also depend in part on its ability to continue to grow and enhance its information systems in a timely fashion. It must also manage succession planning for personnel across the organization to support such growth. Any inability to properly manage growth could result in cancellation of customer orders, as well as increased operating costs, and correspondingly, could have an adverse effect on High Liner Foods' financial results.

10.7 Acquisitions

Senior management accountability: Keith Decker, President & CEO
Board oversight accountability: Board of Directors

Our growth strategy includes growth by acquisition. The Company may not be able to carry out its strategy of acquisition of other frozen seafood companies, as that depends in part on the availability of suitable target companies. In addition, the Company may face competition for the acquisition of attractive processors from other consolidators in the frozen food industry who may be larger or better financed. Our ability to successfully integrate acquisitions into our existing operations could affect our financial results. We may seek to expand our business through acquisitions and may divest of under-performing or non-core businesses. Our success depends, in part, upon our ability to identify such acquisition and divestiture opportunities and to negotiate favourable contractual terms. The failure to obtain proper regulatory approvals could adversely affect our growth strategy.

10.8 Liquidity

Senior management accountability: Paul Jewer, Executive VP & CFO
Board oversight accountability: Audit Committee

Our primary sources of working capital are cash flows from operations and borrowings under our credit facilities. We actively manage our relationships with our lenders and have in place adequate credit facilities until December 2019 when the working capital credit facility is scheduled to be renewed.

The Company monitors its risk to a shortage of funds using a detailed budgeting process that identifies financing needs for the next 12 months as well as models that look out five years. Working capital and cash balances are monitored daily and a procurement system provides information on commitments. This process projects cash flows from operations. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, letters of credit, bank loans, notes payable and finance leases. The Company's objective is that not more than 50% of borrowings should mature in the next twelve-month period.

At January 2, 2016, 4% of our debt will mature in less than one year based on the carrying value of borrowings reflected in the Consolidated Financial Statements. Our long-term debt is described in *Note 12* to the Consolidated Financial Statements and has a current principal repayment scheduled for 2016 in the amount of $11.8 million. We did not make any excess cash flow payments in 2015, but expect to make one in 2016 as there were excess cash flows in 2015. At January 2, 2016 and at the date of this document, we are in compliance with all covenants and terms of our banking facilities.

As a result of the volatile capital markets and the resulting widespread drop in public issuer valuations in the latter part of 2008, our defined benefit pension plans experienced losses. Since then, the asset mix of our defined benefit pension plans was changed with the objective of reducing the volatility of the plan's anticipated funded position. This has resulted in investing part of the portfolio in fixed income assets with a duration similar to that of the pension obligations. The change in the asset mix, additional Company contributions, and good investment returns, have improved the financial position of our two largest defined benefit pension plans. The latest actuarial valuations of these two plans were performed during Fiscal 2014 and showed: combined going concern surpluses of CAD$2.6 million; one plan had a solvency deficit of CAD$1.0 million; and the other plan had a solvency surplus of CAD$1.0 million.

10.9 Sustainability, Corporate Responsibility and Public Opinion

Senior management accountability: Keith Decker, President & CEO
Board oversight accountability: Board of Directors

The future success and growth of our business relies heavily upon our ability to protect and preserve the natural resources essential for our business and to make sustainability part of how we operate in every facet of our business.

High Liner Foods made a public sustainability commitment in late 2010 to source all of its seafood from "certified sustainable or responsible" fisheries and aquaculture by the end of 2013. The Company was successful in fulfilling the commitment it made in late 2010 and is now recognized as a global leader in driving best practice improvements in wild fisheries and aquaculture. Customers will continue to demand product solutions that are innovative, high-quality and responsibly sourced. To the extent we fail to meet these customer expectations, operational results and brand equity may be adversely affected. Credible sustainability certifications have become a required tool to validate industry-driven wild fishery and aquaculture improvements. Environmental advocacy groups will continue to promote use of credible certification schemes to define sustainable wild fisheries and aquaculture.

In 2015, the Company implemented a social compliance program with seafood suppliers which outlines acceptable standards for the treatment of all suppliers' employees involved in the production of seafood product for our Company.

In the long term, further enhancing policies related to sustainability, environmental and social compliance both within High Liner Foods and its supply chain may add to High Liner Foods' costs and reduce margins.

10.10 Industry Consolidation

Senior management accountability: Keith Decker, President & CEO; Peter Brown, President & COO, U.S. Operations; Jeff O'Neill, President & COO, Canadian Operations
Board oversight accountability: Board of Directors

Grocery retailers, wholesalers, food processors and foodservice distributors in North America have consolidated and continue to consolidate. Grocery retailers typically charge suppliers listing or "slotting" fees for shelf space on a per product basis for new products, and also require money to support product advertising and promotions. Arising out of these consolidations we have experienced demands from customers for increased listing and promotional incentives and improved payment terms. However, as a supplier of Canada's leading frozen seafood brand and a leading supplier to the U.S. foodservice channel, we expect to remain an important supplier to grocery retailers and foodservice distributors, although such consolidation may adversely affect the Company's financial results.

Consolidation of customers is expected to result in some consolidation of suppliers in the U.S. seafood industry. The supply of seafood, especially in the U.S. foodservice market, is highly fragmented. Consolidation is needed to reduce costs and increase service levels to keep pace with the expectation of customers. We are always looking for acquisition opportunities to leverage our current strengths.

We are focusing efforts on brand strength, new products, procurement activities and superior customer service to ensure we outperform competitors. Consolidation makes it more important to achieve and maintain a brand leadership position, as consolidators move towards centralized buying and streamlined procurement. We are in a good position to meet these demands, since we offer quality, popular products under leading brands and have the ability to meet the customer service expectations of the major retailers. Given our brand strategy, customer consolidation is an opportunity for High Liner Foods to grow in step with customer growth.

10.11 Increase in Seafood Production from Asia

Senior management accountability: Paul Snow, Executive VP Procurement
Board oversight accountability: Board of Directors

For more than a decade, many seafood companies, including High Liner Foods, have diverted production of certain primary produced products to Asia, and China in particular. Asian processing plants are able to produce many seafood products at a lower cost than is possible in North America and in other more developed countries. These plants are also able to achieve a better yield on raw material due to the use of more manual processes and they produce excellent quality. Land-based seafood primary processing plants in

developed countries, such as Norway, Iceland and Canada, have found it extremely difficult to compete with Asian processors, especially when they compete with them for the raw material on global markets. We anticipated this trend ahead of our many competitors. It was part of our rationale for exiting the primary-processing and fishing businesses, and the trend allowed us to develop opportunities that are now contributing to our growth strategy. We chose to work closely with selected Asian suppliers to become an important customer, especially for cod and haddock supply. We have made it possible for these suppliers to meet our exacting quality and manufacturing standards and in turn we have access to the variety and volume of seafood products, including a significant amount of wild-caught product from the Atlantic and Pacific oceans that we need to fulfill our brand strategy. These suppliers are central to our supply chain operating efficiently, and thus any adverse changes in the operations of such suppliers, or our commercial relationships with such suppliers, may adversely affect the Company's results.

10.12 Competition Risk

Senior management accountability: Jeff O'Neill, President & COO, Canadian Operations; Peter Brown, President & COO, U.S. Operations
Board oversight accountability: Board of Directors

High Liner Foods competes with a number of food manufacturers and distributors and its competition varies by distribution method, product category and geographic market. Some of High Liner Foods' competitors have greater financial and other resources than it does and/or may have access to labour or products that are not available to High Liner Foods. In addition, High Liner Foods' competitors may be able to better withstand market volatility. There can be no assurance that High Liner Foods' principal competitors will not be successful in capturing, or that new competitors will not emerge and capture, a share of the Company's present or potential customer base and/or market share.

In addition, it is possible that some of High Liner Foods' suppliers or customers could become competitors of High Liner Foods if they decide to distribute or source their own food products. Furthermore, if one or more of High Liner Foods' competitors were to merge or partner with another of its competitors, the change in the competitive landscape could adversely affect High Liner Foods and its financial results. Competitors may also establish or strengthen relationships with parties with whom High Liner Foods has relationships, thereby limiting its ability to distribute certain products. Disruptions in High Liner Foods' business caused by such events could have a material adverse effect on its results of operations and financial condition.

10.13 Non-Seafood Commodities

Senior management accountability: Jeff O'Neill, President & COO, Canadian Operations; Peter Brown, President & COO, U.S. Operations; Derivatives – Paul Jewer, Executive VP & CFO;
Board oversight accountability: Audit Committee

Our operating costs are affected by price changes in commodities such as crude oil, wheat, corn, paper products and frying oils. To minimize our risk, the Company's *Price Risk Management Policy* dictates the use of fixed pricing with suppliers whenever possible but allows the use of hedging with derivative instruments if deemed prudent. Throughout 2015 and 2014, the Company has managed this risk through contracts with suppliers.

Crude oil prices, which influence fuel surcharges from freight suppliers, decreased significantly in the last half of 2015. World commodity prices for flour (wheat and corn) and oils (corn, soy and canola), important ingredients in many of the Company's products, decreased in 2015 after having decreased in 2014. The Company currently has fixed price contracts with suppliers covering a significant portion of the Company's 2016 commodity purchase requirements.

10.14 Board Accountability

The Board oversees risk management at High Liner Foods, and has delegated to the Audit Committee the task of providing reasonable assurance that we appropriately identify and manage risks. The Audit Committee reviews at least annually the Company's Business Risk Management policies, including the *Price Risk Management Policy*, and reviews and approves the disclosure of risk factors in this MD&A and in other public documents issued by High Liner Foods. Price and financial risks are reviewed at each Audit Committee meeting, including the Company's credit exposures. The Audit Committee also annually reviews the Company's insurance program.

We have identified the principal risks that could have a significant, adverse impact on our performance, reputation or ability to service our customers and have, in the absence of controls, a reasonable probability of occurring. Every principal risk is assigned to the Board and at least one member of our senior management team who has reporting, oversight and operational accountability for the risk. These risks are regularly reviewed by our senior management team, and by one or more internal committees or Board committees, which have governance and oversight accountability for the risk. This commentary is from a high-level perspective on the nature of each risk and describes the main practices in place to manage these risks. Additional discussion of some of these risks is included in our 2015 Annual Information Form, available at www.highlinerfoods.com or at www.sedar.com.

11. Forward-Looking Information

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. In addition, these statements and expectations concerning the performance of our business in general are based on a number of factors and assumptions including, but not limited to: availability, demand and prices of raw materials, energy and supplies; the condition of the Canadian and American economies; product pricing; foreign exchange rates, especially the rate of exchange of the CAD to the USD; our ability to attract and retain customers; our operating costs and improvement to operating efficiencies; interest rates; continued access to capital; the competitive environment and related market conditions; and the general assumption that none of the risks identified below or elsewhere in this document will materialize.

Specific forward-looking statements in this document include, but are not limited to: statements with respect to: future growth strategies and their impact on the Company's market share and shareholder value; achievement, and timing of achievement, of strategic goals and publicly stated financial targets, including to increase our market share, acquire and integrate other businesses and reduce our operating and supply chain costs; and our ability to develop new and innovative products that result in increased sales and market share; increased demand for our products whether due to the recognition of the health benefits of seafood or otherwise; changes in costs for seafood and other raw materials; increases or decreases in processing costs; the USD/CAD exchange rate; percentage of sales from our brands; expectations with regards to sales volume, product margins, 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 cost savings related to supply chain optimization initiatives, including, without limitation, related to the cessation of value-added fish processing operations at our New Bedford facility and the accounting implications of same; the expected amount and timing of integration activities and synergies related to acquisitions; decreased leverage in the future; estimated capital spending; future inventory trends and seasonality; market forces and the maintenance of existing customer and supplier 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; non-recurrence and successful resolution of plant throughput declines experienced following the closure of our plant in Danvers, Massachusetts, 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 Factors and Risk Management" section of this MD&A and the "Risk Factors" section of our most recent 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 and the impact of geopolitical events (and related economic sanctions) on same; costs of commodity products and other production inputs, and the ability to pass cost increases on to customers; successful integration of the operations of acquisitions; potential increases in maintenance and operating costs; shifts in market demands for seafood; performance of new products launched and existing products in the marketplace; 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.