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.