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.

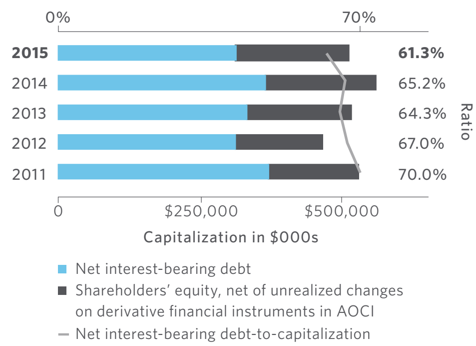
Capital Structure

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-to-Capitalization



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.

(Amounts in $000s)	Twelve months ended **January 2, 2016**	Twelve months ended 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.