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.

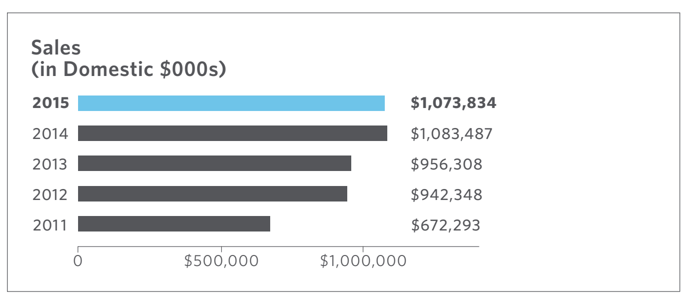
The average USD/CAD exchange rate declined significantly in 2015 which had a negative impact on the financial results reported by the Parent, both in terms of its impact on the translation of the Parent's operations from CAD to the Company's USD presentation currency and on the cost of raw seafood materials,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

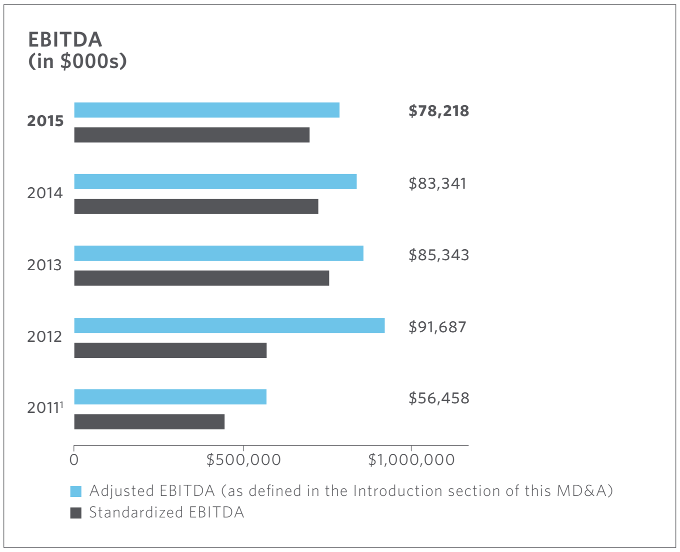
The remainder of this section provides comparative information for a five-year period for key financial measures. These measures are discussed further in the context of the Company's financial performance in 2015 in Section 5 "Performance" of this MD&A.

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.

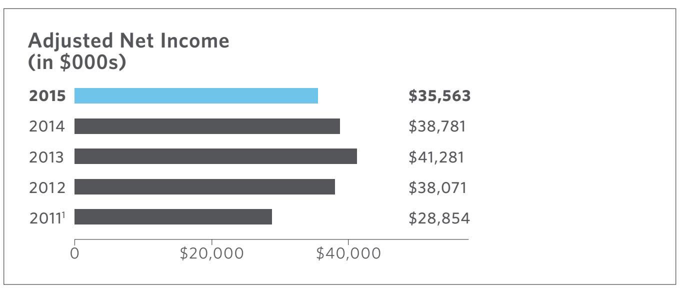
Adjusted EBITDA decreased by $5.1 million, or 6.1%, in 2015:

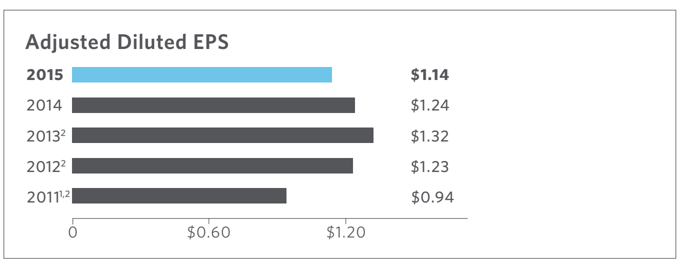


1 Restated as explained under the heading "Presentation Currency" in the Introduction section of this MD&A.

- 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.