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.

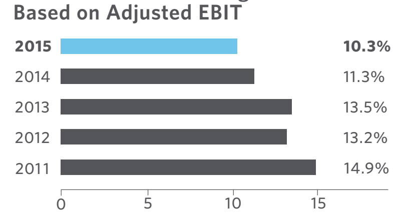
### Return on Assets Managed ("ROAM")

**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)

**Return on Assets Managed Based on Adjusted EBIT**



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.

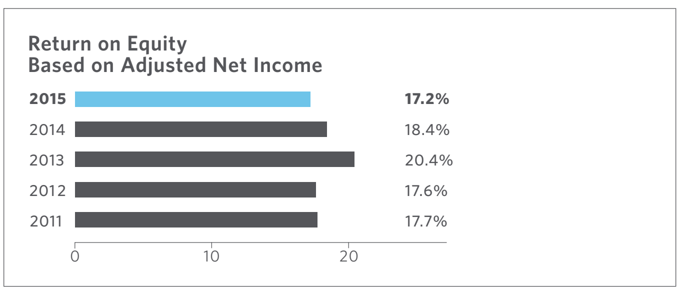
The decrease in Adjusted EBIT in 2015 compared to 2014 is a result of the same factors reflected in the $5.1 million decrease in Adjusted EBITDA in 2015 compared to 2014 discussed in Section 5.2 "Consolidated Results" of this MD&A. The increase in the net assets managed in 2015 compared to 2014 is primarily 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: