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

Highlights

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

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

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

Consolidated Results

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

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

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

Sales

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

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

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

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

Adjusted EBITDA

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

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

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

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

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

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

Net Income

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

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

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

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

Income Taxes

High Liner Foods' effective income tax rate was 15.7% in the fourth quarter of 2015 compared to 6.3% in the fourth quarter of 2014. The higher effective tax rate in the fourth quarter of 2015 compared to the same period in the prior year is attributable to an increase in income subject to higher foreign tax rates and the impact the higher income in the quarter had on the benefit of acquisition financing deductions.

Performance by Segment

Canadian Operations

(All currency amounts in this section are in CAD)

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

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

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

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

U.S. Operations

(All currency amounts in this section are in USD)

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

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

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

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

7. Governance

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

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

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