Adjusted EBIT
Adjusted EBIT is Adjusted EBITDA less depreciation and amortization expenses. Corporate incentives and management analysis of the business are based on Adjusted EBIT.

Adjusted Net Income
Adjusted Net Income is net income excluding the after-tax impact of: business acquisition, integration and other non-routine costs; accelerated depreciation on equipment as part of the cessation of operations; accelerated amortization of deferred financing costs and other items resulting from debt refinancing and amendment activities; non-cash expense (income) related to marking-to-market an embedded derivative associated with the LIBOR floor included in long-term debt; non-cash expense (income) related to marking-to-market interest rate swaps not designated for hedge accounting; and share-based compensation expense.

Adjusted Diluted EPS
Adjusted Diluted EPS is Adjusted Net Income, as defined above, divided by the average diluted number of shares.

CAD-Equivalent Adjusted Diluted EPS
CAD-Equivalent Adjusted Diluted EPS is Adjusted Diluted EPS, as defined above, converted to CAD using the average USD/CAD exchange rate for the period. High Liner Foods' common shares trade on the Toronto Stock Exchange and are quoted in CAD. The CAD-Equivalent Adjusted Diluted EPS is provided for the purpose of calculating financial ratios, like share price-to-earnings ratio, where investors should take into consideration that the Company's share price and dividend rate are reported in CAD and its earnings and financial position are reported in USD. This measure is included for illustrative purposes only. This measure would not equal the same Adjusted Diluted EPS in CAD that would result if the Company's Consolidated Financial Statements were presented in CAD.

Standardized Free Cash Flow
Standardized Free Cash Flow follows the October 2008 "General Principles and Guidance for Reporting EBITDA and Free Cash Flow" issued by CPA Canada and is cash flow from operating activities less purchase of property, plant and equipment (net of investment tax credits) as reported in the Consolidated Statement of Cash Flows. The purchase of property, plant and equipment related to a business acquisition is not deducted from free cash flow.

Forward-Looking Statements

This MD&A includes statements that are forward looking. Our actual results may be substantially different because of the risks and uncertainties associated with our business and the general economic environment. We discuss the principal risks of our business in Section 10 "Risk Factors and Risk Management" of this MD&A. We cannot provide any assurance that forecasted financial or operational performance will actually be achieved. If it is achieved, we cannot provide assurance that it will result in an increase in our share price. See Section 11 "Forward-Looking Information" of this MD&A.

1. Vision, Core Businesses and Strategy

1.1 Company Overview

High Liner Foods, through its predecessor companies, has been in business since 1899 and has been a publicly traded Canadian company since 1967, trading under the symbol 'HLF' on the Toronto Stock Exchange. High Liner Foods operates in the North American packaged foods industry and our expertise is frozen seafood. We are the leading North American processor and marketer of value-added (i.e. processed) frozen seafood, producing a wide range of products from breaded and battered items to seafood entrées. We produce and market seafood for the retail and foodservice channels. The retail channel includes club stores and the foodservice channel includes sales of seafood that are usually eaten outside the home and consists of sales through distributors to restaurant and institutional customers.

We own strong brands and we are also an important supplier of private-label frozen seafood products for many North American food retailers, club stores, and foodservice distributors. High Liner Foods' retail branded products are sold throughout the U.S., Canada and Mexico under the ***High Liner***, ***Fisher Boy***, ***Mirabel***, ***Sea Cuisine*** and ***C. Wirthy & Co.*** labels, and are available in most grocery and club stores. The Company also sells branded products to restaurants and institutions under the ***High Liner, Icelandic Seafood***[1] and ***FPI*** labels, and is a major supplier of private-label, value-added, frozen premium seafood products to North American food retailers and foodservice distributors.

In 2015, we owned and operated four food-processing plants located in: Lunenburg, Nova Scotia ("NS"); Portsmouth, New Hampshire ("NH"); Newport News, Virginia ("VA"); and New Bedford, Massachusetts ("MA"). Until early April 2015, we also operated a leased food-processing facility in Malden, MA (this closure is explained in Section 3.2 "Developments" of this MD&A) and we plan to cease value-added fish operations at our plant in New Bedford by the end of the third quarter of 2016 (as explained in Section 3.3 "Events After the Reporting Period" of this MD&A).

Finished product in North America is held in our modern cold storage facilities, located in: Lunenburg, NS; Peabody and New Bedford, MA; Portsmouth, NH; Newport News, VA; and at third party cold storage centers. From these centers, our products are distributed throughout North America.

High Liner Foods has made a number of strategic acquisitions since 2007:

- On October 7, 2014, we acquired the business of Atlantic Trading Company, LLC ("Atlantic Trading"), a large importer of frozen Atlantic salmon into the U.S. serving the U.S. retail and club store market. This acquisition (the "Atlantic Trading Acquisition") is described in detail in Section 5.1 "Atlantic Trading Acquisition" of this MD&A.

1 As part of the Company's purchase of Icelandic USA in 2011, the Company acquired several brands and agreed to a seven year royalty-free licensing agreement with Icelandic Group for the use of the *Icelandic Seafood* brand in the U.S., Canada and Mexico.

- On October 1, 2013, we purchased the American Pride Seafoods business (the "American Pride Acquisition") from American Seafoods Group LLC, a value-added frozen seafood and scallop processing business serving the U.S. foodservice seafood market from New Bedford, MA.
- In December 2011, we acquired the U.S. subsidiary and Asian procurement operations of Icelandic Group h.f., (the "Icelandic USA Acquisition" or "Icelandic USA") one of the largest suppliers of value-added seafood to the U.S. foodservice market, serving the market from Newport News, VA.
- In December 2010, we acquired the business of Viking Seafoods, Inc. (the "Viking Acquisition" or "Viking"), a value-added business serving the U.S. foodservice seafood market from Malden, MA.
- In December 2007, we acquired the North American manufacturing and marketing business of FPI Limited ("FPI"), including FPI's prominent foodservice business headquartered in Danvers, MA.

Although our roots are in the Atlantic Canadian fishery, we purchase all our seafood raw material and some finished goods from around the world. From our headquarters in Lunenburg, NS, we have transformed our long and proud heritage into global seafood expertise. We deliver on the expectations of consumers by selling seafood products that respond to their demands for sustainable, convenient, tasty and nutritious seafood, at good value.

1.2 Strategy

Overview

Our overall business strategy is a simple one: we satisfy the seafood preferences of North American consumers. We need to be, and are, seafood experts. Our focus is on creating and marketing top quality frozen seafood. Our reputation for delivering outstanding seafood products is an advantage in the competitive North American market.

We are committed to developing, producing and delivering high-quality and innovative seafood products for our retail, club store and foodservice customers, and to providing all customers with superior levels of service. We strive to maintain and improve our market leadership positions through continuous product improvement, product innovation, and consistently providing high levels of customer service, including ensuring continuity of supply and on-time product delivery.

It is through partnering with customers and suppliers, further developing our brands, achieving operational excellence, maintaining our superior procurement expertise and providing leadership in the frozen seafood category, that we expect to achieve our vision and increase shareholder value in the long term.

The Corporate vision, mission statement and values support the business strategy. The vision sets our overall direction and is:

To be the leading supplier of frozen seafood in North America.

We are focused on frozen seafood because we are experts in this category and on North American markets because we continue to see opportunities for growth by building on our position as a leader in frozen seafood in both the U.S. and Canada.

The seafood category is complex for both businesses and customers. Procuring seafood is complex due to the global supply chain and the existence of more than a hundred commercial species, and many people believe preparing seafood is difficult. Our corporate mission statement focuses on removing this complexity for our customers and is:

"To radically simplify selecting, preparing and enjoying seafood at its best."

We are committed to simplifying the seafood category for our customers, from procurement through to preparation, enabling them to leverage our seafood expertise so they can be confident in serving quality seafood products, with superior taste and at good value.

The Company and its employees are committed to conducting business in a manner that reflects the following values:

- *Customer focused:* We are focused on meeting the current and future needs of our customers and believe that our success depends on understanding our customers, building strong relationships and delivering quality products on time.
- *Innovative:* We are committed to providing differentiated and innovative products and services to grow our business and meet the needs of a changing marketplace. We are also committed to innovation in how we work, to make the business more efficient.
- *Responsible:* We take responsibility for our actions. In a competitive industry, we operate with integrity with our customers, suppliers and each other. We respect our environment and are committed to sustainability in all our operations.

In combination with our growth strategy described below, we believe this business strategy will help to achieve our vision and increase shareholder value in the long term.

Growth Strategy

Our growth strategy is focused on growth in two areas:

Organic Growth in Core Markets

We plan to continue growing our seafood business in North America, in traditional retail, club and foodservice channels. New product introductions, as well as the introduction of new species, are an integral part of this strategy, as is gaining additional sales volume with existing customers by providing them with a wider range of seafood products.

We are focused on increasing the sales, profits and market share of our major brands. Our market share in Canada is much higher than in the U.S. due to our long-standing leadership position. High Liner Foods is the leader in the Canadian frozen seafood category and is a key participant in the U.S. market.

We support our brands by conducting consumer research to determine what food products and formats appeal to consumers. We then focus product development to deliver on these expectations. North Americans want good taste, excellent value and high-quality products. They are looking for sustainable, healthier and more convenient foods and they want a variety of premium, restaurant quality food at home.

Our Canadian retail business has built its business developing a line of premium quality products and in recent years, has introduced new uncoated products into the frozen section of fresh seafood departments of Canadian grocery stores. Having our branded products in both the frozen food aisles and the fresh seafood department increases our brand presence in grocery stores.

New product development in our U.S. retail business is focused on premium quality seafood products that are sold in the frozen, refrigerated, and fresh sections of seafood departments under the ***Sea Cuisine*** brand. In the club store channel, our innovation in value-added frozen seafood under the ***Sea Cuisine*** and ***High Liner*** brands has grown our share of the value-added frozen seafood business with all major club stores in the U.S.

In our U.S. foodservice business, we have successfully launched several innovative product platforms in the past – ***Upper Crust*** in 2004, ***Pan Sear*** in 2006 and ***Fire Roasters*** in 2010. The ***Fire Roasters*** products, which are not available from our competitors, are restaurant-inspired, high-quality, ready-to-cook entrées that are popular with restaurant operators that do not want to have to prepare the seafood in their own kitchens. The ***Fire Roasters*** products, marketed in Canada as ***Flame Savours***, have also been successful in Canada's foodservice and retail businesses. ***Icelandic Seafood***'s differentiated beer-battered line of products has also contributed to our product offerings in retail and foodservice.

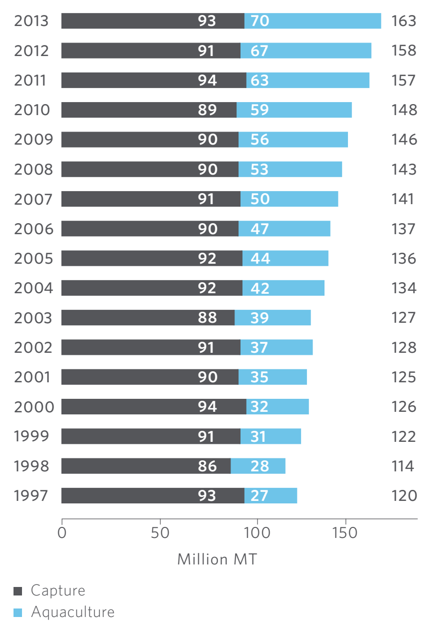
Acquisition of Frozen Seafood Businesses
Although organic growth is our primary focus, our strength in the value-added frozen seafood business in North America creates a strategic opportunity for us to acquire businesses operating in the same markets. Our acquisition criteria are strict. Target businesses must be principally selling frozen seafood in North America. We must be able to achieve synergies upon integrating these businesses into ours as a result of the acquisitions leveraging some combination of our existing leading brands, customer relationships, procurement relationships, robust business systems and our expertise in marketing, frozen food logistics and product development.

The acquisitions made since 2007 were aligned with the above criteria and have positioned High Liner Foods as:

- The North American leader in value-added frozen seafood;
- The clear market leader in both retail and foodservice channels in Canada; and
- A leading supplier of value-added (including private-label) frozen seafood products in retail and foodservice in the U.S.

Global Seafood Supply and Demand
As a consumer-driven sales and marketing company, we focus on matching supply to demand. Procuring seafood on global markets allows us to provide products based on consumer preferences. The global supply of seafood is expanding, and global consumer demand is increasing due to the recognized health benefits and taste of seafood and increased demand from emerging economies. The catch of wild fish has stabilized at around 90 million tonnes annually, which represents between 55% and 60% of the total supply, while aquaculture production continues to increase as illustrated in the following chart reported by the Food & Agriculture Organization of the United Nations ("FAO") in 2015:

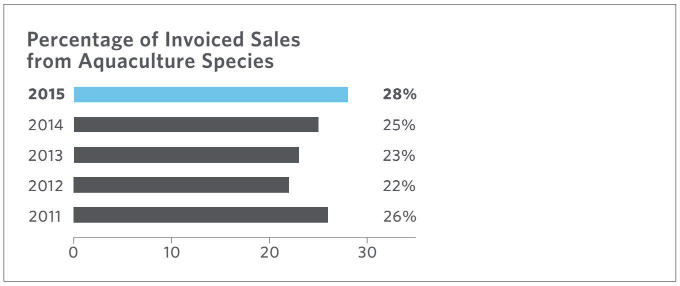
Global Fisheries Production
Share of Capture and Aquaculture



Source: FAO Fishery Statistics

Globally, there has been considerable development in the aquaculture industry both in finfish and shellfish species. This trend is expected to continue. We currently procure aquaculture products, including warm water shrimp, tilapia, pangasius (basa), mussels, scallops and Atlantic salmon.

Our strategy is to increase the procurement of aquaculture products in the future as we continue to align with this trend. Despite procuring aquaculture products, the vast majority of our seafood product sales are from wild-caught fish. As illustrated in the following chart, aquaculture accounted for 28.3% of our sales in 2015.



Globally, demand over time is expected to increase faster than supply, resulting in increases in seafood costs. These increases in demand come about as a result of increasing disposable incomes in the countries of Brazil, Russia, India and China ("BRIC"), and increased demand in Southeast Asia. The trend of increasing demand was affected, at least temporarily, as a result of the global financial crisis and the changed relationship between currencies of producing and consuming countries. Demand from Europe, especially Southern European countries, decreased significantly due to the financial uncertainty surrounding the European Union. However, in the longer term, we expect demand to continue to increase, resulting in increases in seafood costs.

Strategic Goals

High Liner Foods uses a system of strategic goals to establish corporate priorities and align employee efforts with those initiatives it believes are most critical to the Company's overall success in the near term and also in creating shareholder value in the longer term ultimately bringing the Company closer to achieving its vision.

2015 Strategic Goals

Our strategic goals for 2015, along with commentary thereon, were:

1. Supply Chain Optimization

This multi-year goal was first communicated in 2013 following a series of acquisitions that quadrupled the Company's sales. In addition to achieving the synergies expected from integrating these acquisitions, we believed further efficiencies and cost savings could be achieved across our supply chain by leveraging the much larger scale of business we had built. Outside expertise was engaged to assist with certain aspects of our supply chain optimization project (the "Project"), which was officially kicked off in the third quarter of 2014.

The scope of the Project has been significant, focusing on optimization at both the individual plant level and the consolidated entity level. Plant level activities have targeted areas like labour productivity and yield improvement with consolidated entity level activities focusing on standardizing and consolidating ingredients and packaging, and optimizing our global supply chain and procurement activities.

Project activities were executed as planned, for the most part, during 2015 and by the end of the year, most of the activities for which we were utilizing outside expertise were completed. We believe we have achieved most of the cost savings expected related to completed activities, however, their impact on profit margins in 2015 was delayed as a result of being mostly offset by increased production costs associated with lower volumes being produced at our plants. In the second half of 2015, we started to realize more significant benefit related to certain Project activities, particularly those focused on lowering distribution costs and selling, general and administration expenses ("SG&A").

Adjusted EBITDA for the fourth quarter of 2015 reflected approximately $3.0 million of net benefit.

2. Profitable Growth

This goal was also a multi-year goal, focused on achieving profitable growth through a combination of internal growth and acquisitions. Over the last several years we have had success in growing the business through acquisitions, with our most recent acquisition being the Atlantic Trading Acquisition in October 2014, which was successfully integrated in 2015 and is performing in line with our expectations.

Internal growth, however, has become increasingly challenging as evidenced by year-over-year sales volume declines in 2015 in both our U.S. and Canadian businesses.

While a number of external and internal factors contributed to this (as explained in the Performance section of this MD&A), it has heightened the organizational focus on growing our base business. In the second half of 2015, management undertook certain activities, including restructuring and recruitment of new talent to certain key sales positions, to address certain internal sales execution and promotional challenges. It believes these changes will result in a more solid foundation upon which the Company can grow its base business.

3. Succession Planning

While succession planning is an ongoing activity at High Liner Foods, it has been a strategic goal for the last two years to elevate its importance as management planned for a large number of impending retirements, several of which were occurring in key leadership and senior positions. The Company made very good progress on this goal in 2014, naming successors to three members of its senior management team and in 2015, completed its succession activities at the senior-most level of the organization when it announced the following in May:

- Mr. Keith Decker became President and Chief Executive Officer ("CEO"). Mr. Decker had been President and Chief Operating Officer ("COO") of High Liner Foods since September 2013 and prior to this, President and COO U.S. Operations. Before joining High Liner Foods in 2007 as part of the FPI Acquisition, Mr. Decker served as FPI's Director of Commodity Sales and Vice President ("VP") of Sales, its Executive VP of Sales and Marketing, and immediately prior to the acquisition, was FPI's President and COO.

- Mr. Henry Demone, who prior to this announcement was the Company's President and COO, assumed the role of Chairman of the Company's Board of Directors. Mr. Demone had been the Company's President and CEO since 1992, and before that, the Company's President since 1989.
- In connection with these changes, Mr. David Hennigar stepped down as Chairman of the Company's Board and continues to serve on the Board in the position of Lead Director and Vice Chairman.

Mr. Decker's appointment to President and CEO marked a major milestone in the implementation of the Company's succession plans and the risk in senior leadership turnover that it faced a couple of years ago has been addressed. New people have been appointed or successors designated in all key executive positions in the Company to ensure continued strong leadership.

2016 Strategic Goals

The Corporate strategic goals for 2016 are essentially the same as last year, but have been broadened to reflect 2015's accomplishments and challenges, yet still set the same strategic direction focused on growing our business, operating it as efficiently as possible and ensuring that we have the right talent.

1. Organic Sales Growth

As recognized above, internal growth has become increasingly challenging and growing our base business will be the Company's primary focus in 2016. Going forward, we need to strive for commercial excellence, ensuring our sales and marketing teams are structured and equipped with the information and market intelligence needed to provide customers with products that meet their needs and to make effective pricing and promotional decisions. This also means staying true to our core value of being "customer focused", recognizing that our success depends on understanding our customers, building stronger relationships with them and delivering on their expectations. Another one of our core values is "innovative" and we continue to believe that developing product offerings which make it easy for customers to prepare and enjoy seafood are an important driver behind organic growth, not only to grow our market share but to increase the overall demand for frozen seafood products in North America.

2. Operating Efficiency and Cost Management

In 2016, we will complete outstanding Project activities and believe that by the end of 2016 we can achieve a minimum total annual cost savings of $20 million, with the full benefit to be realized in 2017. Continued improvement of sales volume trends will help with the realization of this full benefit. Also, the Company plans to cease value-added fish operations at its New Bedford production facility by the end of the third quarter of 2016 (see Section 3.3 "Events After the Reporting Period" of this MD&A). This will reduce excess capacity across its North American production network, improve manufacturing efficiency and help to achieve the Company's supply chain optimization objectives.

Beyond the savings expected from the Project completed in 2015, these activities created a "High Liner Foods operating system" – a set of rules and procedures that provide for a consistent way of doing things. Going forward, these rules and procedures must become how we do things at High Liner Foods and a part of our culture. In 2016, we need to continue using and honing this operating system, which we believe should result in a highly efficient operating environment, lower costs and a competitive advantage.

Cost management in 2016 will also include ensuring that across the business we are leveraging our size to get the best possible prices from our suppliers and service providers. And, as always, we will carefully manage discretionary spending, looking for ways to reduce, avoid or defer spending without compromising our business objectives.

3. Talent Management

Acquiring, developing and retaining the best talent are critical to the success of the organization. This means ensuring we have the right people, with the right skills, in the right roles, to successfully run the business today. We are actively developing our future leaders to ensure continued success and have adopted a formal talent identification process to assist with this. A new performance management system will be introduced in 2016 aimed at improving the exchange between employees and managers by encouraging a more collaborative approach to performance management and development.

1.3 Core Businesses

High Liner Foods is the leading North American processor and marketer of value-added frozen seafood. We own strong brands, and we are also an important supplier of private-label frozen seafood products for many North American food retailers, club stores and foodservice distributors.

High Liner Foods consists of two main business units, geographically based, being the U.S. and Canada:

United States Operations

Retail

Our U.S. subsidiary produces and sells value-added frozen seafood products under the ***Fisher Boy***, ***High Liner***, ***Sea Cuisine*** and ***C. Wirthy & Co.*** brands. The business distributes products throughout the U.S. and in Mexico through traditional grocery stores and club stores, among others. The club store channel is important to our growth strategy for the U.S. retail business, and we sell to all major U.S. club store chains. We have built business in this channel by introducing innovative premium products under the ***High Liner*** and ***Sea Cuisine*** brands. Our U.S. subsidiary is also one of the leading suppliers in the U.S. of retail private-label value-added frozen seafood. We produce more than 45 different labels for U.S. grocery retailers, primarily breaded and battered fish sticks and portions.

Foodservice

Customer channels in this business include foodservice operators in multiple restaurant segments, broad line foodservice distributors, specialty seafood distributors, and food processing companies. High Liner Foods is one of the largest seafood suppliers to this market especially in value-added products. We are particularly recognized for our innovative product development expertise. In recent years, acquisitions have added new products and brands to our foodservice offerings and have substantially increased High Liner Foods' share of the market for value-added seafood products in the U.S. foodservice industry. This division also sells a full line of raw (unprocessed) and cooked uncoated seafood to the foodservice channel. Products in this channel are sold under the ***High Liner***, ***Icelandic Seafood*** and ***FPI*** brands.

Canadian Operations

Retail

From our sales and marketing headquarters in the Greater Toronto Area ("GTA"), the flagship brand of our business, ***High Liner***, is sold to every major Canadian grocery retailer and club store. It is Canada's leading seafood name. The brand includes more than 100 individual products, from our traditional battered and breaded fish portions to innovative and highly popular premium products that offer a variety of seafood species responding to modern tastes as well as raw uncoated seafood products for consumers to prepare themselves at home. We also sell a significant portion of the value-added products that our customers resell under their own private labels.

Foodservice

Our Canadian foodservice business, also headquartered in the GTA, is growing due to our ability, through worldwide procurement, to provide foodservice customers with innovative products and new species. Foodservice specializes in delivering seafood and menu expertise to restaurant chains and Canada's leading foodservice distributors. Foodservice products are sold under the ***High Liner***, ***FPI*** and ***Mirabel*** brands and include both value-added and raw products. High Liner Foods is the largest frozen seafood supplier in the Canadian foodservice channel. Private labels are also produced for some of our larger customers.

1.4 Core Competencies

Our core operational competencies are:

Brand Equity

High Liner is the leading Canadian seafood brand, with a leading retail market share. The retail market share that we are using to measure ourselves against includes mass merchandisers, general merchandisers, club stores and distributors, in addition to the grocery channel. The strength of our brand reputation can be leveraged into growth with new species, in new channels, and to new customers. The brand also has a positive impact on our foodservice business where we are well known for our innovative, quality products and superior service.

High Liner is currently building brand awareness in the U.S., particularly in the retail sector. Known in U.S. club stores for the launch of premium products under the ***High Liner*** brand, the umbrella branding of ***Fisher Boy*** and ***Sea Cuisine*** brands further strengthens our market position in traditional grocery outlets. Moreover, ***Fisher Boy*** already has independent brand recognition in certain regions of the U.S. and Mexico, and ***Sea Cuisine*** is expanding its all commodity volume ("ACV"). The ACV measure is discussed further in Section 2.1 "Our Brands" of this MD&A.

In the U.S. foodservice market, the ***FPI*** and ***Icelandic Seafood*** brands are the most recognizable brands and, like the ***High Liner*** brand, are also well known for product innovation and quality, and we are a leading supplier of value-added frozen seafood products to the U.S. foodservice market.

Procurement Expertise

We are seafood experts, and procure seafood on world markets from a position of strength. We have no harvesting or farming operations, so we procure many species from around the world, accessing product from various fisheries in different parts of the globe. This provides us with a continuity of supply, without the investment in capital necessary for fishing or farming operations, and allows us to focus on what the customer wants rather than trying to sell what is caught. Our procurement group's proprietary Internet-based procurement and inventory management system enables the purchase of approximately 30 species of seafood from geographically diverse suppliers in approximately 20 different countries. The results are lower raw material costs, better predictability of raw material supply and pricing, higher quality product, reduced risk and better inventory management. Our expertise has also allowed us to competitively outsource low value-added, labour-intensive products to other processors, freeing capacity in our own plants for more specialized, and higher value-added products. Lastly, our procurement knowledge has provided us with the freedom to develop products based on changing consumer tastes. We can be flexible, which allows us to respond quickly to trends and tastes as they emerge. In 2013, the American Pride Acquisition added a shore-based scallop processing operation that made us one of the leading scallop processing companies in the U.S. and in 2014, the Atlantic Trading Acquisition added a significant source of premium quality, sustainably sourced Atlantic salmon fillets from Chile and Norway.

Customer Relationships

We have been supplying food products to major grocery retailers and foodservice distributors for decades. We have developed strong relationships with our customers through excellent customer service and brand recognition. We sell to most of the retail chains, the major club stores, and foodservice distributors in North America. We have ensured that our infrastructure is capable of meeting the exacting demands of these customers, for both excellent products and delivery service as well as meeting their ever-increasing technological requirements.

Differentiated Innovative Products

Innovation is one of our core values and we exhibit this especially in our product line. We strive to develop and launch new products that are differentiated from others in the market. Our ***Pan Sear, Fire Roasters***, ***Flame Savours***, ***Upper Crust*** and ***Icelandic Seafood***'s beer-battered product lines are the most differentiated in the industry and are experiencing continued success across both retail and foodservice product lines, including our successful ***Sea Cuisine*** line in the U.S. In Canada, our ***Catch of the Day*** fillets, and a new product line named ***Captain's Crew*** that was launched in 2013 are very successful, as is the ***Flame Savours*** line, which won the *Best New Product Award*[2] in the "frozen fish" category in January 2013. In January 2014, High Liner Foods' ***Pan-Sear Traditional*** product won this award again, which was the fifth year in a row that one of our products won this award. Our premium products in the U.S. and Canada have been an excellent example of our innovation in seafood products. Increasing the depth of our product line by adding new species from aquaculture has allowed us to develop even more innovative products.

Low Break-Even Point, Scalable Operations

Our business model has a low break-even point relative to vertically integrated seafood companies. We are no longer in the capital-intensive fishing operations, but instead rely on our procurement expertise. Our business has relatively low fixed costs and proportionately more variable costs, which lowers our break-even point. Our sales more than tripled since 2007; however, our SG&A costs, that are primarily fixed costs, increased at a much slower pace. Specifically, our SG&A costs, excluding share-based compensation and amortization expense, as a percentage of sales in 2007 were 14.3%, compared with 8.7% in 2015. The success in the attainment of the planned synergies has contributed significantly to this achievement. We are well positioned to continue to increase sales and profitability without significant increases in fixed costs.

2 The Best New Product Awards is an annual awards program focusing on everyday consumer packaged good products in the food, personal care and household care categories. Winners are selected based on voting by over 90,000 Canadian consumers from coast-to-coast who participate in the annual independent market research survey conducted by BrandSpark International.

1.5 Operational Resources

Our organic growth plans can be achieved without significant operational expansion. Our existing operational resources include:

Plant Capacity

As explained in Section 3.2 "Developments" of this MD&A, the Company ceased operations at its leased production facility in Malden, MA in the second quarter of 2015 to reduce excess capacity across its manufacturing facilities in the U.S. In addition, subsequent to the reporting period (see Section 3.3 "Events After the Reporting Period" of this MD&A), the Company announced it will further reduce excess capacity across its manufacturing facilities by ceasing value-added fish operations at its production facility in New Bedford, MA by the end of the third quarter of 2016. Following this closure, the Company's manufacturing footprint in North America will consist of three owned and operated plants, Portsmouth and Newport News in the U.S. and Lunenburg in Canada, and combined, these facilities can absorb the production from the New Bedford facility and still provide sufficient capacity to meet our growth objectives. We also have plans that could be implemented with minimal additional capital expenditures to increase the capacity of our plants through shift changes should further production capacity be required. Our ability to source new products is not limited to our own production. We purchase significant quantities of frozen fillets as finished goods, and some of our value-added products are purchased as finished goods.

Distribution Centers

Our Lunenburg, Portsmouth, Newport News and New Bedford facilities include large distribution centers. In March 2014, we purchased a previously leased distribution center in Peabody, MA. We also utilize third-party cold storage/distribution center to supplement our facilities when needed. We have Directors of Logistics in Canada and the U.S. to ensure that the warehousing and transportation of our products is handled in a cost-effective and customer service-oriented manner.

Technology

Technology supports our growth strategy and our centralized computer systems enable us to make timely decisions. Our business is simplified through an enterprise-wide business management system and specifications management system, both by Oracle. We have also developed a proprietary Internet-enabled procurement system that allows us to manage world-wide procurement in real time. Business intelligence software allows us to manage our information on a real-time basis to help us make business decisions quickly, manage inventory and accounts receivable and provide more informative financial disclosure. We are equipped to respond to customer demands for electronic transmission of business documents, including invoices, purchase orders and payment confirmations. Our video and collaboration systems allow our geographically diverse business team to interact in real-time, thereby supporting more timely decision-making.

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.

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.

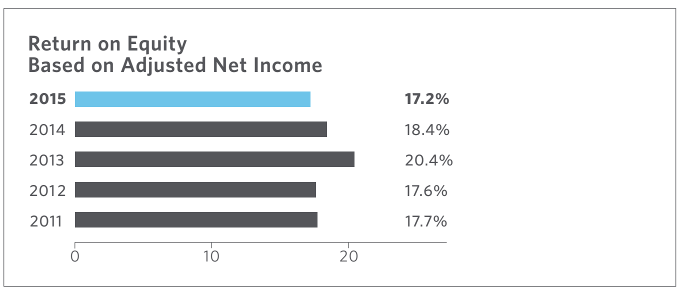
The decrease in Adjusted EBIT in 2015 compared to 2014 is a result of the same factors reflected in the \$5.1 million decrease in Adjusted EBITDA in 2015 compared to 2014 discussed in Section 5.2 "Consolidated Results" of this MD&A. The increase in the net assets managed in 2015 compared to 2014 is primarily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

	Twelve months ended	
(Amounts in \$000s, except as otherwise noted)	**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: