HKSCAN

THE NORDIC MEAT EXPERTS

HKSCAN GROUP
FINANCIAL STATEMENTS 2015 BULLETIN
10 FEBRUARY 2016

HKSCAN GROUP'S FINANCIAL STATEMENTS RELEASE 1 JANUARY—31 DECEMBER 2015: FULL-YEAR COMPARABLE EBIT IMPROVED, FOURTH QUARTER BEHIND THE PREVIOUS YEAR

* Net sales were EUR 1 917.1 (1 988.7) million for January–December, and EUR 501.4 (523.2) million in the fourth quarter.

* Reported EBIT for January–December was EUR 9.6 (55.5) million, and the EBIT margin was 0.5 (2.8) per cent. Comparable EBIT excluding non-recurring items for the full year was EUR 21.5 (12.4) million, and the corresponding EBIT margin was 1.1 (0.6) per cent.

For the fourth quarter, reported EBIT was EUR -0.6 (7.1) million, and the EBIT margin was -0.1 (1.4) per cent. Comparable EBIT excluding non-recurring items for the quarter was EUR 11.3 (13.4) million, and the corresponding EBIT margin was 2.2 (2.6) per cent.

* Cash flow before debt service was EUR 32.2 (201.7) million in 2015 and EUR 8.8 (28.2) million in the fourth quarter.

* Profit before taxes was EUR 2.2 (51.2) million in 2015 and EUR -2.3 (4.3) million in the fourth quarter.

* EPS was EUR 0.01 (1.05) in 2015 and EUR -0.04 (0.09) in the fourth quarter.

* Net financial expenses were EUR -9.1 (-15.5) million in 2015.

* Net debt was EUR 144.0 (141.5) million, and net gearing was 33.8 (31.8) per cent in 2015.

* Outlook for 2016: HKScan expects the operating profit (EBIT) to improve from 2015.

* The Board's proposal for dividend is EUR 0.14 (0.10 + additional 0.39) per share.

AKI LAIHO, HKSCAN'S DEPUTY CEO, COMMENTS ON THE FOURTH QUARTER AND THE WHOLE OF 2015:

"HKScan Group improved its performance during 2015, and the comparable result was up on the previous year. Looking at specific market areas, Sweden, Finland and the Baltics improved their comparable EBIT, but Denmark was down on the previous year. The balance sheet remained strong, and financial expenses were reduced. In the fourth quarter, the Group's EBIT fell below the previous year, although the Baltics and Sweden showed improvement.

Inventories and the meat balance were efficiently managed throughout the year. Towards the end of the year, however, frozen stocks increased especially in Finland, but the Group total frozen stock remained below the previous year.

The business environment remained challenging during 2015, and political and economic uncertainty continued globally. The meat industry witnessed ever-tougher price competition in food retail, and the Russian ban on meat imports continued. In the Baltics, African Swine Fewer began to spread in Estonia at the end of July.

Despite the headwind, we resolutely initiated the implementation of our profitable growth strategy. At the beginning of October, the Board approved a new strategic green-field poultry production facility investment in Rauma, Finland. Demand-based export activities expanded, and culminated in the official inauguration of the Group's Asian business operation in Hong Kong early January 2016.

Investments in innovation, brand and category work continued. The Biotech business line established at the end of 2014 continued to make progress.

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KEY FIGURES, Q4 AND THE WHOLE YEAR 2015

(EUR million)	Q4/2015	Q4/2014	2015	2014
Net sales	501.4	523.2	1 917.1	1 988.7
EBIT	-0.6	7.1	9.6	55.5
- % of net sales	-0.1	1.4	0.5	2.8
Profit/loss before taxes	-2.3	4.3	2.2	51.2
- % of net sales	-0.4	0.8	0.1	2.6
Profit/loss for the period	-1.5	5.2	1.9	57.1
- % of net sales	-0.3	1.0	0.1	2.9
EBIT, excluding non-recurring income and expenses	11.3	13.4	21.5	12.4
- % of net sales	2.2	2.6	1.1	0.6
Profit/loss before taxes, excluding non-recurring income and expenses	9.6	10.5	14.1	8.2
- % of net sales	1.9	2.0	0.7	0.4
EPS. EUR	-0.04	0.09	0.01	1.05
Cash flow before debt service	8.8	28.2	32.2	201.7
Cash flow before financing activities	4.0	32.1	25.0	198.9
Return on capital employed (ROCE) before taxes, %			2.3	9.7
Net debt			144.0	141.5
Gearing, %			36.1	35.5
Net gearing, %			33.8	31.8

OCTOBER–DECEMBER 2015

Net sales in the fourth quarter of 2015 declined from the corresponding period the previous year. The Group's performance during the last quarter lagged behind expectations. EBIT decreased in the fourth quarter, even though Sweden and Baltics showed improvement from the previous year. In Finland, EBIT decreased and Denmark struggled with profitability, due to sales prices and volumes being on a dissatisfactory level. The Group's financial expenses declined from the previous year.

Sales of Christmas products in Sweden and Finland were good, but sales decreased both in volume and value for other product categories. Overall demand in the fourth quarter favoured lower priced products, with private label products continuing to gain market share. In Sweden, animal purchase prices increased in both pork and beef due to increased demand of domestic meat. In other market areas, animal raw material costs decreased.

On 1 October, the Group announced its forthcoming green field investment in a new poultry production facility to be built in Rauma, Finland. The Group's investments in innovation, brand and category work continued.

JANUARY- DECEMBER 2015

Net sales for the reporting period were down slightly on the corresponding period the previous year. The full-year EBIT excluding non-recurring items nearly doubled on the previous year. Market areas Sweden, Finland and the Baltics improved their comparable EBIT, but Denmark fell short of the previous year. Progress was made in inventory management throughout the whole year, although in Finland frozen stocks of pork increased towards the year-end.

In retail, private label products increased their market share. Away from home markets saw favourable development. The Russian ban on meat imports from the EU countries continued, and both domestic and export markets were affected by pork oversupply. Animal purchasing prices and primary production costs continued to decrease during the year.

Global economic and political uncertainties continued. Retail discounts increased price competition in Finland. African Swine Fever (ASF) began to spread in Estonia from end July onwards, and caused risks and additional workload.

The Group initiated its new strategy period for 2015–2018. Its strategic must-win battles will focus on profitable growth in the coming years. During 2015, strategy rollout continued with an emphasis on value-added products, continuous improvement and new, innovative ways to meet customer and consumer expectations. The Group's investments in innovation, brand and category work continued throughout the year.

The Group's main growth driven strategic project saw its official launch with the announcement of a forthcoming green-field investment in a new poultry production facility to be built in Rauma, Finland in October. The investment will amount to EUR 80 million. In the fourth quarter of 2015, the investment resulted in an impairment of assets at the current Eura facility amounting to EUR 11.4 million. Moreover, the Group established a sales office in Hong Kong in the second quarter. When the anticipated export permits are received from the authorities, HKScan will also open a sales office in mainland China. In July, the Group acquired a 50 per cent stake in the Paimion Teurastamo beef slaughterhouse in Finland.

Group restructuring still continued during 2015. In January, HKScan announced plans to improve its operational efficiency by restructuring its production capacity in Denmark. Poultry slaughtering and cutting were centralized at the Vinderup facility, while packaging and warehousing remained in Skovsgaard. Production efficiency improvements were made throughout the year and the organizational restructuring in Denmark was completed in the latter part of the year.

In the first quarter, the Group divested its non-core businesses, i.e. 80 per cent of its hatchery operations in Finland and the egg business in Estonia. During the year, several smaller divestments were made in Sweden to further strengthen the focus on the Group's core businesses and further streamline the Group structure.

MARKET AREA: FINLAND

(EUR million)	Q4/2015	Q4/2014	2015	2014
Net sales	216.2	213.8	801.6	787.2
EBIT	-5.3	6.6	4.9	-4.5
- EBIT margin, %	-2.4	3.1	0.6	-0.6
EBIT excluding non-recurring items	6.1	8.0	16.3	8.9
- EBIT margin, %	2.8	3.8	2.0	1.1

In Finland, net sales were EUR 801.6 (787.2) million and EBIT excluding non-recurring items was EUR 16.3 (8.9) million in 2015.

Net sales in the fourth quarter amounted to EUR 216.2 (213.8) million. EBIT excluding non-recurring items for the period was EUR 6.1 (8.0) million.

Comparable EBIT and cash flow clearly improved in 2015, whereas in the fourth quarter EBIT was down on the previous year. During the year, improvements in operational efficiency were made at HKScan Finland. Kivikylän Kotipalvaamo Oy and Lihatukku Harri Tamminen Oy also performed better than in the previous year.

The total market volume in Finland decreased, with the retail sector suffering the most. However, poultry and convenience food consumption increased. HKScan’s total market share increased slightly. Pork oversupply led to an increase in frozen stocks in the latter part of the year. Price competition was fierce in the domestic retail market.

Processed meat consumption was impacted adversely by questions related to red meat and animal welfare. Russia’s ban on EU imports continued. This together with weakening demand for pork, increased oversupply and lowered prices. HKScan did not receive the anticipated permits from the authorities for direct meat exports to China in 2015. The Group launched sales of HK® branded Finnish pork meat to Swedish retail and industrial customers during the third quarter.

HKScan Finland sold its hatchery business and related real estate assets to DanHatch Finland, an associated company co-owned by HKScan Finland (20 per cent) and DanHatch AS of Denmark (80 per cent). The agreement was finalized on 31 March 2015. In July, HKScan acquired a 50 per cent stake in Paimion Teurastamo Oy beef slaughterhouse.

MARKET AREA: BALTICS

(EUR million)	Q4/2015	Q4/2014	2015	2014
Net sales	43.3	43.8	173.6	173.0
EBIT	1.0	-2.1	5.4	2.8
- EBIT margin, %	2.3	-4.7	3.1	1.6
EBIT excluding non-recurring expenses	1.0	0.0	5.4	4.8
- EBIT margin, %	2.3	0.0	3.1	2.8

In the Baltics, net sales were EUR 173.6 (173.0) million and EBIT excluding non-recurring items was EUR 5.4 (4.8) million in 2015. In the fourth quarter, net sales were EUR 43.3 (43.8) million. EBIT excluding non-recurring items for the period was EUR 1.0 (0.0) million.

EBIT improved from the previous year, both during the fourth quarter and the whole of 2015, but cash flow remained below the previous year.

HKScan retained a strong market position on the part of its own brands, as well as processed and seasonal products. The overall demand on the Baltic market was relatively good, but weakened somewhat towards the end of 2015. Export sales faced a tough struggle throughout the year.

Starting from the third quarter, the Baltic and Estonian pork markets in particular were affected by ASF (African Swine Fewer). The disease caused additional risks and workloads, and resulted in an overall decline in pork primary production in Estonia. On top of pork, price competition intensified, also on the part of poultry meat and processed meat products. Price trends prompted consumers to transfer their purchases from processed products to unprocessed meat.

HKScan products took the top three places both in Estonia and in Latvia in a study carried out by Nielsen on the most successful meat product novelties of 2014 in the FMCG (Fast Moving Consumer Goods) category in the Baltic countries. In May, HKScan Estonia gained approval to export poultry to Hong Kong.

MARKET AREA: SWEDEN

(EUR million)	Q4/2015	Q4/2014	2015	2014
Net sales	222.9	240.5	841.9	911.0
EBIT	8.5	8.1	21.1	1.7
- EBIT margin, %	3.8	3.4	2.5	0.2
EBIT excluding non-recurring items	9.0	8.5	21.6	13.4
- EBIT margin, %	4.0	3.6	2.6	1.5

In Sweden, net sales were EUR 841.9 (911.0) million and EBIT excluding non-recurring items was EUR 21.6 (13.4) million in 2015. In the fourth quarter, net sales amounted to EUR 222.9 (240.5) million. EBIT excluding non-recurring items for the period was EUR 9.0 (8.5) million.

Net sales decreased due to lower volumes and the weaker exchange rate of the Swedish Krona. However, EBIT and cash flow improved clearly thanks to completed production restructuring and a better product mix.

Consumer demand for Swedish meat increased, which slightly improved prices at the expense of meat imports, which saw a decrease. All in all competition for domestic animal raw materials was intense. There was undersupply in pork in the latter part of the year, and beef animal purchase prices increased. Trend favouring organic and vegetarian food picked up momentum.

Private labels continued to seize market share in both meat and processed products. HKScan's own market share decreased, with the exception of some of its own brands. Christmas sales were good.

During 2015, HKScan Sweden made climate and environmental investments, and continued its corporate responsibility activities in projects such as the Haga Initiative ("Hagainitiativet") and Social Supermarket ("Stadsmissionen"). New actions included HKScan Sweden's pledge to use only green electricity and the increase of environmentally sound packaging among others.

MARKET AREA: DENMARK

(EUR million)	Q4/2015	Q4/2014	2015	2014
Net sales	37.6	46.2	175.9	204.3
EBIT	-1.9	-3.6	-9.3	-11.9
- EBIT margin, %	-5.1	-7.9	-5.3	-5.8
EBIT excluding non-recurring items	-1.9	-1.3	-9.3	-4.4
- EBIT margin, %	-5.1	-2.8	-5.3	-2,1

In Denmark, net sales were EUR 175.9 (204.3) million and EBIT excluding non-recurring items was EUR -9.3 (-4.4) million. Net sales in Denmark in the fourth quarter amounted to EUR 37.6 (46.2) million. EBIT excluding non-recurring items for the period was EUR -1.9 (-1.3) million.

The sales performance was weak in 2015–leading to both net sales and EBIT being behind the previous year. Margins were satisfactory in fresh poultry products, but development in fresh was not able to compensate for the decline in frozen products. Sales price competition in frozen products remained fierce and resulted in low margins. Demand for organic poultry increased towards the end of 2015, but was still at very low levels. The market remained tough both in domestic market and export.

In January, HKScan announced its aim to improve operational efficiency by restructuring its production capacity in Denmark. Poultry slaughtering and cutting were centralized at the Vinderup facility, and packaging and warehousing remained in Skovsgaard. Production efficiency improvements took effect from the first quarter and improved further onwards. Strengthening of the organization was completed in the latter part of the year.

INVESTMENTS

The Group's net investments in 2015 came to EUR 49.6 (48.7) million. Their breakdown by market area was as follows:

(EUR million)	Q4/2015	Q4/2014	2015	2014
Finland	3.4	4.9	19.9	14.7
Baltics	2.1	2.4	10.6	11.7
Sweden	6.9	4.0	13.7	7.6
Denmark	1.1	6.2	5.4	14.7
Total	**13.4**	**17.5**	**49.6**	**48.7**

In Finland the modernization and investment in the Outokumpu beef slaughterhouse was finalized, including renewal of the beef cutting area and part of the slaughter line, at the end of the second quarter. In April, HKScan purchased its previously rented production facility and land area in Mikkeli, Finland for EUR 4.2 million.

In Sweden, investments increased from a low level the previous year, and focused on maintenance, improving productivity and efficiency at existing plants.

FINANCING

The Group's interest-bearing debt at the year-end stood at EUR 153.8 (158.1) million. Net debt was EUR 144.0 (141.5) million and the net gearing ratio 33.8 (31.8) per cent.

The Group's liquidity was good. Committed credit facilities at 31 December stood at EUR 100.0 (136.5) million, and were entirely undrawn. The EUR 200.0 million commercial paper programme had been drawn to the amount of EUR 27.0 (11.0) million.

Net financial expenses decreased significantly and were EUR -2.2 (-3.7) million in the fourth quarter and EUR -9.1 (-15.5) million in 2015.

RESEARCH AND DEVELOPMENT

Research and development in HKScan Group is targeted at developing new products and concepts and making improvements to products that are already on the market. A total of EUR 5.1 (3.7) million was spent on R&D in 2015, equal to 0.3 (0.2) per cent of net sales.

The development of common innovation platforms and processes continued in 2015, and synergistic cross-border opportunities received increased attention. Creating new growth areas is the Group's key priority going forward.

HKScan is continuously building its R&D network in order to support the implementation of the Group strategy. During 2015, several new partnerships were established with collaborators such as universities, research organizations, suppliers and other private organizations.

CORPORATE RESPONSIBILITY

HKScan has defined its most important areas of corporate responsibility as economic responsibility, social responsibility, animal welfare and the environment.

The follow-through of actions based on the EES (Employee Engagement Survey) results continued during 2015. These actions focused on development of leadership, employee wellbeing and workplace safety, strengthening of unified HKScan Group culture and employee engagement.

To improve responsibility and transparency in the supply chain and to better manage corporate responsibility risks, HKScan further developed its supplier evaluation and audit procedures. All critical suppliers are since 2015 evaluated and qualified in line with a more specific criteria related to food safety, quality, environment and social aspects. In order to further improve animal welfare in its slaughterhouses, the Group initiated collaboration with an external animal behaviour expert. For this purpose, the Group has also started installing video cameras in slaughterhouses.

The Group retained its good status regarding animal diseases both in its contract production and in its own primary production. In all HKScan countries the use of antibiotics in the treatment of animals has remained on a significantly lower level than the European average. The use of hormones as growth promoters, for instance, is not allowed. Good animal care and control of animal diseases has led to good results in preventing outbreaks. Prevention of the spread of African Swine Fever to pig farms is one of the main measures currently being undertaken at HKScan farms in the Baltics. In Finland and Sweden, HKScan has also worked diligently to prevent the spread of the disease into their territory.

The Group continuously measures its environmental impact and strives to decrease it, especially in the areas of energy efficiency and GHG emissions, wastewater, water use, chemical use, and waste management. In 2015, HKScan initiated an energy efficiency project aiming to decrease its energy usage by 10 per cent from the 2014 level by 2017 indexed to net sales.

Material efficiency, such as using all parts of animal raw material and minimization of production wastage, was also in focus during 2015. HKScan has reduced its volume of production wastage through improvements in production. The Group plans to grow means of circular economy of resources.

Additionally, the Group has identified soy and palm oil as raw materials that have significant social and environmental impact. To manage these raw materials in a responsible way HKScan adheres to third-party audit standards provided by Round Table on Responsible Soy (RTRS) and the Roundtable on Sustainable Palm Oil (RSPO). The Group has committed to using only 100 per cent responsible soy used in animal feed and as an ingredient by the end of 2018, and in Sweden by the end of 2015. The commitment in Sweden was reached as planned both on the part of local feed and also imported meat. Palm oil is only present in very small amounts in only some of the Group’s products. A mapping of palm content in all our products is under way to establish exact volumes and to certify the level of each palm ingredient. This work will be finalized during 2016.

In October 2015, the Group announced that its strategic investment in a new poultry production facility will be located in Rauma, Finland. From the very beginning of the planning of the plant, corporate responsibility aspects have been taken into account, including issues such as solutions to improved animal welfare, biosecurity related to animal disease risks, food safety and product quality, as well as employee health and safety. The investment will also in general improve environmental efficiency and enable more efficient utilization of side-streams for biotech products. Additionally, the new facility will have a significant direct and indirect employment impact.

SHARES AND SHAREHOLDERS

Shares
HKScan Group's registered and fully paid-up share capital at the beginning and end of 2015 was EUR 66 820 528. The total number of shares issued was 55 026 522, and it was divided into two share series as follows: A Shares, 49 626 522 (90.19% of the total number of shares) and K Shares 5 400 000 (9.81%). The A Shares are quoted on the Nasdaq Helsinki Ltd. The K Shares are held by LSO Osuuskunta (4 735 000 shares) and Sveriges Djurbönder ek.för. (665 000 shares) and are not listed.

According to the Articles of Association, each A Share conveys one vote, and each K Share 20 votes. Each share gives equal entitlement to a dividend. The shares have no nominal value.

HKScan's market capitalization at the end of the year stood at EUR 205.6 (176.5) million based on the closing price of the last trading day of the period. The Series A shares had a market value of EUR 185.1 (158.8) million, and the unlisted Series K shares EUR 20.6 (17.7) million correspondingly.

In 2015, a total of 17 320 850 of the company's shares, with a total value of EUR 87 878 712, were traded. The highest price quoted was EUR 6.26 and the lowest EUR 3.24. The average price was EUR 5.07. At the end of 2015, the closing price was EUR 3.81.

Shareholders
At the end of 2015, the shareholder register maintained by Euroclear Finland Ltd included 12 558 (11 423) shareholders. Nominee-registered and foreign shareholders held 24.9 (20.1) per cent of the company's shares.

Notifications of changes in holdings
HKScan did not receive any notifications on changes in holdings in 2015.

Treasury shares
At the beginning and end of the financial year 2015, HKScan held 1 053 734 treasury A Shares. At the end of 2015, they had a market value of EUR 4.01 million and accounted for 1.92 % of all shares and 0.67 % of all votes.

Share-based incentive schemes
1) Incentive plan for 2013-2015 and its conditions are described in detail in the stock exchange release dated 20 December 2012.

2) Incentive plan 2016 for the Group key personnel was published on 18 December 2015 in a stock exchange release. The plan covers one performance period, year 2016. The potential reward from the performance period will be based on the HKScan Group's Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and Earnings per Share (EPS).

Rewards from the performance period will be paid partly in the Company's A series shares and partly in cash as follows: 50 per cent pay-out in 2017 and 50 per cent pay out in 2018. The cash proportion is intended to cover taxes and tax-related costs arising from the rewards to the key personnel. No reward will be paid, if the key employee's employment or service ends before reward payment. The plan is directed to 37 people. The rewards to be paid on basis of the performance period are a maximum approximate total of 366 000 HKScan Corporation series A shares and cash payment corresponding to the value of such shares.

ANNUAL GENERAL MEETING AND BOARD OF DIRECTORS' AUTHORIZATIONS

The Annual General Meeting of HKScan Corporation held on 14 April 2015 in Turku adopted the parent company's and consolidated financial statements and discharged the members of the Board of Directors and the CEO from liability for 2014. The AGM resolved that dividend of EUR 0.10 and an additional dividend of EUR 0.39 be paid for each share for the year 2014.

The Board members, Niels Borup, Tero Hemmilä, Teija Andersen and Henrik Treschow, were re-elected and Mikko Nikula and Pirjo Väliaho were elected as new members of the Board of Directors. Deputy member Per Nilsson was re-elected for a further term of office and Marko Onnela was elected as new deputy member of the Board of Directors. At the organizational meeting after the AGM, the Board elected Mikko Nikula as Chairman and re-elected Niels Borup as Vice Chairman.

PricewaterhouseCoopers Oy, an audit firm chartered by the Central Chamber of Commerce, with APA Jouko Malinen as the main auditor, was elected as the actual auditor until the close of the next Annual General Meeting. The remuneration of the auditor will be paid in accordance with the auditor's invoice approved by the company.

The AGM gave the following two authorizations to the Board: The Board of Directors was authorized to decide on share issue, as well as issue of option rights and other special rights entitling to shares, and to acquire the company's own Series A shares and/or to accept as pledge. The authorizations are effective until 30 June 2016, revoking the authorisations given by the AGM 2014.

During 2015, the Board did not exercise the authorizations given by the AGM. The resolutions of the Annual General Meeting have been published in full in a stock exchange release on 14 April 2015, and they are also available on the web at www.hkscan.com.

PERSONNEL

In 2015, HKScan had an average of 7 437 (7 662) personnel.
The average number of employees in each market area was as follows:

	2015	2014
Finland	2 840	2 771
Baltics	1 696	1 769
Sweden	2 176	2 305
Denmark	726	817
Total	**7 437**	**7 662**

Breakdown of personnel by market area at year-end was as follows:

	31.12.2015	31.12.2014
Finland	2 668	2 644
Baltics	1 605	1 766
Sweden	2 025	2 152
Denmark	712	765
Total	**7 010**	**7 327**

GROUP MANAGEMENT TEAM

As of 20 January 2016, the HKScan Group Management Team is as follows: Aki Laiho, Deputy CEO and COO; Tuomo Valkonen, CFO; Samuli Eskola, EVP Consumer Business in Finland and the Baltics; Göran Holm, EVP Consumer Business in Scandinavia; Jukka Nikkinen, EVP Away from Home Business; Sari Suono, EVP HR; Anne Mere, CMO; and Markku Suvanto, EVP Legal and Administration, who also acts as the Group Management Team's secretary.

CHANGES IN THE GROUP STRUCTURE

At the end of 2015, HKScan Sweden sold its 25 per cent stakes in Gotlands Slakteri AB and Svensk Butikskött AB to the main shareholder of Svensk Butikskött, and divested its 25 per cent stake in Svensk Lantbrukstjänst AB to Svenska Köttföretagen as well as one per cent stake to Konvex AB.

In March, the Group divested its non-core businesses, i.e. 80 per cent of its hatchery operations in Finland and the egg business in Estonia. In July, the Group acquired a 50 per cent stake in the Paimion Teurastamo Oy beef slaughterhouse in Finland.

CLAIM BY OY PRIMULA AB'S BANKCRUPTCY ESTATE REJECTED

On 2 February 2015 the District Court of Southwest Finland issued its interlocutory ruling by which it rejected as patently unfounded an action for damages submitted against HKScan Corporation and HKScan Finland Oy by the bankruptcy estate of Oy Primula Ab. Primula sued HKScan for breach of contract concerning initial investigations carried out in 2009 and 2010 by HK Ruokatalo (today HKScan Finland Oy) and Primula related to potential collaboration between HKScan and Primula's Järvenpää production site (Järvenpään Herkkutehdas Oy). The ruling is final and binding. The District Court denied the claim for damages and additionally ordered Oy Primula Ab's bankruptcy estate to pay HKScan's legal fees.

SHORT-TERM RISKS AND UNCERTAINTY FACTORS

The most significant uncertainty factors in the HKScan Group's business are related to sales and raw material prices, as well as management of global and local meat balances.

The risks include various unexpected actions potentially taken by authorities or pressure groups, which may cause restrictions to the business or volatility in demand. Additionally, the Group's ongoing development projects may create uncertainties and unforeseen extra costs.

The risks of animal diseases in the food industry's raw meat supply or any international or regional food scandals impacting the overall consumption outlook cannot be fully excluded.

EVENTS AFTER THE REPORTING PERIOD

On 20 January 2016, Group President and CEO Hannu Kottonen and the Group's Board of Directors jointly agreed on the discontinuation of Hannu Kottonen's duties as of 20 January 2016. In the interim, Aki Laiho, deputy CEO and COO, temporarily assumed the position of CEO.

OUTLOOK FOR 2016

HKScan expects its operating profit (EBIT) to improve from 2015.

HKScan expects the economic and demand outlook to remain challenging. Therefore also sales price competition will remain tough in 2016. The Group's strategy implementation, continuous improvement projects and active sales margin management should contribute to better financial performance.

BOARD OF DIRECTORS' PROPOSAL ON DISTRIBUTION OF PROFIT

The parent company's distributable equity stands at EUR 286.7 million including the reserve for invested unrestricted equity, which holds EUR 143.1 million. The Board of Directors recommends that the company pays a dividend of EUR 0.14 per share for 2015, i.e. a total of approximately EUR 7.6 million.

There have been no material changes in the company's financial standing since the end of the year under review. The company maintains good liquidity and the recommended distribution of dividend will not in the Board's estimation compromise the company's solvency.

ANNUAL GENERAL MEETING 2016

HKScan Corporation's Annual General Meeting 2016 will be held starting at 10 am on 13 April 2016 at Finlandia Hall, Mannerheimintie 13, Helsinki. To be eligible to attend the Annual General Meeting, shareholders should register by 1 April 2016 in HKScan Corporation's shareholder register maintained by Euroclear Finland Ltd. Notice to the meeting and Board proposals to the Annual General Meeting will be published at a later date.

NEXT FINANCIAL REPORT

HKScan Group's interim report January–March 2016 will be published on 4 May 2016.

Vantaa, 10 February 2016

HKScan Corporation
Board of Directors

Further information is available from Aki Laiho, COO and deputy CEO, and Tuomo Valkonen, CFO. Kindly submit a call-back request to Marja-Leena Dahlskog, SVP Communications, firstname.surname@hkscan.com or tel. +358 10 570 2142

HKScan is the leading Nordic meat expert. We produce, market and sell high-quality, responsibly-produced pork, beef, poultry and lamb products, processed meats and convenience foods under strong brand names. Our customers are the retail, food service, industrial and export sectors, and our home markets comprise Finland, Sweden, Denmark and the Baltics. We export to close to 50 countries. In 2015, HKScan had net sales of EUR 1.9 billion and some 7 400 employees.

DISTRIBUTION:
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CONSOLIDATED FINANCIAL STATEMENTS 1 JANUARY – 31 DECEMBER 2015

CONSOLIDATED INCOME STATEMENT

(EUR million)	Note	Q4/2015	Q4/2014	2015	2014
Net sales		501.4	523.2	1 917.1	1 988.7
Cost of goods sold	1.	-476.0	-487.7	-1 799.5	-1 905.2
Gross profit		25.4	35.5	117.6	83.5
Other operating items total	1.	3.8	2.7	11.6	94.1
Sales and marketing costs	1.	-14.3	-15.4	-57.8	-62.1
General administration costs	1.	-15.6	-15.7	-61.9	-60.1
Operating profit		-0.6	7.1	9.6	55.5
Financial income and expenses		-2.2	-3.7	-9.1	-15.5
Share of profit/loss in associates		0.6	0.9	1.7	11.2
Profit/loss before taxes		-2.3	4.3	2.2	51.2
Income tax		0.8	0.9	-0.3	5.9
Profit/loss for the period		-1.5	5.2	1.9	57.1
Non-controlling interests		-0.9	-0.6	-1.6	-0.5
Profit/loss for the period		-2.3	4.6	0.3	56.7
Earnings per share calculated on profit attributable to equity holders of the parent:					
EPS, undiluted, continuing operations, EUR/share		-0.04	0.09	0.01	1.05
EPS, diluted, continuing operations, EUR/share		-0.04	0.09	0.01	1.05

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR million)	Q4/2015	Q4/2014	2015	2014
Profit/loss for the period	-1.5	5.2	1.9	57.1
OTHER COMPREHENSIVE INCOME (after taxes):				
Exchange differences on translating foreign operations	2.9	-3.5	2.6	-8.3
Cash flow hedging	0.4	-0.4	0.3	-1.9
Actuarial gains or losses	-1.5	-4.9	-1.5	-4.9
TOTAL OTHER COMPREHENSIVE INCOME	1.8	-8.7	1.4	-15.1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	0.4	-3.6	3.3	42.0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:				
Equity holders of the parent	-0.5	-4.1	1.7	41.5
Non-controlling interests	0.9	0.6	1.6	0.5
Total	0.4	-3.6	3.3	42.0

CONSOLIDATED BALANCE SHEET

(EUR million)	Note	31.12.2015	31.12.2014
ASSETS			
Intangible assets	2.	147.3	144.3
Tangible assets	3.	361.8	369.7
Holdings		36.6	35.9
Other non-current assets		35.0	40.8
TOTAL NON-CURRENT ASSETS		580.7	590.7
Inventories	5.	124.2	125.4
Current receivables		122.9	122.4
Cash and cash equivalents		9.5	16.4
TOTAL CURRENT ASSETS		256.6	264.3
Assets of disposal group classified as held for sale		-	9.4
TOTAL ASSETS		837.3	864.3
EQUITY AND LIABILITIES			
EQUITY	6.	425.8	445.2
Non-current loans, interest-bearing		117.2	121.8
Non-current liabilities, non interest-bearing		39.4	40.8
TOTAL NON-CURRENT LIABILITIES		156.6	162.6
Current loans, interest-bearing		36.6	36.4
Current liabilities. non interest-bearing		218.4	219.4
TOTAL CURRENT LIABILITIES		255.0	255.8
Liabilities of disposal group classified as held for sale		-	0.8
TOTAL EQUITY AND LIABILITIES		837.3	864.3

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(EUR million)	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
EQUITY AT 1.1.2015	**66.8**	**72.9**	**-12.7**	**143.5**	**10.1**	**-6.3**	**0.0**	**162.2**	**436.5**	**8.7**	**445.2**
Result for the financial period	-	-	-	-	-	-	-	0.3	0.3	1.6	1.9
Other comprehensive income (+) / expense (–)											
Transl. diff.	-	-	-	-	-	2.6	-	-	2.6	-	2.6
Cash flow hedging	-	-	0.3	-	-	-	-	-	0.3	-	0.3
Actuarial gains or losses	-	-	-	-	-	-	-	-1.5	-1.5	-	-1.5
Total compreh. income for the period			**0.3**			**2.6**		**-1.2**	**1.7**	**1.6**	**3.3**
Acquisition of subsidiary	-	-	-	-	-	-	-	-	-	3.8	3.8
Direct recognitions	-	-	-	-	0.1	-	-	0.2	0.3	-	0.3
Transfers between items	0.0	-	-	-	0.0	-	-	0.0	0.0	-	0.0
Dividend distribut.	-	-	-	-	-	-	-	-26.4	-26.4	-0.3	-26.7
EQUITY AT 31.12.2015	**66.8**	**72.9**	**-12.4**	**143.5**	**10.2**	**-3.7**	**0.0**	**134.7**	**412.0**	**13.8**	**425.8**

(EUR million)	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
EQUITY AT 1.1.2014	**66.8**	**73.5**	**-10.8**	**143.5**	**32.0**	**2.0**	**0.0**	**93.0**	**400.0**	**9.0**	**409.0**
Result for the financia l period	-	-	-	-	-	-	-	56.7	56.7	0.5	57.1
Other comprehensive income (+) /expense (–)											
Transl. diff.	-	-	-	-	-	-8.3	-	-	-8.3	-	-8.3
Cash flow hedging	-	-	-1.9	-	-	-	-	-	-1.9	-	-1.9
Actuarial gains or losses	-	-	-	-	-	-	-	-4.9	-4.9	-	-4.9
Total compreh. income for the period	-	-	**-1.9**	-	-	**-8.3**	-	**51.8**	**41.5**	**0.5**	**42.0**
Direct recognitions	-	-	-	-	-	-	-	0.3	0.3	-	0.3
Transfers between items	-	-0.6	-	-	-21.9	-	-	22.5	0.0	0.0	0.0
Dividend distribut.	-	-	-	-	-	-	-	-5.4	-5.4	-0.7	-6.1
EQUITY AT 31.12.2014	**66.8**	**72.9**	**-12.7**	**143.5**	**10.1**	**-6.3**	**0.0**	**162.2**	**436.5**	**8.7**	**445.2**

COLUMNS: 1. Share capital, 2. Share premium reserve, 3. Revaluation reserve, 4. Reserve for invested unrestricted equity (RIUE), 5. Other reserves, 6. Translation differences, 7. Treasury shares, 8. Retained earnings, 9. Equity holders of the parent, 10. Non-controlling interests, 11. Total

CASH FLOW STATEMENT

(EUR million)	2015	2014
Cash flow before change in net working capital	78.1	52.6
Change in net working capital	-2.2	14.2
Financial items and taxes	-9.1	-3.6
CASH FLOW FROM OPERATING ACTIVITIES	66.8	63.3
Cash flow from investing activities	-41.8	135.7
CASH FLOW AFTER INVESTING ACTIVITIES	25.0	198.9
Change in loans	-4.3	-244.1
Dividends paid	-26.7	-6.1
CASH FLOW FROM FINANCING ACTIVITIES	-31.0	-250.2
NET CASH FLOW	-6.0	-51.2
Cash and cash equivalents at beginning of period	16.4	68.7
Translation differences	-1.0	-1.0
Cash and cash equivalents at end of period	9.5	16.4

FINANCIAL INDICATORS

	31.12.2015	31.12.2014
Earnings per share (EPS), undiluted, EUR	0.01	1.05
Earnings per share (EPS), diluted, EUR	0.01	1.05
Equity per share, EUR	7.63	8.09
Equity ratio, %	50.9	51.5
Adjusted average number of shares, mill.	54.0	54.0
Gross capital expenditure on PPE, EUR mill.	49.6	48.7
Employees, end of month average	7 437	7 662

CALCULATION OF FINANCIAL INDICATORS

Return on capital employed (ROCE) before tax (%)	Profit before tax + interest and other financial expenses -------------------------------------- Balance sheet total – non-interest-bearing liabilities (average)	x 100
Equity ratio (%)	Total equity -------------------------------------- Balance sheet total – advances received	x 100
Gearing ratio (%)	Interest-bearing liabilities -------------------------------------- Total equity	x 100
Net gearing ratio (%)	Net interest-bearing liabilities -------------------------------------- Total equity	x 100
Earnings per share (EPS)	Profit for the period attributable to equity holders of the parent -------------------------------------- Average number of outstanding shares during period	
Equity per share	Equity attributable to holders of the parent -------------------------------------- Number of outstanding shares at end of period	
Dividend per share	Dividend distribution -------------------------------------- Number of outstanding shares at end of period	
Market capitalisation	The number of outstanding shares at the end of period x the closing price on the last trading day of the financial year	
Cash flow before debt service	Cash flow before financing activities and financial items	
Employee numbers	Average of workforce figures calculated at the end of calendar months	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ACCOUNTING POLICIES

HKScan Corporation's interim report for 1 January–31 December 2015 has been prepared in compliance with IAS 34 Interim Financial Reporting standards. The same accounting principles have been applied in the interim report as in the annual financial statements for 2014. Due to the rounding of the figures to the nearest million euros in the interim report, some totals may not agree with the sum of their constituent parts. Accounting principles are explained in the financial statements for 2015.

IASB has published the following new or revised standards and interpretations that the Group has not yet adopted. The Group will adopt these standards as of the effective date of each of the standards, or if the effective date is not the first day of the reporting period, as of the beginning of the next reporting period following the effective date.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group is yet to assess IFRS 9's full impact. The standard has not yet been endorsed for application in the EU.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The group is assessing the impact of IFRS 15. The standard has not yet been endorsed for application in the EU.

IFRS 16, Leases will replace current IAS 17 guidance regarding lease agreements. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. IFRS 16 is effective from 1 January 2019. A company can choose to apply IFRS 16 before that date but only if it also applies IFRS 15. According to IFRS 16 lessee is required to recognize assets and liabilities for all leases with a term of more than 12 months and depreciation of lease assets separately from interest on lease liabilities in the income statement. The group is assessing the impact of IFRS 16. The standard has not yet been endorsed for application in the EU.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

ANALYSIS BY SEGMENT

Net sales and EBIT by market area

(EUR million)	Q4/2015	Q4/2014	2015	2014
NET SALES				
- Finland	216.2	213.8	801.6	787.2
- Baltics	43.3	43.8	173.6	173.0
- Sweden	222.9	240.5	841.9	911.0
- Denmark	37.6	46.2	175.9	204.3
- Between segments	-18.6	-21.1	-76.0	-86.8
Group total	501.4	523.2	1 917.1	1 988.7
EBIT				
- Finland	-5.3	6.6	4.9	-4.5
- Baltics	1.0	-2.1	5.4	2.8
- Sweden	8.5	8.1	21.1	1.7
- Denmark	-1.9	-3.6	-9.3	-11.9
- Between segments	-	-	-	-
Segments total	2.3	9.0	22.1	-11.9
Group administration costs	-2.9	-1.9	-12.5	-10.2
Capital gain in sales of shares of Saturn Nordic Holding Ab	-	-	-	77.6
Group total	-0.6	7.1	9.6	55.5

NOTES TO THE INCOME STATEMENT

1. NON-RECURRING ITEMS

(EUR million)	Q4/2015	Q4/2014	2015	2014
Restructuring redundancy expenses COGS, Finland 1)	-	-1,0	-	-1,0
Restructuring redundancy expenses SGA, Finland 2)	-	-0,4	-	-0,4
Impairment of assets, Finland 1)	-11,4	-	-11,4	-12,0
Restructuring expenses for closed operations, Sweden 1)	-	-0,2	-	-4,0
Impairment of assets, Sweden 1)	-	-	-	-6,7
Impairment of inventory 2011 - 2012, Sweden 1)	-	-	-	-0,8
Losses on sales of holdings, Sweden 3)	-	-0,2	-	-0,2
Personnel costs, Sweden 2)	-0,5	-	-0,5	-
Impairment of assets, Denmark 1)	-	-	-	-5,2
Restructuring expenses COGS, Denmark 1)	-	-1,5	-	-1,5
Cover of loss in associated company based on SHA, Denmark 3)	-	-0,8	-	-0,8
Capital gain in sales of shares of Saturn Nordic Holding Ab 3)	-	-	-	77,6
Impairment of assets, Latvia 1)	-	-2,1	-	-2,1
Non-recurring items Total	-11,9	-6,3	-11,9	43,0

[1] Included in the Income Statement in the item ”COGS Total”

[2] Included in the Income Statement in the item ”SGA Total”

[3] Included in the Income Statement in the item ”Other operating items total”

NOTES TO THE STATEMENT OF FINANCIAL POSITION

2. CHANGES IN INTANGIBLE ASSETS

(EUR million)	2015	2014
Opening balance	144.3	152.1
Translation differences	2.0	-5.5
Additions	0.9	1.4
Additions. business acquisitions	2.2	0.8
Disposals	-0.1	-0.1
Depreciation and impairment	-2.6	-4.1
Reclassification between items	0.5	-0.2
Closing balance	147.3	144.3

3. CHANGES IN TANGIBLE ASSETS

(EUR million)	2015	2014
Opening balance	369.7	411.5
Translation differences	1.0	-3.5
Additions	48.7	51.3
Additions, business acquisitions	7.8	0.9
Disposals	-2.8	-13.3
Depreciation and impairment	-62.1	-77.3
Reclassification between items	-0.5	0.0
Closing balance	361.8	369.7

4. BUSINESS COMBINATIONS

On 2 July 2015 HKScan Finland Oy acquired a 50 per cent stake in Paimion Teurastamo Oy as part of its strategy to boost profitable growth. Following the deal, Paimion Teurastamo Oy became a subsidiary of HKScan. Purchase consideration was EUR 5.9 million and it was paid in cash.

Specializing in beef slaughtering, Paimion Teurastamo Oy operates in a Paimio-based facility commissioned in 2012. The company is profitable, accruing EUR 13.8 million in net sales in 2014. The company has approximately 40 employees.

The deal supports the Group’s strategic beef project aiming to promote innovation and consumer-driven offering development of beef in all its home markets. HKScan additionally has a beef slaughtering facility based in Outokumpu. With two specialized beef slaughterhouses in Finland, livestock transport distances are minimized, offering contract producers greater speed and flexibility in pick-up schedules.

The assets and liabilities recognized as a result of the acquisition are as follows:

(EUR million)	Fair value
Intangible assets	0.1
Tangible assets	7.8
Inventories	0.1
Trade receivables and other receivables	1.3
Cash	0.5
Total assets	9.7
Deferred tax liability	1.0
Trade payables and other liabilities	1.2
Total liabilities	2.1

Net assets acquired	7.5

Goodwill from the acquisition:	
Purchase consideration	5.9
Non-controlling interest's proportionate share of the acquired entity's net identifiable assets.	3.8
Acquired entity's net identifiable assets.	-7.5
Goodwill	2.1

Goodwill amounting to EUR 2.1 million euros was recorded from the acquisition, and it is based on the expected synergies. Goodwill will not be deductible for tax purposes.

There are no material acquisition-related costs in other operating expenses.

The acquired business contributed revenues of EUR 7.7 million and EUR -0.1 million net profit to Group's financial year 2015. If the acquisition had occurred on 1 January 2015, Group's revenue would have been EUR 7.2 million and net profit EUR 0.1 million higher.

5. INVENTORIES

(EUR million)	2015	2014
Materials and supplies	71.5	73.2
Semi-finished products	5.0	5.3
Finished products	40.1	36.9
Other inventories	0.4	1.8
Inventories, advance payments	1.1	0.5
Biological asset, IFRS 41	6.2	7.7
Total inventories	124.2	125.4

6. NOTES TO EQUITY

Share capital and share premium reserve	Number of outstanding shares	Share capital	Share premium reserve	Reserve for invested unrestricted equity	Treasury	Total
1.1.2015	53 972 788	66.8	72.9	143.5	0.0	283.1
30.12.2015	53 972 788	66.8	72.9	143.5	0.0	283.1

DERIVATIVE INSTRUMENT LIABILITIES

(EUR million)	31.12.2015	31.12.2014
Nominal values of derivative instruments		
Foreign exchange derivatives	57.7	70.5
Interest rate derivatives	128.5	157.6
Electricity derivatives	8.1	7.6
Fair values of derivative instruments		
Foreign exchange derivatives	-0.2	0.3
Interest rate derivatives	-14.0	-15.7
Electricity derivatives	-2.9	-1.7

CONSOLIDATED OTHER CONTINGENT LIABILITIES

(EUR million)	31.12.2015	31.12.2014
Debts secured by pledges or mortgages		
- loans from financial institutions	0.2	29.5
On own behalf		
- Mortgages given	0.4	10.7
- Assets pledged	3.2	3.2
On behalf of others		
- guarantees	2.7	7.1
- other commitments	7.5	6.5
Other contingencies		
Leasing commitments	11.0	14.7
Rent liabilities	36.5	39.8

THE FAIR VALUE DETERMINATION PRINCIPLES APPLIED BY THE GROUP ON FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Derivatives

The fair values of currency derivatives are determined by using the market prices for contracts of equal duration at the reporting date. The fair values of interest rate swaps are determined using the net present value method supported by the market interest rates at the reporting date. The fair value of commodity derivatives are determined by using publicly quoted market prices.

	31.12.2015	**Level 1**	**Level 2**	**Level 3**
Assets measured at fair value Financial assets recognized at fair value through profit and loss				
- Trading securities	-	-	-	-
- Trading derivatives				
- Interest rate swaps	-	-	-	-
- Foreign exchange derivatives	0.1	0.0	0.1	0.0
- Commodity derivatives	-	-	-	-
Available-for-sale financial assets				
- Investments in shares	0.0	0.0	0.0	0.0
Total	**0.1**	**0.0**	**0.1**	**0.0**
Liabilities measured at fair value Financial liabilities recognized at fair value through profit and loss				
-Trading derivatives				
- Interest rate swaps	-14.0	0.0	-14.0	0.0
of which subject to cash flow hedging	-14.0	0.0	-14.0	0.0
- Foreign exchange derivatives	-0.3	0.0	-0.3	0.0
of which subject to net investment hedging	-	-	-	-
- Commodity derivatives	-2.9	0.0	-2.9	0.0
of which subject to cash flow hedging	-2.9	0.0	-2.9	0.0
Total	**-17.2**	**0.0**	**-17.2**	**0.0**

BUSINESS TRANSACTIONS WITH RELATED PARTIES

(EUR million)	**2015**	**2014**
Sales to associates	70.1	65.9
Purchases from associates	46.6	40.2
Trade and other receivables	1.4	2.4
Trade and other payables	5.3	2.8