

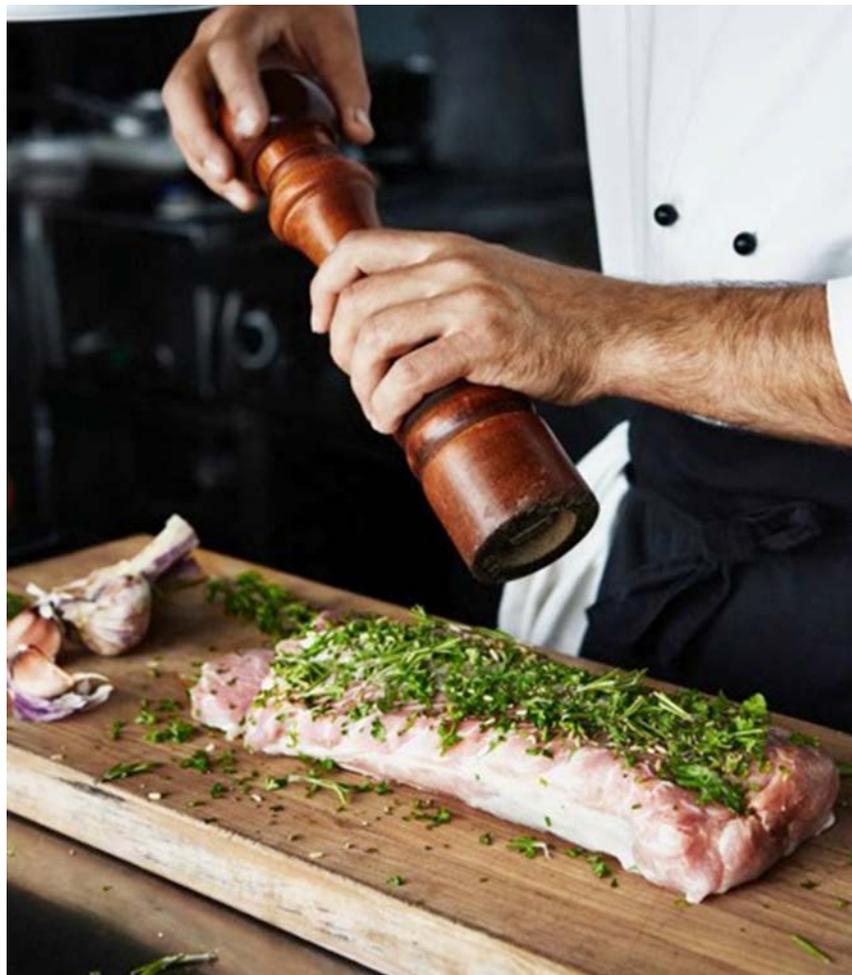


HKSCAN

Interim report Q1/2016

Aki Laiho, Deputy CEO and COO
4 May 2016

Meat business environment in Q1/2016



- Long-term trend favouring local meat continued strong
- Total domestic market demand turned back to growth during the quarter
- Meat prices still generally very low, and fierce price competition continued
- Political and economic uncertainty both in Europe and globally still visible
- African Swine Fever remains as a risk in the Baltics (Estonia)

A person wearing a blue jacket is holding a white tray with three compartments of food. The top-left compartment contains two bright red cherry tomatoes. The top-right compartment contains several brown, round meatballs. The bottom compartment contains several golden-brown, fried items, possibly fritters or croquettes. The background is a blurred outdoor setting.

HKSCAN

Interim report Q1/2016 Group financials

Tuomo Valkonen, CFO
4 May 2016

Tough business environment puts pressure on margins

HKScan Group Q1/2016

- Operating profit and cash flow weaker than in the previous year
 - Net sales EUR 439.1 million, EUR -27.0 million y-o-y
 - Comparable EBIT EUR -3.1 million, EUR -2.3 million y-o-y
 - Cash flow before debt service EUR -16.1 million, EUR -15.5 million y-o-y
- Total market demand grew in both Sweden and Finland
 - Private label kept taking market share
- Tough competition amplified the seasonal effect
 - Sales margins declined in all market areas
- Domestic business progressed well in Denmark
- Operational efficiency improved in all market areas
 - Production cost cuttings compensated a major part of the loss in sales margins
- Inventories rose in Finland
 - Oversupply in pork decreased sales margins and increased the frozen stock
- Implementation of the profitable growth strategy continues
 - Construction of the poultry production plant as planned in Rauma, Finland
 - Expansion investment of the bacon plant in Poland approved

HKScan Group

EUR million	Q1/2016	Q1/2015	2015
Net sales	439,1	466,0	1 917,1
EBIT	-4,3	-0,8	9,6
- % of net sales	-1,0	-0,2	0,5
Profit/loss before taxes	-7,3	-3,1	2,2
- % of net sales	-1,7	-0,7	0,1
Profit/loss for the period	-9,4	-2,8	1,9
EBIT excl. non-recurring income and expenses	-3,1	-0,8	21,5
- % of net sales	-0,7	-0,2	1,1
Profit/loss before taxes, excl. non-recurring income and expenses	-6,1	-3,1	14,1
- % of net sales	-1,4	-0,7	0,7
EPS, EUR	-0,17	-0,05	0,01
Return on capital employed (ROCE) before taxes, %	1,5	11,5	2,3
ROCE before taxes excl. non-recurring items, %	3,7	3,8	4,3
Net gearing, %	39,6	32,9	33,8

Market area Sweden

EUR million	Q1/2016	Q1/2015	2015
Net sales	189,1	202,1	841,9
EBIT	1,1	2,0	21,1
- EBIT %	0,6	1,0	2,5
EBIT excl. non-recurring items	1,1	2,0	21,6
- EBIT %	0,6	1,0	2,6

- Total meat market grew and demand for domestic meat remained strong
- Competition for domestic animals was tough, animal raw material costs increased significantly, especially in beef
- Shortage of beef was the main driver in the decline in net sales. The decline partly compensated by higher sales prices in pork and beef
- Restructured production footprint and operational efficiency measures were successful, and costs decreased

Market area Finland

EUR million	Q1/2016	Q1/2015	2015
Net sales	187,0	193,5	801,6
EBIT	0,8	3,6	4,9
- EBIT %	0,4	1,8	0,6
EBIT excl. non-recurring items	0,8	3,6	16,3
- EBIT %	0,4	1,8	2,0

- Total meat market turned to grow towards the end of the quarter
- Sales margins declined
 - Competition remained tough causing decline in net sales
 - Growth in sales of food service
 - Animal raw material costs kept decreasing
 - Oversupply of pork continued and increased the frozen stock
- Subsidiaries, Tamminen, Kivikylän and Paimion Teurastamo improved profitability
- Operational efficiency measures decreased production and admin. costs
- Investment in Rauma proceeding in schedule. Environmental permit for the facility and operations granted.

Market area Denmark

EUR million	Q1/2016	Q1/2015	2015
Net sales	44,7	48,8	175,9
EBIT	-2,3	-3,5	-9,3
- EBIT %	-5,0	-7,1	-5,3
EBIT excl. non-recurring items	-2,3	-3,5	-9,3
- EBIT %	-5,0	-7,1	-5,3

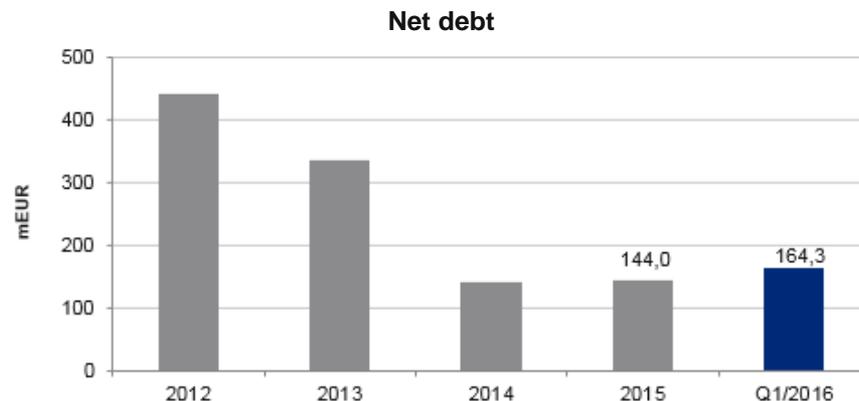
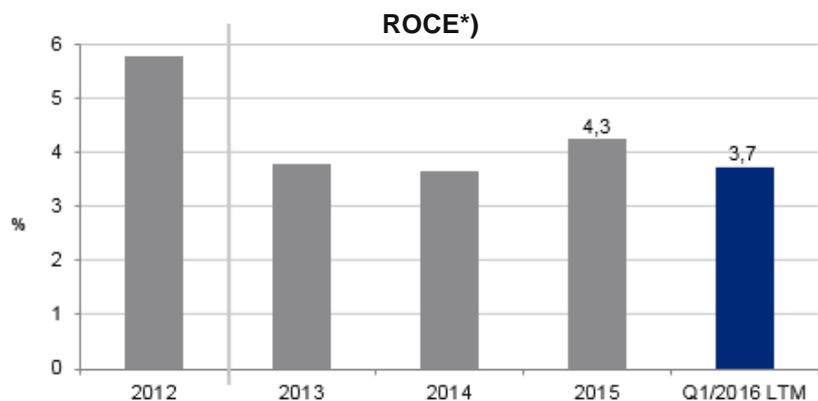
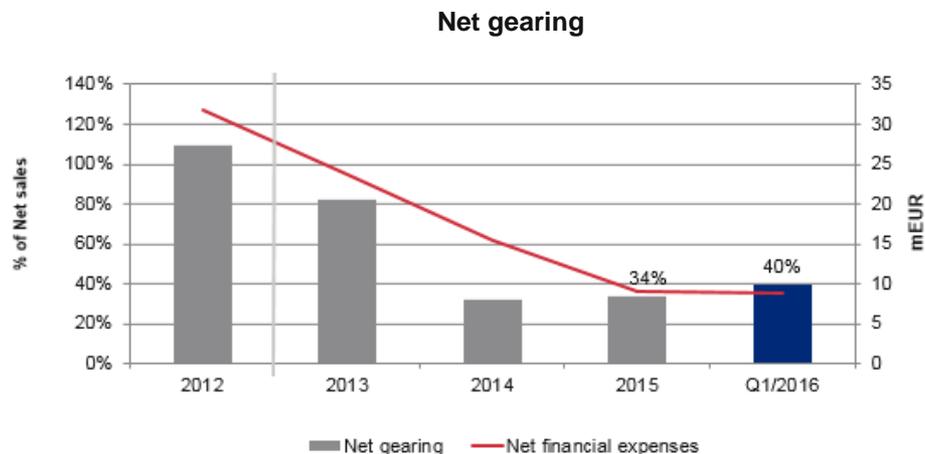
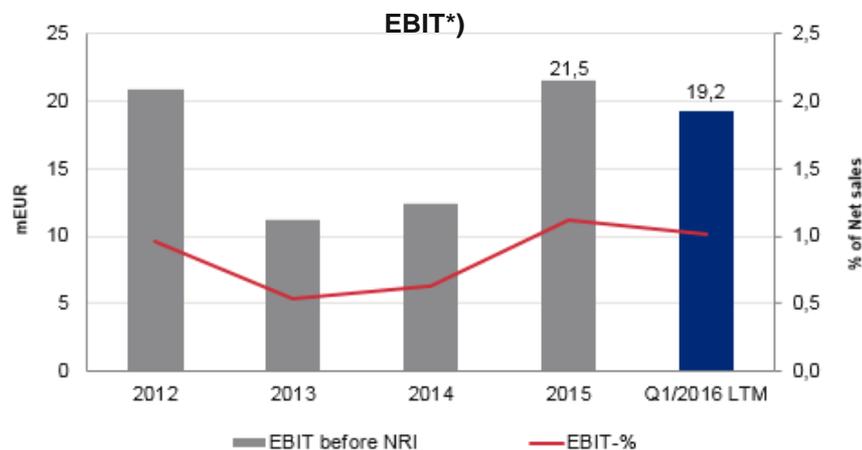
- Net sales declined due to lower sales volumes
- Sales of fresh products increased and succeeded well in the domestic market
- Export sales development lacked behind the previous year resulting in decline in total sales margin
- Restructured production footprint and operational efficiency measures brought results: costs and EBIT loss decreased
- Investments in Rose[®] brand awareness were made with good results

Market area Baltics

EUR million	Q1/2016	Q1/2015	2015
Net sales	38,0	40,9	173,6
EBIT	0,3	-0,1	5,4
- EBIT %	0,7	-0,2	3,1
EBIT excl. non-recurring items	0,3	-0,1	5,4
- EBIT %	0,7	-0,2	3,1

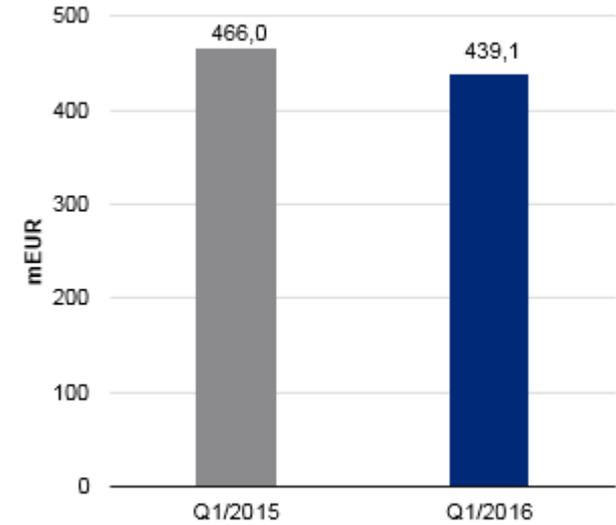
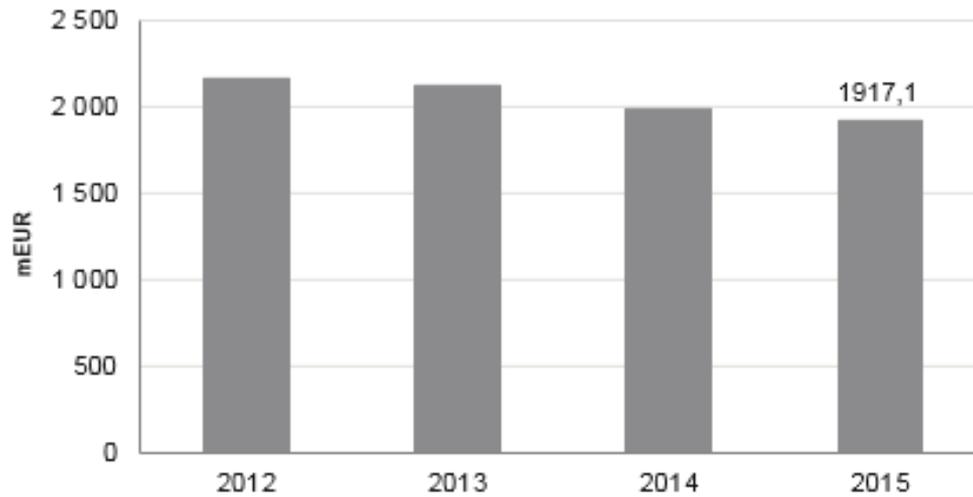
- Net sales decreased due to the divested egg business (in 2015)
- Demand and sales for Rakvere® and Tallegg® branded products remained good in the domestic market
- Sales prices were kept almost at the level of previous year despite the market price level for pork being record low
- Exports continued to struggle
- Operational efficiency measures compensated for the decrease in sales margins
- Inventories maintained at a healthy level

Financial performance

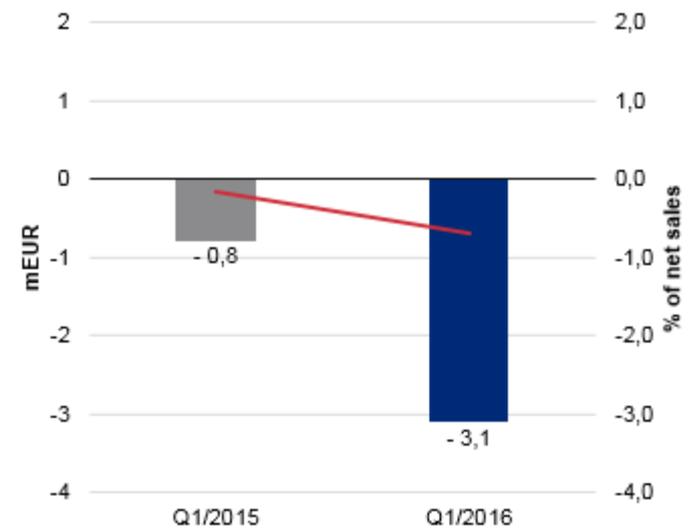
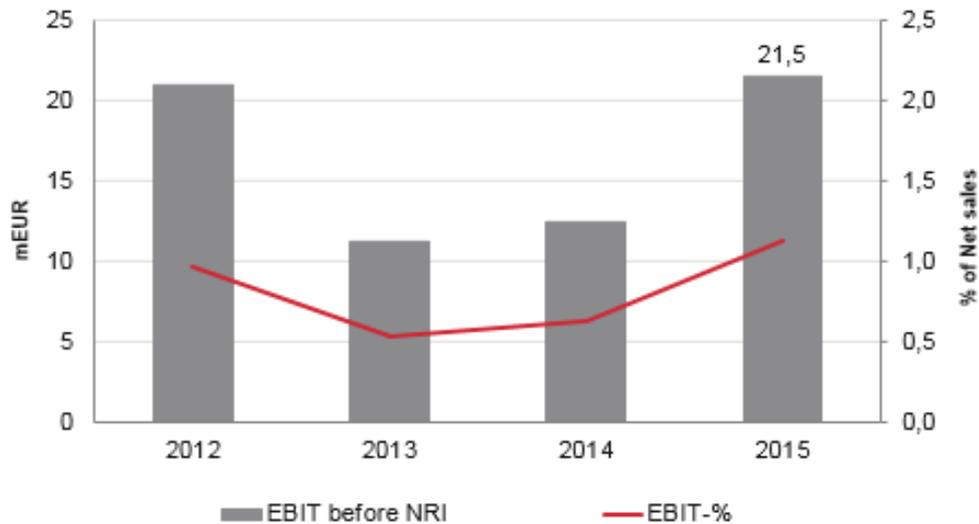


*) Excluding non-recurring items

Group net sales

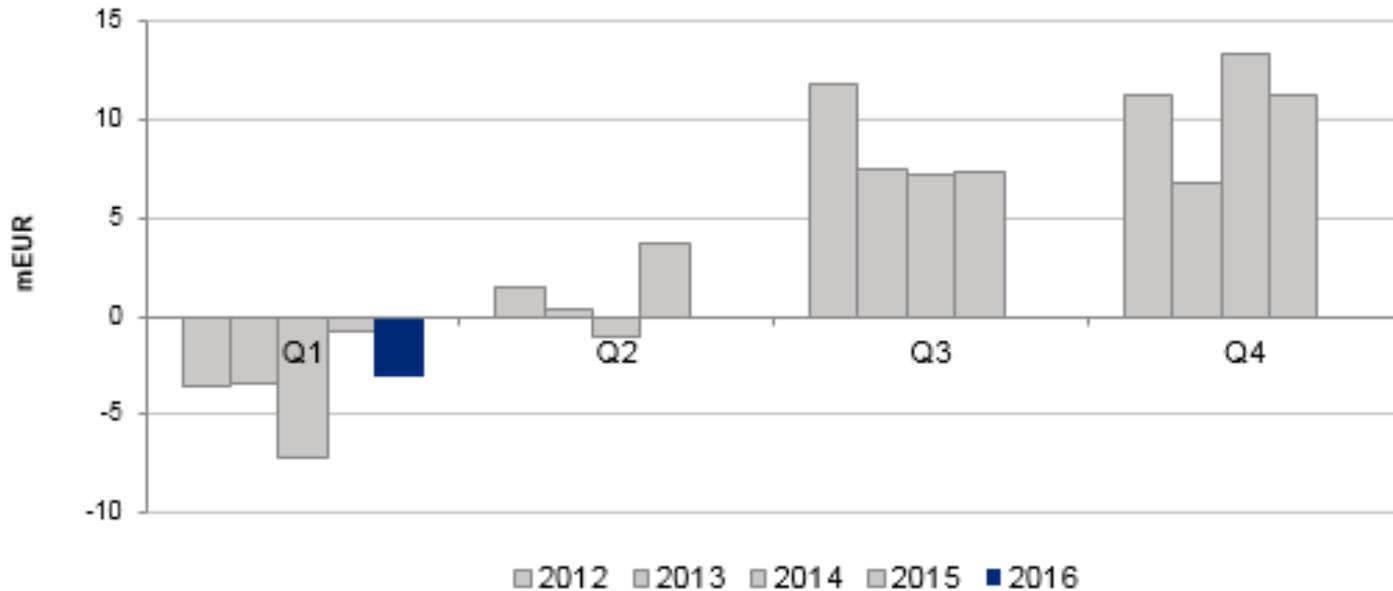


Group EBIT development^{*)}



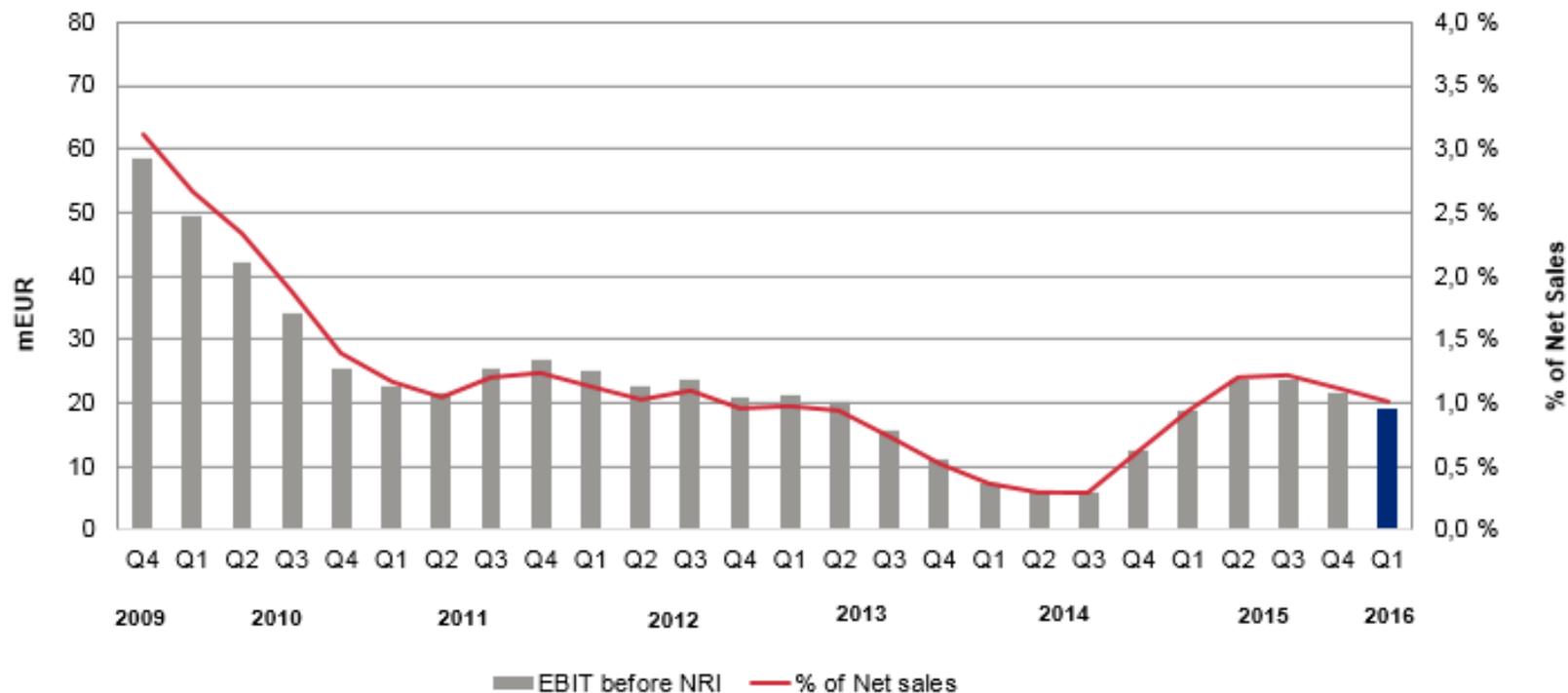
^{*)} Excluding non-recurring items

Group EBIT^{*)}



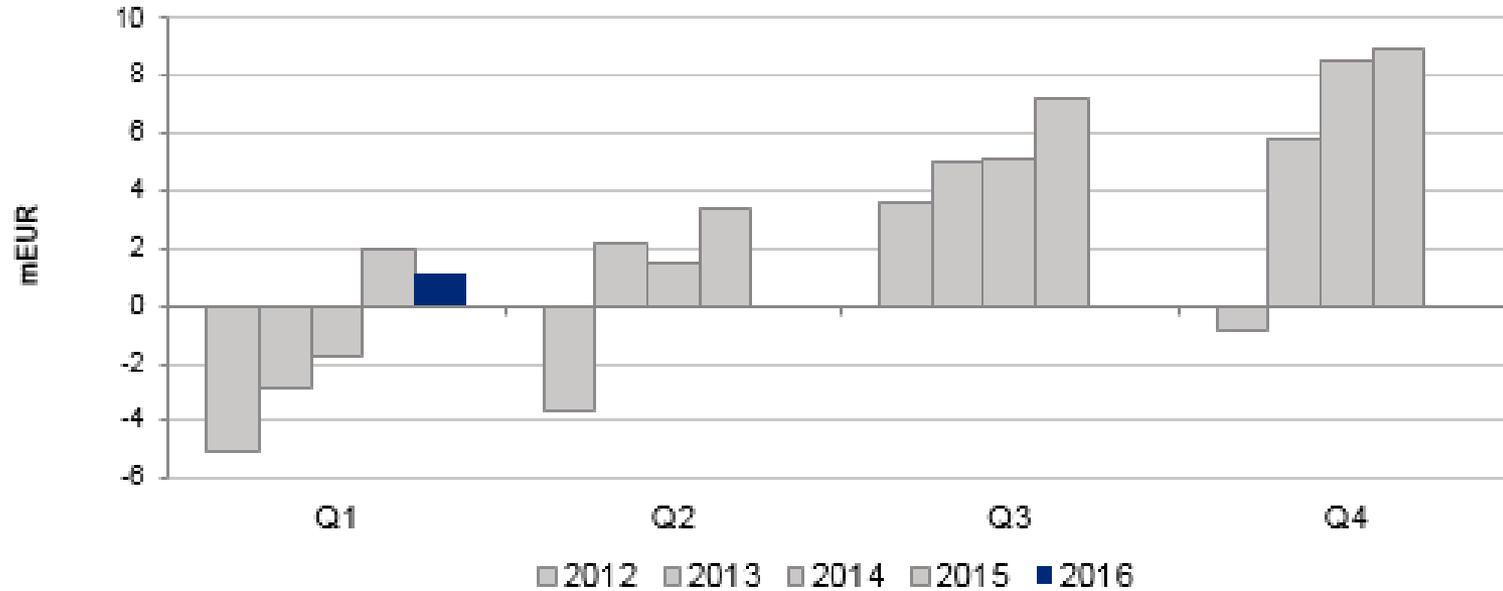
^{*)} Excluding non-recurring items

Group EBIT last twelve months^{*)}



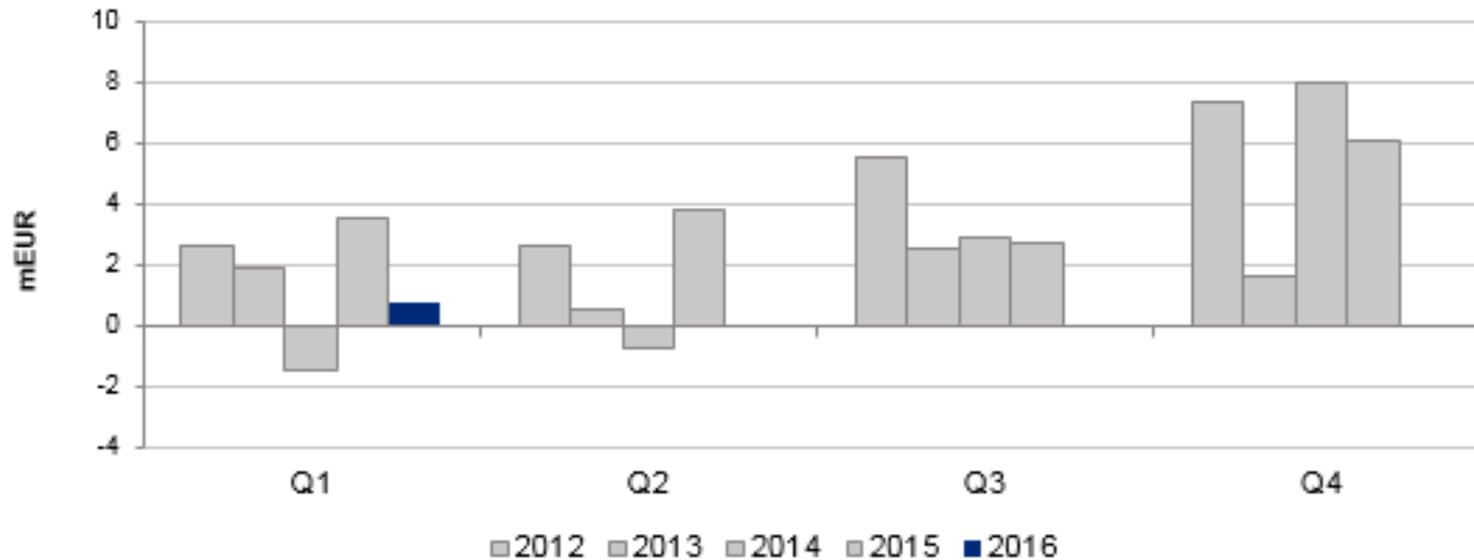
^{*)} Excluding non-recurring items

Sweden EBIT^{*)}



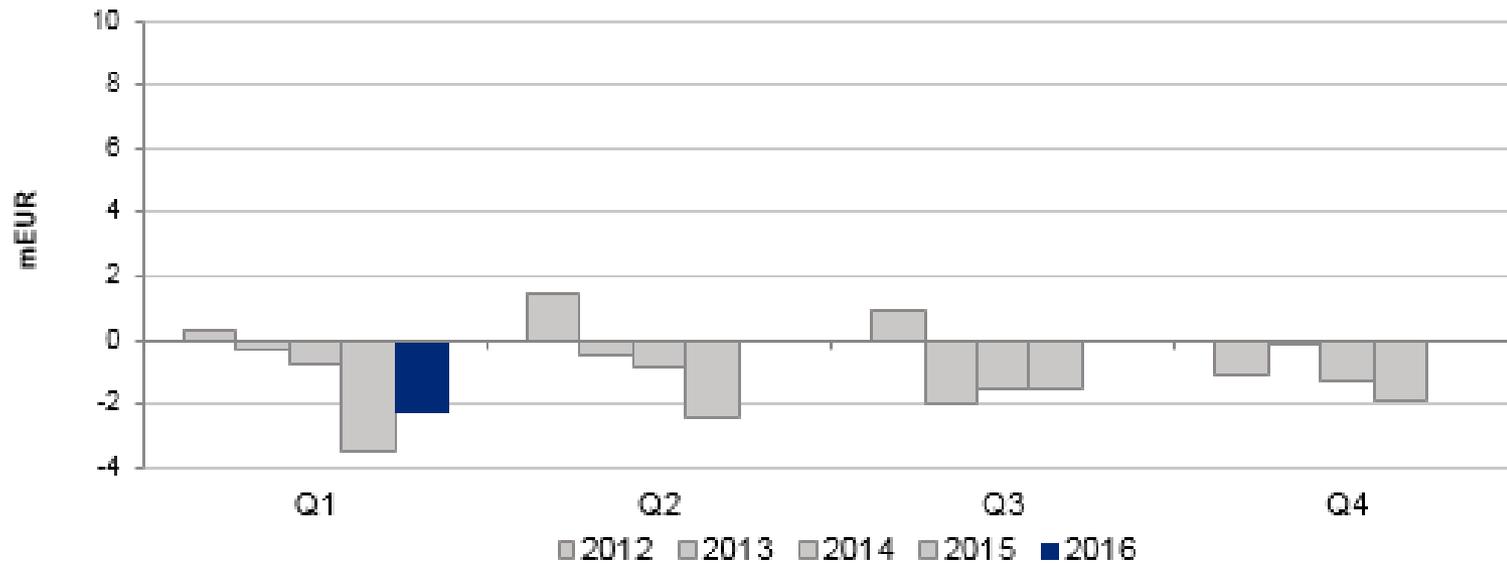
^{*)} Excluding non-recurring items

Finland EBIT*)



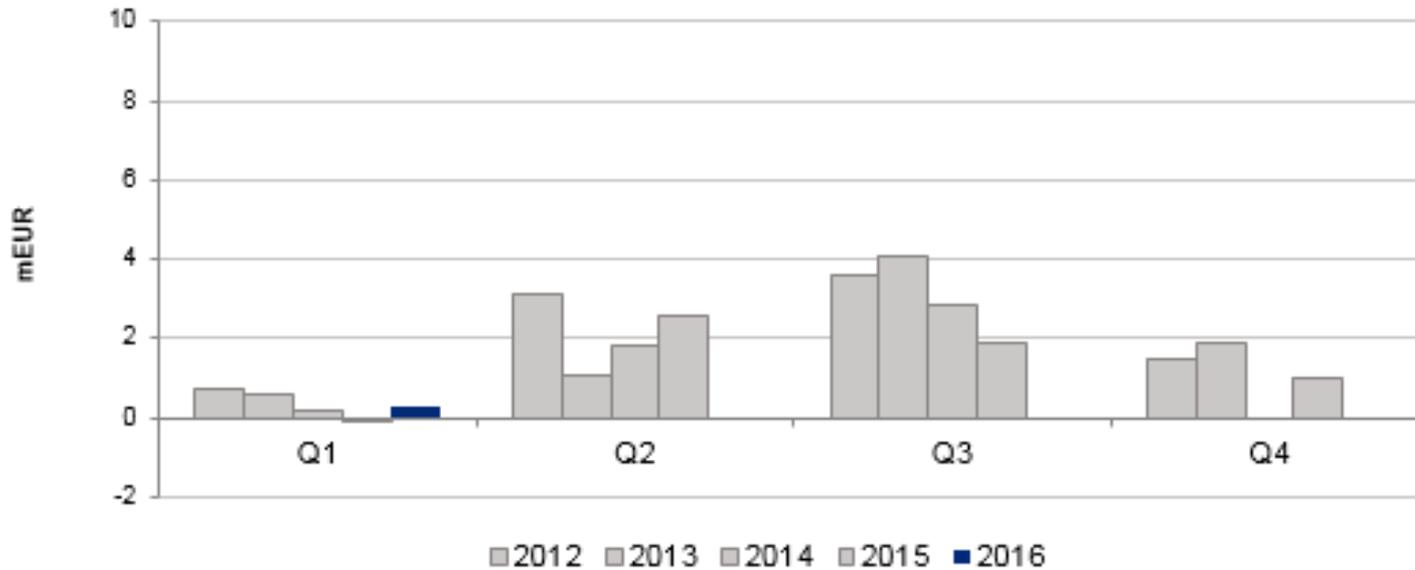
*) Excluding non-recurring items

Denmark EBIT^{*)}



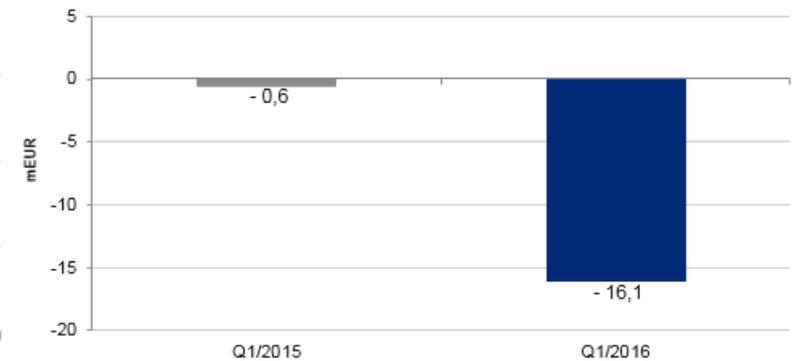
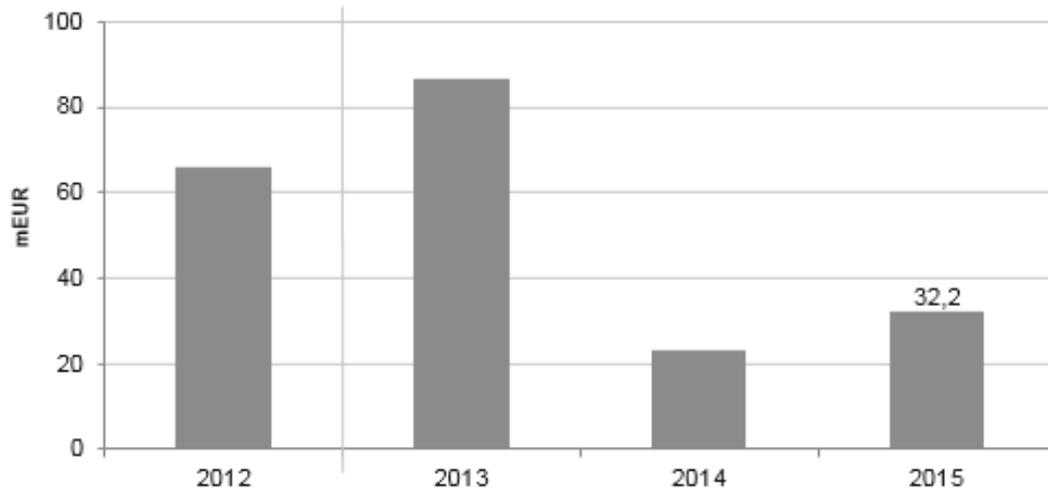
^{*)} Excluding non-recurring items

Baltics EBIT*)



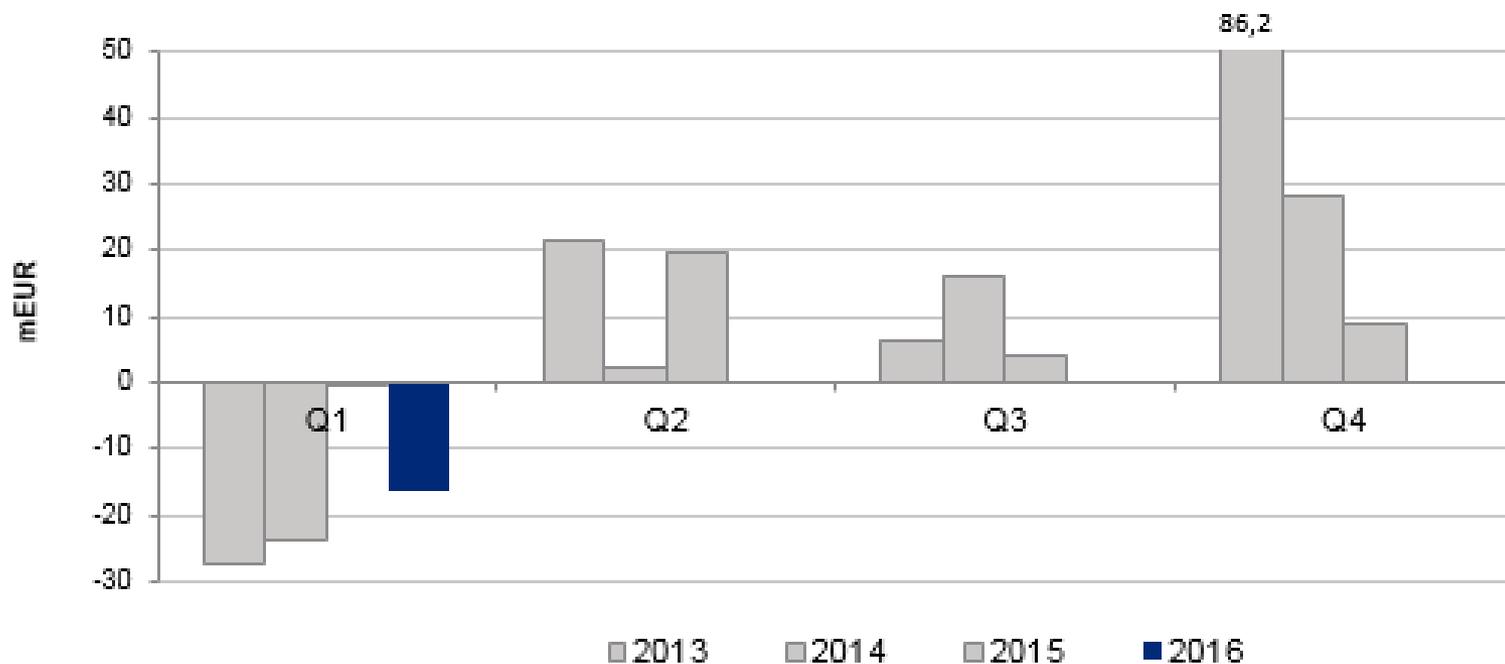
*) Excluding non-recurring items

Group cash flow before debt service^{*)}



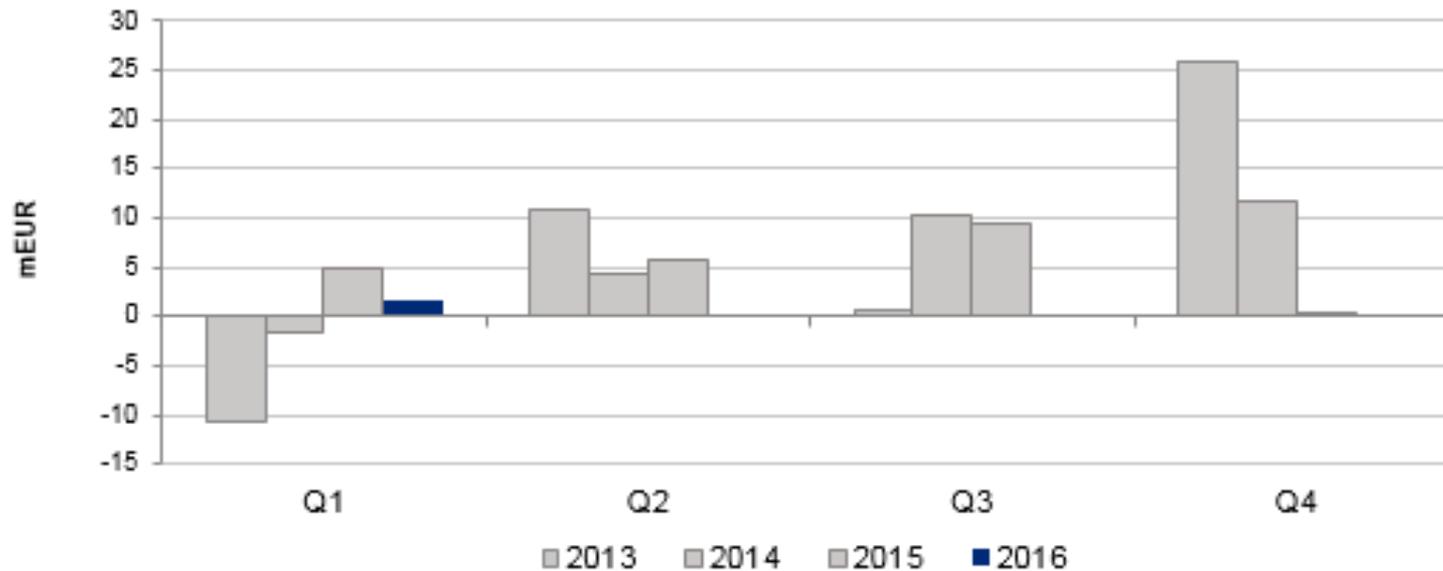
^{*)} Excluding non-recurring items

Group cash flow before debt service^{*)}



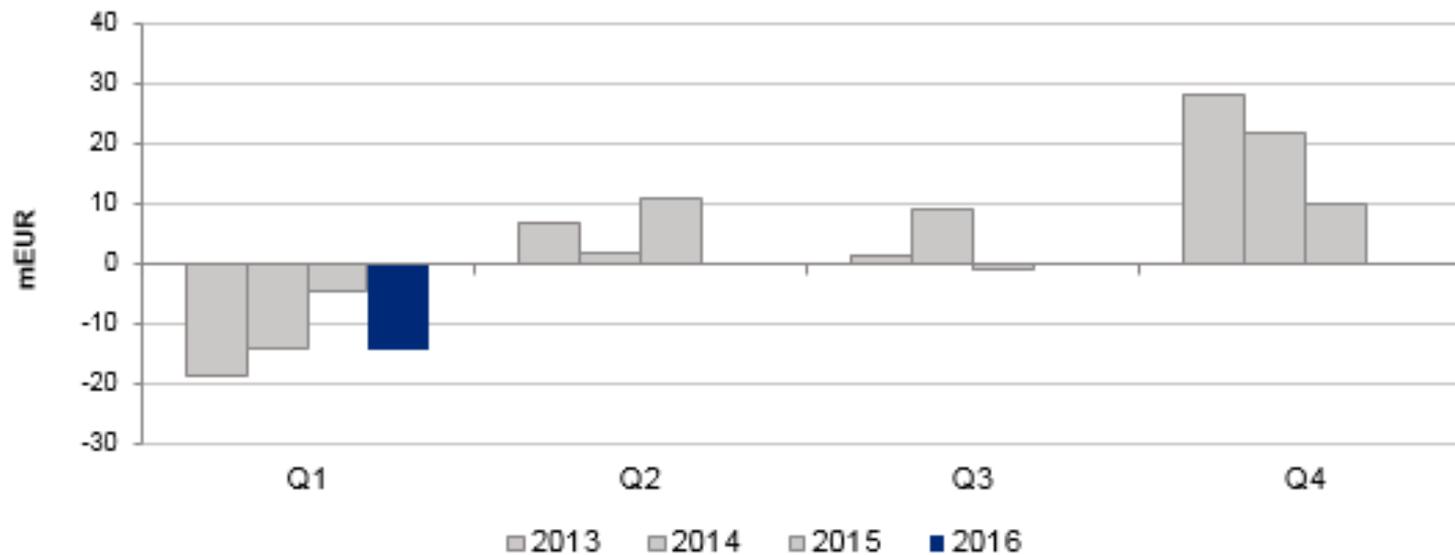
^{*)} Excluding non-recurring items

Sweden cash flow before debt service^{*)}



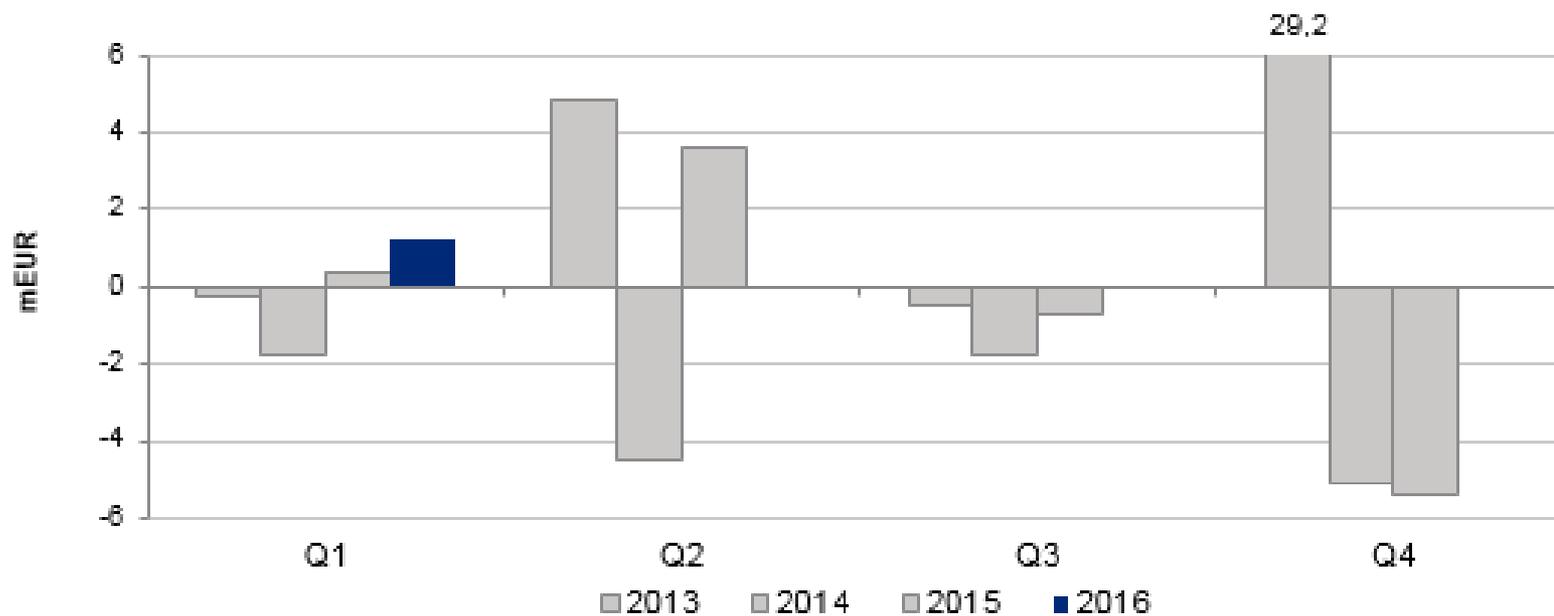
^{*)} Excluding non-recurring items

Finland cash flow before debt service^{*)}



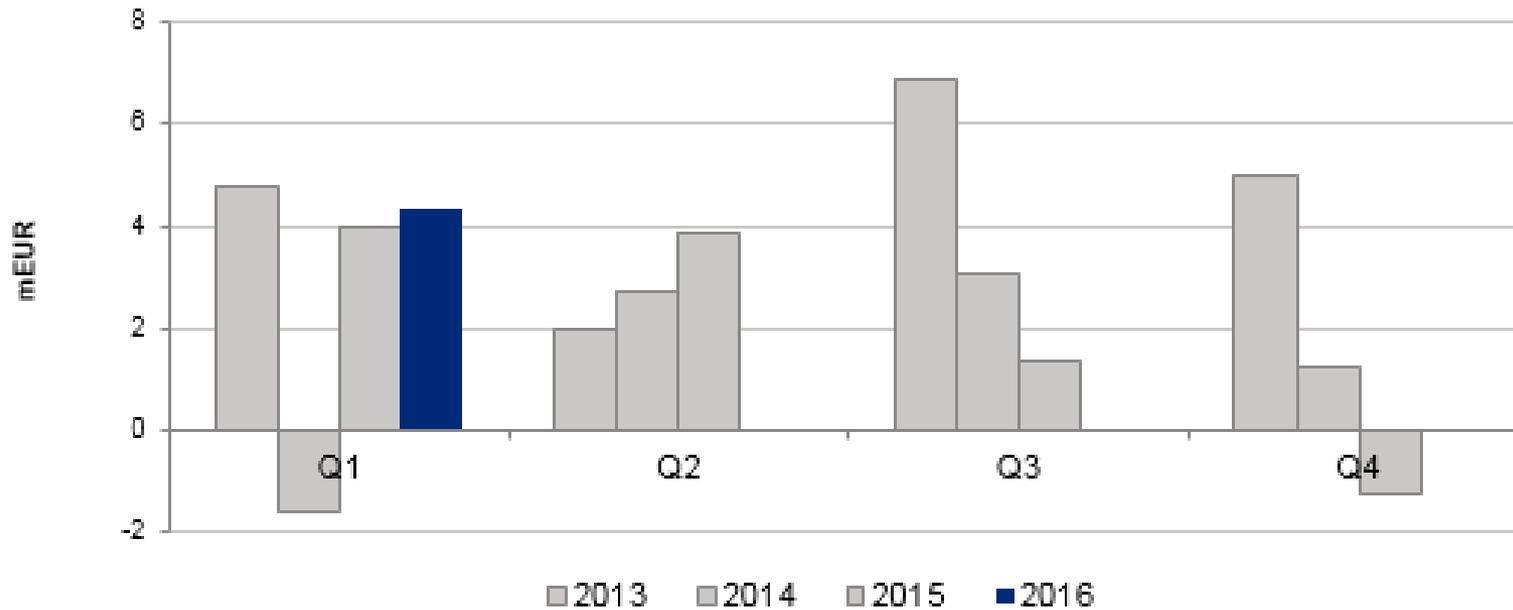
^{*)} Excluding non-recurring items

Denmark cash flow before debt service^{*)}



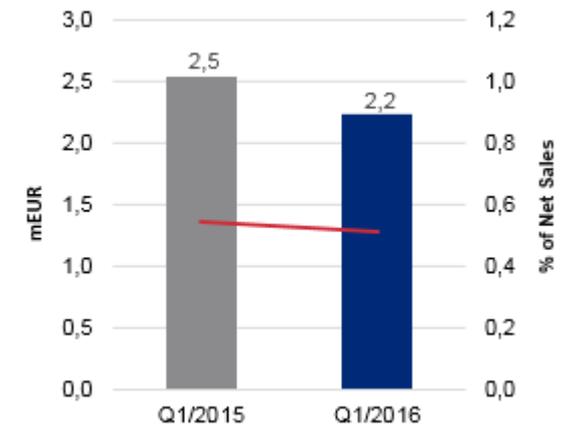
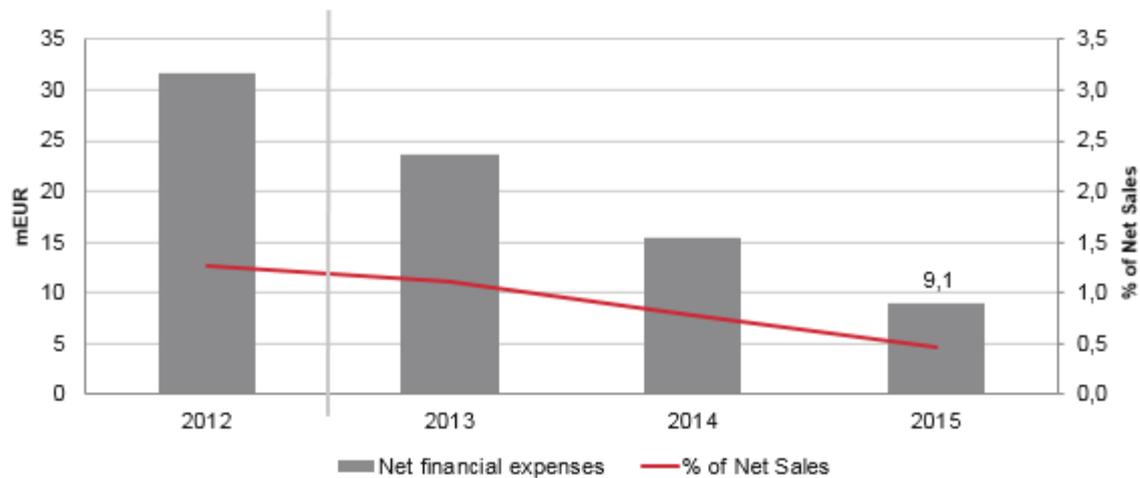
^{*)} Excluding non-recurring items

Baltics cash flow before debt service^{*)}

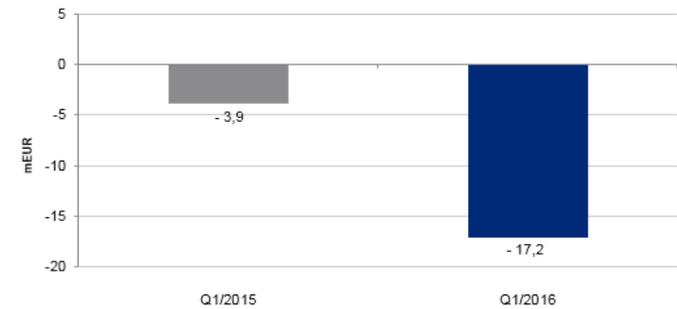
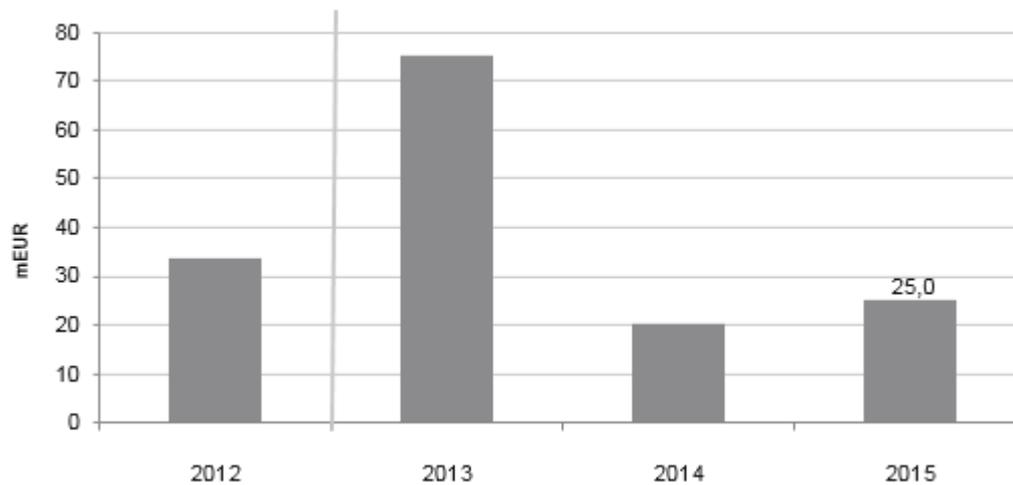


^{*)} Excluding non-recurring items

Group net financial expenses

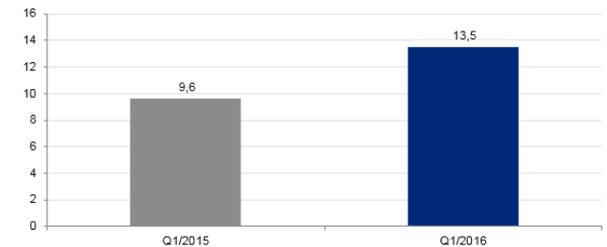
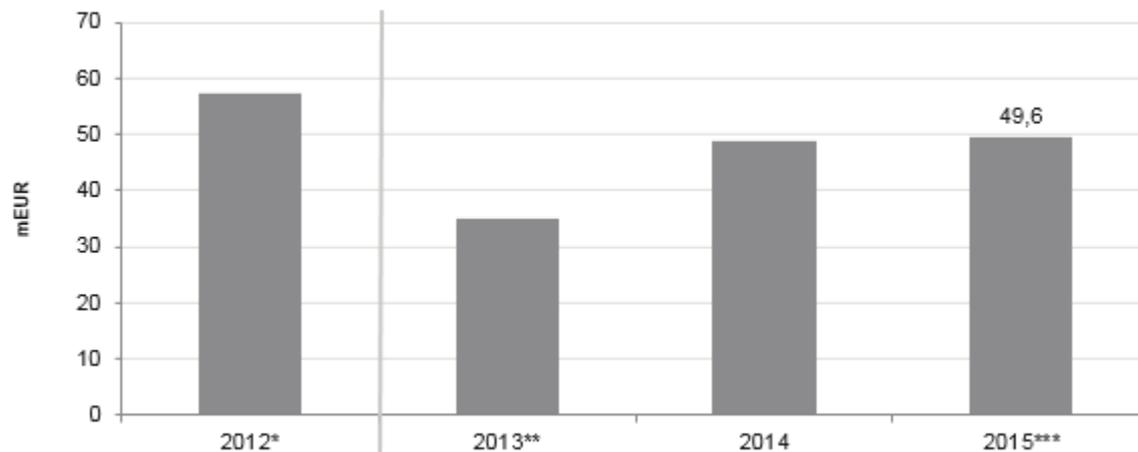


Group cash flow before financing^{*)}



^{*)} Excluding non-recurring items

Group investments

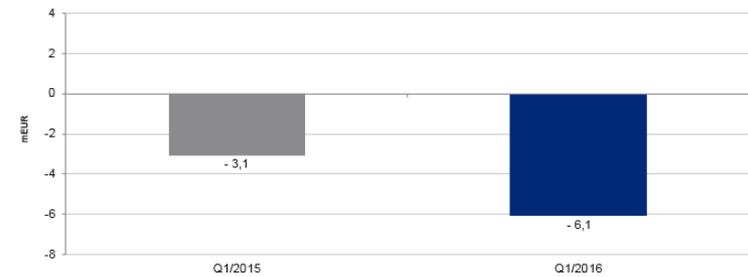
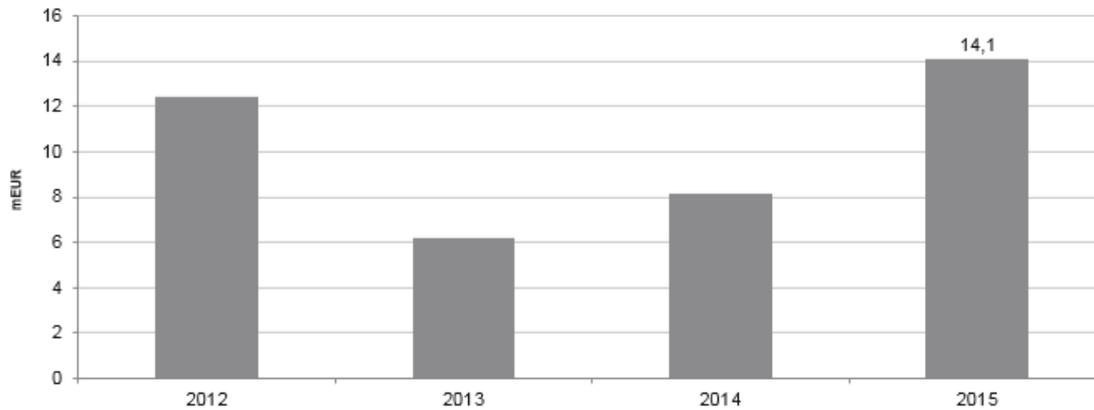


* EUR 57.3 million excluding rebuild of the Vinderup plant EUR 19.3 million

** EUR 35.0 million excluding rebuild of the Vinderup plant EUR 7.2 million

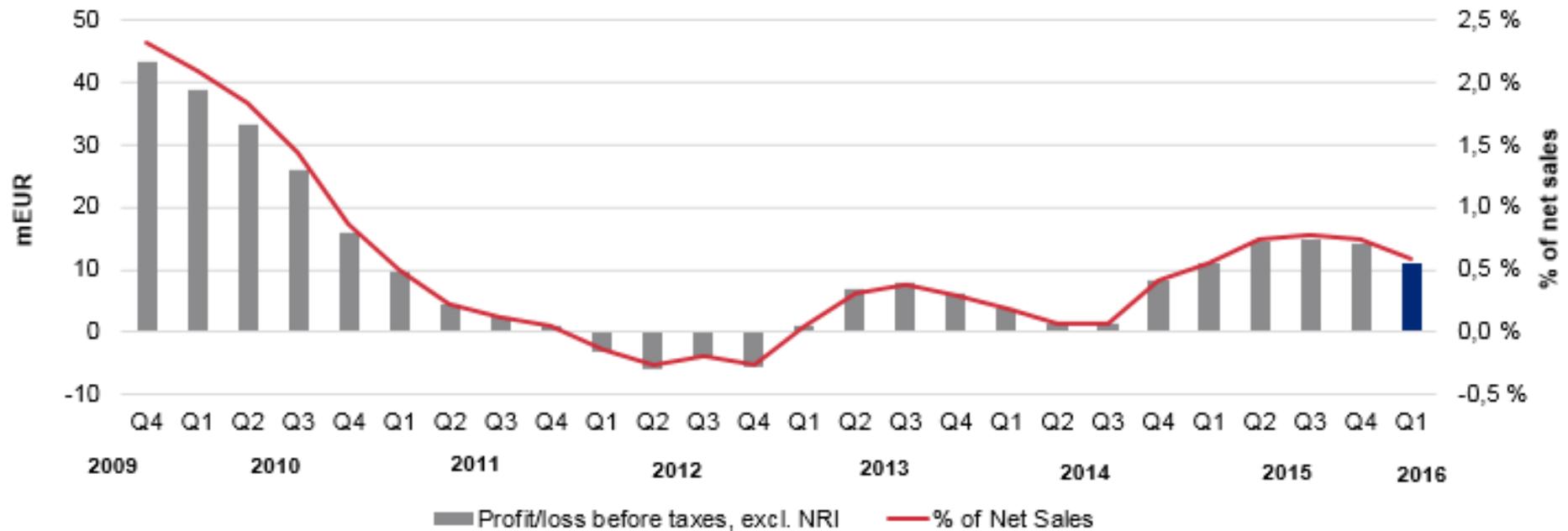
*** Excluding acquisition price of Paimion Teurastamo Oy

Profit before taxes^{*)}



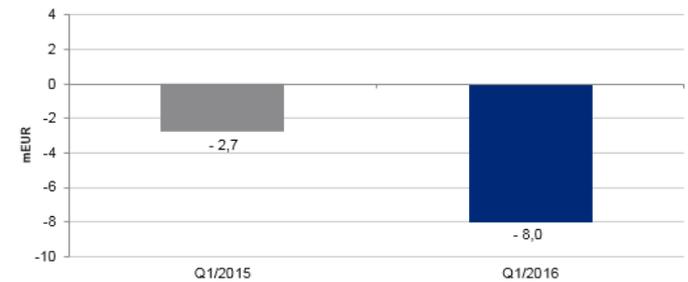
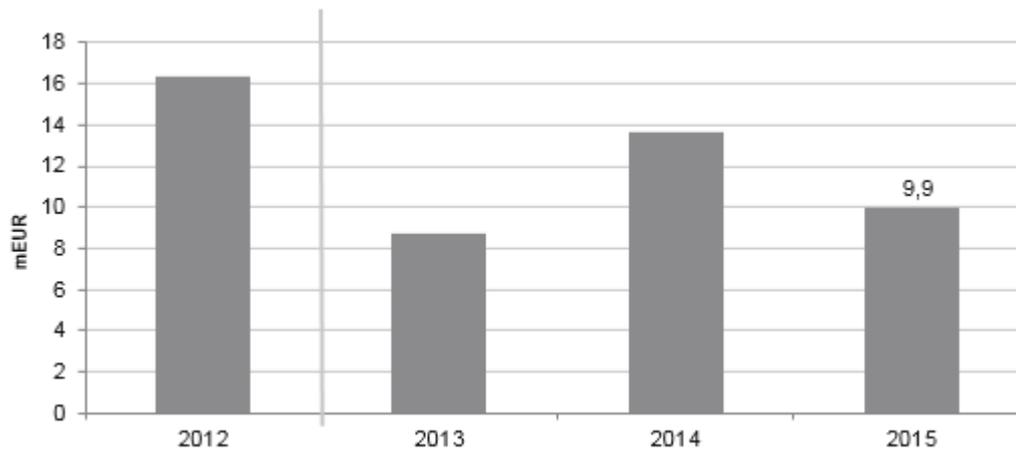
^{*)} Excluding non-recurring items

Profit before taxes excl. non-recurring items, last twelve months^{*)}



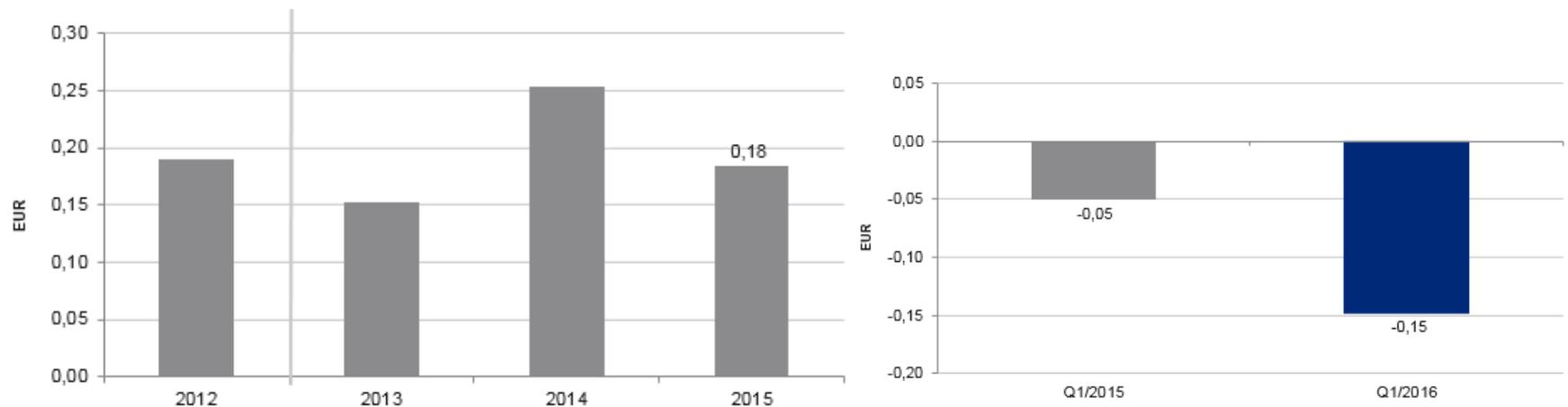
^{*)} Excluding Sokolów

Profit for the period^{*)}



^{*)} Attributable to shareholders of parent company and excluding non-recurring items

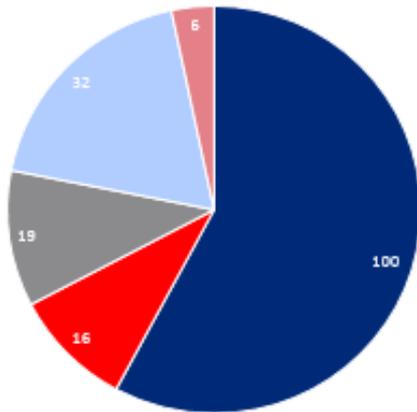
Earnings per share (EPS)*)



*) Excluding non-recurring items

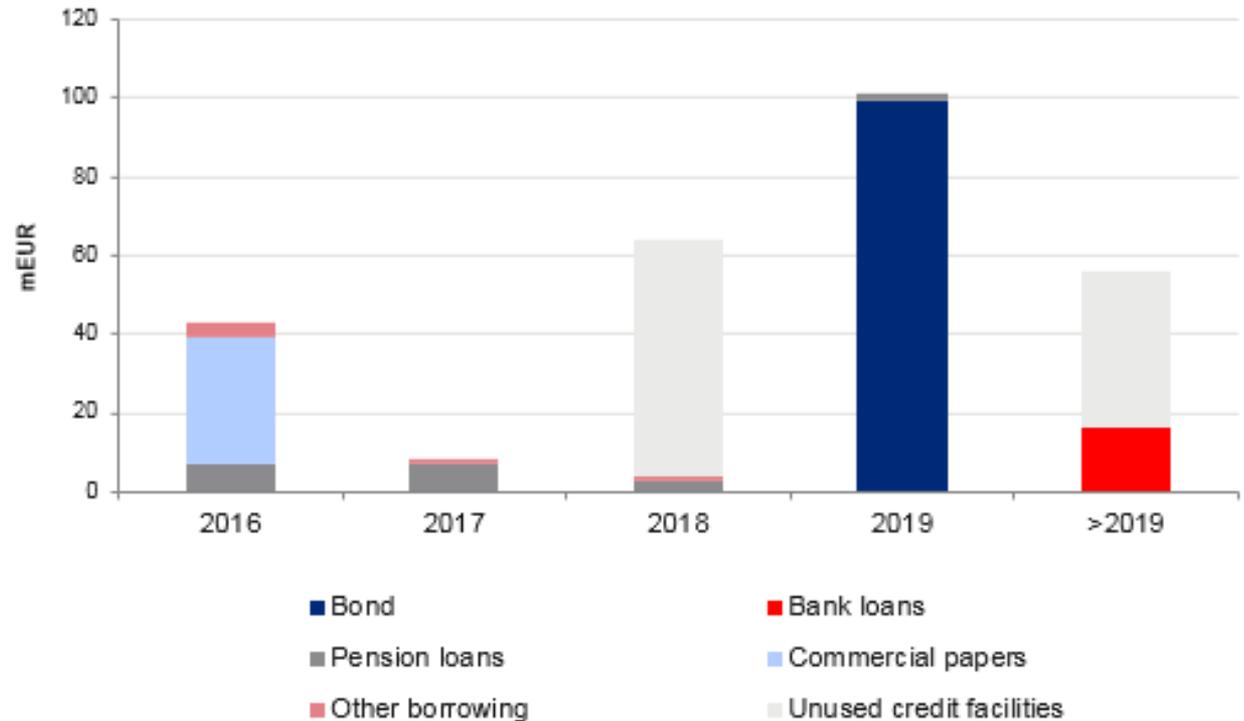
Interest-bearing debt and maturity structure

Interest-bearing debt by credit type

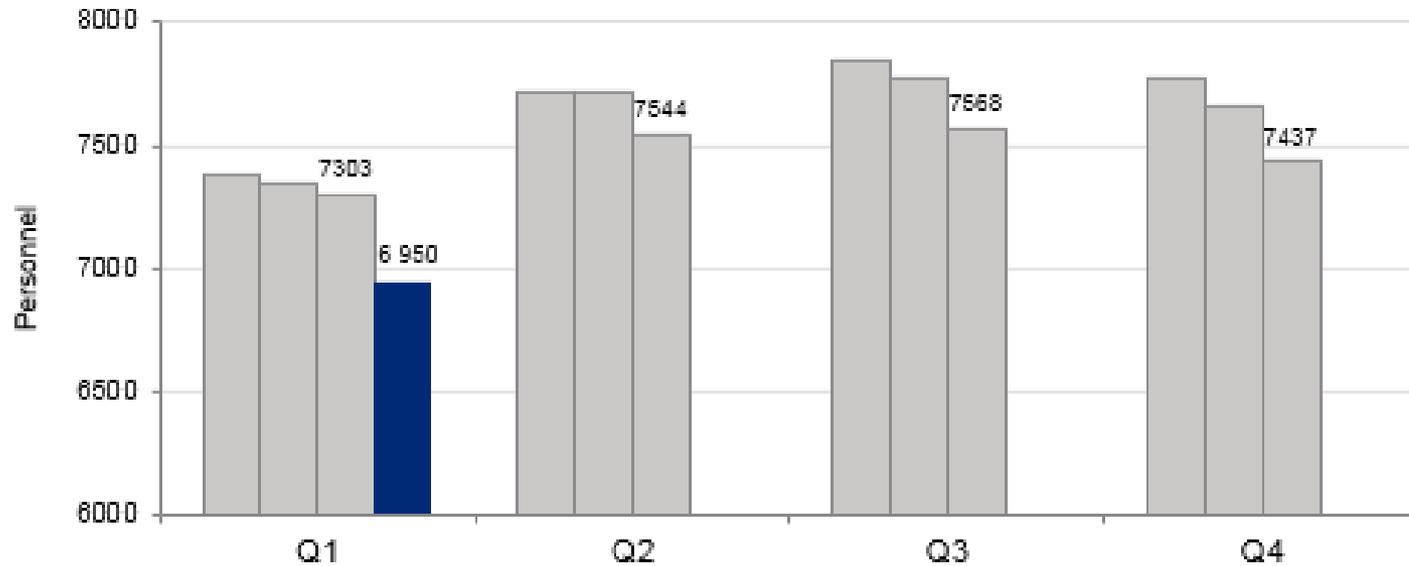


Total interest-bearing debt: 172,0 mEUR

Maturity of Group's interest-bearing debt (EUR million)



Group personnel^{*)}



^{*)} End of month average

Key figures

EUR million	Q1/2016	Q1/2015	2015
Net sales	439,1	466,0	1 917,1
EBIT	-4,3	-0,8	9,6
- EBIT %	-1,0	-0,2	0,5
EBIT excl. non-recurring items	-3,1	-0,8	21,5
- EBIT %	-0,7	-0,2	1,1
Profit before taxes	-7,3	-3,1	2,2
Profit for the review period	-9,4	-2,8	1,9
EPS, EUR	-0,17	-0,05	0,01
Cash flow before debt service	-16,1	-0,6	32,2
Cash flow before financing activities	-17,2	-3,9	25,0
ROCE before taxes, %	1,5	11,5	2,3
Net debt	164,3	145,7	144,0
Net gearing, %	39,6	32,9	33,8
Employees, end of month average	6950	7303	7 437

Outlook for 2016 (unchanged)

- HKScan expects operating profit (EBIT) to improve from 2015.
 - The economic and demand outlook is expected 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 contributes to better financial performance.

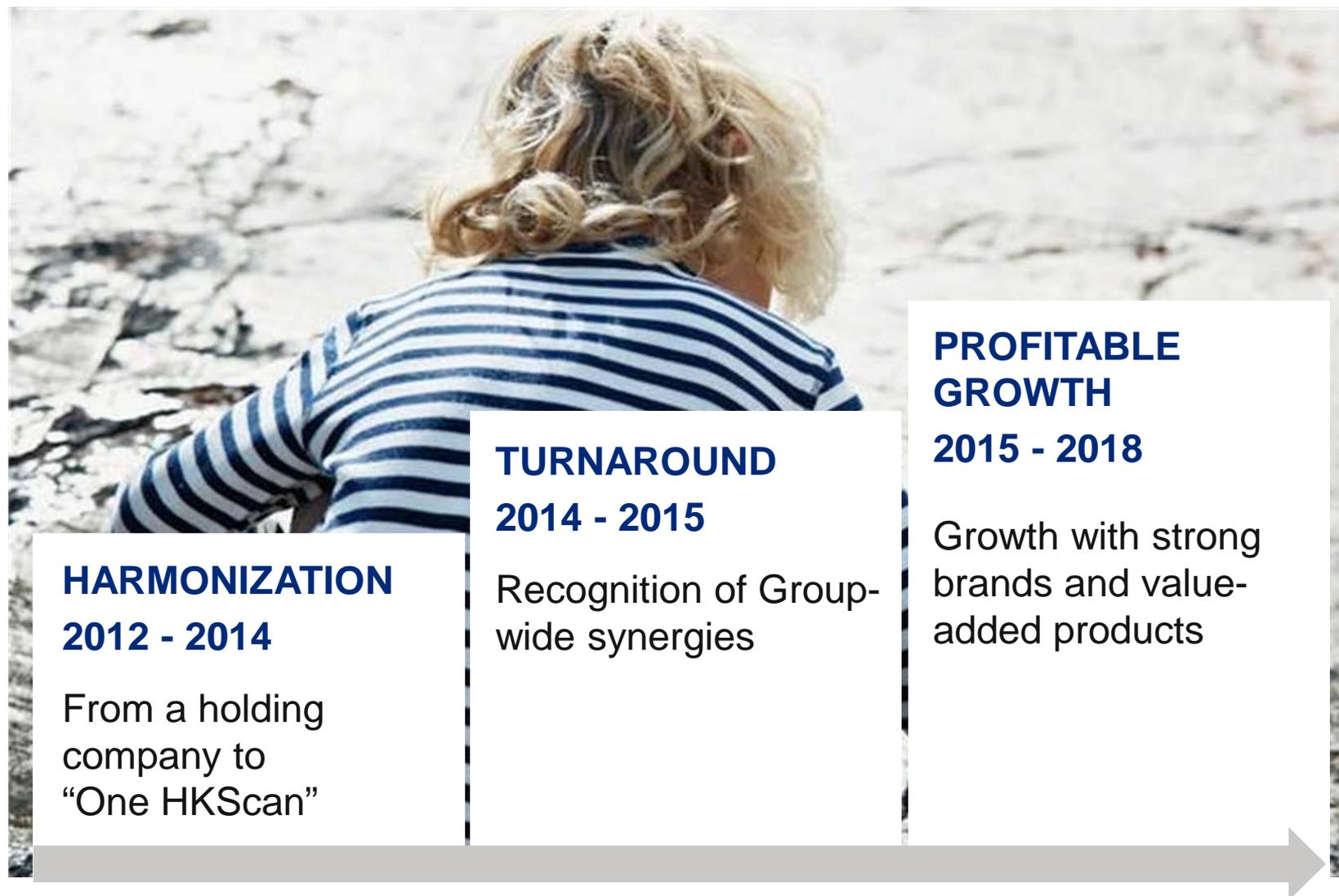
A man and a woman are sitting on a rocky beach, smiling and looking at a grill. The grill is filled with various food items including corn on the cob, sausages, and vegetables. The man is wearing a red jacket and the woman is wearing a green jacket. The background shows the ocean and a clear sky.

HKSCAN

Strategy implementation continues

**Aki Laiho, Deputy CEO and COO
4 May 2016**

HKScan strategy implementation



HARMONIZATION 2012 - 2014

From a holding company to “One HKScan”

TURNAROUND 2014 - 2015

Recognition of Group-wide synergies

PROFITABLE GROWTH 2015 - 2018

Growth with strong brands and value-added products

2016–2018: Renewed must-win battles – ingredients for growth

Renew
customer,
consumer
and channel
approach



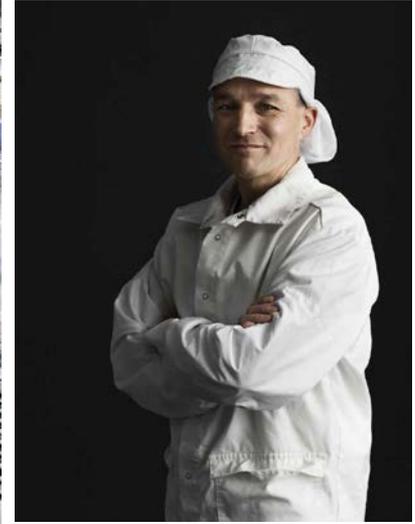
Develop
brands and
offerings



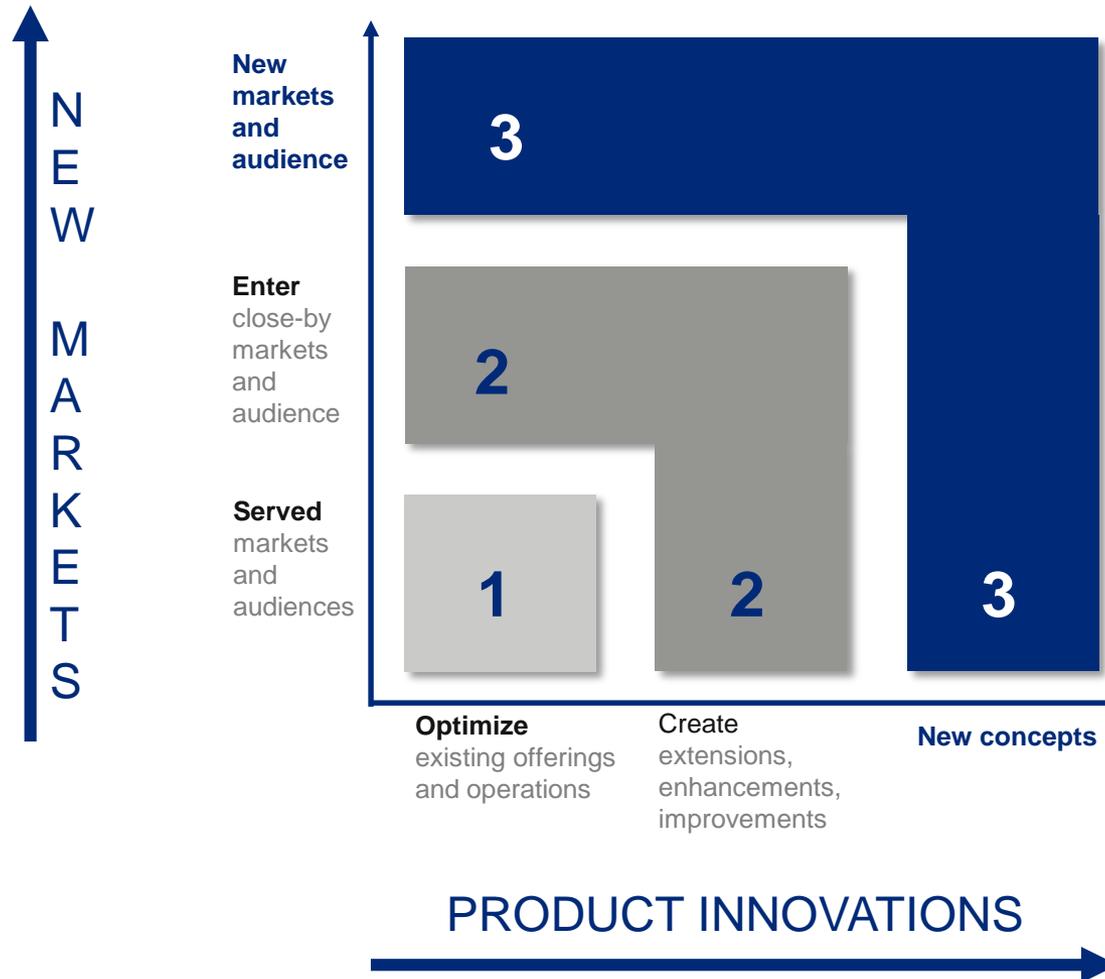
Invest
for growth



Drive
continuous
improvement



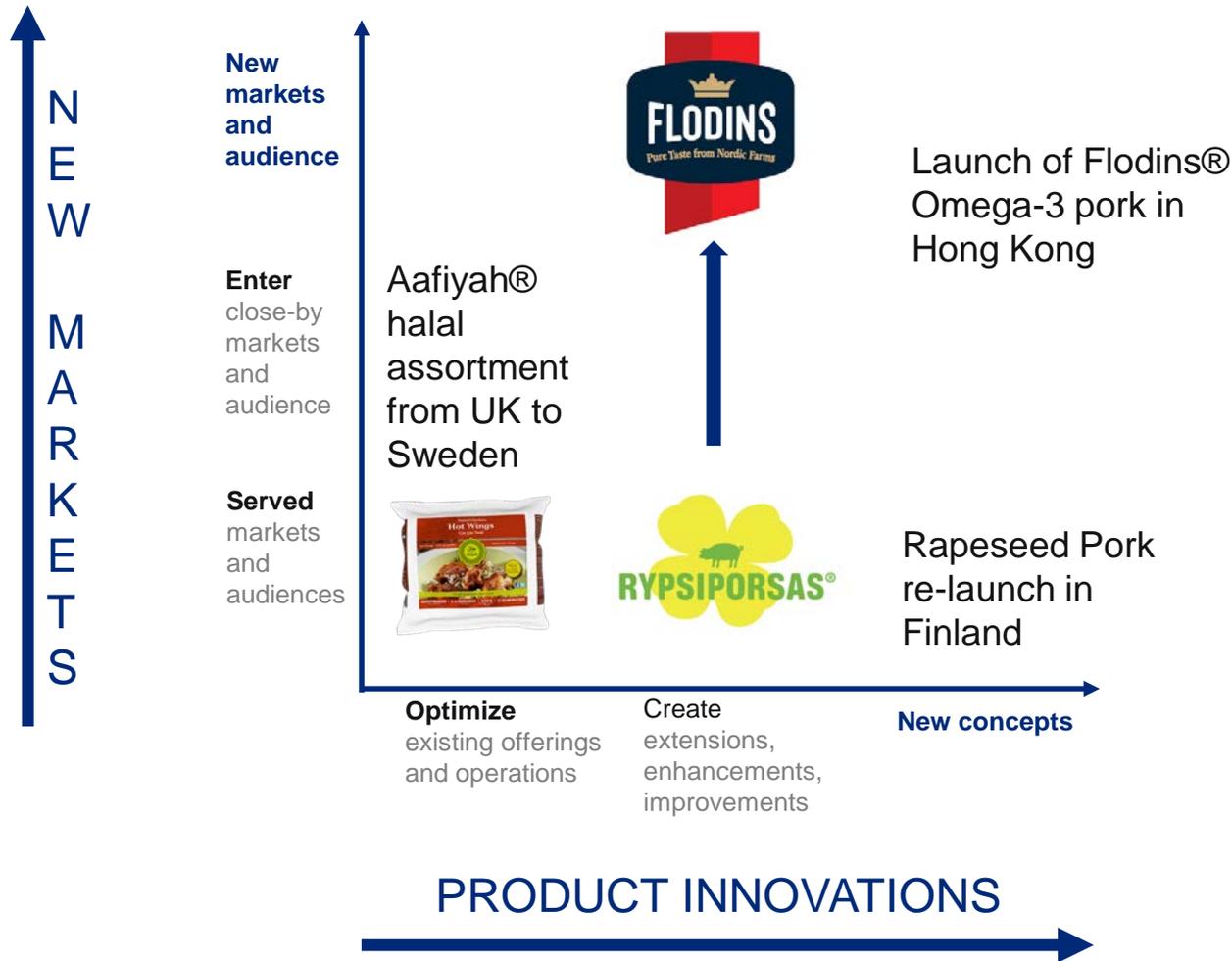
2016 – 2018: Focus on new markets and new products



Source: Modified from Doblin, Ten Types of Innovation

Focus on new markets

Flodins® Omega-3 pork and Aafiyah® halal assortment



Source: Modified from Doblin, Ten Types of Innovation

Focus on new products

New concepts around poultry, bacon and hybrid products



Source: Modified from Doblin, Ten Types of Innovation

Investing in growth

The Rauma project proceeds in schedule



- Fresh poultry segment is driving the meat consumption growth across Europe
- Construction started, environmental permit gained during first quarter
- Finnish Institute of Occupational Health engaged in designing the facilities and operations
- Investment's total value approx. EUR 80 million
- Production start at the end of 2017

Investing in growth

Expansion of the bacon plant in Poland



- Expansion investment in HKScan's bacon plant in Świnoujście, Poland
- Investment in newest technology and increasing of production capacity during 2016–2017
- Enables HKScan to consolidate its position in the growing bacon market and the high value added segment
- The investment amounts to approximately EUR 12 million

Continuous improvement

Achievements in Corporate Responsibility



- Substantial 35 per cent year-on-year reduction of greenhouse gas emissions in the Group
- HKScan Finland and Sweden committed to responsibly produced soy
- Group-wide internal Energy Efficiency campaign

A close-up photograph of a person's hands holding three small, light-colored paper bowls. The bowls contain different types of food: one with bright red cherry tomatoes, one with browned meatballs, and one with golden-brown fried items. The person is wearing a dark blue jacket. The background is blurred, suggesting an outdoor setting.

TRUST. TEAM. IMPROVE.