



HKSCAN

Interim report Q1-2/2016

**Aki Laiho, Deputy CEO and COO
19 July 2016**

Meat business environment in Q1-2/2016



- Market development in general relatively positive, growth also in the summer season
- Sales volumes of fresh meat and BBQ products at a reasonably good level
- Meat prices generally very low both in Finland and in the Baltics. Fierce price competition continued.
- Beef availability weak and purchase prices exceptionally high in Sweden
- Political and economic uncertainty both in Europe and globally continue
- African Swine Fever again in the Baltics (Estonia)



HKSCAN

Interim report Q1-2/2016 Group financials

**Tuomo Valkonen, CFO
19 July 2016**

Slight growth in net sales, profit lagging in the second quarter

HKScan Group Q1-2/2016

- In Q2
 - Growth seen in the beginning of year slowed down
 - Group's net sales grew
 - Sales margins still decreased in Sweden, stabilized in the other market areas
- Group's EBIT lagged behind both for Q1-2 and in Q2
 - Only Denmark improved its EBIT
- Group's operational efficiency measures continued well in Sweden and Denmark in Q2
- Initiatives to strengthen the Group's operational footprint proceeded in line with the profitable growth strategy
 - Construction of new poultry production plant in Rauma, Finland proceeded
 - Expansion of the Polish bacon plant initiated
- New President and CEO, Jari Latvanen, appointed on 27 May

HKScan Group

EUR million	Q2/2016	Q2/2015	Q1-Q2/2016	Q1-Q2/2015	2015
Net sales	482,7	474,8	921,8	940,8	1 917,1
EBIT	1,7	3,7	-2,6	2,9	9,6
- % of net sales	0,4	0,8	-0,3	0,3	0,5
Profit/loss before taxes	0,2	1,2	-7,1	-1,9	2,2
- % of net sales	0,0	0,3	-0,8	-0,2	0,1
Profit/loss for the period	-0,2	1,0	-9,6	-1,8	1,9
Comparable EBIT	2,2	3,7	-0,9	2,9	21,5
- % of net sales	0,5	0,8	-0,1	0,3	1,1
Comparable profit/loss before taxes	0,7	1,2	-5,4	-1,9	14,1
- % of net sales	0,1	0,3	-0,6	-0,2	0,7
EPS, EUR	-0,01	0,01	-0,18	-0,04	0,01
Return on capital employed (ROCE) before taxes, %			1,3	3,3	2,3
Comparable ROCE before taxes, %			3,7	4,3	4,3
Net gearing, %			38,6	35,8	33,8

Market area Sweden

EUR million	Q2/2016	Q2/2015	Q1-Q2/2016	Q1-Q2/2015	2015
Net sales	205,0	208,3	394,1	410,4	841,9
EBIT	3,3	3,4	4,4	5,4	21,1
- EBIT %	1,6	1,6	1,1	1,3	2,5
Comparable EBIT	3,3	3,4	4,4	5,4	21,6
- EBIT %	1,6	1,6	1,1	1,3	2,6

- Meat consumption continued to grow and demand for domestic meat remained strong
- Tough competition caused animal purchase price increases (especially beef) and a shortage of beef
- Sales price increases made with success in all product categories
- Net sales decreased mainly due to lower sales volumes (beef)
- Operational efficiency continued improving, thus partially offsetting the decrease in sales margins
- Sales of the new products 'Korvish®' and 'Järpish®' met expectations

Market area Finland

EUR million	Q2/2016	Q2/2015	Q1-Q2/2016	Q1-Q2/2015	2015
Net sales	207,4	195,5	394,3	389,0	801,6
EBIT	2,2	3,8	3,0	7,4	4,9
- EBIT %	1,1	2,0	0,8	1,9	0,6
Comparable EBIT	2,2	3,8	3,0	7,4	16,3
- EBIT %	1,1	2,0	0,8	1,9	2,0

- Market demand in general decreased slightly during Q2. Growth was seen only in poultry and processed food. Market price level for meat products was low in all customer segments.
- Net sales increased thanks to higher poultry sales volumes and acquisition of Paimion Teurastamo
- Animal raw material costs remained at the level of the first quarter
- Pork oversupply contributed to sales prices decreases and increased production costs
- Active measures ongoing to correct oversupply in cooperation with producers
- Investment in the Rauma poultry plant continued, and cornerstone was laid

Market area Denmark

EUR million	Q2/2016	Q2/2015	Q1-Q2/2016	Q1-Q2/2015	2015
Net sales	46,6	45,6	91,3	94,5	175,9
EBIT	-2,6	-2,4	-4,9	-5,9	-9,3
- EBIT %	-5,6	-5,3	-5,3	-6,2	-5,3
Comparable EBIT	-2,1	-2,4	-4,4	-5,9	-9,3
- EBIT %	-4,6	-5,3	-4,8	-6,2	-5,3

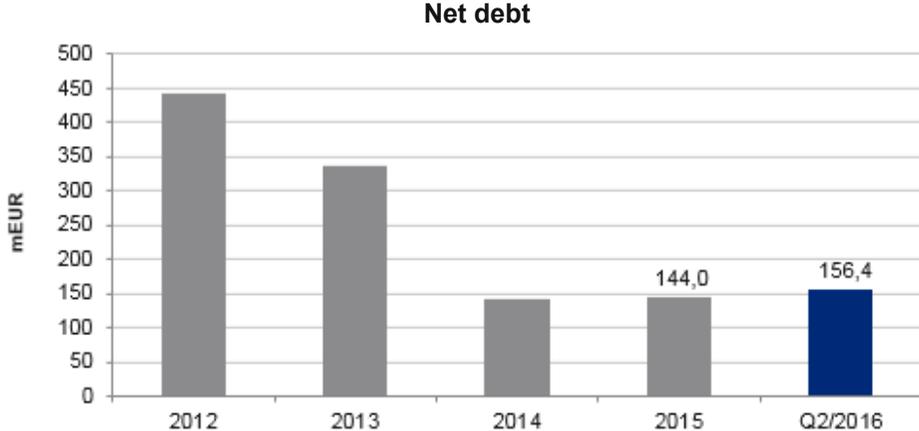
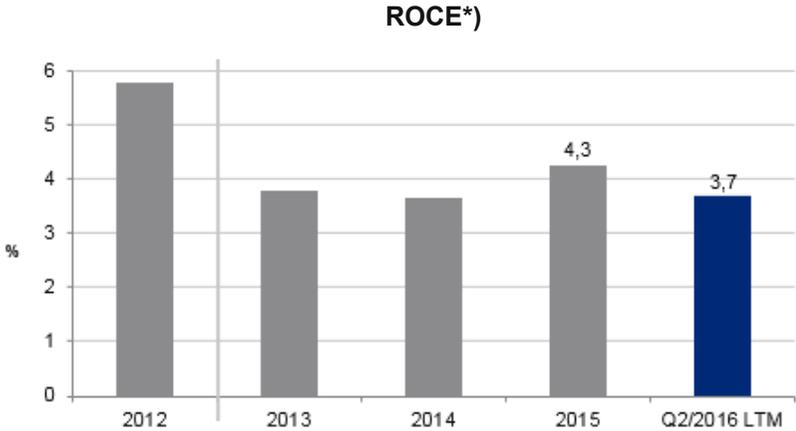
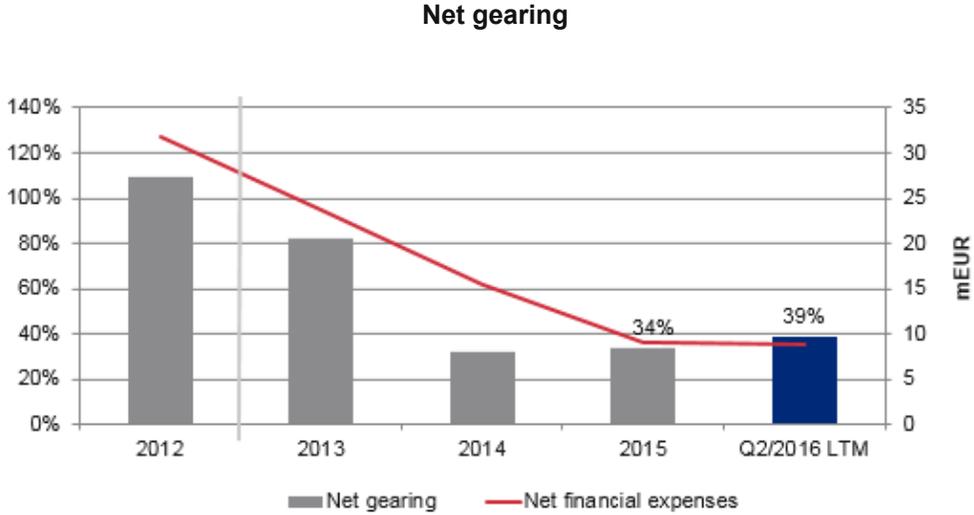
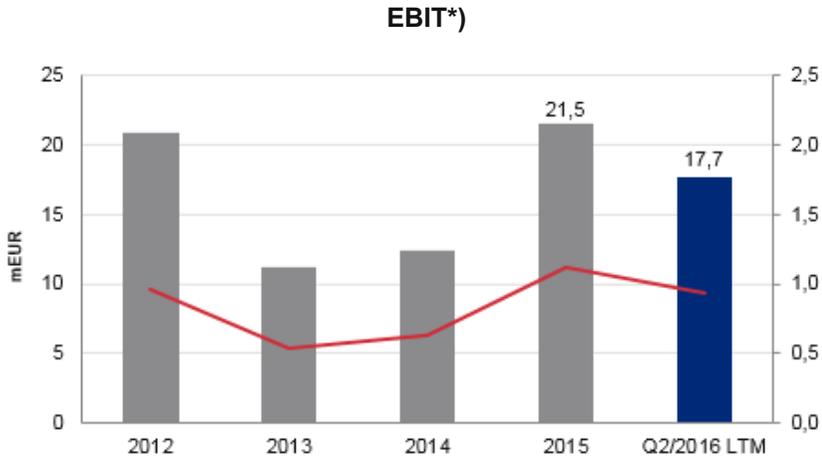
- Net sales increased due to higher sales volumes in Q2
- EBIT improved thanks to operational efficiency measures
- Domestic sales of fresh products very positive resulting in higher volumes, improved margins, and market share gains
 - Rose[®] brand gained a leading position on the Danish poultry market
- Export market still challenging, some improvement in price levels in Asia in Q2
- Investments in the Rose[®] brand with good results

Market area Baltics

EUR million	Q2/2016	Q2/2015	Q1-Q2/2016	Q1-Q2/2015	2015
Net sales	41,5	44,6	79,4	85,5	173,6
EBIT	1,8	2,6	2,0	2,5	5,4
- EBIT %	4,3	5,8	2,6	2,9	3,1
Comparable EBIT	1,8	2,6	2,0	2,5	5,4
- EBIT %	4,3	5,8	2,6	2,9	3,1

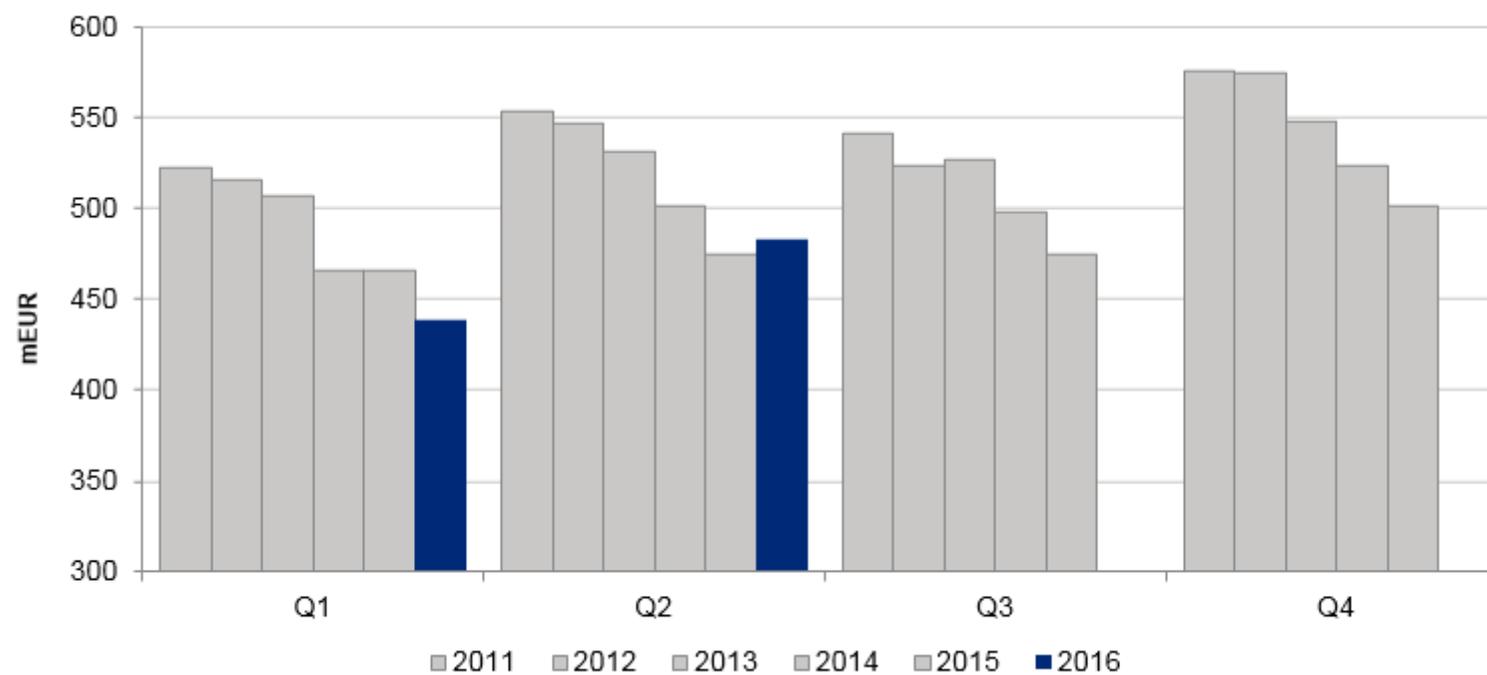
- Market situation weak and price levels low. Export market remained challenging.
- Net sales development negative due to lower sales prices and volumes, as well as the divestment of egg business (in Q1/2015)
- Market price level for pork recovered and showed some increase at end of Q2
- Increased sales volumes compensated for lower sales prices on the domestic market
- Fierce competition, but the strong market position was maintained
- Active measures to prevent the spread of African swine fever (ASF) continued in the Baltics
- Actions to expand Rakvere® and Tallegg® brands from Estonia into pan-Baltic brands started

Financial performance

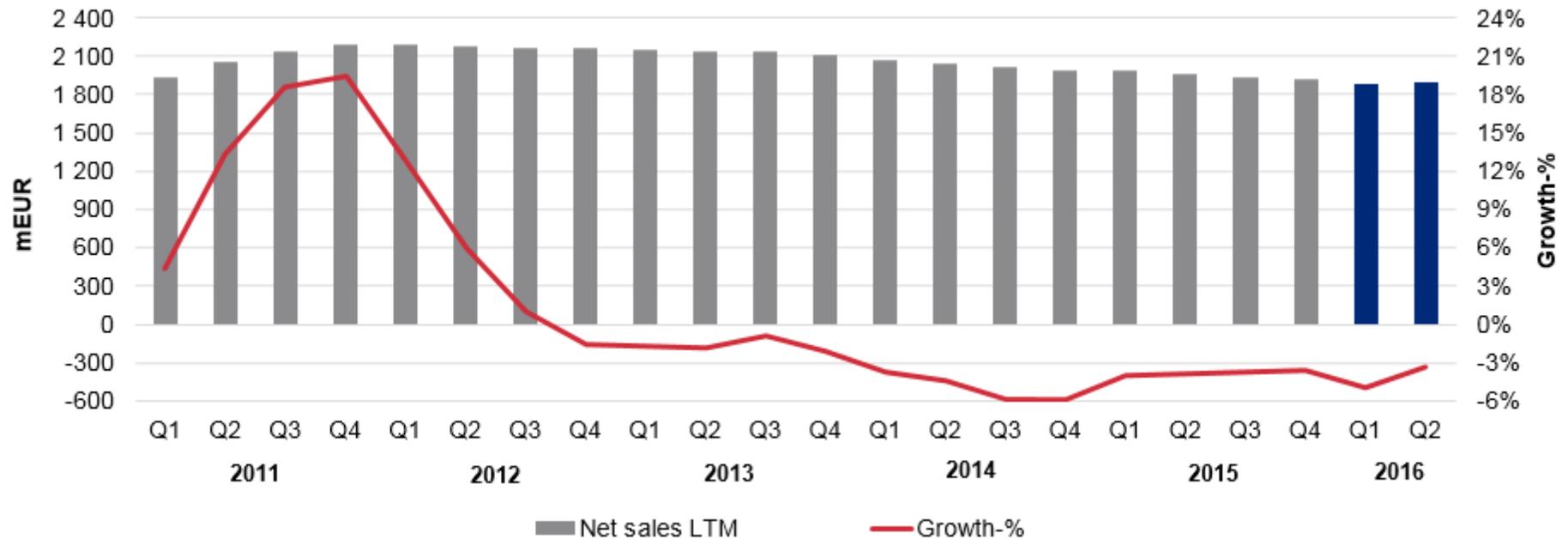


*) Comparable

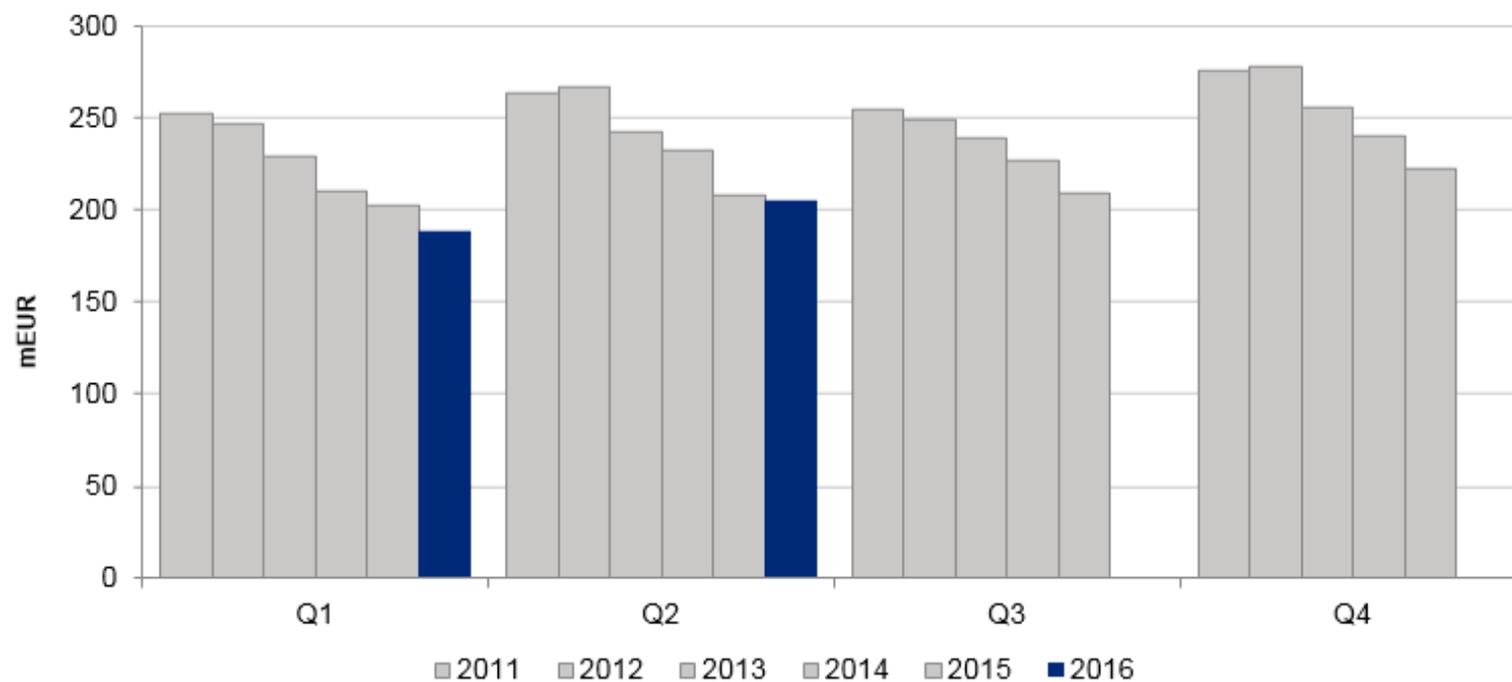
Group net sales



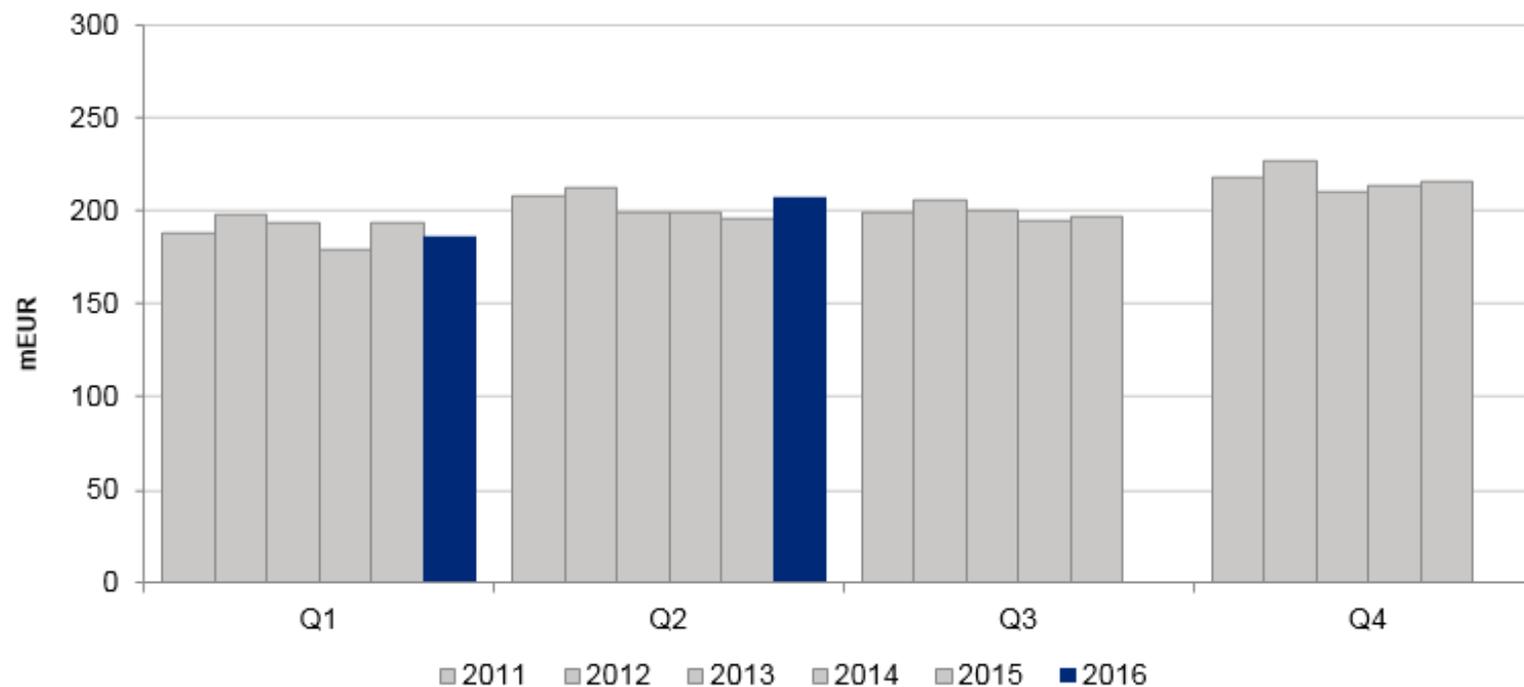
Group net sales, last twelve months



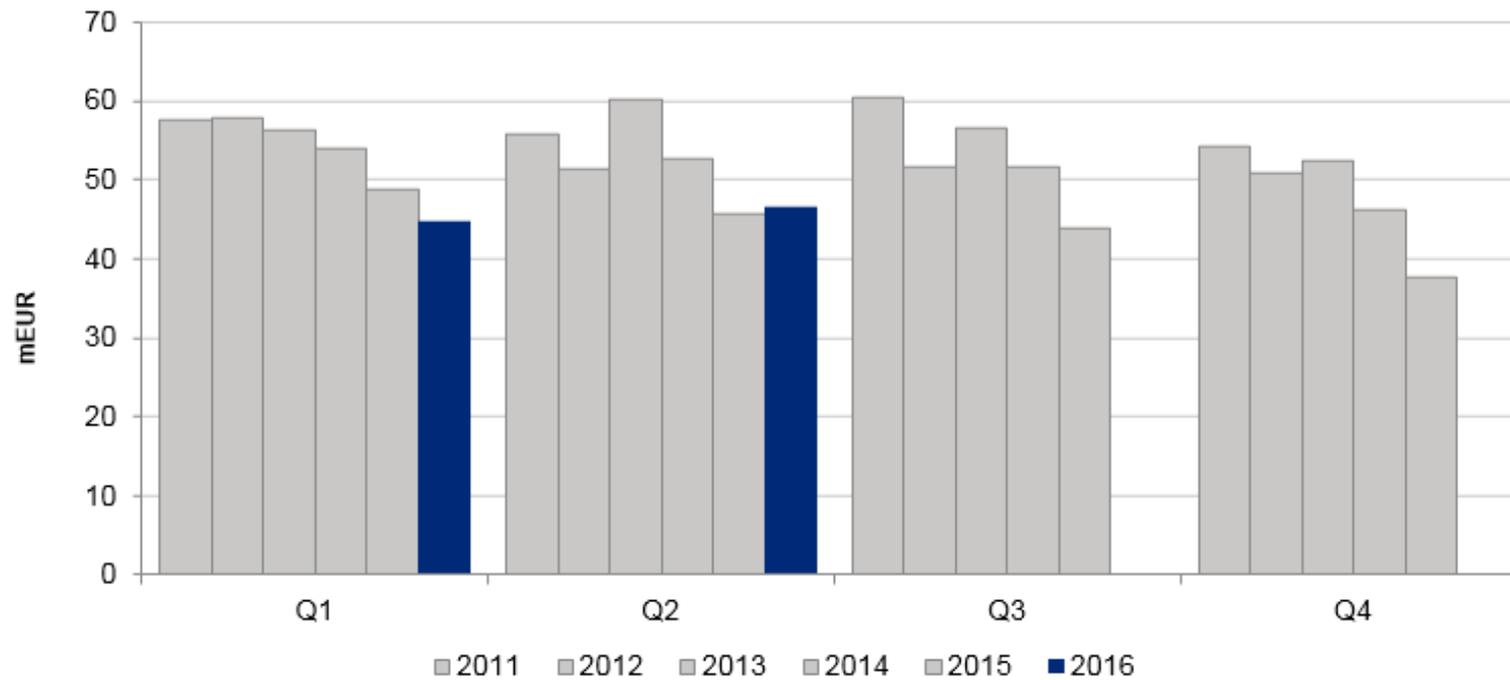
Sweden net sales



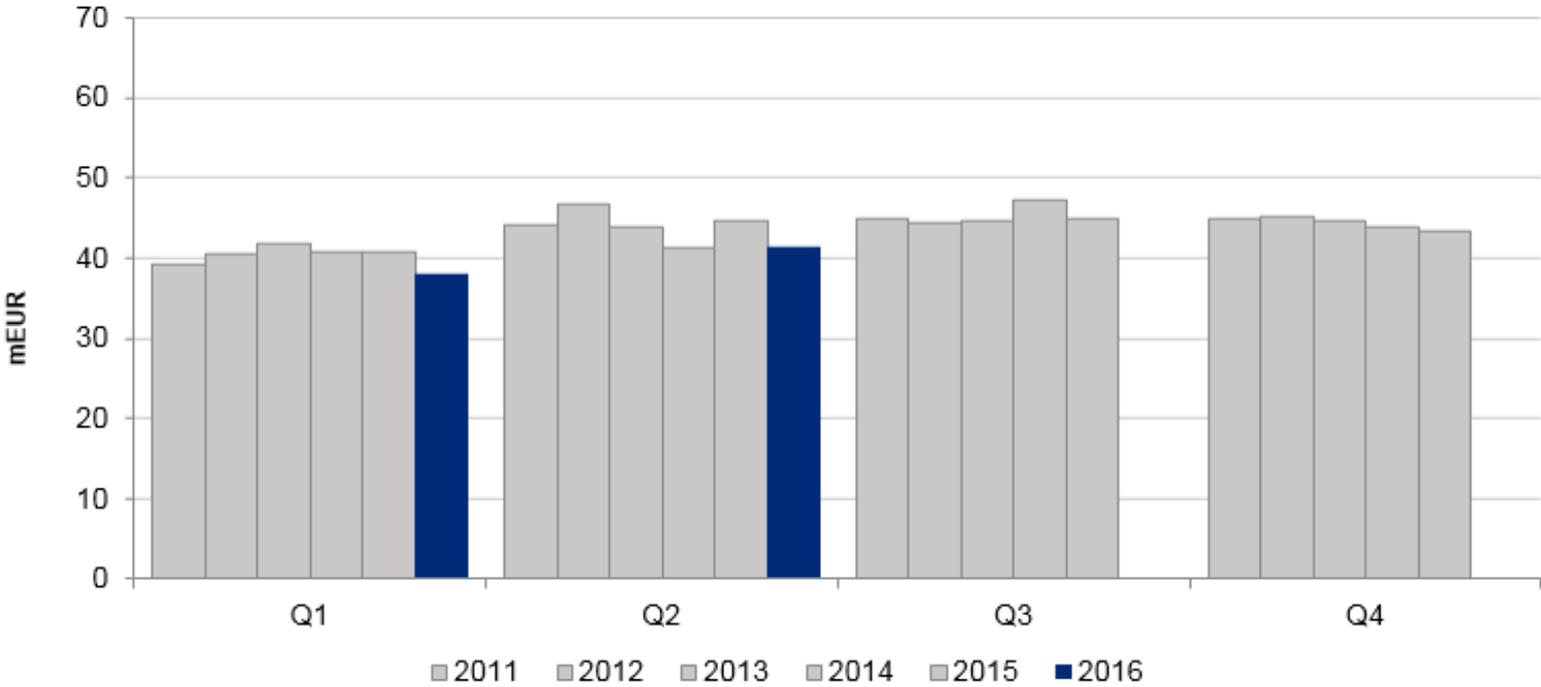
Finland net sales



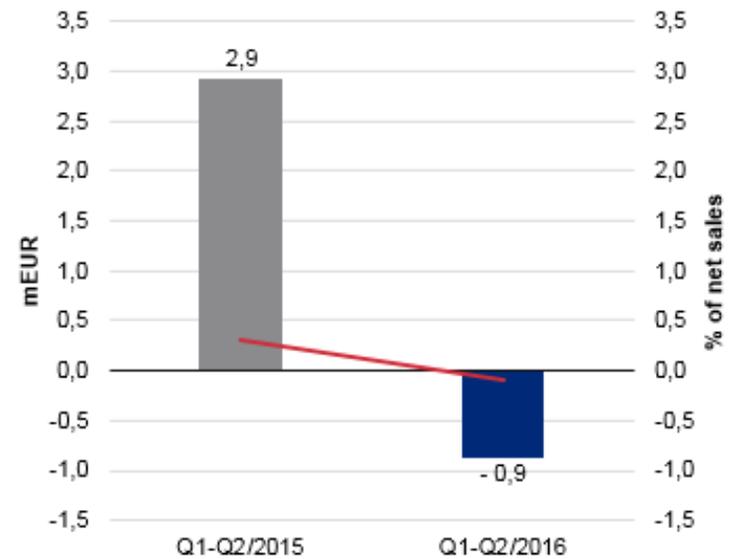
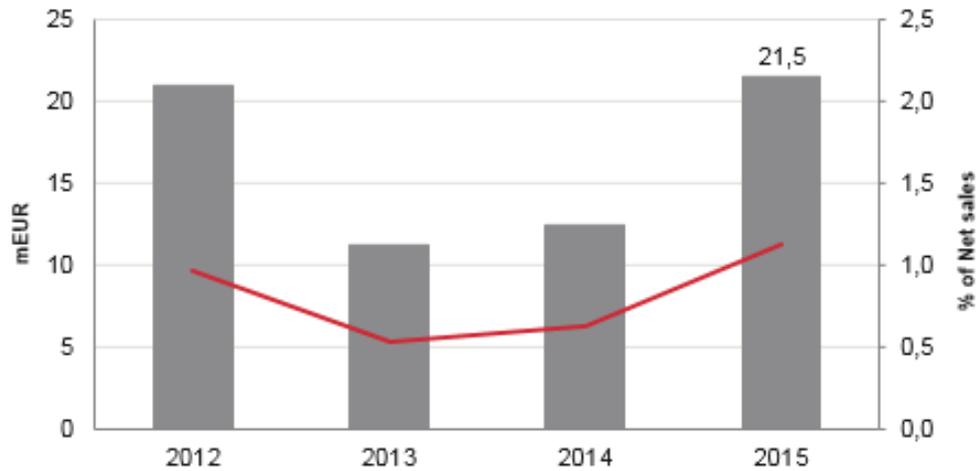
Denmark net sales



Baltics net sales



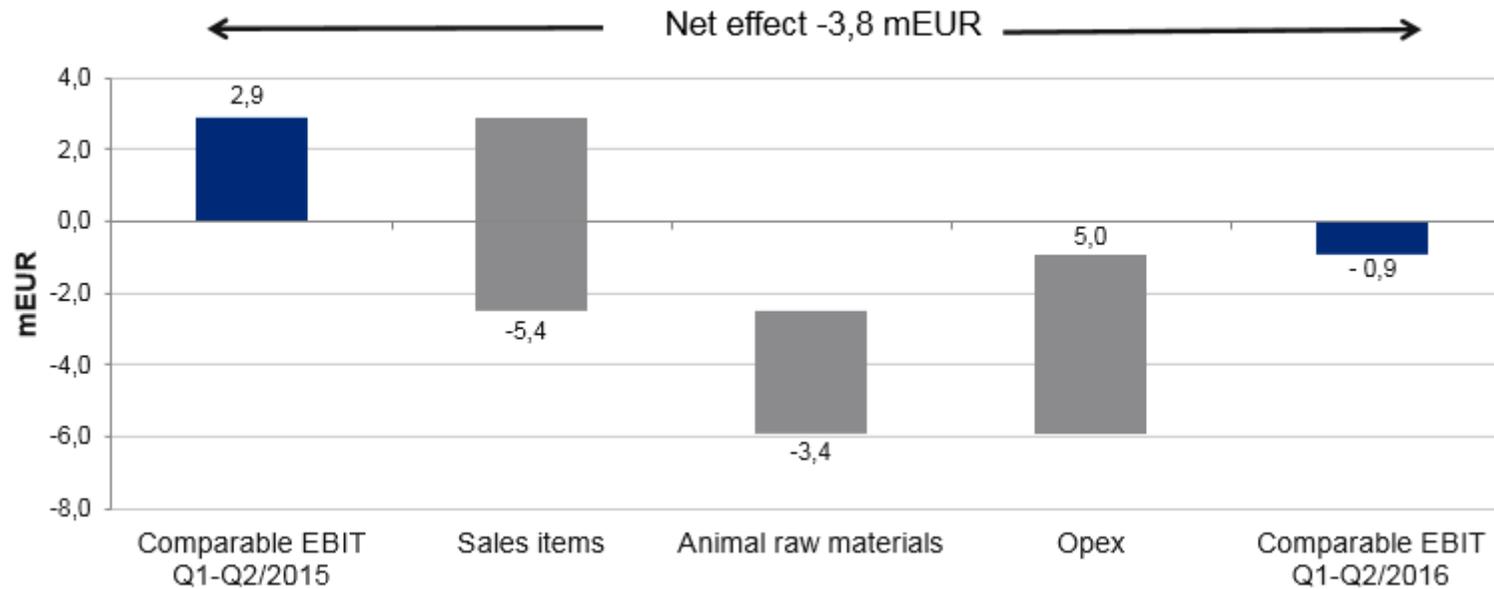
Group EBIT development *)



*) Comparable

Group EBIT*)

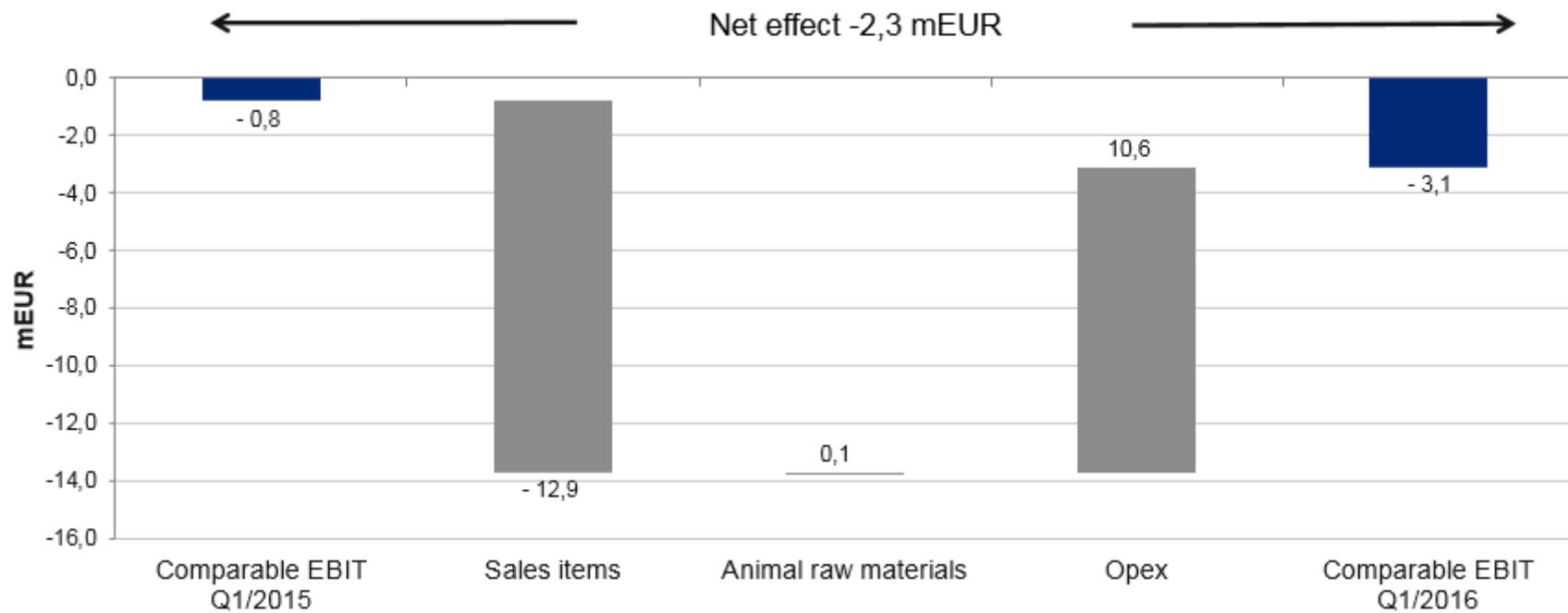
Q1-Q2/2015 vs Q1-Q2/2016



*) Comparable

Group EBIT*)

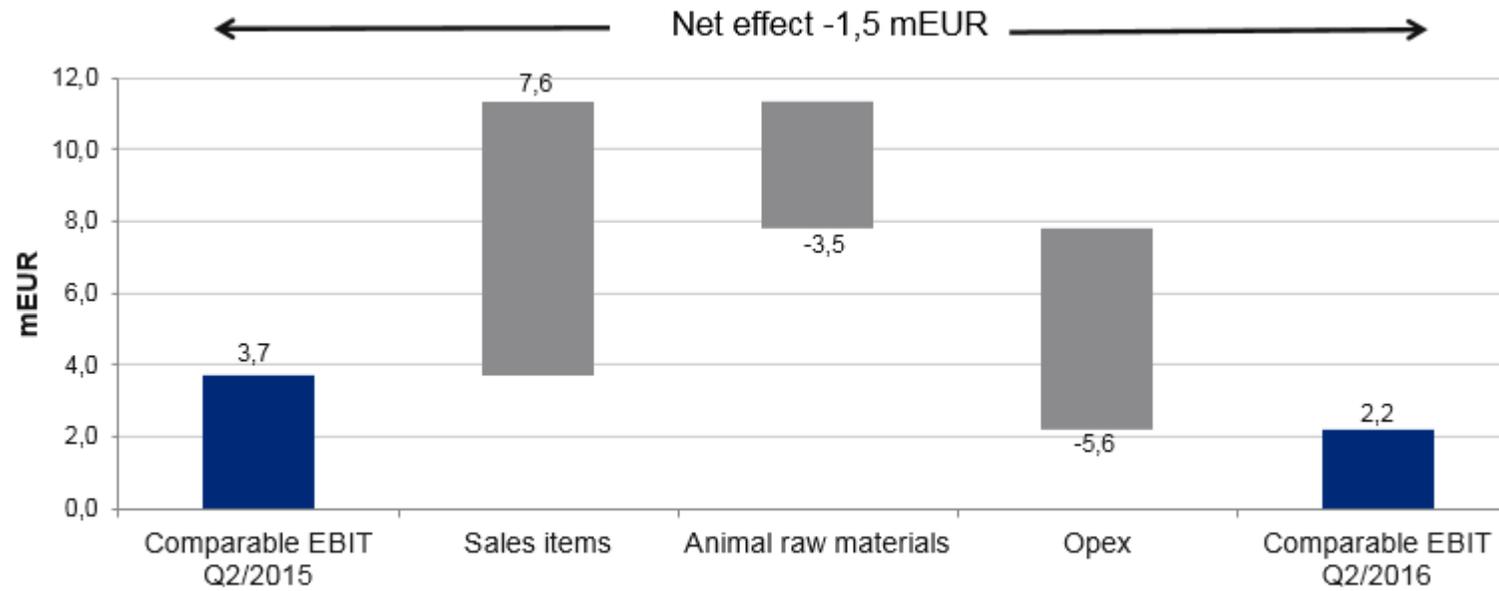
Q1/2015 vs Q1/2016



*) Comparable

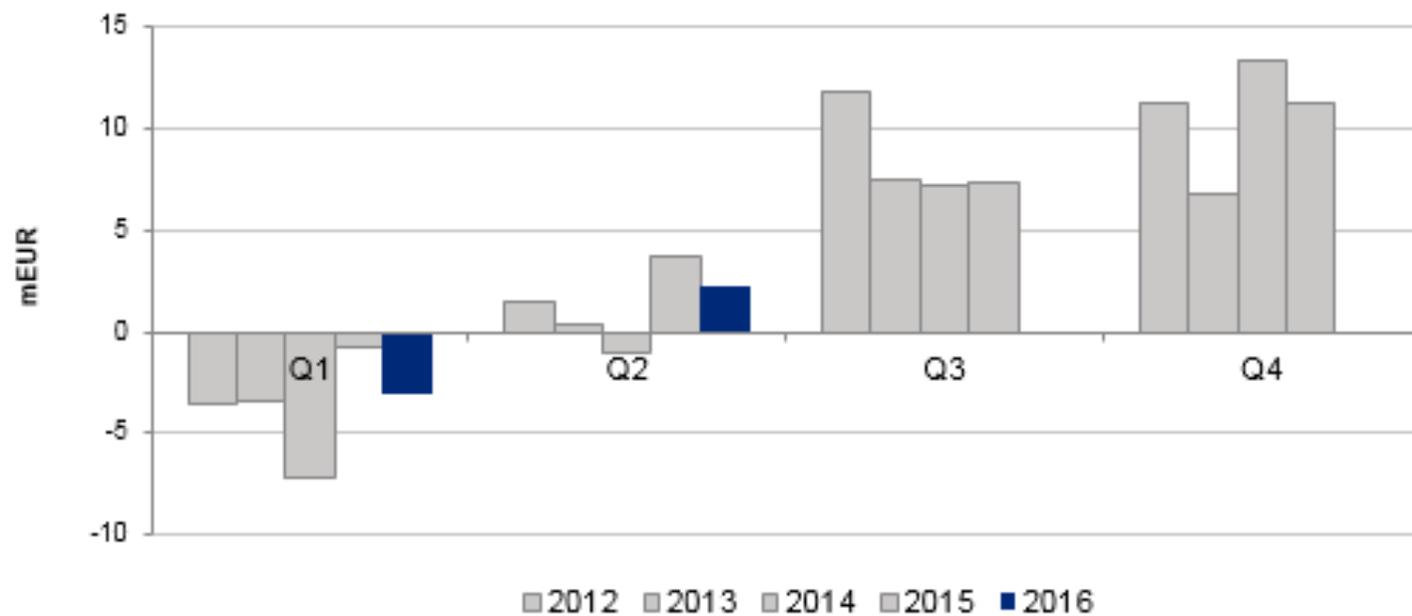
Group EBIT*)

Q2/2015 vs Q2/2016



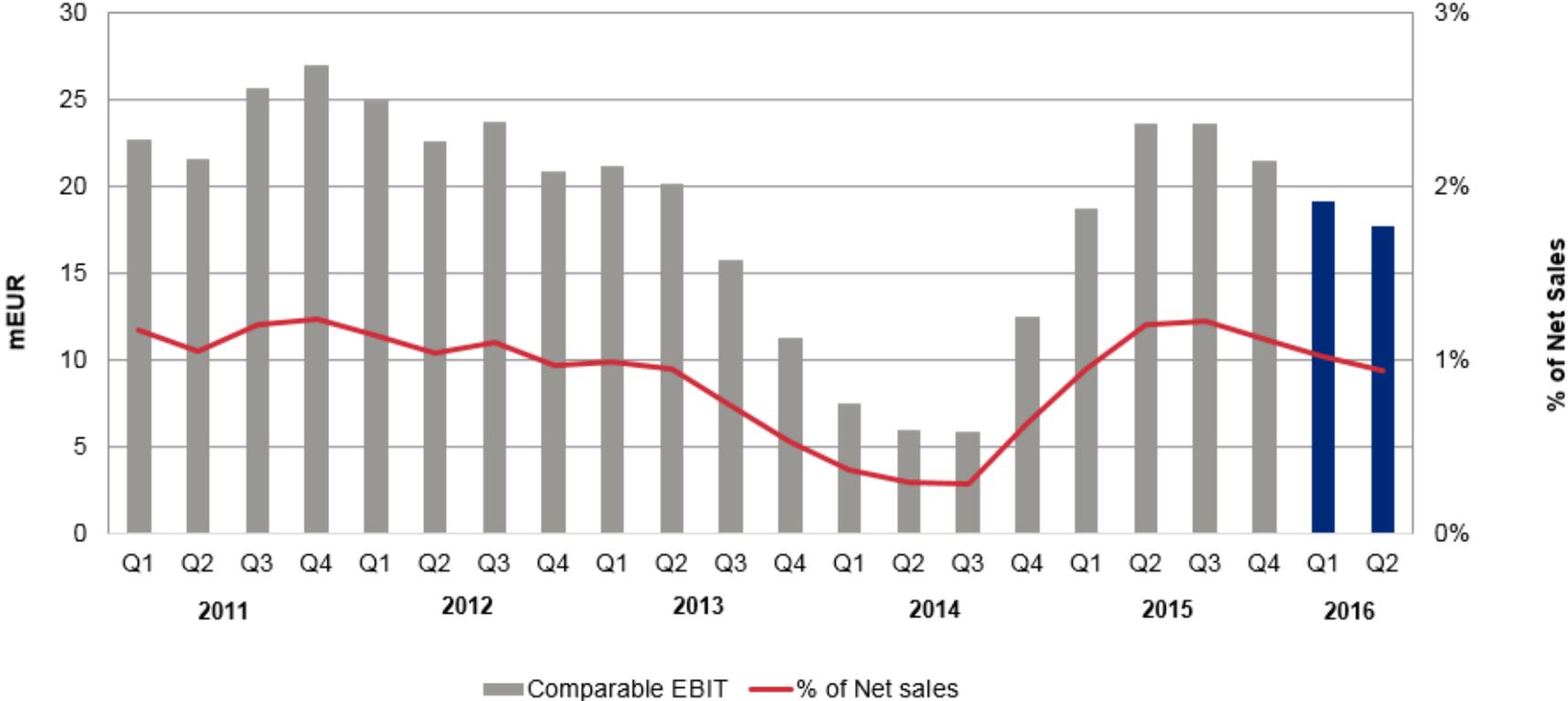
*) Comparable

Group EBIT*)



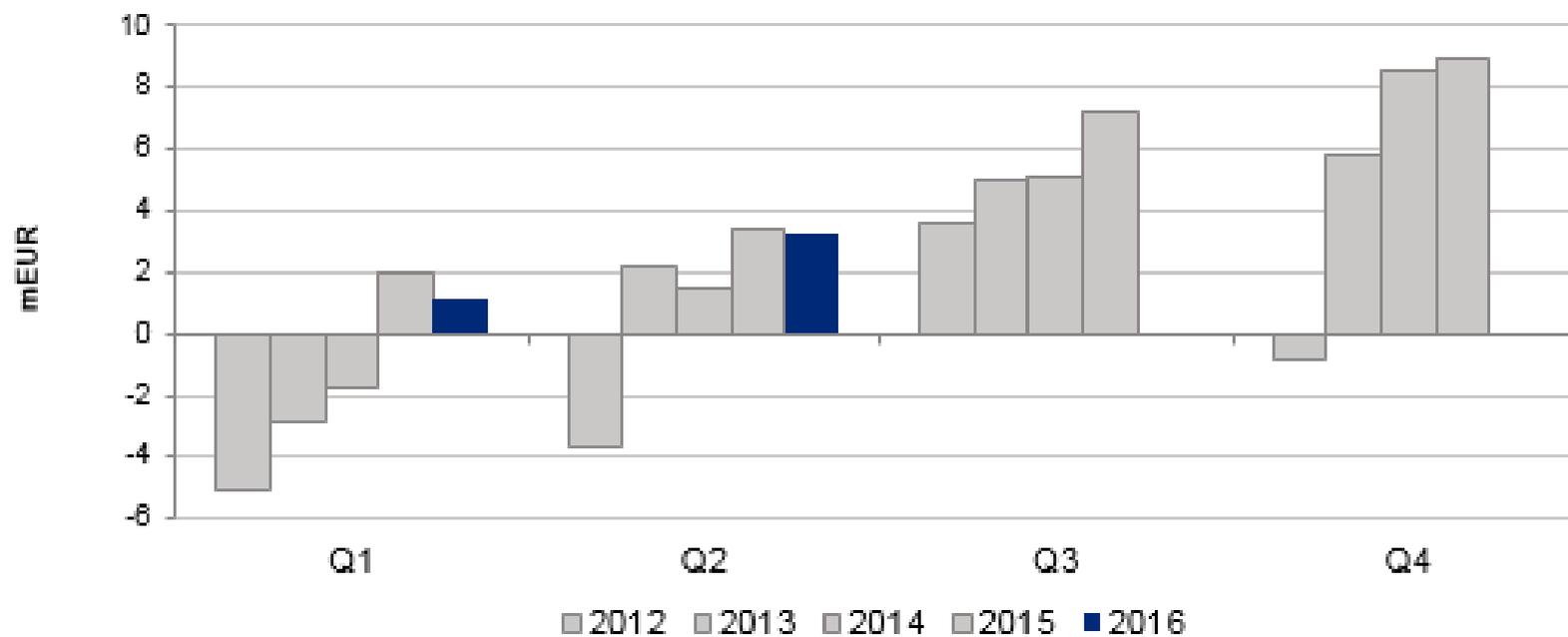
*) Comparable

Group EBIT last twelve months^{*)}



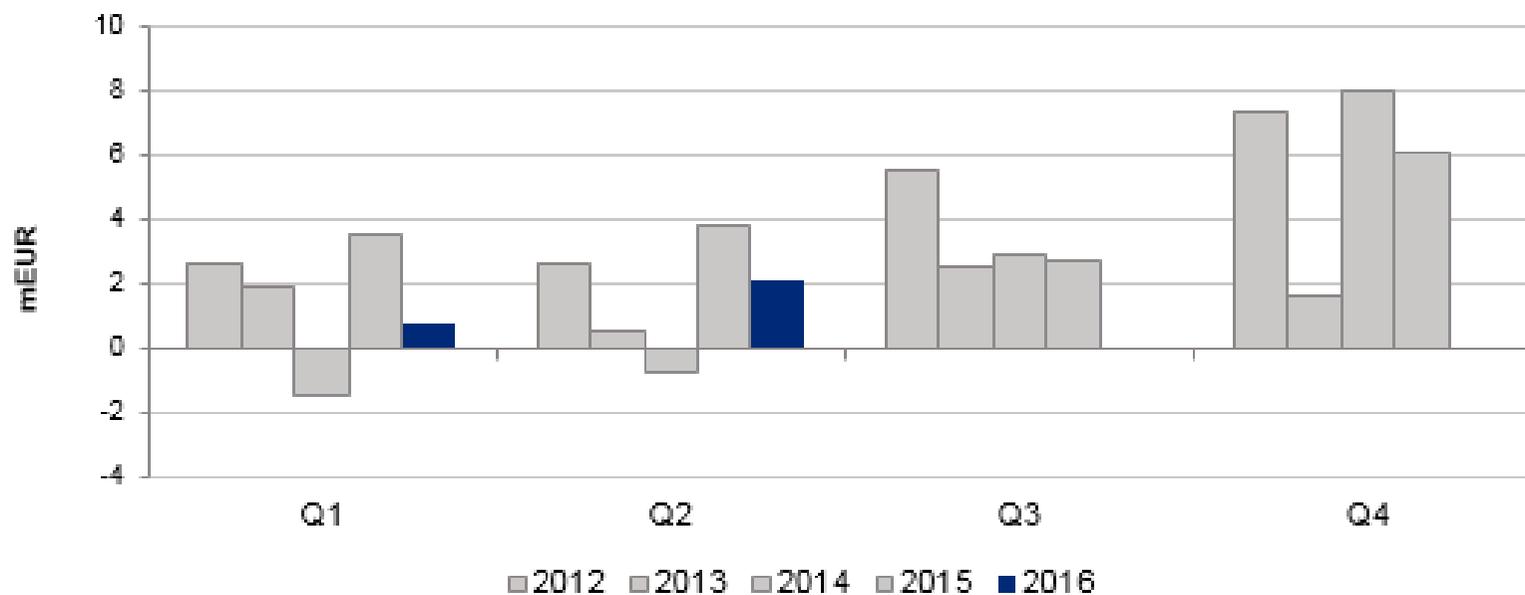
*) Comparable

Sweden EBIT*)



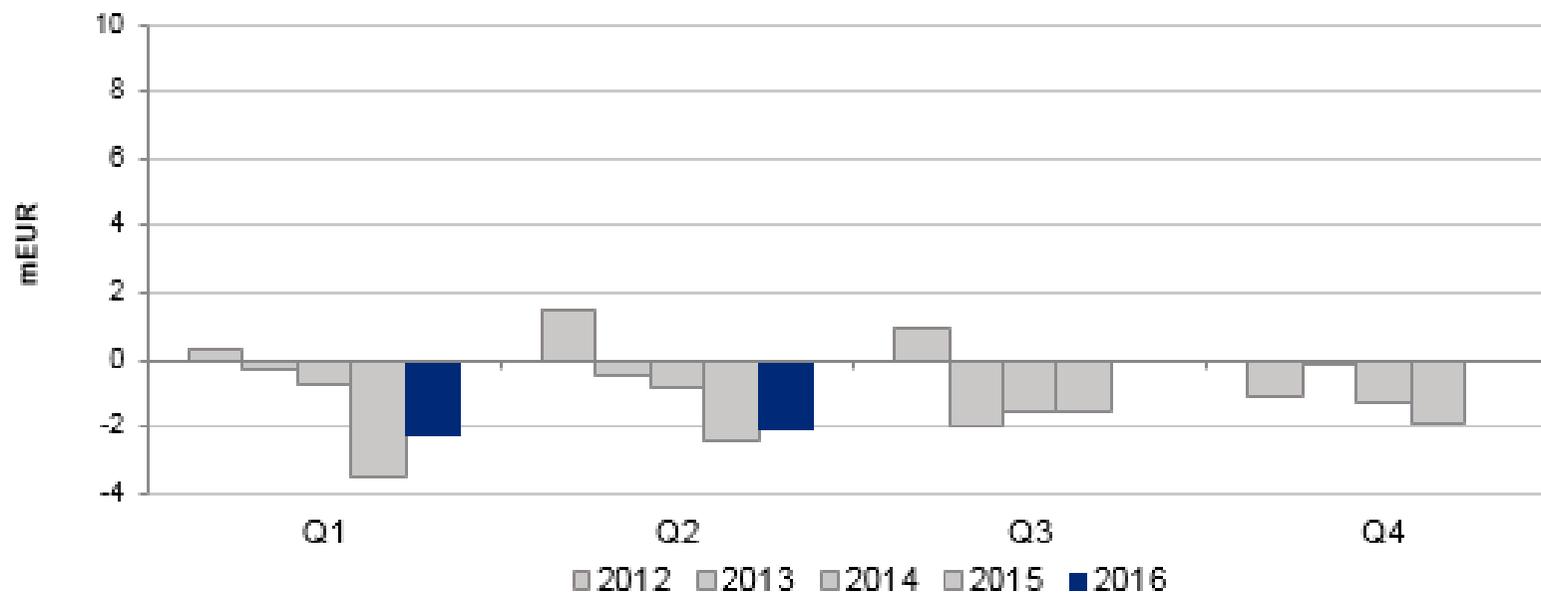
*) Comparable

Finland EBIT*)



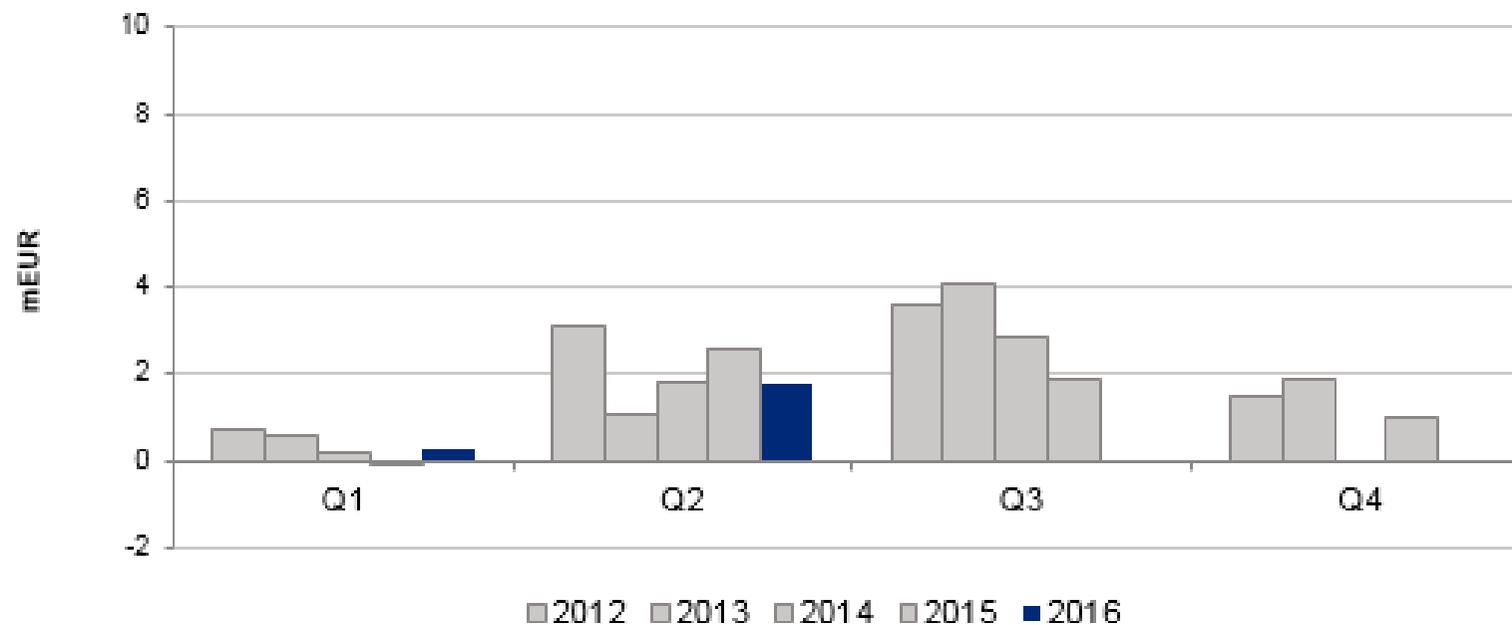
*) Comparable

Denmark EBIT*)



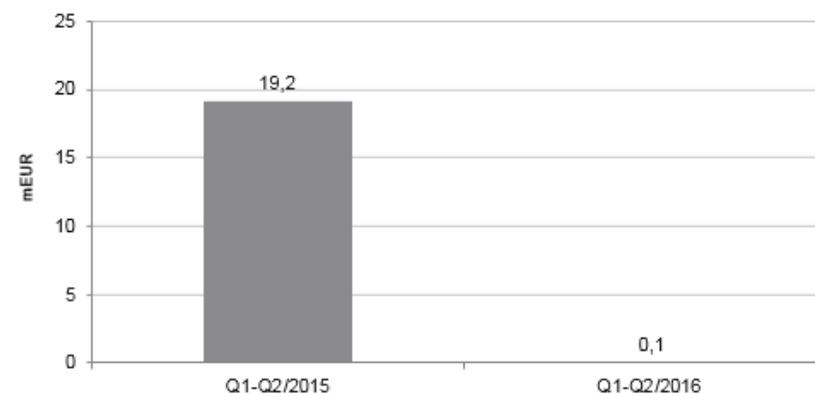
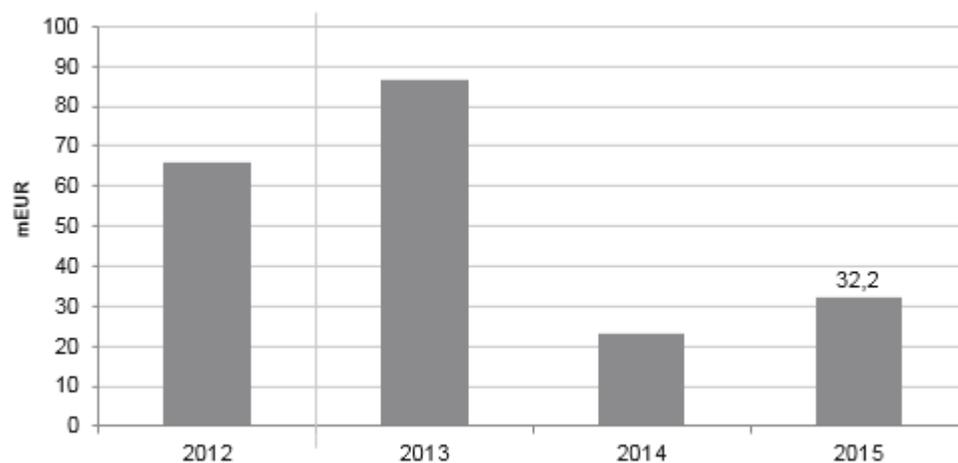
*) Comparable

Baltics EBIT*)



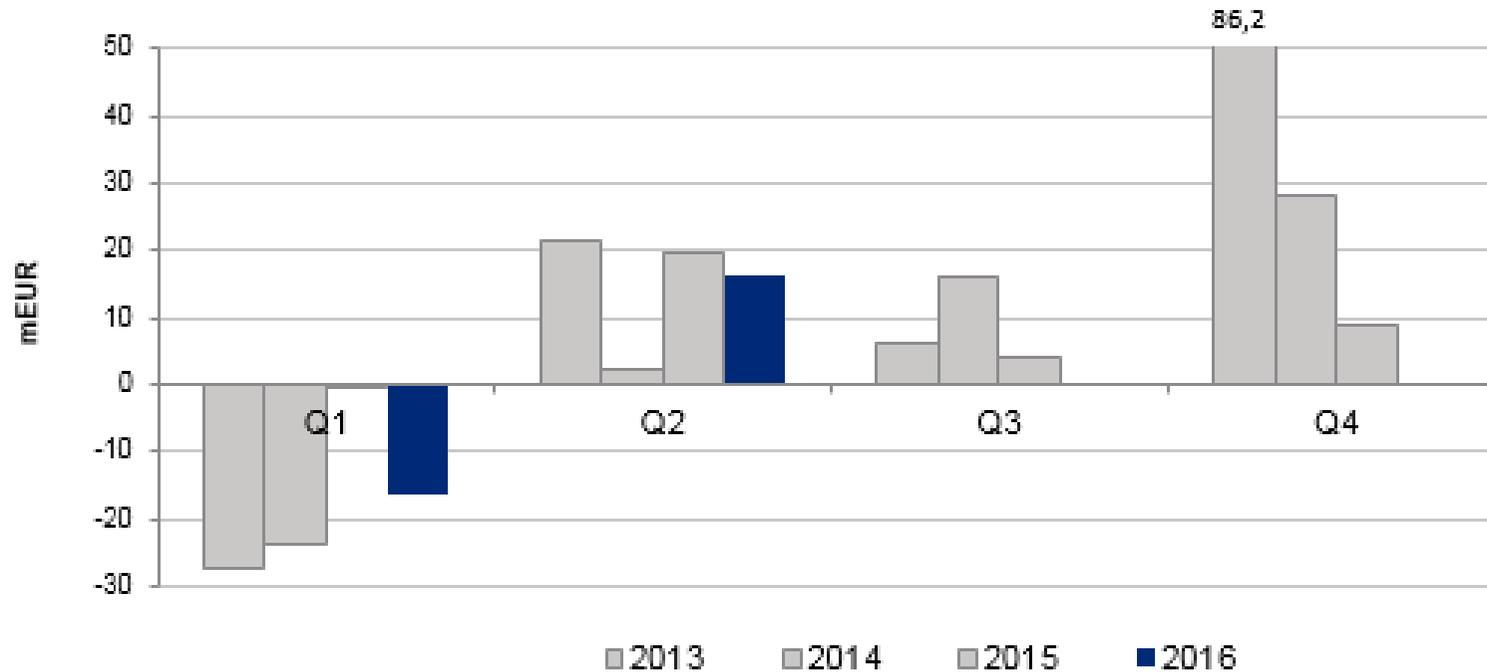
*) Comparable

Group cash flow before debt service^{*)}



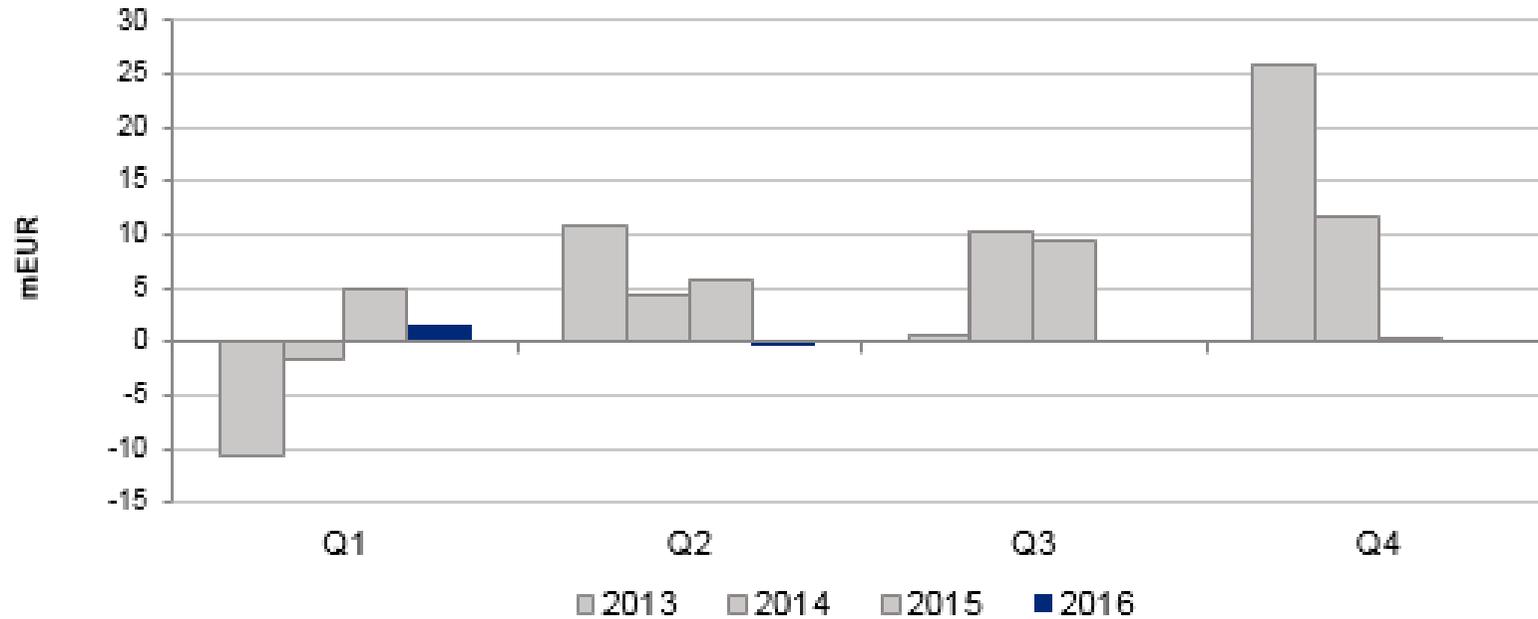
^{*)} Comparable

Group cash flow before debt service^{*)}



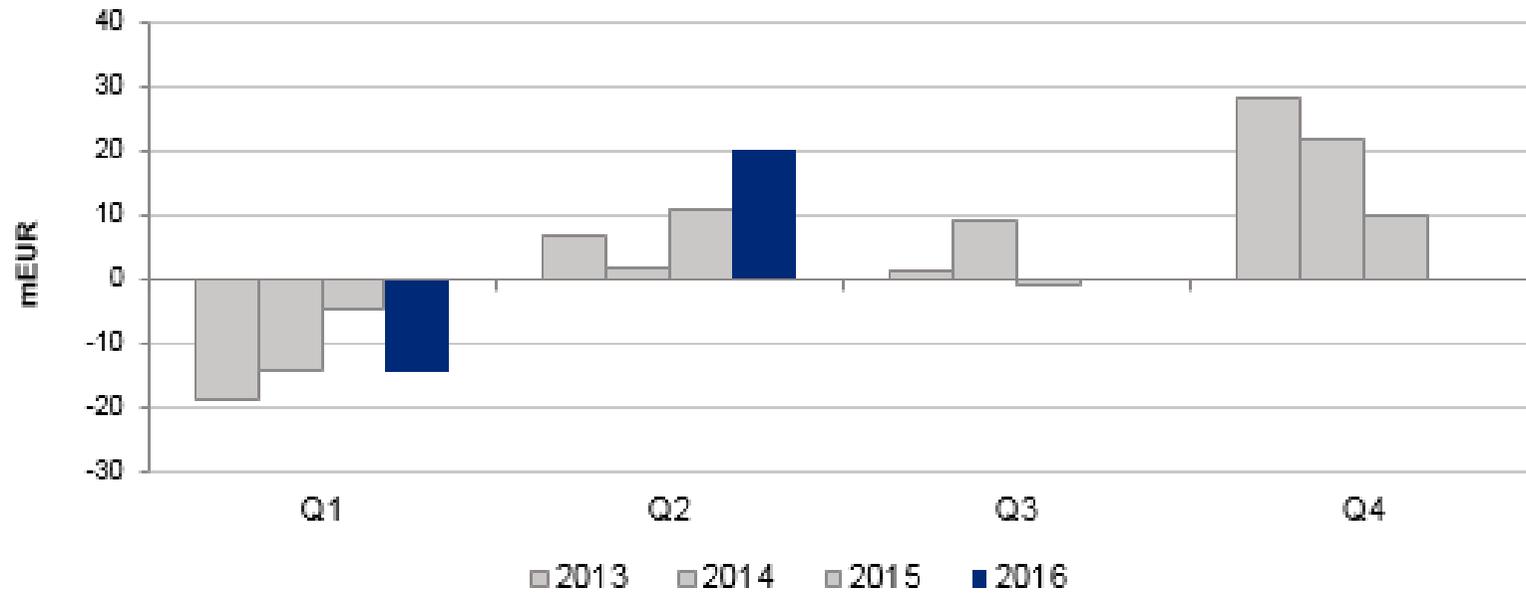
^{*)} Comparable

Sweden cash flow before debt service^{*)}



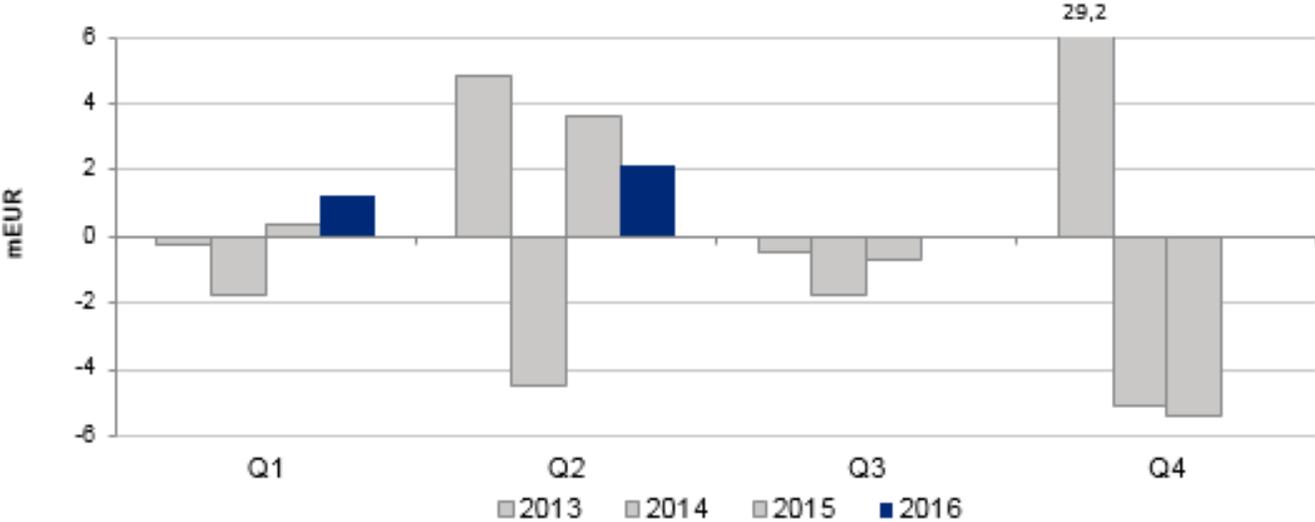
^{*)} Comparable

Finland cash flow before debt service^{*)}



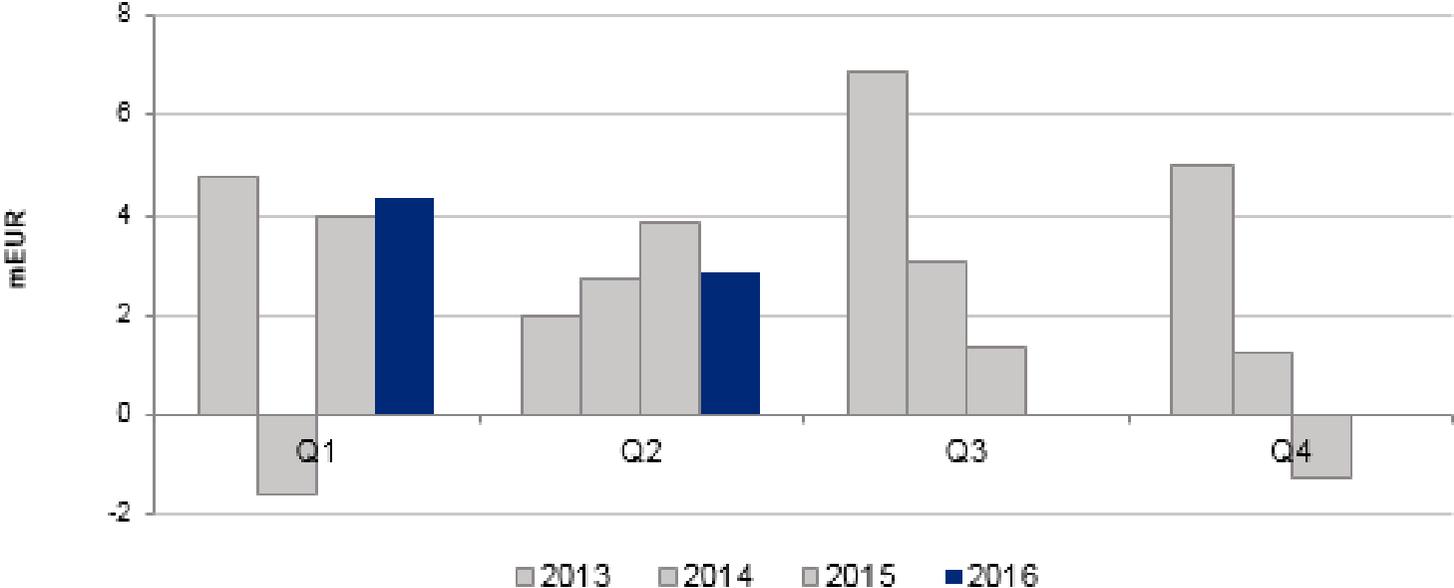
^{*)} Comparable

Denmark cash flow before debt service^{*)}



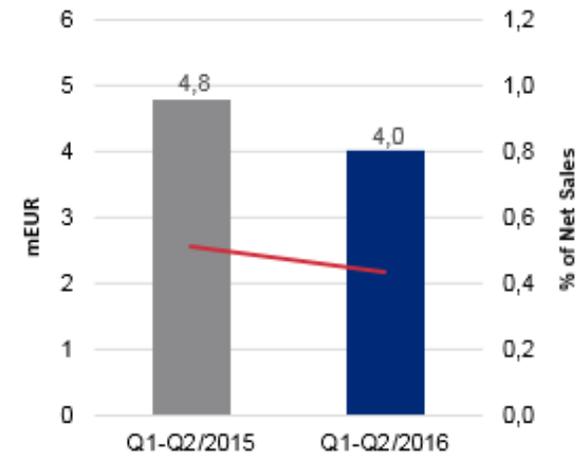
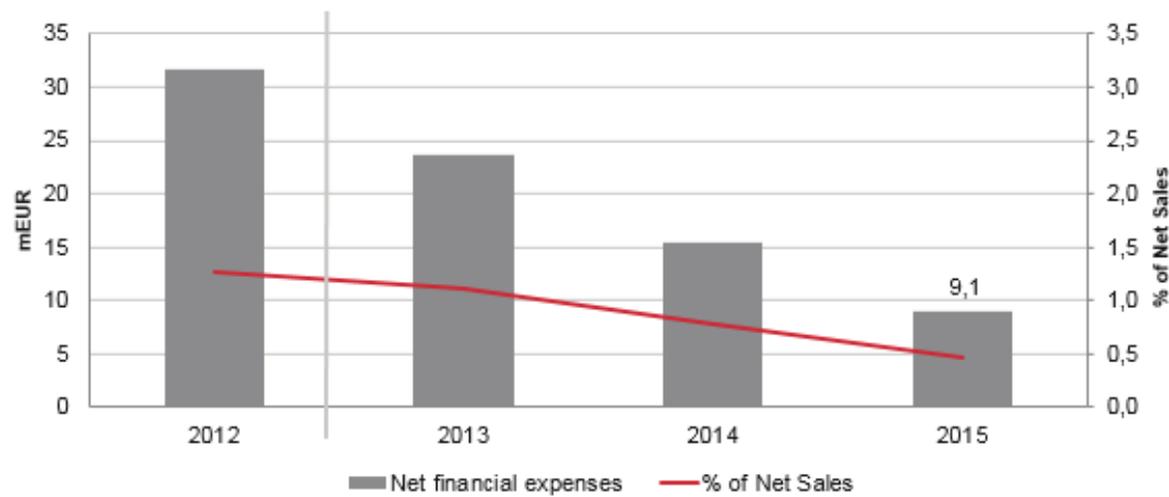
^{*)} Comparable

Baltics cash flow before debt service*)

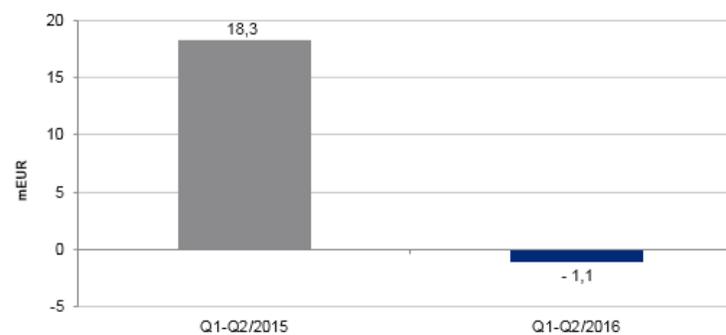
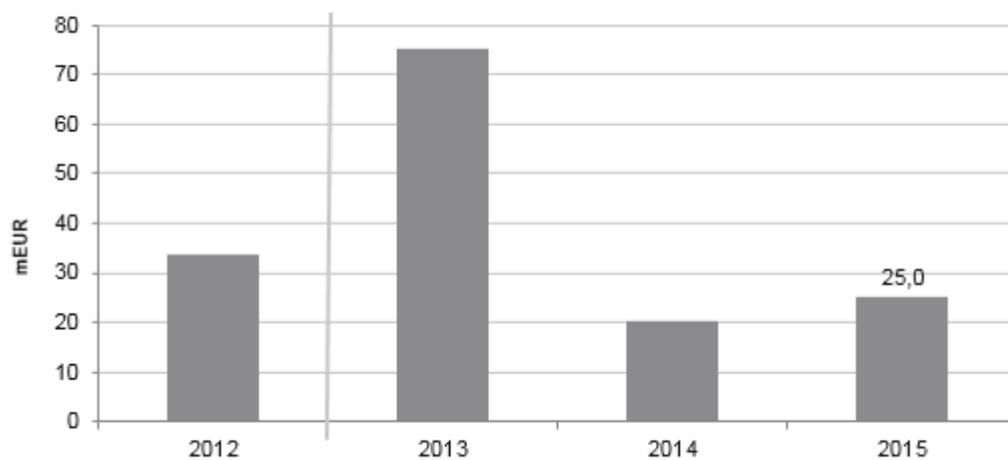


*) Comparable

Group net financial expenses

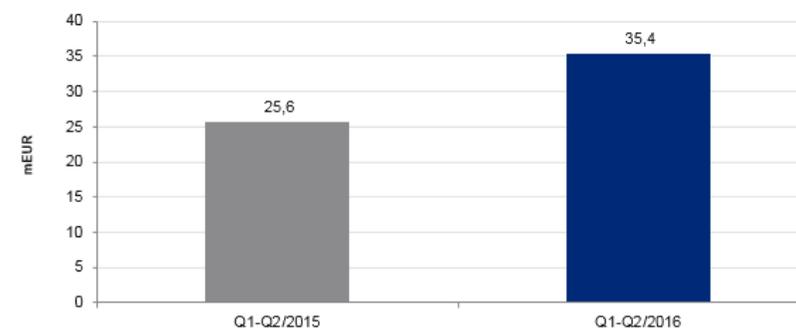
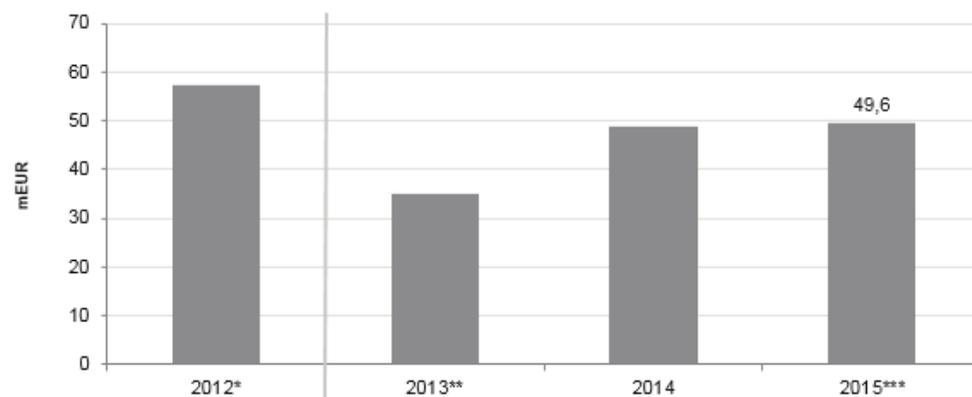


Group cash flow before financing^{*)}



^{*)} Comparable

Group investments

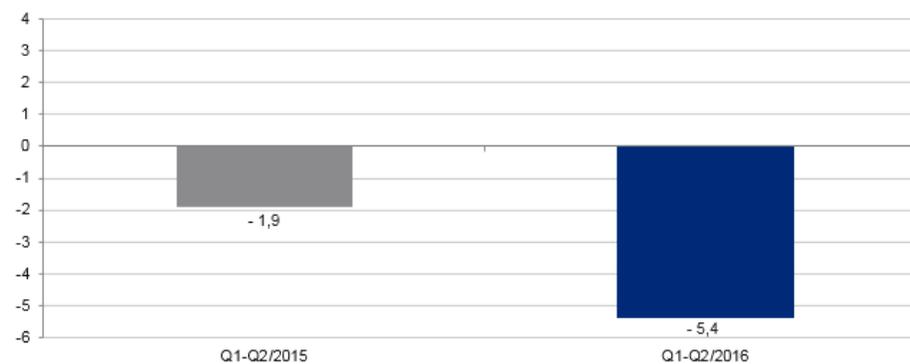
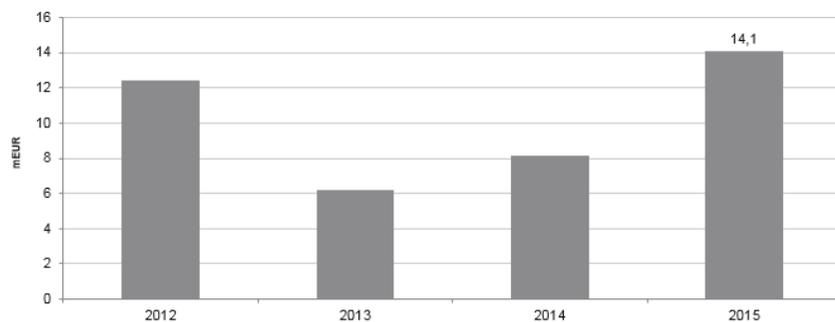


* EUR 57.3 million excluding rebuild of the Vinderup plant EUR 19.3 million

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

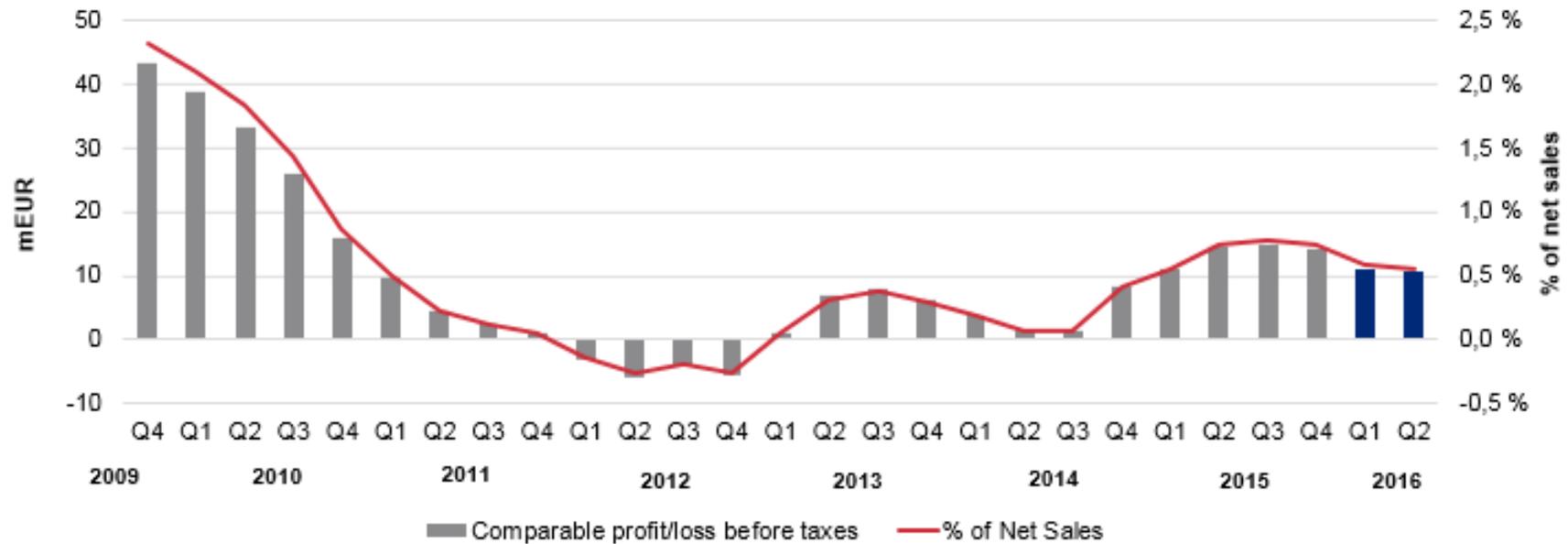
*** Excluding acquisition price of Paimion Teurastamo Oy

Profit before taxes^{*)}



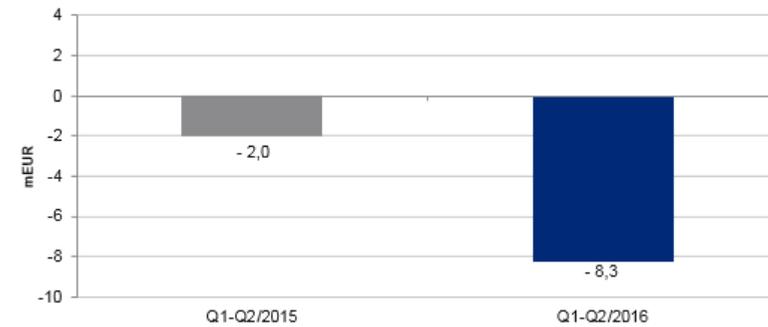
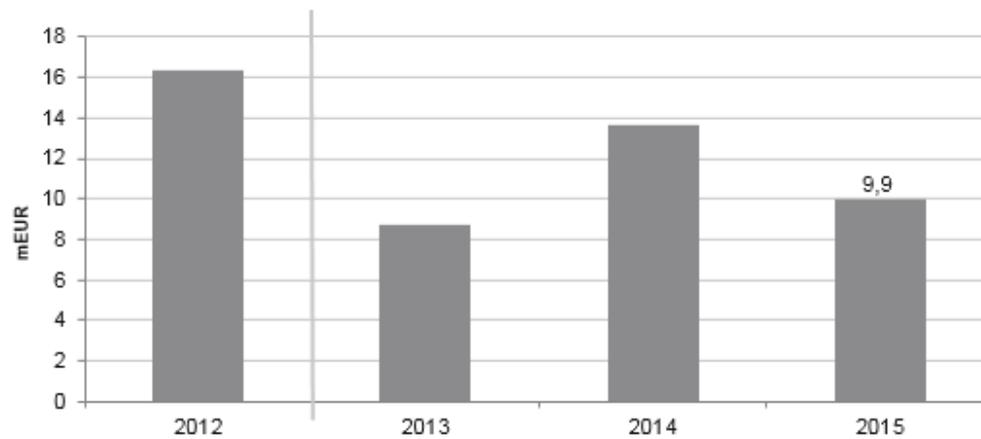
*) Comparable

Profit before taxes last twelve months^{*)}



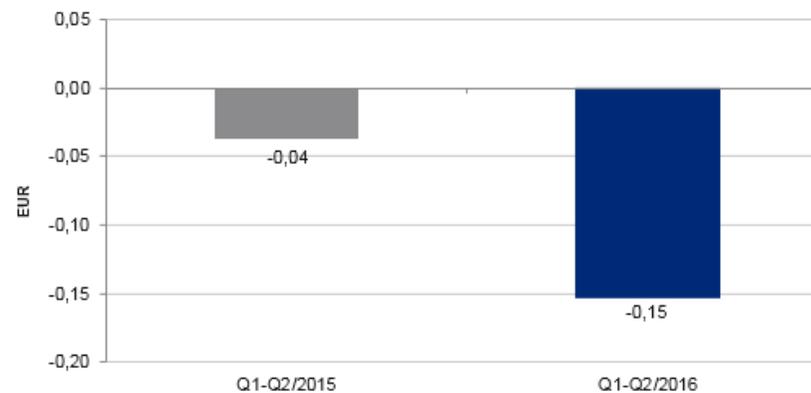
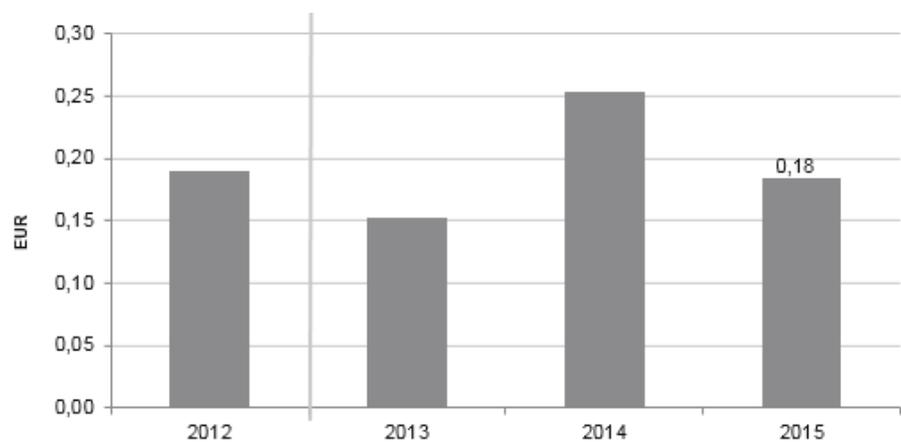
*) Comparable

Profit for the period^{*)}



^{*)} Comparable and attributable to shareholders of parent company

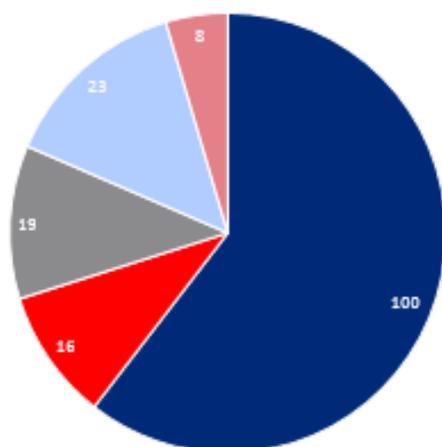
Earnings per share (EPS)*)



*) Comparable

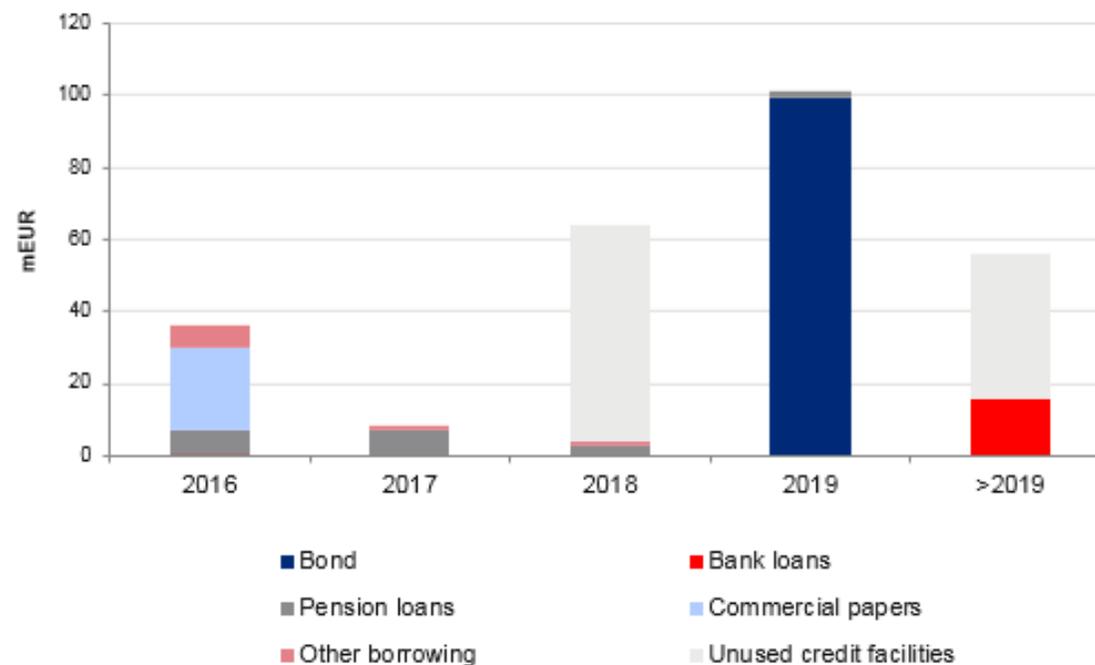
Interest-bearing debt and maturity structure

Interest-bearing debt by credit type

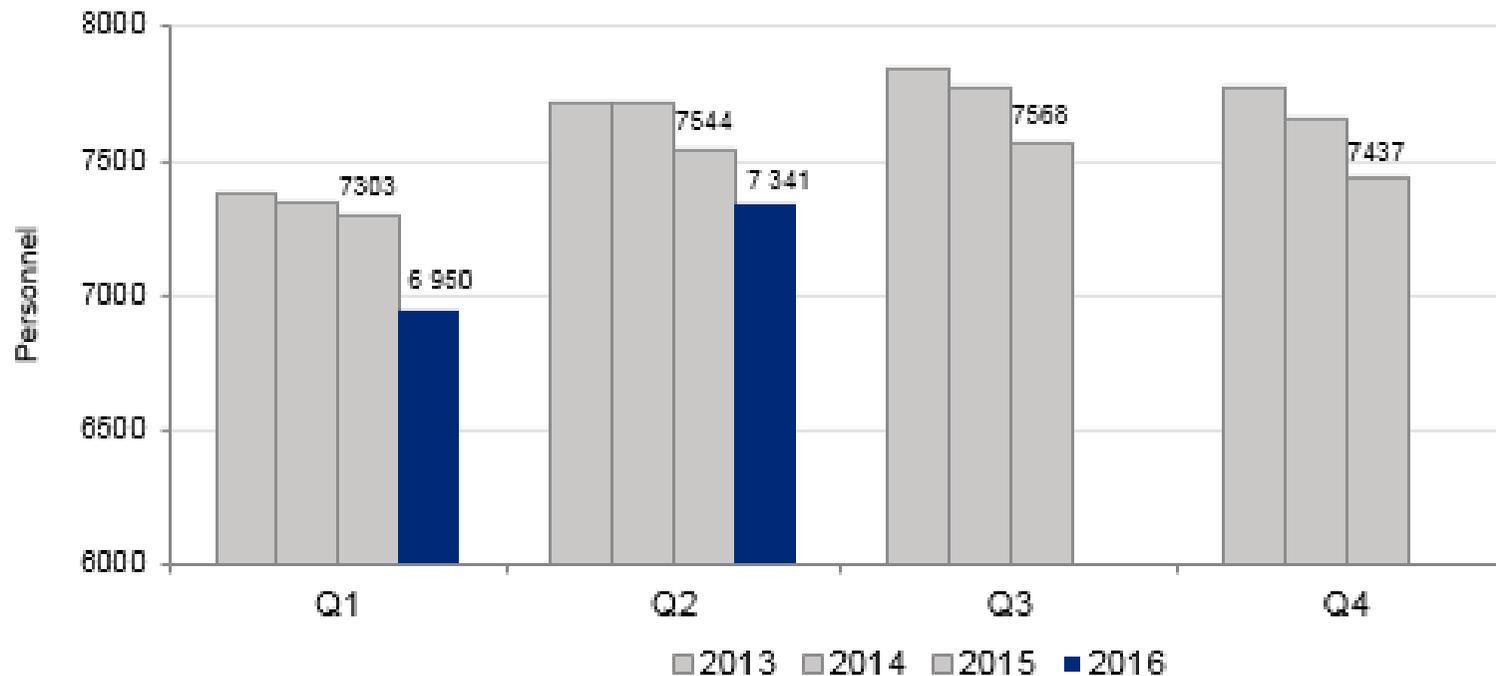


Total interest-bearing debt: 164,6 mEUR

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



Group personnel^{*)}



^{*)} End of month average

Key figures

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Comparable EBIT	2,2	3,7	-0,9	2,9	21,5
- EBIT %	0,5	0,8	-0,1	0,3	1,1
Profit before taxes	0,2	1,2	-7,1	-1,9	2,2
Profit for the review period	-0,2	1,0	-9,6	-1,8	1,9
EPS, EUR	-0,01	0,01	-0,18	-0,04	0,01
Cash flow before debt service	16,2	19,7	0,1	19,2	32,2
Cash flow before financing activities	16,1	22,2	-1,1	18,3	25,0
ROCE before taxes, %			1,3	3,3	2,3
Net debt			156,4	150,4	144,0
Net gearing, %			38,6	35,8	33,8
Employees, end of month average			7 341	7 544	7 437

Outlook for 2016 (unchanged)

- HKScan expects its comparable 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.



HKSCAN

Strategy implementation continues

**Aki Laiho, Deputy CEO and COO
19 July 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



Investing in growth

Strategic investment projects in good progress



Rauma poultry plant (greenfield)

- Building project proceeding well
- Key technologies and most of machinery suppliers chosen
- Majority of the project investments targeted at Finnish companies thus supporting employment
- Project advancing in schedule and according to plans

Świnoujście bacon plant (expansion investment)

- Project planning well in progress
- Negotiations with design offices ongoing

ASF (African Swine Fever) status in the Baltics



- New ASF cases found in pig farms in the Baltics
- No direct impact on HKScan's operations in Estonia
- Special arrangements and zones to be continued at least for one year
- Background:
 - In Estonia, four cases at small backyard farms during June–July, on top of several wild boar cases
 - Increased infection risk during the summer season as some production animals kept outdoors, piggeries are being ventilated, feeds moved at the farms. Moreover, wild boars are most active during the summer.
 - Active measures to prevent the spread of ASF continue in Estonia. Both HKScan's own farms and its contract farms adhere to the strictest biosecurity standards.

BBQ season is here – Sweden



NOVELTIES, examples



BEST SELLING PRODUCTS, examples

BBQ season is here – Finland



NOVELTIES, examples



BEST SELLING PRODUCTS, examples

BBQ season is here – Denmark



NOVELTIES, examples



BEST SELLING PRODUCTS, examples

BBQ season is here – Baltics



NOVELTIES, examples



BEST SELLING PRODUCTS, examples

A close-up photograph of a person's hands holding a paper cone filled with food. The cone contains several red cherry tomatoes, several golden-brown fried items (possibly chicken or fish), and some darker fried items. The person is wearing a dark blue jacket. The background is blurred, suggesting an outdoor setting.

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