

A woman on the left and a man on the right are holding up a large, colorful, woven rug. They are standing on a gravel path in front of a red wooden building. The background shows green trees and a clear sky. The rug has a complex pattern with various colors including red, green, and brown.

HKSCAN

Financial statements 2016

Group financials

Tuomo Valkonen, CFO
8 February 2017

**Result dissatisfactory, mainly driven by
Sweden**

—

New leadership in place for turnaround

HKScan Group 2016

- Group's net sales decreased both for Q1-4 and Q4
 - Finland slightly ahead but all other market areas behind the previous year
 - In particular the gap in Sweden accelerated towards the end of the year due to lowered sales performance in processed products and shortage of beef
 - In Q4 a slight increase in net sales in Denmark, gain in domestic market share
- Group's EBIT lagged behind for Q1-4
 - Sweden in particular declined towards the end of the year – lower sales volume and unfavourable product mix, high animal purchase price in beef, and the gap wasn't fully offset by sales price increases
 - Finland declined due to the high operational costs (i.a. pork oversupply) in H1 but increased in H2 due to improved product mix and sales volumes
 - Baltics and Denmark slightly improved
- Group's EBIT behind the previous year also in Q4
 - Finland improved thanks to gain in sales margin because of product mix
 - Baltics was on a par
 - Sweden behind due to sales volume and product mix, losing market share
 - Extra costs in Group administration due to the investigation in the Baltics and business consultation related to the new way of working
- Group's inventories clearly lower – good meat balance in the year end

HKScan Group 2016

EUR million	Q4/2016	Q4/2015	2016	2015
Net sales	485,2	501,4	1 872,9	1 917,1
EBIT	4,2	-0,6	9,7	9,6
- % of net sales	0,9	-0,1	0,5	0,5
Profit/loss before taxes	2,2	-2,3	0,9	2,2
- % of net sales	0,5	-0,4	0,0	0,1
Profit/loss for the period	1,7	-1,5	-3,6	1,9
Comparable EBIT	6,0	11,3	13,2	21,5
- % of net sales	1,2	2,2	0,7	1,1
Comparable profit/loss before taxes				
	4,0	9,6	4,4	14,1
- % of net sales	0,8	1,9	0,2	0,7
EPS, EUR	0,02	-0,04	-0,10	0,01
Return on capital employed (ROCE) before taxes, %			2,1	2,3
Comparable ROCE before taxes, %			2,7	4,3
Net gearing, %			33,5	33,8

Market area Sweden

EUR million	Q4/2016	Q4/2015	2016	2015
Net sales	209,1	222,9	804,4	841,9
EBIT	3,2	8,5	12,9	21,1
- EBIT %	1,6	3,8	1,6	2,5
Comparable EBIT	4,8	9,0	14,5	21,6
- EBIT %	2,3	4,0	1,8	2,6

Market area Finland

EUR million	Q4/2016	Q4/2015	2016	2015
Net sales	213,4	216,2	806,5	801,6
EBIT	7,0	-5,3	14,6	4,9
- EBIT %	3,3	-2,4	1,8	0,6
Comparable EBIT	7,2	6,1	14,8	16,3
- EBIT %	3,4	2,8	1,8	2,0

Market area Denmark

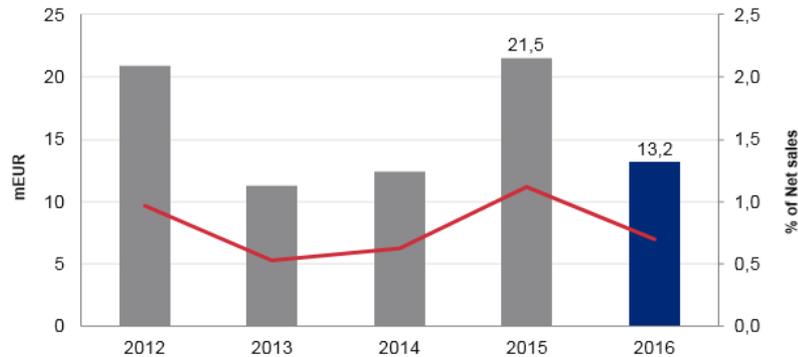
EUR million	Q4/2016	Q4/2015	2016	2015
Net sales	39,3	37,6	173,2	175,9
EBIT	-2,6	-1,9	-9,5	-9,3
- EBIT %	-6,6	-5,1	-5,5	-5,3
Comparable EBIT	-2,6	-1,9	-9,1	-9,3
- EBIT %	-6,6	-5,1	-5,2	-5,3

Market area Baltics

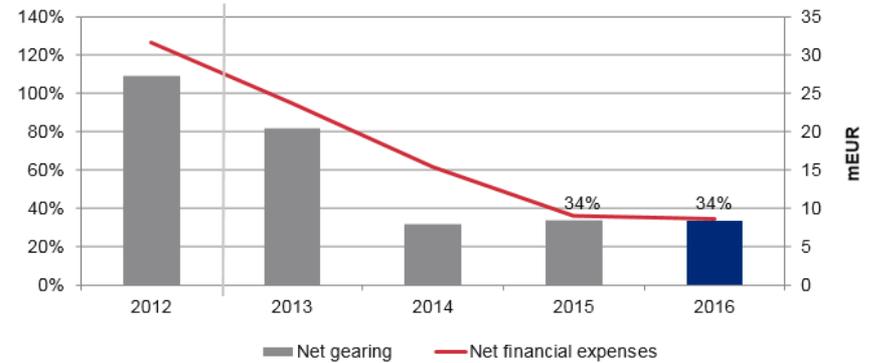
EUR million	Q4/2016	Q4/2015	2016	2015
Net sales	40,4	43,3	161,3	173,6
EBIT	1,0	1,0	6,4	5,4
- EBIT %	2,6	2,3	3,9	3,1
Comparable EBIT	1,0	1,0	6,4	5,4
- EBIT %	2,6	2,3	3,9	3,1

Financial performance

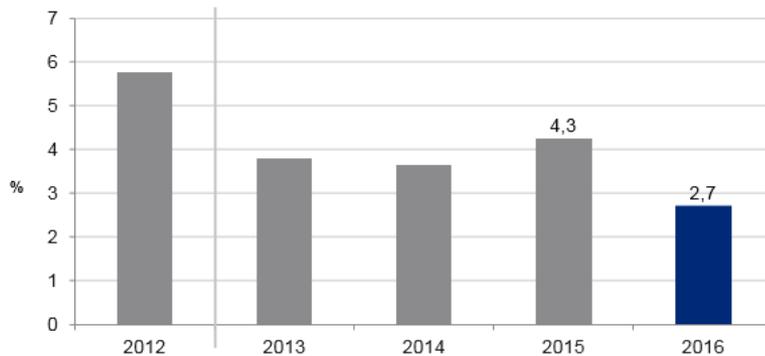
EBIT*)



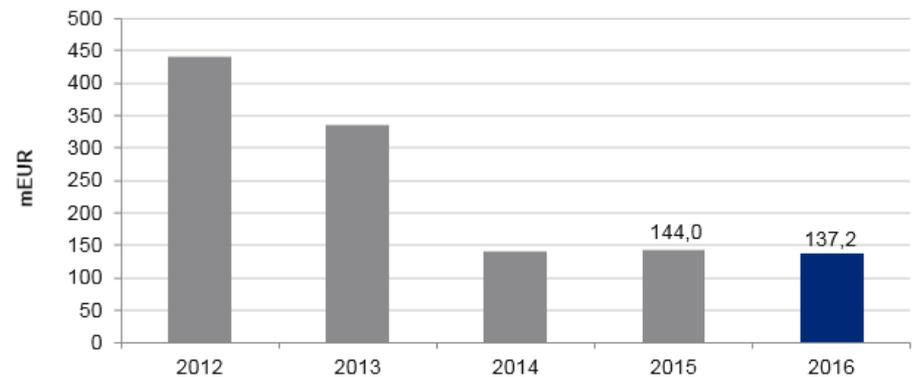
Net gearing



ROCE*)

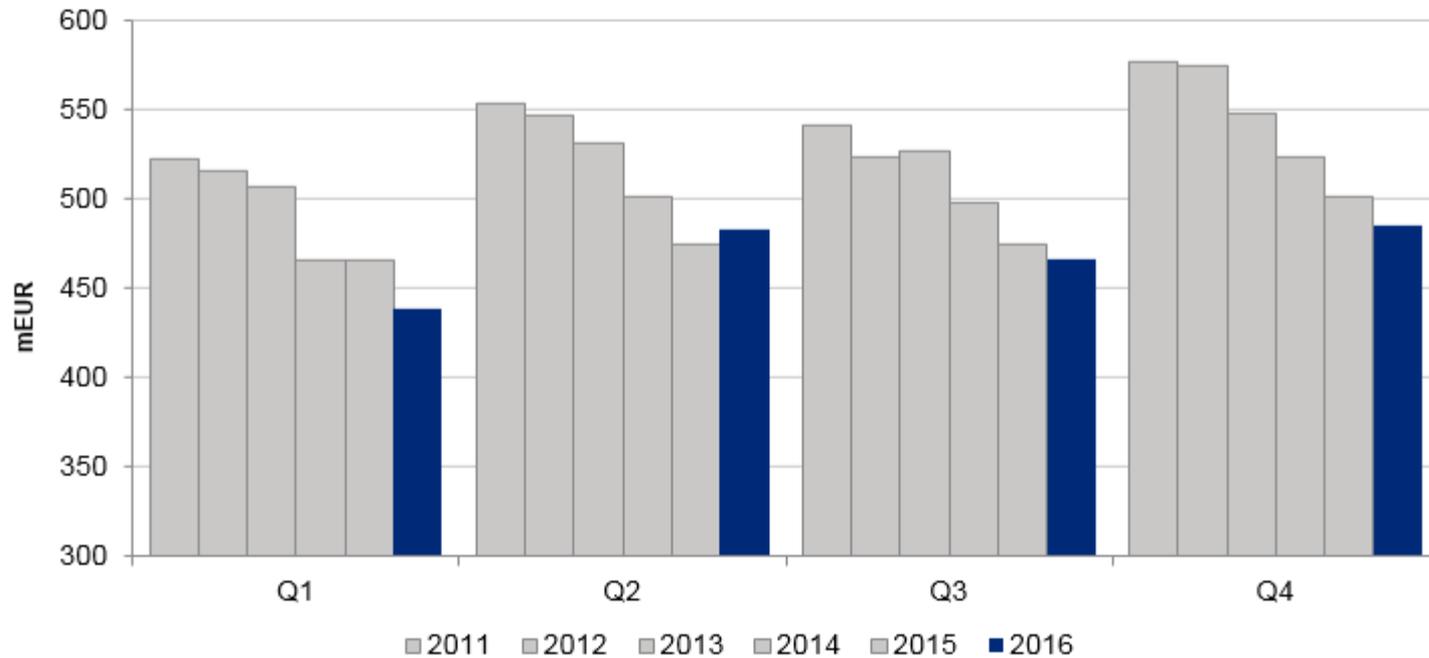


Net debt

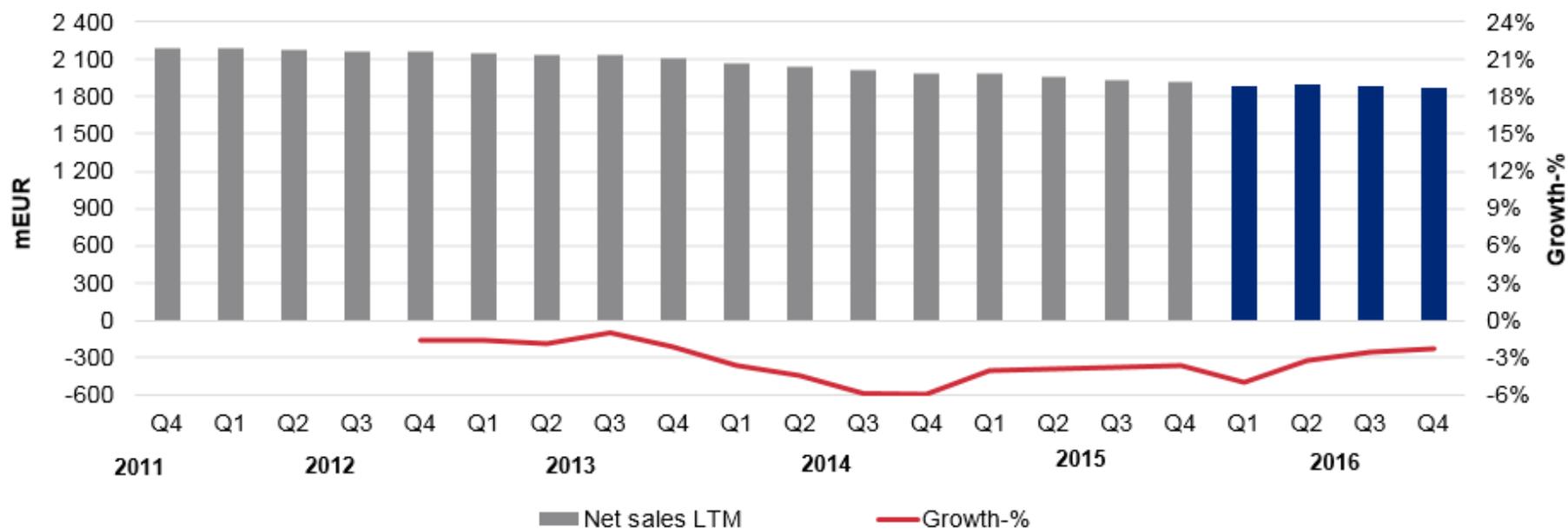


*) Comparable

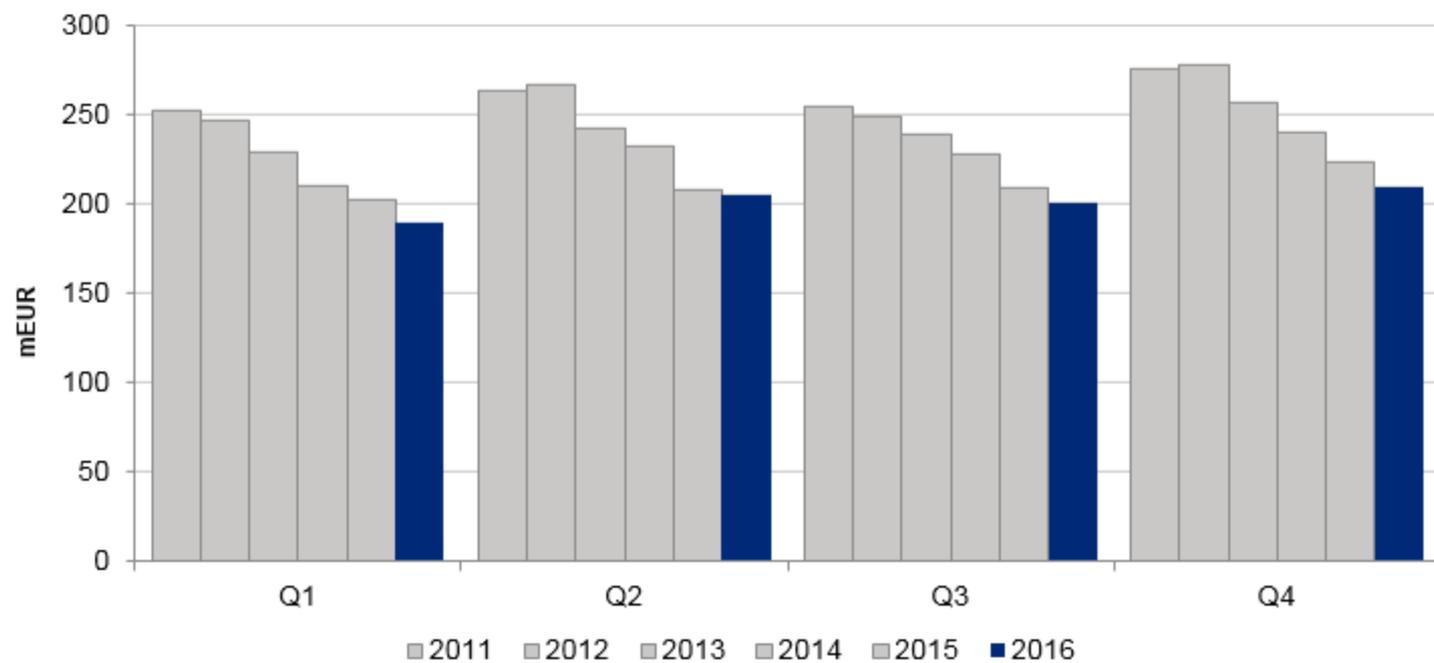
Group net sales



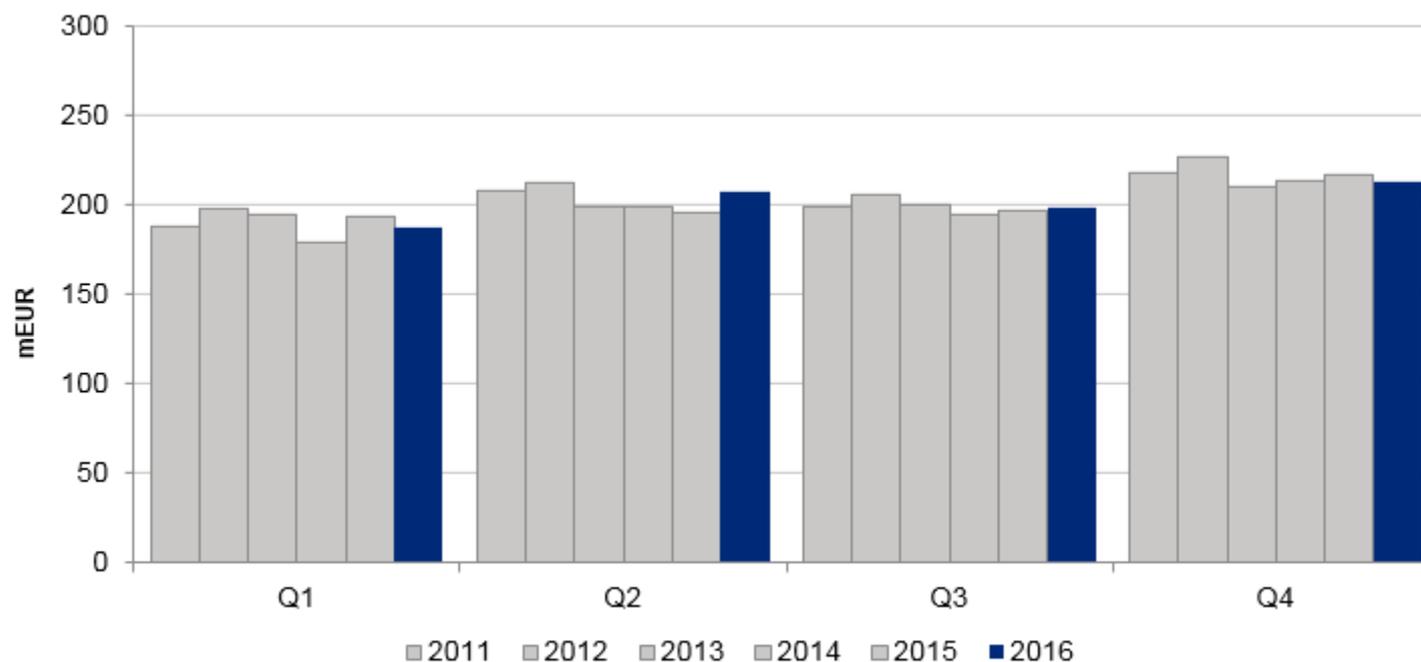
Group net sales, last twelve months



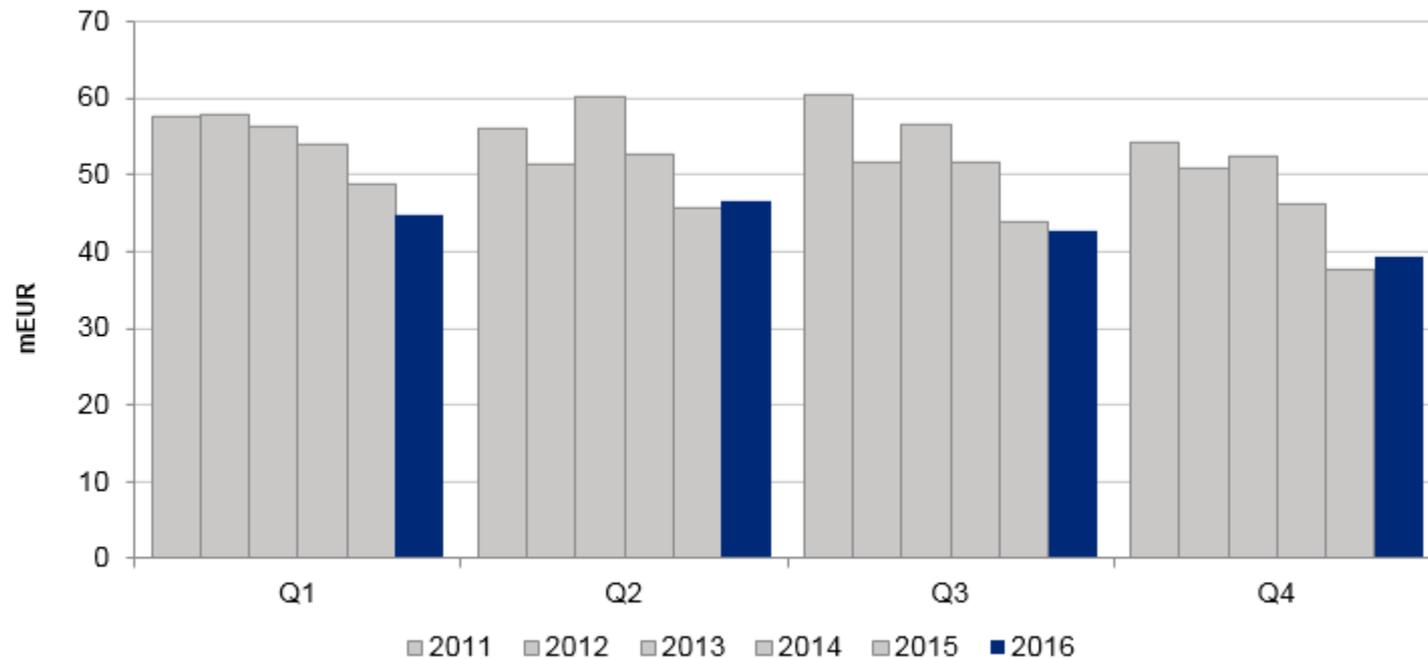
Sweden net sales



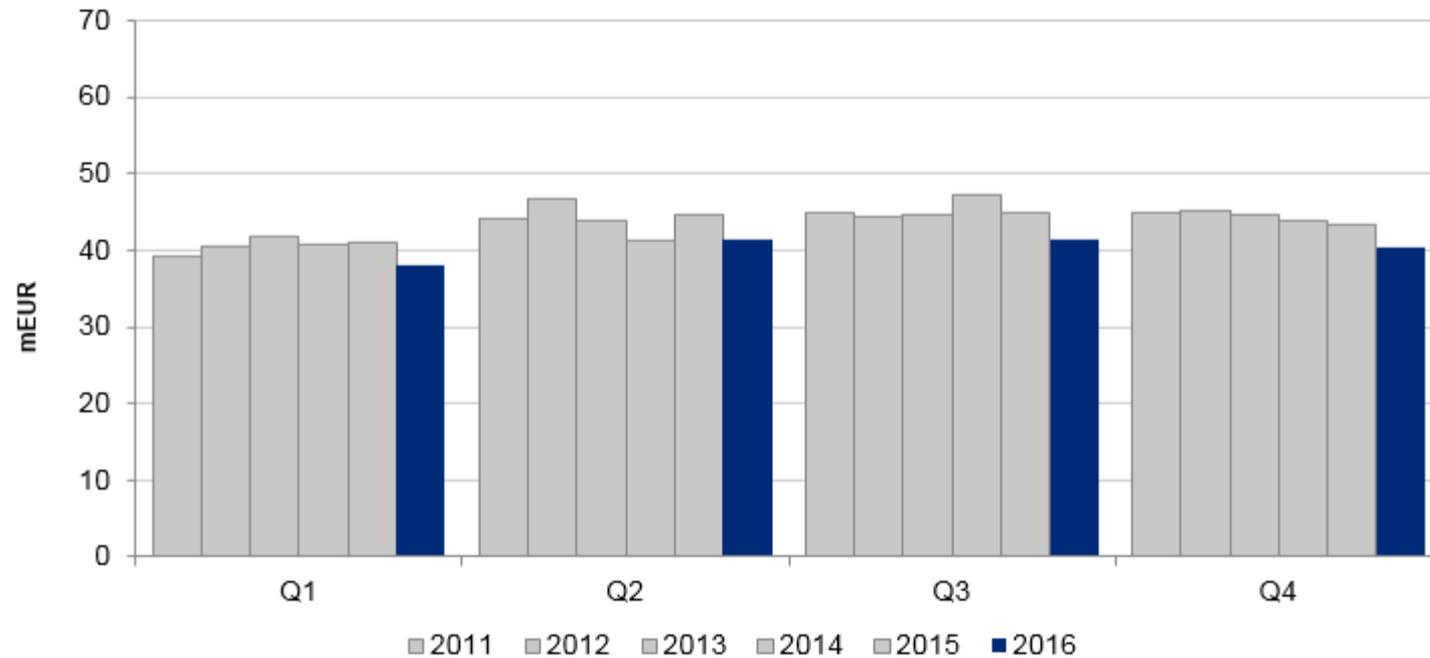
Finland net sales



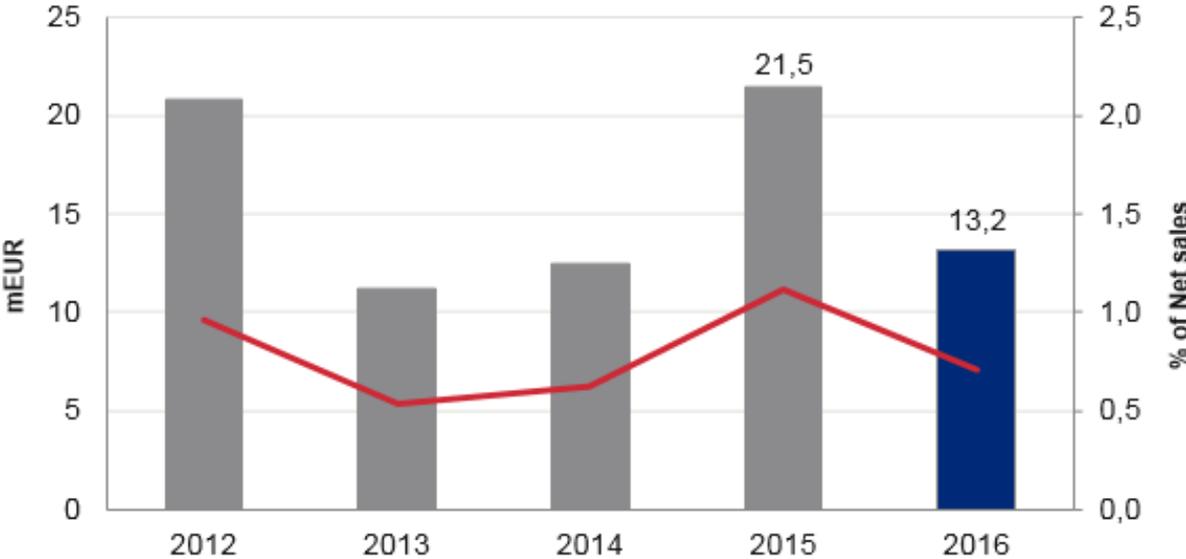
Denmark net sales



Baltics net sales



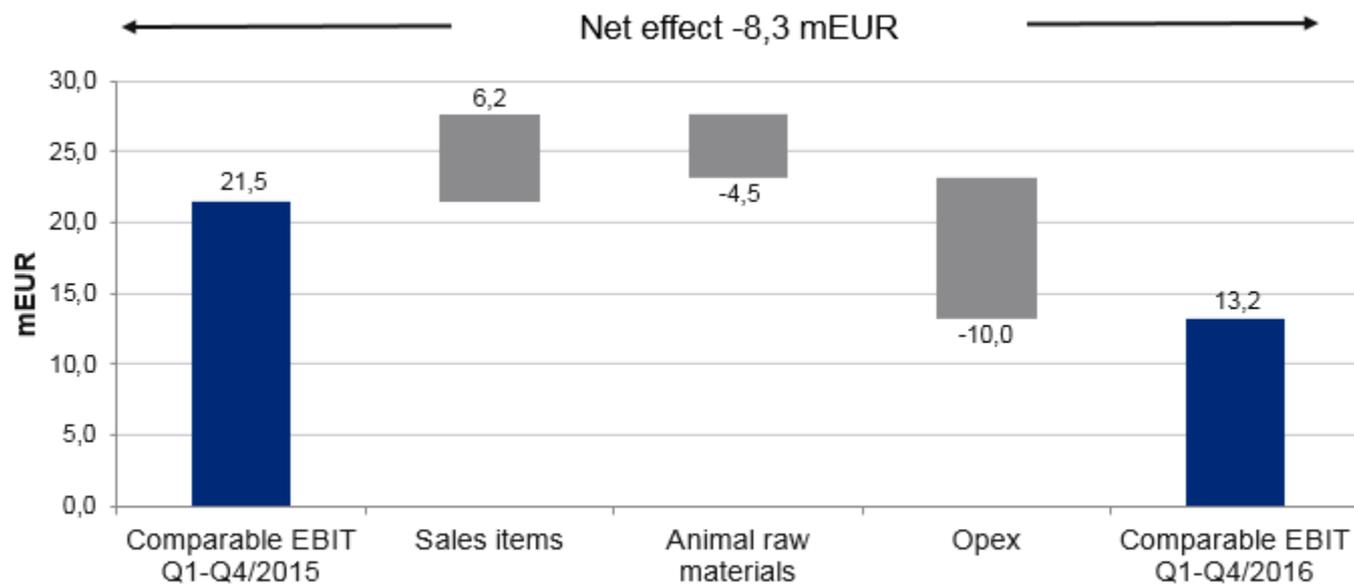
Group EBIT development^{*)}



^{*)} Comparable

Group EBIT*)

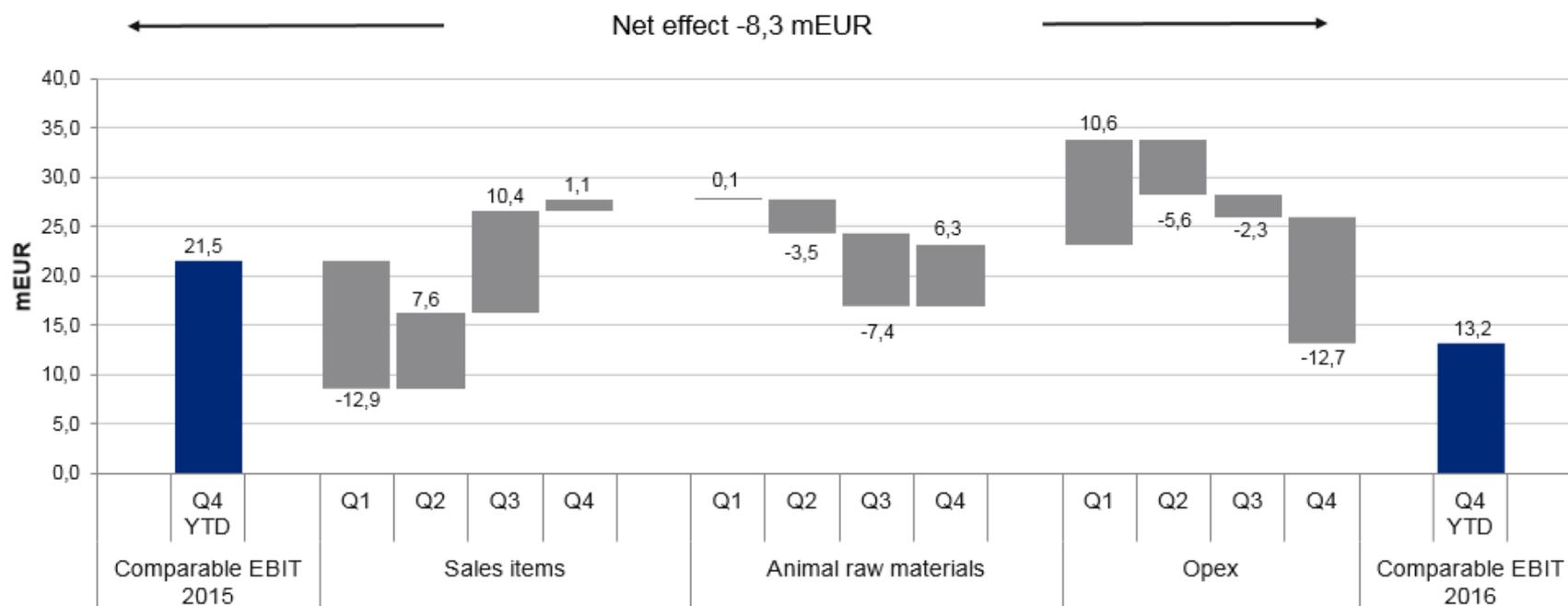
2015 vs 2016



*) Comparable

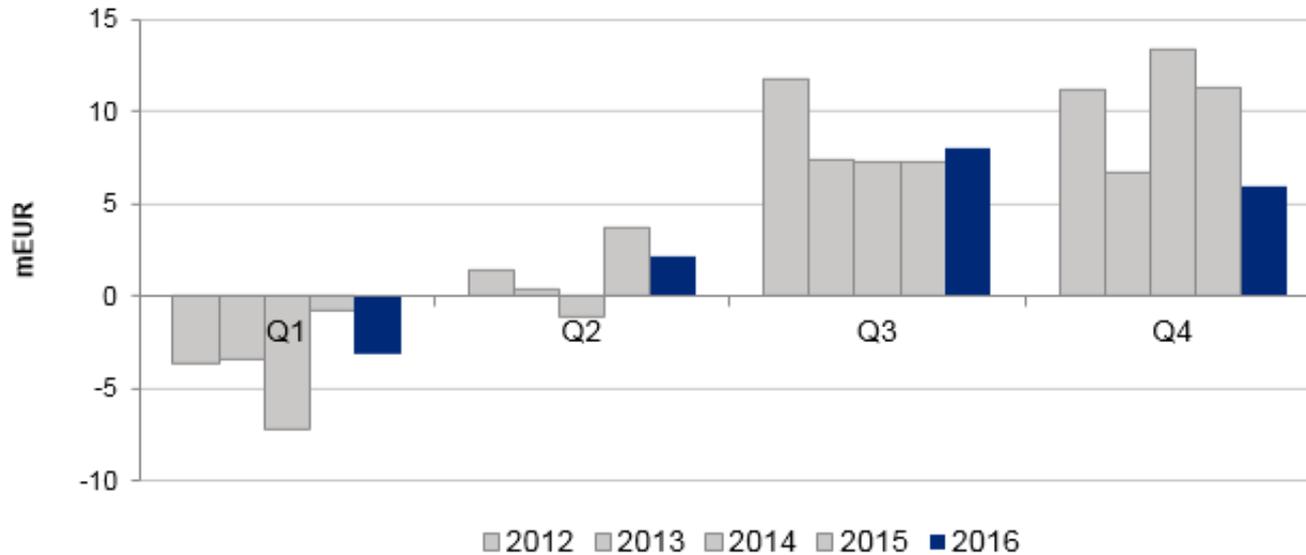
Group EBIT*)

2015 vs 2016



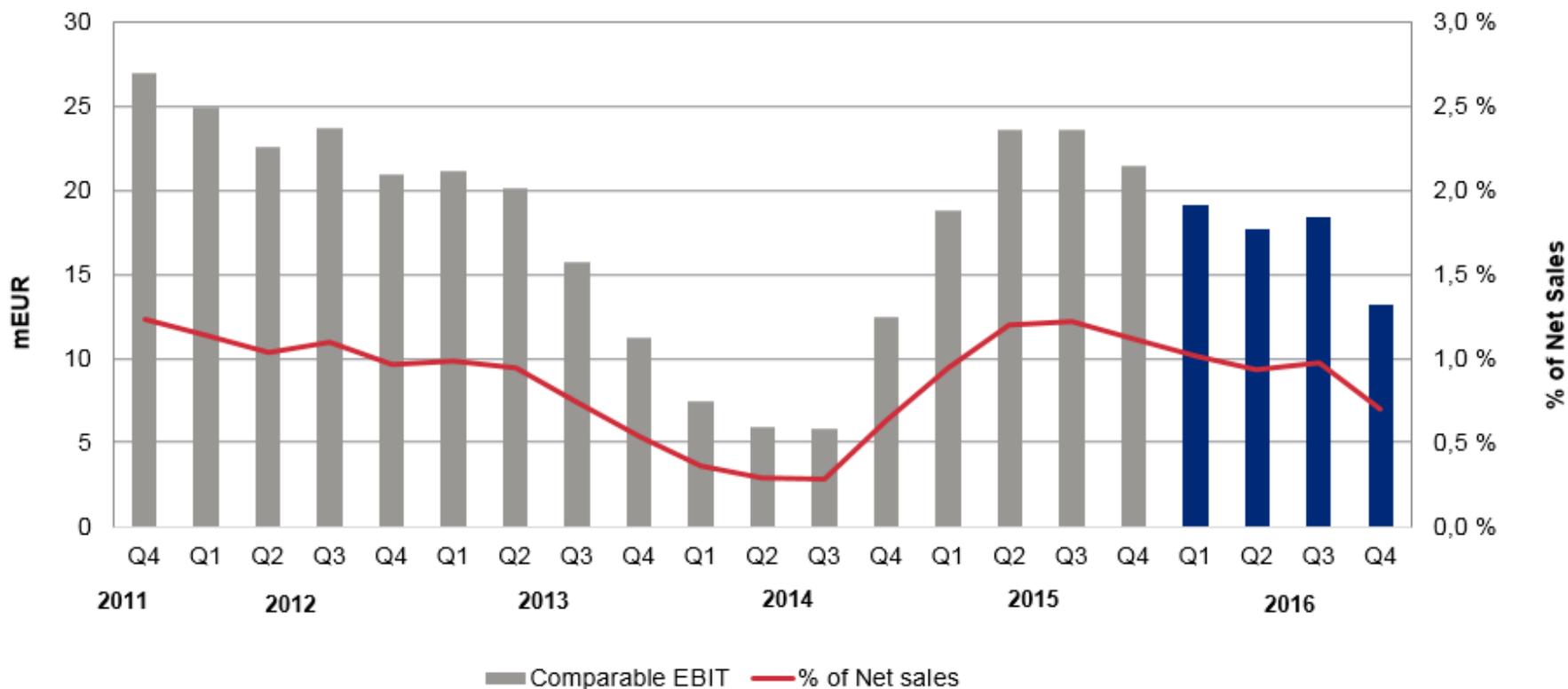
*) Comparable

Group EBIT^{*)}



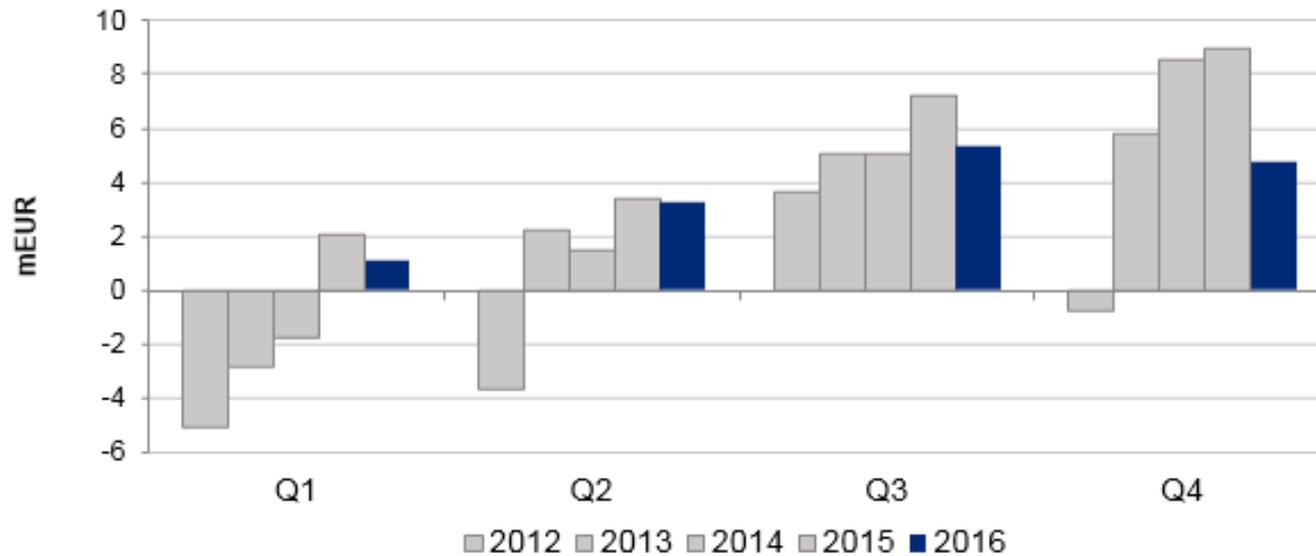
*) Comparable

Group EBIT last twelve months^{*)}



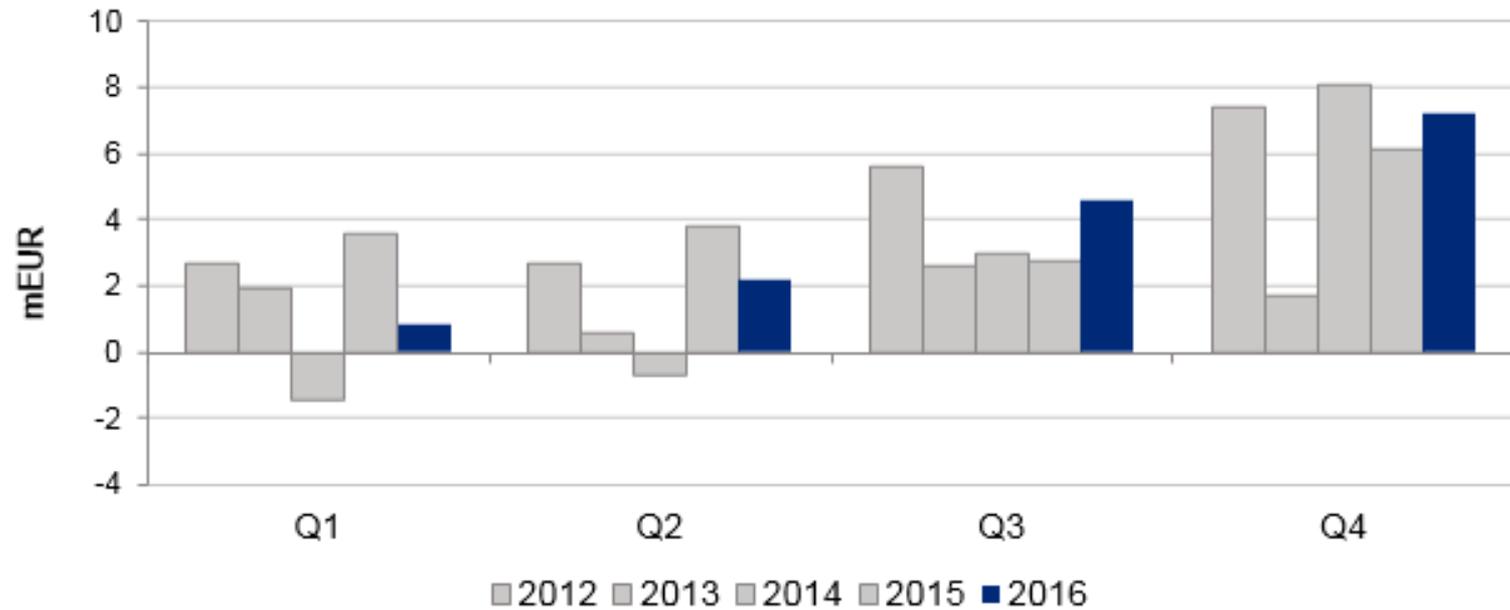
^{*)} Comparable

Sweden EBIT*)



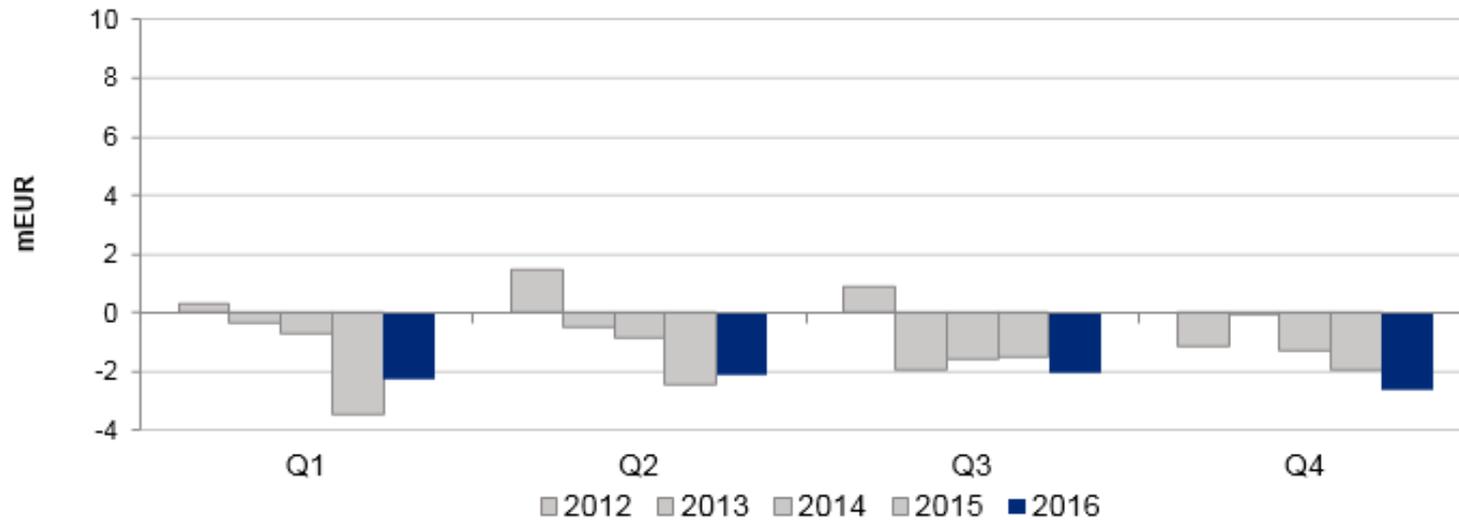
*) Comparable

Finland EBIT*)



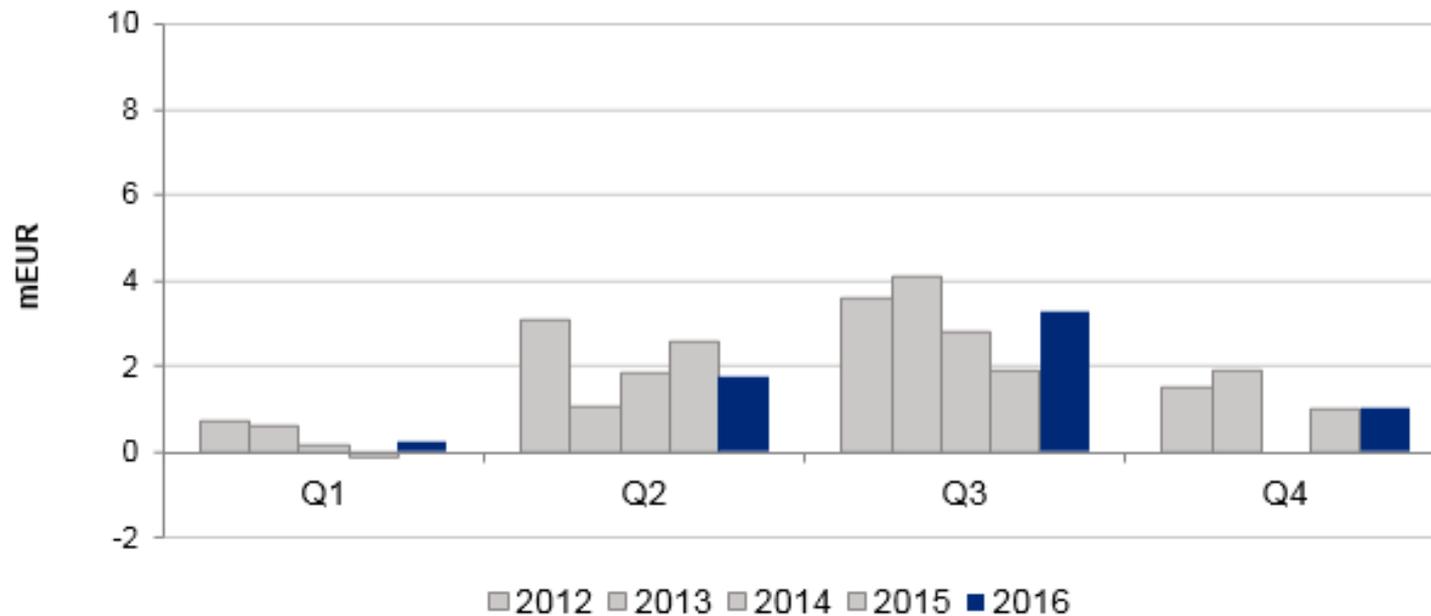
*) Comparable

Denmark EBIT^{*)}



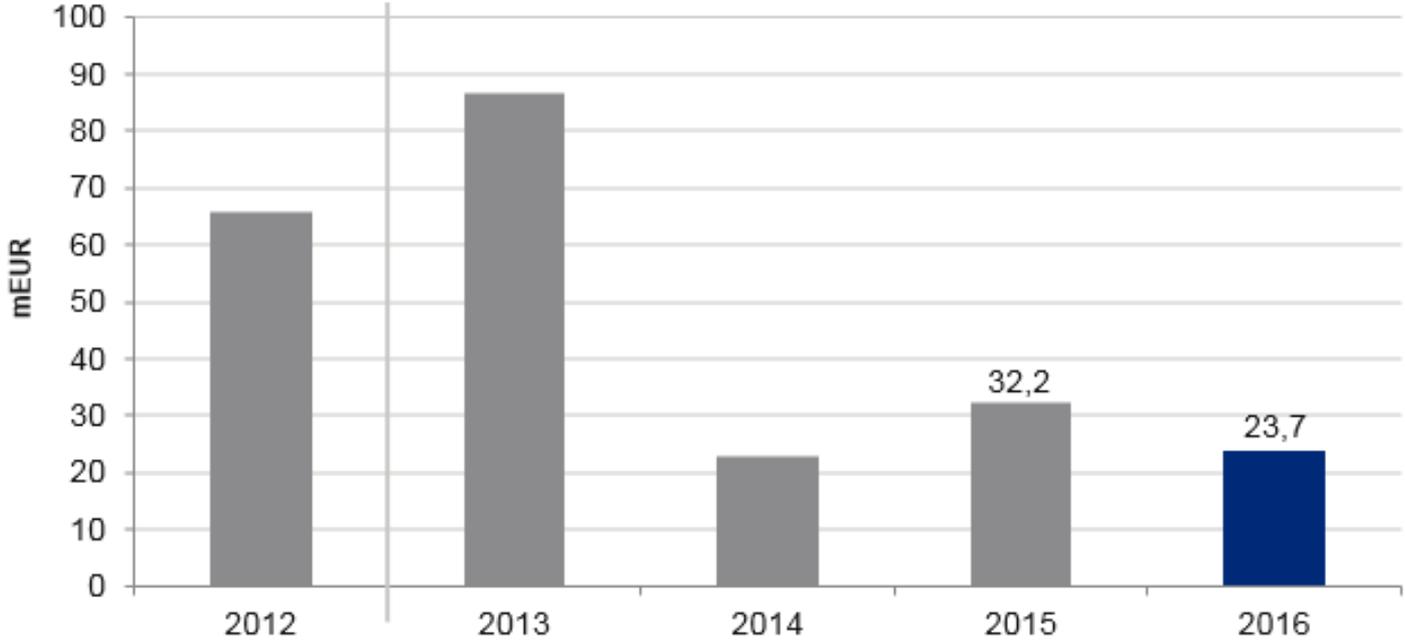
*) Comparable

Baltics EBIT*)



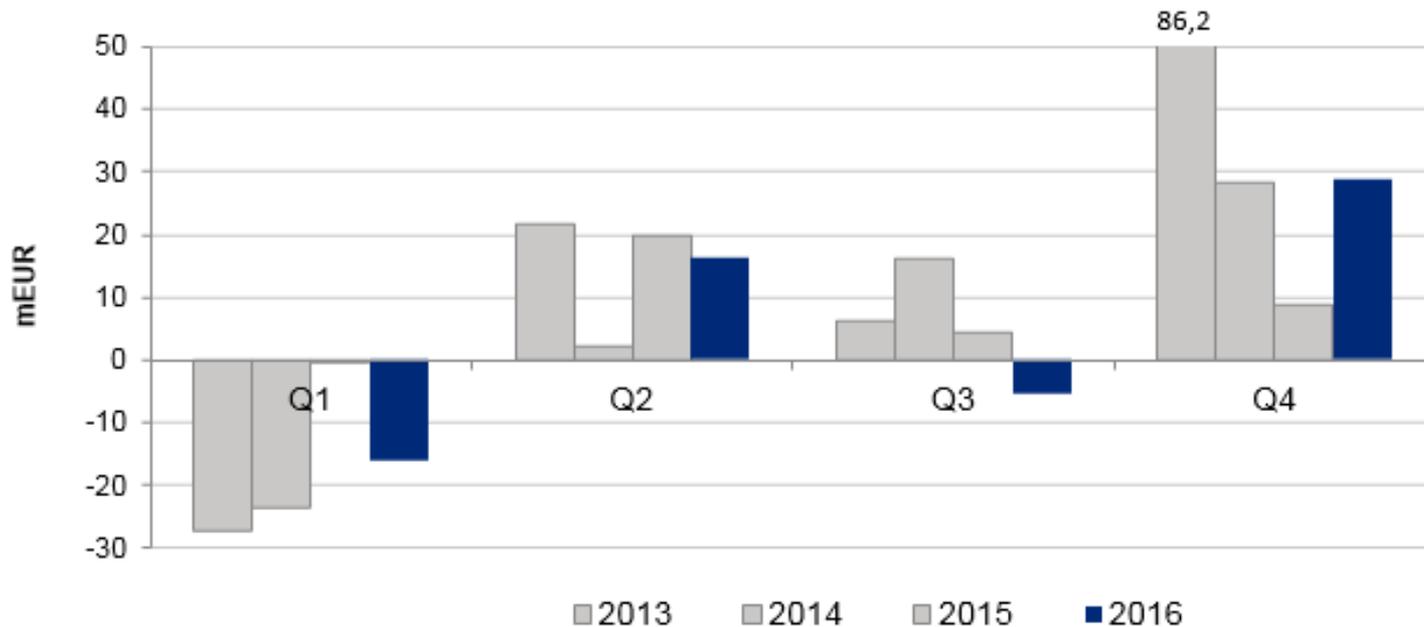
*) Comparable

Group cash flow before debt service^{*)}



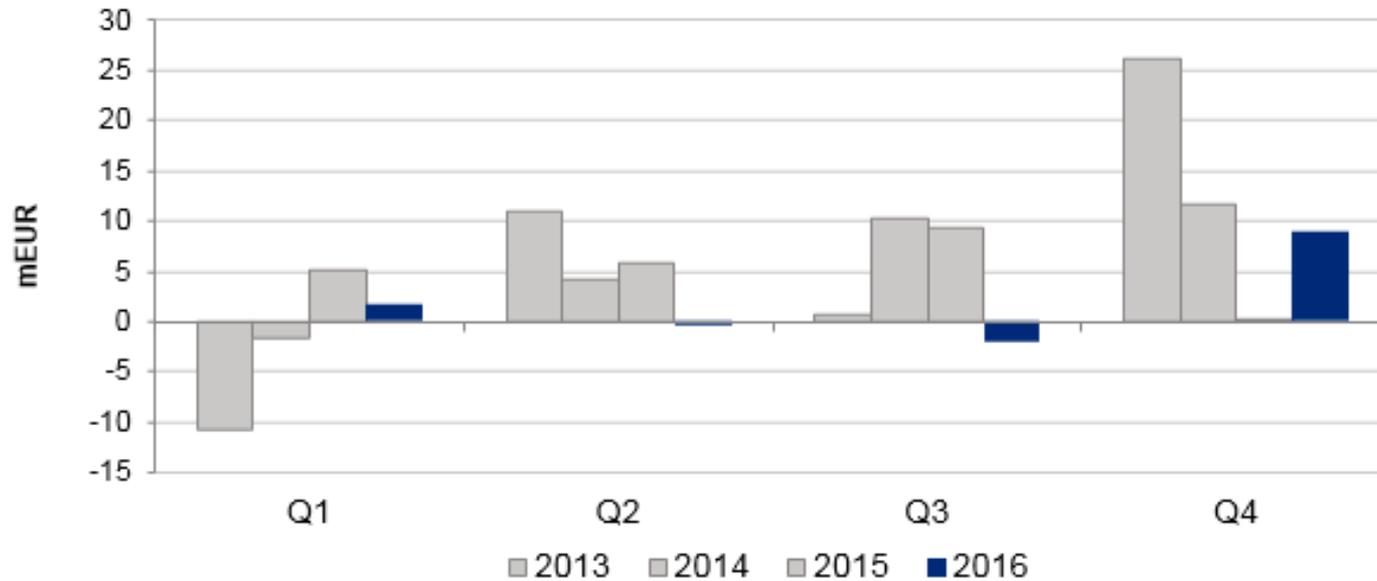
^{*)} Comparable

Group cash flow before debt service^{*)}



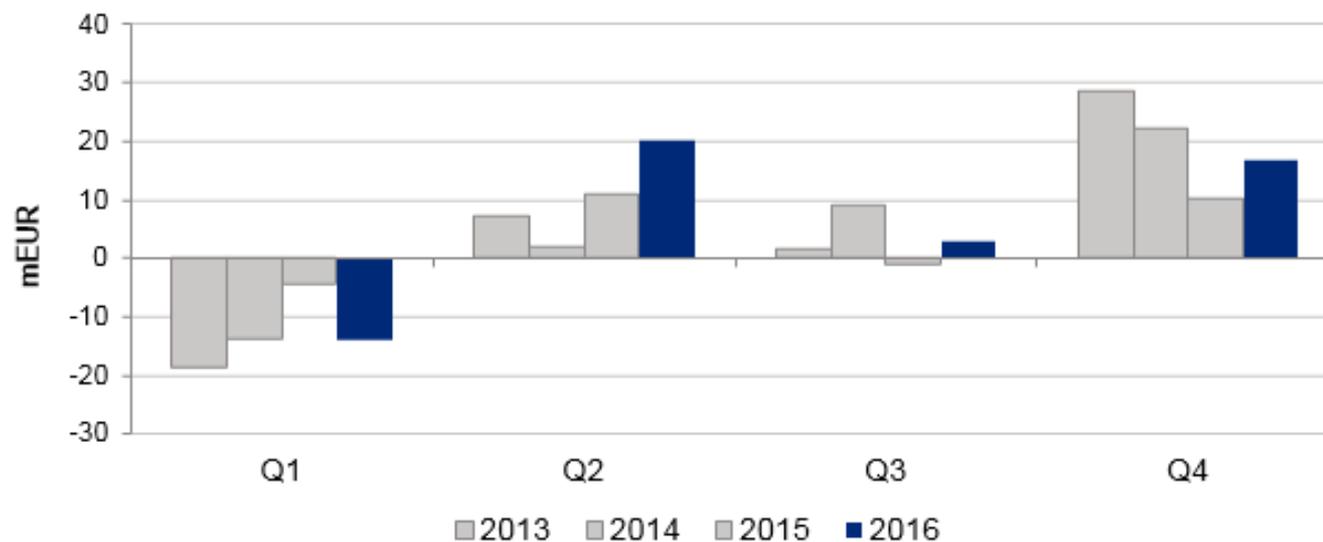
^{*)} Comparable

Sweden cash flow before debt service^{*)}



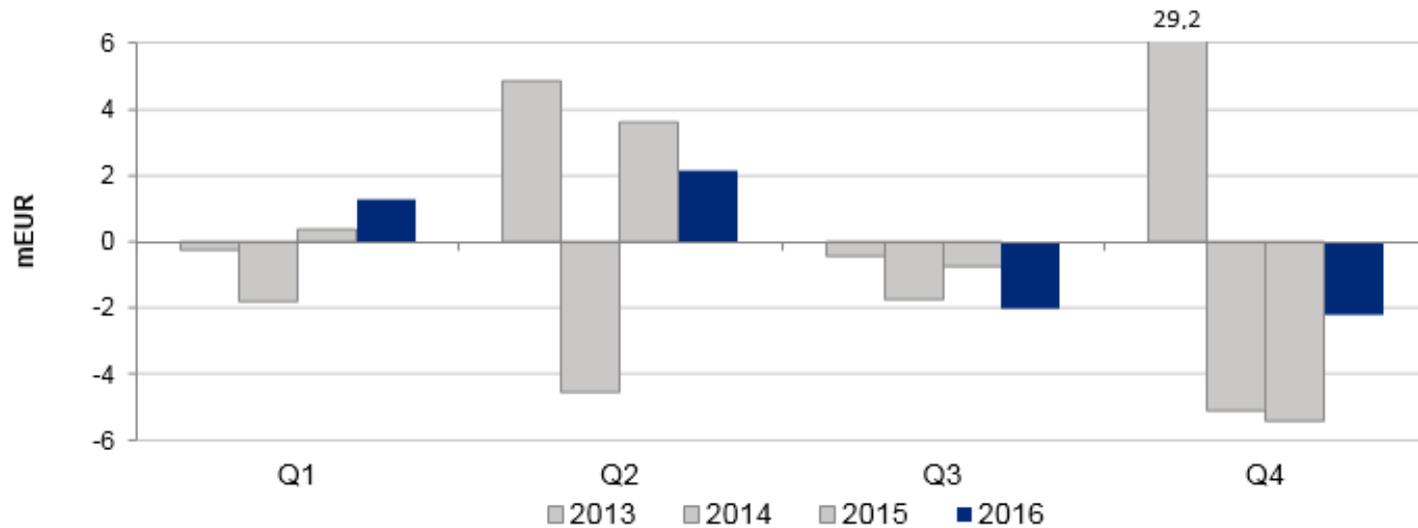
^{*)} Comparable

Finland cash flow before debt service^{*)}



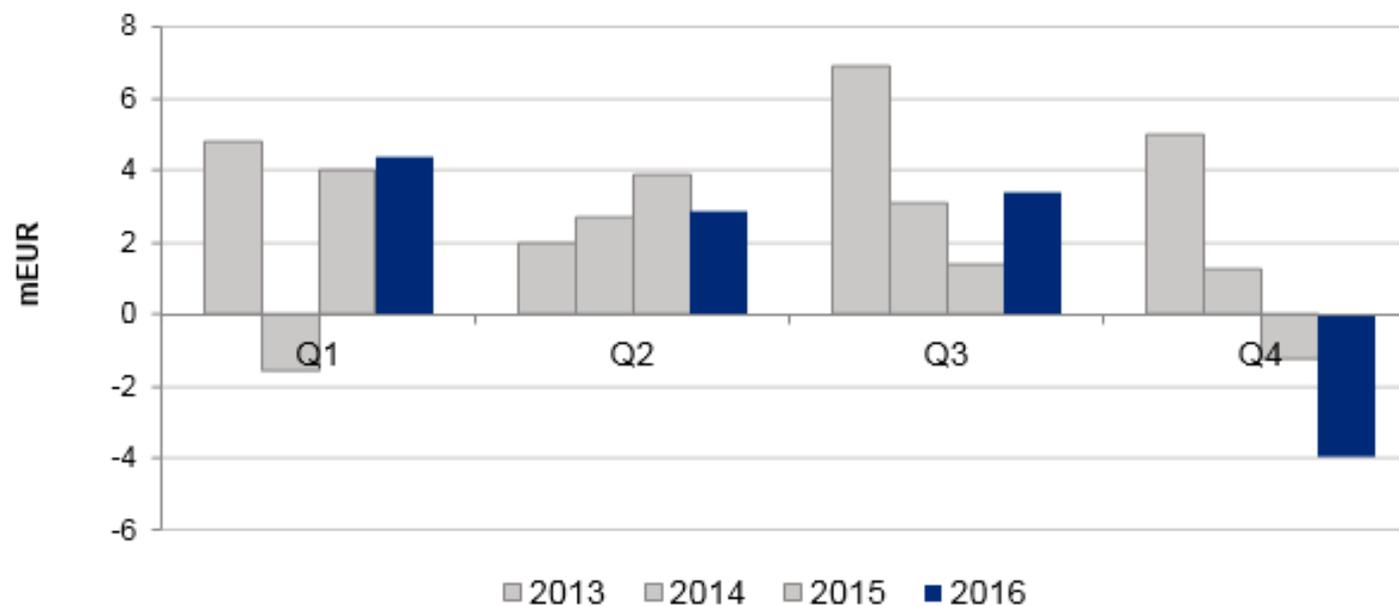
^{*)} Comparable

Denmark cash flow before debt service^{*)}



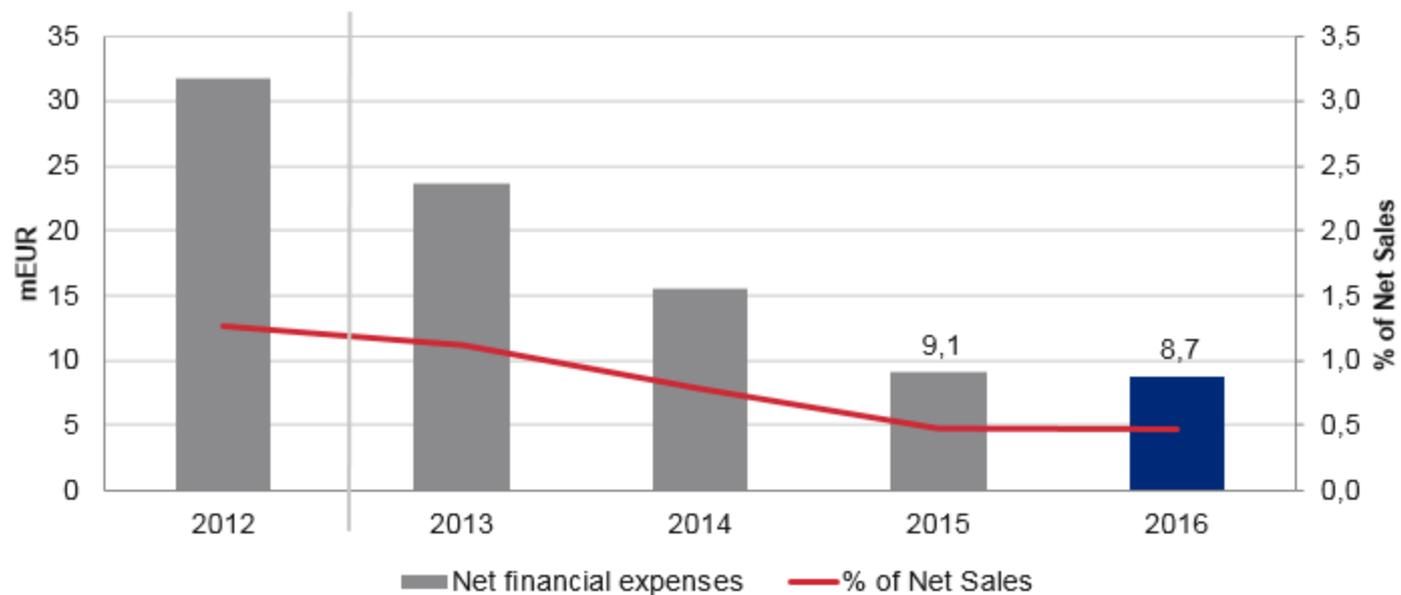
^{*)} Comparable

Baltics cash flow before debt service^{*)}

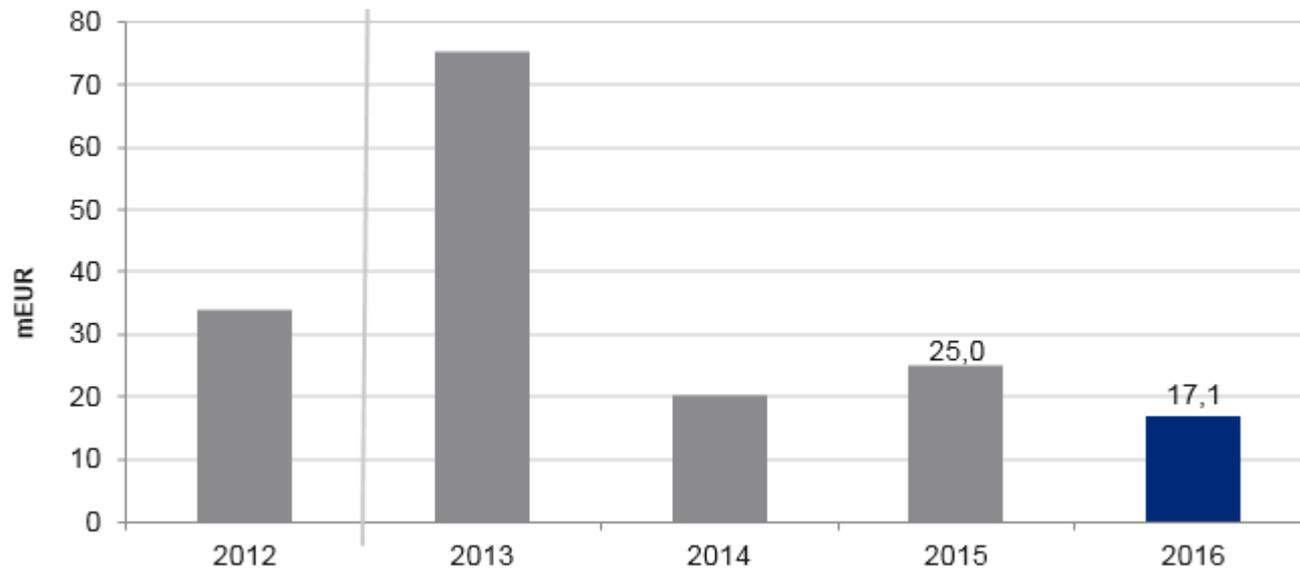


^{*)} Comparable

Group net financial expenses

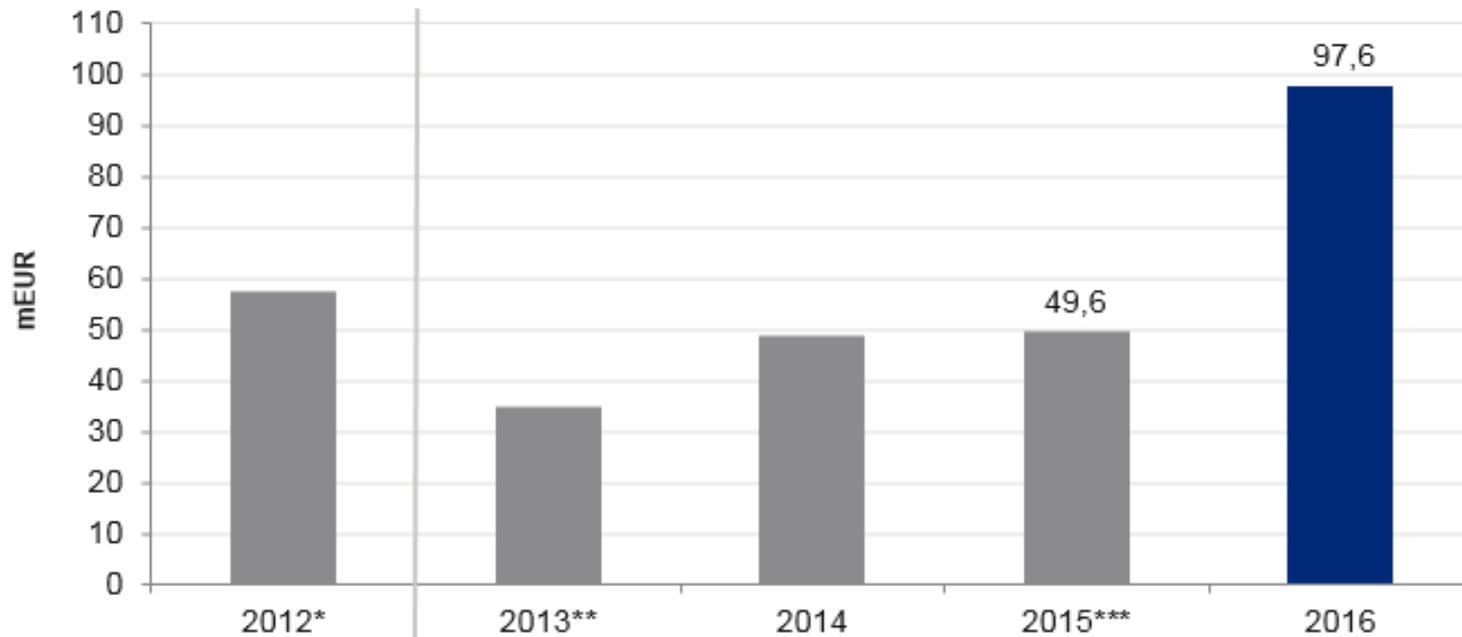


Group cash flow before financing^{*)}



^{*)} Comparable

Group investments

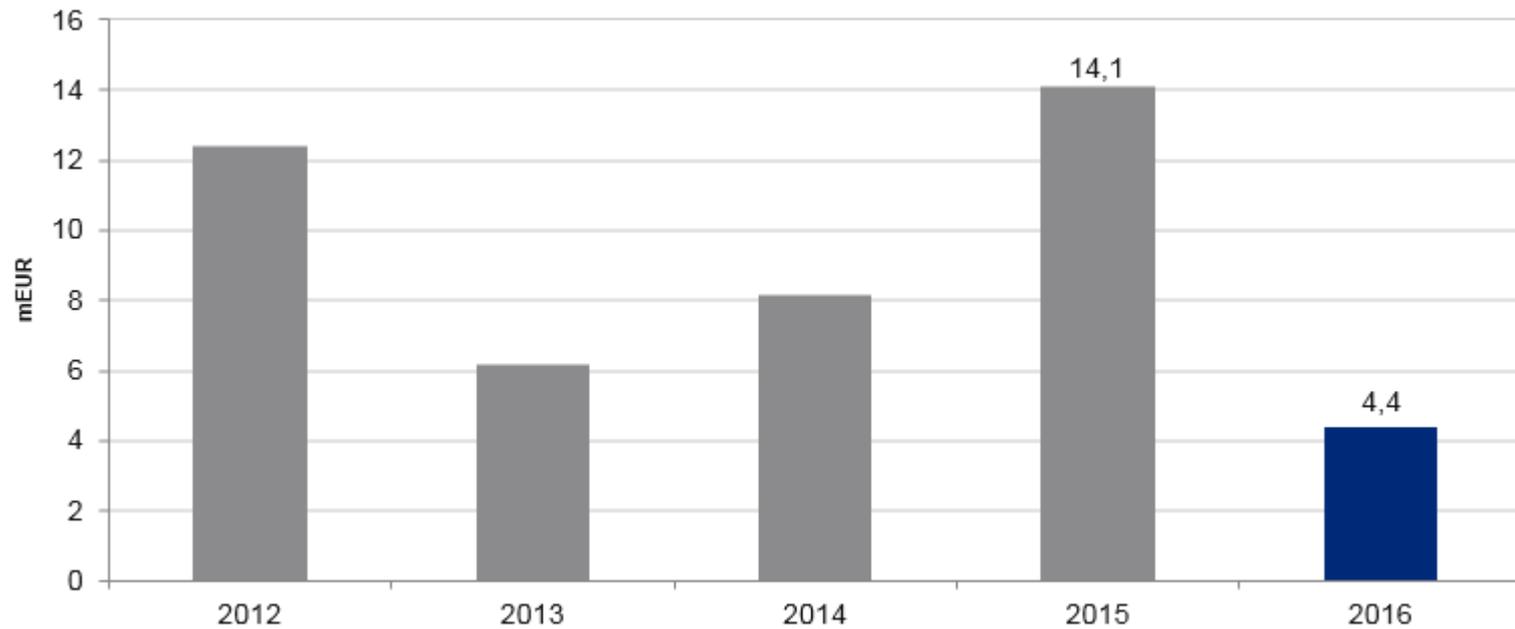


* EUR 57.3 million excluding rebuild of the Vinderup plant EUR 19.3 million

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

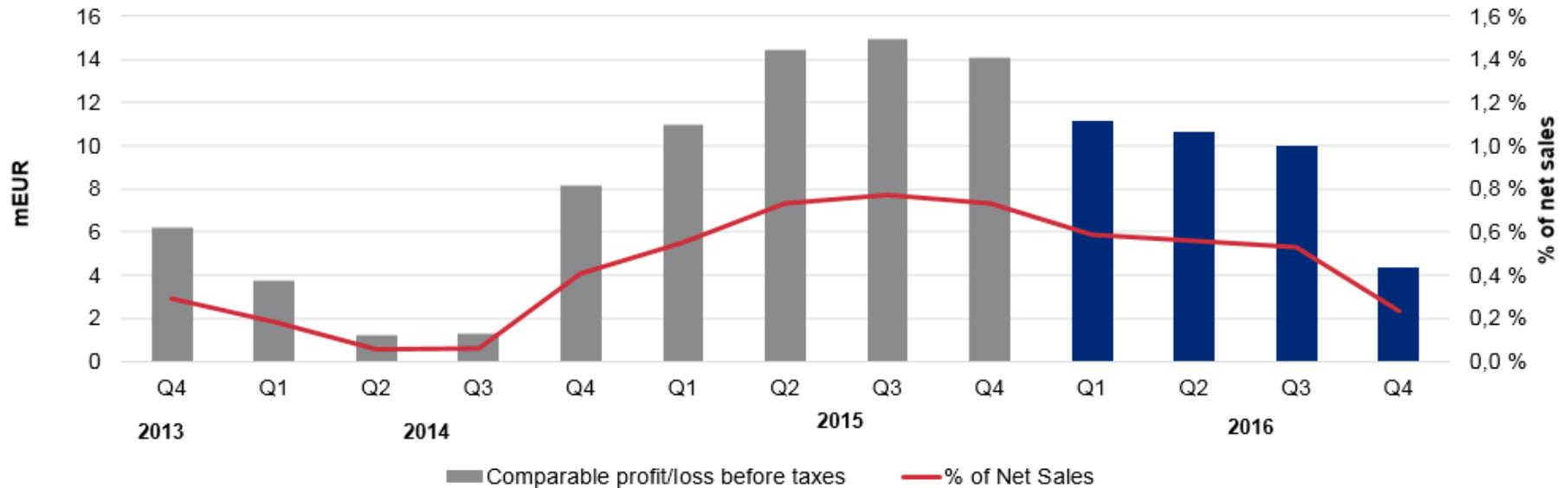
*** Excluding acquisition price of Paimion Teurastamo Oy

Profit before taxes^{*)}



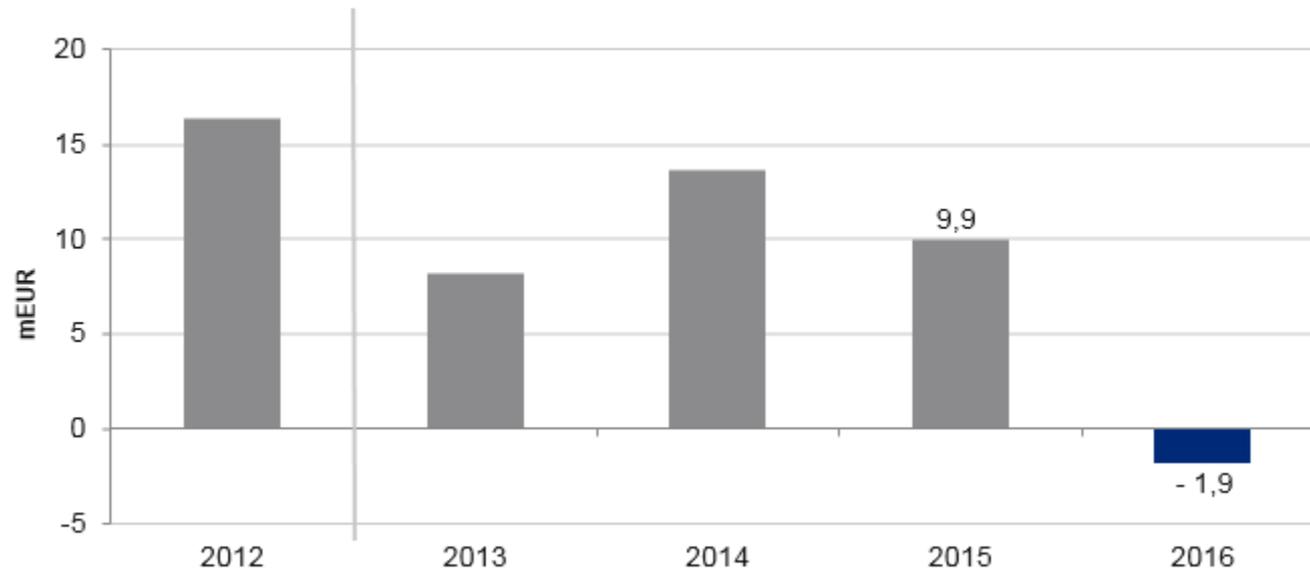
^{*)} Comparable

Profit before taxes last twelve months^{*)}



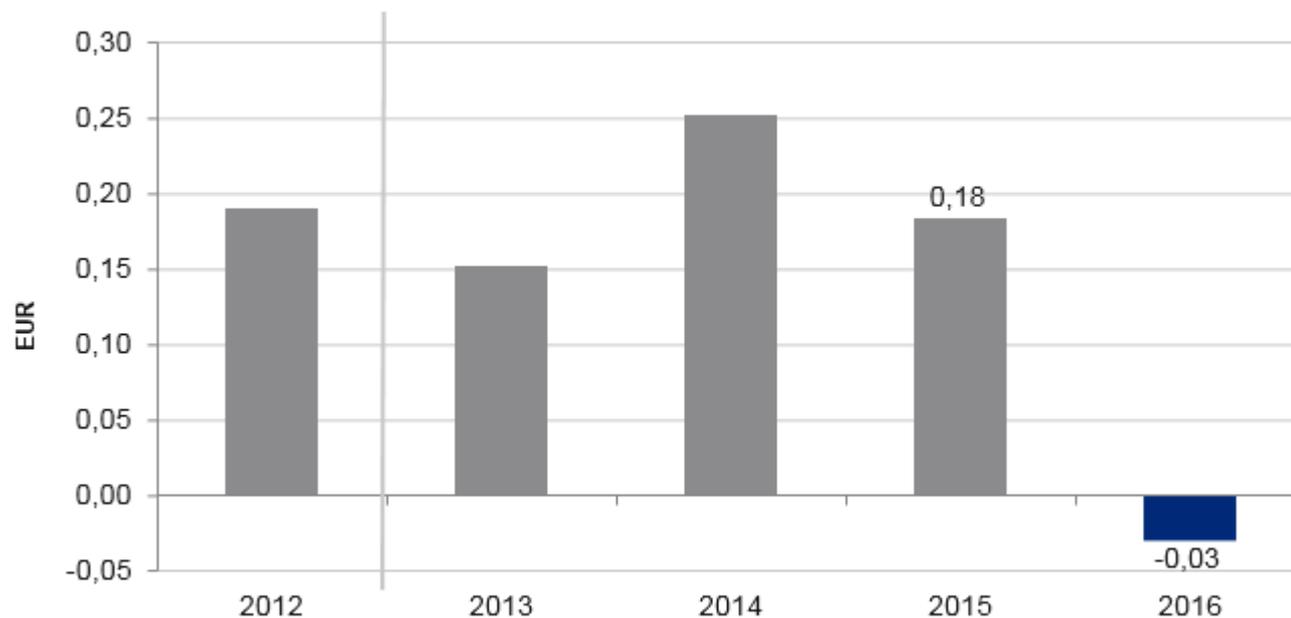
^{*)} Comparable

Profit for the period^{*)}



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

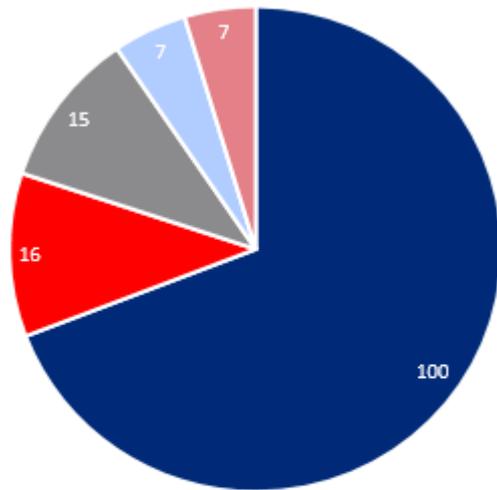
Earnings per share (EPS)*)



*) Comparable

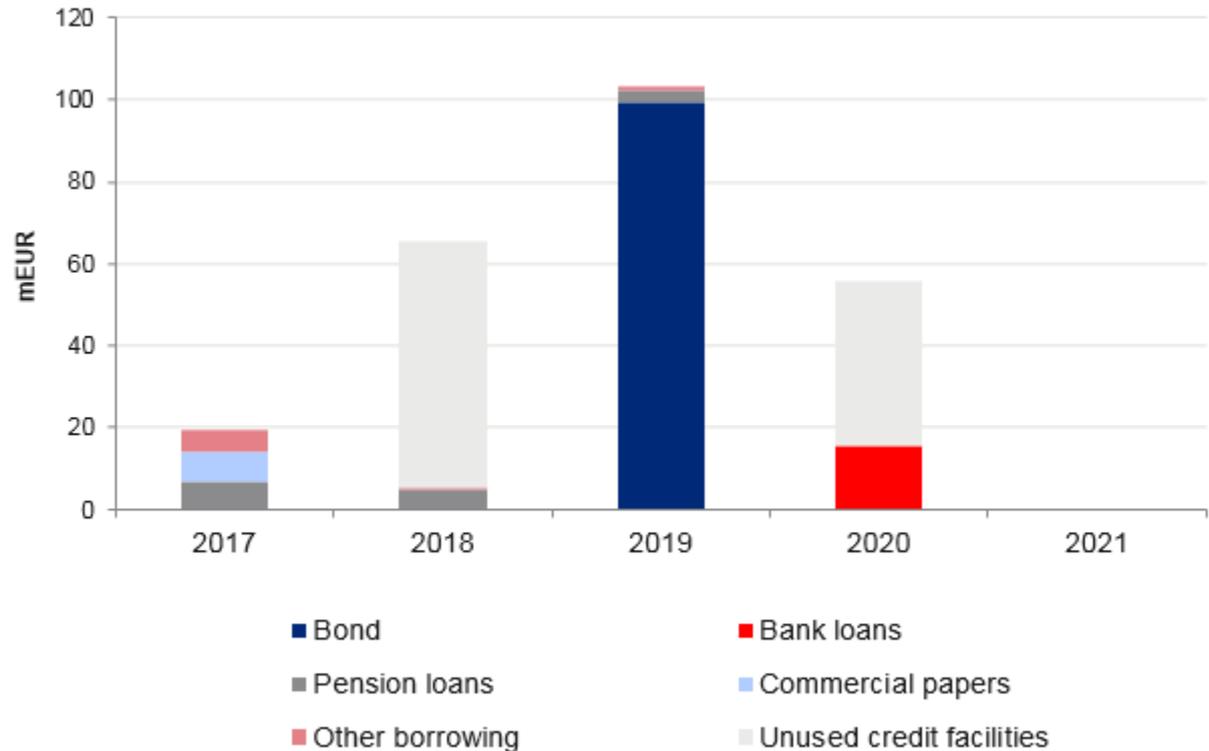
Interest-bearing debt and maturity structure

Interest-bearing debt by credit type

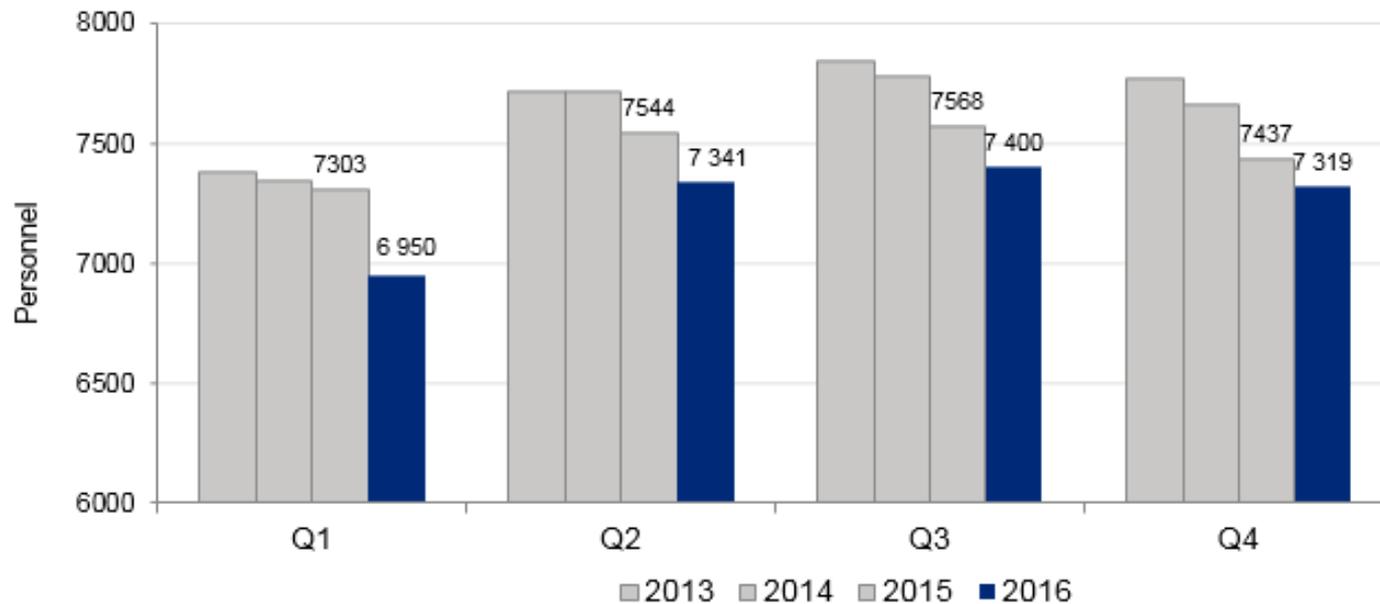


Total interest-bearing debt: 144,1 mEUR

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



Group personnel^{*)}



^{*)} End of month average

Key figures

EUR million	Q4/2016	Q4/2015	2016	2015
Net sales	485,2	501,4	1 872,9	1 917,1
EBIT	4,2	-0,6	9,7	9,6
- EBIT %	0,9	-0,1	0,5	0,5
Comparable EBIT	6,0	11,3	13,2	21,5
- EBIT %	1,2	2,2	0,7	1,1
Profit before taxes	2,2	-2,3	0,9	2,2
Profit for the review period	1,7	-1,5	-3,6	1,9
EPS, EUR	0,02	-0,04	-0,10	0,01
Cash flow before debt service	29,0	8,8	23,7	32,2
Cash flow before financing activities	25,0	4,0	17,1	25,0
ROCE before taxes, %			2,1	2,3
Net debt			137,2	144,0
Net gearing, %			33,5	33,8
Employees, end of month average			7 319	7 437

Outlook for 2017

- HKScan aims to reach the comparable operating profit (EBIT) of the year 2016



HKSCAN

Inspire, Lead, Care

Jari Latvanen, President and CEO
8 February 2017

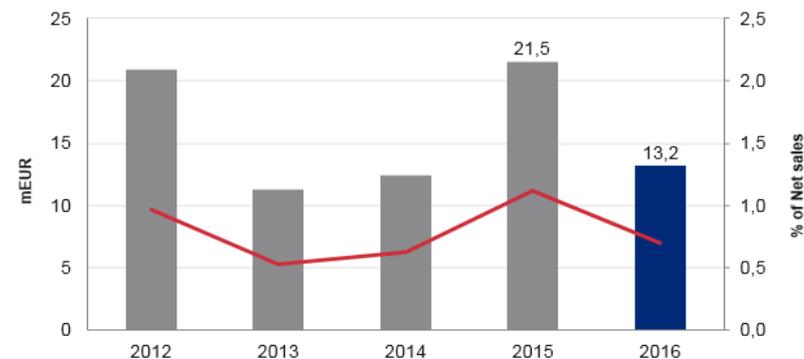
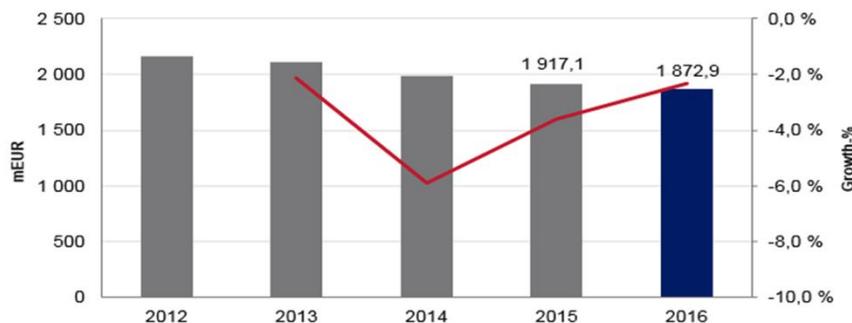
Net sales declining, profitability unchanged (2012 - 2016)

- **Net sales have declined by 2-6% annually**

- **Sweden** has **lost market share** in the growing market
- **Finland** has kept or **slightly increased market share** in non-growing market
- **Denmark** has **strengthened** market position in **domestic market**, export challenging
- **Baltics** has remained **strong market position**, no growth

- **EBIT +/-1%**

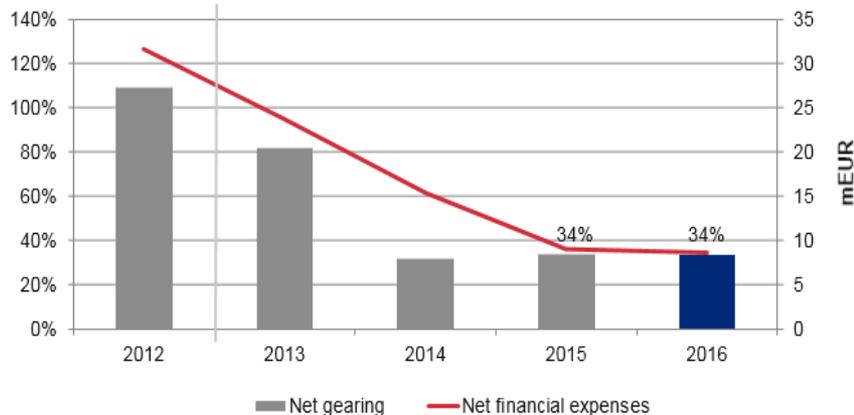
- In **Sweden production footprint restructured**, decline in sales margin
- In **Finland heavy asset and high cost structure**, **sales mix improving**
- **Denmark loss making business**, **domestic improved** with fresh products
- Profit in sliding trend in the **Baltics**, **heavy asset, cost inflation**



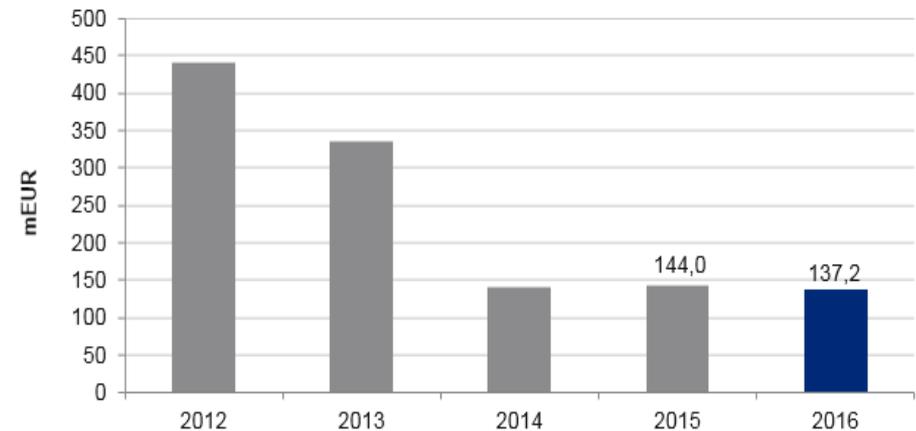
Strong balance sheet (2012 - 2016)

- **Low interest-bearing debt – divestment of Sokolow, inventory management**
 - Higher investment load in the pipeline – Rauma, Swinoujscie
 - Financial capacity to invest in profitable growth such as production assets, new products and concepts

Net gearing

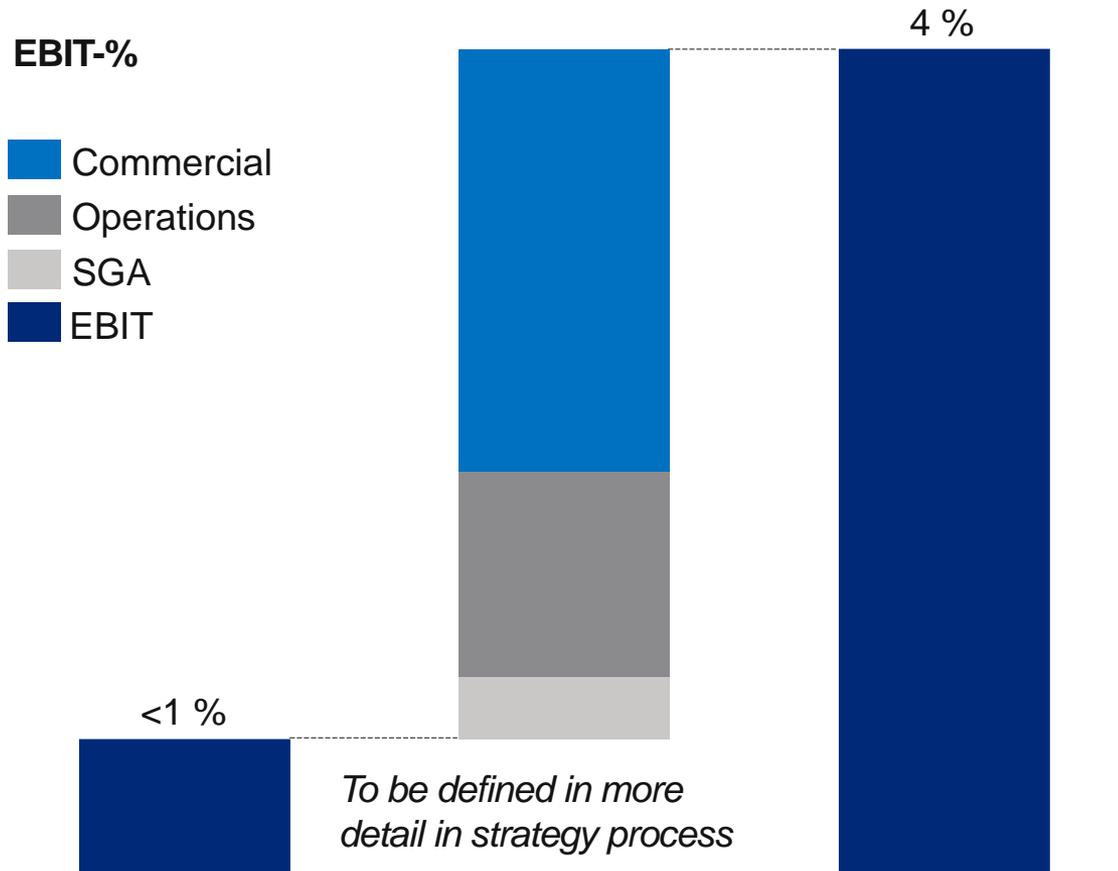


Net debt



Commercial actions support growth and profit

Cost saving actions improve EBIT



Commercial

- Strengthened market position in Sweden, foothold in new markets
- Investments in new concepts and growing categories, e.g. convenience, poultry and bacon

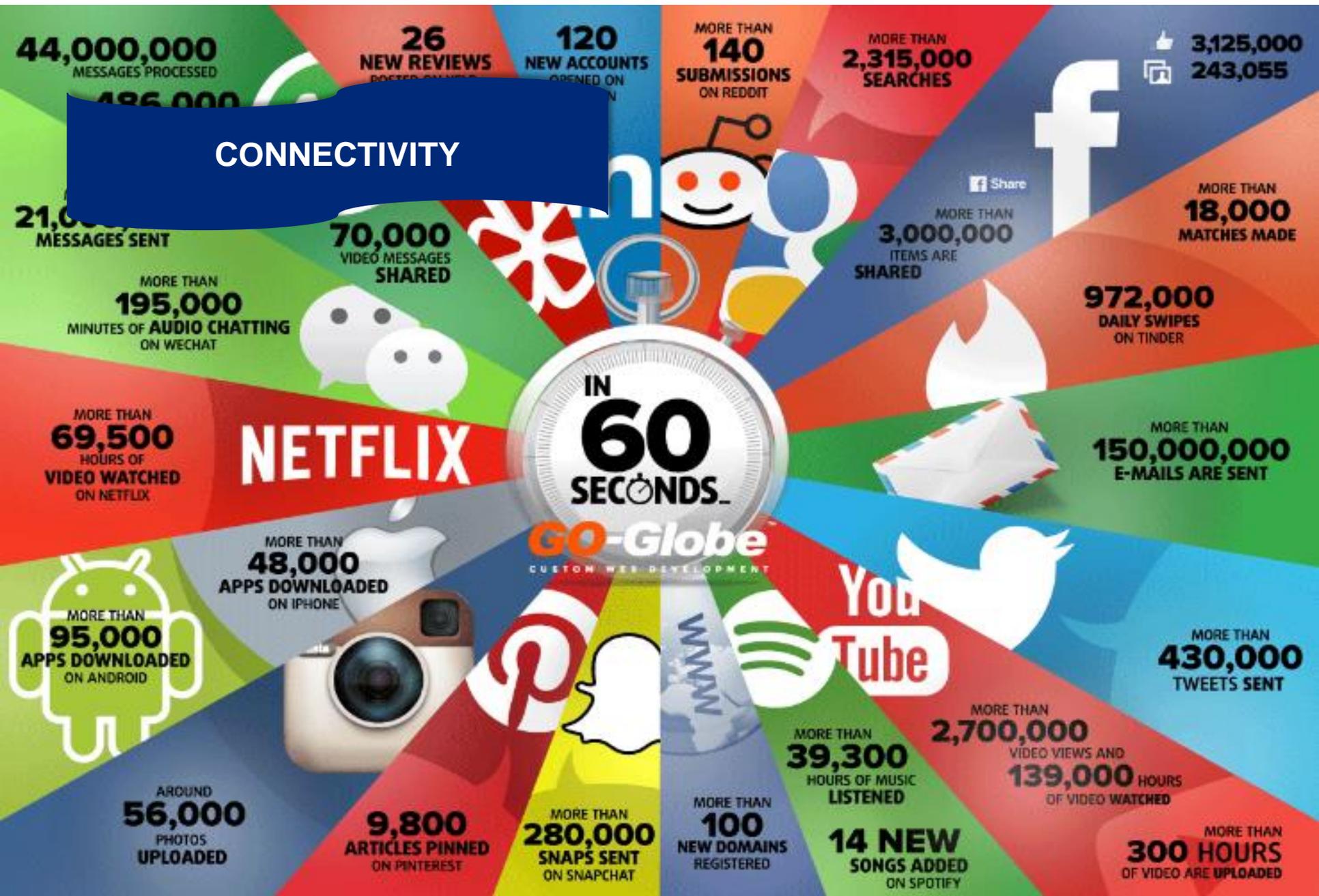
Operations

- Investments in cost efficiency improvement, e.g. Rauma
- Economies of scale in sourcing
- Supply network rationalisation

SGA

- Organization efficiency and streamlining

CONNECTIVITY





New direction

Expectations from HKScan colleagues



I had the opportunity to interview ca. 60 new colleagues before officially joining HKScan.

Top three expectations that have emerged from the interviews are:

1. Create a **winning team** with good *alignment* and *leadership*
2. Clarify the overall **organisational model** to enhance common *way of working* and *accountability*
3. Create a compelling and simple **vision and strategy** that is based on *real choices* and is *actionable*

Our new direction will reflect internal and external expectations



Objective:

- To improve our ***ability to win*** and to *reach our target* of profitable growth

Approach:

- **First**, we will build a thorough understanding of **how the company is working today**.
- **Second**, we will look into **the ways we organise ourselves** and how we work together towards common goals.
- In the following phases, we will evaluate **cornerstones for our future success**.

Evolution path of HKScan

I Separate local companies

1913 - 2006

II HKScan as a multi-local company

2007 / 2013 – 2016

III HKScan as an integrated Nordic company with deep local roots

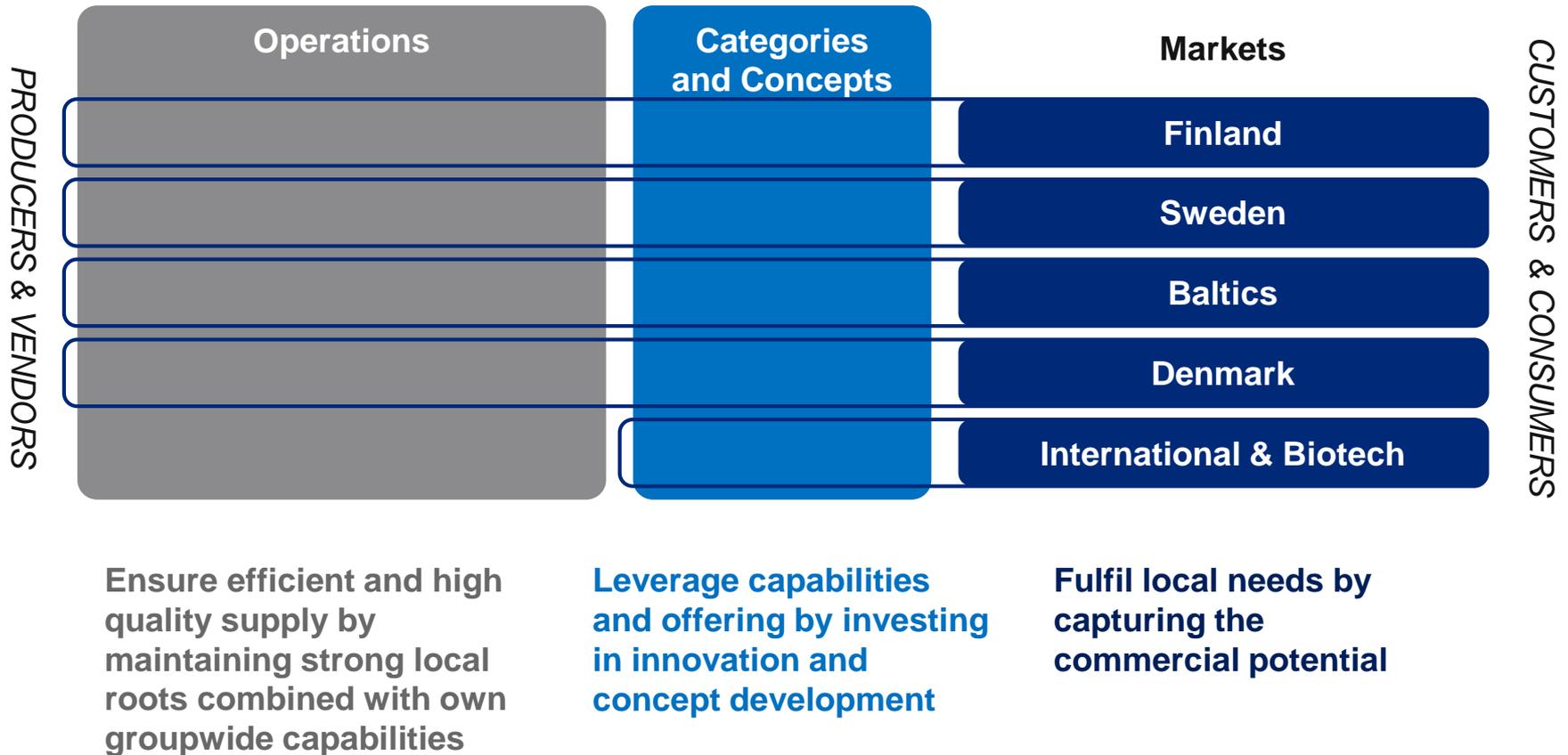
2017 –



Note: This is a simplified list of companies. In addition to the main ones listed above, HKScan has several subsidiaries and associated companies

Planned way of working

– Fit for future



New Group Leadership Team



Jari Latvanen
President and CEO



Aki Laiho
EVP Operations



Sofia Hyléen Toresson
EVP Market Area
Sweden, from 2 May
onwards



Jyrki Karlsson
EVP Market Area
Finland



Svend Schou Borch
EVP Market Area
Denmark



Anne Mere
EVP Market Area
Baltics



Jukka Nikkinen
EVP Market Area
International & Biotech



Heli Arantola
EVP Categories &
Concepts, from 2 May
onwards



Anu Mankki
EVP HR

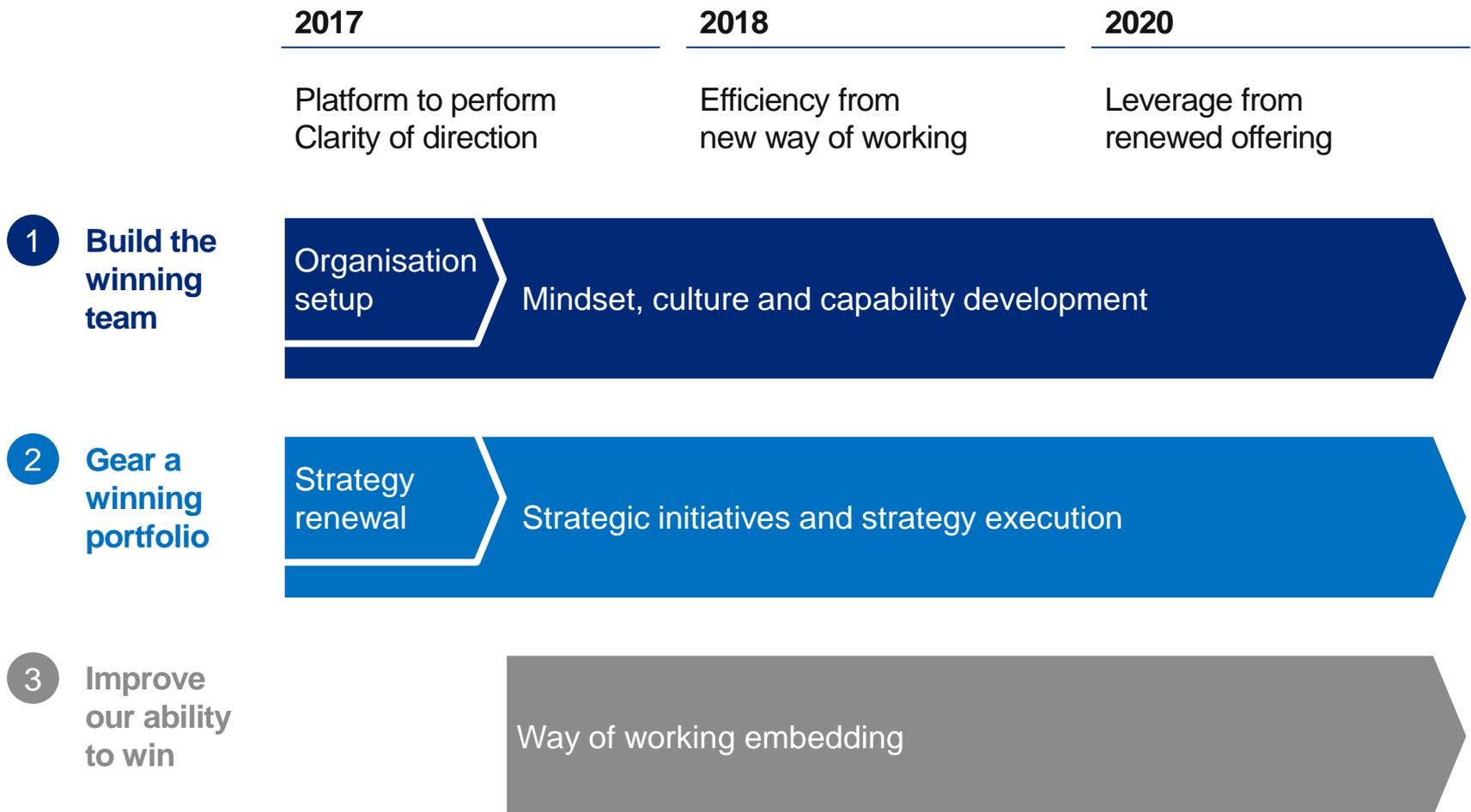


Tuomo Valkonen
CFO



Markku Suvanto
EVP Legal

Development roadmap



A woman with long, wavy brown hair is smiling and looking towards the left. She is wearing a white, textured sweater. In the foreground, there is a table with various dishes, including a plate with a sausage, a bowl of potatoes, and a bowl of meat. The background shows a body of water and trees under a bright sky.

We exist to

**Enable everyone to
live tastier lives,
today and tomorrow**

How we work with consumers & customers

Inspire food passions



Lead the way in meat



Care – Help people make better choices





HKSCAN

Why do we exist?



Full steam ahead!