



HKSCAN

Financial statements 2017 Group financials

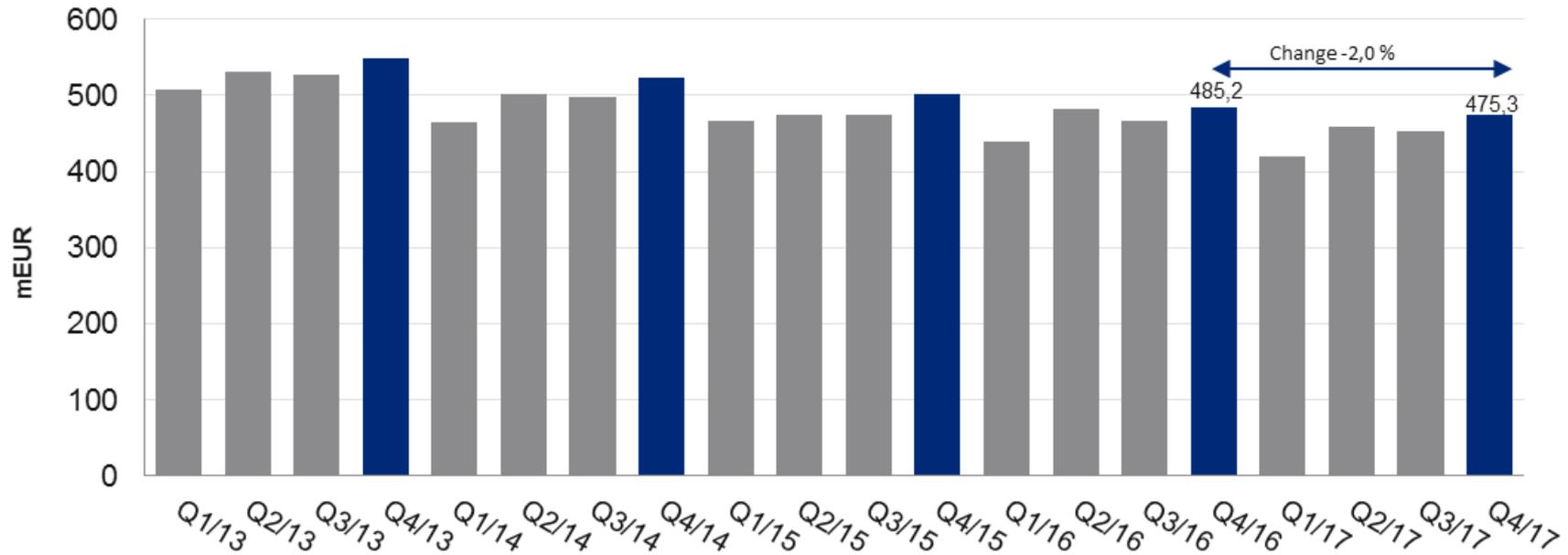
Mikko Forsell, CFO
7 February 2018

Result in loss due to Rauma unit ramp up – Strategy implementation proceeds

HKScan Group 2017

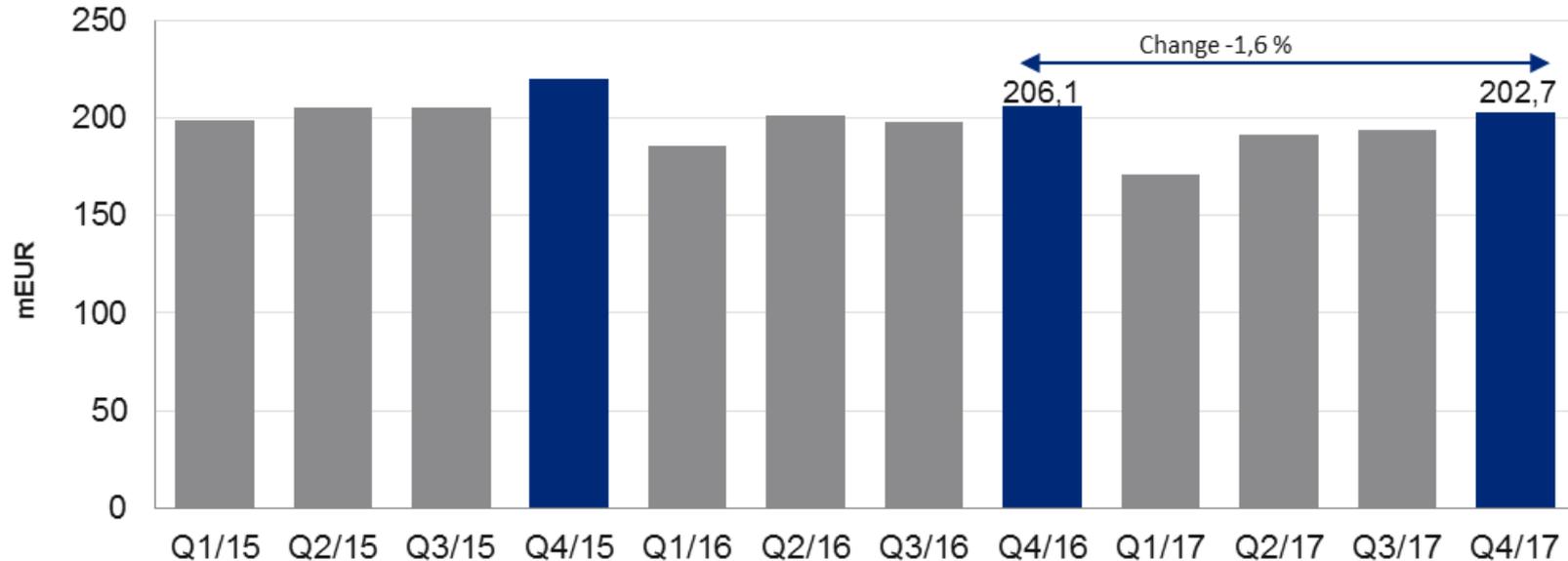
EUR million	Q4/2017	Q4/2016	2017	2016
Net Sales	475,3	485,2	1 808,1	1 872,9
EBIT	-22,2	4,2	-40,3	9,7
- % of net sales	-4,7 %	0,9 %	-2,2 %	0,5 %
Profit/loss before taxes	-24,8	2,2	-49,2	0,9
- % of net sales	-5,2 %	0,5 %	-2,7 %	0,0 %
Profit/loss for the period	-21,2	1,7	-42,4	-3,6
Comparable EBIT	-12,3	6,0	-17,6	13,2
- % of net sales	-2,6 %	1,2 %	-1,0 %	0,7 %
Comparable profit/loss before taxes	-14,9	4,0	-26,5	4,4
- % of net sales	-3,1 %	0,8 %	-1,5 %	0,2 %
EPS, EUR	-0,41	0,02	-0,84	-0,10
Return on capital employed (ROCE) before taxes, %	-6,3 %	2,1 %	-6,3 %	2,1 %
Comparable ROCE before taxes, %	-2,4 %	2,7 %	-2,4 %	2,7 %
Net gearing, %	59,3 %	33,5 %	59,3 %	33,5 %
Personnel			7 292	7 319

Group net sales declined but product sales increased in Sweden, Denmark and Baltics



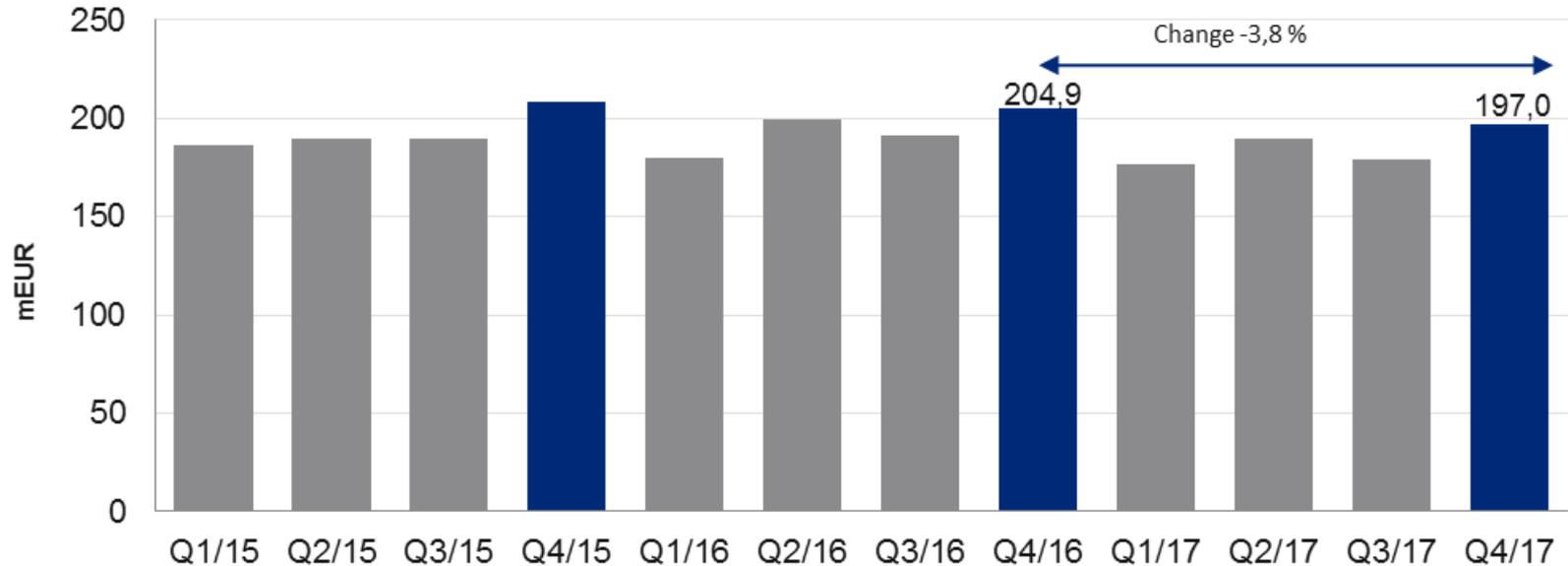
Sweden

Product sales increased – animal trading declined



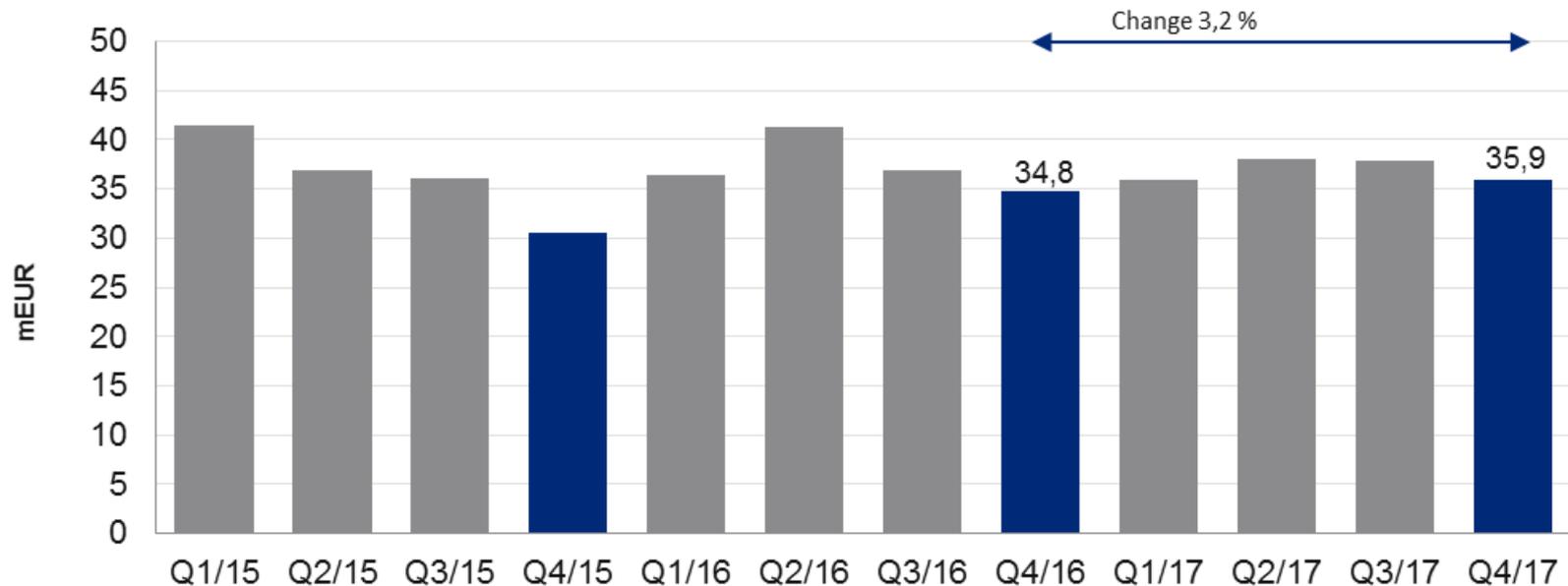
Finland

Rauma related challenges reduced net sales – meal components increased



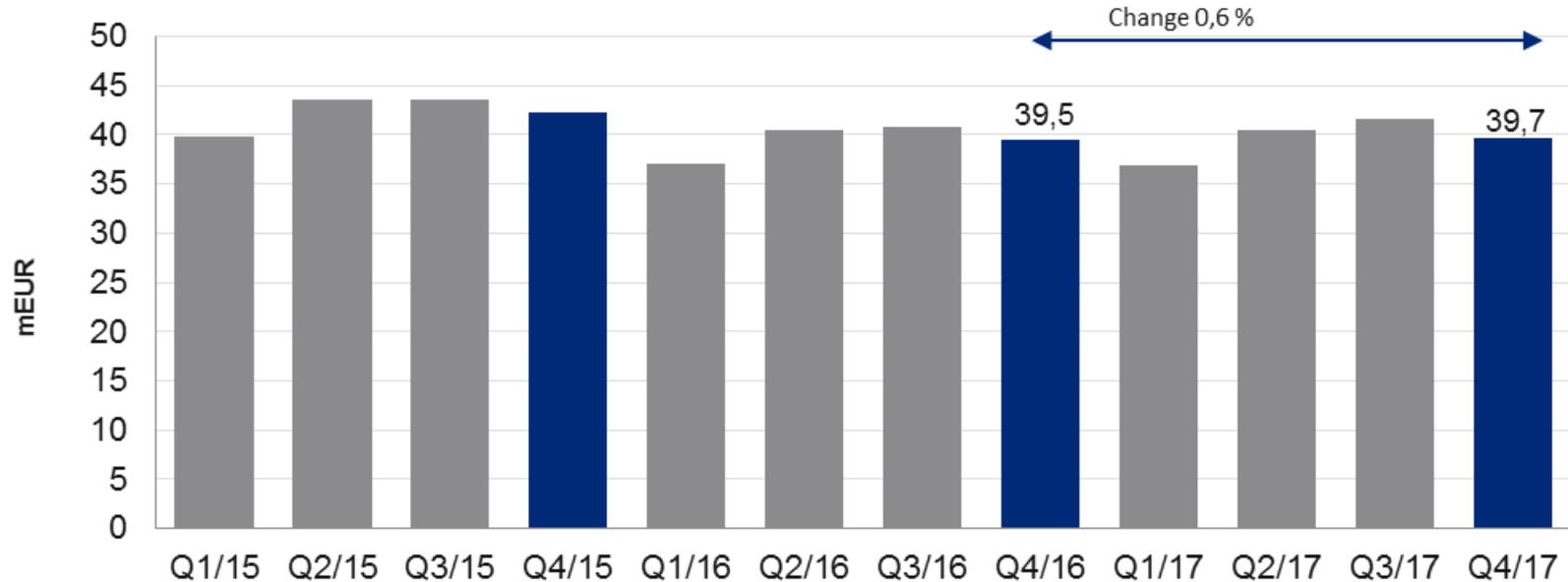
Denmark

Net sales increased

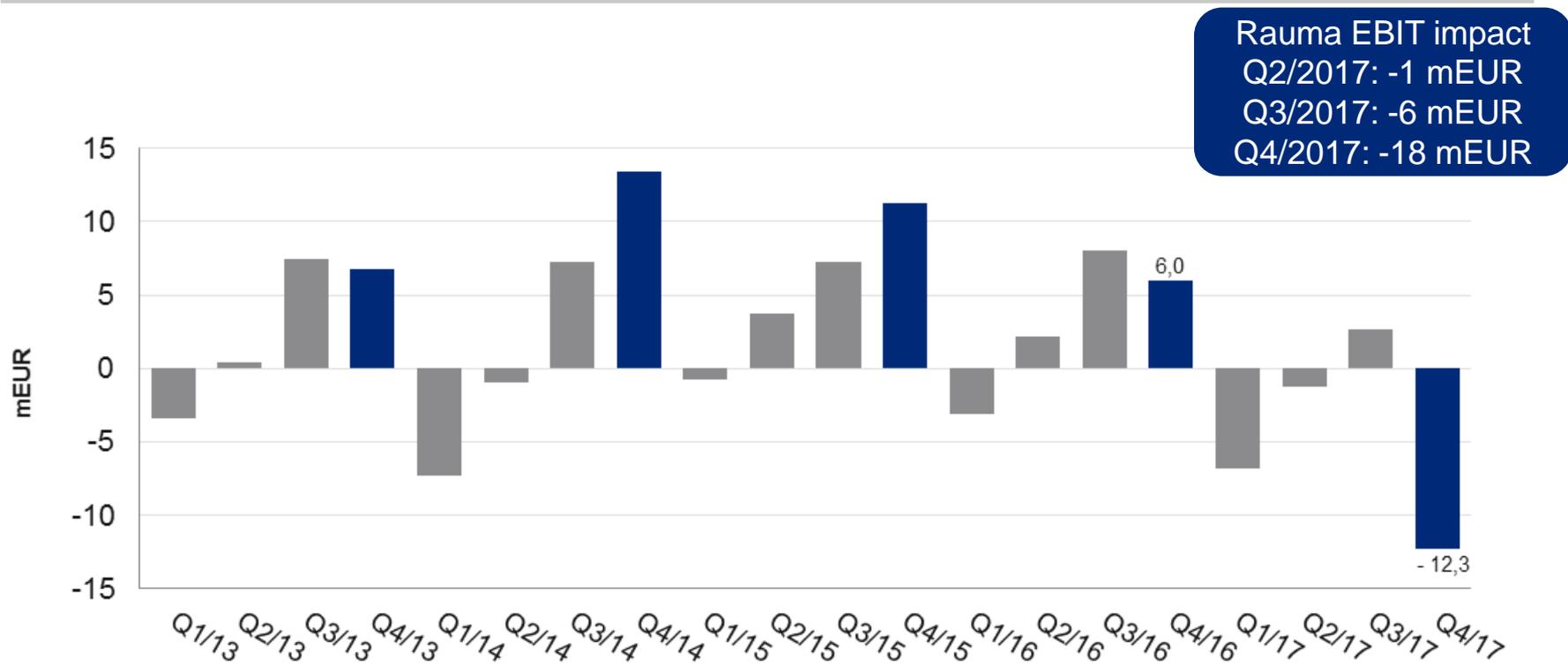


Baltics

Slight growth in net sales

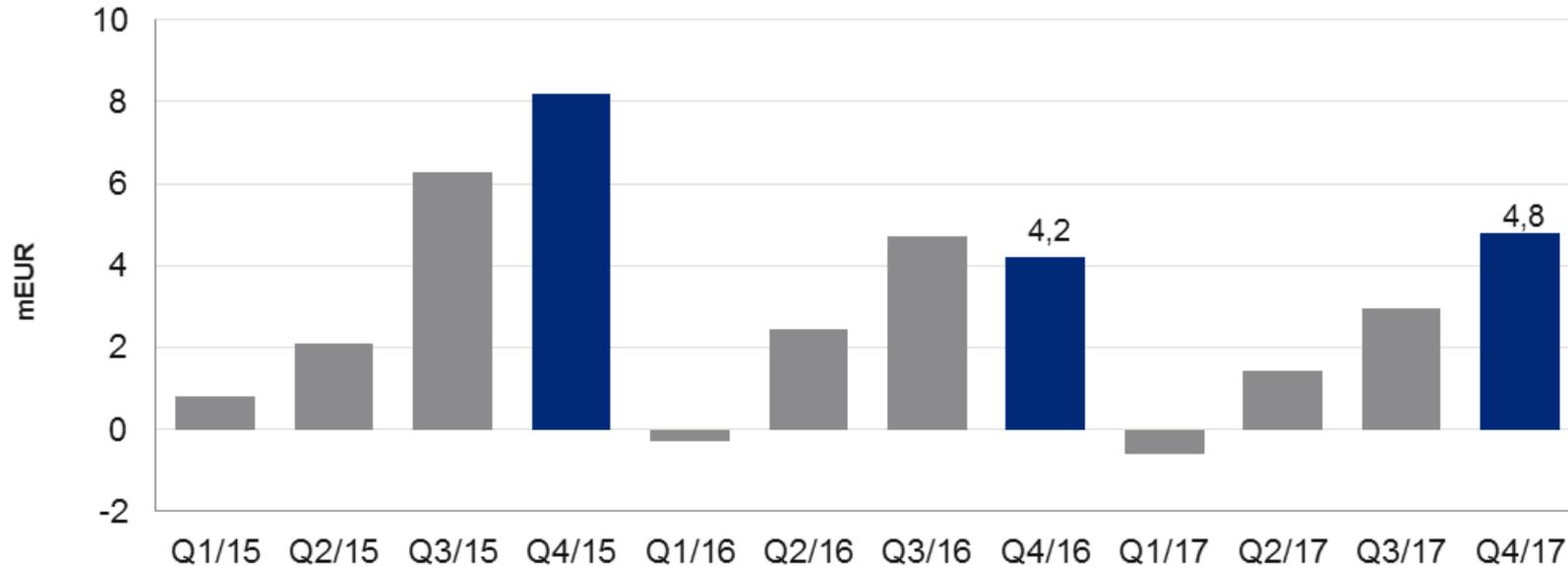


Group comparable EBIT



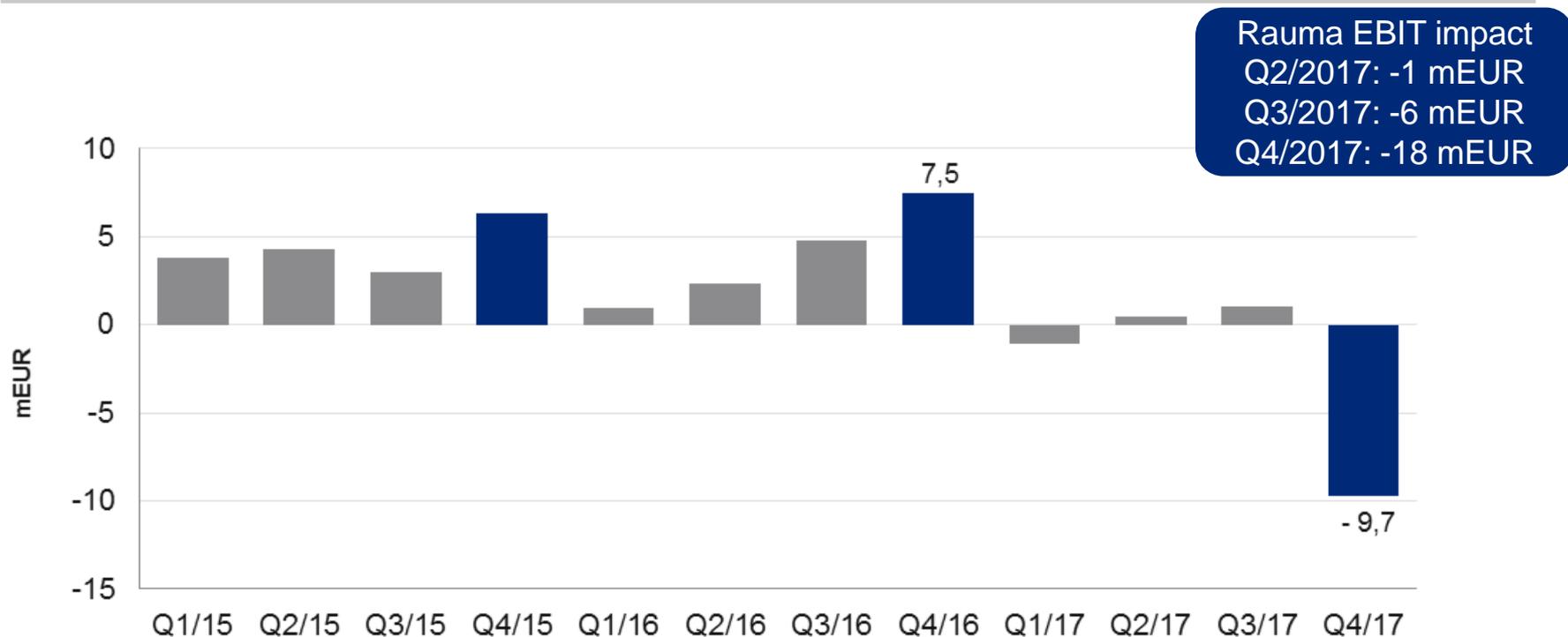
Sweden

Comparable EBIT* made upturn



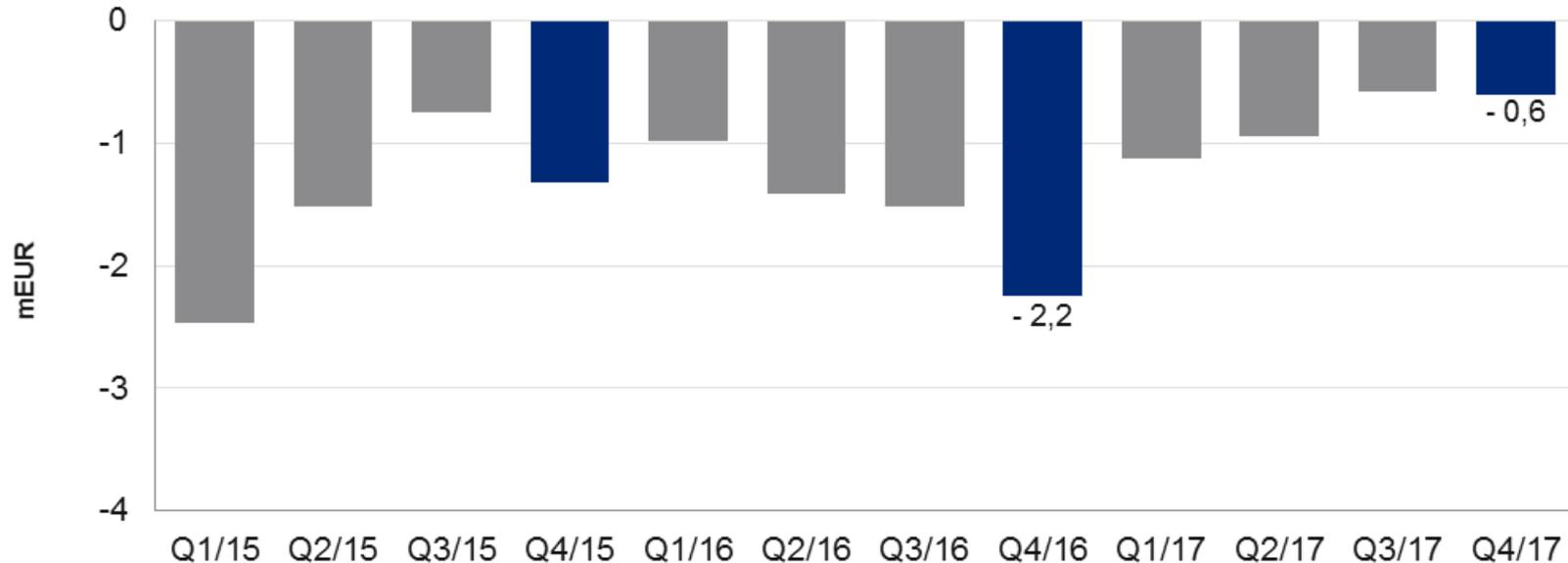
Finland

Comparable EBIT*, excluding the Rauma impact, improved in Q4



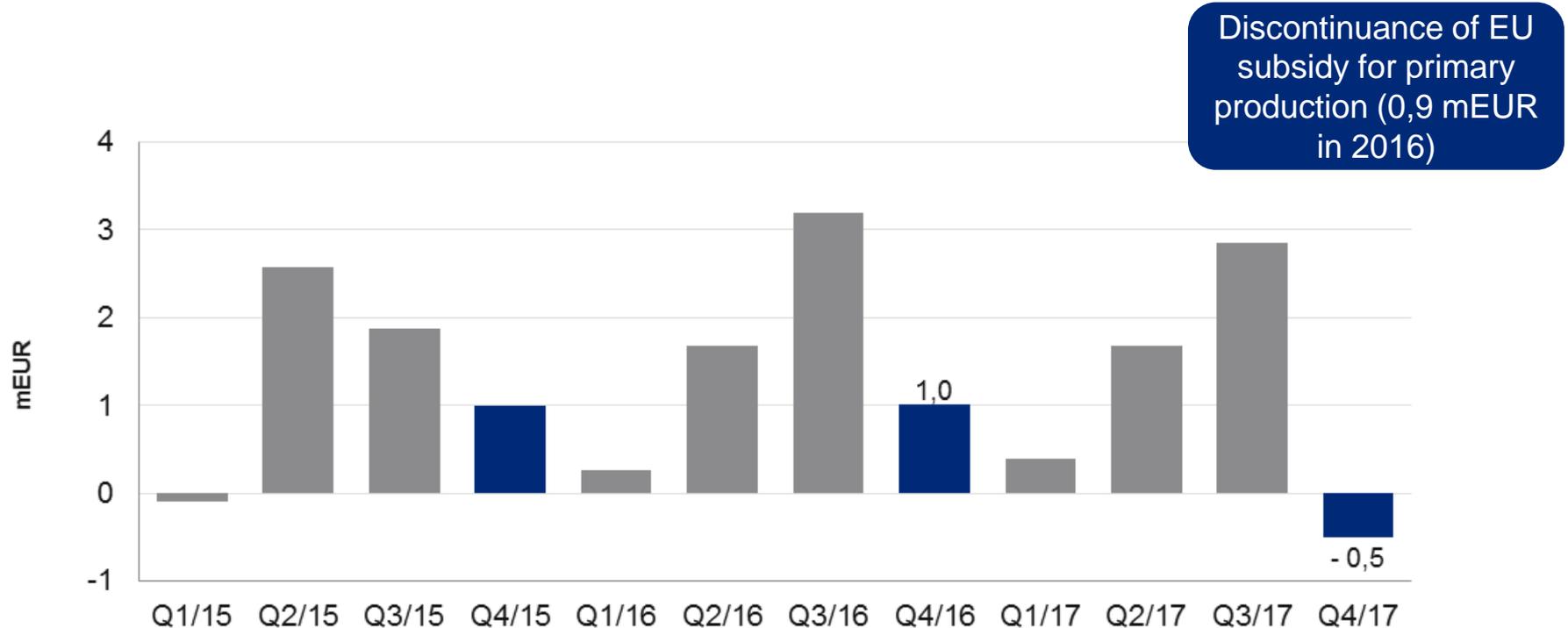
Denmark

Loss in comparable EBIT* decreased



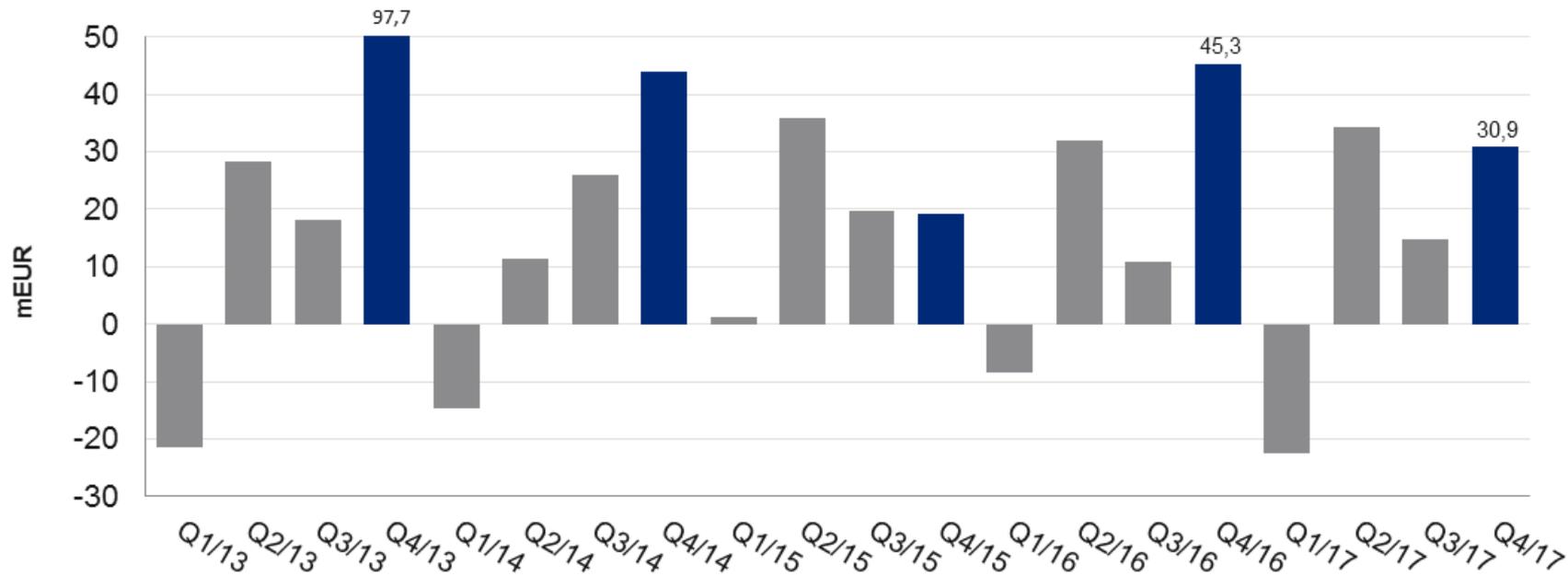
Baltics

Loss in comparable EBIT* due cost increase



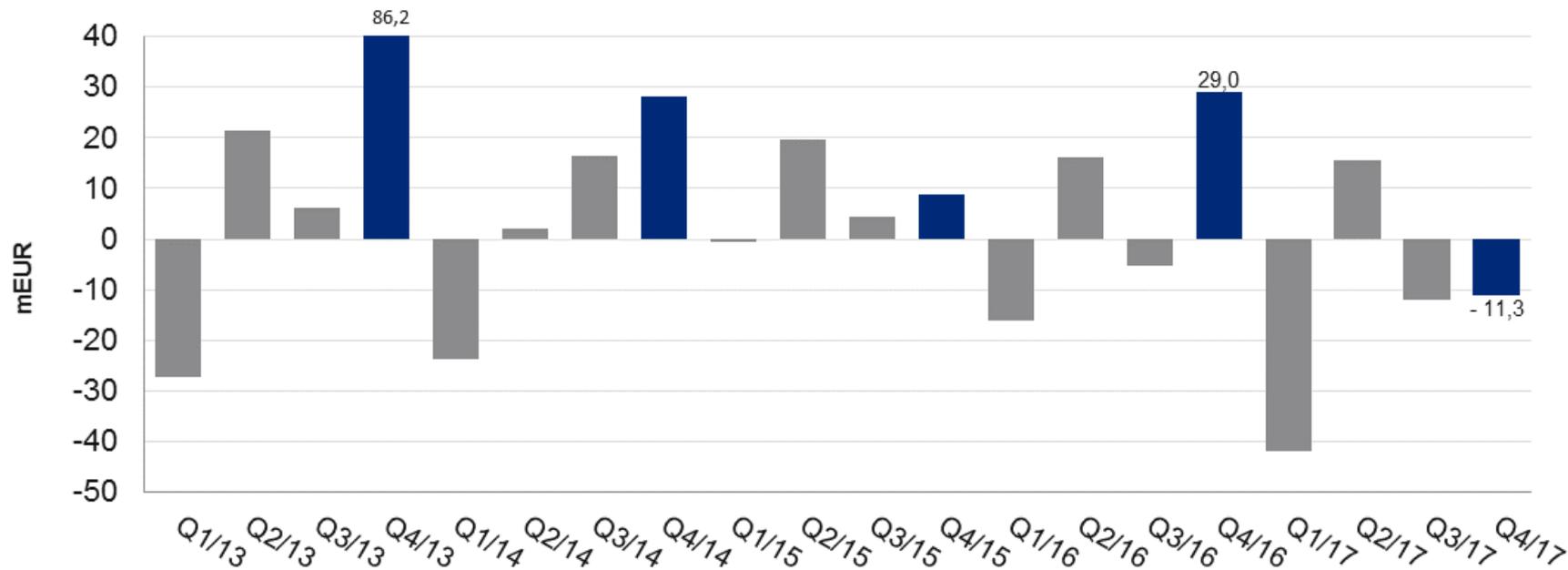
Weak cash flow due to Rauma

Group cash flow before investments

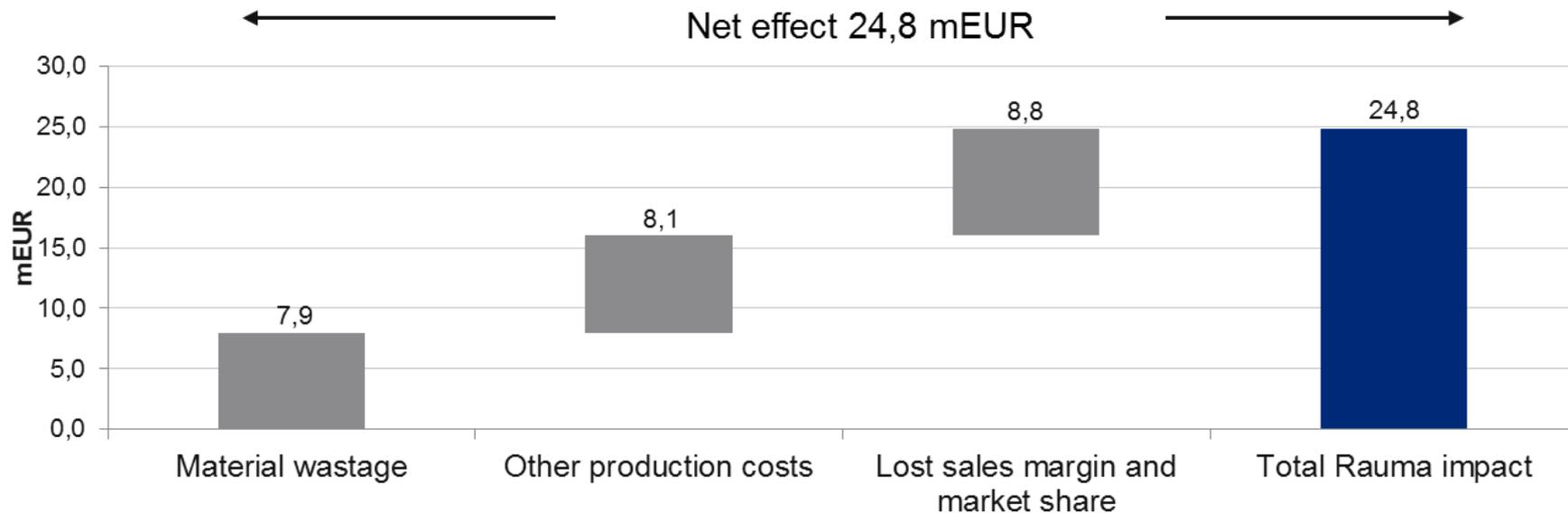


Negative cash flow after investments

Group cash flow before debt service

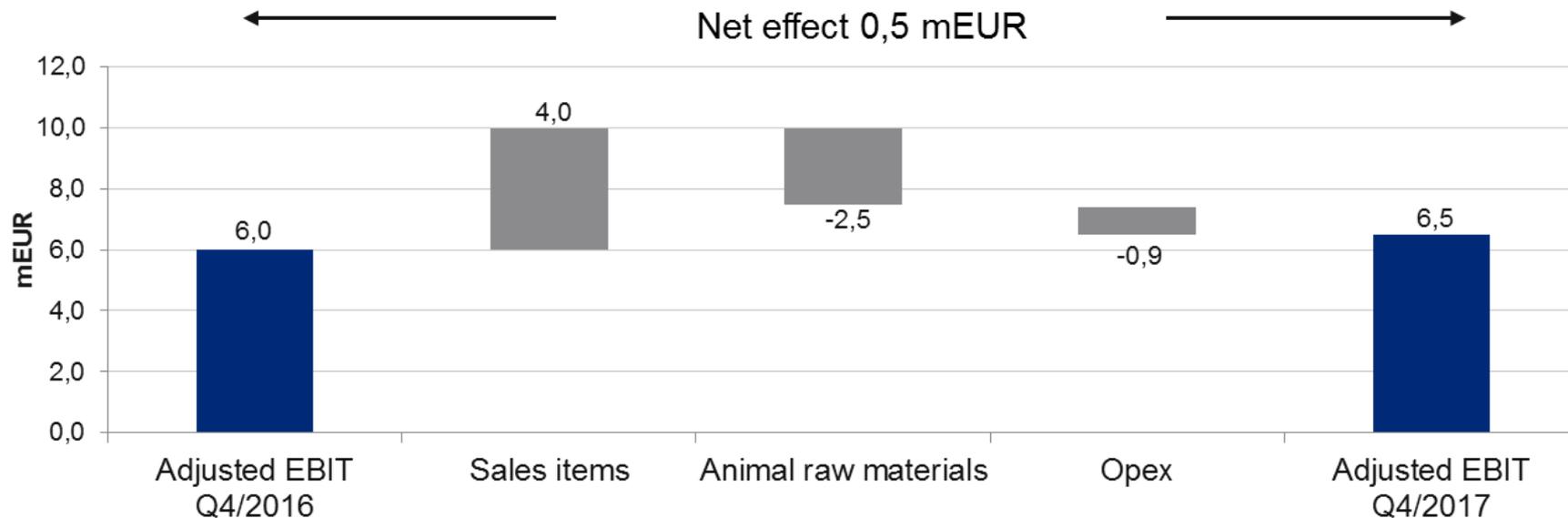


Estimated Rauma EBIT impact EUR 24,8 million



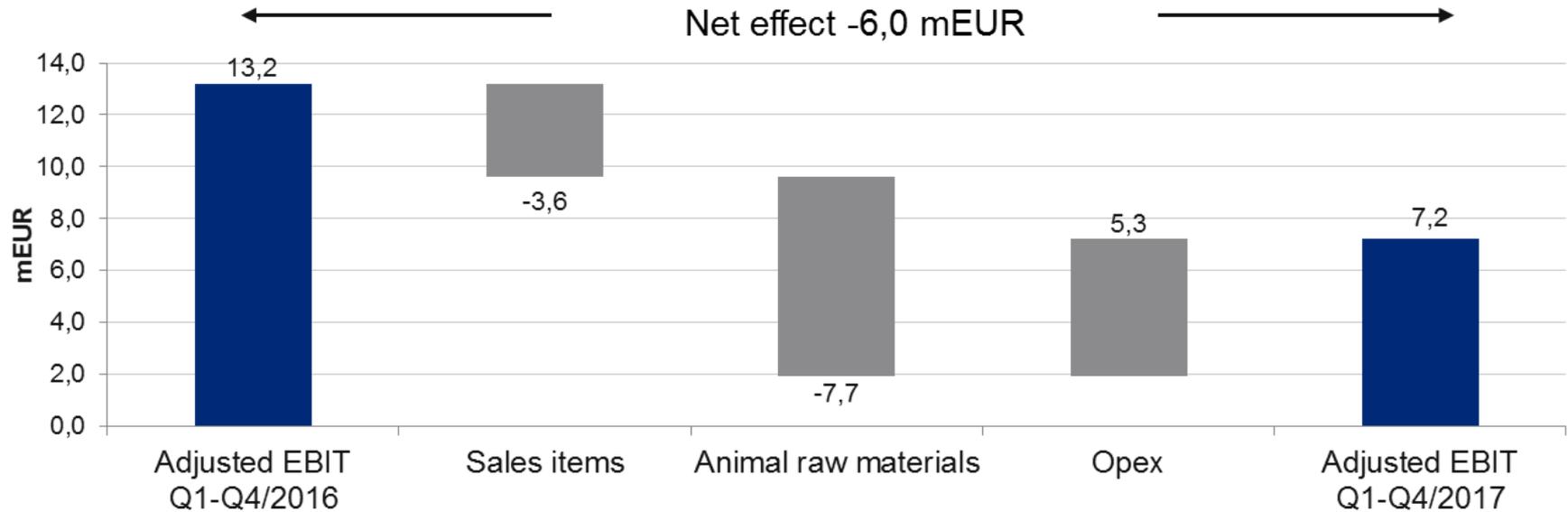
Q4 adjusted EBIT, excluding estimated Rauma impact, improved

Q4/2016 vs Q4/2017

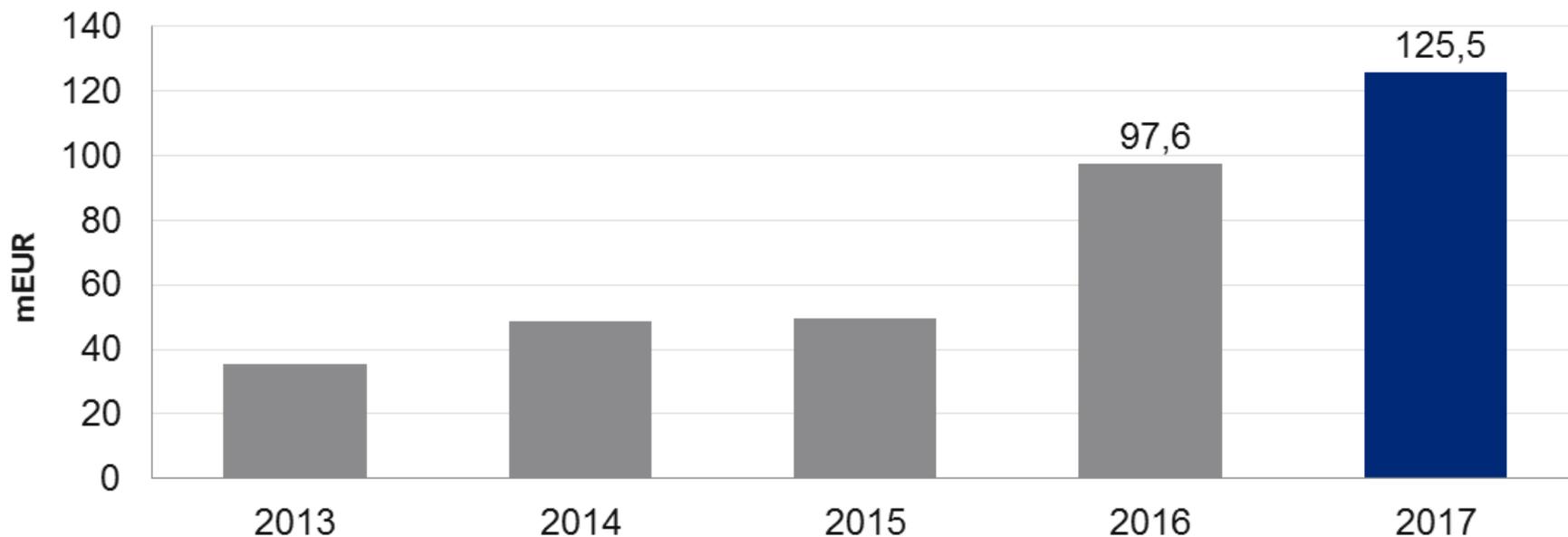


Full year adjusted EBIT, excluding estimated Rauma impact, declined

Q1-Q4/2016 vs Q1-Q4/2017

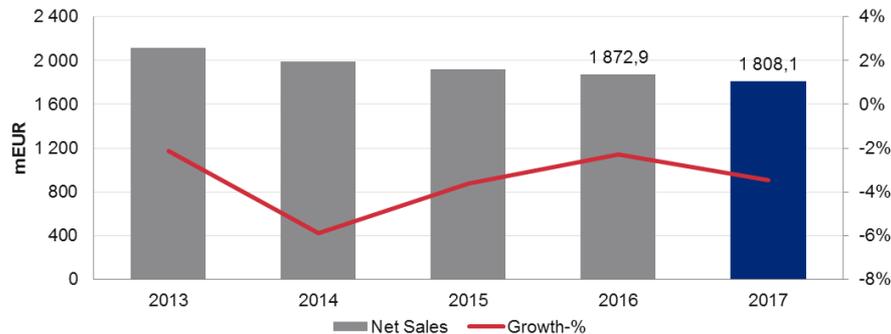


Group capital expenditure doubled due to the Rauma investment

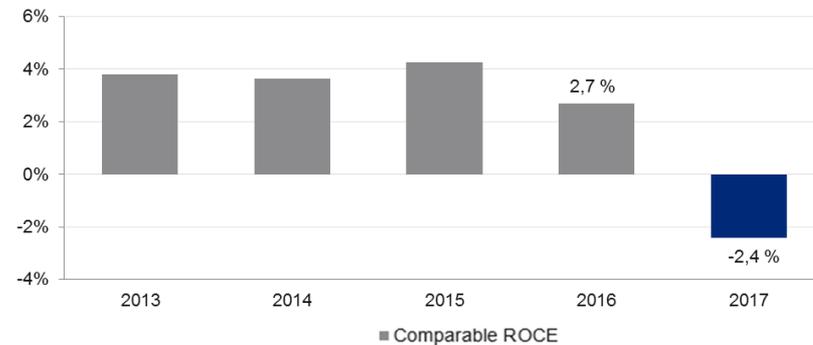


Financial performance

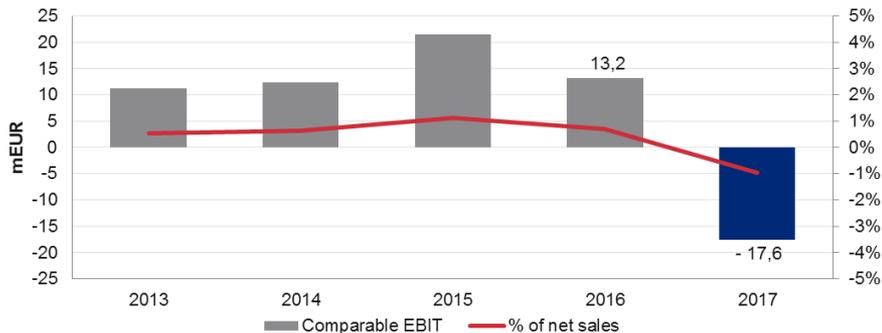
Net Sales



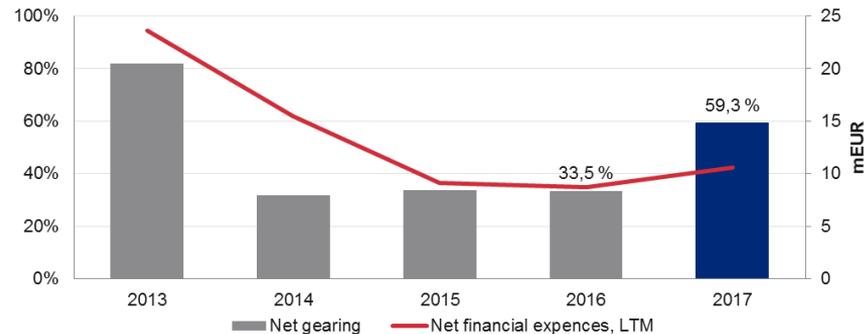
Comparable ROCE



Comparable EBIT

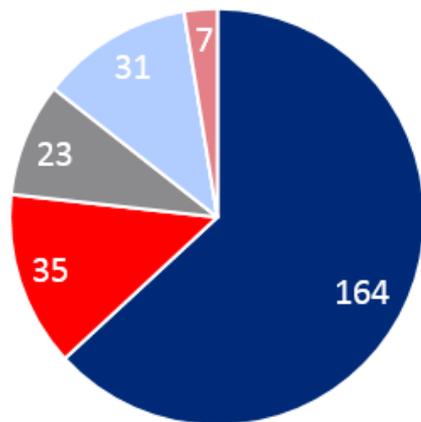


Net gearing



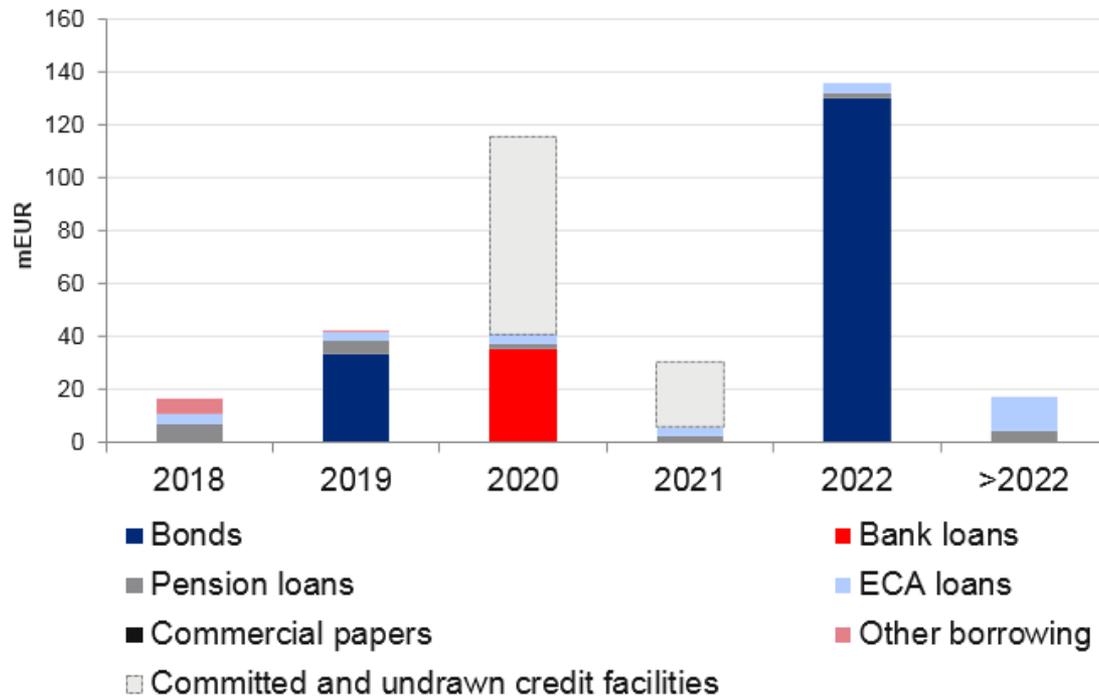
Debt profile and maturity structure in balance

Interest-bearing debt by credit type



Total interest-bearing debt:
259,2 mEUR

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



Dividend proposal

- The Board of Directors recommends that the company pay a dividend of EUR 0.09 (0.16) per share for 2017, i.e. a total of approximately EUR 4.9 (8.6) million.
- The parent company's distributable equity stands at EUR 235.5 (307.9) million including the reserve for invested unrestricted equity, which holds EUR 143.2 (143.2) million.
- There have been no material changes in the company's financial position since the end of the year 2017. The company maintains good liquidity, and the recommended distribution of dividend will not, in the Board's estimation, compromise the company's solvency.

Outlook for 2018

Global meat consumption is projected to increase 1.6 per cent per annum during the coming years. Consumption growth is estimated to be led by poultry. There are also several value related consumption trends, which support HKScan's strategy implementation.

In 2018, HKScan expects its strategy implementation to start recording results in terms of value growth in sales and operational efficiency in production.

The Company will emphasize implementation of the From-Farm-to-Fork strategy through the five focus areas which are Focus on meat, Leadership in poultry, Continue growing meals business, Cooperate with our farming community and Drive efficiency and cost-competitiveness.

HKScan has changed its guidance policy to be in line with international practice and discontinued giving numerical financial guidance.



HKSCAN

Strategy implementation in progress

Jari Latvanen
7 February 2018

Year 2017 and development areas



Highlights

- Share of branded products sales and novelties increased
- Product net sales and market share made an upturn in Sweden
- Meal components developed positively and increased market share in all markets
- Red meat margins improved
- In Denmark loss halved with improved production efficiency
- Personnel costs decreased
- China export license permit received



In Management Focus

- Rauma ramp-up
- Strategy implementation
- Group gross margin development
- Operational efficiency
- Fixed costs
- Category development in cold cuts and sausages
- In Sweden, production costs
- In Finland, the market share, scarcity of beef
- Challenges with organic chicken in Denmark

We create value from farm to fork-with expertise and collaboration



FEED
GENETICS



FARMERS



PRODUCTION
SOURCING



BRANDS
CONCEPTS



CUSTOMERS
CHANNELS



CONSUMER

WE SERVE THE MOST DEMANDING FORK IN THE WORLD

Group Leadership Team leads the transformation and strategy execution



Jari Latvanen
President and CEO



Kati Rajala
EVP Market Finland,
from 2 May onwards
at the latest



**Sofia Hyléen
Toresson**
EVP Market Sweden



Anne Mere
EVP Market Baltics



Jukka Nikkinen
EVP Market Denmark,
International & Biotech



Heli Arantola
EVP Categories &
Concepts



Pia Nybäck
EVP Animal
Sourcing & Primary
Production



Sami Siyuranta
EVP Operations



Mikko Forsell
CFO



Anu Mankki
EVP HR



Mikko Saariaho
EVP Corporate
Communications and
Corporate
Responsibility

Our 'From Farm to Fork' strategy was launched in August 2017



Must win battles to reach our objectives

1

Cooperate with our farming community

- Secure **High quality raw material**
- **Commercial innovation and differentiation**



2

Drive efficiency and cost competitiveness

- Improve **on-site efficiency** by benchmarking and sharing best practises
- Develop **production network** to bring up **asset utilisation**



3

Focus on meat

- Invest in **new concepts, products and sustainability**
- **Differentiate with high quality and full control of the value chain**
- Build a position **closer to consumers**



4

Leadership in poultry

- **Capitalise** on the **growth** trend and utilise full food value chain control and Rauma
- Invest in **new concepts** to defend against commoditising



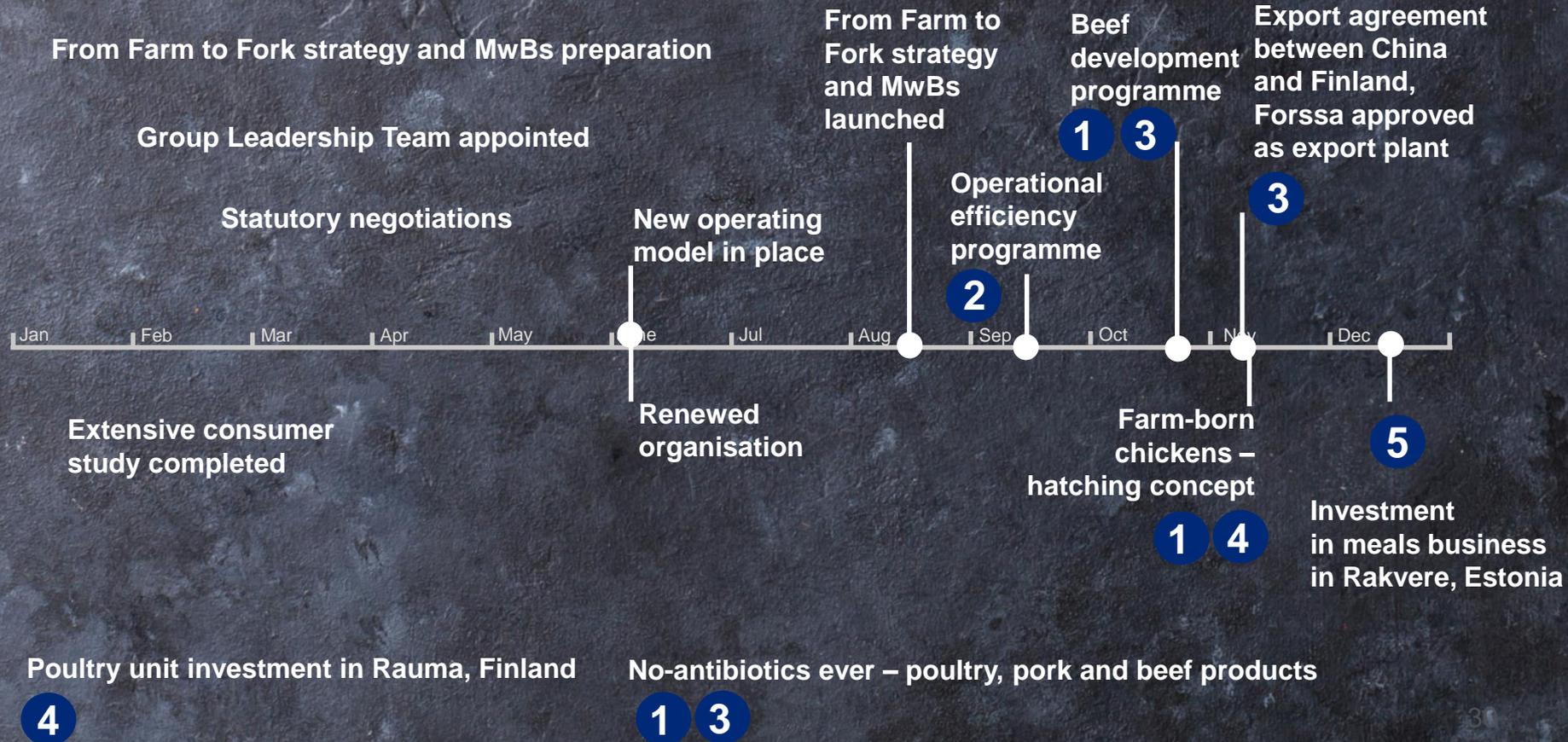
5

Continue growing meals business

- Tap into a **growing and high-margin market** with white spots and premiumisation opportunities
- **Reduce complexity** to gain resource and cost effectiveness



Strategic actions completed in 2017



A photograph of a brown and white cow standing in a green field. In the foreground, the backs of several people are visible, some wearing blue and white striped shirts. The background is a dense line of green trees.

HKScan's Strategic Beef Programme

HKScan's strategic beef programme to secure availability of sustainably produced high-quality beef



- The **self-sufficiency of beef has decreased** significantly in Finland
- Rotukarja 2025 development programme aims at having **3200 new cows** in the production chain by the end of 2025
- This represents a **15 per cent increase** in HKScan's suckler cow stock and a nationwide increase of five per cent
- The producers participating in the programme get **investment support** for the new cows

Natural life in the Nordic conditions



- Calves **pasture first six months free** with cows. Grownups pasture in summer and stay in cowshed in winter. Animals also have weather shelters in the fields.
- Animals are **unchained** and can move around free
- Beef cattle **eat grass in the fields**, and feed in winter time
- Multiyear grass fields and the production of grass feed **tie carbon dioxide and coal**. Pasturing animals take care of **landscaping and preserve biodiversity**.
- Animals are bred totally **without antibiotics**



TAMMINEN



LEIKKU
LAUTA



Our farming community secures availability of totally antibiotic free grown chicken, pigs and beef cattle

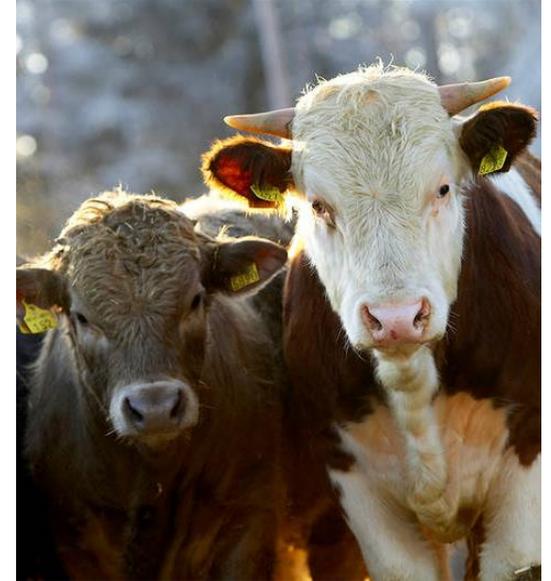
**No antibiotics
used in our poultry
production since 2008**



**We exceed the average
European level of pig
welfare**



**Development
programme supports
responsible beef cattle
breeding**





Product launches

Market highlights – Sweden



Market highlights – Finland



Market highlights – Denmark



Market highlights – Baltics



Novelties from Rauma





HASCAN

We serve
the most demanding fork
in the world



Enhancing Operational Excellence at HKScan

Sami Sivuranta, EVP, Operations
7 February 2018

Must win battle number 2

2

1

Cooperate with our farming community

4

Leadership in poultry

Drive efficiency and cost competitiveness

1. One HKScan in Operations
2. Operational Excellence
3. Sales & Operations Planning process development → capacity management
4. Quality and Safety
5. Footprint and strategical investments
6. Rauma ramp-up

3

Focus on meat

5

Continue growing meals business

A top-down view of a roasted chicken in a metal pan, garnished with fresh green herbs. To the left is a white bowl filled with a mix of nuts and seeds. To the right is a white bowl containing a vibrant green herb sauce. The entire scene is set on a white marble surface.

The Rauma unit ramp-up

The Rauma state-of-the-art poultry unit supports HKScan's strategy implementation in several ways

HKScan has acquired the **most modern technology** on the market, which enables development of **innovative Kariniemen®-novelties**.



Environmental responsibility taken into account in planning and acquisitions. New technology and production lines minimize total emissions.



The investment supports **employment**

Employees occupational **health and wellbeing** are being prioritized.



Attention to **animal welfare**. Less handling phases.

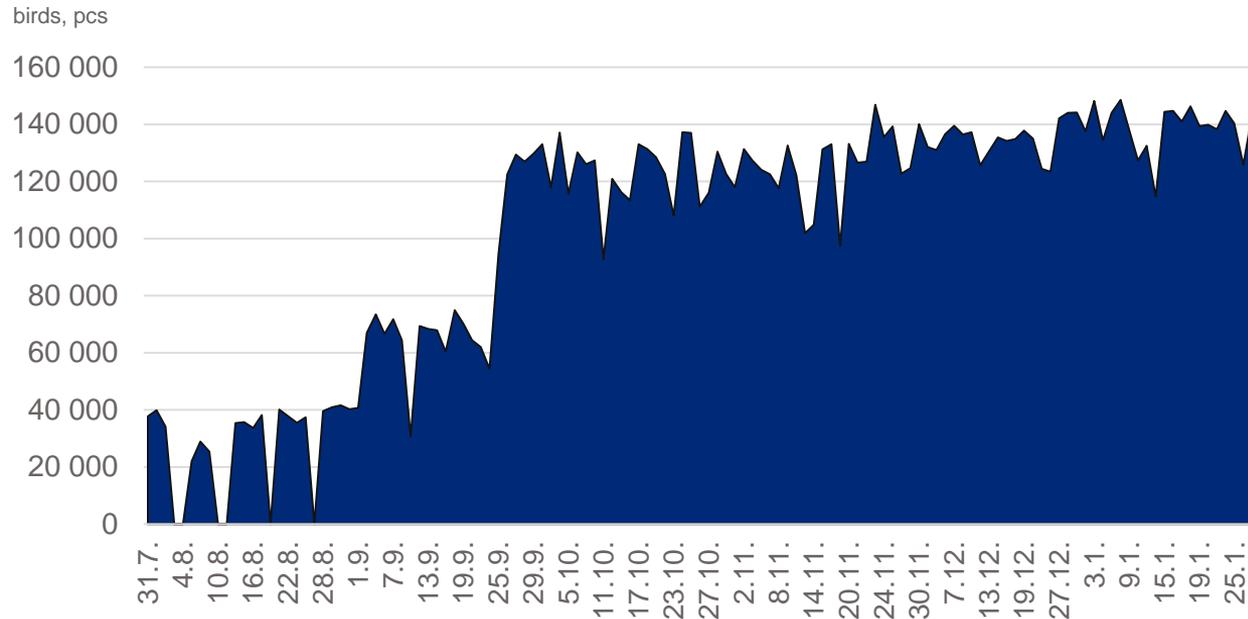
Birds are being transported **max 70 km** in average.



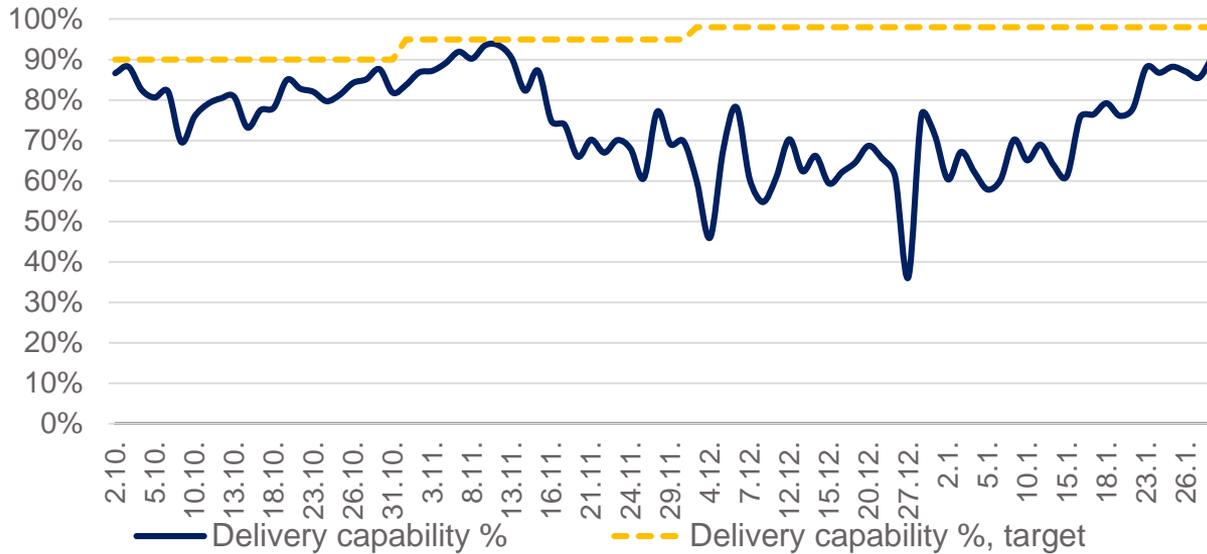
Circular economy targets play an important role. Improved collection and utilisation of side streams.



Slaughtered birds



Delivery capability



Production at the Rauma unit – Slaughtering



Production at the Rauma unit – Cutting



Production at the Rauma unit – Packaging





Programme for improving operational excellence and productivity

One plan

- **Structured approach**
- **Clear targets**
- **Executable activities with clear responsibilities, milestones, schedules**
- **Tight and constant follow-up**
- **LEAN principles adopted**

Operational (line) organisation

Program ownership and responsibility of activities, execution and deliverables.

Development (matrix) organisation

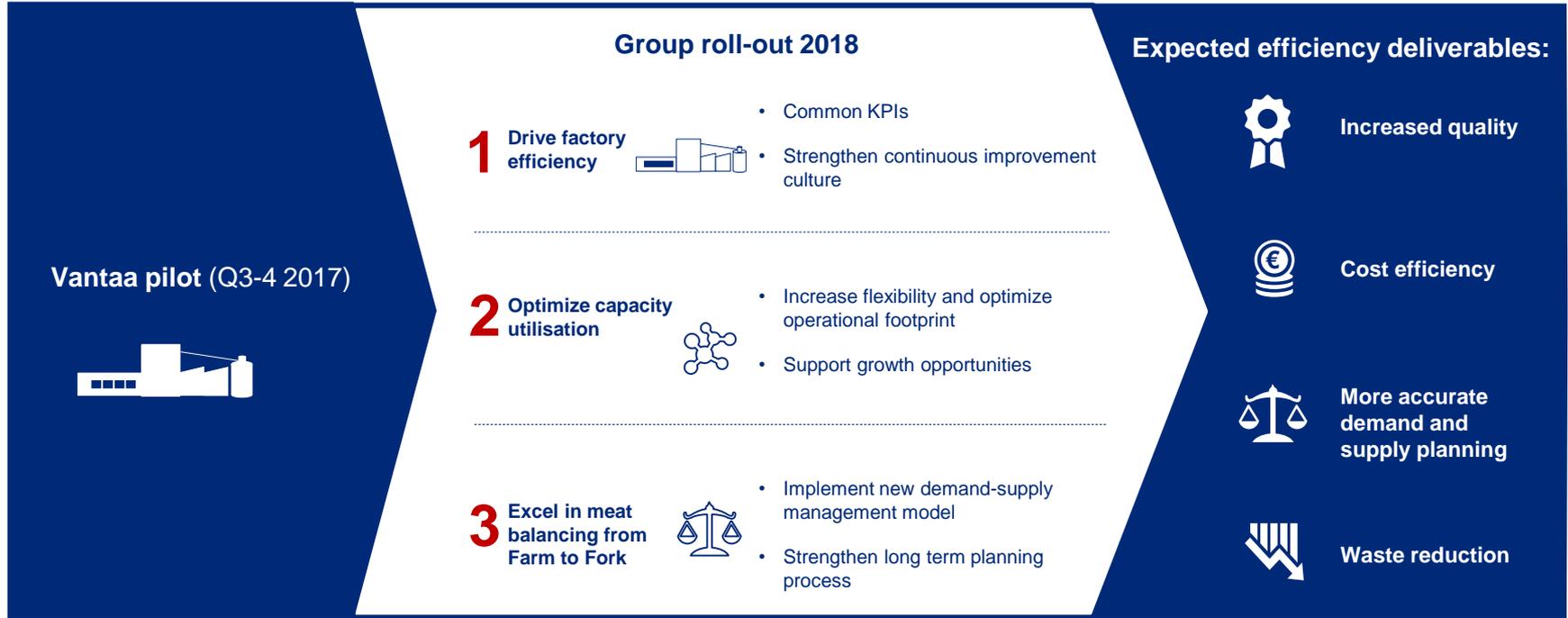
Process ownership and responsibility of facilitation and follow-up.

Resource allocation through prioritisation.



Programme for improving our operational excellence and productivity is proceeding according to plan

We target to improve quality and cost efficiency, enhance planning as well as reduce waste



Group-wide roll-out with three focus areas

ONE HKSCAN

1

DRIVE FACTORY EFFICIENCY

- *Implement uniform KPI system*
- *Accelerate focus on continuous improvements*

2

OPTIMISE CAPACITY FOOTPRINT

- *Increase flexibility and rationalize structure*
- *Support growth opportunities*

3

EXCEL IN MEAT BALANCING – FROM FARM TO FORK

- *Implement new demand-supply management model*
- *Strengthen long term planning*

Getting results with ABCDER model

Achievements

Blocking points

Corrective actions

Development

Escalation

Resourcing





**We serve
the most demanding fork
in the world**