HKSCAN GROUP

FINANCIAL STATEMENTS 2016 BULLETIN

8 FEBRUARY 2017

HKScan Group's financial statements release, 1 January—31 December 2016: RESULT DISSATISFACTORY, MAINLY DRIVEN BY SWEDEN - NEW LEADERSHIP IN PLACE FOR TURNAROUND

- Net sales for January–December were EUR 1 872.9 (1 917.1) million, and in the fourth quarter EUR 485.2 (501.4) million.
- EBIT for January–December was EUR 9.7 (9.6) million. Comparable EBIT was EUR 13.2 (21.5) million. The corresponding EBIT margin was 0.7 (1.1) per cent.
- EBIT for the fourth quarter was EUR 4.2 (-0.6) million. Comparable EBIT was EUR 6.0 (11.3) million. The corresponding EBIT margin was 1.2 (2.2) per cent.
- Cash flow before debt service for January–December was EUR 23.7 (32.2) million and in the fourth quarter EUR 29.0 (8.8) million.
- Comparable profit before taxes for January–December was EUR 4.4 (14.1) million and in the fourth quarter EUR 4.0 (9.6) million.
- EPS for January–December was EUR -0.10 (0.01) and in the fourth quarter EUR 0.02 (-0.04).
- Net financial expenses for January–December were EUR -8.7 (-9.1) million and in the fourth quarter EUR -2.2 (-2.2) million.
- Net debt was EUR 137.2 (144.0) million and net gearing 33.5 (33.8) per cent in 2016.
- Outlook for 2017: HKScan expects the comparable operating profit (EBIT) to improve from 2016.
- The Board's proposal for dividend is EUR 0.16 (0.14) per share.

Jari Latvanen, HKScan's President and CEO, comments on the fourth quarter and the full year 2016:

"HKScan's full-year performance in 2016 was weak. The Group's smallest market, the Baltics, was the only area that was ultimately able to improve its comparable operating profit from the previous year, despite the severe internal turbulence it faced at the end of the year. Sweden was a particular disappointment, having lost market share and falling clearly behind its previous year's result. Finland recorded slight growth in net sales for the whole year, and its operating profit improved year-on-year both in the third and the fourth quarter.

The market grew in value in Sweden and Denmark, but in the Baltics it declined. In Finland, the market turned to growth at the end of the year. In Sweden, we succeeded to rise our sales prices to partly offset increased animal raw material market prices. In Finland, sales prices kept declining. Throughout the whole year, challenges in animal raw material sourcing affected business performance negatively in all markets, but mainly in Sweden. Low beef raw material availability and rapidly increasing purchase prices were also seen in other markets in addition to Sweden. In Finland, pork oversupply was managed to be stabilized as a result of active measures to correct a volume imbalance in the pig value chain.

The highlights of 2016 were the favourable development of the sales mix and Group's ability to retain its market share in Finland, as well as promising initiatives in the BBQ assortment in all market areas. Good progress was also made in establishing the pillars for future profitable growth with the new poultry production plant investment in Rauma, Finland, and the bacon plant investment in Swinoujscie, Poland.

Given the poor performance, we will undertake multiple simultaneous measures to correct the negative trend. While we continue to invest in strengthening our innovation capability and offering development to delight consumers and win the loyalty of our customers. We will also focus on improving our operational efficiency.

Our renewed values, 'Inspire, Lead and Care', describe HKScan's renewed way of working and guide us at work every day. We will look into new ways to excite and inspire our consumers and customers. We will provide products and information which enable consumers to navigate and make choices they can feel good about."

KEY FIGURES, Q4 AND THE WHOLE YEAR 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
- % of net sales	0.4	-0.3	-0.2	0.1
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
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
Return on capital employed (ROCE) before taxes, %			2.1	2.3
Net debt			137.2	144.0
Gearing %			35.2	36.1
Net Gearing %			33.5	33,8

JANUARY- DECEMBER 2016

The Group's net sales in the fourth quarter of 2016 declined from the corresponding period the previous year. Comparable EBIT decreased significantly in the fourth quarter. The decline was biggest in market area Sweden, whereas Finland showed improvement. In the last quarter, the Group's cash flow was clearly stronger than the previous year.

As for the whole of 2016, the Group's net sales decreased compared to 2015 and all market areas were behind the previous year. The Group's comparable EBIT was lower than in the previous year. The biggest decline in EBIT was in market area Sweden, due to weak sales performance, especially in the processed category. Performance in Sweden was also impacted by the higher purchase prices and the scarcity of beef on the market. In Finland, full-year EBIT remained behind the previous year due to the weak first half of the year. The Baltics showed a slight improvement. Market area Denmark continued performing well on the domestic retail market, but challenges in exports continued.

Animal raw material prices in Finland and the Baltics were at a level slightly below 2015. In Sweden, the prices of animal raw material, beef in particular, continued increasing. A shortage of beef continued in Sweden and also in Finland to some extent throughout the whole reporting period. An oversupply of pork posed challenges on the Finnish market. Thanks to successful actions to mitigate the pig oversupply in the Finnish meat value chain, pork inventories were successfully lowered towards the end of the year to a level below the previous year.

The total market in Sweden and Denmark grew in value. In Finland, where the total market in value had declined throughout the first three quarters of the year, yet showed growth in the fourth quarter. The Baltic market declined in value. Fierce price competition continued on all markets, especially in retail. Despite the market decline in Finland and the Baltics, inventories were successfully kept in balance.

During 2016, Finland successfully maintained or increased its market share, depending on category. Away from home sales grew in Finland at a faster pace than the market in value, but in Sweden the growth rate was slower. In export, price levels improved from the previous year. HKScan opened a sales office in Hong Kong in January.

Jari Latvanen took over as HKScan Group’s new President and CEO on 31 October 2016.

The Group’s investment in a new poultry production facility in Rauma, Finland, proceeded well in 2016. Related to the launch of the new production facility, HKScan initiated statutory negotiations at its Eura plant, Finland in December. The expansion investment of the Group’s Polish bacon plant was also making good headway.

In December, HKScan announced the results of its internal investigation into its Baltic business. The proven violations of Code of Conduct and the principles of good governance led to the termination of the managerial and employment contracts of four persons from the local management.

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 margin, %	1.6	3.8	1.6	2.5
Comparable EBIT	4.8	9.0	14.5	21.6
- EBIT margin, %	2.3	4.0	1.8	2.6

In Sweden, net sales were EUR 804.4 (841.9) million and comparable EBIT was EUR 14.5 (21.6) million in 2016. In the fourth quarter, net sales amounted to EUR 209.1 (222.9) million. Comparable EBIT was 4.8 (9.0) million.

Net sales in 2016 declined from 2015, mainly due to the shortage of beef raw material and declined sales of processed food, including cold cuts. In the fourth quarter, both net sales and comparable EBIT decreased.

A shortage of Swedish pork and beef during spring and summer resulted in increased animal raw material prices. As a result of that HKScan succeeded to increase sales prices. However, they did not fully compensate for higher raw material prices and sales volume decline on a full year basis. The amount of imported meat increased on the market and private label growth continued in all categories in Sweden.

Consumer demand for food increased in general with a focus on organic products, as well as on health, wellbeing and vegetarian trends. HKScan responded to this by launching several Scan®-branded novelties containing both meat and vegetables.. Sustainability related communications activities under the “Framtidens Kött” (Meat of the Future) concept were successfully undertaken according to targets.

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 margin, %	3.3	-2.4	1.8	0.6
Comparable EBIT	7.2	6.1	14.8	16.3
- EBIT margin, %	3.4	2.8	1.8	2.0

In Finland, net sales were EUR 806.5 (801.6) million and comparable EBIT was EUR 14.8 (16.3) million in 2016. Net sales in the fourth quarter amounted to EUR 213.4 (216.2) million. Comparable EBIT for the period was EUR 7.2 (6.1) million.

Net sales increased slightly from 2015, but comparable EBIT decreased. Sales prices declined in Finland, but thanks to the improved product mix and volumes, the year-on-year increase seen in comparable EBIT in the third quarter continued also in the fourth quarter. HKScan successfully increased its market share towards the end of the year. Christmas season sales were better than in the previous year.

The total market grew in value in the fourth quarter after a long decline that began back in early 2015. The improved situation was supported by slowly strengthened consumer confidence. The convenience food and poultry categories in particular showed positive development, with both volume and value improving during the whole of 2016. Pork inventories were successfully lowered to a level below the previous year. Animal purchase prices in the fourth quarter were somewhat higher than in the previous quarters. For the whole year 2016, the prices were slightly below the level of 2015.

Vegetarian and vegan food were discussed widely in 2016, but the overall level of meat consumption remained stable throughout the year. HK Maakarit® artisan sausages gained loyal consumers and new variants were launched under the concept. Also the launch of new bacon variants had a positive start, expanding the product range from classical products to new areas. In poultry, the Kariniemen KanaSet® products were the best-selling novelty during 2016.

The Group’s investment project in the new poultry production plant in Rauma proceeded according to schedule.

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 margin, %	-6.6	-5.1	-5.5	-5.3
Comparable EBIT	-2.6	-1.9	-9.1	-9.3
- EBIT margin, %	-6.6	-5.1	-5.2	-5,3

In Denmark, net sales were EUR 173.2 (175.9) million and comparable EBIT was EUR -9.1 (-9.3) million in 2016. Net sales in the fourth quarter amounted to EUR 39.3 (37.6) million. Comparable EBIT for the period was EUR -2.6 (-1.9) million.

On the Danish market, overall consumer demand for poultry remained positive. The sales trend in fresh products was positive, leading to higher volumes, improved margins, and gained market shares.

The market situation in exports was fierce throughout the year, and Denmark’s performance in these markets was negatively affected both as regards price and volumes. Towards the year-end, its performance was further impacted by the closure of key Asian markets due to an outbreak of avian flu in Denmark during November.

HKScan’s investments in the Rose® brand have brought positive results, i.e. improved market share and brand awareness.

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 margin, %	2.6	2.3	3.9	3.1
Comparable EBIT	1.0	1.0	6.4	5.4
- EBIT margin, %	2.6	2.3	3.9	3.1

In the Baltics, net sales were EUR 161.3 (173.6) million and comparable EBIT was EUR 6.4 (5.4) million in 2016. In the fourth quarter, net sales were EUR 40.4 (43.3) million. Comparable EBIT for the period was EUR 1.0 (1.0) million.

Net sales decreased both in 2016 and the fourth quarter. Comparable EBIT improved from the previous year throughout 2016, but remained unchanged in the fourth quarter. For January–December the change in the fair value of biological assets amounted to EUR 0.8 (0.0) million.

The decline in net sales was mainly due to the continuing Russian food import embargo. New trends in meat consumption negatively affected traditional processed meat categories such as sausages. In market area Baltics, sales prices and volumes declined, but primary production related costs as well as other costs decreased and compensated for the impact of declined net sales.

For the Baltic business, 2016 marked a year of recovery after the negative impacts caused by African Swine Fever (ASF) from 2015 onwards. Disease-related risks prevailed, but actions to mitigate the spread to HKScan farms were managed successfully. The pork business started showing signs of recovery, and reduced zoning in November enabled HKScan to regain its previous sales and meat balance. Poultry consumption kept growing, but sales prices were very low. In the fourth quarter, the export business picked up thanks to a more favourable product mix and improved pork prices.

HKScan continued to harness the synergies of its brand and product portfolio between the Baltic markets. Strong branded sales were to a large extent a consequence of successful concept launches during the autumn. Particularly the new Rakvere® 50/50 meatballs, containing both meat and vegetables, and Tallegg® chicken product novelties were well received by consumers.

FINANCING

The Group's interest-bearing debt at the year-end stood at EUR 144.1 (153.8) million. Net debt was EUR 137.2 (144.0) million and the net gearing ratio 33.5 (33.8) per cent.

The Group's liquidity was good. Committed credit facilities at 31 December stood at EUR 100.0 (100.0) million, and were entirely undrawn. The EUR 200.0 million commercial paper programme had been drawn to the amount of EUR 7.0 (27.0) million.

Net financial expenses were EUR -2.2 (-2.2) million in the last quarter and EUR -8.7 (-9.1) million in 2016.

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 6.6 (5.1) million was spent on R&D in 2016, equal to 0.4 (0.3) per cent of net sales.

The development of common innovation platforms and processes continued in 2016, 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 2016, several new partnerships and joint projects were established with collaborators such as universities, research organizations, suppliers and other private organizations.

CORPORATE RESPONSIBILITY

HKScan has defined its priority areas in corporate responsibility as economic responsibility, social responsibility, animal welfare and the environment.

In 2016, HKScan carried out its second employee engagement survey. The results confirmed that the improvement actions taken on the basis of the previous survey (in 2014) have brought results in terms of better information flow and increased opportunities for involvement and taking initiative. Overall awareness of values and targets have strengthened. Towards the end of the year, new improvement plans were made, and the actions will be initiated during 2017. These include workplace/personnel safety improvements, which were in focus across the Group during 2016.

The construction of HKScan's new poultry production facility in Rauma started in Finland. The plant is scheduled for completion at the end of 2017. From the very earliest stages of planning the project, special attention has been addressed to securing animal welfare, biosecurity related to animal diseases, food safety and product quality, as well as employee wellbeing and safety aspects. The investment will also improve environmental efficiency overall, and enable utilization of side-streams for biotech products. Additionally, the new facility will have a significant direct and indirect employment impact.

In Finland, investment in the Outokumpu beef slaughterhouse and production facility marked a significant improvement in operational efficiency, ergonomics, environmental efficiency and animal welfare. Also the renewal of barn facilities at the Kristianstad slaughterhouse in Sweden brought improvements in animal welfare.

The Group worked in cooperation with animal behaviour experts, and all slaughterhouses were audited for animal welfare. The audits kicked off many improvements at the slaughterhouses premises, starting with improved conditions for the free movement of animals. Additionally, in Finland, training of the slaughterhouse personnel, drivers and producers was organized to enhance their understanding of natural cattle behaviour and to help them take this into account in their animal handling procedures.

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 is significantly lower than in other European countries on average. Neither farms owned by HKScan nor its contract farmers use antibiotics preventively or to promote animal growth. In addition, the use of hormones as growth promoters is fully prohibited. Good animal care and control of animal diseases has led to good results in preventing outbreaks. Prevention of the spread of African Swine Fever (ASF) on pig farms was one of the main measures undertaken at HKScan farms in the Baltics. In Finland and Sweden, HKScan has also worked diligently to prevent the spread of the disease. A new animal disease threat that has emerged recently is high pathogenic avian flu (H5N8), which has been found in wild birds in countries in which the Group operates.

A clinical study undertaken by Helsinki University showed that Rypsiporsas® meat (rape seed pork) contains four times more polyunsaturated omega 3 fats than normal pork meat. Healthy lifestyles and responsibly produced, pure food are emerging trends also in Asia, which is the world's largest pork market. HKScan answered to this trend by launching exports of Rypsiporsas® meat to Hong Kong.

HKScan is a member of the Round Table on Responsible Soy (RTRS) and the Roundtable on Sustainable Palm Oil (RSPO). The Group is committed to using only 100 per cent responsible soy in animal feed and as an ingredient by the end of 2018. In Sweden, this commitment was already fulfilled in 2015. HKScan finalized its survey of the Group's palm oil usage in 2016. Palm oil is used only in very small amounts in the Group's products and subcontracting. The target is to ensure that all palm oil used by HKScan is responsibly produced. The Group is also looking into the option of using alternative vegetable oils instead of palm oil.

HKScan is making on ongoing effort to monitor and reduce the environmental impacts of its operations. These impacts are currently associated with energy efficiency and greenhouse gas emissions, wastewater, use of water, use of chemicals and treatment of waste. The Group launched an energy efficiency project in 2015, which continued in 2016 on multiple fronts. The target is to decrease the Group's overall consumption of energy by 10 per cent from the 2014 level by 2017 (indexed to net sales). These efforts included an energy saving competition among personnel, which yielded over 1 000 energy-saving ideas.

HKScan operates in countries where responsible practices are widely embraced, automatically bringing us a number of valuable strengths in global comparison. These include high standards of hygiene, healthy animals, clean soil, as well as rich and clean water reserves. In 2016, HKScan participated in a number of cooperation projects and studies focusing on the environmental impacts of meat production and their mitigation.

SHARES AND SHAREHOLDERS

Shares

HKScan Group's registered and fully paid-up share capital at the beginning and end of 2016 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 Lantmännen 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 172.3 (205.6) million based on the closing price of the last trading day of the period. The Series A shares had a market value of EUR 155.1 (185.1) million, and the unlisted Series K shares EUR 17.2 (20.6) million correspondingly.

In 2016, a total of 13 313 324 of the company's shares, with a total value of EUR 42 427 708, were traded. The highest price quoted was EUR 3.89 and the lowest EUR 2.89. The average price was EUR 3.18. At the end of 2016, the closing price was EUR 3.19.

Shareholders
At the end of 2016, the shareholder register maintained by Euroclear Finland Ltd included 13 226 (12 558) shareholders. Nominee-registered and foreign shareholders held 12.6 (24.9) per cent of the company's shares.

Notifications of changes in holdings
On 21 December 2016, Sveriges Djurbönder ek. för notified that the total amount of HKScan Corporation shares owned by them had decreased below the threshold of ten (10) per cent and the share of voting rights had decreased below five (5) per cent on 21 December 2016.

On 21 December 2016, Lantmännen ek.för notified that the total amount of HKScan Corporation shares owned by them had exceeded the threshold of five (5) per cent and the share of voting rights had exceeded the threshold of ten (10) per cent on 21 December 2016.

Treasury shares
At the beginning the financial year 2016, HKScan held 1 053 734 treasury A shares. On 8 April 2016, in total 44 885 treasury shares were gratuitous transferred to the participants of the share based incentive plan 2013 according to its terms.

At the end of 2016 the Group had 1 008 849 treasury A shares, and they had a market value of EUR 3.2 million and accounted for 1.83 % of all shares and 0.64 % of all votes.

Share-based incentive scheme
1) Incentive plan 2016 for the Group key personnel was published the stock exchange release dated on 18 December 2015. 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 was preliminary 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 was held on 13 April 2016 in Helsinki. The resolutions of the AGM, including authorizations given to the Board, are reported in full in a stock release the same day.

The AGM resolved that a dividend of EUR 0.14 be paid for 2015. All the Board members: Teija Andersen, Niels Borup, Tero Hemmilä, Mikko Nikula, Henrik Treschow and Pirjo Väliaho, as well as both deputy Board members: Per Nilsson and Marko Onnela were re-elected for a further term of office. At the organizational meeting, the Board re-elected Mikko Nikula as Chairman and Niels Borup as Vice Chairman. Tero Hemmilä resigned from the Company's Board on 11.5.2016.

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.

In April 2016, the Board exercised the authorizations given by the AGM in conjunction to the directed share issue according to the Group's share based incentive plan 2013, payment of the rewards for the performance period 2013–2015.

CHANGES IN THE SENIOR MANAGEMENT

On 27 May, HKScan announced that Jari Latvanen had been appointed as HKScan's new President and CEO. He began in the position on 31 October 2016. His predecessor, Mr Hannu Kottonen, had left the company on 20 January 2016. During the interim period, Aki Laiho, deputy CEO and COO, assumed the position of CEO.

In June, Anders Jeppesen Jensen, General Manager at HKScan Denmark left the company and Göran Holm was named acting General Manager of HKScan Denmark on top of his duties as EVP Consumer Business, Scandinavia.

On 2 November, HKScan announced that Jyrki Karlsson had been appointed as the new Executive Vice President, Consumer Business, Finland and Baltics. Samuli Eskola, his predecessor, left the company on 1 November.

On 2 November, HKScan announced that Anu Mankki had been appointed as the new EVP, HR. Her predecessor Sari Suono left the company in the end of September. Ms Mankki assumed her position on 2 January 2017.

Effective as of 19 December 2016, Anne Mere, Chief Marketing Officer (CMO) of HKScan, took over as the new EVP Consumer Business Baltics. She also retained her role as Group CMO. Consequently, Jyrki Karlsson was appointed as EVP responsible for Consumer Business Finland.

After the reporting period, on 8 February 2017, HKScan informed on renewing its Group Leadership Team.

GROUP LEADERSHIP TEAM

As of 8 February 2017, HKScan's Group Leadership Team comprises the following members: Jari Latvanen, President and CEO; Sofia Hyléen Toresson, EVP Market Area Sweden (assuming her post on 2 May 2017); Jyrki Karlsson, EVP for 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 and Concepts (assuming her post on 2 May 2017); Aki Laiho, EVP Operations; Anu Mankki, EVP HR; Tuomo Valkonen, CFO; and Markku Suvanto, EVP Legal.

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.

In the food industry's raw material supply, the risks of animal diseases, such as the African Swine Fewer (ASF) currently in Estonia, or any international or regional food scandals impacting the overall consumption outlook cannot be fully excluded.

EVENTS AFTER THE REPORTING PERIOD

On 13 January 2017, HKScan lowered its outlook for 2016.

On 19 January 2017, HKScan announced that it had acquired the remaining 50% of Paimion Teurastamo (Paimio Slaughterhouse). HKScan Finland had acquired a 50% holding in the company in summer 2015.

On 8 February 2017, HKScan informed on renewing its Group Leadership Team and simultaneously initiating a review of its operating model.

On 8 February 2017, HKScan informed about plans to embark on a partial re-organization of its operations as part of the review of its operating model. The potential impacts on personnel of the planned operating model renewal and planned efficiency upgrades will be assessed in Group-wide statutory negotiations.

OUTLOOK FOR 2017

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

BOARD OF DIRECTORS' PROPOSAL ON DISTRIBUTION OF PROFIT

The parent company's distributable equity stands at EUR 307.9 million including the reserve for invested unrestricted equity, which holds EUR 143.2 million. The Board of Directors recommends that the company pay a dividend of EUR 0.16 per share for 2016, i.e. a total of approximately EUR 8.6 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 2017

HKScan Corporation's Annual General Meeting 2017 will be held starting at 10 am on 6 April 2017 at Logomo, Turku. To be eligible to attend the Annual General Meeting, shareholders should register by 27 March 2017 in HKScan Corporation's shareholder register maintained by Euroclear Finland Ltd. Notice to the Annual General Meeting will be published at a later date.

NEXT FINANCIAL REPORT

HKScan Group's interim report January–March 2017 will be published on 3 May 2017.

Vantaa, 8 February 2017

HKScan Corporation
Board of Directors

Further information is available from Jari Latvanen, President and 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 food company. 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 2016, HKScan had net sales of nearly EUR 1.9 billion and some 7 300 employees.

DISTRIBUTION: Nasdaq Helsinki, Main media, www.hkscan.com

CONSOLIDATED FINANCIAL STATEMENTS 1 JANUARY – 31 DECEMBER 2016

CONSOLIDATED INCOME STATEMENT

(EUR million)	Note	Q4/2016	Q4/2015	2016	2015
Net sales		485.2	501.4	1 872.9	1 917.1
Cost of goods sold	1.	-452.0	-476.0	-1 750.8	-1 799.5
Gross profit		33.3	25.4	122.2	117.6
Other operating items total	1.	1.3	3.8	8.3	11.6
Sales and marketing costs		-14.7	-14.3	-56.5	-57.8
General administration costs	1.	-15.7	-15.6	-64.4	-61.9
Operating profit		4.2	-0.6	9.7	9.6
Financial income		0.5	0.5	2.3	2.1
Financial expenses		-2.7	-2.7	-11.1	-11.2
Share of profit/loss in associates and joint ventures		0.2	0.6	-0.1	1.7
Profit/loss before taxes		2.2	-2.3	0.9	2.2
Income tax		-0.5	0.8	-4.4	-0.3
Profit/loss for the period		1.7	-1.5	-3.6	1.9
Non-controlling interests		-0.8	-0.9	-1.8	-1.6
Profit/loss for the period		0.9	-2.3	-5.4	0.3
Earnings per share calculated on profit attributable to equity holders of the parent:					
EPS, undiluted, continuing operations, EUR/share		0.02	-0.04	-0.10	0.01
EPS, diluted, continuing operations, EUR/share		0.02	-0.04	-0.10	0.01

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR million)	Q4/2016	Q4/2015	2016	2015
Profit/loss for the period	1.7	-1.5	-3.6	1.9
OTHER COMPREHENSIVE INCOME (after taxes):				
Exchange differences on translating foreign operations	0.7	2.9	-4.1	2.6
Cash flow hedging	1.6	0.4	2.5	0.3
Actuarial gains or losses	-2.9	-1.5	-2.9	-1.5
TOTAL OTHER COMPREHENSIVE INCOME	-0.6	1.8	-4.4	1.4
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1.1	0.4	-8.0	3.3
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:				
Equity holders of the parent	0.3	-0.5	-9.8	1.7
Non-controlling interests	0.8	0.9	1.8	1.6
Total	1.1	0.4	-8.0	3.3

CONSOLIDATED BALANCE SHEET

(EUR million)	Note	31.12.2016	31.12.2015
ASSETS			
Intangible assets	2.	143.0	147.3
Tangible assets	3.	401.7	361.8
Holdings		34.9	36.6
Other non-current assets		28.5	35.0
TOTAL NON-CURRENT ASSETS		608.1	580.7
Inventories	4.	116.1	124.2
Current receivables		123.9	122.9
Cash and cash equivalents		6.6	9.5
TOTAL CURRENT ASSETS		246.6	256.6
TOTAL ASSETS		854.8	837.3
EQUITY AND LIABILITIES			
EQUITY	5.	409.7	425.8
Non-current loans, interest-bearing		126.9	117.2
Non-current liabilities, non interest-bearing		39.8	39.4
TOTAL NON-CURRENT LIABILITIES		166.7	156.6
Current loans, interest-bearing		17.2	36.6
Current liabilities, non interest-bearing		261.2	218.4
TOTAL CURRENT LIABILITIES		278.4	255.0
TOTAL EQUITY AND LIABILITIES		854.8	837.3

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(EUR million)	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
EQUITY AT 1.1.2016	**66.8**	**72.9**	**-12.4**	**143.5**	**10.2**	**-3.7**	**0.0**	**134.7**	**412.0**	**13.8**	**425.8**
Result for the financial period	-	-	-	-	-	-	-	-5.4	-5.4	1.8	-3.6
Other comprehensive income (+) / expense (–)											
Transl. diff.	-	-	-	-	-	-4.1	-	-	-4.1	-	-4.1
Cash flow hedging	-	-	2.5	-	-	-	-	-	2.5	-	2.5
Actuarial gains or losses	-	-	-	-	-	-	-	-2.9	-2.9	-	-2.9
Total compreh. income for the period	-	-	**2.5**	-	-	**-4.1**	-	**-8.3**	**-9.8**	**1.8**	**-8.0**
Direct recognitions	-	-	-	-	0.0	-	-	0.1	0.1	-	0.1
Transfers between items	-	-	-	-	0.0	2.5	-	-2.5	0.0	-	0.0
Dividend distribut.	-	-	-	-	-	-	-	-7.6	-7.6	-0.7	-8.2
EQUITY AT 31.12.2016	**66.8**	**72.9**	**-9.9**	**143.5**	**10.3**	**-5.3**	**0.0**	**116.5**	**394.8**	**14.9**	**409.7**

(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**

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)	2016	2015
Cash flow before change in net working capital	58.4	78.1
Change in net working capital	21.4	-2.2
Financial items and taxes	-8.9	-9.1
CASH FLOW FROM OPERATING ACTIVITIES	70.9	66.8
Cash flow from investing activities	-53.9	-41.8
CASH FLOW AFTER INVESTING ACTIVITIES	17.1	25.0
Change in loans	-12.3	-4.3
Dividends paid	-8.2	-26.7
CASH FLOW FROM FINANCING ACTIVITIES	-20.6	-31.0
NET CASH FLOW	-3.5	-6.0
Cash and cash equivalents at beginning of period	9.5	16.4
Translation differences	0.7	-1.0
Cash and cash equivalents at end of period	6.6	9.5

FINANCIAL INDICATORS

	31.12.2016	31.12.2015
Earnings per share (EPS), undiluted, EUR	-0.10	0.01
Earnings per share (EPS), diluted, EUR	-0.10	0.01
Equity per share, EUR	7.31	7.63
Equity ratio, %	47.9	50.9
Adjusted average number of shares, mill.	54.0	54.0
Gross capital expenditure on PPE, EUR mill.	97.6	49.6
Employees, end of month average	7 319	7 437

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
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	
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	
Items affecting comparability	One-time charges, which are not related to the normal continuing operations and materially affect company's finance. Examples of such expenses are: capacity adjustment (restructuring), redundancy, legal costs relating to restructuring or similar, one-time expenses related to efficiency / reorganization programmes, significant compensations or penalties paid out due to legal verdict or settlement, transaction fees / expenses related to business acquisitions (consultation, advisory, legal, due diligence, registration etc.) and gains/losses of business disposals.	
Comparable EBIT	Operating profit – items affecting comparability	
Net debt	Interest-bearing debt – cash and bank	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ACCOUNTING POLICIES

HKScan Corporation’s interim report for 1 January–31 December 2016 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 2015. 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 2016.

Application of new and revised IFRS norms

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: amortized 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. The new standard will not have a material effect on the Group’s financial statements. The standard has 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 recognized 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 2018. The new standard will not have a material effect on the Group’s financial statements. The standard has 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 new standard is expected to have no significant impact on profit before taxes. Assets and interest bearing liabilities are expected to grow by EUR 30-40 million with current lease agreements. Changes in lease agreements may change this amount. 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)	Q4/2016	Q4/2015	2016	2015
NET SALES				
- Sweden	209.1	222.9	804.4	841.9
- Finland	213.4	216.2	806.5	801.6
- Denmark	39.3	37.6	173.2	175.9
- Baltics	40.4	43.3	161.3	173.6
- Between segments	-17.0	-18.6	-72.4	-76.0
Group total	485.2	501.4	1 872.9	1 917.1
EBIT				
- Sweden	3.2	8.5	12.9	21.1
- Finland	7.0	-5.3	14.6	4.9
- Denmark	-2.6	-1.9	-9.5	-9.3
- Baltics	1.0	1.0	6.4	5.4
- Between segments	-	-	-	-
Segments total	8.7	2.3	24.4	22.1
Group administration costs	-4.5	-2.9	-14.7	-12.5
Group total	4.2	-0.6	9.7	9.6
INVESTMENTS				
- Sweden	8.2	6.9	19.8	13.7
- Finland	23.8	3.4	64.0	19.9
- Denmark	0.4	1.1	3.1	5.4
- Baltics	3.7	2.1	10.8	10.6
Total	36.1	13.4	97.6	49.6
AVERAGE NUMBER OF EMPLOYEES				
- Sweden			2 162	2 176
- Finland			2 912	2 840
- Denmark			686	726
- Baltics			1 560	1 696
Total			7 319	7 437

NOTES TO THE INCOME STATEMENT

1. ITEMS AFFECTING COMPARABILITY

(EUR million)	Q4/2016	Q4/2015	2016	2015
Comparable EBIT	**6.0**	**11.3**	**13.2**	**21.5**
Impairment of assets, Finland 1)	-	-11.4	-	-11.4
Termination of employment, Sweden 2)	-	-0.5	-	-0.5
Termination of employment, Group Management 2)	-	-	-1.2	-
Termination of employment, Denmark 2)	-	-	-0.5	-
Termination of employment, Finland 2)	-0.3	-	-0.3	-
Environmental provision, Sweden 3)	-1.5	-	-1.5	-
EBIT	**4.2**	**-0.6**	**9.7**	**9.6**

1) Included in the Income Statement in the item ”Cost of goods sold”

2) Included in the Income Statement in the item ”General administration costs”

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)	2016	2015
Opening balance	147.3	144.3
Translation differences	-3.5	2.0
Additions	0.9	0.9
Additions, business acquisitions	-	2.2
Disposals	0.0	-0.1
Depreciation and impairment	-2.1	-2.6
Reclassification between items	0.4	0.5
Closing balance	143.0	147.3

3. CHANGES IN TANGIBLE ASSETS

(EUR million)	2016	2015
Opening balance	361.8	369.7
Translation differences	-2.1	1.0
Additions	96.7	48.7
Additions, business acquisitions	-	7.8
Disposals	-1.9	-2.8
Depreciation and impairment	-52.4	-62.1
Reclassification between items	-0.4	-0.5
Closing balance	401.7	361.8

4. INVENTORIES

(EUR million)	2016	2015
Materials and supplies	61.5	71.5
Semi-finished products	4.7	5.0
Finished products	42.0	40.1
Other inventories	0.3	0.4
Inventories, advance payments	0.9	1.1
Biological asset	6.7	6.2
Total inventories	116.1	124.2

5. 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
1.1.2016	53 972 788	66.8	72.9	143.5	0.0	283.1
31.12.2016	54 017 673	66.8	72.9	143.5	0.0	283.1

DERIVATIVE INSTRUMENT LIABILITIES

(EUR million)	31.12.2016	31.12.2015
Nominal values of derivative instruments		
Foreign exchange derivatives	43.6	57.7
Interest rate derivatives	126.9	128.5
Electricity derivatives	7.2	8.1
Fair values of derivative instruments		
Foreign exchange derivatives	-0.2	-0.2
Interest rate derivatives	-13.4	-14.0
Electricity derivatives	0.1	-2.9

CONSOLIDATED OTHER CONTINGENT LIABILITIES

(EUR million)	31.12.2016	31.12.2015
Debts secured by pledges or mortgages		
- loans from financial institutions	0.0	0.2
On own behalf		
- Mortgages given	0.0	0.4
- Assets pledged	3.2	3.2
On behalf of others		
- guarantees and other commitments	13.0	13.4
Other contingencies		
Leasing commitments	7.5	11.0
Rent liabilities	31.7	36.5

The Eura facility will be closed after the Rauma facility has been completed in 2017. Procedures related to the Eura facility, after the production has ended there, are still being investigated. The alternatives are selling, renting, renovation and demolition. Because of the future use is open, potential renovation or demolition obligations cannot yet be measured with sufficient reliability. Due to this, no provision has been recorded.

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.

	31.12.2016	Level 1	Level 2	Level 3
Assets measured at fair value				
Financial assets recognised at fair value through profit or loss				
- Trading securities	-	-	-	-
- Trading derivatives				
- Interest rate swaps	-	-	-	-
- Foreign exchange derivatives	0.1	0.0	0.1	0.0
- Commodity derivatives	0.6	-	0.6	-
of which subject to cash flow hedging	0.6	-	0.6	-
Total	**0.7**	**0.0**	**0.7**	**0.0**

Liabilities measured at fair value				
Financial liabilities recognised at fair value through profit or loss				
-Trading derivatives				
- Interest rate swaps	-13.4	0.0	-13.4	0.0
of which subject to cash flow hedging	-13.4	0.0	-13.4	0.0
- Foreign exchange derivatives	-0.3	0.0	-0.3	0.0
- Commodity derivatives	-0.5	0.0	-0.5	0.0
of which subject to cash flow hedging	-0.5	0.0	-0.5	0.0
Total	**-14.2**	**0.0**	**-14.2**	**0.0**

	31.12.2015	**Level 1**	**Level 2**	**Level 3**
Assets measured at fair value				
Financial assets recognised at fair value through profit or loss				
- Trading securities	-	-	-	-
- Trading derivatives				
- Interest rate swaps	-	-	-	-
- Foreign exchange derivatives	0.1	0.0	0.1	0.0
- Commodity derivatives	-	-	-	-
Total	**0.1**	**0.0**	**0.1**	**0.0**
Liabilities measured at fair value				
Financial liabilities recognised at fair value through profit of 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
- 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)	**2016**	**2015**
Sales to associates	46.9	70.1
Purchases from associates	39.2	46.6
Trade and other receivables	2.2	1.4
Trade and other payables	5.1	5.3