HKSCAN

Financial Statements 2018

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Fourth quarter result improved but remained still in loss – further corrective actions under way

Highlights

- EBIT improved in Sweden despite of weaker Swedish Krona
- Negative impact related to the Rauma poultry unit challenges decreased again from the previous quarter

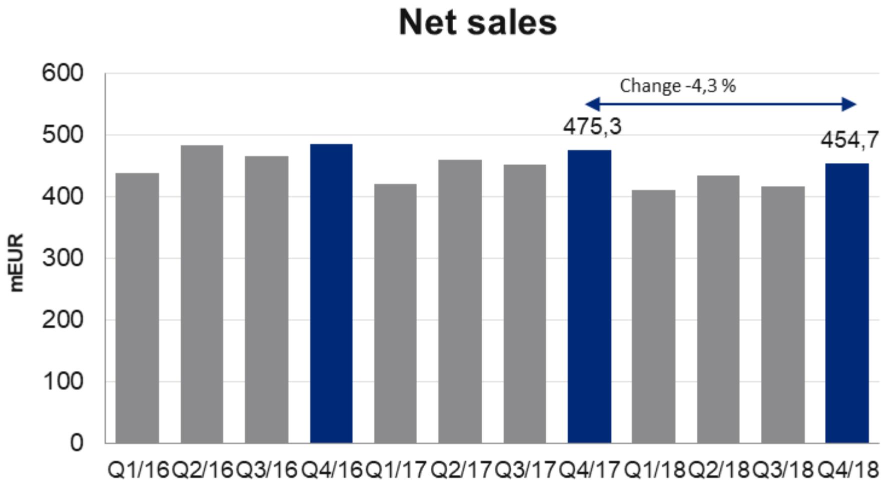
Lowlights

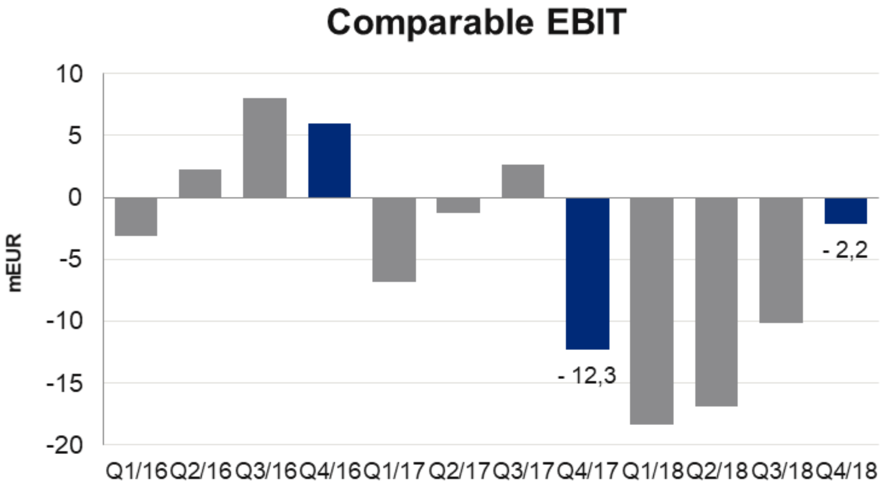
- Challenges related to the Rauma unit had a negative impact on result
- Higher raw material costs eroded performance in Denmark
- Cost increases and low European pork prices are still burdening the performance in Baltics

HKScan Group 2018

EUR million	Q4/2018	Q4/2017	Q1-Q4/2018	Q1-Q4/2017
Net Sales	454,7	475,3	1 715,4	1 808,1
EBIT	-3,8	-22,2	-49,5	-40,3
- % of net sales	-0,8 %	-4,7 %	-2,9 %	-2,2 %
Profit/loss before taxes	-6,6	-23,5	-58,3	-45,5
- % of net sales	-1,5 %	-4,9 %	-3,4 %	-2,5 %
Profit/loss for the period	-9,2	-20,1	-51,2	-39,5
Comparable EBIT	-2,2	-12,3	-47,5	-17,6
- % of net sales	-0,5 %	-2,6 %	-2,8 %	-1,0 %
Comparable profit/loss before taxes	-5,0	-13,6	-56,3	-22,9
- % of net sales	-1,1 %	-2,9 %	-3,3 %	-1,3 %
EPS,EUR	-0,20	-0,39	-1,00	-0,79
Return on capital employed (ROCE) before taxes, %	-7,4 %	-6,3 %	-7,4 %	-6,3 %
Comparable ROCE before taxes, %	-7,1 %	-2,4 %	-7,1 %	-2,4 %
Net gearing, %	88,6 %	59,3 %	88,6 %	59,3 %
Personnel, end of month average			7 179	7 292

HKScan Group Q4 – Net sales decreased, comparable EBIT improved but remained still negative

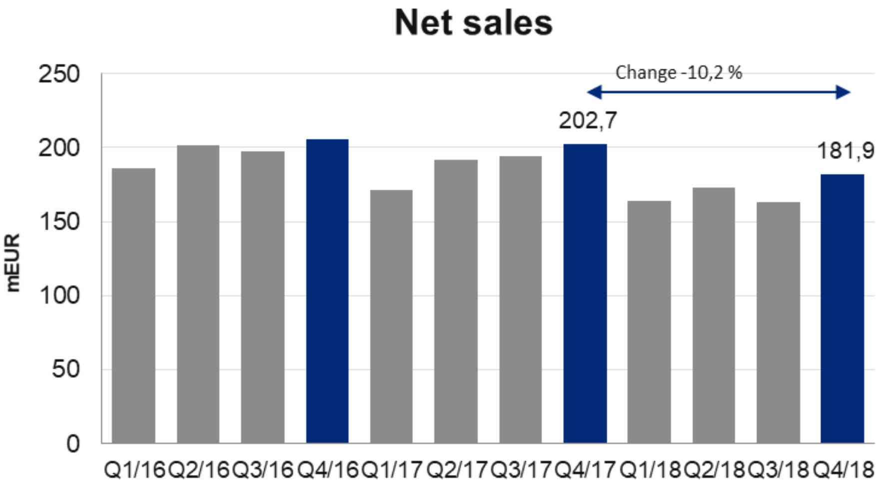


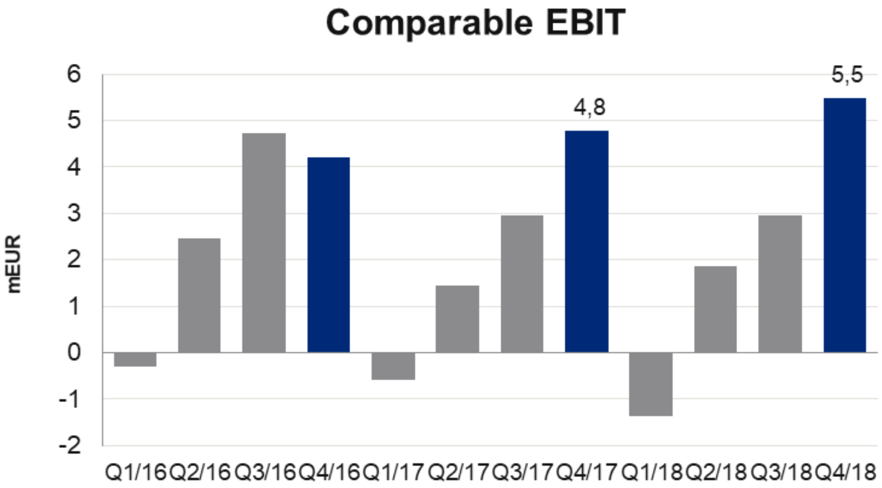


- Net sales decreased mainly due to weaker Swedish krona compared to the previous year and decreased sales of red meat in Sweden and Finland
- Poultry sales in Finland continued to recover as a result improved delivery capability of the Rauma plant

- Rauma ramp-up costs decreased again compared the previous quarter burdened still the Q4 EBIT by EUR -4.8 million
- In Sweden, despite of weaker currency, EBIT improved both in reported and local currency

Sweden Q4 – EBIT improved despite of weaker Swedish Krona

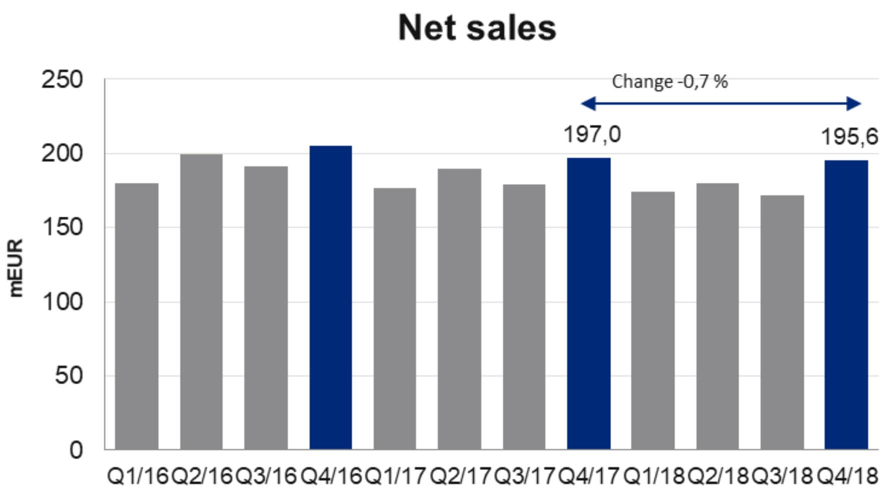


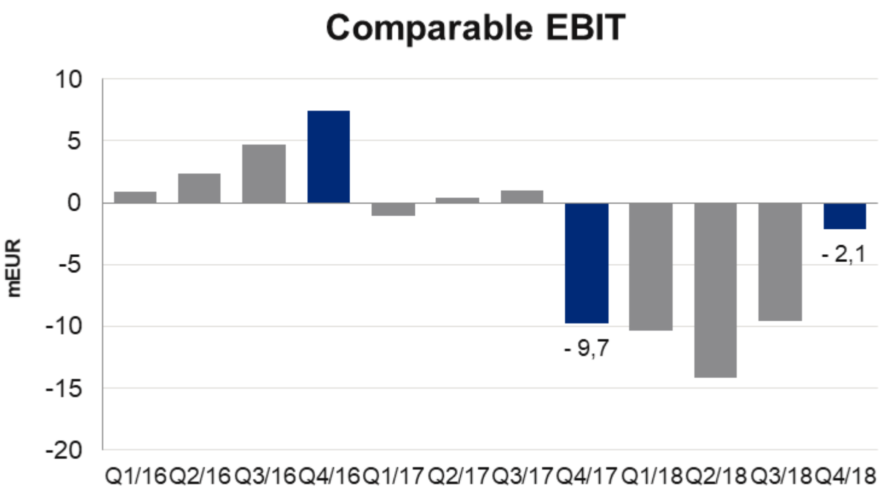


- Net sales decreased mainly due to the weakened Swedish krona. Product sales decreased slightly also in local currency, although Christmas season sales developed positively from the previous year.

- Despite of the weaker currency, comparable EBIT increased mainly as a result of improved margins, better efficiency in operations and lower administration costs

Finland Q4 – Rauma costs decreased further

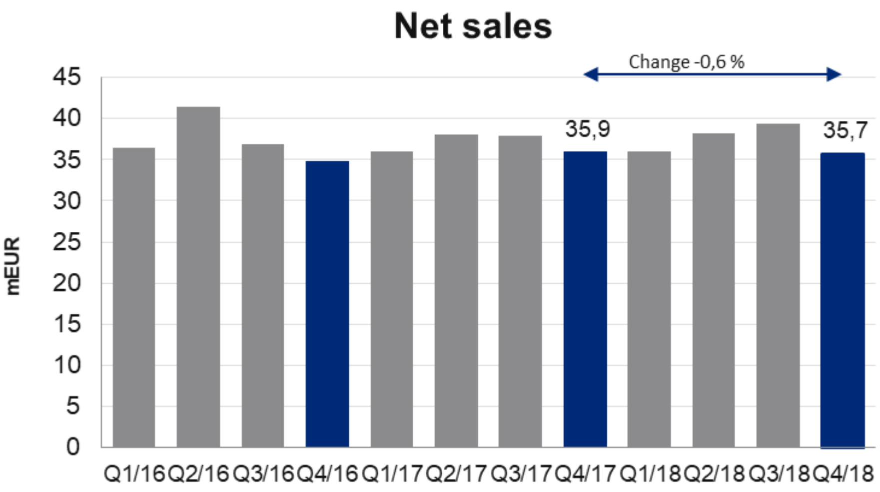


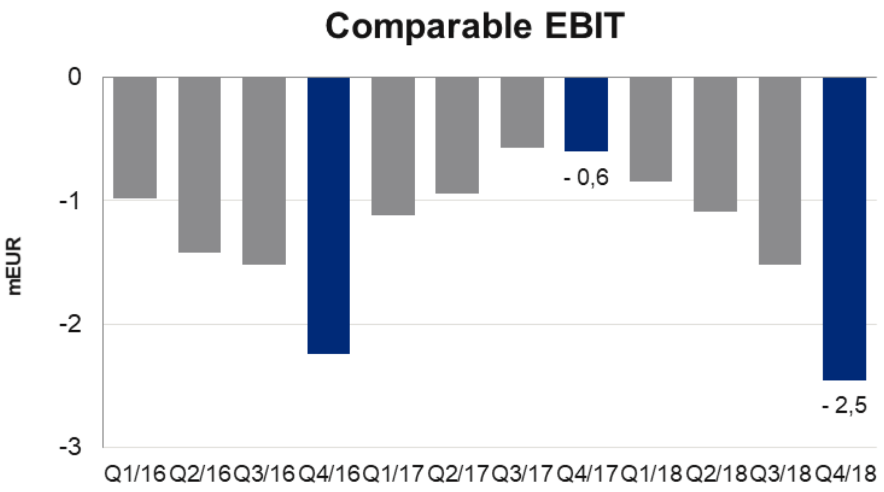


- Net sales were close to par with the previous year mainly as a result of higher poultry sales that were postponed during the comparison period
- Sales of red meat decreased but meals and meal components continued their positive development

- The loss decreased clearly from the previous year as improving delivery capability enabled to increase poultry volumes
- Negative impact of Rauma ramp-up was EUR -4.8 million and decreased again compared to the previous quarter (EUR -8.1 million in Q3/18)

Denmark Q4 – Higher raw material costs eroded the result

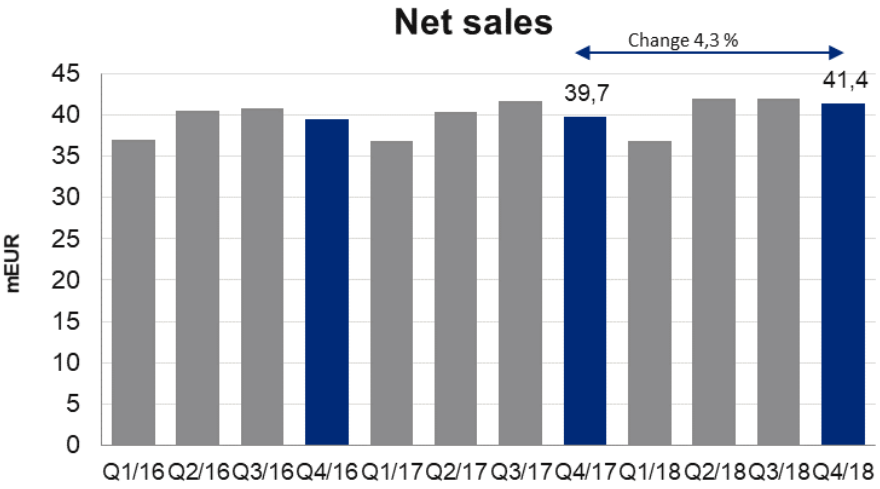


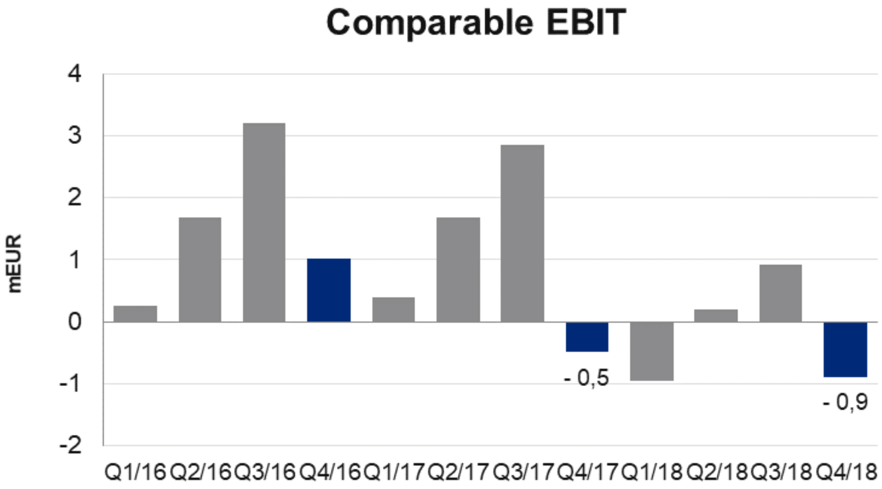


- Net sales were close to par with the previous year thanks to increased retail and food service sales, which offset the lower export volumes during the quarter

- Comparable EBIT fell from the corresponding quarter in the previous year due to increased raw material costs and changes in the sales mix
- The decrease was partly offset by improved operational efficiency

Baltics Q4 – Good development in sales continued, cost increases eroded the result

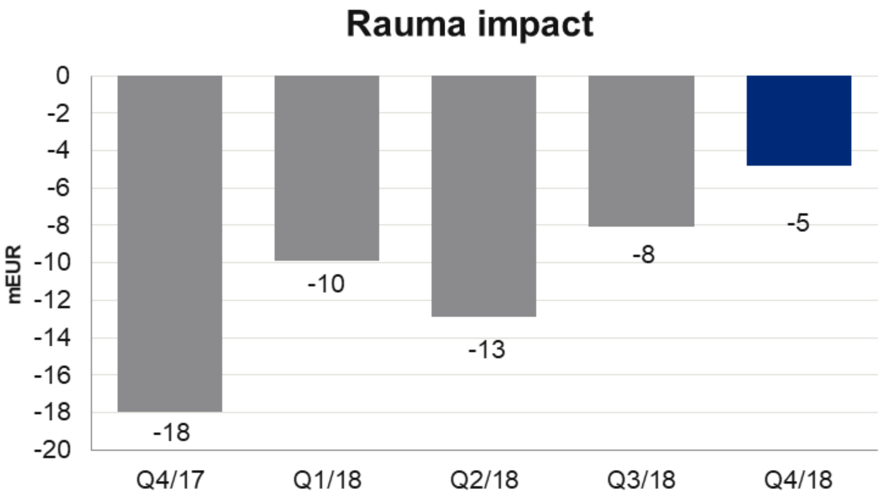


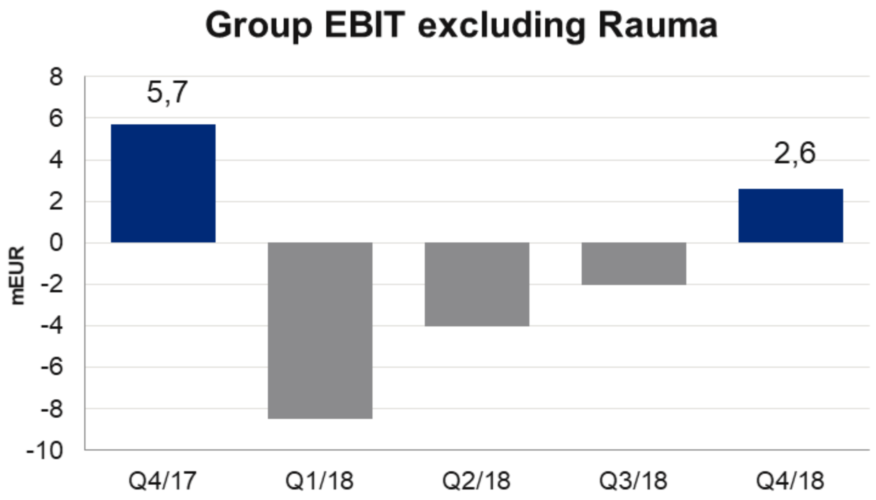


- The increase in net sales was driven by well-developed branded sales and an improved product mix

- EBIT decreased due to lower pork market price, increased costs in primary production as well as rising personnel costs
- The change in the fair value of the biological assets amounted to EUR -0.2 (-0.7) million

Rauma ramp-up impact decreased further from the previous quarter

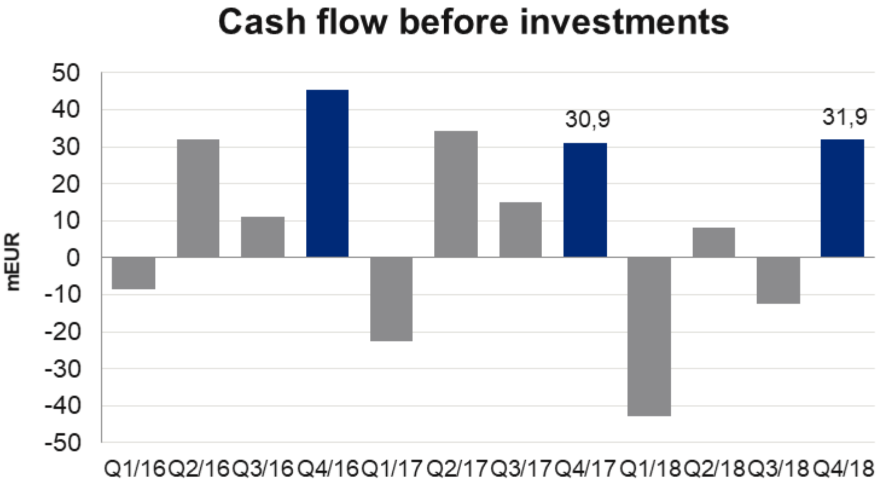


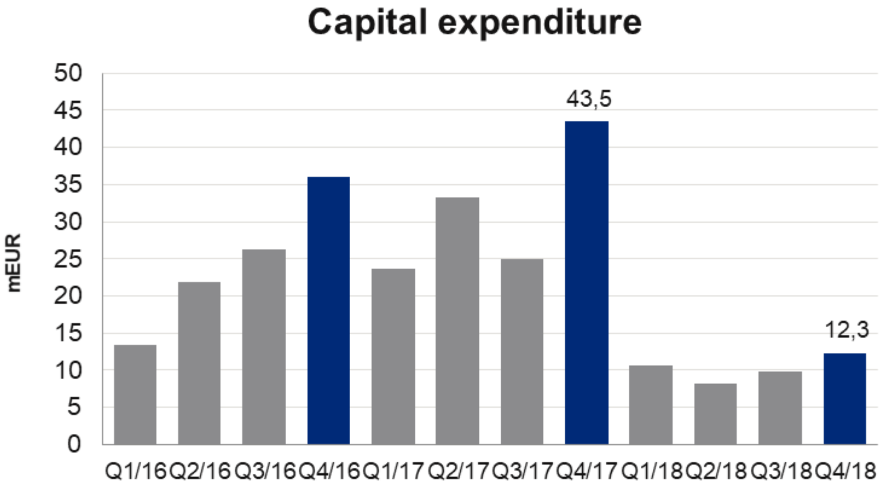


- The negative Rauma impact decreased again from the previous quarter as a result of improved delivery capability

- Group comparable EBIT excluding the Rauma related costs was EUR 2.6 million positive but it fell slightly from the comparison period

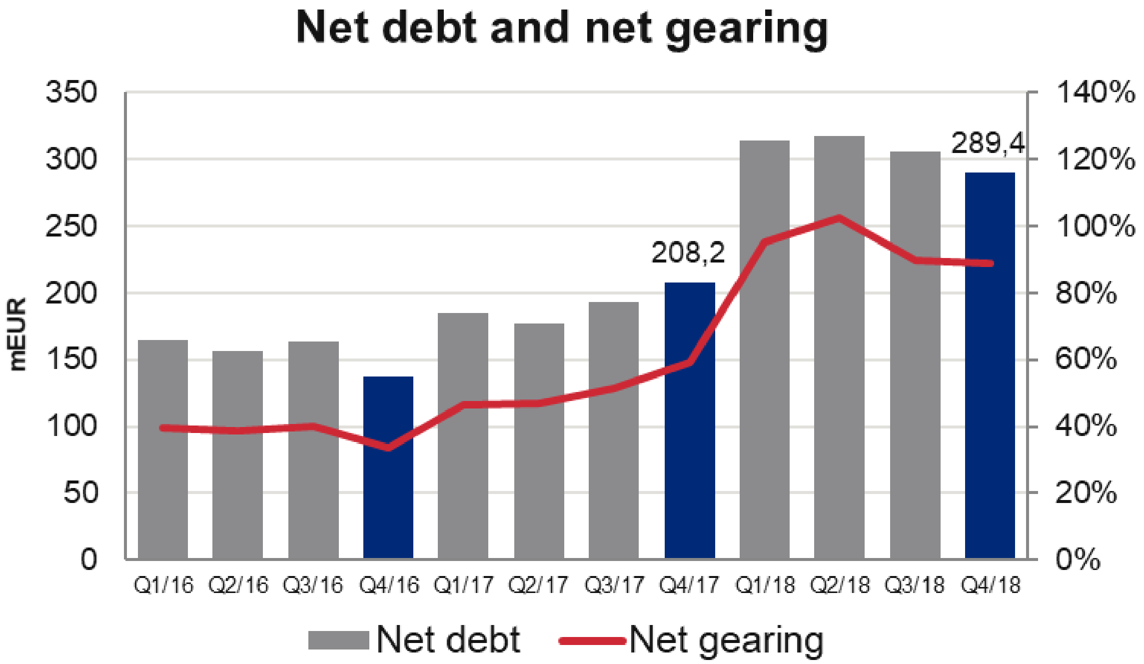
Cash flow was still impacted by the Rauma ramp-up





- Cash flow before investments improved slightly from the comparison period
- Full year capital expenditure was EUR 41.0 million

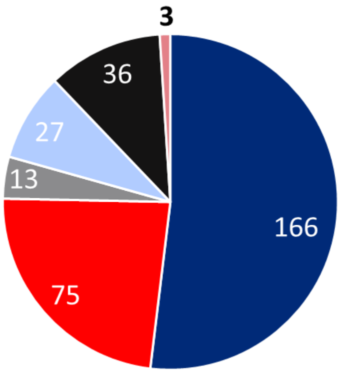
Net debt and net gearing decreased further in Q4



- Net debt decreased by EUR 16.2 million during the fourth quarter
- Also net gearing ratio continued to decrease being 88.6% at the year-end

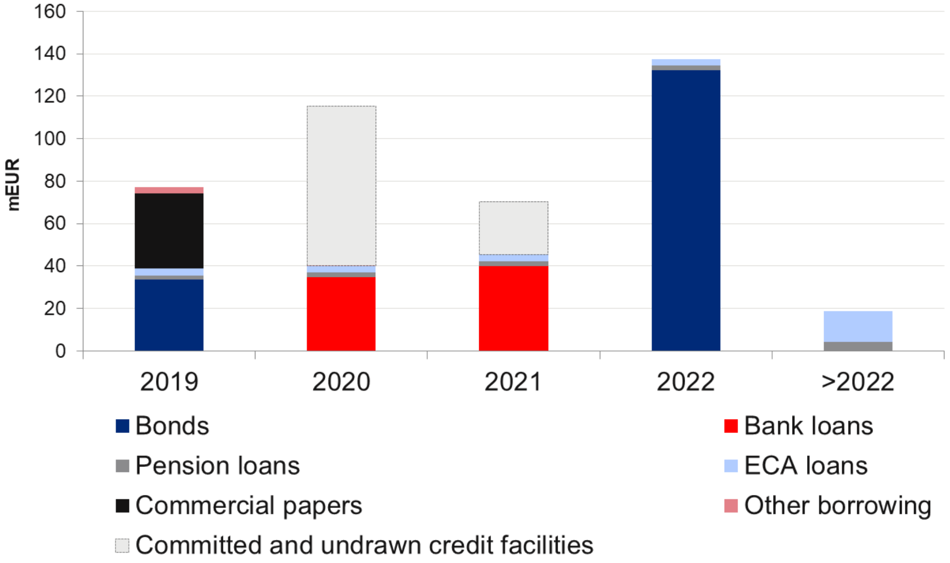
Funding base and maturity structure

Interest-bearing debt by credit type



Total interest-bearing debt:
319,0 mEUR

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



*EUR 40 million hybrid bond is treated as equity (early redemption option in Sept. 2023)

Dividend proposal

The Board of Directors recommends that the company will not pay a dividend for 2018. Dividend for 2017 was EUR 0.09 per share, a total of approximately EUR 4.9 million.

Outlook for 2019

Global meat consumption is projected to increase during the coming years. Within HKScan's home markets, consumption growth is estimated to be led by poultry and meal categories, while demand in other categories is expected to remain stable. HKScan expects its improvement programmes and other corrective actions to start recording results in 2019.

HKScan aims to improve its competitiveness in all its markets

Planned actions

- HKScan plans to adjust its operations in order to improve cost-efficiency in Finland, Sweden, Denmark, the Baltics and Poland
- In addition, the company is partly assessing its way of working. The aim is to ensure a stronger focus on customers, consumers and commercial activities locally

HKScan initiates statutory negotiations in all its markets

- With the planned actions HKScan aims to achieve Group-wide annual savings of EUR 10 million
  - Savings are expected to materialize from Q4 2019 onwards
  - Planned actions will be a part of HKScan's Group-wide EUR 40 million efficiency improvement programme (Stock Exchange Release 19.7.2018)
- All white-collar employees, senior white-collar employees, and management in all HKScan's operating countries are within the scope of the statutory negotiations
  - In total, there are 1200 employees within the scope of the negotiations
  - Blue-collar employees are outside the scope of the negotiations
  - Also personnel working at the Rauma unit in Finland are mainly excluded from the negotiations
- The maximum headcount reduction within the Group is estimated to be 220


Thank you