HKSCAN

ANNUAL REPORT 2015

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HKSCAN IN BRIEF

HKScan is the leading Nordic meat expert. We sell, market and produce 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.

We are committed to economically, socially and environmentally sustainable development as well as to enhancing animal welfare in our strategy and operations.

Our most important product brands are shown below. On top of the known local brands on our home markets, we also have four Group brands: Flodins®, Chosen by Farmers®, Annerstedt® and Aafiyah®. Find more about our brands in the footer.

YEAR 2015 IN BRIEF

NET SALES
1 917.1
EUR MILLION

EBIT
21.5
EUR MILLION
(Excl. non-recurring items)

EBIT MARGIN
1.1
%
(Excl. non-recurring items)

MARKET POSITION
#1–2
IN HOME MARKETS

EMPLOYEES
7 437
AVERAGE

KEY FIGURES

	2015	**2014**
Net sales, EUR million	1 917.1	1 988.7
EBIT, EUR million	9.6	55.5
% of net sales	0.5	2.8
Profit/loss before taxes, EUR million	2.2	51.2
% of net sales	0.1	2.6
Return on capital employed (ROCE) before taxes, %	2.3	9.7
Equity ratio, %	50.9	51.5
Net gearing, %	33.8	31.8
Gross investments, EUR million	49.6	48.7

MARKET AREAS

All HKScan production operations are located around the Baltic Sea, enabling flexible utilization of the assets, and synergies in product offering developments. The Group's customers are situated around the world, from the U.S. to New Zealand, in close to 50 countries altogether.

HKScan's home markets include Finland, Sweden, Denmark and the Baltics. Additionally, the Group is present in close-by markets, the most important of which are the U.K. and Germany, where it has sales offices, and Russia, where it has a representation office.

Outside Europe, the Group has a sales office in Hong Kong (est. 2015). Another office will be opened in mainland China, as soon as the necessary authority permits have been granted to HKScan for direct meat export.

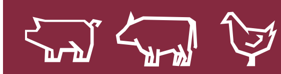
YEAR 2015 BY MARKET AREA

SWEDEN

NET SALES	**842 MEUR**
OPERATING PROFIT *	**21.6 MEUR**
PERSONNEL	**2 176**
MEAT TYPE	

FINLAND

NET SALES	**802 MEUR**
OPERATING PROFIT *	**16.3 MEUR**
PERSONNEL	**2 840**
MEAT TYPE	

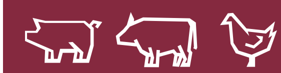


DENMARK

NET SALES	**176 MEUR**
OPERATING PROFIT *	**-9.3 MEUR**
PERSONNEL	**726**
MEAT TYPE	

BALTICS

NET SALES	**174 MEUR**
OPERATING PROFIT *	**5.4 MEUR**
PERSONNEL	**1 696**
MEAT TYPE	



*** Non-recurring items excluded**

OPERATING ENVIRONMENT

LEADING THE WAY BY STAYING AHEAD OF CONSUMER AND INDUSTRY TRENDS

Global trends influence HKScan's operating environment and business. For example economic, demographic and consumer trends impact both directly and indirectly HKScan's and its customers' businesses. Staying ahead of these trends and utilizing the gained insight is our strategy for maintaining a competitive edge.

Our task as an industry leader is to translate trends in the operating environment into new products and services, and to improve our current products. We also need to innovate to stay ahead of changes. We intend to be at the forefront in implementing new technologies. By foreseeing changes and proactively adapting to them, we can improve our performance, develop our operations sustainably, and bring value to our business as well as to consumers, customers, partners and other stakeholders.

We are proud of our long heritage in the meat industry, our expertise and our close cooperation with our producers. Our brands and products have been proven through the past ten decades to be reliable, trustworthy and compliant with consumers' expectations. We adhere to a policy of continuous, transparent and open communication with our customers and consumers via all channels.

We develop and create local food cultures in the countries where our products are sold and consumed. Our industry-specific local knowledge of meat is something we are also proud of.

WORKING WITH CONSTANTLY EVOLVING TRENDS

ECONOMIC AND DEMOGRAPHIC TRENDS

We live in a global economy and the prevailing downturn in Europe may influence consumer behaviour and thereby impact our ability to achieve profitable growth. In some markets, we have seen polarization in consumer demand. The demand for affordable products has for example increased and at the same time the demand for expensive organic, premium-quality meat cuts has increased. In the emerging markets, where we are also establishing a footprint, meat consumption is increasing among the growing affluent middle-class segment of the population.

In the Western world, the ageing population and small households are creating new needs in the food offering, distribution and packaging solutions, for example.

MEAT INDUSTRY TRENDS

Demand for meat is increasing globally. Within the meat category, white meat consumption is increasing at the expense of red meat, and becoming the most popular meat type.

Meat is a wholesome food with great health benefits. HKScan sees it as a good source of protein and an essential part of a healthy diet. Together with vegetables, wholegrain products and vegetable fats, meat is a key part of meals corresponding to nutritional recommendations.

The consolidation of the meat industry is also resulting in polarization. You are either a major player with big volumes or a specialized local player with an artisanal approach. Big players, like HKScan, seek to optimize their operational footprint, productivity (e.g. by automatization) and supply chain, as well as reduce their environmental impact. Small players need to establish profitable sales channels, but nationwide distribution via retail is seldom an option for them. Cooperation with big players and other parts of the supply chain is crucial for their business.

FOOD RETAIL TRENDS

Food retail customers, even those with good purchasing power, are constantly seeking value for money, i.e. they look for a good mix in their shopping experience (retail location, size, products, parking) and a food assortment offering a good price-quality ratio.

Discounters are seizing an increasing share of the business and their assortment is becoming more varied. Instead of selling only basic products, discounters today offer more premium products, such as seasonal meats. Hypermarkets are struggling with their large retail space, as part of their offering (e.g. electronics) has moved online. Supermarkets and convenience stores typically focus on local, convenience and on-the-go food.

Online retail is still relatively small, being most advanced in the UK and France. Growth is expected to continue, but further investment in logistics is required and customer volumes remain modest for the time being. We at HKScan need to be ready to offer the best products also for our online retail customers.

TRENDS IN THE AWAY FROM HOME MARKET

In away from home, consumption of on-the-go, i.e. street food and take away food, is continuously increasing. Many small new restaurants are opening. In Sweden and Finland, away from home customers emphasize local production and the traceability of food.

In Denmark and Sweden, organic food is popular. This trend is supported by public sector customers who want a certain proportion of organic food in their total food purchases. Away from home customers, like consumers, are also more and more interested in protein, as well as vegetarian and flexitarian diets.

Eating out is maintaining its position as a prevalent trend. This is thanks to small households, less time for cooking, urbanization and travelling. There are plenty of alternatives available from fast food to fine dining, and all the more 'fast casual' options in between. In Sweden, eating out grew four per cent in 2015, whereas in Finland, zero growth was recorded after a decrease in 2014.

A novelty in the food services segment is the 'ready to heat' offering; salad bars and convenience food counters inside stores. This offering lies between the traditional retail sector's 'ready to cook' and restaurants' 'ready to eat' options.

One good source for following trends in away from home business is collaboration and co creating new innovative recipes and ways to offer meat with our customers. Capability to offer and constantly develop online solutions for easier ordering and buying is becoming more and more important also for our away from home customers.

CONSUMER TRENDS

HEALTH AND PURITY

Consumers who prefer healthy and organic food also appreciate locally sourced ingredients. With meat, in particular, they additionally value products that are sourced in a responsible way.

Food is said to be at the core of the global health and wellness revolution; consumers have become conscious, curious and caring about everything they eat. Clean or pure are key new attributes connected with food, and this 'free from' thinking is a strengthening trend.

We at HKScan are constantly working with a diverse range of R&D projects in order to make products with less salt and other additives, with product safety aspects as a high priority. We are also actively involved in protein research projects.

ENVIRONMENTAL AND ETHICAL AWARENESS

Both environmental and ethical issues have found their way from activist meetings to board rooms. Consumers increasingly want to know if the brand they choose corresponds to their ethics and view of the world. Consumer awareness and discussions around key environmental topics – such as global warming – are forcing companies to delineate their stance.

HKScan has been focusing on corporate responsibility for decades, aiming to reduce the consumption of water, energy, waste water and packaging in our operations. Being a company serving society, reducing our environmental footprint is going to be increasingly important for our future.

DIGITALIZATION

As smart phones are continuously developing, mobile apps and services are leading to the convergence of online and offline shopping. Shoppers use mobile devices for guidance, navigation, convenience, payment, limited edition offerings, home deliveries, etc. Digitalization is visible both among HKScan's customers and in its own business and service development. Enhancement of digital channels increases consumer- and customer-orientation.

PACKAGING AND LABELLING

Packaging and clear labelling of products play a vital role for consumers. Young people, in particular, emphasize the importance of packages and their impact on society and the environment. New packaging types, such as intelligent and active packages are on the way to the market. As single-person households are growing in number, more and more people are occasionally eating meals alone. These facts call for right-sized products and packings.

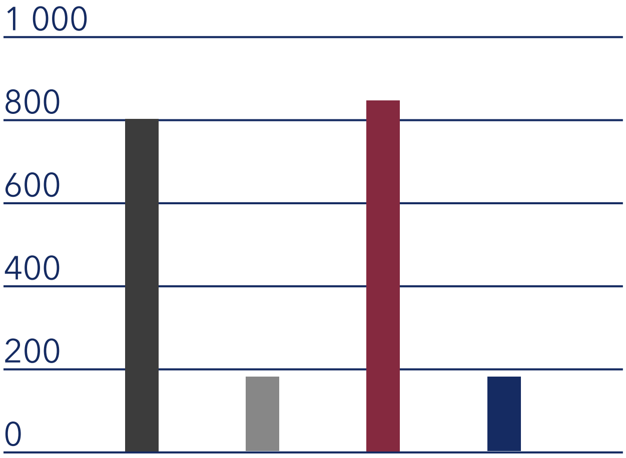
The importance of labelling is also growing; products need to be labelled clearly, as well as in an informative and transparent way. In addition, the visuals of end-products count; you eat also with your eyes.

TELLING AND SHARING STORIES

Our actions are in many ways targeted at "millennials", i.e. people aged between 15 and 35. The millennials already represent one third of all consumers. Most of their basic needs are fulfilled, and they often now look for a deeper purpose and meaning. They prioritize "real and authentic" products and appreciate facts as well as narratives related to companies and the people behind the products they are using. We offer real and fact-based information about our products – especially more communication on meat origin. Social media plays a more important role, and we need to ask ourselves, for example: "Is our product good enough to tweet about it?"

GRAPHS

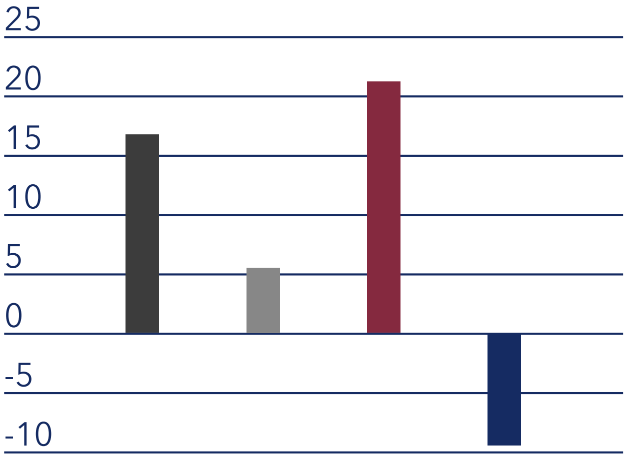
NET SALES IN 2015 BY MARKET AREA*) EUR MILLION



801.6	Finland
173.6	Baltics
841.9	Sweden
175.9	Denmark
1 993.0	Total

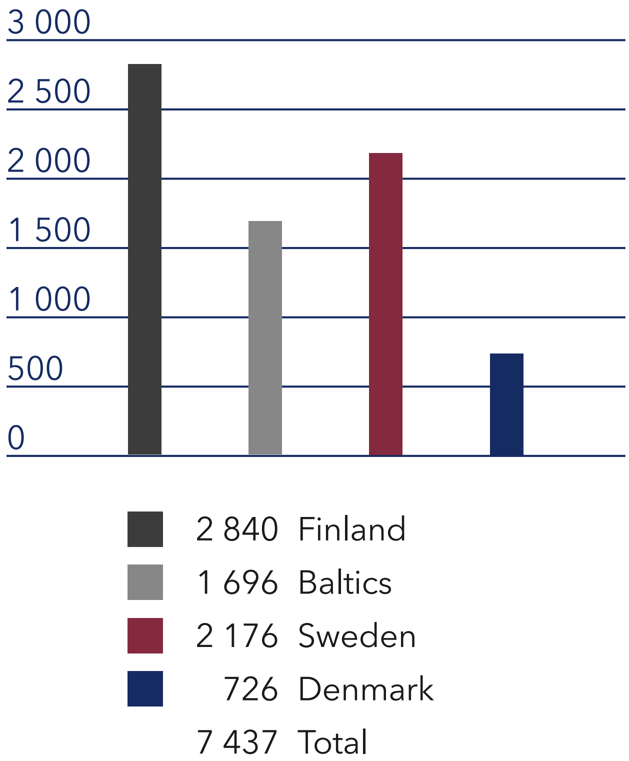
*) Internal net sales included.

OPERATING PROFIT IN 2015 BY MARKET AREA1) EUR MILLION

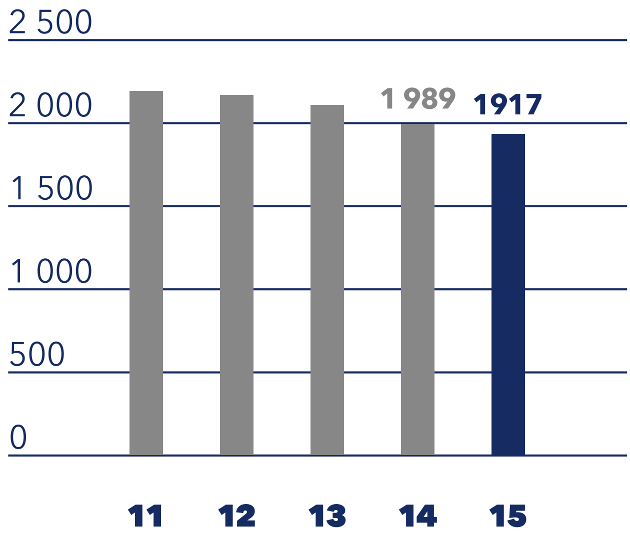


16.3	Finland
5.4	Baltics
21.6	Sweden
-9.3	Denmark
21.5	Total

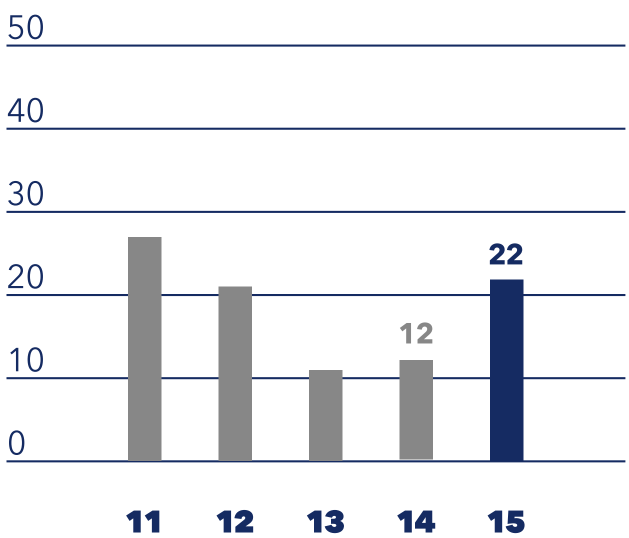
PERSONNEL IN 2015 BY MARKET AREA AVERAGE NUMBER



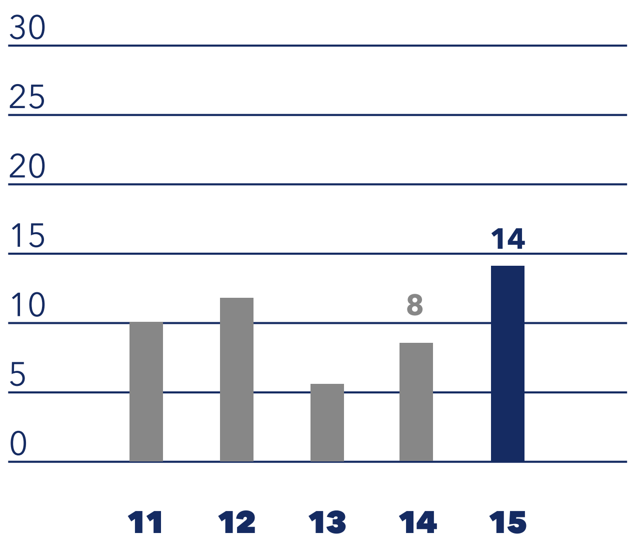
NET SALES EUR MILLION



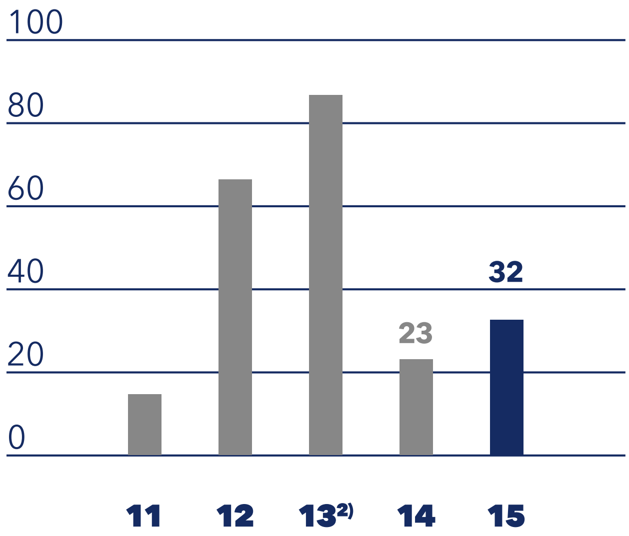
OPERATING PROFIT[1)] EUR MILLION



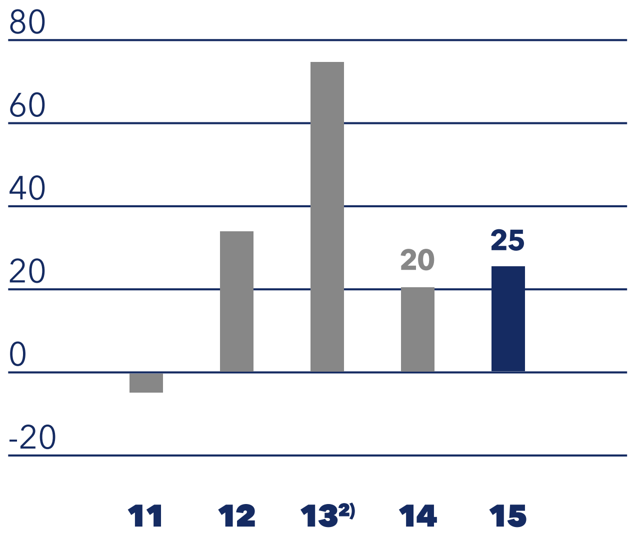
PROFIT BEFORE TAX[1)] EUR MILLION



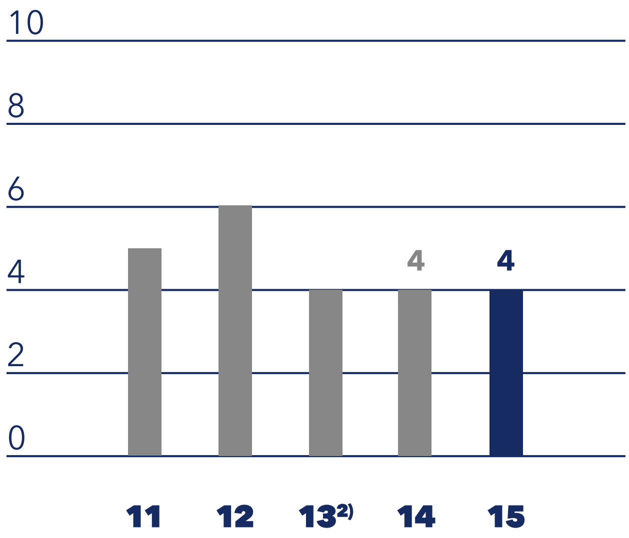
CASH FLOW BEFORE DEBT SERVICE[1)] EUR MILLION



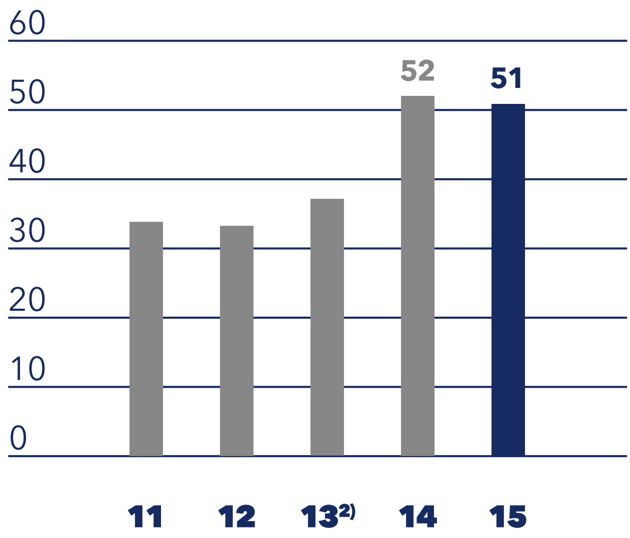
CASH FLOW BEFORE FINANCING ACTIVITIES[1)] EUR MILLION



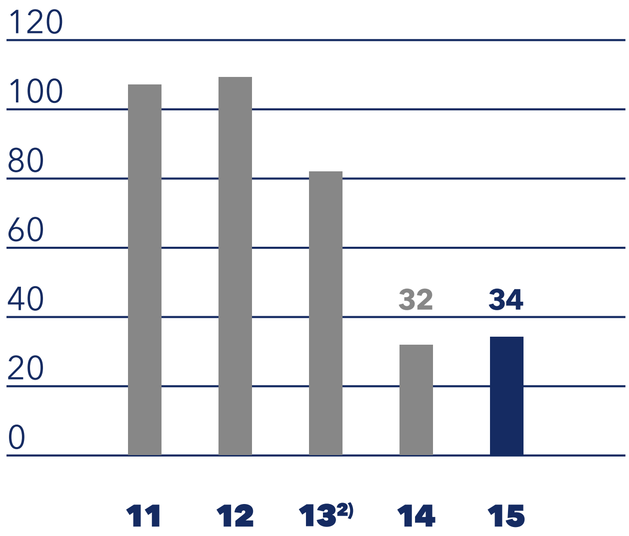
RETURN ON CAPITAL EMPLOYED (ROCE)[1)] %



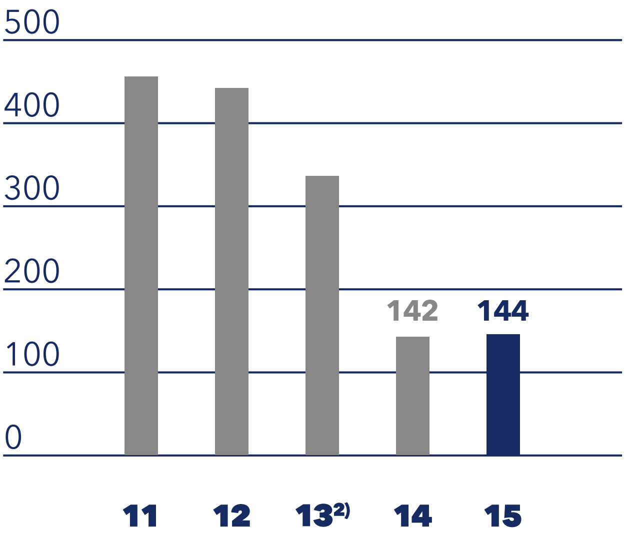
EQUITY RATIO %



NET GEARING %



NET DEBT EUR MILLION



1) Non-recurring items excluded

2) Sokołów's accounting treatment changed in 2013. Comparable figures from 2012–2011 not available.

CEO'S REVIEW

STEADY THROUGH CHANGE

The year 2015 at HKScan was a year of implementation. During the year, a substantial number of projects, that aimed to finalise the Group's strategic restructuring work, were completed. At the same time we moved into a new strategy period of profitable growth in an operating environment where economic and political uncertainty increased, impacting consumer behaviour and the operating conditions of retailers, industry and producers. Our work was challenged – but also inspired – by internal and external changes. We are confident that responsibly produced, pure Nordic products will continue to be a strong part of a comprehensive and healthy diet.

Over the course of its impressive, more than century-long history, HKScan has been through numerous periods of change, some of them strategically significant. That's how I view also the 2012–2015 period; I believe those years will be remembered as a period in the company's history when the fragmented company, built through acquisitions, became a more unified, international group. The fundamental changes to the company's structure and ways of working have created a stable foundation to build on and to further develop the Group – a foundation that provides realistic prerequisites for actions targeting profitable growth.

The economic downturn and political uncertainty weakened consumer demand in Europe in 2015. The market declined from previous years, which was most visible in Finland of the HKScan's home markets. With Russia's ban on imports, all of Europe suffered from an oversupply of pork in particular. The spreading of African swine fever in Estonia further challenged the Baltic market area. The comprehensive measures taken to prevent the animal disease from spreading were successful and the work is continuing.

Despite the challenges, we succeeded in improving our financial results, and the full-year comparable operating profit nearly doubled compared to the previous year. Net sales decreased somewhat, which was partially attributable to our own proactive measures to improve profitability. Changes in exchange rates had an impact on the lower net sales, and the overall market development in the latter part of the year was also reflected in the net sales. At the same time, HKScan's economic standing is stable and the balance sheet is strong, which enables development and investment measures in line with the new strategy period.

One of our most significant strengths is the leading product brands in all our home markets. The Group's strong local brands were supported e.g. with updated advertising and other marketing concepts, as well as product and packaging renewals. The Group's promise of Nordic meat expertise was leveraged in the marketing of the Swedish Scan® and the Finnish HK® brand. Consequently our market position remained strong across all home markets.

Implementation of the strategy advanced and we took important steps towards our goal of profitable growth. We strengthened our operations in our close-by markets, e.g. in Great Britain, where we renewed our offering. A sales company serving our Asian business was opened in Hong Kong. The good development of the Biotech business line established at the end of 2014 continued.

In line with our strategy, we invested in areas that clearly support the Group's growth targets. Last year we decided on HKScan's biggest investment project in recent history – construction of a production facility specialising in poultry products, in Rauma, Finland.

The two efficiency improvement programmes successfully implemented during the last strategy period have strengthened the Group-wide culture of continuous improvement. This was visible in, among others, the operational efficiency improvements in production and in the supply chain that were executed during the year. We developed wellbeing at work and personnel engagement by focusing on three areas: leadership, employee wellbeing and workplace safety, and a more unified corporate culture. The action plans stemming from the results of the Group-wide Employee Engagement Survey advanced during the past year. Additionally, we launched a training programme for leaders and specialists in order to strengthen leadership skills and to deepen professional expertise.

Going to year 2016, food and cooking are of interest to an increasing number of consumers, and changing food trends are inspiring the media, industry players and consumers maybe more than ever. HKScan is very well positioned to drive the food culture tradition forward, with our broad product portfolio and recognized Nordic meat expertise.

Despite the current economic and political uncertainty, we see multiple positive long-term trends and market drivers in the business environment which support the consistent progress in our strategy implementation. The global consumption of meat is continuing to steadily increase as consumer buying power strengthens in developing markets. Demand for poultry products is growing, and convenience foods and semi-finished products that make daily living easier are becoming more and more popular.

The importance of corporate responsibility is increasing, which will strengthen HKScan’s position also beyond its home markets. Sustainable operations are a cornerstone of HKScan’s strategy. Corporate responsibility is integrated into all areas of the Group’s operations and is systematically developed in accordance with HKScan’s corporate responsibility programme.

The now proven ability of HKScan’s personnel and management to carry out targeted measures in the midst of internal restructuring and cultural change – and also at a time when the operating environment has become significantly more difficult – gives me strong reason to believe that the implementation of HKScan’s strategy will continue successfully also in 2016. This year we are moving forward with optimism and solid footing on a path of development and improved performance.

I want to extend a warm thank you to HKScan’s personnel for their commendable work and commitment to our shared goals. Likewise, I want to thank the consumers, customers, business partners, producers and owners who have cooperated with us, shared our daily operations, and helped us to achieve our common goals. It is important for us to continue the collaboration and thereby ensure the competitiveness of our home markets and the position and success of responsibly produced Nordic food on domestic and export markets alike.

Turku, 7 March 2016

Aki Laiho

HKScan Deputy CEO (as of 20 January 2016) and COO
HKScan Group

STRATEGY

TOWARDS PROFITABLE GROWTH

HKScan began systematically executing its strategy of profitable growth as planned in 2015. We also continued improving our operational efficiency and harmonizing our production and legal structure. Thanks to the structural changes made over the past few years, HKScan is today a stronger, more unified Group than ever before, which was one of the main goals of our strategy for 2012–2015.

Operations improving our efficiency included, for example, the following: We centralized our manufacturing in Denmark, removed overlapping operations, upgraded our production efficiency and restructured the organization in line with our strategic targets. In Finland, Sweden and Estonia we divested non-core operations, enabling us to focus on our core businesses and further streamline our corporate structure.

A MORE UNIFIED AND EFFICIENT GROUP

One of the key Must-Win Battles of our strategy for 2012–2015 was to improve the Group’s capital structure, in which we succeeded with gratifying results. The Group’s balance sheet is now strong, which enables us to invest in growing our business. Our other focus areas were Building brand value and demand; Upgrading Group operational efficiency; and Actively managing future business dynamics. Our efforts in all these focus areas proceeded according to plan. Brand value, demand and operational efficiency will remain among our key focus areas also during the current strategy period.

The business areas and support functions established during the foregoing strategy developed their tools, processes and competences further and their efficiency is continually improving. Our unified processes and ways of working, harmonized corporate culture, improved operational footprint and strong balance sheet provide us a solid foundation for achieving profitable growth.

PROFITABLE PERFORMANCE STRATEGY
2012–2015

MUST-WIN BATTLES
- Building brand value and demand
- Upgrading Group operational efficiency
- Actively managing future business dynamics
- Improving capital structure and Group reporting

PROFITABLE GROWTH STRATEGY
2015–2018

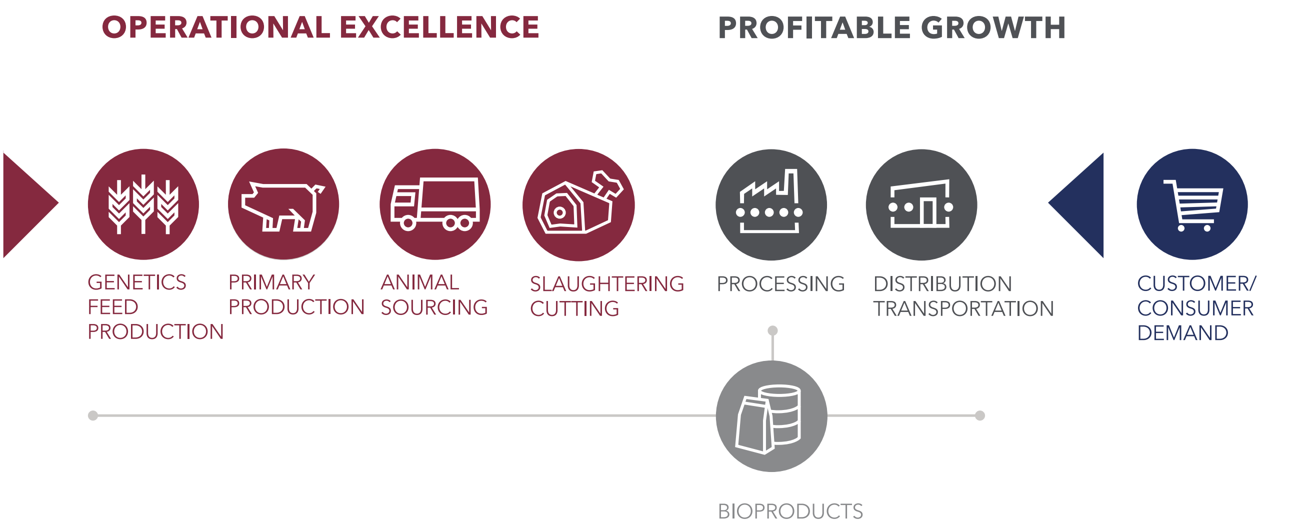
MUST-WIN BATTLES
- Renew customer, consumer and channel approach
- Develop brands and offerings
- Invest for growth
- Drive continuous improvement

LONG-TERM FINANCIAL TARGETS
- Operating profit (EBIT): over 4 per cent of net sales
- Return on capital employed (ROCE): over 12 per cent
- Net gearing: under 100 per cent
- Dividends: at least 30 per cent of net profit

GROWTH THROUGH BRANDED PRODUCTS

In line with its new strategy updated in 2014, HKScan will focus on fostering a stronger sales and marketing orientation in its business during its 2015–2018 strategy period. We will invest in developing branded products with high added-value, we will continue pursuing our policy of continuous improvement, and we will strive to find innovative ways of meeting the expectations of our customers and consumers.

We will assign growing priority to innovation work, active category development and brand marketing. The investments required for executing our strategy will be targeted particularly at the end of the value chain, closer to our customers and consumers.



Despite our challenging operating environment, HKScan has been resolute in launching its strategy of profitable growth. In 2015 HKScan confirmed that it will invest in a wholly new poultry production facility in Rauma. The company also acquired a 50 per cent stake in Paimion Teurastamo Oy, a Paimio-based beef slaughtering plant. We expanded our demand-driven export business and celebrated the official launch of the Group's Asian business by establishing a new sales office in Hong Kong. The new Biotech business founded at the end of 2014 continued to make pleasing progress. For further details, see the CEO's review.

STRATEGIC STRENGTHS

HKScan is aware of the challenges existing in its operating environment and their potential impacts on the successful execution of its strategy. Our short-term growth prospects could be impacted negatively by the prevailing climate of economic and political uncertainty, export bans and changing consumer preferences. We will identify and work proactively to minimize risks in the meat industry, harnessing our key strategic strengths as a competitive advantage.

Our ability to successfully execute our strategy is supported by our strong balance sheet, our market leadership on all our home markets, our high-profile brands, our unmatched competency as meat industry experts and the synergies brought by our advantageous geographical location.

Our ongoing work to improve our profitability as well as several market drivers support us in pursuit of our strategic goals. These drivers include global growth in meat consumption, growing appreciation for responsibly produced, pure and wholesome Nordic meat, and lifestyle trends that are boosting demand for value-added products.

TRUST, TEAM, IMPROVE

We will execute our strategy in line with the Group mission, brand promise and values: *Trust, Team, Improve*. HKScan is the leading Nordic meat expert with over 100 years of experience as a responsible meat producer and developer of products made from high-quality raw materials. Our offering comes with a promise of great flavour and high Nordic standards of hygiene, safety, quality and responsibility. This promise extends to every link in the value chain and every individual involved every step of the way – from farm to fork.

CORPORATE RESPONSIBILITY

Our mission is to be the Nordic meat expert. This means producing, selling and marketing meat and meat products in a responsible and ethical way. This covers the entire value chain, starting from feed and the genetics of production animals all the way to the consumer’s plate. Sustainable business creates value for all our stakeholders every day.

We are committed to systematically developing the sustainability of our business through our strategy, operations and actions. At HKScan, every employee is urged to contribute to responsible ways of working.

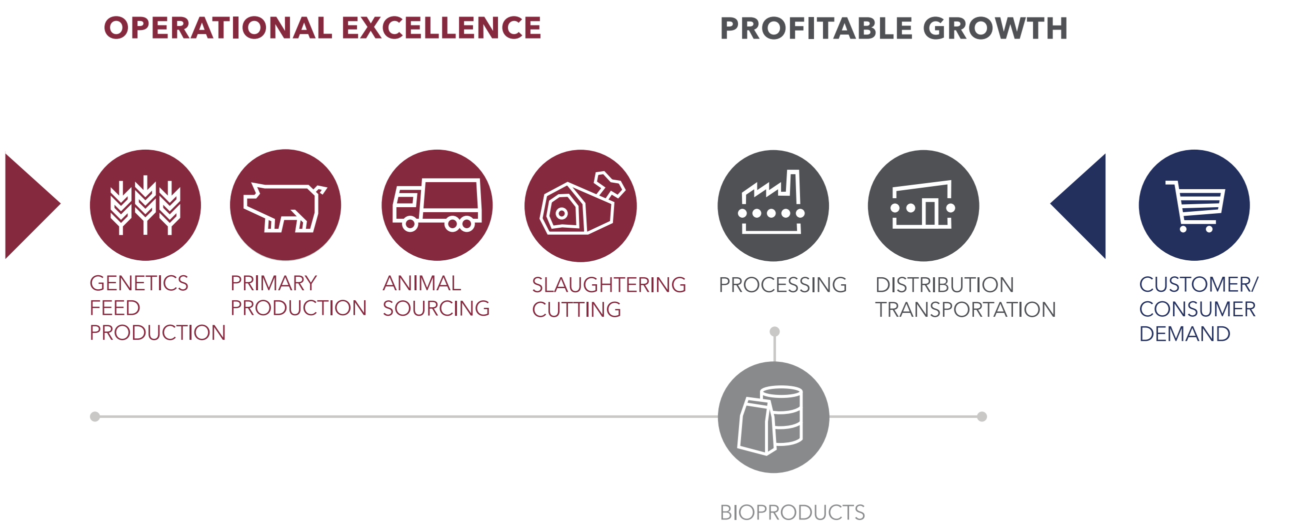
Watch this video about our Nordic meat expert mission:

https://www.youtube.com/watch?v=0vjn5zhNSgI

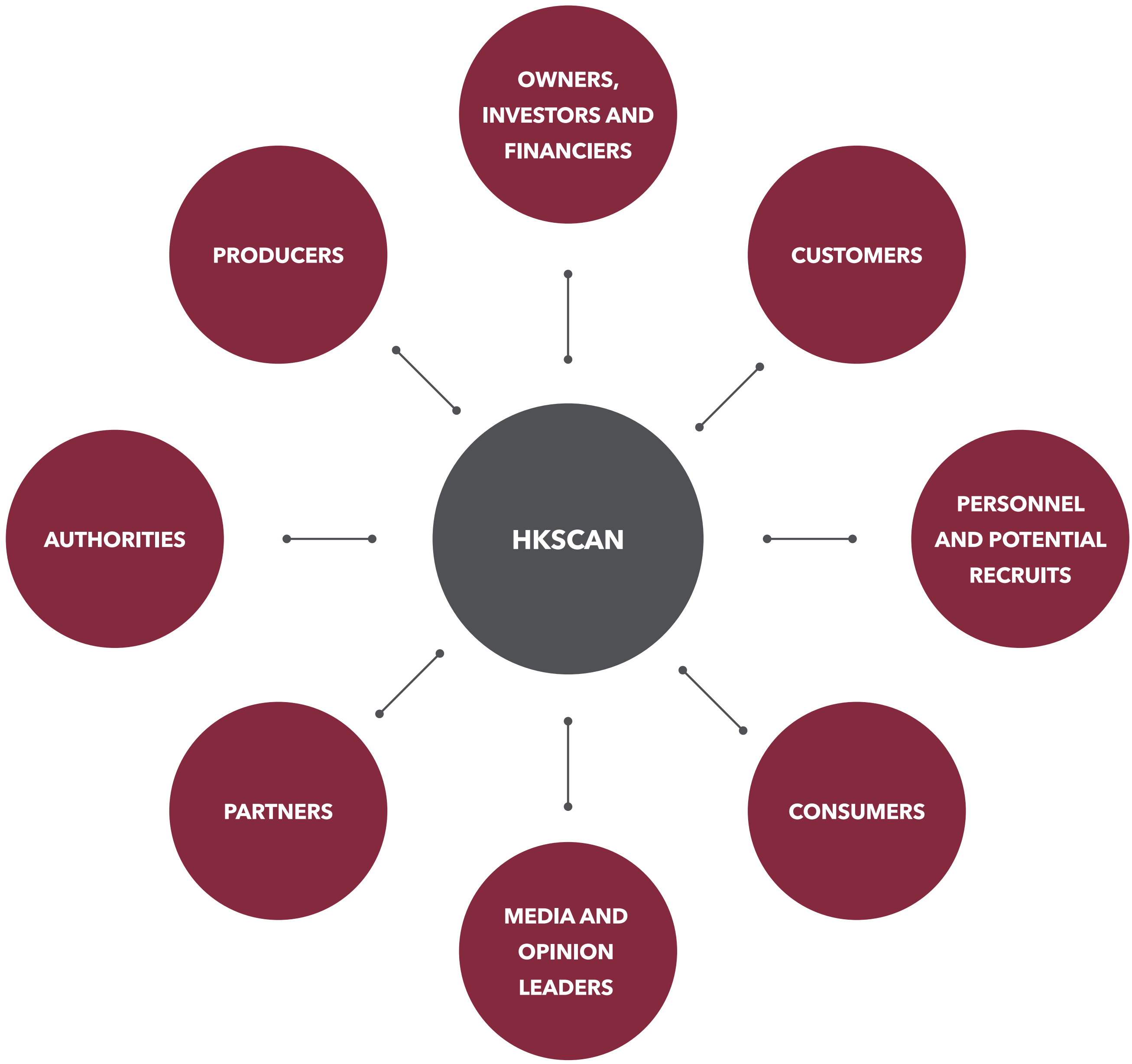
VALUE CHAIN

At HKScan, we have unique know-how on the entire meat value chain, and we are committed to operating responsibly every step of the way. The Group's daily business covers all parts of the value chain from customer and consumer cooperation to feed and primary production.

By continuing to respond effectively to changing needs and expectations in the market, we can improve our profitability and develop our operations sustainably, bringing value to our business as well as to consumers, our partners and other stakeholders.



STAKEHOLDERS



STAKEHOLDER	STAKEHOLDER'S EXPECTATIONS	HKSCAN'S EXPECTATIONS
Consumers	Tasty, safe and healthy products. Information, opportunity to provide feedback, confidence in responsible products and the company's policies.	Increase in appreciation of and trust in HKScan and its products.
Customers • **Retail** • **Food service** • **Exports** • **Industry**	Reliable business partnerships, comprehensive product portfolio and brands, product quality and safety, responsible products, information exchange, joint development projects.	Reliable business partnerships, growth in sales value and volume of both parties, information exchange, joint development projects.
Owners, investors and financiers	Added value for owners, a true and fair view of the company's operations and finances. Success and continuity of responsible operations of the company.	Creation of added value, secure financing and high levels of confidence.
Producers	Long-lasting contractual business relationships, producer advice and other services, fair prices for produced raw material, secure meat production continuity.	Contractual and uninterrupted supply of meat raw material at market rates. Good animal welfare and quality of meat.
Personnel and potential recruits	Continuity of employment, fair remuneration, appreciation of work and fair treatment, personal development opportunities and safe workplace.	Work input, strengthening of corporate culture and creation of common practices, improvement of competence.
Authorities • **National government** • **Local authorities**	Statutory cooperation, monitoring, information and opinion exchange, enforcement of mandatory requirements.	Ensuring uninterrupted operations, securing operations subject to licence, statutory cooperation. Influencing industry issues also on an international level.
Media and opinion leaders • **Special interest groups and NGOs** • **Parties and political actors**	Information about the company, its operations and events, expertise, responsible operations, continuous development of industry-related aspects.	Provision of open and fact-based information about the company and the industry, joint industry development projects.
Partners • **Subcontractors** • **Suppliers** • **Business partners** • **Research and training institutions** • **Local communities**	Long-lasting contractual business and cooperation relationships. Joint development of operations utilizing HKScan's expertise.	Long-lasting contractual business and cooperation relationships. Joint development of operations utilizing partners' expertise.

STAKEHOLDER COOPERATION AND COMMUNICATIONS

Meeting stakeholders’ expectations, creating value for our stakeholders and ensuring open, transparent communications form the core of our corporate responsibility work. An example of our stakeholder communications is our producer magazine published in Finland and Sweden.

Cooperation with different operators in our value chain and other stakeholders, such as suppliers, authorities, various organizations and research institutes, has broadened our insight into corporate responsibility aspects that are relevant in our operational environment and for our stakeholders.

We want to promote cooperation and communication with our stakeholders by collaborating with communities and other organizations and by addressing new initiatives both locally and globally.

In 2015, for example we made our food production chain familiar to the public in Finland. As part of our ‘chicken patrol’ project, we offered consumers the opportunity to visit our chicken farms and become involved in new product development. We also developed our feed business in Sweden, see the press release.

CORPORATE RESPONSIBILITY

HKScan's corporate responsibility work has four focus areas: economic responsibility, social responsibility, animal health and welfare, and the environment. These four pillars are also the focus areas defined in our corporate responsibility programme.

The framework for HKScan's corporate responsibility efforts was established through an extensive stakeholder dialogue conducted in 2014. With this dialogue, HKScan wanted to find out the expectations of our stakeholders and how well these expectations were being met by HKScan.

Economic responsibility

Responsible long-term profitability of the Group and its value chain.

Social responsibility

Responsible products, employee wellbeing and responsible supply chain.

Animal health & welfare

Responsibility in genetics, in operations at farms, during transportation and at slaughterhouses.

Environmental responsibility

Efficient management of energy, water, materials, chemicals and waste. Mitigation of environmental impact on surroundings and climate change.

Sustainable & transparent supply chain

Stakeholder cooperation & communications

The programme's targets and actions are integrated into the daily management and operations of the Group. We will continue to evaluate the expectations of our stakeholders and stakeholder dialogue in order to better anticipate and respond to their demands in the future.

ECONOMIC RESPONSIBILITY

HKScan's strategic objective is profitable growth. During the past few years, the Group's legal structure and production set-up has been simplified and streamlined. These actions together with successful working capital management have strengthened the Group's balance sheet, which is now strong. A compact package of key data about HKScan Group can be found in this report or on our website HKScan fact sheet on our website.

Thanks to the above-mentioned measures, HKScan has been able to place more focus on upgrading its production plants and technologies. In 2015, the Group decided to invest in a new poultry production facility in Rauma, Finland. The project is among the most significant production-related investments in HKScan's history to date.

From the very outset of planning, corporate responsibility aspects have been taken into account. Key priorities on the agenda have included animal welfare, biosecurity issues related to the risk of animal diseases, food safety and product quality, as well as employee health and safety. Additionally, the investment will in general improve our environmental efficiency, enable us to utilize side-streams more efficiently for the production of biotech products, and it will also have significant direct and indirect employment impacts.

In 2015, HKScan invested in its export business by establishing a local sales office in Hong Kong. Having a local presence on the Asian market will be critical in order to enhance the value of the Group's export business. Read more on our website.

The Group is closely affiliated with local primary production on its home markets, either through long-term cooperation contracts, or direct ownership (in Estonia). We continually strive to improve primary production's productivity, cost efficiency and competitiveness through systematic and close cooperation with our producers. Read more on our website.

Regular monitoring and forecasting of feed and other raw material prices enables us to better predict the economic impact of any changes in the supply chain. The long-term profitability of the entire food chain, especially of primary production, is a critical topic that is always high on our agenda. Watch the video about primary production development.

HKScan's production facilities are located in its home markets, where it is also an important employer. Sound profitability also serves the interests of its stakeholders.

SOCIAL RESPONSIBILITY

Social responsibility at HKScan means responsible products, employee wellbeing and a responsible supply chain.

Product safety and responsible products form the foundation of our operations. We take an active role in steering responsible operations throughout our value chain. Our products are manufactured in compliance with high food safety standards and in a responsible way. They are safe for consumers, while also meeting their expectations in terms of flavour and quality.

We invest effort into promoting employee wellbeing, covering areas such as occupational health, equality and diversity at work, as well as work atmosphere. We believe in continuous development of leadership skills as a means to ensure employee engagement and a high performance culture.

A well-managed supply chain connects all the links in HKScan's value chain and ensures lean flow and seamless collaboration between the different phases of the raw material and services sourcing process. Corporate responsibility is a high priority in all phases of the supply chain.

At HKScan we source our animals either from our own or contract farms. Contract farming means close cooperation between HKScan and our producers. We maintain good relations with society and communities by participating in sustainability initiatives, as well as policy-making processes on all levels, from local communities around the production plants to Group level.

HKScan's efforts in the field of social responsibility are wide in scope. For example in Sweden, surplus food is given away to charity in Stockholm ('Statsmissionen'), and products approaching their 'best before' date are sold in a low-cost Social Supermarket. This also has environmental benefits, as less food waste is generated. See the related press release on our website.

RESPONSIBLE PRODUCTS

As consumers are becoming increasingly conscious about issues related to health, food safety and responsible production, we work systematically to respond to their needs in the changing environment.

WORLD-CLASS PRODUCT SAFETY AND QUALITY

One of the key priorities on our responsibility agenda is our world-class product safety and maintenance of strict food safety standards.

All our production plants are certified according to international food safety management system standards. HKScan's production plants in Finland, Sweden and Denmark are certified by an independent third party according to Global Food Safety Initiative (GFSI)-recognized food safety management systems standards. In the Baltics, the production plants are certified according to international food safety standards (ISO 22000). In Finland, Sweden, Denmark and Poland we have GFSI-acknowledged food safety certifications: FSSC 22000, BRC or IFS. See the table of our certified operations on our website.

Food safety management systems are based on risk assessments of products and manufacturing processes. Our staff has been trained in the management of hygiene and production processes, as well as in the systematic treatment of deviations in production processes. Product safety is never compromised.

RELIABLE PRODUCT INFORMATION AND TRACEABILITY

Providing consumers and other stakeholders with reliable product information is an important part of our commitment to responsibility. We ensure the full traceability of our products and demonstrate to our stakeholders that we know every link in our value chain from farm to fork.

NUTRITION

Amid increasing health consciousness among consumers, promoting good health is a high priority in our product development. We have been commended for our efforts to reduce salt, improve fat content, and critically review the use of additives in our products.

In 2015, we made the following health improvements to our products:

- In Sweden, we lowered the nitrite level by 30 per cent in Christmas hams
- In Finland, we prepared for moving over to use iodized salt in all products (implemented as of January 2016)

Our long-term work to develop nutritionally high-quality products promoting the health and wellbeing of consumers is based on national nutrition recommendations. According to current recommendations, meat is a valuable part of a balanced, varied diet together with vegetables, wholegrain products and vegetable fats. A good example of our new approach to product development comes from Sweden, where our R&D team have developed a new concept of products containing half meat and half vegetables.

All in all, HKScan promotes healthy nutrition and advocates a diet in which meat and meat products have a valuable place.

EMPLOYEE WELLBEING

As a major employer in several countries, the wellbeing, engagement, equality and diversity of our personnel are extremely important to HKScan. The Group develops the competencies of our personnel through knowledge sharing and training. We aim to continuously develop and harmonize our processes in Human Resources according to the Group-wide HR roadmap.

SUSTAINABLE PEOPLE MANAGEMENT SUPPORTS GROWTH

Our employees contribute to executing HKScan's strategy. For this reason, considerable attention has been paid to people management issues over the past few years. To support profitable growth through employee wellbeing and engagement, three focus areas were identified in Human Resources for 2015: Leadership, Employee Wellbeing and Workplace Safety, and One HKScan performance culture.

INVESTING IN LEADERSHIP

In 2015, HKScan launched a Group-wide HKScan Leadership Academy project to strengthen the capabilities and professional expertise of HKScan leaders and specialists. The HKScan Leadership Academy started in June 2015 and it will run until December 2017. In total about 130 leaders and specialists from across the Group will take part in the training.

The HKScan Leadership Academy places strong emphasis on global consumer trends, the current and future business environment, performance culture and HKScan's role in a global context. The training consists of face-to-face modules as well as individual tasks and teamwork on individual subjects or HKScan projects. The programme has targeted outcomes, such as creating excellent leadership practices across the whole Group, enhancing skills and tools to lead in matrix and monitor change, as well as achieving excellent market and business performance.

EMPLOYEE WELLBEING AND WORKPLACE SAFETY - INVEST IN WORK ABILITY CULTURE

HKScan's target is to create a culture of proactive work ability promotion and workplace safety management by implementing harmonized processes, training supervisors and management, and by focusing on strategic knowledge-based leadership. Workplace safety is a topic of extreme importance at HKScan and we are committed overall to supporting the wellbeing of our employees by every possible means.

A Group-wide work ability and workplace safety programme was initiated in Finland in 2015, and during the coming years its scope will be expanded to cover other HKScan countries. The programme covers management and follow-up of work ability, workplace safety risks and costs, process development, collaboration with internal and external stakeholders and continuous training and knowledge sharing.

ONE HKSCAN PERFORMANCE CULTURE - EMPLOYEE ENGAGEMENT

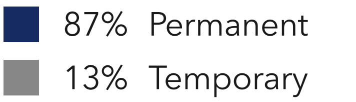
Late in 2014, HKScan carried out its first Group-wide Employee Engagement Survey (EES). A total of 82.5% of our employees responded to the survey. Our People power index* was proven to be at an overall satisfactory level.

From end 2014 until summer 2015, all personnel have participated in teamwork analysing the results and setting targeted actions for improvements based on the results of the survey. Over 1 300 actions in various areas were defined before summer 2015. Since then managers and teams have been working together to complete their agreed targeted actions in order to raise the engagement level and improve our performance. The next EES is scheduled for September 2016.

*The PeoplePower® rating is an overall metric (0–100) for employee engagement and its main benchmarks are commitment, leadership and performance culture.

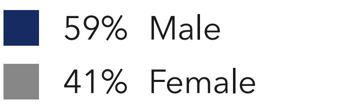
EMPLOYEE RELATED DATA 2015

DIVISION OF EMPLOYEES BY EMPLOYMENT CONTRACT %

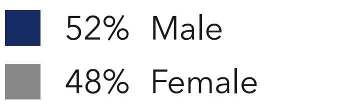


DIVISION OF EMPLOYEES BY EMPLOYEE SUB GROUPS %

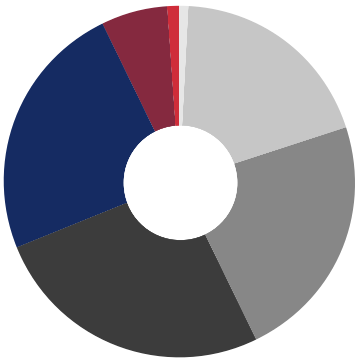
DIVISION OF EMPLOYEES BY GENDER, BLUE COLLARS %



DIVISION OF EMPLOYEES BY GENDER, WHITE COLLARS %

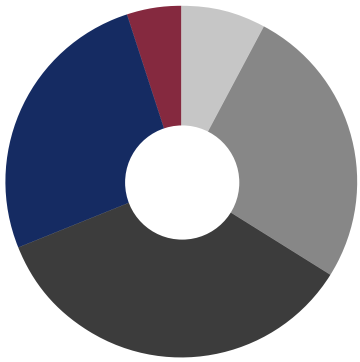


DIVISION OF EMPLOYEES BY AGE, BLUE COLLARS %



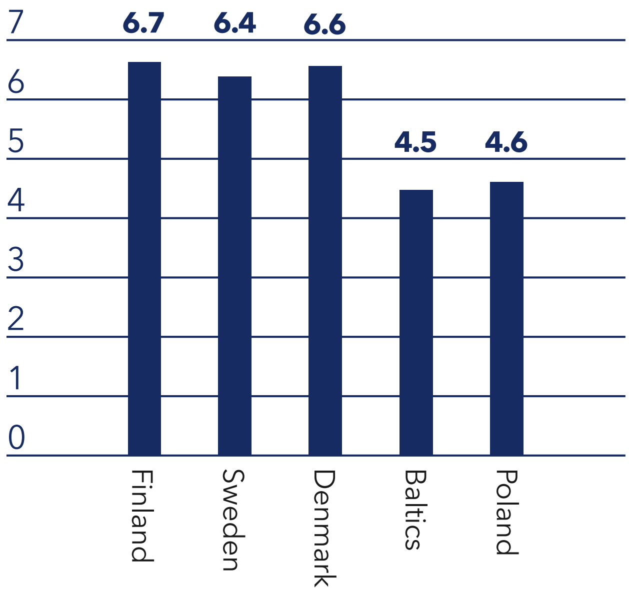
- 1% age under 19
- 19% age 20–29
- 23% age 30–39
- 26% age 40–49
- 24% age 50–59
- 6% age 60–64
- 1% age over 65

DIVISION OF EMPLOYEES BY AGE, WHITE COLLARS %



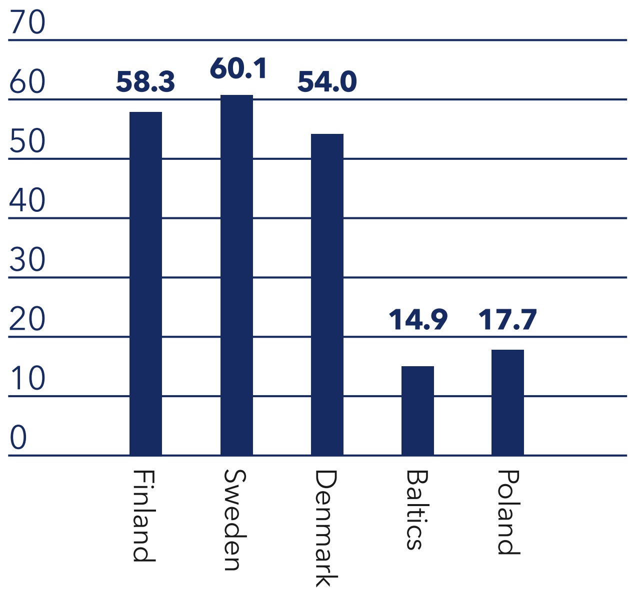
- 8% age 20–29
- 26% age 30–39
- 35% age 40–49
- 26% age 50–59
- 5% age 60–64

ABSENTEE RATE 2015 %



Absence hours due to illness, other incapability and working accidents compared to scheduled hours. Rented employees excluded.

LOST TIME INJURY FREQUENCY RATE 2015



Working injuries causing min. one (1) absence day per one million (1 000 000) working hours. Rented employees excluded.

RESPONSIBLE SUPPLY CHAIN

Strict adherence to our corporate responsibility policy applies to every link in our supply chain, and we work continuously to enhance our responsibility, efficiency and transparency.

TARGETING A DEMAND-DRIVEN MEAT SUPPLY CHAIN

Responsible and efficient meat supply chain management plays a vital role in creating profitable growth, and demand is the key driver of supply chain management. During the past few years, we have systematically harmonized and standardized the Group's supply chain management. This has resulted in improved collaboration and information sharing Group-wide across countries and function borders.

Most of the meat HKScan uses in its production is of domestic origin, and is produced by our long-term contract producers. All products marketed under the HK®, Kariniemen® and Scan® brands contain only domestic meat. Imported meat accounts for only a few per cent of our raw material needs, and we strictly monitor the origins of the meat and collaborate only with audited slaughterhouses. All imports from third parties are audited to meet HKScan's quality and corporate responsibility requirements. Imported meat sold in our home markets strengthens the Group's offering especially in those product categories where availability of local raw material is limited.

COOPERATION WITH PRODUCERS

Our experienced advisors and partners work together with our contract producers to improve the efficiency and sustainability of their meat production. Producers are provided advisory services related to feeding, animal welfare and profitability. Careful planning and optimization of feeding, for instance, has significant effects on the wellbeing of animals, production volumes and the environment.

We have contributed to improving primary production:

- by upgrading poultry primary production services in Finland, see our press release.
- by boosting feed operations in Sweden, see our press release.

SUSTAINABLE AND TRANSPARENT SUPPLY CHAIN

The food industry requires large amounts of meat and other raw materials, energy, water, packaging materials, and various services. For this reason, the sourcing function has a significant impact on the Group's resposibility, overall cost structure and efficiency.

To improve efficiency and responsibility we have during several years rationalized Group-level purchases and improved the transparency of our supply chain by identifying and managing risks. Our suppliers are evaluated and qualified in the areas of food safety, quality, environment, ethical procedures, as well as selected in accordance to pre-defined evaluation criteria for each tendering project.

RESPONSIBLE SOY AND PALM OIL

In its supply chain HKScan has identified two raw materials whose social and environmental impact can be significant: soy and palm oil. To manage these raw materials in a responsible way, we adhere to third party audit standards provided by the Round Table on Responsible soy (RTRS) and Roundtable on Sustainable Palm Oil (RSPO).

Soy is used in large amounts in animal feed because of its good protein composition and efficiency. See our commitment on our website.

HKScan has committed to 100 per cent responsible soy in animal feed by the end of 2018, and in Sweden by the end of 2015. The Swedish commitment is currently under follow-up, and the results will be presented later in the spring of 2016. In Denmark, approximately 18 per cent of the soy used in the feed was responsibly produced in 2015.

Palm oil is used in very small amounts in only a few of the Group's products. In 2015, HKScan became a member of RSPO. We and our suppliers initiated a project to map palm content in all our food products to find the exact volumes and the certification level of each palm ingredient. This work will be finalized during 2016.

ANIMAL HEALTH AND WELFARE

Animal health and welfare throughout the value chain is of key importance to our customers, consumers and other stakeholders.

The basic requirement for a responsibly managed meat chain is animal health and welfare. Good animal welfare means less stress on livestock and need for medication, and thereby reduces the morbidity of the animals. We prioritize the promotion of animal welfare in animal breeding, rearing conditions and transportation, for example.

Animal health and welfare throughout the entire chain, starting from genetics and breeding to rearing on farms, transportation and slaughtering, are monitored and guided by HKScan or its partners. HKScan follows the latest research and regulations, and adheres to best practices in animal production, as well as advises producers in these matters. We conduct our own auditing and supervision in slaughterhouses, and our operations are subject to continuous surveillance by local authorities and inspections required by national and EU-level legislation. In late 2015, we initiated cooperation with an animal behaviour and handling specialist in order to further improve animal welfare in our cattle slaughterhouses. In 2016, we will expand the cooperation to cover our pig, poultry and lamb slauhgterhouses. Read more on our website.

Watch the video about Majs Plus chicken production in Denmark (in Danish):

https://www.youtube.com/watch?v=hTWDLjHMy28

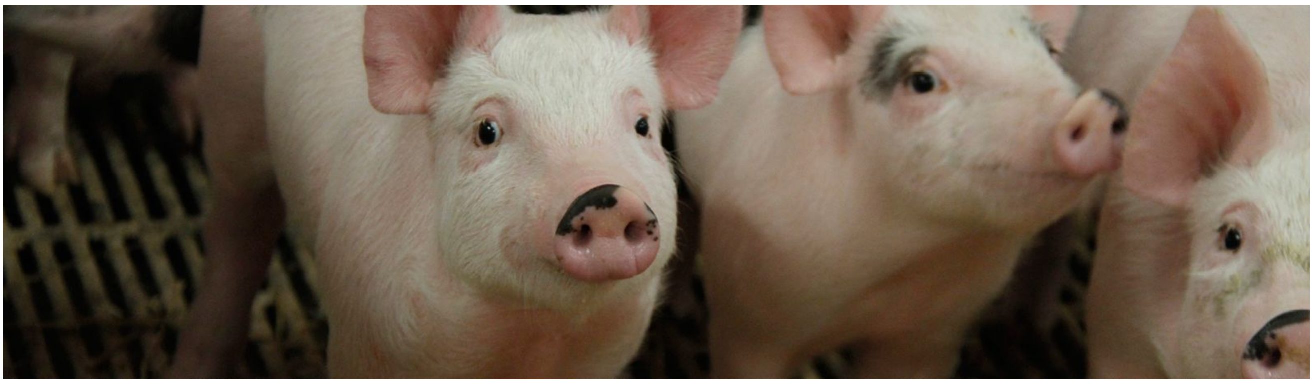
We have improved processes in our slaughterhouses in Finland by investments in beef slaughterhouse processes in Outokumpu and in cattle slaughterhouse processes in Paimion Teurastamo Oy. Additionally, we invested in a new lamb slaughter line in Linköping, Sweden

We are proud of the good status we have at HKScan regarding the low amount of animal diseases in contract production and in our own primary production. Nevertheless, good animal care and control of animal diseases is part of everyday work in preventing all outbreaks. The farming areas for livestock are to be clean. Cleanliness is an important factor in preventing the spread of animal diseases. In addition, the animals are provided with sufficient space to move around and eat. This is in connection with the low need for animal medication.

In HKScan countries of operation the use of antimicrobials in the treatment of animals is significantly less than the European average. Antibiotics are used only for needs diagnosed by veterinarian and the use is being carefully monitored. The use of hormones as growth promoters is not allowed.

We proactively assess the situation regarding a range of animal diseases and their possible effects on the supply chain. Increased globalization of business increases also risks of diseases, which makes the work done by our producers, production advisors and veterinarians all the more important. The quality and hygiene practices used in HKScan countries of operation have proven to be very successful, for example in the prevention of salmonella.

In 2015, prevention of the spread of African swine fever has been one of the main measures taken at HKScan farms in the Baltics. Also other HKScan countries have worked diligently to prevent the disease from spreading.



ENVIRONMENT

ENVIRONMENTAL RESPONSIBILITY

Environmental issues are of great relevance to both HKScan and its stakeholders. The expectations of stakeholders, as well as increasingly stringent environmental regulations require continuous advances in environmental management. Our Group-wide environmental policy defines harmonized ways of working for the benefit of the environment.

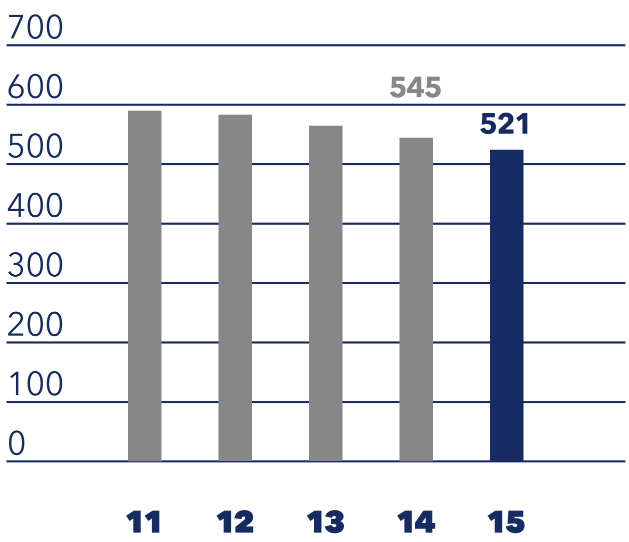
We continually measure our environmental impact and work to decrease it, especially in the areas of energy efficiency and GHG emissions, wastewater, water use, chemical use, and waste management.

ENERGY EFFICIENCY

HKScan initiated an energy efficiency project in 2015 aiming to decrease its energy usage by 10 per cent from the 2014 level by 2017 indexed to net sales. Examples of our recent concrete actions to support enhanced energy efficiency include the installation of heat pumps, optimization of cooling systems, usage of LED lights, and use of excess heat to heat water. See our energy efficiency commitment.

In 2015, the Group initiated a detailed survey of its energy usage, and action and investment plans have been compiled for each Group site. The two sites in Halmstad, Sweden, apply the ISO 50 0001energy management system. We have also conducted energy reviews at the Vinderup and Skovsgaard sites in Denmark. In 2015, our energy usage decreased by 2.1 per cent indexed to net sales, and from 2011 to 2015 by 12 per cent in total. This work will continue in 2016 in line with the agreed action and investment plans. Several sites will conduct energy reviews to find more ways of saving energy. Sharing best practices internally in the Group is an important part of this work.

ENERGY USE
GWH



GREENHOUSE GAS (GHG) EMISSIONS

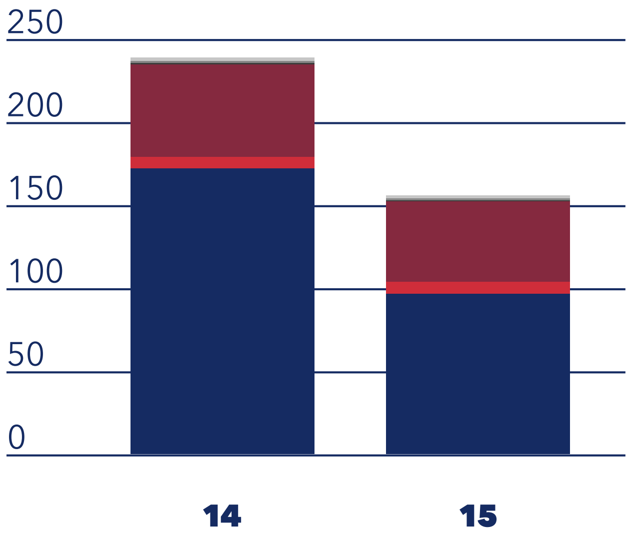
HKScan disclosed its greenhouse gas emissions in accordance with the Greenhouse Gas (GHG) Protocol, Scope 1 (direct emissions) and 2 (indirect emissions), for the first time in 2014. In 2015, we performed our second calculation, and it showed improvement in several areas, as described in the following. See our website for more information (to be updated by the end of March).

In total, HKScan's GHG emissions decreased by 35 per cent or 83 thousand tonnes from 2014 to 2015. The total for the entire Group, Scope 1 & 2, was 156 thousand tonnes of CO_2e. The decrease is mainly attributable to the purchase of hydroelectricity in Sweden and Poland, and a lowered emission factor for the Nordic residual mix and residual mix in Estonia.

- Electricity usage on premises: A decrease of 32 thousand tonnes was achieved by switching to hydroelectricity in production in Sweden and Poland. The emission factor for the Nordic residual mix and Estonian residual mix was reduced, resulting in a reduction of 28 thousand tonnes of emissions. Group-wide, electricity usage declined by 4 per cent.
- Heating on premises: The GHG emissions caused by heating declined by 7 thousand tonnes. The use of more specific emission factors for Finnish district heating accounted for more than half of the decrease. In Rakvere, Estonia, the increased use of frying oil and animal fat for heating lowered the use of natural gas by 25 per cent in total. Additionally, two Estonian farms have switched from fossil fuels to wood pellets. In Sweden, the introduction of biogas in Skara plant substantially decreased the use of oil. The supplier of district steam in Linköping, Sweden, has switched from oil to using mainly wood pellets, thereby lowering Scope 2 emissions.

The largest relative decrease in emissions resulted from preventing leakage of refrigerants, which achieved a reduction of 64 per cent or 584 tonnes. Emissions from transports, travel and freezing are in the same range as in 2014.

GREENHOUSE GAS EMISSIONS 2015 (2014) THOUSAND TONS CO_2e



Travel 2 (2)
Transport 1 (1)
Refrigerants 0.3 (1)
Heating 49 (56)
Freezing 7 (7)
Electricity 96 (172)
Total 156 (239)

Direct (Scope 1) and indirect (Scope 2) GHG emissions according to the Greenhouse Gas Protocol.

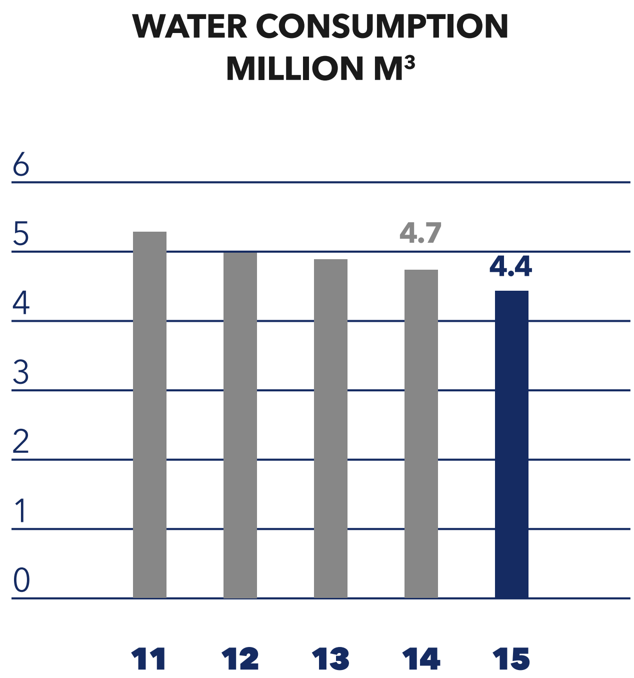
WASTEWATER

In 2015, HKScan made two major investments in its wastewater treatment plants. In Outokumpu, Finland, the level of nitrogen, biochemical oxygen demand (BOD) and total suspended solids (TSS) has been higher than is allowed under the Group's environmental permit. The Group has built a flotation facility to reduce its emissions. The upgrade was finalized at the end of the year.

In Mikkeli, Finland, the fat content in wastewater exceeded the limit set in the environmental permit. In summer, a fat separator was installed to reduce fat volumes. After the installation the tests showed results well under the permissible level. We are working to reduce our wastewater emission levels to clearly below those required under environmental permits. HKScan complies with the requirements of local wastewater treatment plants.

WATER USE

HKScan has reduced its water consumption by 15 per cent during the last five years. The decrease is due to continuous improvements and use of best practices, such as water recirculation systems. HKScan sees an opportunity to decrease water consumption further and in a larger scale in the coming years.



CHEMICAL MANAGEMENT

To decrease the amount of chemicals used and to substitute them with more environmentally sound options is an ongoing process. HKScan uses a system which closely monitors the chemicals and their environmental and health effects.

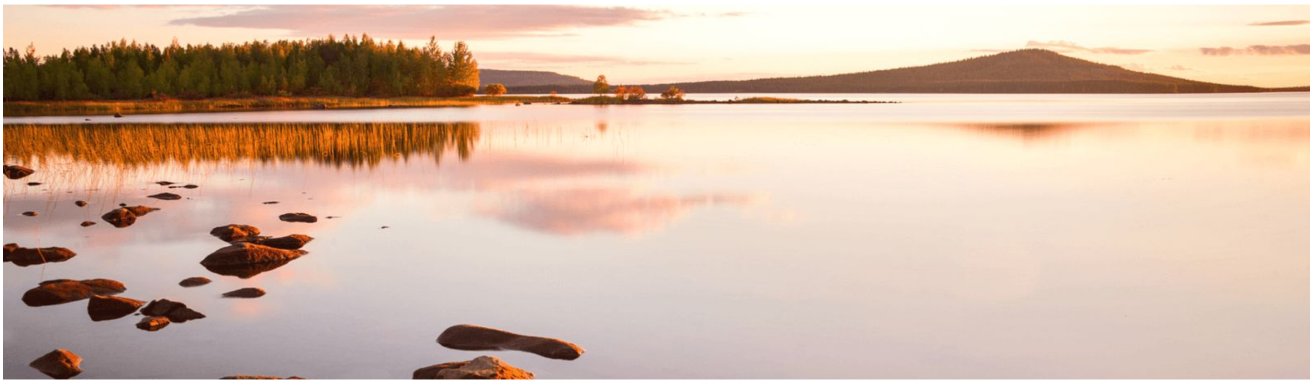
MATERIAL EFFICIENCY AND WASTE

Material efficiency, such as using all parts of animal raw material and minimizing food waste, is another focus area. To increase the level of recycling, several production plants have been able to sort out more fractions over the years.

The Group targets to move towards a circular economy of resources. At our production plants our aim is to use the waste hierarchy where firstly waste is reduced, followed by reuse, recycle, energy recovery and landfill as the last option. The amount of landfill in the Group has decreased steadily during several years. Larger improvements will be seen during 2016, especially in Finland where organic waste will no longer go to landfill.

Improvements in 2015 include recycling of wet or dirty plastics in Denmark. In Sweden, a packaging tray made of recycled PET was taken into use. The tray will decrease GHG emissions by 50 per cent compared to other trays. The amount of food waste has been reduced by improvements in production and by cooperation with 'the Social Supermarket' in Sweden. Read more on our website.

The Group Biotech Business Line established at the end of 2014 has continued working on reducing animal based raw material waste. These materials are now further directed into production of bioenergy and into other more efficient use. At the same time, the business line continues optimizing the use of byproducts and finding new value added uses for the material.



GOALS AND IMPROVEMENTS

GOALS	IMPROVEMENTS
Economic responsibility	
• Achievement of financial objectives for HKScan and its stakeholders • Investments, production management and employment security • Significant direct and indirect tax footprint • Improved sourcing of production animals, materials and services • Improved profitability, cash flow and primary production productivity	• New poultry production facility investment project in Finland • Stronger balance sheet and improved net gearing • Restructured debt maturity • Progress of cross-border primary production collaboration groups targeting systematic improvement of best practices and economic performance • Ongoing work to provide producer services supporting primary producers' performance
Social responsibility	
Responsible products	
• Continuous improvement of Food safety and quality systems (ISO/FSSC 22000, BRC, IFS, ISO 9001) • Control of microbiological, chemical and physical risks, maintenance and control of salmonella-free status • Production of safe, tasty and nutritionally balanced products • Brand promises of selected brands using only domestic meat • Traceability from farm to fork: HKScan's own farms and contract producers, imported meat originating from audited slaughterhouses • Clear and transparent product information	• All production plants are third-party certified according to international food safety management standards • First harmonized Group-wide food safety guidelines put in place • Continuous reduction of salt, phosphate, nitrite (Sweden, Finland) • Iodized salt introduced at the beginning of 2016 (Finland) • Wide assortment of products supporting cardiac health: *"Sydänmerkki"* products in Finland and *"Nyckelhål"* products in Sweden • Special concepts: Omega-3 rapeseed-fed pork (Rypsiporsas® in Finland, Rapsgris® in Sweden), corn-fed chicken (Majs Plus kylling in Denmark) and organic products throughout the Group • HK®, Kariniemen®, Scan®: meat of domestic origin • Flodins®: HKScan meat

GOALS	IMPROVEMENTS
Personnel	
• Continuous improvement and harmonization of employee wellbeing and workplace safety processes • Promotion of equality and diversity • Competence development	• Common Group-wide HR guidelines adopted • Systematic development actions taken on the Group-wide Employee Engagement Survey (EES) • Harmonized work uniforms adopted throughout the Group • Implementation of Group-wide job grading system for white collar employees • Launch of the HKScan Leadership Academy
Responsible supply chain	
• Primary production based on long-term contract production or on HKScan's own farms • Extended supplier and subcontractor evaluation and assessment process • All meat-supplying slaughterhouses are audited; meat sourced only from audited slaughterhouses • Management of ethical risks	• Collaboration and advisory services provided to contract producers • Group-wide supplier and sub-contractor evaluation and approval process developed further • All sub-contractors and meat suppliers evaluated and audited • All meat sourcing only from audited meat suppliers • Supplier Code of Conduct (HKScan Group's Supplier Guidelines) adopted • Evaluation of suppliers from CSR (Corporate Social Responsibility) perspective ongoing • Membership in the Roundtable of Responsible Soy (RTRS) and responsible soy commitment • Membership in the Roundtable of Sustainable Palm Oil (RSPO)
Animal health and welfare	
• Common indicators and measures in use, as well as sharing of best practices across the Group • Retain very low usage of antibiotics and other medication, which is to be subject to continuous monitoring and strict control • Proactive assessment and management of animal disease risks	• Animal welfare and animal sourcing policies adopted • Animal health and welfare monitoring implemented throughout the value chain, including production, transport and slaughtering. Common KPIs for transport and slaughtering • Ensuring compliance in our own operations through external and internal audits of animal welfare in slaughtering operations • Investment in slaughterhouses: improved animal welfare

GOALS	IMPROVEMENTS
	• Use of antibiotics in primary production registered and controlled throughout the Group • Increased collaboration to assess and mitigate risks related to animal diseases • African swine fever (ASF) risk management in Estonia • ASF prevention in Finland and Sweden
Environment	
• Improved energy efficiency and reduction of GHG emissions • Reduction of wastage in production and food waste reduction through enhanced packaging solutions • Efficient use of raw materials by using the whole carcass • Reduction and management of waste and wastewater • Reduced and fully controlled use of chemicals	• Energy efficiency project targeted at reducing energy usage by 10 per cent in relation to net sales from 2014 to 2017, energy reviews, investments and increased use of renewable energy • Continuous GHG emission calculations for the whole Group (GHG protocol, Scope 1 and 2) • Production-related wastage reduction through improvements in production, and food waste reduction through packaging solutions and the Social Supermarket in Sweden • Continuous improvements in the Biotech business line: further optimized utilization of by-products and biomass • Improvement of wastewater treatment through investments in sewage treatment plants in Mikkeli and Outokumpu, Finland • Improvement of waste recycling • Biogas adopted in Skara, Sweden, and additional studies are ongoing regarding further biogas options • Chemical management system in use

REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR 2015

- Net sales were EUR 1 917.1 (1 988.7) million.
- Reported EBIT was EUR 9.6 (55.5) million, and the EBIT margin was 0.5 (2.8) per cent. Comparable EBIT excluding non-recurring items for the full year was EUR 21.5 (12.4) million, and the corresponding EBIT margin was 1.1 (0.6) per cent.
- Cash flow before debt service was EUR 32.2 (201.7) million.
- Profit before taxes was EUR 2.2 (51.2) million.
- EPS was EUR 0.01 (1.05).
- Net financial expenses were EUR -9.1 (-15.5) million.
- Net debt was EUR 144.0 (141.5) million, and net gearing was 33.8 (31.8) per cent.
- Outlook for 2016: HKScan expects the operating profit (EBIT) to improve from 2015.
- The Board's proposal for dividend is EUR 0.14 (0.10 + additional 0.39) per share.

GROUP OVERVIEW

Net sales for the reporting period were down slightly on the corresponding period the previous year. The full-year EBIT excluding non-recurring items nearly doubled on the previous year. Market areas Sweden, Finland and the Baltics improved their comparable EBIT, but Denmark fell short of the previous year. Progress was made in inventory management throughout the whole year, although in Finland stocks of frozen pork increased towards the year-end.

In retail, private label products increased their market share. Away from home markets saw favourable development. The Russian ban on meat imports from the EU countries continued, and both domestic and export markets were affected by pork oversupply. Animal purchasing prices and primary production costs continued to decrease during the year.

Global economic and political uncertainties continued. Retail discounts increased price competition in Finland. African swine fever (ASF) began to spread in Estonia from end July onwards, and caused risks and additional workload.

The Group initiated its new strategy period for 2015–2018. Its strategic Must-Win Battles will focus on profitable growth in the coming years. During 2015, strategy rollout continued with an emphasis on value-added products, continuous improvement and new, innovative ways to meet customer and consumer expectations. The Group's investments in innovation, brand and category work continued throughout the year.

The Group's main growth driven strategic project saw its official launch with the announcement of a forthcoming green-field investment in a new poultry production facility to be built in Rauma, Finland in October. The investment will amount to EUR 80 million. In the fourth quarter of 2015, the investment resulted in an impairment of assets at the current Eura facility amounting to EUR 11.4 million. Moreover, the Group established a sales office in Hong Kong in the second quarter. When the anticipated export permits are received from the authorities, HKScan will also open a sales office in mainland China. In July, the Group acquired a 50 per cent stake in the Paimion Teurastamo Oy beef slaughterhouse in Finland.

Group restructuring still continued during 2015. In January, HKScan announced plans to improve its operational efficiency by restructuring its production capacity in Denmark. Poultry slaughtering and cutting were centralized at the Vinderup facility, while packaging and warehousing remained in Skovsgaard. Production efficiency improvements were made throughout the year and the organizational restructuring in Denmark was completed in the latter part of the year.

In the first quarter, the Group divested its non-core businesses, i.e. 80 per cent of its hatchery operations in Finland and the egg business in Estonia. During the year, several smaller divestments were made in Sweden to further strengthen the focus on the Group's core businesses and further streamline the Group structure.

REVIEW BY MARKET AREA

NET SALES AND EBIT BY MARKET AREA

(EUR million)

NET SALES	2015	2014
Finland	801.6	787.2
Baltics	173.6	173.0
Sweden	841.9	911.0
Denmark	175.9	204.3
Between segments	-76.0	-86.8
Group total	**1 917.1**	**1 988.7**
EBIT		
Finland	4.9	-4.5
Baltics	5.4	2.8
Sweden	21.1	1.7
Denmark	-9.3	-11.9
Between segments	-	-
Segments total	**22.1**	**-11.9**
Group administration costs	-12.4	67.4
Group total	**9.6**	**55.5**

The division of segments is based on the Group's organization and the reporting to the Board of Directors and Management. Management monitors the profitability of business operations by market area. The Group's primary segments are geographical segments: Finland, the Baltics, Sweden and Denmark.

MARKET AREA FINLAND

In Finland, net sales were EUR 801.6 (787.2) million and EBIT excluding non-recurring items was EUR 16.3 (8.9) million.

Comparable EBIT and cash flow clearly improved in 2015. During the year, improvements in operational efficiency were made at HKScan Finland. Kivikylän Kotipalvaamo Oy and Lihatukku Harri Tamminen Oy also performed better than in the previous year.

The total market volume in Finland decreased, with the retail sector suffering the most. However, poultry and convenience food consumption increased. HKScan's total market share increased slightly. Pork oversupply led to an increase in frozen stocks in the latter part of the year. Price competition was fierce in the domestic retail market.

Processed meat consumption was impacted adversely by questions related to red meat and animal welfare. Russia's ban on EU imports continued. This together with weakening demand for pork, increased oversupply and lowered prices. HKScan did not receive the anticipated permits from the authorities for direct meat exports to China in 2015. The Group launched sales of HK® branded Finnish pork meat to Swedish retail and industrial customers during the third quarter.

HKScan Finland sold its hatchery business and related real estate assets to DanHatch Finland, an associated company co-owned by HKScan Finland (20 per cent) and DanHatch AS of Denmark (80 per cent). The agreement was finalized on 31 March 2015. In July, HKScan acquired a 50 per cent stake in Paimion Teurastamo Oy beef slaughterhouse.

MARKET AREA THE BALTICS

In the Baltics, net sales were EUR 173.6 (173.0) million and EBIT excluding non-recurring items was EUR 5.4 (4.8) million in 2015. EBIT improved from the previous year, but cash flow remained below the previous year.

HKScan retained a strong market position on the part of its own brands, as well as processed and seasonal products. The overall demand on the Baltic market was relatively good, but weakened somewhat towards the end of 2015. Export sales faced a tough struggle throughout the year.

Starting from the third quarter, the Baltic and Estonian pork markets in particular were affected by ASF (African swine fewer). The disease caused additional risks and workloads, and resulted in an overall decline in pork primary production in Estonia. On top of pork, price competition intensified, also on the part of poultry meat and processed meat products. Price trends prompted consumers to transfer their purchases from processed products to unprocessed meat.

HKScan products took the top three places both in Estonia and in Latvia in a study carried out by Nielsen on the most successful meat product novelties of 2014 in the FMCG (Fast Moving Consumer Goods) category in the Baltic countries. In May, HKScan Estonia gained approval to export poultry to Hong Kong.

MARKET AREA SWEDEN

In Sweden, net sales were EUR 841.9 (911.0) million and EBIT excluding non-recurring items was EUR 21.6 (13.4) million.

Net sales decreased due to lower volumes and the weaker exchange rate of the Swedish Krona. However, EBIT and cash flow improved clearly thanks to completed production restructuring and a better product mix.

Consumer demand for Swedish meat increased, which slightly improved prices at the expense of meat imports, which saw a decrease. All in all, competition for domestic animal raw materials was intense. There was undersupply in pork in the latter part of the year, and beef animal purchase prices increased. Trend favouring organic and vegetarian food picked up momentum. Christmas sales were good.

Private labels continued to seize market share in both meat and processed products. HKScan's own market share decreased, with the exception of some of its own brands.

During 2015, HKScan Sweden made climate and environmental investments, and continued its corporate responsibility activities in projects such as the Haga Initiative ("Hagainitiativet") and Social Supermarket ("Satsmissionen"). New actions included HKScan Sweden's pledge to use only green electricity and the increase of environmentally sound packaging among others.

MARKET AREA DENMARK

In Denmark, net sales were EUR 175.9 (204.3) million and EBIT excluding non-recurring items was EUR -9.3 (-4.4) million.

The sales performance was weak in 2015 leading to both net sales and EBIT being behind the previous year. Margins were satisfactory in fresh poultry products, but development in fresh was not able to compensate for the decline in frozen products. Sales price competition in frozen products remained fierce and resulted in low margins. Demand for organic poultry increased towards the end of 2015, but was still at very low levels. The market remained tough both in domestic market and export.

In January, HKScan announced its aim to improve operational efficiency by restructuring its production capacity in Denmark. Poultry slaughtering and cutting were centralized at the Vinderup facility, and packaging and warehousing remained in Skovsgaard. Production efficiency improvements took effect from the first quarter and improved further onwards. Strengthening of the organization was completed in the latter part of the year.

INVESTMENTS

The Group's net investments in 2015 came to EUR 49.6 (48.7) million. Their breakdown by market area was as follows:

(EUR million)

	2015	**2014**
Finland	19.9	14.7
Baltics	10.6	11.7
Sweden	13.7	7.6
Denmark	5.4	14.7
Total	**49.6**	**48.7**

In Finland the modernization and investment in the Outokumpu beef slaughterhouse was finalized, including renewal of the beef cutting area and part of the slaughter line, at the end of the second quarter. In April, HKScan purchased its previously rented production facility and land area in Mikkeli, Finland for EUR 4.2 million. In Sweden, investments increased from a low level the previous year, and focused on maintenance, improving productivity and efficiency at existing plants.

FINANCING

The Group's interest-bearing debt at the year-end stood at EUR 153.8 (158.1) million. Net debt was EUR 144.0 (141.5) million and the net gearing ratio 33.8 (31.8) per cent.

The Group's liquidity was good. Committed credit facilities at 31 December stood at EUR 100.0 (136.5) million, and were entirely undrawn. The EUR 200.0 million commercial paper programme had been drawn to the amount of EUR 27.0 (11.0) million.

Net financial expenses decreased significantly and were EUR -9.1 (-15.5) million in 2015.

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 5.1 (3.7) million was spent on R&D in 2015, equal to 0.3 (0.2) per cent of net sales.

The development of common innovation platforms and processes continued in 2015, 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 2015, several new partnerships were established with collaborators such as universities, research organizations, suppliers and other private organizations.

CORPORATE RESPONSIBILITY

HKScan has defined its most important areas of corporate responsibility as economic responsibility, social responsibility, animal welfare and the environment.

The follow-through of actions based on the EES (Employee Engagement Survey) results continued during 2015. These actions focused on development of leadership, employee wellbeing and workplace safety, strengthening of unified HKScan Group culture and employee engagement.

To improve responsibility and transparency in the supply chain and to better manage corporate responsibility risks, HKScan further developed its supplier evaluation and audit procedures. Since 2015, all critical suppliers are evaluated and qualified in line with a more specific criteria related to food safety, quality, environment and social aspects. In order to further improve animal welfare in its slaughterhouses, the Group initiated collaboration with an external animal behaviour expert. For this purpose, the Group has also started installing video cameras in slaughterhouses.

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 has remained on a significantly lower level than the European average. The use of hormones as growth promoters, for instance, is not allowed. Good animal care and control of animal diseases has led to good results in preventing outbreaks. Prevention of the spread of African swine fever to pig farms is one of the main measures currently being undertaken at HKScan farms in the Baltics. In Finland and Sweden, HKScan has also worked diligently to prevent the spread of the disease into their territory.

The Group continuously measures its environmental impact and strives to decrease it, especially in the areas of energy efficiency and GHG emissions, wastewater, water use, chemical use, and waste management. In 2015, HKScan initiated an energy efficiency project aiming to decrease its energy usage by 10 per cent from the 2014 level by 2017 indexed to net sales.

Material efficiency, such as using all parts of animal raw material and minimization of production wastage, was also in focus during 2015. HKScan has reduced its volume of production wastage through improvements in production. The Group plans to grow means of circular economy of resources.

Additionally, the Group has identified soy and palm oil as raw material that have significant social and environmental impact. To manage these raw materials in a responsible way HKScan adheres to third-party audit standards provided by the Round Table on Responsible Soy (RTRS) and the Roundtable on Sustainable Palm Oil (RSPO). The Group has committed to using only 100 per cent responsible soy used in animal feed and as an ingredient by the end of 2018, and in Sweden by the end of 2015. The commitment in Sweden was reached as planned both on the part of local feed and also imported meat. Palm oil is only present in very small amounts in only some of the Group's products. A mapping of palm content in all our products is under way to establish exact volumes and to certify the level of each palm ingredient. This work will be finalized during 2016.

In October 2015, the Group announced that its strategic investment in a new poultry production facility will be located in Rauma, Finland. From the very beginning of the planning of the plant, corporate responsibility aspects have been taken into account, including issues such as solutions to improved animal welfare, biosecurity related to animal disease risks, food safety and product quality, as well as employee health and safety. The investment will also in general improve environmental efficiency and enable a more efficient utilization of side-streams for biotech products. Additionally, the new facility will have a significant direct and indirect employment impact.

ANNUAL GENERAL MEETING AND BOARD OF DIRECTORS' AUTHORIZATIONS

The Annual General Meeting of HKScan Corporation held on 14 April 2015 in Turku adopted the parent company's and consolidated financial statements and discharged the members of the Board of Directors and the CEO from liability for 2014. The AGM resolved that a dividend of EUR 0.10 and an additional dividend of EUR 0.39 be paid for each share for the year 2014.

The Board members, Niels Borup, Tero Hemmilä, Teija Andersen and Henrik Treschow, were re-elected and Mikko Nikula and Pirjo Väliaho were elected as new members of the Board of Directors. Deputy member Per Nilsson was re-elected for a further term of office and Marko Onnela was elected as new deputy member of the Board of Directors. At the organizational meeting after the AGM, the Board elected Mikko Nikula as Chairman and re-elected Niels Borup as Vice Chairman.

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. The remuneration of the auditor will be paid in accordance with the auditor's invoice approved by the company.

The AGM gave the following two authorizations to the Board: The Board of Directors was authorized to decide on share issue, as well as issue of option rights and other special rights entitling to shares, and to acquire the company's own Series A shares and/or to accept as pledge. The authorizations are effective until 30 June 2016, revoking the authorisations given by the AGM 2014.

During 2015, the Board did not exercise the authorizations given by the AGM. The resolutions of the Annual General Meeting have been published in full in a stock exchange release on 14 April 2015, and they are also available on the web at www.hkscan.com.

GROUP MANAGEMENT TEAM

As of 20 January 2016, the HKScan Group Management Team is as follows: Aki Laiho, Deputy CEO and COO; Tuomo Valkonen, CFO; Samuli Eskola, EVP Consumer Business in Finland and the Baltics; Göran Holm, EVP Consumer Business in Scandinavia; Jukka Nikkinen, EVP Away from Home Business; Sari Suono, EVP HR; Anne Mere, CMO; and Markku Suvanto, EVP Legal and Administration, who also acts as the Group Management Team's secretary.

CHANGES IN THE GROUP STRUCTURE

At the end of 2015, HKScan Sweden sold its 25 per cent stakes in Gotlands Slakteri AB and Svensk Butikskött AB to the main shareholder of Svensk Butikskött, and divested its 25 per cent stake in Svensk Lantbrukstjänst AB to Svenska Köttföretagen as well as one per cent stake to Konvex AB.

In March, the Group divested its non-core businesses, i.e. 80 per cent of its hatchery operations in Finland and the egg business in Estonia. In July, the Group acquired a 50 per cent stake in the Paimion Teurastamo Oy beef slaughterhouse in Finland.

SHARES AND SHAREHOLDERS

SHARES

HKScan Group's registered and fully paid-up share capital at the beginning and end of 2015 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 Sveriges Djurbönder 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 205.6 (176.5) million based on the closing price of the last trading day of the period. The Series A shares had a market value of EUR 185.1 (158.8) million, and the unlisted Series K shares EUR 20.6 (17.7) million correspondingly.

In 2015, a total of 17 320 850 of the company's shares, with a total value of EUR 87 878 712, were traded. The highest price quoted was EUR 6.26 and the lowest EUR 3.24. The average price was EUR 5.07. At the end of 2015, the closing price was EUR 3.81.

SHAREHOLDERS

At the end of 2015, the shareholder register maintained by Euroclear Finland Ltd included 12 558 (11 423) shareholders. Nominee-registered and foreign shareholders held 24.9 (20.1) per cent of the company's shares.

NOTIFICATIONS OF CHANGES IN HOLDINGS

HKScan did not receive any notifications on changes in holdings in 2015.

TREASURY SHARES

At the beginning and end of the financial year 2015, HKScan held 1 053 734 treasury A Shares. At the end of 2015, they had a market value of EUR 4.01 million and accounted for 1.92 % of all shares and 0.67 % of all votes.

SHARE-BASED INCENTIVE SCHEMES

1) Incentive plan for 2013–2015 and its conditions are described in detail in the stock exchange release dated 20 December 2012.

2) Incentive plan 2016 for the Group key personnel was published on 18 December 2015 in a stock exchange release. 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 is 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.

SHAREHOLDING OF THE BOARD OF DIRECTORS AND THE PRESIDENT AND CEO

At the end of 2015, members of the Board of Directors and the company's President and CEO and his deputy, as well as their related parties owned a total of 79 770 A Shares, corresponding to 0.14 per cent of the total number of shares and 0.05 per cent of the votes.

PERSONNEL

In 2015, HKScan had an average of 7 437 (7 662) personnel.

The average number of employees in each market area was as follows:

	2015	2014
Finland	2 840	2 771
Baltics	1 696	1 769
Sweden	2 176	2 305
Denmark	726	817
Total	**7 437**	**7 662**

Breakdown of personnel by market area at year-end was as follows:

	31 Dec. 2015	31 Dec. 2014
Finland	2 668	2 644
Baltics	1 605	1 766
Sweden	2 025	2 152
Denmark	712	765
Total	**7 010**	**7 327**

CLAIM BY OY PRIMULA AB'S BANKRUPTCY ESTATE REJECTED

On 2 February 2015 the District Court of Southwest Finland issued its interlocutory ruling by which it rejected as patently unfounded an action for damages submitted against HKScan Corporation and HKScan Finland Oy by the bankruptcy estate of Oy Primula Ab. Primula sued HKScan for breach of contract concerning initial investigations carried out in 2009 and 2010 by HK Ruokatalo (today HKScan Finland Oy) and Primula related to potential collaboration between HKScan and Primula's Järvenpää production site (Järvenpään Herkkutehdas Oy). The ruling is final and binding. The District Court denied the claim for damages and additionally ordered Oy Primula Ab's bankruptcy estate to pay HKScan's legal fees.

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. Additionally, the Group's ongoing development projects may create uncertainties and unforeseen extra costs.

The risks of animal diseases in the food industry's raw meat supply or any international or regional food scandals impacting the overall consumption outlook cannot be fully excluded.

CORPORATE GOVERNANCE

HKScan's Audit Committee has compiled a separate Corporate Governance Statement for the Group. The statement will be published as part of the online Annual Report 2015 on the company's web site www.hkscan.com on week 11/ 2016.

EVENTS AFTER THE REPORTING PERIOD

On 20 January 2016, Group President and CEO Hannu Kottonen and the Group's Board of Directors jointly agreed on the discontinuation of Hannu Kottonen's duties as of 20 January 2016. In the interim, Aki Laiho, deputy CEO and COO, temporarily assumed the position of CEO.

OUTLOOK FOR 2016

HKScan expects its operating profit (EBIT) to improve from 2015.

HKScan expects the economic and demand outlook to remain challenging. Therefore also sales price competition will remain tough in 2016. The Group's strategy implementation, continuous improvement projects and active sales margin management should contribute to better financial performance.

BOARD OF DIRECTORS' PROPOSAL ON DISTRIBUTION OF PROFIT

The parent company's distributable equity stands at EUR 286.7 million including the reserve for invested unrestricted equity, which holds EUR 143.1 million. The Board of Directors recommends that the company pays a dividend of EUR 0.14 per share for 2015, i.e. a total of approximately EUR 7.6 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 2016

HKScan Corporation's Annual General Meeting 2016 will be held starting at 10 am on 13 April 2016 at Finlandia Hall, Mannerheimintie 13, Helsinki. To be eligible to attend the Annual General Meeting, shareholders should register by 1 April 2016 in HKScan Corporation's shareholder register maintained by Euroclear Finland Ltd. Notice to the meeting and Board proposals to the Annual General Meeting will be published at a later date.

KEY FIGURES

Financial indicators	2015	2014	2013	2012	2011
Net sales, EUR million	1 917.1	1 988.7	2 113.2	2 159.4	2 193.0
Operating profit/loss (EBIT), EUR million	9.6	55.5	11.7	27.3	27.0
% of net sales	0.5	2.8	0.6	1.3	1.2
Operating profit/loss excluding non-recurring items, EUR million	21.5	12.4	11.2	20.9	26.9
% of net sales	1.1	0.6	0.5	1.0	1.2
Profit/loss before taxes, EUR million	2.2	51.2	6.7	12.4	10.0
% of net sales	0.1	2.6	0.3	0.6	0.5
Return on equity (ROE), %*	0.4	13.4	2.4	4.3	2.9
Return on capital employed before taxes (ROCE), %*	2.3	9.7	4.0	5.8	4.8
Equity ratio, %*	50.9	51.5	37.1	33.1	33.6
Net gearing ratio , %*	33.8	31.8	82.0	109.2	107.2
Gross investments, EUR million*	49.6	48.7	42.2	76.6	61.0
% of net sales*	2.6	2.4	2.0	3.5	2.4
R&D expenses, EUR million*	5.1	3.7	3.2	10.5	11.2
% of net sales*	0.3	0.2	0.2	0.5	0.4
Employees, average	7 437	7 662	7 774	7 836	8 287

Per share data	2015	2014	2013	2012	2011
Earnings per share (EPS), undiluted, EUR	0.01	1.05	0.16	0.30	0.18
Earnings per share (EPS), diluted, EUR	0.01	1.05	0.16	0.30	0.18
Equity per share, EUR	7.63	8.09	7.41	7.31	7.67
Dividend paid per share, EUR	0.14**	0.49	0.10	0.10	0.17
Dividend payout ratio, undiluted, %	2 378.9**	46.7	62.1	33.2	92.1
Dividend payout ratio, diluted, %	2 378.9**	46.7	62.1	33.2	92.1
Effective dividend yield, %	3.7**	15.0	2.7	2.8	3.0
Price-to-earnings ratio (P/E)					
undiluted	647.4	3.1	23.3	12.0	30.6
diluted	647.4	3.1	23.3	12.0	30.6
Lowest trading price, EUR	3.24	3.12	3.29	3.17	4.08
Highest trading price, EUR	6.26	4.49	4.28	6.40	7.98
Middle price during the period, EUR	5.07	3.74	3.70	4.34	6.05

Share price at the end of the year, EUR	3.81	3.27	3.76	3.63	5.64
Market capitalisation, EUR million	205.6	176.5	202.9	195.9	310.0
Trading volume (1 000)	17 321	13 990	7 670	9 084	11 765
% of the average volume	32.1	25.9	14.1	16.7	21.4
Adjusted number of outstanding shares (1 000)					
average during financial period	53 973	53 973	53 973	54 556	54 973
at the end of financial period	53 973	53 973	53 973	53 973	54 973
fully diluted	53 973	53 973	53 973	53 973	54 973

* Sokołów's accounting treatment changed in 2013. Comparable figures from 2012–2011 are not available.

** Based on the Board of Directors' proposal.

CALCULATION OF FINANCIAL INDICATORS

Return on equity (%)

$$\frac{\text{Profit}}{\text{Total equity (average)}} \times 100$$

Return on capital employed (ROCE) before tax (%)

$$\frac{\text{Profit before tax + interest and other financial expenses}}{\text{Balance sheet total – non-interest-bearing liabilities (average)}} \times 100$$

Equity ratio (%)

$$\frac{\text{Total equity}}{\text{Balance sheet total – advances received}} \times 100$$

Gearing ratio (%)

$$\frac{\text{Interest-bearing liabilities}}{\text{Total equity}} \times 100$$

Net gearing ratio (%)

$$\frac{\text{Net interest-bearing liabilities}}{\text{Total equity}} \times 100$$

Earnings per share

$$\frac{\text{Profit for the period attributable to equity holders of the parent}}{\text{Average number of outstanding shares during period}}$$

Equity per share

$$\frac{\text{Equity attributable to holders of the parent}}{\text{Number of outstanding shares at end of period}}$$

Dividend per share	$\frac{\text{Dividend distribution}}{\text{Number of outstanding shares at end of period}}$
Dividend payout ratio (%)	$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$
Effective dividend yield (%)	$\frac{\text{Dividend per share}}{\text{Closing price on the last trading day of the financial year}} \times 100$
P/E ratio	$\frac{\text{Closing price on the last trading day of the financial year}}{\text{Earnings per share}}$
Market capitalization	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

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT FOR 1 JANUARY – 31 DECEMBER

(EUR million)

	Note	2015	2014
Net sales	1.	1 917.1	1 988.7
Other operating income	2.	15.1	97.2
Materials and services	3.	-1 344.8	-1 409.4
Employee benefits expenses	4.	-319.3	-331.5
Depreciation and amortization	5.	-64.7	-82.6
Other operating expenses	6.	-193.9	-206.9
EBIT		**9.6**	**55.5**
Financial income	7.	2.1	3.9
Financial expenses	7.	-11.2	-19.3
Share of associates' and joint ventures' results		1.7	11.2
Profit/loss before taxes		**2.2**	**51.2**
Income tax	8.	-0.3	5.9
Profit/loss for the period		**1.9**	**57.1**
Profit/loss for the period attributable to:			
Equity holders of the parent		0.3	56.7
Non-controlling interests		1.6	0.5
Total		**1.9**	**57.1**

Earnings per share calculated on profit attributable to equity holders of the parent:			
EPS, undiluted, continuing operations, EUR/share	9.	0.01	1.05
EPS, diluted, continuing operations, EUR/share	9.	0.01	1.05

The notes 1–30 form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 1 JANUARY – 31 DECEMBER

(EUR million)

	2015	2014
Profit/loss for the period	1.9	57.1
OTHER COMPREHENSIVE INCOME (after taxes):		
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translating foreign operations	2.6	-8.3
Cash flow hedging	0.3	-1.9
Items that will not be reclassified to profit or loss		
Actuarial gains or losses	-1.5	-4.9
Total other comprehensive income	**1.4**	**-15.1**
Total comprehensive income for the period	**3.3**	**42.0**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:		
Equity holders of the parent	1.7	41.5
Non-controlling interests	1.6	0.5
Total	**3.3**	**42.0**

The notes 1–30 form an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

(EUR million)

	Note	31 Dec. 2015	31 Dec. 2014
Intangible assets	10.	69.1	68.9
Goodwill	11., 13.	78.2	75.4
Tangible assets	12.	361.8	369.7
Shares in associates and joint ventures	14.	23.3	22.7
Trade and other receivables	15.	5.3	7.2
Available-for-sale investments	15.	13.3	13.2
Deferred tax asset	16.	29.7	33.6
Non-current assets		**580.7**	**590.7**
Inventories	17.	124.2	125.4
Trade and other receivables	18.	122.9	122.2
Income tax receivable	18.	0.0	0.2
Cash and bank	19.	9.5	16.4
Current assets		**256.6**	**264.3**
Assets of disposal group classified as held for sale	20.	0.0	9.4
Assets		**837.3**	**864.3**
Share capital	21.	66.8	66.8
Share premium reserve	21.	72.9	72.9
Treasury shares	21.	-0.0	-0.0
Fair value reserve and other reserves	21.	141.3	140.9
Translation differences	21.	-3.7	-6.3
Retained earnings	21.	134.7	162.2
Equity attributable to equity holders of the parent		412.0	436.5
Non-controlling interests		13.8	8.7
Equity		**425.8**	**445.2**

Deferred tax liability	16.	20.2	24.9
Non-current interest-bearing liabilities	24.	117.2	121.8
Non-current non-interest-bearing liabilities	24.	0.3	0.1
Non-current provisions	23.	0.1	0.1
Pension obligations	22.	18.8	15.7
Non-current liabilities		**156.6**	**162.6**
Current interest-bearing liabilities	24.	36.6	36.4
Trade and other payables	24.	217.1	216.3
Income tax liability	24.	0.9	0.0
Current provisions	23.	0.4	3.1
Current liabilities		**255.0**	**255.8**
Liabilities of disposal group classified as held for sale	20.	0.0	0.8
Equity and liabilities		**837.3**	**864.3**

The notes 1–30 form an integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

(EUR million)

	2015	2014
Profit/Loss for the period	1.8	57.2
Adjustments	76.3	-4.6
Cash flow before change in net working capital	78.1	52.6
Change in net working capital	0.8	6.5
Other changes	-3.0	7.7
Interest paid	-10.0	-17.7
Other financial expenses paid	-8.4	-14.4
Interest received	2.1	3.1
Other financial income received	6.8	11.8
Dividends received	1.0	14.6
Income taxes paid	-0.6	-1.0
Cash flow from operating activities (A)	**66.8**	**63.3**
Total investments	-51.2	-68.2
Total sales of assets	13.5	201.1
Acquisition of subsidiary, net of cash acquired	-5.4	-1.0
Disposal of subsidiary, net of cash	0.0	3.9
Loan receivables, borrowings and repayments	1.3	-0.2
Cash flow from investing activities (B)	**-41.8**	**135.7**
Increase in other reserves	0.1	0.0
Proceed from external borrowings	62.8	126.3
Repayment of external borrowings	-67.2	-370.4
Payment of finance lease liabilities	-	-0.0
Dividends paid	-26.7	-6.1
Cash flow from financing activities (C)	**-31.0**	**-250.2**
Net cash flow (A+B+C)	**-6.0**	**-51.2**

Cash and cash equivalents, end balance	9.5	16.4
Cash and cash equivalents, opening balance	16.4	68.7
Effect of changes in exchange rates	-1.0	-1.0
Change	**-6.0**	**-51.2**

The notes 1–30 form an integral part of the consolidated financial statements.

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(EUR million)

	Share capital	Share premium reserve	Revaluation reserve	Reserve for invested unrestricted equity (RIUE)	Other reserves	Translation differences	Treasury shares	Retained earnings	Equity holders of the parent	Non-con-trolling interests	Total
EQUITY AT 1 Jan. 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 (–)											
Translation differences	-	-	-	-	-	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 comprehensive 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	0.0	-	0.2	0.3	-	0.3
Transfers between items	0.0	-	-	-	-0.0	-	-	-0.0	-0.0	-	-0.0
Dividend distribution	-	-	-	-	-	-	-	-26.4	-26.4	-0.3	-26.7
EQUITY AT 31 Dec. 2015	66.8	72.9	-12.4	143.5	10.2	-3.7	-0.0	134.7	412.0	13.8	425.8

EQUITY AT 1 Jan. 2014	66.8	73.5	-10.8	143.5	32.0	2.0	-0.0	93.0	400.0	9.0	409.0
Result for the financial period	-	-	-	-	-	-	-	56.7	56.7	0.5	57.1
Other comprehensive income (+) / expense (–)											
Translation differences	-	-	-	-	-	-8.3	-	-	-8.3	-	-8.3
Cash flow hedging	-	-	-1.9	-	-	-	-	-	-1.9	-	-1.9
Actuarial gains or losses	-	-	-	-	-	-	-	-4.9	-4.9	0.0	-4.9
Total comprehensive income for the period	-	-	-1.9	-	-	-8.3	-	51.8	41.5	0.5	42.0
Direct recognitions	-	-	-	-	0.0	-	-	0.3	0.3	-	0.3
Transfers between items	-	-0.6	-	-	-21.9	-	-	22.5	0.0	0.0	0.0
Dividend distribution	-	-	-	-	-	-	-	-5.4	-5.4	-0.7	-6.1
EQUITY AT 31 Dec. 2014	66.8	72.9	-12.7	143.5	10.1	-6.3	-0.0	162.2	436.5	8.7	445.2

The notes 1–30 form an integral part of the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR 2015

BASIC INFORMATION ABOUT THE ENTITY

HKScan Corporation is a Finnish public limited company established under the law of Finland. The company is domiciled in Turku.

HKScan Corporation and its subsidiaries (together 'the Group') produce, sell and market high-quality and responsibly-produced pork, beef, poultry and lamb products, processed meats and convenience foods under strong brand names. Its customers are the retail, away-from-home and export sectors.

The Group is active in Finland, Sweden, Estonia, Latvia, Lithuania, Poland, Denmark, the UK, Russia, Germany and China. HKScan Corporation's A share has been quoted on Nasdaq Helsinki since 1997.

HKScan Corporation is a subsidiary of LSO Osuuskunta and part of the LSO Osuuskunta Group. LSO Osuuskunta is domiciled in Turku.

The Board of Directors of HKScan Corporation approved the publication of these financial statements at its meeting of 9 February 2016. Under the Finnish Companies Act, shareholders may approve or reject the financial statements at the Annual General Meeting held subsequent to their publication. The Annual General Meeting can also modify the financial statements.

A copy of the HKScan Group's consolidated financial statements is available on the company's website at www.hkscan.com or in the parent company's head office at Lemminkäisenkatu 48, FI-20520 Turku, Finland. The LSO Osuuskunta Group's consolidated financial statements are also available at the same address.

ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have consistently been applied to all the years presented, unless otherwise stated.

BASIS OF PREPARATION

The consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) and the IAS standards and SIC and IFRIC interpretations effective on 31 December 2015. 'International Financial Reporting Standards' refer, in the Finnish Accounting Act and in the provisions given thereupon, to the standards approved for application within the EU according to the procedure as established in EU Regulation (EC) No. 1606/2002 and the interpretations thereof. The notes to the financial statements also conform to Finnish accounting and corporate legislation supplementing IFRS requirements.

The consolidated financial statements have been prepared under the historical cost convention except for some financial instruments and biological assets, which have been measured at fair value.

The accounting policies in respect of subsidiaries have been changed to correspond to those of the parent company if required.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the accounting policies under critical accounting estimates and judgements.

Unless otherwise stated, the information in the consolidated financial statements is given in millions of euros. Consequently, some totals may not agree with the sum of their constituent parts.

The consolidated financial statements have been prepared in compliance with the same accounting policies as in 2014.

NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

There have been no new standards, amendments or interpretations, which are effective for the financial year beginning on 1 January 2015 that affect the Group's accounting policies or any of the disclosures.

COMPARABILITY WITH PREVIOUS YEARS

The years 2015 and 2014 are comparable with each other. Group's joint venture company in Poland (Sokołów) has been consolidated proportionately in accordance with the ownership interest line by line until 31 December 2012 and after that with the equity method. Some figures in five-year historical data are not available due to changes in accounting treatment.

CONSOLIDATION OF SUBSIDIARIES

The consolidated financial statements include the accounts of the parent company HKScan Corporation and its subsidiaries. Subsidiaries are entities over which the Group exercises control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Recorded goodwill is originally the sum of consideration transferred, interest of non-controlling shareholders in the acquiree and previously held interest in the acquiree minus the fair value of the acquired net assets. If the consideration is smaller than the fair value of the subsidiary's acquired net assets, the difference is recognized through profit or loss.

Subsidiaries acquired are consolidated from the date the Group acquires a controlling interest in them. All intragroup transactions, receivables and liabilities and intragroup profit distribution have been eliminated upon preparation of the consolidated financial statements.

A previous shareholding in a staggered acquisition is measured at the fair value and any profit or loss derived from this is recorded in the income statement as either profit or loss. When the Group loses control in a subsidiary, the remaining investment is measured at the fair value of the date of the expiry of control and the difference derived from this is recognized through profit and loss.

Distribution of profit for the period between holders of the parent and non-controlling interests is presented in the separate income statement and the distribution of comprehensive income between holders of the parent and non-controlling interests is presented in the statement of comprehensive income. Comprehensive income is allocated to the parent company shareholders and non-controlling interests, even if this should mean that the share held by non-controlling interests becomes negative. The share of equity owing to non-controlling interests is presented as a separate item on the balance sheet under equity. Changes in the parent company's shareholding in a subsidiary, which do not lead to loss of control, are treated as equity-related transactions. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

ASSOCIATES

Associates are companies over which the Group exercises a significant influence which arises when the Group holds 20–50 per cent of a company's voting rights. Associates have been consolidated using the equity method. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. If the Group's share of the losses of an associate exceeds the investment's carrying amount, the investment is recognized as having no value and, unless the Group is committed to meeting the obligations of associates, no losses exceeding the carrying amount are consolidated. Investments in associates include the goodwill arising on their acquisition. Dividends received from associates have been eliminated in the consolidated financial statements. The associates mentioned below in Note 29. 'Related Party Transactions' have been consolidated into the consolidated financial statements. The share of associates' results is presented below EBIT.

The Group's share in associates' changes recognized in other items of comprehensive income are recognized in the Group's other items of comprehensive income. The Group's associates have not had any such items during the 2014–2015 financial periods.

JOINT VENTURES

A joint venture is a company in which the Group exercises joint control with another party. Joint ventures are consolidated using the equity method. HKScan Group's joint venture Saturn Nordic Holding (that holds 100 per cent of the Polish company Sokołów S.A.) has been sold in 2014 and the Group has not had joint ventures since.

More detailed information about holdings in Group companies and associates is presented in Note 29. 'Related party transactions'.

FOREIGN CURRENCY TRANSLATION

The items included in the financial statements of the Group companies are valued in the currency of the main operating environment for that company (functional currency). The consolidated financial statements are presented in euros, the parent company's functional and reporting currency.

The assets and liabilities of foreign subsidiaries and the foreign joint venture are translated into euros at the closing exchange rates confirmed by the European Central Bank on the balance sheet date. The income statements are translated into euros using the average rate for the period. A translation difference arises from translating the result for the period and the comprehensive result at different rates in the income statement and comprehensive income statement and the balance sheet. The difference is recognized under equity. The change in the translation difference is recognized in other comprehensive income. The translation differences arising from eliminating the acquisition cost of foreign subsidiaries and the joint venture and from the translation of equity items accrued after the acquisition are recognized in translation differences in the Group's equity and the change is recognized in items of comprehensive income.

Group companies recognize transactions in foreign currencies at the rate prevailing on the day of the transaction. Trade receivables, trade payables and loan receivables denoted in foreign currencies and foreign currency bank accounts have been translated into the operational currency at the exchange rates quoted on the balance sheet date. Exchange rate gains and losses on loans denoted in foreign currencies are included in financial income and expenses below EBIT, except for gains and losses arising from loans designated as hedges for net investments made in foreign units and which perform effectively. These gains and losses are recognized under translation differences in equity. As a rule, exchange rate gains and losses related to business operations are included in the corresponding items above EBIT.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment have been measured at cost less accumulated depreciation and any impairment. Depreciation of assets is made on a straight-line basis over the expected useful life. No depreciation is made on land.

The expected useful lives are as follows:

Buildings and structures	25–50 years
Building machinery and equipment	8–12.5 years
Machinery and equipment	2–10 years

The residual value and useful life of assets are reviewed in each financial statement and if necessary adjusted to reflect changes taking place in expected useful life.

Depreciation on property, plant and equipment ends when an item is classified as being for sale. Gains and losses arising on the disposal and discontinuation and assignment of property, plant and equipment are included either in other operating income or expenses.

Maintenance and repair costs arising from normal wear and tear are recognized as an expense when they occur. Major refurbishment and improvement investments are capitalised and depreciated over the remaining useful life of the main asset to which they relate.

GOVERNMENT GRANTS

Government grants, such as grants from the State or the EU relating to PPE acquisitions, have been recognized as deductions in the carrying amounts of PPE when receipt of the grants and the Group's eligibility for them is reasonably certain. The grants are recognized as income in the form of lower depreciations over the useful life of the item. Grants received in reimbursement of expenses incurred are recognized as income in the income statement at the same time as the costs relating to the object of the grant are recognized as an expense. Grants of this kind are reported under other operating income.

INTANGIBLE ASSETS

GOODWILL

Goodwill arises on the acquisition of subsidiaries or business operations and represents the excess of the consideration transferred over Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

Goodwill and other intangible items that have an unlimited useful life are not subject to regular depreciation, being instead tested yearly for impairment. For this reason, goodwill is allocated to CGUs or, in the case of an associate, included in the acquisition cost of the associate concerned. Goodwill is measured according to the historical cost convention less impairments. Impairment losses are recognized in the income statement. Impairment losses recognized in respect of goodwill are not reversed. See 'Impairment' and 'Impairment testing'.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs are charged as incurred and are included in other operating expenses in the income statement.

OTHER INTANGIBLE RIGHTS AND ASSETS

An intangible asset is recognized on the balance sheet only if its acquisition cost can be reliably determined and it is likely that the company will reap the expected economic benefit of the asset. Intangible rights include trademarks and patents, while items such as software licenses are included in other intangible assets. Patents and software licenses are recognized on the balance sheet at cost and are depreciated on a straight-line basis during their useful life, which varies from five to ten years. No depreciation is made on intangible assets with an unlimited useful life.

Brands have been estimated to have an unlimited useful life. The good recognition of the brands and analyses performed support the view of Management that the brands will affect cash flow generation for an indeterminate period of time.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

See 'Critical accounting estimates and judgements' and 'Goodwill'.

INVENTORIES

Raw materials are measured at weighted average cost. The cost of finished goods and work in progress comprises raw materials, direct labour costs, other direct costs and a systematically allocated proportion of variable and fixed production overheads. In determining the acquisition cost, standard cost accounting is applied and standard costs are reviewed regularly and changed if necessary. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Inventories are shown net of a reserve for obsolete and slow-moving inventories. A reserve is established and a corresponding charge is taken to profit and loss in the period in which the loss occurs based upon an assessment of technological obsolescence and related factors.

BIOLOGICAL ASSETS

Biological assets, which in the case of the HKScan Group mean living animals, are recognized on the balance sheet at fair values less estimated sales-related expenses. The Group's live slaughter animals are measured at market price. Animals producing slaughter animals (sows, boars, breeding hens) have been measured at cost, less an expense corresponding to a reduction in use value caused by ageing. There is no available market price for productive animals.

Biological assets are included in inventories on the balance sheet and changes in the fair value are included in material costs in the income statement.

LEASES

THE GROUP AS LESSEE

Leases applying to property, plant and equipment where the Group assumes a substantial part of the risks and benefits of ownership are classified as finance leases. Items acquired under finance leasing are recognized on the balance sheet at the fair value of the asset leased at the commencement of the lease or at the present value of minimum lease payments, whichever is the lower. Assets acquired under finance leasing are subject to depreciation within the useful life of the asset or the lease period, whichever is the shorter. Lease payments are divided into finance expenses and debt amortisation during the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Variable rents are recognized as expenses in the period during which they are generated. Leasing commitments are included in financial liabilities.

Leases where the lessor retains a substantial part of the risks and benefit of ownership are treated as other leases. Other operating lease payments are treated as rentals and charged to the income statement on a straight-line basis over the lease term.

When a lease includes land and building elements, the classification of each element as a finance lease or an operating lease is assessed separately. When it is necessary in order to classify and account for a lease of land and buildings, the minimum lease payments (including any lump-sum up front payments) are allocated in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

THE GROUP AS LESSOR

The Group's leased assets whose risks and rewards of ownership have essentially been transferred to the lessee are treated as finance leases and recognized as receivables on the balance sheet. Receivables are initially recognized at their present value. Financing income from finance leases is recognized during the term of the lease so as to achieve a constant rate of return on the outstanding net investment over the term of lease.

Other assets leased under other operating leasing agreements are included in property, plant and equipment on the balance sheet. They are depreciated over their useful lives in the same way as corresponding property, plant and equipment in the company's own use are. Rental income is recognized in the income statement on a straight-line basis over the lease term.

ARRANGEMENTS THAT MAY INCLUDE A LEASE AGREEMENT

When an arrangement enters into force, the Group uses its factual content to determine whether the arrangement is a lease agreement or whether it includes one. A lease agreement exists if the following conditions are met: the fulfilment of the arrangement depends on the use of a specific asset or assets, and the arrangement produces a right to use that asset.

If the arrangement includes a lease agreement, the agreement will be governed by the provisions of IAS 17. Other factors in the arrangement will be governed by the provisions of regulating IFRS standards.

EMPLOYEE BENEFITS

PENSION OBLIGATIONS

Pension plans are classified as defined benefit plans and defined contribution plans. In defined contribution plans, the Group makes fixed payments to a separate entity. The Group is under no legal or actual obligation to make additional payments in the event that the entity collecting pension payments is unable to meet its obligations to pay the pension benefits in question. Any pension plan that does not meet these criteria is a defined benefit plan.

Statutory pension cover for Finnish Group companies has been arranged through pension insurance. Pension plans in respect of companies outside Finland have been made in accordance with local practice.

In defined contribution plans, such as the Finnish employment pension scheme (TyEL) and the Swedish ITP-plan, pension plan contributions are recognized in the income statement during the financial period in which they are incurred.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized on the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The service cost of the defined benefit plan, recognized in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, curtailments and settlements.

Past-service costs are recognized immediately in the income statement.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

SHARE-BASED PAYMENTS

Based on IFRS 2, the fair value of share based incentives is determined at grant date and the fair value is expensed until vesting. If the share reward is paid as a combination of shares and cash, the fair value determination is divided into equity-settled and cash-settled portions. The equity-settled portion is booked into equity and cash-settled into liabilities. The fair value of equity-settled portion is the fair value of Company share at grant date deducted with expected dividends to be paid before reward payment. Furthermore, the share purchase and ownership requirement in performance period is taken into account by deducting the estimated financing costs of the share purchases from the fair value. The fair value of cash settled portion is recalculated on each reporting date until reward payment.

PROVISIONS

A provision is recognized when the Group has a legal or actual obligation as the result of a past event, it is likely that the payment obligation will be realised and the magnitude of the obligation can be reliably estimated.

A restructuring provision is made when the Group has compiled a detailed restructuring plan and launched its implementation or announced the plan. No provision is made for expenses relating to the Group's continuing operations.

A provision for environmental obligations is made when the Group has an obligation, based on environmental legislation and the Group's environmental responsibility policies, which relates to site decommissioning, repairing environmental damage or moving equipment from one place to another.

TAXES AND DEFERRED TAXES BASED ON TAXABLE INCOME FOR THE PERIOD

The income tax expense in the income statement consists of tax based on taxable income and deferred tax. Taxes are recognized in the income statement, except when related to items recognized directly in equity or the statement of comprehensive income, in which event the tax is also recognized in the said items. Tax based on taxable income in the financial period is calculated from taxable income on the basis of the tax law of the domicile of each company. Taxes are adjusted with any taxes relating to previous financial periods.

Deferred tax assets and liabilities are calculated on all temporary differences in bookkeeping and taxation using the tax rate valid at the balance sheet date or expected date the tax is paid. The most significant temporary differences arise from measurement to fair value of derivative instruments, defined benefit pension plans, unclaimed tax losses and measurements to fair value in connection with acquisitions. No deferred tax is recognized on non-deductible goodwill.

Deferred taxes are calculated using the tax rates which have been enacted or which in practice have been adopted by the reporting date.

The deferred tax liability relating to the retained earnings of the Baltic Group companies has not been recognized, as the assets are used to safeguard the foreign companies' own investment needs. The parent company has control over the dividend distribution policy of the Baltic subsidiaries, and there are no plans to distribute said earnings within the foreseeable future.

RECOGNITION POLICIES

Net sales are presented as revenue from the sales of products and services measured at fair value and adjusted for indirect taxes, discounts and translation differences resulting from sales in foreign currencies.

GOODS SOLD AND SERVICES PROVIDED

Revenue from the sale of goods is recognized when the significant risks and benefits of ownership have been transferred to the buyer. Revenue from service provision is recognized in the financial period in which the service is performed.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Discontinued operation is a material part of the Group that has been disposed of or classified as held for sale. Profit from discontinued operations is disclosed as a separate item in the other comprehensive income statement.

FINANCIAL ASSETS AND LIABILITIES

FINANCIAL ASSETS

The Group's financial assets are classified into the following categories: financial assets recognized at fair value through profit or loss, held-to-maturity investments, loans and other receivables and available-for-sale financial assets. The classification is based on the purpose of the acquisition of the financial asset and takes place in conjunction with the original acquisition. Transaction costs are included in the original carrying amount of financial assets in the case of items not measured at fair value through profit or loss. Purchases and sales of financial assets are recognized on the settlement date, except for derivatives and spot transactions, which are recognized according to the transaction date. The transaction date is the date on which the Group commits itself to purchase or sell a financial instrument. The settlement date is the date on which a financial asset is delivered to another party or correspondingly when a financial asset is received. Financial assets are derecognized from the balance sheet when the Group's contractual right to the cash flows has expired or when the risks and rewards of ownership have to a significant degree been transferred outside the Group.

The category of financial assets recognized at fair value through profit or loss comprises financial assets acquired to be held for trading or designated as such at inception (application of fair value option). The category can be changed only in rare special circumstances. The latter group includes financial assets that are administered on the basis of fair value or financial asset items involving one or more embedded derivatives that significantly change the cash flows of the contract, in which case the whole compound instrument is measured at fair value. Financial assets held for trading purposes have mainly been acquired to obtain a gain from short term changes in market prices. Derivatives that do not satisfy hedge accounting are classified as financial assets or liabilities held for trading. Derivatives held for trading as well as financial assets maturing within 12 months are included in current assets.

The items in the category of financial assets recognized at fair value through profit of loss are measured at fair value, which is based on the market price quoted on the reporting date. The fair values of interest rate swaps are defined as the present value of future cash flows and foreign exchange forward contracts are measured at the exchange rates at the reporting date. In assessing the fair values of non-traded derivatives and other financial instruments, the Group uses generally adopted valuation methods and estimated discounted values of future cash flows. Gains and losses arising from changes in fair value, whether realised or unrealised, are recognized through profit or loss in the financial period in which they arise.

Investments held to maturity are non-derivative financial assets that have fixed or determinable payments, that mature on a given date and that the Group positively intends to and is able to hold until maturity. They are measured at amortised cost using the effective interest method and are included in non-current assets. The Group did not have any financial assets of this category during the financial period.

Loans and other receivables are non-derivative assets that have fixed or measurable payments are not quoted on active markets and not held for trading by the Group or specifically classified as being available for sale at inception. These are, for example, trade receivables and some other receivables the Group has. They are measured on the basis of amortised cost using the effective interest method and are included on the balance sheet under current or non-current assets as determined by their nature, under the latter if maturing in more than 12 months.

Available-for-sale financial assets consist of assets not belonging to derivative assets, which have been specifically classified in this category or which have not been classified in another category. They are included in non-current assets, except if they are to be held for less than 12 months from the reporting date, in which case they are recorded under current assets. Available-for-sale financial assets can consist of shares and interest-bearing investments. They are measured at fair value or, when the fair value cannot be reliably determined, at cost. The fair value of an investment is determined on the basis of the bid price of the investment. If quoted prices are not available for available-for-sale financial assets, the Group applies various valuation techniques to measure them. These include, for example, recent transactions between independent parties, discounted cash flows or other similar instrument valuations. Information obtained from the market in general and minimal elements determined by the Group itself are utilized.

Changes in the fair value of available-for-sale financial assets are recorded in other comprehensive income and reported in the fair value reserve included in equity, Other reserves, taking into consideration the tax impact. Changes in fair value are transferred from equity to the income statement when the investment is sold or if it is subjected to impairment and an impairment loss must be recognized on the investment. Interest income on available-for-sale investments are recognized in financial income using the effective interest method.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash, demand deposits and other highly liquid short-term investments which are easily exchangeable for a previously known amount of cash assets and whose risk of a change in value is minimal. Items classified in cash and cash equivalents have a maturity of less than three months from the date of acquisition. Credit accounts relating to the Group accounts are included in current financial liabilities, and they are recognized as setoffs, as the Group has an agreement-based legal right to settle or otherwise eliminate the amount to be paid to the creditor in full or in part.

IMPAIRMENT OF FINANCIAL ASSETS

At each reporting date, the Group assesses whether there is any objective evidence of the impairment of financial asset or a group of financial assets.

The Group recognizes an impairment loss for trade receivables if evidence exists that the receivable cannot be collected in full. Significant financial difficulties on the part of a debtor, the likelihood of bankruptcy, payment default or a payment delay exceeding 90 days constitute evidence of the impairment of trade receivables. The impairment loss recognized in the income statement is the difference measured between the carrying amount and the present value of estimated future cash flows of a receivable. If the amount of the impairment loss decreases in a later period, and the decrease can be objectively related to an event subsequent to impairment recognition, the recognized loss is reversed through profit or loss.

FINANCIAL LIABILITIES

The Group’s financial liabilities are classified into the following categories: financial liabilities recognized at fair value through profit or loss and other financial liabilities at amortised cost.

Financial liabilities recognized at fair value through profit or loss are initially and subsequently measured at fair value with the same principles as corresponding financial assets. Derivative financial liabilities are included in this category. Other financial liabilities are initially recognized at fair value and transaction costs are included in the original carrying amount. Financial liabilities except for derivative contract liabilities are subsequently measured at amortised cost using the effective interest method. Financial liabilities are included in current and non-current liabilities. Financial liabilities are classified as current unless the Group has an unconditional right to defer payment for at least 12 months from the reporting date.

Borrowing costs directly attributable to the acquisition, construction or manufacture of a qualifying asset are capitalised as a part of the cost of the said asset when it is likely that these will generate future economic benefits and when the costs can be measured reliably. During the financial years presented the Group did not have any qualifying investments.

Other borrowing costs are recognized as an expense in the period in which they are incurred. Credit fees related to loan commitments are recognized as transaction costs in proportion to the extent that it is probable that the total loan commitment or a part of it will be raised. Credit fees are recognized on the balance sheet until the loan is raised. In connection with the drawdown, the credit fee related to loan commitments is recognized as part of the transaction costs. To the extent that it is probable that the loan commitment will not be raised, the credit fee is recognized as a prepaid expense in respect of the liquidity-related services and is accrued for the period of the loan commitment.

DERIVATIVES AND HEDGE ACCOUNTING

Derivative contracts are initially accounted for at fair value on the date on which the Group becomes a party to the contract and subsequently continue to be measured at fair value. Gains and losses arising from the measurement at fair value are treated in the income statement in the manner determined by the purpose of the derivative. The impacts on profit or loss arising from changes in the value of derivative contracts to which hedge accounting applies and which are effective hedges are presented in a manner consistent with the hedged item. When derivative contracts are entered into, the Group treats the derivatives as either fair value hedges for receivables, liabilities or fixed commitments or, in the case of exchange rate risk, as cash flow hedges, cash flow hedges of a highly probable forecast transaction, hedges of net investment in a foreign unit or derivatives that do not satisfy the criteria for applying hedge accounting. The Group documents the hedge accounting at the beginning of the relationship between the hedged item and the hedging instrument, as well as the objectives of the Group’s risk management and the hedging strategy applied. When initiating the hedge and thereafter when publishing all financial statements, the Group documents and assesses the effectiveness of the hedging relationships by examining the ability of the hedging instrument to nullify changes in the fair value of the hedged item or changes in cash flows.

FAIR VALUE HEDGING

Changes in the fair value of the derivatives contracts that satisfy the conditions for fair value hedge are recognized through profit or loss. Changes in the fair value of a hedged asset or debt item are treated in the same way with regard to hedged risk. During the financial year the Group did not have any derivative contract that satisfy the conditions for hedging fair value.

CASH FLOW HEDGING

A change in the fair value of the effective portion of derivative instruments that satisfy the conditions for hedging cash flow are recognized under other comprehensive income and reported in the hedging reserve (included in Fair value reserve and other reserves). Gains and losses accrued from the hedging instrument are transferred to the income statement when the hedged item affects profit or loss. The ineffective portion of the hedging instrument’s profit or loss is recognized as financial income or expenses (interest rate derivatives) or materials and services (commodity derivatives).

When a hedging instrument acquired to hedge cash flow matures or is sold, or when the criteria for hedge accounting are no longer satisfied, the profit or loss accrued from the hedging instrument remains in equity until the forecast transaction is carried out. Nevertheless, if the forecast hedged transaction is no longer expected to be realized the profit or loss accrued in equity is recognized immediately in the income statement.

HEDGING OF NET INVESTMENT IN A FOREIGN UNIT

The hedging of the net investment in a foreign unit is treated in accounting in the same manner as cash flow hedging. The effective portion of the change in the value of the hedging forward, i.e. the change in spot value, is recognized under other comprehensive income and the interest rate difference and the ineffective portion of the change in value through profit or loss under financial items. Gains and losses accumulated in translation differences within equity from net investment hedges are included in the income statement when the net investment is disposed of in part or in full. The fair values of derivatives to which hedge accounting applies are presented on the balance sheet under non-current assets or liabilities if the remaining maturity of the hedged item is more than 12 months. Otherwise they are included in current assets or liabilities.

OTHER HEDGING INSTRUMENTS WHERE HEDGE ACCOUNTING IS NOT APPLIED

Despite the fact that some hedging relationships satisfy the Group's risk management hedging criteria, hedge accounting is not applied to them. Such instruments have included derivatives hedging against currency or interest-rate risk. In accordance with the Group's recognition policy, changes in the fair value of these instruments are recognized in other financial income or expenses (interest rate derivatives), other operating income and expenses (foreign exchange derivatives hedging commercial currency flows) and financial income or expenses (forward exchange contracts hedging financial items). On the balance sheet, derivatives relating to currency-denominated trade receivables or trade payables are presented in other current receivables or liabilities.

Changes in the hedging reserve are presented in Note 21. 'Notes relating to equity' under 'Other reserves'.

EMBEDDED DERIVATIVES

Embedded derivatives are included in such binding commercial agreements that are denominated in a currency which is not the operating currency of either contracting party and which is not generally used in the financial environment in which the business transaction is carried out. Such derivatives are usually forward exchange contracts. During the financial years presented, the Group did not have any embedded derivatives.

EQUITY

All company shares are reported as share capital. Any repurchase of its own shares by the company is deducted from equity.

DIVIDEND

The dividend proposed to the Annual General Meeting by the Board of Directors is not deducted from distributable equity until approved by the AGM.

EBIT

The concept of EBIT is not defined in IAS 1: Presentation of Financial Statements. The Group employs the following definition: EBIT is the net sum arrived at by adding other operating income to net sales, deducting from this purchase costs as well employee benefit expenses, depreciation and impairment losses, if any, and other operating expenses. All other income statement items are presented below EBIT.

Where necessary, major gains and losses on disposal, impairment and recognitions of discontinuations, reorganisations of operations or significant compensations or penalties paid out due to the legal verdict or settlement, recorded as non-recurring items, as well as EBIT excluding non-recurring items may be presented separately in interim reports and financial statement bulletins.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires Management to make estimates and assumptions affecting the content and to exercise judgement in applying the accounting policies. The most important of these estimates affect the possible impairment of goodwill and other assets as well as provisions. Actual results may differ from these estimates.

The estimates made in preparation of the financial statements are based on the best judgement of Management on the reporting date. The estimates are based on historical experience and assumptions regarding the future seen as most likely on the balance sheet date. Such assumptions are related to the expected development of the Group's financial operating environment in terms of sales and cost levels. The estimations and judgements are reviewed regularly.

The most important areas in which the estimations and judgement have been used are presented below.

The assumptions made by the Management regarding the taxable income of the Group companies in the coming reporting periods are taken into account when estimating the amount of recognized deferred tax assets.

MEASUREMENT TO FAIR VALUE OF ASSETS ACQUIRED IN BUSINESS COMBINATIONS

Where possible, Management has used available market values as the basis of determining the fair value of the net assets acquired in a business combination. When this is not possible, measurement is principally based on the historic return from the asset item and its intended use in business operations. Measuring the intangible right at fair value has required the Management to make estimations on the future cash flows. Valuations are based on discounted cash flows as well as estimated disposal and repurchase prices and require Management`s estimates and assumptions about the future use of assets and the effect on the company's financial position. Changes in the emphasis and direction of business operations may result in changes to the original measurement in the future.

In addition, both intangible and tangible assets are reviewed for any indications of impairment on each reporting date at the least.

IMPAIRMENT TESTING

The Group tests goodwill annually for possible impairment. The recoverable amounts of cash generating units are determined in calculations based on value in use. The preparation of these calculations requires the use of estimates. Although the assumptions used are appropriate according to the Management, the estimated recoverable amounts may differ substantially from those realized in future.

The assumptions used in the Impairment calculation involve judgement that the Management has used in estimating the development of different factors. The sensitivity analysis emphasizes that the factors related to revenue growth are the most central sources of uncertainty in the methods, assumptions and estimates used in the calculations. This sensitivity derives from the challenging estimation of the future development of the previously mentioned factors.

VALUATION OF INVENTORIES

Management's principle is to recognize an impairment loss for slowly moving and outdated inventories based on the Management's best possible estimate of possibly unusable inventories in the Group's possession at the reporting date. The Group has a valuation policy for inventories which is approved by the Management. Management bases its estimates on systematic and continuous monitoring and evaluations.

MANAGEMENT JUDGEMENTS RELATING TO CHOICE AND APPLICATION OF ACCOUNTING POLICIES

The Group management makes judgement decisions on the choice and application of accounting policies. This applies in particular to cases where the IFRSs in force provide alternative manners of recognition, measurement and presentation.

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: amortised 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 Group is yet to assess IFRS 9's full impact. The standard has not yet 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 2017. The Group is assessing the impact of IFRS 15. The standard has not yet 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 Group is assessing the impact of IFRS 16. 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.

NOTES TO THE INCOME STATEMENT

1. BUSINESS SEGMENTS

The Group's operational activities are the responsibility of the Group's CEO assisted by the Group Management Team. The division into business segments is based on the reports used by the Group Management Team for the allocation of resources and assessment of performance.

The Group Management Team monitors business performance by geographical area. The geographical segments monitored are Finland, Sweden, Denmark and the Baltics.

All the geographical segments manufacture, sell and market meat products, processed meat products and convenient foods.

The assets and liabilities of the segments are items that are either directly or fairly allocated to the business of the relevant segment. Segment assets include tangible and intangible assets, shares in associates, inventories and non-interest bearing receivables. Segment liabilities include current non-interest bearing liabilities. Unallocated items include financial and tax items and items common to the entire Group.

Year 2015	**Finnish operations**	**Swedish operations**	**Danish operations**	**Baltic operations**	**Business segments, total**	**Group adminis-tration**	**Elimina-tions**	**Un-allocated**	**Group total**
INCOME STATEMENT INFORMATION									
External sales	792.4	813.5	145.0	166.3	1 917.1	-	-	-	1 917.1
Internal sales	9.2	28.4	30.9	7.4	76.0	-	-76.0	-	0.0
Net sales	**801.6**	**841.9**	**175.9**	**173.6**	**1 993.1**	**-**	**-76.0**	-	**1 917.1**
Segment EBIT	4.9	21.1	-9.3	5.4	22.1	-12.5	-	-	9.6
Unallocated items	-	-	-	-	-	-	-	-	0.0
EBIT	**4.9**	**21.1**	**-9.3**	**5.4**	**22.1**	**-12.5**	**-**	**-**	**9.6**
Share of associates' results	0.4	0.1	1.2	-	1.7	-	-	-	1.7
Financial income and expenses								-9.1	-9.1
Income taxes								-0.3	-0.3
Result for the period									**1.9**

BALANCE SHEET INFORMATION									
Segment assets	324.0	244.0	93.3	142.2	803.5	18.1	-55.9	-	765.7
Shares in associates	13.7	4.9	4.5	-	23.2	0.1	-	-	23.3
Unallocated assets	-	-	-	-	-	-	-	48.3	48.3
Total assets	**337.7**	**248.9**	**97.8**	**142.2**	**826.6**	**18.3**	**-55.9**	**48.3**	**837.3**
Segment liabilities	87.7	93.5	18.4	19.2	218.8	7.9	-7.6	-	219.2
Unallocated liabilities	-	-	-	-	-	-	-	192.4	192.4
Total liabilities	**87.7**	**93.5**	**18.4**	**19.2**	**218.8**	**7.9**	**-7.6**	**192.4**	**411.5**
OTHER INFORMATION									
Sales, goods	786.0	812.8	145.0	166.0	1 909.7	-	-	-	1 909.7
Sales, services	6.4	0.7	-	0.2	7.3	-	-	-	7.3
Investments	18.2	13.7	5.4	10.6	47.9	1.7	-	-	49.6
Depreciation and amortisation	-22.3	-12.2	-9.5	-8.9	-52.9	-0.4	-	-	-53.3
Impairment	-11.4	-	-	-	-11.4	-	-	-	-11.4
Goodwill	19.8	32.6	3.6	22.2	78.2	-	-	-	78.2

Year 2014	Finnish operations	Swedish operations	Danish operations	Baltic operations	Business segments, total	Group adminis-tration	Elimina-tions	Un-allocated	Group total
INCOME STATEMENT INFORMATION									
External sales	778.7	874.5	169.0	166.6	1 988.7	-	-	-	1 988.7
Internal sales	8.5	36.5	35.4	6.4	86.8	-	-86.8	-	0.0
Net sales	**787.2**	**911.0**	**204.3**	**173.0**	**2 075.5**	-	**-86.8**	-	**1 988.7**
Segment EBIT	-4.5	1.7	-11.9	2.8	-11.9	67.4	-	-	55.5
Unallocated items	-	-	-	-	-	-	-	-	-
EBIT	**-4.5**	**1.7**	**-11.9**	**2.8**	**-11.9**	**67.4**	**0.0**	**0.0**	**55.5**
Share of associates' results	5.8	0.4	0.1	-	6.4	4.8	-	-	11.2
Financial income and expenses								-15.5	-15.5
Income taxes								5.9	5.9
Result for the period									**57.1**

BALANCE SHEET INFORMATION									
Segment assets	317.2	251.5	103.2	154.1	826.0	44.0	-91.9	-	778.1
Shares in associates	13.1	6.2	3.2	-	22.5	0.1	-	-	22.7
Assets of disposal group classified as held for sale	4.0	-	-	5.4	9.4	-	-	-	9.4
Unallocated assets	-	-	-	-	-	-	-	54.2	54.2
Total assets	**334.4**	**257.7**	**106.4**	**159.5**	**857.9**	**44.1**	**-91.9**	**54.2**	**864.3**
Segment liabilities	85.3	98.5	20.7	22.5	226.9	7.2	-17.6	-	216.6
Liabilities of disposal group classified as held for sale	0.6	-	-	0.3	0.8	-	-	-	0.8
Unallocated liabilities	-	-	-	-	-	-	-	201.8	201.8
Total liabilities	**85.9**	**98.5**	**20.7**	**22.7**	**227.8**	**7.2**	**-17.6**	**201.8**	**419.2**
OTHER INFORMATION									
Sales, goods	775.2	870.6	169.0	166.3	1 981.1	-	-	-	1 981.1
Sales, services	3.4	3.9	-	0.3	7.6	-	-	-	7.6
Investments	13.9	7.6	14.7	11.7	47.9	0.9	-	-	48.7
Depreciation and amortisation	-21.9	-16.1	-9.2	-8.9	-56.2	-0.4	-	-	-56.5
Impairment	-12.0	-6.9	-5.2	-2.1	-26.1	-	-	-	-26.1
Goodwill	17.7	31.9	3.6	22.2	75.4	-	-	-	75.4

2. OTHER OPERATING INCOME

	2015	2014
Rental income	2.5	1.9
Gain on disposal of non-current assets	1.4	1.6
Gains on sales of holdings	1.1	77.8
Exchange rate gains related to foreign exchange derivatives	1.2	1.3
Insurance compensation	0.9	7.1
Government grants	0.1	0.0
Other operating income	8.0	7.4
Other operating income	**15.1**	**97.2**

3. MATERIALS AND SERVICES

	2015	2014
Purchases during the financial period	-1 184.2	-1 233.9
Increase/decrease in inventories	0.9	-10.1
Work performed for own use and capitalized	0.0	0.0
Materials and supplies	**-1 183.2**	**-1 244.0**
External services	-161.5	-165.4
Materials and services	**-1 344.8**	**-1 409.4**

4. EMPLOYEE BENEFIT EXPENSES

	2015	2014
Salaries and fees	-249.4	-259.6
Pension expenses, defined contribution plans	-26.9	-28.0
Pension expenses, defined benefit plans	-1.7	-1.0
Total pension expenses	-28.6	-28.9
Other social expenses	-41.3	-42.9
Employee benefit expenses	**-319.3**	**-331.5**
Managing directors and their deputies	-2.7	-2.9
Members of the Board of Directors	-0.3	-0.3
Management salaries, fees and benefits	**-3.0**	**-3.2**
Average number of employees during financial year		
Clerical employees	1 234	1 112
Workers	6 203	6 550
Total	**7 437**	**7 662**

SHARE-BASED PAYMENTS

The Board of Directors of HKScan Corporation approved on 19 December 2012 a share based incentive plan, Performance Share Plan 2013, as a part of the incentive and commitment programme for the Group's key employees. The Plan includes three one-year performance periods, the calendar years 2013, 2014 and 2015, from which the key employees can earn HKScan series A shares based on achieving the set targets. The Board of Directors of the Company will decide on the performance criteria and their targets for a performance period at the beginning of each performance period. Furthermore, the Plan includes one three-year performance period, calendar years 2013–2015. The prerequisite for receiving reward on the basis of this performance period is that a key employee previously owns or acquires the Company´s series A shares up to the number determined by the Board of Directors.

The potential reward from the performance period 2014 was based on the HKScan Group´s Earnings per Share (EPS) and Return on Capital Employed (ROCE). No rewards were paid from the performance period 2014 since the performance criteria targets were not achieved.

The potential reward from the performance period 2015 will be based on the HKScan Group´s Earnings per Share (EPS) and Return on Capital Employed (ROCE).

The possible rewards from the performance period 2013–2015 will be paid in 2016 and from the performance period 2015 in 2018 partly in the HKScan series A shares and partly in cash. The cash proportion is intended to cover taxes and tax-related costs arising from the rewards to the key personnel. In general, no reward will be paid, if the key employee's employment or service ends before reward payment.

At 31 December 2015 the rewards to be paid on the basis of the performance periods beginning in 2013 represent the value of 92 500 HKScan Corporation series A shares in the maximum. At December 2015 the rewards to be paid on the basis of the performance period 2015 represent the value of 442 000 HKScan Corporation series A shares in the maximum.

More specific information of the performance share plan grants are presented in the following tables.

SHARE BASED INCENTIVES DURING THE REPORTING PERIOD 1 JAN. 2015–31 DEC. 2015

Plan		**Performance Share Plan 2013**		**TOTAL**
Type		**SHARE**		
Instrument	**Restricted Stock 2013-2015**	**Performance Period 2014**	**Performance Period 2015**	**TOT/WA**
Initial amount, pcs	121 000	416 000	451 000	988 000
Initial allocation date	1 Feb. 2013	12 Feb. 2014	10 Feb. 2015	
Vesting date / payment at the latest	30 Apr. 2016	30 Apr. 2017	30 Apr. 2018	
Maximum contractual life, yrs	3.2	3.2	3.2	3.2
Remaining contractual life, yrs	0.3	1.3	2.3	1.2
Vesting conditions	Share purchase and ownership requirement, Employment precondition	EPS (70%), ROCE-% (30%), Employment precondition	EPS (70%), ROCE-% (30%), Employment precondition	
Number of persons at the end of the reporting year	17	20	24	
Payment method	Cash & Equity	Cash & Equity	Cash & Equity	

Changes during the period 2015	**Restricted Stock 2013-2015**	**Performance Period 2014**	**Performance Period 2015**	**Total**
1 Jan. 2015				
Outstanding at the beginning of the reporting period, pcs	96 000	416 000	0	512 000
Changes during the period				
Granted	0	0	451 000	451 000
Forfeited	3 500	0	9 000	12 500
Excercised	0	0	0	0
Expired	0	416 000	0	416 000

31 Dec. 2014				
Outstanding at the end of the period	92 500	0	442 000	534 500

The pricing of the share based incentives granted during the period was determined by the following inputs and had the following effect:

Valuation parameters for instruments granted during period	
Share price at grant, euros	4.20
Share price at reporting period end, euros	3.81
Maturity, years	3.2
Expected dividends, euros	0.34
Fair value at grant, euros	1 740 860
Fair value 31 Dec. 2015, euros	330 045

Effect of share-based incentives on the result and financial position during the period	
Expenses for the financial year, share-based payments, euros	218 550
Expenses for the financial year, share-based payments, equity-settled, euros	90 612
Liabilities arising from share-based payments 31 Dec. 2015, euros	235 942

On 18 December 2015, HKScan announced that the Board of Directors had approved a share based incentive plan for the Group's key personnel for the year 2016. The new 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 is 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.

5. DEPRECIATION AND IMPAIRMENT

	2015	2014
Depreciation according to plan	-53.3	-56.5
Impairment	-11.4	-26.1
Total	**-64.7**	**-82.6**

6. OTHER OPERATING EXPENSES

	2015	2014
Rents/leases	-16.1	-21.6
Losses on disposal of non-current assets	-1.1	-0.3
R&D costs	-5.1	-3.7
Non-statutory staff costs	-12.3	-12.4
Energy	-37.0	-40.9
Maintenance	-39.6	-43.4
Advertising, marketing and entertainment costs	-21.5	-19.4
Service, information management and office costs	-25.5	-24.7
Other expenses	-35.8	-40.6
Total other operating expenses	**-193.9**	**-206.9**

AUDIT FEES

The Group’s audit fees paid to independent auditors are presented in the table below. The audit fees are in respect of the audit of the annual accounts and legislative functions closely associated therewith. Other expert services include tax consulting and advisory services in corporate arrangements.

	2015	2014
Audit fees	-0.4	-0.5
Tax consultation	0.0	-0.0
Other fees	-0.1	-0.1
Audit fees, total	**-0.5**	**-0.6**

7. FINANCIAL INCOME AND EXPENSES

Financial income	**2015**	**2014**
Dividend income	0.1	0.2
Interest income		
Interest income from loans and receivables	2.0	2.8
Interest income from interest derivatives	-	0.7
Other financial income	0.0	0.1
Total	**2.1**	**3.9**
Financial expenses		
Interest expenses		
Interest expenses from other liabilities at amortised cost	-5.8	-8.0
Interest expenses from interest derivatives	-3.7	-6.1
Other financial expenses		
Ineffective portion of interest rate risk hedge	-0.0	0.3
Impairment losses on loan receivables	-	-1.3
Other financial expenses	-1.3	-3.8
Exchange gains and losses from loans and other receivables	-0.4	-0.3
Total	**-11.2**	**-19.3**
Total financial income and expenses	**-9.1**	**-15.4**

8. INCOME TAXES

Income taxes	**2015**	**2014**
Income tax on ordinary operations	-1.4	-0.7
Tax for previous financial periods	-0.1	0.0
Change in deferred tax liabilities and assets	1.2	6.6
Income tax on ordinary operations	**-0.3**	**5.9**
Cumulative tax rate reconciliation		
Accounting profit/loss before taxes	2.2	51.2
Deferred tax at parent company's tax rate	-0.4	-10.5
Effect of different tax rates applied to foreign subsidiaries	-0.1	0.5
Share of associates' results	0.6	2.3
Tax-exempt income	-0.0	15.2
Non-deductible expenses	-0.3	-1.5
Use of tax losses not recognised earlier	0.1	0.0
Unrecognised tax on the losses for the financial period	0.0	-0.1
Tax for previous financial periods	-0.1	0.0
Adjustments concerning previous financial periods	-0.0	-0.0
Effect of change in tax rate	-0.0	0.0
Tax expenses in the income statement	**-0.3**	**5.9**

9. EARNINGS PER SHARE

	2015	**2014**
Profit for the period attributable to equity holders of the parent	0.3	56.7
Total	**0.3**	**56.7**
Weighted average number of shares in thousands	53 973	53 973
Weighted average number of shares adjusted for dilution effect	53 973	53 973
Undiluted earnings per share (EUR/share)	0.01	1.05
Earnings per share adjusted for dilution effect (EUR/share)	0.01	1.05

NOTES TO THE BALANCE SHEET

10. INTANGIBLE ASSETS

	2015	**2014**
Opening balance, cumulative acq cost	94.4	98.1
Translation differences	1.4	-4.0
Additions	0.9	1.4
Additions, business acquisitions	0.1	
Disposals	-2.3	0.1
Reclassification between items	0.5	-1.1
Closing balance, cumulative acq cost	95.1	94.4
Opening balance, cumulative depreciations	-25.6	-23.9
Translation differences	-0.1	0.4
Accumulated depreciation on disposals and reclassifications	2.2	0.9
Depreciation for the financial period	-2.6	-2.9
Closing balance, cumulative depreciations	-26.1	-25.6
Intangible assets on 31 Dec.	**69.1**	**68.9**

The trademarks included in the Swedish business operations, carrying amount EUR 59.4 (58.1) million, are tested for impairment each year. The Group has estimated that their useful life is unlimited.

11. GOODWILL

	2015	2014
Opening balance	75.4	78.0
Translation differences	0.7	-1.9
Additions, business acquisitions	2.1	0.8
Disposals	-	-0.3
Depreciation and impairment	-	-1.2
Closing balance	**78.2**	**75.4**

Impairment of goodwill relates to a Group company that has been sold during 2014.

ALLOCATION OF GOODWILL

All acquisitions resulting in the Group recognizing goodwill have concerned the acquisition of net assets or business by an individual CGU and goodwill has been allocated to said CGU separately in respect of each acquisition. Goodwill has been allocated to a total of four CGUs.

Specification of goodwill	**2015**	**2014**
Finland	19.8	17.7
Sweden	32.6	31.9
Denmark	3.6	3.6
Baltics	22.2	22.2
Total	**78.2**	**75.4**

IMPAIRMENT TESTING

The company tests for impairment each year. The key assumptions in testing are the growth prospects of the business, cost trends and the discount rate employed.

Management reviews the business performance based on business segments and it has identified Finland, Sweden, Denmark and Baltics as the main segments. Goodwill is monitored by the Management at the business segment level.

In impairment testing, the recoverable amounts of the cash generating units are based on value-in-use calculations. The cash flow estimates employed are based on financial plans adopted by Management and the Board of Directors and span five years. The plans are based on moderate and cautious net sales growth under the assumption that Group EBIT per cent of four will be achieved in the forecast period. The cash flow after the forecast period is extrapolated using a cautious growth factor (1.0 per cent). The growth factors of the CGUs for the period following the forecast period do not exceed the long-term historical growth of the CGUs.

The interest rate has been defined as the weighted average cost of capital (WACC). Calculation of the interest rate is based on market information on companies operating in the same field (control group). In addition, the risks in each market area have been taken into account in the calculation. The interest rates used are 5.2% (5.6%) in Finland, 5.1% (6.0%) in Sweden, 5.3% (5.7%) in Denmark and 5.5% (6.5%) in the Baltic countries. The WACC interest rates changed compared to prior year mainly due to the decrease in risk free interest.

The sensitivity of each CGU to impairment is tested by varying both the discount rate and the growth factor reflecting profitability development. Based on the sensitivity analyses conducted, a reasonably possible change in interest rates or growth factor reflecting profitability development would not result in impairment in any of the CGUs.

As far as Management is aware, reasonable changes in assumptions used in respect of other factors do not necessitate impairment for the goodwill of any cash-generating unit. Sudden and other than reasonably possible changes in the business environment of cash generating units may result in an increase in capital costs or in a situation where a cash-generating unit is forced to assess clearly lower cash flows. Recognition of an impairment loss is likely in such situations.

The annual impairment testing performed did not result in the recognition of impairment charges in 2015 or 2014.

12. TANGIBLE ASSETS

Tangible assets 2015	**Land and water**	**Buildings and structures**	**Machinery and equipment**	**Other property, plant and equipment**	**Pre-payments and work in progress**	**Total**
Opening balance, cumulative acq cost	10.0	441.4	595.0	14.6	20.7	1 081.6
Translation differences	0.1	1.6	3.3	-0.0	0.2	5.1
Additions	1.1	8.7	9.1	1.6	28.2	48.7
Additions, business acquisitions	0.3	5.3	2.2	-	-	7.8
Disposals	-0.1	-5.2	-5.7	-0.6	-0.6	-12.1
Disposals, business disposals	-	-	-11.8	-0.0	-	-11.8
Other changes	0.0	4.9	4.3	0.1	0.1	9.3
Reclassification between items	-0.1	6.6	22.7	0.2	-30.0	-0.6
Closing balance, cumulative acq cost	11.3	463.3	619.1	15.8	18.6	1 128.1
Opening balance, cumulative depreciations	-0.1	-253.2	-447.0	-11.6	-	-711.9
Translation differences	-0.0	-1.4	-2.7	0.0	-	-4.1
Accumulated depreciation on disposals and reclassifications	0.1	2.0	4.7	-0.4	-	6.4
Accumulated depreciation on acquisitions	-	0.0	8.8	0.0	-	8.8
Depreciation for the financial period	-	-12.8	-36.9	-1.0	-	-50.7
Impairment losses	-	-11.4	0.0	-	-	-11.4
Impairment charge reversals	-	-	-	-	-	-
Other changes	-	-2.1	-1.2	-0.0	-	-3.4
Closing balance, cumulative depreciations	0.0	-278.9	-474.3	-13.1	-	-766.3
Tangible assets on 31 Dec. 2015	**11.3**	**184.4**	**144.8**	**2.8**	**18.6**	**361.8**

Tangible assets 2014	**Land and water**	**Buildings and structures**	**Machinery and equipment**	**Other property, plant and equipment**	**Pre-payments and work in progress**	**Total**
Opening balance, cumulative acq cost	9.3	439.5	591.0	13.5	16.2	1 069.4
Translation differences	-0.2	-4.9	-9.9	0.0	-0.2	-15.2
Additions	0.0	5.9	12.3	1.4	28.2	47.8
Additions, business acquisitions	-	-	-	-	-	-
Disposals	-0.1	-2.4	-3.1	-0.6	-0.0	-6.3
Disposals, business disposals	-	-1.3	-2.9	-	-	-4.2
Other changes	-0.0	-4.9	-4.8	-0.1	-	-9.7
Reclassification between items	0.9	9.6	12.3	0.3	-23.4	-0.2
Closing balance, cumulative acq cost	10.0	441.4	595.0	14.6	20.7	1 081.6
Opening balance, cumulative depreciations	-	-229.6	-417.1	-11.2	-	-657.9
Translation differences	-	4.0	7.7	-0.0	-	11.7
Accumulated depreciation on disposals and reclassifications	-0.1	1.6	1.7	0.6	-	3.8
Accumulated depreciation on acquisitions	-	0.9	3.5	0.0	-	4.4
Depreciation for the financial period	-	-13.1	-39.5	-1.0	-	-53.6
Impairment losses	-	-19.0	-5.5	-	-	-24.5
Impairment charge reversals	-	-0.1	0.9	-0.0	-	0.8
Other changes	-	2.1	1.2	-	-	3.3
Closing balance, cumulative depreciations	-0.1	-253.2	-447.0	-11.6	-	-711.9
Tangible assets on 31 Dec. 2014	**9.9**	**188.2**	**148.0**	**2.9**	**20.7**	**369.7**

Other property, plant and equipment includes EUR 1.4 (1.3) million biological assets. These are animals producing slaughter animals and they have been measured at cost, less an expense corresponding to a reduction in use value caused by ageing. There is no available market price for productive animals.

13. BUSINESS COMBINATIONS

On 2 July 2015 HKScan Finland Oy acquired a 50 per cent stake in Paimion Teurastamo Oy as part of its strategy to boost profitable growth. Following the deal Paimion Teurastamo Oy became a subsidiary of HKScan. Purchase consideration was EUR 5.9 million and it was paid in cash.

Specializing in beef slaughtering, Paimion Teurastamo operates in a Paimio-based facility commissioned in 2012. The company is profitable, accruing EUR 13.8 million in net sales in 2014. The company has roughly 40 employees.

The deal supports the Group's strategic beef project aiming to promote innovation and a consumer-driven offering development of beef in all its home markets. HKScan additionally has a beef slaughtering facility based in Outokumpu. With two specialized beef slaughterhouses, livestock transport distances are minimized, offering contract producers greater speed and flexibility in pick-up schedules.

The assets and liabilities recognised as a result of the acquisition are as follows:

	Note	Fair value
Intangible assets	10.	0.1
Tangible assets	12.	7.8
Inventories		0.1
Trade receivables and other receivables		1.3
Cash		0.5
Total assets		**9.7**
Deferred tax liability	16.	1.0
Trade payables and other liabilities		1.2
Total liabilities		**2.1**
Net assets acquired		**7.5**

Goodwill from the acquisition:

Purchase consideration	5.9
Non-controlling interest's proportionate share of the acquired entity's net identifiable assets	3.8
Acquired entity's net identifiable assets	-7.5
Goodwill	**2.1**

Goodwill amounting to EUR 2.1 million was recorded from the acquisition, and it is based on the expected synergies. Goodwill will not be deductible for tax purposes.

There are no material acquisition-related costs in other operating expenses.

The acquired business contributed revenues of EUR 7.7 million and EUR -0.1 million net profit to the Group's financial year 2015. If the acquisition had occurred on 1 January 2015, the Group's revenue would have been EUR 7.2 million and net profit EUR 0.1 million higher.

There were no business combinations in 2014.

14. SHARES IN ASSOCIATES

	2015	**2014**
Opening balance	22.7	135.8
Translation differences	0.1	-1.9
Additions, business acquisitions	0.8	1.0
Impairment losses	-	-1.1
Disposals, business disposals	-1.0	-105.5
Other changes	-0.1	0.0
Closing balance	22.5	28.4
Share of associates' results	1.7	11.2
Dividend from associates	-0.9	-16.9
Shares in associates on 31 Dec.	**23.3**	**22.7**

Associated companies consolidated in the Group financial statements are listed in note 29. The Group has no single material associated companies. The Group conducts business through the associates. The activities include slaughtering, cutting, meat processing, and the use of leasing, waste disposal, research and advisory services.

There are no contingent liabilities relating to the Group’s interest in the associates.

The sale of shares in Saturn Nordic Holding AB, owner of 100 per cent of the shares in Sokołów S.A., was completed on 10 June 2014. The transaction generated operating income amounting to EUR 77.6 million in capital gain, cash flow of EUR 8.3 million as dividends and EUR 178.7 million as sales price after the transaction costs.

15. FINANCIAL ASSETS AND LIABILITIES

FINANCIAL INSTRUMENTS BY CATEGORY 2015

	Assets and liabilities at fair value through profit and loss: classified as held for trading	Loans and receivables	Available-for-sale	Derivatives used for hedging	Other financial liabilities at amortised cost	Total	Fair value	IFRS 7 fair value hierarchy
Assets as per balance sheet								
Non-current trade and other receivables			5.3			5.3		
Available-for-sale investments			13.3			13.3		
Trade and other receivables *		113.6				113.6		
Derivative financial instruments	0.1					0.1	0.1	2
Cash and bank		9.5				9.5		
Total	**0.1**	**123.1**	**18.6**	**0.0**	**0.0**	**141.8**		

* Trade and other receivables balance sheet amount of EUR 122.9 million includes derivative financial instruments amounting to EUR 0.1 million and prepayments and other items that are not financial instruments amounting to EUR 9.2 million.

	Assets and liabilities at fair value through profit and loss: classified as held for trading	Loans and receivables	Available-for-sale	Derivatives used for hedging	Other financial liabilities at amortised cost	Total	Fair value	IFRS 7 fair value hierarchy
Liabilities as per balance sheet								
Non-current interest-bearing liabilities					117.2	117.2		
Non-current non-interest bearing liabilities					0.3	0.3		
Current interest-bearing liabilities					36.6	36.6		
Derivative financial instruments *	0.5			16.9		17.4	17.4	2
Trade and other payables *					199.3	199.3		
Total	**0.5**	**0.0**	**0.0**	**16.9**	**353.4**	**370.8**		

* Trade and other payables balance sheet amount of EUR 217.1 million includes derivative financial instruments amounting to EUR 17.4 million and advance payments that are not financial instruments amounting to EUR 0.5 million.

FINANCIAL INSTRUMENTS BY CATEGORY 2014

	Assets and liabilities at fair value through profit and loss: classified as held for trading	Loans and receivables	Available-for-sale	Derivatives used for hedging	Other financial liabilities at amortised cost	Total	Fair value	IFRS 7 fair value hierarchy
Assets as per balance sheet								
Non-current trade and other receivables			7.2			7.2		
Available-for-sale investments			13.2			13.2		
Trade and other receivables *		113.4				113.4		
Derivative financial instruments	0.6					0.6	0.6	2
Cash and bank		16.4				16.4		
Total	**0.6**	**129.9**	**20.4**	**0.0**	**0.0**	**150.8**	**0.6**	**2**

* Trade and other receivables balance sheet amount of EUR 122.2 million includes derivative financial instruments amounting to EUR 0.6 million and prepayments and other items that are not financial instruments amounting to EUR 8.2 million.

Liabilities as per balance sheet								
Non-current interest-bearing liabilities					121.8	121.8		
Non-current non-interest bearing liabilities					0.1	0.1		
Current interest-bearing liabilities					36.4	36.4		
Derivative financial instruments *	0.5			17.2		17.7	17.7	2
Trade and other payables *					198.7	198.7		
Total	**0.5**	**0.0**	**0.0**	**17.2**	**356.9**	**374.6**	**17.7**	**2**

* Trade and other payables balance sheet amount of EUR 216.3 million includes derivative financial instruments amounting to EUR 17.7 million.

The balance sheet values best correspond to the amount of money which is the maximum amount of credit risk in the event that counterparties are unable to fulfil their obligations associated with the financial instruments. Fair value of financial instruments other than those recorded at fair value is close to balance sheet value and therefore they are not separately disclosed.

16. DEFERRED TAX ASSETS AND LIABILITIES

Specification of deferred tax assets

	1 Jan. 2015	Translation difference	Recognized in income statement	Recognized in equity	Business acquisition/ disposal	31 Dec. 2015
Pension benefits	3.1	0.0	-0.0	0.4	-	3.6
Other timing differences	3.1	0.0	-0.4	-0.4	-	2.4
Adopted losses	23.2	0.1	-0.8	-2.9	-	19.6
Arising from hedge accounting	4.1	-	0.0	-0.1	-	4.1
Total	**33.6**	**0.1**	**-1.2**	**-2.9**	-	**29.7**

Specification of deferred tax liabilities

	1 Jan. 2015	Translation difference	Recognized in income statement	Recognized in equity	Business acquisition/ disposal	31 Dec. 2015
Depreciation difference	10.0	-0.0	-2.2	-3.5	0.0	4.3
Other timing differences	0.9	0.0	-0.1	-	-	0.8
Arising from consolidation	13.7	0.3	-0.2	-	0.9	14.8
Arising from hedge accounting	0.3	-	-	-	-	0.3
Total	**24.9**	**0.3**	**-2.4**	**-3.5**	**1.0**	**20.2**

Specification of deferred tax assets

	1 Jan. 2014	Translation difference	Recognized in income statement	Recognized in equity	Business acquisition/ disposal	31 Dec. 2014
Pension benefits	1.8	-0.1	0.0	1.4	-	3.1
Other timing differences	2.6	-0.2	0.8	-	-	3.1
Adopted losses	19.0	-0.3	4.5	-	-	23.2
Arising from hedge accounting	3.9	-	-0.1	0.3	-	4.1
Total	**27.3**	**-0.6**	**5.2**	**1.7**	-	**33.6**

Specification of deferred tax liabilities

	1 Jan. 2014	Translation difference	Recognized in income statement	Recognized in equity	Business acquisition/ disposal	31 Dec. 2014
Depreciation difference	11.2	0.2	-1.4	-	-	10.0
Other timing differences	0.9	-0.0	0.0	-	-	0.9

Arising from consolidation	14.6	-0.8	-0.1	-	-	13.7
Arising from hedge accounting	0.3	-	-	0.0	-	0.3
Total	**26.9**	**-0.6**	**-1.5**	**0.0**	**-**	**24.9**

Utilisation of deferred tax assets related to losses in taxation is based on the same assumptions that are used in goodwill impairment testing in note 11.

Deferred tax liability has not been recognized in respect of retained profits of subsidiaries, amounting to EUR 20.6 (21.3) million, as the assets have been used to safeguard the foreign companies' own investment needs.

On 31 December 2015, the Group had EUR 2.3 million of losses, on which no deferred tax receivable has been recognized because the Group is unlikely to accumulate taxable income against which the losses could be utilised before the losses expire.

17. INVENTORIES

	2015	2014
Materials and supplies	71.5	73.2
Unfinished products	5.0	5.3
Finished products	40.1	36.9
Other inventories	0.4	1.8
Prepayments for inventories	1.1	0.5
Biological assets	6.2	7.7
Total inventories	**124.2**	**125.4**

Fair value hierarchy level of the biological assets is 1. There were no transfers between any levels during the year.

18. TRADE AND OTHER CURRENT RECEIVABLES

	2015	2014
Trade receivables from associates	1.3	2.2
Loan receivables from associates	0.2	-
Other receivables from associates	0.0	0.2
Current receivables from associates	1.5	2.4
Trade receivables	103.5	103.5
Loan receivables	0.1	0.2
Other receivables	8.2	7.1
Current receivables from others	111.8	110.8
Current derivative receivables	0.1	0.6
Interest receivables	0.3	0.3
Other prepayments and accrued income	9.1	8.1
Current prepayments and accrued income	9.5	8.5
Trade and other receivables	122.9	122.2
Tax receivables (income taxes)	0.0	0.2
Total current receivables	**122.9**	**122.4**

AGE BREAKDOWN OF TRADE RECEIVABLES AND ITEMS RECOGNISED AS IMPAIRMENT LOSSES

	2015	Impairment losses	Net 2015	2014	Impairment losses	Net 2014
Unmatured	98.2	0.0	98.2	96.9	0.1	96.8
Matured:						
Under 30 days	6.6	0.0	6.6	8.3	0.0	8.3
30–60 days	0.3	0.0	0.3	0.3	0.0	0.3
61–90 days	0.1	0.0	0.1	0.4	0.0	0.4
over 90 days *	0.7	-1.1	-0.4	0.2	0.2	-0.0
Total	**105.9**	**-1.1**	**104.8**	**106.0**	**0.3**	**105.7**

* Comprise among other receivables to be set off against payments for animals

19. CASH AND CASH EQUIVALENTS

The balance sheet values best correspond to the amount of money which is the maximum amount of credit risk in the event that counterparties are unable to fulfil their obligations associated with the financial instruments.

Cash and cash equivalents according to the cash flow statement are as follows:

	2015	2014
Cash and bank	9.5	16.4
Short-term money market investments	-	-
Other financial instruments	-	-
Total cash and cash equivalents	**9.5**	**16.4**

There are no significant concentrations of credit risk associated with cash and cash equivalents.

20. ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

In 2014 the assets and liabilities related to Koks Munatootmine OÜ (part of Baltics segment) and hatcheries in Finland (part of Finland segment) have been presented as held for sale following the approval of the Group's management at the end of 2014 to sell these operations. The transaction was completed at the end of March 2015.

Assets of disposal group classified as held for sale

Segment	Finland	Baltics	Total
Intangible assets	0.1	0.1	0.2
Tangible assets	2.1	4.3	6.5
Inventories	0.7	0.9	1.6
Current receivables	1.1	0.0	1.1
Cash and cash equivalents	0.0	0.0	0.0
	4.0	**5.4**	**9.4**

Liabilities of disposal group classified as held for sale

Segment	Finland	Baltics	Total
Current liabilities, non interest-bearing	0.6	0.3	0.8

Assets and liabilities held for sale are stated at the carrying amount. There is no material difference to fair value less costs to sell. Basis for fair value has been the contract made with the buyer (fair value hierarchy level 2).

21. NOTES RELATING TO EQUITY

The effects of changes in the number of outstanding shares are presented below.

	Number of outstanding shares (1 000)	**Share capital (EUR million)**	**Share premium reserve (EUR million)**	**RIUE (EUR million)**	**Treasury shares (EUR million)**	**Total (EUR million)**
1 Jan. 2014	53 973	66.8	72.9	143.5	-0.0	283.1
31 Dec. 2014	53 973	66.8	72.9	143.5	-0.0	283.1
1 Jan. 2015	53 973	66.8	72.9	143.5	-0.0	283.1
31 Dec. 2015	53 973	66.8	72.9	143.5	-0.0	283.1

The shares have no nominal value. All issued shares have been paid up in full. The company's stock is divided into Series A and K shares, which differ from each other in the manner set out in the Articles of Association. Each share gives equal entitlement to a dividend. K Shares produce 20 votes and A Shares 1 vote each. A Shares numbered 49 626 522 and K Shares 5 400 000.

The equity reserves are described below:

SHARE PREMIUM RESERVE

In share issues decided while the earlier Finnish Companies Act (29.9.1978/734) was in force, payments in cash or kind obtained on share subscription less transaction costs were recognized under equity and the share premium reserve in accordance with the terms of the arrangements.

RESERVE FOR INVESTED UNRESTRICTED EQUITY

The reserve for invested unrestricted equity (RIUE) contains other investments of an equity nature and share issue price inasmuch as this is not recognized under equity pursuant to an express decision to that effect.

TREASURY SHARES

At the beginning and at the end of the financial year 2015, HKScan held 1 053 734 treasury A Shares. At the end of the year, they had a market value of EUR 4.01 million and accounted for 1.92 per cent of all shares and 0.67 per cent of all votes. The acquisition cost is presented in the balance sheet as a deduction from equity.

TRANSLATION DIFFERENCES

The translation differences reserve includes exchange differences arising on the translation of foreign units' financial statements as well as gains and losses arising on the hedging of net investments in foreign units when hedge accounting requirements are satisfied.

REVALUATION RESERVE AND OTHER RESERVES

These reserves are for changes in the value of available-for-sale financial assets and changes in the fair value of derivative instruments used in cash flow hedging. The revaluation reserve includes EUR 0.6 million (EUR 0.6 million) other than hedging instrument related items. The following is an itemisation of events in the hedging instruments reserve during the financial period.

Hedging instruments reserve	**2015**	**2014**
Fair value reserve and hedging instruments reserve on 1 Jan.	-13.3	-11.4
Amount recognized in equity in the financial period (effective portion), interest rate derivatives	1.5	-2.8
Amount recognized in equity in the financial period (effective portion), commodity derivatives	-1.1	0.4
Share of deferred tax asset of changes in period	-0.1	0.5
Fair value reserve and hedging instruments reserve on 31 Dec.	-13.0	-13.3

DIVIDENDS

A dividend of EUR 0.49 (0.10) per share, totaling EUR 26.4 (5.4) million, was distributed in 2015. Since the reporting date, the Board of Directors has proposed that a dividend of EUR 0.14 per share, totaling EUR 7.6 million, be declared.

22. PENSION OBLIGATIONS

	2015	2014
Pension liability / receivable in balance sheet		
Defined benefit plans	17.6	14.6
Other long-term employee benefits	1.1	1.1
Pension liability (+) / receivable(-) in balance sheet	18.8	15.7
Change in liabilities / receivables arising from defined benefit plans in the financial period		
Balance on 1 Jan.	14.6	8.4
Defined benefit pension expense in income statement	1.7	1.0
Payments into the pension plan	-0.6	-0.9
Actuarial changes	2.0	6.2
Liabilities / receivables at end of financial period	17.6	14.6

The Group’s defined benefit plans consist of the pension liability for the former CEO of the parent company and the Swedish pension programme. The company’s pension commitment in respect of the defined benefit relating to the former CEO was EUR 2.9 million on 31 December 2015. The remaining pension liability relates to the Swedish pension programme.

23. PROVISIONS

	1 Jan. 2015	Translation difference	Increase in provisions	Exercised in financial period (-)	31 Dec. 2015
Non-current provisions	0.1	-	-	-	0.1
Current provisions	3.1	0.0	-	-2.7	0.4
Total	**3.1**	**0.0**	**0.0**	**-2.7**	**0.4**

	1 Jan. 2014	Translation difference	Increase in provisions	Exercised in financial period (-)	31 Dec. 2014
Non-current provisions	0.1	-	-	-	0.1
Current provisions	-0.0	-0.2	3.9	-0.6	3.1
Total	**0.1**	**-0.2**	**3.9**	**-0.6**	**3.1**

24. LIABILITIES

	2015	2014
NON-CURRENT LIABILITIES		
Interest-bearing		
Bond	99.5	99.4
Bank loans	0.2	0.2
Pension loans	15.0	22.1
Other liabilities	2.5	0.0
Non-current interest-bearing liabilities	**117.2**	**121.8**
Non-interest-bearing		
Other liabilities	0.3	0.1
Non-current non-interest-bearing liabilities	**0.3**	**0.1**
Non-current provisions	0.1	0.1
Deferred tax liability	20.2	24.9
Pension obligations	18.8	15.7
Non-current liabilities	**156.6**	**162.6**
CURRENT INTEREST-BEARING LIABILITIES		
Bank loans	-	16.0
Commercial paper	27.0	11.0
Pension loans	7.1	7.1
Other liabilities	2.5	2.2
Current interest-bearing liabilities	**36.6**	**36.4**

TRADE AND OTHER PAYABLES		
Advances received	0.5	0.0
Trade payables	108.7	106.5
Accruals and deferred income		
- Short-term interest payable	0.9	1.0
- Matched staff costs	53.9	52.7
- Other short-term accruals and deferred income	27.6	30.6
Derivatives	17.4	17.7
Other liabilities	8.1	7.9
Trade and other payables	**217.1**	**216.3**
Income tax liability	0.9	0.0
Current provisions	0.4	3.1
Current liabilities	**255.0**	**255.8**
Liabilities	**411.5**	**418.3**

Amounts of the Group’s interest-bearing liabilities and their contractual re-pricing periods are as follows:

	31 Dec. 2015	**31 Dec. 2014**
Under 6 months	31.9	28.9
6–12 months	11.4	14.5
1–5 years	110.5	114.7
Over 5 years	0.0	0.0
Total	**153.8**	**158.1**

OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(A) FINANCIAL ASSETS

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

				Related amounts not set off in the balance sheet		
As at 31 Dec. 2015	**Gross amounts of recognised financial assets**	**Gross amounts of recognised financial liabilities set off in the balance sheet**	**Net amounts of financial assets presented in the balance sheet**	**Financial instruments**	**Cash collateral received**	**Net amount**
Interest rate derivatives	-	-	-	-	-	-
Foreign exchange derivatives	22.5	22.5	0.1	-	-	-
Electricity derivatives	-	-	-	-	-	-
Trade receivables	0.5	-	0.5	-	0.2	0.3
Total	**23.0**	**22.5**	**0.6**	**-**	**0.2**	**0.3**

				Related amounts not set off in the balance sheet		
As at 31 Dec. 2014	**Gross amounts of recognised financial assets**	**Gross amounts of recognised financial liabilities set off in the balance sheet**	**Net amounts of financial assets presented in the balance sheet**	**Financial instruments**	**Cash collateral received**	**Net amount**
Interest rate derivatives	-	-	-	-	-	-
Foreign exchange derivatives	60.8	60.4	0.4	-	-	-
Electricity derivatives	-	-	-	-	-	-
Trade receivables	0.4	-	0.4	-	0.2	0.2
Total	**61.2**	**60.4**	**0.8**	**-**	**0.2**	**0.2**

(B) FINANCIAL LIABILITIES

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements.

				Related amounts not set off in the balance sheet		
As at 31 Dec. 2015	**Gross amounts of recognised financial assets**	**Gross amounts of recognised financial liabilities set off in the balance sheet**	**Net amounts of financial assets presented in the balance sheet**	**Financial instruments**	**Cash collateral received**	**Net amount**
Interest rate derivatives	142.6	128.5	14.0	-	-	-
Foreign exchange derivatives	16.2	15.9	0.3	-	-	-
Electricity derivatives	8.1	5.2	2.9	-	-	-
Total	**166.9**	**149.6**	**17.2**	**-**	**-**	**-**

				Related amounts not set off in the balance sheet		
As at 31 Dec. 2014	**Gross amounts of recognised financial assets**	**Gross amounts of recognised financial liabilities set off in the balance sheet**	**Net amounts of financial assets presented in the balance sheet**	**Financial instruments**	**Cash collateral received**	**Net amount**
Interest rate derivatives	173.3	157.6	15.7	-	-	-
Foreign exchange derivatives	9.7	9.6	0.1	-	-	-
Electricity derivatives	7.9	6.3	1.7	-	-	-
Total	**190.9**	**173.5**	**17.5**	**-**	**-**	**-**

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. Per the terms of each agreement, an event of default includes failure by a party to make payment when due; failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within periods of 30 to 60 days after notice of such failure is given to the party; or bankruptcy.

25. FINANCIAL RISK MANAGEMENT

The duty of the Group Treasury in the HKScan Group is to ensure cost-effective funding and financial risk management for Group companies and to attend to relations with financiers. The treasury policy approved by the Board provides the principles for financial risk management in the Group. The policy is supplemented by separate guidelines and instructions, as well as approval practices.

Financial risks mean unfavourable movements taking place in the financial markets that may erode accrual of the company's result or reduce cash flows. Financial risk management aims to use financial means to hedge the company's intended earnings performance and equity and to safeguard the Group's liquidity in all circumstances and market conditions.

External funding of the Group's operations and financial risk management is centralised to the Group Treasury operating under the Group Treasurer. The Group Treasury identifies and assesses the risks and acquires the instruments required for hedging against the risks, in close co-operation with the operational units.

Risk management may employ various instruments, such as currency forwards and options, interest-rate or currency swaps, foreign currency loans and commodity derivatives. Derivatives are used for the sole purpose of hedging, not for speculation. Funding of the Group's subsidiaries is managed mainly through the parent company. The subsidiaries may not accept new external funding, nor may they give guarantees or pledges without the permission of the Group Treasury in the parent company.

FOREIGN EXCHANGE RISK

The Group's home market consists of Finland, Sweden, Denmark and the Baltics. HKScan is active in ten countries altogether. The company produces, sells and markets pork, beef, poultry and lamb products, processed meats and convenience foods to retail, food service, industry and export sectors.

Transaction risk arises when the Group companies engage in foreign currency denominated import and export both outside and within the Group. The aim of transaction risk management is to hedge the Group's business against foreign exchange rate movements and allow the business units time to react and adapt to fluctuations in exchange rates. Foreign exchange risk exposures, which include sales, purchases and financing related contractual cash flows (balance sheet items and committed cash flows), as well as highly probable forecasted cash flows, are hedged through forward contracts made with the parent company. The business units report their risk exposures and hedging levels to the Group Treasury on a regular basis.

The subsidiaries must hedge balance sheet items in full amount and committed cash flows from 50 to 100 per cent. In addition, forecasted, highly probable cash flows are hedged 0–50 per cent for up to 12 months into the future. The Group Treasury can use currency forwards, options and swaps as hedging instruments. The Treasury targets to hedge fully its significant foreign exchange risk exposures.

Translation risk arises from the consolidation of equity into the basic currency in subsidiaries whose operational currency is not the euro. The largest foreign currency denominated equities of the Group companies are in Swedish krona and Danish krone. Fluctuations of exchange rates affect the amount of consolidated equity, and translation differences are generated in connection with the consolidation of equity in accounting. The Group Treasury identifies and manages foreign exchange translation risks according to the Treasury Policy. HKScan Group is not hedging translation risk currently.

The equities of the Group's non-euro-denominated subsidiaries and associates are presented in the following table in million euros.

	2015	2014
Currency	Exposure	Exposure
SEK	121.7	121.2
PLN	4.3	3.1
DKK	23.8	31.9

The parent company's functional currency is euro. Net position of assets and liabilities denominated in the most significant foreign currencies translated into euro at the exchange rates of the reporting date:

	2015				2014			
	USD	JPY	SEK	GBP	USD	JPY	SEK	GBP
Net position before hedging	2.2	1.1	21.9	2.8	3.6	0.9	24.6	1.8
Hedging	-1.6	-1.0	-26.6	-1.4	-1.6	-0.9	-23.2	-0.3
Open position	0.6	0.0	-4.7	1.4	2.0	0.0	1.4	1.5

The following table analyses the strengthening or weakening of the euro against the US dollar, Japanese yen, Swedish krona and British pound sterling, all other factors remaining unchanged. The movements represent average volatility over the past 12 months. Sensitivity analysis is based on assets and liabilities denominated in foreign currencies at the reporting date. The effects of currency derivatives, which offset the effects of changes in exchange rates, are also taken into account in sensitivity analysis. Net investments in foreign units and the instruments used to hedge these have been excluded from sensitivity analysis.

In respect of the foreign currencies, the effect would mainly be due to changes in the exchange rates applicable to foreign currency denominated trade receivables and payables.

	2015				2014			
	USD	JPY	SEK	GBP	USD	JPY	SEK	GBP
Movement (+/-), %	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Effect on profit before taxes	0.1	0.0	0.4	0.1	0.2	0.0	0.1	0.1

The following assumptions were used in calculating sensitivity to currency risks:

Forecast future cash flows have not been taken into account in the calculation but financial instruments such as forward contracts used to cover these positions are included in the analysis.

The calculation and estimates of reasonably possible changes in exchange rates are based on the assumption of ordinary market and business conditions.

INTEREST RATE RISK

The Group's main exposure to interest rate risk arises through interest-bearing liabilities. The goal of interest rate risk management is to reduce the fluctuation of interest expenses in the income statement, minimize debt servicing costs and improve predictability. The Group's short-term money market investments expose it to cash flow interest rate risk, but the impact is not significant as these investments are targeted to keep in minimum. Group revenues and operative cash flows are mainly independent of fluctuations in market rates.

Interest rate risk is measured by the effect of interest rate movements on the total forecasted debt portfolio. The relevant measurement horizons are selected in accordance with the rolling business strategy planning and possible major investment programmes.

To manage interest rate risks, Group borrowings are spread across fixed and variable interest instruments. The company may borrow at fixed or variable interest rates and use interest rate derivatives to achieve a result that is in line with the Treasury policy. The goal of the policy is to keep the fixed interest term of the loans between 12 and 48 months. On the balance sheet date the fixed interest term was 43 months.

The Group monitors and analyses its interest rate risk position on a regular basis. The Group has determined sensitivity limits for interest rate movements. The sensitivity of net financial expenses on the balance sheet date to an increase/ decrease of one per cent in interest rates, all other things being equal, was approximately EUR 0.7 (0.4) million before taxes over the next 12 months. The sensitivity analysis was prepared based on the amounts and maturities of interest-bearing liabilities and interest rate derivatives on the balance sheet date.

COUNTERPARTY RISK

Financial counterparty risk refers to the risk that a counterparty may fail to fulfill its contractual obligations. The risks are mostly related to investment activities and counterparty risks in derivative contracts. Banks that finance the Group are used as counterparties whenever possible, as well as a few other specified counterparties. Cash may be invested in bank deposits, certificates of deposit, municipal papers and the commercial paper programmes of certain specified companies listed on the main list of the Nasdaq Helsinki and to certain state-owned companies. Because of the limited extent of the investment activities, the resulting counterparty and price risks are not significant.

COMMODITY RISK

The Group is exposed to commodity risks that are related to the availability and price fluctuations of commodities. In addition to meat raw materials physical, electricity consumption is one of the most significant commodity risks in the Group companies. The subsidiaries can hedge against fluctuation in market prices for electricity and other commodities by procuring fixed-price products or through derivative contracts with the Group Treasury. The subsidiaries can hedge against significant commodity risks through direct derivative contracts only with the permission of the Group Treasury. The companies may use external parties to assist them in commodity risk management.

The Group uses electricity derivatives in Finland and Sweden to level out energy costs. The electricity price risk is evaluated for five-year periods. The value changes of derivatives hedging the price of electricity supplied during the period are included in the adjustment items of purchases. Hedge accounting is applied to contracts hedging future purchases.

A sensitivity analysis for electricity derivatives assumes that derivatives maturing in less than 12 months have an impact on profit. If the market price of electricity changed by +/-10 percentage points from the balance sheet date, the impact would be as follows, calculated before tax:

EUR million	2015	2014
Electricity – effect in income statement	+/- 0.2	+/- 0.6
Electricity – effect in equity	+/- 0.3	+/- 0.3

CREDIT RISK

The Group's Treasury Policy and related guidelines specify the credit quality requirements and investment principles applied to customers and counterparties to investment transactions and derivative contracts. The Group Treasury is responsible for defining the principles for credit management within the Group and updating the Credit Policy as well as instructing the Group's subsidiaries in credit management.

Credit risk results from a customer's possible failure to fulfil its payment obligations. The Group's trade receivables are spread among a wide customer base, the most important customers being central retail organizations in the various market areas. The creditworthiness, payment behaviour and credit limits of the clients are monitored systematically. As a main principle some type of securing is needed for all credit granted. The security can be credit insurance, a bank guarantee, or a security deposit. In addition, the Group is exposed to minor credit risk in remaining financing investments of primary production contract producers.

The amount of impairment losses recognized through profit or loss in the financial period was EUR 1.1 (0.3) million. The Group's maximum exposure to credit risk equals the carrying amount of financial assets at year-end. The age breakdown of trade receivables is presented in Note 18.

LIQUIDITY AND REFINANCING RISK

The Group constantly assesses and monitors the amount of funding required for operations by means such as preparation and analysis of cash flow forecasts. The Group maintains adequate liquidity under all circumstances to cover its business and financing needs in the foreseeable future.

The availability of funding is ensured by spreading the maturity of the borrowing portfolio, financing sources and instruments. In general, cash and cash equivalents are targeted to keep in minimum. The Group also has revolving credit facilities with banks, bank borrowings, current accounts with overdraft facilities and the short-term EUR 200 million Finnish commercial paper programme. Liquidity risk is managed by retaining long-term liquidity reserves and by exceeding short-term liquidity requirements. The Group's liquidity reserve includes cash and cash equivalents, money market investments and long-term unused committed credit facilities. Short-term liquidity requirements include the repayments of short- and long-term debt within the next 12 months, expected dividends, as well as a specifically defined strategic liquidity requirement, which covers the operative funding needs.

The Group's liquidity remained good in 2015. Undrawn committed credit facilities on 31 December 2015 stood at EUR 100.0 (136.5) million. Committed credit facilities were refinanced in 2015 and the total size of them were deliberately lowered due to the improved liquidity situation. In addition, the Group had other undrawn overdraft and other facilities amounting to EUR 20.4 (22.3) million. The overdraft facility agreements are in force until further notice. At year end, the company's EUR 200 million commercial paper programme had been drawn in the amount of EUR 27.0 (11.0) million. The credit available from the loan facilities is subject to variable rates and the related interest rate risk is managed through derivative instruments.

The average rate of interest (including commitment fees) paid by the Group was 3.1 (3.5) per cent at the balance sheet date.

The company's current loan agreements are subject to the net gearing ratio financial covenant. Financiers are provided with quarterly reports on the observance of the financial loan covenant. If the Group is in breach of the covenant, the creditor may demand accelerated loan repayment. The Management monitors the fulfillment of the loan covenant on a regular basis. On 31 December, the financial covenant was well below the covenant level.

The Group Management has identified no significant concentrations of liquidity risk in financial assets or sources of funding.

THE NUMBER OF THE GROUP'S COMMITMENTS ON THE BALANCE SHEET DATE BY TYPE OF CREDIT

2015

Credit type	**Size**	**In use**	**Available**
Overdraft facility	20.4	0.0	20.4
Credit limit	100.0	0.0	100.0
Total	**120.4**	**0.0**	**120.4**

2014

Credit type	**Size**	**In use**	**Available**
Overdraft facility	22.3	0.0	22.3
Credit limit	136.5	0.0	136.5
Total	**158.8**	**0.0**	**158.8**

A contractual maturity analysis of the Group’s interest-bearing financial liabilities is presented in the following table. The figures are undiscounted and include repayment of capital only.

The table below analyses the Group’s financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period on the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. Except for interest rate derivatives, the amounts disclosed in the table are the contractual undiscounted cash flows.

Maturity analysis only applies to financial instruments and statutory liabilities are therefore excluded. The amounts also include interest on financial liabilities and margin on loan.

31 DEC. 2015

MATURITY OF FINANCIAL LIABILITIES

			Cashflows					
Credit type	**Balance sheet 31 Dec. 2015**	**Cashflows sum**	**2016**	**2017**	**2018**	**2019**	**2020**	**>2020**
Syndicated loans	-	-	-	-	-	-	-	-
Bond	99.5	114.7	3.7	3.7	3.7	103.7	-	-
Bank loans	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.1
Pension loans	22.1	23.7	7.8	7.6	5.3	3.0	-	-
Commercial paper programme	27.0	27.0	27.0	-	-	-	-	-
Other borrowing	4.9	4.9	4.9	0.0	0.0	0.0	0.0	0.0
Trade and other payables	217.1	217.1	217.1	-	-	-	-	-
Total	**370.9**	**387.7**	**260.6**	**11.3**	**9.0**	**106.7**	**0.0**	**0.1**

31 DEC. 2014

MATURITY OF FINANCIAL LIABILITIES

			Cashflows					
Credit type	**Balance sheet 31 Dec. 2014**	**Cashflows sum**	**2015**	**2016**	**2017**	**2018**	**2019**	**>2019**
Syndicated loans	-	-	-	-	-	-	-	-
Bond	99.4	118.4	3.7	3.7	3.7	3.7	103.7	-
Bank loans	16.2	16.5	16.3	0.0	0.0	0.0	0.0	0.1
Pension loans	29.3	30.8	7.8	7.6	7.4	5.1	2.9	-
Commercial paper programme	11.0	11.0	11.0	-	-	-	-	-
Other borrowing	2.2	2.2	2.2	-	-	-	-	-
Trade and other payables	216.3	216.3	216.3	-	-	-	-	-
Total	**374.4**	**395.3**	**257.3**	**11.3**	**11.1**	**8.8**	**106.6**	**0.1**

The following table presents the nominal value and fair values (EUR million) of derivative instruments. The derivatives mature within the next 12 months except for interest rate derivatives and commodity derivatives, the maturity of which is presented separately.

	2015	2015	2015	2014	2014	2014
	Positive fair value	**Negative fair value**	**Fair value net**	**Fair value net**	**Nominal value**	**Nominal value**
Interest rate derivatives	-	-14.0	-14.0	-15.7	128.5	157.6
matured in 2015				-		-
matures in 2016	-	-	-	-1.1	0.0	30.0
matures in 2017	-	-0.4	-0.4	-0.9	5.4	25.3
matures in 2018	-	-1.1	-1.1	-1.2	16.3	16.0
matures in 2019	-	-1.6	-1.6	-10.6	25.4	71.3
matures in >2019	-	-10.9	-10.9	-1.9	81.3	15.0
of which defined as cash flow hedging instruments	-	-14.0	-14.0	-15.5	128.5	137.6
Foreign exhange derivatives	0.1	-0.3	-0.2	0.3	57.7	70.5
of which defined as net investment hedging instruments	-	-	-	-	-	-
Commodity derivatives	-	-2.9	-2.9	-1.7	8.1	7.6
matured in 2015				-0.8		3.6
matures in 2016	-	-1.6	-1.6	-0.5	3.6	2.6
matures in 2017	-	-0.9	-0.9	-0.3	2.8	1.3
matures in 2018	-	-0.3	-0.3	-	1.2	-
matures in 2019	-	-0.1	-0.1	-	0.5	-
of which defined as cash flow hedging instruments	-	-2.9	-2.9	-1.7	8.1	7.6

DERIVATIVES TO WHICH HEDGE ACCOUNTING APPLIES

Changes in the fair values after taxes of interest rate swaps designated as hedges of cash flow amounting to EUR 1.2 (-2.2) million are recognized under other comprehensive income. All of the parent company's interest rate derivatives are designated as hedging instruments of cash flow to which hedging accounting is applied.

Changes in the fair values of the effective portions after taxes of commodity derivatives designated as hedges of cash flow amounting to EUR -0.9 (0.3) million are recognized under other comprehensive income. The hedged highly probable transactions are estimated to occur at various dates during the next 60 months. Gains and losses accumulated in the hedging instruments reserve are included as reclassification adjustments in the income statement when the hedged transaction affects profit or loss.

CAPITAL MANAGEMENT

The purpose of capital management in the Group is to support business through an optimal capital structure by safeguarding a normal operating environment and enabling organic and structural growth. An optimal capital structure also generates lower costs of capital.

Capital structure is influenced by controlling the amount of working capital tied up in the business and through reported profit/loss, distribution of dividend and share issues. The Group may also decide on the disposal of assets to reduce liabilities.

The tools to monitor the development of the Group’s capital structure are the equity ratio and net gearing ratio. Equity ratio refers to the ratio of equity to total assets. Net gearing ratio is measured as net liabilities divided by equity. Net liabilities include interest-bearing liabilities less interest-bearing short term receivables and cash and cash equivalents.

On the balance sheet date the equity ratio was 50.9 per cent. The target in respect of net gearing ratio is below 100 per cent. On the balance sheet date the net gearing ratio was 33.8 per cent.

NET GEARING RATIO

	2015	2014
Interest-bearing liabilities	153.8	158.1
Interest-bearing short-term receivables	0.2	0.2
Cash and bank	9.5	16.4
Interest-bearing net liabilities	144.0	141.5
Equity	425.8	445.2
Net gearing ratio	33.8 %	31.8 %

26. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

THE FAIR VALUE DETERMINATION PRINCIPLES APPLIED BY THE GROUP ON ALL FINANCIAL INSTRUMENTS

When determining the fair values of the financial assets and liabilities, the following price quotations, assumptions and measurement models have been used.

Available-for-sale financial assets

Unlisted investments in shares were measured at acquisition cost because it was not possible to measure them at fair value using the methods of measurement or their amount was low.

Derivatives

The fair values of currency forward contracts 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 rate or other market information at the reporting date. If the market value given by a counterparty is used, the Group also produces its own calculation using generally accepted valuation methods. The fair values of commodity derivatives are determined by using publicly quoted market prices. The fair values are equal to the prices which the Group would have to pay or would obtain if it were to terminate a derivative instrument.

Bank loans

The fair values of liabilities are based on the discounted cash flows. The rate used for measurement is the rate at which the Group could obtain corresponding credit from a third party on the reporting date. The overall rate consists of a risk free rate and a risk premium (margin on loan) for the company.

Finance lease liabilities

The fair value is measured by discounting future cash flows by an interest rate which corresponds to the interest rate of future leases.

Trade and other receivables

The original carrying amounts of non-derivative based receivables are equal to their fair values, as discounting has no material effect taking into account the maturity of the receivables.

Trade and other payables

The original carrying amounts of trade and other payables are equal to their fair values, as discounting has no material effect taking into account the maturity of the payables.

Fair value hierarchy for financial assets and liabilities measured at fair value. Fair values at end of reporting period.

	31 Dec. 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	-	-	-	-
Available-for-sale financial assets				
Investments in shares	0.0	0.0	0.0	0.0
Total	**0.1**	**0.0**	**0.1**	**0.0**

Liabilities measured at fair value				
Financial assets recognised at fair value through profit or 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
of which subject to net investment hedging	-	-	-	-
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**

	31 Dec. 2014	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	0.4	0.0	0.4	0.0
Commodity derivatives	-	-	-	-
Available-for-sale financial assets				
Investments in shares	0.0	0.0	0.0	0.0
Total	**0.4**	**0.0**	**0.4**	**0.0**

Liabilities measured at fair value				
Financial assets recognised at fair value through profit or loss				
Trading derivatives				
Interest rate swaps	-15.7	0.0	-15.7	0.0
of which subject to cash flow hedging	-15.5	0.0	-15.5	0.0
Foreign exchange derivatives	-0.1	0.0	-0.1	0.0
of which subject to net investment hedging	-	-	-	-
Commodity derivatives	-1.7	0.0	-1.7	0.0
of which subject to cash flow hedging	-1.7	0.0	-1.7	0.0
Total	**-17.5**	**0.0**	**-17.5**	**0.0**

The quoted prices of Level 1 foreign exchange and commodity derivatives are based on prices quoted on the market. The fair values of Level 2 instruments are to a significant degree based on inputs other than the quoted prices included in Level 1 but nonetheless observable for the relevant asset or liability either directly or indirectly (derived from prices). In determining the fair value of these instruments, the Group uses generally accepted measurement models, the inputs of which are nonetheless to a considerable degree based on observable market information. The fair values of Level 3 instruments are based on inputs which are not based on observable market information; rather to a significant degree on the Management estimates and measurement models generally acceptable for their use.

27. OTHER LEASES

THE GROUP AS LESSEE

The Group leases many of its premises. The leases have usually been made until further notice and normally include the possibility to continue the agreement after the original date of termination. Leases generally include an index clause. In addition, other rent commitments include various machinery and equipment. The lengths of these leases are from three to five years on average.

Minimum rents payable on the basis of irrevocable lease agreements:

Other rent commitments	**2015**	**2014**
Maturing in less than a year	6.7	7.2
Maturing in 1–5 years	16.4	20.7
Maturing in over 5 years	13.4	11.8
Other rent commitments, total	**36.5**	**39.8**
Rent receivables on other irrevocable lease agreements		
Maturing in less than a year	0.1	0.1
Maturing in 1–5 years	0.1	0.0
Maturing in over 5 years	0.0	0.0
Rent receivables, total	**0.1**	**0.1**

28. CONDITIONAL ASSETS AND LIABILITIES AND PURCHASE COMMITMENTS

Commitments and contingent liabilities	**2015**	**2014**
Loans secured by mortgages	0.2	29.5
On own behalf		
Mortgages given	0.4	10.7
Assets pledged	3.2	3.2
On behalf of others		
Guarantees	2.7	7.1
Other commitments	7.5	6.5
Leasing commitments		
Leasing commitments maturing in less than a year	4.6	6.3
Leasing commitments maturing in 1–5 years	6.3	8.1
Leasing commitments maturing in over 5 years	0.1	0.3
Total	**24.7**	**42.2**

29. RELATED PARTY TRANSACTIONS

Parties are considered related parties if one of the parties is able to exercise control or a significant influence over the other in decisions affecting its finances and business. The Group's related parties include the associates and joint ventures. Related parties also include the Supervisory Board and Board of Directors of the Group parent's parent entity (LSO Osuuskunta), the members of the Group's Board of Directors, the Group's CEO, the deputy CEO and their immediate family members, as well as the members of the Group Management Team. The Group strives to treat all parties equally in its business.

HKScan Corporation's principal owner, LSO Osuuskunta, is a cooperative of 1 200 Finnish meat producers. The cooperative fosters its members' meat production and marketing by exercising its power of ownership in HKScan. Today, LSO Osuuskunta has no actual business, but receives an income in the form of dividend paid by HKScan and, to a lesser extent, income in the form of other investments and rents. The HKScan Group applies pure market price principles to the acquisition of raw meat material.

The sale of animals to the Group by members of the Group's Board of Directors and members of the Supervisory Board and Board of Directors of its parent entity LSO Osuuskunta totalled EUR 13.5 (13.8) million. Said persons purchased animals from the Group with EUR 4.4 (4.9) million.

Information on employee benefits of the Management are presented in Note 4. More information on fees of the Board of Directors and the Management is available in the remuneration statement for 2015, which can be found on the Group's website.

Related party individuals are not otherwise in a material business relationship with the company.

Shares in subsidiaries	Number of shares	Owner-%
Owned by the Group's parent company		
HKScan Finland Oy, Finland	1 000	100.00
HKScan Sweden AB, Sweden	500 000	100.00
HKScan Denmark A/S, Denmark	102 002	100.00
AS HKScan Estonia, Estonia	37 721 700	100.00
UAB HKScan Lietuva, Lithuania	2 000	100.00
AS HKScan Latvia, Latvia	155 920	99.52
HKScan UK Ltd, the UK	999	100.00
HKScan Asia Limited, Hong Kong	10 000	100.00
OOO HKScan, Russia	1	100.00

Owned by HKScan Finland Oy		
Kivikylän Kotipalvaamo Oy, Finland	49	49.00
Lihatukku Harri Tamminen Oy, Finland	49	49.00
Paimion Teurastamo Oy, Finland	25	50.00

Owned by AS HKScan Estonia		
Rakvere Farmid AS, Estonia	6 984	100.00

Owned by HKScan Sweden AB		
HKScan Real Estate AB, Sweden	80 000	100.00
Nordic Genetics AB, Sweden	1 000	100.00
HKScan International AB, Sweden	10	100.00
HKScan Poland Sp.zo.o, Poland	5 000	100.00
Samfood S.A., Belgium	24 999	100.00

Owned by HKScan Real Estate AB		
HKScan Real Estate Halmstad AB, Sweden	3 900	100.00

Owned by HKScan Denmark A/S		
Rose Poultry AB, Sweden	10 000	100.00
Kreatina A/S, Denmark	30 000	100.00

Shares and holdings in associated companies	**Number of shares**	**Owner-%**
Owned by the Group's parent company		
Lihateollisuuden Tutkimuskeskus, Finland	2 600	5.2*
Owned by HKScan Finland Oy		
Länsi-Kalkkuna Oy, Finland	250	50.00
Pakastamo Oy, Finland	660	50.00
Lihateollisuuden Tutkimuskeskus, Finland	22 400	44.80*
Honkajoki Oy, Finland	900	50.00
Envor Biotech Oy, Finland	128	24.62
Finnpig Oy, Finland	40	50.00
Oy LHP Bio-Carbon LTD, Finland	32	24.24
DanHatch Finland Oy, Finland	250	20.00
Owned by HKScan Sweden AB		
Industrislakt Syd AB, Sweden	50 000	50.00
Siljans Chark AB, Sweden	3 680	39.30
AB Tillväxt for svensk animalieproduktion, Sweden	135 500	50.00
Svenska Köttforetagen Holding AB, Sweden	48 000	24.00

Owned by HKScan Denmark A/S		
Tican-Rose GmbH, Germany	1	50.00
HRP Kyllingefarme I/S, Denmark	752	50.00
Farmfood A/S, Denmark	10 000	33.30

* The Group has a total of 50 per cent ownership in Lihateollisuuden Tutkimuskeskus.

The Group conducts business through the associates. The activities include slaughtering, cutting, meat processing, and the use of leasing, waste disposal, research and advisory services. All commercial contracts are negotiated on market terms.

The following transactions were carried out with related parties

	2015	2014
Product sales to associates	70.1	65.9
Sales of animals to related parties	4.4	4.9
Product purchases from associates	46.6	40.2
Purchases of animals from related parties	13.5	16.5

Open balances on 31 December	2015	2014
Trade receivables from associates	1.4	2.4
Trade payables to associates	5.3	2.8

30. EVENTS AFTER THE REPORTING DATE

On 20 January 2016, Group President and CEO Hannu Kottonen and the Group's Board of Directors jointly agreed on the discontinuation of Hannu Kottonen's duties as of 20 January 2016. In the interim, Aki Laiho, deputy CEO and COO, temporarily assumed the position of CEO.

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY INCOME STATEMENT FOR 1 JANUARY - 31 DECEMBER

(EUR)

	Note	2015	2014
Net sales		-	-
Other operating income	1.	12 645 817.13	120 048 177.60
Materials and services		-	-10 813.80
Employee costs	2.	-10 457 922.74	-5 254 106.11
Depreciation and impairment	3.	-428 732.42	-410 695.17
Other operating expenses	4.	-13 874 006.22	-10 366 942.67
EBIT		**-12 114 844.25**	**104 005 619.85**
Financial income and expenses	5.	21 841 420.92	16 041 038.39
Profit/loss before appropriations and taxes		**9 726 576.67**	**120 046 658.24**
Appropriations	6.	2 225.00	-2 265.00
Income taxes	7.	973 883.04	665 056.28
Profit/loss for the period		**10 702 684.71**	**120 709 449.52**

PARENT COMPANY BALANCE SHEET 31 DECEMBER

(EUR)

	Note	2015	2014
ASSETS			
Intangible assets	8.	833 393.00	647 591.00
Tangible assets	8.	2 204 453.24	1 245 610.48
Financial assets	8.	290 949 324.83	290 947 930.31
Non-current assets		**293 987 171.07**	**292 841 131.79**
Non-current receivables	9.	312 706 893.63	314 251 422.42
Deferred tax asset	9.	9 311 035.52	8 205 385.30
Current receivables	10.	8 287 845.59	30 854 296.37
Cash and cash equivalents		6 814 821.73	11 240 445.03
Current assets		**337 120 596.47**	**364 551 549.12**
Assets		**631 107 767.54**	**657 392 680.91**
EQUITY AND LIABILITIES			
Share capital	11.	66 820 528.10	66 820 528.10
Share premium reserve	11.	73 420 363.20	73 420 363.20
Treasury shares	11.	-38 612.12	-38 612.12
Fair value reserve	11.	-1 538 202.49	-1 538 202.49
RIUE	11.	143 075 845.19	143 075 845.19
Other reserves	11.	4 792 003.12	4 709 115.78
Retained earnings	11.	132 448 994.52	38 259 949.12
Profit/loss for the period	11.	10 702 684.71	120 709 449.52
Equity		**429 683 604.23**	**445 418 436.30**
Accumulated appropriations	**12.**	**243 662.00**	**245 887.00**
Provisions	**13.**	**2 857 979.00**	**2 961 239.00**

Deferred tax liability	14.	329 308.75	329 308.75
Non-current interest-bearing liabilities	14.	117 500 005.00	121 576 632.12
Non-current non-interest-bearing liabilities	14.	-	108 004.00
Current interest-bearing liabilities	15.	74 635 632.23	81 130 069.72
Current non-interest-bearing liabilities	15.	5 857 576.33	5 623 104.02
Liabilities		**198 322 522.31**	**208 767 118.61**
Equity and liabilities		**631 107 767.54**	**657 392 680.91**

PARENT COMPANY CASH FLOW STATEMENT

(EUR 1 000)

	2015	2014
EBIT	-12 115	104 006
Adjustments to EBIT	1 320	-113 784
Depreciation and impairment	429	411
Change in provisions	-103	-91
Change in net working capital	2 023	-2 378
Interest income and expenses	6 046	4 115
Dividends received	15 210	9 135
Taxes	-132	-43
Cash flow from operating activities	**12 678**	**1 371**
Purchases of shares in subsidiary	-1	-14 542
Disposals of shares in subsidiary	-	178 842
Purchase of other fixed assets	-1 655	-863
Disposals of other fixed assets	98	93
Repayments of loans receivable	2 364	54 086
Cash flow from investing activities	**805**	**217 616**
Cash flow before financing activities	**13 483**	**218 987**
Non-current borrowings raised	6 000	99 422
Non-current borrowings repaid	-67 374	-366 555
Current borrowings raised	56 769	26 747
Increase/decrease in commercial paper programme	13 144	-15 119
Dividends paid	-26 447	-5 397
Cash flow from financing activities	**-17 908**	**-260 902**
Change in cash and cash equivalents	**-4 425**	**-41 915**

Cash and cash equivalents on 1 Jan.	11 240	53 155
Cash and cash equivalents on 31 Dec.	**6 815**	**11 240**
CHANGE IN WORKING CAPITAL:		
Increase (-) / decrease (+) in current operating receivables	2 239	-2 138
Increase (+) / decrease (-) in current non-interest-bearing liabilities	-215	-240
Total	**2 023**	**-2 378**

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

BASIC INFORMATION ABOUT THE ENTITY

HKScan Corporation is a Finnish public limited company established under the law of Finland. The Company is domiciled in Turku.
HKScan Corporation comprises Group management and Group administration.
HKScan Corporation's A Share has been quoted on the Nasdaq Helsinki since 1997.
HKScan Corporation is a subsidiary of LSO Osuuskunta and part of the LSO Osuuskunta Group. LSO Osuuskunta is domiciled in Turku.
Copies of HKScan Corporation's financial statements are available at the company's registered office at Lemminkäisenkatu 48, 20520 Turku.

ACCOUNTING POLICIES

BASIS OF PREPARATION

The parent company's financial statements have been prepared in compliance with valid Finnish Accounting Standards (FAS). The HKScan Group's consolidated financial statements have been prepared in compliance with the IFRS (International Financial Reporting Standards) and the IAS and IFRS standards and SIC and IFRIC interpretations valid on 31 December 2015.

The amounts in the parent company's income statement and balance sheet are in euros and the amounts in the cash flow statement and notes are in thousands of euros.

TRANSACTIONS IN FOREIGN CURRENCY

Foreign currency denominated transactions are recognized at the exchange rates valid on the transaction date. Trade receivables, trade payables and loan receivables denoted in foreign currencies and foreign currency bank accounts have been translated into the functional currency at the closing rate quoted by the European Central Bank on the balance sheet date. Gains and losses arising from business transactions in foreign currencies and from the translation of monetary items have been recognized in financial income and expenses in the income statement.

DERIVATIVE CONTRACTS

Outstanding derivatives in foreign currencies are measured at the forward exchange rate quoted on the balance sheet date. Hedge accounting is not applied and changes in the value of foreign exchange contracts hedging commercial flows are recognized through profit or loss in other operating income or expenses, and changes in the value of foreign exchange contracts hedging financial items are recognized in the income statement in foreign exchange gains and losses from financing operations.

Hedge accounting is applied on interest rate swaps and commodity derivatives. Changes in the fair value of these derivatives are not recorded in the income statement and balance sheet. The fair values are reported in the notes.

Realised gains or losses on interest rate swaps hedging variable-interest loans are presented under financial items in the income statement. Realised gains or losses on commodity derivatives are presented under materials and services.

PENSION PLANS

HKScan Corporation employees' statutory pension provision has been organised through insurance in a pension insurance company. Statutory pension expenses have been charged in the year to which the contributions relate.

MANAGEMENT RETIREMENT BENEFIT OBLIGATIONS AND SEVERANCE PAYMENTS

The remuneration of the CEO consists of a fixed monthly salary, benefits, supplementary pension benefits and possible incentive awards under the company's incentive scheme. Under the terms of the CEO's executive agreement, the CEO's employment may be terminated by the company and the CEO at six months' notice. In the event that the company terminates the CEO's executive agreement, the CEO will receive an amount that equals 12 months' salary in addition to the salary for the period of notice.

In 2015, CEO Hannu Kottonen was paid a total salary and supplementary pension benefits of EUR 0.7 million.

On 20 January 2016, HKScan announced that Hannu Kottonen will discontinue his duties as CEO of HKScan as of that day.

INCOME TAXES

Consolidated accounting principles are applied to income taxes and deferred tax assets and liabilities when allowed under Finnish accounting principles. The deferred tax liability on depreciation difference is disclosed as a note.

LEASES

All leasing payments have been treated as rent. Leasing payments based on unpaid leasing agreements are shown in contingent liabilities in the financial statements.

ACCUMULATED APPROPRIATIONS

Accumulated appropriations consist of changes in depreciation difference. The difference in depreciation according to plan and accounting depreciation is shown as an appropriation in the income statement and the accumulated difference in depreciation according to plan and accounting depreciation is shown on the balance sheet as accumulated appropriations.

NOTES TO THE PARENT COMPANY'S INCOME STATEMENT

(EUR 1 000)

1. OTHER OPERATING INCOME, TOTAL

	2015	2014
Rental income	1	1
Other operating income	12 628	5 732
Gain on disposal of non-current assets	17	114 315
Other operating income, total	**12 646**	**120 048**
Employees, average	99	40

2. STAFF COSTS

	2015	2014
Salaries and fees	-8 475	-4 501
Pension expenses	-1 400	-707
Other social expenses	-583	-46
Staff costs	**-10 458**	**-5 254**
Managing directors and their deputies	997	866
Members of the Board of Directors	297	266
Management salaries, fees and benefits	**1 294**	**1 132**

3. DEPRECIATION AND IMPAIRMENT

	2015	2014
Depreciation according to plan on non-current assets and goodwill	-429	-411
Total depreciation and impairment	**-429**	**-411**

4. OTHER OPERATING EXPENSES

	2015	2014
Rents/leases	-1 381	-1 061
Losses on disposal of fixed assets, tangible assets total	-1	-1
Losses on disposal of non-current assets	**-1**	**-1**
Audit fees, ordinary audit	-95	-79
Audit fees, other expert services	-23	-42
Audit fees	**-118**	**-121**
Non-statutory staff costs	-2 076	-1 021
Energy	-84	-88
Maintenance	-39	-34
Advertising, marketing and entertainment costs	-770	-304
Service, information management and office costs	-5 783	-4 951
Other expenses	-3 622	-2 786
Total other operating expenses	**-13 874**	**-10 367**

5. FINANCIAL INCOME AND EXPENSES

	2015	2014
Financial income		
Dividends from Group companies	15 208	-
Dividends from participating interests	-	9 135
Income from units	**15 208**	**9 135**
Interest income from Group companies	16 247	22 081
Interest income from participating interests	2	22
Interest income from others	26	51
Interest income from other non-current financial assets	**16 275**	**22 154**
Other financial income from others	7 246	3 834
Other financial income	**7 246**	**3 834**
Total financial income	**38 730**	**35 121**
Financial expenses		
Interest expenses payable to Group companies	-36	-359
Interest expenses payable to others	-8 329	-14 419
Total other interest and financial expenses	**-8 365**	**-14 778**
Unrealised losses on fair value assessment	**-487**	**1 235**
Other financial expense from others	-8 036	-5 538
Other financial expense	**-8 036**	**-5 538**
Total financial expenses	**-16 888**	**-19 080**
Financial income and expenses, total	**21 841**	**16 041**

6. APPROPRIATIONS

	2015	2014
Increase (-) or decrease (+) in depreciation difference	2	-2
Total appropriations	**2**	**-2**

7. DIRECT TAXES

	2015	2014
Tax for previous financial periods	-91	-
Change in deferred tax liabilities and assets	1 105	708
Other direct taxes	-40	-43
Income tax on ordinary operations	**974**	**665**

NOTES TO THE PARENT COMPANY'S BALANCE SHEET

8. NON-CURRENT ASSETS

Intangible assets 2015	Intellectual property rights	Other long-term expenditure	Total
Acquisition cost on 1 Jan.	2 155	352	2 507
Increase	120	32	152
Transfers between items	-	277	277
Acquisition cost on 31 Dec.	**2 275**	**661**	**2 936**
Accumulated depreciation on 1 Jan.	-1 677	-181	-1 859
Depreciation for the financial period	-153	-91	-244
Accumulated depreciation on 31 Dec.	**-1 830**	**-272**	**-2 103**
Carrying amount on 31 Dec.	**445**	**388**	**833**

Intangible assets 2014	Intellectual property rights	Other long-term expenditure	Total
Acquisition cost on 1 Jan.	1 908	352	2 260
Increase	247	-	247
Acquisition cost on 31 Dec.	**2 155**	**352**	**2 507**
Accumulated depreciation on 1 Jan.	-1 533	-111	-1 645
Depreciation for the financial period	-144	-70	-214
Accumulated depreciation on 31 Dec.	**-1 677**	**-181**	**-1 859**
Carrying amount on 31 Dec.	**478**	**171**	**648**

Tangible assets 2015	Machinery and equipment	Other tangible assets	Pre-payments	Total
Acquisition cost on 1 Jan.	1 209	380	606	2 195
Increase	65	-	1 438	1 503
Decrease	-162	-	0	-162
Transfers between items	92	-	-369	-277
Acquisition cost on 31 Dec.	**1 204**	**380**	**1 675**	**3 259**
Accumulated depreciation on 1 Jan.	-600	-349	0	-949
Accumulated depreciation of disposals and reclassifications	81	-	-	81
Depreciation for the financial period	-167	-18	-	-185
Accumulated depreciation on 31 Dec.	**-686**	**-367**	**0**	**-1 053**
Carrying amount on 31 Dec.	**518**	**13**	**1 675**	**2 206**

Tangible assets 2014	Machinery and equipment	Other tangible assets	Pre-payments	Total
Acquisition cost on 1 Jan.	1 353	380	13	1 746
Increase	24	-	593	617
Decrease	-168	-	-	-168
Acquisition cost on 31 Dec.	**1 209**	**380**	**606**	**2 195**
Accumulated depreciation on 1 Jan.	-511	-329	0	-840
Accumulated depreciation of disposals and reclassifications	87	-	-	87
Depreciation for the financial period	-176	-20	-	-196
Accumulated depreciation on 31 Dec.	**-600**	**-349**	**0**	**-949**
Carrying amount on 31 Dec.	**609**	**31**	**606**	**1 246**

Financial assets 2015	Holdings in Group associates	Holdings in associates	Receivables from associates	Other shares and holdings	Total
Acquisition cost on 1 Jan.	290 737	148	47	16	290 948
Increase	1	-	-	-	1
Acquisition cost on 31 Dec.	**290 738**	**148**	**47**	**16**	**290 949**
Carrying amount on 31 Dec.	**290 738**	**148**	**47**	**16**	**290 949**

Financial assets 2014	Holdings in Group associates	Holdings in associates	Receivables from associates	Other shares and holdings	Total
Acquisition cost on 1 Jan.	340 642	148	47	16	340 853
Increase	14 542	-	-	-	14 542
Decrease	-64 447	-	-	-	-64 447
Acquisition cost on 31 Dec.	**290 737**	**148**	**47**	**16**	**290 948**
Carrying amount on 31 Dec.	**290 737**	**148**	**47**	**16**	**290 948**

Intangible assets	2015	2014
Intellectual property rights	445	478
Other long-term expenditure	388	170
Intangible assets	**833**	**648**
Tangible assets		
Machinery and equipment	518	609
Other tangible assets	13	31
Payments on account and tangible assets in the course of construction	1 675	606
Tangible assets	**2 206**	**1 246**
Financial assets		
Holdings in Group companies	290 738	290 737
Holdings in associates	148	148
Receivables from participating interests	47	47
Other shares and holdings	16	16
Financial assets	**290 949**	**290 948**
Total non-current assets	**293 988**	**292 841**

9. NON-CURRENT RECEIVABLES

	2015	2014
Non-current loan receivables	1 007	1 145
Deferred tax assets	9 311	8 205
Other receivables	459	-
Total	**10 777**	**9 350**
RECEIVABLES FROM GROUP COMPANIES		
Non-current Group loan receivables	311 241	313 106
Non-current receivables from Group companies	**311 241**	**313 106**
Total non-current receivables	**322 018**	**322 456**

10. CURRENT RECEIVABLES

	2015	2014
Trade receivables	5	-
Short-term receivables (from others)	65	307
Short-term prepayments from accrued income (from others)	345	664
Total	**415**	**971**
RECEIVABLES FROM GROUP COMPANIES		
Trade receivables	22	2 265
Loan receivables	7 168	26 824
Prepayments and accrued income (within Group)	-	680
Other receivables	522	105
Total	**7 712**	**29 874**
RECEIVABLES FROM PARTICIPATING INTERESTS		
Loan receivables	150	-
Other receivables	11	9
Short-term receivables from participating interests	**161**	**9**
Total current receivables	**8 288**	**30 854**
MAIN ITEMS INCLUDED IN PREPAYMENTS AND ACCRUED INCOME		
Accrued financial items	106	561
Accrued staff costs	17	7
Other prepayments and accrued income	222	96
Total	**345**	**664**

11. EQUITY

Equity in 2015	Share capital	Share premium reserve	Treasury shares	Fair value reserve	RIUE	Other reserves	Retained earnings	Total
Equity on 1 Jan.	66 820	73 420	-38	-1 538	143 076	4 709	158 970	445 419
Increase	-	-	-	-	-	83	-	83
Dividend distribution	-	-	-	-	-	-	-26 447	-26 447
Direct recognition in retained earnings	-	-	-	-	-	-	-73	-73
Profit for the period	-	-	-	-	-	-	10 703	10 703
Equity on 31 Dec.	**66 820**	**73 420**	**-38**	**-1 538**	**143 076**	**4 792**	**143 153**	**429 684**

Equity in 2014	Share capital	Share premium reserve	Treasury shares	Fair value reserve	RIUE	Other reserves	Retained earnings	Total
Equity on 1 Jan.	66 820	73 420	-38	-2 385	143 076	4 676	43 621	329 190
Increase	-	-	-	846	-	33	-	879
Dividend distribution	-	-	-	-	-	-	-5 397	-5 397
Direct recognition in retained earnings	-	-	-	-	-	-	37	37
Profit for the period	-	-	-	-	-	-	120 709	120 709
Equity on 31 Dec.	**66 820**	**73 420**	**-38**	**-1 538**	**143 076**	**4 709**	**158 970**	**445 418**

Distributable equity	2015	2014
Contingency reserve	513	430
Treasury shares	-38	-38
Reserve for invested unrestricted equity	143 076	143 076
Retained earnings	132 449	38 260
Profit/loss for the period	10 703	120 709
Distributable equity	**286 703**	**302 437**

12. ACCUMULATED APPROPRIATIONS

	2015	2014
Depreciation difference	244	246
Total appropriations	**244**	**246**

The unrecognized deferred tax liability on depreciation difference is EUR 49 000.

13. STATUTORY PROVISIONS

	2015	2014
Provisions for pensions	2 858	2 961
Statutory provisions, total	**2 858**	**2 961**

14. NON-CURRENT LIABILITIES

	2015	2014
Deferred tax liability	329	329
Bond	100 000	99 434
Loans from financial institutions	15 000	22 143
Other liabilities	2 500	108
Total	**117 829**	**122 014**
Total non-current liabilities	**117 829**	**122 014**
Interest-bearing		
Amounts owed to others	117 500	121 577
Non-current interest-bearing liabilities	**117 500**	**121 577**
Non-interest-bearing		
Amounts owed to others	329	437
Non-current non-interest-bearing liabilities	**329**	**437**
Total non-current liabilities	**117 829**	**122 014**

15. CURRENT LIABILITIES

	2015	2014
Loans from financial institutions	34 131	34 113
Trade payables	876	623
Accruals and deferred income	3 625	3 982
Other liabilities	1 098	297
Total	**39 730**	**39 015**
AMOUNTS OWED TO GROUP COMPANIES		
Trade payables	218	686
Accruals and deferred income	41	35
Other liabilities	40 504	47 017
Total	**40 763**	**47 738**
Total current liabilities	**80 493**	**86 753**
Interest-bearing		
Current amounts owed to Group companies	40 504	47 017
Amounts owed to others	34 131	34 113
Current interest-bearing liabilities	**74 635**	**81 130**
Non-interest-bearing		
Current amounts owed to Group companies	259	721
Amounts owed to others	5 599	4 902
Current non-interest-bearing liabilities	**5 858**	**5 623**
Total current liabilities	**80 493**	**86 753**

MAIN ITEMS (NON-CURRENT AND CURRENT) INCLUDED IN ACCRUALS AND DEFERRED INCOME		
Accrued staff costs	1 991	1 337
Accrued interest expenses	681	956
Accrued changes in value of derivatives	429	508
Other accruals and deferred income	524	1 180
Total	**3 625**	**3 981**

LIABILITIES DUE IN FIVE YEARS OR MORE		
Loans from financial institutions	-	-
Pension loans	-	-
Other long-term liabilities	-	-
Liabilities due in more than five years	**-**	**-**

16. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments and contingent liabilities	**2015**	**2014**
DEBTS SECURED BY MORTGAGES AND SHARES		
Loans from financial institutions	0	29 286
Total	**0**	**29 286**
Real estate mortgages	0	10 023
Total	**0**	**10 023**
SECURITY FOR DEBTS OF SUBSIDIARIES AND OTHER GROUP COMPANIES		
Guarantees	29 710	29 995
Total	**29 710**	**29 995**
SECURITY FOR DEBTS OF PARTICIPATING INTERESTS		
Guarantees	607	1 864
Total	**607**	**1 864**
SECURITY FOR DEBTS OF OTHERS		
Guarantees	1 878	1 651
Total	**1 878**	**1 651**
OTHER CONTINGENCIES		
Leasing commitments		
Maturing in less than a year	222	141
Maturing in 1–5 years	198	180
Total	**420**	**321**
OTHER RENT COMMITMENTS		
Maturing in less than a year	867	867
Maturing in 1–5 years	3 468	3 468
Maturing in more than five years	5 202	6 069
Total	**9 537**	**10 405**

Other commitments	4	4
Total other contingencies	**9 961**	**10 730**

17. DERIVATIVE INSTRUMENTS

Nominal values of derivative contracts, net	**2015**	**2014**
FOREIGN EXCHANGE DERIVATIVES		
Forward contracts	40 969	61 108
INTEREST RATE DERIVATIVES		
Interest rate swaps	128 528	157 585
COMMODITY DERIVATIVES		
Electricity forwards	-	-
Total	**169 497**	**218 693**

Fair values of derivative instruments

	2015 Fair value positive	2015 Fair value negative	2015 Fair value net	2014 Fair value net
Foreign exchange derivatives				
Forward contracts	296	-370	-74	410
Interest rate derivatives				
Interest rate swaps	-	-14 041	-14 041	-15 665
Commodity derivatives				
Electricity futures	2 152	-2 152	-	-
Total	**2 448**	**-16 563**	**-14 115**	**-15 255**

Derivative instruments to which hedge accounting applies

	2015 Nominal value, net	2015 Fair value eff.portion	2014 Nominal value, net	2014 Fair value eff.portion
Foreign exchange derivatives				
Forward contracts	-	-	-	-
Commodity derivatives				
Electricity futures	-	-	-	-
Interest rate derivatives				
Interest rate swaps	128 528	-13 979	137 585	-15 465
Total	**128 528**	**-13 979**	**137 585**	**-15 465**

SIGNATURES TO THE FINANCIAL STATEMENT AND REPORT OF THE BOARD OF DIRECTORS

Vantaa, 9 February 2016

Mikko Nikula
Chairman of the Board

Niels Borup
Deputy chairman of the Board

Tero Hemmilä
Member of the Board

Henrik Treschow
Member of the Board

Teija Andersen
Member of the Board

Pirjo Väliaho
Member of the Board

Aki Laiho
Deputy CEO

AUDITOR’S REPORT

TO THE ANNUAL GENERAL MEETING OF HKSCAN CORPORATION

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of HKScan Corporation for the year ended 31 December 2015. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company’s balance sheet, income statement, cash flow statement and notes to the financial statements.

RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company’s accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

AUDITOR’S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Directors are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

OPINION ON THE COMPANY'S FINANCIAL STATEMENTS AND THE REPORT OF THE BOARD OF DIRECTORS

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Vantaa, 9 February 2015

PricewaterhouseCoopers Oy

Authorized Public Accountants

Jouko Malinen

Authorized Public Accountant

HKSCAN'S CORPORATE GOVERNANCE STATEMENT 2015

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Corporate governance in HKScan Corporation ("HKScan" or the "Company") is based on Finnish legislation, EU-level regulations, HKScan's Articles of Association, the Finnish Corporate Governance Code 2010 (the "Code") issued by Securities Market Association, and HKScan Group's Code of Conduct as well as Governance Policy. HKScan furthermore complies with the rules and regulations of Nasdaq Helsinki Ltd and the Finnish Financial Supervisory Authority.

This corporate governance statement has been drafted in accordance with recommendation 54 of the Code that entered into force on 1 October 2010 and with Chapter 2:6 of the Finnish Securities Markets Act. The corporate governance statement is issued separately from the Board's Review 2015.

HKScan Corporation observes the Code subject to the following exceptions:

- Recommendation 28: Members of the Nomination Committee may be appointed also from outside the Board of Directors in order to bring additional knowledge and expertise to bear on key appointments within the Company.

AVAILABILITY OF CORPORATE GOVERNANCE CODE

HKScan's corporate governance statement may be viewed on the Company's website at www.hkscan.com under "Investor information". The website also gives access to the register of the Company's public insiders, a list of the Company's largest shareholders, the notifications of changes in holdings submitted to the Company and the Company's Articles of Association. The Code is available for review on the Securities Market Association website at http://cgfinland.fi/en/

BOARD OF DIRECTORS

The Board of Directors is responsible for the administration and the proper organization of the operations of the Company. The duties and accountability of the Board are determined primarily under the Articles of Association and the Finnish Limited Liability Companies Act. The Board's meetings procedure and duties are described in the charter adopted by the Board for each year.

Board members are elected annually by the AGM based on a proposal put forward by the Board's Nomination Committee. The Articles of Association contain no mention of any special order of Board member appointments. The Company's Board of Directors comprises between five and eight (5–8) members. In addition, a maximum of three (3) deputy members may be elected to the Board of Directors.

All Board members possess the particular competence and independence consistent with the position. The term of Board members begins at the end of the General Meeting at which they were elected and ends at the end of the General Meeting first following their election. The Board of Directors elects a chairman and deputy chairman from among its number.

The Board conducts an annual evaluation of the independence of its members in accordance with recommendation 15. A member of the Board is required to submit to the Company the information necessary to conduct the evaluation of independence. A Board member is also required to notify the Company of any changes in information relating to independence.

The following persons were elected to the Board by the Annual General Meeting held on 14 April 2015:

Mikko Nikula (b.1972)
Chairman of the Board since 2015
M.Sc. (Physics)
Farm entrepreneur, broiler meat producer, Rusko, Finland

Niels Borup (b. 1964)
Deputy chairman of the Board since 2011
M.Sc. (Econ. & Bus. Admin.)
Farm entrepreneur, pork and milk producer, Lapinjärvi, South Finland

Tero Hemmilä (b. 1967)
Member of the Board since 2011
M.Sc. (Agr. & For.)
Yara International, Yara Nordic, Commercial Director 08/2015-

Henrik Treschow (b. 1946)
Member of the Board since 2011
MBA, Sweden

Teija Andersen (b.1957)
Member of the Board since 2012
M.Sc. (Agr. & For.), eMBA
Etelä-Hämeen Lomat Oy, CEO, 2013–2015

Pirjo Väliaho (b. 1954)
Member of the Board since 2015
Bachelor of Economic Sciences

Per Nilsson (b. 1973)
Deputy member of the Board since 2013
Lantmästare, Swedish University of Agricultural Sciences (SLU),
Master programme at Agriculture University of St. Paul/Minnesota, USA
Farm entrepreneur and pork and beef producer, Esplunda, Central Sweden

Marko Onnela (b. 1974)
Deputy member of the Board since 2015
M.Sc. Agriculture
Farm entrepreneur, pork producer, Loimaa, Finland

All actual and deputy members of the Board of Directors are independent of the Company and of the Company's major shareholders.

During 2015, the Board held 14 meetings. The average attendance rate of Board members was 96 per cent (96 per cent incl. deputy members). The Board constitutes a quorum when more than half of its members are present.

Besides the members, the Group's CEO, the deputy CEO, the CFO and the Legal and Administrative Director as secretary to the Board also regularly attended the Board meetings.

CHARTER OF THE BOARD

The work of the Board of Directors is based on the provisions of the Finnish Limited Liability Companies Act and the Company's Articles of Association as well as on the charter adopted by the Board.

According to the charter, the following key matters are among those to be resolved by the Board of Directors at HKScan:

- appointments and dismissals of the CEO and senior executives, and decisions on the terms of employment of management
- terms of employment of managing directors of Group companies and senior management
- Group management's and personnel's incentive schemes and bonus criteria
- Group and organization structure, commencement of new business, changes and discontinuation of central business
- Group strategy, business plan and performance targets for the following year, and related underlying assumptions
- Group's significant investments, as well as company, business and real estate arrangements, and sales and outsourcing of significant equipment and machinery
- other significant contracts of the Group
- dividend policy and division proposal to the Annual General Meeting
- principles of risk management and communication related to Group's business and follow up of the legality of business operations
- approving of investment plans and approval of relevant investments deviating from the plan
- taking out Group loans and giving securities
- giving procurations and other representative rights of the Company.

The meetings of the Board of Directors follow the annually agreed management calendar. Extra meetings may be convened if required. The chairman of the Board convenes the Board meetings and prepares the meeting agenda together with the CEO.

PERFORMANCE EVALUATION OF THE BOARD

The Board conducts an annual evaluation of its performance and working methods in the interests of enhancing its operations. The evaluation addresses the composition and processes of the Board, the quality of the Board's performance, cooperation between the Board and operative management, and the expertise and participation of Board members.

BOARD COMMITTEES

Four committees have been set up in HKScan to streamline the preparation and management of matters for the consideration of the Board. The Board selects the members and chairmen of the committees from among its members or deputy members, except for the Nomination Committee, to which members may be selected from outside the Board in order to bring additional knowledge and expertise to bear on key appointments within the Company.

AUDIT COMMITTEE

The Board elects at least three members of the Audit Committee from among its members or deputy members. At least one of the members must possess particular expertise in the fields of accounting, bookkeeping or auditing. The Audit Committee assists the Board by preparing matters within its remit for the consideration of the Board and by submitting proposals or recommendations for Board resolution.

The duties of the Audit Committee have been determined in its charter adopted by the Board, in keeping with recommendation 27 of the Corporate Governance Code. The tasks of the Audit Committee of HKScan's Board of Directors include, among other things, the following:

- to monitor the reporting process of financial statements;
- to supervise the financial reporting process;
- to monitor the efficiency of the Company's internal control, internal auditing and risk management system;
- to review the description of the main features of the internal control and risk management systems pertaining to the financial reporting process, which is included in the Company's corporate governance statement;
- to monitor the statutory audit;
- to evaluate the independence of auditors and the provision of related services to the Company in particular; and
- to prepare the proposal for resolution on the election of the auditors.

The Audit Committee reports on its work to the Board at the Board meeting first following the meeting of the Committee and submits for the information of the Board the minutes of the committee's meeting. The CEO of the Company or other senior executives may not be elected to the Audit Committee.

The Audit Committee is chaired by Tero Hemmilä and its members are Henrik Treschow, Per Nilsson and Marko Onnela.

The Audit Committee held 5 meetings during 2015. The average attendance rate of Committee members was 100 per cent. Committee meetings were also regularly attended by the Company's CEO, the CFO, the internal auditor and by its external auditors. The chairman of the Audit Committee prepares the agenda for the meeting based on a proposal made by the CFO and convenes the meetings, under normal circumstances with at least one week's notice.

NOMINATION COMMITTEE

The Board elects the three members of the Nomination Committee. The members of the Committee need not be Board members. The CEO of the Company or other senior executives may not be elected to the Nomination Committee.

The duties of the Nomination Committee are defined in its charter adopted by the Board. The Committee is tasked with preparing the proposals to be presented to the General Meeting of Shareholders concerning the number, appointment and remuneration of Board members. The Nomination Committee convenes at least once before the General Meeting of Shareholders and reports on its work to the Board of Directors immediately following the meeting of the Committee.

The members of the Nomination Committee are Jari Mäkilä (chair), Lars Gustafsson and Mikko Nikula.

The Nomination Committee held 4 meetings during 2015. The average attendance rate of Committee members was 100 per cent.

Introductions:

Jari Mäkilä (b. 1970)
Chairman of the supervisory board of LSO Osuuskunta
Agricultural technician, pork producer, Oripää, Finland

Lars Gustafsson (b. 1956)
Chairman of the representatives of Sveriges Djurbönder r.f.
Degree in Economics at Lund University of Agricultural Sciences,
Farm entrepreneur, pork producer, Knislinge, Sweden

COMPENSATION COMMITTEE

The Board elects at least three members of the Compensation Committee from among its members or deputy members. The majority of the members of the Compensation Committee must be independent of the Company. The CEO of the Company or other senior executives may not be elected to the Compensation Committee.

The duties of the Compensation Committee are defined in its charter adopted by the Board of Directors. The Compensation Committee is tasked with preparing matters pertaining to the Company's compensation schemes. The Compensation Committee convenes at least twice a year and reports on its work to the Board following the meeting of the Committee and submits for the information of the Board the minutes of the Committee's meetings.

The Committee is chaired by Niels Borup and its members are Teija Andersen and Pirjo Väliaho.

The Compensation Committee held 8 meetings during 2015. The average attendance rate of Committee members was 92 per cent. The Compensation Committee has used external consultants in its work.

WORKING COMMITTEE

Within the Working Committee the Board considers matters without the presence of the operative management.

The duties of the Working Committee are defined in its charter adopted by the Board of Directors. The Working Committee is tasked with promoting the efficient accomplishment of the duties of the Company's Board of Directors. The aim of the Committee is to advance compliance with the Finnish Corporate Governance Code in HKScan Corporation.

All members and deputy members of the Board are members of the Working committee. The Chairman of the Board, Mikko Nikula, acts as the Committee's Chairman. The Working Committee held 6 meetings during 2015. The average attendance rate of Committee members was 96 per cent.

MEETING ATTENDANCE OF THE BOARD AND ITS COMMITTEES

	Attendance				
	Board of Directors	Audit Committee	Nomination Committee	Compensation Committee	Working Committee
Mikko Nikula	14/14	1/1	1/1		6/6
Niels Borup	14/14			8/8	6/6
Tero Hemmilä	14/14	5/5			6/6
Henrik Treschow	13/14	5/5			6/6
Teija Andersen	14/14			8/8	6/6
Pirjo Väliaho 1)	9/11			5/6	5/6
Per Nilsson	13/14	4/4		1/2	5/6
Marko Onnela 2)	11/11	4/4			6/6
Juha Kylämäki 3)	3/3		3/3		
Gunilla Aschan 3)	3/3			2/2	
Lars Gustafsson			4/4		
Jari Mäkilä			4/4		

1) New member as of 14 April 2015. Between 14.4.–31.12.2015 the Board had 11 meetings.

2) New deputy member as of 14 April 2015. Between 14.4.–31.12.2015 the Board had 11 meetings.

3) Member until 14 April 2015. Between 1.1.–13.4.2015 the Board had 3 meetings.

CHIEF EXECUTIVE OFFICER (CEO)

The CEO and the possible deputy CEO are appointed by the Company's Board of Directors. The CEO is tasked with managing the Group's business activities and administration in accordance with the Articles of Association, the Finnish Limited Liability Companies Act and instructions provided by the Board of Directors. The CEO is accountable to the Board of Directors for the implementation of the objectives, plans, procedures and goals laid down by the Board. In managing the Group, the CEO is supported by the Group Management Team.

The Company's CEO does not serve on the Board but attends its meetings and provides monthly reports to the Board on the Group's financial performance, financial position, solvency and market position. He or she also presents the materials of the financial statements and interim reports to the Board. The CEO furthermore reports to the Board on the implementation of the Board's resolutions and on the measures and outcomes to which these have given rise.

In 2015, the CEO of the Company was M. Sc. (Econ.) Hannu Kottonen (b. 1957).

After the reporting period, on 20 January 2016, President and CEO Hannu Kottonen and the Board of Directors jointly agreed on the discontinuation of Hannu Kottonen's duties as of that day, and Aki Laiho, deputy CEO and COO, temporarily assumed the position of CEO.

MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS PERTAINING TO THE FINANCIAL REPORTING PROCESS

INTERNAL CONTROL FRAMEWORK

The Company's internal control framework is within the remit of HKScan Corporation's Board of Directors. Group management is responsible for maintaining and further developing effective internal control. Internal control aims to ensure compliance with laws and regulations as well as the Group's values and internal policies and guidelines. The internal control system has the further objective of supporting activities in line with the Group's strategy. The reliability of financial reporting and measures in the service of this goal are an integral component in the Company's internal control framework.

CONTROL ENVIRONMENT

The Group's values and policies form the basis for the internal control environment at HKScan. Particular attention was paid in 2015 to developing internal auditing, and updating of the Group's internal policy map, policies and guidelines continued.

The Board of Directors and the Audit Committee in particular monitor the Company's financial position and the quality of the financial reporting. The Board carries out its duty by means including adoption of the Group's risk management policy and determination of the objectives and principles of internal control. The Group's CEO and CFO are responsible for maintaining and further developing an effective control environment relating to financial reporting.

At HKScan, the internal audit is a management tool for the accomplishment of supervision. The Group Internal Auditor reports to the CFO and the Board of Directors. In addition to this, the Company's EVP, Administrative and Legal, especially ensures that all operations are lawful. He reports directly to the CEO.

The aims of internal auditing are integrally linked with the Company's management system built on a principle of continuous improvement. The implementation of corrective and preventative measures is a key part of the function of the entire process.

RISK MANAGEMENT

The aim of risk management within the HKScan Group is to safeguard the conditions to achieve business objectives and enable uninterrupted business operations. The risks faced by the Group are by nature strategic (e.g. acquisitions), operative (e.g. animal diseases), financial (e.g. currency exchange rates and interest rates) and risks of damage (e.g. accidents and interruptions in production).

The Board of Directors and CEO have responsibility for the strategy and principles of risk management within the Group, and for managing risks that threaten achievement of the Group's strategic intents. Operative risks are the responsibility of the managers of the respective Business and Group functions. The CFO is responsible for the management of financial risks and the Group's insurance policies.

The Company uses a systematic Enterprise Risk Management (ERM) process, which comprises consistent principles and systematic practices for risk management. The aim of the ERM process is to promote risk awareness in HKScan and effective risk management throughout the Group, and to ensure that management and the Board of Directors are in possession of sufficient information on risks to support their decision-making. The ERM process is an integral component of the management system and strategy process. The risk management policy is applied in all of the companies in the HKScan Group, which carry out business operations.

Risk management is a key element in the Group's financial reporting process. At the Group level, the Company strives to identify and assess, at least once a year, all significant risks inherent in material balance sheet and income statement items and to determine the key controls for risk prevention.

CONTROL MEASURES

Control measures are designed to ensure that

- the Company's business is managed efficiently and profitably;
- the Company's financial reporting is accurate, transparent and reliable; and
- the Company complies with laws and regulations and all internal principles.

Control measures can take the form of manual or automated system controls. Examples of controls to ensure the reliability of financial reporting include reconciliations, approvals, reviews, analyses and the elimination of high-risk combinations of duties.

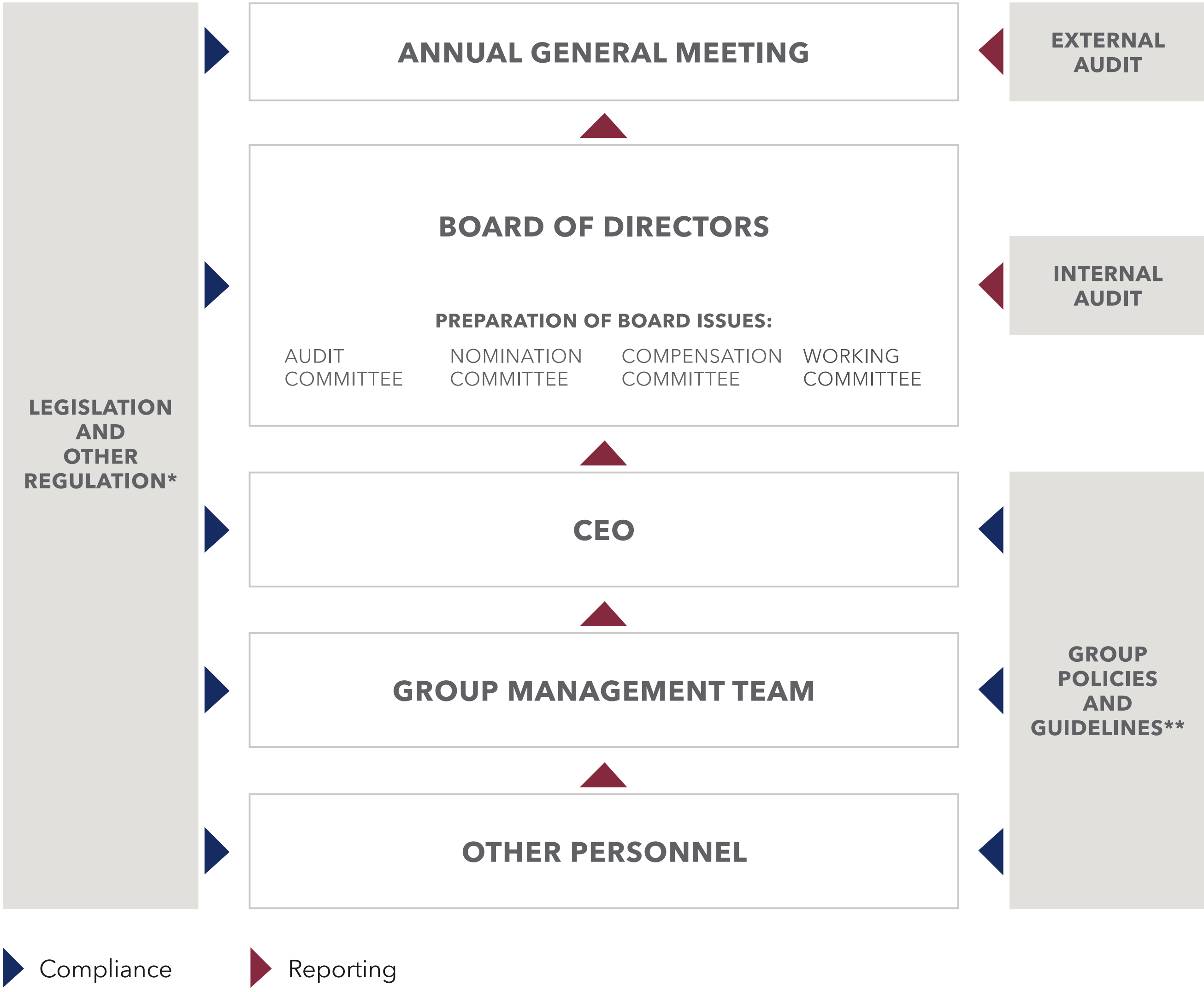
The Group's financial administration has determined, via risk assessment, the controls central to financial reporting. These cover the financial reporting process. The implementation and effectiveness of the controls is the responsibility of financial administration in the segments. The Group has in place a self-evaluation process, which seeks to ensure the function and effectiveness of controls relating to financial reporting. The Group's major subsidiaries provide the Group's financial administration with an annual report on the effectiveness of key controls. In addition to ensuring control effectiveness, self-evaluation also seeks to locate possible gaps and areas for further development in the controls.

MONITORING

The Group's earnings performance is monitored in meetings of the Board and the Group Management Team with the help of monthly reporting. The Audit Committee evaluates and the Board approves all interim reports and financial statements prior to their release to the market. The Company's internal auditor provides the Audit Committee with an internal audit plan annually and regularly reports internal audit observations. In addition, the statutory auditors provide the Audit Committee with an annual report on their audit plans and a quarterly report on their audit observations and the functioning of internal control. The Audit Committee in turn conducts an annual evaluation of the performance and independence of the auditors.

In 2015, the development of the internal control framework continued. It includes updating of internal policies and guidelines, specification of the Group processes and preparation of charters for the various bodies.

HKSCAN GROUP GOVERNANCE AND CONTROL SYSTEM



* Limited Liability Companies Act, Securities Markets Act, Auditing Act, Accounting Act, EU-level regulations, Financial Supervisory Authority's regulations, Rules of the Stock Exchange, Corporate Governance Code, industry-related legislation

** Articles of Association, other internal policies, guidelines and operating procedures

HKSCAN'S REMUNERATION STATEMENT 2015

This remuneration statement has been prepared in accordance with Recommendation 47 of the Finnish Corporate Governance Code.

1. REMUNERATION OF BOARD MEMBERS

The remuneration and other benefits of the Board of Directors are decided annually by the Annual General Meeting. The AGM on 14 April 2015 resolved the annual remuneration payable to the members of the Board of Directors as follows:

- EUR 22 100 to Board members
- EUR 27 100 to Vice Chairman of the Board
- EUR 54 250 to Chairman of the Board.

An annual remuneration of EUR 7 450 is paid to the deputy members of the Board of Directors. To Chairmen of the Board committees (Audit, Nomination, Compensation and Working Committee) will be paid an annual remuneration of EUR 5 000. In addition a compensation of EUR 550 per meeting will be paid for each attended Board and Board committee meetings. Travel expenses will be compensated according to company's travel policy.

All Board remunerations are paid in cash. The company has no share-based incentive scheme for Board members, neither are the members of the Board covered by the company's incentive or pension plans. Board members receive per diems as outlined in the company's travel policy for travel within and outside Finland. Normal travel expenses are also covered. Board members receive no separate meeting attendance fees for serving on the Boards of Directors of the Group's subsidiaries or associated companies.

FEES OF THE BOARD OF DIRECTORS AND COMMITTEES IN 2015

	Board	Committees					Total
	Annual fee	Attendance fee	Audit	Nomination	Compensation	Working	2015
Mikko Nikula [1)]	38 599	5 500	550	550		6 633	51 832
Niels Borup	26 935	5 500			8 815	3 300	44 550
Tero Hemmilä	21 965	5 500	7 715			3 300	38 480
Henrik Treschow	21 965	5 500	2 750			3 300	33 515
Teija Andersen	21 965	4 950			3 850	3 300	34 065
Pirjo Väliaho [2)]	14 733	2 750			2 200	2 750	22 433
Per Nilsson	7 399	4 950	2 200		550	2 750	17 849
Marko Onnela [3)]	4 967	3 850	2 200			3 300	14 317
Juha Kylämäki [4)]	17 732	1 650		1 100		1 632	22 114
Gunilla Aschan [4)]	7 232	1 650			1 100		9 982
Lars Gustafsson				1 650			1 650
Jari Mäkilä				6 615			6 615
Total	**183 492**	**41 800**	**15 415**	**9 915**	**16 515**	**30 265**	297 402

[1)] Deputy member of the Board until 14 April 2015, thereafter member of the Board.

[2)] Member of the Board as of 14 April 2015.

[3)] Deputy member of the Board as of 14 April 2015.

[4)] Member of the Board until 14 April 2015.

2. PRINCIPLES OF REMUNERATION OF THE CEO AND THE GROUP MANAGEMENT TEAM

Remuneration at HKScan Group is based on the principles of remuneration approved by the Board, and attention is paid to the Group's strategic objectives and financial performance. A motivating remuneration scheme is used as a tool to elicit the commitment to the Group of core expertise and key employees. Matters pertaining to remuneration are prepared by the Compensation Committee of the Board. The principles of the remuneration schemes are decided by the Board of Directors on the basis of the Compensation Committee's proposal.

The remuneration and terms of employment of the CEO are decided by the Board of Directors. The remuneration and terms of employment of the Group Management Team are decided by the Board of Directors on the basis of a proposal from the CEO. HKScan Corporation's remuneration scheme consists of a base salary, benefits, as well as short-term and long-term incentive schemes.

SHORT-TERM INCENTIVE SCHEME

In 2015, the Group had in place an extensive short-term incentive scheme. It covered the Group's CEO, the other members of the Group Management Team, as well as upper and middle management. Possible fees earned on the basis of the scheme were paid in cash.

The earning criteria of the incentive scheme and the possible performance fees are set for each year by the Board of Directors on the proposal of the Compensation Committee.

LONG-TERM INCENTIVE SCHEMES

1) The Board of Directors of HKScan Corporation approved a new share based incentive plan for the Group key personnel in 2012. The aim of the Plan is to combine the objectives of the shareholders and the key personnel in order to develop the value of the Company, to commit the key personnel to the Company, to increase their share ownership in the Company, and to offer them a competitive reward plan based on earning and holding the Company's shares.

The Plan includes three one-year performance periods, calendar years 2013, 2014 and 2015. The Board of Directors of the Company decides on the performance criteria and their targets for a performance period at the beginning of each performance period. The potential reward from 2015 is based on the HKScan Group´s Earnings per Share (EPS) and Return on Capital Employed (ROCE).

Furthermore, the Plan includes one three-year performance period, calendar years 2013–2015. The prerequisite for receiving reward on basis of this performance period is, among other things, that a key employee previously owns or acquires the Company´s series A shares up to the number determined by the Board of Directors. Furthermore, receiving of reward is tied to the continuance of employment or service upon reward payment.

Rewards from performance periods 2013 and 2013–2015 will be paid partly in the Company's A series shares and partly in cash in 2016. The cash proportion is intended to cover taxes and tax-related costs arising from the rewards to the key personnel. No reward will mainly be paid, if the key employee's employment or service ends before reward payment. The rewards to be paid are a maximum approximate total of 300 000 HKScan Corporation series A shares and cash payment corresponding to the value of such shares. The Plan can include new shares as well as the Company's own shares. At the end of 2015, 23 people were included in the Plan.

The Board of Directors recommends that the members of the Management Team would hold 50 per cent of all of the shares received on the basis of the Plan until the value of their share ownerships correspond to their gross annual salaries. This share ownership should be held during the validity of employment or service.

2) The Board of Directors of HKScan Corporation approved a share based incentive plan for the Group key personnel for the year 2016 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 is 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.

ADDITIONAL PENSION BENEFITS

The Finnish Members of the Group Management Team are covered by a contribution-based additional pension insurance. The contribution is 20 per cent of the insured person's annual pay. The retirement age according to the pension agreements is 63 years; the pension insurance includes a paid-up policy applicable after four years' employment.

REMUNERATION OF THE CEO

The remuneration and terms of employment of the CEO are decided by the Board of Directors.

CEO Hannu Kottonen's remuneration consists of a fixed base salary, benefits, supplementary pension benefits and possible incentive awards under the Group's incentive scheme. Under the terms of the CEO's executive agreement Hannu Kottonen can retire at the age of 62.

Under the terms of the CEO's executive agreement, the agreement can be terminated by both the Group and the CEO. The period of notice for the CEO is six months. In the event that HKScan terminates the agreement, the CEO will be paid a sum corresponding to his 12 months' salary. In addition he will be paid the salary for the termination period. In 2015, Hannu Kottonen was paid a total salary (including benefits) of EUR 0.6 million.

REMUNERATION OF THE CEO AND THE GROUP MANAGEMENT TEAM

	Salaries		**Short-term incentives**		**Long-term incentives**		**Total**	
(EUR thousand)	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
CEO	639	639	100	-	-	-	739	639
Other Group Management Team	1 958	1 879	109	-	-	-	2 067	1 879

RISK MANAGEMENT

The aim of risk management within HKScan Group is to enable uninterrupted business operations and to safeguard conditions for achieving its business objectives.

Risk management is embedded in the HKScan management system and is based on the consistent identification, assessment and reporting of risks throughout the Group. The company's ERM process aims to promote risk awareness and effective, proactive risk management throughout the Group, and to ensure that management and the Board of Directors are in possession of sufficient information on risks to support their decision-making. The risk policy approved by the Board is applied in all operative HKScan Group companies.

The Board of Directors and CEO have responsibility for the strategy and principles of risk management within the Group and for managing risks that threaten the Group's strategic intents. Operative risks are the responsibility of the managers of the respective Business and Group functions. The CFO is responsible for managing financial risks and Group insurance policies.

At HKScan, risks are divided into four main categories: strategic risks, operative risks, economic risks and risks of damage. At Group level, the company strives to identify and regularly assess all significant risks inherent in the material balance sheet and income statement items and to determine key controls for risk prevention.

Strategic risks are assessed as a part of the annual strategy process and also in connection with major business decisions.

Operative risks are assessed not only in connection with the annual plans, but also as part of day-to-day business operations.

Economic risks and risks of damage are minimized as far as possible by applying policies and guidelines drafted for this purpose.

HKSCAN'S MOST SIGNIFICANT RISKS

STRATEGIC RISKS

FLUCTUATION IN THE AVAILABILITY AND PRICES OF RAW MATERIALS

There is variability in the prices and availability of raw materials needed for the production of HKScan products, such as feed, pork, poultry and beef. Global overproduction of feed and raw materials decreases the prices of raw materials and increases their availability, while underproduction leads to lower availability and rising raw material prices. Economic cycles, the EU's Common Agricultural Policy, trade barriers and subsidy changes affect the balance of supply and demand in the long term.

Factors rapidly affecting supply, such as animal disease epidemics, may occasionally distort the balance of supply and demand. The prices of products sold to retail are agreed months in advance in Finland, Sweden, Denmark and the Baltics, and under these circumstances, unforeseen increases in raw material prices cannot be carried over into product prices quickly enough. This may also be difficult even in situations where prices have not been agreed in advance.

HKScan has delivered a promise of 100 per cent domestic meat content in its main brands, HK®, Kariniemen® and Scan®. Although this gives HKScan a competitive edge over imported brands, it also makes HKScan vulnerable if domestic meat production declines.

HKScan has established a special procedure for monitoring key cost drivers of raw material prices, such as oil, electricity and grain. Based on the data it collects, HKScan makes module projections of the future price and availability of raw materials.

HKScan is facing growing competition in all market areas not only from other industrial producers, but also from retail chains, which are increasingly competing on the food market with their own products and brands. This local competition is intensified by multinational operators and competitors based in lower-cost countries.

The company is responding to this increased competition by strengthening its brands and innovation, improving the efficiency of its core processes, investing in high-quality products and supply reliability, forming closer ties with its producers, and more efficiently leveraging Group synergies.

ADAPTATION OF OPERATIONS TO POSSIBLE CHANGES IN LEGISLATION OR REGULATION AND DEPENDENCE ON THE AUTHORITIES

HKScan's operations are regulated by the legislation of the respective countries in which the company operates. Regional and supranational regulation, such as EU legislation, also affects the company. The management affirms that HKScan operates in full compliance with all relevant legislation and other regulations. Legislation and other regulations and the interpretations thereof may change, however, and the company cannot guarantee compliance with altered requirements unless the required material actions are taken. The company is also dependent on the authorities in the countries in which it operates. Official procedures may also vary considerably in the company's various sectors of business. In addition, various unexpected actions potentially taken by pressure groups may cause restrictions to the business or volatility in demand.

ACQUISITIONS AND INTEGRATION OF ACQUIRED BUSINESSES

HKScan may acquire, either in its current market areas or in new geographical areas, companies that enhance its competitive position. Risks relating to acquisitions include potentially unknown liabilities, potential inability to integrate and manage the business and personnel of an acquired company, and the risk of benefits or synergies not materializing as planned. In addition, exclusion from industry consolidation might have an adverse effect on HKScan's strategic competitive position. Expansion into new geographical areas might also cause problems relating to exchange rate fluctuations, unexpected changes in statutory requirements, changes in and compliance with local legislation and regulations, as well as political risks.

OPERATIVE RISKS

ANIMAL DISEASES

An outbreak of animal disease such as African swine fever, avian influenza, Newcastle disease or foot-and-mouth disease may affect the company's business and demand for its products. Animal diseases may have a long-term impact on consumer behaviour, although HKScan's management believes that consumption usually normalizes within a reasonable period of time after the discovery of an outbreak. The animal disease risk is evened out to some extent by consumption shifting to the company's other meat product groups. In a fully integrated value chain, such as is the case with most of the company's Baltic operations, the discovery of an animal disease may in the worst case scenario temporarily sever the supply of raw materials if no substitute raw material source exists.

DEPENDENCE ON PRODUCTION PLANTS AND THE UNINTERRUPTED OPERATION OF DISTRIBUTION CHAIN

HKScan is dependent on the uninterrupted operation of its production plants and distribution centres. If a key production plant is destroyed or closed for any reason, if equipment is damaged in a significant manner, or other disruptions occur in production, this is likely to cause delays in HKScan's ability to produce and distribute its products as scheduled. Depending on the product, it may be possible for HKScan to transfer production to other locations, thus avoiding any significant interruptions to its operations. Changes in production of this kind may, however, be more difficult to implement in some product groups and may lead to significant delays in the deliveries of products and to lost sales, giving rise to additional expenditure before insurance coverage.

Very short lead times on delivery of orders are characteristic of the meat industry. Short lead times double the importance of an effective and dependable supply chain, underscoring the need to be able to anticipate consumer behaviour. Likewise, the reliability of logistics systems and other technological systems is extremely important. If distribution centres are damaged, destroyed or decommissioned for any reason, or if the products held in the distribution centres suffer significant damage, HKScan must come up with an alternative method of delivering products to customers until such time as the damaged distribution centre is made available again.

POSSIBLE PRODUCT QUALITY ISSUES

Food safety risks concern the purity of raw materials (residues, foreign substances), the healthiness of products, packaging materials that come into contact with food, and microbiological safety. Particular attention is paid to the prevention and control of bacteria that cause food poisoning. HKScan runs rigorous in-house controls, and the facilities of all operators in the value chain are subject to strict scrutiny by the authorities as well as certified food safety management systems.

HKScan’s high standard of requirements and rigorous internal control notwithstanding, the company cannot have absolute assurance of the risk-free management of the entire value chain. The realization of a risk relating to product safety or product liability may have an adverse material effect on the demand for the company’s products among customers and consumers.

RELIANCE ON SKILLED MANAGEMENT AND EMPLOYEES

HKScan’s success is materially dependent on the professional expertise of the company’s management and other personnel, as well as on the company’s ability to foster the commitment of current management and other personnel and recruit new, skilled employees in the future.

HKScan is also vulnerable to potential legal or illegal strikes in the value chain or in its own operations. The risks are mitigated by developing wellbeing at work and alternative supply structures and processes.

ECONOMIC RISKS

FINANCIAL RISKS

Financial risks refer to unfavourable movements taking place in financial markets that may erode accrual of the company’s result or reduce cash flows. The company’s financial risk management aims to harness financial means to hedge the company’s intended earnings performance and equity and to safeguard the Group’s liquidity in all circumstances.

Financial risk management, including external and internal funding of the Group, is centralized in the Group Treasury function. HKScan’s funding is obtained through the parent company, while funding to subsidiaries is arranged by the Group Treasury through intra-Group loans in the local currency of each subsidiary. Part of the Group’s profits and costs are denominated in foreign currencies. Additionally, some investments and earnings are denominated in foreign currencies. The most significant exchange risks in the company’s business arise from the euro, Swedish krona, US dollar and Japanese yen. The largest equities of HKScan companies are in euros, Swedish krona, and Danish krone. The Group’s financial risks are presented in more detail in Note 25 to the financial statement.

RISKS OF DAMAGE

UNFORESEEABLE FACTORS

Natural disasters, fires, bioterrorism, sabotage, pandemics, exceptional weather conditions or other factors beyond the company’s control may have an adverse effect on the health and growth of production animals or hamper the company’s operations due to power outages, damage to production and property, disruptions in distribution chains, or other reasons.

GROUP MANAGEMENT

AKI LAIHO

HKSCAN'S DEPUTY CEO AS OF 20 JANUARY 2016 AND COO AS OF 2012

Doctor of Science (Technology), CSCP, Finnish national, born 1972

Key employment history: Aalto University, BIT Research Centre, Researcher and Project Manager 2008–2012; SunKumppani Oy, Partner 2009–2012; Sauer-Danfoss ApS, Director, Global Supply Chain 2005–2008; Nokia Corporation, Head of Mobility Office 2004–2005; Nokia Corporation, Head of DSN Strategy and Advanced Development, 2002–2004; Nokia Corporation, other duties 1997–2001

Main Board memberships and public duties currently undertaken: Rolan Oy, Chairman of the Board 2010-; in addition, board positions in Group companies.

Shareholding in HKScan on 31 December 2015: 7 500

TUOMO VALKONEN

CFO OF HKSCAN AS OF 2012

M.Sc. (Econ.), Finnish national, born 1967

Key employment history: CPS Color, CFO 2010–2012; Rautaruukki, Vice President, Corporate Finance and Control, 2004–2010; Savcor, General Manager, Beijing, China, 2002–2004; Kyrö, Business Controller, Tianjin, China, 2001–2002; Metsäliitto, Finforest, various managerial positions in finance, sawn timber division 1995–2001

Shareholding in HKScan on 31 December 2015: 5 500

SAMULI ESKOLA

EXECUTIVE VICE PRESIDENT OF HKSCAN'S CONSUMER BUSINESS IN FINLAND AND THE BALTICS AS OF 2013

M.Sc. (Econ.), Finnish national, born 1974

Key employment history: HKScan Group, SVP strategy and strategic projects 2012–2013; HKScan, various management positions 2007–2012; Lännen Tehtaat Plc, Director for SBU Fish 2005–2007; Atria, management positions 2000–2005

Main Board memberships and public duties currently undertaken: Finnish Meat Board, Chairman of the Board 2014-; Lihatiedotus ry, Member of the Board 2014-; Envor Group Oy, Member of the Board 2013-; Finfood, Finnish Food Information, Member of the Board 2016-. in addition, board positions in Group companies.

Shareholding in HKScan on 31 December 2015: 1 000

GÖRAN HOLM

EXECUTIVE VICE PRESIDENT OF HKSCAN'S CONSUMER BUSINESS IN SCANDINAVIA AS OF 2012

DIMH diploma in marketing, Stockholm IHM Business School; Swedish national, born 1958

Key employment history: Coca-Cola Enterprises Sverige AB, Managing Director 2005–2012; Deputy Managing Director 2003–2005, and commercial director 2001–2005; Johnson & Johnson Consumer, Scandinavia, Managing Director 1995–2001 and various other positions, including commercial director 1993–1995

Main Board memberships and public duties undertaken: Svenska Köttföretagen (network of Swedish slaughtering companies), Member of the Board 2014-; Swedish Food Federation, Chairman of the Board 2011-; Confederation of Swedish Enterprises, Member of the Board 2009-; Grocery Manufacturers of Sweden, Member of the Board 2003-; in addition, board positions in Group companies

Shareholding in HKScan on 31 December 2015: 7 500

JUKKA NIKKINEN

EXECUTIVE VICE PRESIDENT OF HKSCAN'S AWAY FROM HOME (AFH) BUSINESS AS OF 2012

M. Sc. (Econ.), Finnish national, born 1962

Key employment history: Rautakirja Oy, Senior Vice President, Business development and strategy, member of Rautakirja Group's management team 2004–2012 and Kiosk trade, director, international business, member of Kiosk trade business' management team 2002–2004; Leaf Suomi and Leaf group, various duties 1988–2001, latest as Export Director 1999–2001

Shareholding in HKScan on 31 December 2015: 7 500

SARI SUONO

EXECUTIVE VICE PRESIDENT HR OF HKSCAN AS OF 2013

Master of Law, EMBA; Finnish national, born 1968

Key employment history: Head of HR at A-Katsastus Group Oy 2011–2013; Itella Plc, Mail Communication, VP HR 2007–2011; Group HR, HRM, Director 2006–2007 and Group HR, Legal Counsel 2003–2006; Finnair Plc, various positions 1988–2003, latest as HR Director 2001–2003

Main Board memberships and public duties undertaken: Les Amis de l'École francaise ry, Member of the Board 2014-; The Finnish Association of Human Resources Management HENRY ry, Member of the Board 2015-

Shareholding in HKScan on 31 December 2015: 5 500

ANNE MERE

CHIEF MARKETING OFFICER (CMO) OF HKSCAN AS OF 2013

MBA, Estonian national, born 1971

Key employment history: EVP of HKScan's consumer business segments of Finland and the Baltics 2012–2013; AS Rakvere Lihakombinaat, Managing Director 2008–2012 and Marketing Director 2003–2008; Austria Tabak Eesti OÜ, Marketing Manager 2000–2003; Unilever Eesti OÜ, Key Account Manager 1997–2000; Suomen Unilever Oy, Van den Bergh Foods, Representative for Estonia 1994–1997

Main Board memberships and public duties undertaken: Board positions in Group companies

Shareholding in HKScan on 31 December 2015: 7 500

MARKKU SUVANTO

EXECUTIVE VICE PRESIDENT, LEGAL AND ADMINISTRATION OF HKSCAN AS OF 2011

LL.M. trained on the bench, Finnish national, born 1966

Key employment history: HKScan Corporation, Group Lawyer 2009–2011; KPMG Oy Ab, Senior Legal Counsel 2006–2009; Lakitoimisto Suomi & Suvanto Oy, Partner 2004-; KLegal Oy, corporate law 2002–2003; Sampo Bank, asset management for personal and business customers, including tax planning 1998–2002

Main Board memberships and public duties currently undertaken: board positions in Group companies

Shareholding in HKScan on 31 December 2015: 5 500

HANNU KOTTONEN

PRESIDENT AND CEO OF HKSCAN MARCH 2012–20 JANUARY 2016

M.Sc. (Econ.), Finnish national, born 1957

Key employment history: Metsä Tissue Corporation, CEO, 2006−2012; Metsäliitto Group, Member of the Executive Management Team 2009–2012; M-real Corporation, Head of the Consumer Packaging business area 2004−2006; Huhtamaki Group, various positions (incl. CFO and President of the Fresh Food Packaging Division) 1983–2003; TSP-Suunnittelu Oy 1980−1983

Main Board memberships and public duties previously undertaken: Varma Mutual Pension Insurance Company, Member of the Supervisory Board 2015–01/2016; Confederation of Finnish Industries EK, Member of the Trade Policy Committee 2014–01/2016; Finnish Food and Drink Industries' Federation ETL, Member of the Board and executive committee 2012–01/2016; Helsinki Region Chamber of Commerce, Member of delegation at Finland Chamber of Commerce 2013–01/2016

Shareholding in HKScan on 31 December 2015: 50 000

EXTENDED MANAGEMENT TEAM OF HKSCAN COMPRISES IN ADDITION TO THE MANAGEMENT TEAM MEMBERS:

Marja-Leena Dahlskog, Senior Vice President, Communications

Mika Huhtanen, Senior Vice President, Supply Chain

Veli-Matti Jäppilä, Senior Vice President, Strategic Projects, Primary Production

Keijo Keränen, Senior Vice President, Treasury

Orvokki Knuutinen, Senior Vice President, Sourcing

Tero Lindholm, Senior Vice President, Business Process Solutions

Juhan Matt, Senior Vice President, Strategy and Strategic Projects

Pia Nybäck, Senior Vice President, Animal Sourcing and Producer Services

Karri Westman, Vice President, Group internal audit, Finance

Anders Jensen, General Manager, Denmark

Magnus Lindholm, General Manager, Sweden

Teet Soorm, General Manager, Baltics

BOARD OF DIRECTORS

MIKKO NIKULA

CHAIRMAN OF THE BOARD SINCE 2015

M.Sc. (Physics), Finnish national, born 1972; Deputy member of HKScan Board 2013–2014; Farm entrepreneur, broiler meat producer, Rusko, Finland

Key employment history: Privanet Securities, operative director 2012; TUTO Hockey Oy, general manager 2011; Nokia Corporation 1998–2009: several managerial positions in global sales and R&D

Main Board memberships and public duties: Suomen purjelaivaosakeyhtiö (Sailing ships of Finland Ltd.), Member of the Board 2012-

Public duties previously undertaken: LSO Osuuskunta, Member of the Board, 2012–2013; General Assembly of Suomen Siipikarjaliitto ry (Finnish Poultry Association), Vice Chairman 2010–2011

Independent of the Company and major shareholders

Shareholding in HKScan on 31 December 2015: 0

NIELS BORUP

DEPUTY CHAIRMAN OF THE BOARD SINCE 2011

M.Sc. (Econ. & Bus. Admin.), Finnish national, born 1964; Farm entrepreneur, pork and milk producer, Lapinjärvi, Southern Finland

Main Board memberships and public duties: Finnpig Oy, Member of the Board 2014-; The Federation of Employers in Agriculture, Member of the Board 2008-; Finlands Svenska Jordägarförbunds stiftelse (Finland's Swedish Landowners' Federation Foundation), Member of the Board 2008-

Public duties previously undertaken: Scan AB, Member of the Board 2011–2012; LSO Osuuskunta, Member of the Board 2008–2011

Independent of the Company and major shareholders

Shareholding in HKScan on 31 December 2015: 8 000

TERO HEMMILÄ

MEMBER OF THE BOARD SINCE 2011

M.Sc. (Agr. & For.); Finnish national, born 1967; Yara International, Yara Nordic, Commercial Director 08/2015-

Key employment history: Yara Suomi Oy, managing director 2010–07/2015; HKScan Corporation, SVP, strategy and development 2009–2010; HK Ruokatalo Oy, SVP in charge of the meat business 2008–2009; LSO Foods Oy, executive positions 1997–2008

Main Board memberships and public duties: Pellervo Economic Research PTT, Member of the Board 2010-

Public duties previously undertaken: Chemical Industry Federation of Finland, Member of the Board 2010-12/2015; Farmit Website Oy, Chairman of the Board 2010–08/2015; Viljavuuspalvelu Oy, Chairman of the Board 2010–2012; Scan AB, Member of the Board 2009–2010; LSO Foods Oy, Member of the Board 2009–2010; Finnpig Oy, Member of the Board 2008–2010; Envor Biotech Oy, Chairman of the Board 2008–2010; Honkajoki Oy, Member of the Board 2008–2010, Findest Protein Oy, Member of the Board 2008–2010

Independent of the Company and major shareholders

Shareholding in HKScan on 31 December 2015: 3 500

HENRIK TRESCHOW

MEMBER OF THE BOARD SINCE 2011

MBA, Swedish national, born 1946

Main Board memberships and public duties: Ingleby Farms and Forests, Vice Chairman of the Board 2005-; Abacus Sportswear AB, Chairman of the Board 2010-; Sperlingsholms Gods AB, Chairman of the Board 2000-; Wanås Gods AB, Chairman of the Board 2000-

Public duties previously undertaken: Skabernäs HB, Member of the Board 2007–09/2015; Federation of Swedish Landowners, Chairman of the Board; Treschow-Fritzöe Industries, Member of the Board

Independent of the Company and major shareholders.

Shareholding in HKScan on 31 December 2015: 1 200 (nominee-reg.)

TEIJA ANDERSEN

MEMBER OF THE BOARD SINCE 2012

M.Sc. (Agr .and For.), eMBA; Finnish national, born 1957

Key employment history: Etelä-Hämeen Lomat Oy, CEO 2013–2015; Adviso TMA Oy, CEO 2012–2014; Oy Karl Fazer Ab, SVP, Strategic Marketing, Brands and R&D 2009–2011; Fazer Amica Oy, Managing Director 2003–2007, Deputy Managing Director, marketing and sales 2003; Fazer Amica, Managing Director 2005–2008; Candyking Finland Oy (Fazer Group), Managing Director 2000–2002; Fazer Suklaa Oy, Sales Director 1997–2000

Main Board memberships and public duties: Unicef Finland, Member of the Board 2014-; Paletti Oy, Member of the Board 2009-; Are Oy, Member of the Board 2012-

Public duties previously undertaken: Diacor Oy, Member of the Board 2009–2014; Technopolis Plc, Member of the Board 2009–2013; Sampo Bank, Member of the Board 2006–2009; HAUS – Finnish Institute of Public Management Ltd, Member of the Board, 2007–2009; Turvatiimi, Member of the Board 2007–2009; Association of Finnish Advertisers, vice chair, Member of the Board 2007–2011

Independent of the Company and major shareholders

Shareholding in HKScan on 31 December 2015: 0

PIRJO VÄLIAHO

MEMBER OF THE BOARD SINCE 2015

Bachelor of Economic Sciences; Finnish national, born 1954

Key employment history: Procter & Gamble 2005–2014: Procter & Gamble Germany, Austria, Switzerland MDO, VP & GM, and P&G Germany, Austria and Switzerland, Chair of the Management Board, based in Germany 2008–2014; P&G Germany, Austria, Switzerland MDO, VP & GM, based in Germany, 2007–2008; P&G Nordic, VP & GM, based in Sweden 2005–2007. The Gillette Company 1982–2005, Several VP & GM and Director positions, latest: Gillette Central Europe West (Germany, Austria and Switzerland), VP & GM, based in Germany 2002–2005; Turkama & Kumppanit (Advertising Agency) 1980–1982; Mainosyhtymä (Advertising Agency) 1978–1980

Main Board memberships and public duties: Veho Group Oy, Member of the Board 2013-; Oras Group Oy, Member of the Board 2014-; P&G Germany, Member of the Supervisory Board 2015-

Public duties previously undertaken: Amer Sports, Member of the Board, 2007–2012; The German Brands Association, 2011–2014; The German Cosmetic, Toiletry, Perfumery and Detergent Association, 2012–2014

Independent of the Company and major shareholders

Shareholding in HKScan on 31 December 2015: 0

PER NILSSON

DEPUTY MEMBER OF THE BOARD SINCE 2013

Lantmästare, Swedish University of Agricultural Sciences (SLU), Mast programme at Agriculture University of St. Paul/ Minnesota, USA; Swedish national, born 1973; Farm entrepreneur and pork and beef producer, Esplunda, Central Sweden

Key employment history: Salesman of Swedish Lantmännen 1998–1999; Work on different farm companies 1980–1998

Main Board memberships and public duties: Various local boards in Sweden 1999-

Public duties previously undertaken: Swedish Meats ek. för. 2006–2008; The head board of the Swedish Federation of Farmers Union, LRF 2004–2006; Local marketing board of Swedish Lantmännen 2002–2004; Swedish Federation of Young Farmers 2000–2003; The student organization of SLU Alnarp, Chairman 1997–1998

Independent of the Company and major shareholders

Shareholding in HKScan on 31 December 2015: 570 (nominee-reg.)

MARKO ONNELA

DEPUTY MEMBER OF THE BOARD SINCE 2015

M.Sc. (Agriculture); Finnish national, born 1974; Farm entrepreneur and pork producer, Loimaa, Southwestern Finland

Public duties previously undertaken: LSO Osuuskunta, Member of the Supervisory Board 2011–2015; HKScan, primary production cooperation group, Chairman 2013–2014; LSO Osuuskunta, Member of the Representative Board 2004–2011

Independent of the Company and major shareholders

Shareholding in HKScan on 31 December 2015: 9 000

HKSCAN AS AN INVESTMENT

HKScan is the leading meat expert with strong a Nordic heritage and over 100 years' experience in selling, marketing and producing high-quality, responsibly-produced meat products. Our home markets include Finland, Sweden, Denmark and the Baltics, and we export to close to 50 countries. In 2015, HKScan's net sales totalled EUR 1.9 billion with some 7 400 employees. We are #1 in total sales in our industry in the region of the Baltic Sea. HKScan has been listed on Nasdaq Helsinki Ltd since 1997.

HKScan's strengths are strong brands and a leading market position in all home markets, an excellent geographical location for operational synergies, and strong balance sheet that enables the execution of profitable growth strategy.

Market drivers that support our business:

- Global growth in meat demand, especially in poultry
- Meat industry competition favouring larger players
- Urban lifestyles increase the demand for convenience food
- Pure and sustainable Nordic meat is being valued by consumers

STRATEGIC TARGETS

HKScan updated its strategy during 2014. "Towards profitable growth" is the theme of our updated Group strategy for 2015–2018. The focus areas we have identified as our new strategic "Must-Win Battles" are as follows:

- Renew customer, consumer and channel approach;
- Develop brands and offerings;
- Invest for growth; and
- Drive continuous improvement.

LONG-TERM FINANCIAL TARGETS

- Operating profit (EBIT): over 4 per cent of net sales
- Return on capital employed: over 12 per cent
- Net gearing: under 100 per cent
- Dividends: over 30 per cent of net profit

SHARES AND SHAREHOLDERS

SHARES

HKScan Group's registered and fully paid-up share capital at the beginning and end of 2015 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 per cent of the total number of shares) and K Shares 5 400 000 (9.81 per cent). The A Shares are quoted on the Nasdaq Helsinki. The K Shares are held by LSO Osuuskunta (4 735 000 shares) and Sveriges Djurbönder 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 205.6 (176.5) million based on the closing price of the last trading day of the period. The Series A shares had a market value of EUR 185.1 (158.8) million, and the unlisted Series K shares EUR 20.6 (17.7) million correspondingly.

In 2015, a total of 17 320 850 of the company’s shares, with a total value of EUR 87 878 712, were traded. The highest price quoted was EUR 6.26 and the lowest EUR 3.24. The average price was EUR 5.07. At the end of 2015, the closing price was EUR 3.81.

SHAREHOLDERS

At the end of 2015, the shareholder register maintained by Euroclear Finland Ltd included 12 558 (11 423) shareholders. Nominee-registered and foreign shareholders held 24.9 (20.1) per cent of the company's shares.

NOTIFICATIONS ON CHANGES IN HOLDINGS

HKScan did not receive any notifications on changes in holdings in 2015.

TREASURY SHARES

At the beginning and end of the financial year 2015, HKScan held 1 053 734 treasury A Shares. At the end of 2015, they had a market value of EUR 4.01 million and accounted for 1.92 per cent of all shares and 0.67 per cent of all votes.

SHARE-BASED INCENTIVE SCHEME

1) Incentive plan for 2013-2015 and its conditions are described in detail in the stock exchange release dated 20 December 2012.

2) Incentive plan 2016 for the Group key personnel was published on 18 December 2015 in a stock exchange release. 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 is 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.

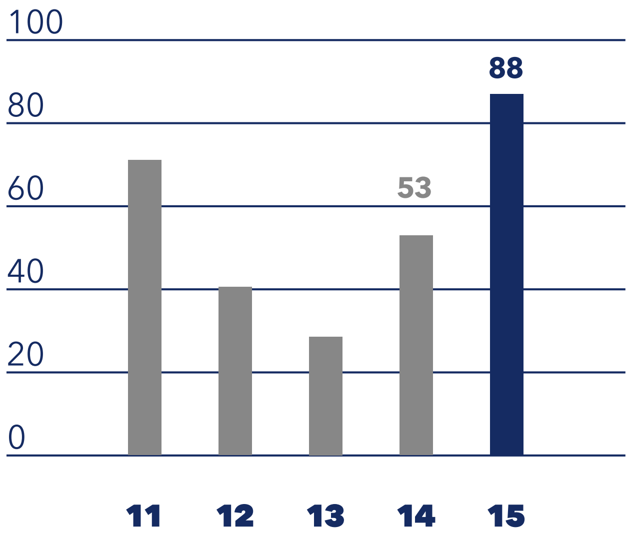
SHAREHOLDING OF THE BOARD OF DIRECTORS AND THE PRESIDENT AND CEO

At the end of 2015, members of the Board of Directors and the company's President and CEO and his deputy, as well as their related parties owned a total of 79 770 A Shares, corresponding to 0.14 per cent of the total number of shares and 0.05 per cent of the votes.

OWNERSHIP BREAKDOWN BY SECTOR ON 31 DECEMBER 2015

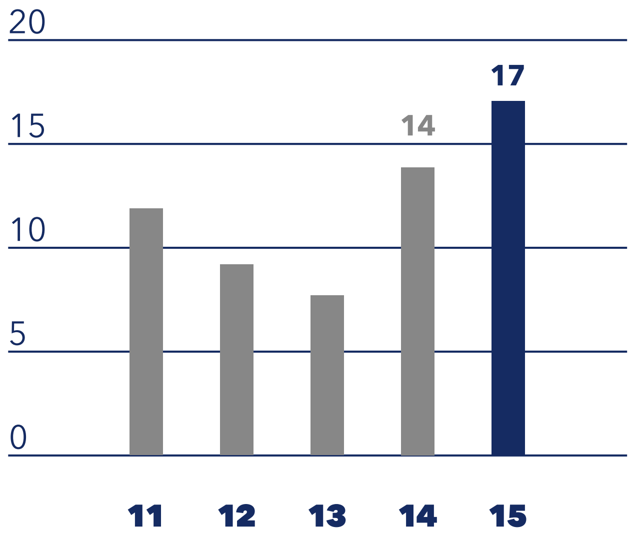
	Share of owners, %	Share of shares, %	Share of votes, %
Corporates	3.64	42.73	71.99
Finance and insurance companies	0.15	1.17	4.64
Public entities	0.05	6.52	2.28
Households	95.30	20.73	7.24
Non-profit organizations	0.60	3.68	1.29
Domestic sectors, total	99.74	74.83	87.43
Abroad	0.26	12.69	12.48
All sectors, total	**100.00**	**87.52**	**99.91**
General account		0.24	0.09

SHARES TRADED EUR MILLION



Source: Nasdaq Helsinki

SHARES TRADED IN MILLIONS

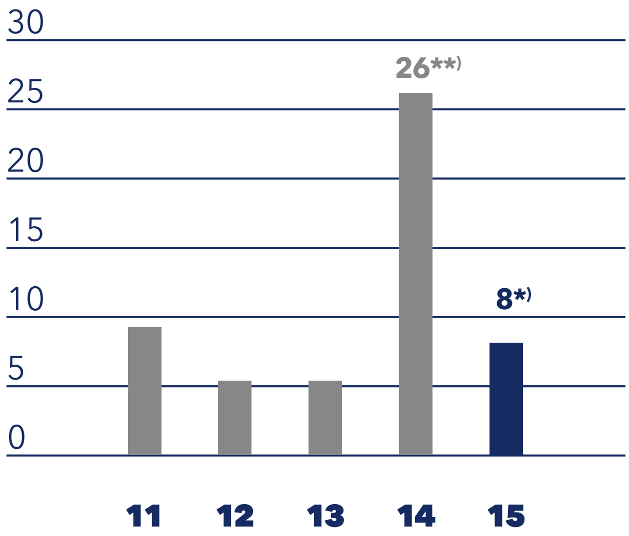


Source: Nasdaq Helsinki

SHARE PRICE DEVELOPMENT EUROS

Source: Nasdaq Helsinki

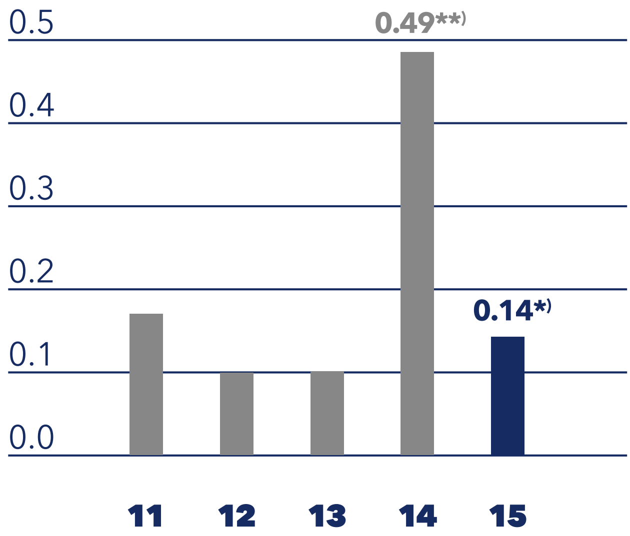
DIVIDENDS EUR MILLION



*) Board's proposal to AGM.

**) Includes EUR 21 million extra dividend.

DIVIDEND/SHARE EUROS



*) Board's proposal to AGM.

**) Dividend 0.10 euros/share + extra dividend 0.39 euros/share.

OWNERSHIP BREAKDOWN BY AMOUNT OF SHARES ON 31 DECEMBER 2015

Number of shares held	Shareholders	Shareholders, %	Shares	Shares, %	Votes	Votes,%
1-100	3 203	24.85	165 914	0.30	165 914	0.11
101-500	4 910	38.08	1 404 499	2.55	1 404 499	0.89
501-1 000	2 115	16.49	1 640 801	2.98	1 640 801	1.04
1 001-5 000	1 937	16.52	4 247 197	7.72	4 247 197	2.69
5 001-10 000	222	2.24	1 588 790	2.89	1 588 790	1.01
10 001-50 000	132	1.36	2 734 437	4.97	2 734 437	1.74
50 001-100 000	16	0.20	1 055 464	1.92	1 055 464	0.67
100 001-500 000	13	0.16	4 220 646	7.67	4 220 646	2.68
500 001-	10	0.11	37 835 209	68.76	140 435 209	89.09
Total	**12 558**	**100.00**	**54 892 957**	**99.76**	**157 492 957**	**99.92**
of which nominee registered	8		6 733 390	12.24	6 733 390	4.27
General account			133 565	0.24	133 565	0.09
Number of shares issued			55 026 522	100.00	157 626 522	100.00

20 LARGEST SHAREHOLDERS ON 31 DECEMBER 2015

		A shares	K shares	Of total shares, %	Of total votes, %
1	LSO Osuuskunta	14 458 884	4 735 000	34.88	69.25
2	Sveriges Djurbönder Ek. För.	6 234 750	665 000	12.54	12.39
3	Varma Mutual Pension Insurance Company	1 192 806	0	2.17	0.76
4	Elo Pension Company	1 142 830	0	2.08	0.73
5	HKScan Corporation	1 053 734	0	1.91	0.67
6	Tiiviste-Group OY	850 000	0	1.54	0.54
7	The Central Union of Agricultural Producers and Forest Owners (MTK)	836 414	0	1.52	0.53
8	Apteekkien Eläkekassa	532 500	0	0.97	0.34
9	The State Pension Fund	500 000	0	0.91	0.32
10	Hisinger-Jägerskiöld Eva	500 000	0	0.91	0.32
11	Fim Fenno Sijoitusrahasto	461 015	0	0.84	0.29
12	Hallqvist AB	405 000	0	0.74	0.26
13	Investment Fund Taaleritehdas Arvo Markka Osake	400 000	0	0.73	0.25
14	Nordea Life Assurance Finland Ltd.	400 000	0	0.73	0.25
15	Petter and Margit Forsström´s Foundation	377 500	0	0.69	0.24
16	Suhonen Jyrki	220 312	0	0.40	0.14
17	Ilmarinen Mutual Pension Insurance Company	218 298	0	0.40	0.14
18	Gripenberg Jarl Estate	110 000	0	0.20	0.07
19	Tuloskiinteistöt Oy	110 000	0	0.20	0.07
20	Laihonen Sirpa	93 937	0	0.17	0.06
	Other shareholders, total	**19 528 542**	**0**	**35.49**	**12.38**
	All shares, total	**49 626 522**	**5 400 000**	**100.00**	**100.00**

INFORMATION FOR THE SHAREHOLDERS

ANNUAL GENERAL MEETING

HKScan Corporation's Annual General Meeting will be held starting at 10 am on Wednesday, 13 April 2016 at Finlandia Hall (address: Mannerheimintie 13) in Helsinki. Registration of the shareholders, who have notified the company of their intention of attending the meeting will commence at 9 am.

Shareholders wishing to attend the Annual General Meeting should notify the company of their intention to do so by 4 pm Finnish time on 8 April 2016 either through HKScan's website www.hkscan.com or by phone +358 (0)10 570 6100 (on weekdays 9 am–4 pm) or in writing to HKScan Corporation, Annual General Meeting, PO Box 50, FI-20521 Turku, Finland.

ELIGIBILITY TO ATTEND THE GENERAL MEETING

To be eligible to attend the Annual General Meeting, shareholders should be registered by 1 April 2016 in HKScan Corporation's shareholder register maintained by Euroclear Finland Ltd.

DIVIDEND

The Board of Directors is to recommend to the Annual General Meeting that a dividend of EUR 0.14 per share be distributed for the financial period 2015. The dividend decided by the Annual General Meeting will be paid to those shareholders entitled to a dividend who are registered in the share register at 15 April 2016. The proposed payment date for the dividend is 22 April 2016.

Shareholders whose shares are not registered in the book-entry securities system at the record date, 15 April 2016, will duly receive their dividend once they have transferred their shares to the book-entry securities system.

SHAREHOLDER REGISTER

The register of HKScan Corporation's shareholders is maintained by Euroclear Finland Ltd, PO Box 1110, FI-00101 Helsinki, Finland (visiting address Urho Kekkosen katu 5 C, 00100 Helsinki), telephone +358 (0)20 770 6000 and email info.finland@euroclear.eu.

Shareholders should notify any changes of name and address in the book-entry securities register where their book-entry account is registered.

FINANCIAL INFORMATION

In 2016, HKScan publishes interim reports as follows:

- January-March on Wednesday, 4 May 2016
- January-June on Tue, 19 July 2016
- January-September on Wednesday, 2 November 2016.

The interim reports are published as stock exchange releases in Finnish and English, and they are available on the company's web site www.hkscan.com after publication.

ANNUAL REPORT

The annual report 2015 was published in Finnish and English as an online web report on week 11/2016. The report in English is available at the address: annualreport2015.hkscan.com. The annual report is not printed.

SILENT PERIOD

HKScan observes a silent period of three weeks prior to the release of its interim reports and financial statements bulletin. During this time, the company will not comment on its financial standing.

BANKS AND STOCKBROKERS ANALYZING HKSCAN AS AN INVESTMENT

HKScan Corporation is not liable for any evaluations presented in the analyses.

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THE NORDIC MEAT EXPERTS

HKSCAN

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