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.