

**HKSCAN**

# **THE NORDIC MEAT EXPERTS**

**HKSCAN GROUP  
INTERIM REPORT  
Q1-2/2016  
19 JULY 2016**



**HKSCAN GROUP'S INTERIM REPORT 1 JANUARY—30 JUNE 2016:  
SLIGHT GROWTH IN NET SALES, PROFIT LAGGING IN THE SECOND QUARTER**

- \* Net sales for January–June were EUR 921.8 (940.8) million and EUR 482.7 (474.8) million in the second quarter.
- \* EBIT for January–June was EUR -2.6 (2.9) million. Comparable EBIT was EUR -0.9 (2.9) million. The corresponding EBIT margin was -0.1 (0.3) per cent.
- \* For the second quarter, EBIT was EUR 1.7 (3.7) million. Comparable EBIT was EUR 2.2 (3.7) million. The corresponding EBIT margin was 0.5 (0.8) per cent.
- \* Cash flow before debt service was EUR 0.1 (19.2) million for January–June and EUR 16.2 (19.7) million in the second quarter.
- \* Comparable profit/loss before taxes was EUR -5.4 (-1.9) million for January–June and EUR 0.7 (1.2) million in the second quarter.
- \* EPS was EUR -0.18 (-0.04) for January–June, and EUR -0.01 (0.01) in the second quarter.
- \* Net financial expenses were EUR -4.0 (-4.8) million for January–June and EUR -1.8 (-2.3) million in the second quarter.
- \* Net debt was EUR 156.4 (150.4) million and net gearing 38.6 (35.8) per cent.
- \* Outlook for 2016 (unchanged): HKScan expects comparable operating profit (EBIT) to improve from 2015.

*HKScan has revised the terminology used for alternative performance measures due to new guidelines by the European Securities and Market Authority. 'EBIT excluding non-recurring items' has been replaced with 'comparable EBIT' and 'profit/loss before taxes excluding non-recurring items' has been replaced with 'comparable profit/loss before taxes'. Definitions of these performance measures and of items affecting comparability can be found in the tables of this interim report under calculation of financial indicators. HKScan reports alternative performance measures to show the business performance and to enhance comparability between reporting periods.*

**AKI LAIHO, HKSCAN'S DEPUTY CEO, COMMENTS ON THE SECOND QUARTER OF 2016:**

"In the second quarter, comparable EBIT lagged behind last year, and was EUR 2.2 million. Main reasons were high beef raw material prices in Sweden – which stabilized in June – and oversupply of pork in the EU affecting the sales prices negatively especially in Finland.

Mitigation actions to balance pork oversupply, with a voluntary reduction scheme of piglet production, have successfully been initiated in Finland. In Sweden, high beef purchase prices are being passed on to sales prices. Additionally, domestic sales of Danish fresh poultry continued the positive trend already seen in the previous quarter.

In total, the Group's net sales showed modest year-on-year growth of 1.7 per cent."



## KEY FIGURES, Q2

(EUR million)	Q2/2016	Q2/2015	Q1-Q2/2016	Q1-Q2/2015	2015
Net sales	482.7	474.8	921.8	940.8	1 917.1
EBIT	1.7	3.7	-2.6	2.9	9.6
- % of net sales	0.4	0.8	-0.3	0.3	0.5
Profit/loss before taxes	0.2	1.2	-7.1	-1.9	2.2
- % of net sales	0.0	0.3	-0.8	-0.2	0.1
Profit/loss for the period	-0.2	1.0	-9.6	-1.8	1.9
- % of net sales	0.0	0.2	-1.0	-0.2	0.1
Comparable EBIT	2.2	3.7	-0.9	2.9	21.5
- % of net sales	0.5	0.8	-0.1	0.3	1.1
Comparable profit/loss before taxes	0.7	1.2	-5.4	-1.9	14.1
- % of net sales	0.1	0.3	-0.6	-0.2	0.7
EPS, EUR	-0.01	0.01	-0.18	-0.04	0.01
Cash flow before debt service	16.2	19.7	0.1	19.2	32.2
Cash flow before financing activities	16.1	22.2	-1.1	18.3	25.0
Return on capital employed (ROCE) before taxes, %			1.3	3.3	2.3
Net debt			156.4	150.4	144.0
Gearing %			40.6	38.6	36.1
Net Gearing %			38.6	35.8	33.8

## JANUARY–JUNE 2016

The market demand in general grew on all HKScan home markets from January to June, but slowed during the second quarter. The Group's net sales grew slightly in the second quarter, but still lagged behind the previous year for January–June. Sales margins still decreased in Sweden but stabilized in the other market areas in the second quarter. The Group's EBIT remained behind both the previous year's second quarter and the whole reporting period. Market area Denmark improved its EBIT, whereas Sweden, Finland and the Baltics were still behind during the second quarter. Group's operational efficiency measures advanced well during January–June, and continued with success in Sweden and Denmark in the second quarter.

In Sweden, the demand for domestic meat remained strong also during the second quarter. Tough competition caused both an increase in animal purchase prices and a shortage of beef. Sales price increases were made with success in all product categories in Sweden. In Finland, the oversupply of pork persisted during the second quarter, resulting in lower sales prices, which together with fierce price competition in retail further decreased sales margins. In Denmark, good progress was seen in sales of fresh chicken in the domestic retail market, whereas the export market remained challenging. In the Baltics, the market situation was weak and price levels were low but HKScan managed, however, to maintain its established market position.

Good progress was made with initiatives to strengthen the Group's operational footprint in line with the profitable growth strategy. Investment in the growing poultry segment proceeded well in Rauma, Finland, with the cornerstone of the new production plant laid in mid-May. An expansion investment in the Group's Polish bacon plant was approved and the project is in progress.

On 27 May, HKScan announced that Jari Latvanen had been appointed as the Group's new President and CEO. He will be joining HKScan from Stora Enso by the end of November 2016 at the latest. Aki Laiho, COO, will continue to serve as the deputy CEO until Jari Latvanen assumes his position.



## MARKET AREA SWEDEN

(EUR million)	Q2/2016	Q2/2015	Q1-Q2/2016	Q1-Q2/2015	2015
Net sales	205.0	208.3	394.1	410.4	841.9
EBIT	3.3	3.4	4.4	5.4	21.1
- EBIT margin, %	1.6	1.6	1.1	1.3	2.5
Comparable EBIT	3.3	3.4	4.4	5.4	21.6
- EBIT margin, %	1.6	1.6	1.1	1.3	2.6

In Sweden, net sales for January–June were EUR 394.1 (410.4) million and EUR 205.0 (208.3) million in the second quarter. Comparable EBIT for January–June totalled EUR 4.4 (5.4) million and EUR 3.3 (3.4) million in the second quarter.

Meat consumption in general continued to grow in Sweden, and demand for domestic meat remained strong during the second quarter. The overall shortage of domestic meat, however, caused a slight increase in the share of imported meat in Sweden.

Despite sales price increases in all categories, net sales decreased both for January–June and in the second quarter. This was mainly due to lower sales volumes depending on an intensive competition of domestic beef raw material. Animal purchase prices continued to increase in the second quarter, especially in beef, but stabilized at an extraordinary high level in June. Operational efficiency continued improving, thus partially offsetting the decrease in sales margins.

Sales of the new 'Korvish®' and 'Järpish®' products, launched in the first quarter, met the expectations. The products contain half meat and half vegetables. Marketing investments to further strengthen the Scan® brand continued. Sales of barbecue products developed well during the second quarter.



## MARKET AREA FINLAND

(EUR million)	Q2/2016	Q2/2015	Q1-Q2/2016	Q1-Q2/2015	2015
Net sales	207.4	195.5	394.3	389.0	801.6
EBIT	2.2	3.8	3.0	7.4	4.9
- EBIT margin, %	1.1	2.0	0.8	1.9	0.6
Comparable EBIT	2.2	3.8	3.0	7.4	16.3
- EBIT margin, %	1.1	2.0	0.8	1.9	2.0

In Finland, net sales for January–June were EUR 394.3 (389.0) million and EUR 207.4 (195.5) million in the second quarter. Comparable EBIT for January–June totalled EUR 3.0 (7.4) and EUR 2.2 (3.8) million in the second quarter.

Market demand in general decreased slightly during the second quarter. The only growing categories were poultry and processed food. The market price level for meat products was low in all customer segments. Net sales increased as a result of higher poultry sales volumes in the second quarter. Moreover, the acquisition of Paimion Teurastamo Oy in 2015, contributed to the increased net sales.

In the second quarter, animal raw material costs remained at the level of the first quarter. Sales prices decreased in all main categories partly due to the oversupply of pork, which also led to increased production costs. Active measures to correct oversupply have been planned in cooperation with animal producers, with implementation already under way.

Kivikylän Kotipalvaamo Oy, subsidiary of HKScan continued to improve its net sales and profitability during the second quarter.

The Group's strategic investment project targeting the growing poultry segment continued in Rauma. The cornerstone of the new production facility was laid in mid-May.


**MARKET AREA: DENMARK**

<b>(EUR million)</b>	<b>Q2/2016</b>	<b>Q2/2015</b>	<b>Q1-Q2/2016</b>	<b>Q1-Q2/2015</b>	<b>2015</b>
Net sales	46.6	45.6	91.3	94.5	175.9
EBIT	-2.6	-2.4	-4.9	-5.9	-9.3
- EBIT margin, %	-5.6	-5.3	-5.3	-6.2	-5.3
Comparable EBIT	-2.1	-2.4	-4.4	-5.9	-9.3
- EBIT margin, %	-4.6	-5.3	-4.8	-6.2	-5.3

In Denmark, net sales for January–June amounted to EUR 91.3 (94.5) million and EUR 46.6 (45.6) million in the second quarter. Comparable EBIT for January–June was EUR -4.4 (-5.9) million and EUR -2.1 (-2.4) million in the second quarter.

Net sales increased due to higher sales volumes in the second quarter. Sales development of fresh products' category in the domestic market were nevertheless very positive, resulting in higher volumes, improved margins, and market share gains. The Rose® brand reached a leading position on the Danish poultry market.

Performance in the export market was negatively affected by fierce price competition. Some improvement in price levels in Asia was though seen during the second quarter. Operational efficiency measures contributed to the improved EBIT.

Investment in the Rose® brand showed good results, with Rose® establishing a clearly higher brand value than competitors. The launch of Flodins® snacks continued.



## MARKET AREA: BALTICS

(EUR million)	Q2/2016	Q2/2015	Q1-Q2/2016	Q1-Q2/2015	2015
Net sales	41.5	44.6	79.4	85.5	173.6
EBIT	1.8	2.6	2.0	2.5	5.4
- EBIT margin, %	4.3	5.8	2.6	2.9	3.1
Comparable EBIT	1.8	2.6	2.0	2.5	5.4
- EBIT margin, %	4.3	5.8	2.6	2.9	3.1

In the Baltics, net sales for January–June were EUR 79.4 (85.5) million and EUR 41.5 (44.6) million in the second quarter. Comparable EBIT for January–June was EUR 2.0 (2.5) million and EUR 1.8 (2.6) million in the second quarter.

The overall market situation remained challenging with low price levels prevailing. The export market remained weak. Net sales development was in total negative as a result of lower sales prices, volumes and the divested egg business (in Q1/2015). Towards the end of the second quarter, the market price for pork started to recover and showed some increase. On the domestic market, increased sales volumes compensated for lower sales prices. Regardless of fierce competition, the Group managed to maintain its strong market position.

Rakvere® and Tallegg® branded products maintained their strong foothold. Active measures to prevent the spread of African Swine Fever (ASF) continued in Estonia. Both HKScan's own farms and its contract farmers adhere to the strictest biosecurity standards.

Actions to expand the Rakvere® and Tallegg® brands from Estonia into pan-Baltic brands started during the second quarter. The Rigas Miesnieks® brand identity was successfully renewed and launched in Latvia.



## FINANCING

The Group's interest-bearing debt at the end of June stood at EUR 164.5 (162.1) million. Net debt was EUR 156.4 (150.4) million and the net gearing ratio 38.6 (35.8) per cent. In the second quarter, the parent company paid EUR 7.6 million as dividend for 2015 (EUR 26.4 million for 2014).

The Group's liquidity was good. Committed credit facilities at 30 June stood at EUR 100.0 (100.0) million, and were entirely undrawn. The EUR 200.0 million commercial paper programme had been drawn to the amount of EUR 23.0 (15.0) million.

Net financial expenses decreased and were EUR -1.8 (-2.3) million in the second quarter and EUR -4.0 (-4.8) million in January–June

## SHARES

At the end of June, HKScan Group's share capital stood at EUR 66 820 528. The Group's total number of shares issued, 55 026 522, were 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. The K Shares are held by LSO Osuuskunta (4 735 000 shares) and Sveriges Djurbönder ek.för. (665 000 shares) and are not listed.

On 8 April 2016, the company transferred 44 885 treasury A shares as rewards according to the share based incentive plan 2013. At the end of June 2016, the company held 1 008 849 A Shares as treasury shares corresponding 1.8 per cent of the company's total number of shares and 0.6 per cent of the total number of votes.

HKScan's market capitalization at the end of June stood at EUR 167.5 (287.7) million, breaking down as follows: Series A shares had a market value of EUR 150.7 (258.9) million, and the unlisted Series K shares a calculational market value of EUR 16.7 (28.8) million.

In January–June, a total of 7 275 746 (12 606 842) of the company's shares with a total value of EUR 23 354 718 (68 257 415) were traded. The highest price quoted in the period under review was EUR 3.89 (6.25), and the lowest was EUR 2.94 (3.24). The average price was EUR 3.21 (5.41). At the end of June, the closing price was EUR 3.10 (5.33).

## ANNUAL GENERAL MEETING 2016 AND BOARD OF DIRECTORS' AUTHORIZATIONS

The Annual General Meeting of HKScan Corporation was held on 13 April 2016 in Helsinki. The resolutions of the AGM, including authorizations given to the Board, are reported in full in a stock release the same day. The Board has not exercised the authorizations given by the AGM 2016.

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

On 8 April 2016, HKScan reported that the Board of HKScan Corporation had resolved on a directed share issue according to the Group's share based incentive plan 2013, payment of the rewards for the performance period 2013–2015. In total 44 885 HKScan Corporation's A shares owned by the Group were gratuitously transferred to the participants of the incentive plan. Its terms have been announced by a stock exchange release published on 20 December 2012. After the transfer, HKScan holds a total of 1 008 849 own shares.





## CHANGES IN THE BOARD AND GROUP MANAGEMENT

On 11 May 2016, HKScan's Board of Directors reported that its member Tero Hemmilä resigned from the Company's Board as of the same date.

On 27 May 2016, HKScan's Board of Directors reported having appointed Jari Latvanen (52), MBA, as HKScan's new President and CEO. He will be joining HKScan from Stora Enso by the end of November 2016 at the latest. Aki Laiho, COO, will continue to serve as the deputy CEO until Jari Latvanen assumes his new position.

On 13 June 2016, HKScan reported that Sari Suono, EVP HR and member of the Group's Management Team, will leave HKScan by the end of September.

On 23 June 2016, it was announced that Anders Jeppesen Jensen, General Manager of HKScan Denmark and member of the Group's extended management team, will leave the company. Göran Holm, EVP Consumer Business, Scandinavia, will be acting General Manager of HKScan Denmark until further notice.

## SHORT-TERM RISKS AND UNCERTAINTY FACTORS

The most significant uncertainty factors in the HKScan Group's business are related to sales and raw material prices, as well as management of global and local meat balances.

The risks include various unexpected actions potentially taken by authorities or pressure groups, which may cause restrictions to the business or volatility in demand.

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

## OUTLOOK (UNCHANGED)

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

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

## NEXT FINANCIAL REPORT

HKScan Group's interim report January–September 2016 will be published on 2 November 2016.

Vantaa, 19 July 2016

HKScan Corporation  
Board of Directors

For further details, kindly contact Aki Laiho, Deputy CEO or Tuomo Valkonen, CFO, HKScan Corporation. Please submit a call-back request via Marja-Leena Dahlskog, SVP Communications, HKScan Corporation, marja-leena.dahlskog(at)hkscan.com or tel. +358 10 570 2142.

*HKScan is the leading Nordic meat expert. We produce, market and sell high-quality, responsibly-produced pork, beef, poultry and lamb products, processed meats and convenience foods under strong brand names. Our customers are the retail, food service, industrial and export sectors, and our home markets comprise*



*Finland, Sweden, Denmark and the Baltics. We export to close to 50 countries. In 2015, HKScan had net sales of approximately EUR 1.9 billion and some 7 400 employees.*

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**CONSOLIDATED INTERIM REPORT 1 JANUARY–30 JUNE 2016**
**CONSOLIDATED INCOME STATEMENT**

<b>(EUR million)</b>	<b>Note</b>	<b>Q2/2016</b>	<b>Q2/2015</b>	<b>Q1-Q2/2016</b>	<b>Q1-Q2/2015</b>	<b>2015</b>
Net sales		482.7	474.8	921.8	940.8	1 917.1
Cost of goods sold	1.	-452.2	-442.6	-865.8	-881.2	-1 799.5
Gross profit		30.5	32.2	56.0	59.6	117.6
Other operating items total		2.3	2.7	4.5	4.8	11.6
Sales and marketing costs		-14.8	-15.1	-28.9	-30.0	-57.8
General administration costs	1.	-16.3	-16.1	-34.1	-31.4	-61.9
Operating profit		1.7	3.7	-2.6	2.9	9.6
Financial income		1.0	0.6	1.4	1.1	2.1
Financial expenses		-2.7	-2.9	-5.4	-5.9	-11.2
Share of profit/loss in associates		0.3	-0.3	-0.5	0.0	1.7
Profit/loss before taxes		0.2	1.2	-7.1	-1.9	2.2
Income tax		-0.5	-0.2	-2.5	0.1	-0.3
Profit/loss for the period		-0.2	1.0	-9.6	-1.8	1.9
Non-controlling interests		-0.5	-0.3	-0.4	-0.2	-1.6
Profit/loss for the period		-0.7	0.7	-10.0	-2.0	0.3
Earnings per share calculated on profit attributable to equity holders of the parent:						
EPS, undiluted, continuing operations, EUR/share		-0.01	0.01	-0.18	-0.04	0.01
EPS, diluted, continuing operations, EUR/share		-0.01	0.01	-0.18	-0.04	0.01

# HKSCAN

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR million)	Q2/2016	Q2/2015	Q1-Q2/2016	Q1-Q2/2015	2015
Profit/loss for the period	-0.2	1.0	-9.6	-1.8	1.9
OTHER COMPREHENSIVE INCOME (after taxes):					
Exchange differences on translating foreign operations	-2.5	0.9	-2.8	2.3	2.6
Cash flow hedging	0.6	1.9	-0.4	1.1	0.3
Actuarial gains or losses	0.0	0.0	0.0	0.0	-1.5
TOTAL OTHER COMPREHENSIVE INCOME	-1.8	2.8	-3.1	3.4	1.4
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-2.1	3.8	-12.7	1.6	3.3
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:					
Equity holders of the parent	-2.5	3.5	-13.1	1.4	1.7
Non-controlling interests	0.5	0.3	0.4	0.2	1.6
Total	-2.1	3.8	-12.7	1.6	3.3

## CONSOLIDATED BALANCE SHEET

(EUR million)	Note	30.6.2016	30.6.2015	31.12.2015
ASSETS				
Intangible assets	2.	144.3	145.5	147.3
Tangible assets	3.	367.5	369.5	361.8
Holdings		35.6	35.9	36.6
Other non-current assets		31.8	39.8	35.0
TOTAL NON-CURRENT ASSETS		579.2	590.6	580.7
Inventories	4.	119.6	115.5	124.2
Current receivables		123.4	120.8	122.9
Cash and cash equivalents		7.9	11.6	9.5
TOTAL CURRENT ASSETS		250.9	247.8	256.6
TOTAL ASSETS		830.1	838.4	837.3
EQUITY AND LIABILITIES				
EQUITY	5.	405.0	419.9	425.8
Non-current loans, interest-bearing		132.2	121.8	117.2
Non-current liabilities, non-interest-bearing		35.1	38.5	39.4
TOTAL NON-CURRENT LIABILITIES		167.3	160.4	156.6
Current loans, interest-bearing		32.3	40.2	36.6
Current liabilities, non-interest-bearing		225.5	218.0	218.4
TOTAL CURRENT LIABILITIES		257.8	258.2	255.0
TOTAL EQUITY AND LIABILITIES		830.1	838.4	837.3



### STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(EUR million)	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
<b>EQUITY AT 1.1.2016</b>	<b>66.8</b>	<b>72.9</b>	<b>-12.4</b>	<b>143.5</b>	<b>10.2</b>	<b>-3.7</b>	<b>0.0</b>	<b>134.7</b>	<b>412.0</b>	<b>13.8</b>	<b>425.8</b>
Result for the financial period	-	-	-	-	-	-	-	-10.0	-10.0	0.4	-9.6
Other comprehensive income (+) / expense (-)											
Transl. diff.	-	-	-	-	-	-2.8	-	-	-2.8	-	-2.8
Cash flow hedging	-	-	-0.4	-	-	-	-	-	-0.4	-	-0.4
Actuarial gains or losses	-	-	-	-	-	-	-	-	-	-	-
<b>Total compreh. income for the period</b>			<b>-0.4</b>			<b>-2.8</b>		<b>-10.0</b>	<b>-13.1</b>	<b>0.4</b>	<b>-12.7</b>
Direct recognitions	-	-	-	-	0.0	-	-	0.1	0.1	-	0.1
Transfers between items	-	-	-	-	0.0	-	-	0.0	0.0	-	0.0
Dividend distribut.	-	-	-	-	-	-	-	-7.6	-7.6	-0.7	-8.2
<b>EQUITY AT 30.6.2016</b>	<b>66.8</b>	<b>72.9</b>	<b>-12.8</b>	<b>143.5</b>	<b>10.3</b>	<b>-6.5</b>	<b>0.0</b>	<b>117.3</b>	<b>391.5</b>	<b>13.5</b>	<b>405.0</b>

(EUR million)	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
<b>EQUITY AT 1.1.2015</b>	<b>66.8</b>	<b>72.9</b>	<b>-12.7</b>	<b>143.5</b>	<b>10.1</b>	<b>-6.3</b>	<b>0.0</b>	<b>162.2</b>	<b>436.5</b>	<b>8.7</b>	<b>445.2</b>
Result for the financial period	-	-	-	-	-	-	-	-2.0	-2.0	0.2	-1.8
Other comprehensive income (+) / expense (-)											
Transl. diff.	-	-	-	-	-	2.3	-	-	2.3	-	2.3
Cash flow hedging	-	-	1.1	-	-	-	-	-	1.1	-	1.1
Actuarial gains or losses	-	-	-	-	-	-	-	-	-	-	-
<b>Total compreh. income for the period</b>			<b>1.1</b>			<b>2.3</b>		<b>-2.0</b>	<b>1.3</b>	<b>0.2</b>	<b>1.6</b>
Direct recognitions	-	-	-	-	0.0	-	-	-0.2	-0.2	-	-0.2
Transfers between items	0.0	-	-	-	0.0	-	-	-	-	-	-
Dividend distribut.	-	-	-	-	-	-	-	-26.4	-26.4	-0.3	-26.7
<b>EQUITY AT 30.6.2015</b>	<b>66.8</b>	<b>72.9</b>	<b>-11.7</b>	<b>143.5</b>	<b>10.1</b>	<b>-4.1</b>	<b>0.0</b>	<b>133.6</b>	<b>411.2</b>	<b>8.7</b>	<b>419.9</b>

COLUMNS: 1. Share capital, 2. Share premium reserve, 3. Revaluation reserve, 4. Reserve for invested unrestricted equity (RIUE), 5. Other reserves, 6. Translation differences, 7. Treasury shares, 8. Retained earnings, 9. Equity holders of the parent, 10. Non-controlling interests, 11. Total



## CASH FLOW STATEMENT

<b>(EUR million)</b>	<b>Q1-Q2/2016</b>	<b>Q1-Q2/2015</b>	<b>2015</b>
Cash flow before change in net working capital	20.7	30.9	78.1
Change in net working capital	2.9	6.1	-2.2
Financial items and taxes	-2.6	-2.2	-9.1
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>21.0</b>	<b>34.8</b>	<b>66.8</b>
Cash flow from investing activities	-22.1	-16.5	-41.8
<b>CASH FLOW AFTER INVESTING ACTIVITIES</b>	<b>-1.1</b>	<b>18.3</b>	<b>25.0</b>
Change in loans	8.0	4.0	-4.3
Dividends paid	-8.2	-26.7	-26.7
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-0.3</b>	<b>-22.7</b>	<b>-31.0</b>
<b>NET CASH FLOW</b>	<b>-1.4</b>	<b>-4.4</b>	<b>-6.0</b>
Cash and cash equivalents at beginning of period	9.5	16.4	16.4
Translation differences	-0.2	-0.4	-1.0
Cash and cash equivalents at end of period	7.9	11.6	9.5

## FINANCIAL INDICATORS

	<b>30.6.2016</b>	<b>30.6.2015</b>	<b>31.12.2015</b>
Earnings per share (EPS), undiluted, EUR	-0.18	-0.04	0.01
Earnings per share (EPS), diluted, EUR	-0.18	-0.04	0.01
Equity per share, EUR	7.25	7.62	7.63
Equity ratio, %	48.8	50.1	50.9
Adjusted average number of shares, mill.	54.0	54.0	54.0
Gross capital expenditure on PPE, EUR mill.	35.4	25.6	49.6
Employees, end of month average	7 341	7 544	7 437



## CALCULATION OF FINANCIAL INDICATORS

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 (%)	$\frac{\text{Total equity}}{\text{Balance sheet total – advances received}} \times 100$
Net gearing ratio (%)	$\frac{\text{Net interest-bearing liabilities}}{\text{Total equity}} \times 100$
Earnings per share (EPS)	$\frac{\text{Profit for the period attributable to equity holders of the parent}}{\text{Average number of outstanding shares during period}}$
Equity per share	$\frac{\text{Equity attributable to holders of the parent}}{\text{Number of outstanding shares at end of period}}$
Market capitalisation	The number of outstanding shares at the end of period X the closing price on the last trading day of the financial year
Cash flow before debt service	Cash flow before financing activities and financial items
Employee numbers	Average of workforce figures calculated at the end of calendar months
Items affecting comparability	One-time charges, which are not related to the normal continuing operations and materially affect company's finance. Examples of such expenses are: capacity adjustment (restructuring), redundancy, legal costs relating to restructuring or similar, one-time expenses related to efficiency / reorganization programmes, significant compensations or penalties paid out due to legal verdict or settlement, transaction fees / expenses related to business acquisitions (consultation, advisory, legal, due diligence, registration etc.) and gains/losses of business disposals.
Comparable EBIT	Operating profit – items affecting comparability
Comparable profit/loss before taxes	Profit/loss before taxes – items affecting comparability



## NOTES TO CONSOLIDATED INTERIM REPORT

### ACCOUNTING POLICIES

HKScan Corporation's interim report for 1 January–30 June 2016 has been prepared in compliance with IAS 34 Interim Financial Reporting standards. The same accounting principles have been applied in the interim report as in the annual financial statements for 2015. Due to the rounding of the figures to the nearest million euros in the interim report, some totals may not agree with the sum of their constituent parts. Accounting principles are explained in the financial statements for 2015.

The interim report is unaudited.

### ANALYSIS BY SEGMENT

Net sales and EBIT by market area

(EUR million)	Q2/2016	Q2/2015	Q1-Q2/2016	Q1-Q2/2015	2015
<b>NET SALES</b>					
- Sweden	205.0	208.3	394.1	410.4	841.9
- Finland	207.4	195.5	394.3	389.0	801.6
- Denmark	46.6	45.6	91.3	94.5	175.9
- Baltics	41.5	44.6	79.4	85.5	173.6
- Between segments	-17.7	-19.3	-37.4	-38.6	-76.0
Group total	482.7	474.8	921.8	940.8	1 917.1
<b>EBIT</b>					
- Sweden	3.3	3.4	4.4	5.4	21.1
- Finland	2.2	3.8	3.0	7.4	4.9
- Denmark	-2.6	-2.4	-4.9	-5.9	-9.3
- Baltics	1.8	2.6	2.0	2.5	5.4
- Between segments	-	-	-	-	-
Segments total	4.6	7.4	4.6	9.4	22.1
Group administration costs	-2.9	-3.7	-7.1	-6.5	-12.5
Group total	1.7	3.7	-2.6	2.9	9.6
<b>INVESTMENTS</b>					
- Sweden	4.4	2.4	9.1	4.4	13.7
- Finland	13.7	9.4	20.4	13.2	19.9
- Denmark	0.9	1.3	1.6	2.7	5.4
- Baltics	2.9	3.0	4.4	5.3	10.6
Total	21.9	16.0	35.4	25.6	49.6
<b>AVERAGE NUMBER OF EMPLOYEES</b>					
- Sweden			2 164	2 180	2 176
- Finland			2 899	2 878	2 840
- Denmark			690	738	726
- Baltics			1 588	1 749	1 696
Total			7 341	7 544	7 437





## NOTES TO THE INCOME STATEMENT

### 1. ITEMS AFFECTING COMPARABILITY

(EUR million)	Q2/2016	Q2/2015	Q1-Q2/2016	Q1-Q2/2015	2015
<b>Comparable EBIT</b>	<b>2.2</b>	<b>3.7</b>	<b>-0.9</b>	<b>2.9</b>	<b>21.5</b>
Impairment of assets, Finland 1)	-	-	-	-	-11.4
Termination of employment, Sweden 2)	-	-	-	-	-0.5
Termination of employment, Group Management 2)	-	-	-1.2	-	-
Termination of employment, Denmark 2)	-0.5	-	-0.5	-	-
<b>EBIT</b>	<b>1.7</b>	<b>3.7</b>	<b>-2.6</b>	<b>2.9</b>	<b>9.6</b>

1) Included in the Income Statement in the item "COGS Total"

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

## NOTES TO THE STATEMENT OF FINANCIAL POSITION

### 2. CHANGES IN INTANGIBLE ASSETS

(EUR million)	Q2/2016	Q2/2015	2015
Opening balance	147.3	144.3	144.3
Translation differences	-2.3	1.7	2.0
Additions	0.3	0.6	0.9
Additions, business acquisitions	-	-	2.2
Disposals	0.0	-0.2	-0.1
Depreciation and impairment	-1.1	-1.3	-2.6
Reclassification between items	0.1	0.4	0.5
Closing balance	144.3	145.5	147.3

### 3. CHANGES IN TANGIBLE ASSETS

(EUR million)	Q2/2016	Q2/2015	2015
Opening balance	361.8	369.7	369.7
Translation differences	-1.6	1.1	1.0
Additions	35.1	25.1	48.7
Additions, business acquisitions	-	-	7.8
Disposals	-1.3	-0.5	-2.8
Depreciation and impairment	-26.4	-25.6	-62.1
Reclassification between items	-0.1	-0.2	-0.5
Closing balance	367.5	369.5	361.8

### 4. INVENTORIES

(EUR million)	Q2/2016	Q2/2015	2015
Materials and supplies	68.5	67.4	71.5
Semi-finished products	5.4	4.9	5.0
Finished products	38.5	34.6	40.1
Other inventories	0.4	0.5	0.4
Inventories, advance payments	0.6	1.2	1.1
Biological asset, IFRS 41	6.1	6.9	6.2
Total inventories	119.6	115.5	124.2



## 5. NOTES TO EQUITY

Share capital and share premium reserve	Number of outstanding shares	Share capital	Share premium reserve	Reserve for invested unrestricted equity	Treasury	Total
1.1.2016	53 972 788	66.8	72.9	143.5	0.0	283.1
30.6.2016	54 017 673	66.8	72.9	143.5	0.0	283.1

## DERIVATIVE INSTRUMENT LIABILITIES

(EUR million)	30.6.2016	30.6.2015	31.12.2015
Nominal values of derivative instruments			
Foreign exchange derivatives	50.9	61.9	57.7
Interest rate derivatives	127.4	148.4	128.5
Electricity derivatives	6.8	8.6	8.1
Fair values of derivative instruments			
Foreign exchange derivatives	0.2	-0.1	-0.2
Interest rate derivatives	-15.3	-13.9	-14.0
Electricity derivatives	-1.8	-2.0	-2.9

## CONSOLIDATED OTHER CONTINGENT LIABILITIES

(EUR million)	30.6.2016	30.6.2015	31.12.2015
Debts secured by pledges or mortgages			
- loans from financial institutions	0.0	0.2	0.2
On own behalf			
- Mortgages given	0.0	0.6	0.4
- Assets pledged	3.1	3.2	3.2
On behalf of others			
- guarantees and other commitments	13.1	12.6	10.4
Other contingencies			
Leasing commitments	7.6	12.5	11.0
Rent liabilities	33.7	33.7	36.5



## THE FAIR VALUE DETERMINATION PRINCIPLES APPLIED BY THE GROUP ON FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

### Derivatives

The fair values of currency derivatives are determined by using the market prices for contracts of equal duration at the reporting date. The fair values of interest rate swaps are determined using the net present value method supported by the market interest rates at the reporting date. The fair value of commodity derivatives are determined by using publicly quoted market prices.

	30.6.2016	Level 1	Level 2	Level 3
Assets measured at fair value				
Financial assets recognized at fair value through profit or loss				
- Trading securities	-	-	-	-
- Trading derivatives				
- Interest rate swaps	-	-	-	-
- Foreign exchange derivatives	0.3	0.0	0.3	0.0
- Commodity derivatives	0.1	-	0.1	-
Available-for-sale financial assets				
- Investments in shares	0.0	0.0	0.0	0.0
<b>Total</b>	<b>0.4</b>	<b>0.0</b>	<b>0.4</b>	<b>0.0</b>
Liabilities measured at fair value				
Financial liabilities recognised at fair value through profit or loss				
-Trading derivatives				
- Interest rate swaps	-15.3	0.0	-15.3	0.0
of which subject to cash flow hedging	-15.3	0.0	-15.3	0.0
- Foreign exchange derivatives	-0.1	0.0	-0.1	0.0
of which subject to net investment hedging	-	-	-	-
- Commodity derivatives	-1.9	0.0	-1.9	0.0
of which subject to cash flow hedging	-1.9	0.0	-1.9	0.0
<b>Total</b>	<b>-17.3</b>	<b>0.0</b>	<b>-17.3</b>	<b>0.0</b>

### BUSINESS TRANSACTIONS WITH RELATED PARTIES

(EUR million)	Q1-Q2/2016	Q1-Q2/2015	2015
Sales to associates	25.8	33.4	70.1
Purchases from associates	19.7	21.2	46.6
Trade and other receivables	1.5	2.2	1.4
Trade and other payables	4.6	4.5	5.3