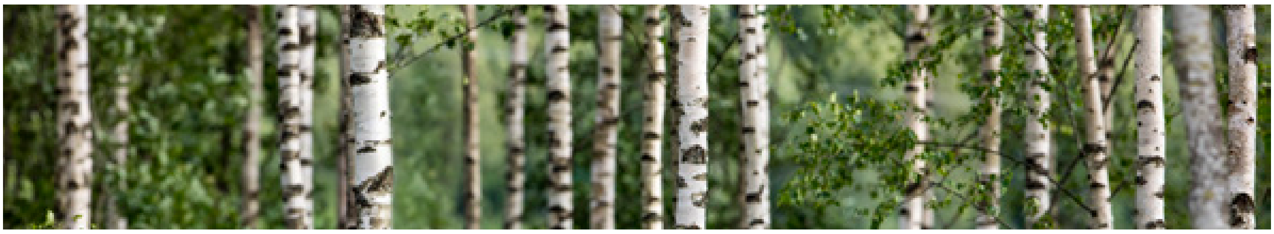
HKSCAN

HALF YEAR FINANCIAL REPORT 2019

HKScan Group's Half Year Financial Report 1 January–30 June 2019:

Result improved clearly – successful share issue enables balanced implementation of the turnaround programme



April–June 2019 in brief

- Net sales in April-June were EUR 439.4 (433.5) million. In comparable currencies, net sales were EUR 443.9 million.
- EBIT was EUR -6.6 (-16.7) million, and the EBIT margin -1.5 (-3.8) per cent.
- Comparable EBIT was EUR -2.5 (-16.6) million. The corresponding EBIT margin was -0.6 (-3.8) per cent. There was no material impact on the EBIT from changes in currency rates.
- Cash flow before investments was EUR 20.9 (11.1) million and before debt service EUR 12.8 (2.3) million.
- Poultry business performance of market area Finland continued to improve clearly and was the main contributor to the Group EBIT improvement.
- The directed share issue was completed successfully, raising gross proceeds of approximately EUR 71.9 million. As a result, the Group's capital structure strengthened and net gearing ratio lowered to 88.0 per cent.

January–June 2019 in brief

- Net sales in January–June were EUR 841.2 (844.5) million. In comparable currencies, net sales were EUR 852.4 million.
- EBIT was EUR -21.2 (-35.0) million, and the EBIT margin -2.5 (-4.1) per cent.
- Comparable EBIT was EUR -12.5 (-34.6) million. The corresponding EBIT margin was -1.5 (-4.1) per cent. There was no material impact on the EBIT from changes in currency rates.
- Cash flow before investments was EUR 5.6 (-28.9) million and before debt service EUR -13.5 (-97.5) million.
- Net debt was EUR 304.7 (360.8) million and net gearing stood at 88.0 (117.3) per cent including IFRS16 impact of approximately 14 percentage points.
- Poultry business performance of market area Finland improved clearly and was the main contributor to the Group EBIT improvement.
- The successful directed share issue generated gross proceeds of approximately EUR 71.9 million and strengthened the Group's capital structure.

The figures in parentheses refer to the comparison period, i.e. the same period in the previous year, unless otherwise mentioned. Financial information presented in this report is unaudited.

As of 1 January 2019, HKScan has adopted the new IFRS 16 Leases standard using the full retrospective method. Quarterly and full-year Group and Market Area financial information for 2018 has been restated accordingly. Additional information about the impact is disclosed in the accounting policies.

Outlook 2019 (Unchanged)

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

Key figures, Q2

EUR million	4-6/2019	4-6/2018	1-6/2019	1-6/2018	2018
Net sales	439.4	433.5	841.2	844.5	1,715.4
EBIT	-6.6	-16.7	-21.2	-35.0	-48.3
- % of net sales	-1.5	-3.8	-2.5	-4.1	-2.8
Profit/loss before taxes	-10.0	-19.4	-27.3	-40.1	-58.5
- % of net sales	-2.3	-4.5	-3.3	-4.7	-3.4
Profit/loss for the period	-10.4	-16.4	-27.3	-33.1	-51.3
- % of net sales	-2.4	-3.8	-3.2	-3.9	-3.0
Comparable EBIT	-2.5	-16.6	-12.5	-34.6	-46.3
- % of net sales	-0.6	-3.8	-1.5	-4.1	-2.7
EPS, EUR	-0.17	-0.31	-0.47	-0.62	-1.00
Cash flow before investments	20.9	11.1	5.6	-28.9	-3.4
Cash flow before debt service	12.8	2.3	-13.5	-97.5	-95.4
Cash flow before financing activities	10.1	3.5	-17.8	-97.9	-104.1
Return on capital employed (ROCE) before taxes, %			-4.7	-8.7	-6.7
Net debt			304.7	360.8	335.6
Net gearing, %			88.0	117.3	103.3

Tero Hemmilä, HKScan's CEO

HKScan's second-quarter comparable result was still slightly negative but improved clearly from the comparison period. The result is not on a satisfactory level, but the direction during the first half of the year has been correct. Although the comparable EBIT for the first half of the year was still negative, it improved by over EUR 22 million from last year.

The share issue carried out during the second quarter succeeded well. The issue was oversubscribed and the authorisation of the Board of Directors for utilising the Upsize Option was used. The company received a total of approximately EUR 71.9 million in gross proceeds, which significantly improves the company's financial position and enables controlled balancing of the company's financials. After the reporting period, we concluded negotiations with our financing banks, securing us longer loan maturities than previously.

The cost savings and development actions started and stepped up after the beginning of the year started to show results. The most significant factor affecting the improved financial performance during the second quarter continued to be the result of our Finnish poultry business. The positive development in the Rauma unit has continued, and the improved delivery capability has resulted in clear sales growth. The EBITDA of the Finnish poultry business continued to be positive during the second quarter. Positive development is also supported by the strong position of the Kariniemen® brand. Moreover, successful operational efficiency improvement actions and firm cost reduction measures in all market areas contributed to the result together with improved sales margins. The Group's cash flow also improved clearly.

Pork export from Finland to China proceeded according to plan and the targets for the first year of export have been met, being though still marginal on Group figures. The strong reduction of pork production in China caused by African swine fever has increased the demand of pork in the global market and has a positive impact on the price level of export sales. The exceptional pork situation in China also affects, to an extent, the demand and price level of other meat categories.

The new Group Management Team has continued to drive the implementation of short-term corrective measures as well as renew the Group strategy. The Management Team has prepared a three-year turnaround programme for the company, aiming to restore its profitability to the level of leading companies in the industry. The content of this profitability improvement programme and the company's updated strategy will be communicated in the latter part of the year. Efficiency improvement programmes that have been stated earlier will be incorporated in the new turnaround programme.

As stated earlier, we strengthen the market area level profit responsibility and management in the entire meat value chain. More clearly defined responsibilities facilitate decision making and significantly improve the productivity of our operations. Developing the management model is also a central part of renewing the company strategy.

We see that the strategic, long-term growth directions of HKScan's business are in poultry and meals businesses. In red meat, we will have an active development approach related to sustainability and responsibility aspects. This will be an important starting point in red meat category development together with responding to consumers' other expectations related to new and interesting products. We are also openly and more widely examining our role and share in the consumer's diet and are actively assessing our business portfolio.

We highlight the role of meat as part of a responsible and healthy diet, as well as the significance of Nordic domestic animal production as part of national food security on the domestic markets. We do determined sustainability related work along the entire value chain and in all the main areas of our corporate responsibility programme, where Animal health and welfare and Environmental responsibility are key focus areas. We take the discussion related to meat production and its effects on the climate seriously and continue to develop our corporate responsibility work.

Domestic meat production and its environmental effects must be examined holistically as part of the global climate discussion, as the amount of food required on account of global population growth will be multiplied during the coming decades. We see responsible domestic food production as part of a solution for preventing the negative effects of global climate change.

The direction of our profit development during the second quarter and the whole first half of this year has been correct. The successful share issue and loan refinancing provide HKScan time to continue the ongoing, determined work towards correcting the company's financial performance. Our goal is to develop HKScan to become an interesting company that rewards its owners and belongs to key food-industry players on the market.

Group net sales and performance

April-June

The Group's net sales were EUR 439.4 (433.5) million. In comparable currencies, net sales were EUR 443.9 million. Comparable EBIT was EUR -2.5 (-16.6) million in the second quarter.

Net sales increased from the previous year as poultry sales in Finland continued to increase thanks to the improved delivery capability and efficiency of the Rauma plant. Good growth was recorded also in other categories in Finland, particularly in meals. In Sweden, net sales decreased mainly due to weakened Swedish Krona and changes made in poultry sales channels. This year, Easter sales contributed to the second quarter net sales, which was visible especially in Sweden and Finland.

In Denmark, a slight decrease of net sales was recorded due to lower retail sales, which was partly offset by increased export sales. Market area Baltics recorded an increase in net sales as a result of continuing growth in domestic retail sales and improved product mix.

Comparable EBIT improved from the previous year by EUR 14.1 million as the performance of the Finnish poultry business strengthened further. In addition, price increases, good development in operational efficiency measures and cost control contributed to the result. In Sweden, EBIT improved from the previous year despite the negative currency impact. In Denmark, EBIT decreased due to changes in customer structure and sales mix as well as fierce price competition. In the Baltics, EBIT was impacted positively by the change of biological asset revaluation and improved sales margins offsetting the rising raw material and personnel costs.

During the second quarter, a non-recurring cost of EUR 4.1 million was recorded in relation to completed statutory negotiations and other organizational changes.

January-June

The Group's net sales were EUR 841.2 (844.5) million. In comparable currencies, net sales were EUR 852.4 million. Comparable EBIT was EUR -12.5 (-34.6) million in January-June. The improvement derived mainly from the continuing recovery of the Finnish poultry business, operational efficiency improvements at all home markets as well as group-wide savings in both personnel and administrative costs. Positive sales margin development also contributed to the EBIT. A slight shift of demand from red to white meat has been visible during the first half of the year.

In Sweden, despite the negative currency effect in net sales, comparable EBIT increased from the comparison period as a result of better sales margins, operational efficiency measures and lower administration costs.

In Finland, comparable EBIT improved as the performance of the poultry business strengthened further, with the business recording a positive EBITDA. In addition, operational efficiency and sales margin improvements as well as tight cost control contributed to the profitability improvement.

In Denmark, comparable EBIT decreased from the previous year as changes in the customer structure and sales mix as well as increased raw material costs had a negative impact on the EBIT. Changes in customer base were affecting the performance especially during the first quarter. In the first quarter, asset values were depreciated by additional EUR 4.5 million as a result of impairment test.

In the Baltics, comparable EBIT improved from the previous year as pork market price level started to improve during the second quarter correlating with related sales prices. On top of that, the EBIT was impacted positively by the change of biological asset revaluation and lower administrative costs.

HKScan's pork exports from Finland to China continued in line with the targeted levels (of three million kilos during the first export year) and continued to create new revenue opportunities throughout the entire value chain being though still marginal on Group figures.

In February 2019, HKScan announced its plans to improve its cost-efficiency and to assess the way of working in its Categories & Concepts function. The related statutory negotiations were started among white-collar employees and management in all HKScan's operating countries. As an outcome, HKScan's headcount will be reduced by 183. The actions will result in annual savings of EUR 10 million. The savings are expected to materialise on a phased basis starting in Q4 2019, gradually taking full effect at the beginning of 2020.

Market area Sweden

EUR million	4-6/2019	4-6/2018	1-6/2019	1-6/2018	2018
Net sales	163.0	173.3	317.2	337.3	682.1
EBIT	1.5	1.8	0.5	0.3	8.9
- EBIT margin, %	0.9	1.1	0.2	0.1	1.3
Comparable EBIT	2.9	1.9	2.0	0.7	9.3
- EBIT margin, %	1.8	1.1	0.6	0.2	1.4

April–June

In Sweden, net sales were EUR 163.0 (173.3) million and comparable EBIT was EUR 2.9 (1.9) million.

Net sales decreased from the previous year mainly due to the weakened Swedish krona and changes in poultry sales channels. Easter sales contributed to the net sales during the second quarter.

Despite the negative local currency effect in net sales, comparable EBIT increased from the comparison period as a result of better sales margins, higher efficiency in operations and lower administration costs.

A non-recurring cost of EUR -1.5 million was recorded in relation to completed statutory negotiations.

January–June

Net sales were EUR 317.2 (337.3) million and comparable EBIT was EUR 2.0 (0.7) million.

Net sales decreased from the previous year mainly due to the weakened Swedish krona and changes in poultry sales channels. Sales in processed categories and meals developed positively.

Despite the negative local currency effect in net sales, comparable EBIT increased from the comparison period as a result of better sales margins, operational efficiency measures and lower administration costs.

Both pork and beef animal raw material prices remained below the previous year's level due to low world market prices and surplus on the market.

Stock levels were on a lower level compared to the previous year.

Market area Finland

EUR million	4-6/2019	4-6/2018	1-6/2019	1-6/2018	2018
Net sales	195.1	180.1	368.9	354.2	721.9
EBIT	-3.7	-14.0	-6.7	-24.3	-36.1
- EBIT margin, %	-1.9	-7.8	-1.8	-6.8	-5.0
Comparable EBIT	-2.7	-14.0	-5.7	-24.3	-35.6
- EBIT margin, %	-1.4	-7.8	-1.5	-6.8	-4.9

April–June

In Finland, net sales were EUR 195.1 (180.1) million and comparable EBIT was EUR -2.7 (-14.0) million.

Net sales increased clearly from the previous year as a result of higher poultry volumes. Good sales growth in other product categories was also recorded, particularly in meals. In addition, Easter sales contributed the net sales of the second quarter.

Comparable EBIT increased from the previous year by EUR 11.3 million and it was mainly attributed by improved poultry operations as delivery capability and efficiency of Rauma plant improved further. Poultry business recorded a positive EBITDA. Price increases, better operational efficiency and tight cost control contributed to EBIT improvement as well.

A non-recurring cost of EUR -1.1 million was recorded in relation to statutory negotiations.

January–June

Net sales were EUR 368.9 (354.2) million and comparable EBIT was EUR -5.7 (-24.3) million.

Net sales increased compared to the previous year mainly due to higher poultry sales as delivery capability and efficiency of the Rauma plant improved further driving the whole Finnish poultry market up. Sales of meals continued to develop favourably while red meat volumes decreased slightly. HKScan's exports from Finland to China continued in line with the targeted levels. Also the subsidiaries, Tamminen and Kivikylän, continued to contribute to the strengthening of HKScan's brand portfolio and market position.

Comparable EBIT improved from the previous year by EUR 18.6 million as a result of the improved performance of the poultry business, operational efficiency improvements as well as good cost control. Sales margins also improved during the reporting period. The performance of the poultry business improved clearly, with the business recording a positive EBITDA for the reporting period.

Stock levels increased from the previous year and active measures to balance the inventories are ongoing via enhanced meat balance management.

Market area Denmark

EUR million	4-6/2019	4-6/2018	1-6/2019	1-6/2018	2018
Net sales	38.0	38.2	73.4	74.2	149.3
EBIT	-1.6	-1.1	-8.7	-1.9	-5.8
- EBIT margin, %	-4.1	-2.8	-11.8	-2.5	-3.9
Comparable EBIT	-1.6	-1.1	-4.2	-1.9	-5.8
- EBIT margin, %	-4.1	-2.8	-5.7	-2.5	-3.9

April–June

In Denmark, net sales were EUR 38.0 (38.2) million and comparable EBIT was EUR -1.6 (-1.1) million.

Net sales were almost on par with the previous year despite lower retail sales that was partly offset by increased export sales.

Comparable EBIT decreased due to changes in customer structure and sales mix as well as fierce price competition. Towards the end of quarter the market managed to cut losses clearly.

January–June

Net sales were EUR 73.4 (74.2) million and comparable EBIT was EUR -4.2 (-1.9) million. The decrease in net sales was attributed to lower retail sales, which were partly offset by increased export and industrial sales.

Comparable EBIT decreased from the previous year despite the positive development in operational efficiency. Changes in the customer structure and sales mix as well as increased raw material costs had a negative impact on EBIT.

As a result of modest financial development, an impairment loss amounting to EUR 4.5 million was recorded during the first quarter. The impairment had no impact on cash flow.

HKScan will as part of its strategy revision carefully evaluate the development needs of its Danish business operations as well as its role as part of the business portfolio.

Market area Baltics

EUR million	4-6/2019	4-6/2018	1-6/2019	1-6/2018	2018
Net sales	43.3	42.0	81.6	78.8	162.1
EBIT	2.5	0.2	1.7	-0.7	-0.7
- EBIT margin, %	5.7	0.5	2.1	-0.9	-0.4
Comparable EBIT	2.5	0.2	1.9	-0.7	-0.7
- EBIT margin, %	5.8	0.5	2.3	-0.9	-0.4

April–June

In the Baltics, net sales were EUR 43.3 (42.0) million and comparable EBIT EUR 2.5 (0.2) million in the second quarter.

Net sales increased as a result of the continuing growth in retail sales, improved product mix and higher pork market prices.

Comparable EBIT improved from the previous year as a result of improved sales margins offsetting the rising raw material and personnel costs. The change of biological asset revaluation amounted to EUR 0.8 (-0.2) million.

January-June

Net sales were EUR 81.6 (78.8) million and comparable EBIT EUR 1.9 (-0.7) million.

Net sales was boosted by continuing good growth in domestic retail sales and improved product mix. Branded sales of processed products developed positively and the demand for poultry products also increased.

Comparable EBIT improved from the previous year as pork market price level started to improve during the second quarter correlating with related sales prices. The EBIT was impacted positively also by the lower administration costs that together with the change of biological asset revaluation (amounting to EUR 1.5 (-0.3) million) offset increased animal raw material costs and low European meat market prices during the first quarter.

Revising and executing strategy

HKScan's former strategy has not generated the improvement target set for the company's profitability, and the company has made a thorough analysis of the root causes of the problems. Short-term focus areas have been defined and corrective actions have been started and are ongoing. HKScan is currently also revisiting its strategy and redefining the Group's strategic focus areas as well as its long-term operational and financial targets. At the same time, the implementation of short-term corrective measures is being secured. The goal with both short-term corrective actions and long-term strategic actions is to return profitability to the level of leading companies in the industry.

The company strengthens the market area level profit responsibility and management. At the same time, it nevertheless leverages recognised Group-level synergies. In February 2019, HKScan announced its plans to improve its cost-efficiency and to assess the way of working in its Categories & Concepts function. The related statutory negotiations were started among all white-collar employees and management at all HKScan's operating countries. As an outcome, HKScan's headcount will be reduced by 183. The actions will result in annual savings of EUR 10 million, materialising on a phased basis starting in Q4 2019, gradually taking full effect at the beginning of 2020. On top of these, the Company has strengthened meat industry expertise in its management. Meat balance management, balanced product portfolio management together with stronger focus on Rauma ramp-up and cost cutting measures have played an important role when implementing short term corrective actions.

HKScan commented its ongoing strategy work in April 2019. The company is openly and more widely examining its role and share in the consumer's diet.

The poultry and meal businesses are seen as the strategic development growth directions for HKScan's business. As the poultry is an important growth area, the Rauma unit has a significant role in building HKScan's future. On top of Finland, the company has an important position in Estonia and Denmark.

Meals are another growth driver for the company. To strengthen the Group's position in the growing meals business, HKScan has invested in the expansion of the Group's meals production capacity in Rakvere, Estonia. The investment project was completed according to the plan and the rebuilt sections of the unit were taken into use in June 2019. The investment improves HKScan's environmental performance and reduces costs.

In red meat, HKScan develops resolutely its industrial cost-efficiency while targeting enhanced commercialisation of the responsibility work concerning domestic meat. HKScan's pork exports from its Finnish Forssa plant to China have proceeded according to plan. The targets for the first year of export (three million kilos during the first year) have been met though still marginal on Group figures.

In addition to defining the growth directions, HKScan sees that its key strategic assessments are related to the company's structure and company is actively evaluating its business portfolio in different market areas, in conjunction of which it is also looking at the positioning of different market areas as part of the Group's business operations.

During the spring, the company has been preparing a Group-wide three-year turnaround programme, aiming to restore its profitability to the level of leading companies in the industry. Efficiency improvement programmes of the company, that have been started earlier, will be incorporated in the new Group-wide turnaround programme. The programme and HKScan's updated strategy will be communicated during the second half of the year.

Balance sheet, cash flow and financing

During the second quarter, the company strengthened its financial position with the directed share issue raising gross proceeds of approximately EUR 71.9 million including subscriptions paid by setting off the outstanding receivables based on the notes issued by the Company. A total of approximately EUR 43.7 million of the subscriptions were paid in cash and a total of approximately EUR 28.2 million by setting off the outstanding receivables based on the notes issued by the Company. Of this amount, EUR 14.9 million represents the amount set off from the hybrid loan issued in September 2018.

The Group's interest-bearing debt at the end of June was EUR 326.9 (374.1) million including IFRS 16 lease liability EUR 47.3 (44.5) million. Net debt was EUR 304.7 (360.8) million and it decreased by EUR 56.1 million from the previous year and EUR 30.9 million from the year-end. The net gearing ratio was 88.0 (117.3) per cent. The impact of IFRS 16 lease liability on net gearing ratio was approximately 14 percentage points. Cash flow before investments improved clearly and totalled EUR 20.9 (11.1) million.

The Group's liquidity remained good. Committed credit facilities at the end of 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 15.0 (42.0) million.

After the reporting period, the company signed a new EUR 174.3 million loan agreement with its financing banks. The loan agreement consists of EUR 100.0 million revolving credit facility and EUR 74.3 million term loan and it matures at the end of year 2021. It replaced the earlier revolving credit facilities and bilateral bank loans that were maturing in 2020 and 2021. The new loan arrangement has one financial covenant, which is a net gearing ratio of 125%.

Net financial expenses in the second quarter were EUR -3.2 (-2.7) million and EUR -5.9 (-5.6) million in January-June.

Capital expenditure

The Company's expenditure totalled EUR 25.5 (22.4) million during the first half of the year.

In March 2019, the modernisation of the Kristianstad unit in Sweden was completed. The upgrade enables energy savings, enhanced food safety and increased production efficiency.

In Estonia, the investment in the Rakvere unit was completed in June 2019. The investment has comprised modernisation of the meals related cooking lines, installation of new cooking and packaging lines and expansion of the plant. The benefits are seen in increased production capacity and improved productivity and environmental performance.

Research and development

HKScan's research and development activities aim to develop the Group's offering to customers and consumers by leveraging consumer insight and foresight as well as capabilities, resources and investments in innovation and concept development at all HKScan's markets.

Corporate responsibility

Corporate responsibility is an integral part of HKScan's daily operations. HKScan's corporate responsibility work focuses on four main areas: Economic responsibility, Social responsibility, Animal welfare and Environment. The company sees that there is a great potential in developing further the CR performance of the entire food value chain. The work is being done in close collaboration with HKScan's farming community. Actions to mitigate climate change have increased in importance.

HKScan has defined its Group-level environmental targets by 2030. The company aims to cut its greenhouse gas emissions by 90 per cent (compared to 2014), reduce energy use by 20 per cent (compared to 2016) and reduce water use by 25 per cent (compared to 2018). The targets are in line with the global and national targets defined under the Paris Agreement and the UN sustainable development goals.

Moreover, material efficiency and recycling are essential parts of HKScan's environmental work. As an important step in the company's packaging roadmap, HKScan will replace all non-recyclable black plastic packaging trays with other alternatives by the end of 2019 in Sweden and in Finland.

Personnel

HKScan employed 7,609 (8,023) people at the end of June 2019. The average number of employees in the first half of the year was 7,024 (7,261). Of that number, 29.0 (29.4) per cent were located in Sweden, 40.5 (40.8) per cent in Finland, 8.6 (8.7) per cent in Denmark and 21.9 (21.1) per cent in the Baltics.

Salaries and remunerations to employees, including social costs, totalled EUR 160.1 (159.4) million in January–June 2019 and EUR 82.5 (81.4) million in the second quarter.

In February, HKScan announced its plans to improve its cost-efficiency and to assess the way of working in its Categories & Concepts function. The company initiated statutory negotiations in all its functions in all markets following the legal requirements of each country. All white-collar employees and management in all HKScan's operating countries were within the scope of the negotiations. With the planned actions, HKScan targeted Group-wide annual savings of EUR 10 million, materialising from the fourth quarter of 2019 onwards and gradually taking full effect at the beginning of 2020.

On 2 April, HKScan communicated that both its country-specific negotiations in Finland and the negotiations concerning the integration of the Categories and Concepts organization in Finland were completed. As an outcome, HKScan's headcount in Finland will reduce by 74 employees. On 6 May, HKScan communicated that the negotiations in the other market areas were completed too and the total Group-wide personnel reduction will be 183.

Shares and shareholders

HKScan Corporation completed directed share issue of new series A shares in June 2019. A total of 44,917,607 new shares subscribed for in the offering were registered in the trade register on 24 June 2019. In connection with the registration, the Company cancelled the series A shares in possession of the Company, being in total of 992,348 series A shares. Following the registration of the new shares and the cancellation of own shares, the total number of registered series A shares in HKScan is 93,551,781.

At the end of June 2019, HKScan Corporation's share capital stood at EUR 66,820,528. The Corporation's total number of shares issued, 98,951,781, were divided into two share series as follows: A Shares, 93,551,781 (94.54% of the total number of shares) and K Shares, 5,400,000 (5.46%). The A Shares are quoted on Nasdaq Helsinki Oy. The K Shares are held by LSO Osuuskunta (4,735,000 shares) and Lantmännen ek. för. (665,000 shares) and are not listed. There were no changes in the number of K Shares of LSO Osuuskunta and Lantmännen ek. för.

At the end of June 2019, the company held 0 (992,348) A shares as treasury shares.

HKScan's calculational market cap at the end of June 2019 stood at EUR 160.1 (155.6) million, breaking down as follows: Series A shares had a market value of EUR 151.4 (140.1) million, and the unlisted Series K shares a calculational value of EUR 8.7 (15.6) million.

In January–June, a total of 9,611,539 (4,546,467) of the company's shares, with a total value of EUR 15,896,464 (13,855,157), were traded. The highest price quoted in the period under review was EUR 2.48 (3.23), and the lowest was EUR 1.48 (2.82). The average price was EUR 1.65 (3.05). At the end of June 2019, the closing price was EUR 1.62 (3.14).

Share-based long-term incentive plan

On 7 February 2018, HKScan announced that the Board of Directors of HKScan Corporation approved a share-based long-term incentive plan for the Group's top management and selected key employees for 2018–2020. It comprises a Performance Share Plan (also "PSP") as the main structure and a Restricted Share Plan (also "RSP") as a complementary structure.

The first plan (PSP 2018–2020) commenced at the beginning of 2018 and the potential share rewards thereunder will be paid in spring 2021 if the performance targets set by the Board of Directors are reached. The potential rewards will be paid in class A shares of HKScan. At the time of commencement of the plan approximately 30 individuals were eligible to participate in PSP 2018–2020.

The complementary Restricted Share Plan consists of annually commencing individual restricted share plans, each with a three-year vesting period after which the allocated restricted share grants will be paid to the participants in class A shares of HKScan. The first plan (RSP 2018–2020) within the Restricted Share Plan structure commenced at the beginning of 2018 and the potential share rewards thereunder will be paid in the spring 2021. At the time of commencement of the plan eleven individuals belonging to the top management were eligible to participate in RSP 2018–2020.

On 8 May 2019, HKScan announced that the Board of Directors of HKScan Corporation has approved new plan periods within the share-based long-term incentive scheme for HKScan's key employees. The long-term incentive scheme comprises a Performance Share Plan (also "PSP") and a Restricted Share Plan (also "RSP"). The Board approved the commencement of a new plan period, PSP 2019–2021, within the Performance Share Plan structure. Eligible to participate in PSP 2019–2021 are the Group Management Team members, in total maximum of 10 individuals. The payment of the share rewards thereunder is conditional on the achievement of the performance targets set by the Board of Directors. The potential rewards will be paid in class A shares of HKScan in two tranches, the first in the spring 2022 and the second in the spring 2023.

The Board approved also the commencement of a new plan period, RSP 2019–2021, within the Restricted Share Plan structure. The potential share rewards thereunder will be paid in class A shares of HKScan in two tranches, the first in the spring 2022 and the second in the spring 2023. The Board has for RSP 2019–2021 set a group level financial criterion, the fulfilment of which is a precondition for the payment of the share rewards under the plan. Eligible to participate in RSP 2019–2021 are the participants of the PSP 2019–2021 plan.

Board authorisations

The new authorisations, granted to the Board by the AGM 2019 on 11 April 2019, are described in the section 'Annual General Meeting 2019'.

Authorisations granted to the Board by the Extraordinary General Meeting on 29 May 2019, are described in the section 'Extraordinary General Meeting'.

Changes in senior management

30 January 2019, HKScan announced that Tero Hemmilä would start working as the CEO of the Company on 4 February 2019.

On 3 April 2019, HKScan announced changes in the composition of the Group Management Team. The changes became valid as of 3 April 2019.

HKScan Corporation's Group Management Team includes the following positions and persons: CEO: Tero Hemmilä, EVP Market Area Finland: Jari Leija, EVP Market Area Sweden: Sofia Hyléen Toresson, EVP Market Area Baltics: Anne Mere, EVP Market Area Denmark & International: Jukka Nikkinen, EVP Meat Balance & Supply Chain: Esa Mäki, Chief Operating Officer (COO) leading Operations and Technology functions: Mika Koskinen, Chief Financial Officer (CFO): Jyrki Paappa and EVP Administration (HR and Legal): Markku Suvanto.

On 31 May 2019, HKScan announced that Esa Mäki, EVP Meat Balance & Supply Chain will leave his position at HKScan. Esa Mäki has been appointed as CEO of Apetit Plc and he will start in his new position on 1 September 2019. Mäki continues to work at HKScan and as a member of the Group Management Team until the end of August 2019.

Short-terms risks and uncertainty factors

Significant uncertainty factors in HKScan Group's business are related to sales and raw material prices, as well as management of global and local meat balances. Increased primary production costs put pressure on increasing raw material prices.

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

The risks related to impairment of assets will increase and have an effect on the financial position in case the Group is not able to improve its financial performance. After the successful share issue the risk for breaching financial covenants of loan agreements has clearly decreased.

Unexpected delays related to the targeted efficiency development of the Rauma unit may impact the Group's short-term financial performance.

Other risks include various unexpected actions potentially taken by tax authorities, other authorities or pressure groups, which may cause restrictions to the business, volatility in demand, or significant increases of taxes or other fees. Public discussion related to consumption of red meat and climate change may also have a negative impact on demand.

HKScan is also involved in some juridical proceedings in its home markets. Potential breaches of business principles and the Group's Code of Conduct are also recognised as operational risks.

HKScan's risks are reported in more detail in the risk management section of the Annual Report 2018. The Group's 2018 Report of Non-financial Information and the Group's Annual Report 2018 have been published in March 2019.

Events after the reporting period

After the reporting period, the company signed a new EUR 174.3 million loan agreement with its financing banks. The loan agreement consists of EUR 100.0 million revolving credit facility and EUR 74.3 million term loan and it matures at the end of year 2021. It replaced the earlier revolving credit facilities and bilateral bank loans that were maturing in 2020 and 2021.

Extraordinary general meetings

On 7 January 2019, HKScan published a Notice of the Extraordinary General Meeting that was held on Wednesday, 30 January 2019 in Turku, Finland.

The Extraordinary General Meeting resolved that the number of ordinary members of the Board of Directors would be five (5) and the number of deputy members would be two (2).

Jari Mäkilä, Harri Suutari and Terhi Tuomi were elected as new members of the Board of Directors until the end of the Annual General Meeting 2019, In addition, Ilkka Uusitalo was elected as new deputy Board member until the end of the Annual General Meeting 2019. Reijo Kiskola and Per Olof Nyman continue as Board members and Carl-Peter Thorwid as a deputy Board member until the end of the Annual General Meeting 2019.

On 8 May 2019, HKScan published a Notice of the Extraordinary General Meeting that was held on 29 May 2019 in Turku, Finland.

The Extraordinary General Meeting resolved on the following:

Financing arrangement

The Extraordinary General Meeting authorised the Board of Directors to carry out a financing arrangement consisting of a contemplated share issue of up to EUR 60 million (expected) where:

- In exchange for cash consideration, new series A shares would be offered for subscription to the public in Finland.
- New series A shares would be offered to institutional investors in the EEA. The subscription price of the shares could be paid at the option of the investor either in cash or by bonds issued by the Company (at their nominal value and together with accrued interest).
- In the event of over-subscription, the Board of Directors would be entitled to increase the size of the share issue by a maximum of EUR 12 million. In addition, in the event of over-subscription, the Board of Directors would be entitled to allocate series A shares to the subscribing shareholders of the Company before allocating to subscribers who are not shareholders of the Company.

On the basis of the authorisation, the Board of Directors is authorised to negotiate and execute the financing arrangement on terms and conditions that the Board of Directors considers to be in the best interests of the Company.

Amendment to Articles of Association

The Extraordinary General Meeting resolved to amend Article 3 of the Articles of Association such that the maximum number of A shares is 100,000,000 instead of 60,000,000 shares. Following the amendment Article 3 of the Articles of Association is as follows:

"Article 3

At least 3,600,000 and at most 8,000,000 of the total number of shares in the company are Series K shares and at least 400,000 and at most 100,000,000 are Series A shares.

Holders of Series K and A shares are entitled to exercise their right to vote at meetings of shareholders as provided in Article 5 of these Articles of Association."

Share issue authorisation

The Extraordinary General meeting authorised the Board of Directors to resolve on a share issue as follows:

The shares to be issued under the authorisation are new series A shares. Under the authorisation, a maximum of 50,000,000 series A shares can be issued, which corresponds to approximately 47.6 per cent of all the shares in the Company and approximately 24.2 per cent of votes pertaining to shares, if the authorisation is used in full. Shares can be issued in one or more tranches.

The Board of Directors is authorised to resolve on all of the terms and conditions of the share issue. The shares may be issued as a directed share issue, i.e. in deviation from the shareholders' pre-emptive rights. A directed share issue requires always a weighty economic reason for the Company and the authorisation may not be utilised inconsistently with the principle of equal treatment of shareholders.
The authorisation is effective until 30 September 2019.

The authorisation revokes prior unused authorisations granted earlier by the General Meeting to the Board of Directors to resolve on an issue of shares, option rights as well as other special rights entitling to shares.

Annual General Meeting 2019

The Annual General Meeting (AGM) of HKScan Corporation was held on 11 April 2019 in Turku, Finland. The AGM decided that the company will not pay dividend for 2018.

The AGM also resolved on the annual remuneration of the Board's members, deputy members and the chairs of the committees.

Of the current Board members, Reijo Kiskola, Jari Mäkilä, Per Olof Nyman, Harri Suutari and Terhi Tuomi were re-elected, and Anne Leskelä was elected as a new member until the end of the Annual General Meeting 2020. In addition, Carl-Peter Thorwid and Ilkka Uusitalo were re-elected as deputy Board members until the end of the Annual General meeting 2020.

At the organizational meeting after the AGM, the Board re-elected Reijo Kiskola as Chairman and re-elected Jari Mäkilä as Vice Chairman.

Ernst & Young Oy, the firm of authorised public accountants, with Erkka Talvinko, APA, as the lead audit partner, was elected as the auditor until the closing of the next AGM.

The AGM authorised the Board to decide on share issues, option rights as well as other special rights entitling to shares, and on the purchase of the company's own Series A shares and/or on the acceptance the company's own Series A shares as pledges. The authorisations will be effective until 30 June 2020, revoking the authorisations given by the AGM 2018.

The resolutions of the Annual General Meeting have been published in full in the stock exchange release of 11 April 2019 and are also available on the company's website at www.hkscan.com.

Next financial report

HKScan Group's interim report January–September will be published on 6 November 2019.

Press conference for analysts and media

An information meeting related to HKScan Corporation's Half year report for analysts, institutional investors and media will be organised at HKScan Vantaa unit (address: Väinö Tannerin tie 1, 01510 Vantaa, Finland) at 10 a.m. on 18 July 2019.

The Half year report will be presented by Tero Hemmilä, CEO, and Jyrki Paappa, CFO. The event will be held in Finnish.

Conference calls in English will be arranged upon separate request. Those interested in the calls, kindly contact HKScan Communications, communications@hkscan.com (phone +358 10 570 5700) to make an appointment.

Outlook for 2019 (Unchanged)

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

Vantaa, 18 July 2019

HKScan Corporation
Board of Directors

Further information: HKScan Media Service Desk +358 (0)10 570 5700 or email: communications@hkscan.com

HKScan is a Nordic meat and meals company. We employ close to 7 200 professionals in striving to serve the world´s most demanding consumers, maintaining quality throughout the full chain of operations, From Farm to Fork. HKScan produces, markets and sells high-quality, sustainably produced pork, beef, poultry and lamb products, as well as charcuterie and meals, with strong consumer brands, including HK®, Scan®, Rakvere®, Kariniemen®, Rose®, Pärsons® and Tallegg®. Our customers are the retail, food service, industrial and export sectors, and our home market comprises of Finland, Sweden, Denmark and the Baltics. We export to close to 50 countries. In 2018, HKScan had net sales of EUR 1.7 billion, making us one of Europe's leading meat and meals companies.

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

Consolidated Half Year Financial Report 1 January – 30 June 2019

Consolidated income statement

EUR million	Note	4-6/2019	4-6/2018	1-6/2019	1-6/2018	2018
Net sales		439.4	433.5	841.2	844.5	1,715.4
Cost of goods sold	1	-419.4	-423.8	-812.9	-825.8	-1,659.5
Gross profit		20.0	9.7	28.3	18.7	55.9
Other operating items total	1	2.2	1.8	4.7	3.5	6.9
Sales and marketing costs	1	-10.0	-11.7	-19.7	-22.3	-43.6
General administration costs	1	-18.7	-16.5	-34.5	-34.8	-67.5
Operating profit		-6.6	-16.7	-21.2	-35.0	-48.3
Financial income		0.9	0.7	1.3	1.2	2.0
Financial expenses		-4.0	-3.5	-7.3	-6.8	-13.3
Share of profit/loss in associates and joint ventures		-0.3	0.0	-0.2	0.5	1.1
Profit/loss before taxes		-10.0	-19.4	-27.3	-40.1	-58.5
Income tax		-0.4	3.0	0.0	6.9	7.2
Profit/loss for the period		-10.4	-16.4	-27.3	-33.1	-51.3
Non-controlling interests		-0.6	-0.4	-0.7	-0.5	-1.7
Profit/loss for the period		-11.0	-16.8	-28.0	-33.6	-53.0

Earnings per share calculated on profit attributable to equity holders of the parent:

EPS, undiluted, continuing operations, EUR/share		-0.17	-0.31	-0.47	-0.62	-1.00
EPS, diluted, continuing operations, EUR/share		-0.17	-0.31	-0.47	-0.62	-1.00

Consolidated statement of comprehensive income

EUR million	4-6/2019	4-6/2018	1-6/2019	1-6/2018	2018
Profit/loss for the period	-10.4	-16.4	-27.3	-33.1	-51.3
OTHER COMPREHENSIVE INCOME (after taxes):					
Exchange differences on translating foreign operations	-1.3	-1.7	-2.5	-5.9	-4.0
Cash flow hedging	-0.4	2.4	-2.9	3.5	4.2
Actuarial gains or losses	0.0	0.0	0.0	0.0	-6.9
TOTAL OTHER COMPREHENSIVE INCOME	-1.7	0.7	-5.5	-2.4	-6.7
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-12.1	-15.7	-32.8	-35.5	-58.0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:					
Equity holders of the parent	-12.7	-16.1	-33.5	-36.0	-59.7
Non-controlling interests	0.6	0.4	0.7	0.5	1.7
Total	-12.1	-15.7	-32.8	-35.5	-58.0

Consolidated balance sheet

EUR million	Note	30 June 2019	30 June 2018	31 Dec. 2018
ASSETS				
Intangible assets	2	136.8	134.1	137.5
Tangible assets	3, 4	461.9	483.9	478.5
Holdings		32.2	32.0	33.0
Deferred tax asset	5	43.6	40.0	43.3
Other non-current assets		4.0	2.7	2.5
TOTAL NON-CURRENT ASSETS		678.6	692.7	694.8
Inventories	6	127.0	113.1	121.4
Current receivables		134.1	142.1	130.9
Cash and cash equivalents		22.2	13.1	29.4
TOTAL CURRENT ASSETS		283.3	268.3	281.7
TOTAL ASSETS		961.8	961.1	976.5
EQUITY AND LIABILITIES				
EQUITY	7	346.4	307.6	325.0
Non-current loans, interest-bearing	4	265.3	313.9	278.3
Non-current liabilities, non-interest-bearing		60.4	51.7	63.3
TOTAL NON-CURRENT LIABILITIES		325.7	365.6	341.7
Current loans, interest-bearing	4	61.6	60.2	86.9
Current liabilities, non-interest-bearing		228.2	227.7	223.0
TOTAL CURRENT LIABILITIES		289.8	287.9	309.9
TOTAL EQUITY AND LIABILITIES		961.8	961.1	976.5

Statement of changes in consolidated equity

EUR million	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
EQUITY ON 1 Jan. 2019	**66.8**	**72.9**	**5.1**	**143.5**	**40.0**	**10.3**	**-11.9**	**0.0**	**-17.2**	**309.5**	**15.4**	**325.0**
Result for the financial period	-	-	-	-	-	-	-	-	-28.0	-28.0	0.7	-27.3
Other comprehensive income (+) / expense (–)												
Transl. diff.	-	-	-	-	-	-	-2.5	-	-	-2.5	-	-2.5
Cash flow hedging	-	-	-2.9	-	-	-	-	-	-	-2.9	-	-2.9
Actuarial gains or losses	-	-	-	-	-	-	-	-	-	-	-	-
Total compreh. income for the period	**-**	**-**	**-2.9**	**-**	**-**	**-**	**-2.5**	**-**	**-28.0**	**-33.5**	**0.7**	**-32.8**
Direct recognitions	-	-	-	-	-	0.0	-	-	0.1	0.1	-	0.1
Share issue	-	-	-	71.9	-14.1	-	-	-	-3.5	54.3	-	54.3
Dividend distribution	-	-	-	-	-	-	-	-	-	-	-0.2	-0.2
EQUITY ON 30 June 2019	**66.8**	**72.9**	**2.2**	**215.4**	**25.9**	**10.3**	**-14.4**	**0.0**	**-48.7**	**330.4**	**15.9**	**346.4**

EUR million	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
EQUITY ON 1 Jan. 2018	**66.8**	**72.9**	**1.0**	**143.5**	**0.0**	**10.3**	**-7.9**	**0.0**	**48.6**	**335.1**	**14.4**	**349.5**
IFRS 9, Change in opening balance	-	-	-	-	-	-	-	-	-1.0	-1.0	-	-1.0
Result for the financial period	-	-	-	-	-	-	-	-	-33.6	-33.6	0.5	-33.1
Other comprehensive income (+) / expense (–)												
Transl. diff.	-	-	-	-	-	-	-5.9	-	-	-5.9	-	-5.9
Cash flow hedging	-	-	3.5	-	-	-	-	-	-	3.5	-	3.5
Actuarial gains or losses	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**3.5**	**-**	**-**	**-**	**-5.9**	**-**	**-33.6**	**-36.0**	**0.5**	**-35.5**
Direct recognitions	-	-	-	-	-	0.0	-	-	0.0	0.0	-	0.0
Dividend distribution	-	-	-	-	-	-	-	-	-4.9	-4.9	-0.6	-5.5
EQUITY ON 30 June 2018	**66.8**	**72.9**	**4.4**	**143.5**	**0.0**	**10.3**	**-13.8**	**0.0**	**9.2**	**293.4**	**14.2**	**307.6**

COLUMNS: 1. Share capital, 2. Share premium reserve, 3. Revaluation reserve, 4. Reserve for invested unrestricted equity (RIUE), 5. Hybrid loan, 6. Other reserves, 7. Translation differences, 8. Treasury shares, 9. Retained earnings, 10. Equity holders of the parent, 11. Non-controlling interests, 12. Total

Cash flow statement

EUR million	4-6/2019	4-6/2018	1-6/2019	1-6/2018	2018
Cash flow before change in net working capital	10.0	0.1	16.7	-1.6	19.3
Change in net working capital	10.9	10.9	-11.1	-27.3	-22.7
Financial items and taxes	-1.6	0.8	-3.8	-1.9	-10.9
CASH FLOW FROM OPERATING ACTIVITIES	19.4	11.9	1.9	-30.7	-14.3
Cash flow from investing activities	-8.4	-8.3	-18.8	-67.1	-89.8
CASH FLOW AFTER INVESTING ACTIVITIES	10.9	3.5	-17.0	-97.9	-104.1
Hybrid loan	-14.9	-	-14.9	-	39.8
Share issue	71.9	-	71.9	-	-
Share issue costs	-2.1	-	-2.1	-	-
Change in loans	-49.2	7.2	-44.9	65.8	48.3
Dividends paid	-0.2	-4.9	-0.2	-5.5	-5.5
CASH FLOW FROM FINANCING ACTIVITIES	5.5	2.3	9.8	60.3	82.6
NET CASH FLOW	16.4	5.9	-7.1	-37.6	-21.5
Cash and cash equivalents at beginning of period	5.9	7.2	29.4	50.9	50.9
Translation differences	-0.1	0.1	-0.1	-0.1	0.1
Cash and cash equivalents at end of period	22.2	13.1	22.2	13.1	29.4

Financial indicators

	30 June 2019	30 June 2018	31 Dec. 2018
Earnings per share (EPS), undiluted, EUR	-0.47	-0.62	-1.00
Earnings per share (EPS), diluted, EUR	-0.47	-0.62	-1.00
Equity per share, EUR	3.34	5.43	5.73
Equity ratio, %	36.0	32.0	33.3
Adjusted average number of outstanding shares, mill.	61.5	54.0	54.0
Gross capital expenditure on PPE, EUR mill.	18.8	18.8	41.0
Additions in right-of-use assets, EUR mill.	6.7	3.6	11.2
Employees, end of month average	7,024	7,261	7,179

Calculation of financial indicators

HKScan discloses alternative performance measures (APM) to give relevant information to stakeholders. Disclosed APMs are also used in steering the company. Items affecting comparability and related APMs are disclosed to better reflect the operational business performance and to enhance comparability between periods.

Return on capital employed (ROCE) before tax, last 12 months (%)	$\dfrac{\text{Profit before tax + interest and other financial expenses}}{\text{Balance sheet total – non-interest-bearing liabilities (average)}}$	x 100
Equity ratio (%)	$\dfrac{\text{Total equity}}{\text{Balance sheet total – advances received}}$	x 100
Net gearing ratio (%)	$\dfrac{\text{Net interest-bearing liabilities}}{\text{Total equity}}$	x 100
Earnings per share (EPS)*	$\dfrac{\text{Profit for the period attributable to equity holders of the parent}}{\text{Average number of outstanding shares during period}}$	
Equity per share	$\dfrac{\text{Equity attributable to holders of the parent}}{\text{Number of outstanding shares at end of period}}$	
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	
Cash flow before investments	Cash flow before financing activities, investment activities, financial items and taxes	
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 the company's finances. Examples of such expenses are: capacity adjustments (restructuring), redundancy, legal costs relating to restructuring or similar, one-time expenses related to efficiency/reorganisation programmes, significant compensations or penalties paid out due to a 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 before taxes	Profit before taxes – items affecting comparability	
Net debt	Interest-bearing debt – cash and bank	

* When calculating the earnings per share, interest and issue costs of the hybrid loan, net of tax, have been reduced from profit for the period.

Notes to the half year financial report

Accounting policies

HKScan Corporation's Half year financial report for 1 January–30 June 2019 has been prepared in compliance with IAS 34 Interim Financial Reporting standards. The same accounting principles have been applied in the half year financial report as in the annual financial statements for 2018, except for the adoption of new IFRS 16 standard effective as of 1 January 2019. Due to the rounding of the figures to the nearest million euros in the half year financial report, some totals may not agree with the sum of their constituent parts. Accounting principles are explained in the financial statements for 2018. The half year financial report is unaudited.

The Group applies with full retrospective method the new IFRS 16 standard that are effective as of 1 January 2019. Comparative information is restated. According to IFRS 16 lessee is required to recognise 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. Less than 12 months agreements and assets of low value are excluded by the Group. The new standard has no significant impact on profit before taxes. Assets and interest-bearing liabilities grew by approximately EUR 45 million. Detailed information about the impact is available in restatement bulletin published 3 May 2019.

Analysis by segment

EUR million	4-6/2019	4-6/2018	1-6/2019	1-6/2018	2018
NET SALES					
- Sweden					
Sales, goods	163.0	173.2	317.2	337.2	681.9
Sales, services	0.0	0.1	0.0	0.1	0.1
- Finland					
Sales, goods	194.3	179.2	367.4	352.6	718.4
Sales, services	0.8	0.8	1.5	1.7	3.5
- Denmark					
Sales, goods	38.0	38.2	73.4	74.2	149.3
Sales, services	0.0	0.0	0.0	0.0	0.0
- Baltics					
Sales, goods	43.2	41.8	81.4	78.6	161.9
Sales, services	0.2	0.1	0.2	0.1	0.3
Group total	**439.4**	**433.5**	**841.2**	**844.5**	**1,715.4**
EBIT					
- Sweden	1.5	1.8	0.5	0.3	8.9
- Finland	-3.7	-14.0	-6.7	-24.3	-36.1
- Denmark	-1.6	-1.1	-8.7	-1.9	-5.8
- Baltics	2.5	0.2	1.7	-0.7	-0.7
Segments total	-1.3	-13.0	-13.1	-26.6	-33.6
Group administration costs	-5.2	-3.7	-8.1	-8.4	-14.7
Group total	**-6.6**	**-16.7**	**-21.2**	**-35.0**	**-48.3**
INVESTMENTS					
- Sweden					
Gross capital expenditure on PPE	1.5	2.5	5.4	3.8	6.4
Additions in right-of-use assets	1.1	0.5	1.4	1.0	1.7
Investments total	2.5	3.0	6.8	4.8	8.1
- Finland					
Gross capital expenditure on PPE	2.9	3.3	4.9	10.5	21.9
Additions in right-of-use assets	4.2	1.1	4.8	1.8	7.8
Investments total	7.0	4.3	9.7	12.2	29.7
- Denmark					
Gross capital expenditure on PPE	0.3	0.3	0.7	0.3	2.3
Additions in right-of-use assets	0.4	0.1	0.4	0.2	0.7
Investments total	0.7	0.3	1.1	0.5	3.0

- Baltics					
Gross capital expenditure on PPE	3.5	2.3	7.8	4.3	10.4
Additions in right-of-use assets	0.1	0.2	0.1	0.7	0.9
Investments total	3.5	2.5	7.9	5.0	11.3
Total	13.8	10.1	25.5	22.4	52.2
AVERAGE NUMBER OF EMPLOYEES					
- Sweden			2,038	2,136	2,123
- Finland			2,841	2,960	2,883
- Denmark			606	632	636
- Baltics			1,540	1,533	1,538
Total			7,024	7,261	7,179

Notes to the income statement

1. Items affecting comparability

EUR million	4-6/2019	4-6/2018	1-6/2019	1-6/2018	2018
Comparable EBIT	**-2.5**	**-16.6**	**-12.5**	**-34.6**	**-46.3**
Personnel costs, Group Management [1]	-	-	-	-	-1.2
Termination of employment, Sweden [1]	-1.0	-0.1	-1.0	-0.1	-0.1
Closing of sales office, Sweden [1]	-	-	-	-0.2	-0.2
Impairment of assets, Finland [2] [3]	-	-	-	-	-0.5
Termination of employment, Group Management [1]	-1.5	-	-1.5	-	-
Termination of employment, Sweden [2]	-0.4	-	-0.4	-	-
Termination of employment, Finland [1]	-0.8	-	-0.8	-	-
Termination of employment, Finland [2]	-0.2	-	-0.2		
Termination of employment, Baltics [1]	0.0	-	-0.1	-	-
Termination of employment, Baltics [2]	0.0	-	0.0	-	-
Impairment of assets, Denmark [2] [3]	-	-	-4.5	-	-
EBIT	**-6.6**	**-16.7**	**-21.2**	**-35.0**	**-48.3**

[1] Included in the Income Statement in the item "General administration and sales and marketing costs"
[2] Included in the Income Statement in the item "Cost of goods sold"
[3] Assets impairment to match their book value with estimated future profit

Notes to the statement of financial position

2. Changes in intangible assets

EUR million	1-6/2019	1-6/2018	2018
Opening balance	137.5	137.2	137.2
Translation differences	-2.5	-5.1	-3.5
Additions	0.5	0.5	0.1
Disposals	-	-	-
Depreciation and impairment	-1.5	-1.1	-2.4
Reclassification between items	2.8	2.6	6.1
Closing balance	136.8	134.1	137.5

3. Changes in tangible assets

EUR million	1-6/2019	1-6/2018	2018
Opening balance	478.5	502.2	502.2
Translation differences	-1.8	-4.6	-3.3
Additions	25.1	21.9	52.1
Disposals	-0.4	-0.8	-1.6
Depreciation and impairment	-36.6	-32.1	-64.8
Reclassification between items	-2.8	-2.6	-6.1
Closing balance	461.9	483.9	478.5

4. Right-of-use assets and lease liabilities

EUR million	Land and Water	Buildings and structures	Machinery and equipment	Total	Lease liabilities
Opening balance on 1.1.2019	6.4	19.6	20.0	46.1	46.8
Translation differences	-	-0.2	-0.1	-0.3	-0.3
Additions	4.1	1.1	1.5	6.7	6.7
Depreciation for the financial period	-0.6	-2.1	-2.7	-5.4	-
Reclassification between items	-	-	-1.8	-1.8	-
Payments	-	-	-	-	-5.8
Closing balance on 30.6.2019	10.0	18.4	16.9	45.3	47.3

EUR million	Land and Water	Buildings and structures	Machinery and equipment	Total	Lease liabilities
Opening balance on 1.1.2018	6.5	18.0	21.7	46.2	47.2
Translation differences	-	-0.5	-0.3	-0.8	-0.8
Additions	0.5	0.7	2.4	3.6	3.6
Depreciation for the financial period	-0.6	-1.8	-2.9	-5.3	-
Payments	-	-	-	-	-5.4
Closing balance on 30.6.2018	6.5	16.4	20.9	43.7	44.5

EUR million	4-6/2019	4-6/2018	1-6/2019	1-6/2018	2018
Depreciation expense of right-of-use assets	-2.7	-2.6	-5.4	-5.3	-10.8
Interest expense on lease liabilities	-0.4	-0.3	-0.7	-0.7	-1.4
Total amounts recognised in profit or loss	**-3.1**	**-3.0**	**-6.1**	**-6.0**	**-12.2**

5. Deferred tax assets

EUR 36.4 million of the deferred tax asset arise from Group's operations in Finland and mostly from adopted losses, postponed depreciations and non-deductible interest expenses. Increased deferred tax asset arising from tax losses in Finland in 2018 was losses incurred during Rauma factory ramp up and are therefore temporary in nature.

The company has ability to mitigate the expiration risk of the tax losses by deferring use of tax depreciation. A gradual reduction of the asset is expected to take place when effects of the turnaround programme will take effect. As a result of the successful share issue the expected decrease in interest expense will also positively affect on tax position in a longer run.

Deferred tax assets are assumed to be used within next thirteen calendar years. Consideration is based on current three years business plan of which implementation has so far proceeded according to original targeting. As plans always contain uncertainties, these are mitigated in consideration with very conservative assumption on EBIT growth in 2022 and beyond. Utilisation of deferred tax asset is based on taxable profits in the future and the assumption that there are no significant adverse changes in tax legislation. In addition, postponing tax depreciations and non-deductibility of interest expense can be used to speed up the utilisation of losses before they expire. Postponed tax depreciations and non-deducted interest expense can be utilised indefinitely.

The company stalled increasing of deferred tax assets in Finland in Q3 2018 and has continued to follow that principle as using period of recognized assets is relatively high. Unrecognized Finnish amount at the end of Q2 was 6,6 million. This policy might decrease effective tax rate on potential future profits if performance exceeds current consideration and unrecognized deferred tax assets are recovered in coming years.

6. Inventories

EUR million	1-6/2019	1-6/2018	2018
Materials and supplies	75.9	72.4	75.8
Semi-finished products	5.6	2.6	4.8
Finished products	37.7	30.9	33.4
Other inventories	0.2	0.2	0.2
Inventories, advance payments	0.9	0.7	1.7
Biological assets	6.8	6.4	5.4
Total inventories	**127.0**	**113.1**	**121.4**

7. 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 Jan. 2019	54,034,174	66.8	72.9	143.5	0.0	283.1
30 June 2019	98,951,781	66.8	72.9	215.4	0.0	355.0

Derivative instrument liabilities

EUR million	30 June 2019	30 June 2018	31 Dec. 2018
Nominal values of derivative instruments			
Foreign exchange derivatives	45.6	40.1	40.0
Interest rate derivatives	118.1	118.5	119.1
Electricity derivatives	11.0	8.4	10.0
Fair values of derivative instruments			
Foreign exchange derivatives	0.1	0.2	-0.1
Interest rate derivatives	-7.8	-9.3	-8.2
Electricity derivatives	2.0	4.6	5.3

Consolidated other contingent liabilities

EUR million	30 June 2019	30 June 2018	31 Dec. 2018
Debts secured by pledges or mortgages			
- loans from financial institutions	-	-	-
On own behalf			
- Mortgages given	-	-	-
- Assets pledged	-	-	-
On behalf of others			
- guarantees and other commitments	11.0	15.4	11.7
Other contingencies			
Leasing commitments	1.0	1.6	1.3

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 is determined by using publicly quoted market prices.

	30 June 2019	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	0.2	-	0.2	-
- Commodity derivatives	2.1	-	2.1	-
of which subject to cash flow hedging	2.1	-	2.1	-
Total	**2.3**	**-**	**2.3**	**-**
Liabilities measured at fair value				
Financial liabilities recognised at fair value through profit or loss				
-Trading derivatives				
- Interest rate swaps	-7.8	-	-7.8	-
- Foreign exchange derivatives	-0.1	-	-0.1	-
- Commodity derivatives	-0.1	-	-0.1	-
of which subject to cash flow hedging	-0.1	-	-0.1	-
Total	**-8.0**	**-**	**-8.0**	**-**

	30 June 2018	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	0.2	-	0.2	-
- Commodity derivatives	4.6	-	4.6	-
of which subject to cash flow hedging	4.6	-	4.6	-
Total	**4.8**	**-**	**4.8**	**-**
Liabilities measured at fair value				
Financial liabilities recognised at fair value through profit of loss				
-Trading derivatives				
- Interest rate swaps	-9.3	-	-9.3	-
- Foreign exchange derivatives	-0.1	-	-0.1	-
- Commodity derivatives	-	-	-	-
of which subject to cash flow hedging	-	-	-	-
Total	**-9.4**	**-**	**-9.4**	**-**

Business transactions with related parties

EUR million	1-6/2019	1-6/2018	2018
Sales to associates	9.5	10.4	20.2
Purchases from associates	18.4	16.0	32.5
Trade and other receivables from associates	2.7	2.1	2.7
Trade and other payables to associates	2.9	6.6	3.3