HKScan Group's interim report 1 January – 30 September 2014

Restructuring continues – cash flow improving

* Net sales totalled EUR 1 465.6 (1 565.3) million in January–September, and EUR 498.4 (526.9) million in the third quarter.

* In January–September, reported EBIT came to EUR 48.3 (0.9) million, and the EBIT margin was 3.3 (0.1) per cent. Comparable EBIT excluding non-recurring items for the period was EUR -1.0 (4.5) million, and the corresponding EBIT margin was -0.1 (0.3) per cent.

* For the third quarter, reported EBIT was EUR 7.3 (7.0) million, and the EBIT margin was 1.5 (1.3) per cent. Comparable EBIT excluding non-recurring items for the quarter amounted to EUR 7.3 (7.4) million, and the corresponding EBIT margin was 1.5 (1.4) per cent.

* Cash flow before debt service was EUR 173.5 (0.6) million in January–September, and EUR 16.3 (6.3) million in the third quarter.

* Profit/loss before taxes was EUR 46.9 (-1.1) million in January–September, and EUR 5.8 (5.3) million in the third quarter.

* EPS was EUR 0.97 (0.06) in January–September, and EUR 0.10 (0.12) in the third quarter.

* Net financial expenses were EUR -11.8 (-16.1) million in January–September, and EUR -2.1 (-5.3) million in the third quarter.

* Net debt totalled EUR 170.9 (419.3) million, and net gearing came to 38.1 (104.5) per cent in January–September.

* Outlook for 2014: HKScan expects the comparable operating profit (EBIT) margin for 2014 to be 0.5-1.0 per cent. The last quarter is expected to be the strongest. In 2013, the corresponding comparable operating profit (EBIT) margin was 0.5 per cent.

Hannu Kottonen, HKScan's CEO, comments on the third quarter:

"All markets remained weak in the third quarter. Tough sales price competition and a further decline in sales volumes continued. However, the decline in value was less than in volume, and we managed to increase our market share especially in the branded products.

Despite the difficulties our EBIT performance matched the prior year, and improvement was recorded in cash flow. Good headway continued with inventory and working capital management.

The development program for 2014 proceeded with good performance. Production restructuring was advancing on schedule in Sweden, which involved the discontinuation of pig slaughtering in Skara. Good progress is also being made in Group-wide brand strategy implementation as well as in technology and operations footprint enhancement.

Implementation of the revised strategy for profitable growth was also kicked off, with two major strategic investment initiatives announced in October. The planned initiatives in Western Finland and Estonia are currently undergoing feasibility studies. The final approvals are awaited next summer".

KEY FIGURES, Q3

(EUR million)	Q3/2014	Q3/2013	Q1-Q3/2014	Q1-Q3/2013	2013
Net sales	498.4	526.9	1 465.6	1 565.3	2 113.2
EBIT	7.3	7.0	48.3	0.9	11.7
- % of net sales	1.5	1.3	3.3	0.1	0.6
Profit/loss before taxes	5.8	5.3	46.9	-1.1	6.7
- % of net sales	1.2	1.0	3.2	-0.1	0.3
Profit/loss for the period	5.6	7.0	52.0	3.3	9.8
- % of net sales	1.1	1.3	3.5	0.2	0.5
EBIT, excluding non-recurring income and expenses	7.3	7.4	-1.0	4.5	11.2
- % of net sales	1.5	1.4	-0.1	0.3	0.5
EPS, EUR	0.10	0.12	0.97	0.06	0.16
Cash flow before debt service (mEUR)	16.3	6.3	173.5	0.6	86.8
Cash Flow Before Financing Activities (mEUR)	14.0	0.9	166.8	-6.1	75.3
Return on capital employed (ROCE) before taxes, %			10.6	3.7	4.0
Net debt (mEUR)			170.9	419.3	335.3
Gearing %			41.8	113.7	98.9
Net Gearing %			38.1	104.5	82.0

JANUARY – SEPTEMBER 2014

Net sales for the reported period were down on the corresponding period the previous year. EBIT also saw a year-on-year decline, but the decline halted in the third quarter. In January-September, Sweden improved modestly on last year, but the converse applied to all other market areas. In the third quarter, Finland and Denmark improved slightly from the prior year. Considering the circumstances, pleasing progress was made in inventory management, with stocks clearly lower than the previous year. The Group's overall financial position remained strong and net financial expenses stabilized on the new, lower cost level in the third quarter following the repayment of syndicated term loans.

Demand held steady in both the consumer and away from home markets. HKScan won some market share with its branded products, but in general, private-label products continued to increase their market share. Both value but especially volume decreased, with both domestic and export markets being affected by pork oversupply. The continuing Russian ban on pork imports from the EU countries increased the surplus in the pork meat balance globally. Pork meat inventories remained high throughout Europe, and global market prices remained dissatisfactory. Animal purchasing prices continued to decrease, but this failed to offset the deficit in sales prices. The rebalancing of volume to meet a more profitable volume level continued in all market areas except the Baltics, where there was some growth in volume.

Strategy for profitable growth advanced to the implementation stage. The Group's strategic must-win battles are to be modified to place a sharper focus on profitable growth in the coming years. The execution of the strategy calls for a greater emphasis on value-added products. Feasibility studies announced after the reporting period, in October, concerning new production facilities in Finland and in Estonia are to be carried out by next summer. The prospective investments are estimated to total EUR 55-85 million depending on the scale of the chosen options and final decisions.
The development programme for 2014 is proceeding on schedule, targeting an annual profit improvement in excess of EUR 20 million and a reduction of over EUR 50 million in net debt by 2015. This includes restructuring programs ongoing in Sweden and Finland, where the targeted cost savings – exceeding EUR 11 million – are expected to be achieved.

HKScan's first Group brand, Flodins™, was launched in Finland in September, followed by launches in Sweden and the Baltics in October. Flodins™ is a significant step in the Group's brand strategy to clarify and strengthen the HKScan Group brand and to update its product and concept brand portfolio. The Group conducted its first-ever Group-wide Employee Engagement Survey in September, achieving a participation rate of 82.5 per cent. The results of the survey will be utilized to identify organizational strengths and potential areas for improvement.

MARKET AREA: FINLAND

(EUR million)	Q3/2014	Q3/2013	Q1-Q3/2014	Q1-Q3/2013	2013
Net sales	194.7	200.4	573.4	593.9	804.1
EBIT	3.0	2.1	-11.2	1.5	3.2
- EBIT margin, %	1.5	1.1	-1.9	0.3	0.4
EBIT excluding non-recurring expenses	3.0	2.6	0.8	5.2	6.9
- EBIT margin, %	1.5	1.3	0.1	0.9	0.9

In Finland, net sales in January-September totalled 573.4 (593.9) million and EUR 194.7 (200.4) in the third quarter. EBIT excluding non-recurring expenses was 0.8 (5.2) in January-September, and 3.0 (2.6) in the third quarter. EUR 12.0 million in asset impairments have been recorded as non-recurring items.

The total market volume continued to decrease during the third quarter. Consumer purchasing power, lower food wastage and willingness to spend remained low, which also pushed down sales volumes, especially in the retail business. Russia's ban on EU pork imports increased oversupply directly and indirectly in the domestic market.

Despite the low level of demand, some market share was gained in branded products and in total. Total sales decreased still somewhat, but less in value than in volume. Demand management, deliveries and frozen stock were managed well. As a result, cash flow was clearly stronger than the previous year.

A review of the white-collar organization was completed at the end of September. Statutory negotiations involved nearly 400 white-collar employees in Finland, resulting in a headcount reduction of over 50 full-time positions. A total of 68 employees were directly affected. Part of the agreed reductions will be achieved through retirement and part-time employment arrangements. Most of the changes will be completed in 2014. The targeted cost reduction of EUR 4 million including also other savings is expected to be achieved in 2015.

During the quarter, Chinese authorities conducted audits at Finnish pig slaughterhouses including HKScan's Forssa facility. These audits were a first step in efforts to establish direct export of pig meat from Finland to China.

MARKET AREA: BALTICS

(EUR million)	Q3/2014	Q3/2013	Q1-Q3/2014	Q1-Q3/2013	2013
Net sales	47.3	44.7	129.2	130.4	175.1
EBIT	2.8	4.1	4.8	5.8	7.7
- EBIT margin, %	6.0	9.1	3.7	4.4	4.4

In the Baltics, net sales in January-September totalled EUR 129.2 (130.4) million, and 47.3 (44.7) million in the third quarter. EBIT was EUR 4.8 (5.8) million in January-September and EUR 2.8 (4.1) million in the third quarter.

The Baltic market is suffering the most acutely from Russia's ban on EU pork imports. Due to pork oversupply, pork sales prices were under heavy pressure. Sales margins were maintained successfully thanks to positive cost development in primary production, but the benefits were eaten by personnel-related cost inflation and other overheads. Still, positive margin performance in the poultry segment continued to support overall profitability.

The market position was maintained on the part of branded products thanks to the successful launch of novelties and campaigns on the domestic market, but continuing difficulties were encountered in exports. The frozen stock level was on the same level as a year before. Other working capital items and capital expenditure increased, resulting in weaker cash flow than the prior year.

African Swine Fever has been occurring in Estonia, posing an external business risk. High-level mitigation actions have been implemented in all pork primary production locations.

MARKET AREA: SWEDEN

(EUR million)	Q3/2014	Q3/2013	Q1-Q3/2014	Q1-Q3/2013	2013
Net sales	227.4	239.0	670.5	710.3	966.5
EBIT	5.1	5.1	-6.4	4.4	8.0
- EBIT margin, %	2.2	2.1	-1.0	0.6	0.8
EBIT excluding non-recurring expenses	5.1	5.1	4.8	4.4	10.2
- EBIT margin, %	2.2	2.1	0.7	0.6	1.1

In Sweden, net sales in January-September amounted to EUR 670.5 (710.3) million, and EUR 227.4 (239.0) million in the third quarter. EBIT excluding non-recurring expenses was EUR 4.8 (4.4) million in January-September, and EUR 5.1 (5.1) million in the third quarter.

Russia's ban on EU pork imports drove down sales prices, a trend that was especially marked in red meat and cold cuts. Private-label products kept gaining market share, but the Group managed to win market share with its branded products in certain processed meat and convenience food categories. Sales of Svensk Rapsgris® (Swedish rapeseed-fed pork) and the launch of fresh chicken progressed as planned, but frozen chicken products did not perform as well as expected.

Frozen stock levels were kept clearly below the prior year and also trade payables as well as investments contributed to stronger cash flow than the previous year. Animal purchasing prices decreased for pork but remained higher than expected for beef. Pork sourcing volumes were lowered in line with the rebalancing plan. Production efficiency continued to improve.

The production restructuring project is proceeding as planned with full implementation scheduled to be completed by early 2015, targeting an annualized profit improvement in excess of EUR 7 million. HKScan closed its pig slaughtering facility in Skara, as planned in September.

MARKET AREA: DENMARK

(EUR million)	Q3/2014	Q3/2013	Q1-Q3/2014	Q1-Q3/2013	2013
Net sales	51.6	56.5	158.1	172.9	225.3
EBIT	-1.5	-2.0	-8.2	-2.8	3.6
- EBIT margin, %	-3.0	-3.5	-5.2	-1.6	1.6

EBIT excluding non-recurring income and expenses	-1.5	-2.0	-3.1	-2.8	-2.8
- EBIT margin, %	-3.0	-3.5	-1.9	-1.6	-1.2

Danish net sales in January-September totalled EUR 158.1 (172.9) million, and EUR 51.6 (56.5) million in the third quarter. EBIT excluding non-recurring income and expenses was -3.1 (-2.8) million in January-September, and EUR -1.5 (-2.0) million in the third quarter.

Poultry purchasing prices and volumes kept decreasing from the previous year, but sales price pressure remained tough. Combined with the impact of lower volumes, the result remained in the red. Actions to decrease frozen stock continued, which continued to decrease margins also in the third quarter. Fresh chicken products generated satisfactory margins, but with volumes being lower than expected, the total margin was also lower than anticipated. Frozen products continued to face severe sales price competition, resulting in low margins in Denmark and Sweden. Cash flow remained weak due to low margins and low working capital turn.

Turnaround efforts are in progress and the management team has been renewed. The new General Manager will start in November. New product launches, production efficiency improvements and volume rebalancing actions are in the pipeline.

INVESTMENTS

The Group’s investments in the third quarter totalled EUR 10.0 (13.8) million. The market area breakdown is as follows:

(EUR million)	Q3/2014	Q3/2013	Q1-Q3/2014	Q1-Q3/2013	2013
Finland	3.3	6.4	9.8	10.8	15.2
Baltics	1.9	1.5	9.3	7.5	8.7
Sweden	1.6	1.6	3.6	3.5	6.1
Denmark 1)	3.1	4.3	8.4	5.3	12.1
Total	**10.0**	**13.8**	**31.2**	**27.2**	**42.2**

1) 2013 investments include the rebuild of the Vinderup plant.

A substantial amount of planned and executed investments focused on improving operational efficiency, which has been identified as a strategic focus area. In Finland, the main investment was a new slicing and packaging line in Mikkeli and Forssa organ department refurbishment. In Sweden, process investments were made in Linköping lamb slaughtering. In the Baltics, investments were done to improve packaging capacity in Jelgava. In Denmark, the investments were related to logistics rationalisation at Vinderup and Skovsgaard.

FINANCING AND TAXES

The Group’s interest-bearing debt at the end of September stood at EUR 187.3 (456.4) million. Net debt decreased to EUR 170.9 (419.3) million mostly due to the closing of the Sokolow divestment in June, when HKScan repaid all syndicated loans amounting to approximately EUR 190 million.
The Group’s liquidity has been good. Undrawn committed credit facilities at 30 September 2014 stood at EUR 161.5 (175.9) million. In addition, the Group had other uncommitted overdraft and other facilities of EUR 22.5 (22.8) million. The EUR 200.0 million commercial paper programme had been drawn to the amount of EUR 117.5 (149.0) million.

Net financial expenses decreased due to the lower loan amount and were EUR -2.1 (-5.3) million in the third quarter and EUR –11.8 (-16.1) million in January-September. Costs in the second quarter include one-time financial restructuring expenses of EUR 1.1 million.

Group income taxes came to EUR -0.2 (1.6) million in the third quarter and were EUR 5.0 (4.3) million in the positive in January-September.

SHARES

At the end of September, HKScan Group's share capital stood at EUR 66 820 528. The Group's total number of shares issued, 55 026 522, was divided into two share series as follows: A Shares, 49 626 522 (90.19% of the total number of shares) and K Shares, 5 400 000 (9.81%). The A Shares are quoted on the NASDAQ OMX 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. The company held 1 053 734 A Shares as treasury shares corresponding to 1.9 per cent of the company’s total number of shares and 0.7 per cent of the total number of votes.

HKScan’s market capitalization at the end of September stood at EUR 185.4 (188.2) million, breaking down as follows: Series A shares had a market value of EUR 167.2 (169.7) million, and the unlisted Series K shares a calculated market value of EUR 18.2 (18.5) million.

In January-September, a total of 10 084 409 (4 960 555) of the company’s shares with a total value of EUR 39 020 690 (18 913 516) were traded. The highest price quoted in the period under review was EUR 4.49 (4.28), and the lowest was EUR 3.37 (3.38). The average price was EUR 3.82 (3.81). At the end of September, the closing price was EUR 3.37 (3.42).

LIQUIDITY PROVIDING AGREEMENT TERMINATED

The Liquidity Providing (LP) agreement between HKScan Corporation and FIM Securities Ltd terminated on 31 July 2014. The agreement met the requirements set for liquidity providing at NASDAQ OMX Helsinki Ltd. HKScan estimates that the liquidity of the stock is sufficient and an external liquidity provider is no longer needed.

ANNUAL GENERAL MEETING AND BOARD OF DIRECTORS’ AUTHORIZATIONS

The Annual General Meeting of HKScan Corporation was held on 10 April 2014 in Helsinki. The resolutions of the AGM, including authorizations given to the Board, are reported in a stock release the same day. The Board has not exercised the authorizations given by the AGM.

PERSONNEL

During January-September, HKScan’s personnel averaged 7 776 (7 841) in number.
The average number of personnel in each market area was as follows:

	Q1-Q3/2014	Q1-Q3/2013	2013
Finland	2 816	2 730	2 685
Baltics	1 770	1 758	1 761
Sweden	2 349	2 468	2 459
Denmark	841	885	869
Total	**7 776**	**7 841**	**7 774**

The breakdown of personnel by market area at the end of September was as follows:

	30.9.2014	30.9.2013	31.12.2013
Finland	2 682	2 510	2 572
Baltics	1 767	1 758	1 760

Sweden	2 203	2 377	2 248
Denmark	752	799	838
Total	**7 404**	**7 444**	**7 418**

CLAIM BY OY PRIMULA AB’S BANKCRUPTCY ESTATE

As announced in a stock exchange release published on 7 September 2012, HKScan Corporation and HK Ruokatalo Oy (now HKScan Finland Oy) were notified that Oy Primula Ab's bankruptcy estate has submitted an action for damages to the District Court of Finland Proper concerning the companies. The claim amounts to about EUR 16.3 million, plus claims related to interest and legal costs.

HKScan and HKScan Finland regard the action as unjustified, and the companies have disputed the claim in its entirety in the pending trial. The action did not result in any provisions in the consolidated financial statements.

SHORT-TERM RISKS AND UNCERTAINTY FACTORS

The most significant uncertainty factors in HKScan Group’s business are related to price trends and the potential excess or availability of local or global meat raw material, as well as to the adequacy of price increases in relation to costs.
The risks include various unexpected actions potentially taken by the authorities which may impose restrictions on the business. Additionally, the Group’s ongoing development projects and organizational restructuring may create uncertainties and unforeseen extra costs.
The risks of animal diseases in the food industry’s raw meat supply or potential international or regional food scandals impacting the overall consumption outlook can never be fully excluded.

EVENTS AFTER THE REPORTING PERIOD

On 2 October, HKScan announced that it will consolidate its IT infrastructure through a partnership agreement with Atos. The agreement includes development of workspace, network and storage services as well as a cloud-enabled IT infrastructure. The consolidation will improve HKScan’s operational efficiency and create cost savings.

On 9 October, HKScan announced that HKScan Sweden AB had signed a five-year framework agreement for ongoing cooperation with Coop Sverige AB. Coop operates 700 retail stores in Sweden, holding over 21 per cent of the Swedish grocery retail sector. The new five-year agreement is an upgrade of an existing contract and its goal is to create new opportunities for further development of the meat category. The deal will strengthen HKScan’s foothold on the Swedish market and ensure Coop good availability of Swedish meat raw material.

On 13 October, HKScan announced that the HKScan Board of Directors has given permission to proceed with planning of two major investment projects. The first is a prospective EUR 35-65 million facility in western Finland, and the other is a EUR 20 million production facility to be located in Rakvere, Estonia. The final investment sums depend on which implementation options are chosen. The planned initiatives are currently undergoing detailed feasibility studies. The final approvals are awaited next summer.
The investments will enable HKScan to develop its branded offering for growing segments, enhance its product quality, improve working conditions and safety, and reduce environmental impacts. The investment projects will also support HKScan in streamlining its production structure, integrating its technology and thereby improving operational efficiency.

OUTLOOK FOR 2014

HKScan adjusted its full-year outlook on 16 June 2014. HKScan expects its full-year operating profit (EBIT) margin excluding non-recurring items to be 0.5-1.0 per cent. Performance in the last quarter is anticipated to be the strongest. The corresponding full year figure for 2013 was 0.5 per cent.

The full-year reported operating profit including non-recurring items is estimated to be significantly higher as a result of the sale of HKScan's shares in Saturn Nordic Holding AB.

CONSOLIDATED FINANCIAL STATEMENTS 1 JANUARY – 30 SEPTEMBER 2014

CONSOLIDATED INCOME STATEMENT

(EUR million)	Note	Q3/2014	Q3/2013	Q1-Q3/2014	Q1-Q3/2013	2013
Net sales		498.4	526.9	1 465.6	1 565.3	2 113.2
Cost of goods sold	1.	-466.2	-498.4	-1 417.1	-1 494.0	-2 014.8
Gross Profit		32.2	28.5	48.5	71.3	98.4
Other operating items total	1.	1.8	5.5	91.4	18.7	33.4
Sales and marketing costs	1.	-14.4	-12.6	-46.7	-42.8	-58.1
General administration costs	1.	-12.3	-14.4	-44.8	-46.3	-62.0
Operating Profit		7.3	7.0	48.3	0.9	11.7
Financial income and expenses		-2.1	-5.3	-11.8	-16.1	-23.6
Share of profit/loss in associates		0.7	3.6	10.4	14.1	18.6
Profit/loss before taxes		5.8	5.3	46.9	-1.1	6.7
Income tax		-0.2	1.6	5.0	4.3	3.1
Profit/loss for the period		5.6	7.0	52.0	3.3	9.8
Non-controlling interests		-0.1	-0.3	0.1	-0.2	-1.1
Profit/loss for the period		5.5	6.7	52.1	3.1	8.7

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

EPS, undiluted, continuing operations, EUR/share	0.10	0.12	0.97	0.06	0.16
EPS, diluted, continuing operations, EUR/share	0.10	0.12	0.97	0.06	0.16

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR million)	Q3/2014	Q3/2013	Q1-Q3/2014	Q1-Q3/2013	2013
Profit/loss for the period	5.6	7.0	52.0	3.3	9.8
OTHER COMPREHENSIVE INCOME (after taxes):					
Exchange differences on translating foreign operations	0.4	3.3	-4.9	-4.0	-3.4
Cash flow hedging	-0.3	1.3	-1.5	4.1	2.8
Revaluation	0.0	0.0	0.0	0.0	0.0
Actuarial gains or losses	0.0	0.0	0.0		1.6
TOTAL OTHER COMPREHENSIVE INCOME	0.1	4.6	-6.4	0.2	1.0

TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	5.7	11.6	45.6	3.4	10.8
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:					
Equity holders of the parent	5.6	11.3	45.7	3.2	9.7
Non-controlling interests	0.1	0.3	-0.1	0.2	1.1
Total	5.7	11.6	45.6	3.4	10.8

CONSOLIDATED BALANCE SHEET

(EUR million)	Note	30.9.2014	30.9.2013	31.12.2013
ASSETS				
Intangible assets	2.	147.4	153.6	152.1
Tangible assets	3.	377.9	417.0	411.5
Holdings		41.6	148.7	149.9
Other non-current assets		36.5	37.4	30.6
TOTAL NON-CURRENT ASSETS		603.5	756.7	744.1
Inventories	4.	140.8	178.9	152.5
Current receivables		132.4	154.3	137.0
Cash and cash equivalents		14.3	36.6	68.7
TOTAL CURRENT ASSETS		287.5	369.8	358.1
Assets of disposal group classified as held for sale		0.0	0.0	0.0
TOTAL ASSETS		890.9	1 126.5	1 102.2
EQUITY AND LIABILITIES				
EQUITY	5.	448.5	401.4	409.0
Non-current loans, interest-bearing		58.5	136.8	245.1
Non-current liabilities, non-interest-bearing		31.4	39.0	36.5
TOTAL NON-CURRENT LIABILITIES		89.9	175.8	281.6
Current loans, interest-bearing		128.8	319.6	159.3
Current liabilities, non-interest-bearing		223.8	229.8	252.3
TOTAL CURRENT LIABILITIES		352.6	549.3	411.6
TOTAL EQUITY AND LIABILITIES		890.9	1 126.5	1 102.2

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(EUR million)	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
EQUITY AT 1.1.2014	**66.8**	**73.5**	**-10.8**	**143.5**	**32.0**	**2.0**	**0.0**	**93.0**	**400.0**	**9.0**	**409.0**
Result for the financial period	-	-	-	-	-	-	-	52.1	52.1	-0.1	52.0

Other comprehensive income (+) / expense (–)											
Transl. diff.	-	-	-	-	-	-4.9	-	-	-4.9	-	-4.9
Cash flow hedging	-	-	-1.5	-	-	-	-	-	-1.5	-	-1.5
Actuarial gains or losses	-	-	-	-	-	-	-	-	-	-	0.0
Total compreh. income for the period	**-**	**-**	**-1.5**	**-**	**-**	**-4.9**	**-**	**52.1**	**45.7**	**-0.1**	**45.6**
Direct recognit. in retained earnings	-	-	-	-	-	-	-	0.0	0.0	-	0.0
Transfers between items	-	-0.6	-	-	-21.9	-	-	22.5	0.0	-	0.0
Dividend distribut.	-	-	-	-	-	-	-	-5.4	-5.4	-0.7	-6.1
EQUITY AT 30.9.2014	**66.8**	**72.9**	**-12.4**	**143.5**	**10.1**	**-2.9**	**0.0**	**162.2**	**440.3**	**8.2**	**448.5**

(EUR million)	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
EQUITY AT 1.1.2013	**66.8**	**73.3**	**-13.7**	**143.5**	**26.4**	**5.4**	**0.0**	**93.7**	**395.4**	**8.6**	**404.0**
Result for the financial period	-	-	-	-	-	-	-	3.1	3.1	0.2	3.3
Other comprehensive income (+) / expense (–)											
Transl. diff.	-	-	-	-	-	-4.0	-	-	-4.0	-	-4.0
Cash flow hedging	-	-	4.1	-	-	-	-	-	4.1	-	4.1
Actuarial gains or losses	-	-	-	-	-	-	-	-	-	-	-
Total compreh. income for the period	-	-	**4.1**	-	-	**-4.0**	-	**3.1**	**3.2**	**0.2**	**3.4**
Direct recognit. in retained earnings	-	-	-	-	-	-	-			-	
Transfers between items	-	-	-	-	5.4	-	-	-5.4	0.0	-	0.0
Dividend distribut.	-	-	-	-	-	-	-	-5.4	-5.4	-0.6	-6.0
EQUITY AT 30.9.2013	**66.8**	**73.3**	**-9.5**	**143.5**	**31.8**	**1.4**	**0.0**	**85.9**	**393.2**	**8.2**	**401.4**

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

(EUR million)	Q1-Q3/2014	Q1-Q3/2013	2013
Cash flow before change in net working capital	29.4	48.0	76.4
Change in net working capital	-6.5	-23.1	46.2

Financial items and taxes	-6.2	-7.4	-11.8
CASH FLOW FROM OPERATING ACTIVITIES	16.7	17.5	110.8
Cash flow from investing activities	150.1	-23.7	-35.6
CASH FLOW AFTER INVESTING ACTIVITIES	166.8	-6.1	75.3
Change in loans	-214.7	-6.7	-55.9
Dividends paid	-6.1	-6.0	-5.9
CASH FLOW FROM FINANCING ACTIVITIES	-220.8	-12.7	-61.8
NET CASH FLOW	-54.0	-18.9	13.5
Cash and cash equivalents at beginning of period	68.7	55.6	55.6
Translation differences	-0.4	-0.1	-0.4
Cash and cash equivalents at end of period	14.3	36.6	68.7

FINANCIAL INDICATORS

	30.9.2014	30.9.2013	31.12.2013
Earnings per share (EPS), undiluted, EUR	0.97	0.06	0.16
Earnings per share (EPS), diluted, EUR	0.97	0.06	0.16
Equity per share, EUR	8.2	7.3	7.4
Equity ratio, %	50.3	35.6	37.1
Adjusted average number of shares, mill.	54.0	54.0	54.0
Gross capital expenditure on PPE, EUR mill.	31.2	27.2	42.2
Employees, end of month average	7 776	7 841	7 774

NOTES TO CONSOLIDATED INTERIM REPORT

ACCOUNTING POLICIES

HKScan Corporation’s interim report for 1 January – 30 September 2014 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 2013, with the exception of the new IFRS 10 (Consolidated Financial Statements) and IFRS 11 (Joint arrangements) standards (effective as of 1 January 2014). In addition, costs incurred by centralized Group services such as Group Technology and Operations Development are to be invoiced individually by Market Areas as of January 1, 2014. The Group’s financial reporting in 2014 will be in line with these changes. The quarterly Group and market area information for 2013 has been restated accordingly. 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 2013.

The interim report is unaudited.

ANALYSIS BY SEGMENT

Net sales and EBIT by market area

(EUR million)	Q3/2014	Q3/2013	Q1-Q3/2014	Q1-Q3/2013	2013
NET SALES					
- Finland	194.7	200.4	573.4	593.9	804.1
- Baltics	47.3	44.7	129.2	130.4	175.1
- Sweden	227.4	239.0	670.5	710.3	966.5

- Denmark	51.6	56.5	158.1	172.9	225.3
- Between segments	-22.5	-13.7	-65.7	-42.2	-57.7
Group total	498.4	526.9	1 465.6	1 565.3	2 113.2
EBIT					
- Finland	3.0	2.1	-11.2	1.5	3.2
- Baltics	2.8	4.1	4.8	5.8	7.7
- Sweden	5.1	5.1	-6.4	4.4	8.0
- Denmark	-1.5	-2.0	-8.2	-2.8	3.6
- Between segments	-	-	-	-	-
Segments total	9.3	9.3	-21.0	9.0	22.5
Group administration costs	-2.0	-2.3	69.3	-8.1	-10.7
Group total	7.3	7.0	48.3	0.9	11.7

NOTES TO THE INCOME STATEMENT

1. NON-RECURRING ITEMS

(EUR million)	Q3/2014	Q3/2013	Q1-Q3/2014	Q1-Q2/2013	2013
Restructuring redundancy expenses COGS, Finland 1)	-	-	-	-1.4	-1.5
Restructuring redundancy expenses SGA, Finland 2)	-	-0.5	-	-1.1	-1.1
Restructuring expenses for production setup, Finland 1)	-	-	-	-1.0	-1.0
Impairment of assets, Finland 1)	-	-	-12.0	-	-
Restructuring expenses for closed operations, Sweden 1)	-	-	-3.7	-	-
Impairment of assets, Sweden 1)	-	-	-6.6	-	-
Impairment of assets, Sweden 3)	-	-	-	-	-2.3
Impairment of inventory 2011-2012, Sweden 1)	-	-	-0.8	-	-
Property insurance compensation, Denmark 3)	-	-	-	-	7.1
Impairment of assets, Denmark 1)	-	-	-5.2	-	-
Restructuring redundancy expenses SGA, Denmark 2)	-	-	-	-	-0.7
Capital gain in sales of shares of Saturn Nordic Holding Ab 3)	-	-	77.6	-	-
Non-recurring items Total	-	-0.5	49.3	-3.6	0.5

1) Included in the Income Statement in the item ”COGS Total”
2) Included in the Income Statement in the item ”SGA Total”
3) Included in the Income Statement in the item ”Other operating items total”

NOTES TO THE STATEMENT OF FINANCIAL POSITION

2. CHANGES IN INTANGIBLE ASSETS

(EUR million)	Q3/2014	Q3/2013	2013
Opening Balance	152.1	156.1	156.1
Translation differences	-3.0	-0.9	-3.1
Additions	1.0	0.7	2.1
Additions, business acquisitions	0.8	0.0	0.0
Disposals	0.0	0.0	0.0
Depreciation and impairment	-3.6	-2.4	-3.2
Reclassification between items	0.1	0.0	0.3
Closing balance	147.4	153.6	152.1

3. CHANGES IN PROPERTY, PLANT AND EQUIPMENT

(EUR million)	Q3/2014	Q3/2013	2013
Opening Balance	411.5	437.0	437.0
Translation differences	-1.9	-1.0	-2.5
Additions	30.5	27.2	40.5
Additions, business acquisitions	0.0	0.0	0.0
Disposals	-1.4	-2.5	-5.0
Depreciation and impairment	-61.2	-43.7	-58.1
Reclassification between items	0.4	0.0	-0.5
Closing balance	377.9	417.1	411.5

4. INVENTORIES

(EUR million)	Q3/2014	Q3/2013	2013
Materials and supplies	71.0	58.5	85.8
Semi-finished products	8.8	3.2	4.0
Finished products	48.5	44.6	44.3
Other inventories	2.5	7.3	6.6
Inventories, advance payments	0.7	1.1	1.1
Biological asset, IFRS 41	9.4	64.2	10.7
Total inventories	140.8	178.9	152.5

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
1.1.2014	53 972 788	66.8	72.9	143.5	0.0	283.1
30.9.2014	53 972 788	66.8	72.9	143.5	0.0	283.2

DERIVATIVE INSTRUMENT LIABILITIES

(EUR million)	30.9.2014	30.9.2013	31.12.2013
Nominal values of derivative instruments			
Foreign exchange derivatives	77.2	67.9	78.3
Interest rate derivatives	158.7	255.1	211.6
Electricity derivatives	7.0	9.6	9.3
Fair values of derivative instruments			
Foreign exchange derivatives	-0.3	0.0	-0.8
Interest rate derivatives	-15.5	-17.0	-16.0
Electricity derivatives	-1.4	-1.2	-2.1

CONSOLIDATED OTHER CONTINGENT LIABILITIES			
(EUR million)			
	30.9.2014	30.9.2013	31.12.2013
Debts secured by			
pledges or mortgages			
- loans from financial institutions	31.6	302.2	273.7
Given as security			
- real estate mortgages	12.3	12.5	12.4
- pledges	0.3	4.9	0.4
- floating charges	2.9	9.0	9.0
For associates			
- guarantees	2.5	7.5	7.5
For others			
- guarantees and pledges	8.5	11.8	15.7
Other contingencies			
Leasing commitments	14.3	16.0	17.2
Rent liabilities	43.6	50.6	49.4
Other commitments	6.6	7.2	6.6

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 on the reporting date. The fair values of interest rate swaps are determined using the net present value method supported by the market interest rates on the reporting date. The fair value of commodity derivatives are determined by using publicly quoted market prices.

	30.9.2014	**Level 1**	**Level 2**	**Level 3**
Assets measured at fair value				
Financial assets recognised at fair value				
through profit or loss				
- Trading securities	-	-	-	-
- Trading derivatives				
- Interest rate swaps	-	-	-	-
- Foreign exchange derivatives	0.2	0.0	0.2	0.0
- Commodity derivatives	-	-	-	-
Available-for-sale financial assets				
- Investments in shares	0.0	0.0	0.0	0.0
Total	**0.2**	**0.0**	**0.2**	**0.0**

Liabilities measured at fair value				
Financial liabilities recognised at fair value				
through profit or loss				
-Trading derivatives				
- Interest rate swaps	-15.5	0.0	-15.5	0.0
of which subject to cash flow hedging	-15.4	0.0	-15.4	0.0
- Foreign exchange derivatives	-0.5	0.0	-0.5	0.0
of which subject to net investment hedging	-	-	-	-
- Commodity derivatives	-1.4	0.0	-1.4	0.0
of which subject to cash flow hedging	-1.4	0.0	-1.4	0.0
Total	**-17.4**	**0.0**	**-17.4**	**0.0**

BUSINESS TRANSACTIONS WITH RELATED PARTIES

(EUR million)	Q1-Q3/2014	Q1-Q3/2013	2013
Sales to associates	50.1	85.3	106.5
Purchases from associates	29.6	43.1	55.1
Trade and other receivables	3.0	3.2	4.0
Trade and other payables	3.1	3.5	5.0

NEXT FINANCIAL REPORT

HKScan Group's financial statements bulletin 2014 will be published on 11 February 2015.
Vantaa, 5 November 2014

HKScan Corporation
Board of Directors

Further information is available from HKScan Corporation's President and CEO, Hannu Kottonen and CFO, Tuomo Valkonen. Kindly submit a call-back request to Marja-Leena Dahlskog, SVP Communications, firstname.surname@hkscan.com or tel. +358 10 570 2142

HKScan is the leading Nordic meat expert. We sell, market and produce high-quality, responsibly-produced pork, beef, poultry and lamb products, processed meats and convenience foods under strong brand names. Our customers are the retail, food service, industrial and export sectors, and our home markets comprise Finland, Sweden, Denmark and the Baltics. We export to close to 50 countries. HKScan's net sales is EUR 2.1 billion and we have some 7 700 employees, making us one of the Europe's leading meat companies.

DISTRIBUTION:
NASDAQ OMX Helsinki
Main media
www.hkscan.com